

Milestones in 2018 and Plan 2020

A year marked by excellent commercial performance.

On the right track to achieve the financial targets set for 2020, with a better risk profile.

Banco Sabadell achieved two major milestones in 2018 — normalisation of its balance sheet and conclusion of TSB's IT migration — which pave the way for a new cycle focused on enhancing profitability through business growth and improved efficiency.

During the year, Banco Sabadell completed the elimination of real estate assets from the balance sheet and reached an agreement to sell 80% of Solvia Servicios Inmobiliarios. Banco Sabadell announced an agreement to sell practically all of its real estate exposure and the company that manages it, which enabled it to normalise its balance sheet earlier than expected while enhancing profitability in the future.

The Bank also completed TSB's systems migration, which will enable the UK bank to achieve operational autonomy and provides it one of the most advanced IT platforms in the UK banking industry, one that is fully adapted to the challenges of the digital age.

Banco Sabadell achieved an increase in banking revenues in Spain in 2018, driven by dynamic sales activity. However, at Group level, this performance was offset by €637.1 million of gross extraordinary costs related to TSB's systems migration and non-recurring provisions derived from the institutional sales of problematic assets announced during the year. As a result, Banco Sabadell reported €328.1 million in net profit in 2018. But for those extraordinary effects, net profit would have increased by 9.6% year-on-year at constant exchange rates and on a constant consolidation scope basis.

As a result of the sale of institutional portfolios, Banco Sabadell greatly improved its credit quality while also maintaining a strong capital position.

At 2018, its fully-loaded CET1 ratio was 11.1% (11.3% pro-forma). The Board of Directors has resolved to propose that the General Meeting of Shareholders approve a total dividend of €0.03 per share for the year, maintaining a total payout ratio of 51%.

Profitability

Banco Sabadell achieved strong growth in banking revenues in 2018, a 2.9% increase year-on-year on a constant consolidation scope basis, mainly as a result of performance in Spain and Mexico. Net interest income performed well as a result of dynamic commercial performance, while the customer spread was maintained in a context of a declining Euribor and intense competitive pressure.

Fees and commissions achieved a remarkable increase of 9.6% year-on-year at Group level and 11.3% excluding TSB, mainly due to strong service fees, which increased following the commercial strategy implemented to boost customer loyalty and the digitalisation of services.

The cost income ratio was impacted in 2018 by extraordinary technology costs related to the TSB migration. The Group's recurring cost base increased by 2.4% year-on-year on a constant consolidation scope basis.

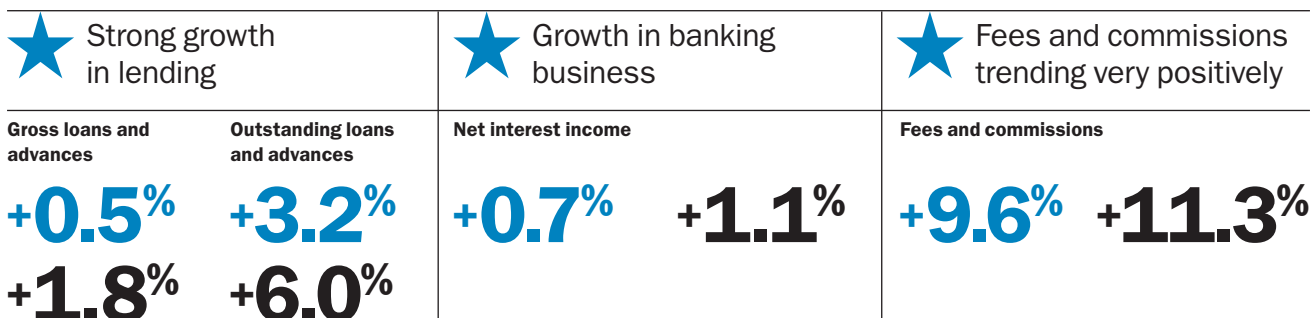
Business activity

Lending expanded due to good performance in the SME and large corporate segments, and also in home mortgages, which expanded at a rate not seen in some years. As a result, Banco Sabadell's outstanding loans and advances expanded year-on-year by 3.2%, while the Spanish business achieved over 5% growth. Gross loans and advances increased by 0.5% year-on-year on a constant consolidation scope basis (G4).

