



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.

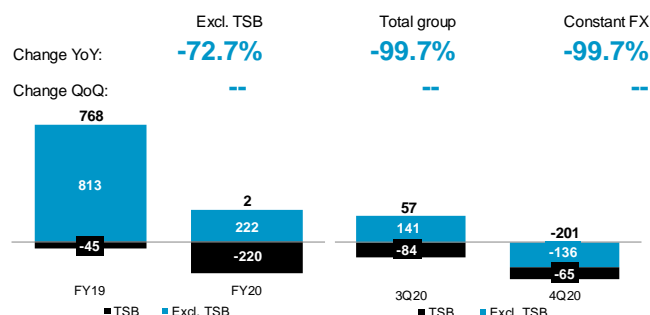
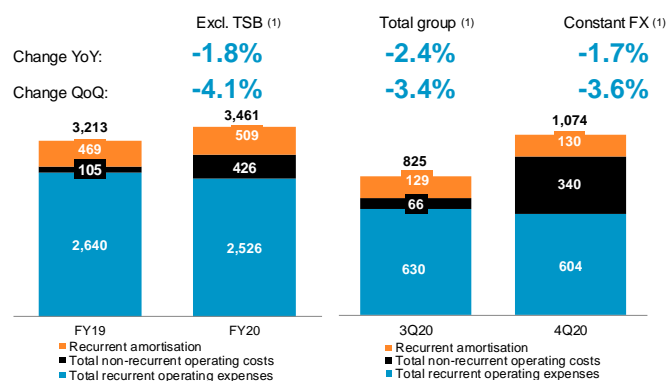
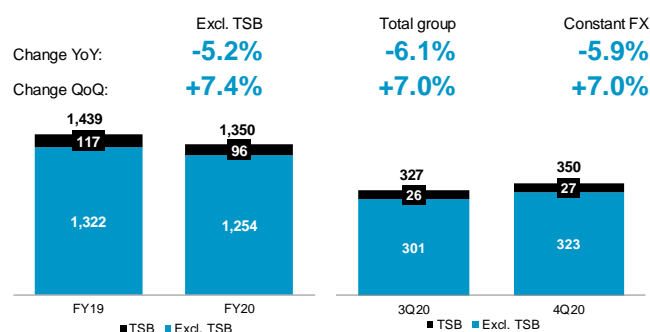
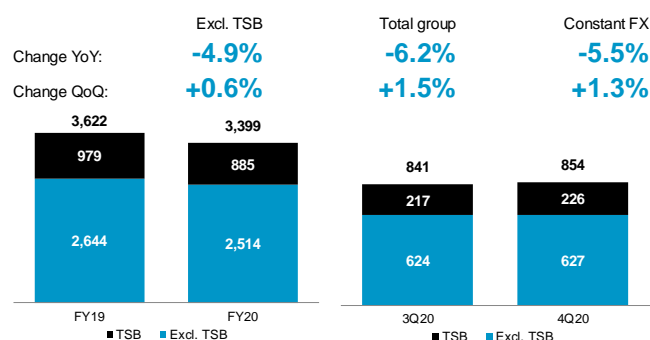
The Group's efficiency ratio stood at 55.4% as at the end of 2020.

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.

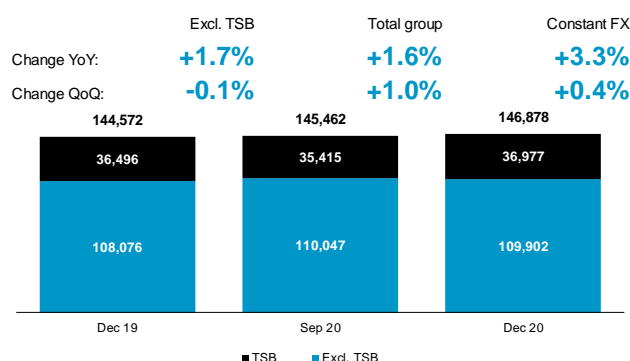
- Capital gains from the ALCO portfolio with an impact of 599 million euros have been used to finance efficiency plans and some of the portfolio disposals.
- Higher provisions due to Covid-19 scenario with a direct impact of around -650 millions euros and due to -115 millions euros by a migration of 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.

