

# BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.

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

## €100,000,000 Fixed Rate Reset Subordinated Notes due 3 November 2026 Issue Price: 100.00 per cent

The €100,000,000 Fixed Rate Reset Subordinated Notes due 3 November 2026 (the “**Notes**”) are issued by Banco de Crédito Social Cooperativo, S.A. (“**BCC**”, the “**Bank**” or the “**Issuer**”).

As described in the Terms and Conditions of the Notes (the “**Conditions**”) unless previously redeemed, the Notes will be redeemed at their principal amount on 3 November 2026. The Notes may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption, subject to the conditions set out in Condition 5(b) (Conditions to Redemption and Purchase prior to the Maturity Date) including, without limitation, obtaining prior Supervisory Permission, in the event of certain changes affecting taxation in the Kingdom of Spain (a Tax Event (as defined in the Conditions) see Condition 5(d) (Redemption Due to Tax Event) in “Terms and Conditions of the Notes”) or if a Capital Disqualification Event (as defined in the Conditions) occurs (see Condition 5(e) (Redemption Due to Capital Disqualification Event) in “Terms and Conditions of the Notes”).

In addition, the Issuer may at its option, subject to the conditions set out in Condition 5(b) (Conditions to Redemption and Purchase prior to the Maturity Date), including, without limitation, obtaining prior Supervisory Permission, redeem all, but not some only, of the Notes on the Reset Date, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption (see Condition 5(c) (Issuer’s Call Option) in “Terms and Conditions of the Notes”).

The Notes will bear interest on their outstanding principal amount (i) at a fixed rate of 9.00 per cent. per annum from (and including) the Issue Date to (but excluding) the Reset Date (as defined in the Conditions) payable annually in arrear on 3 November in each year, with the first Interest Payment Date on 3 November 2017, and (ii) from (and including) the Reset Date (as defined in the Conditions), at the Reset Rate of Interest (as defined in the Conditions), plus 9.05 per cent. per annum (the “**Margin**”) as determined by the Agent Bank (as defined in the Conditions), payable annually in arrear on 3 November in each year, starting on 3 November 2021 (See Condition 4 (Interest Payments) in “Terms and Conditions of the Notes”). Payments on the Notes will be made in euro without deduction for or on account of taxes imposed or levied by the Kingdom of Spain to the extent described under Condition 8 (Taxation) in “Terms and Conditions of the Notes”.

The payment obligations of the Issuer under the Notes constitute direct, unconditional and subordinated obligations of the Issuer, as more fully described in Condition 3 (Status of Notes) in “Terms and Conditions of the Notes”. The Notes are expected to constitute Tier 2 Capital (as defined in the Conditions) of the Issuer.

The Notes will be issued in denominations of €100,000. The Notes will be represented by a global certificate (the “**Global Certificate**”) which will be deposited with a common depositary for, and registered in the name of a nominee of Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) on the Issue Date. The Global Certificate will be exchangeable for definitive Notes in registered form in the denomination of €100,000 in the limited circumstances set out in it. See “Summary of Provisions relating to the Notes while in Global Form” for further detail.

The Notes have not been and will not be registered under the U. S. Securities Act of 1933 (the “**Securities Act**”) and, subject to certain exceptions, may not be offered or sold within the United States.

This prospectus (the “**Prospectus**”) has been approved by the Central Bank of Ireland (the “**CBI**”), as competent authority under Directive 2003/71/EC (the “**Prospectus Directive**”) and constitutes a prospectus for the purposes of Article 3 of the Prospectus Directive. The CBI only approves this Prospectus as meeting the requirements imposed under Irish and European Union (the “**EU**”) law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange (the “**ISE**”) for the Notes to be admitted to the official list (the “**Official List**”) and to trading on its regulated market (the “**Main Securities Market**”). The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC (“**MiFID**”). Such approval related only to the Notes which are to be admitted to trading on a regulated market for the purposes of MiFID and/or which are to be offered to the public in any Member State of the European Economic Area.

The Notes are expected to be rated B+ by Fitch Ratings Ltd. (“**Fitch**”). As of the date of this Prospectus, Fitch is established in the EEA and is registered under 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 in accordance with the CRA Regulation.

**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.**

***Investing in the Notes involves certain risks that may affect the abilities of the Issuer to fulfil its obligations under the Notes. Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this Prospectus, before deciding to invest in the Notes.***

*Structuring Advisors and Joint Lead Managers*

**Barclays**

**Nomura**

*Joint Lead Managers*

**BBVA**

**J.P. Morgan**

The date of this Prospectus is 28 October 2016.

## IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

This Prospectus is to be read in conjunction with all the documents which are incorporated herein by reference (see “Documents Incorporated by Reference”). The Issuer confirms that where information herein has been sourced from a third party, this information has been accurately reproduced, and so far as the Issuer is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Issuer has confirmed to the Joint Lead Managers named under “*Subscription, Sale and Transfer*” below (the “**Joint Lead Managers**”) that this Prospectus contains all information regarding the Issuer and the Notes which is (in the context of the issue and offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; that this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and that all reasonable enquiries have been made to ascertain and to verify the foregoing.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Joint Lead Managers. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which the Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Issuer or to advise any investor in the Notes of any information coming to their attention.

Neither the Joint Lead Managers nor any of their respective affiliates have authorised the whole or any part of this Prospectus. To the fullest extent permitted by law, the Joint Lead Managers accept no responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by a Joint Lead Manager or on its behalf in connection with the Issuer or the issue and offering of the Notes. Each Joint Lead Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

Neither this Prospectus nor any other information supplied in connection with the 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 Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the 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 Prospectus nor any other information supplied in connection with the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Joint Lead Managers to any person to subscribe for or to purchase any Notes.

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

In particular, the Notes have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States.

This Prospectus includes forward-looking statements that reflect the Issuer's and/or the GCC Group's intentions, beliefs or current expectations and projections about the GCC Group's future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies, plans, opportunities, trends and the markets in which the GCC Group operates or intends to operate. Forward-looking statements involve all matters that are not historical fact. These and other forward-looking statements can be identified by the words "may", "will", "would", "should", "expect", "intend", "estimate", "anticipate", "project", "future", "potential", "believe", "seek", "plan", "aim", "objective", "goal", "strategy", "target", "continue" and similar expressions or their negatives. These forward-looking statements are based on numerous assumptions regarding the GCC Group's present and future business and the environment in which the GCC Group expects to operate in the future. Forward-looking statements may be found in the Directors' reports that accompany the financial statements of the GCC Group incorporated by reference herein.

These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions and other factors that could cause the GCC Group's actual results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies, plans or opportunities, as well as those of the markets the GCC Group serves or intends to serve, to differ materially from those expressed in, or suggested by, these forward-looking statements.

Additional factors that could cause the GCC Group's actual results, financial condition, liquidity, performance, prospects, opportunities or achievements or industry results to differ include, but are not limited to, those discussed under "*Risk Factors*". In light of these risks, uncertainties and assumptions, the forward-looking events described in this Prospectus may not occur. Additional risks that the GCC Group may currently deem immaterial or that are not presently known to the GCC Group could also cause the forward-looking events discussed in this Prospectus not to occur. These forward-looking statements speak only as of the date on which they are made. Except as otherwise required by applicable securities law and regulations and by any applicable stock exchange regulations, the Issuer undertakes no obligation to update publicly or revise publicly any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this Prospectus. Given the uncertainty inherent in forward-looking statements, prospective investors are cautioned not to place undue reliance on these statements.

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

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

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

## TABLE OF CONTENTS

	Page
RISK FACTORS .....	2
DOCUMENTS INCORPORATED BY REFERENCE.....	33
OVERVIEW OF THE OFFERING.....	34
TERMS AND CONDITIONS OF THE NOTES .....	37
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM .....	53
USE OF PROCEEDS.....	56
DESCRIPTION OF THE ISSUER AND THE GCC GROUP .....	57
TAXATION.....	93
SUBSCRIPTION, SALE AND TRANSFER.....	102
GENERAL INFORMATION .....	104

## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. 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 the Notes, but the non-payment by the Issuer of any distributions, liquidation preferences or other amounts on or in connection with the 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 Prospectus and reach their own views prior to making any investment decision. If potential investors are in doubt about the contents of this Prospectus, 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 the Notes.*

*Words and expressions defined in “Terms and Conditions of the Notes” below or elsewhere in this Prospectus have the same meanings in this “Risk Factors” section.*

### 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 the Bank 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 1.5 per cent. in 2015 (Source: Eurostat News Release EuroIndicators 32/2016 dated 12 February 2016), 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 the Bank, and the group of Spanish financial institutions (credit cooperatives) who together carry out their activities as a cooperative group known as Grupo Cooperativo Cajamar (together with the Bank, the “GCC Group”), 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), 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 GCC Group's control.

***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***

The Bank 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 the Bank'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 forecast GDP growth of 3.2 per cent. in 2015 (Source: *European Commission Country Report Spain 2016*)) 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. 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, a continued delay in the formation of a new government, or a further repeat of the general elections, could impact economic growth in Spain.

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.

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. An example of new regulations recently issued by the regulators is Circular 4/2016 of the Bank of Spain which has amended Circulars 4/2004 and 1/2013 of the Bank of Spain with regards accounting of credit risk by credit institutions. Its purpose is to update Circular 4/2004 on financial reporting rules applicable to financial institutions, mainly its Annex IX, so as to incorporate best practices, based on industry information and the Bank of Spain's experience, in a context of continuous evolution and refinement in credit risk accounting, while maintaining a framework that remains compatible with IFRS-EU. This new Circular will have an impact on the policies applicable to the approval, amendment, evaluation, monitoring and control of the GCC Group's operations and it may have an impact on its provisions for credit risk. Regulation may be imposed on an ad hoc basis by governments and regulators in response to a crisis, and these may especially affect financial institutions such as the GCC Group. 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*).

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. The Bank 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.

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, the Bank is subject to Directive 2013/36/EU, of 26 June, of the European Parliament on access to credit institution and investment firm activities and on prudential supervision of credit institutions and investment firms (the "**CRD IV Directive**") that replaced Directives 2006/48 and 2006/49 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 26 June, of the European Parliament and of the Council 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**"), which is complemented by several binding regulatory technical standards, all of which are directly applicable in all EU member states, without the need for national implementation measures.

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, implementing Law 10/2014 ("**RD 84/2015**"), and Bank of Spain Circulars 2/2014, of 31 January, and 2/2016, of 2 February, to credit entities, on supervision and solvency, which completes the adaptation of Spanish law to CRR and the CRD IV Directive ("**Bank of Spain Circular 2/2016**").



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 CRR, financial institutions are required to hold a minimum amount of regulatory capital of 8 per cent. of risk-weighted assets (the “**minimum Pillar 1 capital requirements**”) 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.

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 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.

The new regulatory regime has also increased the level of capital required by means of a “combined buffer requirement”. The “combined buffer requirement”, which has introduced five new capital buffers ((i) the capital conservation buffer, (ii) the global systemically important institutions buffer, (iii) the institution-specific countercyclical buffer, (iv) the other systemically important institutions buffer and (v) the systemic risk buffer), is in addition to the minimum Pillar 1 capital requirements and is required to be satisfied with CET1 capital. While the capital conservation buffer and the global systemically important institutions (“**G-SIBs**”) buffer are mandatory, the Bank of Spain has greater discretion in relation to the countercyclical capital buffer, the buffer for institutions deemed of local systemic importance (domestic systemically important banks or “**D-SIBs**”) and the buffer for other systemic risks (to prevent systemic or macro prudential risks). The ECB also has the ability to provide certain recommendations in this respect. The Bank of Spain agreed in September 2016 to maintain the countercyclical capital buffer applicable to credit exposures in Spain at 0 per cent. for the fourth quarter of 2016. The percentages will be revised each quarter.

The Bank 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, the Bank has not been considered a D-SIB during 2016 and, thus, it will not be required to maintain a D-SIB buffer during this period. In addition, the Bank of Spain has not required the Bank to maintain the systemic risk buffer. Consequently, as at the date of this Prospectus, the Bank is only required to maintain the capital conservation buffer (0.625 per cent. in 2016, to increase 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, 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. 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. This may also have the result of 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 the Bank 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.

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. Accordingly, any additional “Pillar 2” own funds requirement that may be imposed on the GCC Group by the ECB pursuant to the SREP will require the GCC Group to hold capital levels above the minimum “Pillar 1” capital requirements and the “combined buffer requirement”. The guidelines also 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.

As a result of the most recent SREP carried out by the ECB in 2015, the Bank has been informed by the ECB that, as at 31 December 2015, it is required to maintain a CET1 phased-in capital ratio of 10.25 per cent. on a consolidated basis. This CET1 capital ratio of 10.25 per cent. on a consolidated basis includes the minimum CET1 capital ratio required under “Pillar 1” (4.5 per cent.) and the additional own funds requirement under “Pillar 2”, including the capital conservation buffer (5.75 per cent.).

As of 31 December 2015, the GCC Group's CET1 phased-in capital ratio was 11.33 per cent. on a consolidated basis (11.40 per cent. as of 30 June 2016). 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 the Bank, including dividend payments.

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.

As set out in the “Opinion of the European Banking Authority on the interaction of Pillar 1, Pillar 2 and combined buffer requirements and restrictions on distributions” published on 16 December 2015 (the “**December 2015 EBA Opinion**”), in the EBA's opinion, competent authorities should ensure that the CET1 capital to be taken into account in determining the CET1 capital available to meet the “combined buffer requirement” for the purposes of the Maximum Distributable Amount calculation is limited to the amount not used to meet the Pillar 1 and Pillar 2 own funds requirements of the institution. In addition, the opinion advises the European Commission (i) to review Article 141 of the CRD with a view to avoiding differing interpretations of Article 141(6) and thus ensuring greater consistency of the maximum distributable amount framework with the stacking order described in the opinion and in the EBA SREP Guidelines and (ii) to review the prohibition on distribution, notably in so far as it relates to additional tier 1 instruments, in all circumstances when no profits are made in any given year. There can be no assurance as to how and when binding effect will be given to the December 2015 EBA Opinion in Spain, including as to the consequences for an institution of its capital levels falling below those necessary to meet these requirements. In the meantime, the ECB stated on 5 January 2016 that it would follow the December 2015 EBA Opinion for the application of the Maximum Distributable Amount (although the ECB carried on to state that this approach might nonetheless be revisited, in relation to future regulatory developments or to the application of the EBA guidelines, in order to ensure consistency and harmonisation).

Finally it is worth mentioning that the ECB has also set out in its recommendation of 17 December 2015 on dividend distribution policies, that credit institutions should establish dividend policies using conservative and prudent assumptions in order, after any distribution, to satisfy the applicable capital requirements.

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.

At its meeting of 12 January 2014, the oversight body of the Basel Committee endorsed the definition of the leverage ratio set forth in CRD IV, to promote consistent disclosure, which applied from 1 January 2015. There will be a mandatory minimum capital requirement on 1 January 2018, with an initial minimum leverage ratio of 3 per cent. that can be raised after calibration, if European authorities so decide.

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**”). On 3 July 2015 the EBA published the final draft technical standards on the criteria for determining MREL (the “**Draft MREL Technical Standards**”). 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. 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.

The EU Commission has adopted the Commission Delegated Regulation (EU) 2016/1450 with regard to regulatory technical standards specifying the criteria relating to the methodology for setting the minimum requirement for MREL (the “**EC Delegated Regulation on MREL calibration**”). The EC Delegated Regulation on MREL calibration is intended to provide resolution authorities with detailed guidance for

setting MREL requirements for banks, while enabling authorities to exercise discretion on the minimum level and composition of MREL as appropriate for each bank. According to the EC Delegated Regulation on MREL calibration, a transitional period made as short as possible is expected. As at the date of this Prospectus, the level of capital and eligible liabilities required under MREL has not yet been communicated to the Bank, 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 contains 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 the Bank 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).

In this regard, the EBA will submit a report to the European Commission by 31 October 2016, which reviews the application of MREL and seeks to bring its implementation closer to that of the TLAC requirement that was published by the FSB in November 2015 and that applies to G-SIBs. On the basis of this report the European Commission may, if appropriate, submit by 31 December 2016 to the European Parliament and the Council a legislative proposal on the harmonised application of MREL, with the possibility of introducing more than one harmonised minimum MREL, and to make any appropriate adjustments to the parameters of this requirement.

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 the Bank'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 the Bank'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 the Bank), on 4 November 2014.

The SSM has represented a significant change in the approach to bank supervision at a European and global level, even if it has not resulted nor is it expected to result in any radical change in bank supervisory practices in the short term. The SSM has resulted in the direct supervision by the ECB of the largest financial institutions, including the Bank 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 and the creation of 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. Regulation (EU) No. 806/2014 of the European Parliament and the Council of the European Union (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 (as defined below). 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 (the “**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 the Bank's business, financial condition and results of operations*”.

By allowing for the consistent application of EU banking rules through the SSM, 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 the Bank'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 will 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 the Bank'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 the Bank, to make at least an annual ordinary contribution to the National Resolution Fund (*Fondo de Resolución Nacional*) (the **"National Resolution Fund"**) payable on request of the Fund for Orderly Bank Restructuring (*Fondo de Reestructuración Ordenada Bancaria*) (the **"FROB"**) in addition to the annual contribution to be made to the Deposit Guarantee Fund (*Fondo de Garantía de Depósitos de Entidades de Crédito*) (the **"Deposit Guarantee Fund"**) by member institutions. The total amount of contributions to be made to the FROB 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, the Bank 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 the Bank's business, financial condition and results of operations."*

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

***Increased taxation and other burdens imposed on the financial sector may have a material adverse effect on the Bank's business, financial condition and results of operations***

On 14 February 2013, the European Commission published a proposal (the **"Commission's Proposal"**) for a Directive for a common system of financial transaction taxes (**"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.

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

or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear.

