

**Ordinary General Meeting of Shareholders**  
Alicante, 28 March 2019

**Speech by Josep Oliu, Chairman**

Shareholders,

2018 was Banco Sabadell's 137th year, a year which has been characterised by the solid growth of our core banking revenue, particularly in Spain, where we have met our targets, and also by the completion of two fundamental projects to consolidate Banco Sabadell's future:

On one hand, the normalisation of the balance sheet, subsequent to the major sales of non-performing asset portfolios, which have led to a notable improvement in the entity's risk profile.

And on the other hand, the completion of the IT migration of British bank TSB, which has been completed, although it involved extraordinary costs exceeding those initially provisioned for, due to the incidents which arose during the process, which I will discuss in more detail later on. As a result of the migration, the British bank is now equipped with one of

the most modern technology platforms in the market, which puts it in a very strong competitive position in which to achieve the future development of the business in the United Kingdom.

2018 has been a year in which the economic and financial environment has not only been characterised by political and regulatory uncertainty, but also, particularly in Spain, by legal and judicial uncertainty.

Political events have had an increasing impact on global financial markets during the year, in a context in which the main central banks have taken additional steps to withdraw monetary stimuli. Global funding conditions have tightened, and financial markets have experienced increasing volatility.

The surge in protectionist policies by the United States in particular contributed to this volatility, as these policies represent a risk to global growth dynamics, due to their impact, amongst others, on the development of exports.

In any case, in 2018 the global economy maintained relatively high growth rates. Activity was supported by the expansionary

fiscal policy in the United States and China and by the accommodating nature of monetary policy in the euro zone.

In Europe, the negotiation process for the UK's exit from the EU has stood out, as well as the actions taken by the new Italian government regarding European tax laws.

Uncertainty surrounding Brexit has affected the future of the British economy, which showed moderate growth in 2018, and has also influenced investor expectations, as well as trust in the European economy in general.

In the euro zone, the ECB's interest rate policy, determined by inflation which continues to be low, has meant that the Euribor has remained in negative terrain. Furthermore, the uncertainty regarding the European economy and the erratic performance of financial markets at the end of 2018 have led the market to delay expectations of interest rate hikes established by the European Central Bank.

These low interest rates, together with the various aspects of political and legal uncertainty that have been in the media

spotlight, have weighed on the appeal of the stock exchange in the banking sector.

However, the Spanish economy has shown a robust growth of 2.5% in the year, a rate which, once again, is higher than the overall rate for the euro zone. Activity has been supported by favourable funding conditions and an improved financial situation in the private sector. The unemployment rate has continued to decline, and it is closer to converging with the overall rate of the euro zone.

In the real estate market, housing prices and property sales have maintained notable dynamism. There has been significant growth in new lending granted to both companies and households.

Furthermore, the Spanish economy has registered a trade surplus for the sixth consecutive year, whilst the public deficit has declined to below 3.0% of GDP, much lower than the 11% we saw in 2009.

The banking sector has made progress in reducing NPLs and it has shown its resilience, as proven in the European Banking

Authority's stress test of European entities, in which all of the Spanish entities analysed showed adequate levels of capital in the scenarios considered. In spite of these developments, profitability continues to be the main challenge in the sector.

Spanish financial institutions have also been affected by two additional factors, a more complex and less predictable regulatory framework, which imposes more demanding capital requirements for entities, and an increasing sensation of legal uncertainty deriving from certain legal rulings which have had a very negative effect, not just on share prices, but also on these institutions' reputation in Spanish society.

We have seen some very significant examples. For instance, there has been much debate regarding whether stamp duty should be applied to mortgage loan deeds on a retroactive basis, as a result of contradictory rulings on a Regulation which is more than 20 years old. This debate has directly affected share prices and has also unfairly affected the reputation of financial institutions.

Another relevant example is the uncertainty generated by the potential review of the benchmark index of mortgage loans, or IRPH as it is known in Spain, by the Court of Justice of the

European Union. This index, which is used in a wide range of operations, is an official index published by Bank of Spain, and whose use, mainly by Savings Banks, was covered by administrative rules. Analyses which conclude in favour of a potential future ruling against banks give rise to economic damages for banks, as well as reputational damage which is difficult to repair, and also undermine the very framework of legal security in Spain in which banking activities are carried out.

Without doubt, it is essential that Banks work in accordance with the best behavioural standards, acting transparently and in line with the most stringent ethical standards, yet financial activity requires stable legal and political frameworks which allow banks to carry out their activity securely and effectively for the benefit of all involved.

