



Ibercaja Banco, S.A.

(incorporated as a limited liability company (sociedad anónima) under the laws of Spain)

EUR 500,000,000

Fixed Rate Reset Subordinated Notes due 23 July 2030

The issue price of the €500,000,000 Fixed Rate Reset Subordinated Notes due 23 July 2030 (the “Notes”) of Ibercaja Banco, S.A. (the “Issuer”, the “Bank” or “Ibercaja Banco”) is 100% of their principal amount. The Notes have been issued in denominations of €100,000. The Notes were issued on 23 January 2020 (the “Issue Date”). The Bank and its consolidated subsidiaries are referred to herein as the “Group”.

As described in the terms and conditions of the Notes (the “Conditions”), unless previously redeemed, the Notes will be redeemed at their principal amount on 23 July 2030. The Notes may be redeemed at the option of the Bank in whole, but not in part, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption, subject to the conditions set out in Condition 4.2 including, without limitation, obtaining prior Supervisory Permission, if a Tax Event or a Capital Event occurs (as such terms are defined in the Conditions). See Conditions 4.4 and 4.5.

In addition, the Bank may at its option, subject to the conditions set out in Condition 4.2 including, without limitation, obtaining prior Supervisory Permission, redeem all, but not some only, of the Notes on the Reset Date, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. See Condition 4.3.

The Notes bear interest on their outstanding principal amount (i) at a fixed rate of 2.75% per annum from (and including) the Issue Date to (but excluding) the Reset Date (as defined in the Conditions) payable annually (except for the first Interest Period (as defined in the Conditions) in arrear on 23 July in each year, with the first Interest Payment Date on 23 July 2020 (short coupon), and (ii) from (and including) the Reset Date (as defined in the Conditions), at the Reset Rate of Interest (as defined in the Conditions) plus 2.882% per annum (the “Margin”), as determined by the Bank, payable annually in arrear on 23 July in each year, with the first Interest Payment Date after the Reset Date on 23 July 2026 (see Condition 3). Payments on the Notes will be made in Euro without deduction for or on account of taxes imposed or levied by the Kingdom of Spain to the extent described under Condition 7.

The payment obligations of the Bank under the Notes on account of principal constitute direct, unconditional, unsecured and subordinated obligations (*créditos subordinados*) of the Bank, as more fully described in Condition 2. The Notes are expected to qualify as Tier 2 Capital (as defined in the Conditions) of the Group.

Subject to the prior Supervisory Permission and to compliance with the Applicable Banking Regulations, if a Capital Event or Tax Event has occurred and is continuing, the Bank may substitute all (but not some only) of the Notes or vary the terms of all (but not some only) of the Notes, without the consent of the Holders (as defined below), so that they become or remain Qualifying Tier 2 Notes (as defined in the Conditions).

The Notes are rated BB by Fitch Ratings España, S.A.U. (“Fitch”) and B+ by S&P Global Ratings Europe Limited (“S&P”). Fitch and S&P are established in the European Union (“EU”) and are registered under Regulation (EC) No 1060/2009 (as amended) on credit rating agencies (the “CRA Regulation”). Fitch and S&P appear on the latest update of the list of registered credit rating agencies (as of 1 October 2019) on the European Securities and Markets Authority (“ESMA”) website. **A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency.**

Investors should make their own assessment as to the suitability of investing in the Notes. Application is expected to be made for the Notes to be admitted to trading on the Spanish AIAF Fixed Income Securities Market (“AIAF”). AIAF is a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments directive (as amended, “MiFID II”).

Amounts payable under the Notes from and including the Reset Date are calculated by reference to the 5-year Mid-Swap Rate which (a) appears on the “ICESWAP2” screen, which is provided by ICE Benchmark Administration Limited or (b) by reference to EURIBOR 6-month (as defined in the Conditions) which appears on the “EURIBOR01” screen, which is provided by the European Money Markets

Institute. As of the date of this Prospectus, both ICE Benchmark Administration Limited and European Money Markets Institute appear on the register of administrators and benchmarks established and maintained by ESMA pursuant to article 36 of the Regulation (EU) No 2016/1011 (the “**Benchmark Regulation**”).

Title to the Notes is evidenced by book entries, and each person shown in the central registry of the Spanish settlement system managed by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (“**Iberclear**”) and in the registries maintained by the participating entities (*entidades participantes*) in Iberclear (“**Iberclear Members**”) as having an interest in the Notes shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the Notes recorded therein (a “**Holder**”).

The Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. Prospective purchasers of the Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risks and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial condition.

An investment in the Notes involves certain risks. For a discussion of these risks see “*Risk Factors*” beginning on page 11.

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

<p>The period of validity of this Prospectus is up to (and including) the admission to trading of the Notes. For the avoidance of doubt, the Issuer shall have no obligation to supplement this Prospectus after the admission to trading of the Notes.</p>
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Joint Lead Managers

Barclays

BBVA

BofA Securities

UBS Investment Bank

The date of this Prospectus is [] 2020.

IMPORTANT NOTICES

Ibercaja Banco has not authorised the making or provision of any representation or information regarding Ibercaja Banco, the Group or the Notes other than as contained in this Prospectus or as approved for such purpose by Ibercaja Banco. Any such representation or information should not be relied upon as having been authorised by Ibercaja Banco or the joint lead managers named under “*Subscription and Sale*” below (the “**Joint Lead Managers**”).

None of the Joint Lead Managers, nor any of their respective affiliates, has separately verified the information contained or incorporated by reference in this Prospectus. Neither the Joint Lead Managers nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained or incorporated by reference in this Prospectus or any other information supplied by Ibercaja Banco in connection with the Notes or any responsibility for the acts or omissions of the Bank or any other person in connection with the issue and offering of the Notes. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of Ibercaja Banco or the Group since the date of this Prospectus or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Joint Lead Managers shall not be responsible for, or for investigating, any matter which is the subject of, any statement, representation, warranty or covenant of Ibercaja Banco or the Group contained in the Prospectus, or any other agreement or document relating to the Notes, or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof.

Each potential purchaser of Notes should determine for itself the relevance of the information contained or incorporated by reference in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Joint Lead Managers undertakes to review the financial condition or affairs of Ibercaja Banco or the Group during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Joint Lead Managers.

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

The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by Ibercaja Banco and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see “*Subscription and Sale*”.

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

In this Prospectus, unless otherwise specified, references to a “**Member State**” are references to a Member State of the European Economic Area (“**EEA**”), references to “**EUR**” or “**euro**” are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended. References to “**billions**” are to thousands of millions.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Words and expressions defined in the Conditions shall have the same meanings when used elsewhere in this Prospectus unless otherwise specified.

Potential investors are advised to exercise caution in relation to any purchase of the Notes. If a potential investor is in any doubt about any of the contents of this Prospectus, it should obtain independent professional advice. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus or incorporated by reference herein.

The Notes are complex financial instruments and are not a suitable or appropriate 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 Prospectus, taking into account that the Notes are a suitable investment for professional or institutional investors only;
- (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 where the currency for payments in respect of the Notes is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes, including the provisions relating to redemption or substitution of the Notes and any variation of their terms, and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

The Notes are rated BB by Fitch and B+ by S&P. Similar ratings assigned to different types of securities do not necessarily mean the same thing and any rating assigned to the Notes does not address the likelihood that interest (including any additional amounts payable in accordance with Condition 7) or any other payments in respect of the Notes will be made on any particular date or at all. Credit ratings also do not address the marketability or market price of securities.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal, at any time, by the assigning rating organisation. Potential investors should not rely on any rating of the Notes and should make their investment decision in light of its own circumstances. Neither the Bank nor the Joint Lead Managers participate in any decision making of the rating agencies and any revision or

withdrawal of any credit rating assigned to the Bank or any securities of the Bank is a third party decision for which neither the Bank nor the Joint Lead Managers assume any responsibility.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET – Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. The target market assessment indicates that Notes are incompatible with the needs, characteristic and objectives of clients which have no risk tolerance or are seeking on-demand full repayment of the amounts invested. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturers’ target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document (KID) required by Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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OVERVIEW

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

Words and expressions defined in the “*Conditions of the Notes*” below have the same meanings in this overview.

Issuer	Ibercaja Banco, S.A.
Joint Lead Managers	Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank Ireland PLC, Merrill Lynch International and UBS Europe SE.
Risk factors	There are certain factors that may affect the Bank’s ability to fulfil its obligations under the Notes. These are set out under “ <i>Risk Factors</i> ” below.
Issue size	€500,000,000
Issue date	23 January 2020
Issue details	€500,000,000 Fixed Rate Reset Subordinated Notes due 23 July 2030
Form and denomination	The Notes have been issued in uncertificated, dematerialised book-entry form in euro in the denomination of €100,000 each.
Use and estimated net amount of proceeds	<p>Net proceeds: €500,000,000</p> <p>The Bank intends to use the net proceeds from the issue of the Notes for its general corporate purposes.</p> <p>Ibercaja Banco will request that the Notes qualify as Tier 2 Capital of the Group pursuant to Applicable Banking Regulations.</p> <p>See “<i>Use and estimated net amount of proceeds</i>”.</p>
Interest	<p>The Notes bear interest on their outstanding principal amount as follows:</p> <p>(i) in respect of the period from (and including) the Issue Date to (but excluding) the Reset Date at the fixed rate of 2.75% per annum payable annually (except for the first Interest Period) in arrear on 23 July in each year, with the first Interest Payment Date on 23 July 2020 (short coupon); and (ii) in respect of the Reset Period, at the rate per annum equal to the aggregate of the 5-year Mid-Swap Rate (quoted on an annual basis) and the Margin, payable annually in arrear on 23 July in each year, with the first Interest Payment Date after the Reset Date on 23 July 2026.</p> <p>For further information, see Condition 3. Payments on the Notes will be made in euro without deduction for or on account of taxes imposed or levied by the Kingdom of Spain to the extent described under Condition 7 in the Conditions.</p>
Status of the Notes	The payment obligations of the Bank under the Notes on account of principal constitute direct, unconditional, unsecured and subordinated

obligations of the Bank in accordance with Article 92.2° of Law 22/2003, of 9 July, on Insolvency (*Ley 22/2003, de 9 de julio, Concursal*) (the “**Insolvency Law**”) and Additional Provision 14.3° of Law 11/2015, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise). The Notes are expected to constitute Tier 2 Capital of the Group.

For further information, see Condition 2.

Optional redemption

All, and not only some, of the Notes may be redeemed at the option of the Bank, subject to the prior Supervisory Permission and otherwise in accordance with Applicable Banking Regulations, on the Reset Date, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption.

The Notes are also redeemable on or after the Issue Date at the option of the Bank in whole but not in part, at any time, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption if there is a Capital Event or a Tax Event, subject, in each case, to the prior Supervisory Permission and otherwise in accordance with the Applicable Banking Regulations then in force.

For further information, see Conditions 4.3, 4.4 and 4.5.

Substitution and variation

Subject to Supervisory Permission and otherwise in accordance with the Applicable Banking Regulations, if a Capital Event or Tax Event has occurred and is continuing, the Bank may at any time substitute all (but not some only) of the Notes or vary the terms of all (but not some only) of the Notes, without the consent of the Holders, so that they become or remain Qualifying Tier 2 Notes.

For further information, see Condition 4.6.

Purchases

The Bank or any member of the Group, may purchase (or otherwise acquire) or procure others to purchase (or otherwise acquire) beneficially for their account, Notes in any manner and at any price in accordance with Applicable Banking Regulations in force at the relevant time and subject to Supervisory Permission, if required.

For further information, see Condition 4.7.

Waiver of set-off

No Holder may at any time exercise or claim any Waived Set-Off Rights against any right, claim, or liability the Bank has or may have or acquire against such Holder, directly or indirectly, howsoever arising and each Holder shall be deemed to have waived all Waived Set-Off Rights to the fullest extent permitted by applicable law in relation to all such actual and potential rights, claims and liabilities.

Meetings of Holders

The Conditions contain provisions for convening meetings of Holders to consider matters affecting their interests generally. The provisions governing the manner in which Holders may attend and vote at a meeting of the holders of Notes must be notified to Holders in accordance with Condition 10 at the time of service of any notice convening a meeting.

For further information, see Condition 9.

Withholding tax and additional amounts

All payments of interest and any other amounts payable (excluding, for the avoidance of doubt, any repayment of principal) in respect of the Notes by or on behalf of the Bank will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature unless such withholding or deduction is required by law. In the event that any such withholding or deduction is imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority of agency therein or thereof having power to tax in respect of payments of interest and any other amounts (excluding for the avoidance of doubt, any repayment of principal), the Bank shall pay such additional amounts as will result in Holders receiving such amounts as they would have received in respect of such payments of interest and any other amounts had no such withholding or deduction been required, subject to the exceptions provided in Condition 7.

For further information, see Condition 7.

Registration and settlement

The Notes have been registered with Iberclear as managing entity of the Spanish Central Registry (both, as defined in the Conditions). Holders of a beneficial interest in the Notes who do not have, directly or indirectly through their custodians, a participating account with Iberclear may participate in the Notes through bridge accounts maintained by each of Euroclear Bank SA/NV and Clearstream Banking, S.A. with Iberclear.

Title and transfer

Title to the Notes is evidenced by book entries, and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the Iberclear Members as having an interest in the Notes shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the Notes recorded therein. For these purposes, the “**Holder**” means the person in whose name such Notes is for the time being registered in the Spanish Central Registry managed by Iberclear or, as the case may be, the relevant Iberclear Member accounting book (or, in the case of a joint holding, the first named thereof) and Holder shall be construed accordingly.

The Notes are issued without any restrictions on their transferability. Consequently, the Notes may be transferred and title to the Notes may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and/or Iberclear itself, as applicable. Each Holder will be (except as otherwise required by Spanish law) treated as the absolute owner of the relevant Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest, or any writing on, or the theft or loss of, the Certificate issued in respect of it), and no person will be liable for so treating the Holder.

Rating

The Notes are rated BB by Fitch and B+ by S&P.

Listing and admission to trading

Application is expected to be made for the Notes to be admitted to trading on AIAF. The Notes may also be admitted to trading on any other

European regulated market or multilateral trading facility as may be agreed by the Bank.

Governing law

The Notes and any non-contractual obligations arising out of or in connection with the Notes shall be governed by, and construed in accordance with, Spanish law.

Selling restrictions

There are restrictions on the offer, sale and transfer of Notes in the United States, the EEA, the United Kingdom, Spain and Canada. Regulation S, category 2 restrictions under the U.S. Securities Act apply. The Notes have not and will not be eligible for sale in the United States under Rule 144A of the U.S. Securities Act.

RISK FACTORS

The Issuer declares that the information contained in this Prospectus includes the instructions and recommendations received, when appropriate, from the prudential supervisory authorities (i.e. European Central Bank and Bank of Spain) and that may have an impact on the financial statements and risks described hereinafter.

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer (and the Group) and the industry in which it operates together with all other information contained in this Prospectus, including, in particular the risk factors described below. Words and expressions defined in the “Conditions of the Notes” below or elsewhere in this Prospectus have the same meanings in this section.

Only risks which are specific to the Issuer and to the Notes are included herein as required by the Prospectus Regulation. Additional risks and uncertainties relating to the Issuer or the Group that are not currently known to the Issuer or that it currently deems immaterial or that apply generally to the banking industry for which reason have not been included herein, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer or the Group and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances. Risks that apply generally to securities with the characteristics of the Notes (for instance, risks related to the reset of the interest rate of the Notes on the Reset Date, risks related to modifications of the Notes approved by a meeting of Holders of the Notes, risks related to the absence of limitations on the amount or type of further securities or indebtedness which the Bank may incur, or risks related to fluctuations in market interest rates), that apply generally to negotiable securities such as those related to the secondary market in general (for instance, illiquidity or price fluctuations) and those related to the credit ratings assigned to the Notes (such as changes in the credit ratings or the assignment of unsolicited ratings) have not been included herein. However, such additional risks may affect the value and liquidity of the Notes.

Risks relating to the Group’s operations

The Group’s businesses are concentrated in Spain and primarily depend on the condition of the Spanish economy

The Group conducts all of its business in Spain, particularly in the autonomous regions of Aragón and La Rioja and the provinces of Guadalajara, Burgos and Badajoz (together, the “**Home Markets**”) and in Madrid and the Mediterranean basin, which includes the autonomous region of Catalonia and the Valencian Community (together, the “**Growth Markets**”). All of its consolidated assets are located in Spain and all of its revenue is derived from Spain. Consequently, the income generated by most of the products the Group sells and by the services it provides depends on the performance of the Spanish economy. In the context of the global economic deceleration, on 24 September 2019, the Bank of Spain revised down its macroeconomic projections for the Spanish economy for the years 2019-2021. Economic conditions affect demand for the Group’s products and services, funding costs and asset quality.

The Spanish economy could be negatively affected by weak economic conditions in the EEA and also by several global risks, including the possibility of a greater slowdown in emerging economies, another episode of financial volatility, global trade tensions and several political and geopolitical risks (e.g., increased tensions in the Middle East, North Korea or the South East China Sea). Moreover, tensions among EU member states and growing Euro-scepticism in certain EU countries, including the ongoing negotiation process regarding the exit

by the United Kingdom (“UK”) from the EU (“Brexit”) could pose additional difficulties in the EU’s ability to react to any of those economic risks.

Changes in interest rates or continued low interest rates may negatively affect the Group’s business

The Group’s results of operations depend upon the level of its net interest income, which is the difference between interest income from loans and other interest-earning assets and interest expense paid to depositors and other interest-bearing liabilities. The Group’s net interest income amounted to €415,648 thousand in the nine months ended 30 September 2019, representing 56.95% of its consolidated gross income in such period (€572,151 thousand in the year ended 31 December 2018, representing 59.19% of its consolidated gross income in such year).

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

Changes in market interest rates affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities and subsequently affect the Group’s results. In particular, a 200 basis points increase in the interest rate would have increased the Group’s net interest income for the year ended 31 December 2018 by €104.34 million, whereas a 200 basis points decrease would have decreased its net interest income for the year ended 31 December 2018 by €2.23 million, assuming the maintenance of the size and structure of the Group’s balance sheet and assuming that the movements in interest rates occur instantly and equally on all points of the yield curve, with a 0% floor. The Group’s business and performance have been adversely affected by the low interest rate environment in recent years. As of the date of this Prospectus, the interest rate on the deposit facility set by the European Central Bank (“ECB”) is -0.50% and the interest rate on the main refinancing operations and the rate on the marginal lending facility is 0.00% and 0.25%, respectively. In general, quantitative easing has exerted downward pressure on interest rates and yield curves. A continued period of flatter than usual interest rate yield curves and low interest rates could, in particular, have a material adverse effect on the Group’s net interest income given the current low yields of its loan and debt securities portfolios.

In addition, changes in the yield of the Group’s assets might not be mirrored by changes in the cost of the Group’s liabilities. The Group’s loan portfolio is primarily linked to the Euro Interbank Offered Rate (“EURIBOR”) while the Group’s retail term deposit base cost is not and therefore, a further decrease in EURIBOR might not be offset by a similar fall in the cost of retail term deposits, which would negatively impact the Group’s net interest income.

Additionally, the level of, and changes in, interest rates (including the relationship between short-term and long-term rates) can affect the Group’s asset management and life insurance results and interest payable on debt. In particular, interest rates can affect consumer behaviour (especially in the life insurance and asset management businesses), the availability of disposable income for investments in life assurance and other savings products, asset values, levels of bad debts, levels of investment income, gains and losses on investments, funding costs and interest margins.

The Group’s insurance business is also exposed to a significant extent to fluctuations in interest rates due to the special characteristics of certain life insurance and savings products providing for a guaranteed return. If interest rates remain at low levels for prolonged periods, the Group’s insurance business might not achieve the returns on investments that are needed to cover the interest payments on fixed-rate products.

The Group’s business is significantly affected by the credit risk of its customers and counterparties

The Group is exposed to the creditworthiness of its customers and counterparties. Credit risk can be defined as potential losses resulting from the full or partial breach of the debt repayment obligations by a counterparty or

customer (including, but not limited to, the insolvency of a counterparty or customer), and also includes the value loss as a consequence of the deterioration of the credit quality of a counterparty or a customer. Credit risk is the most significant risk in respect of the Group's business activities.

As of 30 September 2019, the Group had non-performing loans (“**NPLs**”) of €1,523,635 thousand (€2,274,558 thousand as of 31 December 2018), an NPL ratio¹ of 4.6% (6.7% as of 31 December 2018), NPL provisions² of €752,203 thousand (€1,118,930 thousand as of 31 December 2018), reflecting a NPL coverage ratio³ of 49.4% (49.2% as of 31 December 2018). Adverse changes in the credit quality of the Group's customers and counterparties could affect the recoverability and value of its assets and require the Group to increase its provisions for bad and doubtful debts and other provisions.

In particular, 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. The Group's credit exposure to counterparty risk amounted to €446,149 thousand as of 30 September 2019 (€410,946 thousand as of 31 December 2018). 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 the Group to significant credit risk in the event of default by one of the Group's significant counterparties.

A weakening in the Group's customers' and counterparties' creditworthiness would also impact the Group's capital adequacy. The regulatory capital levels the Group required to maintain are calculated as a percentage of its risk-weighted assets (“**RWAs**”). If the creditworthiness of a customer or a counterparty declines, the Group would lower their rating, which would presumably result in an increase in its RWAs, which potentially could deteriorate the Group's capital adequacy ratios and limit its lending or investments in other operations.

On 15 March 2018, the ECB published an addendum (the “**Addendum**”) to the ECB guidance to banks on NPLs published on 20 March 2017, which specifies the ECB supervisory expectations for prudent levels of provisions for new NPLs. The ECB will assess any differences between banks' practices and the prudential provisioning expectations laid out in the Addendum at least annually, which will be discussed during the supervisory dialogue. After this dialogue and taking into account the bank's specific situation, the ECB Banking Supervision will decide, on a case-by-case basis, whether and which supervisory measures are appropriate. The result of this dialogue will be incorporated, for the first time, in the 2021 ECB supervisory review and evaluation process (the “**SREP**”). In addition, in a press release dated 11 July 2018, the ECB announced that, in order to address the stock of NPLs and with the aim of achieving the same coverage of NPL stock and flow over the medium term, it would set bank-specific supervisory expectations for the provisioning of NPLs. Such supervisory expectations for NPL provisioning, which are part of the ongoing supervisory dialogue, will add more pressure on financial results. As part of the European Commission's package of measures aimed at addressing the risks related to high levels of NPLs in Europe, Regulation (EU) 2019/630 of 17 April 2019, amending CRR (“**Regulation 2019/630**”) as regards minimum loss coverage for non-performing exposures (“**NPEs**”) introduced a clear set of conditions for the classification of NPEs. On 22 August 2019, the ECB

¹ NPL ratio is an APM, the definition, explanation, use and reconciliation of which are set out in “*Description of the Issuer—Alternative Performance Measures*”.

² NPL provisions is an APM, the definition, explanation, use and reconciliation of which are set out in “*Description of the Issuer—Alternative Performance Measures*”.

³ NPL coverage ratio is an APM, the definition, explanation, use and reconciliation of which are set out in “*Description of the Issuer—Alternative Performance Measures*”.

revised the Addendum after taking into account the entry into force of Regulation 2019/630 in order to make the treatment of NPEs more consistent.

The implementation of the Addendum (as amended) and this new Regulation 2019/630 could adversely affect the Group's capital position and the coverage levels required for newly originated loans that become non-performing, requiring the Group to increase its provisioning for future NPLs or forcing the Group to sell its assets on unfavourable economic terms or even incurring losses.

The Group is particularly exposed to the creditworthiness of individuals, families and small and medium enterprises (“SMEs”)

The Group's net loans and advances to customers represented 60.6% of its total assets⁴ as of 30 September 2019 (61.9% as of 31 December 2018) and primarily consist of mortgage loans to individuals and families to purchase housing (63.6% and 63.5% of the Group's gross loans and advances to customers excluding reverse repurchase agreements⁵ as of 30 September 2019 and 31 December 2018, respectively) and loans to companies non-related to the real estate sector (mainly to SMEs) (22.5% and 23.2% of the Group's gross loans and advances to customers excluding reverse repurchase agreements as of 30 September 2019 and 31 December 2018, respectively).

As a Spanish bank primarily focused on serving individuals, households and SMEs, the Group's business performance is dependent on the economic health and employment status of its customers. According to the National Statistical Institute (*Instituto Nacional de Estadística* (“**INE**”)), as of 31 December 2018, the Spanish unemployment rate was 14.45%. Aragón and Madrid are the Group's main markets by retail business volume, accounting for 43% and 18% of its retail business volume, respectively, as of 31 December 2018. As of 31 December 2018, the unemployment rates in Aragón and Madrid were 11.11% and 11.54%, respectively, which is below the Spanish average, but in some of the Group's Home Markets, such as Badajoz (which represented 4% of the Group's retail business volume as of 31 December 2018), the unemployment rate was 24.10% as of that date, which is above the Spanish average (*source: INE*). High levels of unemployment have historically resulted in lower demand for new mortgage loans, lower deposit levels, reduced or deferred levels of consumer spending and an increase in customer loan arrears, forbearance, impairment provisions and defaults.

Indebted and over-indebted families and SMEs are more sensitive to a downturn in the economy and are more likely to have difficulties meeting their debt obligations as they fall due, which could have a negative effect on the Group's income and also limits the Group's ability to increase its customer base due to the significant portion of individuals and SMEs failing to comply with its credit rating levels.

The availability of complete and accurate financial information, as well as general credit information, on the basis of which the Group can make decisions concerning loans, is more limited with regard to SMEs than with regard to large-scale corporate customers, and even more limited in the case of individual customers. As a result, it is possible to make mistakes when assessing the creditworthiness of these borrowers.

As part of its strategy, the Group intends to increase the amount of credit it grants to SMEs, whose risk profile is higher than that of borrowers with retail mortgages. The economic recovery has led most of Spanish financial entities to also focus on increasing credit granted in the SME sector, thereby creating more competition.

⁴ Net loans and advances to customers over total assets is an APM, the definition, explanation, use and reconciliation of which are set out in “*Description of the Issuer—Alternative Performance Measures*”.

⁵ Gross loans and advances to customers excluding reverse repurchase agreements is an APM, the definition, explanation, use and reconciliation of which are set out in “*Description of the Issuer—Alternative Performance Measures*”.

As a result of these factors, it might be difficult for the Group to identify suitable customers to whom it can lend, which could in turn decrease the Group's base of loans or increase its credit risk exposure. If the Group is unable to adequately evaluate prospective customers through the application or use of its credit risk evaluation models, the Group could suffer losses, which could have a material adverse effect on its business, financial situation, results of operations and prospects.

The Group is vulnerable to adverse developments in the Spanish real estate market

A significant portion of the Group's business is connected to the Spanish real estate market. This includes real estate construction and development loans, which, together with foreclosed assets, represented (after provisions for credit risk and foreclosed assets) 2.7% of the Group's total assets as of 30 September 2019 (3.0% as of 31 December 2018).

Spanish real estate assets secure many of the Group's outstanding loans, and the Group holds Spanish real estate assets on its balance sheet, including real estate received in lieu of payment for certain underlying loans. In addition, the Group has restructured and extended the maturity of certain of the loans it has made relating to real estate, and the capacity of such borrowers to repay such restructured loans may be materially adversely affected by declining real estate prices. As a result, the Group is exposed to the Spanish real estate market. Although in recent years the demand for housing and related real estate loans has increased again, any decrease in prices of real estate assets in Spain would reduce the value of the collateral securing the Group's mortgage loans and the credit quality of real estate related financings. The value of the related collateral may be below the original appraised value and, as a result, in default scenarios, the Group could incur higher losses than it would have otherwise expected. Additionally, the Group may not be able to enforce collateral assets due to factors such as inadequate documentation, legal uncertainty, unfavourable regulatory or case law developments or customer fraud.

Retail mortgage loans are one of the Group's main assets and represented 37.7% of its total assets as of 30 September 2019 (38.7% as of 31 December 2018). In addition, as of 30 September 2019, mortgage loans for real estate construction and development comprised 2.1% of the Group's total assets (2.3% as of 31 December 2018) and other secured loans to SMEs and corporates comprised 3.3% of its total assets (3.8% as of 31 December 2018). As of 30 September 2019, the loan-to-value (LTV)⁶ ratio of the Group's mortgage loans was 52.11% (51.78% as of 31 December 2018).

A real estate decline would also reduce the Group's capacity to grow its real estate development and construction loan portfolio and, consequently, its business opportunities in retail mortgage financing arising from the subrogation by retail customers on the loans to real estate developers and constructors.

In addition, as part of the Group's strategy, the Group intends to continue carrying out sales of its non-performing assets ("NPAs"). If real estate market conditions in Spain deteriorate, the Group may not be able to sell these assets on favourable economic terms or at all.

The table below sets out the Group's real estate construction and development exposure as of the dates indicated:

	As of 30 September 2019	As of 31 December 2018
	<i>(€ thousand, except %)</i>	
Gross loans for real estate construction and development	1,247,243	1,586,107

⁶ LTV ratio is an APM, the definition, explanation, use and reconciliation of which is set out in "Description of the Issuer—Alternative Performance Measures".

	As of 30 September 2019	As of 31 December 2018
Net loans for real estate construction and development over total assets.....	2.14%	2.37%
NPLs for real estate construction and development.....	184,532	600,566
NPL ratio for real estate construction and development⁽¹⁾.....	14.80%	37.86%
Provisions associated to real estate construction and development.....	115,095	339,426
Coverage of real estate development risk⁽¹⁾.....	62.37%	56.52%
Gross value of foreclosed assets.....	700,903	766,967
Net value (after provisions) of foreclosed assets over total assets.....	0.59%	0.61%
Provisions associated to foreclosed assets.....	387,922	446,769
Foreclosed assets coverage ratio⁽¹⁾.....	55.35%	58.25%

Note:—

(1) APMs, the definition, explanation, use and reconciliation of which is set out in “Description of the Issuer—Alternative Performance Measures”.

The Group is exposed to market risk associated with fluctuations in bond and equity prices and other market factors

The Group’s businesses are exposed to market risk as a consequence of its trading activities in financial markets and through the asset and liability management of its overall financial position, including the Group’s trading portfolio and other equity investments. Therefore, the Group is exposed to losses arising from adverse movements in levels and volatility of interest rates, foreign exchange rates, and commodity and equity prices. As of 30 September 2019, the total exposure of the Group’s fixed income and equity instruments portfolio was €14,785,796 thousand (€15,556,491 thousand as of 31 December 2018) which represented 28.0% of its total assets as of 30 September 2019 (29.5% as of 31 December 2018), of which €6,660,854 thousand corresponded to the fixed income portfolio of the Bank (€7,985,401 thousand as of 31 December 2018), €7,410,382 thousand to the fixed income portfolio of Ibercaja Vida Compañía de Seguros y Reaseguros, S.A.U. (“**Ibercaja Vida**”) (€7,004,736 thousand as of 31 December 2018), €57,701 thousand to the fixed income portfolio of other companies in the Financial Group (€61,267 thousand as of 31 December 2018) and €656,859 thousand to the Group’s listed and unlisted equity instruments portfolio (€505,087 thousand as of 31 December 2018).

As of 30 September 2019, €244,793 thousand of the Group’s total exposure were recorded under “Non-trading financial assets mandatorily measured at fair value with changes through profit or loss” (€121,585 thousand as of 31 December 2018), €9,249 thousand under “Financial assets designated at fair value through profit and loss” (€9,575 thousand as of 31 December 2018), €7,893,283 thousand under “Financial assets at fair value through other comprehensive income” (€8,754,640 thousand as of 31 December 2018), €6,519,746 thousand under “Financial assets at amortised cost” (€6,544,456 thousand as of 31 December 2018) and €118,725 thousand under “Investments in joint ventures and associates” (€126,235 thousand as of 31 December 2018).

The performance of financial markets generally may cause changes in the value of the Group’s investment, available for sale and trading portfolios. The volatility of global capital markets due to economic and political uncertainty may affect the value of the Group’s investments and, depending on their fair value and future recovery expectations, could become a permanent impairment, which would be subject to write-offs against the Group’s results and cause volatility in capital ratios.

Adverse market movements, particularly asset price declines, can reduce the volume of activity in the market or reduce market liquidity. As a result, the Group can be exposed to material losses if it is unable to close out

deteriorating positions on satisfactory terms or in a timely manner, particularly in less liquid markets. The volatile nature of the financial markets could result in unforeseen losses for the Group.

Furthermore, fluctuations in financial markets affect consumer behaviour, thereby specifically and negatively affecting the Group's commission- and fee-based businesses (life insurance and asset management businesses). Net fee income and exchange differences⁷ represented 39.4% of the Group's consolidated gross income for the nine months ended 30 September 2019 (38.9% for the year ended 31 December 2018). The demand for products benchmarked to fixed income securities, such as pension funds that typically invest in this type of assets, may decrease if equity capital markets perform favourably and may increase when equity capital markets are weaker. Demand for products benchmarked to equity securities, such as mutual funds that typically invest in this type of assets, may increase when equity markets perform favourably, and usually decrease when markets show a downward trend. A market downturn or an increase in competition in the future could also cause a decrease in the number of transactions carried out on behalf of the Group's customers and, as a consequence, a decrease in the Group's income from commissions. In addition, because the fees that the Group charges for managing its clients' portfolios are, in many cases, based on the value and performance of those portfolios, a reduction in such value and an increased amount of withdrawals, could reduce the Group's revenues from its asset management business.

The Group is subject to sovereign risk

As of 30 September 2019, the carrying value of the Group's total exposure to sovereign risk amounted to €10,973,718 thousand (€11,240,477 thousand as of 31 December 2018), which represented 20.8% of its total assets as of 30 September 2019 (21.3% as of 31 December 2018). As of 30 September 2019, the Group's total exposure to sovereign debt included €5,572,639 thousand of "Financial assets at fair value through other comprehensive income" (€6,380,314 thousand as of 31 December 2018), €5,393,264 thousand of "Financial assets at amortised cost" (€4,854,084 thousand as of 31 December 2018) and €7,815 thousand of "Financial assets designated at fair value through profit and loss" (€6,079 thousand as of 31 December 2018). Of total exposure to sovereign risk, approximately 49.6% was held by the Bank (54.0% as of 31 December 2018) and 49.9% was held by Ibercaja Vida (45.5% as of 31 December 2018).

Spain accounted for 89.9% of the Group's total sovereign exposure as of 30 September 2019 (89.6% as of 31 December 2018). Investment in Spanish public debt amounted to €9,140,191 thousand (€9,821,923 thousand as of 31 December 2018), of which approximately 44.7% was held by the Bank (51.9% as of 31 December 2018) and 54.7% by Ibercaja Vida (47.5% as of 31 December 2018). As of 30 September 2019, out of the €9,140,191 thousand Spanish public debt, approximately 56.2% was held as "Financial assets at fair value through other comprehensive income" and 43.8% was held as "Financial assets at amortised cost".

Therefore, any decline in Spain's credit ratings could adversely affect the value of these and other securities held by the Group in its various portfolios. It could also adversely impact the extent to which the Group can use Spanish government bonds it holds as collateral for the ECB refinancing and, indirectly, the extent to which other securities held could be used for such same purpose, which would adversely affect the Group's cost of funding and its ability to access funds, raise capital and meet minimum regulatory capital requirements and adversely affect its interest margins. Furthermore, any downgrades of Spain's ratings may increase the risk of a downgrade of the Bank's credit ratings by the rating agencies, which could have similar effects. As such, a downgrade or series of downgrades in the sovereign rating of Spain or the Bank's credit rating or a perceived increase in risk and any resulting reduction in the value of Spanish government bonds may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

⁷ Net fee and exchange differences is an APM, the definition, explanation, use and reconciliation of which are set out in "Description of the Issuer—Alternative Performance Measures".

The Group is also exposed to sovereign risk related to its investment in Italian public debt, with investments of €1,029,586 thousand as of 30 September 2019 (€996,636 thousand as of 31 December 2018), of which approximately 60.7% was held by the Bank (63.2% as of 31 December 2018) and approximately 34.9% was held by Ibercaja Vida (36.8% as of 31 December 2018). Italy accounted for 9.4% of the Group's total sovereign exposure as of 30 September 2019 (8.9% as of 31 December 2018). As of 30 September 2019, out of the €1,029,586 thousand Italian public debt, approximately 64.6% was held as "Financial assets at amortised cost", 35.1% as "Financial assets at fair value through other comprehensive income" and 0.3% as "Financial assets designated at fair value through profit and loss".

Funding and liquidity risk are inherent in the Group's operations

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

The Group's main source of liquidity and funding is its customer deposit base, as well as funds derived from the access to wholesale lending markets, including interbank deposits and covered bonds. The Group's ability to obtain funds or to access them could be harmed by factors that are intrinsic to its operations, such as a decline in its performance, credit rating or creditworthiness, or extrinsic to the Group, such as general macroeconomic and market conditions, including, any major turbulence or closure in the financial markets, a negative view of the perspectives of the sectors that predominate in the Group's lending business (particularly, real estate, consumer and public sectors) or uncertainty as to the availability of funds to market participants in general or their ability or perceived ability to pay their liabilities as they fall due. These factors could generate a negative view of the Group's liquidity among creditors and result in a decrease in credit ratings, higher funding costs and a reduction in its ability to access funds or result in the Group's inability to continue to operate without additional funding support, which may be unavailable to the Group.

Retail deposits⁸, the Group's main source of liquidity and funding, accounted for 79.4% of its external funding⁹ as of 30 September 2019 (77.6% as of 31 December 2018). As a result of the short-term nature of part of this source of financing, the Group could suffer from liquidity problems if deposits do not reach the expected volumes or are not renewed because a significant number of depositors withdraw their deposits or do not reinvest their deposits at the end of their term. Large denomination term deposits may, under some circumstances, such as during periods of significant interest rate based competition for these types of deposits, be a less stable source of deposits than savings and demand deposits. The Group's level of retail and corporate deposits may fluctuate due to factors outside its control, such as loss of public confidence (including as a result of political initiatives, such as bail-in and/or the confiscation and/or taxation of creditors' funds) or competition from investment funds and other new players in the banking business or other products (see "*Increased competition in the markets where the Group operates may adversely affect the Group's growth prospects and operations*"), which could result in a significant outflow of deposits within a short period of time. In the event of a sudden or unexpected withdrawal of deposits or shortage of funds in the banking systems or money markets in which the Group operates, it might not be able to maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets. If any of these factors were to occur, the Group's net interest income would be reduced and its interest margins adversely affected.

⁸ Retail deposits is an APM, the definition, explanation, use and reconciliation of which are set out in "*Description of the Issuer—Alternative Performance Measures*".

⁹ External funding is an APM, the definition, explanation, use and reconciliation of which are set out in "*Description of the Issuer—Alternative Performance Measures*".

Financing from wholesale lending markets amounted to €8,259,060 thousand (20.6% of the Group's external funding¹⁰) as of 30 September 2019 (€9,093,470 thousand (22.4% of the Group's external funding) as of 31 December 2018). In the event such funding were to no longer be available or become too expensive, the Group could be forced to raise interest rates paid on deposits to attract more customers and/or sell its assets at or below their expected price. The persistence or worsening of adverse market conditions or rising interest rates could have a material adverse effect on the Group's ability to access liquidity and negatively impact its financing costs (either directly or indirectly).

The Group's financing capacity depends largely on the Bank's credit rating. See "*Description of the Issuer—Credit rating*". Any downgrade in the Bank's ratings could limit the Group's access to capital markets, reduce its prospective investor base, increase its borrowing costs and adversely affect its interest margins, require it to post additional collateral or take other actions under some of its derivative contracts, any of which would materially adversely affect the Group's business, financial condition, results of operations and prospects. Additionally, corporate and institutional counterparties may seek to reduce aggregate credit exposures to the Group (or to all banks), which would increase the Group's cost of funding and restrict its access to liquidity.

The ECB adopted extraordinary measures in response to the financial crisis beginning in 2008, including the provision of fixed rate liquidity with full allotment, the expansion of the list of assets that can be allocated as a guarantee and longer-term refinancing programs such as the "Targeted Longer-Term Refinancing Operations" (TLTRO) introduced in 2014 (TLTRO I) and in 2016 ("**TLTRO II**"). As of 30 September 2019, the Group's debt with the ECB under the TLTRO II program amounted to €3,372,460 thousand (6.4% of its total assets), maturing in June 2020. Following an announcement by the ECB in March 2019, new quarterly targeted longer-term refinancing operations (TLTRO III) were launched in September 2019 and will continue until March 2021. However, it is not possible to predict the duration or the amounts of these liquidity support programs in the future, or whether they will be implemented at all. As a result, the Group may need to seek alternative sources of funding, which may be difficult to obtain or may only be available to the Group at a higher cost.

As of 30 September 2019, the Group had liquid assets amounting to €10,935,666 thousand (€10,916,848 thousand as of 31 December 2018), of which substantially all were eligible to be used as collateral to obtain ECB funding. In addition, as of such date, the Group had an additional issuance capacity of €6,959,275 thousand (€6,289,715 thousand as of 31 December 2018), so its total available liquidity position¹¹ was €17,894,941 thousand (€17,206,563 thousand as of 31 December 2018). Any changes to the policies and requirements for accessing funding from the ECB, including any changes to the criteria for identifying the asset types admitted as collateral or their relative valuations, could have a material adverse effect on the Group's liquidity and cost of funding.

The factors described above may also have a material adverse effect on the Group's regulatory position, including its ability to meet its regulatory minimum liquidity requirements. As of 30 September 2019, the Group's liquidity coverage ratio ("**LCR**") was 383.6% (excluding Ibercaja Vida) (306.8% as of 31 December 2018), which was above the regulatory requirement, and its net stable funding ratio ("**NSFR**") (excluding Ibercaja Vida) was 135.5% (130.5% as of 31 December 2018). However, there can be no assurance that the Group will be able to maintain its ratios in excess of regulatory requirements in the future. The Group's debt with the ECB under the TLTRO II program matures in June 2020 and accordingly, none of such debt will qualify for purposes of the NSFR in December 2019 (100% haircut), which will have a negative impact on the Group's

¹⁰ External funding is an APM, the definition, explanation, use and reconciliation of which are set out in "*Description of the Issuer—Alternative Performance Measures*".

¹¹ Available liquidity position is an APM, the definition, explanation, use and reconciliation of which are set out in "*Description of the Issuer—Alternative Performance Measures*".

NSFR. See “*Capital, liquidity and funding requirements and loss absorbing powers—Liquidity requirements*” for a further description of these liquidity ratios.

The Group’s insurance business is exposed to actuarial risk

The Group’s insurance business, which is carried out through its subsidiaries Ibercaja Vida and Ibercaja Mediación de Seguros, S.A.U. (“**Ibercaja Mediación**”), is significant to the Group’s overall business. As of 30 September 2019, technical reserves amounted to €7,912,699 thousand, representing 15.0% of the Group’s consolidated balance sheet (€7,514,769 thousand, representing 14.3% of the Group’s consolidated balance sheet as of 31 December 2018), of which €7,639,931 thousand were technical reserves associated with the Group’s life insurance business (€7,383,670 thousand as of 31 December 2018), €75,624 thousand were benefits pending payment (€63,788 thousand as of 31 December 2018), €4,651 thousand were profit sharing and returned premiums (€3,397 thousand as of 31 December 2018) and €192,484 thousand were life insurance products in which the investment risk is borne by the policyholder (€63,914 thousand as of 31 December 2018).