On 4 July 2014, Royal Decree-Law 8/2014, of 4 July was introduced in Spain setting forth a tax rate of 0.03 per cent. on bank deposits in Spain. Such tax was established in 2013 (but previously with a 0 per cent. rate) and is payable annually by Spanish banks. There can be no assurance that additional national or transnational bank levies or financial transaction taxes will not be adopted by the authorities of the jurisdictions where the Issuer operates. Any such additional levies and taxes could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

***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 the Bank, 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, fixed interest 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 40.79 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 2015 (41.51 per cent. in 2014), 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 25.42 per cent. of the GCC Group's total loan portfolio as of 31 December 2015 compared to 24.34 per cent. as of 31 December 2014). 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 63.2 per cent. of the GCC Group's liabilities as of 31 December 2015 and 65.2 per cent of the GCC Group's liabilities as of 30 June 2016), 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 2015, ECB funding represented 10.3 per cent. of the GCC Group's total liabilities (13.7 per cent. as of 30 June 2016). 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 2015, the GCC Group has €1,300 million covered bonds maturing in 2016, €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 Prospectus BCC is rated by Fitch Ratings Ltd. and has been assigned a long term credit rating of BB- and a short term rating of B. The Bank'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 the Bank's credit rating to below investment grade or otherwise 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 the Bank 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 the Bank's credit rating to below investment grade or otherwise 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.

## **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 Prospectus the GCC Group does not engage in 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 has 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 30 June 2016, the GCC Group has financial instruments classified as available for sale whose amount totalled €4,935.4 million, of which €4,755.8 million are debt securities and €179.5 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 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.

***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 40.8 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 2015. Loans to property developers and construction companies to build properties for sale comprised 9.2 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.

The recent rise in unemployment, combined with ever lower real estate prices, could have a material impact on the Bank's ratio of non-performing mortgage loans, which could increase the 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 the Bank's existing real estate assets (and any others that may be included in the future as a result of the Bank's activity) are recorded on its balance sheet may not match their realisable value if they were sold, given the difficulties of making valuations in a market as illiquid as the current Spanish real estate market.

***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 66.7 per cent. and 64.5 per cent. of the GCC Group's gross income (excluding gains from the sale of financial assets) in the years ended 31 December 2015 and 2014, respectively. Net interest income contributed 67.6 per cent. of the GCC Group's gross income (excluding gains from the sale of financial assets) in the six months ended 30 June 2016.

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 93.6 per cent. of the GCC Group's customer loans as of 31 December 2015 (approximately 95.6 per cent as of 30 June 2016 ) 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***

In 2013 the Supreme Court of Spain ruled that interest rate floor clauses of certain Spanish banks, including Cajamar Caja Rural, Sociedad Cooperativa de Crédito (“**Cajamar**”), were null and void because the clauses were not clearly and transparently explained. Additionally a separate case has been brought before the courts of Madrid by the consumer group ADICAE on behalf of a group of holders of interest rate floor mortgages at a number of Spanish banks (not including BCC or Cajamar, but including two Member Entities of the GCC Group: Caixa Rural de Torrent and Caixa Rural Sant Vicent Ferrer de la Vall d’Uixó, upon whom the impact has been estimated to be non-material). On 7 April 2016, a judgment was passed in the aforementioned proceedings that declared such interest rate floor clauses contained within the general conditions of mortgage contracts made with customers void due to lack of transparency, obliging banks to (i) remove such clauses from contracts, (ii) stop using such clauses which are not clearly and transparently explained, and (iii) reimburse affected customers for amounts that they overpaid in accordance with such clauses, together with any interest in accordance with applicable law, from 9 May 2013 which is the date of publication of the Supreme Court judgment.

In the current context of individual and collective lawsuits against the financial institutions in Spain requesting the nullity of floor clauses, Cajamar stopped applying the majority of floor clauses as from 9 May 2013 as a result of the Supreme Court judgments already issued, bringing agreements into line with the Supreme Court rulings.

***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 30 June 2016, the GCC Group had investments in debt securities whose book value totalled €4,756 million, representing 11.9 per cent. of its total assets. As of that date, 72 per cent. of such investment securities, consisted of securities issued by the Spanish government and 24.3 per cent. consisted of securities issued by public administrations other than Spain, mostly Portuguese sovereign bonds.

Any decline in Spain's or Portugal's credit ratings could adversely affect the value of Spain's, Portugal's, Spanish autonomous communities' and other Spanish 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 and Portuguese government bonds it holds as collateral for ECB refinancing and, indirectly, for refinancing with other securities. Likewise any permanent reduction in the value of Spanish or Portuguese government bonds 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 and/or Portugal and any resulting reduction in the value of Spanish or Portuguese 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 or Portugal's 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 supervisión 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, supervisión 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 27.6 per cent. and 23.8 per cent. of the GCC Group's gross income for the years ended 31 December 2015 and 2014, respectively, and 24.3 per cent. for the six months ended 30 June 2016, 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.

## Risks relating 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 an unsound or failing credit institution or investment firm (each an “**institution**”) so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

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

As provided in the BRRD, Law 11/2015 contains four resolution tools and powers which may be used alone or in combination where the FROB, the SRM 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 firm 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 firm 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 impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) 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 the Notes.

The Spanish Bail-in Power is any write-down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with any laws, regulations, rules or requirements in effect in Spain, relating to the transposition of the BRRD, as amended from time to time, including, but not limited to (i) Law 11/2015, as amended from time to time, (ii) 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 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 Insolvency Law read in conjunction with Additional Provision 14.2° of Law 11/2015).

In addition to the Spanish Bail-in Power which can be applied in respect of the Notes, the BRRD and Law 11/2015 also provide for the Relevant Spanish Resolution Authority to permanently write down or convert into equity capital instruments (such as the Notes) at the point of non-viability (“**Non-Viability Loss Absorption**”). The point of non-viability is the point at which the Relevant Spanish Resolution Authority determines that the institution or its group meets the conditions for resolution or will no longer be viable unless the relevant capital instruments (such as the Notes) 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).

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 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 an authority of any other action, or any suggestion that the exercise or taking of any such action may happen, could materially adversely affect the rights of Noteholders, the market price or value or trading behaviour of any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes. Furthermore, the exercise of the Spanish Bail-in Power and 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 GCC Group’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 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. The pending acts include guidelines on the treatment of shareholders in bail-in or the write-down and conversion of capital instruments, and on the rate of conversion of debt to equity or other securities or obligations in any bail-in. No assurance can be given that, once adopted, these standards will not be detrimental to the rights of a Noteholder under, and the value of a Noteholder's investment in, 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 or the GCC Group is in breach (or due, among other things, to a rapidly deteriorating financial condition, it is likely in the near future to be in breach) of applicable regulatory requirements relating to solvency, liquidity, internal structure or internal controls or if the conditions for resolution referred to above are met (see “*Risks relating 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 procedure and does not necessarily relate to the exercise of any relevant measure or power which has been applied pursuant to Law 11/2015.

Any enforcement by a Noteholder of its rights under the Notes upon the occurrence of an Event of Default following the adoption of any early intervention or any resolution procedure will, therefore, be subject to the relevant provisions of the BRRD and 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 relating 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 relating to the Notes**

***The Notes may be redeemed prior to maturity at the Issuer's option, for taxation reasons or upon the occurrence of a Capital Disqualification Event, subject to certain conditions***

The Notes may be redeemed at the Issuer's option. The Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes, as further described in Condition 5(c) (Issuer's Call Option) in “Terms and Conditions of the Notes”.

The Notes may also be redeemed for taxation reasons, if the Issuer, in making any payments on the Notes, has paid or will or would on the next payment date be required to pay Additional Amounts (as defined in the

Conditions) or the Issuer is no longer entitled to claim a deduction in respect of any payments in respect of the Notes in computing its taxation liabilities or the amount of such deduction is materially reduced, in each case, that the Issuer could not avoid by taking measures reasonably available to it and that result from 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 including any treaty to which Spain 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 Issue Date and in any event only if so permitted by the Applicable Banking Regulations then in force and subject to the permission of the Competent Authority, as further described in Condition 5(d) (Redemption Due to Tax Event) in “Terms and Conditions of the Notes”.

Additionally, if a Capital Disqualification Event occurs by reason of a change in the regulatory classification of the Notes which occurs after the Issue Date and which the Competent Authority considers sufficiently certain, the Issuer may redeem all, and not some only, of the 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 5(e) (Redemption Due to Capital Disqualification Event) in “Terms and Conditions of the Notes”.

It is not possible to predict whether or not any further change in the laws or regulations of Spain, Applicable Banking Regulations or, in the case of a redemption of the Notes for taxation reasons, the application 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. 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.

The redemption of the Notes that qualify as Tier 2 Capital of the Issuer at the option of the Issuer is subject to the Competent Authority’ permission and such permission will be given only if either of the following conditions is met:

- (i) on or before such redemption of the Notes, the Issuer replaces the Notes with own funds instruments of an equal or higher quality on terms that are sustainable for the income capacity of the Issuer; or
- (ii) the Issuer has demonstrated to the satisfaction of the Competent Authority that its Tier 1 capital (*capital de nivel 1* pursuant to Applicable Banking Regulations) 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.

To the extent that the Issuer redeems its Notes, an investor generally may 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.

Additionally, the early redemption features may limit the market value of the Notes during any period in which the early redemption features are applicable to the Notes (or are perceived to be applicable).

***The interest rate of the Notes will reset on the Reset Date, which can be expected to affect interest payments on the Notes and could affect the market value of the Notes***

The Notes will initially bear interest at the Initial Fixed Interest Rate until (but excluding) the Reset Date. On the Reset Date, the interest rate will be reset to the sum of the Reset Reference Rate and the Margin as determined by the Agent Bank on the Reset Determination Date. The Reset Rate of Interest for the Reset Period could be less than the Initial Fixed Interest Rate and could affect the market value of an investment in the Notes.

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

The Issuer's obligations under the Notes will be unsecured and subordinated and will rank junior to all unsubordinated obligations of the Issuer. There is a greater risk that an investor in the Notes will lose all or some of its investment should the Issuer become (i) subject to resolution under the BRRD (as implemented through Law 11/2015 and RD 1012/2015) and the Notes become subject to the application of the Spanish Bail-in Power (including 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 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 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, in accordance with the hierarchy of claims provided in the Insolvency Law. The 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 relating 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 14.2° of Law 11/2015, the Issuer will meet subordinated claims in the following order and pro-rata within each class: (i) late or incorrect claims; (ii) contractually subordinated debts; (iii) interest (including accrued and unpaid interest due on the 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.

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

Additional Provision 14.2° of Law 11/2015 established a change in the ranking of claims under Article 92.2 of the Insolvency Law for Spanish banking insolvency proceedings. According to such change, contractually subordinated debt will be classified into three different categories with the following ranking: firstly, principal amount of subordinated debt not qualifying as Additional Tier 1 instruments or Tier 2 instruments, secondly principal amount of subordinated debt qualifying as Tier 2 instruments and, thirdly, principal amount of subordinated debt qualifying as Additional Tier 1 instruments.

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

Holders of the Notes in general will not have any rights under the terms and conditions to request the early redemption of such Notes in the event of any failure by the Issuer to pay principal or interest in respect of such Notes.

Pursuant to the CRR, the Issuer is prohibited from including in the terms and conditions of the Notes terms that would oblige it to redeem such Notes prior to their stated maturity at the option or request of holders of the Notes. As a result, the Conditions do not include provisions allowing for early redemption of the Notes at the option of Noteholders.

***The Notes are complex instruments that may not be suitable for certain investors***

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:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (b) 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;
- (c) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets;
- (d) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where Euros (the currency for principal and interest payments) is different from the potential investor's currency; and
- (e) 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 investment. The investment activities of certain investors are subject to legal investment laws and regulation, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Notes are legal investments for it, (b) Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

***Risks relating to the Spanish withholding tax regime***

The Issuer considers that, pursuant to the provisions of the Royal Decree 1065/2007, as amended, it is not obliged to withhold taxes in Spain on any interest paid on the Notes to any Noteholder, irrespective of whether such Noteholder is tax resident in Spain. The foregoing is subject to the Fiscal Agent complying with certain information procedures described in “*Taxation—Taxation in Spain—Information about the Notes in connection with Payments*” below.

The Issuer and the Fiscal Agent will, to the extent applicable, comply with the relevant procedures to facilitate the collection of information concerning the Notes. The procedures may be modified, amended or supplemented to, among other reasons, reflect a change in applicable Spanish law, regulation, ruling or interpretation thereof. Under Royal Decree 1065/2007, as amended, it is no longer necessary to provide an issuer with information regarding the identity and the tax residence of an investor or the amount of interest paid to it in order for the Issuer to make payments free from Spanish withholding tax, provided that the securities: (i) are regarded as listed debt securities issued under Law 10/2014; and (ii) are initially registered at a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state. The Issuer expects that the Notes will meet the requirements referred to in (i)



and (ii) above and that, consequently, payments made by the Issuer to Noteholders should be paid free of Spanish withholding tax, provided the Fiscal Agent complies with the procedural requirements referred to above. In the event a payment in respect of the Notes is subject to Spanish withholding tax, save as provided in Condition 8 (*Taxation*), the Issuer will pay the relevant Noteholder such additional amounts as may be necessary in order that the net amount received by such Noteholder 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 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 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 information are to apply, the Noteholders will be informed of such new procedures and their implications.

Notwithstanding the above, in the case of Notes 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 may be subject to withholding by such depositary or custodian (19 per cent. as from 1 January 2016) and the Issuer shall not be required to pay the relevant Noteholder additional amounts (as described above, please see “*Terms and Conditions of the Notes — Condition 8 (Taxation)*”).

In particular, with regard to Spanish entities subject to Corporate Income Tax, withholding could be made if it is concluded that the Notes 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 said 2004 ruling, application of the exemption requires that, in addition to being traded on an organized market in an OECD country, the Notes are placed outside Spain in another OECD country. In the event that it was determined that the exemption from withholding tax on payments to Spanish corporate Noteholders does not apply to any of the Notes on the basis that they were placed, totally or partially, in Spain, the Issuer would be required to make a withholding at the applicable rate, and no additional amounts will be payable by the Issuer in such circumstances as set out above.

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

The procedure described in this Prospectus for the provision of information required by Spanish laws and regulations is a summary only and neither the Issuer nor the Dealers assumes any responsibility therefor.

***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 Issuer is not prohibited from issuing further debt, which may rank pari passu with or senior to the Notes***

The Conditions place no restriction on the amount of debt that the Issuer may issue that ranks senior to the Notes (including contractually subordinated obligations), or on the amount 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 Holder upon liquidation of the Issuer.

***The terms of the Notes contain very limited covenants***

There is no negative pledge in respect of the Notes. In addition, the Notes do not require the Issuer to comply with financial ratios or otherwise limit its ability or that of the Member Entities 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 of the Notes.

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

The Conditions (except for Condition 3) of the Notes are governed by and shall be construed in accordance with English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to Spanish and English law or administrative practice after the date of this Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

***Euroclear and Clearstream, Luxembourg procedures***

The Notes will be represented by Global Certificates and will be registered in the name of the Registered Holder as a nominee for, and deposited with, a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificates, 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 Certificates. While the Notes are represented by the Global Certificates, 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 Certificates, 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 Certificate 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 Certificate.

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

***Risks Related to the Market Generally***

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

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

The 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.

***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 its 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 euro. 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 euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of euro 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 euro 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 the Notes may be adversely affected by movements in market interest rates***

Investment in the Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Notes, this will adversely affect the value of the 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, the market, the additional factors discussed above and other factors that may affect the value of the Notes. Further they 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). 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 Prospectus.

## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following documents, which are incorporated by reference in this Prospectus:

- 1 an English language translation of the interim condensed consolidated financial statements of the GCC Group (including the auditors' limited review report thereon, the notes thereto and the interim Directors' report) for the six months ended 30 June 2016 available for viewing on:

<https://www.bcc.es/en/pdf/informacion-para-inversores/informe-semestral-consolidado-junio-2016.pdf>

- 2 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>

- 3 an English language translation of the audited consolidated financial statements of the GCC Group (including the auditors' report thereon and notes thereto and the 2014 Directors' report) as of and for the year ended 31 December 2014 available for viewing on:

<https://www.bcc.es/en/pdf/informacion-para-inversores/cuentas-anuales-consolidadas-2014.pdf>

The audited consolidated financial statements for the years ended 31 December 2014 and 2015 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. The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”, 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 Prospectus 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 Prospectus is either not relevant to investors or is covered elsewhere in this Prospectus.

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 2014 and the interim condensed consolidated financial statements as of and for the six month period ended 30 June 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 Prospectus. Accordingly, the Directors' reports should be read together with the other sections of this Prospectus, 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 Prospectus that is subsequent to or inconsistent with it. Furthermore, the Directors' reports include certain forward-looking statements that are subject to inherent uncertainty.

## OVERVIEW OF THE OFFERING

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

Words and expressions defined in the Conditions shall have the same meanings in this overview.

