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Organisational structure

Banco de Sabadell, S.A. ("Banco Sabadell", the "Bank" or the "company") with registered office at Avenida Óscar Esplá, 37, in Alicante, has as its object to engage in banking and it is subject to the standards and regulations governing banking institutions operating in Spain. It has been subject to prudential supervision on a consolidated basis by the European Central Bank (ECB) since November 2014.

The Bank is the parent company of a group of institutions which it controls directly or indirectly and which, with it, comprise Banco Sabadell Group. Banco Sabadell offers a full range of financial services through its financial institutions, brands, subsidiaries and affiliates, operating basically in Spain, the United Kingdom and Mexico.

During the year, it was reorganised into Banking Business Spain and Other Geographies. The Real Estate Asset Transformation business was integrated into Banking Spain after the property assets on the balance sheet had been normalised. Additionally, the international branches and representative offices fall under Banking Spain within the scope of Corporate Banking since their main customers are Spanish.

The Group was organised into the following businesses in 2019:

Banking Spain groups the following customer-facing business units:

- Commercial Banking: the Group's largest single line of business, focused on offering financial products and services to large and medium enterprises, SMEs, shops and self-employed workers, private individuals and professionals, as well as providing consumer finance, asset management and bancassurance. Private Banking offers value-added products and services to its customers.

Sabadell is the main brand used in most of the Spanish market. The Group also operates under the following brands:

- SabadellHerrero, in Asturias and León.
 - SabadellGuipuzcoano, in the Basque Country, Navarra and La Rioja.
 - SabadellGallego, in Galicia.
 - SabadellSolbank, in the Canary Islands, the Balearic Islands and in the southern and eastern coastal areas of mainland Spain.
 - ActivoBank serves customers who prefer to do their banking exclusively by telephone or online.
- Corporate banking: offers specialised financing services together with a broad range of solutions, from transactional banking services to very complex custom solutions, in finance, treasury, and import/export, among others.

- Asset Transformation engages in horizontal management of non-performing and real estate exposures. It implements the asset transformation strategy and adopts a comprehensive vision of the Group's property portfolio with a view to maximising its value.

Banking UK: the TSB franchise covers retail banking in the United Kingdom (current and savings accounts, personal loans, cards and mortgages).

Banking Mexico: offers the full range of banking and financial services via Corporate Banking and Commercial Banking.

Banco Sabadell is the parent company of a group which, at 31 December 2019, comprised 174 companies, of which, apart from the parent company, 149 were classified as Group companies and 24 as associated companies (162 at 31 December 2018, of which 135 were Group companies and 26 were associated companies).

Corporate governance structure

Banco Sabadell has a sound corporate governance structure that guarantees effective, prudent management. The Board of Directors updated the internal governance framework at a meeting in January 2019, covering such aspects as the ownership structure, governing bodies, Group structure, composition and operation of the governing bodies, internal control functions, key governance matters, the risk management framework and the Group's policies.

General Meeting of Shareholders

The Bank's main governing body is the General Meeting of Shareholders, in which the shareholders decide on matters attributed to the Meeting by law, the Articles of Association (available on the corporate website under "[Corporate governance and remuneration policy - Articles of Association](#)") and its own Regulation, and those business decisions that the Board of Directors considers to be of transcendental importance for the bank's future and for the company's interests.

The General Meeting of Shareholders has adopted its own Regulation, which sets out the principles and basic rules of action (available on the corporate website under "[Shareholder and Investor information - GM Regulations](#)") and safeguards shareholders' rights and transparency.

In the General Meeting of Shareholders, shareholders may vote in direct proportion to their share in the company's capital.

The Policy on communication and contacts with shareholders, institutional investors and proxy advisors approved by the Board of Directors aims to promote transparency vis-à-vis the markets and build trust while safeguarding, at all times, the legitimate interests of institutional investors, shareholders and proxy advisors.

Board of Directors

With the exception of matters reserved for the General Meeting of Shareholders, the Board of Directors is the highest decision-making body in the company and its consolidated group, as it is responsible, under the law and the Articles of Association, for the management and representation of the bank. The Board of Directors acts mainly as an instrument of supervision and oversight, and delegates the management of ordinary business matters to the CEO and the management team.

The Board of Directors is subject to well-defined, transparent rules of governance, particularly the Articles of Association and its own terms of reference (available on the corporate website under [“Corporate governance and remuneration policy - Regulations of the Board of Directors”](#)), and it conforms to best practices in the area of corporate governance.

Board composition

Chairman

José Oliu Creus

Vice Chairman

José Javier Echenique Landiribar

Chief Executive Officer

Jaime Guardiola Romojaro

Director General Manager

José Luis Negro Rodríguez

Director Secretary General

María José García Beato

Directors

Anthony Frank Elliott Ball
Aurora Catá Sala
Pedro Fontana García
Maria Teresa Garcia-Milà Lloveras
George Donald Johnston
David Martínez Guzmán
José Manuel Martínez Martínez
José Ramón Martínez Sufrategui
Manuel Valls Morató
David Vegara Figueras

Non – Director Secretary

Miquel Roca i Junyent

The members of the Board of Directors at 31 December 2019 were as follows: five executive directors and ten non-executive directors (eight of them independent, one proprietary and one in the category of other external). The composition of the Board of Directors has an appropriate balance between the various categories of director.

The composition of the Board of Directors is diverse and efficient. It is of the appropriate size to perform its functions effectively by drawing on a depth and diversity of opinions, enabling it to operate with a level of quality and efficacy and in a participatory way. It combines a suitable diversity in terms of competency, professional background, origin and gender, as its members have extensive experience in banking, finance, insurance, risk and auditing, regulatory affairs and the law, as well as the academy, human resources and consulting, business and the international arena. The Board's Matrix of Competencies can be consulted on the website under "[Corporate governance and remuneration policy – Internal Governance Framework](#)".

There are three female directors: one executive, one independent and one other external. In 2019, the General Meeting of Shareholders ratified the appointment of the female executive director and re-appointed the female independent director. The Director Candidate Selection Policy, which was approved by the Board of Directors in 2016, seeks to ensure that the process facilitates the selection of women directors and, generally, that it is free of inherent bias that might entail discrimination.

The Board has a Lead Independent Director, who is empowered, under the Articles of Association, to give notice of meetings of the Board of Directors, add items to the meeting agenda, coordinate and meet with the non-executive directors, reflect the opinion of the external directors, and direct the regular assessment of the Chairman of the Board of Directors. The Lead Independent Director also coordinates the Succession Plan for the Chairman and CEO that was adopted in 2016 and, in practice, chairs any meetings with investors or proxy advisors. In 2019, the incumbent Lead Independent Director stepped down from that role after three years and the Board appointed Mr. Anthony Frank Elliott Ball as the new Lead Independent Director.

To ensure better and more diligent performance of its general supervisory duties, the Board undertakes to directly discharge the responsibilities provided by law, including:

- approving the Company's general strategies;
- appointing and, as necessary, removing directors of the Company's subsidiaries;
- identifying the Company's main risks and implementing and monitoring suitable internal control and reporting systems;
- setting policy on the reporting and disclosure of information to shareholders, the markets and the general public;
- setting policy on treasury stock in accordance with any guidelines laid down by the Shareholders' Meeting;

- approving the Annual Corporate Governance Report;
- authorising transactions between the Company and directors or significant shareholders which may lead to conflicts of interest; and
- generally deciding on business or financial transactions that are of particular importance for the company.

Committees of the Board of Directors

In accordance with the Articles of Association, the Board of Directors has established the following committees:

- Delegated Committee;
- Audit and Control Committee;
- Appointments Committee;
- Remuneration Committee;
- Board Risk Committee.

The organisation and structure of the Board committees is set out in the Articles of Association and in their respective terms of reference, which give the rules governing their composition, operation and responsibilities. In 2019, the Board approved the Regulations of the Delegated Committee, the Remuneration Committee, the Appointments Committee and the Board Risk Committee, in addition to the pre-existing Regulation of the Audit Committee (available on the website under "[Corporate Governance and Remuneration Policy - Regulations of the Board of Directors](#)"), to elaborate upon and complete the rules for operation and basic functions set out in the Articles of Association and the Board of Directors Regulation.

