

SUPPLEMENT DATED 8 AUGUST 2017 TO THE BASE PROSPECTUS DATED 22 MARCH 2017 AS SUPPLEMENTED ON 28 APRIL 2017



BANCO DE SABADELL, S.A.

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

€5,000,000,000

Euro Medium Term Note Programme

This supplement (the “**Supplement**”) is supplemental to, forms part of and must be read and construed in conjunction with the base prospectus dated 22 March 2017 (the “**Base Prospectus**”) and with the Supplement to the Base Prospectus dated 28 April 2017, prepared by Banco de Sabadell, S.A. (“**Banco Sabadell**”, the “**Issuer**” or the “**Bank**”) in connection with its Euro Medium Term Note Programme (the “**Programme**”) for the issuance of up to Euro 5,000,000,000 in aggregate principal amount of notes (the “**Notes**”). Terms given a defined meaning in the Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

This Supplement constitutes a supplement to the Base Prospectus for the purposes of Article 16 of Directive 2003/71/EC and amendments thereto including Directive 2010/73/EU (the “**Prospectus Directive**”), and has been approved by the Central Bank of Ireland (the “**Central Bank**”) as competent authority for the purpose of the Prospectus Directive. The Central Bank only approves this Supplement as meeting the requirements imposed under EU and Irish law pursuant to the Prospectus Directive.

This Supplement has been prepared for the purpose of

- (i) amending the Terms and Conditions of the Notes in order to align them to the features of the new statutory category of unsubordinated and unsecured senior non preferred obligations (*créditos ordinarios no preferentes*) approved by Royal Decree-Law 11/2017, of 23 June, approving urgent measures on financial matters (“**RDL 11/2017**”), which entered into force on 25 June 2017. The following sections of the Base Prospectus are being supplemented “Risk Factors”, “Key Features of the Programme”, “Terms and Conditions of the Notes” and “Pro Forma Final Terms”;
- (ii) supplementing the sections entitled “*Information Incorporated by Reference*” on page 45 and the “*General Information*” on pages 125 to 126 of the Base Prospectus to incorporate by reference the audited consolidated half-yearly financial statements for the six month period ended June 30, 2017 and consolidated directors’ report for the first six months of the 2017 financial year; and
- (iii) amending some additional features of the Base Prospectus.

The language of this Supplement 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.

IMPORTANT NOTICES

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

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in, or incorporated by reference into, the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, no significant new fact, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of the Notes issued under the Programme has arisen or been noted, as the case may be, since the publication of the Base Prospectus.

RISK FACTORS

The information set out below shall supplement the section of the Base Prospectus entitled “Risk Factors” on pages 5 to 38 of the Base Prospectus.

The following text shall, by virtue of this Supplement, replace, in its entirety, the risk factor entitled “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” on page 20 of the Base Prospectus:

“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. At the date of this Base Prospectus, the Bank's long term rating is BBB- with a positive Outlook by S&P, Baa3/Baa2 for senior debt/deposits with a Stable Outlook by Moody's and BBB (high) with a Stable Outlook by DBRS, and its current short-term rating is A-3 by S&P, P-3/P-2 for senior debt/deposits by Moody's and R-1 (low) by DBRS. 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.”

The following text shall, by virtue of this Supplement, replace, in its entirety, the section of risk factors entitled “Risks related to the Structure of a Particular Issue of Notes” on pages 28 to 34 of the Base Prospectus:

“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 10(c) (*Redemption at the option of the Issuer*).

In addition, if the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority therein having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. In respect of Senior Non Preferred Notes and Subordinated Notes, the Notes may also be redeemed for taxation reasons, if the Issuer would not be entitled to claim a deduction in computing taxation liabilities in Spain in respect of any payment of interest to be made on the next Interest Payment Date or the value of such deduction to the Issuer would be materially reduced, in each case as a result of any change in, or amendment to, the laws or regulations of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (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 10(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 the Tier 2 Subordinated Notes, as further described in Condition 10(d) (*Redemption at the option of the Issuer (Capital Event)*) and (ii) if a Disqualification Event occurs, the Senior Non Preferred Notes and/or Senior Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part, as further described in Condition 10(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 10(c) (*Redemption at the option of the Issuer*), for taxation reasons pursuant to Condition 10(b) (*Redemption for taxation reasons*), in the case of Tier 2 Subordinated Notes, upon the occurrence of a Capital Event (as defined in Conditions 10(d) (*Redemption at the option of the Issuer (Capital Event)*)) and in the case of Senior Non Preferred Notes and Senior Subordinated Notes, upon the occurrence of a Disqualification Event (as defined in Condition 10(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. This also may be true prior to any redemption period.

