

Sabadell SDG Bond Framework

July 2020

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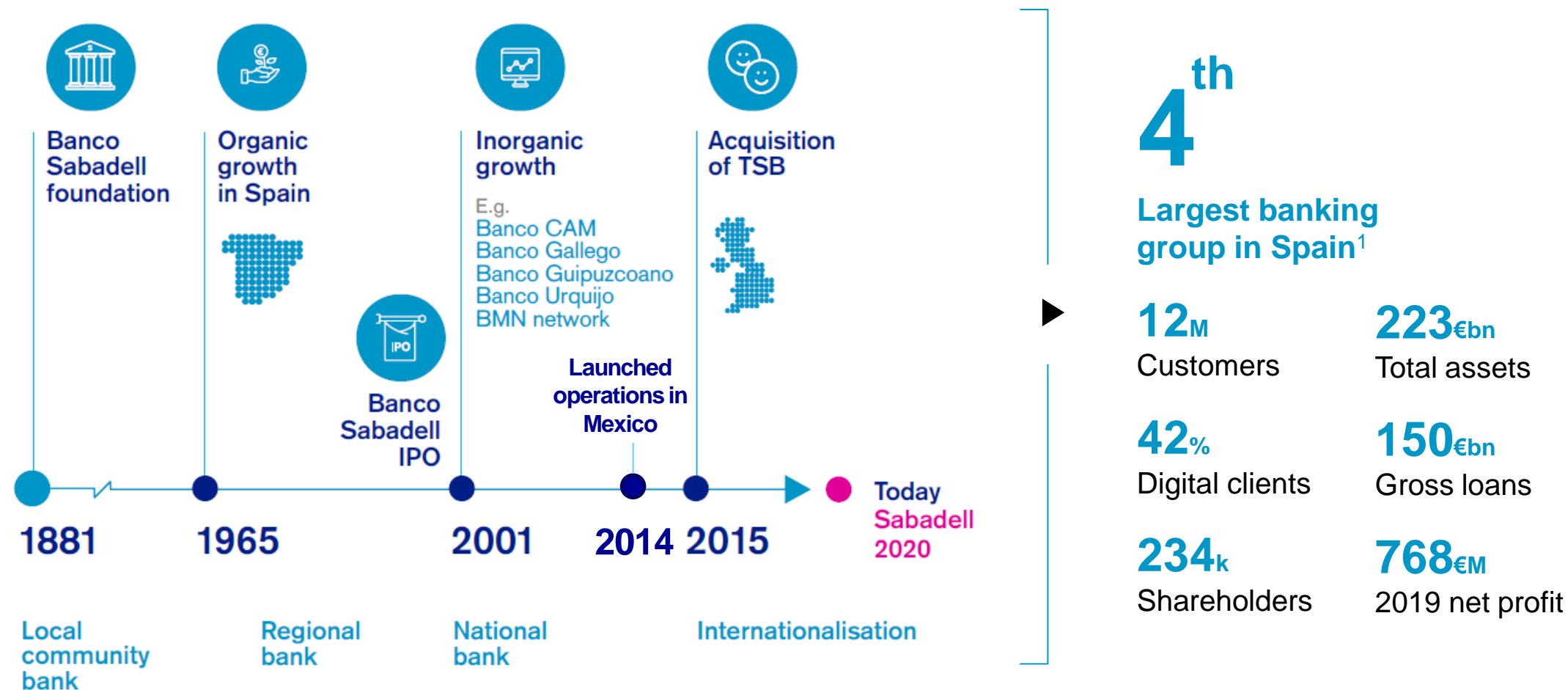
SDG Bond
Framework



