OFFERING CIRCULAR

BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.

(*incorporated with limited liability under the laws of the Kingdom of Spain*)

EURO 450,000,000
Euro Medium Term Note Programme

Under this Euro 450,000,000 Euro Medium Term Note Programme (the **Programme**), Banco de Crédito Social Cooperativo, S.A. (the **Issuer** or **BCC**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

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 450,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described in this Offering Circular.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this 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*".

This Offering Circular has been approved by the Central Bank of Ireland as competent authority under the Prospectus Directive. The Central Bank of Ireland only approves this Offering Circular as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive. Such approval relates only to Notes that are to be admitted to trading on the regulated market of the Irish Stock Exchange (the **Main Securities Market**) or on another regulated market for the purposes of Directive 2004/39/EC and/or that are to be offered to the public in any member state of the European Economic Area in circumstances that require the publication of a prospectus.

Application has been made to the Irish Stock Exchange plc (**Irish Stock Exchange**) 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 Main Securities Market. References in this Offering Circular to the Notes being **listed** (and all related references) shall mean that, unless otherwise specified in the applicable Final Terms, the Notes have been admitted to the Official List and trading on the Main Securities Market.

The requirement to publish a prospectus under the Prospectus Directive (as defined under "*Important Information*" below) only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area (the **EEA**) and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive.

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 Central Bank of Ireland and, where listed, the Irish Stock Exchange.

Copies of Final Terms in relation to Notes to be listed on the Irish Stock Exchange will also be published on the website of the Central Bank of Ireland.

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 any U.S. State securities laws 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) 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 applicable securities laws of any state of the United States and any other jurisdiction.

The Issuer has been rated BB- (positive outlook) by Fitch Ratings Ltd (**Fitch**). 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 by Fitch. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Arranger

Banco Bilbao Vizcaya Argentaria, S.A.

Dealers

Banco Bilbao Vizcaya Argentaria, S.A.
Barclays
Crédit Agricole CIB
Deutsche Bank
HSBC
J.P. Morgan
Natixis
Nomura
Santander
Société Générale Corporate & Investment Banking
UBS Investment Bank

The date of this Offering Circular is 23 May 2017.

IMPORTANT INFORMATION

This Offering Circular comprises a base prospectus in respect of all Notes issued under the Programme for the purposes of Article 5.4 of the Prospectus Directive. When used in this Offering Circular, Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU).

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 (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

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.

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. 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 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 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 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 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 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 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 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 and Japan, see "*Subscription and Sale*".

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 financial statements of the Issuer for the financial years ended 31 December 2015 and 31 December 2016 (together, the **Financial Statements**).

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 Financial Statements 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 Circular 4/2004 of the Bank of Spain and subsequent amendments, including as amended by Circular 5/2014 of the Bank of Spain.

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 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 Terms and 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 22.5(3) of Commission Regulation (EC) No 809/2004 implementing Directive 2003/71/EC (the **Prospectus Regulation**).

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

Issuer:	Banco de Crédito Social Cooperativo, S.A.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. 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 PLC Crédit Agricole Corporate and Investment Bank Deutsche Bank AG, London Branch HSBC Bank plc J.P. Morgan Securities plc Natixis Nomura International plc Société Générale UBS Limited and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time.
Principal Paying Agent:	Deutsche Bank AG, London Branch

Programme Size:	Up to Euro 450,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement, subject to the restrictions set out under "*Subscription and Sale*", 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 "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.
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:	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of the reference rate set out in the applicable Final Terms. Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

	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.
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, following an Event of Default and, in the case of Tier 2 Subordinated Notes, following a Capital Event or, in the case of Senior 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 and Senior Subordinated Notes (together, **Subordinated Notes**) may not be redeemed prior to their original maturity other than in compliance with Applicable Banking Regulations (as defined in the Conditions) then in force and with the consent of the Competent Authority (as this term is defined in the Conditions), if 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 €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) in the case of Notes to be admitted to trading on a regulated market as defined in Article 4, paragraph 1, point 14 of the Markets in Financial Instruments Directive (Directive 2004/39/EC) as amended.
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 9 (*Taxation*). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 9 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Senior Notes will contain a negative pledge provision as further described in Condition 5 (*Negative Pledge*). The terms of the Subordinated Notes will not contain a negative

	pledge provision.
Cross Default:	The terms of the Senior Notes will contain a cross default provision as further described in Condition 11 (*Events of Default*). The terms of the Subordinated Notes will not contain a cross default provision.
Status of the Notes:	Notes may either be Senior Notes or Subordinated Notes and, in the case of Subordinated Notes, Senior Subordinated Notes or Tier 2 Subordinated Notes, and will rank all 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. 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:	Application has been made for Notes issued under the Programme to be listed on the Irish Stock Exchange and admitted to trading on the Main Securities Market. 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 Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law, except the provisions relating to the status of the Notes (and any non-contractual obligations arising out of or in connection with it), the capacity of the Issuer and the relevant corporate resolutions, which are governed by Spanish law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the United Kingdom, Spain, Japan 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 distributions, liquidation preferences 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. 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. 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

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 has only recently begun to recover. Many major financial institutions, including some of the world's largest global commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies experienced, and some continue to experience, significant difficulties. Around the world, there have been runs on deposits at several financial institutions, numerous financial institutions had to seek additional capital, including obtaining assistance from governments and many lenders and institutional investors reduced or ceased providing funding to borrowers (including to other financial institutions). Over this same period, financial systems worldwide have experienced difficult credit and liquidity conditions and disruptions leading to less liquidity, greater volatility, general widening of spreads and, in some cases, lack of price transparency on interbank lending rates.

The crisis in worldwide financial and credit markets led to a global economic slowdown, with many economies around the world showing significant signs of weakness or slow growth. Although in Europe there has been a significant reduction in risk premiums since the second half of 2012 and economic growth for the Eurozone as a whole has been positive since the second quarter of 2013, growing by 1.7 per cent. in 2016 (Source: Eurostat News Release EuroIndicators 40/2017 dated 7 March 2017), the possibility of future 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) who 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 continuing uncertainty regarding the exit of countries from the European Union (in particular, the United Kingdom), general elections in Italy and the UK, a sharp slowdown in China, a negative market reaction to (stronger than expected) interest rate increases by the United States Federal Reserve, heightened geopolitical tensions, war, acts of terrorism, natural disasters or other similar events outside the control of the GCC Group (as defined in the Conditions).

Portions of 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 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.

The GCC Group's loan portfolio and its overall business are highly concentrated in Spain and the GCC Group is particularly exposed to any deterioration in the Spanish economy

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 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 GCC Group has historically developed its lending business in Spain. 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 its public deficit. While the current account imbalance has now been corrected (with forecasted GDP growth of 2.3 per cent. in 2017 (Source: European Commission Country Report Spain 2017)) and the public deficit is diminishing, real or perceived difficulties in servicing public or private debt could increase Spain's financing costs. In addition, unemployment levels continue to be high and a change in the current recovery of the labour market would adversely affect households' gross disposable income of the GCC Group's retail customers and may adversely affect the recoverability of 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, which may slow the pace of reform or result in changes to laws, regulations and policies, or impact economic growth in Spain. This applies not only to specific Spanish regions such as Catalonia but also to the central Spanish government where, after the December 2015 and June 2016 Spanish general elections, there may be uncertainty as to the elected party having to govern in minority.

Any deterioration in the global economy, continuing business in Europe and the failure of Spain to return to a sustainable path of growth, deterioration in the solvency of Spanish or international banks or certain other economic changes in the Eurozone could have a negative impact on the Spanish economy which, given the relevance of the GCC Group's loan portfolio in Spain, would have a material adverse effect on the GCC Group's business, financial condition and results of operations.

Legal, Regulatory and Compliance Risks

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

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 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, 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 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.

As a result of the increased level of government and regulatory intervention in the banking sector, the GCC Group is now facing a significant increase in compliance costs. In addition, 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.

Furthermore, regulatory authorities have substantial discretion in how to regulate banks, and this discretion, and the means available to the regulators, have been steadily increasing during recent years. The main regulators of the GCC Group are the Bank of Spain (*Banco de España*), the European Central Bank (the **ECB**) and the Spanish Securities Exchange Commission (*Comisión Nacional del Mercado de Valores*) (**CNMV**).

Any required changes to 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 GCC Group might otherwise consider engaging, affect the value of assets that the GCC Group holds, require the GCC Group to increase its prices and therefore reduce demand for its products, impose additional costs on the GCC Group or otherwise adversely affect the GCC Group's businesses.

For example, the GCC Group is subject to substantial regulation relating to liquidity. BCC cannot predict if increased liquidity standards, if implemented, could require the GCC Group to maintain a greater proportion of its assets in highly-liquid but lower-yielding financial instruments, which would negatively affect its net interest margin. Moreover, the GCC Group's regulators, as part of their supervisory function, periodically review the GCC Group's allowance for loan losses. Such regulators may require the GCC Group to increase its allowance for loan losses or to recognise further losses, to increase the regulatory risk weighting of assets.

Any such additional provisions for loan losses, as required by these regulatory agencies, whose views may differ from those of the GCC Group's management, could have an adverse effect on the GCC Group's earnings and financial condition.

Moreover, new accounting standards or pronouncements that may become applicable to the GCC Group from time to time, or changes in the interpretation of existing standards and pronouncements, could have a material effect on the GCC Group's reported results for the affected periods. In particular, the GCC Group's results may be adversely affected by the proposed changes to the classification and measurement of financial assets arising from IFRS 9 "Financial Instruments", which will require the development of an impairment methodology for calculating the expected credit losses on the GCC Group's financial assets and commitments to extend credit. These changes to IFRS 9 will become effective for the preparation of financial statements issued after 1 January 2018, but will also be applied by the GCC Group internally in parallel with the current methodology under IFRS 9 during 2017, and may be used for comparative purposes in the preparation of the GCC Group financial statements for 2018.

But the regulations which most significantly affect the GCC Group, or which could most significantly affect the GCC Group in the future, include regulations relating to capital and provisions requirements, which have become increasingly strict in the past years. These risks are discussed in further detail below.

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

Implementation of capital requirements may have a material adverse effect on the GCC Group's business, financial condition and results of operations

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, with certain requirements in the process of being phased in until 1 January 2019. 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 (**RD-L 14/2013**), Law 10/2014, of 26 June, on organisation, supervision and solvency of credit entities (**Law 10/2014**), Royal Decree 84/2015, of 13 February, developing 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**).

On 23 November 2016, the European Commission announced a further package of reforms to CRD IV, the BRRD and the SRM Regulation (each of the BRRD and SRM Regulation as defined below) (the **EU Banking Reforms**), including measures to increase the resilience of EU institutions and enhance financial stability. These reforms are not yet finalised and the timing for the final implantation of these reforms as at the date of this Offering Circular is unclear.

The new regulatory regime has, among other things, increased the level of capital required by means of a combined set of capital buffers that entities must comply with.

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 **Member Entities**) 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 19 other Member Entities of the GCC Group. Consequently, the GCC Group only has to comply with the minimum capital requirements previously defined on a consolidated basis.

The new regulatory regime has also increased the level of capital required by means of a "combined buffer requirement" in addition to the minimum Pillar 1 capital requirements, and which has to be satisfied with CET1 capital. The "combined buffer requirement" has introduced five new capital buffers: (i) the capital conservation buffer, (ii) the global systemically important institutions (**G-SIBs**) buffer, (iii) the institution-specific countercyclical buffer, (iv) the other systemically important institutions (or domestic systemically important banks or **D-SIBs**) buffer and (v) the systemic risk buffer. While the capital conservation buffer is mandatory, the Bank of Spain has greater discretion in relation to the G-SIBs buffer, the D-SIBs buffer, the countercyclical capital buffer and the buffer for other systemic risks. The ECB also has the ability to provide certain recommendations in this respect.

The capital conservation buffer will be 1.25 per cent. phased-in in 2017 and 2.5 per cent. fully loaded in 2019.

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-SIB buffer.. Likewise, BCC has not been considered a D-SIB during 2017 and, thus, it will not be required to maintain 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.

The Bank of Spain agreed in March 2017 to maintain the countercyclical capital buffer applicable to credit exposures in Spain at 0 per cent. for the second quarter of 2017. The percentages will be revised each quarter. The Issuer considers that it does not have international exposure that may imply an additional institutions-specific countercyclical buffer.

In addition, the Bank of Spain has not required BCC to maintain the systemic risk buffer.

Consequently, as at the date of this Offering Circular, BCC is only required to maintain the capital conservation buffer (1.25 per cent. in 2017, to increase 0.625 per cent. yearly, reaching 2.5 per cent. in 2019) 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.

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, it is understood that Pillar 2 guidance is not expected to trigger the automatic restriction of the distribution and calculation of the Maximum Distributable Amount (as defined below). The EU Banking Reforms also propose that a distinction be made between "Pillar 2" capital requirements and guidance, with only the former being mandatory requirements.

Based on the results of the SREP, in a statement dated 23 September 2016, the ECB stated that the GCC Group was required to present a CET1 ratio of 8.25 per cent. in 2017. 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 1.25 per cent. The Total Capital ratio required in 2017, meanwhile, is 11.75 per cent.

As of 31 December 2016, the GCC Group's CET1 phased-in capital ratio was 11.36 per cent. on a consolidated basis (11.33 per cent. as of 31 December 2015). Such ratio is greater than the applicable regulatory requirements described above, but 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.

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 by BCC, including dividend 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 pursuant to Law 11/2015, of 18 June, on the Recovery and Resolution of Credit Institutions and Investment Firms (**Law 11/2015**), which, together with Royal Decree 1012/2015, of 6 November, implementing Law 11/2015 (**RD 1012/2015**), has implemented Directive 2014/59/EU, of 15 May, establishing a framework for the recovery and resolution of credit institutions and investment firms (the **BRRD**) into Spanish law, which could have a material adverse effect on the GCC Group's business and operations.

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, 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.

The European Banking Authority (**EBA**) published on 19 December 2014 its final guidelines for common procedures and methodologies in respect of the SREP which contained guidelines (the **EBA SREP Guidelines**) for a common approach to determining the amount and composition of additional Pillar 2 own funds requirements to be implemented from 1 January 2016. The guidelines contemplate that national supervisors should not set additional own funds requirements in respect of risks which are already covered by the "combined buffer requirement" and/or additional macro-prudential requirements; and, accordingly, the above "combined buffer requirement" is in addition to the minimum capital requirement and to the "Pillar 2" additional capital requirement and therefore it would be the first layer of capital to be eroded pursuant to the applicable stacking order (as interpreted by the EBA in its EBA/Op/2015/24, and as the EU Banking Reforms would clarify).

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. 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 2017 when the Basel Committee is to decide on the final calibration. Accordingly, the CRR does not currently contain a requirement for institutions to have a capital requirement based on the LR. The EU Banking Reforms contain a binding 3 per cent. Tier 1 LR requirement, which would be added to the CRR and would be applicable (subject to limited exceptions) to all institutions subject to the CRD IV from 1 January 2018. As at 31 December 2016, the GCC Group's leverage ratio was 6.5 per cent.

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. Eligible liabilities 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. The EBA has recognised the impact which this requirement may have on banks' funding structures and costs.

On 3 July 2015 the EBA published the final draft technical standards on the criteria for determining MREL, which was adopted with certain amendments by the European Commission pursuant to Commission Delegated Regulation (EU) 2016/1450, of 23 May. 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 certain criteria including systemic importance.

As at the date of this Offering Circular, the level of capital and eligible liabilities required under MREL has not yet been communicated to BCC, however it may have a material adverse effect on the GCC Group.

On 9 November 2015 the FSB published its final Total Loss-Absorbing Capacity (**TLAC**) Principles and Term Sheet, proposing that G-SIBs maintain significant minimum amounts of liabilities that are subordinated (by law, contract or structurally) to certain prior ranking liabilities, such as guaranteed insured deposits. The TLAC Principles and Term Sheet contain a set of principles on loss absorbing and recapitalisation capacity of G-SIBs in resolution and a term sheet for the implementation of these principles in the form of an internationally agreed standard. The FSB will undertake a review of the technical

implementation of the TLAC Principles and Term Sheet by the end of 2019. The TLAC Principles and Term Sheet requires a minimum TLAC requirement to be determined individually for each G-SIB at the greater of (a) 16 per cent. of risk weighted assets as of 1 January 2019 and 18 per cent. as of 1 January 2022, and (b) 6 per cent. of the Basel III Tier 1 leverage ratio exposures as of 1 January 2019, and 6.75 per cent. as of 1 January 2022.