In 2018, Banco Sabadell continued to improve its competitive position, gaining market share in the various products and segments, while maintaining its hallmark high quality of service and improving the customer experience, adapting it to emerging market needs. Banco Sabadell continues to lead in customer experience in the SME and large company segments and has climbed to third place in retail banking (G5 & G6).

G4 Strength in the banking business

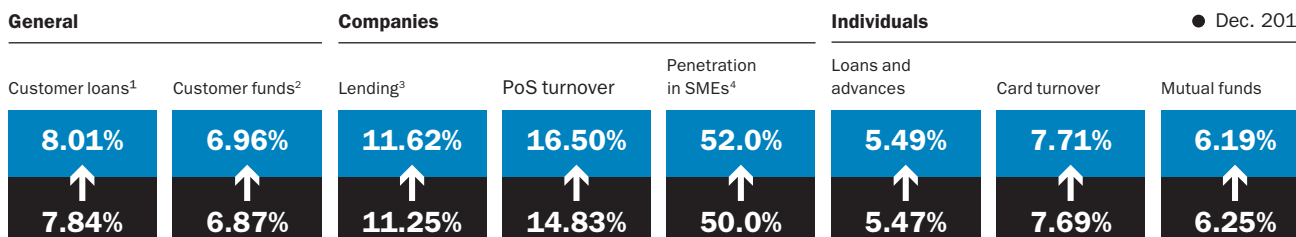
Growth year-on-year ● Sabadell Group ● Sabadell excl. TSB



G5 Product market share (%)

● Dec. 2018

● Dec. 2017



Sources: Bank of Spain, ICEA, Inverco and Servired.

1 Excludes repos and impact of APS NPL run-off.

2 Funds managed for other resident sectors: demand deposits and deposits with agreed maturity, mutual funds, savings insurance products, pension plans and retail bonds.

3 Excludes loans for real estate business and repos.

4 Companies with revenues between 0.9€M and 10€M.

G6 Service quality level

Service quality
Net promoter score (NPS)

Sabadell quality score vs. the sector



Source: Accenture NPS Benchmark Report. The NPS is based on the question "On a scale of 0 to 10, where 0 is 'not at all likely' and 10 is 'I would definitely recommend it', how likely would you be to recommend Banco Sabadell to a relative or friend?" The NPS is the percentage of customers who answered 9 or 10, after eliminating those who answered between 0 and 6. Includes comparable institutions. Data for the most recent available month.

Growth in outstanding loans and advances to SMEs and large corporates.

Positive trend in lending and ordinary revenues, conclusion of the TSB migration, and reduction of non-performing assets.

Credit quality and capital adequacy

In 2018, Banco Sabadell significantly reduced on-balance sheet exposure to real estate. It shed €7,846 million of non-performing assets in 2018 (counting 20% of exposure to the NPAs covered by the APS). Much of this reduction was due to the agreement to sell almost all of its real estate exposure for a gross amount of €9,100 million and other agreements to sell an additional €3,161 million of doubtful loans.

Banco Sabadell also made great progress in improving its credit quality by selling portfolios of non-performing assets while also achieving a steady organic reduction in those assets, in line with previous years.

As a result, Banco Sabadell significantly improved its risk profile much earlier than expected, decreasing the ratio of net non-performing assets to total assets to 1.8% (G7) and a delinquency ratio to 4.2%, while at the same time contributing to a future improvement in profitability.