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

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

In the case of Senior Non Preferred Notes and Subordinated Notes, prior consent of the Competent Authority and/or the Relevant Resolution Authority (as these terms are defined in the Conditions) may be required for any optional redemption and there can be no assurances that such consent will be given.

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

- (a) on or before such redemption of the Tier 2 Subordinated Notes, the Issuer replaces the Tier 2 Subordinated Notes with Tier 2 instruments of an equal or higher quality on terms that are sustainable for the income capacity of the Issuer; or
- (b) the Issuer has demonstrated to the satisfaction of the competent authority that its Tier 1 capital (*capital de nivel 1*) pursuant to Applicable Banking Regulations and Tier 2 capital would, following such redemption, exceed the capital ratios required under CRD IV by a margin that the Regulator may consider necessary on the basis set out in CRD IV.

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

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

- (b) the institution has demonstrated to the satisfaction of the competent authority that the own funds and eligible liabilities of the institution would, following such redemption, exceed the requirements laid down in the CRR, the CRD IV and the BRRD by a margin that the competent authority considers necessary.

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

The Senior Non Preferred Notes and the Senior Subordinated Notes are intended to be TLAC/MREL Eligible Instruments (as defined in the Conditions) under Applicable Banking Regulations. However, there is uncertainty regarding the final substance of the Applicable Banking Regulations in so far as they relate to TLAC/MREL Eligible Instruments and how those regulations, once enacted, are to be interpreted and applied and the Issuer cannot provide any assurance that the Senior Non Preferred Notes or Senior Subordinated Notes will be (or thereafter remain) TLAC/MREL Eligible Instruments.

Although some countries have publicly expressed their intended approach to TLAC, there currently are no European laws or regulations implementing the TLAC concept, which is set forth in the TLAC term sheet set out in a document dated 9 February 2015 published by the Financial Stability Board, entitled “Principles on Loss-absorbing and Recapitalisation Capacity of G-SIBs in Resolution (the “**FSB TLAC Term Sheet**”). The European Commission has recently proposed directives and regulations intended to give effect to the FSB TLAC Term Sheet and to modify the requirements for MREL eligibility. While the terms and conditions of the Senior Non Preferred Notes may be consistent with the European Commission’s proposals, these proposals have not yet been interpreted and when finally adopted the final regulations may be different from those set forth in these proposals.

Because of the uncertainty surrounding the substance of the final regulations implementing the TLAC requirements and their interpretation and application and any potential changes to the regulations giving effect to MREL, the Issuer cannot provide any assurance that the Senior Non Preferred Notes and the Senior Subordinated Notes will 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 “*Senior Non Preferred Notes and Subordinated Notes may be subject to substitution and/or variation without Noteholder consent*”.

Senior Non Preferred Notes and Subordinated Notes may be subject to substitution and/or variation without Noteholder consent

Subject as provided in the Conditions of relevant Notes, if a Capital Event, a Disqualification Event, an Alignment Event or an event giving rise to the Issuer being entitled to redeem the Senior Non Preferred Notes or the Subordinated Notes under Condition 10(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 Senior Non Preferred Notes or the Subordinated Notes or (ii) to modify the terms of all (but not some only) of such Senior Non Preferred Notes or Subordinated Notes, in each case so that they are substituted for, or varied to, become, or remain, Qualifying Notes. While Qualifying Notes generally must contain terms that are materially no less favourable to Noteholders as the original terms of the Senior Non Preferred Notes or the Subordinated Notes, there can be no assurance that the terms of any Qualifying Notes will be viewed by the market as equally favourable, or that the Qualifying Notes will trade at prices that are equal to the prices at which the Notes would have traded on the basis of their original terms.

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

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

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

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

Risks relating to Floating Rate Notes

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

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

The market values of securities issued at a substantial discount (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 Subordinated Notes and the Senior Non Preferred Notes provide for limited events of default. Senior Non Preferred Notes and Subordinated Notes may not be redeemed prior to maturity at the option of Noteholders in the event of non-payment of principal or interest

Holder have no ability to accelerate the maturity of their Subordinated Notes and Senior Non Preferred Notes. The terms and conditions of the Subordinated Notes and the Senior Non Preferred Notes do not provide for any events of default, except in the case that an order is made by any competent court or resolution passed for the winding up or dissolution. Accordingly, in the event that any payment on the Subordinated Notes or the Senior Non Preferred Notes is not made when due, each Holder will have a claim only for amounts then due and payable on their Subordinated Notes and Senior Non Preferred Notes and, as provided for in the Terms and Conditions, a right to institute proceedings for the winding up 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 Holders. 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 except in the case of an event of default.

