

A graphic consisting of a grid of light gray circles that forms a large, upward-pointing arrow shape. The circles are arranged in a pattern that tapers towards the top, creating a sense of movement and direction.

4Q20

results

February 1, 2021

# index

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**1**

# Highlights

# Decisive action taken ahead of the new strategic plan

<p><b>1</b></p>	<p><b>FY results at break-even (€2M)</b>          FY results at break-even after managing the Covid-19 crisis and completing NPA disposals</p>	<p><b>€222M</b>          2020 net profit, ex-TSB</p>	<p><b>-€220M</b>          2020 net profit, TSB  <b>Profitable in 2021<sup>1</sup></b></p>	<p><b>€1.2bn</b>          2020 one-off provisions</p>
<p><b>2</b></p>	<p><b>Solid banking performance</b>          Strong core banking revenue again in the quarter. Lower recurrent costs in the year</p>	<p><b>+3.1%</b>          Core banking revenue, QoQ</p>	<p><b>-2.4%</b>          Recurrent costs, YoY</p>	
<p><b>3</b></p>	<p><b>Successful efficiency plan in Spain</b>          Highly successful execution of the efficiency plan in Spain, with 100% gross cost savings as from 2Q21</p>	<p><b>€141M</b>          Annual gross cost savings in Spain</p>	<p><b>€314M</b>          Restructuring costs in Spain</p>	
<p><b>4</b></p>	<p><b>Credit CoR in line with guidance</b>          Credit CoR in the lower range of the guidance, even after a migration of loans to different stages</p>	<p><b>86bps</b>          Credit CoR</p>	<p><b>85-90bps</b> ✓          2020 CoR guidance</p>	
<p><b>5</b></p>	<p><b>Vintage NPA disposals</b>          Sound credit profile after executing €1.2bn vintage NPA disposals that offloaded the last remaining old NPAs in the portfolio</p>	<p><b>3.6%</b>          NPL ratio</p>	<p><b>c.€360M</b>          Net asset value of past-due NPLs older than 3 years</p>	
<p><b>6</b></p>	<p><b>Resilient capital, plus hefty capital gains</b>          FL CET1 stable QoQ at 12%, even after front-loading regulatory implementations previously expected in 2021: final TRIM impact from the low default portfolio, TSB secured models update and absorption of the remaining Banco CAM originated Asset Protection Scheme RWAs</p>	<p><b>12.6%</b>          CET1 ratio</p>	<p><b>357bps</b>          MDA buffer, pro forma<sup>2</sup></p> <p><b>€1.2bn</b>          HTC unrealised capital gains</p>	

Note: 'NPL' refers to the stage 3 reporting definition under IFRS9, while 'performing loans' refers to the stage 1 and stage 2 reporting definitions, throughout the presentation.  
<sup>1</sup>In a stand-alone basis. <sup>2</sup>Including the Tier 2 bonds issued in January 2021.

# Banking franchise resilient to the current environment

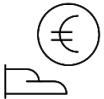
## Levers to improve revenues ...

### Positive evolution in volumes



- **Robust new lending** volumes
- **Lower attrition** due to payment holidays and ICO loans' grace period

### Improved TLTRO III conditions



- Positive impact on NII, potentially adding up to **€86M** in **2021** and **€80M** in **2022**

### Increased customer loyalty and share of wallet



- **Higher fees** for non-loyal customers

### Potential re-pricing of negative interest rates on wholesale deposits



- SME & Corporate deposits charged a **variable fee** linked to deposit balance

## ... and mitigate potential headwinds

### ALCO portfolio contribution



- **ALCO bond sales** will reduce 2021 NII by **€75M**, which includes the cost of depositing the liquidity at the ECB
- Potential reinvestment to mitigate that impact

### Lower for longer interest rate expectations

Only a total of **€22bn** linked to Euribor, repricing once a year

#### Mortgages

- **More than 85% of new lending and 40% of the stock of mortgages** to individuals are **fixed-rate**

#### SMEs & Corporates

- SME & Corporate loans predominantly at effectively **fixed rate**, with shorter duration

#### ALCO

- Only **3% of the ALCO portfolio** maturing over the next 2 years

#### Others

- 5 year caterpillar **structural hedge of €22bn** at **TSB**, with smooth and slow repricing

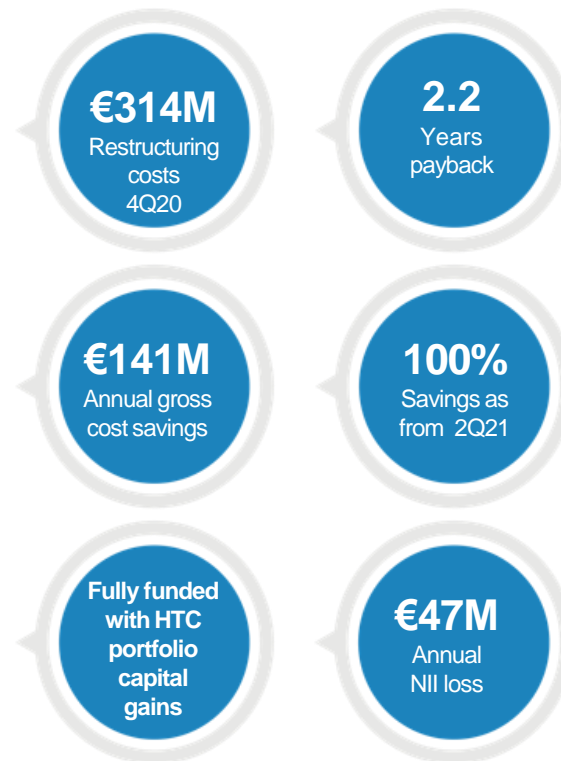
# Efficiency plan in Spain successfully implemented

## Efficiency plan initiatives

- **Increased customer service digitisation and process reengineering**
  - Transfer of servicing activities to self-service
  - Process reengineering and automation of operational centre activities
  - Enabling self-servicing for certain call centre activities
- **Commercial productivity (Digital Sales and Data Analytics)**
- **Corporate centre simplification**
  - Centralization of competences
  - Organizational restructuring in corporate support functions and in network support functions

## Key metrics

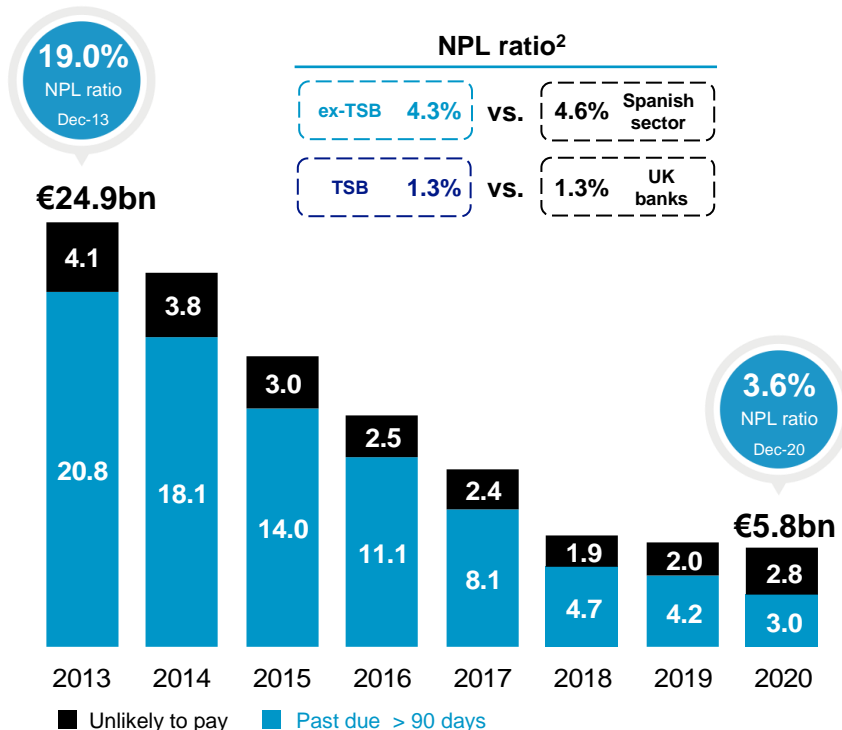
- **11% headcount reduction** by 1Q21 (c.1,800 employees)
- Employees mainly from Corporate Centres and servicing (i.e. not sales force)
- **Record time execution**
- Neutral in terms of employee experience:
  - **Voluntary early retirement and agreement with unions**
  - **High opt-in in the target group** (66% of the group older than 56 years old)
- **€141M annual gross cost savings**, of which:
  - €128M related with employee's reduction
  - €13M related with outsourcing costs



# Improved risk profile after vintage NPL disposals

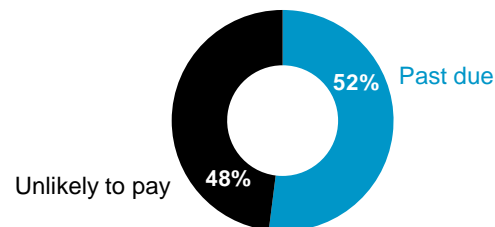
## NPLs evolution<sup>1</sup>, Group

€Bn



## NPLs breakdown, Group

% Dec-20



- **c.€360M** of net asset value remaining in past-due NPLs older than 3 years
- Past due NPLs stand at €3bn down from €4.2bn in 2019 (c.-30% YoY)
- Currently, only 52% of NPLs are past due (vs. 84% in 2013)

<sup>1</sup> Data includes 100% of APS exposure. <sup>2</sup> Ex-TSB and TSB NPL ratios as at Dec-20. Spanish sector refers to the stock of NPLs in the Spanish banking system according to BoS data as at Nov-20. Average NPL ratio of UK banks as at Sep-20 includes: Nationwide, Santander UK, Lloyds Banking Group, NatWest and Virgin Money.



2

# Business performance

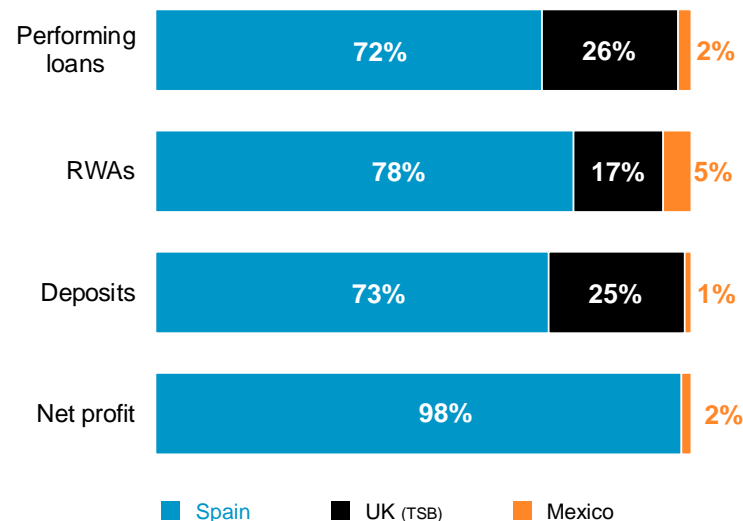


# Performing loans continued to grow YoY across geographies

## Evolution of Group performing loans by geography. €M

	Dec-20	QoQ	YoY
Spain	104,566	-0.2%	+3.2%
of which: foreign branches	9,388	-2.8%	+2.8%
UK (TSB)	36,977	+2.9%	+7.1%
Mexico	3,574	-5.9%	+13.0%
<b>Total</b>	<b>145,117</b>	<b>+0.4%</b>	<b>+4.4%</b>

## Business distribution across geographies. Dec-20

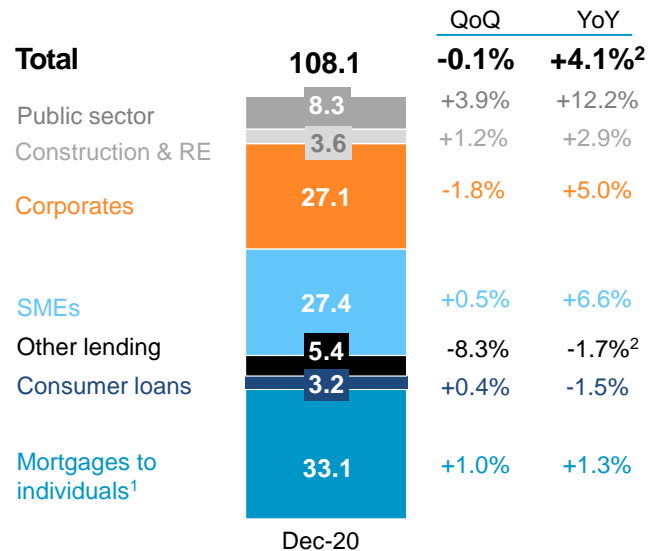


Note: Excludes accrual adjustments. Group growth rate expressed in constant FX and Mexico and UK in local currency. Excludes CAM Asset Protection Scheme A/R.

# Volumes remained strong in the year

## Performing loans, Sabadell ex-TSB

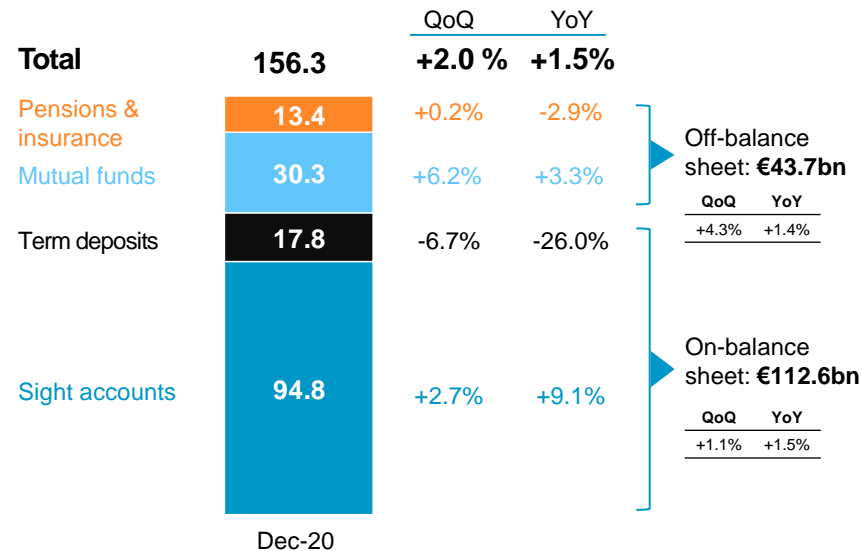
€Bn



- Credit growth impacted QoQ by a migration of loans to different stages, although volume growth remained strong YoY
- Mortgages to individuals have shown higher positive growth both in the quarter and YoY
- SMEs grew in the quarter despite lower demand for ICO-guaranteed loans

## Customer funds, Sabadell ex-TSB

€Bn

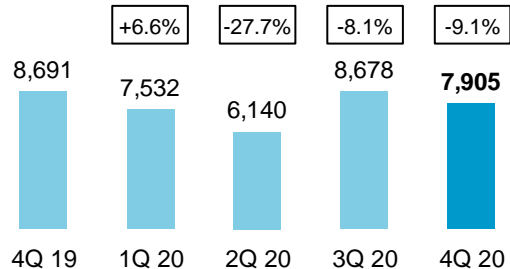


- Total customer funds increased QoQ driven by both positive growth in off-balance sheet funds, as a result of higher mark-to-market valuations, and on-balance sheet funds as customers slowed down their spending
- Term deposits continued to flow into current accounts

