

Ordinary General Meeting of Shareholders

Alicante, 28 March 2019

Speech by the Chief Executive Officer, Mr Jaime Guardiola

Good evening ladies and gentlemen.

The Chairman has spoken to you about the Bank's key figures and has also given a general overview of the circumstances in which we have carried out our activities in 2018.

What I would like to do is to go through the results of the year and their most significant items, after which I will explain the main highlights in relation to our management and performance over the year.

In 2018, the Group's net attributed profit amounted to 328 million euros. Excluding the extraordinary impacts of TSB's IT migration and the institutional sales of non-performing assets, our profit stands at 783 million euros. This represents a 9.6% increase compared to the previous year, on a like-for-like basis and considering a constant exchange rate.

As at year-end, the phase-in CET1 ratio was 12%. In pro forma terms, which includes the institutional sales of non-performing assets and Solvia, as well as the impact of IFRS 16, this ratio stood at 12.2% in phase-in terms and at 11.3% in fully-loaded terms, above the Bank's mandatory minimum requirements in both cases.

The extraordinary impacts of TSB's IT migration and the institutional sales of non-performing assets together amounted to a gross total of 637 million euros. Of this total, 460 million relate to migration and 177 million relate to extraordinary provisions for asset sales.

As the Chairman has explained, it is important to highlight that, despite their negative effect on 2018 results, both of these milestones are extremely important for Banco Sabadell, given their strategic implications and because they will make a key contribution to improving our profitability going forward.

In addition to these two extraordinary milestones that have significantly impacted the year's results, I would also like to emphasise the strong performance of our core banking revenue.

In 2018, core revenue, defined as net interest income plus net fees and commissions, amounted to 5,011 million euros. On a like-for-like basis and considering a constant exchange rate, this represents a 2.9% increase compared to the previous year.

Net interest income amounted to 3,675 million euros, 0.7% higher than in 2017. In the current environment, which is marked by lower-for-longer interest rates, Banco Sabadell stands out in a positive light given its enormous capacity to generate recurrent income.

Indeed, our net interest income as a percentage of average total assets in Spain has once again been higher than that of our main peers.

Meanwhile, our net fees and commissions income amounted to 1,335 million euros in 2018, 9.6% more than in 2017.

This core revenue growth has been achieved thanks to Banco Sabadell's outstanding business performance throughout the year.

Performing gross loans as at December 2018 amounted to 139,366 million euros. This represents a 3.2% growth compared to the previous year, excluding the APS impact and considering a constant exchange rate. This strong growth in lending has mainly been driven by the positive performance of SMEs and large enterprises in Spain.

Customer funds amounted to a total of 181,377 million euros, 2.4% higher than in 2017 considering a constant exchange rate.

Off-balance sheet funds, particularly mutual funds, have declined during the year due to the poor performance of financial markets. This has given rise to a shift towards other products, particularly deposits. This shift, together with the business activities that have been carried out, has allowed the balance of on-balance sheet customer funds to increase, year-on-year, by 4.2% considering a constant exchange rate.

This growth in lending and funds has been supported by the high commercial dynamism of the various business units within the Group, which I shall now proceed to explain.

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

In the corporates segment, I would like to highlight that at the end of 2018, 33% of Spanish companies were customers of this Bank. By segment, this percentage rises to 52% for SMEs and 69% among large enterprises.

Over the year, Commercial Banking has granted loans and revolving credit to enterprises amounting to a total of 19,509 million euros, 7.3% more than in the preceding year.

The turnover in point-of-sale, or POS, terminals used by merchants for card payments has also grown significantly. In 2018, POS turnover amounted to 29,394 million euros, representing a year-on-year increase of 17.3%.

In terms of working capital, the volume of factored receivables amounted to 7,959 million euros, up 7.9% from 2017. Meanwhile, the amount financed in reverse factoring as at 2018 year-end was 7,662 million euros, 12.1% more than in the previous year.

This intensive business activity is reflected in the progress made in terms of our competitive position. For example, our

market share in terms of lending to enterprises has increased to 11.62%, 37 basis points higher than at the end of 2017, and our market share for POS turnover stood at 16.08%, up 125 basis points from the previous year.

In terms of the individuals segment, our Expansión Accounts, which are our relationship accounts with engaged customers, numbered over 2.4 million in 2018. The Bank has also acquired more than 340 thousand new individual customers in 2018.

In terms of the evolution of new lending, new loans for acquisition of properties amounted to 3,670 million euros in 2018, 11.8% higher than in 2017.

New consumer loans amounted to 1,338 million euros, up 12.8% compared to the preceding year.

It is also worth mentioning that credit card turnover amounted to 14.4 billion euros, increasing by 13.8% year-on-year.

