

Results 1Q2020.

Banco Sabadell earns profit of 94 million euros having set aside 213 million euros of provisions for Covid-19

- The Bank is managing the current situation with a comfortable solvency and liquidity position and a clean balance sheet
- The proforma⁽¹⁾ CET1 ratio stands at 12.6% (phase-in) and at 12.1% (fully-loaded)
- Solid liquidity position with a Liquidity Coverage Ratio (LCR) of 172%, a loan-to-deposit ratio of 100%, and more than 45 billion euros in liquid assets
- Having completed the first ICO tranche with 2,125 million euros. Volume of operations being considered reached 7.887 million euros
- There was strong containment of costs, which were down 8.1% in the quarter and, notwithstanding seasonal swings, a year-on-year decrease is forecast

30 April 2020. Banco Sabadell Group has closed the first quarter of 2020 with **net attributable profit** of 94 million euros (63.7% lower), having front-loaded extraordinary provisions of 213 million euros for potential impairments associated with the Covid-19 crisis. Without impairments associated to Covid-19 profit would be 245 millions of euros (5.1% lower).

Core banking revenue (net interest income + net fees and commissions) fell slightly by 0.8% (-0.3% ex-TSB) year-on-year in a negative interest rate environment.

(1) Includes +5bps from the sale of the real estate developer, +35bps from the sale of Sabadell AM and +7bps from the sale of the Depositary.

Communication and Institutional Relations Department

Tel. (0034) 93 748 50 19

sabadellpress@bancosabadell.com



@SabadellPrensa
@SabadellPremsa
@SabadellPress



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Net interest income amounted to 884 million euros as at end of March 2020, representing a decline of 1.8% in the year, due to the consumer loan securitisation carried out in the third quarter of the previous year and lower interest rates. This item fell during the quarter, impacted by lower interest rates, the maturities of the ALCO portfolio and the seasonal effect in the first quarter of the year. The **customer spread** stood at 2.58% (2.50% ex-TSB) and net interest margin relative to average total assets stood at 1.62% (1.46% ex-TSB), having remained virtually stable in the quarter.

Net fees and commissions reached 349 million euros, representing year-on-year growth of 1.9%, with increases recorded across all product segments: services, risk transactions and asset management. In the quarter, fees and commissions declined by 6.0% (-4.6% ex-TSB) impacted by reduced economic activity associated with Covid-19 and by volatility in the financial markets and the seasonal effect on asset management fees.

Total costs amounted to 778 million euros at the end of March 2020 and declined by 8.1% (7.9% ex-TSB) quarter-on-quarter, with a notable reduction of both recurrent and non-recurrent costs, including 5 million euros corresponding to TSB restructuring costs.

The **efficiency ratio** stands at 49.3% as at the end of March 2020, representing an improvement on the previous quarter.

Total **provisions and impairments** amounted to 454 million euros at the end of the first quarter (416 million ex-TSB), compared with 190 million euros at the end of the first quarter of 2019. The change is largely due to provisions for Covid-19 amounting to 213 million euros.

Meanwhile, it is important to note that these provisions involve a **credit risk cost** for the Group of 93 bps, which is 39 bps when this impact is excluded.

Comfortable capital and liquidity position

In terms of solvency, Banco Sabadell is able to confront the potential effects of Covid-19 from a solid starting point, having progressively increased its capital ratio throughout 2019. The CET1 ratio stood at 12.2% in phase-in terms and at 11.6% in fully-loaded terms as at the end of March 2020. The pro forma⁽¹⁾ CET1 ratio was 12.6% (phase-in) and 12.1% (fully-loaded).

The Bank also has a solid liquidity position, with the Liquidity Coverage Ratio (LCR) at the end of March 2020 standing at 172% at Group level (184% ex-TSB and 256% in TSB). The loan-to-deposit ratio as at the end of March 2020 was 100% with a balanced retail funding structure.

(1) Includes +5bps from the sale of the real estate developer, +35bps from the sale of Sabadell AM and +7bps from the sale of the Depository.



Lending performed well

Gross performing loans ended the first quarter of 2020 with a balance of 143,475 million euros (108,631 million euros ex-TSB), representing year-on-year growth of 2.4% (3.4% ex-TSB). Based on a quarterly comparison, lending fell -0.8% (growth of 0.5% when considered ex-TSB), impacted by receipt of the DGF payment. Organic growth⁽¹⁾ of lending was up 3.1% year-on-year (4.3% ex-TSB) and up 0.6% in the quarter (2.5% ex-TSB) driven by growth in corporates, SMEs and public administrations.

At the end of March 2020, **on-balance sheet customer funds** amounted to 144,005 million euros (109,414 million euros ex-TSB), representing a year-on-year increase of 2.9% (3.3% ex-TSB) due to the growth of sight accounts, and a quarter-on-quarter decrease of -1.6% (-1.3% ex-TSB), due to the reduction of term deposits. Total off-balance sheet customer funds amounted to 40,044 million euros as at the end of March 2020.