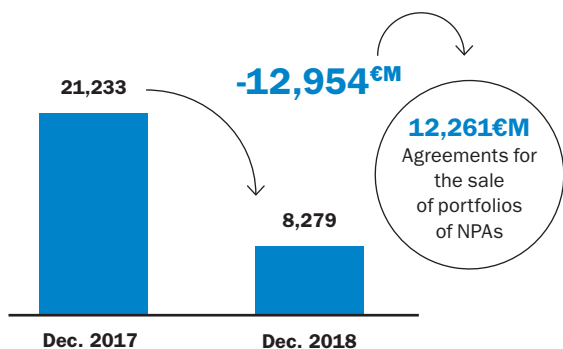
The sales of institutional portfolios were performed while maintaining the capital ratio well above regulatory requirements, with a fully-loaded CET1 capital ratio of 11.3% pro-forma the institutional sales of problematic assets, the sale de Solvia Servicios Inmobiliarios and the first-time application of IFRS 16.

As for the capital markets, in 2018 Banco Sabadell issued €750 million of senior preferred debt maturing in five years and three months. And in November, it issued €500 million in Tier 2 securities maturing in 10 years but callable after the fifth year.

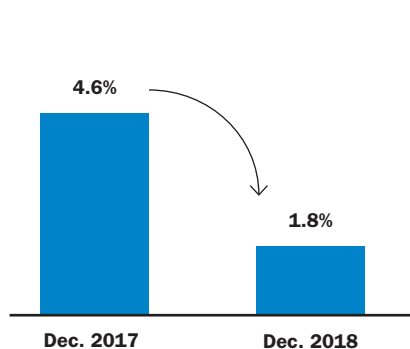
NPAs: situation normalised after portfolio sales.

G7 Agreements for the sale of portfolios of NPAs

Non-performing assets (€M)



Non-performing assets/Total assets (%)



TSB technology migration

TSB completed its information technology migration in April 2018. There were a number of incidents when the new platform went live that affected customers and resulted in extraordinary costs being incurred. The extraordinary costs related to the migration amounted to €121.0 million, while the net extraordinary impacts caused by the migration amounted to €339.0 million in the year.

Those incidents had a direct impact on new mortgage production in the UK franchise. Outstanding loans

and advances in the franchise were stable year-on-year. Meanwhile, customer funds declined by 4.7%, although current account balances increased by 3.2% in the year.

The new IT platform provides TSB with vital operational independence, will lend it greater agility and efficiency and will enable the franchise to expand into new lines of business, such as banking for companies.

In November 2018, TSB's Board appointed Debbie Crosbie as the new CEO of the UK subsidiary; she is scheduled to take office in the spring of 2019.

Commercial and digital transformation

Banco Sabadell emphasises customer experience to distinguish itself from the competition and has set itself the goal of being the leader in customer experience ratings in every market segment. To this end, in 2018 the Bank continued to make progress in its commercial and digital transformation in order to meet the new market needs with its best value proposition (G8 & G9).

In the area of commercial transformation, the Bank continued to roll out new distribution models that are consistent with its “There, wherever you are” slogan. These models provide customers with simplicity and convenience while helping to make production models more efficient. One example is the active management model, which now comprises 233 account managers, as well as the multi-location branches, branches with shared manager, etc. In this respect, because of its customer-centric approach in Data & Analytics, it has developed numerous initiatives based on knowledge about customers’ needs

in order to adapt the value proposition in such areas as consumer spending, savings, insurance and pricing.

Banco Sabadell is also keenly aware of the technology challenges that banks face in the digital era; for this reason, in 2018 the Bank continued to focus on advancing an efficient management model, deploying the necessary technological capabilities to adapt to customers’ emerging needs.

To this end, in 2017, Banco Sabadell founded InnoCells, a hub for new digital businesses, and its corporate venture arm, InnoCapital, aimed at making strategic digital and technology investments in businesses in the seed phase and in series A and B, always in areas of interest for the Banco Sabadell Group.

In 2018, InnoCells continued to work with startups, while also making a number of strategic investments, including Antai, Cardumen Capital, Biometric Vox and the Base10 fund, as well as strategic acquisitions such as Instant Credit.

Banco Sabadell is a bank that has been transforming for 137 years and will continue to do so in pursuit of its essential value: excellence in customer service.

Committed to the digital and commercial transformation in order to retain the lead in customer experience.

