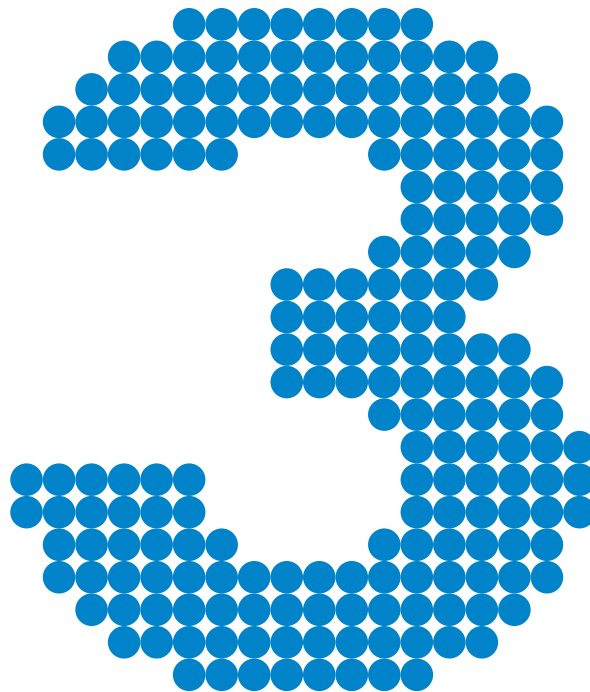


Banco Sabadell Group

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Banking since 1881.

Founded 137 years ago, Banco Sabadell is a member of the IBEX 35 index and an international banking group with a network of 2,457 branches and about 12 million customers. Banco Sabadell is one of Spain's leading banks and occupies a pre-eminent position in personal and business banking.

With a young, highly qualified workforce equipped with IT and sales resources to meet the needs of today's market, Banco Sabadell's business model is geared to being its customers' main bank through long-term relationships based on quality and commitment.

By building lasting, profitable relationships, Banco Sabadell works with its customers throughout their financial life cycle, offering solutions and channels to meet their needs and a comprehensive range of products and services that favour long-term relationships based on the principles of professionalism, ethics and transparency.

Banco Sabadell has also proven to be an agile, customer-centric institution that adapts its business model to different market needs through a range of brands and business lines that represent distinctive value propositions.

Banco Sabadell's strategic aims have traditionally been set out in three-year business plans.

In 2018, Banco Sabadell presented a new Business Plan in which it laid the strategic groundwork for the next economic cycle. The plan's ambitions are coherent with the values and objectives that have characterised the Bank since its foundation.

The Business Plan announced in February 2018 pursues profitability, sustainability and value creation.

Profitability means continuing to expand in the main markets where Banco Sabadell operates, improving efficiency and accelerating balance sheet normalisation.

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 is rooted in value creation for all its stakeholders, while offering a wide range of products and quality of service to its customers.

All this while maintaining Banco Sabadell's commitment to a society and the environment in all the territories where it operates, through ethical and responsible development of its business.

The year 2018 was characterised by two major events. Firstly, the Bank culminated the process of removing real

estate assets from its balance sheet. It Bank announced an agreement to sell practically all of its real estate exposure for €9,100 million gross, and other agreements to sell €3,161 million gross of non-performing loans. With this reduction, non-performing assets represent just 1.8% of the balance sheet (considering 100% of the exposure to the non-performing assets covered by the APS). Secondly, it completed TSB's systems migration. There were a number of incidents affecting customers when the new platform went live, and extraordinary expenses were incurred to resolve them; nevertheless, the new platform provides TSB with vital operational independence, which will lend it greater agility and efficiency and will enable it to expand into new lines of business. Both milestones were very significant because of their strategic implications and their contribution to enhancing the Bank's profitability in the future, although they had an impact on the bottom line in the short term.

The Group achieved excellent commercial performance in 2018, having expanded loans and advances and increased ordinary banking revenues by 2.9% in the year. At the same time, Banco Sabadell has a solid capital position, with a pro-forma fully-loaded CET1 ratio of 11.3% at year-end. The Bank also continued to advance steadily in the process of digital and commercial transformation by virtue of its strong commitment to the new demands of the digital era, which include process digitalisation and the evolution of the organisation's culture. As a result, the Bank is in the process of seizing the opportunities offered by new technological capacities.

To conclude, 2018 was a key year for the future of Banco Sabadell since, in addition to culminating the disposal of real estate assets and completing the TSB migration, it achieved excellent commercial performance and continued to advance with digitalisation in order to offer its customers better products and services.

History and acquisitions

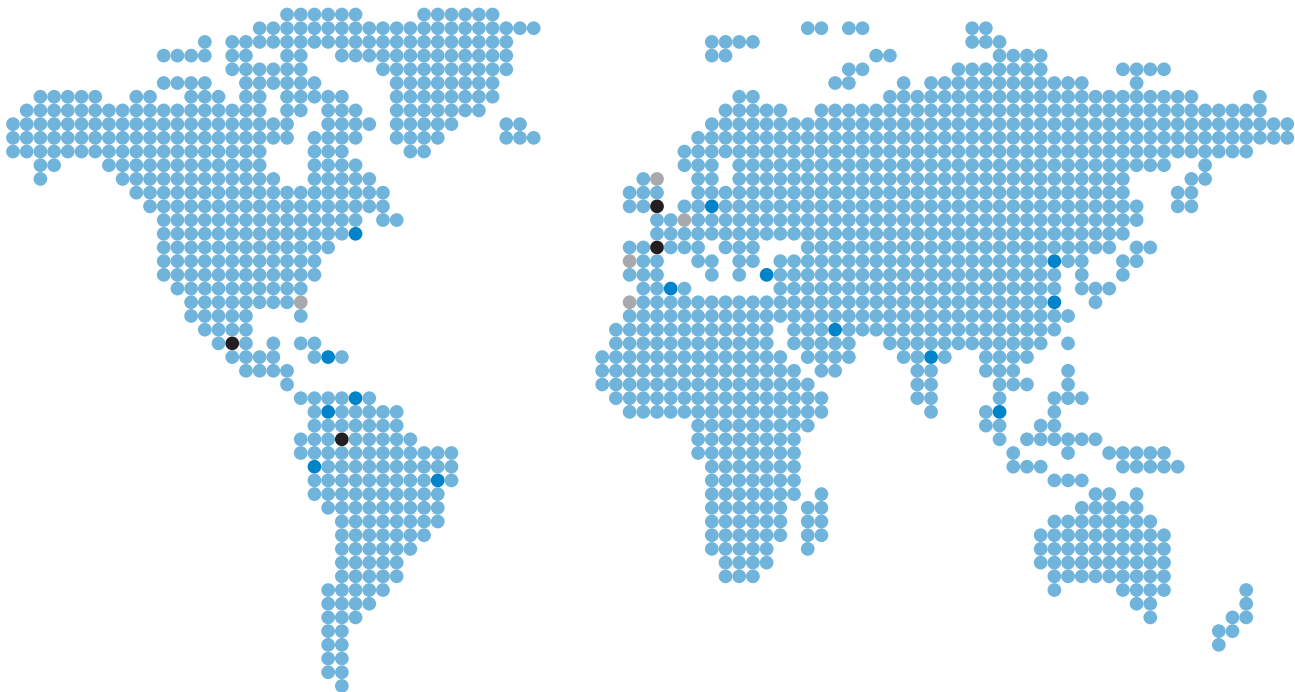
In 2018, Banco Sabadell concluded the normalisation of its balance sheet and the TSB systems migration.

G1 Banco Sabadell landmark developments

A group of 127 businesspeople and merchants in Sabadell founded the Bank, with the goal of financing local industry.	Acquisition of NatWest Spain Group and Banco de Asturias.	Successful bid for Banco Atlántico.	Acquisition of Banco Urquijo.	Acquisition of BBVA's private banking business in Miami (USA). Sale of 50% of the insurance business.	Takeover bid for 100% of Banco Guipuzcoano.	Acquisition of Banco CAM.	Started operations in Mexico	Sale of Sabadell United Bank (USA).
1881	1996	2003	2006	2008	2010	2012	2014	2017
1965	2001	2004	2007	2009	2011	2013	2015	
Expansion into nearby towns.	Banco Sabadell is floated. Acquisition of Banco Herrero.	Capital increase and entry in the IBEX-35. Banco Atlántico integrated in technological and operating terms.	Acquisition of TransAtlantic Bank (Miami).	Acquisition of Mellon United National Bank.	Acquisition of the assets and liabilities of Lydian Private Bank (Miami) and announcement of the adjudication of Banco CAM.	Acquisition of the Caixa Penedès network, Banco Gallego and the Spanish business of Lloyds Banking Group.	TSB acquisition. Bank licence in Mexico.	

Banco Sabadell operates in 20 countries through branches, representative offices, subsidiaries and investees; 31% of its loan book is located outside Spain (G2).

G2 Banco Sabadell - foreign market presence



- **Subsidiaries and affiliates**
 - Andorra
 - Bogota (Colombia)
 - Mexico City (Mexico)
 - London (United Kingdom)

- **Branches**
 - Miami (USA)
 - Paris (France)
 - Casablanca (Morocco)
 - Lisbon (Portugal)
 - London (United Kingdom)

- **Representative offices**
 - Algiers (Algeria)
 - Sao Paulo (Brazil)
 - Beijing (China)

- Shanghai (China)
- Bogota (Colombia)
- Dubai (UAE)
- New York (USA)
- New Delhi (India)

- Warsaw (Poland)
- Lima (Peru)
- Santo Domingo (DR)
- Singapore (Singapore)
- Istanbul (Turkey)
- Caracas (Venezuela)



Jaime Guardiola Romojaro,
Managing Director

Board of Directors

Chairman

Josep Olliu Creus (E)

Deputy Chairman

José Javier Echenique Landiribar (I)

Managing Director

Jaime Guardiola Romojaro (E)

Director – General Manager

José Luis Negro Rodríguez (E)

Director – Company Secretary

María José García Beato (E)

Director – Chief Risk Officer (CRO)

David Vegara Figueras (E)

Directors

Anthony Frank Elliott Ball (I)

Aurora Catá Sala (I)

Pedro Fontana García (I)

M. Teresa Garcia-Milà Lloveras (LI)

George Donald Johnston (I)

David Martínez Guzmán (P)

José Manuel Martínez Martínez (I)

José Ramón Martínez Sufrategui (I)

Manuel Valls Morató (I)

Secretary (not a director)

Miquel Roca i Junyent

Board sub-committees

Executive Committee

Josep Olliu Creus (C) (E)

José Javier Echenique Landiribar (I)

Jaime Guardiola Romojaro (E)

Pedro Fontana García (I)

José Manuel Martínez Martínez (I)

María José García Beato (SNM)

Audit and Control Committee

Manuel Valls Morató (C) (I)

Pedro Fontana García (I)

M. Teresa Garcia-Milà Lloveras (LI)

José Ramón Martínez Sufrategui (I)

Miquel Roca i Junyent (SNM)

Appointments Committee

Aurora Catá Sala (C) (I)

Anthony Frank Elliott Ball (I)

Pedro Fontana García (I)

M. Teresa Garcia-Milà Lloveras (LI)

Miquel Roca i Junyent (SNM)

Remuneration Committee

Aurora Catá Sala (C) (I)

Anthony Frank Elliott Ball (I)

M. Teresa Garcia-Milà Lloveras (LI)

George Donald Johnston (I)

María José García Beato (SNM)

Risk Committee

George Donald Johnston (C) (I)

M. Teresa Garcia-Milà Lloveras (LI)

Manuel Valls Morató (I)

María José García Beato (SNM)

Composition on 21 February 2019

(E) Executive / (LI) Lead independent director / (I) Independent / (P) Proprietary / (C) Chairman / (SNM) Secretary (non-member) / (CRO) Chief Risk Officer

Chairman

Josep Oliu Creus

Managing Director

Jaime Guardiola Romojaro

Director – General Manager

José Luis Negro Rodríguez

Director – Company Secretary

María José García Beato

Director – Chief Risk Officer (CRO)

David Vegara Figueras

Senior Management

General Manager (CFO)

