

### Results at the end of the third quarter of 2018

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



Managing Director, Jaime Guardiola, accompanied by Tomás Varela, CEO, on the left, and Gabriel Martínez, Communications Director.

- **Recurring net profit, excluding TSB's extraordinary costs and portfolio sales, amounted to €647.2 million, 14.7% higher.**
- **The Group's 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 increased by 5.4%<sup>(1)</sup> YoY.**
- **The NPL ratio has been reduced to 4.32%<sup>(2)</sup> and the coverage of NPAs has increased to 56.6%.**

At the end of September 2018 Banco Sabadell Group's net profit amounted 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, amounted to 647.2 million euros, 14.7% higher.

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.

Net interest income amounted to €2,742.7 million at the end of September 2018, representing a 4.1% increase

#### **Interim dividend**

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

in the quarter, and a 0.7% increase year-on-year.

Excluding the impacts of one-offs at TSB, customer spread stood at 2.75% and net interest income over average total assets stood at 1.71%. During the first nine months of the year, the good performance of fees was noteworthy, which recorded like-for-like growth of 8.7%. Excluding TSB, it amounts to 10.8%.

Recurrent operating expenses were reduced by 1.5% in the quarter, standing at 1,985.9 million euros until September, 1.5% higher than in the same period of the previous year.

### Commercial strength

Performing loans grew year-on-year, ex-TSB. In this way, lending, considering a constant exchange rate increased by 3.6%, driven by the good performance of SMEs and large corporates. In Spain, excluding

the impact of APS, performing loans have grown to 5.4% year-on-year.

Between January and September the good performance of mortgages to individuals stands out, which grew by 1.2% in the quarter and by 1% in the year. Total off-balance sheet customer funds amounted to 47,159 million euros, a 4.5% increase compared with the previous year. Equity in mutual funds amounted to €28,882 million, representing a 7.3% increase year-on-year.

Sight account balances amounted to €106,499 million, representing a 8% year-on-year increase.

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 the total, 268,814 were individuals and 73,924 were corporates. Equally,

income from 207,080 salaries also needs to be added.

### Less problematic assets

Including the sale of institutional NPA portfolios, the reduction of non-performing assets in the last twelve months amounts to €9,282 million, bringing the balance to 7,667 million (6,280 million euros in non-performing-loans and €1,387 million in fore-closed assets).

The NPL ratio was reduced to 4.50%. Taking the sales of portfolios into account, the NPL ratio would stand at 4.32%. NPA coverage stood at 56.6%. 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%.

Once the institutional portfolio sales have materialised, annual expected savings amount to 153 million euros<sup>(3)</sup> and will positively impact capital as well as earnings per share.

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.

<sup>(1)</sup> 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).

<sup>(2)</sup> Pro forma data.

<sup>(3)</sup> Expected annual savings. This figure includes management fees received by Solvia for the management of NPAs sold to institutional investors in 2Q18.

	30.09.2017	30.09.2018
<b>RATIOS</b>	%	%
Cost-to-income <sup>1</sup>	51.04	57.91
Core capital / Phase-in Common Equity	13.2	12.1
NPL ratio	5.4	4.5
NPL coverage	48.8	57.4
<b>RESOURCES</b>		
Number of branches	2,522	2,470
Number of employees	25,972	26,045

Note: Data shown on a like-for-like basis, i.e. excluding figures from Sabadell United Bank, Mediterráneo Vida and Mortgage Enhancement.

<sup>(1)</sup> To calculate this ratio, gross income is adjusted to consider recurrent net trading income and the linear accrual of contributions to the Deposit Guarantee Fund and the Single Resolution Fund.

Cumulative data in million euro	30.09.2017	30.09.2018	Change considering	YoY change constant exchange rate
<b>KEY BALANCE SHEET FIGURES</b>				
Total assets	211,076	217,751	3.2%	3.3%
Performing gross loans	137,833	140,234	1.7%	1.9%
Performing gross loans ex APS	131,635	135,483	2.9%	3.1%
Customer-based funding on balance sheet	131,295	135,152	2.9%	3.1%
Customer-based funding off balance sheet	45,129	47,159	4.5%	4.5%
<b>RESULTS</b>				
Net interest income	2,738.3	2,742.7	0.2%	0.7%
Gross operating income	4,415.4	3,883.2	-12.1%	-11.7%
Net income before provisions	2,115.5	1,416.5	-33.0%	-32.8%
Profit before tax	530.7	339.2	-36.1%	-35.0%
Consolidated net profit	571.0	253.6	-55.6%	-54.8%
Attributable net profit	569.4	247.8	-56.5%	-55.7%

Note: Data shown on a like-for-like basis, i.e. excluding figures from Sabadell United Bank, Mediterráneo Vida and Mortgage Enhancement.

## SAB share and the market during the third quarter of 2018

As the year continues, the global political environment continues to remain complex, which conditions Spanish and European equities prices.

Whilst North American stock exchanges have continued to reach maximum levels, the majority of markets have been affected by the impact of trade disputes and episodes of instability in emerging countries. Markets have also been pricing in the lack of definition and uncertainty regarding how Brexit will be implemented, as well as doubts over the policies of the current government of Italy, led by Giuseppe Conte.

