

BASE PROSPECTUS



BANCO DE SABADELL, S.A.

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

€15,000,000,000

Euro Medium Term Note Programme

This base prospectus (the "**Base Prospectus**") has been approved by the Central Bank of Ireland (the "**CBI**"), as competent authority for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council of the EU of 14 June 2017 (as amended, the "**Prospectus Regulation**") and constitutes a base prospectus for the purposes of Article 8 of the Prospectus Regulation. This Base Prospectus has been prepared in accordance with Annexes 7 and 15 of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing the Prospectus Regulation. The CBI only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CBI should not be considered as an endorsement of the Issuer or of the quality of the securities that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes (as defined below).

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for the notes (the "**Notes**") issued under the Banco de Sabadell, S.A. €15,000,000,000 Euro Medium Term Note Programme (the "**Programme**") during the 12 months from the date of this Base Prospectus by Banco de Sabadell, S.A. ("**Banco Sabadell**", the "**Issuer**" or the "**Bank**") to be admitted to the official list (the "**Official List**") and to trading on its regulated market (the "**Euronext Dublin Regulated Market**"). Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**") and/or which are to be offered to the public in any member state of the European Economic Area (the "**EEA**") in circumstances that require the publication of a prospectus. The Euronext Dublin Regulated Market is a regulated market for the purposes of MiFID II.

This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Notes which are to be admitted to trading on a regulated market in the EEA. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

The Programme also permits Notes to be issued on the basis that they are admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

As of the date of this Base Prospectus, the Issuer's long term rating is BBB with a Negative Outlook by S&P Global Ratings Europe Limited ("**S&P**"), Baa3 with a Stable Outlook by Moody's Investors Service España, S.A. ("**Moody's**") for senior unsecured debt, BBB- with a Stable Outlook by Fitch Ratings Ireland Limited ("**Fitch**") and A (low) with a Negative Outlook by DBRS Ratings GmbH ("**DBRS**"). As of the date of this Base Prospectus, each of S&P, Moody's, Fitch and DBRS is established in the EEA and is registered under Regulation (EC) No 1060/2009 (as amended) (the "**CRA Regulation**"). Where a Series of Notes is rated, such rating will be disclosed in the relevant Final Terms or the relevant Drawdown Prospectus. Whether or not a rating in relation to any Series of Notes will be treated as having been issued by a credit rating agency established in the EEA and registered under the CRA Regulation will be disclosed in the relevant Final Terms or the relevant Drawdown Prospectus. None of S&P, Moody's, Fitch or DBRS are established in the United Kingdom (the "**UK**"), however they are each part of a group in respect of which one of its undertakings is (i) established in the UK, and (ii) is registered in accordance with the CRA Regulation as it forms part of the domestic law of the UK by virtue of the EUWA (the "**UK CRA Regulation**"). The Issuer ratings issued by S&P, Moody's, Fitch and DBRS have been endorsed by S&P Global

Ratings UK Limited, Moody's Investors Service Limited, Fitch Ratings Limited and DBRS Ratings Limited, respectively, in accordance with the UK CRA Regulation and have not been withdrawn. As such, the ratings issued by S&P, Moody's, Fitch and DBRS may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation.

Notes issued under the Programme may be unrated or may be rated by S&P, Moody's, Fitch, DBRS and/or other such credit rating agencies as may be specified in the relevant Final Terms.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in certain transactions exempt from the registration requirements in the Securities Act.

MiFID II product governance / target market – The relevant Final Terms or the relevant Drawdown Prospectus (as defined below) will include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the relevant Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

UK MIFIR product governance/target market – The relevant Final Terms or the relevant Drawdown Prospectus (as defined below) may include a legend entitled "UK MIFIR Product Governance" which will outline the target market assessment in respect of the relevant Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MIFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under UK MIFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA will be prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to

implement Directive (EU) 2016/97, where that customer would not qualify as professional client, as defined in point (8) of Article 2 (1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law of the UK by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Amounts payable on Floating Rate Notes or Fixed Reset Notes may be calculated by reference to one of the Euro Interbank Offered Rate ("**EURIBOR**"), the London Interbank Offered Rate ("**LIBOR**") or the Sterling Overnight Index Average ("**SONIA**") as specified in the relevant Final Terms or the relevant Drawdown Prospectus (as defined below), which are provided by the European Money Markets Institutes ("**EMMI**") and ICE Benchmark Administration Limited ("**ICE**"), respectively. As of the date of this Base Prospectus, EMMI is included in the European Securities and Markets Authorities' register of administrators and benchmarks under Article 36 of the Regulation (EU) No. 2016/1011 (the "**EU Benchmarks Regulation**"). ICE and the Bank of England are not included in ESMA's register of administrators and benchmarks under Article 36 of the EU Benchmarks Regulation. The transitional provisions in Article 51 of the EU Benchmarks Regulation apply, such that the ICE Benchmark Administration Limited is not currently required to obtain recognition, endorsement or equivalence. As far as the Issuer is aware, SONIA does not fall within the scope of the EU Benchmarks Regulation by virtue of Article 2 of the EU Benchmarks Regulation.

Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA") - Unless otherwise stated in the relevant Final Terms or relevant Drawdown Prospectus, all Notes shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**")) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (the "**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Product and the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Investing in Notes issued under the Programme 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 Base Prospectus, before deciding to invest in the Notes issued under the Programme.

Arranger

DEUTSCHE BANK

Dealers

BANCO SABADELL

BARCLAYS

BoFA SECURITIES

CITIGROUP

COMMERZBANK

CRÉDIT AGRICOLE CIB

CREDIT SUISSE

DEUTSCHE BANK

GOLDMAN SACHS BANK EUROPE SE

HSBC

J.P. MORGAN

NATIXIS

NOMURA

**SOCIÉTÉ GÉNÉRALE CORPORATE &
INVESTMENT BANKING**

UNICREDIT

This Base Prospectus is dated 31 May 2021.

IMPORTANT NOTICES

Responsibility for this Base Prospectus

The Issuer accepts responsibility for the information contained in this Base Prospectus and any Final Terms or Drawdown Prospectus (as defined below) and declares that, to the best of its knowledge, the information contained in this Base Prospectus is in accordance with the facts and makes no omission likely to affect its import.

Final Terms/Drawdown Prospectus

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*" below.

Other relevant information

This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

For the avoidance of doubt, unless specifically incorporated by reference into this Base Prospectus, information contained on any website referred to in this Base Prospectus does not form part of this Base Prospectus.

The Issuer has confirmed to the Dealers referred to in "*Subscription and Sale*" below that this Base Prospectus contains all information which is (in the context of the Programme or the issue, 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 in light of the circumstances under which they were made; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect in light of the circumstances then subsisting; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme or the issue, offering and sale of the Notes) not misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing.

The language of the Base 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.

Unauthorised information

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus or any responsibility for any act or omission of the Issuer or any other person in connection with this Programme and the issue and offering of Notes thereunder. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Suitability

The Notes may not be a suitable investment for all investors. Prospective investors must determine the suitability of that investment in light of their own circumstances. In particular, each prospective 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 relevant Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement, taking into account that the Notes may only be a suitable investment for professional or institutional investors;
- (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 (including the provisions relating to status) 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 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 investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each prospective 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.

The Final Terms relating to any specific Tranche of Notes may provide that it will be the Issuer's intention to apply an amount equal to the net proceeds of the issue of those Notes (as at the date of issuance of such Notes) into Eligible Green Projects, Eligible Social Projects or a combination of both Eligible Green Projects and Eligible Social Projects (such Notes being Green Bonds, Social Bonds or Sustainability Bonds, respectively), as described in the Issuer's SDG Bond Framework (as defined below) published on the website of the Issuer (see "*Use of Proceeds*").

Prospective investors should have regard to the information set out in the Issuer's SDG Bond Framework and the Final Terms regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary.

The Dealers have not undertaken, nor are responsible for, any assessment of the eligibility criteria for selecting investments in Eligible Green Projects or Eligible Social Projects, any verification of whether such projects meet such eligibility criteria, or the monitoring of the use of proceeds. Investors should refer to the Issuer's website, the SDG Bond Framework and the Second-Party Opinion (each as defined below) for information. No assurance or representation is given by the Issuer or any of the Dealers or any other person as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer or any affiliate) on the SDG Bond Framework or on any Green Bonds, Social Bonds or Sustainability Bonds issued. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Dealers or any other person to buy, sell or hold any such Notes.

Restrictions on distribution

The distribution of this Base Prospectus and any Final Terms or Drawdown Prospectus, as the case may be, and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms or Drawdown Prospectus, as the case may be, comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms or Drawdown Prospectus, as the case may be, and other offering material relating

to the Notes, see "*Subscription and Sale*". In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements in the Securities Act.

Neither this Base Prospectus nor any Final Terms or Drawdown Prospectus, as the case may be, constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms or Drawdown Prospectus, as the case may be, should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms or Drawdown Prospectus, as the case may be, shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

Programme limit

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €15,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into Euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

Certain definitions

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**U.S.\$**", "**U.S. dollars**" or "**dollars**" are to United States dollars, and references to "**EUR**" or "**euro**" or "**€**" 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.

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

Ratings

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms or Drawdown Prospectus. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a credit rating agency which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation or (4) issued by a credit rating agency neither established in the EEA nor certified under the CRA Regulation and will not be endorsed under the CRA Regulation or (5) issued by a credit rating agency established in the UK and registered under the UK CRA Regulation or (6) issued by a credit rating agency established in a third country but endorsed by a credit rating agency which is established and registered under the UK CRA Regulation or (7) issued by a credit rating agency established in a third country but which is certified under the UK CRA Regulation, will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

Stabilisation

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the relevant Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of

Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

FORWARD-LOOKING STATEMENTS

This Base Prospectus includes forward-looking statements that reflect the Issuer's intentions, beliefs or current expectations and projections about its future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies, plans, opportunities, trends and the market in which it operates. The Issuer has tried to identify these and other forward-looking statements by using the words "may", "could", "will", "would", "should", "expect", "intend", "estimate", "anticipate", "guidance", "project", "future", "potential", "believe", "seek", "plan", "aim", "expect", "objective", "goal", "project", "strategy", "target", "continue" and similar expressions or their negatives. These forward-looking statements are based on numerous assumptions regarding the Issuer's present and future business and the environment in which it expects to operate in the future. Forward-looking statements may be found in the sections of this Base Prospectus entitled "*Risk Factors*" and "*Description of Banco Sabadell*" and elsewhere in this Base Prospectus.

The forward-looking events described in this Base Prospectus may not occur. Additional risks that the Issuer may currently deem immaterial or that are not presently known to the Issuer could also cause the forward-looking events discussed in this Base 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 Base Prospectus. Given the uncertainty inherent in forward-looking statements, the Issuer cautions prospective investors not to place undue reliance on these statements.

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RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the industry in which it operates together with all other information contained in this Base Prospectus, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section. Prospective investors should note that the risks identified below relating to the Issuer and the industry in which it operates and the Notes are the ones that the Issuer believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Notes. Such risks appear below classified by categories and in order of decreasing materiality within each category, taking into account both the probability that they might occur as well as the expected magnitude of the negative impact.

However, the following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Issuer that are either not currently known to the Issuer or that it currently deems to be immaterial and which may become material as a result of the occurrence of events outside the Issuer's control, may individually or cumulatively also have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Issuer and, if any such risks were to occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Base Prospectus and their personal circumstances.

1. MACROECONOMIC AND POLITICAL RISKS

Unfavourable global economic conditions, and, in particular, 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 its Group

Global economic conditions deteriorated significantly between 2008 and 2012, and Spain fell into a recession.

From 2014, the Spanish economy performed well and in the last few years Spain experienced gross domestic product ("GDP") growth rates of 1.4 per cent. in 2014, 3.8 per cent. in 2015, 3.0 per cent. in 2016, 3.0 per cent. in 2017, 2.4 per cent. in 2018 and 2.0 per cent. in 2019 (Source: *National Statistics Institute of Spain*). In Europe, a significant reduction in risk premia took place from the second half of 2012 onwards and economic growth for the Eurozone as a whole had been positive since the second quarter of 2013, growing by 1.9 per cent. in 2016, 2.6 per cent in 2017, 1.9 per cent. in 2018 and 1.3 per cent. in 2019 (Source: *Eurostat*). In addition, the economic and trade agreement reached between the United States and China in January 2020 along with policies implemented by central banks and fiscal policies less oriented towards austerity seemed to have also provided the grounds for a sustained growth of the global economy.

However, the spread and effects of a novel strain of coronavirus (COVID-19), which began in China in December 2019 and subsequently spread globally have led to a deterioration of the Spanish, European and global economies. The COVID-19 pandemic has generated a widespread health crisis that has typically resulted in (and continues to cause) the temporary restriction or suspension of production, operational and business activities, disruptions to travel and transportation, and adverse impacts on labour supply, which have consequently caused a shock to supply chains and aggregate demand. As a consequence, GDP growth contracted by 10.8 per cent. in Spain (Source: *National Statistics Institute of Spain*) and by 6.6 per cent in the Eurozone (Source: *Eurostat*) in 2020. Beyond the direct economic impact, the COVID-19 crisis also represented a financial shock given the initial tightening in financial conditions, the worsening of liquidity conditions in financial markets, heightened volatility and sharp repricing of several financial assets. All of this in a context where the robustness of the capital markets has deteriorated notably in recent years. Even though the actions of the central banks have allowed an overall context of favourable financing conditions and the macro-financial outlook for both the global and Spanish economies has improved since the spread of the COVID-19 pandemic mainly as a result of vaccines having been rolled out, vulnerabilities such as the weak financial situation of some segments of households and companies, the growing public indebtedness and the low profitability of entities have increased and notable risks to the financial stability persist. To the extent that uncertainty regarding the economic outlook negatively impacts consumer confidence and consumer credit factors globally, the Group's business, financial condition, results of operations and prospects could be significantly and adversely affected.

In this respect, among the factors that might continue to affect the economic outlook are an increase and extension of containment measures, mainly due to an additional deterioration of the COVID-19 pandemic or delays in the vaccination campaign but also the possibility that economic growth recovers at a slower pace than expected, the occurrence of an abrupt correction in the valuation of some assets in the financial markets and the reduction of credit supply, as well as a new escalation of tensions between the United States and China despite prior agreements, social tensions arising from an uneven recovery across sectors and groups and geopolitical tensions or other similar events outside of the Group's control.

Any such deterioration could adversely affect the cost and availability of funding for Spanish and European banks, including the Bank and its Group, and the quality of its loan portfolio, and require the Group to take impairments on its exposures to the sovereign debt of one or more countries in the Eurozone or otherwise have a material adverse effect on its business, financial condition, results of operations and prospects.

The Group's loan portfolio and its overall business are highly concentrated in Spain and the UK, and therefore the Group is particularly exposed to any deterioration in the Spanish and UK economies

Given the relevance of the Group's loan portfolio particularly in Spain and the UK, any deterioration in the global economy, a long-lasting impact of the COVID-19 pandemic, a reduction in the economic activity in Europe, a deterioration in the solvency of Spanish, UK or international banks or certain other policy changes in the Eurozone could have a negative impact on the Spanish and UK economies which would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Spain

The Bank is a Spanish financial institution with a nationwide footprint and a particularly strong presence in the regions of Catalonia, the Valencian Community, the Balearic Islands, Asturias and Murcia. The majority of the Bank'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 the Banking Business in Spain business segment, which accounted for 78.9 per cent. and 75.3 per cent. of its income for the years ended 31 December 2020 and 2019, respectively. Accordingly, the performance of the Spanish economy impacts the Bank's business, financial condition, results of operations and prospects.

The Group has historically developed its lending business in Spain. The Group's loan portfolio in Spain was adversely affected by the deterioration of the Spanish economy between 2009 and 2013, with Spanish GDP contracting in this period due to the effects of the financial crisis being particularly pronounced in Spain. As a result of the correction of existing imbalances, the Spanish economy headed into 2020 with a favourable macro-financial position. Nevertheless, the spread and effects of the COVID-19 pandemic caused a contraction in Spanish GDP of 10.8 per cent. (Source: *National Institute of Statistics*) and there is still uncertainty with respect to the ongoing impact that the COVID-19 pandemic may have and how long it will last. In this regard, since the declaration of the state of emergency by the Spanish government on 14 March 2020, several different measures have been taken in order to slow down the spread of the COVID-19 pandemic, including home confinements and shutdown of businesses. These measures, along with the uncertainty as to how long they will last, are affecting demand, production and investment decisions throughout the Spanish economy. Additionally, if doubts were to arise about the ability to continue to service public or private debt, it could increase Spain's financing costs. Furthermore, unemployment levels remain high relative to other European countries. High sustained unemployment could adversely affect the Group's retail customers' gross disposable income and may adversely affect the recoverability of the Group's retail loans, resulting in increased loan impairments.

The most recent forecast by the International Monetary Fund sets the growth of the Spanish economy's GDP at 6.4 per cent. in 2021 and 4.7 per cent. in 2022, while the Bank of Spain's most recent forecast points to a growth rate range between 3.2 per cent. and 7.5 per cent. in 2021 (with 6 per cent. as base case) and between 4.6 per cent. and 5.5 per cent. in 2022 (with 5.3 per cent. as base case). However, these forecasts are subject to potential revisions in case of adverse COVID-19 developments in Spain and abroad. The Spanish economy is particularly sensitive to economic conditions in the Eurozone (the main market for Spanish goods and services exports) so a decline in economic activity in the Eurozone would have an adverse effect on Spanish economic growth. Moreover, the Spanish economy is also exposed to the UK and Latin American economies.

It is also worth mentioning that investor confidence may fall due to uncertainties arising from the political situation in Spain, with a coalition government and a fragmented Spanish Parliament, both of which might make governability increasingly difficult. Likewise, investor confidence could also be affected by the economic policies and changes in laws and regulations that may ultimately be implemented by the coalition government.

UK

On 30 June 2015, the Group took control of TSB Banking Group plc ("**TSB**" or the "**TSB Banking Group**"), which represented 20.1 per cent. of the Group's total assets as of 31 December 2020.

Since the TSB acquisition, the Group increased its international footprint, mainly in the UK (the Group's loan exposure to the UK was 25.2 per cent. as of 31 December 2020), therefore increasing its exposure to inherent risks arising from general macro-economic conditions in the UK. The Group's customer revenue in the UK is particularly exposed to the condition of the UK economy, including house prices, interest rates, levels of unemployment and consequential fluctuations in consumers' disposable income. If these economic indicators and the UK economic conditions weaken, or if financial markets exhibit uncertainty and/or volatility, TSB's impairment losses may increase and its ability to grow its business could be materially adversely impacted.

On 23 June 2016, the UK held a non-binding referendum (the "**UK EU Referendum**") on its EU membership, in which a majority voted for the UK to leave the EU, and the UK formally left the EU on 31 January 2020. Following its withdrawal from the EU, the UK entered into a transition period, for the purpose of negotiating its future relationship with the EU, which ended on 31 December 2020.

The UK and the EU reached a Trade and Cooperation Agreement just days before the end of the transition period setting a new relationship that began to be applied as of 1 January 2021. The effects of the UK's withdrawal from the EU will entail an economic adjustment despite the trade deal negotiated between the UK and the EU. In the first months of implementation, there have been some disruptions to trade as firms adjust to the new regulatory requirements, though these have been limited. The orderly transition to the new arrangements has avoided any major impact in financial markets. In any case, there remains uncertainty related to the evolution that the new trade relationship between the UK and the EU will have, which along with any further changes in government structure and policies, could at some point lead to market volatility and no assurance can be given that such matters would not adversely affect the ability of the Bank to satisfy its obligations under the Notes and/or the market value and/or the liquidity of the Notes in the secondary market.

The UK's departure from the EU has also given rise to further calls for a second referendum on Scottish independence and raised questions over the future status of Northern Ireland. In this sense, the Scottish National Party has won an historic fourth consecutive term in government and can rely on majority support in the Edinburgh parliament for another referendum on independence. These developments, or the perception that they could occur, could have a material adverse effect on economic conditions and the stability of financial markets in the UK, and could significantly reduce market liquidity and restrict the ability of key market participants to operate in certain financial markets.

Asset valuations, currency exchange rates, and credit ratings were also subject to increased market volatility as the negotiation of the terms of the UK's departure from the EU was ongoing. Some of the major credit rating agencies downgraded and/or changed their outlook to negative on the UK's sovereign credit rating following the UK EU Referendum, and in certain cases that has not changed. In particular, both Fitch and Moody's further downgraded the UK's sovereign rating in 2020 following the impact of COVID-19 pandemic, ongoing uncertainty regarding the UK's withdrawal from the EU and a loosening of the fiscal stance, with Fitch in particular assigning a negative outlook to the credit rating.

In addition, the Group is subject to substantial EU-derived regulation and oversight. Financial services are not covered by the UK EU Trade and Cooperation Agreement, but instead the UK and the EU reached a Memorandum of Understanding (MoU) in the first quarter of 2021 establishing a structured regulatory cooperation framework on financial services and a forum that will discuss the adoption and withdrawal of equivalence decisions. However, there has been no progress on equivalence decisions yet.

This forum does not restrict the EU's nor the UK's unilateral powers to revoke equivalence decisions and implement other regulatory measures each of them considers appropriate. While regulatory uncertainty might remain a general risk, the impact for the Group is limited because (i) the Group has a limited number of services using passporting rights into the UK; (ii) TSB, as a ring-fenced UK subsidiary operating in the UK retail market, is largely unaffected by Brexit-related issues other than risks relating to the UK's macroeconomic performance; and (iii) the London branch (Banco Sabadell London) is a limited services branch which has already been included by the UK regulator in its temporary permissions regime (TPR) scheme, until a permanent permission is approved by the supervisors (the Prudential Regulation Authority and Financial Conduct Authority), with the application being under review as of the date of this Base Prospectus.

The UK political and regulatory developments described above, along with any further changes in government structure and policies, may lead to further market volatility and changes to the fiscal, monetary, and regulatory landscape to which the Group is subject and could have a material adverse effect on its financing availability and terms and, more generally, on its business, financial condition, results of operations and prospects.

Mexico and the United States

Finally, the Group is also sensitive to developments in other economies, such as Mexico (with revenue of €108 million as of 31 December 2020) and the United States (with revenue of €142 million as of 31 December 2020). Given the Group's banking operations in Mexico and the United States, unfavourable economic conditions in those countries, including due to the spread of COVID-19 pandemic, political instability, the fluctuations in the US dollar and Mexican peso exchange rates, adverse developments in the real estate market, fluctuations in oil prices, or a sharp tightening in financial conditions in the US and Mexico could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

2. RISKS RELATING TO THE BUSINESS OF THE ISSUER AND THE GROUP

Legal, Regulatory and Compliance Risks

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

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

Mortgage floor clauses

Provisions for the possible reimbursement of amounts paid as a result of the application of mortgage floor clauses, whether as a result of the hypothetical voiding by the courts of law of floor clauses or due to the implementation of Royal Decree-Law 1/2017, of 20 January, on measures to protect consumers regarding floor clauses, amounted to €84.6 million as of 31 December 2020 (€76.7 million as of 31 December 2019). In the unlikely scenario in which all potential existing claims from customers for reimbursement of amounts paid as a result of the application of mortgage floor clauses are made through the procedures established by the Group in accordance with Royal Decree-Law 1/2017, of 20 January, applying the percentages set forth in the current agreement, the maximum contingency would amount to €113.3 million, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

IRPH potential litigation

In its ruling of 22 November 2017, the Spanish Supreme Court ruled that the use of the IRPH (Spanish mortgage market index) as a reference index for the variation of interest rates on mortgage loans was valid, on the basis that it is not possible to control the transparency of the IRPH as it is an index defined and regulated by a rule of law. The Spanish Supreme Court's criteria has been followed in almost all national courts and tribunals, which consider that the use of IRPH does not imply a lack of transparency for consumers. Barcelona's Court no. 38, however, referred a case to the Court of Justice of the European Union ("CJEU") for a preliminary ruling on whether or not this index is subject to a transparency control when applied to consumers and requesting that it is determined whether to replace it with another index or to simply stop applying it altogether.

On 3 March 2020, the CJEU issued its judgment and set out that the standard contractual terms whereby the IRPH is included in a consumer agreement shall be subject to a transparency control by the Spanish courts. This means it is Spanish courts that will have to assess whether the requirement for transparency was met and, where terms are found to be unfair, determine whether the mortgage can survive without that term and which replacement index must be applied (in its judgment the CJEU points, as the possible index of supplementary application, to that contained in the 15th additional provision of Spanish Law 14/2013, known as IRPH Institutions).

On 12 November 2020, the Spanish Supreme Court published four judgments (595, 596, 597 and 598/2020, of 12 November 2020) with findings on variable mortgage interest rates based on the reference rate in mortgages granted by Spanish savings banks (known as Savings Bank IRPH terms). In such judgments, the Spanish Supreme Court found a lack of transparency but considered that the Savings Bank IRPH rate is not an unfair term, because it is in

accordance with the requirements of good faith and does not cause a major imbalance to consumers' detriment. In addition, in December 2020 and in January 2021, each of Barcelona's Court no. 38 and Ibiza's Court no. 2 referred cases to the CJEU for preliminary rulings on whether the latest judgements of the Spanish Supreme Court on the IRPH are contrary to EU law.

The CJEU judgment, which implies that going forward the Spanish courts will have to rule on a case-by-case basis, alongside with the recent cases referred to the CJEU for preliminary rulings have therefore led to increased uncertainty in this respect.

As of 31 December 2020, the outstanding balance of mortgage loans to IRPH-indexed consumers of the Group was €654 million.

TSB's migration to the Group's technology platform

Integration of TSB into the Group required the migration of TSB's IT system from the Lloyds Banking Group to Banco Sabadell (the "**TSB Migration**"), which entailed transferring the data of around 8.5 million customers to the Group's technology platform. Immediately after the TSB Migration some customers started experiencing problems in accessing digital channels, delays on the telephone helpline and slower transaction processing. The repercussions of this were an increase in fraud attempts against TSB customers. In this context, TSB's board of directors requested an independent investigation to be launched, which is already concluded, while the investigation by the British authorities into the incidents that occurred subsequent to TSB Migration is, as of the date of this Base Prospectus, still ongoing. Based on the information available regarding the progress of the aforementioned investigation, the Group's management considers that the circumstances do not require a provision for potential sanctions to be recognised, as there is currently no payment obligation. However, if such obligation were to exist, there is no way to reliably estimate the amount that would need to be disbursed.

Should TSB suffer further material disruptions of its IT systems, either related to the TSB Migration or not, it could have a material adverse effect on TSB's reputation and the normal operation of its business and thus on its financial condition, results of operations and prospects.

The Bank and its Group are subject to substantial regulation and regulatory and governmental oversight. Adverse regulatory developments or changes in government policy in any of the jurisdictions where the Group operates could have a material adverse effect on their business, financial condition, results of operations and prospects

The financial services industry is among the most highly regulated industries in the world. In response to the global financial crisis of 2008 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.

As a result, the current market environment is witnessing increased levels of government and regulatory intervention in the banking sector (that is expected to continue for the foreseeable future) and a changing regulatory framework which is likely to undergo further significant change, and the Bank's operations are subject to on-going regulation and associated regulatory risks, including the effects of changes in laws, regulations, policies and interpretations in Spain, the EU and the other markets in which it operates. This, together with regulatory fragmentation, with some countries implementing new and more stringent standards or regulations (which could adversely affect the Bank's ability to compete with financial institutions based in other jurisdictions and may make the Group face higher compliance costs), creates significant uncertainty for the Bank and the financial industry in general. In addition, the institutional structure in Europe for supervision, with the single supervisory mechanism ("**SSM**"), and for resolution, with the single resolution mechanism ("**SRM**"), could also lead to changes in the future.

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

The wide range of recent actions or current proposals which most significantly affect the Group include, among others, provisions for more stringent regulatory capital, funding and liquidity standards, restrictions on compensation practices or special bank levies and financial transaction taxes. Any required changes to the Bank's business operations resulting from the legislation and regulations applicable to such business could result in significant loss of revenue, limit the Bank's ability to pursue business opportunities in which the Bank might

otherwise consider engaging, affect the value of assets that the Bank holds, require the Bank to increase its prices and therefore reduce demand for its products, impose additional costs on the Bank or otherwise adversely affect the Bank's businesses. Future liquidity standards could require the Bank 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 Bank's regulators periodically review the Bank's allowance for loan losses. Such regulators may recommend the Bank to increase such allowances or to recognise further losses. Any such additional provisions for loan losses, as required by these regulatory agencies, whose views may differ from those of the Bank's management, could have an adverse effect on the Bank's earnings and financial condition. See *"Regulation—Capital, liquidity and funding requirements"*.

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 Bank's business, financial condition, results of operations and prospects.

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

Increasingly onerous capital requirements constitute one of the Bank's main regulatory challenges. Increasing capital requirements may adversely affect the Bank's profitability and create regulatory risk associated with the possibility of failure to maintain required capital levels.

In 2011, the framework known as Basel III, which is a full set of reform measures to strengthen the regulation, supervision and risk management of the banking sector, was introduced (see *"Regulation—Capital, liquidity and funding requirements"*). This aimed to boost the banking sector's ability to absorb impacts caused by financial and economic stress, improve risk management and corporate governance, and improve banking transparency and disclosures. Concerning capital, Basel III redefines available capital at financial institutions (including new deductions and raising the requirements for eligible equity instruments), tightens the minimum capital requirements, compels financial institutions to operate permanently with surplus capital (capital "buffers"), and includes new requirements for the risks considered.

The amendments to the solvency requirements of credit institutions and various transparency regulations, from the practical standpoint, grant priority to high-quality capital (Common Equity Tier 1 or "**CET1**"), introducing stricter eligibility criteria and more stringent ratios, in a bid to guarantee higher standards of capital adequacy in the financial sector.

The European Central Bank ("**ECB**") is required under 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**") to carry out, at least on an annual basis, a supervisory review and evaluation process (the "**SREP**"). Thus, additional "Pillar 2" capital (see *"Regulation—Capital, liquidity and funding requirements"*) may be imposed for each of the European credit institutions subject to the SSM Regulation and accordingly requirements may change from year to year. As a result of the SREP carried out by the ECB in 2019, the Bank was required to maintain, on a consolidated basis, a CET1 phased-in capital ratio of 9.63 per cent. and a minimum phased-in total capital ratio of 13.13 per cent. These ratios included the minimum capital ratio required under "Pillar 1" (4.50 per cent.) and the additional capital under P2R (2.25 per cent.), the capital conservation buffer (2.50 per cent.), the counter-cyclical capital buffer (0.13 per cent.) and the requirement arising from its consideration as O-SII (as defined in section *"Regulation—Capital, liquidity and funding requirements"*) (0.25 per cent.). However, further to the decision by the Bank of England's Financial Policy Committee ("**FPC**") on 11 March 2020, the counter-cyclical capital buffer rate for the Bank is 0 per cent. (see *"Regulation—Capital, liquidity and funding requirements"*).

Additionally, in reaction to the COVID-19 pandemic, on 12 March 2020 the ECB allowed banks to partially use capital instruments that do not qualify as CET1 capital (Additional Tier 1 capital instruments and Tier 2 capital instruments) to meet P2R – see *"Regulation—Capital, liquidity and funding requirements"*. As of the date of application of this decision, banks were thus allowed to meet their P2R with at least 56.25 per cent. of CET1 capital and at least 75 per cent. of Tier 1 capital.

In this respect, on 23 November 2020 the Bank received an operational letter by means of which the ECB informed that the minimum prudential requirements applicable for 2021 will be those that applied in 2020. Therefore, further to the ECB decision in March 2020 the CET1 phased-in capital ratio and the phased-in total capital ratio that the Bank is required to maintain, on a consolidated basis, stand at 8.52 per cent. and 13.0 per cent., respectively, and additionally, although P2R requirement is 2.25 per cent., only 1.27 per cent. has to be met with CET1.

On an individual basis, the required CET1 phased-in capital ratio applicable to the Bank further to the ECB decision in March 2020 is 8.27 per cent. and the phased-in total capital ratio is 12.75 per cent. This requirement includes the minimum required by "Pillar 1" (4.50 per cent.), the P2R (2.25 per cent. although further to 12 March 2020 only 1.27 per cent. has to be met with CET1), the capital conservation buffer (2.50 per cent.) and the counter-cyclical capital buffer which, further to FPC decision, is 0 per cent.

As of 31 March 2021, the Bank's CET1 phased-in capital ratio was 12.38 per cent. and its phased-in total capital ratio was 16.66 per cent., on a consolidated basis, and 13.59 per cent. and 17.89 per cent., respectively, on an individual basis. Such ratios are greater than the applicable regulatory requirements described above, but there can be no assurance that the total capital requirements ("Pillar 1" plus P2R plus "combined buffer requirement") imposed on the Bank and/or the 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 capital on the Bank and/or the Group.

Any failure by the Bank and/or the Group to maintain its minimum "Pillar 1" capital requirements, any "Pillar 2" additional capital and/or any "combined buffer requirement" could result in administrative actions or sanctions, which, in turn, may have a material adverse effect on the 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 Bank and/or the 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.

Any failure by the Bank and/or the 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 Directive 2014/59/EU of 15 May establishing a framework for the recovery and resolution of credit institutions and investment firms ("**BRRD I**") as amended by Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC ("**BRRD II**") and together with BRRD I, the "**BRRD**"), which could have a material adverse effect on the Group's business and operations. The BRRD I was implemented in Spain through 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*) ("**Law 11/2015**") as amended by Royal Decree-Law 11/2017, of 23 June, on urgent measures in financial matters (*Real Decreto-ley 11/2017, de 23 de junio, de medidas urgentes en materia financiera*) ("**RDL 11/2017**") and together with Royal Decree 1012/2015, of 6 November, implementing Law 11/2015, of 18 June (*Real Decreto 1012/2015, de 6 de noviembre, por el que se desarrolla la Ley 11/2015, de 18 de junio*) ("**RD 1012/2015**") and the BRRD II has been partially implemented in Spain through Royal Decree-Law 7/2021, of 27 April, amending Law 11/2015 ("**RDL 7/2021**"). Despite that RDL 7/2021 is generally enforceable since 29 April 2021, the Spanish Parliament decided on 19 May 2021 to process it as a Bill and so RDL 7/2021 provisions may be subject to changes.

In addition, the BRRD regime prescribes that banks meet, at all times, a minimum requirement for own funds and eligible liabilities (known as "**MREL**"). On 28 December 2020, the Bank announced that it had received communication from the Bank of Spain regarding its MREL requirement on a consolidated basis, as determined by the Single Resolution Board ("**SRB**").

As a result of such determination, the Bank needs to meet the following requirements from 1 January 2024:

- The minimum requirement for MREL is 21.75 per cent. of the total risk exposure amount ("**TREA**") and 6.22 per cent. of the leverage ratio exposure ("**LRE**").
- The subordination requirement is 14.45 per cent. of TREA and 6.22 per cent. of LRE.

The decision also sets out the following interim requirements that must be met from 1 January 2022:

- The interim MREL requirement is 21.05 per cent. of TREA and 6.22 per cent. of LRE.
- The interim subordination requirement is 14.45 per cent. of TREA and 6.06 per cent. of LRE.

The own funds used by the Bank to meet the "combined buffer requirement" could not be used to meet its MREL and subordination requirements expressed in terms of TREA. As of 31 March 2021, the MREL ratio of the Group

as a percentage of RWAs (as defined below) stood at 24.27 per cent., while its MREL ratio as a percentage of LRE stood at 8.93 per cent.

It should not be disregarded that new and more demanding additional capital requirements may be applied in the future.

Overall, there can be no assurance that the implementation of the new capital requirements, standards and recommendations will not adversely affect the Bank's ability to make discretionary payments (see "*Regulation—Capital, liquidity and funding requirements*") or require the Bank 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 Bank'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.

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

The Group is subject to rules and regulations regarding money laundering and the financing of terrorism which have become increasingly complex and detailed, require improved systems and sophisticated monitoring and compliance personnel and have become the subject of enhanced government supervision. Although the Group believes that its current policies and procedures are sufficient to comply with applicable rules and regulations, it cannot guarantee that the 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 notably reputational consequences, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Credit and Liquidity Risks

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

The Group is exposed to the creditworthiness of its customers and counterparties. Despite the risk control measures it has in place (including regular review of its exposure to clients and counterparties, economic sectors and regions), payment defaults may arise from events that are unforeseeable or difficult to predict or detect. A default by a significant financial counterparty, or liquidity problems in the financial services industry in general, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Market turmoil and economic weakness, especially in Spain, could adversely affect the Group's clients, which could in turn impair the Group's loan portfolio. One of the business segments on which the Group focuses is small and medium-sized enterprises ("SMEs") in Spain (representing 19.8 per cent. of the Group's total credit portfolio as of 31 December 2020 and 19.0 per cent. as of 31 December 2019). SMEs are particularly sensitive to adverse developments in the economy, rendering the 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 Group's customers may deteriorate.

A weakening in customer and counterparties creditworthiness could require an increase in provisions for bad and doubtful debts and other provisions, as well as impact the Group's capital adequacy. The regulatory capital levels the Group is required to maintain are calculated as a percentage of its risk-weighted assets ("RWAs"). The RWAs consist of the 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 Group would lower their rating, which would result in an increase in its RWAs, which potentially could deteriorate the Group's capital adequacy ratios and limit its lending or investments in other operations.

As explained under "*Unfavourable global economic conditions, and, in particular, 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 its Group*" above, during this period of economic crisis caused by the COVID-19 pandemic, actions of the central banks to mitigate the impact of the restrictions on activity adopted to curb spread of the pandemic have allowed for an increase in the volume of credit for the first time since the global financial crisis, and credit institutions have continued to provide financing to the non-financial private sector. The criteria applied for the granting of new loans has generally been determined by risk considerations, with both public guarantees and loan moratoriums being key in this respect in order for the flow of credit to reach vulnerable companies and households most affected by the COVID-19 pandemic.

Despite the sharp drop in GDP in 2020, the non-performing loan ("NPL") ratio in Spain has fallen, in clear contrast to past historical crisis. In this sense, evidence shows that the measures implemented by the relevant authorities to mitigate the impact of the pandemic are delaying (and also reducing) the appearance of delinquencies on the banks' balance sheets. Consequently, it is essential that banks consider the signs that may exist of latent credit deterioration, in particular the monitoring of loans under special surveillance, which have increased significantly, or the study of the credit situation in the entire banking system of the companies that have accessed the guarantee programs, which may show signs of weakness. The monitoring of expired moratoriums also shows the high rate of doubtful assets. In this context, it should not be ruled out that a credit deterioration could materialise to a greater degree in the coming quarters.

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

Liquidity risk is inherent in the Group's operations and volatility in global financial markets, particularly in the inter-bank and debt markets, which could materially adversely affect the Group's liquidity position and credit volume

The Group's main source of liquidity and funding is its customer deposit base, as well as on-going access to wholesale lending markets, including senior unsecured and subordinated bonds, interbank deposits, mortgage and public sector covered bonds and short-term commercial paper. 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 Group relies on current accounts, deposits and commercial paper for a material portion of its funding (accounting for 58.5 per cent. of the Group's liabilities as of 31 December 2020), it cannot provide any assurance that, in the event that its depositors (as of 31 December 2020 and 2019, total deposits represented 82.4 per cent. and 79.7 per cent. of the Group's total funding, respectively) 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 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 Group will be able to maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets, which could result in a material adverse effect on the Group's liquidity, business, financial condition, results of operations and prospects.

