



## Banco Sabadell's profit amounts to €247.8M, with increases in all margins in the third quarter

- Recurring net profit, excluding TSB's extraordinary costs and portfolio sales amounts to €647.2 million, 14.7% higher
- The Group's core banking business (net interest income and net fees and commissions) has grown by 2.2% year-on-year and 4.4% quarter-on-quarter.
- Lending in Spain increases by 5.4%\* YoY
- The NPL ratio has been reduced to 4.32%(1) and the coverage of NPAs has increased to 56.2%.
- The Board of Directors has approved an interim dividend of 0.02 euros per share

26 October 2018. At the end of September 2018 Banco Sabadell Group's **net profit** amounts to **247.8 million euros** after adjustments due to institutional portfolio sales and extraordinary provisions arising from the TSB migration. Excluding these extraordinary costs, net profit growth, considering a constant exchange rate, stands at 14.7% year-on-year (647.2 million euros).

The **Group's banking business** (net interest income + net fees and commissions) shows a positive trend in the principal markets, with a 2.2% year-on-year increase and 4.4% growth quarter-on-quarter.

NOTE: Information calculated on a like-for-like basis, assuming constant FX and excluding Sabadell United Bank, Mediterráneo Vida and TSB's Mortgage Enhancement portfolio contribution.

\* Ex TSB. Excludes the impact of the APS NPL run-off (the APS run-off refers to 80% of the APS problematic exposure, the risk of which is assumed by the DGF, as well as the change in the net loans and receivables account)

(1) Pro forma data

---

Communication and Institutional Relations Department

Tel. (0034) 93 748 50 19

[sabadellpress@bancosabadell.com](mailto:sabadellpress@bancosabadell.com)



@SabadellPrensa  
@SabadellPremsa  
@SabadellPress

More information on Banco Sabadell: [www.bancosabadell.com](http://www.bancosabadell.com) · Press room



Net interest income amounts to €2,742.7 million at the end of September 2018, representing a 4.1% increase in the quarter, and 0.7% year-on-year.

Excluding the impacts of one-offs at TSB, customer spread stands at 2.75% and net interest income over average total assets stands at 1.71%. Excluding TSB, customer spread at the end of the quarter stands at 2.67%, and net interest income over average total assets stands at 1.57%, remaining stable with regards to the previous quarter.

Fees and commissions have **performed well** in the quarter, growing by 5.9% (1.8% excluding TSB) driven by service fees and lower extraordinary TSB costs. Year-on-year, net interest income grows 0.7% (10.8% excluding TSB), considering a constant exchange rate.

Recurrent operating expenses showed a reduction of 1.5% quarter-on-quarter. At the end of September they amounted to €1,985.9 million, increasing by 1.5% year-on-year. Non-recurrent expenses during the year amount to €212.8 million, mainly due to TSB migration and post-migration costs. Non-recurrent expenses amount to €69.6M in the quarter.

**Commercial strength: Lending increases by +5.4%, on-balance sheet customer funds increase by +5.3%, and off-balance sheet customer funds grow by 4.5%.**

Performing **loans** growth year-on-year, ex-TSB. Thus, lending, considering a constant exchange rate has grown by 3.6%. Excluding the impact of the APS run-off <sup>(1)</sup>, it has grown by 3.1% considering a constant exchange rate (5.4% excluding TSB) year-on-year, driven by the good performance of SMEs and large corporates.

Mortgages to individuals also performed well, growing by 1.2% on a quarterly basis and by 1.0% year-on-year. Total off-balance sheet customer funds amount to €47,159 million at the end of the third quarter of 2018, and increase by 4.5% when compared to the previous year (0.6% increase quarter-on-quarter).

**Equity in mutual funds** at the end of the third quarter of 2018 amounts to 28,882 million euros, representing a year-on-year increase of 7.3% (0.9% on a quarterly basis).

Sight account balances amount to €106,499 million (€76,168 million excluding TSB) representing a 8.0% year-on-year increase (10.5% excluding TSB) and a 1.0% increase quarter on quarter (1.6% excluding TSB).