The Committees support the Board of Directors in specific areas and facilitate the development and application of a sound internal governance framework. Their function is to provide information and advice, apart from specific cases where they are assigned decision-making powers by a resolution of the Board or a policy approved by the latter. They have sufficient resources to perform their functions, and can draw on external advice and are entitled to obtain information about any aspect of the institution, with unrestricted access to senior management and group executives and to any type of information or documentation at the Bank's disposal in connection with the matters within their competency.

Committee composition

Position	Delegated	Audit and Control	Appointments	Remuneration	Risk
Chairman	José Oliu Creus	Manuel Valls Morató	Aurora Catá Sala	Aurora Catá Sala	George Donald Johnston
Director	José Javier Echenique Landiribar	Pedro Fontana García	Anthony Frank Elliott Ball	Anthony Frank Elliott Ball	Maria Teresa Garcia-Milà Lloveras
Director	Jaime Guardiola Romojaro	Maria Teresa Garcia-Milà Lloveras	Maria Teresa Garcia-Milà Lloveras	George Donald Johnston	Manuel Valls Morató
Director	Pedro Fontana García	José Ramón Martínez Sufrategui	José Manuel Martínez Martínez	José Ramón Martínez Sufrategui	—
Director	José Manuel Martínez Martínez	—	—	—	—
Secretary (not a member)	María José García Beato	Miquel Roca i Junyent	Miquel Roca i Junyent	María José García Beato	María José García Beato

Number of meetings in 2019

36 **11** **11** **11** **10**

Delegated Committee

The Delegated Committee, which was renamed by the General Meeting in 2019 (it was formerly the Executive Committee), is composed of five directors and is chaired by the Chairman of the Board; in terms of director categories, its composition is similar to that of the Board, and it has all the functions and powers of the Board except those whose delegation is forbidden by law or the Articles of Association. It is responsible for overseeing the Bank's ordinary activities; it must report all decisions adopted at its meetings to the Board of Directors, without prejudice to any other functions assigned to it under the Articles of Association, the Board of Directors Regulation or its own terms of reference.

Audit and Control Committee

The Audit and Control Committee comprises three independent directors and one other external director, and it is chaired by an independent director who is an expert in auditing. It meets at least once per quarter. Its main function is to oversee the efficacy of the Bank's internal control, internal audit and risk management systems, supervise the process of drafting and presenting regulated financial disclosures, advise on the Bank's annual and mid-year financial statements, liaise with the external auditor, and ensure that suitable measures are taken to address any conduct or methods that could be inappropriate. It also ensures that the measures, policies and strategies defined by the Board are duly implemented.

Appointments Committee

The main functions of the Appointments Committee, which comprises three independent directors and one other external director, are to ensure that the qualitative composition of the Board of Directors fulfils the requirements, assess whether directors meet the suitability, competency and experience requirements for the position, make proposals as to the appointment of independent directors and advise on the appointment of other directors. It must also set a representation target for the gender less well represented on the Board of Directors and draw up guidelines on how the target should be achieved; it advises on proposals for the appointment and removal of senior executives and identified staff, as well as on the basic contractual conditions for executive directors and senior executives.

Remuneration Committee

The main functions of the Remuneration Committee, which comprises four independent directors, are to make recommendations to the Board of Directors on policy for the remuneration of directors and general managers and on remuneration and other contractual conditions for individual executive directors, and to ensure compliance with existing policies. It also advises on the Annual Report on Director Remuneration and reviews the general principles governing remuneration and the arrangements for the remuneration of all employees, ensuring that transparency is maintained.

Board Risk Committee

The Board Risk Committee is made up of two independent directors and one other external director. Its functions are to supervise and exercise oversight to ensure that all the risks of the Bank and its consolidated group are accepted, controlled and managed appropriately, and to report to the Board on the performance of its duties, in accordance with the law, the Articles of Association and the Board of Directors Regulation and the Committee's own terms of reference.

Bank Chairman

In accordance with article 54 of the Articles of Association, the Chairman is the Bank's chief representative and, in performing his functions, he is the person with primary responsibility for the effectiveness of the Board of Directors, representing the Bank in any event, and signing on behalf of the company; he convenes and chairs meetings of the Board of Directors, setting the agenda, directing the debates and deliberations within the Board of Directors, and, in the event, the General Meeting, and is responsible for executing the decisions adopted by the Board of Directors and the General Meeting of Shareholders without the need for this to be expressly mentioned. He also holds any powers delegated to him by the Board of Directors.

Chief Executive Officer

Under article 54 of the Articles of Association, the CEO is the person with primary responsibility for managing and directing the business, and for representing the Bank in the Chairman's absence. The Board may attribute to the CEO any powers that it sees fit from among those that it is allowed by law to delegate.

Control units

The Internal Audit Division and the Risk Division have access to and report directly to the Board of Directors and its committees — the Audit and Control Committee and Board Risk Committee, respectively.

The Bank publishes an Annual Report on Corporate Governance, which contains detailed information on corporate governance, and the Non-Financial Disclosures Report, both of which are part of the 2019 financial statements, together with an Annual Report on Director Remuneration, all of which are available on the on the CNMV and Banco Sabadell websites.

Business model, main objectives achieved and actions implemented

The Bank's development objectives are focused on profitable growth and the generation of shareholder value through a strategy of business diversification based on high returns, efficiency and quality of service together with a conservative risk profile, while maintaining high standards of ethics and professional conduct combined with sensitivity to stakeholders' interests.

It has a business model that fosters long-term customer relationships through constant efforts to promote customer loyalty and by adopting an initiative-based, proactive approach. The Bank offers a comprehensive range of products and services, competent, highly qualified personnel, an IT platform with ample capacity to support future growth, and a relentless focus on quality.

However, the current situation of negative rates will drive a review of the business model to enable us to adapt to the new environment, while continuing to pursue profitable growth and long-term customer loyalty.

Spain's banking sector has been engaged in an unprecedented consolidation process since the financial crisis began. Higher levels of capital, stricter provisioning requirements, the economic recession and pressure from the capital markets are some of the factors that have driven Spanish banks to merge and gain in scale, maximise efficiency and strengthen their balance sheets.

During the last ten years, Banco Sabadell has expanded its geographic footprint and increased its market share in Spain through several acquisitions, the largest of which was Banco CAM in 2012, which enabled it to enlarge its balance sheet significantly. Banco Sabadell was able to engage in additional M&A in 2013 in appropriate economic conditions within the framework of the restructuring of the banking industry. Following the acquisition of the Penedès branch network, Banco Gallego and Lloyds España in 2015, Banco Sabadell is well-positioned to grow organically and benefit from growth in the Spanish economy, and to adapt to the new interest rate environment.

The acquisitions and organic growth in recent years have enabled Banco Sabadell to reinforce its position in some of Spain's most prosperous regions (e.g. Catalonia, Valencia and the Balearic Islands) and to increase market share in other key areas. According to the most recent information (September 2019), Banco Sabadell has a market share of 8.0% in lending and 7.6% in deposits at national level. Banco Sabadell also has a strong position in other products: 9.9% in commercial credit (October 2019); 11.3% in lending to companies (September 2019); 5.9% in mutual funds (December 2019); 9.9% in securities trading (December 2019); and 17.2% in POS turnover (September 2019).

Banco Sabadell maintains its quality differential with respect to the rest of the industry and ranks first in terms of customer experience (Net Promoter Score) for SMEs.

Banco Sabadell has always been a trailblazer on the international front. This continued to be the case in 2019, as Sabadell retained its position in the leading financial hubs and supported businesses in their international activities, having achieved a 14.8% share of Swift transfers in November 2019. In recent years, Banco Sabadell has expanded its international footprint, including notably: the acquisition of UK bank TSB and the move into Mexico after obtaining a commercial banking charter. As a result, in December 2019, 33% of the Group's lending was in other countries (25% in the United Kingdom and 9% in the Americas and elsewhere).