Tomás Varela Muiña

General Manager - Operations and

Persons

Miguel Montes Güell

General Manager - Sabadell Spain

Carlos Ventura Santamans

Deputy General Manager -

Corporate & Investment Banking

José Nieto de la Cierva

Deputy General Manager -

Risk Management

Rafael García Nauffal

Deputy General Manager –

Asset Transformation and

Industrial and Real Estate

Investees

Enric Rovira Masachs

Deputy General Manager - Business

Ramón de la Riva Reina

Deputy General Manager -

Marketing & Business

Transformation

Manuel Tresánchez Montaner

Deputy General Manager -

Eastern Region

Jaime Matas Vallverdú

TSB

TSB Executive Chairman

Richard Meddings

Mexico

General Manager - Sabadell Mexico

Francesc Noguera Gili

Corporate Service Divisions

Corporate Service units

Company Secretariat

Legal

Gonzalo Barettino Coloma

Communication and Institutional

Relations

Gabriel Martínez Rafael

Managing Director

Strategic Planning and

Managing Director's Office

Fernando Herraiz Philip

CRO – Chief Risk Officer

Risk Control

Joaquín Pascual Cañero

Compliance

Federico Rodríguez Castillo

Chief Economist

Sofía Rodríguez Rico

CFO – Chief Financial Officer

Global Finance

and CFO Spain

Sergio Palavecino Tomé

Global Financial Control

Anna Bach Portero

COO – Chief Operating Officer

Human Resources

Conchita Álvarez Hernández

Corporate Services

Adrià Galian Valldeneu

CIO Sabadell

Rüdiger Schmidt

Technological Innovation

Alfonso Ayuso Calle

CCO – Chief Credit Officer

Corporate and Retail Risk

José Luís Sánchez Rius

Internal Audit

Núria Lázaro Rubio

Corporate Transactions

Joan M. Grumé Sierra

Business Areas

Sabadell Spain

Customer Solutions

Albert Figueras Moreno

Institutional Business

Blanca Montero Corominas

Sabadell Consumer Finance

Miquel Costa Sampere

Catalonia Region

Xavier Comerma Carbonell

Central Region

Eduardo Currás de Don Pablos

Eastern Region

Jaime Matas Vallverdú

Northwest Region

Pablo Junceda Moreno

Northern Region

Ignacio Navarro Cameo

Southern Region

Juan Krauel Alonso

Private Banking

Pedro Dañobeitia Canales

Asset Management

Cirus Andreu Cabot

Bancassurance

Silvia Ávila Rivero

Corporate & Investment Banking

Corporate Banking EMEA

Ana Ribalta Roig

Corporate America & Asia and SIB

Maurici Lladó Vila

Structured Finance

David Noguera Ballús

Trading, Custody and Research

Javier Benzo Perea

Treasury and Capital Markets

Guillermo Monroy Pérez

Asset Transformation and Industrial and Real Estate Investees

Real Estate and Institutional Markets

Jaume Oliu Barton

Solvía

Javier García del Río

Board of Directors

With the exception of matters falling within the remit of the General Meeting, the Board of Directors is the highest decision-making body and is responsible under the law and the Articles of Association for managing and representing the Bank. The Board of Directors acts mainly as an instrument of supervision and control, and delegates the management of ordinary business matters to the executive organs and management team.

The Board of Directors is subject to well-defined, transparent rules of governance, particularly the Articles of Association and the Board’s own rules of procedure, and it conforms to best practices in the area of corporate governance.*

The composition of the Board of Directors of Banco de Sabadell, S.A. is diverse and efficient. It is of the appropriate size to perform its functions effectively by drawing on a depth and diversity of opinions, enabling it to operate with a level of quality and efficacy and in a participatory way. Its composition contains a broad variety of competencies and professional track records, origins and gender, with extensive experience in banking, finance, insurance, risk and auditing, in the regulatory and legal, academic, and resources fields, as well as human resources, consulting, business and the international arena.

The composition of the Board of Directors has an optimal balance between the various categories of director. For the benefit of the general oversight function that is the Board’s mission, it has an optimal balance between executive and non-executive directors: independent directors account for a broad majority and their number is sufficient to properly defend the interests of minority shareholders in accordance with the corporate governance rules.

In 2018, the Board of Directors enhanced gender diversity by appointing a female director, in the category of executive director (G3).

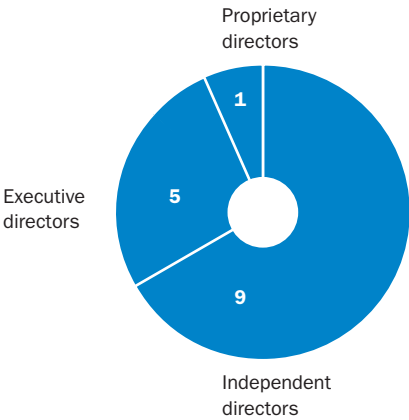
During the year, the functions of the Chairman and Managing Director were delimited, by attributing the functions relating to administering and managing the business to the Managing Director, who became chair of the Management Committee. The Chairman chairs the Board of Directors and the Delegated Committee, in addition to holding certain executive functions.

At 31 December 2018, the Board had 15 members: four executive directors and eleven non-executive directors (ten independent and one proprietary). During the year, Ms. María José García Beato was appointed as an executive director, and non-executive director Mr. José Manuel Lara García stepped down.

In February 2019, Mr. David Vegara changed his category from independent director to executive director as a result of his appointment as Chief Risk Officer reporting directly to the Risk Committee.

G3 Diversity of gender and profiles in the organisation

Board of Directors profiles	Compliance with the highest standards of quality
20% international	Ongoing training
20% women	Continuous assessment of Board member fitness and suitability
60% independent	



Composition on 21 February 2019
 * See the Articles of Association, the Board’s rules of procedure and the Annual Report on Corporate Governance on the Bank’s web site.

Board sub-committees

There are currently five Committees in operation.

Executive Committee

The Executive Committee is composed of five Directors and is chaired by the Chairman of the Board; in its composition, the Committee preserves a balance of member categories similar to that of the Board. The Committee is responsible for adopting any resolutions and decisions falling within the scope of the powers granted to it by the Board of Directors, and for overseeing the Bank's ordinary activities; it must report all decisions adopted at its meetings to the Board of Directors, without prejudice to any other functions assigned to it under the Articles of Association and the rules of procedure of the Board of Directors.

Name	Position	Category
Josep Olliu Creus	Chairman	Executive
José Javier Echenique Landiribar	Director	Independent
Jaime Guardiola Romojaro	Director	Executive
Pedro Fontana García	Director	Independent
José Manuel Martínez Martínez	Director	Independent
María José García Beato	Secretary (not a member)	

Audit and Control Committee

The Audit and Control Committee comprises four independent directors and meets at least once per quarter. Its main function is to oversee the efficacy of the Bank's internal control, internal audit and risk management systems, supervise the process of drafting and presenting regulated financial disclosures, advise on the Bank's annual and interim financial statements, liaise with the external auditor, and ensure that suitable measures are taken to address any conduct or methods that might be inappropriate. It is also a watchdog, ensuring that the measures, policies and strategies determined by the Board are duly implemented.

Name	Position	Category
Manuel Valls Morató	Chairman	Independent
Pedro Fontana García	Director	Independent
M. Teresa Garcia-Milà Lloveras	Director	Independent
José Ramón Martínez Sufrategui	Director	Independent
Miquel Roca i Junyent	Secretary (not a member)	

Appointments Committee

The main functions of the Appointments Committee, which comprises four independent directors, are to ensure that the quality requirements for members of the Board of Directors are fulfilled, assess whether directors meet the suitability, competency and experience requirements for the position, make proposals as to the appointment of independent directors and advise on the appointment of other directors. The Committee must also set a representation target for the gender that is less represented on the Board of Directors and draw up guidelines on how the target should be achieved; it advises on proposals for the appointment and removal of senior executives and persons in the under-represented group, as well as on the basic contractual conditions for executive directors and senior executives.

Name	Position	Category
Aurora Catá Sala	Chair	Independent
Anthony Frank Elliott Ball	Director	Independent
Pedro Fontana García	Director	Independent
M. Teresa Garcia-Milà Lloveras	Director	Independent
Miquel Roca i Junyent	Secretary (not a member)	

Remuneration Committee

The main functions of the Remuneration Committee, which comprises four independent directors, are to make recommendations to the Board of Directors on policy for the remuneration of directors and general managers and on remuneration and other contractual conditions for executive directors, and to ensure compliance with existing policies. The Committee advises on the Annual Report on Director Remuneration, and reviews the general principles governing remuneration and the arrangements for the remuneration of all employees, ensuring that transparency is maintained.

Name	Position	Category
Aurora Catá Sala	Chair	Independent
Anthony Frank Elliott Ball	Director	Independent
M. Teresa Garcia-Milà Lloveras	Director	Independent
George Donald Johnston	Director	Independent
María José García Beato	Secretary (not a member)	

Risk Committee

The Risk Committee comprises three independent directors. It is tasked with supervising and ensuring good practice in the acceptance, control and management of all risks assumed by the Bank and the Group, and to report to the full Board of Directors on the performance of its duties as required by law, the Articles of Association and the rules of procedure of the Board of Directors.

Name	Position	Category
George Donald Johnston	Chairman	Independent
M. Teresa Garcia-Milà Lloveras	Director	Independent
Manuel Valls Morató	Director	Independent
María José García Beato	Secretary (not a member)	

The Bank has published its Annual Report on Corporate Governance, which is attached to the financial statements for 2018, and its Report on Director Remuneration, available on the CNMV and Banco Sabadell websites.*

In 2018, the Board of Directors conducted a self-assessment of its performance and that of its Committees, finding them to be satisfactory.**

Composition on 21 February 2019

* See the Annual Report on Corporate Governance and the Annual Report on Director Remuneration on the Bank's website.

** See the Committees' reports on their performance and activities in 2018 on the Bank's website.

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

★ Strong growth in lending		★ Growth in banking business	★ Fees and commissions trending very positively
Gross loans and advances	Outstanding loans and advances	Net interest income	Fees and commissions
+0.5%	+3.2%	+0.7%	+9.6%
+1.8%	+6.0%	+1.1%	+11.3%

G5 Product market share (%)

● Dec. 2018

● Dec. 2017

General		Companies			Individuals		
Customer loans ¹	Customer funds ²	Lending ³	PoS turnover	Penetration in SMEs ⁴	Loans and advances	Card turnover	Mutual funds
8.01%	6.96%	11.62%	16.50%	52.0%	5.49%	7.71%	6.19%
↑	↑	↑	↑	↑	↑	↑	↑
7.84%	6.87%	11.25%	14.83%	50.0%	5.47%	7.69%	6.25%

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

2018 ranking	Large corporates (turnover > 5 €M)	34%	★ 1 st	Personal Banking	28%	★ 2 nd
	SMEs (turnover < 5 €M)	16%	★ 1 st	Retail Banking	6%	★ 3 rd

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.

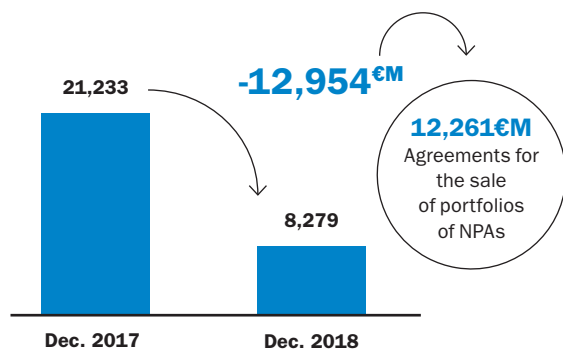
The sales of institutional portfolios were performed while maintaining the capital ratio well above regulatory requirements, with a fully-loaded CET1 capital ratio of 11.3% pro-forma the institutional sales of problematic assets, the sale de Solvia Servicios Inmobiliarios and the first-time application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

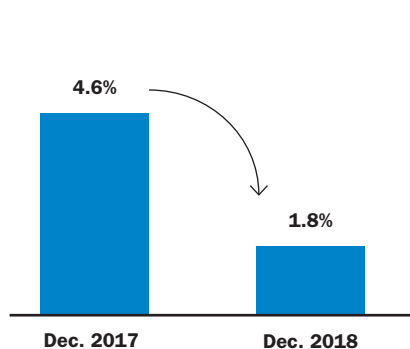
NPAs: situation normalised after portfolio sales.

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.

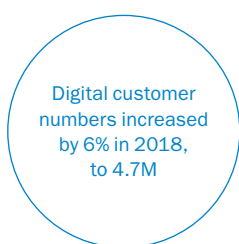
To this end, in 2017, Banco Sabadell founded InnoCells, a hub for new digital businesses, and its corporate venture arm, InnoCapital, aimed at making strategic digital and technology investments in businesses in the seed phase and in series A and B, always in areas of interest for the Banco Sabadell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

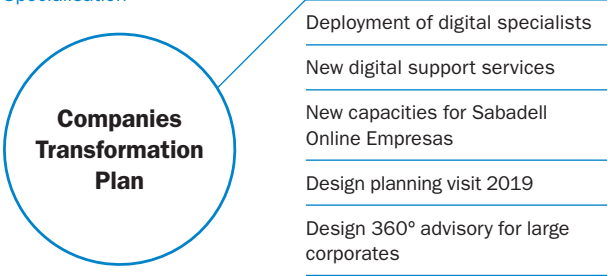
antai. VENTURE BUILDER

BIOMETRIC VOX

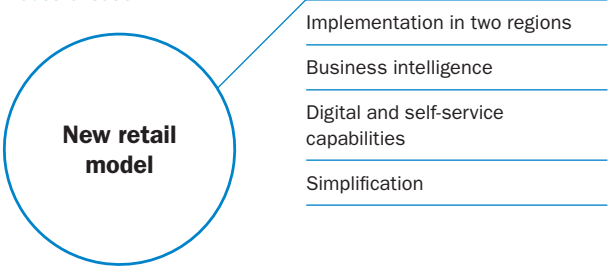
Undostres

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).