Issuer:	Banco de Crédito Social Cooperativo, S.A.
Joint Lead Managers:	Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank PLC, J.P. Morgan Securities plc and Nomura International plc.
Risk Factors:	There are certain factors that may affect the Bank's ability to fulfil its obligations under the Notes. These are set out under " <i>Risk Factors</i> " above and include risks relating to the Spanish economy and the global macroeconomic environment, risks relating to increasingly onerous capital requirements, the lack of availability of funding, volatility in interest rates and increased competition. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Notes which are also described in detail under " <i>Risk Factors</i> " above.
Issue size:	€100,000,000
Issue Date:	3 November 2016
Issue details:	€100,000,000 Fixed Rate Reset Subordinated Notes due 3 November 2026
Issue price:	100 per cent. of the principal amount of the Notes
Use of Proceeds:	See " <i>Use of Proceeds</i> ".
Interest:	The Notes will bear interest on their outstanding principal amount (i) at a fixed rate of 9.00 per cent. per annum from (and including) the Issue Date to (but excluding) the Reset Date payable annually in arrear on 3 November in each year, with the first Interest Payment Date on 3 November 2017, and (ii) from (and including) the Reset Date, at the Reset Rate of Interest, plus 9.05 per cent. per annum (the Margin) as determined by the Agent Bank, payable annually in arrear on 3 November in each year, starting on 3 November 2021 (See Condition 4 (Interest Payments) in "Terms and Conditions of the Notes"). Payments on the Notes will be made in euro

	without deduction for or on account of taxes imposed or levied by the Kingdom of Spain to the extent described under Condition 8 (Taxation) in “Terms and Conditions of the Notes”.
Status of the Notes:	The payment obligations of the Issuer under the Notes constitute direct, unconditional and subordinated obligations of the Issuer, as more fully described in Condition 3 (Status of Notes) in “Terms and Conditions of the Notes”. The Notes are expected to constitute Tier 2 Capital of the Issuer.
Form:	The Notes will be issued in registered form and will be represented by a Global Certificate, registered in the name of the Registered Holder as a nominee for, and deposited with a common depositary for Euroclear and Clearstream, Luxembourg.
Final Redemption:	3 November 2026
Tax and Regulatory Redemption:	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption, subject to the conditions set out in Condition 5(b) (Conditions to Redemption and Purchase prior to the Maturity Date) including, without limitation, obtaining prior Supervisory Permission, in the event of certain changes affecting taxation in the Kingdom of Spain (a Tax Event see Condition 5(d) (Redemption Due to Tax Event) in “Terms and Conditions of the Notes”) or if a Capital Disqualification Event occurs (see Condition 5(e) (Redemption Due to Capital Disqualification Event) in “Terms and Conditions of the Notes”).
Optional Redemption:	The Issuer may at its option, subject to the conditions set out in Condition 5(b) (Conditions to Redemption and Purchase prior to the Maturity Date), including, without limitation, obtaining prior Supervisory Permission, redeem all, but not some only, of the Notes on the Reset Date, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption (see Condition 5(c) (Issuer’s Call Option) in “Terms and Conditions of the Notes”).
Purchases:	The Issuer may, subject to Condition 5(b) and in particular prior Supervisory Permission, purchase (or otherwise acquire), or procure others to purchase (or otherwise acquire) beneficially for its account, Notes in any manner and at any price. In addition, the Issuer

	<p>may, subject to Condition 5(f)(ii) (Purchases) and in particular prior Supervisory Permission, purchase the Notes for market making purposes.</p> <p>See Condition 5(f) (Purchases) in “Terms and Conditions of the Notes”.</p>
Rating:	<p>The Notes are expected to be rated B+ by Fitch. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.</p>
Listing:	<p>Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Main Securities Market of the Irish Stock Exchange.</p>
Governing Law:	<p>English law, save for Condition 3 (Status of Notes) in “Terms and Conditions of the Notes”, which is governed by the laws of the Kingdom of Spain.</p>
Selling Restrictions:	<p>United States, United Kingdom and Spain. See “<i>Subscription, Sale and Transfer</i>”</p>

## TERMS AND CONDITIONS OF THE NOTES

*The following, subject to alteration and completion and except for paragraphs in italics, are the terms and conditions of the Notes which will be endorsed on each Certificate in definitive form (if issued).*

The issue of the €100,000,000 9.00 per cent. Fixed Rate Reset Subordinated Notes due 3 November 2026 (the **“Notes”**) of Banco de Crédito Social Cooperativo, S.A. (the **“Issuer”**) was authorised by resolutions of the Executive Commission of the Board of Directors dated 4 October 2016 acting by sub-delegation of resolutions of the Board of Directors dated 1 September 2015 and 28 June 2016 and delegation of a resolution of the General Shareholders' Meeting dated 16 June 2015.

A fiscal agency agreement dated 3 November 2016 (the **“Fiscal Agency Agreement”**) has been entered into in relation to the Notes between, among others, the Issuer, Deutsche Bank AG, London Branch as fiscal agent, Deutsche Bank Luxembourg, S.A. as registrar and transfer agent, the Agent Bank (defined below) and any successor agents appointed from time to time in connection with the Notes. The Notes have the benefit of a Deed of Covenant (the **“Deed of Covenant”**) dated 3 November 2016 executed by the Issuer relating to the Notes. The Issuer will act as agent bank for the purpose of calculating the rate of interest payable on the Notes (in such capacity, the **“Agent Bank”**). The fiscal agent, the registrar and any transfer agent for the time being are referred to below respectively as the **“Fiscal Agent”**, the **“Registrar”** and the **“Transfer Agents”**. **“Agents”** means the Fiscal Agent, the Agent Bank, the Registrar, the Transfer Agents and any other agent or agents appointed from time to time with respect to the Notes, and any reference to an **“Agent”** is to any one of them. The Fiscal Agency Agreement includes the form of the Notes. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified offices of the Fiscal Agent, the Registrar and any Transfer Agents. The Holders (as defined in Condition 1(b)) are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

The Issuer will execute a public deed (*escritura pública*) (the **“Public Deed”**) before a Spanish Notary Public in relation to the Notes on or prior to the Issue Date of the Notes. The Public Deed will contain, among other information, the terms and conditions of the Notes.

### 1 Form, Denomination and Title

#### (a) *Form and Denomination*

The Notes are serially numbered in the denomination of €100,000.

The Notes are represented by registered certificates (**“Certificates”**) and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Notes by the same Holder.

#### (b) *Title*

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the **“Register”**). Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the Holder.

In these Conditions, **“Noteholder”** or **“Holder”** means the person in whose name a Note is registered.



## 2 Transfers of Notes

### (a) *Transfer*

A holding of Notes may, subject to Condition 2(d), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a Holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries in the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Fiscal Agent. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

### (b) *Delivery of New Certificates*

Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within three business days of receipt of a duly completed and executed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate(s) shall have been made or, at the option of the Holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/ or such insurance as it may specify. In this Condition 2(b), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

### (c) *Transfer Free of Charge*

Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to such transfer (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

### (d) *Closed Periods*

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Note, or (ii) during the period of 15 days prior to (and including) any earlier date fixed for redemption of that Note pursuant to Condition 5(c), 5(d) or 5(e), or (iii) during the period of seven days ending on (and including) any Record Date.

## 3 Status of Notes

The payment obligations of the Issuer under the Notes, whether on account of principal, interest or otherwise, shall constitute direct, unconditional and subordinated obligations of the Issuer and, in accordance with Additional Provision 14.2° of Law 11/2015, but subject to any other ranking that may apply as a result of any

mandatory provision of law (or otherwise), upon the insolvency of the Issuer, the obligations of the Issuer on account of principal of the Notes, for so long as they constitute a Tier 2 instrument of the Issuer, will rank (unless they qualify as subordinated claims pursuant to Articles 92.4° to 92.7° of the Insolvency Law):

- (i) **senior** to (i) any claims for principal in respect of contractually subordinated obligations of the Issuer qualifying as Additional Tier 1 instruments; (ii) any subordinated obligations of the Issuer under Articles 92.3° to 92.7° of the Insolvency Law, and (iii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by Spanish law, rank junior to the Issuer's obligations under the Notes;
- (ii) **pari passu** among themselves and with (i) any other claims for principal in respect of contractually subordinated obligations of the Issuer qualifying as Tier 2 instruments and which are not subordinated obligations under Articles 92.4° to 92.7° of the Insolvency Law, and (ii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by Spanish law, rank *pari passu* with the Issuer's obligations under the 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 and which are not subordinated obligations under Articles 92.4° to 92.7° of the Insolvency Law; and (iv) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by Spanish law, rank senior to the Issuer's obligations under Notes.

*The obligations of the Issuer under the Notes will be subject to the Spanish Bail-In Power.*

#### **4 Interest Payments**

##### **(a) Interest Rate**

The Notes bear interest on their outstanding principal amount at the applicable Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 4.

Interest shall be payable on the Notes annually in arrear on each Interest Payment Date as provided in this Condition 4.

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

##### **(b) Interest Accrual**

The Notes will cease to bear interest from (and including) the due date for redemption thereof pursuant to Condition 5(a), (c), (d) or (e), as the case may be, unless, upon surrender of the Certificate representing any Note, payment of all amounts due in respect of such Note is not properly and duly made, in which event interest shall continue to accrue on the Notes, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date. Interest in respect of any Note shall be calculated per Calculation Amount and the amount of interest per Calculation Amount shall be equal to the product of the Calculation Amount, the relevant Interest Rate and the day-count fraction as described in Condition 4(a) for the relevant period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

(c) ***Initial Fixed Interest Rate***

For the Initial Fixed Rate Interest Period, the Notes bear interest at the rate of 9.00 per cent. per annum (the “**Initial Fixed Interest Rate**”).

(d) ***Reset Rate of Interest***

The Interest Rate will be reset (the “**Reset Rate of Interest**”) in accordance with this Condition 4 on the Reset Date. The Reset Rate of Interest will be determined by the Agent Bank on the Reset Determination Date as the sum of the Reset Reference Rate and the Margin.

(e) ***Determination of Reset Rate of Interest***

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

(f) ***Publication of Reset Rate of Interest***

The Agent Bank shall cause notice of the Reset Rate of Interest determined in accordance with this Condition 4 in respect of the Reset Period to be given to the Issuer, the Fiscal Agent, the Registrar, each of the Transfer Agents, any stock exchange on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 12, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

(g) ***Agent Bank and Reset Reference Banks***

The Issuer will maintain an Agent Bank until the Reset Rate of Interest has been determined.

The Issuer may from time to time replace the Agent Bank with another leading investment, merchant or commercial bank or financial institution in the eurozone or, if the Issuer is not itself the Agent Bank, it may replace any third party Agent Bank and perform the obligations of the Agent Bank itself. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Reset Rate of Interest in respect of the Reset Period as provided in Condition 4(d), the Issuer shall forthwith appoint another leading investment, merchant or commercial bank or financial institution in the eurozone to act as such, or shall itself act as such, in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

(h) ***Determinations of Agent Bank Binding***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Agent Bank, shall (in the absence of manifest error) be binding on the Issuer, the Agent Bank, the Registrar, the Transfer Agents and all Holders and (in the absence of wilful default or negligence) no liability to the Holders or the Issuer shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

## **5 Redemption and Purchase**

(a) ***Final Redemption***

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount, together with accrued and unpaid interest, on 3 November 2026. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 5.

**(b) Conditions to Redemption and Purchase prior to Final Redemption**

Any redemption or purchase of the Notes in each case in accordance with Conditions 5(c), (d), (e) or (f)(i) is subject to:

- (i) the Issuer obtaining prior Supervisory Permission therefor;
- (ii) in the case of any redemption or purchase, if and to the extent then required under prevailing Applicable Banking Regulations, either: (A) the Issuer having replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or (B) the Issuer having demonstrated to the satisfaction of the Competent Authority that the own funds of the Issuer would, following such redemption or purchase, exceed its minimum capital requirements (including any capital buffer requirements) by a margin that the Competent Authority considers necessary at such time; and
- (iii) in the case of any redemption prior to the fifth anniversary of the Issue Date, if and to the extent then required under prevailing Applicable Banking Regulations (A) in the case of redemption upon a Tax Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the applicable change in tax treatment is material and was not reasonably foreseeable as at the Issue Date, or (B) in the case of redemption upon the occurrence of a Capital Disqualification Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the relevant change in the regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date.

Notwithstanding the above conditions, if, at the time of any redemption or purchase, the prevailing Applicable Banking Regulations permit the repayment or purchase only after compliance with one or more alternative or additional pre-conditions to those set out above in this Condition 5(b), the Issuer shall comply with such other and/or, as appropriate, additional pre-condition(s).

Prior to the publication of any notice of redemption pursuant to this Condition 5, the Issuer shall (i) deliver to the Fiscal Agent to make available at its specified office to the Holders a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem is satisfied and (ii) in the case of a redemption pursuant to Condition 5(d) only, use its best efforts to deliver to the Fiscal Agent to make available to the Holders at its specified office (A) an opinion from independent legal advisers of required standing experienced in such matters to the effect that the relevant requirement or circumstance referred to in any of paragraphs (i) to (ii) (inclusive) of the definition of “Tax Event” applies (but, for the avoidance of doubt, such opinion shall not be required to comment on the ability of the Issuer to avoid such circumstance by taking measures reasonably available to it) and (B) evidence of the prior Supervisory Permission that has been obtained by the Issuer.

**(c) Issuer’s Call Option**

Subject to Condition 5(b), the Issuer may, by giving not less than 30 nor more than 60 days’ notice to the Holders in accordance with Condition 12, the Registrar and the Fiscal Agent (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem all, but not some only, of the Notes on the Reset Date at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall redeem the Notes.

**(d) *Redemption Due to Tax Event***

If, prior to the giving of the notice referred to below in this Condition 5(d), a Tax Event has occurred and is continuing, then the Issuer may, subject to Condition 5(b) and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 12, the Registrar, the Fiscal Agent (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption, *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 Additional Amounts, or (ii) would no longer be entitled to claim a deduction or the amount of such deduction would be materially reduced, in each case, were a payment in respect of the Notes then due. Upon the expiry of such notice, the Issuer shall redeem the Notes.

**(e) *Redemption Due to Capital Disqualification Event***

If, prior to the giving of the notice referred to below in this Condition 5(e), a Capital Disqualification Event has occurred and is continuing, then the Issuer may, subject to Condition 5(b) and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 12, the Registrar and the Fiscal Agent (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall redeem the Notes.

**(f) *Purchases***

- (i) The Issuer may, subject to Condition 5(b), purchase (or otherwise acquire), or procure others to purchase (or otherwise acquire) beneficially for its account, Notes in any manner and at any price. The Notes so purchased (or acquired), while held by or on behalf of the Issuer, shall not entitle the Holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders.
- (ii) Notwithstanding Condition 5(b), the Issuer or any agent on its behalf shall have the right at all times to purchase the Notes for market making purposes provided that: (a) the Issuer has obtained prior Supervisory Permission therefor; and (b) the total principal amount of the Notes so purchased does not exceed the lower of (x) 10% of the initial aggregate principal amount of the Notes and such any further notes issued under Condition 13, or (y) 3% of the Tier 2 Capital of the Issuer outstanding at the relevant time calculated in accordance with the Applicable Banking Regulations.

**(g) *Cancellation***

All Notes redeemed by the Issuer pursuant to this Condition 5 will forthwith be cancelled. All Notes purchased by or on behalf of the Issuer may, subject to obtaining any Supervisory Permission therefor, be held, reissued, resold or, at the option of the Issuer, surrendered for cancellation to the Registrar. Notes so surrendered, shall be cancelled forthwith. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## 6 Payments

### (a) *Method of Payment*

- (i) Payments of principal shall be made in euro (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Certificates) in like manner as is provided for payments of interest in paragraph (ii) below.
- (ii) Interest on each Note shall be paid to the person shown in the Register at the close of business on the business day before the due date for payment thereof (the **“Record Date”**). Payments of interest on each Note shall be made in euro by cheque drawn on a bank and mailed to the Holder (or to the first named of joint Holders) of such Note at its address appearing in the Register. Upon application by the Holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in euro maintained by the payee with a bank in a city in which banks have access to the TARGET System.

### (b) *Payments Subject to Laws*

Save as provided in Condition 8, payments will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws or regulations to which the Issuer or its Agents agree to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commissions or expenses shall be charged to the Holders in respect of such payments.

### (c) *Payment Initiation*

Where payment is to be made by transfer to an account in euro, payment instructions (for value the due date), or if that date is not a Business Day, for value the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed on the last day on which the Fiscal Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Transfer Agent is open for business and on which the relevant Certificate is surrendered.

### (d) *Delay in Payment*

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Business Day, or if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 6(a)(ii) arrives after the due date for payment.

### (e) *Non-Business Days*

If any date for payment in respect of any Note is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 6, **“business day”** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and which is a TARGET Business Day.

## 7 Default

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

If a default occurs under this Condition 7, claims of Holders in respect of the Notes shall rank as set out under Condition 3.

## 8 Taxation

All payments of principal, interest and any other amounts by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Spain (the **“Spanish Tax Authorities”**), unless such withholding or deduction is required by law. In that event the Issuer will pay such additional amounts (**“Additional Amounts”**) as will result in receipt by the Holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note:

- (a) held by or on behalf of a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the Kingdom of Spain other than a mere holding of such Note; or
- (b) in respect of which the certificate representing it is surrendered for payment (in the case of payment of principal or interest on redemption) more than 30 days after the Relevant Date except to the extent that the Holder thereof would have been entitled to such Additional Amounts on surrendering the same for payment on the last day of such period of 30 days; or
- (c) to, or to a third party on behalf of, a holder in respect of whom the Issuer (or an agent acting on behalf of the Issuer) has not received such information (which may include a tax residence certificate) concerning such Holder's identity and tax residence as it may be required in order to comply with the procedures that may be implemented to comply with the interpretation of Royal Decree 1065/2007 as eventually made by the Spanish Tax Authorities.

All payments of principal, interest and any other amount by or on behalf of the Issuer in respect of the Notes shall be made net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue code of 1986, as amended (the **“Code”**), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or any intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a **“FATCA Withholding”**). Neither the

Issuer nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

## **9 Prescription**

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## **10 Meetings of Holders and Modification**

### **(a) Meetings of Holders**

The Fiscal Agency Agreement contains provisions for convening meetings of Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by the Issuer or by Holders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding.

The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the principal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions (including, *inter alia*, the provisions regarding subordination referred to in Condition 3, the terms concerning currency and due dates for payment of principal or interest payments in respect of the Notes and reducing or cancelling the principal amount of, or interest on, any Notes or the Interest Rate or varying the method of calculating the Interest Rate) the quorum will be one or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., in principal amount of the Notes for the time being outstanding.