1

Sabadell at a glance

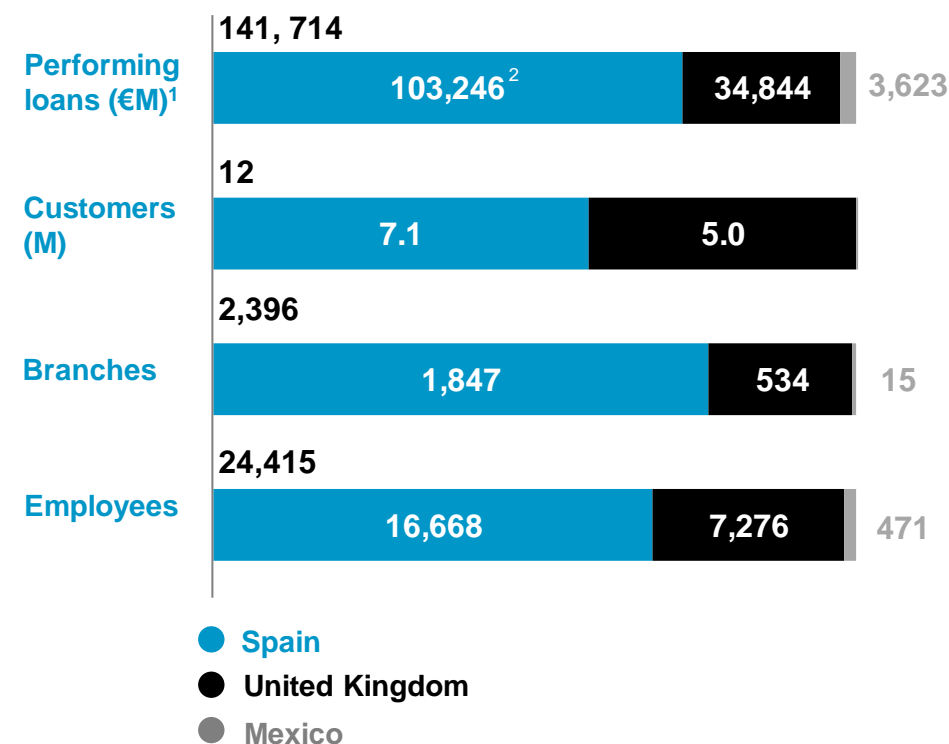
One of the largest banking groups in Spain



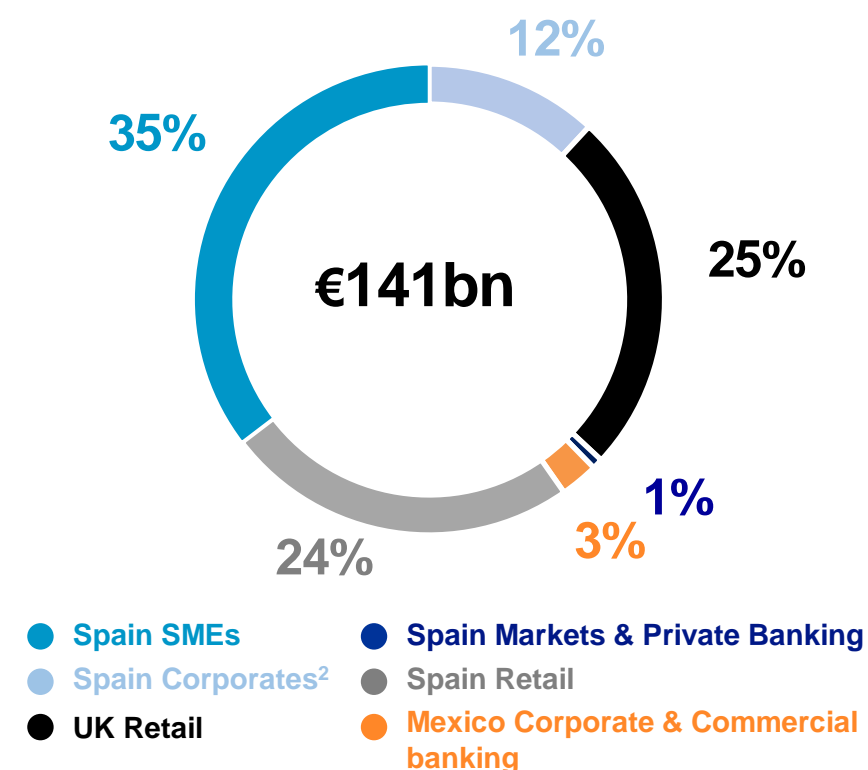
Note: Data as at Mar-20. ¹ Refers to business volume.

Diversified lending portfolio across geographies and segments

Business distribution across geographies







Lending composition across segments and geographies¹



Note: Data as at Mar-20. ¹ Refers to the quarterly average balance of performing loans. ² Includes foreign branches which represent €10,096M.

