# 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 | | | Priorities of the new plan | |
|---|---|---|---|---|
| Indemnities to customers are close to finalising | New cutting-edge, autonomous platform | Depoyment of product features | Efficiency enhancements | Full roll-out of the SME strategy in 2019 |

## 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.

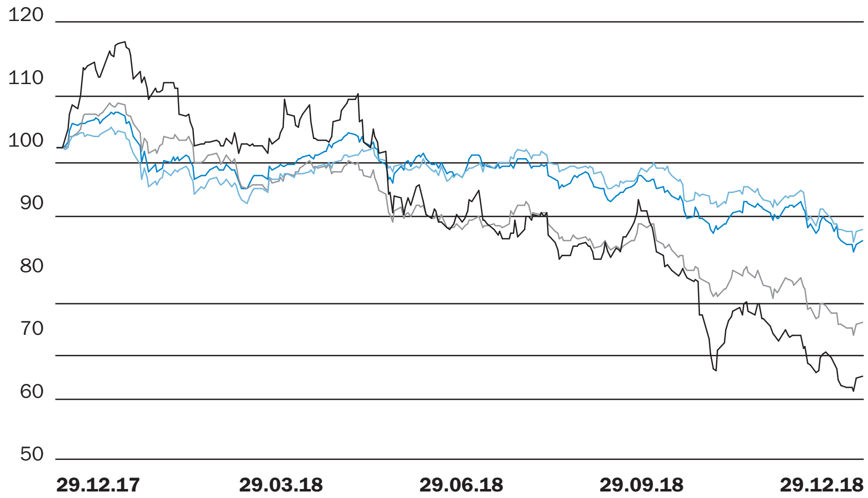
The percentage of Banco Sabadell's capital owned by institutional investors declined slightly, from 54.3% at 2017 year-end to 53.0% at 2018 year-end (G15, T1 & T2).

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%.

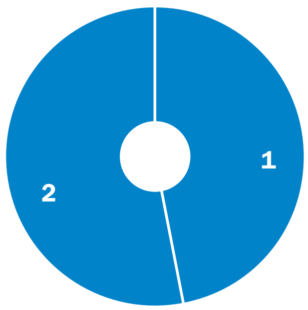
# Sabadell's share performance was affected by a volatile macroeconomic and political situation.




**G14** SAB share price performance
*Source*: Bloomberg. Adjusted for capital increases and dividends.

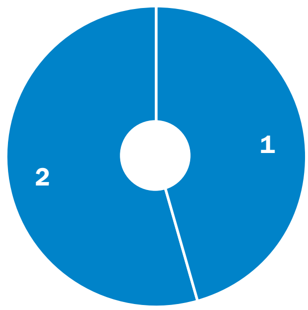
- EuroStoxx 50
- SAB
- IBEX 35
- EuroStoxx 600 Banks

Note: share price adjusted for dividends and capital increases.




**G15**
**Ownership structure**
**31.12.2018 (%)**

| | | |
|---|---|---|
| **1** | Retail investors | 47.0 |
| **2** | Institutional investors | 53.0 |




**Ownership structure**
**31.12.2017 (%)**

| | | |
|---|---|---|
| **1** | Retail investors | 45.7 |
| **2** | Institutional investors | 54.3 |

**T1** Analysis of shareholdings at 31 December 2018

| No. of shares | Shareholders | Shares in tranche | % of capital |
|---|---|---|---|
| 1 to 12,000 | 190,297 | 578,124,117 | 10.27% |
| 12,001 to 120,000 | 42,519 | 1,288,813,941 | 22.90% |
| 120,001 to 240,000 | 1,605 | 260,418,978 | 4.63% |
| 240,001 to 1,200,000 | 914 | 390,814,906 | 6.95% |
| 1,200,001 to 15,000,000 | 151 | 414,351,420 | 7.36% |
| More than 15,000,000 | 37 | 2,694,441,339 | 47.88% |
| **TOTAL** | **235,523** | **5,626,964,701** | **100.00%** |

**T2** Analysis of shareholdings at 31 December 2018

| No. of shares | Shareholders | Shares in tranche | % of capital |
|---|---|---|---|
| 1 to 12,000 | 191,049 | 568,067,780 | 10.10% |
| 12,001 to 120,000 | 41,430 | 1,255,935,409 | 22.32% |
| 120,001 to 240,000 | 1,572 | 255,423,290 | 4.54% |
| 240,001 to 1,200,000 | 882 | 384,358,991 | 6.83% |
| 1,200,001 to 15,000,000 | 159 | 490,753,568 | 8.72% |
| More than 15,000,000 | 38 | 2,672,425,663 | 47.49% |
| **TOTAL** | **235,130** | **5,626,964,701** | **100.00%** |

**T3** Earnings and book value per share 2015-2018

| | Million | €M | € | €M | € |
|---|---|---|---|---|---|
| | **No. of shares** | **Attributed income** | **Attributed income per share** | **Own funds** | **Book value per share** |
| 2015 | 5,616 | 710 | 0.126 | 12,926 | 2.30 |
| 2015 (*) | 5,624 | 710 | 0.126 | 12,926 | 2.30 |
| 2016 | 5,627 | 802 | 0.142 | 13,426 | 2.39 |
| 2016 (**) | 5,627 | 328 | 0.058 | 12,545 | 2.23 |
| 2017 | 5,627 | 802 | 0.142 | 13,426 | 2.39 |
| 2018 | 5,627 | 328 | 0.058 | 12,545 | 2.23 |

(*) Including dilutive effect of convertible bonds (33.01 million shares).
(**) Including dilutive effect of convertible bonds (7.52 million shares).

# The customer

The objective of Banco Sabadell is to help people and companies to realise their plans, by anticipating their needs and providing the necessary support to make the best economic decisions.

In the Banco Sabadell business model the customer is always the primary concern. The relationship model, based on personalised attention and high standards of quality and service, enables the Bank to create value for customers and be there, wherever they are.

Banco Sabadell believes that its relationship with customers should be a long-term one based on trust and authenticity. For this reason, Banco Sabadell focuses on the customer experience as a way of standing out from its competitors and achieving profitable growth, which is a strategic objective. This approach is a logical consequence of the excellence in quality of service that is part of Banco Sabadell's DNA.

In a constantly changing environment in which technology plays an ever more vital role and customers have increasing power to take decisions, Banco Sabadell's ambition is to be a leader in customer experience.

To achieve this, the Bank is engaged in a far-reaching transformation of its sales and marketing model and its offering of digital capabilities.

A multi-channel strategy that combines the human touch with the best of the digital world will enable Banco Sabadell to build relationships based on trust that are designed to meet the real needs of each and every customer (G16).

Banco Sabadell uses NPS (Net Promoter Score) to track and measure the customer experience, this being the most widely recognised benchmark in the market for