Although the Group places significant emphasis on liquidity risk management and focuses on maintaining a buffer in liquid assets, the 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.

In addition, in terms of funding the Bank has also taken advantage of the financing provided by the ECB through various of its long term refinancing operations, in particular through the Targeted Long Terms Refinancing Operations in June 2016 and March 2017 ("TLTRO II"). In the TLTRO II windows, the Bank was allocated funding amounting to €20,500 million which were fully repaid between 26 June 2019 and 24 June 2020. In 2020 the ECB announced measures designed to mitigate the impact arising from the COVID-19 pandemic, which included easing the conditions for Targeted Long Terms Refinancing Operations ("TLTRO III"). On 24 June 2020, concurrently with the repayment of the TLTRO II, the Bank requested and received a withdrawal of €27,000 million from TLTRO III. Thus, as of 31 December 2020, ECB funding represented 11.5 per cent. of the Bank's total liabilities. There can be no assurance that the Bank 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 Bank's business, financial condition, results of operations and prospects.

The ECB has established criteria to determine which assets are eligible collateral and the Bank is thus exposed to the risk that the ECB changes its criteria and the assets the Bank 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 Bank'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 Bank's liquidity. If these facilities and similar expansionary economic policies were to be withdrawn or ceased, there could be no assurance that the Bank 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.

Finally, the implementation of internationally accepted liquidity ratios might require changes in business practices that affect the profitability of the Bank's business activities.

In this regard, the liquidity coverage ratio ("LCR"), a quantitative liquidity standard developed by the Basel Committee on Banking Supervision ("BCBS") to ensure that banking organisations have sufficient high-quality liquid assets to cover expected net cash outflows over a 30-day liquidity stress period, was set at 100 per cent. in 2018. Banco Sabadell's consolidated LCR was 219 per cent. as of 31 December 2020, excluding TSB. On 12 March 2020, among the package of measures designed in reaction to the COVID-19 pandemic, the ECB communicated allowance to banks to temporarily make use of the liquidity buffer under stress (see "*Regulation*" below).

Likewise, the BCBS's net stable funding ratio ("NSFR") was developed to provide a sustainable maturity structure of assets and liabilities such that banks maintain a stable funding profile in relation to their on and off-balance sheet activities. Although it was contemplated in the Basel III phase-in arrangements document, its implementation has been postponed by CRR II (as defined in the Conditions) until June 2021. Given the Group's funding structure, with a preponderance of customer deposits, and as the majority of its market funding is in the medium/long term, Banco Sabadell's NSFR ratio remained above 100 per cent. in 2020.

Any reduction in the Bank'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

The Bank is rated by various credit rating agencies. As of the date of this Base Prospectus, the Bank's long term rating is BBB with a negative Outlook by S&P, Baa3 with a stable Outlook by Moody's for senior unsecured debt, A (low) with a negative Outlook by DBRS and BBB- with a stable Outlook by Fitch. On 15 April 2020, DBRS took actions on five Spanish banks amidst heightened uncertainty around the COVID-19 pandemic. The agency revised Banco Sabadell's outlook to negative from stable. The change in trend to negative and the confirmation of the rating reflect rising uncertainty and risks for Spanish banks due to the economic shutdown and market disruption resulting from the COVID-19 pandemic outbreak. On 29 April 2020, S&P took actions on several Spanish banks. The agency revised Banco Sabadell's outlook to negative from stable. The outlook revision and the affirmation of the rating reflects that Banco Sabadell operates in a worsening economic environment, both in Spain and in the UK. Likewise, on 17 September 2020, Fitch announced the review of the Bank's long-term rating, standing at BBB- from BBB, with a stable Outlook, to reflect the economic impact of the COVID-19 pandemic on the Bank's credit profile.

The Bank's credit ratings are an assessment by rating agencies of its ability to pay its obligations when due. Any actual or anticipated decline in the Bank's credit ratings to below investment grade or otherwise may increase the cost of, and decrease its ability to, finance itself in the capital markets, secured funding markets (by affecting its ability to replace downgraded assets with better rated ones), 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 the Bank or otherwise materially adversely affect its business, financial condition, results of operations and prospects. Furthermore, any decline in the Bank's credit ratings 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 Bank's business, financial condition, results of operations and prospects.

Business, Industry and Market Risks

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

The Group is exposed to market fluctuations in the price of real estate in various ways, as mortgage loans are one of the Group's main assets (representing 56.9 per cent. of its total gross loan portfolio as of 31 December 2020) and a significant portion of TSB's revenue is derived from interest and fees paid on its mortgage portfolio.

Under certain circumstances, the 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, declines in property prices decrease the value of the real estate collateral securing the Group's mortgage loans and failure of the real estate market to recover or declining real estate prices could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, the rate of the Group's NPLs in the real estate development sector has been significantly higher than those in other sectors. As of 31 December 2020, 8.1 per cent. of the Group's loans to the real estate development

sector were non-performing compared to its overall average of 3.6 per cent. (excluding assets covered by the asset protection scheme ("APS") entered into by the Bank with the Deposit Guarantee Fund in relation to the Banco CAM, S.A.U. ("**Banco CAM**") acquisition). Failure to recover the expected value of collateral in the case of foreclosure may expose the Group to losses which could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Group's business is subject to fluctuations in interest rates

The Group's results of operations depend upon the level of its net interest income, which is the difference between interest income from loans and other interest-earning assets and interest expense paid to its depositors and other creditors on interest-bearing liabilities. Net interest income contributed 83.4 per cent. and 74 per cent. of the Group's gross income (excluding gains from a sale of financial assets) in the years ended 31 December 2020 and 2019, respectively.

Interest rates are highly sensitive to many factors beyond the Group's control, including fiscal and monetary policies of governments and central banks and regulation of the financial sectors in the markets in which it operates, as well as domestic and international economic and political conditions and other factors. As approximately 59.1 per cent. of the Group's loan portfolio as of 31 December 2020 consisted of variable interest rate loans, its business is sensitive to volatility in interest rates. Approximately 10.1 per cent. of such loans had interest rate collars (which mitigate in part the Group's exposure to interest rate decreases and increases within a predetermined range).

Changes in market interest rates could affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities and thereby affect the Group's results of operations. An increase in interest rates, for instance, could cause the 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 may reduce the demand for loans and the Group's ability to originate loans, and contribute to an increase in credit default rates among the Group's customers. Conversely, a decrease in the general level of interest rates may adversely affect the 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. Changes in interest rates may therefore have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is exposed to sovereign debt risk and losses in the market value of the positions held in financial assets

As of 31 December 2020, the Group's investment securities (not including equity investments and shares and other variable income securities) were carried on its balance sheet at a fair value of €25,013 million, representing 10.6 per cent. of its total assets. As of that date, €15,193 million, or 60.7 per cent. of such investment securities, consisted of securities issued by the Spanish government, autonomous community governments, municipal councils, Spanish government agencies (such as the *Fondo de Reestructuración Ordenada Bancaria* (the "**FROB**") and securitisation vehicles which issue bonds guaranteed by the Kingdom of Spain (such as the *Fondo de Amortización del Déficit Eléctrico* or "**FADE**").

Any decline in Spain's credit ratings could adversely affect the value of Spain's, Spanish autonomous communities' and other Spanish issuers' respective securities held by the Group in its various portfolios and could also adversely impact the extent to which the Group can use the Spanish 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 government bonds would be reflected in the 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 any resulting reduction in the value of Spanish government bonds may have a material adverse effect on the Group's business, capital position, financial condition, results of operations and prospects. Furthermore, any downgrades of Spain's ratings may increase the risk of a downgrade of the Group's credit ratings by the rating agencies.

Besides Spain, the main countries where the Group had investment securities exposure as of 31 December 2020 were Italy, UK and Portugal, with investments of €2,780 million, €1,869 million and €916 million, respectively.

In addition, the Group could incur market value losses in the positions held in financial assets within the trading activity, mainly due to the variation of factors by which their prices are affected or quotes, their volatilities or the

correlations between them. As of 31 December 2020, the Group's trading portfolio amounted to €2,495 million, representing 1.06 per cent. of its total assets.

Operational risks are inherent to the Group's business. In particular, the Group is highly dependent on information technology systems

The Group's business is dependent on its ability to process a large number of transactions efficiently and accurately, and is therefore exposed to a variety of operational risks including those resulting from process error, system failure, inadequate customer services or the failure of telecommunications or information technology ("IT") systems. In particular, banks and their activities are highly dependent on sophisticated IT systems, which are vulnerable to a number of problems and need regular upgrading. Failure to implement necessary upgrades or to protect the Group's operations from cyber-attacks could result in the loss of customer data or other sensitive information or in a major disruption of the Group's IT systems, which could have a material adverse effect on the normal operation of its business.

Likewise, the 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 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 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 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 Group faces the risk of theft, fraud or deception carried out by clients, third-party agents, employees and managers.

The Group believes its success depends in part on its well-established and widely recognised brand along with its favourable reputation. If the Group is not able to maintain and enhance its brand, its ability to grow may be impaired and the Group's business and operating results may be harmed. Any of the above could provoke reputational and/or financial harm to the Group, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Group's economic hedging may not prevent losses

If any of the variety of instruments and strategies that the Group uses to economically hedge its exposure to market risk is not effective, the Group may incur losses. Many of the Group's strategies are based on historical trading patterns and correlations. Unexpected market developments may therefore adversely affect the effectiveness of the Group's hedging strategies. Moreover, the Group does not economically hedge all of its risk exposure in all market environments or against all types of risk. If the Group is to suffer a significant loss for which it is not hedged, such loss could have a material adverse effect on its business, financial condition, results of operations and prospects.

In addition, the Bank is exposed to foreign exchange risk principally relating to the UK (following TSB's acquisition), Mexico and the United States. In particular, the depreciation or appreciation of the pound sterling, the Mexican peso or the U.S. dollar against the euro lead to changes in the Group's reported earnings, assets (including RWA) and liabilities, although the Bank enters into derivatives to hedge against foreign exchange risk. Each of these factors may have a material adverse effect on the Group's business, financial condition, results of operations, capital ratios, and prospects.

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

The markets in which the Group operates are highly competitive. The Spanish banking sector has experienced a phase of particularly fierce competition, in particular due to financial sector reforms that 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 Group must now compete. This trend is expected to continue in a way that smaller, less-efficient regional banks consolidate into larger, more efficient and competitive entities and reducing overcapacity.

The UK financial services market is also highly competitive and the Group expects such competition to intensify in response to competitor behaviour, consumer demand, technological changes, the impact of market consolidation

and new market entrants, regulatory actions and other factors. The financial services markets in which TSB operates are mature, such that growth by any bank typically requires winning market share from competitors.

The Group also faces competition from non-banking financial institutions and other entities, such as payment and e-money institutions, leasing companies, mutual funds, pension funds and insurance companies and, to a lesser extent, department stores (for some consumer finance products) and car dealers, as well as from non-banking lending 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. This trend could increase as the digital finance strategy promoted by the European Commission includes future initiatives regarding data-sharing by end-users and evolving from the concept of "open banking" to the concept of "open finance". The Group cannot be certain that this competition will not adversely affect its competitive position.

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

The Group may generate less income from fee and other commission based transactions in the future

Net fee and commission income represented 25.5 per cent. and 29.2 per cent. of the Group's gross income for the years ended 31 December 2020 and 2019, respectively, and is an important part of its overall profitability. Reduced fee and commission income from the Group's Banking Business in Spain (which encompasses Commercial Banking, Corporate and Investment Banking and Asset Transformation business units), Banking Business in the UK and Banking Business in Mexico business segments, due to the weak performance of foreign exchange markets or other financial markets or underperformance (compared to certain benchmarks or the Group's competitors) by funds or accounts that the Group manages or investment products that it sells or declines in portfolio values as a result of 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.

The Group's acquisitions and the integration of acquired businesses may expose it to risks

From time to time, the Group evaluates acquisition opportunities that it believes offer additional value to its shareholders and are consistent with its business strategy. Over the past decade, the Group has made a number of acquisitions, some of which have been material to the Group (including Banco CAM in 2012, the Banco Mare Nostrum, S.A. franchise in Catalonia and Aragon, Lloyds TSB Bank's Spanish branches and Banco Gallego, S.A. in 2013 and TSB Banking Group in 2015).

The Group's ability to benefit from any acquisitions depends in part on its successful integration of the relevant businesses. The Group can give no assurances that its expectations with regards to integration and synergies will materialise. The Group also cannot provide assurance that it will, in all cases, be able to manage its growth effectively or deliver its strategic growth objectives. Any failure to manage growth effectively could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Furthermore, the operational integration of entities or businesses which the Group may acquire could prove to be difficult and complex and the benefits and synergies obtained from that integration may not be in line with expectations. Despite the legal and business due diligence review conducted in respect of the relevant businesses, the Group may subsequently uncover information that was not known to it and which may give rise to significant new contingencies or to contingencies in excess of the projections made by the Group.

As a result of any of the above, the Group may fail to meet the targets established in respect of revenue increases, cost reductions, return on equity and post-acquisition and integration regulatory capital ratios with respect to acquisitions, which could have material adverse effects on the Group's business, financial condition, results of operations and prospects.

The Group relies on third parties and affiliates for important products and services

Third party vendors and certain affiliated companies provide key components to the business infrastructure of the Group such as loan and deposit servicing systems, back office and business process support, IT production and support, internet connections and network access. Relying on these third parties and affiliated companies can be a source of operational and regulatory risks to the Group, including with respect to security breaches affecting such parties. As the interconnectivity of the Group with these third parties and affiliated companies increases, the Group increasingly faces the risk of operational failure with respect to their systems and is also subject to risk with respect

to security breaches affecting vendors and other parties that, in turn, interact with these service providers. As a result, the Group may be required to take steps to protect the integrity of its operational systems, thereby increasing its operational costs and potentially decreasing customer satisfaction.

In addition, any problems caused by these third parties or affiliated companies, including as a result of them not providing the Group their services for any reason, or performing their services poorly, could adversely affect the Group's ability to deliver products and services to customers and otherwise conduct its business, which could lead to reputational damage and regulatory investigations and intervention. Replacing these third-party vendors could also entail significant delays and expense.

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

The Group is exposed to financial risks deriving from climate change

The Group, and in general the banking industry, is exposed to climate change through macro- and microeconomic transmission channels. In particular, climate change may imply three primary drivers of financial risk that could adversely affect the Group:

- Transition risks associated with economies seeking to reduce carbon dioxide emissions, that make up the vast majority of greenhouse gas emissions, which may lead to changes in government policies, technological developments or investor and consumer sentiment.
- Physical risks related to extreme weather impacts and longer-term trends, which could result in financial losses that could impair asset values and the creditworthiness of its customers.
- Liability risks derived from parties who may suffer losses from the effects of climate change and may seek compensation from those they hold responsible such as state entities, regulators, investors and lenders.

Both the ECB "Guide on climate-related and environmental risks" and the report on "Climate-related risk drivers and their transmission channels" by the BCBS elaborate on how climate change drivers may impact banks through several risk categories.

The above primary drivers could materialise in, among others, the following financial risks:

- *Credit risks*: credit exposure could increase if climate-related risk drivers reduce borrowers' ability to repay and service debt (income effect) or banks' ability to fully recover the value of a loan in the event of default (wealth effect).
- *Market risks*: climate change could imply a reduction in financial asset values, including the potential to trigger large, sudden and negative price adjustments where climate risk is not yet incorporated into prices. Climate change could also lead to a breakdown in correlations between assets or a change in market liquidity for particular assets, undermining risk management assumptions.
- *Liquidity risks*: banks' access to stable sources of funding could be reduced as market conditions change. Climate-related risk drivers may cause banks' counterparties to draw-down deposits and credit lines.
- *Operational risks*: increasing legal and regulatory compliance risk associated with climate-sensitive investments and businesses.
- *Reputational risks*: could also arise from shifting sentiment among customers and increasing attention and scrutiny from other stakeholders (investors, regulators, etc.) on its response to climate change.

If any of these were to occur, it could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks related to TSB

The Conduct Indemnity may not cover all potential losses arising as a result of conduct-related issues

TSB and Lloyds Bank entered into a Separation Agreement on 9 June 2014 (the "**Separation Agreement**"). The Separation Agreement governs the separation of TSB from Lloyds Banking Group and certain aspects of the

relationship between TSB and Lloyds Banking Group including (amongst other things) the allocation of certain pre-admission to trading of TSB on the London Stock Exchange (the "**Admission**") liabilities, including liability for breach of law and regulation and of customer terms and conditions. Under the terms of the Separation Agreement, Lloyds Bank has agreed, subject to certain limitations, to provide each member of TSB with a range of indemnity protection in respect of historical, pre-Admission issues. This protection includes a broad and, save in certain limited respects, uncapped indemnity in respect of losses arising from pre-Admission acts or omissions that constitute breaches of law and regulation relating to customer agreements or the relevant security interest securing liability under such agreements (the "**Conduct Indemnity**").

There are and will be limits to its coverage. For example, credit losses arising as a result of matters that are covered by the Conduct Indemnity will only be recoverable in certain circumstances.

Claims made by TSB pursuant to the Conduct Indemnity may be disputed and there can be no guarantee that the Conduct Indemnity will be found to be applicable in all cases. Claims on the Conduct Indemnity are subject to the continuing solvency of Lloyds. In addition, TSB may be exposed to conduct-related risks and losses that fall outside the scope of the Conduct Indemnity that could have a material adverse impact on its reputation, business, financial condition, results of operations and prospects.

3. RISKS IN RELATION TO THE NOTES

Risks related to Early Intervention and Resolution

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

As further explained in "*Regulation—Loss absorbing powers*", the Notes may be subject to the Statutory Loss-Absorption Power and in general to the powers that may be exercised by the Relevant Resolution Authority (as defined in the Conditions) under BRRD, Law 11/2015, Regulation (EU) No 806/2014, of 15 July, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (the "**SRM Regulation I**") as amended by Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 ("**SRM Regulation II**" together with the SRM Regulation I, the "**SRM Regulation**") and any implementing measures.

The powers set out in the BRRD, as implemented in Spain, and the SRM Regulation will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Pursuant to Law 11/2015 in the event that the Relevant Resolution Authority considers that the Bank or the Group is in a situation of early action or resolution, holders of the Notes (the "**Noteholders**") may be subject on any application of the Spanish Bail-in-Power to, among other things, 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 in the event that the Relevant Resolution Authority determines that the Bank or the Group meets the conditions for its resolution or that it will no longer be viable unless such mechanism is applied. The exercise of any such powers (or any other resolution powers and tools) may result in such Noteholders losing some or all of their investment or otherwise having their rights under the Notes adversely affected, including by a different security, which may be worth significantly less than the Notes.

Condition 18 provides for the contractual recognition by the Noteholders of the Statutory Loss-Absorption Power.

Under Article 281 of the restated text of the Spanish Insolvency Law approved by Legislative Royal Decree 1/2020, of 5 May (*Real Decreto Legislativo 1/2020, de 5 de mayo, por el que se aprueba el texto refundido de la Ley Concursal*) (the "**Insolvency Law**") read in conjunction with Additional Provision 14.3 of Law 11/2015, the Issuer will meet subordinated claims after payment in full of unsubordinated claims, but before distributions to shareholders, in the following order and pro-rata within each class: (i) late or incorrect claims; (ii) contractually subordinated liabilities in respect of principal of instruments that do not qualify as Additional Tier 1 or Tier 2 capital; (iii) interest; (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*); (vii) claims arising from contracts with reciprocal obligations as referred to in Articles 158 and 160 to 167 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; (viii) contractually subordinated

liabilities in respect of instruments that qualify as Tier 2 capital, and (ix) contractually subordinated liabilities in respect of instruments that qualify as Additional Tier 1.

In addition, second paragraph of Article 48(7) of BRRD, as implemented in Spain through Additional Provision 14.3 of Law 11/2015, clarified that if an instrument is only partly recognised as an own funds instrument, the whole instrument shall be treated in insolvency as a claim resulting from an own funds instrument and shall rank lower than any claim that does not result from an own funds instrument as set out in limbs (viii) and (ix) above. Therefore, instruments being fully disqualified as own funds instruments in the future would cease to be treated as claims resulting from own funds instruments in insolvency and would, consequently, improve their ranking vis-à-vis any claim that results from an own funds instrument (such as the Tier 2 Subordinated Notes for so long as these qualify as Tier 2 Instruments).

Any application of the Statutory Loss-Absorption Power shall be in accordance with the hierarchy of claims in normal insolvency proceedings (unless otherwise provided by Applicable Banking Regulations (as defined in the Conditions)). Accordingly, the impact of such application on Noteholders will depend on the ranking of the relevant Notes in accordance with such hierarchy, including any priority given to other creditors such as depositors.

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

Further, the exercise of any power under Law 11/2015 with respect to the Notes or the taking by the Relevant Resolution Authority of any other action, or any suggestion that the exercise or taking of any such action may happen, could materially adversely affect the rights of Noteholders, the market price or value or trading behaviour of any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes. There may be limited protections, if any, that will be available to holders of securities subject to the Statutory Loss-Absorption Power (including the Notes) of the Relevant Resolution Authority. Accordingly, Noteholders may have limited or circumscribed rights to challenge any decision of the Relevant Resolution Authority to exercise its Statutory Loss-Absorption Power.

Although the European Banking Authority (the "EBA") has issued 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 in bail-in, the exercise of the Statutory Loss-Absorption Power by the Relevant Resolution Authority with respect to the Notes is likely to be inherently unpredictable and may depend on a number of factors which may also be outside of the Issuer's control. In addition, as the Relevant Resolution Authority will retain an element of discretion, Noteholders may not be able to refer to publicly available criteria in order to anticipate any potential exercise of any such Statutory Loss-Absorption Power. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any such powers by the Relevant Resolution Authority may occur.

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

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 its Group is in breach (or due, among other things, to a

rapidly deteriorating financial condition, it is likely in the near future to be in breach) of applicable regulatory requirements relating to solvency, liquidity, internal structure or internal controls or the conditions for resolution referred to above are met (see "*Risks related to Early Intervention and Resolution – The Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority. Other powers contained in Law 11/2015 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 and any provision providing for such rights shall further be deemed not to apply. However, this does not limit the ability of a counterparty to declare any event of default and exercise its rights accordingly where an event of default arises either before or after the exercise of any such early intervention or resolution procedure and does not necessarily relate to the exercise of any relevant measure or power which has been applied pursuant to Law 11/2015.

Any enforcement by a Noteholder of its rights under the Notes upon the occurrence of an Event of Default following the adoption of any early intervention or resolution procedure will, therefore, be subject to the relevant provisions of the BRRD as implemented through Law 11/2015 and RD 1012/2015 in relation to the exercise of the relevant measures and powers pursuant to such procedure, including the resolution tools and powers referred to above (see "*Risks related to Early Intervention and Resolution – The Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant 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 related to the Structure of a Particular Issue of Notes

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

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

If so specified in the Final Terms, the Notes may be redeemed prior to maturity at the Issuer's option, as further described in Condition 12(c) (*Redemption at the option of the Issuer*).

In addition, the Issuer may redeem all outstanding Notes in accordance with the Conditions if (i) the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority therein having power to tax and (ii) the Issuer would not be entitled to claim a deduction in computing taxation liabilities in Spain in respect of any payment of interest to be made on the next Interest Payment Date or the value of such deduction to the Issuer would be materially reduced, in each case as a result of any change in, or amendment to, the laws or regulations of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes. See Condition 12(b) (*Redemption for taxation reasons*).

Furthermore, (i) if a Capital Event occurs, the Issuer may redeem in whole, but not in part, any Series of Tier 2 Subordinated Notes, as further described in Condition 12(d) (*Redemption at the option of the Issuer (Capital Event)*) and (ii) if a Disqualification Event occurs, the Subordinated Notes, the Senior Non Preferred Notes and/or the Ordinary Senior Notes where the Disqualification Event has been specified as applicable in the relevant Final Terms, as applicable, may be redeemed at the option of the Issuer in whole, but not in part, as further described in Condition 12(e) (*Redemption at the option of the Issuer (Disqualification Event)*). In particular, Tier 2 Subordinated Notes where the Disqualification Event has been specified as applicable in the relevant Final Terms may be redeemed pursuant to a Disqualification Event only after five years from their date of issuance or such other minimum or maximum length as may be permitted or required from time to time by Applicable Banking Regulations.

An optional redemption feature (including any redemption of the Notes at the option of the Issuer pursuant to Condition 12(c) (*Redemption at the option of the Issuer*); for taxation reasons pursuant to Condition 12(b) (*Redemption for taxation reasons*); in the case of Tier 2 Subordinated Notes, upon the occurrence of a Capital Event, as defined in Condition 12(d) (*Redemption at the option of the Issuer (Capital Event)*); and in the case of Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes (where the Disqualification Event has been specified as applicable in the relevant Final Terms), upon the occurrence of a Disqualification Event, as defined in Condition 12(e) (*Redemption at the option of the Issuer (Disqualification Event)*)) is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, or during which there is an actual or perceived increased likelihood that the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed.

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

It is not possible to predict whether or not any further change in the laws or regulations of Spain, Applicable Banking Regulations or, in the case of a redemption of the Notes for taxation reasons, the application and official interpretation thereof, or any of the other events referred to above, will occur and so lead to the circumstances in which the Issuer is able to elect to redeem the Notes, and if so whether or not the Issuer will elect to exercise such option to redeem the Notes.

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

- (a) on or before such redemption or purchase of the Tier 2 Subordinated Notes, the Issuer replaces the Tier 2 Subordinated Notes with Tier 2 instruments of an equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or
- (b) the Issuer has demonstrated to the satisfaction of the competent authority that its Tier 1 capital (*capital de nivel 1*) pursuant to Applicable Banking Regulations and Tier 2 capital would, following such redemption, exceed the requirements laid down in the Capital Requirements Regulations and the BRRD by a margin that the Regulator may consider necessary.

In addition, for the redemption of Tier 2 Subordinated Notes during the five years following their date of issuance the permission of the Competent Authority may be given only if, besides the above mentioned conditions, one of the following is met:

- (a) in the case of redemption due to the occurrence of a Capital Event, (i) the Competent Authority considers the change that would cause such Capital Event to be sufficiently certain and (ii) the institution demonstrates to the satisfaction of the Competent Authority that the Capital Event was not reasonably foreseeable at the time of the issuance of the relevant Tier 2 Subordinated Notes; or
- (b) in the case of redemption for taxation reasons, the institution demonstrates to the satisfaction of the Competent Authority that the change is material and was not reasonably foreseeable at the time of issuance of the relevant Tier 2 Subordinated Notes; or
- (c) before or at the same time of such redemption, the institution replaces the relevant Tier 2 Subordinated Notes with own funds instruments of equal or higher quality at terms that are sustainable for its income capacity and the Competent Authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances.

In the case of Senior Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes qualifying as TLAC/MREL Eligible Instruments, prior permission of the Competent Authority and/or the Relevant Resolution Authority is also required for any optional redemption or purchase and there can be no assurances that such permission will be given. According to the CRR (as defined in the Conditions), such permission will be given only if any of the following conditions is met:

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

- (b) the institution has demonstrated to the satisfaction of the resolution authority that the own funds and eligible liabilities of the institution would, following such redemption, exceed the requirements laid down in the Capital Requirements Regulations and the BRRD by a margin that the resolution authority in agreement with the competent authority considers necessary; or
- (c) the institution has demonstrated to the satisfaction of the resolution authority that the partial or full replacement of the eligible liabilities with own funds instruments is necessary to ensure compliance with the own funds requirements laid down in the Capital Requirements Regulations for continuing authorisation.

The qualification of Subordinated Notes, Senior Non Preferred Notes and certain Ordinary Senior Notes as TLAC/MREL Eligible Instruments is subject to uncertainty

The Subordinated Notes, the Senior Non Preferred Notes and certain Ordinary Senior Notes may be intended to be TLAC/MREL Eligible Instruments under the Applicable Banking Regulations. However, although the RDL 7/2021 (partially implementing CRD V and BRRD II in Spain) is generally enforceable since 29 April 2021, there is uncertainty as to how amendments introduced by it will be interpreted and applied, and provided that the Spanish Parliament decided on 19 May 2021 to process the RDL 7/2021 as a Bill, as to how the RDL 7/2021 provisions may change.

As a result, the Issuer cannot provide any assurance that the Subordinated Notes, the Senior Non Preferred Notes or the relevant Ordinary Senior Notes will be (or thereafter remain) TLAC/MREL Eligible Instruments. If, for any reason they are not TLAC/MREL Eligible Instruments or if they initially are TLAC/MREL Eligible Instruments and subsequently become ineligible due to a change in Spanish law or Applicable Banking Regulations, then a Disqualification Event (as defined in the Conditions) will occur, with the consequences indicated in the Conditions. See *"The Notes may be redeemed prior to maturity at the Issuer's option, for taxation reasons or upon the occurrence of a Capital Event or a Disqualification Event, subject to certain conditions"* and *"The Notes may be subject to substitution and/or variation without Noteholders' consent"*.

The Notes may be subject to substitution and/or variation without Noteholders' consent

Subject as provided in the Conditions of the relevant Notes, if a Capital Event, a Disqualification Event or an event giving rise to the Issuer being entitled to redeem the Notes under Condition 12(b) (*Redemption for taxation reasons*) occurs, the Issuer may, at its option, and without the consent or approval of the Noteholders, elect either (i) to substitute all (but not some only) of the relevant Notes or (ii) to modify the terms of all (but not some only) of such Notes, in each case so that they are substituted for, or varied to, become, or remain, Qualifying Notes (as defined in the Conditions). While Qualifying Notes must contain terms that are materially not less favourable to Noteholders as the original terms of the relevant Notes (other than in respect of the effectiveness and enforceability of Condition 18 (*Statutory Loss-Absorption Power*)), there can be no assurance that the terms of any Qualifying Notes will be viewed by the market as equally favourable, or that the Qualifying Notes will trade at prices that are equal to the prices at which the Notes would have traded on the basis of their original terms. In the case of Notes where the relevant Final Terms specify English law as the governing law (the **"English Law Notes"**), any change in the governing law of such Notes from English law to Spanish law, so that the Notes become or remain Qualifying Notes, shall not be subject to the requirement not to be materially less favourable to the interests of the Noteholders.

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

If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

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

lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

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

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

Risks relating to Floating Rate Notes

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

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

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

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

Amounts payable on Floating Rate Notes or Fixed Reset Notes may be calculated by reference to EURIBOR, LIBOR or SONIA, as specified in the relevant Final Terms or the relevant Drawdown Prospectus. Reference rates and indices such as EURIBOR, LIBOR and SONIA and other interest rate or other types of rates and indices which are deemed to be "benchmarks" (each a "**Benchmark**" and together, the "**Benchmarks**"), to which the interest on securities may be linked, have become the subject of regulatory scrutiny and recent national and international regulatory guidance and proposals for reform. This has resulted in regulatory reform and changes to existing Benchmarks, with further change anticipated. Such reform of Benchmarks includes the EU Benchmarks Regulation and Regulation (EU) 2016/1011 as it forms part of the domestic law of the UK by virtue of the EUWA (the "**UK Benchmarks Regulation**", and together with the EU Benchmarks Regulation, the "**Benchmarks Regulations**") which apply to the provision of Benchmarks, the contribution of input data to a Benchmark and the use of a Benchmark within the EU and UK, respectively. Among other things, the EU Benchmarks Regulation and UK Benchmarks Regulation (i) require Benchmark administrators to be authorised or registered (or, if non-EU-based or UK-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU and UK supervised entities, as applicable (such as the Issuer) of Benchmarks of administrators that are not authorised or registered (or, if non-EU-based or UK-based, as applicable, not deemed equivalent or recognised or endorsed).

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

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of Benchmark reforms) for market participants to continue contributing to such Benchmarks. The United Kingdom Financial Conduct Authority (the

"FCA") has indicated through a series of announcements that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. On 5 March 2021, ICE Benchmark Administration Limited ("IBA"), the administrator of LIBOR published a statement confirming its intention to cease publication of all LIBOR settings, together with the dates on which this will occur, subject to the FCA exercising its powers to require IBA to continue publishing such LIBOR settings using a changed methodology (the IBA announcement). Concurrently, the FCA published a statement on the future cessation and loss of representativeness of all LIBOR currencies and tenors, following the dates on which IBA has indicated it will cease publication (the "FCA announcement"). Permanent cessation will occur immediately after 31 December 2021 for all Euro and Swiss Franc LIBOR tenors and certain Sterling, Japanese Yen and US Dollar LIBOR settings and immediately after 30th June 2023 for certain other USD LIBOR settings. In relation to the remaining LIBOR settings (1-month, 3-month and 6-month Sterling, US Dollar and Japanese Yen LIBOR settings), the FCA will consult on, or continue to consider the case for, using its powers to require IBA to continue their publication under a changed methodology for a further period after end-2021 (end-June 2023 in the case of US Dollar LIBOR). The FCA announcement states that consequently, these LIBOR settings will no longer be representative of the underlying market that such settings are intended to measure immediately after 31 December 2021, in the case of the Sterling and Japanese Yen LIBOR settings and immediately after 30 June 2023, in the case of the USD LIBOR settings. Any continued publication of the Japanese Yen LIBOR settings will also cease permanently at the end of 2022.

Separately, the euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 25 November 2020, the euro risk-free rate working group published consultations on EURIBOR fallback trigger events and fallback rates. The final recommendations are expected to be published during the second quarter of 2021.

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

In relation to Fixed Reset Notes and, where Screen Rate Determination is specified as the manner in which the Rate of Interest is to be determined and the relevant Final Terms specify that the Reference Rate is EURIBOR or LIBOR, in relation to Floating Rate Notes, the Conditions provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Conditions provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent. Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such Original Reference Rate (as defined in the Conditions)), the Rate of Interest may ultimately revert to the Rate of Interest last determined in relation to the Notes in respect of a preceding Interest Period. Uncertainty as to the continuation of the Original Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the Original Reference Rate is discontinued may adversely affect the value of, and return on, the Fixed Reset Notes and Floating Rate Notes.

Furthermore, the Conditions provide that certain fallback arrangements are applicable to Floating Rate Notes and Fixed Reset Notes in the event that a published Benchmark ceases to exist or be published, or another Benchmark Event (as defined in the Conditions) occurs. These fallback arrangements include the possibility that the Rate of Interest could be determined by the Issuer, following consultation with an Independent Adviser (acting in good faith and in a commercially reasonable manner), without any separate consent or approval of the Noteholders, by reference to a Successor Rate or an Alternative Rate (each as defined in the Conditions), and that an Adjustment Spread (as defined in the Conditions) may be applied to such Successor Rate or Alternative Rate, together with the making of certain Benchmark Amendments (as defined in the Conditions) to the Conditions of such Notes.

The use of any such Successor Rate or Alternative Rate to determine the Rate of Interest (with or without the application of an Adjustment Spread) will result in Notes linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form. Further, it may not be possible to determine or apply an Adjustment Spread to the Successor Rate or Alternative Rate, and even if an Adjustment Spread is applied, such Adjustment Spread may not be effective to reduce or eliminate economic prejudice to Noteholders.

The Issuer may not be able to determine a Successor Rate or Alternative Rate in accordance with the Conditions of the Notes. Where the Issuer is unable to appoint an Independent Adviser in a timely manner, or is unable to determine a Successor Rate or Alternative Rate before the next Reset Determination Date or Interest Determination Date, as the case may be, the application of the fallback provisions may ultimately result in the Rate of Interest for the next succeeding Interest Period being the Rate of Interest applicable before the occurrence of the Benchmark Event (or the Initial Interest Rate, as the case may be).

Applying the Initial Interest Rate, or the Rate of Interest applicable before the occurrence of the Benchmark Event, will result in Notes linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Rate could be determined.

If the Issuer is unable to appoint an Independent Adviser, or fails to determine a Successor Rate or Alternative Rate for the life of the relevant Notes, the Initial Interest Rate, or the Rate of Interest applicable as at the last preceding Reset Determination Date or Interest Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. This will result in the Fixed Reset Notes or Floating Rate Notes, as the case may be, becoming, in effect, fixed rate Notes.

Further, no Successor Rate or Alternative Rate will be adopted, nor any Adjustment Spread applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Notes as Tier 2 Instruments or TLAC/MREL-Eligible Instruments (as applicable) for the purposes of the Applicable Banking Regulations, or could reasonably result in the Relevant Resolution Authority treating any future Interest Payment Date as the effective maturity of the Notes, rather than the relevant Maturity Date.

Where ISDA Determination is specified as the manner in which the Rate of Interest is to be determined in respect of Floating Rate Notes, the Conditions provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the ISDA Definitions. Where the Floating Rate Option specified is an "IBOR" Floating Rate Option, and if the relevant IBOR is permanently discontinued or is otherwise unavailable, the Rate of Interest in respect of the Notes will be determined for the relevant period by the fallback provisions applicable to such Notes. This may in certain circumstances result in the application of a backward-looking, risk-free overnight rate, whereas the relevant IBOR is expressed on the basis of a forward-looking term and includes a risk-element based on inter-bank lending.

Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes or Fixed Reset Notes which reference a Benchmark. Any change in the performance of a Benchmark or its discontinuation could have a material adverse effect on the value of, and return on, any Note linked to such Benchmark.

The market continues to develop in relation to SONIA as a reference rate for Floating Rate Notes

Investors should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to Sterling LIBOR. In particular, market participants and relevant working groups continue to explore alternative reference rates based on SONIA, including various ways to produce term versions of SONIA (which seek to measure the market's forward expectation of an average SONIA rate over a designated term, as it is an overnight rate). The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Conditions and used in relation to Floating Rate Notes that reference a SONIA rate issued under this Base Prospectus. In addition, the methodology for determining any overnight rate index by reference to which the Rate of Interest in respect of certain Notes may be calculated could change during the life of the Notes. Furthermore, the Issuer may in future issue Notes referencing SONIA that differ materially in terms of interest determination when compared with any previous SONIA-referenced Notes issued under the Programme. The nascent development of SONIA as an interest reference rate for the Eurobond markets, as well as continued development of SONIA-based rates for such market and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any SONIA-referenced Notes issued under the Programme from time to time.

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

Furthermore, interest on Notes which reference SONIA is only capable of being determined at the end of the relevant Observation Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference SONIA to estimate reliably the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Notes. Further, in contrast to LIBOR-based securities, if Notes referencing SONIA become due and payable as a result of an event of default under Condition 15 (*Events of Default*), the rate of interest payable for the final Interest Period in respect of such Notes shall only be determined immediately prior to the date on which the Notes become due and payable and shall not be reset thereafter.

To the extent the SONIA rate is not published, the applicable rate to be used to calculate the Rate of Interest on Notes referencing SONIA, as applicable, will be determined using the fallback provisions set out in the Conditions which apply specifically to Notes referencing SONIA and are distinct to those applying to other types of Notes. Any of these fallback provisions may result in interest payments that are lower than, or do not otherwise correlate over time with, the payments that would have been made on the Notes if SONIA rate has been so published in its current form. In addition, use of the fallback provisions may result in the effective application of a fixed rate of interest to the Notes.

