Milestones in 2015

In 2015, the Banco Sabadell group has continued to strengthen its risk management framework and to make improvements in line with best practices of the financial sector. The main milestones for 2015 are indicated hereafter.

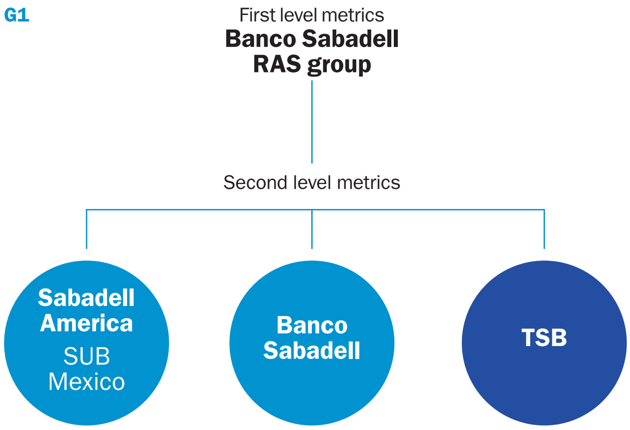
Strengthening of the strategic risks framework, giving it an international focus

The strategic risks framework of the Banco Sabadell group has been adapted to the new structure of the group as a result of its internationalisation, to ensure consistency and an effective deployment of the group's RAS to all geographical regions (G1).

A first level that forms part of the group's RAS is thereby established, setting targets and limits at a global level, and a second level is defined, deploying the first level's targets and limits through the various geographical regions.

It should be noted or stressed that the group's RAS has been reinforced through the incorporation of new metrics and qualitative aspects leading to it having a global view of all the risks faced by the group (see more details ahead).

G1



Improvement of the group's risk profile during the year

The acquisition in 2015 of the British bank TSB has implied a significant improvement for the risk profile of the Banco Sabadell group. The operation implies an increase of 27% of the credit portfolio of the group. This increase is basically concentrated on the portfolio of retail mortgages.

The risk profile improves in two relevant aspects:

— On the one hand, the loan loss ratio of the new mortgage portfolio is of 0.83% and it has a loan-to-value of 42.6% (significantly lower than those existing in the group's portfolio prior to the acquisition).
— The acquisition of TSB is a fundamental step in international diversification, leading to close to 30% of the bank's exposure being at the international level.

In addition to the acquisition of TSB, other factors have influenced the risk profile of the group in 2015:

— Intensive reduction of problem assets, of over €3,100 million, beyond the objectives defined in the Triple Strategic Plan.
— Improvement of the portfolio composition, with a reduction of over €3,300 million in the development sector and increasing exposure in sectors of higher credit quality.
— Reduction of concentration risk at both the individual and industry level.
— Establishment of specific management frameworks by portfolio and constant improvement of credit risk management, incorporating lessons learned during the economic crisis.