Lastly, I would like to highlight the growth of our insurance activity. Life insurance premiums amounted to 324 million euros in 2018, 15.1% more than in 2017. BanSabadell Vida,

the Group's life insurance company, occupied second place in a Spanish ranking of the sector in terms of total volumes of life insurance premiums. General insurance premiums, on the other hand, amounted to 264 million euros in 2018, 10.7% more than in the previous year.

The intensive business activity carried out has also raised the main market shares among individuals. For example, the market share of lending has increased to 5.49%, while the market share of credit card turnover stands at 7.79%, representing an increase of 10 basis points compared to one year ago.

As regards Markets and Private Banking, the turnover of SabadellUrquijo Banca Privada amounted to 27.3 billion euros at the end of 2018. This represents an increase of 7.2% from the previous year.

The Asset Management unit's volume of assets under management in Spanish-domiciled mutual funds amounted to 15,931 million euros at the end of the year. This represents a decline of 3%, brought about, as I mentioned earlier, by the poor performance of financial markets, although this has been offset by the shift towards other products.

In terms of the securities business, the Bank has ended the year in second place of the ranking in Spain, with a market share in securities trading of 13.2%.

As regards TSB, our UK subsidiary, net loans at the end of 2018 amounted to 30,009 million pounds, down 2.7% from the preceding year.

Customer deposits amounted to 29,084 million pounds, representing a decrease of 4.7% compared to 2017.

Following the issues that arose in connection with its IT migration in April, TSB has focused on resolving these issues, which have affected its business activity.

As the Chairman explained before, these issues have now been rectified and over 90% of the complaints received in relation to migration have been resolved.

In the last few months of the year, TSB has shown that it is resuming its normal business activity. One example of this is the net balance of customers who opened a new account or switched their account to TSB, which is once again in positive figures, as it had been prior to migration. To give

another example, in December TSB recorded its busiest ever week for mortgage applications.

The new IT platform, Proteo4UK, will provide a number of benefits to both TSB and its customers. Proteo4UK facilitates the creation of innovative products, speeds up the time to market of new products, is ready to be adapted to the open banking model and allows for easier upgrades. Ultimately, it will enable us to take a leap in terms of efficiency and offer an improved customer experience.

Our customers are already enjoying the benefits of the new platform. To give just two examples: mortgage brokers can now submit applications in half the time compared with the old system, and current accounts can also be opened in half the time at any branch.

The Corporate and Investment Banking business has reached almost 16 billion euros in lending, representing a year-on-year increase of 10.7%, assuming a constant exchange rate.

Particularly worthy of note in this unit is the volume of lending outside Spain, which has grown by over 20% and accounts for more than 50% of the total.

Banco Sabadell also continues to be a key player in the origination of syndicated transactions in the Spanish market. Specifically, when ranked in terms of the total number of transactions, the Bank is in fourth place in syndicated loans and in second place in financing projects.

I would also like to mention the international network of branches and representative offices of the Corporate and Investment Banking unit. This network is currently formed of 18 branches and offices in total, including the Lisbon branch, which began operating in 2018.

For years, Banco Sabadell has been a pioneer in assisting companies in their internationalisation processes. The bank's market share in this business has always been incredibly high in proportion to its size. In 2018, our market share of export documentary credit was 30.3%.

As a few final remarks in terms of the Bank's business units, I would like to comment on our activity in Mexico, where the volume of lending amounted to 71,557 million

pesos as at the end of 2018, growing by 36.5% year-on-year.

Customer funds amounted to 28,029 million pesos, four times the volume in the preceding year.

In 2018, Banco Sabadell Mexico has continued to expand its footprint in the most economically attractive areas of the country, increasing the number of its business banking centres to a total of 19.

Less than four years since it began operating in this country, and while competing against institutions that have operated for decades in the Mexican market, Banco Sabadell has already managed to reach tenth place in the ranking of lending to corporates.

Lastly, I want to highlight the launch of Personal Banking that took place early in 2018. This model is 100% digital, completely innovative, as it is the first of its kind in Mexico, and offers a differential user experience in this country.

Ladies and gentlemen, I have spoken of the performance of the Group's businesses in 2018. Now, I would like to talk

about how we are bringing about Sabadell's commercial and digital transformation and explain the key milestones that we have achieved thus far.

We are currently undergoing a process of transformation in order to ensure that we can continue to offer the best possible customer experience, and we are doing this through specialisation and industrialisation. On one hand, we are focusing on improving our relationship with those of our customers who have the most sophisticated financial requirements, offering them access to a personalised model and expert advice. On the other hand, we are simplifying basic transactional banking to make life easier for all of our customers, by leveraging opportunities offered by new technology and new customer interaction channels, particularly the mobile channel.

In 2018 we have rolled out a number of initiatives as part of this transformation process. Key developments include the simplification and improvement of our value proposition for customers, the growth of our digital offering, strategic investments in technology firms and the intelligent use of data.

