

Ordinary General Meeting of Shareholders
Alicante, 19 April 2018

Chairman speech, Mr. Josep Oliu

Ladies and gentlemen,

As I mentioned in last year's General Meeting, 2017, which marks Banco Sabadell's 136th year, has been an important transitional year for us, and the results that we have achieved have placed us in a strong position from which to take on our new three-year business plan that covers the period from 2018 through to 2020.

For the first time we are holding this Annual General Meeting in Alicante, following a decision made by the Board of Directors to move the registered address of Banco Sabadell to this city on October 5th 2017.

During the General Meeting that took place in 2015, a decision was made to amend the Articles of Association, as a result of the new option included in the Capital Companies Act, whereby the Board of Directors was granted the ability to swiftly reach a decision to change the bank's registered office.

On the basis of this, the corresponding control mechanisms were established to serve as a basis for making this decision, if necessary at any time, in order to avoid any potential risks for our customers, shareholders and employees.

The decision to move our registered office was made on the basis of objective facts and data. It was made in a complex political environment in which it was necessary to give assurance of institutional and legal certainty, and to inspire the necessary trust in the business relationship with our customers and safeguard the interests of our shareholders, dispelling concerns arise from a political situation outside the Bank's control.

This decision has proven to be the right one and was made at the right moment, in a firm and unanimous manner by the Board and impeccably executed by all the executive team.

As we anticipated, when expressing the concerns we saw in 2017, the year has also been characterised by a number of important political events on the international stage.

In the United States, the change in economic policy and international tensions have defined a year in which the economy has in fact remained strong, supported by the robustness of private consumption and the improved performance of investments, while positive growth data have been recorded both in the United States and in developed and emerging countries.

In Europe and within the framework of the Brexit negotiations and elections in France, the United Kingdom and Germany, the Eurozone recorded its highest growth rates of the last decade. This, together with the easing of fears of deflation, has allowed the European Central Bank to announce the first steps towards normalising its monetary policy, resulting in expectations of interest rate increases as the Fed funds rate gradually rises.

The UK economy has benefited from a favourable global economic environment, which has helped to soften the negative effects associated with Brexit.

The UK has grown by close to 2.0% during 2017, which is similar to the previous year. The unemployment rate has fallen to a 42-year low.

The Spanish economy, despite the political situation in Catalonia, has continued to be resilient, standing out in a positive light once again within the Eurozone. Activity has benefited from favourable funding conditions and the improved financial situation of private agents, as well as growth expectations for the coming years.

GDP growth exceeded 3.0% for the third consecutive year and the real estate market has continued to perform well.

Political events in Catalonia had a major impact on the banking and economic activity in October. However, this was limited in both time and nature after trust in financial institutions was restored following the corporate and political changes of which we are all aware.

Thus, economic growth in the fourth quarter of 2017 remained strong both in Spain as a whole and also in Catalonia.

In Europe, the European Commission has continued with its package of banking regulation reforms derived from Basel III, among other regulatory processes.

The Single Supervisory Mechanism of the European Central Bank has consolidated its activity, with evident efforts being made throughout 2017 to harmonise supervisory policies between European countries and improve the transparency of supervisory expectations within the framework of the Supervisory Review and Evaluation Process.

This has required, and continues to require, banks to allocate considerable resources and efforts to satisfy these new requirements.

In Spain, part of these efforts have focused on making adjustments to adapt to the new regulatory framework of the Markets in Financial Instruments Directive, or MiFID II, which entered into force on January 3rd 2018. Banco Sabadell has made these adjustments in advance and with professionalism, making it a point of reference for adapting customer relations to the regulations.

The European banking system has significantly strengthened its solvency after certain episodes of resolution, maintaining the

challenge of recovering acceptable levels of profitability, that is, above the capital cost.

Sabadell has ended 2017 with net profit attributable to the Group amounting to 801 million euros, 12.8% higher than in 2016, and a solid capital position, with a fully-loaded Common Equity Tier 1 ratio of 12.0% pro forma after the implementation of IFRS 9 and in line with the annual target.

Gross income amounted to 5,737 million euros, 4.9% higher than in the previous year, which confirms the sturdy resilience of the banking business to the extremely low interest rate environment.

The NPL ratio has continued to decline, falling to 5.1% as at 31 December 2017.

Non-performing assets are being reduced at a good pace, surpassing the objective that had been set, whilst the NPA coverage ratio has improved to 54.7% pro forma following the implementation of IFRS 9, increasing the soundness of our balance sheet and the flexibility of future actions.

In the past year, the Bank has continued to make progress in its ongoing commercial and digital transformation process, simplifying commercial and operational processes to provide customers with a more agile form of interaction.

We have upheld a good reputation within the financial sector, resulting in an increase in both customers in general and digital customers, the latter of which increased by 10% during the year to 4.4 million.