Actuarial risk reflects the risk arising from the execution of life and other insurance contracts, considering events covered and the processes used in the conduct of business, and any risks related to it, including longevity risk (risk related to an increase in the survival of insured parties compared to forecasts), policy lapse risk (risk related to variance in surrender rates compared to forecasts) and mortality risk (risk related to an increase in the mortality rates compared to forecasts). The management of these risks depends on actuarial management policies relating to subscription and pricing rates.

The Group’s business requires using models, assumptions and estimates, which present the risk of reality not matching the assumptions initially used to assess or predict future events. Reserves are calculated based on the assumption that the tariffs applied will be sufficient to cover the claims and expense rate in all current contracts until their expiry date.

Similarly, claims reserves are calculated by estimating the final cost of any claims, and life insurance technical reserves are calculated on the basis of estimates related to, among others, mortality, longevity, expenses and lapses. These estimates and assumptions are based on actuarial and statistical studies based on the facts and circumstances known at a specific time, but performance may depend on many different factors and may be affected by changes in applicable laws or in the general economic scenario. Actual future events may differ from the Group’s estimates, which could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

In addition, the Group’s insurance subsidiaries regularly enter into contracts with reinsurance companies not belonging to the Group in order to control their risk exposure. Market conditions beyond the Group’s control determine the availability and cost of the reinsurance protection the Group purchases. Accordingly, the Group’s insurance subsidiaries may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

The Group’s businesses are heavily exposed to operational risks

The Group’s businesses depend on the ability to process a large number of transactions efficiently and accurately on a daily basis and to manage personal financial information on behalf of its customers. The operational risks to which the Group is exposed include, among others, those deriving from processing errors, system failures, internal and external fraud, compliance risks, low productivity and the inadequate qualifications of staff, deficient customer service, external system failures (such as administrative or accounting mistakes, errors in the computer or communication systems or IT security breaches) as well as external events (such as natural disasters or acts of terrorism) that could undermine the Group’s operations or its image. Given the large

number of transactions that the Group carries out on a daily basis, such mistakes could be made repeatedly before they are discovered and remedied.

As of 31 December 2018, the Group's own fund requirements associated to operational risks amounted to €114,410 thousand (€113,372 thousand as of 31 December 2017).

Any failure causing an interruption of the Group's service or that slows down its response capacity could damage the Group's reputation, business and brands, as well as adversely affect its customers' ability to use its systems. The Group could be subject to claims filed by its customers aimed at recovering losses they might have suffered as a result of any of the aforementioned events or be subject to penalties and disciplinary sanctions, in the event of any delay or omission by the Group in the processing and registration of transactions, or any breach in internal control. As a result, the Group could suffer financial damage or harm to its reputation, which could in turn have a negative effect on its business, financial condition, results of operations and prospects.

In particular, the Group's technological infrastructure is critical to the operation of its business and the delivery of products and services to clients. The Group's information technology ("IT") systems are vulnerable to a series of problems, such as the malfunctioning of hardware and software, computer virus, hacking and cyberattacks. The risks associated with cyberattacks are a material risk to the Group and the Spanish financial system as a whole, which has a high degree of interconnectedness between market participants, centralised market infrastructure and in some cases complex legacy IT systems. These threats are increasingly sophisticated and any failure of the controls could result in significant financial losses and a material adverse effect on the Group's operational performance and reputation. Any external attack aiming to circumvent the Group's security measures could result in the unlawful use of the Group's and its customers' confidential information, which could expose the Group to the risk of losses, disciplinary measures from regulatory authorities, lawsuits and harm to its reputation.

In addition to the costs that the Group might be required to incur as a result of any such failure in its IT systems, the Group may face sanctions from banking regulatory agencies if it fails to comply with the banking or applicable information regulations, which would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Furthermore, the Group's technology and operations depend on a number of specialised technology and service providers such as SNCE Iberpay, Target 2, Iberclear, Euroclear, BME Clearing, the LCH Paris, Eurex and SWIFT exchanges for market infrastructure; Fujitsu, for the provision and maintenance of the vast majority of the base hardware and software of its mainframes computers and its ATMs; Microsoft, for the provision of the technology for informational platforms and channels, operating system software and database for the Group's open system servers and base software and applications for workstations; HPE, for the provision of the technological infrastructure of servers and open systems; Ingenico for the rental and maintenance of point-of-sale ("PoS") terminals; IECISA for the provision and maintenance of workstations; and Solitium/HP for the provision and maintenance of corporate printing services.

If any of the Group's key technological and service providers fails to perform its services effectively or not in accordance with the terms of the relevant service agreements with the Group, this could lead to interruptions in the Group's business operations, services offered or information provided to the Group's customers or may have a material adverse effect on the availability of its banking services, including the Group's online services and on the productivity of its employees.

Finally, the Group manages and uses confidential information from customers when processing banking transactions. Any unlawful or unauthorised disclosure may trigger legal actions and administrative fines together with damages and could result in reputational damage, any of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

The markets in which the Group operates are highly competitive. Financial sector reforms in these markets (mainly in Spain) have increased competition among both local and foreign financial institutions, and it believes that this trend will continue in the future. In addition, the trend towards consolidation in the banking sector has created larger and stronger banks with which it must now compete, some of which received public capital as a result of the 2007 financial crisis.

The Group also faces competition from non-bank competitors, such as department stores (for some credit products), automotive finance corporations, leasing companies, factoring companies, mutual funds, pension funds and insurance companies. In addition, the Group faces increasing competition from shadow banking entities that operate outside the regulated banking system. Furthermore, "crowdfunding" and other social media developments in finance are expected to become more popular as technology becomes a key driver of the banking sector. In particular, non-traditional providers of banking services, such as internet-based e-commerce providers, mobile telephone companies, social media companies, fintechs, digital banks and internet search engines may start to offer or increase their existing offerings of financial products and services directly to customers. These providers may be able to innovate more quickly than the Group can, as they are not constrained by any legacy IT systems and face fewer regulatory requirements and lower fixed costs than the Group.

If the Group is unable to successfully compete with current and new competitors, or if it is unable to anticipate and adapt its offerings to changing banking industry trends, including technological changes, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is subject to conduct and reputational risks that could result in fines, sanctions and reputational damage

Reputational risk is a particular concern for companies operating in the financial sector, where participants need to maintain the confidence of customers, investors, regulators, creditors and financial markets generally. The Group is subject to the risk that inappropriate execution of its business activities causes harm to its customers or counterparties or to the Group and its employees, third-party service providers and external staff. In addition, the Group is subject to reputational risk to its brands arising from any inappropriate actions by the Group or its employees, customers or counterparties (including breaches of laws, regulations and internal policies), or by any association, action or inaction that is perceived by stakeholders to be inappropriate, unethical or not sustainable. Moreover, the Group is subject to reputational risk arising from inappropriate actions by its customers or counterparties (including money laundering, terrorism financing and tax evasion).

Failure to appropriately manage conduct and reputation risks may reduce the Group's attractiveness to stakeholders, including customers, and may lead to negative publicity, loss of revenue, litigation (including class actions), increased regulatory scrutiny and sanctions, reduced workforce morale, and difficulties in recruiting and retaining talent. Any event arising from conduct or reputation risks could cause damage to the Group's business, regardless of whether the negative publicity is factually accurate. The Group's reputation may also suffer by association with fraudulent or criminal acts committed by customers or by employees for activities unrelated to their position with the Group.

The occurrence of any of these events may cause customers, investors, creditors and financial markets generally to lose confidence in the Group and materially and adversely affect its business, financial condition, results of operations and prospects.

Legal, Regulatory and Compliance Risks

The Group is subject to substantial regulation and regulatory and governmental oversight which imposes significant costs on the Group and drives how the Group conducts its business

The financial services industry is among the most regulated industries in the world. In response to the global financial crisis and the European sovereign debt crisis, governments, regulatory authorities and other institutions have made and continue to make proposals to reform the regulatory framework for the financial services industry in order to enhance its resilience against a future crisis. The Group's operations are subject to substantial regulation that the Group may be unable to comply with, including as a result of changes in laws, regulations, guidelines, policies and interpretations, as well as judicial interpretations of new laws and regulations, in Spain and the EU. In addition, regulatory scrutiny under existing laws and regulations has become more stringent. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking sector, and which is expected to continue for the foreseeable future. This creates significant uncertainty for the Bank and the financial industry in general.

The wide range of recent actions or regulatory proposals includes, among other things, provisions for more stringent regulatory capital and liquidity standards (which could require the Group to maintain a greater proportion of its assets in highly-liquid but lower-yielding financial instruments, negatively affecting the Group's net interest margin¹²), restrictions on compensation practices, special bank levies and financial transaction taxes, recovery and resolution powers to intervene in a crisis including "bail-in" of creditors, separation of certain businesses from deposit taking, stress testing and capital planning regimes, heightened reporting requirements and reforms of derivatives, other financial instruments, investment products and market infrastructures. As a result, the Group may be subject to an increasing number of liability or regulatory sanctions and may be required to make greater expenditures and devote additional resources to address potential liability. In addition, the new institutional structure in Europe for supervision, with the creation of the single supervisory mechanism (the "SSM"), and for resolution, with the new single resolution mechanism ("SRM"), could lead to additional changes in the near future. The specific effects on the Group of a number of new laws and regulations remain uncertain because the drafting and implementation of these laws and regulations are still ongoing. In addition, since some of these laws and regulations have been recently adopted, the manner in which they are applied to the operations of financial institutions is still evolving. Laws or regulations may be enforced or interpreted in a manner that could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, the Group is subject to rules and regulations regarding money laundering, corruption and the financing of terrorism which have become increasingly complex and detailed and the subject of enhanced government supervision, requiring the Group to use improved systems and implement sophisticated monitoring mechanisms and compliance personnel. The Group's inability to satisfactorily implement its policies or the failure of its personnel to satisfactorily implement such policies, may have severe consequences, including sanctions, fines and adverse reputational consequences, which would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

¹² Net interest margin is an APM, the definition, explanation, use and reconciliation of which are set out in "Description of the Issuer—Alternative Performance Measures".

The Group is subject to the supervision and/or regulation of the Bank of Spain, the ECB (which supervises the Group directly under the SSM), the Single Resolution Board (the “**SRB**”), the CNMV and the Directorate General of Insurance and Pension Funds (*Dirección General de Seguros y Fondos de Pensiones*) which are the main regulators of the Group’s operations. In addition, many of the Group’s operations are dependent upon licenses issued by financial authorities.

These regulators, as part of their supervisory function, periodically review the internal processes and controls related to all areas of the Group’s business including the granting of credit and classification of risks, the Group’s corporate governance and risk management, its technological security and its allowances for loan losses and may require the Group to change its business, governance and risk practices, to increase such allowances, to recognise further losses or to increase the regulatory risk-weighting of assets, or may increase its capital requirements. Any such measures, as required by these regulators, whose views may differ from those of the Group’s management, could have an adverse effect on the Group’s business and financial condition, including on its common equity tier 1 (“**CET1**”) ratio and on its ability to pay distributions.

Any required changes to the Group’s business operations resulting from the legislation and regulations applicable to its business or from the supervisory function of the Group’s regulators could result in a significant loss of revenue or reduced profitability, require significant management attention and resources, limit its ability to pursue business opportunities, adversely affect the value of its assets or require the Group to increase its prices or incur in additional costs (including increased compliance costs) any of which would materially adversely affect the Group’s business, financial condition, results of operations and prospects.

The Group is subject to risks as a result of its status as a financial conglomerate

The Group has the status of “financial conglomerate” since May 2014, in accordance with Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate (the “**Financial Conglomerates’ Directive**”), as implemented in Spain by Spanish Act 5/2005 on the supervision of financial conglomerates.

As a financial conglomerate, the Group is subject to additional supervision by the Joint Supervisory Teams (with the support of the Directorate General of Insurance and Pension Funds), with regards to (i) the Group’s capital adequacy; (ii) the implementation of a global risk management at a Group level; (iii) risk concentration control and (iv) the review and monitoring of intra-Group transactions.

As a financial conglomerate, the Group is not required to deduct its holdings in own funds instruments of the Group’s insurance significant investments for the calculation of its own funds on a consolidated basis, to the extent that the conditions set out in Article 49 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and investment firms, as amended or replaced from time to time (“**CRR**”) are met. A change in the regulations governing the calculation of financial conglomerates’ regulatory capital could have a negative impact on the Group’s capital ratios on a consolidated level. In this sense, on 8 November 2017, the ECB issued an opinion on amendments to CRR which included a proposal to limit the deduction (in contrast to the current regime where no deduction is applicable as set out above) of holdings in own funds instruments of financial sector entities (including insurance companies) in which the parent financial institution has a significant investment. However, Article 49 of CRR has not been amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (“**CRR II**”) in such sense.

Furthermore, if the Group ceases to have the status of a financial conglomerate because its activities in the insurance sector are no longer considered to be significant under the Financial Conglomerates’ Directive (which requires that the average weight of each of the balance and solvency requirements of the Group’s insurance

entities exceeds 10%), the Group would be required to deduct its holdings in own funds instruments of its insurance significant investments when calculating the Group's own funds on a consolidated basis.

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

Solvency risk is the risk related to the failure to maintain sufficient resources to absorb losses through a full economic cycle, meet solvency regulatory and prudential requirements or maintain sufficient resources to maintain the confidence of current and prospective investors.

As a Spanish credit institution, the Bank is subject to CRR, Directive 2013/36/EU, of the European Parliament and of the Council, of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the "**CRD IV Directive**") and any CRD IV Implementing Measures (as defined in the Conditions) and the regulatory solvency requirements set out therein. Certain of these requirements are in the process of being phased-in in the coming years, while most of them already apply on a fully-loaded basis.

As further described in the section "*Capital, liquidity and funding requirements and loss absorbing powers—Capital requirements—Solo Waiver*" of this Prospectus, the Bank has been waived from the application of prudential requirements on an individual basis in accordance with Article 7 of the CRR (the "**Solo Waiver**"). However, there can be no assurance that the Bank will continue to satisfy the conditions to maintain the Solo Waiver in the future. If the Solo Waiver ceases to be in place, the Bank will be required to maintain capital requirements on an individual basis, which could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Any failure by the Group to maintain its minimum Pillar 1 capital requirements and any additional Pillar 2 capital requirements could result in administrative actions or sanctions, which would have a material adverse impact on the Group's business, financial condition, results of operations and prospects. In addition, while a failure to meet its Pillar 2 guidance ("**P2G**") (see "*Capital, liquidity and funding requirements and loss absorbing powers—Capital requirements*") will not result in automatic action of the supervisor and will not be used to determine the Maximum Distributable Amount (as defined in "*Capital, liquidity and funding requirements and loss absorbing powers—Capital requirements*") trigger, such failure would trigger enhanced supervisory dialogue and engagement with the European Banking Authority ("**EBA**") and the Group would be required to present a credible plan to the EBA. Any failure to comply with the Group's regulatory capital requirements could also result in further Pillar 2 capital requirements or the adoption of early intervention or, ultimately, result in resolution measures pursuant to Regulation 806/2014 (the "**SRM Regulation**") and Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms ("**Law 11/2015**"), which, together with Royal Decree 1012/2015, of 6 November, implementing Act 11/2015 ("**Royal Decree 1012/2015**") have implemented Directive 2014/59/EU, of 15 May, establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**BRRD**") to Spanish law, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Any failure by the Group to meet its applicable minimum level of own funds and eligible liabilities in relation to total liabilities and own funds ("**MREL**") will be treated like a failure to meet minimum regulatory capital requirements, where resolution authorities must intervene and place the Group into resolution sufficiently early if it is deemed to be failing or likely to fail and there is no reasonable prospect of recovery.

New and more demanding additional capital requirements may be applied in the future. The implementation of existing or new capital requirements, standards or recommendations may negatively affect its return on equity and other financial performance indicators or require the Group to issue additional securities that qualify as regulatory capital or eligible liabilities for purposes of the MREL requirements (this requirement to issue additional securities may, in addition, impair the ability of the Bank or the Group to manage their funding and capital resources in the most efficient way), to liquidate assets, to curtail business or to take any other actions,

any of which may materially adversely affect the Group's business, financial condition, results of operations and prospects.

In addition, 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 the Group's business, financial condition, results of operations and prospects.

The Group is exposed to losses as a result of legal and regulatory claims adverse to the Group and, in particular, claims relating to floor clauses in mortgage agreements with consumers

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

In particular, the Group is involved in certain actions relating to the application of “**floor clauses**” (clauses that set minimum interest rates payable by borrowers, whereby the borrower agrees to pay a minimum interest rate to the lender regardless of the applicable benchmark rate) in mortgage agreements acquired from Banco Grupo Cajatrés, S.A.U. (“**Banco Caja3**”).

The Group has entered into negotiated settlements with certain of the borrowers under the portfolio of mortgages containing floor clauses that the Group acquired from Banco Caja3. The Spanish Supreme Court declared the validity of the floor clauses contained in the amendment agreements signed between the Group and its customers in the negotiated settlements, and the lower Spanish courts are applying the Spanish Supreme Court's criteria. However, on 26 June and 12 December 2018, the Court of First Instance and Investigation (*Juzgado de Primera Instancia e Instrucción*) No. 3 in Teruel and the Court of Appeal of Zaragoza (*Audiencia Provincial de Zaragoza*), respectively, requested from the Court of Justice of the European Union (“**CJEU**”) a preliminary ruling based on the apparent conflict between the Spanish Supreme Court's ruling upholding the validity of these amendment agreements and EU law on unfair terms in consumer contracts. As of the date of this Prospectus, the Advocate General has not yet issued its opinion in relation to this matter but it is expected in the short term. As of 30 September 2019, out of the approximately €877.0 million Ibercaja's total outstanding principal amount of loans containing floor clauses, €749.4 million correspond to amended loans in negotiated settlements. The impact of an unfavourable ruling by the CJEU is difficult to quantify in advance as it depends on a variety of factors, including (i) the criteria the court may determine for considering whether or not a negotiated settlement is unfair, and the application of such criteria in each specific case, given that the circumstances in which each of the loans were amended were specific and should be assessed with the new criteria on a case by case basis; and (ii) the number of well-grounded claims that will be filed and their degree of success in the Spanish courts. Accordingly, an unfavourable opinion from the Advocate General or an unfavourable ruling from the CJEU could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

As of 30 June 2019, the Group's provisions related to this matter amounted to €17 million, which cover the Group's estimate of the risk from potential claims arising from non-amended loans. Additionally, in respect of amended loans, an unfavourable opinion from the Advocate General may oblige the Group to make immediately additional provisions. The Group estimates its legal risk provisions on the basis of hypotheses, assumptions and estimates it considers to be reasonable. However, these estimates may not be complete, may not have factored

in all customers or former customers that could potentially file claims, and may not reflect the most recent facts or legal trends adopted by the Spanish courts, or any other circumstances that could be relevant for establishing the impact of these clauses for the Group or the successful outcome of the claims filed in relation to these clauses. Consequently, the provisions made by the Group could prove to be inadequate.

For further information on floor clause litigation and other legal proceedings that may be material to the Group, see “*Description of the Issuer—Legal and arbitration proceedings*”.

Risk of not recovering certain tax assets

As of 30 September 2019, the Group had deferred tax assets (“DTAs”) amounting to €1,356,771 thousand representing 2.6% of its total consolidated assets (€1,365,093 thousand representing 2.6% of its total consolidated assets as of 31 December 2018). These assets or tax credits are derived principally from (i) negative taxable basis for corporate tax due to losses in a given fiscal year; (ii) certain corporate tax deductions that cannot be applied to a given fiscal year if the corporate income tax basis is negative; and (iii) certain temporary adjustments recognised in a given fiscal year, that are pending to be applied.

The Group’s ability to recover these tax assets in the future is subject to different time limitations depending on the origin of the asset (e.g. 15 years for deductions pending application governed by Law 27/2014, dated 27 November, on Corporate Income Tax (“CIT” and the “CIT Law”), except for deductions for research and development and innovation which may be offset within 18 years).

Temporary differences are typically recovered following the recovery path foreseen accounting-wise, and there is no time limit to offset negative tax bases and deductions to prevent international double taxation.

Out of the Group’s €1,357 million total DTAs as of 30 September 2019 (€1,365 million as of 31 December 2018), €643 million (€654 million as of 31 December 2018) derived from temporary differences that are guaranteed by the Spanish state and which can be converted by the Group into a current asset against the Spanish tax authorities in the event of liquidation or judicial insolvency or if the Group records accounting losses in its audited annual accounts.

The eventual recovery of these tax assets is subject to or limited by the occurrence of certain factors, such as obtaining sufficient profits, the non-reduction of the corporate tax rate or the existence of discrepancies with the Spanish tax authorities in the settlement of such tax.

Therefore, in the event that (i) the Group generates insufficient profits (or not profit at all) within the applicable time to offset non-monetisable tax credits; (ii) the corporate income tax rate is reduced, resulting in a reduction of the DTAs accounting wise or in a restriction to use certain DTAs subject to time limitations; (iii) discrepancies are detected in previous tax returns as a consequence of audits undertaken by the Spanish tax authorities resulting in a reduction of the Group’s DTAs; or (iv) there are changes in current regulations, or their application or interpretation, the Group could be totally or partially restricted from recovering the amount of its DTAs, which could have a material adverse effect on the Group’s business, results of operations and/or financial condition.

Risks relating to the Notes

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

As discussed in “*Capital, Liquidity and Funding Requirements and Loss Absorbing Powers—Loss absorbing powers by the Relevant Resolution Authority under Law 11/2015 and the SRM Regulation*”, the Notes may be subject to the bail-in tool (the “**Spanish Bail-in Power**” as defined therein) and to the write down and

conversion powers (the “**Non-Viability Loss Absorption**” as defined therein) contemplated in article 59 of the BRRD and in general to the powers that may be exercised by the Relevant Resolution Authority (as defined therein) under Law 11/2015 and the SRM Regulation. The exercise of any such powers (or any other resolution powers and tools) may result in Holders losing some or all of their investment or otherwise having their rights under the Notes adversely affected and not only the exercise but also any suggestion that such exercise may happen, could materially adversely affect the market price or value or trading behaviour of any Notes and/or the ability of the Bank to satisfy its obligations under any Notes. The Spanish Bail-in Power may also be exercised in such manner as to result in Holders receiving a different security, which may be worth significantly less than the Notes.

There may be limited protections, if any, that will be available to holders of securities subject to the Spanish Bail-in Power (including the Notes) and to the broader resolution powers of the Relevant Resolution Authority. Accordingly, Holders of the Notes may have limited or circumscribed rights to challenge any decision of the Relevant Resolution Authority to exercise its bail-in power. In particular, to the extent that any resulting treatment of a Holder of the Notes pursuant to the exercise of the Spanish Bail-in Power or Non-Viability Loss Absorption is less favourable than would have been the case in normal insolvency proceedings, a Holder of such affected Notes may have a right to compensation under the BRRD and the SRM Regulation based on an independent valuation of the institution, in accordance with Article 10 of Royal Decree 1012/2015 and the SRM Regulation. Any such compensation, together with any other compensation provided by any Applicable Banking Regulations (including, among other such compensation, in accordance with Article 36.5 of Law 11/2015) is unlikely to compensate that Holder for the losses it has actually incurred and there is likely to be a considerable delay in the recovery of such compensation. Compensation payments (if any) are also likely to be made considerably later than when amounts may otherwise have been due under the affected Notes. In addition, in the case of a Non-Viability Loss Absorption, it is unclear that a Holder would have a right to compensation under the BRRD and the SRM Regulation if any resulting treatment of such Holder pursuant to the exercise of the Non-Viability Loss Absorption was less favourable than would have been the case in normal insolvency proceedings.

The exercise of the Spanish Bail-in Power and/or any Non-Viability Loss Absorption by the Relevant Resolution Authority with respect to the Notes is likely to be inherently unpredictable and may depend on a number of factors which may also be outside of the Bank’s control. In addition, as the Relevant Resolution Authority will retain an element of discretion, Holders of the Notes may not be able to refer to publicly available criteria in order to anticipate any potential exercise of any such Spanish Bail-in Power and/or any Non-Viability Loss Absorption. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any such powers by the Relevant Resolution Authority may occur.

Any actions by the Relevant Resolution Authority pursuant to the ones granted by Law 11/2015, or other measures or proposals relating to the resolution of institutions, may adversely affect the rights of Holders of the Notes, the price or value of an investment in the Notes and/or the Bank’s ability to satisfy its obligations under the Notes.

The obligations of the Bank under the Notes are subordinated

The payment obligations of the Bank under the Notes on account of principal constitute direct, unconditional, unsecured and subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 92.2° of the Insolvency Law read in conjunction with Additional Provision 14.3° of Law 11/2015, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise) and upon the insolvency of the Bank, for so long as the obligations of the Bank under the Notes qualify as Tier 2 Instruments would rank as set out in Condition 2. For these purposes, as of the date of this Prospectus and according to Additional Provision 14.3° of Law 11/2015, the ranking of the Notes and any other subordinated obligations of the Bank may depend on whether those obligations qualify at the relevant time as Additional Tier 1 Instruments

or Tier 2 Instruments (both, as defined in the Conditions) or constitute subordinated obligations of the Bank not qualifying as Additional Tier 1 Instruments or Tier 2 Instruments. See Condition 2 for the complete provisions regarding the ranking of the Notes.

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

The Notes provide for limited events of default

The Conditions do not provide for any events of default, except in the case that an order is made by any competent court commencing insolvency proceedings against the Bank or for its winding up or dissolution (other than as permitted in Condition 6). Accordingly, in the event that any payment on the Notes is not made when due, each Holder will have a claim only for amounts then due and payable on their Notes but will have no right to accelerate such Notes.

As mentioned above, pursuant to the BRRD, as implemented through Law 11/2015 and Royal Decree 1012/2015, and the SRM Regulation the Bank may be subject to a procedure of early intervention or resolution. Pursuant to Law 11/2015 the adoption of any early intervention or resolution procedure shall not itself constitute an event of default or entitle any counterparty of the Bank 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 adoption of any such procedure and does not necessarily relate to the exercise of any relevant measure or power which has been applied pursuant to Law 11/2015.

Any attempt by a Holder to enforce its rights under the Notes following the adoption of any early intervention or any resolution procedure will, therefore, be subject to the relevant provisions of the BRRD and Law 11/2015 and Royal Decree 1012/2015 in relation to the exercise of the relevant measures and powers pursuant to such procedure, including the resolution tools and powers referred to above (see "*—The Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority. Other powers contained in Law 11/2015 or the SRM Regulation could materially affect the rights of the Holders of the Notes under, and the value of, any Notes*").

There can be no assurance that the taking of any such action would not adversely affect the rights of Holders (in particular, any rights a Holder may otherwise have on the occurrence of any such action may be limited in these circumstances), the price or value of their investment in the Notes and/or the ability of the Bank to satisfy its obligations under the Notes.

The Notes may be redeemed at the option of the Bank

All, but not some only of the Notes may be redeemed at the option of the Bank on the Reset Date at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption.

The redemption of the Notes at the option of the Bank is subject to the prior Supervisory Permission (as defined in the Conditions) and compliance with Applicable Banking Regulations then in force. Under the CRR, Supervisory Permission shall be given by the Competent Authority provided that either of the following conditions is met:

- (i) on or before such redemption of the Notes, the Bank replaces the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Bank;
- (ii) the Bank has demonstrated to the satisfaction of the Competent Authority that its own funds and eligible liabilities would, following such redemption, exceed the requirements laid down in CRR, CRD IV and BRRD by a margin that the Competent Authority considers necessary.

The Notes are also redeemable on or after the Issue Date at the option of the Bank in whole but not in part, at any time, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption (subject to the prior Supervisory Permission and otherwise in accordance with Applicable Banking Regulations then in force) if there is a Capital Event or a Tax Event (each as defined in Condition 14 in the Conditions). In this case, in addition to the above described conditions, redemption requires that the Bank demonstrates to the satisfaction of the Competent Authority that such Capital Event or Tax Event was not reasonably foreseeable at the Issue Date and, in the case of a Tax Event, that the Tax Event is material. Furthermore, in the case of a Capital Event, the Competent Authority must consider that such Capital Event is sufficiently certain.

It is not possible to predict whether or not any further change in the laws or regulations of Spain, Applicable Banking Regulations or, in the case of a redemption of the Notes for tax reasons, the official application or interpretation thereof, or any of the other events referred to above, will occur and so lead to the circumstances in which the Bank is able to elect to redeem the Notes, and if so whether or not the Bank will elect to exercise such option to redeem the Notes or any prior consent of the Competent Authority required for such redemption will be given. There can be no assurances that, in the event of any such early redemption, Holders will be able to reinvest the proceeds at a rate that is equal to the return on the Notes.

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

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

The Conditions provide that Holders waive any set-off, netting or compensation rights against any right, claim, or liability the Bank has, may have or acquire against any Holder, directly or indirectly, howsoever arising, as required under Applicable Banking Regulations. As a result, Holders will not at any time be entitled to set-off the Bank's obligations under the Notes against obligations owed by them to the Bank.

Substitution and variation of the Notes without Holder consent

Subject to Condition 4.6, if a Tax Event or a Capital Event occurs, the Bank may, instead of redeeming the Notes, at any time, without the consent of the Holders, and subject to compliance with Applicable Banking Regulations and to the prior Supervisory Permission, either (a) substitute new notes for all (but not some only) the Notes whereby such new notes shall replace the Notes or (b) vary the terms of all (but not some only) the Notes, so that the Notes may become or remain Qualifying Tier 2 Notes (as defined in the Conditions), provided that such substitution or variation shall not result in terms that are materially less favourable to the Holders, as certified in a Bank's Certificate (as defined in the Conditions) and an Independent Financial Adviser Certificate (as defined in the Conditions). In the exercise of its discretion, the Bank will have regard to the interest of the Holders as a class.

While Qualifying Tier 2 Notes must contain terms that are materially no less favourable to Holders as the original terms of the Notes, there can be no assurance that the terms of any Qualifying Tier 2 Notes will be viewed by the market as equally or more favourable, or that the Qualifying Tier 2 Notes will trade at prices that are equal to or higher than the prices at which the Notes would have traded on the basis of their original terms.

Moreover, prior to the making of any such substitution or variation, the Bank shall not be obliged to have regard to the tax position of individual Holders or to the tax consequences of any such substitution or variation for individual Holders. No Holder shall be entitled to claim, whether from the Bank, or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or variation upon individual Holders of Notes.

Gross-up obligation under the Notes does not apply to any repayment of principal

The Bank's obligation under Condition 7 to pay additional amounts in the event of any withholding or deduction in respect of taxes on any payments of interest and any other amounts does not apply to any repayment of principal. Accordingly, if any such withholding or deduction were to apply, Holders of the Notes may receive less than the full amount of principal due under the Notes upon redemption, and the market value of the Notes may be adversely affected.

Risks relating to EURIBOR and other "benchmarks"

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

In this respect, the Benchmark Regulation applies to "contributors", "administrators" and "users" of "benchmarks" in the EU, and will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of "benchmarks" (or, if non-EU based, to be subject to equivalent requirements) and (ii) prevent certain uses by EU supervised entities of "benchmarks" of administrators that are not authorised/registered (or, if non-EU based, deemed equivalent or recognised or endorsed).

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

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

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

The Conditions also include alternative fall-back provisions which apply in the event that a Benchmark Event occurs. See Condition 3.7.

Unavailability or discontinuation of the 5-year Mid-Swap Rate

Investors should be aware that, if EURIBOR were discontinued or otherwise unavailable, the rate of interest on the Notes for the Reset Period is based on a reset mid-swap rate and may be determined for the Reset Period by the fall-back provisions applicable to the Notes. The fall-back provisions applicable to the Notes also provide in certain circumstances for the effective application of a fixed rate based on the rate which was last observed on the relevant Screen Page.

In addition, if a Benchmark Event (as defined in Condition 14 (which, amongst other events, includes the permanent discontinuation of the 5-year Mid-Swap Rate)) occurs, the Bank shall use its reasonable endeavours to appoint an Independent Financial Adviser to determine a Successor Rate or, failing which, an Alternative Rate to be used in place of the 5-year Mid-Swap Rate. If the Bank is unable to appoint an Independent Financial Adviser; or the Independent Financial Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate, the Bank (acting in good faith and in a commercially reasonable manner and following consultation with the Independent Financial Adviser in the event one has been appointed) may determine a Successor Rate or, failing which, an Alternative Rate.

Furthermore, if a Successor Rate or Alternative Rate is determined in accordance with the Conditions the Independent Financial Adviser or the Bank (as applicable) may vary certain aspects of the Conditions, as necessary, to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread, without any requirement for consent or approval of the Holders.

If a Successor Rate or Alternative Rate is determined by the Independent Financial Adviser or the Bank (as applicable), the Conditions also provide that an Adjustment Spread may be determined by the Independent Financial Adviser or the Bank and applied to such Successor Rate or Alternative Rate. The aim of the Adjustment Spread is to reduce or eliminate, to the extent reasonably practicable, any economic prejudice or benefit (as the case may be) to Holders as a result of the replacement of the 5-year Mid-Swap Rate with the Successor Rate or the Alternative Rate. However, it may not be possible to determine or apply an Adjustment Spread and, even if an Adjustment Spread is applied, such Adjustment Spread may not be effective to reduce or eliminate economic prejudice to Holders. If no Adjustment Spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Reset Rate of Interest. The use of any Successor Rate or Alternative Rate (including with the application of an Adjustment Spread) may still result in the Notes performing differently (which may include payment of a lower Reset Rate of Interest) than they would if the 5-year Mid-Swap Rate were to continue to apply.

Where the Bank is unable to appoint an Independent Financial Adviser in a timely manner, or the Independent Financial Adviser or the Bank (as applicable) is unable to determine a Successor Rate or Alternative Rate before the Reset Determination Date, the 5-year Swap-Rate applicable to each Interest Period during that Reset Period will be equal to the last available 5-year Mid-Swap Rate on the Screen Page and will continue to apply to final redemption.

The Conditions also provide that no Successor Rate or Alternative Rate or Adjustment Spread (as applicable) will be adopted, if and to the extent that, in the determination of the Bank, the same could reasonably be expected to prejudice the qualification of the Notes as Tier 2 Capital of the Group.

Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, the Notes. See Condition 3.7.

INFORMATION INCORPORATED BY REFERENCE

The documentation set out below shall be deemed to be incorporated by reference in, and to form part of, this Prospectus. However, any statement contained in any such document shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in this Prospectus modifies or supersedes such statement:

- (i) The Group's unaudited condensed consolidated interim financial statements as of and for the nine months ended 30 September 2019, prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Consolidated Financial Statements", together with the limited review report of PricewaterhouseCoopers Auditores, S.L., available at Ibercaja Banco's website (<https://www.ibercaja.com/archivo/sp/5651>) (together, the "**2019 Third Quarter Financial Statements**").
- (ii) English translation of the 2019 Third Quarter Financial Statements, available at Ibercaja Banco's website (<https://www.ibercaja.com/archivo/en/5651>).
- (iii) The Group's audited consolidated interim financial statements and the directors' report as of and for the six months ended 30 June 2019, prepared in accordance with International Financial Reporting Standards as endorsed in the European Union based on Regulation (EC) No 1606/2002 (the "**IFRS-EU**"), together with the audit report of PricewaterhouseCoopers Auditores, S.L., available at Ibercaja Banco's website (https://www.ibercaja.com/public/documentos/ref05559_eeff-sin-timbrar.pdf) (together, the "**2019 First Semester Financial Statements**").
- (iv) English translation of the 2019 First Semester Financial Statements, available at Ibercaja Banco's website (<https://www.ibercaja.com/archivo/en/5559>).
- (v) The Group's audited consolidated annual accounts and the directors' report as of and for the year ended 31 December 2018, prepared in accordance with IFRS-EU, together with the audit report of PricewaterhouseCoopers Auditores, S.L., available at Ibercaja Banco's website (https://www.ibercaja.com/public/documentos/ref05349_cuentas-2018.PDF) (together, the "**2018 Annual Accounts**").
- (vi) English translation of the 2018 Annual Accounts, available at Ibercaja Banco's website (<https://www.ibercaja.com/archivo/en/5349>).
- (vii) The Group's audited consolidated annual accounts and the directors' report as of and for the year ended 31 December 2017, prepared in accordance with IFRS-EU, together with the audit report of PricewaterhouseCoopers Auditores, S.L., available at Ibercaja Banco's website (<https://www.ibercaja.com/archivo/sp/4937>) together, the "**2017 Annual Accounts**" and, together with the 2018 Annual Accounts, the "**Annual Accounts**").
- (viii) English translation of the 2017 Annual Accounts, available at Ibercaja Banco's website (<https://www.ibercaja.com/archivo/en/4937>).

Each document incorporated herein by reference is only as of the date of such document, and the incorporation by reference of such documents shall not create any implication that there has been no change in the affairs of Ibercaja Banco or the Group, as the case may be, since the date thereof or that the information contained therein is current as of any time subsequent to its date.

Any documents incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus. For the avoidance of doubt, unless specifically incorporated by reference into

this Prospectus, the information contained on the corporate website of the Issuer does not form part of this Prospectus.

English translations

In the event of a discrepancy, the original Spanish-language versions prevail.

CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes.

The Notes (as defined below) have been issued by Ibercaja Banco, S.A. (the “**Bank**”) by virtue of the resolutions passed by the meeting of the Board of Directors (*Consejo de Administración*) of the Bank, held on 24 October 2019.

1 Form, Denomination and Title

1.1 The Notes have been issued in uncertificated, dematerialised book-entry form (*anotaciones en cuenta*) in euro in an aggregate nominal amount of €500,000,000 and in the denomination of €100,000 (as reduced from time to time by any write down or cancellation, as the case may be, the “**principal amount**” of a Note).

1.2 The Notes have been registered with Iberclear as managing entity of the central registry of the Spanish settlement system (the “**Spanish Central Registry**”). Holders of a beneficial interest in the Notes who do not have, directly or indirectly through their custodians, a participating account with Iberclear may participate in the Notes through bridge accounts maintained by each of Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream Luxembourg**”) with Iberclear.

Iberclear manages the settlement of the Notes, notwithstanding the Bank’s commitment to assist, when appropriate, on the clearing and settlement of the Notes through Euroclear and Clearstream Luxembourg.

The Spanish National Numbering Agency (*Agencia Nacional de Codificación de Valores Mobiliarios*) has assigned the following International Securities Identification Number (ISIN) to identify the Notes: ES0244251015. The Common Code for this issue is 210818693.

1.3 Title to the Notes is evidenced by book entries, and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the Iberclear Members as having an interest in the Notes shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the Notes recorded therein. In these Conditions, the “**Holder**” means the person in whose name such Notes are for the time being registered in the Spanish Central Registry managed by Iberclear or, as the case may be, the relevant Iberclear Member accounting book (or, in the case of a joint holding, the first named thereof) and Holder shall be construed accordingly.

One or more certificates (each a “**Certificate**”) attesting to the relevant Holder’s holding of Notes in the relevant registry will be delivered by the relevant Iberclear Member or by Iberclear (in each case, in accordance with the requirements of Spanish law and the relevant Iberclear Member’s or, as the case may be, Iberclear’s procedures) to such Holder upon such Holder’s request.

The Notes have been issued without any restrictions on their transferability. Consequently, the Notes may be transferred and title to the Notes may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and/or Iberclear itself, as applicable. Each Holder will be (except as otherwise required by Spanish law) treated as the absolute owner of the relevant Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest, or any writing on, or the theft or loss of, the Certificate issued in respect of it), and no person will be liable for so treating the Holder.

2 Status of Notes

The payment obligations of the Bank under the Notes on account of principal constitute direct, unconditional, unsecured and subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 92.2° of the Insolvency Law and, in accordance with Additional Provision 14.3° of Law 11/2015, but subject to any

other ranking that may apply as a result of any mandatory provision of law (or otherwise), upon the insolvency (*concurso*) of the Bank, for so long as the obligations of the Bank under the Notes qualify as Tier 2 Instruments, would rank:

- (a) senior to:
 - (i) any claims for principal in respect of contractually subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 92.2° of the Insolvency Law qualifying as Additional Tier 1 Instruments;
 - (ii) any claims for the liquidation amount of the ordinary shares of the Bank, and
 - (iii) any other subordinated obligations (*créditos subordinados*) of the Bank which by law and/or by their terms, to the extent permitted by Spanish law, rank junior to the Bank's obligations under the Notes;
- (b) *pari passu* among themselves and with:
 - (i) any claims for principal in respect of other contractually subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 92.2° of the Insolvency Law qualifying as Tier 2 Instruments of the Bank; and
 - (ii) any other subordinated obligations (*créditos subordinados*) of the Bank which by law and/or by their terms, to the extent permitted by Spanish law, rank *pari passu* with the Bank's obligations under the Notes; and
- (c) junior to:
 - (i) any claims for principal in respect of unsubordinated obligations (*créditos ordinarios*) of the Bank;
 - (ii) any subordinated obligations (*créditos subordinados*) of the Bank under Article 92.1° of the Insolvency Law;
 - (iii) any claims for principal in respect of other contractually subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 92.2° of the Insolvency Law not qualifying as Additional Tier 1 Instruments or Tier 2 Instruments; and
 - (iv) any other subordinated obligations (*créditos subordinados*) of the Bank which by law and/or by their terms, to the extent permitted by Spanish law, rank senior to the Bank's obligations under the Notes.

As of the Issue Date, according to the Spanish Insolvency Law, claims of Holders in respect of interest accrued but unpaid as of the commencement of any insolvency procedure in respect of the Bank shall constitute subordinated claims (*creditos subordinados*) against the Bank ranking in accordance with the provisions of Article 92.2° of the Insolvency Law and accrual of interest shall be suspended from the date of the declaration of insolvency of the Bank.

3 Interest Payments

3.1 Interest Rate

The Notes bear interest on their outstanding principal amount at the applicable Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 3.

Interest shall be payable on the Notes annually in arrear on each Interest Payment Date as provided in this Condition 3.

Where it is necessary to compute an amount of interest in respect of any Note for a period which is less than a complete Interest Period, the relevant day-count fraction shall be determined on the basis of the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

3.2 Interest Accrual

The Notes will cease to bear interest from (and including) the due date for redemption thereof pursuant to Condition 4.1, 4.3, 4.4 or 4.5 or the date of cancellation thereof pursuant to Condition 4.8, as the case may be, unless payment of all amounts due in respect of such Note (if any) is not properly and duly made, in which event interest shall continue to accrue on the Notes, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date. Interest in respect of any Note for any period shall be equal to the product of the outstanding principal amount of the Note, the relevant Interest Rate and the day-count fraction as described in Condition 3.1 for the relevant period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

3.3 Initial Fixed Interest Rate

During the Initial Fixed Rate Interest Period, the Notes bear interest at the rate of 2.75% per annum (the “**Initial Fixed Interest Rate**”). The amount of interest payable on each Interest Payment Date during the Initial Fixed Rate Interest Period shall be €2,750 in respect of each Note of €100,000 denomination; except for the amount of interest payable on the first Interest Payment Date, which shall be €1,375 in respect of each Note of €100,000 denomination.