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

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

The Conditions provide that, if so specified in the Final Terms, Noteholders waive any set-off, netting or compensation rights against any right, claim, or liability the Issuer has, may have or acquire against any Noteholder, directly or indirectly, howsoever arising. As a result, Noteholders will not at any time be entitled to set-off the Issuer's obligations under the Notes against obligations owed by them to the Issuer.

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

The Insolvency Law provides, among other things, that: (i) any claim may become subordinated if it is not reported to the insolvency administrators (*administradores concursales*) within one month from the last official publication of the court order declaring the insolvency, (ii) provisions in a contract granting one party the right to terminate by reason only of the other's insolvency will not be enforceable, and (iii) interest (other than interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall cease to accrue as from the date of the declaration of insolvency and any amount of interest accrued up to such date (other than any interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall become subordinated. Any payments of interest in respect of debt securities will be subject to the subordination provisions of Article 92.3 of the Insolvency Law.

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

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

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

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.

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

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

The Issuer's obligations under the Subordinated Notes will be unsecured and subordinated obligations (*créditos subordinados*) of the Issuer and will rank junior to all unsubordinated obligations (*créditos ordinarios tanto preferentes como no preferentes*) of the Issuer (including any Senior Non Preferred Liabilities (as defined in the Conditions)). Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a greater risk that an investor in Subordinated Notes will lose all or some of its investment should the Issuer become (i) subject to resolution under the BRRD (as implemented through Law 11/2015 and Royal Decree 1012/2015) and the Subordinated Notes become subject to the application of the Spanish Bail-in Power (including, in case they constitute Tier 2 instruments, 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 Spanish Resolution Authority. Other powers contained in Law 11/2015 could materially affect the rights of the Noteholders under, and the value of, any Notes*".

In the event of insolvency, after payment in full of unsubordinated and unsecured claims (*créditos ordinarios*) (including any senior non preferred claims (*créditos ordinarios no preferentes*)), but before distributions to shareholders, under Article 92 of the Insolvency Law read in conjunction with Additional Provision 14.3° of Law 11/2015, the Issuer will meet subordinated claims after payment in full of unsubordinated claims, but before distributions to shareholders, in the following order and pro-rata within each class: (i) late or incorrect claims; (ii) contractually subordinated liabilities (firstly, those that do not qualify as Additional Tier 1 or Tier 2 instruments under Additional Provision 14.3°(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 14.3°(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 14.3°(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 obligations and are junior to certain obligations

The Senior Non Preferred Notes constitute direct, unconditional, unsubordinated and unsecured senior non preferred obligations (*créditos ordinarios no preferentes*) of the Issuer in accordance with Additional Provision 14.2° of Law 11/2015, as amended by the Royal Decree-Law 11/2017, of 23 June, approving urgent measures on financial matters (“**RDL 11/2017**”). Upon the insolvency (*concurso*) of the Issuer, the payment obligations of the Issuer under the Senior Non Preferred Notes 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 92.1° or 92.3° to 92.7° of the Insolvency Law (a) *pari passu* among themselves and with any Senior Non Preferred Liabilities, (b) 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, 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 deposits obligations qualifying as preferred liabilities (*créditos con privilegio general*) under Additional Provision 14.1° of Law 11/2015), its obligations in respect of derivatives and other financial contracts and its unsecured and unsubordinated debt securities other than the Senior Non Preferred Liabilities. If the Issuer were wound up, liquidated or dissolved, the Issuer expects that a 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 Holders, including holders of Senior Higher Priority Liabilities, and then to satisfy claims in respect 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 Holders under the Senior Non Preferred Notes will not be satisfied. Holders 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) will 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 obligations (*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, 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 Spanish Resolution Authority. Other powers contained in Law 11/2015 could materially affect the rights of the Noteholders under, and the value of, any Notes*".

As a consequence, Holders 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.”

The following text shall, by virtue of this Supplement, replace, in its entirety, the risk factor entitled “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” on page 34 of the Base Prospectus:

“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 Terms and Conditions place no restrictions on the amount or type of securities that the Issuer may issue that ranks 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 Holders 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 Holder 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 following text shall, by virtue of this Supplement, replace, in its entirety, the risk factor entitled "The value of the Notes could be adversely affected by a change in law or administrative practice" on page 36 of the Base Prospectus:

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

The Conditions are subject to English law, except for Condition 4 which is subject to Spanish law, as in effect as at the date of this Base Prospectus. Changes in European, English or Spanish laws or their official interpretation by regulatory authorities after the date hereof may affect the rights and effective remedies of Holders as well as the market value of the Notes. Such changes in law or official interpretation of such laws may include changes in statutory, tax and regulatory regimes during the life of the Notes, which may have an adverse effect on an investment in the Notes. No assurance can be given as to the impact of any possible judicial decision or change to such laws or official interpretation of such laws or administrative practices after the date of this Base Prospectus.

