



3Q19

**Quarterly Financial
Report**

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Basis of presentation

The consolidated income statement and balance sheet as at the end of September 2019 and 2018, 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 interim financial statements as at 30 June 2019. Pursuant to the Guidelines on alternative performance measures published by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415es), 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			
	30.09.18	30.09.19	Change (%)	30.09.18	30.09.19	Change (%)	
Profit and loss account (€ million)							
Net interest income	1,996	1,985	-0.5	2,743	2,712	-1.1	
Core revenues	2,913	2,965	18	3,721	3,780	16	
Gross operating income	3,106	3,014	-3.0	3,883	3,834	-1.3	
Pre-provisions income	1,529	1,426	-6.8	1,416	1,467	3.6	
Attributable net profit	468	788	68.5	248	783	215.8	
Balance sheet (€ million)							
Total assets	17,1547	175,763	2.5	217,751	222,809	2.3	
Performing gross loans	105,735	106,102	0.3	140,234	140,901	0.5	
Gross loans to customers	112,534	111,977	-0.5	147,553	147,535	0.0	
On-balance sheet customer funds	102,131	108,690	6.4	135,152	142,416	5.4	
Off-balance sheet customer funds	47,159	43,689	-7.4	47,159	43,689	-7.4	
Total customer funds	149,290	152,379	2.1	182,311	186,105	2.1	
Net equity	--	--	--	12,192	13,057	7.1	
Shareholders' equity	--	--	--	12,607	13,267	5.2	
Profitability and efficiency ratios (%)							
ROA	--	--	--	0.12	0.40	--	
RORWA	--	--	--	0.31	1.08	--	
ROE	(1)	--	--	1.97	6.92	--	
ROTE	--	--	--	2.41	8.56	--	
Efficiency	45.43	46.09	--	57.91	54.13	--	
Risk management							
Non-performing exposures (€million)	(2)	6,594	5,932	-10.0	7,036	6,391	-9.2
Total problematic assets (€million)	(2)	13,630	6,964	-48.9	14,072	7,424	-47.2
NPL ratio (%)	(2)	5.44	4.89	--	4.50	4.08	--
NPL coverage ratio (%)	(2)	57.8	51.8	--	57.4	51.1	--
Problematic assets coverage (%)	(2)	56.8	49.6	--	56.6	49.1	--
Liquidity management (%)							
Loan-to-deposits ratio		103.5	98.4		103.7	99.5	
LCR		155	181		147	168	
Capital management							
Risk weighted assets (RWA) (€million)	--	--	--	80,930	82,615	2.1	
Common Equity Tier 1 phase-in (%)	--	--	--	12.1	12.1	--	
Common Equity Tier 1 fully-loaded (%)	--	--	--	11.0	11.4	--	
Tier 1 phase-in (%)	--	--	--	13.5	13.5	--	
Total capital ratio phase-in (%)	--	--	--	15.0	15.3	--	
Leverage ratio phase-in (%)	--	--	--	5.00	4.98	--	
Share data (period end)							
Number of shareholders	--	--	--	234,064	236,844	--	
Average number of shares (million)	--	--	--	5,570	5,536	--	
Share price (€)	(3)	--	--	1,339	0,890	--	
Market capitalisation (€million)	--	--	--	7,458	4,928	--	
Earnings per share (EPS) (€)	(4)	--	--	0.04	0.15	--	
Book value per share (€)	--	--	--	2.25	2.38	--	
TBV per share (€)	--	--	--	1.83	1.93	--	
Price / Book value (times)	--	--	--	0.59	0.37	--	
Price / Earnings ratio (P/E) (times)	--	--	--	37.50	5.88	--	
Other data							
Branches		1,920	1,893		2,470	2,437	
Employees		17,837	17,202		26,045	24,997	

(1) ROE adjusted by Additional Tier 1 coupons, after tax, stood at 6.52%.

(2) NPA portfolios sold to institutional investors (not yet closed) were reclassified as non-current assets held for sale, therefore the figures are shown excluding these assets. The sale of one of these portfolios, for a gross value of 2,124 million euros, was completed in July 2019. From 4Q18 onwards, data are expressed assuming 100% APS.

(3) Without adjusting historical values.

(4) Net profit adjusted by the Additional Tier 1 coupons, after tax, recorded under equity.

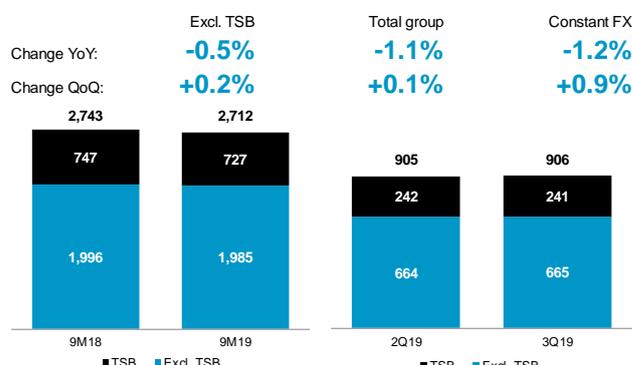
(5) The EURGBP exchange rate used for the income statement as at 30.09.2019 is 0.8844. The exchange rate used for the balance sheet is 0.8857.

2. Summary

Net interest income

Net interest income stood at 2,712 million euros for the first nine months of the year, falling by -1.1% in the year, mainly impacted by the implementation of IFRS16 and lower long-term interest rates.

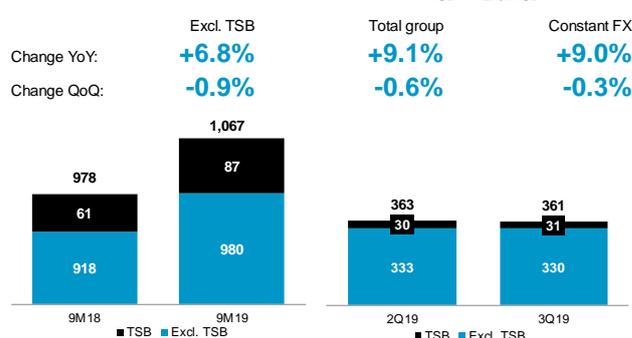
In the quarter, net interest income grew slightly by 0.1%, positively impacted by an additional calendar day and by volumes, although this was partly offset by the impact of the consumer loan securitisation and higher wholesale funding costs.



Net fees and commissions

Net fees and commissions have performed well year-on-year, recording a 9.1% growth, driven by service fees.

In the quarter, fees and commissions fell slightly by -0.6%, mainly due to the effect of seasonality on asset management fees.

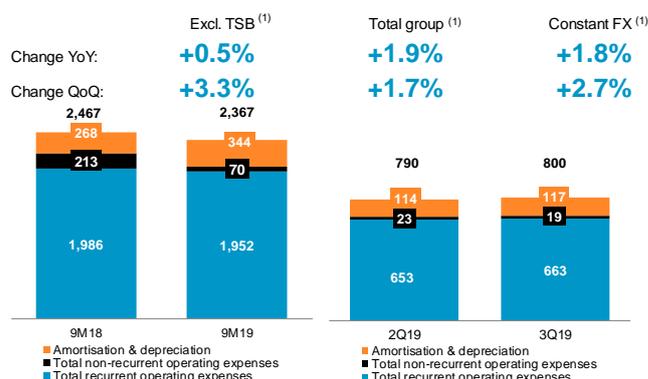


Total costs

Total costs amounted to -2,367 million euros for the first nine months of the year, representing a year-on-year decline of -4.1%, mainly due to the one-off costs associated with TSB's migration and post-migration in the previous year. Recurrent expenses and amortisations increased by 1.9% year-on-year.

In the quarter, recurrent expenses and amortisations increased by 1.7%, mainly due to higher general expenses ex TSB, which were partially offset by lower recurrent personnel costs in TSB.

The efficiency ratio stood at 54.1% as at the end of September 2019, improving compared to the previous quarter.



Net profit of the Group

The Group's net profit amounted to 783 million euros for the first nine months of the year. In the third quarter, net profit was impacted by several one offs, including the 88 million euros of capital gain on the consumer loan securitisation and extraordinary provision of -28 million euros associated with the sale of the foreclosed asset portfolio "Rex". The ROE stood at 6.9%.

Resilient core banking revenues despite the interest environment, growing by 1.6% year-on-year.



(1) Variance of total recurrent expenses and amortisations.

Performing loans

Performing loans growth remained robust, increasing by 0.5% year-on-year. Quarter-on-quarter, slight decrease of -0.6%, due to the 1 billion euro consumer loan securitisation executed in the third quarter of the year.

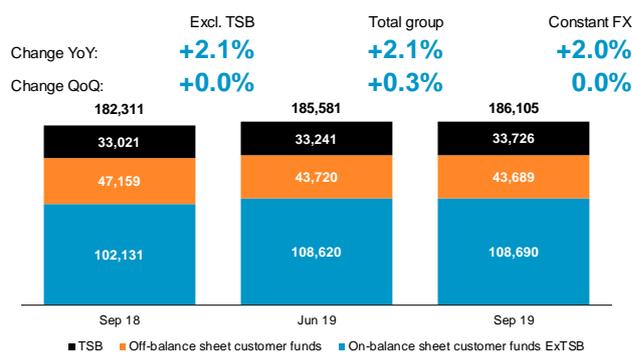
Excluding the APS and the securitisation impacts, performing loans grew by 2.5% year-on-year, with a strong performance across geographies, and by 0.1% in the quarter, impacted by seasonality and maturities of large scale public sector loans.



Customer funds

On-balance sheet customer funds increased by 5.4% year-on-year and 0.4% in the quarter, driven by sight accounts.

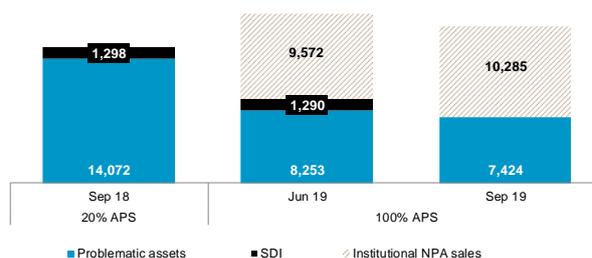
Off-balance sheet funds declined year-on-year due to mutual funds, although they remained broadly stable quarter-on-quarter.



Problematic assets ^(*)

The Group's problematic assets were reduced by -855 million euros year to date, with a reduction of -162 million euros in non-performing loans and -693 million euros in foreclosed assets, driven mostly by the institutional portfolio sales carried out during the year.

In the quarter, decline of -829 million euros, representing an increase of 12 million euros in non-performing loans and a reduction of -841 million euros in foreclosed assets, including institutional portfolio sales.



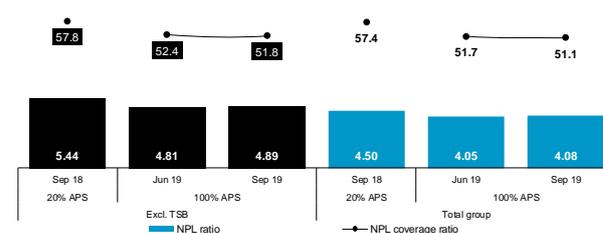
NPL ratio and coverage ^(*)

The Group NPL ratio improved to 4.08%, compared to 4.50% in the previous year. Excluding the securitisation, it stood at 4.05% at the end of the quarter.

The ratio of problematic assets in relation to gross loans plus real estate assets stood at 5.0% from 9.1% a year earlier.

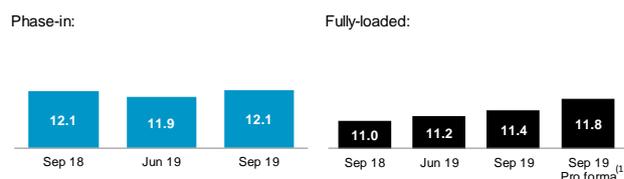
The net NPAs to total assets ratio improved to 1.7% compared to 2.8% a year ago.

The Group's cost of risk stood at 50 bps as at the end of September 2019. Excluding extraordinary provisions for the sale of the foreclosed asset portfolio "Rex", it stood at 47 bps.



Capital ratio

The CET1 ratio improved by 21 bps, standing at 11.4% fully-loaded as at the end of the third quarter of 2019. The pro forma ⁽¹⁾ CET1 ratio stood at 11.8% fully-loaded.



(*) Figures expressed as 100% APS. NPA portfolios sold to institutional investors (not yet closed) were reclassified as non-current assets held for sale, therefore the figures are shown excluding these assets. The sale of one of these portfolios, for a gross value of 2,124 million euros, was completed in July 2019.

(1) Includes +18bps of RWAs released following the NPA sales, +8bps from the capital gain on the sale of the real estate developer and +4bps from the securitisation (both accrued in the quarter as a dividend to be reverted at the end of the year), +7bps accrued dividend to be paid the net part in treasury shares by year end, +5bps on the sale of the real estate developer and +2bps from the sale of the non-performing assets portfolio, Rex.

3. Performance review

Macroeconomic environment

Global economic, political and financial environment

During the summer, the trade conflict between the US and China heated up again, eventually resulting in the imposition of new tariffs, effective from September 1st. The US also officially accused China of being a currency manipulator, after the yuan was significantly devalued. Although the situation has deteriorated during the quarter, a more constructive tone has been adopted by both parties in recent weeks ahead of the new round of negotiations scheduled for October.

In the economic environment, the main developed economies posted slower growth in 2Q19, mainly weighed down by the external sector. Gross Domestic Product (GDP) in the US slowed to 0.5% quarter-on-quarter, while in the euro area it was up by 0.2%. At country level, contraction in Germany and stagnation in Italy stood out in a negative light. The various economic confidence indicators point towards a deterioration of the global economic environment in 3Q19, particularly in the manufacturing sector.

In the political arena, the US took the first steps towards opening an impeachment to Trump, following some telephone conversations with his counterpart in the Ukraine during which Trump allegedly sought to obtain some form of electoral benefit. In Italy, the Five Star Movement and the Democratic Party have formed a new coalition government. The coalition between these two parties is more pro-European than the previous government.

Economic situation in Spain

The economy has shown signs of slowing. GDP growth in 2Q19 slowed to 0.4% quarter-on-quarter, influenced by a fall in private consumption and investment in equipment. Activity data in relation to 3Q19 generally show a slight deterioration with respect to 2Q19. A GDP statistical review was also carried out, which showed that activity growth had slowed over the past few years.

In terms of the labour market, the unemployment rate fell in 2Q19 to 14.0% of the active population. However, in 3Q19 the rate of new Social Security registrations has slowed, as has the reduction of the unemployment rate.

In relation to the real estate sector, the growth of house prices slowed in 2Q19, with an increase of 5.3% year-on-year (1Q19: 6.8%). The foregoing is in a context in which there has been a significant decline in housing transactions, which have been affected by the entry into force of the new mortgage law and increased economic uncertainty, as well as signs of a slower growth in the supply of housing.

Lastly, after negotiations between PSOE and Podemos to form a government proved unsuccessful, new general elections have been called, which will take place on November 10th. Current voting intention polls point to a fragmented parliament.

Economic situation in the UK

The economy has continued to be affected by the uncertainty surrounding Brexit and global trade tensions. In particular, GDP in 2Q19 contracted by 0.2% (1Q19: +0.6%). The accumulation of inventories in the face of a potential no deal exit from the EU in the run-up to the initially scheduled Brexit deadlines has distorted activity data.

With respect to the labour market, the unemployment rate stood at 3.9% in August, its lowest since 1975. The growth of nominal wages, excluding bonuses, was the fastest it has been in almost ten years.

Inflation, meanwhile, failed to reach the central bank's target levels. The underlying component posted a similar performance. House prices continue to grow but at a slower rate, showing signs that they are starting to stabilise.

In the political environment, Boris Johnson was chosen as Prime Minister following Theresa May's resignation. Johnson has taken a more hard-line approach to Brexit, promising to leave the EU on October 31st with or without a deal. Parliament has passed an act to prevent the country from leaving the EU without a deal on October 31st by means of asking for another extension, and Johnson is trying to renegotiate a deal with the EU. The Supreme Court also declared that Johnson's five-week prorogation of Parliament was unlawful. In October, Johnson succeeded in reaching a deal with the EU which has received the approval of the UK parliament in an initial stage of the legislative process required to transpose the agreement into domestic law. However, the UK Parliament has prevented the legislative process from being fast-tracked, as Johnson had wished, and has forced the Prime Minister to request an extension of the Brexit deadline from the EU.

