



TSB Strategy 2019 – 2022



[®]Sabadell

London
25.11.2019

Agenda

1. Introduction

- Jaime Guardiola, Sabadell CEO

2. TSB's new strategy

2a. Strategy, purpose and transformation

- Debbie Crosbie, TSB CEO

2b. Customer focus

- Robin Bulloch, TSB Customer Banking Director

2c. Simplification and efficiency

- Suresh Viswanathan, TSB COO

3. Financial outlook

- Ralph Coates, TSB CFO

4. Conclusion

- Debbie Crosbie, TSB CEO



Sabadell

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Introduction

Jaime Guardiola,
Sabadell CEO



Banco Sabadell today

4th

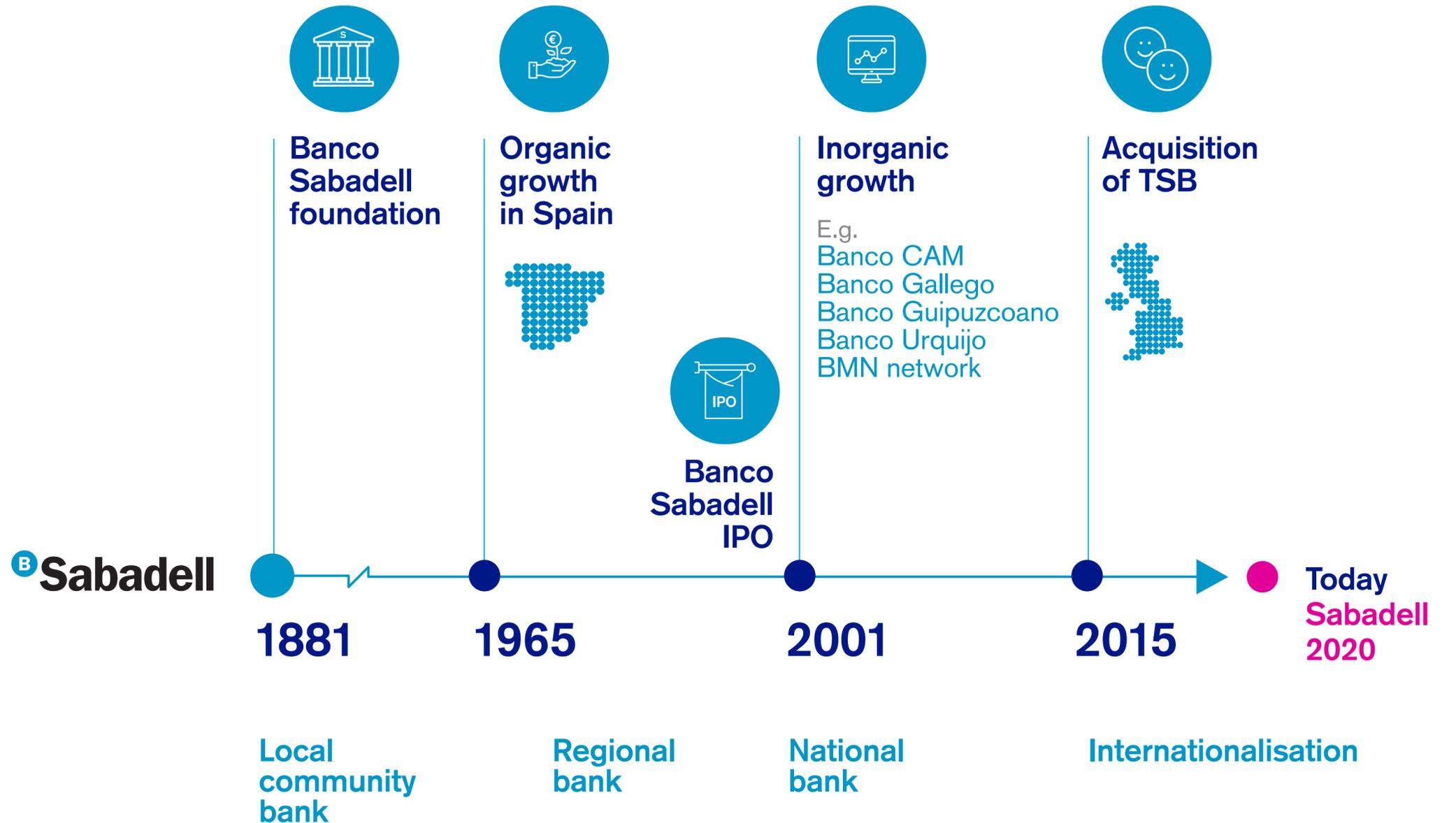
Largest banking group in Spain

+148^{€BN}
Gross loans

+25^k
Employees

+12^M
Customers

223^{€BN}
Total assets



Banco Sabadell has shown good performance in 2019



1. Commercial dynamism and core revenue growth



2. NPA reduction



3. Capital generation



4. TSB regaining commercial momentum



5. Shareholder value creation



The acquisition of TSB in 2015 had a solid strategic rationale; however, we have faced unexpected headwinds on our way

Strategic rationale for the acquisition of TSB



Market

Attractive banking market

Good economic prospects



TSB franchise

Strategic fit

Low risk balance sheet and strong capital

Strong challenger franchise

Sound basis to drive further growth



Value sources

Potential cost synergies

Potential income upside

Main challenges



Strong growth in the period despite slowdown in commercial activity in 2018

+42%
Net lending
Var. 2014-3Q19

+21%
Customer funds
Var. 2014-3Q19

TSB entered 2019 with renewed ambition to regain its position as the leading challenger bank in the UK

TSB 2019 progress



1. IT platform



>99.8%
Service level availability¹ YTD

Post-migration issues resolved

Enhanced customer experience eg. ID&V



2. Regaining commercial momentum



+210k
New customers 12 months to Sep-19

+0.6%
Net loans growth 12 months to Sep-19

+2.0%
Customer funds growth 12 months to Sep-19



3. Rebuilding reputation of the business



52 points
Mobile NPS score recovering +69 points since Jul-18 post migration²

11 points
Bank NPS score recovering +36 points since Jul-18 post migration²



4. New leadership team for next chapter of growth



New ExCo
Experienced leadership team

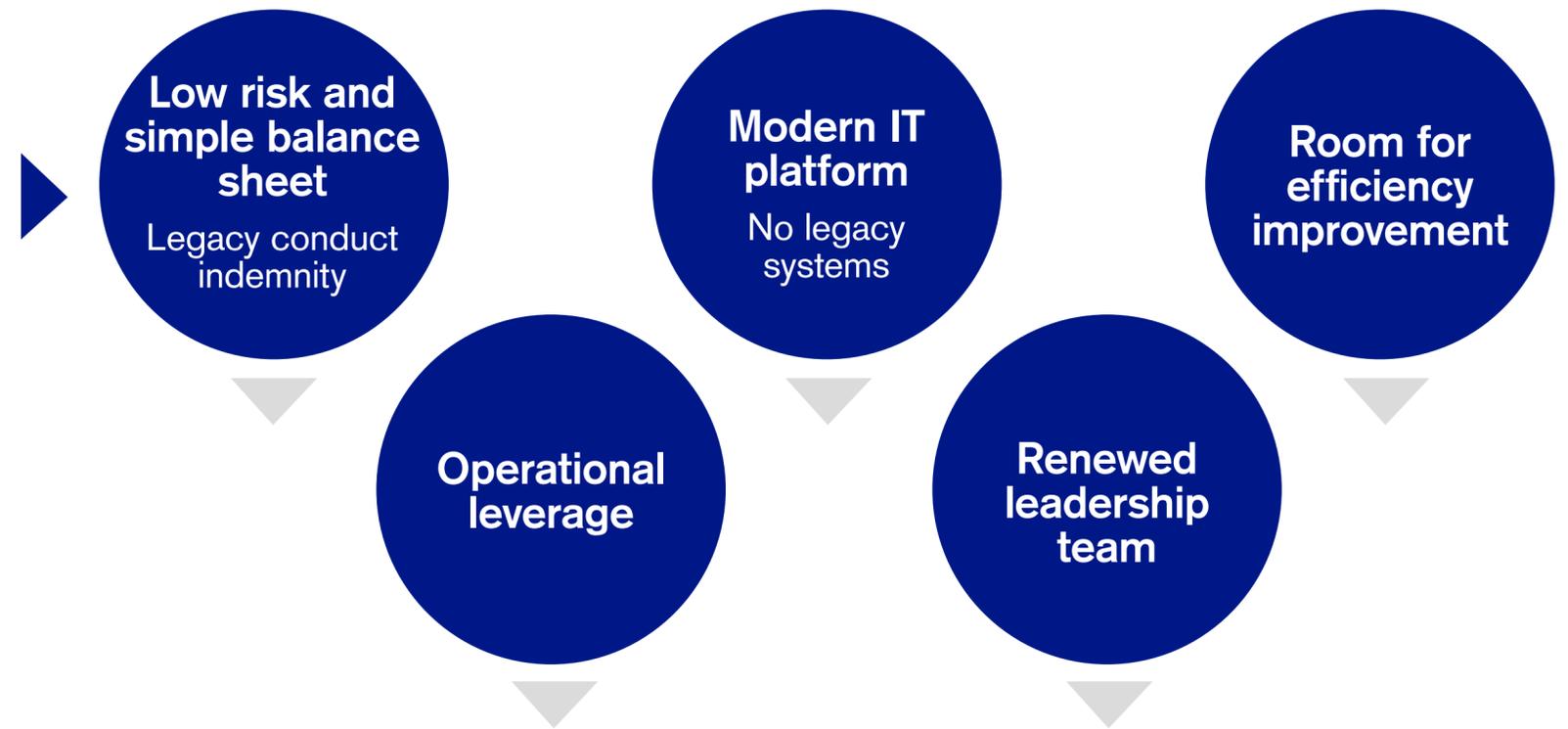
Note: Data as at September 2019.

1. IT service availability.

2. Calculated on a three month rolling basis.

Currently, TSB has unique competitive strengths to start the new chapter of growth

Unique competitive strengths



Solid banking franchise, with an efficiency challenge



Note: Data as at September 2019.

1. NII as a % of average total assets.

2. Cost : Income ratio excludes one-offs.

3. Peer group comprises average of Santander UK, Nationwide, CYBG, Virgin and Metro.

Data as of 2018; CYBG data as at Sep-18;

Nationwide data as at Apr-19.

Source: Company Websites.

A new experienced leadership team is now in place to deliver for TSB

**Debbie Crosbie,
CEO**



Presenting today

**Ralph Coates,
CFO**



Presenting today

**Robin Bulloch,
Customer Banking
Director**



Presenting today

**Suresh Viswanathan,
COO**



Presenting today

**Liz Ashford,
HR Director**



**Marc Armengol,
Corporate
Strategy Director**



**Iain Laing,
CRO**



2

TSB's new strategy



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2a

TSB's new strategy

Strategy, purpose and transformation

Debbie Crosbie,
TSB CEO



Our strategic plan responds to the challenging external environment

Economic uncertainty

Geopolitical uncertainty limits GDP growth



Lower for longer rates as gig economy and generation rent grows

Changing customer preferences

Move to digital from physical



Growth of FinTechs focussed on customer numbers over profit

Intensified competition

Mortgage market NIM compression



TFS roll-off driving funding cost pressures

Stronger regulation

High cost of credit review changing overdraft model and fee income mix



UK ringfencing increased competition



We start a new chapter with meaningful competitive strengths

Note: Data as at Sep-19.

- 1. Active personal current account customers have used their personal current account for a transaction in the past three months.
- 2. Calculated on a three month rolling basis.
- 3. Peer group includes Santander UK, Nationwide, CYBG and Metro Bank; Source: TNL Brand Tracker.

