

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**") or in the United Kingdom (the "**UK**") 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. For these purposes, references(s) to the EEA include(s) the UK. 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.

At 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 (Rating Watch Negative) by Fitch Ratings España S.A.U. ("**Fitch**") and A (low) with a Negative Outlook by DBRS Ratings GmbH ("**DBRS**").

Notes issued under the Programme may be unrated or may be rated by S&P, Fitch and/or DBRS. As of the date of this Base Prospectus, each of S&P, Moody's, Fitch and DBRS is established in the EEA or the UK 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 or in the UK and registered under the CRA Regulation will be disclosed in the relevant Final Terms or the relevant Drawdown Prospectus.

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.

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

Amounts payable on Floating Rate Notes or Fixed Reset Notes may be calculated by reference to one of the Euro Interbank Offered Rate ("**EURIBOR**") or the London Interbank Offered Rate ("**LIBOR**") 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 at the date of this Base Prospectus, ICE and EMMI are included in the European Securities and Markets Authorities' register of administrators and benchmarks under Article 36 of the Regulation (EU) No. 2016/1011 (the "**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

CITIGROUP

COMMERZBANK

CRÉDIT AGRICOLE CIB

CREDIT SUISSE

DEUTSCHE BANK

GOLDMAN SACHS INTERNATIONAL

HSBC

J.P. MORGAN

NATIXIS

NOMURA

**SOCIÉTÉ GÉNÉRALE CORPORATE &
INVESTMENT BANKING**

UBS INVESTMENT BANK

UNICREDIT BANK

This Base Prospectus is dated 26 May 2020.

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.

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 or the UK and registered under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA or the UK but will be endorsed by a credit rating agency which is established in the EEA or the UK and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA or the UK but which is certified under the 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 or the UK but is endorsed by a credit rating agency established in the EEA or the UK and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA or the UK 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 applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may 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 the Issuer*" 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, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this 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 which it was still recovering.

From 2014 the Spanish economy has performed well and in the last seven years the current account imbalances have been positive: Spain has experienced GDP growths of 1.4 per cent. in 2014, 3.6 per cent. in 2015, 3.2 per cent. in 2016, 2.9 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 there has been a significant reduction in risk premiums since the second half of 2012 and economic growth for the Eurozone as a whole has been positive since the second quarter of 2013, growing by 2.0 per cent. in 2016, 2.5 per cent in 2017, 1.9 per cent. in 2018 and 1.2 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 tax policies which are less oriented to austerity seemed to have also provided the grounds for a progressive recovery of the global economic activity. However, a deterioration of the global economy likely to postpone economic recovery is once again a risk.

Factors or events that may lead to deterioration affecting the Spanish and European and global economic conditions are mainly related to the spread of a novel strain of coronavirus (COVID-19), which began in China in December 2019 and has subsequently spread globally. COVID-19 has generated a widespread health crisis that has resulted in the restriction or suspension of production, operational and business activities in the affected areas, disruptions to travel and transportation, and adverse impacts on labour supply, which have consequently caused a shock to supply chains and aggregate demand. Beyond the direct economic impact, which in principle should be mostly temporary, the COVID-19 crisis is also a financial shock given the tightening in financial conditions, the worsening of liquidity conditions in financial markets and assets, heightened volatility and sharp repricing of most financial assets. All of this in a context where the robustness of the capital markets has deteriorated notably in recent years. To the extent that uncertainty regarding the economic outlook starts to negatively impact consumer confidence and consumer credit factors globally, the Group's business, financial condition, results of operations and prospects could be significantly and adversely affected.

Other factors that might affect recovery are a disorderly outcome of the UK's withdrawal from the EU (see "*The Group's loan portfolio and its overall business are highly concentrated in Spain and the UK and the Group is particularly exposed to any deterioration in the Spanish and UK economies – The UK*" below), a new escalation of commercial tensions between the United States and China despite the economic and trade agreement reached, or between the United States and Europe, the outcome of the presidential elections in the United States that are

due to take place by the end of the year, as well as geopolitical tensions (particularly in the Middle East due to Iran's confrontation with the United States) or other similar events outside 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 lasting impact of the COVID-19 outbreak, a reduction in the number of transactions made in Europe, deterioration in the solvency of Spanish, UK or international banks or certain other economic 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 business unit of the Banking Business in Spain, which accounted for 75.3 per cent. and 77.2 per cent. of its income for the years ended 31 December 2019 and 2018, 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 since 2009, with Spanish gross domestic product ("GDP") contracting in the period 2009-2013 due to the effects of the financial crisis being particularly pronounced in Spain. While the current account imbalance was corrected and the public deficit had been diminishing over the last few years, there is uncertainty with respect to the impact that the COVID-19 pandemic will have. In this regard, on 14 March 2020 the Spanish government declared a state of emergency, which implicated the home confinement of the population and the shutdown of the vast majority of businesses. The state of emergency was initially declared for 15 calendar days (i.e. until 29 March 2020), but the Government has since announced its extension to 7 June 2020, following approval by Spain's Parliament. While de-escalation plans from home confinement are already in place, these measures, along with the uncertainty on how long they will last, are affecting demand, production and investment decisions throughout the Spanish economy. Furthermore, if there were to arise difficulties in servicing public or private debt, it could increase Spain's financing costs. In addition, unemployment levels continue to be high as compared to Europe, and a change in the path of recovery of the labour market in recent years would adversely affect the household gross disposable income of the Group's retail customers and may adversely affect the recoverability of the Group's retail loans, resulting in increased loan losses.

The most recent forecast made by the International Monetary Fund sets the growth of the Spanish economy's GDP at -8.0 per cent. in 2020 and 4.3 per cent. in 2021, while the Bank of Spain's most recent forecast points to a growth rate range between -9.5 per cent. and -12.4 per cent. in 2020 and between 6.1 per cent. and 8.5 per cent. in 2021. However, it should not be disregarded that these forecasts are revised in the near term to reflect the impact of COVID-19 pandemic in Spain. The Spanish economy is particularly sensitive to economic conditions in the Eurozone (the main market for Spanish goods and services exports) so an interruption in the recovery of the Eurozone might 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 represents 20.8 per cent. of the Group's total assets as of 31 December 2019.

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 2019), 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 has entered into a transition period initially planned to end on 31 December 2020, for the purpose of negotiating its future relationship with the EU.

Under the withdrawal agreement, which sets out the basic terms of the UK's departure, the UK and the EU may agree before 1 July 2020 to extend the transition period for 1 or 2 years. The House of Commons voted on 20 December 2019 against any further extension, but the impact of the COVID-19 pandemic might increase pressure on the UK to require such an extension. If no agreement is finally reached between the UK and the EU on an extension to the transition period, nor on their future relationship, a disorderly withdrawal from the EU will occur on 31 December 2020. During the transition period, for most practical intents and purposes, the UK is subject to EU rules.

The ongoing uncertainty surrounding the outcome of the UK's withdrawal from the EU has had an effect on the UK in recent years. Business investment has been particularly hit by such an uncertainty. Some companies have replaced investment by increasing employment, which in a context of already weak productivity has led the unemployment rate to remain close to historic lows. Boris Johnson's ample victory in the December 2019 general elections led to increased optimism in economic sentiment indicators, though this has been relatively short-lived given the impact of COVID-19.

The final outcome of the UK's withdrawal from the EU remains unclear. Thus, an end to the transition period with no deal agreed remains a possibility and the consensus view is that this would have a negative impact on the UK economy, affecting its growth prospects, based on scenarios put forward by institutions such as the Bank of England, HM Government and other economic forecasters. In addition, this could inevitably affect the UK's attractiveness as a global investment centre and would likely have a detrimental impact on UK economic growth.

A disorderly outcome of the UK's withdrawal from the EU in combination with the impact of COVID-19 would be likely to cause the UK's economic growth to slow significantly, and it would be possible that there would be severe adverse economic effects.

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. 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 have been subject to increased market volatility as the negotiation of the terms of the UK's departure from the EU continues. The major credit rating agencies downgraded and changed their outlook to negative on the UK's sovereign credit rating following the UK EU Referendum, and that has not changed. Furthermore, Fitch has further downgraded the UK's sovereign rating following the impact of COVID-19, ongoing uncertainty regarding the UK's withdrawal from the EU and a loosening of the fiscal stance.

In addition, the Group is subject to substantial EU-derived regulation and oversight. There is now significant uncertainty as to the legal and regulatory environments in which the Bank's UK subsidiaries will operate when the transition period ends, causing potentially divergent national laws and regulations across Europe should EU laws be replaced, in whole or in part, by UK laws on the same (or substantially similar) issues.

The UK political 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 negative adverse effect on its financing availability and terms and, more generally, on its business, financial condition and results of operation.

Mexico and the United States

Finally, the Group is also sensitive to developments in other economies, such as Mexico (with a gross income of €125 million as of 31 December 2019) and the United States (with a gross income of €201 million as of 31 December 2019). 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, the outcome of the coming presidential elections in the United States, the fluctuations in the U.S. dollar/euro exchange rate, adverse developments in the real estate market, fluctuations in oil prices, or a higher interest rate environment in the US and Mexican economies could also have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In particular, under the current United States administration there is uncertainty about the relationship between the United States and Mexico. Any continued volatility in the Mexican peso or any material change to United States trade and immigration policy with respect to Mexico or other Latin American countries could have a significant adverse impact on the economies of those countries and impact 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 whether due to the implementation of Royal Decree-Law 1/2017 of 20 January on measures to protect consumers regarding floor clauses, amounted to €76.7 million as of 31 December 2019 (€110 million as of 31 December 2018). 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 €481.2 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, requesting that it be determined whether to replace it with another index or 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).

The CJEU judgment has therefore led to increased uncertainty, since going forward the Spanish courts will have to rule on a case-by-case basis. As of 31 December 2019, the outstanding balance of mortgage loans to IRPH-indexed consumers of the Group was €751 million.

TSB's migration to new technology platform

As of the date of this Base Prospectus, the investigation by the British authorities into the incidents that occurred subsequent to TSB Migration (see “*Risks related to TSB*” below) in April 2018 is 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.

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 lead to changes in the near 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 affects the Group includes, among other things, 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.

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**”) assessments under CRD IV (as defined in section “*Regulation – EU Banking Reforms*”) of the additional “Pillar 2” capital (see “*Regulation – Capital, liquidity and funding requirements*”) that 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 most recent SREP carried out by the ECB in 2019, the Bank has been informed by the ECB that for 2020 it is 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 include the minimum capital ratio required under “Pillar 1” (4.5 per cent.) and the additional capital under “Pillar 2” (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*”).

As of 31 December 2019, the Bank’s CET1 phased-in capital ratio was 12.45 per cent. and its phased-in total capital ratio was 15.70 per cent., in both cases on a consolidated basis. Such ratio is greater than the applicable regulatory requirements described above, but there can be no assurance that the total capital requirements (“Pillar 1” plus “Pillar 2” plus “combined buffer requirement”) imposed on the 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 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**”), which, 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**”), has implemented Directive 2014/59/EU of 15 May establishing a framework for the recovery and resolution of credit institutions and investment firms (“**BRRD**”) into Spanish law, which could have a material adverse effect on the Group’s business and operations.

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 19 November 2019, the Bank announced that it had received communication from the Bank of Spain regarding its MREL requirement at a consolidated level, as determined by the SRB. The Bank’s MREL has been set at 8.31 per cent. of total liabilities and own funds (“**TLOF**”), of which 5.99 per cent. of TLOF shall be met with subordinated instruments taking into account an allowance of 2.2 per

cent of the total risk exposure amount ("**TREA**"). The decision established that the requirement should be reached by 1 January 2020 and from that date should be met at all times. As of 31 December 2019, the MREL ratio of the Group stood at 23.4 per cent.

Moreover, 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 19.0 per cent. of the Group's total credit portfolio as of 31 December 2019 and 31 December 2018). 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 ("**RWA**"). The RWA 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 RWA, which potentially could deteriorate the Group's capital adequacy ratios and limit its lending or investments in other operations.

Any of the foregoing could have a material adverse effect on the 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 short-term securities and current accounts for a material portion of its funding (accounting for 56.9 per cent. of the Group's liabilities as of 31 December 2019), it cannot provide any assurance that, in the event that its depositors (as of 31 December 2019 and 2018, total deposits represented 79.7 per cent. and 77.5 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, and lately through the Targeted Long Terms Refinancing Operations starting in June 2016 ("TLTRO II"). In the TLTRO II windows in June 2016 and March 2017, the Bank was allocated funding amounting to €10,000 million maturing in 2020 and €10,500 million maturing in 2021, respectively. As of 31 December 2019, ECB funding represented 6.1 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 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 184 per cent. as of 31 December 2019, excluding TSB. On 12 March 2020, the ECB communicated allowance to banks to temporarily make use of the liquidity buffer under stress (see "*Regulation – Temporary capital and operational relief in reaction to COVID-19*" 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 until June 2021. Banco Sabadell's NSFR ratio remained above 100 per cent. in 2019.

