

Results of the first quarter of 2019

Banco Sabadell earns profit of 258.3 million euros and returns to recurrent profitability



The CEO for Banco Sabadell, Jaime Guardiola, during the meeting with the press.

- Core banking revenue (net interest income + net fees and commissions) showed a stable growth, increasing by 1.4% at Group level.
- Following the sale of 80% of Solvia, the fully-loaded CET ratio stands at 11.15% (11.3% pro forma⁽⁴⁾).
- The bank confirms the positive trend of performing loans⁽²⁾ with a year-on-year increase of 3.4% (5.3% ex-TSB), driven by the strong performance of Spain and Mexico.
- The Group's NPL ratio declines significantly, falling to 4.10%.
- TSB stabilises its commercial activity, contributes positive growth in the quarter and announces the start date of the new CEO, Debbie Crosbie.

Banco Sabadell has closed the first quarter of 2019 with a net attributable profit of 258.3 million euros (-0.4% in year-on-year terms) and confirmed that the institution is back on the path of recurrent profitability. Core banking revenue (net interest income + net fees and commissions) showed a stable growth, increasing by 1.4% at Group level (1% in constant FX).

Net interest income amounted to 901 million euros at the end of the first quarter. This figure represents a year-on-year decline of -1.2%, due to the implementa-

tion of IFRS16. Excluding TSB, net interest income amounted to 656.2 million euros (-0.3% year-on-year). Regardless, Sabadell still expects to end 2019 with an increase in its net interest income of between 1% and 2%.

Net fees and commissions showed a strong year-on-year growth of 9%, mainly due to the excellent performance of service fees. The customer spread ended the quarter at 2.70%.

Total costs amounted to 777 million euros, compared to 840 million euros at

the end of the same period in the previous year. Total costs declined by 3.6%, mainly due to the improvement in TSB. Recurrent expenses and amortisations declined significantly to 748.6 million euros, representing a year-on-year decrease of 1.9%.

Positive lending performance (+3.4%)

Lending volumes have continued to increase. Performing gross loans increased by 2.1% year-on-year, 3.4% excluding the APS impact (2.8% in constant FX), driven by the strong performance in Spain and the positive trend of business in Mexico. Quarter-on-quarter, lending increased by 1.3%.

On-balance sheet customer funds amounted to 139,986 million euros and increased by 5% year-on-year. Funds under management amounted to 206,353 millions euros, compared to 204,885 one year previously, representing a year-on-year increase of 0.7%.

Throughout the first quarter of 2019, the bank has been very active in its acquisition of corporate and individual customers, acquiring a total of 112,996 new customers, and new loans and credit lines to SMEs grew, year-on-year, by 4%.

Leadership in customer experience

Banco Sabadell has retained its leadership in customer experience in the SMEs and large enterprises segments for yet another quarter. According to STIGA and EQUOS studies, the level of service quality stands at 8.26, compared with the sector average of 7.36.

The NPS (Net Promoter Score) index indicates that Banco Sabadell is ranked first for large enterprises and SMEs and second for personal banking customers.

Capital increase and substantial reduction of NPL ratio

The capital position of Banco Sabadell has been strengthened following

the sale of 80% of Solvia Servicios Inmobiliarios on April 24th, resulting in a fully-loaded CET1 ratio of 11.15% (11.3% pro forma)⁽¹⁾, after factoring in the impact of TRIM and IFRS16. At the end of the first quarter, the phase-in CET1 ratio was 11.7%.

The Group's NPL ratio has fallen significantly, to 4.10%. In parallel, it is worth noting that the Group's cost of risk has improved, standing at 51 bps at the end of the first quarter of 2019, compared to 65 bps at the end of the same period in the previous year.

TSB regains its commercial momentum and its new CEO, Debbie Crosbie, joins the bank

The results of TSB's activity at the end of the first quarter of 2019 are positive for Banco Sabadell Group, as they confirm the recovery of the bank's commercial activity in the United Kingdom. It is worth highlighting new mortgage origination, which increased by 38.2% quarter-on-quarter.

TSB showed a positive contribution to the Group income statement of a total of 7.3 million euros. Furthermore, 100% of complaints related to TSB's IT migration have now been resolved.

