

Results of the first quarter of 2019

## **Banco Sabadell earns profit of 258.3 million euros and returns to recurrent profitability**

- Core banking revenue (net interest income + net fees and commissions) showed a stable growth, with a Group-level increase of 1.4%
- Following the sale of 80% of Solvia, the fully-loaded CET ratio stands at 11.15% (11.3% pro forma<sup>(1)</sup>)
- The bank confirms the positive trend of performing loans<sup>(2)</sup> with a year-on-year increase of 3.4% (5.3% ex-TSB), driven by the strong performance of Spain and Mexico
- The Group's NPL ratio declines significantly, falling to 4.10%.
- TSB stabilises its commercial activity, contributes positive growth in the quarter and announces that the new CEO, Debbie Crosbie, will join on May 1st

26 April 2019. Banco Sabadell Group has closed the first quarter of 2019 with a **net attributable profit** of 258.3 million euros (-0.4% in year-on-year terms), confirming that the institution is back on the path of recurrent profitability. **Core banking revenue** (net interest income + net fees and commissions) showed a stable growth, with a Group-level increase of 1.4% (2.4% ex-TSB) and 1.0% in constant FX.

**Net interest income** amounted to **901 million euros** at the end of the first quarter. This figure represents a year-on-year decline of -1.2%, due to the implementation of IFRS16. Excluding TSB, net interest income amounted to 656.2 million euros at the end of the first quarter of 2019, representing a decrease of -0.3% compared to the previous year. Regardless, Sabadell still expects to end 2019 with an increase in its net interest income of between 1% and 2%.

<sup>(1)</sup> Includes +18bps of RWAs released following the NPA sales and +15bps from the capital gain on the sale of Solvia announced in the relevant fact dated 24 April 2019 <sup>(2)</sup> Excludes the impact of the portfolio protected by CAM's APS, which is in run-off.

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**Net fees and commissions** continued to show a strong year-on-year growth of 9.0% (8.6% ex-TSB), mainly due to the excellent year-on-year performance of service fees. The **customer spread** ended the quarter at 2.70% at Group level (2.67% ex-TSB).

**Total costs** amounted to 777.0 million euros at the end of the first quarter of 2019, compared to 840.0 million euros at the end of the first quarter of the previous year. In the quarter, total costs declined by 3.6%, mainly due to the improvement in costs at TSB. **Recurrent expenses and amortisations** declined significantly to 748.6 million euros, representing a year-on-year decrease of 1.9%.

## **Lending increases once again this quarter(+3.4%)**

**Lending volumes have continued to rise in the quarter**, an upward trend that is reflected in the growth of performing loans, which increased by 2.1% year-on-year. Excluding the APS impact, this growth is of 3.4% year-on-year<sup>(1)</sup> (2.8% in constant FX), driven by the strong performance in Spain, particularly in SME loans and non-mortgage lending to individuals, and also by the positive trend of business in Mexico. Quarter-on-quarter, lending increased by 1.3%.

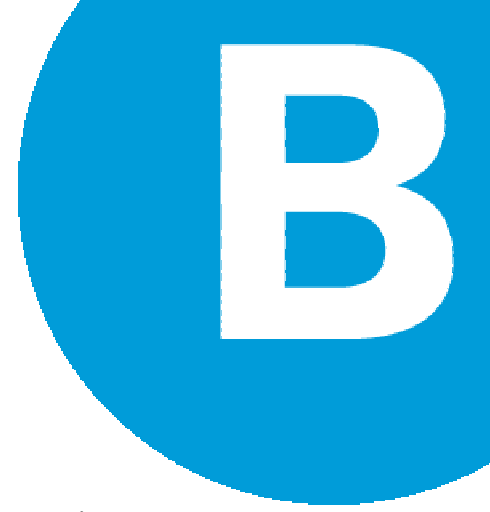
At the end of the first quarter of 2019, on-balance sheet **customer funds** amounted to 139,986 million euros (105,967 million euros ex-TSB), representing a year-on-year increase of 5.0% (7.8% excluding TSB) and a quarter-on-quarter increase of 1.9% (1.1% excluding TSB), reflecting the strength of the banking franchise.

**Sight account** balances amounted to 110,286 million euros (79,092 million euros excluding TSB), representing an increase of 8.3% year-on-year (11.7% excluding TSB) and a 2.4% increase quarter-on-quarter (1.7% excluding TSB).