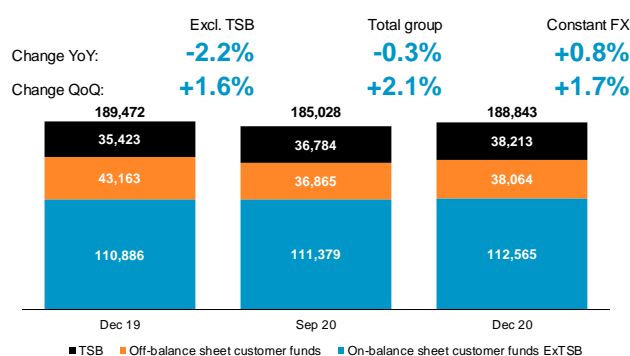
Excluding the APS impact, performing loans increased by 2.6% year-on-year and 1.0% in the quarter, rising to 4.4% year-on-year and 0.4% in the quarter considering a constant exchange rate.



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.

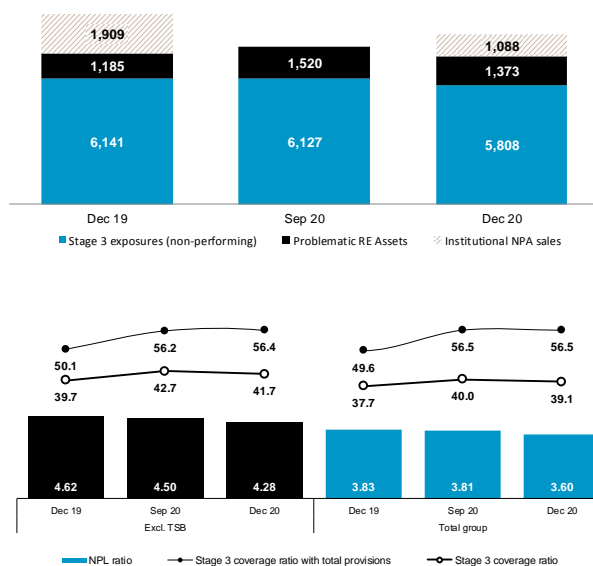
NPL ratio and coverage (*)

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%.

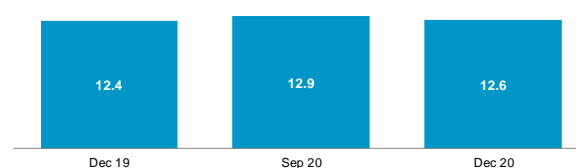
The ratio of problematic assets in relation to gross loans plus real estate assets improved, reaching 4.7%.

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.

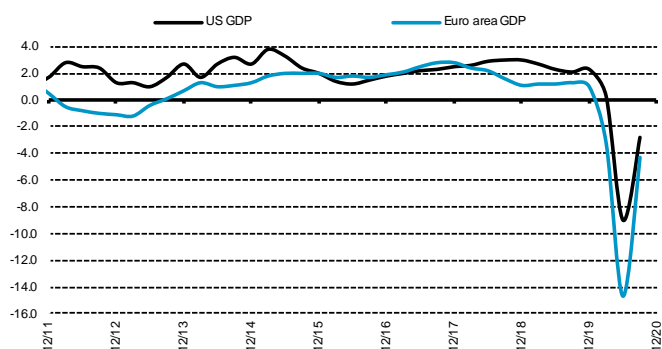
Yields on long-term German government bonds fell slightly and remained at clearly negative levels, influenced by the accommodative tone of the ECB's monetary policy and by the expected deterioration of activity in 4Q20, due to the tightening of measures implemented to contain the virus. Yields on long-term 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

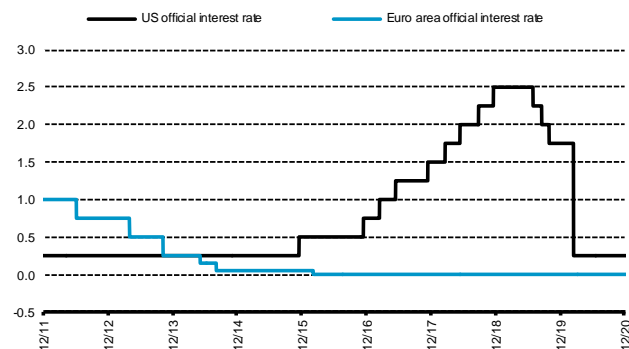
The quarter began with sharp declines in equity markets given the discrepancies in the US surrounding the approval of the new package of fiscal stimulus measures and the start of the second wave of coronavirus, which weighed down on economic growth expectations. However, Biden's subsequent win in the 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.