3.4 Reset Rate of Interest

The Interest Rate will be reset (the “**Reset Rate of Interest**”) in accordance with this Condition 3 on the Reset Date. The Reset Rate of Interest will be determined by the Bank on the Reset Determination Date as the sum of the 5-year Mid-Swap Rate and the Margin. From (and including) the Reset Date the Notes bear interest at the Reset Rate of Interest.

3.5 Determination of Reset Rate of Interest

The Bank will, as soon as practicable after 11:00 a.m. (Central European time) on the Reset Determination Date, determine the Reset Rate of Interest in respect of the Reset Period.

3.6 Publication of Reset Rate of Interest

The Bank shall cause notice of the Reset Rate of Interest determined in accordance with this Condition 3 in respect of the Reset Period to be given to Holders in accordance with Condition 10 as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

3.7 Benchmark discontinuation

(a) Independent Financial Adviser

If at the time of determination of the Reset Rate of Interest, a Benchmark Event occurs or has occurred and is continuing, then the Bank shall use its reasonable endeavours to appoint an Independent Financial Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 3.7(b)) and, in either case, an

Adjustment Spread if any (in accordance with Condition 3.7(c)) and any Benchmark Amendments (in accordance with Condition 3.7(d)).

If the Bank (i) is unable to appoint an Independent Financial Adviser; or, (ii) the Independent Financial Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 3.7(a) prior to the Reset Determination Date, the Bank (acting in good faith and in a commercially reasonable manner and following consultation with the Independent Financial Adviser in the event one has been appointed) may determine a Successor Rate or, failing which, an Alternative Rate.

If the Bank is unable or unwilling to determine a Successor Rate or an Alternative Rate prior to the Reset Determination Date, the relevant 5-year Mid-Swap Rate applicable to each Interest Period ending during the Reset Period shall be equal to the last available 5-year mid-swap rate for euro swap transactions, expressed as a rate, on the relevant Screen Page.

For the avoidance of doubt, this Condition 3.7(a) shall apply to all payments of interest on the Notes from the end of the Initial Fixed Interest Rate Period onwards only, and the interest payable on the Notes during the Reset Period is subject to the subsequent operation of, and to adjustment as provided in, this Condition 3.7(a).

(b) Successor Rate or Alternative Rate

If the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines that:

- (i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 3.7(c)) subsequently be used in place of the 5-year Mid-Swap Rate to determine the Reset Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes from the end of the Initial Fixed Rate Interest Period onwards (subject to the operation of this Condition 3.7); or
- (ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 3.7(c)) subsequently be used in place of the 5-year Mid-Swap Rate to determine the Reset Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes from the end of the Initial Fixed Rate Interest Period onwards (subject to the operation of this Condition 3.7).

(c) Adjustment Spread

If the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(d) Benchmark Amendments

If any Successor Rate, Alternative Rate and/or Adjustment Spread is determined in accordance with this Condition 3.7 and the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent

Financial Adviser in the event one has been appointed, as applicable, determines (i) that amendments to the day count fraction, the business days convention, the Reset Determination Date, the floating leg of the 5-year Mid-Swap Rate, the Reset Rate of Interest, and the method for determining the fallback rate in relation to the Notes are necessary in order to follow market practice in relation to the Successor Rate or Alternative Rate and/or Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Bank shall, subject to giving notice thereof in accordance with Condition 3.7(e), without any requirement for consent or approval of the Holders, vary these Conditions to give effect to such Benchmark Amendments with the date specified in such notice.

In connection with any such variation in accordance with this Condition 3.7(d), the Bank shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(e) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 3.7 will be notified promptly by the Bank to the Holders in accordance with Condition 10. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any, and will be binding on the Bank and the Holders.

(f) Survival of 5-year Mid-Swap Rate

Without prejudice to the obligations of the Bank under this Condition 3.7, the 5-year Mid-Swap Rate and the fallback provisions otherwise provided for in these conditions will continue to apply unless and until a Benchmark Event has occurred.

Notwithstanding any other provision of this Condition 3.7, no Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (as applicable) will be adopted, if and to the extent that, in the determination of the Bank, the same could reasonably be expected to prejudice the qualification of the Notes as Tier 2 Capital of the Group.

4 Redemption, Substitution, Variation and Purchase

4.1 Final Redemption

Unless previously redeemed or purchased and cancelled pursuant to Conditions 4.7 and 4.8 or substituted and cancelled pursuant to Conditions 4.6 and 4.8, the Notes will be redeemed at their principal amount, together with accrued and unpaid interest, on 23 July 2030. The Notes may not be redeemed at the option of the Bank other than in accordance with this Condition 4.

4.2 Conditions to Redemption, Substitution, Variation and Purchase prior to Final Redemption

The Bank may, subject to compliance with the Applicable Banking Regulations then in force and subject to the prior Supervisory Permission, when applicable, redeem or purchase the Notes or substitute or vary the terms of the Notes in each case in accordance with Conditions 4.3, 4.4, 4.5, 4.6 or 4.7(a).

As of the Issue Date, Article 78(1) of the CRR provides that the Competent Authority shall give its consent to a redemption, repayment or repurchase of the Notes provided that either of the following conditions is met:

- (a) on or before such redemption, repayment or repurchase of the Notes, the Bank replaces the Notes with own funds instruments of an equal or higher quality on terms that are sustainable for the income capacity of the Bank;
- (b) the Bank has demonstrated to the satisfaction of the Competent Authority that its own funds and eligible liabilities would, following such redemption, repayment or repurchase, exceed the requirements laid down in the CRR, the CRD IV Directive and the BRRD by a margin that the Competent Authority considers necessary.

Prior to the publication of any notice of substitution, variation or redemption pursuant to Conditions 4.4, 4.5 and 4.6, the Bank shall make available to the Holders at its registered office a certificate signed by two of its duly Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or, as appropriate, vary is satisfied.

4.3 Bank's Call Option

Subject to Condition 4.2, the Bank may, by giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 10 (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem all, but not some only, of the Notes on the Reset Date at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Bank shall redeem the Notes.

4.4 Redemption Due to Tax Event

If, prior to the giving of the notice referred to below in this Condition 4.4, a Tax Event has occurred and is continuing, then the Bank may, subject to Condition 4.2 and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 10 (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Bank shall redeem the Notes.

As of the Issue Date, Article 78(4) of the CRR provides that the Competent Authority may permit the Bank to call, redeem, repay or repurchase the Notes during the five years following the Issue Date in the case of a Tax Event if, in addition to meeting one of the conditions referred to in Article 78(1) of the CRR, the Bank demonstrates to the satisfaction of the Competent Authority that such Tax Event is material and was not reasonably foreseeable at the Issue Date.

4.5 Redemption Due to Capital Event

If, prior to the giving of the notice referred to below in this Condition 4.5, a Capital Event has occurred and is continuing, then the Bank may, subject to Condition 4.2 and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 10 (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Bank shall redeem the Notes.

As of the Issue Date, Article 78(4) of the CRR provides that the Competent Authority may permit the Bank to call, redeem, repay or repurchase the Notes during the five years following the Issue Date in the case of a Capital Event if, in addition to meeting one of the conditions referred to in Article 78(1) of the CRR, the Bank demonstrates to the satisfaction of the Competent Authority that the regulatory reclassification was not reasonably foreseeable at the Issue Date.

4.6 Substitution or Variation

If a Tax Event or a Capital Event has occurred and is continuing, then the Bank may, subject to Condition 4.2 and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 10 but without any requirement for the consent or approval of the Holders, at any time (whether before, on or following the Reset Date) either substitute all (but not some only) of the Notes for, or vary the terms of all (but not some only) of the Notes so that they remain or, as appropriate, become, Qualifying Tier 2 Notes. Upon the expiry of such notice, the Bank shall either vary the terms of or substitute the Notes in accordance with this Condition 4.6, as the case may be.

Any notice provided in accordance with this Condition 4.6 shall be irrevocable, specify the relevant details of the manner in which such substitution or, as the case may be, variation shall take effect (including the date for substitution or variation) and where the Holders can inspect or obtain copies of the new conditions of the Notes. Such substitution or, as the case may be, variation will be effected without any cost or charge to the Holders.

In connection with any substitution or variation in accordance with this Condition 4.6, the Bank shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

4.7 Purchases

- (a) The Bank, or any member of the Group, may, subject to Condition 4.2, purchase (or otherwise acquire), or procure others to purchase (or otherwise acquire) beneficially for their account, Notes in any manner and at any price. The Notes so purchased (or acquired), while held by or on behalf of the Bank, or any member of the Group, shall not entitle the Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders.
- (b) Notwithstanding Condition 4.2, the Bank or any member of the Group, or any agent on its or their behalf shall have the right at all times to purchase the Notes for market making purposes or if it would be beneficial from a prudential point of view and justified by exceptional circumstances subject to prior Supervisory Permission if required under prevailing Applicable Banking Regulations, and has otherwise complied with any conditions therefore set out in the Applicable Banking Regulations.

4.8 Cancellation

All Notes substituted by the Bank pursuant to Condition 4.6 will forthwith be cancelled. All Notes purchased by or on behalf of the Bank may, subject to obtaining any Supervisory Permission therefore if required under prevailing Applicable Banking Regulations, be held, resold or, at the option of the Bank, cancelled forthwith. Any Notes so cancelled may not be resold and the obligations of the Bank in respect of any such Notes shall be discharged.

4.9 Unauthorised Purchases

By its acquisition of any Note, each Holder shall be deemed to have acknowledged and accepted that, if the Bank or any member of the Group purchases any Note from a Holder without having obtained the prior Supervisory Permission as required under the Applicable Banking Regulations in effect at the relevant time, the Holder shall be obliged to repay in full to the Bank or to the relevant member of the Group, as the case may be, any amounts received by it in consideration of such purchase.

5 Payments

5.1 Method of Payment

Payments of principal and interest in respect of the Notes will be made in euro by transfer to the registered euro account of the relevant Holder maintained by or on behalf of it with a bank that processes payments in a city in which banks have access to the TARGET System, details of which appear in the records of Iberclear or, as the case may be, the relevant Iberclear Member at close of business on the day immediately preceding the date on which the payment of principal or interest, as the case may be, falls due. Holders must rely on the procedures of Iberclear or, as the case may be, the relevant Iberclear Member to receive payments under the relevant Notes. The Bank will have no responsibility or liability for the records relating to payments made in respect of the Notes.

5.2 Payments Subject to Laws

Save as provided in Condition 7, payments will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws or regulations to which the Bank agrees to be subject and the Bank will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commissions or expenses shall be charged to the Holders in respect of such payments.

5.3 Delay in Payment

Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Business Day.

5.4 Non-Business Days

If any date for payment in respect of any Note is not a Business Day, the Holder shall not be entitled to payment until the next following Business Day.

6 Default

If an order is made by any competent court commencing insolvency proceedings against the Bank or if any order is made by any competent court or resolution passed for the winding up or dissolution of the Bank (except in the case of a reconstruction, merger or amalgamation (i) which has been approved by an Extraordinary Resolution at a meeting of Holders of the Notes; or (ii) where the entity resulting from any such reconstruction, merger or amalgamation is (A) a financial institution (*entidad de crédito*) under article 1 of Law 10/2014, as amended and restated and (B) has a rating for long-term subordinated debt assigned by a Rating Agency equivalent to or higher than the rating for long-term subordinated debt of the Bank immediately prior to such reconstruction, merger or amalgamation) and such order is continuing, then any Note may, unless there has been an Extraordinary Resolution to the contrary at a meeting of Holders, by written notice addressed by the Holder thereof to the Bank and delivered to the Bank, be declared immediately due and payable, whereupon the principal amount of such Notes together with any accrued and unpaid interest thereon to the date of payment shall, when permitted by applicable Spanish law, become immediately due and payable without further action or formality.

If a default occurs under this Condition 6, claims of Holders in respect of the Notes shall rank as set out under Condition 2.

Except as set out in this Condition 6, Holders shall have no right to declare immediately due and payable any amounts of principal or interest in respect of the Notes.

By its acquisition of any Note, each Holder acknowledges and accepts that the taking by the Relevant Resolution Authority of an early intervention measure or a resolution action in respect of the Bank under the Applicable

Banking Regulations shall not constitute an event of default and Holders shall have no right to declare immediately due and payable any amounts of principal or interest in respect of the Notes.

7 Taxation

All payments of interest and any other amounts payable (excluding, for the avoidance of doubt, any repayment of principal) in respect of the Notes by or on behalf of the Bank will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature unless such withholding or deduction is required by law. In the event that any such withholding or deduction is imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax in respect of payments of interest and any other amounts (excluding, for the avoidance of doubt, any repayment of principal), the Bank shall pay such additional amounts as will result in Holders receiving such amounts as they would have received in respect of such payments of interest and any other amounts had no such withholding or deduction been required.

The Bank shall not be required to pay any additional amounts in relation to any payment in respect of Notes:

- (a) presented for payment by or on behalf of a Holder who is liable for such taxes, duties, assessments or governmental charges in respect of the Notes by reason of his having some connection with Spain other than:
 - (i) the mere holding of Notes; or
 - (ii) the receipt of any payment in respect of Notes;
- (b) where taxes are imposed by the Kingdom of Spain (or any political subdivision thereof or any authority or agency therein or thereof having power to tax) that are (i) any estate, inheritance, gift, sales, transfer, personal property or similar taxes or (ii) solely due to the appointment by any Holder, or any person through which such Holder holds such Note, of a custodian, collection agent, person or entity acting on its behalf or similar person in relation to such Note; or
- (c) to, or to a third party on behalf of, a Holder who is an individual resident for tax purposes in the Kingdom of Spain (or any political subdivision or any authority thereof or therein having power to tax); or
- (d) to, or to a third party on behalf of, a Holder in respect of whose Notes the Bank (or an agent acting on behalf of the Bank) has not received such information as it may be required to obtain in order to comply with Spanish tax reporting requirements, as may be necessary to allow payments on such Notes to be made free and clear of withholding tax or deduction on account of any taxes imposed by Spain, including when the Bank (or an agent acting on behalf of the Bank) does not receive a duly executed and completed certificate, pursuant to Law 10/2014 and Royal Decree 1065/2007 of 27 July, as amended by Royal Decree 1145/2011 of 29 July, and any implementing legislation or regulation.

Notwithstanding any other provision of these Conditions, any amounts to be paid by the Bank on the Notes will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), or otherwise imposed pursuant to Sections 1471 to 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof (“**FATCA**”) or any law implementing an intergovernmental approach to FATCA.

See “*Taxation*” for a fuller description of certain tax considerations relating to the Notes.

8 Prescription

Claims against the Bank for payment in respect of the Notes shall be prescribed and become void unless made within five years after the date on which the payment in question becomes due and payable.

9 Meetings of Holders, Modification and Substitution

9.1 Convening meetings

(a) Meetings convened by the Bank

The Bank may, at any time, and shall, if so directed in writing by Holders holding not less than 10% in aggregate principal amount of the Notes for the time being outstanding (the “**relevant Holders**”), convene a meeting of Holders.

(b) Meetings convened by the Holders

If the Bank has not delivered notice convening a meeting of the Holders prior to the expiry of seven clear days from the date on which the Bank has received written directions from the relevant Holders to do so, the relevant Holders may themselves convene the meeting in place of the Bank subject to and in accordance with the provisions of this Condition 9, provided however that, in such circumstances all references to the performance by the Bank of a particular obligation in this Condition 9, or the delivery by the Bank of any notice in accordance with Condition 10, shall be deemed to be a reference to the performance by the relevant Holders of such obligation and/or the delivery of such notice. Any costs and expenses incurred by the relevant Holders as a result of, in connection with or related to the convening by them of a meeting of the Holders in such circumstances shall be for the account of the Bank and shall be promptly paid by the Bank to the account designated for such purpose in writing by the relevant Holders upon presentation of receipts, invoices or other documentary evidence of such costs.

Notwithstanding the foregoing, no refusal or failure by the Bank to convene a meeting of the Holders when so directed by the relevant Holders shall give rise to any right by any Holder to declare any principal amounts or interest in respect of the Notes immediately due and payable.

9.2 Procedures for convening meetings

At least 21 clear days’ notice specifying the place, day and hour of the meeting shall be given to the Holders in the manner provided in Condition 10.

The notice, which shall be in the English language, shall state generally the nature of the business to be transacted at the meeting and, where the meeting has been convened to vote on any matter requiring the approval of the Holders by means of an Extraordinary Resolution only, shall specify the terms of the Extraordinary Resolution to be proposed. This notice shall include information as to the manner in which Holders are entitled to attend and vote at the meeting.

If the meeting has been convened by the relevant Holders in the circumstances set out in Condition 9.1(b), a copy of the notice shall also be sent by certified post to the Bank.

9.3 Chairman

The person (who may be, but need not be, a Holder) nominated in writing by the Bank (the “**Chairman**”) shall be entitled to take the chair at each meeting but if no nomination is made or if at any meeting the person nominated is not present within 15 minutes after the time appointed for holding the meeting, the Holders present shall choose one of their number to be Chairman, failing which the Bank may appoint a Chairman. The Chairman of an adjourned meeting need not be the same person as was Chairman of the meeting from which the adjournment took place.

9.4 Quorums

(a) Regular Quorum

At any meeting one or more Eligible Persons present and holding or representing in the aggregate not less than 5% in principal amount of the Notes for the time being outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business, and no business (other than the choosing of a Chairman in accordance with Condition 9.3) shall be transacted at any meeting unless the required quorum is present at the commencement of business.

(b) Extraordinary Quorum

The quorum at any meeting for passing an Extraordinary Resolution shall (subject as provided below) be one or more Eligible Persons present and holding or representing in the aggregate not less than 50% in principal amount of the Notes for the time being outstanding.

(c) Enhanced Quorum

At any meeting the business of which includes any of the following matters (each of which shall only be capable of being effected after having been approved by Extraordinary Resolution):

- (i) a reduction or cancellation of the principal amount of the Notes for the time being outstanding; or
- (ii) a reduction of the amount payable or modification of the Interest Payment Dates or variation of the method of calculating the Interest Rate; or
- (iii) a modification of the currency in which payments under the Notes are to be made; or
- (iv) a modification of the majority required to pass an Extraordinary Resolution; or
- (v) the sanctioning of any scheme or proposal described in Condition 9.8(b)(vi) below; or
- (vi) any proposal to amend any of the terms of this sub-paragraph 9.4(c) or the terms of Condition 9.5(a) below,

the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than two-thirds in principal amount of the Notes for the time being outstanding.

9.5 Adjourned Meeting

- (a) If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the meeting shall, if convened by Holders or if the Bank was required by Holders to convene such meeting pursuant to Condition 9.1, be dissolved. In any other case it shall be adjourned to the same day of the next week (or if that day is not a Business Day the next following Business Day) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall be adjourned for a period being not less than 14 clear days nor more than 42 clear days and at a place appointed by the Chairman and approved by the Bank).

Otherwise, at least 7 clear days' notice specifying the place, day and hour of the adjourned meeting, and otherwise given in accordance with Condition 9.2 shall be given to the Holders in the manner provided in Condition 10.

- (b) If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any adjourned meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the Chairman may either dissolve the meeting or adjourn it for a period, being:
 - (i) for any matter other than to vote on an Extraordinary Resolution, not less than 14 clear days (but without any maximum number of clear days); or
 - (ii) for any matter requiring approval by an Extraordinary Resolution, not less than 14 clear days nor more than 42 clear days,

and in either case to a place as may be appointed by the Chairman (either at or after the adjourned meeting) and approved by the Bank, and the provisions of this sentence shall apply to all further adjourned meetings.

- (c) At any adjourned meeting one or more Eligible Persons present (whatever the principal amount of the Notes for the time being outstanding so held or represented by them) shall (subject as provided below) form a quorum and shall (subject as provided below) have power to pass any Extraordinary Resolution or other resolution and to decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had the required quorum been present, provided that at any adjourned meeting the business of which includes any of the matters specified in the proviso to Condition 9.4(c) the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than one-third in principal amount of the Notes for the time being outstanding.

9.6 Right to attend and vote

- (a) The provisions governing the manner in which Holders may attend and vote at a meeting of the holders of Notes must be notified to Holders in accordance with Condition 10 and/or at the time of service of any notice convening a meeting.
- (b) Any director or officer of the Bank and its lawyers and financial advisers may attend and speak at any meeting. Subject to this, but without prejudice to the definition of “**outstanding**”, no person shall be entitled to attend and speak nor shall any person be entitled to vote at any meeting of the Holders or join with others in requiring the convening of a meeting unless he is an Eligible Person.
- (c) Subject as provided in Condition 9.6(b), at any meeting:
 - (i) on a show of hands every Eligible Person present shall have one vote; and
 - (ii) on a poll every Eligible Person present shall have one vote in respect of each Note.

9.7 Holding of meetings

- (a) Every question submitted to a meeting shall be decided in the first instance by a show of hands and in the case of an equality of votes the Chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which he may be entitled as an Eligible Person.
- (b) At any meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or the Bank or by any Eligible Person present (whatever the principal amount of the Notes held by him), a declaration by the Chairman that a resolution has been carried

by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

- (c) Subject to Condition 9.7(e), if at any meeting a poll is demanded, it shall be taken in the manner and, subject as provided below, either at once or after an adjournment as the Chairman may direct and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded as of the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the motion on which the poll has been demanded.
- (d) The Chairman may, with the consent of (and shall if directed by) any meeting, adjourn the meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting except business which might lawfully (but for lack of required quorum) have been transacted at the meeting from which the adjournment took place.
- (e) Any poll demanded at any meeting on the election of a Chairman or on any question of adjournment shall be taken at the meeting without adjournment.

9.8 Approval of the resolutions

- (a) Any resolution passed at a meeting of the Holders duly convened and held shall be binding upon all the Holders whether present or not present at the meeting and whether or not voting and each of them shall be bound to give effect to the resolution accordingly and the passing of any resolution shall be conclusive evidence that the circumstances justify its passing. Notice of the result of voting on any resolution duly considered by the Holders shall be published in accordance with Condition 10 by the Bank within 14 days of the result being known provided that non-publication shall not invalidate the resolution.
- (b) The expression “**Extraordinary Resolution**” when used in this Condition 9 means a resolution passed at a meeting of the Holders duly convened and held in accordance with the provisions of this Condition 9 by a majority consisting of not less than 75% of the persons voting on the resolution upon a show of hands or, if a poll was duly demanded, by a majority consisting of not less than 75% of the votes given on the poll.

A meeting of the Holders shall in addition to the powers set out above have the following powers exercisable only by Extraordinary Resolution (subject to the provisions relating to the quorum contained in Conditions 9.4(b) and 9.4(c)), namely:

- (i) power to approve any compromise or arrangement proposed to be made between the Bank and the Holders;
- (ii) power to approve any abrogation, modification, compromise or arrangement in respect of the rights of the Holders against the Bank or against any of its property whether these rights arise under these Conditions or the Notes or otherwise;
- (iii) power to agree to any modification of the provisions contained in these Conditions or the Notes which is proposed by the Bank;
- (iv) power to give any authority or approval which under the provisions of this Condition 9 or the Notes is required to be given by Extraordinary Resolution;
- (v) power to appoint any persons (whether Holders or not) as a committee or committees to represent the interests of the Holders and to confer upon any committee or committees

any powers or discretions which the Holders could themselves exercise by Extraordinary Resolution;

- (vi) power to agree with the Bank or any substitute, the substitution of any entity in place of the Bank (or any substitute) as the principal debtor in respect of the Notes;
- (c) Subject to Condition 9.8(a), to be passed at a meeting of the Holders duly convened and held in accordance with the provisions of this Condition 9, a resolution (other than an Extraordinary Resolution) shall require a majority of the persons voting on the resolution upon a show of hands or, if a poll was duly demanded, a majority of the votes given on the poll.
- (d) The agreement or approval of the Holders shall not be required in the case of any Benchmark Amendments determined pursuant to Condition 3.7(d).

9.9 Miscellaneous

- (a) Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Bank and any minutes signed by the Chairman of the meeting at which any resolution was passed or proceedings had transpired shall be conclusive evidence of the matters contained in them and, until the contrary is proved, every meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly held and convened and all resolutions passed or proceedings had transpired at the meeting to have been duly passed or had.
- (b) For the purposes of calculating a period of clear days, no account shall be taken of the day on which a period commences or the day on which a period ends.
- (c) Any modification or waiver of the Conditions in accordance with this Condition 9 will be effected in accordance with the Applicable Banking Regulations and conditional upon any prior approval from the Competent Authority, to the extent required thereunder.

10 Notices

The Bank shall ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading.

So long as the Notes are listed on AIAF, to the extent required by the applicable regulations, the Bank shall ensure that (i) the communication of all notices will be made public through a relevant event announcement (*hecho relevante*) to be filed with the CNMV and to be published on the CNMV's website at www.cnmv.es and (ii) all notices to the Holders will be published in the official bulletin of AIAF (*Boletín de Cotización de AIAF*).

Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Bank may approve.

In addition, so long as the Notes are represented by book-entries in Iberclear, all notices to Holders shall be made through Iberclear for on transmission to their respective account holders.

11 Further Issues

The Bank may from time to time without the consent of the Holders, but subject to any Supervisory Permission (if required), create and issue further securities having the same conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) so that such further issue shall be consolidated and

form a single series with the outstanding Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

12 Governing Law and Jurisdiction

12.1 Governing Law

The Notes and any non-contractual obligations arising out of or in connection with the Notes shall be governed by, and construed in accordance with, Spanish law.

12.2 Jurisdiction

The Bank hereby irrevocably agrees for the benefit of the Holders that the courts of the city of Madrid, Spain are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes) and that accordingly any suit, action or proceedings arising out of or in connection with the Notes (together referred to as “**Proceedings**”) may be brought in such courts. The Bank irrevocably waives any objection which it may have now or hereinafter to the bringing of any Proceedings before the courts of the city of Madrid, Spain. To the extent permitted by law, nothing contained in this Condition 12 shall limit any right to take Proceedings against the Bank in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not

In addition, the Spanish courts have exclusive jurisdiction to settle any Bail-in Dispute and accordingly each of the Bank and any Holder in relation to any dispute arising out of or in connection with the application of any Spanish Statutory Loss-Absorption Powers by the Relevant Resolution Authority (a “**Bail-in Dispute**”) submits to the exclusive jurisdiction of the Spanish courts. Each of the Bank and any Holder in relation to a Bail-in Dispute further waives any objection to the Spanish courts on the grounds that they are an inconvenient or inappropriate forum to settle any Bail-in Dispute.

13 Waiver of Set-off

No Holder may at any time exercise or claim any Waived Set-Off Rights against any right, claim, or liability the Bank has or may have or acquire against such Holder, directly or indirectly, howsoever arising (and, for the avoidance of doubt, including all such rights, claims and liabilities arising under or in relation to any and all agreements or other instruments of any sort, whether or not relating to such Note) and each Holder shall be deemed to have waived all Waived Set-Off Rights to the fullest extent permitted by applicable law in relation to all such actual and potential rights, claims and liabilities. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Bank in respect of, or arising under or in connection with the Notes is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Bank and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Bank and accordingly any such discharge shall be deemed not to have taken place.

For the avoidance of doubt, nothing in this Condition is intended to provide, or shall be construed as acknowledging, any right of deduction, set-off, netting, compensation, retention or counterclaim or that any such right is or would be available to any Holder of any Note but for this Condition.

14 Definitions

In these Conditions:

“**5-year Mid-Swap Rate**” means, in relation to the Reset Period:

- (a) the rate of the annual swap rate for euro swap transactions with a maturity of five years, expressed as a percentage, which appears on the relevant Screen Page under the heading “**EURIBOR BASIS – EUR**” and above the caption “**11AM FRANKFURT**” as of 11.00 am (CET) on the Reset Determination Date; or
- (b) if such rate does not appear on the relevant Screen Page at such time on the Reset Determination Date, the Reset Reference Bank Rate on the Reset Determination Date, unless a Benchmark Event has occurred, in which case the 5-year Mid-Swap Rate shall be determined pursuant to Condition 3.7;

“**5-year Mid-Swap Rate Quotations**” means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360-day count basis) of a fixed-for-floating euro interest rate swap transaction which:

- (a) has a term of five years commencing on the Reset Date; and
- (b) is in a Representative Amount,

where the floating leg (calculated on an Actual/360-day count basis) is equivalent to EURIBOR 6-month or, if not available, such other benchmark, rate and/or day count fraction as is in customary market usage in the markets for such euro interest rate swap transactions at the relevant time;

“**Additional Tier 1 Instrument**” means any contractually subordinated obligation (*créditos subordinados*) of the Bank in accordance with Article 92.2° of the Insolvency Law constituting an additional tier 1 instrument (*instrumento de capital de nivel 1 adicional*) in accordance with the Applicable Banking Regulations and as referred to under Additional Provision 14.3°(c) of Law 11/2015;

“**Adjustment Spread**” means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Holders as a result of the replacement of the 5-year Mid-Swap Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the 5-year Mid-Swap Rate with the Successor Rate by any Relevant Nominating Body; or
- (b) if no such recommendation has been made, or in the case of an Alternative Rate, the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions or is in customary market usage in the debt capital markets for transactions which reference the 5-year Mid-Swap Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (c) if no such industry standard is recognised or acknowledged, the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines to be appropriate;

“**AIAF**” means the Spanish AIAF Fixed Income Securities Market (*AIAF Mercado de Renta Fija, S.A.*);

“Alternative Rate” means an alternative benchmark or screen rate which the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser, as applicable, determines in accordance with Condition 3.7(b) is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in euro;

“Applicable Banking Regulations” means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency then applicable to the Bank and/or the Group, including, without limitation to the generality of the foregoing, CRD IV, the BRRD and those regulations, requirements, guidelines and policies of the Competent Authority relating to capital adequacy, resolution and/or solvency then in effect (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Bank and/or the Group) (in all cases, as amended or replaced from time to time);

“Authorised Signatory” means any authorised officer of the Bank;

“Bail-in Dispute” has the meaning given in Condition 12.2;

“Bank” means Ibercaja Banco, S.A.;

“Bank’s Certificate” means a certificate signed by two Authorised Signatories of the Bank stating that, in the opinion of the Bank, (i) the changes determined pursuant to a substitution or variation of the Notes under Condition 4.6 will result in the Qualifying Tier 2 Notes having terms not materially less favourable to the Holders than the terms of the Notes on issue and (ii) the differences between the terms and conditions of the Qualifying Tier 2 Notes and these Conditions are only those strictly necessary to (a) in the case of a Capital Event, comply with the requirements of the Competent Authority in relation to Tier 2 Capital in accordance with Applicable Banking Regulations or (b) in the case of a Tax Event, cure the relevant Tax Event;

“Benchmark Amendments” has the meaning given to it in Condition 3.7(d);

“Benchmark Event” means:

- (a) the 5-year Mid-Swap Rate ceasing to be published for a period of at least 10 Business Days or ceasing to exist; or
- (b) a public statement by the administrator of the 5-year Mid-Swap Rate that it has ceased, or will, by a specified future date, cease publishing the 5-year Mid-Swap Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the 5-year Mid-Swap Rate); or
- (c) a public statement by the supervisor of the administrator of the 5-year Mid-Swap Rate, that the 5-year Mid-Swap Rate has been or will, by a specified future date, be permanently or indefinitely discontinued; or
- (d) a public statement by the supervisor of the administrator of the 5-year Mid-Swap Rate that means the 5-year Mid-Swap Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes, in each case within a specified future date; or
- (e) it has become unlawful for the Bank or other party to calculate any payments due to be made to any Holder using the 5-year Mid-Swap Rate,

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (b), (c) or (d) above and the “specified future date” in the public statement is more than six

months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such specified future date;

“**BRRD**” means Directive 2014/59/EU of 15 May, establishing the framework for the recovery and resolution of credit institutions and investment firms, as amended or replaced from time to time, as implemented into Spanish law by Law 11/2015 and Royal Decree 1012/2015, as amended or replaced from time to time, and including any other relevant implementing regulatory provisions;

“**Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in Zaragoza, Madrid and in London and, if on that day a payment is to be made, a day which is a TARGET Business Day also;

“**Capital Event**” means, at any time on or after the Issue Date, a change (or any pending change which the Competent Authority considers sufficiently certain) in the regulatory classification of the Notes that results (or would be likely to result) in:

- (a) the exclusion of any of the outstanding aggregate principal amount of the Notes from the Tier 2 Capital of the Group, otherwise than as a result of any applicable limitation on the amount of such capital, including, for the avoidance of doubt, pursuant to the application of Article 64 of CRR; or
- (b) the reclassification of any of the outstanding aggregate principal amount of the Notes as a lower quality form of own funds of the Group, in accordance with the Applicable Banking Regulations;

“**Certificate**” has the meaning given to it in Condition 1.3;

“**Chairman**” has the meaning given to such term in Condition 9.3;

“**Clearstream Luxembourg**” has the meaning given to such term in Condition 1.2;

“**CNMV**” means the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*);

“**Code**” has the meaning given to such term in Condition 7;

“**Competent Authority**” means the European Central Bank or the Bank of Spain, as applicable, or such other successor authority having primary bank supervisory authority with respect to prudential oversight and supervision in relation to the Group;

“**Conditions**” means these conditions of the Notes, as amended from time to time;

“**CRD IV**” means any or any combination of the CRD IV Directive, the CRR, and any CRD IV Implementing Measures (in all cases, as amended or replaced from time to time);

“**CRD IV Directive**” means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as amended or replaced from time to time;

“**CRD IV Implementing Measures**” means any regulatory capital rules implementing the CRD IV Directive or the CRR which may from time to time be introduced, including, but not limited to, delegated or implementing acts, regulatory technical standards adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the Competent Authority, the European Banking Authority or any other relevant authority, which are applicable to the Bank or the Group, as applicable, including, without limitation, Law 10/2014, as amended from time to time, Royal Decree 84/2015, as amended from time to time, and any other regulation, circular or guidelines implementing CRD IV;

“**CRR**” means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and investment firms, as amended or replaced from time to time;

“**€**” or “**euro**” means the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty of Rome establishing the European Communities as amended;

“**Eligible Persons**” means those Holders or persons (being duly appointed proxies or representatives of such Holders) that are entitled to attend and vote at a meeting of the Holders, for the purposes of which no person shall be entitled to vote at any such meeting in respect of Notes held by or for the benefit, or on behalf, of the Bank or any of its Subsidiaries;

“**EURIBOR 6-month**” means:

- (a) the rate for deposits in euro for a six-month period which appears on the relevant Screen Page as of 11.00 am (CET) on the Reset Determination Date for the Reset Period; or
- (b) if such rate does not appear on the relevant Screen Page at such time on the Reset Determination Date, the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the rates at which deposits in euros are offered by four major banks in the Eurozone interbank market, as selected by the Bank, at such time on the Reset Determination Date to prime banks in the Eurozone interbank market for a six-month period commencing on the Reset Date in a Representative Amount, with the Bank to request the principal Eurozone office of each such major bank to provide a quotation of its rate;

“**Euroclear**” has the meaning given to such term in Condition 1.2;

“**Extraordinary Resolution**” has the meaning given to such term in Condition 9;

“**FATCA**” has the meaning given to such term in Condition 7;

“**Group**” means the Bank together with its consolidated Subsidiaries;

“**Holder**” has the meaning given to it in Condition 1.3;

“**Iberclear**” means the *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal*, the Spanish Central Securities Depository, which manages the Spanish Central Registry and the Spanish settlement system;

“**Iberclear Member**” means each participating entity (*entidad participante*) in Iberclear;

“**Independent Financial Adviser**” means an independent financial firm or an independent financial adviser with appropriate expertise in the international debt capital markets or financial institution of international repute appointed by the Bank at its own expense;

“**Independent Financial Adviser Certificate**” means a certificate signed by a representative of an Independent Financial Adviser stating that, in the opinion of such Independent Financial Adviser, (i) the changes determined by the Bank pursuant to a substitution or variation of the Notes under Condition 4.6 will result in the Qualifying Tier 2 Notes having terms not materially less favourable to the Holders than the terms of the Notes on issue and (ii) the differences between the terms and conditions of the Qualifying Tier 2 Notes and these Conditions are only those strictly necessary to (a) in the case of a Capital Event, comply with the requirements of the Competent Authority in relation to Tier 2 Capital in accordance with Applicable Banking Regulations or (b) in the case of a Tax Event, cure the relevant Tax Event;

“**Initial Fixed Interest Rate**” has the meaning given to it in Condition 3.3;

“Initial Fixed Rate Interest Period” means the period from (and including) the Issue Date to (but excluding) the Reset Date;

“Insolvency Law” means Law 22/2003, of 9 July, on Insolvency (*Ley 22/2003, de 9 de julio, Concursal*), as amended from time to time;

“Interest Payment Date” means (i) in respect of the period from the Issue Date to (and including) the Reset Date, 23 July in each year, starting on (and including) 23 July 2020 and (ii) after the Reset Date, 23 July in each year, starting on (and including) 23 July 2026;

“Interest Period” means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

“Interest Rate” means the Initial Fixed Interest Rate and/or the Reset Rate of Interest, as the case may be;

“Issue Date” means 23 January 2020, being the date of the initial issue of the Notes;

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

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

“Margin” means 2.882%;

“Notes” means the €500,000,000 Fixed Rate Reset Subordinated Notes due 23 July 2030 issued by the Bank on the Issue Date;

“outstanding” means, in relation to the Notes, all the Notes issued other than those Notes (a) that have been redeemed pursuant to Condition 4.3, 4.4, 4.5 or otherwise pursuant to the Conditions; (b) that have been purchased (or acquired) pursuant to Condition 4.7 and cancelled under Condition 4.8; (c) that have been substituted pursuant to Condition 4.6 and cancelled under Condition 4.8 or (d) that have become void or in respect of which claims have prescribed under Condition 8, provided that for each of the following purposes, namely:

- (a) the right to attend and vote at any meeting of Holders; and
- (b) the determination of how many and which Notes are for the time being outstanding for the purposes of Condition 9,

those Notes (if any) which are for the time being held by or for the benefit of the Bank or any of its Subsidiaries shall (unless and until ceasing to be so held) be deemed not to remain outstanding;

“principal amount” has the meaning given to this term in Condition 1.1;

“Proceedings” has the meaning given to this term in Condition 12.2;

“Qualifying Tier 2 Notes” means any securities issued directly or indirectly by the Bank where such securities:

- (a) have terms not materially less favourable to the Holders than the terms of the Notes with any differences between their terms and conditions and these Conditions being those strictly necessary to (in the case of a Capital Event) comply with the requirements of the Competent Authority in relation to Tier 2 Capital in accordance with the Applicable Banking Regulations and/or (in the case of a Tax Event) cure the

relevant Tax Event (provided that the Bank shall have obtained a Bank's Certificate and an Independent Financial Adviser Certificate (copies thereof will be available at the Bank's registered office during its normal business hours) at least 15 Business Days prior to the issue or, as appropriate, variation of the relevant securities); and

- (b) subject to (a) above, shall (1) rank at least equal to the ranking of the Notes, (2) have the same currency, maturity, denomination and outstanding aggregate principal amount, the same (or higher) Interest Rate and the same Interest Payment Dates as those from time to time applying to the Notes, (3) have the same redemption rights as the Notes; (4) comply with the then current requirements of Applicable Banking Regulations in relation to Tier 2 Capital; (5) preserve any existing rights under the Notes to any accrued interest or other amounts which have not been paid, and (6) are assigned (or maintain) at least the same solicited credit ratings as were assigned to the Notes immediately prior to such variation or substitution, and (7) shall not at such time be subject to a Capital Event or a Tax Event; and
- (c) are (i) listed and admitted to trading on AIAF or (ii) listed on a Recognised Stock Exchange, if the Notes were listed immediately prior to such variation or substitution;

“Rating Agency” means any of Standard & Poor's Rating Services, Moody's Investor Services or Fitch Ratings Ltd or their respective successors;

“Recognised Stock Exchange” means a regulated, regularly operating, recognised stock exchange or securities market in an OECD member state;

“Reference Banks” means five leading swap dealers in the principal interbank market relating to euro selected by the Bank;

“Relevant Date” means in respect of any payment, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made;

“Relevant Nominating Body” means, in respect of a benchmark or screen rate (as applicable):

- (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof;

“Relevant Resolution Authority” means the *Fondo de Resolución Ordenada Bancaria* (FROB), the Single Resolution Board (SRB) established pursuant to the SRM Regulation and/or any other authority entitled to exercise or participate in the exercise of any early intervention measure or any resolution action from time to time;

“Representative Amount” means an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market;

“Reset Date” means 23 July 2025;

“Reset Determination Date” means, in respect of the Reset Period, the day falling two TARGET Business Days prior to the first day of such Reset Period;

“**Reset Period**” means the period from and including the Reset Date to but excluding 23 July 2030;

“**Reset Rate of Interest**” has the meaning given to it in Condition 3.4;

“**Reset Reference Bank Rate**” means, in relation to the Reset Period and the Reset Determination Date, the percentage determined on the basis of the 5-year Mid-Swap Rate Quotations provided by the Reference Banks at approximately 11.00 am (CET) on the Reset Determination Date. The Bank will request the principal offices of each of the Reference Banks to provide a quotation of its rate. If three or more quotations are provided, the Reset Reference Bank Rate for the Reset Period will be the percentage reflecting the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, it will be the arithmetic mean of the quotations provided. If only one quotation is provided, it will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate for the Reset Period will be equal to the last available 5 year mid swap rate for euro swap transactions, expressed as an annual rate, on the Screen Page;

“**Royal Decree 84/2015**” means Royal Decree 84/2015, of 13 February, implementing Law 10/2014 (*Real Decreto 84/2015, de 13 de febrero, por el que se desarrolla la Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*), as amended from time to time;

“**Royal Decree 1012/2015**” means Royal Decree 1012/2015, of 6 November, developing Law 11/2015 (*Real Decreto 1012/2015, de 6 de noviembre, por el que se desarrolla la Ley 11/2015, de 18 de junio, de recuperación y resolución de entidades de crédito y empresas de servicios de inversión, y por el que se modifica el Real Decreto 2606/1996, de 20 de diciembre, sobre fondos de garantía de depósitos de entidades de crédito*), as amended from time to time;

“**Screen Page**” means the display page on the relevant Reuters information service designated as:

- (a) in the case of the 5-year Mid-Swap Rate, the “ICESWAP2” page; or
- (b) in the case of EURIBOR 6-month, the “EURIBOR01” page;

or in each case such other page as may replace that page on that information service, or on such other equivalent information service as may be nominated by the person providing or sponsoring such information, for the purpose of displaying equivalent or comparable rates to the 5-year Mid-Swap Rate or EURIBOR 6-month, as applicable;

“**Spanish Central Registry**” has the meaning given in Condition 1.2;

“**Spanish Statutory Loss-Absorption Powers**” means any write-down, conversion, transfer, modification, cancellation, or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Spain, relating to the resolution of credit entities and/or transposition of the BRRD, including, but not limited to (i) Law 11/2015, (ii) Royal Decree 1012/2015, (iii) SRM Regulation, and (iv) any other instruments, rules or standards made or implemented in connection with either (i), (ii), (iii) or the BRRD, pursuant to which any obligation of a regulated entity (or other affiliate of such regulated entity) can be reduced, cancelled, modified, transferred or converted into shares, other securities, or other obligations of such regulated entity or any other person (or suspended for a temporary period);

“**SRM Regulation**” means Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the Single Resolution Mechanism and the Single Resolution Fund and amending Regulation (EU) No 1093/2010 (as amended or superseded from time to time);

“**Subsidiary**” means any entity over which another entity has, directly or indirectly, control in accordance with Article 42 of the Spanish Commercial Code (*Código de Comercio*), Rule 43 of Circular 4/2017, of 27 November, of the Bank of Spain and Applicable Banking Regulations;

“**Successor Rate**” means a successor to or replacement of the 5-year Mid-Swap Rate which is formally recommended by any Relevant Nominating Body;

“**Supervisory Permission**” means, in relation to any action, such supervisory permission (or, as appropriate, waiver) as is required therefor under prevailing Applicable Banking Regulations (if any);

“**TARGET Business Day**” means a day on which the TARGET System is operating;

“**TARGET System**” means the Trans European Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto);

“**Tax Event**” means, at any time on or after the Issue Date, a change in, or amendment to, the laws or regulations of the Kingdom of Spain, or any change in the official application or interpretation of such laws or regulations that results in:

- (a) the Bank not being entitled to claim a deduction in computing taxation liabilities in Spain in respect of any payments of interest in respect of the Notes or the value of such deduction to the Bank being materially reduced; or
- (b) the Bank being obliged to pay additional amounts pursuant to Condition 7; or
- (c) the applicable tax treatment of the Notes being materially affected,

and, in each case, cannot be avoided by the Bank taking reasonable measures available to it;

“**Tier 2 Capital**” means tier 2 capital (*capital de nivel 2*) in accordance with Chapter 4 (*Tier 2 Capital*) of Title I (*Elements of own funds*) of Part Two (*Own Funds*) of the CRR and/or the Applicable Banking Regulations;

“**Tier 2 Instrument**” means any contractually subordinated obligation (*créditos subordinados*) of the Bank in accordance with Article 92.2° of the Insolvency Law constituting a tier 2 instrument (*instrumento de capital de nivel 2*) in accordance with the Applicable Banking Regulations and as referred to under Additional Provision 14.3°(b) of Law 11/2015; and

“**Waived Set-Off Rights**” means any and all rights of or claims of any Holder for deduction, set-off, netting, compensation, retention or counterclaim arising directly or indirectly under or in connection with any Note.