Although BCC has not been classified as a G-SIB by the FSB and, thus, in principle, 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 as set out below or otherwise (and as per the BRRD, any legislative proposal from the European Commission will have to take into account the need of consistency between MREL and other international standards such as TLAC).

Among the EU Banking Reforms, on 23 November 2016, the European Commission published a proposal for a European Directive amending the BRRD and a proposal for a European Regulation amending Regulation (EU) No. 806/2014 of the European Parliament and of the Council, of 15 July, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a SRM and a Single Resolution Fund (the **SRM Regulation**). The main objective of these proposals is to implement the TLAC standard and to integrate the TLAC requirement into the general MREL rules thereby avoiding duplication from the application of two parallel requirements and ensure that both requirements are met with largely similar instruments. As mentioned above, although TLAC and MREL pursue the same regulatory objective, there are, nevertheless, some differences between them in the way they are constructed. Under these proposals, institutions such as the GCC Group would continue to be subject to an institution-specific MREL requirement. To maintain coherence between the MREL rules applicable to G-SIBs and those applicable to non G-SIBs, while the EU Banking Reforms propose for a minimum harmonised or "Pillar 1" MREL requirement for G-SIBs, in the case of non-G-SIBs it is proposed that MREL requirements will be imposed on a bank-specific basis. For G-SIBs it is also proposed that a supplementary or "Pillar 2" MREL requirement may be further imposed on a bank-specific basis. While the general goal of these proposals is well understood, it is too early to confirm the exact amendments that will be introduced and consequently the precise impact on the GCC Group.

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

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.

Regulatory developments related to the EU fiscal and banking union may have a material adverse effect on the GCC Group's business, financial condition and results of operations

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

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

The SSM is intended to assist in making the banking sector more transparent, unified and safer. The SSM Regulation was passed in October 2013 with effect from 3 November 2013. In accordance with the SSM

Regulation, on 4 November 2014, the ECB fully assumed its new supervisory responsibilities within the SSM, in particular the direct supervision of the largest European banks (including BCC), on 4 November 2014.

The SSM represents a significant change in the approach to bank supervision at a European and global level. The SSM has resulted in the direct supervision by the ECB of the largest financial institutions, including BCC and the GCC Group, and indirect supervision of around 3,500 financial institutions. The SSM is one of the largest authorities in the world in terms of assets under supervision. The SSM is working to establish a new supervisory culture importing the best practices from the 19 national supervisory authorities that form part of the SSM. Several steps have already been taken in this regard such as the publication of the Supervisory Guidelines or the approval of the Regulation (EU) No 468/2014, of the ECB of 16 April 2014, establishing the framework for cooperation within the SSM between the ECB and national competent authorities and with national designated authorities (the **SSM Framework Regulation**). In addition, the SSM represents an extra cost for the financial institutions that fund it through payment of supervisory fees.

The other main pillar of the EU banking union is the SRM, the main purpose of which is to ensure a prompt and coherent resolution of failing banks in Europe at minimum cost for the taxpayers and the real economy. The SRM Regulation, which was passed on 15 July 2014, and took legal effect from 1 January 2015, establishes uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the SRM and a Single Resolution Fund. The SRM Regulation complements the SSM which established a centralised power of resolution entrusted to the single resolution board (the **SRB**) and to the national resolution authorities as an integral part of the process of harmonisation of the resolution regime provided for by the BRRD. The SRB started operating from 1 January 2015 and fully assumed its resolution powers on 1 January 2016. From that date a Single Resolution Fund has also been in place, funded by contributions from European banks. The Single Resolution Fund is intended to reach a total amount of €55 billion by 2024 and to be used as a separate backstop only after 8 per cent. total liabilities and own funds (or 20 per cent. risk weighted assets in certain cases) have already been bailed-in (in line with the BRRD). See "*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*".

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

Regulations adopted towards achieving a banking and/or fiscal union in the EU and decisions adopted by the ECB in its capacity as BCC's main supervisory authority may have a material impact on the GCC Group's business, financial condition and results of operations. In particular, the BRRD and Directive 2014/49/EU on deposit guarantee schemes (the **DGSD**), implemented into Spanish law through Law 11/2015 and RD 1012/2015. Additionally, on 24 November 2015, the European Commission has proposed a draft regulation to amend Regulation (EU) 806/2014, in order to establish a European deposit insurance scheme for bank deposits.

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

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

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

The DGSD came into force on 3 July 2014 following publication in the Official Journal of the European Union and Member States had one year from this date to implement it into national law. In Spain, the DGSD was implemented through Law 11/2015 and 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 Restructuración 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 per cent. 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. The FROB may, in addition, 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 per cent. of the above annual ordinary contribution to be made to the National Resolution Fund.

In addition, BCC may need to make contributions to the Single Resolution Fund, once the National Resolution Fund has been integrated into it, and will have to pay supervisory fees to the SSM. See "*−Regulatory developments related to the EU fiscal and banking union may have a material adverse effect on BCC's business, financial condition and results of operations.*"

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.

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

The GCC Group entities 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 GCC Group believes that its current policies and procedures are sufficient to comply with applicable rules and regulations, it 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 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.

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

The GCC Group and its Member Entities 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, 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 GCC Group's businesses, all of which could have a material adverse effect on the GCC Group's business, financial condition, results of operations and prospects.

Credit and Liquidity Risks

The GCC Group's business is significantly affected by credit and counterparty risk

Credit risk can be defined as possible losses which may be generated by a potential default in whole or in part of obligations by a counterparty or debtor (including, but not limited to, an insolvency proceeding of a counterparty or debtor). These obligations arise in both the financial activities of the GCC Group and its dealing and investment activities since they arise by means of loans, debt or equity securities, derivative instruments or other types of products (for example, guarantees).

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

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 GCC Group's business, financial condition, results of operations and prospects. Although 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 Member Entities' 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. Although the GCC Group caters to a range of different customers, one of the business segments on which it focuses, after retail loans for house purchase (most of them mortgage loans) which account for 40.61 per cent. of the 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) in 2016 (40.59 per cent. in 2015), is small and medium-sized enterprises (**SMEs**) in Spain (comprising the small businesses, agri-food retail and SMEs items of the consolidated credit portfolio and representing 29.11 per cent. of the GCC Group's total loan portfolio as of 31 December 2016 compared to 27.90 per cent. as of 31 December 2015). 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 weakens, the unemployment rate increases or interest rates increase sharply, the creditworthiness of the GCC Group's customers may deteriorate.

A weakening in customer and counterparties creditworthiness could impact the GCC Group's capital adequacy. The regulatory capital levels the GCC Group is required to maintain are calculated as a percentage of its risk-weighted assets (**RWA**), in accordance with the CRD IV Directive (as implemented in Spain by Law 10/2014, RD 84/2015 and Bank of Spain Circular 2/2016) and the CRR. The RWA consist of the GCC Group's balance sheet, off-balance sheet and other market and operational risk positions, measured and risk-weighted according to regulatory criteria, and are driven, among other things, by the risk profile of its assets, which include its lending portfolio. If the creditworthiness of a customer or a counterparty declines, the GCC Group would lower their rating, which would result in an increase in its RWA, which potentially could deteriorate the GCC Group's capital adequacy ratios and limit its lending or investments in other operations.

Any of the foregoing could have a material adverse effect on the GCC Group's business, financial condition, results of operations and prospects.

Liquidity risk is inherent in the GCC Group's operations and volatility in global financial markets, particularly in the inter-bank and debt markets and could materially adversely affect 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 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 GCC Group's liabilities reasonably in line with its assets, as well as the risk of not being able to meet its payment obligations on time at a reasonable price due to liquidity pressures and lower credit ratings.

The GCC Group's main source of liquidity and funding is its 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 GCC Group relies 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 65.5 per cent. of the GCC Group's liabilities as of 31 December 2016 and 63.2 per cent. of the GCC Group's liabilities as of 31 December 2015), it 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 GCC Group operates or a loss of confidence (including as a result of political or social tensions in the regions where it operates or political initiatives, including bail-in and/or confiscation and/or taxation of creditors' funds), the GCC Group will be able to maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets and resulting in an adverse effect on the GCC Group's liquidity, business, financial condition, results of operations and prospects.

Although the GCC Group places significant emphasis on liquidity risk management and focus on maintaining a liquidity surplus in the short term, the GCC Group is 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.

The GCC Group makes use of ECB refinancing facilities

Although the GCC Group has no structural reliance on ECB funding and, therefore, the ECB does not fund the GCC Group's ordinary course of business, it has taken advantage of the financing provided by the ECB through its December 2011 and February 2012 Long Term Refinancing Operations (**LTRO**), which offered

financial institutions three-year loans at a discount, as well as the Targeted Long Term Refinancing Operations (**TLTRO**) drawn on 17 December 2014 and the TLTRO-II drawn in June 2016.

As of 31 December 2016, ECB funding represented 14.0 per cent. of the GCC Group's total liabilities (10.3 per cent. as of 31 December 2015). The ECB has established criteria to determine which assets are eligible collateral and the GCC Group is thus exposed to the risk that the ECB changes its criteria and the assets the GCC Group holds 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 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 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 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.

As at 31 December 2016, the GCC Group has €750 million covered bonds maturing in 2018 and €750 million covered bonds maturing in 2020 and €750 million covered bonds maturing in 2022 (figures net of retained amounts), which it may in part refinance by means of balance sheet deleveraging and TLTRO financing. There can be no assurance that 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 GCC Group's business, financial condition, results of operations and prospects.

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.

At the date of this Offering Circular BCC is rated by Fitch and has been assigned a long term credit rating of BB- and a short term rating of B. BCC's credit ratings are an assessment by a rating agency of its ability to pay its obligations when due. 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.

In addition, certain countries in Europe, including Spain, have relatively large sovereign debts or fiscal deficits, or both. Several EU countries have recently experienced significant increases in their cost of funding which, in the case of certain countries has led them to seek financial assistance from the European Commission and the International Monetary Fund. Spain has also recently experienced increases in its cost of funding due to concerns regarding rising sovereign debt levels. 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.

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

Some of the GCC Group's business is cyclical 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 GCC Group derives from certain of its products and services depends on the strength of the economies in the regions where the GCC Group operates 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 GCC Group's borrowers, which could in turn increase the GCC Group's non-performing loan ratios, impair 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 GCC Group's secured loans, including homes and other real estate could decline, which could result in the impairment of the value of the GCC Group's loan assets. In addition, 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 GCC Group's fee and commission income. Any of the conditions described above could have a material adverse effect on the GCC Group's business, financial condition and results of operations.

Household and corporate indebtedness could endanger the GCC Group's asset quality and future revenues

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 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 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.

Market Risks

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

At the date of this Offering Circular the GCC Group does not engage in any significant securities or currencies trading with a view to generating profit from short-term price variations, therefore the exposure to market risk in the current trading portfolio is moderate. The GCC Group however may have exposure to risk in respect of securities in its long term investment portfolio, or engage in securities or currency trading in the future, and the performance of financial markets could cause changes in the value of any such GCC Group investment and trading portfolios. As at 31 December 2015, the GCC Group had financial instruments classified as available for sale whose amount totalled €504.1 million, of which €323.5 million are debt securities and €180.6 million are equity instruments. As at 31 December 2016, the GCC Group had financial instruments classified as available for sale whose amount totalled €4,172.2 million, of which €3,976.7 million are debt securities and €195.5 million are equity instruments. If the value of such securities is affected by market risks, this may have a material adverse effect on the GCC Group's business, financial condition, results of operations and prospects.

The cyclical nature of the real estate industry may adversely affect the GCC Group's operations

The GCC Group is 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 40.6 per cent. 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 2016. Loans to property developers and construction companies to build properties for sale comprised 6.9 per cent. of the total gross loan portfolio.

From 2002 to 2007, economic growth and the strength of the labour market in Spain, together with the decrease in interest rates within the EU, contributed to an increase in demand for mortgage loans. This in turn contributed to increased real estate prices in Spain but during late 2007 the housing market began to adjust as a result of excess supply and higher interest rates. Since the 2008 financial crisis, as economic growth came to a halt in Spain, housing oversupply has persisted, unemployment has continued to increase, housing demand has continued to decrease and home prices have declined while mortgage delinquencies have increased. Further, recent government measures, such as the increase in the value added tax rate of real estate transactions may lead to further declines in demand for property. These trends, especially 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.

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

A rise in unemployment, combined with ever lower 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's business is particularly sensitive to changes in interest rates

The GCC Group's results of operations depend upon the level of its net interest income, which is the difference between interest income from loans and other interest-earning assets and interest expense paid to its depositors and other creditors on interest-bearing liabilities. Net interest income contributed 67.4 per cent. and 66.7 per cent. of the GCC Group's gross income (excluding gains from the sale of financial assets) in the years ended 31 December 2016 and 2015, respectively.

Interest rates are highly sensitive to many factors beyond 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 approximately 90.8 per cent. of the GCC Group's customer loans as of 31 December 2016 (approximately 93.6 per cent as of 31 December 2015) 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 GCC Group's results of operations. An increase in interest rates, for instance, could cause 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 its net interest income as often its liabilities will re-price more quickly than its assets. Further, an increase in interest rates could result in a reduction in the demand for loans and the GCC Group's ability to originate loans, and also contribute to an increase in credit default rates among the GCC Group's customers. Conversely, a decrease in the general level of interest rates could adversely affect 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 GCC Group's business, financial condition and results of operations.

The GCC Group is subject to continuing uncertainties regarding the validity of 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. The Spanish courts must now determine the application of the criteria established by the ECJ to the judicial proceedings under their remit.

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 CNMV regarding mortgage floor clauses (*cláusulas suelo*), on 24 January 2017 Cajamar Caja Rural, Sociedad Cooperativa de Crédito published a regulatory announcement (*hecho rlevante*) communicating that it has already removed the floor clause to all mortgage loans affected by the Spanish Supreme Court Decision of 9 May 2013. It being within the competence of the Spanish courts to determine the application of the criteria established by the ECJ on its decision of 21 December 2016 to the judicial proceedings under their remit, the Spanish Supreme Court Decision of 9 May 2013 is final.

Notwithstanding the foregoing, in order to address possible claims arising following this last decision, the GCC Group has provisioned €200 million as of 31 December 2016. This is the maximum amount it would face should full retrospectivity be applied to all mortgage operations with consumers, including those already affected by the Spanish Supreme Court Decision. Nevertheless, as of the present date, the GCC Group estimates that the final impact will be considerably lower than the amount provisioned, based on the principle of res judicata.

The aforementioned provision was made prior to the publication of the Royal-Decree Law 1/2017 (which will be strictly adhered to by the GCC Group) but whose content does not alter the aforementioned valuation of the possible maximum impact.

The GCC Group is exposed to sovereign debt risk

As of 31 December 2015, the GCC Group had investments in debt securities, whose book value totalled €4,814 million representing 11.9 per cent. of its total assets. As of that date, 70.7 per cent. of such investment securities, consisted of securities issued by the Spanish government, autonomous community governments and municipal councils of Spain and 24.9 per cent. consisted of securities issued by public administrations other than Spain, mostly Portuguese sovereign bonds. As of 31 December 2016, the GCC Group had investments in debt securities whose book value totalled €3,977 million, representing 10.2 per cent. of its total assets. As of that date, 72.6 per cent. of such investment securities, consisted of securities issued by the

Spanish government and 19.6 per cent. consisted of securities issued by public administrations other than Spain, mostly Portuguese and Italian sovereign bonds.

Any decline in Spain's, Portugal's or Italy's credit ratings, or in the credit ratings of other Eurozone 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 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 GCC Group's credit ratings by the rating agencies.

Actuarial risk may impact the value and performance of insurance and pension products offered by the GCC Group

Actuarial risk refers to the risk of increase in the value of commitments assumed through insurance contracts with customers and employee pension plans due to the differences between the claims estimates and actual performance.