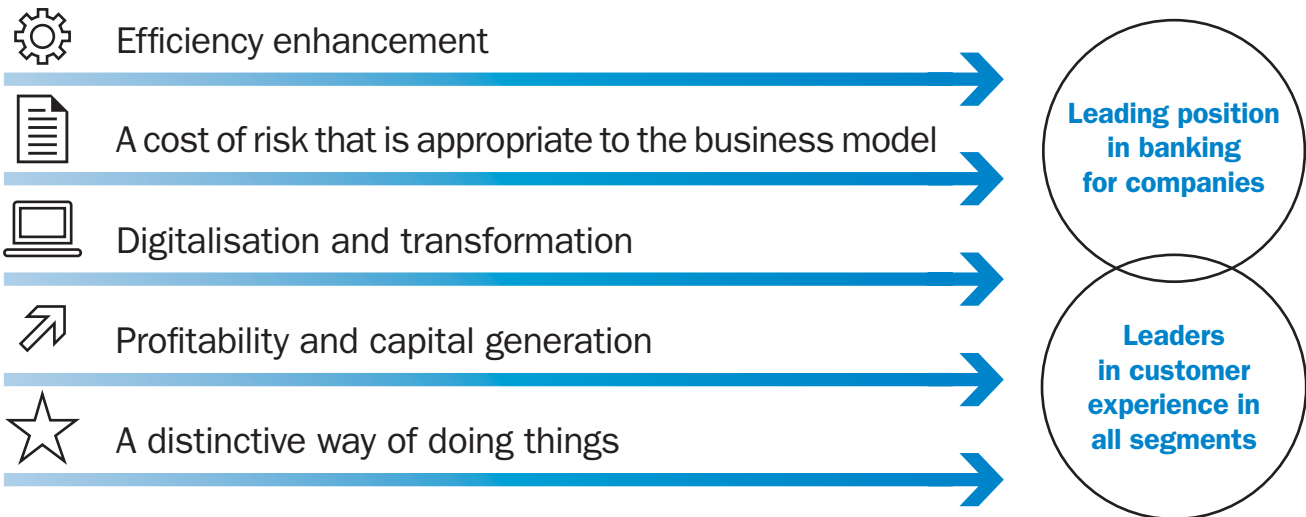
Profitability means continuing to expand in the main markets where Banco Sabadell operates, and improving efficiency. Sustainability means continuing to develop the technological capabilities that are required to offer a value proposition, as well as attracting versatile talent to undertake the commercial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



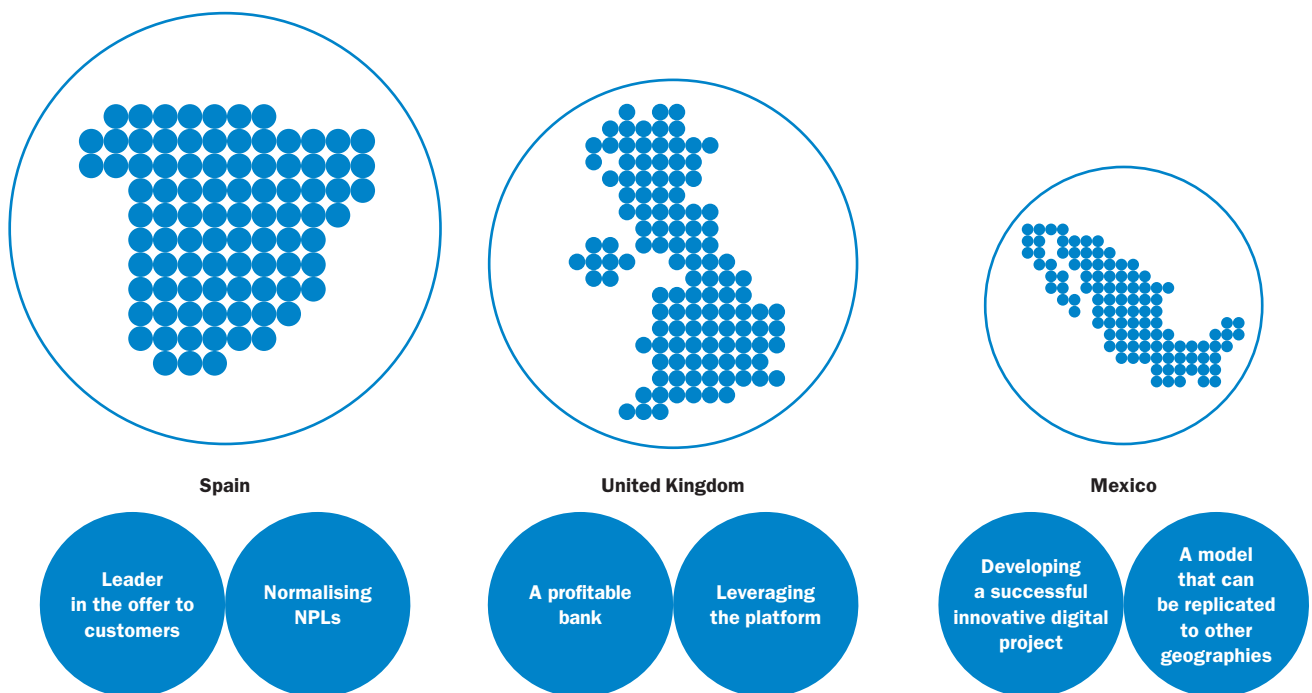
opportunity to evolve its value proposition. All this underpinned by a versatile organisation comprising trained, committed people.

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



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.

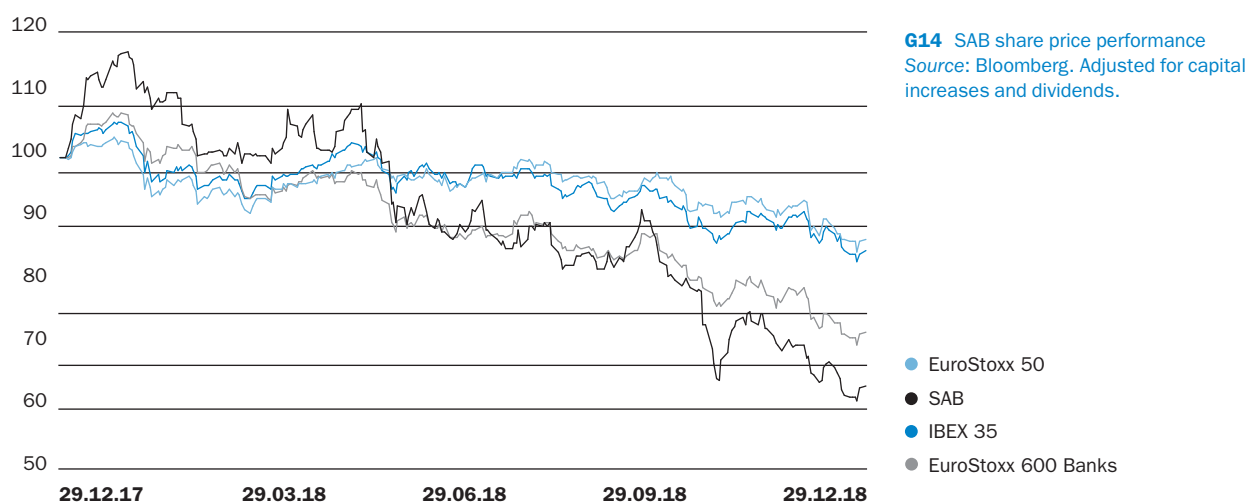
The percentage of Banco Sabadell's capital owned by institutional investors declined slightly, from 54.3% at 2017 year-end to 53.0% at 2018 year-end (G15, T1 & T2).

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.

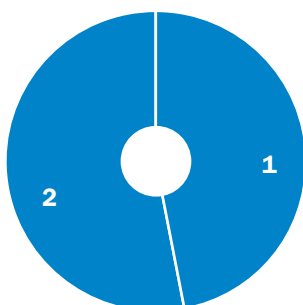
At the end of the year, Banco Sabadell's market capitalisation stood at €5,538 million, with a price-to-book ratio of 0.45.

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.

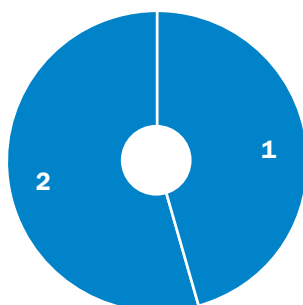


Note: share price adjusted for dividends and capital increases.



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

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%

T1 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%

T2 Analysis of shareholdings at 31 December 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

T3 Earnings and book value per share 2015-2018

(*) 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

comparison with competitors and also with companies in other sectors, both domestic and foreign. It also conducts regular surveys and internal audits to gather in-depth knowledge of how satisfied its customers really are and to identify areas for improvement at any given moment, both generally and for each customer relationship channel. For each of these surveys and audits, the Bank sets itself quality targets and keeps the results under constant scrutiny.

Focus groups and in-depth customer surveys are carried out routinely so that customers can give us detailed accounts of how particular Bank processes have affected them, making it possible to gain insights into how the customer experience can be improved.

The results of these surveys reflect the Bank's focus on excellence in customer service quality (G17 & G18). Specifically, its current NPS scores reveal Banco Sabadell's position at the top of its peer group in the business customer segment, among the top three among individual retail customers, and in second place among personal banking customers.

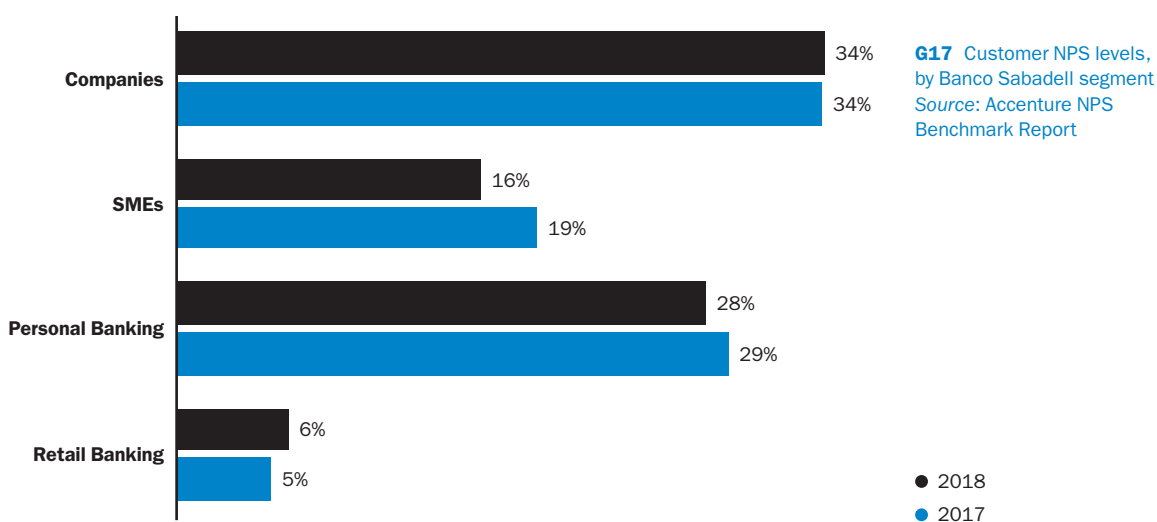
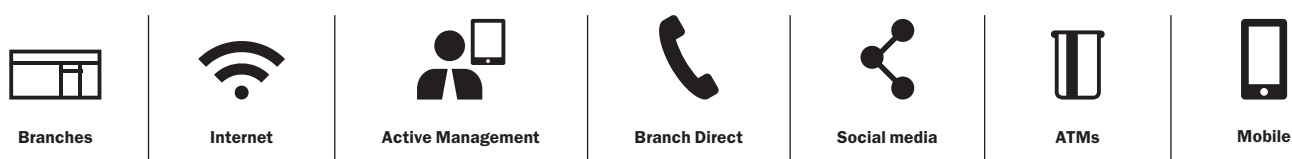
Banco Sabadell seeks to protect the interests of its customers and has control mechanisms in place to review the products and services it offers. Before a product or service is launched, an assessment is made of its suitability and

branches provide customers with product factsheets before any commitment is made. Where a complex financial product is to be marketed, the Bank conducts a test of its appropriateness and suitability as required by the Markets in Financial Instruments Directive (MiFID.)

The Group's customers and users may contact the Customer Care Service with any complaints or issues that have not been resolved satisfactorily by their local branch. The Customer Care Service is independent from the business and operational side of the Group and is governed by the Banco Sabadell Group's own rules and procedures on the protection of customers and users of financial services. Customers and users may also appeal to the Customer Ombudsman, an independent unit that is competent to resolve any issues referred to it either directly or on appeal. Decisions by the Customer Care Service or the Ombudsman are binding on all the Bank's branches and other units.

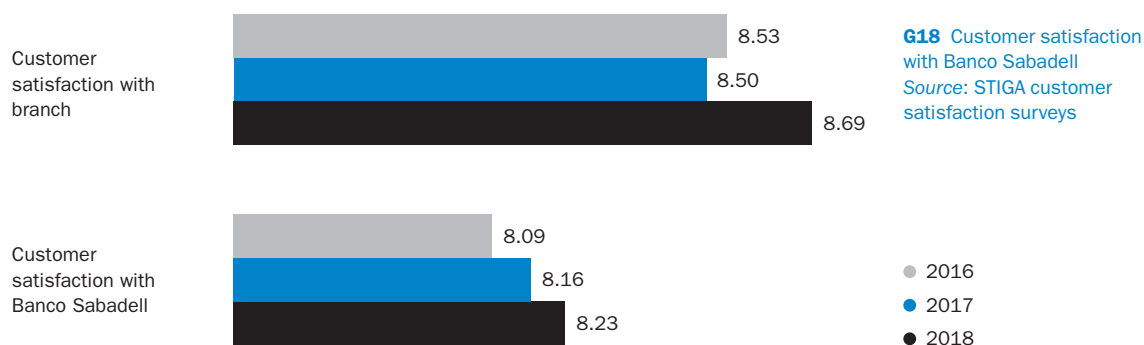
In 2018, the Customer Care Service handled 35,445 complaints and claims, 46.3% less than in the previous year. The Customer Care Service also provides assistance and information to customers and users with regard to other issues. In 2018, it handled 2,848 requests for assistance and information, compared with 1,917 the previous year.*

G16 Omnichannel strategy



Note: 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 institutions that are comparable to the Group. Data for the most recent available month.