Economic situation in Latin America

In Mexico, there has been confirmation of the stagnation of economic activity in the first half of the year, which was caused by weaker domestic demand and affected by uncertainty surrounding economic policy decisions made by the government of López Obrador. GDP in 2Q19 stagnated after contracting 0.3% quarter-on-quarter in the first three months of the year.

In Brazil, the latest data continue to show a lack of any major improvement in economic activity. Specifically, GDP in 2Q19 rose by 0.4% quarter-on-quarter, after contracting by -0.1% in 1Q19, supported by consumption, which managed to stabilise, and by an upturn in investment. In terms of domestic policy, the government managed to secure the approval by Congress of the pension reform, meaning that it now only needs to get through the Senate.

In Argentina, instability returned to financial markets, with the Argentine peso devaluing by more than 30% following the sweeping victory in the primary elections of the opposition coalition led by Peronist A. Fernández and the former populist president C. F. de Kirchner. In light of these

developments, the government of M. Macri has reversed its policy, putting an end to the economic orthodoxy by resorting to tools such as capital controls and announcing a possible restructuring of the short-term debt.

Fixed-income markets

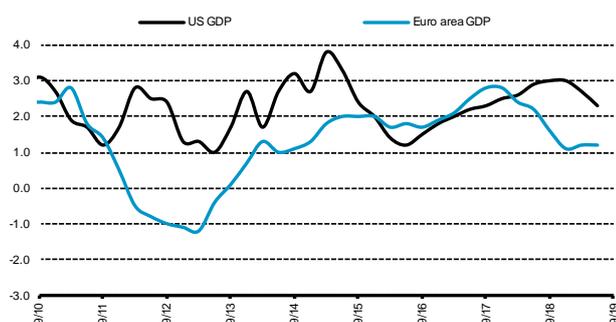
The European Central Bank (ECB) announced a new package of monetary stimulus measures in its September meeting, in order to boost the economy and drive inflation, which is currently at levels far below the central bank's target. Specifically, the ECB implemented a rate cut, reinforced its forward guidance, by announcing that interest rates would remain at their current levels or lower until inflation meets the central bank's target. It also reactivated its asset purchase programme (which is open-ended), introduced a tiering system for the marginal deposit rate and offered improved conditions for TLTRO III. Lagarde, the former Managing Director of the IMF, was appointed to be the new President of the ECB from November 1st. The US Federal Reserve (Fed) also cut its rate on two occasions, to 1.75%-2.00%, and announced new liquidity injections. Powell, the Chair of the Board of Governors at the Fed, left the door open to further cuts if the economy slows down.

Yields on German, US and UK government bonds declined in the quarter. In the case of German government bonds, yields slumped to record lows. This decline in yields was influenced by the monetary stimulus measures announced by the ECB and the Fed, global trade tensions and poor economic data. Risk premiums in the periphery were supported by accommodative measures in the ECB and rating upgrades in Spain and Portugal. The Italian premium declined, also supported by the formation of a new, more pro-European government.

Equity markets

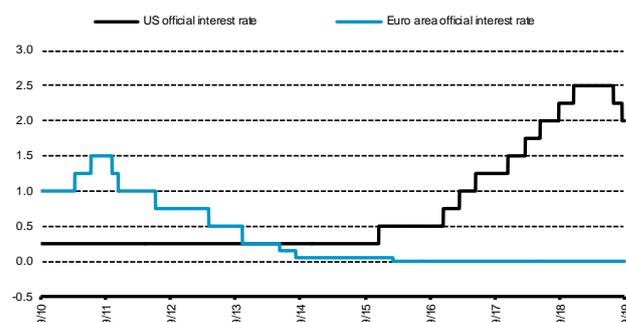
The main equity indices posted gains, thanks to their positive performance during the final stretch of the quarter. This performance was influenced by the monetary stimulus measures announced by the ECB and the Fed in September and by the more constructive tone of trade negotiations between the US and China in the last few weeks of the quarter. The Italian equity index MIB spearheaded gains in the quarter, rising by +4.1% in euros, and it was also supported by the formation of a new government in Italy which was more pro-European than the previous one. Other European indexes also performed well, particularly the Euro STOXX 50, which was up +2.8%, and the French CAC, which soared by +2.5%. The US index S&P 500 rebounded by +1.2% in dollars and +5.4% in euros. Lastly, the Japanese index Nikkei achieved one of the largest gains this quarter, up +2.3% in yen and +6.3% in euros.

GDP – USA vs. Euro area (year-on-year change, %)



Source: Bloomberg

Official interest rate – USA vs. Euro area (%)



Exchange rates: Parity vs. euro

Fx	30.09.18	31.12.18	31.03.19	30.06.19	30.09.19
USD	1.1576	1.1450	1.1235	1.1380	1.0889
GBP	0.8873	0.8945	0.8583	0.8966	0.8857
MXN	21.7800	22.4921	21.6910	21.8201	21.4522

Source: Bank of Spain

Income statement

Highlights:

The net profit of the Group amounted to 783 million euros for the first nine months of the year (788 million euros excluding TSB) and included non-recurrent impacts of the capital gain on the sale of Solvia of 135 million euros and the SAREB subordinated debt impairment of -47 million euros materialising in the second quarter of the year, as well as the impact of the capital gain on the securitisation of a consumer loan portfolio for 88 million euros and -28 million euros impairment associated to the sale of a foreclosed asset portfolio "Rex", both of which were carried out in the third quarter.

Resilient core banking revenues despite the interest environment, growing by 1.6% year-on-year (1.8% excluding TSB). Quarter-on-quarter, it remained stable, growing at a rate of 0.6% considering a constant exchange rate.

It is also worth noting the impact of the IFRS16 implementation on net interest income, general expenses and amortisations since 1 January 2019, although this impact has been neutral on net profit.

Income statement

(€ million)	Excl. TSB			Total group			
	9M18	9M19	Change (%) YoY	9M18	9M19 ⁽¹⁾	Change (%) YoY	Change (%) at constant FX
Net interest income	1,996	1,985	-0.5	2,743	2,712	-1.1	-1.2
Net fees and commissions	918	980	6.8	978	1,067	9.1	9.0
Core revenues	2,913	2,965	1.8	3,721	3,780	1.6	1.5
Net trading income and exchange differences	212	114	-46.1	233	130	-44.0	-44.0
Income from equity method and dividends	52	52	0.9	52	52	0.8	0.9
Other operating income/expense	-71	-118	66.0	-122	-128	4.9	5.0
Gross operating income	3,106	3,014	-3.0	3,883	3,834	-1.3	-1.4
Operating expenses	-1,372	-1,344	-2.0	-2,199	-2,023	-8.0	-8.1
Personnel expenses	-886	-916	3.3	-1,202	-1,226	1.9	1.9
Other general expenses	-486	-428	-11.9	-996	-797	-20.0	-20.1
<i>Promemoria:</i>							
Recurrent expenses	-1,360	-1,330	-2.2	-1,986	-1,952	-1.7	-1.8
Non-recurrent expenses	-12	-14	20.3	-213	-70	-66.9	-66.9
Amortisation & depreciation	-205	-244	19.0	-268	-344	28.4	28.3
Pre-provisions income	1,529	1,426	-6.8	1,416	1,467	3.6	3.4
Provisions for NPLs	-558	-385	-31.1	-623	-426	-31.6	-31.6
Provisions for other financial assets	0	-10	--	-98	-16	-83.3	-83.3
Other impairments	-359	-125	-65.1	-359	-125	-65.1	-65.1
Gains on sale of assets and other results	2	140	--	3	138	--	--
Profit before tax	614	1,046	70.3	339	1,037	205.8	204.5
Income tax	-141	-251	78.2	-86	-248	188.8	189.2
Minority interest	6	7	28.0	6	7	28.0	28.0
Attributable net profit	468	788	68.5	248	783	215.8	213.8

(1) The EURGBP exchange rate used for the income statement is 0.8844.

Quarterly income statement

(€ million)	Excl. TSB					Change (%) 2Q19	Total group					Change (%) 2Q19	Change (%) at constant FX
	3Q18	4Q18	1Q19	2Q19	3Q19		3Q18	4Q18	1Q19	2Q19	3Q19		
Net interest income	672	680	656	664	665	0.2	933	932	901	905	906	0.1	0.9
Net fees and commissions	316	332	316	333	330	-0.9	341	357	343	363	361	-0.6	-0.3
Core revenues	988	1,012	972	997	995	-0.2	1,274	1,290	1,243	1,269	1,268	-0.1	0.6
Net trading income and exchange differences	-8	-5	51	-27	90	--	-13	-7	67	-23	86	--	--
Income from equity method and dividends	15	13	12	24	16	-32.7	15	13	12	24	16	-32.7	-32.7
Other operating income/expense	-16	-159	-11	-87	-20	-77.5	-24	-168	1	-100	-29	-71.1	-70.9
Gross operating income	980	861	1,025	907	1,082	19.3	1,252	1,127	1,324	1,169	1,340	14.6	15.3
Operating expenses	-458	-489	-434	-449	-462	2.9	-719	-722	-664	-676	-683	1.0	2.1
Personnel expenses	-298	-322	-292	-312	-312	0.0	-404	-388	-391	-419	-416	-0.9	-0.1
Other general expenses	-160	-167	-142	-137	-150	9.4	-316	-333	-273	-256	-267	4.1	5.6
<i>Promemoria:</i>													
<i>Recurrent expenses</i>	<i>-454</i>	<i>-460</i>	<i>-430</i>	<i>-442</i>	<i>-457</i>	<i>3.3</i>	<i>-650</i>	<i>-688</i>	<i>-636</i>	<i>-653</i>	<i>-663</i>	<i>16</i>	<i>2.6</i>
<i>Non-recurrent expenses</i>	<i>-4</i>	<i>-29</i>	<i>-3</i>	<i>-6</i>	<i>-4</i>	<i>-28.6</i>	<i>-70</i>	<i>-33</i>	<i>-28</i>	<i>-23</i>	<i>-9</i>	<i>-14.2</i>	<i>-2.1</i>
Amortisation & depreciation	-68	-59	-80	-81	-83	3.1	-91	-85	-113	-114	-117	2.5	3.4
Pre-provisions income	453	313	511	377	537	42.3	441	320	547	380	540	42.4	42.4
Provisions for NPLs	-186	-110	-139	-136	-109	-19.5	-203	-128	-157	-145	-124	-14.5	-14.3
Provisions for other financial assets	-1	-18	-2	-6	-2	-61.5	-7	-68	-5	-9	-2	-76.8	-76.8
Other impairments	-64	-44	-28	-30	-68	124.6	-64	-44	-28	-30	-68	124.6	124.6
Gains on sale of assets and other results	-1	-1	1	140	0	--	-1	-1	1	139	-2	--	--
Profit before tax	202	140	343	345	357	3.5	166	80	358	334	345	3.4	3.3
Income tax	-50	-38	-91	-61	-98	59.7	-37	2	-99	-55	-93	68.6	68.5
Minority interest	2	1	1	5	1	-80.6	2	1	1	5	1	-80.6	-80.6
Attributable net profit	150	100	251	279	258	-7.3	127	80	258	273	251	-8.2	-8.3

(1) The EURGBP exchange rate used for the income statement of the quarter is 0.9015.

Net interest income:

Net interest income amounted to 2,712 million euros for the first nine months of the year, representing a year-on-year decline of -1.1% at Group level. Quarter-on-quarter slight increase of 0.1%, positively impacted by an additional calendar day and by volumes, although this was partly offset by the impact of the consumer loan securitisation, higher wholesale funding costs, lower ALCO contribution and lower interest rates.

Excluding TSB, net interest income amounted to 1,985 million euros for the first nine months of the year, representing a decrease of -0.5% compared to the previous year, due to the impact of IFRS16 and lower long-term interest rates. In the quarter, growth of 0.2%, standing at 665 million euros.

TSB's net interest income amounted to 727 million euros, declining by -2.6% from the previous year due to higher cost of capital markets and lower loan yields. Quarter-on-quarter, this item remained broadly stable.

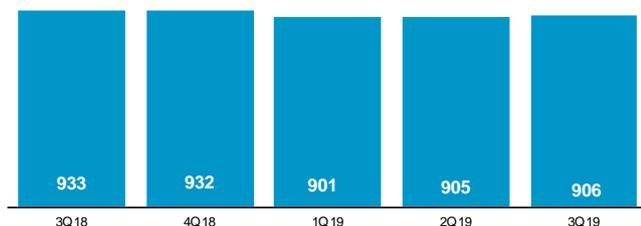
Customer spread and net interest margin:

The customer spread stood at 2.62% (2.56% excluding TSB), impacted by lower long-term interest rates.

The net interest margin as a percentage of average total assets stood at 1.62% (1.49% excluding TSB), improving from the previous quarter driven by the TLTRO II early repayment and the TFS (Term Funding Scheme) payment, which was partially offset by lower loan yields and the higher cost of wholesale funding following the new MREL issuances.

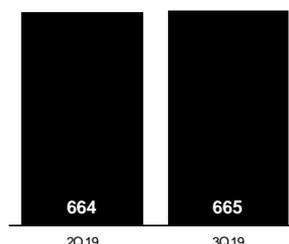
Evolution of net interest income

Total group (€ millions)



Change YoY: **-1.1%** Total group
 Change QoQ: **+0.1%** Constant FX **+0.9%**

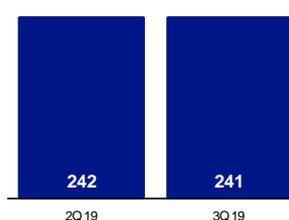
Sabadell ex - TSB (€ millions)



Change YoY: **-0.5%**

Change QoQ: **+0.2%**

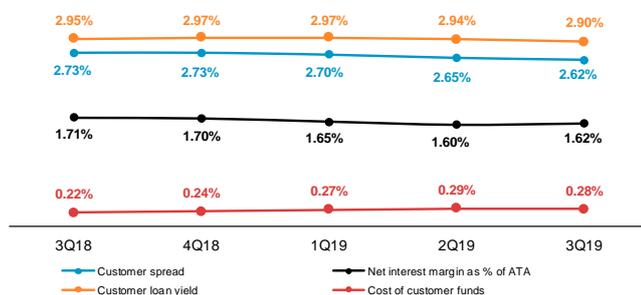
TSB (€ millions)



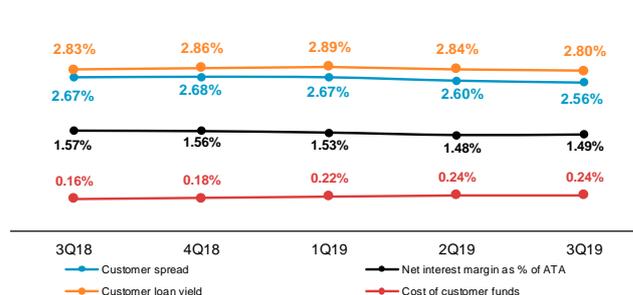
Change YoY: **-2.6%** Constant FX
 Change QoQ: **-2.6%** Constant FX

Change QoQ: **-0.2%** Constant FX
+2.9% Constant FX

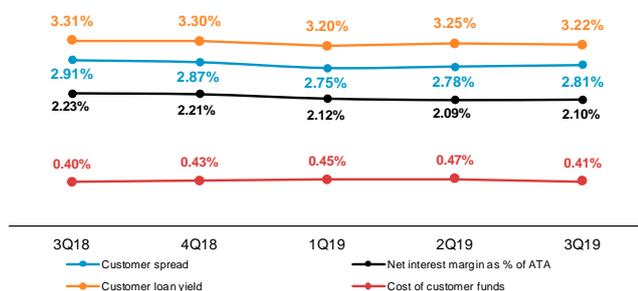
Net interest income, Group (%)



Net interest income, ex TSB (%)



Net interest income, TSB (%)



Gains and charges in the quarter

Total Group

2019 (€ million)	1st Quarter			2nd Quarter			3rd Quarter (1)			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			
Loans to customers (net)	138,026	2.97	1,011	139,417	2.94	1,022	139,634	2.90	1,021			
Fixed-income securities	25,213	1.34	83	26,672	1.30	87	28,356	1.20	86			
Equity securities	869	--	--	935	--	--	856	--	--			
Tang. & intang. assets	5,331	--	--	5,364	--	--	5,405	--	--			
Other assets	20,543	1.67	85	21,034	1.46	77	21,026	1.64	87			
Total assets	221,189	2.19	1,194	226,600	2.13	1,203	222,972	2.16	1,212			
Financial institutions (3)	32,238	-0.15	-12	31,913	-0.12	-9	26,511	-0.20	-14			
Customer deposits (4)	144,271	-0.27	-97	148,279	-0.29	-107	147,937	-0.28	-104			
Capital markets	24,639	-1.39	-85	24,855	-1.45	-90	24,527	-1.50	-93			
Other liabilities	7,698	-5.23	-99	8,893	-4.13	-92	11,109	-3.38	-95			
Shareholders' equity	12,343	--	--	12,659	--	--	12,888	--	--			
Total funds	221,189	-0.54	-293	226,600	-0.53	-298	222,972	-0.54	-305			
Net interest income			901			905			906			
Customer spread		2.70			2.65			2.62				
Net interest margin as % of ATA		1.65			1.60			1.62				

