

Corporate & Investment Banking offers a global solution model fully aligned with its customers' needs.

Highlights

- Presence in Spain plus another 17 countries.
- Market Origination is a recently-created area encompassing debt capital markets, debt asset management and equity capital markets.

Earnings before taxes

120.0€M

Key figures in the Structured Financing business

Lending volume outside Spain

53%

Structured Financing fees earned in international markets

47.7%

Customer satisfaction score

8.81

Business overview

Corporate & Investment Banking offers financial solutions and advisory services to large companies and financial institutions, both Spanish and foreign, through branches throughout Spain and another 17 countries. Its activities embrace Corporate Banking, Structured Finance, Global Financial Institutions and Market Origination.

- Corporate Banking is the unit in charge of large corporates which, because of their size, complexity and unique features, require a customised service in which transactional banking services are supplemented by specialised units such as Structured Finance, Corporate Finance and Market Origination; the result is a comprehensive solution model for their needs. The business model is based on close strategic relations with customers, providing them with comprehensive solutions that are tailored to their needs while also taking account of the specific features of their business and the markets in which they operate.

Main business activities in Corporate & Investment Banking

Corporate Banking

Structured Finance

Global Financial Institutions

Market Origination

- Structured Finance consists of origination and structuring of corporate and acquisition finance and project finance deals. Banco Sabadell's structured finance team operates worldwide from offices in Madrid, Barcelona, Bilbao, Alicante, Oviedo, Paris, London, Lima, Bogota, Miami, New York, Mexico City, Monterrey, Guadalajara (Mexico) and Singapore, and has more than 20 years' experience.
- The Global Financial Institutions business model is built around two central pillars: commercial management of the international bank customer network (over 3,000 correspondent banks around the world) with which Banco Sabadell has cooperation agreements to provide Group customers with the best possible coverage worldwide, and providing optimal support to our corporate customers as they expand abroad, in coordination with the Group's network of branches, subsidiaries and investees in other countries.
- Market Origination is a recently-created area encompassing debt capital markets (DCM), debt asset management (DAM) and equity capital markets (ECM). The goal of DCM and DAM is to channel the liquidity of institutional investors to the bank's customers through the origination and structuring of short- and long-term non-bank financing vehicles, both publicly quoted and private placements. ECM's goal is to help find equity finance through disintermediation with investors in capital markets.

Management priorities in 2018

Cooperation and coordination between the Corporate Banking teams in the various regions and the specialist businesses will continue to be pivotal to unlock value and ensure success in achieving our goals and those of our customers.

2018 saw the business model boosted strongly, with the creation of a hierarchical structure (Corporate &

Investment Banking) that encompasses the large corporations business—both Spanish and international—in a single division (Corporate Banking), along with specialist businesses (Structured Finance and Market Origination). As a result of the synergies at these units, there is broad coverage of markets, specialist capacity and products for our customers.

Specifically, in Corporate Banking, i) results measured as total revenues and return on capital will continue to be one of the main financial indicators, along with ii) customer experience, measured in terms of NPS (net promoter score). Although the RaRoC methodology was rolled out to the teams in 2017, it was only fully implemented in 2018, and it is now the basic criterion for monitoring the portfolio and new production.

In EMEA, our business model was replicated in the Portuguese market, through the opening of a new office in Lisbon. Moreover, the model of representative offices continues to mature, strengthening the Bank's services to large corporations.

The A&A region (including the US, LatAm and Asia) in 2018 developed its team structure in line with the rest of geographies, so as to achieve greater sector- and product-specific specialisation: specialist teams combining local knowledge with global vision and expertise.

Meanwhile, activity in Mexico focused on leadership and significant involvement in the financial sector. It already offers a wide range of banking products, while essential products are in the pipeline with a view to building long-term relations and establishing Sabadell as a go-to bank for Mexican corporations.