In addition to data relating to corporate management, the development of the business and the results achieved during the year, which our CEO Jaime Guardiola will shortly explain in more detail, I would like to highlight the deal that was closed on July 31st 2017 to sell Sabadell United Bank, which I reviewed in the last Meeting. Retail banking operations in the United States have been a success story that began in 2007, with the acquisition of a small bank, the TransAtlantic Bank of Miami which, following the consolidation of several small entities into Sabadell United Bank, has achieved capital gains that amounted to 402 million euros, doubling the value of the investments made.

Last year also saw the sale for 631 million euros of HI Partners, the hotel management subsidiary that was created to establish a proactive strategy to recover the value of hotel associated with recognized industry experts.

Lastly, in 2017, TSB, the Group's subsidiary in the United Kingdom, completed the development of the new I.T. platform, which we have called Proteo4UK. Its final implementation, now the migration project has been completed, is scheduled for this weekend, from April 20th to 22nd.

It has been a lengthy and extremely complex technological and coordinated project that demonstrates the superiority of our bank at a time when this is one of the most important elements of competitive differentiation.

The new platform provides TSB with a cutting-edge tool that will allow it to extend its business to SMEs, become more efficient and make significant savings in terms of its technology expenses. It therefore represents the most noteworthy and commendable milestone in Sabadell's track record of acquisitions and undoubtedly provides TSB with a differential value, together with a new strategic development capability in the British market.

Let us now look at the items on our agenda. Today, under the first item of the agenda, we submit for your approval the 2017 financial statements together with the Banco Sabadell Directors' Report, which includes the Annual Report on Corporate Governance, the consolidated financial statements, the approval of corporate management and the actions taken by the Directors.

Under the second item, a proposal is today submitted to the General Meeting for the distribution of a gross dividend of 0.07 euros per share, to be paid out fully in cash, of which 0.02 euros were paid on December 29th in the form of an interim dividend and the remaining 0.05 euros will be paid on April 27th, once this proposal has been approved.

Taking this into account, total shareholder remuneration for 2017 has increased to 49%, up from 40% in 2016 and now accounts for 4.2% of the return on the share assignment at the start of the year.

At the same time, Banco Sabadell's share price was revalued by 29%, in contrast to the average revaluation of banks listed

on the IBEX of 15.3%, representing the best performance within the Spanish banking sector for the year. This improvement represents the acknowledgement of the strength of Sabadell's banking business, the increase in its solvency and the improvement of its balance sheet quality which have also led to a rating upgrade to the investment grade category by all three of the credit rating agencies that assign ratings to Sabadell.

I would like to take a moment to highlight the agenda items that relate to some significant aspects of our corporate governance. Banco Sabadell is fully committed to implementing the best practices relating to corporate governance. Details of this commitment can be found in the Annual Report on Corporate Governance, a copy of which has been sent to you and which is submitted for your approval as the first item in the agenda.

The Board of Directors has been significantly restructured is today formed of fifteen members, the majority of whom are Independent Directors, with a diverse range of profiles, knowledge and experience. Two of its members are women and three members have an international profile. The composition of the Board ensures the effective discharge of the duties of the Board and equips it with an ample capacity for deliberation considering various different points of view.

Today we are submitting a proposal for the ratification and appointment of two Directors, Donald Johnston and Pedro Fontana García, as Independent Directors, by co-optation.

Donald Johnston was appointed to stand in for Joan Llonch Andreu following the termination of his term of office. I would like to thank Joan for his constant support and that of his family along 4 generations, for his high level of commitment to the Bank and for his dedication to his work during all of these years.

Donald Johnston has had a long career of more than thirty-eight years in international investment banking.

Pedro Fontana was appointed Independent Director to fill the vacancy left by Joaquín Folch-Rusiñol Corachán, to whom I would like to extend my thanks for his dedication and commitment to the Bank during all of these years.

Pedro Fontana has developed his extensive career for thirty-nine years in commercial banking, and he has ample experience in the world of business and corporate governance in other sectors.

We also submit for your approval the proposal to re-appoint three Directors: Jaime Guardiola Romojaro, Executive Director, who as you know is our CEO. Over the past few years he has successfully demonstrated his management and leadership skills during the long and difficult stages of the crisis, fostering the international expansion of the Group.

David Martínez Guzmán, Proprietary Director, and José Manuel Martínez Martínez, Independent Director, who I would like to thank for their hard work and dedication over these years. The importance of their contributions to the Board and the role which they play are very valuable.

Also, a number of resolutions are submitted for approval at this General Meeting in relation to the Director Remuneration Policy.

The Annual Report on Director Remuneration, which is submitted for a consultative vote, has been completed with a presentation, which gives a detailed and transparent explanation of the key aspects of the remuneration policy of the Board.

Under the seventh item on the agenda, we propose amending Articles 50 and 85 of the Articles of Association of Banco de Sabadell, to include a reference to directors' remuneration for discharging both their functions as members of the Board as well as their executive functions, adapting the wording to the most recent legislation and analysts' requirements.

Under the eighth item of the agenda, we submit a proposal, as in previous years, for the approval of a supplementary long-term incentive for Executive Directors, Senior Management and the Group's Identified Staff, the effective receipt of which is subject to regulations governing payments in the form of shares, deferral periods, and non-availability, which are applicable to these groups.