G8 Digital and commercial transformation



4.7M

(+6% YoY) Group digital customers

3.4M

(+17% YoY) Group mobile customers

69M

(+3% YoY) Group monthly web+mobile traffic

37,065

(+39% YoY) Digital sales of consumer loans in Spain

42%

(-17pp YoY) Digital sales in the United Kingdom

22%

(+2pp YoY) Digital sales in Spain

878k

(+17% YoY) Customers under Active Management in Spain

89%

(+1pp YoY) Transactions via remote channels

19M

(+33% YoY) Impact of business intelligence

Investment in innovation

INSTANT CREDIT

PAYTPV

CARDUMEN

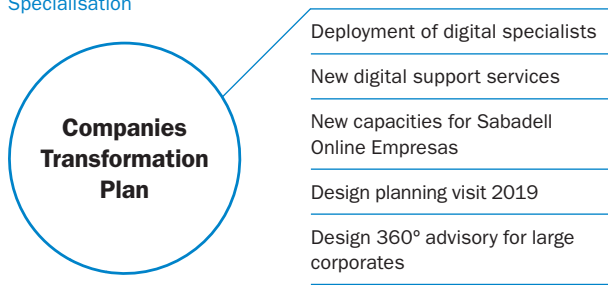
Antai. VENTURE BUILDER

BIOMETRIC VOX

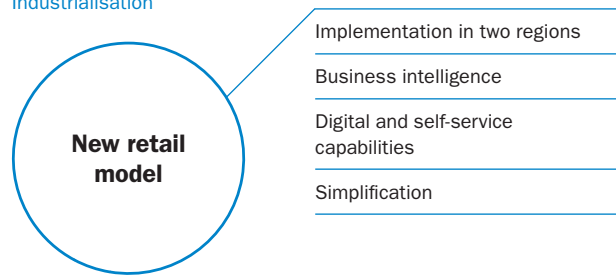
Undostres

Base10

Value customers
Specialisation



Mass markets
Industrialisation



Plan 2020

In 2018, Banco Sabadell presented its new Master Plan, which laid the foundations of the strategy for addressing the new economic cycle. The Business Plan, which was unveiled in February 2018, focused on profitability, sustainability and value creation (G10).

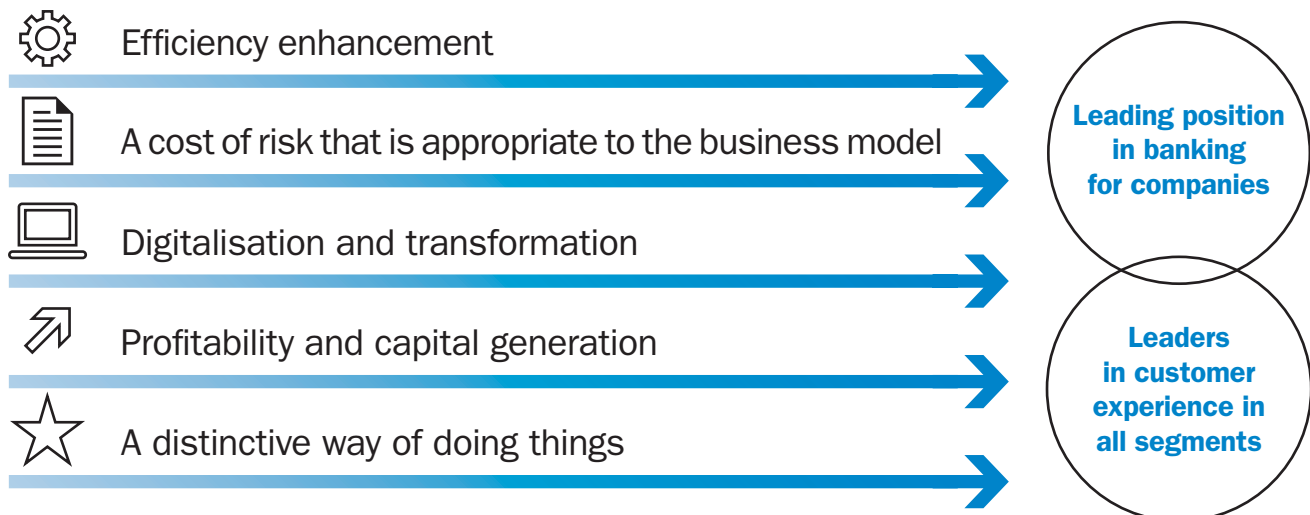
Profitability means continuing to expand in the main markets where Banco Sabadell operates, and improving efficiency. Sustainability means continuing to develop the technological capabilities that are required to offer a value proposition, as well as attracting versatile talent to undertake the commercial and digital transformation of the institution and adapt it to the current changing