In addition, the manner of adoption or application of SONIA reference rates in the Eurobond markets may differ materially compared with the application and adoption of SONIA in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SONIA reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SONIA.

Further, if SONIA does not prove to be widely used in securities such as the Notes, the trading price of such Notes linked to SONIA may be lower than those of Notes linked to indices that are more widely used. Investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

Investors should consider these matters when making their investment decision with respect to any such relevant Notes.

The Subordinated Notes, the Senior Non Preferred Notes and, to the extent so specified in the relevant Final Terms, the Ordinary Senior Notes, provide for limited events of default. Subordinated Notes, Senior Non Preferred Notes and, to the extent so specified in the relevant Final Terms, the Ordinary Senior Notes, may not be redeemed prior to maturity at the option of Noteholders in the event of non-payment of principal or interest

Noteholders have no ability to accelerate the maturity of their Subordinated Notes, Senior Non Preferred Notes and, to the extent so specified in the relevant Final Terms, the Ordinary Senior Notes. The terms and conditions of the Subordinated Notes, the Senior Non Preferred Notes and, to the extent so specified in the relevant Final Terms, the Ordinary Senior Notes do not provide for any events of default, except in the case that an order is made by any competent court or resolution passed for the winding up or liquidation. Accordingly, in the event that any payment on the Subordinated Notes, the Senior Non Preferred Notes or, to the extent so specified in the relevant Final Terms, the Ordinary Senior Notes, as the case may be, is not made when due, each Noteholder will have a claim only for amounts then due and payable on their relevant Notes and a right to institute proceedings for the winding up or liquidation of the Issuer.

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

Likewise, pursuant to the CRR the Issuer is prohibited from including in the terms of any Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes that qualify as TLAC/MREL Eligible Instruments provisions that give the Noteholder the right to accelerate the future scheduled payment of interest or principal other than in case of insolvency or liquidation of the Issuer.

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

The Conditions provide that, if so specified in the Final Terms, Noteholders waive any set-off, netting or compensation rights against any right, claim, or liability the Issuer has, may have or acquire against any

Noteholder, directly or indirectly, howsoever arising. As a result, Noteholders will not at any time be entitled to set-off the Issuer's obligations under the Notes against obligations owed by them to the Issuer.

The rights of Noteholders may be compromised following application of the Insolvency Law and other insolvency related procedures.

The Insolvency Law provides, among other things, that: (i) any claim may become subordinated if it is not reported to the insolvency administrators (*administradores concursales*) within one month from the last official publication of the court order declaring the insolvency, (ii) provisions in a contract granting one party the right to terminate by reason only of the other's insolvency will not be enforceable, and (iii) interest (other than interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall cease to accrue as from the date of the declaration of insolvency and any amount of interest accrued up to such date (other than any interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security and provided that a contingent claim for the interest that may accrue after the insolvency declaration was reported to the insolvency administrator within the one month term referred to above (as per the Supreme Court judgment dated 20 February 2019)) and default interest (on the grounds of the Spanish Supreme Court judgement dated 11 April 2019) shall become subordinated. Any payments of interest in respect of debt securities will be subject to the subordination provisions of Article 281.1.3° of the Insolvency Law read in conjunction with Additional Provision 14.3 of Law 11/2015.

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

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

In no case shall subordinated creditors be entitled to vote upon a creditors' agreement during the insolvency proceedings, and accordingly, shall be always subject to the measures contained therein, if passed. Additionally, liabilities from those creditors considered specially related persons for the purpose of Article 281.1.5° of the Insolvency Law would not be taken into account for the purposes of calculating the majorities required for the restructuring agreement (*acuerdo de refinanciación*).

Claims in respect of Ordinary Senior Notes are effectively junior to those of certain other creditors

Ordinary Senior Notes will be effectively subordinated to all of the Issuer's secured indebtedness, to the extent of the value of the assets securing such indebtedness, and other obligations that rank senior under Spanish law. In particular the obligations of the Issuer under the Ordinary Senior Notes will be effectively subordinated to all of the Issuer's obligations that are preferred under the Insolvency Law such as the deposits obligations qualifying as preferred liabilities (*créditos con privilegio general*) under Additional Provision 14.1 of Law 11/2015.

In addition, the payment obligations of the Issuer in respect of interest accrued but unpaid under the Ordinary Senior Notes as of the commencement of any insolvency procedure in respect of the Issuer will constitute subordinated claims (*créditos subordinados*) ranking in accordance with the provisions of Article 281.1.3° of the Insolvency Law and no further interest shall accrue from the date of the declaration of insolvency of the Issuer. The Ordinary Senior Notes are also structurally subordinated to all indebtedness of subsidiaries of the Issuer insofar as any right of the Issuer to receive any assets of such companies upon their winding-up will be effectively subordinated to the claims of the creditors of those companies in the winding-up.

Moreover, the BRRD and Law 11/2015 contemplate that Ordinary Senior Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority. This may involve the variation of the terms of the Ordinary Senior Notes or a change in their form, if necessary, to give effect to, the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority. See "*Risks related to Early Intervention and Resolution – The Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority. Other*

powers contained in Law 11/2015 could materially affect the rights of the Noteholders under, and the value of, any Notes".

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

The Issuer's obligations under the Subordinated Notes will be unsecured and subordinated obligations (*créditos subordinados*) of the Issuer and will rank junior to all unsubordinated claims (*créditos ordinarios*), including non preferred ordinary claims (*créditos ordinarios no preferentes*) of the Issuer (the Senior Non Preferred Liabilities, as defined in the Conditions), which would include the Senior Non Preferred Notes. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a greater risk that an investor in Subordinated Notes will lose all or some of its investment should the Issuer become (i) subject to resolution under the BRRD (as implemented through Law 11/2015 and RD 1012/2015) and the Subordinated Notes become subject to the application of the Spanish Bail-in Power (and, in case they constitute Tier 2 instruments, the Non-Viability Loss Absorption) or (ii) insolvent.

In the case of any exercise of the Spanish Bail-in Power by the Relevant Resolution Authority, the sequence of any resulting write-down or conversion of eligible instruments under Article 48 of the BRRD and Article 48 of Law 11/2015 provides for the principal amount of Tier 2 instruments (such as the Tier 2 Subordinated Instruments if they qualify as such as it is expected) 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 instruments (which is expected to be the case of Senior Subordinated Notes) in accordance with the hierarchy of claims provided in the Insolvency Law and for the latter to be written-down or converted into equity or other securities or obligations prior to any write-down or conversion of the principal amount or outstanding amount of any other eligible liabilities (such as the Ordinary Senior Notes and Senior Non Preferred Notes), in accordance with the hierarchy of claims provided in the applicable insolvency legislation. Subordinated Notes which constitute Tier 2 instruments may be subject to Non-Viability Loss Absorption, which may be imposed prior to or in combination with any exercise of the Spanish Bail-in Power. See *"Risks related to Early Intervention and Resolution – The Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant 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 and unsecured claims (*créditos ordinarios*) (including any senior non preferred claims (*créditos ordinarios no preferentes*)), but before distributions to shareholders, under Article 281.1 of the Insolvency Law read in conjunction with Additional Provision 14.3 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 liabilities in respect of principal of instruments that do not qualify as Additional Tier 1 Instruments or Tier 2 Instruments under Additional Provision 14.3.1^o of Law 11/2015 – which is expected to be the case of Senior Subordinated Notes; (iii) interest; (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*); (vii) claims arising from contracts with reciprocal obligations as referred to in Articles 158 and 160 to 167 of the Insolvency Law, wherever the court rules, after the insolvency administrator (*administración concursal*) has issued a report on that matter, that the creditor repeatedly impedes the fulfilment of the contract against the interest of the insolvency; (viii) contractually subordinated liabilities in respect of instruments that qualify as Tier 2 Instruments under Additional Provision 14.3.2^o of Law 11/2015 – which is expected to be the case of Tier 2 Subordinated Notes; and (ix) contractually subordinated liabilities in respect of instruments that qualify as Additional Tier 1 instruments under Additional Provision 14.3.3^o of Law 11/2015.

The Senior Non Preferred Notes are senior non preferred claims and are junior to certain obligations

The Senior Non Preferred Notes constitute direct, unconditional, unsubordinated and unsecured senior non preferred claims (*créditos ordinarios no preferentes*) of the Issuer in accordance with Additional Provision 14.2 of Law 11/2015, as amended by the Royal Decree-Law 11/2017, of 23 June, approving urgent measures on financial matters ("**RDL 11/2017**"). Upon the insolvency (*concurso*) of the Issuer, the payment obligations of the Issuer in respect of principal under the Senior Non Preferred Notes would rank, subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise) (and unless they qualify as subordinated claims (*créditos subordinados*) in accordance Articles 181.1.1^o or 181.1.3^o to 181.1.7^o of the Insolvency Law), (a) *pari passu* among themselves and with any Senior Non Preferred Liabilities (as defined in the Conditions), (b) junior to the Senior Higher Priority Liabilities (as defined in the Conditions) of the Issuer and, accordingly, upon the insolvency of the Issuer the claims in respect of Senior Non Preferred Notes will be met after payment in full of the Senior Higher Priority Liabilities (including any excluded liabilities under Article 72(a)2 of CRR (as defined

below)), and (c) senior to any present and future subordinated obligations (*créditos subordinados*) of the Issuer in accordance with Article 281.1 of the Insolvency Law.

The Issuer's Senior Higher Priority Liabilities would include, among other liabilities, its deposit obligations (other than the deposit obligations qualifying as preferred liabilities (*créditos con privilegio general*) under Additional Provision 14.1 of Law 11/2015 which will rank senior), its obligations in respect of derivatives and other financial contracts and its unsecured and unsubordinated debt securities that are not Senior Non Preferred Liabilities. If the Issuer were wound up or liquidated, the liquidator would apply the assets which are available to satisfy all claims in respect of its unsubordinated and unsecured liabilities, first to satisfy claims of all other creditors ranking ahead of Noteholders, including holders of Senior Higher Priority Liabilities, and then to satisfy claims in respect of the principal of the Senior Non Preferred Notes (and other Senior Non Preferred Liabilities). If the Issuer does not have sufficient assets to settle the claims of higher ranking creditors in full, the claims of the Noteholders under the Senior Non Preferred Notes will not be satisfied. Noteholders will share equally in any distribution of assets available to satisfy all claims in respect of its unsubordinated and unsecured liabilities with the creditors under any other Senior Non Preferred Liabilities if the Issuer does not have sufficient funds to make full payment to all of them.

In addition, if the Issuer enters into resolution, its eligible liabilities (including the Senior Non Preferred Notes) may be subject to the Spanish Bail-in Power, meaning potential write-down or conversion into equity securities or other instruments. The sequence of any resulting write-down or conversion of eligible instruments under Article 48 of the BRRD and Article 48 of Law 11/2015 provides for claims to be written-down or converted into equity in accordance with the hierarchy of claims provided in the applicable insolvency legislation. Due to the Senior Non Preferred Notes being senior non preferred claims (*créditos ordinarios no preferentes*) the Issuer expects them to be written down or converted in full after any subordinated obligations of the Issuer under article 281.1 of the Insolvency Law and before any of the Issuer's Senior Higher Priority Liabilities are written down or converted. See "*Risks related to Early Intervention and Resolution – The Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority. Other powers contained in Law 11/2015 could materially affect the rights of the Noteholders under, and the value of, any Notes*".

As a consequence, Noteholders of the Senior Non Preferred Notes would bear significantly more risk than creditors of the Issuer's Senior Higher Priority Liabilities and could lose all or a significant part of their investment if the Issuer were to become (i) subject to resolution under the BRRD (as implemented through Law 11/2015 and RD 1012/2015) and the Senior Non Preferred Notes become subject to the application of the Spanish Bail-in Power or (ii) insolvent.

Notes issued as "Green Bonds", "Social Bonds" or "Sustainability Bonds", as described in "Use of Proceeds", may not be suitable for an investor's investment criteria

The Final Terms relating to any specific Tranche of Notes may provide that it will be the Issuer's intention to apply an amount equal to the net proceeds of the issue of those Notes into Eligible Green Projects, Eligible Social Projects or a combination of both Eligible Green Projects and Eligible Social Projects (such Notes being Green Bonds, Social Bonds or Sustainability Bonds, respectively), as described in the Issuer's SDG Bond Framework (as defined below) published on the website of the Issuer (see "*Use of Proceeds*").

While it is the intention of the Issuer to apply an amount equal to the proceeds of any Green Bonds, Social Bonds or Sustainability Bonds so specified for the relevant project, in, or substantially in, the manner described in the Issuer's SDG Bond Framework and the relevant Final Terms, the relevant project or use(s) the subject of, or related to, any project, may not be capable of being implemented in or substantially in such manner and accordingly an amount equal to such proceeds may not be totally or partially disbursed for such project. In addition, such project may not be completed within any specified period or at all or with the results or outcome as originally expected or anticipated by the Issuer.

Furthermore, it should be noted that there is currently no clearly defined definition of, nor market consensus as to what constitutes, a "green", "social" or "sustainable" or an equivalently-labelled project. In addition, the requirements of any such label may evolve from time to time. In the event that any Green Bonds, Social Bonds or Sustainability Bonds are listed or admitted to trading on any dedicated "green", "environmental", "social" or "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), such listing or admission may not satisfy, in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. Furthermore, the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Listing or admission to trading may not be sought in respect of certain

Green Bonds, Social Bonds or Sustainability Bonds or, if obtained, such listing or admission to trading may not be maintained during the life of the Notes

Therefore, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any eligible projects will meet any or all investor expectations regarding such "green", "social" or "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any eligible projects, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply (including, amongst others, Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the "EU Taxonomy") and the EU Taxonomy Climate Delegated Act adopted by the EU Commission on 21 April 2021 (jointly, the "EU Taxonomy Regulation"). The EU Taxonomy Regulation establishes a basis for the determination of such a definition in the EU. However, the EU Taxonomy remains subject to the implementation of delegated regulations by the European Commission on technical screening criteria for the environmental objectives set out in the EU Taxonomy Regulation.

The Issuer has appointed Sustainalytics to provide a Second-Party Opinion on the SDG Bond Framework. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight and prospective investors should determine for themselves the suitability or reliability of such Second-Party Opinion, or any other opinion or certification of any third party (whether or not solicited by the Issuer), as to the fulfilment of any environmental, social and/or other criteria or for any other purpose.

As a consequence of the above, Notes issued as Green Bonds, Social Bonds or Sustainability Bonds, may not meet investor expectations or be suitable for an investor's investment criteria. In addition, failure to apply an amount equal to the proceeds of any issue of Green Bonds, Social Bonds or Sustainability Bonds for any project as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on may have a material adverse effect on the value of such Notes and also potentially the value of any other similar Notes and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose. Any such event or failure to apply the net proceeds of any issue of Green, Social or Sustainability Bonds for any eligible projects or to obtain and publish any such reports, assessments, opinions and certifications, or the fact that the maturity of an eligible green or social asset or project may not match the minimum duration of any Green, Social or Sustainability Bonds, will not (i) constitute an event of default under the relevant Green, Social or Sustainability Bonds; or (ii) give rise to any other claim or right (including, for the avoidance of doubt, the right to accelerate the Notes) of a holder of such Green, Social or Sustainability Bonds against the Issuer, or (iii) lead to an obligation of the Issuer to redeem such Notes or be a relevant factor for the Issuer in determining whether or not to exercise any optional redemption rights in respect of any Notes, or (iv) affect the regulatory treatment of such Notes as Tier 2 capital or eligible liabilities for the purposes of MREL (as applicable) if such Notes are also Subordinated Notes, Senior Non Preferred Notes or Ordinary Senior Notes qualifying as TLAC/MREL Eligible Instruments. For the avoidance of doubt, payments of principal and interest (as the case may be) on the relevant Green, Social or Sustainability Bonds shall not depend on the performance of the relevant project nor have any preferred right against such assets.

Green, Social and Sustainability Bonds issued in the form of Subordinated Notes, Senior Non Preferred Notes or Ordinary Senior Notes qualifying as TLAC/MREL Eligible Instruments may be subject to the application of the Spanish Bail-in Power and (in the case of Tier 2 Subordinated Notes) the Non-Viability Loss Absorption. Additionally, their labelling as Green, Social or Sustainability Bonds will not have an impact on their status.

Risks related to Notes Generally

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

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

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

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

The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes.

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 – The Kingdom of Spain – Information about the Notes in connection with payments*" below.

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, 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 (currently 19 per cent.) and the Issuer may not be required to pay the relevant Noteholder additional amounts (as described above, please see "*Terms and Conditions of the Notes – 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 Base 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.

Risks related to the Market Generally

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

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

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

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

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

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

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

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

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

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

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

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA 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 third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered or UK-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provision that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

In the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may be impact the value of the Notes and their liquidity in the secondary market.

KEY FEATURES OF THE PROGRAMME

The following must be read as an introduction to the Base Prospectus and any decision to invest in the Notes should be based on consideration of this Base Prospectus as a whole, including the documents incorporated by reference.

Information relating to Banco de Sabadell, S.A.

Issuer: Banco de Sabadell, S.A.

LEI Code SI5RG2M0WQQLZCXKRM20

Corporate purpose: The corporate purpose of Banco Sabadell is set forth in Article 4 of its Articles of Association (*Estatutos Sociales*) consisting of generally carrying out all banking operations capable of being undertaken by credit entities in accordance with current legislation.

Directors: The Directors of Banco Sabadell are as follows:

<u>Name</u>	<u>Director type</u>
Mr. Josep Oliu Creus	Chairman
Mr. José Javier Echenique Landiribar	Deputy-Chairman
Mr. César González-Bueno Mayer	CEO
Mr. Anthony Frank Elliot Ball	Director
Ms. Aurora Catá Sala	Director
Mr. Pedro Fontana García	Director
Ms. María José García Beato	Director
Ms. Mireya Giné Torrens	Director
Mr. George Donald Johnston III	Director
Mr. David Martínez Guzmán	Director
Mr. José Manuel Martínez Martínez	Director
Mr. José Ramón Martínez Sufrategui	Director
Ms. Alicia Reyes Revuelta	Director
Mr. Manuel Valls Morató	Director
Mr. David Vegara Figueras	Director

The Bank and the Group: Banco Sabadell was incorporated on 31 December 1881 for an unlimited term as a public limited company (*Sociedad Anónima*)

It is registered with the Commercial Registry of Alicante (Spain) under volume 4,070, book 1 and sheet A-156980

The Bank's registered office is at Avenida Óscar Esplá, nº 37, PC 03007 Alicante (Spain).

Banco Sabadell is the parent company of the Group which comprised, as of 31 December 2020, a total of 85 companies that the Group fully consolidates. In addition, there were 20 associated companies.

As of 31 December 2020, Banco Sabadell's issued share capital of €703,370,587.63 was comprised of 5,626,964,701 shares of a single series and class, with a nominal value per ordinary share of €0.125. The main shareholders of the Bank are Sanders Capital, LLC, Fintech Europe S.A.R.L., BlackRock Inc. and Norges Bank with 3.47 per cent., 3.45 per cent., 3.31 per cent. and 3.06 per cent. respectively.

Business:

Banco Sabadell is the fourth largest privately owned banking group in Spain measured by total assets (based on the 2020 consolidated annual accounts which have been incorporated by reference to this Base Prospectus and are publicly available on Banco Sabadell's website), with total consolidated assets and total consolidated customer loans and advances of €235,763 million and €149,183 million, respectively, as of 31 December 2020.

For each of the years ended 31 December 2020 and 2019 the Group's consolidated pre-provisions income (calculated as gross income less operating expenses and depreciation and amortisation) was €1,841 million and €1,719 million, respectively, and its consolidated profit attributable to owners of the parent was €2 million and €768 million, respectively.

The Group is organised in the following business segments: Banking Business in Spain, Banking Business in the United Kingdom and Banking Business in Mexico. Banking Business in Spain, in turn, includes the Commercial Banking, the Corporate and Investment Banking and the Asset Transformation business units.

Commercial Banking is the largest of the Group's business units. It focuses on providing financial products and services to large and medium-sized businesses, SMEs, retailers, businesses and individuals (including private banking, personal banking and mass-market customers), non-residents and occupational groups.

Description of the Programme

Description:

Euro Medium Term Note Programme

Arranger:

Deutsche Bank Aktiengesellschaft

Dealers:

Banco Sabadell, S.A., Barclays Bank Ireland PLC, BofA Securities Europe, S.A., Citigroup Global Markets Europe AG, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities Sociedad de Valores S.A., Deutsche Bank Aktiengesellschaft, Goldman Sachs Bank Europe SE, HSBC Bank plc, HSBC Continental Europe, J.P. Morgan AG, Natixis, Nomura Financial Products Europe GmbH, Société Générale and UniCredit Bank AG.

The Issuer may from time to time terminate the appointment of any Dealers under the Programme or appoint additional dealers either in respect of a single Tranche or in respect of the Programme.

Fiscal Agent:

The Bank of New York Mellon, London Branch

Size:	Up to €15,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time.
Distribution:	Subject to applicable selling restrictions, Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Notes may be denominated in Euro or U.S. dollars or in any other currency or currencies of an OECD country, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Maturities:	Any maturity greater than one year in the case of Ordinary Senior Notes and Senior Subordinated Notes and a minimum maturity of five years in the case of Tier 2 Subordinated Notes, as indicated in the relevant Final Terms or such other minimum or maximum maturity as may be allowed or required from time to time by the relevant Competent Authority or any applicable laws or regulations. Senior Non Preferred Notes will have an original maturity of at least one year from their date of effective disbursement or such minimum or maximum maturity as may be allowed or required from time to time by Applicable Banking Regulations.
Denomination:	No Notes may be issued under the Programme which have a minimum denomination of less than €100,000 (or equivalent in another currency). Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. No Notes will be issued with tradeable amounts less than the minimum denomination specified in the relevant Final Terms.
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in one or more Series (which may be issued on the same date or which may be issued in more than one Tranche on different dates). The Notes may be issued in Tranches on a continuous basis with no minimum issue size, subject to compliance with all applicable laws, regulations and directives. Further Notes may be issued as part of an existing Series.
Form of Notes:	Notes will be issued in bearer form, with or without interest coupons (" Bearer Notes "). Bearer Notes will, unless otherwise specified, only be sold outside the United States to non-U.S. persons in reliance on Regulation S and will, unless otherwise specified in the relevant Final Terms, initially be represented by a Temporary Global Note without interest coupons attached, deposited: (a) in the case of a global note which is not intended to be issued in new global note form (a " Classic Global Note " or " CGN "), as specified in the relevant Final Terms, with or on behalf of a common depositary located outside the United States for Euroclear and Clearstream, Luxembourg; or (b) in the case of a global note which is intended to be issued in new global note form (a " New Global Note " or " NGN "), as specified in the relevant Final Terms, with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Interests in a Temporary Global Note will be exchangeable for interests in a permanent global Note in bearer form, without coupons (a " Permanent Global Note ").
Issue Price:	Notes may be issued at their principal amount or at a discount or premium to their principal amount. The price and amount of Notes to be issued

under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Interest:	Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate. The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. All such information will be set out in the relevant Final Terms.
Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year, specified in the relevant Final Terms.
Fixed Reset Notes:	Fixed Reset Notes will initially bear interest at a fixed rate up to but excluding the First Reset Date. On the First Reset Date, the Second Reset Date (if applicable) and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable Mid-Swap Rate and the Reset Margin, as specified in the relevant Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest set separately for each Series at a rate determined (i) on the same basis as the Floating Rate (as defined in the ISDA Definitions) under a notional interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions; or (ii) by reference to EURIBOR, LIBOR or SONIA, as specified in the relevant Final Terms, as adjusted for any applicable margin. Interest periods will be specified in the relevant Final Terms.
Zero Coupon Notes:	Zero Coupon Notes will be offered or sold at a discount to their original nominal amount and will not bear interest.
Partial redemption:	The Final Terms issued in respect of each issue of Notes which are redeemable in two or more instalments will set out the date on which, and the amounts in which, such Notes may be redeemed.
Redemption:	<p>The relevant Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default or, in the case of Subordinated Notes, Senior Non Preferred Notes, and if so specified in the relevant Final Terms, Ordinary Senior Notes, upon the occurrence of a Disqualification Event, or, in the case of Tier 2 Subordinated Notes, upon the occurrence of a Capital Event) or that such Notes will be redeemable at the option of the Issuer (either in whole or in part) and/or the Noteholders, and if so the terms applicable to such redemption. In particular, redemption of Tier 2 Subordinated Notes at the option of the Issuer may only take place after five years from their date of issuance or such other minimum or maximum length as may be permitted or required from time to time by Applicable Banking Regulations.</p> <p>Redemption for taxation reasons or redemption following a Capital Event or a Disqualification Event may only take place in accordance with Applicable Banking Regulations and will be subject to the prior permission of the Competent Authority, if and as required therefor under Applicable Banking Regulations. In no circumstances may the Subordinated Notes, Senior Non Preferred Notes or Ordinary Senior Notes where the Disqualification Event has been specified as applicable in the relevant Final Terms be redeemed prior to their maturity at the option of the Noteholders. Tier 2 Subordinated Notes where the Disqualification Event has been specified as applicable in the relevant Final Terms may be redeemed pursuant to a Disqualification Event only after five years from their date of issuance or such other minimum or</p>

maximum length as may be permitted or required from time to time by Applicable Banking Regulations.

See Condition 12 (*Redemption and Purchase*).

Status of the Notes:

Notes may be either Senior Notes (in which case they will be Ordinary Senior Notes or Senior Non Preferred Notes) or Subordinated Notes (in which case they will be Senior Subordinated Notes or Tier 2 Subordinated Notes) as more fully described in Condition 5 (*Status of the Notes*).

Substitution and Variation:

If specified in the relevant Final Terms as being applicable to the Notes and a Capital Event, a Disqualification Event or a Tax Event occurs and is continuing, the Issuer may substitute all (but not some only) of the Notes or modify the terms of all (but not some only) of the Notes, including, in the case of English Law Notes by changing the governing law of the Notes from English law to Spanish law, without any requirement for the consent or approval of the Noteholders, so that they are substituted for, or varied to become or remain, Qualifying Notes.

See Condition 17 (*Substitution and Variation*).

Taxation:

Payments of principal and interest in respect of Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will (subject to certain exceptions described below and, in respect of Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes qualifying as TLAC/MREL Eligible Instruments, only in respect of the payment of interest) pay such additional amounts as will result in the holders of Notes or Coupons receiving such amounts as they would have received in respect of such Notes or Coupons had no such withholding or deduction been required. No such additional amounts shall be payable in respect of any Note or Coupon:

- (i) held by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon;
- (ii) to, or to a third party on behalf of, a holder in respect of whom the Issuer (or the Fiscal Agent on its behalf) has not received such information (which may include a tax residence certificate) concerning such holder's identity and tax residence (or the identity or tax residence of the beneficial owner for whose benefit it holds such Notes) as may be required in order to comply with the procedures that may be implemented to comply with the interpretation of Royal Decree 1065/2007 eventually made by the Spanish Tax Authorities; or
- (iii) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on the thirtieth such day;
- (iv) to, or to a third party on behalf of, individuals resident for tax purposes in Spain if the Spanish tax authorities determine

payments made to such individuals are not exempt from withholding tax and require a withholding to be made; or

- (v) to, or to a third party on behalf of, a Spanish-resident corporate entity if the Spanish tax authorities determine that the Notes do not comply with exemption requirements including those specified in the Reply to Consultation of the General Directorate for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made.

See Condition 14 (*Taxation*).

Disclosure of Information in Connection with Payments:

Under Spanish Law 10/2014 of 26 June on regulation, supervision and solvency of credit entities ("**Law 10/2014**"), and Royal Decree 1065/2007 of 27 July ("**Royal Decree 1065/2007**") as amended, the Issuer is required to provide to the Spanish tax authorities certain information relating to the Notes.

If the Fiscal Agent fails to provide the Issuer with the required information described under the Issuer may be required to withhold tax at the current rate of 19 per cent. 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.

A summary of the procedures to collect the above referenced information is set out in "*Taxation – The Kingdom of Spain – Information about the Notes in connection with payments* "

None of the Arranger, the Dealers and the clearing systems assume any responsibility therefore.

Negative Pledge:

The Ordinary Senior Notes will contain a negative pledge as more fully set out in Condition 6 (*Negative Pledge*) if indicated as applicable in the relevant Final Terms.

Cross Default:

Applicable exclusively to Ordinary Senior Notes. Unless otherwise specified in the Final Terms in respect of the Events of Default, the Ordinary Senior Notes will contain a cross default in respect of Indebtedness of the Issuer and its Relevant Subsidiaries as more fully set out in Condition 15 (*Events of Default*).

Governing Law:

English law or Spanish law, as specified in the relevant Final Terms. In the case of English law Notes, Condition 5 (*Status of the Notes*) will be governed by Spanish law.

Jurisdiction:

The courts of England have exclusive jurisdiction to settle any dispute arising from or connected with the English Law Notes, Coupons and/or Talons (including a dispute relating to any non-contractual obligations arising out of or in connection with them) (a "**Dispute**") (such exclusive jurisdiction being for the benefit of the holders of the English Law Notes, Coupons and/or Talons only). Notwithstanding the above, the courts of the city of Madrid (Spain) have exclusive jurisdiction to settle any dispute that may arise from or in connection with the exercise of the Statutory Loss-Absorption Power by the Relevant Resolution Authority (a "**Bail-in Dispute**") in respect of the English Law Notes.

The courts of the city of Madrid (Spain) have jurisdiction to settle any dispute arising from or connected with the Spanish Law Notes, Coupons and/or Talons (including a dispute relating to any non-contractual obligations arising out of or in connection with them). In addition, the

courts of the city of Madrid (Spain) have exclusive jurisdiction to settle any Bail-in Dispute in respect of the Spanish Law Notes.

Listing:

This Base Prospectus has been approved by the CBI as competent authority under the Prospectus Regulation.

Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the Euronext Dublin Regulated Market, as specified in the relevant Final Terms. Unlisted Notes will not be issued under the Programme.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the EEA, the United States, the UK, Spain, Belgium, Singapore and Switzerland. See "*Subscription and Sale*".

In connection with the offering and sale of a particular Tranche of Notes, additional selling restrictions may be imposed which will be set out in the relevant Final Terms.

Risk Factors:

Prospective investors should understand the risks of investing in any type of Note before they make their investment decision. They should make their own independent decision to invest in any type of Note and as to whether an investment in such Note is appropriate or proper for them based upon their own judgment and upon advice from such advisers as they consider necessary.

For a description of certain risks involved in investing in the Notes, see "*Risk Factors*".

Risk factors are designed both to protect investors from investments from which they are not suitable and to set out the financial risks associated with an investment in a particular type of Note.

Representation of holders of the Notes:

Condition 23 (*Meetings of Noteholders; Modification and Waiver*) and Schedule 5 (Provisions for Meetings of Noteholders) of the Agency Agreement contain provisions for convening meetings of holders of Notes to consider any matter affecting their interests.

Rating:

Tranches of Notes may be rated or unrated and if rated, such rating(s) will be specified in the relevant Final Terms and it shall also be specified if the relevant credit rating agency is or is not established in the EU and whether such agency is or is not registered under CRA Regulation.

A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

1. the Quarterly Financial Report of the Issuer for the three month period ended 31 March 2021 which is available on:

https://www.grupbancsabadell.com/corp/files/1454351664509/informe_financiero_trimestral_1t21_en.pdf

2. an English language translation of the audited consolidated annual accounts (including an English translation of the independent auditors' report thereon, notes thereto and consolidated directors' report) of the Issuer in respect of the year ended 31 December 2020 which is available on:

https://www.grupbancsabadell.com/corp/files/1454350956889/annual_accounts_banco_sabadell_group_2020.pdf

including the information set out at the following pages in particular:

Independent auditors' report on consolidated annual accounts for the year ended 31 December 2020 Pages 1 to 9 of the AR⁽¹⁾

Consolidated balance sheets as of 31 December 2020 and 31 December 2019 Pages 4 to 6 of the CAA⁽²⁾

Consolidated income statements for the years ended 31 December 2020 and 31 December 2019 Pages 7 to 8 of the CAA⁽²⁾

Consolidated statements of changes in equity for the years ended 31 December 2020 and 31 December 2019 Pages 9 to 11 of the CAA⁽²⁾

Consolidated cash flow statements for the years ended 31 December 2020 and 31 December 2019 Pages 12 to 13 of the CAA⁽²⁾

Notes to the consolidated annual accounts for the year ended 31 December 2020 Pages 14 to 265 of the CAA⁽²⁾

Consolidated directors' report for the year ended 31 December 2020 Pages 266 to 369 of the CAA⁽²⁾

Notes:

- (1) "AR" corresponds to the independent auditors' report on the consolidated annual accounts of the Issuer for the year ended 31 December 2020.
- (2) "CAA" corresponds to the consolidated annual accounts of the Issuer for the year ended 31 December 2020, incorporating the consolidated directors' report.

3. an English language translation of the audited consolidated annual accounts (including an English translation of the independent auditors' report thereon, notes thereto and consolidated directors' report) of the Issuer in respect of the year ended 31 December 2019 which is available on:

https://www.grupbancsabadell.com/corp/files/1454346897259/annual_accounts_2019_group_banco_sabadell.pdf

including the information set out at the following pages in particular:

Independent auditors' report on Pages 1 to 9 of the AR⁽¹⁾
consolidated annual accounts for the year
ended 31 December 2019

Consolidated balance sheets as of 31 December 2019 and 31 December 2018 Pages 4 to 6 of the CAA⁽²⁾

Consolidated income statements for the years ended 31 December 2019 and 31 December 2018 Pages 7 to 8 of the CAA⁽²⁾

Consolidated statements of changes in equity for the years ended 31 December 2019 and 31 December 2018 Pages 9 to 11 of the CAA⁽²⁾

Consolidated cash flow statements for the years ended 31 December 2019 and 31 December 2018 Pages 12 to 13 of the CAA⁽²⁾

Notes to the consolidated annual accounts for the year ended 31 December 2019 Pages 14 to 256 of the CAA⁽²⁾

Consolidated directors' report for the year ended 31 December 2019 Pages 257 to 355 of the CAA⁽²⁾

Notes:

(1) "AR" corresponds to the independent auditors' report on the consolidated annual accounts of the Issuer for the year ended 31 December 2019.

(2) "CAA" corresponds to the consolidated annual accounts of the Issuer for the year ended 31 December 2019, incorporating the consolidated directors' report.

4. the terms and conditions of the Notes contained in:

(a) the previous Base Prospectus dated 26 May 2020, pages 51 to 91 (inclusive), prepared by the Issuer in connection with the Programme and available at:

https://www.grupbancsabadell.com/corp/files/1454348747828/sabadell_emtn_2020_-_base_prospectus_-_26_may_2020.pdf

(b) the previous Base Prospectus dated 29 April 2019, pages 57 to 96 (inclusive), prepared by the Issuer in connection with the Programme and available at:

https://www.grupbancsabadell.com/g3repository/INFOACCIONISTA/EMTN_PROSPECTUS_2019_SABADELL_EMTN_-_BASE_PROSPECTUS_DATED_29_APRIL_2019.PDF

(c) the previous Base Prospectus dated 23 March 2018, pages 55 to 85 (inclusive), prepared by the Issuer in connection with the Programme and available at:

https://www.grupbancsabadell.com/g3repository/INFOACCIONISTA/EMTN_PROSPECTUS_2018_BANK_SABADELL_EMTN_UPDATE_2018_-_BASE_PROSPECTUS.PDF

(d) the previous Base Prospectus dated 22 March 2017, as supplemented by Supplement dated 8 August 2017, pages 12 to 43 (inclusive), prepared by the Issuer in connection with the Programme and available at:

https://www.grupbancsabadell.com/g3repository/INFOACCIONISTA/EMTN_PROSPECTUS_2017_03_PROJECT_ARTIES_BASE_PROSPECTUS_22_MARCH_2017.PDF

https://www.grupbancsabadell.com/g3repository/INFOACCIONISTA/EMTN_PROSPECTUS_2017_2T_SUPPLEMENT_EMTN_SABADELL_DATED_8_AUGUST_2017.PDF

- (e) the previous Base Prospectus dated 31 March 2016, pages 45 to 71 (inclusive), prepared by the Issuer in connection with the Programme and available at:

https://www.grupobancosabadell.com/g3repository/INFOACCIONISTA/EMTN_PROSPECTUS_EMTN_PROSPECTUS.PDF

The documents listed at 2 and 3 above are also available for viewing in the original Spanish language on www.cnmv.es. The audited consolidated annual accounts for the years indicated above have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("**IFRS**"), considering Circular 4/2017 of the Bank of Spain and subsequent amendments.

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

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "necessary information" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the rights attaching to the Notes and the reasons for the issuance and its impact on the Issuer. In relation to the different types of Notes which may be issued under the Programme the Issuer has included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known as of the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions as completed to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the relevant Notes or (2) by a registration document (the "**Registration Document**") containing the necessary information relating to the Issuer, a securities note (the "**Securities Note**") containing the necessary information relating to the relevant Notes and, if necessary, a summary note.

FORMS OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (the "**Temporary Global Note**"), without interest coupons, or a permanent global note (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note ("NGN") form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006, the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**")) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Notes

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership provided, however, that in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.

If:

- (a) the Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of the Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and,

in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then, as at the time specified in the Temporary Global Note, Accountholders shall acquire Direct Rights under Condition 4 (*Direct Rights*), and, as applicable, under the Deed of Covenant (in respect of English Law Notes), or under the provisions of the Temporary Global Note (in respect of Spanish Law Notes).

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form ("**Definitive Notes**") when the Final Terms specify "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

- (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business;
- (ii) any of the circumstances described in Condition 15 (*Events of Default*) occurs; or
- (iii) where indicated in the Permanent Global Note, if by reason of any change in the laws of the Kingdom of Spain, the Issuer is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive form.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void and/or the Accountholder acquires Direct Rights, as applicable, in accordance with its terms; or
- (c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then, as at the time specified in the Permanent Global Note, Accountholders shall acquire Direct Rights under Condition 4 (*Direct Rights*), and, as applicable, under the Deed of Covenant (in respect of English Law Notes), or under the provisions of the Permanent Global Note (in respect of Spanish Law Notes).

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the

Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Note for Definitive Notes; or
- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Note on the due date for payment,

then, as at the time specified in the Temporary Global Note, Accountholders shall acquire Direct Rights under Condition 4 (*Direct Rights*), and, as applicable, under the Deed of Covenant (in respect of English Law Notes), or under the provisions of the Temporary Global Note (in respect of Spanish Law Notes).

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes when the relevant Final Terms specify "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

- (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business;
- (ii) any of the circumstances described in Condition 15 (*Events of Default*) occurs; or
- (iii) where indicated in the Permanent Global Note, if by reason of any change in the laws of the Kingdom of Spain, the Issuer is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive form.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then, as at the time specified in the Permanent Global Note, Accountholders shall acquire Direct Rights under Condition 4 (*Direct Rights*), and, as applicable, under the Deed of Covenant (in respect of English Law Notes), or under the provisions of the Permanent Global Note (in respect of Spanish Law Notes).

