

OFFERING CIRCULAR

BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.

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

EURO 1,300,000,000

Euro Medium Term Note Programme

Under this Euro 1,300,000,000 Euro Medium Term Note Programme (the **Programme** described in this Offering Circular (which replaces the previous Offering Circular dated 12 June 2019, in respect of the Programme)), Banco de Crédito Social Cooperativo, S.A. (the **Issuer** or **BCC**) may from time to time issue notes governed by English law (the **English Law Notes**) and notes governed by Spanish law (the **Spanish Law Notes**, and together with the English Law Notes, the **Notes**), as specified in the applicable Final Terms. References to the "Notes" shall be to the English Law Notes and/or the Spanish Law Notes, as appropriate. The Notes may be denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below) subject to any applicable legal or regulatory restrictions.

The Final Terms (as defined below) for each Tranche (as defined on page 68) of Notes will state whether the Notes of such Tranche are to be (a) Senior Notes or (b) Subordinated Notes and, if Senior Notes, whether such notes are (i) Ordinary Senior Notes or (ii) Senior Non Preferred Notes and, if Subordinated Notes, whether such Notes are (i) Senior Subordinated Notes or (ii) Tier 2 Subordinated Notes.

Notes may be issued in bearer or registered form (respectively **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed Euro 1,300,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described in this Offering Circular.

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

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

Potential investors should note the statements on pages 176 – 182 regarding the tax treatment in Spain of income obtained in respect of Notes and the disclosure requirements imposed by Law 10/2014 (as defined below) on the Issuer. In particular, payments on Notes may be subject to Spanish withholding tax if certain information relating to Notes is not received by the Issuer in a timely manner.

This Offering Circular has been approved as a base prospectus by the Central Bank of Ireland (the **CBI**) in its capacity as competent authority under Regulation (EU) 2017/1129 (the **Prospectus Regulation**). The CBI only approves this Offering Circular as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CBI should not be considered as an endorsement of the Issuer or the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes.

Such approval relates only to Notes that are to be admitted to trading on the regulated market of the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) or on another regulated market for the purposes of Directive 2014/65/EU (as amended, **MiFID II**) and/or that are to be offered to the public in any

member state of the European Economic Area (the **EEA**) in circumstances that require the publication of a prospectus.

Application has been made to Euronext Dublin for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to its official list (the **Official List**) and trading on the regulated market of Euronext Dublin. References in the Offering Circular to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to listing on the Official List of Euronext Dublin and admitted to trading on the regulated market of Euronext Dublin or, as the case may be, a regulated market for the purposes of MiFID II. The regulated market of Euronext Dublin is a regulated market for the purposes of MiFID II. This document may be used to list Notes on the regulated market of Euronext Dublin pursuant to the Programme.

This Offering Circular (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Notes which are to be admitted to trading on a regulated market in the EEA and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 1(4), 1(5) and/or 3(2) of the Prospectus Regulation. The obligation to supplement this Offering Circular in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Offering Circular is no longer valid.

The requirement to publish a prospectus under the Prospectus Regulation only applies to Notes which are to be admitted to trading on a regulated market in the EEA and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 1(4), 1(5) and/or 3(2) of the Prospectus Regulation.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the **Final Terms**) which will be delivered to the CBI and, where listed, Euronext Dublin.

Copies of Final Terms in relation to Notes to be listed on Euronext Dublin will also be published on the website of the Issuer (www.bcc.es).

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

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or delivered in the United States or to, or for the account or the benefit of, a U.S. person (as defined in Regulation S under the Securities Act (**Regulation S**)) unless registered under the Securities Act, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the securities laws of any state or other jurisdiction of the United States.

The Issuer has been rated BB- (negative) by Fitch Ratings España, S.A.U. (**Fitch**) on 31 March 2020. Fitch is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

MiFID II product governance / target market – The Final Terms in respect of any Notes will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of

the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID II Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

PRIIPs /IMPORTANT- EEA AND UK RETAIL INVESTORS - If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA and UK 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 or in the United Kingdom (the **UK**). 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 (as amended, 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; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document (**KID**) required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK will be prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

Amounts payable on Floating Rate Notes (as described in the Conditions) may be calculated by reference to one of the Euro Interbank Offered Rate (**EURIBOR**), the London Interbank Offered Rate (**LIBOR**) or the Sterling Overnight Index Average (**SONIA**) as specified in the applicable Final Terms, which are administered by the European Money Markets Institute (**EMMI**), ICE Benchmark Administration Limited (**ICE**) and the Bank of England, respectively. As at the date of this Offering Circular, ICE and EMMI are included in ESMA's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**). The Bank of England is not included in ESMA's register of administrators and benchmarks under Article 36 of the Benchmarks Regulation. As far as the Issuer is aware, SONIA does not fall within the scope of the Benchmarks Regulation by virtue of Article 2 of the Benchmarks Regulation.

Arranger

Banco Bilbao Vizcaya Argentaria, S.A.

Dealers

Banco Bilbao Vizcaya Argentaria, S.A.

Crédit Agricole CIB

HSBC

Natixis

Santander

Barclays

Deutsche Bank

J.P. Morgan

Nomura

**Société Générale Corporate & Investment
Banking**

UBS Investment Bank

The date of this Offering Circular is 5 June 2020.

IMPORTANT INFORMATION

This Offering Circular comprises a base prospectus in respect of all Notes issued under the Programme for the purposes of Article 8 of the Prospectus Regulation. When used in this Offering Circular, Prospectus Regulation means Regulation (EU) 2017/1129.

The Issuer accepts responsibility for the information contained in this Offering Circular and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer the information contained in this Offering Circular is in accordance with the facts and makes no omission likely to affect its import.

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

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*"), the information on the websites to which the Offering Circular refers does not form part of this Offering Circular.

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

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

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

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

IMPORTANT INFORMATION RELATING TO THE USE OF THIS OFFERING CIRCULAR AND OFFERS OF NOTES GENERALLY

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular or any Final Terms and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Offering Circular or any Final Terms may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes or distribution of this Offering Circular or any Final Terms in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any Final Terms nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular, any Final Terms or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the United Kingdom, Spain, Japan, Belgium, Singapore and Switzerland, see "*Subscription and Sale*".

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE), AS AMENDED FROM TIME TO TIME (THE SFA)

The Final Terms in respect of any Notes may include a legend entitled "Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the **SFA**)" which will state the product classification of the Notes pursuant to section 309B(1) of the SFA.

The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a). Any such legend included on the applicable Final Terms will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

The financial information in this Offering Circular relating to the Issuer has been derived from the audited consolidated annual accounts of the Issuer for the financial years ended 31 December 2018 and 31 December 2019 (together, the **Annual Accounts**).

The Issuer's financial year ends on 31 December, and references in this Offering Circular to any specific year are to the 12-month period ended on 31 December of such year. The Annual Accounts have been prepared in accordance with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**) as adopted by the EU, considering the Bank of Spain's Circular 4/2017, of 27 November (as amended), and any other legislation governing financial reporting applicable to the GCC Group (as defined in "*Description of the Issuer and the GCC Group*").

Certain Defined Terms and Conventions

Capitalised terms which are used but not defined in any particular section of this Offering Circular will have the meaning attributed to them in "*Terms and Conditions of the Notes*" or any other section of this Offering Circular.

In this Offering Circular, all references to:

- *U.S. dollars, U.S.\$ and \$* refer to United States dollars;
- *Sterling and £* refer to pounds sterling; and
- *Euro, euro, EUR and €* refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

Certain figures and percentages included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown in 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.

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

SUITABILITY OF INVESTMENT

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

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

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

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

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OVERVIEW OF THE PROGRAMME

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

This Overview constitutes a general description of the Programme for the purposes of Article 25(1)(b) of Commission Delegated Regulation (EU) No 2019/980 (the **Delegated Regulation**).

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

Issuer: Banco de Crédito Social Cooperativo, S.A.

LEI Code: 95980020140005881190.

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

Description: Euro Medium Term Note Programme

Arranger: Banco Bilbao Vizcaya Argentaria, S.A.

Dealers: Banco Bilbao Vizcaya Argentaria, S.A.
Banco Santander, S.A.
Barclays Bank Ireland PLC
Crédit Agricole Corporate and Investment Bank
Deutsche Bank Aktiengesellschaft
HSBC Bank plc
HSBC France
J.P. Morgan AG
J.P. Morgan Securities plc
Natixis
Nomura International plc
Société Générale
UBS Europe SE

and any other Dealers appointed in accordance with the Programme Agreement.

Certain Restrictions: Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time.

Principal Paying Agent:	Deutsche Bank AG, London Branch
Programme Size:	Up to Euro 1,300,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) in aggregate nominal amount of all Notes outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed subject to the restrictions set out under “ <i>Subscription and Sale</i> ”, and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, notes may be denominated in euro, Sterling, U.S. dollars and any other currency agreed between the Issuer and the relevant Dealer.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to a minimum maturity of twelve months and to such other minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes	The Notes will be issued in either bearer or registered form as described in “ <i>Form of the Notes</i> ”. Registered Notes will not be exchangeable for Bearer Notes and <i>vice versa</i> .
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer. Fixed Reset Notes may also be issued.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of the reference rate set out in the applicable Final Terms. <p>Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated</p>

on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

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

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

Benchmark Discontinuation:

On the occurrence of a Benchmark Event, the Issuer and an Independent Adviser may, subject to certain conditions, in accordance with Condition 6.4 and without any separate consent or approval of the Noteholders, determine a Successor Rate, failing which an Alternative Rate and, in either case, an Adjustment Spread, if any, and any Benchmark Amendments.

Redemption:

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons, or following an Event of Default and, in the case of Tier 2 Subordinated Notes, following a Capital Event or, in the case of Ordinary Senior Notes eligible to comply with MREL requirements (**MREL Eligible Ordinary Senior Notes**), Senior Non Preferred Notes or Subordinated Notes, an Eligible Liabilities Event) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

Tier 2 Subordinated Notes, Senior Subordinated Notes (together, **Subordinated Notes**), Senior Non Preferred Notes and MREL Eligible Ordinary Senior Notes may not be redeemed prior to their original maturity other than in compliance with Applicable Banking Regulations (as defined in the Conditions of the Notes) then in force and with the permission of the Competent Authority and/or Relevant Resolution Authority (as these terms are defined in the Conditions of the Notes), if and as applicable (if such permission is required). See Condition 8 (*Redemption and Purchase*).

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum denomination of each Note will be at least €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) in the case of Notes to be admitted to trading on a regulated market for the purposes of MiFID II.

Substitution and Variation:

If a Capital Event, an Eligible Liabilities Event or a Tax Event occurs and is continuing, the Issuer may substitute all (but not some only) of the Notes or vary the terms of all (but not some only) of the Notes (including changing the governing law of the Notes from English law to Spanish law), without any requirement for the consent or approval of the Noteholders, so that they are substituted for, or varied to become or remain, Qualifying Notes. See Condition 20 (*Substitution and Variation*).

Taxation:

All payments in respect of the Notes by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction (as defined in Condition 9 (*Taxation*)), unless such withholding or deduction is required by law. In that event, the Issuer will, save in certain limited circumstances or exceptions (as set out in Condition 9 (*Taxation*) of the Conditions of the Notes) be required to pay such additional amounts in respect of interest as will result in receipt by the Noteholders of such amounts in respect of such interest, as would have otherwise been receivable by them had no such withholding or deduction been required. No additional amounts shall be paid in respect of principal (or any premium).

Cross Default:

The terms of the Ordinary Senior Notes will contain a cross default provision as further described in Condition 11 (*Events of Default*) if indicated as applicable in the applicable Final Terms.

The terms of the Senior Non Preferred Notes and Subordinated Notes will not contain a cross default provision.

Status of the Notes:

Notes may be either Senior Notes or Subordinated Notes and, in the case of Senior Notes, Ordinary Senior Notes or Senior Non-Preferred Notes, and in the case of Subordinated Notes, Senior Subordinated Notes or Tier 2 Subordinated Notes and will all rank as more fully described in Condition 3 (*Status of the Senior Notes and Subordinated Notes*).

Rating:

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

Listing:

This Offering Circular has been approved by the CBI as competent authority under the Prospectus Regulation. Application has been made for Notes issued under the Programme to be listed on the Official List of Euronext Dublin and admitted to trading on the regulated market of Euronext Dublin. No unlisted Notes may be issued under the Programme.

Notes may be listed or admitted to trading, as the case may be, on

other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer(s) in relation to the Series.

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

Governing Law:

The Conditions of the Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with either, English law or Spanish law as specified in the applicable Final Terms. In the case of Notes governed by English law, the provisions of Conditions 3 and 14 (and any non-contractual obligations arising out of or in connection with them) will be governed by, and shall be construed in accordance with, Spanish law. The Notes will be issued in accordance with the formalities prescribed by Spanish company law.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the EEA, the United States, the UK, Spain, Japan, Belgium, Singapore, Switzerland and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".

United States Selling Restrictions:

Regulation S, Category 2. TEFRA C / TEFRA D / TEFRA not applicable, as specified in the applicable Final Terms.

RISK FACTORS

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in any Note issued under the Programme, but the non-payment by the Issuer of any interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Only risks which are specific to the Issuer and the GCC Group or to the Notes are included herein as required by the Prospectus Regulation. Additional risks and uncertainties relating to the Issuer or the GCC 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 GCC and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Prospective investors should also read the detailed information set out elsewhere in, or incorporated by reference into, this Offering Circular and reach their own views prior to making any investment decision. Prospective investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Offering Circular and their personal circumstances. If potential investors are in doubt about the contents of this Offering Circular, then they should consult with an appropriate professional adviser to make their own legal, tax, accounting and financial evaluation of the merits and risk of investment in any Notes issued under the Programme.

Words and expressions defined in "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this "Risk Factors" section.

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

Macroeconomic Risks

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

Global economic conditions deteriorated significantly between 2007 and 2009 and Spain fell into a recession from which it had begun to recover up to December 2019, before the SARS-CoV-2 coronavirus (**COVID-19**) crisis started. Spain is one of the countries in Europe that has been more affected by this pandemic, along with Italy and France. The crisis is leading to a global economic slowdown, with many economies around the world showing significant signs of weakness or slow growth, even entering into a recession.

In Europe there was a significant reduction in risk premiums since the second half of 2012 and economic growth for the Euro-area as a whole has been positive since the second quarter of 2013, growing by 1.3% in 2019 (+ 1.8% in 2018) (Source: *Eurostat Real GDP Growth Rates Indicators*), but from the COVID-19 crisis this tendency has changed and the more affected countries, such as Italy or Spain, have experienced again a widening in risk premiums. So, the possibility of further deterioration of the European economy as a whole or for the individual countries remains a risk. Any such deterioration could adversely affect the cost and availability of funding for Spanish and European banks, including BCC, and the group of Spanish financial institutions (credit cooperatives) which together carry out their activities as a cooperative group known as Grupo Cooperativo Cajamar, and the quality of its loan portfolio, or otherwise have a material adverse effect on its business, financial condition, results of operations and prospects.

Furthermore, other factors or events may affect the Spanish, European and global economic conditions, such as the negotiation process regarding the exit by the United Kingdom (**UK**) from the EU (**Brexit**). On 23 June 2016, the UK held a referendum on its membership of the EU, in which a majority voted for the UK to leave, which finally occurred on 31 January 2020. UK has entered into a transition period that is scheduled to end on 31 December 2020, in order to negotiate the future relationship with the EU (during the transition period, the UK is still under EU rules). In the case that no agreement is finally achieved by the end of 2020, there will be a no-deal exit.

As the BCC and the GCC Group's loan portfolio and its overall business are highly concentrated in Spain, BCC and the GCC Group are particularly exposed to any deterioration in the Spanish economy.

The GCC Group has historically developed its lending business in Spain. BCC is a Spanish financial institution which is part of and the consolidating entity of the GCC Group. The GCC Group has a nationwide footprint, with its core regions in the Community of Valencia and the provinces of Almería, Málaga and Murcia. The Issuer's and the GCC Group's gross income (which comprises primarily interest and similar income plus fee and commission income, gains or losses on financial assets and liabilities and other operating income) is derived from Spain. Accordingly, the performance of the Spanish economy impacts BCC's business, financial condition, results of operations and prospects. The Issuer's and the GCC Group's loan portfolio in Spain has been adversely affected by the deterioration of the Spanish economy since 2009. After rapid economic growth until 2007, Spanish gross domestic product (**GDP**) contracted in the period 2009-10 and 2012-13. The effects of the financial crisis were particularly pronounced in Spain given its heightened need for foreign financing as reflected by its high current account deficit, resulting from the gap between domestic investment and savings, and deterioration of its public deficit. While the current account imbalance had been corrected (Spain has experienced GDP growths of 3.4% in 2015, 3.3% in 2016, 3.1% in 2017, 2.3% in 2018 and 2.0% in 2019 (Source: *National Statistics Institute of Spain, Quarterly National Accounts of Spain, Press Note 1 March 2020*) and the public deficit in terms of GDP had been diminishing, real or perceived difficulties in servicing public or private debt could increase Spain's financing costs in a recessionary environment. As a result of the new scenario of COVID-19, the macro perspectives have substantially deteriorated. According to the Spanish government, a base case scenario would imply a reduction of 9.2% of GDP for 2020 and a deterioration up to 19% of the unemployment rate (Source: *Spanish Ministry of Economy and Digital Transformation as of 1 April 2020*).

As unemployment levels are anticipated to be high, this impact on the labour market would adversely affect households' gross disposable income of the Issuer's and the GCC Group's retail customers and may adversely affect the recoverability of the Issuer's and the GCC Group's retail loans, resulting in increased loan losses. The Spanish economy is particularly sensitive to economic conditions in the Eurozone, the main market for Spanish goods and services exports, so that an interruption in the recovery of the Eurozone might have an adverse effect on Spanish economic growth.

Investor confidence may also fall due to uncertainties arising from the political uncertainties within Spain, particularly regarding Catalonia and the new weak government coalition (established after the November 2019 Spanish general election) with no majority in the Parliament which implies having to continuously negotiate with other parties to adopt any legislative agreements. Worsening of this political environment could negatively affect the Issuer's and the GCC Group's business.

However, the major risk that is affecting the global economy currently is the expansion of COVID-19 which started in December 2019 in China and has spread to all the countries of the world. The impact on the global and local economic activity is still uncertain, but it will undoubtedly have an impact in the regions where the Issuer and the GCC Group operate and therefore its operating results, financial projections and current business will be affected.

In March 2020, the month when COVID-19 containment measures began to be widely introduced by Member States, the euro area seasonally-adjusted unemployment rate was 7.4%, up from 7.3% in February 2020. The EU unemployment rate was 6.6% in March 2020, up from 6.5% in February 2020. These figures

were published by Eurostat, the statistical office of the European Union¹. Seasonally adjusted GDP decreased by 3.8% in the euro area and by 3.5% in the EU during the first quarter of 2020, compared with the previous quarter (in the fourth quarter of 2019, GDP had grown by 0.1% in the euro area and by 0.2% in the EU)². Regarding the effects of the COVID-19 pandemic in Spain and, according to the publication of the National Statistics Institute (INE) as of 30 April 2020, Spain's GDP has been reduced by 5.2% in the first quarter of 2020. This rate is 5.6 points lower than the recorded in the fourth quarter of 2019. The year-on-year change in GDP stands at 4.1%, down from +1.8% in the previous quarter³. The Bank of Spain has released an article with its reference macroeconomic scenarios for the Spanish economy after COVID-19 crisis. Two alternative approaches have been used to construct the scenarios, one from the standpoint of supply and the other from that of demand. The supply-side approach starts by calibrating the magnitude of the fall in output in the various sectors of the economy as an immediate consequence of the measures taken to contain the epidemic over the period in which it is estimated they will remain in force. Thus, under a set of assumptions that includes, in particular, that the state of alert will last for a total of 12 weeks with a greater persistence of the effects when confinement ends, it is estimated that GDP could fall by as much as 13.6% in 2020. On the other hand, the scenarios constructed using the MTBE incorporate a set of shocks approximating the effects of the pandemic. This combination of shocks gives rise to a fall in GDP in 2020, in the two scenarios constructed, from -9.5% to -12.4%, depending on the duration of confinement and the liquidity problems of private agents that could lead to solvency difficulties in the coming months (scenarios 2 and 3) with a potential recovery in 2021 from 6.1% to 8.5% increase in GDP⁴.

The deterioration in the global economy due to the COVID-19 pandemic has materialised the uncertainties in the geopolitical and macro environment. The negative impact on European economy and the failure of Spain to return to a sustainable path of growth in the short term, could have a negative impact on the Spanish economy which, given the relevance of the Issuer's and the GCC Group's loan portfolio in Spain, would have a material adverse effect on the Issuer and the GCC Group's business, financial condition and results of operations.

In particular, regarding the economic downturn as a result of the COVID-19 crisis, the risks to which the Issuer and the GCC Group can be exposed are the inability of the borrowers to comply with their obligations on time, the inaccuracy of the Issuer's and the GCC Group's estimations regarding losses on the credit exposures, the uncertainty when elaborating financial projections, budgets and targets, or the negative impact on the Issuer's and the GCC Group's portfolio of investment securities.

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

The Issuer's and the GCC Group's financial and operating performance may be adversely affected by force majeure events, such as natural disasters, particularly in locations where a significant portion of its loan portfolio is composed of real estate loans. Natural disasters such as earthquakes and floods may cause widespread damage which could impair the asset quality of its loan portfolio and could have an adverse impact on the economy of the affected region. In particular, the southeast coast of Spain (including Almería and Murcia, where the GCC Group has a particularly strong presence), is exposed to seismic risk due to the activity of the European and African tectonic plates and earthquakes of different magnitude have been recorded in the past.

¹<https://ec.europa.eu/eurostat/documents/2995521/10294732/3-30042020-CP-EN.pdf/05df809c-7eb8-10c7-efcf-35325c84f>

²<https://ec.europa.eu/eurostat/documents/2995521/10294732/3-30042020-CP-EN.pdf/05df809c-7eb8-10c7-efcf-35325c84f56e>

³<https://ine.es/daco/daco42/daco4214/cntr0120a.pdf>

⁴<https://www.bde.es/f/webbde/GAP/Secciones/SalaPrensa/IntervencionesPublicas/Gobernador/Arc/Fic/hdc180520.pdf>

Legal, Regulatory and Compliance Risks

3. ***BCC and the GCC Group are subject to substantial regulation and regulatory and governmental oversight. Adverse regulatory developments or changes in government policy in Spain or the European Union could have a material adverse effect on their business, results of operations and financial condition. In particular, increasingly onerous capital requirements constitute one of the Issuer's main regulatory challenges***

The financial services industry is among the most highly regulated industries in the world. In response to the global financial crisis and the European sovereign debt crisis, governments, regulatory authorities and others have made and continue to make proposals to reform the regulatory framework for the financial services industry to enhance its resilience against future crises. Legislation has already been enacted and regulations issued in response to some of these proposals, and these increased levels of government and regulatory intervention in the banking sector are expected to continue for the foreseeable future. This creates significant uncertainty for the Issuer and the GCC Group and the financial industry in general. The wide range of recent actions or current proposals includes, among other things, provisions for more stringent regulatory capital and liquidity standards (as further explained below), 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. 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 (the **SRM**), could lead to changes in the near future.

The specific effects of a number of new laws and regulations remain uncertain because the drafting and implementation of these laws and regulations, and the regulations to develop them, are still ongoing. In addition, since some of these laws and regulations have been recently adopted, the manner in which they are applied to the operations of financial institutions is still evolving. No assurance can be given that laws or regulations will be enforced or interpreted in a manner that will not have a material adverse effect on the Issuer's and the GCC Group's business, financial condition, results of operations and cash flows. In addition, regulatory scrutiny under existing laws and regulations has become more intense.

BCC has assumed the management of the GCC Group, taking the responsibility for its working, setting commercial policies, procedures and risks controls; treasury management, as well as the issues of financial instruments, commercial plan and budget elaboration. As a result of the increased level of government and regulatory intervention in the banking sector, the Issuer and the GCC Group are now facing a significant increase in compliance costs. In addition, the Issuer and the GCC Group may be subject to an increasing incidence or amount of liability or regulatory sanctions and may be required to make greater expenditures and devote additional resources to address potential liability.

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

Increasing capital requirements may adversely affect the Issuer's profitability and create regulatory risk associated with the possibility of failure to maintain required capital levels.

In 2011, the framework known as Basel III, which is a full set of reform measures to strengthen the regulation, supervision and risk management of the banking sector, was introduced (see "*Capital requirements*"). This aimed to boost the banking sector's ability to absorb impacts caused by financial and economic stress, improve risk management and corporate governance, and improve banking transparency

and disclosures. Concerning capital, Basel III redefines available capital at financial institutions (including new deductions and raising the requirements for eligible equity instruments), tightens the minimum capital requirements, compels financial institutions to operate permanently with surplus capital (capital "buffers"), and includes new requirements for the risks considered. The European Union (EU) began implementing the Basel III capital reforms through Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions the prudential supervision of credit institutions and investment firms (the **CRD IV Directive**). The core regulation regarding the solvency of credit entities is Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the **CRR**).

Financial institutions are required to hold a minimum amount of regulatory capital of 8% of risk-weighted assets, of which at least 4.5% of risk-weighted assets must be common equity tier 1 (CET1) capital and at least 6% of risk-weighted assets must be tier 1 capital (the **minimum Pillar 1 capital requirements**).

Due to the authorisation received in June 2014 from the Bank of Spain (*Banco de España*) recognising the GCC Group as an institutional protection scheme (*sistema institucional de protección*) (**IPS**) under Spanish law (the **GCC IPS**), the obligation of the participating credit cooperatives that form the GCC Group together with BCC (the **Members**) to comply on an individual basis with the application of the requirements set out in Parts Two to Eight of the CRR has been waived in accordance with Article 10 of such Regulation. This exemption applies to BCC and to each of the 18 other Members of the GCC Group. Consequently, the GCC Group only has to comply with the minimum capital requirements on a consolidated basis.

At 31 December 2019 the GCC Group's capital ratios were: CET 1, 13.03% (12.51% at 31 December 2018) and Total Capital, 14.69% (14.25% at 31 December 2018), above the supervisor's requirements at that date. At the end of 2019 the fully-loaded CET 1 ratio stood at 12.32% (11.54% at 31 December 2018) and the fully-loaded Total Capital ratio stood at 13.98% (13.28% at 31 December 2018).

Council Regulation (EU) No 1024/2013, of 15 October 2013 (the **SSM Regulation**) confers specific tasks on the European Central Bank (**ECB**) concerning policies relating to the prudential supervision of credit institutions and also contemplates that in addition to the minimum Pillar 1 capital requirements, supervisory authorities may impose further Pillar 2 capital requirements to cover other risks. The ECB is required under the SSM Regulation to carry out a supervisory review and evaluation process (the **SREP**) at least on an annual basis.

Based on the results of the SREP, as stated in a letter from the ECB to BCC and communicated to the market on 3 December 2019, the ECB requires the GCC Group to present a CET 1 ratio of 9.5% in as from 1 January 2020. That ratio comprises a regulatory capital requirement (Pillar 1) of 4.5%, a Pillar 2 requirement of 2.5% and a capital conservation buffer of 2.5%. The Total Capital ratio required is therefore 13%.

At 31 December 2019 the GCC Group complied with the CET 1 and Total Capital requirements imposed by the ECB at that date. It also complied at that date with the phase-in and fully-loaded CET 1 and Total Capital requirements that will be applicable to it as from 1 January 2020 as a result of the SREP.

However, there can be no assurance that the total capital requirements (Pillar 1 plus Pillar 2 plus combined buffer requirement) imposed on the GCC Group from time to time may not be higher than the levels of capital available at such point in time. There can also be no assurance as to the result of any future SREP carried out by the ECB and whether this will impose any further Pillar 2 additional own funds requirements on the GCC Group.

BCC has not been classified as a global systemically important institutions (**G-SIB**) or as a domestic systemically important bank (**D-SIB**) during 2019 nor in 2020 and therefore, it will not be required to maintain the G-SIB buffer or a D-SIB buffer during this period. However, no assurance can be given that BCC will not be designated a G-SIB or a D-SIB in the future.

As at the date of this Offering Circular, BCC is only required to maintain the capital conservation buffer (2.5% of risk-weighted assets in 2020 which is the maximum limit established in the CRR) and the countercyclical capital buffer. However, some or all of the other buffers may also apply to the GCC Group from time to time as determined by the Bank of Spain, the ECB or any other competent authority.

Any failure by the GCC Group to maintain its minimum Pillar 1 capital requirements, any Pillar 2 additional own funds requirements and/or any combined buffer requirement could result in administrative actions or sanctions, which, in turn, may have a material adverse effect on the GCC Group's results of operations. In particular, any failure to maintain any additional capital requirements pursuant to the Pillar 2 framework or any other capital requirements to which the GCC Group is or becomes subject (including the combined buffer requirement), may result in the imposition of restrictions or prohibitions on discretionary payments. In addition, any failure by the GCC Group to comply with its regulatory capital requirements could also result in the imposition of further Pillar 2 requirements and the adoption of any early intervention or, ultimately, resolution measures by resolution authorities.

With regard to leverage, the CRR also includes a requirement for institutions to calculate a leverage ratio (**LR**), report it to their supervisors and to disclose it publicly from 1 January 2015 onwards. As at 31 December 2019 the GCC Group's LR (fully loaded) was 5.91% (5.89% at 31 December 2018).

See "*Capital requirements*" for further information.

In addition to the minimum capital requirements, banks shall hold a minimum level of own funds and eligible liabilities in relation to total liabilities and own funds (known as **MREL**). On 3 June 2019, BCC released the final MREL requirements communicated by the resolution authority. By 1 January 2023, BCC should comply with an MREL requirement, on a consolidated basis, of 12.89% of its total liabilities and own funds (**TLOF**), calculated taking into consideration the prudential and financial information as of 31 December 2017. Based on these figures, the requirement would be 21.68% in terms of Risk Weighted Assets (**RWAs**). The Single Resolution Board (**SRB**) establishes the MREL requirement according to the legislation in force at each time. Therefore, this requirement could be modified in case resolution authorities provide new estimations or if current legislation changes.

Any failure by an institution to meet the applicable minimum MREL requirements is intended to be treated similarly as a failure to meet minimum regulatory capital requirements, where resolution authorities must ensure that they intervene and place an institution into resolution sufficiently early if it is deemed to be failing or likely to fail and there is no reasonable prospect of recovery.

Although BCC has not been classified as a G-SIB by the Financial Stability Board (**FSB**) and, thus, in principle, Total Loss-Absorbing Capacity (**TLAC**) should not apply to it, it cannot be disregarded that in future TLAC requirements may apply to the GCC Group in addition to other capital requirements either because TLAC requirements are adopted and implemented in Spain and extended to non-G-SIBs through the imposition of similar MREL requirements or otherwise.

See "*Capital requirements*" for further information.

The Basel Committee is currently in the process of reviewing and issuing recommendations in relation to risk asset weightings which may lead to increased regulatory scrutiny of risk asset weightings in the jurisdictions who are members of the Basel Committee.

On 15 March 2018, the ECB published its supervisory expectations on prudent levels of provision for non-performing loans (**NPLs**). The document was published as a subsequent addendum (the **Addendum**) to the ECB's guidance on non-performing loans for credit institutions of 20 March 2017. The ECB states that it will assess any differences between banks' practices and the prudential provisioning expectations laid out in the Addendum at least annually and will link the supervisory expectations in this Addendum to new NPLs classified as such from 1 April 2018 onwards. In addition, banks will therefore be asked to inform the ECB

of any differences between their practices and the prudential provisioning expectations, as part of the SREP supervisory dialogue, as from early 2021. This could ultimately result in the ECB requiring banks to apply specific adjustments to their net worth calculations when the accounting treatment applied by the bank is not considered prudent from a supervisory perspective which, in turn, could have an impact on the banks' capital position.

In August 2019 the ECB revised their supervisory expectations for prudential provisioning for new NPLs, in view of the complementary EU regulations, though it added that the rules for the stock of NPLs stayed intact. The calendar became more flexible for new NPLs provisioning (only applicable for NPLs originated before 26 April 2019), with time frame/exposure types now aligned with the new EU rules which are more relaxed. The NPL provisioning calendar would be implemented in 9 years instead of 7 years for secured loans in order to achieve 100% coverage (for unsecured it would continue to be a 2 year calendar). This meant more consistency and non-overlapping rules for new NPLs implying better alignment between ECB and the EU.

In light of the above, it should not be disregarded that new and more demanding additional capital requirements may be applied in the future.

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

See "*Capital requirements*" for further information.

4. *BCC and the GCC Group are exposed to risk of loss from legal and regulatory claims*

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

The GCC Group and its Members (including the Issuer) were exposed to legal claims related to interest rate floor clauses. On 21 December 2016, the European Court of Justice (**ECJ**) published its decision regarding whether the time limitation placed on the refund of amounts following the declaration of invalidity of interest rate floor clauses in mortgage loans to customers by the Supreme Court of Spain in its judgment dated 9 May 2013, among others, was in compliance with Council Directive 93/13/EEC of 5 April on unfair terms in consumer contracts (Directive 93/13/EEC). In its judgment, the ECJ stated that national case-law that sets time limits for the refund of amounts arising from the invalidity of an unfair term in a contract is contrary to article 6(1) of the Directive 93/13/EEC.

Following the entry into force of the Royal Decree-Law 1/2017 concerning Urgent Measures for Protection of Customers and in response to the requirements of the Spanish Securities Exchange Commission (*Comisión Nacional del Mercado de Valores*) (**CNMV**) regarding mortgage floor clauses (*cláusulas suelo*), on 24 January 2017 Cajamar Caja Rural, Sociedad Cooperativa de Crédito published a regulatory announcement (*hecho relevante*) communicating that it had already removed the floor clause to all mortgage loans to individuals (household) affected by the Spanish Supreme Court Decision of 9 May 2013.

Despite the above, during 2017 the GCC Group made payments in connection with claims on interest rate floor clauses which, together with the administrative expenses derived from the management of the claims, amounted to €135.6 million. During this year, payments to customers, along with the administrative expenses incurred in managing claims, totalled €13 million. At 31 December 2019 the GCC Group has therefore a provision for this contingency of €6 million.

Additionally, on 23 December 2015 the Supreme Court of Spain ruled that mortgage clauses that envisaged that a borrower shall pay all fees related to taking out the mortgage were null and void. Nullity declared by the Supreme Court was based on the lack of detail in the loan agreement with regards to expenses, commissions and taxes that should have been detailed in the loan documentation other than imposed in a generic manner. Claims were brought against the GCC Group related to these clauses.

Regarding the reference rate for mortgages in Spain, the Court of Justice of the European Union (CJEU) CJEU has been asked to clarify whether the judgment of the Supreme Court dated 14 December 2017, in which it exempted the Index of Reference of Mortgage Loans (IRPH) (*Índice de Referencia de Préstamos Hipotecarios*) IRPH clause from any transparency control, is adjusted to community law.

The legal matter under debate is the transparency test based on article 4.2 of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts, when the borrower is a consumer. Since the IRPH is the price of the contract and it falls within the definition of the main 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.

On 3 March 2020, the CJEU issued its final decision with regards to the IRPH used by many Spanish lenders to establish the interest rate on numerous mortgage loans. The CJEU declared that national courts are required to verify that a contractual term relating to the main subject matter of the agreement is plain and intelligible and in that regard, a contractual term setting a variable interest rate under a mortgage loan agreement, that term not only must be formally and grammatically intelligible but also enable an average consumer, who is reasonably well-informed and reasonably observant and circumspect, to be in a position to understand the specific functioning of the method used for calculating that rate and thus evaluate, on the basis of clear, intelligible criteria, the potentially significant economic consequences of such a term on his or her financial obligations. The CJEU considers that information that is particularly relevant for the purposes of the assessment to be carried out by the national court in that regard includes (i) the fact that essential information relating to the calculation of that rate is easily accessible to anyone intending to take out a mortgage loan, on account of the publication of the method used for calculating that rate, and (ii) the provision of data relating to past fluctuations of the index on the basis of which that rate is calculated.

The CJEU also establishes that where an unfair contractual term setting a reference index for calculating the variable interest of a loan is null and void, national courts shall replace that index with a statutory index applicable in the absence of an agreement to the contrary between the parties to the contract, in so far as the mortgage loan agreement in question is not capable of continuing in existence if the unfair term is removed and annulment of that agreement in its entirety would expose the consumer to particularly unfavourable consequences.

As of 31 March 2020, the total outstanding amount of performing mortgage loans for home purchase indexed to IRPH with individuals was c. €239 million.

Regarding the revolving card exposures, the Plenary Session of the First Chamber of the Supreme Court, in March 2020, handed down judgment, confirming the annulment of revolving cards considering the remuneration interest usurious. These types of cards allow a credit or deferred payment of purchases or cash provisions to be arranged rapidly. The holder of these revolving cards usually pays a fixed monthly fee but subject to an interest rate usually above 20%. As a result, not only does the cardholder end up paying a much higher amount than the available capital, but the payment of the outstanding debt is extended so much in time that the borrower can become, what the Supreme Court has called, a "captive debtor".

The business of consumer lending for BCC is handled through the joint venture with Banco Cetelem S.A.U (in which BCC holds a 49%) so the impact of this issue would be in the form of less commissions and dividends coming from such agreement. In any case it cannot be disregarded that there could potentially be claims regarding revolving facilities in the future.

5. *The access to equity by BCC may be limited*

As referred to above, due to the authorisation received in June 2014 from the Bank of Spain (*Banco de España*) recognising the GCC Group as an IPS, the obligation of Members of the GCC Group to comply on an individual basis with the application of the capital requirements under CRR has been waived in accordance with Article 10 of such Regulation. This exemption applies to BCC and to each of the 18 other Members of the GCC Group. Consequently, the GCC Group only has to comply with the minimum capital requirements previously defined on a consolidated basis.

BCC is the parent entity of the GCC Group and the Members have delegated to BCC, in its role as the controlling and decision-making entity, all responsibilities in relation to management policies, consolidation of accounts, formulation of business strategy, and ensuring the solvency, liquidity and regulatory compliance of all Members. If a Member needs to recapitalise, it may propose a recapitalisation plan consisting of either an issue of equity instruments or the partial assignment of assets to one or more other Members or a combination of these two measures. Any such recapitalisation plan would require the approval of BCC.

Given that BCC is not a listed company, its access to the capital markets to raise capital may be limited if and when needed.

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

In Spain, Directive 2014/49/EU on deposit guarantee schemes (the **DGSD**) was implemented through Law 11/2015, of 18 June, on recovery and resolution of credit institutions and investment firms (**Law 11/2015**) and Royal Decree 1012/2015, of 6 November, implementing Law 11/2015 (**RD 1012/2015**), which established a requirement for Spanish credit institutions, including BCC, to make at least an annual ordinary contribution to the National Resolution Fund (*Fondo de Resolución Nacional*) (the **National Resolution Fund**) payable on request of the Fund for Orderly Bank Restructuring (*Fondo de Reestructuración Ordenada Bancaria*) (the **FROB**) in addition to the annual contribution to be made to the Deposit Guarantee Fund (*Fondo de Garantía de Depósitos de Entidades de Crédito*) (the **Deposit Guarantee Fund**) by member institutions. The total amount of contributions to be made to the National Resolution Fund by all Spanish banking entities must equal, at least, 1% of the aggregate amount of all deposits guaranteed by the Deposit Guarantee Fund by 31 December 2024. The contribution will be adjusted to the risk profile of each institution in accordance with the criteria set out in RD 1012/2015 and in the Commission Delegated Regulation (EU) 2015/63, of 21 October 2014, supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to ex ante contributions to resolution financing arrangements. The National Resolution Fund was combined with the rest of the EU Member State's national funds into the Single Resolution Fund on 1 January 2016. Regulation (EU) No. 806/2014 (the **SRM Regulation**) was enacted whereby the SRB replaces the national resolution authorities and assumes administration of the Single Resolution Fund and calculation of the bank contributions, applying the calculation methodology set out in Commission Delegated Regulation (EU) 2015/63, of 21 October 2014.

In addition to the above, the FROB may collect extraordinary contributions. Furthermore, Law 11/2015 has also established an additional charge (*tasa*) which shall be used to further fund the activities of the FROB, in its capacity as a resolution authority, which charge shall equal 2.5% of the above annual ordinary contribution to be made to the National Resolution Fund.

These contributions are based on a lump-sum contribution, calculated pro-rata with respect to the amount of the GCC Group's liabilities, excluding own funds and covered deposits, in relation to the total liabilities less own funds less covered deposits; and a risk-adjusted contribution based on criteria of the DGSD. The contribution is recognised in the item "Other operating expenses- contribution to the Deposit Guarantee Fund". The contributions made by the Group to the national Deposit Guarantee Fund are €38 million during 2018 and €40 million in 2019. Regarding the contributions to the Single Resolution Fund, they amount to €9 million in 2018 and €10 million in 2019.

Any levies, taxes or funding requirements imposed on BCC pursuant to the foregoing or otherwise in any of the jurisdictions where it operates could have a material adverse effect on BCC's business, financial condition and results of operations.

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

The GCC Group entities (including the Issuer) are subject to rules and regulations regarding money laundering and the financing of terrorism. Monitoring compliance with anti-money laundering and anti-terrorism financing rules can put a significant financial burden on banks and other financial institutions and pose significant technical problems. Although the Issuer and the GCC Group believe that their current policies and procedures are sufficient to comply with applicable rules and regulations, the Issuer cannot guarantee that its GCC Group-wide anti-money laundering and anti-terrorism financing policies and procedures completely prevent situations of money laundering or terrorism financing. Any of such events may have severe consequences, including sanctions, fines and reputational consequences, which could have a material adverse effect on the Issuer's and the GCC Group's financial condition and results of operations.

Compliance risk also entails the risk of legal or administrative sanctions or loss of reputation due to failures to comply with laws, regulations, self-regulation, codes of conduct and internal regulations applicable to its banking activities. Regulatory compliance is a responsibility that falls to the whole GCC Group and its staff; not only to a particular area or department. BCC is responsible for continuous compliance monitoring across the GCC Group; assessing and managing the risk of non-compliance related to transparency, customer protection and rules of conduct in the areas of markets, market abuse, customer banking products and services, protection of personal data and the prevention of criminal risks related to business activities of BCC, and promoting appropriate training to staff on these matters within the GCC Group.

Credit and Liquidity Risks

8. *The Issuer and the GCC Group's business is significantly affected by credit and counterparty risk*

The Issuer and the GCC Group are exposed to the creditworthiness of its customers and counterparties.

The GCC Group and its Members (including the Issuer) are exposed to risks faced by other financial institutions. The GCC Group routinely transacts with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients. Defaults by, and even rumours or questions about the solvency of, certain financial institutions and the financial services industry generally have led to market-wide liquidity problems and could lead to losses or defaults by other institutions. These liquidity concerns have had, and may continue to have, a chilling effect on inter-institutional financial transactions in general. Many of the routine transactions the GCC Group and its Members (including the Issuer) enter into expose them to significant credit risk in the event of default by one of the GCC Group's or its Members' (including the Issuer) significant counterparties.