2018 (€ million)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg. balance	Rate %	Results									
Cash and cash equivalent (2)	29,544	0.01	1	28,180	0.01	1	27,865	0.15	11	28,762	0.16	11
Loans to customers (net)	133,924	3.00	992	135,992	2.90	983	137,034	2.95	1,019	136,621	2.97	1,022
Fixed-income securities	25,407	1.41	89	26,158	1.42	93	25,886	1.28	84	26,340	1.32	88
Equity securities	989	--	--	1,021	--	--	836	--	--	891	--	--
Tang. & intang. assets	3,874	--	--	4,061	--	--	4,179	--	--	4,220	--	--
Other assets	23,142	0.77	44	21,625	1.11	60	21,013	1.52	81	21,099	1.70	90
Total assets	216,880	2.10	1,125	217,039	2.10	1,136	216,813	2.19	1,194	217,934	2.21	1,212
Financial institutions (3)	31,881	-0.11	-9	32,137	-0.09	-7	31,924	-0.10	-8	32,190	-0.14	-12
Customer deposits (4)	138,805	-0.20	-69	140,271	-0.22	-76	142,224	-0.22	-78	142,883	-0.24	-87
Capital markets	25,588	-1.34	-84	25,005	-1.29	-81	23,715	-1.31	-78	24,174	-1.31	-80
Other liabilities	7,848	-2.64	-51	7,327	-4.04	-74	6,799	-5.69	-98	6,581	-6.10	-101
Shareholders' equity	12,757	--	--	12,299	--	--	12,151	--	--	12,106	--	--
Total funds	216,880	-0.40	-213	217,039	-0.44	-238	216,813	-0.48	-262	217,934	-0.51	-279
Net interest income			912			899			933			932
Customer spread		2.80			2.68			2.73			2.73	
Net interest margin as % of ATA		1.70			1.66			1.71			1.70	

- (1) The EURGBP exchange rate used for the income statement for the quarter is 0.9015 while that used for the balance sheet is 0.8857.
- (2) Includes cash, central banks, credit institutions and reverse 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 under liabilities 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.
- (4) Includes repos.

Sabadell ex-TSB

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			
Loans to customers (net)	103,260	2.89	737	105,130	2.84	745	105,843	2.80	746			
Fixed-income securities	22,695	1.38	77	24,620	1.33	82	26,009	1.23	81			
Equity securities	869	--	--	935	--	--	856	--	--			
Tang. & intang. assets	4,762	--	--	4,795	--	--	4,868	--	--			
Other assets	19,758	1.60	78	20,202	1.45	73	20,029	1.67	85			
Total assets	174,442	2.08	893	180,219	2.01	901	177,366	2.05	916			
Financial institutions (2)	24,862	0.02	2	24,561	0.07	4	19,526	0.00	0			
Customer deposits (3)	110,544	-0.22	-60	114,990	-0.24	-68	115,133	-0.24	-70			
Capital markets	22,523	-1.37	-76	22,367	-1.41	-79	22,141	-1.48	-83			
Other liabilities and shareholders' equity	16,514	-2.52	-103	18,301	-2.08	-95	20,566	-1.87	-97			
Total funds	174,442	-0.55	-237	180,219	-0.53	-238	177,366	-0.56	-250			
Net interest income			656			664			665			
Customer spread		2.67			2.60			2.56				
Net interest margin as % of ATA		1.53			1.48			1.49				

2018 (€ million)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Results									
Cash and cash equivalents (1)	21,013	-0.18	-10	20,625	-0.17	-9	19,845	-0.03	-2	21,266	-0.04	-2
Loans to customers (net)	98,849	2.87	700	100,741	2.86	718	102,538	2.83	731	102,648	2.86	740
Fixed-income securities	22,961	1.48	84	23,314	1.49	86	23,539	1.33	79	23,616	1.36	81
Equity securities	961	--	--	1,006	--	--	825	--	--	889	--	--
Tang. & intang. assets	3,668	--	--	3,707	--	--	3,763	--	--	3,815	--	--
Other assets	21,530	0.89	47	20,391	1.14	58	20,123	1.42	72	20,333	1.62	83
Total activos	168,982	1.97	821	169,785	2.02	854	170,632	2.05	881	172,568	2.07	902
Financial institutions (2)	25,064	0.01	1	24,763	0.02	1	24,645	0.07	4	24,906	0.03	2
Customer deposits (3)	103,372	-0.13	-34	105,696	-0.14	-36	108,568	-0.16	-43	109,843	-0.18	-51
Capital markets	23,735	-1.35	-79	23,155	-1.32	-76	21,940	-1.33	-74	22,460	-1.28	-72
Other liabilities and shareholders' equity	16,810	-1.23	-51	16,172	-1.93	-78	15,479	-2.45	-95	15,359	-2.61	-101
Total funds	168,982	-0.39	-163	169,785	-0.45	-189	170,632	-0.48	-208	172,568	-0.51	-222
Net interest income			658			665			672			680
Customer spread		2.74			2.72			2.67			2.68	
Net interest margin as % of ATA		1.58			1.57			1.57			1.56	

- (1) Includes cash, central banks, credit institutions and reverse 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 under liabilities 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.
(3) Includes repos.

Income from equity method and dividends:

It amounted to 52 million for the first nine months of the year, in line with the preceding year. This line mainly includes income from the insurance and pension fund business.

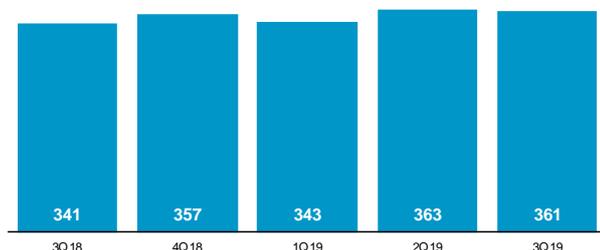
Net fees and commissions:

Net fees and commissions continued to perform well, with a year-on-year increase of 9.1% (6.8% excluding TSB), mainly supported by the improvement in service fees.

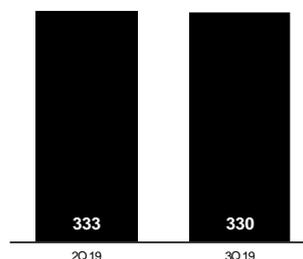
Quarter-on-quarter, fees and commissions fell by -0.6% (-0.9% excluding TSB), mainly due to the reduction of asset management fees, which were affected by third quarter seasonality.

Evolution of net fees and commissions

Total group (€ millions)



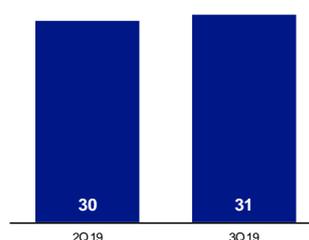
Sabadell ex - TSB (€ millions)



Change YoY:
+6.8%

Change QoQ:
-0.9%

TSB (€ millions)



Change YoY:
+44.5%
+44.4% Constant FX

Change QoQ:
+3.0%
+6.1% Constant FX

	Total group	Constant FX
Change YoY:	+9.1%	+9.0%
Change QoQ:	-0.6%	-0.3%

Net fees and commissions

(€ million)	Excl. TSB			Total group			Excl. TSB			Total group		
	2 Q19	3 Q19	Change (%) 2 Q19	2 Q19	3 Q19	Change (%) 2 Q19	9 M 18	9 M 19	Change (%) YoY	9 M 18	9 M 19	Change (%) YoY
Lending fees	35	37	7.3	35	36	4.4	99	107	7.8	103	106	2.9
Guarantees commissions	27	26	-4.8	27	27	-1.2	74	81	8.6	74	82	9.9
Risk transaction fees	62	63	2.0	62	63	1.9	173	187	8.1	177	187	5.8
Cards	56	60	8.5	68	74	8.4	141	164	16.5	164	201	22.4
Payment orders	15	16	2.1	16	16	2.0	41	46	10.3	46	48	3.9
Securities	15	17	13.5	15	17	13.5	48	46	-2.4	48	46	-2.4
Custodian mutual and pension funds	3	3	0.2	3	3	0.2	10	9	-8.0	10	9	-8.0
Sight accounts	35	35	0.5	49	49	-0.4	112	105	-6.5	163	145	-10.9
Foreign currency and notes exchange	28	24	-15.2	31	27	-13.9	70	78	12.5	73	86	18.4
Other transactions	27	26	-5.2	24	23	-4.3	53	78	47.2	18	69	287.7
Commissions for services	179	181	0.9	206	209	1.2	474	527	11.0	521	605	16.0
Mutual funds	38	38	-0.1	38	38	-0.1	119	112	-6.5	119	112	-6.5
Pension funds and insurance brokerage	48	42	-12.4	51	45	-11.8	128	135	5.0	138	144	4.2
Wealth management	6	7	3.0	6	7	3.0	22	19	-12.9	22	19	-12.9
Asset Under Management commissions	92	86	-6.3	95	89	-6.2	270	266	-1.5	280	275	-1.7
Total	333	330	-0.9	363	361	-0.6	918	980	6.8	978	1,067	9.1

(1) The EURGBP exchange rate used for the income statement is 0.8844 for the year and 0.9015 for the quarter.

Net trading income and exchange differences:

Net trading income and exchange differences amounted to 130 million euros for the first nine months of the year (excluding TSB it amounted to 114 million euros) highlighting the SAREB subordinated debt impairment of -47 million euros, which was carried out in the second quarter of 2019, as well as the impact of 88 million euros corresponding to the securitisation carried out in the third quarter of the year. One year ago, it amounted to 233 million euros (212 million euros excluding TSB) due to higher fixed-income portfolio sales.

Other operating income and expenses:

This item amounted to -128 million euros for the first nine months of the year (-118 million euros excluding TSB), compared to -122 million euros one year ago (-71 million euros excluding TSB). Particularly worthy of note were the contribution to the Single Resolution Fund of -59 million euros and the accrual of the capital contributions associated with the conversion of deferred tax assets into credit eligible for the Spanish Tax Authority of -39 million euros.

Total costs:

Total costs amounted to -2,367 million euros for the first nine months of the year (-1,588 million euros excluding TSB), compared to -2,467 million euros one year ago (-1,577 million euros excluding TSB), representing a reduction of -4.1% (increase of 0.7% excluding TSB).

Recurrent costs and amortisations amounted to -2,296 million euros (-1,574 million euros excluding TSB), representing an increase of 1.9% year-on-year due to higher personnel costs and an increase in amortisations in TSB (0.5% excluding TSB). Non-recurrent costs experienced a significant decline, as the previous year included the impacts of TSB's migration and post-migration. Year to date, the restructuring cost at TSB amounted to -25 million euros (-15 million euros in the third quarter).

In the quarter, recurrent costs and amortisations increased by 1.7% (3.3% excluding TSB), due to higher general expenses ex-TSB, which were partially offset by lower recurrent personnel costs in TSB.

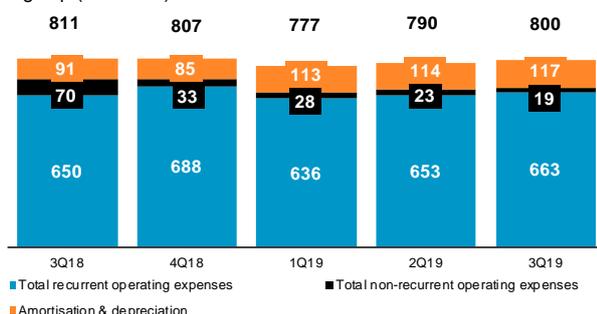
Total costs

(€million)	Excl. TSB			Total group			Excl. TSB			Total group		
	2 Q19	3 Q19	Change (%) 2 Q19	2 Q19	3 Q19	Change (%) 2 Q19	9 M 18	9 M 19	Change (%) YoY	9 M 18	9 M 19	Change (%) YoY
Recurrent	-305	-307	0.6	-404	-399	-1.4	-874	-902	3.1	-1,169	-1,189	1.7
Non-recurrent	-6	-4	-28.6	-15	-17	13.4	-12	-14	20.3	-33	-37	12.0
Personnel expenses	-312	-312	0.0	-419	-416	-0.9	-886	-916	3.3	-1,202	-1,226	1.9
IT and communications	-37	-43	16.3	-88	-95	7.2	-127	-121	-4.4	-280	-276	-1.4
Advertising	-14	-14	6.5	-23	-24	2.5	-36	-40	8.8	-74	-70	-4.6
Premises and office supplies	-12	-7	-40.7	-23	-18	-21.1	-104	-32	-69.4	-164	-66	-59.7
Taxes other than income tax	-28	-28	-0.9	-28	-28	-0.9	-82	-86	4.0	-82	-86	4.0
Others	-46	-57	24.0	-85	-99	16.4	-136	-150	10.2	-216	-265	22.7
Total recurrent	-137	-150	9.4	-249	-265	6.3	-486	-428	-11.9	-817	-764	-6.5
Non-recurrent	0	0	--	-8	-3	-67.0	0	0	--	-180	-33	-81.4
Other general expenses	-137	-150	9.4	-256	-267	4.1	-486	-428	-11.9	-996	-797	-20.0
Amortisation & depreciation	-81	-83	3.1	-114	-117	2.5	-205	-244	19.0	-268	-344	28.4
Total	-530	-545	2.9	-790	-800	1.2	-1,577	-1,588	0.7	-2,467	-2,367	-4.1

(1) The EURGBP exchange rate used for the income statement is 0.8844 for the year and 0.9015 for the quarter.

Evolution of total costs

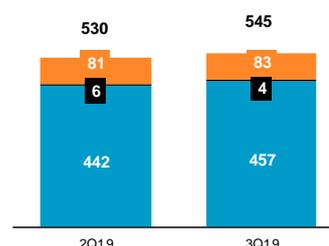
Total group (€ millions)



	Total group ⁽¹⁾	Constant FX ⁽¹⁾
Change YoY:	+1.9%	+1.8%
Change QoQ:	+1.7%	+2.7%

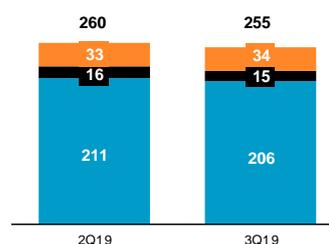
(1) Change over total recurrent costs and amortisation.

Sabadell ex - TSB (€ millions)



Recurrent expenses and amortisation
Change YoY: **+0.5%**
Change QoQ: **+3.3%**

TSB (€ millions)



Recurrent expenses and amortisation
Change YoY: **+4.9%**
+4.9% Constant FX
Change QoQ: **-1.7%**
+1.3% Constant FX

Pre-provisions income:

For the first nine months of the year, pre-provisions income amounted to 1,467 million euros (1,426 million euros excluding TSB), representing an increase of 3.6% year-on-year (-6.8% excluding TSB), mainly due to the improvement in core banking revenue and the negative one-off impacts of TSB's IT migration in the previous year. Excluding TSB, the decline was due to higher results of fixed-income sales in the previous year.

Provisions for NPLs and other impairments:

This item amounted to -568 million euros for the first nine months of the year (-520 million euros excluding TSB), compared with -1,081 million euros (-918 million euros excluding TSB) one year ago, due to the extraordinary provisions for institutional portfolio sales and customer redress provisions in TSB following migration, as well as lower recurrent provisions during the year.

In the quarter, this item amounted to -194 million euros compared to -184 million euros in the previous quarter, including the extraordinary provision associated to the sale of the "Rex" foreclosed asset portfolio of -28 million euros being particularly noteworthy, as this entails a cost of risk for the Group of 50 bps as at the end of September 2019. Excluding this extraordinary impact, the cost of risk stood at 47 bps.

Gains on asset sales and other income:

This item amounted to 138 million euros for the first nine months of the year, compared to 3 million euros one year ago, due to the capital gain of 135 million euros on the sale of Solvia Servicios Inmobiliarios.

Net profit:

Group net profit amounted to 783 million euros for the first nine months of the year (788 million euros excluding TSB), reflecting a substantial year-on-year growth mainly due to the improvement in core banking revenue, the capital gain of Solvia, and the one-offs recognised in the preceding year.

