



4Q20

**Quarterly Financial
Report**

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Basis of presentation

The consolidated income statement and balance sheet as at the end of December 2020 and 2019, together with the disclosures shown in this Financial Report, are presented in accordance with the accounting standards, principles and criteria defined in Note 1 to the Group's consolidated annual financial statements as at 31 December 2020.

Pursuant to the Guidelines on alternative performance measures published by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415), a glossary has been included with the definitions and the reconciliation with the items presented in the financial statements of certain alternative financial measures used in this document. See Glossary of terms on performance measures.

1. Key figures

	Excl. TSB			Total group			
	31.12.19	31.12.20	YoY (%)	31.12.19	31.12.20	YoY (%)	
Profit and loss account (€ million)							
Net interest income	2,644	2,514	-4.9	3,622	3,399	-6.2	
Core revenues	3,966	3,768	-5.0	5,061	4,749	-6.2	
Gross operating income	3,841	4,294	11.8	4,932	5,302	7.5	
Pre-provisions income	1,680	1,868	11.2	1,719	1,841	7.1	
Attributable net profit	813	222	-72.7	768	2	-99.7	
Balance sheet (€ million)							
Total assets	179,593	191,230	6.5	223,754	235,763	5.4	
Performing gross loans	108,076	109,902	1.7	144,572	146,878	1.6	
Gross loans to customers	113,492	114,724	1.1	150,749	152,265	1.0	
On-balance sheet customer funds	110,886	112,565	1.5	146,309	150,778	3.1	
Off-balance sheet customer funds	43,163	38,064	-11.8	43,163	38,064	-11.8	
Total customer funds	154,049	150,630	-2.2	189,472	188,843	-0.3	
Net equity	--	--	--	12,974	12,492	-3.7	
Shareholders' equity	--	--	--	13,172	12,944	-1.7	
Profitability and efficiency ratios (%)							
ROA	--	--	--	0.35	0.00	--	
RORWA	--	--	--	0.95	0.00	--	
ROE	--	--	--	5.94	0.02	--	
ROTE	--	--	--	7.37	0.02	--	
Efficiency	47.57	48.05	--	55.63	55.41	--	
Risk management							
Stage 3 exposures (non-performing) (€million)	(1)	5,690	5,308	-6.7	6,141	5,808	-5.4
Total problematic assets (€million)	(1)	6,874	6,681	-2.8	7,326	7,182	-2.0
NPL ratio (%)	(1)	4.62	4.28	--	3.83	3.60	--
Stage 3 coverage ratio (%)	(1)	39.7	41.7	--	37.7	39.1	--
Stage 3 coverage ratio with total provisions (%)	(1)	50.1	56.4	--	49.6	56.5	--
Problematic assets coverage (%)	(1)	47.2	52.3	--	46.9	52.6	--
Liquidity management (%)							
Loan-to-deposits ratio		97	98	--	99	98	--
LCR		184	219	--	172	198	--
Capital management							
Risk weighted assets (RWA) (€million)		--	--	--	81,231	78,779	-3.0
Common Equity Tier 1 (%)		--	--	--	12.4	12.6	--
Tier 1 (%)		--	--	--	13.9	14.0	--
Total capital ratio (%)		--	--	--	15.7	16.1	--
Leverage ratio (%)		--	--	--	5.01	5.23	--
Share data (period end)							
Number of shareholders		--	--	--	235,034	244,225	--
Average number of shares (million)		--	--	--	5,538	5,582	--
Share price (€)	(2)	--	--	--	10.40	0.354	--
Market capitalisation (€million)		--	--	--	5,760	1,976	--
Earnings per share (EPS) (€)	(3)	--	--	--	0.13	-0.01	--
Book value per share (€)		--	--	--	2.38	2.32	--
TBV per share (€)		--	--	--	1.91	1.85	--
Price / Book value (times)		--	--	--	0.44	0.15	--
Price / Earnings ratio (P/E) (times)		--	--	--	8.29	-27.75	--
Other data							
Branches		1,862	1,629	--	2,398	2,083	--
Employees		17,060	16,749	--	24,454	23,458	--

Note: 'NPL' refers to the stage 3 reporting definition under IFRS9, while 'performing loans' refers to the stage 1 and stage 2 reporting definitions, throughout the presentation.

- (1) NPA portfolios sold to institutional investors have been reclassified as non-current assets held for sale, therefore the figures are shown excluding these assets.
(2) Without adjusting historical values.
(3) Net profit adjusted by the Additional Tier 1 coupons recorded under equity.
(4) The EURGBP exchange rate used for the income statement as at 31.12.2020 is 0.8888. The exchange rate used for the balance sheet is 0.8990.

2. Summary

Highlights in 2020 include:

- Full year results impacted by Covid-19 crisis.
- Execution of the efficiency plan in Spain, entailing extraordinary costs of -314 million euros, and acceleration of TSB's efficiency plan, in relation to which a total of -104 million euros has been recorded.
- Improved risk profile after disposals of portfolios of more than 1,200 million euros of NPAs, with an impact of -380 million euros.

Net interest income

Net interest income ended the year 2020 at 3,399 million euros, falling by -6.2% year-on-year due to lower interest rates, the smaller contribution of the ALCO portfolio, lower overdraft fees due to the support taken in relation to Covid-19 and lower income following the consumer loan securitisation carried out in 2019.

In the quarter, this item increased by 1.5%, mainly supported by larger volumes in TSB and higher activity levels in Spain.

Net fees and commissions

Fees and commissions amounted to 1,350 million euros, representing a year-on-year decline of -6.1% and a quarterly growth of 7.0%. The year-on-year change has been affected by lower activity levels brought about by the lockdown due to the pandemic, with service fees being particularly hard-hit, as well as by the sale of Sabadell Asset Management, which has caused a reduction of asset management fees.

The quarterly growth has been supported by service fees given the increase in syndicated loan transactions and by asset management fees due to factors related to the usual fourth quarter seasonality.

Total costs

Total costs amounted to -3,461 million euros as at the end of 2020, an increase of 7.7% compared to the previous year, due to the recognition of restructuring costs in Spain and the UK (TSB).

Recurring costs were down by -2.4% year-on-year and by -3.4% in the quarter, due to a reduction of both personnel expenses and general expenses.

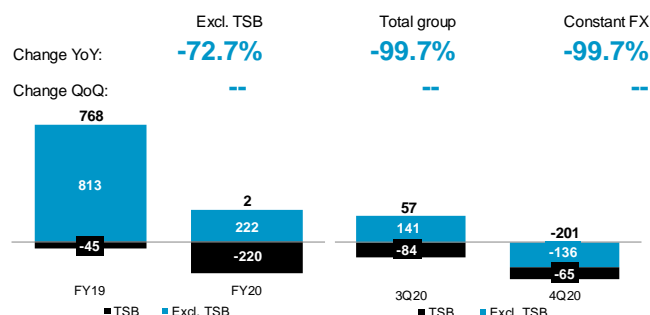
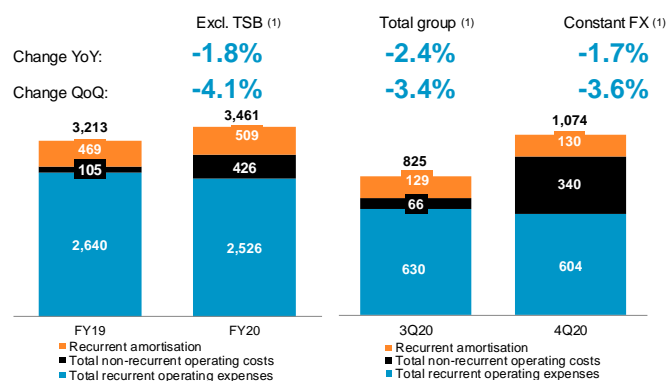
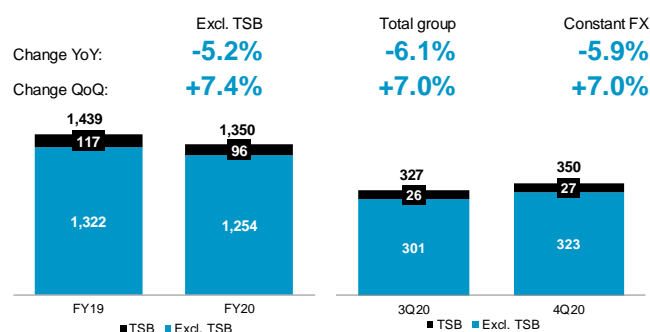
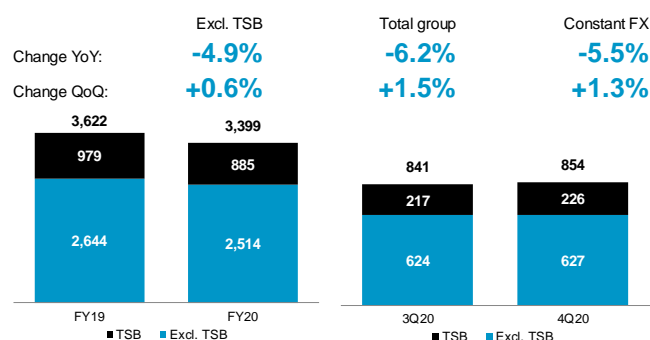
The Group's efficiency ratio stood at 55.4% as at the end of 2020.

Net profit of the Group

The Group's net profit amounted to 2 million euros as at 2020 year-end after managing the Covid-19 crisis. The fourth quarter was impacted by the contribution to the Deposit Guarantee Fund (DGF) and the payment of the tax on deposits of credit institutions (IDEC).

(1) Change in recurrent costs.

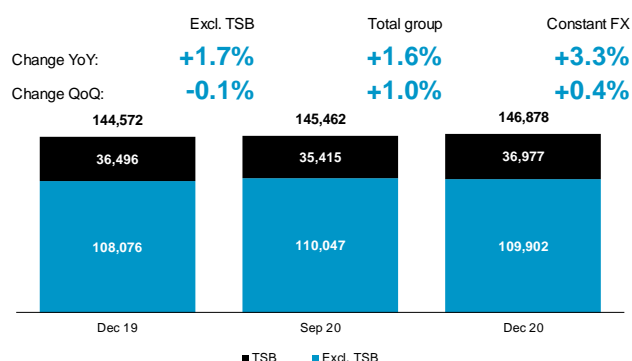
- Capital gains from the ALCO portfolio with an impact of 599 million euros have been used to finance efficiency plans and some of the portfolio disposals.
- Higher provisions due to Covid-19 scenario with a direct impact of around -650 millions euros and due to -115 millions euros by a migration of loans to stage 2.
- Capital gains of 293 million euros have been recognised on the sale of Sabadell Asset Management.



Performing loans

Performing loans increased by 1.6% year-on-year and by 1.0% in the quarter. Considering a constant exchange rate, they increased by 3.3% in the year, driven by a positive performance across geographies, with the main growth driver of the business in Spain being the granting of ICO-guaranteed loans to corporates, SMEs and the self-employed, while in quarter-on-quarter terms lending grew by 0.4%, mainly due to the increase of core mortgages in TSB.

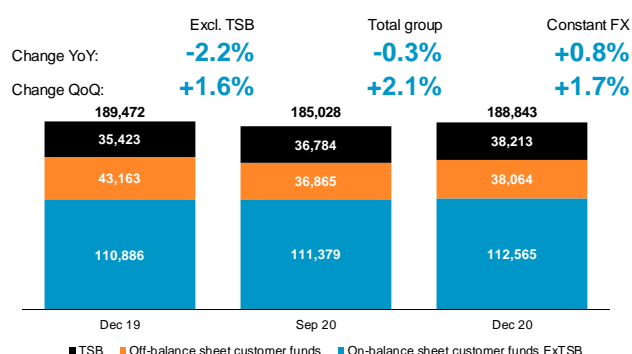
Excluding the APS impact, performing loans increased by 2.6% year-on-year and 1.0% in the quarter, rising to 4.4% year-on-year and 0.4% in the quarter considering a constant exchange rate.



Customer funds

On-balance sheet customer funds grew by 3.1% year-on-year and by 1.8% in the quarter. Considering a constant exchange rate, they increased by 4.6% year-on-year and 1.3% in the quarter, due to the increase in sight accounts, which offset the decline in term deposits.

Off-balance sheet funds decreased year-on-year after Sabadell Asset Management disposal and posted a growth of 3.3% in the quarter due to the increase of mutual funds, which were impacted by financial market performance.



Problematic assets (*)

The Group's problematic assets were reduced by -466 million euros in the quarter, as non-performing loans decreased by -319 million euros and foreclosed assets were reduced by -147 million euros, impacted by the NPA portfolio disposals carried out in the fourth quarter, which offset the effect of the migration of loans to different stages.

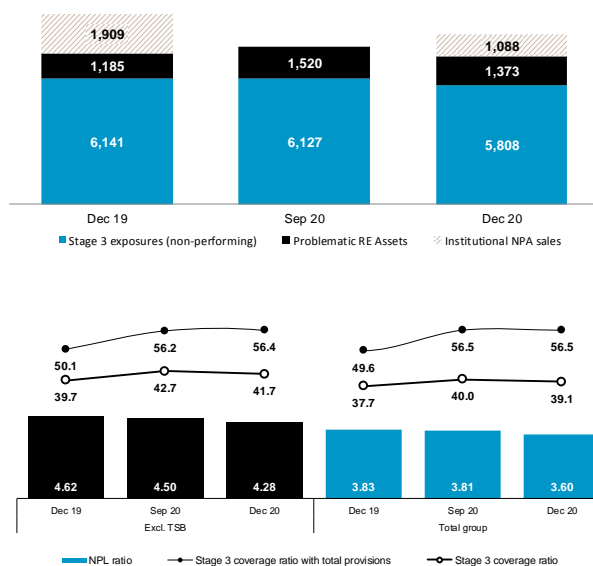
NPL ratio and coverage (*)

The Group's NPL ratio stood at 3.6%, improving compared to 2019 and in relation to the previous quarter, when it stood at 3.8%. It also had a better portfolio composition after the sales in the fourth quarter, with lower proportion of past-due NPLs.

The stage 3 coverage ratio considering total provisions stood at 56.5%, and the stage 3 coverage ratio at 39.1%.

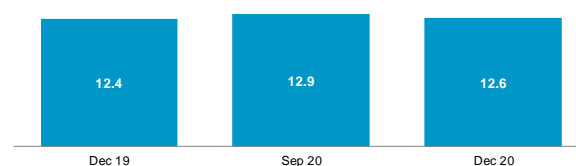
The ratio of problematic assets in relation to gross loans plus real estate assets improved, reaching 4.7%.

The Group's credit risk cost stood at 86bps as at 2020 year-end, excluding the impacts of NPL disposals.



Capital ratio

The CET1 ratio stood at 12.6%, and the Total Capital ratio stood at 16.1% as at 2020 year-end.



(*) NPA portfolios sold to institutional investors have been reclassified as non-current assets held for sale, therefore the figures are shown excluding these assets.

3. Performance review

Macroeconomic environment

Global economic, political and financial environment

The coronavirus pandemic has continued to be the main economic and financial constraint in 4Q20. In Europe, the quarter saw a second wave of new Covid-19 cases. Against this backdrop, many countries announced new containment measures, although generally these were not as strict as those introduced in March and April. For instance, manufacturing and construction activities continued, and schools stayed open. However, several countries eased these measures over the Christmas period. Tighter containment measures resulted in weaker activity levels in 4Q20, after a significant recovery in the preceding quarter. In any event, the expected slowdown in activity in some countries will not be nearly as severe as the slowdown recorded in 2Q20.

On the positive side, healthcare agencies in several countries began testing vaccines against the coronavirus, ultimately giving the green light for vaccination programmes to start being rolled out in some regions before the end of the year.

In terms of politics, the United States held their presidential elections, which saw high levels of voter turnout and a significant proportion of postal votes. After several days of uncertainty given the delays in counting the votes, Democrat candidate Joe Biden was eventually declared the winner. The new Biden administration represents a major political shift for the US and for multilateral relations on a global scale, and a particularly significant change for Europe and Mexico.

In relation to Brexit, the UK and the EU came to an agreement regarding their future trade relationship on 24 December, thus eliminating the risk of a no-deal Brexit on 31 December. The deal allows for a continued trade of goods without fees or tariffs, although its provisions when it comes to services are more limited and it also introduces substantial non-tariff barriers. Some aspects, including data exchange and financial services, will be negotiated at a later stage.

Economic situation in Spain

The gradual lifting of restrictions on movement and activity in some sectors that took place at the end of 2Q20 helped to drive the growth of GDP in 3Q20. After a sharp decline in activity levels during the first half of the year, GDP recorded a quarterly growth of 16.4% in 3Q20. Despite this, activity remained far below pre-Covid levels.

From the end of 3Q20 onwards, the deteriorating epidemiological situation in Spain prompted the authorities to reimpose both domestic and international containment measures, which hampered its economic recovery. These included travel restrictions on the main countries of origin of tourists in Spain, which negatively impacted the tourism industry at the end of 3Q20 and throughout 4Q20.

In any event, the second wave of the pandemic had a far more limited impact on the economy than the first wave. This is because the containment measures were less strict than the ones imposed in March and April and they only targeted specific sectors. In contrast to the first wave, the Spanish economy appears to have outperformed the leading European

economies. The Bank of Spain estimates that GDP will have fallen by 0.8% in the quarter in 4Q20, bringing the overall decline in 2020 to -11.1%.

