

Ordinary General Meeting of Shareholders

Sabadell, 31 March 2016

Dear Shareholders,

2015, the 134th year since the establishment of Banco Sabadell, has witnessed a complex economic and geopolitical environment. The key aspects of the Spanish economy have been positive, helped by low interest rates and the reduced cost of energy, the results from the economic cycle itself and the positive effect of the reforms in previous years, both in terms of employment and the financial system.

Alongside these positive aspects, new elements of uncertainty have dominated the stock market during the second half of the year.

Although the excessively rapid decline in energy and commodity prices has favoured the levels of consumption in oil-importing countries, such as those in the Eurozone, it has also caused problems in emerging countries that depend on commodities, particularly those that suffered the least during the crisis, such as countries in Latin America.

In the United States, the Federal Reserve's decision to return to a positive interest-rate policy, together with the European Central Bank's contradictory view, favouring low interest monetary policies in Europe, have given rise to extreme volatility in the financial markets, which continues to affect us.

In addition to economic variables that create uncertain scenarios, there are also other variables arising from international geopolitical scenarios and, to a lesser extent, from the current political circumstances in this country.

The massive influx of refugees last summer presents a new challenge to countries in the European Union. Different ideas on how to manage this situation have reflected severe clashes between different political viewpoints, and have opened a critical debate at the heart of the Union in terms of its basic grounds and limits.

The consultative process taking place in the UK regarding their continued membership in the European Union will continue to generate uncertainty until the referendum is held, not only in terms of how a Brexit could affect the British economy, but also in terms of the consequences that it could have on other countries within the European Union and of the extent of their enthusiasm and commitment to the European project.

Despite all this, as I mentioned earlier, the Spanish economy continues on its path to recovery, which started last year, and it stands out positively against other Eurozone economies, with a GDP increase in excess of 3%, sustained by a significant increase in internal demand and a relatively positive behaviour in terms of exports, despite the unfavourable international environment.

The unemployment rate is showing a downwards tendency, and has fallen by six points from the maximum levels reached towards the end of 2012. Even so, the economic pulse of the last few years needs to be maintained, and additional reforms need to be carried out in the labour market in order to further reduce current unemployment rates, as they still stand at around 20%, hampering the competitiveness of our economy and causing a social imbalance that is felt more acutely by those who cannot find any opportunities to join the active workforce.

With the exception of unemployment rates, parallel to the positive tone of the economy, it should also be noted that a plan is being implemented to correct deficits in public organisations. Although this plan does not leave us in a comfortable position as yet, it does mean that we can start talking about a significant reduction in unemployment.

Our deficit is still over 4%, which is still above this year's target level of below 3%. Spanish government debt has reached 100% of our country's GDP, which largely prevents any policies on public expenditure from being implemented, and also requires a common political focus on efficient government spending in order to achieve social welfare objectives within budgetary constraints.

We need an adequate regional allocation of taxes which will allow each administration to be held responsible and accountable for the efficiency with which they use their resources and, in time, we will need a tax scheme that enables taxes to be collected without discouraging people's efforts or willingness to save, as the latter would slow down the intrinsic dynamism of our economy and reduce its potential growth rate, consequently limiting new employment opportunities.

The funding conditions of the European Central Bank can provide temporary support for our public accounts, but this cannot be considered as a permanent solution, therefore the focus on tax efficiency should be maintained in all issues under debate in public finance.

The European Central Bank's latest unorthodox attempts to combat economic weaknesses and address the uncertainty that is holding back investments, have put the savings and investment system, an important part of which is the financial system, in a precarious situation.

We never anticipated an environment of negative interest rates, and our contractual relationships are not ready for them, nor were they ever intended to withstand the type of scenario that exists today.

This discourages saving, generates legal difficulties in terms of the interpretation of contracts and puts pressure on banks' income levels. However, we have yet to see whether the objective of these measures to kick-start productive and consumer investment, will take hold in the economy, to the point of generating positive inflation rates.

We do not expect to see any new trends any time soon, and banks should therefore adapt their commercial policies in terms of income levels and benchmarks to this new scenario.

In regulatory terms, in November the European Banking Authority published the results of a transparency exercise, which was carried out to assess the relative positions of the different entities within the European Union in terms of liquidity and solvency. Spanish entities showed significantly lower leverage than the average of European entities and demonstrated greater coverage of impaired assets, and also demonstrated better cost/income ratios and higher profitability.

Banco Sabadell ended 2015 with a Common Equity Tier 1 fully loaded capital ratio of 11.4%, well above the regulatory requirement of 9.25%. This percentage is among the lowest of Spanish banking requirements, reflecting an improved assessment of the Bank's risk profile compared to other banking institutions.

We reached this position after acquiring British bank TSB and the capital increase we implemented to carry out this acquisition. Throughout this operation we always looked for the best possible way to manage the capital required to complete the operation. In this sense, the requirements we were required to fulfil and our sufficiently flexible capital position have confirmed the adequacy of our capital management in the same year in which the Bank's risk profile has changed considerably.