Comprehensive coverage with solid commercial momentum in Spain

	Individuals	11.4% Market penetration (3x 2007 level)	5.9% Loans market share (3x 2007 level)	6.4% Deposits market share (3x 2007 level)
	Businesses	73.2% / 56.2% Corporates / SMEs market penetration (2x 2007 level)	10.2% Loans market share (2x 2007 level)	12.5% Deposits market share (2x 2007 level)
	Investment & Insurance	6.0% Mutual funds - AUMs market share (2x 2008 level)	6.2% Insurance - life premiums market share (3x 2007 level)	
	Payments	17.4% Retailer payment services turnover market share (4x 2007 level)	8.0% Credit card turnover market share (3x 2007 level)	

Sabadell continues to be leader in service quality¹

Note: Data as at Mar-20 or last month available. Refers to Sabadell Spain. ¹ Source: STIGA, EQUOS (1Q20). Score of 8.39 vs. 7.60 sector average as at Mar-20 (#1 vs. peers).

Leading SME and Corporate franchise

Leading bank in SMEs and Corporates since our earliest days

In 1881, a group of businessmen from Sabadell (Barcelona) founded the Bank in order to finance the local industry and promote international trade

Significant market penetration in Spain

56%

SMEs
market penetration

73%

Corporates
market penetration

Top-rated bank by SMEs

#1

NPS¹ score
by **SMEs**

#3

NPS¹ score
by **Corporates**

Remarkable expertise in international trade

31%

Export documentary credit market share

14%

Total exports market share

Note: Data as at Mar-20 or last month available. Refers to Sabadell Spain. ¹ Refers to Net Promoter Score (NPS). Source: Benchmark NPS Accenture Report. The Net Promoter Score measures customer experience and 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.

Sabadell is taking action to protect its stakeholders during Covid-19

These priorities are retained ...

... overlaid with Covid-19 key focus areas



Resilient core revenue



Ongoing NPA management



Execute on TSB restructuring



Maintain adequate capital levels



Create shareholder value

Responsibility

Operational and service continuity, while taking care of customers and employees

- Strengthening sanitary measures
- HQ employees teleworking: 96% Spain & 97% TSB
- Branches open: 93% Spain & 96% TSB
- Promoting the use of remote channels to reduce traffic in branches
- Redeployment of employees from branches to reinforce remote services

Resilience

Resilient IT platform in response to increased digital pressure

- High-quality response to an increase in people working from home
- Quick implementation of new end-to-end digital processes
- Record peak in the number of daily commercial contacts with customers

Commitment

Quick response to our customers' needs and contribution to society

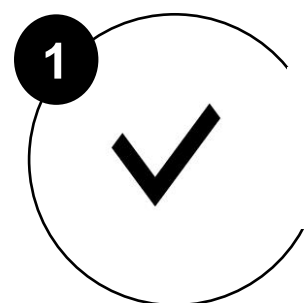
- Being close to our customers, knowing their needs
- Helping customers to implement financial solutions
- Offering government backed lending schemes
- Advances of unemployment benefits and pensions
- Deferral of social rent for vulnerable families
- Prompt payment pledge to suppliers

Digitisation

Leap forward in boosting customer digitisation that will continue after lockdown

- Increase in the weight of servicing through digital channels compared to the branch channel
- Growth in interactions with the bank via web and mobile
- c.20% of new digital clients in Spain > 65 years of age (x2 the average level of previous months)

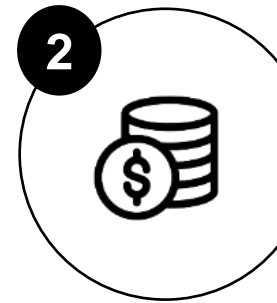
Good starting point to overcome the new scenario



