

## **Ordinary General Meeting of Shareholders**

Alicante, 26 March 2020

### **Speech by the CEO, Mr. Jaime Guardiola**

Good afternoon, ladies and gentlemen,

I would like first to discuss our performance in 2019, and then describe the main lines of action for 2020.

As the Chairman noted earlier, this year is marked by the COVID-19 crisis. First, I would like to refer to the exceptional situation we are experiencing at present — one with a major impact on people's health and on the economic outlook.

Our first priority now is to protect the health of our entire team, and of all those with whom we have dealings.

Financial institutions are a basic infrastructure underpinning the payment system and the flow of credit in the economy. As a result, we have a great responsibility to help manage the ongoing situation, and to ensure that all the institutional measures being taken to mitigate potential negative impacts on the economy gain traction as soon as possible.

We at Banco Sabadell are fully committed to this. Beyond guaranteeing that our business and our service to our customers continue as normal, we are fully aware that the situation may be problematic for many customers, jeopardising their jobs and their businesses.

For this reason, we have mobilised our more than 3,500 account managers with the aim of offering solutions that respond to our customers' immediate needs. Banco Sabadell is committed to supporting families and businesses in these difficult times.

As I noted earlier, I will first discuss our performance in 2019. I will then talk about the current year.

The Group achieved 768 million euro in attributable net profit in 2019. That is a notable increase on the 328 million euro registered in 2018, when results were affected by the extraordinary impact of the technology migration at TSB, our UK subsidiary, and by extraordinary provisions booked for institutional sales of non-performing assets.

The absence of such extraordinary effects in 2019 contributed to reducing total costs, provisions and impairments in the year. Moreover, the 2019 results include 170 million euro in capital gains on asset disposals, principally the sale of Solvia Servicios Inmobiliarios.

Apart from those factors, I would like to emphasise the good performance by ordinary banking revenues, by which I mean net interest income and fees and commissions.

Revenues amounted to 5.061 billion in 2019, a 1% increase on the previous year.

Net interest income amounted to 3.622 billion euro, 1.4% less than in 2018, mainly as a consequence of the impact of the new IFRS 16 accounting standard, lower interest rates, and the securitisation of consumer loans during year.

Net fee and commission revenues amounted to 1.439 billion euro, a 7.7% increase year-on-year. This growth was due to good performance in all segments, particularly in service fees.

I would like to emphasise that the Bank's core revenues have proved to be extraordinarily resilient in recent years. As the Chairman mentioned, this is a remarkable achievement in the context of ultra-low interest rates and it is evidence of the soundness of our business model.

The bank's performance in 2019 can be attributed to five main factors: the improvement in the capital position, the decrease in non-performing assets, strong commercial momentum in all the Group's businesses, the presentation

of the new strategic plan of TSB, our subsidiary in the United Kingdom, and firm progress with the commercial and digital transformation

I would like to describe each of those five factors in greater detail.

The first is the improvement in our capital position. At the end of the year, the fully loaded CET1 ratio was 12.1% in pro-forma terms; that is, including the impact of the agreement to sell the real estate development company and the asset management firm. The latter agreement will significantly enhance our offer of savings and investment products, which is one of the Bank's strategic priorities, through partnership with Amundi, a world leader in this field.

The capital ratio increased by 96 basis points in comparison with the end of 2018, and reached the target that we had set for this year, far exceeding the Bank's minimum requirement.

The second milestone achieved in 2019 was the reduction in non-performing assets.

The Bank continued to shed assets in this category at a rapid pace, having disposed of 954 million euro in 2019.

As a result, the non-performing loan ratio continued to decline, reaching 3.8% at the end of 2019. The ratio of non-performing assets to total assets stands at 1.7%, corroborating the Bank's sound risk profile.

The third key point in our performance in 2019 was the Group's strong commercial momentum.

Gross loans and advances amounted to 144.572 billion euro at the end of 2019. That represents growth of 2.9% in year-on-year terms and at a constant exchange rate and constant consolidation scope, i.e. excluding the impact of the APS, the securitisation of consumer loans and the account receivable for the right of first refusal on non-performing asset sales.

The Group's customer funds amounted to 189.472 billion, a 3.5% increase year-on-year at constant exchange rates.

This growth in lending and funds was achieved through superb commercial performance by all business units, which I will now describe.

I will start with Sabadell Spain, the Group's largest single business line.

I would highlight that 34% of Spanish micro-enterprises and businesses were customers of the Bank at the end of 2019. That percentage rises to 52% among SMEs and 68% among large corporates.

In addition, our share of lending to companies was 11.27%, well above the Bank's natural market share.

These data demonstrate that, for yet another year, Banco Sabadell positioned itself as a key bank for companies in Spain.

As for private individuals, in 2019 we reached 2.6 million Expansión accounts, the customer loyalty product in that segment. The Bank also brought in over 415 thousand new individual customers in 2019.

Lending in 2019 for purchasing homes and consumer goods increased by 10.8% with respect to the previous year, to 6.265 billion euro.

Regarding TSB, our UK subsidiary, net lending totalled 31.076 billion pounds at the end of 2019, 3.6% more than a year earlier. Customer deposits rose to 30.182 billion pounds, an increase of 3.8% with respect to 2018.

These figures clearly show that TSB has regained its commercial momentum after the slowdown it experienced in the months following the platform migration in April 2018.