In the quarter, it declined by -8.2%, mainly because the second quarter of the year included the capital gain of Solvia.

Balance sheet

Highlights:

Performing loans growth remained robust, increasing by 0.5% year-on-year. Quarter-on-quarter, this item fell slightly by -0.6%, due to the 1 billion euro consumer loan securitisation executed in the third quarter of the year.

Excluding the impacts of the APS and the securitisation, performing loans grew by 2.5% year-on-year, with a strong performance across geographies, and by 0.1% in the quarter, impacted by seasonality and maturities of large scale public sector loans.

On-balance sheet customer funds increased by 5.4% year-on-year and 0.4% in the quarter, due to sight accounts.

Off-balance sheet funds declined year-on-year due to mutual funds, although they remained broadly stable quarter-on-quarter.

In the quarter, it is worth highlighting the TLTRO II early repayment to the ECB of 2 billion euros, which were additional to the 5 billion euros repaid in the previous quarter, and the 450 million pounds TFS payment to the Bank of England.

Balance sheet

(€million)	30.09.18	30.06.19	(2) 30.09.19	Change (%)	
				30.09.18	30.06.19
Cash, cash balances at central banks and other demand deposits	20,310	19,785	19,879	-2.1	0.5
Financial assets held for trading and fair value with changes in PL	1,937	2,539	3,177	64.0	25.2
Financial assets in fair value OCI	13,077	7,962	8,137	-37.8	2.2
Financial assets at amortised cost	163,594	174,148	171,471	4.8	-1.5
Loans and advances to customers	143,605	144,895	144,377	0.5	-0.4
Loans and advances of central banks and credit institutions	6,962	10,330	7,969	14.5	-22.9
Debt securities	13,028	18,923	19,124	46.8	1.1
Investments in subsidiaries, joint ventures and associates	558	577	596	6.7	3.3
Tangible assets	3,237	3,568	3,354	3.6	-6.0
Intangible assets	2,378	2,472	2,499	5.1	1.1
Other assets	12,659	13,801	13,696	8.2	-0.8
Total assets	217,751	224,852	222,809	2.3	-0.9
Financial liabilities held for trading and fair value with changes in PL	1,458	2,440	2,841	94.9	16.4
Financial liabilities at amortised cost	201,604	207,301	203,913	1.1	-1.6
Central banks	(1) 27,806	22,910	21,277	-23.5	-7.1
Credit institutions	(1) 12,513	13,284	9,123	-27.1	-31.3
Customer deposits	136,581	143,231	143,888	5.4	0.5
Debt securities issued	21,258	21,636	22,624	6.4	4.6
Other financial liabilities	3,447	6,241	7,001	103.1	12.2
Provisions	476	423	396	-16.8	-6.4
Other liabilities	2,020	1,973	2,603	28.8	31.9
Subtotal liabilities	205,558	212,137	209,752	2.0	-1.1
Shareholders' equity	12,607	13,021	13,267	5.2	1.9
Accumulated other comprehensive income	-477	-374	-280	-41.3	-25.1
Minority interest	62	69	70	11.9	1.6
Net equity	12,192	12,715	13,057	7.1	2.7
Total liabilities and equity	217,751	224,852	222,809	2.3	-0.9
Financial guarantees granted	2,016	2,030	2,072	2.8	2.1
Commitments for loans granted	21,994	25,162	26,138	18.8	3.9
Other commitments granted	8,092	11,039	9,555	18.1	-13.4

(1) Deposits with central banks and credit institutions include the following amounts of repos: 7,522 million euros as at 30.09.2018, 9,173 million euros as at 30.06.2019 and 5,030 million euros as at 30.09.2019.

(2) The EURGBP exchange rate used for the balance sheet is 0.8857.

Assets:

The Group's total assets amounted to 222,809 million euros, representing a year-on-year increase of 2.3% and a decline of -0.9% in the quarter, mainly due to the TLTRO early repayment and the TFS payment.

Excluding TSB, they amounted to 175,763 million euros, representing a 2.5% increase year-on-year and a -1.4% decrease quarter-on-quarter.

Loans and advances to customers:

Gross performing loans ended the third quarter of 2019 with a balance of 140,901 million euros (106,102 million euros excluding TSB), representing a year-on-year growth of 0.5% (0.3% excluding TSB), affected by the consumer loan securitisation carried out in the quarter. Excluding the APS and the securitisation, growth of 2.5% year-on-year (3.0% excluding TSB), with a strong performance across geographies.

In quarterly terms, decline of -0.6% (-1.6% excluding TSB) due to the securitisation. Excluding this impact, slight growth of 0.1% (declining by -0.7% excluding TSB), impacted by seasonality and maturities of large scale public sector loans.

In Spain, performing loans excluding the APS increased by 1.6% year-on-year, declining by -1.7% quarter-on-quarter, which was partly explained by the securitisation. Excluding this impact, growth of 2.6% year-on-year, driven particularly by Corporates and SMEs segments. Mexico continues to perform remarkably well, growing by 15.0% year-on-year, and by 0.4% in the quarter.

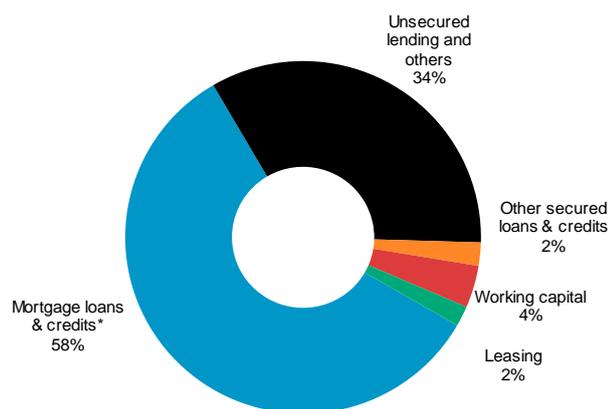
In TSB, lending increased by 0.9% year-on-year and by 2.8% in the quarter, as the high volume of mortgage applications continued to flow through to completions. Considering a constant exchange rate, increase of 0.7% year-on-year and by 1.6% in the quarter.

Loans and advances to customers

(€ million)	Excl. TSB					Total group						
	30.09.18		30.06.19		30.09.19		30.09.18		30.06.19		30.09.19	
					Change (%)						Change (%)	
Mortgage loans & credits	51,727	49,753	49,715	-3.9	-0.1	83,444	81,293	82,058	-1.7	0.9		
Other secured loans & credits	2,607	3,240	3,010	15.5	-7.1	2,609	3,240	3,011	15.4	-7.1		
Working capital	5,805	5,945	5,447	-6.2	-8.4	5,805	5,945	5,447	-6.2	-8.4		
Leasing	2,526	2,707	2,634	4.3	-2.7	2,526	2,707	2,634	4.3	-2.7		
Unsecured lending and others	43,071	46,207	45,296	5.2	-2.0	45,850	48,517	47,751	4.1	-1.6		
Performing gross loans	105,735	107,853	106,102	0.3	-1.6	140,234	141,703	140,901	0.5	-0.6		
Non-performing loans	6,509	5,818	5,823	-10.5	0.1	6,951	6,274	6,281	-9.6	0.1		
Accruals	-60	-58	-42	-30.7	-28.1	18	17	34	88.9	108.4		
Gross loans to customers (excluding repos)	112,184	113,613	111,884	-0.3	-1.5	147,203	147,993	147,216	0.0	-0.5		
Reverse repos	349	94	93	-73.4	-0.5	349	94	320	-8.5	241.5		
Gross loans to customers	112,534	113,706	111,977	-0.5	-1.5	147,553	148,087	147,535	0.0	-0.4		
NPL and country-risk provisions	-3,724	-2,994	-2,970	-20.2	-0.8	-3,948	-3,192	-3,158	-20.0	-1.1		
Loans and advances to customers	108,810	110,712	109,007	0.2	-1.5	143,605	144,895	144,377	0.5	-0.4		

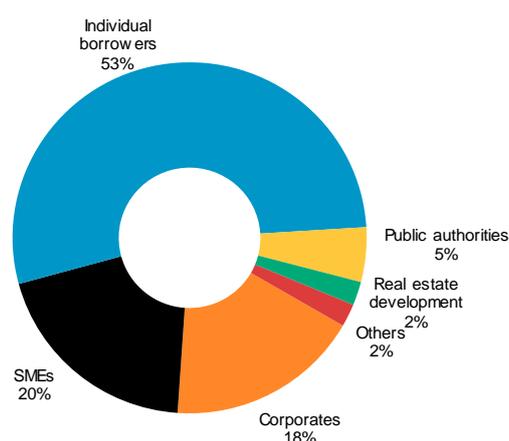
(1) The EURGBP exchange rate used for the balance sheet is 0.8857.

Loans and advances to customers by product type, 30.09.2019 (%) (*)



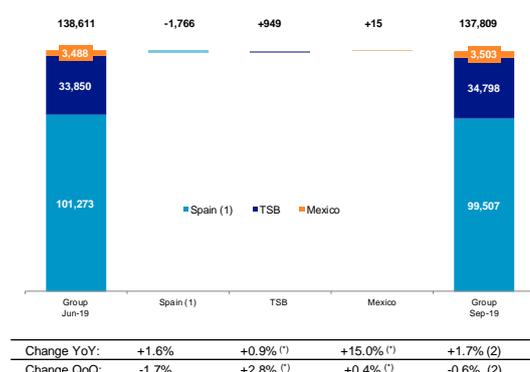
*Includes mortgage loans and credits both to individuals and companies.

Loans and advances to customers by customer profile, 30.09.2019 (%)



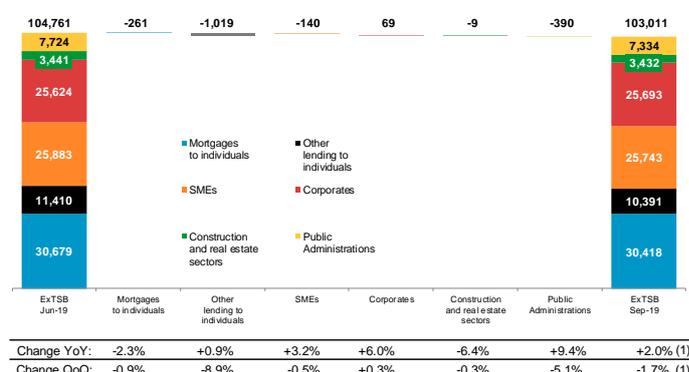
(*) Excluding NPLs and accrual adjustments.

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



(*) In TSB +0.7% YoY and +1.6% QoQ in GBP and in Mexico +13.2% YoY and -1.3% QoQ in MGN.
 (1) Spain includes overseas branches.
 (2) Excluding the securitisation increase of +2.5% YoY and +0.1% QoQ.

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



(1) Excluding the securitisation increase of +3.0% YoY and -0.7% QoQ.

Liabilities:

Customer funds:

At the end of the third quarter of 2019, on-balance sheet customer funds amounted to 142,416 million euros (108,690 million euros excluding TSB), representing a year-on-year increase of 5.4% (6.4% excluding TSB) and a quarter-on-quarter increase of 0.4% (0.1% excluding TSB), reflecting the strength of the banking franchise.

Sight account balances amounted to 115,130 million euros (84,751 million euros excluding TSB), representing an increase of 8.1% year-on-year (11.3% excluding TSB) and a 1.3% increase quarter-on-quarter (1.2% excluding TSB).

Term deposits amounted to 27,647 million euros (24,300 million euros excluding TSB), representing an -1.8% decline from the previous year (-4.6% excluding TSB) and a -2.3% decline from the previous quarter (-2.6% excluding TSB).

At TSB level, on-balance sheet customer funds increased by 2.1% year-on-year and by 1.5% in the quarter, supported in the quarter by the growth of current accounts. Considering a constant exchange rate, increase of 2.0% year-on-year and 0.2% in the quarter.

Total off-balance sheet funds amounted to 43,689 million euros as at the end of the third quarter of 2019, declining by -7.4% with respect to the previous year, mainly due to the decline of mutual funds. Quarter-on-quarter, they remained broadly stable.

Debt and other tradable securities:

At the end of the third quarter of 2019, this item amounted to 19,572 million euros (17,616 million euros excluding TSB), representing an increase of 4.5% year-on-year (1.1% excluding TSB) and of 5.1% in the quarter (5.9% excluding TSB).

Exposures to central banks at the end of the third quarter of 2019 amounted to 21,078 million euros, of which 14,281 million euros corresponded to the ECB and 6,797 million euros corresponded to the Bank of England.

It is worth noting the reduction in the position with the ECB and the Bank of England in the quarter due to the early repayment of 2 billion euros of TLTRO II and the 450 million pounds TFS payment.

Funds under management:

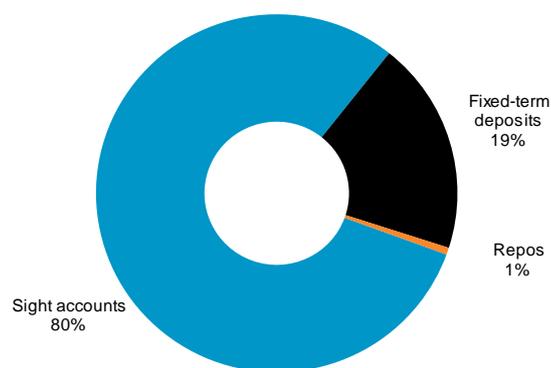
Funds under management amounted to 210,201 million euros (173,477 million euros excluding TSB), compared with 204,998 million euros (169,754 million euros excluding TSB) one year previously, representing a year-on-year increase of 2.5% (2.2% excluding TSB) and a quarter-on-quarter growth of 0.8% (0.6% excluding TSB).

Customer funds

(€ million)	Excl. TSB					Total group						
	30.09.18		30.06.19		30.09.19	Change (%)		(1)		30.09.19	Change (%)	
	30.09.18	30.06.19	30.09.18	30.06.19		30.09.18	30.06.19	30.09.18	30.06.19		30.09.18	30.06.19
Financial liabilities at amortised cost	158,891	163,616	160,071	0.7	-2.2	201,604	207,301	203,913	1.1	-1.6		
Non-retail financial liabilities	56,760	54,995	51,381	-9.5	-6.6	66,452	65,440	61,497	-7.5	-6.0		
Central banks	20,502	15,680	14,467	-29.4	-7.7	27,806	22,910	21,277	-23.5	-7.1		
Credit institutions	12,509	13,281	9,120	-27.1	-31.3	12,513	13,284	9,123	-27.1	-31.3		
Institutional issues	20,464	20,076	21,098	3.1	5.1	22,686	23,005	24,096	6.2	4.7		
Other financial liabilities	3,285	5,958	6,696	103.8	12.4	3,447	6,241	7,001	103.1	12.2		
On-balance sheet customer funds	102,131	108,620	108,690	6.4	0.1	135,152	141,862	142,416	5.4	0.4		
Customer deposits	103,109	109,490	109,576	6.3	0.1	136,581	143,231	143,888	5.4	0.5		
Sight accounts	76,168	83,724	84,751	11.3	1.2	106,499	113,607	115,130	8.1	1.3		
Fixed-term deposits	(2) 25,477	24,945	24,300	-4.6	-2.6	28,167	28,303	27,647	-1.8	-2.3		
Repos	1,319	668	352	-73.3	-47.2	1,756	1,115	894	-49.1	-19.8		
Accruals and derivative hedging adjustments	145	153	173	18.9	12.6	158	205	217	36.8	5.6		
Debt and other tradable securities	17,418	16,632	17,616	1.1	5.9	18,735	18,617	19,572	4.5	5.1		
Subordinated liabilities	(3) 2,068	2,575	2,596	25.5	0.8	2,523	3,019	3,052	20.9	1.1		
On-balance sheet funds	122,595	128,697	129,788	5.9	0.8	157,839	164,867	166,512	5.5	1.0		
Mutual funds	28,882	26,127	26,145	-9.5	0.1	28,882	26,127	26,145	-9.5	0.1		
Equity funds	1,900	1,593	1,568	-17.5	-1.6	1,900	1,593	1,568	-17.5	-1.6		
Balanced funds	7,307	6,587	6,670	-8.7	1.3	7,307	6,587	6,670	-8.7	1.3		
Fixed-income funds	4,138	4,364	4,895	18.3	12.2	4,138	4,364	4,895	18.3	12.2		
Guaranteed return funds	4,102	4,020	3,438	-16.2	-14.5	4,102	4,020	3,438	-16.2	-14.5		
Real estate funds	126	127	94	-25.2	-26.0	126	127	94	-25.2	-26.0		
Venture capital funds	44	100	100	129.4	0.0	44	100	100	129.4	0.0		
Dedicated investment companies	2,217	1,665	1,661	-25.1	-0.2	2,217	1,665	1,661	-25.1	-0.2		
Third-party funds	9,050	7,671	7,718	-14.7	0.6	9,050	7,671	7,718	-14.7	0.6		
Managed accounts	4,019	3,371	3,337	-17.0	-1.0	4,019	3,371	3,337	-17.0	-1.0		
Pension funds	3,801	3,708	3,670	-3.5	-1.0	3,801	3,708	3,670	-3.5	-1.0		
Individual	2,308	2,165	2,112	-8.5	-2.4	2,308	2,165	2,112	-8.5	-2.4		
Company	1,481	1,532	1,547	4.5	1.0	1,481	1,532	1,547	4.5	1.0		
Group	12	11	11	-10.0	0.6	12	11	11	-10.0	0.6		
Third-party insurance products	10,456	10,514	10,536	0.8	0.2	10,456	10,514	10,536	0.8	0.2		
Off-balance sheet customer funds	47,159	43,720	43,689	-7.4	-0.1	47,159	43,720	43,689	-7.4	-0.1		
Funds under management	169,754	172,416	173,477	2.2	0.6	204,998	208,587	210,201	2.5	0.8		

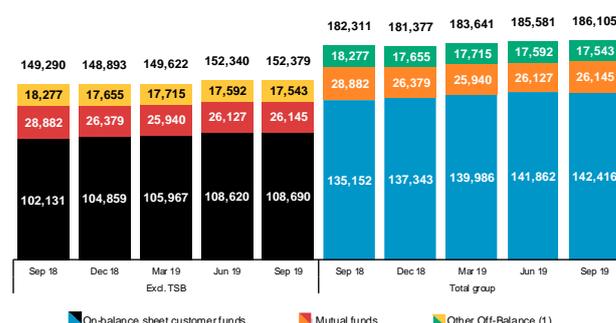
- (1) The EURGBP exchange rate used for the balance sheet is 0.8857.
(2) Includes deposits redeemable at notice and hybrid financial liabilities.
(3) Subordinated liabilities of debt securities.