Strong capital and liquidity position

12.6% CET1 Phase-in pro forma¹

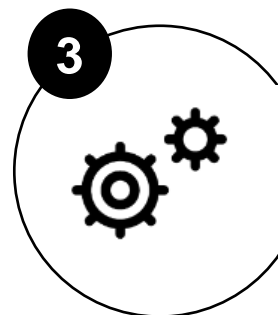
172% LCR



Healthy risk profile

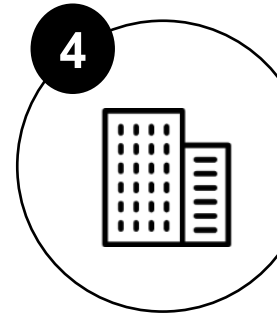
3.8% NPL ratio

4.9% NPA ratio



Good commercial momentum

+4.4% (YoY) Performing loans²



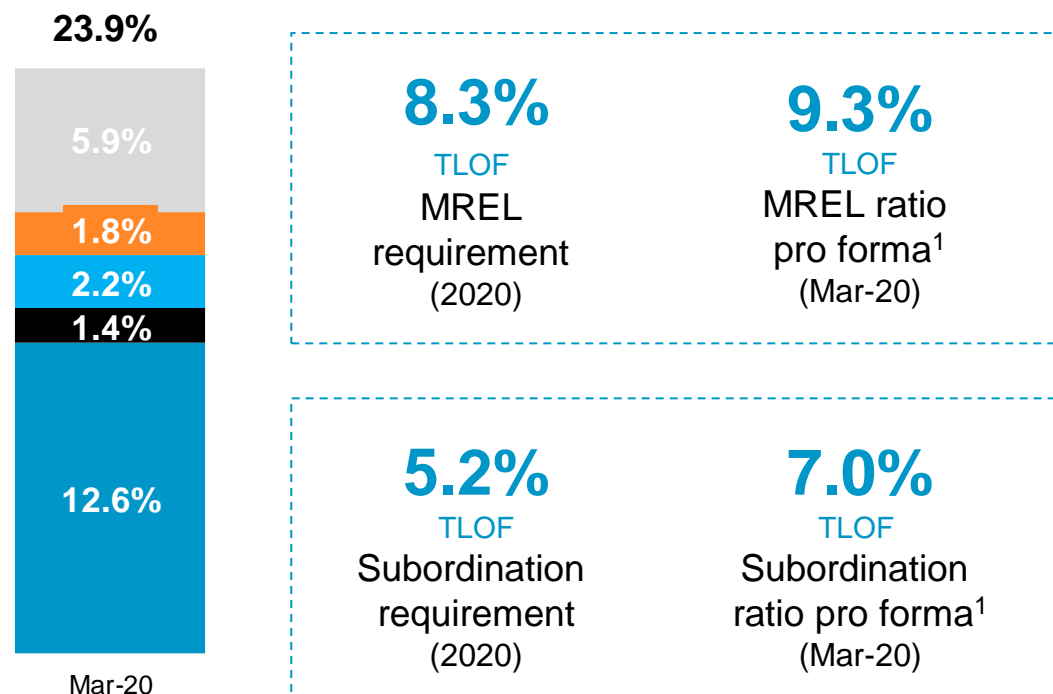
Limited exposure to sectors most sensitive to Covid-19

8% of total performing loans

Sabadell is already MREL compliant

MREL position, Sabadell Group

% RWAs



■ Phase-in CET1 pro forma¹
■ Phase-in Tier 2
 ■ Senior preferred
■ Phase-in AT1
 ■ Senior non-preferred

2020 YTD issuances

- ✓ €300M Tier 2 (2.00% coupon)
- ✓ €1bn covered bonds 8 years maturity (0.13% coupon)
- ✓ €500M senior preferred 3 non call 2 years (1.75% coupon)

€4.8bn MREL issued in 2019 and 2020 YTD

2H20 debt issuance plan

- ✓ Inaugural benchmark senior unsecured SDG bond

The application of **Article 104A** would allow us to potentially increase our CET1 buffer over P2R by 98bps (of which 42bps would be AT1 and 56bps Tier 2)

- ✓ We intend to assess our opportunities to optimise capital accordingly
- ✓ Timing of issuance will depend on market windows and obviously price