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 negative Watch by Fitch. On 27 March 2020, Fitch communicated that it had taken rating actions on 17 Spanish banking groups (including the Bank) due to financial impact from the COVID-19 outbreak, which resulted on the Issuer's long term rating being placed on Rating Watch Negative. On 15 April 2020, DBRS took actions on five Spanish banks amidst heightened uncertainty around COVID-19. 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. 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 58 per cent. of its total gross loan portfolio as of 31 December 2019) 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 non-performing loans ("NPLs") in the real estate development sector has been significantly higher than those in other sectors. As of 31 December 2019, 10.96 per cent. of the Group's loans to the real estate development sector were non-performing compared to its overall average of 3.83 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 74 per cent. and 76.8 per cent. of the Group's gross income (excluding gains from a sale of financial assets) in the years ended 31 December 2019 and 2018, 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 53.0 per cent. of the Group's loan portfolio as of 31 December 2019 consisted of variable interest rate loans, its business is sensitive to volatility in interest rates. Approximately 13.3 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

As of 31 December 2019, 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 €27,577 million, representing 12.3 per cent. of its total assets. As of that date, €13,424 million, or 48.7 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 2019 were Italy, Portugal and the UK, with investments of €5,696 million, €2,171 million and €1,460 million, respectively.

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, following TSB's acquisition, 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. 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 as the Bank of Spain continues to impose measures aimed at restructuring the Spanish financial sector, including requirements that smaller, non-viable regional banks consolidate into larger, more solvent and competitive entities and reducing overcapacity.

The 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-bank financial institutions and other entities, such as leasing companies, mutual funds, pension funds and insurance companies and, to a lesser extent, department stores (for some consumer finance products) and car dealers, as well as from shadow banking entities that operate outside the regulated banking system. Furthermore, "crowdfunding" and other social media developments in finance are expected to become more popular as technology further continues to connect society. The 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 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 29.2 per cent. and 26.7 per cent. of the Group's gross income for the years ended 31 December 2019 and 2018, respectively, and is an important part of its overall profitability. Reduced fee and commission income from the Group's Banking business in Spain (which encompasses Commercial Banking, Corporate and Investment Banking and Asset Transformation), Banking business in the UK and Banking business in Mexico business units, 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 few years, 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 such acquisitions will depend in part on its successful integration of those 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 its operating results, financial condition 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 it has established in respect of revenue increases, cost reductions, return on equity and post-acquisition and integration regulatory capital ratios with respect to such acquisitions, which could have material adverse effects on the Group's business, financial condition, results of operations and prospects.

Risks related to TSB

The Group may incur unanticipated losses or increased costs in connection with the acquisition of TSB.

Since the Group was not present in the UK before the acquisition of TSB, the operational integration of TSB into the Group may substantially divert management's time, attention and resources and may be more expensive, time consuming, and resource intensive than anticipated. Additionally, given the Group's lack of experience in the UK market, it may take strategic decisions which negatively impact the positioning and profitability of TSB.

In particular, the integration of TSB 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 new 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 has already concluded, while the regulators are still conducting their own investigation. TSB intends to compensate all customers who experienced any financial losses, also taking into account situations in which customers were inconvenienced in any way by the events. 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 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 position, 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

The BRRD (which has been implemented in Spain through Law 11/2015 and RD 1012/2015) is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in unsound or failing credit institutions or investment firms (each an "**institution**") so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. 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 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).

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 by the BRRD II – as defined in the section below headed "*Regulation*"), including, but not limited to (i) Law 11/2015, as amended from time to time, (ii) RD 1012/2015, as amended from time to time, (iii) the SRM Regulation, as amended from time to time (including by the SRM Regulation II – as defined in the section below headed "*Regulation*"), 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 Spanish 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 recapitalization, the sequence of any resulting write-down

or conversion shall be as follows: (i) CET1 instruments; (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 instruments; (v) the principal or outstanding amount of eligible liabilities (*pasivos admisibles*) prescribed in Article 41 of Law 11/2015 in accordance with the applicable insolvency legislation.

In addition to the Spanish Bail-in Power, the BRRD, Law 11/2015 and the SRM Regulation provide for the Relevant Resolution Authority to have the further power to permanently write-down or convert into equity capital instruments at the point of non-viability ("**Non-Viability Loss Absorption**" and, together with the Spanish Bail-in Power, the "**Statutory Loss-Absorption Power**") of an institution or a group of which the institution forms part. 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 any other Spanish Bail-in Power or any other resolution tool or power (where the conditions for resolution referred to above are met). In addition, pursuant to the BRRD II and the SRM Regulation II, certain internal eligible liability instruments may also be subject to Non-Viability Loss Absorption.

Condition 18 provides for the contractual recognition by the holders of the Notes (the "**Noteholders**") of the Statutory Loss-Absorption Power.

Under Article 92 of Law 22/2003 dated 9 July 2003 (*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 (firstly, those that do not qualify as Additional Tier 1 or Tier 2 capital; secondly, those that qualify as Tier 2 capital instruments and thirdly, those that qualify as Additional Tier 1 capital instruments); (iii) interest (including accrued and unpaid interest due on the Notes); (iv) fines; (v) claims of creditors which are specially related to the Issuer (if applicable) as provided for under the Insolvency Law; (vi) detrimental claims against the Issuer where a Spanish Court has determined that the relevant creditor has acted in bad faith (*rescisión concursal*); and (vii) claims arising from contracts with reciprocal obligations as referred to in Articles 61, 62, 68 and 69 of the Insolvency Law, wherever the court rules, prior to the administrators' report of insolvency (*administración concursal*) that the creditor repeatedly impedes the fulfilment of the contract against the interest of the insolvency.

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.

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

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 other such compensation, in accordance with Article 36.5 of Law 11/2015) is unlikely to compensate that Noteholder for the losses it has actually incurred and there is likely to be a considerable delay in the recovery of such compensation. Compensation payments (if any) are also likely to be made considerably later than when amounts may otherwise have been due under the affected Notes. In addition, in the case of Non-Viability Loss Absorption effected prior to entry into resolution, there is uncertainty as to whether Noteholders would have a right to compensation under the BRRD and the SRM Regulation if any resulting treatment of such Noteholder pursuant to the exercise of Non-Viability

Loss Absorption was less favourable than would have been the case under such hierarchy in normal insolvency proceedings.

The powers set out in the BRRD as implemented through Law 11/2015, RD 1012/2015 and the SRM Regulation will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Pursuant to Law 11/2015, Noteholders may be subject to, among other things, on any application of the Statutory Loss-Absorption Power, a write-down (including to zero) or conversion into equity or other securities or obligations of amounts due under the Notes. The exercise of any such powers may result in such Noteholders losing some or all of their investment or otherwise having their rights under such Notes adversely affected. For example, the Spanish Bail-in Power may be exercised in such a manner as to result in Noteholders receiving a different security, which may be worth significantly less than the Notes.

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 recently 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 "*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, including any additional measures to address or remove impediments to resolvability that may be included in Law 11/2015 as a consequence of the EU Banking Reforms (as defined in the section below headed "*Regulation*"), 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 "*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), in respect of Senior Non Preferred Notes and Subordinated Notes, if the Issuer would not be entitled to claim a deduction in computing taxation liabilities in Spain in respect of any payment of interest to be made on the next Interest Payment Date or the value of such deduction to the Issuer would be materially reduced, in each case as a result of any change in, or amendment to, the laws or regulations of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (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)*).

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 Conditions 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 generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

It is not possible to predict whether or not any further change in the laws or regulations of Spain, Applicable Banking Regulations (as defined in the Conditions) or, in the case of a redemption of the Notes for taxation reasons, the application and official interpretation thereof, or any of the other events referred to above, will occur and so

lead to the circumstances in which the Issuer is able to elect to redeem the Notes, and if so whether or not the Issuer will elect to exercise such option to redeem the Notes.

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 consent and such consent 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 CRR, CRD IV and BRRD by a margin that the Regulator may consider necessary.

In the case of Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes qualifying as TLAC/MREL Eligible Instruments, prior consent of the Competent Authority and/or the Relevant Resolution Authority (as these terms are defined in the Conditions) is also required for any optional redemption and there can be no assurances that such consent will be given. The CRR provides that the redemption of TLAC/MREL Eligible Instruments prior to the date of their contractual maturity is subject to the prior permission of the resolution authority. According to the CRR, such consent will be given only if one of the following conditions is met:

- (a) earlier than or at the same time as such redemption, 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 CRR, CRD IV 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 CRR and CRD IV 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 (as defined in the Conditions) under Applicable Banking Regulations. However, the implementation in Spain of the EU Banking Reforms is pending and there is uncertainty as to how they will be interpreted and applied and 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.

Because of the uncertainty surrounding the implementation in Spain of the EU Banking Reforms and their interpretation and application and any potential changes to the regulations giving effect to MREL, the Issuer cannot provide any assurance that the Subordinated Notes, the Senior Non Preferred Notes and the corresponding Ordinary Senior Notes will or may ultimately be 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 (including, in the case of the English Law Notes, changing the governing law of such Notes from English law to Spanish law), in each case so that they are substituted for, or varied to, become, or remain, Qualifying Notes (as defined in the Conditions). While Qualifying Notes must contain terms that are materially no 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 be deemed to be not 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 or LIBOR, as specified in the relevant Final Terms or the relevant Drawdown Prospectus. Reference rates and indices such as EURIBOR or LIBOR 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 Benchmarks Regulation which applies, subject to certain transitional provisions, to the provision of Benchmarks, the contribution of input data to a Benchmark and the use of a Benchmark within the EU (which, for these purposes, includes the UK). Among other things, it (i) requires Benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities (such as the Issuer) of Benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

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

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. 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. It is not possible to predict whether, and to what extent, LIBOR and EURIBOR will continue to be supported going forwards. This may cause LIBOR and EURIBOR to perform differently than they have done in the past and may have other consequences which cannot be predicted.

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, 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 Instruments 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, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Notes, as the case may be.

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 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, liquidation or dissolution. 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, as provided for in the Conditions, a right to institute proceedings for the winding up, liquidation or dissolution 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) ordinary 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 92.3 of the Insolvency Law.

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

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

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

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 14.1º of Law 11/2015.

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 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 Royal Decree 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 92 of the Insolvency Law read in conjunction with Additional Provision 14.3º 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 (firstly, those that do not qualify as additional tier 1 or tier 2 instruments under Additional Provision 14.3º(a) of Law 11/2015-which is expected to be the case of Senior Subordinated Notes, secondly, those that qualify as tier 2 instruments under Additional Provision 14.3º(b) of Law 11/2015-which is expected to be the case of Tier 2 Subordinated Notes- and thirdly, additional tier 1 instruments under Additional Provision 14.3º(c) of Law 11/2015); (iii) interest (including accrued and unpaid interest due on the Subordinated Notes); (iv) fines; (v) claims of creditors which are specially related to the Issuer (if applicable) as provided for under the Insolvency Law; (vi) detrimental claims against the Issuer where a Spanish Court has determined that the relevant creditor has acted in bad faith (*rescisión concursal*); and (vii) claims arising from contracts with reciprocal obligations as referred to in Articles 61, 62, 68 and 69 of the Insolvency Law, wherever the court rules, prior to the administrators' report of insolvency (*administración concursal*) that the creditor repeatedly impedes the fulfilment of the contract against the interest of the insolvency.

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 14.2º 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 with Article 92.1º or 92.3º to 92.7º 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, and (c) senior to any present and future subordinated obligations (*créditos subordinados*) of the Issuer in accordance with Article 92 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 14.1º 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, liquidated or dissolved, 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 bail-in, 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. Because the Senior Non Preferred Notes are 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 92 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 bail-in or (ii) insolvent.