Customer deposits, 30.09.2019 (%) (*)



(*) Excluding accrual adjustments and hedging derivatives.

Evolution of customer funds (€ million)



Excl. TSB (*)

Change YoY: **+6.4%**

Change QoQ: **+0.1%**

Total group (*)

Change YoY: **+5.4%**

Change QoQ: **+0.4%**

(*) 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 the third quarter of 2019:

Equity

(€million)	30.09.18	30.06.19	30.09.19	Change	
				30.09.18	30.06.19
Shareholders' equity	12,607	13,021	13,267	660	246
Issued capital	703	703	703	0	0
Reserves	11,738	11,895	11,883	145	-11
Other equity	42	37	39	-3	2
Less: treasury shares	-124	-146	-141	-17	4
Attributable net profit	248	532	783	535	251
Less: interim dividends	0	0	0	0	0
Accumulated other comprehensive income	-477	-374	-280	197	94
Minority interest	62	69	70	7	1
Net equity	12,192	12,715	13,057	864	341

Risk management

Highlights:

The Group NPL ratio improved to 4.08%, compared to 4.50% in the previous year. Excluding the securitisation, it stood at 4.05% at the end of the quarter.

Efforts continue to reduce the Group's problematic assets, which have been reduced -855 million euros year to date. In the quarter, reduction of -829 million euros, mainly due to the institutional portfolio sales.

The NPA coverage ratio stood at 49.1%, with the coverage of non-performing loans standing at 51.1% and the coverage of foreclosed assets at 36.8%. It is worth highlighting that land assets represent c.7% of total foreclosed assets, down from 28% in the second quarter of the year, therefore coverage moves accordingly.

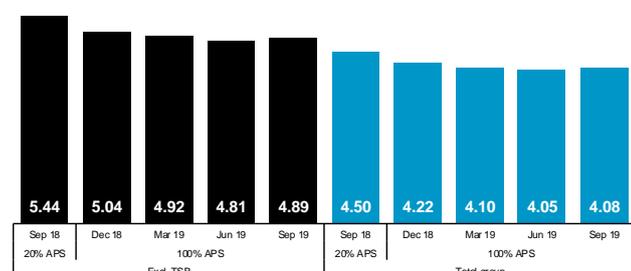
The Group's cost of risk stood at 50 bps as at the end of September 2019. Excluding extraordinary provisions for the sale of foreclosed assets "Rex", cost of risk stood at 47 bps.

Risk management:

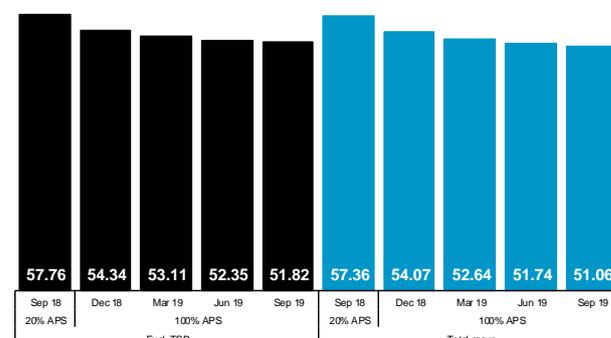
Reduction of problematic assets at the end of the third quarter of 2019, with a balance of 7,424 million euros, of which 6,391 million correspond to non-performing loans and 1,032 million euros correspond to foreclosed assets. This volume of problematic (non-performing) assets has brought down the ratio of net NPAs to average total assets to 1.7% compared to 2.8% a year ago.

The ratio of problematic assets in relation to gross loans plus real estate assets stood at 5.0% from 9.1% a year earlier.

NPL ratios (%) ^(*)



NPL coverage ratios (%) ^(*)



(*) Calculated including contingent risk. Portfolios sold to institutional investors (not yet closed) have been reclassified as non-current assets held for sale, therefore the figures are shown excluding these assets. The sale of one of these portfolios, for a gross value of 2,124 million euros, was completed in July 2019.

NPL ratios by segment ^(*)

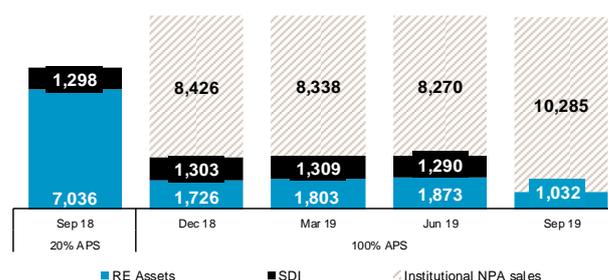
Excl. TSB	20% APS		100% APS		
	Sep 18	Dec 18	Mar 19	Jun 19	Sep 19
Real estate development and/or construction purposes	16.16%	15.68%	14.45%	13.97%	13.39%
Construction purposes non-related to real estate dev.	5.58%	5.68%	5.97%	5.65%	5.49%
Large corporates	2.60%	2.32%	1.88%	1.76%	1.73%
SME and small retailers and self-employed	7.05%	6.48%	6.44%	6.57%	6.77%
Individuals with 1st mortgage guarantee assets	5.89%	5.82%	5.80%	5.65%	5.54%
NPL ratio	5.44%	5.04%	4.92%	4.81%	4.89%

(*) Calculated including contingent risk. NPA portfolios sold to institutional investors (not yet closed) were reclassified as non-current assets held for sale, therefore the figures are shown excluding these assets. The sale of one of these portfolios, for a gross value of 2,124 million euros, was completed in July 2019.

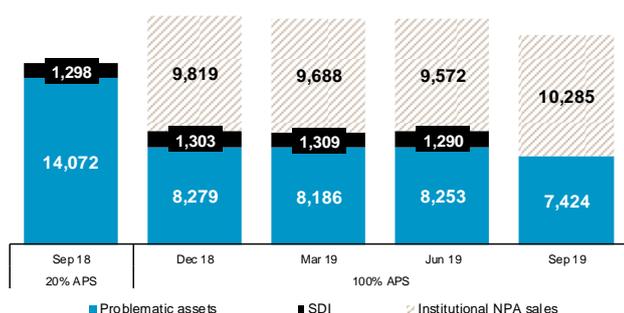
Evolution of NPLs (€ million) ^(*)



Evolution of foreclosed assets (€ million) ^(*)



Evolution of problematic assets (€ million) ^(*)



(*) Calculated including contingent risk. NPA portfolios sold to institutional investors (not yet closed) were reclassified as non-current assets held for sale, therefore the figures are shown excluding these assets. The sale of one of these portfolios, for a gross value of 2,124 million euros, was completed in July 2019.

The table below shows the evolution of the Group's problematic assets and their reduction during the last few quarters.

Evolution of NPLs and foreclosed assets, ex TSB

(€million)	20% APS		100% APS		
	Sep 18	Dec 18	Mar 19	Jun 19	Sep 19
Entries	385	354	408	457	380
Recoveries ⁽¹⁾	-600	-1,053	-420	-371	-300
Ordinary net entries	-215	-699	-12	86	80
Entries	129	209	136	107	120
Sales and other outcomes ⁽¹⁾	-264	-5,706	-59	-37	-961
Change in real estate assets	-135	-5,497	77	70	-841
Net entries plus change in real estate assets	-350	-6,196	66	156	-761
Write-offs	-137	-106	-132	-76	-70
Real estate assets and NPL quarterly change	-538	-6,302	-117	79	-831

(1) NPA portfolios sold to institutional investors (not yet closed) were reclassified as non-current assets held for sale, therefore the figures are shown excluding these assets. The sale of one of these portfolios, for a gross value of 2,124 million euros, was completed in July 2019.

Coverage of Group problematic assets ^(*)

(€ million)	20% APS		100% APS		
	Sep 18	Dec 18	Mar 19	Jun 19	Sep 19
Non-performing exposures	7,036	6,554	6,383	6,380	6,391
Provisions	4,036	3,544	3,360	3,301	3,263
NPL coverage ratio (%)	57.4%	54.1%	52.6%	51.7%	51.1%
RE Assets	7,036	1,726	1,803	1,873	1,032
Provisions	3,932	767	790	831	380
Real Estate coverage ratio (%)	55.9%	44.5%	43.8%	44.4%	36.8%
Total problematic assets	14,072	8,279	8,186	8,253	7,424
Provisions	7,968	4,311	4,150	4,132	3,643
Problematic assets coverage (%)	56.6%	52.1%	50.7%	50.1%	49.1%
Gross loans and advances to customers, excluding repos	147,203	145,824	146,406	147,993	147,216
Problematic assets over Gross loans + RE assets	9.1%	5.6%	5.5%	5.5%	5.0%
Net problematic assets	6,104	3,968	4,036	4,121	3,781
Net problematic assets as of % of total assets	2.8%	1.8%	1.8%	1.8%	1.7%

(*) Includes contingent risk. NPA portfolios sold to institutional investors (not yet closed) were reclassified as non-current assets held for sale, therefore the figures are shown excluding these assets. The sale of one of these portfolios, for a gross value of 2,124 million euros, was completed in July 2019.

Forborne and restructured loans

The outstanding balance of forborne and restructured loans as at the end of the third quarter of 2019 is as follows:

(€million)	Total	Of which: doubtful
Public sector	11	11
Companies and self employed	2,994	1,896
Of which: Financing for construction and real estate development	455	327
Individuals	1,903	1,216
Total	4,909	3,123
Provisions	1,114	1,028

Pro forma foreclosed assets ^(*)

(€million)	Gross amount	Allowances for losses
Real estate assets deriving from financing of construction and real estate development	572	201
Finished buildings	486	157
Housing	345	111
Rest	141	47
Buildings under construction	16	9
Housing	15	9
Rest	1	0
Land	70	34
Building land	23	8
Other land	47	26
Real estate assets deriving from home loan mortgages	461	179
Total real-estate portfolio	1,032	380

(*) Data 100% APS. Foreclosed assets, including properties outside Spain, considering the provisions allocated in the original financing and the credit risk that was transferred through the enforcement of the APS.

Movements in credit loss allowances allocated by the Group

(€million)	2018	2019
Initial balance	3,740	3,435
IFRS9 implementation	993	0
Movements reflected in provisions for NPLs	519	352
Movements not reflected in provisions for NPLs	-184	-630
Utilisation of provisions	-1,451	-542
Other movements (*)	-363	-88
Adjustments for exchange differences	-3	3
Final balance	3,435	3,160

(*) Corresponds to the transfer of credit loss allowances to non-current assets held for sale and investment properties.

NOTE: Excludes guarantees and sums undrawn.

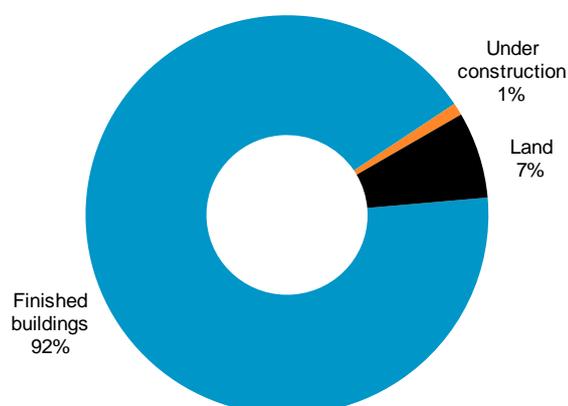
Breakdown of credit and provisions by stages

(€million)	Stage 1	Stage 2	Stage 3
Loans to customers and guarantees granted	141,365	8,879	6,391
Provisions	421	296	2,546
Coverage	0.3%	3.3%	39.8%

Breakdown of real estate exposures by asset class:

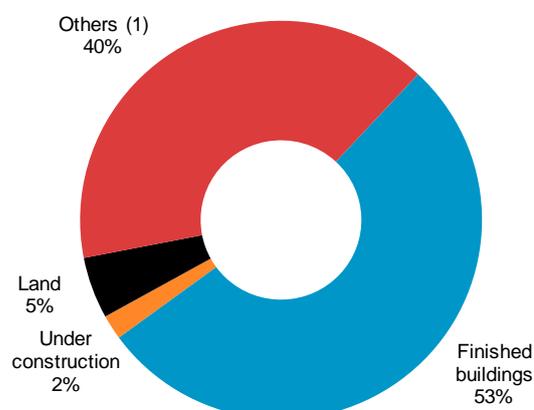
The following figures show the real estate exposures at the end of the third quarter of 2019, broken down by asset class:

Foreclosed assets, 30.09.2019 (%) ^(*)



(*) Data 100% APS.

Real estate development, 30.09.2019 (%) ^(*)



(1) Includes other guarantees

Liquidity management

Highlights:

Solid liquidity position, with the LCR (Liquidity Coverage Ratio) at the end of the third quarter of 2019 standing at 168% at Group level (181% excluding TSB and 266% in TSB), following the early repayment of 7 billion euros to the ECB in relation to TLTRO II and the 450 million pound TFS payment to the Bank of England.

The loan-to-deposit ratio as at the end of the third quarter of 2019 was 100% with a balanced retail funding structure.

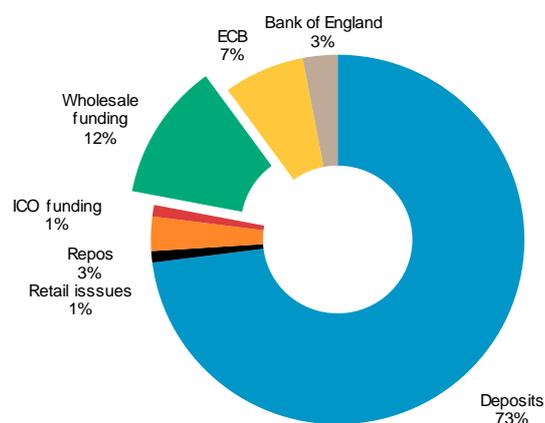
It is worth highlighting the issuances carried out in the quarter of 1.0 billion euros of senior preferred debt and 0.5 billion euros of senior non-preferred debt eligible for meeting MREL requirements.