USE AND ESTIMATED NET AMOUNT OF PROCEEDS

The estimated net amount of proceeds of the issue of the Notes is €500,000,000 and the Issuer intends to use it for general corporate purposes.

Ibercaja Banco will request that the Notes qualify as Tier 2 Capital of the Group pursuant to Applicable Banking Regulations. The purpose of the transaction is to proactively manage its capital structure by improving its total capital and MREL requirement. As further described in “*Capital, liquidity and funding requirements and loss absorbing powers—Eligible liabilities*”, the Bank has been required to reach, by 1 January 2023, an amount of own funds and eligible liabilities on a consolidated basis equal to 9.76% of its consolidated total liabilities and own funds as of 31 December 2017. In this context, and based on the Bank’s estimates, the Bank’s MREL issuance needs would amount to approximately €1 billion.

DESCRIPTION OF THE ISSUER

History and development

Ibercaja Banco is a company incorporated under the laws of Spain as a public limited liability company (*sociedad anónima*) with the status of a bank. As a financial institution, the Issuer is subject to special banking legislation and related regulations in respect of the management, supervision and solvency of credit institutions, in particular, Law 10/2014, of 26 June, on organisation, supervision and solvency of credit entities (“**Law 10/2014**”) and Royal Decree 84/2015, of 13 February, implementing Law 10/2014 (“**Royal Decree 84/2015**”), and is subject to the supervision, control and regulation of the Bank of Spain, the ECB under the supervision system created by the SSM, the SRB, the CNMV and the Directorate General of Insurance and Pension Funds.

Ibercaja Banco is also subject to the Spanish Companies Law (*Texto refundido de la Ley de Sociedades de Capital aprobado por el Real Decreto Legislativo 1/2010, de 2 de julio*), the reinstated text of the Securities Market Law approved by Royal Decree 4/2015, of 23 October (the “**Spanish Securities Market Law**”), Royal Decree 217/2008, of 15 February, on the legal regime for investment services companies and other entities providing investment services (*Real Decreto 217/2008, de 15 de febrero, sobre el régimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión*) and further implementing legislation.

The Issuer was incorporated on 22 September 2011 for an unlimited period of time pursuant to a notarised public deed of incorporation granted before the public notary of Zaragoza Mr. Francisco de Asís Pizarro Moreno under number 3,169 of his records and registered with the Commercial Registry of Zaragoza under volume 3,865, page Z-52186, book 0 and sheet 1, and as a credit institution with the Special Registry at the Bank of Spain (*Registro Administrativo de Bancos y Banqueros del Banco de España*) under number 2,085. Ibercaja Banco holds Spanish tax identification number (NIF) A-99319030 and its LEI code is 549300OLBL49CW8CT155.

The Issuer’s legal name is Ibercaja Banco, S.A. and it operates under the commercial name “Ibercaja Banco”.

The registered office of the Issuer is at Plaza de Basilio Paraíso, 2, 50008 Zaragoza, Spain. Its phone number is +34 976 76 79 83 and its corporate website is “www.ibercajabanco.com” (the information on the corporate website of the Issuer does not form part of the Prospectus unless that information is incorporated by reference into the Prospectus).

Ibercaja Banco’s corporate purpose consists of all types of general banking activities, transactions, actions, contracts and services provided they are permitted by law, including the rendering of investment and other auxiliary services.

The history of the Issuer spans more than 140 years, and starts with the foundation of the savings bank Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (the “**Ibercaja Savings Bank**”) in 1873 and the commencement of its operations in 1876 with the aim of stimulating the economies of the autonomous regions of Aragón and La Rioja by pursuing social welfare projects.

The main milestones of the Issuer’s history are described below:

- between 1933 and 1964, the Ibercaja Savings Bank carried out its first expansion plan with the opening of branches in Aragón, La Rioja and Guadalajara;
- in 1988, the Ibercaja Savings Bank created the Financial Group to offer products and services outside the scope of core banking;

- in 1989, the Ibercaja Savings Bank initiated an expansion plan with the opening of branches in Madrid and the Mediterranean basin, that has led to the Issuer’s current well-established presence in these Growth Markets;
- in July 2011, within the framework of the restructuring of the Spanish financial system, the general assembly of the Ibercaja Savings Bank (now transformed into the Ibercaja Foundation as set out below) approved the creation of Ibercaja Banco, as a result of the segregation and transfer to Ibercaja Banco of the financial activity of the Ibercaja Savings Bank;
- in July 2013, the Issuer acquired 100% of the share capital of Banco Caja3, an entity formed by the segregation and subsequent merger of the financial activity of three former savings banks: Caja de Ahorros de la Inmaculada de Aragón (“CAI”), Monte de Piedad y Caja General de Ahorros de Badajoz (“Caja Badajoz”) and Monte de Piedad del Círculo Católico de Burgos (“Cajacírculo de Burgos”). The restructuring plan of Banco Caja3 (approved by the Bank of Spain and the European Commission) included its integration into a larger financial group. As part of its restructuring plan, Banco Caja3 received €407 million of public funds through the subscription by the FROB of contingent convertible bonds to be issued by Banco Caja3 (the “Banco Caja3 CoCos”). The acquisition of Banco Caja3 was structured as a capital increase in the Issuer of €325.5 million, which was subscribed by the shareholders of Banco Caja3, in exchange for Banco Caja3’s entire share capital. CAI, Caja Badajoz and Cajacírculo de Burgos (who have since then become foundations) obtained in total 12.2% of the Issuer’s share capital, while the Ibercaja Savings Bank held the remaining 87.8%. The deed of merger by absorption of Banco Caja3 by the Issuer was executed in October 2014 and Banco Caja3 ceased to exist by dissolution without liquidation and all of its assets were transferred to the Issuer by means of universal transfer;
- in September 2014, the Ibercaja Savings Bank was transformed into the Ibercaja Foundation. Since then, the Ibercaja Foundation has been the Issuer’s controlling shareholder retaining the aforementioned 87.8% shareholding;
- in July 2015, the Issuer issued €500 million in aggregate principal amount of Tier 2 subordinated notes targeted to qualified investors to reinforce the Group’s solvency ratios;
- between March 2016 and March 2017, with the consent of the ECB, the Issuer completed the early redemption of all Banco Caja3 CoCos; and
- in April 2018, the Issuer issued €350 million in aggregate principal amount of temporary write down additional tier 1 (“ATI”) preferred securities (*participaciones preferentes*) targeted to qualified investors to reinforce the Group’s solvency ratios.

Business overview

Ibercaja Banco is a Spanish retail bank based in Zaragoza. It is a “one-stop-shop” for its customers’ financial needs, offering a wide range of banking and financial products and services, with a special focus on first home mortgages, current accounts, term deposits and asset management and insurance products.

The Group’s main activity is retail banking focused on individuals, families and SMEs. Its retail focus is reflected in its simple balance sheet structure, with net loans and advances to customers accounting for 60.6% of its total assets¹³ and customer deposits accounting for 68.8% of its total liabilities as of 30 September 2019. In addition, as of 30 September 2019, retail deposits represented 79.4% of its external funding. As of 30 September 2019, the Issuer had €52.9 billion of total assets and stood, according to the latest available public information as of 30 June 2019, as the ninth largest Spanish bank in terms of assets, with a market share of 2.58% in customer loans (*source: Bank of Spain public report on loans to households and non-financial entities*

¹³ Net loans and advances to customers over total assets is an APM, the definition, explanation, use and reconciliation of which is set out in “— Alternative Performance Measures”.

as of 30 September 2019), 2.76% in customer deposits (source: Bank of Spain public report on deposits to households and non-financial entities as of 30 September 2019) and 2.67% in loans to individuals and non-financial entities and deposits (source: Bank of Spain). As of 30 September 2019, the Issuer had a national market share of 3.87% in terms of home retail mortgages (source: Bank of Spain public report on home retail mortgages as of 30 September 2019). The Issuer is also the sixth largest domestic financial entity in asset management and life savings insurance with €27 billion in assets under management (“AuM”) and a total market share of 4.76% as of 30 September 2019 (source: calculated by the Issuer with data from Inverco public reports on mutual and pension funds and ICEA public reports on life savings insurance products as of 30 September 2019; includes AuM managed by each bank and excludes third party products). As of 30 September 2019, the Group had 5,370 employees.

The Group carries out its business exclusively in Spain and mainly in the autonomous regions of Aragón and La Rioja and the provinces of Guadalajara, Burgos and Badajoz (together, the “Home Markets”). The Group also has a well-established presence in Madrid and in the Mediterranean basin, which includes the autonomous region of Catalonia and the Valencian Community (together, the “Growth Markets”).

The Group uses a multi-channel distribution strategy that combines its 1,101-branch network as of 30 September 2019, and digital channels such as its mobile banking application (the “Ibercaja App”) and its online banking platforms.

The table below sets forth information related to the Group’s key APMs and solvency ratios as of and for the nine months ended 30 September 2019 and the years ended 31 December 2018 and 2017.

	As of and for the nine months ended 30 September 2019	As of and for the years ended 31 December	
		2018	2017
Total assets.....	€52.9 billion	€52.7 billion	€53.1 billion
Gross loans and advances to customers ⁽¹⁾	€32.8 billion	€33.7 billion	€33.5 billion
Retail deposits ⁽¹⁾	€31.7 billion	€31.5 billion	€31.3 billion
Total customer funds ⁽¹⁾	€62.5 billion	€60.9 billion	€61.7 billion
Recurring-cost-to-income ratio ⁽¹⁾	62.7%	64.7%	69.8%
Cost-to-income ratio ⁽¹⁾	60.4%	63.4%	55.6%
Profit before tax.....	€142.3 million	€80.8 million	€182.7 million
Profit before write-downs ⁽¹⁾	€288.7 million	€297.7 million	€445.2 million
Profit for the period.....	€91.4 million	€40.8 million	€138.4 million
ROA ⁽¹⁾	0.23%	0.08%	0.25%
ROE ⁽¹⁾	4.34%	1.47%	4.98%
RORWA ⁽¹⁾	0.60%	0.19%	0.62%
ROTE ⁽¹⁾	4.68%	1.59%	5.36%
LTD ratio ⁽¹⁾	95.8%	98.0%	100.2%
NPL ratio ⁽¹⁾	4.6%	6.7%	7.7%
NPL coverage ratio ⁽¹⁾	49.4%	49.2%	42.5%
NPA ratio ⁽¹⁾	6.6%	8.8%	11.8%

	As of and for the nine months ended 30 September	As of and for the years ended 31 December	
	2019	2018	2017
NPA coverage ratio ⁽¹⁾	51.2%	51.5%	47.9%
Liquid assets/total assets ⁽¹⁾	20.7%	20.7%	19.4%
CET1 ratio (fully-loaded)	11.4%	10.5%	11.0%
CET1 ratio (phased-in)	12.3%	11.7%	11.7%
Total capital ratio (fully-loaded)	15.5%	14.5%	13.3%
Total capital ratio (phased-in)	16.4%	15.6%	13.9%
Leverage ratio (fully-loaded)	5.8%	5.5%	5.1%
Leverage ratio (phased-in)	6.2%	6.0%	5.4%

Notes:—

(1) APM, the definition, explanation, use and reconciliation of which is set out in “—*Alternative Performance Measures*”.

Since 30 September 2019, there have been no recent events particular to the Issuer which are to a material extent relevant to an evaluation of the Group’s solvency.

Strategy

Plan+ 2020

In March 2018, the Group launched its Strategic Plan “Plan +2020” for the years 2018-2020. The main objective of this plan is to ensure the Group’s ability to compete in a rapidly changing environment in terms of customer habits and technology developments and in the overall economic and financial environment.

Through the Plan +2020, the Group seeks to become the best Spanish financial institution in terms of customer satisfaction and the most commercially effective, anticipating the needs of its different stakeholders:

- customers: the Group seeks to gain market share by being a bank with a unique character, recognised and valued by its customers;
- people: the Group seeks to become a high-performance organisation that meets and consistently exceeds its objectives thanks to its highly professional and strongly-committed management team and employee base;
- shareholders: the Group seeks to be an attractive investment, with the ability to attract additional equity; and
- society: the Group seeks to develop a socially-committed business model.

In order to achieve the Plan +2020 objectives, the Group has launched three strategic programs directed at (i) clients, (ii) value creation and (iii) transformation drivers.

Client program

The Group’s client program seeks to further develop the capabilities required to align the whole organization to leverage the opportunities available in the current environment and achieve sustained growth. The starting point for this program is the Group’s value proposition, which seeks to clearly differentiate the Group from its peers and to be the backbone of the Group’s organization.

This program focuses on three main challenges:

- the implementation of new commercial and management procedures for the Group's retail network and, especially, for Personal Banking, Private Banking and SMEs, in order to be more efficient and effective;
- the reinforcement of the Group's digital relationship with its clients by bringing the best of us and the Group's values, style and differential customer experience to the digital world; and
- the search for new business opportunities in open architecture banking and through the Financial Group.

Value creation program

The Group intends to grow through profitable business opportunities, generating capital to continue increasing its business and creating value for its shareholders. This program is focused on the following aspects:

- continuous improvement of the Group's credit risk models: the Group intends to continue improving internal credit risk models (IRB models) in its business management and pursue their approval by the ECB;
- asset pricing and efficient capital allocation: the Group intends to incorporate risk-adjusted metrics to its current asset pricing and capital allocation models in line with best market practices;
- reduction of NPAs: the Group intends to continue reducing the level of its NPAs through a coordinated and specialized management strategy; and
- data management: the Group intends to optimize and evolve its information systems to support its decision-making process.

Transformation drivers program

This program seeks to (i) provide the necessary capabilities and tools to create an adequate ecosystem to develop the Group's differentiation commitment and (ii) adapt the Group's capacity as an organization to achieve its increasingly ambitious goals.

For the development of this program, the Group relies on its technology, people and processes:

- technology: the Group focuses on technology to support the improvement of internal processes, open new business opportunities and promote participation, collaboration and teamwork;
- people: the Group intends to extend its leadership model throughout the whole organization; and
- processes: the Group intends to simplify its applications and infrastructures in order to gain operating efficiency and improve its time-to-market.

Medium term financial objectives

Reduction of non-performing assets

The Group aims to reduce its NPL ratio* to 2.5% (4.6% as of 30 September 2019) and its NPA ratio* to 3.5% (6.6% as of 30 September 2019) in the medium term, which would require at least a 47% decrease in the stock of gross NPAs*.

On the back of the targeted reduction of NPAs and the Group's current coverage levels, the Group intends to achieve a cost of risk of 0.25% (0.43% as of 30 September 2019) in the medium term.

APM, the definition, explanation, use and reconciliation of which is set out in "—Alternative Performance Measures*".

Best in class capital position

After issuing AT1 preferred securities (April 2018) and Tier 2 (July 2015) instruments, the Group became one of the first regional banks in Europe to fully complete its hybrid capital buckets, strengthening its capital position. In terms of solvency, the Group aims to achieve a CET1 ratio fully-loaded of 12.5% (11.38% as of 30 September 2019) and a total capital ratio fully-loaded above 16% (15.5% as of 30 September 2019) in the medium term.

Markets

Home Markets

The Home Markets are the autonomous regions of Aragón and La Rioja and the provinces of Guadalajara, Burgos and Badajoz, and they constitute the Group's traditional geographic markets, where the Group has a leading presence in terms of loans, deposits and total loans and deposits market share (*source: Bank of Spain*). As of 30 June 2019, total loans and deposits market share was 38.5% in Aragón and 16.4% in Rest of Home Markets (*source: Bank of Spain*).

The following table shows the number of customers and branches in the Home Markets and the percentage they represent over the Group's total number of customers and branches, as well as the retail business volume of each of the Home Markets and their contribution to the Group's total retail business volume as of 30 September 2019:

	As of 30 September 2019					
	Customers		Branches		Retail business volume ⁽¹⁾	
	Million	%	Number	%	€ billion	%
Aragón.....	1.0	38	382	35	38.3	43
Rest of Home Markets.....	0.6	23	312	28	15.8	18
Total Home Markets	1.7	62	694	63	54.1	61

Notes: —

(1) APM, the definition, explanation, use and reconciliation of which is set out in “—Alternative Performance Measures”.

The following table shows information related to performing loans excluding reverse repurchase agreements, retail deposits, asset management and life savings insurance and retail customer funds in the Home Markets:

	As of 30 September 2019							
	Performing loans excluding reverse repurchase agreements ⁽¹⁾		Retail deposits ⁽¹⁾		Asset management and life savings insurance ⁽¹⁾		Retail customer funds ⁽¹⁾	
	€ billion	%	€ billion	%	€ billion	%	€ billion	%
Aragón.....	9.0	30	14.7	46	14.6	54	29.3	50
Rest of Home Markets.....	3.8	13	6.8	21	5.2	19	12.0	20
Total Home Markets	12.8	43	21.5	68	19.8	74	41.3	70

Notes:—

(1) APM, the definition, explanation, use and reconciliation of which is set out in “—Alternative Performance Measures”.

Growth Markets

In the late 80s, the Group expanded its activities to the autonomous region of Madrid and the Mediterranean basin (which includes the autonomous regions of Catalonia and the Valencian Community), the Growth Markets, where the Group has a well-established presence.

The following table shows the number of customers and branches in the Growth Markets and the percentage they represent over the Group's total number of customers and branches, as well as the retail business volume of each of the Growth Markets and their contribution to the Group's total retail business volume as of 30 September 2019:

As of 30 September 2019						
	Customers		Branches		Retail business volume ⁽¹⁾	
	Million	%	Number	%	€ billion	%
Madrid.....	0.5	17	180	16	15.8	18
Mediterranean basin.....	0.3	12	144	13	10.2	12
Growth Markets.....	0.8	29	324	29	26.1	30

Notes: —

(1) APM, the definition, explanation, use and reconciliation of which is set out in “—Alternative Performance Measures”.

The following table shows information related to performing loans excluding reverse repurchase agreements, retail deposits, asset management and life savings insurance products and retail business volume in each of the Growth Markets:

As of 30 September 2019								
	Performing loans excluding reverse repurchase agreements ⁽¹⁾		Retail deposits ⁽¹⁾		Asset management and life savings insurance ⁽¹⁾		Retail customer funds ⁽¹⁾	
	€ billion	%	€ billion	%	€ billion	%	€ billion	%
Madrid.....	7.3	25	5.4	17	3.2	12	8.6	15
Mediterranean basin.....	5.1	17	3.0	9	2.1	8	5.1	9
Growth Markets.....	12.4	42	8.3	26	5.3	20	13.7	23

Notes: —

(1) APM, the definition, explanation, use and reconciliation of which is set out in “—Alternative Performance Measures”.

Rest of Spain

The Group also carries out its activities outside the Home Markets and the Growth Markets (“Rest of Spain”). The following table shows the number of customers and branches in the Rest of Spain and the percentage it represents over the Group's total number of customers and branches, as well as the retail business volume of the Rest of Spain and its contribution to the Group's total retail business volume as of 30 September 2019:

As of 30 September 2019						
	Customers		Branches		Retail business volume ⁽¹⁾	
	Million	%	Number	%	€ billion	%
Rest of Spain.....	0.2	9	83	8	8.1	9

Notes: —

(1) APM, the definition, explanation, use and reconciliation of which is set out in “—*Alternative Performance Measures*”.

The following table sets out information related to performing loans excluding reverse repurchase agreements, retail deposits, asset management and life savings insurance products and retail customer funds in the Rest of Spain:

	As of 30 September 2019							
	Performing loans excluding reverse repurchase agreements ⁽¹⁾		Retail deposits ⁽¹⁾		Asset management and life savings insurance ⁽¹⁾		Retail customer funds ⁽¹⁾	
	€ billion	%	€ billion	%	€ billion	%	€ billion	%
Rest of Spain.....	4.4	15	1.9	6	1.8	7	3.7	6

Notes:—

(1) APM, the definition, explanation, use and reconciliation of which is set out in “—*Alternative Performance Measures*”.

Operations and activities

The customer focused strategy of the Group is based on the segmentation of its customers on the basis of their financial needs, which allows the Group to provide its customers with a diversified portfolio of tailored products and solutions, including through the specialisation of the Group’s employees. The customer focused strategy has resulted in an average customer tenure of 20 years, with an average number of products/services per customer of 6.7 as of 30 September 2019.

Based on the type of customer, the Group divides its business activities in the following divisions: (i) Banking for Individuals, (ii) SMEs, Corporate and Institutional Banking (these two divisions directed at retail customers) and (iii) Other business lines: Financial Markets, Investments and Real Estate, which carries out wholesale activities.

In addition, the Financial Group (which is described below) offers a wide range of products aimed at its retail customers, complementing traditional banking products and services, and comprise a group of subsidiaries responsible for the management of mutual funds, pension plans and its insurance and leasing-renting businesses.

Banking for Individuals

The Banking for Individuals division served 2.5 million customers and accounted for approximately 90% of the Group’s retail business volume as of 30 September 2019. Through the Banking for Individuals division, the Group addresses the needs of the following customer segments:

Families

The Families customer segment includes households and individuals, and comprises the Group’s largest customer segment and the main users of its lending and deposit-taking services. Through its branch networks the Group seeks to attract new customers, consolidate its links with existing customers and develop products suitable to the needs of each customer according to his or her income and family circumstances.

Almost all of the Families segment financing relates to mortgage loans for the acquisition of first homes secured by a mortgage. Other products offered to the Families segment include ordinary banking products such as current and savings accounts, term deposits, credit and debit cards and consumer loans, as well as other products from the fully-owned Financial Group such as mutual funds, pension plans and insurance products.

Personal Banking

The Personal Banking customer segment includes customers with a net worth of between €100,000 and €500,000 in the Home Markets (and between €75,000 and €500,000 outside of the Home Markets).

This segment offers a management model based on a personal manager who assists customers in their financial planning, advises them on their investments, and gives them detailed information on the products and services that best meet their financial needs. As of 30 September 2019, the Personal Banking segment was managed by 490 full time managers.

Products offered to the Personal Banking customers include, among others, current accounts, time deposits and, through the Financial Group, mutual funds, pensions funds and insurance products.

The Financial Group plays a key role in the product design of the Personal Banking segment, as does the Private Banking segment by training Personal Banking managers.

The majority of specialised advisors assigned to this segment have a solid training, achieved through internal and external programs, recognised by well-known entities, such as the European Financial Planning Association.

Private Banking

The Private Banking customer segment is addressed to customers with a net worth in excess of €500,000. This segment offers banking services to customers who have more sophisticated banking needs and investment profiles, providing them with a specialised, personalised and high-quality service. Private Banking customers are advised by 80 personal managers and have access to all types of financial assets such as listed securities, mutual funds, SICAVs or structured deposits. Private Banking customers, together with Personal Banking customers, are the main target of the Group's asset management business.

SMEs, Corporate and Institutional Banking

The Group's SMEs, Corporate and Institutional Banking division served almost 200,000 customers and accounted for 10% of its retail business volume as of 30 September 2019. Through the SMEs, Corporate and Institutional Banking division, the Group addresses the needs of the following customer segments:

SMEs and Corporate Banking

The SMEs and Corporate Banking customer segment includes non-real estate companies. The SMEs and Corporate Banking services are focused on financing corporate activities including corporate loans, credit lines, financing of fixed assets and working capital, treasury management, insurance, leasing, factoring and interest rates hedging.

As of 30 September 2019, the SMEs and Corporate Banking segment is served by a team of 225 specialised corporate account managers. They are supported by managers at certain branches that have a significant number of SMEs customers. The aim of these managers is to provide specialised solutions to these companies and give them comprehensive financial advice.

Within the Group's branch network, it has six specialised "corporate centres" assigned with multi-task teams, aimed at improving the Group's position in this division through in-depth specialisation to meet the financial needs of companies.

Distributors

The Distributors customer segment provides personalised and value-based management for store owners offering them financing, insurance products or collection and payment management services.

The Group has collaboration agreements with various provincial chambers of commerce, associations and employers' organisations to provide their members with financial services on advantageous terms.

Institutions and Other Groups

Through the Institutions and Other Group customer segment, the Group cooperates with public and private entities at national and regional levels, which gives the Group access to this source of business and, at the same time, helps its customers in their dealings with the public authorities.

In the public sector, the Group cooperates with central, regional and local administrations under financing agreements, youth programs and sponsorships. In addition, the Group is actively engaged in the introduction and dissemination of systems for the handling of electronic payments and their administration and has agreements in place with different entities for the collection and management of taxes, handling of university enrolments and other administrative formalities.

The Group also develops a range of personalised services for private sector groups, including professional associations, members of the civil service, owners' associations and employees of large companies as well as members of condominium activities.

Other business lines: Financial Markets, Investments and Real Estate

The Group's Financial Markets business is focused on ensuring the availability of liquid resources in its balance sheet and managing its ALCO portfolio and listed equity instruments portfolio. The Group's Financial Markets business is also responsible for planning debt issues and repurchases of securities and hedging structured deposits and other securities.

The Group has equity investments in companies within several sectors, including tourism, real estate, media, logistics and services. As of 31 December 2018, the Group had direct or indirect equity interests in 69 non-real estate companies with an aggregate net value of €272 million. In terms of industry distribution, companies related to financial and para-financial activities are the most significant, accounting for 59% of the Group's equity investment portfolio. The Group also invests in companies in other sectors, such as the media (12%), tourism (10%), venture capital (6%), infrastructure (5%), energy (5%), agricultural (2%) and others (2%).

The Group's Real Estate business is composed of two holding companies: Cerro Murillo, S.A. and Residencial Murillo, S.A.

Financial Group – Asset Management, Insurance and Leasing and Renting

The Financial Group was created in 1988 and consists of a group of subsidiaries specialised in the management of mutual funds and pension plans and the Group's insurance and leasing-renting businesses.

The Financial Group offers a wide range of products aimed at the Group's retail customers, complementing its traditional banking products and services. Assets under management and bancassurance (which include mutual funds, pension plans and insurance products) generated 37.58% of the Group's recurring revenues in the nine months ended 30 September 2019, of which mutual funds represented 17.09%, long-term savings (which include pension funds and life savings insurance products) represented 10.75% and risk insurance products (both life and non-life) represented 9.74%¹⁴. In addition, commissions from the sale of non-banking financial products and asset management represented 60.52% of the net fee income and exchange differences for the nine months ended 30 September 2019¹⁵.

¹⁴ For a breakdown of the Group's recurring revenues by products see “—*Alternative Performance Measures*”.

¹⁵ For a breakdown of the Group's net fee income and exchange differences by original see “—*Alternative Performance Measures*”.

Mutual funds

Through Ibercaja Gestión S.G.I.I.C., S.A. (“**Ibercaja Gestión**”) the Group manages its mutual funds. As of 30 September 2019, AuM by Ibercaja Gestión amounted to €13,512 million (*source: Inverco*), ranking seventh in its sector in Spain, with a market share of 4.99% (*source: Inverco*).

The portfolio of Ibercaja Gestión includes a broad range of mutual funds adapted to particular market circumstances and investor risk profiles.

Ibercaja Gestión offers fund portfolio management agreements to the Group’s customers, who benefit from a diversified basket of suitable mutual funds selected according to their particular risk profile. As of 30 September 2019, Ibercaja Gestión also managed 11 SICAVs, with an equity of €58 million.

Pension plans

Through Ibercaja Pensión, E.G.F.P., S.A.U. (“**Ibercaja Pensión**”) the Group manages its pension plans. As of 30 September 2019, AuM by Ibercaja Pensión amounted to €6,618 million (*source: Inverco*), ranking fifth in its sector in Spain, with a market share of 5.82% (*source: Inverco*).

Ibercaja Pensión offers (i) fixed-income plans; (ii) mixed fixed-and-variable income plans; (iii) variable-income plans; (iv) global plans; and (v) guaranteed plans.

Ibercaja Pension manages assets mainly under plans established by employers or by individuals. AuM in individual pension plans amounted to €2,427 million as of 30 September 2019, ranking eight in its sector in Spain with a market share of 3.14% (*source: Inverco*). AuM in employment plans amounted to €4,189 million, ranking third in its sector in Spain, with a market share of 11.79% (*source: Inverco*).

Insurance products

The Group’s insurance business is carried out through two subsidiaries that operate in the life and non-life insurance segments.

Through Ibercaja Vida, the Group manages its life savings insurance and life risk insurance products. As of 30 September 2019, Ibercaja Vida is ranked eighth in its sector in Spain in terms of volume of technical provisions, with a market share of 3.81% (*source: ICEA*). Through Ibercaja Mediación, the Group manages its general insurance brokerage business, principally non-life risk insurance for individuals and companies.

The Group’s offers two main types of insurance products:

Life savings insurance products

Ibercaja Vida offers products aimed at promoting long-term savings by the Group’s customers. It offers, among others, systematic savings policies, deferred capital policies, temporary annuities, investment savings plans, insured benefit plans, group insurance policies and unit linked policies.

Technical provisions related to the Group’s life savings insurance business amounted to €7,406 million as of 30 September 2019 (under ICEA criteria).

Within all of the Group’s life savings insurance products, systematic savings are the most relevant, representing AuM of approximately €2,200 million as of 30 September 2019, and an annual growth rate during the last years of more than 10%. Temporary annuities are the second most relevant products, representing AuM of approximately €2,200 million as of 30 September 2019.

Risk insurance products

As of 30 September 2019, the Group had approximately 1.1 million risk insurance policies and risk insurance premiums amounted to €206 million (€267 million as of 31 December 2018). Ibercaja Vida offers two types of risk insurance products:

- *Life risk insurance products.* Ibercaja Vida offers insurance policies, related and unrelated to credit transactions, in which the beneficiary receives financial compensation in the event of a loss (death or disability).
- *Non-life risk insurance products.* The Group offers these products through Ibercaja Mediación, which acts as an insurance broker.

In 2012, the Group reached a strategic agreement with Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. (“CASER”) for the Group to exclusively market CASER’s non-life risk insurance products through the Group’s branch network. As of 30 September 2019, these premiums represent more than 90% of the Group’s non-life risk insurance premiums.

Leasing and Renting

Through Ibercaja Leasing y Financiación, S.A., Establecimiento Financiero de Crédito (“**Ibercaja Leasing**”), the Group manages its leasing and renting arrangements. It provides products to enable SMEs and professionals to finance their fixed-asset investments and to use equipment under operating leases.

As of 30 September 2019, the outstanding risk was €602.6 million, which ranked Ibercaja Leasing as tenth in its sector in Spain, with a market share of 2.7% (*source: Asociación Española de Leasing*).

Distribution channels

The Group’s multi-channel strategy is aimed at bringing services closer to customers so that they can use them at any place and time. The Group’s aim is to integrate traditional and new channels while maintaining the ongoing and trusting relationship accomplished by personal contact. New contents and technological innovations are regularly being added so that remote banking services can be accessed through different devices such as tablets and smartphones. The Group is currently implementing a digital transformation process with the aim of incorporating the leading technological solutions to its business.

In the nine months ended 30 September 2019, approximately 71% of the Group’s total transactions were carried out through digital channels (through the Ibercaja website and the Ibercaja App), 13% in its branch offices, 11% through PoS terminals and 5% through ATMs.

Branch network

The Group has a national branch network, significantly covering its Home and Growth Markets. Branches are the basic instrument of customer relations, providing a close, personalised, quality service. The Group’s branch network is broad, covering all its markets, and is supported by alternative channels. In recent years, the Group has adapted its traditional customer service to new market requirements through the incorporation of technological support and management changes in order to streamline the relationship with its customers.

As of 30 September 2019, the Group had 1,101 branches in 50 Spanish provinces. 63% of its branches are located in the Home Markets, and in aggregate 92% of its branches are located in the Home and Growth Markets. The geographical distribution of the Group’s branches across the various autonomous regions of Spain as of 30 September 2019, 31 December 2018 and 2017, respectively, was as follows:

	As of 30 September 2019	As of 31 December	
		2018	2017
Andalusia	29	29	30
Aragón	382	388	406
Principality of Asturias	3	3	3
Balearic Islands.....	2	2	2

	As of 30 September 2019	As of 31 December	
		2018	2017
Basque Country.....	3	3	3
Canary Islands.....	2	2	2
Cantabria.....	1	1	1
Castile-La Mancha.....	60	60	64
Castile and León.....	78	78	81
Catalonia.....	90	90	90
Extremadura.....	100	105	107
Galicia.....	6	6	6
La Rioja.....	97	97	100
Madrid.....	180	183	184
Murcia.....	6	6	6
Navarre.....	8	8	8
Valencian Community.....	54	54	54
Total.....	1,101	1,115	1,147

The Group's network structure includes full-service branches, branches that provide personalised services, corporate centres, Branches+ (branches in markets with high growth potential in the Personal Banking, Private Banking and Corporate Banking segments) and Agro branches (branches with a range of specialised products customised for rural areas). Managers specialising in corporate, personal and private banking support the network, providing additional high-value services.

The following table shows the Group's branch distribution by number of employees as of 30 September 2019:

	30 September 2019
Branches with one employee.....	357
Branches with between one and six employees.....	552
Branches with equal or more than six employees.....	192
Total branches.....	1,101

The 337 branches with one employee (30% of the Group's total branch network) are primarily located in rural areas while 48% of the Group's branches in the Home Markets have one employee.

The Group's branch network is characterized by a significant presence in rural areas, where the Group's branches only open temporarily (e.g., one or two days per week). The agricultural sector is very relevant to the Group's business due to the Group's location in predominantly agricultural areas, particularly within the Home Markets.

e-Banking

The Group offers its customers access to online services and products through several remote channels. Customers can operate through the Group's online banking platform ("**Ibercaja Directo**") and the Ibercaja App. As of 30 September 2019, the number of digital customers (number of customers who have used Ibercaja Directo or the Ibercaja App at least once in the last month) was approximately 743,000.

The Group's commercial public website (www.ibercaja.es) is another customer service remote channel. It displays the commercial offers of the Group's products and services and has a space for interaction with visitors, where further information is made available through comparative tables and simulators, and where visitors can subscribe to alerts and bulletins.

Ibercaja Directo provides options tailored to different customer segments, with specific versions for retail and business customers, young people and stores.

The Ibercaja App was launched in 2016 and was the first development of Ibercaja Banco in association with Microsoft. The Ibercaja App's design facilitates browsing, optimises existing transactions, allowing faster and simpler use, and includes other alternatives such as loan requests, instalment plans for purchases, card limit changes and card activation. In 2017, the Ibercaja App was upgraded to incorporate personal finance management. The Group believes that the final result is satisfactory and the rate of growth in new users has increased significantly. The number of users of the Ibercaja App (customers that have used the Ibercaja App in the last month) was 392,000 as of 30 September 2019.

The Ibercaja Pay application has been upgraded to complement the Ibercaja App. It allows the integration of the purchase process in physical stores and payment between individuals (P2P) through the Bizum platform.

The Group has prepared its internal systems to engage with fintechs and other value chain players. In addition, it has launched a personal financial management service in collaboration with Meniga, an Icelandic fintech company.

Digital onboarding is available since November 2018. In the last quarter of 2019, the Group expects to launch a new digital solution for SMEs and a project for workplace mobility.

ATMs and other methods of payment

The Group has an extensive network of ATMs that allows customers to carry out usual transactions such as obtaining cash and information on account balances or movements, paying bills, activating cards, recharging mobile phones and buying shows and sports events tickets.

The Group had 1,335 ATMs as of 30 September 2019 (1,476 and 1,475 as of 31 December 2018 and 2017, respectively), with a market share in Spain of 2.86% as of 31 December 2018 (2.86% as of 31 December 2017) (*source: Bank of Spain*).

The Group had 1,564,499 activated cards as of 30 September 2019 (1,529,573 and 1,529,963 activated cards as of 31 December 2018 and 2017, respectively). The number of purchase transactions amounted to 87 million transactions in the nine months ended 30 September 2019 (98 million and 84 million in 2018 and 2017, respectively) with a total value of €3,266 million in the nine months ended 30 September 2019 (€4,006 million and €3,575 million in 2018 and 2017, respectively). The Group's market share in Spain in terms of turnover volume was 2.72% as of 31 December 2018 (2.64% as of 31 December 2017) (*source: Bank of Spain*).

The Group had 67,541 PoS terminals throughout Spain as of 30 September 2019 (63,236 and 57,487 as of 31 December 2018 and 2017, respectively). PoS terminals are particularly suitable for self-employed individuals and professionals who are required to deliver services "on the go". As of 31 December 2018, the Group's PoS market share in Spain stood at 3.48% (3.25% as of 31 December 2017) (*source: Bank of Spain*). More than 80% of the Group's PoS terminals are adapted to operate with contactless technology.

Board of Directors and Senior Management

Board of Directors

The following table sets out the names of the members of the Board of Directors of the Issuer (the “**Board of Directors**”), their positions within the Board of Directors, their category as directors and, where relevant, the shareholder they represent, as of the date of this Prospectus.

Name	Date of first appointment	Expiry date of appointment	Age	Title	Category
Mr. José Luis Aguirre Loaso	22 September 2011	30 August 2021	73	Chairman	Proprietary ⁽¹⁾
Mr. Jesús Máximo Bueno Arrese	22 September 2011	30 August 2021	69	Vice Chairman	Proprietary ⁽¹⁾
Mr. Victor Manuel Iglesias Ruiz	28 January 2015	29 August 2023	54	Chief Executive Officer	Executive
Ms. Gabriela González-Bueno Lillo.....	24 July 2013	13 November 2023	74	Director	Independent
Mr. Jesús Solchaga Loitegui.....	24 July 2013	13 November 2023	79	Director	Independent
Mr. Emilio Jiménez Labrador.....	28 October 2016	29 August 2023	59	Director	Proprietary ⁽²⁾
Mr. Vicente Evelio Cándor López	9 April 2019	9 April 2024	65	Director	Independent
Mr. Félix Santiago Longás Lafuente	30 August 2016	30 August 2021	63	Director	Independent
Mr. Jesús Tejel Giménez	30 August 2016	30 August 2021	61	Director	Independent
Mr. Luis Enrique Arrufat Guerra.....	30 August 2017	30 August 2022	64	Director	Proprietary ⁽¹⁾
Ms. María Pilar Segura Bas.....	30 August 2017	30 August 2022	63	Director	Other external ⁽³⁾

Notes:—

- (1) Representing the Ibercaja Foundation.
- (2) Representing Cajacírculo Fundación Bancaria, Fundación Caja de Ahorros de la Inmaculada de Aragón (the “CAI Foundation”) and Fundación Ordinaria Caja Badajoz.
- (3) Ms. María Pilar Segura Bas was an employee of Ibercaja Banco. The three-year period from the end of the employment relationship that the Spanish Companies Law establishes to qualify a person as an independent director has not yet elapsed and so Ms. María Pilar Segura Bas has the status of “Other external director”.

The secretary of the Board of Directors (non-director) is Mr. Jesús Barreiro Sanz.

All members of the Board of Directors designate the Issuer’s registered address as their professional address for the purposes of this Prospectus.

The table below sets forth the names of those members of the Board of Directors with activities performed outside the Group that are significant with respect to the Issuer as of the date of this Prospectus:

Director	Entity	Sector	Position/ Title	In office
Mr. José Luis Aguirre Loaso	Cecabank	Financial	Vice Chairman	No
	CASER	Insurance	Director	Yes
	Confederación Española de Cajas de Ahorro	Financial	Director	Yes
Mr. Victor Manuel Iglesias Ruiz	Cecabank	Financial	Director	Yes
	Henneo Media, S.A.	Media	Director	No
	Celeris, S.A., Establecimiento Financiero de Crédito	Financial	Director	No
Ms. Gabriela González-Bueno Lillo..	Centro de Investigación del Seguro, S.L.	Insurance	Director	Yes

Director	Entity	Sector	Position/ Title	In office
	Instituto para la Formación Empresarial, S.L.U.	Education	Director	Yes
	Energías Renovables de la Vera, S.L.	Energy	Director	Yes
	Energías Vera Cuatro, S.L.	Energy	Director	Yes
	Energías Vera Dos, S.L.	Energy	Director	Yes
	Energías Vera Tres, S.L.	Energy	Director	Yes
	Energías Vera Cinco, S.L.	Energy	Director	Yes
	Vivasol Vera, S.L.	Energy	Director	Yes
Mr. Emilio Jiménez Labrador.....	Sociedad de Garantía Recíproca Extremeña de Avales Iniciativas Pacenses, S.A.	Financial Financial	Director Director	Yes Yes
	Estacionamientos y Servicios Extremeños, S.A.	Real Estate	Director	Yes
	Guadianapark, S.A.	Transportation	Director	No
Mr. Jesús Tejel Giménez.....	Pangaea Oncology, S.A.	Health	Director	Yes
Mr. Luis Enrique Arrufat Guerra.....	EURO 6000, S.A.	Payment methods	Chairman	No
	Viacajas, S.A.	Payment methods	Director	No
	EBN Banco de Negocios, S.A.	Financial	Director	No
	Ahorro Corporación, S.A.	Financial	Director	No
	CIMD, S.A.	Financial	Director	No
Ms. María Pilar Segura Bas.....	Gestión de Inmuebles Salduvía, S.A.	Real Estate	Director	No
Mr. Jesús Barreiro Sanz.....	Henneo Media, S.A.	Media	Director	Yes

Board Committees

In compliance with the Issuer's bylaws and the regulations of the Board of Directors (the “**Bylaws**” and the “**Board Regulations**”, respectively), the Board of Directors has established: a delegated committee (the “**Delegated Committee**”), an audit and compliance committee (the “**Audit and Compliance Committee**”), an appointments committee (the “**Appointments Committee**”), a compensation committee (the “**Compensation Committee**”), a large risks and solvency committee (the “**Large Risks and Solvency Committee**”) and a strategy committee (the “**Strategy Committee**”).