Despite the risk control measures it has in place, a default by a significant financial counterparty, or liquidity problems in the financial services industry in general, could have a material adverse effect on the Issuer's and the GCC Group's business, financial condition, results of operations and prospects. Although the Issuer and the GCC Group regularly reviews its exposure to its clients and other counterparties, as well as its

exposure to certain economic sectors and regions that the GCC Group believes to be particularly critical, payment defaults may arise from events and circumstances that are unforeseeable or difficult to predict or detect. In addition, collateral and security provided to the GCC Group may be insufficient to cover the exposure or others' obligations to the GCC Group.

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

Market turmoil and economic weakness, especially in Spain, could have a material adverse effect on the liquidity, business and financial conditions of the GCC Group's clients, which could in turn impair the overall loan portfolio of the GCC Group. The GCC Group caters to a range of different customers. Two of the business segments on which it focuses are retail loans for home purchases and small and medium-sized enterprises (SMEs). As of 31 December 2019 retail loans for house purchases (most of them mortgage loans) accounted for 35.22% of the loan portfolio (36.52% at 31 December 2018) (including customer loans and advances, contingent liabilities, undrawn balances drawable by third parties (with the exception of developer loans which exclude amounts drawable due to subrogations), non-performing and written-off assets and loans securitised and derecognised; not including impairment charges). SMEs in Spain (comprising the small businesses, agri-food retail and SMEs items of the consolidated credit portfolio) represented 32.59% of the GCC Group's total loan portfolio as of 31 December 2019 compared to 32.18% as of 31 December 2018. See "*Description of the Issuer and the GCC Group — Business activities of the Issuer and the GCC Group — Lending Activities*". SMEs are particularly sensitive to adverse developments in the economy, rendering the GCC Group's lending activities relatively riskier than if it lent primarily to higher-income customers.

In addition, if economic growth further weakens the unemployment rate increases or interest rates increase sharply, the creditworthiness of the GCC Group's customers may deteriorate. See "*Unfavourable global economic conditions, and, in particular, unfavourable economic conditions in Spain or any deterioration in the Spanish or general European financial systems, could have a material adverse effect on the business, financial condition, results of operations and prospects of BCC and the GCC Group*" above.

A weakening in customer and counterparties creditworthiness could impact the GCC Group's capital adequacy.

9. *Liquidity risk is inherent in the Issuer and the GCC Group's operations, particularly in the inter-bank and debt markets and could materially adversely affect the Issuer's and the GCC Group's liquidity position and credit volume*

Liquidity is essential to any banking business and liquidity risk comprises uncertainties in relation to the Issuer's and the GCC Group's ability, under adverse conditions, to access the necessary funding in order to cover its obligations to customers, meet the maturity of its liabilities and to satisfy capital requirements. It includes both the risk of unexpected increases in the cost of financing and the risk of not being able to structure the maturity dates of the Issuer's and the GCC Group's liabilities reasonably in line with their assets, as well as the risk of not being able to meet their payment obligations on time at a reasonable price due to liquidity pressures and lower credit ratings.

The recent global COVID-19 pandemic has led to significant volatility in financial, commodities and other markets and could harm the business and results of operations of the Issuer and the GCC Group.

The Issuer's and the GCC Group's main source of liquidity and funding are their customer deposit base, as well as on-going access to wholesale financial markets, including senior unsecured bonds, loans and credit facilities from other credit institutions. In recent years, however, the prevalence of historically low interest rates has resulted in customers favouring alternative financial products with greater profitability potential over savings accounts or certificates of deposit. Since the Issuer and the GCC Group rely on demand

deposits (comprised mainly of current and savings accounts) and term deposits (mostly fixed-term deposits) for a material portion of its funding (accounting for 69.3% of the GCC Group's liabilities as of 31 December 2019 and 69.5% of the GCC Group's liabilities as of 31 December 2018), BCC cannot provide any assurance that, in the event that its depositors withdraw their funds at a rate faster than the rate at which borrowers repay their loans or in the event of a sudden or unexpected shortage of funds in the banking systems or money markets in which the Issuer and the GCC Group operate or a loss of confidence (including as a result of political or social tensions in the regions where they operate or political initiatives, including bail-in and/or confiscation and/or taxation of creditors' funds), the Issuer and the GCC Group will be able to maintain their current levels of funding without incurring higher funding costs or having to liquidate certain of their assets and resulting in an adverse effect on the Issuer's and/or the GCC Group's liquidity, business, financial condition, results of operations and prospects.

As at 31 December 2019, the GCC Group had €750 million covered bonds maturing in 2020, €750 million covered bonds maturing in 2022 and €500 million covered bonds maturing in 2023 (figures net of retained amounts), as well as €100 million subordinated debt maturing in 2026 and €300 million subordinated debt maturing in 2027. There can be no assurance that the Issuer and/or the GCC Group will be able to refinance this indebtedness on commercially reasonable terms, or at all, however, and any failure to achieve its refinancing strategy would have a material adverse effect on the Issuer's and/or the GCC Group's business, financial condition, results of operations and prospects. In particular, should the Issuer not be able to refinance any outstanding Tier 2 subordinated notes, this could have an adverse effect on the GCC Group's solvency ratios.

Regarding the use of ECB refinancing facilities, the Issuer and the GCC Group have no material structural reliance on ECB funding and, therefore, the ECB does not fund the Issuer and the GCC Group's ordinary course of business, although the GCC Group has taken advantage of the financing provided by the ECB through its different modalities of the Long Term Refinancing Operations (**LTRO**) and Targeted Long Term Refinancing Operations (**TLTRO**). As of 31 December 2019, the GCC Group had €5,087 million of ECB funding representing 11.4% of the GCC Group's total liabilities (12.3% as of 31 December 2018), out of which €3,254 million corresponded to the TLTRO II and €1,833 million to the new TLTRO III.

As of 31 March 2020, the GCC Group had €5,680 million outstanding, out of which €2,014 million corresponded to the TLTRO II and €3,666 million to the TLTRO III. On 12 March 2020, the ECB announced easing of conditions for TLTRO III, which included more favourable conditions to support bank lending to those affected most by the spread of the COVID-19, which are SMEs. Also, the interest rate on TLTRO III was reduced by 25 basis points and could be as low as 25 basis points below the average deposit facility rate during the period from June 2020 to June 2021 for all TLTRO III operations outstanding during that period (if lending threshold of 0% is met). On 30 April 2020, the ECB announced another additional 25 basis points for the aforementioned period (which means achieving temporarily an expected interest rate of -100 basis points), provided that the lending threshold condition is met. Also, the borrowing allowance increased from 30% to 50% of eligible loans.

The outstanding amount of the TLTRO II as of 31 March 2020 (€2,014 million), as well as the €750 million covered bond maturing in October 2020, are expected to be refinanced by additional withdrawals of the TLTRO III. Regarding the new increased 50% limit of eligible loans, BCC would have the capability to take additional €3,803 million. The usage of ECB's facilities will be with the aim of optimising resources, reducing funding costs and maximising financial margins.

The ECB has established criteria to determine which assets are eligible collateral and the Issuer and the GCC Group are thus exposed to the risk that the ECB changes its criteria and the assets the Issuer and the GCC Group hold become ineligible for use as collateral under the new criteria, that the valuation rules are changed or that the costs of using the refinancing facilities increase. If the value of the Issuer's and the GCC Group's eligible assets decline, then the amount of funding it can obtain from the ECB or other central banks will be correspondingly reduced, which could have a material adverse effect on the Issuer's and the GCC Group's liquidity. If these facilities and similar expansionary economic policies were to be withdrawn or ceased,

there could be no assurance that the Issuer and the GCC Group would be able to continue to maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets, potentially at significant discounts to book value, to meet its obligations, with a corresponding negative impact on capital.

Although the Issuer and the GCC Group place significant emphasis on liquidity risk management and focus on maintaining a liquidity surplus in the short term, the Issuer and the GCC Group are exposed to the general risk of liquidity shortfalls and cannot ensure that the procedures in place to manage such risks will be adequate to mitigate liquidity risk.

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

Any reduction in BCC's credit rating could increase its cost of funding, adversely affect its interest margins and make its ability to raise new funds or renew maturing debt more difficult

Credit ratings affect the cost and other terms upon which BCC is able to obtain funding. Any rating of its long-term debt is based on a number of factors, including its financial strength as well as conditions affecting the financial services industry generally.

In the context of the portfolio review of Spanish banks as a result of the economic fallout from the COVID-19 crisis, in March 2020 Fitch Ratings downgraded BCC's Long-Term Issuer Default Rating (**IDR**) to 'BB-' from 'BB' and Viability Rating (VR) to 'bb-' from 'bb'. The Outlook on the Long-Term IDR is now negative.

Any actual or anticipated decline in BCC's credit rating may increase its finance cost and decrease its ability to finance itself in the capital and money markets, interbank markets, through wholesale deposits or otherwise, harm its reputation, require BCC to replace funding lost due to the downgrade, which may include the loss of customer deposits, and make third parties less willing to transact business with BCC or the GCC Group or otherwise materially adversely affect its business, financial condition and results of operations. Furthermore, any decline in BCC's credit rating could breach certain agreements or trigger additional obligations under such agreements, such as a requirement to post additional collateral, which could materially adversely affect the Issuer and the GCC Group's business, financial condition and results of operations.

Since BCC is a Spanish entity with substantial operations in Spain, its credit ratings may also be adversely affected by the assessment by rating agencies of the creditworthiness of the Kingdom of Spain. Any decline in the Kingdom of Spain's sovereign credit ratings could, in turn, result in a decline in BCC's credit rating.

As for Spain, in recent years it has experienced increases in its cost of funding due to concerns regarding rising sovereign debt levels, but in 2018 the credit rating of the Kingdom of Spain was upgraded by Standard & Poor's and the risk premium decreased consequently. However, any downgrade in the credit rating of the Kingdom of Spain or increasing concerns about its ability to make payments on its sovereign debt could lead to an increase in BCC's borrowing costs, limit its access to capital markets and adversely affect the sale or marketing of its products, its participation in business transactions and its ability to retain customers, which could adversely affect its liquidity and have a material adverse effect on its business, financial condition and results of operations.

Market turmoil, and, in particular, any increase in volatility or liquidity crisis could affect the ability of BCC to access wholesale funding or increase its borrowing cost.

11. *The financial problems faced by the Issuer's and/or the GCC Group's customers could adversely affect the Issuer and/or the GCC Group*

Some of the Issuer's and the GCC Group's business is cyclical and the Issuer's and the GCC Group's income may decrease when demand for certain products or services is in a downwards cycle. The level of income the Issuer and the GCC Group derives from certain of its products and services depends on the strength of the economies in the regions where the Issuer and the GCC Group operate and market trends prevailing in those regions. Market turmoil and economic recession, especially in Spain, could materially and adversely affect the liquidity, businesses and/or financial conditions of the Issuer's and/or the GCC Group's borrowers, which could in turn increase the Issuer's and/or the GCC Group's non-performing loan ratios, impair the Issuer's and/or the GCC Group's loan and other financial assets and result in decreased demand for borrowings in general. In the context of the recovery from the recent market turmoil and economic recession, and with high unemployment coupled with low consumer spending, the value of assets collateralising the Issuer and the GCC Group's secured loans, including homes and other real estate could decline, which could result in the impairment of the value of the Issuer's and the GCC Group's loan assets. In addition, the Issuer's and the GCC Group's customers may further significantly decrease their risk tolerance to non-deposit investments such as stocks, bonds and mutual funds, which would adversely affect the Issuer's and the GCC Group's fee and commission income. Any of the conditions described above could have a material adverse effect on the Issuer's and the GCC Group's business, financial condition and results of operations.

The indebtedness of Spanish households and firms has increased in recent years, which represents increased risk for the Spanish banking system. The increase of loans referenced to variable interest rates makes debt service on such loans more vulnerable to upward movements in interest rates and the profitability of the loans more vulnerable to interest rates decreases. Highly indebted households and businesses are less likely to be able to service debt obligations as a result of adverse economic events, which could have an adverse effect on the Issuer's and the GCC Group's loan portfolio and, as a result, on its financial condition and results of operations. Moreover, the increase in households' and firms' indebtedness also limits their ability to incur additional debt, decreasing the number of new products BCC may otherwise be able to sell them and limiting the Issuer's and the GCC Group's ability to attract new customers in Spain which satisfy its credit standards, which may have an adverse effect on BCC's business, financial position and results of operations, as well as the GCC Group's ability to achieve its growth plans.

The non-performing loan (NPL) ratio of the Group as of 31 December 2019 was of 6.1%, compared to 7.6% as of 31 December 2018 (5.8% as of 31 March 2020). The level of NPLs inflows during the year decreased from €392 million in 2018 to €382 million in 2019, while the outflows also decreased from €1,294 million to €892 million, respectively. The reduction of NPLs could slow down as a consequence of the economic downturn that is expected to happen in Spain in the following year due to the COVID-19 crisis.

Market Risks

12. *The cyclical nature of the real estate industry may adversely affect the Issuer's and the GCC Group's operations*

The GCC Group and its Members (including the Issuer) are exposed to market fluctuations in the price of real estate in various ways. Loans for home purchase are one of the GCC Group's main assets and represented 40% of its total gross loan portfolio (including customer loans and advances, contingent liabilities, undrawn balances drawable by third parties (with the exception of developer loans which exclude amounts drawable due to subrogations), non-performing and written-off assets and loans securitised and derecognised; not including impairment charges) as of 31 December 2019. Loans to property developers and construction companies to build properties for sale comprised 2.65% of the total gross loan portfolio as of 31 December 2019. Higher interest rates and unemployment rates coupled with declining real estate prices, could have a material adverse impact on BCC's mortgage payment delinquency rates, which in turn could have a material adverse effect on its business, financial condition and results of operations.

The decline in property prices decreases the value of the real estate securing BCC's mortgage loans and adversely affects the credit quality of property developers to whom BCC has lent. Furthermore, under certain circumstances, the Members of the GCC Group (including the Issuer) takes title to the real estate assets securing a mortgage loan, either in connection with the surrender of the assets in settlement of the debt or the purchase of the assets or pursuant to legal proceedings to repossess the assets. Therefore, failure of the real estate market to recover or declining real estate prices could have a material adverse effect on the Issuer's and the GCC Group's business, financial condition, results of operations and prospects.

A decrease in real estate prices, could have a material impact on BCC's ratio of non-performing mortgage loans, which could increase the GCC Group's real estate risk and have an adverse effect on the GCC Group's business, financial position and operating results.

There is also the risk that the value at which BCC's existing real estate assets (and any others that may be included in the future as a result of BCC's activity) are recorded on its balance sheet may not match their realisable value if they were sold, given the difficulties of making valuations in a market as illiquid as the current Spanish real estate market. The GCC Group has a high exposure to foreclosed assets totalling €2,710 million gross as of 31 December 2019 (€1,417 million in net terms), which implies having one of the highest non-performing assets ratio of the Spanish financial sector (13.6%). In the first quarter of 2020, the GCC Group has seen a slowdown in the pace of disposals of foreclosed assets.

The deterioration of the current economic situation could affect collateral market prices as well as those of foreclosed assets, potentially requiring the Group to increase the volume of non-performing assets provisions.

13. *Market risks associated with fluctuations in bond and equity prices, exchange rates and other market factors could potentially affect the Issuer's and the GCC Group's business.*

As of 31 December 2019, the GCC Group had financial assets at fair value through other comprehensive income amounting to €2,551 million, of which €2,250 million was debt securities (mostly sovereign debt) and €301 million equity securities. In addition, the GCC Group had at the same date €358 million financial assets designated at fair value through profit and loss, of which €122 million was debt securities.

The GCC Group and its Members (including the Issuer) may have exposure to market risk in respect of securities in the relevant portfolios. In addition, the GCC Group and its Members (including the Issuer) may also have exposure to risk in respect of securities in its long-term investment portfolio or may engage in securities or currency trading in the future. As a consequence of the above, the performance of financial markets could cause changes in the value of any such GCC Group's investment and trading portfolios.

If the value of securities is affected by market risks, this may have a material adverse effect on the Issuer's and the GCC Group's business, financial condition, results of operations and prospects.

The GCC Group and its Members (including the Issuer) are exposed to sovereign debt risk. Apart from the aforementioned portfolios (debt securities at fair value through profit and loss and debt securities at fair value through other comprehensive income), the GCC Group has €8,412 million debt securities at amortised cost, of which €8,024 is public administrations (mostly Italian, Spanish and Portuguese government bonds). As Italy and Spain have been severely affected by the COVID-19 crisis, sovereign yields have also been severely affected. Any decline in Spain's, Portugal's or Italy's credit ratings, or in the credit ratings of other Eurozone or other government bonds in which the GCC Group could invest from time to time, could adversely affect the value of Spain's, Portugal's, Italy's, Spanish autonomous communities' and other issuers' respective securities held by the GCC Group in its various portfolios and could also adversely impact the extent to which the GCC Group can use the Spanish, Portuguese and Italian government bonds it holds (or other government bonds that it may hold from time to time) as collateral for ECB refinancing and, indirectly, for refinancing with other securities. Likewise, any permanent reduction in the value of Spanish, Portuguese or Italian government bonds (or, as the case may be, government bonds issued by other Eurozone sovereign

issuers) would be reflected in the GCC Group's capital position and would adversely affect its ability to access liquidity, raise capital and meet minimum regulatory capital requirements. As such, a downgrade or series of downgrades in the sovereign rating of Spain, Portugal and/or Italy (or any other relevant sovereign) and any resulting reduction in the value of Spanish, Portuguese or Italian government bonds (or other relevant government bonds) may have a material adverse effect on the Issuer's and the GCC Group's business, capital position, financial condition, results of operations and prospects. Furthermore, any downgrades of Spain's, Portugal's or Italy's ratings (or other relevant sovereign ratings) may increase the risk of a downgrade of the Issuer's credit ratings by the rating agencies. See "*Credit, market and liquidity risks may have an adverse effect on the Bank's credit ratings and the GCC Group's cost of funds. Any reduction in the Bank's credit rating could increase the Group's cost of funding and adversely affect the GCC Group's interest margins*" above. As of 31 December 2019, the exposure of the GCC Group to sovereign debt is c.€10 billion, out of which 74% corresponds to Italy, 23% to Spain and 3% to Portugal.

14. *The Issuer's and the GCC Group's business is particularly sensitive to changes in interest rates*

The Issuer's and the GCC Group's results of operations depend upon the level of their net interest income, which is the difference between interest income from loans and other interest-earning assets and interest expense paid to their depositors and other creditors on interest-bearing liabilities. Net interest income contributed 63.1% and 68.4% of the GCC Group's gross income (excluding gains from the sale of financial assets) in the years ended 31 December 2019 and 2018, respectively.

Interest rates are highly sensitive to many factors beyond the Issuer's and the GCC Group's control, including fiscal and monetary policies of governments and central banks and regulation of the financial sectors in the markets in which it operates, as well as domestic and international economic and political conditions and other factors. As a significant portion of the Issuer's and the GCC Group's customer loans as of 31 December 2019 consisted of variable interest rate loans, its business is sensitive to volatility in interest rates.

Changes in market interest rates may affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities and subsequently affect the Issuer's and/or the GCC Group's results of operations. An increase in interest rates, for instance, could cause the Issuer and the GCC Group's interest expense on deposits to increase more significantly and quickly than its interest income from loans, resulting in a reduction in their net interest income as often their liabilities will re-price more quickly than their assets. Further, an increase in interest rates could result in a reduction in the demand for loans and the Issuer's and the GCC Group's ability to originate loans, and also contribute to an increase in credit default rates among the Issuer's and the GCC Group's customers. Conversely, a decrease in the general level of interest rates could adversely affect the Issuer and the GCC Group through, among other things, increased pre-payments on its loan and mortgage portfolio, lower net interest income from deposits, reduced demand for deposits and increased competition for deposits and loans to clients. Fluctuations in interest rates may therefore have a material adverse effect on the Issuer's and the GCC Group's business, financial condition and results of operations

As a matter of fact, a 100 bps increase in interest rates (1%), assuming that the size and structure of the balance sheet remains the same, would have an impact on net interest income that is sensitive to interest rates on a one-year horizon totaling -4.57% in 2019 (0.98% in 2018).

Business and Industry Risks

15. *Operational risks are inherent to the Issuer's and the GCC Group's business*

The Issuer's and the GCC Group's business is dependent on their ability to process a large number of transactions efficiently and accurately. The Issuer and the GCC Group are exposed to a variety of operational risks such as those resulting from process error, system failure, under-performance of its staff, inadequate customer services, natural disasters or the failure of external systems including clerical or record keeping

errors, or errors resulting from faulty computer, telecommunications or information systems, or from external events.

The Issuer's and the GCC Group's business activities require them to record and process a large number of transactions and handle large amounts of money accurately on a daily basis. The proper functioning of financial control, accounting or other data collection and processing systems is critical to the Issuer's and the GCC Group's business and to their ability to compete effectively. A human or technological failure, error, omission or delay in recording or processing transactions, or any other material breakdown in internal controls, could subject the Issuer and/or the GCC Group to claims for losses from clients, including claims for breach of contractual and other obligations, and to regulatory fines and penalties. Further, any failure or interruption or breach in security of communications and information systems could result in failures or interruptions in the Issuer's and/or the GCC Group's customer relationship management, general ledger, deposit, servicing and/or loan organisation systems or lead to theft of confidential customer information, computer viruses or other disruptions. Additionally, the Issuer and the GCC Group face the risk of theft, fraud or deception carried out by clients, third-party agents, employees and managers. Any of the above could provoke reputational and/or financial harm to the Issuer and the GCC Group, which could have a material adverse effect on their business, financial condition, results of operations and prospects.

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

Risks relating to data collection, processing and storage systems are inherent in the Issuer's and the GCC Group's business and the Issuer and the GCC Group are increasingly exposed to cyber security threats. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems or from external events that interrupt normal business operations.

Due to the COVID-19 pandemic, the Issuer and the GCC Group have increased the usage of telematic instruments in order to maintain the same level of activity. Therefore, cyber risks have increased as digital technologies are becoming an essential part of the Issuer's and the GCC Group's daily business.

The main challenges that could affect the business are: the frustration of users in the face of the change in the way of working; lack of training or connection devices; remote access configuration failures; failures in the sizing of connection lines to the centres; absence of "reliable" methods of connection to the work centre and increased risk by allowing connections from personal equipment of the user to their workplace.

This new remote working situation leads to an increase in the organisation's exposure area to potential threats as any successful attack on any of the users could have a direct impact in the security of the organisation, so special care is being applied when managing access to BCC's platform.

Pillar 1 capital requirements for operational risk stood at €122 million as at 31 December 2019.

16. *The Issuer and the GCC Group face increasing consolidation of the competition in its business lines and the introduction of potentially disruptive new competitors*

The banking sector in Spain is highly competitive. Financial sector reforms have increased competition among both local and foreign financial institutions, and the Issuer believes that this trend will continue. In addition, the trend towards consolidation in the banking industry has created larger and stronger banks with which it must now compete, some of which have recently received public capital.

The Spanish banking sector has experienced a phase of particularly fierce competition, as a result of: (i) the implementation of directives intended to liberalise the European Union's banking sector; (ii) the deregulation of the banking sector throughout the European Union, especially in Spain, which has encouraged competition in traditional banking services, resulting in a gradual reduction in the spread between interest

income and interest expense; (iii) the focus of the Spanish banking sector upon fee revenues, which means greater competition in asset management, corporate banking, and investment banking; (iv) changes to certain Spanish tax and banking laws; and (v) the development of services with a large technological component, such as internet, phone and mobile banking. In particular, financial sector reforms in the markets in which the Issuer and the GCC Group operate have increased competition among both local and foreign financial institutions. There has also been significant consolidation in the Spanish banking industry which has created larger and stronger banks with which the Issuer and the GCC Group must now compete. This trend is expected to continue as the Bank of Spain continues to impose measures aimed at restructuring the Spanish financial sector, including requirements that smaller, non-viable regional banks consolidate into larger, more solvent and competitive entities, and reducing overcapacity.

The Issuer and the GCC Group also face competition from non-bank financial institutions and other entities, such as leasing companies, mutual funds, pension funds and insurance companies and, to a lesser extent, department stores (for some consumer finance products) and car dealers. In addition, the Issuer and the GCC Group face competition from shadow banking entities that operate outside the regulated banking system as well as from tech companies such as Amazon, Google and Apple and fintech companies. Furthermore, "crowdfunding" and other social media developments in finance are expected to become more popular as technology further continues to connect society. The Issuer and the GCC Group cannot be certain that this competition will not adversely affect its competitive position.

BCC also faces increased pressure to meet rising customer demands to provide new banking products. There is no guarantee that BCC's management and employees will succeed in adopting new work methods and approaches to customer service that will keep up with the pace of change in the current banking environment, which may adversely affect its ability to successfully compete in its primary markets.

If the Issuer fails to implement strategies to maintain or enhance its competitive position or the competitive position of the GCC Group relative to these improved banking institutions, the Issuer's and the GCC Group's market share may deteriorate and this may have a material adverse effect on its business, financial condition, results of operations and prospects.

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

Reputational risk can be defined as that arising from the negative perception of BCC by the various stakeholders with which it relates or by public opinion, which could cause an adverse impact on the capital, liquidity, on the results or the development of the businesses making up its activity. It is a risk which arises from the materialisation of other risks. Legal, economic, financial, operational, ethical, social and environmental factors may influence in reputational risk and could cause a loss of confidence in the institution.

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

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

18. *The Issuer and the GCC Group may generate lower revenues from brokerage and other commission- and fee-based operations. This could also affect the value of its portfolio*

Net fee and commission income represented 21.4% and 28.0% of the GCC Group's gross income for the years ended 31 December 2019 and 2018, respectively, and is an important part of its overall profitability.

Reduced fee and commission income from the Issuer's and the GCC Group's commercial banking activities, due for example to commercial pressure such as competition from other financial institutions, court decisions, weak performance of foreign exchange markets or other financial markets or underperformance (compared to certain benchmarks or the GCC Group's competitors) by funds or accounts that the GCC Group and its Members (including the Issuer) manage or investment products that they sells, or declines in portfolio values due to adverse market conditions and increased client perceptions of risk from financial markets may have an adverse effect on the business, financial condition, results of operations and prospects of the Issuer and the GCC Group.

In an environment of economic recession due to COVID-19 and with the consequent impact on financial markets, the asset management business is being affected, which implies an impact on reduction in fees resulting from the commercialisation of funds. Asset under management, that amounted to €4,851 million as of 31 December 2019, totalled €4,499 million as of 31 March 2020. This reduction has a direct impact on the commissions resulting from this type of business. In the future, these inflows will depend on the evolution and the volatility of the financial markets.

Regarding the consumer lending business, managed through the subsidiary GCC Consumo E.F.C, it may also be affected by the decrease in commission generation due to the slowdown in this type of product commercialisation.

The above could also affect the value of the investment of the GCC Group in Cajamar Vida S.A Seguros y Reaseguros, due to the actuarial risk that affects the value and performance of insurance and pension products and that could be reduced.

19. *The GCC Group's admittance of new members may expose it to risks*

The GCC Group allocates management and planning resources of BCC to develop strategic plans for organic growth. BCC is open to evaluating applications from credit cooperatives if it believes they could offer additional value to its Members and are consistent with its business strategy. The GCC Group's ability to benefit from any such acquisitions will depend in part on its successful integration of those entities. The GCC Group can give no assurances that its expectations with regards to integration and synergies will materialise. The GCC Group also cannot provide assurance that it will, in all cases, be able to manage the GCC Group's growth effectively or deliver its strategic growth objectives.

Challenges that may result from its strategic growth decisions and admitting new credit cooperatives into the GCC Group include its ability to manage efficiently the operations and employees of all Members of the GCC Group, maintain or grow its existing customer base, assess the value, strengths and weaknesses of investment or new member credit cooperatives, finance strategic investments, fully integrate strategic investments or new credit cooperatives in line with its strategy, align its current information technology systems adequately with those of an enlarged GCC Group, apply its risk management policy effectively to an enlarged GCC Group, and manage a growing number of Members without over-committing management or losing key personnel. Likewise, upon the accepting the application of a credit cooperative into the GCC Group, despite the legal and business due diligence processes conducted in respect of such credit cooperatives in connection with their application, the GCC Group may subsequently uncover information that was not known to the GCC Group.

Any failure to manage growth of the GCC Group effectively, including relating to any or all of the above challenges, could have a material adverse effect on the operating results, financial condition and prospects of

the Issuer and the GCC Group. Furthermore, the operational integration of entities which the GCC Group may admit as members could prove to be difficult and complex, and the benefits and synergies obtained from that integration may not be in line with expectations.

Financial Reporting and Control Risks

- 20. *The Issuer and the GCC Group's annual accounts are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of the Issuer's and the GCC Group's operations and financial position. Despite the Issuer's and the GCC Group's risk management policies, procedures and methods, the Issuer and the GCC Group may nonetheless be exposed to unidentified or unanticipated risks***

The preparation of annual accounts requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the Issuer's and the GCC Group's results and financial position, based upon materiality and significant judgements and estimates, include impairment of loans and advances, goodwill impairment, valuation of financial instruments, impairment of available-for-sale financial assets, deferred tax assets provision, future losses for contingencies, valuation of real estate assets and pension obligation for liabilities.

The Issuer and the GCC Group have to calculate provisions with its own models, which are based on historic data. With the current COVID-19 crisis, these estimates could become inaccurate causing misstatement of the provisions calculated.

Also, in terms of asset quality, the Issuer and the GCC Group have to make valuations of the collateral of the loans and also of the real estate assets acquired through foreclosure. The COVID-19 crisis could have an impact on the valuation of these assets and therefore the assumptions taken could be inaccurate.

If the judgment, estimates and assumptions the Issuer uses in preparing its consolidated annual accounts are subsequently found to be incorrect, there could be a material effect on its results of operations and a corresponding effect on its funding requirements and capital ratios.

The GCC Group's risk management techniques and strategies may not be fully effective in mitigating the GCC Group's risk exposure in all economic market environments or against all types of risk, including risks that the GCC Group fails to identify or anticipate. Some of the GCC Group's qualitative tools and metrics for managing risk are based upon the GCC Group's use of observed historical market behaviour. The GCC Group applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. These qualitative tools and metrics may fail to predict future risk exposures.

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

Risks related to the structure of a particular issue of Notes

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

1. ***The Notes may be redeemed prior to maturity at the Issuer's option, for taxation reasons or upon the occurrence of a Capital Event or an Eligible Liabilities Event, subject to certain conditions. If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return***

If so specified in the Final Terms, the Notes may be redeemed prior to maturity at the Issuer's option, as further described in Condition 8.3 (*Redemption at the option of the Issuer (Issuer Call)*).

In addition, if the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority therein having power to tax (a **Tax Jurisdiction**), the Issuer may, at its option, redeem all outstanding Notes in whole, but not in part, in accordance with the Conditions of the Notes. The Notes may be also redeemed for taxation reasons if (i) the Issuer would not be entitled to claim a deduction in computing taxation liabilities in any Tax Jurisdiction in respect of any payment of interest to be made on the next Interest Payment Date or the value of such deduction to the Issuer would be materially reduced or (ii) if the applicable tax treatment of the Notes is materially affected. In each case, the Issuer may only redeem such Notes if such additional payment or inability to claim a tax deduction (as applicable) occurs or the applicable tax treatment of the Notes is materially affected as a result of any change in, or amendment to, the laws or regulations of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes and, in the case of MREL Eligible Ordinary Senior Notes, Senior Non Preferred Notes and Subordinated Notes subject to the permission of the Competent Authority and/or the Relevant Resolution Authority (as defined in the Conditions of the Notes), if and as applicable (if such permission is required) therefore under Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) and may only take place in accordance with Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) as further described in Condition 8.2 (*Redemption for tax reasons*).

Furthermore and to the extent specified in the applicable Final Terms, (i) if a Capital Event occurs, the Issuer may redeem all, and not some only, of any Series of Tier 2 Subordinated Notes subject to such redemption being permitted by the Applicable Banking Regulations then in force and subject to the prior permission of the Competent Authority and/or Relevant Resolution Authority, if and as applicable (if such permission is required), as further described in Condition 8.4 (*Redemption at the option of the Issuer (Capital Event): Tier 2 Subordinated Notes*) and (ii) if an Eligible Liabilities Event occurs, MREL Eligible Ordinary Senior Notes, Senior Non Preferred Notes and Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part, subject to such redemption being permitted by the Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) then in force, and subject to the prior permission of the Competent Authority and/or Relevant Resolution Authority, if and as applicable (if such permission is required), as further described in Condition 8.5 (*Redemption at the option of the Issuer (Eligible Liabilities Event): Subordinated Notes or Senior Notes*). It is not possible to predict whether of the events referred to above will occur and so lead to the circumstances in which the Issuer is able to elect to redeem the Notes, and if so whether or not the Issuer will elect to exercise such option to redeem the Notes or, in the case where any prior permission of the Competent Authority and/or the Relevant Resolution Authority for such redemption is required, whether such permission will be given. There can be no assurances that, in the event of any such early redemption, Noteholders will be able to reinvest the proceeds at a rate that is equal to the return on the Notes.

Any optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem Notes, or during which there is an actual or perceived increased likelihood that the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially

above the price at which they can be redeemed. This also may be true prior to any redemption period if the market believes that the Notes may become eligible for redemption in the near term.

The Issuer may redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

2. *The qualification of certain Ordinary Senior Notes, Senior Non Preferred Notes and Subordinated Notes as Eligible Liabilities of the Issuer or the GCC Group is subject to uncertainty*

Certain Ordinary Senior Notes, Senior Non Preferred Notes and Subordinated Notes may be intended to be Eligible Liabilities (as defined in the Conditions) under the Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations).

However, the implementation in the Kingdom of Spain of the EU Banking Reforms (as defined in the Conditions) is pending and there is uncertainty as to how they will be interpreted and applied and the Issuer cannot provide any assurance that certain Ordinary Senior Notes, Senior Non Preferred Notes and Subordinated Notes will or may be (or thereafter remain) Eligible Liabilities.

If for any reason Ordinary Senior Notes, Senior Non Preferred Notes and Subordinated Notes where Eligible Liabilities Event has been specified as applicable in the applicable Final Terms are not Eligible Liabilities, or if they initially are Eligible Liabilities and subsequently become ineligible, then an Eligible Liabilities Event (as defined under Condition 7.5) will occur, with the consequences indicated in the Conditions of the Notes (if such Eligible Liabilities Event is specified as applicable in the applicable Final Terms). See "*The Notes may be redeemed prior to maturity at the Issuer's option for taxation reasons or upon the occurrence of a Capital Event or an Eligible Liabilities Event, subject to certain conditions. If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.*" and "*The conditions of the Notes contain provisions which may permit their modification and/or substitution without the consent of all or any investors*".

3. *The Notes provide for limited events of default unless in the case of Ordinary Senior Notes where additional events of default may apply*

Without prejudice to the provisions of the last paragraph below, the Conditions of the Notes do not provide for any events of default, except in the case that an order is made by any competent court or resolution passed for the winding-up, liquidation or dissolution of the Issuer (other than in the context of a Permitted Reorganisation (as defined in the Conditions of the Notes)). Accordingly, in the event that any payment on the Notes is not made when due, each Noteholder will have a claim only for amounts then due and payable on their relevant Notes but will have no right to accelerate such Notes unless proceedings for the winding-up, liquidation or dissolution of the Issuer have been instigated (other than in the context of a Permitted Reorganisation).

Notwithstanding the above and with respect to Ordinary Senior Notes not eligible to comply with MREL Requirements, if the Issuer so decides by applying additional events of default in the applicable Final Terms, each Noteholder will have an individual acceleration right in case certain events occur (including failure of payment on the Notes when due and cross default).

4. *Limitation on gross-up obligation under the Notes*

The Issuer's obligation to pay additional amounts in respect of any withholding or deduction in respect of taxes under the Notes applies only to payments of interest due and paid under such Notes and not to

payments of principal. As such, the Issuer would not be required to pay any additional amounts under the Notes to the extent that any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to payments of principal under Notes, holders of Notes may receive less than the full amount due under the relevant Notes, and the market value of the relevant Notes may be adversely affected. Holders of such Notes should note that principal for these purposes will include any payments of premium.

5. *Conversion of the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, may affect the secondary market and the market value of the Notes concerned*

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest rate, and the conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing market rates on those Notes and could affect the market value of an investment in the relevant Notes.

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

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

7. *Risks relating to Floating Rate Notes*

Investment in Notes which bear interest at a floating rate comprise (i) a reference rate and (ii) a margin to be added or subtracted, as the case may be, from such base rate. Typically, the relevant margin will not change throughout the life of the Notes but there will be a periodic adjustment (as specified in the applicable Final Terms) of the reference rate (e.g., every three months or six months) which itself will change in accordance with general market conditions. Accordingly, the market value of floating rate Notes may be volatile if changes, particularly short-term changes, to market interest rates evidenced by the relevant reference rate can only be reflected in the interest rate of these Notes upon the next periodic adjustment of the relevant reference rate. Should the reference rate be at any time negative, it could, notwithstanding the existence of the relevant margin, result in the actual floating rate being lower than the relevant margin.

8. *The value of the return on any Notes linked to a benchmark may be adversely affected by ongoing national and international regulatory reform in relation to benchmarks or future discontinuance of benchmarks*

Reference rates and indices such as EURIBOR or LIBOR and other interest rates or other types of rates and indices which are deemed to be "benchmarks" (each a **Benchmark** and together, the **Benchmarks**), to which interest on securities may be linked, have become the subject of regulatory scrutiny and recent national and international regulatory guidance and proposals for reforms. This has resulted in regulatory reform and changes to existing Benchmarks. Such reform of Benchmarks includes the Benchmarks Regulation which applies, subject to certain transitional provisions, to the provision of Benchmarks, the contribution of input

data to a Benchmark and the use of a Benchmark within the EU. Among other things, it (i) requires Benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities (such as the Issuer) of Benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a Benchmark, in particular, if the methodology or other terms of the Benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant Benchmark and could lead to adjustments to the terms of the Notes.

Benchmarks could also be discontinued entirely. Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of Benchmark reforms) for market participants to continue contributing to such Benchmarks. The United Kingdom Financial Conduct Authority (**FCA**) has indicated through a series of announcements that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. As a result, the publication of LIBOR may not continue after this point or, if it does continue, it may be published on a different basis. Moreover, the Bank of England and the FCA have established a working group which has been considering risk free rates for use as alternatives to LIBOR and has chosen a reformed Sterling Overnight Index Average (**SONIA**). The reforms to SONIA have become effective on 23 April 2018, and it is expected that there will be a transition to SONIA over the next four years across sterling bond, loan and derivatives related markets, so that SONIA is established as the primary sterling interest rate benchmark by end 2021. In addition, in order to accelerate the adoption of SONIA as a reference rate in sterling markets, the Bank of England published on 26 February 2020 a Discussion Paper entitled "Supporting Risk-Free Rate transition through the provision of compounded SONIA" whereby it sought views from sterling market participants on (i) the Bank of England's intention to publish a daily SONIA Compounded Index (which, subject to feedback, it is anticipated to commence at the end of July 2020) and (ii) the usefulness of the Bank of England publishing a simple set of compounded SONIA period averages, which would give users easy access to SONIA interest rates compounded over a range of set time periods (in order to determine whether there is market consensus on how to define the relevant time periods).

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" to serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate (€STR) as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019. The euro risk free-rate working group for the euro area has also published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system.

It is not possible to predict whether, and to what extent, LIBOR and EURIBOR will continue to be supported going forward. This may cause LIBOR or EURIBOR to perform differently than they have done in the past and may have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the value or liquidity of, and return on, any Floating Rate Notes, Fixed Reset Notes or any other Notes which are linked to or reference a Benchmark.

Such factors may have (without limitation) the following effects on certain Benchmarks: (i) discouraging market participants from continuing to administer or contribute to a Benchmark; (ii) triggering changes in the rules or methodologies used in the Benchmark; or (iii) leading to the disappearance of the Benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value or liquidity of, and return on, any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a Benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon a Benchmark.

9. *Fallback arrangements in respect of Benchmarks may have a material adverse effect on the value and liquidity of and return on affected Notes*

Investors should be aware that in the case of Floating Rate Notes and Fixed Reset Notes, the Conditions of the Notes provide for certain fallback arrangements in the event that a published Benchmark, including an inter-bank offered rate such as LIBOR, EURIBOR or other relevant reference rate ceases to be calculated, published or administered or another Benchmark Event (as defined in the Conditions of the Notes) occurs. These fallback arrangements include the possibility that the Rate of Interest could be determined by an Independent Adviser (with the Issuer's agreement), without any separate consent or approval of the Noteholders, by reference to a Successor Rate or an Alternative Rate and that an Adjustment Spread may be applied to such Successor Rate or Alternative Rate, together with the making of certain Benchmark Amendments to the Terms and Conditions of such Notes. In certain circumstances, the Adjustment Spread is the spread, formula or methodology which the Issuer determines to be appropriate to reduce or eliminate to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to the Noteholders as a result of the replacement of the relevant benchmark or screen rate (as applicable) originally specified with the Successor Rate or the Alternative Rate (as the case may be). 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 Noteholders. The use of a Successor Rate or an Alternative Rate may result in interest payments that are lower than, or otherwise do not correlate over time with, the payments that could have been made on the Notes if the relevant Benchmark continued to be available in its then current form.

Further, no Successor Rate, Alternative Rate or Adjustment Spread may be adopted, nor any other amendment to the Conditions of any Series of Notes may be made to effect any Benchmark Amendments, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the treatment of any relevant Series of Notes as Tier 2 capital or eligible liabilities for the purposes of MREL, in each case of the Issuer or the Group, as applicable, or could reasonably result in the Relevant Resolution Authority treating any future Interest Payment Date as the effective maturity of the Notes, rather than the relevant Maturity Date.

In certain circumstances the ultimate fallback for the purposes of calculation of interest for a particular Interest Period or Reset Period (as the case may be) may result in the Rate of Interest for the last preceding Interest Period or Reset Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page or, in the case of Fixed Reset Notes, the application of the Reset Rate for a preceding Reset Period or the initial Rate of Interest applicable to such Notes on the Interest Commencement Date. In addition, due to the uncertainty concerning the availability of any Successor Rate or Alternative Rate, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value or liquidity of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or Fixed Reset Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes or Fixed Reset Notes. Investors should consider these matters when making their investment decision with respect to the relevant Floating Rate Notes or Fixed Reset Notes.

10. *SONIA has a limited history, the administrator of SONIA may make changes that could change the value of SONIA or discontinue SONIA and the market continues to develop in relation to SONIA as a reference rate for Floating Rate Notes.*

Publication of SONIA began in April 2018 and it therefore has a limited history. The future performance of SONIA may therefore be difficult to predict based on the limited historical performance. The level of SONIA during the term of the Notes may bear little or no relation to the historical level of SONIA. Prior observed patterns, if any, in the behaviour of market variables and their relation to SONIA such as correlations, may change in the future.

The Bank of England (or a successor), as administrator of SONIA, may make methodological or other changes that could change the value of SONIA, including changes related to the method by which SONIA is calculated, eligibility criteria applicable to the transactions used to calculate SONIA, or timing related to the publication of SONIA. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SONIA (in which case a fallback method of determining the interest rate on the Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing SONIA.

In addition, investors should be aware that the market continues to develop in relation to the SONIA as a reference rate in the capital markets and its adoption as an alternative to GBP LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA, including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term). The nascent development of Compounded Daily SONIA as an interest reference rate for the Eurobond markets, as well as continued development of SONIA based rates for such market and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of the Notes.

