NATIONAL SECURITIES MARKET COMMISSION

Pursuant to Article 17 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and Article 226 of the restated text of the Securities Market Law approved by the Royal Legislative Decree 4/2015 of 23 October (t*exto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*), Banco de Sabadell, S.A. (Banco Sabadell), informs the National Securities Market Commission (*Comisión Nacional del Mercado de Valores –CNMV–*) of the following

RELEVANT FACT

Banco Sabadell ("the bank") received the European Central Bank communication regarding the minimum prudential requirements as a result of the 2019 supervisory review and evaluation process (SREP). Banco Sabadell exceeds the minimum thresholds and therefore has no restrictions on dividends distribution, variable pay and additional Tier I capital coupon payments.

The requirement for Banco Sabadell at consolidated level is to keep at all times a Common Equity Tier I ratio of 9.64% (CET1 phased-in) and a minimum Total Capital (phased-in) of 13.14%.

These ratios include the minimum Pillar 1 requirement (4.50%), the Pillar 2 requirement (2.25%), the capital conservation buffer (2.50%), the systemic risk buffer (0.25%) and the anticyclical buffer (0.14%).

As of December 2018, the reported CET1 phased-in ratio was 11.98% and the Total Capital was 15.49%.

Exhibit 1: Summary table showing the minimum capital requirements for 2019

Phase-in	**CET1**	**AT1**	**Tier2**	**Total Capital**	**Fully-loaded**	**CET1**	**AT1**	**Tier2**	**Total Capital**
Pillar 1	4.50%	1.50%	2.00%	8.00%	Pillar 1	4.50%	1.50%	2.00%	8.00%
Pillar 2R	2.25%			2.25%	Pillar 2R	2.25%			2.25%
Buffers	2.89%			2.89%	Buffers	2.89%			2.89%
Total Capital	**9.64%**	**1.50%**	**2.00%**	**13.14%**	**Total Capital**	**9.64%**	**1.50%**	**2.00%**	**13.14%**
Ratio as of 31st December 2018	11.98%	1.44%	2.07%	15.49%	Ratio as of 31st December 2018	11.10%	1.44%	2.20%	14.73%

The above requirements do not take into account the improvement in Banco Sabadell's risk profile following the announced disposal of non-performing assets, as the 2019 SREP methodology considers these transactions only after their closing. During 2018, Sabadell agreed to sell €12.2 billion of problematic assets, which completely transformed the bank's risk profile and reduced the bank's net NPAs to total assets ratio from 2.9% to 1.8%.

The increase in prudential requirements has been impacted by the issues experienced in the bank's UK subsidiary –TSB– after the migration onto its new IT platform.

Finally, the increase in Pillar 2 requirement has been partially offset by an improvement of the Pillar 2 guidance (with the Total Pillar 2 variation being +0.25%).

Given the capital levels of Banco Sabadell as of December 2018, the capital buffer relative to the requirements is 235bps in phased-in, while the leverage ratio is 4.87%.

Furthermore, during 2019, Sabadell expects to generate c.50bps of capital organically (i.e. full year profit net of organic RWAs growth and dividends), which will reinforce its solvency position and improve tangible book value per share by more than 5% in the year. This estimated organic capital generation is assuming a 50% dividend pay-out of recurrent profits.

In addition, during 2018, the bank announced the disposal of non-performing assets, as well as the sale of Solvia Servicios Inmobiliarios (both pending authorisation). In 2019, the bank has launched the auction process of Solvia Desarrollos Inmobiliarios, S.L.U. (SDIn) and a portfolio of land and real estate developments owned by Banco Sabadell and managed by SDIn.

The capital arising from these transactions will allow Banco Sabadell to absorb the impact on capital of the new IFRS16 regulation as well as the expected impact of the Target Review of Internal Models (TRIM), which in this case included retail mortgages as well as SMEs and corporates exposures.

Exhibit 2: Sabadell 2019 outlook

	Group target 2019E
Net interest income	1% - 2%
Fees & commissions	High single digit
Trading income	€80-100M
Cost to income ratio[1]	c.55%
Cost of risk	45bps
TSB	Small positive contribution

[1] Excluding amortisation.

María José García Beato
Secretary General

Alicante, 11 February 2019