Delegated Committee

The Board of Directors has delegated all of its powers in favour of the Delegated Committee, except for those which cannot be delegated pursuant to the provisions of the Spanish law, the Bylaws or the Board Regulations. As of the date of the Prospectus, the members of the Delegated Committee are:

Name	Position/Title	Category
Mr. José Luis Aguirre Loaso	Chairman	Proprietary
Mr. Jesús Máximo Bueno Arrese	Member	Proprietary
Mr. Víctor Manuel Iglesias Ruiz	Chief Executive Officer	Executive
Mr. Vicente Evelio Córdor López.....	Member	Independent
Ms. Gabriela González-Bueno Lillo.....	Member	Independent
Mr. Emilio Jiménez Labrador.....	Member	Proprietary

The secretary of the Board of Directors shall act as secretary of the Delegated Committee.

The Delegated Committee is responsible for, among others, (i) acknowledging and approving the granting, amendment and cancellation of risky transactions which, according to the Loan and Discount Risk Management and Procedure Manual approved by the Board of Directors are of its competence. Additionally, the Delegated Committee approves the proposed acquisitions of assets for repayment of debt pursuant to the asset management policies and manuals; (ii) acknowledging and approving matters related to employees (e.g. disciplinary records, granting of leaves, etc.) except for those which are competence of the Chief Executive Officer or the Board of Directors for being employees which are under the direct supervision of the Chief Executive Officer; (iii) acknowledging and approving of matters related to the Bank's assets, investments and divestments in Group companies, in accordance with internal policies and manuals, unless they are subject to the approval by the general shareholders' meeting; and (iv) granting, when applicable, the necessary powers to execute the resolutions passed by the Delegated Committee.

Audit and Compliance Committee

As of the date of this Prospectus, the members of the Audit and Compliance Committee are:

Name	Position/Title	Category
Mr. Vicente Evelio Córdor López.....	Chairman	Independent
Ms. Gabriela González-Bueno Lillo.....	Member	Independent
Mr. Jesús Máximo Bueno Arrese	Member	Proprietary
Mr. Emilio Jiménez Labrador.....	Member	Proprietary
Mr. Jesús Tejel Giménez.....	Member	Independent

The secretary of the Board of Directors shall act as secretary of the Audit and Compliance Committee.

The Audit and Compliance Committee is responsible for (i) reporting to the general shareholders' meeting on any matters within the Audit and Compliance Committee's authority; (ii) supervising the efficiency and independence of the Bank's internal controls, internal audit and risk control and management functions, and discussing with the Bank's external auditors any significant weaknesses in the internal control systems identified during the audit process; (iii) monitoring the efficiency and compliance with the Bank's corporate governance regulations; (iv) overseeing the process of drafting and filing of the Bank's regulated financial information, supervising the Bank's accounts and its compliance with the accounting principles and report the proposals in relation to the adjustment of the accounting criteria; (v) making proposals to the Board of Directors for submission to the general shareholders' meeting, regarding the appointment, re-election and substitution of the external auditors, the relevant terms and scope of work and preserving the independence of the auditors in the exercise of the audit works; (vi) liaising with the Bank's external auditors in order to receive information about any matters that might jeopardise such auditors' independence, any weaknesses in the internal controls and any other matters related to the audit process and to any other legal communications regarding the auditing and technical standards applied to auditing; (vii) supervising the fulfilment of the agreement with the external auditors; (viii) ensuring that the external auditors comply with the existing regulations in terms of provision of services different from the audit, the concentration limits of the external auditors business and in general all the regulations related to the independence of the external auditors; (ix) investigating the circumstances of the external auditors resignation, if applicable; (x) notifying the CNMV by means of the publication of a relevant fact notice (*hecho relevante*) the appointment of new external auditors and the existence of disagreements with the former external auditors, if applicable; (xi) prior to the completion of the auditors' report on the annual accounts, issuing an annual report containing the Audit and Compliance Committee's opinion on the independence of the appointed external auditors and describing any other services rendered by the external auditors or their related entities to the Issuer or its related entities; and (xii) reporting in advance to the Board

of Directors on any matters envisaged in the legislation, Bylaws and the Board Regulations, and in particular, on the interim financial information to be disclosed periodically, on the incorporation or acquisition of equity interests in special purpose vehicles or companies incorporated in tax havens and on related party transactions.

Appointments Committee

As of the date of this Prospectus, the members of the Appointments Committee are:

Name	Position/Title	Category
Mr. Jesús Solchaga Loitegui.....	Chairman	Independent
Mr. Félix Santiago Longás Lafuente	Member	Independent
Ms. María Pilar Segura Bas	Member	Other external
Mr. Jesús Tejel Giménez	Member	Independent

The secretary of the Board of Directors shall act as secretary of the Appointments Committee.

The Appointments Committee is responsible for, among others (i) evaluating the competence, knowledge and experience required to the members of the Board of Directors. To this effect, it shall define the functions and aptitudes required from the candidates and evaluate the time and resources required for directors to carry out their tasks; (ii) setting diversity representation in the Board of Directors (taking into account matters such as gender, background or knowledge), and setting the procedures to accomplish such objectives; (iii) issuing to the Board of Directors the proposals for the appointment, re-election or removal of independent directors and other members of the Board of Directors; (iv) reporting on the members that should form each committee; (v) reporting on the appointment or removal of the senior management and on the basic terms of senior management agreements; and (vi) examining and organising, in the most appropriate way, the replacement of the chairperson of the Board of Directors and of Bank's first executive and, if applicable, making proposals to the Board of Directors in order for such replacements to take place in an orderly and well planned manner.

Compensation Committee

As of the date of this Prospectus, the members of the Compensation Committee are:

Name	Position/Title	Category
Mr. Jesús Solchaga Loitegui.....	Chairman	Independent
Mr. Félix Santiago Longás Lafuente	Member	Independent
Ms. María Pilar Segura Bas	Member	Other external
Mr. Jesús Tejel Gimenez	Member	Independent

The secretary of the Board of Directors shall act as secretary of the Compensation Committee.

The Compensation Committee is responsible for, among others, (i) making proposals to the Board of Directors on the compensation policies for directors and senior management, on the individual compensation to executive directors and the terms and conditions in their management agreements, and on the basic terms and conditions of the special agreements; (ii) informing the Board of Directors, subject to its approval, about the report on Directors' compensation that shall be made publicly available or provided to the regulatory authorities; (iii) overseeing compliance with the Bank's compensation policies and the transparency in the compensation of the Directors; and (iv) reviewing periodically the compensation policies, ensuring that they are proportionate.

Large Risks and Solvency Committee

As of the date of this Prospectus, the members of the Large Risks and Solvency Committee are:

Name	Position/Title	Category
Ms. Gabriela González-Bueno Lillo.....	Chairwoman	Independent
Mr. Jesús Máximo Bueno Arrese	Member	Proprietary
Mr. Jesús Tejel Giménez	Member	Independent
Ms. María Pilar Segura Bas	Member	Other External
Mr. Vicente Evelio Cóndor López.....	Member	Independent

The secretary of the Board of Directors shall act as secretary of the Large Risks and Solvency Committee.

The Large Risks and Solvency Committee is responsible for, among others, (i) suggesting to the Board of Directors the limits by type of risk and business to be established, including credit risk, concentration risk, market risk, liquidity risk, interest rate risk and currency risk; (ii) reporting, prior to its approval by the Board of Directors, the Bank's Risk on Appetite Framework and risk appetite statement, ensuring that both of them are consistent with the Bank's other policies and strategic frameworks; (iii) analysing and evaluating the Group's risk management (including tax risk) policies in terms of risk profile (expected loss) and profitability, and analysing Group's exposures by business, customer and sector segments; (iv) analysing and reviewing Group's risk oversight systems; (v) proposing to the Board of Directors, when deemed appropriate, the measures to mitigate the impact of the risks that have been identified; (vi) analysing and assessing the level of equity and its forecasts over time, given different scenarios, and proposing measures it deems appropriate in order to strengthen Bank's solvency, reporting on the capital adequacy policy; and (vii) informing about Bank's Funding Plan and its amendments.

Strategy Committee

As of the date of this Prospectus, the members of the Strategy Committee are:

Name	Position/Title	Category
Mr. José Luis Aguirre Loaso	Chairman	Proprietary
Mr. Emilio Jiménez Labrador.....	Member	Proprietary
Mr. Félix Santiago Longás Lafuente	Member	Independent
Mr. Luis Enrique Arrufat Guerra.....	Member	Proprietary
Mr. Jesús Solchaga Loitegui.....	Member	Independent

The secretary of the Board of Directors shall act as secretary of the Strategy Committee.

In particular, the Strategy Committee is responsible for, among others, (i) informing about the Bank's strategic plan, monitoring it and reporting to the Board of Directors; (ii) reporting the Bank's annual budget; (iii) reporting the strategic direction of Bank's specific and overall goals related to the strategic plan and its annual budget; (iv) reporting to the Board of Directors the economic prospects to define the stress scenarios; (v) reporting to the Board of Directors the recovery plan; (vi) reporting to the Board of Directors on issues of strategic importance, including those that may affect the shareholder structure or those that may open new national or international financial markets; (vii) informing about the outsourcing policy of services and activities; (viii) informing about the policy to approve new products while developing new markets, products or services, and significant changes in those already existing; and (ix) reviewing and reporting to the Board of Directors, at least annually, on the appropriateness of the Bank's operational structures to its objects, interests and strategic policy.

Senior management

Aside from the Board of Directors, the Issuer is managed on a day to day basis by the senior management team.

The following table sets out the names of the members of the senior management team and their respective ages and positions as of the date of this Prospectus.

Name	Age	Position/Title	Joined the Group in
Mr. Victor Manuel Iglesias Ruiz	54	Chief Executive Officer	1989
Mr. Francisco Serrano Gill de Albornoz ...	53	Deputy General Manager-General Secretary	2000
Mr. Luis Miguel Carrasco	47	Deputy General Manager- Chief of Real Estate Business	2013
Mr. José Ignacio Oto Ribate.....	54	General Deputy Head-Chief Branch Network Officer	1990
Mr. Antonio Martínez Martínez	42	General Deputy Head-Chief Financial Officer	2001
Ms. María Raquel Martínez Cabañero.....	46	General Deputy Head-Chief Credit Risk Officer	1997
Mr. José Palma Serrano.....	50	General Deputy Head-Chief Technology Officer	1994
Ms. María Teresa Fernández Fortún.....	52	Deputy Head-Chief of Human Resources Officer	1991
Mr. Ignacio Torre Solá.....	40	Chief Marketing Officer and Digital Strategy	2007
Mr. Rodrigo Galán Gallardo.....	63	Deputy Head-Chief of Financial Group	2015
Ms. Ana Jesús Sangrós.....	52	Chief Analytics Officer	1994
Mr. Ángel Serrano Villavieja	45	Deputy Head-Chief Audit Officer	2008

All members of the Issuer’s senior management team designate the registered address of the Issuer as their professional address for the purposes of this Prospectus.

The table below sets forth the names of those members of the Issuer’s senior management team with activities performed outside the Issuer or companies or members of the Group as of the date of this Prospectus that are significant with respect to the Issuer:

Senior management member	Entity	Sector	Position/ Title	In office
Mr. Victor Manuel Iglesias Ruiz				
See “—Board of Directors” above				
Mr. Francisco Serrano Gill de Albornoz	Henneo Media, S.A.	Media	Director	Yes
	Aramón Montañas de Aragón, S.A.	Finacial	Director	Yes
Mr. José Ignacio Oto Ribate.....	Viacajas, S.A.	Finacial	Director	Yes
	E6K Servicios de Valor Añadido, S.L.	Finacial	Director	Yes
	Sistemas de Tarjetas y Medios de Pago, S.A.	Payment methods	Director	Yes
	Aramón Montañas de Aragón, S.A.	Finacial	Director	Yes
	Formigal, S.A.U.	Logistics	Director	Yes
	Nieve de Teruel, S.A.	Transportation	Director	Yes
	Panticosa Turística, S.A.	Logistics	Director	Yes
Mr. Antonio Martínez Martínez	Henneo Media, S.A.	Media	Director	Yes
Mr. José Palma Serrano.....	Radio Huesca, S.A.	Media	Director	Yes
	Mastercajas, S.A.		Director	Yes
	Sociedad Española de Sistemas de Pago, S.A.	Payment methods	Director	Yes

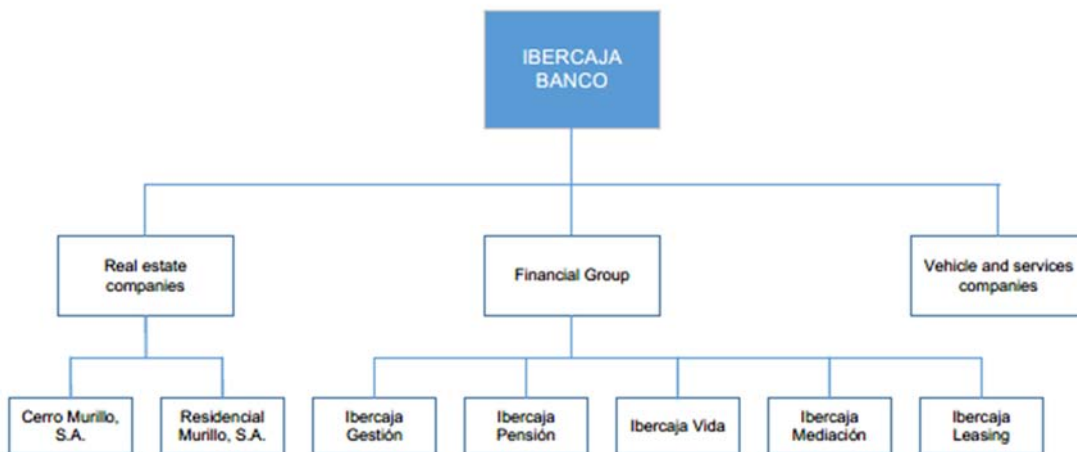
<u>Senior management member</u>	<u>Entity</u>	<u>Sector</u>	<u>Position/ Title</u>	<u>In office</u>
	Publicaciones y Ediciones del alto Aragón, S.A.	Media	Director	Yes

Conflicts of interest

As of the date of this Prospectus, there are no potential conflicts of interest in relation to members of the Board of Directors or to members of the Issuer's senior management between any duties owed to the Issuer and their private interests and other duties.

Organisational structure

The Issuer is the parent company of a consolidated group of credit institutions comprising various companies as dependent, associated and multi-group entities, pursuant to Bank of Spain Circular 4/2017, as amended. Following is an organisation chart of the Group as of the date of this Prospectus.



As of 30 September 2019, the Group had 15 fully consolidated subsidiaries (entities over which the Issuer has control, due to direct or indirect ownership of more than 50% of the relevant entity's voting rights or, if the percentage of ownership is lower than 50%, because the Issuer is party to agreements with other shareholders of the relevant entity that give the Issuer the majority of voting power), five jointly-controlled entities (entities which, without being dependent, are under contractual agreements of joint control, whereby decisions on the relevant activities are taken unanimously by the entities that share the control and are entitled to their net assets) and 16 associates (entities over which the Issuer exercises significant influence but which are neither subsidiaries nor jointly-controlled entities). All of the Issuer's subsidiaries, jointly-controlled entities and associates are incorporated in Spain.

Capital structure

As of the date of this Prospectus, the share capital of the Issuer is €214,427,597, consisting of 214,427,597 ordinary shares of €1 nominal value each. The share capital of the Issuer is composed a single class and series of shares, with the same rights.

Major shareholders

The following table shows the existing shareholders of the Issuer as of the date of this Prospectus:

Name of Shareholder	Ownership (voting rights)	
	Number of shares	% total ⁽¹⁾
The Ibercaja Foundation.....	188,260,662	87.80
Fundación Caja de Ahorros de la Inmaculada de Aragón.....	10,401,360	4.85
Fundación Ordinaria Caja Badajoz.....	8,373,394	3.90
Cajacírculo Fundación Bancaria.....	7,392,181	3.45
Total	214,427,597	100

Notes:—

(1) Rounded.

As of the date of this Prospectus, the Ibercaja Foundation owns directly 87.80% of the share capital in Ibercaja Banco.

In order to avoid the potential conflict of interests between Ibercaja Banco and the majority shareholder, the governing body (*Patronato*) of the Ibercaja Foundation approved the Ibercaja Foundation Protocol (*Protocolo de gestión de la participación financiera de la Fundación Bancaria Ibercaja en Ibercaja Banco*) in accordance with the provisions of Law 26/2013, of 27 December, on savings banks and banking foundations (*Ley 26/2013, de 27 de diciembre, de Cajas de Ahorros y Fundaciones Bancarias*) in December 2014. The Ibercaja Foundation's Protocol was amended on 25 April 2019 and approved by the Bank of Spain and it is available at the Issuer's website (www.ibercaja.com) and at Ibercaja Foundation's website (www.fundacionibercaja.es).

The Ibercaja Foundation's Protocol establishes the procedures to avoid potential conflicts of interests as a result of the majority stake held by the Ibercaja Foundation in the share capital of Ibercaja Banco and the criteria to appoint the members of the Board of Directors of Ibercaja Banco.

Credit rating

As of the date of this Prospectus, the Bank's rating and outlook are as follows:

Agency ⁽¹⁾	Long-term	Short-term	Outlook	Date of latest rating
Moody's	Ba3	NP	Positive	22 March 2019
S&P	BB+	B	Stable	4 April 2019
Fitch	BB+	B	Positive	19 March 2019

Notes:—

(1) Each of Moody's Investors Service España, S.A. ("Moody's"), S&P and Fitch is registered under Regulation (EC) No 1060/2009 (as amended) on credit rating agencies ("CRA Regulation"). As such, each of Moody's, S&P and Fitch is included in the latest update of the list of registered credit rating agencies (as of 1 October 2019) on the ESMA website in accordance with the CRA Regulation.

Legal and arbitration proceedings

The Group has been and is involved in disputes and litigation related to its business. The material legal proceedings outstanding in which the Group is involved as of the date of this Prospectus are summarised below.

Claims relating to floor clauses in mortgage agreements with consumers

The Issuer has not marketed any mortgage agreements containing "floor clauses" (clauses that set minimum interest rates payable by borrowers, whereby the borrower agrees to pay a minimum interest rate to the lender regardless of the applicable benchmark rate). However, as a result of acquiring Banco Caja3 in July 2013, the

Issuer has certain mortgage agreements containing floor clauses, which represent approximately 8% of the Issuer's total mortgage agreements by value.

General overview

In Spain, borrowers have challenged the legal validity of floor clauses in mortgage agreements in recent years on various grounds. Spanish courts have rendered various judgments, directed both at specific financial institutions (including the Issuer) and the financial sector in general, declaring certain floor clauses to be invalid on the basis of lack of transparency at the time such mortgages were sold to customers or other reasons.

The Spanish Supreme Court on 9 May 2013 handed down its first decision on the validity of certain floor clauses. The court ruled that the floor clauses in the case at issue were null and void and set out the criteria to determine which of such clauses were unfair from a legal standpoint due to the lack of transparency. In addition, the Supreme Court held that the declaration of nullity of these clauses would not have retroactive effect, meaning that borrowers would be unable to claim amounts paid under these clauses before the date of publication of this judgment. No Group entity was party to this legal action, and this judgment therefore did not directly apply to the Group. Nonetheless, the judgment cast doubt on the validity of certain floor clauses that had been widely used by financial institutions in Spain and raised uncertainty regarding how or when the principles of this judgment would be applied against financial institutions not party to the original action, including us. The criteria established by this judgment have been further revised by recent rulings such as the judgment of the Spanish Supreme Court on 9 March 2017, which declared lawful a floor clause in a mortgage agreement that did meet the transparency requirements.

The Spanish Supreme Court, in judgments on 25 March 2015 and 29 April 2015, found that if a floor clause is declared null and void by a valid court order, for lack of transparency or any other reason, the difference between the interest paid under such floor clause and the interest that would have otherwise been payable without such clause, must be reimbursed by the relevant financial institution to the borrower for the period beginning on the date of publication of the Spanish Supreme Court judgment dated 9 May 2013. Again, no Group entity was party to either of these legal actions, and as such these judgments did not directly apply to the Group.

The position in Spain regarding the inability of affected borrowers to claim for periods before the date of publication of the Spanish Supreme Court judgment dated 9 May 2013 seemed clear given the consistency of the judgments handed down by the Spanish Supreme Court. However, on 21 December 2016, the CJEU declared that the temporary limitation placed on the effects of the invalidity by the Spanish Supreme Court judgment is incompatible with the Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts ("**Directive 93/13**"), to the extent that such temporary limitation is an incomplete and insufficient protection of consumers, and upheld full retroactive reimbursement in relation to floor clauses. There remains significant uncertainty regarding how this decision by the CJEU could affect the Group or future court decisions regarding this matter and how any such decision will be implemented in Spain.

On 20 January 2017, the Spanish Government approved Royal Decree-Law 1/2017, which encourages out-of-court settlements between financial institutions and those borrowers affected by such floor clauses, with the aim of avoiding overloading the Spanish courts with these claims. Financial institutions and consumers are not obliged to reach an agreement and, therefore, affected consumers still have the right to sue financial institutions, including the Issuer. Pursuant to Royal Decree-Law 1/2017, the Group created a new service on 10 February 2017 as part of its Customer Service Care (CSC) to handle the resolution of these claims.

On 12 December 2019, the Spanish Supreme Court issued a ruling declaring that the completion or termination of a mortgage agreement containing floor clauses does not prevent a consumer from challenging the validity of the floor clause and claiming the reimbursement of the amounts paid under such floor clauses.

Situation of Ibercaja

As described above, as a result of acquiring Banco Caja3, the Issuer acquired a portfolio of mortgage agreements containing floor clauses, which represent approximately 8% of the Issuer's total mortgage agreements by value. By the time of acquisition of Banco Caja3, there were several ongoing claims filed by customers arguing the unfairness of such floor clauses and, prior to any relevant decision by the Spanish courts, the Issuer offered a negotiated settlement to such affected customers. As part of these negotiated settlements Ibercaja Banco offered its customers to sign an amendment agreement to the original mortgage agreement whereby the Issuer would reduce or delete the floor clause and the customer would undertake not to bring a claim against Ibercaja Banco in the future. Out of the 39,674 mortgage agreements containing floor clauses, the Issuer signed 17,984 amendment agreements in accordance with such terms. These amendment agreements were judicially reviewed, and the Spanish Supreme Court, in its ruling No 751/2018 dated 11 April 2018 upheld the validity of one of the Issuer's negotiated settlements. Therefore the Spanish Supreme Court declared the validity of the floor clauses contained in the amendment agreements signed between the Issuer and its customers in negotiated settlements.

The Spanish courts at a lower level are applying the Spanish Supreme Court's criteria and, as of the date of this Prospectus, Spanish courts have already issued 644 rulings in favour of the Issuer.

However, on 26 June and 12 December 2018, the Court of First Instance and Investigation (*Juzgado de Primera Instancia e Instrucción*) No. 3 in Teruel and the Court of Appeal of Zaragoza (*Audiencia Provincial de Zaragoza*), respectively, requested from the CJEU a preliminary ruling based on the apparent conflict between the Spanish Supreme Court's ruling upholding the validity of these amendment agreements and EU law on unfair terms in consumer contracts. As of the date of this Prospectus, the Advocate General has not yet issued its opinion in relation to this matter but it is expected in the short term. As of 30 September 2019, out of the approximately €877.0 million Ibercaja's total outstanding principal amount of loans containing floor clauses, €749.4 million correspond to amended loans in negotiated settlements.

The Issuer made an initial provision of €80 million for this matter, of which €30 million have already been used to pay rulings against the Issuer arising mainly from non-amended loans.

As of 30 June 2019, the Issuer decided to reduce its provisions in this respect to €17 million (as communicated to the ECB), which covers the Issuer's estimate of the risk from potential claims arising from non-amended loans and which it believes is sufficient to cover this risk. Following the Spanish Supreme Court ruling dated 11 April 2018, the Issuer considers that the risk from potential claims arising from amended loans is low and, therefore, the Issuer has not made a provision to cover this risk.

Claims arising from the alleged violation of article 1.2 of the abolished Law 57/68

The Issuer is subject to claims for alleged violations of Article 1.2 of the abolished Law 57/1968, on the receipt of sums prior to the construction and sale of properties (*Ley 57/1968, de 27 de julio, sobre percibo de cantidades anticipadas en la construcción y venta de viviendas*). That article required credit institutions that opened bank accounts for housing developers to deposit sums on account paid by purchasers of housing under development to confirm that those amounts were secured by a bank guarantee or a surety insurance. The intent of the article was to ensure that property buyers would be refunded in the event that the development failed.

As of 31 December 2018, the Issuer had 178 of these types of claims from purchasers with no bank guarantee, seeking a total of €15 million from the Issuer, of which the Issuer has already paid €2.4 million. The Issuer expects that the maximum exposure to this risk due to new claims in 2019 and 2020 will amount to €18 million.

As of 31 December 2018, the Issuer had provisions amounting to €18 million in relation to these claims, which it believes are sufficient to cover the legal risk.

Claims relating to the invalidity of clauses contained in mortgage agreements with consumers

The Issuer is defending against claims arising from the initial declaration by the Spanish courts that clauses contained in certain mortgage agreements entered into with consumers related to taxes and expenses and opening fees (*comisión de apertura*) are invalid due to unfair terms.

In its ruling dated 23 January 2019, the Spanish Supreme Court declared the clauses relating to opening fees valid and, in relation to taxes and expenses, declared that stamp duty taxes (*actos jurídicos documentados*) must be borne by the borrower, registration fees must be borne by the bank and the notary's fees and management fees (*honorarios de la gestoría*) must be divided between the bank and the borrower.

As of 31 December 2018, the Issuer had provisions amounting to €4 million in relation to these claims, which the Issuer believes are sufficient to cover this risk.

For future mortgage agreements, Spanish Act 5/2019, of March 15, on regulation of real estate loans (*Ley 5/2019, de 15 de marzo, reguladora de los contratos de crédito inmobiliario*), which entered into force on 16 June 2019, has set out the distribution of the expenses between borrower and lender.

Claim relating to IRPH

A preliminary ruling has been filed before the CJEU which challenges the validity, due to alleged lack of transparency, of mortgage loan agreements subject to the mortgage benchmark rate in Spain (*Indice de Referencia de Préstamos Hipotecarios, "IRPH"*).

The legal matter under debate is the transparency test based on Article 4.2 of Directive 93/13, when the borrower is a consumer. Since the IRPH is related to the price of the contract and it falls within the definition of the essential subject matter of the contract, it must be drafted in plain, intelligible language, so that the consumer is in a position to evaluate, on the basis of clear, intelligible criteria, what the economic consequences derived from such contract are for him.

This preliminary ruling was filed by a Court of First Instance and Investigation several months after the Spanish Supreme Court, on 14 December 2017, established the legality of these contracts.

The existence of this previous decision of the Supreme Court, the fact that IRPH is an official benchmark rate published and managed by the Bank of Spain, the existence of jurisprudence (*jurisprudencia*) of the CJEU which confirms the transparency of contracts referenced to other official benchmark rates, and the existence of an APR indicator (annual percentage rate or "TAE" in Spain), which must be mandatorily informed to consumers, and which allows for the comprehension of the economic burden and the comparison of different mortgage offers, whatever the benchmark rate index applied is, the Issuer considers that compliance with the transparency test under Directive 93/13 should not be questioned.

On 10 September 2019, the Advocate General issued its opinion in relation to this matter (the "**Advocate General's Opinion**"), according to which (i) Directive 93/13 is applicable to the matter of reference and (ii) the national judge should be the competent authority to monitor the transparency of the disputed clause and verify, taking into account the set of circumstances that surrounded the signing of the contract at the time it was executed, (a) whether the contract sets out the method of calculating the interest rate transparently, so that the consumer was in a position to evaluate, based on precise, intelligible criteria, the economic consequences that it would have for him/her and (b) whether the contract meets all the information requirements envisaged in the national regulations.

The Advocate General's Opinion does not consider the IRPH or the clause which incorporates it in the relevant loan agreements to be, per se, abusive or null.

The Advocate General's Opinion is not binding on the CJEU and judgment by the CJEU will be given at a later date. The Issuer cannot anticipate whether the CJEU's judgment will confirm the conclusions reached by the Advocate General.

The Issuer's exposure to mortgage loan contracts indexed to IRPH with individuals is very limited, amounting to less than €50 million as of 30 September 2019.

Overview of financial information

Changes to the accounting standards

The Group prepares its financial statements in accordance with IFRS-EU. The accounting standard setters and other regulatory bodies periodically change the financial accounting and reporting standards that govern the preparation of the Group's financial statements. In recent years the Group has implemented several new accounting standards and interpretations and amendments thereto, including IFRS 9 and IFRS 16, as discussed below.

IFRS 9

Beginning on 1 January 2018, the Group implemented the requirements of IFRS 9 "Financial Instruments", which replaced IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduced, among other aspects, changes to the classification and measurement of financial assets and liabilities, a new impairment model based on expected credit losses and changes to hedging accounting requirements (however, as permitted by IFRS 9, the Group chose to continue to apply hedging accounting requirements of IAS 39). As of the transition date, 1 January 2018, the impact of the implementation of IFRS 9 on the Group's fully-loaded CET1 ratio was 53 basis points. The Group will apply a progressive five-year transition period (between 1 January 2018 and 31 December 2022), in accordance with Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017, amending CRR with respect to transitional arrangements for mitigating the negative impact of the introduction of IFRS 9. In addition, the implementation of IFRS 9 starting from 1 January 2018 led to increased allowances for impairment losses on assets, amounting to €153 million, including increased provisions for contingent liabilities and commitments totalling €8 million. This increase in valuation adjustments has resulted in an increase in the Group's coverage ratio of 6 percentage points and a decrease in its consolidated equity of €107 million. Changes in relation to the classification of financial instruments for presentation and measurement purposes and the new requirements for bad debt provisions required by IFRS 9, and the increase in DTAs as a result of such an increase in provisions (both allowances for impairment losses on assets and provisions for contingent liabilities and commitments), resulted in a decrease of €118 million in the Group's consolidated equity.

IFRS 9 is applicable from 1 January 2018 and does not require the Group to restate financial information from prior periods. As a result, the 2018 Annual Accounts are not directly comparable with the 2017 Annual Accounts. In order to facilitate the comparison of the Group's consolidated balance sheet as of 31 December 2018 with its consolidated balance sheet as of 31 December 2017, in this Prospectus the Group refers to certain figures in its opening balance sheet for the 2018 fiscal year, beginning 1 January 2018, and prepared in accordance with IFRS 9 (the "**2018 Opening Balance Sheet**"), as extracted from Note 1.4 to the 2018 Annual Accounts. The impact on the Group's consolidated balance sheet due to the adoption of IFRS 9 is detailed in Note 1.4 to the 2018 Annual Accounts incorporated by reference to this Prospectus.

In addition, IFRS 9 requires the use of estimates and require management to exercise judgment in applying relevant accounting policies. If the judgment exercised or the estimates or assumptions used in the preparation of the Group's financial statements turn out to be incorrect, the Group could suffer unexpected or unprovisioned losses, which could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

The value of certain financial instruments is determined using financial models that incorporate assumptions, judgments and estimates that may change over time or that may not turn out to be accurate. Generally, to establish the fair value of these instruments, the Group relies on quoted market prices or, where the market for a financial instrument is not sufficiently active or absent, internal valuation models that utilise observable market data, if any. Additionally, if the valuation of such financial assets or liabilities becomes observable, for example as a result of sales or trading in comparable assets or liabilities by third parties, this could result in a valuation materially different from the current carrying value in the Group's financial statements. If the Group is unable to adequately value these financial instruments as a result of using incorrect assumptions, judgments and estimates, the Group's business, financial condition, results of operations and prospects could be materially, adversely affected.

Finally, IFRS 9 introduced a new impairment model that the Group uses to determine appropriate provisions on its financial assets. The methodology applied for the quantification of expected loss due to credit events is based on an unbiased and weighted consideration of the occurrence of up to five possible future scenarios that could impact the collection of contractual cash flows, taking into account aspects such as the time-value of money, all available information related to past events, and current conditions and projections of macroeconomic factors deemed relevant to the estimation of this amount (e.g. Gross Domestic Product), house pricing, unemployment rate, etc.).

As a result, fluctuations in macroeconomic conditions or expectations or other factors may cause the determination of provisions to vary significantly from year to year, which could increase the variability of the Group's reported results and materially adversely affect its financial condition, results of operations and prospects.

IFRS 16

Beginning on 1 January 2019, the Group implemented the requirements of IFRS 16 "Leases". As permitted by IFRS 16, such requirements have been implemented by adjusting the Group's opening balance sheet at the date of first-time application (1 January 2019). IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases in order to ensure that both, lessee and lessor, provide the relevant information to present a true and fair view of lease transactions. IFRS 16 provides a single accounting model for lessees that requires them to recognise right-of-use assets and lease liabilities under existing leases (unless the lease term is 12 months or less or the value of the underlying asset is low).

As permitted by IFRS 16, the Group decided not to determine whether a contract is or contains a lease under the new definition on first-time application, and therefore the Group applies IFRS 16 only to contracts that were identified as leases prior to 1 January 2019. The Group has estimated the impact of IFRS 16 on its fully-loaded CET1 ratio to be 4 basis points, and the Group has recognised right-of-use assets amounting to approximately €62 million and lease liabilities for an equal amount. This recognition is mainly due to the requirement to recognise right-of-use assets and the lease liability arising from all the leases in effect on the date of first-time application.

Financial information as of and for the years ended 31 December 2018 and 2017

The sections below contain financial information of the Group as of and for the years ended on 31 December 2018 and 2017, extracted from the Annual Accounts accompanied by the relevant audit reports, prepared in accordance with IFRS, Directive 2014/56/EU and Regulation (EU) No 537/2014.

The table below includes the summarised consolidated balance sheets of the Group as of 1 January 2018, 31 December 2018 and 2017:

	As of 31 December 2018	As of 1 January 2018⁽¹⁾	As of 31 December 2017
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
		<i>(€ thousand)</i>	
ASSETS			
Cash and cash balances at central banks and other demand deposits	1,118,206	3,512,477	3,512,477
Financial assets held for trading.....	7,411	9,378	9,378
Non-trading financial assets mandatorily measured at fair value with changes through profit and loss	141,315	149,346	n.a.
Financial assets designated at fair value through profit or loss	9,575	10,615	52,247
Financial assets at fair value through other comprehensive income.....	8,754,640	8,598,409	n.a.
Available-for-sale financial assets.....	n.a.	n.a.	10,849,926
Financial assets at amortized cost	39,378,416	37,003,914	n.a.
Loans and receivables ⁽²⁾	n.a.	n.a.	35,019,799
Held-to-maturity investments.....	n.a.	n.a.	—
Derivatives - Hedge accounting	161,371	187,456	187,456
Investments in joint ventures and associates	126,235	105,313	105,313
Assets under insurance or reinsurance contracts	719	395	395
Tangible assets	941,991	1,029,414	1,029,414
<i>Property, plant and equipment</i>	637,704	640,977	640,977
<i>Investment property</i>	304,287	388,437	388,437
Intangible assets	203,877	199,680	199,680
<i>Goodwill</i>	144,934	144,934	144,934
<i>Other intangible assets</i>	58,943	54,746	54,746
Tax assets	1,383,560	1,388,878	1,338,472
<i>Current tax assets</i>	18,467	25,054	25,054
<i>Deferred tax assets</i>	1,365,093	1,363,824	1,313,418
Other assets	189,833	249,656	249,656
<i>Inventories</i>	152,397	225,551	225,551
<i>Remaining other assets</i>	37,436	24,105	24,105
Non-current assets and disposal groups classified as held for sale	288,590	552,756	552,756
TOTAL ASSETS	52,705,739	52,997,687	53,106,969
LIABILITIES			
Financial liabilities held for trading	8,691	7,301	7,301
Financial liabilities at amortized cost.....	41,141,636	42,270,895	42,270,895
Derivatives - Hedge accounting	155,200	106,702	106,702
Fair value changes of the hedged items in portfolio hedges for interest rate risk	24,961	11,054	11,054
Liabilities under insurance or reinsurance contracts	7,514,769	7,019,204	7,019,204
Provisions.....	348,811	381,414	372,779
<i>Pensions and other post-employment defined benefit obligations</i>	124,265	120,751	120,751
<i>Other long-term employee remuneration</i>	1,931	3,863	3,863
<i>Lawsuits and litigation for outstanding taxes</i>	9,027	12,814	12,814
<i>Commitments and guarantees given</i>	33,465	40,291	31,656
<i>Other provisions</i>	180,123	203,695	203,695
Tax liabilities.....	181,263	191,630	191,630
<i>Current tax liabilities</i>	2,295	3,152	3,152
<i>Deferred tax liabilities</i>	178,968	188,478	188,478

	As of 31 December 2018	As of 1 January 2018⁽¹⁾	As of 31 December 2017
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
		<i>(€ thousand)</i>	
Other liabilities.....	170,181	128,112	128,112
TOTAL LIABILITIES	<u>49,545,512</u>	<u>50,116,312</u>	<u>50,107,677</u>
EQUITY			
Shareholders' equity.....	3,091,665	2,739,043	2,854,915
<i>Capital.....</i>	<i>2,144,276</i>	<i>2,144,276</i>	<i>2,144,276</i>
<i>Equity instruments issued other than capital.....</i>	<i>350,000</i>	<i>—</i>	<i>—</i>
<i>Retained earnings.....</i>	<i>521,762</i>	<i>418,783</i>	<i>418,783</i>
<i>Revaluation reserves</i>	<i>3,313</i>	<i>3,321</i>	<i>3,321</i>
<i>Other reserves</i>	<i>31,510</i>	<i>34,296</i>	<i>150,168</i>
<i>Profit attributable to owners of the parent.....</i>	<i>40,804</i>	<i>138,367</i>	<i>138,367</i>
Accumulated other comprehensive income.....	68,562	142,032	144,077
<i>Items that will not be reclassified to profit or loss</i>	<i>18,464</i>	<i>59,774</i>	<i>(11,607)</i>
<i>Items that may be reclassified to profit or loss.....</i>	<i>50,098</i>	<i>82,258</i>	<i>155,684</i>
Non-controlling interests.....	—	300	300
TOTAL EQUITY	<u>3,160,227</u>	<u>2,881,375</u>	<u>2,999,292</u>
TOTAL EQUITY AND LIABILITIES.....	<u>52,705,739</u>	<u>52,997,687</u>	<u>53,106,969</u>
Memorandum items: off-balance sheet exposures			
Guarantees granted.....	2,970,560	2,951,517	2,951,517
Contingent commitments granted	79,289	92,717	92,717
Other commitments given	908,335	787,297	787,297

Notes: —

- (1) 2018 Opening Balance Sheet. See Note 1.4 to the 2018 Annual Accounts for an explanation of the line items that were impacted by the first-time application of IFRS 9.
- (2) As of 31 December 2017, the balance of clearing houses (€51,668 thousand) has been transferred from “loans and receivables to credit institutions” to “loans and receivables to customers” for comparative purposes with the information provided as of 31 December 2018.

The table below includes the summarised consolidated income statements of the Group for the years ended 31 December 2018 and 2017:

	For the year ended 31 December	
	2018⁽¹⁾	2017
	<i>(audited)</i>	
	<i>(€ thousand)</i>	
Interest income.....	660,894	695,983
(Interest expenses).....	88,743	134,827
(Expenses on share capital repayable on demand)	—	—
NET INTEREST INCOME.....	<u>572,151</u>	<u>561,156</u>
Dividend income	11,487	12,797
Share of profit of entities accounted for using the equity method.....	(642)	1,303
Fee and commission income	391,622	379,967
(Fee and commission expenses).....	16,707	14,932
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	42,802	148,273
Gains/(losses) on financial assets and liabilities held for trading, net.....	404	971

	For the year ended 31 December	
	2018⁽¹⁾	2017
	<i>(audited)</i> <i>(€ thousand)</i>	
Gains/(losses) on non-trading financial assets mandatorily measures at fair value through profit or loss, net	(885)	—
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss, net	792	1,169
Gains/(losses) from hedge accounting, net.....	511	2,111
Net exchange differences	646	1,334
Other operating income	42,399	155,637
(Other operating expenses).....	77,567	85,282
Income from assets covered by insurance and reinsurance contracts.....	1,327,536	1,150,124
(Liability expenses covered by insurance or reinsurance contracts)	1,327,955	1,150,414
GROSS INCOME	966,594	1,164,214
(Administration expenses).....	617,556	668,194
<i>(Staff expenses)</i>	419,505	458,588
<i>(Other administration expenses)</i>	198,051	209,606
(Amortization and depreciation)	51,291	50,806
(Provisions or (-) reversal of provisions).....	(32,870)	(2,628)
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss).....	154,724	185,189
(Impairment or (-) reversal of impairment on investments in joint ventures or associates)	—	129
(Impairment or (-) reversal of impairment on non-financial assets).....	4,962	16,075
Gains/(losses) on derecognition of non-financial assets and shareholdings, net .	(19,201)	8,068
Negative goodwill recognized in profit or loss	—	—
Gains/(losses) on non-current assets and disposal groups of items classified as held for sale not qualifying as discontinued operations.....	(70,900)	(71,786)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS..	80,830	182,731
(Expense or (-) income from taxes on income from continuing operations).....	40,026	44,373
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS	40,804	138,358
Profit/(loss) after tax from discontinued operations	—	—
PROFIT/(LOSS) FOR THE YEAR.....	40,804	138,358
Attributable to non-controlling interests.....	—	(9)
Attributable to owners of the parent	40,804	138,367

Note: —

(1) From 1 January 2018, the Group adopted IFRS 9. See Note 1.4 to the 2018 Annual Accounts.

Financial information as of and for the nine months ended 30 September 2019 and 2018

The sections below contain financial information of the Group as of and for the nine months ended 30 September 2019, extracted from the 2019 Third Quarter Financial Statements (which includes data as of and for the nine months ended 30 September 2018 for comparative purposes) accompanied by the relevant limited review report, prepared in accordance with the International Standard on Review Engagements (ISRE) 2410.