In 2018 Banco Sabadell maintained its policy of supporting customers and adapting to meet their emerging needs within Spain's macroeconomic context amid changing credit market conditions. The Bank is a leader in the Spanish middle market segment and is exporting its know-how to other regions. Corporate & Investment Banking ranks #4 among syndicated loan MLAs and #2 in project finance in the Spanish market (T5 & T6).

Fees and commissions in international markets where the unit operates accounted for 47.7% of its total revenues

€M

Position	Mandated Lead Arranger	Amount	Number
1	Santander	9,228	85
2	Banco Bilbao Vizcaya Argentaria	4,510	41
3	CaixaBank	4,236	29
4	Banco Sabadell	1,623	17
5	Bankia	836	14
6	Crédit Agricole CIB	2,610	13
7	BNP Paribas	1,971	10
8	Société Générale CIB	2,042	9
9	ING	1,015	8
10	Citibank	1,362	6

T5 Syndicated loan
MLA — Spanish
market 2018

Position	Mandated Lead Arranger	Amount	Number
1	Santander	1,774	21
2	Banco Sabadell	588	12
3	Caixabank	969	10
4	Bankia	752	9
5	Banco Bilbao Vizcaya Argentaria	687	8
6	Crédit Agricole CIB	722	7
7	Société Générale (SocGen)	722	6
8	BNP Paribas	565	6
9	Bankinter	259	6
10	Natixis	1,296	5

in 2018, and Banco Sabadell acted as agent bank in various financing operations outside Spain. In 2018, a new team began operating from Singapore, catering for all South-East Asia.

Global Financial Institutions handled more than 390 bilateral trades in the international markets segment linked with bilateral business flows. Business with other financial institutions and multilateral bodies on the international stage was stepped up.

In 2018, Sabadell Corporate Finance worked, among others, on transactions linked to homes for the elderly, agro-industrial equipment, container terminals, ship-building, public health, renewable energy, metallurgy, food, motorways and underground car parks. Several projects involved cross-border transactions in countries like the US, France, Switzerland and Italy, which Sabadell Corporate Finance performs in cooperation with the Terra Alliance international network, of which it is a founding member.

Global Financial Institutions – market shares

LC share in 2018

30.29

Key business data

Net profit amounted to €84 million in 2018, a 32.3% year-on-year decrease. The gross margin of €240 million was down 14%. Net banking revenues decreased by 11.2% to €254 million (T7).

Net interest income fell 15.7% year-on-year to €145 million. Net fees and commissions amounted to €109 million, a 4.4% decline on the previous year.

Income from financial transactions and exchange differences decreased as a result of extraordinary sales of loan portfolios in 2018.

Administrative expenses and depreciation and amortisation charges totalled €41 million, up 24.2% on the previous year.

Provisions and impairments amounted to €79 million, an increase of 14.5%. Net lending declined by 7.5% (T8) and customer funds on the balance sheet rose by 15.7% as demand accounts and fixed deposits, while off-balance sheet funds decreased by 8.7%, mainly as a result of workplace pension plans.

€M

	2017	2018	% 18/17
Net interest income	172	145	(15.7)
Equity-accounted affiliates and dividends	—	—	—
Fees and commissions (net)	114	109	(4.4)
Net income from financial transactions, and exchange differences	3	(8)	(366.7)
Other operating income/expense	(10)	(6)	(40.0)
Gross income	279	240	(14.0)
Administrative expenses and depreciation and amortisation	(33)	(41)	24.2
Operating profit/(loss)	246	199	(19.1)
Provisions and impairments	(69)	(79)	14.5
Gain/(loss) on derecognition of assets, etc.	—	—	—
Profit/(loss) before tax	177	120	(32.2)
Income tax	(53)	(36)	(32.1)
Profit/(loss) after tax	124	84	(32.3)
Non-controlling interest	—	—	—
Net attributable profit	124	84	(32.3)

Ratios (%)

ROE (profit / average shareholders' equity)	14.0%	10.9%	—
Cost: income (general administrative expenses / gross income)	12.0%	17.2%	—
NPL ratio (%)	4.7%	4.1%	—
Stage 3 exposure coverage ratio (%)	94.0%	91.2%	—