The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Terms and Conditions as applicable to the Notes. Furthermore, the Issuer may in future issue Notes referencing SONIA that differ materially in terms of interest determination when compared with the Notes. In addition, the manner of adoption or application of SONIA reference rates in the Eurobond markets may differ materially compared with the application and adoption of SONIA in other markets, such as the derivatives and loan markets. Noteholders should carefully consider how any mismatch between the adoption of SONIA reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing Compounded Daily SONIA.

11. *The application of the net proceeds of Green, Social or Sustainability Notes as described in "Use of Proceeds" may not meet investor expectations or be suitable for an investor's investment criteria*

Prospective investors in any Notes where the "Reasons for the Offer" in Part B of the applicable Final Terms are stated to be for "green", "social" or "sustainability" purposes as described therein (collectively, **Green, Social or Sustainability Notes**), should have regard to the information in the applicable Final Terms regarding the use of the net proceeds of those Green, Social or Sustainability Notes and must determine for themselves the relevance of such information for the purpose of any investment in such Green, Social or Sustainability Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer or the Dealers that the use of such proceeds for any eligible projects (as described in the applicable Final Terms) will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply.

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green", "social" or "sustainable" or an

equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green", "social" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time or that any prevailing market consensus will not significantly change. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any eligible projects (as described in the applicable Final Terms) will meet any or all investor expectations regarding such "green", "social" or "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any eligible projects (as described in the applicable Final Terms).

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any report, assessment, opinion or certification of any third party (whether or not solicited by the Issuer) which may or may not be made available in connection with the issue of any Green, Social or Sustainability Notes and in particular with any eligible projects (as described in the applicable Final Terms) to fulfil any environmental, social, sustainability and/or other criteria. Any such report, assessment, opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such report, assessment, opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Dealers or any other person to buy, sell or hold any such Green, Social or Sustainability Notes. Any such report, assessment, opinion or certification is only current as of the date it was issued. Prospective investors must determine for themselves the relevance of any such report, assessment, opinion or certification and/or the information contained therein and/or the provider of such report, assessment, opinion or certification for the purpose of any investment in such Green, Social or Sustainability Notes. Currently, the providers of such reports, assessments, opinions and certifications are not subject to any specific oversight or regulatory or other regime.

In the event that any Green, Social or Sustainability Notes are listed or admitted to trading on any dedicated "green", "environmental", "social" or "sustainable" or other equivalently labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. Furthermore, the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such Green, Social or Sustainability Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Green, Social or Sustainability Notes.

While it is the intention of the Issuer to apply the net proceeds of any Green, Social or Sustainability Notes and obtain and publish the relevant reports, assessments, opinions and certifications in, or substantially in the manner described in each case in the Final Terms, there can be no assurance that the Issuer will be able to do this. Nor can there be any assurance that any eligible projects (as described in the Final Terms) will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer.

Any such event or failure to apply the net proceeds of any issue of Green, Social or Sustainability Notes for any eligible projects (as described in the applicable Final Terms) or to obtain and publish any such reports, assessments, opinions and certifications, will not constitute an event of default under the relevant Green, Social or Sustainability Notes or give rise to any other claim of a holder of such Green, Social or Sustainability Notes against the Issuer. The withdrawal of any report, assessment, opinion or certification as described above, or any such report, assessment, opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such report, assessment, opinion or certification is reporting, assessing, opining or certifying on, and/or any such Green, Social or Sustainability Notes no longer being listed or admitted to trading on any stock exchange or securities market, as aforesaid, may have a material adverse effect on the value of such Green, Social or Sustainability Notes and/or result in adverse

consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Risks Related to Early Intervention and Resolution

12. *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 and the SRM Regulation could materially affect the rights of the Noteholders under, and the value of, any Notes*

As further explained in the section headed "*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, in the case of the Tier 2 Subordinated Notes, and pursuant to the BRRD II (pending implementation in Spain) and the SRM Regulation II (each as defined therein), Ordinary Senior Notes, Subordinated Notes and Senior Non-Preferred Notes that qualify as eligible liabilities to the write down and conversion powers (the Non-Viability Loss Absorption, as defined therein) contemplated in article 59 of 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.

To the extent that any resulting treatment of a Noteholder pursuant to the exercise of the Loss Absorbing Power (as defined therein) (except as indicated below with respect to the Non-Viability Loss Absorption) is less favourable than would have been the case under such hierarchy in normal insolvency proceedings, such Noteholder may have a right to compensation under the BRRD (as implemented in Spain) and the SRM Regulation based on an independent valuation of the institution, in accordance with Article 10 of RD 1012/2015 and the SRM Regulation. Any such compensation, together with any other compensation provided by any Applicable Banking Regulations (including, among other such compensation, in accordance with Article 36.5 of Law 11/2015) is unlikely to compensate that Noteholder for the losses it has actually incurred and there is likely to be a considerable delay in the recovery of such compensation. Compensation payments (if any) are also likely to be made considerably later than when amounts may otherwise have been due under the affected Notes. In addition, in the case of Non-Viability Loss Absorption effected prior to entry into resolution, there is uncertainty as to whether Noteholders would have a right to compensation under the BRRD and the SRM Regulation if any resulting treatment of such Noteholder pursuant to the exercise of Non-Viability Loss Absorption was less favourable than would have been the case under such hierarchy in normal insolvency proceedings.

The powers set out in the BRRD as implemented through Law 11/2015 and RD 1012/2015, and the SRM Regulation will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Pursuant to Law 11/2015, Noteholders may be subject to, among other things, on any application of the Loss Absorbing Power a write-down (including to zero) or conversion into equity or other securities or obligations of amounts due under such Notes. The exercise of any such powers may result in such Noteholders losing some or all of their investment or otherwise having their rights under such Notes adversely affected. For example, the Spanish Bail-in Power may be exercised in such a manner as to result in Noteholders receiving a different security, which may be worth significantly less than the Notes. Moreover, the exercise of any power under Law 11/2015 or the SRM Regulation with respect to the Notes or the taking by an authority of any other action, or any suggestion that the exercise or taking of any such action may happen, could materially adversely affect the rights of Noteholders, the market price or value or trading behaviour of any Notes and the ability of the Issuer to satisfy its obligations under any Notes. There may be limited protections, if any, that will be available to holders of securities subject to the Loss Absorbing Power (including the Notes) of the Relevant Resolution Authority. Accordingly, Noteholders may have limited or circumscribed rights to challenge any decision of the Relevant Resolution Authority to exercise its Loss Absorbing Power. Furthermore, the exercise of the Loss Absorbing Power by the Relevant Resolution Authority with respect to the Notes is likely to be inherently unpredictable and may depend on a number of factors which may also be outside of the Issuer's control. In addition, as the Relevant Resolution Authority will retain an element of discretion, Noteholders may not be able to refer to publicly available criteria in order to anticipate any potential exercise of any such Loss Absorbing Power. Because of

this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any such powers by the Relevant Resolution Authority may occur.

This uncertainty may adversely affect the value of the Notes. The price and trading behaviour of the Notes may be affected by the threat of a possible exercise of any power under Law 11/2015 or the SRM Regulation (including any early intervention measure before any resolution) or any suggestion of such exercise, even if the likelihood of such exercise is remote. Moreover, the Relevant Resolution Authority may exercise any such power without providing any advance notice to the Noteholders.

In addition to the BRRD, it is possible that the implementation and application of other relevant laws, such as the BCBS package of reforms to the regulatory capital framework for internationally active banks designed, in part, to ensure that capital instruments issued by such banks fully absorb losses before taxpayers are exposed to loss and any amendments thereto or other similar regulatory proposals, including proposals by the FSB on cross-border recognition of resolution actions, could be used in such a way as to result in the Notes absorbing losses in the manner described above. Any actions by the Relevant Resolution Authority pursuant to Law 11/2015, or the SRM Regulation, or other measures or proposals relating to the resolution of institutions, may adversely affect the rights of Noteholders, the price or value of an investment in the Notes and/or BCC's ability to satisfy its obligations under the Notes.

13. *Noteholders will not be able to exercise their rights on an event of default in the event of the adoption of any early intervention or resolution measure under Law 11/2015 and the SRM Regulation*

The Issuer may be subject to a procedure of early intervention or resolution pursuant to the BRRD, as implemented through Law 11/2015 and RD 1012/2015, and the SRM Regulation if the Issuer and/or the GCC Group is in breach (or due, among other things, to a rapidly deteriorating financial condition, it is likely in the near future to be in breach) of applicable regulatory requirements relating to solvency, liquidity, internal structure or internal controls or the conditions for resolution referred to above are met (see “*Risks Related to Early Intervention and Resolution – The Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority. Other powers contained in Law 11/2015 and the SRM Regulation could materially affect the rights of the Noteholders under, and the value of, any Notes*”).

Pursuant to Law 11/2015 the adoption of any early intervention or resolution procedure, including any additional measures to address or remove impediments to resolvability that may be included in Law 11/2015 (or otherwise) as a consequence of the EU Banking Reforms, shall not itself constitute an event of default or entitle any counterparty of the Issuer to exercise any rights it may otherwise have in respect thereof. Any provision providing for such rights shall further be deemed not to apply, although this does not limit the ability of a counterparty to declare any event of default and exercise its rights accordingly where an event of default arises either before or after the exercise of any such procedure and does not necessarily relate to the exercise of any relevant measure or power which has been applied pursuant to Law 11/2015.

Any enforcement by a Noteholder of its rights under the Notes upon the occurrence of an Event of Default following the adoption of any early intervention or any resolution procedure will, therefore, be subject to the relevant provisions of the BRRD, as implemented through Law 11/2015 and RD 1012/2015, and the SRM Regulation in relation to the exercise of the relevant measures and powers pursuant to such procedure, including the resolution tools and powers referred to above (see “*Risks Related to Early Intervention and Resolution – The Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority. Other powers contained in Law 11/2015 and the SRM Regulation could materially affect the rights of the Noteholders under, and the value of, any Notes*”). Any claims on the occurrence of an Event of Default will consequently be limited by the application of any measures pursuant to the provisions of Law 11/2015 and RD 1012/2015 and the SRM Regulation. There can be no assurance that the taking of any such action would not adversely affect the rights of Noteholders, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes and the enforcement by a

holder of any rights it may otherwise have on the occurrence of any Event of Default may be limited in these circumstances.

Risks applicable to Senior Notes

14. *Claims of Noteholders under Senior Notes are effectively junior to those of certain other creditors and claims of Noteholders under Senior Non Preferred Notes are further junior to those of other senior creditors*

Senior Notes are unsecured and unsubordinated obligations of the Issuer. Upon the insolvency (*concurso*) of the Issuer, in accordance with the Insolvency Law and Additional Provision 14.2 of Law 11/2015 (but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise)), the payment obligations of the Issuer under the Senior Notes in respect of principal (and unless they qualify as subordinated claims (*créditos subordinados*) pursuant to Article 92 of the Insolvency Law), will rank: (a) in the case of Ordinary Senior Notes: (i) senior to (A) any Senior Non Preferred Obligations (as defined in the Conditions of the Notes) and (B) any claims against the Issuer qualifying as subordinated claims (*créditos subordinados*) under Article 92 of the Insolvency Law (or equivalent legal provision which replaces it in the future); and (ii) *pari passu* among themselves and with any other Senior Preferred Obligations (as defined in the Conditions of the Notes); and (b) in the case of Senior Non Preferred Notes: (i) senior to any claims against the Issuer qualifying as subordinated claims (*créditos subordinados*) under Article 92 of the Insolvency Law (or equivalent legal provision which replaces it in the future); (ii) *pari passu* among themselves and with any other Senior Non Preferred Obligations and (iii) junior to any Senior Preferred Obligations.

Senior Notes rank below credits against the insolvency estate (*créditos contra la masa*) and credits with a privilege (*créditos privilegiados*) (including, without limitation, any deposits for the purposes of Additional Provision 14.1º of Law 11/2015) which shall be paid in full before ordinary credits. In addition, Senior Non Preferred Notes rank behind any other ordinary claims (*créditos ordinarios*) against the Issuer, including without limitation, the Issuer's Senior Preferred Obligations.

Therefore, the Senior Notes will be effectively subordinated to all of the Issuer's secured indebtedness, to the extent of the value of the assets securing such indebtedness, and other obligations that rank senior under Spanish law.

The Senior Notes are also structurally subordinated to all indebtedness of subsidiaries of the Issuer insofar as any right of the Issuer to receive any assets of such companies upon their winding-up will be effectively subordinated to the claims of the creditors of those companies in the winding-up.

Risks applicable to Subordinated Notes

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

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated obligations (*créditos subordinados*) of the Issuer and will rank junior in priority of payment to all unsubordinated obligations (*créditos ordinarios*) of the Issuer (including any Senior Non Preferred Obligations (as defined in the Conditions of the Notes)). Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is an enhanced risk that an investor in Subordinated Notes will lose all or some of its investment should the Issuer become (i) subject to resolution under the BRRD (as implemented through Law 11/2015 and RD 1012/2015) and the SRM Regulation and the Subordinated Notes become subject to the application of the Spanish Bail-in Power (and, in the case of Tier 2 Subordinated Notes, Non-Viability Loss Absorption) or (ii) insolvent.

In the case of any exercise of the Spanish Bail-in Power by the Relevant Resolution Authority, the sequence of any resulting write-down or conversion of the Notes under Article 48 of the BRRD, which is described in the section headed "*Loss absorbing powers by the Relevant Resolution Authority under Law 11/2015 and the SRM Regulation*".

Tier 2 Subordinated Notes may be subject to Non-Viability Loss Absorption, which may be imposed prior to any insolvency or formal resolution procedure being initiated and prior to or in combination with any exercise of the Spanish Bail-in Power. See "*Risks Related to Early Intervention and Resolution - The Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority. Other powers contained in Law 11/2015 and the SRM Regulation could materially affect the rights of the Noteholders under, and the value of, any Notes*".

In an insolvency, after payment in full of unsubordinated and unsecured claims (*créditos ordinarios*), (including any senior non preferred claims (*créditos ordinarios no preferentes*)) but before distributions to shareholders, under article 92 of the Insolvency Law read in conjunction with Additional Provision 14.3° of Law 11/2015, the Issuer will meet subordinated claims after payment in full of unsubordinated claims but before distributions to shareholders, in the following order and pro-rata within each class:

- (i) late or incorrect claims;
- (ii) contractually subordinated liabilities (firstly, those that do not qualify as Additional Tier 1 or Tier 2 instruments, which is expected to be the case for Senior Subordinated Notes, secondly, those that qualify as Tier 2 instruments, which is expected to be the case for Tier 2 Subordinated Notes, and thirdly, Additional Tier 1 instruments);
- (iii) interest (including accrued and unpaid interest due on the Notes);
- (iv) fines;
- (v) claims of creditors which are specially related to the Issuer as provided for under the Insolvency Law;
- (vi) detrimental claims against the Issuer where a Spanish court has determined that the relevant creditor has acted in bad faith (*rescisión concursal*); and
- (vii) claims arising from contracts with reciprocal obligations as referred to in articles 61, 62, 68 and 69 of the Insolvency Law, wherever the court rules, prior to the administrators' report of insolvency (*administración concursal*) that the creditor repeatedly impedes the fulfilment of the contract against the interest of the insolvency.

Under the Insolvency Law, accrual of interest on the Notes shall be suspended from the date of the declaration of insolvency of the Issuer.

Risks Relating to the Insolvency Law

16. *Impact of the Insolvency Law on the ranking of the Notes*

The Insolvency Law provides, among other things, that: (i) any claim may become subordinated if it is not reported to the insolvency administrators (*administradores concursales*) within one month from the last official publication of the court order declaring the insolvency (if the insolvency proceeding is declared as abridged, the term to report may be reduced to fifteen days), (ii) provisions in a bilateral contract granting one party the right to terminate by reason only of the other's insolvency may not be enforceable, and (iii) accrual of unsecured interest (whether ordinary or default interest) shall be suspended from the date of the declaration of insolvency and any amount of interest accrued up to such date shall become subordinated. In

the case of secured ordinary interest, (i) claims for such interest shall be deemed as specially privileged, and (ii) interest shall keep accruing after the declaration of insolvency up to the limit of the secured amount, and only if a contingent credit for secured ordinary interests that may accrue after the declaration of insolvency is included in the statement of claim to be sent to the insolvency administrator (in accordance with the Supreme Court judgment dated 20 February 2019). In the case of secured default interest, (i) claims for such interest shall be deemed as specially privileged, and (ii) interest shall not accrue after the declaration of insolvency (in accordance with the Spanish Supreme Court judgment dated 11 April 2019). Any payments of interest in respect of debt securities will be subject to the subordination provisions of Article 92.3 of the Insolvency Law.

The Insolvency Law, in certain instances, also has the effect of modifying or impairing creditors' rights even if the creditor, either secured or unsecured, does not consent to the amendment. Secured and unsecured dissenting creditors may be written down not only once the insolvency has been declared by the judge as a result of the approval of a creditors' agreement (*convenio concursal*), but also as a result of an out-of-court restructuring agreement (*acuerdo de refinanciación pre-concursal*) without insolvency proceedings having been previously opened (e.g., refinancing agreements which satisfy certain requirements and are validated by the judge), in both scenarios (i) to the extent that certain qualified majorities are achieved and (ii) unless some exceptions in relation to the kind of claim or creditor apply (which would not be the case for the Notes).

In no case shall subordinated creditors be entitled to vote upon a creditors' agreement during the insolvency proceedings, and accordingly, shall always be subject to the measures contained therein, if passed. Additionally, liabilities from those creditors considered specially related persons for the purpose of Article 93.2 of the Insolvency Law would not be taken into account for the purposes of calculating the majorities required for the out-of-court restructuring agreement (*acuerdo de refinanciación pre-concursal*).

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

The Conditions of the Notes provide that holders of Notes waive any deduction, set-off, netting or compensation rights arising directly or indirectly under or in connection with any Note against any right, claim, or liability the Issuer has, may have or acquire against any Noteholder, directly or indirectly, howsoever arising. As a result, Noteholders will not at any time be entitled to set-off the Issuer's obligations under the Notes against obligations owed by them to the Issuer. In addition, the exercise of set-off rights in respect of the Issuer's obligations under the Notes upon the opening of a resolution procedure would be prohibited by Article 68 of BRRD (as transposed into Spanish law).

18. Substitution of the Issuer

If the conditions set out in Condition 19 (*Substitution of the Issuer*) of the Notes are met, the Issuer may, without the consent or sanction of the Noteholders, subject to such substitution being in compliance with Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) and subject to the prior permission of the Competent Authority and/or the Relevant Resolution Authority, if and as applicable (if such permission is required), be replaced and substituted by any of its wholly owned Subsidiaries or any other entity which is a Member to whom the Issuer shall have transferred the whole or a substantial part of its assets and liabilities pursuant to a Permitted Reorganisation as the principal debtor in respect of all obligations arising under or in connection with the Notes (the **Substituted Debtor**). In that case, the Noteholders will assume the risk that the Substituted Debtor may become insolvent or otherwise be unable to make all payments due in respect of the Notes.

19. Risks relating to the Spanish withholding tax regime

Article 44 of Royal Decree 1065/2007 sets out the reporting obligations applicable to preference shares and debt instruments issued under Law 10/2014 (the **Simplified Information Procedures**) which are described under "*Taxation - Simplified information procedures*". The procedures apply to income payments deriving

from preferred securities (*participaciones preferentes*) and debt instruments to which Law 10/2014 refers, including debt instruments issued at a discount for a period equal to or less than twelve months.

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

In accordance with Article 44 of Royal Decree 1065/2007, the Principal Paying Agent should provide the Issuer with the statement on the business day immediately prior to each interest payment date. The statement must reflect the situation at the close of business of that same day. In the event that on such date, the entity(ies) obliged to provide the declaration fail to do so, the Issuer or the Principal Paying Agent on its behalf will make a withholding at the general rate (currently 19%) on the total amount of the return on the relevant Notes or Coupons otherwise payable to such entity.

The Issuer considers that, according to Royal Decree 1065/2007, any payments under the Notes or Coupons will be made by the Issuer free of Spanish withholding tax, provided that the Simplified Information Procedures described above (which do not require identification of the Noteholders or Couponholders) are complied with.

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

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

Notwithstanding the above, in the case of Notes or Coupons held by Spanish tax resident individuals and, under certain circumstances, by Spanish entities subject to Corporate Income Tax and deposited with a Spanish resident entity acting as depositary or custodian, payments in respect of such Notes or Coupons may be subject to withholding by such depositary or custodian (currently 19%) and the Issuer will not be required to pay the relevant Noteholder or Couponholder additional amounts in respect of any such withholding tax.

In particular, with regard to Spanish entities subject to Corporate Income Tax, withholding could be made if it is concluded that the Notes or Coupons do not comply with the relevant exemption requirements and those specified in the Reply to a Non-Binding Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 are deemed included among such requirements. According to this ruling, application of the exemption requires that, in addition to being traded on an organised market in an OECD country, the Notes or Coupons are placed outside Spain in another OECD country.

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

The procedure described in this Offering Circular for the provision of information required by Spanish laws and regulations is a summary only and neither the Issuer nor any Dealer, assumes any responsibility therefor. In the event that the currently applicable procedures are modified, amended or supplemented by, among other things, any Spanish law, regulation, interpretation or ruling of the Spanish tax authorities, the Issuer will notify the holders of such information procedures and their implications, as the Issuer may be required to apply withholding tax on distributions in respect of the relevant securities if the holders do not comply with such information procedures.

20. *The Conditions of the Notes contain provisions which may permit their modification and/or substitution without the consent of all or any investors*

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing through the use of electronic consents. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and including those Noteholders who voted in a manner contrary to the majority.

In addition, subject as provided herein, in particular to the provisions of Condition 20 (*Substitution and Variation*), if a Capital Event, an Eligible Liabilities Event or a circumstance giving rise to the right to early redeem MREL Eligible Ordinary Senior Notes, Subordinated Notes or Senior Non Preferred Notes for taxation reasons, occurs, the Issuer may, at its option, and without the consent or approval of the Noteholders, elect either (i) to substitute all (but not some only) of the Notes or (ii) to vary the terms of all (but not some only) of the Notes (including, in the case of English Law Notes, changing the governing law of such Notes from English law to Spanish law), in each case so that they are substituted for, or varied to, become or remain Qualifying Notes. While Qualifying Notes must contain terms that are materially no less favourable to Noteholders as the original terms of the relevant Notes, there can be no assurance that the terms of any Qualifying Notes will be viewed by the market as equally favourable, or that the Qualifying Notes will trade at prices that are equal to the prices at which the Notes would have traded on the basis of their original terms. In the case of the English Law Notes, any change in the governing law of such Notes from English law to Spanish law, so that the English Law Notes become or remain Qualifying Notes, shall not be subject to the requirement to be not materially less favourable to the interests of the Noteholders of the English Law Notes.

Further, prior to the making of any such substitution or variation, the Issuer shall not be obliged to have regard to the tax position of individual Noteholders or to the tax consequences of any such substitution or variation for individual Noteholder. No Noteholder shall be entitled to claim, whether from the Paying Agent, the Issuer, or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or variation upon individual Noteholders.

21. *Reliance on Euroclear and Clearstream, Luxembourg procedures*

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

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

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

Similarly, holders of beneficial interests in the Global Notes will not have a direct right under such Notes to take enforcement action against the Issuer in the event of a default under the relevant Notes (except to the extent that they may rely, in the case of English Law Notes, upon Condition 4 (*Direct Rights*) and their rights under the Deed of Covenant and, in the case of Spanish Law Notes, upon Condition 4 (*Direct Rights*) and under the provisions of the relevant Global Notes).

22. *Conflicts of interest between the Calculation Agent and Noteholders*

Potential conflicts of interest may exist between the Calculation Agent (if any) and Noteholders (including a Dealer acting as a Calculation Agent), including with respect to certain determinations and judgements that such Calculation Agent may make pursuant to the Conditions of the Notes which may influence the amounts that can be received by the Noteholders during the term of the Notes and upon their redemption.

The Issuer may appoint a Dealer as Calculation Agent in respect of an issuance of Notes under the Programme. In such a case the Calculation Agent is likely to be a member of an international financial group that is involved, in the ordinary course of its business, in a wide range of banking activities out of which conflicting interests may arise. Whilst such a Calculation Agent will, where relevant, have information barriers and procedures in place to manage conflicts of interest, it may in its other banking activities from time to time be engaged in transactions involving an index or related derivatives which may affect amounts receivable by Noteholders during the term and on the maturity of the Notes or the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders.

Risks related to the market generally

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

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

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid and may be sensitive to changes in financial markets. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case should the Issuer be or be perceived in financial distress, which may result in any sale of the Notes having to be at a substantial discount to their principal amount or for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

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

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes (including on an unsolicited basis). The ratings may not reflect the potential impact of all the risks related to structure, market and additional factors discussed above and do not address the price, if any, at which the Notes may be resold prior to maturity (which may be substantially less than the original offering prices of the Notes), and other factors that may affect the value of the Notes. However, real or anticipated changes in the

Issuer's credit rating will generally affect the market value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European (including UK) regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU or in the UK and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-EU and non-UK credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered or UK-registered credit rating agency or the relevant non-EU and non-UK rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). If the status of the rating agency rating the Notes changes, European (including UK) regulated investors may no longer be able to use the rating for regulatory purposes and the Notes may have a different regulatory treatment. This may result in European (including UK) regulated investors selling the Notes which may impact the value of the Notes and any secondary market. The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with the following documents, which have previously been published or are published simultaneously with this Offering Circular, have been filed with the CBI and are incorporated by reference in this Offering Circular:

1. an English language translation of the independent auditors' report, consolidated annual accounts and Directors' report as of and for the year ended 31 December 2018 available for viewing on:

<https://www.bcc.es/en/pdf/informacion-para-inversores/cuentas-anuales-consolidadas-2018.pdf>

2. an English language translation of the independent auditors' report, consolidated annual accounts and Directors' report as of and for the year ended 31 December 2019 available for viewing on:

<https://www.bcc.es/en/pdf/informacion-para-inversores/cuentas-anuales-consolidadas-2019.pdf>

3. an English language translation of the unaudited consolidated balance sheet and income statement of the GCC Group as at and for the three-month period ended 31 March 2020 contained in the First Quarter 2020 Consolidated Results available for viewing on:

<https://www.bcc.es/en/pdf/informacion-para-inversores/datos-financieros-01-20.pdf>

The audited consolidated annual accounts for the years ended 31 December 2018 and 2019 indicated above have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (**IFRS-EU**), considering the Bank of Spain's Circular 4/2017, of 27 November, and any other legislation governing financial reporting applicable to the GCC Group.

Any information contained in any of the documents specified above which is not incorporated by reference in this Offering Circular is either not relevant to investors or is covered elsewhere in this Offering Circular.

Pursuant to Spanish regulatory requirements, Directors' reports are required to accompany the audited consolidated annual accounts as of and for each of the years ended 31 December 2018 and 2019. Investors are cautioned that the Directors' reports contain information as of various historical dates and may not contain a current description of the business, affairs or results of the GCC Group. The information contained in the Directors' reports has not been audited or prepared for the specific purpose of the issue of the Notes and/or this Offering Circular. Accordingly, the Directors' reports should be read together with the other sections of this Offering Circular, and particularly "Risk Factors" and "Description of the Issuer and the GCC Group". Any information contained in the Directors' reports is deemed to be modified or superseded by any information contained elsewhere in this Offering Circular that is subsequent to or inconsistent with it. Furthermore, the Directors' reports include certain forward-looking statements that are subject to inherent uncertainty.

Following the publication of this Offering Circular a supplement may be prepared by the Issuer and approved by the CBI in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Offering Circular or in a document which is incorporated by reference in this Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S and Registered Notes will be issued outside the United States in reliance on the registration safe harbour provided by Regulation S.

Bearer Notes

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

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

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

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

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

Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

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

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 11 (*Events of Default*)) has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available, or (iii) the Notes are required to be removed from both Euroclear and Clearstream, Luxembourg and no alternative clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 16 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Where TEFRA D is specified in the applicable Final Terms, the following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes), receipts and interest coupons relating to such Notes:

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

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

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

Registered Notes

The Registered Notes of each Tranche will initially be represented by a global note in registered form (a **Registered Global Note**)

Registered Global Notes will be deposited with a common depositary or, if the Registered Global Notes are to be held under the new safe-keeping structure (the **NSS**), a common safekeeper, as the case may be for Euroclear and Clearstream, Luxembourg, and registered in the name of the nominee for the Common Depositary of, Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

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

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.4 (*Payments in respect of Registered Notes*)) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.4 (*Payments in respect of Registered Notes*)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iii) the Notes are required to be removed from both Euroclear and Clearstream, Luxembourg and no alternative clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 16 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

General

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

Except in relation to Notes issued in NGN form, any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 11 (*Events of Default*). In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then from 8.00 p.m. (London time) on such day each account holder which has Notes represented by such Global Note credited to its securities account with Euroclear and/or Clearstream, Luxembourg as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and will acquire all those rights that it would have had if at the relevant time it held, executed and authenticated definitive Notes in respect of the relevant Notes (including the right to claim and receive all payments due at any time in respect of the relevant Notes) subject to and in accordance with Condition 4 (*Direct Rights*) and, in the case of English Law Notes, the terms of a deed of covenant (the **Deed of Covenant**) dated 5 June 2020 and executed by the Issuer, and, in the case of the Spanish Law Notes, under the terms of the Global Note.

Initial Issue of Notes

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

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

FORM OF FINAL TERMS

MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU, (as amended, **MiFID II**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. *[Consider any negative market]* Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

[PRIIPs /IMPORTANT- EEA AND UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA or in the United Kingdom (the **UK**)). 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 the Directive (EU) 2016/97 (as amended, 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; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document (**KID**) required by Regulation (EU) No 1286/2014, as amended (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.]⁵

[Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the SFA) – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are ["prescribed capital markets products"]/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and [Excluded] / [Specified] Investment Products (as defined in the Monetary Authority of Singapore (the **MAS**) Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]

[Date]

BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.

(LEI: 95980020140005881190)

⁵ Legend to be included on front of the Final Terms (i) if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable"

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the EURO 1,300,000,000
Euro Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions of the Notes set forth in the Offering Circular dated 5 June 2020 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation and any implementing measure in a relevant Member State of the European Economic Area (the **Offering Circular**). This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Offering Circular in order to obtain all the relevant information. The Offering Circular has been published on the website of the Issuer at *www.bcc.es*. In addition, if the Notes are to be admitted to trading on the regulated market of Euronext Dublin, copies of the Final Terms will be published on the website of the Issuer at *www.bcc.es*.

The expression **Prospectus Regulation** means Regulation (EU) 2017/1129.

[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs (in which case the subparagraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.]

1. Issuer: Banco de Crédito Social Cooperativo, S.A.
2. (a) Series Number: []
(b) Tranche Number: []
(c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with *[identify earlier Tranches]* on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [] below, which is expected to occur on or about [date]][Not Applicable]
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
(a) Series: []
(b) Tranche: []
5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]
6. (a) Specified Denominations: []

(N.B. Notes must have a minimum denomination of

€100,000 (or equivalent) in the case of Notes to be admitted to trading on a regulated market for the purposes of MiFID II and be in integral multiples of €100,000 (or the Specified Denomination))

- (b) Calculation Amount (in relation to calculation of interest in global form see Conditions): []

(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)

7. (a) Issue Date: []

- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]

8. Maturity Date: *Specify date or for Floating Rate Notes – Interest Payment Date falling in or nearest to [specify month and year]]*

(Notes may not have a maturity of less than one year from the date of their issue)

9. Interest Basis: [[] per cent. Fixed Rate]

[Fixed Reset Notes]

[[[] month [LIBOR/EURIBOR/SONIA]] +/- [] per cent. Floating Rate]
(see paragraph [14]/[16] below)

10. Redemption[/Payment] Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount

11. Change of Interest Basis: *[Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs [14] and [16] below and identify there][Not Applicable]*

12. Put/Call Options: [Investor Put pursuant to Condition 8.6 of the Conditions of the Notes is [Applicable / Not Applicable] [see paragraph 21 below]]

[Issuer Call pursuant to Condition 8.3 of the Conditions of the Notes is [Applicable / Not Applicable] [see paragraph 20 below]]

[Issuer Call – Capital Event pursuant to Condition 8.4 of the Conditions of the Notes is [Applicable /

Not Applicable] [see paragraph 18 below]]]

[Issuer Call – Eligible Liabilities Event pursuant to Condition 8.5 of the Conditions of the Notes is [Applicable / Not Applicable] [see paragraph 19 below]]]

13. (a) Status of the Notes: [Senior Notes – Ordinary Senior Notes]
[Senior Notes – Senior Non Preferred Notes]
[Subordinated Notes – Senior Subordinated Notes]
[Subordinated Notes – Tier 2 Subordinated Notes]
- (b) [Date [Board] approval for issuance of Notes [and Guarantee] obtained: [] [and [], respectively]] [Not Applicable]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate(s) of Interest: [] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [] in each year up to and including the Maturity Date, with the first Interest Payment Date falling on []
- (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [] per Calculation Amount
- (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [[] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []][Not Applicable]
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (f) Determination Date(s): [[] in each year][Not Applicable]
(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)
15. Fixed Reset Provisions: [Applicable/Not Applicable]

- (a) Initial Interest Rate: [] per cent. per annum [payable [annually/semi annually/quarterly] in arrear on each Interest Payment Date]
- (b) Interest Payment Date(s): [[] in each year up to and including the Maturity Date]
- (c) Fixed Coupon Amount to (but excluding) the First Reset Date: [[] per Calculation Amount/Not Applicable]
- (d) Broken Amount(s): [[] per Calculation Amount payable on the Interest Payment Date falling [in/on] []][Not Applicable]
- (e) Day Count Fraction: [30/360 or Actual/Actual (ICMA)]
- (f) Determination Date(s): [[] in each year][Not Applicable]
- (g) First Reset Date: []
- (h) Second Reset Date: []/[Not Applicable]
- (i) Subsequent Reset Date(s): [] [and []]
- (j) Mid Swap Rate: []
- (k) Reset Margin: [+/-][] per cent. per annum
- (l) Relevant Screen Page: []
- (m) Floating Leg Reference Rate: []
- (n) Floating Leg Screen Page: []
- (o) Initial Mid-Swap Rate: [] per cent. per annum (quoted on a[n annual/semi-annual basis])
- (p) Calculation Agent: [*Specify entity responsible for seeking quotations in accordance with Condition 6.2*]

[For an issue of Floating Rate Notes, the Calculation Agent cannot be Deutsche Bank AG, London Branch as Principal Paying Agent]

16. Floating Rate Note Provisions

[Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Specified Period(s)/Specified Interest Payment Dates: [] [, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]

- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable]
- (c) Additional Business Centre(s): []
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): []
- (f) Screen Rate Determination:
- Reference Rate: [] month [LIBOR/EURIBOR/SONIA]
 - Interest Determination Date(s): []
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR. Verify timings in case of any change to benchmark methodologies.)

In the case of SONIA, include:

[As defined in Condition 6.3(b)(iii)]
 - Relevant Screen Page: []

(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
 - p (for the purposes of the Observation Period): [Five]
(Only relevant for Notes where the Reference Rate is SONIA)
- (g) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []

(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)

- (h) Linear Interpolation: [Not Applicable/Applicable - the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (i) Margin(s): [+/-] [] per cent. per annum
- (j) Minimum Rate of Interest: [] per cent. per annum
- (k) Maximum Rate of Interest: [] per cent. per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
[30/360][360/360][Bond Basis]
[30E/360][Eurobond Basis]
30E/360 (ISDA)]
- (m) Calculation Agent *[Specify entity responsible for seeking quotations in accordance with Condition 6.3]*

PROVISIONS RELATING TO REDEMPTION

17. Notice periods for Condition 8.2 of the Conditions of the Notes (*Redemption for tax reasons*): Minimum period: [30] days
Maximum period: [60] days
18. Call Option Capital Event (Condition 8.4 of the Conditions of the Notes): [Applicable/Not Applicable] (*may only be applicable for Tier 2 Subordinated Notes*)
19. Eligible Liabilities Event (Condition 8.5 of the Conditions of the Notes): [Applicable/Not Applicable] (*may only be applicable for MREL Eligible Ordinary Senior Notes, Senior Non Preferred Notes and Subordinated Notes*)
20. Issuer Call (Condition 8.3 of the Conditions of the Notes): [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Period: [] / [Not Applicable]
- (c) Optional Redemption Amount: [[] per Calculation Amount]
- (d) If redeemable in part:
- (i) Minimum Redemption Amount: []
- (ii) Maximum Redemption []

Amount:

- (e) Notice periods: Minimum period: [15] days
Maximum period: [60] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.)

21. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Optional Redemption Date(s): []

- (b) Optional Redemption Amount: [] per Calculation Amount

- (c) Notice periods: Minimum period: [15] days
Maximum period: [60] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.)

22. Final Redemption Amount: [] per Calculation Amount

23. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [] per Calculation Amount

24. Ordinary Senior Notes optionality (Events of Default (Condition 11 of the Conditions of the Notes)):
- (Note that this paragraph provides additional optionality if Senior Notes are intended to qualify as eligible liabilities)*

[Condition 11.1 of the Conditions of the Notes [Not Applicable] [Condition 11.2 of the Conditions of the Notes [Not] Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes:

- (a) Form: [Bearer Notes:[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event]

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

[Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event]

[Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005]

[Registered Notes:

[Global Note registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]

(b) [New Global Note:

[Yes][No]]

26. Additional Financial Centre(s):

[Not Applicable/*give details*]

(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which subparagraphs 16(c) relates)

27. Talons for future Coupons to be attached to Definitive Notes:

[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

28. Governing law (Condition 22):

[English law/Spanish law]

[THIRD PARTY INFORMATION]

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

Signed on behalf of Banco de Crédito Social Cooperativo, S.A.

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading [Application [has been]/[will be] made by the Issuer (or on its behalf) to Euronext Dublin for the Notes to be admitted to [the Official List of Euronext Dublin] and admitted to trading on [the regulated market of Euronext Dublin] with effect from [].]

(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)

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

2. RATINGS

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

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

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

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

(The above disclosure should reflect the rating allocated to Notes where the issue has been specifically rated, that rating.)

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

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

(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to

the Offering Circular under Article 23 of the Prospectus Regulation.)

4. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

(i) Reasons for the offer: []

(Detail if different from "Use of Proceeds" section in Offering Circular)

(In case "green, "social" or "sustainability" purposes are specified, the eligible projects to which the net proceeds of each issue of Green, Social or Sustainability Notes will be applied shall be described)

(ii) Estimated net proceeds: []

5. YIELD *(Fixed Rate Notes only)*

Indication of yield: []

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

6. OPERATIONAL INFORMATION

(i) ISIN: []

(ii) Common Code: []

(iii) WKN: [] [Not applicable]

(iv) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

(v) Delivery: Delivery [against/free of] payment

(vi) Names and addresses of additional Paying Agent(s) (if any): []

[(vii) Intended to be held in a manner which would allow Eurosystem eligibility:]

[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] *[include this text for Registered Notes which are to be held under the NSS]* and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] /

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper]*[include this text for Registered Notes]*. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

7. DISTRIBUTION

- | | | |
|-------|--|---|
| (i) | Method of distribution: | [Syndicated/Non-syndicated] |
| (ii) | If syndicated, names of Managers: | [Not Applicable/ <i>give names</i>] |
| (iii) | Stabilisation Manager(s) (if any): | [Not Applicable/ <i>give name</i>] |
| (iv) | If non-syndicated, name of relevant Dealer: | [Not Applicable/ <i>give name</i>] |
| (v) | U.S. Selling Restrictions: | [Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA not applicable] |
| (vi) | Prohibition of Sales to EEA and UK Retail Investors: | [Applicable/Not Applicable]

<i>(If the Notes clearly do not constitute "packaged" products "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)</i> |

TERMS AND CONDITIONS OF THE NOTES

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

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

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

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form; and
- (d) any definitive Notes in registered form (**Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes and the Coupons (as defined below) have the benefit of an amended and restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 5 June 2020 and made between the Issuer, Deutsche Bank AG, London Branch as principal paying agent (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), Deutsche Bank Luxembourg, S.A. as registrar (the **Registrar**, which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents). The Principal Paying Agent, the Registrar and, the Paying Agents, and other Transfer Agents together referred to as the **Agents**.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the **Conditions**). References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. In the Conditions, the expression **Prospectus Regulation** means Regulation (EU) 2017/1129.

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

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below.

Any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

In the case of Notes specified in the applicable Final Terms as being governed by English law, the Noteholders and the Couponholders are entitled to the benefit of an amended and restated Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 5 June 2020 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below). In the case of Notes specified in the applicable Final Terms as being governed by Spanish law, the rights of the Noteholders to proceed directly against the Issuer in the relevant circumstances as provided for in the Deed of Covenant in the case of English law governed Notes, are provided for directly under Condition 4 (*Direct Rights*) and the terms of the relevant Global Notes.

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

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

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

Definitions

In the Conditions, the following expressions have the following meanings:

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

Applicable MREL Regulations means at any time the laws, regulations, requirements, guidelines and policies giving effect to the MREL including, without limitation to the generality of the foregoing, CRD IV, the BRRD, the SRM Regulation and those laws, regulations, requirements, guidelines and policies giving effect to the MREL, in each case to the extent then in effect in Spain (whether or not such requirements,

guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer and/or the GCC Group) (in all cases, as amended from time to time).

Additional Tier 1 Capital means Additional Tier 1 capital (*capital de nivel 1 adicional*) as provided under Applicable Banking Regulations.

Additional Tier 1 Instrument means any contractually subordinated obligation of the Issuer constituting an Additional Tier 1 instrument (*instrumento de capital de nivel 1 adicional*) in accordance with Applicable Banking Regulations and as referred to in Additional Provision 14.3(c) of Law 11/2015, as amended or replaced.

Banking Business means, in relation to any entity:

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

BRRD means Directive 2014/59/EU of 15 May 2014 establishing the framework for the recovery and resolution of credit institutions and investment firms or such other directive as may amend or come into effect in place thereof (including the BRRD II), as implemented into Spanish law by Law 11/2015 and RD 1012/2015, as amended or replaced from time to time and including any other relevant implementing regulatory provisions.

BRRD II means Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC.

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

Competent Authority means the *European Central Bank* or such other or successor authority exercising primary bank supervisory authority, or any other entity or institution carrying out such duties on its/their behalf (including the Bank of Spain), in each case with respect to prudential matters in relation to the Issuer and/or the GCC Group.

CRD IV means any or any combination of the CRD IV Directive, the CRR, and any CRD IV Implementing Measures.

CRD IV Directive means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC or such other directive as may come into effect in place thereof (in all cases, as amended from time to time, including by the CRD V Directive).

CRD IV Implementing Measures means any regulatory capital rules implementing the CRD IV Directive or the CRR which may from time to time be introduced, including, but not limited to, delegated or implementing acts (regulatory technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the Competent Authority, the European Banking Authority or any other relevant authority, which are applicable to the Issuer (on a stand-alone basis) or the

GCC Group (on a consolidated basis) including, without limitation, Law 10/2014, as amended from time to time, RD 84/2015, as amended from time to time, and any other regulation, circular or guidelines implementing CRD IV.

CRD V Directive means Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.

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

CRR II means Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 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, reporting and disclosure requirements, and Regulation (EU) No 648/2012.