Debbie Crosbie joined on May 1st as the new CEO for TSB. Her main objectives are to improve TSB's efficiency and profitability and roll out the new SME business.

(1) Includes +18bps in RWAs released following NPA sales, +15bps from the capital gain on the sale of Solvia, announced in the relevant fact dated 24 April 2019.

(2) Excludes the impact of the portfolio protected by CAM's APS, which is in run-off.

	31.03.2018	31.03.2019
RATIOS	%	%
Cost-to-income	53.42	52.10
Core capital / Phase-in Common Equity	12.9	11.7
NPL ratio ¹	5.14	4.10
NPL coverage ratio ¹	56.6	52.6
RESOURCES		
Number of branches	2,474	2,455
Number of employees	26,056	26,177

⁽¹⁾ Figures expressed as 100% APS. In 4Q18 institutional portfolios have been reclassified as non-current assets held for sale, therefore the figures are shown excluding these assets.

Cumulative data in million euro	31.03.2018	31.03.2019	Change considering	YoY change constant exchange rate
KEY BALANCE SHEET FIGURES				
Total assets	219,009	225,744	3.1%	2.6%
Gross performing loans	137,246	140,139	2.1%	1.5%
Gross performing loans ex APS	132,482	137,048	3.4%	2.8%
On-balance sheet customer funds	133,280	139,986	5.0%	4.5%
Off-balance sheet customer funds	46,364	43,655	-5.8%	-5.8%
RESULTS				
Net interest income	911.5	900.7	-1.2%	-1.7%
Core revenue	1,226.0	1,243.4	1.4%	1.0%
Gross income	1,455.1	1,324.3	-9.0%	-9.3%
Pre-provisions income	615.1	547.3	-11.0%	-11.1%
Earnings before tax	369.7	358.1	-3.1%	-3.1%
Profit attributable to the Group	259.3	258.3	-0.4%	-0.4%

Sabadell share and the market during the first quarter of 2019

The factors that have hampered the steady share price recovery of the banking industry in Spain and Europe have continued to be present in the first quarter of 2019.

The European Central Bank delayed its planned rate increases, leading major economic bodies to lower their growth forecasts, particularly in relation to the euro area. This delay in expected rate hikes has had a direct and negative impact on earnings forecasts for European banks.

The uncertainty surrounding Brexit has also continued. The UK Parliament rejected the deal reached by the British Government and the European Union on several occasions.

Meanwhile, trade negotiations between China and the US continued, and although they are apparently drawing closer to reaching an agreement, the dates and specific scope of the future deal are still unknown.

Approval of dividend distribution

2018

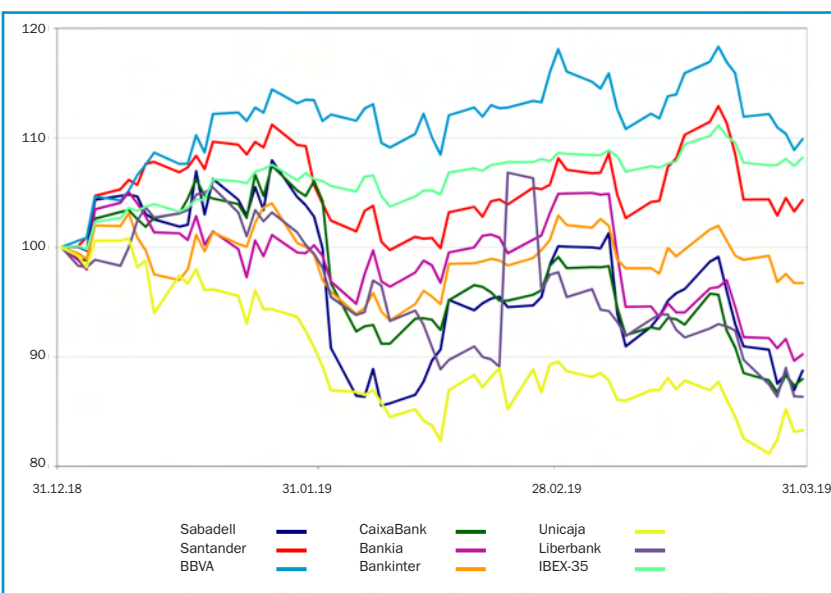
The Ordinary General Meeting of Shareholders held on 28 March approved the proposed dividend distribution of 0.03 euros per share corresponding to the year ended 31 December 2018. An interim dividend of 0.02 euros per share was paid on 28.12.2018 and a supplementary dividend of 0.01 euros per share was paid on 5.4.2019.