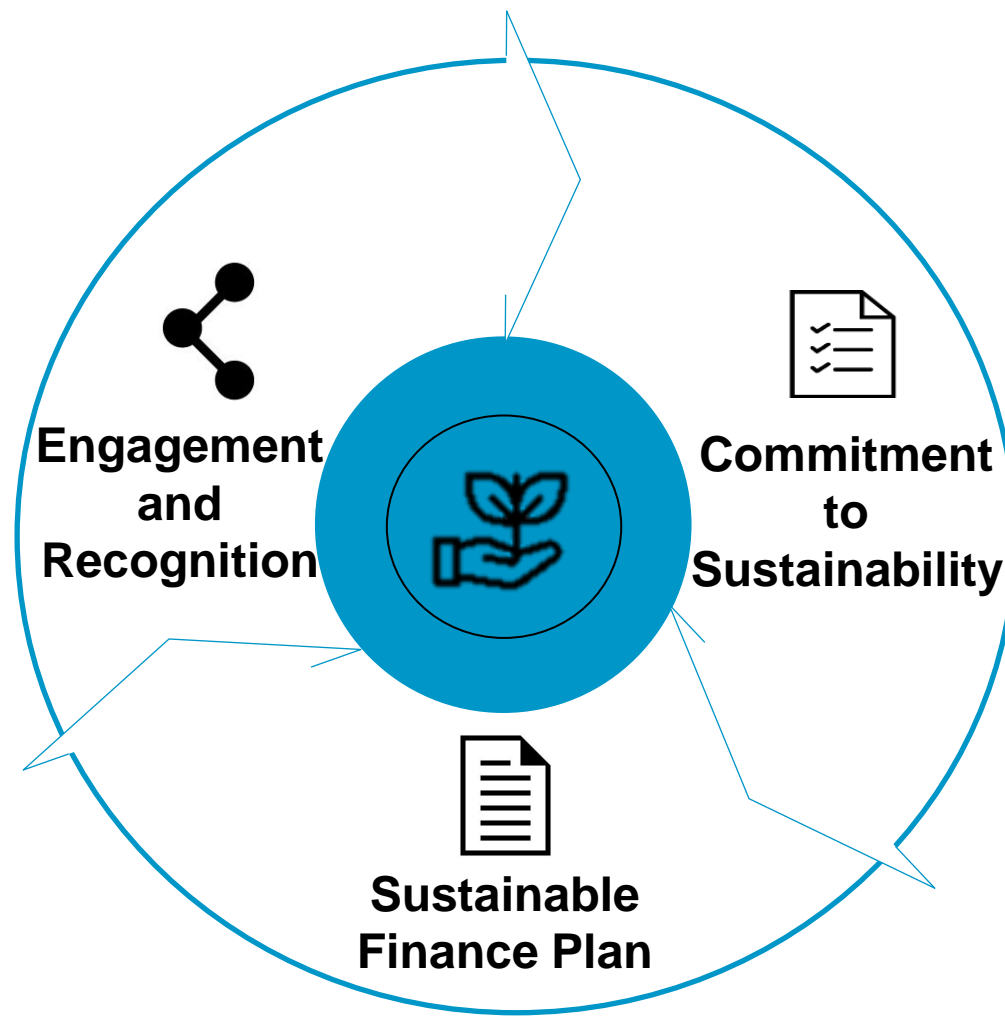
¹ Includes the capital gains from business disposals, of which: RE developer ("Desarrollos Inmobiliarios") disposal: +5bps, Sabadell AM disposal: +36bps and the depositary business disposal: +7bps.