environment. Ultimately, the Banco Sabadell Business Plan pursues value creation for all its stakeholders, while offering a wide range of products and excellent quality of service to its customers and developing its human capital, attending to its employees' concerns and professional expectations, motivating them and recognising their achievements. All this while maintaining Banco Sabadell's commitment to society and the environment in all the territories where it operates, through ethical and responsible development of its business.

In order to achieve these objectives, Banco Sabadell will rely on its strong brand image and customer experience as differentiating elements, as well as its extensive technological capabilities, which will provide the

On track to achieve the financial objectives set for 2020.

G10 Objectives of the Master Plan 2018-2020



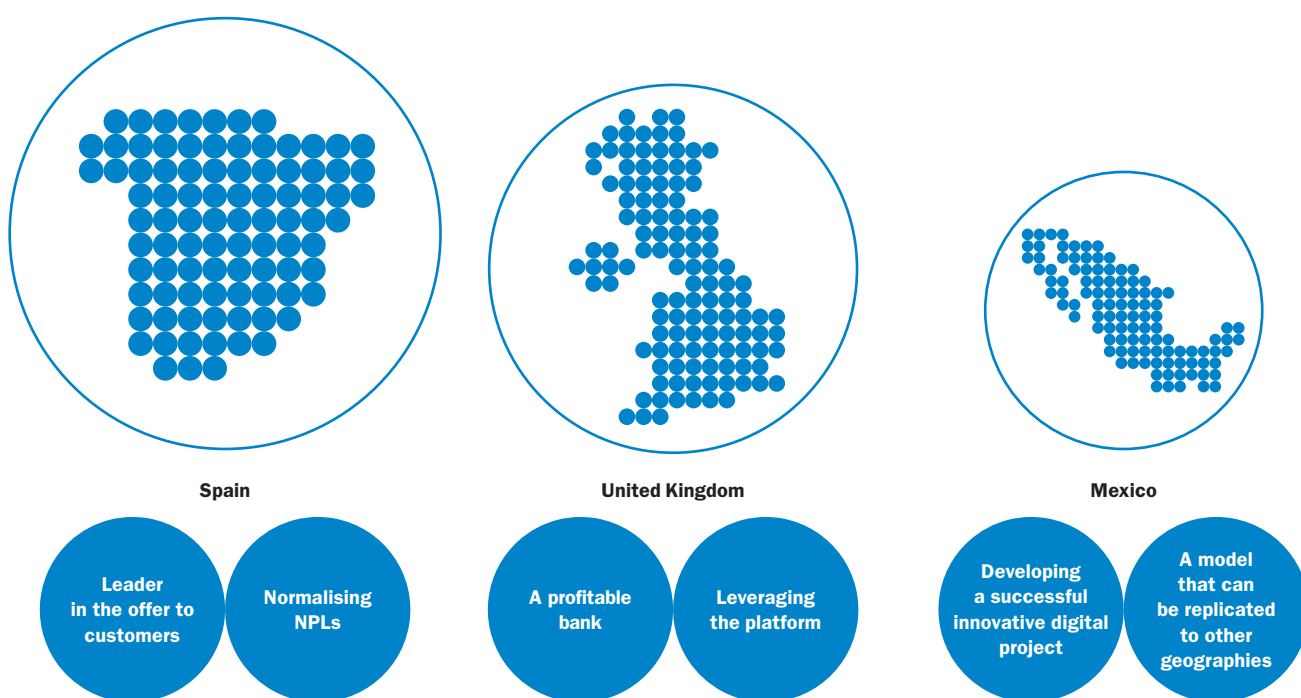
opportunity to evolve its value proposition. All this underpinned by a versatile organisation comprising trained, committed people.