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

Senior Non Preferred Notes are relatively new types of instruments for which there is still little trading history

On 25 June 2017, RDL 11/2017 entered into force amending Additional Provision 14.2º of Law 11/2015, which creates the legal category of unsubordinated and unsecured senior non preferred obligations (*créditos ordinarios no preferentes*) in Spain. Although certain credit institutions have issued securities with similar features in the past and, since the publication of RDL 11/2017, certain Spanish financial institutions (including the Bank) have issued senior non-preferred obligations such as the Senior Non Preferred Notes, there is still little trading history for securities of credit institutions with this ranking. Market participants, including credit rating agencies, are in the initial stages of evaluating the risks associated with senior non preferred securities. The credit ratings assigned to senior non preferred securities such as the Senior Non Preferred Notes may change as the rating agencies refine their approaches, and the value of such securities may be particularly volatile as the market becomes more familiar with them. It is possible that, over time, the credit ratings and value of senior non preferred securities such as the Senior Non Preferred Notes will be lower than those expected by investors at the time of issuance of the Senior Non Preferred Notes. If so, Noteholders may incur losses in respect of their investments in the Senior Non Preferred Notes.

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>
José Oliu Creus	Chairman
José Javier Echenique Landiribar	Deputy-Chairman
Jaime Guardiola Romojaro	CEO
Anthony Frank Elliot Ball	Director
Aurora Catá Sala	Director
Pedro Fontana García	Director
María José García Beato	Director
Mireia Giné Torrens	Director
George Donald Johnston	Director
David Martínez Guzmán	Director
José Manuel Martínez Martínez	Director
José Ramón Martínez Sufrategui	Director
José Luis Negro Rodríguez	Director
David Vegara Figueras	Director
Manuel Valls Morató	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, as of 31 December 2019, comprised a total of 149 companies that the Group fully consolidates. In addition, there were 24 associates.

As of 31 December 2019, Banco Sabadell's issued share capital of €703,370,587.625 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 BlackRock, and Fintech Europe S.A.R.L. with 5.21 per cent. and 3.49 per cent. respectively.

Business:

Banco Sabadell is the fourth largest privately owned banking group in Spain measured by total assets (based on the 2019 consolidated annual accounts which are publicly available on Banco Sabadell's website), with total consolidated assets and total consolidated net customer loans of €223,754 million and €147,816 million, respectively, as of 31 December 2019.

For the years ended 31 December 2019 and 2018 the Group's consolidated profit before impairment and other provisions (calculated as operating profit or loss plus impairment losses (net) and provisioning expense (net)) was €1,719 million and €1,737 million, respectively, and its consolidated profit attributable to the parent company was €768 million and €328 million, respectively.

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

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, Citigroup Global Markets Europe AG, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank Aktiengesellschaft, Goldman Sachs International, HSBC Bank plc, HSBC France, J.P. Morgan AG, J.P. Morgan Securities plc, Natixis, Nomura, Société Générale, UBS Europe SE 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 applicable 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 applicable 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 or LIBOR, 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 applicable 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.</p> <p>Neither Subordinated Notes, Senior Non Preferred Notes nor Ordinary Senior Notes qualifying as TLAC/MREL Eligible Instruments may be redeemed prior to their original maturity other than in compliance with Applicable Banking Regulations (as defined in the Conditions) then in force and with the consent of the Competent Authority, if required. 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.</p> <p>See Condition 12 (<i>Redemption and Purchase</i>).</p>
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 (<i>Status of the Notes</i>).
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 Tier 2 Subordinated Notes, 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 applicable 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 (including, for these purposes, the UK), 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 22 (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 2020 which is available on:

https://www.grupobancosabadell.com/corp/files/1454348285186/informe_financiero_trimestral_1t20_en.pdf

2. an English language translation of the audited consolidated annual accounts (including 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 consolidated annual accounts for the year ended 31 December 2019 Pages 1 to 9 of the AR⁽¹⁾

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

Consolidated income statement 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 included in 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.

3. an English language translation of the audited consolidated annual accounts (including the independent auditors' report thereon, notes thereto and consolidated directors' report) of the Issuer in respect of the year ended 31 December 2018 which is available on:

https://www.grupbancsabadell.com/corp/files/1454341058393/en_infolegal2018grup_consolidated_annual_accounts_group_banco_sabadell_2018.pdf

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

Independent auditors' report on Pages 1 to 10 of the AR⁽¹⁾
consolidated annual accounts for the year
ended 31 December 2018

Consolidated balance sheets as of 31 December 2018 and 31 December 2017 Pages 4 to 6 of the CAA⁽²⁾

Consolidated income statement for the years ended 31 December 2018 and 31 December 2017 Pages 7 to 8 of the CAA⁽²⁾

Consolidated statements of changes in equity for the years ended 31 December 2018 and 31 December 2017 Pages 9 to 11 of the CAA⁽²⁾

Consolidated cash flow statements for the years ended 31 December 2018 and 31 December 2017 Pages 12 to 13 of the CAA⁽²⁾

Notes to the consolidated annual accounts for the year ended 31 December 2018 Pages 14 to 264 of the CAA⁽²⁾

Consolidated directors' report for the year ended 31 December 2018 Pages 265 to 313 of the CAA⁽²⁾

Notes:

(1) "AR" corresponds to the independent auditors' report included in the consolidated annual accounts of the Issuer for the year ended 31 December 2018.

(2) "CAA" corresponds to the consolidated annual accounts of the Issuer for the year ended 31 December 2018, incorporating the consolidated directors' report.

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

(a) 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

(b) 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

(c) 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

(d) 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 at 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 (including for these purposes, the UK) (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 (including for these purposes, the UK), 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) *Agency Agreement:* The Notes are the subject of an amended and restated issue and paying agency agreement dated 26 May 2020 (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 and the programme manual signed for the purposes of identification by the Issuer and the Fiscal Agent and dated 26 May 2020 (to which the forms of the Global Notes are attached) (the "**Programme Manual**") are available for inspection 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.
- (d) *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.
- (e) *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°(c) 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, CRD IV, 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 or such other directive as may amend or come into effect in place thereof (including by the BRRD II), as implemented into Spanish law by Law 11/2015 and RD 1012/2015, as amended or replaced from time to time and including any other relevant implementing regulatory provisions;

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

"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;

"Chairman" means, in relation to any Meeting, the individual who takes the chair in accordance with Condition 22(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 IV" means any or any combination of the CRD IV Directive, the CRR, and any CRD IV Implementing Measures;

"CRD IV Directive" means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, as amended or replaced from time to time (including by the CRD V Directive);

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

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

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

"CRR II" means Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to

central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012;

"**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;
 - (iii) 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);
 - (iv) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
 - (v) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
 - (vi) 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";

- (vii) 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

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 (i) any Spanish legislation which implements the EU Banking Reforms differing in any respect from the EU Banking Reforms as adopted, or (ii) 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, BRRD II, 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;

"Fitch" means Fitch Ratings España S.A.U.;

"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 applicable Final Terms or such other page as may replace it on that information service, or on such other equivalent information service as determined by the 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 Spanish Law 22/2003, of 9 July 2003, on Insolvency;

"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 by Royal Decree-Law 11/2017, of 23 June, approving urgent measures on financial matters, and 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);

"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 Investor's 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 the Kingdom of 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 19 (Prescription), surrendered in exchange for

replacement Notes pursuant to Condition 20 (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 20 (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 22 (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;

"RDL 11/2017" means Royal Decree-Law 11/2017 of June 23, approving urgent measures on financial matters (*Real Decreto-ley 11/2017, de 23 de junio, de medidas urgentes en materia financiera*), by virtue of which Law 11/2015 is developed;

"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 or LIBOR 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 applicable Final Terms as the manner in which the Rate of Interest is to be determined, (b) the Reference Rate was the Floating Leg Reference Rate and (c) the 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 14.2º of Law 11/2015, as amended by RDL 11/2017, and as further 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*);

"**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 or replaced from time to time (including by the SRM Regulation II);

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

"**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°(b) 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 92.1° or 92.3° to 92.7° 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 92 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 92 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 92.3° 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 whether on account of principal, interest or otherwise, constitute direct, unconditional and subordinated obligations (*créditos subordinados*) of the Issuer in accordance with Article 92.2° of the Insolvency Law and, in accordance with Additional Provision 14.3° of Law 11/2015, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise), upon the insolvency (*concurso*) of the Issuer (unless they qualify as subordinated claims (*créditos subordinados*) in accordance with Articles 92.3° to 92.7° 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 Subordinated Notes will rank:
 - (i) for so long as the obligations of the Issuer under the relevant Subordinated Notes do not qualify as Tier 2 Instruments or Additional Tier 1 Instrument of the Issuer:
 - (A) **senior** to (i) any claims for principal in respect of contractually subordinated obligations (*créditos subordinados*) of the Issuer in accordance with Article 92.2° of the Insolvency Law qualifying as Additional Tier 1 Instruments or Tier 2 Instruments of the Issuer; (ii) any subordinated obligations (*créditos subordinados*) of the Issuer under Articles 92.3° to 92.7° of the Insolvency Law; 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*) of the Issuer in accordance with Article 92.2° of the Insolvency Law not qualifying as Additional Tier 1 Instruments or Tier 2 Instruments of the Issuer and which are not subordinated obligations (*créditos subordinados*) under Articles 92.3° to 92.7° 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 92.1° 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

- (ii) for so long as the obligations of the Issuer under the relevant Subordinated Notes qualify as Tier 2 Instruments of the Issuer:
 - (A) **senior** to (i) any claims for principal in respect of contractually subordinated obligations (*créditos subordinados*) of the Issuer in accordance with Article 92.2° of the Insolvency Law qualifying as Additional Tier 1 Instruments; (ii) any subordinated obligations (*créditos subordinados*) of the Issuer under Articles 92.3° to 92.7° of the Insolvency Law, 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) any other claims for principal in respect of contractually subordinated obligations (*créditos subordinados*) of the Issuer in accordance with Article 92.2° of the Insolvency Law qualifying as Tier 2 Instruments and which are not subordinated obligations (*créditos subordinados*) under Articles 92.3° to 92.7° 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* 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 subordinated obligations (*créditos subordinados*) of the Issuer under Article 92.1° of the Insolvency Law; (iii) any claim for principal in respect of other contractually subordinated obligations (*créditos subordinados*) of the Issuer in accordance with Article 92.2° of the Insolvency Law not qualifying as Additional Tier 1 Instruments or Tier 2 Instruments (such as the Senior Subordinated Notes, if and as applicable) and which are not subordinated obligations (*créditos subordinados*) under Articles 92.3° to 92.7° of the Insolvency Law; and (iv) 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.

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 or Additional Tier 1 capital of the Issuer. 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:* 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 24 (*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:* 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, 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 applicable 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) *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 applicable 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.

- (e) *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.
- (f) *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.

- (g) *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.
- (h) *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 24, 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 applicable (if such permission is required), 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 30 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) in the case of Subordinated Notes and Senior Non Preferred Notes, 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 30 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 applicable, (if such permission is required) and (c) may not take place within a period of (in case of Tier 2 Subordinated Notes) five years from their date of issue 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 applicable, if required, at any time, on giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 24 (*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 applicable, if required, at any time, on giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 24 (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).
- (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 19 (*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 Tier 2 Subordinated Notes and/or Coupons of Tier 2 Subordinated Notes, in respect of the payment of any interest in respect of such Tier 2 Subordinated Note and/or such Coupons of Tier 2 Subordinated Notes only (but not in respect of the payment of any principal in respect of such Tier 2 Subordinated Notes)) 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 Standard & Poor's, 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 applicable 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, liquidation or dissolution of the Issuer (except in the case of a reconstruction, merger or amalgamation (i) which has been approved by an Extraordinary Resolution at a meeting of Noteholders and is on a solvent basis; or (ii) where the entity resulting from any such reconstruction, merger or amalgamation is (A) a 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 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 24 (*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.

- (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 the Kingdom of Spain (including but not limited to, Law 11/2015, Royal Decree 1012/2015 and any other implementing regulations) and as amended or superseded from time to time, or any other Spanish piece of legislation relating to the 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. **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.

20. **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.

21. **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.

22. **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 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) *Chairman:* 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 Chairman. The Chairman of an adjourned Meeting need not be the same person as was the Chairman 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 Chairman 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 Chairman may, with the consent of (and shall if directed by) any Meeting, adjourn such Meeting from time to time and from place to place, 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 22(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 Chairman'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 Chairman, 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 Chairman directs, but any poll demanded on the election of the Chairman 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 Chairman 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 Chairman 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 Chairman 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 22.

23. 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.

24. 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.ise.ie. 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.

25. **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) 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.

26. **Governing Law and Jurisdiction**

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

26.1 English law

If English law is specified as the governing law of the Notes in the relevant Final Terms, the provisions of this Condition 26.1 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 26.1(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 26 (*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 26.1(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 Level 37, The Leadenhall Building, 122 Leadenhall Street, London EC3V 4AB, 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.