Since its inception as the new regulating body, the European regulatory and supervisory system has focused on banks' corporate governance systems, which override those advocated by the CNMV, (the Spanish Securities Commission) for listed companies.

Banco Sabadell's corporate governance model is based on codes of conduct built on transparency and ethics, which have inspired Sabadell's corporate governance model since the bank's beginnings. This model has been adapted to the most stringent requirements of the current rules and recommendations.

As you will be able to see in the Corporate Governance Report included in the Annual Accounts, which has been sent to you along with the other documentation for this General Meeting, Banco Sabadell complies with all Good Governance recommendations for listed companies as required by the Spanish Securities Commission.

The incorporation of new independent directors, which was decided at last year's Meeting, the active and committed role of all of the Directors, the new constitution of the Board's delegated committees and the work carried out by the Lead Independent Director, are just some aspects that mean we can safely say that, today, Banco Sabadell meets the highest standards of corporate governance.

Within this framework of adapting our internal standards and regulations, as well as remuneration policies that are in line with the philosophy of corporate governance laid down by the supervisory bodies, we can find some of the motions that are being put forward today.

Firstly, the motions of agenda items four, five and six include the amendment of certain articles of the Banco Sabadell Articles of

Association, the Regulation of the General Meeting of Shareholders and the cognizance of the Regulation of the Board of Directors. None of these amendments should be considered to be of significant importance, as their purpose is to apply amendments derived from recommendations and applicable rules for this year, and from the commitment to ensure these regulations satisfy the highest levels of requirement.

Secondly, although the annual directors' remuneration report, which includes the directors' remuneration policy over the three subsequent years, was approved in last year's General Meeting, the Board of Directors, in line with the bank's transparency commitment and policy, has considered it convenient to submit, as most listed companies do, the remuneration policy of members of the Board of Directors for approval at this year's General Meeting as a separate document in agenda item twelve. It includes the general principles and concepts behind the remuneration of both executive and non-executive directors. We will also submit the annual report on Directors' remuneration for a consultative vote in agenda item thirteen, in line with our country's legal requirements.

In agenda item seven, once again, we submit for approval the proposal to extend the Designated Group. The proposed new members are people in particularly significant roles from the point of view of profitability and the risks assumed by the Bank. This increase in membership corresponds to the Designated Group's annual review, in line with regulatory requirements.

Lastly, as part of the section on Corporate Governance, in agenda item eight, the Board will submit a supplementary long-term incentive to the Meeting for approval, which is based on an increase in value of Banco Sabadell shares for Executive Directors, Senior Executives and a large group of Banco Sabadell Group /directors .

This is a three-year plan, with the same characteristics as those approved in 2007, 2010 and 2014, although for the first time it is being submitted for approval before the previous plan has ended.

The reason for doing this is to incorporate a new component into the remuneration structure of Banco Sabadell directors, consisting of a recurring and consistent component in a variable long-term remuneration that is linked to the share price, and that is supplementary to the annual variable remuneration obtained as a result of the achievement of the annual targets.

Therefore, as indicated in the remuneration policy for executive directors, which will be submitted for approval today, Banco Sabadell directors' remuneration is made up of fixed remuneration, variable remuneration and a supplementary long-term incentive linked to the share price. This system is in line with legal requirements and international practices, and it manages to create an adequate balance between the bank's business objectives, the professional efforts of its directors and the changes in value of the bank, whilst also functioning as a way for the bank to retain its best professionals.

Jaime Guardiola, our Managing Director, will give a detailed account of the development of the bank's business throughout 2015. However, please allow me to highlight some aspects that I believe to be significant.

This year has been the second year of our three-year business plan, Plan Triple, which is based on three pillars: transformation, profitability and internationalisation.

During the second year of the plan, we have achieved objectives that are far more ambitious than those that we had originally set when creating the plan, particularly in terms of internationalisation and the transformation of Banco Sabadell into a multi-national bank through powerful technology and a strong capacity to allocate adequate risk levels in various geographies.

The Group's profits stood at 708.4 million euro at 2015 year-end, with a ROTE of 7.6%, following the capital increase and including the addition of TSB into our scope of consolidation, and the incorporation of its profits in the second half of the year. This represents a 90.6% increase in profits and is a significant step towards the achievement of our final objectives at the end of 2016.

Our income management, in an environment of declining interest rates, has been appropriate, and has allowed the Bank's income to be significantly higher than in the previous year, with a 41.7% increase in

net interest income and a 16.5% increase in income from fees and commissions.

Once again we have seen brilliant results from our financial operations, due to adequate hedging of the balance sheet with assets that have contributed to a greater restructuring of the balance sheet.

In this context, the bank has no limitations whatsoever in terms of its dividend policy. In line with the requests from our retail shareholders in previous years, in 2015 we have decided to maintain shareholder remuneration in the form of flexible remuneration, or scrip dividend, of 0.05 euro per share, supplemented with an additional 0.02 euro per share upon the delivery of shares from the treasury portfolio.