Euroclear and Clearstream, Luxembourg procedures

Except in the circumstances described in the Global Notes, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global

Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

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

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

Similarly, holders of beneficial interests in the Global Notes will not have a direct right under such Notes to take enforcement action against the Issuer in the event of a default under the relevant Notes but will have to rely upon Condition 4 of the Conditions and, in addition, (i) in the case of English Law Notes, upon their rights under the Deed of Covenant and, (ii) in the case of Spanish Law Notes, under the provisions of the Global Notes (see "*Direct Rights*" below).

Direct Rights

In the case of English Law Notes, under the provisions of Condition 4 (*Direct Rights*) and the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note or a Permanent Global Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Determination Date in relation to that Temporary Global Note or Permanent Global Note, as applicable, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

In the case of Spanish Law Notes, under the provisions of Condition 4 (*Direct Rights*) and the Temporary Global Note or the Permanent Global Note, as applicable, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note or a Permanent Global Note will, in the circumstances set out in the Temporary Global Note or Permanent Global Note, acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Determination Date in relation to that Temporary Global Note or Permanent Global Note, as applicable, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions relating to the Notes while in Global Form*" below.

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form (other than Temporary Global Notes), the Notes in definitive form and any Coupons and Talons appertaining thereto, where TEFRA D is specified in the Final Terms, will bear a legend to the following effect:

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

The sections referred to in the above legend provide that a United States taxpayer, with certain exceptions, will not be permitted to deduct any loss on Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment or principal in respect of such Notes or any related Coupons.

Notwithstanding any other provision herein, Bearer Notes with maturities of one year or less may be issued.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes (save for the paragraphs in italics which are for disclosure purposes only) which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. In the case of any Tranche of Notes which are being (a) offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 1(4) of the Prospectus Regulation) or (b) admitted to trading on a regulated market in a Member State, the relevant Final Terms shall not amend or replace any information in this Base Prospectus. Subject to this, to the extent permitted by applicable law and/or regulation, the Final Terms in respect of any Tranche of Notes may complete any information any information in this Base Prospectus.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions relating to the Notes while in Global Form" below.

1. Introduction

- (a) *Programme:* Banco de Sabadell, S.A. (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to €15,000,000,000 in aggregate principal amount of notes (the "**Notes**").
- (b) *Final Terms:* Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a final terms (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Deed of Covenant:* the English Law Notes have the benefit of a deed of covenant (as amended, the "**Deed of Covenant**") dated 31 May 2021 and made by the Issuer.
- (d) *Agency Agreement:* The Notes are the subject of an amended and restated issue and paying agency agreement dated 31 May 2021 (as amended, the "**Agency Agreement**") between the Issuer, The Bank of New York Mellon, London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents (if any) named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are deemed to have notice of all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement, the Deed of Covenant and the programme manual signed for the purposes of identification by the Issuer and the Fiscal Agent and dated 31 May 2021 (to which the forms of the Global Notes are attached) (the "**Programme Manual**") (i) are available for inspection or collection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below or (ii) may be provided by email to a Noteholder following their prior written request to any Paying Agent or the Issuer and provision of proof of holding and identity (in a form satisfactory to the relevant Paying Agent or the Issuer, as the case may be).
- (e) *The Notes:* All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at Banco de Sabadell, S.A. at Avenida Óscar Esplá, nº 37, PC 03007 Alicante (Spain), and copies may be obtained from The Bank of New York Mellon, London Branch's offices at One Canada Square, Canary Wharf, London E14 5AL, United Kingdom.
- (f) *Public Deed of Issuance:* The Issuer will execute a public deed (*escritura pública*) (the "**Public Deed of Issuance**") before a Spanish Notary Public in relation to the Notes on or prior to the Issue Date of the Notes. The Public Deed of Issuance will contain, among other information, the terms and Conditions of the Notes.

2. Interpretation

(a) *Definitions:* In these Conditions the following expressions have the following meanings:

"24 hours" means a period of 24 hours including all or part of a day upon which banks are open for business in the places where the relevant Meeting is to be held and in respect of a Meeting of Noteholders, each of the places where the Paying Agents have their Specified Offices (disregarding for this purpose the day upon which such Meeting is to be held) and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business as aforesaid;

"48 hours" means two consecutive periods of 24 hours;

"Accountholder" means any accountholder with a Clearing System which at the Determination Date has credited to its securities account with such Clearing System one or more Entries in respect of a Global Note, except for any Clearing System or Depositary in its capacity as an accountholder of another Clearing System;

"Accrual Yield" has the meaning given in the relevant Final Terms;

"Additional Business Centre(s)" means the city or cities specified as such in the relevant Final Terms;

"Additional Financial Centre(s)" means the city or cities specified as such in the relevant Final Terms;

"Additional Tier 1 capital" means Additional Tier 1 capital (*capital de nivel 1 adicional*) pursuant to Applicable Banking Regulations;

"Additional Tier 1 Instrument" means any contractually subordinated obligation of the Issuer constituting an additional tier 1 instrument (*instrumento de capital adicional de nivel 1*) under Additional Provision 14.3.3° of Law 11/2015;

"Agents" means the Fiscal Agent, the Paying Agents, the Calculation Agent or any of them and shall include such other Agent or Agents as may be appointed from time to time under the Agency Agreement;

"Applicable Banking Regulations" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency (including, among others, those giving effect to MREL and TLAC or any equivalent and successor principles) then applicable to the Issuer and/or the Group including, without limitation to the generality of the foregoing, the Capital Requirements Regulations, the BRRD, the SRM Regulation and those regulations, requirements, guidelines and policies (including, among others, those giving effect to MREL and TLAC or any equivalent and successor principles) of the Competent Authority and/or the Relevant Resolution 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 Group);

"Block Voting Instruction" means, in relation to any Meeting, a document in the English language issued by a Paying Agent for holders of Notes:

- (a) certifying that certain specified Notes (the **"deposited Notes"**) have been deposited with such Paying Agent (or to the order of such Paying Agent) or blocked in an account with a clearing system and will not be released until the earlier of:
 - (i) the conclusion of the Meeting; and
 - (ii) the surrender to such Paying Agent not less than 48 hours before the time fixed for the Meeting (or, if the Meeting has been adjourned, the time fixed for its resumption), of the receipt for the deposited or blocked Notes and notification thereof by such Paying Agent to the Issuer;
- (b) certifying that the depositor of each deposited Note or a duly authorised person on its behalf has instructed the relevant Paying Agent that the votes attributable to such deposited Note are to be cast in a particular way on each resolution to be put to the Meeting and that, during the period

of 48 hours before the time fixed for the Meeting, such instructions may not be amended or revoked;

- (c) listing the total number and (if in definitive form) the certificate numbers of the deposited Notes, distinguishing for each resolution between those in respect of which instructions have been given to vote for, or against, the resolution; and
- (d) authorising a named individual or individuals to vote in respect of the deposited Notes in accordance with such instructions;

"BRRD" means Directive 2014/59/EU of 15 May 2014 establishing the framework for the recovery and resolution of credit institutions and investment firms, as amended by Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 ("**BRRD II**"), as implemented into Spanish law, as amended or replaced from time to time and including any other relevant implementing provisions;

"Business Day" means:

- (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"Business Day Convention", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) **"FRN Convention"**, **"Floating Rate Convention"** or **"Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
 - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

"No Adjustment" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"Calculation Agent" means Banco Sabadell or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

"Calculation Amount" has the meaning given in the relevant Final Terms;

A **"Capital Event"** occurs if as a result of a change (or any pending change which the Competent Authority considers sufficiently certain) in Spanish law, Applicable Banking Regulations or any change in the official application or interpretation thereof becoming effective on or after the Issue Date of the Notes, there is a change in the regulatory classification of the Tier 2 Subordinated Notes that results (or would be likely to result) in (i) the exclusion of the Tier 2 Subordinated Notes in whole or, to the extent not prohibited by Applicable Banking Regulations, in part, from the Tier 2 capital of the Issuer and/or the Group; or (ii) their reclassification, in whole or, to the extent not prohibited by Applicable Banking Regulations, in part, as a lower quality form of regulatory capital of the Issuer and/or the Group;

"Capital Requirements Regulations" means any or any combination of the CRD Directive, the CRR, and any CRD Implementing Measures;

"Chairperson" means, in relation to any Meeting, the individual who takes the chair in accordance with Condition 23(d);

"Clearing System" means Clearstream Banking, S.A. ("**Clearstream, Luxembourg**", Euroclear Bank SA/NV ("**Euroclear**") or any clearing system referred to in these Conditions;

"Competent Authority" means the European Central Bank or the Bank of Spain, as applicable, or such other successor authority having primary bank supervisory authority with respect to prudential oversight and supervision of the Issuer and/or the Group;

"Coupon Sheet" means, in respect of a Note, a coupon sheet relating to the Note;

"CRD Directive" means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, as amended by Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 ("**CRD V Directive**"), as implemented into Spanish law, as amended or replaced from time to time and including any other relevant implementing provisions;

"CRD Implementing Measures" means any regulatory capital rules implementing the CRD 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 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 basis) or the Group (on a 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 and amending Regulation (EU) No. 648/2012, as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 ("**CRR II**") or such other regulation as may come into effect in place thereof, as amended from time to time;

"DBRS" means DBRS Ratings Ltd.;

"Day Count Fraction" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or selected in the relevant Final Terms and:

- (a) if "**Actual/Actual (ICMA)**" is so specified, means:
 - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

- (ii) where the Calculation Period is longer than one Regular Period, the sum of:
- (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (b) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

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

where:

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

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

"M₂" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

- (f) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

- (g) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"Definitive Note" means a bearer Note in definitive form;

"Depository" means a person who acknowledges directly or indirectly to a Clearing System that it holds securities, or rights in respect of securities, for the account or benefit of that Clearing System;

"Determination Date" means in relation to any Global Note, (i) in respect of English Law Notes, the date on which such Global Note becomes void in accordance with its terms, and (ii) in respect of Spanish Law Notes, the date on which Direct Rights (as defined in such Global Note) are acquired under such Global Note in accordance with its terms;

A **"Disqualification Event"** occurs in respect of Subordinated Notes, Senior Non Preferred Notes or Ordinary Senior Notes where the Disqualification Event has been specified as applicable in the relevant Final Terms, if all or part of the outstanding nominal amount of the relevant Notes does not fully qualify as TLAC/MREL Eligible Instruments of the Issuer and/or the Group, except where such non-qualification (a) is due solely to the remaining maturity of the relevant Notes being less than any period required for such Notes to be considered TLAC/MREL Eligible Instruments by Applicable Banking Regulations then in force, (b) is as a result of the relevant Notes being bought back by (or on behalf of) the Issuer or by a third party funded by the Issuer, or (c) in the case of Ordinary Senior Notes where the Disqualification Event has been specified as applicable in the relevant Final Terms, is due to any limitation on the amount

of such Notes that may be eligible for the inclusion in the amount of TLAC/MREL Eligible Instruments of the Issuer and/or the Group.

A Disqualification Event shall, without limitation, be deemed to have occurred where any non-qualification of the Notes as TLAC/MREL Eligible Instruments arises as a result of the official interpretation or application of the EU Banking Reforms and/or any legislation which gives effect to the same in the Kingdom of Spain existing as at the relevant Issue Date (including any interpretation or pronouncement by any relevant court, tribunal or authority) differing in any respect from the manner in which the same has been reflected in the Conditions of the Notes.

"Early Redemption Amount" means, in respect of any Note, its principal amount or such other amount (expressed as a percentage of the Calculation Amount) as may be specified in the relevant Final Terms;

"English Law Notes" means Notes where the relevant Final Terms specify English law as the governing law of the Notes;

"Entry" means, in relation to a Global Note, any entry which is made in the securities account of any Accountholder with a Clearing System in respect of Notes represented by such Global Note (and **"Entries"** shall be construed accordingly);

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

"Extraordinary Resolution" means a resolution passed at a Meeting duly convened and held in accordance with these Conditions and the provisions of the Agency Agreement by a majority of not less than two thirds or, at any adjourned meeting, not less than one third of the aggregate principal amount of the outstanding Notes represented or held by Voters actually present at the Meeting;

"Final Redemption Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"First Interest Payment Date" means the date specified in the relevant Final Terms;

"First Reset Date" has the meaning given in the relevant Final Terms;

"First Reset Rate" means the sum of the Reset Margin and the Mid-Swap Rate for the First Reset Period, adjusted as necessary;

"Fitch" means Fitch Ratings Ireland Limited;

"Fixed Coupon Amount" has the meaning given in the relevant Final Terms;

"Fixed Reset Note" means Notes to which the Fixed Reset Note Provisions are specified in the relevant Final Terms as being applicable;

"Fixed Reset Rate Relevant Screen Page" means the display page on the relevant service (including, without limitation, Reuters) as specified in the relevant Final Terms or such other page as may replace it on that information service, or on such other equivalent information service as determined by the Fiscal Agent, for the purpose of displaying the relevant swap rates for swap transactions in the Specified Currency with an equivalent maturity to the Reset Period;

"Global Note" means a Global Note (whether in temporary or permanent form) issued pursuant to the Agency Agreement;

"Guarantee" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

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

(d) any other agreement to be responsible for such Indebtedness;

"Group" means the Issuer and its consolidated subsidiaries;

"Indebtedness" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"Initial Interest Rate" has the meaning given in the relevant Final Terms;

"Insolvency Law" means the restated text of the Spanish Insolvency Law approved by Legislative Royal Decree 1/2020, of 5 May (*Real Decreto Legislativo 1/2020, de 5 de mayo, por el que se aprueba el texto refundido de la Ley Concursal*);

"Interest Amount" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"Interest Commencement Date" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"Interest Determination Date" has the meaning given in the relevant Final Terms;

"Interest Payment Date" means the First Interest Payment Date and any other date or dates specified as such in the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"Interest Period" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"ISDA Definitions" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

"Issue Date" has the meaning given in the relevant Final Terms;

"Law 11/2015" means Law 11/2015, of June 18, 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, replaced or supplemented from time to time;

"Margin" has the meaning given in the relevant Final Terms;

"Maturity Date" has the meaning given in the relevant Final Terms;

"Meeting" means a meeting of Noteholders, whether originally convened or resumed following an adjournment, and whether it is to be held as a physical meeting attended by persons present in person or as a virtual meeting to be held via an electronic platform (including, without limitation, telephone and video conference call and application technology systems);

"Maximum Redemption Amount" has the meaning given in the relevant Final Terms;

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

"Minimum Redemption Amount" has the meaning given in the relevant Final Terms;

"Moody's" means Moody's Investors Service Limited;

"MREL" means the "minimum requirement for own funds and eligible liabilities" for credit institutions under the BRRD, set in accordance with Article 45 of the BRRD (as transposed in Spain), Commission Delegated Regulation (EU) 2016/1450 of 23 May 2016, supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria relating to the methodology for setting the minimum requirement for own funds and eligible liabilities and any other Applicable Banking Regulations;

"Optional Redemption Amount (Call)" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"Optional Redemption Amount (Put)" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"Optional Redemption Date (Call)" has the meaning given in the relevant Final Terms;

"outstanding" means, in relation to the Notes, all the Notes issued other than (a) those which have been redeemed in accordance with these Conditions; (b) those in respect of which the date for redemption in accordance with these Conditions has occurred and the redemption moneys (including all interest accrued on such Notes to the date for such redemption and any interest payable after such date) have been duly paid to the Fiscal Agent as provided in the Agency Agreement and remain available for payment against presentation and surrender of Notes and/or Coupons, as the case may be, (c) those in respect of which claims have become prescribed under Condition 20 (*Prescription*), surrendered in exchange for replacement Notes pursuant to Condition 21 (*Replacement of Notes and Coupons*), (d) (for the purpose only of determining how many Notes are outstanding and without prejudice to their status for any other purpose) those Notes alleged to have been lost, stolen or destroyed and in respect of which replacement Notes have been issued pursuant to Condition 21 (*Replacement of Notes and Coupons*); and (e) any Temporary Global Note to the extent that it shall have been exchanged for a Permanent Global Note or, as the case may be, any Global Note to the extent that it shall have been exchanged for one or more Definitive Notes, in either case pursuant to its provisions; **provided that**, for the purposes of (a), ascertaining the right to attend and vote at any Meeting and (b), the determination of how many Notes are outstanding for the purposes of Conditions 15 (*Events of Default*) and 23 (*Meetings of Noteholders; Modification and Waiver*) to this Agreement, those Notes which are beneficially held by, or are held on behalf of, the Issuer, or any of its subsidiaries and not cancelled shall (unless and until ceasing to be so held) be deemed not to be outstanding;

"Optional Redemption Date (Put)" has the meaning given in the relevant Final Terms;

"Participating Member State" means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

"Payment Business Day" means:

- (a) if the currency of payment is euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

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

"Principal Amount" means, in respect of any Entry, the aggregate principal amount of the Notes to which such Entry relates;

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"Proxy" means, in relation to any Meeting, a person appointed to vote under a Block Voting Instruction by a holder of a Note other than:

- (a) any such person whose appointment has been revoked and in relation to whom the Fiscal Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such Meeting; and
- (b) any such person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the Meeting when it is resumed;

"Put Option Notice" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Put Option Receipt" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Rate of Interest" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions;

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount, the Optional Redemption Amount (Call), the Optional Redemption Amount (Put) or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

"Reference Banks" has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"Reference Price" has the meaning given in the relevant Final Terms;

"Reference Rate" means EURIBOR, LIBOR or SONIA as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms;

"Regular Period" means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

"Relevant Date" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"Relevant Financial Centre" has the meaning given in the relevant Final Terms;

"Relevant Fraction" means:

- (a) for all business other than voting on an Extraordinary Resolution, one tenth of the aggregate principal amount of the outstanding Notes;
- (b) for voting on any Extraordinary Resolution other than one relating to a Reserved Matter, one more than half of the aggregate principal amount of the outstanding Notes; and
- (c) for voting on any Extraordinary Resolution relating to a Reserved Matter, not less than two thirds of the aggregate principal amount of the outstanding Notes;

provided, however, that, in the case of a Meeting which has resumed after adjournment for want of a quorum it means:

- (i) for all business other than voting on an Extraordinary Resolution relating to a Reserved Matter, the fraction of the aggregate principal amount of the outstanding Notes represented or held by the Voters actually present at the Meeting; and
- (ii) for voting on any Extraordinary Resolution relating to a Reserved Matter, not less than one third of the aggregate principal amount of the outstanding Notes;

"Relevant Indebtedness" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"Relevant Resolution Authority" means the *Fondo de Resolución Ordenada Bancaria (FROB)*, the Single Resolution Board (SRB) and/or any other entity with the authority to exercise any of the resolutions, tools and powers contained in the Applicable Banking Regulations;

"Relevant Screen Page" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

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

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

For the purposes of this definition:

- (i) *if there shall not at any time be any relevant audited consolidated accounts of the Issuer, references thereto herein shall be deemed to be references to a consolidation (which need not be audited) by the Issuer of the relevant audited accounts of the Issuer and its Subsidiaries;*
- (ii) *if, in the case of a Subsidiary which itself has Subsidiaries and where such Subsidiary is obliged by applicable law to prepare consolidated accounts, the consolidated net assets and consolidated gross revenues shall be compared to net consolidated assets and gross consolidated revenues of the Group; if, in the case of a Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, its consolidated net assets and consolidated gross revenues shall be determined on the basis of pro forma consolidated accounts (which need not be audited) of the relevant Subsidiary and its Subsidiaries prepared for this purpose by the Issuer;*
- (iii) *if (A) any Subsidiary shall not in respect of any relevant financial period for whatever reason produce audited accounts or (B) any Subsidiary shall not have produced at the relevant time for the calculations required pursuant to this definition audited accounts for the same period as the period to which the latest audited consolidated accounts of the Issuer relate, then there shall be substituted for the purposes of this definition the management accounts of such Subsidiary for such period;*
- (iv) *where any Subsidiary is not wholly owned by the Issuer there shall be excluded from all calculations all amounts attributable to minority interests;*
- (v) *in calculating any amount all amounts owing by or to the Issuer and any Subsidiary to or by the Issuer and any Subsidiary shall be excluded; and*
- (vi) *in the event that accounts of any companies being compared are prepared on the basis of different generally accepted accounting principles, there shall be made such adjustments to any relevant financial items as are necessary to achieve a true and fair comparison of such financial items;*

"Relevant Time" has the meaning given in the relevant Final Terms;

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

"Reserved Matter" means any proposal:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the

method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment;

- (b) to change the currency in which amounts due in respect of the Notes are payable;
- (c) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or
- (d) to amend this definition;

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

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

"Reset Margin" has the meaning given in the relevant Final Terms;

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

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

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

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

"S&P" means S&P Global Ratings Europe Limited;

"Senior Higher Priority Liabilities" means any obligations in respect of principal of the Issuer under any Ordinary Senior Notes and any other unsecured and unsubordinated obligations (*créditos ordinarios*) of the Issuer, other than the Senior Non Preferred Liabilities;

"Senior Non Preferred Liabilities" means any unsubordinated and unsecured senior non preferred obligations (*créditos ordinarios no preferentes*) of the Issuer under Additional Provision 14.2 of Law 11/2015, as amended from time to time, (including any Senior Non Preferred Notes) and any other obligations which, by law and/or by their terms, and to the extent permitted by Spanish law, rank *pari passu* with the Senior Non Preferred Liabilities;

"Second Reset Date" has the meaning given in the relevant Final Terms;

"Security Interest" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"Spanish Companies Act" means the Restated Spanish Companies Act approved by the Royal Legislative Decree 1/2010, of 2 July (*Texto Refundido de la Ley de Sociedades de Capital, aprobado por el Real Decreto Legislativo 1/2010, de 2 de julio*), as amended from time to time;

"Specified Currency" has the meaning given in the relevant Final Terms;

"Specified Denomination(s)" has the meaning given in the relevant Final Terms;

"Spanish Law Notes" means Notes where the relevant Final Terms specify Spanish law as the governing law of the Notes;

"Specified Office" means the offices of the Agents specified in this Base Prospectus and shall include such other office or offices as may be specified from time to time;

"Specified Period" has the meaning given in the relevant Final Terms;

"SRM Regulation" means Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the Single Resolution Mechanism and the Single Resolution Fund and amending Regulation (EU) No. 1093/2010, as amended by Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 ("**SRM Regulation II**"), as amended or replaced from time to time;

"Subsequent Reset Date" has the meaning given in the relevant Final Terms;

"Subsequent Reset Rate" means the sum of the applicable Mid-Swap Rate and the Reset Margin on the relevant Reset Determination Date;

"Subsidiary" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"Talon" means a talon for further Coupons;

"TARGET2" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"TARGET Settlement Day" means any day on which TARGET2 is open for the settlement of payments in euro;

"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*) under Additional Provision 14.3.2° of Law 11/2015;

"TLAC" means the "total loss-absorbing capacity" requirement for global systemically important institutions under the CRR, set in accordance with Article 92a of the CRR and any other Applicable Banking Regulations;

"TLAC/MREL Eligible Instruments" means any instrument that complies with the TLAC and/or MREL requirements applicable to the Issuer and/or the Group under Applicable Banking Regulations.

"Treaty" means the Treaty establishing the European Communities, as amended;

"Voter" means in relation to any Meeting, the bearer of a Voting Certificate, the bearer of a Definitive Note who produces such Definitive Note at the Meeting, or a Proxy;

"Voting Certificate" means, in relation to any Meeting a certificate in the English language issued by a Paying Agent for Noteholders and dated in which it is stated:

- (a) that certain specified Notes (the "deposited Notes") have been deposited with such Paying Agent (or to its order at a bank or other depository) or blocked in an account with a clearing system and will not be released until the earlier of:
 - (i) the conclusion of the Meeting; and
 - (ii) the surrender of such certificate to such Paying Agent; and
- (b) that the bearer of such certificate is entitled to attend and vote at the Meeting in respect of the deposited Notes;

"Written Resolution" means a resolution in writing signed by or on behalf of Noteholders holding not less than two thirds of the aggregate principal amount of the outstanding Notes and who for the time being are entitled to receive notice of a Meeting in accordance with the provisions of these Conditions and Schedule 5 to the Agency Agreement, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such Noteholders; and

"Zero Coupon Note" means a Note specified as such in the relevant Final Terms.

(b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 14 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 14 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) if an expression is stated in Condition 2(a) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and
- (vii) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination and Title**

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Title to the Notes, Coupons and Talons will pass by delivery. The holder of any Note, Coupon or Talon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or

any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder.

4. **Direct Rights**

For so long as the Notes are in global form, the Issuer and each Noteholder have agreed that, in the circumstances set out in the Global Notes, each Accountholder shall have against the Issuer under this Condition 4 and, as applicable, the provisions of the Global Notes with regard to the Spanish Law Notes and the Deed of Covenant with regard to the English Law Notes, all rights which such Accountholder would have had in respect of the Notes if, immediately before the Determination Date in relation to that Global Note, it had been the holder of Definitive Notes of that Tranche, duly executed, authenticated and issued, in an aggregate principal amount equal to the Principal Amount of such Accountholder's Entries relating to the Global Note including (without limitation) the right to receive all payments due at any time in respect of such Definitive Notes as if such Definitive Notes had (where required by the Conditions) been duly presented and (where required by the Conditions) surrendered on the due date in accordance with the Conditions.

5. **Status of the Notes**

- (a) **Senior Notes:** If this Condition 5(a) is specified in the Final Terms as being applicable, the Notes shall be Ordinary Senior Notes ("**Ordinary Senior Notes**") or Senior Non Preferred Notes ("**Senior Non Preferred Notes**") and, together with Ordinary Senior Notes, "**Senior Notes**"). The payment obligations of the Issuer under the Senior Notes constitute direct, unconditional, unsubordinated and (in the case of Ordinary Senior Notes only, without prejudice to the provisions of Condition 6) unsecured obligations (*créditos ordinarios*) 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 (*concurso*) of the Issuer (unless they qualify as subordinated claims (*créditos subordinados*) in accordance with Article 281.1.1º or 281.1.3º to 281.1.7º of the Insolvency Law or any equivalent legal provision which replaces it in the future), the obligations of the Issuer on account of principal of the Senior Notes will rank:

- (i) if the Senior Notes are Ordinary Senior Notes (as specified in the relevant Final Terms):
 - (A) **senior** to (i) Senior Non Preferred Liabilities and (ii) any present and future subordinated obligations (*créditos subordinados*) of the Issuer in accordance with Article 281.1 of the Insolvency Law; and
 - (B) **pari passu** among themselves and with any Senior Higher Priority Liabilities; and
- (ii) if the Senior Notes are Senior Non Preferred Notes (as specified in the relevant Final Terms):
 - (A) **senior** to any present and future subordinated obligations (*créditos subordinados*) of the Issuer in accordance with Article 281.1 of the Insolvency Law;
 - (B) **pari passu** among themselves and with any Senior Non Preferred Liabilities; and
 - (C) **junior** to the Senior Higher Priority Liabilities of the Issuer (and, accordingly, upon the insolvency of the Issuer the claims in respect of Senior Non Preferred Notes will be met after payment in full of the Senior Higher Priority Liabilities).

Claims of Noteholders of Senior Notes in respect of interest accrued but unpaid as of the commencement of any insolvency procedure in respect of the Issuer shall constitute subordinated claims (créditos subordinados) against the Issuer ranking in accordance with the provisions of Article 281.1.3º of the Insolvency Law and no further interest shall accrue from the date of the declaration of insolvency of the Issuer.

- (b) **Subordinated Notes:** If this Condition 5(b) is specified in the Final Terms as being applicable, the Notes shall be Senior Subordinated Notes ("**Senior Subordinated Notes**") or Tier 2 Subordinated Notes ("**Tier 2 Subordinated Notes**") and, together with Senior Subordinated Notes, "**Subordinated Notes**", as specified in the relevant Final Terms. The payment obligations of the Issuer under the Subordinated Notes constitute direct, unconditional and subordinated obligations (*créditos subordinados*) of the Issuer in accordance with the Insolvency Law and, in accordance with Additional Provision 14.3 of Law 11/2015,

but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise), upon the insolvency (*concurso*) of the Issuer, the obligations of the Issuer under the Subordinated Notes will rank:

- (i) for so long as the relevant Subordinated Notes do not qualify as Tier 2 Instruments of the Issuer:
 - (A) **senior** to (i) any subordinated obligations (*créditos subordinados*) of the Issuer under Articles 281.1.3° to 281.1.7° of the Insolvency Law, (ii) any claims in respect of contractually subordinated obligations (*créditos subordinados*) in respect of instruments qualifying as Additional Tier 1 Instruments or Tier 2 Instruments of the Issuer, and (iii) any other subordinated obligations (*créditos subordinados*) of the Issuer which by law and/or by their terms, and to the extent permitted by Spanish law, rank junior to the Issuer's obligations under the relevant Subordinated Notes;
 - (B) ***pari passu*** among themselves and with (i) all other claims for principal in respect of contractually subordinated obligations (*créditos subordinados*) in accordance with Article 281.1.2° of the Insolvency Law in respect of instruments not qualifying as Additional Tier 1 Instruments or Tier 2 Instruments of the Issuer and which are not subordinated obligations (*créditos subordinados*) under Articles 281.1.3° to 281.1.7° of the Insolvency Law, and (ii) any other subordinated obligations (*créditos subordinados*) of the Issuer which by law and/or by their terms, and to the extent permitted by Spanish law, rank *pari passu* to the Issuer's obligations under the relevant Subordinated Notes; and
 - (C) **junior** to (i) any unsubordinated obligations (*créditos ordinarios*) of the Issuer (including any Senior Non Preferred Liabilities), (ii) any subordinated obligations (*créditos subordinados*) of the Issuer under Article 281.1.1° of the Insolvency Law, and (iii) any other subordinated obligations (*créditos subordinados*) which by law and/or by their terms, and to the extent permitted by Spanish law, rank senior to the Issuer's obligations under the relevant Subordinated Notes; and

Senior Subordinated Notes are expected to rank as provided in paragraph (i) above on the basis that such Notes are not intended to qualify as Tier 2 capital of the Issuer.

- (ii) for so long as the relevant Subordinated Notes qualify as Tier 2 Instruments of the Issuer:
 - (A) **senior** to (i) any claims in respect of contractually subordinated obligations (*créditos subordinados*) of the Issuer in respect of instruments qualifying as Additional Tier 1 Instruments, and (ii) any other subordinated obligations (*créditos subordinados*) of the Issuer which by law and/or by their terms, and to the extent permitted by Spanish law, rank junior to the Issuer's obligations under the relevant Subordinated Notes;
 - (B) ***pari passu*** among themselves and with (i) any other claims in respect of contractually subordinated obligations (*créditos subordinados*) of the Issuer in respect of instruments qualifying as Tier 2 Instruments, and (ii) any other subordinated obligations (*créditos subordinados*) of the Issuer which by law and/or by their terms, and to the extent permitted by Spanish law, rank *pari passu* with the Issuer's obligations under the relevant Subordinated Notes; and
 - (C) **junior** to (i) any unsubordinated obligations (*créditos ordinarios*) of the Issuer (including any Senior Non Preferred Liabilities); (ii) any claim in respect of other subordinated obligations (*créditos subordinados*) of the Issuer in respect of instruments not qualifying as Additional Tier 1 Instruments or Tier 2 Instruments (such as the Senior Subordinated Notes, if and as applicable), and (iii) any other subordinated obligations (*créditos subordinados*) which by law and/or by their terms, and to the extent permitted by Spanish law, rank senior to the Issuer's obligations under the relevant Subordinated Notes.

Tier 2 Subordinated Notes are expected to rank as provided in paragraph (ii) above on the basis that such Notes are intended to qualify as Tier 2 capital of the Issuer.

6. **Negative Pledge**

If this Condition 6 is specified as applicable in the relevant Final Terms, so long as any Ordinary Senior Note remains outstanding, the Issuer shall, and shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.

7. **Fixed Rate Note Provisions**

- (a) *Application:* This Condition 7 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 13 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

8. **Fixed Reset Note Provisions**

- (a) *Application:* This Condition 8 is applicable to the Notes only if the Fixed Reset Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of Interest:* Subject to Condition 10 (*Interest – Benchmark Discontinuation*), each Fixed Reset Note bears interest:
 - (i) from (and including) the Interest Commencement Date to (but excluding) the First Reset Date at the rate per annum equal to the Initial Interest Rate;
 - (ii) from (and including) the First Reset Date to (but excluding) the Second Reset Date or, if none, the Maturity Date (the "**First Reset Period**") at the rate per annum equal to the First Reset Rate; and
 - (iii) if applicable, from (and including) the Second Reset Date to (but excluding) the first Subsequent Reset Date (if any), and each successive period from (and including) any Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date (if any) (each a "**Subsequent Reset Period**") at the rate per annum equal to the relevant Subsequent Reset Rate,

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

The provisions of this Condition 8 shall apply, as applicable, in respect of any determination by Banco Sabadell of the Rate of Interest for a Reset Period in accordance with this Condition 8 as if the Fixed Reset Notes were Floating Rate Notes. The Rate of Interest for each Reset Period shall otherwise be determined by the Fiscal Agent on the relevant Reset Determination Date in accordance with the provisions of this Condition 8. Once the Rate of Interest is determined for a Reset Period, the provisions of Condition 7 (*Fixed Rate Note Provisions*) shall apply to Fixed Reset Notes, as applicable, as if the Fixed Reset Notes were Fixed Rate Notes.

- (c) *Notification of First Reset Rate of Interest, Subsequent Reset Rate of Interest and Interest Amount:* The Fiscal Agent will cause the First Reset Rate of Interest, any Subsequent Reset Rate of Interest and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period to be notified to the Issuer, the other Paying Agents and any stock exchange or other relevant authority on which the relevant Fixed Reset Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 25 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day (where a "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London) thereafter.
- (d) *Certificates to be final:* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 8 by the Fiscal Agent shall (in the absence of negligence, wilful default, bad faith or manifest error) be binding on the Issuer, the Fiscal Agent, the Paying Agent and all Noteholders and Couponholders and (in the absence wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach the Fiscal Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

9. **Floating Rate Note Provisions**

- (a) *Application:* This Condition 9 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 13 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination for Notes referencing EURIBOR or LIBOR:* Subject to Condition 10 (*Interest – Benchmark Discontinuation*), if Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and the relevant Final Terms specify that the Reference Rate is EURIBOR or LIBOR, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
 - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
 - (A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

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

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

- (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; ***provided, however, that*** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (d) *Screen Rate Determination for Notes referencing SONIA (Non-Index Determination):* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and the relevant Final Terms specify that the Reference Rate is SONIA and that Index Determination is "Not Applicable", the Rate of Interest applicable to the Notes for each Interest Period will, as provided below, be Compounded Daily SONIA plus or minus (as indicated in the relevant Final Terms) the applicable Margin.

"Compounded Daily SONIA" means with respect to an Interest Period, the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the relevant Final Terms) as at the relevant Interest Determination Date, as follows and the resulting percentage will be rounded, if necessary, to the fourth decimal place, with 0.00005 being rounded upwards:

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

where:

"d" is the number of calendar days in:

- (a) where "Lag" is specified as the Observation Method in the relevant Final Terms, the relevant Interest Period; or
- (b) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant Observation Period;

"d_o" means:

- (a) where "Lag" is specified as the Observation Method in the relevant Final Terms, the number of London Banking Days in the relevant Interest Period; or
- (b) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the number of London Banking Days in the relevant Observation Period;

"i" is a series of whole numbers from one to d_o, each representing the relevant London Banking Day in chronological order from, and including:

- (a) where "Lag" is specified as the Observation Method in the relevant Final Terms, the first London Banking Day in the relevant Interest Period to, and including, the last London Banking Day in the relevant Interest Period; or
- (b) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the first London Banking Day in the relevant Observation Period to, and including, the last London Banking Day in the relevant Observation Period;

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

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

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

"p" means:

- (a) where "Lag" is specified as the Observation Method in the relevant Final Terms, the number of London Banking Days in the Observation Look-Back Period specified in the relevant Final Terms (or, if no such number is specified, five London Banking Days);
- (b) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the number of London Banking Days included in the Observation Shift Period specified in the relevant Final Terms (or, if no such number is specified, five London Banking Days).

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

"SONIA_{i-PLBD}" means:

- (a) where "Lag" is specified as the Observation Method in the relevant Final Terms, in respect of any London Banking Day "i", the SONIA reference rate for the London Banking Day falling "p" London Banking Days prior to such London Banking Day "i"; or
- (b) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, in respect of any London Banking Day "i", the SONIA reference rate for that day.

Subject to Condition 10 (*Interest – Benchmark Discontinuation*), if, in respect of any London Banking Day, the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the relevant Final Terms) determines that the SONIA reference rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA reference rate shall be:

1. the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at 5.00 p.m. (or, if earlier, close of business) on the relevant London Banking Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five London Banking Days on which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads); or
2. if such Bank Rate is not available, the SONIA reference rate published on the Relevant Screen Page (or as otherwise provided in the relevant definition thereof) for the first preceding London Banking Day on which the SONIA reference rate was published on the Relevant Screen Page (or as otherwise provided in the relevant definition thereof).

Subject to Condition 10 (*Interest – Benchmark Discontinuation*), in the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the relevant Final Terms), the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest specified in the relevant Final Terms is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period) or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Period).

If the relevant Notes become due and payable in accordance with Condition 15 (*Events of Default*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the relevant Final Terms, be deemed to be the date on which such Notes became due and payable and the Rate of Interest on such Notes shall, for so long as any such Note remains outstanding, be that determined on such date and as if (solely for the purpose of such interest determination) the relevant Interest Period had been shortened accordingly.

- (e) *Screen Rate Determination for Notes referencing SONIA (Index Determination)*: If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and the relevant Final Terms specify that the Reference Rate is SONIA and that Index Determination is "Applicable", the Rate of Interest applicable to the Notes for each Interest Period will, as provided below, be the SONIA Compounded Index Rate plus or minus (as indicated in the relevant Final Terms) the applicable Margin.

"**SONIA Compounded Index Rate**" means, with respect to an Interest Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Period (with the daily Sterling overnight reference rate as the reference rate for the calculation of interest) and will be calculated by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the relevant Final Terms) on the Interest Determination Date in accordance

with the following formula and the resulting percentage will be rounded, if necessary, to the fourth decimal place, with 0.00005 being rounded upwards:

$$\left(\frac{\text{SONIA Compounded Index}_{END}}{\text{SONIA Compounded Index}_{START}} - 1 \right) \times \frac{365}{d}$$

where:

"London Banking Day" and **"Observation Period"** have the meanings set out under Condition 9(d) (*Floating Rate Note Provisions – Screen Rate Determination for Notes referencing SONIA (Non-Index Determination)*);

"d" means the number of calendar days in the relevant Observation Period;

"p" means the number of London Banking Days included in the SONIA Compounded Index Observation Shift Period specified in the relevant Final Terms (or, if no such number is specified, five London Banking Days);

"SONIA Compounded Index" means the index known as the SONIA Compounded Index administered by the Bank of England (or any successor administrator thereof);

"SONIA Compounded Index_{START}" means, with respect to an Interest Period, the SONIA Compounded Index Value on the first day of the relevant Observation Period;

"SONIA Compounded Index_{END}" means the SONIA Compounded Index Value on the last day of the relevant Observation Period; and

"SONIA Compounded Index Value" means, in relation to any London Banking Day, the value of the SONIA Compounded Index as published on the Relevant Screen Page on such London Banking Day or, if the value of the SONIA Compounded Index cannot be obtained from the Relevant Screen Page, as published on the Bank of England's website at www.bankofengland.co.uk/boeapps/database/ (or such other page or website as may replace such page for the purposes of publishing the SONIA Compounded Index) in respect of the relevant London Banking Day.