The table below includes the summarised consolidated balance sheets of the Group as of 30 September 2019 and 31 December 2018:

	As of 30 September 2019	As of 31 December 2018
	<i>(unaudited)</i>	<i>(audited)</i>
ASSETS	<i>(€ thousand)</i>	
Cash and cash balances at central banks and other demand deposits	2,309,428	1,118,206
Financial assets held for trading	8,282	7,411
Non-trading financial assets mandatorily measured at fair value with changes through profit and loss	259,080	141,315
Financial assets designated at fair value through profit or loss	9,249	9,575
Financial assets at fair value through other comprehensive income	7,893,283	8,754,640
Financial assets at amortized cost	39,063,034	39,378,416
Derivatives - Hedge accounting	185,180	161,371
Investments in joint ventures and associates	118,725	126,235
Assets under insurance or reinsurance contracts	558	719
Tangible assets	979,138	941,991
<i>Property, plant and equipment</i>	697,214	637,704
<i>Investment property</i>	281,924	304,287
Intangible assets	201,831	203,877
<i>Goodwill</i>	144,934	144,934
<i>Other intangible assets</i>	56,897	58,943
Tax assets	1,371,077	1,383,560
<i>Current tax assets</i>	14,306	18,467
<i>Deferred tax assets</i>	1,356,771	1,365,093
Other assets	193,285	189,833
<i>Inventories</i>	145,319	152,397
<i>Remaining other assets</i>	47,966	37,436
Non-current assets and disposal groups classified as held for sale	289,629	288,590
TOTAL ASSETS	52,881,779	52,705,739
LIABILITIES		
Financial liabilities held for trading	10,878	8,691
Financial liabilities at amortized cost	40,758,869	41,141,636
Derivatives - Hedge accounting	276,497	155,200
Fair value changes of the hedged items in portfolio hedges for interest rate risk	51,477	24,961
Liabilities under insurance or reinsurance contracts	7,912,699	7,514,769
Provisions	314,931	348,811
<i>Pensions and other post-employment defined benefit obligations</i>	124,015	124,265
<i>Other long-term employee remuneration</i>	613	1,931
<i>Lawsuits and litigation for outstanding taxes</i>	9,027	9,027
<i>Commitments and guarantees given</i>	28,931	33,465
<i>Other provisions</i>	152,345	180,123
Tax liabilities	191,088	181,263
<i>Current tax liabilities</i>	312	2,295
<i>Deferred tax liabilities</i>	190,776	178,968
Other liabilities	105,370	170,181
TOTAL LIABILITIES	49,621,809	49,545,512
EQUITY		
Shareholders' equity	3,150,437	3,091,665
<i>Capital</i>	214,428	2,144,276

	As of 30 September 2019	As of 31 December 2018
	<i>(unaudited)</i>	<i>(audited)</i>
<i>Equity instruments issued other than capital</i>	350,000	350,000
<i>Retained earnings</i>	545,482	521,762
<i>Revaluation reserves</i>	3,307	3,313
<i>Other reserves</i>	1,945,795	31,510
<i>Profit attributable to owners of the parent</i>	91,425	40,804
Accumulated other comprehensive income.....	109,533	68,562
<i>Items that will not be reclassified to profit or loss</i>	30,691	18,464
<i>Items that may be reclassified to profit or loss</i>	78,842	50,098
Non-controlling interests.....	—	—
TOTAL EQUITY	3,259,970	3,160,227
TOTAL EQUITY AND LIABILITIES	52,881,779	52,705,739
Memorandum items: off-balance sheet exposures		
Guarantees granted.....	2,894,627	2,970,560
Contingent commitments granted	79,917	79,289
Other commitments given	857,213	908,335

The table below includes the summarised consolidated income statements of the Group for the nine months ended 30 September 2019 and 2018:

	For the nine months ended	
	2019	2018
	<i>(unaudited)</i>	
	<i>(€ thousand)</i>	
Interest income.....	500,795	494,539
(Interest expenses).....	85,147	75,371
NET INTEREST INCOME	415,648	419,168
Dividend income.....	11,451	10,038
Share of profit of entities accounted for using the equity method.....	(378)	(856)
Fee and commission income	299,088	290,910
(Fee and commission expenses).....	12,397	11,978
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net.....	19,381	41,540
Gains/(losses) on financial assets and liabilities held for trading, net.....	1,046	533
Gains/(losses) on non-trading financial assets mandatorily measures at fair value through profit or loss, net.....	(4,441)	(569)
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss, net.....	462	564
Gains/(losses) from hedge accounting, net.....	538	239
Net exchange differences	867	871
Other operating income.....	25,005	29,702
(Other operating expenses).....	26,199	35,439
Income from assets covered by insurance and reinsurance contracts.....	693,044	1,009,895
(Liability expenses covered by insurance or reinsurance contracts)	693,254	1,010,213
GROSS INCOME	729,861	744,405
(Administration expenses).....	389,658	472,703
<i>(Staff expenses)</i>	268,652	330,248
<i>(Other administration expenses)</i>	121,006	142,455
(Amortization and depreciation)	51,504	38,472
(Provisions or (-) reversal of provisions).....	30,795	(27,732)

	For the nine months ended	
	2019	2018
	<i>(unaudited)</i>	
	<i>(€ thousand)</i>	
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss).....	101,215	94,383
(Impairment or (-) reversal of impairment on investments in joint ventures or associates)	—	—
(Impairment or (-) reversal of impairment on non-financial assets).....	512	2,653
Gains/(losses) on derecognition of non-financial assets and shareholdings, net.	(3,258)	(524)
Negative goodwill recognized in profit or loss	—	—
Gains/(losses) on non-current assets and disposal groups of items classified as held for sale not qualifying as discontinued operations.....	(10,598)	(47,633)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS..	142,321	115,769
(Expense or (-) income from taxes on income from continuing operations).....	50,896	43,228
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS ...	91,425	72,541
Profit/(loss) after tax from discontinued operations	—	—
PROFIT/(LOSS) FOR THE YEAR.....	91,425	72,541
Attributable to non-controlling interests.....	—	(7)
Attributable to owners of the parent	91,425	72,548

Alternative Performance Measures

The following discussion sets out information related to certain non-IFRS financial measures of the Group, which the Group regards as alternative performance measures (“APMs”) for the purposes of Commission Delegated Regulation (EU) 2016/301 and as defined in the ESMA Guidelines.

The Group uses APMs, which are financial measures derived from (or based on) the Group’s accounting records, to evaluate period to period changes that are not required by, or presented in accordance with, IFRS-EU. Many of these APMs are based on the Group’s internal estimates, assumptions and calculations. These APMs are not measures of the Group’s financial performance under IFRS-EU, are not audited or reviewed and should not be considered as an alternative to any balance sheet, income statement or cash flow statement item.

The Group has included these APMs because they are used by management to evaluate its performance and because the Group believes these APMs will assist securities analysts, investors and other interested parties in having a better understanding of the Group’s financial condition and results of operations. These APMs are commonly reported by financial institutions, as they capture information that is not immediately apparent from the IFRS-EU framework. Further, they may be helpful for the in-depth analysis of the performance of the highly regulated and specialised sector in which the Issuer operates, and should allow securities analysts, investors and other interested parties to compare the Group’s performance with that of its peers more effectively.

These APMs have limitations as analytical tools and should not be considered in isolation from, or as a substitute for analysis of, the Group’s financial condition or results of operations as reported under IFRS-EU. Accordingly, investors are cautioned not to place undue reliance on these APMs. Other companies in the Issuer’s industry may calculate similarly titled measures differently than the Issuer do, such that disclosure of similarly titled measures by other companies may not be comparable with the Group’s ones. Investors are advised to review these APMs in conjunction with the Annual Accounts and their respective accompanying notes included in this Prospectus and the related discussion thereof set forth in this Prospectus.

The Group considers that the APMs contained in this Prospectus comply with the ESMA Guidelines.

The Group segments certain APMs by market based on the location of the branch through which the Group manages the commercial relationship with each of its clients.

Below is included an index to the APMs:

Name	Category	Number
Asset management and life savings insurance	APMs related to business volume	(43)
Available liquidity position	APMs related to liquidity	(53)
Cost-to-income ratio	APMs related to profitability	(18)
Cost of risk	APMs related to asset quality	(29)
Coverage of real estate development risk	APMs related to asset quality	(33)
Customer spread	APMs related to profitability	(11)
Doubtful mortgages over NPLs	APMs related to asset quality	(39)
External funding	APMs related to business volume	(46)
Fixed income over interest income ratio	APMs related to profitability	(13)
Foreclosed assets coverage ratio	APMs related to asset quality	(34)
Gross loans and advances to customers	APMs related to business volume	(47)
Liquid assets over total assets	APMs related to liquidity	(54)
LTD ratio	APMs related to liquidity	(52)
LTV ratio	APMs related to asset quality	(40)
Net fee income and exchange differences	APMs related to the income statement	(2)
Net fee income and exchange differences over average total assets	APMs related to profitability	(14)
Net fee income and exchange differences over recurring revenues	APMs related to profitability	(15)
Net interest margin	APMs related to profitability	(12)
Net loans and advances to customers	APMs related to business volume	(47)
Net loans and advances to customers over total assets	APMs related to business volume	(48)
Net NPAs	APMs related to asset quality	(37)
Net NPAs over total assets	APMs related to asset quality	(38)
Net profit from financial assets and liabilities	APMs related to the income statement	(3)
NPA coverage ratio	APMs related to asset quality	(36)
NPA provisions	APMs related to asset quality	(35)

Name	Category	Number
NPA ratio	APMs related to asset quality	(28)
NPAs	APMs related to asset quality	(26)
NPL coverage ratio	APMs related to asset quality	(31)
NPL provisions	APMs related to asset quality	(30)
NPL ratio	APMs related to asset quality	(27)
NPL ratio for real estate construction and development	APMs related to asset quality	(32)
Operating expenses	APMs related to the income statement	(5)
Other gains and losses	APMs related to the income statement	(10)
Other operating income and expenses	APMs related to the income statement	(4)
Performing loans excluding reverse repurchase agreements	APMs related to business volume	(49)
Profit before write-downs	APMs related to the income statement	(7)
Provisions and impairments	APMs related to the income statement	(9)
Recurring cost-to-income ratio	APMs related to profitability	(19)
Recurring operating expenses	APMs related to the income statement	(6)
Recurring operating expenses over average total assets	APMs related to profitability	(17)
Recurring profit before provisions	APMs related to the income statement	(8)
Recurring profit before provisions over average total assets	APMs related to profitability	(20)
Recurring revenues	APMs related to the income statement	(1)
Recurring revenues over average total assets	APMs related to profitability	(16)
Retail business volume	APMs related to business volume	(50)
Retail business volume per employee	APMs related to business volume	(51)
Retail customer funds	APMs related to business volume	(45)
Retail deposits	APMs related to business volume	(43)
ROA	APMs related to profitability	(21)
ROE	APMs related to profitability	(23)
RORWA	APMs related to profitability	(22)
ROTE	APMs related to profitability	(24)

Name	Category	Number
RWAs density	APMs related to solvency	(25)
Texas ratio	APMs related to asset quality	(41)
Total customer funds	APMs related to business volume	(42)

The following list includes the definition, calculation and relevance of the Group's APMs:

APMs related to the income statement

- (1) **Recurring revenues:** Net interest income plus net fee income and exchange differences (as defined and calculated below). The Group uses this APM to measure the evolution of its revenues that is directly linked to the Group's business activities (banking business, asset management and bancassurance).

	For the nine months ended 30 September		For the year ended 31 December	
	2019	2018	2018	2017
	(€ thousand)			
(+) Net interest income ⁽¹⁾	415,648	419,168	572,151	561,156
(+) Net fee income and exchange differences ⁽²⁾	287,558	279,803	375,561	366,369
Recurring revenues	703,206	698,971	947,712	927,525

Notes: —

(1) Source: Consolidated income statement in the 2019 Third Quarter Financial Statements and in the Annual Accounts.

(2) APM. See its definition and calculation below.

The following table shows the breakdown of recurring revenues by products for the years ended 31 December 2018 and 2017:

	For the years ended 31 December			
	2018		2017	
	(€ thousand, except %)			
Banking products.....	601,936	63.51%	594,661	64.11%
Assets under management and bancassurance.....	345,776	36.49%	332,864	35.89%
<i>Mutual funds</i>	140,107	14.79%	134,077	14.46%
<i>Long term savings</i>	114,686	12.10%	118,398	12.76%
<i>Risk insurance</i>	90,983	9.60%	80,389	8.67%
Recurring revenues	947,712	100.00%	927,525	100.00%
Recurring revenues from Financial Group	355,466	37.51%	337,093	36.81%

The following table shows the breakdown of recurring revenues by products for the nine months ended 30 September 2019 and 2018:

	For the nine months ended 30 September			
	2019		2018	
	(€ thousand, except %)			
Banking products.....	438,949	62.42%	446,774	63.92%

	For the nine months ended 30 September			
	2019		2018	
	<i>(€ thousand, except %)</i>			
Assets under management and bancassurance.....	264,257	37.58%	252,197	36.08%
<i>Mutual funds</i>	120,143	17.09%	104,393	14.93%
<i>Long term savings</i>	75,601	10.75%	81,838	11.71%
<i>Risk insurance</i>	68,513	9.74%	65,966	9.44%
Recurring revenues	703,206	100.00%	698,971	100.00%
Recurring revenues from Financial Group	271,919	38.67%	259,381	37.11%

- (2) **Net fee income and exchange differences:** Fee and commission income minus fee and commission expense plus net exchange differences. The Group uses this APM to measure the margin obtained through the Group's fees and commissions.

	For the nine months ended 30 September		For the year ended 31 December	
	2019	2018	2018	2017
	<i>(€ thousand)</i>			
(+) Fee and commission income.....	299,088	290,910	391,622	379,967
(-) Fee and commission expense.....	12,397	11,978	16,707	14,932
(+) Net exchange differences.....	867	871	646	1,334
Net fee income and exchange differences	287,558	279,803	375,561	366,369

Source: Consolidated income statement in the 2019 Third Quarter Financial Statements and in the Annual Accounts.

The following table shows the breakdown of net fee income and exchange differences by origin for the years ended 31 December 2018 and 2017:

	For the year ended 31 December			
	2018		2017	
	<i>(€ thousand, except %)</i>			
Banking commissions ⁽¹⁾	161,573	43.02%	158,744	43.33%
Non-banking commissions ⁽²⁾	213,988	56.98%	207,625	56.67%
Net fee income and exchange differences ..	375,561	100.00%	366,369	100.00%

Notes: —

(1) Commissions from the banking business. Source: Bank's internal accounting records.

(2) Commissions from the sale of non-banking financial products and asset management. Source: Bank's internal accounting records.

The following table shows the breakdown of net fee income and exchange differences by origin for the nine months ended 30 September 2019 and 2018:

	For the nine months ended 30 September			
	2019		2018	
	<i>(€ thousand, except %)</i>			
Banking commissions ⁽¹⁾	113,539	39.48%	119,840	42.83%
Non-banking commissions ⁽²⁾	174,019	60.52%	159,963	57.17%
Net fee income and exchange differences ..	287,558	100.00%	279,803	100.00%

Notes: —

- (1) Commissions from the banking business. Source: Bank's internal accounting records.
 (2) Commissions from the sale of non-banking financial products and asset management. Source: Bank's internal accounting records.

- (3) **Net profit from financial assets and liabilities:** Sum of gains/(losses) on derecognition of financial assets and liabilities not valued at fair value through profit or loss, gains/(losses) on financial assets and liabilities held for trading, gains/(losses) on financial assets not held for trading mandatorily measured at fair value through profit and loss, gains/(losses) on financial assets and liabilities valued at fair value through profit or loss and gains/(losses) derived from hedge-accounting. The Group uses this APM to measure the amount of the Group's results that is related to financial activity but that cannot be considered as recurring revenues.

	For the nine months ended 30 September		For the year ended 31 December	
	2019	2018	2018	2017
	<i>(€ thousand)</i>			
(+) Gains/(losses) on derecognition of financial assets and liabilities not valued at fair value through profit or loss	19,381	41,540	42,802	148,273
(+) Gains/(losses) on financial assets and liabilities held for trading	1,046	533	404	971
(+) Gains/(losses) on financial assets not held for trading mandatorily measured at fair value through profit and loss	(4,441)	(569)	(885)	n.a.
(+) Gains/(losses) on financial assets and liabilities valued at fair value through profit or loss	462	564	792	1,169
(+) Gains/(losses) derived from hedge-accounting	538	239	511	2,111
Net profit from financial assets and liabilities	16,986	42,307	43,624	152,524

Source: Consolidated income statement in the 2019 Third Quarter Financial Statements and in the Annual Accounts.

- (4) **Other operating income and expenses:** Sum of the net of other operating income and expenses and the net of income and expenses from assets and liabilities under insurance or reinsurance contracts. The Group uses this APM to measure income and expenses that do not arise entirely from its financial activities but that are related to its ordinary activities.

	For the nine months ended 30 September		For the year ended 31 December	
	2019	2018	2018	2017
	<i>(€ thousand)</i>			
(+) Other operating income.....	25,005	29,702	42,399	155,637
(-) Other operating expenses.....	26,199	35,439	77,567	85,282
(+) Income from assets under insurance or reinsurance contracts.....	693,044	1,009,895	1,327,536	1,150,124
(-) Expenses from liabilities under insurance or reinsurance contracts.....	693,254	1,010,213	1,327,955	1,150,414
Other operating income and expenses.....	(1,404)	(6,055)	(35,587)	70,065

Source: Consolidated income statement in the 2019 Third Quarter Financial Statements and in the Annual Accounts.

- (5) **Operating expenses:** Sum of staff expenses, other administration expenses and depreciation/amortization. The Group uses this APM as an indicator of the amount of expenses the Group incurs in connection with its activity.

	For the nine months ended 30 September		For the year ended 31 December	
	2019	2018	2018	2017
	<i>(€ thousand)</i>			
(+) Staff expenses.....	268,652	330,248	419,505	458,588
(+) Other administration expenses.....	121,006	142,455	198,051	209,606
(+) Depreciation/Amortization.....	51,504	38,472	51,291	50,806
Operating expenses.....	441,162	511,175	668,847	719,000

Source: Consolidated income statement in the 2019 Third Quarter Financial Statements and in the Annual Accounts.

- (6) **Recurring operating expenses:** Operating expenses (as defined and calculated above) less extraordinary expenses. The Group uses this APM to measure the evolution of the amount of total expenses generated by the Group's businesses (banking business, asset management and bancassurance), excluding extraordinary items such as the 2017-2018 Redundancy Plan expenses.

	For the nine months ended 30 September		For the year ended 31 December	
	2019	2018	2018	2017
	<i>(€ thousand)</i>			
(+) Operating expenses ⁽¹⁾	441,162	511,175	668,847	719,000
(-) Extraordinary expenses ⁽²⁾	0	55,500	55,752	71,860
Recurring operating expenses.....	441,162	455,675	613,095	647,140

Notes: —

(1) APM. See its definition and calculation above.

(2) Source: Note 14.9.1 to the 2019 Third Quarter Financial Statements and Note 38 to the Annual Accounts.

- (7) **Profit before write-downs:** Gross income less administration expenses and depreciation/amortization. The Group uses this APM to show the Group's profitability before provisions and impairments.

	For the nine months ended 30 September		For the year ended 31 December	
	2019	2018	2018	2017
	<i>(€ thousand)</i>			
(+) Gross income	729,861	744,405	966,594	1,164,214
(-) Administration expenses.....	389,658	472,703	617,556	668,194
(-) Depreciation/amortization	51,504	38,472	51,291	50,806
Profit before write-downs	288,699	233,230	297,747	445,214

Source: Consolidated income statement in the 2019 Third Quarter Financial Statements and in the Annual Accounts.

- (8) **Recurring profit before provisions:** Recurring revenues less recurring operating expenses (each as defined and calculated above). The Group uses this APM to measure the recurring profitability of the business before provisions and impairments.

	For the nine months ended 30 September		For the year ended 31 December	
	2019	2018	2018	2017
	<i>(€ thousand)</i>			
(+) Recurring revenues ⁽¹⁾	703,206	698,971	947,712	927,525
(-) Recurring operating expenses ⁽¹⁾	441,162	455,675	613,095	647,140
Recurring profit before provisions.....	262,044	243,296	334,617	280,385

Note: —

(1) APM. See its definition and calculation above.

- (9) **Provisions and impairments:** sum of provisions or reversal of provisions, impairment or reversal of impairment on financial assets not valued at fair value through profit or loss, impairment or reversal of impairment on investments in joint business ventures or associates, impairment or reversal of impairment on non-financial assets and, within “gains or losses on non-current assets and disposal groups of items classified as held for sale not qualifying as discontinued operations”, the part corresponding to impairment of other non-current assets held for sale. The Group uses this APM as an indicator of the cost per allocations made in the year to cover the deterioration of the value of the Group’s assets.

	For the nine months ended 30 September		For the year ended 31 December	
	2019	2018	2018	2017
	<i>(€ thousand)</i>			
(+) Provisions or (-) reversal of provisions.....	30,795	(27,732)	(32,870)	(2,628)
(+) Impairment or (-) reversal of impairment on financial assets not valued at fair value through profit and loss ...	101,215	94,383	154,724	185,189
(+) Impairment or (-) reversal of impairment on investments in joint business ventures or associates.....	—	—	—	129
(+) Impairment or (-) reversal of impairment on non- financial assets.....	512	2,653	4,962	16,075
(+) Impairment of other non-current assets for sale ⁽¹⁾	10,133	36,847	40,523	65,213
Provisions and impairments	142,655	106,151	167,339	263,978

Source: Consolidated income statement in the 2019 Third Quarter Financial Statements and in the Annual Accounts

Note: —

(1) Note 14.12 to the 2019 Third Quarter Financial Statements and note 42 to the Annual Accounts.

- (10) **Other gains and losses:** Sum of gains or losses on derecognition of non-financial assets and shareholdings and gains or losses on non-current assets and disposal groups of items classified as held for sale not qualifying as discontinued operations (excluding impairment of other non-current assets for sale included in the APM “provisions and impairment” above). The Group uses this APM as an indicator of the impact on the Group’s results of the derecognition/disposal of assets not related to its ordinary activities.

	For the nine months ended 30 September		For the year ended 31 December	
	2019	2018	2018	2017
	(€ thousand)			
(+) Gains or (-) losses on derecognition of non-financial assets and shareholdings, net ⁽¹⁾	(3,258)	(524)	(19,201)	8,068
(+) Gains or (-) losses on disposal of other non-current assets for sale ⁽²⁾	(465)	(10,786)	(30,377)	(6,573)
Other gains and losses	(3,723)	(11,310)	(49,578)	1,495

Notes: —

- (1) Source: Consolidated income statement in the 2019 Third Quarter Financial Statements and in the Annual Accounts.
(2) Source: Note 14.12 to the 2019 Third Quarter Financial Statements and Note 42 to the Annual Accounts.

APMs related to profitability

- (11) **Customer spread:** Difference between the average yield on loans and advances to customers and the average interest rate on retail deposits. The Group uses this APM as an indicator of the profitability of the Group’s retail banking business.

	For the nine months ended 30 September		For the year ended 31 December	
	2019	2018	2018	2017
(+) Average interest rate on average loans and advances to customers ⁽¹⁾	1.47%	1.41%	1.41%	1.40%
(-) Average interest rate on average retail deposits ⁽²⁾	0.02%	0.02%	0.02%	0.07%
Customer spread	1.45%	1.39%	1.39%	1.33%

Notes: —

- (1) Average interest rate on average loans and advances to customers is calculated as follows:

	For the nine months ended 30 September		For the year ended 31 December	
	2019	2018	2018	2017
	(€ thousand, except %)			
Numerator	Interest income from loans and advances to customers ^(a)			
	438,907	429,586	430,257	435,711
Denominator	Average loans and advances to customers ..			
	29,882,240	30,551,138	30,502,287	31,136,122
=	Average interest rate on average loans and advances to customers			
	1.47%	1.41%	1.41%	1.40%

Notes:

- (a) Annualized data for the nine months ended 30 September 2018 and 2019.
(2) Average interest rate on average retail deposits is calculated as follows:

		For the nine months ended 30 September		For the year ended 31 December	
		2019	2018	2018	2017
(€ thousand, except %)					
Numerator	Interest expense from retail deposits ^(a)	5,125	5,841	5,042	20,942
Denominator	Average retail deposits	31,566,539	30,822,448	30,828,560	30,786,750
=	Average interest rate on average retail deposits.....	0.02%	0.02%	0.02%	0.07%

Notes:
(a) Annualized data for the nine months ended 30 September 2018 and 2019.

(12) **Net interest margin:** Difference between the average interest rate on total assets and the average interest rate on total liabilities and equity. The Group uses this APM as an indicator of the Group's profit margin.

		For the nine months ended 30 September		For the year ended 31 December	
		2019	2018	2018	2017
(+)	Average interest rate on average total assets ⁽¹⁾	1.27%	1.26%	1.26%	1.28%
(-)	Average interest rate on average total liabilities and equity ⁽²⁾	0.22%	0.19%	0.17%	0.25%
	Net interest margin.....	1.05%	1.07%	1.09%	1.03%

Notes: —

(1) Average interest rate on average total assets is calculated as follows:

		For the nine months ended 30 September		For the year ended 31 December	
		2019	2018	2018	2017
(€ thousand, except %)					
Numerator	Interest income from total assets ^(a)	667,727	659,385	660,894	695,983
Denominator	Average total assets	52,609,598	52,142,357	52,303,404	54,584,178
=	Average interest rate on average total assets.....	1.27%	1.26%	1.26%	1.28%

Notes:
(a) Annualized data for the nine months ended 30 September 2018 and 2019.

(2) Average interest rate on average total liabilities and equity is calculated as follows:

		For the nine months ended 30 September		For the year ended 31 December	
		2019	2018	2018	2017
(€ thousand, except %)					
Numerator	Interest expense from total liabilities and equity ^(a)	113,529	100,495	88,743	134,827
Denominator	Average total liabilities and equity	52,609,598	52,142,357	52,303,404	54,584,178
=	Average interest rate on average total liabilities and equity.....	0.22%	0.19%	0.17%	0.25%

Notes:
(a) Annualized data for the nine months ended 30 September 2018 and 2019.

- (13) **Fixed income over interest income ratio:** Fixed income portfolio revenues divided by interest income. The Group uses this APM to measure the contribution of the fixed income portfolio to the Group's interest income.

		For the nine months ended 30 September		For the year ended 31 December	
		2019	2018	2018	2017
		<i>(€ thousand, except %)</i>			
Numerator	Fixed income portfolio revenues ⁽¹⁾	52,903	60,283	80,805	89,505
Denominator	Interest income ⁽²⁾	500,795	494,539	660,894	695,983
=	Fixed income over interest income ratio	10.56%	12.19%	12.23%	12.86%

Notes: —

- (1) Source: Company information based on management criteria. Calculated as income from the fixed income portfolio of the Group (€208,242 thousand and €223,404 thousand for the years ended 31 December 2018 and 2017, respectively, and €146,413 thousand and €156,012 thousand for the nine months ended 30 September 2019 and 2018, respectively) excluding the income from the Group's life insurance business portfolio (Ibercaja Vida) (€127,437 thousand and €133,899 thousand for the years ended December 31 December 2018 and 2017, respectively, and €93,510 thousand and €95,729 thousand for the nine months ended 30 September 2019 and 2018, respectively).
- (2) Source: Consolidated income statement in the 2019 Third Quarter Financial Statements and in the Annual Accounts.

- (14) **Net fee income and exchange differences over average total assets:** Net fee income and exchange differences (as defined and calculated above) divided by average total assets. The Group uses this APM to measure the contribution of fee and commission income to the Group's profitability.

		For the nine months ended 30 September		For the year ended 31 December	
		2019	2018	2018	2017
		<i>(€ thousand, except %)</i>			
Numerator	Net fee income and exchange differences ⁽¹⁾	383,411	373,071	375,561	366,369
Denominator	Average total assets ⁽²⁾	52,723,317 ⁽³⁾	52,452,842 ⁽⁴⁾	52,494,078 ⁽⁵⁾	55,158,351 ⁽⁶⁾
=	Net fee income and exchange differences over average total assets	0.73%	0.71%	0.72%	0.66%

Notes: —

- (1) APM. See its definition and calculation above. Annualized data for the nine months ended 30 September 2019 and 2018.
- (2) Calculated as the arithmetic mean of (i) the end-of-quarter total assets figure for the first quarter of the corresponding period, (ii) the end-of-quarter total assets figure for the second quarter of the corresponding period, (iii) the end-of-quarter total assets figure for the third quarter of the corresponding period and (iv) the arithmetic mean of the end-of quarter figures for the fourth quarter of the corresponding and previous periods.
- (3) Calculated as the arithmetic mean of (i) €52,244,257 thousand (as of 31 March 2019), (ii) €53,131,935 thousand (as of 30 June 2019) and (iii) the arithmetic mean of €52,705,739 thousand (as of 31 December 2018) and €52,881,779 thousand (as of 30 September 2019).
- (4) Calculated as the arithmetic mean of (i) €52,004,064 thousand (as of 31 March 2018), (ii) €52,590,701 thousand (as of 30 June 2018) and (iii) the arithmetic mean of €52,997,687 thousand (as of 31 December 2017 under IFRS9) and €52,529,833 thousand (as of 30 September 2018).
- (5) Calculated as the arithmetic mean of (i) €52,004,064 thousand (as of 31 March 2018), (ii) €52,590,701 thousand (as of 30 June 2018), (iii) €52,529,833 thousand (as of 30 September 2018) and (iv) the arithmetic mean of €52,997,687 thousand (as of 31 December 2017 under IFRS 9) and €52,705,739 thousand (as of 31 December 2018).
- (6) Calculated as the arithmetic mean of (i) €56,601,250 thousand (as of 31 March 2017), (ii) €55,550,003 thousand (as of 30 June 2017), (iii) €53,340,729 thousand (as of 30 September 2017) and (iv) the arithmetic mean of €57,175,874 thousand (as of 31 December 2016) and €53,106,969 thousand (as of 31 December 2017).

- (15) **Net fee income and exchange differences over recurring revenues:** Net fee income and exchange differences divided by recurring revenues (each as defined and calculated above). The Group uses this APM to measure the contribution of the Group's net fee income to its recurring revenues.

		For the nine months ended 30 September		For the year ended 31 December	
		2019	2018	2018	2017
<i>(€ thousand, except %)</i>					
Numerator	Net fee income and exchange differences ⁽¹⁾	287,558	279,803	375,561	366,369
Denominator	Recurring revenues ⁽¹⁾	703,206	698,971	947,712	927,525
=	Net fee income and exchange differences over recurring revenues	40.89%	40.03%	39.63%	39.50%

Notes: —

- (1) APM. See its definition and calculation above.

- (16) **Recurring revenues over average total assets:** Recurring revenues (as defined and calculated above) divided by average total assets. The Group uses this APM to measure its ability to generate stable revenues in relation to the Group's assets.

		For the nine months ended 30 September		For the year ended 31 December	
		2019	2018	2018	2017
<i>(€ thousand, except %)</i>					
Numerator	Recurring revenues ⁽¹⁾	937,608	931,961	947,712	927,525
Denominator	Average total assets ⁽²⁾	52,723,317	52,452,842	52,494,078	55,158,351
=	Recurring revenues over average total assets.....	1.78%	1.78%	1.81%	1.68%

Notes: —

- (1) APM. See its definition and calculation above. Annualized data for the nine months ended 30 September 2019 and 2018.
(2) See definition of “Net fee income and exchange differences over average total assets” above for an explanation on the calculation of “average total assets” and the calculation of this metric for each of the years ended 31 December 2018 and 2017 and for the nine months ended 30 September 2019 and 2018.

- (17) **Recurring operating expenses over average total assets:** recurring operating expenses (as defined and calculated above) divided by average total assets. The Group uses this APM to measure the level of the Group's ordinary expenses related to its balance sheet.

		For the nine months ended 30 September		For the year ended 31 December	
		2019	2018	2018	2017
<i>(€ thousand, except %)</i>					
Numerator	Recurring operating expenses ⁽¹⁾	588,216	607,566	613,095	647,140
Denominator	Average total assets ⁽²⁾	52,723,317	52,452,842	52,494,078	55,158,351
=	Recurring operating expenses over average total assets.....	1.12%	1.16%	1.17%	1.17%

Notes: —

- (1) APM. See its definition and calculation above. Annualized data for the nine months ended 30 September 2019 and 2018.

- (2) See definition of “Net fee income and exchange differences over average total assets” above for an explanation on the calculation of “average total assets” and the calculation of this metric for each of the years ended 31 December 2018 and 2017 and for the nine months ended 30 September 2019 and 2018.

- (18) **Cost-to-income ratio:** Recurring operating expenses (as defined and calculated above) divided by gross income. The Group uses this APM to measure the Group’s operational efficiency.

		For the nine months ended 30 September		For the year ended 31 December	
		2019	2018	2018	2017
<i>(€ thousand, except %)</i>					
Numerator	Recurring operating expenses ⁽¹⁾	441,162	455,675	613,095	647,140
Denominator	Gross income ⁽²⁾	729,861	744,405	966,594	1,164,214
=	Cost-to-income ratio	60.44%	61.21%	63.43%	55.59%

Notes: —

(1) APM. See its definition and calculation above.

(2) Source: Consolidated income statement in the 2019 Third Quarter Financial Statements and in the Annual Accounts.

- (19) **Recurring cost-to-income ratio:** recurring operating expenses divided by recurring revenues (each as defined and calculated above). The Group uses this APM to measure the efficiency of the Group’s recurring activity.

		For the nine months ended 30 September		For the year ended 31 December	
		2019	2018	2018	2017
<i>(€ thousand, except %)</i>					
Numerator	Recurring operating expenses ⁽¹⁾	441,162	455,675	613,095	647,140
Denominator	Recurring revenues ⁽¹⁾	703,206	698,971	947,712	927,525
=	Recurring cost-to-income ratio	62.74%	65.19%	64.69%	69.77%

Note: —

(1) APM. See its definition and calculation above.

- (20) **Recurring profit before provisions over average total assets:** Recurring profit before provisions (as defined and calculated above) over average total assets. The Group uses this APM to measure the recurring profitability of the Group’s business before provisions and impairments in relation to its assets.

		For the nine months ended 30 September		For the year ended 31 December	
		2019	2018	2018	2017
<i>(€ thousand, except %)</i>					
Numerator	Recurring profit before provisions ⁽¹⁾	349,392	324,395	334,617	280,385
Denominator	Average total assets ⁽²⁾	52,723,317	52,452,842	52,494,078	55,158,351
=	Recurring profit before provisions over average total assets	0.66%	0.62%	0.64%	0.51%

Notes: —

(1) APM. See its definition and calculation above. Annualized data for the nine months ended 30 September 2019 and 2018.

(2) See definition of “Net fee income and exchange differences over average total assets” above for an explanation on the calculation of “average total assets” and the calculation of this metric for each of the years ended 31 December 2018 and 2017 and for the nine months ended 30 September 2019 and 2018.

- (21) **Return on assets (“ROA”)**: Profit attributable to the owners of the parent as a percentage of average total assets. The Group uses this APM to measure the return obtained from the Group’s assets.

		For the nine months ended 30 September		For the year ended 31 December	
		2019	2018	2018	2017
<i>(€ thousand, except %)</i>					
Numerator	Profit attributable to the owners of the parent ⁽¹⁾	121,900	96,731	40,804	138,367
Denominator	Average total assets ⁽²⁾	52,723,317	52,452,842	52,494,078	55,158,351
=	ROA	0.23%	0.18%	0.08%	0.25%

Notes: —

- (1) Source: Consolidated income statement in the 2019 Third Quarter Financial Statements and in the Annual Accounts. Annualized data for the nine months ended 30 September 2019 and 2018.
- (2) See definition of “Net fee income and exchange differences over average total assets” above for an explanation on the calculation of “average total assets” and the calculation of this metric for each of the years ended 31 December 2018 and 2017 and for the nine months ended 30 September 2019 and 2018.

- (22) **Return on risk-weighted assets (“RORWA”)**: Profit attributable to the owners of the parent as a percentage of RWAs (phased in). The Group uses this APM to measure the return obtained from the Group’s RWAs.

		For the nine months ended 30 September		For the year ended 31 December	
		2019	2018	2018	2017
<i>(€ thousand, except %)</i>					
Numerator	Profit attributable to the owners of the parent ⁽¹⁾	121,900	96,731	40,804	138,367
Denominator	RWAs (phased in) ⁽²⁾	20,425,986	22,072,232	21,379,068	22,266,290
=	RORWA	0.60%	0.44%	0.19%	0.62%

Notes: —

- (1) Source: Consolidated income statement in the 2019 Third Quarter Financial Statements and in the Annual Accounts. Annualized data for the nine months ended 30 September 2019 and 2018.
- (2) Source: Note 2.7 to the 2019 Third Quarter Financial Statements and Note 1.7.2 to the Annual Accounts.

- (23) **Return on equity (“ROE”)**: Profit attributable to the owners of the parent as a percentage of average shareholders’ equity (excluding the €350,000 thousand AT1 issue accounted for as shareholders’ equity net of other reserves from the issue of equity instruments other than capital, which include the issue costs of, and the interest accrued related to, the AT1 issue). The Group uses this APM to measure the return obtained on the Group’s shareholders’ equity.

		For the nine months ended 30 September		For the year ended 31 December	
		2019	2018	2018	2017
<i>(€ thousand, except %)</i>					
Numerator	Profit attributable to the owners of the parent ⁽¹⁾	121,900	96,731	40,804	138,367
Denominator	Average shareholders’ equity ⁽²⁾	2,805,895 ⁽³⁾	2,764,713 ⁽⁴⁾	2,768,039 ⁽⁵⁾	2,778,297 ⁽⁶⁾
=	ROE	4.34%	3.50%	1.47%	4.98%

Notes: —

- (1) Source: Consolidated income statement in the 2019 Third Quarter Financial Statements and in the Annual Accounts. Annualized data for the nine months ended 30 September 2019 and 2018.
- (2) Calculated as the arithmetic mean of (i) the end-of-quarter total equity figure for the first quarter of the corresponding period, (ii) the end-of-quarter total equity figure for the second quarter of the corresponding period, (iii) the end-of-quarter total equity figure for the third quarter of the corresponding period and (iv) the arithmetic mean of the end-of quarter total equity figures for the fourth quarter of the corresponding and previous periods.
- (3) Calculated as the arithmetic mean of (i) €(3,141,718-330,148) thousand (as of 31 March 2019), (ii) €(3,138,920-325,858) thousand (as of 30 June 2019) and (iii) the arithmetic mean of €(3,091,665-334,430) thousand (as of 31 December 2018) and €(3,150,437-321,568) thousand (as of 30 September 2019).
- (4) Calculated as the arithmetic mean of (i) €2,762,595 thousand (as of 31 March 2018), (ii) €(3,105,690-343,066) thousand (as of 30 June 2018) and (iii) the arithmetic mean of €2,739,043 thousand (as of 31 December 2017 under IFRS 9) and €(3,137,526-338,727) thousand (as of 30 September 2018).
- (5) Calculated as the arithmetic mean of (i) €2,762,595 thousand (as of 31 March 2018), (ii) €(3,105,690-343,066) thousand (as of 30 June 2018), (iii) €(3,137,526-338,727) thousand (as of 30 September 2018) and (iv) the arithmetic mean of €2,739,043 thousand (as of 31 December 2017 under IFRS 9) and €(3,091,665-334,430) thousand (as of 31 December 2018).
- (6) Calculated as the arithmetic mean of (i) €2,754,251 thousand (as of 31 March 2017), (ii) €2,757,316 thousand (as of 30 June 2017), (iii) €2,797,601 thousand (as of 30 September 2017) and (iv) the arithmetic mean of €2,753,123 thousand (as of 31 December 2016) and €2,854,915 thousand (as of 31 December 2017).

- (24) **Return on tangible equity (“ROTE”):** Profit attributable to the owners of the parent as a percentage of average tangible shareholders’ equity (excluding the €350,000 thousand AT1 issue accounted for as shareholders’ equity net of other reserves from the issue of equity instruments other than capital, which include the issue costs of, and the interest accrued related to, the AT1 issue). The Group uses this APM to measure the return obtained on the Group’s tangible shareholders’ equity.

		For the nine months ended 30 September		For the year ended 31 December	
		2019	2018	2018	2017
<i>(€ thousand, except %)</i>					
Numerator	Profit attributable to the owners of the parent ⁽¹⁾	121,900	96,731	40,804	138,367
Denominator	Average tangible shareholders’ equity ⁽²⁾	2,604,976 ⁽³⁾	2,569,416 ⁽⁴⁾	2,571,850 ⁽⁵⁾	2,582,353 ⁽⁶⁾
=	ROTE	4.68%	3.76%	1.59%	5.36%

Notes: —

- (1) Source: Consolidated income statement in the 2019 Third Quarter Financial Statements and in the Annual Accounts. Annualized data for the nine months ended 30 September 2019 and 2018.
- (2) Calculated as the arithmetic mean of (i) the end-of-quarter tangible equity figure for the first quarter of the corresponding period, (ii) the end-of-quarter tangible equity figure for the second quarter of the corresponding period, (iii) the end-of-quarter tangible equity figure for the third quarter of the corresponding period and (iv) the arithmetic mean of the end-of-quarter tangible equity figures for the fourth quarter of the corresponding and previous periods.
- (3) Calculated as the arithmetic mean of (i) €2,610,771 thousand (as of 31 March 2019), (ii) €2,613,959 thousand (as of 30 June 2019) and (iii) the arithmetic mean of €2,553,358 thousand (as of 31 December 2018) and €2,627,038 thousand (as of 30 September 2019).
- (4) Calculated as the arithmetic mean of (i) €2,566,413 thousand (as of 31 March 2018), (ii) €2,569,679 thousand (as of 30 June 2018) and (iii) the arithmetic mean of €2,539,363 thousand (as of 31 December 2017 under IFRS 9) and €2,604,946 thousand (as of 30 September 2018).
- (5) Calculated as the arithmetic mean of (i) €2,566,413 thousand (as of 31 March 2018), (ii) €2,569,679 thousand (as of 30 June 2018), (iii) €2,604,946 thousand (as of 30 September 2018) and (iv) the arithmetic mean of €2,539,363 thousand (as of 31 December 2017 under IFRS 9) and €2,553,358 thousand (as of 31 December 2018).
- (6) Calculated as the arithmetic mean of (i) €2,558,519 thousand (as of 31 March 2017), (ii) €2,562,372 thousand (as of 30 June 2017), (iii) €2,603,761 thousand (as of 30 September 2017) and (iv) the arithmetic mean of €2,554,286 thousand (as of 31 December 2016) and €2,655,235 thousand (as of 31 December 2017).

APMs related to solvency

- (25) **RWAs density:** RWAs (phased in) divided by total assets. The Group uses this APM to measure the risk profile of the Group’s balance sheet.