Economic situation in the United Kingdom

November's GDP contracted by 2.6% during the month, due to the lockdown announced by the authorities, bringing an end to six months of continued recovery. Nevertheless, this lockdown was far less damaging than the spring lockdown in terms of GDP (Apr20: -18.9% month-on-month), as more economic sectors remained open.

The labour market has continued to be more resilient than expected, thanks to the extension of the wage subsidy schemes introduced by the Government. The unemployment rate rose from 4.5% to 4.9% between August and October.

In the housing market, prices continued to pick up sharply once the spring lockdown measures were lifted. The November lockdown slowed this recovery, although its effects were far less severe than in the spring as on this occasion the real estate market remained open. As at December, house prices had risen by 6.0% year-on-year. House prices were supported by pent-up demand, the increase of the Stamp Duty Land Tax threshold, and the increase in people's preference for working from home. Monthly home mortgage approvals reached a 13-year high in November.

Government guarantee schemes were also extended and continued to provide significant support for SME lending and for the economy in general.

The unprecedented measures put in place by the Government to deal with the crisis have continued to have a significant impact on public accounts. Public deficit between April and November was 11.3% of GDP. Public debt stood at 99.5% of GDP in November, the highest since 1962.

Economic situation in Latin America

During 3Q20, the main Latin American economies recovered around half of the decline in GDP that they recorded in the previous quarter. In Mexico, economic recovery was driven by external demand (United States), the automotive industry and the fact that the recent measures taken by the US to contain the virus were less strict than those taken in Europe. However, investment and domestic demand continued to show signs of weakness in the face of absent fiscal stimulus measures. Furthermore, the virus containment measures that were reintroduced near the end of the year temporarily hindered the recovery of internal demand. On the other hand, economic forecasts and expectations regarding Mexican financial assets were supported by Joe Biden's electoral victory in the US. At an institutional level, the draft bill put forward by the Senate to force Banxico to buy surplus dollars in the financial system attracted a great deal of attention, as the bill would limit the Mexican bank's independence and could affect lines with other central banks (concerns that these funds might come from unlawful sources).

In Brazil, the rapid reopening of the economy and the strong fiscal stimulus measures are allowing it to recover faster than other countries in the region. Internal disputes between Brazilian authorities became more pronounced in the areas of economic management (whether or not to introduce further fiscal stimulus measures) and the pandemic (vaccination programme and introduction of containment measures). All of these events took place against a backdrop of persistent concerns regarding the sustainability of the country's public accounts.

Fixed income markets

Central banks in the main developed economies have shown a clearly accommodative tone. The ECB increased and extended the duration of its Pandemic Emergency Purchase Programme (PEPP), extended the period with favourable conditions for TLTRO III by one year, and it also announced that it would be holding further liquidity operations in 2021. The aim of these measures was to maintain favourable refinancing conditions. The BoE also scaled up its monetary stimulus package, expanding its quantitative easing programme by 150 billion pounds and extending the duration of the term funding scheme for banks (TFSME). BoE members continued to discuss the pros and cons of lowering interest rates to negative figures, something that the BoE Governor said would not take place immediately. The Fed, meanwhile, introduced new forward guidance for its current quantitative easing programme where it linked the pace of its purchases to economic conditions. The Fed indicated that it would continue with its current pace of purchases until it had made substantial progress towards its target maximum employment and inflation levels.

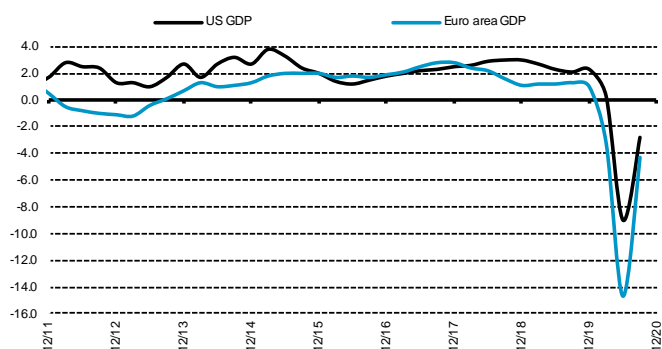
Yields on long-term German government bonds fell slightly and remained at clearly negative levels, influenced by the accommodative tone of the ECB's monetary policy and by the expected deterioration of activity in 4Q20, due to the tightening of measures implemented to contain the virus. Yields on long-term US government bonds, on the other hand, increased slightly, influenced by expectations of an additional fiscal stimulus package, which ended up being approved at the end of the year. Yields on UK government bonds remained broadly unchanged.

Risk premiums in the periphery dropped and remained at very contained levels thanks to the actions taken by the ECB. Yields on Spanish and Portuguese 10-year government bonds dropped to negative figures for the first time in history.

Equity markets

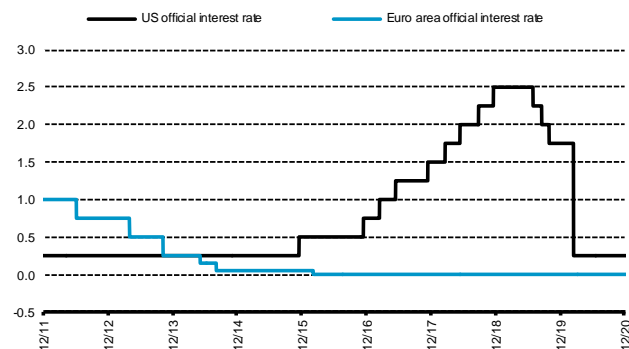
The quarter began with sharp declines in equity markets given the discrepancies in the US surrounding the approval of the new package of fiscal stimulus measures and the start of the second wave of coronavirus, which weighed down on economic growth expectations. However, Biden's subsequent win in the US elections, which cleared the path for the approval of the fiscal package, together with the good results of the clinical trials and the subsequent approval of Covid vaccines, helped to reactivate the market. Overall in the quarter the S&P 500 gained +11.7% in dollars (7.1% in euros), the Euro STOXX was up +11.2% in euros and the IBEX 35 gained +20.2%, thanks to the rebound of bank stocks.

GDP – US vs. Euro area (year-on-year change, %)



Source: Bloomberg

Official interest rate – USA vs. Euro area (%)



Exchange rates: Parity vs. euro

Fx	31.12.19	31.03.20	30.06.20	30.09.20	31.12.20
USD	1.1234	1.0956	1.1198	1.1708	1.2271
GBP	0.8508	0.8864	0.9124	0.9124	0.8990
MXN	21.2202	26.1772	25.9470	26.1848	24.4160

Source: Bank of Spain

Income statement

Highlights:

Core banking revenue performed well in the quarter, supported by the growth of net interest income due to larger volumes in TSB and higher activity in Spain, as well as by the increase in fees, particularly service and asset management fees.

In the quarter, particular note should be taken of the impact of -314 million euros in operating expenses due to restructuring costs in Spain (-305 million euros in personnel expenses and -9 million euros in general expenses) and -380 million euros worth of provisions for sales of non-performing asset portfolios.

Restructuring costs in TSB amounted to -104 million euros in the year, of which -101 million euros have been recognised as non-recurrent costs and -3 million euros have been recorded under gains on asset sales. In the quarter, -17 million euros were recognised, including -18 million euros in non-recurrent costs and 1 million euros in capital gains.

Efficiency plans and some of the portfolio disposals were financed with the sale of bonds from the ALCO portfolio, which generated gains of 599 million euros in the quarter.

Also worthy of note in the quarter was the contribution to the Deposit Guarantee Fund (DGF) of -114 million euros (-123 million euros in full year 2020) and the payment of the tax on deposits of credit institutions (IDEC) of -32 million euros.

Income statement

(€ million)	Excl. TSB			Total group			
	FY19	FY20	YoY (%)	FY19	FY20 ⁽¹⁾	YoY (%)	YoY (%) at constant FX
Net interest income	2,644	2,514	-4.9	3,622	3,399	-6.2	-5.5
Net fees and commissions	1,322	1,254	-5.2	1,439	1,350	-6.1	-5.9
Core revenues	3,966	3,768	-5.0	5,061	4,749	-6.2	-5.6
Net trading income and exchange differences	111	774	--	126	800	--	--
Income from equity method and dividends	61	37	-39.4	61	37	-39.4	-39.4
Other operating income/expense	-297	-286	-3.8	-317	-284	-10.3	-9.7
Gross operating income	3,841	4,294	11.8	4,932	5,302	7.5	8.1
Operating expenses	-1,827	-2,063	12.9	-2,743	-2,938	7.1	7.9
Personnel expenses	-1,225	-1,486	21.3	-1,649	-1,885	14.3	15.0
Other general expenses	-602	-577	-4.2	-1,095	-1,054	-3.8	-2.9
Amortisation & depreciation	-334	-363	8.6	-470	-523	11.4	12.1
<i>Promemoria:</i>							
Recurrent costs	-2,141	-2,102	-1.8	-3,109	-3,035	-2.4	-1.7
Non-recurrent costs	-20	-324	--	-105	-426	--	--
Pre-provisions income	1,680	1,868	11.2	1,719	1,841	7.1	7.4
Provisions for NPLs	-603	-1,653	174.2	-672	-1,832	172.7	173.9
Provisions for other financial assets	-19	-127	--	-22	-188	--	--
Other impairments	-244	-254	4.3	-244	-254	4.3	4.3
Gains on sale of assets and other results	174	317	82.2	170	313	84.2	84.1
Profit before tax	989	150	-84.8	951	-121	--	--
Income tax	-167	73	--	-174	124	--	--
Minority interest	9	1	-88.9	9	1	-88.9	-88.9
Attributable net profit	813	222	-72.7	768	2	-99.7	-99.7

(1) The EURGBP exchange rate used for the income statement is 0.8888.

Quarterly income statement

(€million)	Excl. TSB						Total group						
	4 Q19	1Q20	2 Q20	3 Q20	4 Q20	QoQ (%)	4 Q19	1Q20	2 Q20	3 Q20	4 Q20	QoQ (%)	QoQ (%) at constant FX
Net interest income	659	643	620	624	627	0.6	910	884	820	841	854	1.5	1.3
Net fees and commissions	343	327	303	301	323	7.4	372	349	324	327	350	7.0	7.0
Core revenues	1,001	969	923	925	951	2.8	1,282	1,234	1,144	1,168	1,204	3.1	2.9
Net trading income and exchange differences	-3	137	-1	19	619	--	-4	151	4	22	622	--	--
Income from equity method and dividends	9	4	10	11	12	6.8	9	4	10	11	12	6.8	6.8
Other operating income/expense	-179	-18	-81	-19	-168	--	-188	-17	-69	-26	-172	--	--
Gross operating income	827	1,092	852	936	1,414	51.0	1,098	1,371	1,089	1,176	1,666	41.7	41.3
Operating expenses	-483	-441	-446	-440	-737	67.6	-721	-652	-654	-694	-937	35.0	34.7
Personnel expenses	-309	-310	-306	-291	-580	99.4	-423	-403	-394	-414	-672	62.2	61.9
Other general expenses	-174	-131	-139	-149	-157	5.6	-298	-249	-260	-280	-265	-5.4	-5.5
Amortisation & depreciation	-90	-87	-89	-93	-93	0.1	-126	-126	-130	-131	-137	4.6	4.5
<i>Promemoria:</i>													
Recurrent costs	-567	-526	-534	-532	-510	-4.1	-812	-768	-774	-760	-734	-3.4	-3.6
Non-recurrent costs	-6	-2	-1	-1	-320	--	-34	-10	-10	-66	-340	--	--
Pre-provisions income	254	564	317	403	584	44.6	251	593	305	350	592	68.9	68.3
Provisions for NPLs	-218	-362	-435	-189	-668	253.0	-246	-400	-518	-238	-676	184.4	183.0
Provisions for other financial assets	-8	-16	-65	-4	-42	--	-5	-14	-65	-4	-104	--	--
Other impairments	-119	-39	-52	-60	-103	70.9	-119	-39	-52	-60	-103	70.9	70.9
Gains on sale of assets and other results	34	1	274	28	14	-47.9	32	1	275	22	15	-33.2	-33.4
Profit before tax	-57	149	39	178	-215	--	-86	141	-55	71	-277	--	--
Income tax	84	-48	75	-35	80	--	73	-46	105	-12	77	--	--
Minority interest	2	1	-2	2	0	-100.0	2	1	-2	2	0	-100.0	-100.0
Attributable net profit	25	101	116	141	-136	--	-15	94	52	57	-201	--	--

(1) The EURGBP exchange rate used for the income statement of the quarter is 0.9035.

Net interest income:

Net interest income amounted to 3,399 million euros as at 2020 year-end, representing a decline of -6.2% in the year and a growth of 1.5% in the quarter. The year-on-year decline is mainly due to lower interest rates, the smaller contribution of the ALCO portfolio, lower overdraft fees due to the support taken in relation to Covid-19 and lower income following the consumer loan securitisation carried out in 2019.

Excluding TSB, net interest income amounted to 2,514 million euros as at 2020 year-end, representing a decrease of -4.9% compared to the previous year, for the reasons already explained above, while the quarterly growth of 0.6% was supported by an increase in lending activity in Spain.

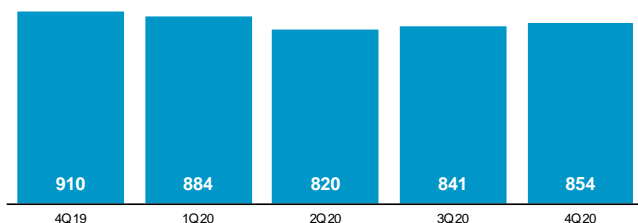
TSB's net interest income amounted to 885 million euros, falling by -9.6% compared to the previous year due to the interest rate cut in the United Kingdom, the situation brought about by Covid-19, the measures taken to contain it, and due to the negative impact of the exchange rate. In the quarter, this item increased by 4.2%, supported by the growth of mortgage lending.

Customer spread and net interest margin:

The customer spread stood at 2.28% (2.19% excluding TSB) and the net interest margin relative to average total assets stood at 1.45% (1.30% excluding TSB), thus improving from the previous quarter due to lower cost of customer funds and lower wholesale funding cost.

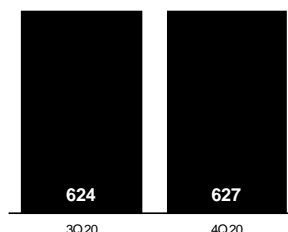
Evolution of net interest income

Total group (€ millions)



Change YoY:	-6.2%	Constant FX	-5.5%
Change QoQ:	+1.5%		+1.3%

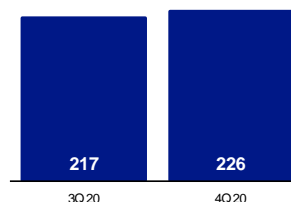
Sabadell ex - TSB (€ millions)



Change YoY:
-4.9%

Change QoQ:
+0.6%

TSB (€ millions)



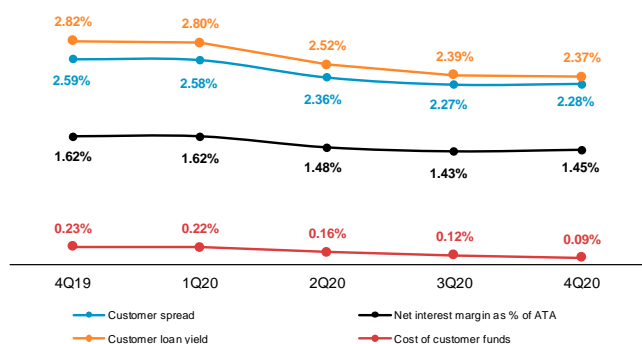
Change YoY:
-9.6%

Constant FX
-8.5%

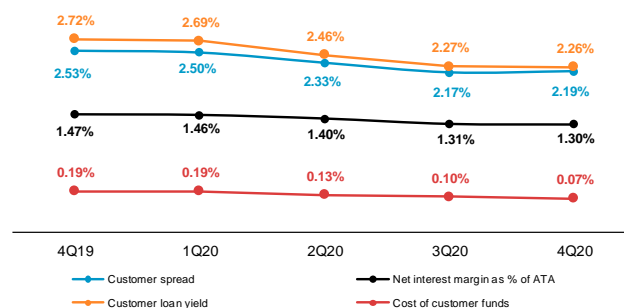
Change QoQ:
+4.2%

Constant FX
+4.0%

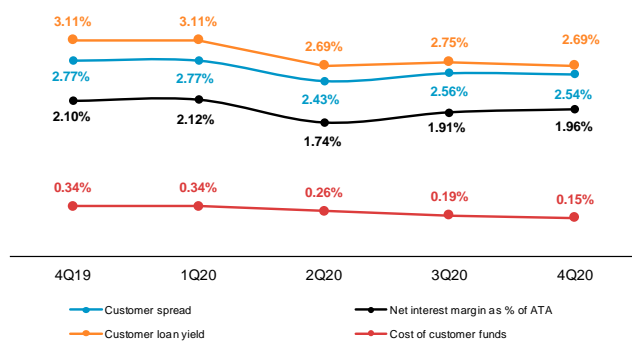
Net interest income, Group (%)



Net interest income, ex-TSB (%)