Definitive Bearer Note means a Bearer Note in definitive form issued or, as the case may require, to be issued by the Issuer in exchange for all or (in the case of a Temporary Bearer Global Note) part of a Global Note in bearer form, the Definitive Bearer Note being in or substantially in the form set out in the Agency Agreement with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent and the relevant Dealer and having the Conditions endorsed on it or, if permitted by the relevant authority or authorities and agreed by the Issuer and the relevant Dealer, incorporated in it by reference and having the applicable Final Terms (or the relevant provisions of the applicable Final Terms) either incorporated in it or endorsed on it and having Coupons and, where appropriate, Talons attached to it on issue.

Definitive Notes means Definitive Bearer Notes and/or, as the context may require, Definitive Registered Notes.

Definitive Registered Note means a Registered Note in definitive form issued or, as the case may require, to be issued by the Issuer either on issue or in exchange for all of a Registered Global Note, the Registered Note in definitive form being in or substantially in the form set out in the Agency Agreement with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent and the relevant Dealer and having the Conditions endorsed on it or attached to it or, if permitted by the relevant authority or authorities and agreed by the Issuer and the relevant Dealer, incorporated in it by reference and having the applicable Final Terms (or the relevant provisions of the applicable Final Terms) either incorporated in it or endorsed on it or attached to it.

Eligible Liabilities means any liability which complies with the requirements set out in Applicable MREL Regulations to qualify as eligible liabilities for MREL purposes.

English Law Notes means Notes where the applicable Final Terms specify English law as the governing law of the Notes.

EU Banking Reforms means the CRD V Directive, BRRD II, CRR II and the SRM Regulation II.

GCC Group means the Issuer, each Member and each of their respective Subsidiaries.

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

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

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

Law 10/2014 means Law 10/2014, of 26 June on the organisation, supervision and solvency of credit institutions (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*), as amended or replaced.

Law 11/2015 means Law 11/2015 of 18 June on the Recovery and Resolution of Credit Institutions and Investment Firms (*Ley de recuperación y resolución de entidades de crédito y empresas de servicios de inversión*), as amended or replaced.

Member means each entity, from time to time, who is a party, or who has acceded to the Regulating Agreement, or any agreement which may amend or replace it from time to time and whose accession has been authorised by the Competent Authority.

MREL means the "minimum requirement for own funds and eligible liabilities" for credit institutions under the BRRD, set in accordance with Article 45 et seq. of the BRRD (as transposed in Spain), the CRR, Commission Delegated Regulation (EU) 2016/1450 of 23 May 2016, supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria relating to the methodology for setting the minimum requirement for own funds and Eligible Liabilities, or any successor requirement under EU legislation and relevant implementing legislation and regulation in Spain.

MREL-Eligible Senior Preferred Instrument means an instrument included in the Eligible Liabilities which are available to meet the MREL Requirements for the purposes of the Applicable MREL Regulations where such instrument ranks *pari passu* with the Senior Preferred Obligations of the Issuer.

MREL-Eligible Senior Non Preferred Instrument means an instrument included in the Eligible Liabilities which are available to meet the MREL Requirements for the purposes of the Applicable MREL Regulations where such instrument ranks *pari passu* with the Senior Non Preferred Obligations of the Issuer.

MREL Requirements means the minimum requirement for own funds and Eligible Liabilities applicable to the Issuer and/or the GCC Group under Applicable MREL Regulations.

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

Permitted Security Interest means:

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

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

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

RD 1012/2015 means Royal Decree 1012/2015 of 6 November 2015, implementing Law 11/2015 (*Real Decreto 1012/2015, de 6 de noviembre, por el que se desarrolla la Ley 11/2015, de 18 de junio, de recuperación y resolución de entidades de crédito y empresas de servicios de inversión, y por el que se modifica el Real Decreto 2606/1996, de 20 de diciembre, sobre fondos de garantía de depósitos de entidades de crédito*), as amended or replaced.

RD 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 or replaced.

Regulating Agreement means the regulating agreement of the GCC Group whose current wording was unanimously approved by the General Meeting of the Members of GCC Group on 12 December 2018.

Relevant Account Holder means any account holder with a Relevant Clearing System which has Underlying Notes credited to its securities account from time to time (other than any Relevant Clearing System which is an account holder of any other Relevant Clearing System).

Relevant Clearing System means Clearstream Banking, S.A. (**Clearstream, Luxembourg**, Euroclear Bank SA/NV (**Euroclear**) and/or any other clearing system or systems as is specified in Part B of the Final Terms relating to any Note.

Relevant Entity means, at any particular time, any entity forming part of the GCC Group (each an **entity**):

- (a) whose net assets represent not less than 15 per cent. of the net consolidated assets of the GCC Group as calculated by reference to the then latest audited accounts (or, if the entity itself has Subsidiaries, consolidated accounts) of such entity and the most recently published audited consolidated accounts of the GCC Group; or
- (b) whose gross revenues represent not less than 15 per cent. of the gross consolidated revenues of the GCC Group, all as calculated by reference to the then latest audited accounts (or, if the entity itself has Subsidiaries, consolidated accounts) of such entity and the then latest audited consolidated accounts of the GCC Group.

For the purposes of the definitions of Relevant Entity:

- (i) *if there shall not at any time be any relevant audited consolidated accounts of the GCC Group, references thereto herein shall be deemed to be references to a consolidation (which need not be audited) by the Issuer of the relevant audited accounts of the GCC Group;*
- (ii) *if, in the case of an entity which itself has Subsidiaries, no consolidated accounts are prepared and audited, its consolidated net assets and consolidated gross revenues shall be determined on the basis of pro forma consolidated accounts (which need not be audited) of the relevant entity and its Subsidiaries prepared for this purpose by the Issuer;*
- (iii) *if (A) any entity shall not in respect of any relevant financial period for whatever reason produce audited accounts or (B) any entity shall not have produced at the relevant time for*

the calculations required pursuant to this definition audited accounts for the same period as the period to which the latest audited consolidated accounts of the GCC Group relate, then there shall be substituted for the purposes of this definition the management accounts of such entity for such period;

- (iv) *where any Subsidiary of an entity is not wholly owned by the entity there shall be excluded from all calculations all amounts attributable to minority interests;*
- (v) *in calculating any amount all amounts owing by or to the Issuer and any entity to or by the Issuer and any entity shall be excluded; and*
- (vi) *in the event that accounts of any companies being compared are prepared on the basis of different generally accepted accounting principles, there shall be made such adjustments to any relevant financial items as are necessary to achieve a true and fair comparison of such financial items.*

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

Relevant Time means (a) in respect of English Law Notes, the time at which the bearer of a Bearer Global Note or the registered holder of a Registered Global Note has no further rights under the Global Note pursuant to certain circumstances specified in the Global Note, and (b) in respect of Spanish Law Notes, the time at which Direct Rights (as defined in such Global Note) are acquired under such Global Note in accordance with its terms.

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

Senior Preferred Obligations means any obligations of the Issuer with respect to any ordinary claims (*créditos ordinarios*) against the Issuer, other than the Senior Non Preferred Obligations.

Senior Non Preferred Obligations means any obligation of the Issuer with respect to any non preferred ordinary claims (*créditos ordinarios no preferentes*) against the Issuer referred to under Additional Provision 14.2 of Law 11/2015 and any other obligations which, by law and/or by their terms, and to the extent permitted by Spanish law, rank *pari passu* with the Senior Non Preferred Obligations.

Spanish Law Notes means Notes where the applicable Final Terms specify Spanish law as the governing law of the Notes.

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 a Single Resolution Mechanism and a Single Resolution Fund or such other regulation as may come into effect in place thereof, (in all cases, as amended from time to time, including by SRM Regulation II).

SRM Regulation II means Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 806/2014 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms.

Subordinated Notes means Senior Subordinated Notes and Tier 2 Subordinated Notes.

Subsidiary means, in relation to an entity (the **First Entity**), any entity (the **Second Entity**) controlled by that First Entity where control is determined by:

- (a) ownership (directly or indirectly) of a majority of the share capital of the Second Entity; or
- (b) the power to appoint or remove a majority of the members of the governing body of the Second Entity.

Tier 2 Capital means Tier 2 capital (*capital de nivel 2*) as provided under the Applicable Banking Regulations.

Tier 2 Instrument means any contractually subordinated obligation of the Issuer constituting a Tier 2 instrument (*instrumentos de capital de nivel 2*) in accordance with the Applicable Banking Regulations and as referred to in Additional Provision 14.3(b) of Law 11/2015, as amended or replaced.

Underlying Notes means the Notes initially represented by, and comprised in, Global Notes, in each case representing a certain number of underlying Notes.

1. FORM, DENOMINATION AND TITLE

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

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

This Note may also be a Senior Note or a Subordinated Note and, in the case of a Senior Note, an Ordinary Senior Note or a Senior Non Preferred Note, and in the case of a Subordinated Note, a Senior Subordinated Note or a Tier 2 Subordinated Note, as indicated in the applicable Final Terms.

Definitive Bearer Notes are issued with Coupons attached.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes and shall not be required to obtain any proof thereof or as to the identity of such bearer but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Agent

as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

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

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note of the same series only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

2.2 Transfers of Registered Notes in definitive form

Subject as provided in paragraphs 2.3 below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 8 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 8 (*Redemption and Purchase*), the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

3. STATUS OF THE SENIOR NOTES AND SUBORDINATED NOTES

The applicable Final Terms will indicate whether the Notes are Senior Notes or Subordinated Notes and, in the case of a Senior Note, an Ordinary Senior Note or a Senior Non Preferred Note and, in the case of Subordinated Notes, a Senior Subordinated Note or a Tier 2 Subordinated Note.

3.1 Status of the Senior Notes

The payment obligations of the Issuer in respect of principal under Notes which specify their status as Ordinary Senior Notes (**Ordinary Senior Notes**) or as Senior Non Preferred Notes (**Senior Non Preferred Notes**), together with the Ordinary Senior Notes, **Senior Notes**) in the applicable Final Terms constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer (*créditos ordinarios*).

The Senior Non Preferred Notes constitute non preferred ordinary claims (*créditos ordinarios no preferentes*) under Additional Provision 14.2° of Law 11/2015. It is expressly stated for the purposes of Additional Provision 14.2° of Law 11/2015 that upon the insolvency of the Issuer, the Senior Non Preferred Notes will rank below any other ordinary claims (*créditos ordinarios*) against the Issuer and accordingly, claims in respect of the Senior Non Preferred Notes shall be paid after payment of any such other ordinary (*créditos ordinarios*) claims of the Issuer.

Therefore, in accordance with the Insolvency Law and Additional Provision 14.2° of Law 11/2015, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise), upon the insolvency (*concurso*) of the Issuer, the payment obligations of the Issuer under the Senior Notes in respect of principal (and unless they qualify as subordinated claims (*créditos subordinados*) pursuant to Article 92 of the Insolvency Law) will rank:

- (a) in the case of Ordinary Senior Notes:
 - (i) **senior** to (A) any Senior Non Preferred Obligations and (B) any claims against the Issuer qualifying as subordinated claims (*créditos subordinados*) under Article 92 of the Insolvency Law (or equivalent legal provision which replaces it in the future); and
 - (ii) **pari passu** among themselves and with any other Senior Preferred Obligations; and
- (b) in the case of Senior Non Preferred Notes:
 - (i) **senior** to any claims against the Issuer qualifying as subordinated claims (*créditos subordinados*) under Article 92 of the Insolvency Law (or equivalent legal provision which replaces it in the future);

- (ii) **pari passu** among themselves and with any other Senior Non Preferred Obligations; and
- (iii) **junior** to any Senior Preferred Obligations.

In the event of insolvency (concurso) of the Issuer, under the currently in force Insolvency Law (as defined below), claims relating to Senior Notes (which are not subordinated pursuant to article 92 of the Insolvency Law) will be ordinary credits (créditos ordinarios) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency estate (créditos contra la masa) and credits with a privilege (créditos privilegiados) (including, without limitation, any deposits for the purposes of Additional Provision 14.1° of Law 11/2015 (as defined below)) which shall be paid in full before ordinary credits. Ordinary credits rank above subordinated credits and the rights of shareholders.

Pursuant to article 59 of the Insolvency Law, accrual of interest shall be suspended from the date of declaration of the insolvency of the Issuer. Claims of Senior Noteholders in respect of interest accrued but unpaid as of the commencement of any insolvency procedure of the Issuer shall constitute subordinated claims against the Issuer ranking in accordance with the provisions of article 92 of the Insolvency Law (including without limitation, after claims on account of principal in respect of contractually subordinated obligations of the Issuer)

3.2 Status of the Subordinated Notes

The payment obligations of the Issuer in respect of principal under Notes which specify their status as Subordinated Notes in the applicable Final Terms (**Subordinated Notes**, which may be, in turn, Senior Subordinated Notes (**Senior Subordinated Notes**) or Tier 2 Subordinated Notes (**Tier 2 Subordinated Notes**), as specified in the applicable Final Terms) constitute direct, unconditional and subordinated obligations of the Issuer. In accordance with Article 92 of the Insolvency Law and Additional Provision 14.3° of Law 11/2015 and subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise), upon the insolvency (*concurso*) of the Issuer, the payment obligations of the Issuer under the Subordinated Notes in respect of principal (and unless they qualify as subordinated claims pursuant to Articles 92.4° to 92.7° of the Insolvency Law), will rank:

- (a) for so long as the obligations of the Issuer in respect of the relevant Subordinated Notes do not constitute Tier 2 Instruments of the Issuer:
 - (i) **senior** to (i) any claims for principal in respect of contractually subordinated obligations of the Issuer qualifying as Additional Tier 1 Instruments or Tier 2 Instruments; (ii) any subordinated obligations of the Issuer under Articles 92.3° to 92.7° of the Insolvency Law; and (iii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by Spanish law, rank junior to the Issuer's obligations under the Senior Subordinated Notes;
 - (ii) **pari passu** among themselves and with (i) all other claims for principal in respect of contractually subordinated obligations of the Issuer not qualifying as Additional Tier 1 Instruments or Tier 2 Instruments of the Issuer and which are not subordinated obligations under Articles 92.4° to 92.7° of the Insolvency Law; and (ii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by Spanish law, rank *pari passu* to the Issuer's obligations under the Senior Subordinated Notes; and
 - (iii) **junior** to (i) any unsubordinated obligations of the Issuer (including any Senior Non Preferred Obligations); (ii) any subordinated obligations of the Issuer under Article

92.1° of the Insolvency Law; and (iii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by Spanish law, rank senior to the Issuer's obligations under the Senior Subordinated Notes.

- (b) for so long as the obligations of the Issuer in respect of the relevant Subordinated Notes constitute Tier 2 Instrument of the Issuer:
 - (i) **senior to** (i) any claims for principal in respect of contractually subordinated obligations of the Issuer qualifying as Additional Tier 1 Instruments; (ii) any subordinated obligations of the Issuer under Articles 92.3° to 92.7° of the Insolvency Law, and (iii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by Spanish law, rank junior to the Issuer's obligations under the relevant Subordinated Notes;
 - (ii) ***pari passu*** among themselves and with (i) any other claims for principal in respect of contractually subordinated obligations of the Issuer qualifying as Tier 2 Instruments and which are not subordinated obligations under Articles 92.4° to 92.7° of the Insolvency Law, and (ii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by Spanish law, rank *pari passu* with the Issuer's obligations under the relevant Subordinated Notes; and
 - (iii) **junior** to (i) any unsubordinated obligations of the Issuer (including any Senior Non Preferred Obligations); (ii) any subordinated obligations of the Issuer under Article 92.1 of the Insolvency Law; (iii) any claim for principal in respect of other contractually subordinated obligations of the Issuer not qualifying as Additional Tier 1 Instruments or Tier 2 Instruments (such as the Senior Subordinated Notes, if and as applicable) and which are not subordinated obligations under Articles 92.4° to 92.7° of the Insolvency Law; and (iv) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by Spanish law, rank senior to the Issuer's obligations under the relevant Subordinated Notes.

Senior Subordinated Notes are expected to rank as provided in paragraph (a) above on the basis that such Notes are not intended to qualify as Tier 2 Capital of the Issuer and/or the GCC Group. Tier 2 Subordinated Notes are expected to rank as provided in paragraph (b) above on the basis that such Notes are intended to qualify as Tier 2 Capital of the Issuer and/or the GCC Group.

4. DIRECT RIGHTS

If at any time the bearer of the Bearer Global Note and the registered holder of the Registered Global Note ceases to have rights under it in accordance with its terms, the Issuer covenants with each Relevant Account Holder (other than any Relevant Clearing System which is an account holder of any other Relevant Clearing System) that each Relevant Account Holder shall automatically acquire at the Relevant Time, under this Condition 4 and the provisions of the relevant Global Notes in the case of the Spanish Law Notes and under this Conditions 4 and the Deed of Covenant in the case of the English Law Notes, without the need for any further action on behalf of any person but subject to the provisions of the Deed of Covenant in the case of the English Law Notes, against the Issuer all those rights which the Relevant Account Holder would have had if at the Relevant Time it held and beneficially owned executed and authenticated Definitive Notes in respect of each Underlying Note represented by the Global Note which the Relevant Account Holder has credited to its securities account with the Relevant Clearing System at the Relevant Time and, from that time, the Relevant Account Holder will have no further rights under the relevant Global Note.

5. WAIVER OF SET-OFF

No holder of any Note may at any time exercise or claim any Waived Set-Off Rights against any right, claim or liability of the Issuer or that the Issuer may have or acquire against such holder, directly or indirectly and howsoever arising (and including all such rights, claims and liabilities arising under or in relation to any and all agreements or other instruments of any kind, whether or not relating to such Note) and each holder of any Note 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 amount payable by the Issuer in respect of, or arising under or in connection with, any Note to any holder of such Note 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 Issuer and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer and, accordingly, any such discharge shall be deemed not to have taken place.

Nothing in this Condition 4 is intended to provide, or shall be construed as acknowledging, any Waived Set-Off Rights or that any such Waived Set-Off Right is or would be available to any holder of any Note but for this Condition 4.

In these Conditions:

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

6. INTEREST

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

6.1 Interest on Fixed Rate Notes

This Condition 6.1 applies to Fixed Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 6.1 for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

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

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

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

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

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

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

Day Count Fraction means, in respect of the calculation of an amount of interest, in accordance with this Condition 6.1:

- (i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:
 - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or

the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

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

6.2 Interest on Fixed Reset Notes

(a) Rates of Interest and Interest Payment Dates

Each Fixed Reset Note bears interest:

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

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

The provisions of this Condition 6.2 shall apply, as applicable, in respect of any determination by the Calculation Agent of the Rate of Interest for a Reset Period in accordance with this Condition 6.2 as if the Fixed Reset Notes were Floating Rate Notes. The Rate of Interest for each Reset Period shall otherwise be determined by the Calculation Agent on the relevant Reset Determination Date in accordance with the provisions of this Condition 6.2. Once the Rate of Interest is determined for a Reset Period, the provisions of Condition 6.1 (*Interest – Interest on Fixed Rate Notes*) shall apply to Fixed Reset Notes, as applicable, as if the Fixed Reset Notes were Fixed Rate Notes.

In this Condition:

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

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

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

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

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

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

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

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

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

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

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

The Principal Paying Agent will cause the First Reset Rate of Interest, any Subsequent Reset Rate of Interest and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period to be notified to the Issuer, the other Paying Agents and any stock exchange or other relevant authority on which the relevant Reset Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 16 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day (where a London Business Day means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London) thereafter.

(c) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6.2 by the Agent shall (in the absence of negligence, wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6.3 Interest on Floating Rate Notes

(a) **Interest Payment Dates**

This Condition 6.3 applies to Floating Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 6.3 for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the applicable Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Interest Determination Date(s) and Relevant Screen Page.

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

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

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

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

- (A) in any case where Specified Periods are specified in accordance with Condition 6.3(a)(ii) (*Interest - Interest on Floating Rate Notes – Interest Payment Dates*) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply mutatis mutandis or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i)

such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

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

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

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (b) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and
- (c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(b) Rate of Interest

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

(i) ISDA Determination for Floating Rate Notes

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

- (A) the Floating Rate Option is as specified in the applicable Final Terms;

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

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

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

(ii) Screen Rate Determination for Floating Rate Notes referencing EURIBOR OR LIBOR

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

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

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

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

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

(iii) Screen Rate Determination for Floating Rate Notes referencing SONIA

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and the applicable Final Terms specify that the Reference Rate is SONIA, the Rate of Interest for each Interest Period will, as provided below, be Compounded Daily SONIA, where:

Compounded Daily SONIA means with respect to an Interest Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such

Interest Period (with the daily Sterling Overnight Index Average (**SONIA**) as reference rate for the calculation of interest) and will be calculated by the Calculation Agent as at the relevant Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fourth decimal place, with 0.00005 being rounded up:

$$\left[\prod_{i=1}^{d_0} \left(1 + \frac{SONIA_i \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

where:

d is, for any Observation Period, the number of calendar days in such Observation Period;

d₀ is, for any Observation Period, the number of London Banking Days in such Observation Period;

i is, for any Observation Period, a series of whole numbers from one to d₀, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in such Observation Period to, and including, the last London Banking Day in such Observation Period;

Interest Determination Date means, in respect of any Interest Period, the date falling p London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling p London Banking Days prior to such earlier date, if any, on which the Notes are due and payable);

London Banking Day or **LBD** means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

n_i, for any London Banking Day "i" in the relevant Observation Period, means the number of calendar days from and including such London Banking Day "i" up to but excluding the following London Banking Day;

Observation Period means, in respect of an Interest Period, the period from and including the date falling "p" London Banking Days prior to the first day of such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date falling "p" London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" London Banking Days prior to such earlier date, in any, on which the Notes become due and payable);

p means, for any Interest Period, the number of London Banking Days by which an Observation Period precedes an Interest Period, as specified in the applicable Final Terms (or, if no such number is specified, five London Banking Days);

the **SONIA reference rate**, means, in respect of any London Banking Day, a reference rate equal to the daily Sterling Overnight Index Average (**SONIA**) rate for such London Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors (in each case on the London Banking Day immediately following such London Banking Day); and

SONIA_i means, in respect of any London Banking Day "i", the SONIA reference rate for that day.

For the avoidance of doubt, the formula for the calculation of Compounded Daily SONIA only compounds the SONIA reference rate in respect of any London Banking Day. The SONIA reference rate applied to a day that is a non-London Banking Day will be taken by applying the SONIA reference rate for the previous London Banking Day but without compounding.

If, in respect of any London Business Day in the relevant Observation Period, the Calculation Agent determines that the SONIA reference rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA reference rate shall be:

- (A) (I) the Bank of England's Bank Rate (the **Bank Rate**) prevailing at close of business on the relevant London Banking Day; plus (II) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five London Banking Days on which the SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate, or
- (B) if such Bank Rate is not published by the Bank of England at close of business on the relevant London Banking Day, the SONIA reference rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding London Business Day on which the SONIA reference rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors).

If the Interest Rate cannot be determined in accordance with the foregoing provisions of this Condition 3.3(b)(iii), the Interest Rate shall be (A) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period) or (B) if there is no such preceding Interest Determination Date, the initial Interest Rate which would have been applicable to the Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin applicable to the first Interest Period).

If the relevant Series of Notes become due and payable in accordance with Condition 11, the final Interest Determination Date shall, notwithstanding the definition specified above, be deemed to be the date on which such Notes became due and payable and the Rate of Interest on such Notes shall, for so long as any such Note remains outstanding, be that determined on such date.

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

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

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

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

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

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

- (i) in the case of Floating Rate Notes which are (i) represented by a Global Note or (ii) Registered Notes in definitive form, the aggregate outstanding nominal amount of (A) the Notes represented by such Global Note or (B) such Registered Notes; or
- (ii) in the case of Floating Rate Notes which are Bearer Notes in definitive form, the Calculation Amount;

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

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 6.3:

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

(e) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

Designated Maturity means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 16 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 16 (*Notices*). For the purposes of this paragraph, the

expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6.3 (*Interest on Floating Rate Notes*) by the Principal Paying Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the other Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Principal Paying Agent in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

6.4 Benchmark Discontinuation

By its acquisition of the Notes, each Noteholder (which for these purposes includes each holder of a beneficial interest in the Notes) will be deemed to have expressly consented to the application of the provisions of this Condition 6.4. Without any requirement for any further consent or approval of the Noteholders (whether pursuant to Condition 17 or otherwise) and notwithstanding the provisions in Conditions 6.3(b), 6.3(c) or 6.2, as the case may be, above, if the Issuer or the Calculation Agent (in consultation with the Issuer, where the Calculation Agent is a party other than the Issuer, or, if the Calculation Agent deems it appropriate, an Independent Adviser) determines that a Benchmark Event has occurred in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to that Original Reference Rate, then the following provisions of this Condition 6.4 shall apply.

Notwithstanding any other provision of this Condition 6.4, no Successor Rate, Alternative Rate or Adjustment Spread will be adopted, nor will any other amendment to the terms and conditions of any Series of Notes be made to effect the Benchmark Amendments, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the treatment of any relevant Series of Notes as Tier 2 Capital or Eligible Liabilities for the purposes of Applicable MREL Regulations, in each case of the Issuer or the Group, as applicable, or could reasonably result in the Competent Authority and/or the Relevant Resolution Authority treating any future Interest Payment Dates (including any Reset Date) as the effective maturity of the Notes, rather than the relevant Maturity Date.

(a) Successor Rate or Alternative Rate

- (i) The Issuer shall use reasonable endeavours to appoint an Independent Adviser for the determination (with the Issuer's agreement) of a Successor Rate or, alternatively, if the Independent Adviser and the Issuer agree that there is no Successor Rate, an alternative rate (the **Alternative Rate**) and, in either case, an alternative screen page or source (the **Alternative Relevant Screen Page**) and an Adjustment Spread (if applicable) no later than three (3) Business Days prior to the relevant Reset Determination Date or Interest Determination Date (as applicable) relating to the next succeeding Reset Period or Interest Period (as applicable) (the **IA Determination Cut-off Date**) for purposes of determining the Rate of Interest applicable to the Notes for all future Reset Periods or Interest Periods (as applicable) (subject to the subsequent operation of this Condition 6.4).
- (ii) The Alternative Rate shall be such rate as the Independent Adviser and the Issuer acting in good faith agree has replaced the Original Reference Rate in customary market usage for the purposes of determining floating rates of interest or reset rates of interest in respect of

eurobonds denominated in the Specified Currency, or, if the Independent Adviser and the Issuer agree that there is no such rate, such other rate as the Independent Adviser and the Issuer acting in good faith agree is most comparable to the Original Reference Rate, and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Rate.

- (iii) If the Issuer is unable to appoint an Independent Adviser, or if the Independent Adviser and the Issuer cannot agree upon, or cannot select a Successor Rate or an Alternative Rate and Alternative Relevant Screen Page prior to the IA Determination Cut-off Date in accordance with subparagraph (ii) above, then the Issuer (acting in good faith and in a commercially reasonable manner) may determine which (if any) rate has replaced the applicable Original Reference Rate) in customary market usage for purposes of determining floating rates of interest or reset rates of interest in respect of eurobonds denominated in the Specified Currency, or, if it determines that there is no such rate, which (if any) rate is most comparable to the Original Reference Rate, and the Alternative Rate shall be the rate so determined by the Issuer and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Rate; provided, however, that if this subparagraph (iii) applies and the Issuer is unable or unwilling to determine an Alternative Rate and Alternative Relevant Screen Page prior to the Reset Determination Date or Interest Determination Date (as applicable) relating to the next succeeding Reset Period or Interest Period (as applicable) in accordance with this subparagraph (iii), the Floating Leg Reference Rate or Reference Rate applicable to such Reset Period or Interest Period (as applicable) shall be equal to the last observable Floating Leg Reference Rate or Reference Rate published on the Relevant Screen Page after the last preceding Reset Date or Interest Determination Date, or, if none, the Floating Leg Reference Rate or Reference Rate (as applicable) for a term equivalent to the relevant Interest Period or Reset Period published on the Relevant Screen Page as at the last preceding Reset Date or Interest Determination Date (as applicable) (though substituting, where a different relevant Margin is to be applied to the relevant Reset Period or Interest Period from that which applied to the last preceding Reset Period or Interest Period (as applicable), the relevant Margin relating to the relevant Reset Period or Interest Period, in place of the margin relating to that last preceding Reset Period or Interest Period). For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Reset Period or Interest Period, and any subsequent Reset Periods or Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 6.4.
- (iv) If a Successor Rate or an Alternative Rate and an Alternative Relevant Screen Page is determined in accordance with the preceding provisions, such Successor Rate or Alternative Rate and Alternative Relevant Screen Page shall be the benchmark and the Relevant Screen Page in relation to the Notes for all future Reset Periods or Interest Periods (as applicable) (subject to the subsequent operation of this Condition 6.4).

(b) Adjustment Spread

If the Issuer, following consultation with the Independent Adviser and acting in good faith, determines that (i) an Adjustment Spread is required to be applied to the Successor Rate or Alternative Rate 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 Alternative Rate for each subsequent determination of a relevant Rate of Interest and Interest Amount(s) (or a component part thereof) by reference to such Successor Rate or Alternative Rate.-

(c) Benchmark Amendments

If a Successor Rate or an Alternative Rate and/or Adjustment Spread is determined in accordance with the above provisions, the Independent Adviser (with the Issuer's agreement) or the Issuer (as the case may be), may also specify changes to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Reset Determination Date, Interest Determination Date and/or the definition of Floating Leg Reference Rate or Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, in order to follow market practice in relation to the Successor Rate or Alternative Rate and/or Adjustment Spread, which changes shall apply to the Notes for all future Reset Periods or Interest Periods (as applicable) (such amendments, the **Benchmark Amendments**) (subject to the subsequent operation of this Condition 6.4).

Notwithstanding any other provision of this Condition 6.4, the Calculation Agent or any Paying Agent is not obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 6.4(c), which, in the sole opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Agency Agreement and/or these Conditions.

(d) Notice

The Issuer shall promptly following the determination of any Successor Rate or Alternative Rate and Alternative Relevant Screen Page and Adjustment Spread (if any) give notice thereof and of any changes pursuant to subparagraph (c) above to the Calculation Agent, the Principal Paying Agent and the Noteholders.

In connection with any such modifications in accordance with this Condition 6.4, the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

No later than the date on which the Issuer notifies the Noteholders of the same, the Issuer shall deliver to the Calculation Agent and the Paying Agents a certificate signed by two authorised signatories of the Issuer:

- (i) confirming (A) that a Benchmark Event has occurred, (B) the Successor Rate or, as the case may be, the Alternative Rate, (C) any Adjustment Spread and (D) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 6.4; and
- (ii) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor or Alternative Rate and any Adjustment Spread.

The Agent shall display such certificate at its offices, for inspection by the Noteholders, at all reasonable times during normal business hours.

Each of the Agent, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate, the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Agent's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Agent, the Calculation Agent, the Paying Agents and the Noteholders.

Notwithstanding any other provision of this Condition 6.4, if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 6.4, the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability for not doing so.

(e) Survival of Original Reference Rate provisions

Without prejudice to the obligations of the Issuer under this Condition 6.4, the Original Reference Rate and the fallback provisions provided for in Condition 6.3 and the applicable Final Terms, as the case may be, will continue to apply unless and until the Calculation Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with this Condition 6.4.

(f) Definitions

In this Condition 6.4, the following expressions shall have the following meanings:

Adjustment Spread means either a spread (which may be positive or negative) or a formula or methodology for calculating a spread, to be applied to the relevant Successor Rate or the relevant Alternative Rate (as applicable), and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended or provided as an option for parties to adopt, in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (ii) (if no such recommendation has been made or in the case of an Alternative Rate) the Issuer determines, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital market transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or
- (iii) (if the Issuer determines that no such spread is customarily applied) the Issuer determines, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, is recognised or acknowledged as being the industry standard for over-the counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be) ; or
- (iv) (if the Issuer determines that no such industry standard is recognised or acknowledged), the Issuer, in its discretion and following consultation with the Independent Adviser, and acting in good faith and in a commercially reasonable manner, determines to be appropriate, to reduce or eliminate to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to the Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

Benchmark Amendments has the meaning given to it in Condition 6.4(c);

Benchmark Event means:

- (i) the Original Reference Rate has ceased to be published on the Relevant Screen Page for a period of at least five Business Days, as a result of such benchmark ceasing to be calculated or administered; or
- (ii) a public statement by the administrator of the Original Reference Rate that it has ceased, or will, by a specified future date (the **Specified Future Date**) cease, publishing such Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Original Reference Rate); or
- (iii) a public statement by the supervisor of the administrator of the Original Reference Rate that such Original Reference Rate has been or will, by a Specified Future Date, be permanently or indefinitely discontinued; or
- (iv) a public statement by the supervisor of the administrator of the Original Reference Rate that means that such Original Reference Rate will, by a Specified Future Date, 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; or
- (v) a public statement by the supervisor of the administrator of the Original Reference Rate that, in the view of such supervisor, such Original Reference Rate is no longer representative of an underlying market; or
- (vi) it has become unlawful for the Calculation Agent or the Issuer to calculate any payments due to be made to any Noteholder using the Original Reference Rate (including, without limitation, under the Benchmarks Regulation, if applicable).

Notwithstanding the subparagraphs above, where the relevant Benchmark Event is a public statement within subparagraphs (ii), (iii) or (iv) 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 occur until the date falling six months prior to such Specified Future Date.

Calculation Agent means the party specified in the applicable Final Terms as being responsible for determining the Rate of Interest and/or calculating the Interest Amount in respect of the Notes unless (i) where such party is a party other than the Issuer, that party fails to perform or notifies the Issuer that it is unable to perform any of its duties or obligations as Calculation Agent or (ii) where such party is the Issuer, the Issuer determines in its sole discretion to appoint another party as Calculation Agent, in which case the Calculation Agent shall be such other party as is appointed by the Issuer to act as Calculation Agent, which party may, as applicable, include the Issuer or an affiliate of the Issuer and shall be a leading bank or financial institution, or another party of recognised standing and with appropriate expertise to make the determinations and/or calculations to be made by the Calculation Agent;

Independent Adviser means an independent financial institution of international reputation or other independent adviser of recognised standing with appropriate expertise appointed by the Issuer at its own expense;

Original Reference Rate means:

- (i) the benchmark or screen rate (as applicable) originally specified in the applicable Final Terms for the purposes of determining the relevant Rate of Interest (or any component part thereof) in respect of the Notes; or
- (ii) any Successor Rate or Alternative Rate which has been determined in relation to such benchmark or screen rate (as applicable) pursuant to the operation of Condition 6.4;

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

- (i) 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
- (ii) 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; and

Successor Rate means the reference rate (and related alternative screen page or source, if available) that the Independent Adviser (with the Issuer's agreement) determines is a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

6.5 Accrual of interest

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

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 16 (*Notices*).

7. PAYMENTS

7.1 Method of payment

Subject as provided below:

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

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9 (*Taxation*)) any law implementing an intergovernmental approach thereto.

7.2 Presentation of definitive Bearer Notes and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) and save as provided in Condition 7.5 (*General provisions applicable to payments*) should be presented for payment together with all unmaturing Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmaturing Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmaturing Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

7.3 Payments in respect of Bearer Global Notes

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

7.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non resident of Japan, shall be a non resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by transfer on the due date to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**). Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to the holders by the Registrar in respect of any payments of principal or interest in respect of Registered Notes.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.5 General provisions applicable to payments

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

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

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

7.6 Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 10 (*Prescription*)) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits):
 - (i) in the case of Notes in definitive form only, in the relevant place of presentation; and
 - (ii) in each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (b) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and
- (c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

7.7 Interpretation of principal and interest

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

- (a) any additional amounts which may be payable with respect to principal under Condition 9 (*Taxation*);
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes; and
- (e) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 (*Taxation*).

In this Condition, **Final Redemption Amount** means, in respect of any Note, (i) its principal amount or (ii) such amount per Calculation Amount as may be specified in the applicable Final Terms.

8. REDEMPTION AND PURCHASE

8.1 Redemption at maturity

Senior Notes and Senior Subordinated Notes will have an original maturity of at least one year from their date of effective disbursement or such minimum or maximum maturity as may be permitted or required from time to time by Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations).

Tier 2 Subordinated Notes will have an original maturity of at least five years from their date of effective disbursement or such minimum or maximum maturity as may be permitted or required from time to time by Applicable Banking Regulations.

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

8.2 Redemption for tax reasons

Subject to Condition 8.7 (*Early Redemption Amounts*), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Principal Paying Agent and, in accordance with Condition 16 (*Notices*), the Noteholders (which notice shall be irrevocable), if, as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 9 (*Taxation*)) including any treaty to which such Tax Jurisdiction is a party or any change in the application or official interpretation of such laws or regulations, including a decision of any court or tribunal, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will or would be obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) and such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (b) the Issuer would not be entitled to claim a deduction in computing its taxation liabilities in any Tax Jurisdiction in respect of any payment of interest to be made on the next Interest Payment Date or the value of such deduction to the Issuer would be materially reduced; or
- (c) the applicable tax treatment of the Notes would be materially affected,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (a) would be obliged to pay such additional amounts (b) would not be entitled to claim such deduction or the value of such deduction would be materially reduced or (iii) would be obliged to apply the materially affected applicable tax treatment.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Principal Paying Agent to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and, in the case of Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes eligible to comply with MREL Requirements (**MREL Eligible Ordinary Senior Notes**), a copy of the permission of the Competent Authority and/or the Relevant Resolution Authority, to redemption, if and as applicable (if such permission is required).

Notes redeemed pursuant to this Condition 8.2 (*Redemption for tax reasons*) will be redeemed at their Early Redemption Amount referred to in Condition 8.7 (*Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

Redemption for taxation reasons in the case of Subordinated Notes, Senior Non Preferred Notes and MREL Eligible Ordinary Senior Notes, will be subject to the prior permission of the Competent Authority and/or the Relevant Resolution Authority if and as applicable (if such permission is required) therefor under Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) and may only take place in accordance with Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) in force at the relevant time.

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

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

This Condition 8.3 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than under any of the Conditions 8.2 (*Redemption for tax reasons*), 8.4 (*Redemption at the option of the Issuer (Capital Event): Tier 2 Subordinated Notes*) or 8.5 (*Redemption at the option of the Issuer (Eligible Liabilities Event): Subordinated Notes or Senior Notes*), such option being referred to as an **Issuer Call**. The applicable Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 8.3 for full information on any Issuer Call. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, subject in the case of Subordinated Notes, Senior Non Preferred Notes and MREL Eligible Ordinary Senior Notes, to compliance with the Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) then in force and subject to the prior permission of the Competent Authority and/or the Relevant Resolution Authority, if and as applicable (if such permission is required), having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In these Conditions, **Optional Redemption Date** means any date so specified in the applicable Final Terms and/or any date falling in the Optional Redemption Period specified in the applicable Final Terms, the first and last days inclusive.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in either case, in compliance with applicable law. In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 16 (*Notices*) not less than 15 days prior to the date fixed for redemption.

8.4 Redemption at the option of the Issuer (Capital Event): Tier 2 Subordinated Notes

If the Notes are Tier 2 Subordinated Notes and Capital Event is specified as applicable in the applicable Final Terms, then if a Capital Event occurs and is continuing, the Tier 2 Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part, subject to such redemption being permitted by the Applicable Banking Regulations then in force, and may only take place in accordance with Applicable Banking Regulations in force at the relevant time and subject to the prior permission of the Competent Authority and/or the Relevant Resolution Authority, if and as applicable (if such permission is required) pursuant to such regulations, at any time, on giving not less than 15 nor more than 30 days' notice to the Principal Paying Agent and, in accordance with Condition 16 (*Notices*), the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption).

Tier 2 Subordinated Notes redeemed pursuant to this Condition 8.4 will be redeemed at their Early Redemption Amount referred to in Condition 8.7 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

In the Conditions, **Capital Event** means the determination by the Issuer after consultation with the Competent Authority that all or part of the outstanding nominal amount of the Tier 2 Subordinated Notes is not eligible for inclusion in the Tier 2 Capital of the Issuer and/or the GCC Group (but, in the case of partial ineligibility, only if early redemption of the Tier 2 Subordinated Notes in such circumstances is permitted under then Applicable Banking Regulations) pursuant to then Applicable Banking Regulations (other than as a result of any applicable limitation on the amount of such capital as applicable to the Issuer and/or the GCC Group).

Article 78(4) of the CRR provides that the Competent Authority may only permit the redemption of Tier 2 Instruments before the fifth anniversary of the Issue Date upon the occurrence of a Capital Event if, in addition to meeting one of the conditions referred to in paragraphs (a) or (b) of Article 78(1) of the CRR, there is a change in the regulatory classification of the instruments that would be likely to result in their exclusion from own funds or reclassification as a lower quality form of own funds, the Competent Authority considers such a change to be sufficiently certain and the institution demonstrates to the satisfaction of the Competent Authority that the regulatory reclassification of those instruments was not reasonably foreseeable at the Issue Date.

8.5 Redemption at the option of the Issuer (Eligible Liabilities Event): Subordinated Notes or Senior Notes

If the Notes are Subordinated Notes or Senior Notes and Eligible Liabilities Event is specified as applicable in the applicable Final Terms, then if an Eligible Liabilities Event occurs, the relevant Senior Notes or Senior Subordinated Notes, as applicable, may be redeemed at the option of the Issuer in whole, but not in part, subject to such redemption being permitted by the Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) then in force, and may only take place in accordance with Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) in force at the relevant time and subject to the permission of the Competent Authority and/or the Relevant Resolution Authority, if and as applicable (if such permission is required) pursuant to such regulations, at any time, on giving not less than 15 nor more than 30 days' notice to the Principal Paying Agent and, in accordance with Condition 16 (*Notices*), the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption).

Senior Notes and Subordinated Notes redeemed pursuant to this Condition 8.5 will be redeemed at their Early Redemption Amount referred to in Condition 8.7 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

In the Conditions, **Eligible Liabilities Event** means:

- (a) in respect of MREL Eligible Ordinary Senior Notes, the determination by the Issuer after consultation with the Competent Authority and/or the Relevant Resolution Authority, that all or part of the outstanding principal amount of such Notes will not at any time prior to the Maturity Date fully qualify as MREL-Eligible Senior Preferred Instruments of the Issuer and/or the GCC Group, except where the non-qualification as MREL Eligible Senior Preferred Instruments is due:
 - (i) solely to the remaining maturity of such Notes (or effective remaining maturity where the Notes, for example, are subject to an Investor Put) being less than any period prescribed by any applicable eligibility criteria under Applicable Banking

- Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) (or any other regulations applicable in Spain) as at the Issue Date; or
- (ii) to the relevant Notes being bought back by or on behalf of the Issuer; or
 - (iii) to a subordination requirement being applied by the Relevant Resolution Authority for such Notes to be eligible to comply with MREL Requirements; or
 - (iv) there being insufficient headroom for such Notes to qualify as Eligible Liabilities within prescribed limits established by Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) (or any other regulations applicable in Spain);
- (b) in respect of Senior Non Preferred Notes, the determination by the Issuer after consultation with the Competent Authority and/or the Relevant Resolution Authority, that all or part of the outstanding principal amount of such Notes will not at any time prior to the Maturity Date fully qualify as MREL-Eligible Senior Non Preferred Instruments of the Issuer and/or the GCC Group, except where the non-qualification as MREL-Eligible Senior Non Preferred Instruments is due (i) solely to the remaining maturity of such Notes (or effective remaining maturity where the Notes, for example, are subject to an Investor Put) being less than any period prescribed by any applicable eligibility criteria under Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) (or any other regulations applicable in Spain) as at the Issue Date; or (ii) to the relevant Notes being bought back by or on behalf of the Issuer; and
- (c) in respect of Subordinated Notes, the determination by the Issuer after consultation with the Competent Authority and/or the Relevant Resolution Authority, that all or part of the outstanding principal amount of such Notes will not at any time prior to the Maturity Date fully qualify as Eligible Liabilities of the Issuer and/or the GCC Group, except where the non-qualification as Eligible Liabilities is due (i) solely to the remaining maturity of such Notes (or effective remaining maturity where the Notes, for example, are subject to an Investor Put) being less than any period prescribed by any applicable eligibility criteria under Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) (or any other regulations applicable in Spain) as at the Issue Date; or (ii) to the relevant Notes being bought back by or on behalf of the Issuer.