Any Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting.

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

### **(b) Modification of the Conditions**

No modification to these Conditions shall become effective unless (if and to the extent required at the relevant time by the Competent Authority) the Issuer shall have given at least 30 days' prior written notice thereof to, and received Supervisory Permission therefor from, the Competent Authority (or such other period of notice as the Competent Authority may from time to time require or accept and, in any event, provided that there is a requirement to give such notice and obtain such Supervisory Permission).

### **(c) Modification of the Fiscal Agency Agreement**

The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Fiscal Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Holders.



**(d) Notification to the Holders**

Any such modification shall be binding on all Holders and, any such modification shall be notified to the Holders in accordance with Condition 12 as soon as practicable thereafter.

**11 Replacement of the Notes**

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and, regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

**12 Notices**

Notices to the Holders shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register and, if it is a requirement of applicable law or regulations, notices to Holders will be published on the date of such mailing in a leading newspaper having general circulation in Ireland or published on the website of the Irish Stock Exchange or, in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

**13 Further Issues**

The Issuer may from time to time without the consent of the Noteholders, but subject to any Supervisory Permission required, create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

**14 Agents**

The initial Fiscal Agent, the Registrar and the Transfer Agents and their initial specified offices are listed below. Including any Agent Bank that may be appointed, they act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right, at any time to vary or terminate the appointment of the Fiscal Agent, the Registrar, the Agent Bank and the Transfer Agents and to appoint replacement agents or other Transfer Agents, provided that it will:

- (a) at all times maintain a Fiscal Agent, a Registrar and a Transfer Agent; and
- (b) whenever a function expressed in these Conditions to be performed by the Agent Bank fails to be performed, appoint and maintain an Agent Bank until the Reset Rate of Interest has been determined.

Notice of any such termination or appointment and of any change in the specified offices of the Agents will be given to the Holders in accordance with Condition 12. If any of the Agent Bank, Registrar or the Fiscal Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Fiscal Agency Agreement (as the case may be), the Issuer shall appoint an independent financial institution to act as such in its place. All calculations and determinations made by the Agent Bank, the Registrar or the Fiscal Agent in relation to the Notes shall (save

in the case of manifest error) be final and binding on the Issuer, the Agent Bank, the Registrar, the Fiscal Agent and the Holders.

## **15 Governing Law and Jurisdiction**

### **(a) *Governing Law***

Save as described below, the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. Condition 3 shall be governed by, and shall be construed in accordance with, Spanish law.

### **(b) *Jurisdiction***

The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes and accordingly any legal action or proceedings arising out of or in connection with any Notes (“**Proceedings**”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

### **(c) *Service of Process***

The Issuer irrevocably appoints Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 12. Nothing shall affect the right to serve process in any manner permitted by law.

### **(d) *Contingent Acknowledgement of the Spanish Bail-in Power***

Notwithstanding any other term of the Notes or any other agreements, arrangements, or understanding between the Issuer and any Holder, by its acquisition of the Notes, each Holder (which, for the purposes of this clause, includes each holder of a beneficial interest in the Notes) acknowledges, accepts, consents to and agrees to be bound by:

- (i) the effect of the exercise of the Spanish Bail-in Power by the relevant resolution authority, which exercise may include and result in any of the following, or some combination thereof:
  - (i) the reduction of all, or a portion, of the Amounts Due on the Notes
  - (ii) the conversion of all, or a portion, of the Amounts Due on the Notes into ordinary shares, other securities or other obligations of the Issuer, the GCC Group or another person (and the issue to or conferral on the Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes;
  - (iii) the cancellation of the Notes or the Amounts Due; and
  - (iv) 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) the variation of the terms of the Notes, as deemed necessary by the relevant resolution authority, to give effect to the exercise of the Spanish Bail-in Power by the relevant resolution authority.

This Condition 15(d) will only apply if English law is no longer deemed to constitute the law of an EU member state under the provisions of the BRRD as implemented in the Kingdom of Spain (including but not limited to, Law 11/2015 and its development regulations) as amended from time to time.

*The exercise of the Spanish Bail-Power by the relevant resolution authority pursuant to any relevant laws, regulations, rules or requirements in effect in the Kingdom of Spain is not dependant on the application of this Condition 15(d).*

## 16 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes by virtue of the Contracts (Rights of Third Parties) Act 1999.

## 17 Definitions

In these Conditions:

**“Additional Amounts”** has the meaning given to it in Condition 8;

**“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° of Law 11/2015;

**“Agent Bank”** has the meaning given to it in the preamble to these Conditions;

**“Amounts Due”** means the principal amount, together with any accrued but unpaid interest, and Additional Amounts, if any, due on the Notes. 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 Spanish Bail-in Power by the relevant resolution authority;

**“Applicable Banking Regulations”** means, at any time, the laws, regulations, requirements, guidelines and policies of the Competent Authority, of the Kingdom of Spain or of the European Parliament and Council then in effect in the Kingdom of Spain relating to capital adequacy, resolution and/or solvency and 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 of the Competent Authority relating to capital adequacy, resolution and/or solvency then in effect (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer and/or the GCC Group);

**“Authorised Signatories”** means any two of the Directors or Company Secretary of the Issuer;

**“BRRD”** means Directive 2014/59/EU of 15th May 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 Royal Decree 1012/2015, as amended or replaced from time to time and including any other relevant implementing regulatory provisions;

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

**“Calculation Amount”** means €100,000 in principal amount;

**“Capital Disqualification Event”** means the determination by the Issuer after consultation with the Competent Authority that the principal amount of the Notes is not eligible for inclusion in whole or, to the extent not prohibited by the Applicable Banking Regulations, 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);

**“Competent Authority”** means the European Central Bank or the Bank of Spain, as applicable, or such other authority having primary supervisory authority with respect to prudential matters concerning the Issuer and/or the GCC Group;

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

**“CRD IV”** means any or any combination of the CRD IV Directive, the CRR, and any CRD IV Implementing Measures;

**“CRD IV Directive”** means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013;

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

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

**“Directors”** means the directors of the Issuer;

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

**“Fiscal Agency Agreement”** has the meaning given to it in the preamble to these Conditions;

**“Fiscal Agent”** has the meaning given to it in the preamble to these Conditions;

**“GCC Group”** means the Issuer and its consolidated subsidiaries as well as each entity, from time to time, who is a party, or who has acceded to the regulating contract of the Grupo Cooperativo Cajamar dated 21 October 2014, or any agreement which may amend or replace it from time to time and whose accession has been authorised by the Competent Authority;

**“Holder”** has the meaning given to it in Condition 1;

**“Initial Fixed Interest Rate”** has the meaning given to it in Condition 4(c);

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

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

**“Interest Payment Date”** means (i) in respect of the period from the Issue Date to (and including) the Reset Date, 3 November in each year, starting on (and including) 3 November 2017 and (ii) after the Reset Date, 3 November in each year, starting on (and including) 3 November 2021;

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

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

**“Issue Date”** means 3 November 2016, being the date of the initial issue of the Notes;

**“Issuer”** means Banco de Crédito Social Cooperativo, S.A.;

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

**“Law 11/2015”** means Law 11/2015 of 18 June, on the Recovery and Resolution of Credit Institutions and Investment Firms (*Ley 11/2015 de 18 de junio de recuperación y resolución de entidades de crédito y empresas de servicios de inversión*), as amended from time to time;

**“Margin”** means 9.05 per cent.;

**“New Terms”** means, at any time, any terms and conditions of a capital instrument issued by the Issuer that are different in any material respect from the terms and conditions of the Notes at such time;

**“Noteholder”** has the meaning given to it in Condition 1;

**“Notes”** has the meaning given to it in the preamble to these Conditions;

**“Record Date”** has the meaning given to it in Condition 6(a);

**“Register”** has the meaning given to it in Condition 1(b);

**“Registrar”** has the meaning given to it in the preamble to these Conditions;

**“regulated entity”** means any entity to which BRRD, as implemented in the Kingdom of Spain (including but not limited to, Law 11/2015 and its development regulations) and as amended from time to time, applies, which includes, certain credit institutions, investment firms, and certain of their parent or holding companies;

**“Relevant Date”** means in respect of any payment, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Certificate representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender;

**“Relevant Jurisdiction”** means the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction 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 of principal and/or interest on the Notes;

**“relevant resolution authority”** means the Spanish Fund for the Orderly Restructuring of Banks (the FROB), the European Single Resolution Mechanism, as the case may be, according to Law 11/2015, and any other entity with the authority to exercise the Spanish Bail-in Power from time to time;

**“Reset Date”** means 3 November 2021;

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

**“Reset Period”** means the period from and including the Reset Date to but excluding 3 November 2026;

**“Reset Rate of Interest”** has the meaning given to it in Condition 4(d);

**“Reset Reference Banks”** means five leading swap dealers in the principal interbank market relating to euro selected by the Agent Bank in its discretion after consultation with the Issuer;

**“Reset Reference Rate”** means in respect of the Reset Period, (i) the applicable annualised mid-swap rate for swap transactions in euro (with a maturity equal to 5 years) as displayed on the Screen Page at 11.00 a.m. (Central European Time) on the Reset Determination Date or (ii) if such rate is not displayed on the Screen Page at such time and date, the Reset Reference Bank Rate on the Reset Determination Date;

Where:

**“Mid-Swap Quotations”** means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed for floating interest rate swap transaction in euro which (a) has a term commencing on the Reset Date which is equal to 5 years; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on an Actual/360 day count basis);

**“Reset Reference Bank Rate”** means the percentage rate determined on the basis of the Mid-Swap Quotations provided by the Reset Reference Banks to the Agent Bank at or around 11:00 a.m. (Central European Time) on the Reset Determination Date and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards). If at least four quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided, 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 or three quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the rounded quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be -0.05 per cent; and

**“Screen Page”** means Reuters screen page “ISDAFIX2”, or such other screen page as may replace it on Thomson Reuters or, as the case may be, on such other information service that may replace Thomson Reuters, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying comparable rates;

**“Royal Decree 1012/2015”** means Royal Decree 1012/2015, of 6 November, developing Law 11/2015;

**“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 the Kingdom of Spain, relating to (i) the transposition of the BRRD (including but not limited to, Law 11/2015 and its development regulations) as amended 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 Single Resolution Mechanism 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 any obligation of a regulated entity (as defined below) (or other affiliate of such regulated entity) can be reduced, cancelled, modified, or converted into shares, other

securities, or other obligations of such regulated entity or any other person (or suspended for a temporary period);

**“Spanish Tax Authorities”** has the meaning given to it in Condition 8;

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

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

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

**“Tax Event”** is deemed to have occurred if, as a result of a Tax Law Change:

- (i) in making any payments on the Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts; or
- (ii) the Issuer is no longer entitled to claim a deduction in respect of any payments in respect of the Notes in computing its taxation liabilities or the amount of such deduction is materially reduced,

and, in each case, the Issuer could not avoid the foregoing by taking measures reasonably available to it.

**“Tax Law Change”** means a change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, including any treaty to which such Relevant 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 Issue Date;

**“Tier 2 Capital”** means tier 2 capital (*capital de nivel 2*) pursuant to Applicable Banking Regulations;

**“Tier 2 instrument”** means any contractually subordinated obligation of the Issuer constituting a tier 2 instrument (*instrumento de capital de nivel 2*) in accordance with Applicable Banking Regulations, and as referred to in Additional Provision 14.2° of Law 11/2015; and

**“Transfer Agents”** has the meaning given to it in the preamble to these Conditions.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### 1 Initial Issue of Certificates

The Global Certificate will be registered in the name of a nominee (the “**Registered Holder**”) for a common depositary for Euroclear and Clearstream, Luxembourg (the “**Common Depositary**”) and may be delivered on or prior to the original issue date of the Notes.

Upon the registration of the Global Certificate in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

### 2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (“**Alternative Clearing System**”) as the holder of a Note represented by a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by the Global Certificate and such obligations of the Issuer will be discharged by payment to the holder of the Global Certificate in respect of each amount so paid.

### 3 Exchange

The following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by the Global Certificate may only be made in part:

- (i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) upon or following any failure to pay principal in respect of any Notes when it is due and payable; or
- (iii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) or (ii) above, the Registered Holder has given the Registrar not less than 30 days’ notice at its specified office of the Registered Holder’s intention to effect such transfer.

### 4 Amendment to Conditions

The Global Certificate contains provisions that apply to the Notes that it represents, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:



#### 4.1 Payments

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

#### 4.2 Notices

So long as the Global Certificate is held by or on behalf of Euroclear or Clearstream, Luxembourg or the Alternative Clearing System, notices required to be given to Holders may be given by their being delivered to Euroclear and Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System, rather than by publication as required by the Conditions, in which case such notices shall be deemed to have been given to Holders on the date of delivery to Euroclear and Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System.

#### 4.3 Prescription

Claims in respect of the principal, interest and other amounts payable in respect of the Global Certificate will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest or any other amounts) from the appropriate Relevant Date.

#### 4.4 Meetings

For the purposes of any meeting of Noteholders, the holder of the Notes represented by the Global Certificate shall be treated as one person for the purposes of any quorum requirements of a meeting of Noteholders and as being entitled to one vote in respect of each integral currency unit of the currency of the Notes.

#### 4.5 Purchase and Cancellation

Cancellation of any Note represented by the Global Certificate which is required by the Conditions to be cancelled will be effected by reduction in the nominal amount of the Global Certificate on its presentation to or to the order of the Fiscal Agent for notation in Schedule A of the Global Certificate.

### 5 Electronic Consent and Written Resolution

While any Global Certificate is registered in the name of any nominee for a clearing system, then:

- (a) approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an **“Electronic Consent”** as defined in the Fiscal Agency Agreement) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the Special Quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Fiscal Agency Agreement) has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer by accountholders in the clearing system with entitlements to such Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the

person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, “commercially reasonable evidence” includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream, Luxembourg’s CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

## **USE OF PROCEEDS**

The net proceeds from the issue of the Notes will be used by the Issuer for the GCC Group's general corporate purposes.

## DESCRIPTION OF THE ISSUER AND THE GCC GROUP

### Introduction

Banco de Crédito Social Cooperativo, S.A. (“BCC”, the “Bank” 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 GCC Group). The shareholders of BCC are comprised of all of the members of the GCC Group as well as a number of other institutional and non-institutional investors who are not members of the GCC Group.

### Incorporation and Status of BCC

The Issuer is a registered private bank incorporated by 32 founding shareholders on 28 January 2014 under a public deed executed before the Madrid notary Mr. José Enrique Cachón Blanco under number 293 of his record, entered in the Madrid Mercantile Register in Volume 31,884, Folio 131, Page M-573805, Entry 1 on 10 February 2014. The shareholders that granted the deed were authorised by the Bank of Spain (*Banco de España*) under an authorisation issued on 27 January 2014 by the Directorate General for Financial Regulation and Stability, in the terms laid down in Royal Decree 1245/1995 of 14 July (*Real Decreto 1245/1995, de 14 de julio, sobre creación de Bancos, actividad transfronteriza y otras cuestiones relativas al régimen jurídico de las entidades de crédito*). On 18 February 2014 it was entered in the Register of Banks and Bankers under code number 0240, with tax ID number A86853140. BCC's registered office is Paseo de la Castellana 87, 28046, Madrid, Spain and its contact telephone number is +34 914 364 703. It may establish branches, agencies and representative offices anywhere in the Kingdom of Spain and abroad, in accordance with applicable legislation.

The Issuer is a Spanish company with legal status as a public limited company (*sociedad anónima*) and is governed by the Spanish Companies Act (*Texto Refundido de la Ley de Sociedades de Capital*), approved by Royal Legislative Decree 1/2010, of 2 July (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*). The Issuer is subject to special legislation applicable to credit entities and private banking in general, and the supervision, control and regulation of the European Central Bank (the “ECB”).

### History and Development of BCC and the GCC Group

#### *Banco de Crédito Social Cooperativo, S.A.*

BCC was formed with an initial share capital of €800 million by 19 founding shareholders (all Spanish credit cooperatives that originally formed the Cajas Rurales Unidas cooperative group (the “**Cajas Rurales Unidas Cooperative Group**”)) together with 13 other shareholders who were external to the Cajas Rurales Unidas Cooperative Group. As at the date of this Prospectus, a further 5 institutions, none of whom are members of the GCC Group, together with 20 individuals, who are Board members and senior managers of BCC, had become shareholders of BCC following capital raisings in 2015. Please see “ – *Capital Structure and Major Shareholders of BCC*” for a list of the shareholders at the date of this Prospectus 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 Prospectus, 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:

<b>Entity</b>	<b>Assembly Date</b>
Banco de Crédito Social Cooperativo, S.A.	28/01/2014
Cajamar Caja Rural, Sociedad Cooperativa de Crédito <sup>1</sup>	28/11/2013
Caixa Rural de Altea, Cooperativa de Credit Valenciana	27/11/2013
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito	28/11/2013
Caja Rural de Callosa d'en Sarriá, Sociedad Cooperativa de Crédito	28/11/2013
Caja Rural San José de Nules, Sociedad Cooperativa de Crédito	28/11/2013
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	28/11/2013
Caja Rural de Alginet, Sociedad Cooperativa de Crédito	28/11/2013

<sup>1</sup> 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 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 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 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% 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 the Bank.

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 Regulatory 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.

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 2015, the pooling rate of BCC was 35.74%, compared with 27.93% at 31 December 2014. The pooling rate of BCC at 30 June 2016 was 36.74% .

