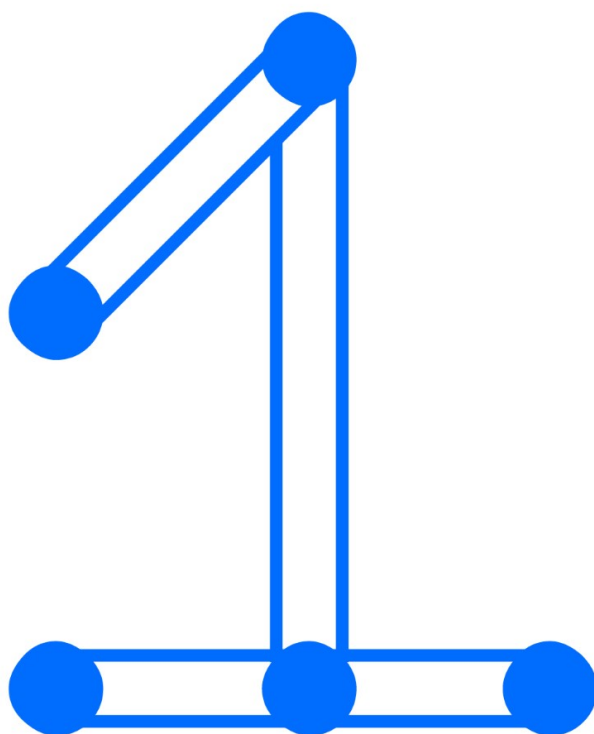


# Banco Sabadell Group



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# Banco Sabadell Group

Banco de Sabadell, S.A. (hereinafter, also referred to as Banco Sabadell, the Bank, the Company, or the Institution), with registered office in Alicante, Avenida Óscar Esplá, 37, engages in banking business and 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 corporate group of entities whose activity it controls directly or indirectly and which comprise, together with the Bank, Banco Sabadell Group. Banco Sabadell comprises different financial institutions, brands, subsidiaries and investees that cover all aspects of financial business. It operates mainly in Spain, the United Kingdom and Mexico.

The Group was organised into the following businesses in 2023:

- Banking Business Spain groups together the Retail Banking, Business Banking and Corporate Banking business units, with individuals and businesses managed under the same branch network:
  - Retail Banking: offers financial products and services to individuals for personal use. These include investment products and medium- and long-term finance, such as consumer loans, mortgages, leasing and rental services, as well as other short-term finance. Funds come mainly from customers' term and demand deposits, savings insurance, mutual funds and pension plans. The main services also include payment methods such as cards and various kinds of insurance products.
  - Business Banking: offers financial products and services to companies and self-employed persons. These include investment and financing products, such as working capital products, revolving loans and medium- and long-term finance. It also offers custom structured finance and capital market solutions, as well as specialised advice for businesses. Funds mainly come from customers' term and demand deposits and mutual funds. The main services also include collection/ payment solutions such as cards and PoS terminals, as well as import and export services. It also includes Private Banking, which offers personalised expert advice, backed by specialised and high-value product capabilities for our customers.
  - Corporate Banking: this unit is responsible for managing the segment of large corporations which, because of their unique characteristics, require a tailor-made service, supplementing the range of transaction banking products with the services of the specialised units, thus offering a single, all-encompassing solution to their needs, taking into account the particular features of the economic activity sector and the markets in which they operate. It has units that develop custom products for large corporations and financial institutions. The units responsible for the development of these custom products do so for the entire Banco Sabadell Group, extending their capabilities to the Corporate and Institutional Banking segment. Through its international presence in 17 countries, with representative offices and operational branches, it offers financial and advisory solutions to large Spanish and international corporations and financial institutions. It has

branches operating in London, Paris, Lisbon, Casablanca and Miami.

- Banking Business UK: the TSB franchise covers business conducted in the United Kingdom, which includes current and savings accounts, loans, credit cards and mortgages.
- Banking Business Mexico: offers banking and financial services for Corporate Banking and Commercial Banking.

Banco Sabadell is the parent undertaking of a group of companies that, as at 31 December 2023, numbered a total of 83. Of these, aside from the parent company, 60 are considered subsidiaries and 22 are considered associates (as at 31 December 2022, there were 88 companies: the parent company, 68 subsidiaries and 19 associates).



# 1.1 Mission, values and business model

## Mission and values

Banco Sabadell helps people and businesses bring their projects to life, anticipating their needs and helping them make the best economic decisions. It does this through environmentally and socially responsible management.

This is Banco Sabadell's *raison d'être*: to help its customers make the best economic decisions so that they may see their personal and/or business projects take shape. To that end, it gives customers the benefit of the opportunities offered by big data, digital capabilities and the expertise of its specialists.

The Bank and those who form part of it share the values that help to accomplish this mission, however, wherever and whenever that may be.

Banco Sabadell accomplishes its mission while staying true to its values:

- Commitment and Non-Conformism, values that define its way of being.
- Professionalism and Effectiveness, values that define its way of working.
- Empathy and Openness, values that define its way of interacting.

## Business model, main objectives achieved and actions carried out

The Bank's business model is geared towards profitable growth that generates value for shareholders. This is achieved through a strategy of business diversification based on criteria related to profitability, sustainability, 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.

The Bank's management model focuses on a long-term vision of customers, through constant efforts to promote customer loyalty by adopting an initiative-based, proactive approach to the relationship through the various channels that the Bank's customers have at their disposal. The Bank offers a comprehensive range of products and services, qualified personnel, an IT platform with ample capacity to support future growth, and a relentless focus on quality.

Over the last twelve years, Banco Sabadell has expanded its geographical footprint in Spain and increased its market share with a series of acquisitions, the most significant of which was its acquisition of Banco CAM in 2012. In 2013, Banco Sabadell was able to undertake other corporate transactions as part of the restructuring of banks under suitable economic terms, such as the acquisition of the branch network of the former Caixa d'Estalvis del Penedès in Catalonia and Aragon, Banco Gallego and Lloyds' business in Spain.

As a result of these acquisitions and the organic growth of recent years, Banco Sabadell has strengthened its position in some of Spain's most prosperous regions (Catalonia, Valencia and the Balearic Islands) and it has also increased its market share in other key areas. According to the most recent information available, Banco Sabadell has a market share of 8% in loans and 7% in deposits at the domestic level. Banco Sabadell also has a good market share in other products, such as finance

to non-financial companies with 9%, mutual funds with 5% and PoS turnover with 17%.

With regard to international business, Banco Sabadell has always been a benchmark. This has not changed in 2023 and Banco Sabadell continues to be present in strategic areas, supporting companies in their international activity. Over the last few years, Banco Sabadell has expanded its international footprint. The main milestones have been the acquisition of British bank TSB in 2015 and the creation of a bank in Mexico in 2016.

With these developments, the Group has become one of the largest financial institutions in Spain's financial system. It has a geographically diverse business (74% in Spain, 23% in the UK and 3% in Mexico) and its customer base is now six times larger than it was in 2008. It has achieved all of this while safeguarding its solvency and liquidity.

The main factors at play in 2023 were the interest rate hikes carried out by central banks and their gradual effects on economic activity. The continuation of the disinflation process, with inflation rates clearly trending downwards, was the main reason why central banks put a stop to their rate hike cycles at the end of the year. In terms of economic activity, the Eurozone and UK economies suffered more in an environment of restrictive interest rates and maintained a situation of virtual stagnation, while the United States proved to be more resilient and surprised to the upside. Meanwhile, throughout the year there were various episodes of uncertainty, the economic impact of which was limited and short-lived. Some of the most noteworthy include the collapse of certain US regional banks, the problems at Credit Suisse and the outbreak of a new war in the Middle East between Israel and Hamas. Lastly, in the financial markets, 2023 was a more positive year for risk assets than 2022, a year in which a large portion of assets recorded heavy losses.

Against this backdrop, in year-on-year terms, Banco Sabadell significantly increased its bottom line. This Group profit was mainly driven by the good performance of core results (net interest income + fees and commissions – recurrent costs), which improved due to both the increase in net interest income and the efforts made to contain costs.

The reduction in provisions is also noteworthy, reducing both credit provisions and real estate provisions.

Banco Sabadell conducts its business in an ethical and responsible manner, gearing its commitment to society in a way that ensures its activities have a positive impact on people and the environment. Each and every person in the organisation plays their part in applying the principles and policies of corporate social responsibility, ensuring quality and transparency in customer service.

In addition to complying with the applicable regulations and standards, Banco Sabadell has a set of policies, internal rules and codes of conduct that guarantee ethical and responsible behaviour at all levels of the organisation and in all Group activities.

## 1.2 Strategic priorities

### **Profitability continues to improve on the strength of improved core results.**

The Group's Strategic Plan was unveiled on 28 May 2021. The strategic priorities revolve around (i) an increased focus on core business in Spain, with different action levers for each business line to strengthen the Bank's competitive position in the domestic market, and (ii) a significant improvement in the profitability of international business, both in the United Kingdom and in other geographies. Another aim is to reduce the cost base, to bring it in line with the current competitive environment. To deliver these changes, capital will be allocated more efficiently, fostering the growth of the Group in the geographies and business lines that offer the highest return on risk-adjusted capital.

In this way, a specific strategic approach is established for each business line:

In Retail Banking, the approach is to undertake a major transformation, profoundly changing the offering of products and services as well as the customer relationship model.

In relation to the aforesaid offering, the goal is to continue working to make transaction services more readily available to customers in a simple and agile way in digital channels. As for the commercial offering of products and services, the goal is to develop a fundamentally digital and remote offering of products for which the customer wants autonomy, immediacy and convenience, such as consumer loans, accounts and cards. For more complex products, such as mortgages, insurance and savings/investment products, where the customer requires support, the approach is to deploy product specialists and offer multi-channel support, all alongside greater process digitalisation.

The goal in Retail Banking is to respond better to customers' needs while at the same time reducing the cost base of the business.

In Business Banking, the goal is to strengthen the sizeable franchise of the Bank in this segment by establishing specific levers to achieve profitable growth, such as sector-specific solutions for businesses, support for customers in their internationalisation process, expansion of specialised solutions for SMEs, and the provision of comprehensive support for Next Generation EU funds. This is to be reinforced with an optimal risk management framework, complementing the perspective of risk experts and business experts with new business intelligence and data analytics tools.

The goal in Business Banking is to drive growth while safeguarding risk quality and boosting profitability.

The approach in Corporate Banking Spain is to develop plans to improve the profitability of each customer and increase the contribution of specialised product units to the generation of income.

The goal in this business line is to obtain adequate profitability in each customer and to meet their needs.

## TSB's turnaround marks a positive trend.

TSB's aim is to focus on what it does best and what it is known for in the market: retail mortgages. TSB has an excellent platform, with high operational capabilities for mortgage management and a well-established network of brokers, a key factor in the British market where a substantial portion of new mortgages are arranged through this channel.

