



**EXTRACT FROM THE CUSTOMER CATEGORISATION AND
ASSESSMENT POLICY OF BANCO SABADELL**

This document is a translation of a Spanish language document which was approved by the Board of Directors of Banco de Sabadell, S.A. The Spanish version of this document will prevail in the event of any discrepancy or dispute.

1. Introduction

1.1. Definition

1.1.1. Customer categorisation

1.1.1.1. Retail customers

All customers who are neither professional customers nor eligible counterparties as defined in Directive 2014/65/EU (MiFID II) shall be classified as retail customers. Retail customers enjoy the highest level of protection under current regulations.

1.1.1.2. Professional customers

Professional customers are customers that have the necessary experience, knowledge and skills to make their own investment decisions and correctly assess the risks inherent in such decisions.

A customer may be considered professional either on the basis of belonging to one of the various entities listed in Annex II of Directive 2014/65/EU (MiFID II) or by expressly requesting to do so, waiving his/her maximum protection, provided that a suitable assessment of the customer's competence, experience and knowledge is made which provides reasonable assurance that he/she is capable of making his/her own investment decisions and understands the risks it entails. The assessment shall verify that at least two of the following criteria are met:

- The customer has carried out a significant volume of transactions in the securities market with an average frequency of 10 per quarter over the previous four quarters;
- The value of the customer's portfolio of financial instruments, consisting of cash deposits and financial instruments, exceeds EUR 500,000;
- The customer holds or has held for at least one year a position in the financial sector that requires knowledge of the transactions or services envisaged.

1.1.1.3. Eligible Counterparties

Eligible counterparties shall be deemed to be those customers defined in Article 207 of the Consolidated Text of the Securities Market Act. Entities classified as eligible counterparties shall be informed of the classification given to them. However, they may expressly request a classification that gives them greater protection.

1.1.2. Classification of products according to their complexity

For the purposes of this policy, products are divided into complex and non-complex products, as described in Annex 2.

1.2. Aim and responsible party

The purpose of this policy is to describe the main measures adopted by Banco de Sabadell, S.A. (hereinafter Banco Sabadell, the Bank or the Entity) with regard to the categorisation of new or existing customers, as well as the assessment of their appropriateness and suitability, as related to the contracting of savings and investment products in accordance with MiFID II regulations.

The responsibility for this policy rests with the Regulatory Compliance Department of Banco Sabadell.

1.3. Scope of application

This Policy shall apply to the activities of Banco Sabadell in its relationship with customers within the framework of the provision of investment services (execution-only, advisement or portfolio management).

However, in terms of customer assessment, this Policy focuses on those classified as retail or professional customers under current regulations.

1.4. Regulatory framework

The legal instruments to which this Policy refers are:

- European Parliament and Council Directive 2014/65/EU of 15 May 2014 on markets in financial instruments, which amends directives 2002/92/EC and 2011/61/EU (MiFID II).
- Commission Delegated Regulation (EU) 2017/565 of 25 April 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and the terms defined for the purposes of that Directive.
- Commission Delegated Directive (EU) 2017/593 of 7 April 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards the safeguarding of financial instruments and funds pertaining to customers, product governance obligations and rules applicable to the provision or receipt of fees, commissions or other monetary or non-monetary benefits.

In addition, the following Spanish legal statutes should be taken into account:

- Royal Decree 217/2008 of 15 February on the legal regime for investment services companies and other entities providing investment services.
- Memorandum 3/2013 of 12 June of the National Securities Market Commission (hereinafter, CNMV) on the implementation of certain obligations to inform customers to whom investment services are provided, with regard to the assessment of the suitability and appropriateness of financial instruments.
- Royal Legislative Decree 4/2015 of 23 October, approving the consolidated text of the Securities Market Act.
- Memorandum 1/2018 of 12 March of the National Securities Market Commission (CNMV, initials in Spanish), on warnings regarding financial instruments