26.2 Spanish Law

If Spanish law is specified as the governing law of the Notes in the relevant Final Terms, the provisions of this Condition 26.2 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 26.2 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 AND UK RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA") or in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of 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 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 or in the UK will be prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

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.

[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 26 May 2020 [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 www.ise.ie.]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.]

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.

[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 26 May 2020. 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 26 May 2020 [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (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 www.ise.ie.]

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:] | [•] |
| | (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) | Issue Date: | [•] |
| | (ii) | Interest Commencement Date: | [[•]/Issue Date/Not Applicable] |
| 8. | | Maturity Date: | [Specify date or (for Floating Rate Notes)- Interest Payment Date falling in or nearest to [specify relevant month and year]] |
| 9. | | Interest Basis: | [[•] per cent. Fixed Rate] |

- [Fixed Reset Notes]
- [•] month [EURIBOR/LIBOR] +/- [•] per cent. Floating Rate] *[Note that the Reference Rate can only be EURIBOR or LIBOR]*
- [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: *[Specify the date when any fixed to floating rate change occurs or refer to paragraphs 14 and 16 below and identify there/Not Applicable]*
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)]
- [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:
[Step-up/Step-down Margin: | [Applicable/Not Applicable]
[•] per cent. <i>per annum</i>]] |
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. <i>per annum</i> |
| (xi) | Relevant Screen Page: | [•] |
| (xii) | Floating Leg Reference Rate: | [•] |
| (xiii) | Floating Leg Screen Page: | [•] |
| (xiv) | Initial Mid-Swap Rate: | [•] per cent. <i>per annum</i> (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 the [Fiscal Agent]): | [•] 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 the [Fiscal Agent]): [•] shall be the Calculation Agent
- (viii) Screen Rate Determination:
- Reference Rate: [•] month [EURIBOR/ LIBOR] *[Note that the Reference Rate can only be EURIBOR or LIBOR]*
 - Interest Determination Date(s): [•]
 - Relevant Screen Page: [•] *[For example, Reuters LIBOR 01/EURIBOR 01]*
 - 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: [•]
- (N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)*
- (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) [•] per Calculation Amount (Put) of each Note:
- (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] *(Applicable only for Ordinary Senior Notes if the Ordinary Senior Notes are intended to qualify as eligible liabilities)*
25. [Ordinary Senior Notes – Negative Pledge (Condition 6)]: [Applicable/Not Applicable] *(Applicable only for Ordinary Senior Notes if the Ordinary Senior Notes are not intended to qualify as eligible liabilities)*

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26. Form of Notes: Bearer Notes:
- [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]
- [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [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] *(Include for Notes that are to be offered in Belgium)*
27. New Global Note form: [Applicable/Not Applicable]
28. Additional Financial Centre(s): [Not Applicable/[•]] *[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]*
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 26): [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

1. 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: [•]

2. 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:

[Standard & Poor'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 or in the UK and registered under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA or in the UK and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

Option 2 - Credit rating agency not established in the EEA or in the UK 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 or in the UK 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 or in the UK and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

Option 3 - Credit rating agency is not established in the EEA or in the UK 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 or in the UK but is certified under Regulation (EU) No 1060/2009, as amended (the "CRA Regulation").

Option 4 - Credit rating agency neither established in the EEA or in the UK 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 or in the UK 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 or in the UK and registered under the CRA Regulation.

3. 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.)]

4. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

(i) Reasons for the offer: [See "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: [•]

5. [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.]

6. OPERATIONAL INFORMATION

ISIN: [•]

Common Code:	[•]
CFI:	<p>[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]</p> <p><i>The actual code should only be included where the Issuer is comfortable that it is correct.</i></p>
FISN:	<p>[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]</p> <p><i>The actual code should only be included where the Issuer is comfortable that it is correct.</i></p>
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:	<p>[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.]</p> <p>[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.]</p>

7. 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]
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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 24 (*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 24 (*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 (Alicante, 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 (*Texto Refundido de la Ley de Sociedades de Capital*), approved by Royal Legislative Decree 1/2010, of 2 July (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*). The Issuer is subject to special legislation applicable to credit entities in general; the supervision, control and regulation of the European Central Bank (the "**ECB**"); and, as a listed company, the regulatory oversight of the Spanish Securities Market Commission (the "**CNMV**").

Developments

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 Sabadell Asset Management, S.A., S.G.I.I.C., Sociedad Unipersonal (pending completion)

On 21 January 2020, Banco Sabadell and Amundi Asset Management ("**Amundi**") entered into a long-term strategic partnership for the distribution of Amundi products through the retail network of Banco Sabadell in Spain. The agreement includes the sale of 100% of the share capital of Sabadell Asset Management, S.A., S.G.I.I.C., Sociedad Unipersonal ("**SabAM**") for an amount of €430 million. The agreement provides also for an earn-out of up to €30 million, payable in 2024, depending on the assets under management held by SabAM pertaining to customers of Banco Sabadell on such date.

The expected closing of the transaction, which is subject to obtaining the relevant authorisations, will take place in the third quarter of 2020. The transaction will generate a capital gain amounting to €351 million net of taxes, which will strengthen Banco Sabadell's capital position by adding 43 basis points to the fully-loaded CET1 ratio.

Sale of 100 per cent. of share capital of SDIN Residencial, S.L.U. (pending completion)

On 3 August 2019, Banco Sabadell transferred 100% 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 total amount of the transaction, referenced to the existing pool as of 1 January 2019, amounted to €882 million.

The closing of the transaction, subject to obtaining the relevant authorisations, will have a positive impact of 5 basis points on Banco Sabadell's fully-loaded CET1 ratio.

Sale of the majority of the real estate assets included in the real estate portfolios commercially identified as Coliseum, Challenger and Rex to a subsidiary of Cerberus Capital Management, L.P. (completed in December 2019)

On 20 December 2019, Banco Sabadell completed the transfer of the majority of the real estate assets included in real estate portfolios to a subsidiary of Cerberus Capital Management L.P. ("**Cerberus**"), in which Cerberus holds an 80% interest and Banco Sabadell holds the remaining 20%. The transferred real estate assets comprised approximately 46,000 units with a total gross book value of €6,414 million. The transfer of the remaining units (approximately 15,000, with a gross book value of €1,817 million) is subject to the potential exercise of rights of first refusal by third parties. Any such exercise will not alter the expected financial impacts of the transactions for Banco Sabadell. The price of the transactions amounts to approximately €3,430 million.

The closing of these transactions contributed positively to enhance the profitability of the Sabadell Group and had a positive impact of 16 basis points on Banco Sabadell's fully-loaded CET1 ratio.

Sale of portfolio of loans to Deutsche Bank and Carval Investors (completed in July 2019)

On 24 July 2019, once the relevant authorisations were obtained, Banco Sabadell completed the transfer of a portfolio of loans, mostly secured, with an approximate gross book value of €1,834 million (and an approximate net book value of €268 million) and a portfolio of foreclosed assets with an approximate gross book value of €290 million (and an approximate net book value of €106 million) to Deutsche Bank and to Carval Investors.

The transaction did not entail additional provisions and had a neutral impact on the capital ratio.

Sale of 80 per cent. of share capital of Solvia Servicios Inmobiliarios, S.L.U. to Intrum Holding Spain, S.A.U. (completed in April 2019)

On 23 April 2019, having obtained the relevant authorisations, the Bank closed the sale of 80% of the share capital of Solvia Servicios Inmobiliarios, S.L. ("**Solvia**") to Intrum Holding Spain, S.A.U. (formerly, Lindorff Holding Spain, S.A.U.), a company belonging to Intrum AB Group.

The transaction price amounted to €241 million, which is in line with Solvia's total share capital of €300 million, and which may be increased by up to €40 million, provided that certain conditions related to the evolution of specific business lines of Solvia are met.

The transaction generated a profit of €189 million (€133 million in the consolidated financial statements).

Transfer to Glenoaks Investments, S.A. of Banco GNB Sudameris, S.A.'s shares owned by Banco Sabadell (completed in March 2019)

On 13 March 2019, Banco Sabadell transferred to Glenoaks Investments, S.A. 8,238,084 shares of the Colombian bank Banco GNB Sudameris, S.A. ("**Banco GNB Sudameris**"), representing in aggregate 4.99 per cent. of Banco GNB Sudameris' share capital, for a total consideration of U.S.\$60,351,569.52.

This transaction was the result of the exercise of a call option granted by Banco Sabadell to Starmites Corporation, S.à r.l. on 1 October 2015, which was subsequently assigned by the latter to Glenoaks Investments, S.A.

Transfer of portfolio of loans to Axactor Capital Luxembourg, S.A.R.L (completed in December 2018)

On 16 May 2018, Banco Sabadell agreed to transfer a portfolio of loans with an outstanding balance of approximately €866 million, of which €737 million corresponded to write-offs, to Axactor Capital Luxembourg, S.A.R.L. The closing of this transaction was completed on 13 December 2018, once the corresponding authorisations had been obtained and the relevant terms and conditions had been met.

This transaction resulted in a net impact of €6 million in losses.

Business Overview

Banco Sabadell is the fourth largest privately owned banking group in Spain measured by total assets (based on the 2019 consolidated annual accounts which are publicly available on Banco Sabadell's website), with total consolidated assets and total consolidated net customer loans of €223,754 million and €147,816 million, respectively, as of 31 December 2019. Banco de Sabadell, S.A. is the parent company of the Group, which

comprised, as of 31 December 2019, a total of 149 companies that the Sabadell Group fully consolidates. In addition, there were 24 associates.

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 2019, was 12.1 million (12.0 million as of 31 December 2018). As of 31 December 2019, the Group operated a total of 2,402 branches (1,822 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 2019, a total of 1,822 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 €39,530 million as of 31 December 2019.

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 the years ended 31 December 2019 and 2018 the Group's consolidated profit before impairment and other provisions (calculated as operating profit or loss plus impairment losses (net) and provisioning expense (net)) was €1,719 million and €1,737 million, respectively, and its consolidated profit attributable to the parent company was €768 million and €328 million, respectively.

Sabadell Strategy

In 2018, Banco Sabadell presented a new three-year business plan (the "**Business Plan**") in which it laid the strategic groundwork for the next economic cycle. The Business Plan's ambitions are coherent with the values and objectives that have characterised the Bank since its foundation. The Business Plan pursues profitability, sustainability and value creation.

The global economic context in 2020 will be conditioned by the evolution and consequences of the health crisis generated by the COVID-19 pandemic, a scenario in which an environment with low interest rates will persist. Given this situation, in terms of key strategic priorities Banco Sabadell will focus on profitability, which means continuing to expand in the main markets where Banco Sabadell operates, while focusing particularly on efficiency and accelerating balance sheet normalisation. Banco Sabadell will also continue to develop the technological capabilities that are required to offer a value proposition, as well as attracting versatile talent to undertake the commercial and digital transformation of the institution and adapt it to the current changing environment. Ultimately, Banco Sabadell's Business Plan pursues value creation for all its stakeholders and aims at offering a wide range of products and excellent quality of service to its customers and developing its human capital, attending to its employees' concerns and professional expectations, motivating them and recognising their achievements. All this while maintaining Banco Sabadell's commitment to society and the environment in all the territories where it operates, through ethical and responsible development of its business.

In order to achieve these objectives, Banco Sabadell relies on its strong brand image and customer experience as differentiating elements, as well as its extensive technological capabilities, which enable it to evolve its value proposition. All this underpinned by an agile, versatile organisation comprising talented, committed people.

The goal of Banco Sabadell for 2020 is to maximise the value of its franchise in the three main markets in which it operates (Spain, the UK and Mexico), and to grow organically by means of a clear, differentiated strategy in each geography.

Accordingly, Banco Sabadell's ambitions in Spain focus on strengthening the value proposition in the core segments and boosting spreads, while continuing to safeguard the Bank's solid 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.

In the UK, a new strategic plan for 2022 was launched in November 2019 after the appointment of a new management team at the UK subsidiary, TSB. This plan aims to improve business efficiency while increasing volumes and revenues organically, in mortgages and consumer loans to individuals, in order to enhance profitability. To this end, TSB has a new technology platform, which is key to an agile business model and that lends it a competitive advantage in the UK market, since it enables the Bank to adapt more quickly and efficiently to customers' emerging needs.

The strategy defined for the Mexican business is fundamentally focused on continuing to strengthen its Business Banking and Corporate Banking segments, focusing on customers and on products that enable the Group to maximise profitability while developing a model of banking for individuals based on an innovative all-digital approach.