NOTE: Information calculated on a like-for-like basis, assuming constant FX and excluding Sabadell United Bank, Mediterráneo Vida and TSB's Mortgage Enhancement portfolio contribution.

\* Ex TSB. Excludes the impact of the APS NPL run-off (the APS run-off refers to 80% of the APS problematic exposure, the risk of which is assumed by the DGF, as well as the change in the net loans and receivables account).



The rate of new customer acquisition in Spain during the first nine months of the year is also significant. A total of 342,738 new customers have been acquired, of which 268,814 are individuals and 73,924 are corporates. Furthermore, it is also worth highlighting that Sabadell has acquired 207,080 new salaries.

The prices of new loans and products remained stable in the segments with the highest growth, thanks to our ability to defend pricing. Market share growth across segments reflects the dynamism of commercial activity in Spain.

New loans and credit lines to SMEs grew by 8% year-on-year, while consumer and mortgage loans increased by 18%. The rate at which Expansión accounts are opened grew by 10%, and cards turnover increased by 14%, whilst new insurance premiums and POS turnover increased by 17% and 16% respectively.

In Corporates, the market share of lending increased to 11.66% from 11.25%, and POS turnover increased to 16.16% from 14.83%, while penetration in SMEs stands at 52.0%, 200 basis points above the latest available data from 2017 year-end. In individuals, the market share for lending stands at 5.51%, 7.80% for cards turnover and 6.28% for mutual funds.

## **The reduction of NPLs continues, and the NPL ratio has been reduced to 4.32%.**

At the end of the third quarter of 2018 the balance of non performing assets, excluding TSB, amounts to 13,630 million euros (€6,594 non-performing loans and €7,036 foreclosed assets) which represents a quarterly reduction of 538 million euros (€402 million non-performing loans and €135 million foreclosed assets).

Excluding the sale of institutional NPA portfolios, the organic reduction of non-performing assets amounts to €244 million in the quarter and €9,282 million in the last 12 months, bringing the balance to €7,667 million (€6,280 million in non-performing loans and €1,387 million in foreclosed assets).

---

### **Communication and Institutional Relations Department**

Tel. (0034) 93 748 50 19

[sabadellpress@bancosabadell.com](mailto:sabadellpress@bancosabadell.com)



@SabadellPrensa  
@SabadellPremsa  
@SabadellPress

More information on Banco Sabadell: [www.bancosabadell.com](http://www.bancosabadell.com) · Press room



The **NPL ratio** continues to be reduced, currently standing at 4.50% (5.44% ex-TSB), reduced even further to 4.32% (5.20% ex-TSB) when considering the portfolio sales. NPA coverage stands at 56.6%. NPA coverage stands at 57.4% and foreclosed asset coverage stands at 55.9%.

Once the institutional portfolio sales have materialised, annual expected savings amount to 153 million euros\* and will positively impact capital as well as earnings per share. If Solvia is maintained, these savings will increase to €209 million euros.

In terms of the **capital position**, the phase-in CET 1 ratio stands at 12.1% and the fully-loaded CET1 ratio stands at 11.0% at the end of the third quarter of 2018. Once the sales of the NPA portfolios have been closed, the phase-in CET 1 ratio stands at 12.3% and fully-loaded at 11.2%.

\* Annual expected savings. This figure excludes the management fees to be received by Solvia for handling the NPAs sold to institutional investors in 2Q18.



## ***Other key developments in the quarter***

### **Interim dividend of 0.02 euros por share**

On 25 October, 2018, the Board of Directors has agreed to the payment of a gross interim dividend against 2018 results, for the amount of 0.02 euros per share which shall be paid on 28 December 2018.

### **Banco Sabadell receives an Equality in Business Distinction**

Banco Sabadell has received an Equality in Business distinction (DIE for its acronym in Spanish) granted by the Spanish Ministry of Health, Consumerism and Social Welfare, due to its policies in favour of equality in professional opportunities for men and women, as published in the most recent publication of the Official State Gazette. Thus, the bank now forms part of the DIE Network, comprised of 147 companies in the country, formed of 236,000 persons, of which 42% are women.