#### 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 Regulatory 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 Regulatory 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 Regulatory 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 the Bank), 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 Regulatory 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 the Bank 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 Prospectus its activities (on an individual basis) are mainly limited to, on the asset side, managing investment portfolios and deposits with credit institutions (which may or may not be Member Entities of the GCC Group), 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 the Bank 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 Regulatory Contract. The Bank 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 2015, the GCC Group had total assets of €40,461 million, compared with €36,032 million at 31 December 2014. Loans and receivables represented €30,513 million of that amount in 2015 (compared with €30,522 million in 2014), of which €338 million (€311 million in 2014) consisted of loans and advances to credit institutions and €30,125 million (€30,147 million in 2014) consisted of loans and advances to other debtors. In terms of the GCC Group's liabilities, at 31 December 2015 it held €3,865 million in deposits from central banks (€1,403 million in 2014), €975 million deposits from credit institutions (€1,194 million in 2014), €29,136 million deposits from other creditors (€28,305 million in 2014) and €2,759 million debt certificates including bonds (€1,260 million in 2014).

At 30 June 2016, the GCC Group had total assets of €39,893 million. Loans and receivables represented €29,982 million of that amount, of which €201 million consisted of loans and advances to credit institutions

and €29,737 million consisted of loans and advances to other debtors. In terms of the GCC Group's liabilities, at 30 June 2016 it held €5,087 million in deposits from central banks, €745 million deposits from credit institutions, €27,830 million deposits from other creditors and €2,262 million debt certificates including bonds.

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 30 June 2016, 31 December 2015 and 2014:

	30 June	31 December	
(Thousands of euro)	2016	2015	2014
Deposits from central banks	5,087,000	3,865,204	1,402,509
Deposits from credit institutions	745,168	975,247	1,194,023
Deposits from other creditors	27,830,157	29,135,892	28,305,110
Total	34,662,325	33,976,343	30,901,642

The following table sets out the breakdown of customer deposits on a consolidated basis for the GCC Group at 30 June 2016, 31 December 2015 and 2014:

	30 June	31 December	
(Thousands of euro)	2016	2015	2014
Demand deposits	14,005,510	12,386,693	10,428,653
Term deposits <sup>(1)</sup>	11,022,646	13,267,128	16,190,951
Others <sup>(2)</sup>	2,802,001	3,482,071	1,685,506
Total deposits from other creditors	27,830,157	29,135,892	28,305,110

(1) Only residents in Spain. Term deposits include €1,061 million of securitisations sold in wholesale markets in 2015 (€1,410 million in 2014) and €800 million multi-issuer covered bonds (€1,500 million in 2014). Term deposits include €895 million of securitisations sold in wholesale markets in June 2016.

(2) Other customer deposits include 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 2015 and 2014 by type of customer and portfolio:

	31 December 2015		31 December 2014	
	Exposure (Thousands of euro)	Distribution (%)	Exposure (Thousands of euro)	Distribution (%)
<b>Retail</b>	<b>23,999,143</b>	<b>67.13%</b>	<b>24,468,244</b>	<b>66.59%</b>
Home	14,579,437	40.79%	15,251,743	41.51%
Other financing for families	2,336,450	6.53%	2,192,405	5.96%
Automatically renewable	539,495	1.50%	530,466	1.45%
Small businesses	4,411,569	12.34%	4,453,913	12.12%
Agri-food retail	2,132,192	5.97%	2,039,717	5.55%
<b>Corporate</b>	<b>9,906,166</b>	<b>27.71%</b>	<b>10,183,227</b>	<b>27.72%</b>
Developers	3,278,478	9.18%	4,006,917	10.91%
Corporate agri-food	3,218,908	9.00%	2,976,814	8.10%
SMEs	2,542,817	7.11%	2,451,398	6.67%
Large businesses	865,963	2.42%	748,098	2.04%
<b>Public administrations</b>	<b>1,211,620</b>	<b>3.39%</b>	<b>1,343,171</b>	<b>3.66%</b>
<b>Non-profit organisations</b>	<b>276,884</b>	<b>0.77%</b>	<b>281,269</b>	<b>0.76%</b>
<b>Financial intermediaries</b>	<b>360,910</b>	<b>1.01%</b>	<b>467,591</b>	<b>1.27%</b>
<b>Total Credit Portfolio</b>	<b>35,754,723</b>	<b>100%</b>	<b>36,743,502</b>	<b>100%</b>

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 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; 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 Prospectus these were Trea Cajamar Corto Plazo (euro fixed income), Trea Cajamar Renta Fija (international fixed income), Trea Cajamar Patrimonio 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 economic environment of economic slowdown and to curb the growth in its operating expenses. In 2014, the number of branches was 1,312, and as at 31 December 2015 the GCC Group operates in the market through 1,257 branches. The following table details these branches by province and autonomous community across the Kingdom of Spain:

Province	Number of GCC Group branches	
	2015	2014
ANDALUCIA	346	374
Almeria	171	190
Cádiz	11	12
Córdoba	6	5
Granada	22	23
Huelva	5	4
Jaén	5	5
Málaga	120	130
Sevilla	6	5
ARAGÓN	1	1
Zaragoza	1	1
ASTURIAS	1	1
BALEARES	26	26
CANARIAS	67	66
Las Palmas	49	50
Santa Cruz de Tenerife	18	16
CANTABRIA	2	2
CASTILLA LA MANCHA	19	18
Albacete	7	7
Ciudad Real	2	1
Cuenca	8	8
Guadalajara	1	1
Toledo	1	1
CASTILLA LEÓN	85	93
Ávila	6	6
Burgos	3	3
León	10	11
Palencia	16	18
Salamanca	2	1
Segovia	2	2
Soria	1	1
Valladolid	42	48
Zamora	3	3
CATALUÑA	41	43

Province	Number of GCC Group branches	
	2015	2014
Barcelona	32	34
Gerona	2	2
Lérida	1	1
Tarragona	6	6
COMUNIDAD VALENCIANA	452	466
Alicante	108	110
Castellón	90	97
Valencia	254	259
GALICIA	3	3
A Coruña	2	2
Ourense	1	1
LA RIOJA	2	2
MADRID	36	38
MURCIA	170	175
NAVARRA	4	2
CEUTA	1	1
MELILLA	1	1
	<b>1,257</b>	<b>1,312</b>

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 13 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 <sup>(1)</sup>	Chairman
Ms. Marta de Castro Aparicio <sup>(3)</sup>	Deputy Chairwoman
Mr. Manuel Yebra Sola <sup>(4)</sup>	Managing Director
Mr. Antonio Luque Luque <sup>(1)</sup>	Member
Mr. Juan Carlos Rico Mateo <sup>(1)</sup>	Member
Mr. Joan Bautista Mir Piqueras <sup>(1)</sup>	Member



Mr. José Antonio García Pérez <sup>(2)</sup>	Member
Mr. Francisco de Oña Navarro <sup>(3)</sup>	Member
Mr. Bernabé Sánchez-Minguet Martínez <sup>(4)</sup>	Member
Ms. Amparo Ribera Mataix <sup>(3)</sup>	Member
Ms. María Teresa Vázquez Calo <sup>(3)</sup>	Member
Mr. Carlos Pedro de la Higuera Pérez <sup>(1)</sup>	Member
Mr. Hilario Hernández Marqués <sup>(3)</sup>	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:

<b>Name of the Director</b>	<b>Activity outside of BCC</b>
Mr. Juan Carlos Rico Mateo	<ul style="list-style-type: none"> <li>Chairman – CEO of Refinería de Olmedo, S.A.</li> <li>Board member of Acor &amp; Tereos Iberia, S.A.</li> <li>Joint and several CEO of Rico Mateo, S.L.</li> <li>Joint and several director of Rico Solar, S.L.</li> <li>Chairman of Iberlíquidos, S.L.</li> <li>Chairman – CEO of Agroproducciones Oleaginosas, S.L.</li> <li>Chairman of Acor Sociedad Cooperativa General Agropecuaria</li> <li>CEO of SAT La Arroyada</li> </ul>
Ms. Amparo Ribera Mataix	<ul style="list-style-type: none"> <li>Joint and several director of Meltina Diversa, S.L.</li> </ul>
Mr. Antonio Luque Luque	<ul style="list-style-type: none"> <li>Joint CEO of Qorteba Internacional, S.L.</li> <li>Board member of Mercaoleo, S.L.</li> <li>Board member of La Perdiz Hazuelas, S.L.</li> </ul>
Mr. Joan Bautista Mir Piqueras	<ul style="list-style-type: none"> <li>Board member of Agricultura y Conservas, S.A.</li> </ul>
Ms. María Teresa Vázquez Calo	<ul style="list-style-type: none"> <li>Director of AS Law International Business SLP</li> </ul>
Mr. Carlos Pedro de la Higuera Pérez	<ul style="list-style-type: none"> <li>Director of Proyectos Gredos San Diego S.L.</li> <li>Board member of Servicios y Estudios de Seguros-Correduría de Seguros S.A.</li> </ul>

Mr. Hilario Hernández Marqués

- Partner at Abley Abogados S.L.P.

## Corporate Governance

The Bank'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	Remunerations Committee
Chairman	Mr. Luis Rodríguez González	Ms. Amparo Ribera Mataix	Ms. Marta de Castro Aparicio	Mr. Francisco de Oña Navarro	Mr. Hilario Hernández Marqués
Member	Ms. Marta de Castro Aparicio	Mr. Antonio Luque Luque	Mr. Antonio Luque Luque	Mr. Luis Rodríguez González	Mr. Juan Carlos Rico Mateo
Member	Mr. Manuel Yebra Sola	Mr. Joan Bautista Mir Piqueras	Ms. María Teresa Vázquez Calo	Ms. Marta de Castro Aparicio	Mr. Francisco de Oña Navarro
Member	Mr. Bernabé Sánchez-Minguet Martínez	Ms. María Teresa Vázquez Calo	Mr. Carlos Pedro de la Higuera Pérez	Mr. Joan Bautista Mir Piqueras	Mr. Carlos Pedro de la Higuera Pérez
Member	Mr. Francisco de Oña Navarro	Mr. Hilario Hernández Marqués	-	Mr. José Antonio García Pérez	-
Member	Ms. Amparo Ribera Mataix	-	-	Ms. Maria Teresa Vázquez Calo	-
CRO	-	-	-	Mr. Fernando José Fernández Martínez <sup>(*)</sup>	-
Secretary	Mr. Francisco de Borja Real de Asúa Echavarría <sup>(*)</sup>	Mr. Francisco de Borja Real de Asúa Echavarría <sup>(*)</sup>	Mr. Francisco de Borja Real de Asúa Echavarría <sup>(*)</sup>	Mr. Francisco de Borja Real de Asúa Echavarría <sup>(*)</sup>	Mr. Francisco de Borja Real de Asúa Echavarría <sup>(*)</sup>
Vice secretary	Mr. José Manuel Morón Martín <sup>(*)</sup>	-	-	-	-

<sup>(\*)</sup> Non-director

## Executive Committee

The day-to-day management of the Bank is carried out by members of the Executive Committee and its executive officers. The Executive Committee is responsible for the coordination of the Bank'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***

The Bank'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.

#### ***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.

#### ***Risk Committee***

The Risk Committee is responsible for ensuring the proper management and supervision of the risks affecting the Bank. Risks falling under the Committee's competency include those involving credit, the market, interest, liquidity, as well as operational, legal and reputational risks.

#### ***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.

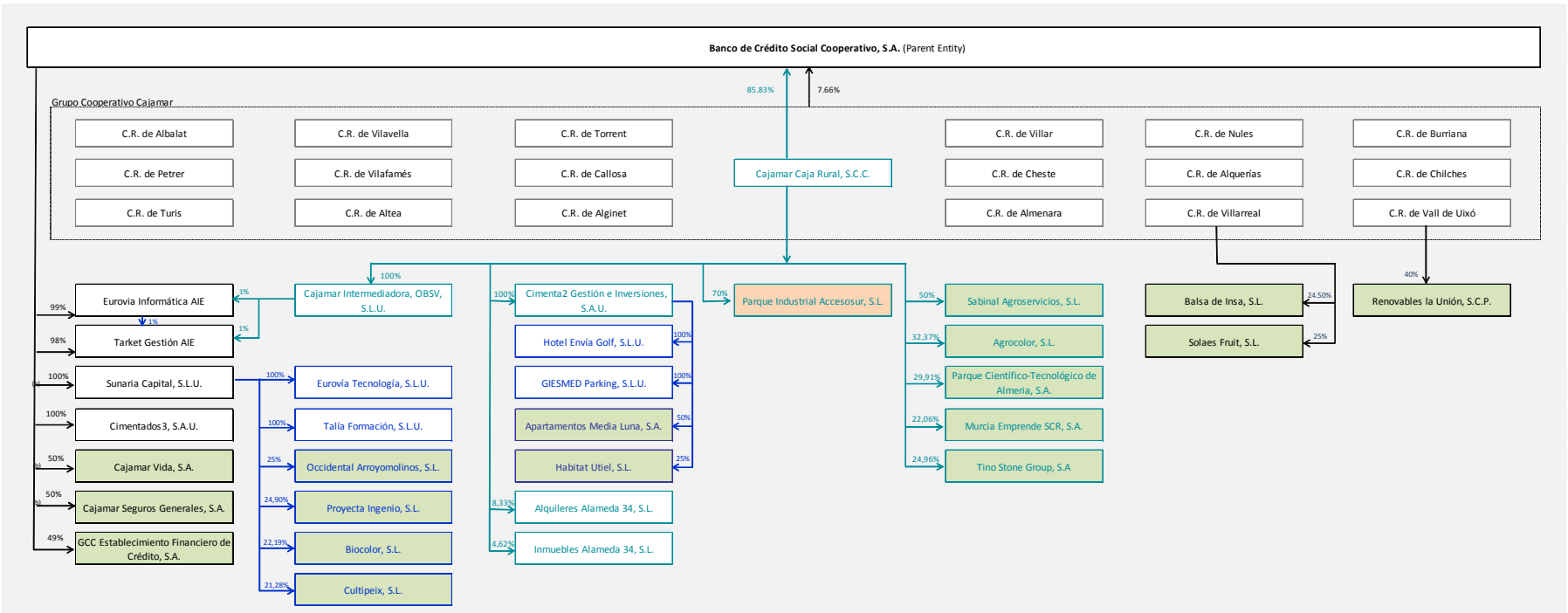
#### ***Organisational Structure***

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

As at the date of this Prospectus, 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, 5 other institutions and 20 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 30 June 2016:



Notes:

Consolidation method	BCC and the GCC Group	Cajamar and Cartera	Portfolio of Sunaria and 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:

<sup>(a)</sup> The remaining 6.51% stake to reach 100% was fully subscribed by investors that do not form part of the GCC Group, as well as members of the Board of Directors and Executives of BCC.

<sup>(b)</sup> In 2015 BCC increased capital fully subscribed by Cajamar Caja Rural by public deed through cash and non-cash contributions from, among others, these Member Entities.

## Capital Structure and Major Shareholders of BCC

The Issuer's issued share capital as at 31 December 2015 was €1,045 million (compared with €814 million as at 31 December 2014) made up of 1,045,398 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.

At 31 December 2015, the Issuer's share capital breaks down as follows by shareholder contribution:

Member Entities	% share	
	2015	2014
Cajamar Caja Rural, Sociedad Cooperativa de Crédito <sup>2</sup>	85.83	87.40
Caixa Rural de Torrent, Cooperativa de Crédito Valenciana	1.53	1.16
Caixa Rural de Altea, Cooperativa de Crédito Valenciana	0.88	1.16
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito	0.74	1.16
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	0.64	1.16
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito	0.77	1.16
Caja Rural de Callosa d'en Sarriá, Sociedad Cooperativa de Crédito	0.53	0.55
Caja Rural San Jaime de Alquerias del Niño Perdido, Sociedad Cooperativa de Crédito	0.39	0.55
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	0.34	0.55
Caja Rural San José de Nules, Sociedad Cooperativa de Crédito	0.30	0.55
Caja Rural de Alginet, Sociedad Cooperativa de Crédito	0.26	0.20
Caixa Rural de Turis, Cooperativa de Crédito Valenciana	0.23	0.20
Caja Rural Sant Vicente Ferrer de la Vall D'Uxio	0.23	0.20
Caja Rural de Villar, Sociedad Cooperativa de Crédito	0.22	0.20
Caja Rural San José Vilavella, Sociedad Cooperativa de Crédito	0.15	0.20
Caja Rural Albalat dels Sorells, Sociedad Cooperativa de Crédito	0.15	0.20
Caja Rural San Roque de Almenara, Sociedad Cooperativa de Crédito	0.11	0.20
Caja Rural San Isidro de Vilafamés, Sociedad Cooperativa de Crédito	0.09	0.20
Caja Rural La Junquera de Chilches, Sociedad Cooperativa de Crédito	0.10	0.20
<b>Shareholders outside of the GCC Group</b>	<b>2015</b>	<b>2014</b>
Caja Rural de Almedralejo, Sociedad Cooperativa de Crédito	1.43	1.84
Caja Rural de Castilla-La Mancha, Sociedad Cooperativa de Crédito	0.10	0.12
Caja Rural de Guissona, S. Coop. de Crédito	0.01	0.02
Caja Rural de Baena Ntra. Señora de Guadalupe, Sociedad Cooperativa de	0.03	0.04

<sup>2</sup> 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.