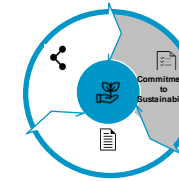


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Sustainability at Sabadell

Sustainability at Sabadell





Banco Sabadell Sustainability milestones

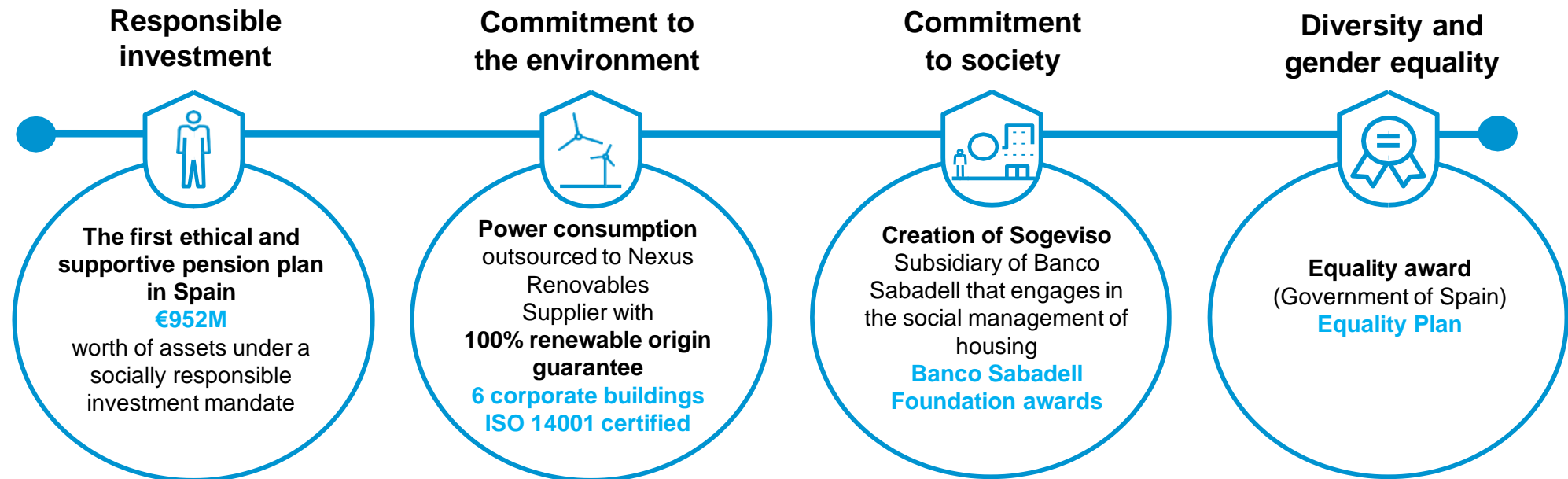
Vision

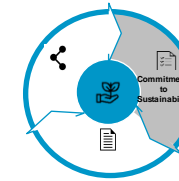


- Banco Sabadell's commitment to society dates back to its foundation in 1881, as an essential part of its DNA
- Sustainability has become part of Banco Sabadell's purpose and business strategy in recent years
- The bank is guiding its activity, organisation and processes with the purpose of contributing strongly to sustainability development and the fight against climate change

"Banco Sabadell is determined to support our customers in the transition towards a more sustainable economy." **Jaime Guardiola, CEO**

Milestones





2019: Turning point

Key developments during 2019



Approval of the Non-Financial Disclosures Report¹ for the 2018 financial year, with 99.9% of the votes cast by shareholders



Creation of the Sustainability Division, which concentrates the activity of the former Corporate Social Responsibility Division and coordinates ESG matters in the organisation



Adherence to the United Nations Principles for Responsible Banking as a founding signatory. Banco Sabadell is committed to strategically aligning its business with SDGs and the Paris Agreement



Ratification of the Collective Commitment to Climate Action of AEB, CECA and ICO to reduce carbon footprint on balance sheets during the UN Climate Change Conference (COP25) held in Madrid



Our Sustainable Finance Plan incorporates sustainability into Sabadell's business model, risk management and relationships with stakeholders

Incorporation of SDGs into the corporate strategy

In June 2019, the Board of Directors approved placing the Sustainable Development Goals (SDGs) at the heart of Sabadell's strategy and setting them as a priority in the development of its activity




¹ The Non-Financial Disclosures Report includes all matters relating to sustainability.



Sustainable finance plan


The Sustainable Finance Plan approved by the Board of Directors places the Sustainable Development Goals at the core of Sabadell's corporate strategy and outlines the key actions and initiatives to achieve four objectives:

- A**




Support **CLIENTS** in the transition towards a sustainable economy

 - Define eligibility guidelines to identify sustainable portfolio
 - Sustainable financing solutions for customers
 - Develop sectoral norms
 - Sustainability indicator for companies (in progress)
- B**




Enable **INVESTORS** to contribute to sustainability

 - Increase responsible investment products offering
 - Implement Banco Sabadell SDG Bond Framework
- C**



Adapt the **ORGANISATION** to the new paradigm

 - Committed to reducing the carbon footprint
 - Promote diversity, gender equality and work-life balance
 - Create new governing bodies to strengthen sustainable strategy
- D**



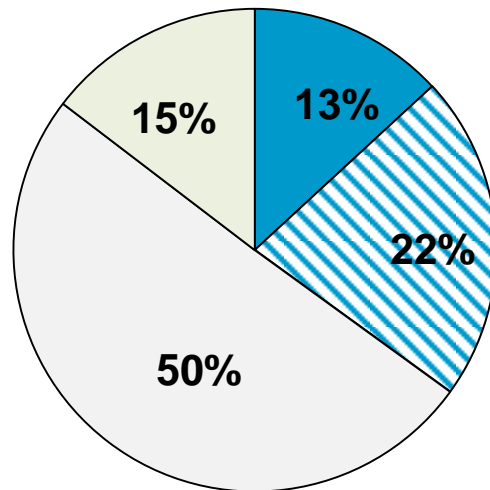
Contribute to the transition towards a sustainable **SOCIETY**