Once TSB had resolved the incidents produced during the IT platform migration and after the appointment of a new executive team, efforts have focused on developing a new business plan based on volume growth, better positioning and cost-cutting.

Banco Sabadell Group sold 80% of Solvia Servicios Inmobiliarias in 2019, booking a gross capital gain of 133 million euros. Additionally, it disposed of 100% of SDIN Residencial, S.L.U. and a portfolio of real estate, mostly land for development. On 19 December, the Board was informed of the first closure, planned for 20 December, of the sale of a number of portfolios after obtaining authorisation from Spain's Deposit Guarantee Fund (DGF) and the Ministry of the Economy.

Banco Sabadell does business in an ethical and responsible way and shows its commitment to society by ensuring that its actions have a positive impact on people and the environment. Each and every person in the organisation has a part to play in observing and applying the principles and policies that underlie corporate social responsibility, as well as in assuring quality and transparency in customer service.

In the area of compliance, in addition to observing the law, Banco Sabadell has put in place a set of policies, procedures and codes of conduct to provide a guarantee of ethical and responsible conduct at all levels of the organisation and in all Group operations.

Plan 2020

Banco Sabadell adopts strategic plans in which it sets targets for the coming years in accordance with the macroeconomic, business and regulatory context.

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

The year 2020 will be shaped by the current negative interest rate situation and the possibility of a global economic slowdown. Given this situation, Banco Sabadell will focus on profitability. Profitability means continuing to expand in the main markets where Banco Sabadell operates, while focusing particularly on efficiency and accelerating balance sheet normalisation. Banco Sabadell will also continue to develop the technological capabilities that are required to offer a value proposition, as well as attracting versatile talent to undertake the commercial and digital transformation of the institution and adapt it to the current changing environment. The Banco Sabadell Business Plan pursues value creation for all its stakeholders, while offering a wide range of products and excellent quality of service to its customers and developing its human capital, attending to its employees' concerns and professional expectations, motivating them and recognising their achievements. All this while maintaining Banco Sabadell's commitment to society and the environment in all the territories where it operates, through ethical and responsible development of its business.

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

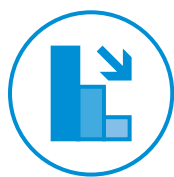
The goal of Banco Sabadell for 2020 is to maximise the value of its franchise in the three main markets in which it operates (Spain, the United Kingdom and Mexico), and to grow organically by means of a clear, differentiated strategy in each geography.

Accordingly, Banco Sabadell's ambitions in Spain focus on strengthening the value proposition in the core segments and boosting spreads, while continuing to safeguard our solid risk profile. This is to be accompanied by measures to enhance the business's sustainability by transforming the distribution and digitalisation model to offer a broad range of distinctive products and services to each customer while retaining the lead in quality of service.

In the United Kingdom, a new strategic plan for 2022 was launched in November 2019 after the appointment of a new management team at the UK subsidiary, TSB. This plan aims to improve business efficiency while increasing volumes and revenues organically, in mortgages and consumer loans to individuals, in order to enhance profitability. To this end, TSB has a new technology platform,



Resilience in banking revenues



Continue to manage non-performing assets



Execute TSB's new strategic plan



Maintain an adequate level of capital



Create value for shareholders

which is key to an agile business model and that lends it a competitive advantage in the UK market, since it enables the Bank to adapt more quickly and efficiently to customers' emerging needs.

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

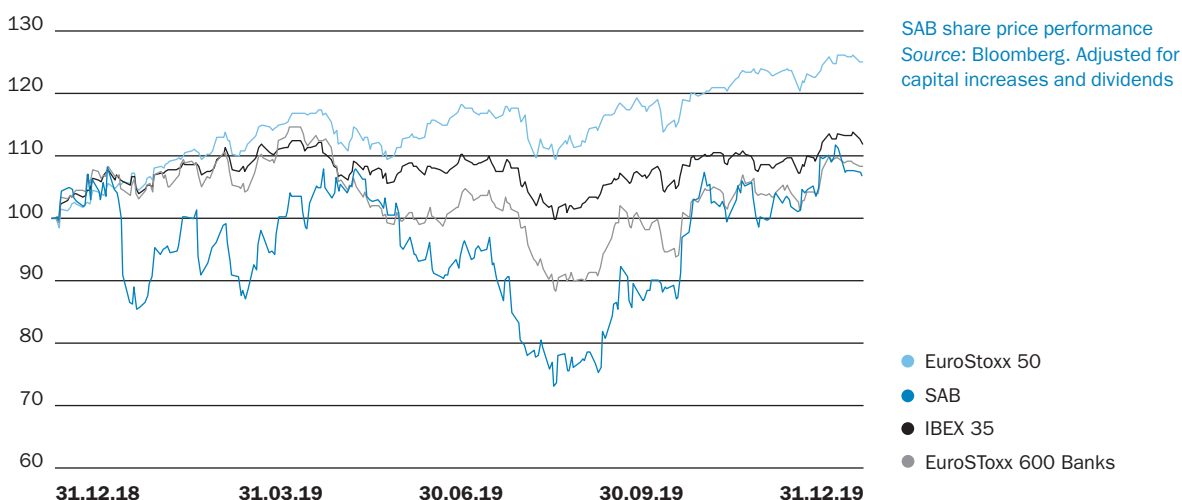
Share performance and share ownership

During 2019, market attention was focused on trade tensions between the United States and China, uncertainty about Brexit, concern in this context over the weakness of global growth, and the response offered by central banks, all of which drove banks' share performance.

However, in the final months of the year, the waning possibility of a hard Brexit, lower litigation risk in connection with IRPH-linked mortgages following the conclusions of the European Union's Advocate General, and the rebound by interbank rates favoured Spanish bank equities.

The main factors impacting Sabadell's share performance in 2019 were the improvement in its capital position during the year, the announcement of TSB's business plan, and the steady improvement in asset quality through institutional sales of non-performing portfolios.

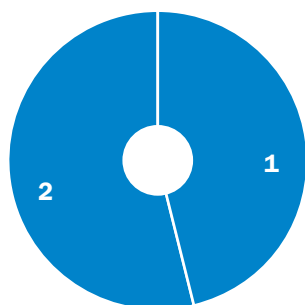
In parallel, at the end of 2019, more than 89% of analysts covering Banco Sabadell had a buy or hold recommendation on the stock.



Note: share price adjusted for dividends and capital increases. Source: Bloomberg.

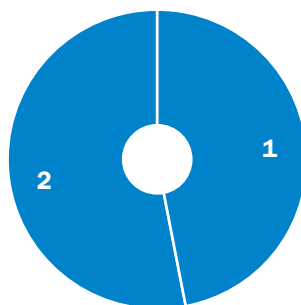
The percentage of Banco Sabadell's capital owned by institutional investors increased slightly, from 53.0% at 2018 year-end to 53.8% at the end of 2019.

Banco Sabadell's market capitalisation stood at 5,760 million euros at year-end, with a price-to-book ratio of 0.44.