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

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

The Solvency II Directive has been implemented in Spain through Law 20/2015, of 14 July, on the regulation, supervision and solvency of insurance and reinsurance undertakings (*Ley 20/2015, de 14 de julio, de ordenación supervision y solvencia de las entidades aseguradoras y reaseguradoras*) and Royal Decree 1060/2015, of 2 December on the regulation, supervision and solvency of insurance and reinsurance undertakings (*Real Decreto 1060/2015, de 20 de noviembre, de ordenación, supervision y solvencia de las entidades aseguradoras y reaseguradoras*).

The changes introduced by this recent regulation may have an impact on the capital and liquidity requirements of the insurance business of the GCC Group. Given the recent entry into force of the Solvency II regime and how regulators will interpret it, it is difficult to calculate its precise impact of such regime on the GCC Group. As the GCC Group implements the new regulation it might affect how the GCC Group performs its insurance business activities and also have an adverse effect on the GCC Group’s business operations, its performance or its financial position.

Business and Industry Risks

The GCC Group is 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 enters into expose it to significant credit risk in the event of default by one of the GCC Group's significant counterparties. Despite the risk control measures the GCC Group has in place, a default by a significant financial counterparty, or liquidity problems in the financial services industry in general, could have a material adverse effect on the GCC Group's business, financial condition and results of operations.

The GCC Group may generate lower revenues from brokerage and other commission- and fee-based operations

Net fee and commission income represented 25.8 per cent. and 27.7 per cent. of the GCC Group's gross margin for the years ended 31 December 2016 and 2015, respectively, and is an important part of its overall profitability.

Reduced fee and commission income from 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 manages or investment products that it 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 its business, financial condition, results of operations and prospects.

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

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. These risk exposures could, for example, arise from factors the GCC Group did not anticipate or correctly evaluate in its statistical models. This would limit the GCC Group's ability to manage its risks. The GCC Group's losses thus could be significantly greater than the historical measures indicate. In addition, the GCC Group's quantified modelling does not take all risks into account. The GCC Group's more qualitative approach to managing those risks could prove insufficient, exposing it to material unanticipated losses. If existing or potential customers believe the GCC Group's risk management is inadequate, they could take their business elsewhere. This could harm the GCC Group's reputation as well as its revenues and profits.

The GCC Group relies on recruiting, retaining and developing appropriate senior management and skilled personnel

The GCC Group's continued success depends in part on the continued service of key members of its management team. The ability to continue to attract, train, motivate and retain highly qualified professionals is a key element of the GCC Group's strategy. The successful implementation of the GCC Group's growth strategy depends on the availability of skilled management, both at its head office and at each of its business

units. If the GCC Group or one of its business units or other functions fails to staff its operations appropriately or loses one or more of its key senior executives and fails to replace them in a satisfactory and timely manner, the GCC Group's business, financial condition and results of operations, including control and operational risks, may be adversely affected. Likewise, if the GCC Group fails to attract and appropriately train, motivate and retain qualified professionals, its business may also be affected.

Operational risks are inherent to the GCC Group's business

The GCC Group's business is dependent on its ability to process a large number of transactions efficiently and accurately. The GCC Group is 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 GCC Group's business activities require it 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 GCC Group's business and to its 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 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 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 GCC Group faces 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 GCC Group, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

The GCC Group faces increasing consolidation of the competition in its business lines

The banking sector in Spain is highly competitive. Financial sector reforms have increased competition among both local and foreign financial institutions, and the GCC Group 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 GCC Group operates 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 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 GCC Group also faces 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 GCC Group faces competition from shadow banking entities that operate outside the regulated banking system. Furthermore,

"crowdfunding" and other social media developments in finance are expected to become more popular as technology further continues to connect society. The 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 GCC Group fails to implement strategies to maintain or enhance its competitive position relative to these improved banking institutions, 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.

Failure to maintain the strength of 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, 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 GCC Group believes its success depends in part on establishing and maintaining a widely recognised brand with a favourable reputation. Harm to 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 GCC Group is not able to maintain and enhance its brand, its ability to grow may be impaired and the GCC Group's business and operating results may be harmed.

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 Member Entities 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 Member Entities 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 member entities 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 its operating results, financial condition and prospects. Furthermore, the operational integration of member entities which the GCC Group may admit could prove to be difficult and complex, and the benefits and synergies obtained from that integration may not be in line with expectations.

Technology Risks

The GCC Group is highly dependent on information technology systems, which may fail, may not be adequate to the tasks at hand or may no longer be available

Banks and their activities are highly dependent on sophisticated information technology (**IT**) systems. IT systems are vulnerable to a number of problems, such as software or hardware malfunctions, malicious hacking, physical damage to vital IT centres and computer viruses. IT systems need regular upgrading and the GCC Group may not be able to implement necessary upgrades on a timely basis or upgrades may fail to function as planned. The GCC Group also cannot assure that in the future it will be able to maintain the level of capital expenditures necessary to support the improvement or upgrading of its information technology infrastructure. A major disruption of the GCC Group's IT systems, whether under the scenarios outlined above or under other scenarios, could have a material adverse effect on the normal operation of its business and thus on its financial condition, results of operations and prospects.

Risks relating to data collection, processing and storage systems are inherent in the GCC Group's business and the GCC Group is increasingly exposed to cyber security threats

The GCC Group's businesses depend on the ability to process a large number of transactions efficiently and accurately, and on its ability to rely on its digital technologies, computer and email services, software and networks, as well as on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. The proper functioning of financial control, accounting or other data collection and processing systems is critical to its businesses and to its ability to compete effectively. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems or from external events that interrupt normal business operations. The GCC Group also faces the risk that the design of its controls and procedures prove to be inadequate or are circumvented. Although it works with its clients, vendors, service providers, counterparties and other third parties to develop secure transmission capabilities and prevent against cyber-attacks, the GCC Group routinely exchanges personal, confidential and proprietary information by electronic means, and it may be the target of attempted cyber-attacks. If it cannot maintain an effective data collection, management and processing system, it may be materially and adversely affected. Further, any loss of confidential personal information of customers in the conduct of its banking operations could subject it to legal proceedings and administrative sanctions as well as damages that could materially and adversely affect its operating results, financial condition and prospects. The GCC Group may be required to report events related to information security issues (including any cyber security issues), events where customer information may be compromised, unauthorised access and other security breaches, to the relevant regulatory authorities.

Financial Reporting and Control Risks

The GCC Group's financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of the GCC Group's operations and financial position

The preparation of financial statements 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 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 and pension obligation for liabilities.

If the judgment, estimates and assumptions the GCC Group uses in preparing its consolidated financial statements 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.

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:

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 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, the Issuer may redeem all outstanding Notes in accordance with the Conditions. In respect of Subordinated Notes only, the Notes may be also redeemed for taxation reasons if the Issuer would not be entitled to claim a deduction in computing taxation liabilities in Spain 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, in each case 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 any event only if so permitted by Applicable Banking Regulations then in force and subject to the permission of the Competent Authority (as defined in the Terms and Conditions of the Notes), 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 the Tier 2 Subordinated Notes subject to such redemption being permitted by the Applicable Banking Regulations then in force and subject to the permission of the Competent Authority, 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 the Senior 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 subject to the prior consent of the Competent Authority (if required pursuant to such regulations), as further described in Condition 8.5 (*Redemption at the option of the Issuer (Eligible Liabilities Event): Senior Subordinated Notes*).

An optional redemption feature (including any redemption of the Notes at the option of the Issuer pursuant to Condition 8.3 (*Redemption at the option of the Issuer (Issuer Call)*), for taxation reasons pursuant to Condition 8.2 (*Redemption for tax reasons*) and, in the case of Subordinated Notes, upon the occurrence of a

Capital Event or an Eligible Liabilities Event (each as defined in Conditions 8.4 (*Redemption at the option of the Issuer (Capital Event): Tier 2 Subordinated Notes*) and 8.5 (*Redemption at the option of the Issuer (Eligible Liabilities Event): Senior Subordinated Notes*), respectively, as the case may be) 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.

The Issuer may be expected to redeem its 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.

It is not possible to predict whether or not any further change in the laws or regulations of Spain, Applicable Banking Regulations (as defined in the Conditions) or, in the case of a redemption of the Notes for taxation reasons, the application and official interpretation thereof, or any of the other 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 of Subordinated Notes, as applicable, any prior consent of the Competent Authority (as defined in the Conditions) required for such redemption 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.

In the case of Subordinated Notes, prior consent of the Competent Authority may be required for any optional redemption and there can be no assurances that such consent will be given.

The redemption of Tier 2 Subordinated Notes that qualify as Tier 2 capital of the Issuer at the option of the Issuer is subject to the Competent Authority's and/or Relevant Resolution Authority's consent and such consent will be given only if either of the following conditions is met:

(a) on or before such redemption of the Tier 2 Subordinated Notes, the Issuer replaces the Tier 2 Subordinated Notes with own funds instruments of an equal or higher quality on terms that are sustainable for the income capacity of the Issuer; or

(b) the Issuer has demonstrated to the satisfaction of the Competent Authority that its Tier 1 capital and Tier 2 Capital would, following such redemption, exceed the capital ratios required under CRD IV by a margin that the Competent Authority may consider necessary on the basis set out in CRD IV.

The early redemption of the Notes that qualify as eligible liabilities for the purposes of MREL, such as Senior Subordinated Notes, may be subject in the future to the prior permission of the Competent Authority and/or the Relevant Resolution Authority. The proposal for a regulation amending CRR published by the European Commission on 23 November 2016 (the **Proposed CRR Amendment**) provides that the redemption of eligible liabilities prior to the date of their contractual maturity is subject to the prior permission of the competent authority. According to this proposal, such consent will be given only if either of the following conditions are met:

(c) on or before such redemption, the institution replaces the instruments with own funds or eligible liabilities instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or

(d) the institution has demonstrated to the satisfaction of the competent authority that the own funds and eligible liabilities of the institution would, following such redemption, exceed the requirements laid

down in the CRR, the CRD IV and the BRRD by a margin that the competent authority considers necessary.

The qualification of the Senior Subordinated Notes as MREL-Eligible Instruments is subject to uncertainty

The Senior Subordinated Notes are intended to be instruments eligible for inclusion in the amount of eligible liabilities of the Issuer and/or the Group for the purposes of Article 45 of the BRRD (as implemented in Spain and including any amendment or replacement of the relevant implementing provisions) or Applicable Banking Regulations or any other regulations applicable in Spain from time to time (the **Applicable MREL Regulations**). However, there is uncertainty regarding the final substance of the Applicable MREL Regulations and how those regulations, once enacted, are to be interpreted and applied and the Issuer cannot provide any assurance that the Senior Subordinated Notes will be instruments eligible for such inclusion.

The European Commission has recently proposed directives and regulations intended to modify the requirements for MREL eligibility (the **EU Banking Reforms**). While the terms and conditions of the Senior Subordinated Notes may be consistent with the EU Banking Reforms, these proposals have not yet been interpreted and when finally adopted, the final Applicable MREL Regulations may be different from those set forth in these proposals or, if finally adopted in a form consistent with the proposals, may subsequently be amended, supplemented or replaced.

Because of the uncertainty surrounding any potential changes to the regulations giving effect to MREL, the Issuer cannot provide any assurance that the Senior Subordinated Notes will ultimately be MREL eligible instruments. If, for any reason they are not MREL eligible instruments or if they initially are MREL eligible instruments and subsequently become ineligible, then an Eligible Liabilities Event (as defined in the Conditions) will occur, with the consequences indicated in the Conditions. 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*".

The Subordinated Notes provide for limited events of default. Subordinated Notes may not be redeemed prior to maturity at the option of Noteholders in the event of non-payment of principal or interest

Noteholders have no ability to accelerate the maturity of their Subordinated Notes. The conditions of the Subordinated 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 or dissolution. Accordingly, in the event that any payment on the Subordinated Notes is not made when due, each Noteholder will have a claim only for amounts then due and payable on their Subordinated Notes.

Pursuant to the CRR, the Issuer is prohibited from including in the conditions of any Tier 2 Subordinated Notes that qualify as Tier 2 capital of the Issuer terms that would oblige it to redeem such Tier 2 Subordinated Notes prior to their stated maturity at the option or request of Noteholders. As a result, the conditions of the Subordinated Notes do not include provisions allowing for early redemption of Subordinated Notes at the option of Noteholders except in the case of an event of default.

Pursuant to the Proposed CRR Amendment, the Issuer would be prohibited from including in the terms of any Senior Subordinated Notes that qualify as eligible liabilities and in the terms of any Tier 2 Subordinated Notes that qualify as Tier 2 capital of the Issuer provisions that give the Noteholder the right to accelerate the future scheduled payment of interest or principal; other than in case of insolvency or liquidation of the Issuer.

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

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

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

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

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 relevant 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 be lower than the relevant margin.

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

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

Risks Related to Early Intervention and Resolution

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

The BRRD (which has been implemented in Spain through Law 11/2015 and RD 1012/2015) is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in unsound or failing credit institutions or investment firms (each an **institution**) so as to ensure the continuity of the

institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

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

As provided in the BRRD, Law 11/2015 contains four resolution tools and powers which may be used alone or in combination where any relevant authority (i.e. the *Fondo de Reestructuración Ordenada Bancaria* (**FROB**), the SRB or, as the case may be and according to Law 11/2015, the Bank of Spain or the CNMV) or any other entity with the authority to exercise any such tools and powers from time to time (each, a **Relevant Spanish 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 Spanish 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 Spanish 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 Spanish Resolution Authority to transfer assets, rights or liabilities (normally impaired or problematic) to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which gives the Relevant Spanish Resolution Authority the right to exercise certain of the Spanish Bail-in Powers (as defined below). This includes the ability of the Relevant Spanish 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 Powers) certain unsecured debt claims including both the Senior Notes and the 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 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, amongst others, any obligation of an institution can be reduced, cancelled, modified, or converted into shares, other securities, or other obligations of such institution or any other person (or suspended for a temporary period).

In accordance with Article 48 of Law 11/2015 (and subject to any exclusions that may be applied by the Relevant Spanish 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 instruments; (ii) Additional Tier 1 Instruments; (iii) Tier 2 Instruments; (iv) other subordinated claims that do not qualify as Additional Tier 1 Capital or Tier 2 capital; and (v) eligible senior liabilities prescribed in Article 41 of Law 11/2015 (which is consistent with the one prescribed by Law 22/2003, of 9 July, on Insolvency (*Ley 22/2003, de 9 de Julio, Concursal*) (the **Insolvency Law**) read in conjunction with Additional Provision 14.2º of Law 11/2015).

In addition to the Spanish Bail-in Power, the BRRD and Law 11/2015 provide for the Relevant Spanish Resolution Authority to have further power to permanently write down or convert into equity capital instruments at the point of non-viability (**Non-Viability Loss Absorption**). The point of non-viability of an

institution is the point at which the Relevant Spanish Resolution Authority determines that the institution meets the conditions for resolution or will no longer be viable unless the relevant capital instruments are written down or converted into equity or extraordinary public support is provided and without such support the Relevant Spanish 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 Spanish Resolution Authority in accordance with Article 38.3 of Law 11/2015. Non-Viability Loss Absorption may be imposed prior to or in combination with any exercise of any other Spanish Bail-in Power or any other resolution tool or power (where the conditions for resolution referred to above are met).

In accordance with Article 64.1 (i) of Law 11/2015, the FROB has also the power to alter the amount of interest payable under debt instruments and other eligible liabilities of institutions subject to resolution proceedings and the date on which the interest becomes payable under the debt instrument (including the power to suspend payment for a temporary period).

The powers set out in the BRRD as implemented through Law 11/2015 and RD 1012/2015 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 Spanish Bail-in Power a write-down (including to zero) or conversion into equity or other securities or obligations of amounts due under the Notes and additionally, holders of Subordinated Notes qualifying as Tier 2 Instruments, may be subject to any Non-Viability Loss Absorption. 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 the Spanish Bail-in Power with respect to the Notes or the taking by the Relevant Spanish Resolution Authority of any other action, or any suggestion that the exercise or taking of any such action may happen, could materially adversely affect the rights of Noteholders, the market price or value or trading behaviour of any Notes and/or 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 bail-in power (including the Notes) and to the broader resolution powers of the Relevant Spanish Resolution Authority. Accordingly, Noteholders may have limited or circumscribed rights to challenge any decision of the Relevant Spanish Resolution Authority to exercise its bail-in power.

