

Good afternoon ladies and gentlemen,

The Chairman has already explained the general situation regarding the bank's activity in 2017, the key financial figures and the general outline of the new strategic business plan which we have recently started to implement.

I am going to talk to you in more detail about the management and results which we achieved in 2017, as well as the main pillars of action and the most relevant objectives of the new strategic business plan.

2017 has been a very positive year for Banco Sabadell. Our good performance can be summarised through the achievement of five key milestones: the strengthening of the Group's results, improvement of the quality of the balance sheet, commercial activity growth, a leap in digital and commercial transformation, and lastly, leadership in customer service.

Please allow me to explain each one of these milestones in more detail.

Firstly, I would like to discuss the strengthening of the Group's results.

At the end of 2017 the net profit attributed to the Group amounted to 801 million euros. This represents a 12.8% increase in comparison to the previous year, and exceeds the profit target which we had set ourselves for 2017. It is a good result, which we have achieved through solid income growth from the banking business and strict cost management.

The income from the group's banking business, which is to say, net interest income and net fees and commissions, amounted to 5,026 million euros. This represents a 5.5% increase in comparison to the previous year on a like-for-like basis, in other words, isolating the impact of the corporate transactions carried out in 2017 and the exchange rate effect.

The group's net interest income amounted to €3,802 million, 4.9% higher than in the previous year on a like-for-like basis. This increase proves Banco Sabadell's capacity to generate income in the current low interest rate environment.

In this regard, for another year, our net interest income as a percentage of average total assets in Spain has been the highest amongst our peers.

Net income deriving from group fees and commissions amounted to 1,223 million euros, which represents a year-on-year increase of 7.2% on a like-for-like basis. The good performance of service and asset management fees is particularly noteworthy, which grew 11.5% and 8.6%, respectively.

With regard to group costs, these have been affected by a higher technology cost at TSB. This cost had already been anticipated as it corresponds to the bank's service contract with Lloyds. Excluding TSB, costs have been reduced by 1.3% in comparison to the previous year, thanks to the cost containment efforts carried out in Spain.

This cost reduction has meant that, on one hand, the cost-to-income ratio ex-TSB and excluding extraordinary costs has remained at levels close to 42% and, on the other hand, the group's total costs have only increased by 2.2% in spite of the extraordinary TSB cost.

The second milestone in 2017 is the improvement of the quality of the balance sheet.

The bank, continuing with the significant reduction of non-performing assets of the last few years, has further reduced its balance of non-performing assets in 2017 by 2,210 million euros. To this reduction we should add the reduction of 1,252 non-performing assets which have been transferred to Solvia Desarrollos Inmobiliarios, a new business line of the Group that focuses on real estate development, the reduction amounts to 3,462 million euros.

The NPL ratio also continues to decline, reaching 5.1% at December 2017.

The NPA coverage ratio at the end of 2017 stands at 49.8%. Following the implementation of IFRS9, which entered into force earlier this year, the pro-forma ratio amounts to 54.7%, which is a very comfortable coverage level.

With regard to the group's solvency, the fully loaded common equity tier 1 capital ratio stood at 12.8% at the end of 2017. This is a solid solvency level, which is also the highest amongst our peers. And as explained by the

Chairman, the pro-forma ratio, following the implementation of IFRS9, is 12%, comfortably exceeding regulatory requirements.

The third milestone in 2017 is commercial activity growth.

Gross Group lending ended 2017 with a balance of 137,522 million euros, 3.4% higher on a year-on-year and on a like-for-like basis.

Group customer funds amounted to 177,421 million euros, showing a 5% increase on a like for like basis. The evolution of term deposits has been negatively affected by the current environment of low interest rates, leading to a shift, for yet another year, towards other savings and investment products. This effect, in conjunction with the commercial activity carried out, has led to an increase in the balance of sight accounts of 12% and the balance of mutual funds have grown by 21.2%.

The growth in lending and funds has been achieved thanks to the excellent performance of all of the of the Group's business units, which I will now discuss in more detail.