An Eligible Liabilities Event shall, without limitation, be deemed to have occurred where such ineligibility for inclusion of the Notes in the Eligible Liabilities arises as a result of (a) any Spanish legislation implementing or giving effect to the EU Banking Reforms differing in any respect from the form of the EU Banking Reforms adopted (including if the EU Banking Reforms are not implemented in full in Spain), or (b) the official interpretation or application of the EU Banking Reforms or the EU Banking Reforms as implemented in Spain (including any interpretation or pronouncement by any relevant court, tribunal or authority) differing in any respect from the manner in which the EU Banking Reforms have been reflected in the Conditions.

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

This Condition 8.6 applies to Senior Notes and Senior Subordinated Notes, if specified as being applicable in the applicable Final Terms, and if allowed under the Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations), which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an **Investor Put**. The applicable Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 8.6 for full information on any Investor Put. In

particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 16 (*Notices*) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. No such redemption option will be applicable to any Subordinated Notes, unless as permitted under Applicable Banking Regulations.

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

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 8.6 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 8.6 and instead to declare such Note forthwith due and payable pursuant to Condition 11 (*Events of Default*).

8.7 Early Redemption Amounts

For the purpose of Conditions 8.2 (*Redemption for tax reasons*), 8.4 (*Redemption at the option of the Issuer (Capital Event): Tier 2 Subordinated Notes*), 8.5 (*Redemption at the option of the Issuer (Eligible Liabilities Event): Subordinated Notes or Senior Notes*) and 11 (*Events of Default*), each Note will be redeemed at its Early Redemption Amount.

8.8 Purchases

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

In the case of Subordinated Notes, Senior Non Preferred Notes and MREL Eligible Ordinary Senior Notes, the purchase of the relevant Notes by the Issuer or any of its Subsidiaries shall take place in accordance with Applicable Banking Regulations in force at the relevant time and will be subject to the prior permission of the Competent Authority and/or the Relevant Resolution Authority, if and as applicable (if such permission is required).

Under the current Applicable Banking Regulations an institution requires the prior permission of the Competent Authority (Article 77(b) of the CRR) to effect the repurchase of Tier 2 Instruments.

8.9 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 8.8 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

9. TAXATION

All payments in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts in respect of interest (but not in respect of payments of principal or any premium) as shall be necessary in order that the net amounts received by the Noteholders or Couponholders after such withholding or deduction shall equal the amount of interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) presented for payment in Spain; or
- (b) to, or to a third party on behalf of, a holder who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than (i) the mere holding of such Note or Coupon or (ii) the receipt of any payment in respect of such Note or Coupon; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.6 (*Payment Day*)); or
- (d) to, or to a third party on behalf of, a holder in respect of whom the Issuer does not receive such information concerning such Noteholder's identity and tax residence as may be required in order to comply with the procedures that may be implemented to comply with the interpretation of Royal Decree 1065/2007 eventually made by the Spanish Tax Authorities; or
- (e) to, or to a third party on behalf of, a Spanish-resident legal entity subject to Spanish Corporation Income Tax if the Spanish Tax Authorities determine that the Notes do not comply with applicable exemption requirements including those specified in the Reply to a Non-Binding Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made.

As used herein:

- (i) **Tax Jurisdiction** means Spain or any political subdivision or any authority thereof or therein having power to tax; and
- (ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying

Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 16 (*Notices*).

10. PRESCRIPTION

In the case of Notes governed by English law, claims for payment in respect of Notes (whether in bearer or registered form) and Coupons will become void unless made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9 (*Taxation*)) therefor. In the case of Notes governed by Spanish law, claims for payment in respect of Notes (whether in bearer or registered form) will become void unless made within a period of three years after the Relevant Date (as defined in Condition 9 (*Taxation*)) therefore.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7.2 (*Presentation of definitive Bearer Notes and Coupons*) or any Talon which would be void pursuant to Condition 7.2 (*Presentation of definitive Bearer Notes and Coupons*).

11. EVENTS OF DEFAULT

11.1 Events of Default relating to Ordinary Senior Notes

This Condition 11.1 only applies to Ordinary Senior Notes if so specified in the applicable Final Terms. If any one or more of the following events (each an **Event of Default**) shall occur and be continuing:

- (a) **Non-payment:** the Issuer fails to pay any amount of principal in respect of the Notes within 14 days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 21 days of the due date for payment thereof; or
- (b) **Breach of other obligations:** the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or, as the case may be, the Agency Agreement, as the case may be, the Deed of Covenant and such default remains unremedied for 30 days or after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer; or
- (c) **Cross-default of Issuer or Relevant Entity:**
 - (i) any Indebtedness for Borrowed Money of the Issuer or any Relevant Entity is not paid when due or (as the case may be) within any originally applicable grace period; or
 - (ii) any such Indebtedness for Borrowed Money becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the Relevant Entity or (provided that no event of default, howsoever described, has occurred) any person entitled to such Indebtedness for Borrowed Money,

provided that the amount of Indebtedness for Borrowed Money referred to in subparagraph (i) and/or subparagraph (ii) above individually or in the aggregate exceeds EUR 40,000,000 (or its equivalent in any other currency or currencies);

- (d) **Unsatisfied judgment:** one or more final judgment(s) or order(s) for the payment of any amount which individually or in the aggregate exceeds EUR 40,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any Relevant Entity and

continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

- (e) **Security enforced:** any Security Interest created or assumed by the Issuer or any Relevant Entity becomes enforceable and any steps are taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person) provided that the Indebtedness for Borrowed Money to which such Security Interest relates *either* individually or in the aggregate exceeds EUR 40,000,000 (or its equivalent in any other currency or currencies); or
- (f) **Winding up:** any order is made by any competent court or any resolution passed for the winding up, liquidation or dissolution of the Issuer (or any Relevant Entity) (except in any such case for the purpose of a Permitted Reorganisation); or
- (g) **Cessation of business:** the Issuer (or any Relevant Entity) ceases or threatens to cease to carry on the whole or a substantial part of its business (except in any such case for the purpose of a Permitted Reorganisation) or the Issuer (or any **Relevant** Entity) stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class thereof) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (h) **Insolvency proceedings:** (i)(A) in respect of the Issuer, an order is made by any competent court commencing insolvency proceedings (*procedimientos concursales*) against it or an order is made or a resolution is passed for the winding-up, liquidation or dissolution of the Issuer, and, in respect of any Relevant Entity, proceedings are initiated against any such Relevant Entity under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (except in any such case for the purpose of a Permitted Reorganisation); or (B) an application made for the appointment of an administrative or other receiver, **manager**, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer (or any Relevant Entity) or in relation to the whole or any substantial part of the undertaking or assets of any of them; or (C) an encumbrance takes possession of the whole or any substantial part of the undertaking or assets of the Issuer (or any Relevant Entity); or (D) a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any substantial part of the undertaking or assets of the Issuer (or any Relevant Entity); and (ii) in any case is or are not discharged within 30 days; or
- (i) **Arrangements with creditors:** the Issuer (or any Relevant Entity) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or **makes** a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors); or
- (j) **Failure to take action etc.:** any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in **respect** of the Notes and the Deed of Covenant, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes and the Coupons admissible in evidence in the courts of Spain or England is not taken, fulfilled or done; or
- (k) **Unlawfulness:** it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Deed of Covenant; or

(l) **Regulating Agreement:**

- (i) the Regulating Agreement is terminated (and is not concurrently therewith substituted or replaced, or the commercial benefit thereof for the Issuer is not otherwise replicated or continued) or is modified in a manner which is materially prejudicial to the interests of the Noteholders; or
- (ii) a Member that is a Relevant Entity ceases to be bound by the Regulating Agreement,

then any Noteholder of the relevant Series in respect of such Notes may, by written notice to the Issuer, declare that such Notes or Note (as the case may be) and all interest then accrued but unpaid on such Notes or Note (as the case may be) shall be forthwith due and payable, whereupon the relevant Notes shall, when permitted by applicable Spanish law, become immediately due and payable at their outstanding nominal amount, together with all accrued interest thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Notes to the contrary.

For the purpose of this Condition 11:

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

Permitted Reorganisation means:

- (a) with respect to the Issuer, a reconstruction, merger or amalgamation 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 senior debt assigned by Standard & Poor's Rating Services, Moody's Investors Service or Fitch equivalent to or higher than the rating for long-term senior debt of the Issuer immediately prior to such reconstruction, merger or amalgamation); and
- (b) with respect to a Subsidiary, a reconstruction, merger or amalgamation which is on a solvent basis.

11.2 Events of Default relating to the Senior Non Preferred Notes, Subordinated Notes and Ordinary Senior Notes

This Condition 11.2 applies to Senior Non Preferred Notes and Subordinated Notes, and to Ordinary Senior Notes if so specified in the applicable Final Terms and references to "Notes" shall be construed accordingly.

If any order is made by any competent court or resolution passed for the winding up, liquidation or dissolution of the Issuer (except in any such case for the purpose of a Permitted Reorganisation (as defined in Condition 11.1 (*Events of Default – Events of Default relating to Ordinary Senior Notes*) above, save that references therein to "senior debt" shall be deemed, in the case of Subordinated Notes, to be references to "subordinated debt" for the purposes of this Condition 11.2)) (an **Event of Default**) then any Noteholder of the relevant Series in respect of such Notes may, by written notice to the Issuer, declare that such Notes or Note (as the case may be) and all interest then accrued but unpaid on such Notes or Note (as the case may be) shall be forthwith due and payable, whereupon the relevant Notes shall, when permitted by applicable Spanish law, become immediately due and payable at their outstanding nominal amount, together with all accrued interest thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Notes to the contrary.

11.3 Green, Social or Sustainability Notes

In the case of any Notes where the "Reasons for the Offer" in Part B of the applicable Final Terms are stated to be for "green", "social" or "sustainability" projects as described therein (the **Green, Social or Sustainability Notes Use of Proceeds Disclosure** and the **Green, Social or Sustainability Notes**, as appropriate), no Event of Default shall occur or other claim against the Issuer or right of a holder of, or obligation or liability of the Issuer in respect of, such Green, Social or Sustainability Notes arise as a result of the net proceeds of such Green, Social or Sustainability Notes not being used, any report, assessment, opinion or certification not being obtained or published, or any other step or action not being taken, in each case as set out and described in the Green, Social or Sustainability Notes Use of Proceeds Disclosure.

12. REPLACEMENT OF NOTES, COUPONS AND TALONS

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

13. AGENTS

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

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

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.5 (*General provisions applicable to payments*). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 16 (*Notices*).

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

14. LOSS ABSORBING POWER

- (a) *Acknowledgement:* Notwithstanding any other term of the Notes or any other agreement, arrangement or understanding between the Issuer and the Noteholders, by its subscription and/or purchase and holding of the Notes, each Noteholder (which for the purposes of this Condition 14 includes each holder of a beneficial interest in the Notes) acknowledges, accepts, consents and agrees:
- (i) to be bound by the effect of the exercise of the Loss Absorbing Power by the Relevant Resolution Authority, which may include and result in any of the following, or some combination thereof:
- the reduction of all, or a portion, of the Amounts Due on a permanent basis;
 - the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or another person (and the issue to the Noteholder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes;
 - the cancellation of the Notes or Amounts Due;
 - the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and
- (ii) that the terms of the Notes are subject to, and may be varied, if necessary, to give effect to, the exercise of the Loss Absorbing Power by the Relevant Resolution Authority.
- (b) *Payment of Interest and Other Outstanding Amounts Due:* No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Loss Absorbing Power by the Relevant Resolution Authority with respect to the Issuer if and to the extent such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise.
- (c) *Event of Default:* Neither a reduction or cancellation, in part or in full, of the Amounts Due, the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the Loss Absorbing Power by the Relevant Resolution Authority with respect to the Issuer, nor the exercise of the Loss Absorbing Power by the Relevant Resolution Authority with respect to any Notes will be an Event of Default pursuant to Condition 11.
- (d) *Notice to Noteholders:* Upon the exercise of any Loss Absorbing Power by the Relevant Resolution Authority with respect to the Notes, the Issuer will make available a written notice to the Noteholders as soon as practicable regarding such exercise of the Loss Absorbing Power. The Issuer will also deliver a copy of such notice to the Agents for information purposes.
- (e) *Duties of the Agents:* Upon the exercise of any Loss Absorbing Power by the Relevant Resolution Authority, (a) the Agent shall not be required to take any directions from Noteholders, and (b) the Agency Agreement shall impose no duties upon any of the Agents whatsoever, in each case with respect to the exercise of any Loss Absorbing Power by the Relevant Resolution Authority.

- (f) *Proration*: If the Relevant Resolution Authority exercises the Loss Absorbing Power with respect to less than the total Amounts Due, unless any of the Agents is otherwise instructed by the Issuer or the Relevant Resolution Authority, any cancellation, write-off or conversion made in respect of the Notes pursuant to the Loss Absorbing Power will be made on a *pro-rata* basis.
- (g) *Condition Exhaustive*: The matters set forth in *this* Condition 14 shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and any holder of a Note.
- (h) *Definitions*: In this Condition 14:

Amounts Due means the principal amount or outstanding amount, together with any accrued but unpaid interest, and additional amounts, if any, due on the Notes under Condition 9 (*Taxation*). References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of the Loss Absorbing Power by the Relevant Resolution Authority;

Loss Absorbing Power means any power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the Kingdom of Spain, relating to (i) the transposition of the BRRD (including but not limited to, Law 11/2015, Royal Decree 1012/2015 and any other implementing regulations) as amended or superseded from time to time, (ii) the SRM Regulation, and (iii) the instruments, rules and standards created thereunder, pursuant to which, among others, any obligation of a Regulated Entity (or an affiliate of such Regulated Entity) can be reduced, cancelled, suspended, modified, or converted into shares, other securities, or other obligations of such Regulated Entity (or affiliate of such Regulated Entity);

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

Relevant Resolution Authority means 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 Loss Absorbing Power from time to time.

15. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10 (*Prescription*).

16. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London (which is expected to be the *Financial Times*), or (b)) if and for so long as the Notes are admitted to trading on, and listed on the Official List of Euronext Dublin, on Euronext Dublin's website, www.ise.ie. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock

exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules.

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

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

17. MEETINGS OF NOTEHOLDERS AND MODIFICATION

This Condition contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions, the Coupons or any of the provisions of the Agency Agreement. The Agency Agreement contains certain additional provisions which regulate procedural matters in relation to meetings of Noteholders.

17.1 Evidence of entitlement to attend and vote

The following persons (each an **Eligible Person**) are entitled to attend and vote at a meeting of the holders of Notes:

- (a) a holder of any Notes in definitive form which is not held in an account with any clearing system;
- (b) a bearer of any voting certificate in respect of the Notes; and
- (c) a proxy specified in any block voting instruction.

A Noteholder may require the issue by any Paying Agent of voting certificates and block voting instructions in accordance with the terms of the Agency Agreement.

The holder of any voting certificate or the proxies named in any block voting instruction shall for all purposes in connection with the meeting or adjourned meeting be deemed to be the holder of the Notes to which the voting certificate or block voting instruction relates and the Paying Agent with which the Notes have been deposited or the person holding the Notes to the order or under the control of any Paying Agent shall be deemed for those purposes not to be the holder of those Notes.

17.2 Convening of meetings, quorum, adjourned meetings

- (a) The Issuer may at any time and, if required in writing by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding, shall convene a meeting of the Noteholders and if the Issuer fails for a period of seven days to convene the meeting the meeting may be convened by the relevant Noteholders. Whenever the Issuer is about to convene any meeting it shall immediately give notice in writing to the Principal Paying Agent of the day, time and place of the meeting and of the nature of the business to be transacted at the meeting. Every meeting shall be held at a time and place approved by the Principal Paying Agent.
- (b) At least 21 clear days' notice specifying the place, day and hour of the meeting shall be given to the Noteholders in the manner provided in Condition 16 (Notices). The notice, which shall be in the English language, shall state generally the nature of the business to be transacted at the meeting and, in the case of an Extraordinary Resolution only, shall either (i) specify the terms of the Extraordinary Resolution to be proposed or (ii) state fully the effect on the holders of such Extraordinary resolution, if passed. The notice shall include statements as to the manner in which Noteholders may arrange for voting certificates or block voting instructions to be issued and, if applicable, appoint proxies or representatives. A copy of the notice shall be sent by post to the Issuer (unless the meeting is convened by the Issuer).
- (c) The person (who may but need not be a Noteholder) nominated in writing by the Issuer 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 Noteholders present shall choose one of their number to be Chairman failing which the Issuer 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.
- (d) At any meeting one or more Eligible Persons present and holding or representing in the aggregate not less than 5 per cent. in nominal 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) shall be transacted at any meeting unless the required quorum is present at the commencement of business. The quorum at any meeting for passing an Extraordinary Resolution shall (subject as provided below) be one or more Eligible Persons present and holding or representing in the aggregate not less than 50 per cent. in nominal amount of the Notes for the time being outstanding provided that at any meeting the business of which includes any of the following matters (**Basic Terms Modifications**, each of which shall only be capable of being effected after having been approved by Extraordinary Resolution):
 - (i) modification of the Maturity Date of the Notes or reduction or cancellation of the nominal amount payable at maturity; or
 - (ii) reduction or cancellation of the amount payable or modification of the payment date in respect of any interest in respect of the Notes or variation of the method of calculating the rate of interest in respect of the Notes (other than any change arising from the

discontinuation of any interest rate benchmark used to determine the amount of any payment in respect of the Notes); or

- (iii) reduction of any Minimum Rate of Interest and/or Maximum Rate of Interest specified in the applicable Final Terms; or
- (iv) modification of the currency in which payments under the Notes are to be made; or
- (v) modification of the Deed of Covenant; or
- (vi) modification of the majority required to pass an Extraordinary Resolution; or
- (vii) the sanctioning of any scheme or proposal described in Condition 17.3(i)(vi); or
- (viii) alteration of this proviso or the proviso to Condition 17.2(e) below,

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

- (e) 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 Noteholders be dissolved. In any other 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 Principal Paying Agent). If within 15 minutes (or a longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any adjourned meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the Chairman may either dissolve the meeting or adjourn it for a period, being not less than 14 clear days (but without any maximum number of clear days) and to a place as may be appointed by the Chairman (either at or after the adjourned meeting) and approved by the Principal Paying Agent, and the provisions of this sentence shall apply to all further adjourned meetings.
- (f) At any adjourned meeting one or more Eligible Persons present (whatever the nominal amount of the Notes 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 Basic Terms Modifications specified in the proviso to Condition 17.2(d) the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than one-fourth in nominal amount of the Notes for the time being outstanding.
- (g) Notice of any adjourned meeting at which an Extraordinary Resolution is to be submitted shall be given in the same manner as notice of an original meeting but as if 10 were substituted for 21 in Condition 17.2(b) and the notice shall state the relevant quorum.

17.3 Conduct of business at meetings

- (a) Every question submitted to a meeting shall be decided in the first instance by a show of hands. A poll may be demanded (before or on the declaration of the result of the show of hands) by the Chairman, the Issuer or any Eligible Person (whatever the amount of the Notes so held or represented by him). 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 duly demanded, a declaration by the Chairman that a resolution has been carried or 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 17.3(f), if at any meeting a poll is demanded it shall be taken in the manner and, subject as provided below, either at once or after an adjournment as the Chairman may direct and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the motion on which the poll has been demanded.
- (d) The Chairman may, with the consent of (and shall if directed by) any meeting, adjourn the meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting except business which might lawfully (but for lack of required quorum) have been transacted at the meeting from which the adjournment took place.
- (e) Any poll demanded at any meeting on the election of a Chairman or on any question of adjournment shall be taken at the meeting without adjournment.
- (f) Any director or officer of the Issuer and its lawyers and financial advisers and any director or officer of any of the Paying Agents may attend and speak at any meeting. Subject to this, but without prejudice to the proviso to the definition of "outstanding" in these Conditions, no person shall be entitled to attend and speak nor shall any person be entitled to vote at any meeting of the Noteholders or join with others in requiring the convening of a meeting unless he is an Eligible Person. No person shall be entitled to vote at any meeting in respect of Notes which are deemed not to be outstanding by virtue of the proviso to the definition of "outstanding" in these Conditions. Nothing contained in this paragraph shall prevent any of the proxies named in any block voting instruction from being a director, officer or representative of or otherwise connected with the Issuer.
- (g) Subject as provided in Condition 17.3(f), 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:
 - (A) each €1.00; and
 - (B) in the case of a meeting of the holders of Notes denominated in a currency other than Euro, the equivalent of €1.00 in that currency (calculated as specified in subclause 17.3(m)(i)(m)(i) and 17.3(m)(ii)).

Without prejudice to the obligations of the proxies named in any block voting instruction, any person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.

- (h) The proxies named in any block voting instruction need not be Noteholders.
- (i) A meeting of the Noteholders shall in addition to the powers set out above have the following powers exercisable only by Extraordinary Resolution (subject to the provisions relating to quorum contained in Conditions 17.2(d) and 17.2(f)), namely:

- (i) power to approve any compromise or arrangement proposed to be made between the Issuer and the Noteholders and Couponholders or any of them;
 - (ii) power to approve any abrogation, modification, compromise or arrangement in respect of the rights of the Noteholders and Couponholders against the Issuer or against any of its property whether these rights arise under this Agreement, the Notes or the Coupons or otherwise and whether or not involving a reduction or cancellation of all or part of the principal, interest or other amounts payable in respect of the Notes or an extinguishment of some or all of the rights of the Noteholders in respect of the Notes;
 - (iii) power to agree to any modification of the provisions contained in the Agency Agreement or the Conditions, the Notes, the Coupons or the Deed of Covenant which is proposed by the Issuer;
 - (iv) power to give any authority or approval which under the provisions of this Condition and Schedule 6 to the Agency Agreement or the Notes is required to be given by Extraordinary Resolution;
 - (v) power to appoint any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders and to confer upon any committee or committees any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution;
 - (vi) power to approve any scheme or proposal for the exchange or sale of the Notes for, or the conversion of the Notes into, or the cancellation of the Notes in consideration of, shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities as stated above and partly for or into or in consideration of cash; and
 - (vii) power to approve the substitution of any entity in place of the Issuer (or any previous substitute) as the principal debtor in respect of the Notes and the Coupons.
- (j) Any resolution (including an Extraordinary Resolution) (i) passed at a meeting of the Noteholders duly convened and held (ii) passed as a resolution in writing or (iii) passed by way of electronic consents given by Noteholders through the relevant clearing system(s), in accordance with the provisions of this Condition and Schedule 6 to the Agency Agreement, shall be binding upon all the Noteholders whether present or not present at the meeting referred to in (i) above and whether or not voting (including when passed as a resolution in writing or by way of electronic consent) and upon all Couponholders 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 Noteholders shall be published in accordance with Condition 16 (Notices) by the Issuer within 14 days of the result being known provided that non-publication shall not invalidate the resolution.
- (k) 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 Issuer and any minutes signed by the Chairman of the meeting at which any resolution was passed or proceedings had 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 at the meeting to have been duly passed or had.

- (l) Subject to all other provisions contained in this Condition and Schedule 6 to the Agency Agreement the Principal Paying Agent may without the consent of the Issuer, the Noteholders or the Couponholders prescribe any other regulations regarding the calling and/or the holding of meetings of Noteholders and attendance and voting at them as the Principal Paying Agent may in its sole discretion think fit (including, without limitation, the substitution for periods of 24 hours and 48 hours referred to in this Condition and Schedule 6 to the Agency Agreement of shorter periods). Any regulations prescribed by the Principal Paying Agent may but need not reflect the practices and facilities of any relevant clearing system. Notice of any other regulations may be given to Noteholders in accordance with Condition 16 (Notices) and/or at the time of service of any notice convening a meeting.
- (m) If the Issuer has issued and has outstanding Notes which are not denominated in Euro, the nominal amount of such Notes shall:
 - (i) for the purposes of Condition 17.2(a) above, be the equivalent in Euro at the spot rate of a bank nominated by the Principal Paying Agent for the conversion of the relevant currency or currencies into Euro on the seventh dealing day before the day on which the written requirement to call the meeting is received by the Issuer; and
 - (ii) for the purposes of Condition 17.2(d), 17.2(f) and 17.3(g) above (whether in respect of the meeting or any adjourned meeting or any poll), be the equivalent at that spot rate on the seventh dealing day before the day of the meeting,

and, in all cases, the equivalent in Euro of any Notes issued at a discount or a premium shall be calculated by reference to the original nominal amount of those Notes.

In the circumstances set out above, on any poll each person present shall have one vote for each €1.00 in nominal amount of the Notes (converted as above) which he holds or represents.

17.4 Modifications

The Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to:

- (a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Coupons, the Deed of Covenant or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Coupons, the Deed of Covenant or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 16 (*Notices*) as soon as practicable thereafter.

17.5 Definitions

In these Conditions:

block voting instruction means an English language document issued by a Paying Agent and dated:

- (a) which relates to a specified nominal amount of Notes and a meeting (or adjourned meeting) of the holders of the Series of which those Notes form part;

- (b) in which it is certified that on the date thereof Notes (whether in definitive form or represented by a Global Note) (not being Notes in respect of which a voting certificate has been issued and is outstanding in respect of the meeting specified in such block voting instruction) have been deposited with such Paying Agent or (to the satisfaction of such Paying Agent) are held to its order or under its control or are blocked in an account with a Clearing System and that no such Notes will cease to be so deposited or held or blocked until the first to occur of:
 - (i) the conclusion of the meeting specified in such block voting instruction; and
 - (ii) the surrender to the Paying Agent, not less than 48 hours before the time for which such meeting is convened, of the receipt issued by such Paying Agent in respect of each such deposited Note which is to be released or (as the case may require) the Notes ceasing with the agreement of the Paying Agent to be held to its order or under its control or so blocked and the giving of notice by the Paying Agent to the Issuer in accordance with subclause 3.4 of Schedule 6 to the Agency Agreement of the necessary amendment to the block voting instruction;
- (c) states that the Paying Agent has been instructed (either by the holders of the Notes or by a relevant clearing system) that the votes attributable to the Notes so blocked should be cast in accordance with the instructions given in relation to the resolution(s) to be put to such meeting and that all such instructions are, during the period commencing 48 hours prior to the time for which such meeting is convened and ending at the conclusion or adjournment thereof, neither revocable nor capable of amendment;
- (d) which identifies with regard to each resolution to be proposed at the meeting the nominal amount of Notes so blocked, distinguishing with regard to each such resolution between those in respect of which instructions have been given that the votes attributable to them should be cast in favour of the resolution and those in respect of which instructions have been given that the votes attributable to them should be cast against the resolution; and
- (e) which states that one or more named persons (each a proxy) is or are authorised and instructed by the Paying Agent to cast the votes attributable to the Notes identified in accordance with the instructions referred to in (d) above as set out in the block voting instruction;

Extraordinary Resolution means;

- (a) a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions of this Condition and Schedule 6 to the Agency Agreement by a majority consisting of not less than 75 per cent. of the persons voting on the resolution upon a show of hands or, if a poll was duly demanded, by a majority consisting of not less than 75 per cent. of the votes given on the poll;
- (b) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes for the time being outstanding, which resolution in writing may be contained in one document or in several documents in similar form each signed by or on behalf of one or more of the Noteholders; or
- (c) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Principal Paying Agent) by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes for the time being outstanding.

outstanding means, in relation to the Notes of any Series, all the Notes issued other than:

- (a) those Notes which have been redeemed and cancelled pursuant to the Conditions;
- (b) those Notes in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption moneys (including all interest (if any) accrued to the date for redemption and any interest (if any) payable under the Conditions after that date) have been duly paid to or to the order of the Principal Paying Agent in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the Noteholders in accordance with the Conditions) and remain available for payment of the relevant Notes and/or Coupons;
- (c) those Notes which have been purchased and cancelled in accordance with the Conditions;
- (d) those Notes in respect of which claims have become prescribed under the Conditions;
- (e) those mutilated or defaced Notes which have been surrendered and cancelled and in respect of which replacements have been issued under the Conditions;
- (f) (for the purpose only of ascertaining the nominal amount of the Notes outstanding and without prejudice to the status for any other purpose of the relevant Notes) those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued under the Conditions;
- (g) any Temporary Bearer Global Note to the extent that it has been exchanged for Definitive Bearer Notes or a Permanent Bearer Global Note and any Permanent Bearer Global Note to the extent that it has been exchanged for Definitive Bearer Notes in each case under its provisions; and
- (h) any Registered Global Note to the extent that it has been exchanged for Definitive Registered Notes and any Definitive Registered Note to the extent it has been exchanged for an interest in a Registered Global Note,

provided that for the purpose of:

- (i) attending and voting at any meeting of the Noteholders of the Series, passing an Extraordinary Resolution in writing or an Extraordinary Resolution by way of electronic consents given through the relevant clearing systems as envisaged by these Conditions and the terms of the Agency Agreement; and
- (ii) determining how many and which Notes of the Series are for the time being outstanding for the purposes of Condition 17,

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

a **relevant clearing system** means, in respect of any Notes, any clearing system on behalf of which such Note is held or which is the bearer or (directly or through a nominee) registered owner of a Note, in each case whether alone or jointly with any other clearing system(s);

voting certificate means an English language certificate issued by a Paying Agent and dated in which it is stated:

- (a) that on the date thereof Notes (whether in definitive form or represented by a Global Note) (not being Notes in respect of which a block voting instruction has been issued and is

outstanding in respect of the meeting specified in such voting certificate) where deposited with such Paying Agent or (to the satisfaction of such Paying Agent) are held to its order or under its control or are blocked in an account with a Clearing System and that no such Notes will cease to be so deposited or held or blocked until the first occur of:

- (i) the conclusion of the meeting specified in such voting certificate; and
 - (ii) the surrender of the voting certificate to the Paying Agent who issued the same; and
- (b) that the bearer of the voting certificate is entitled to attend and vote at the meeting and any adjourned meeting in respect of the Notes represented by the certificate;

24 hours means a period of 24 hours including all or part of a day on which banks are open for business both in the place where the meeting is to be held and in each of the places where the Paying Agents have their specified offices (disregarding for this purpose the day on which the meeting is to be held) and that period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included all or part of a day on which banks are open for business in all of the places where the Paying Agents have their specified offices; and

48 hours means a period of 48 hours including all or part of two days on which banks are open for business both in the place where the meeting is to be held and in each of the places where the Paying Agents have their specified offices (disregarding for this purpose the day on which the meeting is to be held) and that period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included all or part of two days on which banks are open for business in all of the places where the Paying Agents have their specified offices.

References in this Condition 17 to the **Notes** are to the Series of Notes in respect of which the meeting is, or is proposed to be, convened.

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.

18. FURTHER ISSUES

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

19. SUBSTITUTION OF THE ISSUER

- (a) The Issuer (or any previous substitute under this Condition) may, with respect to any Series of Notes issued by it (the **Relevant Notes**), without the further consent of the Noteholders but, subject to such substitution being in compliance with Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) and subject to the prior permission of the Competent Authority and/or the Relevant Resolution Authority, if and as applicable (if such permission is required), be replaced and substituted by any of its wholly owned Subsidiaries or by any other entity which is a Member to whom the Issuer shall have transferred the whole or a substantial part of its assets and liabilities pursuant to a Permitted Reorganisation (a **Transferee**) as the principal debtor in respect of the Notes, Coupons, Talons and the Deed of Covenant (the **Substituted Debtor**), provided that:

- (i) the Issuer is not in default in respect of any amount payable under any of the Relevant Notes;
- (ii) the Issuer (or any previous substitute under this Condition 19) and the Substituted Debtor have granted or entered into a deed poll and/or such other documents (the **Documents**) as are necessary to give effect to the substitution and in which the Substituted Debtor has undertaken in favour of each Noteholder of the Relevant Notes to be bound by these Conditions and the provisions of the Agency Agreement and (in the case of English Law Notes) the Deed of Covenant as the debtor in respect of such Notes in place of the Issuer (or of any previous substitute under this Condition 19) and pursuant to which the Issuer (except where the Substituted Debtor is a Transferee) shall unconditionally and irrevocably guarantee (the **New Guarantee**) in favour of each Noteholder the payment of all sums payable by the Substituted Debtor as such principal debtor with the Issuer's obligations under the New Guarantee ranking *pari passu* with the Issuer's obligations under the Notes prior to the substitution becoming effective;
- (iii) if the Substituted Debtor is resident for tax purposes in a territory (the **New Residence**) other than that in which the Issuer prior to such substitution was resident for tax purposes (the **Former Residence**) the Documents contain an undertaking and/or such other provisions as may be necessary to ensure that each Noteholder of the Relevant Notes has the benefit of an undertaking in terms corresponding to the provisions of Condition 9 (*Taxation*), with, where applicable, the substitution of references to the Former Residence with references to the New Residence. The Documents also contain a covenant by the Substituted Debtor and the Issuer (except where the Substituted Debtor is a Transferee) to indemnify and hold harmless each Noteholder against all taxes or duties which arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective, which may be incurred or levied against such holder as a result of any substitution pursuant to this Condition 19 and which would not have been so incurred or levied had such substitution not been made (and, without limiting the foregoing, any and all taxes or duties which are imposed on any such Noteholder by any political subdivision or taxing authority of any country in which such Noteholder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made);
- (iv) the Documents contain a warranty and representation by the Substituted Debtor and the Issuer that the Substituted Debtor and the Issuer have obtained all necessary governmental approvals and consents for such substitution and (except where the Substituted Debtor is a Transferee) for the giving by the Issuer of the New Guarantee in respect of the obligations of the Substituted Debtor and for the performance by each of the Substituted Debtor and the Issuer of their respective obligations under the Documents and that all such approvals and consents are in full force and effect;
- (v) each stock exchange on which the Relevant Notes are listed has confirmed that, following the proposed substitution of the Substituted Debtor, the Relevant Notes will continue to be listed on such stock exchange (of the Issuer or the Substituted Debtor is otherwise satisfied of the same);
- (vi) a legal opinion shall have been delivered to the Principal Paying Agent (from whom copies will be available for viewing at its offices on a non-reliance basis) from lawyers of recognised standing in the country of incorporation of the Substituted Debtor and the country which laws governs the relevant Notes, confirming, as

appropriate, that upon the substitution taking place the Notes, Coupons and Talons are legal, valid and binding obligations of the Substituted Debtor enforceable in accordance with their terms;

- (vii) a legal opinion shall have been delivered to the Principal Paying Agent (from whom copies will be available for viewing at its offices on a non-reliance basis) from lawyers of recognised standing in the country which law governs the Documents that upon the substitution taking place the Documents (including the New Guarantee given by the Issuer in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the Issuer enforceable in accordance with their terms;
 - (viii) a legal opinion shall have been delivered to the Principal Paying Agent (from whom copies will be available for viewing at its offices on a non-reliance basis) from lawyers of recognised standing in the relevant jurisdiction that upon the substitution taking place the Documents (including the New Guarantee given by the Issuer in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the parties thereto under the relevant applicable law;
 - (ix) any rating agency which has issued a rating in connection with the Relevant Notes shall have confirmed to the Issuer that following the proposed substitution of the Substituted Debtor, the credit rating of the Relevant Notes will remain the same or be improved;
 - (x) if applicable, the Substituted Debtor has appointed a process agent as its agent in England to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Relevant Notes and any Coupons and the Documents; and
 - (xi) the substitution complies with all applicable requirements established under the laws of jurisdiction of the Substituted Debtor.
- (b) Upon the execution of the Documents and the delivery of the legal opinions, the Substituted Debtor shall succeed to, and be substituted for, and may exercise every right and power, of the Issuer (or any previous substitute under this Condition 19) under the Relevant Notes and any related Coupons or Talons and the Agency Agreement and (in the case of English Law Notes) the Deed of Covenant with the same effect as if the Substituted Debtor had been named as the principal debtor in place of the Issuer herein, and the Issuer or any previous substitute under these provisions shall, upon the execution of the Documents be released from its obligations under the Relevant Notes and any related Coupons or Talons and under the Agency Agreement and the Deed of Covenant.
- (c) After a substitution pursuant to Condition 19(a), the Substituted Debtor may, without the further consent of any Noteholder, effect a further substitution. All the provisions specified in Condition 19(a) and 19(b) shall apply, mutatis mutandis, and references in these Conditions to the Issuer shall, where the context so requires, be deemed to be or include references to any such further Substituted Debtor.
- (d) After a substitution pursuant to Condition 19(a) or 19(c) any Substituted Debtor may, without the further consent of any Noteholder, reverse the substitution, mutatis mutandis.
- (e) The Documents shall be delivered to, and kept by, the Principal Paying Agent for so long as any Note remains outstanding and for so long as any claim made against the Substituted Debtor by any Noteholder in relation to the Notes or the Documents shall not have been

finally adjudicated or settled or discharged. Copies of the Documents will be available free of charge at the specified office of each of the Agents.

- (f) Not later than 15 Business Days after the execution of the Documents, the Substituted Debtor shall give notice thereof to the Noteholders in accordance with Condition 16 (*Notices*).

20. SUBSTITUTION AND VARIATION

- 20.1** This Condition 20.1 applies to MREL Eligible Ordinary Senior Notes, Subordinated Notes and Senior Non Preferred Notes and references to "Notes" shall be construed accordingly.

If a Capital Event, an Eligible Liabilities Event or circumstance giving rise to the right of the Issuer to redeem the MREL Eligible Ordinary Senior Notes, Subordinated Notes or Senior Non Preferred Notes under Condition 8.2 (*Redemption for tax reasons*) (a **Tax Event**) occurs and is continuing, the Issuer may substitute all (but not some only) of the Notes or vary the terms of all (but not some only) of the Notes (including changing the governing law of the Notes from English law to Spanish law), without any requirement for the consent or approval of the Noteholders, so that they are substituted for, or varied to become or remain, Qualifying Notes, subject to having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16 (*Notices*) and the Agent (which notice shall be irrevocable and specify the date for substitution or, as applicable, variation), and subject to obtaining the prior permission of the Competent Authority and/or Relevant Resolution Authority if and as applicable (if such permission is required therefor under Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations)) and in accordance with Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) in force at the relevant time.

Any such notice shall specify the relevant details of the manner in which such substitution or variation shall take effect and where the Noteholders can inspect or obtain copies of the new terms and conditions of the relevant Notes. Such substitution or variation shall be effected without any cost or charge to the Noteholders.

Noteholders shall, by virtue of subscribing and/or purchasing the relevant Notes, be deemed to accept the substitution or variation of the terms of such Notes and to grant the Issuer full power and authority to take any action and/or execute and deliver any document in the name and/or on behalf of the Noteholder which is necessary or convenient to complete the substitution or variation of the terms of the Notes.

In the Conditions:

Qualifying Notes means, at any time, any securities denominated in the Specified Currency and issued directly by the Issuer that have terms not otherwise materially less favourable to the Noteholders than the terms of the MREL Eligible Ordinary Senior Notes, the Subordinated Notes and the Senior Non Preferred Notes (as applicable) provided that the Issuer shall have delivered a certificate signed by two authorised signatories to that effect to the Noteholders in accordance with Condition 16 (*Notices*) and the Agent not less than five Business Days prior to (x) in the case of a substitution of the Notes, the issue date of the relevant securities or (y) in the case of a variation of the Notes, the date such variation becomes effective, provided that such securities shall:

- (a) (i) in the case of MREL Eligible Ordinary Senior Notes, contain terms that comply with the then current requirements for MREL-Eligible Senior Preferred Instruments of the Issuer and/or the GCC Group; (ii) in the case of Senior Non Preferred Notes, contain terms that comply with the then current requirements for MREL-Eligible Senior Non Preferred Instruments of the Issuer and/or the GCC Group; (iii) in the case of Senior Subordinated

Notes contain terms which comply with the then current MREL Requirements, in each case as embodied in the Applicable MREL Regulations; and (iv) in the case of Tier 2 Subordinated Notes, contain terms which comply with the then current requirements for their inclusion in the Tier 2 Capital of the Issuer and/or the GCC Group, as embodied in the Applicable Banking Regulations; and

- (b) carry the same rate of interest as the Notes prior to the relevant substitution or variation; and
- (c) have the same denomination and aggregate outstanding principal amount as the Notes prior to the relevant substitution or variation; and
- (d) have the same date of maturity and the same dates for payment of interest as the Notes prior to the relevant substitution or variation; and
- (e) have a ranking which is the same as or higher than the ranking of the Notes set out in the applicable Final Terms; and
- (f) not, immediately following such substitution or variation, be subject to (i) in the case of Senior Notes and Subordinated Notes, an Eligible Liabilities Event or an early redemption right for taxation reasons according to Condition 8.2; and (ii) in the case of Tier 2 Subordinated Notes, a Capital Event or an early redemption right for taxation reasons according to Condition 8.2; and
- (g) be listed or admitted to trading on any stock exchange as selected by the Issuer, if Notes were listed or admitted to trading on a stock exchange immediately prior to the relevant substitution or variation.

For the purposes of the definition of Qualifying Notes, (i) any change in the governing law of the Notes from English law to Spanish law so that the English Law Notes become or remain Qualifying Notes shall not be subject to the requirement not to be materially less favourable to the interests of the Noteholders of the English Law Notes, and (ii) any variation in the ranking of the relevant Notes as set out in Condition 3 (*Status of the Senior Notes and Subordinated Notes*) resulting from any such substitution or modification shall be deemed not to be materially less favourable to the interests of the Noteholders where the ranking of such Notes following such substitution or modification is at least the same ranking as is applicable to such Notes as set out in the applicable Final Terms on the Issue Date of such Notes.

21. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

22. GOVERNING LAW AND SUBMISSION TO JURISDICTION

The governing law of the Notes will be specified in Part A of the applicable Final Terms.

22.1 English Law

This Condition 22.1 applies to English Law Notes.

- (a) Governing law:

The Notes (except for Conditions 3 and 14), the Coupons and any non-contractual obligations arising out of or in connection with the Notes (except for Conditions 3 and 14), and the Coupons are governed by, and shall be construed in accordance with, English law. Conditions 3 and 14 (and any non-contractual obligations arising out of or in connection with either of them) are governed by, and shall be construed in accordance with, Spanish law. The Notes are issued in accordance with the formalities prescribed by Spanish company law.