# Commercial activity in Spain partially affected by Covid-19 restrictions

## Retailer payment services (PoS)

Turnover in €M

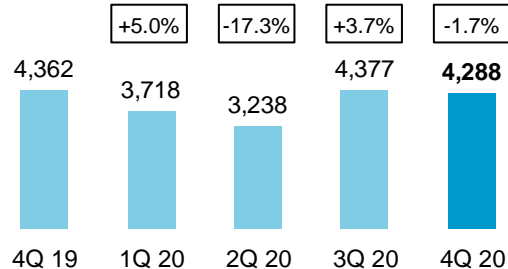


Market share  
**17.1%**  
+21bps YoY

PoS e-commerce market share  
**19.4%** YtD  
+32bps YoY

## Credit cards

Turnover in €M

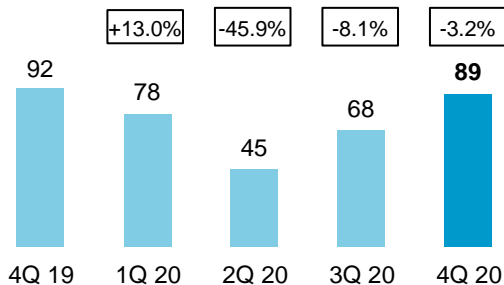


Market share  
**7.8%**  
-13bps YoY

Mobile payment  
**+117%** YoY

## Insurance

New insurance premiums in €M

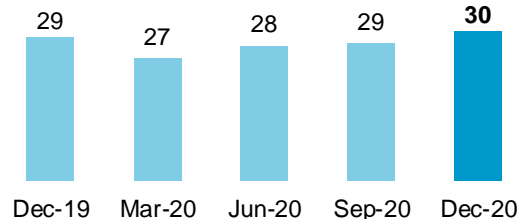


Market share (Life premiums)  
**6.0%**  
+13bps YoY

"Blink" digital sales (out of total)  
**35%** YtD

## Mutual funds

AuMs in €bn



Market share (AuM)<sup>1</sup>  
**6.0%**  
+4bps YoY

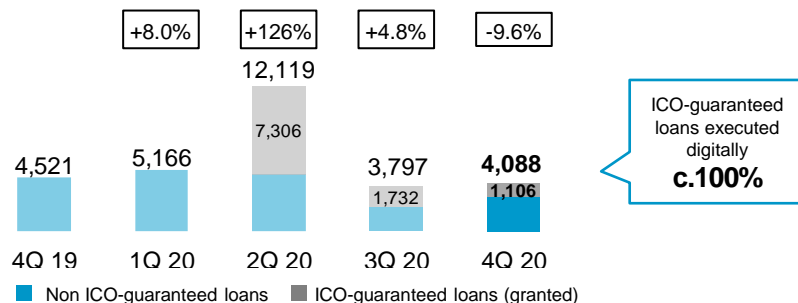
YoY

Note: YtD market share. Latest market share available. Sources include Bank of Spain, ICEA, Inverco and Servired. <sup>1</sup> Includes Sabadell Asset Management and Amundi.

# New mortgage lending above pre-Covid levels and higher proportion of non ICO-guaranteed loans to companies

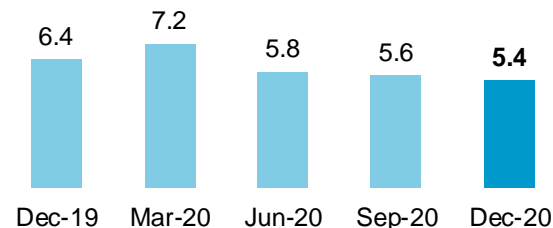
## New loans and credit facilities to companies<sup>1</sup>

€M



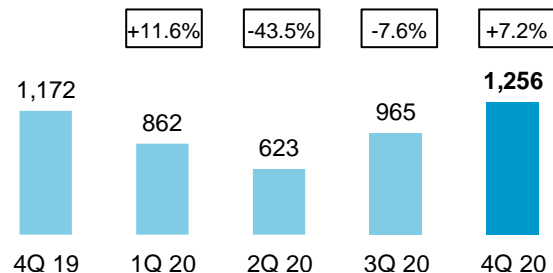
## Balance of credit line drawdowns

SMEs and Corporates (including foreign branches) stock in €bn



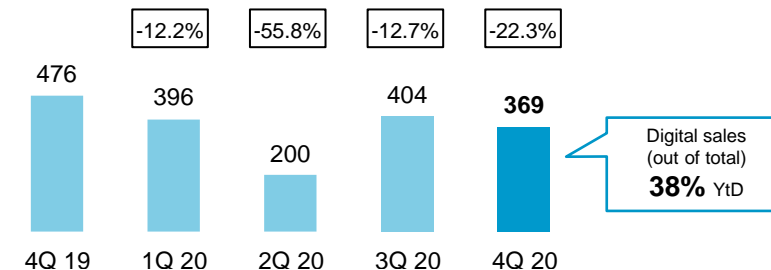
## New mortgage lending

€M



## New consumer loans<sup>2</sup>

€M

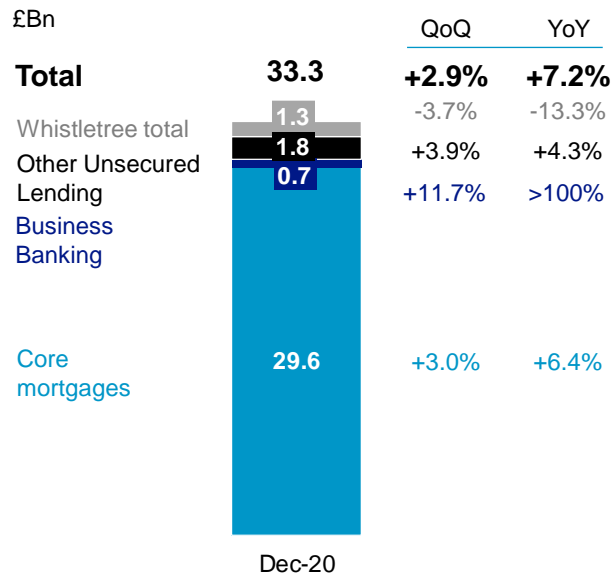


YoY

<sup>1</sup> Includes self-employed and excludes Global Corporate Banking. <sup>2</sup> Consumer loans includes Sabadell Consumer Finance.

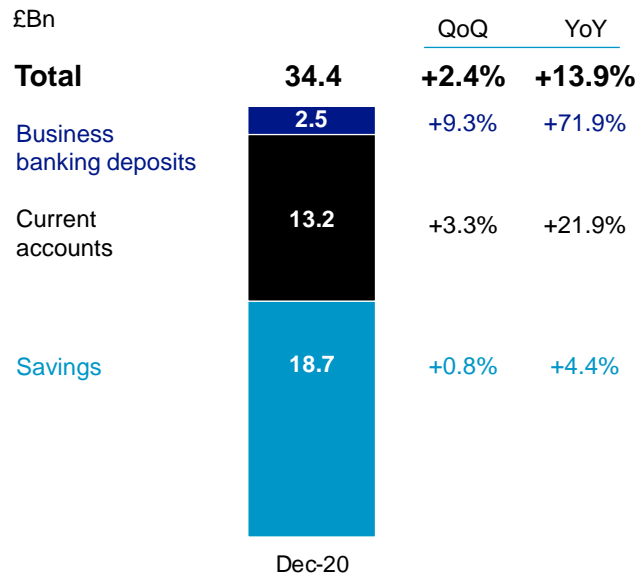
# Strong growth across loans and customer funds at TSB

## Net loans



- Strong growth in net lending across products
- Mortgage growth benefitted from the recovery in mortgage market activity following Covid-19 restrictions in 1H, culminating in growing completions QoQ and a strong 4Q
- Growth in business banking reflects the demand for the Bounce Back Loan Scheme, albeit at reduced levels vs. prior quarters
- Unsecured loan growth driven by competitive pricing and digital improvements

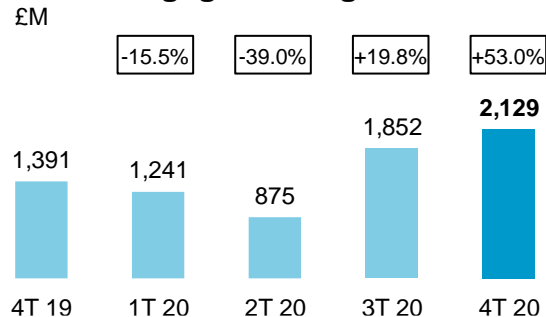
## Customer funds



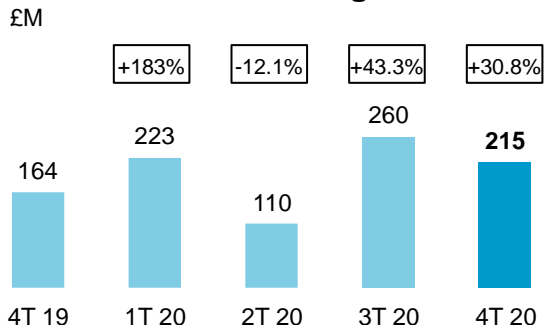
- Strong quarterly deposit growth reflects continued reduced levels of consumer spending
- Business banking deposits benefitted from funds deposited following strong take-up of UK Government's Bounce Back Loan Scheme, along with growth from Incentivised Switching Scheme (ISS) customers

# Best performance in mortgages since 2017 and accelerated delivery of TSB's strategic plan

## New mortgage lending



## New unsecured lending<sup>1</sup>



YoY

<sup>1</sup> Excludes credit cards and overdrafts. <sup>2</sup> 164 planned for 2021, with 11 closed in 2020 ahead of plan.

## TSB's strategic plan through 2020:

**Customer focus**

### New products and services

- Spend & Save current account
- First-Time buyer Mortgage proposition
- Five year 'Fix and Flex' Mortgage product

### Partnerships with fin-techs



### New brand proposition



**Simplification & efficiency**

### Accelerated digital transformation

**>90%** of transactions processed through digital or automated channels

**>70%** of sales through digital channels

**>500k** Forms submitted. (more than 30 forms available)

**>550k** Customers supported through TSB Smart Agent

### Simplifying our operating model

**93** Branches closed in 2020. Announced plans to close 153 branches in 2021<sup>2</sup>

**c.600** Total FTE reduction YoY

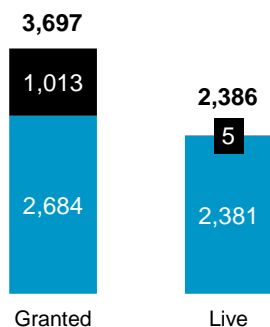
**Operational excellence**

- Harnessing its **modern, multi-cloud, UK based IT platform**, TSB has accelerated delivery of its strategy and extended digital services to customers
- TSB has recruited 100 roles at its **new IT centre in Edinburgh**, part of a £120M investment in IT

# Many payment holidays have now ended with no material impact on asset quality

## **Sabadell Spain**

€M

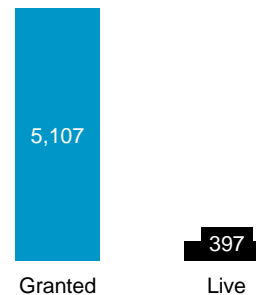


■ Statutory ■ Sector specific

- 98% of live payment holidays are mortgages
- c.60% of expired statutory payment holidays have moved to the sector specific payment holidays programme
- Of those payment holidays that had already expired, only c. €68M are in stage 3

## **TSB UK**

£M



- 90% of live payment holidays are mortgages
- No relevant uplift in NPLs despite considerable reduction of live payment holidays

Payment holidays

Solutions for SMEs & Corporates

### ICO guaranteed loans

ICO liquidity



ICO investment



- >75% guaranteed by the ICO (state-owned entity)

### Bounce Back Loans



- 100% guaranteed by the UK Government

# A strong commitment to sustainability

Sabadell Spain

## 4Q20 milestones

- Formal declaration of support for **Task Force on Climate-related Financial Disclosures (TCFD)** and its recommendations
- Launch of a **fixed rate green mortgage**
- Launch of new credit and debit cards introducing new materials that **reduce the carbon footprint**



€1,132M

New project finance granted in renewable energy YtD (+81% QoQ)



Commitment to Sustainability

UK

## Net-zero carbon emissions by 2030

- Reducing carbon emissions from TSB buildings
- Reducing carbon emissions from TSB operations and travel
- Baselining emissions from TSB's value chain
- Becoming accredited by the Science Based Targets initiative

### Targets for the future



Reducing the **amount of gas** it uses for heating



Targeting an **electric company car** fleet by 2026 and a wider range of electric vehicles



Reducing **consumption of paper** by 25% by 2023

### Milestones already achieved in 2020



Buying all the electricity from **renewable sources**



Planting over **8,000 trees** to offset the impact of house moves



Offering **ethical investments** to customers as part of its partnership with Wealthify





3

# Financial results

# Quarterly income statement

€M	Sabadell Group			Sabadell ex-TSB	
	4Q20	QoQ (cte. FX)	QoQ	4Q20	QoQ
Net interest income	854	1.3%	1.5%	627	0.6%
Fees & commissions	350	7.0%	7.0%	323	7.4%
<b>Core banking revenue</b>	<b>1,204</b>	<b>2.9%</b>	<b>3.1%</b>	<b>951</b>	<b>2.8%</b>
Trading income & forex <sup>1</sup>	622	>100%	>100%	619	<-100%
Other income & expenses <sup>2</sup>	-160	>100%	>100%	-156	>100%
<b>Gross operating income</b>	<b>1,666</b>	<b>41.3%</b>	<b>41.7%</b>	<b>1,414</b>	<b>51.0%</b>
Operating expenses <sup>3</sup>	-937	34.7%	35.0%	-737	67.6%
Depreciation & amortisation	-137	4.5%	4.6%	-93	0.1%
<b>Pre-provisions income</b>	<b>592</b>	<b>68.3%</b>	<b>68.9%</b>	<b>584</b>	<b>44.6%</b>
Total provisions & impairments <sup>4</sup>	-884	>100%	>100%	-813	>100%
Gains on sale of assets and other results	15	-33.4%	-33.2%	14	-47.9%
<b>Profit before taxes</b>	<b>-277</b>	<b>&lt;-100%</b>	<b>&lt;-100%</b>	<b>-215</b>	<b>&lt;-100%</b>
Taxes and minority interest	76	<-100%	<-100%	79	<-100%
<b>Attributable net profit</b>	<b>-201</b>	<b>&lt;-100%</b>	<b>&lt;-100%</b>	<b>-136</b>	<b>&lt;-100%</b>

## Net profit impacted in the quarter by one-off items and seasonal effects amounting to c.-€400M pre-tax:

**Positive: +€599M**

- <sup>1</sup> Capital gains from ALCO portfolio sales to finance restructuring costs and some NPA disposals: +€599M

**Negative: -€1,035M**

- <sup>2</sup> Seasonal impact of IDEC and DGF annual payments: -€146M
- <sup>3</sup> Restructuring costs related to efficiency plans in Spain (-€314M) and the UK (-€18M)
- <sup>4</sup> Extraordinary provisions: -€557M. Associated with institutional NPA disposals (-€380M), due to a migration of loans to stage 2 (-€115M) and TSB provisions related to the treatment of some customers in arrears (-€62M)