Subject to Condition 10 (*Interest – Benchmark Discontinuation*), if the SONIA Compounded Index Value is not available in relation to any Interest Period on the Relevant Screen Page or the Bank of England's website (or such other page or website referred to in the definition of "SONIA Compounded Index Value" above) for the determination of either or both of SONIA Compounded Index_{START} and SONIA Compounded Index_{END}, the Rate of Interest for such Interest Period shall be "Compounded Daily SONIA" determined as set out in Condition 9(d) (*Floating Rate Note Provisions – Screen Rate Determination for Notes referencing SONIA (Non-Index Determination)*) above plus or minus (as indicated in the relevant Final Terms) the applicable Margin and as if Index Determination were specified in the applicable Final Terms as being "Not Applicable", and for these purposes: (A) (i) the "Observation Method" shall be deemed to be "Observation Shift" and (ii) the "Observation Shift Period" shall be deemed to be equal to the "SONIA Compounded Index Observation Shift Period", as if those alternative elections had been made in the applicable Final Terms; and (B) the "Relevant Screen Page" shall be deemed to be the "Relevant Fallback Screen Page" specified in the relevant Final Terms.

If the relevant Notes become due and payable in accordance with Condition 15 (*Events of Default*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the relevant Final Terms, be deemed to be the date on which such Notes became due and payable and the Rate of Interest on such Notes shall, for so long as any such Note remains outstanding, be that determined on such date and as if (solely for the purpose of such interest determination) the relevant Interest Period had been shortened accordingly.

- (f) **ISDA Determination:** If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation

Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms;
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms; and
- (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
 - (A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

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

- (g) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (h) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (i) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (j) *Notifications:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

10. **Interest – Benchmark Discontinuation**

(a) *Independent Adviser:*

- (i) Unless ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, if a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate (subject to the terms of this Condition 10), failing which an Alternative Rate (in accordance with Condition 10(b)) and, in either case, an Adjustment Spread if any (in accordance with Condition 10(c)) and any Benchmark Amendments (in accordance with Condition 10(d)).

An Independent Adviser appointed pursuant to this Condition 10 shall act in good faith and in a commercially reasonable manner. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Paying Agents, or the Noteholders for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 10(a).

(ii) If:

- (A) the Issuer is unable to appoint an Independent Adviser; or
- (B) the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 10(a) prior to the relevant Reset Determination Date or Interest Determination Date, as applicable,

the Rate of Interest applicable to the next succeeding Reset Period or Interest Period, as applicable, shall be determined by reference to the last observable Original Reference Rate which appears on the Relevant Screen Page or Fixed Reset Rate Relevant Screen Page after the most recent Reset Determination Date or Interest Determination Date, as applicable, or, if none, shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Reset Period or Interest Period, respectively. If there has not been a first Interest Payment Date, the Rate of Interest shall be the Initial Interest Rate. Where a different Margin or Reset Margin is to be applied to the relevant Reset Period or Interest Period, as applicable, from that which applied to the last preceding Reset Period or Interest Period, respectively, the Margin or Reset Margin relating to the relevant Reset Period or Interest Period, respectively, shall be substituted in place of the Margin or Reset Margin relating to that last preceding Reset Period or Interest Period, respectively.

For the avoidance of doubt, this Condition 10(a)(ii) shall apply to the relevant next succeeding Reset Period or Interest Period only and any subsequent Reset Periods or Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 10(a).

(b) *Successor Rate or Alternative Rate:* If the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines that:

- (i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 10(c)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof), as applicable, for all future payments of interest on the Notes (subject to the operation of this Condition 10); or
- (ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 10(c)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof), as applicable, for all future payments of interest on the Notes (subject to the operation of this Condition 10).

(c) *Adjustment Spread:* The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread), if any, shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Issuer, following consultation with the Independent Adviser is unable to determine the

quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or the Alternative Rate (as applicable) will apply without an Adjustment Spread.

- (d) *Benchmark Amendments:* If any Successor Rate, Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 10 and the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines (i) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 10(e), without any requirement for the consent or approval of Noteholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice.

Notwithstanding any other provision of this Condition 10, the Calculation Agent or any Paying Agent is not obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 10(d) to which, in the sole opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Agency Agreement and/or these Conditions.

In connection with any such variation in accordance with this Condition 10(d), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

Notwithstanding any other provision of this Condition 10, no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Tier 2 Subordinated Notes as Tier 2 capital or Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes as TLAC/MREL-Eligible Instruments for the purposes of the Applicable Banking Regulations, or could reasonably result in the Relevant Resolution Authority treating any future Interest Payment Date as the effective maturity of the Notes, rather than the relevant Maturity Date.

- (e) *Notices, etc.:* Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 10 will be notified promptly by the Issuer to the Calculation Agent, the Paying Agents and, in accordance with Condition 25, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

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

- (i) confirming (A) that a Benchmark Event has occurred, (B) the Successor Rate or, as the case may be, the Alternative Rate, (C) the applicable Adjustment Spread (if any) and (D) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 10; and
- (ii) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor or Alternative Rate and (in either case) the applicable Adjustment Spread.

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

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

Notwithstanding any other provision of this Condition 10, if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 10, the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability for not doing so.

- (f) *Survival of Original Reference Rate:* Without prejudice to the obligations of the Issuer under Conditions 10(a), 10(b), 10(c) and 10(d), the Original Reference Rate and the fallback provisions provided for in Conditions 8 and/or 9(c) will continue to apply unless and until a Benchmark Event has occurred. Upon the occurrence of a Benchmark Event, this Condition 10 shall prevail.

- (g) *Definitions:* As used in this Condition 10:

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

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (ii) (if no such recommendation has been made, or in the case of an Alternative Rate) the Issuer, following consultation with the Independent Adviser, determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or
- (iii) (if the Issuer determines that no such spread is customarily applied) the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (iv) (if the Issuer determines that no such industry standard is recognised or acknowledged) if no such spread, formula or methodology can be determined in accordance with (i) to (iii) above, the Issuer, in its discretion, following consultation with the Independent Adviser, and acting in good faith and in a commercially reasonable manner, determines to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this subclause (iv) only, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Noteholders.

"Alternative Rate" means an alternative benchmark or screen rate which the Issuer following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines in accordance with Condition 10(b) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

"Benchmark Amendments" has the meaning given to it in Condition 10(b).

"Benchmark Event" means:

- (i) the Original Reference Rate ceasing to exist or ceasing to be published for a period of at least 5 Business Days; or
- (ii) a public statement by the administrator of the Original Reference Rate that it has ceased or it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances

where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

- (iii) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or
- (iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or
- (v) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or
- (vi) it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate;

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (ii) and (iii) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (iv) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (v) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Fiscal Agent, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Fiscal Agent, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

"Independent Adviser" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 10(a).

"Original Reference Rate" means:

- (i) the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof), as applicable, on the Notes; or
- (ii) any Successor Rate or Alternative Rate which has been determined in relation to such benchmark or screen rate (as applicable) pursuant to the operation of Condition 10,

as applicable.

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

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

"Successor Rate" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

11. **Zero Coupon Note Provisions**

- (a) *Application:* This Condition 11 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

12. **Redemption and Purchase**

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 13 (*Payments*).
- (b) *Redemption for taxation reasons:* Subject, in the case of Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes qualifying as TLAC/MREL Eligible Instruments, to compliance with Applicable Banking Regulations then in force and permission of the Competent Authority and/or the Relevant Resolution Authority, if and as required therefor under Applicable Banking Regulations, the Notes may be redeemed at the option of the Issuer in whole, but not in part:
 - (i) at any time (if the Floating Rate Note Provisions are not specified in the relevant Final Terms as being applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 15 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant final terms, (which notice shall be irrevocable), at their Early Redemption Amount, together with interest accrued (if any) to the date fixed for redemption, if:

- (A) (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 14 (*Taxation*), or (ii) the Issuer would not be entitled to claim a deduction in computing taxation liabilities in Spain in respect of any payment of interest to be made on the next Interest Payment Date or the value of such deduction to the Issuer would be materially reduced, in each case as a result of any change in, or amendment to, the laws or regulations of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and
- (B) in the case of Condition 12(b)(ii)(A) above, such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days (or such other period as may be specified in the relevant final terms) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or would no longer be entitled to claim a deduction or the value of such deduction would be materially reduced; or

- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant final terms) prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or would no longer be entitled to claim a deduction or the value of such deduction would be materially reduced.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall (A) deliver to the Fiscal Agent a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred of and (B) use its best efforts to deliver to the Fiscal Agent an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 12(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 12(b).

- (c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 15 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant final terms (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

In the case of Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes qualifying as TLAC/MREL Eligible Instruments, redemption at the option of the Issuer (a) shall be in whole, (b) shall be subject to compliance with Applicable Banking Regulations then in force and permission of the Competent Authority and/or the Relevant Resolution Authority, if and as required therefor under Applicable Banking Regulations and (c) may not take place within a period of (in case of Tier 2 Subordinated Notes) five years from their date of issue or such other minimum or maximum length as may be permitted or required from time to time by Applicable Banking Regulations or the requirements of the Competent Authority and (in the case of Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes qualifying as TLAC/MREL Eligible Instruments) one year from their date of issue, or, in each case, such other minimum or maximum length as may be permitted or required from time to time by Applicable Banking Regulations or the requirements of the Competent Authority.

- (d) *Redemption at the option of the Issuer (Capital Event):* If a Capital Event occurs, the Tier 2 Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part, subject to such redemption being permitted by the Applicable Banking Regulations then in force and subject to the permission of the Competent Authority and/or the Relevant Resolution Authority, if and as required therefor under Applicable Banking Regulations, at any time, on giving not less than 15 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 25 (*Notices*), the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption), at their Early Redemption Amount, (together with interest accrued, if applicable, to (but excluding) the date fixed for redemption).
- (e) *Redemption at the option of the Issuer (Disqualification Event):* If a Disqualification Event occurs, the Subordinated Notes, the Senior Non Preferred Notes and the Ordinary Senior Notes where the Disqualification Event has been specified as applicable in the relevant Final Terms, may be redeemed at the option of the Issuer in whole, but not in part, subject to such redemption being permitted by Applicable Banking Regulations and permission of the Competent Authority and/or the Relevant Resolution Authority, if and as required therefor under Applicable Banking Regulations, at any time, on giving not less than 15 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 25 (*Notices*), the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption) at the Early Redemption Amount (together with interest accrued to (but excluding) the date fixed for redemption).

Tier 2 Subordinated Notes where the Disqualification Event has been specified as applicable in the relevant Final Terms may be redeemed pursuant to a Disqualification Event only after five years from their date of issuance or such other minimum or maximum length as may be permitted or required from time to time by Applicable Banking Regulations.

- (f) *Purchase*: The Issuer or any of its Subsidiaries may purchase Senior Notes and/or Subordinated Notes (provided that all unmatured Coupons and unexchanged Talons appertaining thereto are attached or surrendered therewith) in the open market or otherwise at any price. Any purchases of Subordinated Notes, Senior Non Preferred Notes or Ordinary Senior Notes qualifying as TLAC/MREL Eligible Instruments will be made in compliance with Applicable Banking Regulations in force at the time of such purchase and subject to the permission of the Competent Authority and/or the Relevant Resolution Authority, if and as applicable, if required.
- (g) *Partial redemption*: If the Notes are to be redeemed in part only on any date in accordance with Condition 12(c) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 12(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (h) *Redemption at the option of Noteholders*: If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 12(h), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant final terms), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 12(h), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 12(h), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes. No such redemption option will be applicable to any Subordinated Notes, Senior Non Preferred Notes or Ordinary Senior Notes where the Disqualification Event has been specified as applicable in the relevant Final Terms, unless permitted under Applicable Banking Regulations.
- (i) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (g) above.
- (j) *Early redemption of Zero Coupon Notes*: Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 12(j) or, if none is so specified, a Day Count Fraction of 30E/360.

- (k) *Cancellation:* All Notes redeemed by the Issuer in accordance with Conditions 12(b), (c), (d) and (h), and any unmatured Coupons and unexchanged Talons attached thereto or surrendered with them at the time of redemption, shall be cancelled and may not be reissued or resold.

13. **Payments**

- (a) *Principal:* Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Notes (in the case of all other payments of principal) at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.
- (b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 14 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto (such withholding or deduction, a "**FATCA Withholding**").
- (e) *No commissions or expenses:* No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (f) *Deductions for unmatured Coupons:* If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:
- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount

of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and **(provided that** payment is made in full) surrender of the relevant missing Coupons.

- (g) *Unmatured Coupons void*: If the relevant Final Terms specifies that this Condition 13(g) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 12(b) (*Redemption for taxation reasons*), Condition 12(c) (*Redemption at the option of the Issuer*), Condition 12(d) (*Redemption at the option of the Issuer (Capital Event)*), Condition 12(e) (*Redemption at the option of the Issuer (Disqualification Event)*), Condition 12(h) (*Redemption at the option of Noteholders*), or Condition 15 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (h) *Payments on business days*: If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (i) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (j) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (k) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 20 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

14. **Taxation**

- (a) *Gross up*: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts (in the case of Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes qualifying as TLAC/MREL Eligible Instruments and/or Coupons of Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes qualifying as TLAC/MREL Eligible Instruments, in respect of the payment of any interest only (but not in respect of the payment of any principal)) as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction 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 or Coupon presented for payment:
 - (i) held by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon;
 - (ii) to, or to a third party on behalf of, a holder in respect of whom the Issuer (or the Fiscal Agent on its behalf) has not received such information (which may include a tax residence certificate) concerning such holder's identity and tax residence (or the identity or tax residence of the beneficial owner for whose benefit it holds such Notes) 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 eventually made by the Spanish Tax Authorities; or

- (iii) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on the thirtieth such day;
- (iv) to, or to a third party on behalf of, individuals resident for tax purposes in Spain if the Spanish tax authorities determine payments made to such individuals are not exempt from withholding tax and require a withholding to be made; or
- (v) to, or to a third party on behalf of, a Spanish-resident corporate entity if the Spanish tax authorities determine that the Notes do not comply with exemption requirements including those specified in the Reply to Consultation of the General Directorate for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made.

Notwithstanding any other provision of the Conditions, all payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer will be paid net of any FATCA Withholding. Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 12 (*Redemption and Purchase*), (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Conditions 7 (*Fixed Rate Note Provisions*) and 8 (*Fixed Reset Note Provisions*) and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts which may be payable under this Condition.

See "Taxation" for a fuller description of certain tax considerations (particularly in relation to Noteholders which are resident in Spain) relating to the Notes.

- (b) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than the Kingdom of Spain, references in these Conditions to the Kingdom of Spain shall be construed as references to the Kingdom of Spain and/or such other jurisdiction.

15. **Events of Default**

- (a) This Condition 15(a) only applies to Ordinary Senior Notes unless otherwise specified in the relevant Final Terms and references to "Notes" shall be construed accordingly.

If any of the following events (each an "**Event of Default**") occurs and is continuing, then any Note may, unless there has been an Extraordinary Resolution to the contrary at a meeting of Noteholders, 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 Redemption Amount of such Notes together with accrued interest to the date of payment shall become immediately due and payable without further action or formality:

- (i) *Non-payment:* the Issuer fails to pay any amount of principal or interest in respect of the Notes within 14 days of the due date for payment thereof; or
- (ii) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or
- (iii) *Cross-default of Issuer or Relevant Subsidiary:*
 - (A) any Indebtedness of the Issuer or any of its Relevant Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period; or
 - (B) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or any of its Relevant Subsidiaries or (**provided that no**

event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or

- (C) the Issuer or any of its Relevant Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub-paragraph (A) and/or sub-paragraph (B) above and/or the amount payable under any Guarantee referred to in sub-paragraph (C) above individually or in the aggregate exceeds €50,000,000 (or its equivalent in any other currency or currencies); or

- (iv) *Cessation of Business*: the Issuer or any of the Issuer's Relevant Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (save for the purpose of an amalgamation, reorganisation restructuring while solvent); or
- (v) *Unsatisfied judgment*: one or more final judgment(s) or order(s) for the payment of an aggregate amount in excess of €50,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its respective Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (vi) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Relevant Subsidiaries provided that the amount of security enforced equals or exceeds €50,000,000 (or its equivalent in any other currency or currencies); or
- (vii) *Insolvency*: (A)(1) in respect of the Issuer, an order is made by any competent court commencing insolvency proceedings (*procedimientos concursales*) against it or an order is made or a resolution is passed for the dissolution, winding up or liquidation of the Issuer, and in respect of any of the Issuer's Relevant Subsidiaries, proceedings are initiated against any such Relevant Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (except in any such case for the purpose of a Permitted Reorganisation); or (2) an application made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer (or any of its Relevant Subsidiaries) or in relation to the whole or any substantial part of the undertaking or assets of any of them; or (3) an encumbrance takes possession of the whole or any substantial part of the undertaking or assets of the Issuer (or any of its Relevant Subsidiaries); or (4) a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any substantial part of the undertaking or assets of the Issuer (or any of its Relevant Subsidiaries); and (B) in any case is or are not discharged within 30 days; or
- (viii) *Winding up*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Relevant Subsidiaries (except in any such case for the purpose of a Permitted Reorganisation); or
- (ix) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes.

For the purpose of this Condition 15(a):

"Permitted Reorganisation" means:

- (a) with respect to the Issuer, 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 credit institution (*entidad de crédito*) under article 1 of Law 10/2014 and (B) has a rating for long-term senior debt assigned by S&P, Moody's, Fitch or DBRS equivalent to or higher than the rating for long-term senior debt of the Issuer immediately prior to such reconstruction, merger or amalgamation; and

- (b) with respect to a Relevant Subsidiary, a reconstruction, merger or amalgamation (i) which has been approved by an Extraordinary Resolution at a meeting of Noteholders; and (ii) is on a solvent basis.
- (b) This Condition 15(b) only applies to Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes if so specified in the relevant Final Terms, and references to "Notes" shall be construed accordingly.

Save as provided below, there are no events of default under the Subordinated Notes, the Senior Non Preferred Notes and, to the extent so specified in the relevant Final Terms, the Ordinary Senior Notes, which could lead to an acceleration of the relevant Subordinated Notes, Senior Non Preferred Notes or Ordinary Senior Notes.

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 liquidation 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 credit institution (*entidad de crédito*) under article 1 of Law 10/2014 and (B) has a rating for long-term subordinated debt assigned by S&P, Moody's, Fitch or DBRS 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 Noteholders, 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 Redemption Amount of such Notes together with accrued interest to the date of payment shall become immediately due and payable without further action or formality.

Neither a cancellation of the Notes, a reduction, in part or in full, of the principal amount of the Notes or any accrued and unpaid interest on the Notes, the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the Statutory Loss-Absorption Power by the Relevant Resolution Authority with respect to the Issuer, nor the exercise of any Statutory Loss-Absorption Power by the Relevant Resolution Authority with respect to the Notes will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Noteholders to any remedies (including equitable remedies), which are hereby expressly waived.

16. **Waiver of set-off rights**

This Condition 16 applies to Notes if the relevant Final Terms so specifies and references to "Notes" shall be construed accordingly.

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

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

- (ii) In this Condition 16:

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

17. Substitution and Variation

This Condition 17 applies to Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes if so specified in the relevant Final Terms, and references to "Notes" shall be construed accordingly.

- (i) If a Capital Event, a Disqualification Event or an event giving rise to the Issuer being entitled to redeem the Notes under Condition 12(b) (*Redemption for taxation reasons*) (a **"Tax Event"**) occurs and is continuing, the Issuer may substitute all (but not some only) of the Notes or modify the terms of all (but not some only) of the Notes, without any requirement for the consent or approval of the Noteholders, so that they are substituted for, or varied to, become, or remain, Qualifying Notes, subject to having given not less than 15 nor more than 60 days' notice to the Noteholders in accordance with Condition 25 (*Notices*) (which notice shall be irrevocable and shall specify the date for substitution or, as applicable, variation), and subject to obtaining permission of the Competent Authority and/or the Relevant Resolution Authority, if and as applicable, thereto, if required. Any such notice shall specify the relevant details of the manner in which such substitution or variation shall take effect and where the Noteholders can inspect or obtain copies of the new terms and conditions of the Notes. Such substitution or variation will be effected without any cost or charge to the Noteholders.
- (ii) Noteholders shall, by virtue of subscribing and/or purchasing and holding any Notes, be deemed to accept the substitution or variation of the terms of the Notes and to grant to the Issuer full power and authority to take any action and/or to execute and deliver any document in the name and/or on behalf of the Noteholders which is necessary or convenient to complete the substitution or variation of the terms of the Notes, as applicable.
- (iii) In this Condition 17:

"Qualifying Notes" means, at any time, any securities denominated in a Specified Currency and issued directly by the Issuer that, other than in respect of the effectiveness and enforceability of Condition 18, have terms not otherwise materially less favourable to the Noteholder than the terms of the Notes provided that the Issuer shall have delivered a certificate signed by two directors of the Issuer to that effect to the Fiscal Agent not less than five Business Days prior to (x) in the case of a substitution of the Notes, the issue date of the relevant securities or (y) in the case of a variation of the Notes, the date such variation becomes effective, provided that such securities shall:

- In the case of Notes qualifying as TLAC/MREL Eligible Instruments contain terms which comply with the then current requirements for TLAC/MREL Eligible Instruments as embodied in the Applicable Banking Regulations and in the case of Tier 2 Subordinated Notes, contain terms which comply with the current requirements for their inclusion on the Tier 2 capital of the Issuer and/or the Group pursuant to Applicable Banking Regulations; and
- carry the same rate of interest as the Notes prior to the relevant substitution or variation; and
- have the same denomination and aggregate outstanding principal amount as the Notes prior to the relevant substitution or variation; and
- have the same date of maturity and the same dates for payment of interest as the Notes prior to the relevant substitution or variation; and
- have at least the same ranking as set out in Condition 5 (*Status of the Notes*); and
- not, immediately following such substitution or variation, be subject to a Capital Event, Disqualification Event and/or a Tax Event (as defined above); and

- be listed or admitted to trading on any stock exchange as selected by the Issuer, if the Notes were listed or admitted to trading on a stock exchange immediately prior to the relevant substitution or variation,

and provided that (i) any change in the governing law of the Notes from English law to Spanish law so that the Notes become or remain Qualifying Notes shall not be subject to the requirement not to be materially less favourable to the interests of the Noteholders; and (ii) any variation in the ranking of the relevant Notes as set out in Condition 5 resulting from such substitution or modification shall be deemed to be not materially less favourable to the interests of the Noteholders where the ranking of such Notes following such substitution or modification is at least the same ranking as was applicable to such Notes under Condition 5 on the Issue Date of such Notes.

18. **Statutory Loss-Absorption Power**

- (a) *Acknowledgement:* Notwithstanding any other term of the Notes or any other agreement, arrangement or understanding between the Issuer and the Noteholders, by its subscription and/or purchase and holding of the Notes, each Noteholder (which for the purposes of this Condition 18, includes each holder of a beneficial interest in the Notes) acknowledges, accepts, consents to and agrees:
- (i) to be bound by the effect of the exercise of the Statutory Loss-Absorption Power by the Relevant Resolution Authority, which may include and result in any of the following, or some combination thereof:
- the reduction of all, or a portion, of the Amounts Due on a permanent basis;
 - the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or another person (and the issue to the Noteholder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes, in which case the Noteholder agrees to accept in lieu of its rights under the Notes any such shares, other securities or other obligations of the Issuer or another person;
 - the cancellation of the Notes or Amounts Due;
 - the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and
- (ii) that the terms of the Notes are subject to, and may be varied, if necessary, to give effect to, the exercise of the Statutory Loss-Absorption Power by the Relevant Resolution Authority.
- (b) *Payment of Interest and Other Outstanding Amounts Due:* No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Statutory Loss-Absorption Power by the Relevant Resolution Authority with respect to the Issuer unless, at the time such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer under the laws and regulations in effect in the Kingdom of Spain and the EU applicable to the Issuer or other members of the Group.
- (c) *Notice to Noteholders:* Upon the exercise of any Statutory Loss-Absorption Power by the Relevant Resolution Authority with respect to the Notes, the Issuer will make available a written notice to the Noteholders as soon as practicable regarding such exercise of the Statutory Loss-Absorption Power. The Issuer will also deliver a copy of such notice to the Agents for information purposes. No failure or delay by the Issuer to deliver a notice to the Noteholders shall affect the validity or enforceability of the exercise of the Statutory Loss-Absorption Power.
- (d) *Duties of the Agents:* Upon the exercise of any Statutory Loss-Absorption Power by the Relevant Resolution Authority, (a) the Agent shall not be required to take any directions from Noteholders, and (b) the Issue and Paying Agency Agreement shall impose no duties upon any of the Agents whatsoever, in each case with respect to the exercise of any Statutory Loss-Absorption Power by the Relevant Resolution Authority.

- (e) *Proration*: If the Relevant Resolution Authority exercises the Statutory Loss-Absorption Power with respect to less than the total Amounts Due, unless any of the Agents is otherwise instructed by the Issuer or the Relevant Resolution Authority, any cancellation, write-off or conversion made in respect of the Notes pursuant to the Statutory Loss-Absorption Power will be made on a pro-rata basis.
- (f) *Conditions Exhaustive*: The matters set forth in this Condition 18 shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and any holder of a Note.
- (g) *Definitions*: In this Condition 18:

"Amounts Due" means the principal amount, together with any accrued but unpaid interest, and additional amounts, if any, due on the Notes under Condition 14 (*Taxation*). References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of the Statutory Loss-Absorption Power by the Relevant Resolution Authority;

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

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

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

19. **Recognition of Stay Powers**

Notwithstanding any other term of the Notes or any other agreements, arrangements, or understanding between the Issuer and the Noteholders, by its subscription and/or purchase and holding of the Notes, each Noteholder (which for the purposes of this Condition 19, includes each holder of a beneficial interest in the Notes) acknowledges, accepts, consents to and agrees that it may be subject to the exercise of Stay Powers by the Relevant Resolution Authority, and acknowledges, accepts, and agrees to be bound by:

- (a) the effect of the exercise of Stay Powers by the Relevant Resolution Authority in relation to an obligation of the Issuer to each of the Noteholders and/or a right of the Issuer and the Noteholders, as applicable, under the Notes, that (without limitation) may include and result in any of the following, or some combination thereof:
 - the suspension of any payment or delivery obligation if the Issuer is failing or likely to fail or under resolution;
 - the restriction of enforcement of security interests if the Issuer is under resolution; and
 - the temporary suspension of termination rights if the Issuer is under resolution.
- (b) the fact that the exercise of Stay Powers by the Relevant Resolution Authority shall not constitute non-performance of a contractual obligation and therefore deemed to be an enforcement event within the meaning of Directive 2002/47/EC or as insolvency proceedings within the meaning of Directive 98/26/EC implemented in Spain through Royal Decree-law 5/2005 and Law 41/1999, respectively.

For the purposes of this Condition 19:

"Stay Powers" means any suspension of obligations or restriction of rights in accordance with Articles 33a, 69, 70 and 71 of BRRD, implemented in Spain through Articles 66 and 70 to 70 ter of Law 11/2015.

20. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

21. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

22. **Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent or Calculation Agent and additional or successor paying agents; **provided, however, that:**

- (a) the Issuer shall at all times maintain a Fiscal Agent; and
- (b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

23. **Meetings of Noteholders; Modification and Waiver**

- (a) *Interpretation:* References in this Condition to the Notes are to the Series of Notes in respect of which Meeting is, or is proposed to be, convened.
- (b) *Convening of Meeting:* The Issuer may convene a Meeting at any time, and shall be obliged to do so upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes.
- (c) *Notice:* At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the relevant Meeting is to be held) specifying the date, time and place of the Meeting (or, in the case of virtual meetings, the details of the electronic platform to be used and the means to attend and participate in it) shall be given to the Noteholders and the Paying Agents (with a copy to the Issuer). The notice shall set out the full text of any resolutions to be proposed and shall state that the Notes may be deposited with, or to the order of any Paying Agent for the purpose of obtaining Voting Certificates not later than 48 hours before the time fixed for the Meeting.

- (d) *Chairperson:* An individual (who may, but need not, be a Noteholder) nominated in writing by the Issuer may take the chair at any Meeting but, if no such nomination is made or if the individual nominated is not present within 15 minutes after the time fixed for the Meeting, those present shall elect one of themselves to take the chair failing which, the Issuer may appoint a Chairperson. The Chairperson of an adjourned Meeting need not be the same person as was the Chairperson of the original Meeting.
- (e) *Quorum:* The quorum at any Meeting shall be one or more Voters representing or holding not less than the Relevant Fraction of the aggregate principal amount of the outstanding Notes; *provided, however, that*, so long as at least the Relevant Fraction of the aggregate principal amount of the outstanding Notes is represented by a Global Note, a single Proxy representing the holder thereof shall be deemed to be one or more Voters for the purpose of forming a quorum.
- (f) *Adjournment for want of quorum:* If within 15 minutes after the time fixed for any Meeting a quorum is not present, then:
 - (a) in the case of a Meeting requested by Noteholders, it shall be dissolved; and
 - (b) in the case of any other Meeting, it shall be adjourned for such period (which shall be not less than 14 days and not more than 42 days) and to such place as the Chairperson determines; *provided, however, that:*
 - (i) the Meeting shall be dissolved if the Issuer so decides; and
 - (ii) no Meeting may be adjourned more than once for want of a quorum.
- (g) *Adjourned Meeting:* The Chairperson may, with the consent of (and shall if directed by) any Meeting, adjourn such Meeting from time to time and from place to place (including prescribe the holding of the Meeting by conference call, including by use of a videoconference platform in circumstances where it may be impractical or inadvisable to hold a physical Meeting), but no business shall be transacted at any adjourned Meeting except business which might lawfully have been transacted at the Meeting from which the adjournment took place.
- (h) *Notice following adjournment:* Condition 23(c) shall apply to any Meeting which is to be resumed after adjournment for want of a quorum save that:
 - (a) ten days' notice (exclusive of the day on which the notice is given and of the day on which the Meeting is to be resumed) shall be sufficient; and
 - (b) the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.
- (i) *Participation:* The following may attend and speak at a Meeting:
 - (a) Voters;
 - (b) representatives of the Issuer and the Fiscal Agent;
 - (c) the financial advisers of the Issuer;
 - (d) the legal counsel to the Issuer and the Fiscal Agent; and
 - (e) any other person approved by the Meeting.
- (j) *Show of hands:* Every question submitted to a Meeting shall be decided in the first instance by a show of hands. Unless a poll is validly demanded before or at the time that the result is declared, the Chairperson's declaration that on a show of hands a resolution has been passed, passed by a particular majority, rejected or rejected by a particular majority shall be conclusive, without proof of the number of votes cast for, or against, the resolution. Where there is only one Voter, this paragraph shall not apply and the resolution will immediately be decided by means of a poll.
- (k) *Poll:* A demand for a poll shall be valid if it is made by the Chairperson, the Issuer or one or more Voters representing or holding not less than one fiftieth of the aggregate principal amount of the outstanding Notes. The poll may be taken immediately or after such adjournment as the Chairperson directs, but any

poll demanded on the election of the Chairperson or on any question of adjournment shall be taken at the Meeting without adjournment. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business as the Chairperson directs.

(l) *Votes:* Every Voter shall have:

- (a) on a show of hands, one vote; and
- (b) on a poll, the number of votes obtained by dividing the aggregate principal amount of the outstanding Note(s) represented or held by him by the unit of currency in which the Notes are denominated.

In the case of a voting tie the Chairperson shall have a casting vote.

Unless the terms of any Block Voting Instruction state otherwise, a Voter shall not be obliged to exercise all the votes to which he is entitled or to cast all the votes which he exercises in the same way.

(m) *Powers:* A Meeting shall have power (exercisable by Extraordinary Resolution), without prejudice to any other powers conferred on it or any other person:

- (a) to approve any Reserved Matter;
- (b) to approve any proposal by the Issuer for any modification, abrogation, variation or compromise of any of these Conditions or any arrangement in respect of the obligations of the Issuer under or in respect of the Notes;
- (c) to approve any proposal by the Issuer for any modification of any provision of the Deed of Covenant insofar as it relates to the Deed of Covenant or any arrangement in respect of the obligations of the Issuer thereunder;
- (d) to approve the substitution of any person for the Issuer (or any previous substitute) as principal obligor under the Notes and the Deed of Covenant;
- (e) to waive any breach or authorise any proposed breach by the Issuer of its obligations under or in respect of the Notes or the Deed of Covenant, or any act or omission which might otherwise constitute an event of default under the Notes;
- (f) to authorise the Fiscal Agent or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- (g) to give any other authorisation or approval which is required to be given by Extraordinary Resolution; and
- (h) to appoint any persons as a committee to represent the interests of the Noteholders and to confer upon such committee any powers which the Noteholders could themselves exercise by Extraordinary Resolution.

(n) *Resolutions bind all holders:* A resolution shall be binding upon all Noteholders and holders of Coupons and Talons whether or not present at such Meeting and each of the Noteholders shall be bound to give effect to it accordingly. Notice of the result of every vote on an Extraordinary Resolution shall be given to the Noteholders and the Paying Agents (with a copy to the Issuer) within 14 days of the conclusion of the Meeting.

(o) *Minutes:* Minutes shall be made of all resolutions and proceedings at each Meeting. The Chairperson shall sign the minutes, which shall be prima facie evidence of the proceedings recorded therein. Unless and until the contrary is proved, every such Meeting in respect of the proceedings of which minutes have been summarised and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

(p) *Written Resolution:* A Written Resolution shall take effect as if it were an Extraordinary Resolution.

(q) *Modification:* The Notes and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error or to make any modification that is of a minor, formal

or technical nature or to comply with a mandatory provision of law. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the sole opinion of the Issuer, not materially prejudicial to the interests of the Noteholders. By its acquisition of the Notes, each Noteholder and Couponholder (which for these purposes includes each holder of a beneficial interest in the Notes or the Coupons) will be deemed to have expressly consented to a modification of the Notes, these Conditions or the Agency Agreement pursuant to this Condition 23.

24. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

25. **Notices**

Notices to the Noteholders shall be valid if published (a) if the rules of the exchange on which the Notes are listed so required, in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe or (b) if and for so long as the Notes are admitted to trading on, and listed on the Official List of the Euronext Dublin, on Euronext Dublin's website, www.euronext.com/en/markets/dublin. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

26. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms) (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) unless stated otherwise, all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

27. **Governing Law and Jurisdiction**

The governing law and jurisdiction of the Notes will be specified in Part A of the relevant Final Terms.

27.1 **English law**

If English law is specified as the governing law of the Notes in the relevant Final Terms, the provisions of this Condition 27.1 shall apply to the Notes.

- (a) *Governing law:* Condition 5 (*Status of the Notes*) is governed by Spanish law. Save as mentioned above, the Notes, Coupons and Talons and all matters arising from or connected with the Notes, Coupons and Talons (including a dispute relating to any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law.
- (b) *English Courts:* The courts of England have exclusive jurisdiction to settle any dispute arising from or connected with the Notes, Coupons and/or Talons (including a dispute relating to any non-contractual obligations arising out of or in connection with them) (a "**Dispute**").
- (c) *Appropriate Forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

- (d) Condition 27.1(b) (*English Courts*) is for the benefit of the holders of the Notes, Coupons and/or Talons only. As a result, nothing in this Condition 27 (*Governing Law and Jurisdiction*) prevents any holder of a Note, Coupon or Talon from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, holders of Notes, Coupons and/or Talons may take concurrent Proceedings in any number of jurisdictions.
- (e) Notwithstanding the above Conditions 27.1(b) to (d), the courts of the city of Madrid (Spain) have exclusive jurisdiction to settle any dispute that may arise from or in connection with the exercise of the Statutory Loss-Absorption Power by the Relevant Resolution Authority (a "**Bail-in Dispute**") and accordingly, each of the Issuer and holders of Notes, Coupons and/or Talons in relation to any Bail-in Dispute submits to the exclusive jurisdiction of such courts and waives any objection to the courts of the city of Madrid (Spain) on the ground that they are an inconvenient or inappropriate forum to settle any Bail-in Dispute.
- (f) *Service of process*: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Banco de Sabadell, S.A., London Branch at 120 Pall Mall, London SW1Y 5EA, or to such other person with an address in England or Wales and/or at such other address in England or Wales as the Issuer may specify by notice in writing to the Noteholders. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.
- (g) *Rights of Third Parties*: No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

27.2 Spanish Law

If Spanish law is specified as the governing law of the Notes in the relevant Final Terms, the provisions of this Condition 27.2 shall apply to the Notes.

- (a) *Governing law*: The Notes, Coupons and Talons and all matters arising from or connected with the Notes, Coupons, and Talons (including a dispute relating to any non-contractual obligations arising out of or in connection with them) and the exercise of the Statutory Loss-Absorption Power shall be governed by, and construed in accordance with, Spanish law.
- (b) *Madrid courts*: The Issuer hereby irrevocably agrees for the benefit of the holders of the Notes, Coupons or Talons that the courts of the city of Madrid (Spain) have jurisdiction to settle any dispute arising from or connected with the Notes, Coupons and/or Talons (including a dispute relating to any non-contractual obligations arising out of or in connection with them) and that accordingly any suit, action or proceedings arising out of or in connection with the Notes, Talons or Coupons (together referred to as "**Proceedings**", may be brought in such courts. The Issuer irrevocably waives any objection which it may have now or hereinafter to the laying of the venue of Proceedings in the courts of the city of Madrid (Spain).
- (c) To the extent permitted by law, nothing contained in this Condition 27.2 shall limit any rights of any holders of the Notes, Coupons or Talons (other than in relation to a Bail-in Dispute) to take Proceedings against the Issuer in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not.
- (d) In addition, the courts of the city of Madrid (Spain) have exclusive jurisdiction to settle any Bail-in Dispute and accordingly each of the Issuer and holders of Notes, Coupons and/or Talons in relation to any Bail-in Dispute submits to the exclusive jurisdiction of such courts and waives any objection to the courts of the city of Madrid (Spain) on the ground that they are an inconvenient or inappropriate forum to settle any Bail-in Dispute.

PRO FORMA FINAL TERMS

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation

PROHIBITION OF SALES TO UK RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as professional client, as defined in point (8) of Article 2 (1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law of the UK by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

UK MIFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA ("**UK MIFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

[Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA") – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined the classification of the Notes to be [capital markets products other than]

prescribed capital markets products (as defined in the CMP Regulations 2018) and [Excluded]/ [Specified] Investment Products (as defined in the Monetary Authority of Singapore (the "MAS") Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]¹

[Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.]