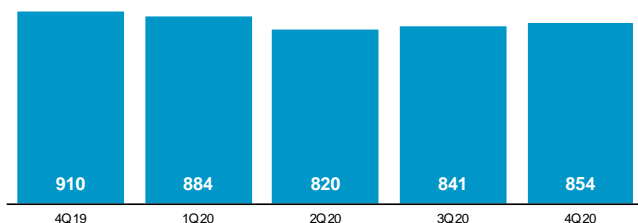
TSB's net interest income amounted to 885 million euros, falling by -9.6% compared to the previous year due to the interest rate cut in the United Kingdom, the situation brought about by Covid-19, the measures taken to contain it, and due to the negative impact of the exchange rate. In the quarter, this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

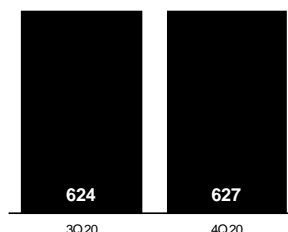
Evolution of net interest income

Total group (€ millions)



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

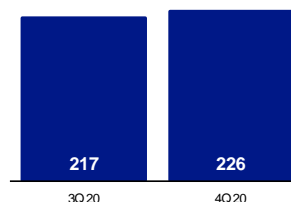
Sabadell ex - TSB (€ millions)



Change YoY:
-4.9%

Change QoQ:
+0.6%

TSB (€ millions)



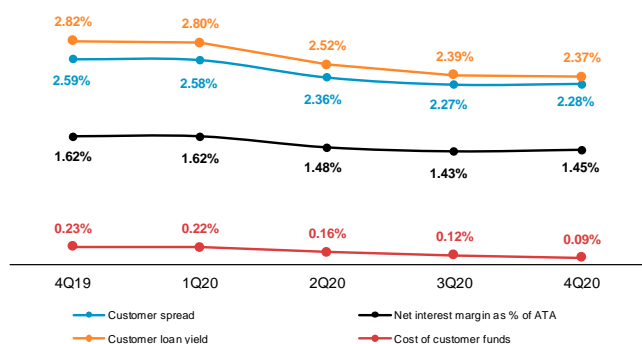
Change YoY:
-9.6%

Constant FX
-8.5%

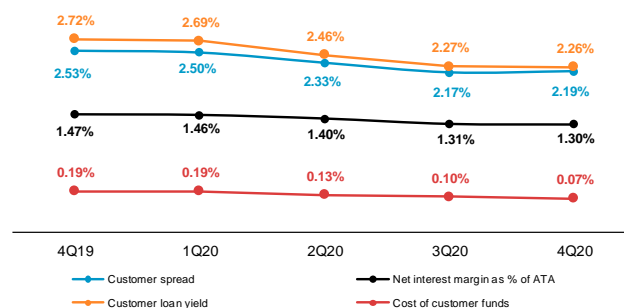
Change QoQ:
+4.2%

Constant FX
+4.0%

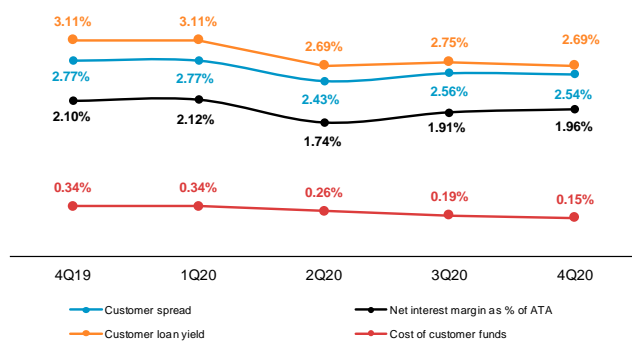
Net interest income, Group (%)



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 | 2,1472 | -1.63 | -87 | 2,1629 | -1.24 | -66 | 2,1085 | -1.03 | -55 | 2,1608 | -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.

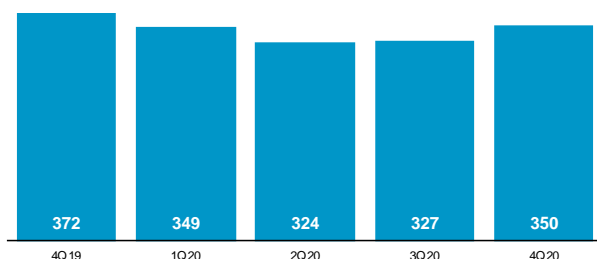
Net fees and commissions:

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.