* For more details, see note 42 to the consolidated financial statements for 2018.



Note: The data reported are at December 2016, December 2017 and December 2018.

BS strengths

The strengths of the Banco Sabadell Group are described in the various chapters of the Annual Report, except for those detailed below, which are marked with an asterisk (*).

- **Organisation by businesses***
- **Multi-brand and multi-channel structure***
- **Leading-edge technology and innovation***
- **Service quality***
- **Focus on companies and personal banking**
- **A leading player on the international stage**
- **Strict management of capital and risk**
- **Defined, transparent corporate governance**

Organisation by business

The banking business is divided into the following business units:

Commercial Banking

Commercial Banking provides a range of financial products and services for large and medium-sized companies, SMEs, retail and other businesses; private individuals (i.e. private banking, personal banking and retail banking); non-residents and professional/occupational groups. Commercial Banking's specialised service ensures that customers receive the personalised attention they need, whether from the knowledgeable staff assigned to its branches or via channels designed to offer ease of access to a wide range of remote banking services.

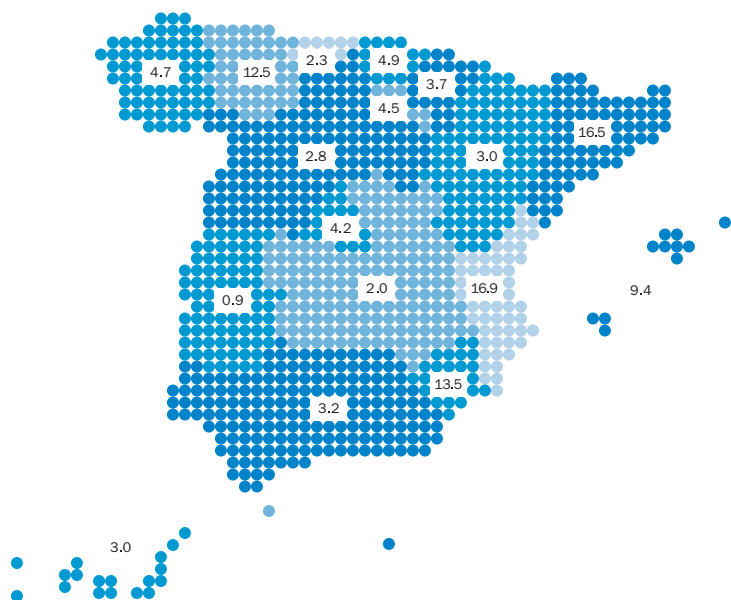
It offers products for both borrowers and savers (G19 & G20). Its products for borrowers include mortgage and other loans, credit facilities and working capital finance. For savers, the product range includes demand and term deposit accounts, mutual funds, endowment policies and pension plans.

Other key business areas are general insurance products and payment means such as credit cards and money transfer services.

G19 Market share by autonomous region

Banco Sabadell market
share in Spain

7.9%



%, September 2018 figures.

Note: The figure shown for the Asturias
region includes the province of León.

Markets and Private Banking

By effecting a transformation towards a relationship model with customers via multiple channels, based on both the personalised face-to-face service and the option of remote channels, customers are offered an end-to-end solution with a full range of products and services. We analyse the specific needs of customers that require specialised and customised services and attention, combining the value of Private Banking with the financial strength and product capabilities of a universal bank.

The result is a value-added service of acknowledged quality in the design and management of savings and investment products, ranging from analysis of the most efficient investment options through advisory and execution services in the markets to active asset management and custody.

Other geographies

The Other Regions business comprises mainly Mexico, offices in other countries and representative offices that offer a full range of banking and financial services in corporate banking, private banking and commercial banking.

Asset Transformation

Manages the Group's non-performing and real estate exposure across all its businesses, and sets and implements the strategy with regard to real estate investees, including Solvia. The approach to non-performing and real estate exposure is to develop an asset transformation strategy based on a comprehensive vision of the Group's real estate portfolio with the goal of maximising its value.

UK banking business (TSB)

The TSB franchise includes retail banking in the United Kingdom (current and savings accounts, personal loans, cards and mortgages).

Corporate & Investment Banking

It provides banking and financial services of all kinds, including highly complex and specialised products for large corporate and institutional clients (such as project finance and treasury services) with a focus on a comprehensive range of transactional banking products and services likely to be required by business and professional firms of any size, along with products specially designed for individual and private banking clients in any of the geographies covered.

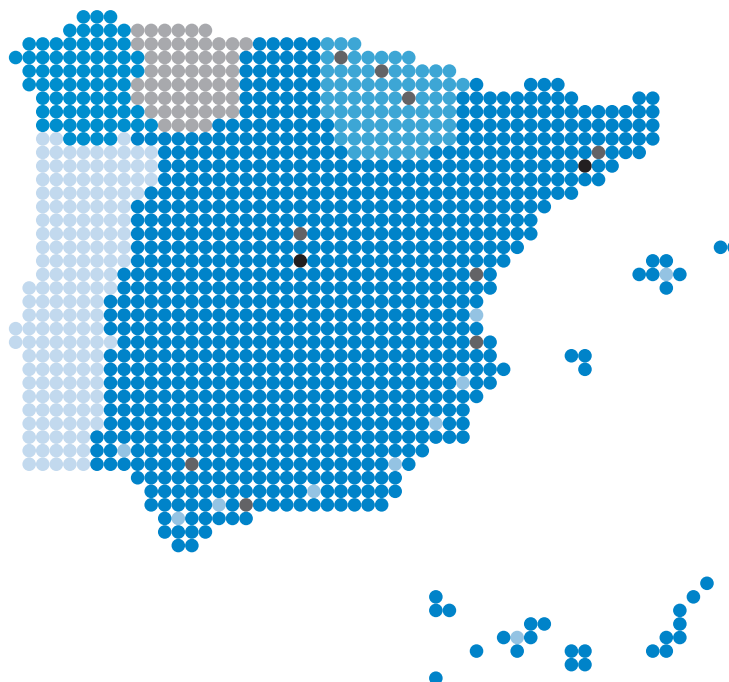
Multibrand strategy

The bank operates under the Sabadell brand, coupled with a distinctive local brand in some territories (T4).

Banco Sabadell is a leading player on the international stage. With a specialised offer and an effective value proposition, Banco Sabadell is present in strategic locations and works with organisations that promote foreign trade, supporting customers as they grow and expand internationally.

G20 Map of brands by zone

- Sabadell
- SabadellHerrero
- SabadellGallego
- SabadellGuipuzcoano
- SabadellSolbank
- SabadellUrquijo
- ActivoBank



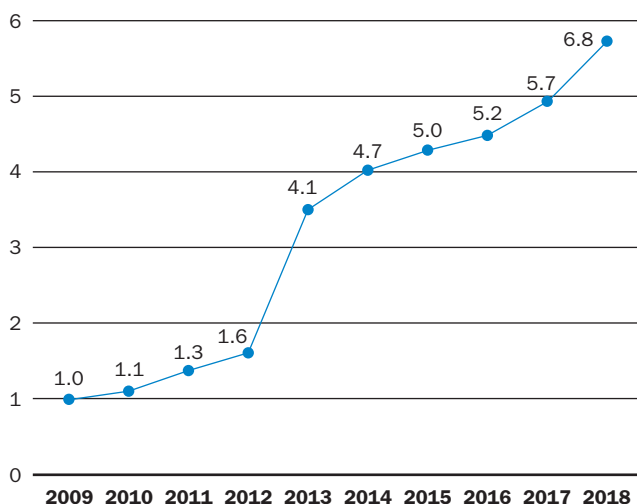
Sabadell	— Commercial banking, business banking — Coverage: all of Spain except for areas served by other brands
SabadellGuipuzcoano	— Commercial banking, business banking — Coverage: Basque Country, Navarra and La Rioja
SabadellHerrero	— Commercial banking, business banking — Coverage: Asturias and León
SabadellSolbank	— Commercial banking for European residents in Spain's tourist zones — Coverage: Mediterranean coastal areas and islands
SabadellUrquijo Banca privada	— Private banking. A merger of Sabadell Banca Privada with Banco Urquijo — Coverage: commercial banking and business banking throughout Spain
SabadellGallego	— Commercial banking, business banking — Coverage: Galicia
Activobank	— Commercial banking — Offices in Madrid and Barcelona

T4 Brands used by Banco Sabadell in Spain

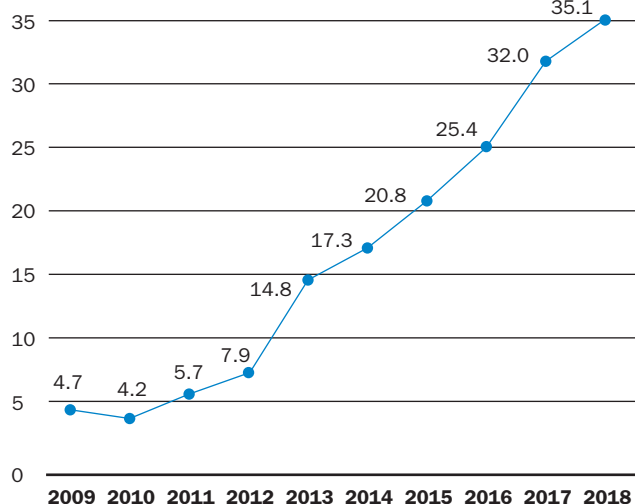
BS brand perception indicators

During 2018, the Bank continued its successful policy of raising awareness of its brand, key to increasing its capacity for growth in the retail market in Spain, where it aims to match the brand recognition achieved by its main competitors. In the last six years, “top-of-mind” awareness of the Sabadell brand has increased from 1.6% to 6.8% (up 325%) and total brand awareness from 7.9% to 35.1% (up 344%), putting the brand in fifth place among Spanish financial institutions according to data from the FRS Inmark annual survey, a key industry benchmark (G21 & G22).

G21 Top-of-mind brand awareness
Fuente: FRS Inmark



G22 Total brand awareness
Source: FRS Inmark



Advertising campaigns and actions to enhance the Bank's image in 2018

In 2018, the Bank maintained its characteristic style of advertising, which differentiates it from the competition and other advertisers.

It also advanced in its communication model and presence in the mass media, from sporadic and seasonal appearances to a more continuous presence through agreements and sponsorships in media related to our target customers.

Brands face an increasingly complex challenge: connecting with their audience in a meaningful way while distinguishing themselves from the competition.

To address this challenge, Banco Sabadell rolled out the "Futuros" communication campaign in 2018. The Bank went one step further in its communication strategy, moving from being an advertiser to providing content that is of use to customers, who are at the centre of its focus.

A new way to approach people with an ambitious, daring strategic approach. A commercial publishing line.

"Futuros" is based on the premise that the future is not yet written, that there is not just one future. There are as many futures as there are people. Options and decisions that often come together at specific junctures in life and specific financial needs.

Throughout the year, the strategy hinged on live debates on current issues of interest that affect people's day-to-day lives and their economy.

There were three live debates during the year, with high TV production values, involving celebrities such as actress Aitana Sánchez-Gijón and tennis player Rafa Nadal, as well as subject experts such as Gustavo de Elorza (an educator), Patricia Soley-Beltran (a sociologist and anthropologist) and Miguel Pita (a geneticist and expert in molecular biology).

The first debate, on 3 May, talked about coexistence and family and the advantages of the Expansion Account, which epitomises the Bank's response and adaptability to help organise the household economy in a range of family formats.

The second debate, on 14 June, dealt with education and the Bank's value proposition focused on financing formulas to help meet the educational needs of the accountholder or their family.

The final debate of the year, on 20 September, dealt with the possibilities that the future offers and what they may depend on, emphasising the Bank's expertise in providing advice and support in building personal futures through regular saving, adapted to each person, situation and time.