I will start with the Commercial Banking unit in Spain, which is the largest business line in Spain.

In the companies segment, Commercial Banking bases the relationship model on the “*Compromiso Empresas*” which is an agreement with the customer, through which the bank undertakes a series of commitments, such as responding to credit applications in a maximum of seven days, or carrying out at least one planning visit on an annual basis to determine the current and future requirements of our customers.

In 2017, for another year, Banco Sabadell has strengthened its position as a benchmark in this segment. Our penetration rate in companies already stands at 35.9%. By type, more than half of SMEs in Spain work with Banco Sabadell, and in the case of large enterprises, this figure rises to 74.%.

In 2017, Commercial Banking has granted credit and loans to corporates amounting to 16,965 million euros, 10.7% more than in 2016, and it has continued to improve its market shares in this segment.

For example, at 31 December 2017 the market share in commercial lending increased by 11.3% and the market share for POS or card payment terminals increased by 14.6%.

With regard to the individuals segment, Banco Sabadell has a leading product in the market: the Expansión Account. The Expansión Account offers customers the best solutions for their day to day financial requirements. In addition to receiving cashback on household bills, the account also includes free credit and debit cards, ATM cash withdrawals and transfers.

In 2017, more than 380,000 new retail customers have joined Banco Sabadell, and more than 267,000 new payrolls have been deposited. Today the bank has more than 5.5 million retail customers in Spain, with a penetration rate in this segment of 11.2%

During 2017 we have granted loans for the acquisition of properties amounting to 3,299 million euros, 7.5% higher than in the previous year.

On the other hand, new consumer loans amount to 1,929 million euros, 18.3% higher than in 2016.

The Bank has improved its market shares in the individuals segment too. For example, at the end of 2017 the market share of card turnover has increased to 7.59%; the market share of life insurance has increased to 5.50% and that of household sight accounts to 6.10%.

With regard to the Markets and Private Banking unit it is worth noting that the bank ended 2017 ranked top in terms of the volume of equities trading in the Spanish market, with a market share of 15.1%.

Secondly, it is worth highlighting the increase in Spanish-domiciled mutual fund assets under the management of the Asset Management unit, which, as at December 2017, amounted to 16,435 million euros, 16.4% higher than in the previous year. Our market share in this business area has grown to 6.25%, 25 basis points higher than at 2016 year-end. I would also especially like to mention the excellent performance of our mutual funds. At the end of the year 94% of assets under management were in mutual funds ranked in the top 2 profitability quartiles, considering the 3-year average profitability.

Thirdly, I would like to highlight the growth of Sabadell Urquijo Banca Privada. In 2017 its turnover amounted to 26,396 million euros, 2.2% higher than in 2016, and it has also increased its commercial base to more than 30 thousand customers.

The Corporate and Investment Banking unit has reached almost 17,000 million euros in lending, which represents year-on-year growth of 6% on a like-for-like basis.

During 2017 there has been a surge in activity by our customers outside of Spain, which have grown by 23.6%.

New structured finance loans have amounted to over 6 billion euros in 2017, meaning that Banco Sabadell continues to be a relevant player in the origination of syndicated transactions in the Spanish market.

I would also like to mention the international business for companies which is carried out by the Corporate and Investment Banking unit through the network of 17 branches and representative offices which the bank has in different parts of the world.

Banco Sabadell was a pioneer in accompanying companies in their internationalisation processes, and it has traditionally held a much larger market share in this segment. In 2017 our share of export documentary credits amounted to 32%.

With regard to TSB, our British subsidiary, it is important to highlight that in 2017 it has recorded a strong increase in lending. Specifically, it has ended the year with 30,854 million pounds, an 11.9% increase in comparison to 2016, on a like-for-like basis.

It is also worth highlighting that in 2017 more than 7 billion pounds of new mortgage loans have also been granted, 6.2% higher than in 2016.

On the other hand, customer deposits have increased to 30,521 million pounds, which represents a 3.9% increase in comparison to 2016.