Strengths

| | | | | | |
|--|--------------------------------------|---|---|--|--------------------------------------|
| | Large and loyal customer base | 5M Total customers | 3M Active personal current account customers ¹ | | |
| | Resilient brand | 22 points Brand consideration ² compared to peer ³ average of 18 points | 11 points Bank NPS score ² recovering +36 points since Jul-18 post migration | | |
| | Prudent business model | 0.16% Cost of risk YTD | 1.3% Non-performing loans ratio | 44% Average mortgage LTV ratio | 103% Loan to deposit ratio |

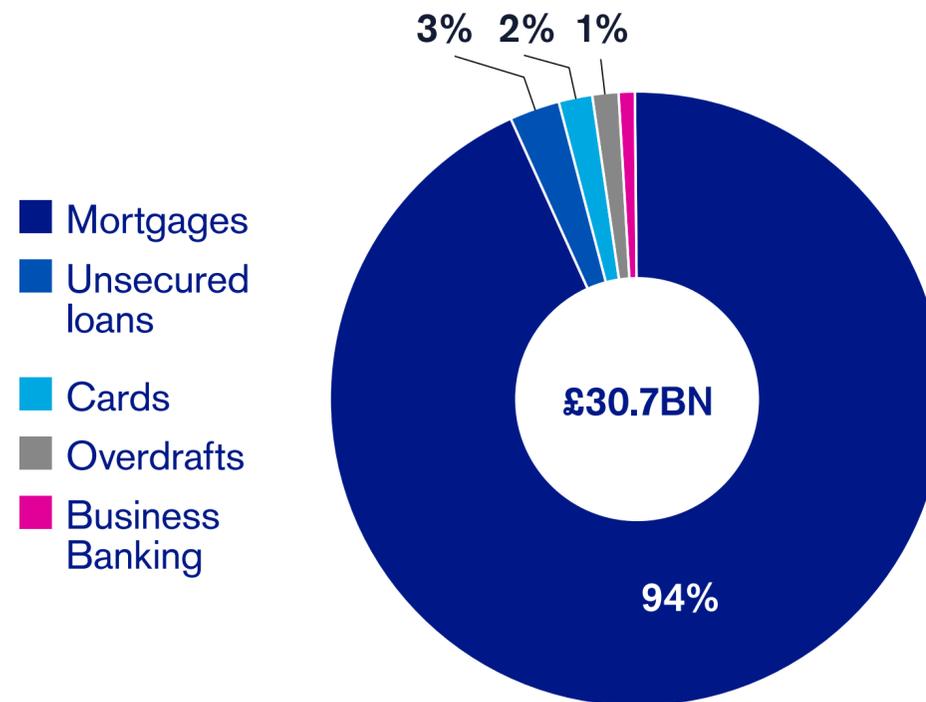
Value enablers

| | | | |
|--|--|---|---|
| | Full Retail and Business Banking capabilities | Refreshed IT platform Proteo4UK | Competitive Intermediary mortgage channel |
| | Omnichannel presence with nationwide reach | National Presence | >63% Digitally active personal current account customers |

Low cost retail funding is a strong competitive advantage

Portfolio weighted towards mortgages

Net lending



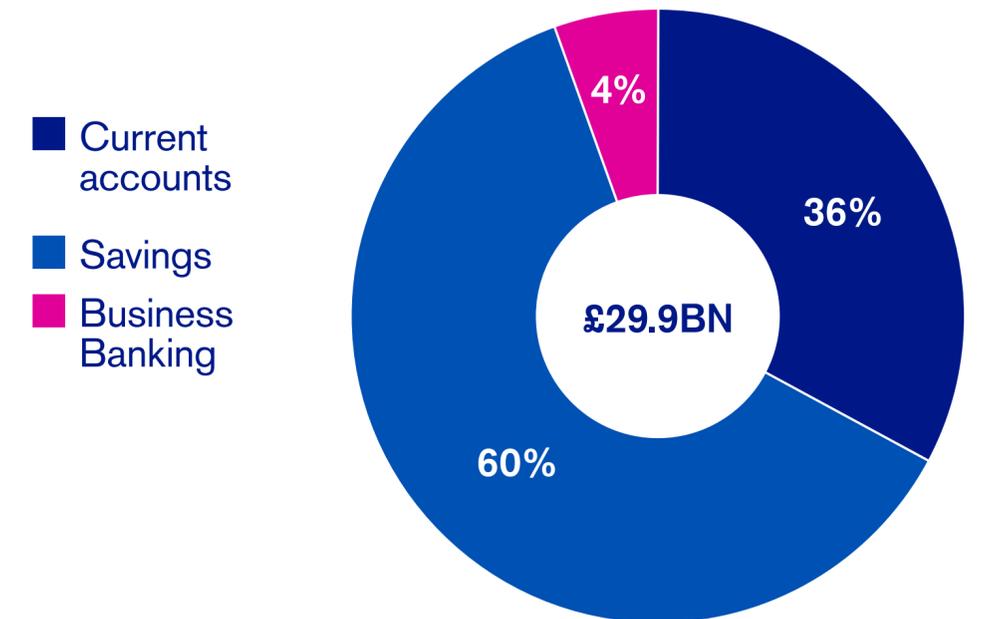
3.2%
Loan yield

Peer Group¹

2.9%
Loan yield

Mainly retail funded business model

Customer funds



0.4%
Cost of customer funds

Peer Group¹

0.8%
Cost of customer funds

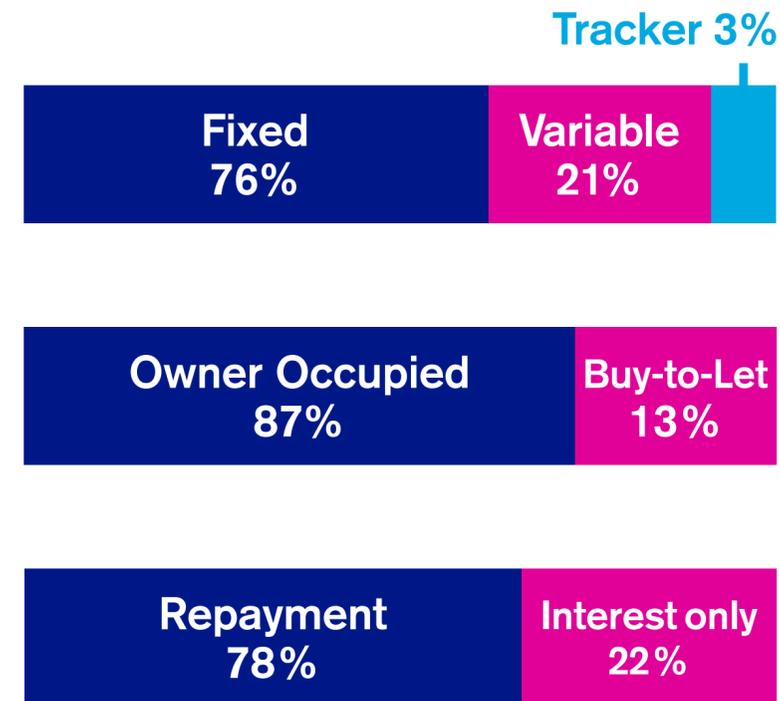
Note: Data as at Sep-19.

1. Peer group comprises average of Santander UK, Nationwide, CYBG, Virgin and Metro; Source: Company websites. Data as at 2018. CYBG data as at Sep-18. Nationwide data as at Apr-19.

Income is driven by a growing, low risk, well balanced mortgage portfolio

A low risk mortgage portfolio

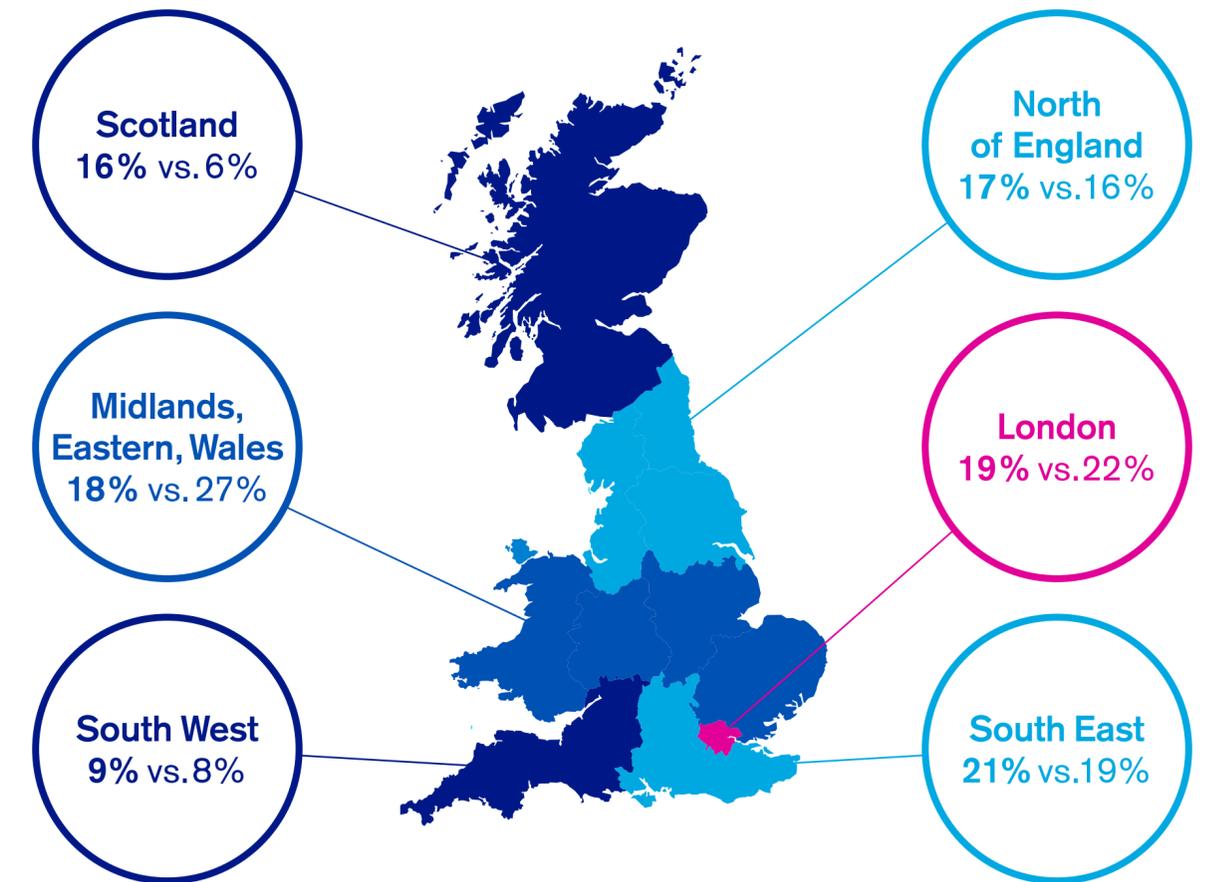
Mortgage stock by product and repayment type



44%
Mortgage stock average loan to value

which is well diversified nationwide

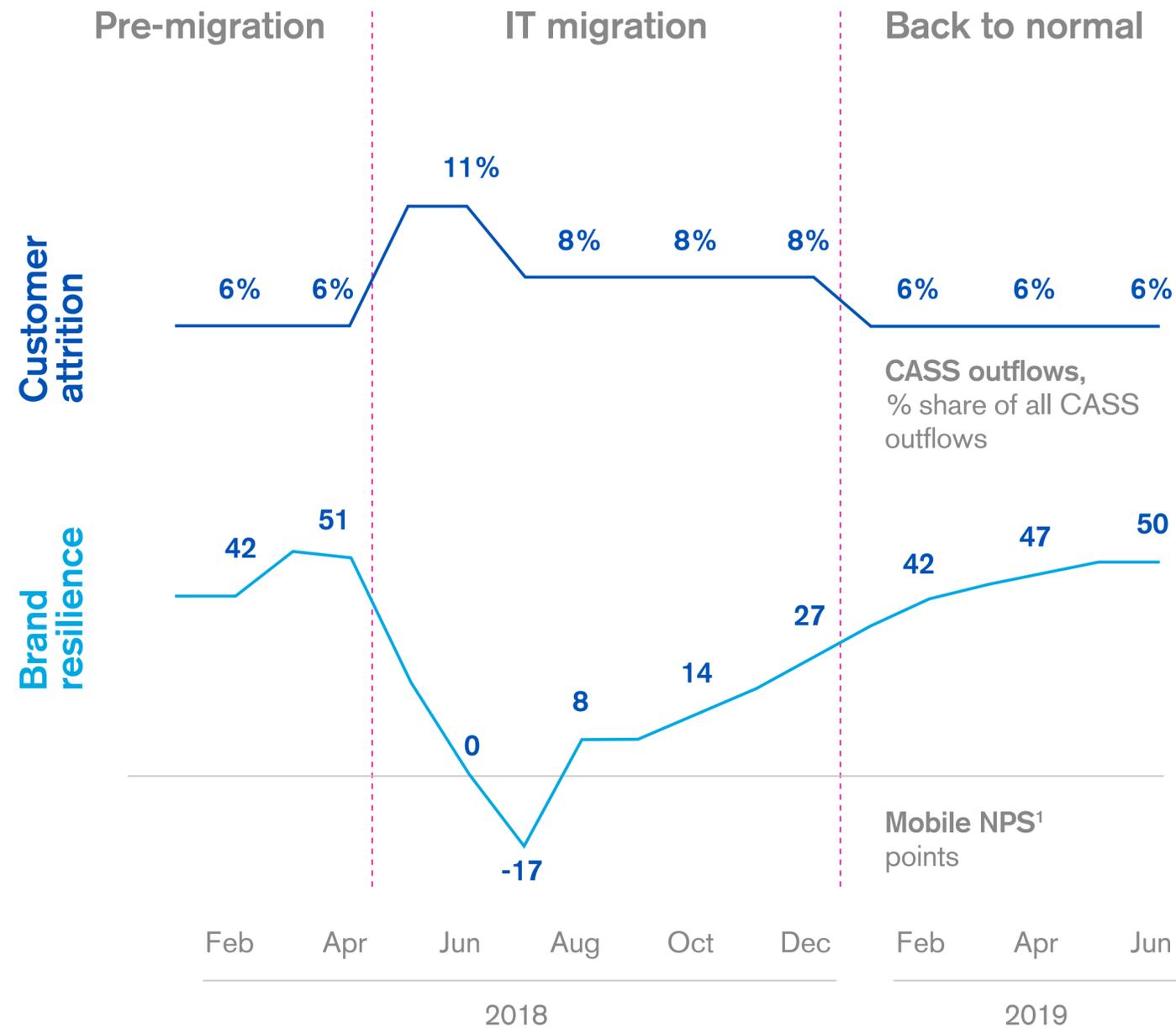
TSB mortgage stock versus market stock by region



+3%
Mortgage stock growth 12 months to Sep-19

Note: Data as at Sep-19; excludes Whistletree.