Furthermore, the exercise of the Spanish Bail-in Power and/or any Non-Viability Loss Absorption by the Relevant Spanish 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 Spanish 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 Spanish Bail-in Power and/or any Non-Viability Loss Absorption. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any such powers by the Relevant Spanish 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 (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 Spanish Resolution Authority may exercise any such power without providing any advance notice to the Noteholders.

In addition, the EBA's preparation of certain regulatory technical standards and implementing technical standards to be adopted by the European Commission and certain other guidelines is pending. These acts could be potentially relevant to determining when or how a Relevant Spanish Resolution Authority may exercise the Spanish Bail-in Powers and impose Non-Viability Loss Absorption. On 5 April 2017 the EBA published the guidelines on the treatment of shareholders in bail-in or the write-down and conversion of

capital instruments and the guidelines on the rate of conversion of debt to equity in bail-in. No assurance can be given that these standards will not be detrimental to the rights of Noteholders under, and the value of Noteholders' investment in, the Notes.

In addition to the BRRD, it is possible that the implementation and application of other relevant laws, such as the Basel Committee on Banking Supervision (**BCBS**) package of reforms to the regulatory capital framework for internationally active banks designed, in part, to ensure that capital instruments issued by such banks fully absorb losses before tax payers are exposed to loss and any amendments thereto or other similar regulatory proposals, including proposals by the Financial Stability Board (**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 Spanish Resolution Authority pursuant to the ones granted by Law 11/2015, or other measures or proposals relating to the resolution of institutions, may adversely affect the rights of Noteholders, the price or value of an investment in the Notes and/or BCC's ability to satisfy its obligations under the Notes.

Noteholders may 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

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 if the Issuer and/or the GCC Group is in breach (or due, among other things, to a rapidly deteriorating financial condition, either 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 Spanish Resolution Authority. Other powers contained in Law 11/2015 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 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 early intervention or resolution 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 resolution procedure will, therefore, be subject to the relevant provisions of the BRRD as implemented through Law 11/2015 and RD 1012/2015 in relation to the exercise of the relevant measures and powers pursuant to such procedure, including the resolution tools and powers referred to above (see *"Risks Related to Early Intervention and Resolution – The Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Spanish Resolution Authority. Other powers contained in Law 11/2015 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. 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

Claims of Noteholders under the Senior Notes are effectively junior to those of certain other creditors

The Senior Notes are unsecured and unsubordinated obligations of the Issuer. Upon the insolvency of the Issuer, subject to statutory preferences and provided they do not qualify as subordinated claims pursuant to article 92 of the Insolvency Law (as defined in the Conditions of the Notes), the Senior Notes will rank equally with any of the Issuer's other unsecured and unsubordinated indebtedness (*créditos ordinarios*) but only to the extent permitted by applicable laws relating to creditors' rights. In the event of insolvency of the Issuer, under the Insolvency Law, claims in respect of principal relating to Senior Notes (which are not subordinated pursuant to article 92 of the Insolvency Law) will be ordinary credits (*créditos ordinarios*) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency state (*créditos contra la masa*) and credits with a privilege (*créditos privilegiados*) (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. 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. In particular the obligations of the Issuer in respect of principal under the Senior Notes will be effectively subordinated to all of the Issuer's obligations that are preferred under the Insolvency 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.

Moreover, the BRRD and Law 11/2015 contemplate that Senior Notes may be subject to the exercise of certain of the Spanish Bail-in Powers by the Relevant Spanish Resolution Authority. This may involve the variation of the terms of the Senior Notes or a change in their form, if necessary, to give effect to, the exercise of the Spanish Bail-in Powers by the Relevant Spanish Resolution Authority. 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 Spanish Resolution Authority. Other powers contained in Law 11/2015 could materially affect the rights of the Noteholders under, and the value of, any Notes"*.

Risks applicable to Subordinated Notes

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 the Subordinated Notes will be unsecured and subordinated obligations (*créditos subordinados*) of the Issuer and will rank junior to all unsubordinated obligations of the Issuer. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a greater 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 Royal Decree 1012/2015) and the Subordinated Notes become subject to the application of the Spanish Bail-in Power (including, 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 Spanish Resolution Authority, the sequence of any resulting write-down or conversion of the Notes under Article 48 of the BRRD and Article 48 of Law 11/2015 provides for the principal amount of Tier 2 instruments (such as the Tier 2 Subordinated Notes) to be written-down or converted into equity or other securities or obligations prior to the principal amount of subordinated debt that is not Additional Tier 1 or Tier 2 capital (such as the Senior Subordinated Notes) in accordance with the hierarchy of claims provided in the Insolvency Law and for the latter to be written-down or converted into equity or other securities or obligations prior to any write-down or conversion of the principal amount or outstanding amount of any eligible liabilities (such as the Senior

Notes), in accordance with the hierarchy of claims provided in the Insolvency Law. Tier 2 Subordinated Notes may be subject to Non-Viability Loss Absorption, which may be imposed 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 Spanish Resolution Authority. Other powers contained in Law 11/2015 could materially affect the rights of the Noteholders under, and the value of, any Notes*".

In the event of insolvency, after payment in full of unsubordinated claims, but before distributions to shareholders, under Article 92 of the Insolvency Law read in conjunction with Additional Provision 14.2º 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 of Senior Subordinated Notes, secondly, those that qualify as Tier 2 Instruments which is expected to be the case of Tier 2 Subordinated Notes and thirdly, Additional Tier 1 Instruments); (iii) interest (including accrued and unpaid interest due on the Subordinated Notes); (iv) fines; (v) claims of creditors which are specially related to the Issuer (if applicable) 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.

Risks Relating to the Insolvency Law

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

The majorities legal regime envisaged for these purposes also hinges on (i) the type of the specific restructuring measure which is intended to be imposed (e.g., extensions, debt reductions, debt for equity swaps, etc.) as well as (ii) on the part of claims to be written-down (i.e. secured or unsecured, depending on the value of the collateral as calculated pursuant to the rules established in the Insolvency Law).

In no case shall subordinated creditors be entitled to vote upon a creditors' agreement during the insolvency proceedings, and accordingly, shall be always 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*).

Risks related to Notes generally

The terms of the Notes contain very limited covenants and restrictions on the amount or type of further securities or indebtedness which the Issuer may incur

The Conditions place no restrictions on the amount or type of securities that the Issuer may issue that ranks senior to the Subordinated Notes or on the amount or type of securities it may issue that rank pari passu with the Notes. The issue of any such debt or securities may reduce the amount recoverable by Noteholders upon liquidation, dissolution or winding-up of the Issuer and may limit the ability of the Issuer to meet its obligations in respect of the Notes, and result in a Noteholder losing all or some of its investment in the Notes.

In addition, the Notes do not require the Issuer to comply with financial ratios or otherwise limit its ability or that of its subsidiaries to incur additional debt, nor do they limit the Issuer's ability to use cash to make investments or acquisitions, or the ability of the Issuer or its subsidiaries to pay dividends, repurchase shares or otherwise distribute cash to shareholders. Such actions could potentially affect the Issuer's ability to service its debt obligations, including those under the Notes.

The Issuer and its subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of indebtedness of third parties, including indebtedness or guarantees that rank senior in priority of payment to, or pari passu with, the Subordinated Notes.

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

The proposal for a regulation amending CRR published by the European Commission on 23 November 2016 provides that Subordinated Notes qualifying as Tier 2 instruments may not be subject to set-off or netting rights that would undermine their loss absorbing capacity in resolution. The exercise of set-off rights in respect of the Issuer's obligations under the Subordinated Notes upon the opening of a resolution procedure would be prohibited by Article 68 of BRRD (as transposed into Spanish law).

The Conditions provide that holders of Subordinated Notes waive any set-off, netting or compensation rights against any right, claim, or liability the Issuer has, may have or acquire against any such Noteholders, 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 Subordinated Notes against obligations owed by them to the Issuer.

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, but in the case of Subordinated Notes, subject to the prior consent of the Competent Authority, substitute in its place any of its wholly owned Subsidiaries or any other entity which is a Member Entity 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.

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**). 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, with the following information:

(i) identification of the Notes or Coupons;

(ii) income payment date (or refund if the Notes or Coupons are issued at a discount or segregated);

(iii) total amount of income (or total amount to be refunded if the Notes or Coupons are issued at a discount or segregated); and

(iv) total amount of the income corresponding to each clearing system located outside Spain.

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

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 per cent.) 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.

In the event a payment in respect of the Notes or Coupons is subject to Spanish withholding tax, the Issuer will pay the relevant Noteholder or Couponholder such additional amounts as may be necessary in order that the net amount received by such Noteholder or Couponholder after such withholding equals the sum of the respective amounts of principal and interest, if any, which would otherwise have been receivable in respect of the Notes or Coupons in the absence of such withholding.

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 per cent.) 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 ruling issued by the Spanish Tax Authorities (*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 therefore. In the event that the currently applicable procedures are modified, amended or supplemented by, among other things, any Spanish law, regulation, interpretation or ruling of the Spanish tax authorities, the Issuer will notify the holders of such information procedures and their implications, as the Issuer may be required to apply withholding tax on distributions in respect of the relevant securities if the holders do not comply with such information procedures.

Limitation on gross-up obligation under the Tier 2 Subordinated Notes

The Issuer's obligation to pay additional amounts in respect of any withholding or deduction in respect of taxes under the terms of the Tier 2 Subordinated Notes applies to payments of interest due and payable under the Tier 2 Subordinated Notes but not to payments of principal. As such, the Issuer would not be required to pay any additional amounts under the terms of the Tier 2 Subordinated Notes to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Tier 2 Subordinated Notes, holders of Tier 2 Subordinated Notes may receive less than the full amount due under the Tier 2 Subordinated Notes, and the market value of the Tier 2 Subordinated Notes may be adversely affected. Holders of Tier 2 Subordinated Notes should note that principal for these purposes may include any payments of premium.

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

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

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

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

Reliance on Euroclear and Clearstream, Luxembourg procedures

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

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

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

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 which may influence the amounts that can be received by the Noteholders during the term of the Notes and upon their redemption.

Risks related to the market generally

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

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

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

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

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes,

(2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

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

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

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

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

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes (including on an unsolicited basis). The ratings may not reflect the potential impact of all the risks related to structure, market, 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 regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this 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 Central Bank of Ireland and are incorporated by reference in this Offering Circular:

1. an English language translation of the audited consolidated financial statements of the GCC Group (including the auditors' report thereon, the notes thereto and the 2015 Directors' report) as of and for the year ended 31 December 2015 available for viewing on:

   https://www.bcc.es/en/pdf/informacion-para-inversores/cuentas-anuales-consolidadas-2015.pdf

2. an English language translation of the audited consolidated financial statements of the GCC Group (including the auditors' report thereon and notes thereto and the 2016 Directors' report) as of and for the year ended 31 December 2016 available for viewing on:

   https://www.bcc.es/en/pdf/informacion-para-inversores/cuentas-anuales-consolidadas-2016.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 2017 contained in the First Quarter 2017 Consolidated Results available for viewing on:

   https://www.bcc.es/en/pdf/informacion-para-inversores/resultados-consolidados-1T-2017.pdf

The audited consolidated financial statements for the years ended 31 December 2015 and 2016 indicated above have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (**IFRS-EU**), considering Circular 4/2004 of the Bank of Spain and subsequent amendments.

Copies of the documents specified above as containing information incorporated by reference in this Offering Circular may be inspected, free of charge, during usual business hours from the Issuer at Paseo de la Castellana 87, 28046, Madrid, Spain. 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 financial statements as of and for each of the years ended 31 December 2015 and 2016. 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 Central Bank of Ireland in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this 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.

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

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 under the Securities Act (**Regulation S**) and Registered Notes will be issued outside the United States in reliance on the exemption from registration 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.

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. 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. 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 and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also 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 under "*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 under the Securities Act) applicable to the Notes of such Tranche.

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 holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 23 May 2017 and executed by the Issuer. The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Conditions of the Notes, in which event a supplement to this Offering Circular or a new Offering Circular will be made available which will describe the effect of the agreement reached in relation to such Notes.

FORM OF FINAL TERMS

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes[, from 1 January 2018,] are not intended to be offered, sold or otherwise made available to and[, with effect from such date,] should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**MiFID II**); (ii) a customer within the meaning of Directive 2002/92/EC (**IMD**), 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 Directive 2003/71/EC (as amended, the **Prospectus Directive**). Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

Set out below is the form of Final Terms which will be completed for each Tranche of Notes which have a denomination of €100,000 (or its equivalent in any other currency) or more issued under the Programme.

[*Date*]

BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.

Issue of [●] [Title of Notes]
under the EURO450,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated [23] May 2017 [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the Central Bank of Ireland's website at http://www.centralbank.ie and on the website of the Irish Stock Exchange at www.ise.ie. In addition, if the Notes are to be admitted to trading on the regulated market of the Irish Stock Exchange, copies of the Final Terms will be published on the website of the Irish Stock Exchange at *www.ise.ie*.

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

1.	(a)	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	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue

		Series:	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) and be in integral multiples of €100,000)*
	(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]] +/- [ ] 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] [Issuer Call] [Issuer Call – Capital Event] [Issuer Call – Eligible Liabilities Event] [(see paragraph [18]/[19]/[20]/[21] below)] [Not Applicable]
13.	(a)	Status of the Notes:	[Senior 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 arrears 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	[ ] [, subject to adjustment in accordance with

	Interest Payment Dates:	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]
	• Interest Determination Date(s):	[ ] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
	• Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
(g)	ISDA Determination:	
	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]
	• Reset Date:	[ ] (*In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period*)
(h)	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 (*Redemption for tax reasons)*:		Minimum period: [30] days Maximum period: [60] days
18.	Call Option Capital Event (Condition 8.4):		[Applicable/Not Applicable] (*may only be applicable for Tier 2 Subordinated Notes*)
19.	Eligible Liabilities Event (Condition 8.5):		[Applicable/Not Applicable] (*may only be applicable for Senior Subordinated Notes*)
20.	Issuer Call (Condition 8.3):		[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)	If redeemable in part:	
		(i) Minimum Redemption Amount:	[ ]
		(ii) Maximum Redemption Amount:	[ ]
	(d)	Notice periods:	Minimum period: [15] days Maximum period: [30] 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: [30] 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

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. 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 depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]

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

25. 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 sub-paragraphs 16(c) relates)
26.	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]

[**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 the Irish Stock Exchange for the Notes to be admitted to [the Official List of the Irish Stock Exchange] and admitted to trading on [the Regulated Market of the Irish Stock Exchange)] 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 and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**)] (*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 16 of the Prospectus Directive.*)

4. REASONS FOR THE OFFER

Reasons for the offer:	[ ] (*Detail if different from "Use of Proceeds" section in Offering Circular*)

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)	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(iv)	Delivery:	Delivery [against/free of] payment
(v)	Names and addresses of additional Paying Agent(s) (if any):	[ ]

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

TERMS AND CONDITIONS OF THE NOTES

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

This Note is one of a Series (as defined below) of Notes issued by 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; and

(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 Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 23 May 2017 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 Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU).

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.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 23 May 2017 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

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

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

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

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 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).

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 14.2(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 come into effect in place thereof, 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.

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 26th 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.

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.

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.

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

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, as amended or replaced.

RD 84/2015 means Royal Decree 84/2015, of 13 February, implementing Law 10/2014, as amended or replaced.

Regulating Contract means the regulating contract of the Grupo Cooperativo Cajamar dated 21 October 2014.

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).

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

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 14.2(b) of Law 11/2015, as amended or replaced.

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 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 but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**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 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 under the Senior Notes and any relative Coupons constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 5 (*Negative Pledge*) unsecured obligations (*créditos ordinarios*) of the Issuer. Upon the insolvency (*concurso*) of the Issuer, the payment obligations of Senior Notes in respect of principal will rank pari passu among themselves and with all other unsecured and unsubordinated obligations (*créditos ordinarios*) of the Issuer (except for obligations which by law and/or their terms, and to the extent permitted by Spanish law, rank senior) unless they qualify as subordinated claims pursuant to article 92 of the Insolvency Law, and subject to any applicable legal and statutory exceptions and subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise).