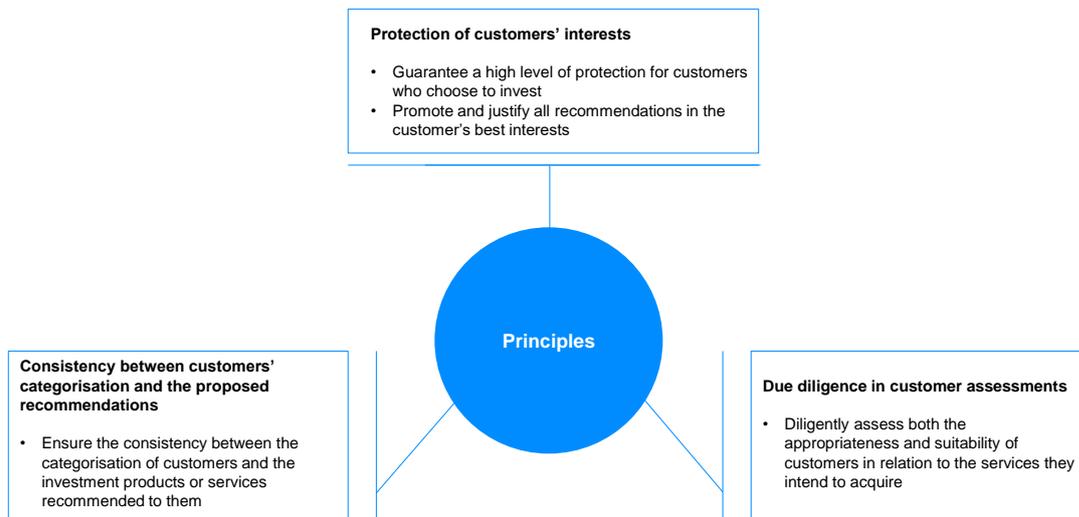
2. Critical management principles and parameters

The following critical management principles and parameters have been identified in customer categorisation and assessment:

2.1. Principles

The general principles governing customer categorisation and assessment are as follows:

Figure 1. Principles of customer categorisation and assessment



2.1.1. Protecting customers' interests

The Entity shall ensure a high level of protection for investor customers. In this regard, all its investment and divestment recommendations for portfolios under advisement should be promoted and justified as being in the best interest of the customer.

In order to achieve this objective, when providing investment advice or portfolio management services, the Entity shall categorise its customers, assess their knowledge, experience and financial capacity to handle new investments in savings and investment products, as well as consider their investment objectives and level of risk tolerance.

Should the customer wish to carry out a transaction in a complex product that is not suitable for him/her, the Bank shall oppose its execution, as the protection of the customer shall be considered to be the greater good.

2.1.2. Consistency between customer categorisation and proposed recommendation

When recommending investment services or financial instruments or proposing investment strategies to customers, the Entity shall ensure there is consistency between the customer's categorisation and the investment products or services recommended to him/her, taking into account both the complexity of their characteristics and the nature of their risks.

2.1.3. Due diligence in customer assessment

When providing investment advisory or portfolio management services, the Entity must diligently assess the suitability and appropriateness of such services for its customers.