Net interest income, TSB (%)



Gains and charges in the quarter

Total Group

2020 (€ million)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter (1)		
	Avg. balance	Rate %	Results	Avg. balance	Rate %	Results	Avg. balance	Rate %	Results	Avg. balance	Rate %	Results
Cash and cash equivalent (2)	26,255	0.19	13	28,341	0.10	7	36,048	-0.08	-7	38,368	-0.17	-16
Loans to customers (net)	142,034	2.80	988	143,838	2.52	900	144,698	2.39	869	146,229	2.37	871
Fixed-income securities	27,499	1.16	79	26,550	0.96	63	29,524	0.87	65	27,693	0.72	50
Equity securities	1,000	--	--	1,038	--	--	1,044	--	--	956	--	--
Tang. & intang. assets	5,475	--	--	5,412	--	--	5,353	--	--	5,385	--	--
Other assets	18,074	1.41	63	17,380	1.00	43	16,484	0.56	23	15,742	0.74	29
Total assets	220,338	2.09	1,143	222,558	1.83	1,014	233,151	1.62	950	234,374	1.59	934
Financial institutions (3)	22,792	-0.14	-8	23,720	0.08	5	34,093	0.69	59	34,379	0.69	60
Customer deposits (4)	149,636	-0.22	-82	151,935	-0.16	-61	153,694	-0.12	-46	154,676	-0.09	-34
Capital markets	25,330	-1.33	-84	24,211	-1.28	-77	23,439	-1.31	-77	22,753	-1.27	-72
Other liabilities	9,672	-3.55	-85	9,953	-2.45	-61	9,165	-1.94	-45	9,701	-1.36	-33
Shareholders' equity	12,908	--	--	12,739	--	--	12,760	--	--	12,865	--	--
Total funds	220,338	-0.47	-259	222,558	-0.35	-194	233,151	-0.19	-109	234,374	-0.14	-80
Net interest income			884			820			841			854
Customer spread		2.58			2.36			2.27			2.28	
Net interest margin as % of ATA		1.62			1.48			1.43			1.45	

2019 (€ million)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg. balance	Rate %	Results	Avg. balance	Rate %	Results	Avg. balance	Rate %	Results	Avg. balance	Rate %	Results
Cash and cash equivalent (2)	31,207	0.19	15	33,178	0.21	17	27,695	0.26	18	26,689	0.19	13
Loans to customers (net)	138,026	2.97	1,011	139,417	2.94	1,022	139,634	2.89	1,018	141,583	2.82	1,006
Fixed-income securities	25,213	1.34	83	26,672	1.30	87	28,356	1.20	86	27,469	1.25	86
Equity securities	869	--	--	935	--	--	856	--	--	859	--	--
Tang. & intang. assets	5,331	--	--	5,364	--	--	5,405	--	--	5,493	--	--
Other assets	20,543	1.67	85	21,034	1.46	77	21,026	1.64	87	21,012	1.75	92
Total assets	221,189	2.19	1,194	226,600	2.13	1,203	222,972	2.15	1,209	223,104	2.13	1,198
Financial institutions (3)	32,238	-0.15	-12	31,913	-0.12	-9	26,511	-0.20	-14	23,989	-0.15	-9
Customer deposits (4)	144,271	-0.27	-97	148,279	-0.29	-107	147,937	-0.27	-102	149,653	-0.23	-86
Capital markets	24,639	-1.39	-85	24,855	-1.45	-90	24,527	-1.50	-93	24,932	-1.44	-90
Other liabilities	7,698	-5.23	-99	8,893	-4.13	-92	11,109	-3.38	-95	11,509	-3.56	-103
Shareholders' equity	12,343	--	--	12,659	--	--	12,888	--	--	13,020	--	--
Total funds	221,189	-0.54	-293	226,600	-0.53	-298	222,972	-0.54	-303	223,104	-0.51	-288
Net interest income			901			905			906			910
Customer spread		2.70			2.65			2.62			2.59	
Net interest margin as % of ATA		1.65			1.60			1.61			1.62	

- (1) The EURGBP exchange rate used for the income statement in the quarter is 0.9035 while that used for the balance sheet is 0.8990.
- (2) Includes cash, central banks, credit institutions and repos.
- (3) Financial income or expenses arising from the application of negative interest rates are recorded in line with the nature of the associated asset or liability. The credit institutions heading on the liabilities side includes financial income arising from the application of negative interest rates to deposits of credit institutions on the liabilities side, mainly those relating to TLTRO II and III.
- (4) Includes repos.

Sabadell ex-TSB

2020 (€ million)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results
Cash and cash equivalents (1)	20,691	0.10	5	20,759	0.10	5	30,092	-0.12	-9	33,362	-0.20	-17
Loans to customers (net)	105,977	2.69	709	109,146	2.46	668	109,684	2.27	627	109,738	2.26	623
Fixed-income securities	24,759	1.19	73	24,311	1.01	61	26,911	0.92	62	24,822	0.75	47
Other assets	25,450	1.04	66	24,621	0.84	51	23,575	0.62	37	22,892	0.69	40
Total assets	176,876	1.94	854	178,836	1.77	786	190,262	1.50	717	190,814	1.44	693
Financial institutions (2)	17,583	0.01	0	18,815	0.13	6	30,694	0.78	60	30,967	0.78	61
Customer deposits (3)	114,880	-0.19	-53	116,445	-0.13	-37	117,121	-0.10	-29	117,332	-0.07	-20
Capital markets	22,941	-1.25	-71	21,947	-1.23	-67	21,362	-1.29	-69	20,907	-1.25	-66
Other liabilities and shareholders' equity	21,472	-1.63	-87	21,629	-1.24	-66	21,085	-1.03	-55	21,608	-0.74	-40
Total funds	176,876	-0.48	-211	178,836	-0.37	-165	190,262	-0.19	-93	190,814	-0.14	-65
Net interest income			643			620			624			627
Customer spread	2.50			2.33			2.17			2.19		
Net interest margin as % of ATA	1.46			1.40			1.31			1.30		

2019 (€ million)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results
Cash and cash equivalents (1)	23,099	0.02	1	24,537	0.03	2	19,760	0.08	4	19,692	0.01	1
Loans to customers (net)	103,260	2.89	737	105,130	2.84	745	105,843	2.80	746	105,373	2.72	722
Fixed-income securities	22,695	1.38	77	24,620	1.33	82	26,009	1.23	81	24,873	1.28	80
Other assets	27,647	1.14	78	28,131	1.04	73	27,886	1.20	85	28,105	1.31	93
Total assets	176,700	2.05	893	182,418	1.98	901	179,499	2.02	916	178,043	2.00	896
Financial institutions (2)	24,862	0.02	2	24,561	0.07	4	19,526	0.00	0	17,787	0.07	3
Customer deposits (3)	110,544	-0.22	-60	114,990	-0.24	-68	115,133	-0.24	-70	114,566	-0.19	-55
Capital markets	22,523	-1.37	-76	22,367	-1.41	-79	22,141	-1.48	-83	22,478	-1.41	-80
Other liabilities and shareholders' equity	18,772	-2.22	-103	20,500	-1.85	-95	22,699	-1.70	-97	23,212	-1.79	-105
Total funds	176,700	-0.54	-237	182,418	-0.52	-238	179,499	-0.55	-250	178,043	-0.53	-237
Net interest income			656			664			665			659
Customer spread	2.67			2.60			2.56			2.53		
Net interest margin as % of ATA	1.51			1.46			1.47			1.47		

(1) Includes cash, central banks, credit institutions and repos.

(2) Financial income or expenses arising from the application of negative interest rates are recorded in line with the nature of the associated asset or liability. The credit institutions heading on the liabilities side includes financial income arising from the application of negative interest rates to deposits of credit institutions on the liabilities side, mainly those relating to TLTRO II and III.

(3) Includes repos.

Income from equity method and dividends:

This item amounted to 37 million euros as at the end of 2020, compared to 61 million euros in the preceding year.

In the quarter, this item amounted to 12 million euros and remained in line with the previous quarter.

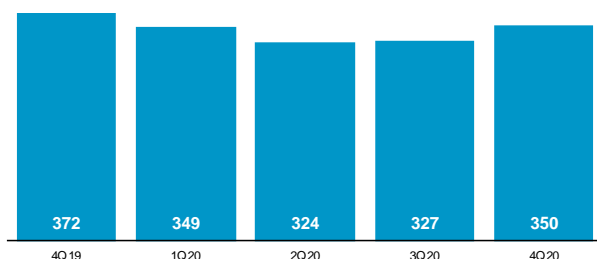
Net fees and commissions:

Fees and commissions amounted to 1,350 million euros as at 2020 year-end, representing a year-on-year decline of -6.1% (-5.2% excluding TSB), mainly impacted by lower activity levels as a result of the lockdown imposed to contain the pandemic, with service fees being the hardest hit, and by the sale of Sabadell Asset Management, which caused a reduction of asset management fees. Fees and commissions were also impacted by some costs associated with payment services which have been included in this category, where in the previous year they were recognised as general expenses.

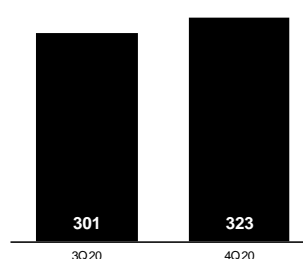
In the quarter, fees and commissions increased by 7.0%, supported by the growth of service fees given the increase in syndicated loan transactions and by asset management fees due to factors related to the usual fourth quarter seasonality.

Evolution of net fees and commissions

Total group (€ millions)



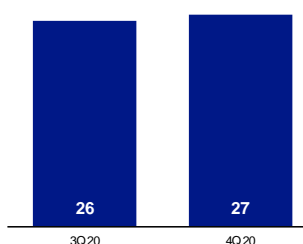
Sabadell ex - TSB (€ millions)



Change YoY:
-5.2%

Change QoQ:
+7.4%

TSB (€ millions)



Change YoY:
-17.2%
-16.2% Constant FX

Change QoQ:
+3.3%
+3.3% Constant FX

	Total group	Constant FX
Change YoY:	-6.1%	-5.9%
Change QoQ:	+7.0%	+7.0%

Net fees and commissions

(€ million)	Excl. TSB			Total group			Excl. TSB			Total group		
	3 Q20	4 Q20	QoQ (%)	3 Q20	4 Q20	QoQ (%)	FY 19	FY 20	YoY (%)	FY 19	FY 20	YoY (%)
Lending fees	41	42	2.8	41	42	2.8	144	159	10.8	144	159	10.8
Guarantees commissions	25	25	0.4	25	25	0.4	109	100	-7.5	109	100	-7.5
Risk transaction fees	66	67	1.9	66	67	1.9	252	260	2.9	252	260	2.9
Cards	41	35	-13.8	52	47	-10.7	218	155	-29.0	267	197	-26.2
Payment orders	13	14	8.9	14	15	8.9	61	55	-10.4	64	57	-11.2
Securities	18	17	-6.1	18	17	-6.1	63	71	11.8	63	71	11.8
Custodian mutual and pension funds	3	5	59.0	3	5	59.0	12	14	14.2	12	14	14.2
Sight accounts	50	51	2.5	62	64	3.2	139	191	37.4	193	240	24.3
Foreign currency and notes exchange	20	20	1.2	23	24	2.5	103	89	-13.7	114	100	-12.0
Other transactions	22	29	34.3	18	25	39.1	109	95	-12.8	96	76	-20.6
Commissions for services	166	171	3.2	190	196	3.1	706	669	-5.2	810	755	-6.7
Mutual funds	24	26	4.7	24	26	4.7	153	123	-19.6	153	123	-19.6
Pension funds and insurance brokerage	40	51	28.0	42	54	27.1	182	178	-2.1	194	188	-3.0
Wealth management	5	8	64.4	5	8	64.4	30	24	-18.5	30	24	-18.5
Asset Under Management commissions	69	85	22.4	72	88	22.1	364	325	-10.8	377	336	-11.0
Total	301	323	7.4	327	350	7.0	1,322	1,254	-5.2	1,439	1,350	-6.1

(1) The EURGBP exchange rate used for the income statement is 0.8888 for the year and 0.9035 for 4Q20.

Net trading income and exchange differences:

As at 2020 year-end, this item amounted to a total of 800 million euros (774 million euros excluding TSB), mainly due to sales of bonds from the ALCO portfolio, while at the end of 2019 they amounted to 126 million euros (111 million euros excluding TSB), due to earnings arising from the consumer loan securitisation carried out in the third quarter.

In the quarter, net trading income and exchange differences amounted to 622 million euros (619 million euros excluding TSB), of which 599 million euros corresponded to the aforesaid bond sales intended to offset the impacts of restructuring plans and some of the NPA portfolio disposals.

Other operating income and expenses:

This item amounted to -284 million euros as at the end of 2020 (-286 million euros excluding TSB), improving from the previous year when they stood at -317 million euros (-297 million euros excluding TSB). This year includes the recognition in TSB of 20 million euros of insurance compensation and 20 million euros for the recognition of the final payment made by Lloyds Banking Group to TSB, both related to IT migration.

This quarter it is worth highlighting the contribution to the Deposit Guarantee Fund (DGF) of -114 million euros and the payment of the tax on deposits of credit institutions (IDEC) of -32 million euros.

Total costs:

Total costs amounted to -3,461 million euros as at 2020 year-end (-2,426 million euros excluding TSB), representing an increase of 7.7% compared to the previous year and of 30.1% quarter-on-quarter as a result of the recognition in the fourth quarter of restructuring costs in Spain amounting to -314 million euros (-305 million euros of personnel expenses and -9 million euros of general expenses).

Recurrent costs amounted to -3,035 million euros (-2,102 million euros excluding TSB), representing a decline of -2.4% year-on-year (-1.8% excluding TSB), due to the improvement of personnel expenses and the reduction of general expenses. In the quarter, recurrent costs fell by -3.4% (-4.1% excluding TSB).

Non-recurrent costs increased, both year-on-year and quarter-on-quarter, due to the recognition of the restructuring costs in Spain mentioned above and the restructuring costs in TSB, which amounted to -101 million euros in the year (-18 million euros in the fourth quarter).

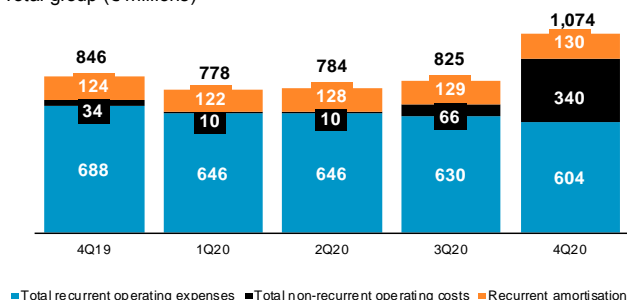
Total costs

(€ million)	Excl. TSB			Total group			Excl. TSB			Total group		
	3 Q20	4 Q20	QoQ (%)	3 Q20	4 Q20	QoQ (%)	FY19	FY20	YoY (%)	FY19	FY20	YoY (%)
Recurrent	-290	-269	-7.2	-375	-353	-5.8	-1,205	-1,172	-2.8	-1,590	-1,520	-4.4
Non-recurrent	-1	-311	--	-40	-319	--	-20	-315	--	-59	-365	--
Personnel expenses	-291	-580	99.4	-414	-672	62.2	-1,225	-1,486	21.3	-1,649	-1,885	14.3
IT and communications	-47	-54	14.6	-97	-98	1.4	-167	-207	23.7	-374	-392	4.9
Advertising	-16	-10	-36.8	-24	-23	-2.4	-54	-42	-22.3	-99	-88	-11.5
Premises and office supplies	-17	-6	-62.4	-24	-16	-33.9	-47	-40	-15.9	-79	-74	-6.6
Technical reports and judicial expenses	-9	-13	53.9	-12	-17	42.1	-56	-33	-41.2	-66	-49	-25.0
Subcontracted administrative services	-12	-10	-18.3	-33	-33	1.2	-55	-51	-7.3	-150	-154	2.8
Contributions and taxes	-36	-33	-7.5	-39	-36	-7.6	-112	-128	14.6	-128	-141	10.7
Others	-13	-22	69.1	-27	-28	2.4	-111	-67	-39.6	-154	-107	-30.6
Total recurrent	-149	-148	-0.6	-255	-251	-1.7	-602	-567	-5.8	-1,050	-1,006	-4.2
Non-recurrent	0	-9	--	-25	-14	-43.7	0	-9	--	-44	-47	6.5
Other general expenses	-149	-157	5.6	-280	-265	-5.4	-602	-577	-4.2	-1,095	-1,054	-3.8
Recurrent	-93	-93	0.1	-129	-130	0.3	-334	-363	8.6	-469	-509	8.7
Non-recurrent	0	0	--	-2	-7	--	0	0	--	-1	-14	--
Amortisation & depreciation	-93	-93	0.1	-131	-137	4.6	-334	-363	8.6	-470	-523	11.4
Recurrent costs	-532	-510	-4.1	-760	-734	-3.4	-2,141	-2,102	-1.8	-3,109	-3,035	-2.4
Non-recurrent costs	-1	-320	--	-66	-340	--	-20	-324	--	-105	-426	--
Total costs	-533	-830	55.8	-825	-1,074	30.1	-2,161	-2,426	12.3	-3,213	-3,461	7.7

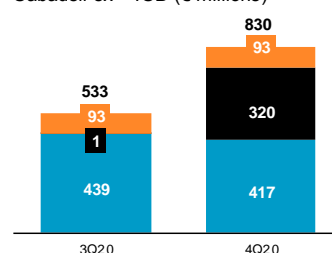
(1) The EURGBP exchange rate used for the income statement is 0.8888 for the year and 0.9035 for 4Q20.