(b) Submission to jurisdiction:

- (i) Subject to Condition 22.1(b)(iii) and (iv) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons (a **Dispute**) and accordingly each of the Issuer and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (ii) For the purposes of this Condition 22.1, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (iii) To the extent allowed by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.
- (iv) Notwithstanding the above, each of the Issuer and any Noteholder submits to the exclusive jurisdiction of the Spanish courts, in particular, to the venue of the city of Madrid, in relation to any dispute arising out of or in connection with the application of any Loss Absorbing Power by the Relevant Resolution Authority (a **Bail-in Dispute**). Each of the Issuer and any Noteholder or Couponholder 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.

(c) Appointment of Process Agent:

The Issuer irrevocably appoints Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent for service of process in any proceedings before the English courts in relation to any Dispute and agrees that, in the event of Law Debenture Corporate Services Limited being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

22.2 Spanish Law

This Condition 22.2 applies to Spanish Law Notes.

(a) Governing law:

The Notes, any non-contractual obligations arising out of or in connection with the Notes and the application of any Loss Absorbing Power by the Relevant Resolution Authority shall be governed by, and construed in accordance with, Spanish law.

(b) Submission to jurisdiction:

The Issuer hereby irrevocably agrees for the benefit of the Noteholders that the courts of Spain in 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 Issuer irrevocably waives any objection which it may have now or hereinafter to the laying of the venue of any Proceedings in the courts of the city of Madrid, Spain. To the extent permitted by law, nothing contained in this Condition 22.2 shall limit any right of any Noteholders or Couponholders (other than in relation to any Bail-in Dispute) to take Proceedings against the Issuer 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 courts of Spain in the city of Madrid have exclusive jurisdiction to settle any Bail-in Dispute and accordingly each of the Issuer and any Noteholders or Couponholders in relation to any Bail-in Dispute submits to the exclusive jurisdiction of the courts of Spain in the city of Madrid. Each of the Issuer and any Noteholders or Couponholders in relation to any 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.

22.3 Other documents

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes. If, in respect of an issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF THE ISSUER AND THE GCC GROUP

Introduction

Banco de Crédito Social Cooperativo, S.A. (**BCC** or the **Issuer**) is the management company of, as well as a member of, a group of Spanish financial institutions (all credit cooperatives other than BCC itself which is a bank) which each operate under their own brand but carry out their activities as a cooperative group within an agreed common framework and subject to a set of common rules and policies under the name Grupo Cooperativo Cajamar (the Issuer, each of the Members and each of their Subsidiaries are together referred to as the **GCC Group**). The shareholders of BCC are comprised of all of the members of the GCC Group as well as a number of other institutional and non-institutional investors who are not members of the GCC Group.

Incorporation and Status of BCC

The Issuer is a registered private bank incorporated by 32 founding shareholders on 28 January 2014 under a public deed executed before the Madrid notary Mr. José Enrique Cachón Blanco under number 293 of his record, entered in the Madrid Mercantile Register in Volume 31,884, Folio 131, Page M-573805, Entry 1 on 10 February 2014. The shareholders that granted the deed were authorised by the Bank of Spain (*Banco de España*) under an authorisation issued on 27 January 2014 by the Directorate General for Financial Regulation and Stability, in the terms laid down in Royal Decree 1245/1995 of 14 July (*Real Decreto 1245/1995, de 14 de julio, sobre creación de Bancos, actividad transfronteriza y otras cuestiones relativas al régimen jurídico de las entidades de crédito*). On 18 February 2014 it was entered in the Register of Banks and Bankers under code number 0240, with tax ID number A86853140. BCC's registered office is Paseo de la Castellana 87, 28046, Madrid, Spain and its contact telephone number is +34 914 364 703. It may establish branches, agencies and representative offices anywhere in the Kingdom of Spain and abroad, in accordance with applicable legislation.

The Issuer is a Spanish company with legal status as a public limited company (*sociedad anónima*) and is governed by the Spanish Companies Act (*Texto Refundido de la Ley de Sociedades de Capital*), approved by Royal Legislative Decree 1/2010, of 2 July (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*). The Issuer is subject to special legislation applicable to credit entities and private banking in general, and the supervision, control and regulation of the European Central Bank (the **ECB**).

History and Development of BCC and the GCC Group

Banco de Crédito Social Cooperativo, S.A.

BCC was formed with an initial share capital of €800 million by 19 founding shareholders (all Spanish credit cooperatives that originally formed the Cajas Rurales Unidas cooperative group together with 13 other external shareholders. As at 31 December 2019, the share capital was €1,059 million after the €5 million share capital increase carried out in February 2018 and the shareholders were the 18 credit cooperatives of the GCC Group and, as external shareholders, 24 entities and 24 individuals. Please see " – *Capital Structure and Major Shareholders of BCC*" for a list of the shareholders at the date of this Offering Circular and their percentage participation in the share capital of BCC at such date.

BCC was incorporated in order to be part of the GCC Group together with 19 other founding shareholders (all credit cooperatives). The GCC Group was formed on 25 February 2014, with the broad objective of strengthening these credit cooperatives by forming a consolidated group and a common business strategy, as well as common policies on management and control of risk, solvency and liquidity, and with a parent entity that is a private bank, thus improving access to financial markets and enabling the GCC Group to raise capital from sources other than member contributions. This structure (with a private bank parent entity) is

also intended to enable a better understanding of the GCC Group by investors, supervisors and rating agencies. BCC develops this common strategy as well as these common policies on behalf of, and for implementation by, the members of the GCC Group. As at the date of this Offering Circular, the majority of the GCC Group's assets are owned by Cajamar Caja Rural, Sociedad Cooperativa de Crédito (**Cajamar**).

BCC commenced its activities on 1 July 2014 following prior authorisation by means of a resolution of the Executive Committee of the Bank of Spain (*Banco de España*) adopted at its meeting of 6 June 2014. From 1 July 2014, BCC has undertaken the management of the GCC Group and assumed responsibility for its operations, business policies and procedures.

The Executive Committee of the Bank of Spain (*Banco de España*) also resolved, at its meeting of 6 June 2014, to recognise the GCC Group (i) as a consolidable group of credit institutions (*grupo consolidable de entidades de crédito*), and (ii) as an IPS.

Consolidable Group of Credit Institutions

The GCC Group was formed as a cooperative group in accordance with Spanish law. In summary, a cooperative group under Spanish law is a group comprised of various cooperative companies, regardless of type, and of a group company leader with power to act on behalf of, and who is responsible for directing, the group entities. The Group is composed of 18 cooperative credit entities and one public limited company (*sociedad anónima*) (Banco de Crédito Social Cooperativo S.A) acting as the parent company (the **Parent company**). The members of the cooperative group (the **Members**) are obliged to comply with the directions of the Parent company, such that there is decision-making unity within the exercise of the powers of the Parent company.

The Members have set out their rights and obligations, as well as the competencies delegated to BCC, in the regulating agreement (the **Regulating Agreement**), the current wording of which was unanimously approved by the General Meeting of the Members on 12 December 2018. In the Regulating Agreement the Members waive their own decision-making powers in BCC's favour to ensure the existence of a single decision-making unit. As BCC oversees and manages the GCC Group's policies and has been granted the necessary powers, its instructions are mandatory for all Members.

Under the Regulating Agreement and also in accordance with the requirements laid down in Circular 3/2008 and Circular 2/2016, solvency commitments are established which are reciprocal, direct and unconditional. They are designed to avoid situations of insolvency on the one hand, and to assess the GCC Group's capital requirements on a common basis and set a solvency objective for the GCC Group that all Members undertake to fulfil, on the other. Additionally, a mandatory capitalisation plan and/or support plans is/are established for Members in the event any of them report a shortfall in funds with respect to the agreed objective.

Similarly, the Regulating Agreement includes a liquidity commitment and, in the event any Members have insufficient liquidity, a liquidity plan and financial assistance plans in order to return to normality.

All of the aforementioned commitments, and the pooling of profits and losses, do not represent an obstacle, in accordance with the applicable legislation, for each of the Members to retain full legal status; have their own management, administration and governance structures (except where such activities are delegated to the Parent company), governing and management bodies, employees and employment framework and brand; and manage their education and development fund.

Pursuant to the Regulating Agreement, BCC is responsible for monitoring the solvency and liquidity of the GCC Group and all Members, and for agreeing any support measures to be adopted in order to give support to any Member. In such an event, BCC's Board of Directors would issue binding instructions aimed at ensuring the solvency and liquidity of the GCC Group and the Members, if so required by the Bank of Spain or the single European supervisor in accordance with prevailing legislation.

The participating credit cooperatives that form the GCC Group together with BCC as well as the dates on which their respective general assemblies approved their membership of the GCC Group are set out in the following table:

Entity	<u>Assembly Date</u>
Banco de Crédito Social Cooperativo, S.A.	28/01/2014
Cajamar Caja Rural, Sociedad Cooperativa de Crédito ⁽¹⁾	28/11/2013
Caixa Rural de Altea, Cooperativa de Credit Valenciana	27/11/2013
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito	28/11/2013
Caja Rural de Callosa d'en Sarriá, Sociedad Cooperativa de Crédito	28/11/2013
Caja Rural San José de Nules, Sociedad Cooperativa de Crédito	28/11/2013
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	28/11/2013
Caja Rural de Alginet, Sociedad Cooperativa de Crédito	28/11/2013
Caja Rural San Jaime de Alquerias del Niño Perdido, Sociedad Cooperativa de Crédito	28/11/2013
Caja Rural de Villar, Sociedad Cooperativa de Crédito	28/11/2013
Caja Rural San José Vilavella, Sociedad Cooperativa de Crédito	28/11/2013
Caja Rural San Roque de Almenara, Sociedad Cooperativa de Crédito	28/11/2013
Caja Rural La Junquera de Chilches, Sociedad Cooperativa de Crédito	28/11/2013
Caja Rural San Isidro de Vilafamés, Sociedad Cooperativa de Crédito	28/11/2013
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito	28/11/2013
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo, Sociedad Cooperativa de Crédito	28/11/2013
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	29/11/2013
Caixa Rural de Turis, Cooperativa de Crédito Valenciana	28/11/2013
Caixa Rural Albalat dels Sorells, Cooperativa de Crèdit Valenciana ⁽²⁾	28/11/2013
Caixa Rural de Torrent, Cooperativa de Credit Valenciana	28/11/2013

(1) Formerly, Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. Cajas Rurales Unidas, Sociedad Cooperativa de Crédito was renamed to Cajamar Caja Rural, Sociedad Cooperativa de Crédito in December 2015

(2) Absorbed by Cajamar during 2018

On 12 March 2018, the governing boards of Cajamar and Caixa Rural Albalat dels Sorells, Cooperativa de Crèdit Valenciana approved the merger of the two entities with effect from 1 January 2018. The merger was approved on 26 April 2018 by the respective general assemblies, and involved Caixa Rural Albalat dels Sorells, Cooperativa de Crèdit Valenciana being merged into Cajamar, such merger was finally carried out on 11 November 2018.

Membership of the GCC Group

Only legally recognised credit cooperatives which have been duly formed in accordance with applicable legislation, which have received all legally requisite authorisations, and which assume the commitments set out in the Regulating Agreement, can become Members of the GCC Group. The one exception to this is the management company of the GCC Group, BCC, which is a private bank.

Admission of a credit cooperative as a new Member must be preceded by an application approved by its governing bodies and will involve a necessary acquisition of the Parent company's share capital, either by subscribing shares in a capital increase or by purchasing shares from one of the Parent company's shareholders.

Members are required at all times to retain full ownership of their shares in the Parent company and any preferential subscription rights they may hold, free of charges and encumbrances and with all relevant dividend and voting rights.

Members may only transfer their shares in the Parent company to other Members and third parties with the prior consent of the Parent company. In this event, an adjustment must be agreed and made to the corporate governance rules included in the Regulating Agreement based on the new percentage holdings in the Parent company's share capital.

Objectives and Operating Structure of the GCC Group

Under the Regulating Agreement, the Members waive their own decision-making powers in favour of BCC which was formed as the central decision-making entity of the GCC Group. BCC oversees and manages the GCC Group's policies and its powers in respect of the GCC Group include: strategic management of the GCC Group, preparation of budgets, decisions concerning the issuance of instruments qualifying as own funds, except contributions to Members' capital by their partners -however, Members have delegated powers to the Parent company to authorise the redemption of capital contributions in order to safeguard the GCC Group's solvency-, policies, procedures and risk controls, cash management, business plan, geographical expansion and determining the size of the network, internal control and audit, personnel policies, including all aspects of the fixed and variable remuneration policy and, if appropriate, the possible existence of senior management contracts, the terms of their dismissal and pension or similar commitments, information and technology platforms and levels of in-house and out-of-house services ("Service Level Agreements"), establishment of the remuneration framework for capital contributions, decisions on the distribution or application of results, and indication of agreements Members must adopt through their respective and pertinent governing bodies to comply with any obligatory instructions issued by the Parent company on the date special powers are delegated. Without prejudice of the aforesaid, the Parent company may agree at any time that Members Entities have to obtain authorisation from the Parent company before redeeming capital contributions, so as to safeguard the GCC Group's liquidity and/or solvency. The Parent company must lay down guidelines and, where appropriate, issue mandatory instructions in the above areas. In addition, Cajamar has delegated authorisation for the reimbursement of capital contributions that are requested in order to safeguard the GCC Group's solvency and liquidity to BCC. BCC's instructions and decisions are binding for all Members.

Each Member operates under its own trademark but must identify itself clearly as a member of the GCC Group and comply with the communication policy set out by BCC as well as all other obligations deriving from the Regulating Agreement.

Thus, BCC has the power to represent the GCC Group and its Members, but each Member maintains its own full legal personality, autonomous management, administration and governance (barring matters specifically delegated to BCC), governance and management bodies, workforce and labour relations framework, image and management of its Education and Promotion Fund.

Consolidation of annual accounts

Pursuant to the Regulating Agreement, BCC is responsible for preparing, in addition to its own annual accounts, the consolidated annual accounts of the GCC Group (including the financial information of each of the Members).

Thus, the consolidated audited annual accounts of BCC reflect the assets, liabilities and business of the various Members comprising the GCC Group.

Mutualisation of GCC Group results

The mutualisation of results consists of an obligation of reciprocal financial assistance in the form of a solvency and liquidity guarantee between the Members. This is a mechanism for GCC Group integration designed to strengthen the economic unity that is the basis of the GCC Group's consolidation. The maximum amount which each Member is required to commit in order to provide financial assistance to guarantee the solvency of other Members is 100 per cent. of its total equity.

Each year the Members are required to contribute 100 per cent. of their respective gross results to a fund to be distributed in its entirety to Members in proportion to their respective interest in the GCC Group equity.

Each Member's interest in total GCC Group equity is calculated taking into consideration the following definitions:

- I. Gross Result: This is the profit or loss generated in the financial year or calculation period by each Member as per its separate financial statements, before tax, excluding: (i) amount recognised for previous pooling in the same calculation period; (ii) dividends or any other type of partner remuneration for holding an equity stake in another GCC Group entity; (iii) impairment losses on equity stakes in GCC Group entities; (iv) mandatory contributions to the education and development fund; (v) losses from penalties imposed under the penalty system set out in the current agreement; and (vi) losses that entities are required to assume individually to comply with the obligations established by the Parent company on the date special powers were delegated or as a result of other Members contributing, for nothing in return, to the own funds of a Member in accordance with Clause 10.
- II. Adjustments to the Gross Result to Guarantee Maximum Internal Fairness in the GCC Group:
 - Any revenue that is exempt from corporate income tax and non-deductible expenses vis-à-vis corporate income tax generated in circumstances where one or several Members assume 100% of the burden that the GCC Group as a whole should bear. For example, but not exhaustively: (i) tax-free dividends received by an entity as a result of holding an equity stake on behalf of the GCC Group; (ii) non-deductible write-downs of equity stakes in holding companies; and (iii) the impacts on results with no tax effect of goodwill or negative goodwill generated in business combinations and any other impact with similar effects.
 - Any direct impacts on an entity's equity not recognised through profit or loss and therefore never pooled. For example, but not exhaustively: (i) payment of interest on any AT1 instruments issued to bolster the GCC Group's solvency; and (ii) gains/losses on disposal of equity instruments at fair value through other comprehensive income and any other similar impacts.

The affected entity's Gross Result will be adjusted to obtain a result that is as close as possible to that which would have been obtained if the event giving rise to the adjustment had been allocated among all GCC Group entities as per their pooling share.

Adjustments to the Gross Result may be deferred over the year taking into account any known adjustments and their expected impact, provided they reflect the true picture at year-end.

The Parent company is expressly authorised to make any necessary adjustments as set out in this section.

- III. Adjusted Gross Result: is the result of applying the adjustments to the Gross Result described in point II to the Gross Result stipulated in point I.
- IV. Pooling Fund: this will be established using the sum of the Adjusted Gross Result of all the Members.
- V. Member's Own Funds: Amount shown under the same heading in the published financial statements of each Member, less the book value of equity interests held in any other Member.
- VI. Group Own Funds: Sum of the own funds of all GCC Group entities, as defined above.

The pooling rate applicable to each Member is calculated annually following the end of the financial year and is effective and applicable during the following year, although the calculation period may be shorter in certain circumstances.

At 31 December 2019, the pooling rate of BCC was 34.83 per cent., compared with 37.38 per cent. at 31 December 2018.

Solvency and Liquidity Commitments

The Regulating Agreement sets out that BCC is responsible for monitoring the solvency and liquidity of the GCC Group and all the Members, and for agreeing the assistance measures to be adopted in order to help any Member that might undergo solvency difficulties. Members must comply with the binding instructions issued by BCC in accordance with the powers delegated to it under the Regulating Agreement in order to safeguard the solvency and liquidity of all Members.

The responsibility for honouring payment obligations with third parties and for the financing of the Group that each Member acquires is joint and several. Members expressly waive the benefits of exclusion, seniority and division. In particular, if any events triggering special delegation of powers occur, all the Members and creditors will be subject to the general principle of equal treatment, irrespective of the Member to which the direct creditors or partners pertain.

(i) Solvency commitment

The Regulating Agreement stipulates solvency obligations for the Members in order to avoid situations of insolvency, assess the GCC Group's capital needs on a common basis and set a solvency objective that all Members unconditionally undertake to maintain. Additionally, a mandatory capitalisation plan has been established in the event that any Members report a shortfall with respect to their objective.

BCC is responsible for monitoring each Member's compliance with legal minimum capital requirements and the solvency commitments provided for in the Regulating Agreement.

In order to meet these internal and external requirements, the Parent company may:

- Obtain instruments eligible as own funds, directly or through another member;
- Establish capitalisation plans for Members;
- Establish plans to dispose assets and/or transfer the business, calling on the collaboration of Members.

If a Member is unable to fulfil a statutory or individual capital adequacy requirement, the Parent company must put a recapitalisation plan in place for that entity.

Compliance with the recapitalisation plan will be mandatory and it may include:

- Wherever possible, subscription of capital by other Members, who will be required to obtain a percentage of the new capital equal to their respective share in the pooling mechanism balance after stripping out the affected entity's result;
- Transfer of assets, within or outside the GCC Group, at fair value when considering internal transfers of assets among the IPS members or market value when selling assets to third parties;
- Acquisition of the entity by another Member; and
- Any other measures that are feasible and appropriate given the entity's position.

If a recapitalisation plan is required for a Member, the Parent company may establish restrictions on how the affected entity's results can be distributed.

If a Member is in a position or expects to be in a position where its total equity is lower than its notional capital subscribed by its cooperative members, the Parent company may decide that the other Members will have to make a capital increase, without receiving anything in return, or adopt any other appropriate and feasible measures to restore the affected Member's equity balance including the transfer of assets to, or the acquisition of, the affected entity. Members will be required to participate if contributions are deemed necessary, and these will be calculated based on their share in the pooling mechanism after stripping out the affected entity.

All Members provide each other with mutual guarantees to ensure all their solvency situation at all times.

(ii) Liquidity commitment

The Regulating Agreement envisages a liquidity commitment for Members, and it includes a liquidity plan in order to enable a Member to return to acceptable levels of liquidity following the occurrence of an event of a lack of liquidity affecting such Member. The GCC Group has been centrally managing its liquidity from the Parent company since its inception.

Members agree to make all their liquidity available to the Parent company through treasury accounts or other liquidity mechanisms established in the GCC Group.

BCC must ensure the GCC Group's liquidity and guarantee complete compliance with the liquidity requirements and thresholds established internally and by the regulatory and supervision authorities.

Members have undertaken to maintain an adequate financial structure in their balance sheets and sufficient liquidity for the proper running of the business. As a means of guaranteeing the solvency and liquidity of Members, each of them has been required to make an initial contribution to a dedicated account with BCC, the balance of which, if not used, is invested in assets that are highly liquid and secure. In addition, the GCC Group is required, if necessary, to provide liquidity to any of its Members in order to avoid their insolvency.

If a liquidity plan is required to be implemented in respect of any Member, the measures contemplated may include, to:

- obtain wholesale funding;

- call on a member to release assets, carry out securitisations, transfer assets within or outside the Group or implement any other measures it deems necessary;
- manage liquidity for the whole GCC Group, establishing where necessary to achieve the required values at consolidated level, internal liquidity objectives at individual level that must be met.

All Members provide each other with mutual guarantees to ensure liquidity at all times. The Parent company will be responsible for centrally managing all the treasury services needed to ensure the GCC Group can perform properly, especially minimum capital ratio management. The Parent company will open treasury accounts with each Member in each currency each entity has to operate. Interest of treasury accounts will be determined by the Parent company's Assets and Liabilities Committee (ALCO).

Duration of GCC Group and rules governing separation from the GCC Group

The GCC Group was born with the aim to be a stable organisation, within its foundations based on the cooperative credit system. In this sense, the duration of the GCC Group is unlimited, although a mandatory minimum period of ten consecutive years is laid down as from the date of the incorporation of each Member into the GCC Group and its associated institutional protection system regulated by the Regulating Agreement.

During the six months prior to the fulfilment of this mandatory minimum period, and with the authorisation of the supervisory authorities, Members may submit a formal request to the Parent company to voluntarily withdraw from the GCC Group. The withdrawal shall be effective within two years from the date on which the mandatory minimum membership period elapses.

Once the mandatory minimum membership period has elapsed without the Member having requested the voluntary withdrawal of the GCC Group, a new ten-year mandatory minimum period starts automatically. Members will still be entitled to apply for voluntary withdrawal as per the procedure and deadlines indicated in the previous paragraph.

As an exception, Cajamar Caja Rural, Sociedad Cooperativa de Crédito, assumes the indefinite character of the cooperative group and undertakes not to request its voluntary separation from the GCC Group or to exercise the right of separation at any time without first obtaining the prior express authorisation of BCC.

If so decided by BCC, the Member may be required to sell and transfer the shares it owns to BCC or other Members (as decided by BCC), free of all charges and encumbrances and with all related voting and dividend rights at a price equal to the lower of (i) the fair value of the shares at the time of transfer and (ii) the acquisition value of the shares.

Each of the Members has recognised that it does not have any rights to the assets or liabilities that might figure on the balance sheet of BCC or to BCC's business if such Member exits the GCC Group. Voluntary separation from the GCC Group is penalised by way of damages in an amount equivalent to 2 per cent. of the total average assets of such Member. Additionally, the voluntary separation of a Member must be authorised by the Bank of Spain (*Banco de España*).

Any amendment of certain aspects of the Regulating Agreement may give rise to a right of Members to apply for separation provided that this is authorised by the Bank of Spain (*Banco de España*), with the same effects as described above for voluntary separation. This is an exceptional right of separation and may only be exercised in the event of an amendment to the Regulating Agreement which the Member in question had voted against, and which necessarily involved a significant increase in the powers delegated by Members to BCC, provided that this does not result from a regulatory change or is not supported by at least half of the Members (excluding BCC).

The forced departure of members will occur when they cease to meet the requirements for GCC Group membership or if it commits a serious breach of its obligations under the Regulating Agreement. This termination is subject to the approval of BCC's Board of Directors. In this event the Member will be required to sell or transfer its shares in BCC for an overall price of €1 and will bear an additional penalty for damages equivalent to 5 per cent. of its average total assets, regardless of the grounds for its expulsion from the GCC Group.

During the transitional period between the notification of exit and the actual separation (12 months in the case of forced departure), the Member concerned will lose all of its voting rights as a Member of the GCC Group and the voting and dividend rights arising from its equity interest in BCC. However, it will maintain its obligations to contribute capital to the GCC Group even though it will lose its right to obtain financial assistance from other Members. Furthermore, the relevant Member will continue to be bound during the transitional period by the financial commitments undertaken by it while a member of the GCC Group.

Institutional Protection Scheme (IPS)

An IPS is defined in the CRR as a contractual or statutory liability arrangement which protects its member institutions and in particular ensures that they have the liquidity and solvency needed to avoid insolvency where necessary. The competent authorities may, in accordance with the conditions laid down in the CRR, waive selected prudential requirements or allow certain derogations for IPS member institutions. Currently, IPSs are recognised for CRR purposes in three countries participating in the SSM: Austria, Germany and Spain. The relevance of IPSs is significant in absolute terms, given that about 50 per cent. of credit institutions in the euro area are members of an IPS, representing around 10 per cent. of the total assets of the euro area banking system. In most cases, both significant institutions and less significant institutions subject to ECB Banking Supervision are members of the same IPS. The two main sectors covered by IPSs in the three relevant euro area countries are cooperative and savings banks. One of the main features of those sectors is the high degree of autonomy and independence of the individual credit institutions. This means that IPSs – notwithstanding the fact that they ensure the liquidity and solvency of their member institutions – are not the same as consolidated banking groups (source: *ECB Guide on the approach for the recognition of institutional protection schemes (IPS) for prudential purposes*). The GCC IPS is the institutional protection scheme comprised of the 19 credit cooperatives that have adhered to it (the largest of which is Cajamar) and BCC as the head of the GCC Group. The GCC IPS has been recognised as an IPS by the Bank of Spain (*Banco de España*).

BCC manages the GCC IPS in its role as the controlling and decision-making entity. The instructions of BCC in respect of management, administration and governance of the GCC IPS are binding and should be observed by all the Members that participate. BCC provides all central services and functions for the existing Members as well as any other credit cooperatives that may become shareholders of BCC in the future. BCC is also responsible for preparing the consolidated financial statements of GCC IPS.

Spanish Royal Decree-law 11/2017, of 23 June, amended Law 13/1989, of 26 May, on credit cooperatives, explicitly allowing credit cooperatives to be integrated in two different types of IPSs, either reinforced IPSs or full mutualisation IPSs, which are regulated by the Fifth Additional Provision of Law 10/2014, or regulatory IPSs, which are regulated by Article 113.7 of CRR. GCC is considered a reinforced IPS regulated by the Fifth Additional Provision of Law 10/2014.

The General Assembly of Cajamar and the General Shareholders Meeting of BCC held on 25 April 2019 and 7 May 2019 respectively, approved the modification of the Regulating Agreement in order to reinforce the commitments and guarantees among the members of the GCC Group, adapting it to the new European banking resolution rules. The other remaining entities within the GCC Group have approved the modified Regulating Agreement in their respective assemblies. The main changes seek to improve the losses pooling system through the following mechanisms:

- Mutual guarantees are reinforced among its members, reaching all creditors of any entity in the GCC Group, including subordinated ones.
- Delegations to BCC for recovery and resolution are strengthened.
- The GCC Group is presented as a single functional entity, where the interests of the group prevail over those of the Members.
- BCC is granted the capacity to limit both the refund of the cooperative capital of the Members and their remuneration.

Business activities of the Issuer and the GCC Group

Business and activities of the Issuer

BCC is a private bank governed by applicable regulations governing credit institutions and private banking and its corporate purpose is to carry out typical banking activities such as lending and investment services or other related banking services in accordance with applicable law. BCC's banking activities (on an individual basis) are, among others, on the asset side, managing investment portfolios, taking deposits with credit institutions (which may or may not be Members of the GCC Group) and an increasing portfolio of loans and receivables to debtors, while on the liabilities side its activities are mainly holding deposits of central banks, deposits of credit institutions and of other debtors, (which may or may not be Members of the GCC Group) and also, temporary assignments of shares (repurchase agreements). On 1 September 2016, BCC entered into an agency agreement with Cajamar Caja Rural, Sociedad Cooperativa de Crédito, pursuant to which the former appointed the latter as its credit institution agent for the whole of Spain. Cajamar Caja Rural, Sociedad Cooperativa de Crédito will act as BCC's independent intermediary in the promotion, negotiation and formalisation, in the name and on behalf of BCC, of the operations comprising its business, specifically of financial products and services. In accordance with this agreement, corporate loan transactions for a term of more than three years and an amount exceeding €500,000 generated through any branch of Cajamar Caja Rural, Sociedad Cooperativa de Crédito will be booked through BCC.

Its activities include for example carrying out transactions in relation to securities and credit documents, credit and surety transactions for both lending and funding purposes, the acquisition or transfer of shares, bonds and other public or private securities and any other permitted private banking activities in accordance with applicable law.

In addition, BCC is the parent entity of the GCC Group and the Members have delegated certain functions and competencies to BCC in accordance with the Regulating Agreement. The principal activities of BCC in respect of this role include the preparation and filing of the consolidated annual accounts of the GCC Group, liaising on behalf of the GCC Group and each of the Members with the ECB, the Bank of Spain (*Banco de España*), the National Securities Market Commission (the CNMV) and any other supervisory authorities, administrative authorities or other related entities such as auditors or credit rating agencies, setting the framework for corporate governance and the remuneration policy of the GCC Group, monitoring regulatory compliance for all Members and the GCC Group as a whole and exercising all other powers delegated by the Members under the Regulating Agreement. BCC is also responsible for monitoring the solvency and liquidity of the GCC Group and each of the Members and the distribution of the profits of the Members .

Business activities of the GCC Group

The Members of the GCC Group are governed by applicable law governing credit cooperatives and are also subject to the general regulations covering credit institutions. The activities of the Members comprise those aimed at providing financial services to members and third parties through their own individual activities as credit cooperatives. Such activities include asset and liability transactions and permitted services.

On a consolidated basis, at 31 December 2019, the GCC Group had total assets of €47,406 million, compared with €44,079 million at 31 December 2018. Customer loans and credit institutions loans (under loans and advances at amortised cost) represented €29,929 million and €232 million in 2019, respectively (compared with €30,049 and €235 million in 2018, respectively) and debt securities of €8,412 million in 2019 (compared with €7,458 million in 2018). In terms of the GCC Group's liabilities, at 31 December 2019 it held €5,040 million in deposits from central banks (€5,035 million in 2018), €3,533 million deposits from credit institutions (€1,994 million in 2018), €32,167 million deposits from other creditors (€30,530 million in 2018) and €2,409 million debt certificates including bonds (€2,416 million in 2018).

The Members offer a wide range of financial services, including deposit taking, asset management, retail banking through their branches, corporate banking and financing, personal loans, financial transactions with non-residents, mortgage lending, brokerage, leasing, telephone and electronic banking, fund management, insurance and other related secondary products and services. The main activity of the GCC Group is retail commercial banking, although the GCC Group also provides private banking services and has increased its marketing activity in respect of insurance, pension plans and investment funds. Since its core activity is retail commercial banking, the GCC Group does not present segment information in its consolidated annual accounts.

Within its retail commercial banking activity, the GCC Group carries out activities within three basic areas: deposit taking, lending and other products and services.

Deposit Taking Activities

The main types of deposits offered by the GCC Group consist of current accounts and term deposits, whether denominated in euros or in other currencies.

These are the traditional services offered by Spanish credit cooperatives and are, in essence, contracts for the deposit of client money with varying terms and liquidity and which offer clients an agreed rate of return.

The following table sets out the breakdown of deposits on a consolidated basis for the GCC Group at 31 December 2019 and 2018:

(Thousands of euro)	31/12/2019	31/12/2018
Deposits from central banks	5,040,280	5,035,069
Deposits from credit institutions	3,533,460	1,994,447
Customer deposits	32,167,462	30,529,931
Total	40,741,202	37,559,447

The following table sets out the breakdown of customer deposits⁽¹⁾ on a consolidated basis for the GCC Group at 31 December 2019 and 2018:

(Thousands of euro)	31/12/2019	31/12/2018
On demand deposits	23,779,730	21,474,008
Time deposits	6,775,235	7,016,566
Home savings accounts	-	-
Hybrid financial liabilities	-	-
	5,209	
Other accounts		7,389
Valuation adjustments	1,022	(10)
Total (1)	30,561,196	28,497,953

⁽¹⁾ These amounts do not include monetary market transactions through counterparties of €813,269 thousand in 2019 (€1,073,235 thousand in 2018) nor shares issued of €792,997 thousand in 2019 (€958,743 thousand in 2018)

Lending Activities

The lending activity of the GCC Group is comprised primarily of loans backed by personal guarantees, mortgage-backed loans, secured loans, factoring (*descuento comercial*), the provision of third-party guarantees, leasing, confirming and renting.

The following table sets out a breakdown of the consolidated credit portfolio of the GCC Group at 31 December 2019 and 2018 by type of customer and portfolio:

	31/12/2019		31/12/2018	
	Exposure (Thousands of euro)	Distribution (%)	Exposure (Thousands of euro)	Distribution (%)
Retail	24,526,464			
		68.01%	24,757,304	69.76%
Housing	12,701,217	35.22%	12,962,260	36.52%
Other household financing	1,783,749	4.95%	1,858,413	5.24%
Automatically renewable	674,487	1.87%	630,448	1.78%
Small businesses	5,748,576	15.94%	5,739,105	16.17%
Retail agro-food	3,618,435	10.03%	3,567,078	10.05%
Corporate	9,767,524	27.09%	8,630,298	24.32%
Developers	1,423,402	3.95%	1,650,765	4.65%
Corporate agro-food	3,475,484	9.64%	3,327,856	9.38%
SMEs	2,386,890	6.62%	2,115,598	5.96%
Large companies	2,481,748	6.88%	1,536,079	4.33%
General governments	776,714	2.15%	968,799	2.73%
Non-profits	188,464	0.53%	201,814	0.57%
Financial intermediaries	802,110	2.22%	931,060	2.62%
Total Loan Portfolio	36,061,276	100%	35,489,275	100%
Of which: Structured transactions	884,768	2.45%	567,567	1.60%

Note: the figures presented in the table above correspond to the information managed by the Loan Book Control Area and not the balance sheet figures. They include customer loans and advances, contingent liabilities, undrawn balances drawable by third parties (with the exception of developer loans which exclude

amounts drawable due to subrogations), assets in delinquency and loans securitised and derecognised; they do not include valuation adjustments.

Other Products and Services

The other products and services of the GCC Group can be divided into six groups, namely, payment services, insurance products, extra-territorial services, virtual office, funds and other services.

Payment services include credit and debit cards, pre-payment cards, instant-cash services (via networked cash machines and the customer's mobile telephone), point-of-sale terminals, toll-road payment services and a new money transfer application for smartphones.

The GCC Group offers a range of insurance products including home, transportation, accident, life (including savings and pension plans), business and civil liability insurance.

The extra-territorial services offered by the GCC Group include, among others, import and export guarantees, import and export finance, foreign currency loans, foreign currency swaps, payment transfer services, remittance services and foreign pension services.

The GCC Group's virtual office services include electronic and telephone banking, on-line broker services, e-billing services, web-based remittance and financial services and mobile banking applications for tablets and smartphones.

The GCC Group promotes a number of mutual funds managed by TREA Asset Management SGIIC, S.A. as well as by other asset managers. These include, among other, diversified euro fixed income funds, mixed defensive funds, mixed moderate funds, equity funds and global income funds.

Other services offered by the GCC Group include interest rate swaps, services targeted specifically at agriculture sector clients (such as sector-specific insurance and payment services) as well as invoicing and payment management services, safe deposit box rentals, tax collection services and cash pooling.

New Products and Services

Since it began operations, the GCC Group has been expanding the products and services that it offers and to this end has introduced:

- New savings and cash deposit accounts targeted at individuals and self-employed workers;
- Centralised cash management systems, new credit lines and pre-approved loans for SMEs and companies;
- Service portfolios and platforms in order to assist SMEs in expanding their business internationally;
- Digital banking and applications for use on smartphones;
- New insurance and pension products.

The GCC Group network

The GCC Group has in recent years been making steps to consolidate the network of branches in order to adapt its commercial structure to the current environment of economic slowdown and to curb the growth in its operating expenses. In 2018, the number of branches was 1,018, and as at 31 December 2019 the GCC Group operates in the market through 956 branches. The following table details these branches by province and autonomous community across the Kingdom of Spain:

Province	Number of GCC Group branches	
	2019	2018
ANDALUCÍA	258	266
Almeria	111	118
Cádiz	9	9
Córdoba	8	7
Granada	22	22
Huelva	5	5
Jaén	6	6
Málaga	90	92
Sevilla	7	7
ARAGÓN	5	5
Zaragoza	3	3
Huesca	2	2
ASTURIAS	2	2
BALEARES	23	23
CANARIAS	54	54
Las Palmas	36	37
Santa Cruz de Tenerife	17	17
CANTABRIA	2	2
CASTILLA LA MANCHA	16	17
Albacete	6	7
Ciudad Real	4	4
Cuenca	4	4
Guadalajara	1	1
Toledo	1	1
CASTILLA LEÓN	65	72
Ávila	4	4
Burgos	3	3
León	10	10
Palencia	13	15
Salamanca	2	2
Segovia	2	2
Soria	1	1

Province	Number of GCC Group branches	
	2019	2018
Valladolid	27	32
Zamora	3	3
CATALUÑA	37	38
Barcelona	28	29
Gerona	3	3
Lérida	1	1
Tarragona	5	5
COMUNIDAD VALENCIANA	313	348
Alicante	81	82
Castellón	59	63
Valencia	173	203
EXTREMADURA	3	1
Badajoz	3	1
GALICIA	4	3
La Coruña	3	2
Orense	1	1
LA RIOJA	2	2
MADRID	36	36
MURCIA	130	143
NAVARRA	4	4
CEUTA	1	1
MELILLA	1	1
	956	1,018

The GCC Group's core regions are the Community of Valencia and the provinces of Almería, Málaga and Murcia. The GCC Group has its business centre in these provinces where it has a significant market share. Also, through the process of merger by absorption of Caja Rural del Duero, the GCC Group also has a significant presence in Valladolid and Palencia.

Directors and Management of BCC

Composition of the Board of BCC

At date of this Offering Circular the Board of Directors of BCC is comprised of 14 members. The business address for each member of its Board of Directors listed below is Paseo de la Castellana, nº 87, 28046, Madrid, Spain.

The current composition derives from the agreements adopted at the General Shareholders' meeting of BCC, held on 7 May 2019, which unanimously adopted the incorporation of two new members of the Board, Mr. Rafael García Cruz (Executive and Domanial Director) and Mr. Antonio José Carranceja López de Ochoa (Independent Director), in order to reinforce both the aforementioned Board and its Specialised Committees, leading to a Board of Directors composed of 14 members.

Name of the Director	Current position in the Board
Mr. Luis Rodríguez González ⁽¹⁾	Chairman
Ms. Marta de Castro Aparicio ⁽³⁾	Vice Chairman
Mr. Manuel Yebra Sola ⁽⁴⁾	Chief Executive Officer
Mr. Juan Carlos Rico Mateo ⁽¹⁾	Member
Mr. Joan Bautista Mir Piqueras ⁽¹⁾	Member
Mr. José Antonio García Pérez ⁽²⁾	Member
Mr. Bernabé Sánchez-Minguet Martínez ⁽⁴⁾	Member
Ms. Amparo Ribera Mataix ⁽³⁾	Member
Ms. María Teresa Vázquez Calo ⁽³⁾	Member
Mr. Carlos Pedro de la Higuera Pérez ⁽¹⁾	Member
Mr. Hilario Hernández Marqués ⁽³⁾	Member
Mr. Rafael García Cruz ⁽⁴⁾	Member
Mr. Antonio Cantón Góngora ⁽³⁾	Member
Mr. Antonio José Carranceja López de Ochoa ⁽³⁾	Member

⁽¹⁾ Proprietary director representing Cajamar.

⁽²⁾ Proprietary director representing GCC Group Members except Cajamar.

⁽³⁾ Independent director

⁽⁴⁾ Executive director

Mr. Francisco de Borja Real de Asúa Echavarría is the Secretary (non-director) of the Board of Directors and Mr. José Manuel Morón Martín is the Vice secretary (non-director) of the Board of Directors.

The following Directors of the board of BCC are also members of the following boards:

Name of the Director	Activity outside of BCC
Mr. Juan Carlos Rico Mateo	<ul style="list-style-type: none"> • Manager of Rico Hernansanz, SC. • Board member of Rico Mateo, S.L. • Manager of Rico Solar, S.L. • Board member of SAT La Arroyada
Mr. Joan Bautista Mir Piqueras	<ul style="list-style-type: none"> • Board member of Agricultura y Conservas, S.A. • Chairman of Agrikoop • Managing Director of Anecoop, S. Coop

Name of the Director	Activity outside of BCC
Ms. María Teresa Vázquez Calo	<ul style="list-style-type: none"> • Individual representative of Fesa UK, LTD • Manager of VC Biolaw, SLP
Mr. Carlos Pedro de la Higuera Pérez	<ul style="list-style-type: none"> • Chairman of Federación de Cooperativas Madrileña.
Mr. Antonio Cantón Góngora	<ul style="list-style-type: none"> • Chairman of Maintenance Development S.A. • Chairman of Medbuying Technologies Group S.L. • Manager of Paericas, S.L.
Mr. Hilario Hernández Marqués	<ul style="list-style-type: none"> • Board Member of Nueva Mutua Sanitaria del Servicio Médico, Mutua de Seguros a Prima Fija • Manager of Hernández Marqués Abogados, S.L.P.
Rafael García Cruz	<ul style="list-style-type: none"> • Individual representative of BCC Operaciones y Servicios administrativos S.L.U.

Corporate Governance

BCC's Board of Directors has implemented a defined and transparent set of rules and regulations for corporate governance, which is compliant with all applicable Spanish corporate governance standards. The Board has delegated some of its powers to the following committees, in compliance with best practices.

The composition of these committees as of date of this Offering Circular is shown in the table below.

Position	Executive Committee	Audit Committee	Appointments Committee	Risk Committee	Business Strategy Committee	Remunerations Committee
Chairman	Mr. Luis Rodríguez González	Ms. Amparo Ribera Mataix	Ms. Marta de Castro Aparicio	Mr. Antonio Cantón Góngora	Mr. Joan Bautista Mir Piqueras	Mr. Hilario Hernández Marqués
Member	Ms. Marta de Castro Aparicio	Ms. María Teresa Vázquez Calo	Mr. José Antonio García Pérez	Ms. Marta de Castro Aparicio	Mr. Luis Rodríguez González	Mr. Carlos Pedro de la Higuera
Member	Mr. Manuel Yebra Sola	Mr. Hilario Hernández Marqués	Ms. María Teresa Vázquez Calo	Mr. Juan Carlos Rico Mateo	Mr. Juan Carlos Rico Mateo	Mr. Juan Carlos Rico Mateo
Member	Mr. Bernabé Sánchez-Minguet Martínez	Mr. Antonio José Carranceja López de Ochoa	Mr. Carlos Pedro de la Higuera Pérez	Mr. Antonio José Carranceja López de Ochoa	Mr. José Antonio García Pérez	Ms. Amparo Ribera Mataix

Member	Ms. Amparo Ribera Mataix	-	-	Mr. José Antonio García Pérez	Mr. Carlos Pedro de la Higuera	Mr. Antonio José Carranceja López de Ochoa
Member	Mr. Antonio Cantón Góngora			Ms. Maria Teresa Vázquez Calo		
Member	Mr. Rafael García Cruz	-	-	-	-	-
Secretary	Mr. Francisco de Borja Real de Asúa Echavarría(*)	Mr. Francisco de Borja Real de Asúa Echavarría(*)	Mr. Francisco de Borja Real de Asúa Echavarría(*)	Mr. Francisco de Borja Real de Asúa Echavarría(*)	Mr. Francisco de Borja Real de Asúa Echavarría(*)	Mr. Francisco de Borja Real de Asúa Echavarría(*)
Vice secretary	Mr. José Manuel Morón Martín(*)(**)	Mr. José Manuel Morón Martín	Mr. José Manuel Morón Martín	Mr. José Manuel Morón Martín	Mr. José Manuel Morón Martín	Mr. José Manuel Morón Martín

(*) Non-director

(**) In the rest of the Committees, in the event of the Secretary's inability to act, the Vice secretary shall act on his behalf.