Sight account balances amounted to 118,878 million euros (87,498 million euros ex-TSB), representing an increase of 7.8% year-on-year (10.6% ex-TSB) and remaining in line with the previous quarter (growth of 0.7% ex-TSB). **Term deposits** amounted to 25,115 million euros (21,905 million when considered ex-TSB).

Funds under management amounted to 207,957 million euros (171,011 million ex-TSB), compared with 206,353 million euros (169,637 million ex-TSB) one year previously, representing a year-on-year increase of 0.8% at Group level and ex-TSB.

(1) Excludes CAM APS and the account receivable created for the pre-emptive right associated with the NPA portfolio sales of €1.1bn in 4Q19 and €0.5bn in 1Q20.

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Essential focus on supporting SMEs, the self-employed and corporates via the ICO guarantee line

Sabadell has exhausted the first tranche of the ICO guarantee line, with a total of 2,125 million in loans granted to SMEs, self-employed persons and corporates, and has handled around 61,036 applications to date for a total volume of 7,887 millions euros. SMEs and self-employed have 60.195 applications for 5,384 millions euros and corporates have 841 applications for 2,503 millions euros. Furthermore, Banco Sabadell expects that the second and third line of liquidity designated for these segments will be fully consumed.

Banco Sabadell has provided the necessary tools for its customers, offering the best funding solutions in an attempt to alleviate the consequences of the Covid-19 crisis. The institution's commitment to SMEs, the self-employed and corporates through its customer support plan, known as the "Plan de Acompañamiento", should not be understated. The plan provides appropriate solutions to the liquidity problems suffered by the Bank's customers, guiding and advising them so that they may adapt their business strategies according to their objectives and profile.

Increased customer digitisation

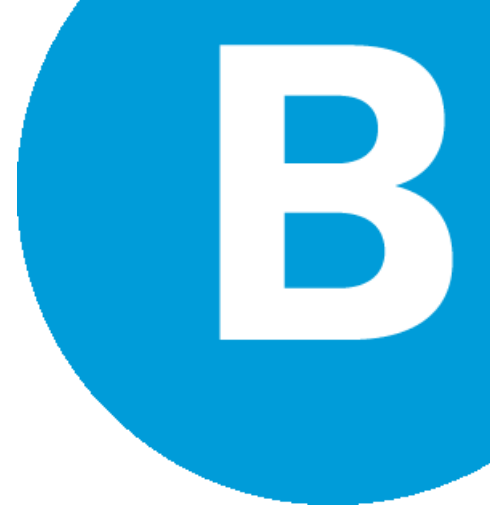
The current situation is increasing the use of digital channels by customers of Banco Sabadell Spain. During April, online transactions increased by 13% and access via the app was up by 9%, while 96% of transfers were carried out using these remote channels. Around 20% of new digital customers are over 65 years of age, doubling the average number in that age group in previous quarters. At Banco Sabadell, the rate of employees teleworking has reached 73% in the branch network and 97% in the headquarters, all of which serves to ensure operational continuity for the Bank's customers.

Risk management

Non-performing assets were reduced over the year, and at the end of March 2020 their balance was 7,422 million euros, of which 6,112 million euros correspond to non-performing loans and 1,310 million euros correspond to foreclosed assets. This volume of problematic (non-performing) assets has brought down the ratio of net NPAs to total assets to 1.7%, compared to 1.8% in the first quarter of the previous year.

The NPA coverage ratio stood at 49.6%, with the coverage of non-performing loans standing at 52.8% and the coverage of foreclosed assets at 34.4%.

The ratio of problematic assets in relation to gross loans plus real estate assets stood at 4.9%, down from 5.5% in the first quarter of the previous year.



The Group's NPL ratio stood at 3.8%, improving from the first quarter of the previous year, when it stood at 4.1%.

TSB stays focussed on its strategic plan and implements support measures for customers affected by Covid-19

TSB remains focussed on implementing its new strategic plan and developing its commercial activity. Net loans at the end of March 2020 had increased by 2.8% year-on-year. Quarter-on-quarter, there was a marginal decline of 0.5%. Lending amounted to 34,844 million euros, representing a decline of 0.6% year-on-year, impacted by the depreciation of the pound. At constant exchange rates, lending grew 2.7% year-on-year, driven by an increase in the mortgage portfolio.

On-balance sheet customer funds amounted to 34,590 million euros, representing an increase of 1.7%, impacted by the negative effect of the sterling exchange rate. At constant exchange rates, this item increased by 5.0% year-on-year, supported by the growth of current accounts as a result of the low savings rate on term deposits.

With regard to measures to manage the impact of Covid-19 by offering funding solutions to their customers, amongst others, the implementation of a three-month payment holiday on mortgages, which has also been rolled out to cover personal loans and credit cards, is particularly noteworthy. For the Corporates segment, a six-month moratorium on capital repayments has been established.

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Key developments in the quarter

Banco Sabadell closes deal with BNP Paribas Securities Services to sell its institutional depositary business

Banco Sabadell and BNP Paribas Securities Services S.C.A., Sucursal en España (BP2S) entered into an agreement by virtue of which BP2S has undertaken to acquire the institutional depositary business of Banco Sabadell for an amount of 115 million euros.