 - Social housing management
 - Financing and investment in sustainable projects

A Eligibility guide to identify sustainable activities



Banco Sabadell Portfolio¹



■ Sustainable portfolio identified

▨ Potentially sustainable portfolio

□ Non intensive activities in CO2 and with low environmental impact

□ Other activities²

In March 2020 Banco Sabadell created its internal Eligibility Guide, which **defines sustainable financing activities** across the Group. The Eligibility Guide establishes the criteria and required supporting documentation for **99 activities** to be considered sustainable, of which 74 are green and 25 are social. The technical eligibility criteria are based on **the EU Taxonomy, ICMA's Green and Social Bond Principles and best market practice**. The key benefits of the Eligibility Guide are:

- ✓ Allows to **identify the existing portfolio** of sustainable loans to companies, which at the end of May 2020 totalled **~€9.500M (or 13% of total portfolio)** with further **~€15.800M (or 22%)** being potentially sustainable. Note that 50% of the total exposure corresponds to non CO2 intensive activities with low environmental impact.
- ✓ Enables **screening the new production of sustainable financing** to customers by setting clear and unique criteria across the organisation
- ✓ **Facilitates the collection and processing of information** by outlining the data and documentation needed to determine the eligibility of each activity
- ✓ Helps to **develop products and services** focused on supporting customers' transition towards a sustainable economy

¹ Data as at end-May 2020. Includes loans to companies in Spain and renewable energy projects from Mexico and international branches.

² Includes activities with high environmental impact or CO2 intensive that are not included in EU taxonomy. The sustainable finance plan includes the development of sectoral norms (see next slide).

A Sustainable product offering and sectoral norms



Financing solutions



✓ Solutions for facilities and machinery

ECO loan for SMEs, a solution for companies that aims to replace power systems in buildings, heating or recycling systems, and commercial or industrial vehicle fleets, with new, more energy-efficient and sustainable versions

✓ Mobility solutions

ECO Car Loan, aimed at retail customers, enables the purchase of a “Zero emissions” or “ECO” labelled vehicle, under attractive conditions

✓ Solutions for sustainable renewal

Solutions aimed at the sustainable renovation of homes, buildings, offices, premises and replacement of white goods

Sectoral norms



Due to our environmental and social commitment, we are defining **sectoral norms**, which will establish the defining framework of a limited number of activities considered unsustainable (‘brown’) whose financing the bank has decided to restrict or prohibit

At Sabadell we are aware that we must move forward to be catalysts for the transition that our society needs

Companies Sustainability indicator



Objectives:

- Generate a first indicator of the sensitivity to sustainability
- Identify business opportunities related to sustainable financing

**2020
sustainability
indicator
approach**

Business
activity

Sustainability
questionnaire
output

External
sources

B Channeling funds to sustainable investments



Responsible investing



Banco Sabadell encourages responsible investing by offering customers a number of savings and investment products which also contribute to charitable projects

- ✓ Pension fund manager BanSabadell Pensiones E.G.F.P., S.A. and Aurica Capital, a venture capital enterprise, have adopted the **Principles for Responsible Investment (PRI)** in the “investment manager” category
- ✓ SRI products include Sabadell Inversión Ética y Solidaria F.I., (a mutual fund), BS Ético y Solidario, P.P. and BanSabadell 21 P.P (pension plans), as well as G.M. Pensiones, F.P., a pension fund intended for the Bank’s employees
- ✓ Sabadell Economía Verde, a new investment fund which invests mainly in shares of companies that pursue activities related to environmental improvement and the reduction of environmental risks

€uros	31/05/2020
Ethical and charitable investment	108,771,939
Sabadell Economía Verde	32,098,424
Sabadell ethical and supportive plan	18,250,302

- ✓ Launch of 2 new multi-asset flexible funds (July 2020)



Sabadell Crecimiento Sostenible

Sabadell Acumula Sostenible

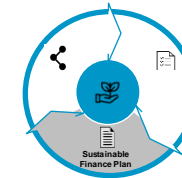
SDG Bond Framework



Banco Sabadell is aware of the key role played by financial institutions in helping to channel investments into projects that contribute towards resource-efficient, low carbon and inclusive economic growth

- Creating the SDG Bond Framework allows Banco Sabadell to raise funds through the issuance of green bonds, social bonds and sustainability bonds and invest them into projects that contribute towards the achievement of 10 Sustainable Development Goals
- Sabadell’s SDG Bond Framework is aligned with ICMA’s Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG)
- The SDG Bond Framework applies the eligibility criteria proposed in the EU Taxonomy for all Green Project categories and intends to achieve an alignment with the proposed EU Green Bond Standards