**Term deposits** amounted to 29,131 million euros (26,305 million euros excluding TSB), representing a -3.1% decline from the previous year (increase of 0.9% excluding TSB) and a 1.5% increase from the previous quarter (0.6% excluding TSB).

**Total off-balance sheet customer funds** amounted to 43,655 million euros at the end of the first quarter of 2019, a -5.8% decline compared with the previous year (-0.9% quarter-on-quarter). It is worth highlighting the growth in insurance products sold by the Group, which increased by 2.5% year-on-year.

<sup>(1)</sup> Excludes the impact of the portfolio protected by CAM's APS, which is in run-off.



**Funds under management** amounted to 206,353 million euros (169,637 million euros ex-TSB), compared with 204,885 million euros (166,871 million euros ex-TSB) one year previously, representing a year-on-year increase of 0.7% (1.7% ex-TSB) and a quarter-on-quarter growth of 0.3%.

Throughout the first quarter of 2019, the bank has been very active in its **acquisition** of corporate and individual customers, acquiring a total of 112,996 new customers. By segments, the Group has acquired 86,580 new individual customers and 26,416 corporate customers. It is worth mentioning that Banco Sabadell has also added 61,021 new direct deposits of salaries.

Business activity in new **loans and credit lines to SMEs** has grown by 4% year-on-year to 5 billion euros, while the volume of mortgage loans has fallen by 5% to just over 1.3 billion euros. The number of new Expansión accounts opened grew by 6% and credit cards turnover increased by 13%. Meanwhile, the market shares of new life insurance premiums and POS turnover stood at 5.8% and 16.1% respectively.

## Leadership in customer experience in SMEs and large enterprises

Banco Sabadell has maintained its **leadership in customer experience** for yet another quarter in the SMEs and large enterprises segments. According to STIGA and EQUOS studies, the level of service quality stands at 8.26, compared with the industry average of 7.36.

The NPS (Net Promoter Score) index indicates that Banco Sabadell is ranked first for large enterprises and SMEs and second for personal banking customers.

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## Capital increase and substantial reduction of NPL ratio

Banco Sabadell has strengthened its capital position following the sale of 80% of Solvia Servicios Inmobiliarios on April 24th, resulting in a **fully-loaded CET1** ratio of 11.15% (11.3% pro forma)<sup>(1)</sup>, after factoring in the impact of TRIM and IFRS16. At the end of the first quarter, the phase-in CET1 ratio was 11.7%.

The Group's NPL ratio has fallen significantly in the first three months of the year to 4.10%. In parallel, it is worth noting that the Group's cost of risk improved, standing at 51 bps at the end of the first quarter of 2019, compared to 65 bps at the end of the first quarter of the previous year.

At the end of the first quarter of 2019, the balance of **problematic assets** amounted to 8,186 million euros, of which 6,383 million euros corresponded to non-performing loans and 1,803 million euros corresponded to foreclosed assets, representing a quarter-on-quarter reduction of 93 million euros (-170 million euros in NPLs and +77 million euros in foreclosed assets). This level of non-performing assets (NPAs) resulted in a ratio of net NPAs to total assets of 1.8%.

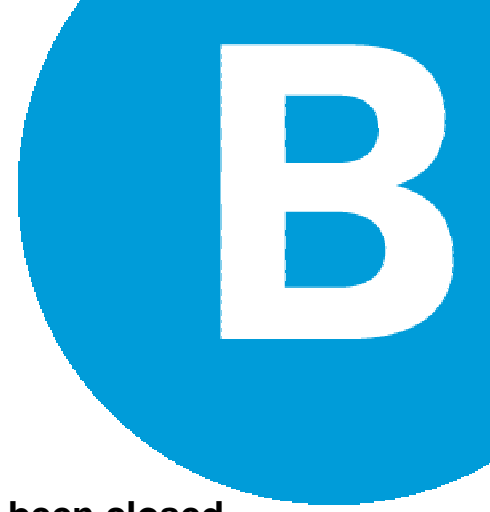
## TSB regains its commercial momentum and its new CEO, Debbie Crosbie, will join on May 1st

The results of TSB's activity at the end of the first quarter of 2019 are positive for Banco Sabadell Group, as they confirm the recovery of the bank's commercial activity in the United Kingdom. Highlights include a **mortgage loan** origination volume, up to March, of over 1.5 billion pounds, compared to 1.2 billion pounds in the same period of the preceding year. Quarter-on-quarter, this growth is 38.2%

TSB also shows a positive contribution to the income statement of Banco Sabadell Group of a total of 7.3 million euros as at the end of the first quarter of 2019. In parallel, it is worth noting that **100% of complaints** related to TSB's IT migration have now been **resolved**. UK customers also consider that **customer experience** has improved, as reflected in significant increases in the NPS (Net Promoter Score).