The granting of this distinction is carried out through annual meetings in which any company which stands out due to the implementation of equality measures can participate. To obtain the recognition from the Ministry, an activity report must be submitted, which is evaluated from the perspective of proving that the company maintains a level of excellence in terms of equality.

### **Claudio Chiesa will manage the insurance 'joint venture'**

Claudio Chiesa has been appointed as the new Managing Director of BanSabadell Vida, BanSabadell Pensiones and BanSabadell Seguros Generales. The new General Manager of the joint insurance venture, formed between Banco Sabadell and Zurich Insurance, has extensive experience in the sector, and has held relevant roles in corporate development and business in an international environment. This year marks the tenth anniversary of the joint venture between the bank and the insurance company.

### **Sabadell Venture Capital participates in the funding round of Lingokids**

Banco Sabadell, through its investment vehicle Sabadell Venture Capital, has participated in funding round for \$7.3M in [Lingokids](#), an online English learning platform for young children. The shareholding structure, which Sabadell Venture Capital already formed part of, together with [HV Holtzbrinck Ventures](#), JME Venture Capital, Big Sur

---

Communication and Institutional Relations Department

Tel. (0034) 93 748 50 19

[sabadellpress@bancosabadell.com](mailto:sabadellpress@bancosabadell.com)



@SabadellPrensa  
@SabadellPremsa  
@SabadellPress



More information on Banco Sabadell: [www.bancosabadell.com](http://www.bancosabadell.com) · Press room

Ventures and Gwynne Shotwell, President and COO of SpaceX (company owned by Elon Musk), is becoming stronger through the entry of new partners: Reach Capital, benchmark investor in Silicon Valley in ed-tech, and Spanish firms Athos Capital and All Iron Ventures. Total funding includes \$1.3M from the EU Horizon 2020 programme.

**InnoCells enters Antai Venture Builder and acquires PAYTPV, an *online* payment platform**

InnoCells, the digital business hub of Banco Sabadell, has formalised its investment in Antai, as part of a capital increase totalling 20 million euros, through investments amounting to 5 million euros. Several family offices as well as the company's founders have participated in the capital increase.

Furthermore, the digital business hub of Banco Sabadell has acquired PAYTPV, a Spanish startup which offers an advanced online and offline payment gateway with a fully integrated user experience.

The company, created in 2016, located in Bilbao and Madrid, is an online payment services provider (IPSP) authorised by Bank of Spain as a payment institution.

View the list and definition of Alternative Profitability Measures in the Quarterly Financial Report.

[https://www.grupbancsabadel.com/en/XTD/INDEX/?url=https://www.grupbancsabadel.com/en/INFORMACION\\_ACCIONISTAS\\_E\\_INVERSORES/INFORMACION\\_FINANCIERA/INFORMES\\_TRIMESTRALES/A\\_O\\_2018/?menuid=39324&language=en](https://www.grupbancsabadel.com/en/XTD/INDEX/?url=https://www.grupbancsabadel.com/en/INFORMACION_ACCIONISTAS_E_INVERSORES/INFORMACION_FINANCIERA/INFORMES_TRIMESTRALES/A_O_2018/?menuid=39324&language=en)