In addition to more detailed explanations which Jaime Guardiola, our Chief Executive Officer, will shortly provide on corporate management, the evolution of business lines and the results of the year, I would like to highlight certain points and provide additional information on the items of the agenda which we will submit to your approval today.

In the first item of the Agenda, the financial statements for 2018 are submitted to this Meeting for approval, as well as the Banco Sabadell Directors' Report, which includes the Annual Report on Corporate Governance, and those of its consolidated Group and the discharge of the actions taken by the directors.

Net profit for the year has amounted to 328 million euros, having been affected, in spite of the increase in the banking business in Spain, as I mentioned earlier, by two extraordinary impacts: additional provisions for the sale of problematic asset portfolios and the costs deriving from TSB's IT migration. Without these events, net profit would have amounted to 783 million euros in 2018.

The growth of the banking business has been significant, at 2.9% year-on-year, and performing loans have grown by 3.2% compared to last year, on a like-for-like basis and considering a constant exchange rate, as a result of excellent commercial activity which has been supported by the good performance of the SMEs and large enterprises segments in Spain, and by strong growth in Mexico.

The sales of non-performing asset portfolios, together with ordinary sales, have resulted in a total gross NPA reduction, as

at the end of 2018, of 13 billion euros. This reduction has altered the Group's risk profile. The ratio of non-performing assets to total assets has fallen to 1.8%, with a coverage ratio of 52.1%, having reduced the Group's NPL ratio to 4.2%. This marks the achievement, ahead of schedule, of our balance sheet normalisation, which was one of the main objectives of the 2020 strategic business plan. This has allowed us to finally turn the page on the lengthy crisis which began back in 2008.

At the end of 2018 the sale of 80% of the share capital of Solvia Servicios Inmobiliarios, S.L.U, the Group's real estate servicer was agreed, based on market appetite and considering its sale to be an opportunity to unlock its value. The closing of this transaction, which is subject to receiving corresponding authorisations, is proof of the value created by the Group with this subsidiary, which is one of the largest real estate solution platforms in Spain.

On the other hand, the IT migration of TSB, the Group's subsidiary in the United Kingdom, has, without doubt, characterised the year. As I announced in the Meeting last year, the definitive implementation process was scheduled for the weekend of 22nd April, three days after the Meeting, ending the long and complex technological and investment process that

began in 2015, and which has allowed TSB to now be equipped with a new technology platform which will enable it to grow its business and increase its efficiency.

The incidents which arose subsequent to the migration were mainly based on access to the system via digital channels, and inadequate configurations as a result of errors in the functional analyses. No incidents arose in the data migration, nor in the integrity of such data, or the accounting records of transactions.

Nonetheless, a media crisis arose, largely due to the impact of social networks, which resulted in additional costs arising from fraud incidents, and particularly the regulated processing of compensation for affected customers. However, the incidents which occurred subsequent to migration did not have a significant impact on customer outflows or on the entity's liquidity.

The necessary and unavoidable correction process of all of the incidents has finalised, and activity has returned to the business-as-usual levels that existed prior to migration. In 2019 TSB is initiating a new phase which we hope will allow its commercial dynamics to be resumed, and efficiency levels to be improved.

In this new phase TSB shall also have a new CEO, Debbie Crosbie, who has proven experience in the British financial system, she will lead a new strategic and business plan.

After our experience with TSB, and not just in relation to it, but also particularly whilst reconsidering the future and risk assessment, important decisions have been made.

Firstly, the Board of Directors, at the proposal of the Remuneration Committee, applied rules relating to adjustments to variable remuneration for the first time since their approval. Specifically, the Board adjusted the 2018 variable remuneration of certain units and individuals who were directly involved in TSB's migration, resulting in zero variable remuneration.

Similarly, an ex-ante adjustment of 5% was carried out for the entire variable remuneration pool, and the remuneration of the persons who had received a payment linked to migration in 2017 was also adjusted, resulting in fewer migration-linked payments this year compared to previous years.

In view of the circumstances, and in spite of the good business results in Spain, the impact of TSB's migration on the Bank's results and the extraordinary circumstances in the year, the CEO and I believe that it is only right to propose the waiver of our variable remuneration. The waiver was approved by the Board, who were grateful for our decision and valued it very positively, as it represented our sensitivity to this situation. The Board accepted our waiver from the moment of ratification of the effective management of the Bank.

Secondly, the organisational structure of the Bank has been strengthened through significant measures which also allow us to be aligned with the most demanding corporate governance practices.