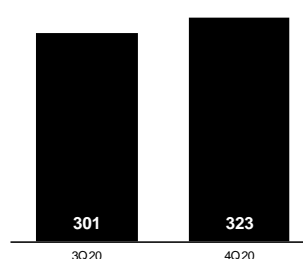
In the quarter, fees and commissions increased by 7.0%, supported by the growth of service fees given the increase in syndicated loan transactions and by asset management fees due to factors related to the usual fourth quarter seasonality.

Evolution of net fees and commissions

Total group (€ millions)



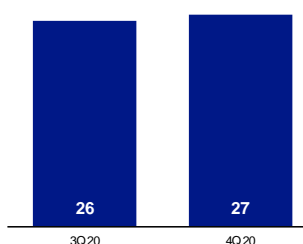
Sabadell ex - TSB (€ millions)



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).

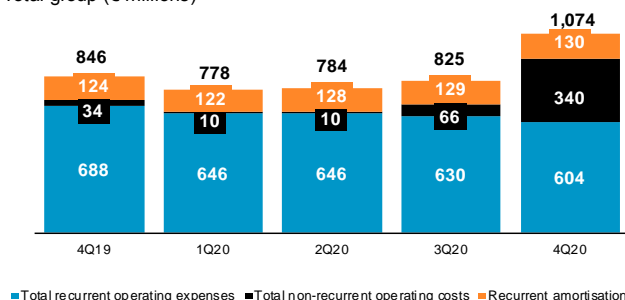
Total costs

| (€ 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.

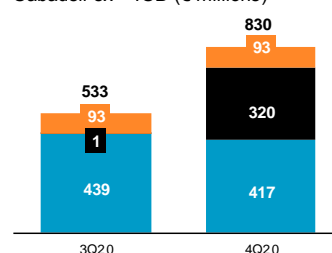
Evolution of total costs

Total group (€ millions)



■ Total recurrent operating expenses ■ Total non-recurrent operating costs ■ Recurrent amortisation

Sabadell ex - TSB (€ millions)

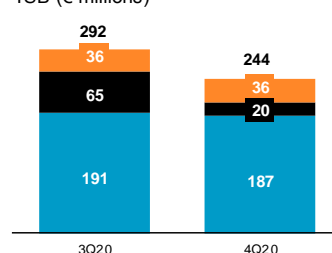


Recurrent costs

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 million 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 million 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 | (2) 31.12.20 | 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.

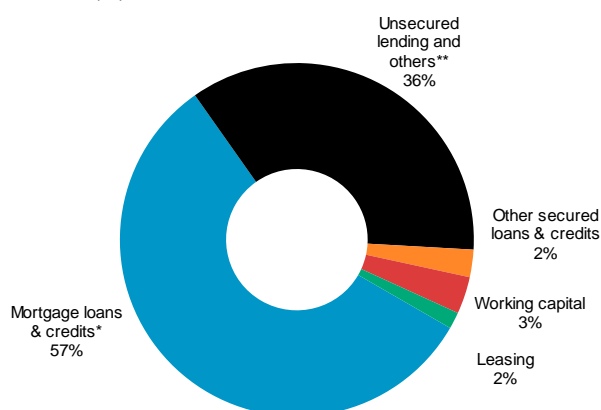
In TSB, lending increased by 1.3% year-on-year, affected by the depreciation of the pound, and by 4.4% in the quarter. Considering a constant exchange rate, this increase was 7.1% year-on-year and 2.9%, in the quarter, due to the growth recorded across all products, particularly in the mortgage book, 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 | | | | |
|---|----------------|----------------|----------------|------------|-------------|----------------|----------------|----------------|------------|------------|
| | 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⁾

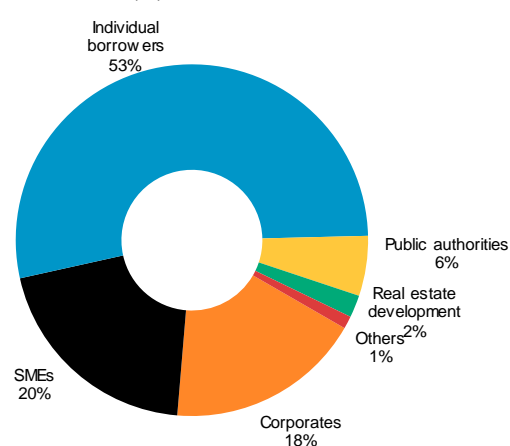


*Includes mortgage loans and credits both to individuals and companies.