Executive Committee

The day-to-day management of BCC is carried out by members of the Executive Committee and its executive officers. The Executive Committee is responsible for the coordination of BCC's executive management, adapting to this end any resolutions and decisions within the scope of the powers vested in it by the Board of Directors. Decisions adopted by the Executive Committee are reported to the Board of Directors.

Audit Committee

BCC's Audit Committee supervises aspects in relation to the maintenance of an effective internal supervision system, using (among others) the internal and external audit services for this purpose.

Appointments Committee

The Appointments Committee (among other functions) is responsible for advising on the appointment and suitability of the board members.

Risk Committee

The Risk Committee is responsible for ensuring the proper management and supervision of the risks affecting BCC. Risks falling under the Committee's competency include those involving credit, the market, interest, liquidity, as well as operational, legal and reputational risks.

Business Strategy Committee

The Business Strategy Committee is responsible for calibrating the level of compliance with the commercial targets of each Member.

Remunerations Committee

The Remuneration Committee is responsible for dealing with aspects in relation to establishing, monitoring and supervising BCC's general remuneration system, and in particular that of its management bodies and senior executives.

Conflicts of Interest

BCC believes that no conflicts of interest exist between the duties of its Board of Directors and senior management and their private interests or other duties.

Organisational Structure

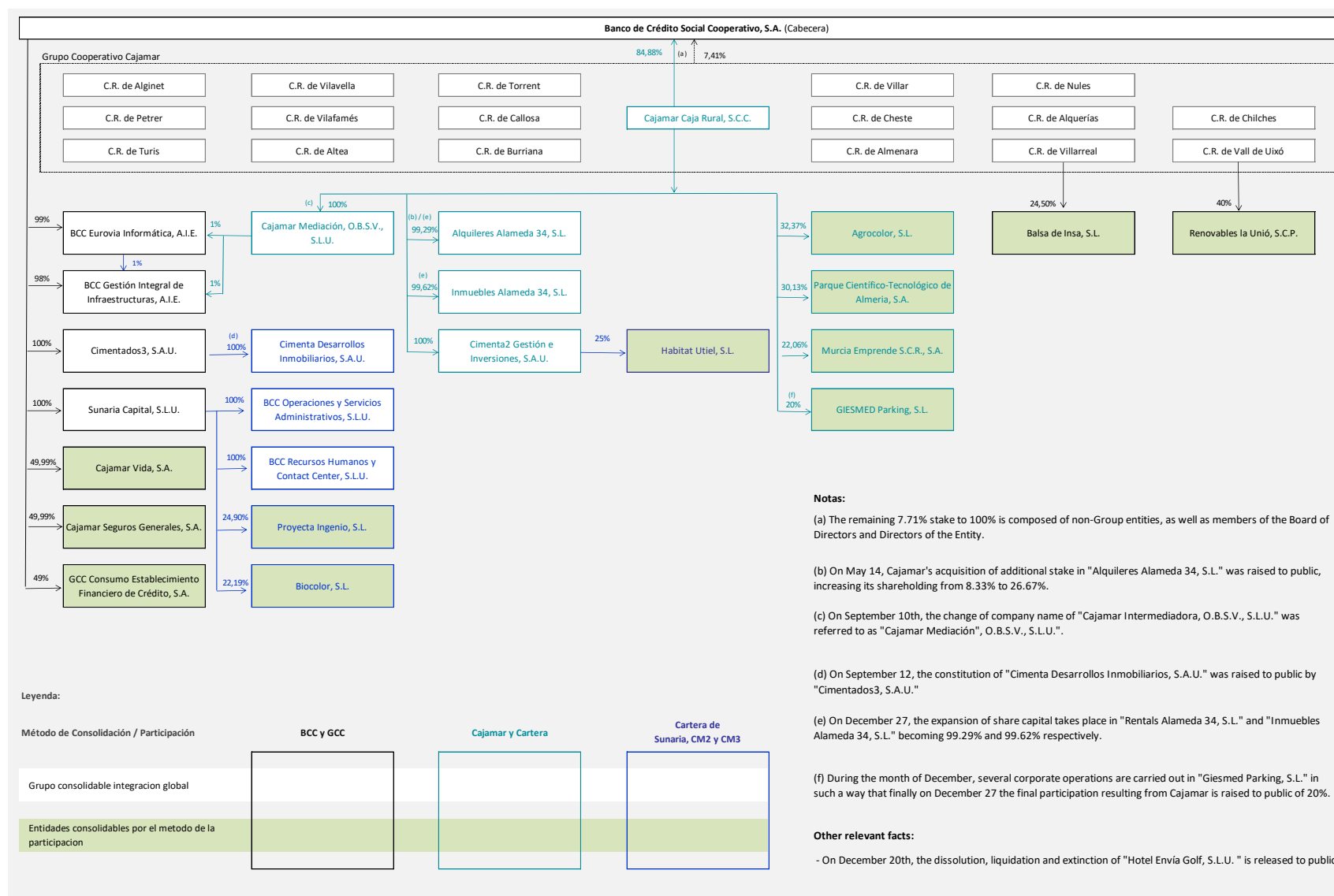
The GCC Group comprises 18 credit cooperatives⁶ and one bank (BCC).

As at 31 March 2020, the shareholders of BCC are comprised of: 18 credit cooperatives that form part of the GCC Group (the Members), together with 13 other credit cooperatives from Extremadura, Andalucía, Castilla-La Mancha, Catalonia and the Community of Valencia that do not form part of the GCC Group, 11 other institutions and 24 individuals as further described under " – *Capital Structure and Major Shareholders of BCC*".

Save as expressly set out in the Regulating Agreement, the Members each maintain their respective full legal personality, autonomous management, administration and governance (barring matters specifically delegated to BCC), governing and management bodies, workforce and labour relations framework, image and management of its Education and Promotion Funds. BCC, as the parent entity of the GCC Group, exercises all of the delegated competencies and powers under the Regulating Agreement on behalf of the GCC Group and its Members. The instructions and decisions of BCC are binding on the Members.

⁶ Caixa Rural Albalat dels Sorells, Cooperativa de CrèditValenciana merged into Cajamar during 2018 (See *History and Development of BCC and the GCC Group*)

The following structure chart sets out the structure of the GCC Group as at 31 December 2019:



Capital Structure and Major Shareholders of BCC

The Issuer's issued share capital as at the date of this Offering Circular is €1,059 million (the same as at 31 December 2019) made up of 1,059 million registered shares with a par value of €1 each. All shares are of the same class and series, fully subscribed and paid in. The shares issued by BCC are the same class for all Members of the GCC Group and the other shareholders.

As at 31 December 2019 and 31 December 2018 the Issuer's share capital breaks down as follows by shareholder contribution:

Members	% share	
	31/12/2019	31/12/2018
Cajamar Caja Rural, Sociedad Cooperativa de Crédito ⁷	84.87	84.87
Caixa Rural de Torrent, Cooperativa de Crédito Valenciana	1.51	1.51
Caixa Rural de Altea, Cooperativa de Crédito Valenciana	0.873	0.873
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito	0.73	0.73
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	0.63	0.63
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito	0.76	0.76
Caja Rural de Callosa d'en Sarriá, Sociedad Cooperativa de Crédito	0.53	0.53
Caja Rural San Jaime de Alquerias del Niño Perdido, Sociedad Cooperativa de Crédito	0.39	0.39
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	0.34	0.34
Caja Rural San José de Nules, Sociedad Cooperativa de Crédito	0.30	0.30
Caja Rural de Alginet, Sociedad Cooperativa de Crédito	0.25	0.25
Caixa Rural de Turis, Cooperativa de Crédito Valenciana	0.23	0.23
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	0.23	0.23
Caja Rural de Villar, Sociedad Cooperativa de Crédito	0.21	0.21
Caja Rural San José Vilavella, Sociedad Cooperativa de Crédito	0.15	0.15
Caixa Rural Albalat dels Sorells, Cooperativa de Crèdit Valenciana ⁸	-	-
Caja Rural San Roque de Almenara, Sociedad Cooperativa de Crédito	0.11	0.11
Caja Rural San Isidro de Vilafamés, Sociedad Cooperativa de Crédito	0.09	0.09
Caja Rural La Junquera de Chilches, Sociedad Cooperativa de Crédito	0.10	0.10
Total members	92.3	92.3

Shareholders outside of the GCC Group

31/12/2019	31/12/2018
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⁷ Formerly Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. Cajas Rurales Unidas, Sociedad Cooperativa de Crédito was renamed to Cajamar Caja Rural, Sociedad Cooperativa de Crédito in December 2015.

⁸ Caja Rural Albalat dels Sorells, Sociedad Cooperativa de Crédito, merged into Cajamar Caja Rural, Sociedad Cooperativa de Crédito, such merger being effective from 11 November 2018.

Caja Rural de Almendralejo, Sociedad Cooperativa de Crédito	1.56	1.56
Caixa Rural La Vall San Isidro Sociedad Cooperativa de Crédito Valenciana	0.00	0.00
Eurocaja Rural, Sociedad Cooperativa de Crédito(*)	0.09	0.09
Caja Rural San José de Almassora, S.Coop de Crédito	0.09	0.09
Caixa Rural de Benicarló, S.Coop de Crédito	0.09	0.09
Caixa Rural Vinaros, S. Coop. de Crédito	0.09	0.09
Caixa Rural Les Coves de Vinroma, S.Coop de Crédito	0.05	0.05
Caja Rural de Baena Ntra. Señora de Guadalupe, Sociedad Cooperativa de Crédito Andaluza	0.03	0.03
Caja Rural de Utrera, Sociedad Cooperativa Andaluza de Crédito	0.03	0.03
Caja Rural de Cañete de las Torres Ntra. Sra. del Campo, Sociedad Cooperativa Andaluza de Crédito	0.03	0.03
Caja Rural Ntra. Sra. del Rosario, Sociedad Cooperativa Andaluza de Crédito	0.03	0.03
Caja Rural Ntra. Madre del Sol, S. Coop. Andaluza de Crédito	0.03	0.03
Caja Rural de Guissona, S. Coop. de Crédito	0.01	0.01
Team & Work 5000, S.L.	2.83	2.83
Crédito Agrícola SGPS, S.A.	0.47	0.47
Garunter Locales, S.L..	0.47	0.47
Pepal 2002, S.L.	0.14	0.14
Acor Sociedad Cooperativa General Agropecuaria	0.19	0.19
Gespater, S.L.	0.28	0.28
Publindal, S.L.	0.43	0.43
Surister del Arroyo, S.L.	0.19	0.19
Grupo Juramenta, S.L.	0.09	0.09
Repalmar, S.L.	0.09	0.09
Frutas de Guadalentín, S.L.	0.28	0.28
Other minority shareholders	0.10	0.10
Total outside of the GCC Group	7.7	7.7
Total (members and shareholders outside the GCC Group)	100	100

Any credit cooperative wishing to join the GCC Group must acquire an interest in the share capital of the Issuer. The Members may exercise their dividend and voting rights as shareholders of BCC in proportion to their shareholdings. When they exercise these rights they must safeguard the GCC Group's interests and take into consideration that their holding in BCC secures their participation in the GCC Group. In addition, as each Member has signed or acceded to the Regulating Agreement, each such Member shareholder delegates to BCC, in its role as the controlling and decision-making entity, all responsibilities in relation to management policies, consolidation of accounts, formulation of business strategy, and ensuring the solvency, liquidity and regulatory compliance of all Members.

Members are required at all times to maintain full ownership of their shares in BCC and any preferential subscription rights they may hold, free of charges and encumbrances and with all relevant dividend and voting rights. Members may only transfer shares in BCC to other Members and/or third parties with the prior consent of BCC. In this event, an adjustment must be agreed and made to the corporate governance rules set out in the Regulating Agreement of the GCC Group based on the new percentage holdings in BCC's share capital. The shareholders that are not members of the GCC Group may exercise their voting and dividend rights without any restriction. At the date of this Offering Circular, all shareholders outside of the GCC Group hold a percentage shareholding representing less than 3 per cent. of the share capital of BCC.

At 31 December 2019, the shares held by Members in BCC totalled €977 million, the same figure as the previous year:

	<i>Thousands of Euros</i>	
	31/12/2019	31/12/2018
Cajamar Caja Rural, Sociedad Cooperativa de Crédito ⁹	898,842	898,842
Caixa Rural de Torrent, Cooperativa de Crédito Valenciana	15,981	15,981
Caixa Rural de Altea, Cooperativa de Crédito Valenciana	9,242	9,242
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito	7,714	7,714
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	6,681	6,681
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito (Caixa Rural Vila-real)	8,040	8,040
Caja Rural de Callosa d'en Sarriá, Sociedad Cooperativa de Crédito	5,556	5,556
Caja Rural San Jaime de Alquerias del Niño Perdido, Sociedad Cooperativa de Crédito	4,124	4,124
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	3,606	3,606
Caja Rural San José de Nules, Sociedad Cooperativa de Crédito	3,155	3,155
Caja Rural de Alginet, Sociedad Cooperativa de Crédito	2,676	2,676
Caixa Rural de Turis, Cooperativa de Crédito Valenciana	2,413	2,413
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	2,416	2,416
Caja Rural de Villar, Sociedad Cooperativa de Crédito	2,257	2,257
Caja Rural San José Vilavella, Sociedad Cooperativa de Crédito	1,536	1,536
Caixa Rural Albalat dels Sorells, Cooperativa de Crèdit Valenciana ¹⁰	-	-
Caja Rural San Roque de Almenara, Sociedad Cooperativa de Crédito	1,147	1,147
Caja Rural San Isidro de Vilafamés, Sociedad Cooperativa de Crédito	948	948
Caja Rural La Junquera de Chilches, Sociedad Cooperativa de Crédito	1,017	1,017
Total	977,349	977,349

⁹ Formerly Cajas Rurales Unidas, Sociedad Cooperativa de Crédito. Cajas Rurales Unidas, Sociedad Cooperativa de Crédito was renamed to Cajamar Caja Rural, Sociedad Cooperativa de Crédito in December 2015.

¹⁰ Caja Rural Albalat dels Sorells, Sociedad Cooperativa de Crédito, merged into Cajamar Caja Rural, Sociedad Cooperativa de Crédito, such merger being effective from 11 November 2018.

Contributions to the share capital of Cajamar Caja Rural, Sociedad Cooperativa de Crédito amounted to €2,800 million as at 31 December 2019, compared to €2,639 million at 31 December 2018. Cooperative share capital of the other seventeen (eighteen at 31 December 2017) credit cooperatives of the GCC Group amounted to €66 million at 31 December 2019, compared to €56 million at 31 December 2018.

Solvency of the GCC Group

Due to the authorisation received in June 2014 from the Bank of Spain (*Banco de España*) recognising the GCC Group as an IPS, the obligation of Members of the GCC Group to comply on an individual basis with the application of the requirements set out in Parts Two to Eight of the CRR has been waived in accordance with Article 10 of this Regulation. This exemption applies to BCC and to each of the other 18 Members of the GCC Group. Consequently, the GCC Group only has to comply with the minimum capital requirements previously defined on a consolidated basis.

Eligible equity and capital requirements for the GCC Group at 31 December 2019 and 2018 are as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Eligible equity	3,432,173	3,282,049
CET 1 Capital	3,044,173	2,882,049
Common Equity Tier 1 items and instruments	3,459,296	3,229,313
<i>Capital</i>	2,947,594	2,776,579
<i>Accumulated reserves</i>	511,702	452,734
Deductions	(415,123)	(347,264)
TIER 2 Capital	388,000	400,000
Solvency Requirements	1,868,631	1,842,649
Credit Risk	1,735,488	1,717,933
Operative Risk	121,812	115,660
CVA	2,342	2,670
Securitisations	8,989	6,386
Equity Ratio	14.69%	14.25%
CET 1 ratio	13.03%	12.51%

Excess Equity for 31 December 2019 and 31 December 2018 is presented below:

	Thousands of Euros	
	31/12/2019	31/12/2018
Excess Equity Ordinary Level I Capital (8.875 per cent.)	837,860	703,060
Excess Equity Level I (10.375 per cent.)	492,363	1,241,601
Excess Equity Total Capital (12.375 per cent.)	431,701	387,726

At 31 December 2019, the CET1 ratio stood at 13.03 per cent. and total capital at 14.69 per cent., exceeding the overall requirement of 13.00 per cent. At year-end 2019, the CET1 ratio (fully loaded) stood at 12.32 per cent. and the Total Capital ratio (fully loaded) stood at 13.98 per cent. Based on the results of the SREP, in a statement dated 3 December 2019, the ECB stated that the GCC Group was required to present a CET 1 ratio of 9.5 per cent. in 2019. That ratio comprises a regulatory capital requirement (Pillar 1) of 4.5 per cent., a Pillar 2 requirement of 2.5 per cent. and a capital buffer of 2.5 per cent. The Total Capital ratio required in 2019, meanwhile, is 13 per cent. At 31 March 2020, the CET1 ratio stands at 12.75 per cent. and total capital at 14.40 per cent. in phased-in terms. Despite the introduction of the new IFRS16, which had very little impact, as of 31 March 2020, the CET1 ratio improved by 7 basis points quarter on quarter in phased-in terms, and 15 basis points quarter on quarter on a fully loaded basis.

Key Financial and Business Information

A summary of certain key consolidated financial and other information relating to the GCC Group for the year ended 31 December 2019 compared to 31 December 2018 is shown below:

			Year on year	
	31/12/2019	31/12/2018	Change	%
(Thousands of euros, except for percentages)				
Consolidated Income				
Net Interest Income	589,796	586,041	3,755	0.6%
Gross Income	1,147,654	934,076	213,578	22.9%
Net Income before provisions	573,542	367,761	205,781	56.0%
Profit before tax	113,412	69,104	44,308	64.1%
Consolidated Net profit	92,495	82,252	10,243	12.5%
Attributable Net profit	92,495	82,252	10,243	12.5%
Business				
Total Assets	47,406,455	44,078,805	3,327,650	7.5%
Equity	3,304,672	3,075,759	228,913	7.4%
Customers' retail funds	30,561,447	28,498,653	2,062,794	7.2%
Off-balance sheet funds	4,850,568	4,293,159	557,409	13.0%
Loans to customers (gross)	31,122,100	31,276,510	(154,411)	(0.5%)
Performing loans	29,574,566	29,126,028	448,538	1.5%
Risk management				
Gross Loans	31,522,642	31,584,988	(62,347)	(0.2%)
Non-performing loans	1,948,076	2,458,961	(510,885)	(20.8%)
Total risks	32,228,997	32,313,407	(84,411)	(0.3%)
Non performing loans coverage (Gross loans coverage)	(956,524)	(1,072,032)	(115,508)	(10.8%)

	31/12/2019	31/12/2018	Year on year	
			Change	%
NPL ratio (%)	6.07%	7.63%	(1.56)	
NPL coverage ratio (%)	49.10%	43.60%	5.50	
Liquidity				
LTD (%)	95.05%	101.65%	(6.60)	
LCR (%)	212.33%	207.49%	4.84	
NSFR (%)	124.03%	118.51%	5.52	
Solvency				
CET 1 ratio (%)	13.03%	12.51%	0.52	
Tier 2 ratio (%)	1.66%	1.74%	(0.08)	
Capital ratio (%)	14.69%	14.25%	0.44	
Profitability and efficiency				
ROA (%)	0.20%	0.19%	0.01	
RORWA (%)	0.40%	0.35%	0.05	
ROE (%)	2.89%	2.74%	0.15	
Cost-income ratio (%)	50.02%	60.63%	(10.61)	
Other data				
Cooperative Shareholders	1,430,086	1,436,237	(6,151)	(0.4%)
Employees ^(*)	5,483	5,506	(23)	(0.4%)
Branches	956	1,018	(62)	(6.1%)

^(*) Employees of BCC and cooperative banks of the GCC Group (not including subsidiaries that are not credit entities)

A summary of the consolidated balance sheet as at 31 December 2019 compared to 31 December 2018 for the GCC Group is shown below:

	Year on year			
	31/12/2019	31/12/2018	Change	%
(Thousands of euros, except for percentages)				
Consolidated Balance Sheet				
Cash, cash balances at central banks and other demand deposits	1,930,275	1,420,637	509,638	35.9%
Financial assets held for trading	3,944	1,621	2,323	143.3%
Financial assets designated at fair value through changes in profit or loss	358,490	269,913	88,577	32.8%
Financial assets at fair value through other comprehensive income	2,550,967	606,847	1,944,120	320.4%
Financial assets at amortised cost	38,573,884	37,741,263	832,621	2.2%
<i>Of which: Loans and advances</i>	30,161,951	30,283,685	(121,734)	-0.4%
Held-to-maturity investments				
Derivatives-Hedge Accounting	-	-	-	-
Changes in the fair value of hedged items in a portfolio with an interest rate risk hedge	-	-	-	-
Investments in subsidiaries, joint ventures and associates	118,938	97,426	21,512	22.1%
Assets covered by insurance or reinsurance contracts				
Tangible assets	1,034,456	999,629	34,827	3.5%
Intangible assets	179,439	161,793	17,646	10.9%
Tax assets	1,133,590	1,132,246	1,344	0.1%
Other assets	1,173,171	1,241,317	(68,146)	-5.5%
Non-current assets and disposal groups classified as held-for-sale	349,301	406,113	(56,812)	-14.0%
TOTAL ASSETS	47,406,455	44,078,805	3,327,650	7.5%
Financial liabilities held for trading	2,440	43	2,397	5574.4%
Financial liabilities designated at fair value through changes in profit or loss	-	-	-	
Financial liabilities at amortised cost	43,579,880	40,394,174	3,185,706	7.9%
Derivatives-Hedge Accounting	112,743	123,754	-11,011	-8.9%
Changes in the fair value of hedged items in	-	-	-	

a portfolio with an interest rate risk hedged

Liabilities covered by insurance or reinsurance contracts	-	-	-	-
Provisions	74,916	71,405	3,511	4.9%
Tax liabilities	79,576	77,368	2,208	2.9%
Refundable share capital		-	-	
Other liabilities	230,729	344,865	-114,136	-33.1%
Liabilities included in disposal groups of assets classified as held-for-sale	-	-	-	-
TOTAL LIABILITIES	44,080,284	41,011,609	3,068,675	7.5%
Equity	3,304,672	3,075,759	228,913	7.4%
Accumulated of other comprehensive income	21,499	(8,563)	30,062	-351.1%
Minority interests	-	-	-	-
TOTAL EQUITY	3,326,171	3,067,196	258,975	8.4%
TOTAL EQUITY AND LIABILITIES	47,406,455	44,078,805	3,327,650	7.5%

COVID-19

Regarding cooperative capital remuneration, the last dividend payment on cooperative capital was settled in January 2020. The GCC Group is following ECB recommendation regarding payment of dividends (both BCC capital and cooperative capital) introduced as temporary relief measure for banks due to COVID-19 crisis. Therefore, the GCC Group will not make additional distributions at least until October 2020. The payout policy is currently under review.

Alternative Performance Measures

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

BCC considers that these metrics provide useful information for investors, securities analysts and other interested parties in order to better understand the underlying business, the financial position, cash flows and the results of operations of the GCC Group. Such measures should, however, not be considered as a substitute to profit or loss attributable to BCC or any other performance measures derived in accordance with IFRS-EU or as an alternative to cash flow from operating, investing and financing activities as a measure of BCC's liquidity.

Other companies in the industry may calculate similarly titled measures differently, such that disclosure of similarly titled measures by other companies may not be comparable with that of BCC and the GCC Group. In addition, these measures are not comparable to similarly titled measures contained in the notes to BCC's audited consolidated annual accounts. Investors are advised to review these alternative performance

measures in conjunction with BCC's audited consolidated annual accounts and accompanying notes which are incorporated by reference in this Offering Circular.

(IN ALPHABETICAL ORDER)		
	Measure	Definition and calculation
1	Business gap	Difference between the numerator and denominator of the Loan to deposits ratio
2	Cost of Risk (%)	Annualised total impairment losses/ Average Gross Loans and Gross REOs.
3	Cost-income ratio (%)	(Administrative expenses + Depreciation and amortisation) / Gross income
4	Customer funds under management	On-Balance sheet retail funds + Off-balance sheet funds
5	Customers' deposits	Sight deposits + Term deposits
6	Customers' spread (%)	Calculated as the difference between the Average revenue of loans to customers gross and the Average cost of customer deposits (sight deposits and term deposits)
7	Debt securities from customers	Portfolio of senior debt securities of big enterprises.
8	Foreclosed assets (gross) ¹¹	REOs excluding RE investments
9	Foreclosed assets (net) ¹²	Foreclosed assets (gross) – Total foreclosed assets coverage
10	Foreclosed assets coverage	Accumulated impairment since the origin of the loan, excluding debt forgiveness in the foreclosure procedure
11	Foreclosed assets coverage ratio (%)	Total foreclosed assets coverage / Foreclosed assets (gross)
12	Foreclosed assets coverage ratio with debt forgiveness (%)	Total foreclosed assets coverage (including debt forgiveness in the foreclosure procedure)/ Foreclosed assets (gross) (including debt forgiveness in the foreclosure procedure)
13	Funds under management	Total balance-sheet funds + Off-balance-sheet funds
14	Gross Loans	Loans to customers (gross) + Other loans (reverse repurchase agreements) + Debt securities from customers
15	Impairment losses	Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss + Impairment or (-) reversal of impairment on non-financial assets + Impairment or reversal of impairment of investments in joint ventures or associates (net)
16	Loan to customers (gross)	General governments + other financial corporations + non-financial corporations + households
17	Loan to deposits ratio (%)	Net loans to customers / (Customers' deposits + Net issued securitisations + Brokered loans)
18	Net Interest Income o/ATA (%)	Net interest income / Average total assets
19	Non-performing assets (NPA)	Non-performing loans + Foreclosed assets (gross)
20	Non-performing loans	Doubtful assets + non-performing other assets within loans and advances
21	Non-performing loans coverage (Gross loans coverage)	Impairment losses on loans and customer prepayment + Impairment losses on other financial assets + Impairment adjustments on deposits at credit institutions
22	Non-performing Total risks	Non-performing loans + non-performing contingent risks
23	NPA coverage	Gross loans coverage + Foreclosed assets coverage
24	NPA coverage ratio (%)	(Gross loans coverage + Foreclosed assets coverage) / (Non-performing loans + Foreclosed assets (gross))
25	NPA coverage with debt forgiveness (%)	(Gross loans coverage + Foreclosed assets coverage + debt forgiveness) / (Non-performing loans + Foreclosed assets (gross) + debt forgiveness)
26	NPA ratio (%) ¹³	(Non-performing loans + Foreclosed assets (gross)) / (Gross loans+ Foreclosed assets (gross))
27	NPL coverage ratio (%)	Gross loans coverage / Non-performing loans
28	NPL ratio (%)	(Non-performing loans +non-performing contingent risks) / (Gross loans + contingent risks)
29	Off-balance sheet funds	Mutual funds + Pension plans + Saving insurance + Fixed-income and

¹¹ From June 2019 foreclosed assets exclude real estate investments. The figures for 2018 have been recalculated to make them comparable

¹² From June 2019 foreclosed assets exclude real estate investments. The figures for 2018 have been recalculated to make them comparable

¹³ From June 2019, NPA ratio is calculated using gross foreclosed assets where in the past net foreclosed assets was used in calculating this ratio. The figures for 2018 have been recalculated to make them comparable

		equity
30	Performing Loans	Gross loans – Non-performing loans
31	Performing Loans to customers	Loans to customers (gross) – Non-performing loans
32	Recurring cost-income ratio (%)	(Administrative expenses + Depreciation and amortisation) / Recurring gross income
33	Recurring Gross Income	Gross income without extraordinary results included in Gains (losses) on financial transactions and without mandatory transfers to the Education and Development Fund included in Other operating income/expenses
34	Recurring pre-provision profit	Recurring gross income – Operating expenses
35	RED Loans	Real estate development loans
36	REOs ¹⁴	Foreclosed assets (gross) + RE investments (gross)
37	ROA (%)	Annualisation of the following quotient: Consolidated net profit / Average total assets (average of the end-of-quarter figures since the previous December, inclusive)
38	ROE (%)	Annualisation of the following quotient: Consolidated net profit / Average total equity (average of the end-of-quarter figures since the previous December, inclusive)
39	RORWA (%)	Annualisation of the following quotient: Consolidated net profit / Average risk-weighted assets (average of the end-of-quarter figures since the previous December, inclusive)
40	Texas ratio (%)	(Gross non-performing assets + Doubtful contingent risks) / (NPA coverage + Total capital)
41	Total balance sheet funds	Customers' retail funds + Wholesale funding
42	On-Balance sheet retail funds	Sight deposits + Term deposits + Other funds (repurchase agreements)
43	Off-balance sheet funds	Mutual funds + Pension plans + Saving insurance + Fixed-income and equity
44	Operating expenses	Personnel expenses + Other administrative expenses + Depreciation and amortisation
45	Total lending	Gross loans – Credit losses and impairments
46	Total risks	Gross loans + Contingent risks
47	Wholesale funds	Bonds and other securities + Subordinated liabilities + Monetary market operations + Deposits from credit institutions + ECB

Where applicable, reconciliation of the relevant figures for 2019 and 2018 are provided below:

<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Numerator of LTD ratio (1)	30,165,576	30,204,478
Denominator of LTD ratio (2)	31,735,321	29,713,797
Business gap = (2) - (1)	1,569,745	-490,681

<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Impairment (1)	359,259	202,540
Average Gross loans and Gross REOs (2) = (3) + (4)	34,723,579	35,011,817
	31/12/2018	31/12/2017
	34,893,734	35,006,919
	31/03/2019	31/03/2018
	34,990,127	35,224,704
	30/06/2019	30/06/2018
	34,860,520	35,163,812
	30/09/2019	30/09/2018
	34,359,156	34,769,915
	31/12/2019	31/12/2018
	34,514,356	34,893,734
Average Gross loans (3)	31,542,569	31,496,587
	31/12/2018	31/12/2017
	31,584,988	31,328,982
	31/03/2019	31/03/2018
	31,727,616	31,580,050
	30/06/2019	30/06/2018
	31,643,197	31,646,581
	30/09/2019	30/09/2018
	31,234,400	31,342,332
	31/12/2019	31/12/2018
	31,522,642	31,584,988

¹⁴ From June 2019 what was previously defined as Foreclosed assets (foreclosed assets plus real estate investments) is renamed as REOs

Average Gross REOs (4)	3,181,010	3,515,230
31/12/2018	3,308,746	31/12/2017 3,677,937
31/03/2019	3,262,511	31/03/2018 3,644,654
30/06/2019	3,217,323	30/06/2018 3,517,231
30/09/2019	3,124,756	30/09/2018 3,427,583
31/12/2019	2,991,714	31/12/2018 3,308,746
Cost of risk (%) = (1)/(2)	1.03%	0.58%
(EUR Thousand)	31/12/2019	31/12/2018
Administrative expenses (1)	517,272	511,036
Depreciation and amortisation (2)	56,840	55,279
Gross income (3)	1,147,654	934,076
Cost-income ratio (%)=((1)+(2))/(3)	50.02%	60.63%
(EUR Thousand)	31/12/2019	31/12/2018
On-Balance sheet retail funds (1)	30,561,447	28,498,653
Off balance sheet funds (2)	4,850,568	4,293,159
Customer funds under management = (1) + (2)	35,412,015	32,791,812
(EUR Thousand)	31/12/2019	31/12/2018
Sight deposits (1)	23,777,663	21,472,289
Term deposits (2)	6,783,784	7,026,364
Customers' deposits = (1) + (2)	30,561,447	28,498,653
(EUR Thousand)	31/12/2019	31/12/2018
Average revenue of loans to customers gross (1) = (a) / (b)	1.83%	1.94%
Revenue (a)	569,725	603,769
Average loans to customers (gross) (b)	31,134,801	31,173,727
31/12/2018	31,276,510	31/12/2017 31,054,234
31/03/2019	31,387,032	31/03/2018 31,303,719
30/06/2019	31,042,059	30/06/2018 31,170,169
30/09/2019	30,846,305	30/09/2018 31,064,001
31/12/2019	31,122,100	31/12/2018 31,276,510
Average cost of customer deposits (sight deposits and term deposits) (2) = (c)/(d)	0.1%	0.1%
Cost (c)	29,047	24,993
Average customer deposits (d)	29,656,319	27,265,242
31/12/2018	28,498,653	31/12/2017 25,940,869
31/03/2019	29,183,829	31/03/2018 26,375,844
30/06/2019	29,799,437	30/06/2018 27,694,266
30/09/2019	30,238,231	30/09/2018 27,816,578
31/12/2019	30,561,447	31/12/2018 28,498,653
Customers' spread (%) = (1) - (2)	1.73%	1.84%
(EUR Thousand)	31/12/2019	31/12/2018
Debt securities from customers	400,542	308,478
(EUR Thousand)	31/12/2019	31/12/2018
Total foreclosed assets coverage (1)	1,292,866	1,374,311
Foreclosed assets (gross) (2)	2,709,536	2,910,247

Foreclosed assets coverage ratio (%) = (1)/(2)	47.72%	47.22%
<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Total foreclosed assets coverage with debt forgiveness (1)	1,602,758	1,666,529
Foreclosed assets with debt forgiveness (gross) (2)	3,019,331	3,202,537
Foreclosed assets coverage ratio with debt forgiveness(%) = (1)/(2)	53.08%	52.04%
<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Customers' deposits (1)	30,561,447	28,498,653
Other funds (2)	0	0
On-balance sheet retail funds (a) = (1) + (2)	30,561,447	28,498,653
Wholesale funds (b)	12,589,084	11,476,835
Mutual funds (3)	2,893,771	2,391,135
Pension plans (4)	832,230	787,634
Savings insurances (5)	671,219	668,895
Fixed-equity income (6)	453,348	445,495
Off-balance sheet funds (c) = (3) + (4) + (5) + (6)	4,850,568	4,293,159
Funds under management = (a) + (b) + (c)	48,001,099	44,268,647
<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Loans to customers (gross) (1)	31,122,100	31,276,510
Other loans (monetary market transactions through counterparties) (2)	0	0
Debt securities from customers (3)	400,542	308,478
Gross loans = (1) + (2) + (3)	31,522,642	31,584,988
<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Impairment or reversal of impairment of financial assets not valued through profit or loss (1)	-333,633	-144,216
Impairment or (-) reversal of impairment on non-financial assets (2)	-32,948	-5,956
Impairment or reversal of impairment of investments in joint ventures or associates (net) (3)	0	-22
Impairment of intangible asset (4)	0	-62,650
Impairment losses (1) + (2) + (3) + (4)	-366,581	-212,844
<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Loans and prepayments - Customer loans (1)	29,929,506	30,048,558
Other loans (monetary market transactions through counterparties) (2)	0	0
Financial assets designated at fair value through profit or loss - Loans and advances (3)	236,070	155,920
Impairment losses on loans and customer prepayments (4)	-954,901	-1,062,290
Impairment losses on other financial assets (5)	-1,623	-9,742
Loans to customers (gross) = (1) - (2) + (3) - (4) - (5)	31,122,100	31,276,510
<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Loans to customers (1) = (a) + (b)	30,165,576	30,204,478
Loans and prepayments - Customer loans (a)	29,929,506	30,048,558
Financial assets designated at fair value through profit or loss - Loans and advances (b)	236,070	155,920
Deposits (2) = (3) + (4) + (5) + (6) + (7) + (8) + (9)	31,735,321	29,713,797
Customer resources (3)	30,561,672	28,498,653
Retail commercial paper (4)	0	0
Retail subordinated debt (5)	0	0
Repo with clients (6)	0	0
Other retail funding (7)	0	0
Shares issued (net issued securitisations) (8)	792,997	958,743
I.C.O., I.E.B., E.I.F. LOANS (9)	380,652	256,401
LTD (loan to deposits) ratio (%) = (1) / (2)	95.05%	101.65%

<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Net interest income (1)	589,796	586,041
Average total assets (2)	45,359,883	42,395,487
	31/12/2018	31/12/2017
	44,078,805	40,507,329
	31/03/2019	31/03/2018
	44,358,209	41,857,368
	30/06/2019	30/06/2018
	45,334,985	42,815,704
	30/09/2019	30/09/2018
	45,620,963	42,718,227
	31/12/2019	31/12/2018
	47,406,455	44,078,805
Net Interest Income o/ATA = (1) /(2)	1.30%	1.38%

<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Non performing loans (1)	1,948,076	2,458,961
Foreclosed assets (gross) (2)	2,709,536	2,910,247
Non performing assets (1) + (2)	4,657,612	5,369,208

<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Doubtful assets within loans and advances (1)	1,946,600	2,449,417
Other non performing assets (2)	1,476	9,544
Non performing loans (1) + (2)	1,948,076	2,458,961

<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Impairment losses on loans and customer prepayments (1)	954,901	1,062,290
Impairment losses on other financial assets (2)	1,623	9,742
Impairment adjustments on deposits at credit institutions (3)	0	0
Non performing loans coverage (Gross loans coverage)= (1) + (2) +(3)	956,524	1,072,032

<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Non performing loans (1)	1,948,076	2,458,961
Non performing contingent risks (2)	7,863	6,257
Non performing total risks (1) + (2)	1,955,939	2,465,218

<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Gross loans coverage (1)	956,524	1,072,032
Foreclosed assets coverage (2)	1,292,866	1,374,311
NPA coverage (1) + (2)	2,249,390	2,446,343

<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Non performing Loans (1)	1,948,076	2,458,961
Net foreclosed assets (2)	1,416,670	1,535,936
Gross loan coverage (3)	956,524	1,072,032
Foreclosed assets coverage (4)	1,292,866	1,374,311
NPA coverage ratio (%) = ((3)+(4))/((1)+(2)+(4))	48.29%	45.56%

<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Gross loans coverage (1)	956,524	1,072,032
Total foreclosed assets coverage with debt forgiveness (2)	1,602,758	1,666,529
Non performing loans (3)	1,948,076	2,458,961
Gross foreclosed assets with debt forgiveness (4)	3,019,428	3,202,466
NPA coverage ratio with debt forgiveness (%) = ((1)+(2))/((3)+(4))	51.52%	48.37%

<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Non performing Loans (1)	1,948,076	2,458,961

Gross foreclosed assets (2)	2,709,536	2,910,247
Gross loans (3)	31,522,642	31,584,988
NPA ratio (%) = ((1)+(2))/((3)+(2))	13.61%	15.57%

(EUR Thousand)	31/12/2019	31/12/2018
Non performing Loans (1)	1,948,076	2,458,961
Gross loan coverage (2)	956,524	1,072,032
NPL coverage ratio (%) = (2) / (1)	49.10%	43.60%

(EUR Thousand)	31/12/2019	31/12/2018
Non performing Loans (1)	1,948,076	2,458,961
Non performing contingent risks (2)	7,863	6,257
Gross loans (3)	31,522,642	31,584,988
Contingent risks (4)	706,355	728,419
NPL ratio (%) = ((1) + (2)) / ((3) + (4))	6.07%	7.63%

(EUR Thousand)	31/12/2019	31/12/2018
Mutual funds (1)	2,893,771	2,391,135
Pension plans (2)	832,230	787,634
Savings insurances (3)	671,219	668,895
Fixed-equity income (4)	453,348	445,495
Off balance sheet funds = (1) + (2) + (3) + (4)	4,850,568	4,293,159

(EUR Thousand)	31/12/2019	31/12/2018
Sight deposits (1)	23,777,663	21,472,289
Term deposits (2)	6,783,784	7,026,364
Other funds (3)	0	0
On-Balance sheet retail funds= (1) + (2) + (3)	30,561,447	28,498,653

(EUR Thousand)	31/12/2019	31/12/2018
Gross loans (1)	31,522,642	31,584,988
Non performing loans (2)	1,948,076	2,458,961
Performing loans = (1) - (2)	29,574,566	29,126,027

(EUR Thousand)	31/12/2019	31/12/2018
Loans to customers (gross) (1)	31,122,100	31,276,510
Non performing loans (2)	1,948,076	2,458,961
Performing loans to customers = (1) - (2)	29,174,024	28,817,549

(EUR Thousand)	31/12/2019	31/12/2018
Administrative expenses (1)	517,272	511,034
Depreciation and amortisation (2)	56,840	55,279
Recurring gross income (3)	935,221	892,320
Recurring Cost-income ratio (%) = ((1)+(2))/(3)	61.39%	63.47%

(EUR Thousand)	31/12/2019	31/12/2018
Gross income (1)	1,147,654	934,076
Extraordinary results included in Gains (losses) on financial transactions (2)	216,236	45,799
Mandatory transfers to the Education and Development Fund included in Other operating income/expenses (3)	-3,803	-4,043
Recurring Gross income = (1)-(2)-(3)	935,221	892,320

(EUR Thousand)	31/12/2019	31/12/2018
Recurring Gross income (1)	935,221	892,320
Operating expenses (2)	574,113	566,315
Recurring pre-provision profit = (1)-(2)	361,108	326,005

<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Foreclosed assets (gross) (1)	2,709,536	2,910,247
Real Estate Investments (gross) (2)	282,178	377,676
REOs = (1)+(2)	2,991,714	3,287,923

<i>(EUR Thousand)</i>	2019	2018
Consolidated profit (1)	92,495	82,252
Average total assets (2)	45,359,883	42,395,487
	31/12/2018	31/12/2017
	44,078,805	40,507,329
	31/03/2019	31/03/2018
	44,358,209	41,857,368
	30/06/2019	30/06/2018
	45,334,985	42,815,704
	30/09/2019	30/09/2018
	45,620,963	42,718,227
	31/12/2019	31/12/2018
	47,406,455	44,078,805
ROA (%) = (1) / (2)	0.20%	0.19%

<i>(EUR Thousand)</i>	2019	2018
Consolidated profit (1)	92,495	82,252
Average total equity (2)	3,204,373	3,003,347
	31/12/2018	31/12/2017
	3,067,196	3,053,828
	31/03/2019	31/03/2018
	3,143,484	2,921,829
	30/06/2019	30/06/2018
	3,220,707	2,963,190
	30/09/2019	30/09/2018
	3,264,305	3,010,691
	31/12/2019	31/12/2018
	3,326,171	3,067,196
ROE (%) = (1) / (2)	2.89%	2.74%

<i>(EUR Thousand)</i>	2019	2018
Consolidated profit (1)	92,495	82,252
Average risk weighted assets	23,094,046	23,326,344
	31/12/2018	31/12/2017
	23,033,114	23,033,114
	31/03/2019	31/03/2018
	23,116,849	24,048,425
	30/06/2019	30/06/2018
	23,068,389	23,424,252
	30/09/2019	30/09/2018
	22,891,111	23,092,813
	31/12/2019	31/12/2018
	23,360,766	23,033,114
RORWA (%) = (1) / (2)	0.40%	0.35%

<i>(EUR Thousand)</i>	2019	2018
Gross foreclosed assets (1)	2,991,714	3,287,923
Financing to entities holding real estate assets that have been foreclosed or received as payment in lieu of debts (gross) (2)		
Gross foreclosed assets excluding financing to entities (3) = (1) - (2)	2,991,714	3,287,923
Non performing loans(4)	1,948,076	2,458,961
Non performing loans to financial institutions (5)	0	0
Doubtful contingent risks (6)	7,862	6,257
Gross NPA excluding financing to entities holding foreclosed assets (7) = (3) + (4) + (5) + (6)	4,947,652	5,753,141
Eligible capital (8)	3,326,171	3,067,196
Gross loans coverage (9)	956,524	1,072,032
Coverage for contingent risks (10)	7,330	11,907
Coverage for debt securities (11)	5,249	4,774
Foreclosed assets coverage (12)	1,410,768	1,538,148
Coverage of Financing to entities holding real estate assets that have been foreclosed or received as payment in lieu of debts (gross) (13)		
Generic provision included as Capital (14)		
Equity and NPA coverage (15) = (8) + (9) + (10) + (11) + (12) - (13) - (14)	5,706,042	5,694,057
Texas ratio (%) = (7) / (15)	86.7%	101.1%

<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Customers' retail funds (1)	30,561,447	28,498,653
Wholesale funds (2)	12,589,084	11,476,835
Total balance sheet funds = (1)+(2)	43,150,531	39,975,488

<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Personnel expenses (1)	331,707	320,210
Other administrative expenses (2)	185,566	190,826
Depreciation and amortisation (3)	56,840	55,279
Operating expenses = (1) + (2) + (3)	574,113	566,315

<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Gross loans (1)	31,522,642	31,584,988
Gross loans coverage (2)	956,524	1,072,032
Total lending = (1)-(2)	30,566,118	30,512,956

<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Gross loans	31,522,642	31,584,988
Contingent risks	706,355	728,419
Total risks = (1)+(2)	32,228,997	32,313,407

<i>(EUR Thousand)</i>	31/12/2019	31/12/2018
Bonds and other securities	2,800,004	2,962,547
Subordinated liabilities	402,547	412,364
Monetary market operations	3,714,853	2,567,425
Deposits from credit institutions	631,400	499,430
ECB	5,040,280	5,035,069
Wholesale funds	12,589,084	11,476,835

Legal and Arbitration Proceedings

The nature of the business of the GCC Group causes it to be involved in routine legal and other proceedings from time to time. As of 31 December 2019 the GCC Group was involved in certain ongoing lawsuits and proceedings arising from the ordinary course of its operations. These proceedings are of a civil or judicial-administrative nature or of a non-judicial administrative nature for amounts that are not material and involve issues that are customary for large financial institutions. None of these proceedings relate to supervisory matters or the regulation of financial entities. Management does not believe that these proceedings, if decided against the GCC Group, would have a significant effect on the business or financial condition of the GCC Group.