# Annual income statement

€M	Sabadell Group			Sabadell ex-TSB	
	2020	YoY (cte. FX)	YoY	2020	YoY
Net interest income	3,399	-5.5%	-6.2%	2,514	-4.9%
Fees & commissions	1,350	-5.9%	-6.1%	1,254	-5.2%
<b>Core banking revenue</b>	<b>4,749</b>	<b>-5.6%</b>	<b>-6.2%</b>	<b>3,768</b>	<b>-5.0%</b>
Trading income & forex <sup>1</sup>	800	>100%	>100%	774	>100%
Other income & expenses	-247	-2.6%	-3.4%	-249	5.3%
<b>Gross operating income</b>	<b>5,302</b>	<b>8.1%</b>	<b>7.5%</b>	<b>4,294</b>	<b>11.8%</b>
Operating expenses <sup>2</sup>	-2,938	7.9%	7.1%	-2,063	12.9%
Depreciation & amortisation	-523	12.1%	11.4%	-363	8.6%
<b>Pre-provisions income</b>	<b>1,841</b>	<b>7.4%</b>	<b>7.1%</b>	<b>1,868</b>	<b>11.2%</b>
Total provisions & impairments <sup>3</sup>	-2,275	>100%	>100%	-2,035	>100%
Gains on sale of assets and other results <sup>4</sup>	313	84.1%	84.2%	317	82.2%
<b>Profit before taxes</b>	<b>-121</b>	<b>&lt;-100%</b>	<b>&lt;-100%</b>	<b>150</b>	<b>-84.8%</b>
Taxes and minority interest	123	<-100%	<-100%	72	<-100%
<b>Attributable net profit</b>	<b>2</b>	<b>-99.7%</b>	<b>-99.7%</b>	<b>222</b>	<b>-72.7%</b>



## Net profit impacted in the year by c.-€700M one-offs before taxes:

**Positive: +€892M**

**Negative: -€1,622M**

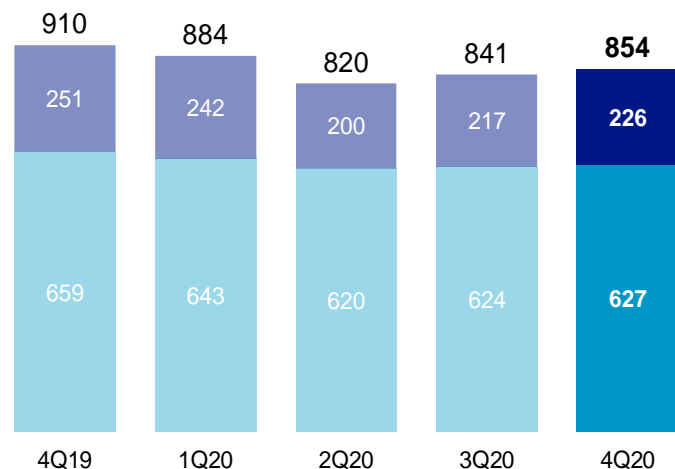
- <sup>1</sup> Capital gains from ALCO portfolio sales to finance restructuring costs and some NPA disposals: +€599M
- <sup>4</sup> Capital gain from the sale of Sabadell Asset Management: +€293M

- <sup>2</sup> Restructuring costs related to efficiency plans in Spain (-€314M) and the UK (-€101M)
- <sup>3</sup> Extraordinary provisions: -€1.2bn. Higher provisions due to Covid-19 scenario (c.-€650M), extraordinary provisions associated with institutional NPA disposals (-€380M), due to a migration of loans to stage 2 (-€115M) and TSB provisions related to the treatment of some customers in arrears (-€62M)

# NII was boosted in the quarter by new mortgage lending at TSB and increased activity levels in Spain

## Evolution of Group NII

€M



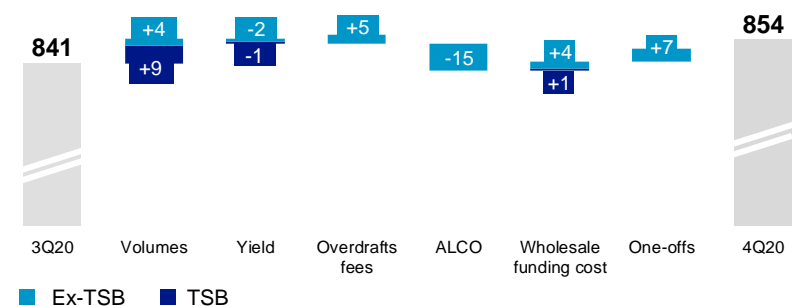
YoY  
-6.2%  
Group

QoQ  
+1.5%  
Group

	QoQ	YoY
<b>Sabadell, ex-TSB</b>	<b>+0.6%</b>	<b>-4.9%</b>
<b>TSB</b>	<b>+4.2%</b>	<b>-9.6%</b>

## QoQ evolution of Group NII

€M



## Sensitivity to interest rates

Impact over 1 year of 10 bps decrease / increase in all relevant rates<sup>1</sup>

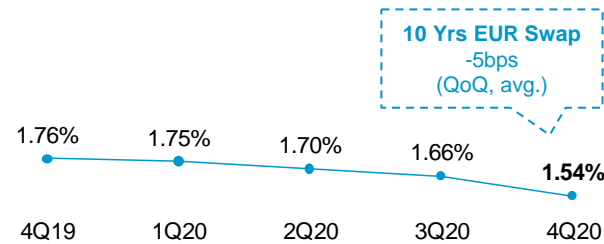
NII impact (€M)	Decrease	Increase
Group	-17	+29
of which:		
Sabadell Spain	-8	+17
TSB	-9	+12

<sup>1</sup> Includes all relevant yield curves (EUR, GBP and USD).

# Healthy pricing dynamics in SMEs and corporates while competition in mortgages remains intense

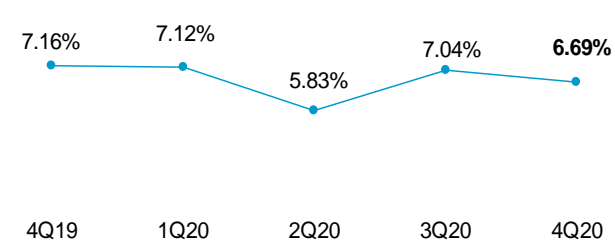
## Mortgages to individuals

Yield in Spain



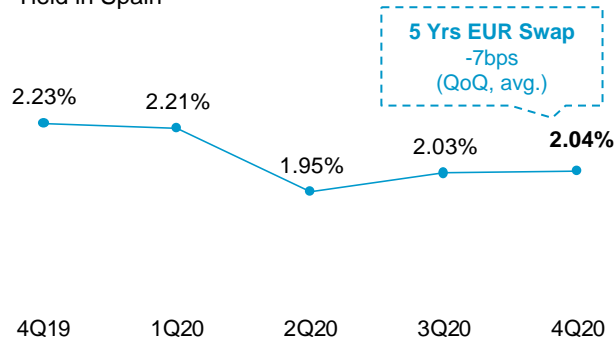
## Consumer loans

Yield in Spain. Excludes Sabadell Consumer Finance



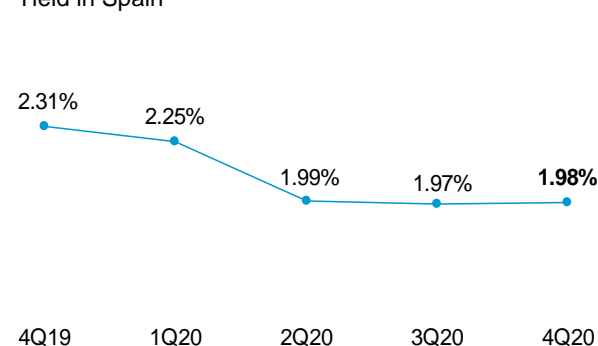
## Loans to SMEs and Corporates

Yield in Spain



## Credit line for SMEs and Corporates

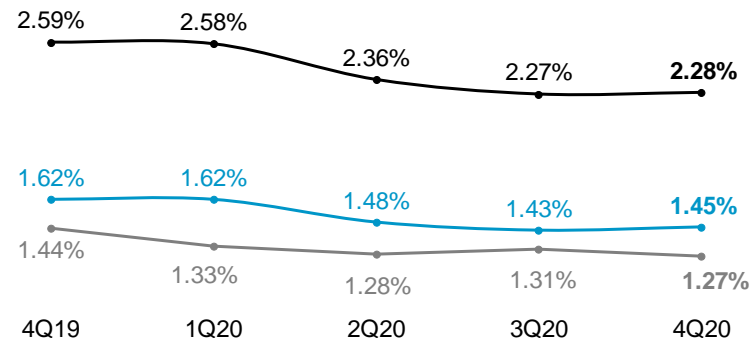
Yield in Spain



# Higher NIM in the quarter in a lower yield environment

## Sabadell Group

In euros

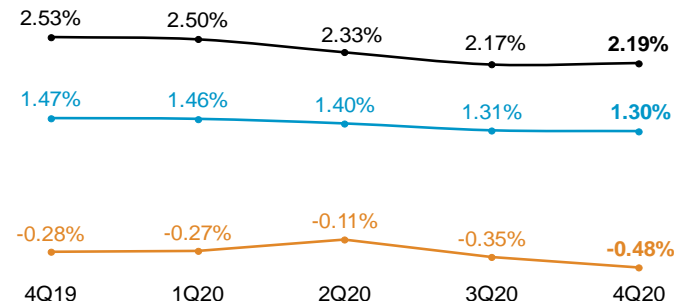


- Customer spread
- Wholesale funding cost
- NIM as % of ATA
- 12M Euribor (quarterly avg.)
- BoE base rate (quarterly avg.)

- Group NIM increased in the quarter due to higher customer spread and lower wholesale funding cost
- Group customer spread improved as a result of lower cost of customer funds

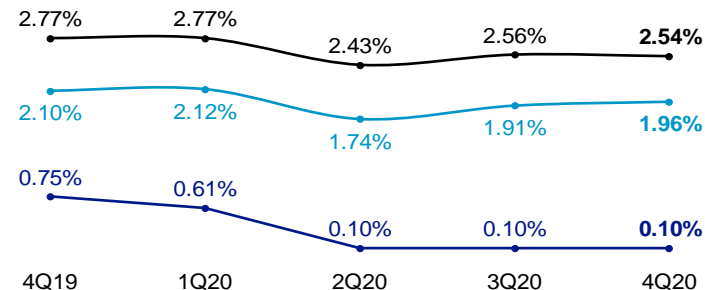
## Sabadell ex-TSB

In euros



## TSB

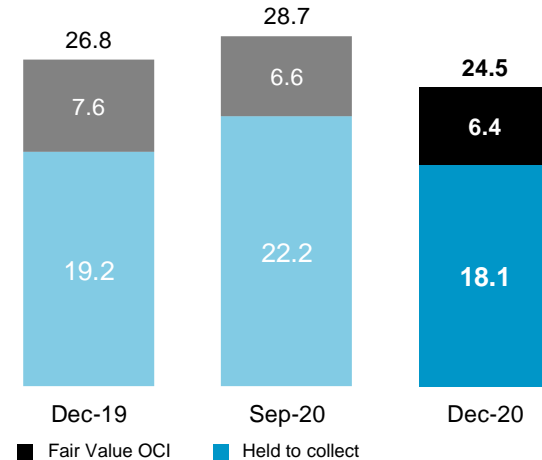
In euros



# Efficiency plans and some institutional NPA disposals funded with held to collect bond portfolio sales

## Sale of bonds from the held to collect portfolio executed in the quarter

Evolution of fixed income portfolio. Sabadell Group. €Bn



Note: Fixed income portfolio excludes the trading portfolio and government treasury bills. <sup>1</sup> Duration includes the impact of hedges.

## Hefty capital gains remain post transactions

### €1.2bn

Unrealised capital gains in HTC portfolio (as at Dec. 31<sup>th</sup>)

## ALCO portfolio

Fixed income portfolio composition. Sabadell Group. €Bn. Dec-20.

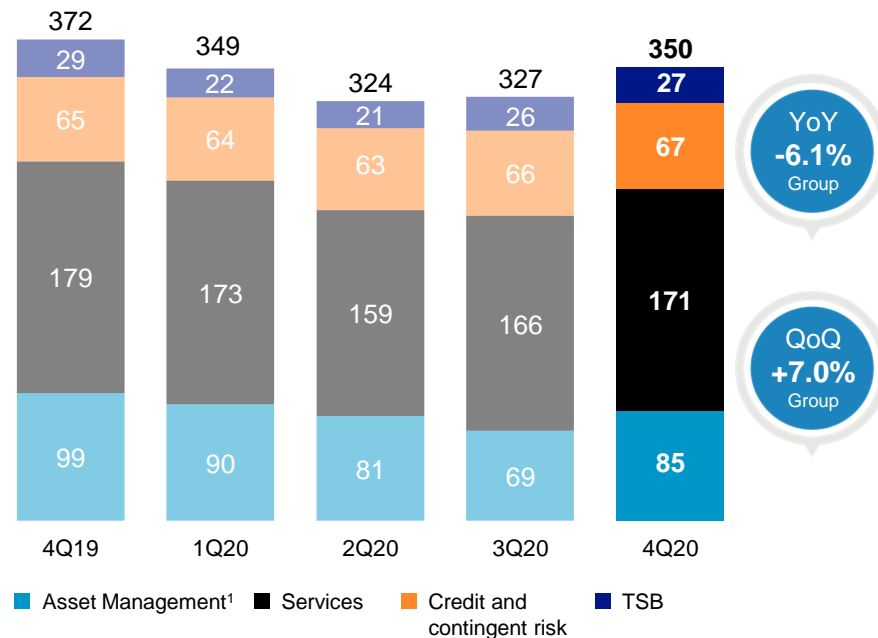


- The capital position's sensitivity to bond spread volatility remains low as Fair Value OCI composition is small with short duration
- Only 3% of our ALCO portfolio will mature over the next 2 years

# Fees increased in the quarter driven by service and asset management fees

## Evolution of Group fees & commissions

€M



	QoQ	YoY
<b>Sabadell, ex-TSB</b>	<b>+7.4%</b>	<b>-5.2%</b>
of which		
Credit and contingent risk	+1.9%	+2.9%
Services	+3.2%	-5.2%
Asset Mgmt. <sup>1</sup>	+22.4%	-10.8%
<b>TSB</b>	<b>+3.3%</b>	<b>-17.2%</b>

- Service fees increased steadily in the quarter due to the good performance of syndicated loans
- Asset and wealth management fees increased and the insurance business showed a positive evolution given the usual fourth quarter seasonality

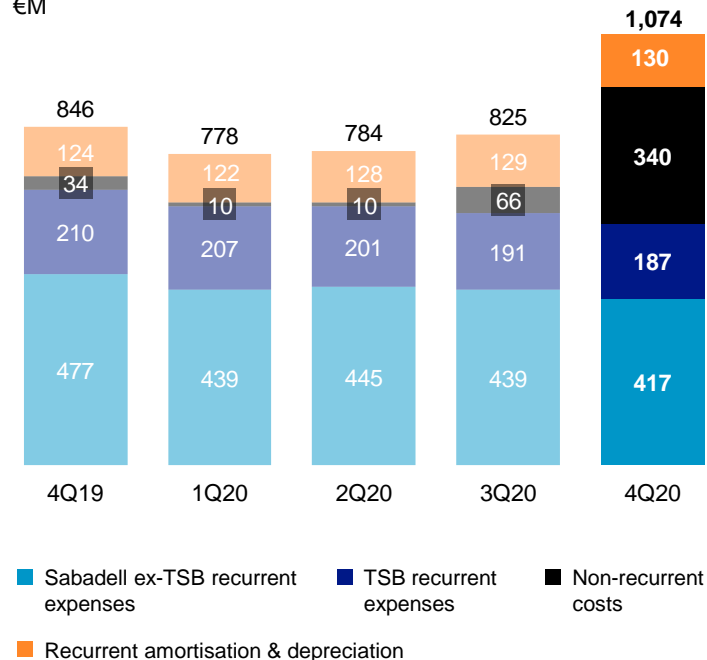
<sup>1</sup> Includes mutual funds, pension funds, insurance brokerage and wealth management commissions.