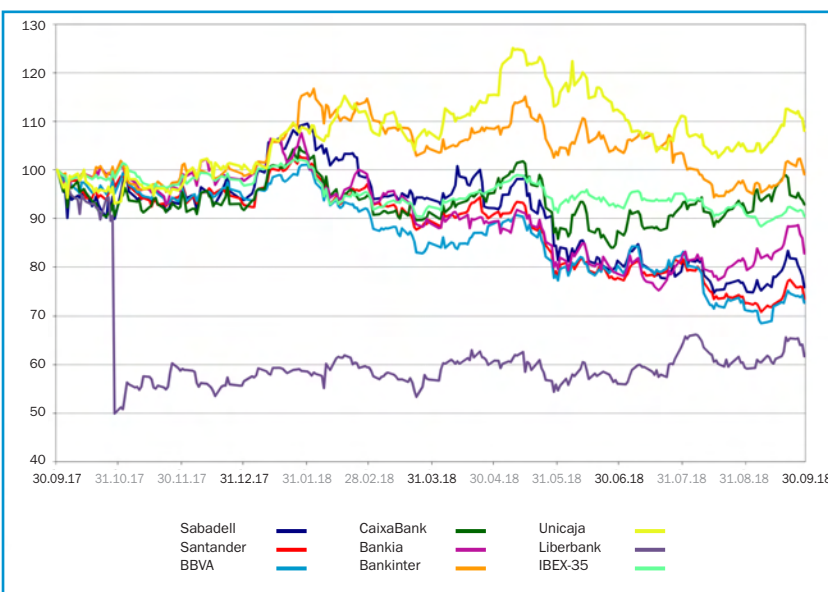
Mid-August, financial assets of emerging countries, particularly Turkey and Argentina, suffered a severe loss which led to a significant depreciation of their currencies and an increase in their risk premiums. This dragged European stock exchanges, particularly in the financial sector, impacting entities with high exposure to these geographies.

The SAB share was not unaffected by these pressures and declines. At the end of September it registered an annual decline of -19.14% (-16.72% adjusted by dividends). As a reference, it is worth highlighting that the index which includes the weighted average of the share prices of the main European banks (SX7P Index) declined by -14.8% in the same period.

### SAB share price and volumes

	Final price €	Maximum price €	Minimum price €	Average daily volume (securities)
<b>2017</b>	1.6560	1.9600	1.2950	27,237,193
<b>2018</b>				
January	1.9140	1.9445	1.6470	24,253,028
February	1.7255	1.9325	1.7110	23,534,045
March	1.6610	1.7165	1.6255	18,614,260
April	1.6265	1.7800	1.5980	52,110,515
May	1.4380	1.7495	1.4220	32,992,634
June	1.4355	1.5290	1.3655	28,419,911
July	1.4285	1.5000	1.3160	26,086,746
August	1.3220	1.4480	1.3080	15,603,324
September	1.3390	1.4920	1.3075	30,285,839
Change				
Dec. 2017 - Sep. 2018	-19.14%			
Source: Bolsas y Mercados Españoles				

### Share price performance



### Technical information \*

Number of shares	5,626,964,701
Number of shareholders	234,064
Average daily trading** (January-September, in securities)	27,740,916
Average daily trading** (January-September, in euros)	44,204,775
Capitalisation	€ 7,534,505,735
Book value per share	€ 2.25
P/BV (price/book value)	0.60 x
Dividend yield (with closing price at end of December 2017)	4.23%
Dividend yield (with closing price at end of September 2018)	5.23%

\* As at 30 September 2018.

\*\* Source: Bolsas y Mercados Españoles.



## 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. Thus, the bank now forms part of the DIE Network, comprised of 147 companies in Spain. Today, Banco Sabadell has a workforce which exceeds 15,000 professionals, of which more than 50% are women. Also in the managerial group, women have increased

their presence, with 23% of management roles being assigned to women. The entity is immersed in an action plan to drive future directives, which aim for 50% of participants to be women. Furthermore, the bank has also implemented equality and reconciliation policies, such as the new code of conduct, measures against discrimination and harassment, maternity and paternity leave protection, increases in teleworking or flexible working hours, amongst others.

## €270M capital increase in Mexico to grow the business in the country



Francesc Noguera, Director of Banco Sabadell México

Banco Sabadell Mexico has materialised a capital increase of 150 million euros, in addition to the 120 million euros in March. The bank has decided to make the most of the dynamism of the business and the improvement of the Mexican geopolitical situation to exceed the objectives set forth in its strate-

gic 2018-2020 plan, and continue increasing its presence in the country. In the first half of the year, the entity granted almost 3,000 million euros in loans, 57% higher than in 2016. It currently has 19 business centres, almost 400 employees and more than 5,000 customers in its digital bank for individuals, which was launched at the end of the last year.

## More than €175M in funding to startups



BStartup, Sabadell Venture Capital and Innocells, the business units of Banco Sabadell specialising in emerging businesses and innovation, have participated for the sixth consecutive year in South Summit, a global event celebrated in Madrid which brings together startups, investors and corporations. Banco Sabadell has granted 175 million euros in funding to innovative and technology companies during the last four years, and has recently invested in healthtech MySphera, and it has also acquired fintechs Instant Credit and PAYTV.

## Claudio Chiesa will manage the insurance joint venture



Claudio Chiesa is the new Managing Director of BanSabadell Vida, BanSabadell Pensiones and BanSabadell Seguros Generales. The new Manager of the insurance joint 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.

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