3.2 Status of the Subordinated Notes

The payment obligations of the Issuer under the Subordinated Notes whether on account of principal, interest or otherwise, constitute direct, unconditional and subordinated obligations of the Issuer. In accordance with Article 92 of the Insolvency Law and Additional Provision 14.2º of Law 11/2015 (but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise)), upon the insolvency of the Issuer the payment obligations of the Issuer under the Subordinated Notes in respect of principal (unless they qualify as subordinated claims pursuant to Articles 92.3º to 92.7º of the Insolvency Law), will rank:

(a) for so long as the obligations of the Issuer under the relevant Subordinated Notes do not qualify as Tier 2 Instruments or Additional Tier 1 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 92.3º to 92.7º 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 92.3º to 92.7º 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; (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; and

(b) for so long as the obligations of the Issuer in respect of the relevant Subordinated Notes qualify as a 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 92.3º to 92.7º 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 Tier 2 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 92.3º to 92.7º 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 Tier 2 Subordinated Notes; and

(iii) **junior** to (i) any unsubordinated obligations of the Issuer; (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 92.3º to 92.7º 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 Tier 2 Subordinated Notes.

4. WAIVER OF SET-OFF

No holder of any Subordinated 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 Subordinated Note) and each holder of any Subordinated 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 Subordinated Note to any holder of such Subordinated 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 Subordinated 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 Subordinated Note for deduction, set-off, netting, compensation, retention or counterclaim arising directly or indirectly under or in connection with any Subordinated Note.

5. NEGATIVE PLEDGE

5.1 Negative Pledge for the Senior Notes

This Condition 5.1 applies to the Senior Notes only. So long as any Senior Note remains outstanding (as defined in the Agency Agreement), the Issuer will not (and shall procure that no Relevant Entity shall) grant any preference or priority or create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertakings, assets, property or revenues (including uncalled capital), present or future, to secure (a) payment of any Relevant Indebtedness or (b) payment under any Guarantee granted by the Issuer or any Relevant Entity in respect of any Relevant Indebtedness, without at the same time or prior thereto securing such Notes equally and rateably therewith or providing such other security for such Notes as may be approved by an Extraordinary Resolution (as defined in the Agency Agreement) at a meeting of Noteholders of the relevant Series of Notes.

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 relevant 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 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) 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 London and 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

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

(A) the offered quotation; or

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

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such 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.

(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 represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or

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

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

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

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

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 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

D_2 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:

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

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 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

D_2 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:

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

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

$\mathbf{Y_2}$ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$\mathbf{M_1}$ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

$\mathbf{M_2}$ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$\mathbf{D_1}$ 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

$\mathbf{D_2}$ 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 6.1 (*Interest on Fixed 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 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 unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 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 unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

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

If the due date for redemption of any definitive 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*).

8. REDEMPTION AND PURCHASE

8.1 Redemption at maturity

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

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:

(a) in making any payments on the Notes (i) the Issuer has or will or would be required to pay additional amounts as provided or referred to in Condition 9 (*Taxation)* or (ii) (in the case of Subordinated Notes only) the Issuer would not be entitled to claim a deduction in computing its taxation liabilities in Spain 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, in each case 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; and

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

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (i) would be obliged to pay such additional amounts or (ii) (in the case of Subordinated Notes only) would not be entitled to claim such deduction or the value of such deduction would be materially reduced, in each case, were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall 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.

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 is subject to the prior consent of the Competent Authority if and as required therefor under Applicable Banking Regulations and may only take place in accordance with Applicable Banking 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): Senior Subordinated 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 which shall not be redeemed unless in compliance with the Applicable Banking Regulations then in force and subject to the prior consent of the Competent Authority, if required, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 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 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 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, 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 subject to the prior consent of the Competent Authority if required pursuant to such regulations, at any time, on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 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 principal amount of the Tier 2 Subordinated Notes is not eligible for inclusion in whole or, to the extent not prohibited by the Applicable Banking Regulation, in part in the Tier 2 Capital of the Issuer and/or the GCC Group pursuant to Applicable Banking

Regulations (other than as a result of any applicable limitation on the amount of such capital as applicable to the Issuer).

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): Senior Subordinated Notes

If the Notes are Senior Subordinated Notes and Eligible Liabilities Event is specified as applicable in the applicable Final Terms, then if an Eligible Liabilities Event occurs, the Senior 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 subject to the prior consent of the Competent Authority if required pursuant to such regulations, at any time, on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 16 (*Notices*), the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption).

Senior 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 the determination by the Issuer after consultation with the Competent Authority that the Senior Subordinated Notes are not eligible for inclusion in the amount of eligible liabilities of the Issuer and/or the GCC Group for the purposes of Article 45 of the BRRD (as implemented in Spain and including any amendment or replacement of the relevant implementing provisions) or Applicable Banking Regulations or any other regulations applicable in Spain from time to time, provided that an Eligible Liabilities Event shall not occur where such ineligibility for inclusion of the Senior Subordinated Notes in the amount of eligible liabilities is due to the remaining maturity (or effective remaining maturity where the Senior Subordinated Notes are subject to an Investor Put) of the Senior Subordinated Notes being less than any period prescribed by any applicable eligibility criteria under Applicable Banking Regulations (or any other regulations applicable in Spain from time to time) effective on the Issue Date of the first Tranche of Notes.

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

This Condition 8.6 applies to Senior Notes and Senior Subordinated Notes, if allowed under the Applicable Banking 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): Senior Subordinated 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 at any time 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.

The Issuer or any agent on its behalf shall have the right at all times to purchase Tier 2 Subordinated Notes for market making purposes provided that: (a) the Issuer has obtained prior approval of the Competent Authority therefor; and (b) the total principal amount of Notes so purchased does not exceed the lower of (x) 10 per cent. of the initial aggregate principal amount of Notes of the relevant Series and any further Notes of the relevant Series issued under Condition 18 (*Further Issues*), or (y) 3 per cent. of the Tier 2 Capital of the Issuer outstanding at the relevant time calculated in accordance with the Applicable Banking Regulations.

In the case of Subordinated 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 consent of the Competent Authority, if and as 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, and these may not be repurchased before five years after the date of issuance (Article 63(j) of the CRR).

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 of principal, interest and other amounts payable 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 (other than to the extent arising in respect of payments of principal of Tier 2 Subordinated Notes) 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 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) 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 Spain other than (i) the mere holding of such Note or Coupon or (ii) the receipt of any payment in respect of the Notes or Coupons; or

(b) 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

(c) 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

(d) to, or to a third party on behalf of, a Spanish-resident legal entity subject to Spanish Corporation Income Tax if the Spanish Tax Authorities determine that the Notes do not comply with applicable exemption requirements including those specified in the Reply to a Non-Binding Consultation of the Directorate General for Taxation (Dirección General de Tributos) dated 27 July 2004 and require a withholding to be made.

As used herein:

(i) **Tax Jurisdiction** means Spain or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it on the Notes or any other jurisdiction or any political subdivision or any authority thereof or therein having the power to tax to which payments made by the Issuer of principal or interest on the Notes or Coupons generally become subject 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

The Notes (whether in bearer or registered form) and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9 (*Taxation*) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 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 Senior Notes

This Condition 11.1 only applies to Senior Notes. If any one or more of the following events (each an **Event of Default**) shall occur and be continuing:

(a) ***Non-payment***: the Issuer fails to pay any amount of principal in respect of the Notes within 14 days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 21 days of the due date for payment thereof; or

(b) ***Breach of other obligations:*** the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or, as the case may be, the Agency Agreement, as the case may be, the Deed of Covenant and such default remains unremedied for 30 days or after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer; or

(c) ***Cross-default of Issuer or Relevant 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 sub-paragraph (i) and/or sub-paragraph (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 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 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 dissolution or winding up 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 Contract***:

(i) the Regulating Contract 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 Entity that is a Relevant Entity ceases to be bound by the Regulating Contract,

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 Investor Services 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 Subordinated Notes

This Condition 11.2 only applies to Subordinated Notes and references to "Notes" shall be construed accordingly.

If any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer (except in any such case for the purpose of a Permitted Reorganisation (as defined in Condition 11.1 (*Events of Default – Events of Default relating to Senior Notes*) above, save that references therein to "senior debt" shall be deemed 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.

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. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

13. AGENTS

The 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. BAIL-IN 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 Spanish Bail-in 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 Bail-in 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 Spanish Bail-in 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 Spanish Bail-in Power by the Relevant Resolution Authority with respect to the Issuer, nor the exercise of the Bail in 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 Bail-in 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 Bail-in 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 Bail-in 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 Bail-in Power by the Relevant Resolution Authority.

(f) *Proration*: If the Relevant Resolution Authority exercises the Bail-in 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 Bail-in Power will be made on a pro-rata basis.

(g) *Conditions 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, 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 Bail-in Power by the Relevant Resolution Authority;

Bail-in 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) Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the SRM and the Single Resolution Fund and amending Regulation (EU) No. 1093/2010 (as amended or superseded from time to time, 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 Bail-in 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 Bail-in 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 the Irish Stock Exchange, on the Irish Stock Exchange's website, www.ise.ie. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the 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 after 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

The Agency Agreement 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. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than 10 per cent. in nominal amount of the relevant Series of Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons or amending the Deed of Covenant in certain respects), the quorum shall be one or more persons holding or representing not less than three-fourths in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-fourth in nominal amount of the Notes for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) 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 three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting, and whether or not they voted on the resolution, and on all Couponholders.

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.

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, in the case of Subordinated Notes, subject to the prior consent of the Competent Authority, be replaced and substituted by any of its wholly owned Subsidiaries or by any other entity which is a Member Entity 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) and the Substituted Debtor have entered into a deed poll and such other documents (the **Documents**) as are necessary to give effect to the substitution and in which the Substituted Debtor has undertaken in favour of each Noteholder of the Relevant Notes to be bound by these Conditions and the provisions of the Agency Agreement and the Deed of Covenant as the debtor in respect of such Notes in place of the Issuer (or of any previous substitute under this Condition 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 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) legal opinions 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 of jurisdiction of the Documents that upon the substitution taking place the Documents (including the New Guarantee given by the Issuer in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the Issuer enforceable in accordance with their terms;

(viii) a legal opinion shall have been delivered to the 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 England that upon the substitution taking place the Documents (including the New Guarantee given by the Issuer in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the parties thereto under English law;

(ix) any rating agency which has issued a rating in connection with the Relevant Notes shall have confirmed 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) under the Relevant Notes and any related Coupons or Talons and the Agency Agreement and the Deed of Covenant with the same effect as if the Substituted Debtor had been named as the principal debtor in place of the Issuer herein, and the Issuer or any previous substitute under these provisions shall, upon the execution of the Documents be released from its obligations under the Relevant Notes and any related Coupons or Talons and under the Agency Agreement and the Deed of Covenant.

(c) After a substitution pursuant to Condition 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 relations to the Notes or the Documents shall not have been finally adjudicated or settled or discharged. Copies of the Documents will be available free of charge at the specified office of each of the Agents.

(f) Not later than 15 Business Days after the execution of the Documents, the Substituted Debtor shall give notice thereof to the Noteholders in accordance with Condition 16 (*Notices*).

20. 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.

21. GOVERNING LAW AND SUBMISSION TO JURISDICTION

21.1 Governing law

The status of the Notes, the capacity of the Issuer and the relevant corporate resolutions will be governed by Spanish law. The Agency Agreement, the Deed of Covenant, the Notes (save as provided above), the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes and the Coupons are governed by, and construed in accordance with, English law. The Notes are issued in accordance with the formalities prescribed by Spanish company law.

21.2 Submission to jurisdiction

(a) Subject to Condition 21.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the with the Notes and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons (a **Dispute**) and accordingly each of the Issuer and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(b) For the purposes of this Condition 21.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(c) To the extent allowed by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

21.3 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.

21.4 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) who 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 Member Entities 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 Españ*a) 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 (the **Cajas Rurales Unidas Cooperative Group**)) together with 13 other shareholders who were external to the Cajas Rurales Unidas Cooperative Group. The merger of Cajamar Caja Rural Sociedad Cooperativo de Crédito and Caja Rural de Mediterráneo, Ruralcaja, Sociedad Cooperativa de Crédito in November 2012 led to the incorporation of Cajas Rurales Unidas, Sociedad Cooperativo de Crédito (the merger took place without state aid). As at 31 December 2016, the share capital was €1,049 million, being shareholders the 19 credit cooperatives of the GCC Group, 19 external shareholders and 23 individuals. As at the date of this Offering Circular, a further 2 institutions, none of whom are members of the GCC Group, together with 1 individual, who is a Board member of BCC, had become shareholders of BCC following capital raisings in March 2017. 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.

Grupo Cooperativo Cajamar

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 members of the cooperative group are obliged to comply with the directions of the lead company, such that there is decision-making unity within the exercise of the powers of the lead company.

The general obligations assumed by each member of the cooperative group are required by Spanish law to be set out in writing. The members of the GCC Group have set out their rights and obligations, as well as the competencies delegated to BCC, in the Regulating Contract of the GCC Group (the **Regulating Contract**), which in accordance with Spanish law was notarised and raised to a public deed on 21 October 2014.

The GCC Group has replaced and continued with the business of the former Cajas Rurales Unidas Cooperative Group.

The participating credit cooperatives that form the GCC Group together with BCC (the **Member Entities**), 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	**Assembly Date**
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

[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.

Entity	Assembly Date
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'Uxio, 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
Caja Rural Albalat dels Sorells, Sociedad Cooperativa de Crédito	28/11/2013
Caixa Rural de Torrent, Cooperativa de Credit Valenciana	28/11/2013

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 Contract, can become Member Entities of the GCC Group. The one exception to this is the management company of the GCC Group, BCC, which is a private bank.

Member Entities may not transfer their position in the GCC Group nor the rights and obligations of any nature arising from such membership to any third party. The GCC Group was created with the aim of forming a stable credit cooperative organisation and therefore the duration of membership of the GCC Group is unlimited, although there is a mandatory minimum period of ten consecutive years for Member Entities measured from its date of incorporation into the GCC Group and the GCC IPS regulated by the Regulating Contract. After this minimum membership period has elapsed, voluntary exit from the GCC Group may be requested with prior notice of at least two years, provided prior authorisation is obtained from the supervisory authorities. As an exception, the member entity Cajamar, which accounts for over 90 per cent. of the GCC Group’s loans to customers, and branches, has a specific commitment to remain part of the GCC Group for an indefinite period 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 the parent entity (BCC).

The admission of a new credit cooperative to the GCC Group is decided by BCC following a non-binding report prepared by the General Assembly of Member Entities regarding the strategic interest and the financial condition of the candidate. If a candidate's application is accepted, the new member will be obligated to acquire a proportion of BCC's share capital either by taking up shares in a capital increase or by purchasing shares from one of its existing shareholders. Member Entities 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. Member Entities may only transfer shares in BCC to other Member Entities and/or third parties with the prior permission of BCC.

Member Entities maintain their own legal status but delegate various powers to BCC under the Regulating Contract, as more fully described below.

Objectives and Operating Structure of the GCC Group

Under the Regulating Contract, the Member Entities 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, budgeting of the GCC Group and its Member Entities, issuance of instruments qualifying as own funds (except contributions to the capital of Member Entities by their cooperative members), policies, procedures and risk controls, cash management, business plan, geographical expansion and determining the size of the network, internal control and audit, personnel policies, technology and information platforms, determining the remuneration framework for capital contributions and determining the distribution or application of profits. In addition Cajamar has delegated authorisation for the reimbursement of capital contributions that are requested in order to safeguard the GCC Group's solvency to BCC. BCC's instructions and decisions are binding for all Member Entities.

Each Member Entity 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 Contract.

Thus, BCC has the power to represent the GCC Group and its Member Entities, but each Member Entity 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 financial statements

Pursuant to the Regulating Contract, BCC is responsible for preparing, in addition to its own annual financial statements, the consolidated annual financial statements of the GCC Group (including the financial information of each of the Member Entities).