Notwithstanding the above, the unexpected arrival and global spread of the COVID-19 pandemic has led to uncertainty around macroeconomic developments. In this context, Banco Sabadell has decided to also adopt measures in this respect and in addition to the Bank's 2020 key strategic priorities and continuing to protect its stakeholders, the Bank will also be working on the following four key focus areas: (i) responsibility, represented by operational and service continuity while continuing to take care of Banco Sabadell's customers and employees; (ii) commitment, in terms of ensuring a quick response to Banco Sabadell customer's needs while also contributing to society; (iii) resilience, with a resilient IT platform in response to an increased digital pressure; and (iv) digitisation, meaning a leap forward in boosting customer digitisation that will continue after the lockdown imposed by national authorities.

Therefore, whilst Banco Sabadell retains its key strategic priorities for 2020, it will also take action on COVID-19 related activities.

Sabadell Group's Brands and Business Lines

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 units: Banking business in Spain, Banking business in the United Kingdom and Banking business in Mexico. Banking business in Spain includes the following business units: Commercial Banking, Corporate and Investment Banking and Asset Transformation.

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 early 2019, Commercial Banking took over the management and activities of SabadellUrquijo Banca Privada and Asset Management, adapting its internal organisation chart accordingly.

In 2019, the management focused their efforts on commercially integrating SabadellUrquijo Banca Privada, enhancing customer experience, strengthening the brand and maximising revenues against a backdrop of low interest rates. Notable among the results in 2019 is the improvement in net fees and commissions (2.4 per cent. annual increase). This was attributable to good performance in all product segments: services, risk transactions and asset management.

The Commercial Banking unit covers the following specific business areas:

Large corporates

Banco Sabadell offers specialist services to major corporations via a network of 39 corporate banking branches distributed throughout Spain, leading the way through growth in outstanding loans and working with corporations as they expand.

In 2019, Banco Sabadell arranged over €6,757 million in credit and expanded its customer numbers by 4.5 per cent. and achieved a penetration rate of 68.34 per cent.

SMEs

The Bank helps companies in their growth and consolidation processes. Funding is one of the main concerns for SMEs. In this business segment, the Bank's ambition is materialised through general financing lines, enabling companies to plan their annual investments knowing that they will have access to the necessary credit at all times. New funding production to SMEs by the Bank increased by 4.9 per cent. in 2019 as compared with 2018.

The Bank's positioning as a lender to companies has always been grounded in the principle of "knowing the customer" and rigorously applying the Group's risk policy at all times; as a result, the Bank has been able to lend more while reducing its loan loss ratios.

Businesses

The Bank continued to grow in terms of customer attraction and loyalty and retained its lead in terms of customer experience. Through this unit, the Bank manages entrepreneurs, retail establishments and micro-enterprises on a personalised basis.

Retail Banking

In 2019, the Bank developed the retail banking business to secure an improvement in efficiency, productivity and customer experience. The interest spread on retail customers increased by more than 6 per cent. while direct costs were cut by 10 per cent., and customer experience resulted in a Net Promoter Score (a key market benchmark for measuring the customer experience) of over 11 per cent.

Personal Banking

Personal Banking is an area where Banco Sabadell offers top quality expert financial management advice to customers in this segment. In 2019, the range of exclusive savings and investment products was expanded to create new investment alternatives for the Bank's customers, including services such as portfolio advice.

The Personal Banking segment represents 7.5 per cent. of all individual customers, contributing 21 per cent. of the total income from individual customers and accounting for a customer share of 10 per cent., with €40,360 million in assets and €8,147 million in liabilities.

Banking for Expatriates

Banco Sabadell retains its lead among Spanish banks in serving expatriate customers. Its leading position is attributable to a specialist network of 210 branches (13 per cent. of the Bank total branches). Foreign customers account for 12 per cent. of all Banco Sabadell customers, and account for 13.4 per cent. of income from individual customers and 22 per cent. of mortgage production.

Private Banking

As mentioned above, in early 2019, Commercial Banking took over the management and activities of SabadellUrquijo Banca Privada and Asset Management, which is Banco Sabadell's private banking division, aimed

at providing comprehensive solutions to customers who need customised service and attention because of their specific needs.

In 2019, business volume amounted to €29,556 million, discretionary portfolio management exceeded €1,800 million, corresponding to 3,800 contracts. Assets held in mutual funds amounted to €7,346 million and SICAVs numbered 157, representing €1,566 million. Funds in alternative investments increased by €148 million to €334 million.

Institutional Businesses

The Institutional Businesses segment was created in 2018 to enhance business related to public and private institutions and to position the Bank as a key player in this segment, 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 segment plays a fundamental role by creating synergies and coordinating with numerous areas of the Bank to offer the best value proposition for each segment and facilitate processes between branches and their customers.

Tourism

Business in this segment focuses mainly on offering specialised financial solutions to a diverse and fragmented group of customers, in three main areas: 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.

In 2019, the Tourism segment had a portfolio of 13,925 customers, over €4,051 million in business volume (13.5 per cent. more than in 2018) and it managed transactions amounting to €1,410 million, a 2.5 per cent. year-on-year increase.

Real Estate

The Real Estate area focuses on residential developer customers. Banco Sabadell's commitment to this sector enabled more than €1,900 million in loans to be approved in 2019, mainly in developer mortgages, guarantees and reverse factoring, increasing the margin by 15.5 per cent. as compared with 2018, and bringing business volume to €4,307 million.

BStartup

In 2019, "BStartup", a programme created to support young innovative and technology companies, continued to fulfil its dual purpose: on the one hand, positioning the Bank as the institution that most supports this kind of companies and, on the other hand, strengthening the banking business by means of an enhanced relationship model, based on concentration and specialisation, that increases productivity and margins.

In 2019, BStartup strengthened its impact in the media, both conventional (1,260 mentions in print and online press) and social (11,865 Twitter followers) and was actively involved in events of entrepreneurship throughout the Spanish territory (180 entrepreneurship events in 19 cities throughout Spain). With regard to the direct generation of business, €545.3 million (€137.5 million in assets and €407.8 million in liabilities) have been managed, with a profit of €13.3 million (a 7 per cent. increase year-on-year) and with a total of 3,222 customers.

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 2019, the Bank continued to transform the insurance and pensions business, adapting to the new market challenges, including most notably the new “Sabadell Blink” personalised online range of household and vehicle insurance products.

Sabadell Consumer Finance

The Group's subsidiary Sabadell Consumer 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.

This business continued to grow in 2019 in terms of customer numbers and new production, as a result of which the Bank increased its market share and its commercial and operating margins. Sabadell Consumer performed 251,992 new transactions through more than 11,000 points of sale distributed throughout the Spanish territory, resulting in €1,054 million of new loan production in 2019.

The table below summarises the most recent performance of the Commercial Banking unit:

	As of and for the year ended 31 December		Change
	2019	2018	
	<i>(in millions of euros)</i>		<i>(per cent.)</i>
Net interest income	2,201	2,217	(0.7)
Gross income	3,147	3,184	(1.2)
Pre-provisions income	1,561	1,626	(4.0)
Profit/(loss) before tax	1,098	1,237	(11.2)
Other key figures			
Outstanding gross loans and advances	80,032	78,849	1.5
On-balance sheet customer funds	98,691	95,115	3.8

Corporate and Investment Banking

Corporate and Investment Banking offers financial solutions and advisory services to large corporates and financial institutions in Spain and abroad (in 17 other countries) and covers the following business areas:

Corporate Banking

The Corporate Banking business, which is the most important segment within the Sabadell Group's Corporate and Investment Banking unit, provides domestic and international products and services to large companies and enterprises. However, it also provides services to smaller businesses that belong to groups whose parent companies fall within the Group's Corporate and Investment Banking business, as well as to individuals who own companies that are serviced by its Corporate and Investment Banking business. 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 Capital Markets

Treasury and Capital 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 2019, Treasury and Capital Markets remained committed to the further digitalisation of the operation channels. Capabilities were also enhanced at various levels to expand the catalogue of products on offer in different countries, providing greater flexibility, coverage and convenience to treasury customers. Trading systems adapted satisfactorily to the new market regulations, guaranteeing compliance by all the products offered to 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; also, as product manager, it is responsible for the Group's equities. It 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, 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. Structured Finance business is also involved in the syndicated loans market, both primary and secondary.

The Structured Finance business 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) In the Global Financial Institutions segment, the Bank's business model rests on two central mainstays. Firstly, 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 coordinates both debt products (Debt Capital Markets ("DCM"), and Debt Asset Management ("DAM")) and capital products (Equity Capital Markets ("ECM")). The goal of DCM and DAM is to channel the liquidity of institutional investors to the Bank's customers through the origination and structuring of short- and long-term non-bank financing vehicles, both publicly quoted and private placements. ECM's goal is to help find equity finance through disintermediation with investors in capital markets.

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 2019, Banco Sabadell Capital continued to drive the investment cycle in the frameworks of action defined for each business area.

Sabadell Miami Branch

With its current structure, Sabadell Miami Branch is the largest foreign branch in Florida. It 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.

This unit 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 unit:

	As of and for the year ended 31 December		Change (per cent.)
	2019	2018	
	(in millions of euros)		
Net interest income	358	369	(3.0)
Gross income	557	586	(4.9)
Pre-provisions income	354	390	(9.2)
Profit/(loss) before tax	316	292	8.2
Other key figures			
Outstanding gross loans and advances	14,910	14,517	2.7
On-balance sheet customer funds	7,533	7,763	(3.0)

Asset Transformation

The Asset Transformation unit comprehensively manages the Group's non-performing credit risk and non-performing real estate exposures. In terms of non-performing exposure and real estate exposure, the 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 2019, Banco Sabadell maintained the pace of shedding non-performing exposures, especially in real estate, including an agreement to sell its portfolio of land earmarked for property development, along with 100% of share capital of SDIN Residencial, S.L.U., specialised in developing those assets, and selling a third portfolio of non-performing real estate assets (commercially identified as Rex), in addition to the two portfolios (commercially identified as Challenger and Coliseum) whose sale was agreed in 2018 and completed by the end of 2019. Having finalised the transfer of non-performing real estate assets in those three portfolios, the Group has now completed the disposal and normalisation of this class of assets on its balance sheet. Moreover, in 2019 the Bank completed the sale of a large portfolio of non-performing assets (commercially identified as Makalu) agreed in 2018, and the sale of 80% of share capital of Solvia, the company focused on managing, maintaining and marketing the Group's real estate. All these milestones enabled the Bank to meet its volume targets in connection with the overall reduction of non-performing exposures.

The table below shows the most recent performance of its Asset Transformation unit:

	As of and for the year ended 31 December		Change (per cent.)
	2019	2018	
	(in millions of euros)		
Net interest income	(49)	(18)	169.9
Gross income	18	107	(82.9)
Pre-provisions income	(62)	(22)	181.4
Profit/(loss) before tax	(403)	(542)	(25.6)
Other key figures			
Outstanding gross loans and advances	883	854	3.4
Non-performing real estate assets (net)	791	959	(17.5)
On-balance sheet customer funds	253	235	7.7

Banking business in the United Kingdom

TSB is focused on the retail business in the United Kingdom. As of 31 December 2019, TSB had approximately 5 million customers. TSB holds a multichannel national distribution model, including 540 offices as of 31 December 2019 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

7,394 employees and is a challenger bank for the future growth of Banco Sabadell in the United Kingdom. TSB has a clear strategy vis-a-vis retail clients and small companies with a very well defined products spectrum.

As of 31 December 2019, loss before tax decreased by 89 per cent. to a loss of €38 million from a loss of €335 million for the year ended 31 December 2018, a significant improvement on the 2018 year, whose results were affected by the impact of the TSB Migration.

The table below shows the most recent performance of its banking business in the United Kingdom:

	As of and for the year ended 31 December		Change <i>(per cent.)</i>
	2019	2018	
	<i>(in millions of euros)</i>		
Net interest income	979	1,000	(2.1)
Gross income	1,091	1,042	4.6
Pre-provisions income	39	(106)	(136.6)
Profit/(loss) before tax	(38)	(335)	(88.8)
Other key figures			
Outstanding gross loans and advances	36,496	33,634	8.5
On-balance sheet customer funds	35,423	32,484	9.0

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 that represents 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).

The aforementioned companies have the following business lines: (i) Corporate Banking (with the focus on companies and major corporations), (ii) Business Banking (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 2019, pre-tax result increased by 948 per cent. to a profit of €20 million from a loss of €2 million for the year ended 31 December 2018, a significant improvement on the 2018 year, mainly as a result of improvements in the core business.