TSB's aim is to increase its contribution to the Group's profitability.

In the Group's other international business, the priority is to actively manage the capital allocated by the Group to these business lines. On a supplementary basis, there are specific priorities in each geographical area: in Mexico, the focus is on rigorous cost management; in Miami, the Private Banking business will be strengthened; while in other foreign branches, priority will be given to supporting Spanish customers in their international activity.

## The majority of the financial targets for 2023 have been met.

So far, progress has been very significant. In Retail Banking, some examples include the deployment of more than 800 specialised managers, who now cover the entire branch network both in person and remotely, a new digital landing page for mortgages, an online mortgage simulator, a new portal for customers to monitor their mortgage payments, a new pricing model for consumer loans and mortgages, the digitalisation of consumer loan application processes, a 100% digital card application process, the expansion of pre-approved consumer loans and cards, the integration of Sabadell Wallet in the mobile app, the optimisation of product campaigns, the launch of a customer retention plan, and the launch of the Sabadell Online Account, which allows new customers to be registered through a 100% remote process.

As at 2023 year-end, agents specialising in mortgages generate over 50% of the total new business in this product, those specialising in savings and investment products generate 29%, while those specialising in insurance generate 21%. On the other hand, digital sales of consumer loans represent over 75% of the total, while in 2021 that figure was around 40%. Meanwhile, almost half of cards are now applied for online and 56% of new customers are acquired through the digital channel. In 2021, these digital sales capabilities were non-existent.

In Business Banking, 34 sector-specific offers have been introduced for businesses and the self-employed, and customer acquisition in these sectors has increased by 50% in 2023 compared to 2021. Online banking features have been improved, thus expanding the digital offering and interactions between the customer and the Bank/relationship manager. The use of data analytics in risk management has been enhanced and risk analysts have acquired sector-specific specialisation to better steer new lending. As a result, now, more than 80% of new lending items are granted to priority customers and sectors. In terms of capabilities, the middle market team has been bolstered to broaden the knowledge base already in use in Corporate Banking. It is also important to note that Banco Sabadell has signed a strategic agreement with Nexi, a leading European paytech company, to continue improving the value proposition and customer experience in a key product for the corporate, business and self-employed segments, through a wider and more innovative offering.

A new Private Banking model was launched to which 450 personal bankers were assigned, and the product offering and advice tools have



been enhanced with a clear growth objective in both turnover and customers.

As regards costs, efficiency plans affecting both business and retail banking were executed in 2021 and 2022 with a c.20% reduction of the workforce and c.30% reduction of branches, delivering significant cost savings.

In Corporate Banking Spain, greater focus was placed on the continuous monitoring of customer profitability, measuring this profitability as the risk-adjusted return for each customer. Furthermore, action plans were set in motion to increase profitability, resulting in 83% of customers with a RAROC above 10%, when in 2021 only 40% of customers had a RAROC above 10%.

Meanwhile, TSB has been increasing its market share in the mortgage segment since the end of 2020 and has improved its efficiency, turning its results around. After accumulating losses between 2018 and 2020, it has consistently been making positive contributions to Group profits since the first quarter of 2021.

Mexico has focused on reducing its cost base and improving its cost of risk, thus increasing its positive contribution to the Group. The Miami foreign branch, which contributes positively to the Group, has promoted its private banking franchise. As for the other foreign branches, the focus has been on supporting Spanish customers abroad and local customers who operate in Spain.

The key financial targets established in the Strategic Plan were (i) to achieve a return on tangible equity (ROTE) above 6% in 2023, and (ii) to maintain a fully-loaded CET1 capital ratio of over 12% throughout the Plan.

The macroeconomic and interest rate scenario assumptions on which the Strategic Plan forecasts were determined were set in an environment of expansionary monetary policies by central banks and were largely outdated in 2022. Central banks, seeing that inflation was considerably above their established target, were compelled to begin an accelerated and unprecedented interest rate hike cycle at the beginning of last year which has continued in 2023, with rate increases introduced at an even faster pace, pushing benchmark interest rates to levels not seen since 2001.

## Capital levels amply above regulatory requirements.

Buoyed by this more positive interest rate environment for banking intermediation activity, the Institution's revenues have increased substantially during the last two years, especially in 2023. Supported by this improvement in net interest income, the Group's profitability has risen to reach a ROTE of 11.5%, well above the initial target and considerably improving on the figure obtained in 2022, which already met the ROTE target of above 6%. Furthermore, the Group's fully-loaded CET1 capital ratio stood at 13.2%, which is also widely above the target set in the Plan and already deducts a dividend equivalent to 50% of the Group's profits. Therefore, the Group reached the end of the Strategic Plan horizon amply meeting the main targets set at the start.

Consequently, Banco Sabadell updated its targets for 2023 in line with this new environment. The revised scenario projections concerning the income statement for this year were as follows:

Net interest income growth of around 25%, a target revised upwards several times during the year thanks to a better-than-expected performance. This was based on loan book repricing, while the average cost of deposits was estimated to be around 20%-25% of the average



Euribor during the year. This target has been met, since net interest income went up 24% in the year.

In terms of fees and commissions, these were expected to record a mid-single digit drop due to the weaker performance of service fees in a context of high interest rates. This income performed in line with expectations, with negative annual growth of 7.0%.

As for costs, inflation was expected to remain contained, with the total cost base standing just below 3 billion euros at the end of the year, equivalent to an increase in costs of no more than 3.5%. In the end, the increase in recurrent costs, excluding the 33 million euros of expenses related to the efficiency plan announced during the results presentation for the fourth quarter of 2023, was 3.5%, in line with expectations.

On the other hand, total cost of risk was expected to remain below 60 basis points, after slightly improving the target during the year thanks to robust asset quality. This projection has been met, since total cost of risk stood at 55 basis points in 2023.



# 1.3 Banco Sabadell share performance and shareholders

Banco Sabadell's share capital amounts to 680,027,680.875 euros, represented by 5,440,221,447 shares of a single class with a par value of 0.125 euros. The number of shares in the Bank decreased during the year by 186,743,254 as a result of the share buyback programme carried out between July and November, approved at the Annual General Meeting on 23 March 2023, and the subsequent capital reduction through the redemption of shares that was entered in the Companies Register of Alicante on 11 December 2023.

2023 was marked by ongoing interest rate hikes by central banks, liquidity problems of regional banks in the US, entrenchment of the war in Ukraine, inflation still at high rates but on a downward trend, and the outbreak of a new conflict in the Middle East. As a result of all these factors, the macroeconomic indicators of the main developed economies gave mixed signals throughout the year.

In the financial markets, the year started out on a very positive note, particularly in the financial sector, thanks to expectations of higher profitability by financial institutions supported by the interest rate hikes introduced by central banks. However, as the year went on and as a result of the liquidity problems of the USA's Silicon Valley Bank, financial markets on both sides of the Atlantic became more volatile. In particular, the financial sector underwent a sharp correction. Subsequently, further episodes of volatility were triggered by the uncertainty around Credit Suisse, which would be resolved with its acquisition by UBS.

Central banks continued to combat inflation, which started to ease off on a global scale throughout the year, although it remains at rates above the monetary authorities' target. Core inflation also trended downwards, albeit more slowly. The fact that there was no sign of an end to the war in Ukraine, together with the subsequent outbreak of a new conflict in the Middle East, heightened uncertainty about the potential impact on the global economy and on the pace of falling inflation.

In the Eurozone, the European Central Bank continued to tighten monetary policy with six hikes during the year and raised the official interest rate by 200 basis points to 4.50%, the highest it has been in the Eurozone since 2001. Moreover, the 12-month Euribor ended the year at around 3.5%, a level not seen since 2008.

As a result of this environment of higher interest rates, the banking industry, across the board, benefited from the increased capacity to intermediate in the economy and experienced a significant improvement in performance despite higher costs of funding. All in all, on balance it was a positive year, and the profitability of the banking industry converged to levels close to the required cost of capital.

As regards Banco Sabadell's share price performance, it has kept the good tone of recent years, with a revaluation of +33% in the year. On a like-for-like basis, the market revaluation has been above the European banking industry benchmark (STOXX Europe 600 Banks), which rose by +20%, and also above general indices such as EURO STOXX 50 and IBEX 35, which cumulatively increased by +12% and +23%, respectively, over the year. The economic and financial factors mentioned above have had a significant influence on share price performance. In addition, in terms of Banco Sabadell's idiosyncratic factors, it is worth pointing out that improvements in efficiency, operating income and profitability continued, thanks to annual results that have benefited from interest rate hikes and have enabled the Institution to achieve the highest level of

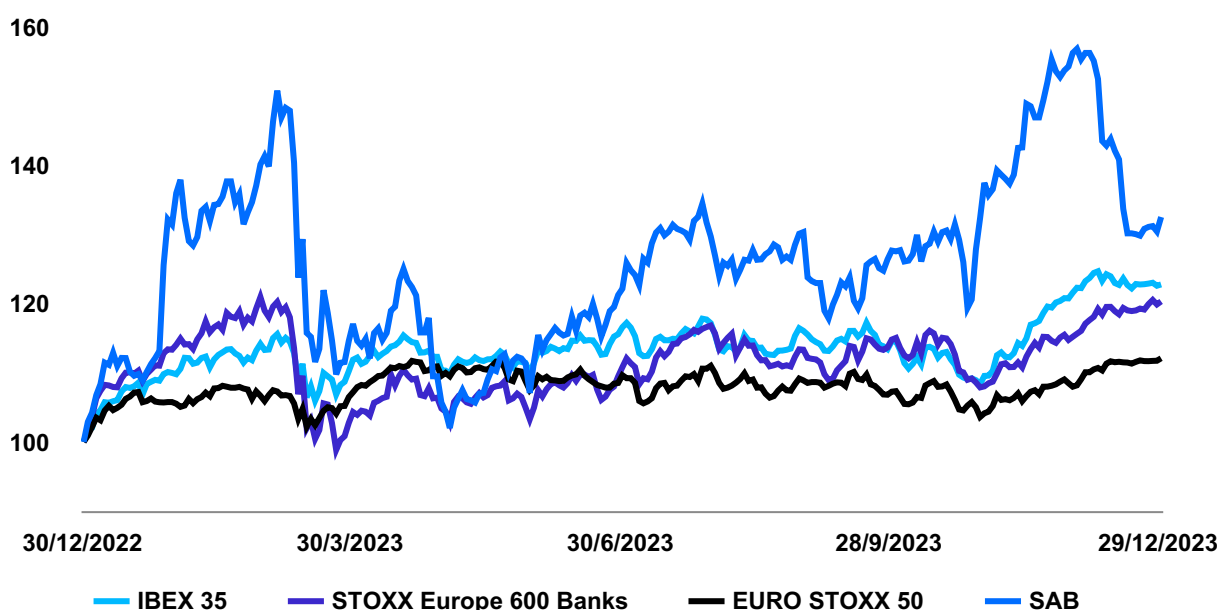
annual profit in its history. This was well received by financial analysts and the market in general.