Thus, the consolidated audited annual financial statements of BCC reflect the assets, liabilities and business of the various Member Entities comprising the GCC Group.

Mutualisation of GCC Group results

The mutualisation of results consists of an obligation of reciprocal financial assistance in the form a solvency and liquidity guarantee between the Member Entities. 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 Entity is required to commit in order to provide financial assistance to guarantee the solvency of other Member Entities is 100 per cent. of its total equity.

Each year the Member Entities are required to contribute 100 per cent. of their respective gross results to a fund to be distributed in its entirety to Member Entities in proportion to their respective interest in the GCC Group equity.

Each Member Entity’s interest in total GCC Group equity is calculated taking into consideration the following definitions:

- Gross profit / loss: pre-tax profit made in the financial year or calculation period by each member entity as reflected in their individual financial statements, excluding (i) amounts recognised due to previous pooling within the same calculation period, (ii) dividends or any other kind of payment due

to equity interests in any other Member Entity and (iii) impairment losses on holdings in the share capital of GCC Group entities.

- Member entity's equity: amount reflected under equity on the published financial statements of each entity less the book value of equity interests held in any other member entity.

- GCC Group equity: sum of equity of all GCC Group entities, as defined above.

The pooling rate applicable to each Member Entity 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 2016, the pooling rate of BCC was 35.64 per cent., compared with 35.74 per cent. at 31 December 2015.

Solvency and Liquidity Commitments

The Regulating Contract sets out that BCC is responsible for monitoring the solvency and liquidity of the GCC Group and all the Member Entities, and for agreeing the assistance measures to be adopted in order to help any Member Entity that might undergo solvency difficulties. Member Entities must comply with the binding instructions issued by BCC in accordance with the powers delegated to it under the Regulating Contract in order to safeguard the solvency and liquidity of all Member Entities.

The GCC Group guarantees the solvency and liquidity of the Member Entities in the terms set out in the Regulating Contract. To achieve this, the Member Entities provide each other with mutual guarantees. These mutual guarantees imply that the GCC Group must meet, if necessary, the Member Entities' payment obligations toward non-subordinated creditors. However, these mutual guarantees are understood by Member Entities to be available only as a last resort, and in particular should only be required when a Member Entity is involved in insolvency proceedings or liquidation.

Liability for payment obligations with third parties and financing obligations assumed by each Member Entity is joint and several, without prejudice to the right of recourse of the Member Entities that meet such obligations against the other Member Entities that do not, in proportion to each of their regulatory minimum equity in respect of the latest completed financial year.

As a preventive measure to avoid a Member Entity entering into insolvency, BCC (either at the request of the relevant Member Entity or on its own initiative) may determine what measures can be applied to assist the Member Entity in difficulty. In particular, these measures may include:

- the acquisition of assets;

- contributions to share capital and subscription of shares;

- subscription and payment of bonds, equivalent securities or subordinated debt treated as equity;

- liquidity loans;

- guarantees and securities against third parties; and

- any other measures that are feasible and consistent with the resolution of the difficulties affecting the relevant Member Entity.

(i) Solvency commitment

The Regulating Contract stipulates solvency obligations for the Member Entities 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 Member Entities unconditionally undertake to maintain. Additionally, a mandatory capitalisation plan has been established in the event that any Member Entities report a shortfall with respect to their objective.

Member Entities are required to have a sufficient level of eligible equity to cover the minimum solvency requirements laid down by the GCC Group.

BCC is responsible for monitoring each Member Entity's compliance with legal minimum capital requirements and the solvency commitments provided for in the Regulating Contract.

If a Member Entity 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 Member Entities or a combination of these two measures. Any such recapitalisation plan would require the approval of BCC.

(ii) Liquidity commitment

The Regulating Contract similarly envisages a liquidity commitment for Member Entities, and in the event of any lack of liquidity for any Member Entity it includes a liquidity plan in order to enable that Member Entity to return to acceptable levels of liquidity.

BCC must monitor each Member Entity's compliance with the liquidity commitments provided for in the Regulating Contract, whenever such a Member Entity joins the GCC Group and at any other time.

The liquidity commitments of Member Entities consist of:

(a) maintaining the liquidity ratio established for the GCC Group; and

(b) providing financial assistance in cases of illiquidity.

Member Entities 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 Member Entities, 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 Member Entities in order to avoid their insolvency.

If a liquidity plan is required to be implemented in respect of any Member Entity, the measures contemplated may include:

- the sale of assets;
- special measure to adapt funding and investment positions in order to reduce net exposure;
- obtaining wholesale funding; and
- any other measures that contribute to resolving the liquidity crisis of the affected Member Entity.

Member Entities may not obtain short-term wholesale funding outside the GCC Group, unless expressly authorised by BCC.

Termination of GCC Group Membership

After the minimum membership period of ten years has elapsed, a Member Entity may leave the GCC Group voluntarily with at least 24 months prior notice to BCC, provided prior authorisation is obtained from the supervisory authorities. As an exception, Cajamar (formerly, Cajas Rurales Unidas, Sociedad Cooperativa de Crédito) which was the former parent entity of the Cajas Rurales Unidas Cooperative Group has undertaken 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 Entity may be required to sell and transfer the shares it owns to BCC or other Member Entities (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 Member Entities 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 Entity exits the GCC Group. A Member Entity seeking voluntary separation from the GCC Group would also be subject to a charge in an amount equivalent to 2 per cent. of the total average assets of such Member Entity. Additionally, the voluntary separation of a Member Entity must be authorised by the Bank of Spain (*Banco de España*).

Any amendment of certain aspects of the Regulating Contract may give rise to a right of Member Entities 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 Contract which the Member Entity in question had voted against, and which necessarily consists of one of the following circumstances:

- A significant increase in the powers delegated by Member Entities to BCC, provided that this does not result from a regulatory change or is not supported by at least half of the Member Entities (other than BCC); or

- A unilateral reduction by BCC of over half the maximum credit risk limits initially established in the manuals referred to in the Regulating Contract, provided that such reduction does not result from: compliance with mandatory regulations or from a requirement or recommendation by the Bank of Spain (*Banco de España*); disciplinary measures; or is not supported by at least half of the Member Entities (other than BCC).

The membership of a Member Entity in the GCC Group may be terminated upon 12 months prior notice if the relevant Member Entity ceases to meet the requirements for GCC Group membership or if it commits a serious breach of its obligations under the Regulating Contract. This termination is subject to the approval of BCC's Board of Directors. In this event the Member Entity 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 (24 months in the case of voluntary separation, and 12 months in the case of termination), the Member Entity concerned will lose all of its voting rights as a Member Entity 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 Member Entities. Furthermore, the relevant Member Entity 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 a 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 Public consultation 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 Member Entities that participate. BCC provides all central services and functions for the existing Member Entities 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.

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. Since BCC was only incorporated at the beginning of 2014, as at the date of this Offering Circular its activities (on an individual basis) are mainly limited to, on the asset side, managing investment portfolios, deposits with credit institutions (which may or may not be Member Entities of the GCC Group) and an increasing portfolio of loans and receivables to other debtors, while on the liabilities side its activities are limited to deposits of central banks, deposits of credit institutions (which may or may not be Member Entities of the GCC Group) and temporary assignments of shares (repurchase agreements). Financial services to both individual and corporate clients account for a very small volume of its activities.

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 Member Entities have delegated certain functions and competencies to BCC in accordance with the Regulating Contract. The principal activities of BCC in respect of this role include the preparation and filing of the consolidated financial statements of the GCC Group, liaising on behalf of the GCC Group and each of the Member Entities 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 Member Entities and the GCC Group as a whole and exercising all other powers delegated by the Member Entities under the Regulating Contract. BCC is also responsible for monitoring the solvency and liquidity of the GCC Group and each of the Member Entities and the distribution of the profits of the Member Entities.

Business activities of the GCC Group

The Member Entities 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 Member Entities 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 2016, the GCC Group had total assets of €39,166 million, compared with €40,461 million at 31 December 2015. Loans and receivables represented €29,811 million of that amount in 2016 (compared with €30,440 million in 2015), of which €297 million (€265 million in 2015) consisted of loans and advances to credit institutions and €29,476 million (€30,125 million in 2015) consisted of loans and advances to other debtors. In terms of the GCC Group's liabilities, at 31 December 2016 it held €5,087 million in deposits from central banks (€3,865 million in 2015), €757 million deposits from credit institutions (€975 million in 2015), €26,801 million deposits from other creditors (€29,136 million in 2015) and €2,352 million debt certificates including bonds (€2,759 million in 2015).

The Member Entities 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 financial statements.

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 2016 and 2015:

	31/12/16	**31/12/15**
(Thousands of euro)		
Deposits from central banks	5,087,000	3,865,204
Deposits from credit institutions	757,410	975,247
Deposits from other creditors	26,800,734	29,135,892
Total	32,645,144	33,976,344

The following table sets out the breakdown of customer deposits on a consolidated basis for the GCC Group at 31 December 2016 and 2015:

	31/12/16	31/12/15
(Thousands of euro)		
Demand deposits	14,888,151	12,386,693
Term deposits[(1)]	9,679,210	13,267,128
Others[(2)]	2,233,372	3,482,071
Total deposits from other creditors	26,800,734	29,135,892

(1) Only residents in Spain. Term deposits include €831 million of securitisations sold in wholesale markets in 2016 (€1,061 million in 2015).

(2) Other customer deposits include repurchase (repo) transactions, deposits from Spanish public administrations and deposits from non-residents in Spain.

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 2016 and 2015 by type of customer and portfolio:

	31/12/16		31/12/15	
	Exposure (Thousands of euro)	**Distribution (%)**	**Exposure (Thousands of euro)**	**Distribution (%)**
Retail	**24,757,817**	**72.21%**	**25,637,376**	**71.70%**
Home	13,924,787	40.61%	14,513,619	40.59%
Other financing for families	2,161,112	6.30%	2,403,005	6.72%
Automatically renewable	571,403	1.67%	539,497	1.51%
Small businesses	5,230,714	15.26%	5,385,941	15.06%
Agri-food retail	2,869,802	8.37%	2,795,315	7.82%
Corporate	**7,841,738**	**22.87%**	**8,299,444**	**23.21%**
Developers	2,357,629	6.88%	3,271,333	9.15%
Corporate agri-food	2,840,752	8.29%	2,602,113	7.28%
SMEs	1,878,486	5.48%	1,793,218	5.02%
Large businesses	764,871	2.23%	632,780	1.77%
Public administrations	**1,127,705**	**3.29%**	**1,215,607**	**3.40%**
Non-profit organisations	**227,299**	**0.66%**	**240,983**	**0.67%**

	31/12/16		31/12/15	
	Exposure (Thousands of euro)	**Distribution (%)**	**Exposure (Thousands of euro)**	**Distribution (%)**
Financial intermediaries	**330,906**	**0.97%**	**361,216**	**1.01%**
Total Credit Portfolio	**34,285,465**	**100%**	**35,754,626**	**100%**

The figures presented in the table above correspond to the information managed by the Loan Book Control Division and not the balance sheet figures. They include customer loans and advances, contingent liabilities, undrawn balances available for withdrawal by third parties (with the exception of developer loans which exclude amounts available for withdrawal due to subrogations), non-performing and written-off assets and loans securitised and derecognised; they do not include impairment charges.

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. At the date of this Offering Circular these were Trea Cajamar Corto Plazo (euro fixed income), Trea Cajamar Renta Fija (international fixed income), Trea Cajamar Patrimonio, Trea Cajamar Valor and Trea Cajamar Crecimiento (balanced funds), Trea Cajamar Renta Variable España, Trea Cajamar Renta Variable Europa and Trea Cajamar Renta Variable Internacional (equity funds) and Trea Cajamar Flexible (absolute return fund).

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 2015, the number of branches was 1,257, and as at 31 December 2016 the GCC Group operates in the market through 1,191 branches. The following table details these branches by province and autonomous community across the Kingdom of Spain:

	Number of GCC Group branches	
Province	**2016**	**2015**
ANDALUCIA	322	346
Almeria	156	171
Cádiz	11	11
Córdoba	6	6
Granada	22	22
Huelva	5	5
Jaén	6	5
Málaga	110	120
Sevilla	6	6
ARAGÓN	1	1
Zaragoza	1	1
ASTURIAS	1	1
BALEARES	24	26
CANARIAS	61	67
Las Palmas	44	49
Santa Cruz de Tenerife	17	18
CANTABRIA	2	2
CASTILLA LA MANCHA	20	19
Albacete	8	7
Ciudad Real	4	2
Cuenca	6	8
Guadalajara	1	1

	Number of GCC Group branches	
Province	**2016**	**2015**
Toledo	1	1
CASTILLA LEÓN	85	85
Ávila	6	6
Burgos	3	3
León	10	10
Palencia	16	16
Salamanca	2	2
Segovia	2	2
Soria	1	1
Valladolid	42	42
Zamora	3	3
CATALUÑA	39	41
Barcelona	29	32
Gerona	3	2
Lérida	1	1
Tarragona	6	6
COMUNIDAD VALENCIANA	425	452
Alicante	102	108
Castellón	84	90
Valencia	239	254
EXTREMADURA	1	-
Badajoz	1	-
GALICIA	3	3
A Coruña	2	2
Ourense	1	1
LA RIOJA	2	2
MADRID	36	36
MURCIA	163	170
NAVARRA	4	4
CEUTA	1	1
MELILLA	1	1
	1,191	**1,257**

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

The Board of Directors of BCC is currently 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.

Name of the Director	Current position in the Board
Mr. Luis Rodríguez González [(1)]	Chairman
Ms. Marta de Castro Aparicio [(3)]	Deputy Chairwoman
Mr. Manuel Yebra Sola [(4)]	Managing Director
Mr. Antonio Luque Luque [(1)]	Member
Mr. Juan Carlos Rico Mateo [(1)]	Member
Mr. Joan Bautista Mir Piqueras [(1)]	Member
Mr. José Antonio García Pérez [(2)]	Member
Mr. Francisco de Oña Navarro [(3)]	Member
Mr. Bernabé Sánchez-Minguet Martinez [(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. Antonio Cantón Góngora [(3)]	Member

[(1)] Proprietary director representing Cajamar.

[(2)] Proprietary director representing GCC Group Member Entities 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	• Chairman – CEO of Refinería de Olmedo, S.A. • Board member of Acor & Tereos Iberia, S.A. • Joint and several CEO of Rico Mateo, S.L. • Joint and several director of Rico Solar, S.L.

Name of the Director	Activity outside of BCC
	• Chairman of Iberlíquidos, S.L.
	• Chairman – CEO of Agroproducciones Oleaginosas, S.L.
	• Chairman of Acor Sociedad Cooperativa General Agropecuaria
	• CEO of SAT La Arroyada
Ms. Amparo Ribera Mataix	• Joint and several director of Meltina Diversa, S.L.
Mr. Antonio Luque Luque	• Joint CEO of Qorteba Internacional, S.L.
	• Board member of Mercaoleo, S.L.
	• Board member of La Perdiz Hazuelas, S.L.
Mr. Joan Bautista Mir Piqueras	• Board member of Agricultura y Conservas, S.A.
Ms. María Teresa Vázquez Calo	• Director of AS Law International Business SLP
Mr. Carlos Pedro de la Higuera Pérez	• Director of Proyectos Gredos San Diego S.L.
	• Board member of Servicios y Estudios de Seguros-Correduría de Seguros S.A.
Mr. Hilario Hernández Marqués	• CEO de Hernández Marqués Abogados, SLP
Mr. Antonio Cantón Góngora	• Chairman of Maintenance Development S.A.
	• Chairman of Servicios Hoteleros La Catedral S.L.