In particular, on 23 November 2016, the European Commission published proposals for European Directives amending the BRRD and the CRD IV and proposals for European Regulations amending the SRM Regulation and CRR which aim at implementing the requirement for TLAC and MREL. Among others, the European Commission proposes to amend Article 108 of the BRRD in order to facilitate the creation of a new asset class of "non-preferred" senior debt which will be eligible to count as TLAC and MREL (for example, similar to the Senior Non Preferred Notes). RDL 11/2017 entered into force on 25 June 2017 and amended Additional Provision 14.2° of Law 11/2015, which provides for the legal recognition of unsubordinated and unsecured senior non preferred obligations (*créditos ordinarios no preferentes*) in Spain. However, it cannot be ruled out that the current legal regime of this new category of credits will be amended or derogated, including as a result of the implementation of the proposal for an European Directive amending Article 108 of the BRRD.

Furthermore, any change in the laws or regulations of Spain, Applicable Banking Regulations or the application or interpretation thereof may in certain circumstances result in the Issuer having the option to redeem, substitute or vary the terms of the Senior Non Preferred Notes or the Subordinated Notes (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 "*Senior Non Preferred Notes and Subordinated Notes may be subject to substitution and/or variation without consent*"). In any such case, the relevant Notes would cease to be outstanding, be substituted or be varied, each of which actions could materially and adversely affect investors and frustrate investment strategies and goals.

Such legislative and regulatory uncertainty could affect an investor's ability to value the relevant Notes accurately and therefore affect the market price of the Notes given the extent and impact on the Notes of one or more regulatory or legislative changes."

The following text shall, by virtue of this Supplement, replace, in its entirety, the risk factor entitled "Second Ranking Senior Notes are new types of instruments for which there is no trading history" on page 37 of the Base Prospectus:

"Senior Non Preferred Notes are new types of instruments for which there is no trading history

On 25 June 2017, RDL 11/2017 entered into force amending Additional Provision 14.2° 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 financial institutions have issued securities with similar features in the past, there is little trading history for securities of financial 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, Holders may incur losses in respect of their investments in the Senior Non Preferred Notes.”

KEY FEATURES OF THE PROGRAMME

The following text shall, by virtue of this Supplement, replace, in its entirety, the key features entitled “Redemption” and “Status of the Notes”:

Redemption:

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 Senior Non Preferred Notes and Senior Subordinated 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.

Neither Senior Non Preferred Notes nor Subordinated Notes 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 Senior Non Preferred Notes or Subordinated Notes be redeemed prior to their maturity at the option of the Noteholders.

See Condition 10 (*Redemption and Purchase*).

Status of the Notes:

Notes may be either Senior Notes (in which case they will be Ordinary Senior Notes or Senior Non Preferred Notes) or Subordinated Notes (in which case they will be Senior Subordinated Notes or Tier 2 Subordinated Notes) as more fully described in Condition 4 (*Status of the Notes*).

INFORMATION INCORPORATED BY REFERENCE

The information set out below shall supplement the section of the Base Prospectus entitled “Information incorporated by reference” on page 45 of the Base Prospectus.

To this end, the following text shall, by virtue of this Supplement, be inserted as point 4.

“4. an English language translation of the audited consolidated half-yearly financial statements for the six month period ended June 30, 2017 and consolidated directors’ report for the first six months of the 2017 financial year”

https://www.grupbancsabadell.com/g3repository/PDF/EN_SEMESTRALBS2017_INFORMACION_INTERMEDIA_2017_ENG.PDF

TERMS AND CONDITIONS OF THE NOTES

The text set out below shall replace, in its entirety, the text in the section of the Base Prospectus entitled "Terms and Conditions of the Notes" on pages 51 to 82 of the Base Prospectus:

The following is the text of the Conditions of the Notes (save for the paragraphs in italics which are for disclosure purposes only) which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. In the case of any Tranche of Notes which are being (a) offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive) or (b) admitted to trading on a regulated market in a Member State, the relevant Final Terms shall not amend or replace any information in this Base Prospectus. Subject to this, to the extent permitted by applicable law and/or regulation, the Final Terms in respect of any Tranche of Notes may complete any information any information in this Base Prospectus.