In 2017, the Board of Directors also discussed the approval of a new Banco Sabadell Group Remuneration Policy, including the remuneration of Senior Management members, in order to incorporate regulatory changes, the latest legislative interpretations and market best practices.

In this context, it has been deemed convenient to submit for approval to this General Meeting, as the tenth item on the

agenda, the Director Remuneration Policy for 2018, 2019 and 2020, which modifies the three-year policy approved in 2016.

The new policy includes changes applicable to Executive Directors in terms of the Group's Senior Management, all of the items of which coincide with the aforementioned policy, as well as a maximum annual amount of remuneration that may be paid to Directors for discharging their duties as a management body.

The factors that determine the various components of remuneration on the basis of the performance of executive duties are consistent with the principles governing the protection of customers, investors and shareholders. They are aligned with the business strategy, objectives, values and long-term interests of the bank.

They are also in line with an appropriate, sound and effective management of the Bank's risks. Above all, they are in line with the regulatory parameters governing prudential and solvency regulations applicable to Banco de Sabadell.

Lastly, in relation to remuneration, agenda item 9 corresponds to the approval of the maximum limit on variable remuneration for members of the group known as the Identified Staff, which is

formed of management staff whose professional activities could have a significant impact on the Bank's risk profile. This maximum limit is equivalent to two years' annual fixed remuneration assigned to each member.

Items four, five and six of the agenda refer to the renewal of the powers delegated to the Board of Directors for increasing capital, issuing securities that may be converted into and/or exchanged for shares and for the acquisition of own shares, whether directly or via Banco Sabadell Group companies, in order to increase the flexibility of financial management and the Board's scope for action. These powers will be exercised, as in the past, taking into account the interests of shareholders at all times.

Lastly, under item twelve of the agenda, a proposal is submitted for approval to re-appoint PricewaterhouseCoopers as Banco Sabadell's statutory auditors. Please note that the Board of Directors is taking the necessary steps to comply with the legal requirement of appointing a new audit firm and to comply with the timeframe provided in the current legal regulations.

Ladies and gentlemen,

As I mentioned briefly in last year's Annual General Meeting, on February 23rd Banco Sabadell presented its new strategic business plan to the market in London for the years 2018 to 2020.

This plan is built around three main pillars. The first, and most important, is profitability. We have prepared a three-year plan, the primary focus of which is the improvement of profitability, by growing our business with a positive evolution of volumes, improved efficiency and a substantial reduction of real estate assets to achieve a double-digit ROE by 2020.

Without doubt, the significant interest rate increases over the coming years will also boost returns for the financial system, and, consequently, our returns.

The second pillar of our plan is sustainability. We are a leading bank in the Spanish market, in business banking and in advanced digital solutions tailored to the needs of our customers and the current state of technology.

We have launched initiatives inside and outside the Bank to be at the forefront of future technology using artificial intelligence

to improve business effectiveness and the monitoring of banking activity.

Today, 87% of the bank's business is performed remotely outside the branches; for companies, this figure is 95%. In 2017, 22% of loans were approved online, representing an 88% increase over the previous year.

The sustainability of the bank's business is based not only on being profitable but also on its reputation and part of the latter is built on the culture of social responsibility.

Since the onset of the crisis, the bank has acted in a different, responsible manner and today, through our subsidiary Sogeviso, we manage all of the situations arising in relation to housing concerning customers who, for a variety of reasons, are vulnerable or at risk of social exclusion.

Sogeviso is a benchmark on how to address complex situations responsibly, seeking out adequate solutions for customers that create a better situation for the Bank.

The third focus point of the 2020 plan is to consolidate the internationalisation process, primarily by growing the subsidiaries in the UK and Mexico, with the aim of generating value for these franchises.

In TSB, the completion of the migration project will allow us to gain technological autonomy with a state-of-the-art banking platform to develop the commercial business, opening it up to companies. In Mexico, we have launched an innovative and differentiated digital model for retail banking which opens the door to growth while consolidating the major deployment of business banking that has been developed over recent years.

Over the past ten years, Banco Sabadell has overcome the serious economic and financial crisis that began in 2008, by applying a strategy that has also enabled us to reach a competitive volume in Spain and significant international diversification.

Banco Sabadell will complete this project in 2020, by delivering a normalised return above the capital cost.

Our ambition is to continue being the leaders in SMEs and customer satisfaction within the Spanish competitive core and

to develop, in the markets in which we operate, franchises that are equipped with business models capable of increasing value in their markets.

Banco Sabadell is a major bank and a great company for the future. We have an incredible management team, which works tirelessly day after day to maintain our commitment to providing good service with the highest standards of excellence and with proven professionalism and dedication. I would like to thank each and every one of them for their daily commitment and hard work.

I would also like to thank the Board of Directors for their efforts and their contributions to the good governance of this bank.

Last but not least, I would like to thank all of our shareholders for the trust that you have shown in our institution once again this year.