# Recurrent costs continued to decrease in the quarter

## Evolution of Group costs

€M



YoY  
**+7.7%**  
Group

QoQ  
**+30.1%**  
Group

Recurrent expenses & amortisation	QoQ	YoY
<b>Group</b>	<b>-3.4%</b>	<b>-2.4%</b>
<b>Sabadell, ex-TSB</b>	<b>-4.1%</b>	<b>-1.8%</b>
<b>TSB</b>	<b>-1.8%</b>	<b>-3.5%</b>

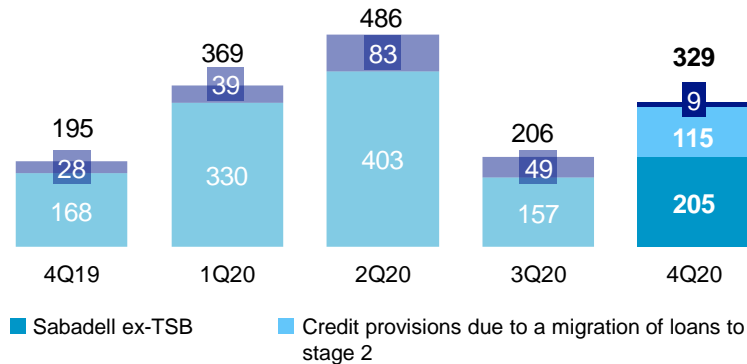
- Recurrent costs decreased further in the quarter driven by a decrease in personnel expenses ex-TSB due to Covid-19 and lower general expenses at TSB
- Total costs increased in the quarter driven by restructuring costs in Spain, which amounted to €314M in the quarter
- TSB restructuring costs amounted to €18M in the quarter (€101M<sup>1</sup> in the full year 2020) and only £30M remain pending to complete the entire efficiency plan

<sup>1</sup> €104M of TSB restructuring costs in the year, of which €101M in OPEX and €3M in other results.

# Credit cost of risk at 86bps, at the lower range of the improved guidance (85-90bps)

## Evolution of credit provisions (excl. costs)

€M



■ Sabadell ex-TSB

■ Credit provisions due to a migration of loans to stage 2

■ TSB

€1,390M<sup>(2020)</sup>

Group credit provisions  
(excl. costs)

86bps<sup>(2020)</sup>

Group credit CoR  
(excl. costs)

- Credit provisions increased in the quarter by €115M due to a migration of loans to stage 2, following a conservative approach
- TSB provisions decreased given the improved macroeconomic outlook once a no-deal Brexit had been ruled out
- Provisions due to Covid-19 scenario amounted to c.-€650M for the full year

Additionally, €325M have been incurred in the quarter due to charges on the sale of vintage NPL portfolios

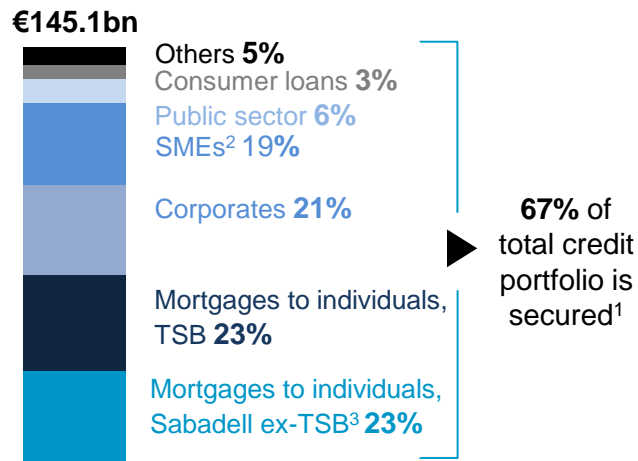


4

# Balance sheet

# Quarterly increase of ICO lending in Covid-sensitive sectors

## Group performing loans. Dec-20



## Evolution of debt level. Debt / Assets (median)

	Pre Covid	May	July	Nov
Micro-enterprises	30.8%	35.6%	36.9%	37.3%
SMEs	24.8%	28.9%	29.8%	29.7%
Corporates	15.5%	17.2%	17.1%	16.5%
Holding & Others	29.0%	29.1%	29.4%	29.2%

## Corporates and SMEs most sensitive to Covid-19<sup>4</sup>. Dec-20. €Bn

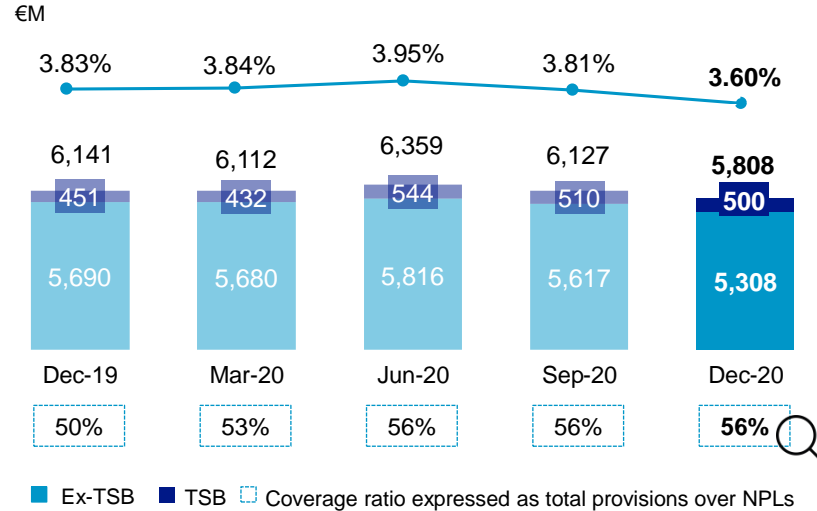
	Performing loans	EAD	ICO lending
Tourism, Hospitality & Leisure	5.9	6.7	19%
Transport	3.3	3.7	14%
of which, Airlines	0.4	0.4	9%
Auto	1.4	1.5	25%
Retail (non food)	1.2	1.4	30%
Oil	0.2	0.3	0%
<b>Total most Covid-sensitive</b>	<b>12.0</b>	<b>13.6</b>	<b>19%</b>
<b>% of total</b>	<b>8%</b>	<b>7%</b>	

## Structural analysis outcome, ex-TSB. Updated

	Performing loan breakdown	Multiple of 2020 PD			
		3Q20		4Q20	
		Base	Stress	Base	Stress
Corporates & SMEs	46%	1.4x	1.9x	1.4x	2.1x
Specialised lending	5%	1.0x	1.0x	1.0x	1.0x
Self-employed	3%	1.2x	1.3x	1.4x	1.7x
Mortgages to individuals	31%	1.1x	1.2x	1.1x	1.2x
Consumer loans and others	8%	1.2x	1.4x	1.2x	1.4x
Public sector	8%				
<b>Total</b>	<b>€108.1bn</b>	<b>1.3x</b>	<b>1.8x</b>	<b>1.3x</b>	<b>1.9x</b>

# NPL ratio reduced to 3.6% mainly driven by institutional disposals

## Group NPLs, NPL ratio and coverage



**Foreclosed asset exposure:** €1,373M (-€147M QoQ)

- 95% finished products
- 76% repossessed in the last 4 years

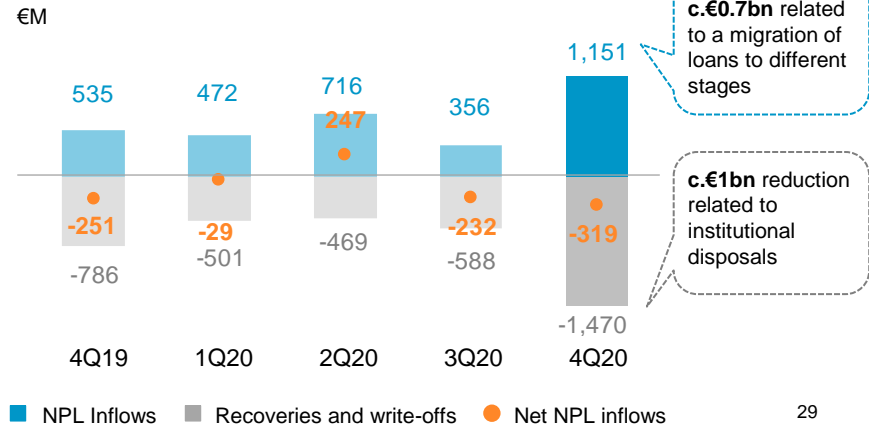
Note: Includes contingent risk.

## Exposure by stages and coverage ratio

€M

	Stage 1	Stage 2	Stage 3
Loan to customers and contingent risks	143,826	11,840	5,808
QoQ growth	-1.1%	+26.7%	-5.2%
Provisions	520	486	2,272
<b>Coverage</b>	<b>0.4%</b>	<b>4.1%</b>	<b>39.1%</b>

## Group net NPL inflows



# Strong liquidity position

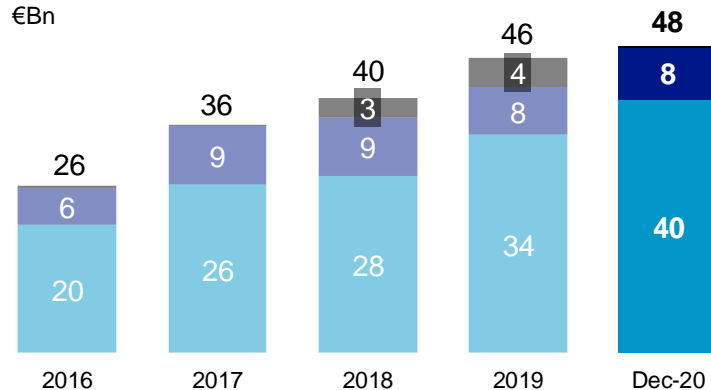
## Substantial liquidity buffers

Sabadell Group



## Total liquid assets

€Bn



■ Sabadell, ex-TSB ■ TSB HQLAs ■ Other assets eligible as HQLAs ■ ECB collateral

## Credit ratings

Group long-term credit rating and outlook - senior unsecured (preferred)

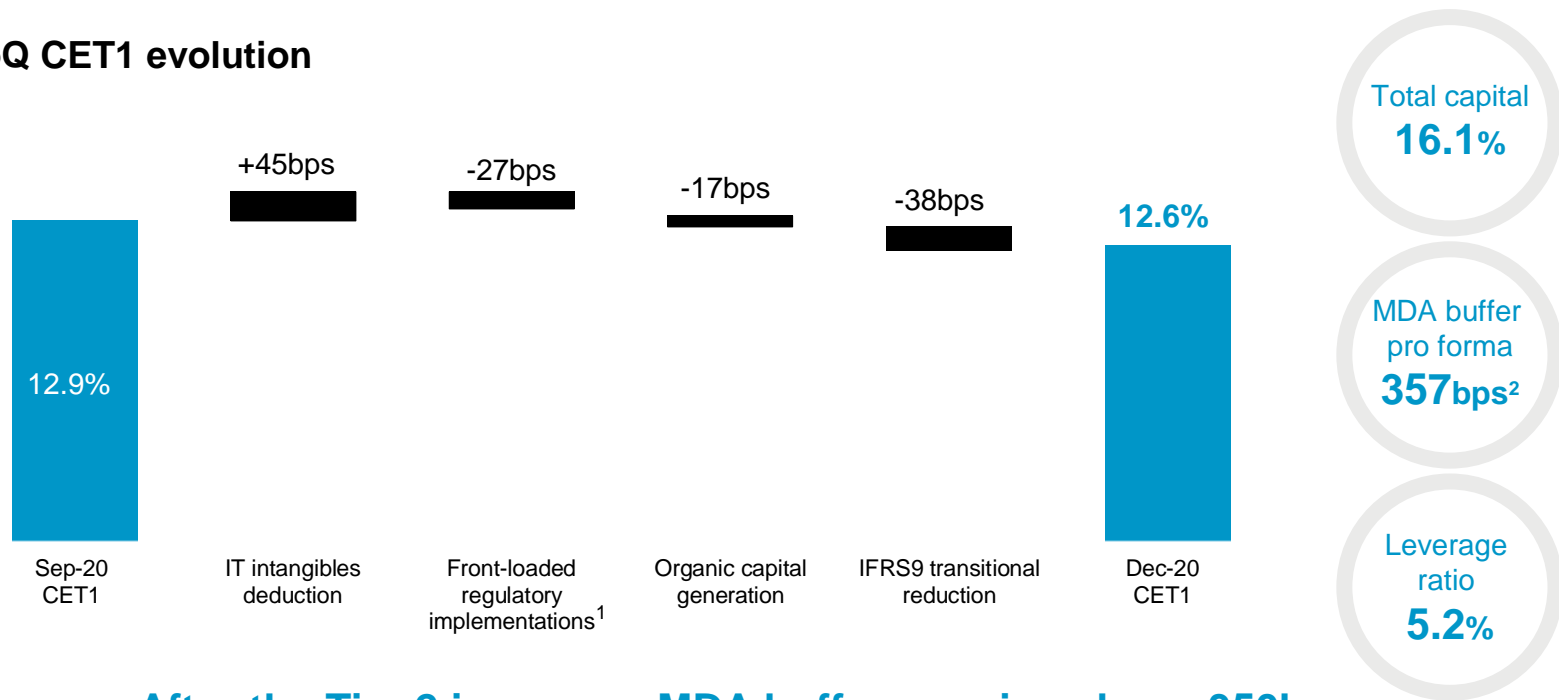
Standard & Poor's	BBB Negative	Fitch Ratings	BBB-Stable
Moody's	Baa3 Stable	DBRS	A (low) Negative

## Outstanding central bank funding

- **TLTRO-III:** €27bn outstanding, plus additional €5bn to be potentially withdrawn in March-21 auction
- **TFS:** £3.1bn, likely to be rolled over into new TFSME facilities