At the end of 2023, 92% of equity analysts covering Banco Sabadell had a Buy or Hold recommendation on the stock.

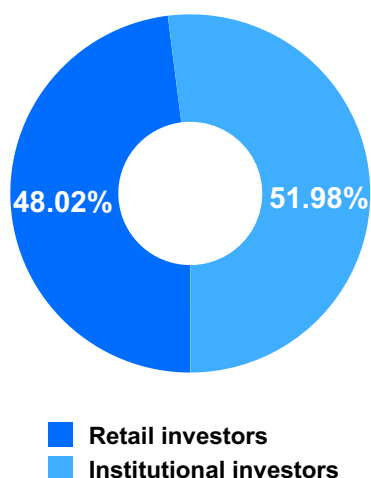
The shareholding structure in 2023 is balanced among institutional and retail shareholders, the former representing 52% and the latter 48%. Within the Bank's shareholding structure, as at year-end 2023, three investor groups reported a holding of more than 3% according to figures reported to the CNMV. The aggregate holding of those three shareholders represents 10.10% of the total share capital; the remaining holdings are free-float capital. The members of the Board of Directors, one of whom indirectly controls the voting rights attributed to the shares held by one of the aforesaid investors, hold 3.75% of the Bank's share capital.

Banco Sabadell's market capitalisation stood at 6,014 million euros at year-end, with a price/tangible book value ratio of 0.51.

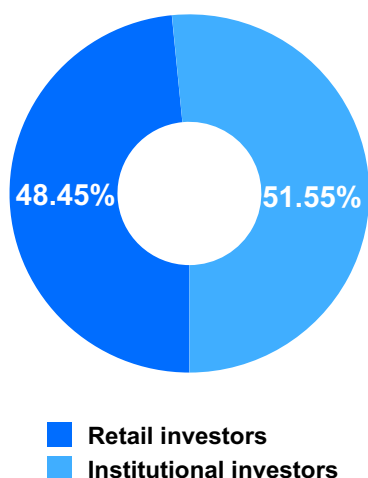
The graph below shows the evolution of the share price performance over the year:



Shareholder distribution in 2023



Shareholder distribution in 2022



Analysis of shareholdings as at 31 December 2023			
Number of shares	Shareholders	Shares in tranche	% of capital
From 1 to 12,000	168,843	531,041,462	9.76 %
From 12,001 to 120,000	41,967	1,305,324,842	24.00 %
From 120,001 to 240,000	1,656	275,264,990	5.06 %
From 240,001 to 1,200,000	930	415,699,219	7.64 %
From 1,200,001 to 15,000,000	137	514,826,662	9.46 %
More than 15,000,000	27	2,398,064,272	44.08 %
<b>TOTAL</b>	<b>213,560</b>	<b>5,440,221,447</b>	<b>100.00 %</b>

Analysis of shareholdings as at 31 December 2022			
Number of shares	Shareholders	Shares in tranche	% of capital
From 1 to 12,000	172,396	544,828,582	9.68 %
From 12,001 to 120,000	43,289	1,345,690,480	23.92 %
From 120,001 to 240,000	1,773	292,025,971	5.19 %
From 240,001 to 1,200,000	970	436,083,675	7.75 %
From 1,200,001 to 15,000,000	150	462,045,729	8.21 %
More than 15,000,000	32	2,546,290,264	45.25 %
<b>TOTAL</b>	<b>218,610</b>	<b>5,626,964,701</b>	<b>100.00 %</b>

	Million	Million euro	Euro	Million euro	Euro
	Average number of shares ( *)	Profit attributable to the Group	Profit attributable to the Group, per share	Own funds	Book value per share
2020	5,582	2	—	12,944	2.32
2021	5,586	530	0.080	13,357	2.39
2022 (**)	5,594	889	0.140	13,635	2.43
2023	5,401	1,332	0.225	14,344	2.65

(\*) The average number of shares is shown net of the treasury stock position.

(\*\*) The data corresponding to 2022 has been restated to take into account the implementation of IFRS 17 (see Note 1.4 to the consolidated annual financial statements for 2023).

# Share performance

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

	2023	2022 (*)	Year-on-year change (%)
<b>Shareholders and trading</b>			
Number of shareholders	213,560	218,610	(2.3)
Total number of shares outstanding (million) (**)	5,403	5,602	(3.6)
Average daily trading (million shares)	30	41	(28.3)
<b>Share price (euro)</b>			
Opening	0.881	0.592	—
High	1.364	0.950	—
Low	0.873	0.565	—
Closing	1.113	0.881	—
Market capitalisation (million euro)	6,014	4,934	—
<b>Market ratios</b>			
Earnings per share (EPS) (euro) (***)	0.23	0.14	—
Book value per share (euro)	2.65	2.43	—
P/TBV (price/tangible book value per share)	0.51	0.44	—
Price/earnings ratio (share price/EPS)	4.94	6.32	—

(\*) The data corresponding to 2022 has been restated to take into account the implementation of IFRS 17 (see Note 1.4 to the consolidated annual financial statements for 2023).

(\*\*) Total number of shares minus final treasury stock position.

(\*\*\*) Denominator corresponds to average number of shares outstanding (average number of total shares minus average treasury stock and minus average number of shares subject to a buyback programme).

## Dividend policy

**Shareholder remuneration increased by 55% in the year, distributing 50% of 2023 earnings.**

The Bank's shareholder remuneration conforms to the provisions of its Articles of Association. It is proposed by the Board of Directors and submitted to the Annual General Meeting for approval each year. In addition, Banco Sabadell has a Shareholder Remuneration Policy that lays down principles that determine the shareholder remuneration framework.

In 2022, the Bank established a payout ratio (percentage of earnings to be allocated to shareholder remuneration) of 50%. Thus, of the 859 million euros of profit attributable to owners of the parent in 2022, 430 million euros were allocated to shareholder remuneration. The remuneration was distributed in the form of a cash dividend and a share buyback.

The cash dividend was paid in two instalments. An interim dividend of 0.02 euros per share was paid in December 2022, and a supplementary dividend of 0.02 euros per share was paid in April 2023, after the Annual General Meeting approved the profit allocation for the year. The total cash dividend amounted to 225 million euros and

represented an increase of 33.3% compared to 2022. Calculated on the closing share price in 2022, the cash dividend yield was 4.5%.

The share buyback commenced on 3 July 2023, once the requisite authorisation from the European Central Bank had been received, and concluded on 10 November 2023, after having reached the approved maximum pecuniary amount of 204 million euros. In total, 186,743,254 shares with a par value of 0.125 euros each were repurchased, representative of approximately 3.32% of Banco Sabadell's share capital. The public deed corresponding to the capital reduction was entered with the Companies Register of Alicante on 11 December 2023.

The most salient aspects of the share buyback programme are shown below. For more information, see Note 3 to the consolidated annual financial statements for the year 2023.

Closing date	Number of shares	% of share capital	Payment (thousand euro)
10/11/2023	186,743,254	3.32%	204,000

Meanwhile, on 25 October 2023, the Board of Directors approved an interim dividend in cash of 0.03 euros per share, from 2023 earnings, which was paid on 29 December 2023 and entailed a 50% increase compared to the interim dividend of the previous year. Subsequently, at its meeting of 31 January 2024, the Board of Directors resolved to propose, for approval at the next Annual General Meeting, a supplementary cash dividend of 0.03 euros per share to be paid out of 2023 earnings. Both dividends represent a total amount of 326 million euros or 0.06 euros per share and a yield of 5.4% on the share price as at 2023 year-end.

In addition to this cash dividend, the Board of Directors of Banco Sabadell, after having obtained the prior permission of the competent authority, also resolved to establish, out of the 2023 earnings, a buyback programme of treasury shares for their redemption through a resolution for share capital reduction to be proposed to the Annual General Meeting of Shareholders, of up to a maximum amount of 340 million euros, whose terms, once they are set by the Board of Directors, will be the content of a new announcement before starting its execution.

The total shareholder remuneration corresponding to 2023, which combines the cash dividend and the share buyback programme, will, therefore, be equivalent to 50% of the profit attributable to the owners of the parent company, complying with the shareholder remuneration policy.

All in all, shareholder remuneration reached the aforementioned 50% payout, including both the dividend cash payment and the share buyback, bringing the total distributed amount to 666 million euros or 0.12 euros per share, a 55% increase on the shareholder remuneration in 2022, and representing a yield of 10.8% on the share price as at 2023 year-end.



# Credit rating

In 2023, the four agencies that assessed Banco Sabadell's credit quality were S&P Global Ratings, Moody's Investors Service, Fitch Ratings and DBRS Ratings GmbH.

On 9 February 2024, S&P Global Ratings upgraded Banco Sabadell's long-term issuer credit rating to 'BBB+' from 'BBB', changing the outlook to stable from positive. This improvement reflects the Institution's improved profitability, which is currently at levels commensurate with the franchise and its competitors' profitability. The short-term rating was also affirmed at 'A-2'.

On 12 May 2023, DBRS Ratings GmbH affirmed Banco Sabadell's long-term issuer rating at 'A (low)' with a stable outlook, reflecting the strength of the franchise as Spain's fourth largest banking group. It also took a positive view of its solid asset quality profile, its strong position in wholesale funding and liquidity, and the Group's satisfactory capitalisation. The short-term rating remained at 'R-1 (low)'. The full report on the revision was published on 24 May.

On 13 June 2023, Fitch Ratings affirmed its long-term rating of Banco Sabadell at 'BBB-', improving the outlook to positive from stable, mainly reflecting Fitch's expectations that Sabadell's profitability will continue to structurally improve due to higher interest rates, contained credit provisions and improved earnings of the Bank's UK subsidiary. The short-term rating remained at 'F3'. The full report on the revision was published on 30 June.

On 27 October 2023, Moody's Investors Service upgraded the rating of Banco Sabadell's long-term deposits from 'Baa2' to 'Baa1' and that of its long-term senior debt from 'Baa3' to 'Baa2', changing the outlook of both ratings from positive to stable. This rating upgrade reflects the gradual strengthening of Banco Sabadell's credit profile, mainly in terms of asset quality and profitability, and Moody's view that the interest rate environment will support further profitability improvements over the outlook horizon, while the increase in non-performing assets will remain contained. The short-term rating remained at 'Prime-2'. The full report on the revision was published on 7 November.

During 2023, Banco Sabadell has been in continuous contact with the four agencies. In both virtual and face-to-face meetings, issues such as progress with the Strategic Plan 2021-2023, results, capital, liquidity, risks, credit quality and management of NPAs were discussed with analysts from these agencies.