Evolution of total costs

Total group (€ millions)



Sabadell ex - TSB (€ millions)

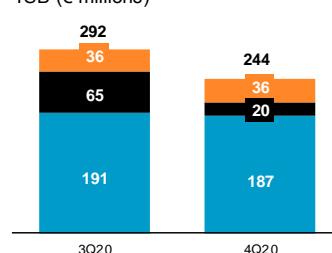


Recurrent costs

Change YoY: **-1.8%**

Change QoQ: **-4.1%**

TSB (€ millions)



Recurrent costs

Change YoY: **-3.5%**

-2.4% Constant FX

Change QoQ: **-1.8%**

-1.9% Constant FX

	Total group ⁽¹⁾	Constant FX ⁽¹⁾
Change YoY:	-2.4%	-1.7%
Change QoQ:	-3.4%	-3.6%

(1) Change over total recurrent costs.

Pre-provisions income:

As at 2020 year-end, pre-provisions income amounted to 1,841 million euros (1,868 million euros excluding TSB), representing a year-on-year improvement of 7.1% (11.2% excluding TSB), as a result of the increase in trading income as a result of the bond sales from the ALCO portfolio described above, which were partially offset by the recognition of non-recurrent restructuring costs.

Provisions for NPLs and other impairments:

This item amounted to -2,275 million euros as at 2020 year-end (-2,035 million euros excluding TSB), compared to -938 million euros (-865 million euros excluding TSB) as at the end of the previous year. The year-on-year change is mainly due to the increase in loan loss provisions due to Covid-19 scenario with a direct impact of around -650 millions euros, by -380 million euros due to the sales of non-performing asset portfolios carried out in the fourth quarter of the year and by -115 millions euros due to a migration of loans to stage 2, following a conservative approach. Additionally, TSB recognised -62 million euros in the fourth quarter as provisions related to the treatment of some customers in arrears.

These provisions excluding the impacts of sales of NPL portfolios resulted in a Group credit cost of risk of 86bps as at 2020 year-end.

Capital gains on asset sales and other results:

Gains on asset sales and other results amounted to 313 million euros and mainly included 293 million euros on the sale of Sabadell Asset Management and on the sale of SDIN. In the previous year, this item amounted to 170 million euros and mainly included 133 million euros on the sale of 80% of Solvia Servicios Inmobiliarios and an earn-out from the insurance business.

Net profit:

The Group's net profit amounted to 2 million euros as at 2020 year-end (222 million euros excluding TSB), decreasing in year-on-year terms by higher loan loss provisions due to Covid-19 scenario, and by the reduction of income as a result of lower activity levels brought about by the pandemic.

Net profit in the quarter was impacted by the contribution to the Deposit Guarantee Fund (DGF) and the payment of the tax on deposits of credit Institutions (IDEC).

Balance sheet

Highlights:

Performing loans increased by 1.6% year-on-year and by 1.0% in the quarter. Considering a constant exchange rate, they increased by 3.3% in the year, driven by a positive performance across geographies, with the main growth drivers of the business in Spain being driven by ICO-guaranteed loans granted to corporates, SMEs and the self-employed, while in quarter-on-quarter terms, lending grew by 0.4%, mainly due to the increase of core mortgages in TSB.

Excluding the APS impact, performing loans increased by 2.6% year-on-year and 1.0% in the quarter, rising to 4.4% year-on-year and 0.4% in the quarter considering a constant exchange rate.

As at 31 December 2020, 8,039 million euros in ICO guaranteed loans have been disposed in Spain and 577 million pounds in Bounce Back Loans have been disposed in United Kingdom.

In terms of payment holidays, as at 31 December 2020, there were 2,594 million euros live in Spain and 411 million pounds in United Kingdom.

On-balance sheet customer funds grew by 3.1% year-on-year and by 1.8% in the quarter. Considering a constant exchange rate, they increased by 4.6% year-on-year and 1.3% in the quarter, mainly due to the increase in sight accounts, which offset the decline in term deposits.

Off-balance sheet funds decreased by -11.8% year-on-year after Sabadell Asset Management disposal and posted a growth of 3.3% in the quarter due to the increase of mutual funds, which were impacted by financial market performance.

Balance sheet

(€million)	31.12.19	30.09.20	31.12.20 ⁽²⁾	Change		
				YoY (%)	QoQ (%)	
Cash, cash balances at central banks and other demand deposits	15,169	26,770	35,185	131.9	31.4	
Financial assets held for trading and fair value with changes in PL	2,612	3,352	2,793	6.9	-16.7	
Financial assets in fair value OCI	7,802	6,996	6,677	-14.4	-4.6	
Financial assets at amortised cost	181,423	182,689	174,488	-3.8	-4.5	
Loans and advances to customers	147,816	148,267	149,183	0.9	0.6	
Loans and advances of central banks and credit institutions	14,388	12,221	7,214	-49.9	-41.0	
Debt securities	19,219	22,200	18,091	-5.9	-18.5	
Investments in subsidiaries, joint ventures and associates	734	788	780	6.3	-1.0	
Tangible assets	3,462	3,239	3,200	-7.6	-1.2	
Intangible assets	2,565	2,560	2,596	1.2	1.4	
Other assets	9,987	9,702	10,044	0.6	3.5	
Total assets	223,754	236,094	235,763	5.4	-0.1	
Financial liabilities held for trading and fair value with changes in PL	2,714	2,629	2,654	-2.2	1.0	
Financial liabilities at amortised cost	205,636	218,014	217,391	5.7	-0.3	
Central banks	(1)	20,065	30,362	31,881	58.9	5.0
Credit institutions	(1)	11,471	12,326	10,083	-12.1	-18.2
Customer deposits	147,362	148,953	151,270	2.7	1.6	
Debt securities issued	22,570	21,759	20,413	-9.6	-6.2	
Other financial liabilities	4,168	4,613	3,743	-10.2	-18.9	
Provisions	430	577	984	128.5	70.4	
Other liabilities	1,998	2,143	2,244	12.3	4.7	
Subtotal liabilities	210,779	223,363	223,272	5.9	0.0	
Shareholders' equity	13,172	13,168	12,944	-1.7	-1.7	
Accumulated other comprehensive income	-267	-507	-524	96.3	3.3	
Minority interest	69	71	72	3.3	1.6	
Net equity	12,974	12,731	12,492	-3.7	-1.9	
Total liabilities and equity	223,754	236,094	235,763	5.4	-0.1	
Financial guarantees granted	2,107	2,093	2,036	-3.4	-2.7	
Commitments for loans granted	27,564	29,005	29,295	6.3	1.0	
Other commitments granted	10,399	9,120	7,595	-27.0	-16.7	

(1) Deposits with central banks and credit institutions include the following amounts of repos: 7,607 million euros as at 31.12.2019, 9,244 million euros as at 30.09.2020 and 6,790 million euros as at 31.12.2020.

(2) The EURGBP exchange rate used for the balance sheet is 0.8990.

Assets:

The Group's total assets amounted to 235,763 million euros, representing an increase of 5.4% year-on-year and a reduction of -0.1% in the quarter.

Excluding TSB, they amounted to 191,230 million euros, increasing by 6.5% year-on-year and falling by -0.9% in the quarter.

Loans and advances to customers:

Gross performing loans ended 2020 with a balance of 146,878 million euros (109,902 million euros excluding TSB), representing a year-on-year growth of 1.6% (1.7% excluding TSB).

Excluding the impact of the APS, they grew by 2.6% year-on-year (3.0% excluding TSB) and by 1.0% in the quarter (falling by -0.1% excluding TSB).

In Spain, gross performing loans excluding the APS increased by 3.2% year-on-year, mainly supported by ICO-guaranteed loans granted to corporates, SMEs and the self-employed, as well as by the growth of mortgages granted to individuals. In the quarter, this item decreased by -0.2%, affected by the migration to different stages of loans granted to corporates.

Mexico recorded a decrease of -1.8% year-on-year and an increase of 0.9% in the quarter, affected by exchange rate movements of the Mexican peso.

In Mexican pesos, this item increased by 13.0% year-on-year and decreased by -5.9% in the quarter due to lower activity levels.

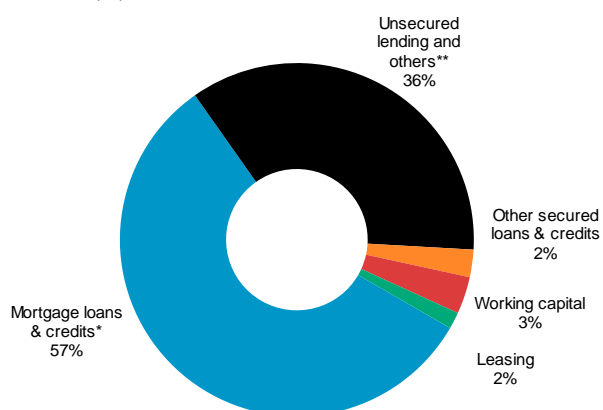
In TSB, lending increased by 1.3% year-on-year, affected by the depreciation of the pound, and by 4.4% in the quarter. Considering a constant exchange rate, this increase was 7.1% year-on-year and 2.9%, in the quarter, due to the growth recorded across all products, particularly in the mortgage book, after activity levels rebounded in the UK mortgage market. It is also worth highlighting the increase in Bounce Back Loan approvals, although this increase was not as pronounced as in the previous quarter, the growth of unsecured loans, which were offered at more competitive prices, as well as digital improvements.

Loans and advances to customers

(€ million)	Excl. TSB					Total group ⁽¹⁾				
	31.12.19	30.09.20	31.12.20	Change		31.12.19	30.09.20	31.12.20	Change	
				YoY (%)	QoQ (%)				YoY (%)	QoQ (%)
Mortgage loans & credits	49,642	49,524	49,623	0.0	0.2	83,720	82,095	83,573	-0.2	1.8
Other secured loans & credits	3,327	3,148	3,054	-8.2	-3.0	3,330	3,702	3,698	11.0	-0.1
Working capital	6,443	4,312	4,991	-22.5	15.7	6,443	4,312	4,991	-22.5	15.7
Leasing	2,558	2,336	2,231	-12.8	-4.5	2,558	2,336	2,231	-12.8	-4.5
Unsecured lending and others	46,106	50,727	50,004	8.5	-1.4	48,521	53,016	52,386	8.0	-1.2
Performing gross loans	108,076	110,047	109,902	1.7	-0.1	144,572	145,462	146,878	1.6	1.0
Of which: APS	3,092	1,761	1,761	-43.0	0.0	3,092	1,761	1,761	-43.0	0.0
Performing gross loans excluding APS	104,985	108,286	108,141	3.0	-0.1	141,480	143,701	145,117	2.6	1.0
Non-performing loans (customer) - stage 3	5,473	5,448	4,820	-11.9	-11.5	5,923	5,957	5,320	-10.2	-10.7
Accruals	-57	-28	-62	9.0	123.0	18	38	3	-82.9	-91.6
Gross loans to customers (excluding repos)	113,492	115,467	114,660	1.0	-0.7	150,513	151,457	152,201	1.1	0.5
Reverse repos	0	100	63	--	-36.5	236	100	63	-73.1	-36.5
Gross loans to customers	113,492	115,567	114,724	1.1	-0.7	150,749	151,557	152,265	1.0	0.5
NPL and country-risk provisions	-2,742	-3,018	-2,816	2.7	-6.7	-2,933	-3,289	-3,081	5.0	-6.3
Loans and advances to customers	110,751	112,549	111,908	1.0	-0.6	147,816	148,267	149,183	0.9	0.6

(1) The EURGBP exchange rate used for the balance sheet is 0.8990.

Loans and advances to customers by product type, 31.12.2020 (%) ⁽¹⁾

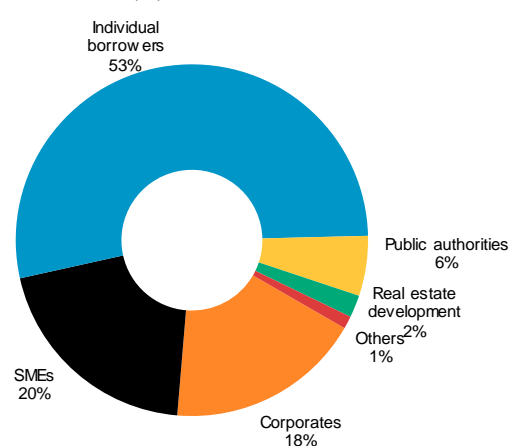


*Includes mortgage loans and credits both to individuals and companies.

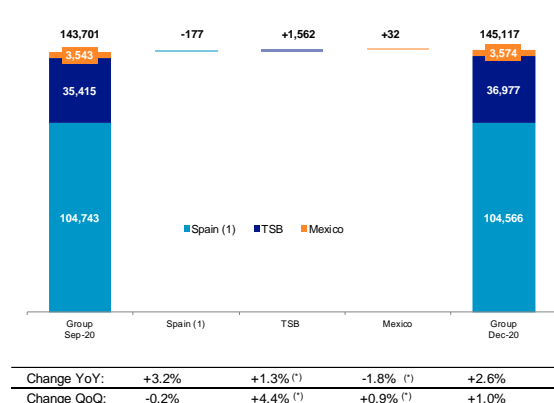
**Includes ICO loans.

(*) Excluding NPLs and accrual adjustments.

Loans and advances to customers by customer profile, 31.12.2020 (%)

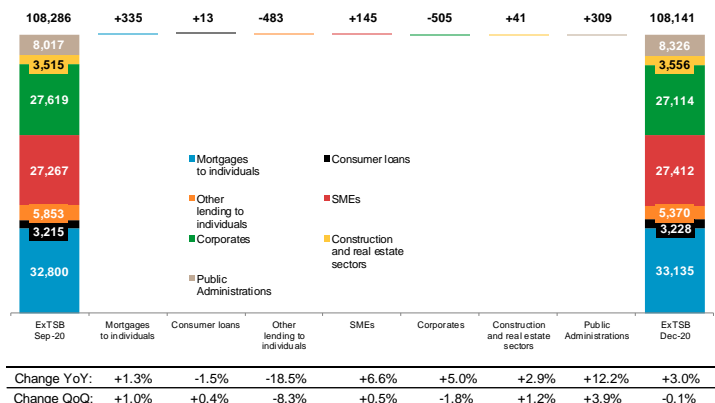


Gross performing loans ex APS: performance by regions (€ million)



(*) In TSB +7.1% YoY and +2.9% QoQ in GBP and in Mexico +13.0% YoY and -5.9% QoQ in MXN.
 (1) Spain includes overseas branches.

Gross performing loans ex TSB ex APS: performance by segments (€ million)



Liabilities:

Customer funds:

As at 2020 year-end, on-balance sheet customer funds amounted to 150,778 million euros (112,565 million euros excluding TSB), representing a year-on-year increase of 3.1% (1.5% excluding TSB) and a quarterly increase of 1.8% (1.1% excluding TSB), driven by the growth of sight accounts, which offset the decline of term deposits.

Sight account balances amounted to 130,295 million euros (94,800 million euros excluding TSB), representing an increase of 9.6% year-on-year (9.1% excluding TSB) mainly as a result of both individuals and companies consuming and spending less during the lockdown, and an increase of 3.2% in the quarter (2.7% excluding TSB), as customer spend levels have fallen.

Term deposits amounted to 20,805 million euros (18,086 million euros excluding TSB), representing a decline of -23.9% (-24.4% excluding TSB) compared to the previous year, and of -6.2% (-6.5% excluding TSB) in the quarter, as term deposits continued to flow into current accounts as a result of the low interest rates paid on savings accounts.

At TSB level, on-balance sheet customer funds increased by 7.9% year-on-year and by 3.9% in the quarter. Considering a constant exchange rate, this item increased by 14.0% year-on-year and by 2.4% in the quarter, supported by the growth of current accounts and savings, reflecting lower consumer spending levels and Business banking deposits benefitted from funds deposited following strong take-up of UK Government's Bounce Back Loan Scheme, along with growth from Incentivised Switching Scheme (ISS) customers.

Total off-balance sheet customer funds amounted to 38,064 million euros as at 2020 year-end, decreasing by -11.8% year-on-year after Sabadell Asset Management disposal at the second quarter, where a large part of the accounts has become commercialized accounts. In quarter-on-quarter terms increasing by 3.3%, due to the positive impact of mutual funds' performance in financial markets.

Marketable debt securities:

As at 2020 year-end, this item amounted to 17,510 million euros (16,121 million euros excluding TSB), representing a decline of -10.3% year-on-year (-8.1% excluding TSB) and a decline of -7.1% in the quarter (-7.7% excluding TSB).

Funds under management and third-party funds:

This item amounted to a total of 209,748 million euros (169,687 million euros excluding TSB), compared with 213,095 million euros (175,184 million euros excluding TSB) one year previously, representing a decrease of -1.6% year-on-year (-3.1% excluding TSB) due to off-balance sheet customer funds decrease commented previously, and a 1.0% growth in the quarter (0.5% excluding TSB).