Assets	11,958	11,020	(7.8)
Loans and advances to customers (net), excluding repos	7,548	6,981	(7.5)
Liabilities	11,239	10,289	(8.5)
On-balance sheet customer funds	2,857	3,306	15.7
Assigned capital	720	732	1.7
Off-balance sheet customer funds	517	472	(8.7)

Other indicators

Employees	140	155	—
Branches	2	2	—

€M

Geography	Volume
UK	1,547
France	1,434
Morocco	59
Portugal	111
Spain	7,463
Asia	99
USA Corporate Banking	2,228
Mexico Corporate Banking	2,272
LatAm	665

T8 Lending volume, by geography

Source: SCGI data, balance at December 2018.

T7 Key figures —
Corporate & Investment
Banking

Corporate Banking

Corporate Banking had an excellent year in 2018, against a backdrop of normal market operation and ample liquidity, especially in the Eurozone, in accordance with the monetary policy in place. This environment of surplus liquidity, coupled with the sound performance in issuance markets, exerted huge competitive pressure (falling prices, oversubscription of issues, early cancellation of bank loans, etc.), but this did not prevent the unit from meeting its financial targets.

Business volumes in 2018 performed strongly, with lending up 11%. This growth is even more laudable as much of it came from outside Spain (+22%). This responds to both Banco Sabadell's decision to diversify risks and revenue sources, and our support for our Spanish customers as they venture abroad. Overall, lending volume in Corporate Banking outside Spain now exceeds 50% of the total (53%). The pace of deposit growth in regions where we operate mainly in foreign currencies is also notable (33%), since this increases the Bank's self-financing capacity in foreign currency, boosting net interest income.

As for results, interest spreads in the unit as a whole increased by 5%, once again boosted by franchises abroad (most notably in France, Mexico, Asia, US and LatAm).

The standardised methodology used by the Corporate Banking teams in the 17 countries where the division operates, a commercial policy of cooperation for the benefit of our customers, and having not only specialised commercial teams but also an exclusive middle office for major corporate customers, enabled the Bank to maintain the highest service quality standards. This was evidenced by the various indicators of service quality, such as customer satisfaction surveys conducted by independent consultancy Stiga (score of 8.81 out of 10 in 2018).

Structured Finance

Structured Finance offers specialised solutions and advice to customers, providing global coverage with local teams.

From the financing standpoint, customers are offered structuring and the execution of transactions in corporate and acquisition finance, as well as project and asset finance, commercial real estate and global trade finance. This area has the capacity to syndicate and underwrite, and to purchase and sell stakes in syndicated loans in the secondary market.

Sabadell Corporate Finance is also intensely involved in advisory activities to companies and shareholders in

sales, mergers and acquisitions, and providing advice on bringing in new shareholders; the Bank is a member of Terra Alliance (T9).

Market Origination

Over the course of 2018, major financing transactions were arranged by the Bank itself (senior and AT1 debt) and in corporate bond markets (Faurecia, Inmobiliaria Colonial, ACS Servicios, Grupo Antolín, Gestamp, Iberdrola, Grupo Ortiz, Naviera Elcano, Copasa and El Corte Inglés), and also in short-term fixed-income markets (FCC, Europac, Cobra, Hotusa, Nexus, Grupo Siro, Cie Automotive, Cellnex and Aedas), as well as issues by public institutions (Madrid Regional Government).

The team was strengthened with the aim of originating and structuring new products to channel liquidity from institutional investors to Spanish companies, while at the same time offering a new type of investment asset to the institutional market. Current initiatives include private placements in the form of loans, asset-backed securities, project bonds, etc.

Activity	
Specialist Finance	Advisory/Distribution
Corporates and Acquisitions	Syndication
Project Finance	M&A
Asset Finance	Commercial Real Estate
Trade Finance	GFI

T9 Structured Finance business