		As of 30 September 2019	As of 31 December	
			2018	2017
<i>(€ thousand, except %)</i>				
Numerator	RWAs (phased in) ⁽¹⁾	20,425,986	21,379,068	22,266,290
Denominator	Total assets ⁽²⁾	52,881,779	52,705,739	53,106,969
=	RWAs density	38.63%	40.56%	41.93%

Notes: —

(1) Source: Note 2.7 to the 2019 Third Quarter Financial Statements and Note 1.7.2 to the Annual Accounts.

(2) Source: Consolidated balance sheet in the 2019 Third Quarter Financial Statements and in the Annual Accounts.

APMs related to asset quality

- (26) **NPA**s: Sum of NPLs and gross value of foreclosed assets. The Group uses this APM to evaluate the size of the Group's problematic asset portfolio (NPLs and foreclosed assets) in gross terms.

		As of 30 September 2019	As of 31 December	
			2018	2017
<i>(€ thousand)</i>				
(+)	NPLs ⁽¹⁾	1,523,635	2,274,558	2,564,825
(+)	Gross value of foreclosed assets ⁽²⁾	700,903	766,967	1,566,355
NPA s		2,224,538	3,041,525	4,131,180

Notes: —

(1) Source: Notes 5.2.1 and 5.4.1 to the 2019 Third Quarter Financial Statements, Note 3.5.4 to the 2018 Annual Accounts and Notes 3.1.4 and 10.4 to the 2017 Annual Accounts.

(2) Source: Note 2.6.4 to the 2019 Third Quarter Financial Statements, Note 3.5.6.2 to the 2018 Annual Accounts and Note 3.1.6.2 to the 2017 Annual Accounts.

- (27) **NPL ratio**: NPLs divided by gross loans and advances to customers (as defined and calculated below). The Group uses this APM to monitor the Group's credit risk quality.

		As of 30 September 2019	As of 31 December	
			2018	2017
<i>(€ thousand, except %)</i>				
Numerator	NPLs ⁽¹⁾	1,523,635	2,274,558	2,564,825
Denominator	Gross loans and advances to customers ⁽²⁾ ...	32,781,936	33,723,764	33,450,930
=	NPL ratio	4.65%	6.74%	7.67%

Notes: —

(1) Source: Notes 5.2.1 and 5.4.1 to the 2019 Third Quarter Financial Statements, Note 3.5.4 to the 2018 Annual Accounts and Notes 3.1.4 and 10.4 to the 2017 Annual Accounts.

(2) APM. See its definition and calculation below.

- (28) **NPA ratio**: NPAs (as defined and calculated above) divided by the sum of gross loans and advances to customers and gross value of foreclosed assets. The Group uses this APM to evaluate the size of the Group's problematic portfolio (NPLs and foreclosed assets) in relative terms.

		As of 30 September 2019	As of 31 December	
			2018	2017
<i>(€ thousand, except %)</i>				
Numerator	NPAs ⁽¹⁾	2,224,538	3,041,525	4,131,180
	(a) Gross loans and advances to customers ⁽²⁾	32,781,936	33,723,764	33,450,930
Denominator	(b) Gross value of foreclosed assets ⁽³⁾	700,903	766,967	1,566,355
	(a) + (b)	33,482,839	34,490,731	35,017,285
=	NPA ratio	6.64%	8.82%	11.80%

Notes: —

(1) APM. See its definition and calculation above.

(2) APM. See its definition and calculated below.

(3) Source: Note 2.6.4 to the 2019 Third Quarter Financial Statements, Note 3.5.6.2 to the 2018 Annual Accounts and Note 3.1.6.2 to the 2017 Annual Accounts.

- (29) **Cost of risk:** Provisions and impairments associated with credit risk and foreclosed assets divided by the average of the sum of gross loans and advances to customers and foreclosed assets. The Group uses this APM to monitor the cost for allocations on the Group's loan portfolio and foreclosed assets.

		For the nine months ended 30 September		For the year ended 31 December	
		2019	2018	2018	2017
<i>(€ thousand, except %)</i>					
	(a) Provisions and impairments associated with credit risk ⁽¹⁾	130,560	121,429	144,009	168,198
Numerator	(b) Provisions and impairments on foreclosed assets ⁽²⁾	13,747	51,992	42,578	77,122
	Provisions and impairment associated with credit risk and foreclosed assets ((a) + (b)).....	144,307	173,421	186,587	245,320
Denominator	Average of gross loans and advances to customers and gross value of foreclosed assets ⁽³⁾	33,790,420	⁽⁴⁾ 34,729,819 ⁽⁵⁾	34,677,199 ⁽⁶⁾	35,578,966 ⁽⁷⁾
=	Cost of risk	0.43%	0.50%	0.54%	0.69%

Notes: —

(1) Provisions and impairments associated with credit risk are calculated as follows:

		For the nine months ended 30 September		For the year ended 31 December	
		2019	2018	2018	2017
<i>(€ thousand)</i>					
	(+) Impairment on financial assets at amortized cost.....	136,633	126,413	150,829 ^(a)	171,873 ^(b)
	(+) Provisions – commitments and guarantees given.....	(6,073)	(4,984)	(6,820) ^(c)	(3,675) ^(c)

	For the nine months ended 30 September		For the year ended 31 December	
	2019	2018	2018	2017
	(€ thousand)			
(+) Allowances to provisions and other	25,136	37,767	36,970	12,712
(-) Reversal of provisions taken to income statement	31,209	42,751	43,790	16,387
Provisions and impairments associated with credit risk	130,560	121,429	144,009	168,198

Notes: —

- (a) Source: Impairment on “financial assets at amortized cost” in the consolidated income statement in the 2018 Annual Accounts. Annualized data for the nine months ended 30 September 2019 and 2018.
- (b) Source: Impairment on “loans and receivables” in the consolidated income statement in the 2017 Annual Accounts. Annualized data for the nine months ended 30 September 2019 and 2018.
- (c) Source: Note 21 to the Annual Accounts. Annualized data for the nine months ended 30 September 2019 and 2018.
- (2) Company information based on management criteria. Depending on their nature, foreclosed assets are classified under “non-current assets for sale”, “investment property” or “inventory”. Provisions and impairments of foreclosed assets are calculated as follows:

	For the nine months ended 30 September		For the year ended 31 December	
	2019	2018	2018	2017
	(€ thousand)			
(+) Impairment or (-) reversal of impairment on non-financial assets (investment property and other)	683	3,537	4,962 ^(a)	16,075 ^(a)
(+) Impairment gains or losses on other non- current assets for sale	13,511	49,129	40,523 ^(b)	65,213 ^(b)
Provisions and impairments on non-financial assets	14,194	52,666	45,485	81,288
<i>of which: impairment on foreclosed assets</i>	13,747	51,992	42,578	77,122
<i>of which: impairment on non-foreclosed assets</i>	477	674	2,907	4,166

Notes: —

- (a) Source: Note 40 to the Annual Accounts. Annualized data for the nine months ended 30 September 2019 and 2018.
- (b) Source: Note 42 to the Annual Accounts. Annualized data for the nine months ended 30 September 2019 and 2018.
- (3) Calculated as the arithmetic mean of (i) the end-of-quarter sum of gross loans and advances to customers and gross value of foreclosed assets figure for the first quarter of the corresponding period, (ii) the end-of-quarter sum of gross loans and advances to customers and gross value of foreclosed assets figure for the second quarter of the corresponding period, (iii) the end-of-quarter sum of gross loans and advances to customers and gross value of foreclosed assets figure for the third quarter of the corresponding period and (iv) the arithmetic mean of the end-of quarter sum of gross loans and advances to customers and gross value of foreclosed assets figures for the fourth quarter of the corresponding and previous periods.
- (4) Calculated as the arithmetic mean of (i) €33,761,118 thousand (as of 31 March 2019), (ii) €33,623,357 thousand (as of 30 June 2019) and (iii) the arithmetic mean of €34,490,730 thousand (as of 31 December 2018) and €33,482,839 thousand (as of 30 September 2019).
- (5) Calculated as the arithmetic mean of (i) €34,644,852 thousand (as of 31 March 2018), (ii) €34,761,987 thousand (as of 30 June 2018) and (iii) the arithmetic mean of €35,017,285 thousand (as of 31 December 2017) and €34,547,948 thousand (as of 30 September 2018).
- (6) Calculated as the arithmetic mean of (i) €34,644,852 thousand (as of 31 March 2018), (ii) €34,761,987 thousand (as of 30 June 2018), (iii) €34,547,948 thousand (as of 30 September 2018) and (iv) the arithmetic mean of €35,017,285 thousand (as of 31 December 2017) and €34,490,730 thousand (as of 31 December 2018).
- (7) Calculated as the arithmetic mean of (i) €35,696,523 thousand (as of 31 March 2017), (ii) €35,878,483 thousand (as of 30 June 2017), (iii) €35,197,410 thousand (as of 30 September 2017) and (iv) the arithmetic mean of €36,069,612 thousand (as of 31 December 2016) and €35,017,285 thousand (as of 31 December 2017).

- (30) **NPL provisions:** Sum of impairment losses on loans and advances to customers and negative accumulated changes in the fair value due to credit risk for doubtful exposures. It includes allowances for impairment losses on assets in stages 1, 2 and 3. The Group uses this APM as an indicator of the part of NPLs that is covered with loan-loss provisions.

	As of 30 September 2019	As of 31 December	
		2018	2017
		<i>(€ thousand)</i>	
(+) Impairment losses on loans and advances to customers ⁽¹⁾	749,972	1,116,708	1,090,225
(+) Accumulated negative changes in fair value due to credit risk from non-performing exposures ⁽²⁾	2,231	2,222	—
NPL provisions	752,203	1,118,930	1,090,225

Notes: —

- (1) Source: Note 5.4.1 to the 2019 Third Quarter Financial Statements and Note 11.4 to the 2018 Annual Accounts and Note 10.4 to the 2017 Annual Accounts.
(2) Source: Note 5.2.1 to the 2019 Third Quarter Financial Statements and Note 8 to the 2018 Annual Accounts.

- (31) **NPL coverage ratio:** NPL provisions (as defined and calculated above) divided by NPLs. The Group uses this APM to monitor the quality of the Group's credit risk because it reflects the degree to which NPLs have been covered with loan-loss provisions.

		As of 30 September 2019	As of 31 December	
			2018	2017
		<i>(€ thousand, except %)</i>		
Numerator	NPL provisions ⁽¹⁾	752,203	1,118,930	1,090,225
Denominator	NPLs ⁽²⁾	1,523,635	2,274,558	2,564,825
=	NPL coverage ratio	49.37%	49.19%	42.51%

Notes: —

- (1) APM. See its definition and calculation above.
(2) Source: Notes 5.2.1 and 5.4.1 to the 2019 Third Quarter Financial Statements, Note 3.5.4 to the 2018 Annual Accounts and Notes 3.1.4 and 10.4 to the 2017 Annual Accounts.

- (32) **NPL ratio for real estate construction and development:** NPLs for real estate construction and development divided by gross loans for real estate construction and development. The Group uses this APM to monitor the Group's real estate construction and development credit risk quality.

		As of 30 September 2019	As of 31 December	
			2018	2017
		<i>(€ thousand, except %)</i>		
Numerator	NPLs for real estate construction and development.....	184,532	600,566	775,480
Denominator	Gross loans for real estate construction and development	1,247,243	1,586,107	1,695,006
=	NPL ratio for real estate construction and development	14.80%	37.86%	45.75%

Source: Note 2.6.1 to the 2019 Third Quarter Financial Statements, Note 3.5.6.2 to the 2018 Annual Accounts and Note 3.1.6.2 to the 2017 Annual Accounts.

- (33) **Coverage of real estate development risk:** Provisions associated to real estate construction and developments divided by NPLs for real estate construction and development. It includes allowances for impairment on assets in stages 1,2 and 3. The Group uses this APM to monitor the quality of the Group's real estate construction and development credit risk because it reflects the degree to which NPLs for real estate construction and development have been covered with loan-loss provisions.

		As of 30 September 2019	As of 31 December	
			2018	2017
		<i>(€ thousand, except %)</i>		
Numerator	Provisions associated to real estate construction and developments.....	115,095	339,426	418,776
Denominator	NPLs for real estate construction and development.....	184,532	600,566	775,480
=	Coverage of real estate development risk..	62.37%	56.52%	54.00%

Source: Note 2.6.1 to the 2019 Third Quarter Financial Statements, Note 3.5.6.1 to the 2018 Annual Accounts and Note 3.1.6.1 to the 2017 Annual Accounts.

- (34) **Foreclosed assets coverage ratio:** Total allowances (including credit origination) for impairment losses on foreclosed assets divided by the gross value of foreclosed assets. The Group uses this APM to measure the coverage ratio of foreclosed assets and as an indicator of asset quality.

		As of 30 September 2019	As of 31 December	
			2018	2017
		<i>(€ thousand, except %)</i>		
Numerator	Total allowances for impairment losses on foreclosed assets ("Foreclosed assets provisions").....	387,922	446,769	887,000
Denominator	Gross value of foreclosed assets	700,903	766,967	1,566,355
=	Foreclosed assets coverage ratio	55.35%	58.25%	56.63%

Source: Note 2.6.4 to the 2019 Third Quarter Financial Statements, Note 3.5.6.2 to the 2018 Annual Accounts and Note 3.1.6.2 to the 2017 Annual Accounts.

- (35) **NPA provisions:** Sum of NPL provisions and total allowances for impairment losses on foreclosed assets. The Group uses this APM as an indicator of the part of NPLs and foreclosed assets that is covered with provisions.

	As of 30 September 2019	As of 31 December	
		2018	2017
		<i>(€ thousand)</i>	
(+) NPL provisions ⁽¹⁾	752,203	1,118,930	1,090,225
(+) Foreclosed assets provisions ⁽²⁾	387,922	446,769	887,000
NPA provisions	1,140,125	1,565,699	1,977,225

Notes: —

(1) APM. See its definition and calculation above.

(2) Source: Note 2.6.4 to the 2019 Third Quarter Financial Statements, Note 3.5.6.2 to the 2018 Annual Accounts and Note 3.1.6.2 to the 2017 Annual Accounts.

- (36) **NPA coverage ratio:** NPA provisions divided by NPAs (each as defined and calculated above). The Group uses this APM as an indication of the Group's asset quality in relation to coverage of problematic assets.

		As of 30 September 2019	As of 31 December	
			2018	2017
		<i>(€ thousand, except %)</i>		
Numerator	NPA provisions ⁽¹⁾	1,140,125	1,565,699	1,977,225
Denominator	NPAs ⁽¹⁾	2,224,538	3,041,525	4,131,180
=	NPA coverage ratio	51.25%	51.48%	47.86%

Notes: —

(1) APM. See its definition and calculation above.

- (37) **Net NPAs:** NPAs net of NPA provisions (each as defined and calculated above). The Group uses this APM as an indicator of the net value (after deducting provisions) of the Group's problematic assets.

		As of 30 September 2019	As of 31 December	
			2018	2017
		<i>(€ thousand)</i>		
(+) NPAs ⁽¹⁾		2,224,538	3,041,525	4,131,180
(-) NPA provisions ⁽¹⁾		1,140,125	1,565,699	1,977,225
Net NPAs		1,084,413	1,475,826	2,153,955

Notes: —

(1) APM. See its definition and calculation above.

- (38) **Net NPAs over total assets:** Net NPAs (as defined and calculated above) divided by total assets. The Group uses this APM to measure the weight of problematic assets after deducting the provisions allocated to non-productive assets on the Group's balance sheet.

		As of 30 September 2019	As of 31 December	
			2018	2017
<i>(€ thousand, except %)</i>				
Numerator	Net NPAs ⁽¹⁾	1,084,413	1,475,826	2,153,955
Denominator	Total assets ⁽²⁾	52,881,779	52,705,739	53,106,969
=	Net NPAs over total assets	2.05%	2.80%	4.06%

Notes: —

(1) APM. See its definition and calculation above.

(2) Source: Consolidated balance sheet in the 2019 Third Quarter Financial Statements and in the Annual Accounts.

- (39) **Doubtful mortgages over NPLs:** Doubtful mortgages divided by NPLs. The Group uses this APM to measure the weight of doubtful mortgages, with a lower expected loss on the asset balance, over total NPLs.

		As of 30 September 2019	As of 31 December	
			2018	2017
<i>(€ thousand, except %)</i>				
Numerator	Doubtful mortgages ⁽¹⁾	754,357	854,037	893,151
Denominator	NPLs ⁽²⁾	1,523,635	2,274,558	2,564,825
=	Doubtful mortgages over NPLs	49.51%	37.55%	34.82%

Notes: —

(1) Source: Bank's internal accounting records.

(2) Source: Notes 5.2.1 and 5.4.1 to the 2019 Third Quarter Financial Statements, Note 3.5.4 to the 2018 Annual Accounts and Notes 3.1.4 and 10.4 to the 2017 Annual Accounts.

- (40) **LTV ratio:** amount of the mortgage loan portfolio divided by the value of the latest available appraisal of the mortgage collateral. The Group uses this APM as an indicator of the quality of the mortgage loan portfolio.

		As of 30 September 2019	As of 31 December	
			2018	2017
<i>(€ thousand, except %)</i>				
Numerator	Mortgage loan portfolio ⁽¹⁾	22,644,756	23,757,969	24,809,066
Denominator	Appraised value ⁽¹⁾	43,455,682	45,879,859	43,693,318
=	LTV ratio	52.11%	51.78%	56.78%

Notes: —

(1) Source: Bank's internal accounting records.

- (41) **Texas ratio:** NPAs (as defined and calculated above) divided by the sum of NPA provisions (as defined and calculated above) and shareholders' equity excluding the €350,000 thousand AT1 issue accounted for as shareholders' equity net of other reserves from the issue of equity instruments other than capital, which include the issue costs of, and the interest accrued related to, the AT1 issue. The Group uses this APM to assess the Group's ability to absorb potential losses from NPAs through NPAs provisions and shareholders' equity. A Texas ratio of more than 100% indicates that NPAs are greater than the resources that the Group may need to cover potential losses on those assets.

		As of 30 September 2019	As of 31 December	
			2018	2017
<i>(€ thousand, except %)</i>				
Numerator	NPAs ⁽¹⁾	2,224,538	3,041,525	4,131,180
	(a) NPA provisions ⁽¹⁾	1,140,125	1,565,699	1,977,225
	(b) Shareholders' equity ⁽²⁾	3,150,437	3,091,665	2,854,915
Denominator	(c) Equity instruments issued other than capital ⁽²⁾	350,000	350,000	—
	(d) Other reserves from the issue of equity instruments other than capital ⁽²⁾	28,432	15,570	—
	(a) + (b) – (c) + (d)	3,968,994	4,322,934	4,832,140
=	Texas ratio	56.05%	70.36%	85.49%

Notes: —

(1) APM. See its definition and calculation above.

(2) Source: Consolidated balance sheet in the 2019 Third Quarter Financial Statements and in the Annual Accounts and Note 23 to the Annual Accounts.

APMs related to business volume

(42) **Total customer funds:** Total on-balance sheet and off-balance sheet funds managed by us. The Group uses this APM as an indicator of the customer funds, on and off-balance sheet, that the Group manages.

		As of 30 September 2019	As of 31 December	
			2018	2017
<i>(€ thousand)</i>				
(+)	Customers deposits ⁽¹⁾	34,127,519	34,080,816	35,077,095
(+)	Debt securities issued ⁽¹⁾	1,492,912	1,640,432	1,827,266
(+)	Asset management and life savings insurance ⁽²⁾	26,890,127	25,225,604	24,822,767
	Total customer funds	62,510,558	60,946,852	61,727,128

Notes: —

(1) Source: Consolidated balance sheet in the 2019 Third Quarter Financial Statements and in the Annual Accounts.

(2) APM. See its definition and calculation below.

(43) **Retail deposits:** Sum of demand deposits and term deposits (excluding mortgage covered bonds). The Group uses this APM as an indicator of the Group's on-balance retail funding.

	As of 30 September 2019	As of 31 December	
		2018	2017
		(€ thousand)	
(+) Demand deposits ⁽¹⁾	27,184,640	26,316,080	24,629,205
(+) Term deposits ⁽¹⁾	6,704,690	7,384,711	9,261,903
(-) Mortgage covered bonds (includes nominal amount and issue premium)	2,142,847	2,161,279	2,567,248
<i>Nominal mortgage covered bonds⁽¹⁾</i>	2,246,771	2,271,771	2,693,384
<i>Issue premium mortgage covered bonds⁽²⁾</i>	(103,924)	(110,492)	(126,136)
Retail deposits	31,746,483	31,539,512	31,323,860

Notes: —

(1) Source: Bank's internal accounting records and Note 19.3 to the Annual Accounts.

(2) Source: Bank's internal accounting records.

The following table shows the breakdown of retail deposits by market:

	As of 30 September 2019		As of 31 December			
			2018		2017	
			(€ thousand, except %)			
Home Markets	21,526,467	67.81%	21,766,686	69.01%	21,937,497	70.03%
Growth Markets.....	8,349,854	26.30%	7,994,307	25.35%	7,648,921	24.42%
Rest of Spain	1,870,162	5.89%	1,778,519	5.64%	1,737,442	5.55%
Retail deposits	31,746,483	100.00%	31,539,512	100.00%	31,323,860	100.00%

- (44) **Asset management and life savings insurance:** Sum of collective investment institutions, pension funds and life savings insurance products. It provides information about the amount of customer savings the Group manages through its Financial Group. The Group considers this APM to be relevant because the management of customer off-balance funds is one of the Group's main sources of income.

	As of 30 September 2019	As of 31 December	
		2018	2017
		(€ thousand)	
(+) Collective investment institutions ⁽¹⁾	13,868,504	12,679,135	12,637,380
(+) Pension funds ⁽¹⁾	5,496,026	5,068,609	5,202,212
(+) Life savings insurance products ⁽²⁾	7,525,597	7,477,860	6,983,175
<i>Life savings insurance products⁽¹⁾</i>	119,911	124,744	148,058
<i>Life insurance technical provisions⁽²⁾</i>	7,405,686	7,353,116	6,835,117
Asset management and life savings insurance	26,890,127	25,225,604	24,822,767

Notes: —

(1) Source: Bank's internal accounting records and Note 27.4 to the Annual Accounts. Collective investment institutions exclude the equity of the funds which invest in the funds of Ibercaja Gestión (€1,241,704 thousand and €671,090 thousand as of 31 December 2018 and 2017, respectively, and €2,176,191 thousand as of 30 September 2019). These amounts are derived from the Group's internal accounting records.

(2) Source: Bank's internal accounting records and Note 24.4 to the individual annual accounts of Ibercaja Banco.

The following table shows the breakdown of asset management and life savings insurance by market:

	As of 30 September 2019		As of 31 December			
			2018		2017	
	<i>(€ thousand, except %)</i>					
Home Markets	19,779,908	73.56%	18,632,935	73.87%	18,408,693	74.16%
Growth Markets.....	5,305,044	19.73%	4,931,944	19.55%	4,818,454	19.41%
Rest of Spain	1,805,175	6.71%	1,660,725	6.58%	1,595,620	6.43%
Asset management and life savings insurance.....	26,890,127	100.00%	25,225,604	100.00%	24,822,767	100.00%

- (45) **Retail customer funds:** Sum of retail deposits (as defined and calculated above) and asset management and life savings insurance (as defined and calculated above). The Group uses this APM as an indicator of the total retail savings managed by us.

	As of 30 September 2019		As of 31 December			
			2018		2017	
	<i>(€ thousand, except %)</i>					
(+) Retail deposits ⁽¹⁾	31,746,483	54.14%	31,539,512	55.56%	31,323,860	55.79%
(+) Asset management and life savings insurance ⁽¹⁾	26,890,127	45.86%	25,225,604	44.44%	24,822,767	44.21%
Retail customer funds.....	58,636,610	100.00%	56,765,116	100.00%	56,146,627	100.00%

Notes: —

(1) APM. See its definition and calculation above.

The following table shows the breakdown of retail customer funds by market:

	As of 30 September 2019		As of 31 December			
			2018		2017	
	<i>(€ thousand, except %)</i>					
Home Markets	41,306,375	70.44%	40,399,621	71.17%	40,346,190	71.86%
Growth Markets.....	13,654,898	23.29%	12,926,251	22.77%	12,467,375	22.21%
Rest of Spain	3,675,337	6.27%	3,439,244	6.06%	3,333,062	5.94%
Retail customer funds.....	58,636,610	100.00%	56,765,116	100.00%	56,146,627	100.00%

- (46) **External funding:** Sum of deposits of central banks, deposits of credit institutions, customer deposits, debt securities issued and the AT1 issue accounted for as shareholders' equity net of other reserves from the issue of equity instruments other than capital, which include the issue costs of, and the interest accrued related to, the AT1 issue. The Group uses this APM as an indicator of the Group's funding from external sources and to measure the weight of the different external sources of funding.

	As of 30 September		As of 31 December			
	2019		2018		2017	
	(€ thousand, except %)					
Deposits of central banks ⁽¹⁾	3,331,783	8.33%	3,341,085	8.22%	3,353,508	8.08%
Deposits of credit institutions ⁽¹⁾	731,761	1.83%	1,236,219	3.04%	1,236,216	2.98%
Customer deposits ⁽¹⁾	34,127,519	85.31%	34,080,816	83.87%	35,077,095	84.54%
(A) of which retail deposits ⁽²⁾	31,746,483	79.36%	31,539,512	77.62%	31,323,860	75.49%
Debt securities issued ⁽¹⁾	1,492,912	3.73%	1,640,432	4.04%	1,827,266	4.40%
AT1 issue ⁽³⁾	321,568	0.80%	334,430	0.83%	—	—
External funding (B)	40,005,543	100.00%	40,632,982	100.00%	41,494,085	100.00%
Of which Retail funding (=A)	31,746,483	79.36%	31,539,512	77.62%	31,323,860	75.49%
Of which Financing from wholesale						
lending markets (=B) – (A)	8,259,060	20.64%	9,093,470	22.38%	10,170,225	24.51%

Notes: —

(1) Source: Consolidated balance sheet in the 2019 Third Quarter Financial Statements and in the Annual Accounts.

(2) APM. See its definition and calculation above.

(3) Source: Bank's internal accounting records and Note 23 to the Annual Accounts.

- (47) **Gross loans and advances to customers and net loans and advances to customers:** Sum of all the loans and advances to customers, in accordance with rule 52.1.b of Circular 4/2017. The Group uses this APM to measure the total amount of financing granted to the Group's customers as this is the most relevant item in the Group's balance sheet in terms of weight and income derived from it.

	As of 30	As of 31 December	
	September	2018	2017
	(€ thousand)		
(+) Non-trading financial assets mandatorily measured at fair value with changes through profit and loss – loans and advances to customers ⁽¹⁾	14,287	19,730	n.a.
(+) Financial assets at amortized cost – loans and advances to customers ⁽¹⁾	32,015,446	32,585,104	n.a.
(+) Loans and receivables – loans and advances to customers ⁽¹⁾	n.a.	n.a.	32,360,705
Net loans and advances to customers	32,029,733	32,604,834	32,360,705
(+) NPL provisions ⁽²⁾	752,203	1,118,930	1,090,225
Gross loans and advances to customers	32,781,936	33,723,764	33,450,930
(-) Reverse repurchase agreements ⁽³⁾	1,606,504	1,703,612	981,018
Gross loans and advances to customers excluding reverse repurchase agreements	31,175,432	32,020,152	32,469,912

Notes:—

(1) Source: Consolidated balance sheet in the 2019 Third Quarter Financial Statements and in the Annual Accounts. As of 31 December 2017, the balance of clearing houses (€51,668 thousand) has been transferred from loans and receivables to credit institutions to loans and receivables to customers for comparative purposes with the information provided as of 31 December 2018.

(2) APM. See its definition and calculation above.

(3) Source: Bank's internal accounting records and Note 11.4 to the 2018 Annual Accounts and Note 10.4 to the 2017 Annual Accounts.

- (48) **Net loans and advances to customers over total assets:** Net loans and advances to customers (as defined and calculated above) divided by total assets. The Group uses this APM to monitor the weight of the loan portfolio in the Group's balance sheet.

		As of 30 September 2019	As of 31 December	
			2018	2017
<i>(€ thousand, except %)</i>				
Numerator	Net loans and advances to customers ⁽¹⁾	32,029,733	32,604,834	32,360,705
Denominator	Total assets ⁽²⁾	52,881,779	52,705,739	53,106,969
=	Net loans and advances to customers over total assets	60.57%	61.86%	60.93%

Notes: —

(1) APM. See its definition and calculation above.

(2) Source: Consolidated balance sheet in the 2019 Third Quarter Financial Statements and in the Annual Accounts.

- (49) **Performing loans excluding reverse repurchase agreements:** Gross loans and advances to customers excluding NPLs and reverse repurchase agreements. The Group uses this APM as an indicator of the Group's main source of revenues.

		As of 30 September 2019	As of 31 December	
			2018	2017
<i>(€ thousand)</i>				
(+)	Gross loans and advances to customers ⁽¹⁾	32,781,936	33,723,764	33,450,930
(-)	NPLs ⁽²⁾	1,523,635	2,274,558	2,564,825
(-)	Reverse repurchase agreements ⁽³⁾	1,606,504	1,703,612	981,018
	Performing loans excluding reverse repurchase agreements	29,651,797	29,745,594	29,905,087

Notes: —

(1) APM. See its definition and calculation above.

(2) Source: Notes 5.2.1 and 5.4.1 to the 2019 Third Quarter Financial Statements and Note 3.5.4 to the 2018 Annual Accounts and Notes 3.1.4 and 10.4 to the 2017 Annual Accounts.

(3) Source: Bank's internal accounting records and Note 11.4 to the 2018 Annual Accounts and Note 10.4 to the 2017 Annual Accounts.

The following table shows the breakdown of performing loans excluding reverse repurchase agreements by market:

	As of 30 September 2019		As of 31 December			
			2018		2017	
	(€ thousand, except %)					
Home Markets	12,800,133	43.17%	12,744,291	42.84%	12,844,259	42.95%
Growth Markets.....	12,414,417	41.87%	12,426,665	41.78%	12,476,694	41.72%
Rest of Spain	4,437,247	14.96%	4,574,638	15.38%	4,584,134	15.33%
Performing loans excluding reverse repurchase agreements	29,651,797	100.00%	29,745,594	100.00%	29,905,087	100.00%

- (50) **Retail business volume:** Sum of performing loans excluding reverse repurchase agreements and retail customer funds (each as defined and calculated above). The Group uses this APM to measure aggregated changes in the Group's main business metrics with its customers.

	As of 30 September 2019	As of 31 December	
		2018	2017
	(€ thousand)		
(+) Performing loans excluding reverse repurchase agreements ⁽¹⁾	29,651,797	29,745,594	29,905,087
(+) Retail customer funds ⁽¹⁾	58,636,610	56,765,116	56,146,627
Retail business volume (*).....	88,288,407	86,510,710	86,051,714

Notes: —

(1) APM. See its definition and calculation above.

(*) It only includes performing loans.

The following table shows the breakdown of retail business volume by market:

	As of 30 September 2019		As of 31 December			
			2018		2017	
	(€ thousand, except %)					
Home Markets	54,106,508	61.28%	53,143,912	61.43%	53,190,449	62.81%
Growth Markets.....	26,069,315	29.53%	25,352,916	29.31%	24,944,069	28.99%
Rest of Spain	8,112,584	9.19%	8,013,882	9.26%	7,917,196	9.20%
Retail business volume	88,288,407	100.00%	86,510,710	100.00%	86,051,714	100.00%

- (51) **Retail business volume per employee:** Retail business volume (as defined and calculated above), divided by number of total Group employees. The Group uses this APM to measure the productivity of its employees

		As of 30 September 2019	As of 31 December	
			2018	2017
		(€ thousand, except number of employees)		
Numerator	Retail business volume ⁽¹⁾	88,288,407	86,510,710	86,051,714
Denominator	Number of total Group employees ⁽²⁾	5,370	5,302	5,581
=	Retail business volume per employee	16,441	16,317	15,419

Notes: —

(1) APM. See its definition and calculation above.

(2) Source: Bank's internal accounting records and Note 38.1 to the Annual Accounts.

APMs related to liquidity

- (52) **Loan-to-Deposit (LTD) ratio:** Net loans and advances to customers (as defined and calculated above) excluding reverse repurchase agreements divided by retail deposits (as defined and calculated above). The Group uses this APM to assess the extent to which the loans and advances the Group grants to its customers are financed with retail deposits.

		As of 30 September 2019	As of 31 December	
			2018	2017
<i>(€ thousand, except %)</i>				
	(a) Net loans and advances to customers ⁽¹⁾	32,029,733	32,604,834	32,360,705
Numerator	(b) Reverse repurchase agreements ⁽²⁾	1,606,504	1,703,612	981,018
	Net loans and advances to customers excluding reverse repurchase agreements ((a) – (b))	<u>30,423,229</u>	<u>30,901,222</u>	<u>31,379,687</u>
Denominator	Retail deposits ⁽¹⁾	<u>31,746,483</u>	<u>31,539,512</u>	<u>31,323,860</u>
=	LTD ratio	95.83%	97.98%	100.18%

Notes: —

(1) APM. See its definition and calculation above.

(2) Source: Bank's internal accounting records and Note 11.4 to the 2018 Annual Accounts and Note 10.4 to the 2017 Annual Accounts.

- (53) **Available liquidity position:** Sum of liquid assets and issuance capacity for mortgage covered bonds. The Group uses this APM to calculate the amount of the Group's assets that would potentially be available in the event of a sudden outflow of customer funds.

		As of 30 September 2019	As of 31 December	
			2018	2017
<i>(€ thousand)</i>				
	(+) Liquid assets	10,935,666	10,916,848	10,328,384
	(+) Issuance capacity for mortgage covered bonds.....	<u>6,959,275</u>	<u>6,289,715</u>	<u>6,688,186</u>
	Available liquidity position	17,894,941	17,206,563	17,016,570

Source: Bank's internal accounting records and Note 3.8.2 to the 2018 Annual Accounts and Note 3.4.2 to the 2017 Annual Accounts.

- (54) **Liquid assets over total assets:** Liquid assets divided by total assets. The Group uses this APM to measure the weight of the Group's liquid assets over its total assets.

		As of 30 September 2019	As of 31 December	
			2018	2017
<i>(€ thousand, except %)</i>				
Numerator	Liquid assets ⁽¹⁾	10,935,666	10,916,848	10,328,384
Denominator	Total assets ⁽²⁾	<u>52,881,779</u>	<u>52,705,739</u>	<u>53,106,969</u>
=	Liquid assets over total assets	20.68%	20.71%	19.45%

Notes: —

- (1) Source: Bank's internal accounting records and Note 3.8.2 to the 2018 Annual Accounts and Note 3.4.2 to the 2017 Annual Accounts.
- (2) Source: Consolidated balance sheet in the 2019 Third Quarter Financial Statements and in the Annual Accounts.

Recent financial performance

Since 2017, the Bank has mainly focused on:

- **Reducing its NPA exposure**

The Bank has implemented a new NPA strategy with the aim of accelerating the NPA reduction pace. As a result of this strategy, from 31 December 2017 to 30 September 2019, NPAs* have fallen by 46.2%, the NPA ratio* has been reduced by 516 basis points, the NPL ratio* has been reduced by 302 basis points, the NPA coverage ratio* has increased by 339 basis points, the NPL coverage ratio* has increased by 686 basis points.

The reduction in NPAs coupled with the provisioning effort has resulted in net NPAs decreasing by 49.7% from 31 December 2017 to 30 September 2019. As of 30 September 2019, net NPAs over total assets* stood at 2.1% as compared to 4.1% as of 31 December 2017. After closing a sale of foreclosed assets in December 2018 and a sale of doubtful loans to companies in June 2019, doubtful residential mortgages accounted for 49.5% of NPLs* as of 30 September 2019. As a result, the Texas ratio* has improved markedly from 85.5% as of 31 December 2017 to 56.1% as of 30 September 2019.

The acceleration in the NPA reduction has had an impact in terms of cost of risk* which, as of 30 September 2019, stood at 0.43%, above the Bank's medium-term financial objectives.

- **Improving its profitability**

In a context of negative interest rates the Bank has taken the following steps to improve its profitability:

- The Bank has increased its retail business volume*. From 31 December 2017 to 30 September 2019, retail deposits* have grown by 1.3%, while asset management and life savings insurance* has grown by 8.3%. As a result, retail customer funds* have grown by 4.4% in that period. Performing loans excluding reverse repurchase agreements* are still falling but the deleveraging process (reduction of credit granted) has moderated since 31 December 2017. From 31 December 2017 to 30 September 2019, retail business volume has grown by 2.6% and retail business volume per employee* has grown by 6.6%.
- The Bank has increased its recurring revenues mainly driven by the positive evolution in customer spread* (1.45% for the nine months ended 30 September 2019 as compared to 1.33% for the year ended 31 December 2017) and net fee income*. In addition, the Bank has reduced the contribution from its fixed income portfolio*, excluding the portfolio of the insurance business ("ALCO portfolio") which generated 10.6% of the interest income for the nine months ended 30 September 2019 as compared to 12.9% for the year ended 31 December 2017. Recurring revenues* grew by 2.2% in 2018 and by 0.6% in the nine months ended 30 September 2019 as compared to the nine months ended 30 September 2018. Recurring revenues over average total assets* have improved by 10 basis points since 2017.
- The Bank has also reduced its recurring cost base: recurring operating expenses* fell by 5.3% in 2018. Consequently, the recurring cost-to-income ratio* has improved from 69.8% as of 31

APM, the definition, explanation, use and reconciliation of which is set out in "—Alternative Performance Measures*".

* APM, the definition, explanation, use and reconciliation of which is set out in "*—Alternative Performance Measures*".

December 2017 to 62.7% as of 30 September 2019. Recurring operating expenses over average total assets* have decreased by 5 basis points.

- As a result of the increase in recurring revenues and fall in recurring costs, recurring profit before provisions* grew by 19.3% in 2018. Recurring profit before provisions have grown by 7.7% in the nine months ended 30 September 2019 as compared to the nine months ended 30 September 2018. Recurring profit before provisions over average total assets* has improved to 0.7% for the nine months ended 30 September 2019 as compared to the nine months ended 30 September 2018.

- **Strengthening liquidity and solvency levels**

The Group has improved its CET1 fully loaded ratio by 34 basis points, reaching 11.4% as of 30 September 2019. As result of organic capital generation and the issue of AT1 instruments, the total capital fully loaded ratio has improved by 220 basis points from 31 December 2017 to 30 September 2019. As of 30 September 2019, available liquidity position* amounted to €17,894,941 thousand (€17,016,570 thousand as of 31 December 2017) while liquid assets stood at 20.7% of total assets as compared to 19.4% as of 31 December 2017. The LTD ratio* stood at 95.8% as of 30 September 2019 (as compared to 100.2% as of 31 December 2017).

CAPITAL, LIQUIDITY AND FUNDING REQUIREMENTS AND LOSS ABSORBING POWERS

The regulatory framework regarding the solvency of credit entities is established by the CRR, the CRD IV Directive, any CRD IV Implementing Measures (as this term is defined in the Conditions). The implementation of the CRD IV Directive in Spain has largely taken place through Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt Spanish law to EU regulations on the subject of supervision and solvency of financial entities, Law 10/2014, Royal Decree 84/2015, and Bank of Spain Circulars 2/2014, of 31 January, and 2/2016, of 2 February, to credit entities, on supervision and solvency, which completes the adaptation of Spanish law to CRR and the CRD IV Directive.

BRRD, that has been implemented in Spain through Law 11/2015 and Royal Decree 1012/2015, also establishes the minimum level of own funds and eligible liabilities in relation to total liabilities and own funds (“**MREL**”).

On 23 November 2016, the European Commission presented a comprehensive package of reforms amending CRR, the CRD IV Directive and the BRRD and the SRM Regulation. On 14 May 2019 the text was formally approved by the Council of the European Union. On 7 June 2019 the following regulations were published: (i) Directive (EU) 2019/878 of the European Parliament and of the Council, of 20 May 2019 (as amended, replaced or supplemented from time to time, the “**CRD V Directive**”) amending the CRD IV Directive, (ii) Directive (EU) 2019/879 of the European Parliament and of the European Council of 20 May 2019 (as amended, replaced or supplemented from time to time, “**BRRD II**”) amending, among other things, the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, (iii) CRR II amending, among other things, the CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, and reporting and disclosure requirements, and (iv) Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 (as amended, replaced or supplemented from time to time, the “**SRM Regulation II**”) amending the SRM Regulation as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms (the CRD V Directive, BRRD II, CRR II and the SRM Regulation II, the “**EU Banking Reforms**”). The EU Banking Reforms entered into force on 27 June 2019 and are scheduled to apply beginning on 29 December 2020, other than in the case of CRR II, where a two-year period from the date of its entry into force is provided for, subject to certain exceptions. Until the CRD V Directive and the BRRD II are transposed into Spanish law, it is uncertain how they will affect the Bank. In addition, there is also uncertainty as to how the CRD V Directive, the BRRD II, CRR II and the SRM Regulation II will be implemented by the relevant authorities.

Capital requirements

Under CRD IV, the Group is required to hold a minimum amount of regulatory capital of 8% of RWAs of which at least 4.5% must be CET1 capital and at least 6% must be Tier 1 capital (together, the “**minimum “Pillar 1” capital requirements**”).

Moreover, Article 104 of CRD IV Directive, as implemented by Article 68 of Law 10/2014, also contemplates that in addition to the minimum “Pillar 1” capital requirements, the supervisory authorities may require further capital to cover other risks. This may result in the imposition of further CET1, Tier 1 and total capital requirements on Ibercaja Banco and the Group pursuant to this “Pillar 2” framework. Following the introduction of the SSM, the ECB is in charge of assessing additional “Pillar 2” capital requirements (“**P2R**”) through the SREP assessments to be carried out at least on an annual basis (accordingly requirements may change from year to year).

In addition to the minimum “Pillar 1” capital requirements and the P2R, credit institutions must comply with the “**combined buffer requirement**” set out in the CRD IV Directive as implemented in Spain. The “combined

buffer requirement” has introduced up to five new capital buffers to be satisfied with CET1 capital: (i) the capital conservation buffer of 2.5% of RWAs; (ii) the global systemically important institutions (“**G-SII**”) buffer, of between 1% and 3.5% of RWAs; (iii) the institution-specific counter-cyclical capital buffer (consisting of the weighted average of the counter-cyclical capital buffer rates that apply in the jurisdictions where the relevant credit exposures are located), which may be as much as 2.5% of RWAs (or higher pursuant to the competent authority); (iv) the other systemically important institutions (“**O-SII**”) buffer, which may be as much as 2% of RWAs; and (v) the systemic risk buffer to prevent systemic or macro prudential risks, of at least 1% of RWAs (to be set by the Bank of Spain).