Debbie Crosbie will join Banco Sabadell's UK subsidiary, TSB, as the new CEO on May 1st. The new CEO, will aim to improve TSB's efficiency and profitability and roll out the new SME business in the United Kingdom, which are key factors for the future of the institution.

<sup>(1)</sup> Includes +18bps in RWAs released from NPA sales, +15bps in capital gains on the sale of Solvia, announced in the relevant fact dated 24 April 2019.



## ***Key developments in the quarter***

### **Sale of 80% of Solvia Servicios Inmobiliarios has been closed**

Banco Sabadell has closed the sale of 80% of the share capital of Solvia Servicios Inmobiliarios, S.L.U. (“Solvia”) to Lindorff Holding Spain, S.A.U., a company that forms part of Intrum AB Group. The transaction has been valued at a total of 300 million euros. The closing of the transaction, for which the relevant authorisations have been obtained, will generate an estimated capital gain of 138 million euros for Banco Sabadell, as well as a positive impact of 15 basis points on its Common Equity Tier 1 (fully-loaded) capital ratio.

### **Banco Sabadell, first institution in Spain to offer the option to take out home and auto insurance using a mobile phone, with Sabadell Blink**

Banco Sabadell has launched a new business line linked to bancassurance, called **Sabadell Blink**. With this new project, Sabadell has become the first institution to offer its customers the option to take out home and auto insurance using the bank’s mobile app, with just three clicks. Sabadell estimates that over the next 5 years over 50% of its home and auto insurance will be purchased using Sabadell Blink.

Sabadell has launched this new line after identifying its customers’ insurance protection requirements, applying Big Data techniques to develop advanced solutions as part of its digital transformation strategy.

### **Banco Sabadell sells its stake held in Banco GNB Sudameris**

On 13 March 2019, Banco Sabadell sold the 8,238,084 shares of Colombian bank Banco GNB Sudameris, S.A. (Banco GNB Sudameris), owned by Banco Sabadell, representing 4.99% of the share capital of Banco GNB Sudameris, to Glenoaks Investments S.A. for a total price of sixty million three hundred and fifty-one thousand five hundred and sixty-nine United States dollars and fifty-two cents (\$60,351,569.52).

The transaction has been executed by exercising the purchase option granted by Banco Sabadell to Starmites Corporation, S.à r.l. on 1 October 2015, as announced to the market with the relevant fact of that same date (registered under number 229193), which was assigned by the latter to Glenoaks Investments, S.A.

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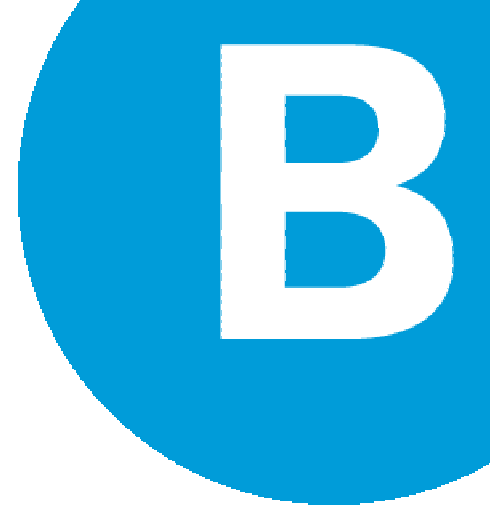


## **Fitch Rating begins covering the issuer rating of Banco Sabadell**

On 29 March 2019, the credit rating agency Fitch Rating began covering the issuer rating of Banco Sabadell and its debt issuances, assigning the following issuer ratings:

- Long-term issuer Default Rating: BBB with Stable outlook.
- Short-term issuer Default Rating: F3.

It is worth highlighting that Fitch Rating has assigned an investment grade category to Sabadell's issuances of senior debt and subordinated debt currently in the market.