FUTU WHETHER No. 1 OR NO TWO PEOPLE THE SAME

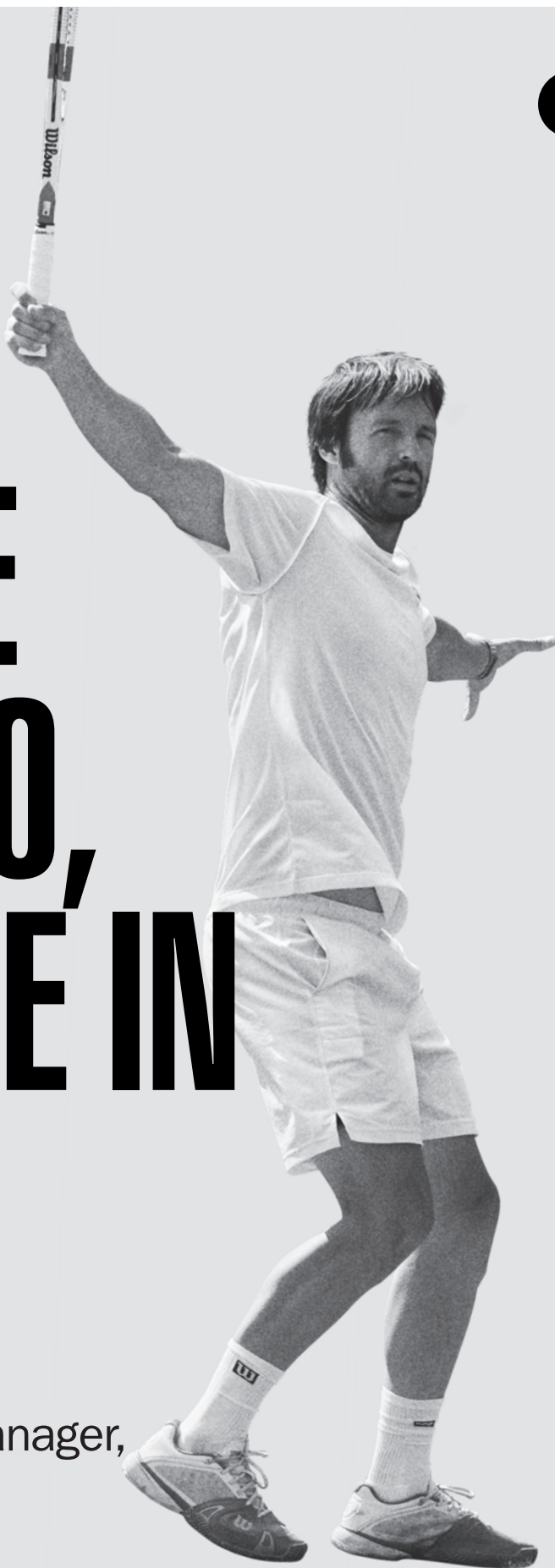
And you have yo
It's as easy as setting up a plan
starting from just 3



RES: R YOU'RE No. 1620, PLE SAVE IN VE WAY.

our own way too.

with your relationship manager,
30 euros a month.



Multi-channel strategy

The year 2018 was the first one in the 2020 Master Plan, one of whose objectives is to effectively transform the current business and turn a profit on capacities built in previous years and those that were launched during the year.

This transformation translates into an improvement in the customer experience, where Banco Sabadell has adapted to customers' new spending habits through the delivery of a quality service, as well as an improvement in productivity and efficiency thanks to the implementation of new relationship models that make Banco Sabadell different. Additionally, the move to simpler, more agile and industrialised processes guarantees the objective of maintaining long-term relationships at all times.

During 2018, the Bank enhanced customer service models adapted to the needs of each of the customer segments — companies, personal banking, business and retail — and achieved a record level of customer satisfaction by protecting the key moments in the relationship with the customer accompanied by greater proactivity and specialisation on the part of the Banco Sabadell teams. In this connection, it created the positions of business director and digital specialist for companies.

New propensity models were developed with which the Bank anticipates customers' needs, either through their relationship with the branch network or through the other channels that the Bank places at their disposal. The year ended with 80 events in production, resulting in over 19 million contacts with customers.

This commercial drive was accompanied by new digital capabilities that enable customers to interact with the Bank in a simpler way; the results included a 39% increase in consumer loan production and a 25% increase in transactions via non-branch channels.

Simplification and improvement of operational processes was another theme of this year, addressing those that are most critical for customers, such as mortgage lending, and onboarding new customers and accounts. A new complaints handling tool was rolled out that provides ongoing detailed information and diagnostics of customer perceptions in their interactions with the Bank.

Branch network

Table T5 presents details of the domestic branch network. Including the 592 overseas branches, the Group had 2,457 branches at the end of 2018.

Region	Branches	Region	Branches
Andalusia	130	Valencia	326
Aragón	31	Extremadura	6
Asturias	109	Galicia	109
Balearic Islands	56	La Rioja	8
Canary Islands	31	Madrid	183
Cantabria	5	Murcia	126
Castilla-la Mancha	23	Navarra	15
Castilla y León	59	Basque Country	92
Catalonia	556	Ceuta and Melilla	2

T5 Distribution of branches by region

ATM network

At the end of 2018, the Group's network of self-service tills in Spain totalled 2,924 ATMs and 344 passbook updating machines. This figure is lower than at the end of 2017 (2,954 ATMs and 345 passbook updaters in December 2017).

The number of transactions declined slightly (by 0.7%) in 2018 to 112 million.

The split between transactions done using credit/debit cards and passbooks was 67.2%/32.8%. The most frequent transaction category was cash withdrawals (more than 62% of the total), followed by passbook updates, cash deposits and balance enquiries.

During 2018, efforts focused on further improving the availability of the ATM fleet and enhancing the customer experience, which obtained an average of score of 8.1.

A new feature in 2018 was the Sabadell Cash In card, which greatly speeds up the process of cash deposits for businesses. ATMs were also upgraded in readiness for the new European regulations on detecting and seizing fake bank notes.

In 2018, the Bank focused specifically on improving and facilitating transactions and processes by customers in the corporate segment. Several projects were launched to reduce friction and increase the delivery of value to customers, including notably improvements in the login process, a search engine for finding transactions, and presentaion of the transactions used most frequently by the user.

At the same time, the most heavily used online transactions, such as transfers, file generation and confirming and guarantees, were optimised.

Growth in servicing transactions

+7%

BS Online

Despite all the figures on growth and use of mobile data, BS Online visit and usage figures did not decline with respect to 2017. Traffic and usage frequency numbers remain high, and transactional usage is particularly prevalent in the company segment.

The number of transactions performed via BS Online continues to grow: servicing transactions for corporate customers increased by 7% last year.

Sabadell Móvil

The number of users of Sabadell Móvil (BSM) continued to rise, from 2 million to 2.4 million in 2018. The app is the sole digital relationship channel with the Bank for almost 40% of digital customers (G23).

In addition to statistics for downloads and preferences, the frequency of use has increased and averages 22 times per week.

The channel's usage and servicing statistics continue to rise, particularly in recurring operations and consumer finance transactions.

The app's feature set was expanded in 2018 in order to make it more useful to customers. Customers were quick to adopt the new immediate transfer service. In addition, based on analytics of usage data, the transfer process was optimised to enable transfers to be retrieved and allowing transfers to both private individuals and companies.

The process of applying for consumer finance and for accepting and drawing on pre-approved loans has been automated and optimised. As a result, the app is now involved in 80% of transactions in these categories.

Continuing with the goal of enabling customers to pay credit and debit card debt in instalments, the instalment option is now integrated directly into the receipt that the app displays after each purchase, which increases awareness and use of this service.

As part of the project to improve customer experience and the app's ergonomics, the home screen and overall statement screen were redesigned in September. Without impairing the convenience of viewing all the user's balances in a single screen, this reduced the number of clicks required to enter subsections and put the most frequent transactions in the top tier, making them easier to use. It also laid the foundations for expanding the home screen's feature set and for aggregating information from the user's other banks.

The Instant Money service makes it possible to receive money without a card at any of the Bank's ATMs, which quadrupled the rate of monthly repeat use to 50%.

Sabadell Wallet

2018 marked a watershed in Banco Sabadell's digital transformation: by mid-year, digital customers accounted for over 50% of the total, and this percentage had climbed 2 percentage points to 52% by year-end based on visit figures and the use of online banking, particularly the mobile app. BSM and BS Wallet maintained double-digit growth figures, while the web channel continued to grow.

In 2018, the Sabadell Wallet app benefited from the launch of Apple Pay, which gained strong user traction and awareness.

The app continues to improve the enrolment process and usability, and is logging overall growth in the rates of adoption, use and repeat use by customers.

Combined with the use of payment services via mobile devices, the use of mobile-based money sending services (Bizum) has doubled to over 500,000 transactions.

Branch Direct

Contacts with Branch Direct increased by over 17% in 2018 with respect to 2017, to 4.5 million.

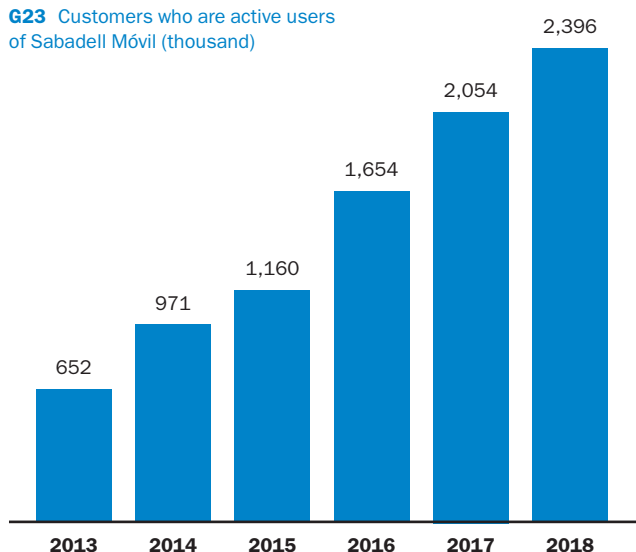
The contact channels that experienced fastest growth in 2018 were telephone, e-mail and social media. Telephone accounted for 70% of total contacts, ahead of e-mail, chat and social media. Figure G24 plots the growth of the various channels.

The SLA (Service Level Agreement) ratio for telephone enquiries exceeded 94.0%, followed by chat (92.1%) and e-mail (93.1%). There were more than 396,000 mentions on social media, and the number of interactions exceeded 184,000, with an SLA of 96.9%.

Growth in volume in 2018 was driven by:

- Implementation of Apple Pay, which is available for users of iOS mobile devices.
- The entry into force of the MiFID II Directive, which changed the rules of this market in order to promote transparency on the part of institutions selling this type of financial product and of financial advisory firms.

G23 Customers who are active users of Sabadell Móvil (thousand)



x 4 in 5 years

#active Sabadell Móvil users

- The new General Data Protection Regulation (GDPR), which requires that customers expressly consent to the commercial processing of their personal data, came into force.
- A proactive chat service was introduced for business customers.

Social media

Banco Sabadell has been participating in the conversation on the internet since 2010, through the most popular social media, with the goal of providing an excellent service, publicising its activities and exploring new spaces for dialogue.

Social media are among the main channels for engaging with our customers, both for managing transactional activity and for broadcasting institutional messages, marketing campaigns and general interest messages. Behind these channels, there is a great team of professionals who strive every day to handle queries from customers and potential customers as quickly as possible.

Their use is growing exponentially and the Bank sets a high priority on raising its social media profile. Based on demand and the need to serve all customers anywhere in the world, a 24x7 service was implemented in 2011.

At present, the Bank is mentioned in social media between 50,000 and 120,000 times per month. Banco Sabadell has achieved an audience of over 500,000 users.

A key factor in this success is the constant creation of our own content. A large number of events, institutional, sponsored or with active participation, are broadcast via social media.

Examples include presentations of earnings and the Shareholders' Meetings, the Barcelona Open Banc Sabadell Conde de Godó tennis tournament, conversations with Rafa Nadal, and the 4YFN Summit for start-ups at the Mobile World Congress.

Banco Sabadell monitors and listens actively on all social media. It analyses trends and audiences and draws up its presence and content strategy on that basis. The Bank has expanded its social media presence in the last two years, having greatly increased its Instagram follower count and created the @Innocells Twitter account for its digital business hub. Responding to growing demand for attention via digital channels, it has created an exclusive Twitter profile for queries from customers and potential customers (@Sabadell_Help).