As at the end of 2019, Banco Sabadell's institutional depositary business included approximately

22 billion euros of assets under deposit.

The transaction will generate a net capital gain of 75 million euros, of which 58 million euros will be recognised upon closing (corresponding to 7 basis points of CET1), the remaining 17 million euros being accrued proportionally during the following financial years.

The General Shareholders' Meeting approved the distribution of a supplementary dividend to shareholders of €0.02 (gross) per share at its meeting in October 2019

During the Banco Sabadell Board of Directors meeting held on 30 January 2020, a resolution was agreed to distribute a supplementary dividend to shareholders of €0.02 (gross) per share to be paid in cash.

This dividend supplements the interim dividend of €0.02 (gross) per share, agreed by the Board of Directors on 24 October 2019, and which was paid out on 24 December 2019. The total shareholder remuneration corresponding to year 2019 amounts to €0.04 (gross) per share. The dividend proposal was approved at the Annual General Meeting (AGM), executing the payout of the supplementary dividend.

Banco Sabadell has agreed not to pay the dividend for 2020 and the Chairman, CEO and other members of the institution's Senior Management have voluntarily waived their variable remuneration

The Board of Directors of Banco Sabadell held an extraordinary meeting on 8 April 2020 in which it agreed not to pay out the dividend corresponding to 2020, as a prudent measure, in view of the circumstances generated by the Covid-19 crisis. In addition, the Chairman, CEO and other members of Senior Management of Banco Sabadell have waived their variable remuneration for 2020, a measure also adopted by members of the Management Committee of the UK subsidiary TSB.



BancoSabadell Profit & loss account (consolidated)

Figures in € million	Total group				ExTSB		
	Mar 19	Mar 20	Change YoY	Change at fixed FX	Mar 19	Mar 20	Change YoY
Net interest income	901	884	-1,8%	-2,2%	656	643	-2,1%
Net fees and commissions	343	349	1,9%	1,8%	316	327	3,4%
Core revenues	1.243	1.234	-0,8%	-1,1%	972	969	-0,3%
Results from financial transactions and foreign exchange	67	151	124,1%	124,2%	51	137	167,1%
Income from equity method and dividend	12	4	-69,9%	-69,9%	12	4	-69,9%
Other operating income / expense	1	-17	--	--	-11	-18	64,5%
Gross operating income	1.324	1.371	3,6%	3,2%	1.025	1.092	6,5%
Operating expenses	-664	-652	-1,8%	-2,4%	-434	-441	1,6%
Personnel expenses	-391	-403	3,2%	2,7%	-292	-310	6,1%
Other general expenses	-273	-249	-8,9%	-9,6%	-142	-131	-7,6%
Amortization & depreciation	-113	-126	11,4%	10,9%	-80	-87	9,2%
<i>Promemoria:</i>							
<i>Recurrent costs</i>	-749	-768	2,6%	2,0%	-510	-526	3,1%
<i>Non-recurrent costs</i>	-28	-10	-64,8%	-65,3%	-3	-2	-46,7%
Pre-provisions income	547	593	8,4%	8,4%	511	564	10,3%
Total provisions and impairments	-190	-454	138,8%	139,0%	-169	-416	146,7%
Gains on sale of assets and other results	1	1	38,0%	39,1%	1	1	16,3%
Profit before tax	358	141	-60,7%	-60,9%	343	149	-56,7%
Income tax	-99	-46	-53,1%	-53,5%	-91	-48	-48,1%
Minority interest	1	1	-34,1%	-34,1%	1	1	-34,1%
Attributable net profit	258	94	-63,7%	-63,9%	251	101	-59,9%

PRO MEMORIA Balances in € million	Total group				ExTSB		
	Mar 19	Mar 20	Change YoY	Change at fixed FX	Mar 19	Mar 20	Change YoY
Total assets	225.744	223.286	-1,1%	-0,1%	180.393	180.112	-0,2%
Performing gross loans	140.139	143.475	2,4%	3,6%	105.097	108.631	3,4%
Performing gross loans ex APS	137.048	141.714	3,4%	4,7%	102.006	106.870	4,8%
Customer-based funding on balance sheet	139.986	144.005	2,9%	3,8%	105.967	109.414	3,3%
Customer-based funding off balance sheet	43.655	40.044	-8,3%	-8,3%	43.655	40.044	-8,3%

RATIOS	Total group		ExTSB	
	Mar 19	Mar 20	Mar 19	Mar 20
Cost / income (ex amortisation) (%)	52,10	49,34	44,46	42,26
Core capital / Common equity phase in (%)	11,7	12,2	--	--
NPLs / Gross loans (%)	4,10	3,84	4,92	4,59
NPLs coverage (%)	52,6	52,8	53,1	53,1
Number of branches	2.455	2.396	1.906	1.862
Number of employees	26.177	24.415	17.863	17.139

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