Ownership structure
31.12.2019 (%)

1	Retail investors	46.2
2	Institutional investors	53.8



Ownership structure
31.12.2018 (%)

1	Retail investors	47.0
2	Institutional investors	53.0

No. of shares	Shareholders	Shares in tranche	% of capital
1 to 12,000	189,863	563,139,756	10.01 %
12,001 to 120,000	42,426	1,284,276,683	22.82 %
120,001 to 240,000	1,620	264,631,530	4.70 %
240,001 to 1,200,000	921	393,813,970	7.00 %
1,200,001 to 15,000,000	167	465,296,435	8.27 %
More than 15,000,000	37	2,655,806,327	47.20 %
TOTAL	235,034	5,626,964,701	100.00 %

Analysis of shareholdings
at 31 December 2019

No. of shares	Shareholders	Shares in tranche	% of capital
1 to 12,000	190,297	578,124,117	10.27 %
12,001 to 120,000	42,519	1,288,813,941	22.90 %
120,001 to 240,000	1,605	260,418,978	4.63 %
240,001 to 1,200,000	914	390,814,906	6.95 %
1,200,001 to 15,000,000	151	414,351,420	7.36 %
More than 15,000,000	37	2,694,441,339	47.88 %
TOTAL	235,523	5,626,964,701	100.00 %

Analysis of shareholdings
at 31 December 2018

	Million	Million euros	Euros	Million euros	Euros
	Average number of shares	Attributed income	Attributed income per share	Own funds	Book value per share
2016	5,616	710	0.126	12,926	2.30
2017	5,570	802	0.142	13,426	2.41
2018	5,565	328	0.050	12,545	2.25
2019	5,538	768	0.125	13,172	2.38

Earnings and book value
per share 2016-2019

Share performance

Below are a number of indicators of the Bank's share performance:

	2019	2018	Change (%) year-on-year
Shareholders and trading			
Number of shareholders	235,034	235,523	(0.2)
Average number of shares (million)	5,538	5,565	(0.5)
Average daily trading volume (million shares)	30	27	11.2
Share price (euros)			
Beginning of the period	1.001	1.656	—
High	1.130	1.945	—
Low	0.714	0.950	—
End of the period	1.040	1.001	—
Market capitalisation (million euros)	5,760	5,568	—
Stock market multiples			
Earnings per share (EPS) (euros)	0.13	0.05	—
Book value per share (euros)	2.38	2.25	—
Price/Book value	0.44	0.44	—
Price/earnings ratio (P/E)	8.29	20.11	—

Share performance

Dividend policy

The Bank's shareholder remuneration policy conforms to the provisions of the Articles of Association and is submitted for approval each year by the General Meeting.

In 2018, the Bank paid shareholders 0.03 euros per share entirely in cash. This distribution consisted of an interim dividend of 0.02 euros per share and a supplementary dividend of 0.01 euros per share. That represented a 3.0% return on the year-end closing price of the share.

On 24 October 2019, the Board of Directors declared an interim dividend of 0.02 euros gross per share (net of 0.0162 euros per share of tax withholdings), which was paid in the form of own shares amounting to 89,635 thousand euros, 126 thousand euros in cash, and 21,055 thousand euros in withholding tax, on 24 December 2019.

Additionally, the Board of Directors will propose that the General Meeting of Shareholders approve the

distribution of a gross dividend out of 2019 earnings in the amount of 0.04 euros per share.

Banco Sabadell plans to continue to pay cash dividends in the coming years.

Credit rating

The rating agencies that assessed Banco Sabadell's credit quality in 2019 were S&P Global Ratings, Moody's, DBRS and Fitch Ratings.

On 6 April 2018, S&P Global Ratings upgraded Banco Sabadell's long-term credit rating to BBB (from BBB-) and its short-term rating to A-2 (from A-3). The outlook is stable. This upgrade was based on Banco Sabadell's improved credit quality in the context of lower industry risk in the Spanish banking system, fundamentally due to deleveraging, and on higher investor confidence.

Agency	Long term	Short term	Outlook	Last review
DBRS	A (Low)	R-1 (Low)	Stable	25.06.2019
S&P Global Ratings	BBB	A-2	Stable	13.12.2019
Moody's Investors Service (*)	Baa3 / Baa2	P-3 / P-2	Stable / Stable	12.12.2019
Fitch Ratings	BBB	F2	Stable	20.12.2019

Credit rating. Ratings and date of last update

(*) Senior debt and deposits, respectively.

On 13 December 2019, S&P Global Ratings affirmed Banco Sabadell's BBB long-term rating, its A-2 short-term rating, and the stable outlook.

On 19 September 2018, Moody's confirmed the Baa2 long-term deposit rating and the Baa3 senior debt rating, as well as the P-2 short-term deposit rating and the P-3 senior debt rating of Banco Sabadell, and changed the outlook to stable, from positive. The agency took account of the improvement in the Bank's asset risk profile after the sale of most of its portfolio of foreclosed real estate assets and the decrease in stage 3 assets, as well as the adequate liquidity position and the fact that the Group's capital and profitability indicators had been weakened by extraordinary items booked in 2018 in connection with losses at subsidiary TSB and provisions for the sale of non-performing assets.

On 12 December, Moody's confirmed Banco Sabadell's credit rating with a stable outlook.

On 4 June 2019, DBRS Ratings GmbH announced an upgrade of Banco Sabadell's long-term rating to A (Low), from BBB (High), with a stable outlook, to reflect the fact that sales of NPAs had significantly reduced exposure in this area, as well as progress in overcoming the incidents in TSB's IT migration and the steady improvement in core revenues. The short-term rating was maintained at R-1 (Low).

On 25 June 2019, DBRS Ratings GmbH confirmed Banco Sabadell's credit rating with a stable outlook.

On 29 March 2019, Fitch Ratings assigned Banco Sabadell a long-term BBB rating and short-term F3 rating, with a stable outlook. This reflects Banco Sabadell's strength as Spain's fourth-largest bank in terms of assets, with extensive experience in SME banking and geographic diversification due to its operations in the United Kingdom and Mexico. Fitch also noted that Sabadell's capital met the requirements of European regulatory bodies, and highlighted its liquidity profile and the reduction of non-performing assets. The rating also takes into account the challenges the Bank faces in expanding its UK business after the problems that arose in migrating the UK subsidiary's computer systems and the uncertain operating environment there due to Brexit. Fitch believes that Banco Sabadell has a solid franchise in Spain as a result of its acquisition strategy over the last decade, which provides solid earnings generation capacity and prospects for improving profitability.

On 20 December 2019, Fitch Ratings upgraded Banco Sabadell's short-term rating to F2 (from F3) to reflect the steady improvement in the funding profile and the ample liquidity position. The long-term rating was kept at BBB, with a stable outlook.

Customers

Brand and customer experience

"At Banco Sabadell we want to help people and companies bring their projects to life, anticipating their needs and taking care to ensure that they make the best economic decisions. We do this with conscientious, environmentally and socially responsible management practices.

Our values: Commitment, Non-conformism, Professionalism, Effectiveness, Empathy and Openness."

That is the promise of the Banco Sabadell brand, the bank we want to be. The brand is committed to our customers, employees and society because "we are distinguished not only by what we do, but also by how we do it".

At Banco Sabadell, we are undergoing a transformation to continue building long-term relationships of trust with our customers through the Brand and the Customer Experience.

Banco Sabadell sees customer experience as the way in which we deliver our brand's promise to customers. The Bank aspires to be the leader in customer experience and to align the entire organisation in pursuit of this goal; incentives for all employees with variable remuneration are linked to customer experience KPIs.

The Customer Management Division is entrusted with ensuring that the customer vision is propagated to the entire organisation and it is supported not only by head office but also by the branch network and by employees tasked with driving this model through training, workshops and specific action plans.

Banco Sabadell employees have access to specific training on customer experience. This training is very varied and is implemented through challenges based on customer demands, enabling account managers to probe and interiorise the importance of a customer-centric strategy. They also gain insights into how customers should experience certain critical processes ("moments of truth") and receive capacities and skills to enable them to manage these situations optimally.

Enhancing the customer experience

The world is evolving at a rapid pace and our customers' habits are changing. In this context, Banco Sabadell is undergoing a transformation to offer the best possible experience to an increasingly informed and demanding customer base, which requires greater customisation, immediacy and a multi-channel approach.

Competitive strategy: Superior relationship model

To continue delivering the Sabadell experience — our way of banking — we are evolving towards a superior relationship model. A model totally focused on the customer and driven tightly by business intelligence, digitalisation, the distribution model and people.

- We are improving relations with customers who have more sophisticated needs by offering them a personalised model and greater specialisation.

- We are simplifying processes, improving efficiency and facilitating the basic transactional relationship with all our customers by leveraging the power of new technologies and new interaction channels, particularly mobile devices.