Customer franchise is resilient, despite migration impact



Switching rates back to normal

Mobile NPS ahead of pre-migration levels

Complaints back to normal

Personal current account deposit balances grew over migration period

- From £10.0BN in Dec-17 to £10.7BN in Sep-19

Note: CASS stands for Current Account Switching Service.

1. As per slide 7, as at Sep-19 at 52 points.

A new purpose that speaks to our customers



Extensive customer research



Colleague engagement and leadership



New ways of working



Industry trends and insights



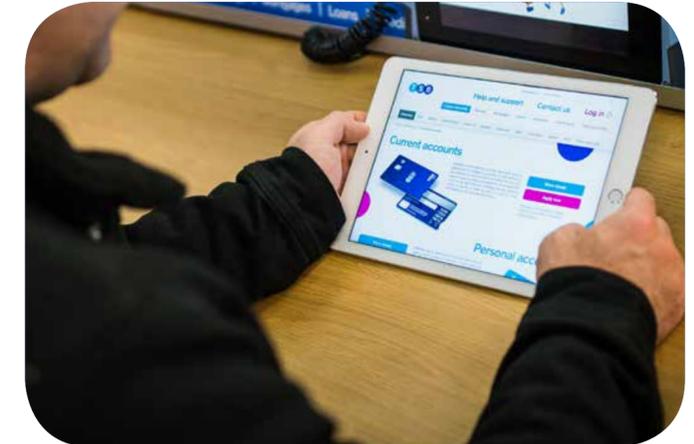
A future vision that begins a new chapter for TSB



Everything we'll deliver



Data-driven customer insights
360° view of customer



Purpose-led strategy and transformation



Note:

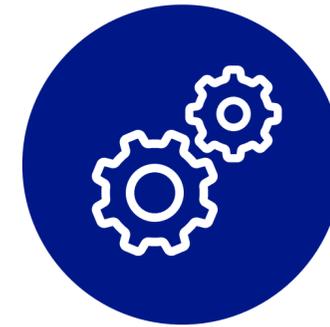
1. 3.5% CAGR pro forma excludes non-recurrent income of £16M related to Visa contract and c.£20M from non-recurring Gilt sales in 2019.
2. Total net cost reduction after absorbing amortisation from investment and cost inflation.

Investing to create a resilient and sustainable business

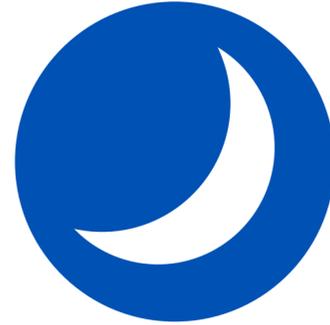
Operational excellence



Conduct at the core
Legacy conduct risk non-existent



Operational risk
IT resilience built in with full cybersecurity



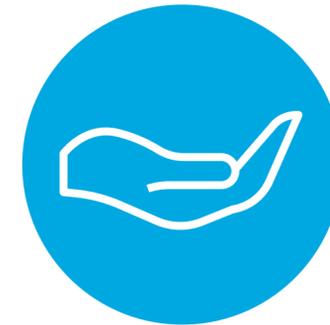
Project Dawn
IT transformation focussed on stability



IT service performance
>99.8% service level availability YTD



Credit risk
Strong underwriting capabilities



Prudent capital and liquidity management

Experienced management team to deliver

Lower risk business model

Service excellence

Strong governance on change

2b

TSB's new strategy
**Customer
focus**

Robin Bulloch,
TSB Customer
Banking Director



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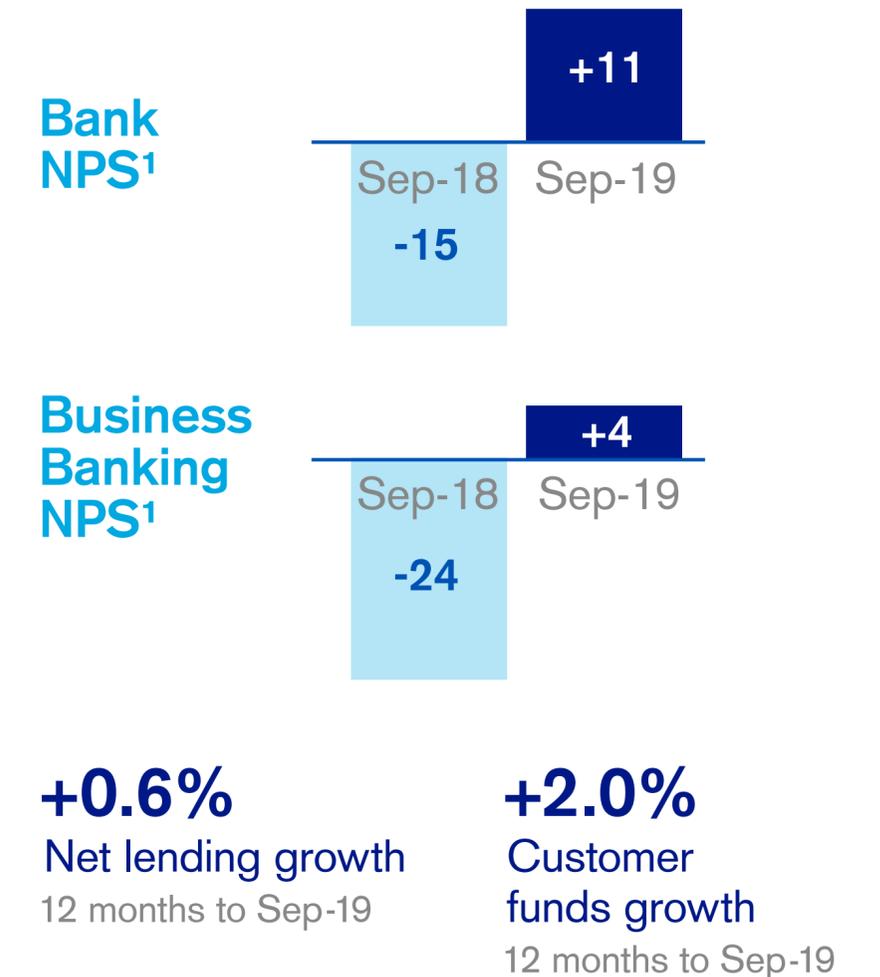
A national, full service, mid-tier bank

All the ingredients for a mid-tier bank

5M
Customers

- Current Account
- Savings
- Mortgages
- Loans Cards
- Business Banking
- 4.8/5 rating on Apple's App Store
- Nationwide presence
- Resilient brand recovered from migration event

Commercial momentum regained post IT migration



Note:
1. On a three month rolling basis.

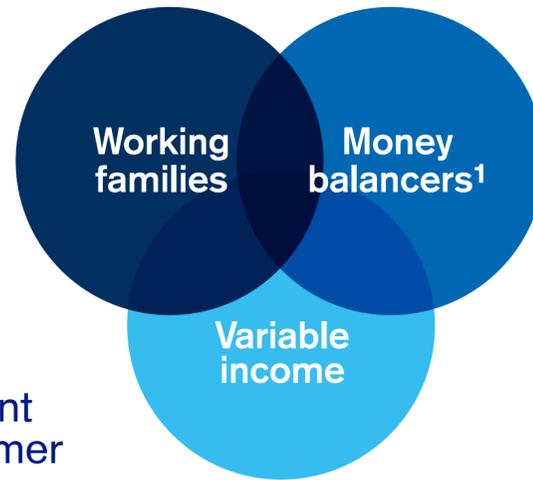
Relevant to and focussed on our target segment

Aspiring Middle



67%

TSB
personal current account customer base



- **Resonance of TSB brand** with target segment relatable to 65%² of UK population
- **Banking spend with primary bank provider 2x higher** than outside segment
- Addresses future generations as **30% growth in variable income segment expected by 2025³**

Brilliant for all

- Easy-to-use, mobile led services
- Mobile in-app onboarding and sales
- Distinctive “TSB experience” with magic touches

Compelling differences for the Aspiring Middle

- New current account, based on differential features
- New unsecured lending, e.g. instalment plan
- Variable payment mortgages

Note:

1. Money balancers are people for whom money is a constant balancing act.
2. Source: Internal survey.
3. Source: Office of National Statistics, PwC report.

New service-led current account driving profitability

Today



Meets a **narrow set of customer needs**

57% customers likely to buy¹

Future Proposition – 2020

TSB Account



Free account

Subscription



Monthly fee based account

Added Value



Enhanced, monthly fee based account

Improved **cost of customer funds**



Diversified offering to **grow fee income**

87% customers likely to buy¹

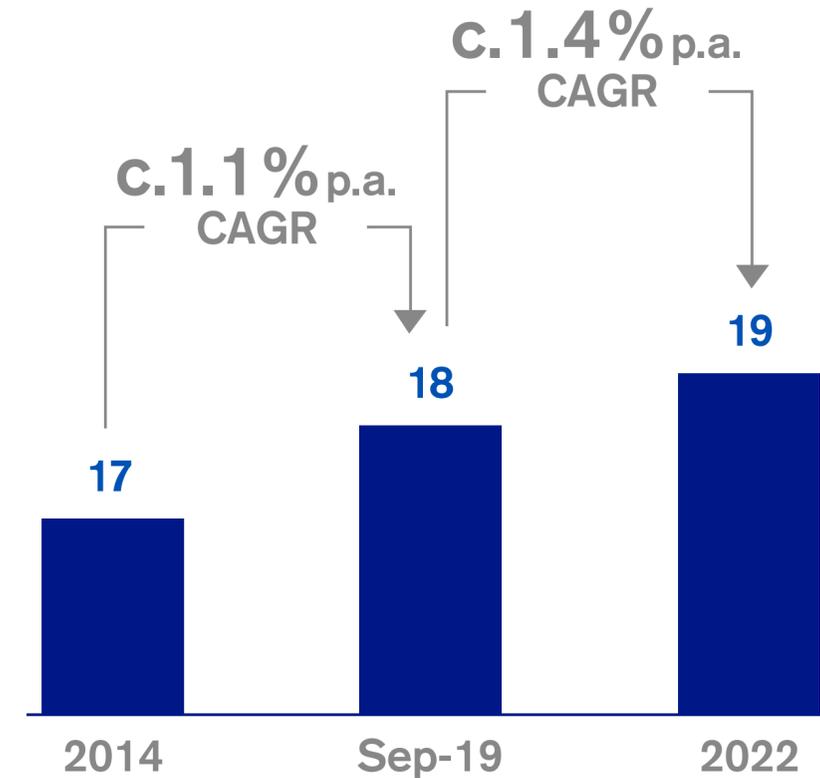
Note:
 Future proposition names in development, alongside future creative ahead of 2020 launch. Creative provided as example only.
 1. Source: Internal customer research.

Expected savings growth broadly in line with prior years

85% savings base with TSB for **5+ years**

Savings balances

£BN



Ongoing growth supported by savings initiatives

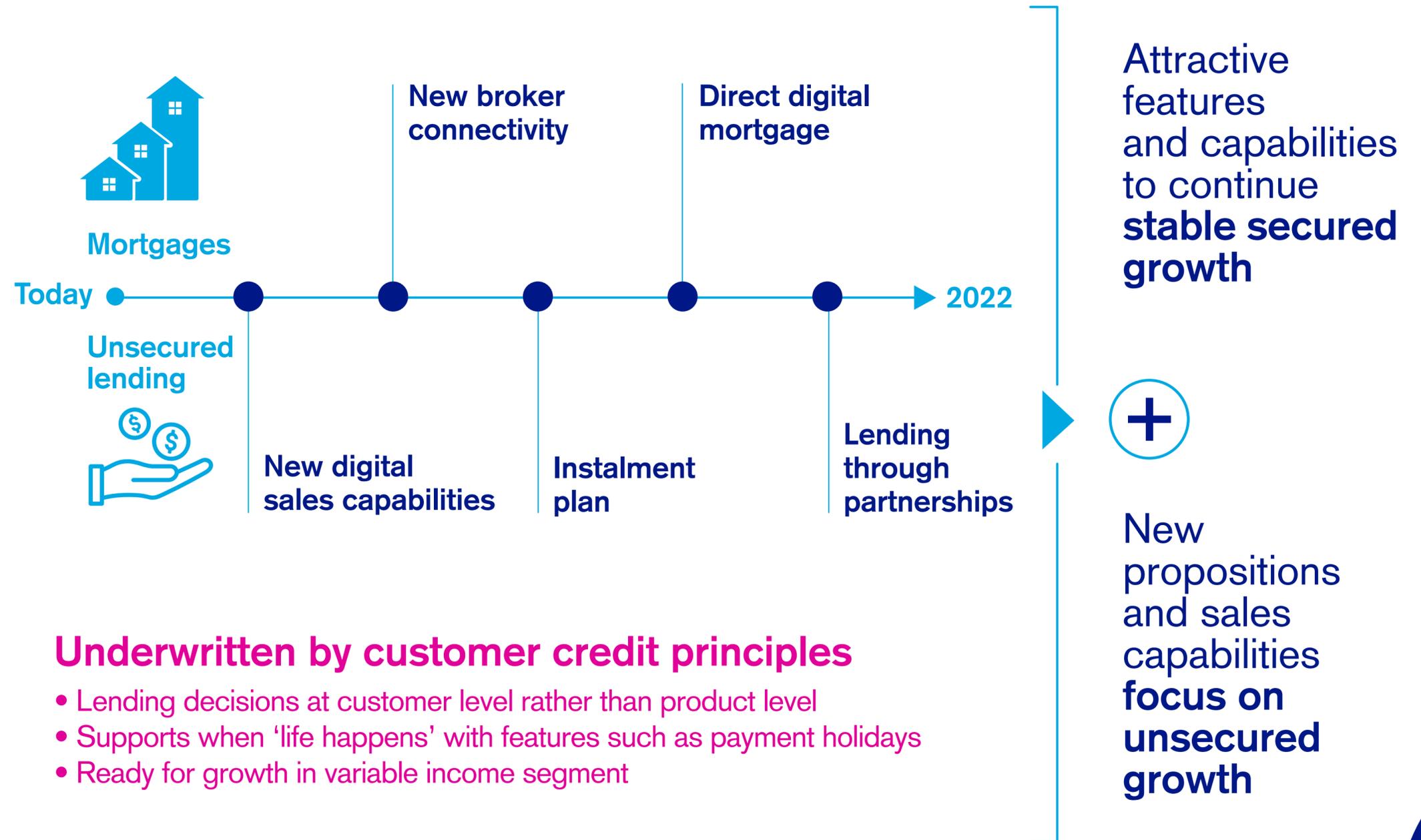
- Enhancing the digital journey
- Active price management
- Intensive usage of data to identify opportunities