The table below shows the most recent performance of its banking business in Mexico:

	As of and for the year ended 31 December		Change <i>(per cent.)</i>
	2019	2018	
	<i>(in millions of euros)</i>		
Net interest income	117	91	29.0
Gross income	127	97	30.9
Pre-provisions income	36	21	73.3
Profit/(loss) before tax	20	(2)	(948.9)
Other key figures			
Outstanding gross loans and advances	3,640	3,181	14.4
On-balance sheet customer funds	1,996	1,246	60.2

Branches and Distribution Channels

As of 31 December 2019, the Sabadell Group had a total of 2,402 branches, 1,822 branches located throughout Spain (compared with 1,865 and 1,880 branches as of 31 December 2018 and 2017, respectively) and 580 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 2019 and 2018, respectively:

Brand	Number of Branches 31 December	
	2019	2018
Sabadell	1,364	1,395
SabadellHerrero	133	140
SabadellGuipuzcoano	108	112
SabadellSolbank	100	100
SabadellGallego	107	108
SabadellUrquijo	10	10
Total (Spain)	1,822	1,865

Approximately 55 branches closed during 2019 (compared to 16 branches closed during 2018) 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 2019 and 2018, respectively, was as follows:

Autonomous Region	Number of Branches 31 December	
	2019	2018
Andalusia	129	130
Aragon	31	31
Principality of Asturias	103	109
Balearic Islands	56	56
Basque Country	88	92
Canary Islands	31	31
Cantabria	5	5
Castile-La Mancha	22	23
Castile and León	58	59
Catalonia	545	556
Extremadura	6	6
Ceuta	1	1
Galicia	107	108
La Rioja	8	8
Madrid	178	183
Melilla	1	1
Murcia	126	126
Navarre	15	15
Valencian Community	312	325
Total (Spain)	1,822	1,865

In addition, the Group's international network comprised a further 580 branches as of 31 December 2019 (592 offices as of 31 December 2018). As of 31 December 2019, the Group had 540 branches of TSB (550 branches as of 31 December 2018).

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 55 per cent. of active customers access the Bank's services digitally, 90 per cent. of transactions are 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 2019, the Group had in Spain 2,982 self-service cash machines, 2,532 in branches and 450 remote or non-branch ATMs. Its ATM network comprises a significant portion of its customer transactions, and 93.8 per cent. of all cash withdrawals of less than €600 were made from ATMs in 2019. The Group also had, as of that date, 339 mini cash machines, which are solely for updating bankbooks.

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.

In 2019, the Bank started to replace 596 ATMs in Spain, as well as adding 103 in-branch ATMs and installing online cash deposit machines at over 96 per cent. of its branches. This project is expected to conclude during 2020.

Internet Banking. At the end of 2019 more than 4.1 million individual customers and 975,000 companies had enrolled on the Group's online banking service BS Online. The number of transactions and enquiries made through BS Online continues to grow, having increased a 40.2 per cent. during this year, which means more than 3,172 million transactions.

Mobile Banking. The Group has experienced significant growth in number of users of its mobile banking service, "Sabadell Mòvil", since its launch in 2010. By the end of 2019, the Group had a total of 2.7 million active users, an increase of 11.6 per cent. compared to 2018.

In 2019, the Bank rolled out "Blink", an online service for arranging insurance that is 100 per cent. digital, from simulating premium costs to signing policies. The Bizum service for sending money between mobile devices tripled transaction numbers with respect to 2018.

Direct Branch. Contacts with Direct Branch increased by over 14 per cent. in 2019 with respect to 2018, to 5.2 million. The contact channels that experienced fastest growth in 2019 were telephone and social media.

Contacts by telephone. The Group received and handled over 4,323,271 enquiries through its telephone live channel throughout 2019, 23.1 per cent. more than in 2018. The telephone helpline achieved a service level (calls answered as a proportion of calls received) of 90.60 per cent. and a response rate (calls answered in less than 20 seconds) of 50.90 per cent.

Contacts by e-mail. In 2019, the Group received over 423,925 enquiries by e-mail, 39.2 per cent. less than 2018 with a service level (e-mails answered as a proportion of e-mails received) of 82.54 per cent.

Contacts via online chat. Throughout 2019, the Group received over 183,359 enquiries through online chat, 16.9 per cent. more than in 2018. Service level (chats answered as a proportion of chats received) was 92.52 per cent.

Contacts via social media. Throughout 2019, the Group received over 278,761 enquiries through social media, 50.7 per cent. more than in 2018. Service level (interactions answered as a proportion of interactions received) was 93.81 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 remarkable impact on social networks. During 2019, Banco Sabadell continued to expand its presence reaching 512,258 followers on social media (Twitter, Facebook, YouTube, LinkedIn, Instagram and Google +) as of 31 December 2019 (506,535 as of 31 December 2018 excluding Solvia's followers). The Group believes these numbers reflect its commitment to these channels as a way to communicate and interact with its clients.

Major Shareholders and Share Capital

As of 31 December 2019, Banco Sabadell's issued share capital of €703,370,587.625 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 Regulation No. 1024/2013. 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 2019.

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
Various Subsidiaries of Blackrock Inc.	5.08%	0.13%	5.21%	BlackRock Inc.
Fintech Europe S.A.R.L.	3.49%	-	3.49%	
Coltrane Master Fund, L.P.	-	1.07%	1.07%	-

Mr. David Martínez Guzmán is the indirect holder of the voting rights attributed to the shares of Fintech Europe S.A.R.L.

On 12 February 2020, Sanders Capital, LLC communicated to the CNMV that, on 5 February 2020, it had reached 3.47 per cent. of total voting rights of the Bank.

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 2019, no shareholders' agreements affecting the Bank's shares are known to the Bank.

Treasury Stock

As of 31 December 2019, the Bank holds directly 6,006,864 and indirectly 10,155,636 of its shares as treasury stock, which represents 0.287 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 governing body of the Bank and the Group, as it is responsible (as set out by 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") and the management team.

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. José Oliu Creus	Chairman	Executive
Mr. José Javier Echenique Landiribar	Deputy-Chairman	Independent
Mr. Jaime Guardiola Romojaro	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	Executive
Ms. Mireia Giné Torrens ⁽¹⁾	Director	Independent
Mr. George Donald Johnston	Director	Independent
Mr. David Martínez Guzmán	Director	Proprietary ⁽²⁾
Mr. José Manuel Martínez Martínez	Director	Independent
Mr. José Ramón Martínez Sufrategui	Director	Independent
Mr. José Luis Negro Rodríguez	Director	Executive
Mr. Manuel Valls Morató	Director	Independent
Mr. David Vegara Figueras	Director	Executive
Mr. Miquel Roca i Junyent	Non-voting Secretary	

Notes:

- (1) Appointment subject to fit and proper assessment by the ECB.
(2) Representing the company Fintech Europe S.à r.l.

As of the date of this Base Prospectus, the Board of Directors consists of five executive directors and 10 non-executive directors (nine of them independent and one proprietary). The Board of Directors has an appropriate balance between the various types of directors, is diverse and efficient and has an appropriate size to perform its functions effectively and in a participatory way. Furthermore, its composition 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 and legal matters, academia, human resources and consulting, business and in the international arena.

Likewise, there are three female directors (one executive and two independent). The policy for the selection of candidates for directors, which was approved by the Board of Directors in 2016, seeks to ensure that the process facilitates the selection of women candidates and, more generally, that it is free of implicit bias that might entail discrimination.

There is also one lead independent director in the Board of Directors, 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. In 2019, after three years of the last appointment of a lead independent director, the Board of Directors appointed Mr. Anthony Frank Elliott Ball as new lead independent director.

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. José Oliu Creus	Sabadell Consumer Finance, S.A., Sociedad Unipersonal	Chairman
Mr. Jaime Guardiola Romojaro	Sabadell Consumer Finance, S.A., Sociedad Unipersonal	Director
	Banco de Sabadell, S.A. I.B.M. (Mexico)	Chairman
	Sabcapital, S.A. de C.V., SOFOM, E.R. (Mexico)	Chairman
Mr. José Luis Negro Rodríguez	Sabadell Consumer Finance, S.A., Sociedad Unipersonal	Director
	BanSabadell Financiación, E.F.C., S.A.	Chairman
	BancSabadell d'Andorra, S.A.	Director

Corporate Governance

Banco Sabadell has a solid corporate governance structure that aims to guarantee an effective and prudent management. The Board of Directors updated the internal governance framework at a meeting held in January 2019. Such internal governance framework covers aspects such as the Bank's ownership structure, governing bodies, the Group's structure, the composition and operation of the governing bodies, 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 five committees:

- Delegated Committee;
- Audit and Control Committee;
- Appointments Committee;
- Remuneration Committee; and
- Risk 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. In 2019, the Board of Directors approved the regulations of the Delegated Committee, Remuneration Committee, Appointments Committee and Risk Committee, in addition to the pre-existing regulations of the Audit and Control Committee, in order to develop and complete the rules for operation and basic functioning in relation to the Board Committees already established in the Bank's bylaws and the Board of Directors regulations.

The Board Committees give support to the Board of Directors in specific areas and facilitate the development and application of a solid internal governance framework. Their function is to provide information and advice, except in those specific cases where they are assigned decision-making powers by a resolution of the Board of Directors or a policy approved by the latter. 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 31 December 2019 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
Chairman	Mr. José Oliu Creus	Mr. Manuel Valls Morató	Ms. Aurora Catá Sala	Ms. Aurora Catá Sala	Mr. George Donald Johnston
Member	Mr. José Javier Echenique Landiribar	Mr. José Ramón Martínez Sufrategui	Mr. Anthony Frank Elliott Ball	Mr. Anthony Frank Elliott Ball	Ms. María Teresa Garcia-Milà Lloveras
Member	Mr. Jaime Guardiola Romojaro	Mr. Pedro Fontana García	Mr. José Manuel Martínez Martínez	Mr. José Ramón Martínez Sufrategui	
Member	Mr. José Manuel Martínez Martínez	Ms. María Teresa Garcia-Milà Lloveras	Ms. María Teresa Garcia-Milà Lloveras	Mr. George Donald Johnston	Mr. Manuel Valls Morató
Member	Mr. Pedro Fontana García	—	—	—	—
Secretary non-member	Ms. María José García Beato	Mr. Miquel Roca i Junyent(*)	Mr. Miquel Roca i Junyent(*)	Ms. María José García Beato	Ms. María José García Beato
Number of meetings held in 2019	36	11	11	11	10

(*) Non-director

Ms. Maria Teresa Garcia-Milà Lloveras presented her resignation from the Board of Directors on 20 February 2020, such resignation becoming effective as of the ordinary general shareholders' meeting held on 26 March 2020. Consequently, as of the date of this Base Prospectus, Ms. Maria Teresa Garcia-Milà Lloveras is no longer a member of the Board of Directors, nor of any of the Board Committees.

On 26 March 2020, following the ordinary general shareholders' meeting, the Board of Directors agreed to make the following changes in the composition of the Board Committees: (i) to appoint Mr. José Manuel Martínez Martínez as Chairman of the Appointments Committee, who at the same time ceased to be a member of the Delegated Committee; and (ii) to appoint Ms. Aurora Catá Sala as a member of the Risk Committee. Further to changes detailed in (i) above, Ms. Aurora Catá Sala, who formerly chaired the Appointments Committee, will remain on it as a member.

Delegated Committee

The Delegated Committee was renamed by the ordinary general shareholders' meeting in 2019 (it was formerly named Executive Committee). In terms of director categories, its composition is similar to that of the Board of Directors and it has all the functions and powers of the Board of Directors, except for those whose delegation is forbidden by law or by the Bank's bylaws. It is responsible for overseeing the Bank's ordinary activities. It must report all decisions adopted at its meetings to the Board of Directors, without prejudice to any other functions assigned to it under the Bank's bylaws, the Board of Directors regulations or its own regulations.

Audit and Control Committee

The Audit and Control Committee 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 information, 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 are to ensure that the qualitative composition of the Board of Directors fulfils the legal 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 less represented gender on the Board of Directors and establish guidelines on how to achieve such representation target. 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 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 are to supervise and exercise oversight to ensure that all the risks of the Bank and the 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.

Shareholding Stakes held by the Board of Directors and Senior Management

The table below shows, as of 31 December 2019, 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, individually or jointly with other persons or through controlled legal entities.

