— Outsourcing risk: the possibility of incurring losses deriving from: failure by suppliers to provide sub-contracted services or their discontinuation, weaknesses in their systems' security, disloyal conduct on the part of their employees or a breach of applicable regulations.
— Model Risk: the possibility of losses arising from decision-making based on the use of inadequate models.

Tax risk

Tax risk is defined as the probability of failing to comply with the objectives set out in Banco Sabadell's tax strategy Sabadell from a dual perspective due to either internal or external factors:
— On one hand, the probability of failing to comply with the tax obligations that may result in a failure to pay taxes that are due or the occurrence of any other event that impairs attainment of the Bank's goals.
— On the other hand, the probability paying taxes not actually due under tax obligations, thus impairing the position of shareholders or other stakeholders.

Banco Sabadell's tax risk policies aim to set out principles and guidelines in order to ensure that any tax risks that may affect the Group's tax strategy and objectives are systematically identified, measured and managed so as to comply with the new requirements of the Spanish Capital Companies Act and meet the demands of the Banco Sabadell Group's stakeholders.

Banco Sabadell aims to meet its tax obligations at all times while conforming to the current legal framework in matters relating to taxation.

Banco Sabadell's tax strategy also reflects its commitment to promoting responsible taxation, promoting safety and developing transparency schemes in order to strengthen trust among stakeholders.

The Group's tax strategy is aligned with its business strategy, and tax issues are managed efficiently in line with the principles of prudence and minimisation of tax risk.

The Board of Directors of Banco Sabadell, under the mandate set out in the Spanish Capital Companies Act for the improvement of corporate governance, is responsible for the following, which responsibility is non-delegable:
— Setting the company's tax strategy.
— Approving investments and operations of all types which are considered strategic or to have a particular tax risk due to their amounts or specific characteristics, except when such approval corresponds to the Annual General Meeting.
— Approving the creation and acquisition of holdings in special purpose entities or entities domiciled in countries or territories classified as tax havens.
— Approving any similar transaction which, due to its complexity, might undermine the transparency of the company and its Group.

Thus, the functions of the Board of Directors of Banco Sabadell include the obligation to approve the corporate tax policy and ensure compliance therewith by implementing an appropriate control and oversight system as part of the Group's general risk management and control framework.

Compliance risk

Compliance risk is defined as the risk of incurring legal or administrative penalties, significant financial losses or an impairment of reputation due to a breach of laws, regulations, internal rules or codes of conduct applicable to the banking industry.

An essential aspect of the Banco Sabadell Group's policy, and one of the foundations of its organisational culture, is meticulous compliance with all legal provisions. The achievement of the business objectives must be compatible, at all times, with compliance with the law and the application of best practices.

To this end, the Group has a Compliance Department whose purpose is to promote and endeavour to reach the highest levels of compliance with the legislation in force and principles of professional ethics within the Group so as to minimise the possibility of non-compliance and ensure that any instances of non-compliance are identified, reported and diligently resolved, and that the appropriate preventive measures are adopted if not already in place.

The compliance model centralises responsibility for establishing policies, procedures and controls and execution of oversight programmes in the parent undertaking. Execution of specific programmes is decentralised to the overseas subsidiaries and branches, while retaining functional responsibility.

It is a flexible risk-focused model which can be adapted to the Group's strategy at all times and leverages synergies, maintaining an overall approach to those aspects that are general in scope and/or which require major technological developments, but also adapting to the specific features and legislation affecting each business or country.

The main challenge is to standardise the levels of compliance oversight across the Group and establish minimum standards for mandatory compliance, regardless of the activity or country.

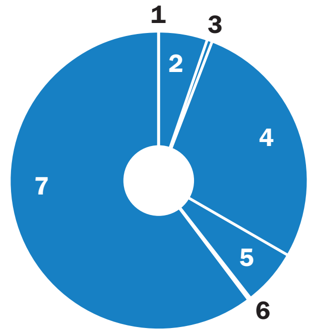
This model is comprised of two main pillars:
1 A central unit providing services to the entire Group in pursuit of comprehensive management of compliance risk. Its main activity is the analysis, distribution and oversight of the implementation of any new regulations with an impact on the Group, as well as risk-focused oversight of compliance with pre-existing regulations.

It is also directly responsible for the implementation of a number of processes that are classified as of high risk as they require direct and comprehensive control: prevention of money laundering and terrorist financing; oversight of market abuse; oversight of compliance with the

Internal Code of Conduct and the implementation and monitoring of measures for investor protection (MiFID).

2 A network of compliance officers in each overseas subsidiary and branch (functionally dependent on the central compliance unit and hierarchically dependent on the head of the overseas subsidiary/branch), who execute their own oversight programmes and report periodically to the central unit, ensuring compliance with the internal rules and the legislation in force in all countries and activities in which the Group operates.

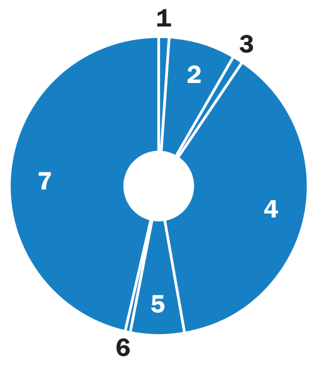
To ensure its efficiency, this model is implemented and enhanced using six catalysts (technology, training, procedures, communication channels, oversight and monitoring programmes, and product and rule approval processes).



G19

Breakdown of operational risk events by amount (last 12 months) (%)

1	Internal fraud	0.2
2	External fraud	5.2
3	Staff relations and job security	0.5
4	Customers, products and business practices	27.6
5	Material damage	6.1
6	Business disruption and system failures	0.3
7	Process execution, delivery and management	60.1



G20

Breakdown of operational risk events by amount (last 5 years) (%)

1	Internal fraud	1.3
2	External fraud	7.3
3	Staff relations and job security	1.1
4	Customers, products and business practices	37.7
5	Material damage	5.9
6	Business disruption and system failures	0.4
7	Process execution, delivery and management	46.3