(€ million)		30.09.18	30.06.19	30.09.19 (1)
Loans and advances to customers	(2)	143,255	144,801	144,058
Brokered loans		-3,156	-2,211	-2,357
Adjusted net loans and advances		140,099	142,590	141,701
On-balance sheet customer funds		135,152	141,862	142,416
Loan-to-deposits ratio (%)		103.7	100.5	99.5

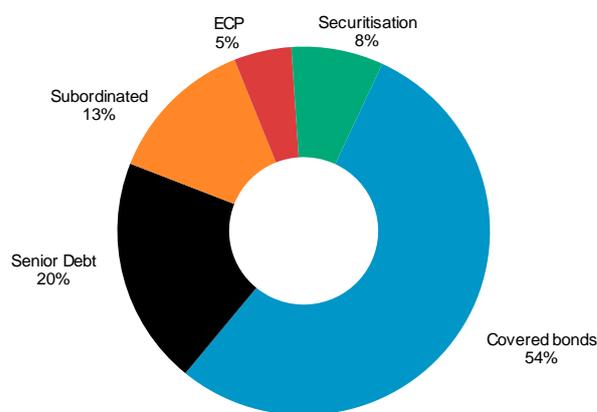
(1) The EURGBP exchange rate used for the balance sheet is 0.8857.

(2) Excludes reverse repos.

Funding structure, 30.09.2019 (%)



Wholesale funding breakdown, 30.09.2019 (%)



Maturities

(€ million)	2019	2020	2021	2022	2023	2024	>2024	Outstanding balance
Covered bonds	524	2,015	1,808	1,684	1,388	2,697	2,301	12,417
Senior Debt	17	496	347	682	987	739	1,002	4,270
Senior Non Preferred Debt	0	0	0	0	0	951	500	1,451
Subordinated	0	413	0	0	0	0	1,445	1,858
Total	541	2,924	2,155	2,366	2,375	4,387	5,248	19,996

New issuances in the year

(€ million)	1Q19	2Q19	3Q19
Covered bonds	874	0	0
Senior Debt	604	303	1,000
Senior Non Preferred Debt	0	1,000	500
Total	1,478	1,303	1,500

Maturities in the year

(€ million)	1Q19	2Q19	3Q19	4Q19
Covered bonds	300	300	0	524
Senior Debt	603	935	9	17
Total	903	1,235	9	541

Capital management and credit ratings

Highlights:

The CET1 ratio improved by 21bps, standing at 11.4% fully-loaded as at the end of the third quarter of 2019. The pro forma⁽¹⁾ CET1 ratio stood at 11.8% fully-loaded.

The fully-loaded CET1 ratio includes +10bps in organic capital generation, +10bps from the consumer loan securitisation and +1bps in deductions and others.

(1) Includes +18bps of RWAs released following the NPA sales, +8bps from the capital gain on the sale of the real estate developer and +4bps from the securitisation (both accrued in the quarter as a dividend to be reverted at the end of the year), +7bps accrued dividend to be paid the net part in treasury shares by year end, +5bps on the sale of the real estate developer and +2bps from the sale of the non-performing assets portfolio, Rex.

The capital requirement that the Group needs to comply with is a phase-in CET1 ratio of at least 9.64% and a phase-in total capital ratio of at least 13.14%, with an MDA buffer of 216 basis points.

The MREL ratio improved following the issuances carried out in the quarter, and stood at 22.2% compared to 20.2% in the previous quarter. The TLOF ratio stood at 8.4%.

The Board of Directors has resolved to distribute an interim dividend out of the earnings of 2019 amounting to €0.02 (gross) per share.

Phase-in capital ratios

(€million)	30.09.18	30.06.19	30.09.19
Issued capital	703	703	703
Reserves	11,430	11,839	11,952
Minority interest	10,538	14	16
Deductions (1)	-2,387	-2,695	-2,679
Common Equity Tier 1	9,756	9,861	9,993
CET 1 Phase-in (%)	12.1%	11.9%	12.1%
Preference shares and other	1,152	1,153	1,153
Primary capital	10,909	11,014	11,146
Tier I (%)	13.5%	13.3%	13.5%
Secondary capital	1,195	1,511	1,495
Tier II (%)	1.5%	1.8%	1.8%
Total capital	12,104	12,525	12,641
Total capital ratio (%)	15.0%	15.1%	15.3%
Risk weighted assets (RWA)	80,930	83,124	82,615
Leverage ratio (%)	5.00%	4.95%	4.98%

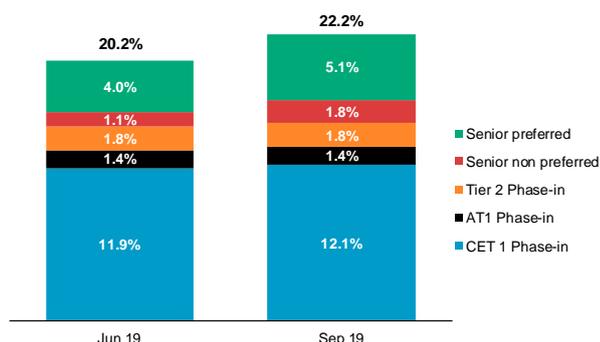
The phase-in CET1 ratio of Banco de Sabadell S.A. (individual basis) is 13.1% as at June 2019.

(1) Includes IFRS9 transitional adjustments.

Fully-loaded capital ratios

(€million)	30.09.18	30.06.19	30.09.19
Issued capital	703	703	703
Reserves	11,430	11,839	11,952
Minority interest	11	14	16
Deductions	-3,210	-3,280	-3,263
Common Equity Tier 1	8,934	9,276	9,409
CET 1 Fully Loaded (%)	11.0%	11.2%	11.4%
Preference shares and other	1,152	1,153	1,153
Primary capital	10,086	10,429	10,563
Tier I (%)	12.4%	12.5%	12.8%
Secondary capital	1,286	1,511	1,627
Tier II (%)	1.6%	1.8%	2.0%
Total capital	11,373	11,940	12,190
Total capital ratio (%)	14.0%	14.4%	14.7%
Risk weighted assets (RWA)	81,160	83,121	82,726
Leverage ratio (%)	4.64%	4.69%	4.72%

Group MREL (% RWAs)



Credit ratings

Agency	Date	Long term	Short term	Outlook
DBRS	25.06.2019	A (low)	R-1 (low)	Stable
S&P Global Rating ⁽¹⁾	21.06.2019	BBB	A-2	Stable
Moody's ⁽²⁾	15.07.2019	Baa3 / Baa2	P-3 / P-2	Stable/Stable
Fitch Ratings	25.06.2019	BBB	F3	Stable

(1) Copyright by Standard & Poor's, A division of the McGraw-Hill Companies, Inc. Reproduced with permission of Standard & Poor's.

(2) Corresponds to senior debt and deposits, respectively.

On 6 April 2018 **S&P Global Ratings** raised Banco Sabadell's long-term credit rating to BBB from BBB- and its short-term rating to A-2 from A-3. The outlook is stable. This credit rating upgrade was based on the improvement in Banco Sabadell's credit quality in a context of lower risk in the Spanish banking system, mainly due to its deleveraging, as well as improved investor confidence.

On 21 June 2019, S&P Global Ratings affirmed Banco Sabadell's long-term credit rating of BBB, its short-term rating of A-2 and its stable outlook.

On 19 September 2018, **Moody's** confirmed the Banco Sabadell long-term deposits rating of Baa2 and the senior debt rating of Baa3, as well as the short-term rating of deposits of P-2 and of senior debt of P-3, and it announced the change of outlook to stable from positive. The credit rating agency has taken into account the bank's improved asset risk profile following the sale of the majority of its foreclosed assets portfolio and the reduction of its NPLs, as well as the adequate liquidity position and the Group's capital and profitability indicators, which were weakened by the one-off items recognised in 2018 related to losses in the Group's subsidiary, TSB Bank plc, and provisions allocated for the sale of problematic assets.

On 15 July 2019, Moody's affirmed its credit rating of Banco Sabadell.

On 4 June 2019, **DBRS Ratings GmbH** announced the upgrade of its long-term rating of Banco Sabadell to A (Low), with a stable outlook, from BBB (High), to reflect the significant reduction of non-performing assets following the NPA sales, the progress made in resolving the incidents related to TSB's IT migration and the continuous improvement in core revenue. The short-term rating remains at R-1 (Low).

On 25 June 2019, DBRS Ratings GmbH affirmed its credit rating of Banco Sabadell.

On 29 March 2019, **Fitch Ratings** assigned Banco Sabadell a long-term rating of BBB and a short-term rating of F3, with a stable outlook. This rating reflected the solidity of Banco Sabadell, which is the fourth largest bank in Spain in terms of assets, with extensive experience in the SME business and a good level of diversification in terms of geographies, thanks to its activities in the United Kingdom and Mexico. Fitch has also highlighted Sabadell's capital levels, which meet the requirements of European regulatory bodies, its liquidity profile and its reduction of problematic assets. This rating also took into account the bank's challenges in improving its business in the United Kingdom, after the issues which arose from the IT migration of its UK subsidiary, TSB, and the uncertain operating environment in the country caused by Brexit. Fitch considered Banco Sabadell to have a solid franchise in Spain, as a result of its acquisitions strategy over the past decade, which provides it with a sound income-generating capacity and prospects for improvement in its profitability.

On 25 June 2019, Fitch Ratings affirmed its credit rating of Banco Sabadell.

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:

- There are four separate geographies: Banking Business Spain, Asset Transformation, Banking Business United Kingdom and Other Geographies.
- 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 Spain.
- Banking Business United Kingdom includes TSB's contribution to the Group.
- Other Geographies mostly comprises Mexico, foreign branches and representative offices.

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.

Segmentation by geography and business unit

- **Banking Business Spain**, which 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 others. It also includes the Private Banking segment and products, which have been designed to provide high added value to customers.

Corporate Banking offers specialised lending services together with a comprehensive offering of solutions relating to the fields of lending and treasury, as well as import and export activities, among others.

- **Asset Transformation:**

Comprehensively manages NPA risk and real estate exposures, and also sets out and implements the strategy of real estate investee companies.

- **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.

- **Other Geographies:**

Other Geographies mostly comprises Mexico, foreign branches and representative offices that offer all types of banking and financial services of Corporate Banking, Private Banking and Commercial Banking.

The information for each business unit is based on the individual accounting records of each Group company, after all consolidation disposals and adjustments have been made, and on analytical accounting of income and expenses where particular business lines are allocated to one or more legal entities, which allows income and expenses to be allocated to each customer in line with the business to which they are assigned.

Each business unit is treated as an independent business line, therefore fees and commissions received for the provision of services involving the distribution of products, services and systems are allocated between business units. The overall net impact of this allocation of fees and commissions between business units is zero.

Each business unit bears its own direct costs, calculated on the basis of general and analytical accounting, as well as the indirect costs of corporate units.

Key data relating to the segmentation of the Group's activity are given hereafter.

Profit and loss 9M19

	Banking business Spain	Real Estate asset transformation	Banking business UK	Other geographies	Total
<small>(€ million)</small>					
Net interest income	1,783	-34	727	237	2,712
Net fees and commissions	928	2	87	50	1,067
Core revenues	2,711	-33	815	286	3,780
Net trading income and exchange differences	104	0	16	10	130
Income from equity method and dividends	51	0	0	1	52
Other operating income/expense	-137	27	-10	-7	-128
Gross operating income	2,730	-6	820	290	3,834
Operating expenses and amortisation	-1,373	-62	-779	-154	-2,367
Pre-provisions income	1,357	-68	42	136	1,467
Impairment on loans & advances	-321	-164	-48	-36	-568
Gains on sale of assets and other results	139	0	-2	1	138
Profit before tax	1,175	-231	-8	102	1,037
Income tax	-297	66	3	-20	-248
Minority interest	4	0	0	3	7
Attributable net profit	875	-165	-5	78	783
ROE	10.9%	--	--	8.7%	6.9%
Efficiency	44.6%	--	82.7%	47.7%	54.1%
NPL ratio (%)	4.9%	41.9%	1.3%	0.9%	4.1%
NPL coverage ratio (%)	51.2%	50.0%	41.5%	104.5%	51.1%

Profit and loss 9M18

	Banking business Spain	Real Estate asset transformation	Banking business UK	Other geographies	Total
<small>(€ million)</small>					
Net interest income	1,830	-18	747	184	2,743
Net fees and commissions	881	1	61	36	978
Core revenues	2,711	-17	807	220	3,721
Net trading income and exchange differences	196	9	21	7	233
Income from equity method and dividends	50	0	0	2	52
Other operating income/expense	-179	99	-51	8	-122
Gross operating income	2,779	91	777	236	3,883
Operating expenses and amortisation	-1,344	-94	-890	-139	-2,467
Pre-provisions income	1,435	-3	-113	97	1,416
Impairment on loans & advances	-423	-462	-163	-33	-1,081
Gains on sale of assets and other results	2	0	1	0	3
Profit before tax	1,015	-464	-275	64	339
Income tax	-265	131	55	-7	-86
Minority interest	2	0	0	4	6
Attributable net profit	747	-333	-220	53	248
ROE	10.7%	--	--	7.0%	2.0%
Efficiency	43.8%	--	106.4%	55.8%	57.9%
NPL ratio (%)	5.3%	26.6%	1.3%	0.5%	4.5%
NPL coverage ratio (%)	54.1%	65.3%	55.0%	312.1%	57.4%

Balance sheet 9M19

	Banking business Spain	Real Estate asset transformation	Banking business UK	Other geographies	Total
<small>(€ million)</small>					
Total assets	146,688	9,395	47,046	19,680	222,809
Performing gross loans	92,952	721	34,798	12,429	140,901
RE exposure	0	653	0	0	653
Subtotal liabilities	137,267	8,563	45,559	18,364	209,752
On-balance sheet customer funds	101,242	296	33,726	7,152	142,416
Capital markets w wholesale funding	20,459	0	2,391	0	22,850
Equity	9,421	832	1,488	1,316	13,057
Off-balance sheet customer funds	42,594	42	0	1,052	43,689

Balance sheet 9M18

	Banking business Spain	Real Estate asset transformation	Banking business UK	Other geographies	Total
<small>(€ million)</small>					
Total assets	142,603	12,531	46,204	16,412	217,751
Performing gross loans	93,331	2,147	34,499	10,257	140,234
RE exposure	0	3,103	0	0	3,103
Subtotal liabilities	134,090	11,515	44,656	15,296	205,558
On-balance sheet customer funds	96,520	66	33,021	5,545	135,152
Capital markets w wholesale funding	18,997	0	1,753	0	20,750
Equity	8,513	1,016	1,548	1,116	12,192
Off-balance sheet customer funds	46,021	35	0	1,103	47,159

Banking Business Spain

Net profit for the first nine months of the year amounted to 875 million euros, representing a year-on-year increase of 17.1%, mainly due to the capital gain obtained on the sale of Solvia Servicios Inmobiliarios.

Net interest income amounted to 1,783 million euros and declined by -2.6% compared to the same period in 2018, mainly due to the impact of IFRS16 and lower long-term interest rates.

Net fees and commissions income amounted to 928 million euros, 5.4% higher than in the previous year, mostly driven by the positive performance of service fees.

Trading results and exchange differences amounted to 104 million euros, impacted by 88 million euros from the consumer loan securitisation and -47 million euros from the SAREB subordinated debt impairment.

Administrative expenses and amortisations amounted to -1,373 million euros, 2.2% higher than in the previous year.

Provisions and impairments amounted to -321 million euros, lower than in the previous year.

(€ million)	Change (%)			Simple evolution						
	9M18	9M19	YoY	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Net interest income	1,830	1,783	-2.6%	609	611	610	615	593	596	593
Net fees and commissions	881	928	5.4%	285	291	305	321	302	320	307
Core revenues	2,711	2,711	0.0%	894	901	915	936	895	916	900
Net trading income and exchange differences	196	104	-46.8%	208	-3	-9	-3	49	-30	85
Income from equity method and dividends	50	51	1.5%	12	24	15	12	12	23	16
Other operating income/expense	-179	-137	-23.2%	-43	-88	-48	-180	-32	-84	-22
Gross operating income	2,779	2,730	-1.8%	1,072	834	873	764	925	826	979
Operating expenses and amortisation	-1,344	-1,373	2.2%	-445	-452	-447	-447	-438	-460	-475
Pre-provisions income	1,435	1,357	-5.4%	627	382	426	317	487	366	504
Impairment on loans & advances	-423	-321	-24.1%	-98	-164	-160	-120	-128	-110	-83
Gains on sale of assets and other results	2	139	--	-1	4	-1	-1	1	140	-1
Profit before tax	1,015	1,175	15.8%	527	222	265	196	360	396	420
Income tax	-265	-297	11.9%	-148	-57	-59	12	-93	-85	-118
Minority interest	2	4	83.3%	1	1	0	0	0	4	0
Attributable net profit	747	875	17.1%	378	164	206	208	267	306	302
Accumulated ratios										
ROE	10.7%	10.9%		15.3%	11.4%	10.7%	10.3%	10.4%	11.9%	10.9%
Efficiency	43.8%	44.8%		38.0%	42.3%	43.8%	44.4%	41.9%	45.0%	44.6%
NPL ratio (%)	5.3%	4.9%		6.0%	5.5%	5.3%	5.2%	4.9%	4.7%	4.9%
NPL coverage ratio (%)	54.1%	51.2%		56.5%	55.0%	54.1%	52.1%	51.1%	50.9%	51.2%

Performing loans amounted to 92,952 million euros in the year, representing a slight decline with respect to the previous year, due to the 1 billion euro consumer loan securitisation. Excluding this impact, growth of 0.7% year-on-year.