In Corporate and Investment Banking, gross lending reached 14.910 billion euro at the end of the year, 2.7% more than in 2018.

There were three outstanding features of this business in 2019. One was the surge in business from Corporate Banking customers outside Spain, which accounted for 60% of total lending in this segment.

The second was that MLA ranked Banco Sabadell in first position in the league table of project finance deals in the Spanish market.

And the third was international business for companies, conducted through the Bank's network of branches and representative offices around the world. In 2019, the Bank attained a 31% market share in export documentary credit.

I will conclude this summary of the business units' performance by discussing the Bank's activity in Mexico.

Lending there totalled 77.237 billion pesos at the end of 2019, a 7.9% year-on-year increase. Customer funds

amounted to 42.362 billion pesos, 51.1% more than at the end of 2018.

After just five years operating in Mexico, competing with institutions that have been in that market for decades, Banco Sabadell now ranks in 10th place there in terms of the volume of lending to companies.

I will now discuss the fourth milestone attained in 2019: the presentation of TSB's new strategic plan on the 25th of November.

The plan sets out the new strategy for the period from 2020 to 2022 and is supported by three pillars: customer focus, simplification & efficiency, and operational excellence.

The plan lays the foundation for TSB's growth and profitability in the coming years by making it a simpler and more efficient organisation, improving the customer experience, driving digitalisation, and building closer relationships with customers.

In 2019 it laid a solid foundation for the new plan by regaining commercial momentum, attaining a sound, robust IT platform, greatly enhancing its business reputation, as evidenced by the strong improvement in its net promoter score in 2019, and bringing a new executive team on board.

The team is led by Debbie Crosbie, who joined TSB as CEO in May 2019.

The fifth key factor in our business performance in 2019 was firm progress with the commercial and digital transformation.

At Banco Sabadell we are focusing this transformation with the aim of building long-term relationships with people and companies by delivering a superior customer experience.

For that reason, our transformation process is centred on improving our relationship model. We do this by offering personalised expert advice to customers with more sophisticated needs through our team of specialised account managers in the areas of personal banking, private banking, businesses, SMEs and companies.

We are also industrialising our operating model, by simplifying and facilitating the basic transactional relationship with all of our customers and promoting self-service transactions and digital sales.

In 2019, the main indicators associated with our transformation process showed significant progress.

First of all, I want to highlight the growth in the number of digital clients in Spain, which reached 3 million at the end of the year, 55% of our total active clients, and 6.3% more than the previous year.

If we look at customers' preferred device, the mobile phone, there were 2.7 million customers using their phones to manage their relationship with the Bank, an increase of 11.6% on the previous year. The app was used 468 million times, 15.9% more than in 2018.

Also noteworthy was the number of loans sold digitally: 55,600 in 2019. That is 39% of total sales and a 50% increase on the previous year.

These figures clearly show that we made firm progress with our commercial and digital transformation process in 2019.

This transformation enables us to be wherever customers need us, when and how they need us. Above all, it enables us to continue providing them with a distinctive and superior service.

I would like to draw your attention to our score in the Equos index, which measures the quality of service at bank branches in Spain.

In 2019, Banco Sabadell obtained its highest score ever — 8.24 — well above the industry average.

During 2019 we also achieved our highest ever NPS score, which measures customer experience, in all segments.

In particular, I would like to highlight our results in the SME segment, where Banco Sabadell achieved the number 1 position. This is yet another sign of Banco Sabadell's powerful position among Spanish companies.

The milestones I have just described were our most outstanding business achievements in 2019: the improvement in the capital position, the decrease in non-performing assets, strong commercial momentum in all the Group's businesses, the presentation of the new strategic plan of TSB, and firm progress with the commercial and digital transformation.

In short, it was a positive year, in which we achieved good earnings and strengthened our competitive and financial position.

The year 2020 looks very challenging. In addition to the major challenges inherent in the banking business, there is now the added uncertainty in the economic and social

dimensions as a result of the global crisis generated by the spread of COVID-19.

We started the year with clearly defined management targets: maintain the strong commercial momentum, continue to shed non-performing assets, execute TSB's strategic plan, and continue promoting sustainability as a core axis of our activity.

However, because of the abrupt emergence of the Coronavirus crisis, our main priority right now is to protect the health of our team and all those with whom we have dealings while guaranteeing operational continuity and service to our customers.

As the Chairman said earlier, we have a firm commitment to companies, families and society in general to support them and contribute to overcoming this crisis. For that reason, we will continue to do what we have been doing since 1881: provide support to people and companies, anticipating and addressing their needs, both in good times and when things are difficult.

It is still too early to assess the impact that this global health emergency will have on the economy, particularly on the markets where we operate. The impact can be expected to

be significant, although there is uncertainty about its depth and scale.

In any case, we will adjust our management priorities as needed, always with the goal of serving and supporting our customers, generating value for shareholders and maintaining the commitment to our employees, to society and to environmental sustainability.

The way forward is complicated, but Banco Sabadell is facing it with the professionalism that is our hallmark, in the confidence that we have the best team, and with the assurance of a great bank: a solvent one with a sound business model.

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

I would also like to express my gratitude to the Bank's entire workforce, an exceptional group of people. Thanks to their dedication, hard work and commitment, we have achieved the results that I have presented to you and that I trust will merit your approval.

Thank you very much.