Information about the legal and regulatory risks that the Issuer may be exposed to in the near future can be found in "*The GCC Group is exposed to risk of loss from legal and regulatory claims*" under Risk Factors section.

Material contracts

The rights and obligations of the Members of the GCC Group and the competencies that have been delegated to BCC are governed by the Regulating Agreement as more fully described under "*Grupo Cooperativo Cajamar*". There are no material contracts entered into other than in the ordinary course of the Issuer's and the GCC Group's businesses which could result in any member of the GCC Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes.

Credit Rating

The Issuer was assigned a long-term credit rating of BB- (negative outlook) by Fitch Ratings España S.A.U. on 31 March 2020. Also, the short-term credit rating assigned by Fitch Ratings España S.A.U. is B.

CAPITAL REQUIREMENTS

The following is a summary of the most relevant aspects of the regulatory framework applicable to the GCC Group relating to regulatory capital requirements and to the minimum level of capital and eligible liabilities (MREL).

Own funds requirements

As a Spanish credit institution, BCC is subject to Directive 2013/36/EU of the European Parliament and of the Council of 26 June on access to the activity of credit institutions the prudential supervision of credit institutions and investment firms (the **CRD IV Directive**), through which the European Union (EU) began implementing the Basel III capital reforms, with effect from 1 January 2014. The core regulation regarding the solvency of credit entities is Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June on prudential requirements for credit institutions and investment firms (the **CRR** and together with the CRD IV Directive and any CRD IV implementing measures, **CRD IV**). A number of the requirements introduced under CRD IV have been, and continue to be, further supplemented through the regulatory and implementing technical standards.

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

In addition to the minimum capital requirements under CRD IV, the regime under Directive 2014/59/EU of 15 May 2014 establishing the framework for the recovery and resolution of credit institutions and investment firms (as amended) (the **BRRD**), that has been implemented in Spain through Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms (as amended) (**Law 11/2015**) and Royal Decree 1012/2015, of 6 November, implementing Law 11/2015 (as amended) (**RD 1012/2015**), prescribes that banks shall hold a minimum level of capital and eligible liabilities in relation to total liabilities and own funds.

On 23 November 2016, the European Commission presented a comprehensive package of reforms amending CRR, the CRD 4 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, (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, Directive 2014/59/EU of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended, replaced or supplemented from time to time, the **BRRD**) as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, (iii) Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (as amended, replaced or supplemented from time to time, **CRR II** and, together with the CRD V Directive, **CRD V**) 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 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 a Single Resolution

Mechanism and a Single Resolution Fund (as amended, replaced or supplemented from time to time, the **SRM Regulation**) as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms were published (CRD V, together with BRRD II and the SRM Regulation II, the **EU Banking Reforms**). The EU Banking Reforms will enter into force 20 days after its publication and are stated to apply from 18 months plus one day after the date of their entry into force, which is scheduled for 29 December 2020, other than in the case of CRR II where a two year period is provided for, subject to certain exceptions.

The EU Banking Reforms cover multiple areas, including the Pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of "non-preferred" senior debt that should only be bailed-in after junior ranking instruments but before other senior liabilities, changes to the definitions of Tier 2 and Additional Tier 1 instruments, the MREL (as defined below) framework and the integration of the TLAC (as defined below) standard into EU legislation as mentioned below. Among the EU Banking Reforms, the amendment of the BRRD was proposed in order to facilitate the creation of a new asset class of "non-preferred" senior debt eligible to count as TLAC and MREL. The recognition of the "non-preferred" senior debt was effectively implemented in the EU through the Directive (EU) 2017/2399 amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy which was published in the Official Journal of the EU on 27 December 2017. It had to be transposed into national law by the Member States by 29 December 2018, provided that the relevant Member States had not previously legislated in the sense of such Directive. In Spain, the new class of "non-preferred" senior debt and its insolvency ranking were introduced earlier through Royal Decree Law 11/2017, which entered into force on 25 June 2017 and amended Additional Provision 14 of Law 11/2015, whose paragraph 2 provides for the legal recognition of unsubordinated and unsecured senior non-preferred obligations (*créditos ordinarios no preferentes*) in Spain. Until all the EU Banking Reforms are finally implemented into the relevant legislation, it is uncertain how the EU Banking Reforms will affect the Issuer.

Under CRD IV, financial institutions are required to hold a minimum amount of regulatory capital of 8 per cent. of risk-weighted assets, of which at least 4.5 per cent. of risk-weighted assets must be common equity tier 1 (**CET1**) capital and at least 6 per cent. of risk-weighted assets must be tier 1 capital (the **minimum Pillar 1 capital requirements**).

Due to the authorisation received in June 2014 from the Bank of Spain (*Banco de España*) recognising the GCC Group as an institutional protection scheme (*sistema institucional de protección*) (**IPS**) under Spanish law (the **GCC IPS**), the obligation of the participating credit cooperatives that form the GCC Group together with BCC (the **Members**) to comply on an individual basis with the application of the requirements set out in Parts Two to Eight of the CRR has been waived in accordance with Article 10 of such Regulation. This exemption applies to BCC and to each of the 18 other Members of the GCC Group. Consequently, the GCC Group only has to comply with the minimum capital requirements previously defined on a consolidated basis.

Moreover, Article 68 of Law 10/2014, and similarly Article 16 of Council Regulation (EU) No 1024/2013, of 15 October 2013, conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the **SSM Regulation**), also contemplate that in addition to the minimum Pillar 1 capital requirements, supervisory authorities may impose further Pillar 2 capital requirements to cover other risks, including those not considered to be fully captured by the minimum own funds Pillar 1 capital requirements under CRD IV or to address macro-prudential considerations (although, under the EU Banking Reforms, it is proposed that further Pillar 2 capital requirements should be used to address micro-prudential considerations only). This may result in the imposition of further CET1, Tier 1 and total capital requirements on the GCC Group pursuant to this Pillar 2 framework, increasing the regulatory minimum capital requirement under CRD IV.

In accordance with the SSM Regulation, the ECB has fully assumed its new supervisory responsibilities of BCC and the GCC Group within the SSM (which include assessing additional Pillar 2 capital requirements

to be complied with by each of the European banking institutions now subject to the SSM). The ECB is required under the SSM Regulation to carry out a supervisory review and evaluation process (the **SREP**) at least on an annual basis. This SREP may result in the requirement to the GCC Group to hold Pillar 2 own funds, which may change from year to year.

The ECB clarified in its "Frequently asked questions on the 2016 EU-wide stress test" (July 2016) that the institution specific Pillar 2 capital will consist of two parts: Pillar 2 requirement and Pillar 2 guidance. Pillar 2 requirements are binding and breaches can have direct legal consequences for banks, while Pillar 2 guidance is not directly binding and a failure to meet Pillar 2 guidance does not automatically trigger legal action, even though the ECB expects banks to meet Pillar 2 guidance. Following this clarification and the ones contained in the "EBA Pillar 2 Roadmap" (April 2017) and the EU Banking Reforms, the Pillar 2 guidance is not relevant for the purposes of triggering the automatic restriction of the distribution and calculation of the Maximum Distributable Amount (as defined below) but, in addition to certain other measures, competent authorities will be entitled to impose further Pillar 2 capital requirements where an institution repeatedly fails to follow the Pillar 2 capital guidance previously imposed.

In addition to the minimum Pillar 1 and Pillar 2 capital requirements, credit institutions must comply with the "combined buffer requirement" as set out in the CRD IV Directive. The combined buffer requirement has introduced five new capital buffers that must be met with CET1 capital: (1) the capital conservation buffer for unexpected losses, requiring additional CET1 of 2.5 per cent. of total risk weighted assets; (2) the institution-specific countercyclical capital buffer (consisting of the weighted average of the countercyclical capital buffer rates that apply in the jurisdictions where the relevant credit exposures are located), which may require as much as additional CET1 capital of 2.5 per cent. of total risk weighted assets or higher pursuant to the requirements set by the competent authority; (3) the global systemically important institutions (**G-SIBs**) buffer requiring additional CET1 of between 1 per cent. and 3.5 per cent. of risk weighted assets; (4) the other systemically important institutions (or domestic systemically important banks or **D-SIBs**) buffer, which may be as much as 2 per cent. of risk weighted assets; and (5) the systemic risk buffer to prevent systemic or macro prudential risks of at least 1 per cent. of risk weighted assets (to be set by the competent authority). Entities are required to comply with the "combined buffer requirement" (broadly, the combination of the capital conservation buffer, the institution-specific countercyclical buffer and the higher of (depending on the institution) the systemic risk buffer, the G-SIBs buffer and the D-SIBs buffer, in each case as applicable to the institution).

BCC has not been classified as a G-SIB by the Financial Stability Board (**FSB**) nor by the Bank of Spain so, unless otherwise indicated by the FSB or by the Bank of Spain in the future, it will not be required to maintain the G-SIBs buffer. Likewise, BCC has not been considered a D-SIB during 2019 nor in 2020 and, thus, it will not be required to maintain a D-SIBs buffer during this period.

The Bank of Spain agreed on 31 March 2020 to maintain the countercyclical capital buffer applicable to credit exposures in Spain at 0 per cent. for the second quarter of 2020. Percentages will be revised each quarter and therefore could be increased in the future.

Consequently, as at the date of this Offering Circular, BCC is only required to maintain the capital conservation buffer (2.5 per cent. of risk-weighted assets in 2020 which is the maximum limit established in the CRR) and the countercyclical capital buffer.

At 31 December 2019 the GCC Group's capital adequacy ratios were: CET 1, 13.03% (12.51% at 31 December 2018) and Total Capital, 14.69% (14.25% at 31 December 2018), above the supervisor's requirements at that date. At the end of 2019 the fully-loaded CET 1 ratio stood at 12.32% (11.54% at 31 December 2018) and the fully-loaded Total Capital ratio stood at 13.98% (13.28% at 31 December 2018).

Based on the results of the SREP, in a statement dated 3 December 2019, the ECB requires the GCC Group to present a CET 1 ratio of 9.5% in as from 1 January 2020. That ratio comprises a regulatory capital requirement (Pillar 1) of 4.5%, a Pillar 2 requirement of 2.5% and a capital buffer of 2.5%. The Total Capital ratio required is therefore 13%.

At 31 December 2019 the GCC Group complied with the CET 1 and Total Capital requirements imposed by the ECB at that date. It also complied at that date with the phase-in and fully-loaded CET 1 and Total Capital requirements that will be applicable to it as from 1 January 2020 as a result of the SREP.

Any failure by the GCC Group to maintain its minimum Pillar 1 capital requirements, any Pillar 2 additional own funds requirements and/or any combined buffer requirement could result in administrative actions or sanctions. In particular, any failure to maintain any additional capital requirements pursuant to the Pillar 2 framework or any other capital requirements to which the GCC Group is or becomes subject (including the combined buffer requirement), may result in the imposition of restrictions or prohibitions on Discretionary Payments (as defined below). In addition, any failure by the GCC Group to comply with its regulatory capital requirements could also result in the imposition of further Pillar 2 requirements and the adoption of any early intervention or, ultimately, resolution measures by resolution authorities pursuant to Law 11/2015, which, together with RD 1012/2015, has implemented the BRRD into Spanish law.

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

As set out in the "Opinion of the European Banking Authority (the **EBA**) on the interaction of Pillar 1, Pillar 2 and combined buffer requirements and restrictions on distributions" published on 16 December 2015 (the **December 2015 EBA Opinion**), competent authorities should ensure that the CET1 capital to be taken into account in determining the CET1 capital available to meet the combined buffer requirement for the purposes of the Maximum Distributable Amount calculation is limited to the amount not used to meet the Pillar 1 and Pillar 2 own funds requirements of the institution, and accordingly, the combined buffer requirement is in addition to the minimum Pillar 1 capital requirement and to the additional Pillar 2 capital requirement, and therefore it would be the first layer of capital to be eroded pursuant to the applicable stacking order. The EU Banking Reforms and the final guidelines on the common procedures and methodologies for the SREP and the final guidance to strengthen the Pillar 2 framework published by the EBA on 19 July 2018 (the **EBA Guidelines**) also clarify the stacking order of Pillar 1 capital requirements, Pillar 2 capital requirements (**P2R**) and combined buffer requirements in the same way.

In reaction to the COVID-19 outbreak, on 12 March 2020 the ECB announced measures expected to provide capital relief to banks in support of the economy. These measures include the permission to (i) operate temporarily below the level of capital defined by P2G, the capital conservation buffer and the LCR and (ii) use capital instruments that do not qualify as CET1 (for example Additional Tier 1 instruments and Tier 2 instruments) to meet P2R.

Following the measures announced by national governments to mitigate the negative impacts of the COVID-19 outbreak, the ECB announced a flexible application of the unlikely-to-pay classification for governmental guarantees and moratoria. It has also announced that guarantees that turn non-performing will receive favourable treatment in terms of coverage requirements for a period of seven years following their deterioration. The ECB has asked banks to smooth the procyclicality of IFRS 9 provisioning models as much as possible. It has also recommended all institutions that have not done so to start applying IFRS 9 on transitional rules.

On 28 April 2020 the European Commission proposed a few targeted "quick fix" amendments to the EU's banking prudential rules (the Capital Requirements Regulation) in order to maximise the ability of banks to lend and absorb losses related to Coronavirus. The Commission proposed exceptional temporary measures to alleviate the immediate impact of Coronavirus-related developments, by adapting the timeline of the application of international accounting standards on banks' capital, by treating more favourably public guarantees granted during this crisis, by postponing the date of application of the leverage ratio buffer and by modifying the way of excluding certain exposures from the calculation of the leverage ratio. The Commission also proposed to advance the date of application of several agreed measures that incentivise banks to finance employees, SMEs and infrastructure projects.

Leverage Ratio

With regard to leverage, the CRR also includes a requirement for institutions to calculate a leverage ratio (**LR**), report it to their supervisors and to disclose it publicly from 1 January 2015 onwards. More precisely, Article 429 of the CRR requires institutions to calculate their LR in accordance with the methodology laid down in that article. In January 2014, the Basel Committee finalised a definition of how the LR should be prepared and set an indicative benchmark (namely 3 per cent. of leverage ratio exposures, which must be met with Tier 1 capital). Such 3 per cent. Tier 1 LR has been tested during a monitoring period until the end of 2017 although the Basel Committee had already proposed the final calibration at 3 per cent. Tier 1 LR. Accordingly, the CRR (as amended by the EU Banking Reforms) contains a binding 3 per cent. Tier 1 LR requirement, which institutions must meet in addition and separately to their risk-based requirements from June 2021 onwards. Moreover, the EU Banking Reforms include a leverage ratio buffer for G-SIBs to be met with Tier 1 capital and set at 50 per cent. of the applicable risk weighted G-SIBs buffer. Any breach of this leverage ratio buffer would also result in a requirement to determine the Maximum Distributable Amount and restrict discretionary payments to such Maximum Distributable Amount, as well as the consequences of such calculation as specified above. As at 31 December 2019 the GCC Group's LR (fully loaded) was 5.91% (5.89% at 31 December 2018).

Eligible liabilities requirements

In addition to the minimum capital requirements under CRD IV, the BRRD regime prescribes that banks shall hold a minimum level of own funds and eligible liabilities in relation to total liabilities and own funds (known as **MREL**). The MREL shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of total liabilities and own funds of the institution. The level of capital and eligible liabilities required under MREL will be set by the resolution authority for each bank (and/or group) based on the resolution plan and other criteria. The resolution authority for the Issuer is the SRB and it is subject to the authority of the SRB for the purposes of determination of its MREL requirement. Eligible liabilities will be determined by resolution authorities (including if applicable the SRB) and may be senior or subordinated, provided, among other requirements, that they have a remaining maturity of at least one year and, if governed by a non-EU law, they must be able to be written down or converted under that law (including through contractual provisions). The MREL requirement came into force on 1 January 2016. However, article 8 of the Commission Delegated Regulation (EU) No. 2016/1450 that was adopted by the Commission on 23 May 2016 (the **MREL Delegated Regulation**) gave discretion to resolution authorities to determine appropriate transitional periods to each institution.

On 3 June 2019, BCC released the final MREL requirements communicated by the resolution authority. By 1 January 2023, BCC should comply with an MREL requirement, on a consolidated basis, of 12.89% of its total liabilities and own funds (**TLOF**), calculated taking into consideration the prudential and financial information as of 31 December 2017. Based on these figures, the requirement would be 21.68% in terms of Risk Weighted Assets (**RWAs**). The SRB establishes the MREL requirement according to the legislation in force at each time. Therefore, this requirement could be modified in case resolution authorities provide new estimations or if current legislation changes.

Although the specific MREL requirements may vary depending on the specific characteristics of the credit entity (its application falls on resolution institution or resolution group, being entities subject to resolution following a Single Point of Entry or Multiple Point of Entry resolution strategy) and the resolution process, BRRD II together with CRR II introduce a relevant change for complying with MREL which now includes two different ratios (i) a risk ratio (percentage of total RWAs of the resolution entity) and (ii) a non-risk ratio (percentage of the resolution entity's total exposure), as well as empower the relevant resolution authority to authorise or require (a) complying with additional CET1, Additional Tier 1 or Tier 2 capital ratios (which was not foreseen in the previous MREL rules) and (b) that certain level of senior liabilities issued by the resolution entity can be subject to bail-in.

MREL application is also subject to a different regime depending on the nature of the entity based on its resource volume and systemic profile. Thus, the MREL requirements are different for G-SIBs, "top tier" entities (which are not G-SIBs with aggregated asset volume of over €100 billion), D-SIBs (which are institutions that, due to their systemic importance, are more likely to create risks to financial stability) and the rest of the resolution institutions. In particular, G-SIBs, "top tier" banks and D-SIBs are subject to Pillar 1 requirements: 18 per cent. (including the combined buffer requirements under CRD IV), and 13 per cent. of RWA and 6.75 per cent. and 5 per cent. of leverage exposure, respectively for G-SIBs and "top tier" banks and D-SIBs. These requirements are complemented by further Pillar 2 requirements, which would be determined on a case-by-case basis for the rest of the resolution institutions.

In addition, a new Article 16a of the BRRD is proposed to better clarify the stacking order between the combined buffer requirement and the MREL requirement. Pursuant to this new provision, a resolution authority shall 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 proposed Article 16a(4) of the BRRD)) (the **MREL-Maximum Distributable Amount Provision**) where it meets the combined buffer requirement but fails to meet that combined buffer requirement when considered in addition to the MREL requirements. The proposed Article 16a of the BRRD in its current form envisages a potential nine-month grace period whereby the resolution authority assesses 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).

Regulatory reforms which may have an impact on capital:

>The Basel III post-crisis regulatory reform agenda

The Basel Committee is currently in the process of reviewing and issuing recommendations in relation to risk asset weightings which may lead to increased regulatory scrutiny of risk asset weightings in the jurisdictions who are members of the Basel Committee.

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

until January 2022, to coincide with the implementation of the reviews of credit, operational and CVA risks. There is uncertainty with regards to how and when they will be implemented in the EU.

On 27 March 2020, the GHOS endorsed a set of measures to provide additional operational capacity for banks and supervisors to respond to the immediate financial stability priorities resulting from the impact of the coronavirus disease (COVID-19) on the global banking system. The measures endorsed by the GHOS comprise the following changes to the implementation timeline of the outstanding Basel III standards:

- The implementation date of the Basel III standards finalised in December 2017 has been deferred by one year to 1 January 2023. The accompanying transitional arrangements for the output floor have also been extended by one year to 1 January 2028.
- The implementation date of the revised market risk framework finalised in January 2019 has been deferred by one year to 1 January 2023.
- The implementation date of the revised Pillar 3 disclosure requirements finalised in December 2018 has been deferred by one year to 1 January 2023.

>Prudential treatment of NPLs

On 15 March 2018, the ECB published the addendum (the **Addendum**) to the ECB Guidance to banks on non-performing loans (**NPLs**) published on 20 March 2017 (the **NPL Guidance**). The Addendum specifies the ECB's supervisory expectations for prudent levels of provisions for new NPLs, it is non-binding and will serve as the basis for the supervisory dialogue between the significant banks and ECB Banking Supervision. The ECB will assess any differences between banks' practices and the prudential provisioning expectations laid out in the Addendum at least annually.

During the supervisory dialogue, the ECB will discuss with each bank divergences from the prudential provisioning expectations laid out in the addendum. After this dialogue and taking into account the bank's specific situation, 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 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 EU Commission's package of measures aimed at addressing the risks related to high levels of NPLs in Europe, Regulation (EU) 2019/630 amends CRR as regards minimum loss coverage for non-performing exposures (**NPEs**), introducing a clear set of conditions for the classification of NPEs. This regulation establishes clear criteria on the determination of non-performing exposures, the concept of forbearance measures, deduction for non-performing exposures and treatment of expected loss amounts.

LOSS ABSORBING POWERS BY THE RELEVANT RESOLUTION AUTHORITY UNDER LAW 11/2015 AND THE SRM REGULATION

The BRRD (which was implemented in Spain through Law 11/2015 and RD 1012/2015) and the SRM Regulation are designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing credit institution or investment firm (each an **institution**) so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. The BRRD further provides that any extraordinary public financial support through additional financial stabilisation tools is only to be used by a Member State as a last resort, after having assessed and exploited the resolution tools set out below to the maximum extent possible while maintaining financial stability.

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

As provided in the BRRD, Law 11/2015 contains four resolution tools and powers which may be used alone or in combination where the SRB or the FROB 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 assets and/or liabilities to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which gives the Relevant Resolution Authority the right to exercise the Spanish Bail-in Power (as defined below). This includes the ability of the Relevant Resolution Authority to write down (including to zero) and/or convert into equity or other securities or obligations (which equity, securities and obligations could also be subject to any future application of the Spanish Bail-in Power) certain unsecured debt claims including both Senior Notes and Subordinated Notes.

The **Spanish Bail-in Power** is any write-down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with any laws, regulations, rules or requirements in effect in Spain, relating to the resolution of credit entities and/or the transposition of the BRRD, as amended from time to time, including, but not limited to (i) Law 11/2015, as amended from time to time, (ii) RD 1012/2015, as amended from time to time, (iii) the SRM Regulation, as amended from time to time, and (iv) any other instruments, rules or standards made in connection with either (i), (ii) or (iii), pursuant to which obligations (with certain exceptions) of an institution can be reduced (which may result in the reduction of the relevant claim to zero), cancelled, modified, transferred or converted into shares, other securities, or other obligations of such institution or any other person (or suspended for a temporary period).

In accordance with Article 48 of Law 11/2015 (and subject to any exclusions that may be applied by the Relevant Resolution Authority under Article 43 of Law 11/2015), in the case of any application of the Spanish Bail-in Power, the sequence of any resulting write-down or conversion shall be as follows: (i) CET1

items; (ii) the principal amount of Additional Tier 1 instruments; (iii) the principal amount of Tier 2 instruments; (iv) the principal amount of other subordinated claims that do not qualify as Additional Tier 1 Capital or Tier 2 capital; and (v) the principal or outstanding amount of the remaining eligible liabilities (*pasivos admisibles*) prescribed in Article 41 of Law 11/2015 in accordance with claim ranking set out in the Insolvency Law (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, 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).

In addition to the Spanish Bail-in Power, (i) 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 at the point of non-viability of an institution or a group, and (ii) the BRRD II (pending implementation in Spain) and the SRM Regulation II, which shall apply from 28 December 2020, provide for the Relevant Resolution Authority to have the further power to also permanently write down or convert into equity eligible liabilities at the point of non-viability (both of them together, the **Non-Viability Loss Absorption** and together with the Spanish Bail-in Power, the **Loss Absorbing Power**) of an institution or a group. The point of non-viability of an institution is the point at which the Relevant Resolution Authority determines that the institution meets the conditions for resolution or will no longer be viable unless the relevant capital instruments (such as the Tier 2 Subordinated Notes) are written down or converted into equity or extraordinary public support is provided and without such support the Relevant Resolution Authority determines that the institution would no longer be viable. The point of non-viability of a group is the point at which the group infringes or there are objective elements to support a determination that the group, in the near future, will infringe its consolidated solvency requirements in a way that would justify action by the Relevant Resolution Authority in accordance with Article 38.3 of Law 11/2015. Non-Viability Loss Absorption may be imposed prior to, in respect of certain internal eligible liabilities, and independently of, 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), or in combination with them, in respect of all eligible liabilities.

In accordance with Article 64.1 (i) of Law 11/2015, the Relevant Resolution Authority has also the power to alter the amount of interest payable under debt instruments and other eligible liabilities of institutions subject to resolution proceedings and the date on which the interest becomes payable under the debt instrument (including the power to suspend payment for a temporary period).

TAXATION

Tax legislation, including in the country where the investor is domiciled or tax resident and in the Issuer's country of incorporation, may have an impact on the income that an investor receives from the Notes.

Spain

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

Introduction

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

- (a) of general application, Additional Provision One of Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions (**Law 10/2014**), as well as Royal Decree 1065/2007, of 27 July, as amended by Royal Decree 1145/2011, of 29 July, (**Royal Decree 1065/2007**);
- (b) for individuals resident for tax purposes in Spain which are subject to the Individual Income Tax (**IIT**), Law 35/2006 of 28 November, on the IIT, as amended, and Royal Decree 439/2007, of 30 March, promulgating the IIT Regulations, as amended, along with Law 19/1991, of 6 June, on Wealth Tax, as amended, and Law 29/1987, of 18 December, on the Inheritance and Gift Tax, as amended;
- (c) for legal entities resident for tax purposes in Spain which are subject to the Corporate Income Tax (**CIT**), Law 27/2014, of 27 November, on CIT and Royal Decree 634/2015, of 10 July, approving the CIT Regulations, as amended; and
- (d) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Non-Resident Income Tax (**NRIT**), Royal Legislative Decree 5/2004, of 5 March, promulgating the Consolidated Text of the NRIT Law, as amended, and Royal Decree 1776/2004, of 30 July, promulgating the NRIT Regulations, as amended, along with Law 19/1991, of 6 June, on Wealth Tax, as amended and Law 29/1987, of 18 December, on the Inheritance and Gift Tax, as amended.

This analysis is a general description of the tax treatment under the currently in force Spanish legislation, without prejudice of regional tax regimes in the Historical Territories of the Basque Country and the Community of Navarre, or provisions passed by Autonomous Communities which may apply to investors for certain taxes.

This is not intended to be an exhaustive description of all relevant tax-related considerations for making a decision to acquire or sell Notes, nor does it address the tax consequences applicable to all investor categories, some of whom may be subject to special rules.

It is therefore recommended that investors who are interested in acquiring the Notes consult with tax experts who can provide them with personalised advice based on their particular circumstances. Likewise, investors should consider the legislative changes which could occur in the future.

Indirect taxation

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

Individuals with Tax Residency in Spain

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

Both interest payments periodically received and income derived from the transfer, redemption or repayments of the Notes constitute a return on investment obtained from the transfer of a person's own capital to third parties in accordance with the provisions of Section 25 of the IIT Law, and therefore must be included in the investor's IIT savings taxable base pursuant to the provisions of the aforementioned law.

The IIT savings taxable base is taxed at the following rates: (i) 19 per cent. for taxable income up to €6,000; (ii) 21 per cent. for taxable income from €6,001 to €50,000; and (iii) 23 per cent. for any amount in excess of €50,000.

Income from the transfer of the Notes is computed as the difference between their transfer value and their acquisition or subscription value. Also, ancillary acquisition and disposal charges are taken into account, insofar as adequately evidenced, in calculating the income.

Negative income derived from the transfer of the Notes, in the event that the Noteholder had acquired other homogeneous securities within the two months prior or subsequent to such transfer or exchange, shall be included in his or her IIT base as and when the remaining homogeneous securities are transferred.

When calculating the net income, expenses related to the management and deposit of the Notes will be deductible, excluding those pertaining to discretionary or individual portfolio management.

Article 44 of the Royal Decree 1065/2007 has established information procedures for debt instruments issued under the Law 10/2014 (which do not require identification of the Noteholders) and has provided that the interest will be paid by the Issuer to the Principal Paying Agent for the gross amount, provided that such information procedures are complied with, so that any payment under the Notes will not be subject to withholding tax to the extent that the simplified information procedures (which do not require identification of the Noteholders) are complied with by the Principal Paying Agent as it is described in section "*Simplified information procedures*". If these information obligations are not complied within the manner indicated, the Issuer will withhold at the general rate applicable from time to time, and the Issuer will pay the relevant additional amounts as will result in receipt by the Noteholder of such amounts as would have been received by them had no such withholding or deduction been required.

However, in the case of Notes held by Spanish resident individuals and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Notes may be subject to withholding tax at the general rate of 19 per cent. which will be made by the depositary or custodian.

Amounts withheld may be credited against the final IIT liability.

The Issuer will comply with the reporting obligations set forth in the Spanish tax laws with respect to beneficial owners of the Notes that are individuals resident in Spain for tax purposes.

Wealth Tax (Impuesto sobre el Patrimonio)

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

In accordance with Second section of Article 1 of the Royal Decree 13/2011, of 16 September, as amended by Royal Decree-Law, 18/2019, of 27 December, a full exemption on Wealth Tax will apply in 2021 unless such exemption is revoked.

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

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

Legal Entities with Tax Residency in Spain

Corporate Income Tax (Impuesto sobre Sociedades)

Both interest received periodically and income derived from the transfer, redemption or repayment of the Notes are subject to CIT (at the current general tax rate of 25 per cent.) in accordance with the rules for this tax. This general rate will not be applicable to all CIT taxpayers and, for instance, it will not apply to banking institutions (which will be taxed at the rate of 30 per cent.). Special rates apply in respect of certain types of entities (such as qualifying collective investment institutions).

In accordance with Section 44.5 of Royal Decree 1065/2007 and in the opinion of the Issuer, there is no obligation to withhold on income payable to Spanish CIT taxpayers (which for the sake of clarity include Spanish tax resident investment funds and Spanish tax resident pension funds). Consequently, the Issuer will not withhold tax on interest payments to Spanish CIT taxpayers to the extent that the simplified information procedures (which do not require identification of the Noteholders) are complied with by the Principal Paying Agent as it is described in section "*Simplified information procedures*". If these information obligations are not complied within the manner indicated, the Issuer will withhold at the general rate applicable from time to time, and the Issuer will pay the relevant additional amounts as will result in receipt by the Noteholder of such amounts as would have been received by them had no such withholding or deduction been required.

However, in the case of Notes held by a Spanish resident entity and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Notes may be subject to withholding tax at the generally applicable rate of 19 per cent. if the Notes do not comply with exemption requirements specified in the Reply to a Non Binding Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 in which case the required withholding will be made by the depositary or custodian.

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

The Issuer will comply with the reporting obligations set forth in the Spanish tax laws with respect to beneficial owners of the Notes that are legal persons or entities resident in Spain for tax purposes.

Wealth Tax (Impuesto sobre el Patrimonio)

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

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

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

Individuals and Legal Entities with no Tax Residency in Spain

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

With permanent establishment in Spain

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

The Issuer will comply with the reporting obligations set out in the Spanish tax laws with respect to holders of the Notes who are individuals or legal entities not resident in Spain for tax purposes who act with respect to the Notes through a permanent establishment in Spain.

With no permanent establishment in Spain

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

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

Wealth Tax (Impuesto sobre el Patrimonio)

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

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

If the exemptions outlined do not apply, individuals who are not resident in Spain for tax purposes and who are residents in an EU or European Economic Member State may apply the rules approved by the Spanish region where the assets and rights with more value: (i) are located; (ii) can be exercised; or (iii) must be fulfilled.

In accordance with Second section of Article 1 of the Royal Decree 13/2011, of 16 September, as amended by Royal Decree-Law, 18/2019, of 27 December, a full exemption on Wealth Tax will apply in 2021 unless such exemption is revoked.

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

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

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

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

Simplified information procedures

As described above, interest and other income paid with respect to the Notes will be exempt from Spanish withholding tax if the procedures for delivering to the Issuer the information set forth in Royal Decree 1065/2007 are complied with.

The information obligations to be complied with in order to apply the exemption are those laid down in Section 44 of Royal Decree 1065/2007 (**Section 44**).

In accordance with Section 44 paragraph 5, before the close of business on the Business Day (as defined in the Conditions of the Notes) immediately preceding the date on which any payment of interest, principal or any amounts in respect of the early redemption of the Notes (each, a **Payment Date**) is due, the Issuer must receive from the Principal Paying Agent the following information about the Notes:

- (a) identification of the Notes;
- (b) income payment date (or refund if the Notes are issued at a discount or segregated);
- (c) total amount of income (or total amount to be refunded if the Notes are issued at a discount or segregated); and
- (d) the amount of the relevant payment paid to each entity that manages a clearing and settlement system for securities situated outside of Spain.

In particular, the Principal Paying Agent must certify the information above about the Notes by means of a certificate, on the prescribed form.

In light of the above, the Issuer and the Principal Paying Agent have arranged certain procedures to facilitate the collection of information concerning the Notes by the close of business on the Business Day immediately preceding each relevant Payment Date.

If the procedures set out above are complied with, the Principal Paying Agent, on behalf of the Issuer, will pay the relevant amount to (or for the account of) the clearing systems without withholdings or deductions for or on account of Spanish taxes. If the statement is not delivered to the Issuer as described above, the

Issuer shall pay such additional amounts as required under terms of the Notes and pay an appropriate amount to the Spanish Tax Authorities to the extent required to comply with its obligations with respect thereto. The Principal Paying Agent will pay the relevant amount to (or for the account of) the clearing systems.

If, following clarifications by the Spanish Tax Authorities, procedures in relation to Royal Decree 1065/2007 are subsequently amended, the Issuer and the Principal Paying Agent will implement such procedures as may be required to enable the Issuer to comply with its obligations under applicable legislation as clarified by the Spanish Tax Authorities. The Issuer undertakes to ensure that the Noteholders are informed of such new procedures and their implications.

Paragraph 8 of Section 44 of Royal Decree 1065/2007 establishes an obligation for the Issuer to disclose certain tax information to the Spanish Tax Authorities about those investors in the Notes who are Spanish IIT or CIT tax payers, or non-Spanish residents operating in Spain through a permanent establishment, and therefore the Issuer may need to obtain and disclose certain information to the tax authorities in order to comply with its obligations under the applicable legislation.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Spain) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Notes (as described under “*Terms and Conditions of the Notes—Further Issues*”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

The proposed financial transactions tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member

State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

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

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

The proposed Spanish financial transactions tax

On 18 January 2019, the Spanish Council of Ministers approved a draft bill (the **Draft Bill**), according to which, due to the delay in the EU FTT being approved, the intention is to implement a Spanish financial transactions tax (the **Spanish FTT**). However, the Spanish Council of Ministers stated that Spain will continue to participate in the enhanced co-operation for the approval of the EU FTT and, if finally approved, Spain will adapt the Spanish FTT to align it with the EU FTT.

The Draft Bill was sent to Parliament for debate and approval. However, early general elections were called for 28 April 2019 and the legislative process was suspended.

On 18 February 2020, the Draft Bill has been sent to the Spanish Parliament in order to reinstate the parliamentary process to approve the Spanish FTT law. This Draft Bill does not defer from the previous one, so in case the Spanish FTT is approved as per the wording sent to the Spanish Parliament, the Spanish FTT should not apply in relation to an issue of Notes under the Programme or subsequent transfer, although there can be no assurance that such Spanish FTT will be modified and apply in those cases in the future.

Therefore, once the Spanish FTT is in force, it is expected that an indirect tax, at a rate of 0.2%, will apply on acquisitions of shares of Spanish listed companies, regardless of the residence of the agents that intervene in the transactions, provided the market value of the capitalisation thereof is greater than €1,000 million. The tax payer will be the financial traders that transfer or execute the purchase order and must submit an annual tax return.

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

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 5 June 2020, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith. The Dealers, when acting as managers for an issuance of Notes, are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of such issue of Notes.

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws 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 in certain transactions exempt from or not subject to the registration requirements of the Securities Act.

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

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period (as defined in Regulation S under the Securities Act) 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.

Accordingly, the Notes are being offered and sold only outside the United States in offshore transactions in reliance on, and in compliance with, Regulation S.

Until 40 days after the completion of the distribution of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act. Terms used in this section have the meanings given to them by Regulation S.

United Kingdom

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

- (i) 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 and Markets Act 2000 (the **FSMA**) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Prohibition of sales to EEA and UK Retail Investors

Unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area or in the UK. For the purposes of this provision:

- (a) 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; or
 - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", in relation to each Member State of the EEA and the UK (each, a **Relevant State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

- (A) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (B) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (C) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (A) to (C) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and
- the expression Prospectus Regulation means Regulation (EU) 2017/1129.

Japan

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

Spain

Each Dealer severally (and not jointly) has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes may not be offered or sold in Spain other than by institutions authorised under the consolidated text of the Securities Market Law approved by the Royal Legislative Decree 4/2015, of 23 October (*texto refundido de la Ley de Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*) as amended (the **Securities Market Law**) and related legislation, and Royal Decree 217/2008 of 15 February on the Legal Regime Applicable to Investment Services Companies (*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*), as amended, to provide investment services in Spain.

Neither the Notes nor this Offering Circular have been or will be registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*). The Notes may not be offered, sold or distributed, nor may any subsequent resale of Notes be carried out in Spain, except in compliance with the provisions of the Prospectus Regulation and the Securities Market Law.

Belgium

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a **Belgian Consumer**) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore, and the Notes will be offered pursuant to exemptions under the SFA. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA pursuant to Section 275(1) of the SFA), or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Switzerland

The offering of the Notes in Switzerland is exempt from requirement to prepare and publish a prospectus under the Swiss Financial Services Act (**FinSA**). This Offering Circular does not constitute a prospectus pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the Notes.

General

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

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

GENERAL INFORMATION

Authorisation

The update of the Programme was duly authorised by resolutions of the shareholders of the Issuer dated 7 May 2019 and of the Board of Directors of the Issuer dated 26 May 2020.

Issues of Notes under the Programme are required to comply with certain formalities contained in the Spanish Corporations law (*Ley de Sociedades de Capital*), including (as at the date of this Offering Circular) execution of a public deed of issue (*Escritura de Emisión*).

Listing of Notes

This Offering Circular has been approved by the CBI as competent authority under the Prospectus Regulation. The CBI only approves this Offering Circular as meeting the standard of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CBI should not be considered as an endorsement of the Issuer or the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of MiFID II and/or which are to be offered to the public in any member state of the European Economic Area.

Application has been made to Euronext Dublin for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to trading on its regulated market and to be listed on the Official List. The regulated market of Euronext Dublin is a regulated market for the purposes of MiFID II. It is expected that each Tranche of Notes to be listed on the Official List and admitted to trading on the regulated market of Euronext Dublin will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche.

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

Documents Available

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available for inspection from the website of the Issuer (www.bcc.es):

- (a) the bylaws (with an accurately reproduced English translation thereof) of the Issuer;
- (b) a copy of this Offering Circular; and
- (c) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms to this Offering Circular and any other documents incorporated herein or therein by reference.

Clearing Systems

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

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

Conditions for determining price

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

Significant or Material Change

Except as disclosed in the Risk Factors of this Offering Circular, namely the future economic impacts linked to the current situation with COVID-19, there has been no material adverse change in the prospects of the Issuer since 31 December 2019.

There has been no significant change in the financial performance or trading position of the GCC Group since 31 March 2020.

Litigation

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

Auditors

The consolidated annual accounts of the Issuer for the years ended 31 December 2018 and 31 December 2019 were audited by PricewaterhouseCoopers Auditores, S.L. (Registered under number S0242 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*) with tax identification number (*CIF*) B-79031290, and member of the *Instituto de Censores Jurados de Cuentas de España*).

The current auditors of the Issuer are KPMG Auditores, S.L., of Paseo de la Castellana, 259C, 28046 Madrid, Spain, independent auditors who are registered under number S0702 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*) with tax identification number (*CIF*) B-78510153, and member of the *Instituto de Censores Jurados de Cuentas de España*. KPMG Auditores, S.L. will audit the consolidated annual accounts of the Issuer from the financial year ended 31 December 2020.

Dealers transacting with the Issuer

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

ISSUER

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To the Dealers as to English and Spanish law

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For the financial years ended 31 December 2018 and 2019

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Current Auditor

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