On-balance sheet customer funds increased by 4.9% year-on-year, with a significant growth in sight accounts. Off-balance sheet funds fell by -7.4%, due to the decline in mutual funds.

(€ million)	Change (%)			Simple evolution						
	9M18	9M19	YoY	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Total assets	142,603	146,688	2.9%	139,346	140,570	142,603	146,411	147,693	148,394	146,688
Performing gross loans	93,331	92,952	-0.4%	91,187	93,396	93,331	93,752	93,015	95,482	92,952
Subtotal liabilities	134,090	137,267	2.4%	130,202	132,177	134,090	137,866	138,837	139,280	137,267
On-balance sheet customer funds	96,520	101,242	4.9%	93,093	96,569	96,520	98,296	98,970	101,038	101,242
Capital markets w/ wholesale funding	18,997	20,459	7.7%	19,374	18,348	18,997	19,833	19,129	19,168	20,459
Equity	8,513	9,421	10.7%	9,144	8,393	8,513	8,545	8,856	9,114	9,421
Off-balance sheet customer funds	46,021	42,594	-7.4%	45,302	45,800	46,021	42,976	42,543	42,606	42,594
Other data										
Employees	15,905	16,020	0.7%	15,938	15,922	15,905	15,847	15,905	16,027	16,020
Branches	1,877	1,851	-1.4%	1,881	1,877	1,877	1,865	1,864	1,864	1,851

Asset Transformation

Net profit for the first nine months of the year amounted to -165 million euros, improving by 50.4% year-on-year, mainly due to the reduction of provisions associated with institutional portfolio sales.

Gross income amounted to -6 million euros, less than in the previous year due to the lower earnings associated with the institutional portfolios of foreclosed assets that were sold. It should be noted that from the second quarter of this year, exclude Solvia contributions, following its sale.

Administrative expenses and amortisations amounted to -62 million euros, representing a -34.4% decline year-on-year, driven by the smaller volume of foreclosed assets.

Provisions and impairments amounted to -216 million euros, -57.0% less than in the same period in the previous year, mainly due to the lower levels of provisions associated with institutional portfolio sales. This quarter, it included 28 million euros from the sale of the "Rex" foreclosed asset portfolio.

(€ million)	Change (%)			Simple evolution						
	9M18	9M19	YoY	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Net interest income	-18	-34	-90.9%	-6	-8	-4	-10	-12	-12	-10.3
Net fees and commissions	1	2	26.9%	-5	6	0	0	0	0	1
Core revenues	-17	-33	95.6%	-11	-2	-4	-10	-12	-12	-9
Net trading income and exchange differences	9	0	-99.8%	9	0	0	-4	0	0	0
Income from equity method and dividends	0	0	-100.0%	0	0	0	0	0	0	0
Other operating income/expense	99	27	-73.1%	33	38	29	20	18	4	4
Gross operating income	91	-6	--	30	36	25	5	6	-8	-5
Operating expenses and amortisation	-94	-62	-34.4%	-33	-31	-30	-46	-29	-17	-16
Pre-provisions income	-3	-68	--	-3	5	-5	-41	-22	-25	-20
Impairment on loans & advances	-502	-216	-57.0%	-123	-284	-95	-113	-64	-66	-86
Sales results	40	52	29.8%	15	15	10	55	26	24	2
Gains on sale of assets and other results	0	0	--	0	0	0	0	0	0	0
Profit before tax	-464	-231	50.2%	-110	-264	-90	-99	-60	-67	-104
Income tax	131	66	-49.5%	26	93	13	-46	11	26	29
Minority interest	0	0	--	0	0	0	0	0	0	0
Attributable net profit	-333	-165	50.4%	-85	-171	-77	-145	-49	-41	-75
Accumulated ratios										
ROE	--	--	--	--	--	--	--	--	--	--
Efficiency	--	--	--	--	--	--	--	--	--	--
NPL ratio (%)	26.6%	41.9%	--	29.1%	27.7%	26.6%	33.5%	44.5%	40.1%	41.9%
NPL coverage ratio (%)	65.3%	50.0%	--	62.7%	64.0%	65.3%	55.0%	56.1%	61.9%	50.0%

Performing loans grew by 1,426 million euros compared to the previous year, and net real estate exposures improved by 2,450 million euros, due to the institutional portfolio sales.

Intra-group financing amounted to 7,975 million euros, -27.9% less than in the previous year.

(€ million)	Change (%)			Simple evolution						
	9M18	9M19	YoY	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Total assets	12,531	9,395	-25.0%	15,235	12,850	12,531	11,907	11,868	10,713	9,395
Performing gross loans	2,147	721	-66.4%	1,455	2,273	2,147	854	768	708	721
RE exposure	3,103	653	-79.0%	3,437	3,180	3,103	959	1,013	1,042	653
Subtotal liabilities	11,515	8,563	-25.6%	14,062	11,826	11,515	10,972	10,922	9,839	8,563
On-balance sheet customer funds	66	296	346.1%	199	182	66	235	315	273	296
Intragroup financing	11,055	7,975	-27.9%	11,858	10,390	11,055	10,315	10,406	9,312	7,975
Equity	1,016	832	-18.1%	1,173	1,024	1,016	935	945	875	832
Off-balance sheet customer funds	35	42	19.6%	38	34	35	35	41	42	42
Other data										
Employees	1,034	203	-80.4%	998	1,015	1,034	1,073	1,045	205	203

Banking Business United Kingdom

Net profit amounted to -5 million euros for the first nine months of the year, improving significantly from the previous year, as the latter included the impacts from the IT migration.

Net interest income amounted to a total of 727 million euros, down from the previous year due to higher costs of capital markets and lower loan yields.

Net fees and commissions increased by 44.5% year-on-year, mainly due to the growth of service fees. The previous year was impacted by the waiver of overdraft fees following the IT migration.

Other operating income and expenses improved mainly because of the impact in the previous year of fraud losses arising from the IT migration and the positive impact of the agreement with VISA this year.

Administrative expenses and amortisations amounted to -779 million euros, representing a year-on-year decline of -12.5%, as the previous year includes one-off migration costs.

Provisions and impairments amounted to -48 million euros, improving in relation to the previous year due to customer redress provisions in TSB following migration.

(€ million)	Change (%)			Simple evolution						
	9M18	9M19	YoY	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Net interest income	747	727	-2.6%	253	233	260	253	244	242	241
Net fees and commissions	61	87	44.5%	23	12	25	25	26	30	31
Core revenues	807	815	0.9%	276	245	286	278	271	272	272
Net trading income and exchange differences	21	16	-21.7%	7	19	-5	-3	16	4	-4
Income from equity method and dividends	0	0	-100.0%	0	0	0	0	0	0	0
Other operating income/expense	-51	-10	-79.6%	-3	-40	-8	-9	12	-13	-9
Gross operating income	777	820	5.6%	281	224	272	266	299	263	258
Operating expenses and amortisation	-890	-779	-12.5%	-315	-290	-284	-258	-264	-260	-255
Pre-provisions income	-113	42	--	-34	-67	-12	7	36	2	4
Impairment on loans & advances	-163	-48	-70.7%	-23	-116	-23	-68	-21	-12	-14
Gains on sale of assets and other results	1	-2	--	0	0	0	0	0	-1	-1
Profit before tax	-275	-8	96.9%	-57	-183	-35	-60	15	-11	-12
Income tax	55	3	-94.2%	13	29	13	40	-7	6	5
Minority interest	0	0	--	0	0	0	0	0	0	0
Attributable net profit	-220	-5	97.6%	-44	-153	-23	-20	7	-5	-7
Accumulated ratios										
ROE	--	--	--	--	--	--	--	--	--	--
Efficiency	106.4%	82.7%		105.8%	112.1%	106.4%	101.6%	77.0%	81.4%	82.7%
NPL ratio (%)	1.3%	1.3%		1.1%	1.1%	1.3%	1.3%	1.3%	1.3%	1.3%
NPL coverage ratio (%)	55.0%	41.5%		49.9%	53.9%	55.0%	50.4%	46.8%	43.8%	41.5%

Lending amounted to 34,798 million euros, growing by 0.9% year-on-year and 2.8% quarter-on-quarter, due to the improvement in core mortgages. Considering a constant exchange rate, increase of 0.7% year-on-year and 1.6% in the quarter.

On-balance sheet customer funds amounted to 33,726 million euros, representing an increase of 2.1% year-on-year and of 1.5% in the quarter, supported by the growth of sight accounts. Considering a constant exchange rate, increase of 2.0% year-on-year and 0.2% in the quarter.

(€ million)	Change (%)			Simple evolution						
	9M18	9M19	YoY	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Total assets	46,204	47,046	1.8%	49,332	47,159	46,204	46,182	47,613	46,648	47,046
Performing gross loans	34,499	34,798	0.9%	35,593	35,202	34,499	33,634	35,042	33,850	34,798
Subtotal liabilities	44,656	45,559	2.0%	47,740	45,581	44,656	44,662	46,072	45,143	45,559
On-balance sheet customer funds	33,021	33,726	2.1%	34,996	33,373	33,021	32,484	34,019	33,241	33,726
Capital markets w wholesale funding	1,753	2,391	36.4%	1,885	1,809	1,753	1,688	2,563	2,415	2,391
Equity	1,548	1,488	-3.9%	1,593	1,578	1,548	1,520	1,541	1,505	1,488
Other data										
Employees	8,208	7,795	-5.0%	8,335	8,137	8,208	8,353	8,314	8,160	7,795
Branches	550	544	-1.1%	551	551	550	550	549	548	544

Other geographies

Net profit for the first nine months of the year amounted to 78 million euros, representing a year-on-year increase of 46.7%.

Net interest income amounted to 237 million euros, increasing by 28.7%, mainly due to the growth of Mexico, foreign branches in EMEA (Paris, London, Lisbon and Casablanca) and Miami.

Net fees and commissions increased by 39.3% year-on-year, mainly due to the improvement in fees and commissions in Mexico and in the Paris and London branches.

(€ million)	9M18	9M19	Change (%)	
			YoY	
Net interest income	184	237	28.7%	
Net fees and commissions	36	50	39.3%	
Core revenues	220	286	30.4%	
Net trading income and exchange differences	7	10	40.3%	
Income from equity method and dividends	2	1	-18.9%	
Other operating income/expense	8	-7	--	
Gross operating income	236	290	22.7%	
Operating expenses and amortisation	-139	-154	10.3%	
Pre-provisions income	97	136	40.6%	
Impairment on loans & advances	-33	-36	7.6%	
Gains on sale of assets and other results	0	1	--	
Profit before tax	64	102	59.7%	
Income tax	-7	-20	192.1%	
Minority interest	4	3	-4.0%	
Attributable net profit	53	78	46.7%	
Accumulated ratios				
ROE	7.0%	8.7%		
Efficiency	55.8%	47.7%		
NPL ratio (%)	0.5%	0.9%		
NPL coverage ratio (%)	312.1%	104.5%		

Performing loans amounted to 12,429 million euros, 21.2% higher than in the preceding year, mainly due to the growth of the business in Mexico, foreign branches in EMEA, and Miami.

(€ million)	9M18	9M19	Change (%)	
			YoY	
Total assets	16,412	19,680	19.9%	
Performing gross loans	10,257	12,429	21.2%	
Subtotal liabilities	15,296	18,364	20.1%	
On-balance sheet customer funds	5,545	7,152	29.0%	
Equity	1,116	1,316	17.9%	
Off-balance sheet customer funds	1,103	1,052	-4.6%	
Other data				
Employees	898	979	9.0%	
Branches	43	42	-2.3%	

Gross income amounted to 290 million euros and increased by 22.7%, due to the improvement of core banking revenue.

Administrative expenses and amortisations increased by 10.3% year-on-year due to expansion costs in Mexico.

The provisions and impairments were in line with the preceding year.

Simple evolution									
	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19		
Net interest income	55	62	66	75	75	79	82		
Net fees and commissions	12	13	11	11	14	14	22		
Core revenues	67	76	77	86	89	93	105		
Net trading income and exchange differences	2	4	1	3	2	3	5		
Income from equity method and dividends	1	0	1	1	0	1	0		
Other operating income/expense	4	2	3	2	2	-7	-2		
Gross operating income	72	82	82	92	93	89	108		
Operating expenses and amortisation	-47	-42	-50	-55	-47	-53	-54		
Pre-provisions income	25	40	32	36	47	36	54		
Impairment on loans & advances	-16	-12	-5	6	-3	-20	-13		
Gains on sale of assets and other results	0	0	0	0	0	0	1		
Profit before tax	10	28	27	43	44	17	42		
Income tax	1	-5	-3	-4	-9	-2	-9		
Minority interest	0	1	2	1	1	1	1		
Attributable net profit	10	22	22	37	33	13	32		
Accumulated ratios									
ROE	8.9%	8.7%	7.0%	8.7%	12.0%	8.0%	8.7%		
Efficiency	63.3%	55.2%	55.8%	56.0%	45.0%	49.0%	47.7%		
NPL ratio (%)	0.9%	0.6%	0.5%	0.3%	0.4%	0.8%	0.9%		
NPL coverage ratio (%)	103.7%	241.1%	312.1%	292.9%	199.3%	106.6%	104.5%		

On-balance sheet customer funds amounted to 7,152 million euros and increased by 29.0% year-on-year, due to the growth in Mexico and Miami. Off-balance sheet funds amounted to 1,052 million euros and decreased by -4.6% year-on-year.

Simple evolution									
	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19		
Total assets	15,096	15,356	16,412	17,822	18,570	19,097	19,680		
Performing gross loans	9,011	9,796	10,257	11,126	11,314	11,662	12,429		
Subtotal liabilities	14,136	14,281	15,296	16,705	17,434	17,875	18,364		
On-balance sheet customer funds	4,991	5,572	5,545	6,328	6,682	7,309	7,152		
Equity	960	1,076	1,116	1,117	1,136	1,222	1,316		
Off-balance sheet customer funds	1,024	1,067	1,103	1,023	1,071	1,072	1,052		
Other data									
Employees	785	845	898	908	913	980	979		
Branches	42	43	43	42	42	42	42		

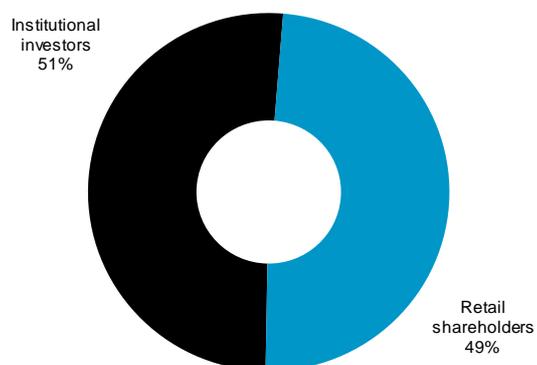
4. Share price performance

	30.09.18	30.06.19	30.09.19
Shareholders and trading			
Number of shareholders	234,064	237,675	236,844
Average number of shares (million)	5,570	5,537	5,536
Average daily trading volume (millions shares)	28	31	31
Share price (€) ⁽¹⁾			
Opening session (of the year)	1.656	1.001	1.001
High (of the year)	1.945	1.083	1.083
Low (of the year)	1.308	0.832	0.714
Closing session (end of quarter)	1.339	0.911	0.890
Market capitalisation (€ million)	7,458	5,044	4,928
Stock market multiples			
Earnings per share (EPS) (€)	⁽²⁾ 0.04	0.15	0.15
Book value (€ million)	12,547	12,989	13,199
Book value per share (€)	2.25	2.35	2.38
Tangible book value (€ million)	10,169	10,517	10,700
TBV per share (€)	1.83	1.90	1.93
Price / Book value (times)	0.59	0.39	0.37
Price / Earnings ratio (P/E) (times)	37.50	6.13	5.88

(1) Without adjusting historical values.

(2) Net profit adjusted by the Additional Tier 1 coupons, after tax, recorded under equity.