We have clearly redefined the scope of the functions between the Chairman and the CEO. Under the new structure, the CEO will be responsible for all of the functions relating to management and the business, including the Financial Division, and the CEO will chair the Management Committee. As Chairman, if you vote in favour of my re-election at this General Meeting, I will maintain executive duties but I will focus on the functions arising from my role as Chairman of the Board and of the Delegated Committee. The Director Secretary General will

also continue to report to me, with legal and communication functions, the ratification and appointment of which is submitted for your approval today, which significantly strengthens the weight of corporate governance at the bank.

David Vegara, who to date has held the role of independent director, has undertaken the functions of Chief Risk Officer, reporting directly to one of the Board Committees, the Risk Committee, thereby significantly reinforcing the Bank's risk control function and its second line of defence. Without doubt, his career and professional experience mean that he is the ideal person to carry out this key function at the bank.

Internal Audit, which represents what is referred to as the third line of defence, also reports directly to the Audit and Control Committee.

In this way, the organisational structure of the Bank ensures that the Board and its Committees have the capacity required to foster the development of the business, and also to clearly control risks and audit compliance with the established policies.

Today, the re-appointment of three independent directors is also submitted for your approval, at the proposal of the Appointments Committee. Specifically, the re-appointment of Vice Chairman, Javier Echenique, the re-appointment of Director Aurora Catá and the re-appointment of Director José Ramón Martínez Sufrategui are submitted for your approval. Please allow me to clarify that although their re-appointment has been proposed by the Appointments Committee, they have always discharged their duties with great professionalism, loyalty and commitment to Banco Sabadell.

The proposal of these re-appointments to this Meeting is made based on the consideration that the Board of Directors is sufficiently balanced and adequately diversified in terms of the knowledge, experience and capabilities of the different members, and that progress is being made towards achieving the objectives set forth in terms of gender diversity. The Board of Directors has the capacity to discharge its duties with the necessary dedication and impartiality.

Before I continue, I would like to highlight that the second item of the Agenda will be submitted for your approval for the first time today: the Banco Sabadell Non-Financial Disclosures Report, as required by Law 11/2018 of 28th December on non-

financial information and diversity, in which, from the many aspects to which it refers, it is important to highlight the efforts which are generally being made by Banco Sabadell in encouraging diversity and favouring equality.

The third item of the agenda submitted to the approval of this General Meeting is the distribution of a gross dividend charged to 2018 results of 0.03 euros per share, in cash. 0.02 euros were paid on 28 December as an interim dividend and 0.01 euros will be paid from April 5th, as a supplementary dividend, once this proposal has been approved. Therefore, total shareholder remuneration in 2018 entails a pay-out of 51%.

The Bank, in spite of the additional requirements of IFRS9 and of the complexity that has characterised the year, has maintained a phase-in CET1 ratio of 12% and a fully-loaded CET1 ratio of 11.1% at the end of 2018 (11.3% in pro forma terms), well above minimum regulatory requirements.

Over the next few years, we will continue to focus on maintaining a strong level of capital through the generation of profits, and if applicable, strategic alliances with benchmark partners which will allow us to optimise capital.

In items five, six and seven of the Agenda, proposals are made to amend the various items in the Articles of Association and, in accordance with these proposals, modify the Regulations of the General Shareholders Meeting and the cognisance of the Regulations of the Board of Directors. The sole objective of this modification is to change the name of the Executive Committee to Delegated Committee, and to remove all references to “Delegated” in the rest of the Board’s Committees. The aim of this modification, in line with the rest of the changes in corporate governance, is to strengthen the consideration of the Committee formerly known as the Executive Committee, which is chaired by the Chair of the Board of Directors, as the sole Delegated Committee of the Board, with all of the powers conferred to it by the latter.

In accordance with that set forth in the Agenda, item number eight proposes the renewal of the powers conferred by the General Meeting to the Board of Directors for the acquisition of treasury stock under identical terms as in previous years. Under items nine, ten and eleven, several agreements related to remuneration, which I will now explain, are submitted for approval.

In item nine of the Agenda the maximum limit applicable to variable remuneration is submitted for approval. This limit sets the maximum amount of variable remuneration that can be paid to each Identified Staff member, at an equivalent of their fixed remuneration for two years. It is applicable to the directors whose professional activity significantly impacts the entity's risk profile. The general rule, which is still in effect, is that short-term variable remuneration should not exceed 100% of fixed remuneration under any circumstances. This limit is therefore only applicable in the event that the combined total of short-term remuneration, long-term remuneration and remuneration received for any other aspects and which qualifies as variable remuneration in accordance with applicable regulations, is hypothetically higher than what would be permitted under the general rule, in which case directors can only receive up to a maximum of 200% of their fixed remuneration.