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

1. Introduction

- (a) *Programme:* Banco de Sabadell, S.A. (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to €5,000,000,000 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 issue and paying agency agreement dated 22 March 2017 (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).
- (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 Plaza Sant Roc, 20, 08201 Sabadell, Barcelona, 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) *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement is 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.
- (f) *Public Deed of Issuance:* The Issuer will execute a public deed (*escritura pública*) (the "**Public Deed of Issuance**") before a Spanish Notary Public in relation to the Notes on or prior to the Issue Date of the Notes. The Public Deed of Issuance will contain, among other information, the terms and conditions of the Notes.

2. Interpretation

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

"**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 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^o(c) of Law 11/2015;

"**Applicable Banking Regulations**" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency applicable to the Issuer including, without limitation to the generality of the foregoing, CRD IV, the BRRD and those regulations, requirements, guidelines and policies of the Competent Authority relating to capital adequacy, resolution and/or solvency then in effect (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer or the Group);

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

"**Business Day**" means:

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

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

- (a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
 - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

- (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
- (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

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

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

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

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

"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;

"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 or consolidated basis);

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

"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;

A "**Disqualification Event**" occurs in respect of Senior Non Preferred Notes or Senior Subordinated Notes if, on or following the TLAC/MREL Requirement Date, 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) was reasonably foreseeable as at the Issue Date of the Notes, (b) 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, or (c) 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.

For the purposes of paragraph (a) above, the circumstances where any non-qualification of the Notes as TLAC/MREL Eligible Instruments shall not be “reasonably foreseeable” shall, without limitation, be deemed to include where such non-qualification arises as a result of (i) any legislation which gives effect in the Kingdom of Spain to the European Commission’s proposals to amend and supplement certain provisions of the CRD IV Directive, the CRR, the SRM Regulation and the BRRD (the “**EC Proposals**”) differing in any respect from the form of the EC Proposals as published by the European Commission on 23 November 2016 or, if applicable, any further form of the EC Proposals that may supersede such form and is made public thereafter but before the relevant Issue Date of the Notes (the “**Draft EC Proposals**”) (including if the EC Proposals are not implemented in full in the Kingdom of Spain), or (ii) the official interpretation or application of the Draft EC Proposals or the EC Proposals 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;

"EURIBOR" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

"Extraordinary Resolution" has the meaning given in the Agency Agreement;

"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;

"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;

"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;

"**LIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor);

"**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;

"**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;

"**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 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;

"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 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") established pursuant to the SRM Regulation and/or any other authority entitled to exercise or participate in the exercise of any Bail-in Power from time to time;

"**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 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, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"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 Mid-Swap Rate for the immediately preceding Reset Period or, if none, the Initial Mid-Swap Rate;

"**S&P**" means Standard & Poor's Credit Market Services Europe Limited;

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

"**Senior Non Preferred Liabilities**" means any unsubordinated and unsecured senior non preferred obligations (*créditos ordinarios no preferentes*) of the Issuer under Additional Provision 14.2° of Law 11/2015, as amended 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;

"**Specified Office**" has the meaning given in the Agency Agreement;

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

"**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/MREL Eligible Instruments**" means any instrument that complies with the total loss-absorbing capacity requirements and/or minimum requirement for own funds and eligible liabilities applicable to the Issuer and/or the Group under Applicable Banking Regulations.

"**TLAC/MREL Requirement Date**" means the time from which the Issuer and/or the Group is obliged to meet any total loss-absorbing capacity requirements and/or minimum requirement for own funds and eligible liabilities under Applicable Banking Regulations.

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

"**Voter**" has the meaning given to it in the Agency Agreement; 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 12 (*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 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;
- (vii) 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
- (viii) 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. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

4. **Status of the Notes**

- (a) **Senior Notes:** If this Condition 4(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 5) 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) 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).
- (b) **Subordinated Notes:** If this Condition 4(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 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), 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 intended to qualify as Tier 2 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.

5. **Negative Pledge**

This Condition 5 applies to the Ordinary Senior Notes only. 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.

6. **Fixed Rate Note Provisions**

- (a) *Application:* This Condition 6 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 11 (*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 6 (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.

7. **Fixed Reset Note Provisions**

- (a) *Application:* This Condition 7 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 7 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 7 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 7. Once the Rate of Interest is determined for a Reset Period, the provisions of Condition 6 (*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 22 (*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 7 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 of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Fiscal Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

8. **Floating Rate Note Provisions**

- (a) *Application:* This Condition 8 (*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 11 (*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.