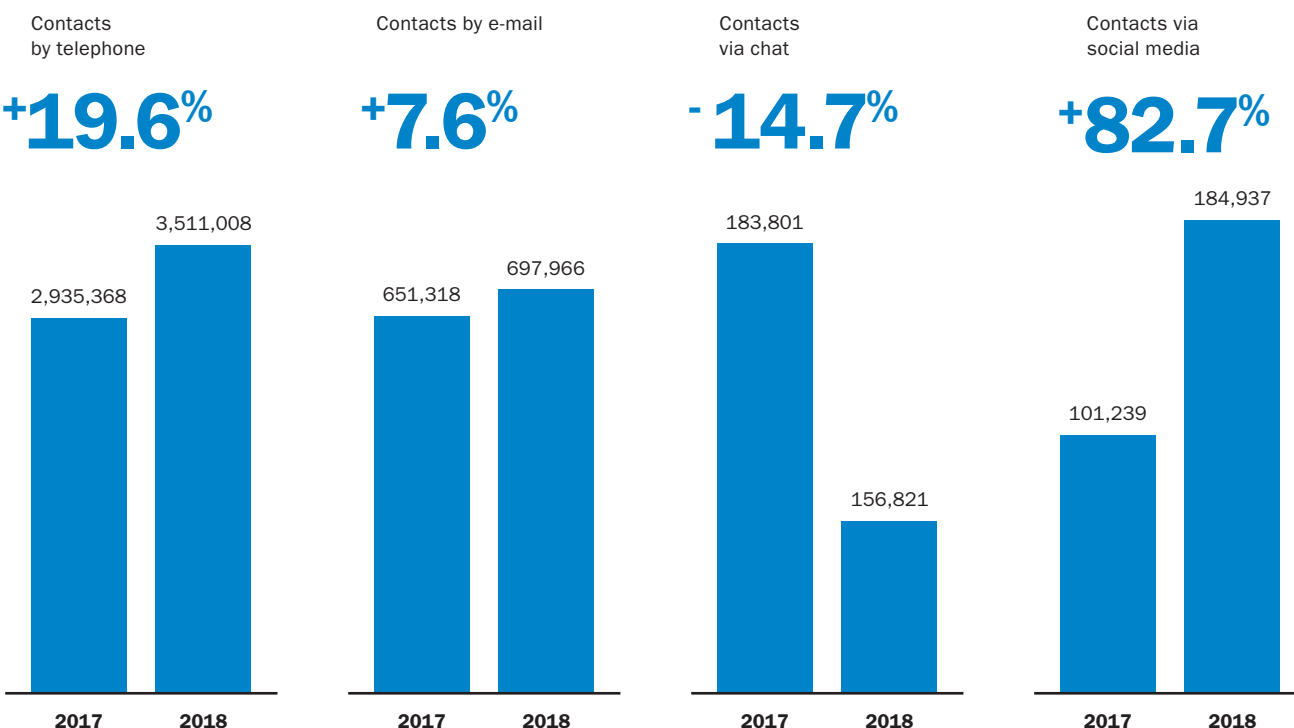
Digital know-how and business models (InnoCells)

InnoCells, Banco Sabadell's digital business hub and corporate venture arm

InnoCells is Banco Sabadell's digital business hub and corporate venture arm. It is the natural evolution of the Bank's continued commitment to digital and commercial transformation in order to offer the best service to its customers.

In InnoCells, Banco Sabadell combines the agility and innovation of the digital ecosystem with its own experience and track record: extensive knowledge of its customers, a solid brand based on service, and proximity to entrepreneurship, among others.

G24 Contacts by channel type



InnoCells gives the Group a competitive advantage and accelerates its transformation and the achievement of its strategic vision by drawing on an external ecosystem. The purpose of InnoCells is to expand the value chain by identifying new lines of business in order to anticipate customers' needs and address them through a complete offer with an end-to-end vision.

InnoCells is part of the institution's entrepreneurship ecosystem, alongside BStartup, a program designed to support entrepreneurs in the early stages, and Sabadell Venture Capital, focused on companies seeking to expand through A or B series investment rounds.

Digital strategy, know-how hub

InnoCells drives the Group's strategic reflection in digital matters, acting as a hub for know-how with a broad knowledge of the ecosystem based on analysis of new segments (digital generations), new business and relationship models and new knowledge (data), which translates into new value propositions (consumer perspective and data-first models).

The integration of the strategic function into InnoCells is key to ensuring alignment with the Group's needs and, in turn, it is sufficiently agile to anticipate the movements of the market, which is constantly evolving.

It is also a source of competitive advantages in the model, while ensuring the strategic centrality of the projects in coordination with the business building teams and strategic investments.

Business building, creating and promoting new businesses

InnoCells acts as a business builder, with a highly flexible model through the creation and promotion of digital businesses in areas of strategic interest for the Banco Sabadell Group.

To this end, InnoCells provides the entrepreneurial ecosystem with the Bank's strategic assets and capabilities to promote and accelerate the development of new initiatives.

Strategic investments

As a corporate venture arm, InnoCells makes strategic investments in digital and technological initiatives that provide new capabilities.

InnoCells directly acquires minority stakes in order to gain access to new capacities, talent, knowledge and technology that will ensure continuous change in the Group. It also performs acquisitions (digital M&A) in order to incorporate proven business models and core capabilities with a shorter time-to-market. InnoCells also invests directly in third-party funds as a means of strategic positioning and gaining access to deal flow.

InnoCells has consolidated an operational layer model that maximises the return on investments, their strategic fit and the relationship between the entrepreneurial

ecosystem and the Group by establishing partnerships and sharing knowledge, among others.

For the time being, investments are focused on Europe, Israel, the United States and Mexico.

Portfolio

In September 2017, InnoCells co-led its first investment: Bud, a UK technology provider that offers financial institutions a platform to accelerate their digital transformation and evolve towards platform models (PSD2). In January 2019, InnoCells reaffirmed its commitment to Bud in a USD 20 million round.

In February 2018, InnoCells led an investment round in Spanish startup Biometric Vox, which offers authentication and advanced electronic signature solutions through voice biometrics.

In June, the corporate venture arm acquired Instant Credit, a Spanish startup that offers instant point-of-sale credit for in-store and e-commerce purchases. In July, it invested €7.5 million in Cardumen Capital, a Spanish-Israeli venture capital fund.

In September 2018, InnoCells bought into Antai Venture Builder with an investment of €5 million. In October, it acquired PAYTPV, an online payment platform, and in November it invested in Base10, a US tech fund. In December, it entered the Mexican market with an investment in UnDosTres, a digital payment platform.

Quality of service

For Banco Sabadell, quality is not just a strategic option; rather, it is a whole approach to doing business, whether in the delivery of value to stakeholders or in the execution of each and every process forming part of that business. This natural affinity with excellence helps to enhance the Bank's capabilities in all areas, transforming threats into strengths and challenges into opportunities for the future.

Consequently, the Bank makes use of existing standards and benchmarks to judge its own actions and satisfy itself that its way of doing business is the right one, and it sets itself new goals based on continual self-criticism.

The EQUOS RCB market benchmark, a survey conducted by independent consultancy Stiga over the last twelve years, shows the result of Banco Sabadell's efforts in this connection: it scored above the average for its peer group (+0.77) and the industry (+0.97) and it leads its peer group in terms of commercial action, the principal factor addressed by the survey (G25).

A key benchmark against which to measure and improve management practices is the European Foundation

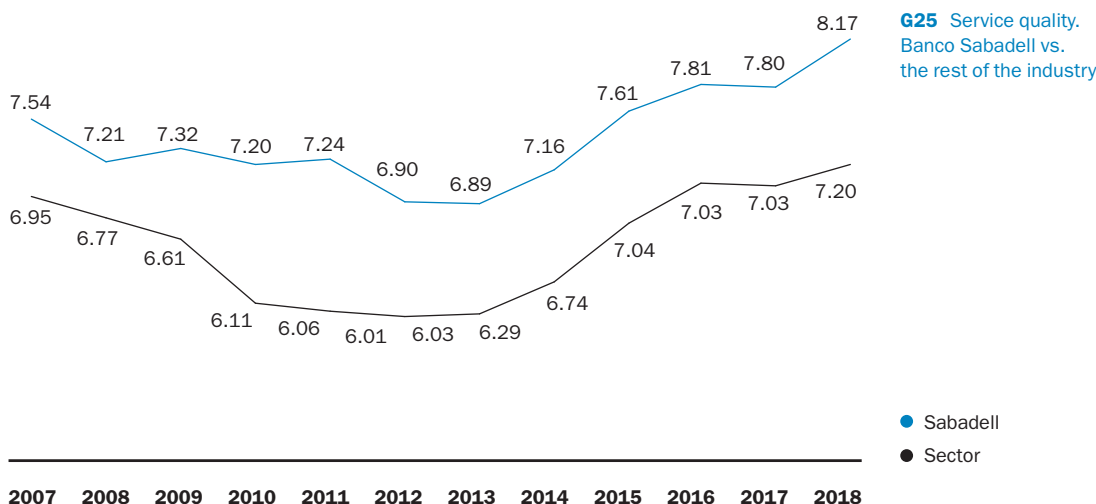
for Quality Management (EFQM) excellence model, against which the Bank is independently assessed every two years. The assessment carried out in November 2018 resulted in the Bank's EFQM Gold Seal (over 500 points) being renewed, with a score of over 700 points being awarded according to EFQM's very demanding standards. We maintain very high levels, as already noted in 2014 and 2016, and we are the only financial institution that has exceeded this score in the demanding EFQM model.

Moreover, Banco Sabadell is still the only Spanish credit institution with 100% of its financial operations certified to the ISO 9001 standard, providing further proof of its customer-centric philosophy and diligent approach to process management. Banco Sabadell's ISO 9001 certification was renewed in 2018.

The Bank's "Madrid Excelente" quality mark was also renewed in 2018 for another three years after successfully passing the evaluation.

The actions implemented under the commercial plan have been successful: customer satisfaction surveys ratify the improvement in service quality with respect to the industry average and also in absolute terms.

Banco Sabadell maintains a clear lead in quality over the rest of the industry.



Source: EQUOS, STIGA, Estudio de calidad de redes bancarias.

2018 figures, reported with consolidated scope at the end of each year.

Certificaciones de calidad



Non-financial and diversity disclosures

Banco Sabadell does business in an ethical and responsible way and shows its commitment to society by ensuring that its actions have a positive impact on people and the environment. Each and every person in the organisation has a part to play in observing and applying the principles and policies that underlie corporate social responsibility, as well as in assuring quality and transparency in customer service.

In the area of regulatory compliance, in addition to observing the law, Banco Sabadell has put in place a set of policies, procedures and codes of conduct to provide a guarantee of ethical and responsible conduct at all levels of the organisation and in all Group operations. The Bank has the necessary instruments to measure the results of these policies and the main risks, and to establish corrective measures where necessary. Banco Sabadell has established a Corporate Ethics Committee to which Corporate Social Responsibility issues are reported, and a Corporate Responsibility Committee, which is horizontal to the organisation with participation by the various units with responsibility in these areas and coordinates all the organisation's actions.

Since 2003, Banco Sabadell has published a report on all those actions, policies and initiatives that, beyond its main mission as a provider of financial products and services, constitute the responsible development of the business, and its commitment to its stakeholders, the environment and society in all the territories where it operates.

In 2018, the Bank drew up a Non-Financial Disclosures Report in compliance with Act 11/2018, of 28 December, which amended articles 44 and 49 of the Commercial Code in matters of non-financial information and diversity. The full version of the Non-Financial Disclosures Report forms part of the Banco Sabadell Group 2018 consolidated directors' report, to which it is attached, and it is submitted to the General Meeting of Shareholders as a separate item.

Environmental matters

The Banco Sabadell Corporate Social Responsibility Policy, approved by the Board of Directors in 2003, and specifically, its Environmental Policy, approved by the Board of Directors in 2009, define the framework of the Bank's commitment to environmental sustainability and to combating climate change. The framework's key aims are to minimise the environmental impacts of processes, facilities and services inherent to the business, to manage business-related environmental threats and opportunities appropriately, and to promote a commitment to the environment by all persons with whom the Bank comes into contact.

Pollution

Banco Sabadell is a signatory to the Carbon Disclosure Project (CDP) and has adopted the commitment to combat climate change. In 2015, it set a new goal of reducing CO₂ emissions in Spain by 3% between 2015 and 2020. To achieve this, the bank implements energy efficiency measures at its facilities and in its services each year. These measures are particularly relevant with regard to procuring electricity from renewable sources, which resulted in a 99.85% decline in scope 2 emissions in Spain with respect to 2014.

Circular economy and waste abatement and management

In all group facilities in Spain, used paper is treated as confidential documentation for shredding and 100% is recycled through authorised waste managers. All Central Service buildings and offices have facilities for the separation and collection of packaging waste, organic waste and used batteries. Banco Sabadell works with Ricoh and the HP Planet Partners programme to manage the collection and reuse of toner cartridges and disposes of computer waste through authorised waste managers.

Sustainable resource use

Banco Sabadell has an environmental management system for its own infrastructure which is compliant with the ISO 14001 standard and has been used to certify six central service facilities in Spain.

To reduce energy consumption, the Bank undertakes continuous improvement initiatives to make its facilities and processes more eco-efficient.

In 2018, the Bank consumed 81,962 MWh of electricity in Spain (82,824 MWh in 2017), 99.96% of which was from renewable sources, purchased mainly from Nexus Renovables. CO₂ emissions due to electricity consumption (scope 2) have been reduced by 99.85% since 2015.

Banco Sabadell also works to minimise its consumption of resources (water and paper). In July 2018, it extended the obligation to use only recycled paper to all its branch network, with the result that it now accounts for 52% of all paper use (previously 9%).

Climate change

In 2018, a Climate Change Risk Task Force was established to prepare for implementation of TCFD (Task Force on Climate-related Financial Disclosures) standards.

The Bank has also adopted measures to drive the reduction of CO₂ emissions via its commercial offering of products. In the area of vehicle leasing, it has expanded the range of sustainable vehicles (with emissions equal to or less than 120g CO₂/km), which now account for 78% of the leased fleet, and ECO vehicles are available at all times.

Other environmental disclosures

Since 2011, Banco Sabadell has applied the Equator Principles, an international voluntary framework of policies, standards and guidelines coordinated by the International Finance Corporation (IFC), a World Bank agency, whose aim is to determine, assess and manage the environmental and social risks of structured finance deals amounting to 10 million dollars or more and of corporate loans amounting to 100 million dollars or more. Under these standards, a social and environmental impact assessment is carried out that, in some cases, results in minimisation, mitigation and offsetting measures, subject to review by an independent expert.