The table below details the current ratings and the last date on which any publication reiterating this rating was made.

	Long-term	Short-term	Outlook	Last updated
DBRS	A (low)	R-1 (low)	Stable	24/05/2023
S&P Global Rating	BBB+	A-2	Stable	09/02/2024
Moody's Investors Service	Baa2	P-2	Stable	07/11/2023
Fitch Ratings	BBB-	F3	Positive	30/06/2023



# 1.4 Corporate governance

Banco Sabadell has a sound corporate governance structure that ensures effective and prudent management of the Bank, in which it prioritises ethical, solid and transparent governance, taking into account the interests of shareholders, customers, employees and society in the geographies in which it operates.

The internal governance framework, which sets out, among other aspects, its shareholding structure, the governing bodies, the Group's structure, the composition and operation of corporate governance, the internal control functions, key governance matters, the risk management framework, the internal procedure for the approval of credit transactions granted to directors and their related parties and the Group's policies, is published on the corporate website: [www.grupbancsabadell.com](http://www.grupbancsabadell.com) (see section "Corporate Governance and Remuneration Policy – Internal Governance Framework").

As required by Article 540 of the Spanish Capital Companies Act, Banco Sabadell Group has prepared the Annual Corporate Governance Report for the year 2023, which, in accordance with Article 49 of the Spanish Commercial Code, forms part of the consolidated Directors' Report for 2023. It includes a section on the extent to which the Bank follows recommendations on corporate governance currently in existence in Spain.

As it has done in previous years, Banco Sabadell has opted to prepare the Annual Corporate Governance Report in free PDF format, in accordance with CNMV Circular 2/2018 of 12 June, in order to explain and publicise, with maximum transparency, the main aspects contained therein.

## Annual General Meeting 2023

The Bank's main governing body is the Annual General Meeting, in which 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, as well as any business decisions that the Board of Directors considers to be of vital importance for the Bank's future and corporate interests.

The Annual General Meeting has adopted its own Regulation, which sets out the principles and basic rules of action (available on the corporate website under "Shareholders' General Meeting – Regulations of the Shareholders' Meeting"), safeguarding shareholder rights and transparency.

In the Annual General Meeting, shareholders may cast one vote for every thousand shares that they own or represent. The Policy for communication and contact with shareholders, institutional investors and proxy advisors, approved by the Board of Directors and adapted to the Good Governance Code of Listed Companies following its June 2020 revision, 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 and of all other stakeholders of Banco Sabadell.

The Bank has maintained the highest standards of transparency and participation to improve and promote the participation of shareholders in the Annual General Meeting of 23 March 2023, so that they were able to attend in person as well as remotely through a live broadcast, continuing



the approach adopted in 2022, vote on motions on the agenda and speak during question time. In addition, the Bank set up electronic channels through Banco Sabadell's websites (corporate website and BSOOnline) and its mobile app (BSMóvil) so that shareholders could delegate and cast their vote ahead of the Annual General Meeting.

The integration of these channels with the Bank's website was also improved to enhance the experience of customers that are shareholders and of shareholders in general and to facilitate interaction.

The Annual General Meeting for 2023, convened on 16 February 2023, took place on 23 March 2023, on second call.

The Annual General Meeting held on 23 March 2023 approved all items on the agenda, among them the annual financial statements and the corporate management for the financial year 2022 and, in relation to appointments, shareholders approved the re-election as Board members of the Chairman, Josep Oliu Creus, in the capacity of Other External Director; of Aurora Catá Sala, in the capacity of Independent Director; of María José García Beato, in the capacity of Other External Director; and of David Vegara Figueras, in the capacity of External Director; as well as the ratification and appointment of Laura González Molero, in the capacity of Independent Director.

Regarding the content of its resolutions, in terms of appointments, it is important to note that on 26 January 2023, Anthony Frank Elliott Ball resigned from his role as Independent Director of Banco Sabadell, effective from the date of the next Annual General Meeting. Mr Ball had held the position of Lead Independent Director. To fill this vacancy, the Annual General Meeting agreed the appointment of Pedro Viñolas Serra as Independent Director, who joined his first meeting as Board member on 30 June 2023, once the corresponding regulatory authorisations had been received.

In the interests of the aforementioned principle of transparency, and in response to the participation of investors and proxy advisors in the Corporate Governance roadshows, at the Annual General Meeting of 2023, on the occasion of the approval of the new Director Remuneration Policy, among other measures, new remuneration for the Chief Executive Officer for his executive duties was announced. 97.36% of votes were cast in favour of this Policy at the Annual General Meeting.

The Annual General Meeting also approved, under item four on the agenda and with 99.30% of votes in favour, Banco Sabadell's share capital reduction by the nominal amount of treasury shares that could be acquired by the Institution, under the share buyback programme that the Board of Directors planned to implement, for a maximum pecuniary amount of 204 million euros, all within the maximum limit corresponding to 10% of the share capital on the date of the proposed resolution, and after obtaining the corresponding regulatory authorisations. The capital reduction, as planned, would be carried out through the redemption of treasury shares acquired under the authorisation granted by the aforementioned Annual General Meeting under item eight on the agenda or, where appropriate, any resolution of the Annual General Meeting regarding the acquisition of treasury shares for redemption purposes, in accordance with the provisions of applicable legislation and regulations. The Board of Directors was also empowered to specify and develop the aforementioned capital reduction agreement, setting the terms and conditions of the capital reduction in all matters not already provided for and, in particular, setting the date on which the capital reduction should be carried out and determining the number of shares to be redeemed. The Board was also empowered, in certain cases and due to unforeseen circumstances, to opt not to execute the capital reduction. The period to execute on the agreement was established until the date of the next Ordinary Annual General Meeting.

On 30 June 2023, after receiving the required authorisation from the European Central Bank, Banco Sabadell announced to the market, by means of an Inside Information notice filed with the CNMV under number

1909, the establishment and implementation of a temporary share buyback programme for a maximum pecuniary amount of 204 million euros. The buyback programme was carried out in accordance with the provisions of Article 5 of Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016.

On 13 November 2023, Banco Sabadell announced the end of the buyback programme after reaching the established maximum pecuniary amount, having acquired a total of 186,743,254 treasury shares representing approximately 3.32% of the share capital prior to the reduction.

On 30 November 2023, the Board of Directors agreed to execute the share capital reduction, setting its amount at 23,342,906.75 euros, through the redemption of all the shares acquired under the buyback programme. Banco Sabadell's share capital resulting from the capital reduction was set at 680,027,680.875 euros, represented by 5,440,221,447 registered shares with a par value of 0.125 euros each, all belonging to the same class and series.

The capital reduction and the amendment to Article 7 of the Articles of Association relating to share capital were entered in the Companies Register of Alicante on 11 December 2023. The reduction was therefore completed and the redeemed shares were delisted.

As regards sustainability, it is also important to note that for the third consecutive year, Banco Sabadell has obtained certification of its Annual General Meeting as a "Sustainable Event", having satisfactorily met the sustainability criteria for certification and having passed the preliminary assessment process and the in-person audit conducted by Eventsost.

In addition, an external consultant verified the procedures established for the preparation and holding of the Annual General Meeting 2023. The external consultant verified, from a technical, procedural and legal perspective, that the requirements, internal procedures and applicable regulations had been complied with in Phase I: pre-Meeting, Phase II: Meeting and Phase III: post-Meeting.

Information regarding the 2023 Annual General Meeting is published on the corporate website [www.grupbancsabadell.com](http://www.grupbancsabadell.com) (see the website section "Shareholders and Investors - Shareholders' General Meeting").

## Composition of the Board of Directors

With the exception of matters reserved to the Annual General Meeting, the Board of Directors is the most senior decision-making body of 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 control, delegating the management of ordinary business matters to the Chief Executive Officer.

The Board of Directors is subject to well-defined and transparent rules of governance, in particular to the Articles of Association and the Regulation of the Board of Directors (available on the corporate website under "Corporate Governance and Remuneration Policy – Regulation of the Board"), and it conforms to best practices in the area of corporate governance.

The Board of Directors, at its meeting on 23 March 2023, agreed to appoint George Donald Johnston III as Lead Independent Director, replacing Anthony Frank Elliott Ball who as mentioned above resigned from his role, effective from the date of the Annual General Meeting that took place on 23 March 2023.

As at 31 December 2023, the Board of Directors was formed of fifteen members: its Chairman (in the capacity of Other External Director), ten Independent Directors, two Executive Directors, one Other External

## Composition of the Board Committees

31 December 2023

### Chair

Josep Oliu Creus

### Deputy Chair

Pedro Fontana García

### Sabadell Group CEO

César González-Bueno Mayer

### Female Director

Aurora Catá Sala  
María José García Beato  
Mireya Giné Torrens  
Laura González Molero  
Alicia Reyes Revuelta

### Director

Luis Deulofeu Fuguet  
David Martínez Guzmán  
José Manuel Martínez Martínez  
Manuel Valls Morató  
Pedro Viñolas Serra

### Lead Independent Director

George Donald Johnston III

### Director-General Manager

David Vegara Figueras

### Non-Director Secretary

Miquel Roca i Junyent

### Non-Director Deputy Secretary

Gonzalo Barettino Coloma



Director and one Proprietary Director. The Board's composition keeps an adequate balance between the different director categories that comprise it.

The Board of Directors has a diverse and efficient composition. It is of the appropriate size to perform its duties effectively by drawing on a depth and diversity of opinions, enabling it to operate with a good level of quality and effectiveness and in a participatory way. Its members are suitably diverse in terms of competencies, professional background, origin and gender, and they have extensive experience in banking, finance, anti-money laundering & counter-terrorist financing, digital transformation & IT, insurance, risk & auditing, in regulatory affairs and the law, in academia, human resources & consultancy, responsible business & sustainability, as well as in international business. The Board's Matrix of Competencies can be consulted on the website under "Internal Governance Framework of Banco Sabadell" (see the corporate website "Corporate governance and Remuneration Policy – Internal Governance Framework" section).

Banco Sabadell has had a competency and diversity matrix in place since 2019, which is reviewed annually by the Board of Directors, following a favourable report from the Board Appointments and Corporate Governance Committee, and which was last reviewed on 30 March 2023, as a result of the most recent appointment of Pedro Viñolas Serra as a new Board member and the change in Lead Independent Director.

As at 2023 year-end, there were five female Directors, including four female Independent Directors out of a total of ten Independent Directors and one female "Other External" Director. Women account for 33% of members on the Board of Directors, honouring the Bank's commitment expressed in Sabadell's Commitment to Sustainability for 2023. They also account for 40% of Independent Directors, in line with the Directive of the European Parliament and of the Council on improving the gender balance among directors of listed companies and related measures.