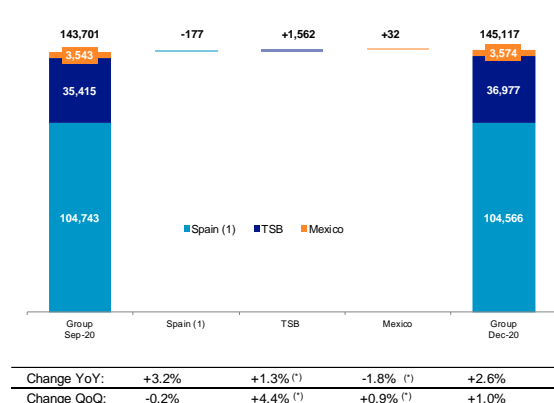
**Includes ICO loans.

(*) Excluding NPLs and accrual adjustments.

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

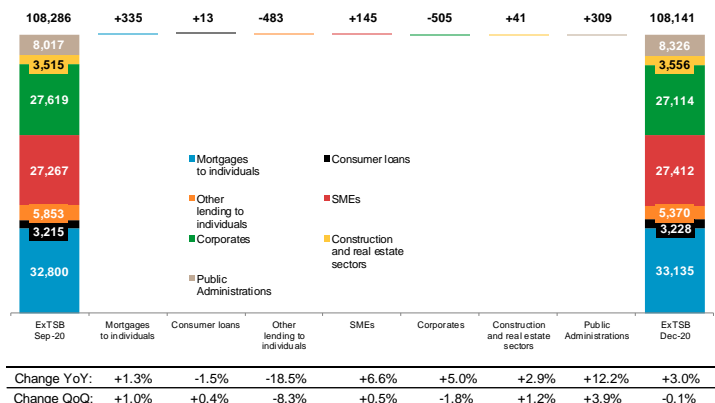


Gross performing loans ex APS: performance by regions (€ million)



(*) 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.

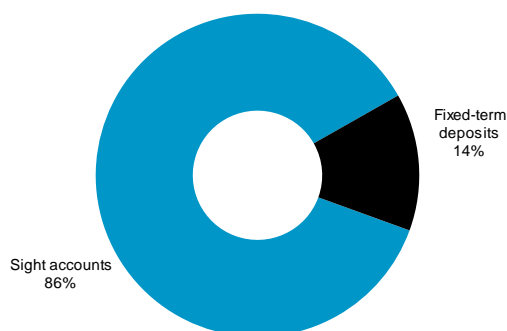
Customer funds

| (€ million) | Excl. TSB | | | | | Total group ⁽¹⁾ | | | | |
|---|----------------|----------------|----------------|--------------|-------------|----------------------------|----------------|----------------|--------------|-------------|
| | 31.12.19 | 30.09.20 | 31.12.20 | Change | | 31.12.19 | 30.09.20 | 31.12.20 | Change | |
| | | | | YoY (%) | QoQ (%) | | | | 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.

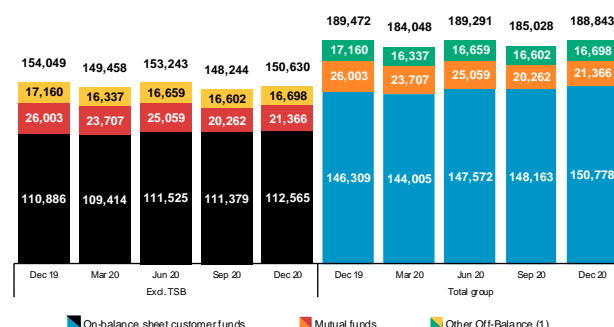
- (1) The EURGBP exchange rate used for the balance sheet is 0.8990.
(2) Includes deposits redeemable at notice and hybrid financial liabilities.
(3) Subordinated liabilities of debt securities.

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.

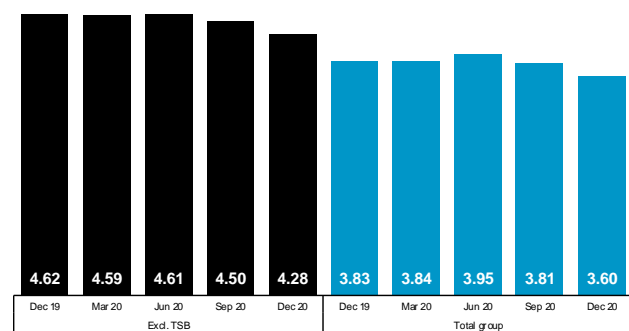
The Group's credit cost of risk stood at 86bps as at 2020 year-end, excluding the impacts of NPL disposals.