Exposures to central banks at the end of 2020 amounted to 31,387 million euros, of which 27,978 million euros related to the ECB and 3,409 million euros related to the Bank of England.

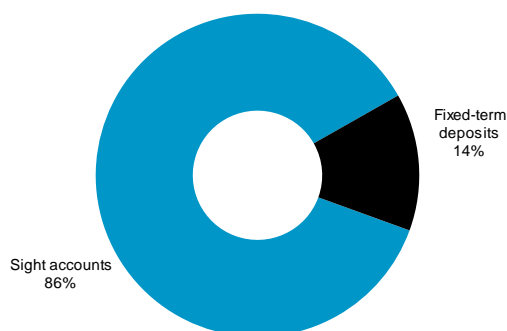
Customer funds

(€ million)	Excl. TSB						Total group ⁽¹⁾					
				Change					Change			
	31.12.19	30.09.20	31.12.20	YoY (%)	QoQ (%)	31.12.19	30.09.20	31.12.20	YoY (%)	QoQ (%)		
Financial liabilities at amortised cost	162,196	175,769	173,726	7.1	-1.2	205,636	218,014	217,391	5.7	-0.3		
Non-retail financial liabilities	51909	64,390	61,160	19.2	-5.0	59,327	69,851	66,612	12.3	-4.6		
Central banks	14,795	27,002	28,471	92.4	5.4	20,065	30,362	31,881	58.9	5.0		
Credit institutions	11,470	12,323	10,078	-12.1	-18.2	11,471	12,326	10,083	-12.1	-18.2		
Institutional issues	21,135	20,662	19,057	-9.8	-7.8	23,623	22,549	20,905	-11.5	-7.3		
Other financial liabilities	3,909	4,403	3,554	-9.1	-19.3	4,168	4,613	3,743	-10.2	-18.9		
On-balance sheet customer funds	110,886	111,379	112,565	1.5	1.1	146,309	148,163	150,778	3.1	1.8		
Customer deposits	111,887	112,088	113,034	1.0	0.8	147,362	148,953	151,270	2.7	1.6		
Sight accounts	86,875	92,341	94,800	9.1	2.7	118,868	126,274	130,295	9.6	3.2		
Fixed-term deposits ⁽²⁾	23,909	19,336	18,086	-24.4	-6.5	27,339	22,187	20,805	-23.9	-6.2		
Repos	951	279	13	-98.6	-95.3	951	339	13	-98.6	-96.2		
Accruals and derivative hedging adjustments	151	132	135	-10.9	2.0	204	163	157	-22.6	2.6		
Debt and other marketable securities	17,544	17,475	16,121	-8.1	-7.7	19,514	18,844	17,510	-10.3	-7.1		
Subordinated liabilities ⁽³⁾	2,591	2,479	2,468	-4.7	-0.4	3,056	2,916	2,903	-5.0	-0.4		
On-balance sheet funds	132,021	132,041	131,623	-0.3	-0.3	169,932	170,712	171,683	1.0	0.6		
Mutual funds	26,003	20,262	21,366	-17.8	5.4	26,003	20,262	21,366	-17.8	5.4		
Equity funds	1,606	47	55	-96.6	16.3	1,606	47	55	-96.6	16.3		
Balanced funds	6,823	190	192	-97.2	1.5	6,823	190	192	-97.2	1.5		
Fixed-income funds	5,037	70	73	-98.6	4.9	5,037	70	73	-98.6	4.9		
Guaranteed return funds	3,008	52	54	-98.2	2.8	3,008	52	54	-98.2	2.8		
Real estate funds	76	64	69	-9.9	8.0	76	64	69	-9.9	8.0		
Venture capital funds	101	0	0	-100.0	--	101	0	0	-100.0	--		
Dedicated investment companies	1,667	1,298	1,295	-22.3	-0.2	1,667	1,298	1,295	-22.3	-0.2		
Third-party funds	7,685	18,542	19,627	155.4	5.9	7,685	18,542	19,627	155.4	5.9		
Mutual funds pro forma	26,003	25,332	27,048	4.0	6.8	26,003	25,332	27,048	4.0	6.8		
Managed accounts	3,363	3,230	3,298	-1.9	2.1	3,363	3,230	3,298	-1.9	2.1		
Pension funds	3,367	3,260	3,349	-0.5	2.7	3,367	3,260	3,349	-0.5	2.7		
Individual	2,216	2,112	2,173	-1.9	2.9	2,216	2,112	2,173	-1.9	2.9		
Company	1,140	1,137	1,165	2.2	2.5	1,140	1,137	1,165	2.2	2.5		
Group	11	10	11	-1.5	2.9	11	10	11	-1.5	2.9		
Third-party insurance products	10,430	10,113	10,051	-3.6	-0.6	10,430	10,113	10,051	-3.6	-0.6		
Off-balance sheet customer funds	43,163	36,865	38,064	-11.8	3.3	43,163	36,865	38,064	-11.8	3.3		
Off-balance sheet customer funds pro forma	43,163	41,935	43,746	1.4	4.3	43,163	41,935	43,746	1.4	4.3		
Funds under management and third-party funds	175,184	168,906	169,687	-3.1	0.5	213,095	207,577	209,748	-1.6	1.0		
Funds under management and third-party funds pro forma	175,184	173,976	175,369	0.1	0.8	213,095	212,647	215,430	1.1	1.3		

Note Pro forma: Data homogenized by the impact of the sale of Sabadell Asset Management.

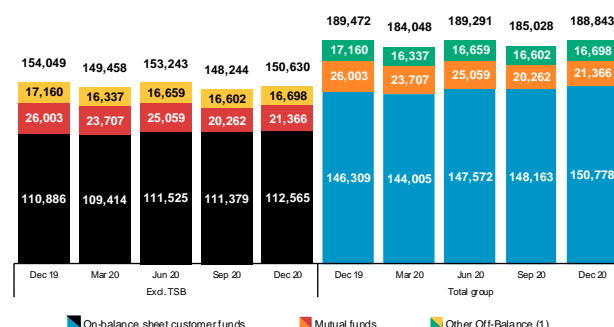
- (1) The EURGBP exchange rate used for the balance sheet is 0.8990.
 (2) Includes deposits redeemable at notice and hybrid financial liabilities.
 (3) Subordinated liabilities of debt securities.

Customer deposits, 31.12.2020 ^(*)



^(*) Excluding accrual adjustments and hedging derivatives.

Evolution of customer funds (€ million)



Excl. TSB ^(*) Total group ^(*)
 Change YoY: **+1.5%** Change YoY: **+3.1%**
 Change QoQ: **+1.1%** Change QoQ: **+1.8%**

^(*) Change on balance sheet customer funds.

(1) Includes pension funds, third-party insurance products and wealth management.

Equity:

The following table shows the evolution of equity at the end of 2020:

Equity

(€million)	31.12.19	30.09.20	31.12.20	Change	
				YoY	QoQ
Shareholders' equity	13,172	13,168	12,944	-228	-224
Issued capital	703	703	703	0	0
Reserves	11,780	12,283	12,255	475	-27
Other equity	40	19	20	-19	1
Less: treasury shares	-9	-41	-38	-29	3
Attributable net profit	768	203	2	-766	-201
Less: interim dividends	-111	0	0	111	0
Accumulated other comprehensive income	-267	-507	-524	-257	-17
Minority interest	69	71	72	2	1
Net equity	12,974	12,731	12,492	-483	-239

Risk management

Highlights:

Group non-performing assets have been reduced by -466 million euros in the quarter, impacted by -1,200 million euros on the disposal of NPA portfolios carried out in the fourth quarter, which offset the 708 million euros attributable to the migration of loans to different stages. This reduction in NPAs includes a decrease of -319 million euros in non-performing loans and of -147 million euros in foreclosed assets. Over the past 12 months, NPAs have been reduced by -144 million euros, due to the reduction of -333 million euros of NPLs, which offset the increase of 188 million euros of foreclosed assets.

The NPA coverage ratio stood at 52.6%, with the stage 3 coverage ratio including total provisions standing at 56.5% and the foreclosed asset coverage ratio standing at 36.6%.

The stage 3 coverage ratio stood at 39.1%, while the Group's NPL ratio stood at 3.6%, improving compared to the previous year and quarter, when it stood at 3.8%, and attaining an improved portfolio composition after the sales in the fourth quarter, due to lower proportion of past-due NPLs.

The stage 2 coverage ratio was 4.1%, with the balance of stage 2 assets amounting to 11,840 million euros, representing a quarterly increase of 26.7% following the migration of loans to different stages.

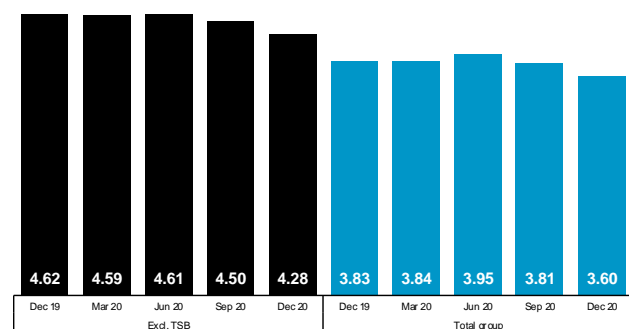
The Group's credit cost of risk stood at 86bps as at 2020 year-end, excluding the impacts of NPL disposals.

Risk management:

Non-performing assets have been reduced over the quarter, and at the end of 2020 their balance was 7,182 million euros, of which 5,808 million euros corresponded to non-performing loans and 1,373 million euros corresponded to foreclosed assets. This volume of problematic (non-performing) assets has brought the net NPAs to average total assets ratio down to 1.4%.

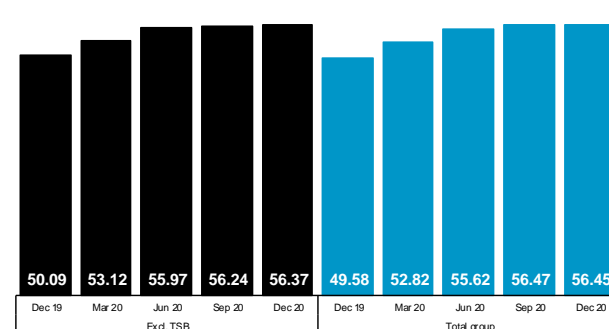
The ratio of problematic assets in relation to gross loans plus real estate assets was driven down to 4.7%.

NPL ratios (%) ^(*)



(*) Calculated including contingent exposures.

Stage 3 coverage ratios including total provisions (%) ^(*)



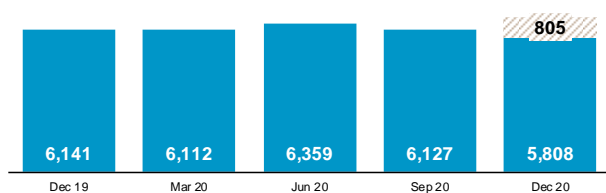
NPL ratios by segment ^(*)

Total group	Dec 19	Mar 20	Jun 20	Sep 20	Dec 20
Real estate development and/or construction purposes	10.91%	10.68%	9.48%	8.60%	8.10%
Construction purposes non-related to real estate dev. (1)	6.10%	6.30%	4.62%	4.54%	13.26%
Large corporates	1.45%	1.35%	1.50%	1.40%	2.20%
SME and small retailers and self-employed	6.69%	6.75%	6.79%	6.77%	6.72%
Individuals with 1st mortgage guarantee assets	3.43%	3.41%	3.61%	3.37%	2.36%
NPL ratio	3.83%	3.84%	3.95%	3.81%	3.60%

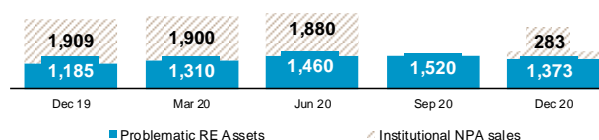
(*) Calculated including contingent exposures. It is worth bearing in mind that the fourth quarter of the year 2020 was impacted by the reclassification as unlikely to pay stage 3 of 708 million euros and by portfolio sales, which reduced past-due NPLs by -1,000 million euros.

(1) In this segment, 106 million euros worth of guarantees have been reclassified as unlikely to pay stage 3, which explains the quarterly growth of the ratio.

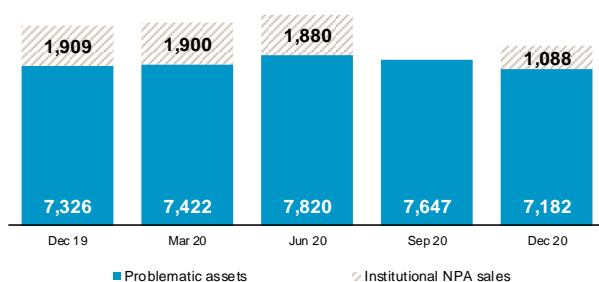
Evolution of NPLs (€ million) ^(*)



Evolution of foreclosed assets (€ million) ^(*)



Evolution of problematic assets (€ million) ^(*)



(*) Calculated including contingent exposures.

The table below shows the evolution of the Group's problematic assets and their reduction over the last few quarters.

Evolution of Group NPLs and foreclosed assets

(€million)		Dec 19	Mar 20	Jun 20	Sep 20	Dec 20
Gross entries (NPLs)	(1)	535	472	76	356	1,151
Recoveries and sales	(1) (2)	-597	-401	-355	-383	-1,364
Net NPL entries		-62	71	361	-27	-213
Gross entries (foreclosed assets)		209	141	165	78	83
Sales	(2)	-57	-16	-15	-18	-230
Change in foreclosed assets		152	125	150	60	-147
Net entries + Change in foreclosed assets		90	196	511	33	-359
Write-offs		-189	-100	-114	-205	-106
Foreclosed assets and NPLs quarterly change		-99	96	397	-172	-466

(1) Gross entries (NPLs) includes 708 million euros related to reallocation of loans to stage 3. Recoveries include -1,200 million euros reduction related to NPA portfolio disposals.

(2) NPA portfolios sold to institutional investors have been reclassified as non-current assets held for sale, therefore the figures are shown excluding these assets.

Coverage of Group problematic assets ^(*)

(€ million)	Dec 19	Mar 20	Jun 20	Sep 20	Dec 20
Stage 3 exposures (non-performing)	6,141	6,112	6,359	6,127	5,808
Provisions	3,045	3,228	3,537	3,460	3,279
Stage 3 coverage ratio with total provisions (%)	49.6%	52.8%	55.6%	56.5%	56.5%
Stage 3 exposures (non-performing)	6,141	6,112	6,359	6,127	5,808
Stage 3 provisions	2,316	2,359	2,578	2,451	2,272
Stage 3 coverage ratio (%)	37.7%	38.6%	40.5%	40.0%	39.1%
Problematic RE Assets	1,185	1,310	1,460	1,520	1,373
Provisions	394	451	514	541	502
Problematic Real Estate coverage ratio (%)	33.3%	34.4%	35.2%	35.6%	36.6%
Total problematic assets	7,326	7,422	7,820	7,647	7,182
Provisions	3,439	3,680	4,051	4,001	3,781
Problematic assets coverage (%)	46.9%	49.6%	51.8%	52.3%	52.6%
Gross loans and advances to customers + problematic RE Assets	151,698	150,677	152,742	152,976	153,575
Problematic assets over Gross loans + RE assets (%)	4.8%	4.9%	5.1%	5.0%	4.7%
Net problematic assets	3,887	3,743	3,769	3,646	3,401
Net problematic assets as of % of total assets	1.7%	1.7%	1.6%	1.5%	1.4%

(*) Includes contingent exposures. NPA portfolios sold to institutional investors have been reclassified as non-current assets held for sale, therefore the figures are shown excluding these assets.

Forborne and restructured loans

The outstanding balance of forborne and restructured loans as at the end of 2020 was as follows:

(€million)	Total	Of which: doubtful
Public sector	5	9
Companies and self employed	3,547	1,721
Of which: Financing for construction and real estate development	309	136
Individuals	1,776	978
Total	5,338	2,707
Provisions	1,135	957

Foreclosed assets ^(*)

(€million)	Gross amount	Allowances for losses
Real estate assets deriving from financing of construction and real estate development	713	259
Finished buildings	654	230
Housing	413	137
Rest	241	93
Buildings under construction	8	4
Housing	7	4
Rest	0	0
Land	51	25
Building land	31	14
Other land	20	11
Real estate assets deriving from home loan mortgages	632	231
Real estate assets acquired in discharge of debts	29	12
Total real-estate portfolio	1,373	502

(*) Foreclosed assets, including properties outside Spain, considering the provisions allocated in the original loan and the credit risk that was transferred through the enforcement of the APS.

Movements in credit loss allowances allocated by the Group

(€million)	2019	2020
Initial balance	3,435	2,934
Movements reflected in provisions for NPLs	549	1,581
Movements not reflected in provisions for NPLs	-1,059	-1,406
Utilisation of provisions	-947	-1,334
Other movements (*)	-112	-72
Adjustments for exchange differences	9	-26
Final balance	2,934	3,083

(*) Corresponds to the transfer of credit loss allowances to non-current assets held for sale and investment properties.

NOTE: Excludes guarantees and sums undrawn.