It is precisely thanks to this intelligent use of data that in 2018 we have been able to generate close to 20 million personalised pull data-driven commercial impacts. Data analysis allows us to offer our customers a value proposition that is increasingly aligned with their personal and essential needs and requirements.

The continuous improvement of our digital capabilities has been another noteworthy aspect in the year. I would like to share two figures that illustrate what we have achieved in 2018. The first is that 89% of transactions have been carried out using remote channels, in other words, outside a physical branch. The second is that sales of unsecured loans through digital channels are up 39% compared to the previous year, and already represent over one quarter of the total.

In the meantime, we have of course continued to improve our digital services. For example, we have made Apple Pay available to our customers, who can now use this mobile payment service in retail establishments. This has allowed us to complement our offering in this area and enabled us to improve our customers' purchasing experience.

This is just one of the many features and updates that we have installed in our mobile app and online banking service over the year, with a view to improving the day-to-day user experience of our digital customers.

These digital customers already represent 52% of the total in Spain, and have increased by 11% since the preceding year.

Within this group, the number of customers who Bank with us through our mobile app has grown by 17%. At the end of the year, 2.4 million customers had installed our app, which was opened 358 million times in 2018.

I would now like to explain how we use technology to offer new digital services to our customers. In 2018 we have made the necessary developments to enable users to make device and card-free payments using facial recognition technology. We have also developed a digital voice interactions service through Amazon's smart assistant, Alexa.

The final aspect that I want to highlight in relation to 2018 relates to the digital and technological strategic investments

carried out through InnoCells, Banco Sabadell's digital business hub.

In 2018, InnoCells has invested in the Spanish voice biometrics start-up, Biometrix Vox, as well as in the Mexican digital payment platform, UnDosTres. It has also increased its investment in the British banking platform, Bud. Furthermore, it has acquired an interest in Antai Venture Builder and invested in the Spanish-Israeli fund Cardumen Capital and in the US fund Base10.

InnoCells has also acquired two companies: Instant Credit, a Spanish start-up that offers credit instantly at any physical or digital point of sale, and PAYTPV, an online payment platform whose services have been incorporated into the service offering of Banco Sabadell Group.

As you can see, 2018 has been a year in which Banco Sabadell has made significant progress in its commercial and digital transformation process and in its development of new digital businesses.

The aim of this transformation is to improve our value proposition day by day and to build closer relationships with our customers.

In essence, we aim to continue doing what we have been doing since 1881: help people and companies make their projects become a reality, anticipating their needs and caring for them to help them make the best economic decisions.

Above all, we want to excel while we do this, offering a differential and unbeatable quality of service.

This is precisely the last point that I want to address in my overview of 2018: customer service.

In 2018, Banco Sabadell has been ranked top in terms of customer experience by companies in Spain.

The net promoter score, or NPS as it is commonly known, is an index that shows how likely customers are to recommend a brand to others, and it is used by the market to measure customer experience.

In 2018, the Bank's NPS stood at 34% for large enterprises and at 16% for SMEs. This year we have once again been ranked top in terms of customer experience in these segments.

In the individuals segment, the Bank has climbed the ranking, reaching third place in retail banking and second place in personal banking.

It is also important to highlight our leading position in 2018 in the Equos index, a sector index that measures the quality of service of Banks' branch networks in Spain.

The Bank has scored 8.17 in this index in 2018. This means that our branch network currently occupies the top spot in the service quality ranking, ahead of our main peers.

These have been the most significant aspects relating to the management activities carried out in 2018. The year can be summarised in five key points: TSB's IT migration, the clean-up of practically all of our non-performing assets, the high generation of core revenue, thanks to our outstanding commercial activity, the definitive leap in our digital transformation and our leadership in customer service.

Going forward, we will continue to focus on the implementation of our strategic business plan. Our primary objective is to increase our profitability by growing our

business and improving the efficiency in all the markets in which we operate: Spain, the United Kingdom and Mexico.

At the same time, we will continue to adhere to our three fundamental pillars to ensure the long-term sustainability of our business.

Firstly, we will continue ensuring that we honour our brand promise at all times by providing an excellent customer experience.

Secondly, we will continue to focus on our digital transformation in order to leverage the new opportunities offered by technology and thus improve our value proposition day by day.

Thirdly, we will keep focusing on having the best team, not only to achieve our business objectives, but also to develop our business model and value proposition.

These three pillars will contribute to our objective of increasing our profitability and creating more long-term value for our shareholders, customers and employees,

maintaining our commitment to society and environmental sustainability.

Before I finish, I would like to take a moment to thank all of you here today for your loyalty and trust in Banco Sabadell.

I also want to thank all of the people who form part of the team here at the Bank. Thanks to your effort, your dedication and the professionalism with which you act, we have achieved the results that I have shown you today and which I hope meet with your approval.

Thank you very much.