It is necessary to point out that the Board Appointments and Corporate Governance Committee agreed to submit a proposal to the Board of Directors for submission at the 2024 Annual General Meeting regarding the appointment of a female Independent Director to replace Independent Director José Manuel Martínez Martínez, who resigned effective from the date of the Ordinary Annual General Meeting. This appointment will increase the percentage of female Board membership, reaching 40% in 2024, thus fulfilling the Bank's commitment stated in Sabadell's Commitment to Sustainability ahead of schedule.

In relation to knowledge, skills and expertise, the following areas have been bolstered: corporate banking, accounting and auditing, risk management, anti-money laundering and counter-terrorist financing, responsible business practices and sustainability, and academic skills.

Banco Sabadell's Director Selection Policy of 25 February 2016 (amended on 29 September 2022 and reviewed with no amendment required on 28 September 2023) establishes the principles and criteria that should be taken into account in selection processes and also, therefore, in the initial fit and proper assessment and ongoing assessments of the members of the Board of Directors, as well as in the re-election of members of the management body in order to ensure their smooth succession, the continuity of the Board of Directors and the suitability of all its members.

The process for selecting candidates to sit on the Board of Directors and for re-electing existing directors is governed, among others, by the diversity principle, fostering the diversity of the Board of Directors in order to promote a diverse pool of members, and ensuring that a broad set of qualities and competences is engaged when recruiting members, to achieve a variety of views and experiences and to facilitate independent opinions and sound decision-making within the Board of Directors.

The Board of Directors should ensure that the procedures for selecting its members apply the diversity principle and favour diversity in relation to areas such as age, gender, disability, geographical provenance

and educational and professional background, as well as any other aspects deemed suitable to ensure the suitability and diversity of its pool of members. Furthermore, it should ensure that such procedures are free from implicit bias that may entail any degree of discrimination and, in particular, that they facilitate the selection of female directors in the number required to achieve a composition that is balanced between women and men.

The Board of Directors has a Lead Independent Director who, in accordance with the Articles of Association, may ask the Board of Directors to call a meeting, request the inclusion of new items on the meeting agenda, coordinate and convene Non-Executive Directors, voice the opinions of External Directors and lead, where applicable, the regular appraisal of the Chair of the Board of Directors. In addition, the Lead Independent Director coordinates the Succession Plan for the Chairman and Chief Executive Officer, approved in 2016 and reviewed in January 2023, and leads meetings with investors and proxy advisors.

To ensure better and more diligent performance of its general supervisory duties, the Board of Directors undertakes to directly perform the responsibilities provided by law. These include:

- those deriving from generally applicable rules on corporate governance;
- approving the company's general strategies;
- appointing and, where necessary, removing directors of subsidiaries;
- identifying the company's main risks and implementing and monitoring appropriate internal control and reporting systems;
- drawing up policies 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 at the Annual General Meeting;
- approving the Annual Corporate Governance Report;
- authorising the company's transactions with directors and significant shareholders that could potentially give rise to conflicts of interest; and
- generally deciding on business or financial transactions that are of particular importance for the company.

## Board Committees

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

- The Board Strategy and Sustainability Committee.
- The Delegated Credit Committee.
- The Board Audit and Control Committee.
- The Board Appointments and Corporate Governance Committee.
- The Board Remuneration Committee.
- The Board Risk Committee.

The organisation and structure of the Board Committees are set out in the Articles of Association and in their respective Regulations, which establish the rules governing their composition, operation and responsibilities (see the section of the corporate website "Corporate Governance and Remuneration Policy – Regulations of the Committees"), and which develop and supplement the rules of operation and basic functions set out in the Articles of Association and in the Regulation of the Board of Directors.

The Board Committees have sufficient resources to perform their duties and they may seek external professional advice and information on any aspect of the Institution, having unrestricted access both to Senior Management and Group executives and to all information and

documentation, of any kind, held by the Institution on matters within their remit.

On 23 March 2023, the Lead Independent Director, Anthony Frank Elliott Ball, resigned as member of the Board Appointments and Corporate Governance Committee and as member of the Board Remuneration Committee following his resignation from the role of Director.

At its meeting of 30 June 2023, the Board of Directors agreed, following a report from the Board Appointments and Corporate Governance Committee, to change the composition of the Board Committees. The changes were made after Pedro Viñolas Serra joined the Board of Directors as Independent Director of Banco Sabadell and after the analysis carried out by the Board Appointments and Corporate Governance Committee of the composition of the Board Committees in order to continuously improve the Institution's corporate governance.

The length of time in the role of Chair of the Board Remuneration Committee (since 2015) was analysed, concluding that a rotation of the Chair was appropriate, but also praising the excellent work carried out by Aurora Catá Sala in performing her duties. Independent Director Aurora Catá Sala was substituted by Independent Director Mireya Giné Torrens. The new Chair of the Board Remuneration Committee, with expertise in human resources, talent, culture and remuneration, is deemed the right person to succeed Aurora Catá Sala and occupy this role. The presence of women, as the under-represented sex, thus remains intact and increases the age diversity of those occupying the roles.

Independent Director Manuel Valls Morató was appointed Chair of the Board Audit and Control Committee, replacing Independent Director Mireya Giné Torrens. Manuel Valls Morató has expertise and knowledge in the Committee's duties and experience in the role, having held it previously.

In addition, the Lead Independent Director and Chair of the Board Risk Committee, George Donald Johnston III, was appointed as a member of the Board Strategy and Sustainability Committee, substituting Lead Independent Director José Manuel Martínez Martínez. Independent Director Pedro Viñolas Serra was appointed as a member of the Delegated Credit Committee, replacing Other External Director María José García Beato, and as a member of the Board Audit and Control Committee. Other External Director María José García Beato was appointed as a member of the Board Appointments and Corporate Governance Committee. Lastly, Independent Director and Chair of the Board Appointments and Corporate Governance Committee José Manuel Martínez Martínez was appointed a member of the Board Remuneration Committee, replacing Lead Independent Director and Chair of the Board Risk Committee George Donald Johnston III.



The composition and number of meetings of these Board Committees as at 31 December 2023 are shown in the table below:

#### Composition of the Board Committees

Position	Strategy and Sustainability	Delegated Credit	Audit and Control	Appointments and Corporate Governance	Remuneration	Risk
Chair	Josep Oliu Creus	Pedro Fontana García	Manuel Valls Morató	José Manuel Martínez Martínez	Mireya Giné Torrens	George Donald Johnston III
Voting member	Luis Deulofeu Fuguet	Luis Deulofeu Fuguet	Pedro Fontana García	Aurora Catá Sala	Laura González Molero	Aurora Catá Sala
Voting member	Pedro Fontana García	César González-Bueno Mayer	Laura González Molero	María José García Beato	José Manuel Martínez Martínez	Alicia Reyes Revuelta
Voting member	María José García Beato	Alicia Reyes Revuelta	Pedro Viñolas Serra	Mireya Giné Torrens		Manuel Valls Morató
Voting member	César González-Bueno Mayer (*)	Pedro Viñolas Serra				
Voting member	George Donald Johnston III					
Secretary Non-voting member	Miquel Roca i Junyent	Gonzalo Baretino Coloma	Miquel Roca i Junyent	Miquel Roca i Junyent	Gonzalo Baretino Coloma	Gonzalo Baretino Coloma
<b>Number of meetings in 2023</b>	<b>12</b>	<b>36</b>	<b>12</b>	<b>13</b>	<b>10</b>	<b>15</b>

(\*) Member for matters of strategy only.

## Board Strategy and Sustainability Committee

The Board Strategy and Sustainability Committee was set up in 2021 and is formed of five Directors: three Independent, one Other External and its Chair (in the capacity of Other External Director), who is the Chairman of the Board of Directors. On matters of strategy, the Chief Executive Officer will take part in the meetings, with full voting and speaking privileges, meaning that on such matters the Committee will have six members.

With regard to strategy, the Board Committee's main responsibilities are to evaluate and propose strategies to the Board of Directors for the company's business growth, development, diversification or transformation, and to report to and advise the Board of Directors on matters related to the company's long-term strategy, identifying new opportunities to create value and bringing corporate strategy proposals to the Board's attention in relation to new investment or divestment opportunities, financial transactions with a material accounting impact, and significant technological transformations. It is also responsible for studying and putting forward recommendations and improvements to the strategic plans and their updates which may be brought before the Board at any time, and for issuing and submitting to the Board an annual report containing the proposals, assessments, studies and work carried out during the year.

With regard to sustainability, the Board Committee has the following responsibilities: review the Institution's sustainability and environmental policies; report to the Board of Directors on potential modifications and regular updates of the sustainability strategy; review the definition and modification of the policies on diversity and inclusion, human rights, equal opportunities and work-life balance and periodically evaluate the level of

compliance therewith; review the Bank's strategy for social action and its sponsorship and patronage plans; review and report on the Institution's Non-Financial Disclosures Report, prior to its review and related reporting by the Board Audit and Control Committee and before its subsequent submission to the Board of Directors; and receive information related to reports, documents or communications from external supervisory bodies with regard to the responsibilities of this Board Committee.

## Delegated Credit Committee

The Delegated Credit Committee is formed of five Directors: one Executive and four Independent Directors. Its main duties are to analyse and, where appropriate, resolve credit operations, in accordance with the assumptions and limits established by express delegation of the Board of Directors, and to prepare reports on matters within its area of activity that may be required of it by the Board of Directors. Furthermore, it shall have the responsibilities ascribed to it by Law, the Articles of Association and the Regulation of the Board of Directors.

## Board Audit and Control Committee

The Board Audit and Control Committee is formed of four Independent Directors, its Chair being an audit expert. It meets at least once every quarter and aims to oversee the effectiveness of the Bank's internal control, internal audit and risk management systems, supervise the process for preparing and disclosing regulated financial information, report on the Bank's annual and interim accounts, manage relations with statutory auditors, and ensure that appropriate measures are taken in the event of any improper conduct or methods. It also ensures that the measures, policies and strategies defined by the Board of Directors are duly implemented.

## Board Appointments and Corporate Governance Committee

The Board Appointments and Corporate Governance Committee is formed of three Independent Directors and one Other External Director. Its main duties are to exercise vigilance to ensure a compliant qualitative composition of the Board of Directors, evaluating the suitability and necessary skills and experience of the members of the Board of Directors, escalate proposals for the appointment of Independent Directors, report on proposals for the appointment of the remaining Directors, report on proposals for the appointment and removal of senior executives and members of the Identified Staff, report on the basic terms of the contracts of Executive Directors and senior executives, examine and organise the succession of the Bank's Chair of the Board and Chief Executive Officer and, where appropriate, put forward proposals to the Board so that the aforesaid succession may take place in an orderly and planned manner. It should also set a target for representation of the under-represented sex on the Board and produce guidelines on how to achieve that target.

