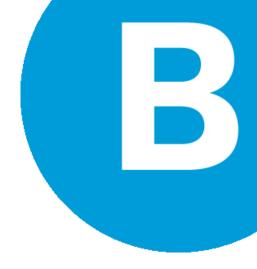
## <sup>®</sup>Sabadell



## 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 228 of the restated text of the Securities Market Law approved by the Royal Legislative Decree 4/2015, of 23 October (texto 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, Grupo Banco Sabadell o Grupo), informs the National Securities Market Commission (Comisión Nacional del Mercado de Valores) of the following

## **RELEVANT FACT**

Banco Sabadell Group has taken part in the 2018 EU-wide stress test conducted by the European Banking Authority (EBA), together with Bank of Spain, the European Central Bank (ECB), and the European Systemic Risk Board (ESRB).

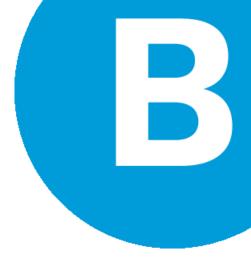
In the baseline scenario, Banco Sabadell Group demonstrates a significant organic capital generation capacity of +86bps over the three-year time horizon considered (2018-2020).

In the adverse scenario, the Group would achieve a phase-in CET1 ratio of 8.40% and a fullyloaded CET1 ratio of 7.58% in 2020. This adverse scenario has been set by the ECB and the ESRB with a time horizon of 2020 and bases its projections on a static balance sheet assumption as at December 2017, and therefore it does not take into account subsequent business strategies and management actions taken by the Group.

Of the Group's overall fully-loaded CET1 ratio reduction of 446bps in the adverse scenario:

- (i) 180 bps (40% of the total) are related to the United Kingdom and specifically to the adverse macro-economic scenario defined for the stress test exercise in this geography, which was particularly severe compared to the scenarios applied to other geographies.
- (ii) The above impact is also driven by the fact that the contractual step-up in IT fees paid by TSB to Lloyds is projected and included in the Group's recurrent cost base throughout the entire 2018-2020 period, even though this cost was only applicable from January 2017 until migration was completed in April 2018. In accordance with the methodology used in the stress test, this amount is considered constant during this three-year period although, in reality, this cost was only incurred for four months. This represents a reduction of the fully-loaded CET1 ratio of 45bps.
- (iii) Likewise, 2018-2020 financial projections include the expenses incurred by Sabadell United Bank in 2017 prior to the sale of this subsidiary in July 2017, but not its revenue or its balance sheet. This represents a reduction of 15bps in the fully-loaded CET1 ratio.





These last two factors have a combined idiosyncratic effect which has translated into a negative impact of 60 bps in the fully-loaded CET1 ratio.

Finally, the results of the stress test demonstrate the Group's resilience and its ability to overcome the adverse scenario that has been considered.

María José García Beato Secretary General

Madrid, 2<sup>nd</sup> November 2018