9. **Zero Coupon Note Provisions**

- (a) *Application:* This Condition 9 (*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).

10. **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 11 (*Payments*).
- (b) *Redemption for taxation reasons:* Subject, in the case of Senior Non Preferred Notes and Subordinated Notes, 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 12 (*Taxation*), or (ii) in the case of Subordinated Notes only, 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 10(b)(A)(i) 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
- (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.

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 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(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 Senior Non Preferred Notes and Subordinated Notes, 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 Senior Non Preferred Notes and Senior Subordinated Notes) 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 22 (*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 Senior Non Preferred Notes and the Senior Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part, subject to such redemption being permitted by 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 22 (*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 at any time 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 Senior Non Preferred Notes or Subordinated Notes 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 10(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 10(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 10(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 10(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 10(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 Senior Non Preferred Notes or Subordinated Notes, 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 10(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 10(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.

11. **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 12 (*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 11(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 10(b) (*Redemption for taxation reasons*), Condition 10(c) (*Redemption at the option of the Issuer*), Condition 10(d) (*Redemption at the option of the Issuer (Capital Event)*), Condition 10(e) (*Redemption at the option of the Issuer (Disqualification Event)*), Condition 10(h) (*Redemption at the option of Noteholders*), or Condition 13 (*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 17 (*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.

12. **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 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 Spanish tax reporting requirements; 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 10 (*Redemption and Purchase*), (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Conditions 6 (*Fixed Rate Note Provisions*)

and 7 (*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.

13. **Events of Default**

- (a) This Condition 13(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 or winding up 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 13(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 financial 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 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 13(b) only applies to Senior Non Preferred Notes and Subordinated Notes and references to "Notes" shall be construed accordingly.

Save as provided below, there are no events of default under the Senior Non Preferred Notes and the Subordinated Notes and which could lead to an acceleration of the Senior Non Preferred Notes and the Subordinated Notes.

If an order is made by any competent court commencing insolvency proceedings against the Issuer or if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer (except in the case of a reconstruction, merger or amalgamation (i) which has been approved by an Extraordinary Resolution at a meeting of Noteholders and is on a solvent basis; or (ii) where the entity resulting from any such reconstruction, merger or amalgamation is (A) a financial institution (*entidad de crédito*) under article 1 of Real Decreto Legislativo 1298/1986 dated 28 June, as amended and restated and (B) has a rating for long-term subordinated debt assigned by S&P, Moody's 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 Bail-in Power by the Relevant Resolution Authority with respect to the Issuer, nor the exercise of any Bail-in 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 Holders to any remedies (including equitable remedies), which are hereby expressly waived.

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

This Condition 14 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 14:

"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.

15. **Substitution and Variation**

This Condition 15 applies to Senior Non Preferred Notes and Subordinated 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, an Alignment Event or an event giving rise to the Issuer being entitled to redeem the Notes under Condition 10(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 22 (*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

Holders 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 Holders.

- (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 Holders which is necessary or convenient to complete the substitution or variation of the terms of the Notes, as applicable.
- (iii) In this Condition 15:

An "**Alignment Event**" is deemed to have occurred if (a) in the case of Senior Non Preferred Notes, there is a change in, or amendment to, the Applicable Banking Regulations, or any change in the application or interpretation thereof, that results in the requirements of unsubordinated and unsecured instruments qualifying as senior non preferred obligations (*créditos ordinarios no preferentes*) under Additional Provision 14.2° of Law 11/2015, as amended or superseded from time to time, or qualifying as TLAC/MREL Eligible Instruments being different in any respect from the Conditions of Senior Non Preferred Notes; or (b) as a result of the relevant change or amendment only securities issued on or following a certain date which is after the relevant Issue Date may qualify as unsubordinated and unsecured senior non preferred obligations (*créditos ordinarios no preferentes*) of the Issuer under Additional Provision 14.2° of Law 11/2015, as amended or superseded from time to time; and

"**Qualifying Notes**" means, at any time, any securities denominated in a Specified Currency and issued directly by the Issuer that 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 Senior Subordinated Notes and Senior Non Preferred Notes if the TLAC/MREL Requirement Date has occurred, 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, contains 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 4 (*Status of the Notes*); and
- not, immediately following such substitution or variation, be subject to a Capital Event, Disqualification Event, an Alignment 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.