In matters related to Corporate Governance, it is responsible for informing the Board of Directors of the company's corporate policies and internal regulations, unless they fall within the remit of other Board Committees; supervising compliance with the company's corporate governance rules, except for those that fall within the remit of other Board

Committees; submitting the Annual Corporate Governance Report to the Board of Directors for its approval and annual publication; supervising, within its sphere of competence, the company's communications with shareholders and investors, proxy advisors and other stakeholders and reporting to the Board of Directors on these communications; and any other actions that may be necessary to ensure good corporate governance in all of the company's activities.

## Board Remuneration Committee

The Board Remuneration Committee is formed of three Independent Directors. Its main responsibilities are to put forward proposals to the Board of Directors on the remuneration policy for Directors and General Managers, as well as on individual remuneration and other contractual terms of Executive Directors, and to ensure compliance therewith. Additionally, it provides information about the Annual Report on Director Remuneration and reviews the general principles concerning remuneration and the remuneration schemes applicable to all employees, ensuring transparency in remuneration matters.

## Board Risk Committee

The Board Risk Committee is formed of four Independent Directors. Its main duties are to supervise and ensure that all risks of the Institution and its consolidated Group are appropriately taken, controlled and managed, and to report to the full Board on the performance of its duties, in accordance with the law, the Articles of Association, the Regulations of the Board of Directors and of the Board Committee itself.

## Chairman of the Bank

Article 55 of the Articles of Association stipulates that the Chair shall perform their duties as a non-executive director. The Chair is the most senior representative of the Bank and has the rights and obligations inherent in that position. The Chairman, through the performance of his duties, is ultimately responsible for the effective operation of the Board of Directors and, as such, he will represent the Bank in all matters and sign on its behalf, convene and preside over meetings of the Board of Directors, setting the meeting agenda, lead discussions and deliberations during Board meetings and ensure the fulfilment of the resolutions adopted by the Board of Directors.

## Chief Executive Officer

Pursuant to Article 56 of the Articles of Association, the Chief Executive Officer is ultimately responsible for managing and directing the business, representing the Bank in the absence of the Chair. The Board of Directors shall also delegate to the Chief Executive Officer, on a permanent basis, all the powers that it sees fit from among those that may be legally delegated.

## Control units

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

The Bank publishes the Annual Corporate Governance Report, which includes detailed information on the Bank's corporate governance, the Annual Report on Director Remuneration and the Non-Financial Disclosures Report, which form part of this Directors' Report, on the website of the Spanish National Securities Market Commission and on Banco Sabadell's corporate website [www.grupbancsabadell.com](http://www.grupbancsabadell.com).



# 1.5 Customers

**The Bank works to offer products and services that can be adapted to customers' needs, offering a wide range of products for each type of customer and combining this with an omnichannel experience between physical and digital channels.**

In recent years, Spain has been able to recover from the unprecedented economic recession caused by the Covid-19 crisis, but in 2023 the country was weighed down by inflation, the low confidence of economic agents and an uncertain geopolitical environment. As a result of these factors, as a society we have changed the way we work, how we relate to each other and how we consume, evolving customer expectations at all levels.

That is why Banco Sabadell is even more committed to improving customer experience as a strategic lever to meet the primary expectations of customers as it also provides a sustainable competitive advantage over time.

To that end, the Bank works to offer products and services that can be adapted to customers' needs, thus adopting a customer-centric approach, offering a wide range of products for each type of customer and combining this with an omnichannel experience between physical and digital channels.

Knowing customers at every stage of their relationship with Banco Sabadell is crucial, which is why new methodologies have been developed that allow the Bank to listen to what customers are saying, to measure and determine the main reasons for customer satisfaction and dissatisfaction and how near or far it is from meeting customers' expectations. The ultimate goal is to implement courses of action that make it possible not only to improve customers' experience but also to try to surpass their expectations.

These methodologies make it possible to transform and adapt processes by making them more customer-centric in order to improve the experience of customers.

## Measuring customer experience

Understanding the behaviours and needs of customers through customer insights is key for Banco Sabadell.

Measuring customer experience involves understanding the market, consumers and customers, using a number of different qualitative and quantitative analytical methodologies to that end.

## Qualitative analysis

In order to better understand the environment and the customers within it, different qualitative studies and research projects are undertaken using different methodologies. The aims include:

- Listening carefully, actively and constantly to what customers have to say, so as to ascertain how they experience their relationship with the Bank at different touchpoints.
- Understanding the concerns, worries and attitudes of consumers and their current and future needs.
- Identifying the more emotional and least explicit part of consumer decision-making.
- Defining ad hoc value propositions for each type of customer.

A variety of techniques are used, ranging from conventional in-depth interviews and segment-specific focus groups to more innovative methodologies based on behavioural economics and the detection of the deepest emotions and motivations of consumers. All of them help the Bank to identify the needs of its customers and to innovate by offering them products and services that meet their current expectations.

During 2023, Banco Sabadell has expanded the product offering aimed at its customers, such as the Personal Online Account, aimed at new retail customers, with no established relationship or minimum commitment requirements, and with a factor that truly sets it apart from competitors, namely, that customers of the Bank can enjoy indefinite returns on their balances. In addition, the Personal Online Account is an account with zero issue and maintenance fees and a free debit and credit card.

With regard to Business Banking, Banco Sabadell is committed to supporting its self-employed customers by offering a specialised relationship manager and team of experts to help them find tailored solutions, irrespective of their size or business sector. That is why they can now open a Self-Employed Online Account with the same terms and conditions of the personal account but with free online transfers (within the EU).

Both products have been developed after listening to the Bank's customers through various studies that have helped to market products adapted to the needs of each customer.

## Quantitative analysis

Banco Sabadell also analyses the experience of its customers through quantitative studies. Some of these are more closely related to the traditional concept of customer satisfaction, while others incorporate more emotional aspects of customers, to make the organisation more aware of the importance of considering customers in decision-making, so as to make meaningful improvements.

### 1. Net Promoter Score (NPS)

Net Promoter Score (NPS), considered to be the benchmark indicator in the market used to measure customer experience, allows us to compare ourselves against peers and even against companies in other sectors, at both the domestic and international levels.

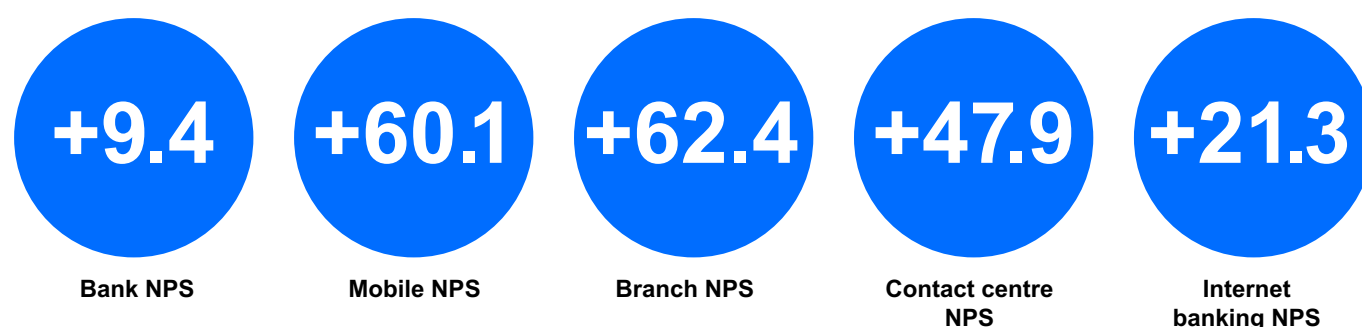
## Banco Sabadell Spain's position in the ranking



Source: Accenture benchmarking of major Spanish financial institutions (2023 data).

In light of the digital transformation, the measurement of customer satisfaction in digital channels has become more important. The NPS of the mobile app for the retail segment is 44% (+4p.p YoY) and that of the telephony channel is 9% (+14p.p YoY).

## TSB Data



Source: Internal NPS tracking studies, December 2023 13-Week Rolling score.

The results obtained during 2023 confirm that Banco Sabadell is on the right track. With regard to Banco Sabadell Spain, the results show a change in the trend of customer satisfaction. In terms of the Corporates NPS, the positive trend has continued, achieving the established targets.

Stemming from the focus on always offering the best possible experience to each customer group, one of the Bank's objectives is to continuously improve its NPS, both in terms of key performance indicators (KPIs) and in terms of the position compared to other banks.

## 2. Satisfaction surveys

The overall customer experience measurement and management model of Banco Sabadell Spain is based on different indicators obtained from over 800,000 surveys and at more than 20 touchpoints. The results of the various surveys enable the Bank to ascertain the level of satisfaction of its customers and to identify areas where specific processes and contact channels could be improved. For each of these surveys and studies, the Bank sets itself improvement targets and continuously monitors the results.

In a multi-channel environment, the surveys related to specialised customer service, both in branches and in the digital sphere, are becoming increasingly relevant. For Banco Sabadell, the use of digital channels is a moment of truth, which is why it has focused its efforts on measuring customer satisfaction and improving their experience with online banking for individuals (BSOnline Particulares) and for businesses (BSOnline Empresas), with the mobile app, etc. In particular, it is worth noting the outstanding results of the call centre, which has seen an improvement of 2% in its rating over the last year, bringing the rating for customer care from relationship managers to over 9.1.

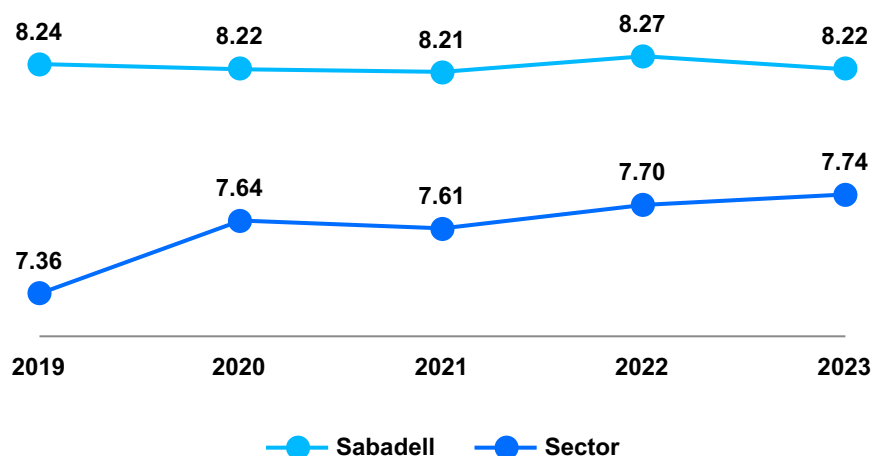


### 3. Branch quality surveys

In addition to analysing customer perceptions, Banco Sabadell also carries out objective studies using approaches such as the mystery shopping technique, where an independent consultant poses as a buyer to assess the quality of service and the commercial approach to potential customers followed by the sales team.