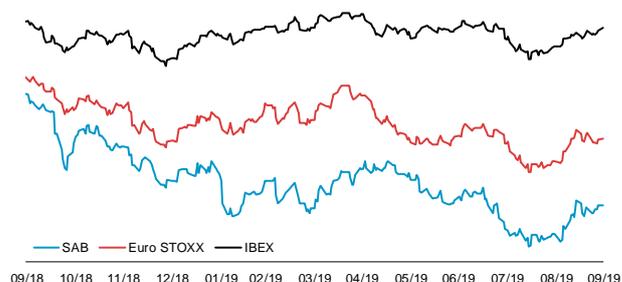
Shareholder breakdown (%)



Source: GEM, data as at 30 September 2019.

Comparative evolution of SAB share

Period from 30.09.2018 to 30.09.2019



5. Key developments in the quarter

Banco Sabadell completed the transfer of a portfolio of loans and real estate assets to Deutsche Bank and Carval Investors

On 24 July 2019 and further to the relevant fact dated 24 July 2018, registered under number 268261, Banco Sabadell, having obtained the relevant authorisations, completed the transfer of a portfolio of loans, mostly mortgage loans with a gross book value of approximately 1,834 million euros and a net book value of approximately 268 million euros, as well as foreclosed assets with a gross book value of approximately 290 million euros and a net book value of approximately 106 million euros, to Deutsche Bank and Carval Investors (the Transaction). The Transaction does not entail allocating any additional provisions and has a neutral impact on the capital ratio.

Banco Sabadell agrees to sell a portfolio of real estate assets called Rex

On 2 August 2019, Banco Sabadell agreed to sell a portfolio of real estate assets called Rex to a subsidiary of Cerberus Capital Management L.P. ("Cerberus"), which is 80% owned by Cerberus and 20% owned by Banco Sabadell (the "Transaction"). The net book value of the real estate assets involved in the Transaction amounts to approximately 342 million euros, and the sale value of the Transaction is 314 million euros, which implies net provisions of approximately 20 million euros. The closing of the Transaction, once the corresponding terms and conditions have been met, will entail the transfer of control over the real estate assets and, consequently, their derecognition from the balance sheet of Banco Sabadell Group. The Transaction contributes to improving Banco Sabadell Group's profitability and has a neutral impact on Banco Sabadell's fully-loaded Common Equity Tier 1 ratio.

Banco Sabadell transfers 100% of the capital of SDIN Residencial, S.L.U and a set of real estate assets

Further to the relevant fact dated 5 February 2019 (number 274,461), on 3 August 2019 Banco Sabadell has transferred 100% of the share capital of SDIN Residencial, S.L.U. and a set of real estate assets, mostly land for urban development, to an institution controlled by funds managed and/or advised by Oaktree Capital Management. The total amount of the transaction, indexed to the existing scope as at 1 January 2019, amounted to 882 million euros. The closing of the transaction, which is subject to obtaining the relevant authorisations, will generate estimated gains in the year of 23 million euros (after tax), with a positive impact on the fully-loaded Common Equity Tier 1 capital ratio of 7 basis points.

Banco Sabadell has resolved to distribute an interim dividend

On 24 October 2019 the Board of Directors has resolved to distribute an interim dividend out of the earnings of 2019 amounting to EUR 0.02 (gross) per share, to be paid on 24 December 2019.

The amount of the dividend, net of the corresponding withholding tax, i.e. EUR 0.0162 per share, will be paid by means of (i) the delivery of treasury shares of Banco Sabadell valued at the arithmetic mean of their volume-weighted average prices on the Automated Quotation System in the trading sessions comprised between 11 and 17 December 2019 (the "Reference Price") up to a maximum number of shares distributed of 90 million, and (ii) in the event of a shortfall, an additional amount in cash to complete the net amount.

Shareholders of Banco Sabadell who do not hold the number of shares required to receive a whole share or multiples of that number will have their fractional entitlements settled in cash by applying the Reference Price. Moreover, those shareholders whose custodians evidence in due time and form to Banco Sabadell their right to an exemption from withholding or to the application of a reduced withholding rate will receive the relevant amount in cash.

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 non-audited 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/2015/1415es 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) and its definition and calculation:

		Definition and calculation	Page
ROA	(*) (**) (***)	Consolidated income during the year / ATA. Considering linear annualisation of profit obtained to date excluding Solvia capital gain, consumer loan securitisation capital gain and adjusted by contributions to deposit guarantee and resolution funds and tax on deposits of credit institutions, except year Profit attributed to the Group / average equity. The numerator considers the linear annualisation of profit obtained to date excluding Solvia capital gain, consumer loan securitisation capital gain and adjusted by contributions to deposit guarantee and resolution funds and tax on deposits of credit institutions, except year end.	3
ROE	(*) (***)	Profit attributed to the Group / risk-weighted assets (RWA). The numerator considers linear annualisation of profit obtained to date excluding Solvia capital gain, consumer loan securitisation capital gain and adjusted by contributions to deposit guarantee and resolution funds and tax on deposits of credit institutions, except year end.	3
RORWA	(*)	Profit attributed to the Group / average equity. The numerator considers the linear annualisation of profit obtained to date excluding Solvia capital gain, consumer loan securitisation capital gain and adjusted by contributions to deposit guarantee and resolution funds and tax on deposits of credit institutions, except year end. The denominator excludes intangible assets.	3
ROTE	(*) (***)	Administrative expenses divided by 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
Efficiency ratio	(*)	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.	8
Other operating income/expense		Includes the following accounting items: (i) impairment of reversal of impairment of investments in joint ventures and associates, (ii) impairment or reversal of impairment on non-financial assets, (iii) investment properties in the net gains or losses on derecognition of non-financial assets, (iv) profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (excluding the equity interests), (v) provisions or reversal of provisions and (vi) impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or gains.	8
Total provisions & impairments		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.	8
Gains on sale of assets and other results		Comprised of the following accounting items: gross income plus administration and amortisation/depreciation expenses.	8
Pre-provisions income		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.	10
Customer spread	(**)	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.	16
Other assets		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.	16
Other liabilities		Includes loans and advances to customers excluding impairment allowances.	17
Gross loans to customers		Includes gross loans to customers excluding repos, NPLs (stage 3) and accrual adjustments.	17
Performing gross loans		Includes customer deposits (ex repos) and other liabilities placed by the branch network (Banco Sabadell non-convertible bonds, commercial paper and others).	19
On-balance sheet customer funds		Includes mutual funds, asset management, pension funds and third-party insurance products.	19
Off-balance sheet customer funds		Includes accounting sub-headings of customer deposits, debt securities issued (debt and other tradable securities and subordinated liabilities).	19
On-balance sheet funds		Sum of on-balance sheet and off-balance sheet customer funds.	19
Funds under management		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 non-performing exposures (stage 3) (including stage 3 guarantees granted, (NPLs)).	21
NPL coverage ratio (%)		Shows the % of stage 3 exposures (non-performing) over total risk assumed by customers. 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).	21
NPL ratio		Ratio between provisions for NPLs and other impairments / gross loans to customers excluding repos plus RE Assets. The numerator considers the linear annualization of the provisions for NPLs and other impairments obtained to date and adjusted by the impairment or reversal of impairment of investments in joint ventures or associates. In addition, provisions for institutional NPA sales are adjusted.	21
Cost of risk (bps)		Sum of non-performing exposures, classified as stage 3, and foreclosed real estate assets. Also referred to as non-performing assets (NPAs).	23
Problematic assets		Ratio between allowances for impairment of foreclosed RE assets / total foreclosed RE assets. Amount of foreclosed RE assets includes property classified in the portfolio of non-current asset and disposable groups classified as held for sale.	23
Real estate coverage ratio		Sum of accounting items: stage 3 (NPLs) loans and advances to customers and stage 3 guarantees granted (non-performing).	24
Stage 3 exposures (non-performing)		Net loans and receivables divided by retail funding. The numerator excludes mediation loans. The denominator considers real estate funding and customer funds.	25
Loan-to-deposits ratio		Ratio between total capital and the risk weighted assets. Total capital includes the accounting profit assuming a pay-out of 50%, 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.	26
Total capital ratio (%)		Share price multiplied by the average number of outstanding shares at the end of the period.	34
Market capitalisation		Ratio between net profit attributed to the Group and the average number of outstanding shares at the end of the period. The numerator considers the linear annualisation of profit obtained to date excluding Solvia capital gain, consumer loan securitisation capital gain and adjusted by the Additional Tier I coupon payment (after tax) registered in equity as well as by contributions to deposit guarantee and resolution funds and tax on deposits of credit institutions, except at year end.	34
Earnings 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
Book value 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 by contributions to deposit guarantee and resolution funds and tax on deposits of credit institutions, except year	34
TBV per share (€)		Ratio between share price / book value.	34
Price / Book value (times)		Ratio between share price / earnings per share.	34
Price / Earnings ratio (P/E) (times)	(*)		34

(*) The linear accrual of contributions to deposit guarantee funds and resolution funds has been made based on the Group's best estimates.

(**) Average calculated based on average daily balances.

(***) Average calculated using the last positions at the end of the month since the previous December.

Alternative Performance measures	Conciliation (€millions)	9M 18	9M 19
ROA	Average total assets	216,910	223,593
	Consolidated net profit	254	790
	DGF - SRF - IDEC adjustment net of tax	-61	-68
	ROA (%)	0.12	0.40
ROE	Average equity	12,686	12,860
	Attributable net profit	248	783
	DGF - SRF - IDEC adjustment net of tax	-61	-68
	ROE (%)	1.97	6.92
RORWA	Risk weighted assets (RWA)	80,930	82,615
	Attributable net profit	248	783
	DGF - SRF - IDEC adjustment net of tax	-61	-68
	RORWA (%)	0.31	1.08
ROTE	Average equity (excluding intangible assets)	10,381	10,390
	Attributable net profit	248	783
	DGF - SRF - IDEC adjustment net of tax	-61	-68
	ROTE (%)	2.41	8.56
Efficiency ratio	Gross operating income	3,883	3,834
	DGF - SRF - IDEC adjustment	-87	-98
	Adjusted gross operating income	3,797	3,736
	Operating expenses	-2,199	-2,023
	Efficiency ratio (%)	57.91	54.13
Other operating income/expense	Other operating income	201	169
	Other operating expenses	-323	-297
	Income from assets under insurance or reinsurance contracts	0	0
	Expenses on liabilities under insurance or reinsurance contracts	0	0
	Other operating income/expense	-122	-128
Total provisions & impairments	Impairment of reversal of impairment of investments in joint ventures and associates	0	0
	Impairment or reversal of impairment on non-financial assets	-403	-64
	Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	42	69
	Gains from sales of associates	0	-135
	Gains from sales of investment properties and associates	2	4
	Other impairments	-359	-125
	Provisions or reversal of provisions	-87	-15
	Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	-634	-428
	Provisions for NPLs and other financial assets	-721	-442
	Total provisions & impairments	-1,081	-568
Gains on sale of assets and other results	Gains or losses on derecognition of non-financial assets, net	5	7
	Gains from sales of associates	0	135
	Gains from sales of investment properties and associates	-2	-4
	Gains on sale of assets and other results	3	138
Pre-provisions income	Gross operating income	3,883	3,834
	Operating expenses	-2,199	-2,023
	Personnel expenses	-1,202	-1,226
	Other general expenses	-996	-797
	Amortisation & depreciation	-268	-344
	Pre-provisions income	1,416	1,467
Customer spread	Loans to customers (net)		
	Avge.balance	135,662	139,031
	Results	2,994	3,054
	Rate %	2.95	2.94
	Customer deposits		
	Avge.balance	140,446	146,842
	Results	-223	-309
	Rate %	-0.21	-0.28
	Customer spread	2.74	2.66
	Other assets	Derivatives - Hedge accounting	258
Fair value changes of the hedged items in portfolio hedge of interest rate risk		36	383
Tax assets		7,123	6,814
Other assets		2,363	1,503
Non-current assets and disposal groups classified as held for sale		2,879	4,267
Other assets		12,659	13,696
Other liabilities	Derivatives - Hedge accounting	693	1,051
	Fair value changes of the hedged items in portfolio hedge of interest rate risk	-61	335
	Tax liabilities	366	278
	Other liabilities	992	908
	Liabilities included in disposal groups classified as held for sale	30	30
	Other liabilities	2,020	2,603

Customer spread is calculated using accumulated data.

Alternative Performance measures	Conciliation (€millions)	9M 18	9M 19
Performing gross loans	Mortgage loans & credits	83,444	82,058
	Other secured loans & credits	2,609	3,011
	Working capital	5,805	5,447
	Leasing	2,526	2,634
	Unsecured lending and others	45,850	47,751
	Performing gross loans	140,234	140,901
	Non-performing loans (customer) - stage 3	6,951	6,281
Gross loans to customers	Accruals	8	34
	Gross loans to customers excluding repos	147,203	147,216
	Reverse repos	349	320
	Gross loans to customers	147,553	147,535
	NPL and country-risk provisions	-3,948	-3,658
	Loans and advances to customers	143,605	144,377
On-balance sheet customer funds	Financial liabilities at amortised cost	201,604	203,913
	Non-retail financial liabilities	66,452	61,497
	Central banks	27,806	21,277
	Credit institutions	12,513	9,123
	Institutional issues	22,686	24,096
	Other financial liabilities	3,447	7,001
	On-balance sheet customer funds	135,152	142,416
	Customer deposits	136,581	143,888
	Sight accounts	106,499	116,130
	Fixed-term deposits including available and hybrid financial liabilities	28,167	27,647
On-balance sheet funds	Repos	1,756	894
	Accruals and derivative hedging adjustments	158	217
	Debt and other tradable securities	18,735	19,572
	Subordinated liabilities (*)	2,523	3,052
	On-balance sheet funds	157,839	166,512
	Mutual funds	28,882	26,145
	Managed accounts	4,019	3,337
	Pension funds	3,801	3,670
	Third-party insurance products	10,456	10,536
	Off-balance sheet customer funds	Off-balance sheet customer funds	47,159
Funds under management	Funds under management	204,998	210,201
Stage 3 exposures (non-performing)	Customer, central banks and financial institutions loans and advances	6,952	6,303
	Guarantees granted in stage 3	84	88
NPL coverage ratio (%)	Stage 3 exposures (non-performing) - (€million)	7,036	6,391
	Provisions	4,036	3,263
Real Estate coverage ratio (%)	NPL coverage ratio (%)	57.4%	51.1%
	RE Assets	7,036	1,032
Problematic assets	Provisions	3,932	380
	Real Estate coverage ratio (%)	55.9%	36.8%
Problematic assets	Stage 3 exposures (non-performing)	7,036	6,391
	RE Assets	7,036	1,032
	Problematic assets	14,072	7,424
NPL ratio (%)	Provisions of problematic assets	7,968	3,643
	Problematic assets coverage (%)	56.6%	49.1%
	Stage 3 exposures (non-performing)	7,036	6,391
Cost of risk (bps)	Loans to customers and guarantees granted	156,271	156,636
	NPL ratio (%)	4.5%	4.1%
	Gross loans to customers excluding repos	147,203	147,216
Cost of risk (bps)	RE Assets	7,036	1,032
	Dotaciones a insolvencias e inmuebles ajustado	-805	-523
	Provisions for NPLs	-623	-426
	Other impairments	-359	-125
	Provisions for institutional NPA sales	177	28
	Cost of risk (bps)	70	47
Loan-to-deposits ratio (%)	Adjusted net loans and advances w/o repos by brokered loans	140,099	141,701
	On-balance sheet customer funds	135,152	142,416
Market capitalisation (€000)	Loan-to-deposits ratio (%)	103.7%	99.5%
	Average number of shares (million)	5,570	5,536
Earnings per share (EPS) (€)	Share price (€)	1,339	0,890
	Market capitalisation (€'000)	7,458	4,928
	Net profit attributed to the Group adjusted	149	676
	Attributable net profit	248	783
Book value per share (€)	DGF - SRF - IDEC adjustment net of tax	-61	-68
	Accrued AT1	-38	-38
	Average number of shares (million)	5,570	5,536
	Earnings per share (EPS) (€)	0.04	0.15
TBV per share (€)	Share price (€)	1,339	0,890
	Adjusted equity	12,547	13,199
	Shareholders' equity	12,607	13,267
	DGF - SRF - IDEC adjustment net of tax	-61	-68
Price / Book value (times)	Average number of shares (million)	5,570	5,536
	Book value per share (€)	2.25	2.38
Price / Earnings ratio (P/E) (times)	Intangible assets	2,378	2,499
	Tangible book value (€million)	10,169	10,700
	TBV per share (€)	1.83	1.93
	Price / Book value (times)	0.59	0.37
	Price / Earnings ratio (P/E) (times)	37.50	5.88

(*) 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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