Retain loyal customer base



Savings initiatives to remain competitive

Diversifying lending offerings to grow interest income



Business Banking to drive growth and maintain low cost of funding

Our refreshed, market leading proposition has been well received by customers

25 months free banking ✓

Business Banking marketing campaign ✓

New non-current account customer deposit sales process
H1 2020 ✓

1% interest rate on savings accounts ✓

20 minutes to open an account in branch and digital ✓

Partnership opportunities ✓

Strong performance in ISS¹ scheme > capturing c.20-25% where TSB participates

Business savings (non-current account) growth +17% YTD vs. 2018

Opened 11k+ accounts YTD 2019

Grow to natural share in <£2M turnover SME banking market



Attract £2BN deposits by 2022 maintaining low cost of funding as TFS rolls off



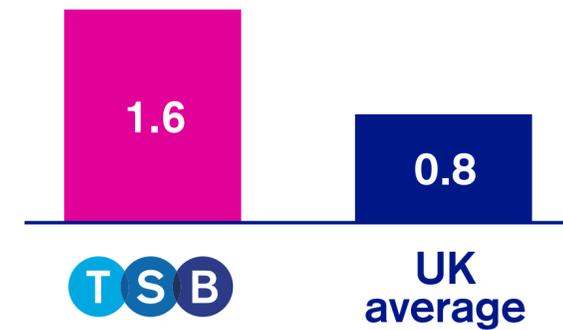
Diversify lending income

Note:
1. Incentivised Switching Scheme.

Branch network transformation based on customer usage, delivering significant efficiencies

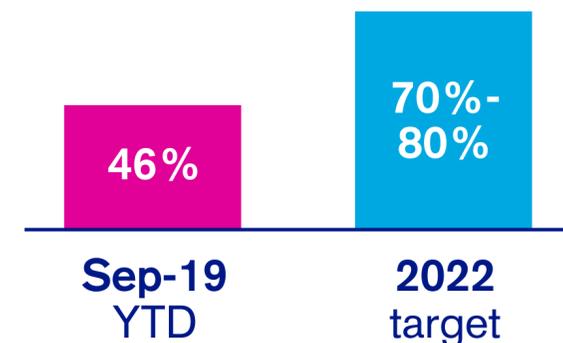
TSB distribution model is heavy on branches

Branches per 10k active customers, 2018



Sales origination shifting towards digital

% of total TSB digital sales



Branch transformation coincides with customer behavioural shift

Changing branch footprint and role

- Focus on usage, sales, income and profitability
- Supporting vulnerable customers and maintaining national geographical coverage

Focussed on customer need

- Investing in new flagship branches (3 in 2019), and refreshing remaining network
- Partner training to deliver digital support and sales accreditation
- Automation to free up human touch where it has the biggest impact

82 branches to be closed in 2020

Digital investment planned is c.£120M

Smarter, faster, data-driven sales capabilities

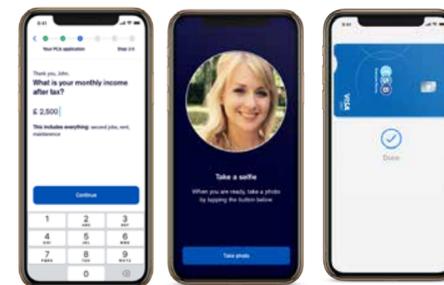
● Sales origination shifting towards digital

% of total TSB digital sales

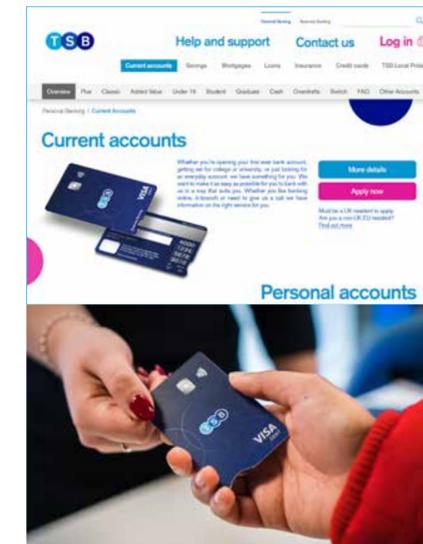


● New in-app sales journeys will drive conversion rates up

Current account opening time to be c.10 minutes



● Real-time data driving customer insight to improve customer experience and boost sales



● Bringing to life our new purpose with a distinctive new brand platform and brand identity in Q1 2020

A new agency ecosystem bringing brand and marketing capabilities in-house



Data integration via Open Banking

Realistic growth plan, returning to our natural market share

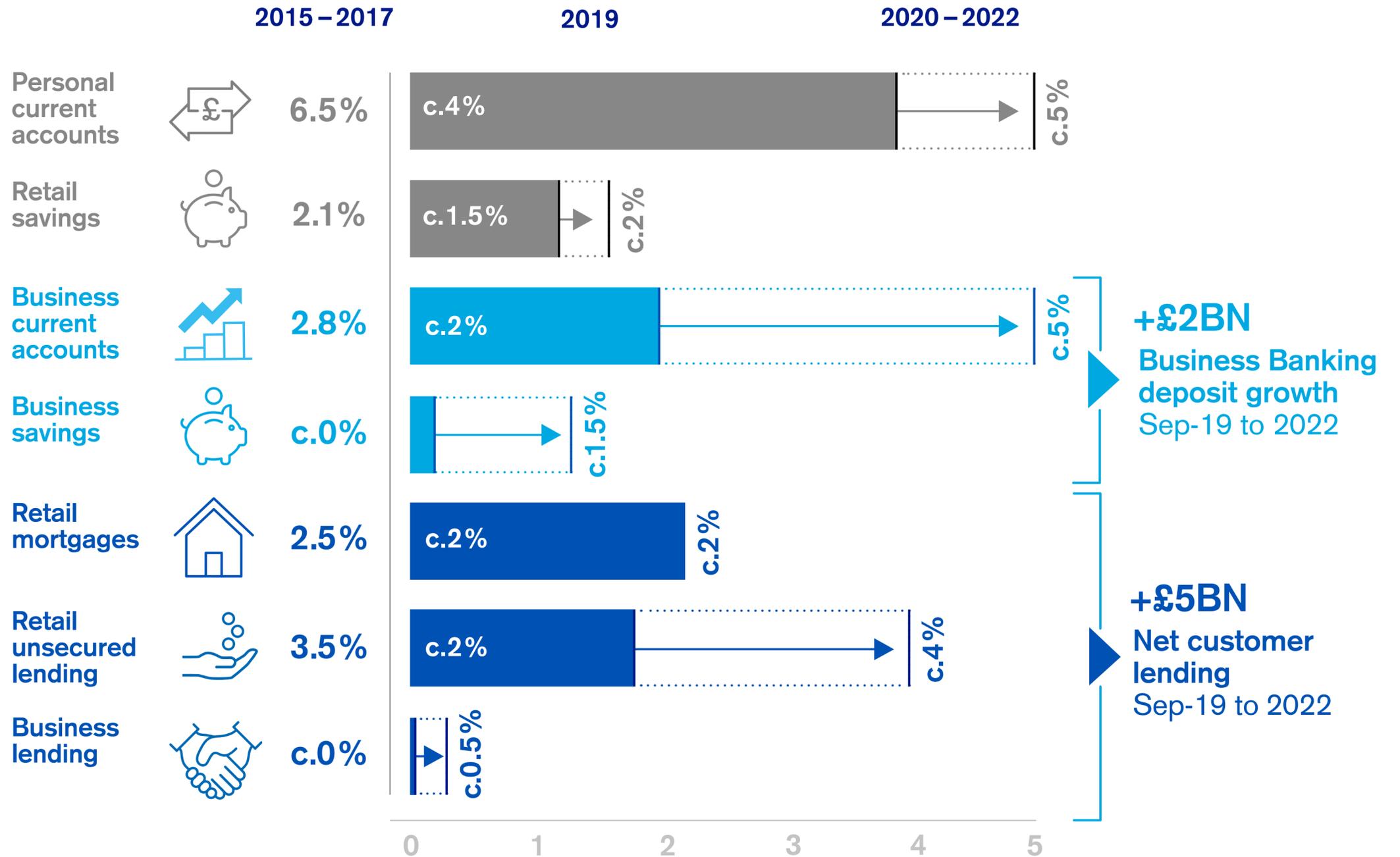
Average market share of flow

%

Key

2019 flow

2020 – 2022 average flow



2c

TSB's new strategy
**Simplification
and efficiency**

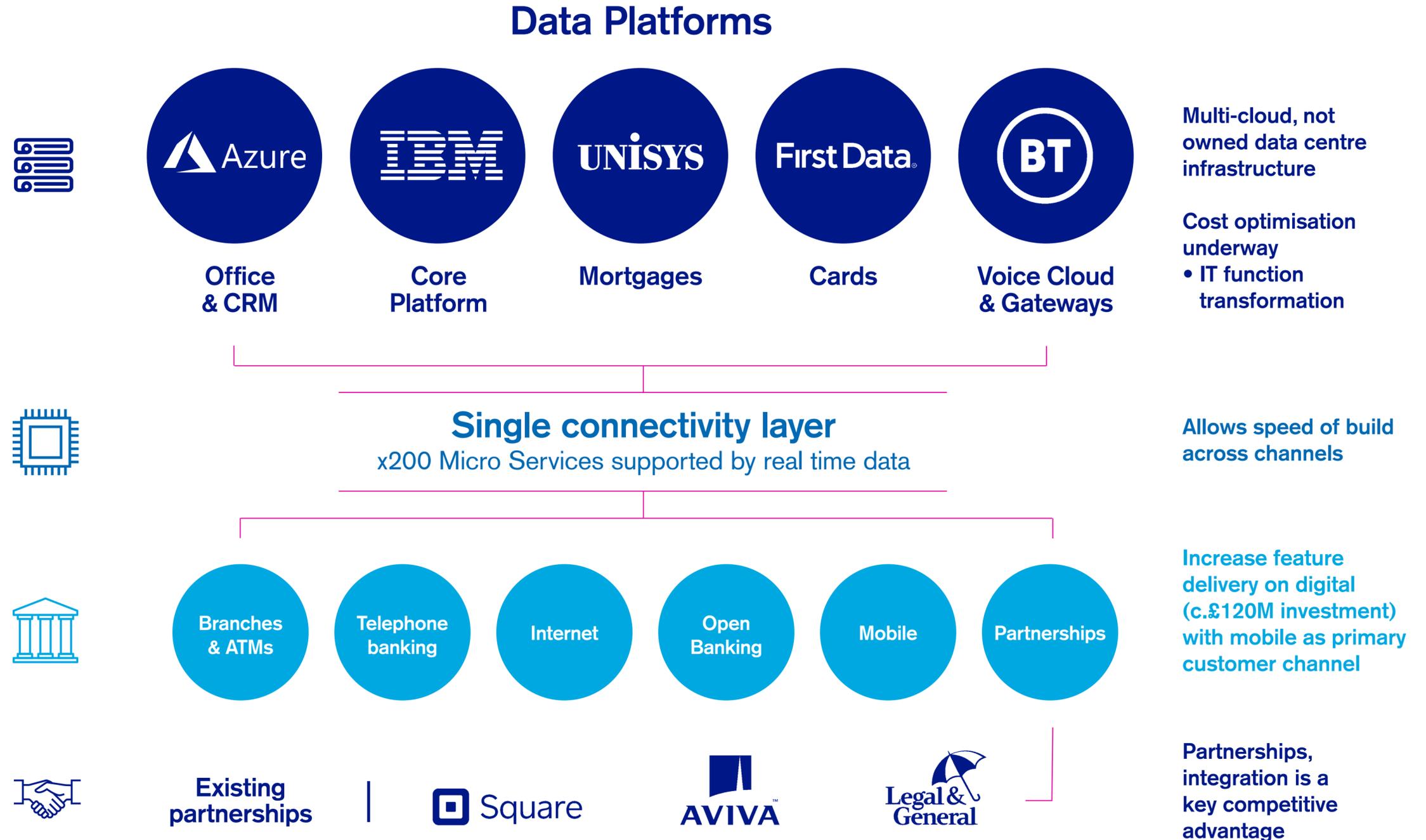
Suresh Viswanathan
COO



Sabadell



New architecture delivers execution at speed



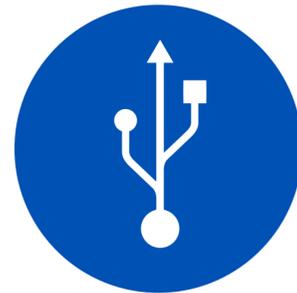
Pivot to mobile



Increased digital adoption

Targeted marketing campaigns
Upskilled customer facing colleagues

Digitally active customers¹



New digital servicing capabilities

Significantly enhance the number of mobile servicing journeys

Customer completed transactions²



New digital sales capabilities

Key sales journeys going mobile in 2020
e.g. personal current accounts, franchise loans