EQUOS RCB (Stiga) is the market benchmark survey that evaluates the quality of service offered by Spanish financial institutions through the mystery shopping technique. Banco Sabadell ranks among the leading players and continues to maintain a quality differential with respect to the sector.

#### Service quality rating



### Customer Care Service (SAC)

The Customer Care Service of Banco de Sabadell, S.A. conforms to the provisions of Ministry of the Economy Order 734/2004 of 11 March, the guidelines issued by the European Banking Authority (EBA) and the European Securities Market Authority (ESMA), and the Banco Sabadell regulation on the protection of customers and users of financial services. The most recent amendment to those regulations was approved by the Bank of Spain in June 2021.

In accordance with its terms of reference, Banco Sabadell's SAC handles and resolves complaints and claims received from customers and users of Banco Sabadell's financial services and those of the institutions associated with it: Sabadell Asset Management, S.A., S.G.I.I.C. Sociedad Unipersonal; Urquijo Gestión, S.G.I.I.C, S.A.; and Sabadell Consumer Finance, S.A.U.

The SAC is independent of the Bank's operations and business lines in order to ensure its decision-making autonomy, and it has the necessary resources to appropriately deal with complaints and claims, guided by the principles of transparency, independence, effectiveness, coordination, speed and security. The SAC also has sufficient authority to access all the necessary information and documentation in order to analyse each case, and the operational and business units are obliged to cooperate diligently in this regard. Banco Sabadell's regulation on the protection of customers and users of financial services ensures compliance with the above-mentioned requirements.

In 2023, 54,884 complaints and claims were received: 51,175 in the SAC, 2,952 through the Customer Ombudsman, 720 through the Bank of Spain and 37 through the CNMV. A total of 34,930 complaints were accepted and resolved; a further 18,914 were not accepted for

processing as they did not meet the requirements set forth in the regulations.

See Note 42 to the 2023 consolidated annual financial statements for further details.

## Multi-channel strategy

During the year, new capabilities were rolled out to consolidate a fully-fledged multi-channel strategy. The process to acquire self-employed customers for business purposes was fully digital, and various improvements were made to the digital customer acquisition process for retail customers, enabling the Bank to meet the ambitious customer acquisition targets that it had initially set itself.

At the same time, actions to activate and engage digital customers were strengthened through activation routes heavily focused on meeting the initial needs of customers in respect of the Bank and with powerful campaigns to capture salary and pension payments, which enabled the Bank to substantially increase the ratio of salary direct deposits, through both the digital channel and the branch network.

All this has been supported by the deployment of specialists in savings & investment and mortgages & insurance to help and advise customers in all those matters that may require greater specialisation and knowledge, so that customers can make the best decisions in each of these areas.

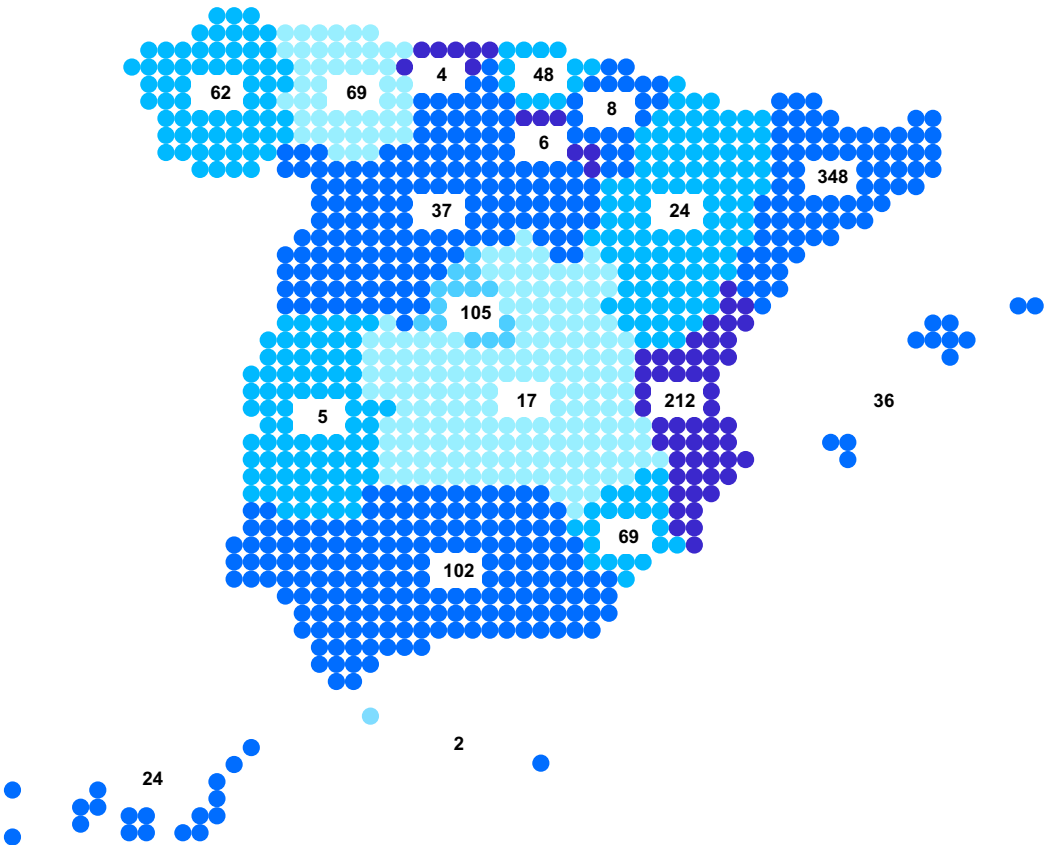
## Branch network

The Group ended 2023 with a network of 1,420 branches, representing a net reduction of 41 branches with respect to 31 December 2022.

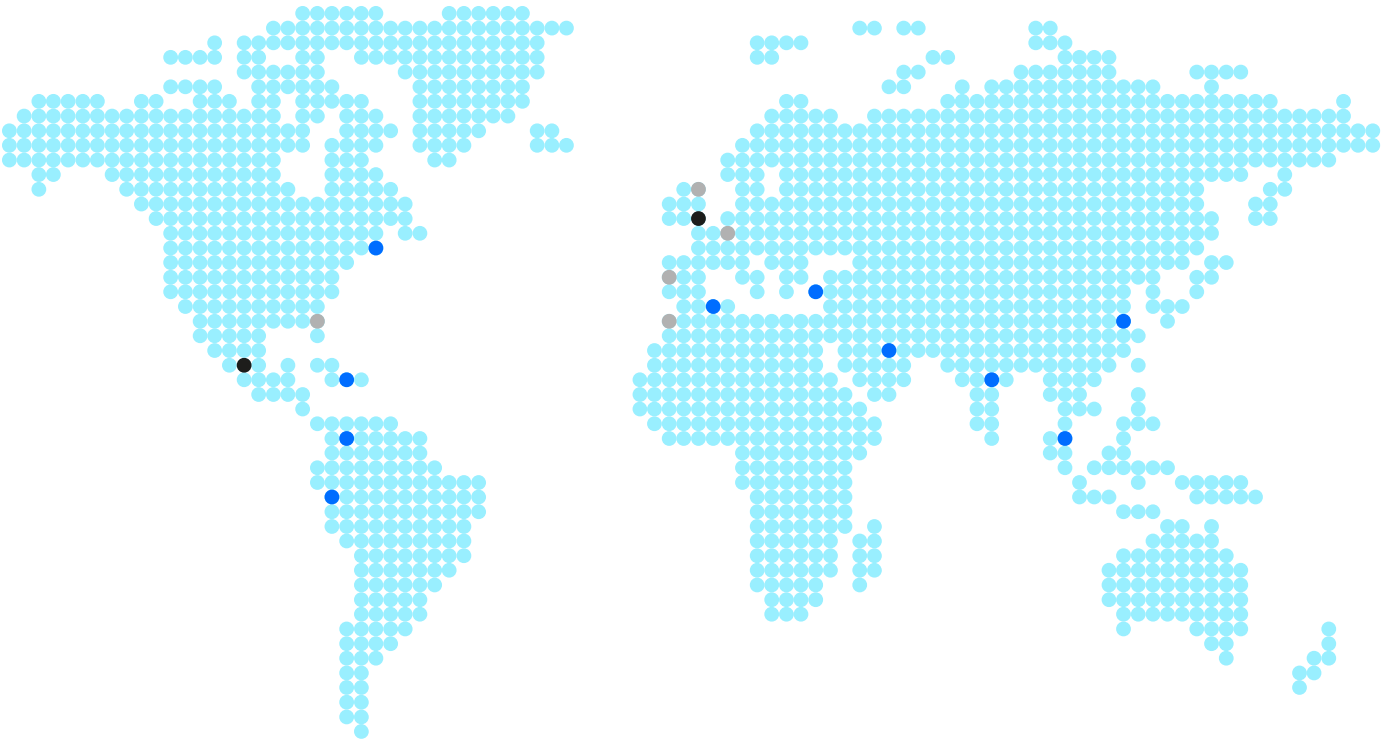
Of the total number of branches and offices of Banco Sabadell and its Group, 879 operate under the Sabadell brand (including 30 business banking branches and 2 corporate banking branches), 62 operate as SabadellGallego (3 business banking branches), 86 as SabadellHerrero in Asturias and Leon (3 business banking branches), 61 as SabadellGuipuzcoano (5 business banking branches) and 7 as SabadellUrquijo, with a further 83 branches operating under the Solbank brand. The other 242 branches and offices make up the international network, of which 211 correspond to TSB and 15 to Mexico.



Number of branches by autonomous community



Banco Sabadell in the world



## ATM network

Banco Sabadell ended the year with a fleet of 2,488 ATMs in Spain, including 1,663 in-branch and 825 out-of-branch ATMs. Compared to 2022, the number of ATMs decreased by 3%, mainly due to branch closures.

In terms of ATM transactions carried out in 2023, the downward trend observed during the previous year continued, with more than 78 million transactions carried out, which is a 6% decrease in the total number of transactions.

Deposits and withdrawals were the most commonly used types of transactions and, in both cases, there was a slight decrease compared to the previous year.

The main goal for 2023 was to continuously improve the overall availability of the ATM fleet, enhance the customer experience and above all focus efforts on overhauling the look and feel of the ATMs and their cleanliness.

## Direct Branch

During 2023, Direct Branch contacts increased by 7% compared to those recorded in 2022 and numbered 5 million, mainly as a result of the transfer of the centralised branch service (options 3 and 4 of the centralised branch service's menu, managed by the Retail Segment Direct Branch) to Direct Branch (380,000 calls).