New technologies such as Big Data, IoT and artificial intelligence are essential components of the new customer relationship model. Greater knowledge about customers enables the bank to offer a distinctive experience and service with a much more personalised offer to meet their specific needs.

Banco Sabadell uses connectivity and data to transform the customer experience by redefining products and services and enabling customers to interact with them in different ways.

New technologies enhance customer management, as customers are empowered to choose the most convenient channel for interacting with the bank, when, how and where they want.

The transformation is already achieving tangible results:

- Banco Sabadell is a bank for business, a leader in terms of recommendations and quality of service.
- The vision of the relationship model has made it possible to accelerate commercial activity and generate more sales in retail banking. In business banking, the planning visit has expanded the Bank's ability to make proposals, an outcome that customers value highly.
- As for digitalisation, over 55% of customers are digital (active use of digital channels in the last three months).
- More digital sales (39%), with a growth rate above our European peers.

Business Hub

One of the initiatives that reaffirm the Bank's commitment to companies is the Business Hub, an innovative space for customers and non-customers which offers expert advice to companies and organises training workshops, networking events and technology showrooms.

Moments of truth

At Banco Sabadell, we know that there are watershed moments in life; these are moments of interaction with the bank to which customers bring a high level of expectation and where the impressions they gain will shape their future perception of, and relationship with, the bank.

Moments of truth make it possible to transform and improve these processes by making them much more customer-centric so as to ensure that customers' experience is much more satisfactory.

For this reason, the bank conducts in-depth customer surveys in connection with these moments in order to gain insights into how customers experience these events. The customer journey, focus groups and customer surveys are among the tools used by a multidisciplinary team to identify ten Moments of Truth for private customers and business customers.

BSIdea: an engine for transforming Banco Sabadell

BSIdea is a co-creation platform enabling Banco Sabadell employees to make suggestions for improvement in any area of the organisation. A committee composed of bank executives grants awards to the ideas that are most in line with the Bank's strategy, enhancing the customer experience and the transformation process. It is also an excellent channel for co-creation and communication between teams, enabling them to share opinions and experiences.

Measuring the customer experience

Measuring the Banco Sabadell customer experience focuses on obtaining insights that help with decision-making and drive an increasingly customer-centric culture.

The experience is measured by understanding the market, consumers and customers, using a range of methodologies.

Qualitative research

A range of qualitative research approaches are used in order to gain a better understanding of the environment and customers. The goals of this process include:

- Understanding consumers' concerns, worries and attitudes and their current and future needs.
- Identifying the most emotional and least explicit part of consumer decision-making.
- Listening in depth, actively and constantly to the customer's voice, which enables us to ascertain how they experience their relationship with the bank at a range of touch points.

The methodologies we use range from conventional in-depth interviews and focus groups to more innovative approaches based on neuroscience and emotion detection.

Ideas shared

 **30,077**

Challenges

 **18**

Innovators

 **6,269**

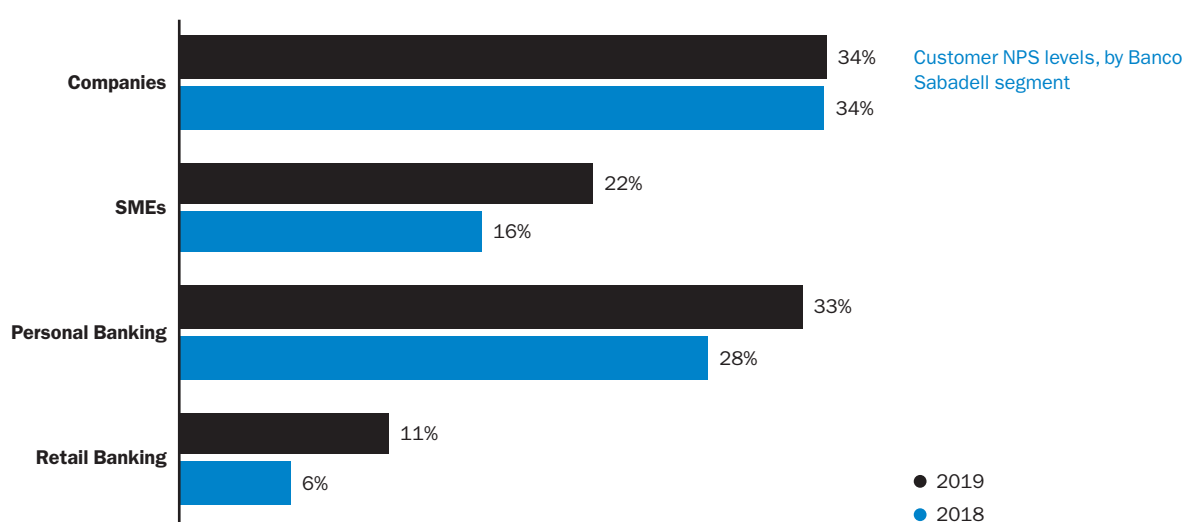
Quantitative research

Banco Sabadell also analyses the customer experience by quantitative methods. Some address the traditional concept of satisfaction, while others deal with more emotional aspects:

Net Promoter Score (NPS)

The Net Promoter Score (NPS) is a key market benchmark for measuring the customer experience, enabling Banco Sabadell to compare its performance to that of its competitors and companies in other industries, at domestic and international level.

Banco Sabadell's current NPS scores rank it first in its peer group among SME customers, and second among personal banking customers.



Note: The NPS is based on the question "On a scale of 0 to 10, where 0 is 'not at all likely' and 10 is 'I would definitely recommend it', how likely would you be to recommend Banco Sabadell to a relative or friend?" The NPS is the percentage of customers who answered 9 or 10, after eliminating those who answered between 0 and 6. Includes institutions that are comparable to the Group. Data for the most recent available month.

Satisfaction surveys

Banco Sabadell conducts regular surveys to gather in-depth knowledge of customer satisfaction and to identify areas for improvement for specific processes and contact channels.

For each of these surveys, the Bank sets itself quality targets and keeps the results under constant scrutiny.

Customers give a very high score to the bank's relationship model, which represents a more personalised and

specialised approach that enables the Bank to add value and to anticipate and address customers' needs.

Additionally, Banco Sabadell designed an action plan entitled "Close the Loop" to address unsatisfied customers identified on the basis of the quantitative customer experience surveys. The outcome has proved very satisfactory as actions taken under the plan have reverted the situation in 80% of cases.

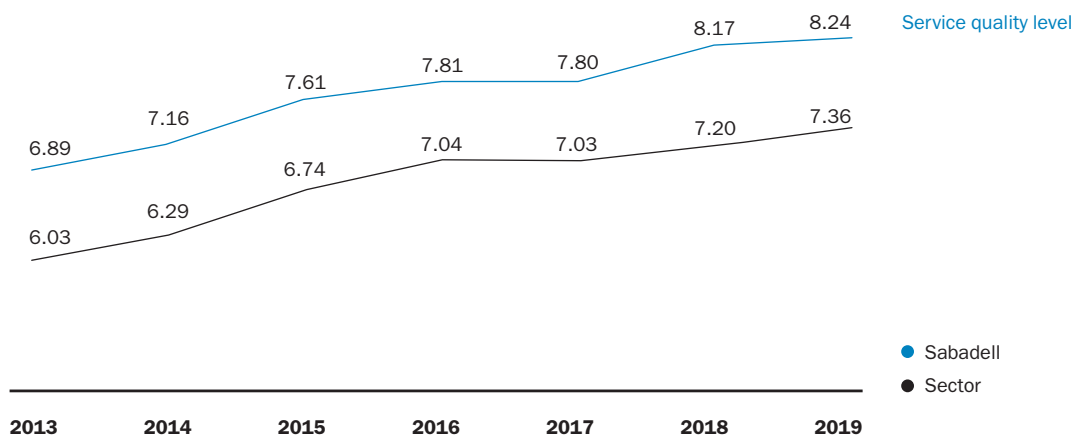
Banco Sabadell listens to its customers by conducting over 300,000 surveys per year and analysing more than 20 touch points.