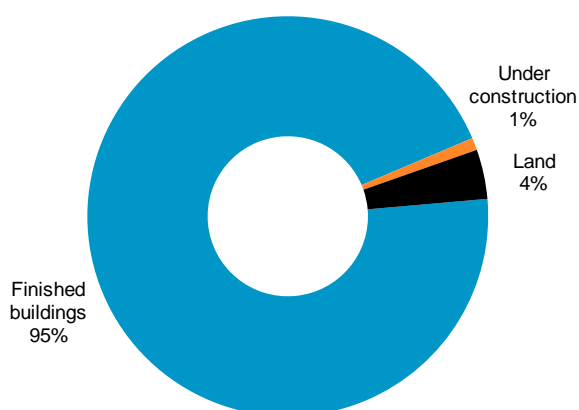
Breakdown of loans and provisions by stages

(€ million)	Stage 1	Stage 2	Stage 3
Loans to customers and guarantees granted	143,826	11,840	5,808
Change QoQ	-1.1%	26.7%	-5.2%
Provisions	520	486	2,272
Coverage	0.4%	4.1%	39.1%
% Stage / Total Loans	89.1%	7.3%	3.6%

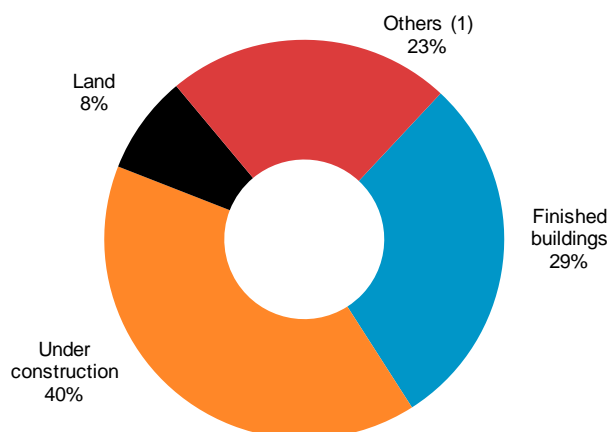
Breakdown of real estate exposures by asset class:

The following figures show the real estate exposures at the end of 2020, broken down by asset class:

Foreclosed assets, 31.12.2020 (%)



Real estate development, 31.12.2020 (%)



(1) Includes other guarantees.

Liquidity management

Highlights:

Solid liquidity position, with the Liquidity Coverage Ratio (LCR) as at 2020 year-end standing at 198% at Group level (219% ex-TSB and 201% in TSB).

The loan-to-deposit ratio as at the end of 2020 was 98%, with a balanced retail funding structure.

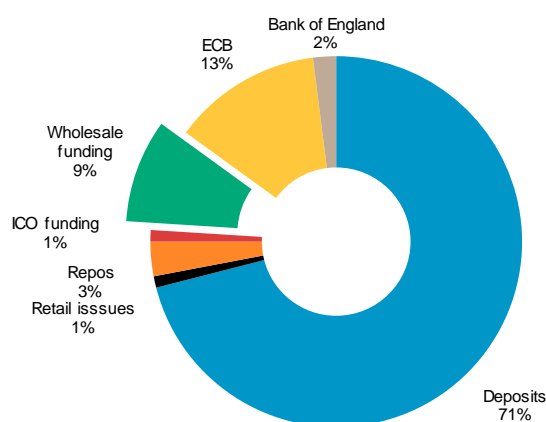
In 2020, the Bank's wholesale issuance volume amounted to 2,420 million euros.

In January 2021 the Bank issued subordinated debt amounting to 500 million euros.

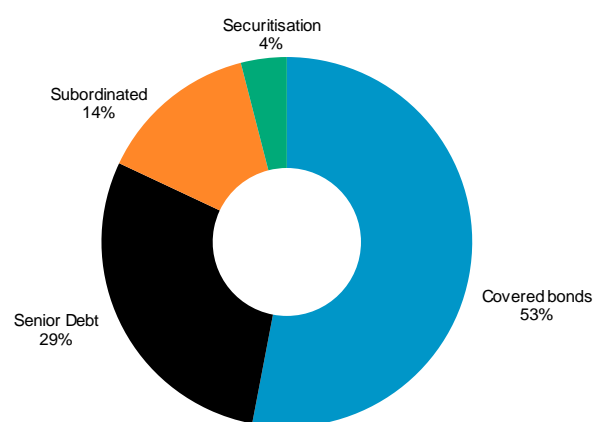
(€ million)	31.12.19	30.09.20	31.12.20 (1)
Loans and advances to customers (2)	147,580	148,167	149,120
Brokered loans	-3,334	-2,258	-1,977
Adjusted net loans and advances	144,246	145,910	147,143
On-balance sheet customer funds	146,309	148,163	150,778
Loan-to-deposits ratio	99	98	98

(1) The EURGBP exchange rate used for the balance sheet is 0.8990.
 (2) Excludes reverse repos.

Funding structure, 31.12.2020 (%)



Wholesale funding breakdown, 31.12.2020 (%)



Maturities

(€million)	2021	2022	2023	2024	2025	>2025	Outstanding balance
Covered bonds	1,808	1,696	1,388	2,684	836	2,450	10,862
Senior Debt	355	682	1,487	739	1,609	500	5,372
Senior Non Preferred Debt	0	0	0	951	500	0	1,451
Subordinated	0	0	0	0	0	1,738	1,738
Total	2,163	2,378	2,875	4,374	2,945	4,688	19,423

New issuances in the year

(€ million)	1Q20	2Q20	3Q20	4Q20
Covered bonds	1,000	0	0	0
Senior Debt	0	500	500	120
Subordinated	300	0	0	0
Total	1,300	500	500	120

Maturities in the year

(€ million)	1Q20	2Q20	3Q20	4Q20
Covered bonds	146	594	130	1,145
Senior Debt	491	4	1	120
Subordinated	0	413	0	0
Total	637	1,011	131	1,265

Capital management and credit ratings

Highlights:

The CET1 ratio stood at 12.6% at the end of 2020, impacted in the quarter by a reduction of -38bps due to IFRS9 transitional arrangements, -27bps due to regulatory impacts and -17bps in organic capital generation, which offset the +45bps corresponding to the deduction of intangible IT assets (the new treatment of software coming into effect).

This CET1 ratio included 53bps of IFRS9 transitional adjustments, therefore the fully-loaded CET1 ratio stood at 12.0%, improving by +1bps compared to the previous quarter.

The minimum prudential requirements applicable to Banco Sabadell following the Supervisory Review and Evaluation Process (SREP) in 2021 will be the same as those applicable in 2020, i.e 8.52% for CET1, 10.44% for Tier 1 and 13.00% for total capital.

The proforma MDA buffer stood at 357bps following the 500 million euro Tier 2 issuance in January 2021.

The leverage ratio stood at 5.23%.

The MREL ratio as a percentage of RWAs stood at 24.75%, above the requirement for the year 2022 (23.80%), while the MREL ratio as a percentage of the leverage ratio exposure was 9.25%, also above the requirement for the year 2022 (6.22%).

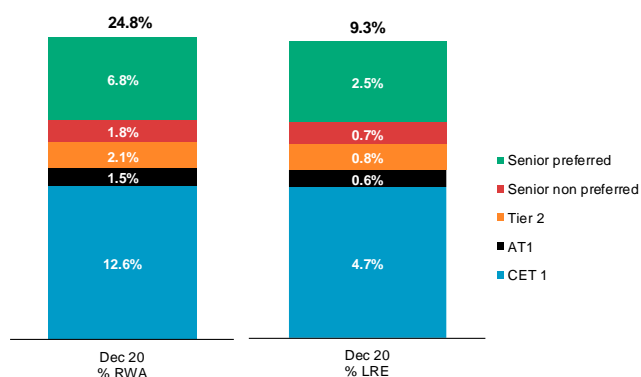
Capital ratios

(€million)	31.12.19	30.09.20	31.12.20
Issued capital	703	703	703
Reserves	12,364	12,505	12,278
Minority interest	15	8	9
Deductions	(1) -2,973	-3,156	-3,102
Common Equity Tier 1	10,110	10,060	9,888
CET 1 Phase-in (%)	12.4%	12.9%	12.6%
Preference shares and other	1,153	1,153	1,153
Primary capital	11,263	11,213	11,041
Tier I (%)	13.9%	14.4%	14.0%
Secondary capital	1,492	1,661	1,667
Tier II (%)	1.8%	2.1%	2.1%
Total capital	12,755	12,875	12,708
Total capital ratio (%)	15.7%	16.5%	16.1%
Risk weighted assets (RWA)	81,231	77,797	78,779
Leverage ratio (%)	5.01%	5.25%	5.23%
CET 1 Phase-in - BS (non-consolidated basis) (%)	14.1%	14.8%	14.4%
Total capital ratio - BS (non-consolidated basis) (%)	16.8%	18.1%	17.6%
ADIs	(2) 2,324	2,520	2,370

(1) Includes IFRS 9 transitional arrangements.

(2) "Available Distributable Items": Refers to distributable profit. Does not include the interim dividend and does not include the share premium.

Group MREL (% RWAs, % LRE)



Credit ratings

Agency	Date	Long term	Short term	Outlook
DBRS	30.06.2020	A (low)	R-1 (low)	Negative
S&P Global Rating ⁽¹⁾	26.11.2020	BBB	A-2	Negative
Moody's	10.11.2020	Baa3	P-2	Stable
Fitch Ratings	26.11.2020	BBB-	F3	Stable

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On 30 June 2020, **DBRS Ratings GmbH** affirmed the credit rating of Banco Sabadell with a negative outlook, in light of the economic situation brought about by Covid-19.

On 26 November 2020, **S&P Global Ratings** affirmed the credit rating of Banco Sabadell with a negative outlook, in order to reflect the complex economic environment caused by the Covid-19 pandemic.

On 10 November 2020, **Moody's** affirmed Banco Sabadell's credit rating with a stable outlook.

On 26 November 2020, **Fitch Ratings** affirmed Banco Sabadell's credit rating with a stable outlook.

Results by business units

This section gives information regarding results and other indicators of the Group's business units.

The criteria that Banco Sabadell Group uses for its segment reporting are:

- Three geographical regions: Banking Business in Spain, United Kingdom and Mexico.
- Each business is allocated 11% of the capital divided by its risk-weighted assets and the surplus of own funds is allocated to Banking Business in Spain.

In terms of the other criteria applied, segment information is first structured with a breakdown by geography and then broken down based on the customers to which each segment is aimed.

Breakdown by geography and business unit

- **Banking Business Spain** includes the following customer-centric business units:

Commercial Banking offers both investment and savings products. In terms of investment, the sale of mortgage products, working capital and revolving credit is particularly noteworthy. In terms of savings, the main products are deposits (demand deposits and term deposits), mutual funds, savings insurance and pension plans. Payment protection insurance products and payment services are also noteworthy, such as credit cards and the issues of transfers, among other things. Private Banking offers high value-added products and services to customers.

Corporate Banking offers specialised lending services together with a comprehensive offering of solutions, ranging from transaction banking services to more complex and tailored solutions relating to the fields of lending and cash management, as well as import and export activities, among others. Includes foreign branches and representative offices.

Asset Transformation comprehensively manages NPA risk and real estate exposures. The unit focuses on developing the asset transformation strategy and integrating the end-to-end vision of the Group's balance sheet in order to maximise its value.

- **Banking Business United Kingdom:**

The TSB franchise includes business conducted in the United Kingdom, which includes current and savings accounts, loans, credit cards and mortgages.

- **Banking Business Mexico:**

Offers banking and financial services for Corporate Banking and Commercial Banking in Mexico.

The information presented is based on the individual accounting records of each Group company, after all consolidation disposals and adjustments have been made.

Each business unit bears its own direct costs, calculated on the basis of general accounting.

Key data relating to the segmentation of the Group's activity are given hereafter.

Profit and loss 2020

(€ million)	Banking business Spain	Banking business United Kingdom	Banking Business Mexico	Total
Net interest income	2,400	885	114	3,399
Net fees and commissions	1,246	96	7	1,350
Core revenues	3,646	981	122	4,749
Net trading income and exchange differences	770	25	4	800
Income from equity method and dividends	37	0	0	37
Other operating income/expense	-271	2	-14	-284
Gross operating income	4,182	1,008	112	5,302
Operating expenses	-1,991	-875	-72	-2,938
Amortisation & depreciation	-353	-160	-10	-523
Pre-provisions income	1,838	-27	30	1,841
Total provisions & impairments	-2,007	-240	-27	-2,275
Gains on sale of assets and other results	317	-4	0	313
Profit before tax	147	-271	3	-121
Income tax	71	51	1	124
Minority interest	1	0	0	1
Attributable net profit	218	-220	4	2
ROE	2.0%	--	0.8%	0.0%
Efficiency	47.6%	86.8%	64.3%	55.4%
NPL ratio	4.4%	1.3%	0.5%	3.6%
Stage 3 coverage ratio with total provisions	55.7%	57.4%	231.6%	56.5%

Profit and loss 2019

(€ million)	Banking business Spain	Banking business United Kingdom	Banking Business Mexico	Total
Net interest income	2,527	979	117	3,622
Net fees and commissions	1,304	117	19	1,439
Core revenues	3,830	1,095	136	5,061
Net trading income and exchange differences	110	15	1	126
Income from equity method and dividends	61	0	0	61
Other operating income/expense	-288	-20	-9	-317
Gross operating income	3,714	1,091	127	4,932
Operating expenses	-1,747	-917	-80	-2,743
Amortisation & depreciation	-323	-136	-11	-470
Pre-provisions income	1,644	39	36	1,719
Total provisions & impairments	-850	-72	-16	-938
Gains on sale of assets and other results	174	-4	0	170
Profit before tax	968	-38	20	951
Income tax	-165	-8	-2	-174
Minority interest	9	0	0	9
Attributable net profit	794	-45	19	768
ROE	7.3%	--	3.5%	5.9%
Efficiency	47.0%	84.0%	62.9%	55.6%
NPL ratio	4.7%	1.2%	1.2%	3.8%
Stage 3 coverage ratio with total provisions	50.5%	43.1%	108.9%	49.6%

Balance sheet 2020

(€ million)	Banking business Spain	Banking business United Kingdom	Banking Business Mexico	Total
Total assets	183,896	47,284	4,584	235,763
Performing gross loans	106,327	36,977	3,574	146,878
RE exposure	871	0	0	871
Subtotal liabilities	173,692	45,547	4,032	223,272
On-balance sheet customer funds	110,571	38,213	1,994	150,778
Capital markets w wholesale funding	18,332	2,319	0	20,651
Equity	10,204	1,736	551	12,492
Off-balance sheet customer funds	38,064	0	0	38,064

Balance sheet 2019

(€ million)	Banking business Spain	Banking business United Kingdom	Banking Business Mexico	Total
Total assets	172,610	46,449	4,695	223,754
Performing gross loans	104,436	36,496	3,640	144,572
RE exposure	791	0	0	791
Subtotal liabilities	161,695	44,924	4,160	210,779
On-balance sheet customer funds	108,890	35,423	1,996	146,309
Capital markets w wholesale funding	19,912	2,423	0	22,335
Equity	10,915	1,525	535	12,974
Off-balance sheet customer funds	43,163	0	0	43,163

Banking Business Spain

Net profit amounted to 218 million euros as at 2020 year-end, decreasing in year-on-year terms, mainly due to the increase in loan loss provisions due to Covid-19 scenario, as well as the lower income levels caused by lower activity levels in the wake of the pandemic. The efficiency plan and some of the larger provisions allocated for NPA portfolio sales have been financed with the proceeds from sales of bonds from the ALCO portfolio.

Net interest income amounted to 2,400 million euros and declined by -5.0% compared to 2019 year-end, mainly due to lower interest rates, the smaller contribution of the ALCO portfolio, lower overdraft fees due to the support taken in relation to Covid-19, as well as lower income following the consumer loan securitisation carried out in 2019, which were partially offset by larger volumes, the lower cost of wholesale funding and TLTRO III.

Net fees and commissions amounted to 1,246 million euros, -4.4% less than in the previous year due to lower activity levels caused by the lockdown imposed due to the pandemic and due to the sale of Sabadell Asset Management.

(€ million)	FY19	FY20	YoY (%)
Net interest income	2,527	2,400	-5.0%
Net fees and commissions	1,304	1,246	-4.4%
Core revenues	3,830	3,646	-4.8%
Net trading income and exchange differences	110	770	--
Income from equity method and dividends	61	37	-39.4%
Other operating income/expense	-288	-271	-5.8%
Gross operating income	3,714	4,182	12.6%
Operating expenses	-1,747	-1,991	14.0%
Amortisation & depreciation	-323	-353	9.4%
Pre-provisions income	1,644	1,838	11.8%
Total provisions & impairments	-850	-2,007	136.3%
Gains on sale of assets and other results	174	317	82.3%
Profit before tax	968	147	-84.8%
Income tax	-165	71	--
Minority interest	9	1	-88.9%
Attributable net profit	794	218	-72.6%
Accumulated ratios			
ROE	7.3%	2.0%	
Efficiency	47.0%	47.6%	
NPL ratio	4.7%	4.4%	
Stage 3 coverage ratio with total provisions	50.5%	55.7%	

Performing loans amounted to 106,327 million euros, representing a 1.8% increase compared to the previous year, mainly due to ICO-guaranteed loans granted to corporates, SMEs and the self-employed. Excluding the APS, they were up by 3.2%.