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%.

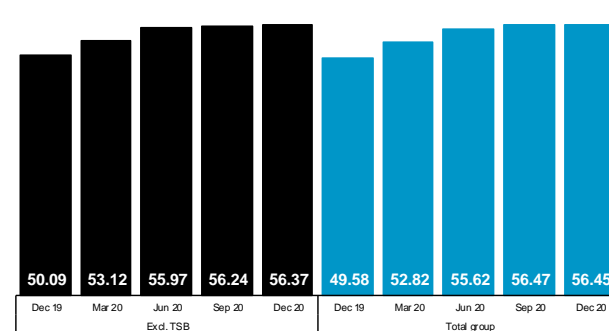
The ratio of problematic assets in relation to gross loans plus real estate assets was driven down to 4.7%.

NPL ratios (%) ^(*)



(*) Calculated including contingent exposures.

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



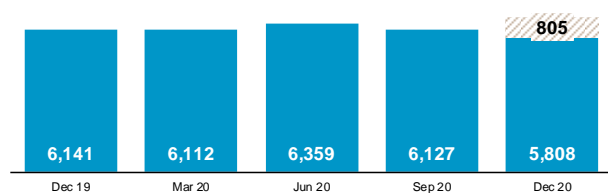
NPL ratios by segment ^(*)

| 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% |

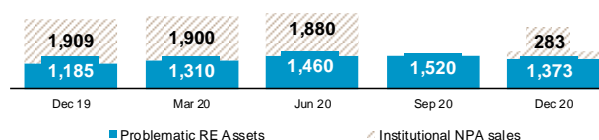
(*) Calculated including contingent exposures. It is worth bearing in mind that the fourth quarter of the year 2020 was impacted by the reclassification as unlikely to pay stage 3 of 708 million euros and by portfolio sales, which reduced past-due NPLs by -1,000 million euros.

(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.

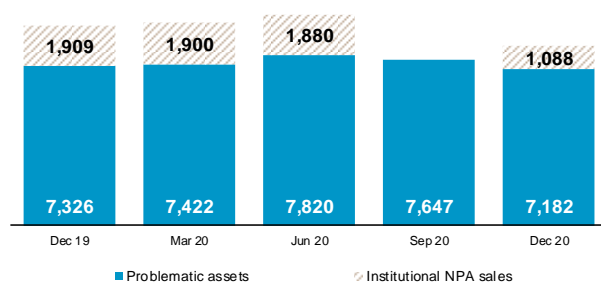
Evolution of NPLs (€ million) ^(*)



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.

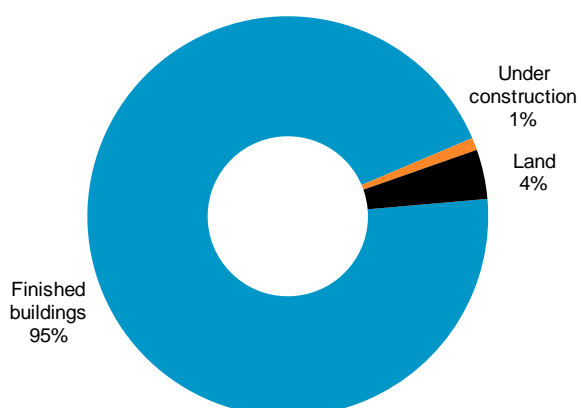
Breakdown of loans and provisions by stages

| (€ 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% |

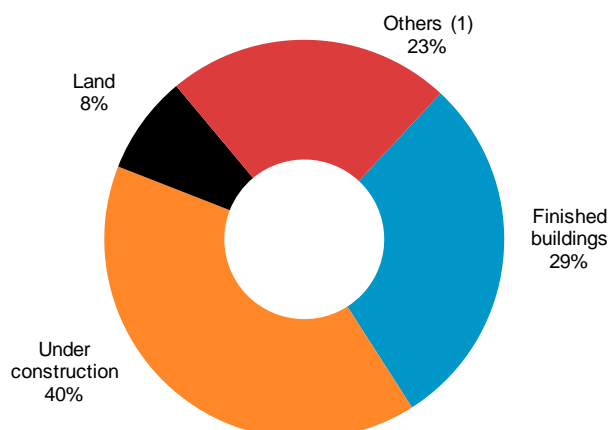
Breakdown of real estate exposures by asset class:

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.