In 2017 TSB has exceeded its target of acquiring 6% of customers who switch bank accounts or open a new account in the United Kingdom. Specifically, it has obtained a 6.2% market share in 2017.

In terms of the bank's activity in Mexico, the volume of lending has amounted to 55,828 million pesos at the end of 2017, with a year-on-year growth of 66%.

In 2017 our Mexican subsidiary has continued to grow its presence in the main areas of the country, more than doubling the number of business banking centres, which now number 13.

Less than three years since its opening in the country, whilst competing with banks which have been present in the Mexican market for many years, Banco Sabadell is ranked tenth in terms of commercial lending, and sixth in terms of annual growth.

Let us now move on to the fourth milestone in 2017, the digital and commercial transformation leap. I would like to highlight that, at the end of 2017, Banco Sabadell had 4.4 million digital customers throughout the Group, and 3.3 million mobile customers. In Spain, 87% of transactions were carried out outside of branches and digital sales represented 20% of the total. In the United Kingdom, this figure increased to 59%.

These figures are a clear example of the current situation which we are facing: a constantly changing environment, characterised by the continuous digital evolution.

In this context, Banco Sabadell continuously develops multiple initiatives in the context of its digital and commercial transformation. I will now explain a few of these initiatives implemented in 2017.

The Active Management service is a good example of how we are creating a more convenient distribution model for customers, ensuring that a relationship manager is available to them, who they can consult during extended working hours and through multiple channels, without having to travel to their branch. The deployment of the Active Management service has undergone a significant boost in 2017 and it has ended the year with more than 750 thousand customers under management.

In order to simplify the daily interaction between the customer and the bank and make it more agile, amongst other initiatives we have launched a calculator which simulates loan payments, with just one click on the price of a product on any website. We have personalised ATM screens based on each customer's operations, and we

have implemented a system which sends an SMS to customers, advising them of overdrawn credit card accounts and allowing them to increase their credit limit using the same SMS.

For yet another year we have continued to develop the best digital capabilities for our customers' preferred device: mobile telephones. It is now possible for customers to send money using voice technology, split payments in only 2 clicks using a purchase receipt, and identify themselves using digital fingerprint technology, and in the most recent mobile devices, using facial recognition.

I'd also like to highlight the new app that TSB has launched in 2017. TSB has been one of the first banks in Europe to implement an iris scanning security system.

And I cannot forget to highlight that during 2017 we have reached out to more than 5 million customers, ensuring that our value propositions are continuously adjusted to their requirements.

As can be seen, in 2017 we have taken a huge leap in our digital and commercial transformation process. The ultimate

beneficiary of this transformation process is always the customer.

At Banco Sabadell we believe in long term and lasting relationships with our customers, and as such, the customer is always at the centre of our activity and relationship model. We summarise this belief when we say that we want to be “there, wherever you are”

And “being there” means offering customers the best of the digital world, together with an element of human touch, integrating all of the relationship channels in such a way that the customer always receives agile, convenient, helpful and useful care, regardless of the channel that the customer uses to contact us.

Now looking at a different perspective of the bank’s digital strategy, I’d like to talk about the creation of InnoCells, Banco Sabadell’s digital business hub. InnoCells combines the agility and innovation of a startup with the experience and trajectory of Banco Sabadell.

The objective of InnoCells is to create and drive digital business in areas of strategic interest for the bank. It is a flexible model which offers existing start-ups access to the

bank's resources and capabilities to develop their project, or to develop new business from scratch, through internal cells which are led by entrepreneurs with extensive knowledge of the market. This enables the construction of strategic digital businesses for the group, as well as access to talent in the digital ecosystem.

InnoCells also carries out strategic digital and technology investments through InnoCapital, its investment vehicle. In 2017 it has already co-led its first investment round in a Fintech: Bud, the leading British technology platform that links financial services together in a single marketplace.

Banco Sabadell's investment in the start-up ecosystem is supplemented through two other investment vehicles. BStartup10, our programme aimed at supporting entrepreneurs and start-ups in seed stages, and Sabadell Venture Capital, a venture capital fund which invests in more mature companies. In 2017 the bank has invested in a total of 25 companies in the start-up ecosystem.