However, all the channels saw a reduction in contacts compared to the previous year. Telephone consultations accounted for 81% of total contacts across all channels, followed by email, chat and social media. The graph below shows the contacts recorded, by channel.

As regards service levels, the Service Level Agreement (SLA) percentage for telephone enquiries was above 94%, followed by the SLA for chat at 97% and the SLA for the email channel at 85%. Banco Sabadell received over 137,000 mentions on social media, and the SLA was 98%.

Highlights of 2023:

- The servicing plan has been in place since the beginning of 2023. This plan has different levers, such as the reduction in the number of calls, first contact resolution and process automation.
- The introduction and development of the virtual assistant, which has led to reduced use of the telephone channel and has boosted the use of the chat feature in self-service.
- Improvement of procedures to provide Direct Branch with greater autonomy, more capacity for remote resolution and improved quality, whilst reducing the number of referrals to a branch.
- The main milestones in enhancing the usability of this channel include its implementation in English and making the virtual assistant more visible and available on almost all transaction pages of the website, including the home page, as well as placing it more prominently on the app.
- On the other hand, the conversation flows and FAQs of the virtual assistant have been improved and the chat has been given more autonomy, substantially increasing first contact resolution in this channel, which is now 18% higher than the data recorded at the start of the year.



Contact through  
telephony channel



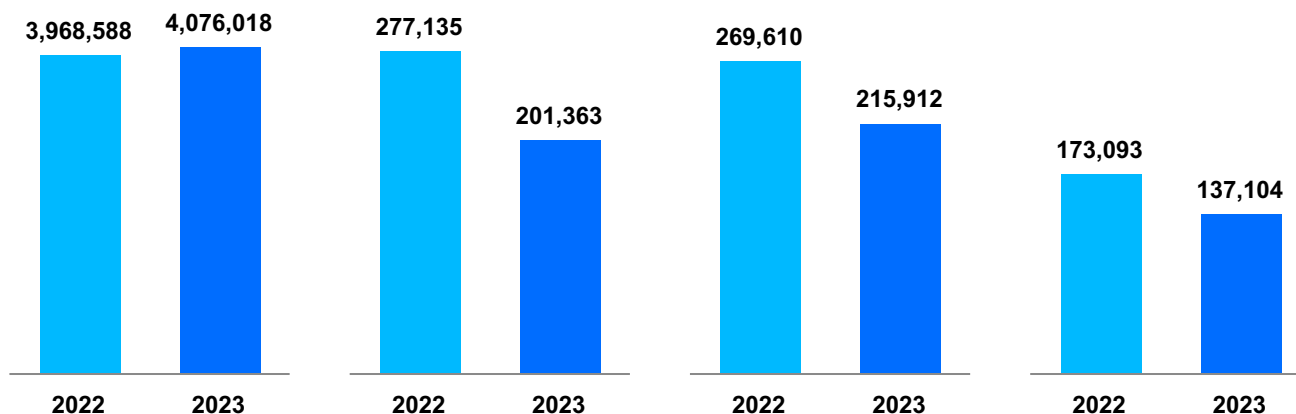
Contact through  
email channel



Contact through  
call with agent



Contact through  
social media



## Social media

Through social media, Banco Sabadell aims to get to know digital customers and their needs, listen to their suggestions, and analyse how best to serve them. Banco Sabadell is currently active on five social media channels: X (formerly known as Twitter), Facebook, LinkedIn, YouTube and Instagram, with 20 different profiles at the national level, and it is one of the financial institutions with the best digital reputations.

Social media are among the main channels for engaging with customers 24/7, both for handling banking queries and for broadcasting institutional and business messages, marketing campaigns and general interest messages.

A key success factor is the continuous tracking and monitoring of interactions with followers and customers. One of the most noteworthy KPIs in reports on social media positioning is the response rate, in which Banco Sabadell has a very high score.

Continuing with the initial goals, this year the Bank has also worked on improving the way it handles reviews. A personalised customer service mailbox has been set up for all iOS and Android reviews that require follow-up. This is also aligned with the objective of detecting improvements in unassisted channels such as the app and website, which can boost the use of self-service.

Meanwhile, improvements have been made to first contact resolution, making outgoing calls for cases that cannot be processed through social media, thus supporting customers until they reach the end of their journey and providing the Bank with more tools to deal with any cases in which there is reputational risk.

Finally, the Bank has started to use new channels, such as the Helpmycash portal, where it replies to reviews and comments from users of the Sabadell Online Account. The Institution thus continues to expand its digital presence in fast-growing channels.

# Digital transformation and customer experience

In banking, as in many other businesses, the digitalisation of consumer habits is leading to a profound digital transformation of the sector. Interactions that previously took place in person at branches are now increasingly taking place online. Banco Sabadell Group believes that it is necessary to offer its customers an optimal level of digital services for any transactions that they wish to do using their mobile device, while continuing to offer in-person services at any one of its more than 1,400 branches and through its network of specialists, at the times that really matter to customers.

During this past year, the Group has made considerable efforts to upgrade the technology infrastructure, resulting in a scalable and efficient platform with recognised levels of cybersecurity. These improvements have absorbed the growth in transactions as a result of customers' digitalisation. In just one year, the Group has doubled the transaction volume and has done so whilst reducing application access times by between 10% and 40%.

Digitalisation also opens new doors to process improvements, which will make it possible to offer a superb customer experience in processes that are currently seen as cumbersome. The Group already has good examples of this, such as its new 100% digital customer registration process. Today, this channel acquires more than half of retail customers, with figures that can reach 1,800 customers in a single day.

## Sabadell Digital

Sabadell Digital is Banco Sabadell Group's IT subsidiary. Its mission is to develop the best technological solutions, so that the Bank can drive forward its digital transformation. Sabadell Digital's contribution to the Group is based on three principles:

- Focus on customers' needs through proximity and empathy. This makes it possible to deliver the best technological and digital solutions to meet customers' needs.
- Smart innovation, to innovate, adapt to change and challenge the status quo through experience-based decisions.
- Digital talent community as a source of knowledge shared between digital and technology experts, focusing especially on collaboration and mutual trust among the people that make up Sabadell Digital.

Since the creation of Sabadell Digital in 2023, the management of digital and technological talent has been one of the priorities. In order to make Sabadell Digital a leading employer in the tech/digital sector, new employee engagement improvement initiatives have been implemented and career plans have been overhauled to maximise internal talent and attract external talent. This has led to improvements, such as a 25% reduction in recruitment time for tech/digital profiles.

## Main deliveries in 2023

### Digital onboarding

Onboarding customers is a gateway to the sale of other Group products. This project aims to drive the digital registration of new customers and increase their engagement with Banco Sabadell from the outset. Up to 55% of new customers were registered through the digital process and 59% of those customers brought their salary payments or recurring income to the Bank.

During this year, the Group improved the process, broadening its scope and optimising the experience:

- Expansion of the potential target: dual account holders, residents without a foreigner's ID card (TIE), self-employed with business purposes.
- Optimisation of the signature process and provision of the option to resume the registration process if not completed.
- Reinforcement of the security of the process to protect against fraud, with improvements and optimisation of user identification through facial recognition.
- Support during initial engagement actions, for instance, helping customers to set up the direct deposit of their salary, enrol on Bizum and use their card the first few times they connect to the app after being registered as customers.

### New Sabadell Online Account

This project seeks to implement Banco Sabadell's new digital offering exclusive to new customers and available through a 100% digital customer registration process. It is a multi-product solution comprising a current account, the Expansión savings account, mutual funds, securities and a debit card. The value proposition of the current account consists of a 2% interest rate on account balances and 3% cashback on gas and electricity direct debits.

### Mortgage model transformation

In 2023, the Group started the digital transformation of its mortgage model, with two very clear focus areas:

- The customer: focus on optimising and improving the digital process, making it as convenient as possible for customers. The Group recorded a 33% increase in digital applications and a 52% increase in the number of users who use self-service to obtain a preliminary score without contacting the branch network directly.
- The support model: the Group improved efficiency to allow relationship managers to devote their time and effort to value-added tasks for customers.

This year marks the start of a digital transformation strategy, which will begin to bear fruit in 2024, with a focus on digitalisation and support from specialists as part of an omnichannel mortgage application process.

### Servicing programme

The servicing programme aims to offer the best customer experience by giving customers the option to do their banking whenever and wherever they want. This programme has activated the following levers:

- Reduce the need for low-value transactions at branches, allowing the branch network to focus on value-added transactions.
- Decrease the number of transaction-related calls made to Direct Branch and those redirected to the branch network.



- Make the operational model more efficient by providing it with better and more efficient digital capabilities.
- Improve customer satisfaction in their remote interactions with Banco Sabadell. This year the mobile banking NPS (Banco Sabadell's mobile app) grew by 4 basis points (from 40% to 44%).

## **Marketing tools in digital processes**

Content customisation according to the customer's profile in the digital channel is key to improving transaction conversion rates. This project promotes the integration of marketing tools in Banco Sabadell's mobile app, enabling the app to show content that is both personalised and geared towards customers' interests, thus improving marketing efficiency and user satisfaction.

The Group is also using marketing tools' capabilities for A/B testing and to optimise commercial and servicing processes, making continuous improvement the foundation of its digital platform development.

## **Design system evolution: Galatea**

During 2023, thanks to the Group's design system and the reuse of common components, the Group was able to save 4 million euros in design execution and digital front-end development. 95% of the components used were already available and this facilitates visual consistency and helps speed up deliveries.

## **Growth of the companies panel**

The companies panel is made up of companies from various segments and sectors, and the Group offers the possibility of validating and prioritising improvements in its website (BSOnline) and mobile app (BSMóvil) available to business customers, through a structured and scalable work methodology. The creation of this panel has made it possible to reduce project delivery times and, above all, to increase customer satisfaction. During 2023, the Group has doubled the number of participating companies, which now number 275.

## **Digital registration process for the self-employed**

Thanks to the capabilities developed in digital onboarding and the new online account for retail customers, Banco Sabadell now offers self-employed persons the option to open an account for business purposes with a 100% digital process. This digital capability is supplemented by the support of specialised managers to better address the specific needs of the self-employed.

## **New file query system**

The Group has implemented a new interface in its website for business customers (BSOnline Empresas) to boost digital transactionality and payments and collections. This new interface makes it easier to manage files, as it includes incident alerts, filters and a new design. As a result of the new features and performance improvements in file management, Banco Sabadell offers an improved digital experience to companies in order to boost transactions through digital channels.

## BSMóvil Empresas redesign

Banco Sabadell has redesigned its mobile app for business customers (BSMóvil Empresas), introducing new browsing features, access to frequent transactions and a secure chat with centralised customer service teams. Thanks to this redesign, the number of users of BSMóvil Empresas grew by 10% to more than 340,000 unique monthly users in December 2023.

