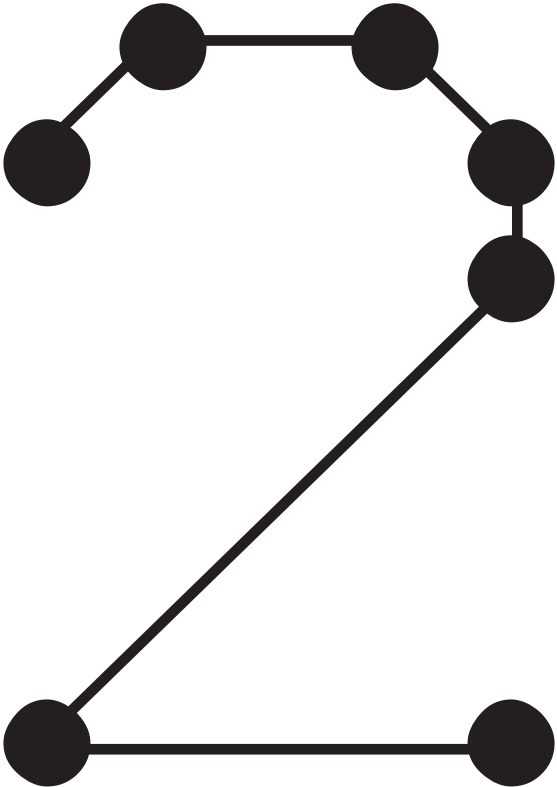


# Chairman's message





Josep Olu Creus, Chairman

Dear shareholder,

The year 2020 will be remembered for the COVID-19 pandemic and the restrictions imposed on the activities of both individuals and companies in an attempt to contain it, which led to an unprecedented contraction of the global economy. The economic authorities responded forcefully with stimulus measures to counteract the situation by trying to alleviate costs and ensure financial stability.

In this very unusual year, Banco Sabadell improved its capital position, increased lending and cut costs; though profit was unremarkable, the bank is optimally placed to address the future with a new business plan and the ability to meet its customers' needs, as it has always done.

Spain was one of the European economies that was most affected by the pandemic due to its high exposure to tourism and small companies. Spain's GDP fell by a record 11% in the year, although the measures adopted in the labour market greatly limited actual job destruction. Government aid was mainly in the form of guaranteed loans to support companies' liquidity and of measures to support household incomes.

The UK economy was affected not only by the health situation but also by the uncertainty throughout the year in connection with the Brexit negotiations. The agreement that was reached avoided a disorderly departure, which is undoubtedly positive. Nevertheless, future relations in the area of financial services have yet to be clarified.

Central banks once again played a decisive role and adopted an extremely lax monetary policy that made it possible to accommodate governments' expansionary fiscal policies. The ECB launched a new asset purchase programme, augmented the previous program, improved the characteristics of the TLTROs and created new liquidity operations.

Banks' share performance was hurt by the uncertainty that Covid-19 raised about their future results in a climate of great volatility, even though their solvency was not in question at any time. However, the expected continuation of low interest rates and the potential for a higher cost of risk in the future drove bank share prices to lows, especially in the case of banks that focus primarily on business customers.

Banks played a key role in alleviating the first impact of lockdowns by providing liquidity to companies while, at the same time, channelling the guarantees, sureties and moratoria approved by government or adopted by the banking industry itself.

In this context, Banco Sabadell reported a robust 5,302 million euro gross income, although it was affected by the low activity in the second quarter and by the cost-cutting exercise it implemented in response. As a result, it ended the year with 2 million euro net profit after provisioning 2,275 million euro. That profit figure is the result of provisions to address the impact of the pandemic, restructuring plans in Spain and the United Kingdom, and the sale of legacy NPA portfolios, which reduced the Group's NPA ratio to 3.6%, below the industry average.

Banco Sabadell ended the year with a solid capital ratio of 12.6%, and it has sizeable unrealised capital gains, all of which enable it to face 2021 with confidence despite the uncertainty about the health situation.

During the year, we adopted new ways of working and relating to customers through digital channels, leveraging the work that had been done in the past, while guaranteeing business continuity at all times and supporting our customers in their search for financial solutions to the problems caused by the pandemic.

In 2020, the Bank concluded the sale of its asset management firm, Sabadell Asset Management, to Europe's leading asset manager, the Amundi group, with which it has established a strategic agreement that will enhance the range of mutual funds available to our customers and is already having a very positive impact on sales.

The Bank has made sustainability a key element of its strategy through a policy that frames all the Bank's activity within ESG parameters. A sustainable finance plan has been set in motion, and the Bank placed its first issue of sustainable bonds.

Banco Sabadell continued the ongoing process of adapting its corporate governance to best practices, and the CNMV also updated its Good Governance Code in June 2020. As part of this process, the General Meeting of Shareholders is being asked to approve an amendment to the Articles of Association with a new approach that puts the Bank at the forefront of corporate governance.

During the year, the Bank also undertook the process of selecting a new CEO, César González-Bueno, in place of Jaime Guardiola, whom I would like to thank for thirteen years of the utmost professionalism and dedication to Banco Sabadell. After the Meeting and once the new CEO takes office, I will continue as Chairman in a non-executive role.

The incoming CEO will present a new business plan in the coming months that will focus on the development of Banco Sabadell in Spain, while subsidiary banks will begin to turn profitable. The plan will pursue profitability and shareholder value, while maintaining stable capital ratios.

The Bank is facing 2021 with the confidence of having a professional team and a business model with a track record of nearly 140 years. Banco Sabadell's vision for the future focuses on customer relations, expanding our knowledge and experience in corporate banking and providing the best solutions for individual customers. All in an environment that the pandemic will have changed in many ways. The new habits of society as we emerge from this health crisis require us to be more digital, more sustainable and more efficient, but without relinquishing our close relationship with customers, a challenge that Banco Sabadell is prepared to meet successfully.

A handwritten signature in black ink, appearing to read 'Olliu', written in a cursive style.

**Josep Olliu**  
Presidente