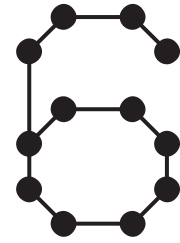


## Other material information



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## R&D and innovation

### In the domestic market

Commercial Banking implemented the Retail Model that had been designed in 2018, which transformed the management approach for individual customers by optimising processes, freeing up commercial capacity and encouraging customers to avail themselves of the self-service features in the digital channels. The organisation was optimised in order to cater for the mass market segment, a move that bore fruit in 2019 in the form of higher commercial activity and customer satisfaction.

Leveraging this momentum, a transformation programme for business customers was initiated to optimise service by taking advantage of digital capacities to simplify processes, expand the range of products and restructure the commercial offer for self-employed workers, small businesses and companies, while providing a personalised service. These initiatives included the first Company Hub, a physical space where customers can receive advice on growing their companies, coupled with mobile workspaces and a website to provide information about events; a new app, called Nomo, was released to provide solutions for self-employed workers; and account managers received upgraded support for their visits to customers.

Additionally, a plan was launched comprising over 90 measures to enhance margins and a programme to improve the account manager experience by focusing on usability of the account manager's office tools to make the sale process more efficient.

In the field of digital capabilities and solutions, OpenBanking was boosted by rolling out the new API Channel, a result of the PSD2 Directive, based on new microservices and cloud technologies. In this area, account aggregation capabilities and payment initiation features were pilot-tested. The digital capabilities of current market applications were also enhanced to offer a multichannel front-end.

Other digital initiatives include the new website *estardondeestes*, to support digital customers in home purchase, business initiatives and decisions about savings and pensions. Additionally, the Lisbon branch now has its own website.

In the area of digital solutions, Sabadell Inversor, the MiFID-compliant advisory and reporting tool, was strengthened. A new online broker (Sabadell Equity) was launched and the forex trading platform, Sabadell Forex, was updated by providing it with the functionalities most in demand by business customers. Sabadell Blink, the new offer of Auto and Home insurance, was launched.

Digital services to customers were expanded in such areas as signing, generating and updating digital documentation, demos were created to familiarise users with the new processes, improvements were made in the reverse factoring (confirming) process, and new instalment plans and new alerts were introduced. Customers are now more digital and more engaged as a result. The use of mobile devices expanded, with good customer satisfaction scores (BSMóvil is rated 4.6 out of 5 on the Apple App Store).

### The international context

During the year, TSB worked to improve its offer, enhance digital channels and increase its understanding of its customers and their needs through better data capture, management and analysis.

Analytics continued to improve our knowledge of customers and their needs (360° vision) in order to customise the offer and enhance data aggregation.

As for channels, particularly digital channels, self-service capabilities were strengthened, communications with customers were made more flexible,

and mobile marketing capabilities were enhanced. All these initiatives were part of TSB's Omnichannel strategy applied in 2019. In particular, work was done to improve the customer onboarding process, including a new feature enabling customers to open a personal current account (PCA) online from a smartphone. This development enables new customers to open an account in an easy, secure environment.

Additionally, in conformity with the EBA's PSD2 regulation, TSB developed a new API channel. This channel not only provides customer data but also enables them to perform local and international payments (PISP) and see their account balance (CBPII). The API Channel was developed as a hybrid between the cloud and on-premises in a bid to combine the best of both worlds. All these functionalities are integrated with the Bank's mobile app, enabling the service to be used on computers, smartphones and tablets.

## Trading in own shares

See note 23 to the consolidated financial statements.

## Material post-closing events

No material events meriting disclosure have occurred since 31 December 2019, apart from those detailed below.

On 21 January 2020, Banco Sabadell and Amundi Asset Management (Amundi) signed a long-term strategic agreement for the distribution of Amundi products through the Banco Sabadell branch network in Spain. The agreement includes the sale of 100% of Sabadell Asset Management, S.A., S.G.I.I.C., Sociedad Unipersonal (SabAM) for 430 million euros. It also provides for an additional 30 million euros in 2024 depending on the assets under the management belonging to Banco Sabadell customers on that date.

At 2019 year-end, SabAM had approximately 21,800 million euros in assets under management, not counting third-party investment vehicles, and it reported 34 million euros in net profit (including 65 million euros of net fees and commissions and 17 million euros of operating and staff expenses). The sale of SabAM also included its subsidiary Sabadell Asset Management Luxembourg, S.A. but did not include Sabadell Urquijo Gestión, S.A., S.G.I.I.C., Sociedad Unipersonal, which remains part of Banco Sabadell Group.

Completion of the sale, which is contingent upon the pertinent official approvals, is expected in the third quarter of 2020. The deal will generate a capital gain of approximately 351 million euros, net of taxes, which will strengthen Banco Sabadell's capital position by contributing 43 basis points to the fully-loaded Common Equity Tier 1 (CET1) ratio.

Of that capital gain, 58 million euros (7 basis points of fully-loaded CET1) are contingent upon certain conditions being met throughout the period of the distribution agreement and, consequently, they will be recognised proportionally over the next 10 years. The remaining 293 million euros will be recognised when the transaction is completed.

The strategic agreement between Banco Sabadell and Amundi will give Banco Sabadell customers access to new investment opportunities and a wider range of internationally recognised products, rounding out the current range of savings and investment products but without entailing any change in existing mutual funds and pension plans. The deal reinforces Banco Sabadell's commitment to remaining in the lead in terms of customer satisfaction and experience, both of which are commercial priorities for Banco Sabadell in 2020.

## Non-Financial Disclosures Report

In accordance with the provisions of Law 11/2018, of 28 December, on non-financial and diversity disclosures, Banco Sabadell Group has drawn up a Non-Financial Disclosures Report for 2019, which, in accordance with article 44 of the Commercial Code, forms part of this report and is attached as a separate document.

## Corporate Governance

In accordance with the provisions of article 540 of the Capital Companies Act, Banco Sabadell Group has drawn up the Annual Corporate Governance Report for 2019, which, in accordance with article 49 of the Commercial Code, is a part of this Directors' Report and is attached as a separate document; it contains a section setting out the degree to which the Bank adheres to the recommendations on corporate governance in Spain.

The information about corporate governance is available on the Group's corporate website ([www.grupobancosabadell.com](http://www.grupobancosabadell.com)) directly in the section entitled "Corporate governance and remuneration policy", which is linked to from the Home page.