16. **Bail-in power**

- (a) *Acknowledgement:* Notwithstanding any other term of the Notes or any other agreement, arrangement or understanding between the Issuer and the Noteholders, by its subscription and/or purchase and holding of the Notes, each Noteholder (which for the purposes of this Condition 16 includes each holder of a beneficial interest in the Notes) acknowledges, accepts, consents and agrees:
- (i) to be bound by the effect of the exercise of the Bail-in Power by the Relevant Resolution Authority, which may include and result in any of the following, or some combination thereof:
- the reduction of all, or a portion, of the Amounts Due on a permanent basis;
 - the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or another person (and the issue to the Holder 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 Holder 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 Bail-in Power by the Relevant Resolution Authority.
- (b) *Payment of Interest and Other Outstanding Amounts Due:* No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Bail-in 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 Bail-in Power by the Relevant Resolution Authority with respect to the Notes, the Issuer will make available a written notice to the Holders as soon as practicable regarding such exercise of the Bail-in Power. The Issuer will also deliver a copy of such notice to the Agents for information purposes.
- (d) *Duties of the Agents:* Upon the exercise of any Bail-in Power by the Relevant Resolution Authority, (a) the Agent shall not be required to take any directions from Holders, 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 Bail-in Power by the Relevant Resolution Authority.
- (e) *Proration:* If the Relevant Resolution Authority exercises the Bail-in Power with respect to less than the total Amounts Due, unless any of the Agents is otherwise instructed by the Issuer or the Relevant Resolution Authority, any cancellation, write-off or conversion made in respect of the Notes pursuant to the Bail-in Power will be made on a pro-rata basis.
- (f) *Conditions Exhaustive:* The matters set forth in this Condition 16 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 16:

"**Amounts Due**" means the principal amount, together with any accrued but unpaid interest, and additional amounts, if any, due on the Notes under Condition 12 (*Taxation*). References to such amounts

will include amounts that have become due and payable, but which have not been paid, prior to the exercise of the Bail-in Power by the Relevant Resolution Authority;

"Bail-in Power" means any power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the Kingdom of Spain, relating to (i) the transposition of the BRRD (including but not limited to, Law 11/2015, Royal Decree 1012/2015 and any other implementing regulations) as amended or superseded from time to time, (ii) Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the Single Resolution Mechanism and the Single Resolution Fund and amending Regulation (EU) No. 1093/2010 (as amended or superseded from time to time, the **"SRM Regulation"**) and (iii) the instruments, rules and standards created thereunder, pursuant to which any obligation of a Regulated Entity (or an affiliate of such Regulated Entity) can be reduced, cancelled, suspended, modified, or converted into shares, other securities, or other obligations of such Regulated Entity (or affiliate of such Regulated Entity);

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

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

17. **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.

18. **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.

19. **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.

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

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening Meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more Voters holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more Voters being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more Voters holding or representing not less than two-thirds or, at any adjourned meeting, not less than one third of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Notes and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. 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.

21. **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.

22. **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 Irish Stock Exchange, on the Irish Stock Exchange'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.

23. **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.

24. **Governing Law and Jurisdiction**

- (a) *Governing law:* Condition 4 (*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 24(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 24 (*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) *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 Sabadell House, 120 Pall Mall, London SW15 5EA, or to such other person with an address in England or Wales and/or at such other address in England or Wales as the Issuer may specify by notice in writing to the Noteholders. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.
- (f) *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.

PRO FORMA FINAL TERMS

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes, [from 1 January 2018] are not intended to be offered, sold or otherwise made available to and, [with effect from such date,] should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**MiFID II**); or (ii) a customer within the meaning of Directive 2002/92/EC (**IMD**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

The text set out below shall replace, in its entirety, the text in the section of the Base Prospectus entitled "Pro Forma Final Terms" on pages 83 to 92 of the Base Prospectus:

"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 22 March 2017 and the supplements dated 28 April 2017 and 8 August 2017 which together constitutes a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus has been published on the Central Bank of Ireland's website at <http://www.centralbank.ie> and on the website of the Irish Stock Exchange at www.ise.ie] available for viewing at www.ise.ie.]¹

For the purposes of these Final Terms, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU **provided, however, that** all references in this document to the "Prospectus Directive" in relation to any Member State of the European Economic Area refer to Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State), and include any relevant implementing measure in the relevant Member State.

[In accordance with the Prospectus Directive, 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 subparagraphs 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.

¹ In the case of Notes to be listed on a non-regulated market, references to the Prospectus Directive to be removed.