Name of Indirect Holder	Direct	Indirect	Through other	Total Stake
			financial instruments	
			(% of Voting Rights)	
Mr. José Oliu Creus ⁽¹⁾	0.01%	0.11%	0.03%	0.15%
Mr. José Javier Echenique Landiribar	0.00%	0.00%	0.00%	0.00%
Mr. Jaime Guardiola Romojaro	0.03%	0.00%	0.02%	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. Teresa Garcia-Milà Lloveras ⁽²⁾	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	0.00%	0.00%	0.00%	0.00%
Mr. David Martínez Guzmán ⁽³⁾	0.00%	3.49%	0.00%	3.49%
Mr. José Manuel Martínez Martínez	0.00%	0.00%	0.00%	0.00%
Mr. José Ramón Martínez Sufrategui ⁽⁴⁾	0.05%	0.01%	0.00%	0.06%
Mr. José Luis Negro Rodríguez	0.05%	0.00%	0.01%	0.06%
Mr. Manuel Vallis Morató	0.00%	0.00%	0.00%	0.00%
Mr. David Vegara Figueras	0.00%	0.00%	0.00%	0.00%
Mr. Anthony Frank Elliott Ball	0.00%	0.00%	0.00%	0.00%
Total	0.14%	3.61%	0.07%	3.82%

(1) Through Port Avinyon, S.L.

(2) As described in "Committees of the Board of Directors" above, as of the date of this Base Prospectus, Ms. Maria Teresa Garcia-Milà Lloveras is no longer a member of the Board of Directors with effect from 26 March 2020.

(3) Mr. David Martínez Guzmán is the indirect holder of the voting rights attributed to the shares of Fintech Europe S.A.R.L.

(4) 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 2019, 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 2019 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 the 2018 and 2019 audited consolidated annual accounts and the Quarterly Financial Report for the three month period ended 31 March 2020 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

The net proceeds of the issue of each Tranche of Notes will be used for the general corporate purpose of Banco Sabadell or as otherwise indicated in the relevant Final Terms.

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.

Capital, liquidity and funding requirements

As a Spanish credit institution, the Bank is subject to Directive 2013/36/EU, of 26 June, of the European Parliament on access to credit institution and investment firm activities and on prudential supervision of credit institutions and investment firms (the "**CRD IV Directive**") that replaced Directives 2006/48 and 2006/49 through which the EU began implementing the Basel III capital reforms, with effect from 1 January 2014. The core regulation regarding the solvency of credit entities is Regulation (EU) No. 575/2013, of 26 June, of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (the "**CRR**" and together with the CRD IV Directive and any CRD IV Implementing Measures, "**CRD IV**"), which is complemented by several binding regulatory technical standards, all of which are directly applicable in all EU member states, without the need for national implementation measures. The implementation of the CRD IV Directive into Spanish law has taken place through Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt Spanish law to 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**").

CRD IV requirements adopted in the UK may change, whether as a result of further changes to CRD IV agreed by European legislators, binding regulatory technical standards continue to be developed by the EBA, changes to the way in which the UK Prudential Regulation Authority continues to interpret and apply these requirements to banks in the UK, the end of the transition period under the agreement on the withdrawal of the UK from the EU or otherwise. 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.

Under CRD IV, 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, since 1 January 2016 credit institutions must comply with the "combined buffer requirement", which introduced five new capital buffers to be satisfied with additional CET1: (i) the capital conservation buffer of 2.5 per cent. of RWA; (ii) the global systemically important institutions ("**G-SII**") buffer of between 1 per cent. and 3.5 per cent. of RWA; (iii) the institution-specific counter-cyclical capital buffer, which may be as much as 2.5 per cent. of RWA (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 2 per cent. of RWA; 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 (to prevent systemic or macro prudential risks). With the entry into force of the SSM on 4 November 2014, 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 Financial Stability Board ("**FSB**") nor by the Bank of Spain, unless otherwise indicated by the FSB or by the Bank of Spain 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 25 November 2019, Banco Sabadell is considered an O-SII for 2020 and accordingly, during 2020 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 31 March 2020 to maintain the counter-cyclical capital buffer applicable to credit exposures in Spain at 0 per cent. for the second quarter of 2020

(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, according to the last SREP decision communicated on 5 December 2019 the Bank was compelled to comply, on a consolidated basis, with a counter-cyclical capital buffer rate set at 0.13 per cent. as a result of its exposures to UK. In this respect, on 11 March 2020 the Bank of England's FPC decided to set the UK counter-cyclical capital buffer rate at 0% with immediate effect due to the COVID-19 outbreak and its possible consequences for the real economy. As a result, the counter-cyclical capital buffer rate for the Bank is 0%. The FPC also stated that it expects to maintain the 0% rate for at least 12 months, so that any subsequent increase would not take effect until March 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 IV Directive, as implemented 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 CRD IV 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.

As communicated by the EBA on 1 July 2016 and as clarified by the ECB in its "Frequently asked questions on the 2016 EU-wide stress test" (July 2016) the specific "Pillar 2" capital will consist of two parts: "Pillar 2" requirements ("**P2R**"), which is binding and a breach of which can have direct legal consequences for banks, and "Pillar 2" Guidance ("**P2G**"). The ECB expects banks to meet at all times the P2G, which is set above the level of binding capital (minimum and additional) requirements and on top of 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 it will trigger enhanced engagement by the ECB and supervisory dialogue between the ECB and the non-compliant bank, intended to provide a credible capital plan.

In addition to the above, 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 (and until CRD V (as defined below) is implemented in Spain), 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 V (as defined below), 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 the ECB published a statement applying this measure to EU banks with immediate effect – see "*Temporary capital and operational relief in reaction to COVID-19*" below. The guidelines also contemplate that national supervisors should not set additional capital in respect of risks which are already covered by the "combined buffer requirement" and/or additional macro-prudential requirements. Accordingly, any additional "Pillar 2" capital that may be imposed on the Bank and/or the Group by the ECB pursuant to the SREP will require the Bank and/or the Group to hold capital levels above the minimum "Pillar 1" capital requirements and the "combined buffer requirement".

According to Law 10/2014, those entities failing to meet the "combined buffer requirement" or making a distribution of CET1 capital to an extent that would decrease its CET1 capital to a level where the "combined buffer requirement" is no longer met will be subject to restrictions on: (i) distributions relating to CET1 capital; (ii) payments in respect of variable remuneration or discretionary pension revenues; and (iii) distributions relating to additional tier 1 capital instruments ("**Discretionary Payments**"), until the Maximum Distributable Amount calculated according to CRD IV (i.e., the firm's "distributable profits", calculated in accordance with CRD IV, multiplied by a factor dependent on the extent of the shortfall in CET1 capital) (the "**Maximum Distributable Amount**") has been calculated and communicated to the Bank of Spain and thereafter, any such distributions or payments will be subject to such Maximum Distributable Amount for entities (a) not meeting the "combined buffer requirement" or (b) in relation to which the Bank of Spain has adopted any of the measures set forth in Article 68.2 of Law 10/2014 aimed at strengthening own funds or limiting or prohibiting the distribution of dividends.

As set out in the "Opinion of the European Banking Authority 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.

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 to 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 Basel Committee on Banking Supervision ("**BCBS**") endorsed the definition of the leverage ratio set forth in CRD IV. 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 (as defined below)) 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 from June 2021 onwards. Any breach to this leverage ratio requirement would also result in a requirement to determine the Maximum Distributable Amount and restrict discretionary payments to such Maximum Distributable Amount.

In addition to CRD IV arrangement which requires maintenance of certain capital buffers before any dividend is paid, the ECB communicated on 17 January 2020 updated recommendations on dividend distribution and remuneration policies to be updated in 2021 for the 2020 financial year. The ECB expects banks to adopt a prudent, forward-looking stance when deciding on their remuneration and dividend distribution policies so that they can fulfil all their capital requirements, including the outcome of the SREP. However, these recommendations were, again, updated on 27 March 2020 – see "*Temporary capital and operational relief in reaction to COVID-19*" below.

Furthermore, the BRRD regime prescribes that banks meet, 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) based on, among other things, the criteria set forth in Article 45.6 of the BRRD, including the systemic importance of the institution. 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 RWA 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, 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.

EU Banking Reforms

On 27 June 2019, 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 ("**CRD V**"); 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**"); Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) 648/2012 ("**CRR II**"); and Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending the Regulation (EU) No. 806/2014 which was passed on 15 July 2014 and became effective from 1 January 2015 (the "**SRM Regulation**") as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms ("**SRMR II**", and, together with CRD V, BRRD II and CRR II, the "**EU Banking Reforms**") entered into force. However, most of the provisions of CRR II are not applicable until 28 June 2021 and SRMR II is not applicable until 28 December 2020. The deadline for transposing into local laws both CRD V and BRRD II is 18 months since their entry into force. Until CRD V and BRRD II are transposed into Spanish law, it is uncertain how they will affect the Bank or the Holders (as defined in the Conditions). In addition, there is also uncertainty as to how CRD V, BRRD II, CRR II and SRMR II will be implemented by the relevant authorities. The EU Banking Reforms cover multiple areas, including the Pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of "non-preferred" senior debt that should only be bailed-in after junior ranking instruments but before other senior liabilities, changes to the definitions of Tier 2 and Additional Tier 1 Instruments, the MREL framework and the integration of the TLAC standard into EU legislation as mentioned above.

Notwithstanding the above, the European Commission's proposals regarding the recognition of the "non-preferred" senior debt has been 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.

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 and 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. In particular, G-SIIs, "top tier" banks and other systemic entities are subject from January 2022 to 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, respectively. The leverage exposure requirement includes the "combined buffer requirement" under CRD

IV. These requirements are complemented by further P2R, which would be determined on a case-by-case basis for the rest of the resolution institutions.

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 "Pillar 1" subordination requirement and an institution specific "Pillar 2" subordination requirement. This "Pillar 1" subordination requirement shall be satisfied with own funds and other eligible MREL instruments (which MREL instruments may not for these purposes be senior debt instruments and only MREL instruments constituting subordinated debt and "non-preferred" senior debt under the new insolvency hierarchy introduced into Spain will be eligible for compliance with the subordination requirement). This requirement is targeted at 8% 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.

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.

According to the EU Banking Reforms, any failure by an institution to meet the "combined buffer requirements" due to a breach of applicable minimum TLAC/MREL Requirements is considered a trigger for the Maximum Distributable Amount (as described above) and is intended to be treated similarly as a failure to meet minimum regulatory capital requirements, where resolution authorities must ensure that they intervene and place an institution into resolution sufficiently early if it is deemed to be failing or likely to fail and there is no reasonable prospect of recovery and, in particular, could result in the imposition of restrictions on discretionary payments.

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.

During 2019 in Europe, there were some movements for the implementation of the last Basel III reforms: (i) in August, the EBA published its advice on the implementation of Basel III in the EU and a policy recommendations of credit risk, securities financing transactions, operational risk and output floor; (ii) in December, the EBA published the second part of its advice and the policy recommendations of CVA and of the Fundamental Review of the Trading Book (FRTB); and (iii) the European Commission started its work for the implementation of these reforms in Europe. However, on 27 March 2020, among the package of measures described in *"Temporary capital and operational relief in reaction to COVID-19"* below, the GHOS announced a deferral of Basel III implementation until January 2023 to increase operational capacity of banks and supervisors to respond to COVID-19.

EU fiscal and 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 new harmonised banking rules (the single rulebook) and a new institutional framework with stronger systems for both banking supervision and resolution that will be managed at the European level. Its two main pillars are the SSM and the SRM.

The SSM (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 new 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 Supervisory Guidelines 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 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 new 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 Single Resolution Fund has also been in place since 1 January 2016, 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.

Additionally, on 24 November 2015, the European Commission proposed a draft regulation to amend Regulation (EU) 806/2014, in order to establish a European deposit insurance scheme for bank deposits (the "**EDIS**"). On 11 October 2017, the European Commission updated its proposal regarding the EDIS. The EDIS is the third pillar of the EU banking union.

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.

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 would assess any differences between banks' practices and the prudential provisioning expectations at least annually and will link the supervisory expectations in the Addendum to new NPLs classified as such from 1 April 2018 onwards. In addition, banks will therefore be asked to inform the ECB of any differences between their practices and the prudential provisioning expectations, as part of the SREP supervisory dialogue, as from early 2021. This could ultimately result in the ECB requiring banks to apply specific adjustments to their net worth calculations when the accounting treatment applied by the bank is not considered prudent from a supervisory perspective which, in turn, could have an impact on the banks' capital position.

In August 2019, the ECB 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 the ECB announced flexibility when discussing the implementation of NPL strategies on a case-by-case basis due to current market conditions (see "*Temporary capital and operational relief in reaction to COVID-19*" below).

Temporary capital and operational relief in reaction to COVID-19

On 12 March 2020, both the EBA and the ECB announced a number of measures to ensure that banks can continue to fulfil their role in funding the real economy (i.e. to maintain support to household and corporate sectors, particularly to SMEs, and ensure that the basic needs of their customers are satisfied) as the economic effects of the COVID-19 become apparent. Although the long-term magnitude of the economic shock cannot yet be quantified, it will likely dampen economic activity.