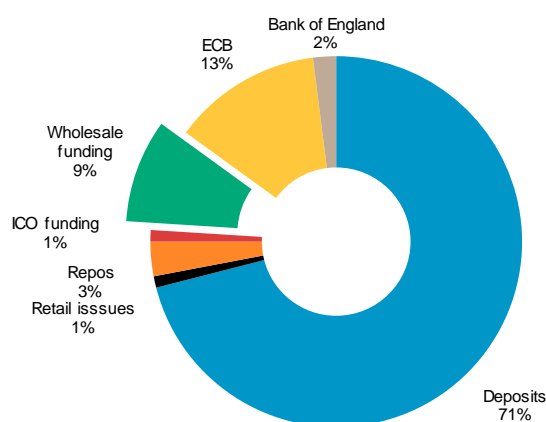
In 2020, the Bank's wholesale issuance volume amounted to 2,420 million euros.

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

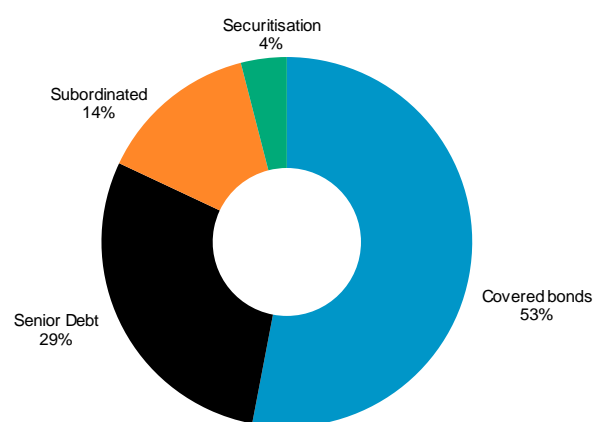
| (€ million) | 31.12.19 | 30.09.20 | 31.12.20 (1) |
|--|----------------|----------------|-----------------|
| Loans and advances to customers (2) | 147,580 | 148,167 | 149,120 |
| Brokered loans | -3,334 | -2,258 | -1,977 |
| Adjusted net loans and advances | 144,246 | 145,910 | 147,143 |
| On-balance 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%).