Sabadell share price and volumes

		Final price €	Maximum price €	Minimum price €	Average daily volume (securities)
2018		1.0005	1.9445	0.9500	27,219,724
2019	January	0.9994	1.0830	0.9620	28,643,562
	February	1.0015	1.0060	0.8320	35,680,032
	March	0.8878	1.0240	0.8560	36,470,289
Change					
Dec. 2018 - Mar. 2019		-11,26%			

Source: Bolsas y Mercados Españoles.

Share price performance



Technical information *

Number of shares	5,626,964,701
Number of shareholders	240,887
Average daily trading** (January-March, in securities)	33,486,271
Average daily trading** (January-March, in euros)	32,045,496
Capitalisation	4,995,619,262 €
EPS (earnings per share)	0.15 €
PER (price/earnings ratio)	5.74 x
Book value per share	2.30 €
P/BV (price/book value)	0.39 x
Dividend yield (with closing price at end of December 2018)	3.00%
Dividend yield (with closing price at end of March 2019)	3.38%

* As at 31 March 2019.

** Source: Bolsas y Mercados Españoles.

Shareholders give majority vote in favour of the management and results of 2018



Snapshot of Ordinary General Meeting of Shareholders.

The Ordinary General Meeting of Shareholders of Banco Sabadell, held on March 28th in Alicante, gave a majority vote in favour of the management and results of the institution's 137th year, which ended with a profit of 328.1 million euros, and the distribution of a total gross dividend of 0.03 euros per share corresponding to 2018.

The General Meeting also approved the re-appointment of directors Josep Oliu, Javier Echenique, Aurora Catá, José Ramón Martínez and David Vegara. Shareholders also approved the ratification and appo-

intment of María José García Beato as executive director.

In his speech, Josep Oliu highlighted the "solid growth of our core banking revenue, the culmination of our balance sheet de-risking and the completion of TSB's IT migration", events which Chairman indicated were "fundamental for the bank's future". The CEO, Jaime Guardiola, highlighted three fundamental pillars for ensuring the long-term sustainability of Sabadell's business: honouring its brand promise, continuing to focus on digital transformation and capturing the best talent.

Dominic Thiem's victory marks the start of a new era at the Banc Sabadell Open



Dominic Thiem has won the 67th edition of the Banc Sabadell Barcelona Open / Trofeo Conde de Godó. The Austrian tennis player dominated the final against Russia's Daniil Medvédev, with a 6-4 6-0 win, claiming a place on the list of winners of the tournament, which also

includes Rafa Nadal, who holds a record-breaking 11 Barcelona Open titles. The blue of Banco Sabadell is already a staple at the Real Club de Tennis Barcelona: this edition marks the twelfth year that the bank has been the main sponsor of the tournament.

Banco Sabadell opens branch in Portugal



Ana Ribalta and José Nieto with Santi Tiana, the manager of the new branch.

In April Banco Sabadell opened its new branch in Lisbon. After over 25 years operating in Portugal, the bank began this new project in September 2018, and it has already started to provide, through its international network, services to Spanish companies with investments in the country as well as Portuguese corporations. With these services, the institution aims to help companies make the best possible economic decisions not only in Portugal, but also particularly in geographies where Portuguese banks have traditionally not been present.

Miquel Alabern, new Chairman of BancSabadell d'Andorra



The Annual General Meeting of BancSabadell d'Andorra was held on April 12th, and shareholders approved the management carried out in 2018, which ended with a profit of 10.25 million euros, 2% higher than in 2017. The General Meeting approved the appointment of Josep Lluís Negro as a new director and appointed Miquel Alabern to be the institution's new Chairman, replacing Josep Permanyer.

Shareholder Relations Service

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