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 24 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: [•]
- No Notes may be issued which have a minimum denomination of less than €100,000 (or equivalent in another currency)*
- (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 the relevant month and year*]
9. Interest Basis: [[•] per cent. Fixed Rate]
- [Fixed Reset Notes]
- [•][•] [EURIBOR/LIBOR]+/- [•] per cent. Floating Rate]
- [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 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]
[Subordinated Notes: [Senior Subordinated Notes/Tier 2 Subordinated Notes].]
- (ii) [Date [Board] approval for [•] [and [•], respectively issuance of Notes] obtained: *(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

		<i>Coupon Amount(s)</i>
(v)	Day Count Fraction:	[30/360 / Actual/Actual (ICMA/ISDA) / Actual/365(Fixed) / [Actual/360]/[30/360]]
(vi)	[Ratings Step-up/Step down:	[Applicable/Not Applicable]
	[Step-up/Step-down Margin:	[•] per cent. <i>per annum</i>]]
15.	Fixed Reset Note Provisions	[Applicable/Not Applicable]
		<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(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])
16.	Floating Rate Note Provisions	[Applicable/Not Applicable]
		<i>(If not applicable delete the remaining sub-paragraphs of this paragraph)</i>

- (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: [•][•] [EURIBOR/ 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: [•]
- (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 10(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 10(d)): [Applicable/Not Applicable]
(May be applicable to Tier 2 Subordinated Notes)
20. Disqualification Event (Condition 10(e)): [Applicable/Not Applicable]
(May be applicable to Senior Non Preferred Notes/Senior Subordinated Notes)
21. Put Option (Condition 10(h)) [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s) (Put): [•]
- (ii) Optional Redemption Amount(s) (Put) of each Note: [•] per Calculation Amount
- (iii) Notice period: [•]
22. Final Redemption Amount of each Note: [•] per Calculation Amount
23. Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default or upon the occurrence of a Capital Event or a Disqualification Event: [•] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. 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]
25. New Global Note form: [Applicable/Not Applicable]
26. 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]*
27. Talons for future Coupons to be attached to [Yes/No]

Definitive Notes (and dates on which such Talons mature):

28. Substitution and Variation [Applicable /Not Applicable]
(Only relevant for Senior Non Preferred Notes and Subordinated Notes)
29. Waiver of set-off rights (Condition 14): [Applicable /Not Applicable]

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 the Irish Stock Exchange*] 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 the Irish Stock Exchange*] 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: [•]]

[Moody's: [•]]

[DBRS: [•]]

[[Other]: [•]]

Option 1 – Credit rating agency established in the EEA and registered under the CRA Regulation

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

Option 2 – Credit rating agency established in the EEA, not registered under the CRA Regulation but has applied for registration

[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"), although notification of the corresponding registration

decision has not yet been provided by the [relevant competent authority] / [European Securities and Markets Authority].

Option 3 – Credit rating agency established in the EEA, not registered under the CRA Regulation and not applied for registration

[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

Option 4 - Credit rating agency not established in the EEA but relevant rating is endorsed by a credit rating agency which is established and registered under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

Option 5 - Credit rating agency is not established in the EEA and relevant rating is not endorsed under the CRA Regulation but credit rating agency is certified under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

Option 6 - Credit rating agency neither established in the EEA nor certified under the CRA Regulation and relevant rating is not endorsed under the CRA Regulation

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

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 any fees 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 16 of the Prospectus Directive.)]

4. **[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.]

5. **OPERATIONAL INFORMATION**

ISIN: [•]

Common Code: [•]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [•]/[Not Applicable]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible

collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

6. **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]

COVER PAGE

On 27 June 2017, Standard & Poor's Credit Market Services Europe Limited raised the Issuer's long-term credit rating to BBB- from BB+ and its short-term rating to A-3 from B, with the outlook remaining positive. Consequently:

The following text shall, by virtue of this Supplement, replace, in its entirety, the fourth paragraph of the "Cover Page" on page i of the Base Prospectus:

"At the date of this Base Prospectus, the Issuer's long term rating is BBB- with a Positive Outlook by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") Baa3 with a Stable Outlook by Moody's Investors Service Limited ("**Moody's**") and BBB (high) with a Stable Outlook by DBRS Ratings Ltd. ("**DBRS**") and its current short-term rating is A-3 by S&P, P-3 by Moody's and R-1 (low) with a Stable Outlook by DBRS."

GENERAL INFORMATION

The following text shall, by virtue of this Supplement, replace, in its entirety, the third paragraph of the “General Information” section on page 125 of the Base Prospectus entitled “Significant/Material Change”:

“Significant/Material Change

3. Since 30 June 2017 there has been no material adverse change in the prospects of the Issuer or the Issuer and its Subsidiaries taken as a whole, nor any significant change in the financial or trading position of the Issuer or the Issuer and its Subsidiaries taken as a whole”