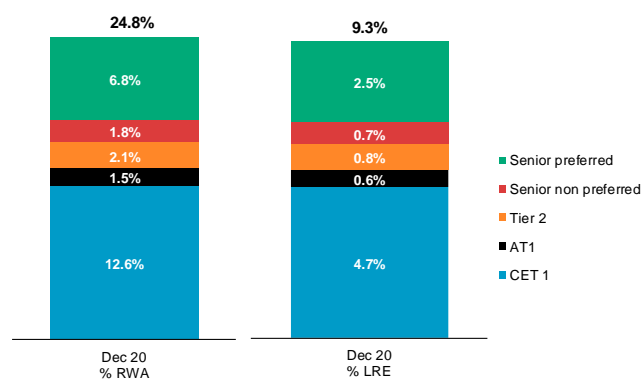
Capital ratios

| (€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 (%) | | Simple evolution | | | | | | | |
|---|------------|------------|----------------|---------------|------------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| | | | at constant FX | | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 |
| Net interest income | 117 | 114 | -2.1% | 11.3% | 26 | 31 | 29 | 31 | 32 | 29 | 27 | 27 |
| Net fees and commissions | 19 | 7 | -60.1% | -54.7% | 4 | 4 | 6 | 4 | 3 | 1 | 2 | 2 |
| Core revenues | 136 | 122 | -10.1% | 2.2% | 30 | 35 | 35 | 35 | 34 | 30 | 29 | 29 |
| Net trading income and exchange differences | 1 | 4 | -- | -- | 0 | 0 | 1 | 0 | 4 | 0 | -1 | 1 |
| Income from equity method and dividends | 0 | 0 | -- | -- | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other operating income/expense | -9 | -14 | 60.3% | 82.1% | -2 | -3 | -2 | -2 | -3 | -3 | -3 | -5 |
| Gross operating income | 127 | 112 | -12.0% | 0.0% | 29 | 32 | 33 | 33 | 35 | 27 | 25 | 25 |
| Operating expenses | -80 | -72 | -10.1% | 2.2% | -12 | -25 | -21 | -22 | -19 | -14 | -16 | -24 |
| Amortisation & depreciation | -11 | -10 | -13.2% | -1.4% | -2 | -3 | -3 | -3 | -2 | -2 | -3 | -3 |
| Pre-provisions income | 36 | 30 | -15.9% | -4.4% | 14 | 4 | 9 | 8 | 15 | 11 | 6 | -2 |
| Total provisions & impairments | -16 | -27 | 74.0% | 97.7% | -3 | -4 | -3 | -5 | -7 | -4 | -4 | -12 |
| Gains on sale of assets and other results | 0 | 0 | -- | -- | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Profit before tax | 20 | 3 | -85.9% | -83.9% | 11 | 0 | 6 | 3 | 8 | 7 | 2 | -14 |
| Income tax | -2 | 1 | -- | -- | -1 | 0 | -1 | 1 | -2 | -1 | 0 | 5 |
| Minority interest | 0 | 0 | -- | -- | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Attributable net profit | 19 | 4 | -77.6% | -74.6% | 10 | 0 | 5 | 4 | 6 | 6 | 2 | -10 |
| Accumulated ratios | | | | | | | | | | | | |
| ROE | 3.5% | 0.8% | | | 7.8% | 3.8% | 3.7% | 3.5% | 4.6% | 4.5% | 3.4% | 0.8% |
| Efficiency | 62.9% | 64.3% | | | 50.1% | 60.6% | 61.6% | 62.9% | 52.9% | 52.0% | 55.5% | 64.3% |
| NPL ratio | 1.2% | 0.5% | | | 0.5% | 0.6% | 0.9% | 1.2% | 1.1% | 0.8% | 0.6% | 0.5% |
| Stage 3 coverage ratio w/ total provisions | 108.9% | 231.6% | | | 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 (%) | | Simple evolution | | | | | | | |
|---------------------------------|--------------|--------------|----------------|--------------|------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | at constant FX | | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 |
| Total assets | 4,695 | 4,584 | -2.4% | 12.3% | 4,283 | 4,325 | 4,382 | 4,695 | 4,384 | 5,033 | 4,413 | 4,584 |
| Performing gross loans | 3,640 | 3,574 | -1.8% | 13.0% | 3,339 | 3,488 | 3,503 | 3,640 | 3,623 | 3,767 | 3,543 | 3,574 |
| Subtotal liabilities | 4,160 | 4,032 | -3.1% | 11.5% | 3,781 | 3,786 | 3,829 | 4,160 | 3,850 | 4,496 | 3,890 | 4,032 |
| On-balance sheet customer funds | 1,996 | 1,994 | -0.1% | 14.9% | 1,340 | 1,818 | 1,851 | 1,996 | 1,612 | 2,040 | 1,629 | 1,994 |
| Equity | 535 | 551 | 3.1% | 18.6% | 502 | 539 | 553 | 535 | 533 | 538 | 523 | 551 |
| Other data | | | | | | | | | | | | |
| Employees | 450 | 489 | 8.7% | | 460 | 462 | 467 | 450 | 471 | 503 | 499 | 489 |
| Branches | 15 | 15 | 0.0% | | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |

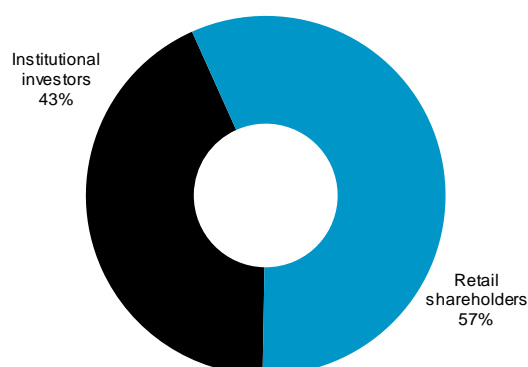
4. Share price performance

| | 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.

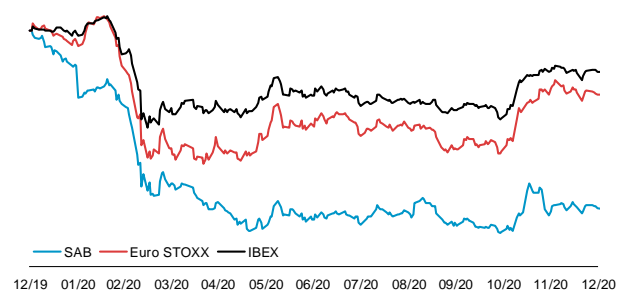
Shareholder breakdown (%)



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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