	% share	
Crédito Andaluza		
Caja Rural de Utrera, Sociedad Cooperativa Andaluza de Crédito	0.03	0.04
Caja Rural de Cañete de las Torres Ntra. Sra. del Campo, Sociedad Cooperativa Andaluza de Crédito	0.03	0.04
Caja Rural Ntra. Sra. del Rosario, Sociedad Cooperativa Andaluza de Crédito	0.03	0.04
Caja Rural Ntra. Madre del Sol, S. Coop. Andaluza de Crédito	0.03	0.04
Caixa Rural La Vall San Isidro Sociedad Cooperativa de Crédito Valenciana	0.14	0.18
Caja Rural San José de Almassora, S.Coop de Crédito	0.10	0.12
Caixa Rural de Benicarló, S.Coop de Crédito	0.10	0.12
Caixa Rural Vinaros, S. Coop. de Crédito	0.10	0.12
Caixa Rural Les Coves de Vinroma, S.Coop de Crédito	0.05	0.06
Team & Work 5000, S.L.	2.87	-
Crédito Agrícola SGPS, S.A.	0.48	-
Garunter Locales, S.L.	0.48	-
Pepal 2002, S.L.	0.29	-
Acor Sociedad Cooperativa General Agropecuaria	0.19	-
Other minority shareholders	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 the Bank. 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 Prospectus, all shareholders outside of the GCC Group hold a percentage shareholding representing less than 3 per cent. of the share capital of BCC.

The shares held by Member Entities in BCC totalled €77 million as compared to €791 million as at 31 December 2014:

	Thousands of Euros	
	2015	2014
Cajamar Caja Rural, Sociedad Cooperativa de Crédito <sup>3</sup>	897,299	711,000
Caixa Rural de Torrent, Cooperativa de Crédito Valenciana	15,981	9,500
Caixa Rural de Altea, Cooperativa de Crédito Valenciana	9,242	9,500
Caja Rural San José de Burriana, Sociedad Cooperativa de Crédito	7,714	9,500
Caja de Crédito de Petrel, Caja Rural, Cooperativa de Crédito Valenciana	6,681	9,500
Caja Rural Católico Agraria, Sociedad Cooperativa de Crédito (Caixa Rural Vila-real)	8,040	9,500
Caja Rural de Callosa d'en Sarriá, Sociedad Cooperativa de Crédito	5,556	4,500
Caja Rural San Jaime de Alquerias del Niño Perdido, Sociedad Cooperativa de Crédito	4,124	4,500
Caja Rural de Cheste, Sociedad Cooperativa de Crédito	3,606	4,500
Caja Rural San José de Nules, Sociedad Cooperativa de Crédito	3,155	4,500
Caja Rural de Alginet, Sociedad Cooperativa de Crédito	2,676	1,600
Caixa Rural de Turis, Cooperativa de Crédito Valenciana	2,413	1,600
Caja Rural Sant Vicente Ferrer de la Vall D'Uixo	2,416	1,600
Caja Rural de Villar, Sociedad Cooperativa de Crédito	2,257	1,600
Caja Rural San José Vilavella, Sociedad Cooperativa de Crédito	1,536	1,600
Caja Rural Albalat dels Sorells, Sociedad Cooperativa de Crédito	1,543	1,600
Caja Rural San Roque de Almenara, Sociedad Cooperativa de Crédito	1,147	1,600
Caja Rural San Isidro de Vilafamés, Sociedad Cooperativa de Crédito	948	1,600
Caja Rural La Junquera de Chilches, Sociedad Cooperativa de Crédito	1,018	1,600
<b>Total</b>	<b>977,350</b>	<b>790,900</b>

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 €2,328 million as at 31 December 2015, compared to €2,339 million at 31 December 2014. Cooperative share capital of the other eighteen credit cooperatives of the GCC Group amounted to €38 million at 31 December 2015, compared to €33 million at 31 December 2014.

Member Entity contributions to the cooperative share capital of Cajamar amounted to €2,386 million as at 30 June 2016. Cooperative share capital of the other eighteen credit cooperatives of the GCC Group amounted to €42 million at 30 June 2016.

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

<sup>3</sup> 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.



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 30 June 2016, 31 December 2015 and 2014 are as follows:

	Thousands of Euros		
	30 June	31 December	
	2016	2015	2014
<b>Eligible equity</b>	<b>2,568,249</b>	<b>2,522,324</b>	<b>2,552,949</b>
CET 1 Capital	2,527,345	2,472,591	2,403,330
Common Equity Tier 1 items and instruments	2,850,910	2,789,785	2,721,432
Capital	2,496,024	2,433,798	2,395,424
Accumulated reserves	354,885	355,987	326,008
Deductions	(323,565)	(317,194)	(318,103)
<b>TIER 2 Capital</b>	<b>40,904</b>	<b>49,733</b>	<b>149,620</b>
<b>Solvency Requirements</b>	<b>1,773,650</b>	<b>1,746,445</b>	<b>1,733,648</b>
Credit Risk	1,646,188	1,618,122	1,596,901
Operative Risk	121,507	121,507	127,492
CVA	4,799	5,056	6,054
Securitisations	1,156	1,760	3,201
<b>Equity Ratio</b>	<b>11.58%</b>	<b>11.55%</b>	<b>11.78%</b>
<b>CET 1 ratio</b>	<b>11.40%</b>	<b>11.33%</b>	<b>11.09%</b>

Excess Equity for 30 June 2016, 31 December 2015 and 31 December 2014 is presented below:

	Thousands of Euros		
	30 June	31 December	
	2016	2015	2014
Excess Equity Ordinary Level I Capital (4.5%)	1,529,266	1,490,217	1,428,152

	Thousands of Euros		
	30 June	31 December	
	2016	2015	2014
Excess Equity Level I (6%)	1,197,107	1,162,758	1,103,093
Excess Equity Total Capital (8%)	794,598	775,880	819,301

On 20 November 2015, pursuant to Article 16 of Regulation (EU) 1024/2013, the ECB's Governing Council notified BCC of its decision regarding prudential capital requirements for the GCC Group based on the supervisory review and evaluation process led by the ECB. It requires the GCC Group to maintain on a consolidated basis, a Tier 1 capital ratio of 10.25 per cent., a requirement that includes the minimum Tier 1 capital ratio required by Pillar 1 (4.5 per cent.), the Pillar II requirements and the capital conservation buffer (5.75 per cent.). At 31 December 2015, the CET1 ratio stood at 11.33 per cent., exceeding the overall requirement of 1.08 per cent., entailing a regulatory capital surplus of €235 million.

### Key Financial and Business Information

A summary of certain key consolidated financial and other information relating to BCC and the GCC Group for the year ended 31 December 2015 compared to 31 December 2014 is shown below:

			Year on year	
	31/12/2015	31/12/2014	Abs.	%
	EUR Thousands			
<b>Consolidated Income</b>				
Net Interest Income	564,713	528,315	36,398	6.9%
Of which: Net Interest Income of typical business	527,990	484,069	43,921	9.1%
Gross Income	951,627	1,186,077	(234,450)	(19.8%)
Of which: Gross Income of typical business	885,696	794,342	91,353	11.5%
Net Income before provisions	327,743	611,924	(284,181)	(46.4%)
Of which: Income before provisions of typical business	261,812	220,190	41,623	18.9%
Profit before tax	58,817	(2,900)	61,717	2128.1%
Consolidated Net profit	70,217	37,113	33,104	89.2%
Attributable Net profit	70,272	37,144	33,128	89.2%
<b>Business</b>				
Total Assets	40,461,437	36,031,658	4,429,778	12.3%
Equity	2,789,070	2,733,176	55,894	2.0%
Customers' retail resources	25,320,511	25,038,705	281,806	1.1%
Off-balance sheet resources	2,607,367	2,323,042	284,325	12.2%
Loans to costumers (gross)	31,766,114	32,999,527	(1,233,413)	(3.7%)

	31/12/2015	31/12/2014	Year on year	
			Abs.	%
			<i>EUR Thousands</i>	
Gross Loans without NPL	27,411,036	27,228,237	182,799	0.7%
<b>Risk management</b>				
Gross Loans	32,586,819	33,080,423	(493,604)	(1.5%)
Non-performing loans	5,175,783	5,852,186	(676,403)	(11.6%)
Doubtful assets	5,180,071	5,852,186	(672,115)	(11.5%)
Total risks	37,797,087	34,218,328	3,578,758	10.5%
Gross loans coverage	2,422,571	2,880,639	(458,068)	(15.9%)
Global NPL ratio (%)	13.70%	17.10%	(3.40)	
NPL ratio (%)	15.88%	17.69%	(1.81)	
Gross loans coverage ratio (%)	46.81%	49.22%	(2.42)	
<b>Liquidity</b>				
LTD (%)	110.87%	110.70%	0.17	
LCR (%)	642.01%	143.07%	498.94	
NSFR (%)	112.24%	106.28%	5.96	
Commercial Gap position	(5,667,574)	(5,876,402)	208,828	3.6%
<b>Solvency</b>				
CET 1 ratio (%)	11.33%	11.09%	0.24	
Tier 2 ratio (%)	0.23%	0.69%	(0.46)	
Capital ratio (%)	11.55%	11.78%	(0.23)	
<b>Profitability and efficiency</b>				
ROA (%)	0.18%	0.09%	0.08	
RORWA (%)	0.32%	0.17%	0.15	
ROE (%)	2.56%	1.33%	1.22	
Cost-income ratio (%)	65.56%	48.41%	17.15	
Recurrent cost-income ratio (%)	73.52%	69.33%	4.19	
<b>Other data</b>				
Cooperative Shareholders	1,417,051	1,387,282	29,769	2.1%
Employees <sup>(*)</sup>	6,267	6,340	(73)	(1.2%)
Branches	1,257	1,312	(55)	(4.2%)

(\*) Employees of BCC and cooperative banks of the GCC Group (not including subsidiaries that are not credit entities)

A summary of certain key consolidated financial and other information relating to BCC and the GCC Group for the six months ended 30 June 2016 compared to 30 June 2015 is shown below:

	30/06/2016	30/06/2015	Year on year	
			Abs.	%
			<i>EUR Thousands</i>	
<b>Consolidated Income</b>				
Net Interest Income	284,747	271,059	13,688	5.05
Of which: Net Interest Income of typical business	269,032	260,721	8,311	3.19%
Gross Income	524,455	436,912	87,543	20.04%
Of which: Gross Income of typical business	413,956	397,871	16,085	4.04%
Net Income before provisions	215,828	132,018	83,810	63.48%
Of which: Income before provisions of typical business	105,329	92,977	12,352	13.29%
Profit before tax	35,192	11,243	23,949	213.01%
Consolidated Net profit	35,410	19,425	15,985	82.29%
Attributable Net profit	35,393	19,452	15,941	81.95%
<b>Business</b>				
Total Assets	39,892,718	41,285,515	(1,392,797)	(3.37%)
Equity	2,869,861	2,720,244	149,617	5.50%
Customers' retail resources	25,642,889	25,568,173	74,716	0.29%
Off-balance sheet resources	2,812,277	2,534,405	277,872	10.96%
Loans to costumers (gross)	31,273,714	33,060,780	(1,787,066)	(5.41%)
Gross Loans without NPL	27,371,486	27,697,904	(326,418)	(1.18%)
<b>Risk management</b>				
Gross Loans	31,905,938	33,287,383	(1,381,445)	(4.15%)
Non-performing loans	4,534,452	5,589,479	(1,055,027)	(18.88%)
Doubtful assets	4,538,750	5,594,275	(1,055,525)	(18.87%)
Total risks	36,952,293	38,911,342	(1,959,049)	(5.03%)
Gross loans coverage	2,124,444	2,715,856	(591,412)	(21.78%)
Global NPL ratio (%)	12.28%	14.38%	(2.10)	
NPL ratio (%)	14.21%	16.79%	(2.58)	
Gross loans coverage ratio (%)	46.85%	48.59%	(1.74)	
<b>Liquidity</b>				
LTD (%)	108.12%	110.75%	(2.63)	
LCR (%)	887.80%	467.60%	420.20	
NSFR (%)	116.66%	109.76%	6.90	
Commercial Gap position	(8,202,013)	(5,665,033)	(2,536,980)	44.78%

	30/06/2016	30/06/2015	Year on year	
			Abs.	%
			<i>EUR Thousands</i>	
<b>Solvency</b>				
CET 1 ratio (%)	11.40%	10.92%	0.48	
Tier 2 ratio (%)	0.18%	0.41%	(0.23)	
Capital ratio (%)	11.58%	11.33%	0.25	
<b>Profitability and efficiency</b>				
ROA (%)	0.18%	0.10%	0.08	
RORWA (%)	0.32%	0.18%	0.14	
ROE (%)	2.52%	1.42%	1.10	
Cost-income ratio (%)	58.85%	69.78%	(10.93)	
Recurrent cost-income ratio (%)	72.70%	73.85%	(1.16)	
<b>Other data</b>				
Cooperative Shareholders	1,424,970	1,404,702	20,268	1.44%
Employees <sup>(*)</sup>	6,091	6,325	(234)	(3.70%)
Branches	1,223	1,277	(54)	(4.23%)

A summary of the consolidated balance sheet as at 31 December 2015 compared to 31 December 2014 for BCC and the GCC Group is shown below:

	31/12/2015	31/12/2014	Year on year	
			Abs.	%
			<i>EUR Thousands</i>	
<b>Consolidated Balance Sheet</b>				
Cash and deposits in Central Banks	688,330	510,724	177,606	34.8%
Financial assets held for trading	603	306	297	97.1%
Other financial assets at fair value through P&L .....	46,115	46,173	(58)	(0.1%)
Available-for-sale financial assets	504,144	877,027	(372,883)	(42.5%)
Credit investments	30,513,190	30,522,062	(8,872)	(0.0%)
Of which: Lending to customers	30,124,580	30,147,368	(22,788)	(0.1%)
Held-to-maturity investments	4,490,163	15,390	4,474,773	29075.8%
Hedging derivatives	19,840	61,045	(41,205)	(67.5%)
Non current assets on sale	488,586	442,309	46,276	10.5%
Investment in associated companies	69,184	62,887	6,297	10.0%
Property, plant and equipment	948,897	876,178	72,719	8.3%

			Year on year	
	31/12/2015	31/12/2014	Abs.	%
			EUR Thousands	
Intangible assets	279,863	311,014	(31,151)	(10.0%)
Fiscal assets	1,005,605	999,647	5,958	0.6%
Other assets	1,406,917	1,306,896	100,021	7.7%
<b>TOTAL ASSETS</b>	<b>40,461,437</b>	<b>36,031,658</b>	<b>4,429,779</b>	<b>12.3%</b>
Financial liabilities held for trading	168	299	(131)	(43.8%)
Financial liabilities at amortised cost	37,095,731	32,684,075	4,411,656	13.5%
Of which:				
Deposits from Central Banks	3,865,203	1,402,509	2,462,694	175.6%
Deposits from Credit Institutions	975,247	1,194,023	(218,776)	(18.3%)
Deposits from customers	29,135,892	28,305,110	830,783	2.9%
Debts evidenced by transferable securities	2,758,699	1,260,057	1,498,642	118.9%
Hedging derivatives	1,359	3,852	(2,493)	(64.7%)
Provisions	106,405	117,635	(11,229)	(9.5%)
Fiscal liabilities	109,415	116,680	(7,266)	(6.2%)
Education and Development Fund	9,448	11,953	(2,505)	(21.0%)
Other liabilities	341,068	336,372	4,696	1.4%
<b>TOTAL LIABILITIES</b>	<b>37,663,594</b>	<b>33,270,866</b>	<b>4,392,729</b>	<b>13.2%</b>
Own Funds	2,789,070	2,733,176	55,894	2.0%
Of which:				
Capital plus Other equity instruments less treasury shares*	2,426,798	2,395,423	31,375	1.3%
Share premium	6,999	—	6,999	100.0%
Reserves	322,801	357,969	(35,168)	(9.8%)
Valuation adjustments	8,232	27,021	(18,789)	(69.5%)
Minority interest	541	595	(55)	(9.2%)
<b>EQUITY</b>	<b>2,797,842</b>	<b>2,760,792</b>	<b>37,050</b>	<b>1.3%</b>

\* Treasury shares include capital of BCC and share premium that is owned by other Member Entities.

A summary of the consolidated balance sheet as at 30 June 2016 compared to 31 December 2015 for BCC and the GCC Group is shown below:

	30/06/2016	31/12/2015	Difference	
			Abs.	%
			<i>EUR Thousands</i>	
<b>Consolidated Balance Sheet</b>				
Cash and deposits in Central Banks	677,602	688,330	(10,728)	(1.56%)
Financial assets held for trading	781	603	178	29.52%
Other financial assets at fair value through P&L .....	46,052	46,115	(63)	(0.14%)
Available-for-sale financial assets	4,935,351	504,144	4,431,207	878.96%
Credit investments	29,981,826	30,513,190	(531,364)	(1.74%)
Of which: Lending to customers	29,736,694	30,124,580	(387,886)	(1.29%)
Held-to-maturity investments	0	4,490,163	(4,490,163)	(100.00%)
Hedging derivatives	0	19,840	(19,840)	(100.00%)
Non current assets on sale	0	488,586	(488,586)	(100.00%)
Investment in associated companies	81,145	69,184	11,961	17.29%
Property, plant and equipment	824,441	948,897	(124,456)	(13.12%)
Intangible assets	264,425	279,863	(15,438)	(5.52%)
Fiscal assets	1,009,446	1,005,605	3,841	0.38%
Other assets	2,071,649	1,406,917	664,732	47.25%
<b>TOTAL ASSETS</b>	<b>39,892,718</b>	<b>40,461,437</b>	(568,719)	(1.41%)
Financial liabilities held for trading	612	168	444	264.29%
Financial liabilities at amortised cost	36,382,916	37,095,731	(712,815)	(1.92%)
Of which:				
Deposits from Central Banks	5,087,000	3,865,204	1,221,796	31.61%
Deposits from Credit Institutions	1,288,992	975,247	313,745	32.17%
Deposits from customers	25,642,889	29,135,892	(3,493,003)	(11.99%)
Debts evidenced by transferable securities	2,262,395	2,758,699	(496,304)	(17.99%)
Hedging derivatives	751	1,359	(608)	(44.74%)
Provisions	104,144	106,405	(2,261)	(2.12%)
Fiscal liabilities	110,579	109,415	1,164	1.06%
Education and Development Fund	9,716	9,448	268	2.84%
Other liabilities	397,510	341,068	56,442	16.55%
<b>TOTAL LIABILITIES</b>	<b>37,006,227</b>	<b>37,663,594</b>	(657,367)	(1.75%)
Own Funds	2,869,861	2,789,070	80,791	2.90%
Of which:				
Capital plus Other equity instruments less treasury shares*	2,496,024	2,426,798	69,226	2.85%

	30/06/2016	31/12/2015	Difference	
			Abs.	%
			<i>EUR Thousands</i>	
Share premium	0	6,999	(6,999)	(100.00%)
Reserves	355,924	322,801	33,123	10.26%
Valuation adjustments	16,073	8,232	7,841	95.25%
Minority interest	556	541	15	2.77%
<b>EQUITY</b>	<b>2,886,491</b>	<b>2,797,842</b>	<b>88,649</b>	<b>3.17%</b>

\* Treasury shares include capital of BCC and share premium that is owned by other Member Entities.