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 the date hereof 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. Francisco de Oña Navarro	Mr. Antonio Cantón Góngora	Mr. Hilario Hernández Marqués
Member	Ms. Marta de Castro Aparicio	Ms. María Teresa Vázquez Calo	Mr. Antonio Luque Luque	Mr. Luis Rodríguez González	Mr. Luis Rodríguez González	Mr. Juan Carlos Rico
Member	Mr. Manuel Yebra Sola	Mr. Hilario Hernández Marqués	Ms. María Teresa Vázquez Calo	Ms. Marta de Castro Aparicio	Mr. Antonio Luque Luque	Mr. Francisco de Oña

Position	Executive Committee	Audit Committee	Appointments Committee	Risk Committee	Business Strategy Committee	Remunerations Committee
Member	Mr. Bernabé Sánchez-Minguet Martínez	Mr. Francisco de Oña Navarro	Mr. Carlos Pedro de la Higuera Pérez	Mr. Joan Bautista Mir Piqueras	Mr. Juan Carlos Rico Mateo	Mr. Carlos Pedro de la Higuera
Member	Mr. Francisco de Oña Navarro	Mr. Antonio Cantón Góngora	-	Mr. José Antonio García Pérez	Mr. Joan Bautista Mir Piqueras	-
Member	Ms. Amparo Ribera Mataix	-	-	Ms. Maria Teresa Vázquez Calo	Mr. José Antonio García Pérez	-
CRO	-	-	-	Mr. Fernando José Fernández Martínez(*)		-
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(*)	-	-	-		-

(*) Non-director

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 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 Entity.

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.

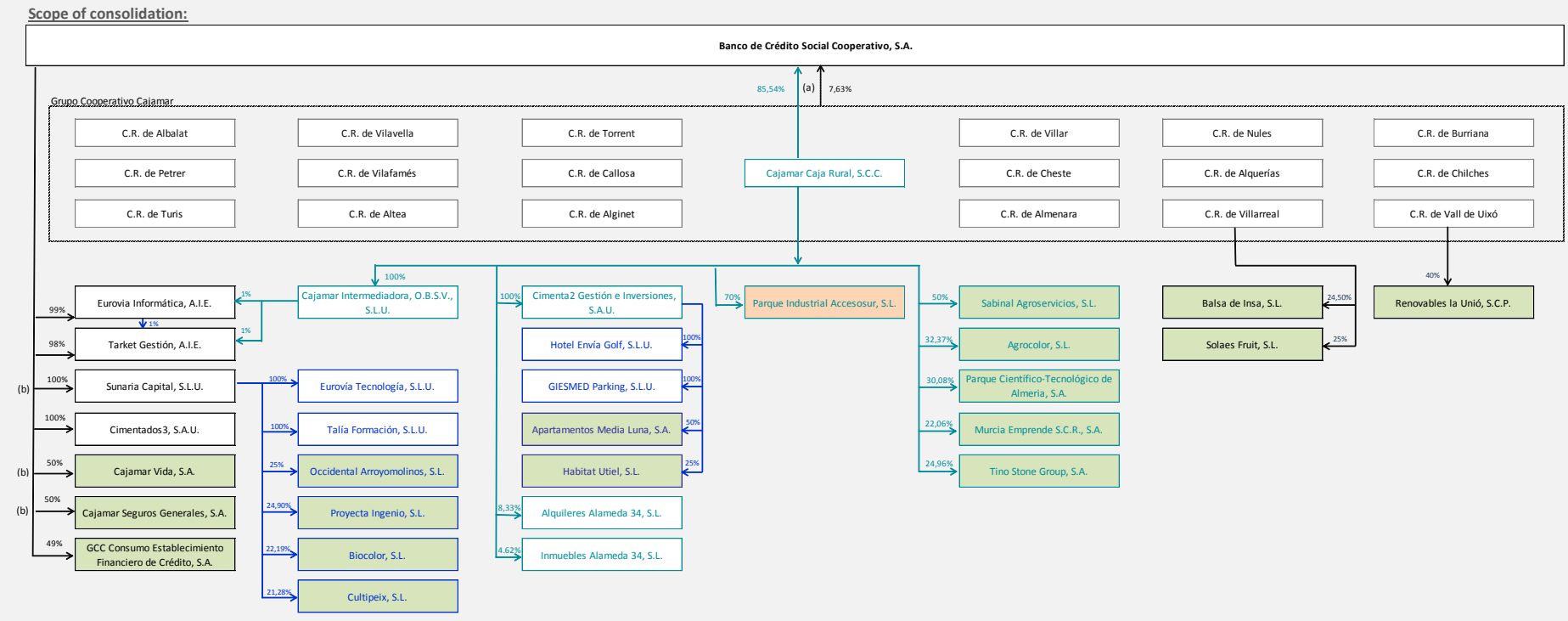
Organisational Structure

The GCC Group comprises 19 credit cooperatives and 1 bank (BCC).

As at the date of this Offering Circular, the shareholders of BCC are comprised of: 19 credit cooperatives that form part of the GCC Group (the Member Entities), 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, 8 other institutions and 24 individuals as further described under " – *Capital Structure and Major Shareholders of BCC*".

Save as expressly set out in the Regulating Contract, the Member Entities 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 Contract on behalf of the GCC Group and its Member Entities. The instructions and decisions of BCC are binding on the Member Entities.

The following structure chart sets out the structure of the GCC Group as at 31 December 2016:



Notes:

Método de Consolidación / Participación	BCC y GCC	Cajamar y Cartera	Cartera de Sunaria y CM2
Consolidable group using full integration method			
Consolidable group using full integration method (public perimeter) and equity method (reserve perimeter)	n/a		n/a
Consolidated entities using equity method			

Notas:

(a) The remaining 6,83% stake to reach 100% was fully subscribed by investors that not forming part of the Cooperative Group, as well as members of the Board of Directors and Executives of the company

(b) On 23 February 2015, the parent entity increased capital fully subscribed by Cajamar Caja Rural in public deed through cash and non-cash contribution, among others, these investees

Capital Structure and Major Shareholders of BCC

The Issuer's issued share capital as at the date of this Offering Circular was €1,054 million (compared with €1,045 million as at 31 December 2015) made up of 1,054,028,391 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 Member Entities of the GCC Group and the other shareholders.

As at 31 March 2017, 31 December 2016 and 31 December 2015 the Issuer's share capital breaks down as follows by shareholder contribution:

	% share		
Member Entities	**31/03/17**	**31/12/16**	**31/12/15**
Cajamar Caja Rural, Sociedad Cooperativa de Crédito[2]	85.13	85.54	85.83
Caixa Rural de Torrent, Cooperativa de Crédito Valenciana	1.52	1.52	1.53
Caixa Rural de Altea, Cooperativa de Crédito Valenciana	0.88	0.88	0.88
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito	0.73	0.74	0.74
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	0.63	0.64	0.64
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito	0.76	0.77	0.77
Caja Rural de Callosa d'en Sarriá, Sociedad Cooperativa de Crédito	0.53	0.53	0.53
Caja Rural San Jaime de Alquerias del Niño Perdido, Sociedad Cooperativa de Crédito	0.39	0.39	0.39
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	0.34	0.34	0.34
Caja Rural San José de Nules, Sociedad Cooperativa de Crédito	0.30	0.30	0.30
Caja Rural de Alginet, Sociedad Cooperativa de Crédito	0.25	0.26	0.26
Caixa Rural de Turis, Cooperativa de Crédito Valenciana	0.23	0.23	0.23
Caja Rural Sant Vicente Ferrer de la Vall D'Uxio	0.23	0.23	0.23
Caja Rural de Villar, Sociedad Cooperativa de Crédito	0.21	0.22	0.22
Caja Rural San José Vilavella, Sociedad Cooperativa de Crédito	0.15	0.15	0.15
Caja Rural Albalat dels Sorells, Sociedad Cooperativa de Crédito	0.15	0.15	0.15
Caja Rural San Roque de Almenara, Sociedad Cooperativa de Crédito	0.11	0.11	0.11
Caja Rural San Isidro de Vilafamés, Sociedad Cooperativa de Crédito	0.09	0.09	0.09
Caja Rural La Junquera de Chilches, Sociedad Cooperativa de Crédito	0.10	0.10	0.10
Shareholders outside of the GCC Group	**31/03/17**	**31/12/16**	**31/12/15**

[2] 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.

Caja Rural de Almendralejo, Sociedad Cooperativa de Crédito	1.42	1.43	1.43
Caixa Rural La Vall San Isidro Sociedad Cooperativa de Crédito Valenciana	0.14	0.14	0.14
Caja Rural de Castilla-La Mancha, Sociedad Cooperativa de Crédito	0.10	0.10	0.10
Caja Rural San José de Almassora, S.Coop de Crédito	0.10	0.10	0.10
Caixa Rural de Benicarló, S.Coop de Crédito	0.10	0.10	0.10
Caixa Rural Vinaros, S. Coop. de Crédito	0.10	0.10	0.10
Caixa Rural Les Coves de Vinroma, S.Coop de Crédito	0.05	0.05	0.05
Caja Rural de Baena Ntra. Señora de Guadalupe, Sociedad Cooperativa de Crédito Andaluza	0.03	0.03	0.03
Caja Rural de Utrera, Sociedad Cooperativa Andaluza de Crédito	0.03	0.03	0.03
Caja Rural de Cañete de las Torres Ntra. Sra. del Campo, Sociedad Cooperativa Andaluza de Crédito	0.03	0.03	0.03
Caja Rural Ntra. Sra. del Rosario, Sociedad Cooperativa Andaluza de Crédito	0.03	0.03	0.03
Caja Rural Ntra. Madre del Sol, S. Coop. Andaluza de Crédito	0.03	0.03	0.03
Caja Rural de Guissona, S. Coop. de Crédito	0.01	0.01	0.01
Team & Work 5000, S.L.	2.85	2.86	2.87
Crédito Agrícola SGPS, S.A.	0.47	0.48	0.48
Garunter Locales, S.L..	0.47	0.48	0.48
Pepal 2002, S.L.	0.28	0.29	0.29
Acor Sociedad Cooperativa General Agropecuaria	0.19	0.19	0.19
Gespater, S.L.	0.28	0.29	-
Publindal, S.L.	0.28	-	-
Surister del Arroyo, S.L.	0.19	-	-
Other minority shareholders	0.10	0.09	0.04

Any credit cooperative wishing to join the GCC Group must acquire an interest in the share capital of the Issuer. The Member Entities 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 Entity has signed or acceded to the Regulating Contract, each such Member Entity 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 Member Entities.

Member Entities 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. Member Entities may only transfer shares in BCC to other Member Entities 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 Contract 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 2016, the shares held by Member Entities in BCC totalled €977 million, the same figure as the last and the previous year:

	Thousands of Euros	
	31/12/16	**31/12/15**
Cajamar Caja Rural, Sociedad Cooperativa de Crédito[3]	897,299	904,298
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
Caja Rural Albalat dels Sorells, Sociedad Cooperativa de Crédito	1,543	1,543
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	1,018	1,018
Total	**977,349**	**984,349**

Member Entity contributions to the cooperative share capital of Cajamar (the former parent entity of the Cajas Rurales Unidas Cooperative Group which was renamed Cajamar Caja Rural, Sociedad Cooperativa de Crédito on 4 December 2015 without any change to its nature, legal status and autonomy) amounted to €2,419 million as at 31 December 2016, compared to €2,328 million at 31 December 2015. Cooperative share capital of the other eighteen credit cooperatives of the GCC Group amounted to €45 million at 31 December 2016, compared to €38 million at 31 December 2015.

[3] 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.

The Member Entities' minimum share capital is set at €25 million, being variable in character and made up of mandatory contributions of €61. The total amount that a single member can contribute to share capital cannot exceed 2.5 per cent. for individuals and 5 per cent. for companies. Contributions to share capital accrue the interest agreed by the Board of Directors of Cajamar and approved by the Board of Directors of BCC, subject to currently applicable legislation. The terms and conditions of the interest accrued by cooperative share capital has to be applied to the rest of the credit cooperatives of the GCC Group.

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 Member Entities 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 19 Member Entities 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 2016 and 2015 are as follows:

	Thousands of Euros	
	31/12/16	**31/12/15**
Eligible equity	**2,990,237**	**2,522,324**
CET 1 Capital	2,620,669	2,472,591
Common Equity Tier 1 items and instruments	2,944,255	2,789,785
Capital	2,535,546	2,433,798
Accumulated reserves	408,709	355,987
Deductions	(323,586)	(317,194)
TIER 2 Capital	**369,568**	**49,733**
Solvency Requirements	**1,845,598**	**1,746,445**
Credit Risk	1,725,232	1,618,122
Operative Risk	114,534	121,507
CVA	4,793	5,056
Securitisations	1,038	1,760
Equity Ratio	**12.96 %**	**11.55 %**
CET 1 ratio	**11.36 %**	**11.33 %**

Excess Equity for 31 December 2016 and 31 December 2015 is presented below:

	Thousands of Euros	
	31/12/16	**31/12/15**
Excess Equity Ordinary Level I Capital (4.5 per cent.)	1,582,521	1,490,217
Excess Equity Level I (6 per cent.)	1,236,471	1,162,758
Excess Equity Total Capital (8 per cent.)	1,144,639	775,880

At 31 December 2016, the CET1 ratio stood at 11.36 per cent., 1.60 per cent. Tier 2 and total capital of 12.96 per cent., exceeding the overall requirement of €625 million. At year-end 2016, CET1 ratio (fully loaded) stood at 10.99 per cent. and the Total Capital ratio (fully loaded) stood at 12.59 per cent. This capital ratio has been achieved by means of a business model exposed primarily to the agri-food sector and the retail SME segment, having integrated 19 rural savings banks and Banco de Crédito Social Cooperativo, incorporated in 2014, within the current GCC ISP, and having already merged 20 rural savings banks, all of which in the midst of the financial crisis in Spain, without receiving any public aid.

Based on the results of the SREP, in a statement dated 23 September 2016, the European Central Bank stated that the GCC Group was required to present a CET 1 ratio of 8.25 per cent. in 2017. 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 1.25 per cent. The Total Capital ratio required in 2017, meanwhile, is 11.75 per cent. The GCC Group is already compliant with the above requirements as at 1 January 2017: factoring in the phase-in adjustments for 2017, the GCC Group presents an estimated CET1 ratio of 11.36 per cent. and a Total Capital ratio of 12.84 per cent.