Digital sales origination

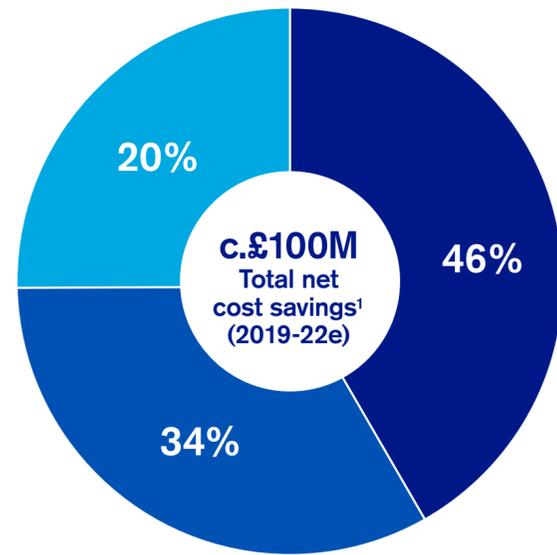


Note:

1. Calculated as a proportion of total active customer base; digitally active personal current account base is 63%.
2. 17% of transactions are colleague assisted; 15% are ATM transactions; counts exclude ID&V, view pending transactions, ATM cash withdrawals, read only interactions and payments initiated but not completed.

Targeting c.£100M net cost savings by 2022

Sustainable cost savings



- Distribution Network
- Non Branch FTE & Property
- Investment, IT, Marketing, Third party spend & other

Cost : income

(incl. amortisation, excl. one-offs)



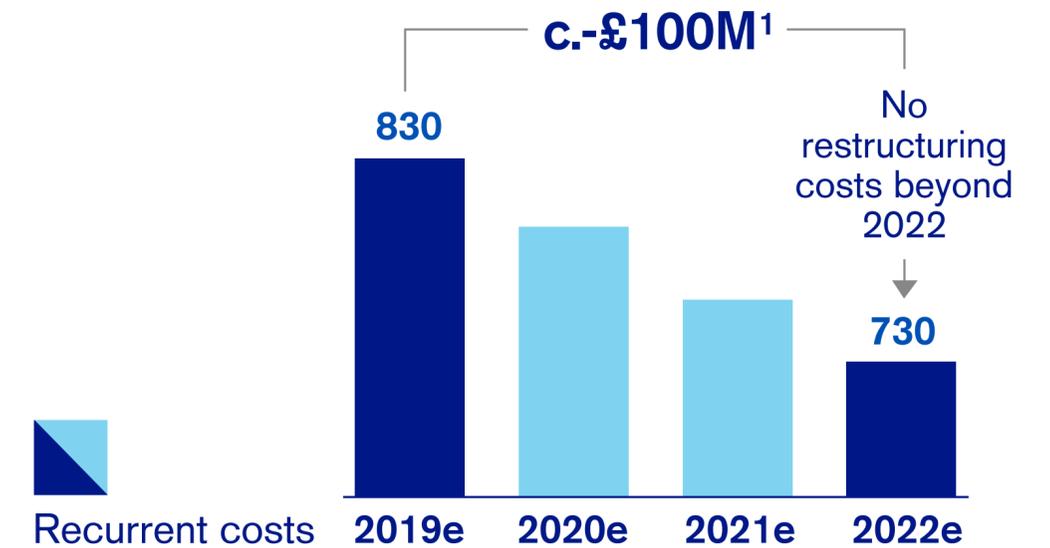
Peer average²



Note
 1. Total net cost reduction after absorbing amortisation from investment and cost inflation.
 2. Peer average includes Santander UK, Nationwide, CYBG, Virgin and Metro. 2018 data; CYBG data as at Sep-18; Nationwide data as at Apr-19.

£100M net cost savings after absorbing inflation and amortisation from investment

£M



| Cost Category | 2019e | 2022e |
|---------------------------|------------|------------|
| Recurrent costs | 830 | 730 |
| Restructuring costs | 45 | 45 |
| Other non-recurrent costs | 35 | 0 |
| Total costs | 910 | 775 |

3

Financial outlook

Ralph Coates,
TSB CFO

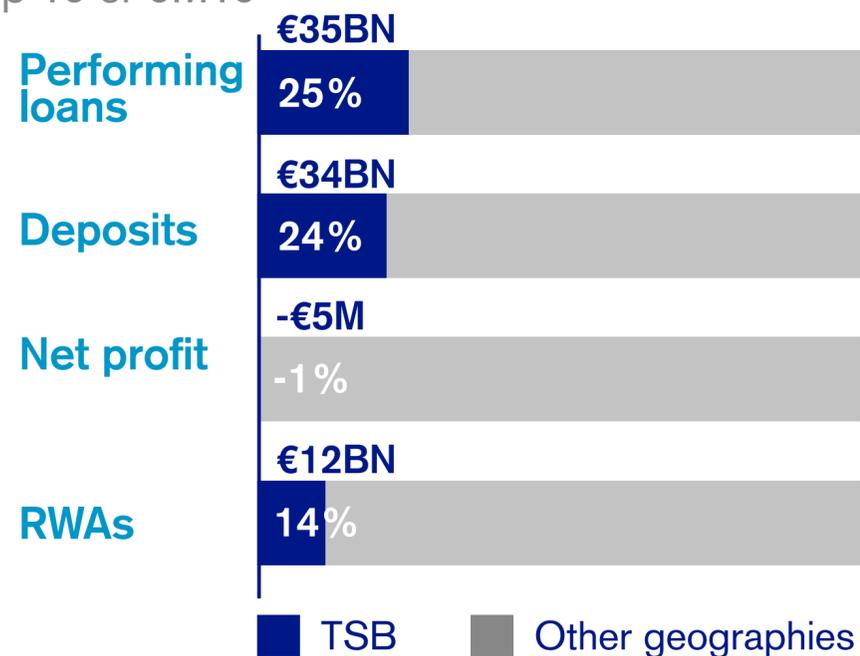


 Sabadell

TSB financial performance at a glance

Contribution to Sabadell Group

Sep-19 or 9M19



Historic financial evolution (TSB stand-alone)

2015 to Sep-19

| | 2015 | 2016 | 2017 | 2018 | Sep-19 |
|--|-------|-------|-------------------|--------|--------|
| Net lending YoY | +22% | +11% | +12% ¹ | -3% | +2% |
| NII as % of average total lending | 3.5% | 3.1% | 3.0% | 2.9% | 2.8% |
| NIM NII as % of average total assets | 2.7% | 2.5% | 2.3% | 2.1% | 2.0% |
| Cost : income Incl. amortisation, excl. one-offs | 79% | 73% | 76% | 78% | 85% |
| Profit before tax | £68M | £182M | £163M | -£105M | £23M |
| CoR | 0.37% | 0.31% | 0.25% | 0.24% | 0.16% |
| ROE | 5.3% | 7.0% | 6.1% | -3.3% | 1.0% |
| Fully-loaded CET1 | 18% | 18% | 20% | 20% | 21% |

Source: TSB annual report. Cost : income excludes one-off post migration costs for 2018 and 2019

Gross operating income distribution

9M19. Contribution to Sabadell Group

€820M or 21% of Sabadell Group


Stand-alone vs. consolidated financials

- Consolidated financials at Group level include TSB acquisition-related core deposits and brand intangibles amortisation of €40M pre-tax per year from 2019 to 2022, which is excluded from TSB stand-alone financials throughout the presentation
- Beyond this strategic plan, this amortisation charge amounts to €23M and €5M in 2023 and 2024 respectively

Note: For 2018 ratio calculation see Appendix "Alternative Performance Measures".
1. Excludes Mortgage Enhancement portfolio.

Our strategic plan assumes a broadly stable macro environment

- Brexit and global uncertainty
- TFS replacement
- Ongoing competitive pressure
- Regulatory changes putting pressure on income

TSB strategic plan assumptions

| | 2018 | 2019e | 2020e | 2021e | 2022e |
|---|-------|-------|-------|-------|-------|
| GDP growth Annual average | 1.4% | 1.4% | 0.9% | 1.4% | 1.5% |
| Inflation Annual average | 2.5% | 2.0% | 1.9% | 1.8% | 1.9% |
| House prices YoY | 1.3% | 2.6% | 1.8% | 2.2% | 2.2% |
| Unemployment Annual average | 4.1% | 3.8% | 3.8% | 3.6% | 3.6% |
| BoE base rate Annual average | 0.60% | 0.75% | 0.75% | 0.75% | 0.75% |
| 5-year swap rate Annual average | 1.28% | 0.93% | 0.85% | 0.91% | 0.97% |

Source: TSB estimates.

Efficiency enhancement, balance sheet growth and lending diversification driving profitability



Guidance (TSB stand-alone)

2019-22e

c.£100M

Net cost savings¹

2019-22e

c.5%

Net lending CAGR

2019-22e

c.2% (reported)

c.3.5% (pro forma²)

Gross operating income CAGR

2019-22e

Stable NIM

2022e

£130-140M

Net profit³
(excl. restructuring costs)

2022e

>7%

ROE pro forma⁴
(excl. restructuring costs)

2022e

>5%

Reported ROE⁴
(incl. restructuring costs)

Note

1. Total net cost reduction after absorbing amortisation from investment and cost inflation.

2. 3.5% CAGR pro forma excludes non-recurrent income of £16M related to Visa contract and c.£20M of non-recurring Gilt sales in 2019.

3. This figure corresponds to TSB stand-alone net profit estimate for 2022. TSB net profit contribution to consolidated Group financials will also include the amortisation of TSB acquisition-related intangible assets (core deposits and brand) for an estimated amount of €40M pre-tax in 2022, which is not included in TSB stand-alone financials.