(€ million)	FY19	FY20	YoY (%)
Total assets	172,610	183,896	6.5%
Performing gross loans	104,436	106,327	1.8%
RE exposure	791	871	10.2%
Subtotal liabilities	161,695	173,692	7.4%
On-balance sheet customer funds	108,890	110,571	1.5%
Capital markets w/wholesale funding	19,912	18,332	-7.9%
Equity	10,915	10,204	-6.5%
Off-balance sheet customer funds	43,163	38,064	-11.8%
Other data			
Employees	16,610	16,260	-2.1%
Branches	1,847	1,614	-12.6%

Net trading income and exchange differences amounted to 770 million euros and mainly included sales of bonds from the ALCO portfolio carried out in the fourth quarter of the year to finance restructuring plans and NPA portfolio sales.

Operating expenses amounted to -1,991 million euros, restructuring by 14.0% year-on-year due to the recognition of restructuring costs in the fourth quarter. Recurrent costs fell by -4.0% in the year, due to the improvement of both personnel expenses and general expenses.

Provisions and impairments amounted to -2,007 million euros, higher than in the previous year, mainly by higher loan loss provisions due to Covid-19 scenario, by the NPA portfolio sales carried out in the fourth quarter of the year and by a migration of loans to stage 2, following a conservative approach.

Gains on asset sales and other results increased year-on-year, due to the recognition of the disposal of Sabadell Asset Management and the closing of the disposal of SDIN. The previous year included the disposal of 80% of Solvia Servicios Inmobiliarios and the earn-out of the insurance business.

Simple evolution							
1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
630	633	636	628	611	591	597	600
312	329	324	338	324	302	299	321
942	962	960	966	935	893	896	922
51	-27	89	-3	133	0	20	618
12	24	16	9	4	10	11	12
-9	-84	-17	-177	-16	-78	-16	-162
996	875	1,048	794	1,056	825	911	1,389
-422	-424	-440	-461	-422	-432	-424	-713
-77	-78	-81	-87	-85	-87	-91	-90
497	373	527	246	549	306	397	585
-165	-168	-176	-340	-410	-548	-249	-801
1	140	0	34	1	274	28	15
332	345	351	-60	141	32	175	-201
-90	-61	-97	83	-46	77	-34	75
1	5	1	2	1	-2	2	0
241	278	253	21	94	110	139	-126
8.0%	6.7%	6.3%	7.3%	2.2%	3.4%	3.5%	2.0%
47.0%	47.6%	47.4%	47.0%	39.9%	45.4%	45.7%	47.6%
5.1%	4.9%	5.0%	4.7%	4.7%	4.7%	4.6%	4.4%
52.6%	51.4%	51.4%	50.5%	52.7%	55.6%	55.8%	55.7%

On-balance customer funds increased by 1.5% year-on-year, driven by the increase in sight accounts as a result of both individuals and companies consuming and spending less during the lockdown. Off-balance sheet funds decreased by -11.8% year-on-year after Sabadell Asset Management disposal.

Simple evolution							
1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
173,848	173,879	171,381	172,610	173,442	184,315	186,331	183,896
101,758	104,365	102,599	104,436	105,008	107,175	106,505	106,327
1,013	1,042	653	791	859	946	979	871
163,413	163,208	160,364	161,695	162,721	173,634	175,710	173,692
104,627	106,802	106,839	108,890	107,803	109,485	109,750	110,571
19,129	19,168	20,459	19,912	20,762	19,842	20,164	18,332
10,435	10,671	11,017	10,915	10,720	10,680	10,621	10,204
43,655	43,720	43,689	43,163	40,044	41,718	36,865	38,064
17,403	16,750	16,735	16,610	16,668	16,570	16,391	16,260
1,891	1,891	1,878	1,847	1,847	1,753	1,704	1,614

Banking Business United Kingdom

Net profit as at 2020 year-end amounted to -220 million euros, impacted by higher loan loss provisions due to Covid-19 scenario, the acceleration of restructuring costs, as well as the provisions related to the treatment of some customers in arrears which were recognised in the fourth quarter.

Net interest income amounted to 885 million euros and was therefore -9.6% lower than in the previous year, mainly due to fewer current account overdraft fees applied as part of the measures taken in response to Covid-19, pressure on mortgage yields and the interest rate cut in the UK.

Net fees and commissions fell by -17.2% year-on-year, mainly due to lower activity levels as a result of Covid-19 and lower debit card fees after the volume of proceeds from abroad was reduced (new regulations).

Other income and expenses presented a positive change, as this year included the final payment made by Lloyds

Banking Group due to the migration and also included 20 million pounds in insurance compensation related to the IT migration. The previous year included the positive impact of the renegotiation of the service contract with VISA Inc.

Operating expenses amounted to -875 million euros and fell by -4.5% year-on-year, mainly due to lower recurrent personnel expenses. In the year, total costs included -101 million euros of non-recurrent costs associated with the efficiency plan (-18 million euros in the fourth quarter of the year).

Provisions and impairments amounted to -240 million euros, significantly higher than in the previous year, due to higher loan loss provisions due to Covid-19 scenario and provisions related to the treatment of some customers in arrears.

Gains on asset sales and other results included -3 million euros related to restructuring costs in 2020.

(€ million)	FY19	FY20	YoY (%)		Simple evolution							
			YoY (%)	at constant FX	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Net interest income	979	885	-9.6%	-8.5%	244	242	241	251	242	200	217	226
Net fees and commissions	117	96	-17.2%	-16.2%	26	30	31	29	22	21	26	27
Core revenues	1,095	981	-10.4%	-9.3%	271	272	272	280	264	221	243	253
Net trading income and exchange differences	15	25	64.7%	66.6%	16	4	-4	-1	14	5	3	3
Income from equity method and dividends	0	0	--	--	0	0	0	0	0	0	0	0
Other operating income/expense	-20	2	--	--	12	-13	-9	-9	1	12	-7	-4
Gross operating income	1,091	1,008	-7.6%	-6.5%	299	263	258	270	280	237	239	252
Operating expenses	-917	-875	-4.5%	-3.4%	-231	-227	-221	-238	-212	-208	-255	-200
Amortisation & depreciation	-136	-160	18.2%	19.6%	-33	-33	-34	-36	-38	-40	-38	-44
Pre-provisions income	39	-27	--	--	36	2	4	-3	29	-12	-53	8
Total provisions & impairments	-72	-240	232.2%	236.2%	-21	-12	-14	-25	-38	-83	-49	-71
Gains on sale of assets and other results	-4	-4	-1.3%	-0.1%	0	-1	-1	-2	0	1	-5	1
Profit before tax	-38	-271	--	--	15	-11	-12	-29	-8	-94	-107	-62
Income tax	-8	51	--	--	-7	6	5	-11	1	30	23	-3
Minority interest	0	0	--	--	0	0	0	0	0	0	0	0
Attributable net profit	-45	-220	--	--	7	-5	-7	-40	-7	-64	-84	-65
Accumulated ratios												
ROE	--	--			--	--	--	--	--	--	--	--
Efficiency	84.0%	86.8%			77.0%	81.4%	82.7%	84.0%	75.7%	81.3%	89.3%	86.8%
NPL ratio	1.2%	1.3%			1.3%	1.3%	1.3%	1.2%	1.2%	1.6%	1.4%	1.3%
Stage 3 coverage ratio w/ total provisions	43.1%	57.4%			46.8%	43.8%	41.5%	43.1%	48.9%	51.9%	58.9%	57.4%

Lending amounted to 36,977 million euros, representing a growth of 1.3% year-on-year. Considering a constant exchange rate, this item increased by 7.1% year-on-year, due to the larger mortgage book and the UK government's coronavirus Bounce Back Loan Scheme.

On-balance sheet customer funds amounted to 38,213 million euros, representing an increase of 7.9%. Considering a constant exchange rate, this item increased by 14.0% year-on-year, due to the increase in current accounts and savings, reflecting lower consumer spending levels and Business banking deposits benefited from funds deposited following strong take-up of UK Government's Bounce Back Loan Scheme, along with growth from Incentivised Switching Scheme (ISS) customers.

(€ million)	FY19	FY20	YoY (%)		Simple evolution							
			YoY (%)	at constant FX	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Total assets	46,449	47,284	1.8%	7.6%	47,613	46,648	47,046	46,449	45,460	45,099	45,349	47,284
Performing gross loans	36,496	36,977	1.3%	7.1%	35,042	33,850	34,798	36,496	34,844	34,190	35,415	36,977
Subtotal liabilities	44,924	45,547	1.4%	7.1%	46,072	45,143	45,559	44,924	43,942	43,600	43,762	45,547
On-balance sheet customer funds	35,423	38,213	7.9%	14.0%	34,019	33,241	33,726	35,423	34,590	36,047	36,784	38,213
Capital markets w/ wholesale funding	2,423	2,319	-4.3%	1.1%	2,563	2,415	2,391	2,423	2,290	2,189	1,792	2,319
Equity	1,525	1,736	13.9%	20.3%	1,541	1,505	1,488	1,525	1,518	1,499	1,587	1,736
Other data												
Employees	7,394	6,709	-9.3%		8,314	8,160	7,795	7,394	7,276	7,133	7,028	6,709
Branches	536	454	-15.3%		549	548	544	536	534	503	485	454

Banking Business Mexico

Net profit as at 2020 year-end amounted to 4 million euros, representing a year-on-year decrease, mainly due to the reduction of fees and the increase in provisions, which were partially offset by lower expenses.

Net interest income amounted to 114 million euros and decreased by -2.1%, affected by the exchange rate of the Mexican peso. Considering a constant exchange rate, this item increased by 11.3% due to the lower cost of funding.

Net fees and commissions amounted to 7 million euros, down from the previous year due to lower activity levels as a result of Covid-19.

Other operating income and expenses increased in the year, mainly due to the larger volume of customer funds, which require a smaller contribution to be made to the Instituto para la Protección al Ahorro Bancario (IPAB).

Operating expenses fell by -10.1% year-on-year, impacted by the exchange rate. Considering a constant exchange rate, this item increased by 2.2% due to higher general expenses.

Provisions and impairments amounted to -27 million euros, increasing from the previous year, due to higher loan loss provisions allocated in light of the Covid-19 macroeconomic situation.

(€ million)	FY19	FY20	YoY (%)	
			at constant FX	at constant FX
Net interest income	117	114	-2.1%	11.3%
Net fees and commissions	19	7	-60.1%	-54.7%
Core revenues	136	122	-10.1%	2.2%
Net trading income and exchange differences	1	4	--	--
Income from equity method and dividends	0	0	--	--
Other operating income/expense	-9	-14	60.3%	82.1%
Gross operating income	127	112	-12.0%	0.0%
Operating expenses	-80	-72	-10.1%	2.2%
Amortisation & depreciation	-11	-10	-13.2%	-1.4%
Pre-provisions income	36	30	-15.9%	-4.4%
Total provisions & impairments	-16	-27	74.0%	97.7%
Gains on sale of assets and other results	0	0	--	--
Profit before tax	20	3	-85.9%	-83.9%
Income tax	-2	1	--	--
Minority interest	0	0	--	--
Attributable net profit	19	4	-77.6%	-74.6%
Accumulated ratios				
ROE	3.5%	0.8%		
Efficiency	62.9%	64.3%		
NPL ratio	1.2%	0.5%		
Stage 3 coverage ratio w/ total provisions	108.9%	231.6%		

Simple evolution								
1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	
26	31	29	31	32	29	27	27	
4	4	6	4	3	1	2	2	
30	35	35	35	34	30	29	29	
0	0	1	0	4	0	-1	1	
0	0	0	0	0	0	0	0	
-2	-3	-2	-2	-3	-3	-3	-5	
29	32	33	33	35	27	25	25	
-12	-25	-21	-22	-19	-14	-16	-24	
-2	-3	-3	-3	-2	-2	-3	-3	
14	4	9	8	15	11	6	-2	
-3	-4	-3	-5	-7	-4	-4	-12	
0	0	0	0	0	0	0	0	
11	0	6	3	8	7	2	-14	
-1	0	-1	1	-2	-1	0	5	
0	0	0	0	0	0	0	0	
10	0	5	4	6	6	2	-10	
7.8%	3.8%	3.7%	3.5%	4.6%	4.5%	3.4%	0.8%	
50.1%	60.6%	61.6%	62.9%	52.9%	52.0%	55.5%	64.3%	
0.5%	0.6%	0.9%	1.2%	1.1%	0.8%	0.6%	0.5%	
233.8%	186.1%	132.4%	108.9%	111.4%	132.5%	166.3%	231.6%	

Performing loans amounted to 3,574 million euros, -1.8% less than in the previous year, impacted by the depreciation of the Mexican peso. Considering a constant exchange rate, this item increased by 13.0%.

On-balance sheet customer funds amounted to 1,994 million euros and decreased slightly by -0.1% year-on-year, impacted by the depreciation of the Mexican peso. Considering a constant exchange rate, this item increased by 14.9%.

(€ million)	FY19	FY20	YoY (%)	
			at constant FX	at constant FX
Total assets	4,695	4,584	-2.4%	12.3%
Performing gross loans	3,640	3,574	-1.8%	13.0%
Subtotal liabilities	4,160	4,032	-3.1%	11.5%
On-balance sheet customer funds	1,996	1,994	-0.1%	14.9%
Equity	535	551	3.1%	18.6%
Other data				
Employees	450	489	8.7%	
Branches	15	15	0.0%	

Simple evolution								
1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	
4,283	4,325	4,382	4,695	4,384	5,033	4,413	4,584	
3,339	3,488	3,503	3,640	3,623	3,767	3,543	3,574	
3,781	3,786	3,829	4,160	3,850	4,496	3,890	4,032	
1,340	1,818	1,851	1,996	1,612	2,040	1,629	1,994	
502	539	553	535	533	538	523	551	
460	462	467	450	471	503	499	489	
15	15	15	15	15	15	15	15	

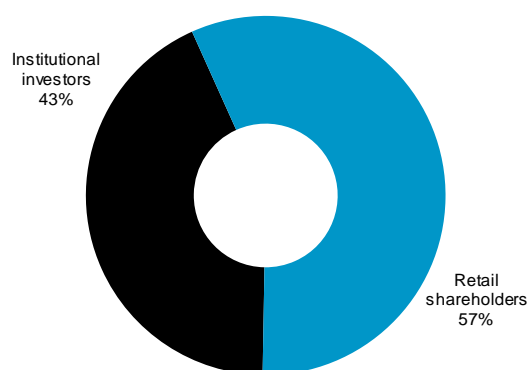
4. Share price performance

	31.12.19	30.09.20	31.12.20
Shareholders and trading			
Number of shareholders	235,034	246,671	244,225
Average number of shares (million)	5,538	5,586	5,582
Average daily trading volume (millions shares)	30	57	59
Share price (€) (1)			
Opening session (of the year)	1.001	1.040	1.040
High (of the year)	1.130	1.080	1.080
Low (of the year)	0.714	0.250	0.250
Closing session	1.040	0.297	0.354
Market capitalisation (€ million)	5,760	1,660	1,976
Stock market multiples			
Earnings per share (EPS) (€)	(2) 0.13	0.02	-0.01
Book value (€ million)	13,172	13,111	12,944
Book value per share (€)	2.38	2.35	2.32
Tangible book value (€ million)	10,578	10,525	10,322
TBV per share (€)	1.91	1.88	1.85
Price / Book value (times)	0.44	0.13	0.15
Price / Earnings ratio (P/E) (times)	8.29	13.65	-27.75

(1) Without adjusting historical values.

(2) Net profit adjusted by the Additional Tier 1 coupons recorded under equity.

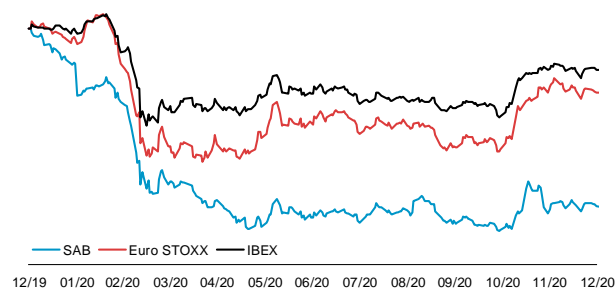
Shareholder breakdown (%)



Source: GEM, data as at 31 December 2020

Comparative evolution of SAB share

Period from 31.12.2019 to 31.12.2020



5. Key developments in the quarter

Banco Sabadell confirms that it is maintaining discussions with BBVA S.A.

On 16 November 2020, Banco Sabadell confirms that it is maintaining discussions with representatives of Banco Bilbao Vizcaya Argentaria, S.A. in relation to a potential merger transaction between both entities, having initiated a due diligence process and designated external advisors, with the authorisation of its Board of Directors.

No decision has been made nor is there any certainty as to whether it will be adopted. Should any decision be adopted in this regard, we will inform in the terms required by law.

Banco Sabadell has decided to terminate the discussions with BBVA S.A.

As a continuation of the Inside Information number 579, published on 16 November 2020, in which Banco Sabadell confirmed that it was maintaining discussions with representatives of Banco Bilbao Vizcaya Argentaria, S.A. in relation to a potential merger transaction, Banco Sabadell informs that the Board of Directors has decided to terminate the abovementioned discussions, because the parties have not achieved an agreement on the exchange ratio of both entities.