In item ten of the agenda, the approval of the Directors remuneration policy for the years 2019, 2020 and 2021 is submitted for approval, substituting the previous three-year policy approved last year. This is due to the fact that the remuneration policy that applies to Executive Directors for executive duties is the same as the one applicable to the Bank's Senior Management, therefore the legislative modifications affecting the latter need to be incorporated into the former. The

modifications consist of the inclusion of the possibility of carrying out an ex-ante adjustment to variable remuneration, the reworded malus and clawback clauses, which have been reviewed to include criteria on profit and risk, and whose application is therefore no longer subject to there being misconduct or negligence, and the validity of the post-contractual non-compete clause, which has been set as the earliest date of retirement.

Lastly, with regard to remuneration, for another year, the Annual Report on Directors' remuneration is subject to a consultative vote, in item eleven of the Agenda, which offers a detailed account of the remuneration of Directors as members of the Board of Directors, and to the remuneration to which they may be entitled for the discharge of their executive functions.

Items twelve and thirteen of this General Meeting respectively propose the re-appointment of PricewaterhouseCoopers Auditores, Sociedad Limitada, as the statutory auditor for 2019 and the appointment of KMPG Auditors, Limited Company, as the Statutory Auditor for the years 2020, 2021 and 2022. This procedure, which is common amongst listed companies, arises from the legal obligation to change the auditor by 2021 at the

latest, and the need to comply with certain requirements which allow the change to become effective.

Shareholders,

2018 has been a unique year for the Bank, and it has placed us on the right track to achieve the financial targets established for 2020, with an improved risk profile.

During the year, the evolution of the Banco Sabadell share, marked by significant volatility, has been impacted by both the results of our subsidiary TSB and by other external aspects which I referred to earlier.

Nonetheless, the fundamentals of Banco Sabadell remain solid, and the future of Banco Sabadell is focused on value creation.

The credit risk profile has significantly improved, the TSB crisis has been overcome and the banking business results are positive, amongst the best in Spain in the year.

We will continue developing the business in our three main geographies. In Spain we are focusing on maintaining our leadership position in the companies segment, and on becoming leaders in customer experience across all segments, whilst we complete the clean-up of the non-performing assets held on the balance sheet. Value creation will materialise from the improvement of cost of risk as well as from the good investment opportunity in the Spanish market.

In the United Kingdom, the priority is to rebuild the legacy of TSB, and to achieve a growing and sustained contribution to the Group's results by leveraging on the new IT platform.

In Mexico we are following a construction process, focused on developing a successful and innovative digital project, which can also be applied to other geographies and where value is created through sustainable growth in a large market.

Currently, throughout our entire institution, the strategic focus will be placed on the improvement of efficiency and a cost of risk that is in line with the business model, in order to achieve profitability levels which are above the cost of capital.

Meanwhile, the Bank continues to remain at the forefront of the digital challenge, and retains its commitment to digital and commercial transformation. Digital customers have increased by 6% in comparison to the previous year, amounting to 4.7 million customers, and the transformation continues through strategic investments and new digital initiatives, mainly in the areas of digital offering and commercial simplification.

Banco Sabadell has once again been ranked number one in the Net Promoter Score by the SMEs and large enterprises segments, and maintains its unwavering ambition to consolidate itself within the top rankings in personal and retail banking.

A high quality of service and a close relationship with customers is the foundation of our commercial approach, all the while maintaining a firm commitment to the transformation of the business model in a digital world.

Our sustainability is rooted in a business management model based on building long-term relationships with our customers, ensuring that the customer is always at the centre of our relationship model. Without doubt, this is our distinguishing characteristic.

And we will continue to build a company which is focused on excellence. This year we have once again been awarded the Gold Seal of Excellence by the European Foundation for Quality Management, a distinction which we have been awarded every year since 2006, and for the third consecutive time we have obtained the highest score amongst Spanish financial institutions. Only two companies listed in the IBEX have been assigned this score. This shows the robust nature of our management model and confirms our commitment to continuous improvement.

We, as banks, also face a reputational challenge. The social image of financial institutions must be renewed and this can only be done with good practices rooted in the ethical integrity and transparency of all of our actions.

To conclude, I also feel it important to emphasise that in order to build the future, we have the organisation, the means and a team of people who are highly qualified and extremely committed to acting with rigour, perseverance, effort and who have a desire to overcome any future challenges. I would like to thank all of them for their dedication and their daily contribution

during the difficult challenges that we have faced in recent years.

I would also like to thank the Board of Directors for their participation and dedication to the good governance of this entity. Furthermore I would like to thank all of our shareholders for the trust that you have shown us once again this year.