# Resilient capital position

## QoQ CET1 evolution

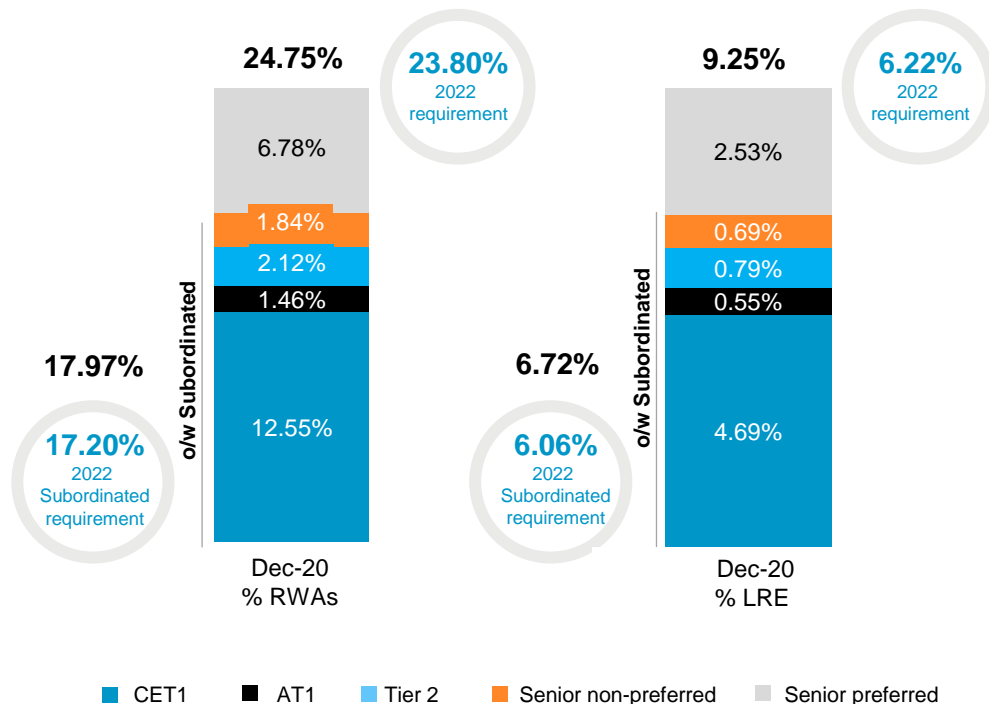


**After the Tier 2 issuance, MDA buffer remains above 350bps**

# Already compliant with new MREL requirements

## MREL position, Sabadell Group

% Risk Weighted Assets (RWAs), % Leverage Ratio Exposure (LRE)



## 2020 main issuances

- €300M Tier 2 (2.00% coupon)
- €1bn Covered bonds 8 years (0.125% coupon)
- €500M Senior Preferred 3 non-call 2 years (1.75% coupon)
- €500M Green Senior Preferred bond 6.5 non-call 5.5 years (1.125% coupon)

## 2021 YTD issuances

- €500M Tier 2 (2.50% coupon)

## Debt issuance plan

- No immediate issuance needs, as already MREL compliant
- Application of Article 104a could potentially increase our CET1 buffer by 46pbs through issuance of c.€350M of AT1





5

Closing remarks

# 2020 achievements



**2020**  
highlights

- 1. **Smooth operational and service continuity during lockdown**
- 2. **Commercial momentum firmly sustained despite Covid-19**
- 3. **Strategic alliance at Sabadell Asset Management to enhance customer experience**
- 4. **Simplified structure stemming from highly successful implementation of efficiency plan in Spain**
- 5. **Acceleration of TSB restructuring plan**
- 6. **Only c.€360M of NAV remaining in past-due NPLs older than 3 years**
- 7. **SDG framework and launch of €500M green bond issuance**

# 2021 priorities



New strategic plan to be released in May, soon after 1Q21 results presentation

# Appendix

**1** Macroeconomic assumptions

**2** Financial statements

**3** Commercial activity

**4** Customer spread

**5** Funding structure

**6** Credit risk profile

**7** Asset quality

**8** RWAs

**9** Share data

# 1. Macroeconomic assumptions

## Weighted avg. of macro scenarios<sup>1</sup>

	2020e	2021e	2022e
Real GDP (g%) (SP)	-12.0%	7.2%	4.5%
Housing prices (g%) (SP)	-4.9%	0.0%	4.5%
Unemployment (%) (SP)	17.0%	17.5%	15.5%
Real GDP (g%) (UK)	-10.6%	7.9%	2.0%
Housing prices (g%) (UK)	0.5%	-7.6%	7.0%
Unemployment (%) (UK)	5.5%	6.6%	5.0%

<sup>1</sup> Weighted average of all different macro-economic scenarios assessed in our provisioning models according to the probability assigned to each one. For Spain: Baseline scenario: 60%, upside: 15% and downside: 25%. For the UK: Baseline scenario: 50%, upside: 10%, downside: 35% and tail risk scenario: 5%.

## 2. Detailed income statement

€M	Sabadell Group						Sabadell ex-TSB				TSB			
	4Q20	2020	QoQ (cte. FX)	QoQ	YoY (cte. FX)	YoY	4Q20	2020	QoQ	YoY	4Q20	2020	QoQ (cte. FX)	YoY (cte. FX)
Net interest income	854	3,399	1.3%	1.5%	-5.5%	-6.2%	627	2,514	0.6%	-4.9%	226	885	4.0%	-8.5%
Fees & commissions	350	1,350	7.0%	7.0%	-5.9%	-6.1%	323	1,254	7.4%	-5.2%	27	96	3.3%	-16.2%
<b>Core banking revenue</b>	<b>1,204</b>	<b>4,749</b>	<b>2.9%</b>	<b>3.1%</b>	<b>-5.6%</b>	<b>-6.2%</b>	<b>951</b>	<b>3,768</b>	<b>2.8%</b>	<b>-5.0%</b>	<b>253</b>	<b>981</b>	<b>3.9%</b>	<b>-9.3%</b>
Trading income & forex	622	800	>100%	>100%	>100%	>100%	619	774	<-100%	>100%	3	25	7.9%	66.6%
Other income & expenses	-160	-247	>100%	>100%	-2.6%	-3.4%	-156	-249	>100%	5.3%	-4	2	-34.1%	>100%
<b>Gross operating income</b>	<b>1,666</b>	<b>5,302</b>	<b>41.3%</b>	<b>41.7%</b>	<b>8.1%</b>	<b>7.5%</b>	<b>1,414</b>	<b>4,294</b>	<b>51.0%</b>	<b>11.8%</b>	<b>252</b>	<b>1,008</b>	<b>5.0%</b>	<b>-6.5%</b>
Personnel recurrent costs	-353	-1,520	-6.0%	-5.8%	-3.9%	-4.4%	-269	-1,172	-7.2%	-2.8%	-84	-348	-1.2%	-8.5%
Administrative recurrent costs	-251	-1,006	-1.9%	-1.7%	-3.3%	-4.2%	-148	-567	-0.6%	-5.8%	-103	-439	-3.4%	-0.9%
Non-recurrent costs	-340	-426	>100%	>100%	>100%	>100%	-320	-324	>100%	>100%	-20	-102	-67.8%	21.8%
Recurrent depreciation & amortisation	-130	-509	0.2%	0.3%	9.4%	8.7%	-93	-363	0.1%	8.6%	-36	-147	0.7%	10.2%
<b>Pre-provisions income</b>	<b>592</b>	<b>1,841</b>	<b>68.3%</b>	<b>68.9%</b>	<b>7.4%</b>	<b>7.1%</b>	<b>584</b>	<b>1,868</b>	<b>44.6%</b>	<b>11.2%</b>	<b>8</b>	<b>-27</b>	<b>&gt;100%</b>	<b>&lt;-100%</b>
Total provisions & impairments	-884	-2,275	>100%	>100%	>100%	>100%	-813	-2,035	>100%	>100%	-71	-240	43.5%	>100%
Gains on sale of assets and other results	15	313	-33.4%	-33.2%	84.1%	84.2%	14	317	-47.9%	82.2%	1	-4	>100%	0.1%
<b>Profit before taxes</b>	<b>-277</b>	<b>-121</b>	<b>&lt;-100%</b>	<b>&lt;-100%</b>	<b>&lt;-100%</b>	<b>&lt;-100%</b>	<b>-215</b>	<b>150</b>	<b>&lt;-100%</b>	<b>-84.8%</b>	<b>-62</b>	<b>-271</b>	<b>41.5%</b>	<b>&lt;-100%</b>
Taxes and minority interest	76	123	<-100%	<-100%	<-100%	<-100%	79	72	<-100%	<-100%	-3	51	>100%	<-100%
<b>Attributable net profit</b>	<b>-201</b>	<b>2</b>	<b>&lt;-100%</b>	<b>&lt;-100%</b>	<b>-99.7%</b>	<b>-99.7%</b>	<b>-136</b>	<b>222</b>	<b>&lt;-100%</b>	<b>-72.7%</b>	<b>-65</b>	<b>-220</b>	<b>22.2%</b>	<b>&lt;-100%</b>

Note: EUR/GBP exchange rate of 0.8888 used for 2020 P&L and EUR/GBP exchange rate of 0.9035 used for 4Q20 P&L.

## 2. Detailed income statement, TSB contribution to Group

€M	TSB			
	4Q20	2020	%QoQ	%YoY
Net interest income	204	786	4.0%	-8.5%
Fees & commissions	24	86	3.3%	-16.2%
<b>Core banking revenue</b>	<b>229</b>	<b>872</b>	<b>3.9%</b>	<b>-9.3%</b>
Trading income & forex	3	22	7.9%	66.6%
Other income & expenses	-4	1	-34.1%	>100%
<b>Gross operating income</b>	<b>228</b>	<b>896</b>	<b>5.0%</b>	<b>-6.5%</b>
Operating expenses	-181	-778	-21.0%	-3.4%
Personnel expenses	-84	-354	-24.5%	-4.9%
Other general expenses	-97	-424	-17.7%	-2.0%
Amortisation & depreciation	-39	-143	15.3%	19.6%
Memo line:				
Recurrent costs	-202	-829	-1.9%	-2.4%
Non-recurrent costs	-18	-91	-67.8%	21.8%
<b>Pre-provisions income</b>	<b>7</b>	<b>-24</b>	<b>&gt;100%</b>	<b>&lt;-100%</b>
Total provisions & impairments	-64	-213	43.5%	>100%
Gains on sale of assets and other results	0	-4	>100%	-0.1%
<b>Profit before taxes</b>	<b>-56</b>	<b>-241</b>	<b>41.5%</b>	<b>&lt;-100%</b>
Taxes and minority interest	-2	45	>100%	<-100%
<b>Attributable net profit</b>	<b>-58</b>	<b>-195</b>	<b>22.2%</b>	<b>&lt;-100%</b>

- Consolidated financials at Group level include TSB acquisition-related core deposits and brand intangibles amortisation of €40M pre-tax per year from 2020 to 2022, which is excluded from TSB stand-alone financials

## 2. Balance sheet

€M	Sabadell Group					Sabadell ex-TSB		
	Dec-20	QoQ (cte. FX)	QoQ	YoY (cte. FX)	YoY	Dec-20	QoQ	YoY
<b>Total assets</b>	<b>235,763</b>	<b>-0.5%</b>	<b>-0.1%</b>	<b>6.8%</b>	<b>5.4%</b>	<b>191,230</b>	<b>-0.9%</b>	<b>6.5%</b>
Of which:								
Gross loans to customers ex repos <sup>1</sup>	152,201	0.0%	0.5%	2.8%	1.1%	114,660	-0.7%	1.0%
Performing loans	146,878	0.4%	1.0%	3.3%	1.6%	109,902	-0.1%	1.7%
<b>Performing loans ex-APS<sup>2</sup></b>	<b>145,117</b>	<b>0.4%</b>	<b>1.0%</b>	<b>4.4%</b>	<b>2.6%</b>	<b>108,141</b>	<b>-0.1%</b>	<b>3.0%</b>
Fixed income portfolio	25,013	-16.3%	-16.2%	-8.9%	-9.3%	22,598	-16.3%	-9.8%
<b>Total liabilities</b>	<b>223,272</b>	<b>-0.5%</b>	<b>0.0%</b>	<b>7.4%</b>	<b>5.9%</b>	<b>178,518</b>	<b>-0.9%</b>	<b>7.2%</b>
Of which:								
<b>On-balance sheet customer funds</b>	<b>150,778</b>	<b>1.3%</b>	<b>1.8%</b>	<b>4.6%</b>	<b>3.1%</b>	<b>112,565</b>	<b>1.1%</b>	<b>1.5%</b>
Term funds <sup>3</sup>	20,484	-6.8%	-6.4%	-24.5%	-25.4%	17,766	-6.7%	-26.0%
Sight accounts	130,295	2.7%	3.2%	11.4%	9.6%	94,800	2.7%	9.1%
Wholesale funding	20,651	-6.1%	-5.9%	-7.0%	-7.5%	18,833	-6.6%	-5.4%
ECB funding	27,978	3.6%	3.6%	91.5%	91.5%	27,978	3.6%	91.5%
BoE funding	3,409	0.0%	1.5%	-31.5%	-35.2%	0	--	--
<b>Off-balance sheet funds</b>	<b>43,746</b>	<b>4.3%</b>	<b>4.3%</b>	<b>1.4%</b>	<b>1.4%</b>	<b>43,746</b>	<b>4.3%</b>	<b>1.4%</b>
Of which:								
Mutual funds	27,048	6.8%	6.8%	4.0%	4.0%	27,048	6.8%	4.0%
Pension funds	3,349	2.7%	2.7%	-0.5%	-0.5%	3,349	2.7%	-0.5%
Third party insurance products	10,051	-0.6%	-0.6%	-3.6%	-3.6%	10,051	-0.6%	-3.6%
Managed accounts	3,298	2.1%	2.1%	-1.9%	-1.9%	3,298	2.1%	-1.9%
<b>Total customer funds</b>	<b>194,525</b>	<b>2.0%</b>	<b>2.3%</b>	<b>3.9%</b>	<b>2.7%</b>	<b>156,312</b>	<b>2.0%</b>	<b>1.5%</b>

Note: EUR/GBP exchange rate of 0.8990 used for Dec-20 balance sheet. Mutual funds data homogenised by the impact of the sale of Sabadell Asset Management. Excluding this impact, mutual funds amounted to €21,366M as at Dec-20 and €20,262M as at Sep-20. <sup>1</sup> Includes accrual adjustments. <sup>2</sup> Excludes CAM Asset Protection Scheme A/R. <sup>3</sup> Term funds include term deposits and other funds placed via the branch network and exclude repos and deposits from institutional clients.



## 2. Individual detailed balance sheet, TSB

€M	TSB		
	Dec-20	%QoQ	%YoY
Cash, cash balances at central banks and other demand deposits	5,057	4.6%	10.0%
Financial assets held for trading and fair value with changes in PL	198	-19.3%	77.1%
Financial assets in fair value OCI	1,497	0.7%	-5.7%
Financial assets at amortised cost	34,826	2.8%	6.9%
of which			
Total customer lending	33,318	2.9%	7.2%
Core mortgages	29,576	3.0%	6.4%
Unsecured & Business Banking	2,486	6.0%	36.1%
Whistletree mortgages	1,256	-3.7%	-13.3%
Tangible assets	259	-4.3%	-11.7%
Intangible assets	50	21.7%	>100%
Other assets	521	-1.6%	53.9%
<b>Total assets</b>	<b>42,407</b>	<b>2.8%</b>	<b>7.3%</b>
Financial liabilities held for trading and fair value with changes in PL	302	-9.1%	>100%
Financial liabilities at amortised cost	39,707	3.0%	7.4%
of which			
Total customer deposits	34,375	2.4%	13.9%
Fixed rate savings	2,444	-6.1%	-16.3%
Variable rate savings	16,221	2.0%	8.4%
Current accounts	13,236	3.3%	21.9%
Business banking	2,475	9.3%	71.9%
TFS	3,065	0.0%	-31.5%
Provisions	153	29.8%	>100%
Other liabilities	538	3.0%	8.9%
<b>Subtotal liabilities</b>	<b>40,700</b>	<b>3.0%</b>	<b>8.1%</b>
Shareholders' equity	1,715	-3.0%	-8.5%
Accumulated other comprehensive income	-8	-45.4%	<-100%
<b>Net equity</b>	<b>1,707</b>	<b>-2.6%</b>	<b>-9.5%</b>
<b>Total liabilities and equity</b>	<b>42,407</b>	<b>2.8%</b>	<b>7.3%</b>

Note: EUR/GBP exchange rate of 0.8990 used for Dec-20 balance sheet.