Now, let's look at the fifth milestone in 2017: leadership in customer service.

in 2017 Banco Sabadell was the leading bank in terms of customer experience in the commercial segment.

The net promoter score, or NPS, is an index of recommendation used by the market to measure customer experience. In the case of Banco Sabadell, NPS in large enterprises stands at 34%, and at 19% in the case of SMEs. For the fifth consecutive year these figures place us ahead of our competitors.

In the individuals segment we have taken a significant leap forward. In retail banking, our NPS has grown from -22% in 2013 to 5% in 2017. In personal banking, we have also improved from -4% to the current 29%.

In the United Kingdom the NPS of our subsidiary, TSB, was 25% at the end of 2017. For another year TSB has managed to beat its own record, and be recognised once more as the best British high street bank.

Before moving on, I'd just like to highlight our scoring in the Equos index, which is a benchmark index in the sector used to measure the quality of service offered in the branch network by all banks in Spain.

In the last quarter of 2017, our score stood at 7.95%. This means that, comparing ourselves to our direct competitors, Banco Sabadell branches are leaders in terms of service quality in Spain.

Ladies and gentlemen, our leadership in customer service, the favourable performance of all of the business units and the results achieved in 2017 clearly show, once again, the efficiency of our business model and our capacity to sustainably grow the solvency and strength of the balance sheet, whilst we make the most of the technological opportunities available to us to adapt the bank to the new digital era.

In order to continue growing and to ensure the sustainability of the business model in the medium and long term, we have established a new Strategic Business Plan for 2018-2020.

The Chairman has already explained the main pillars of the plan. I will now explain the five strategic actions on which this plan is based.

The first, and the most important, is to improve our profitability. To do so, we are going to maintain the commercial dynamism of the last few years, which has

enabled the bank's business to grow above the market average, and we are going to boost the longest standing areas, such as business and SME lending, insurance, consumer finance and our savings and investment offer.

Complementary to this, we are going to continue to apply strict cost management and greater efficiency in our operational model, and we are also going to normalise the bank's volume of non-performing assets.

Our objective is to reach 13% ROTE by 2020.

The second strategic action of the plan is to increase the focus on the brand and customer experience, with the objective of setting ourselves apart from our competitors and ensuring the consistency between the brand promise and our delivery of this promise.

The third action is transformation, based on three lines of approach: transforming the current business, extending our relationship with customers and creating new digital business models. Our objective is to offer an excellent customer experience, seize business opportunities deriving from new technology and anticipate potential new paradigms in the banking business.

The fourth action is related to people. We firmly believe that having the best team is the key to achieving the ambitious objectives which we have set. This is why we will continue to focus on ensuring that our employees have the relevant skills and prowess, and on building an organisation which attracts talent.

The fifth action included in the strategic business plan is the development of our international franchises. In the United Kingdom, in addition to maintaining the strong growth rate of the business, we are going to make the most of the new I.T. platform to generate significant synergies, improve efficiency and launch a new business line: SME banking.

The SME segment in the United Kingdom is a very attractive market in terms of size and profitability. Furthermore, we have the opportunity to leverage on our leadership and experience with SMEs in Spain, to successfully develop this business at TSB.

In Mexico, in addition to continuing to develop our corporate and business banking business, we will launch a personal banking business. A 100% digital bank, aimed at customers who frequently use their mobile phone to access banking

services. This is an innovative model which will provide a new and differential banking experience compared to what the Mexican market is used to, as well as an excellent level of customer service.

As you can see, we have developed an ambitious plan between now and 2020. This plan aims to create value for our shareholders, and to maintain the sustainability of our business model in an environment which is becoming increasingly technological and globalised.

Before I conclude, I would like to thank all of you for your loyalty and trust in Banco Sabadell.

I would also like to thank the exceptional team of people who help make the bank what it is today, without whom we would not have achieved the results that I have outlined here today and which I hope you find deserving of your approval.

Thank you very much.