## BancoSabadell Profit & loss account (consolidated)

Figures in € million	Total group				ExTSB		
	31.03.2018	31.03.2019	Change YoY	Change at fixed FX	31.03.2018	31.03.2019	Change YoY
<b>Net interest income</b>	<b>911,5</b>	<b>900,7</b>	<b>-1,2%</b>	<b>-1,7%</b>	<b>658,4</b>	<b>656,2</b>	<b>-0,3%</b>
Net fees and commissions	314,4	342,7	9,0%	8,8%	291,3	316,2	8,6%
<b>Core revenues</b>	<b>1.226,0</b>	<b>1.243,4</b>	<b>1,4%</b>	<b>1,0%</b>	<b>949,7</b>	<b>972,5</b>	<b>2,4%</b>
Results from financial transactions and foreign exchange	226,0	67,5	-70,1%	-70,2%	218,8	51,3	-76,5%
Income from equity method and dividend	12,9	12,3	-4,3%	-4,3%	12,8	12,3	-3,6%
Other operating income / expense	-9,7	1,1	--	--	-7,0	-11,2	61,4%
<b>Gross operating income</b>	<b>1.455,1</b>	<b>1.324,3</b>	<b>-9,0%</b>	<b>-9,3%</b>	<b>1.174,3</b>	<b>1.024,9</b>	<b>-12,7%</b>
Operating expenses	-752,9	-664,3	-11,8%	-12,3%	-455,9	-433,8	-4,8%
Personnel expenses	-389,5	-390,9	0,4%	0,0%	-293,5	-292,2	-0,4%
Other general expenses	-363,4	-273,4	-24,8%	-25,3%	-162,4	-141,6	-12,8%
<i>Promemoria:</i>							
Recurrent expenses	-675,9	-635,9	-5,9%	-6,4%	-452,6	-430,4	-4,9%
Non-recurrent expenses	-77,0	-28,4	-63,1%	-63,5%	-3,3	-3,4	5,5%
Amortization & depreciation	-87,1	-112,6	29,3%	28,9%	-69,4	-79,7	14,8%
<b>Pre-provisions income</b>	<b>615,1</b>	<b>547,3</b>	<b>-11,0%</b>	<b>-11,1%</b>	<b>649,0</b>	<b>511,4</b>	<b>-21,2%</b>
Provisions for NPLs and other impairments	-244,8	-190,1	-22,4%	-22,5%	-221,5	-168,7	-23,8%
Gains on sale of assets and other results	-0,6	0,8	--	--	-1,1	0,8	--
<b>Profit before tax</b>	<b>369,7</b>	<b>358,1</b>	<b>-3,1%</b>	<b>-3,1%</b>	<b>426,5</b>	<b>343,5</b>	<b>-19,5%</b>
Income tax	-108,9	-98,7	-9,4%	-9,3%	-121,9	-91,5	-25,0%
Minority interest	1,5	1,0	-31,2%	-31,2%	1,5	1,0	-31,2%
<b>Attributable net profit</b>	<b>259,3</b>	<b>258,3</b>	<b>-0,4%</b>	<b>-0,4%</b>	<b>303,1</b>	<b>251,0</b>	<b>-17,2%</b>

PRO MEMORIA Balances in € million	Total group				ExTSB		
	31.03.2018	31.03.2019	Change YoY	Change at fixed FX	31.03.2018	31.03.2019	Change YoY
Total assets	219.009	225.744	3,1%	2,6%	169.676	178.131	5,0%
Performing gross loans	137.246	140.139	2,1%	1,5%	101.653	105.097	3,4%
Performing gross loans ex APS	132.482	137.048	3,4%	2,8%	96.889	102.006	5,3%
Customer-based funding on balance sheet	133.280	139.986	5,0%	4,5%	98.283	105.967	7,8%
Customer-based funding off balance sheet	46.364	43.655	-5,8%	-5,8%	46.364	43.655	-5,8%

RATIOS	Total group		ExTSB	
	31.03.2018	31.03.2019	31.03.2018	31.03.2019
Cost / income (ex amortisation) (%)	53,42	52,10	40,39	44,46
Core capital / Common equity phase in (%)	12,9	11,7	--	--
NPLs / Gross loans (%) (1)	5,14	4,10	6,38	4,92
NPLs coverage (%) (1)	56,6	52,6	56,9	53,1
Number of branches	2.474	2.455	1.923	1.906
Number of employees	26.056	26.177	17.721	17.863

(1) Figures expressed as 100% APS. In 4Q18 institutional portfolios have been reclassified as non-current assets held for sale, therefore the figures are shown excluding these assets.

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