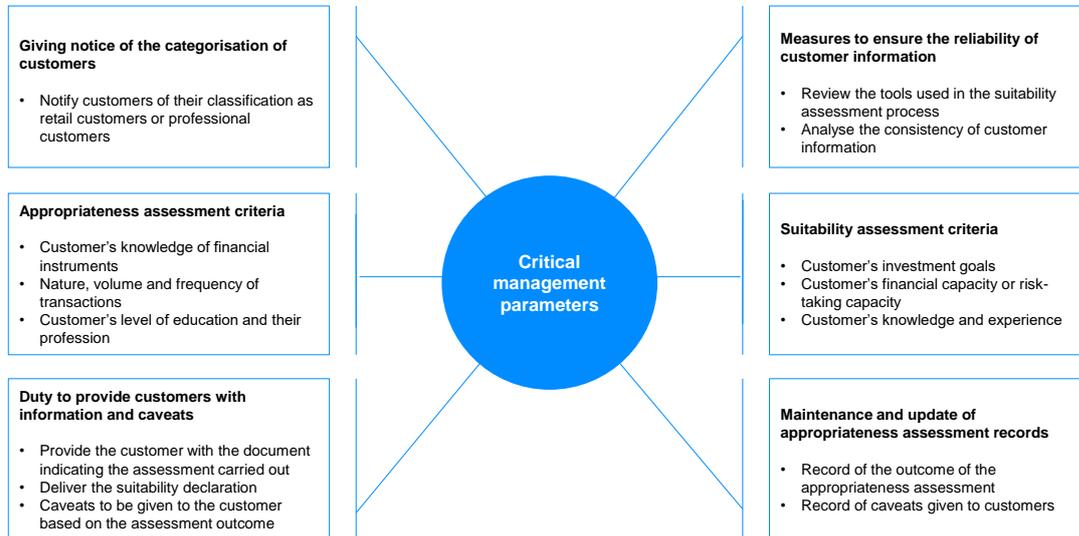
For this purpose, sufficient information should be gathered on the customer's knowledge and experience in the investment field relevant to the particular type of product or service, his/her statement of financial position, including the ability to bear losses, and his/her investment objectives and risk tolerance.

If the above information is not available, the Entity may not recommend investment services or financial instruments to the customer.

2.2. Critical management parameters

The figure below shows the critical management parameters for the CUSTOMER CATEGORISATION AND ASSESSMENT POLICY:

Figure 2. Critical management parameters for customer categorisation and assessment



2.2.1. Informing customers of their categorisation

The Entity shall notify its customers of their classification as retail customers, professional customers or eligible counterparties.

They must also be informed, in a durable medium, that they have the right, if necessary, to demand a different classification, indicating the limitations that such a new classification might entail in terms of their protection as a customer.

2.2.2. Measures to ensure the reliability of customer information

The Entity shall ensure the reliability of the information collected on its customers for the purposes of their categorisation. To this end, the following aspects must be considered:

- ensure that customers are aware of the importance of providing accurate and up-to-date information;
- ensure that all tools used in the assessment process, such as those used to define risk assessment profiles or to assess the customer's knowledge and experience, are adapted and suitably designed
- ensure that the questions asked in the process can be understood by customers and provide an accurate picture of their goals and needs, and the information necessary to carry out the suitability assessment; and
- take appropriate measures to ensure the consistency of customer information, e.g. by examining for obvious inaccuracies in the information the customers provide.

Where the Entity has an ongoing relationship with the customer, appropriate mechanisms and procedures must be in place to maintain adequate, up-to-date and reliable information on such customers.

2.2.3. Appropriateness assessment criteria

When an investment service or instrument is presented to a customer, the Entity shall determine whether the customer has the necessary experience and knowledge to understand the risks involved.

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For this purpose, the following aspects should be considered in the appropriateness assessment:

- The types of financial services, transactions and instruments familiar to the customer;
- The nature, volume and frequency of the customer's transactions in financial instruments and the period over which they have been carried out;
- The customer's level of education and training and their profession or, where relevant, previous profession.

The Entity may presume that a professional customer has the necessary experience and knowledge to understand the risks involved in those investment services, specific transactions or transaction types or products for which the customer has been classified as a professional customer.

When providing investment services that are limited solely to the execution or receipt and transmission of customer orders, the Entity is not obliged to carry out the appropriateness assessment of its customers, provided that all of the following conditions are met:

- The services are related to one of the financial instruments listed in Art. 25. 4 a) of Directive 2014/65/EU (MiFID II) (i.e. are considered non-complex);
- That the service is provided upon the customer or potential customer's initiative;
- The customer has been clearly informed that in providing such a service the Entity is not obliged to assess the appropriateness of the financial instrument offered or the service provided and that therefore the customer does not enjoy the corresponding protection of the relevant standard of conduct. Such a warning may be provided in a standardised format;

2.2.4. Suitability assessment criteria

In order for the Entity to be able to recommend (advisement) or choose (portfolio management) the investment services and financial instruments that are suitable for the customer and that best suit his/her level of risk tolerance and capacity to bear losses, the following criteria should be considered:

- The recommended transaction should meet the investment goals of the customer concerned, including his/her risk tolerance;
- That the customer is financially capable to take on any related investment risk consistent with his/her investment goals;
- The customer has the necessary experience and knowledge to understand the risks involved in the transaction or portfolio management.
- Where the Entity provides an investment service to a professional customer, as described in paragraph 1 of Annex II of MiFID II, it may be presumed that such a customer has the necessary experience and knowledge to understand the risks involved in the transaction or the management of his/her portfolio, and that he/she is financially capable of taking on any related investment risk consistent with the investment objectives of said customer.

2.2.5. Duty to provide information and warnings to the customer

In the process of assessing the customer's suitability, the Entity must ensure compliance with the following obligations relating to its duty to provide information and warnings:

- Provide the customer with a copy of the document containing the assessment made. Such assessment shall be consistent with all information provided by the customer or available to the Entity and used in the assessment.

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- Collect a copy of the delivered document, signed by the customer and bearing the date on which it was delivered, by recording the communication to the customer by electronic means, or by any other verifiable method.
- Where the assessment cannot be made because the customer does not provide sufficient information, the Entity shall advise the customer that the lack of information prevents the Entity from determining whether the particular investment service or product is suitable for the customer.

When, after the assessment, the Entity considers that the service or product is not suitable for the customer, it shall warn the customer thereof. This warning may be provided to the customer in a standardised format.

In the suitability assessment process, the Entity shall observe the following information and warning requirements:

- Provide in writing or other durable medium a document (known as a suitability statement under MiFID II) that includes a description of how the recommendation made suits the characteristics and objectives of the investor each time they make a recommendation.
- Collect a copy of the delivered document, signed by the customer and bearing the date on which it was delivered, by recording the communication to the customer by electronic means, or by any other verifiable method.

2.2.6. Maintaining and updating records of suitability assessments

In order to facilitate the supervisory tasks of the competent authorities, the Entity shall keep an up-to-date record of the suitability assessments carried out on its customers, which shall include the following aspects:

- The outcome of the appropriateness assessment;
- Any warning given to the customer should the investment service or product purchase have been assessed as potentially inappropriate for the customer, whether the customer has requested to enter into the transaction despite said warning and, where applicable, whether the Entity has accepted the customer's request to enter into the transaction;
- Any warning given to the customer should he/she not have provided sufficient information to allow the Entity to carry out an appropriateness assessment, if the customer has requested to enter into the transaction despite said warning and, where applicable, if the Entity has accepted the customer's request to enter into the transaction.

Annexes

Appendix 1: Glossary of abbreviations and acronyms

Abbreviation / acronym	Meaning
CNMV	National Securities Market Commission

Appendix 2: Classification of products according to their complexity

Complex products

For the purposes of this policy, complex products are those with one or more of the following characteristics:

- That they may pose a higher risk of loss to the investor;
- That they tend to have little or no liquidity;
- That the investor stands to lose more than the cost of acquisition;
- That there is no public and complete information comprehensible for a retail investor on the product's characteristics;
- Structured deposits whose structure may hinder the customer's understanding of the cost of a divestment prior to maturity
- That the product is a derivative.

There is a subgroup within this category called "particularly complex" products, which are generally not suitable for retail customers. The most widely distributed products included in this category are:

- Issues by credit institutions: unlisted equities, preferred shares, convertible issues, subordinated issues.
- Structured with a guarantee capital under 90% whose underlyings are inflation indices or non-daily traded funds.
- CIs whose target return over a given time horizon does not exceed 90% and is dependent on the performance of low-liquidity underlyings.

Non-complex products

For the purposes of this policy, non-complex products are those that comply with all of the following characteristics:

- That they can be frequently repaid at prices known to the public. In general, it is always easy to know their value at any given time and to utilise them;
- That the investor cannot lose more than their acquisition cost, i.e. what it initially invested;
- That there is public and complete information comprehensible for the retail investor on the product characteristics;
- They are not derivatives.

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