In 2018, Banco Sabadell signed 20 deals incorporating the Equator Principles, 85% of which were related to renewable energy projects.

All branches have access to information to assist them in assessing any environmental risk associated with the industry or business of the company to be assessed.

Through subsidiary Sinia Renovables, Banco Sabadell is engaged in a new cycle of investment (2016-2019) with €150 million earmarked for assets of this type. The renewable energy generating capacity in which Sinia has invested is more than enough to cover the electricity needs of our branches and central services buildings.

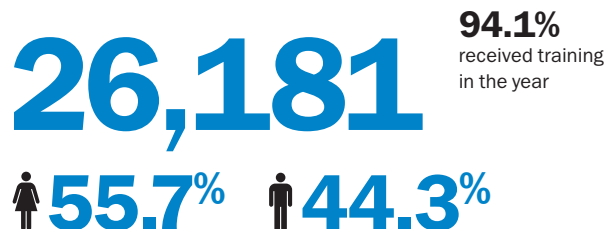
Corporate and personnel matters

The Banco Sabadell Human Resources Policy aims to support the transformation of the organisation through a people-based agenda that is an integral part of its day-to-day business operations and its growth. Its key objective is to maximise the value-creating potential of Banco Sabadell's highly skilled workforce by developing their talent, managing their expectations and fully leveraging their capabilities.

Employment

At 31 December 2018, the Banco Sabadell Group had 26,181 employees, 56% of whom were women and 98% of whom had indefinite contracts.

G26 Banco Sabadell headcount



Promoting equal opportunities:
Equal-Opportunity Employer Seal.

Work organisation, health and safety

The Bank's employees enjoy a range of benefits including: shorter working day (paid or unpaid, or for breastfeeding); unpaid leave (for maternity or to care for a relative); leave in special circumstances (for studies, personal reasons, or international adoption); extended maternity/paternity leave; and flexitime arrangements. In 2018, new flexibility and work-life balance measures were introduced, including the possibility of purchasing additional days of vacation and the progressive implementation of telework.

Regarding health and safety, the Group adopts a preventive approach to continuous improvement of the work and health conditions of its employees. All Group personnel and new hires receive information on workplace hazard prevention and are required to take an online course in health and safety at work. The training is supplemented by publications, ergonomics factsheets and equipment manuals related to the specific hazards in the Bank's activities.

Communication within the Group

Banco Sabadell has numerous channels of communication between the different levels of the organisation to enhance internal communication and involve employees in the Bank's goals.

The "BS Idea" platform enables employees to make suggestions for improvement in any area of the organisation. The ideas with the most votes and those which add the greatest value to the Bank are considered by the persons in charge of the processes concerned and by members of a Decision Committee, who together reach a decision on their implementation. The ideas that get the most votes also receive a cash prize.

Banco Sabadell respects and guarantees employees' basic rights, including freedom of association and collective bargaining, as enshrined in Spanish law.

Training

In 2018, 94.1% of employees in Spain received training (649,316 hours in total), while 614,527 hours of training were given at TSB (United Kingdom).

Equality

Banco Sabadell guarantees equality and equal opportunities in all areas of action affecting the workforce: selection, training, promotion and professional development, remuneration, work-life balance, etc.

These principles are set out in the Equality Plan, the human resources policy and the Banco Sabadell Group code of conduct. The Bank has a solid track record in designing equality measures, with a special focus on empowering female talent as a means of enriching the company. To this end, gender-based statistics are

analysed exhaustively and workshops are held with executives and managers to understand the situation of female talent in the Bank. As a result, a specific plan was designed to continue advancing in terms of diversity and equality. The current Equality Plan 2016-2020 seeks, among other objectives, to ensure at least a certain percentage of women are promoted to a given level by 2020; this target was achieved two years ahead of schedule. Along the same lines, the institution focuses on promoting female talent at executive level and monitoring the pool of female talent to ensure that future needs are covered.

With regard to the wage gap, Banco Sabadell pays the same compensation for the same functions, responsibilities and seniority regardless of gender, and does not discriminate when hiring or in pay reviews. Nevertheless, an objective analysis of the data for women and men, considering the executive, specialist and administrative staff categories without applying any other criteria, revealed a gap of 11.9%. That gap, which is attributable basically to the fact that female staff tend to have joined the Bank more recently, was reduced by 5.4 points in 2018. Other specific measures to address the wage gap included:

- An increase in the percentage of women in executive positions.
- 50% of promotions were women (26% at executive level), through a focus/follow-up approach by Performance Committees and ensuring that there was no bias in candidate shortlists.
- Application of equal pay rises for women and men, and an equal increase in the overall wage volume.
- Strict gender parity in the High Potential Programme for 2019, which is the source of future managerial talent.

As a result of these measures, the Bank was granted the Equal-Opportunity Employer Seal by the Spanish Government Ministry of the Presidency, Relations with Parliament and Equality. The Seal is granted to Spanish companies and other institutions that stand out in the development of policies for equal opportunity between women and men in the workplace, by implementing equality plans and measures. The Seals are granted each year in an open process in which any company or institution, public or private, may be presented on the basis of outstanding performance in applying gender equality measures within the organisation and in connection with working conditions, organisation models and other issues, such as services, products and advertising.

In 2017, Banco Sabadell exceeded the commitment it made in 2014 when it signed the Cooperation Agreement with the Spanish Ministry of Health, Social Services and Equality, setting a target of 18% for women in senior management roles by 2018.

The Bank also has a Policy for Selecting Candidates for Directorships that was approved by the Board in 2016 and promotes the goal of ensuring that the under-represented gender accounts for at least 30% of the Board by 2020.

Universal access for persons with disability

The Group promotes diversity of all kinds and is committed to the integration of all its workers through selection and professional development processes guided by the principle of non-discrimination.

At 2018 year-end, the Group had 188 employees with some form of disability (253 at 2017 year-end).

Human rights

Banco Sabadell has a Code of Conduct and an Ethics and Human Rights Policy that were approved by the Board of Directors in 2003. It has also implemented a Code of Conduct for suppliers, through which it extends its commitment to human rights throughout the supply chain.

The Group is also a signatory of a number of agreements pertaining to human rights at a national and international level, such as the United Nations Global Compact, whose first and second principles enshrine a commitment to human and labour rights, and the Ecuador Principles, a framework for assessing and managing social and environmental risks that contemplates respect for human rights and acting with due diligence to avoid, mitigate and manage adverse impacts.

In relation to the workforce, the Bank favours and maintains an environment in which all employees are treated with dignity and respect, fairly, without any discrimination based on gender, race, colour, age, social origin, religion, nationality, sexual orientation, political opinion, physical or mental disability, or union membership.

Regarding customers and society in general, the Bank works to offer products and services that contribute to producing a positive impact on people's lives through a responsible business approach: risk prevention by assessing the risk of human rights violations in project finance, social housing management and financial inclusion.

Fighting corruption and bribery

Banco Sabadell views ethics as a core corporate value and works actively to combat corruption. Since February 2005, Banco Sabadell has been a signatory to the Ten Principles of the United Nations Global Compact, thereby making an explicit commitment to fight corruption in all its forms.

As a financial institution, Banco Sabadell views the fight against money laundering and terrorist finance as a core value and has implemented measures, rules and procedures to this end in the Bank and its subsidiaries.

To ensure transparency, all donations to NGOs and not-for-profit organisations are analysed and assessed

by the bank's Sponsorship Committee or the Board of Trustees of the Foundation on the basis of the principles established in the Bank's community support policy.

Banco Sabadell's Code of Conduct explicitly requires employees to reject gifts, rewards or personal favours offered by customers or suppliers that might constrain or condition their ability to make decisions.

Society

Commitment to sustainable development

Banco Sabadell contributes to sustainable development through the initiatives listed below:

Transparency, simplification and accessibility

The Bank has established mechanisms to ensure that all information provided to customers is transparent and that the products and services it offers are adapted to the customer's needs at all times.

Before a product or service is marketed, the product approval committee ensures that it fulfils the transparency standards.

The branch network provides information about products and services in the form of pre-contractual information sheets; an account manager also offers the necessary information to ensure that consumers and customers understand the characteristics of the product. When giving customers investment advice, account managers perform the necessary tests to ensure that the financial products are appropriate to the customer's needs by evaluating their knowledge and experience.

Sustainable finance

Banco Sabadell encourages responsible investing by offering customers a number of ethical investment products which also contribute to solidarity projects. They include Fondo de Inversión Sabadell Inversión Ética y Solidaria, F.I. (a mutual fund), Sabadell Urquijo Cooperación, S.I.C.A.V, S.A. (an investment company), BS Ético y Solidario, P.P. and Plan de Pensiones BanSabadell 21 F.P. (two pension plans) and Fondo de Pensiones G.M. PENSIONES, F.P. (a pension fund for employees).

In the area of investment, both pension fund manager BanSabadell Pensiones EGFP SA and, since 2016, Aurica Capital, a venture capital firm, have adopted the Principles for Responsible Investment in the "investment manager" category.

Banco Sabadell also participated in the placement of green bonds issued by Iberdrola and Gas Natural and was the only placement agent for a sustainable bond issued by the Madrid Regional Government (€150 million) in 2018.

Assistance in cases of mortgage default

Through Sogeviso, a wholly-owned subsidiary, Banco Sabadell manages the problem of social housing with a view to adopting a responsible approach to situations of social exclusion among vulnerable mortgage customers. At 31 December 2018, Sogeviso was managing 10,178 social and affordable rentals for such vulnerable customers, 53% of whom had joined the Social Contract.

In 2018, it also consolidated the JOBS (job placement) programme, which had 2,688 participants at year-end. This programme has enabled 1,483 people to find work since it was created in 2016.

Financial education

Banco Sabadell continues to promote and takes part in a number of financial education initiatives aimed at meeting the needs of different segments of society in this respect.

- For children: through the “What’s money for?” drawing competition for children, the Bank provides learning activities and materials in cooperation with educators in order to develop creativity and teach the importance of saving, the value of money, and solidarity.
- For young people: the Bank has been participating in the Catalan Schools Financial Education programme for young people aged 15-16 since its inception; the sixth edition included events in over 350 schools. In 2018, a total of 87 volunteers, including current and retired employees of the Bank, took part.

Also, in partnership with the Spanish Banking Association (AEB) and the Junior Achievement (JA) Foundation, the Bank took part in the “your finances, your future” programme in more than 100 schools all over Spain. A total of 32 volunteers (serving and retired employees) took part.

- For SMEs: For the last six years, Banco Sabadell, with AENOR, AMEC, Arola, CESCE, Cofides, Esade and Garrigues, has sponsored the “Export for Growth” programme to help small and medium-sized firms expand into foreign markets; the programme provides online tools and specialised information services and organises debates around the country, which have been attended by over 5,000 companies to date.
- Banco Sabadell is also party to an agreement with the AEB, the CNMV and the Bank of Spain to promote the National Financial Education Plan. The Plan, which was renewed in 2018, follows the recommendations of the European Commission and the OECD and is designed to improve public understanding of financial matters by providing people with basic skills and tools to manage their financial affairs in a well-informed, responsible way.

Corporate volunteer programme

Banco Sabadell encourages community and volunteer work by its employees by providing the necessary resources.

Apart from the financial education programmes mentioned previously, the initiatives with the largest number of volunteers, were:

- Programmes to leverage the knowledge and experience of current and former employees to favour people at risk of social exclusion: Fundación Exit’s “Coach” project, using mentoring of young people at risk to improve their employability, and the Transpirenaica Social Solidaria walk.
- Contributions to/participation in solidarity campaigns: Trailwalker, in which more than 40 teams and over 100 volunteers participated; blood donation drives, in which there were more than 230 contributions; and assistance with the Fundación Magone’s Christmas gift campaign through the contribution of more than 470 gifts.
- Projects aimed at integration and improving employability: an alliance with Cáritas on the “Feina amb Cor” programme for unemployed people and people at risk of social exclusion. Of the 25 people who have passed through the Feina amb Cor integration programme since 2015, five are still employed at the Bank’s branches in the province of Barcelona, six exceeded the 3,000 hours of work established in the programme, and 5 have found stable work, which is the programme’s main objective.
- TSB has its TSB Local Charity Partner programme, under which each branch supports a local cause that is important to their community. It also helps local sports clubs across the UK to use the power of sport to make a positive difference for young people and their communities through a partnership with Sported, one of the UK’s leading charities related to the sport.

Community outreach and sponsorship

Banco Sabadell’s social action policy is underpinned by the Group’s commitment to society and to value creation. Banco Sabadell operates in this area mainly through the Banco Sabadell Foundation and the Sponsorship Committee, and horizontally through its various divisions. In 2018, the Bank contributed €5 million to the Banco Sabadell Foundation.

The Banco Sabadell Foundation focuses on talent, science, culture and social entrepreneurship. Key initiatives by the Foundation include a Prize for Biomedical Research; a Prize for Science and Engineering (instituted in 2017) in cooperation with del BIST, Barcelona Institute of Science and Technology; and a Prize for Research in Economics, all of which aim to give recognition and support to the achievements of young Spanish researchers in those disciplines.