Final Terms dated [●]

Banco de Sabadell, S.A. **Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated 31 May 2021 [and the supplement[s] dated [insert date]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Regulation. This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with such Base Prospectus [as so supplemented] in order to obtain all the relevant information on the Issuer and the offer of the Notes. [The Base Prospectus has been published on the website of Euronext Dublin and is available for viewing at <https://live.euronext.com/>]²

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [original date] [and the supplement to it dated [date]] which are incorporated by reference in the Base Prospectus dated 31 May 2021. This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus dated 31 May 2021 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (the "**Base Prospectus**"), including the Conditions incorporated by reference in the Base Prospectus in order to obtain all the relevant information on the Issuer and the offer of the Notes. The Base Prospectus has been published on the website of Euronext Dublin and is available for viewing at <https://live.euronext.com/>]

For the purposes of these Final Terms, the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017, as amended.

[In accordance with the Prospectus Regulation, no prospectus is required in connection with the issuance of the Notes described herein.]

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

- | | | | |
|----|-------|-------------------|-------------------------|
| 1. | (i) | Issuer: | Banco de Sabadell, S.A. |
| 2. | [(i)] | Series Number: | [•] |
| | (ii) | [Tranche Number:] | [•] |

¹ Legend to be included on front of the Final Terms if the Notes do not constitute prescribed capital markets products as defined under the CMP Regulations 2018.

² In the case of Notes to be listed on a non-regulated market, references to the Prospectus Regulation to be removed.

(iii)	[Date on which the Notes become fungible:]	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [[•]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 26 below [which is expected to occur on or about [•]].]
3.	Specified Currency or Currencies:	[•]
4.	Aggregate Nominal Amount:	[•]
	(i) [Series]:	[•]
	(ii) Tranche:	[•]]
5.	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•] (in the case of fungible issues only, if applicable)]
6.	(i) Specified Denominations:	[•] <i>No Notes may be issued which have a minimum denomination of less than €100,000 (or equivalent in another currency)</i>
	(ii) Calculation Amount:	[•]
7.	(i) Trade Date:	[•]
	(ii) Issue Date:	[•]
	(iii) Interest Commencement Date:	[[•]/Issue Date/Not Applicable]
8.	Maturity Date:	<i>[Specify date or (for Floating Rate Notes)- Interest Payment Date falling in or nearest to [specify relevant month and year]]</i>
9.	Interest Basis:	[[•] per cent. Fixed Rate] [Fixed Reset Notes] [•] month [EURIBOR/LIBOR/SONIA]+/- [•] per cent. Floating Rate] <i>[Note that the Reference Rate can only be EURIBOR, LIBOR or SONIA]</i> [Zero Coupon] (see paragraph [14/15/16/17] below)
10.	Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [•]/[100] per cent. of their nominal amount.
11.	Change of Interest or Redemption/Payment Basis:	<i>[Specify the date when any fixed to floating rate change occurs or refer to paragraphs 14 and 16 below and identify there/Not Applicable]</i>
12.	Put/Call Options:	[Investor Put] [Issuer Call]

[Capital Event (Tier 2 Subordinated Notes)]

[Disqualification Event (Senior Notes – Ordinary Senior Notes/ Senior Notes – Senior Non Preferred Notes / Senior Subordinated Notes / Tier 2 Subordinated Notes)]

[See paragraphs 18/19/20/21 below)]

13. [(i)] Status of the Notes: [Senior Notes - Ordinary Senior Notes / Senior Notes - Senior Non Preferred Notes / Subordinated Notes - Senior Subordinated Notes / Subordinated Notes - Tier 2 Subordinated Notes]
- (ii) [Date [Board] approval for issuance of Notes] obtained: [•] [and [•], respectively]
- (N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [•] per cent. per annum payable in arrear on each Interest Payment Date / [payable [annually/ semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [•] in each year in each year [adjusted in accordance with [•]]/[not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (iv) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•] [Not Applicable]
- [Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)]*
- (v) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / Actual/365(Fixed) / [Actual/360]/[30/360]]
- (vi) [Ratings Step-up/Step down: [Applicable/Not Applicable]
- [Step-up/Step-down Margin: [•] per cent. *per annum*]]
15. **Fixed Reset Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Initial Interest Rate: [•] per cent. per annum payable in arrear on each Interest Payment Date / [payable [annually/ semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [•] in each year [adjusted in accordance with [•]]/[not adjusted]

- (iii) Fixed Coupon Amount to (but excluding) the First Reset Date: [•] per Calculation Amount
 - (iv) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•][Not Applicable]
 - (v) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / Actual/365(Fixed) / [Actual/360]/[30/360]
 - (vi) First Reset Date: [•]
 - (vii) Second Reset Date: [[•]/Not Applicable]
 - (viii) Subsequent Reset Date(s): [[•]/Not Applicable]
 - (ix) Mid Swap Rate: [•]
 - (x) Reset Margin: [+/-][•] per cent. *per annum*
 - (xi) Relevant Screen Page: [•]
 - (xii) Floating Leg Reference Rate: [•]
 - (xiii) Floating Leg Screen Page: [•]
 - (xiv) Initial Mid-Swap Rate: [•] per cent. *per annum* (quoted on a[n annual/semi-annual basis])
 - (xv) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not Banco de Sabadell, S.A.): [•] shall be the Calculation Agent
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (If not applicable delete the remaining sub-paragraphs of this paragraph)*
- (i) Specified Period: [•]
 - (ii) Specified Interest Payment Dates: [•]
 - (iii) [First Interest Payment Date]: [•]
 - (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
 - (v) Additional Business Centre(s): [Not Applicable/[•]]
 - (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
 - (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not Banco de Sabadell, S.A.): [•] shall be the Calculation Agent
 - (viii) Screen Rate Determination:

- Reference Rate: [•] month [EURIBOR/ LIBOR/SONIA] [*Note that the Reference Rate can only be EURIBOR, LIBOR or SONIA*]
 - Interest Determination Date(s): [•]
 - Relevant Screen Page: [•] [*For example, Reuters LIBOR 01/EURIBOR 01*]
 - Index Determination: [Applicable/Not Applicable]
 - Observation Method: [Lag/Observation Shift/Not Applicable]
 - Observation Look-Back Period: [5/[•] London Banking Days]/[Not Applicable]
 - Observation Shift Period: [5/[•] London Banking Days]/[Not Applicable]
 - SONIA Compounded Index Observation Shift Period: [5/[•] London Banking Days]/[Not Applicable]
 - Relevant Fallback Screen Page: [•]
 - Relevant Time: [•] [*For example, 11.00 a.m. London time/Brussels time*]
 - Relevant Financial Centre: [•]
- (ix) ISDA Determination:
- Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
- (x) Linear interpolation Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)
- (xi) Margin(s): [+/-][•] per cent. *per annum*
- (xii) Minimum Rate of Interest: [•] per cent. *per annum*
- (xiii) Maximum Rate of Interest: [•] per cent. *per annum*
- (xiv) Day Count Fraction: [•]
- (xv) [Ratings Step-up/Step-down: [Applicable/Not Applicable]
[Step-up/Step-down Margin: [•] per cent. *per annum*]]
17. **[Zero Coupon Note Provisions]** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) [Accrual Yield:] [•] per cent. per annum
- (ii) [Reference Price:] [•]
- (iii) [Day Count Fraction in relation to Early Redemption Amount:] [30/360 / Actual/Actual (ICMA/ISDA)]

PROVISIONS RELATING TO REDEMPTION

18. Call Option (Condition 12(c)): [Applicable/Not Applicable]
- (if not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s) (Call): [•]
 - (ii) Optional Redemption Amount(s) (Call) of each Note: [•] per Calculation Amount
 - (a) [Reference Bond: [•]
 - (b) [Quotation Time: [•]
 - (c) [Redemption Margin: [•] per cent.
 - (d) [Determination Date: [•]
 - (e) [Reference Dealers: [•]
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [•] per Calculation Amount
 - (b) Maximum Redemption Amount: [•] per Calculation Amount
 - (iv) Notice period: [•]
19. Capital Event (Condition 12(d)): [Applicable/Not Applicable]
- (May be applicable to Tier 2 Subordinated Notes)*
20. Disqualification Event (Condition 12(e)): [Applicable/Not Applicable]
- (May be applicable to Senior Notes/Subordinated Notes)*
21. Put Option (Condition 12(h)) [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s) (Put): [•]
 - (ii) Optional Redemption Amount(s) (Put) of each Note: [•] per Calculation Amount
 - (iii) Notice period: [•]
22. Final Redemption Amount of each Note: [•] per Calculation Amount

- | | | |
|-----|---|---|
| 23. | Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default or upon the occurrence of a Capital Event or a Disqualification Event: | [•] per Calculation Amount |
| 24. | [Ordinary Senior Notes - Events of Default (Condition 15)]: | [Condition 15(a) Not Applicable and Condition 15(b) Applicable] <i>(Applicable only for Ordinary Senior Notes if the Ordinary Senior Notes are intended to qualify as eligible liabilities)</i> |
| 25. | [Ordinary Senior Notes – Negative Pledge (Condition 6)]: | [Applicable/Not Applicable] <i>(Applicable only for Ordinary Senior Notes if the Ordinary Senior Notes are not intended to qualify as eligible liabilities)</i> |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- | | | |
|-----|---|--|
| 26. | Form of Notes: | <p>Bearer Notes:</p> <p>[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]</p> <p>[Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]</p> <p>[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]</p> <p>[Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005] <i>(Include for Notes that are to be offered in Belgium)</i></p> |
| 27. | New Global Note form: | [Applicable/Not Applicable] |
| 28. | Additional Financial Centre(s): | [Not Applicable/[•]] <i>[Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which sub-paragraph 15(v) relates]</i> |
| 29. | Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): | [Yes/No] |
| 30. | Substitution and Variation: | [Applicable /Not Applicable] |
| 31. | Waiver of set-off rights (Condition 16): | [Applicable /Not Applicable] |
| 32. | Governing law (Condition 27): | [English law /Spanish law] |

THIRD PARTY INFORMATION

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

Signed on behalf of **Banco de Sabadell, S.A.**

By:
Duly authorised

PART B – OTHER INFORMATION

33. LISTING AND ADMISSION TO TRADING

- (i) Admission to Listing: [Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to listing on [the Official List of Euronext Dublin] with effect from [•].]
- (ii) Admission to Trading: Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the regulated market of Euronext Dublin] with effect from [•].
- (When documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*
- (iii) Estimate of total expenses related to admission to trading: [•]

34. RATINGS

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

Ratings:

[S&P: [•]]

[Moody's: [•]]

[Fitch: [•]]

[DBRS: [•]]

[[Other]: [•]]

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

Option 1 – Credit rating agency established in the EEA and registered under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "CRA Regulation").

Option 2 - Credit rating agency not established in the EEA but relevant rating is endorsed by a credit rating agency which is established and registered under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA but the rating it has given to the Notes is endorsed by *[insert legal name of credit rating agency]*, which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "CRA Regulation").

Option 3 - Credit rating agency is not established in the EEA and relevant rating is not endorsed under the CRA Regulation but credit rating agency is certified under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the "CRA Regulation").

Option 4 - Credit rating agency neither established in the EEA nor certified under the CRA Regulation and relevant rating is not endorsed under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the "CRA Regulation") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

Option 5- Credit rating agency established in the UK and registered under the UK CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is established in the UK and registered under the UK CRA Regulation.

Option 6 - Credit rating agency established in a third country but relevant rating is endorsed by a credit rating agency which is established and registered under the UK CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is established in a third country but the rating it has given to the Notes is endorsed by *[insert legal name of credit rating agency]*, which is established in the UK and registered under Regulation the UK CRA Regulation.

Option 7 - Credit rating agency is established in a third country and relevant rating is not endorsed under the UK CRA Regulation but credit rating agency is certified under the UK CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is established in a third country but is certified under the UK CRA Regulation.

35. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

(Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below:)

[Save for the fees [of] *[insert relevant fee disclosure]* payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The

[Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. *(Amend as appropriate if there are other interests)*]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 23 of the Prospectus Regulation.)]

36. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

(i) Reasons for the offer: [See "Use of Proceeds" in the Base Prospectus./The Notes are specified as being ["Green Bonds"] ["Social Bonds"] ["Sustainability Bonds"] and the net proceeds from the issuance of the Notes will be used as described in "Use of Proceeds" in the Base Prospectus./Give details]

(See "Use of Proceeds" wording in Base Prospectus – if reasons for offer different from what is disclosed in the Base Prospectus, give details)

(ii) Estimated net proceeds: [•]

37. [Fixed Rate Notes only – YIELD

Indication of yield: [•]

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

38. OPERATIONAL INFORMATION

ISIN: [•]

Common Code: [•]

CFI: [See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

The actual code should only be included where the Issuer is comfortable that it is correct.

FISN: [See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

The actual code should only be included where the Issuer is comfortable that it is correct.

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [•]/[Not Applicable]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited

with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/

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

39. **DISTRIBUTION**

- | | | |
|-------|--|---|
| (i) | Method of Distribution: | [Syndicated/Non-syndicated] |
| (ii) | If syndicated: | |
| | (A) Names of Dealers | [Not Applicable/[•]] |
| | (B) Stabilisation Manager(s),
if any: | [Not Applicable/[•]] |
| (iii) | If non-syndicated, name of Dealer: | [Not Applicable/[•]] |
| (iv) | U.S. Selling Restrictions: | Reg S Compliance Category 2; [TEFRA C/TEFRA D/TEFRA not applicable] |

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Conditions of the Notes to "**Noteholder**" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note.

Conditions applicable to Global Notes

Each Global Note will contain provisions which modify the Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

Payment Business Day : In the case of a Global Note, shall be: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre (as may be specified in the relevant Final Terms).

Exercise of put option: In order to exercise the option contained in Condition 12(h) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 12(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 25 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 25 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Purchase and Cancellation: Cancellation of any Note surrendered for cancellation following its purchase will be effected by reduction in the principal amount of the relevant Global Note.

Default: Following the giving of a notice of an event of default by or through a common depository or, as the case may be, a common safekeeper for Euroclear and Clearstream, Luxembourg, accountholders with a clearing system will acquire direct enforcement rights against the Issuer under the terms of Condition 4 (*Direct Rights*) of the Conditions and, as applicable (i) in the case of English Law Notes, the Deed of Covenant and (ii) in the case of Spanish Law Notes, the provisions of the Global Notes.

Prescription: Claims against the Issuer in respect of Notes which are represented by a permanent Global Note will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date.

Meetings: The holder of a permanent Global Note will be treated as being two persons for the purposes of any quorum requirements of a meeting of holders and, at any such meeting, as having one vote in respect of each minimum Denomination of Notes for which such Global Note may be exchanged.

DESCRIPTION OF BANCO SABADELL

Incorporation and status

Banco de Sabadell, S.A. ("**Banco Sabadell**", the "**Bank**" or the "**Issuer**") and its subsidiaries compose the Sabadell Group (the "**Sabadell Group**" or the "**Group**"). The Issuer was incorporated on 31 December 1881 in the town of Sabadell, near Barcelona, for an unlimited term and conducts its business under the commercial name "Banco Sabadell".

The Issuer has its registered office in the city of Alicante, at Avenida Óscar Esplá nº 37, PC 03007, Spain (contact telephone number 0034 902 030 255) and is registered with the Commercial Registry of Alicante (Spain) under volume 4,070, book 1 and sheet A-156980.

The Issuer is a Spanish company with legal status as a public limited company (*sociedad anónima*) and is governed by the Spanish Companies Act approved by Royal Legislative Decree 1/2010, of 2 July (*Texto Refundido de la Ley de Sociedades de Capital, aprobado por el Real Decreto Legislativo 1/2010, de 2 de julio*), as amended. The Issuer is subject to special legislation applicable to credit entities in general, the supervision, control and regulation of the ECB, and, as a listed company, the regulatory oversight of the CNMV.

Developments

Strategic relationship with the ADL Automotive group and sale of Bansabadell Renting, S.L.U. (pending completion)

On 29 April 2021, Banco Sabadell and the ADL Automotive group entered into a long-term strategic relationship to offer vehicle leasing products, which will allow Banco Sabadell to improve its customer value proposition for mobility solutions with a larger and more innovative range of vehicle leasing products.

Within the context of the transaction, Banco Sabadell will sell the 100 per cent. of the share capital of Bansabadell Renting, S.L.U. to the ADL Automotive group for an amount of €59 million.

The closing of the transaction, which is subject to obtaining the relevant authorisations, is expected to occur on the last quarter of 2021. It is expected that the transaction contributes 10 basis points to the fully-loaded CET 1 ratio.

Sale of the institutional depositary business of Banco Sabadell to BNP Paribas Securities Services S.C.A., Sucursal en España (pending completion)

On 28 March 2020, Banco Sabadell and BNP Paribas Securities Services S.C.A., Sucursal en España ("**BP2S**") entered into an agreement by virtue of which BP2S has undertaken to acquire, subject to certain conditions, the institutional depositary business of Banco Sabadell for an amount of €115 million. Additional collections after completion are foreseen subject to the fulfilment of certain objectives linked to the volume of the assets under deposit of BP2S and incomes for such commissions.

The closing of the transaction is expected to take place in the second quarter of 2021, once the relevant authorisations have been obtained. The transaction will generate a net capital gain of €75 million, of which €58 million will be recognised upon closing (corresponding to 7 basis points on Banco Sabadell's fully-loaded CET1 ratio) and €17 million will be accrued proportionally during the following financial years.

Sale of 100 per cent. of share capital of SDIN Residencial, S.L.U. (completed in September 2020)

On 21 September 2020, once the relevant authorisations were obtained, Banco Sabadell completed the transfer of 100 per cent. of the share capital in SDIN Residencial, S.L.U. and a pool of real estate assets (mainly land for urban developments) to a company controlled by funds managed and/or advised by Oaktree Capital Management. The transaction amounted to €882 million.

The closing of the transaction generated a capital gain amounting to €8 million net of taxes and strengthened Banco Sabadell's capital position by adding 5 basis points to the fully-loaded CET 1 ratio.

Sale of 100 per cent. of share capital of Sabadell Asset Management, S.A., S.G.I.I.C., Sociedad Unipersonal (completed in June 2020)

Within the context of the strategic partnership entered into between Banco Sabadell and Amundi Asset Management ("**Amundi**"), on 30 June 2020 Banco Sabadell sold 100 per cent. of the share capital of Sabadell Asset Management, S.A., S.G.I.I.C., Sociedad Unipersonal ("**SabAM**") to Amundi for an amount of €430 million and a forecast earn-out of up to €30 million, payable in 2024, depending on the assets under management pertaining to customers of Banco Sabadell on such date.

The closing of the transaction generated a capital gain amounting to €349 million net of taxes for Banco Sabadell and strengthened Banco Sabadell's capital position by adding 43 basis points to the fully-loaded CET 1 ratio.

Business Overview

Banco Sabadell is the fourth largest privately owned banking group in Spain measured by total assets (based on the 2020 consolidated annual accounts which have been incorporated by reference to this Base Prospectus and are publicly available on Banco Sabadell's website), with total consolidated assets and total consolidated customer loans and advances of €235,763 million and €149,183 million, respectively, as of 31 December 2020. Banco de Sabadell, S.A. is the parent company of the Group, which comprised, as of 31 December 2020, a total of 85 companies that the Sabadell Group fully consolidates. In addition, there were 20 associated companies.

The Group offers a wide range of banking and financial services, including deposit taking, asset management, personal loans, mortgage lending, short and medium-term business financing, insurance, brokerage, electronic payment transmission and credit and debit card operations. The primary customers of the Sabadell Group are SMEs and individual clients in Spain. Its total number of customers, as of 31 December 2020, was 12.1 million (12.1 million as of 31 December 2019). As of 31 December 2020, the Group operated a total of 2,083 branches (1,589 in Spain). Its retail banking activities are conducted primarily through the Group's branch network. Commercial banking is the primary focus of the Group's business and, as of 31 December 2020, a total of 1,589 branches were mainly focused on commercial banking activities.

The Group's primary source of liquidity is generated from its customer deposits. In addition, the Group has access to a variety of short and long-term funding sources in both the domestic and international markets as well as from the Eurosystem against eligible collateral. These funding programs provide the Group with a broad range of funding options, products, maturities and investors. Its total available pool of liquidity amounted to €44,385 million as of 31 December 2020.

The Sabadell Group operates in Spain through the following brands: SabadellHerrero (commercial banking in Asturias and Leon), SabadellGuipuzcoano (commercial banking in the Basque Country, Navarre and La Rioja), SabadellUrquijo Banca Privada (private banking), SabadellSolbank (commercial banking in the Canary Islands, the Balearic Islands and in the southern and eastern coastal areas of mainland Spain), ActivoBank (serves customers who prefer to do their banking exclusively by telephone or online) and SabadellGallego (commercial banking in Galicia). The brands are supported by a variety of distribution channels, including the Group's extensive branch network, telephone (both fixed line and mobile) banking and internet banking. The Group believes its multi-brand and multi-platform model is supported by one of the most advanced and scalable IT platforms in Spain. The Sabadell Group also believes that its multi-brand and multi-channel market presence increases its appeal to existing and prospective customers and its state-of-the-art IT platform allows the Group to segment its customer base with a high degree of accuracy to best match its products and services to its customers' needs.

For each of the years ended 31 December 2020 and 2019 the Group's consolidated pre-provisions income (calculated as gross income less operating expenses and depreciation and amortisation was €1,841 million and €1,719 million, respectively, and its consolidated profit attributable to the owners of the parent was €2 million and €768 million, respectively.

Sabadell Strategy

The year 2021 will be shaped by the current adverse macroeconomic situation, driven by the COVID-19 pandemic and the negative interest rate situation. In this scenario, on 28 May 2021 Banco Sabadell unveiled a new strategic plan focused on enhancing its strengths, increasing profitability and maximising value creation. This new plan will prioritise the domestic market as a means of enhancing efficiency in the use of capital and the Group's resources, thereby increasing profitability and shareholder value creation.

Banco Sabadell's ambitions in Spain focus on improving profitability based on the programme to enhance efficiency and transform the retail market, commencing with a restructuring plan that has been agreed with the unions and will entail shedding approximately 1,800 workers in 2021, while reinforcing its value proposition in its core segments (particularly SMEs, where the Bank leads in customer satisfaction and which offers the greatest

added value and profitability; a segment in which the Bank will implement its new plan to enhance the cost-to-income ratio and organic capital generation) and will expand spreads while working to control its risk profile. This is to be accompanied by measures to enhance the business's sustainability by transforming the distribution and digitalisation model to offer a broad range of distinctive products and services to each customer while retaining the lead in quality of service.

Additionally, at the end of 2019 the Bank launched a new plan in the UK to improve business efficiency and increase volume and revenues organically. The TSB restructuring plan was accelerated in 2020.

The strategy defined for the Mexican market is based essentially on customers and products that enable the Group to maximise profitability based on an innovative digital model.

Banco Sabadell's business model pursues value creation for all its stakeholders while offering a wide range of products and excellent quality of service to its customers and developing its human capital. All this while maintaining its commitment to society and the environment, through ethical and responsible development of its business.

Sabadell Group's Brands and Business

The Group employs a multi-brand strategy, targeting through each brand a specific customer base and/or geographic segment and building on the goodwill associated with those of its brands that have a long history in the Spanish banking sector. In 2015, the Bank unified the Sabadell Atlántico and SabadellCAM brands to strengthen its image, with "Sabadell" being the flagship brand that operates throughout most of the Spanish market. The Group's main banking brands are Sabadell, SabadellHerrero, SabadellGuipuzcoano, SabadellUrquijo Banca Privada, SabadellSolbank, ActivoBank and SabadellGallego.

The Group is organised in the following business segments: Banking Business in Spain, Banking Business in the United Kingdom and Banking Business in Mexico. Banking Business in Spain, in turn, includes the Commercial Banking, the Corporate and Investment Banking and the Asset Transformation business units.

Banking Business in Spain

Commercial Banking

Commercial Banking is the largest of the Group's business units. It focuses on providing financial products and services to large and medium-sized businesses, SMEs, retailers, businesses and individuals (including private banking, personal banking and mass-market customers), non-residents and occupational groups. Commercial Banking has a high degree of market specialisation and aims to ensure that customers receive a personalised service of the highest quality tailored to their needs, whether from expert staff throughout its extensive multi-brand branch network or via other channels that support the customer relationship and give access to remote banking services.

In 2020, the management focused their efforts on helping the Bank's customers to manage the impact of the health crisis, maximising revenues against a backdrop of negative interest rates, and striving to secure customer loyalty on the basis of the relationship models defined for each segment. Notable among the results in 2020 is the improvement in equity-accounted profit and dividends (3.6 per cent. annual increase). This was attributable to good performance in insurance and pensions.

The Commercial Banking business unit covers the following:

Large corporates and SMEs

Banco Sabadell offers specialist services to major corporations, leading the way through growth in outstanding loans and working with corporations as they expand, while also helping SMEs in their growth and consolidation processes.

In the second quarter of 2020, activity was hampered by the COVID-19 pandemic and, as a result, some companies had trouble meeting payments. To help businesses, the Bank launched a support plan, making ICO (*Instituto de Crédito Oficial*) credit facilities available to customers who needed financing. As part of the plan, more than 3,000 advisers contacted customers to assess their circumstances and offer them solutions tailored to their specific needs. Fast-tracked circuits were set up to simplify the decision-making processes and shorten response times. Moreover, an application was developed to enable customers to sign transactions online without having to visit a branch. As

a result of these efforts, the Bank was one of the main players in this market, having channelled €7,690 million in ICO liquidity to SMEs and major corporations.

Businesses

Through this area, the Bank manages entrepreneurs, retail establishments and micro-enterprises on a personalised basis. 2020 was generally a tough year for the self-employed, shops and other businesses and, although the impact has varied between segments, the Bank has supported all its customers. In addition, there has been a change in the way financial services are consumed, with less in-person activity and accelerating demand for digital services and capabilities.

In the second quarter of 2020, at the outset of the COVID-19 outbreak, Banco Sabadell launched a specialist support plan for business customers, with the goal of supporting customers by affording them the liquidity they needed to address the economic effects of the pandemic.

Retail Banking

The retail banking model was implemented throughout the Bank in 2020, enabling almost 400 operating processes to be industrialised and strengthening multi-channel customer management, with the resulting cost savings and productivity boost. Remote customer management and digitalisation were also strengthened, enabling all dealings with the Bank to be performed by self-service channels or using convenient distance means.

The outbreak of COVID-19 also strengthened the retail management model, since customers have opted for remote channels, such as digital or telephone, for their dealings with the Bank. Accordingly, operations at the branch network decreased by 58 per cent. overall, while the number of digital retail customers now exceeds 50 per cent. of total retail customers.

Personal Banking

Personal Banking is an area where Banco Sabadell offers top quality expert financial management advice to customers with more sophisticated financial requirements. In 2020, the Bank strengthened the value proposition in this segment, offering greater exclusivity by means of a range of products and services tailored to each customer type. The Bank has also evolved the way it relates with its customers, adapting to the new context created by the COVID-19 pandemic by offering comprehensive advice in remote format and, focusing on both convenience and customers' safety.

As of 31 December 2020, the Personal Banking area represented 8.38 per cent. of all individual customers, and accounted for 22.57 per cent. of net interest income and 48.45 per cent. of customer funds.

Private Banking

Through SabadellUrquijo Private Banking, the Bank offers integrated solutions to customers requiring specialised services and advice tailored to their particular requirements. This division comprises 170 private bankers certified by the European Financial Planning Association, distributed over 32 branches and customer care centres to meet the needs of customers throughout Spain who have assets in excess of €500 thousand.

In 2020, the Bank has advised 27,324 customers, accounting for a total of €27,832 million, of which €25,151 million were in customer funds, 38 per cent. of which was invested in mutual funds and SICAVs.

Institutional Businesses

The Institutional Businesses area was created in 2018 to enhance business related to public and private institutions and to position the Bank as a key player in this sector, which comprises public institutions, financial institutions and insurers, religious institutions and professional associations, partnership agreements and associate banking through a sophisticated and specialised offer of products and services. This area plays a fundamental role by creating synergies and coordinating with numerous other areas of the Bank to offer the best value proposition for each area and facilitate processes between branches and their customers.

Tourist Hotel Business

Business in this sector focuses mainly on offering specialised financial solutions to a diverse and fragmented group of customers, in three main aspects: expert advice, a catalogue of specialised products and rapid response. Banco

Sabadell is the first financial institution to receive the “Q” seal of tourism quality, consolidating its position as a leader in the sector.

As of 2020, the Tourist Hotel Business division had a portfolio of 12,267 customers and a business volume of more than €4,266 million, a year-on-year increase of 7.7 per cent.

Real Estate

The Real Estate division focuses on integrated services to the residential development business by means of a mature specialised business model. Banco Sabadell's commitment to this sector has led to a year-on-year increase in developer mortgage loans, guarantees and reverse factoring, with a growing associated margin.

2020 was shaped by the situation unleashed by the COVID-19 pandemic, but the Real Estate division nevertheless arranged deals worth a total of €1,490 million (down 23 per cent. as compared to previous year), with a margin above €49.3 million (down 2 per cent. as compared to previous year).

BStartup

BStartup is the leading banking service in Spain for newly-created innovative and technology enterprises. It bolsters the banking business by means of a relationship model based on concentration and specialisation, boosting productivity and increasing the margin contributed by young companies that sometimes attain exponential growth and can have very exacting transactional demands.

In 2020, BStartup strengthened its impact and positioning among newly-created, innovative businesses, as evidenced by its 1,606 mentions in offline and online media, its 13,209 Twitter followers, and its presence in trending topics in the Bank's social media in most months, always with positive coverage. Business volume increased by 46 per cent. to €797 million (€207 million in assets and €591 million in liabilities) and there was a 7.6 per cent. rise in customer numbers to 3,467, in both cases as compared to previous year.

Bancassurance

Commercial Banking also includes the Bancassurance business, which provides savings, retirement and protection products, including life insurance (both protection and endowment and cash value products), general insurance (home, motor, health and payment protection insurance and insurance for businesses and retail outlets) and pension plans.

In 2020, the contribution of Bancassurance to net profit and marketing fees to the Group's consolidated figures amounted to €53.3 million and €176.5 million, respectively, at year-end. The lead company in the strategic alliance, BanSabadell Vida, reported business volumes that ranked it among the leaders of the sector in terms of savings managed and premiums issued. Bansabadell Seguros Generales logged significant growth in premium volume (8.2 per cent.) buoyed by subscriptions to its blink policies (household and autos) and the co-insurance agreement with a leading health insurer.

Sabadell Consumer Finance

The Group's subsidiary Sabadell Consumer Finance specialises in consumer finance by providing point-of-sale finance to purchasers of cars, computer hardware, domestic appliances, health accessories and other products through various channels by establishing collaboration agreements with retailers. The Group also has a line of personal loans, which it sells by direct marketing.

In 2020, activity was hampered by the March-May lockdown in Spain triggered by the COVID-19 pandemic, during which production fell to just 37 per cent. as compared to the previous year's figure. However, once activity resumed, the sharp decline was largely offset and production reached 85 per cent. of the previous year's level.

The table below summarises the most recent performance of the Commercial Banking business unit:

	As of and for the year ended 31 December		
	2020	2019	Change
	<i>(million euro)</i>		<i>(per cent.)</i>
Net interest income	2,061	2,164	(4.8)
Gross income	3,012	3,148	(4.3)

Pre-provisions income	1,401	1,475	(5.0)
Profit/(loss) before tax	158	1,020	(84.5)
Other key figures			
Gross performing loans to customers	86,280	80,078	7.7
On-balance sheet customer funds	101,273	96,589	4.8

Corporate and Investment Banking

The Corporate and Investment Banking business unit offers financial solutions and advisory services to large corporates and financial institutions in Spain and abroad, through branches throughout Spain and in 17 other countries, and covers the following:

Corporate Banking

The Corporate Banking division, which is the most important within the Sabadell Group's Corporate and Investment Banking business unit, provides domestic and international products and services to large companies and enterprises. Furthermore, it also provides services to smaller businesses that belong to groups whose parent companies fall within the Group's Corporate and Investment Banking business unit, as well as to individuals who own companies that are serviced by the Group's Corporate and Investment Banking business unit. The Group provides medium and long-term financing, receivables financing, electronic banking and payment services as well as financial services, such as advisory and wealth management services.

The Sabadell Group has created teams of "global bankers" specialising in individual business sectors and establishing a direct presence in its customers' target markets, with the goal that its large corporate customers benefit from the best possible banking experience. The model is based on establishing close relationships with its customers to offer comprehensive solutions tailored to their operational needs. High standards of efficiency and service and expedited day-to-day middle office processes are also key elements of the model.

Treasury and Markets

Treasury and Markets is responsible for marketing treasury products to customers through the units to which that task has been assigned, ranging from the branches through specialist distributors. In addition, it manages the Bank's short-term liquidity position and manages and oversees compliance with regulatory coefficients and ratios. It also manages the risk in the proprietary trading book and interest rate and exchange rate risk, due to operational flows with both internal and external customers originated from the activity of the distribution units.

During 2020, the Treasury and Markets division responded swiftly to the impact of the COVID-19 pandemic, implementing teleworking and adapting systems without compromising the high quality and security standards. The COVID-19 pandemic strengthened the division's commitment to increasing the digitalisation of its operations with customers, improving the "Sabadell Forex" application, increasing the electronic delivery of documentation and establishing new communication channels with customers. Projects focusing on broadening the range of foreign currency products and savings and investment products were implemented to adapt to the new market situation, which has placed new demands on the Bank's customers. Trading capacity was enhanced to undertake and control currency risk generated by the Bank's customers.

Trading, Custody and Research

Trading, Custody and Research carries out the intermediation functions of Banco Sabadell in its capacity as a member of the equity markets, consisting of processing and executing orders for securities trading directly through the trading desk. It is liable as "Product Manager" of the equity transactions at Group level. It also creates and leads the product offering custody services.

As a stock market member, this division performs the functions of broker for Banco Sabadell: processing and executing sale and purchase orders directly via its trading desk, while also, as product manager, being responsible for the Group's equities. Trading, Custody and Research also provides investment guidance and recommendations in equities and credit markets, and creates and manages the offering of custodian and depository services.

Structured Finance

The Structured Finance business division, with teams in Spain, the United States, the UK, Mexico, France, Peru, Colombia and Singapore, focuses on the origination and execution of corporate financing products and M&A,

project and asset finance, global trade finance and commercial real estate, with the capacity to underwrite and syndicate deals in Spain and other countries. The Structured Finance division is also involved in the syndicated loans market, both primary and secondary.

The Structured Finance division encompasses Sabadell Corporate Finance and Global Financial Institutions:

- (i) Sabadell Corporate Finance operates in M&A through advisory services to companies, shareholders, private equity firms, family offices and other investors, in mergers and acquisitions and in bringing in new shareholders. It is a member of Terra Corporate Finance Alliance, an international alliance of independent M&A and corporate finance advisory firms providing coverage in more than 40 countries.
- (ii) Global Financial Institutions rests on two central mainstays. Firstly, on giving optimal support to companies' clients in their internationalisation process in co-ordination with the Group's network of branches, subsidiaries and entities abroad, thus facilitating also operations of customers in other countries. Second, commercial management of the international "Banks" segment customers with which the Bank has agreements (more than 3,000 financial institutions worldwide), which complement the Bank's ability to ensure maximum global coverage to Group customers.

Capital Markets

Capital Markets is the Corporate and Investment Banking division that coordinates the channelling of institutional investors' liquidity to the Bank's business customers, in both debt products and capital instruments. Furthermore, via its M&A areas, it provides advice on company acquisitions and disposals, mergers and the incorporation of new shareholders. 2020 was a year of consolidation for Banco Sabadell's Capital Markets division, with a 68 per cent. increase in earnings despite the difficult circumstances.

Banco Sabadell Capital

Banco Sabadell Capital is the division that manages Sabadell Group's industrial (i.e. non-real estate) holdings. It focuses on acquiring temporary holdings in companies with the main goal of maximising the return on investment. In 2020, Banco Sabadell Capital managed the portfolio very actively, especially in those companies most affected by the impact of the COVID-19 pandemic.

Sabadell Miami Branch

Sabadell Miami Branch is one of the few financial institutions in the region with the capability and experience to provide a full range of banking and financial services, from highly complex and sophisticated products for large corporate clients, including project finance, through international private banking, to products and services for professionals and companies of any size. To supplement its structure in Miami, the Bank has representative offices in New York, Peru, Colombia and the Dominican Republic.

Sabadell Securities USA, Inc.

Through this, the Group provides equities brokerage and investment advisory services to complement and strengthen the business strategy in connection with private banking customers resident in the United States, meeting their needs by means of investment advice in the capital markets.

The table below summarises the most recent performance of the Corporate and Investment Banking business unit:

	As of and for the year ended 31 December		
	2020	2019	Change
	<i>(million euro)</i>		<i>(per cent.)</i>
Net interest income	317	326	(2.8)
Gross income	472	439	7.5
Pre-provisions income	328	288	13.9
Profit/(loss) before tax	133	256	(48.0)
Other key figures			
Gross performing loans to customers	15,376	14,934	3.0
On-balance sheet customer funds	7,348	7,968	(7.8)

Asset Transformation

The Asset Transformation business unit comprehensively manages the Group's non-performing credit risk and non-performing real estate exposures. In terms of non-performing exposures and real estate exposures, this business unit focuses on developing asset transformation strategy and integrating a global view of the Group's balance sheet of real estate assets in order to maximise their value.

During 2020, Banco Sabadell tackled the crisis unleashed by the COVID-19 pandemic by supporting its customers and affording them solutions tailored to their needs. The Asset Transformation business unit closely monitored customers' situations to anticipate their needs, proactively manage them and head off delinquency. All these features helped to maintain the reduction in doubtful exposures and keep non-performing real estate assets stable.

The table below shows the most recent performance of the Asset Transformation business unit:

	As of and for the year ended 31 December		Change (per cent.)
	2020 (million euro)	2019	
Net interest income	11	26	(57.5)
Gross income	(11)	127	(108.7)
Pre-provisions income	(78)	46	(269.6)
Profit/(loss) before tax	(426)	(296)	43.9
Other key figures			
Gross performing loans to customers	865	1,185	(27.0)
Non-performing real estate assets (net)	871	791	10.1
On-balance sheet customer funds	69	263	(73.8)

Banking Business in the United Kingdom

TSB is focused on the retail business in the UK. As of 31 December 2020, TSB had approximately 5 million customers. TSB holds a multichannel national distribution model, including 454 offices as of 31 December 2020 with coverage in England, Scotland and Wales. It offers a wide range of products, including personal accounts, saving products, mortgages, loans, credit cards, credits to corporates and insurance products. TSB has 6,709 employees and is a challenger bank for the future growth of Banco Sabadell in the UK. TSB has a clear strategy vis-a-vis retail clients and small companies with a very well defined products spectrum.

As of 31 December 2020, loss before tax increased by 613.2 per cent. to a loss of €271 million from a loss of €38 million for the year ended 31 December 2019, due to provisions linked to the COVID-19 scenario, which accelerated restructuring costs and provisions relating to compensating customers with overdrafts in the fourth quarter of 2020.