4. ROE based on TSB's equity.

Significant cost savings after absorbing inflation and amortisation from investment

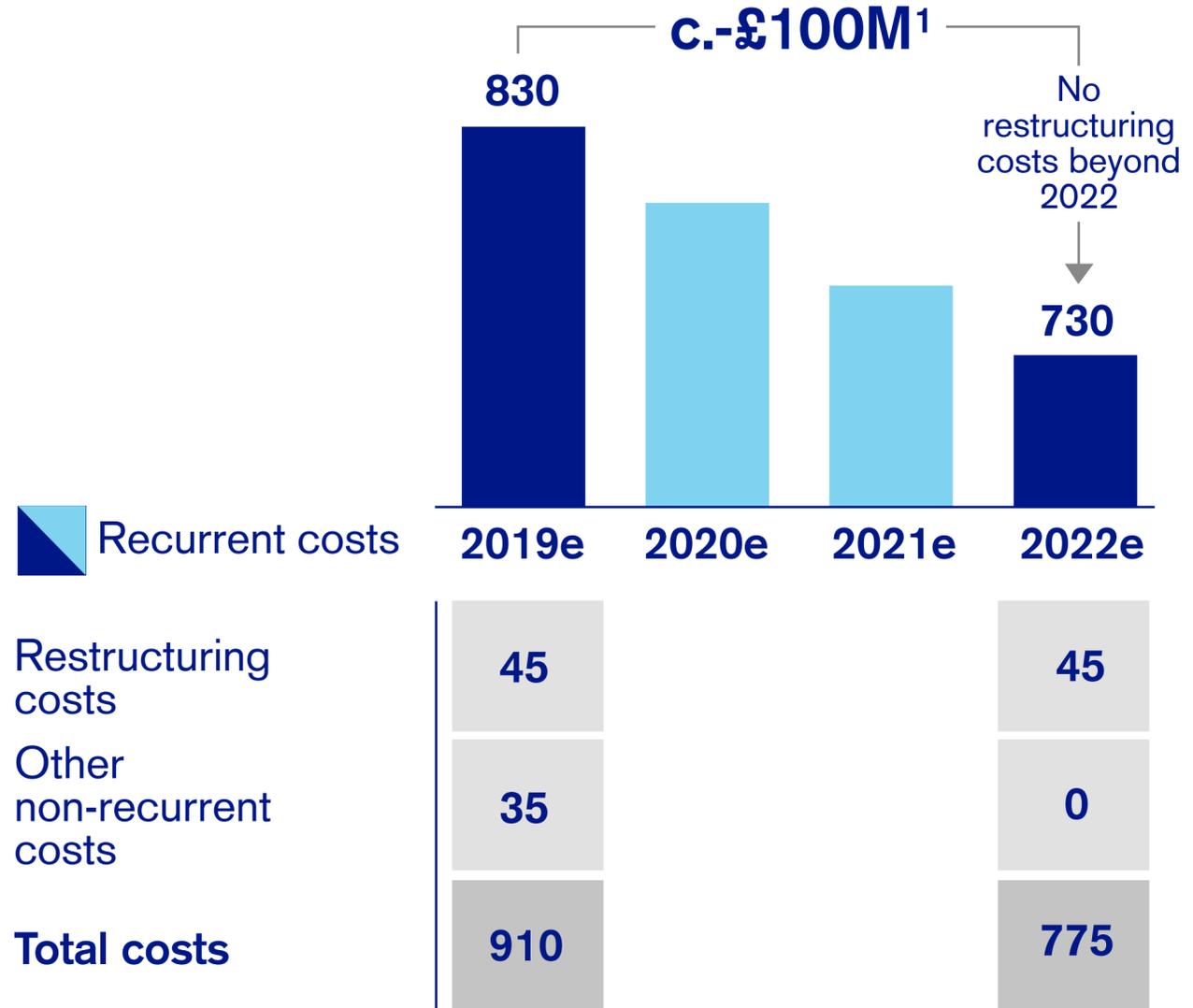
c.£180M
Restructuring costs
2019-22e

c.£100M
Net cost savings¹
2019-22e

15pp²
Cost : income reduction
2019-22e

Cost evolution

£M

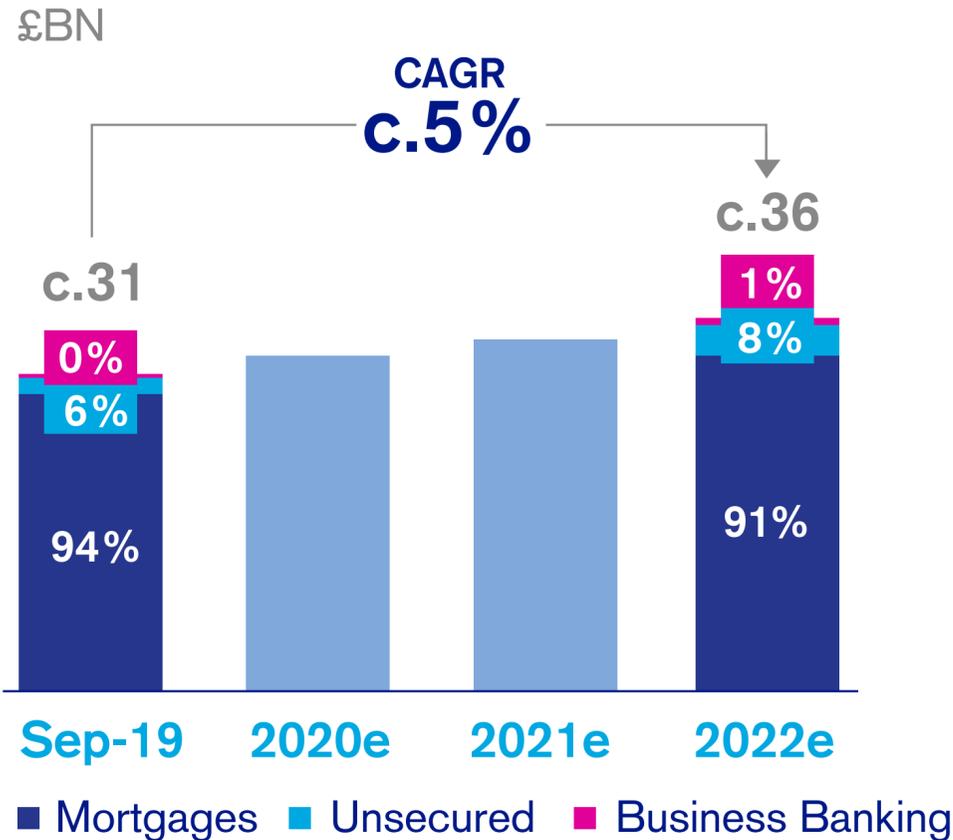


Note:

1. Total net cost reduction after absorbing amortisation from investment and cost inflation.
2. Including depreciation and amortisation and excluding one-offs.

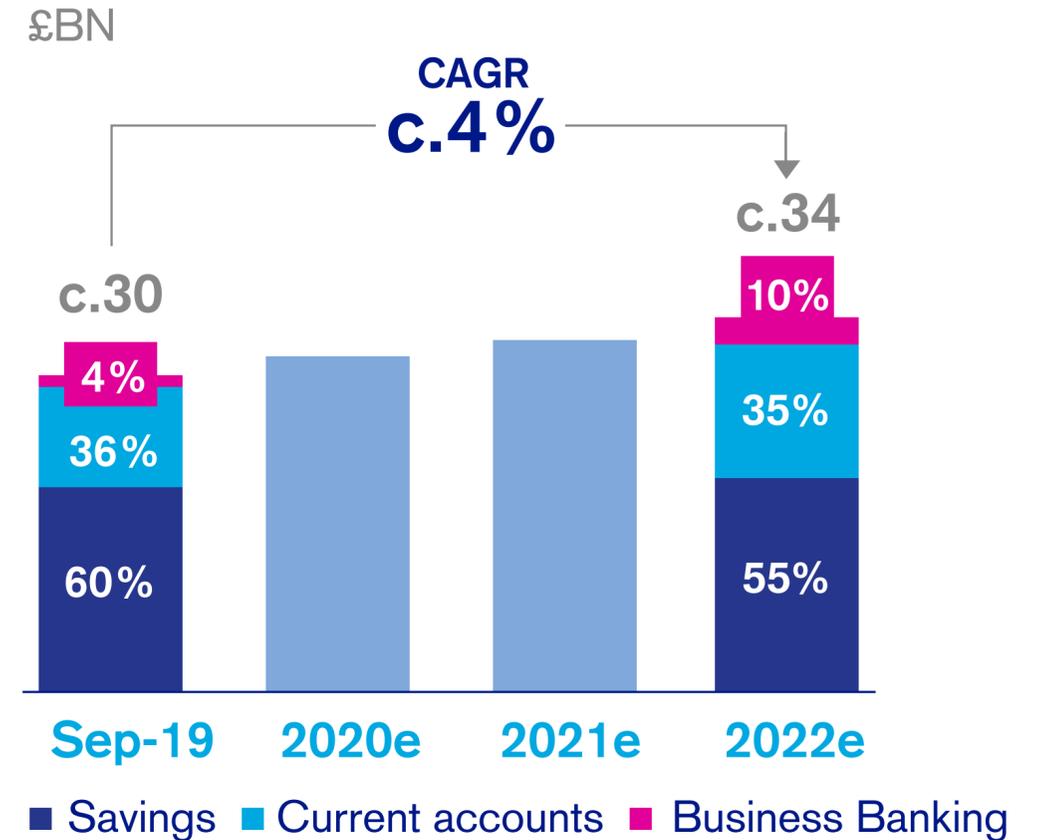
Sustainable income growth within a controlled risk appetite

Net lending¹



- During 2018 - 2019 unsecured lending was subdued due to products being off-sale
- Higher proportion of unsecured lending going forward due to restored and additional functionality

Customer funds



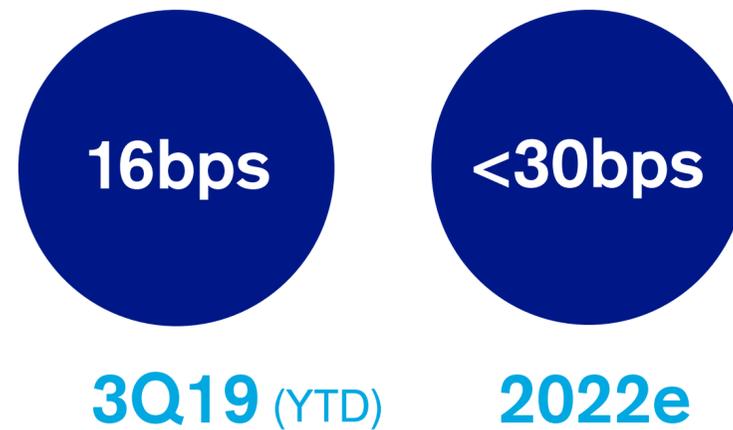
- Higher growth of business banking deposits driven by an improved digital offering and savings proposition for businesses and from the Incentivised Switching Scheme

Note:

1. Includes loans and advances to customers including impairment allowances.

Balance sheet quality preserved

Cost of Risk evolution



Cost of Risk sensitivity

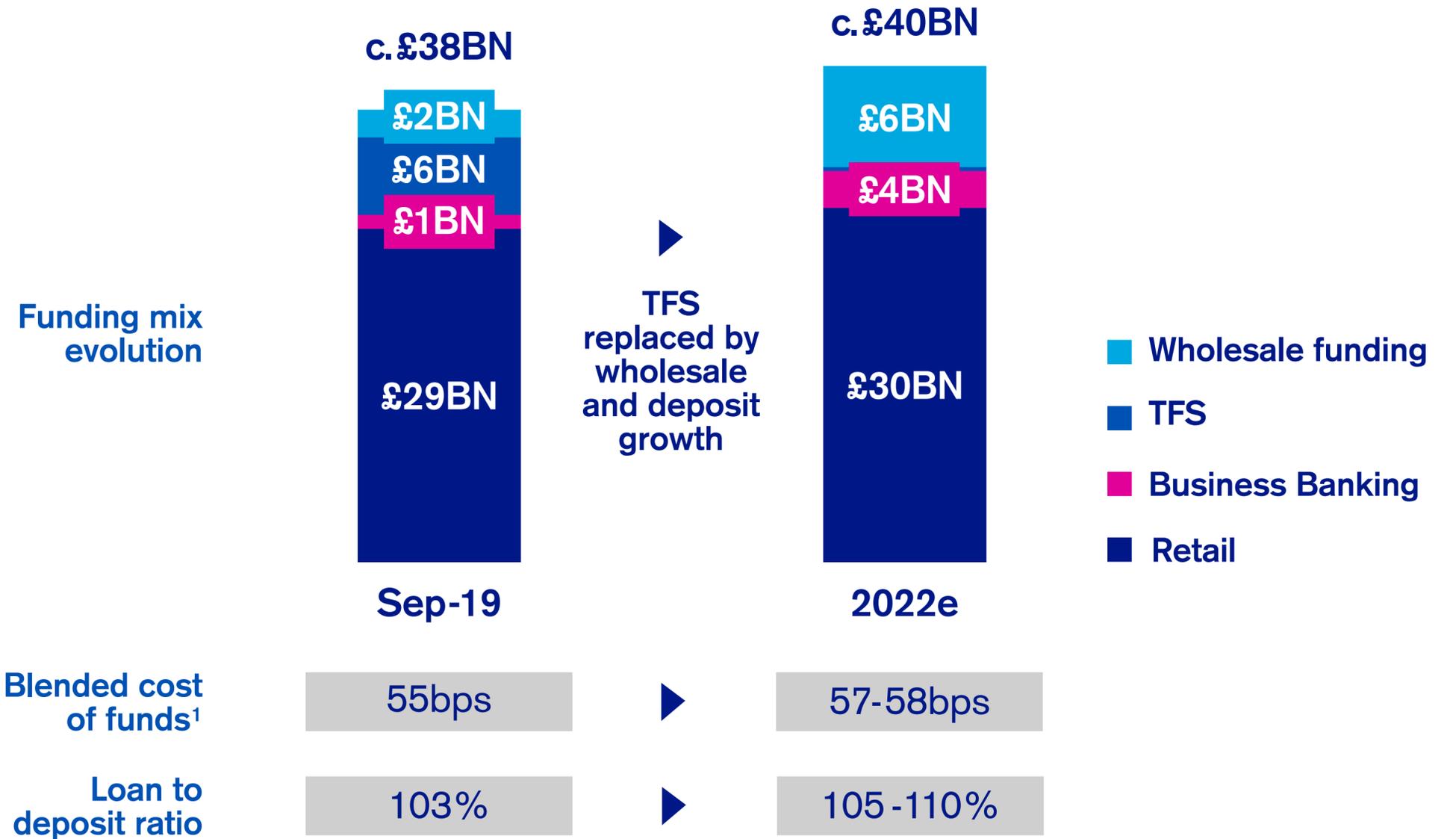
3Q19

| House prices | Impact |
|--------------|---------|
| +500bps | -2.5bps |
| -500bps | +3.5bps |
| Unemployment | Impact |
| +100bps | +7.0bps |
| -100bps | -3.0bps |

Cost of Risk inflation driven primarily by higher proportion of unsecured lending in the business mix

NPL ratio to remain broadly stable throughout the plan

Robust funding plan to support growth while maintaining a low cost of funds and strong liquidity



Note:

1. Includes subordinated debt and internal MREL. 2019 cost of funds excludes surplus TFS liquidity. Funding mix corresponds to average balances in the respective years.