The goal of Banco Sabadell for the period 2018-2020 is to focus on maximising the value of its franchise in

the three main markets in which it operates (Spain, the United Kingdom and Mexico), growing organically, and having a clear, differentiated strategy in each geography (G11).

Creating value in the three geographies where Banco Sabadell is present.

G11 The main markets in which Banco Sabadell operates



The Master Plan focuses on increasing profitability by optimising efficiency while maintaining commercial dynamics.

In this way, Banco Sabadell's ambitions in Spain focus on growing customer numbers, volumes, market shares and margins, while improving efficiency by containing the cost base. It will also focus particularly on areas with growth potential, such as the insurance business, the Madrid region, consumer loans, savings-investment

products and funding for SMEs. This will be accompanied by measures to enhance the businesses' sustainability by transforming the distribution and digitalisation model to offer a broad range of distinctive products and services to each customer while retaining the lead in quality of service.

The beginning of a new era for TSB.

The objectives established for the business in the United Kingdom are based on expanding scale while improving business efficiency and increasing brand recognition. Additionally, in 2018 TSB initiated deployment of the necessary capacities to expand into new lines of business. The new IT platform will play a vital role in building an agile business model and will provide TSB with a strong competitive advantage, by contributing to its commercial transformation, greatly reducing time-to-market for new

products and services, while enabling the bank to adapt more readily to customer needs (G12 & G13).




The strategy defined for the Mexican business is fundamentally focused on continuing to expand the product offering, maintaining quality of service for the Business Banking and Corporate Banking segment, while progressing in the development of banking for individuals, which is based on an innovative 100% digital model.

G12 Advantages of the new platform



-  Operational independence
-  Better time-to-market
-  Efficiency enhancements
-  Innovative new digital products

G13 The beginning of a new era for TSB

Objectives attained

 Indemnities to customers are close to finalising	 New cutting-edge, autonomous platform	 Deployment of product features
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Priorities of the new plan

 Efficiency enhancements	 Full roll-out of the SME strategy in 2019
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Share performance and share ownership

In 2018, market attention was focused on central banks' monetary policy decisions, legal and political risk, as well as growing trade tensions and their potential impact on the economy.

In the early months of the year, bank share prices were affected by a delay in the European Central Bank's rate increase calendar with respect to investor expectations, uncertainty about the Brexit negotiations, and tension in trade relations between the main global economies.

In the second half of the year, the Spanish banking industry was impacted by greater political uncertainty in Italy, the possibility of higher taxes on the banking sector, and uncertainty about stamp tax on mortgages (G14).

The announcement of the "Sabadell 2020" Strategic Plan, the migration to the new IT platform at TSB and the institutional sales of the portfolios of NPAs were milestones that had an idiosyncratic influence on share performance in 2018.

One of Banco Sabadell's goals is to reward the trust placed in us by our shareholders by assuring them an appropriate return, a balanced and transparent governance system, and careful management of the risks associated with our activity.

In parallel, at the end of 2018, more than 87% of the analysts covering Banco Sabadell had a buy or hold recommendation on the stock.

The percentage of Banco Sabadell's capital owned by institutional investors declined slightly, from 54.3% at 2017 year-end to 53.0% at 2018 year-end (G15, T1 & T2).

As part of the efforts made by the Bank in recent years to ensure a degree of transparency and communication appropriate to the increased scale of the Group, Banco Sabadell management continued to maintain a high level of interaction with institutional investors.

At the end of the year, Banco Sabadell's market capitalisation stood at €5,538 million, with a price-to-book ratio of 0.45.

The Board of Directors will propose that the General Meeting of Shareholders approve the distribution of a gross dividend out of 2018 earnings in the amount of €0.03 per share in cash, i.e. maintaining a pay-out ratio of 51%.