### 3. Performance by customer type

#### Performing loans: evolution by customer type, ex-TSB

(excl. CAM Asset Protection Scheme A/R). €M

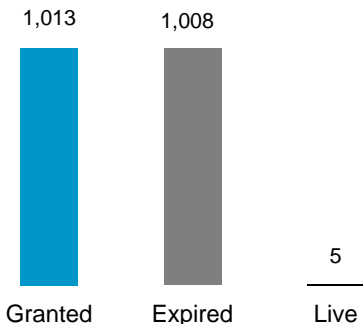
	Sep-20	New lending	Attrition	Dec-20	% QoQ	% YoY
Corporates	27,619	1,631	-2,135	27,114	-1.8%	+5.0%
SMEs	27,267	2,893	-2,747	27,412	+0.5%	+6.6%
Mortgages to individuals <sup>1</sup>	32,800	1,383	-1,050	33,135	+1.0%	+1.3%
Other lending and consumer loans	9,068	602	-1,073	8,598	-5.2%	-12.9%
Public Administrations	8,017	883	-573	8,326	+3.9%	+12.2%
Construction and Real Estate sectors	3,515	510	-469	3,556	+1.2%	+2.9%
<b>Total Sabadell, ex-TSB (excl. APS)</b>	<b>108,286</b>	<b>7,902</b>	<b>-8,047</b>	<b>108,141</b>	<b>-0.1%</b>	<b>+3.0%</b>

Note: Excludes accrual adjustments.<sup>1</sup> Refers to residential mortgages to individuals within Spain only.

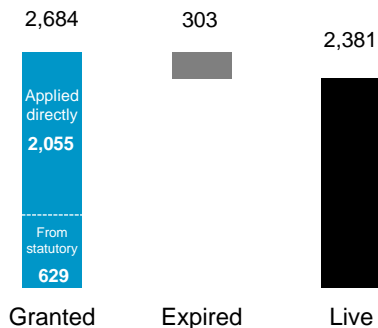
# 3. Payment holidays in Spain

Outstanding principal. Dec-20. €M

**Statutory payment holidays**  
Applications will end on Mar, 31<sup>st</sup>



**Sector specific payment holidays**  
Applications will end on Mar, 31<sup>st</sup>



Breakdown of live amount. €M

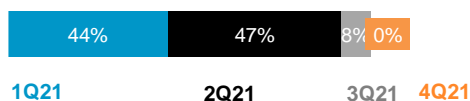
Breakdown by collateral

	Volume	As % of total portfolio
Mortgages	3	0.0%
Unsecured	2	0.1%

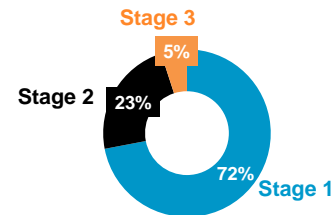
Breakdown by collateral

	Volume	As % of total portfolio
Mortgages	2,327	6.4%
Unsecured	54	2.3%

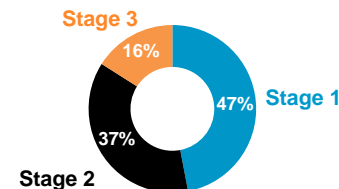
Breakdown by maturity



Expired payment holidays. €M



Breakdown of expired and not moved to sector specific payment holidays



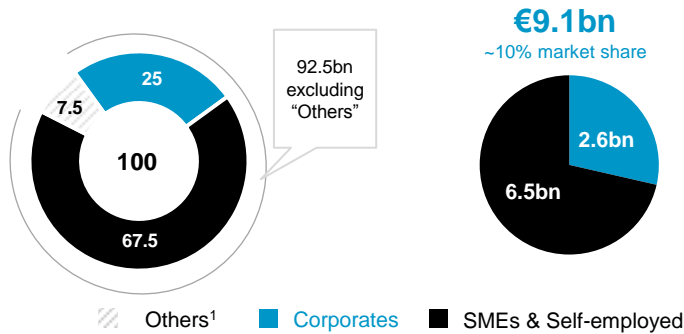
# 3. ICO loans in Spain

ICO guarantee Programme. €bn

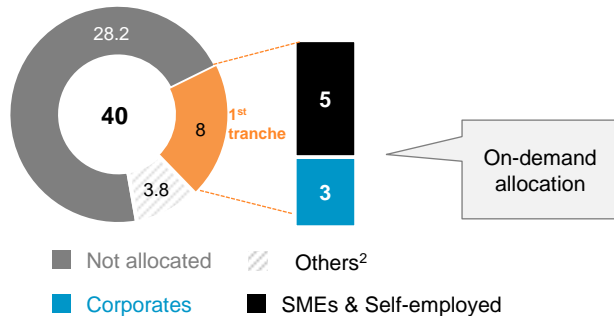
Guarantees allocated to Sabadell

Sabadell activity as at Jan. 22<sup>nd</sup>. €bn

**ICO liquidity**  
Clients can apply until Jun. 30<sup>th</sup>



**ICO investment**  
Clients can apply until Jun. 30<sup>th</sup>



	Granted	
	11.7 Loans	8.9 Guarantees
SMEs & Self-employed	8.1	6.5
Corporates	3.6	2.4
<b>Total</b>	<b>11.7</b>	<b>8.9</b>

100% of allocated guarantees consumed

	Granted		In process
	0.2 Loans	0.2 Guarantees	0.1 Loans
SMEs & Self-employed	0.2	0.2	0.1
Corporates	0.0	0.0	0.0
<b>Total</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>

- Yield (ICO liquidity + ICO investment): 2.25%<sup>3</sup>
- Loan term (ICO liquidity + ICO investment): 3.2 years

<sup>1</sup> Includes €4,000M to guarantee issuances in the Alternative Fixed Income Market (MARF by its Spanish acronym) + €500M to support the counter-guarantee that CERSA grants to the mutual guarantee societies of autonomous communities + €2,500M to reactivate the tourism sector + €500M to boost the automotive sector.

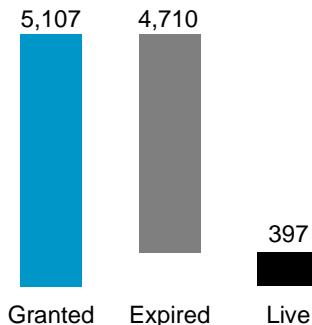
<sup>2</sup> Includes €2,550M to companies that are in the execution phase "convenio concursal" + €250M to guarantee issuances in the Alternative Fixed Income Market (MARF by its Spanish acronym) + €500M to support the counter-guarantee that CERSA grants to the mutual guarantee societies of autonomous communities + €500M to reactivate the tourism sector and related activities.

<sup>3</sup> Excludes guarantee cost.

# 3. Payment holidays and BBLs in the UK

**Payment holidays**  
 Clients can apply until the end of Mar-21

**Outstanding principal. Dec-20. £M**

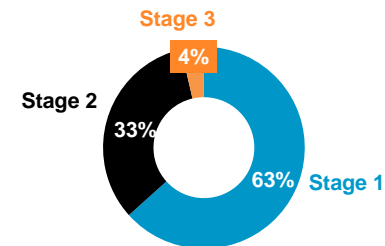


**Life payment holidays. £M**

	Volume	As % of total portfolio
Mortgages	372	1.2%
Unsecured	25	2.0%

**Expired payment holidays. £M**

- No relevant uplift in NPLs despite considerable reduction of live payment holidays



**Bounce Back Loans**  
 Clients can apply until the end of Mar-21

**Key indicators. As at Jan. 25<sup>th</sup>**



- % guaranteed by the government: 100%
- Loan size: £2,000 to £50,000 (capped at 25% of turnover)
- Yield: 2.5%
- Loan term: 6 years with an option to extend up to 10 years. Early repayment is permitted at any stage without early repayment fees
- BBLs customers can 'top-up' to their existing Bounce Back Loan if they originally borrowed less than the maximum amount available to them

Note: Mortgage figures include both core and Whistletree portfolios. Unsecured lending includes personal loans. 'Top ups' were introduced by November 2020 to allow businesses a 'top-up' to their existing BBL.

### 3. Service quality index and NPS

**Sabadell**

**Spain**

#### Service quality index



Sector average



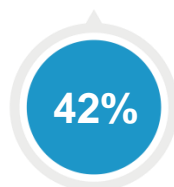
#### NPS Online banking



#### Net promoter score (NPS)

Corporates	23%
Personal banking	22%
SMEs	8%
Retail banking	-2%

#### NPS Mobile



**T S B UK**

#### NPS Bank

3-month average



#### NPS Mobile

13-week average



### 3. Progress on digitisation in Spain with a focus on efficiency and commercial activity

#### Servicing digitisation

✓ Transactions carried out through remote channels  
**93%** YtD (+3pp YoY)

✓ Documents signed digitally  
**44%** YtD (+7pp YoY)

✓ Branches closed  
**93** in Q4 (237 YtD)

#### Remote commercial activity

✓ Pull data-driven commercial impacts over total  
**82%** YtD

✓ “Blink” digital insurance sales out of total  
**35%** YtD

✓ Digital loan sales over total  
**38%** YtD

#### New developments & partnerships in Q4



*Partnership with Onfido  
Improve authentication and identity verification*



*Smart Phone&Sell  
Direct sale of products and services through QR codes*

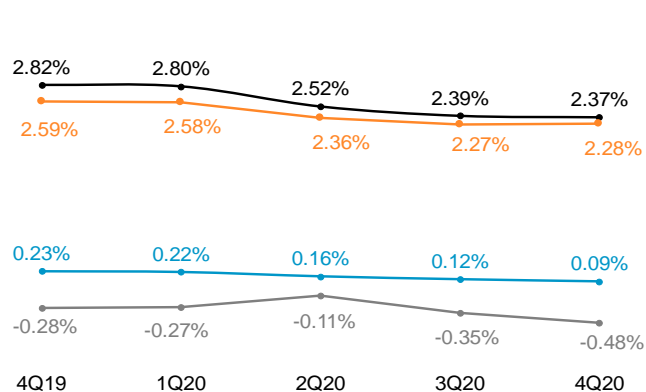


*PISP: Companies  
Transfers from other banks through BS Online*

# 4. Customer spread evolution

## Sabadell Group

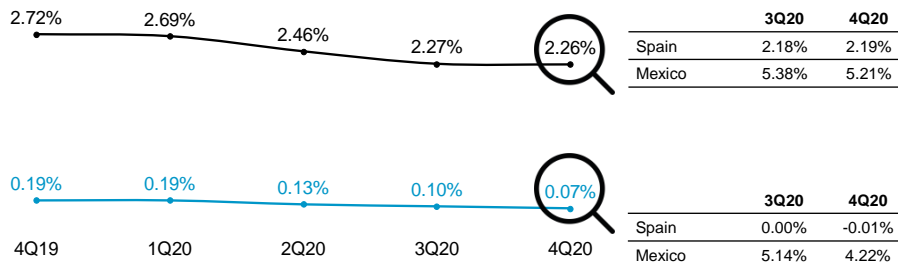
In euros



- Customer loan yield
- Customer spread
- Cost of customer funds
- 12M Euribor (quarterly average)
- Bank of England base rate (quarterly average)