In this respect, the EBA communicated postponement of the EU-wide stress test exercise to 2021 as to allow banks to focus on, and ensure continuity of, their core operations, including support for their customers. Addressing any operational challenges banks may face should be now the priority. For 2020, the EBA will carry out an additional EU-wide transparency exercise in order to provide updated information on banks' exposures and asset quality to market participants.

On the other hand, the ECB announced that banks will be allowed to operate temporarily below the level of capital defined by the P2G, the capital conservation buffer and the LCR. The ECB considers that these temporary measures will be enhanced by the appropriate relaxation of the counter-cyclical capital buffer by the national macroprudential authorities – this being further confirmed by the communications of both the Bank of England and the Bank of Spain on 11 March and 31 March 2020, respectively (see "*Capital, liquidity and funding requirements*" above). Likewise, banks will also be allowed to partially use capital instruments that do not qualify as CET1, for example additional tier 1 or tier 2 instruments, to meet the P2R, which brings forward a measure that was initially scheduled to come into effect in January 2021, as part of the latest revision implemented by CRD V.

The above measures, along with some other individual measures that the ECB has confirmed that are being discussed with banks (such as adjusting timetables, processes and deadlines), are aimed to provide significant capital relief to banks in support of the economy. Banks are expected to use the positive effects coming from these measures to support the economy and, in particular, not to increase dividend distributions or variable remuneration. This notwithstanding, banks should continue to apply sound underwriting standards, pursue adequate policies regarding the recognition and coverage of non-performing exposures, and conduct solid capital and liquidity planning and robust risk management.

On 20 March 2020, the ECB announced further measures to allow banks' flexibility. First, on a temporary basis, supervisors will exercise flexibility regarding the classification of debtors as "unlikely to pay" when banks call on public guarantees granted in the context of COVID-19, as well as regarding loans under COVID-19 related public moratoriums. Second, loans which become non-performing and are under public guarantees will benefit from preferential prudential treatment in terms of supervisory expectations about loss provisioning. Lastly, supervisors

will deploy full flexibility when discussing with banks the implementation of NPL reduction strategies, taking into account the extraordinary nature of current market conditions.

Further to its call on 12 March 2020, on 25 March 2020 the EBA issued a new statement by means of which, in addition to expressing support to the measures taken and proposed by national governments and EU bodies, it clarified certain interpretative aspects on the functioning of the prudential framework in relation to the classification of loans in default, the identification of forborne exposures, and their accounting treatment aiming to help ensuring consistency and comparability in risk metrics across the whole EU banking sector. In particular, the EBA clarified in its statement that generalised payment delays due to legislative initiatives and addressed to all borrowers do not lead to any automatic classification in default, forborne or unlikeness to pay. Individual assessments of the likeliness to pay should be prioritised. In line with its statement of 25 March 2020, on 31 March 2020 the EBA elaborated on its call for competent authorities to offer leeway on reporting dates urging one-month flexibility for reports with remittance dates between March and the end of May 2020 (subject to certain exceptions) and decided to cancel the quantitative impact study (QIS) exercise based on June 2020 data. Likewise, the EBA encouraged competent authorities to be flexible when assessing compliance with the deadlines for the publication of Pillar 3 reports and emphasised the importance of transparency and Pillar 3 disclosures to address uncertainties on the risks faced by institutions. In this respect, it asked both competent authorities and institutions to assess the need for additional Pillar 3 disclosures on prudential information in order to properly convey the risk profile of the institution in the context of the COVID-19 outbreak.

On 1 April 2020, the SRB published its final ‘Expectations for Banks’ document, along with an overview of its responses to the industry consultation made between 23 October and 4 December 2019. The ‘Expectations for Banks’ document describes best practice and sets benchmarks for assessing resolvability and provides clarity on the actions expected from banks to take in order to demonstrate resolvability. Banks are expected to have built up their capabilities on all aspects by the end of 2023, except where indicated otherwise. Where needed and on a bilateral basis, the SRB and banks may agree alternative phase-in dates. The expectations are tailored to each individual bank and its resolution strategy, allowing for flexibility and proportionality. In addition, the SRB clarified that it keeps monitoring the situation related to COVID-19 and that it is ready to use its discretion and the flexibility given by the regulatory framework to adapt transition periods and interim targets applied to banking groups, as well as to adjust MREL targets in line with capital requirements, with particular reference to capital buffers.

In addition, on 27 March 2020 the ECB updated its recommendation to banks on dividend distributions to boost banks’ capacity to absorb losses and support lending during the COVID-19 pandemic. In this sense, the ECB recommends that banks should not pay dividends for the financial years 2019 and 2020 until at least 1 October 2020. Banks should also refrain from share buy-backs aimed at remunerating shareholders. This new recommendation does not retroactively cancel the dividends already paid out by some banks such as Banco Sabadell for the financial year 2019. However, banks that have asked their shareholders to vote on a dividend distribution proposal in their upcoming general shareholders meeting will be expected to amend such proposals in line with the updated recommendation. In this respect, Banco Sabadell announced on 8 April 2020 that it had agreed not to pay dividend in the financial year 2020, as a precautionary measure in light of the COVID-19 pandemic.

On 16 April 2020, the ECB announced a temporary reduction in capital requirements for market risk by allowing banks to adjust the ‘supervisory component’ of these requirements (namely, the “qualitative market risk multiplier”, which is set by supervisors and is used to compensate for underestimation of capital requirements for market risk by banks) in an attempt to maintain banks’ ability to provide market liquidity and to continue market-making activities. Such decision will be reassessed in six months on the basis of observed volatility.

On 28 April 2020 the European Commission adopted a legislative proposal amending CRR II as regards adjustments in response to COVID-19 with an aim to facilitating bank lending to support the economy and help mitigate its economic impact. The proposal includes changes such as adapting the timeline for the application of international accounting standards on banks’ capital, treating more favorably publicly guaranteed loans under the NPL prudential backstop granted during this crisis, postponing the date of application of the leverage ratio buffer, offsetting the impact of excluding certain exposures from the calculation of the leverage ratio or advancing the date of application of several provisions that incentivize banks to finance employees, SMEs and infrastructure projects. In relation to the legislative procedure, the European Commission is proposing an accelerated procedure that would allow for such a legislative proposal to be formally adopted by June 2020.

As the spread of the COVID-19 pandemic continues, it is likely that additional measures will be adopted in the near term and/or the above ones will be revised (as necessary) to continue to address the adverse economic impact of COVID-19.

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 a new US 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 Group is required under the Dodd-Frank Act to prepare and submit annually to the Federal Reserve Board and the Federal Deposit Insurance Corporation ("**FDIC**") a plan (commonly called a "living will") for the orderly resolution of the Bank's Miami branch (domiciled in the United States) in the event of future material financial distress or failure. If, after reviewing the Bank's Miami branch's resolution plan required under the Dodd-Frank Act and any related re-submissions, the Federal Reserve Board and the FDIC jointly determine that the Bank's Miami branch 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 risk 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% tax rate for transactions in all types of financial instruments, except for derivatives that would be subject to a minimum 0.01% 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 proposed Spanish financial transactions tax

On 18 January 2019, the Spanish Council of Ministers approved a draft bill (the "**Draft Bill**"), according to which, due to the delay in the EU FTT being approved, the intention is to implement a Spanish financial transactions tax (the "**Spanish FTT**"). However, the Spanish Council of Ministers stated that Spain will continue to participate in the enhanced co-operation for the approval of the EU FTT and, if finally approved, Spain will adapt the Spanish FTT to align it with the EU FTT.

According to the Draft Bill, the Spanish FTT is to be aligned with the French and Italian financial transactions taxes. Specifically, it is proposed that a Spanish FTT, at a rate of 0.2%, would apply to certain acquisitions of listed shares issued by Spanish companies whose market capitalisation exceeds €1 billion, regardless of the jurisdiction of residence of the parties involved in the transaction.

The Draft Bill was sent to Parliament for debate and approval. However, early general elections were called for 28 April 2019 and the legislative process was suspended.

On 30 April 2019, the interim Government (headed by the centre-left party PSOE) submitted to the European Commission the "Update of the Stability Programme 2019-2022" (*Actualización del Programa de Estabilidad 2019-2022*). This report is not equivalent to a draft law but it includes the economic projections for 2019-2022 and confirms the intention of the new Government to approve the Spanish FTT, stating that "the creation of the Tax on Financial Transactions will be relaunched".

On 18 February 2020, the Draft Bill has been sent to the Spanish Parliament in order to reinstate the parliamentary process to approve the Spanish FTT law. This Draft Bill does not defer from the previous one, so in case the Spanish FTT is approved as per the wording sent to the Spanish Parliament, the Spanish FTT should not apply in relation to an issue of Notes under the Programme or subsequent transfer, although there can be no assurance that such Spanish FTT will not be modified and apply in those cases in the future.

Therefore, once the Spanish FTT is in force, it is expected that an indirect tax, at a rate of 0.2%, will apply on acquisitions of shares of Spanish listed companies, regardless of the residence of the agents that intervene in the transactions, provided the market value of the capitalisation thereof is greater than €1,000 million. The taxpayers are envisaged to be the financial traders that transfer or execute the purchase order and they would have to submit an annual tax return.

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 at 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 and 23 per cent. for taxable income in excess of €50,000.

As a general rule, both types of income are subject to a withholding tax on account at the rate of 19 per cent. 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 2.5 per cent.

In accordance with Second section of Article 1 of the Royal Decree 13/2011, of 16 September, as amended by Royal Law-Decree 18/2019, of 27 of December, a full exemption (*bonificación del 100%*) on Wealth Tax will apply in 2021 unless such exemption is revoked.

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 at 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. 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. 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 "4. 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 2.5 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.

In accordance with Second section of Article 1 of the Royal Decree-Law 13/2011, of 16 September, as amended by Royal Law-Decree 18/2019, of 27 of December, a full exemption (*bonificación del 100%*) on Wealth Tax will apply in 2021 unless such exemption is revoked.

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. 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 securitites
- 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, Citigroup Global Markets Europe AG, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank Aktiengesellschaft, Goldman Sachs International, HSBC Bank plc, HSBC France, J.P. Morgan AG, J.P. Morgan Securities plc, Natixis, Nomura International plc, Société Générale, UBS Europe SE 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 26 May 2020 (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 and 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 European Economic Area or in the United Kingdom.

For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
- (b) 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.

United Kingdom

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 United Kingdom.

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 applicable 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 20 February 2020. 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 123 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 2019 there has been no material adverse change in the prospects of the Issuer, and since 31 March 2020 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 years ended 31 December 2018 and 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 reports incorporated by reference in this Base Prospectus.

The current auditors of the Issuer are KPMG Auditores, S.L., of Paseo de la Castellana, 259C, 28046 Madrid, Spain, independent auditors who are members of the *Registro Oficial de Auditores de Cuentas*, who will audit the consolidated annual accounts of the Issuer from the financial year ended 31 December 2020.

Documents on Display

5. 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;
 - (b) the information incorporated by reference herein under "*Information Incorporated by Reference*";
 - (c) the Agency Agreement;
 - (d) the Programme Manual; and
 - (e) the Deed of Covenant.

The documents listed in (a) and (b) above are also available on the website of Banco Sabadell (www.grupbancsabadell.com).

Material Contracts

6. 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

7. 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

8. 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 applicable 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 applicable 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

9. 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. 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

Citigroup Global Markets Europe AG
Reuterweg 16
60323 Frankfurt am Main
Germany

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Commerzbank Aktiengesellschaft
Kaiserstraße 16 (Kaiserplatz)
60311 Frankfurt Am Main
Germany

Crédit Agricole Corporate and Investment Bank
12, place des Etats-Unis
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92547 Montrouge Cedex
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One Cabot Square
London E14 4QJ
United Kingdom

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United Kingdom

HSBC Bank plc
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HSBC France
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Canary Wharf
London E14 5JP
United Kingdom

Natixis
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France

Nomura International plc
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United Kingdom

Société Générale
29 boulevard Haussmann
75009 Paris
France

UBS Europe SE
Bockenheimer Landstraße 2-4,
60306 Frankfurt am Main,
Germany

UniCredit Bank AG
Arabellastrasse 12
D-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 financial years ended 31 December 2018 and
2019*

Current Auditor

PricewaterhouseCoopers Auditores, S.L.
Calle Ausó y Monzó, 16
03006 Alicante
Spain

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