Although our minority shareholders prefer the scrip dividend, which allows them to choose whether to receive their remuneration in cash or in shares, our institutional shareholders generally prefer the dividend to be paid in cash. As we mentioned last year, we will take both forms of shareholder remuneration into account in future and the Board will analyse and make a final decision on the most convenient form of shareholder remuneration each year, without the current form setting any precedent in this regard.

This flexible remuneration involves a capital increase under the terms detailed in agenda item three.

The second pillar of the triennial Triple plan is transformation, both in terms of the balance sheet, reducing the proportion of problem assets that exist due to the crisis, and in terms of commercial and digital transformation, to allow us to be at the head of future competitiveness.

On one hand, the group's loan loss ratio has declined significantly by 495 basis points, reaching 7.8% at year-end. The stock of doubtful assets is also declining at a faster rate than expected, and has already declined by over 5.5 billion euro since the start of the Triple Plan. The coverage of doubtful assets continues to improve, standing at 53.6% at year-end. The volume of problem assets has declined by 3.18 billion euro throughout 2015, with on-balance sheet real estate assets still being marketed at a high rate and with lower discounts.

On the other hand, thanks to our commercial and digital transformation, we are changing our business model to become leaders in customer experience across all segments, and to promote our commitment to building long-term relationships with our customers. We will implement a new customer relationship model, enriched with new digital capacities, an improved sales approach and a deployment of new branch models which are more efficient for the Bank and more convenient for the customer. Banco Sabadell's objective is to remain in the lead in the new era of digital competitiveness.

Currently, 39.1% of the Bank's active customers use our online banking and mobile banking services on a regular basis. We help these customers to be more independent and to receive an ever better

service through the combined deployment of new digital capacities such as digital signatures and remote contracting of products and services, as well as physical capacities such as new branch models and the remote management service. This allows us to launch a unique value proposition that is simpler and better adapted to multi-channel customers, without losing sight of the closeness, personalisation or quality of our service, which are essential to the continued growth of the business.

Lastly, the third pillar of the Triple plan, the internationalisation of Banco Sabadell, has gone through a qualitative change with the very significant acquisition of British bank TSB.

The takeover bid, which was already underway at the last General Meeting on 28 May 2015, was completed on 30 June. Following Banco Sabadell's acquisition of one hundred per cent of its shares, TSB ceased to be quoted on the stock exchange in the United Kingdom.

The legal process behind the materialisation of the takeover bid and of its withdrawal from the stock exchange has been impeccable. TSB's business has not slowed down in any significant terms, with the exception of the month when our bid was announced without warning.

We have worked together with TSB's governance bodies and with the regulatory authority in the United Kingdom – the PRA or Prudential Regulation Authority – from the very beginning. We have established a management team aligned with our project, as well as a Board of

Directors and a corporate governance system that interacts with the Group and functions to our full satisfaction.

We have been working to migrate TSB's platform, which is currently Lloyds's platform, to a new platform based on the Proteo infrastructure, which is the technological platform developed by Banco Sabadell in 2001. This platform has considerable advantages in terms of security and costs as it belongs to a new series of information systems that use integrated databases.

At the same time, TSB has developed its mortgage business with a high level of dynamism, both through its internal distribution channels and through intermediaries.

TSB is a brand with a great team behind it, which now includes some of our best directors. It also has a customer service policy that fortifies and streamlines Banco Sabadell's customer service policy, which we have implemented ever since we chose "Bon Servei" or "Good Service" as a motto for our customer relations.

In 2015 the Bank has also strengthened its presence in Latin America with the development of our project in Mexico and the purchase of 4.99% of GNB Sudameris in Colombia, a bank in which the Gilinski family has a significant indirect holding. This acquisition has been complemented with a strategic collaboration agreement, the objective of which is to seize the mutual opportunities offered by the markets in

which both banks operate, and the opening of our new representative offices in Bogota and Lima.

By taking this step towards multi-nationalism, the Bank is looking for an adequate allocation of risks and capital in its supplementary geographies, as well as markets whose growth and profitability can provide an upgrade to our country of origin.

Before I conclude this speech, I would like to say that Banco Sabadell has changed considerably in recent years. After substantial efforts, we have managed to transform the crisis into an opportunity. Everything that we have learned along the way will form part of the Bank's future culture. Our actions have always been governed by our principles of righteousness and transparency.

At the same time, we will adapt our group's organisational structure to the Bank's new multi-national position and to any political and economic developments, whilst always aiming to give our shareholders an adequate return, and searching for longevity deriving from compensated risks and sources of profit.

Dear shareholders,

I believe that by the end of 2016 we will have amply surpassed the objectives that we set ourselves. However, it is the pursuit of stable profits and dividends above the cost of capital that is, without a doubt, our target and commitment to all shareholders.

I would like to thank the Banco Sabadell team for what we have achieved, not only in 2015 but also in the preceding years during the crisis. Thanks to the team behind the bank, Jaime Guardiola, the senior management and the directors and employees Bank, we have built a major bank. Naturally, keeping the bank on its path towards growth constitutes a challenge for the future, but today, more than ever before, we are ready to take it on.

I would like to thank the Board of Directors for their contributions, and I would like to thank all of you for your trust in us.