## BancoSabadell Profit & loss account (consolidated)



Figures in € million	Total group				EXTSB		
	30.09.2017	30.09.2018	Change YoY	Change at fixed FX	30.09.2017	30.09.2018	Change YoY
<b>Net interest income</b>	<b>2.738,3</b>	<b>2.742,7</b>	<b>0,2%</b>	<b>0,7%</b>	<b>1.980,4</b>	<b>1.995,8</b>	<b>0,8%</b>
Income from equity method and dividend	303,1	51,9	-82,9%	-82,9%	303,1	51,9	-82,9%
Net fees and commissions	900,9	978,1	8,6%	8,7%	827,9	917,6	10,8%
Results from financial transactions (net)	524,4	224,6	-57,2%	-57,1%	482,3	204,0	-57,7%
Foreign exchange (net)	7,2	8,2	15,0%	12,5%	7,2	8,2	14,0%
Other operating income / expense	-58,5	-122,4	109,1%	110,4%	-48,4	-71,0	46,8%
<b>Gross operating income</b>	<b>4.415,4</b>	<b>3.883,2</b>	<b>-12,1%</b>	<b>-11,7%</b>	<b>3.552,6</b>	<b>3.106,5</b>	<b>-12,6%</b>
Operating expense	-2.003,0	-2.198,7	9,8%	10,4%	-1.298,5	-1.372,0	5,7%
Non-recurrent	-46,8	-212,8	354,3%	361,2%	-6,6	-11,7	78,3%
Recurrent	-1.956,1	-1.985,9	1,5%	2,1%	-1.291,9	-1.360,3	5,3%
Amortization & depreciation	-296,9	-268,0	-9,7%	-9,6%	-241,8	-205,0	-15,2%
<b>Net income before provisions</b>	<b>2.115,5</b>	<b>1.416,5</b>	<b>-33,0%</b>	<b>-32,8%</b>	<b>2.012,3</b>	<b>1.529,4</b>	<b>-24,0%</b>
Provisions for NPLs and other impairments	-1.968,9	-1.080,5	-45,1%	-45,2%	-1.903,6	-917,6	-51,8%
Gains on sale of assets and other results	384,1	3,3	-99,1%	-99,2%	378,0	2,3	-99,4%
<b>Profit before tax</b>	<b>530,7</b>	<b>339,2</b>	<b>-36,1%</b>	<b>-35,0%</b>	<b>486,7</b>	<b>614,1</b>	<b>26,2%</b>
Income tax	40,3	-85,7	--	--	61,5	-140,7	--
<b>Consolidated net profit</b>	<b>571,0</b>	<b>253,6</b>	<b>-55,6%</b>	<b>-54,8%</b>	<b>548,1</b>	<b>473,4</b>	<b>-13,6%</b>
Minority interest	1,7	5,8	242,7%	242,7%	1,7	5,8	242,7%
<b>Attributable net profit</b>	<b>569,4</b>	<b>247,8</b>	<b>-56,5%</b>	<b>-55,7%</b>	<b>546,5</b>	<b>467,7</b>	<b>-14,4%</b>

PRO MEMORIA Balances in € million	Total group				EXTSB		
	30.09.2017	30.09.2018	Change YoY	Change at fixed FX	30.09.2017	30.09.2018	Change YoY
Total assets	211.076	217.751	3,2%	3,3%	163.944	171.547	4,6%
Performing gross loans	137.833	140.234	1,7%	1,9%	102.035	105.735	3,6%
Performing gross loans ex APS	131.635	135.483	2,9%	3,1%	95.837	100.983	5,4%
Customer-based funding on balance sheet	131.295	135.152	2,9%	3,1%	96.958	102.131	5,3%
Customer-based funding off balance sheet	45.129	47.159	4,5%	4,5%	45.129	47.159	4,5%

RATIOS	Total group		EXTSB	
	30.09.2017	30.09.2018	30.09.2017	30.09.2018
Cost / income (ex amortisation) (%) (1)	51,04	57,91	42,41	45,43
Core capital / Common equity phase in (%)	13,2	12,1	--	--
NPLs / Gross loans (%)	5,40	4,50	6,90	5,44
NPLs coverage (%)	48,8	57,4	48,7	57,8
Number of branches	2.522	2.470	1.971	1.920
Number of employees	25.972	26.045	17.589	17.837

NOTE: Sabadell United Bank, Mediterraneo Vida and Mortgage Enhancement data excluded in order to be comparable with previous periods.

(1) To calculate these ratios, gross operating income was adjusted considering recurrent trading income and linear accrual of the Deposit Guarantee Fund contribution.

### Communication and Institutional Relations Department

Tel. (0034) 93 748 50 19

[sabadellpress@bancosabadell.com](mailto:sabadellpress@bancosabadell.com)



@SabadellPrensa  
@SabadellPrensa  
@SabadellPress



More information on Banco Sabadell: [www.bancosabadell.com](http://www.bancosabadell.com) · Press room