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 2016 compared to 31 December 2015 is shown below:

			Year on year	
	31/12/2016	**31/12/2015**	**Change**	**%**
	Thousands of euros, except for percentages			
Consolidated Income				
Net Interest Income	557,698	564,713	(7,015)	(1.2%)
Gross Income	1,013,368	950,235	63,133	6.6%
Net Income before provisions	383,372	326,351	57,021	17.5%
Profit before tax	62,008	57,425	4,583	8.0%
Consolidated Net profit	76,141	70,218	5,923	8.4%
Attributable Net profit	76,137	70,272	5,865	8.3%
Business				
Total Assets	39,166,082	40,461,437	(1,295,355)	(3.2%)
Equity	2,932,912	2,793,036	139,877	5.0%
Customers' retail resources	25,353,410	25,338,671	14,739	0.1%
Off-balance sheet resources	3,241,508	2,607,367	634,141	24.3%
Loans to customers (gross)	30,999,574	32,211,878	(1,212,304)	(3.8%)
Gross Loans without NPL	27,128,569	27,406,929	(278,360)	(1.0%)
Risk management				
Gross Loans	31,339,784	32,591,951	(1,252,167)	(3.8%)
Non-performing loans	4,211,215	5,185,279	(974,064)	(18.8%)

			Year on year	
	31/12/2016	**31/12/2015**	**Change**	**%**
Doubtful assets	4,213,369	5,189,567	(976,198)	(18.8%)
Total risks	35,695,015	37,802,526	(2,107,511)	(5.6%)
Gross loans coverage	1,771,457	2,422,190	(650,733)	(26.9%)
Global NPL ratio (%)	11.80%	13.73%	(1.93)	
NPL ratio (%)	13.44%	15.91%	(2.47)	
Gross loans coverage ratio (%)	42.07%	46.72%	(4.65)	
Liquidity				
LTD (%)	109.64%	110.87%	(1.23)	
LCR (%)	516.90%	642.01%	9.87	
NSFR (%)	115.54%	112.24%	3.30	
Commercial Gap position	(5,199,870)	(5,667,574)	467,704	(8.3%)
Solvency				
CET 1 ratio (%)	11.36%	11.33%	0.03	
Tier 2 ratio (%)	1.60%	0.23%	1.37	
Capital ratio (%)	12.96%	11.55%	1.41	
Profitability and efficiency				
ROA (%)	0.19%	0.18%	0.01	
RORWA (%)	0.34%	0.32%	0.02	
ROE (%)	2.65%	2.54%	0.11	
Cost-income ratio (%)	62.17%	65.66%	(3.49)	
Other data				
Cooperative Shareholders	1,428,900	1,417,051	11,849	0.8%
Employees[(*)]	6,036	6,267	(231)	(3.7%)
Branches	1,191	1,257	(66)	(5.3%)

[(*)] 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 2016 compared to 31 December 2015 for the GCC Group is shown below:

			Year on year	
	31/12/2016	**31/12/2015**	**Change**	**%**
	Thousands of euros, except for percentages			
Consolidated Balance Sheet				
Cash, cash balances at central banks and other demand deposits	668,874	761,267	(92,393)	(12.1%)
Financial assets held for trading	913	603	310	51.4%
Financial assets designated at fair value through changes in profit or loss	93,590	46,115	47,475	102.9%
Available-for-sale financial assets	4,172,156	504,144	3,668,012	727.6%
Loans and receivables	29,810,807	30,440,253	(629,446)	(2.1%)
Held-to-maturity investments	-	4,490,163	-	-
Derivatives-Hedge Accounting	10	19,840	(19,830)	(99.9%)
Changes in the fair value of hedged items in a portfolio with an interest rate risk hedge	-	-	-	-
Investments in subsidiaries, joint ventures and associates	96,679	69,184	27,495	39.7%
Assets covered by insurance or reinsurance contracts	-	-	-	-
Tangible assets	984,014	948,898	35,116	3.7%
Intangible assets	249,058	279,863	(30,805)	(11.0%)
Tax assets	1,068,533	1,005,605	62,928	6.3%
Other assets	1,492,942	1,406,917	86,025	6.1%
Non-current assets and disposal groups classified as held-for-sale	528,506	488,586	39,920	8.2%
TOTAL ASSETS	**39,166,082**	**40,461,437**	**(1,295,355)**	**(3.2%)**
Financial liabilities held for trading	437	168	269	160.1%
Financial liabilities designated at fair value through changes in profit or loss	-	-	-	-
Financial liabilities at amortised cost	35,385,599	37,095,731	(1,710,132)	(4.6%)
Derivatives-Hedge Accounting	647	1,359	(712)	(52.4%)
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	306,834	106,406	200,428	188.4%
Tax liabilities	147,227	109,415	37,812	34.6%
Refundable share capital	-	-	-	-
Other liabilities	371,155	350,516	(20,639)	5.9%
Liabilities included in disposal groups of assets classified as held-for-sale	-	-	-	-
TOTAL LIABILITIES	**36,211,898**	**37,663,595**	**(1,451,697)**	**(3.9%)**
Equity	2,932,912	2,793,036	139,876	5.0%
Accumulated of other comprehensive income	20,727	4,265	16,462	386.0%
Minority interests	544	541	3	0.6%
EQUITY	**2,954,184**	**2,797,842**	**156,342**	**5.6%**
TOTAL EQUITY AND LIABILITIES	**39,166,082**	**40,461,436**	**(1,295,354)**	**(-3.2%)**

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 financial statements. Investors are advised to review these alternative performance measures in conjunction with BCC's audited consolidated financial statements and accompanying notes which are incorporated by reference in this Offering Circular.

Metric	**Definition**
Customers' retail resources	deposits from other creditors - covered bond included in customer deposits - shares issued - valuation adjustments - money market operations (liability section)
Gross Loans	loans and advances to other debtors - valuation adjustments - non-performing assets of

without NPL	loans and advances to other debtors
Doubtful assets	non-performing assets of loans and advances to other debtors + non-performing assets of credit institutions.
Total risks	gross loans and receivables + debt securities (fixed-income portfolio) + credit institutions
Gross loans coverage	value adjustments of loans and advances to other debtors
Global NPL ratio (%)	Doubtful assets/Total risk
NPL ratio (%)	non-performing assets of loans and advances to other debtors / gross loans and receivables
Gross loans coverage ratio (%)	Gross loans coverage /non-performing loans: value adjustments of loans and advances to other debtors / non-performing assets of loans and receivables
ROA (%)	Consolidated profit for the period / average total assets (for the last quarters starting close of previous year (depending on the period, average of the last 2 -5 quarters))
RORWA (%)	Consolidated profit for the period / average risk-weighted assets (for the last quarters starting close of previous year (depending on the period, average of the last 2 -5 quarters))
ROE (%)	Consolidated profit for the period / average Total Equity (for the last quarters starting close of previous year (depending on the period, average of the last 2 -5 quarters))
Cost-income ratio (%)	operating expenses (which include personnel expenses + administrative expenses + depreciation/amortisation) / gross income

Where applicable, a reconciliation of the relevant figures for 2016 and 2015 are provided below:

ROA (%)		**2016**		**2015**
Consolidated profit (1) (*EUR Thousands*)		**76,141**		**70,218**
Average total assets (2) (*EUR Thousands*)		**39,605,250**		**39,350,722**
	31/12/2015	40,461,437	31/12/2014	36,031,658
	31/03/2016	39,525,952	31/03/2015	38,510,874
	30/06/2016	39,892,718	30/06/2015	41,285,515
	30/09/2016	38,980,061	30/09/2015	40,464,126
	31/12/2016	39,166,082	31/12/2015	40,461,437
ROA (%) = (1) / (2)		**0.19%**		**0.18%**

ROE (%)		**2016**		**2015**
Consolidated profit (1) (*EUR Thousands*)		**76,141**		**70,218**
Average Total Equity(2) (*EUR Thousands*)		**2,874,850**		**2,759,835**
	31/12/2015	2,797,842	31/12/2014	2,760,792
	31/03/2016	2,824,417	31/03/2015	2,766,230
	30/06/2016	2,886,491	30/06/2015	2,737,026
	30/09/2016	2,991,314	30/09/2015	2,737,287
	31/12/2016	2,954,184	31/12/2015	2,797,842

ROE (%) = (1) / (2)		**2.65%**		**2.54%**
RORWA (%)		**2016**		**2015**
Consolidated profit (1) (*EUR Thousands*)		**76,141**		**70,218**
Average risk weighted assets (2)		**22,313,157**		**21,762,232**
	31/12/2015	21,830,547	31/12/2014	21,670,603
	31/03/2016	22,316,587	31/03/2015	21,697,191
	30/06/2016	22,171,681	30/06/2015	21,868,632
	30/09/2016	22,176,999	30/09/2015	21,744,187
	31/12/2016	23,069,970	31/12/2015	21,830,547
RORWA (%) = (1) / (2)		**0.34%**		**0.32%**

The 2016 Directors' Report and the 2015 Directors' Report annexed to the audited consolidated financial statements of the GCC Group as of and for the year ended 2016 and 2015 respectively, each of which are incorporated by reference in this Offering Circular, also include the following Alternative Performance Measures, which, for the purpose of the Directors' reports, are calculated based on internal management information (see also "*Documents Incorporated by Reference*" section):

Metric	**Definition**
Efficiency: Cost-income ratio (%)	**Efficiency: Cost-income ratio (%)**: Administrative expenses (staff expenses + other administrative expenses) / Gross income
Coverage ratio (%):	**Total coverage/Doubtful total risk**: (Impairment charges (coverage) for gross loans, credit institutions, debt securities and contingent risks) / (non-performing loans + non-performing loans to credit institutions + Contingent risks troubled assets)
Delinquency rate:	**NPL ratio (%)**: Non performing loans / gross loans
Balance resources:	**Retail resources plus wholesale resources**
Impairment losses on financial and non-financial assets:	**Aggregation of the headings in the income statement, impairment or reversal of the impairment of financial assets not measured at fair value through profit or loss and impairment or reversal of impairment of non-financial assets (net)**
Loan to deposits ratio	**LTD ratio (%):** Loans to customers (Loans and advances less amounts of central banks, credit institutions and repo with credit institutions) / Deposits (customer resources + retail commercial paper + retail subordinated debt + repo with clients + other retail funding + shares issued + ICO, EIB, EIF loans)

(Thousands of euros)	**31/12/16**	**31/12/15**
DEFAULTING DEBTORS		
Non-performing loans (1)	4,211,215	5,185,279
Gross loans (2)	31,339,784	32,591,951
NPL ratio (%) (Delinquency rate) = (1)/(2)	**13.44%**	**15.91%**
Doubtful assets **(1)**	4,213,369	5,189,567

(Thousands of euros)	31/12/16	31/12/15
Total risks **(2)**	35,695,015	37,802,526
Global NPL ratio (%)=(1)/(2)	**11.80%**	**13.73%**
COVERAGE		
Non-performing Loans **(1)**	4,211,215	5,185,279
Non performing Credit Institutions	2,154	4,793
Non performing Values representing debt	-	-
Contingent risk troubled assets	9,917	25,078
Doubtful total risk [(a)]	**4,223,285**	**5,214,646**
Gross loan coverage **(2)**	1,771,457	2,422,190
Credit Institutions Coverage	2,154	4,288
Values representing debt coverage	2,302	2,698
Contingent risks provisions	43,808	22,206
Total Coverage [(b)]	**1,819,721**	**2,451,761**
General coverage [(b)]	334,414	49,806
Specific coverage	1,485,307	2,401,955
Country – risk coverage	-	-
Coverage ratio (%) [(b) (a)]	**43.09%**	**47.02%**
Gross loans coverage ratio (%) (2)/(1)	**42.07%**	**46.72%**
Loans to customers (1) [(*)]	29,228,687	29,789,437
Deposits (2)	26,659,341	26,868,520
Customer resources	25,312,217	25,284,349
Retail commercial paper	0	0
Retail subordinated debt	0	0
Repo with clients	35,329	36,936
Other retail funding	0	0
Shares issued	830,626	1,061,473
I.C.O., I.E.B., E.I.F. LOANS	481,169	485,763
LTD ratio(%) = (1)/(2)	**109.64%**	**110.87%**

[(*)] Loans and advances less amounts of central banks, credit institutions and repo with credit institutions

Recent Developments

BCC has resolved for the GCC Group to commence a process of offering employees the possibility to form a group that will agree to participate in a voluntary paid leave scheme that will run in the years 2017 and 2018. This scheme will be available only to employees of companies within the GCC Group who are born before 31 December 1963. This scheme is being introduced as part of the framework of measures designed to improve the organisational and productivity efficiency of the GCC Group. The relevant collective agreement

has been agreed with the selected group of employees and is being implemented progressively at the request of the allocated employees. 413 employees have agreed to be part of the group selected to partake in the scheme, which management anticipates would result in a costs savings of approximately EUR 7.5 million for the GCC Group in each year.

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 2016 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.

Material contracts

The rights and obligations of the Member Entities of the GCC Group and the competencies that have been delegated to BCC are governed by the Regulating Contract 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 has been assigned a long term credit rating of BB- (positive outlook) by Fitch. The short term credit rating assigned by Fitch is B. The credit rating was affirmed on 7 April 2017.

TAXATION

Spain

The following summary refers solely to certain Spanish tax consequences of the acquisition, ownership and disposition of the Notes. It does not purport to be a complete analysis of all tax consequences relating to the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which might be subject to special rules. Prospective investors should consult their own tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of Notes and receiving any payments under the Notes. This summary is based upon the law as in effect on the date of this 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 during the tax year 2017 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 2017, 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 article 4 of Royal Decree-Law 3/2016, a full exemption on Wealth Tax will apply in 2018 unless such exemption is revoked.

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

Individuals 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 the Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 in which case the required withholding will be made by the depositary or custodian.

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

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 in tax year 2017, 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 article 4 of Royal Decree-Law 3/2016, a full exemption on Wealth Tax will apply in 2018 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 Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as 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 Notes, such withholding would not apply prior to 1 January 2019 and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "Terms and Conditions—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. Royal Decree-law 8/2014, of 4 July, introduced a 0.03 per cent. tax on bank deposits in Spain. This tax is payable annually by Spanish banks.

SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 23 May 2017, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act 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, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

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 commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act. Terms used in this section have the meanings given to them by Regulation S under the Securities Act.

United Kingdom

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

(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.

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*), to provide investment services in Spain.

The Notes may not be offered, sold or distributed, nor may any subsequent resale of Notes be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Securities Market Law, or without complying with all legal and regulatory requirements under Spanish securities laws (including, if applicable, those established by the Fourth Additional Provision of the Securities Market Law). Neither the Notes nor this Offering Circular have been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (**CNMV**) and therefore this Offering Circular is not intended for any public offer of the Notes in Spain.

Prohibition of sales to EEA Retail Investors

From 1 January 2018, 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. 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 Directive 2014/65/EU (as amended, **MiFID II**); or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation 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 Directive 2003/71/EC (as amended, the **Prospectus Directive**); 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 the Notes.

Prior to 1 January 2018, and from that date, in relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) 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 Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) 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 3(2) of the Prospectus Directive,

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 Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes in any Relevant Member 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 the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and

- the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

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 establishment of the Programme was duly authorised by resolutions of the shareholders of the Issuer dated 16 June 2015 and 10 May 2016, and a resolution of the Board of Directors of the Issuer dated 25 April 2017.

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 Central Bank of Ireland as competent authority under the Prospectus Directive. The Central Bank only approves this Offering Circular as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC, as amended and/or which are to be offered to the public in any member state of the European Economic Area.

Application has been made to the Irish Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to trading on the Main Securities Market and to be listed on the Official List. The Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC) as amended. It is expected that each Tranche of Notes to be listed on the Official List and admitted to trading on the Main Securities Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche.

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 in hard copies for inspection from the registered office of the Issuer, and from the specified offices of the Principal Paying Agent for the time being in London:

(a) the bylaws (with an accurately reproduced English translation thereof) of the Issuer;

(b) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2016 and 31 December 2015 (with an accurately reproduced English translation thereof), in each case together with the audit reports prepared in connection therewith. The Issuer currently prepares audited consolidated accounts on an annual basis;

(c) the Programme Agreement, Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;

(d) a copy of this Offering Circular; and

(e) 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 S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

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

Significant or Material Change

There has been no material adverse change in the prospects of the Issuer or the GCC Group since 31 December 2016. There has been no significant change in the financial or trading position of the GCC Group since 31 March 2017.

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 auditors of the Issuer are PricewaterhouseCoopers Auditores, S.L. (registered as auditors on the *Registro Oficial de Auditores de cuentas*) who have audited the Issuer's consolidated accounts, without qualification, in accordance with generally accepted auditing standards in Spain for each of the two financial years ended on 31 December 2016 and 31 December 2015.

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.

ISSUER
Banco de Crédito Social Cooperativo, S.A.
Paseo de la Castellana, 87,
28046 Madrid
Spain

PRINCIPAL PAYING AGENT
Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

REGISTRAR and TRANSFER AGENT
Deutsche Bank Luxembourg S.A.
2 Boulevard Konrad Adenauer
L-1115
Luxembourg

LEGAL ADVISERS

To the Issuer as to English and Spanish law
Clifford Chance S.L.P.
Paseo de la Castellana, 110
28046 Madrid
Spain

To the Dealers as to English and Spanish law
Allen & Overy
Pedro de Valdivia 10
28006 Madrid
Spain

AUDITORS

To the Issuer
PricewaterhouseCoopers Auditores, S.L.
PwC Tower
Paseo de la Castellana 259B
28046 Madrid
Spain

DEALERS

Banco Bilbao Vizcaya Argentaria, S.A.
Ciudad BBVA
Calle Sauceda 28, Edificio Asia
28050 Madrid
Spain

Banco Santander, S.A
Edificio Pedreña
Avda. Gran Vía de Hortaleza nº3
28033 Madrid
Spain

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

Crédit Agricole Corporate and Investment Bank
12, Place des Etats-Unis
CS 70052
92547 MONTROUGE
CEDEX
France

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Natixis
30, avenue Pierre Mendès-France
75013 Paris
France

Nomura International plc
1 Angel Lane
London EC4R 3AB
United Kingdom

Société Générale
29, boulevard Haussmann
75009 Paris
France

UBS Limited
5 Broadgate
London EC2M 2QS
United Kingdom

LISTING AGENT

Deutsche Bank Luxembourg S.A.
2, Boulevard Konrad Adenauer, 1115 Luxembourg,
Luxembourg