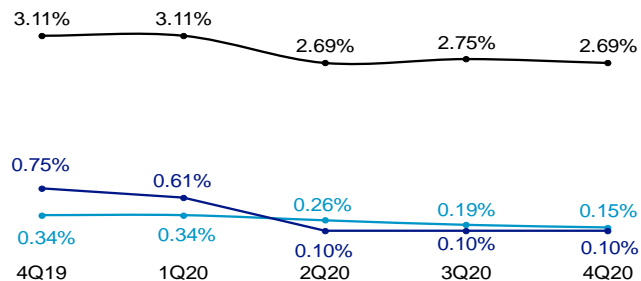
## Sabadell ex-TSB

In euros



## TSB

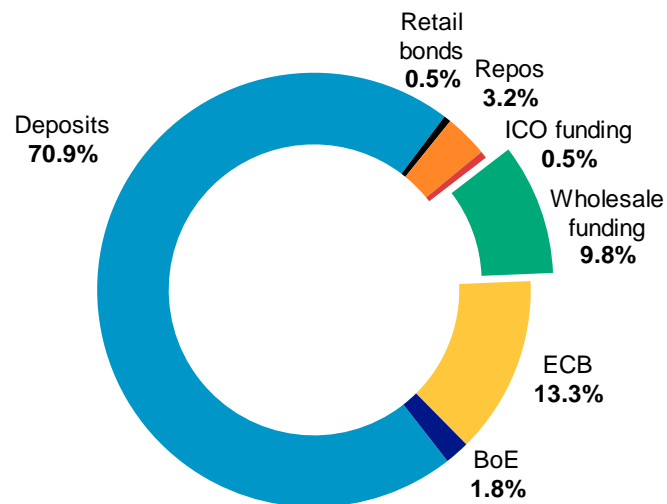
In euros



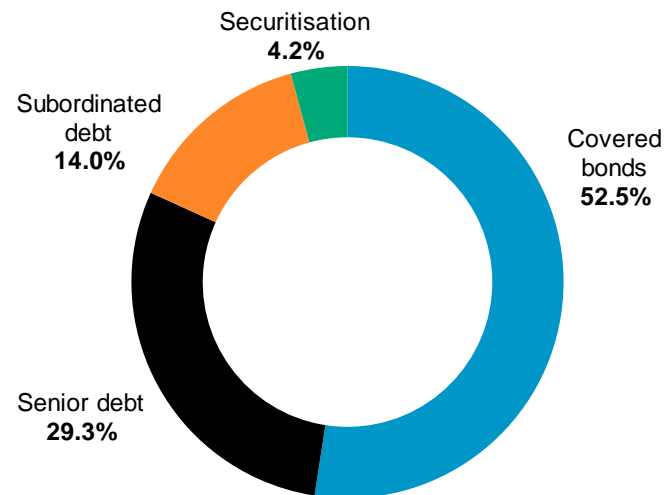


# 5. Group funding structure

## Funding structure



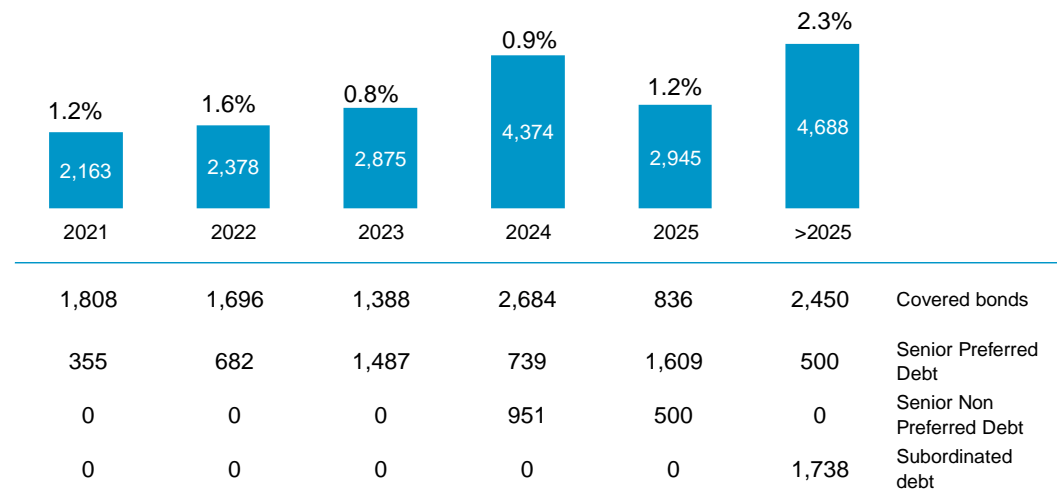
## Wholesale funding breakdown



## 5. Group debt maturities and issuances

### Debt maturities and average cost

Maturities in €M and average cost in %



### Main debt maturities in the last 6 months

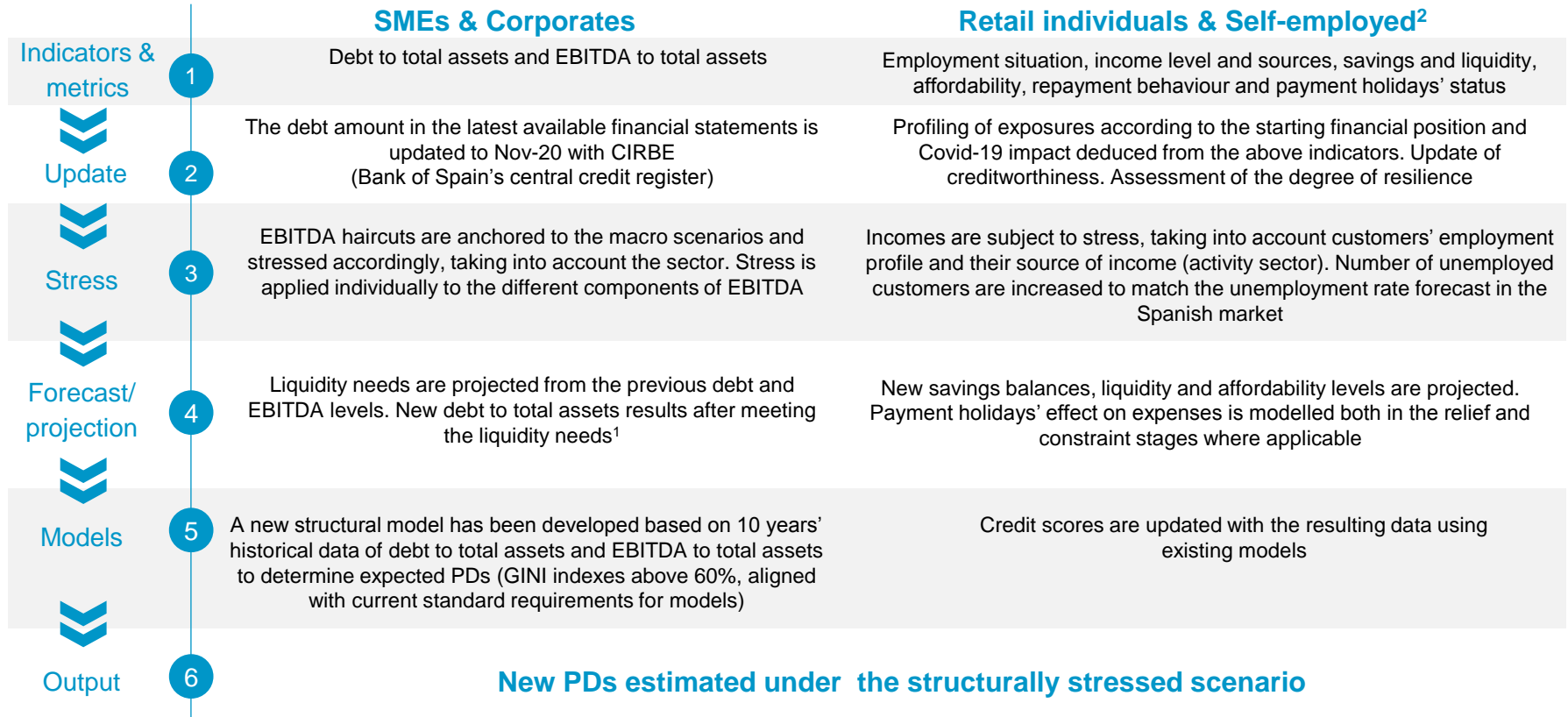
Instrument	Date	Size	Coupon
Covered bond	10/06/2020	€750M	0.38%
Covered bond	03/11/2020	€1,000M	0.63%
Covered bond	28/12/2020	€200M	FRN E+0.41%

### Main debt maturities in the next 12 months

Instrument	Date	Size	Coupon
Covered bond	22/03/2021	€300M	4.00%
Senior preferred bond	08/04/2021	€294M	0.45%
Covered bond	12/11/2021	€1,308M	0.88%
Covered bond	09/12/2021	€200M	1.07%

Note: Debt maturities excludes AT1 issuance. Callable issuances considered at their legal maturity.

# 6. The characteristics of this crisis require the use of a structural analysis approach for impact assessment and monitoring



<sup>1</sup>Liquidity calculation algorithm : cash + credit drawn + projected EBITDA - taxes - long term debt amortisation - asset renewal. <sup>2</sup> Includes mortgages, consumer loans and others.

## 6. Overview of Corporates & SMEs loan portfolio, ex-TSB

Highly diversified across size and segments. Only 16% micro-enterprises. Very international customers. High longevity, which evidences long-lasting relationships

### Key metrics

Segments according to type (turnover)	Performing loans		Customer longevity (avg. yrs)	Guarantees			Post / Pre Covid PD multiple	
				Mortgages		% Others <sup>3</sup>	Base	Stress
	€M	%		%	LTV (median)			
Micro-enterprises (<€2M)	7,958	16%	10	31%	52%	53%	1.4	1.7
Small (€2-10M) & Medium enterprises (€10-50M)	9,662	19%	16	24%	53%	42%	1.5	2.3
Corporates (>€50M)	14,241	28%	19	13%	51%	28%	1.6	2.5
<b>Operating Enterprises Spain</b>	<b>31,862</b>	<b>63%</b>	<b>11</b>	<b>21%</b>	<b>52%</b>	<b>38%</b>	<b>1.5</b>	<b>2.1</b>
Holding companies & Other Spain (*)	6,344	13%	13	31%	61%	42%	0.9	1.8
<b>SMES &amp; Corporates Spain</b>	<b>38,205</b>	<b>75%</b>	<b>11</b>	<b>22%</b>	<b>54%</b>	<b>39%</b>	<b>1.4</b>	<b>2.1</b>
Specialised Lending	3,277	6%	8	9%	43%	32%	1.0	1.0
Corporates, International Branches	9,171	18%	20	8%	65%	35%	1.4	1.9
<b>Total</b>	<b>50,653</b>	<b>100%</b>	<b>11</b>	<b>19%</b>	<b>55%</b>	<b>38%</b>	<b>1.4</b>	<b>2.0</b>

(\*) Holding companies & Other Spain: Investment holdings €2.2bn, Commercial real estate as a specialized lending €3.5bn, temporarily association of business and other SPV €0.6bn.

### International trade active customers<sup>1</sup>

(% of clients)

	In Sabadell	In Spain <sup>2</sup>
Micro-enterprises	6%	1%
SMEs	26%	15%
Corporates	35%	31%
<b>Total</b>	<b>13%</b>	<b>12%</b>

### Evolution of debt level. Debt / Assets (median)

	Pre Covid	May	July	Nov
Micro-enterprises	30.8%	35.6%	36.9%	37.3%
SMEs	24.8%	28.9%	29.8%	29.7%
Corporates	15.5%	17.2%	17.1%	16.5%
Holding & Others	29.0%	29.1%	29.4%	29.2%

### Observed default rates

	3 yrs avg.	2020	2012/11 Multiplier
Micro-enterprises	4.2%	3.9%	<b>1.6x</b>
SMEs	2.5%	2.1%	<b>1.4x</b>
Corporates	1.5%	1.5%	<b>1.3x</b>
Holding & other	1.5%	1.6%	<b>1.6x</b>
Corporates, International Branches	0.1%	0.2%	

# 6. Overview of Sabadell's loan portfolio

## Mortgages, ex-TSB<sup>1</sup>

- **Exposure:** €33.1bn
- **Portfolio metrics<sup>2,3</sup>:**
  - LTV (avg.): 68%
  - Affordability (median): 24%
- **New lending metrics<sup>2,3</sup>:**
  - LTV (avg.): 65%
  - LTV > 80%: 4%
  - Affordability > 40%: 16%
  - Affordability > 40% and LTV > 80%: 1%
- **Observed default rate:**
  - 2019: 0.8%
  - 2020: 0.8%
  - 3 yrs avg.: 0.8%
  - 2012/11 Multiplier: 1.7x

## Mortgages, TSB<sup>4</sup>

- **Exposure:** £29.6bn
- **LTV (avg.)<sup>5</sup>:** 45%
- **Loan to income multiple<sup>6</sup>(avg.):** 3.3x
- **Mortgage profile:**
  - Fixed (81% of total) / Variable (19%)
  - Repayment (88% of total) / Interest only (12%)
  - Owner occupied (88% of total) / Buy-to-let (12%)

## Small retail and self-employed

- **Limited exposure:** €2.9bn
- **Business activity:**
  - 46% no Covid-impact or quick recovery sectors, such as pharmacies (21% of total), medical practices, tax advisors and others
- **Customer longevity:** 8 yrs. (avg.)
- **Observed default rate:**
  - 2019: 4.3%
  - 2020: 4.3%
  - 3 yrs avg.: 4.3%
  - 2012/11 Multiplier: 1.6x

## Consumer lending

- **Limited exposure:** €3.2bn
- **Loan's purpose:**
  - 41% durable goods (cars, white goods and others)
  - 59% other lending (home refurbishment, student loans, medical care, other households' needs and others)
- **Observed default rate:**
  - 2019: 4.8%
  - 2020: 5.0%
  - 3 yrs avg.: 4.8%
  - 2012/11 Multiplier: 1.5x

<sup>1</sup> Includes mortgages to self-employed. <sup>2</sup> Updated appraisal. <sup>3</sup> Affordability calculated as debt and related costs over income. <sup>4</sup> Data excludes Whistletree portfolio. <sup>5</sup> Amount of balance outstanding as a percentage of the total appraised value of the property. <sup>6</sup> Value of the mortgage over household income at origination.

## 7. Evolution of Sabadell Group NPA coverage ratios

€M	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
NPLs	6,141	6,112	6,359	6,127	5,808
Provisions	3,045	3,228	3,537	3,460	3,279
<b>Coverage ratio (%)</b>	<b>49.6%</b>	<b>52.8%</b>	<b>55.6%</b>	<b>56.5%</b>	<b>56.5%</b>
Foreclosed assets	1,185	1,310	1,460	1,520	1,373
Provisions	394	451	514	541	502
<b>Coverage ratio (%)</b>	<b>33.3%</b>	<b>34.4%</b>	<b>35.2%</b>	<b>35.6%</b>	<b>36.6%</b>
Total problematic assets	7,326	7,422	7,820	7,647	7,182
Provisions	3,439	3,680	4,051	4,001	3,781
<b>Coverage ratio (%)</b>	<b>46.9%</b>	<b>49.6%</b>	<b>51.8%</b>	<b>52.3%</b>	<b>52.6%</b>
Gross loans <sup>1</sup> + foreclosed assets	151,698	150,677	152,742	152,976	153,575
<b>NPAs as % of (gross loans<sup>1</sup> + foreclosed assets) (%)</b>	<b>4.8%</b>	<b>4.9%</b>	<b>5.1%</b>	<b>5.0%</b>	<b>4.7%</b>
Net problematic assets	3,887	3,743	3,769	3,646	3,401
<b>Net NPAs to total assets ratio (%)</b>	<b>1.7%</b>	<b>1.7%</b>	<b>1.6%</b>	<b>1.5%</b>	<b>1.4%</b>

Note: Includes contingent risk. <sup>1</sup> Includes accrual adjustments.

## 7. Evolution of NPLs and foreclosed assets

### Evolution of NPLs and foreclosed assets, Group

€M

	4Q19	1Q20	2Q20	3Q20	4Q20
Gross entries (NPLs)	535	472	716	356	1,151 <sup>2</sup>
Recoveries	-597	-401	-355	-383	-1,364 <sup>2</sup>
<b>Net NPL entries</b>	<b>-62</b>	<b>71</b>	<b>361</b>	<b>-27</b>	<b>-213</b>
Gross entries (foreclosed assets)	209	141	165	78	83
Sales <sup>1</sup>	-57	-16	-15	-18	-230
<b>Change in foreclosed assets</b>	<b>152</b>	<b>125</b>	<b>150</b>	<b>60</b>	<b>-147</b>
<b>Net NPL entries + Change in foreclosed assets</b>	<b>90</b>	<b>196</b>	<b>511</b>	<b>33</b>	<b>-359</b>
Write-offs	-189	-100	-114	-205	-106
<b>Foreclosed assets and NPLs quarterly change</b>	<b>-99</b>	<b>96</b>	<b>397</b>	<b>-172</b>	<b>-466</b>

Note: Includes contingent risk. <sup>1</sup> Includes other outcomes. <sup>2</sup> Gross entries (NPLs) includes c.€0.7bn related to reallocation of loans to stage 3. NPL recoveries include c.€1bn reduction related to institutional disposals.