The table below shows the most recent performance of the Banking Business in the United Kingdom:

	As of and for the year ended 31 December		Change (per cent.)
	2020 (million euro)	2019	
Net interest income	885	979	(9.6)
Gross income	1,008	1,091	(7.6)
Pre-provisions income	(27)	39	(169.2)
Profit/(loss) before tax	(271)	(38)	613.2
Other key figures			
Gross performing loans to customers	36,977	36,496	1.3
On-balance sheet customer funds	38,213	35,423	7.9

Banking Business in Mexico

As part of the internationalisation process that commenced under the previous strategic framework, the Bank decided to focus on Mexico, a country representing a clear opportunity as an attractive market for the banking

business. The Banking Business in Mexico is carried out through Banco Sabadell, S.A. Institución de Banca Múltiple (a Mexican bank) and SabCapital, S.A.C.V., SOFOM, E.R. (a Mexican multi-purpose financial company).

Banking Business in Mexico comprises the following business lines: (i) Corporate Banking (with the focus on companies and major corporations), (ii) Banking for Companies (which reproduces the Group's original business relationship model) and (iii) Personal Banking (based on a disruptive digital model initially focused on capturing customer funds).

As of 31 December 2020, pre-tax result decreased by 85.0 per cent. to a profit of €3 million from a profit of €20 million for the year ended 31 December 2019, due mainly to lower fees and commissions and higher provisions, partially offset by lower expenses.

The table below shows the most recent performance of the Banking Business in Mexico:

	As of and for the year ended 31 December		Change (per cent.)
	2020 (million euro)	2019	
Net interest income	114	117	(2.6)
Gross income	112	127	(11.8)
Pre-provisions income	30	36	(16.7)
Profit/(loss) before tax	3	20	(85.0)
Other key figures			
Gross performing loans to customers	3,574	3,640	(1.8)
On-balance sheet customer funds	1,993	1,996	(0.2)

Branches and Distribution Channels

As of 31 December 2020, the Sabadell Group had a total of 2,083 branches, 1,589 branches located throughout Spain (compared with 1,822 branches as of 31 December 2019) and 494 branches comprising the international network. The Group continually evaluates its branch network, opening new branches only where it believes that each branch will be profitable on a stand-alone basis, and closing, consolidating or relocating branches to maximize efficiency and profitability. The table below sets out the distribution of its banking and private banking branches in Spain by brand as of 31 December 2020 and 2019, respectively:

Brand	Number of Branches 31 December	
	2020	2019
Sabadell	1,163	1,364
SabadellHerrero	123	133
SabadellGuipuzcoano	102	108
SabadellSolbank	94	100
SabadellGallego	96	107
SabadellUrquijo	11	10
Total (Spain)	1,589	1,822

Approximately 315 branches closed during 2020 (compared with 55 branches closed during 2019) as part of the implementation of the Group's strategy and to achieve its targeted cost synergies.

The geographical distribution of these branches across various autonomous regions and autonomous cities of Spain as of 31 December 2020 and 2019, respectively, was as follows:

Autonomous Region	Number of Branches 31 December	
	2020	2019
Andalusia	128	129
Aragon	29	31

Principality of Asturias	95	103
Balearic Islands	44	56
Basque Country	82	88
Canary Islands	31	31
Cantabria	5	5
Castile-La Mancha	21	22
Castile and León	55	58
Catalonia	447	545
Extremadura	6	6
Ceuta	1	1
Galicia	96	107
La Rioja	8	8
Madrid	152	178
Melilla	1	1
Murcia	106	126
Navarre	15	15
Valencian Community	267	312
Total (Spain)	1,589	1,822

In addition, the Group's international network comprised 494 branches as of 31 December 2020 (580 offices as of 31 December 2019). As of 31 December 2020, the Group had 454 branches of TSB (540 branches as of 31 December 2019).

A new client relationship model has been created, more evolved and with a larger number of access channels. The concept of "just one channel" has been extended. The office has ceased to be the nerve centre of operations in order to open up a wide range of points of contact, where the customer is the key milestone of the process. This requires simple processes and a change in the distribution model, with multi-location offices, hub & spoke and a new active management model. It is a commercial transformation fully aligned with the digital transformation.

Nearly 58 per cent. of active customers access the Bank's services digitally, with 93 per cent. of transactions being made operational through digital channels. The Group has developed a number of other distribution channels to improve customer service and increase efficiency, including the following:

ATMs. As of 31 December 2020, the Group had in Spain 2,817 self-service cash machines, 2,243 in branches and 574 remote or non-branch ATMs.

The Group has continued its efforts to ensure consistent maximum operational availability of its ATMs, including through adjustments to the monitoring systems that trigger warning signals and remedial actions in the event of a loss of communication. Measures have been taken to ensure that machines are able to dispense cash at all times without service interruptions or delays. Improvements have been made to the user help screens for the most frequent types of transaction and five new screen languages have been added.

The project to update the fleet of ATMs that commenced in 2019 was completed in the first quarter of 2020. With a budget of €45.5 million, this important project took eight months and consisted of installing 699 new ATMs and upgrading the entire fleet by installing online deposits, barcode readers, and contactless and NFC features in the vast majority of them. These features enhance security for users and enable them to complete their transactions faster.

Internet Banking. BSOOnline traffic and frequency remained high, receiving an average of around 10 million visits per month in 2020, primarily for operational and transactional purposes, particularly from business customers. The number of transactions performed via BSOOnline continued to grow during the year. In addition, servicing transactions for corporate customers increased with respect to 2019.

Mobile Banking. The number of users of the Group's mobile banking service, "Sabadell Móvil" continued to rise, from 2.7 million in 2019 to 2.8 million in 2020.

In 2020, the Bank rolled out a 100 per cent. digital process for opening an "Ahorro Expansión account", which can now be performed end-to-end online. This product is proving to be very popular, having registered 37,000 new accounts in the first six months of 2020, exceeding the projections for the full year. Besides, Bizum doubled the

number of active users in 2020, and tripled the number of money transfers, while monthly user-to-user interactions increased by 15 per cent. as compared to 2019.

Direct Branch. Contacts with Direct Branch increased by over 23 per cent. in 2020 as compared to 2019, to 6.4 million. The contact channels that experienced fastest growth in 2020 were telephone, e-mail and social media.

Contacts by telephone. The Group received and handled over 5,336,589 enquiries through its telephone live channel throughout 2020, 23.4 per cent. more than in 2019. The telephone helpline achieved a service level (calls answered as a proportion of calls received) of 90.49 per cent. and a response rate (calls answered in less than 20 seconds) of 64.38 per cent.

Contacts by e-mail. In 2020, the Group received over 575,333 enquiries by e-mail, 35.7 per cent. more than in 2019 with a service level (e-mails answered as a proportion of e-mails received) of 80 per cent.

Contacts via online chat. Throughout 2020, the Group received over 151,450 enquiries through online chat, 17.4 per cent. less than in 2019. Service level (chats answered as a proportion of chats received) was 90 per cent.

Contacts via social media. Throughout 2020, the Group received over 352,274 enquiries through social media, 26.4 per cent. more than in 2019. Service level (interactions answered as a proportion of interactions received) was 92 per cent.

Social Media. The Group maintains an active presence on social networks not only to increase its contact and service touch points with customers but also to publish content related to innovation and entrepreneurship, marketing campaigns, corporate news and its online and mobile banking services. Some of this content has had a positive impact on social networks. As of 31 December 2020, Banco Sabadell had approximately 600,000 followers on social media and nearly 350,000 mentions of the brand were monitored or dealt with in 2020. Social media served as an important channel for conveying corporate and institutional content and as a channel for opinion-makers, particularly during lockdown and generally during the COVID-19 pandemic.

Major Shareholders and Share Capital

As of 31 December 2020, Banco Sabadell's issued share capital of €703,370,587.63 was comprised of 5,626,964,701 shares of a single series and class, with a nominal value per ordinary share of €0.125. There are no limits on the transferability of the Bank's shares. However, Articles 16 to 18 of Law 10/2014 require that clearance be obtained from the ECB for any proposed purchase of shares in a bank amounting to at least 10 per cent. of its share capital, or when reaching certain thresholds above the 10 per cent. level. The decision-making authority, formerly attributed to the Bank of Spain, now corresponds to the ECB by virtue of the SSM Regulation. Furthermore, the acquisition or transfer of voting shares in listed companies, as a result of which the percentage of voting rights belonging to the acquirer reaches or falls below 3 per cent. or when reaching or falling below certain thresholds above the 3 per cent. level, must be notified to the CNMV. The referred 3 per cent. threshold will be replaced by a percentage of 1 per cent. and its successive multiples when the person under the duty to notify is resident in a tax haven or in a nil tax country or territory or a country or territory with which no effective exchange of tax information is in place in accordance with prevailing laws and regulations.

The following table sets forth the information available to the Bank concerning the ownership of the Bank's shares by major shareholders, based on the current share capital of the Bank as of 31 December 2020.

Direct owner of the shareholding	% of voting rights assigned to shares	% of voting rights through financial instruments	% of total voting rights	Name of indirect shareholder
Fintech Europe S.A.R.L. Sanders Capital, LLC	3.45	-	3.45	Mr. David Martínez Guzmán
	3.47	-	3.47	Mr. Lewis A. Sanders and clients of Sanders Capital LLC who delegate their voting rights
Norges Bank	3.06	-	3.06	-

Various subsidiaries of Blackrock Inc.	2.89	0.42	3.31	BlackRock Inc.
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Agreement Among Shareholders

In accordance with Article 531 of the Spanish Companies Act, the Bank is required to be notified of shareholders' agreements affecting its shares.

As of 31 December 2020, no shareholders' agreements affecting the Bank's shares were known to the Bank.

Treasury Stock

As of 31 December 2020, the Bank held directly 48,560,867 of its shares as treasury stock, which represents 0.86 per cent. of the total share capital.

Directors and Management

Board of Directors

With the exception of matters reserved for the general shareholders' meeting, the Board of Directors is the highest decision-making body of the Bank and its consolidated Group, as it is responsible, under the law and the Bank's bylaws, for the management and representation of the Bank. The Board of Directors acts mainly as an instrument of supervision and oversight, and delegates the management of ordinary business matters to the Chief Executive Officer (the "CEO").

The Board of Directors is subject to well-defined and transparent governance rules. In particular, it is subject to the Bank's bylaws and its own regulation and complies with the best practices of corporate governance.

Composition of the Board of Directors

The Board of Directors is currently comprised of 15 members. The business address for each member of the Board of Directors listed below is Avenida Óscar Esplá, 37, PC 03007, Alicante, Spain.

The following table sets forth, as of the date of this Base Prospectus, the names of the members of the Board of Directors, their current positions in the Board of Directors and their membership type:

Name of the Director	Current position in the Board	Director type
Mr. Josep Oliu Creus	Chairman	Other external
Mr. José Javier Echenique Landiribar	Deputy-Chairman	Independent
Mr. César González-Bueno Mayer	CEO	Executive
Mr. Anthony Frank Elliott Ball	Director	Lead Independent
Ms. Aurora Catá Sala	Director	Independent
Mr. Pedro Fontana García	Director	Independent
Ms. María José García Beato	Director	Other external
Ms. Mireya Giné Torrens	Director	Independent
Mr. George Donald Johnston III	Director	Independent
Mr. David Martínez Guzmán	Director	Proprietary ⁽¹⁾
Mr. José Manuel Martínez Martínez	Director	Independent

Name of the Director	Current position in the Board	Director type
Mr. José Ramón Martínez Sufrategui	Director	Independent
Ms. Alicia Reyes Revuelta	Director	Independent
Mr. Manuel Valls Morató	Director	Independent
Mr. David Vegara Figueras	Director	Executive
Mr. Miquel Roca i Junyent	Non-voting Secretary	
Mr. Gonzalo Baretino Coloma	Non-voting Deputy-Secretary	

Notes:

(1) Representing the company Fintech Europe S.à r.l.

As of the date of this Base Prospectus, the Board of Directors consists of two executive directors and 13 non-executive directors (10 of them independent, one proprietary and two "other external"). The composition of the Board of Directors has an appropriate balance between the various categories of directors.

The composition of the Board of Directors is diverse and efficient. It is of the appropriate size to perform its functions effectively by drawing on a depth and diversity of opinions, enabling it to operate with a level of quality and efficacy and in a participatory way. It combines a suitable diversity in terms of competency, professional background, origin and gender, as its members have extensive experience in banking, finance, insurance, risk and auditing, regulatory affairs and the law, as well as the academy, human resources and consulting, business and in the international arena.

The director candidate selection policy, which was approved by the Board of Directors in 2016, establishes the procedure for selecting candidates and it seeks to ensure an appropriate balance in the composition of the Board of Directors, facilitate the selection of women directors and, generally, guarantee that it is free of inherent bias that might entail discrimination.

The last two independent directors who were appointed are women, which increases the diversity of the Board of Directors in terms of age, gender, training, knowledge and experience. Ms. Mireya Giné Torrens, whose appointment was approved by the general shareholders' meeting on 26 March 2020, provides experience and knowledge of finance, the academy, digital and IT (digital transformation). Ms. Alicia Reyes Revuelta, appointed by co-optation by the Board of Directors on 24 September 2020, provides experience and knowledge of banking, both retail and corporate, as well as finance. Both of them have international experience.

At 2020 year-end, there were four female directors: three independent directors (out of a total of 10 independent directors) and one executive director.

On 17 December 2020, the Board of Directors appointed Mr. César González-Bueno as an executive director and as CEO to replace Mr. Jaime Guardiola Romojaro. On 26 March 2021, the General Shareholders' Meeting agreed to ratify Mr. César González-Bueno as CEO.

Chosen after a diligent, in-depth selection process, Mr. César González-Bueno has the requisite knowledge, skills and experience as set out in the succession plan for the Chairman and CEO approved by the Board of Directors in 2016. He has an excellent commercial and professional reputation, possesses the appropriate knowledge and experience to discharge his duties and is in a position to exercise good governance of the Bank. His appointment was found to increase the diversity of the Board of Directors, having regard to the Banco Sabadell matrix of competencies. It was therefore concluded that he is the right person for the job, and he is eminently qualified to hold the positions to which he has been appointed and to lead the Bank into the future, since he represents values and experience that fit the direction and strategy of Banco Sabadell.

The Board of Directors has a lead independent director, Mr. Anthony Frank Elliott Ball, who is empowered, pursuant to the Bank's bylaws, to request that a meeting of the Board of Directors is convened, include new items on the agenda, coordinate and convene meetings with the non-executive directors, reflect the opinion of the external directors and to direct the regular assessment of the Chairman of the Board of Directors. The lead

independent director also coordinates the succession plan for the Chairman and CEO and, in practice, chairs any meetings with investors or proxy advisors.

To ensure a better and more diligent performance of its general supervisory duties, the Board of Directors undertakes to directly discharge the responsibilities established by law.

The following table sets forth, as of the date of this Base Prospectus, the members of the Board of Directors with activities performed outside the Bank that are significant with respect to the Bank:

Name of the Director	Company	Position
Mr. Josep Oliu Creus	Sabadell Consumer Finance, S.A., Sociedad Unipersonal	Chairman
Mr. César González-Bueno Mayer	TSB Bank, Plc	Director
	TSB Banking Group, Plc	Director
Mr. David Vegara Figueras	TSB Bank, Plc	Director
	TSB Banking Group, Plc	Director
Ms. Aurora Catá Sala	Sabadell Information Systems, S.A.U.	Director
Mr. Manuel Valls Morató	Sabadell Information Systems, S.A.U.	Director

Corporate Governance

Banco Sabadell has a sound corporate governance structure that guarantees effective, prudent management. The internal governance framework sets out, among other aspects, the shareholder structure, governing bodies, the Group's structure, the composition and operation of corporate governance, the internal control functions, key governance matters, the risk management framework and the Group's policies.

Committees of the Board of Directors

In accordance with the Bank's bylaws, the Board of Directors has established the following six committees:

- Delegated Committee;
- Audit and Control Committee;
- Appointments Committee;
- Remuneration Committee;
- Risk Committee; and
- Strategy and Sustainability Committee (together, the "**Board Committees**").

The organisation and structure of the Board Committees is set out in the Bank's bylaws and in their respective regulations, which regulate their composition, operation and responsibilities and elaborate upon the regulations and basic functions envisaged in the Bank's bylaws and the Board of Directors regulations.

The Board Committees have sufficient resources to perform their functions, and can count on external professional advice and are entitled to obtain information about any aspect of the Bank, with unrestricted access to senior management and Group's executives and to any type of information or documentation at the Bank's disposal in connection with the matters within their competency.

The composition of the Board Committees as of the date of this Base Prospectus is shown in the table below. The business address for each member of the Board Committees listed below who are not also members of the Board of Directors is Avenida Óscar Esplá, 37, PC 03007, Alicante, Spain.

Position	Delegated Committee	Audit and Control Committee	Appointments Committee	Remuneration Committee	Risk Committee	Strategy and Sustainability Committee
Chairman	Mr. Josep Oliu Creus	Ms. Mireya Giné Torrens	Mr. José Manuel Martínez	Ms. Aurora Catá Sala	Mr. George Donald Johnston III	Mr. Josep Oliu Creus
Member	Mr. José Javier Echenique Landiribar	Mr. Pedro Fontana García	Mr. Anthony Frank Elliott Ball	Mr. Anthony Frank Elliott Ball	Ms. Aurora Catá Sala	Mr. José Javier Echenique Landiribar
Member	Mr. Pedro Fontana García	Mr. José Ramón Martínez Sufrategui	Ms. Aurora Catá Sala	Mr. George Donald Johnston III	Ms. Alicia Reyes Revuelta	Mr. Pedro Fontana García
Member	Ms. María José García Beato	Mr. Manuel Valls Morató	Ms. Mireya Giné Torrens	Mr. José Ramón Martínez Sufrategui	Mr. Manuel Valls Morató	Mr. César González-Bueno Mayer(**)
Member	Mr. César González-Bueno Mayer					Mr. José Manuel Martínez Martínez
Member	Ms. Alicia Reyes Revuelta					Ms. María José García Beato
Secretary non-member	Mr. Gonzalo Baretino Coloma(*)	Mr. Miquel Roca i Junyent(*)	Mr. Miquel Roca i Junyent(*)	Mr. Gonzalo Baretino Coloma(*)	Mr. Gonzalo Baretino Coloma(*)	Mr. Miquel Roca i Junyent(*)
Vice Secretary non-member		Ms. Nuria Lázaro Rubio(*)				

(*) Non-director

(**) Member on strategy matters only

Delegated Committee

The Delegated Committee is composed of six directors (one executive, two "other external" and three independent) and is chaired by the Chairman of the Board; it has the functions and powers delegated to it expressly by the Board of Directors which the law and the Bank's bylaws allow it to delegate. It exercises oversight over the Bank's day-to-day business and must report any decisions it makes to the Board of Directors.

Where the relevant regulatory approvals are received, the Board of Directors has agreed that the Delegated Committee described in the current bylaws has delegated authority solely in respect of loans.

Audit and Control Committee

The Audit and Control Committee comprises four independent directors and is chaired by an expert in auditing. It meets at least once per quarter. Its main functions are to oversee the effectiveness of the Bank's internal control, oversee the internal audit and risk management systems, supervise the process of drafting and presenting regulated financial disclosures, report on the Bank's annual and mid-year financial statements, liaise with the external auditor

and ensure that suitable measures are taken to address any conduct or methods that could be inappropriate. It also ensures that the measures, policies and strategies defined by the Board of Directors are duly implemented.

Appointments Committee

The main functions of the Appointments Committee, which comprises four independent directors, are to ensure that the qualitative composition of the Board of Directors fulfils the requirements, assess whether directors meet the suitability, competency and experience requirements for the position, make proposals as to the appointment of independent directors and advise on the appointment of other directors. It must also set a representation target for the minority gender on the Board of Directors and draw up guidelines on how the target should be achieved. It advises on proposals for the appointment and removal of senior executives and identified staff, as well as on the basic contractual conditions for executive directors and senior executives.

Remuneration Committee

The main functions of the Remuneration Committee, which comprises four independent directors, are to make recommendations to the Board of Directors on policy for the remuneration of directors and general managers and the individual remuneration and other contractual conditions of the executive directors, and to ensure compliance with existing policies. It also informs on the annual report on director's remuneration and reviews the general principles governing remuneration and the arrangements for the remuneration of all employees, ensuring that transparency is maintained.

Risk Committee

The main functions of the Risk Committee, which comprises four independent directors, are to supervise and exercise oversight to ensure that all the risks of the Bank and its consolidated Group are acceptable, controlled and managed appropriately, and to report to the Board of Directors on the performance of its duties, in accordance with the Law, the Bank's bylaws, the Board of Directors regulations and its own regulations.

Strategy and Sustainability Committee

After approval by the General Shareholder's Meeting of the amendment to the Bank's bylaws, the Board of Directors, at its meeting on 26 March 2021, agreed to set up a Strategy and Sustainability Committee, to be formed by six directors, one executive (solely in respect of Strategy), two "other external" directors and three independents, its chair being the Board of Directors chair.

In the area of strategy, the Strategy and Sustainability Committee's main responsibilities are to assess and propose to the Board of Directors strategies for growth, development, diversification or conversion of the business, to report to and advise the Board of Directors on long-term strategy and to issue and refer to the Board of Directors, on an annual basis, a report containing the proposals, assessments, studies and work done during the year. In the area of sustainability, its main responsibilities are to review the Bank's sustainability and environmental policies, report to the Board of Directors on possible changes and updates to these, review and amend policies on diversity and inclusion, human rights, equal opportunities and work/life balance, and periodically assess the level of compliance with these, review the Bank's strategy for social engagement and its programmes of sponsorship and patronage, and review and report on the Bank's non-financial information.

Shareholding Stakes held by the Board of Directors and Senior Management

The table below shows, as of 31 December 2020, the direct, indirect and represented stakes and voting rights in the share capital of the Bank held by the members of the Board of Directors as of that date individually or jointly with other persons or through controlled legal entities.

Name of Indirect Holder	Direct	Indirect	Through other financial instruments	Total Stake
			(% of Voting Rights)	
Mr. Josep Oliu Creus ⁽¹⁾	0.01	0.11	0.01	0.13
Mr. José Javier Echenique Landiribar	0.00	0.00	0.00	0.00
Mr. Jaime Guardiola Romojaro	0.04	0.00	0.01	0.05
Ms. Aurora Catá Sala	0.00	0.00	0.00	0.00
Mr. Pedro Fontana García	0.00	0.00	0.00	0.00
Ms. M. José García Beato	0.00	0.00	0.01	0.01
Mr. George Donald Johnston III	0.00	0.00	0.00	0.00
Mr. David Martínez Guzmán ⁽²⁾	0.00	3.45	0.00	3.45
Mr. José Manuel Martínez Martínez	0.00	0.00	0.00	0.00
Mr. José Ramón Martínez Sufrategui ⁽³⁾	0.05	0.01	0.00	0.06
Mr. Manuel Valls Morató	0.00	0.00	0.00	0.00
Mr. David Vegara Figueras	0.01	0.00	0.00	0.01
Mr. Anthony Frank Elliott Ball	0.00	0.00	0.00	0.00
Ms. Alicia Reyes Revuelta	0.00	0.00	0.00	0.00
Ms. Mireya Giné Torrens	0.00	0.00	0.00	0.00
Total	0.11	3.57	0.03	3.71

(1) Through Port Avinyon, S.L.

(2) Mr. David Martínez Guzmán is the indirect holder of the voting rights attributed to the shares of Fintech Europe S.A.R.L.

(3) Through his spouse.

Conflicts of Interest

Banco Sabadell 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.

Legal and Other Proceedings

The nature of the business of Banco Sabadell causes the Bank to be involved in routine legal and other proceedings from time to time. As of 31 December 2020, the Group was involved in certain ongoing lawsuits and proceedings arising from the ordinary course of its operations. The Group's legal advisers and directors consider that the outcome of such lawsuits and proceedings will not have a material impact on equity in the years in which they are settled. For more information on legal and other proceedings, see Note 22 to the 2020 audited consolidated annual accounts which are incorporated by reference to this Base Prospectus.

Alternative Performance Measures

In addition to the financial information contained in this Base Prospectus prepared in accordance with IFRS, certain Alternative Performance Measures ("APMs") are included in each of the 2019 and 2020 audited consolidated annual accounts and the Quarterly Financial Report for the three month period ended 31 March 2021 which are incorporated by reference to this Base Prospectus.

The APMs are as defined by the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415) (the "**ESMA Guidelines**"). The ESMA Guidelines define APMs as a financial measure of past or future financial performance, of financial situation or of cash flows, except for a financial measure defined or detailed in the applicable financial reporting framework.

The Issuer uses certain APMs, which have not been audited, for the purposes of contributing a better understanding of the company's financial evolution. Sabadell considers that these APMs provide useful information for investors, securities analysts and other interested parties in order to better understand the Group's business, financial position, profitability, results of operations, the quality of its loan portfolio, the amount of equity per share and their progression over time.

These measures should be considered additional information, and in no event do they substitute the financial information prepared under IFRS. Furthermore, these measures can, both in their definition and in their calculation, differ from other similar measures calculated by other companies and, therefore, may not be comparable.

USE OF PROCEEDS

An amount equal to the net proceeds of the issue of each Tranche of Notes will be used:

- (a) for the general corporate purpose of Banco Sabadell or as otherwise indicated in the relevant Final Terms;
- (b) to finance, refinance or invest in, in whole or in part, Eligible Green Projects meeting the Eligibility Criteria, in which case the relevant Notes will be identified as "Green Bonds" in the relevant Final Terms ("**Green Bonds**");
- (c) to finance, refinance or invest in, in whole or in part, Eligible Social Projects meeting the Eligibility Criteria, in which case the relevant Notes will be identified as "Social Bonds" in the relevant Final Terms ("**Social Bonds**"); or
- (d) to finance, refinance or invest in, in whole or in part, a combination of Eligible Green Projects and Eligible Social Projects, in each case, meeting the Eligibility Criteria, in which case the relevant Notes will be identified as "Sustainability Bonds" in the relevant Final Terms ("**Sustainability Bonds**").

The Bank has appointed Sustainalytics to provide an independent second party opinion (the "**Second Party Opinion**") on the SDG Bond Framework. The Second Party Opinion has confirmed the alignment of the SDG Bond Framework with the ICMA Green Bond Principles, ICMA Social Bond Principles and ICMA Sustainability Bond Guidelines. The Second Party Opinion is available on the website of the Bank (<https://www.grupbancsabadell.com/corp/en/shareholders-and-investors/fixed-income-investors.html>).

The Bank will engage an independent auditor to verify the allocation of an amount equal to the net proceeds obtained from issuing Green Bonds, Social Bonds or Sustainability Bonds and its conformity with the SDG Bond Framework. None of the SDG Bond Framework, nor any of the above reports, opinions or contents of any of the above websites are incorporated in or form part of this Base Prospectus.

"**Eligibility Criteria**" means the criteria prepared by the Bank as set out in the Bank's SDG Bond Framework, as the case may be.

"**Eligible Green Projects**" means projects falling under the "Eligible green project categories" of renewable energy, pollution prevention and control, sustainable water management, clean transportation, energy efficiency or green buildings, each as further described in the Bank's SDG Bond Framework.

"**Eligible Social Projects**" means projects falling under the "Eligible social project categories" of access to essential services, affordable housing or employment generation, each as further described in the Bank's SDG Bond Framework.

"**ICMA Green Bond Principles**" means the Green Bond Principles published by the International Capital Markets Association, as updated from time to time.

"**ICMA Social Bond Principles**" means the Social Bond Principles published by the International Capital Markets Association, as updated from time to time.

"**ICMA Sustainability Bond Guidelines**" means the Sustainability Bond Guidelines published by the International Capital Markets Association, as updated from time to time.

"**SDG Bond Framework**" means any SDG (Sustainable Development Goals) Bond Framework published by the Bank, available on the website of the Bank (<https://www.grupbancsabadell.com/corp/en/shareholders-and-investors/fixed-income-investors.html>).

Any amendments to the SDG Bond Framework and any other independent second party opinions being provided will be made available to investors on the website of the Bank (<https://www.grupbancsabadell.com/corp/en/shareholders-and-investors/fixed-income-investors.html>).

REGULATION

The following is a summary of the most relevant aspects of the regulatory framework applicable to the Sabadell Group, as well as the main factors that have directly or indirectly affected or are currently affecting its operations in a significant way.

In addition, see "*Risk Factors*", which includes the specific and significant factors that the Group believes could significantly affect its operations.

EU banking union

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 harmonised banking rules (the single rulebook) and an institutional framework with stronger systems for both banking supervision and resolution that is managed at the European level. Its two main pillars are the SSM and the SRM.

The SSM (comprised by both the ECB and the national competent authorities) is intended to assist in making the banking sector more transparent, unified and safer. In accordance with the SSM Regulation, 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 represented a significant change in the approach to bank supervision at a European and global level and resulted in the direct supervision by the ECB of the largest financial institutions, including the Bank, and indirect supervision of around 3,500 financial institutions. The SSM is one of the largest supervisors in the world in terms of assets under supervision. In the coming years, the SSM is expected to continue to work on the establishment of a supervisory culture importing the best practices from the supervisory authorities that form part of the SSM. Several steps have already been taken in this regard such as the publication of the SSM Supervisory Manual published in March 2018 and the approval of Regulation (EU) No. 468/2014 of the ECB of 16 April 2014, establishing the framework for cooperation within the SSM between the ECB and the national competent authorities and with national designated authorities, Regulation (EU) 2016/445 of the European Central Bank of 14 March 2016 on the exercise of options and discretions available in EU legislation and a set of guidelines on the application of CRR's (as defined below) national options and discretions. In addition, the SSM represents an extra cost for the financial institutions that fund it through payment of supervisory fees.

The second 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. SRM Regulation establishes uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the SRM and a Single Resolution Fund (the "**Single Resolution Fund**"). Under the intergovernmental agreement (IGA) signed by 26 EU member states on 21 May 2014, contributions by banks raised at national level were transferred to the Single Resolution Fund. The Single Resolution Board ("SRB"), which is the central decision-making body of the SRM, started operating on 1 January 2015 and fully assumed its resolution powers on 1 January 2016. The SRB is responsible for managing the Single Resolution Fund and its mission is to ensure that credit institutions and other entities under its remit, which face serious difficulties, are resolved effectively with minimal costs to taxpayers and the real economy. From that date onwards, the Single Resolution Fund is also in place, funded by contributions from European banks in accordance with the methodology approved by the Council of the EU. 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 an 8 per cent. bail-in of a bank's liabilities has been applied to cover capital shortfalls (in line with the BRRD).

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

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Capital, liquidity and funding requirements

Overview

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**"), as amended by Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending the CRD IV Directive as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (the "**CRD V Directive**" and together with the CRD IV Directive, the "**CRD Directive**"). 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 I**") as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (the "**CRR II**" and together with the CRR I, the "**CRR**") (the CRR together with the CRD Directive and any CRD Implementing Measures (as this term is defined in the Conditions), the "**Capital Requirements Regulations**"), 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 took place through Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt Spanish law to EU regulations on the subject of supervision and solvency of financial entities (*Real Decreto-ley 14/2013, de 29 de noviembre, de medidas urgentes para la adaptación del derecho español a la normativa de la Unión Europea en materia de supervisión y solvencia de entidades financieras*) ("**RD-L 14/2013**"), Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit entities (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*) ("**Law 10/2014**"), Royal Decree 84/2015, of 13 February, implementing Law 10/2014 (*Real Decreto 84/2015, de 13 de febrero, por el que se desarrolla la Ley 10/2014*) ("**RD 84/2015**"), Bank of Spain Circular 2/2014 of 31 January (*Circular 2/2014, de 31 de enero, del Banco de España*) ("**Bank of Spain Circular 2/2014**") and Bank of Spain Circular 2/2016 of 2 February (*Circular 2/2016, de 2 de febrero, del Banco de España*) ("**Bank of Spain Circular 2/2016**").

On 27 June 2019, a comprehensive package of reforms amending CRR I, the CRD IV Directive, the BRRD I and the SRM Regulation I entered into force: (i) CRD V; (ii) BRRD II; (iii) CRR II; and (iv) SRM Regulation II (the "**EU Banking Reforms**"). However, most of the provisions of CRR II are not applicable until 28 June 2021 and CRD V and BRRD II have only been partially transposed into Spanish law through RDL 7/2021 amending Law 10/2014 and Law 11/2015, respectively. Despite that RDL 7/2021 is generally enforceable since 29 April 2021, the Spanish Parliament decided on 19 May 2021 to process it as a Bill and so RDL 7/2021 provisions may be subject to changes. Furthermore, full implementation of CRD V and BRRD II still requires approval of the relevant amendments to Royal Decree 84/2015, Royal Decree 1012/2015 and certain Bank of Spain Circulars, so it is uncertain how such amendments will affect the Bank or the Holders (as defined in the Conditions). In addition, there is also uncertainty as to how the EU Banking Reforms will be implemented and applied by the relevant authorities.

Moreover, on 26 January 2021, the European Commission launched a targeted public consultation on technical aspects on a new review of BRRD ("**BRRD III**"), the SRM Regulation ("**SRM Regulation III**"), and Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes ("**DGSD II**"). The consultation was open until 20 April 2021 and was split into two main sections: a section covering the general objectives of the review focus, and a section seeking technical feedback on stakeholders' experience with the current framework and the need for changes in the future framework, notably on (i) resolution, liquidation and other available measures to handle banking crises, (ii) level of harmonisation of creditor hierarchy in the EU and impact on no creditor worse-off principle, and (iii) depositor insurance. Legislative proposals for BRRD III, SRM Regulation III and DGSD II are to be tabled on Q4 2021.

The EU Banking Reforms cover multiple areas, including, among others, the "Pillar 2 framework", the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of "non-preferred" senior debt that should only be bailed-in after junior ranking instruments but before other senior liabilities, changes to the definitions of Tier 2 and Additional Tier 1 instruments, the MREL framework and the integration of the TLAC standard into EU legislation. Notwithstanding the above, the European Commission's proposal regarding the recognition of the "non-preferred" senior debt was implemented in the EU through the Directive (EU) 2017/2399 amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy, which was published in the Official Journal of the EU on 27 December 2017. It had to be transposed into national law by the EU member states by 29 December 2018, provided that the relevant EU member states had not been previously legislated in the sense of such Directive. In Spain, the

new class of "non-preferred" senior debt and its insolvency ranking were introduced earlier through the RDL 11/2017.

Capital requirements

Under the Capital Requirements Regulations, the Bank is required, on a consolidated and on an individual basis, to hold a minimum amount of regulatory capital of 8 per cent. of RWAs (the minimum "Pillar 1" capital requirements) of which at least 4.5 per cent. must be CET1 capital and at least 6 per cent. must be tier 1 capital. In addition to the minimum "Pillar 1" capital requirements, credit institutions must comply with the "combined buffer requirement", which is divided into five capital buffers to be satisfied with additional CET1 capital: (i) the capital conservation buffer of 2.5 per cent. of RWAs; (ii) the global systemically important institutions ("G-SII") buffer which shall not be less than 1 per cent. of RWAs; (iii) the institution-specific counter-cyclical capital buffer, which may be as much as 2.5 per cent. of RWAs (or higher pursuant to the requirements set by the competent authority); (iv) the other systemically important institutions ("O-SII") buffer, which may be as much as 3 per cent. of RWAs (or higher pursuant to the requirements set by the competent authority); and (v) the systemic risk buffer to prevent systemic or macro prudential risks (to be set by the competent authority).

While the capital conservation buffer and the G-SII buffer are mandatory, the Bank of Spain has greater discretion in relation to the counter-cyclical capital buffer, the O-SII buffer and the systemic risks buffer. The ECB also has the ability to provide certain recommendations in this respect.

As the Bank has not been classified as G-SII by the FSB nor by the Bank of Spain, unless otherwise indicated in the future, it will not be required to maintain the G-SII buffer. According to the press release published by the Bank of Spain on 27 November 2020, Banco Sabadell is considered an O-SII for 2021 and accordingly, during 2021 it will be required to maintain, on a consolidated basis, a full O-SII buffer of 0.25 per cent. In addition, the Bank of Spain agreed on 24 March 2021 to maintain the counter-cyclical capital buffer applicable to credit exposures in Spain at 0 per cent. for the second quarter of 2021 (while percentages are to be revised each quarter, the Bank of Spain anticipated also the non-activation of the counter-cyclical capital buffer over a prolonged period, at least until the main economic and financial effects arising from the COVID-19 outbreak have been dispelled). However, since the counter-cyclical capital buffer applicable to the Bank consists of the weighted average of the counter-cyclical capital buffer rates that apply in the jurisdictions where the Bank's relevant credit exposures are located its exposures to UK need also to be measured. In this respect, on 11 March 2020 the FPC decided to set the UK counter-cyclical capital buffer rate at 0 per cent. with immediate effect due to the COVID-19 outbreak and its possible consequences for the real economy. As a result, and as further confirmed in the operational letter received by the Bank from the ECB on 23 November 2020, the counter-cyclical capital buffer rate for the Bank is 0 per cent. The FPC has also stated that it expects to maintain the 0 per cent. rate, so that any subsequent increase would not take effect until the last quarter of 2022 at the earliest.

Some or all of the other buffers may also apply to the Bank and/or the Group from time to time as determined by the Bank of Spain, the ECB or any other competent authority.

Moreover, Article 104 of CRD Directive, as implemented in Spain by Article 68 of Law 10/2014, and similarly Article 16 of SSM Regulation, also contemplate that in addition to the minimum "Pillar 1" capital requirements and any applicable capital buffer, supervisory authorities may require further "Pillar 2" capital to cover other risks, including those not considered to be fully captured by the minimum "own funds" "Pillar 1" capital requirements under the Capital Requirements Regulations or to address macro-prudential considerations. This may result in the imposition of additional capital requirements on the Bank and/or the Group pursuant to this "Pillar 2" framework. As explained in the "Risk Factors" section above, any failure by the Bank and/or the Group to maintain its "Pillar 1" minimum regulatory capital ratios and any "Pillar 2" additional capital could result in administrative actions or sanction, which, in turn, may have a material adverse impact on the Group's results of operations.

In addition, in accordance with Article 104b of CRD Directive, as implemented in Spain by Articles 69 and 69 bis of Law 10/2014, the specific "Pillar 2" capital will consist of two parts: "Pillar 2" requirements ("**P2R**"), which are binding and a breach of which can have direct legal consequences for banks, and "Pillar 2" Guidance ("**P2G**"). According to Article 43.3.c) of Law 10/2014 banks shall meet at all times the P2G with CET1 capital on top of the level of binding capital (minimum and additional) requirements ("Pillar 1" capital requirements, P2R and the "combined buffer requirements"). If a bank does not meet its P2G, this will not result in automatic action of the supervisor and will not be used to determine the Maximum Distributable Amount (as defined below) trigger, but Article 69.1.e) of Law 10/2014 provides that when an institution repeatedly fails to meet the P2G it will trigger, where appropriate, the imposition of additional own funds requirements. The ECB recommends not to disclose the P2G and the CRD Directive also does not require its disclosure.