Funding plan

- Covered bonds / securitisations: c.£1.5BN on average per year
- Any unsecured debt to be subscribed by Sabadell Group as internal MREL

NIM headwinds largely offset by shift in lending mix and lower cost of customer funds

NIM impact over plan period

| | 2019e vs. 2018 | 2022e vs. 2019e |
|--|----------------|-----------------|
| Interest rates Base rate and swap rates | ▼ | ≈ |
| Mortgage market competition / pricing | ▼ | ≈ |
| Blended cost of funds | ≈ | ▼ |
| Loan mix | ▼ | ▲ |

▲ Improvement ▼ Decline ≈ Stability

Stable NIM¹ 2019-2022e

NII sensitivity

| | Decrease | Increase |
|--|----------|----------|
| +/- 25bps parallel shift yield curves Impact in first 12 months of the plan | -£12M | +£10M |

Modest softening of NII as percentage of total lending 2019-2022e

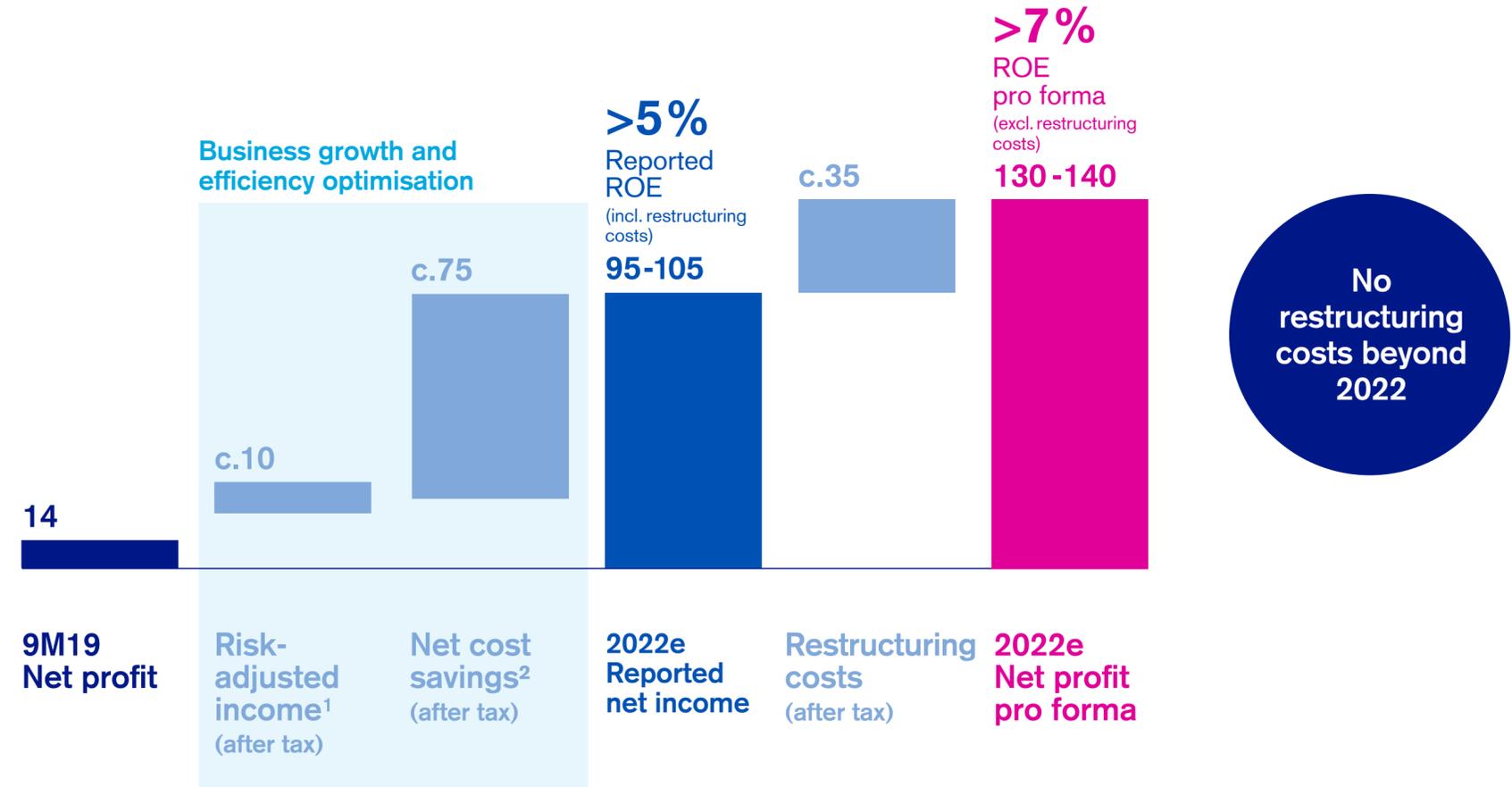
Note:

1. NIM defined as net interest income as % of average total assets.

Net profit (excl. restructuring costs) of £130-140M by 2022

Net profit evolution (TSB stand-alone post tax)

£M



Capital considerations

Note: 2022 assumes a c.25% effective tax rate, which is based upon a 17% corporation tax rate plus 8% surcharge for profits over £25M.

1. Gross operating income minus impairments.
2. Total net cost reduction after absorbing amortisation from investment, cost inflation, restructuring costs and other non-recurrent costs.

- TSB's strategic plan is self-financed, requiring no additional capital from Sabadell Group
- In 2020 TSB will adopt a 90 day definition of default on its mortgage portfolio. RWAs inflation resulting from change in default definition at TSB level already reflected in the Group's capital ratio in 2Q18
- Organic RWAs growth and this methodology change is expected to result in a TSB CET1 ratio of c.16% in 2020

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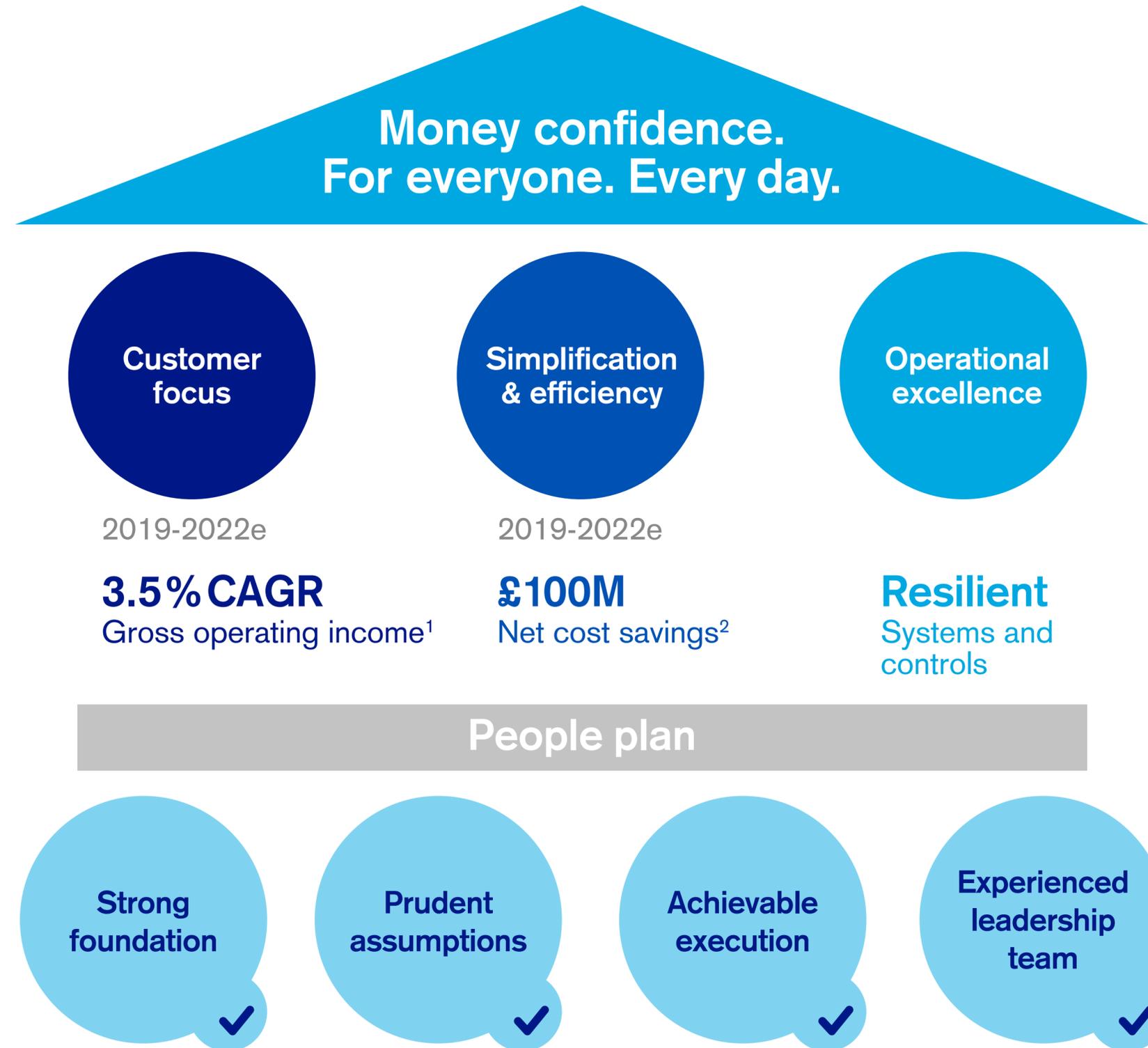
Conclusion

Debbie Crosbie,
TSB CEO



[®]Sabadell

Clear strategic plan to deliver shareholder value



Note:

1. 3.5% CAGR pro forma excludes non-recurrent income of £16M related to Visa contract and c.£20M of non-recurring Gilt sales in 2019.
2. Total net cost reduction after absorbing amortisation from investment and cost inflation.

Appendix



Income statement – TSB contribution to Group

9M income statement

| £M | TSB | | |
|---|-------------|------------|-----------------|
| | 9M18 | 9M19 | %YoY |
| Net interest income | 661 | 643 | -2.6% |
| Fees & commissions | 54 | 77 | 44.5% |
| Core banking revenue | 714 | 720 | 0.9% |
| Trading income & forex | 18 | 14 | -21.7% |
| Other income & expenses | -45 | -9 | -79.6% |
| Gross operating income | 687 | 725 | 5.6% |
| Operating expenses | -731 | -600 | -17.9% |
| Personnel expenses | -280 | -274 | -2.0% |
| Other general expenses | -451 | -326 | -27.8% |
| Memo line: | | | |
| Recurrent expenses | -553 | -550 | -0.5% |
| Non-recurrent expenses | -178 | -50 | -72.0% |
| Amortisation & depreciation | -56 | -88 | 58.9% |
| Pre-provisions income | -100 | 37 | >100% |
| Total provisions & impairments | -144 | -42 | -70.7% |
| Gains on sale of assets and other results | 1 | -2 | <-100% |
| Profit before taxes | -243 | -7 | 96.9% |
| Taxes and minority interest | 49 | 3 | -94.2% |
| TSB contribution to Group net profit | -194 | -5 | 97.6% |

Balance sheet

| £M | Sep-18 | Sep-19 | % YoY |
|--|---------------|---------------|-------------|
| Cash, cash balances at central banks and other demand deposits | 6,362 | 6,622 | 4.1% |
| Financial assets held for trading and fair value with changes in PL | 120 | 179 | 49.9% |
| Financial assets in fair value OCI | 2,373 | 1,823 | -23.2% |
| Financial assets at amortised cost | 31,392 | 32,252 | 2.7% |
| of which | | | |
| Total customer lending | 30,554 | 30,741 | 0.6% |
| Core mortgages | 26,589 | 27,402 | 3.1% |
| Whistletree loans | 1,833 | 1,518 | -17.2% |
| Unsecured (includes Business Banking) | 2,132 | 1,821 | -14.6% |
| Tangible assets | 162 | 304 | 87.6% |
| Intangible assets | 16 | 19 | 15.7% |
| Other assets | 394 | 425 | 8.1% |
| Total assets | 40,819 | 41,625 | 2.0% |
| Financial liabilities held for trading and fair value with changes in PL | 62 | 155 | 149.9% |
| Financial liabilities at amortised cost | 37,905 | 38,834 | 2.4% |
| of which | | | |
| Total customer deposits | 29,306 | 29,911 | 2.1% |
| Fixed rate savings | 2,387 | 2,964 | 24.2% |
| Variable rate savings | 15,240 | 14,880 | -2.4% |
| Personal current accounts | 10,504 | 10,752 | 2.4% |
| Business Banking deposits | 1,175 | 1,316 | 12.0% |
| TFS | 6,470 | 6,020 | -7.0% |
| Provisions | 96 | 27 | -72.3% |
| Other liabilities | 911 | 754 | -17.2% |
| Subtotal liabilities | 38,974 | 39,770 | 2.0% |
| Shareholders' equity | 1,815 | 1,861 | 2.5% |
| Accumulated other comprehensive income | 30 | -6 | - |
| Net Equity | 1,845 | 1,855 | 0.5% |
| Total liabilities and equity | 40,819 | 41,625 | 2.0% |