Branch quality surveys

In addition to analysing customer perceptions, Banco Sabadell also carries out objective studies using techniques such as the mystery shopper, under which an independent consultant performs a pseudo-purchase to gauge the quality of service and the commercial approach applied by the sales team. Quality of service is one of the Bank's strategic objectives, so the way in which account

managers serve customers is factored into the sales team's incentives.

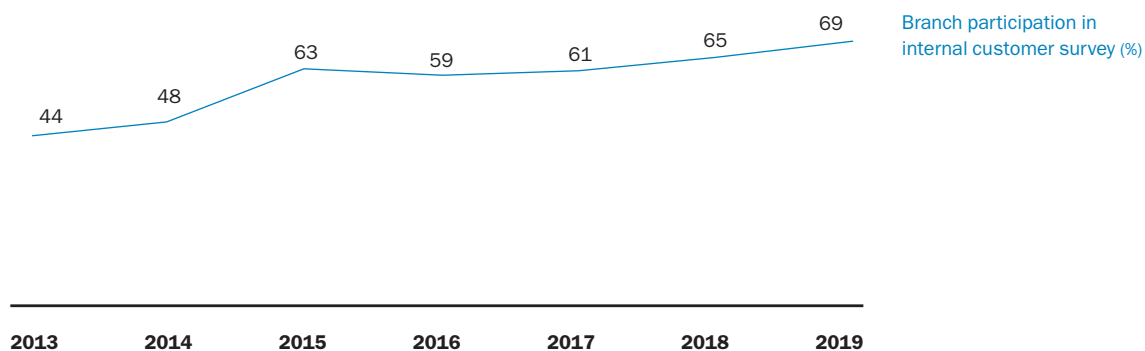
EQUOS RCB (Stiga), the benchmark survey of bank service quality, is conducted using the mystery shopper technique. Banco Sabadell achieved one of the top scores in 2019, exceeding the industry average (+0.88 points), and it ranked first among Spain's big banks in terms of sales performance, which is the key feature of the survey.



Internal customer survey

The internal customer survey enables us to listen to the concerns of our sales teams. Its objective is to obtain quantitative feedback from branch staff on the products, services, tools and support that are provided by the corporate centres.

The survey identifies aspects that need improvement and is used to design actions to remedy any unsatisfactory aspects. Employee participation is high, and overall scores have improved as a result of the commitment to the internal customer.



Accolades

Banco Sabadell stands out in Spain for its strong track record in management quality and excellence.

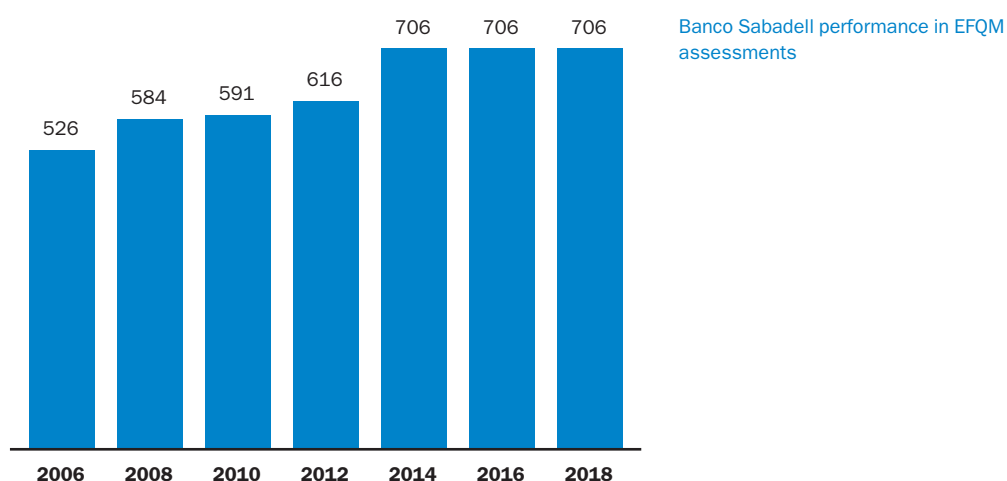
It is the only Spanish credit institution with 100% of its financial operations certified to the ISO 9001 standard, evidencing its customer-centric philosophy and the rigour with which it addresses its risks and processes.

Banco Sabadell also holds the title of Ambassador of European Excellence, to which was attached a special mention in 2019 because it is one of just three Spanish organizations with more than 700 EFQM points.

On a regional basis, the Bank has held the "Madrid Excelente" distinction since 2009, in recognition of its performance. This award accredits fulfilment of the quality and excellence standards established by the "Madrid Excelente" quality assurance programme.

Banco Sabadell also believes it is vital to recognise excellence inside the organisation. More than 15 years ago, it created awards to recognise excellence at branches (customer satisfaction surveys), corporate centres and projects to serve as an inspiration for the rest of the institution.

Sabadell was the only financial institution in Spain to score over 700 in the European Foundation for Quality Management (EFQM) Seal of Excellence in three consecutive evaluations (2014-2016-2018), which confirms the robustness and excellence of its management model.



Customer Care Service (SAC)

The Group's customers and users may contact the Customer Care Service with any complaints or issues that have not been resolved satisfactorily by their local branch. The Customer Care Service is independent from the business and operational side of the Group and is governed by the Banco Sabadell Group's own rules and procedures on the protection of customers and users of financial services. Customers and users may also appeal to the Customer Ombudsman, an independent unit that has the authority to resolve any issues referred to it, both in the first and second instances. Decisions by the Customer Care Service or the Ombudsman are binding on all the bank's units.

In 2019, a total of 34,789 complaints, claims and requests were received, 26.51% less than in 2018, in addition to the issues that remained unresolved at 31 December 2018. A total of 35,677 cases were processed in 2019.

The Customer Care Service also provides assistance and information to customers and users with regard to other issues. In 2019, the SAC accepted and resolved 891 requests for assistance.

For more details, see note 42 to the consolidated financial statements for 2019.

Multi-channel strategy

Banco Sabadell has developed new propensity models with which to anticipate customers' needs, either through their relationship with the branch network or through the other channels that the bank places at their disposal.

This drive was accompanied by new digital capabilities that simplify customers' interactions with the Bank. In 2019, 55% of customers were digital, a 3-point increase on the previous year, in addition to visits and transactions in online banking, particularly using the mobile app. BSMóvil and BSWallet maintained double-digit growth without impairing web usage figures.

The digital transformation is giving rise to new spending habits among our customers, driving growth and evolution of our customer relationship channels.

Branch network

Banco Sabadell ended 2019 with a network of 2,402 branches (540 TSB branches), i.e. a net reduction of 55 branches with respect to 31 December 2018 (45 branches excluding TSB).

Of the total Banco Sabadell and Group branch network, 1,364 branches operate under the Sabadell brand (including 28 business banking branches and 2 corporate banking branches); 107 as SabadellGallego (including 3 business branches); 133 under the SabadellHerrero brand in Asturias and León (3 business branches); 108 as SabadellGuipuzcoano (5 business banking branches); 10 as SabadellUrquijo; 100 branches under the Solbank brand; and 580 offices that make up the international network, of which 7 are in BancSabadell d'Andorra, 540 in TSB and 15 in Mexico.