The EBA published on 19 December 2014 its guidelines for common procedures and methodologies in respect of the SREP, as updated on 19 July 2018 (the "**EBA SREP Guidelines**"). Included in these were the EBA's proposed guidelines for a common approach to determining the amount and composition of additional "Pillar 2" capital implemented from 1 January 2016. Under these guidelines, national supervisors should set a composition requirement for the "Pillar 2" capital to cover certain specified risks of at least 56 per cent. CET1 capital and at least 75 per cent. tier 1 capital. Under Article 104(a) of CRD Directive, EU banks would have been directly allowed to meet P2R with these minimum proportions of CET1 capital and tier 1 capital from January 2021. However, on 12 March 2020 in reaction to the COVID-19 outbreak the ECB announced measures expected to provide capital relief to banks in support of the economy. These measures include the permission to (i) operate temporarily below the level of capital defined by P2G and the LCR (the ECB does not expect banks to operate above the levels of their P2G and LCR any sooner than by the end of 2022 and 2021, respectively, and reminded that the counter-cyclical capital buffer may be used to withstand potential stress) and (ii) bring forward the use of Additional Tier 1 instruments and allowed the use of Tier 2 instruments to meet P2R. Article 69 of Law 10/2014 which implements Article 104(a) of CRD Directive into Spanish law does not include these requirements.

In addition to the recent statements on using flexibility within accounting and prudential rules, such as those made by the Basel Committee on Banking Supervision (the "**BCBS**"), the EBA and the ECB, amongst others, the European Commission proposed a few targeted "quick fix" amendments to the EU's banking prudential rules in order to maximise the ability of banks to lend and absorb losses related to COVID-19. On 28 June 2020, Regulation 2020/873 of the European Parliament and of the Council of 24 June amending CRR as regards certain adjustments in response to the COVID-19 entered into force setting out exceptional temporary measures to alleviate the immediate impact of COVID-19-related developments, by adapting the timeline of the transitional arrangements for mitigating the impact on own funds of the application of international accounting standards on banks' capital, by postponing the date of application of the leverage ratio buffer for G-SII, by setting an optional temporary prudential filter to mitigate the negative impact of the volatility in central government debt markets during the COVID-19 pandemic on institutions, by modifying the way of excluding certain exposures from the calculation of the leverage ratio, by advancing the date of application of several agreed measures that incentivise banks to finance employees, SMEs and infrastructure projects, the EBA regulatory technical standards on software and by aligning the minimum coverage requirements for NPLs that benefit from public guarantees with those that benefit from guarantees granted by official export credit agencies.

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" 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 instruments ("**Discretionary Payments**"), until the maximum distributable amount calculated according to the Capital Requirements Regulations (i.e., the firm's "distributable profits", calculated in accordance with the Capital Requirements Regulations, 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. 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**"), 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" capital of the institution and, accordingly the "combined buffer requirement" is in addition to the minimum capital requirement and to the additional capital requirement, and therefore, it would be, after the P2G, the first layer of capital to be eroded pursuant to the applicable stacking order. Whereas (121) of the CRD Directive further clarifies that P2R should be positioned in the relevant stacking order of own funds requirements above the "Pillar 1" capital requirements and below the "combined buffer requirement" or the leverage ratio buffer requirement, as applicable and also clarifies that P2R should be set in relation to the specific situation of an institution excluding macroprudential or systemic risks, but including the risks incurred by individual institutions due to their activities (including those reflecting the impact of certain economic and market developments on the risk profile of an individual institution). CRD Directive also allows the P2R to be partially covered with Additional Tier 1 – the application of this measure having been brought forward in reaction to COVID-19 pandemic, as explained above.

In addition to the above, the CRR also includes a requirement for credit institutions to calculate a leverage ratio, report it to their supervisors and disclose it publicly from 1 January 2015 onwards. More precisely, Article 429 of

the CRR requires institutions to calculate their leverage ratio in accordance with the methodology laid down in that article. At its meeting of 12 January 2014, the oversight body of the BCBS endorsed the definition of the leverage ratio set forth in the Capital Requirements Regulations. On 11 January 2016, the BCBS issued a press release informing the public about the agreement reached by its oversight body, the Group of Governors and Heads of Supervision ("**GHOS**") setting an indicative benchmark consisting of 3 per cent. of leverage exposures, which must be met with Tier 1 capital. The CRR (as amended by the EU Banking Reforms) contains a binding 3 per cent. Tier 1 capital leverage ratio requirement on top of the own funds requirements in article 92 of the CRR that institutions must meet in addition to their risk-based requirements. Thus, any additional own funds requirements imposed by competent authorities to address the risk of excessive leverage should be added to the minimum leverage ratio requirement and not to the minimum risk-based own funds requirement. Institutions should also be able to use any CET1 capital instruments that they use to meet their leverage-related requirements to meet their risk-based own funds requirements, including the "combined buffer requirement". Pursuant to Article 141b of the CRD Directive, as implemented in Spain by Article 48 ter of Law 10/2014, any breach at the same time to the leverage ratio buffer under article 92.1a of the CRR and the "combined buffer requirement" would also result in a requirement to determine the Maximum Distributable Amount and restrict discretionary payments to such Maximum Distributable Amount.

MREL requirements

In addition to the minimum capital requirements under the Capital Requirements Regulations, the BRRD prescribes that banks shall comply, at all times, the MREL requirements. According to Commission Delegated Regulation (EU) 2016/1450 of 23 May 2016 ("**MREL Delegated Regulation**"), the level of own funds and eligible liabilities required under MREL will be set by the resolution authority for each bank (and/or group). The eligibility requirements for liabilities capable of being counted towards MREL are described in further detail below.

While the MREL requirement was scheduled to come into force on 1 January 2016, the MREL Delegated Regulation states that the resolution authorities shall determine an appropriate transitional period which shall be as short as possible.

For its part, on 9 November 2015 the FSB published its final Total Loss-Absorbing Capacity ("**TLAC**") Principles and Term Sheet, proposing that G-SIIs maintain significant minimum amounts of liabilities that are subordinated (by law, contract or structurally) to certain prior ranking liabilities, such as guaranteed insured deposits, and which form a new standard for G-SIIs. The TLAC Principles and Term Sheet contains a set of principles on loss absorbing and recapitalisation capacity of G-SIIs in resolution and a term sheet for the implementation of these principles in the form of an internationally agreed standard. As of 2 July 2019, the FSB published its review of the technical implementation of the TLAC Principles and Term Sheet concluding that, although further efforts are needed to implement the TLAC standard fully and effectively and to determine the appropriate group-internal distribution of TLAC resources across home and host jurisdictions, it sees no need to modify the TLAC standard at this time. The TLAC Principles and Term Sheet establish a minimum TLAC requirement to be determined individually for each G-SII at the greater of (a) 16 per cent. of RWAs 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 exposures as of 1 January 2019, and 6.75 per cent. as of 1 January 2022. Under the FSB TLAC standard, capital buffers stack on top of TLAC.

Although the Bank has not been classified as a G-SII by the FSB nor the Bank of Spain, it cannot be disregarded that TLAC requirements may apply to the Bank and/or the Group in addition to other capital requirements as a result of TLAC requirements being adopted and implemented in Spain and extended to non-G-SIIs through the imposition of similar MREL requirements as set out below, of any legislative proposal from the European Commission taking into account the need for consistency between MREL and other international standards such as TLAC, or otherwise.

One of the main objectives of the EU Banking Reforms is to implement the TLAC standard and to integrate the TLAC requirement into the general MREL rules ("**TLAC/MREL Requirements**") thereby avoiding duplication from the application of two parallel requirements. Although TLAC and MREL pursue the same regulatory objective, there are, nevertheless, some differences between them in the way they are constructed. The EU Banking Reforms integrate the TLAC standard into the existing MREL rules to ensure that both requirements are met with largely similar instruments, with the exception of the subordination requirement, which will be partially institution-specific and determined by the resolution authority.

As said, although the specific MREL requirements may vary depending on the specific characteristics of the relevant entity and the resolution process, BRRD II together with CRR II introduce a relevant change for complying with MREL which now includes two different ratios: (i) a risk ratio (percentage of total RWAs of the resolution

entity) and (ii) a non-risk ratio (percentage of the resolution entity's total exposure). Eligible liabilities capable of being counted towards MREL must 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 by the resolution authority of a Member State under that law or through contractual provisions. A part of eligible liabilities must be subordinated in order to reduce the risk of no creditors worse-off, which means that in resolution, shareholders and creditors should not be worse-off than in case the institution had entered into normal insolvency proceedings.

According to the EU Banking Reforms, MREL application is also subject to a different regime depending on the nature of the entity based on its resource volume and systemic profile. Thus, the MREL requirements are different for G-SIIs, "top tier" entities (entities which are not G-SIIs with consolidated total assets above €100 billion), other entities which the resolution authority has assessed as reasonably likely to pose a systemic risk in the event of its failure ("**other systemic entities**") and the rest of the resolution institutions. Banco Sabadell is a "top tier" bank. In particular, G-SIIs, "top tier" banks and other systemic entities will be subject from January 2022 to MREL Pillar 1 requirements (to be met with subordinated instruments only): in principle, 18 per cent. RWAs and 6.75 per cent. of leverage exposure in the case of G-SIIs and 13.5 per cent. of RWAs and 5 per cent. of leverage exposure in the case of "top tier" entities and other systemic entities. The leverage exposure requirement includes the "combined buffer requirement" under the Capital Requirements Regulations.

Likewise, the EU Banking Reforms include an additional subordination requirement of eligible instruments for G-SIIs, "top tier" banks and other systemic entities involving a minimum MREL "Pillar 1" subordination requirement and an institution specific MREL "Pillar 2" subordination requirement. This "Pillar 1" subordination requirement shall be satisfied with own funds and other eligible MREL instruments (which MREL instruments may not for these purposes be senior debt instruments and only MREL instruments constituting subordinated debt and "non-preferred" senior debt under the insolvency hierarchy introduced in Spain by RDL 11/2017 will be eligible for compliance with the subordination requirement). This requirement is targeted at 8 per cent. but can be adjusted upwards or downwards by resolution authorities on a case-by-case basis. Resolution authorities may also impose "Pillar 2" subordination requirements to institutions not constituting G-SIIs, "top tier" entities or other systemic entities. For information on MREL requirements applicable to Banco Sabadell, please see "*2. Risks Relating to the Business of the Issuer and the Group—Legal, Regulatory and Compliance Risks—Implementation of capital requirements may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects*".

The EU Banking Reforms also require the introduction of some adjustments to the existing MREL rules ensuring technical consistency with the structure of any requirements for G-SIIs. In particular, technical amendments to the existing rules on MREL are needed to align them with the TLAC standard regarding inter alia the denominators used for measuring loss-absorbing capacity, the interaction with capital buffer requirements, disclosure of risks to investors, and their application in relation to different resolution strategies.

Furthermore, Article 16.a) of BRRD, as implemented in Spain by Article 16 bis of Law 11/2015, better clarifies the stacking order between the "combined buffer requirement" and the MREL requirement. Pursuant to this new provision, a resolution authority will have the power to prohibit an entity from making Discretionary Payments above the Maximum Distributable Amount (calculated in accordance with paragraph (4) of such Article 16.a) of the BRRD II, to be implemented in Spain) where it meets the "combined buffer requirement" but fails to meet that "combined buffer requirement" when considered in addition to the MREL requirements (the "**MREL-Maximum Distributable Amount**"). Said Article 16.a) of the BRRD (paragraph 3 of Article 16 bis of Law 11/2015) includes a potential nine-month grace period whereby the resolution authority will assess on a monthly basis whether to exercise its powers under the MREL-Maximum Distributable Amount before such resolution authority is compelled to exercise its power under the provisions (subject to certain limited exceptions).

Basel III post-crisis regulatory reform agenda

On 7 December 2017, the GHOS published the finalisation of the Basel III post-crisis regulatory reform agenda. This review of the regulatory framework covers credit, operational and credit valuation adjustment ("**CVA**") risks, introduces a floor to the consumption of capital by internal ratings-based methods ("**IRB**") and the revision of the calculation of the leverage ratio. The main features of the reform are: (i) a revised standard method for credit risk, which will improve the soundness and sensitivity to risk of the current method; (ii) modifications to the IRB methods for credit risk, including input floors to ensure a minimum level of conservatism in model parameters and limitations to its use for portfolios with low levels of noncompliance; (iii) regarding the CVA risk, and in connection with the above, the removal of any internally modelled method and the inclusion of a standardised and basic method; (iv) regarding the operations risk, the revision of the standard method, which will replace the current standard methods and the advanced measurement approaches ("**AMA**") ; (v) the introduction of a leverage ratio

buffer for G-SIIs; and (vi) regarding capital consumption, it establishes a minimum limit on the aggregate results (output floor), which prevents the RWAs of the banks generated by internal models from being lower than the 72.5 per cent. of the RWA that are calculated with the standard methods of the Basel III framework.

The GHOS have extended the implementation of the revised minimum capital requirements for market risk until January 2022, to coincide with the implementation of the reviews of credit, operational and CVA risks.

On 27 March 2020, among the package of measures in reaction to the COVID-19 outbreak described above, the GHOS announced a deferral of Basel III post-crisis regulatory reform implementation until January 2023 to increase operational capacity of banks and supervisors to respond to COVID-19.

Prudential treatment of non-performing exposures

On 15 March 2018, the ECB published its supervisory expectations on prudent levels of provision for NPLs in the form of a subsequent addendum (the "**Addendum**") to the ECB's guidance on NPLs for credit institutions of 20 March 2017, which clarified the ECB's supervisory expectations with regard to the identification, measurement, management and write-off of NPLs. The Addendum sets out what the ECB considers to be prudential provisioning of non-performing exposures ("**NPEs**"), in order to avoid an excessive build-up of non-covered aged NPLs on banks' balance sheets in the future, which would require specific supervisory measures.

In this respect, the ECB assesses any differences between banks' practices and the prudential provisioning expectations at least annually and links the supervisory expectations in the Addendum to new NPLs classified as such from 1 April 2018 onwards. In addition, banks are asked to inform the ECB of any differences between their practices and the prudential provisioning expectations, as part of the SREP supervisory dialogue, as from early 2021. This could ultimately result in the ECB requiring banks to apply specific adjustments to their net worth calculations when the accounting treatment applied by the bank is not considered prudent from a supervisory perspective which, in turn, could have an impact on the banks' capital position.

In August 2019, the ECB further revised its supervisory expectations for prudential provisioning of new NPEs taking into account the adoption of the new Regulation (EU) 2019/630, which outlines the Pillar 1 treatment for NPEs, complements existing prudential rules and requires a deduction from own funds when NPEs are not sufficiently covered by provisions or other adjustments.

Notwithstanding the foregoing, on 20 March 2020 among the package of measures adopted in reaction to the COVID-19 outbreak, the ECB announced further measures introducing supervisory flexibility regarding the treatment of NPLs, in particular to allow banks to fully benefit from guarantees and moratoriums put in place by public authorities to tackle the current distress. In light of that scenario, the EBA has also issued statements regarding the prudential framework in relation to the classification of loans in default, classification of exposures under the definition of forbearance or as defaulted under distressed restructuring, and their accounting treatment. In particular, the EBA has clarified that generalised payment delays due to legislative initiatives and addressed to all borrowers do not lead to any automatic classification in default, forborne or unlikeliness to pay (individual assessments of the likeliness to pay should be prioritised) and has clarified the requirements for public and private moratoria, which if fulfilled, are expected to help avoid the classification of exposures under the definition of forbearance or as defaulted under distressed restructuring.

Loss absorbing powers

The BRRD (implemented in Spain through Law 11/2015 and RD 1012/2015) is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in unsound or failing credit institutions or investment firms (each an "**institution**") so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. The BRRD further provides that any extraordinary public financial support through additional financial stabilisation tools is only to be used by a Member State as a last resort, after having assessed and exploited the other resolution tools set out below to the maximum extent practicable whilst maintaining financial stability.

In accordance with Article 20 of Law 11/2015, an institution will be considered as non-viable 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 and the SRM Regulation, Law 11/2015 contains four resolution tools and powers which may be used alone or in combination where any relevant authority (i.e. the FROB, the SRB or, as the case may be and according to Law 11/2015, the Bank of Spain or the CNMV) or any other entity with the authority to exercise any such tools and powers from time to time (each, a "**Relevant Resolution Authority**") as appropriate, considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest.

The four resolution tools are: (i) sale of business, which enables the Relevant Resolution Authority to direct the sale of the institution or the whole or part of its business on commercial terms; (ii) bridge institution, which enables the Relevant Resolution Authority to transfer all or part of the business of the institution to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation, which enables the Relevant Resolution Authority to transfer certain categories of assets (including impaired or problematic 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 Resolution Authority the right to exercise certain elements of the Spanish Bail-in Power (as defined below). This includes the ability of the Relevant Resolution Authority to write down (including to zero) and/or convert into equity or other securities or obligations (which equity, securities and obligations could also be subject to any future application of the Spanish Bail-in Power) certain unsecured debt claims (including the Senior Notes and the Subordinated Notes issued under the Programme) irrespective of whether they qualify as capital instruments or not.

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 defined in the Conditions), as amended from time to time, and (iv) any other instruments, rules or standards made in connection with either (i), (ii) or (iii), pursuant to which obligations (with certain exceptions) of an institution can be reduced, cancelled, modified or converted into shares, other securities, or other obligations of such institution or any other person (or suspended for a temporary period).

In accordance with Article 48 of Law 11/2015 (and subject to any exclusions that may be applied by the Relevant Resolution Authority under Article 43 of Law 11/2015), in the case of any application of the Spanish Bail-in Power to absorb losses and cover the amount of the recapitalisation, the sequence of any resulting write-down or conversion shall be as follows: (i) CET1 items; (ii) the principal amount of Additional Tier 1 capital instruments; (iii) the principal amount of Tier 2 capital instruments; (iv) the principal amount of other subordinated claims that do not qualify as Additional Tier 1 capital or Tier 2 capital; and (v) the principal or outstanding amount of eligible liabilities in accordance with the hierarchy of claims in normal insolvency proceedings (with "non-preferred" senior claims subject to the Spanish Bail-in Power after any subordinated claims against the Bank but before the other senior claims against the Bank).

In addition to the Spanish Bail-in Power, the BRRD, Article 38 of Law 11/2015 and the SRM Regulation provide for the Relevant Resolution Authority to have the further power to permanently write-down or convert into equity capital instruments (such as the Tier 2 Subordinated Notes) and certain internal eligible liabilities at the point of non-viability of an institution or a group of which the institution forms part (the "**Non-Viability Loss Absorption**", and together with the Spanish Bail-in Power, the "**Statutory Loss-Absorption Power**"). The point of non-viability of an institution is the point at which the Relevant Resolution Authority determines that the institution meets the conditions for resolution or that it will no longer be viable unless the relevant capital instruments are written down or converted into equity or that extraordinary public support is to be provided and without such support the Relevant Resolution Authority determines that the institution would no longer be viable. The point of non-viability of a group is the point at which the group infringes or there are objective elements to support a determination that the group, in the near future, will infringe its consolidated solvency requirements in a way that would justify action by the Relevant Resolution Authority in accordance with Article 38.3 of Law 11/2015. Non-Viability Loss Absorption may be imposed prior to or in combination with any exercise of the Spanish Bail-in Power or any other resolution tool or power (where the conditions for resolution referred to above are met).

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

UK regulation

In the UK, on 18 December 2013 the Financial Services (Banking Reform) Act 2013 (the "**Banking Reform Act**") was enacted. The Banking Reform Act introduced a number of measures which could impact TSB's business, including: (i) a new bail-in option through an amendment to the Banking Act 2009 for resolving failing banks (in addition to the existing stabilisation options) whereby the Bank of England is given the power, in a resolution scenario, to cancel, reduce or defer the equity liabilities of a bank (including divesting shareholders of a bank of their shares), convert an instrument issued by a bank from one form or class to another (for example, a debt instrument into equity) and/or transfer some or all of the securities of a bank to an appointed bail-in administrator; (ii) powers for the PRA and H.M. Treasury to implement further detailed rules to give effect to the recommendations of the Sir John Vickers' Independent Commission on Banking on ring-fencing requirements for the banking sector; (iii) powers for the PRA and the FCA to require non-regulated qualifying parent undertakings of regulated entities to take actions to facilitate resolution; and (iv) preferential ranking of insured depositors on a winding-up to rank ahead of all other unsecured creditors.

Capital Requirements Regulations and BRRD requirements adopted in the UK may change as a result of changes to the way in which the UK Prudential Regulation Authority continues to interpret and apply these requirements to banks in the UK following the end of the transition period under the agreement on the withdrawal of the UK from the EU. Such changes, either individually and/or in aggregate, may lead to further unexpected enhanced requirements in relation to TSB's capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated.

US regulation

The regulation in the United States of the financial services industry has experienced significant structural reforms since the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") in 2010. The Dodd-Frank Act provided for, or authorised regulations providing for, among other things, the establishment of enhanced prudential standards applicable to certain systemically important financial institutions ("**SIFIs**"), including the US operations of certain large foreign banking organisations ("**FBOs**"); establishment of resolution planning requirements for certain US banking organisations and FBOs; prohibitions on engagement by certain banking entities in certain proprietary trading activities and restrictions on ownership or sponsorship of, or entering into certain credit-related transactions with related, covered funds (the "**Volcker Rule**"). The ongoing Dodd-Frank Act implementation and potential regulatory changes in connection with the new Biden administration could result in loss of revenue, higher compliance costs, additional limits on the Group's activities, constraints on its ability to enter into new businesses and other adverse effects on its businesses.

The Dodd-Frank Act requires a SIFI like the Bank to submit a plan (commonly called "living wills") to the Federal Reserve Board and the Federal Deposit Insurance Corporation ("**FDIC**") for the orderly resolution of the Bank's U.S. operations in the event of future material financial distress or failure. If, after reviewing the Bank's living will and any related re-submissions, the Federal Reserve Board and the FDIC jointly determine that the Bank's living will failed to cure identified deficiencies, they are authorised to impose more stringent capital, leverage or liquidity requirements, or restrictions on the Group's growth, activities or operations, which could have an adverse effect on the Group's business.

In October 2015, the US federal bank regulatory agencies adopted final rules for uncleared swaps that will phase in variation margin requirements from 1 September 2016 through 1 March 2017 and initial margin requirements from 1 September 2016 through 1 September 2020, depending on the level of specified derivatives activity of the swap dealer and the relevant counterparty. The final rules of the US federal bank regulatory agencies generally apply to inter-affiliate transactions. On 21 June 2019, the Securities Exchange Commission ("**SEC**") adopted regulations establishing margin requirements for uncleared security-based swaps.

Each of these aspects of the Dodd-Frank Act, as well as other aspects, such as the Volcker Rule, OTC derivatives regulation other changes in US banking regulations, may directly and indirectly impact various aspects of the Group's business. The full spectrum of risks that the Dodd-Frank Act poses to the Group is not yet fully known; however, such risks could be material and the Group could be material and adversely affected.

TAXATION

Tax legislation, including in the country where the investor is domiciled or tax resident and in the Issuer's country of incorporation, may have an impact on the income that an investor receives from the Notes. 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 14 (Taxation), 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 EU Financial Transactions Tax

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common Financial Transactions Tax (the "**EU FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to be exempt.

Under the Commission's proposal, the EU 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 credit institution, and at least one party is established in a participating Member State. A credit 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.

In the ECOFIN meeting of 17 June 2016, the EU FTT was discussed between the EU Member States. It was reiterated in this meeting that participating Member States envisage introducing an EU FTT by means of the so-called enhanced cooperation process.

The proposed Directive defines how the EU FTT would be implemented in participating Member States. It involves a minimum 0.1 per cent. tax rate for transactions in all types of financial instruments, except for derivatives that would be subject to a minimum 0.01 per cent. tax rate.

On 3 December 2018, the finance ministers of France and Germany outlined a joint proposal for a limited FTT based on a system already in place in France. Under the new proposal, the tax obligation would apply only to transactions involving shares issued by domestic companies with a market capitalisation of over €1 billion.

However, the Commission's proposal remains subject to negotiation between participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which, remains unclear. Additional EU Member States may decide to participate and/or certain of the participating Member States may decide to withdraw.

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

The Spanish financial transactions tax

The Spanish law which implements the Spanish financial tax (the "**Spanish FTT**") was approved on 7 October 2020 (the "**FTT Law**") and the FTT Law was published in the Spanish Official Gazette (*Boletín Oficial del Estado*) on 16 October, 2020. The Spanish FTT came into force three months after the publication of the FTT Law in the Spanish Official Gazette (that is, on 16 January 2021).

Spanish FTT will charge a 0.2 per cent. rate on specific acquisitions of listed shares issued by Spanish companies whose market capitalization exceeds €1 billion, regardless of the jurisdiction of residence of the parties involved in the transaction. The tax payer will be the financial traders that transfer or execute the purchase order and must submit an annual tax return.

The list of the Spanish companies with a market capitalisation exceeding €1 billion at 1 December of each year will be published on the Spanish tax authorities' website before 31 December each year. For the purposes of transactions closed during 2021, the Spanish tax authorities issued a list of entities whose market capitalisation exceeded €1 billion as of 16 December 2020, that will fall within the scope of the Spanish FTT.

This being said, the Spanish FTT would not apply in relation to the Notes since the Spanish FTT only applies on the acquisition of shares of certain Spanish companies, so transactions involving bonds or debt or similar instruments, such as preferred securities or derivatives, are not affected by such tax.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the Spanish 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 the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are published generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "*Terms and Conditions of the Notes—Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. 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 as of the date of this Base Prospectus:

- (a) of general application, Additional Provision One of Law 10/2014, of 26 June ("**Law 10/2014**"), on the regulation, supervision and solvency of credit institutions and Royal Decree 1065/2007, of 27 July, establishing information obligations in relation to preferential holdings and other debt instruments and certain income obtained by individuals resident in the EU and other tax rules ("**Royal Decree 1065/2007**"), 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**") taxpayers, 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 (the "**Personal Income Tax Law**"), and Royal Decree 439/2007, of 30 March 2007 promulgating the Personal Income Tax Regulations, as amended, 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, as amended;
- (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, on Corporate Income Tax (the "**Corporate Income Tax Law**"), as amended and Royal Decree 634/2015, of 10 July promulgating the Corporate Income Tax Regulations (the "**Corporate Income Tax Regulations**"), as amended; 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 ("**Non-Resident Income Tax Law**"), and Royal Decree 1776/2004, of 30 July promulgating the Non-Resident Income Tax Regulations, as amended, 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, as amended.

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 obtained by individuals who are resident in Spain 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, 23 per cent. for taxable income between €50,000.01 and €200,000, and 26 per cent. for taxable income in excess of €200,000.

As a general rule, both types of income are subject to a withholding tax on account at the rate of 19 per cent. However, it should be noted that Royal Decree 1145/2011 introduced certain amendments to Royal Decree 1065/2007, whereby certain procedures for the provision of information were included and by virtue of which, in particular, in the case of debt listed securities issued under Law 10/2014 and initially registered in a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state, as the Notes issued by the Issuer:

- (a) it would not be necessary to provide the Issuer with the identity of the Noteholders who are individuals resident in Spain for tax purposes or to indicate the amount of income attributable to such individuals; and
- (b) interest paid to all Noteholders (whether tax resident in Spain or not) should be paid free of Spanish withholding tax provided that the information procedures are complied with.

Therefore, the Issuer understands that, according to Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, it has no obligation to withhold any tax amount for interest paid on the Notes corresponding to Noteholders who are individuals with tax residency in Spain provided that the information procedures (which do not require identification of the Noteholders) are complied with.

In light of the above, according to Section 44.5 of Royal Decree 1065/2007, 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.

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, 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, 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 on all their assets (such as the Notes) owned every 31 December irrespective of where the assets are located, 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 3.5 per cent.

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 state rules. As of the date of this Base 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 ranges, as of the date of this Base Prospectus, between 0 per cent. (full exemption) 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. This general rate will not be applicable to all Corporate Income Tax taxpayers and, for instance, it will not apply to banking institutions (which will be taxed at the rate of 30 per cent.). Special rates apply in respect of certain types of entities (such as qualifying collective investment institutions).

Pursuant to Section 61.s) of the Corporate Income Tax Regulations, there is no obligation to make a withholding on income obtained by taxpayers subject to Spanish Corporate Income Tax (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). According to said 2004 ruling, application of the exemption requires that, in addition to being traded on an organised 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. In any event, the amounts withheld, if any, may be credited by the relevant investors against its final liability.

Notwithstanding the above, according to Royal Decree 1065/2007, in the case of listed debt instruments issued under Law 10/2014 and initially registered in a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state (such as the Notes issued by the Issuer), interest paid to investors should be paid free of Spanish withholding tax.

Thus, in accordance with Section 44.5 of Royal Decree 1065/2007, there is no obligation to withhold on income payable to Spanish Corporate Income Tax 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 Corporate Income Tax taxpayers provided that the relevant information about the Notes is submitted.

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, 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.

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*)**

(a) *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. See "*Legal Entities with Tax Residency in Spain — Corporate Income Tax (Impuesto sobre Sociedades)*."

(b) *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 and withholding tax, provided that certain formalities described in "*Taxation – The Kingdom of Spain – Information about the Notes in connection with payments*" are duly complied with.

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 on the last day of any year (such as the Notes) would be subject to Wealth Tax, the applicable rates ranging between 0.2 per cent. and 3.5 per cent. Therefore such individuals should take into account the value of the Notes held as of 31 December in each year.

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.

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*).

If no treaty for the avoidance of double taxation in relation to Inheritance and Gift Tax applies, applicable rates would range between 0 per cent. (full exemption) and 81.6 per cent., depending on relevant factors.

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 or relevant autonomous region law. As such, prospective investors should consult their tax advisers.

Non-Spanish resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to inheritance and gift tax. They will be subject to Non-Resident Income Tax, if applicable. 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 payment is made;
- (c) the total amount of the relevant payment; 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 Base 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.

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 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 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

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

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

- 1.1 **Entidad Gestora del Mercado de Deuda Pública en Anotaciones.**

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

- 1.2 **Entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero.**

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

- 1.3 **Otras entidades que mantienen valores por cuenta de terceros en entidades de compensación y liquidación de valores domiciliadas en territorio español.**

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

- 1.4 **Agente de pagos designado por el emisor.**

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:

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

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

- 3.1 **Identificación de los valores**

Identification of the securities.....

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

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

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

Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated).....

3.4 **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**

Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved.....

3.5 **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).**

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).

4. **En relación con el apartado 5 del artículo 44.**

In relation to paragraph 5 of Article 44.

4.1 **Identificación de los valores**

Identification of the securities

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

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

4.3 **Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados)**

Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated).....

4.4 **Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.**

Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.

4.5 **Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.**

Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.

4.6 **Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C.**

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 dede

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

(1) **En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia**

(1) In case of non-residents (individuals or corporations) without permanent establishment in Spain it shall be included the number or identification code which corresponds according to their country of residence.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Banco Sabadell, S.A., Barclays Bank Ireland PLC, BofA Securities Europe, S.A., Citigroup Global Markets Europe AG, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities Sociedad de Valores S.A., Deutsche Bank Aktiengesellschaft, Goldman Sachs Bank Europe SE, HSBC Bank plc, HSBC Continental Europe, J.P. Morgan AG, Natixis, Nomura Financial Products Europe GmbH, Société Générale and UniCredit Bank AG (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and subscribed by, Dealers are set out in an amended and restated dealer agreement dated 31 May 2021 (as amended, the "**Dealer Agreement**") and made between the Issuer and the Dealers.

The Dealer Agreement provides that the obligation of any Dealer to subscribe for Notes under any such agreement is subject to conditions set out in Clause 3 of the Dealer Agreement and that, in certain circumstances, a Dealer shall be entitled to be released and discharged from its obligations under any such agreement prior to the issue of the relevant Notes.

If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and a single Dealer for that Tranche to be issued by the Issuer and subscribed by that Dealer, the method of distribution will be described in the relevant Final Terms as "Non-Syndicated" and the name of that Dealer and any other interest of that Dealer which is material to the issue of that Tranche beyond the fact of the appointment of that Dealer will be set out in the relevant Final Terms. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and more than one Dealer for that Tranche to be issued by the Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Final Terms as "Syndicated", the obligations of those Dealers to subscribe the relevant Notes will be joint and several and the names and addresses of those Dealers and any other interests of any of those Dealers which is material to the issue of that Tranche beyond the fact of the appointment of those Dealers (including whether any of those Dealers has also been appointed to act as Stabilising Manager in relation to that Tranche) will be set out in the relevant Final Terms.

Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be subscribed by the Dealer(s) and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America

The Notes have not been and will not be registered under the Securities Act or securities laws or "blue sky" laws of any state of the United States or any other relevant federal jurisdiction, and, accordingly, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury Regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each affiliate or other dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons a confirmation of notice to substantially the following effect:

"The Securities covered hereby have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days

after the completion of the distribution of the Securities and except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any 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.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are subject to the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
 - (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

United Kingdom

Prohibition of Sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are subject to the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the UK. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (EUWA); or
 - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the ESMA to implement Directive (EU) 2016/97 where that customer would not qualify as a professional client, as defined in point (8) of Article 2 (1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA; or
 - (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of the domestic law of the UK by virtue of the EUWA; and
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Other UK regulatory restrictions

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

- (a) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA") received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and
- (b) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

The Kingdom of Spain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes may not be offered or sold in Spain other than by institutions authorised under the consolidated text of the Securities Market Law approved by legislative Royal Legislative Decree 4/2015 of 23 October (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) (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 require the registration of a prospectus in Spain or without complying with all legal and regulatory requirements under Spanish securities laws. Offers of Notes in Spain shall only be directed specifically at, or made to, professional clients and eligible counterparties, as defined in Articles 205 and 207 of the Securities Market Law, respectively. Neither the Notes nor this Base Prospectus have been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (the "**CNMV**") and therefore this Base Prospectus is not intended for any offer of the Notes in Spain that would require the registration of a prospectus with the CNMV.

Belgium

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a "**Belgian Consumer**") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

Singapore

This Base Prospectus has not been registered as a prospectus with the MAS, and the Notes will be offered pursuant to exemptions under the SFA. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA pursuant to Section 275(1) of the SFA), or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Instruments pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Notification under Section 309B(1)(c) of the SFA - Unless otherwise stated in the relevant Final Terms, all Instruments shall be prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Product and the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Switzerland

The offering of the Notes in Switzerland is exempt from requirement to prepare and publish a prospectus under the Swiss Financial Services Act ("**FinSA**"). This Base Prospectus does not constitute a prospectus pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the Notes.

General

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

GENERAL INFORMATION

Authorisation

1. By virtue of the faculties granted by Article 406 of the Spanish Companies Act, the update of the Programme was authorised by resolutions of the Board of Directors of the Issuer passed on 29 April 2021. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Legal and Arbitration Proceedings

2. Other than as described in section "*Legal and Other Proceedings*" on page 131 of this Base Prospectus, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer or of the Issuer and its Subsidiaries taken as a whole.

Significant/Material Change

3. Since 31 December 2020 there has been no material adverse change in the prospects of the Issuer, and since 31 March 2021 there has been no significant change in the financial performance or position of the Issuer and its Subsidiaries taken as a whole.

Auditors

4. The consolidated annual accounts of the Issuer for the year ended 31 December 2020 were audited without qualification by KPMG Auditores, S.L., of Paseo de la Castellana, 259C, 28046 Madrid, Spain, current independent auditors of the Issuer who are members of the *Registro Oficial de Auditores de Cuentas*, as stated in their report incorporated by reference in this Base Prospectus.
5. The consolidated annual accounts of the Issuer for the year ended 31 December 2019 were audited without qualification by PricewaterhouseCoopers Auditores, S.L., of Calle Ausó y Monzó, 16, 03006 Alicante, Spain, independent auditors who are members of the *Registro Oficial de Auditores de Cuentas*, as stated in their report incorporated by reference in this Base Prospectus.

Documents on Display

6. Copies of the following documents in electronic format (together with English translations thereof (if any)) may be inspected during normal business hours at the offices of the Fiscal Agent at One Canada Square, Canary Wharf, London, E14 5AL, United Kingdom for 12 months from the date of this Base Prospectus:
 - (a) the constitutive documents (*Estatutos*) of the Issuer; and
 - (b) the information incorporated by reference herein under "*Information Incorporated by Reference*".

The documents listed above are also available on the website of Banco Sabadell (www.grupbancsabadell.com), in particular on <https://www.grupbancsabadell.com/corp/en/corporate-governance-and-remuneration-policy/articles-of-association-of-banco-sabadell.html#> in respect of (a) above and on <https://www.grupbancsabadell.com/corp/en/shareholders-and-investors/economic-and-financial-information.html> or <https://www.grupbancsabadell.com/corp/en/shareholders-and-investors/fix-income-investors.html> in respect of (b) above.

Material Contracts

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

Clearing of the Notes

8. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Issue Price and Yield

9. Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions and the issue price of the relevant Notes or the method of determining the price and the process for its disclosure will be set out in the relevant Final Terms. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Notes set out in the relevant Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

Dealers transacting with the Issuer

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

THE ISSUER

Banco de Sabadell, S.A.
Avenida Óscar Esplá 37
03007 Alicante
Spain

ARRANGER

Deutsche Bank Aktiengesellschaft
Mainzer Landstr. 11-17
60329 Frankfurt am Main
Germany

DEALERS

Banco Sabadell, S.A.
Avenida Óscar Esplá 37
03007 Alicante
Spain

Barclays Bank Ireland PLC
One Molesworth Street
Dublin 2
D02RF29
Ireland

BofA Securities Europe, S.A.
51 rue La Boétie
75008 Paris
France

Citigroup Global Markets Europe AG
Reuterweg 16
60323 Frankfurt am Main
Germany

Commerzbank Aktiengesellschaft
Kaiserstraße 16 (Kaiserplatz)
60311 Frankfurt Am Main
Germany

Crédit Agricole Corporate and Investment Bank
12, place des Etats-Unis
CS 70052
92547 Montrouge Cedex
France

Credit Suisse Securities Sociedad de Valores S.A.
Calle de Ayala, 42
28001 Madrid
Spain

Deutsche Bank Aktiengesellschaft
Mainzer Landstr. 11-17
60329 Frankfurt am Main
Germany

Goldman Sachs Bank Europe SE
Marienturm
Taunusanlage 9-10
Frankfurt am Main
Germany

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

HSBC Continental Europe
38, avenue Kléber
75116 Paris
France

J.P. Morgan AG
Taunustor 1 (TaunusTurm)
60310 Frankfurt am Main
Germany

Natixis
30 avenue Pierre Mendès-France
75013 Paris
France

Nomura Financial Products Europe GmbH
Rathenauplatz 1
60313, Frankfurt-am-Main
Germany

Société Générale
29 boulevard Haussmann
75009 Paris
France

UniCredit Bank AG
Arabellastrasse 12
81925 Munich
Germany

FISCAL AGENT AND PAYING AGENT
The Bank of New York Mellon, London Branch
One Canada Square
Canary Wharf
London E14 5AL
United Kingdom

LEGAL ADVISERS

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

Linklaters, S.L.P.
Calle de Almagro 40
28010 Madrid
Spain

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

Allen & Overy
Serrano 73
28006 Madrid
Spain

AUDITORS TO THE ISSUER

For the year ended 31 December 2019

PricewaterhouseCoopers Auditores, S.L.
Calle Ausó y Monzó, 16
03006 Alicante
Spain

For the year ended 31 December 2020

KPMG Auditores, S.L.
Paseo de la Castellana, 259C
28046 Madrid
Spain

LISTING AGENT

The Bank of New York Mellon SA/NV, Dublin Branch
Riverside II, Sir John Rogerson's Quay
Grand Canal Dock, Dublin 2,
Ireland