Banco Sabadell appoints new Chief Executive Officer

On 17 December 2020 the Board of Directors of Banco Sabadell has appointed Mr César González-Bueno as Chief Executive Officer to replace Mr Jaime Guardiola, once the corresponding regulatory authorisations are obtained.

Banco Sabadell receives notification of MREL requirements

On 28 December, Banco Sabadell has received a communication from the Bank of Spain regarding the decision made by the Single Resolution Board (SRB) on the minimum requirement for own funds and eligible liabilities (MREL) and the subordination requirement applicable to Sabadell on a consolidated basis.

Sabadell needs to meet the following requirements from 1 January 2024:

- The minimum requirement for MREL is 21.75% of the total risk exposure amount (TREA) and 6.22% of the leverage ratio exposure (LRE).
- The subordination requirement is 14.45% of TREA and 6.22% of LRE.

The decision sets out the following interim requirements that must be met from 1 January 2022:

- The interim MREL requirement is 21.05% of TREA and 6.22% of LRE.
- The interim subordination requirement is 14.45% of TREA and 6.06% of LRE.

The own funds used by the bank to meet the combined buffer requirement (CBR) will not be eligible to meet its MREL and subordination requirements expressed in terms of TREA.

Banco Sabadell is already compliant with the requirements that need to be met from 1 January 2024 onwards, which are consistent with Banco Sabadell's expectations and in line with its funding plans.

6. Glossary of terms on performance measures

In the presentation of its results to the market, and for the purpose of monitoring the business and decision-making processes, the Group uses performance indicators pursuant to the generally accepted accounting regulations (EU-IFRS), and also uses other unaudited measures commonly used in the banking sector (Alternative Performance Measures, or “APMs”) as monitoring indicators for the management of assets and liabilities, and the financial and economic situation of the Group, which facilitates its comparison with other entities.

Following the ESMA guidelines on APMs (ESMA/2015/1415 of October 2015), the purpose of which is to promote the use and transparency of information for the protection of investors in the European Union, the Group presents below, for each APM, the reconciliation with items shown in the financial statements (in each section of the report) as well as its definition and calculation:

	Definition and calculation	Page
ROA	(*) (**) Consolidated income during the year / ATA. In the numerator the annualization of the profit obtained to date is considered and adjusted by contributions to deposit guarantee and resolution funds (DGF and SRF) and tax on deposits of credit institutions (IDEC), except year end.	3
ROE	(*) (***) Profit attributed to the Group / average equity. In the numerator the annualization of the profit obtained to date is considered and adjusted by contributions to deposit guarantee and resolution funds (DGF and SRF) and tax on deposits of credit institutions (IDEC), except year end.	3
RORWA	(*) Profit attributed to the Group / risk-weighted assets (RWA). In the numerator the annualization of the profit obtained to date is considered and adjusted by contributions to deposit guarantee and resolution funds (DGF and SRF) and tax on deposits of credit institutions (IDEC), except year end.	3
ROTE	(*) (***) Profit attributed to the Group / average equity. In the numerator the annualization of the profit obtained to date is considered and adjusted by contributions to deposit guarantee and resolution funds (DGF and SRF) and tax on deposits of credit institutions (IDEC), except year end. The denominator excludes intangible assets and the goodwill of the investees.	3
Efficiency ratio	(*) Administrative expenses / adjusted gross income. The denominator includes the linear accrual of contributions to deposit guarantee fund and resolution fund and tax on deposits of credit institutions, except year end.	3
Other operating income/expense	Includes the following accounting items: other operating income and other operating expense as well as income from assets and expenses on liabilities under insurance or reinsurance contracts.	9
Total provisions & impairments	Includes the following accounting items: (i) provisions or reversal of provisions, (ii) impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or gains, (iii) impairment or reversal of impairment of investments in joint ventures and associates, (iv) impairment or reversal of impairment on non-financial assets, (v) profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (excluding profit or loss on the sale of holdings) and (vi) investment properties in the net gains or losses on derecognition of non-financial assets (including only gains or losses on the sale of investment properties).	9
Gains on sale of assets and other results	Includes the following accounting items: net gains or losses on derecognition of non-financial assets, excluding investment properties and associates included in the profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations.	9
Pre-provisions income	Comprised of the following accounting items: gross income plus administration and amortisation/depreciation expenses.	9
Customer spread	(**) Difference between return and cost of assets and liabilities related to customers. The ratio has been calculated taking into account the difference between the average rate charged by the bank for customers loans and the average rate paid by the bank for the customers deposits. The average customers loans rate is the annualised ratio between the financial income from customer loans and the average daily balance of customer loans. The average rate of customers funds is the annualised ratio between the financial expenses on customers funds and the average daily balance of customers funds.	11
Other assets	Includes the following accounting items: derivatives - hedge accounting, fair value changes of the hedged items in portfolio hedge of interest rate risk, tax assets, other assets, assets under insurance or reinsurance contracts and non-current assets and disposal groups classified as held for sale.	17
Other liabilities	Includes the following accounting items: derivatives - hedge accounting, tax liabilities, fair value changes of the hedged items in portfolio hedge of interest rate risk, other liabilities and liabilities included in disposal groups classified as held for sale.	17
Gross loans to customers	Includes loans and advances to customers excluding impairment allowances.	18
Performing gross loans	Includes gross loans to customers excluding repos, NPLs (stage 3) and accrual adjustments.	18
On-balance sheet customer funds	Includes customer deposits (ex repos) and other liabilities placed by the branch network (Banco Sabadell non-convertible bonds, commercial paper and others).	20
Off-balance sheet customer funds	Includes mutual funds, asset management, pension funds and third-party insurance products.	20
On-balance sheet funds	Includes accounting sub-headings of customer deposits, debt securities issued (debt and other tradable securities and subordinated liabilities).	20
Funds under management and third-party funds	Sum of on-balance sheet and off-balance sheet customer funds.	20
Stage 3 coverage ratio with total provisions	Shows the % of NPLs (stage 3), covered by total provisions. Calculated using the ratio between the allowance of loans and advances to customers (including allowances for guarantees granted) / total stage 3 exposures (including stage 3 guarantees granted).	22
Stage 3 coverage ratio	Shows the % of NPLs (stage 3), covered by stage 3 provisions. Calculated using the ratio between the stage 3 allowance of loans and advances to customers (including stage 3 allowances for guarantees granted) / total stage 3 exposures (including stage 3 guarantees granted).	22
Problematic assets coverage	Ratio between provisions associated with problematic assets / total problematic assets.	22
NPL ratio	Shows the % of stage 3 exposures (non-performing) over total risk assumed by customers not classified as non-current assets held for sale. Calculated using the ratio between stage 3 exposures (non-performing), including guarantees granted / loans to customer and guarantees granted. See table for the definition of stage 3 exposures (non-performing).	22
Cost of risk (bps)	Ratio between provisions for NPLs / loans to customer and guarantees granted. The numerator considers the linear annualization of the provisions for NPLs. In addition, the costs associated with the management of NPLs and provisions for institutional NPA sales are adjusted.	22
Problematic assets	Sum of non-performing exposures, classified as stage 3, and problematic real estate assets. Also referred to as non-performing assets (NPAs).	24
Problematic Real Estate coverage ratio	Ratio between allowances for impairment of problematic RE assets / total problematic RE assets. Amount of problematic RE assets includes property classified in the portfolio of non-current asset and disposable groups classified as held for sale, excluding real estate investments with significant latent capital gains and rental properties, for which there is an agreement of sale that will be carried out after a reform process.	24
Stage 3 exposures (non-performing)	Sum of accounting items: stage 3 (NPLs) loans and advances to customers and stage 3 guarantees granted (non-performing).	25
Loan-to-deposits ratio	Net loans and receivables divided by retail funding. The numerator excludes mediation loans. The denominator considers real estate funding and customer funds.	26
Total capital ratio	Ratio between total capital and the risk weighted assets. Total capital includes the accounting profit assuming a pay-out of 50% (except year 2020), that is different from the regulatory criteria which decreases that amount based on the obligations to fulfil for the rest of the year. The denominator has been calculated based on the Group's best estimate.	27
Market capitalisation	Share price multiplied by the average number of outstanding shares at the end of the period.	34
Earnings per share	(*) Ratio between net profit attributed to the Group and the average number of outstanding shares at the end of the period. In the numerator the annualization of the profit obtained to date is considered and adjusted by the Additional Tier I coupon payment registered in equity as well as by contributions to deposit guarantee and resolution funds (DGF and SRF) and tax on deposits of credit institutions (IDEC), except year end.	34
Book value per share	(*) Ratio between book value / average number of outstanding shares at the end of the period. Book value refers to equity, adjusted by contributions to deposit guarantee and resolution funds and tax on deposits of credit institutions, except at year end.	34
TBV per share	(*) Ratio between tangible book value and the average number of outstanding shares at the end of the period. The tangible book value is calculated as the sum of equity adjusted by intangible assets and the goodwill of the investees, and by contributions to deposit guarantee and resolution funds and tax on deposits of credit institutions, except year end.	34
Price / Book value (times)	(*) Ratio between share price / book value per share.	34
Price / Earnings ratio (P/E) (times)	(*) Ratio between share price / earnings per share.	34

(*) The accrual on a straight-line basis of contributions to the deposit guarantee fund and the resolution fund, as well as the tax on deposits of credit institutions, has been calculated based on the Group's best estimates.

(**) Arithmetic mean calculated as the sum of daily balances during the reference period, divided by the number of days during that period.

(***) Average calculated using the month-end positions since the previous December.

Alternative Performance measures	Conciliation (€millions)	FY19	FY20
ROA	Average total assets	223,470	227,639
	Consolidated net profit	777	3
	ROA (%)	0.35	0.00
ROE	Average equity	12,926	13,151
	Attributable net profit	768	2
	ROE (%)	5.94	0.02
RORWA	Risk weighted assets (RWA)	81,231	78,779
	Attributable net profit	768	2
	RORWA (%)	0.95	0.00
ROTE	Average equity (excluding intangible assets)	10,418	10,558
	Attributable net profit	768	2
	ROTE (%)	7.37	0.02
Efficiency ratio	Gross operating income	4,932	5,302
	Operating expenses	-2,743	-2,938
	Efficiency ratio (%)	55.63	55.41
Other operating income/expense	Other operating income	234	225
	Other operating expenses	-551	-509
	Income from assets under insurance or reinsurance contracts	0	0
	Expenses on liabilities under insurance or reinsurance contracts	0	0
	Other operating income/expense	-317	-284
Total provisions & impairments	Provisions or reversal of provisions	-27	-275
	Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	-667	-1,745
	Provisions for NPLs and other financial assets	-694	-2,020
	Impairment or reversal of impairment of investments in joint ventures and associates	7	0
	Impairment or reversal of impairment on non-financial assets	-86	-40
	Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	-36	103
	Gains from sales of associates	-133	-320
	Gains from sales of investment properties and associates	4	4
	Other impairments	-244	-254
	Total provisions & impairments	-938	-2,275
Gains on sale of assets and other results	Gains or losses on derecognition of non-financial assets, net	41	-3
	Gains from sales of associates	133	320
	Gains from sales of investment properties and associates	-4	-4
	Gains on sale of assets and other results	170	313
Pre-provisions income	Gross operating income	4,932	5,302
	Operating expenses	-2,743	-2,938
	Personnel expenses	-1,649	-1,885
	Other general expenses	-1,095	-1,054
	Amortisation & depreciation	-470	-523
	Pre-provisions income	1,719	1,841
Customer spread (*)	Loans to customers (net)		
	Avge.balance	139,674	144,207
	Results	4,058	3,628
	Rate %	2.91	2.52
	Customer deposits		
	Avge.balance	147,551	152,495
	Results	-392	-223
Rate %	-0.27	-0.15	
Customer spread	2.64	2.37	
Other assets	Derivatives - Hedge accounting	469	550
	Fair value changes of the hedged items in portfolio hedge of interest rate risk	250	459
	Tax assets	7,008	7,152
	Other assets	1,496	908
	Non-current assets and disposal groups classified as held for sale	764	976
	Other assets	9,987	10,044
Other liabilities	Derivatives - Hedge accounting	729	783
	Fair value changes of the hedged items in portfolio hedge of interest rate risk	235	372
	Tax liabilities	241	206
	Other liabilities	784	883
	Liabilities included in disposal groups classified as held for sale	10	0
	Other liabilities	1,998	2,244

(*) Customer spread is calculated using cumulative data.

Alternative Performance measures	Conciliation (€millions)	FY19	FY20
Performing gross loans	Mortgage loans & credits	83,720	83,573
	Other secured loans & credits	3,330	3,698
	Working capital	6,443	4,991
	Leasing	2,558	2,231
	Unsecured lending and others	48,521	52,386
	Performing gross loans	144,572	146,878
	Non-performing loans (customer) - stage 3	5,923	5,320
	Accruals	18	3
	Gross loans to customers excluding repos	150,513	152,201
	Reverse repos	236	63
Gross loans to customers	Gross loans to customers	150,749	152,265
	NPL and country-risk provisions	-2,933	-3,081
	Loans and advances to customers	147,816	149,183
On-balance sheet customer funds	Financial liabilities at amortised cost	205,636	217,391
	Non-retail financial liabilities	59,327	66,612
	Central banks	20,065	31,881
	Credit institutions	11,471	10,083
	Institutional issues	23,623	20,905
	Other financial liabilities	4,168	3,743
	On-balance sheet customer funds	146,309	150,778
	Customer deposits	147,362	151,270
	Sight accounts	118,868	130,295
	Fixed-term deposits including available and hybrid financial liabilities	27,339	20,805
On-balance sheet funds	Repos	951	13
	Accruals and derivative hedging adjustments	204	157
	Debt and other marketable securities	19,514	17,510
	Subordinated liabilities (*)	3,056	2,903
	On-balance sheet funds	169,932	171,683
	Mutual funds	26,003	21,366
	Managed accounts	3,363	3,298
	Pension funds	3,367	3,349
	Third-party insurance products	10,430	10,051
	Off-balance sheet customer funds	43,163	38,064
Funds under management and third-party funds	213,095	209,748	
Stage 3 exposures (non-performing)	Customer, central banks and financial institutions loans and advances	5,942	5,351
	Guarantees granted in stage 3	198	457
	Stage 3 exposures (non-performing) - (€million)	6,141	5,808
Stage 3 coverage ratio with total provisions (%)	Stage 3 exposures (non-performing)	6,141	5,808
	Provisions	3,045	3,279
	Stage 3 coverage ratio with total provisions (%)	49.6%	56.5%
Stage 3 coverage ratio (%)	Stage 3 exposures (non-performing)	6,141	5,808
	Stage 3 provisions	2,316	2,272
	Stage 3 coverage ratio (%)	37.7%	39.1%
Problematic Real Estate coverage ratio (%)	Problematic RE Assets	1,185	1,373
	Provisions	394	502
	Problematic Real Estate coverage ratio (%)	33.3%	36.6%
Problematic assets	Stage 3 exposures (non-performing)	6,141	5,808
	Problematic RE Assets	1,185	1,373
	Problematic assets	7,326	7,182
Problematic assets coverage (%)	Provisions of problematic assets	3,439	3,781
	Problematic assets coverage (%)	46.9%	52.6%
NPL ratio (%)	Stage 3 exposures (non-performing)	6,141	5,808
	Loans to customers and guarantees granted	160,127	161,474
	NPL ratio (%)	3.8%	3.6%
Cost of risk (bps)	Loans to customers and guarantees granted	160,127	161,474
	Provisions for NPLs	-672	-1,832
	NPLs costs	-140	-117
	Provisions for institutional NPA sales	-24	-325
	Cost of risk (bps)	32	86
Loan-to-deposits ratio (%)	Adjusted net loans and advances w/o repos by brokered loans	144,246	147,143
	On-balance sheet customer funds	146,309	150,778
	Loan-to-deposits ratio (%)	98.6%	97.6%
Market capitalisation (€million)	Average number of shares (million)	5,538	5,582
	Share price (€)	1,040	0,354
	Market capitalisation (€million)	5,760	1,976
Earnings per share (EPS) (€)	Net profit attributed to the Group adjusted	695	-71
	Attributable net profit	768	2
	Accrued AT1	-73	-73
	Average number of shares (million)	5,538	5,582
	Earnings per share (EPS) (€)	0.13	-0.01
Book value per share (€)	Shareholders' equity	13,172	12,944
	Average number of shares (million)	5,538	5,582
	Book value per share (€)	2.38	2.32
TBV per share (€)	Intangible assets	2,594	2,622
	Tangible book value (€million)	10,578	10,322
	TBV per share (€)	1.91	1.85
Price / Book value (times)	Share price (€)	1,040	0,354
Price / Earnings ratio (P/E) (times)	Price / Book value (times)	0.44	0.15
	Price / Earnings ratio (P/E) (times)	8.29	-27.75

(*) Refers to subordinated liabilities of debt securities.

See list, definition and purpose of the APMs used by Banco Sabadell Group here:

www.grupbancsabadell.com/INFORMACION_ACCIONISTAS_E_INVERSORES/INFORMACION_FINANCIERA/MEDIDAS_ALTERNATIVAS_DEL_RENDIMIENTO

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