Banco Sabadell - foreign market presence



- **Subsidiaries and affiliates**
- Andorra
- Mexico City (Mexico)
- London (UK)

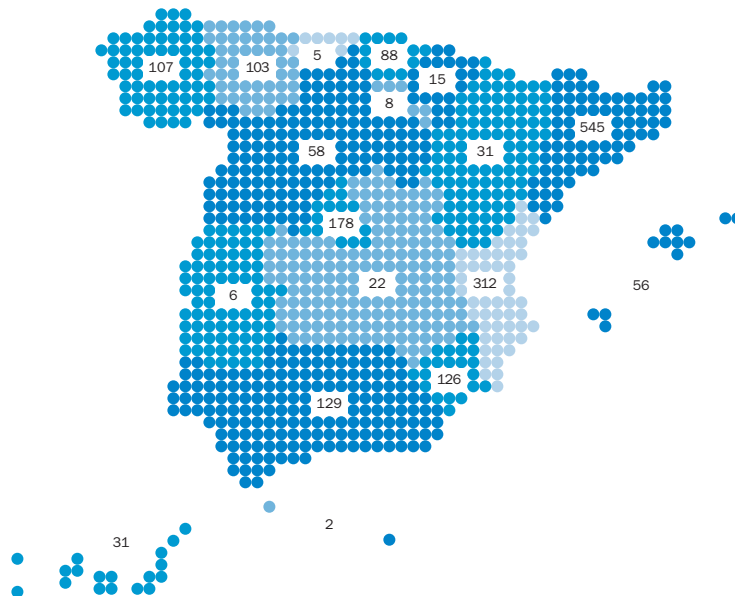
- **Branches**
- Miami (USA)
- Paris (France)
- Casablanca (Morocco)
- Lisbon (Portugal)
- London (United Kingdom)

- **Representative offices**
- Algiers (Algeria)
- Sao Paulo (Brazil)
- Beijing (China)

- Shanghai (China)
- Bogotá (Colombia)
- Dubai (UAE)
- New York (USA)
- New Delhi (India)

- Warsaw (Poland)
- Lima (Peru)
- Santo Domingo (DR)
- Singapore (Singapore)
- Istanbul (Turkey)

Distribution of branches by region



ATM network

At the end of 2019, the Group's network of self-service machines in Spain totalled 2,982 ATMs and 339 pass-book updating machines. Those figures are similar to the numbers at 2018 year-end (2,924 ATMs and 345 pass-book updaters in December 2018).

The number of transactions fell slightly in 2019, by 2%, as some transactions types are in decline; notably passbook updates, mobile phone top-ups and cheque deposits fell by around 20%. There were a total of 113,210,579 transactions with our ATM network.

Online deposits increased by 33%, and there was a sharp increase in other transaction categories: bill payments rose 39%, Instant Money transactions by 69% (these are ATM withdrawals by Sabadell customers or third parties that do not require a card), and transfers by 9%.

The Instant Money on Behalf service became operational at all the Bank's branches and ATMs at the end of the first quarter of 2019. Instant Money on Behalf is a new solution that enables customers to withdraw cash from an ATM at a branch using an activator code generated by the branch itself. This solution met with a very good response and 36,000 transactions were performed in 2019.

In 2019, the Bank started to replace 596 ATMs in Spain, as well as adding 103 in-branch ATMs and installing online cash deposit machines at over 96% of branches. This project is due to conclude in the first quarter of 2020. The goal is to enhance service in order to increase customer satisfaction.

BSOnline and Sabadell Móvil

By 2019 year-end, over 55% of our customers were digital, a 3-point increase year-on-year, including online banking visits and transactions, particularly using the mobile app. BSM and BSWallet maintained double-digit growth figures, while the web channel continued to grow.

BSOnline

Despite all the figures on the growth and use of mobile devices, BSOonline visit and usage figures did not decline with respect to 2018. Traffic and usage frequency numbers remain high, and transactional usage is particularly prevalent in the company segment.

The number of transactions performed via BSOonline continues to grow: servicing transactions for corporate customers increased by 7% with respect to the previous year.

During 2019, a number of projects were launched to reduce friction and increase the value for customers in transaction types used frequently by business customers, by improving processes in such areas as transfers, reverse factoring and tax payments.

Increase in servicing transactions

+7%

Sabadell Móvil

The number of users of Sabadell Móvil (BSM) continued to rise, from 2.4 million to 2.7 million. The app is the sole digital relationship channel with the Bank for almost 40% of digital customers.

In addition to rising statistics for downloads and preferences, the frequency of use is stable at an average of 22 times per month.

The channel's usage and servicing statistics continue to rise, particularly in recurring operations and consumer finance transactions.

The process of applying for consumer finance and for accepting and drawing on pre-approved loans has been automated and optimised. As a result, the app is now involved in over 80% of digital loans, an increase of over 50% year-on-year.

Continuing with the goal of enabling customers to pay for purchases in instalments, the way in which the instalment option is displayed on till receipts was improved, and the option of paying in instalments is now displayed directly, which has increased awareness and use of this service.

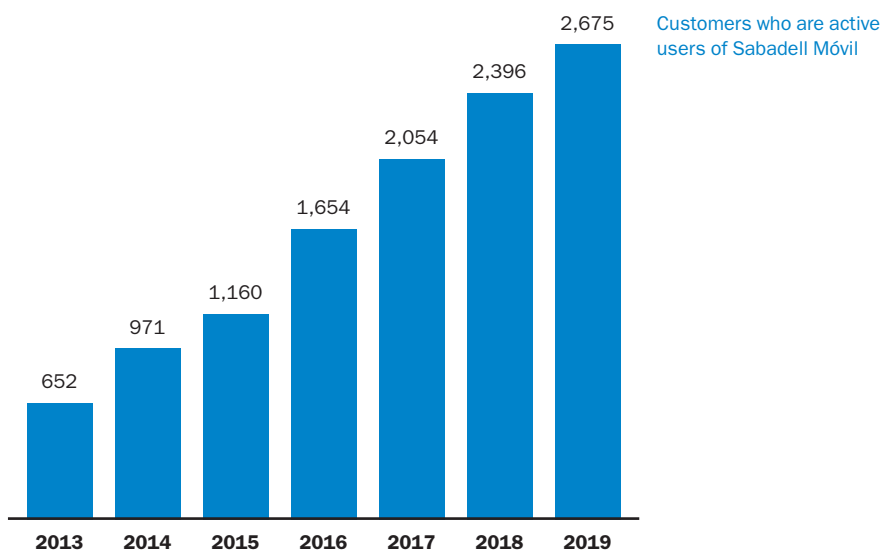
In 2019, the Bank rolled out Blink, an online service for arranging insurance that is 100% digital, from simulating premium costs to signing policies.

The Bizum service for sending money between mobile devices tripled transaction numbers with respect to 2018; more features were added as well as the option of repeating the most frequent transaction, and it was incorporated into the transfer section of BSM.

The Sabadell Wallet app continues to improve the enrolment process and usability, and is logging overall growth in the rates of adoption, use and repeat use by customers.

Our customers are increasingly turning to mobile payment options, including notably the rapid uptake and widespread use of ApplePay.

This year, we integrated a customer feedback option into the app. Additionally, work continued to enhance the app's home screen by making the finance, saving and card balances more visible and highlighting transactions pending signature.