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 Prospectus.

<b>Metric</b>	<b>Definition</b>
Net interest income of typical business	<b>Net Interest Income of typical business:</b> net interest income excluding carry trade
Gross Income of typical business	<b>Gross income of typical business:</b> gross income excluding carry trade and gains on results from financial transactions
Income before provisions of typical business	<b>Income before provisions of typical business:</b> gross income of typical business (gross income excluding carry trade and gains on results from financial transactions) - operating expenses (which include personnel expenses + administrative expenses + amortisation)



Customers' retail resources	<b>Customers' retail resources</b> : deposits from other creditors - covered bond included in customer deposits - shares issued - valuation adjustments - money market operations (liability section)
Gross Loans without NPL	<b>Gross Loans without NPL</b> : loans and advances to other debtors - valuation adjustments) - non-performing assets of loans and advances to other debtors
Doubtful assets	<b>Doubtful assets</b> : non-performing assets of loans and advances to other debtors + non-performing assets of credit institutions.
Total risks	<b>Total risks</b> : gross loans and receivables + debt securities (fixed-income portfolio) + credit institutions
Gross loans coverage	<b>Gross loans coverage</b> : value adjustments of loans and advances to other debtors
Global NPL ratio (%)	<b>Global NPL ratio (%)</b> : Doubtful assets/Total risk
NPL ratio (%)	<b>NPL ratio (%)</b> : non-performing assets of loans and advances to other debtors / gross loans and receivables
Gross loans coverage ratio (%)	<b>Gross loans coverage ratio (%)</b> : Gross loans coverage /non-performing loans: value adjustments of loans and advances to other debtors / non-performing assets of loans and receivables
ROA (%)	<b>ROA (%)</b> : Annualised 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 (%)	<b>RORWA (%)</b> : Annualised 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 (%)	<b>ROE (%)</b> : Annualised Consolidated profit for the period / average own funds (average of capital + share premium + reserves + equity instruments - treasury shares) (for the last quarters starting close of previous year (depending on the period, average of the last 2 -5 quarters))
Cost-income ratio (%)	<b>Cost-income ratio (%)</b> : operating expenses (which include personnel expenses + administrative expenses + depreciation/amortisation) / gross income
Recurrent cost-income ratio (%)	<b>Recurrent cost-income ratio (%)</b> : operating expenses (which include personnel expenses + administrative expenses + amortisation)/ recurrent gross income (net interest income + net fee and commission + return in equity instruments + share of profit or loss of the entities accounted for using the equity method).

Where applicable, reconciliation of the relevant figures for 2015 and 2014 are provided below:

	<b>2015</b> (EUR Thousands)	<b>2014</b> (EUR Thousands)
<b>Net Interest Income of typical business</b>		
Net interest income (1)	564,713	528,315

Carry trade (2)	36,723	44,247
<b>Net Interest Income of typical business = (1) - (2)</b>	<b>527,990</b>	<b>484,068</b>

<b>Gross Income of typical business</b>	<b>2015</b>	<b>2014</b>
Gross income (1)	951,627	1,186,077
Carry trade (2)	36,723	44,247
Gains on results from financial transactions (3)	29,208	347,488
<b>Gross Income of typical business = (1) - (2) - (3)</b>	<b>885,696</b>	<b>794,342</b>

<b>Net Income before provisions of typical business</b>	<b>2015</b>	<b>2014</b>
Gross income (1)	951,627	1,186,077
Carry trade (2)	36,723	44,247
Gains on results from financial transactions (3)	29,208	347,488
Administrative expenses (4)	- 546,509	- 496,299
Depreciation and amortisation (5)	- 77,375	-77,854
<b>Net Income before provisions of typical business = (1) - (2) - (3) + (4) + (5)</b>	<b>261,812</b>	<b>220,189</b>

<b>ROA (%)</b>	<b>2015</b>	<b>2014</b>
Consolidated profit (1) ( <i>EUR Thousands</i> )	<b>70,217</b>	<b>37,113</b>
Average total assets (2) ( <i>EUR Thousands</i> )	<b>39,350,722</b>	<b>39,640,421</b>
	31/12/2014 36,031,658	31/12/2013 42,126,972
	31/03/2015 38,510,874	31/03/2014 41,080,314
	30/06/2015 41,285,515	30/06/2014 40,769,271
	30/09/2015 40,464,126	30/09/2014 38,193,888
	31/12/2015 40,461,437	31/12/2014 36,031,658
<b>ROA (%) = (1) / (2)</b>	<b>0.18%</b>	<b>0.09%</b>

<b>ROE (%)</b>	<b>2015</b>	<b>2014</b>
Consolidated profit (1) ( <i>EUR Thousands</i> )	<b>70,217</b>	<b>37,113</b>

Average own funds (capital + share premium + reserves + equity instruments - treasury shares) (2) (EUR Thousands)	2,747,972	2,787,036		
	31/12/2014	2,753,392	31/12/2013	2,724,861
	31/03/2015	2,796,183	31/03/2014	2,856,887
	30/06/2015	2,721,110	30/06/2014	2,784,968
	30/09/2015	2,712,577	30/09/2014	2,815,073
	31/12/2015	2,756,599	31/12/2014	2,753,392
ROE (%) = (1) / (2)	2.56%	1.33%		
RORWA (%)	2015	2014		
Consolidated profit (1) (EUR Thousands)	70,217	37,113		
Average risk weighted assets (2)	21,762,232	21,891,061		
	31/12/2014	21,670,603	31/12/2013	21,456,528
	31/03/2015	21,697,191	31/03/2014	22,380,846
	30/06/2015	21,868,632	30/06/2014	21,978,986
	30/09/2015	21,744,187	30/09/2014	21,968,340
	31/12/2015	21,830,547	31/12/2014	21,670,603
RORWA (%) = (1) / (2)	0.32%	0.17%		
Recurrent cost-income ratio (%)	2015 (EUR Thousands)	2014 (EUR Thousands)		
Administrative expenses (-) (1)	546,509	496,299		
Depreciation and amortisation (-) (2)	77,375	77,854		
Operating expenses (3) = (1)+(2)	623,884	574,153		
Net Interest Income (4)	564,713	528,315		
Return on equity instruments (5)	3,512	3,358		
Income from equity-accounted method (6)	17,265	14,332		
Net fees and commissions (7)	262,954	282,166		
Recurrent Gross Income (8)=(4)+(5)+(6)+(7)	848,444	828,171		
Recurrent cost-income ratio (%) = (3) / (8)	73.52%	69.33%		

Where applicable, reconciliation of the relevant figures as of 30 June 2016 vs 30 June 2015 are provided below:

<b>Net Interest Income of typical business</b>	<b>30/06/2016</b>	<b>30/06/2015</b>
	<i>(EUR Thousands)</i>	<i>(EUR Thousands)</i>

Net interest income (1)	284,747	271,059
Carry trade (2)	15,715	10,338
<b>Net Interest Income of typical business = (1) - (2)</b>	<b>269,032</b>	<b>260,721</b>

<b>Gross Income of typical business</b>	<b>30/06/2016</b>	<b>30/06/2015</b>
Gross income (1)	524,455	436,912
Carry trade (2)	15,715	10,338
Gains on results from financial transactions (3)	94,784	28,703
<b>Gross Income of typical business = (1) - (2) - (3)</b>	<b>413,956</b>	<b>397,871</b>

<b>Net Income before provisions of typical business</b>	<b>30/06/2016</b>	<b>30/06/2015</b>
Gross income (1)	524,455	436,912
Carry trade (2)	15,715	10,338
Gains on results from financial transactions (3)	94,784	28,703
Administrative expenses (4)	-270,023	-266,584
Depreciation and amortisation (5)	-38,604	-38,310
<b>Net Income before provisions of typical business = (1) - (2) - (3) + (4) + (5)</b>	<b>105,329</b>	<b>92,977</b>

<b>ROA (%)</b>	<b>30/06/2016</b>	<b>30/06/2015</b>
Consolidated profit (1) ( <i>EUR Thousands</i> )	<b>35,410</b>	<b>19,425</b>

Average total assets (2) (EUR Thousands)		39,960,036	38,609,349	
	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
ROA (%) <sup>4</sup> = ((1) / (2)) 365/182		0.18%	0.10%	

<b>ROE (%)</b>	<b>30/06/2016</b>	<b>30/06/2015</b>
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<sup>4</sup> ROA, ROE, RORWA are annualised for periods under one year

Consolidated profit (1) ( <i>EUR Thousands</i> )	<b>35,410</b>	<b>19,425</b>
Average own funds (capital + share premium + reserves + equity instruments - treasury shares) (2) ( <i>EUR Thousands</i> )	<b>2,820,836</b>	<b>2,756,895</b>
31/12/2015	2,756,599	31/12/2014 2,753,392
31/03/2016	2,853,961	31/03/2015 2,796,183
30/06/2016	2,851,949	30/06/2015 2,721,110
<b>ROE (%) = ((1) / (2)) * 365/182</b>	<b>2.53%</b>	<b>1.42%</b>
<b>RORWA (%)</b>	<b>30/06/2016</b>	<b>30/06/2015</b>
Consolidated profit (1) ( <i>EUR Thousands</i> )	<b>35,410</b>	<b>19,425</b>
Average risk weighted assets (2)	<b>22,106,272</b>	<b>21,745,475</b>
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
<b>RORWA (%) = ((1) / (2)) * 365/182</b>	<b>0.32%</b>	<b>0.18%</b>
	<b>30/06/2016</b>	<b>30/06/2015</b>
<b>Recurrent cost-income ratio (%)</b>	<b>(EUR Thousands)</b>	<b>(EUR Thousands)</b>
Administrative expenses (-) (1)	270,023	266,584
Depreciation and amortisation (-) (2)	38,604	38,310
<b>Operating expenses (3) = (1)+(2)</b>	<b>308,627</b>	<b>304,894</b>
Net Interest Income (4)	284,747	271,059
Return on equity instruments (5)	3,975	1,465
Income from equity-accounted method (6)	8,147	8,010
Net fees and commissions (7)	127,672	132,307
<b>Recurrent Gross Income (8)=(4)+(5)+(6)+(7)</b>	<b>425,541</b>	<b>412,841</b>
<b>Recurrent cost-income ratio (%) = (3) / (8)</b>	<b>72.70%</b>	<b>73.85%</b>

The interim Directors' Report annexed to the interim condensed consolidated financial statements of the GCC Group for the six months ended 30 June 2016, together with the 2015 Directors' Report and the 2014 Directors' report annexed to the audited consolidated financial statements of the GCC Group as of and for the year ended 2015 and 2014 respectively, each of which are incorporated by reference in this Prospectus, 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):

<b>Metric</b>	<b>Definition</b>
Efficiency: Cost-income ratio (%)	<b>Efficiency: Cost-income ratio (%)</b> : Administrative expenses (staff expenses + other administrative expenses) / Gross income
Coverage ratio (%):	<b>Total coverage/Doubtful total risk</b> : (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:	<b>NPL ratio (%)</b> : Non performing loans / gross loans

<b>(Thousands of euro)</b>	<b>30/06/16</b>	<b>31/12/15</b>	<b>31/12/14</b>
<b>DEFAULTING DEBTORS</b>			
Non performing loans (1)	4,534,452	5,175,783	5,852,186
Gross loans (2)	31,905,938	32,586,819	33,080,423
<b>NPL ratio (%) (Delinquency rate) = (1)/(2)</b>	<b>14.21%</b>	<b>15.88%</b>	<b>17.69%</b>
Doubtful assets (1)	4,538,750	5,180,071	5,852,186
Total risks (2)	36,952,293	37,797,087	34,218,328
<b>Global NPL ratio (%)=(1)/(2)</b>	<b>12.28%</b>	<b>13.70%</b>	<b>17.10%</b>
<b>COVERAGE</b>			
Non performing Loans (1)	4,534,452	5,175,783	5,852,186
Non performing Credit Institutions	4,298	4,288	-
Non performing Values representing debt	-	-	-
Contingent risk troubled assets	26,777	25,078	20,394
<b>Doubtful total risk <sup>(a)</sup></b>	<b>4,565,527</b>	<b>5,205,149</b>	<b>5,872,580</b>
Gross loan coverage (2)	2,124,444	2,422,571	2,880,639
Credit Institutions Coverage	1,082	4,288	-
Values representing debt coverage	4,592	2,698	1,057
Contingent risks provisions	23,640	22,206	20,836
<b>Total Coverage <sup>(b)</sup></b>	<b>2,153,758</b>	<b>2,451,762</b>	<b>2,902,532</b>
General coverage <sup>(b)</sup>	40,941	49,806	133,339
Specific coverage	2,112,817	2,401,956	2,769,193
Country – risk coverage	-	-	-
<b>Coverage ratio (%) <sup>(b) (a)</sup></b>	<b>47.17%</b>	<b>47.10%</b>	<b>49.43%</b>
<b>Gross loans coverage ratio (%) (2)/(1)</b>	<b>46.85%</b>	<b>46.81%</b>	<b>49.22%</b>

(Thousands of euro)	30/06/16	31/12/15	31/12/14
Loans to customers (1)	29,149,270	29,789,437	30,075,769
Deposits (2)	26,959,521	26,868,520	27,165,977
Customer resources	25,630,805	25,284,349	24,968,498
Retail commercial paper	0	0	0
Retail subordinated debt	0	0	0
Repo with clients	0	36,936	71,165
Other retail funding	0	0	0
Shares issued	895,072	1,061,473	1,409,525
I.C.O. LOANS	433,643	485,763	716,789
<b>Ltd ratio(%) = (1)/(2)</b>	<b>108.12%</b>	<b>110.87%</b>	<b>110.71%</b>

(1) Loans and advances less amounts of central banks, credit institutions and repo with credit institutions

### Recent Developments

The latest consolidated financial information available for the GCC Group has been published in BCC's interim condensed consolidated financial statements for the six months ended 30 June 2016 which are incorporated by reference in this Prospectus. Of particular note, during the first 6 months of 2016 the GCC Group sold a non-performing assets portfolio mainly comprising loans, write-offs and foreclosed assets to the companies Baracoa Holdings Designated Activity Company, Percalata Servicios y Gestiones, S.L. and Rodalata Servicios y Gestiones S.L. The total gross amount of the portfolio transferred including accrued interests, with all its risks and benefits was €602 million. Also, in respect of BCC's TLTRO, in the first six months of 2016 BCC has utilised its ECB TLTRO-II facility in the amount of €5.087 million and cancelled its TLTRO facility in the amount of €3.862 million.

### 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 30 June 2016 the GCC Group was involved in certain ongoing lawsuits and proceedings arising from the ordinary course of its operations. The GCC Group's legal advisers and directors consider that the outcome of such lawsuits and proceedings will not have a significant effect on equity in the years in which they are settled.

### 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- (stable outlook) by Fitch Ratings Ltd. (“Fitch”). The short term credit rating assigned by Fitch is B. The credit rating was affirmed on 5 May 2016

## TAXATION

*The information provided below does not purport to be a complete summary of tax law and practice currently applicable and is subject to any changes in law and the interpretation and application thereof, which could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of whom (such as dealers in securities) may be subject to special rules. Other than in accordance with Condition 8 (Taxation) in “Terms and Conditions of the Notes”, the Issuer does not assume responsibility for withholding taxes. Prospective investors who are in any doubts as to their position should consult with their own professional advisers.*

### **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. The issuance and subscription of Notes should, however, be exempt.

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

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

### **FATCA**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“foreign passthru payments”) to persons that fail to meet certain certification, reporting, or related requirements. The 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. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to



FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## **The Kingdom of Spain**

### ***Introduction***

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

- (a) of general application, Additional Provision One of Law 10/2014 and Royal Decree 1065/2007 establishing information obligations in relation to preferential holdings and other debt instruments and certain income obtained by individuals resident in the European Union and other tax rules as amended by Royal Decree 1145/2011 of 29 July, and Royal Decree-Law 20/2011, of December 30, on urgent measures on budget, tax and finance matters for the correction of the public deficit;
- (b) for individuals with tax residency in Spain who are personal income tax (“**Personal Income Tax**”) tax payers, Law 35/2006, of 28 November 2006 on Personal Income Tax and on the partial amendment of the Corporate Income Tax Law, Non Residents Income Tax Law and Wealth Tax Law as amended by Law 26/2014 of, 27 November and Royal Decree-law 9/2015, of 15 July (the “**Personal Income Tax Law**”), and Royal Decree 439/2007, of 30 March 2007 promulgating the Personal Income Tax Regulations as amended by Royal Decree 633/2015, of 10 July, along with Law 19/1991, of 6 June 1991 on Wealth Tax as amended and Law 29/1987, of 18 December 1987 on Inheritance and Gift Tax;
- (c) for legal entities resident for tax purposes in Spain which are corporate income tax (“**Corporate Income Tax**”) taxpayers, Law 27/2014, of 27 November, of the Corporate Income Tax Law and Royal Decree 634/2015, of 10 July promulgating the Corporate Income Tax Regulations (the “**Corporate Income Tax Regulations**”); and
- (d) for individuals and legal entities who are not resident for tax purposes in Spain and are non-resident income tax (“**Non-Resident Income Tax**”) taxpayers, Royal Legislative Decree 5/2004, of 5 March 2004 promulgating the Consolidated Text of the Non-Resident Income Tax Law as amended by Law 26/2014, of 27 November, and Royal Decree 1776/2004, of 30 July promulgating the Non-Resident Income Tax Regulations as amended by Royal Decree 633/2015, of 10 July (“**Non-Resident Income Tax Law**”), along with Law 19/1991, of 6 June 1991 on Wealth Tax as amended by and Law 29/1987, of 18 December 1987 on Inheritance and Gift Tax.