The Bank has not been classified as G-SII or as O-SII by the Financial Stability Board (the “**FSB**”) nor by any competent authority so, unless otherwise indicated by the FSB or by the Bank of Spain in the future, it is not required to maintain the G-SII buffer or the O-SII buffer. In addition, the Bank of Spain agreed to maintain the countercyclical capital buffer applicable to credit exposures in Spain at 0% for the first quarter of 2020 (requirements will be revised each quarter). Some or all of the other buffers may also apply to the Bank from time to time as determined by the Bank of Spain, the ECB or any other competent authority.

As set out in the “Opinion of the European Banking Authority on the interaction of “Pillar 1”, “Pillar 2” and combined buffer requirements and restrictions on distributions” published on 16 December 2015, competent authorities should ensure that the CET1 capital to be taken into account in determining the CET1 capital available to meet the “combined buffer requirement” for the purposes of the Maximum Distributable Amount (as defined below) calculation is limited to the amount not used to meet the minimum “Pillar 1” capital requirements and the P2R of the institution and, accordingly, the “combined buffer requirement” is in addition to the minimum “Pillar 1” capital requirement and to the P2R, and therefore it would be the first layer of capital to be eroded pursuant to the applicable stacking order. CRD V Directive clarifies that P2R should be positioned in the relevant stacking order of own funds requirements above the minimum “Pillar 1” capital requirements and below the “combined buffer requirement” or the leverage ratio buffer requirement, as relevant. In addition, CRD V Directive also clarifies that P2R should be set in relation to the specific situation of an institution excluding macroprudential or systemic risks, but including the risks incurred by individual institutions due to their activities (including those reflecting the impact of certain economic and market developments on the risk profile of an individual institution).

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

In addition, a new Article 16.a) of the BRRD, as recently amended by BRRD II, better clarifies the stacking order between the “combined buffer requirement” and the MREL requirement. Pursuant to this new provision, a resolution authority will have the power to prohibit an entity from distributing more than the “maximum distributable amount” for own funds and eligible liabilities (calculated in accordance with the new Article 16.a)(4) of the BRRD) (the “**MREL-Maximum Distributable Amount Provision**”) through distribution of dividends, variable remuneration and payments to holders of Additional Tier 1 Instruments, where it meets the

“combined buffer requirement” but fails to meet that “combined buffer requirement” when considered in addition to the MREL requirements. The referred Article 16.a) of the BRRD includes a potential nine-month grace period whereby the resolution authority will assess on a monthly basis whether to exercise its powers under the MREL-Maximum Distributable Amount Provision before such resolution authority is compelled to exercise its power under the provisions (subject to certain limited exceptions).

As communicated by the European Banking Authority on 1 July 2016, and included in CRD V Directive, in addition to the minimum “Pillar 1” capital requirements, the P2R and the “combined buffer requirements”, the supervisor can also set a “Pillar 2” capital guidance (“**P2G**”). Thus, SREP decisions of 2016 onwards differentiate between P2R and P2G. While P2R are binding requirements and breaches can have direct legal consequences for the banks, P2G is not directly binding and a failure to meet it does not automatically trigger legal action, even though the ECB expects banks to meet P2G. Under the EU Banking Reforms, the P2G is not relevant for the purposes of triggering the automatic restriction of the distribution and calculation of the Maximum Distributable Amount. However, CRD V Directive provides that when an institution repeatedly fails to meet the P2G, the competent authority should be entitled to take supervisory measures and, where appropriate, to impose additional own funds requirements.

Solo Waiver

Solvency requirements are applied to the Group on a consolidated basis, as the application of prudential requirements on an individual basis has been waived from the Bank in accordance with Article 7 of the CRR.

Since 31 March 2016, Ibercaja Banco benefits from the Solo Waiver. Such waiver was requested by Ibercaja Banco to the competent supervisor in accordance with the applicable regulations, and based on the following reasons: (a) that there was no current or foreseen material, practical or legal impediment to the prompt transfer of own funds or repayment of liabilities to the parent company (i.e. Ibercaja Banco) and (b) the procedures to measure, evaluate and control the risks for the supervision of the Group were referred to Ibercaja Banco as the parent company.

The Solo Waiver granted by the competent supervisor exempted Ibercaja Banco from compliance, on an individual basis, with the equity requirements and limits for great risks. Consequently, for the same reasons described above, Ibercaja Banco is exempted from the application of prudential requirements on an individual basis in accordance with Article 7 of CRR. As a result, Ibercaja Banco does not have to comply with, nor calculate nor publish, any capital requirements or ratios on an individual basis for so long as this derogation is in place, having the obligation to calculate and comply with capital requirements only at Group level.

As of the date of this Prospectus, such waiver is still in force and therefore the prudential requirements under CRR are only complied with by the Group on a consolidated basis (i.e. at Group level). As far as the Bank is aware, the regulator is not planning to review the Solo Waiver in the short term.

ECB 2020 SREP communication

In December 2019, the Bank received the decisions of the ECB regarding minimum capital requirements for 2020 following the outcomes of the most recent SREP. The details of these capital requirements for 2020 are described below:

	<u>CET1 ratio</u>	<u>Tier 1 ratio</u>	<u>Total capital ratio</u>
Pillar 1	4.50%	6.00%	8.00%
Pillar 2 (2PR)	2.00%	2.00%	2.00%
Conservation buffer	2.50%	2.50%	2.50%
Other buffers	0.00%	0.00%	0.00%
Total requirement	9.00%	10.50%	12.50%

The table below sets out the Group’s capital position as of 30 September 2019, 31 December 2018 and 31 December 2017:

	30 September 2019		31 December 2018		31 December 2017	
	Phased in	Fully loaded	Phased in	Fully loaded	Phased in	Fully loaded
CET1 ratio.....	12.29%	11.38%	11.67%	10.53%	11.72%	11.04%
Tier1 ratio.....	14.00%	13.10%	13.31%	12.19%	11.72%	11.04%
Total capital ratio	16.36%	15.46%	15.59%	14.50%	13.93%	13.26%

As of 30 September 2019, the RWAs (phased in) of the Group amounted to €20,425,985 thousand (€21,379,068 thousand and €22,266,290 thousand as of 31 December 2018 and 2017, respectively). As of 30 September 2019, the RWAs density* was 38.63% (40.56% and 41.93% as of 31 December 2018 and 2017, respectively).

See the risk factor “*Increasingly onerous capital requirements constitute one of the Group’s main regulatory challenges*” for the risks associated to the failure by the Group to comply with its regulatory capital requirements.

Leverage ratio

In addition to the above, Article 429 of the CRR requires institutions to calculate their leverage ratio (“LR”) in accordance with the methodology laid down in that article. The EU Banking Reforms contain a binding 3% Tier 1 LR requirement, that has been added to the own funds requirements in Article 92 of the CRR, and which institutions must meet in addition to their risk-based requirements.

The table below sets out the Group’s LRs as of 30 September 2019, 31 December 2018 and 31 December 2017:

	30 September 2019		31 December 2018		31 December 2017	
	Phased in	Fully loaded	Phased in	Fully loaded	Phased in	Fully loaded
Leverage ratio.....	6.2%	5.8%	6.0%	5.5%	5.4%	5.1%

Eligible liabilities

In addition to the minimum capital requirements under CRD IV, the BRRD regime prescribes that banks shall hold a minimum level of capital and eligible liabilities. The MREL shall be calculated as the amount of own funds and eligible liabilities and expressed as a percentage of the total liabilities and own funds of the institution (pursuant to the BRRD II, it shall be expressed as a percentage of the total risk exposure amount or the total exposure measure of the institution, calculated in each case in accordance with CRR). The level of capital and eligible liabilities required under MREL is set by the resolution authority for each bank (and/or group) based on the resolution plan and other criteria. The resolution authority for the Bank is the SRB. Eligible liabilities may be senior or subordinated liabilities, provided, among other requirements, that they have a remaining maturity of at least one year and, if governed by a non-EU law, they must be able to be written down or converted under that law (including through contractual provisions).

The EU Banking Reforms further include, as part of MREL, a new subordination requirement of eligible instruments for G-SIIs and “top tier” banks involving a minimum “Pillar 1” subordination requirement and an

* APM, the definition, explanation, use and reconciliation of which is set out in “—Alternative Performance Measures”.

institution specific “Pillar 2” subordination requirement. This “Pillar 1” subordination requirement shall be satisfied with own funds and other eligible MREL instruments (which MREL instruments may not for these purposes be senior debt instruments and only MREL instruments constituting “non-preferred” senior debt under the new insolvency hierarchy introduced into Spain will be eligible for compliance with the subordination requirement). Resolution authorities may also impose “Pillar 2” subordination requirements to institutions not constituting G-SIIs or “top tier” banks, which would be determined on a case-by-case basis but subject to a minimum level equal to the lower of 8% of a bank’s total liabilities and own funds and 27% of its RWAs.

In April 2019, the Bank received a formal communication from the Joint Supervisory Teams regarding the MREL requirement, as determined by the SRB. In accordance with such communication, the Bank has been required to reach, by 1 January 2023, an amount of own funds and eligible liabilities on a consolidated basis equal to 9.76% of its consolidated total liabilities and own funds as of 31 December 2017. This MREL requirement would be equal to 20.5% in terms of consolidated RWAs, as of 31 December 2017. The MREL requirement is aligned with the Bank’s expectations and the funding plan as described in its strategic plan.

See the risk factor “*Increasingly onerous capital requirements constitute one of the Group’s main regulatory challenges*” for the risks associated to the failure by the Group to comply with its MREL minimum requirement.

Liquidity requirements

The Group should also comply with the liquidity coverage ratio (“**LCR**”) requirements provided in CRR. The LCR is the short-term indicator which expresses the ratio between the amount of available assets readily monetizable (cash and the readily liquidable securities held by the Group) and the net cash imbalance accumulated over a 30-day liquidity stress period. It is a quantitative liquidity standard designed to ensure that banks have sufficient high-quality liquid assets to cover expected net cash outflows over a 30-day liquidity stress period. Since 1 January 2018, the entities to which this standard applies (including the Group) must comply with 100% of the applicable LCR requirement. The LCR of the Group was 383.6% as of 30 September 2019 (306.8% and 281.2% as of 31 December 2018 and 2017, respectively).

The BCBS’ net stable funding ratio (“**NSFR**”) is the 12-month structural liquidity indicator which corresponds to the ratio between the available amount of stable funding and the statutory amount of stable funding. It has been developed to provide a sustainable maturity structure of assets and liabilities such that banks maintain a stable funding profile in relation to their on- and off-balance sheet activities that reduces the likelihood that disruptions to a bank’s regular sources of funding will erode its liquidity position in a way that could increase the risk of its failure. The BCBS contemplated in the Basel III phase-in arrangements document that the NSFR, including any revisions, would be implemented by member countries as a minimum standard by 1 January 2018, with no phase-in scheduled. The EU Banking Reforms contain the implementation of the BCBS standard on NSFR introducing some adjustments. The NSFR of the Group was 135.5% as of 30 September 2019 (130.5% and 124.4% as of 31 December 2018 and 2017, respectively).

Loss absorbing powers by the Relevant Resolution Authority under Law 11/2015 and the SRM Regulation

The BRRD (which has been implemented in Spain through Law 11/2015 and Royal Decree 1012/2015) is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in unsound or failing credit institutions or investment firms (each an “**institution**”) so as to ensure the continuity of the institution’s critical financial and economic functions, while minimising the impact of an institution’s failure on the economy and financial system.

In accordance with Article 20 of Law 11/2015, an institution will be considered as failing or likely to fail in any of the following circumstances: (i) it is, or is likely in the near future to be, in significant breach of its solvency or any other requirements necessary for maintaining its authorisation; (ii) its assets are, or are likely in the near

future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances). The determination that an institution is no longer viable may depend on a number of factors which may be outside of that institution's control.

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

The four resolution tools are: (i) sale of business (which enables the Relevant Resolution Authority to direct the sale of the institution or the whole or part of its business on commercial terms); (ii) bridge institution (which enables the Relevant Resolution Authority to transfer all or part of the business of the institution to a “bridge institution” (an entity created for this purpose that is wholly or partially in public control)); (iii) asset separation (which enables the Relevant Resolution Authority to transfer certain categories of assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only)); and (iv) the Spanish Bail-in Power (as defined below). The Spanish Bail-in Power includes the ability of the Relevant Resolution Authority to write down (including to zero) and/or to convert into equity or other securities or obligations (which equity, securities and obligations could also be subject to any future application of the Spanish Bail-in Power) certain unsecured debt claims and subordinated obligations (including capital instruments such as the Notes).

The “**Spanish Bail-in Power**” is any write down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with any laws, regulations, rules or requirements in effect in Spain, relating to the transposition of the BRRD, as amended from time to time, including, but not limited to (i) Law 11/2015, as amended from time to time, (ii) Royal Decree 1012/2015, as amended from time to time, (iii) the SRM Regulation, as amended from time to time, and (iv) any other instruments, rules or standards made in connection with either (i), (ii) or (iii), pursuant to which any obligation of an institution can be reduced, cancelled, modified, or converted into shares, other securities, or other obligations of such institution or any other person (or suspended for a temporary period).

In accordance with Article 48 of Law 11/2015 (and subject to any exclusions that may be applied by the Relevant Resolution Authority under Article 43 of Law 11/2015), in the case of any application of the Spanish Bail-in Power to absorb losses and cover the amount of the recapitalisation, the sequence of any resulting write down or conversion shall be as follows: (i) CET1 items; (ii) the principal amount of Additional Tier 1 Instruments; (iii) the principal amount of Tier 2 instruments (which for so long as the obligations of the Bank in respect of the Notes qualify as Tier 2 Instruments (as defined in the Conditions), shall include the Notes); (iv) the principal amount of other subordinated claims that do not qualify as AT1 capital or Tier 2 capital and (v) the principal or outstanding amount of eligible liabilities in accordance with the hierarchy of claims in normal insolvency proceedings (with “non-preferred” senior claims subject to the Spanish Bail-in Power after any subordinated claims against the Bank but before the other senior claims against the Bank) (following the entry into force of BRRD II (as defined below) Article 48 of BRRD now refers to “bail-inable liabilities”, defined as the liabilities and capital instruments that do not qualify as CET1, Additional Tier 1 Instruments or Tier 2 instruments of an institution and that are not excluded from the scope of the bail-in tool). The order of this sequence is consistent with the hierarchy of claims in normal insolvency proceedings prescribed by Law

22/2003, of 9 July, on Insolvency (the “**Insolvency Law**”) read in conjunction with Additional Provision 14.3° of Law 11/2015.

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

In accordance with Article 64.1(i) of Law 11/2015, the FROB has also the power to alter the amount of interest payable under debt instruments and other eligible liabilities of institutions subject to resolution proceedings and the date on which the interest becomes payable under the debt instrument (including the power to suspend payment for a temporary period).

In addition to the guidance on bail-in provided by the European Banking Authority under the BRRD dated 5 April 2017, the EBA has published certain regulatory technical standards and implementing technical standards to be adopted by the European Commission, and certain other guidelines are pending. These acts could be potentially relevant to determining when or how a Relevant Resolution Authority may exercise the Spanish Bail-in Power and impose Non-Viability Loss Absorption. No assurance can be given that, once adopted, these standards will not be detrimental to the rights of a Holder of Notes under, and the value of a Holder’s investment in, the Notes.

TAXATION

The following is a general description of certain Spanish tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Also investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

Spanish tax considerations

The following summary describes the main Spanish tax implications arising in connection with the acquisition and holding of the Notes by individuals or entities who are the beneficial owners of the Notes. The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Spain, and it is not intended to be, nor should it be construed to be, legal or tax advice, and does not address all the tax consequences applicable to all categories of investors, some of which (such as look through entities or Holders by reason of employment) may be subject to special rules.

All the tax consequences described in this section are based on the general assumption that the Notes are initially registered for clearance and settlement in Iberclear.

Prospective purchasers of the Notes should consult their own tax advisers as to the tax consequences, including those under the tax laws of the country of which they are resident, of purchasing, owning and disposing of the Notes.

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

- (a) of general application, Additional Provision One of Law 10/2014, as well as Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes, as amended by Royal Decree 1145/2011 of 29 July (“**Royal Decree 1065/2007**”);
- (b) for individuals resident for tax purposes in Spain who are personal income tax (“**PIT**”) taxpayers, Law 35/2006, of 28 November, on the PIT and on the partial amendment of the Corporate Income Tax Law, Non-Resident Income Tax Law and Wealth Tax Law, as amended (the “**PIT Law**”), and Royal Decree 439/2007, of 30 March, approving the PIT Regulations, as amended (the “**PIT Regulations**”), along with Law 19/1991, of 6 June, on Wealth Tax, as amended, and Law 29/1987, of 18 December, on Inheritance and Gift Tax, as amended;
- (c) for legal entities resident for tax purposes in Spain which are CIT taxpayers, the CIT Law, and Royal Decree 634/2015, of 10 July, promulgating the CIT Regulations, as amended (the “**CIT Regulations**”); and
- (d) for individuals and entities who are not resident for tax purposes in Spain which are Non-Resident Income Tax (“**NRIT**”) taxpayers, Royal Legislative Decree 5/2004, of 5 March, promulgating the Consolidated Text of the NRIT Law, as amended (“**NRIT Law**”) and Royal Decree 1776/2004, of 30

July, promulgating the NRIT Regulations, as amended (“**NRIT Regulations**”) along with Law 19/1991, of 6 June, on Wealth Tax, as amended and Law 29/1987, of 18 December, on Inheritance and Gift Tax, as amended.

Tax treatment of the Notes

Indirect taxation

Whatever the nature and residence of the Holder, 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, dated 24 September 1993 and exempt from Value Added Tax, in accordance with Law 37/1992, dated 28 December 1992 regulating such tax.

Ibercaja Banco understands that the Notes should be deemed as financial assets with an explicit yield for Spanish tax purposes, according to Article 91 of the PIT Regulations and Article 63 of the CIT Regulations.

Direct taxation

(a) Individuals with tax residency in Spain

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

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25.2 of the PIT Law, and must be included in each investor’s savings income and taxed at the tax rate applicable from time to time, currently 19% for taxable income up to €6,000; 21% for taxable income between €6,000.01 and €50,000 and 23% for taxable income in excess of €50,000.

Income from the transfer of the Notes is computed as the difference between their transfer value and their acquisition or subscription value. Also, ancillary acquisition and disposal charges are taken into account, insofar as adequately evidenced, in calculating the income.

Negative income derived from the transfer of the Notes, in the event that the investor had acquired other homogeneous securities within the two months prior or subsequent to such transfer or exchange, shall be included in his or her PIT base as and when the remaining homogeneous securities are transferred.

When calculating the net income, expenses related to the management and deposit of the Notes will be deductible, excluding those pertaining to discretionary or individual portfolio management.

A (current) 19% withholding on account of PIT will be imposed by Ibercaja Banco on interest payments as well as on income derived from the redemption or repayment of the Notes, by individual investors subject to PIT.

However, income derived from the transfer of the Notes should not be subject to withholding on account of PIT provided that the Notes are:

- (iii) registered by way of book entries; and
- (iv) negotiated in a Spanish official secondary market (*mercado secundario oficial*), such as AIAF.

Notwithstanding the above, 19% withholding tax shall apply on the part of the transfer price that corresponds to the accrued interest when the transfer of the Notes takes place within the 30-day period prior to the moment in which such interest is due when the following requirements are fulfilled:

- (v) the acquirer would be a non-resident or a CIT taxpayer;

(vi) the explicit yield derived from the Notes being transferred is exempt from withholding tax.

In any event, the individual holder may credit the withholding tax applied by Ibercaja Banco against his or her final PIT liability for the relevant tax year.

Reporting Obligations

Ibercaja Banco will comply with the reporting obligations set forth in the Spanish tax laws with respect to beneficial owners of the Notes that are individuals resident in Spain for tax purposes.

Wealth Tax (*Impuesto sobre el Patrimonio*)

According to Wealth Tax regulations (subject to any exceptions provided under relevant legislation in each autonomous region (*Comunidad Autónoma*), individuals with tax residency in Spain would be subject to Wealth Tax to the extent that their net worth exceeds €700,000 (subject to any exceptions provided under relevant legislation in an autonomous region (*Comunidad Autónoma*)). Therefore, they should take into account the value of the Notes which they hold as of 31 December in each year, the applicable rates ranging between 0.2% and 2.5% although the final tax rates may vary depending on any applicable regional tax laws, and some reductions may apply.

In accordance with Article 3 of Royal Decree-Law 27/2018, of 28 December, a full exemption on Net Wealth Tax (*bonificación del 100%*) would apply as from the year 2020 and therefore, Spanish individual holders will be released from formal and filing obligations in relation to this Wealth Tax, unless the exemption is revoked in the future.

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

Individuals with tax residency in Spain who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to inheritance and gift tax in accordance with the applicable Spanish regional or state rules. The applicable rates range between 7.65% and 81.6%, although the final tax rate may vary depending on any applicable regional tax laws. Some tax benefits could reduce the effective tax rate.

(b) Spanish tax resident legal entities

Corporate Income Tax (*Impuesto sobre Sociedades*)

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes are subject to CIT at the current general flat tax rate of 25%

However, this general rate will not be applicable to all CIT taxpayers and, for instance, it will not apply to banking institutions (which will be taxed at the rate of 30%).

No withholding on account of CIT will be imposed on interest payments or on income derived from the redemption or repayment of the Notes, by Spanish CIT taxpayers provided that certain requirements are met (including that the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, provide Ibercaja Banco, in a timely manner, with a duly executed and completed Payment Statement, as defined below). See “—*Compliance with Certain Requirements in Connection with Income Payments*”.

With regard to income derived from the transfer of the Notes, in accordance with Article 61.q of the CIT regulations, there is no obligation to withhold on income derived from the Notes obtained by Spanish CIT taxpayers (which include Spanish tax resident investment funds and Spanish tax resident pension funds) provided that the Notes are:

- (i) registered by way of book entries; and
- (ii) negotiated in a Spanish official secondary market, such as AIAF.

Reporting Obligations

Ibercaja Banco will comply with the reporting obligations set forth in the Spanish tax laws with respect to beneficial owners of the Notes that are legal persons or entities resident in Spain for tax purposes.

Wealth Tax (*Impuesto sobre el Patrimonio*)

Legal entities resident in Spain for tax purposes that acquire ownership or other rights over the Notes are not subject to Spanish Wealth Tax.

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

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

(c) Individuals and legal entities that are not tax resident in Spain

- (i) Investors that are not resident in Spain for tax purposes, acting in respect of the Notes through a permanent establishment in Spain

Non-resident Income Tax (*Impuesto sobre la Renta de no Residentes*)

If the Notes form part of the assets affected to a permanent establishment in Spain of a person or legal entity that is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are, generally, the same as those set forth above for Spanish CIT taxpayers. See “—*Spanish tax resident legal entities—Corporate Income Tax (Impuesto sobre Sociedades)*”.

Ownership of the Notes by investors who are not resident in Spain for tax purposes will not in itself create the existence of a permanent establishment in Spain.

Reporting Obligations

Ibercaja Banco will comply with the reporting obligations set forth under Spanish tax laws with respect to beneficial owners of the Notes that are individuals or legal entities not resident in Spain for tax purposes and that act with respect to the Notes through a permanent establishment in Spain.

- (ii) Investors that are not resident in Spain for tax purposes, not acting in respect of the Notes through a permanent establishment in Spain

Non-resident Income Tax (*Impuesto sobre la Renta de no Residentes*)

Both interest payments periodically received under the Notes 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 and therefore no withholding on account of NRIT will be levied on such income provided certain requirements are met.

In order to be eligible for the exemption from NRIT, certain requirements must be met (including that, in respect of interest payments from the Notes carried out by Ibercaja Banco, the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as

well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, provide Ibercaja Banco, in a timely manner, with a duly executed and completed Payment Statement, as defined below), as set forth in Article 44 of Royal Decree 1065/2007. See “—*Compliance with Certain Requirements in Connection with Income Payments*”.

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to Ibercaja Banco in a timely manner in respect of a payment of interest under the Notes, Ibercaja Banco will withhold Spanish withholding tax at the applicable rate (currently 19%) on such payment of income on the Notes and Ibercaja Banco will not pay additional amounts with respect to any such withholding tax.

A beneficial owner who is not resident in Spain for tax purposes and entitled to exemption from NRIT, but to whom payment was not exempt from Spanish withholding tax due to a failure on the delivery of a duly executed and completed Payment Statement to Ibercaja Banco, will receive a refund of the amount withheld, with no need for action on the beneficial owner’s part, if Ibercaja Banco receives a duly executed and completed Payment Statement no later than the tenth calendar day of the month immediately following the relevant payment date.

In addition, beneficial owners of the Notes may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the NRIT Law and its regulations.

Wealth Tax (*Impuesto sobre el Patrimonio*)

According to Wealth Tax regulations, non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory exceed €700,000 would be subject to Wealth Tax, the applicable rates ranging between 0.2% and 2.5% although some reductions may apply.

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

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to the Wealth Tax would generally not be subject to such tax.

Individuals that are not resident in Spain for tax purposes but who are resident in an EU or EEA Member State may apply the rules approved by the autonomous region where the assets and rights with more value (i) are located, (ii) can be exercised or (iii) must be fulfilled.

According to article 3 of Royal Decree-Law 27/2018 of 28 December, a full exemption (*bonificación del 100%*) on Wealth Tax will apply as from year 2020. Therefore, as from such year, individuals will be released from formal and filing obligations in relation to Wealth Tax, unless the exemption is revoked or postponed, as in previous years.

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

Individuals who do not have tax residency in Spain who acquire ownership or other rights over the Notes by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a double tax treaty in relation to inheritance and gift tax will be subject to the relevant double tax treaty.

If no treaty for the avoidance of double taxation in relation to Inheritance and Gift Tax applies, applicable Inheritance and Gift Tax rates would range between 7.65% and 81.6%, depending on relevant factors.

Generally, non-Spanish tax resident individuals are subject to Inheritance and Gift Tax according to the rules set forth in the Spanish state level or relevant autonomous region law. As such, prospective investors should consult their tax advisers.

Non-Spanish resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to inheritance and gift tax. They will be subject to NRIT. If the legal entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of such treaty will apply. In general, double-tax treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

(d) *Compliance with certain requirements in connection with income payments*

As described under “*Spanish tax resident legal entities—Corporate Income Tax (Impuesto sobre Sociedades)*”, “*—Individuals and legal entities that are not tax resident in Spain*”, provided the conditions set forth in Law 10/2014 are met, income payments made by Ibercaja Banco in respect of the Notes for the benefit of Spanish CIT taxpayers, or for the benefit of non-Spanish tax resident investors will not be subject to Spanish withholding tax, provided that the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, if applicable, provide Ibercaja Banco, in a timely manner, with a duly executed and completed statement (a “**Payment Statement**”) (which is attached as Annex I), in accordance with section 4 of Article 44 of Royal Decree 1065/2007 containing the following information:

- (i) Identification of the Notes.
- (ii) Total amount of the income paid by Ibercaja Banco.
- (iii) Amount of the income corresponding to individual residents in Spain that are PIT taxpayers.
- (iv) Amount of the income that must be paid on a gross basis.

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to Ibercaja Banco in a timely manner in respect of a payment of income made by Ibercaja Banco under the Notes, such payment will be made net of Spanish withholding tax, currently at the rate of 19%. If this were to occur, affected beneficial owners will receive a refund of the amount withheld, with no need for action on their part, if the Iberclear Members submit a duly executed and completed Payment Statement to Ibercaja Banco no later than the tenth calendar day of the month immediately following the relevant payment date. In addition, beneficial owners may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish NRIT Law.

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

The proposed financial transactions tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has ceased to participate.

The Commission’s proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary’ market transactions) in certain circumstances.

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

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

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

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Bank may be a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the Bank) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining “foreign passthru payment”. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

Set out below is Annex I. Sections in English have been translated from the original Spanish and such translations constitute direct and accurate translations of the Spanish language text. In the event of any discrepancy between the Spanish language version of the certificate contained in Annex I and the corresponding English translation, the Spanish tax authorities will give effect to the Spanish language version of the relevant certificate only.

The language of the Prospectus is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of this Prospectus

ANNEX I

Anexo al Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos, aprobado por Real Decreto 1065/2007

Modelo de declaración a que se refieren los apartados 3, 4 y 5 del artículo 44 del Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos

Annex to Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Declaration form referred to in paragraphs 3, 4 and 5 of Article 44 of the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Don (nombre), con número de identificación fiscal () (1), en nombre y representación de (entidad declarante), con número de identificación fiscal () (1) y domicilio en () en calidad de (marcar la letra que proceda):

Mr. (name), with tax identification number () (1), in the name and on behalf of (entity), with tax identification number () (1) and address in () as (function – mark as applicable):

- (a) **Entidad Gestora del Mercado de Deuda Pública en Anotaciones.**
(a) Management Entity of the Public Debt Market in book-entry form.
- (b) **Entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero.**
(b) Entity that manages the clearing and settlement system of securities resident in a foreign country.
- (c) **Otras entidades que mantienen valores por cuenta de terceros en entidades de compensación y liquidación de valores domiciliadas en territorio español.**
(c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.
- (d) **Agente de pagos designado por el emisor.**
(d) Issuing and Paying Agent appointed by Ibercaja Banco.

Formula la siguiente declaración, de acuerdo con lo que consta en sus propios registros:

Makes the following statement, according to its own records:

- 1. En relación con los apartados 3 y 4 del artículo 44:**
1. In relation to paragraphs 3 and 4 of Article 44:
 - 1.1 Identificación de los valores**
1.1 Identification of the securities.....
 - 1.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)**

- 1.2 Income payment date (or refund if the securities are issued at discount or are segregated)
- 1.3 Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados)**
- 1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)
- 1.4 Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora**
- 1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved.....
- 1.5 Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados).**
- 1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).
- 2 En relación con el apartado 5 del artículo 44.**
- 2 In relation to paragraph 5 of Article 44.
- 2.1 Identificación de los valores**
- 2.1 Identification of the securities.....
- 2.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)**
- 2.2 Income payment date (or refund if the securities are issued at discount or are segregated).....
- 2.3 Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados)**
- 2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated).....
- 2.4 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.**
- 2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.
- 2.5 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.**
- 2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.
- 2.6 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C.**

2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

Lo que declaro en.....a ... de.....de ...

I declare the above in on the ... of of ...

(1) En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia

(1) In case of non-residents (individuals or corporations) without permanent establishment in Spain it shall be included the number or identification code which corresponds according to their country of residence.

SUBSCRIPTION AND SALE

Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank Ireland PLC, Merrill Lynch International, and UBS Europe SE (the “**Joint Lead Managers**”) have, in a subscription agreement dated 17 January 2020 (the “**Subscription Agreement**”) and made between Ibercaja Banco and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to procure subscribers, or subscribe and pay for the Notes on the Issue Date at their issue price of 100% of their principal amount. Ibercaja Banco has agreed to pay the Joint Lead Managers a combined management and underwriting commission and to reimburse the Joint Lead Managers for certain of their expenses incurred in connection with the management of the issue of the Notes.

Ibercaja Banco will use all reasonable endeavours to procure that the Notes are admitted to listing on AIAF within 30 days from the Issue Date and to maintain such admission until none of the Notes is outstanding.

Selling Restrictions

Prohibition of Sales to EEA retail investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision the expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Spain

Each Joint Lead Manager has represented and agreed that the Notes have not been offered or sold in Spain other than by institutions authorised under the Spanish Securities Market Law, and related legislation, to provide investment services in Spain, and as agreed between the Bank and the Joint Lead Managers, offers of the Notes in Spain have only been directed specifically at or made to professional clients (*clientes profesionales*) as defined in Article 205 of the Spanish Securities Market Law and Article 58 of Royal Decree 217/2008, of 15 February, and eligible counterparties (*contrapartes elegibles*) as defined in Article 207 of the Spanish Securities Market Law.

United Kingdom

Each Joint Lead Manager has further represented, warranted and undertaken 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 Financial Services Market Act (FSMA)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; 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 the Notes in, from or otherwise involving the United Kingdom.

United States of America

The Notes have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

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. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells 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.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act.

Canada

Each Joint Lead Manager has represented and agreed that it has not offered or sold and will not offer or sell the Notes in Canada other than to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

General

Each Joint Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any other offering material relating to the Notes.

Persons into whose hands this Prospectus comes are required by the Bank and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

MARKET INFORMATION

Summary of clearance and settlement procedures

Below is a brief summary of the Spanish clearance and settlement procedures applicable to book-entry securities such as the Notes of Ibercaja Banco.

The Spanish clearing, settlement and recording system of securities transactions has undergone a significant reform to align it with the EU practices and standards and prepare it for the implementation of future integration projects (the “**Reform**”). Following the Reform, which implementation was completed by 18 September 2017, the Spanish clearing, settlement and registry procedures of securities transactions allows the connection of the post-trading Spanish systems to the European system TARGET2 Securities.

The Reform has introduced three main changes that, in turn, involve a number of operating modifications. These changes include (i) a new recording system based on balances, (ii) the introduction of a central clearing counterparty (BME Clearing, S.A., “**BME Clearing**” or the “**CCP**”), and (iii) the integration of the current CADE (*Central de Anotaciones de Deuda Pública*) and SCLV (*Servicio de Compensación y Liquidación de Valores*) into a single platform managed by Iberclear which operates under the trade name of ARCO.

Iberclear and BME Clearing

Iberclear is the Spanish central securities depository in charge of both the register of securities held in book-entry form, and the settlement of all trades from the Spanish Stock Exchanges, Latibex (the Latin American stock exchange denominated in Euro), the Book-Entry Public Debt Market, the Alternative Stock Market (MAB), Alternative Fixed Income Market (MARF) and AIAF. To achieve this, Iberclear uses the technical platforms named ARCO.

Iberclear is owned by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (“**BME**”), a holding company, which holds a 100% interest in each of the Spanish official secondary markets and settlement systems. The corporate address of Iberclear is Plaza de la Lealtad 1, 28014 Madrid, Spain.

The securities recording system of Iberclear is a two tier registry: the keeping of the central record corresponds to Iberclear and the keeping of the detail records correspond to the participating entities (*entidades participantes*) in Iberclear.

Access to become a participating entity is restricted to (i) credit institutions, (ii) investment services companies which are authorised to render custody and administration of financial instruments, (iii) the Bank of Spain, (iv) the General Administration and the General Social Security Treasury, (v) other duly authorised central securities depositories and central clearing counterparties and (vi) other public institutions and private entities when expressly authorised to become a participating entity in central securities depositories.

The central registry managed by Iberclear reflects (i) one or several proprietary accounts which show the balances of the participating entities’ proprietary accounts; (ii) one or several general third-party accounts that will show the overall balances that the participating entities hold for third parties; (iii) individual accounts opened in the name of the owner, either individual or legal person; and (iv) individual special accounts of financial intermediaries which use the optional procedure of settlement of orders. Each participating entity, in turn, maintains the detail records of the owners of the securities or the shares held in their general third-party accounts.

According to the above, Spanish law considers the owner of the securities to be:

- the participating entity appearing in the records of Iberclear as holding the relevant securities in its own name;

- the investor appearing in the records of the participating entity as holding the securities; or
- the investor appearing in the records of Iberclear as holding securities in a segregated individual account.

BME Clearing is the CCP in charge of the clearing of transactions closed on the Spanish Stock Exchanges. BME Clearing interposes itself on its own account as seller in every purchase and as buyer in every sale. It calculates the buy and sell positions vis-à-vis the participants designated in such buy or sell instructions. The CCP then generates and send to Iberclear the relevant settlement instructions. BME Clearing is also owned by BME.

The settlement and book-entry registration platform managed by Iberclear, which operates under the trade name of ARCO (for both equity securities and fixed-income securities as from September 2017), receives the settlement instructions from BME Clearing and forwards them to the relevant participating entities involved in each transaction. ARCO operates under a T+2 settlement standard, by which any transactions must be settled within two business days following the date on which the transaction was completed.

To evidence title to securities, at the owner's request the relevant participating entity must issue a legitimization certificate (*certificado de legitimación*). If the owner is a participating entity or a person holding securities in a segregated individual account, Iberclear is in charge of the issuance of the certificate regarding the securities held in their name.

Market Information in relation to the Notes

Iberclear settlement of securities traded in AIAF

Iberclear and the participating entities (*entidades participantes*) in Iberclear have the function of keeping the book-entry register of securities traded on AIAF.

Securities traded in AIAF are fixed income securities, including corporate bonds (for example, medium term Notes and mortgage bonds) and bonds issued by the Spanish Treasury and Spanish regions, among others, represented either in a dematerialised form or by certificates.

In the AIAF settlement system, transactions may be settled spot, forward (settlement date more than five days after the relevant trade date), with a repurchase agreement on a fixed date and double or simultaneous transactions (two trades in opposite directions with different settlement dates).

The settlement system used for securities admitted for trading in AIAF is the Model 1 delivery versus payment system, as per the classification of the Bank for International Settlements: that is, it is a “transaction-to-transaction” cash and securities settlement system with simultaneity in its finality.

Transactions are settled on the stock-exchange business day agreed by participants at the moment of the trade.

Euroclear and Clearstream

Investors who do not have, directly or indirectly through their custodians, a participating account with Iberclear may hold their investment in the Notes through bridge accounts maintained by each of Euroclear Bank SA/NV and Clearstream Banking, S.A. with participating entities in Iberclear.

GENERAL INFORMATION

Responsibility statement

Ibercaja Banco and the undersigned, Mr. Francisco José Serrano Gill de Albornoz, in his capacity as General Secretary – Deputy General Manager (*Secretario General – Director General Adjunto*) of Ibercaja Banco, and acting under a special power of attorney granted by the Board of Directors of Ibercaja Banco, accept responsibility for the information contained in this Prospectus and declare, to the best of their knowledge, that the information contained in this Prospectus is in accordance with the facts and that the Prospectus contains no omissions likely to affect its import.

Authorisation

The creation and issue of the Notes has been authorised by means of the resolutions adopted by the Board of Directors of the Bank dated 24 October 2019.

Significant/material change and trend information

Since 30 June 2019 there has been no material adverse change in the prospects of the Bank.

Since 30 September 2019 there has been no significant change in the financial performance or in the financial position of the Group.

Auditors

The consolidated and standalone annual accounts and the consolidated interim financial statements of the Bank have been audited for each of the years ended 31 December 2018 and 31 December 2017 and for the six-month period ended 30 June 2019 by PricewaterhouseCoopers Auditores, S.L., independent auditors. The condensed consolidated interim financial statements of the Bank as of and for the nine-month period ended 30 September 2019 have been subject to a limited review by PricewaterhouseCoopers Auditores, S.L., independent auditors.

PricewaterhouseCoopers Auditores, S.L.'s office is at Paseo de la Castellana, 259 B, Torre PwC, 28046 Madrid (Spain) and is registered with the Official Registry for Auditors (*Registro Oficial de Auditores de Cuentas (ROAC)*) under number S0242.

On 19 December 2019, the general shareholders' meeting of the Bank approved the appointment of Ernst&Young Auditores, S.L. as auditors for the years 2021, 2022 and 2023.

Third party information

Information included in this Prospectus sourced from a third party (i.e. INE, Bank of Spain, Inverco and ICEA) has been accurately reproduced, and so far as Ibercaja Banco is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Approval of financial information

The 2017 Annual Accounts were approved by the General Shareholders' Meeting of Ibercaja Banco held on 10 April 2018.

The 2018 Annual Accounts were approved by the General Shareholders' Meeting of Ibercaja Banco held on 9 April 2019.

The 2019 First Semester Financial Statements were approved by the Board of Directors of Ibercaja Banco at its meeting held on 25 July 2019.

The 2019 Third Quarter Financial Statements were approved by the Board of Directors of Ibercaja Banco at its meeting held on 30 December 2019.

Documents on display

Electronic copies of the bylaws (*estatutos sociales*) of Ibercaja Banco (as the same may be updated from time to time) may be inspected on Ibercaja Banco's website.

For avoidance of doubt, unless specifically incorporated by reference into this Prospectus, the information contained on the corporate website of Ibercaja Banco does not form part of this Prospectus.

Material contracts

There are no material contracts that are not entered into in the ordinary course of Ibercaja Banco's business which could result in any member of the Group being under an obligation or entitlement that is material to Ibercaja Banco's ability to meet its obligations in respect of the Notes.

Yield

On the basis of the issue price of the Notes of 100% of their principal amount, the annual yield of the Notes for the period from (and including) the Issue Date to (but excluding) the Reset Date is 2.752%. This yield was calculated on the Issue Date and is not an indication of future yield.

Clearing: ISIN and Common Code

The Notes will be admitted to listing on AIAF and have been accepted for clearance through Iberclear. The Notes bear the ISIN ES0244251015 and the common code 210818693.

Listing

Investors should make their own assessment as to the suitability of investing in the Notes.

Application is expected to be made for the Notes to be admitted to trading on AIAF. AIAF is a regulated market for the purposes of MiFID II. The Notes may also be admitted to trading on any other European regulated market or multilateral trading facility as may be agreed by Ibercaja Banco.

Paying agency

All payments under the Conditions will be carried out directly by Ibercaja Banco through Iberclear. The corporate address of Iberclear is Plaza de la Lealtad 1, 28014 Madrid, Spain.

Ratings

The Notes are rated BB by Fitch and B+ by S&P.

In accordance with Fitch's ratings definitions, a rating of "BB" indicates an elevated vulnerability to credit risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial alternatives may be available to allow financial commitments to be met.

In accordance with S&P's ratings definitions, a rating of "B+" indicates more vulnerability to non-payment than obligations rated "BB", but the obligor currently has the capacity to meet its financial commitments on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments on the obligation.

Stabilisation

In connection with the issue of the Notes, Barclays Bank Ireland PLC (the "**Stabilisation Manager(s)**") (or persons acting on behalf of any Stabilisation Manager(s)) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the

date of the allotment of the Notes. Any stabilisation action or over allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and any other applicable laws and rules.

Interests of natural and legal persons involved in the offer of the Notes

Save as discussed in “*Subscription and Sale*”, so far as Ibercaja Banco is aware, no person involved in the offer of the Notes had an interest, including a conflict of interest, material to the offer.

Other relationships

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

Expenses related to the admission to trading

For informative purposes only, an approximate estimate of the expenses payable by Ibercaja Banco in relation to the admission to trading is as follows:

Type of expense	Euro (estimated amount)
Charges and fees of AIAF and Iberclear	10,500
CNMV fees (listing)	50,000
Total	60,500

SIGNATURES

In witness to its knowledge and approval of the contents of this Prospectus drawn up according to Annexes 7 and 15 of Delegated Regulation (EU) 2019/980 of 14 March 2019, it is hereby signed by Mr. Francisco José Serrano Gill de Albornoz, in his capacity as General Secretary – Deputy General Manager (*Secretario General – Director General Adjunto*) of Ibercaja Banco, S.A., in Zaragoza, on [] 2020.

REGISTERED OFFICE OF IBERCAJA BANCO

Ibercaja Banco, S.A.
Plaza de Basilio Paraíso, 2
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Spain

JOINT LEAD MANAGERS

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United Kingdom

UBS Europe SE
Bockenheimer Landstraße 2-4
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Germany

LEGAL ADVISORS

*To Ibercaja Banco as to Spanish law and as to
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Spain

*To the Joint Lead Managers as to Spanish law and as to
English law*

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