Alternative Performance Measures

| Concept | Calculation (£M) | 2018 |
|--|---|---------------|
| Net lending | Core mortgages | 26,254 |
| | Whistletree loans | 1,741 |
| | Unsecured (includes Business Banking) | 2,014 |
| | Total net lending | 30,009 |
| Customer funds | Savings deposits | 17,528 |
| | Current accounts deposits | 10,363 |
| | Business Banking deposits | 1,193 |
| | Total customer funds | 29,084 |
| NII as percentage of average total lending | Net interest income | 885 |
| | Average gross lending | 30,858 |
| | NII as percentage of average total lending | 2.9% |
| NIM | Net interest income | 885 |
| | Average total assets | 41,684 |
| | NIM | 2.1% |
| Cost to income ratio | Net interest income | 885 |
| | Management basis other income ¹ | 99 |
| | Total income | 984 |
| | Operating expenses (excluding one-off post migration costs) | 771 |
| | Cost to income ratio | 78.3% |
| Cost of Risk | Total average gross lending | 30,858 |
| | Impairment charge | 73 |
| | Cost of Risk (bps) | 24 |
| ROE | Average equity | 1,914 |
| | Statutory profit after tax | -63 |
| | ROE (%) | -3.3% |
| Loan to deposits | Total net lending | 30,009 |
| | Total customer funds | 29,084 |
| | Loan to deposits (%) | 103.2% |

Note:

3. See TSB 2018 annual report for management basis adjustments.

Glossary of terms

| Term | Definition |
|----------------------|---|
| (year)e | Expected |
| API | Application Programming Interface |
| BCA | Business Current Account |
| BoE | Bank of England |
| BTL | Buy-to-let |
| C:I | Cost to Income ratio |
| CAGR | Compound Annual Growth Rate |
| CoR | Cost of Risk |
| Core revenue | Sum of net interest income and fees & commissions |
| D&A | Depreciation & Amortisation |
| CET1 | Common Equity Tier 1 |
| FTE | Full Time Employee |
| ID&V | Identification & Verification |
| IPO | Initial Public Offering |
| IRB | Internal Ratings Based (approach to Credit Risk) |
| ISS | Incentivised Switching Scheme |
| LTV | Loan to value |
| Mortgage enhancement | £3.4 billion residential mortgage loan book created in February 2014 to enhance TSB's profitability with a target of delivering £230 million profit over a four year period. In 2Q17, this portfolio was returned to Lloyds one year ahead of schedule, having achieved its profit target |
| MREL | Minimum Requirement for own funds and Eligible Liabilities |
| Net cost savings | Total net cost reduction after absorbing amortisation from investment and cost inflation |

| Term | Definition |
|----------------------|--|
| Net lending | Includes loans and advances to customers including impairment allowances |
| NII | Net interest income |
| NIM | Net Interest Margin. Net interest income / Average total assets |
| NPS | Net Promoter Score. The Net Promoter Score is obtained by asking customers "On a scale of 0-10, where 0 is not at all likely and 10 is extremely likely, how likely are you to recommend Sabadell to a friend or colleague?". NPS is the percentage of customers who score 9-10 after subtracting the percentage who score 0-6 |
| p.a. | Per annum |
| PBT | Profit before tax |
| PCA | Personal Current Account |
| Repo | Repurchase agreement |
| Risk-adjusted income | Gross operating income – impairments |
| RoE | Return on Equity |
| RWAs | Risk Weighted Assets |
| TFS | Term Funding Scheme |
| Whistletree | Portfolio of former Northern Rock mortgages and unsecured loans for which beneficial interest was acquired from Cerberus Capital Management Group with effect from 7 December 2015. The portfolio is currently in run-off |
| YoY | Year over Year |
| YTD | Year To Date |

TSB speakers' biographies

**Debbie Crosbie,
CEO**



Debbie became TSB's Chief Executive Officer on 1 May 2019.

She has over 25 years of experience in financial service leadership roles, joining TSB from CYBG, where she was COO and an Executive Board Director.

Debbie has extensive experience of leading turnaround strategies and, while Acting CEO of Clydesdale Bank, led preparations for the successful demerger of Clydesdale Bank PLC from National Australia Bank and the subsequent Initial Public Offering of CYBG.

Debbie ensured that CYBG increased its digital capability and IT stability while overseeing the execution of far-reaching transformation projects.

Debbie is a member of the Glasgow Economic Leadership Board and was Vice Chair of the Confederation of British Industry (CBI) Scotland Council for two years. She was also a Non-Executive Director of the Scottish Court Service for over three years. In 2016, she was named the University of Strathclyde's Alumna of the Year.

**Ralph Coates,
CFO**



Ralph has a wealth of knowledge amassed over 25 years of business and banking experience with Barclays Bank, the Bank of England, J Sainsbury plc and PwC.

He joined the Board of TSB on 1 July 2016 from the Bank of England where he was Finance Director and supported its strategic transformation and the delivery of its policy agenda.

He qualified as a Chartered Accountant with PricewaterhouseCoopers (PwC) in South Africa.

Ralph joined J Sainsbury plc in the UK in 1999, and then re-joined PwC in London, spending four years in the Transaction Services division, focusing on M&A in the retail sector.

In 2004, Ralph joined Barclays Bank assuming finance responsibility for all retail banking product areas, distribution and operations, and becoming Finance Director for the UK Retail & Business Bank in 2011.

TSB speakers' biographies

Robin Bulloch, Customer Banking Director



Robin has built a strong reputation for leading large customer-facing operations and delivering business and cultural transformation in a banking career that spans over three decades.

He was appointed Customer Banking Director at TSB in August 2019. He joined TSB from Lloyds Banking Group (LBG), where he was Managing Director for their Community Banking, overseeing a team of over 12,000 colleagues.

He started at LBG in March 2011, leading its general insurance division before going on to lead Bank of Scotland's Community Banking.

He was a key individual in the revitalisation of Bank of Scotland following the takeover by LBG.

Prior to LBG, he held a number of senior executive roles at RBS, including Managing Director at RBS and NatWest Branch Banking. Before that, he was Chief Executive of Tesco Personal Finance. Robin also worked for GE Capital as Operations Director of its motor finance business from 1999 to 2001.

Suresh Viswanathan, COO



With over 30 years' experience in technology and financial services, Suresh was appointed as Chief Operating Officer at TSB in August 2019. He has held Chief Information Officer and operational roles in international, retail and corporate banking and led complex global scale technology operations and integrations.

Suresh began his career at Citigroup working across a range of senior technology roles. During his time at

Citi, he led the creation of its branch-banking platform and led acquisition / integrations into multiple countries across Central and Eastern Europe, Middle East and Africa.

He joined Barclays in 2008 as Chief Information Officer for Barclays Corporate Bank and then went on to lead Operations and Technology for Barclays UK, where he helped set up the Barclays' ring-fenced bank.

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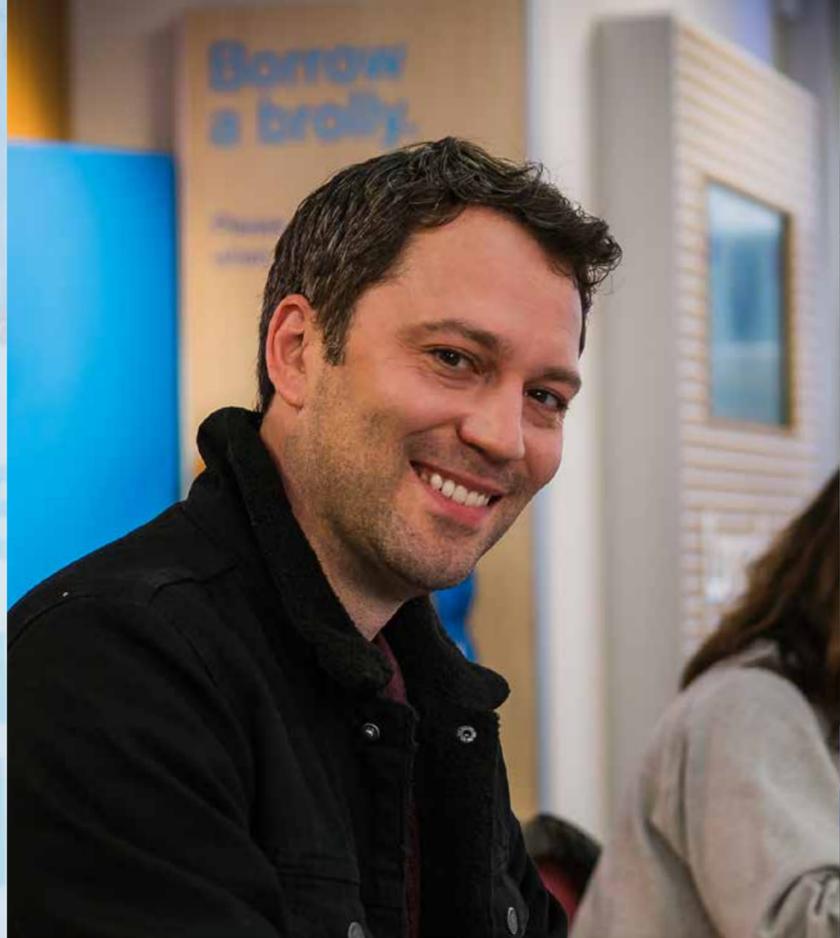
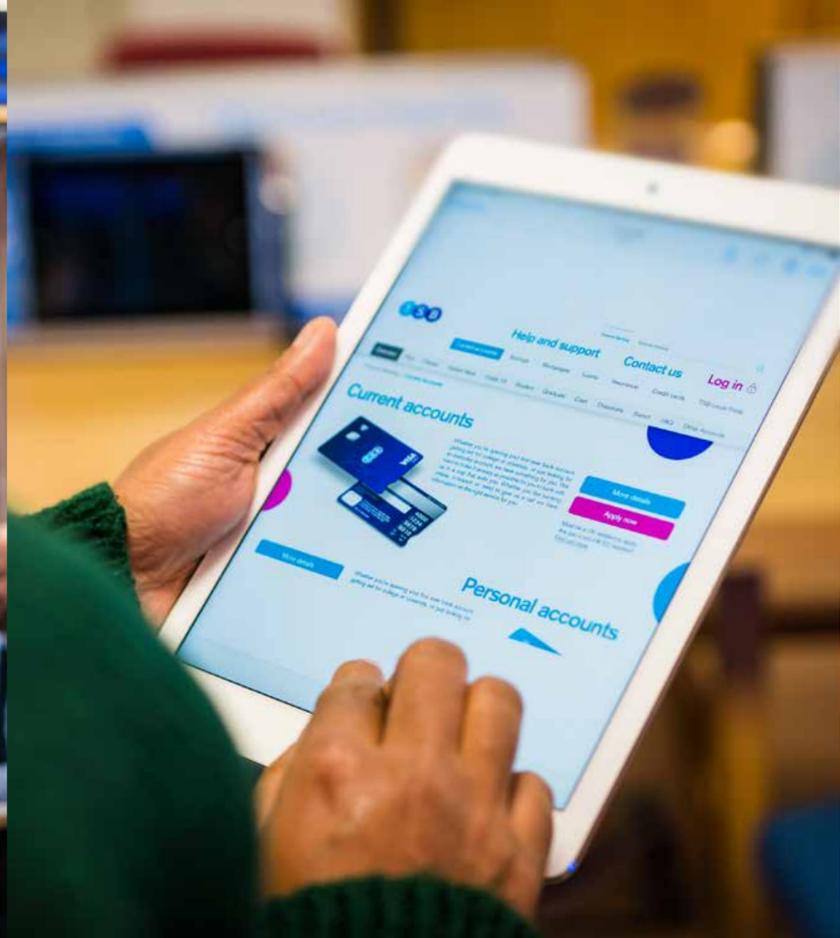
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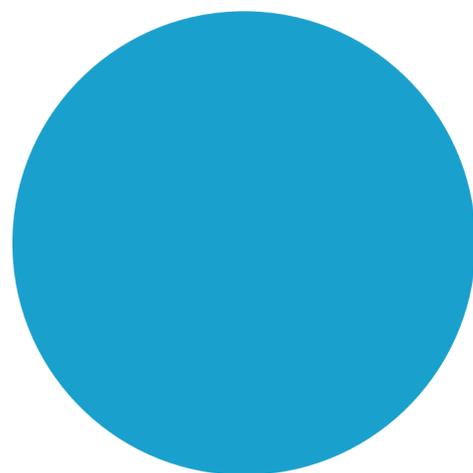
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