## 7. NPL ratio breakdown

### NPL ratios by segment, Group

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20 <sup>1</sup>
Real Estate development and/or construction purposes	10.9%	10.7%	9.5%	8.6%	8.1%
Construction purposes non-related to real estate dev.	6.1%	6.3%	4.6%	4.5%	13.3%
Large corporates	1.5%	1.4%	1.5%	1.4%	2.2%
SME and small retailers and self-employed	6.7%	6.8%	6.8%	6.8%	6.7%
Individuals with 1 <sup>st</sup> mortgage guarantee assets	3.4%	3.4%	3.6%	3.4%	2.4%
<b>NPL ratio, Group</b>	<b>3.8%</b>	<b>3.8%</b>	<b>4.0%</b>	<b>3.8%</b>	<b>3.6%</b>

### NPL ratios by segment, ex-TSB

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20 <sup>1</sup>
Real Estate development and/or construction purposes	11.0%	10.7%	9.5%	8.6%	8.1%
Construction purposes non-related to real estate dev.	6.1%	6.3%	4.6%	4.5%	13.3%
Large corporates	1.4%	1.4%	1.5%	1.4%	2.2%
SME and small retailers and self-employed	6.7%	6.8%	6.8%	6.8%	6.8%
Individuals with 1 <sup>st</sup> mortgage guarantee assets	5.3%	5.2%	5.3%	5.0%	3.3%
<b>NPL ratio, Sabadell ex-TSB</b>	<b>4.6%</b>	<b>4.6%</b>	<b>4.6%</b>	<b>4.5%</b>	<b>4.3%</b>



## 7. TSB asset quality, liquidity and solvency position

### Asset quality

	Dec-19	Sep-20	Dec-20
NPL ratio	1.2%	1.4%	1.3%
Coverage ratio	43%	59%	57%
Cost of risk <sup>1</sup> (YtD)	0.19%	0.61%	0.47%

### Solvency

	Dec-19	Sep-20	Dec-20
CET1 ratio <sup>2</sup>	20.6%	18.7%	15.3%
Leverage ratio <sup>3</sup>	4.6%	4.1%	3.8%

### Liquidity

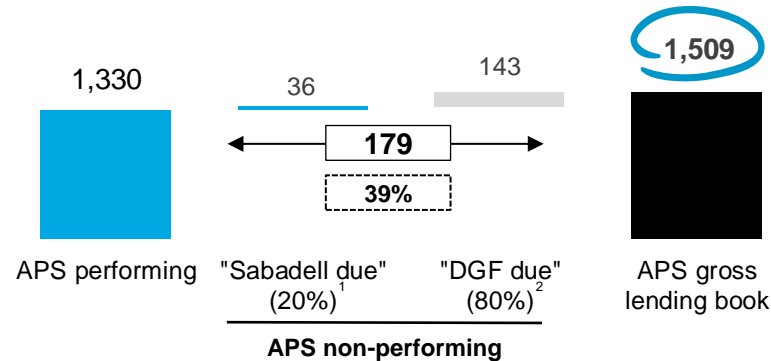
	Dec-19	Sep-20	Dec-20
LCR	231%	211%	201%

<sup>1</sup> Calculated as P&L impairment charge divided by period-end gross spot balances. <sup>2</sup> CET1 ratio on a transitional basis. The Dec-20 fully-loaded CET1 ratio is 14.8%. <sup>3</sup> Calculated using EBA standards and on a transitional basis.

# 7. Asset Protection Scheme (“APS”) gross loans and real estate assets

## APS gross loans and advances

€M. Dec-20



The total APS NPL ratio is 11.9%

☐ Coverage

## APS real estate

€M. Dec-20



The loans and real estate exposures whose losses will be borne by the DGF (“DGF due”) have already been included in Q4 RWAs

<sup>1</sup> 20% of total APS non-performing credit risk is borne by Sabadell as per the APS protocol. <sup>2</sup> 80% of total APS non-performing credit risk is transferred to the Deposit Guarantee Fund (“DGF”) as per the APS protocol.

## 8. RWAs breakdown

Dec-20 RWAs: €78,779M

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### By type:

- Credit risk: €70bn
- Market risk: €0.5bn
- Operational risk: €8bn
- Others: €0.1bn

### By geography:

- Spain: €62bn
  - UK: €13bn
  - Mexico: €4bn
-

## 9. Share data

	Dec-19	Sep-20	Dec-20
<b>Shareholders and trading</b>			
Number of shareholders	235,034	246,671	244,225
Average number of shares (M)	5,538	5,586	5,582
<b>Share price</b>			
Closing session (end of quarter) (€)	1.040	0.297	0.354
Market capitalisation (€M)	5,760	1,660	1,976
<b>Stock market multiples</b>			
Earnings per share (EPS) (€) <sup>1</sup>	0.13	0.02	-0.01
Book value (€M)	13,172	13,111	12,944
Book value per share (€)	2.38	2.35	2.32
Tangible book value (€M)	10,607	10,525	10,322
Tangible book value per share (€)	1.92	1.88	1.85
Price / Book value (x)	0.44	0.13	0.15
Price / Earnings ratio (P/E) (x) <sup>1</sup>	8.29	13.65	-27.75

<sup>1</sup> Figures adjusted to reflect the amount of the Additional Tier 1 coupon.

# Glossary (I)

Term	Definition
<b>Affordability</b>	Ratio between the rent and the debt of a client
<b>ATA</b>	Average total assets
<b>BBLs</b>	Bounce Back Loans
<b>Book value per share</b>	Ratio between the book value and the average number of outstanding shares at the end of the period. Book value refers to own funds adjusted by contributions to deposit guarantee and resolution funds and tax on deposits of credit institutions, except at year end
<b>CBILS/CLBILS</b>	Coronavirus Business Interruption Loan Scheme provides financial support to smaller businesses (SMEs), medium-sized and larger business across the UK that are losing revenue, and seeing their cashflow disrupted, as a result of the COVID-19 outbreak
<b>CAM APS</b>	Banco CAM asset protection scheme. As a result of the acquisition of Banco CAM on 1 June 2012, the Asset Protection Scheme (APS) envisaged in the protocol on financial assistance measures for the restructuring of Banco CAM came into force with retroactive effect from 31 July 2011. Under the scheme, which covers a specific portfolio of assets with a gross value of €24.6bn as at 31 July 2011, the Deposit Guarantee Fund (DGF) bears 80% of the losses on the portfolio for a period of ten years, once impairment allowances in respect of those assets have been fully applied
<b>CAM Asset Protection Scheme A/R</b>	Refers to the DGF account receivable related with CAM Asset Protection Scheme
<b>CoR</b>	Ratio between provisions for NPLs / loans to customer and guarantees granted. The numerator considers the linear annualization of the provisions for NPLs. In addition, the costs associated with the management of NPLs and provisions for institutional NPA sales are adjusted.
<b>Core mortgages and current accounts at TSB</b>	Includes fair value micro-hedge accounting adjustments
<b>Core revenue</b>	Sum of net interest income and fees & commissions
<b>Customer spread</b>	Difference between yields and costs 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 customer loans and the average rate paid by the bank for customer deposits. The average customer loan rate is the annualised ratio between the financial income from customer loans and the average daily balance of customer loans. The average customer deposit rate is the annualised ratio between the financial expenses of customer funds and the average daily balance of customer funds

# Glossary (II)

Term	Definition
<b>DGF</b>	Deposit Guarantee Fund
<b>Digital clients</b>	Individual clients over the age of 16 who have accessed the web, mobile or any other remote channel at least once in the last 3 months
<b>EAD</b>	Exposure at default calculated as sum of amount drawn, amount available plus guarantees
<b>Earnings per share</b>	Ratio between net profit attributed to the Group and the average number of outstanding shares at the end of the period. In the numerator the annualization of the profit obtained to date is considered and adjusted by the Additional Tier I coupon payment registered in equity as well as by contributions to deposit guarantee and resolution funds (DGF and SRF) and tax on deposits of credit institutions (IDEC), except year end
<b>EBA</b>	European Banking Authority
<b>EQUOS</b>	Objective quality analysis of services provided by banking networks
<b>FTE</b>	Full time employee
<b>Funds under management and third party funds</b>	Sum of on-balance sheet and off-balance sheet customer funds
<b>Gains on sale of assets and other results</b>	Includes the following items: net gains or losses on derecognition of non-financial assets, excluding investment properties and participating interests included in profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations
<b>Gross loans to customers</b>	Includes loans and advances to customers excluding impairment allowances
<b>HQLAs</b>	High quality liquid assets
<b>HTC</b>	Hold to collect
<b>ICO</b>	Spanish Official Credit Institute

# Glossary (III)

Term	Definition
<b>LCR</b>	Liquidity coverage ratio: High quality liquid assets (HQLAs) divided by total net cash outflows
<b>Loan-to-deposit ratio</b>	Net loans and receivables divided by retail funding. The numerator excludes mediation loans. The denominator considers real estate funding and customer funds
<b>LRE</b>	Leverage Ratio Exposure is equivalent to total assets and a variety of off-balance sheet items including derivatives and repurchase agreements, among others
<b>Market capitalisation</b>	Share price multiplied by the average number of outstanding shares at the end of the period
<b>Net loans at TSB</b>	Includes loans and advances to customers including impairment allowances
<b>NIM</b>	Net interest margin
<b>NPL coverage ratio</b>	Shows the % of NPLs (stage 3), covered by total provisions. Calculated using the ratio between the allowance of loans and advances to customers (including allowances for guarantees granted) / total stage 3 exposures (including stage 3 guarantees granted)
<b>NPA A/R</b>	Account receivable related to the closing of NPA disposals announced in Dec-19 (Challenger, Coliseum and REX)
<b>NPL ratio</b>	Ratio between stage 3 (non-performing) loans and total risk assumed by customers not classified as non-current assets held for sale. Calculated using the ratio between stage 3 exposures (non-performing), including guarantees granted / loans to customer and guarantees granted
<b>NPA ratio</b>	NPAs / (gross loans + foreclosed assets). Gross loans includes accrual adjustments
<b>NPS</b>	The Net Promoter Score is obtained by asking customers "On a scale of 0-10, where 0 is not at all likely and 10 is extremely likely, how likely are you to recommend Sabadell to a friend or colleague?". NPS is the percentage of customers who score 9-10 after subtracting the percentage who score 0-6
<b>Off-balance sheet customer funds</b>	Includes mutual funds, assets under management, pension funds and insurance products sold
<b>On-balance sheet customer funds</b>	Includes customer deposits (ex repos) and other liabilities placed by the branch network (Banco Sabadell non-convertible bonds, commercial paper and others)
<b>On-balance sheet funds</b>	Includes accounting sub-headings of customer deposits, debt securities issues (debt and other marketable securities and subordinated liabilities)
<b>Other operating income/expense</b>	Includes the following items: other operating income and other operating expenses as well as income from assets and expenses on liabilities u insurance or reinsurance contracts

# Glossary (IV)

Term	Definition
<b>Gross performing loans</b>	Gross loans to customers excluding repos, NPLs (stage 3) and accrual adjustments
<b>PD</b>	Probability of default
<b>Pre-provisions income</b>	Gross income plus administrative and amortisation expenses
<b>Price / Book value (x)</b>	Ratio between share price and book value
<b>Price / Earnings ratio (P/E) (x)</b>	Ratio between share price and earnings per share
<b>Problematic assets</b>	Sum of non-performing loans, classified as stage 3, and foreclosed real estate assets. Also referred to as non-performing assets (NPAs)
<b>RE</b>	Real Estate
<b>Real estate coverage ratio</b>	Ratio between allowances for impairment of foreclosed real estate assets and total foreclosed real estate assets. Amount of foreclosed real estate assets includes property classified in the portfolio of non-current assets and disposal groups classified as held for sale, excluding real estate investments with significant latent capital gains and rental properties, for which there is an agreement of sale that will be carried out after a reform process.
<b>ROE</b>	Profit attributed to the Group / average equity. In the numerator the annualization of the profit obtained to date is considered and adjusted by contributions to deposit guarantee and resolution funds (DGF and SRF) and tax on deposits of credit institutions (IDEC), except year end
<b>ROTE</b>	Profit attributed to the Group / average equity. In the numerator the annualization of the profit obtained to date is considered and adjusted by contributions to deposit guarantee and resolution funds (DGF and SRF) and tax on deposits of credit institutions (IDEC), except year end. The denominator excludes intangible assets and the goodwill of the investees



# Glossary (V)

Term	Definition
<b>RWA</b>	Risk weighted assets
<b>Stage 3 coverage ratio</b>	Shows the % of NPLs (stage 3), covered by stage 3 provisions. Calculated using the ratio between the stage 3 allowance of loans and advances to customers (including stage 3 allowances for guarantees granted) / total stage 3 exposures (including stage 3 guarantees granted)
<b>TBV per share (€)</b>	Ratio between tangible book value and the average number of outstanding shares at the end of the period. The tangible book value is calculated as the sum of equity adjusted by intangible assets and the goodwill of the investees and by contributions to deposit guarantee and resolution funds and tax on deposits of credit institutions, except at year end
<b>TFS</b>	Term Funding Scheme is a monetary policy tool of the Bank of England and provides funding to participating banks and building societies at interest rates close to Bank Rate
<b>TFSME</b>	Term Funding Scheme with additional incentives for SMEs
<b>TLOF</b>	Total liabilities and own funds
<b>TLTRO</b>	Targeted Longer-Term Refinancing Operations
<b>Total capital ratio (%)</b>	Ratio between total capital and the risk weighted assets. Total capital includes the accounting profit assuming a pay-out of 50% (except year 2020), that is different from the regulatory criteria which decreases that amount based on the obligations to fulfil for the rest of the year. The denominator has been calculated based on the Group's best estimate
<b>Total provisions &amp; impairments</b>	Includes the following accounting items: (i) provisions or reversal of provisions, (ii) impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or gains, (iii) impairment or reversal of impairment of investments in joint ventures and associates, (iv) impairment or reversal of impairment on non-financial assets, (v) profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (excluding profit or loss on the sale of holdings) and (vi) investment properties in the net gains or losses on derecognition of non-financial assets (including only gains or losses on the sale of investment properties).
<b>Whistletree</b>	Portfolio of former Northern Rock mortgages and unsecured loans, whose beneficial interest was acquired from Cerberus Capital Management Group with effect from 7 December 2015. The portfolio is currently in run-off

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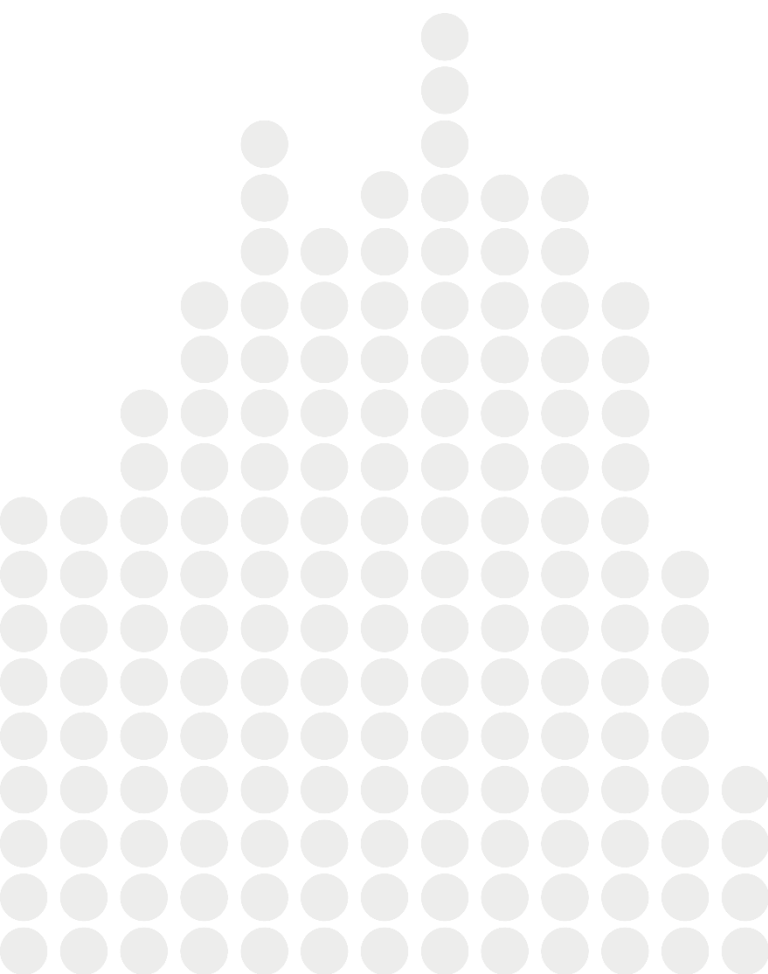
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