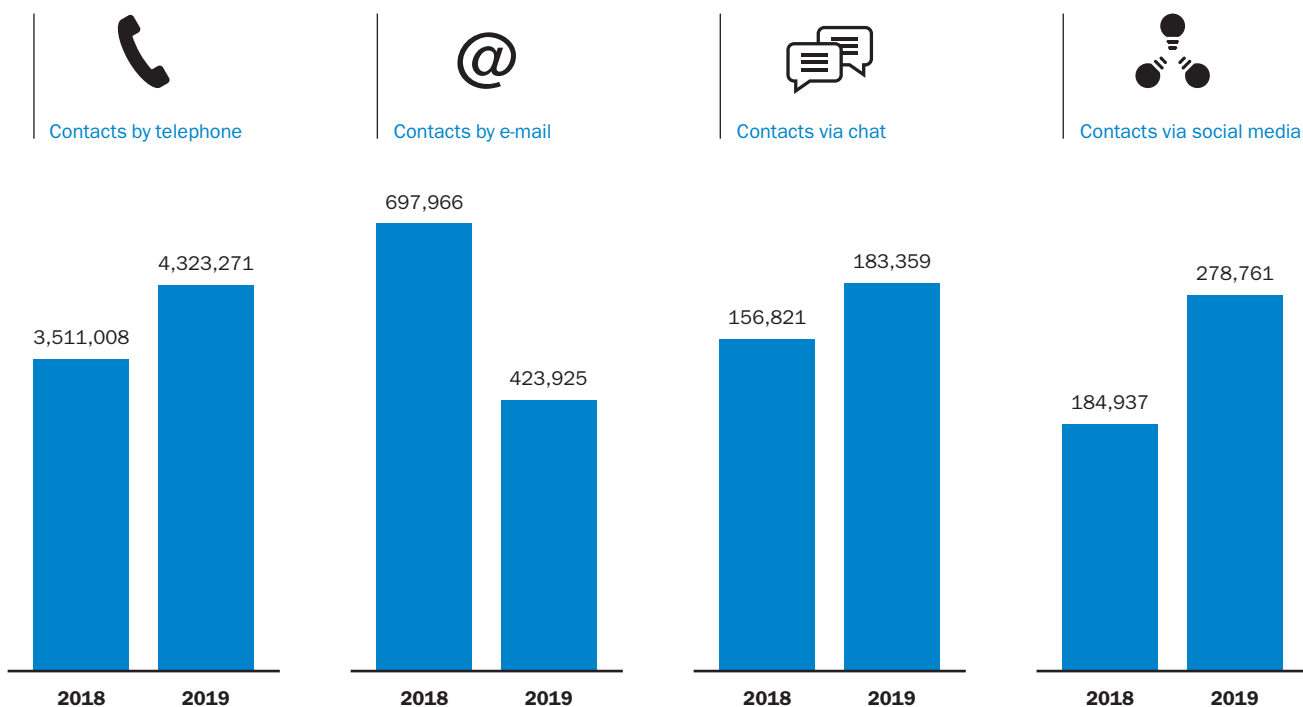
Direct Branch

Contacts with Direct Branch increased by over 14% in 2019 with respect to 2018, to 5.2 million.

The contact channels that experienced fastest growth in 2019 were telephone and social media.

The SLA (Service Level Agreement) ratio for telephone enquiries exceeded 90.60%, followed by chat (92.52%) and e-mail (82.54%). There were more than 330,000 mentions on social media, and the number of interactions exceeded 278,000, with an SLA of 93.81%.

The growth was driven by the Payment Services Directive (PSD2) and the roll-out of Strong Customer Authentication (SCA) in distance banking.



Social media

Banco Sabadell has been active in social media for 13 years. The objective was to get to know digital clients and their needs, obtain suggestions from them, and analyse how best to serve them. Three years later, in 2010, Banco Sabadell was an active participant in the most popular social platforms: Facebook and Twitter. Banco Sabadell currently has a presence in five social media: Twitter, Facebook, LinkedIn, YouTube and Instagram, with 17 different profiles, and it has one of the best digital profiles in the industry.

Social media are among the main channels for engaging with our customers, both for handling queries and for broadcasting institutional messages, marketing campaigns and general interest messages.

Their use is growing exponentially and the bank sets a high priority on raising its social media profile. Based on demand and the need to serve all customers anywhere in the world, a 24x7 service was implemented in 2011.

Banco Sabadell currently has over 500,000 followers. Nearly 278,000 mentions of the brand were monitored or dealt with in 2019.

A key success factor is continuous tracking of interactions with followers and customers. One of the principal KPIs in social media positioning is the response rate, in which Banco Sabadell has a high score. Additionally, social media serve as an important channel for conveying corporate and institutional content and as a channel for opinion-makers, both internal and external. Social media

are used to announce and webcast many sponsored events and other initiatives in which we play an active role. They include results presentations, the General Meeting of Shareholders, the Barcelona Open Banc Sabadell - Conde de Godó tennis tournament, the Alejandro Sanz Tour, the 4YFN startups summit at the Mobile World Congress, the South Summit, the Banco Sabadell Foundation Research Awards, and the World Summit on Climate Change, where the bank's commitment to sustainability was patent.

In line with the initial objectives, Banco Sabadell closely tracks trends, social conversations associated with the Bank, and audiences, and it uses the results to develop a strategy to expand and strengthen our presence, impact and engagement. This growth is evidenced by follower numbers in new channels such as Instagram, market opinions gathered via mobile devices, opinions expressed in industry forums, and ratings of our branch offices in GoogleMaps.

The Bank continues to expand its digital presence in fast-growing channels such as Instagram and LinkedIn, and maintains a policy of segment-based specialisation through profiles related to such areas as the press (@SabadellPrensa, @SabadellPremsa and @SabadellPress), the Banco Sabadell Foundation (@FBSabadell), @BStartup aimed at entrepreneurs, @InnoCells in support of new business and the digital transformation, and @Sabadell_Help, which is specifically for customer service.

InnoCells is Banco Sabadell's hub for digital business and corporate venturing.

Digital transformation and customer experience (InnoCells)

InnoCells is Banco Sabadell's hub for innovation and strategic investments. It operates on the basis of a flexible innovation model that has evolved in line with the Bank's needs.

The purpose of InnoCells is to expand the value chain by identifying new lines of business, innovating in digital products and developing new value propositions in order to anticipate customers' needs and address them through a complete offer with an end-to-end vision.

Banco Sabadell and InnoCells also have a joint strategy to attract digital talent and develop its positioning in innovation by executing projects, partnerships and investments.

InnoCells combines four capabilities to address challenges and projects, with reflection and execution, which ensure maximum impact for the Banco Sabadell Group and enhance the customer experience.

Business design - Strategic design

Strategic design is based on evolving the financial services value proposition towards the delivery of user-centric digital experiences.

InnoCells helps identify leading market practices and integrate the customer-centric vision. Business Design addresses the challenges holistically and incorporates customers' voices throughout the process: it understands users and their problems, proposes new products and services or modifies current processes, and validates solutions with users.

Strategic design addresses projects from a different point of view: it empathises with people, and understands not only their financial and non-financial needs (and

their emotions, aspirations and limitations) but also the circumstances and context.

InnoCells works iteratively, based on market inputs, to reduce uncertainties and minimise the risk of failure. Its objective is to design and deploy services and solutions designed from the customer's perspective to improve people's financial well-being.

Digital strategy

InnoCells leads the Group's strategic reflection on digital matters and acts as a know-how hub. This innovation vehicle provides a strategic vision from the ecosystem on key business issues. It also helps identify leading practices in the market and integrate the customer's viewpoint. This brings it closer to project execution.

Strategic Investments

The hub scouts priority areas and verticals in connection with Banco Sabadell's core activities. In this way, it provides access and know-how about innovations and trends in the ecosystem and builds a comprehensive fintech portfolio.

To date, InnoCells has made twelve investments in startups and funds and has acquired two companies — Instant Credit and PAYCOMET — whose services have been added to Banco Sabadell's means of payment offer in six countries.

Partnerships

InnoCells also acts as a service layer to facilitate commercial agreements between Banco Sabadell and the startup ecosystem, as well as to drive product innovation and the adoption of new technologies with a positive impact for customers. Below are some examples:

- Signing contracts by voice using the novel digital voice signature developed by Biometric Vox, a startup in which InnoCells invested in February 2018, making Banco Sabadell the first bank in Spain to offer this service to its customers.
- The alliance with fintech Nemuru to provide customers with access to financing for home refurbishment work.

Business design projects

InnoCells has contributed to Banco Sabadell's digital offer and to improving the customer experience both by developing projects from scratch and by adapting existing processes or exploring new environments.

Below are two examples of differentiated evolution (the first was added to Banco Sabadell's offer to

self-employed workers, and the second was launched on the market as an independent company) and good positioning:

- **Nomo**: a digital platform providing an app with a range of tools for freelance and self-employed workers to assist with managing their business, accounts and tax, as well as offering financial services.
- **Mitto**: a prepaid card for young people aged 14 and upwards that can be used to make payments both online and offline up to the balance on the card. The app enables parents to link to a bank card and send money instantly to their children.