In 2018, the Ship2B Foundation, in cooperation with the Banco Sabadell Foundation, launched the second

edition of the BValue programme, whose objective is to help professionalise, transform and improve the value proposition of non-profit entities in any field of activity. After a first stage, ten proposals were chosen to receive support for launching a crowdfunding campaign to publicise and validate their idea. The projects will be presented on a Demo Day, at which the Banco Sabadell Foundation will grant financial aid.

Consumers, outsourcing and suppliers

Banco Sabadell has established a Customer Care Service to handle complaints and claims.

The Group also has a Customer Ombudsman with the power to decide on complaints by customers and users of Banco Sabadell, in both the first and second instance, and to decide on issues referred by the Customer Care Service.

The challenge of competitiveness requires a climate of cooperation between Banco Sabadell and its suppliers, whom it views as strategic partners. As a result, the Bank has established protocols and rules to extend its commitment to socially responsible practices to the supply chain. Banco Sabadell involves its suppliers in the Group's environmental policy by incorporating social and environmental responsibility into its supply chain. Banco Sabadell's basic contract with suppliers includes specific clauses on respect for human rights and the ten principles of the United Nations Global Compact. Where appropriate, the contracts also contain clauses relating to the environment.

Corporate standards and institutional commitments

In addition to the actions and initiatives described in this report, Banco Sabadell has a series of codes, policies and rules that shape its commitment to Group objectives, and has also entered into various national and international agreements that provide a framework for this commitment.

Non-financial principles and policies

- Code of Conduct: applies generally to all persons directly involved with the Group, whether as employees or as members of its governing bodies.
- The Internal Code of Conduct in connection with the Securities Market.
- The Suppliers' Code of Conduct.
- Corporate Social Responsibility Policy.
- Banco Sabadell Group policy on restrictions on financing and investment in activities associated with the arms industry.
- Policy on ethics and human rights.
- Policies related to stakeholders (shareholders and

investors, customers, employees, the environment, suppliers and social action).

- Banco Sabadell Group Remuneration Policy
- Plan to foster effective equality between women and men at Banco Sabadell.
- Code of conduct governing the use of social media.
- Membership of Autocontrol, a self-regulatory body on business communication.
- Adoption of the Code of Good Banking Practice.
- Tax Strategy and Good Taxation Practices:
 - Tax Strategy.
 - Tax Responsibility and Good Taxation Practices.

Agreements and commitments

- Signatory of the United Nations Global Compact, in respect of human and labour rights, the environment and the fight against corruption.
- Signatory of the Equator Principles, which requires it to take account of environmental, social and governance (ESG) issues in financing major projects and in loans to large corporates.
- Integration of CSR policies into business practice in accordance with ISO 26000 guidelines.
- Signatory to the United Nations Principles for Responsible Investment, in the "investment manager" category.
- Renewed membership of an agreement between the Spanish Banking Association (AEB), the CNMV and the Bank of Spain to carry out a programme of activities as part of the National Financial Education Plan.
- Included in the FTSE4Good and FTSE4Good IBEX sustainable stock market indices.
- Awarded the European Foundation for Quality Management (EFQM) Gold Seal of Excellence.
- ISO 9001 certification for 100% of the Group's processes and activities in Spain.
- ISO 14001 certification for the six central services buildings.
- Signatory to the Carbon Disclosure Project (CDP) in connection with action against climate change.
- "Equal-Opportunity Employer Seal" granted by the Spanish Government Ministry of the Presidency, Relations with Parliament and Equality.

People

The Bank has a young highly-qualified and gender-diverse workforce. The human resources strategy is based on key principles which ensure that the goals are achieved (G26).

Three essential premises underpin the group's human resources management approach:

- Focus on talent development.
- Greater proximity to the business.
- Focus on employee satisfaction.

This triple focus is aimed at providing the talent that the Bank requires using the available capacities. It is built

on two fundamental elements in the institution's human resources mission:

- Ensure the workforce continues to be a distinctive feature.
- Make Banco Sabadell the best place for a career.

Human resources strategy and lines of action in 2018

The people management function is now global and fully aligned with the other corporate lines of action.

It operates in an effective, coordinated fashion in each of the lines of action required by the Master Plan 2018-2020, all pursuing the central goal of an attractive organisation that has people with the right skills. All the programmes are implemented under the triple focus:

- Forward-looking.
- Proximity to the business, focusing on:
 - Enhancing productivity.
 - Internal rotation.
 - Pro-active management.
 - Service quality.
- Improve employee satisfaction and evolve behaviour in line with the values.

In 2018, progress was made with a number of programmes, most of which had commenced in previous years, including notably:

- **Global Performance Management**

The cornerstone of a global, integrated standardised approach to talent management throughout the Group, whose main objective is to measure performance objectively, across the entire organisation, in order to enhance each individual's strengths and minimise the areas requiring improvement.

- **Employee Satisfaction Improvement Programme**
Which, based on coordinated efforts by all areas of the Bank, resulted in a significant improvement in the target ratios and reinforced the Group's appeal as an employer.

- **Mobility and Diversity Programme**

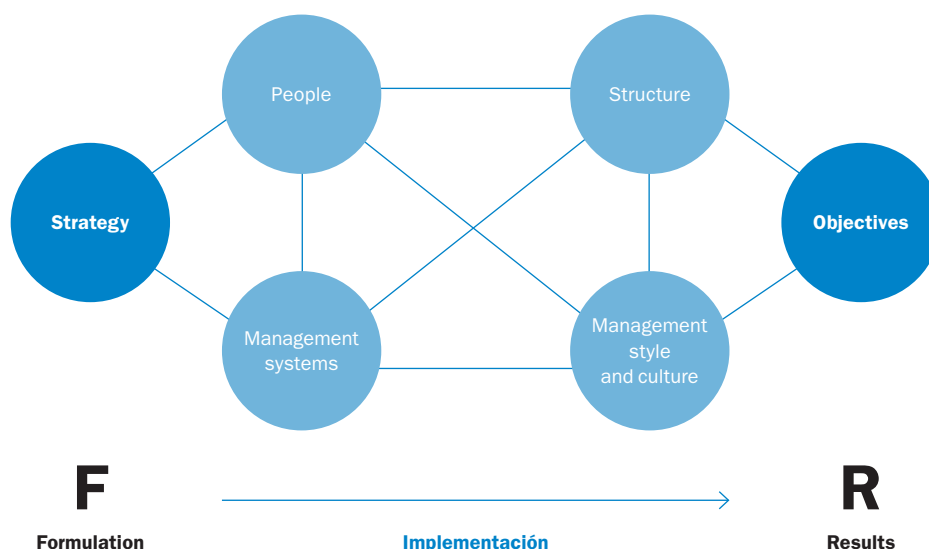
Which translates into a multitude of professional opportunities for internal talent, a special focus on female talent as a competitive advantage and on flexibility as an opportunity to improve productivity and the employee satisfaction.

In addition to these ongoing programmes, there are others that are meaningful for the institution's immediate future:

- Strategic personnel planning, in both quantitative and qualitative terms, with a special focus on the gap between the staff's current capabilities and future challenges.
- Expressing the brand through our employees, as a fundamental competitive advantage in the transition from a branch-based bank to a multi-channel, hyper-connected relationship platform.

Banco Sabadell believes in people and invests in their professional development and lifelong learning, providing the necessary mechanisms to enable employees to realise their full potential.

G27



Composition of Group employees

At the end of 2018, the Banco Sabadell Group had 26,181 employees, an increase of 336 compared with the previous year.

The average employee age was 43.22 years and the average length of service was 16.31 years. The gender split was 44.3% men and 55.7% women.

94.1% of the employees have participated in at least one Sabadell Campus activity.

Projects in the Human Resources area

Hiring and induction

The selective search for external talent continued in 2018, always seeking to acquire a diversity of skills when they cannot be found in-house.

In this framework, there were three major strategic issues in connection with attracting and retaining the new talent that the Bank needs going forward.

Firstly, the Group's employment website, *www.sabadellcareers.com*, which, with the Bank's LinkedIn page, makes up an appealing digital wall to attract talent.

Secondly, the Talent Incubation Programmes; specifically, in 2018 there was the *Data & Analytics Programme*, whose mission is to hire professionals with advanced knowledge to explore and interpret the information contained in data and extract the maximum value in order to personalise our products and services and make strategic business decisions. The first batch under this programme — 12 professionals — joined the Bank in November 2018.

Thirdly, the new onboarding process, which seeks to instil in these professionals a sense of loyalty to the mission and values of Banco Sabadell from day one.

Training and talent

SabadellCampus

Due to the contribution by these schools, the campus has logged over 123,080 learning sessions. 61% of learning took place via remote channels, which contributes to our professionals' work-life balance, while on-site training is reserved for high-impact material and personal and management skills.

Commercial School

Priority has been given to training aimed at increasing the impact of key positions in the creation of business value, especially business managers, SME account managers and business banking branch managers; over 25,036 training hours were logged.

MiFID. Trusted advisors

In line with MiFID and, more specifically, with the CNMV's Technical Guide 4/2017 for the assessment of the knowledge and competence of staff giving information and advice, there was an intense process of certification that far exceeded the established goals. A total of 2,157 employees were been certified, 54.4% more than the

1,400 projected for 2018. As a result, the bank had 4,061 certified staff at 2018 year-end.

Creation of the Digital School

More than 3,500 employees are developing their digital potential in the eight training programmes offered by the Digital School (Information Management, Networking, Digital Skills, Digital Vision, Digital Communication, Digital Identity, Continuous Learning, and Security).

Employees who complete the +Digital Programme will qualify to graduate, in June next year, from the EADA Advanced Digitalisation Course, which focuses on blockchain.

Expanding the team of internal trainers

The internal trainer team is a key component of Banco Sabadell's new training approach. Internal trainers share their knowledge and talent with co-workers, providing training in all territories when needed.

The number of in-house trainers expanded considerably in 2018, in terms of both number (470) and impact, as they provided support in critical processes such as the MiFID Programme. These professionals provided more than 50,000 hours of training, an average of over 19 hours per trainer, sharing their knowledge with the rest of the workforce.

TSB conducted a training plan for the migration involving key groups associated with the process in order to prepare them and fully align capacities by the implementation date. This process is part of a broader focus on human factors, which also measures other elements related to occupational health during the entire process.

Professional development

Internal hires

To vitalise the Bank's internal recruitment process, create opportunities for professional development and encourage internal mobility for Group employees, the following actions were put in hand:

- Partial in-sourcing of the Bank's selection team to retain employees' knowledge.
- The stages of the selection process that cause the greatest delays were reviewed and amended in cooperation with the personnel involved so as to shorten execution times and gain efficiency.

Flexibility and work-life balance

In 2018, new flexibility and work-life balance measures were introduced, including the possibility of purchasing additional days of vacation, the progressive

implementation of telework, and the creation of the position of work-life balance manager.

Banco Sabadell also offers a broad range of measures aimed at improving work-life balance for its staff, by enabling them to purchase goods and services via the employee intranet, saving time and money as the products are delivered to the office.

Additionally, the corporate services buildings in Sant Cugat del Vallès and Madrid offer employees a range of time-saving services, such as a gym, dry cleaning, parapharmacy, travel agency and hair salon.

Talent management

The people management model is based on merit and the development of each person's innate talent.

The model is built around three axes: the annual performance review, manager support, and development initiatives based on each person's needs and potential.

All the Bank's professionals undergo an annual performance review. The review considers what has been achieved, and how it was achieved.

It contributes to a meritocracy, hence the importance of a meaningful review. This year we enhanced the objectivity of the process by incorporating the possibility of evaluations by former managers and functional managers.

Just as important as the annual performance review is the assessment of the employees' potential with a view to the following year, in order to adopt the best decisions regarding their professional development (internal mobility, promotion, development programmes), align aspirations with professional opportunities, and design the development agenda.

On that basis, Banco Sabadell provides employees with specific training tools and programmes under an approach in which they share responsibility for their career.

In particular, executives reaching the corporate director level benefit from an executive development programme to assist them with the career transition and prepare them for the changing business environment, focusing particularly on the challenges inherent to the new leadership role.

Banco Sabadell has also continued to develop the model with the aim of having the best information about our current talent and its potential in order to ensure appropriate decision-making, effective and efficient management and effective development of our executives and pre-executives.

In this way, we maintain the system of People Assessment committees within each Division (17 in total), to discuss the following issues:

- Current (and projected) evolution of the workforce (profile and costs) and management results (compensation, performance management, both high and low, and employee satisfaction).
- Update of the talent map (executive and pre-executive) and potential pool.

- Decisions on candidates for new management positions and proposed designation of high-potential employees.
- Proposals for initiatives in connection with the workforce.

Improved employee satisfaction

Applying the Great Place to Work approach to excellence, the Group continues to measure and act on its constituent areas in order to continue building trust internally. All areas of the Bank have made a commitment to this objective, and many initiatives to enhance employee satisfaction have been implemented.

Prizes and distinctions

Equal-Opportunity Employer Seal

This seal was granted by the Ministry of the Presidency, Relations with Parliament and Equality in recognition of policies in favour of equal professional opportunities for women and men, as published in Spain's Official State Gazette.

Banco Sabadell joined the DIE Network, comprised of 147 companies in Spain, which employ approximately 236,000 people, 42% of whom are women.

Mercotalento

Banco Sabadell continues to rank highly in this prestigious indicator of the ability to attract talent: it placed #21 among the top 100 places where people would like to work.