Whatever the nature and residence of the holder of a beneficial interest in the Notes (each, a “**Beneficial Owner**”), the acquisition and transfer of the Notes will be exempt from indirect taxes in Spain, for example 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 1993, and exempt from value added tax, in accordance with Law 37/1992, of 28 December 1992 regulating such tax.

## **1 Individuals with Tax Residency in Spain**

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

Both interest periodically received and income deriving from the transfer, redemption or repayment of the Notes would constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25.2 of the Personal Income Tax Law, and should be included in each investor's taxable savings and taxed at the tax rate applicable from time to time, currently at the rate of 19 per cent. for taxable income up to €6,000, 21 per cent. for taxable income between €6,000.01 to €50,000 and 23 per cent. for taxable income in excess of €50,000.

As a general rule, both types of income are subject to a withholding tax on account at the rate of 19 per cent. According to Section 44.5 of Royal Decree 1065/2007, of 27 July, the Issuer will make interest payments to individual holders who are resident for tax purposes in Spain without withholding provided that the relevant information about the Notes is submitted. However, withholding tax at the applicable rate of 19 per cent. may have to be deducted by other entities (such as depositaries, institutions or financial entities) provided that such entities are resident for tax purposes in Spain or have a permanent establishment in Spanish territory.

In any event, individual holders may credit the withholding against their Personal Income Tax liability for the relevant fiscal year.

### ***Wealth Tax (Impuesto sobre el Patrimonio)***

Individuals with tax residency in Spain are subject to Wealth Tax to the extent that their net worth exceeds €700,000 (subject to any exceptions provided under relevant legislation in an autonomous region (*Comunidad Autónoma*)). Therefore, they should take into account the value of the Notes which they hold as at 31 December in each year, the applicable rates ranging between 0.2 per cent. and 2.5 per cent.

In accordance with Article 62 of the Law 48/2015, of 29 October, on Spanish General Budget for the year 2016 (*Ley de Presupuestos Generales del Estado para el año 2016*), from the year 2017, a full exemption on Net Wealth Tax would apply (*bonificación del 100%*).

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

Individuals with tax residency in Spain who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to inheritance and gift tax in accordance with the applicable Spanish regional or federal rules. As at the date of this Prospectus, the applicable tax rates currently range between 7.65 per cent. and 34 per cent. Relevant factors applied (such as previous net wealth or family relationship among transferor and transferee) determine the final effective tax rate that range, as of the date of this Prospectus, between 0 per cent. and 81.6 per cent.

## **2 Legal Entities with Tax Residency in Spain**

### **2.1 *Corporate Income Tax (Impuesto sobre Sociedades)***

Payments of income deriving from the transfer, redemption or repayment of the Notes constitute a return on investments for tax purposes obtained from the transfer to third parties of own capital and would have to be included in profit and taxable income of legal entities with tax residency in Spain for Corporate Income Tax purposes in accordance with the rules for Corporate Income Tax and subject to the general rate of 25 per cent. for the tax period beginning as from 1 January 2016.

Pursuant to Section 61.s of Royal Decree 634/2015 approving the Spanish corporate income tax regulations (the “**Corporate Tax Regulations**”), there is no obligation to make a withholding on income obtained by taxpayers subject to Spanish CIT (which for the avoidance of doubt, include Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets traded on organised markets in OECD countries. However, payments of interest and income deriving from the transfer may be subject to withholding tax at the current rate of 19 per cent. if the Notes do not comply with the exemption requirements specified in the ruling issued by the Spanish General Directorate of Taxes (*Dirección General de Tributos*) (the “**DGT**”) dated 27 July 2004 (that is, placement of the Notes outside of Spain in another OECD country and admission to listing of the Notes on an organised market in an OECD country other than Spain). The amounts withheld, if any, may be credited by the relevant investors against its final CIT liability.

Notwithstanding the above, in accordance with Section 44.5 of Royal Decree 1065/2007, of 27 July, 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 on interest payments to Spanish CIT taxpayers provided that the relevant information about the Notes is submitted.

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

Spanish resident legal entities are not subject to Wealth Tax.

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

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

# **3 Individuals and Legal Entities with no Tax Residency in Spain**

## **3.1 *Non-Resident Income Tax (Impuesto sobre la Renta de No Residentes)***

### **(c) *Non-Spanish resident investors acting through a permanent establishment in Spain***

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.

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 the same as those for Spanish Corporate Income Tax taxpayers.

### **(d) *Non-Spanish resident investors not acting through a permanent establishment in Spain***

Payments of income deriving from the transfer, redemption or repayment of the Notes obtained by individuals or entities who have no tax residency in Spain, and which are Non- Resident Income Tax taxpayers with no permanent establishment in Spain, are exempt from such Non- Resident Income Tax on the same terms laid down for income from public debt.

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

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to the Wealth Tax would generally not be subject to such tax. Otherwise, non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory exceed €700,000 would be subject to Wealth Tax, the applicable rates ranging between 0.2 per cent. and 2.5 per cent.

Non-Spanish tax resident individuals who are resident in an EU or European Economic Area Member State may apply the rules approved by the autonomous region where the assets and rights with more value are situated. As such, prospective investors should consult their tax advisers.

In accordance with Article 62 of the Law 48/2015, of 29 October, on Spanish General Budget for the year 2016 (*Ley de Presupuestos Generales del Estado para el año 2016*), from the year 2017, a full exemption on Net Wealth Tax would apply (*bonificación del 100%*).

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

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

Individuals not tax resident in Spain who acquire ownership or other rights over the Notes by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a double tax treaty in relation to inheritance and gift tax will be subject to the relevant double tax treaty.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to inheritance and gift tax in accordance with the Spanish legislation applicable in the relevant autonomous region (*Comunidad Autónoma*).

Generally, non-Spanish tax resident individuals are subject to the Spanish Inheritance and Gift Tax according to the rules set forth in the Spanish State level law. However, if the deceased or the donee are resident in an EU or European Economic Area Member State, the applicable rules will be those corresponding to the relevant Spanish autonomous regions. As such, prospective investors should consult their tax advisers.

Non-Spanish resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to inheritance and gift tax. They will be subject to Non-Resident Income Tax. If the legal entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of such treaty will apply. In general, double-tax treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

## **4 Information about the Notes in Connection with Payments**

The Issuer is currently required by Spanish law to file an annual return with the Spanish tax authorities in which they report on certain information relating to the Notes. In accordance with Section 44 of Royal Decree 1065/2007, for the purpose of preparing the annual return referred to above, certain information with respect to the Notes must be submitted to the Issuer at the time of each payment.

Such information would be the following:

- (a) Identification of the Notes in respect of which the relevant payment is made;
- (b) date on which relevant redemption is made;
- (c) the total amount of the relevant redemption; and
- (d) the amount of the relevant payment and to each entity that manages a clearing and settlement system for securities situated outside Spain.

In particular, the Fiscal Agent must certify the information above about the Notes by means of a certificate the form of which is attached as Annex I of this Prospectus. In light of the above, the Issuer and the Fiscal Agent have arranged certain procedures to facilitate the collection of information concerning the Notes.

In light of the above, the Issuer and the Fiscal Agent have arranged certain procedures to facilitate the collection of information concerning the Notes. If, despite these procedures, the relevant information is not received by the Issuer, the Issuer may be required to withhold at the applicable rate of 19 per cent. from any payment in respect of the relevant Notes as to which the required information has not been provided. In that event the Issuer will pay such additional amounts as will result in receipt by the Noteholders of such amount as would have been received by them had no such withholding been required.

The procedures for providing documentation referred to in this section are set out in detail in the fiscal agency agreement dated 3 November 2016 (the “**Fiscal Agency Agreement**”) which may be inspected during normal business hours at the specified office of the Fiscal Agent. In particular, if the Fiscal Agent does not act as

common depositary, the procedures described in this section will be modified in the manner described in the Fiscal Agency Agreement.

*Set out below is Annex I. Sections in English have been translated from the original Spanish and such translations constitute direct and accurate translations of the Spanish language text. In the event of any discrepancy between the Spanish language version of the certificate contained in Annex I and the corresponding English translation, the Spanish tax authorities will give effect to the Spanish language version of the relevant certificate only.*

## ANNEX I

**Anexo al Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos, aprobado por Real Decreto 1065/2007**

**Modelo de declaración a que se refieren los apartados 3, 4 y 5 del artículo 44 del Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos**

Annex to Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Declaration form referred to in paragraphs 3, 4 and 5 of Article 44 of the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

**Don (nombre), con número de identificación fiscal (...)<sup>(1)</sup>, en nombre y representación de (entidad declarante), con número de identificación fiscal (...)<sup>(1)</sup> y domicilio en (...) en calidad de (marcar la letra que proceda):**

Mr. (name), with tax identification number (...)<sup>(1)</sup>, in the name and on behalf of (entity), with tax identification number (...)<sup>(1)</sup> and address in (...) as (function – mark as applicable):

**(a) Entidad Gestora del Mercado de Deuda Pública en Anotaciones.**

(a) Management Entity of the Public Debt Market in book entry form.

**(b) Entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero.**

(b) Entity that manages the clearing and settlement system of securities resident in a foreign country.

**(c) Otras entidades que mantienen valores por cuenta de terceros en entidades de compensación y liquidación de valores domiciliadas en territorio español.**

(c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.

**(d) Agente de pagos designado por el emisor.**

(d) Fiscal Agent appointed by the Issuer.

**Formula la siguiente declaración, de acuerdo con lo que consta en sus propios registros:**

Makes the following statement, according to its own records:

**1. En relación con los apartados 3 y 4 del artículo 44:**

1. In relation to paragraphs 3 and 4 of Article 44:

**1.1 Identificación de los valores .....**

1.1 Identification of the securities.....

**1.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)**

1.2 Income payment date (or refund if the securities are issued at discount or are segregated)

**1.3 Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados).....**

- 1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated).....
- 1.4 Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora .....**
- 1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved.....
- 1.5 Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados).**
- 1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).
- 2. En relación con el apartado 5 del artículo 44.**
2. In relation to paragraph 5 of Article 44.
- 2.1 Identificación de los valores .....**
- 2.1 Identification of the securities .....
- 2.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados) .....**
- 2.2 Income payment date (or refund if the securities are issued at discount or are segregated) .....
- 2.3 Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados) .....**
- 2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated).....
- 2.4 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.**
- 2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.
- 2.5 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.**
- 2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.
- 2.6 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C.**
- 2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

**Lo que declaro en .....a .... de .....de ....**

I declare the above in ..... on the.... of ..... of ....

- <sup>(1)</sup> **En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia**
- <sup>(1)</sup> In case of non-residents (individuals or corporations) without permanent establishment in Spain it shall be included the number or identification code which corresponds according to their country of residence.



## SUBSCRIPTION, SALE AND TRANSFER

Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank PLC, J.P. Morgan Securities plc and Nomura International plc (the “**Joint Lead Managers**”) have, pursuant to a subscription agreement (the “**Subscription Agreement**”) dated 28 October 2016, jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe or procure subscribers for the Notes at 100.00 per cent. of their principal amount less certain commissions as agreed with the Issuer.

The Issuer has also agreed to reimburse each of the Joint Lead Managers in respect of certain of their expenses, and has agreed to indemnify each of the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made by the Issuer.

### General

Neither the Issuer nor any Joint Lead Manager has made any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or the Issuer that would permit a public offering of the Notes, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes in any country or jurisdiction where action for that purpose is required.

Each Joint Lead Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense. Each Joint Lead Manager shall also ensure that no obligations are imposed on the Issuer or any other Joint Lead Manager in any such jurisdiction as a result of any of the foregoing actions.

### United States of America

The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Notes are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### Spain

Each Joint Lead Manager severally (and not jointly) has represented and agreed 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 Prospectus have been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (“**CNMV**”) and therefore this Prospectus is not intended for any public offer of the Notes in Spain.

## **United Kingdom**

Each Joint Lead Manager has represented and agreed that:

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

## **Italy**

The Issuer is not duly licensed to collect deposits in Italy pursuant to Legislative Decree No. 385 of 1 September 1993, as amended, and therefore each Joint Lead Manager has represented, warranted and undertaken that no Notes will be offered, sold, delivered or distributed in the Republic of Italy, nor any copy of this Prospectus or any other document relating to the Notes may be distributed in the Republic of Italy (save in compliance with Legislative Decree No. 385 of 1 September 1993, as amended, all Italian securities and tax laws and exchange controls, and any other applicable laws and regulations).

## GENERAL INFORMATION

### 1 Listing

Application has been made to the ISE for the Notes to be admitted to the Official List and trading on the Main Securities Market of the ISE. It is expected that listing of the Notes will take place and that dealings in the Notes on the Main Securities Market will commence on or about 3 November 2016. The Issuer has appointed Deutsche Bank Luxembourg S.A. as Irish listing agent with its address at 2, Boulevard Konrad Adenauer, L-1115 Luxembourg.

The estimated expenses related to admission to trading will be approximately €1,641.20.

### 2 Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The creation and issue of the Notes have been authorised by resolutions of the Executive Commission of the Board of Directors dated 4 October 2016 acting by sub-delegation of resolutions of the Board of Directors dated 1 September 2015 and 28 June 2016 and delegation of a resolution of the General Shareholders' Meeting dated 16 June 2015.

### 3 Legal and Arbitration Proceedings

There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer and/or the GCC Group.

### 4 Significant/Material Change

There has been no material adverse change in the prospects of the GCC Group since 31 December 2015, the date of its last published audited financial statements. There has been no significant change in the financial or trading position of the GCC Group since 30 June 2016.

### 5 Independent auditors

The consolidated financial statements of the Issuer for each of the years ended 31 December 2015 and 2014 have been audited without qualification by PricewaterhouseCoopers Auditores, S.L., and the interim consolidated financial statements of the Issuer as of and for the six months ended 30 June 2016 have been the subject of a limited review by PricewaterhouseCoopers Auditores, S.L.. The registered office of PricewaterhouseCoopers Auditores, S.L. is Torre PwC, Paseo de la Castellana 259 B, 28046, Madrid, Spain (registered in the Official Registry of Auditor of Accounts (*Registro Oficial de Auditores de Cuentas*) under number S0242 and member of the *Instituto de Censores Jurados de Cuentas de España*). The auditors have not resigned, been removed or re-appointed during the period covered by the historical financial information contained herein. No other information relating to the Issuer in this Prospectus has been audited by PricewaterhouseCoopers Auditores, S.L..

### 6 Documents on Display

For so long as any of the Notes are outstanding, physical copies of the following documents (together with English translations, where applicable) may be inspected during normal business hours at the office of the Fiscal Agent at Winchester House, 1 Great Winchester Street, London, EC2N 2DB and can be obtained, free of charge, from the Issuer at Paseo de la Castellana 87, 28046, Madrid, Spain:

- a) the deed of incorporation of the Issuer;

- b) the by-laws of the Issuer (also available on the Issuer's website);
- c) the Fiscal Agency Agreement (which includes the form of the Global Certificate and the definitive Notes);
- d) the Deed of Covenant;
- e) this Prospectus;
- f) the audited consolidated financial statements of the Issuer as of and for the two years ended 31 December 2015 and 2014; and
- g) the interim consolidated financial statements of the Issuer as of and for the six months ended 30 June 2016.

## **7 Material Contracts**

There are no material contracts entered into other than in the ordinary course of the Issuer's business which could result in any Member Entity 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.

## **8 Clearing of the Notes**

The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg entities (which are the entities in charge of keeping the records) with a Common Code of 151273637. The International Securities Identification Number (ISIN) for the Notes is XS1512736379. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.

## **9 Joint Lead Managers transacting with the Issuer**

Each Joint Lead Manager and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and/or its affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for these transactions.

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

## **ISSUER**

### **Banco de Crédito Social Cooperativo, S.A.**

Paseo de la Castellana, 87  
28046 Madrid  
Spain

## **FISCAL AGENT**

### **Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London, EC2N 2DB

## **REGISTRAR AND TRANSFER AGENT**

### **Deutsche Bank Luxembourg S.A.**

2 Boulevard Konrad Adenauer  
L-1115 Luxembourg  
Luxembourg

## **JOINT LEAD MANAGERS**

### **Banco Bilbao Vizcaya Argentaria, S.A.**

Ciudad BBVA  
Calle Sucedá 28, Edificio Asia  
Madrid 28050  
Spain

### **Barclays Bank PLC**

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

### **J.P. Morgan Securities plc**

25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

### **Nomura International plc**

1 Angel Lane  
London EC4R 3AB  
United Kingdom

## **LEGAL ADVISERS**

*To the Issuer as to English law and as to Spanish law:*

### **Clifford Chance, S.L.P.**

Paseo de la Castellana 110  
28046 Madrid  
Spain

*To the Joint Lead Managers as to English law and as to Spanish law:*

### **Linklaters S.L.P.**

Calle Almagro 40  
28010 Madrid  
Spain

## **INDEPENDENT AUDITORS TO THE ISSUER**

### **PricewaterhouseCoopers Auditores S.L.**

Torre PwC, Paseo de la Castellana 259 B  
28046, Madrid  
Spain