C Strengthening the ESG profile



Environmental

Reduce Carbon Footprint

Implement measures to reduce Carbon Footprint



Scope 2 emissions reduced by 99.85% since 2014



Target: 9.9% reduction of Co2 emissions

Social

Promoting Diversity, Gender Equality and Work-Life balance

Measures to improve Diversity



Targets:

- Reduce the gender gap
- Increase women's presence in management positions
- Increase diversity in TSB



Governance

Decision-making processes, responsibilities and competences regarding sustainable matters within the organisation

- ✓ Creation of the Sustainability Division which concentrates the activity of the former Corporate Social Responsibility Division and coordinates, in a cross-cutting way, ESG related matters within the organisation.
- ✓ Creation of the Sustainability Committee, responsible for setting and monitoring the Sustainable Finance Plan and developing key projects and initiatives.

C Governance aligned with sustainability goals



Policies, Code and Regulations

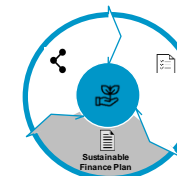


Banco Sabadell's top management bodies, including the Board of Directors, have established a set of policies, codes and regulations to govern and guide the actions of the entire organisation in line with the Bank's sustainability commitments and objectives



- ✓ **Corporate Social Responsibility Policy**
- ✓ **Ethics and Human Rights Policy**
- ✓ **Restrictions on financing and investment in activities associated with the arms industry**
- ✓ **Customers Policy**
- ✓ **Human Resources Policy**
- ✓ **Banco Sabadell Group Remuneration Policy**
- ✓ **Banco Sabadell Equality Plan**
- ✓ **Environmental Policy**
- ✓ **Suppliers Policy**
- ✓ **Social Action Policy**
- ✓ **Tax Strategy and Good Taxation Practices**

D Fostering renewable energy and social housing



Financing and investment in sustainable projects

Banco Sabadell fosters the development of a sustainable energy model through financing and direct investment in renewable energy projects.



€150M

Capital investment in renewable energies

20,568 MW in Spain

c.€3,100M

Renewable energies funding

730 MW in EMEA Ex Spain

9,977 MW in USA, Latam and México

Leaders in merchant project finance in Spain¹

Social housing management

Banco Sabadell manages some of the complexities of social housing with the aim of responsibly addressing situations of social exclusion affecting its more vulnerable mortgage borrowers.

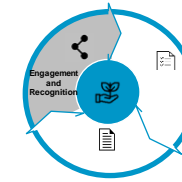


10,450 properties under social and affordable rental arrangements were managed by Sogeviso as at December 2019

3,197 Families in social programs

2,134 Clients supported to find employment

Institutional engagement and recognition



Applies 10 principles of UN Global Compact



Incorporates material SDGs in all its activities



Signatory of UN Principles for Responsible Banking
Ratification of Collective Commitment to Climate Action



Signatory of Equator Principles, to ensure social and environmental matters receive full attention in project finance



Signatory of Carbon Disclosure Project and CDP on Water Disclosure



Signatory of UN Principles for Responsible Investment in "investment manager" category



Equality in the Workplace Award (Government of Spain)



Gold Seal of Excellence of EFQM Model



Sabadell included in FTSE4Good IBEX



ISO 9001 certification for Group's financial undertakings in Spain



Has arranged a series of activities as part of the National Financial Education Plan



Environmental management systems in 6 corporate HQ certified to ISO 14001 standard



3

SDG Bond Framework

SDG Bond Framework

Rationale

- ✓ Enables Sabadell to issue green, social and sustainability bonds
- ✓ Becomes an important tool for Sabadell to implement its sustainability strategy
- ✓ Articulates Sabadell's contribution towards the achievement of 10 SDGs



Key features



Use of proceeds



Project evaluation and selection



Management of proceeds



Reporting



External review








- Includes **6 green and 3 social categories** of eligible projects to be financed, each linked to a UN SDG
- Eligibility criteria **aligned with the EU Taxonomy** and ICMA's Green and Social Bond Principles
- The **Sustainability Committee, chaired by the Group CEO**, oversees the process for evaluating and selecting eligible green and social projects
- Net proceeds to be **allocated within 2 years** and unallocated proceeds will be invested in cash, cash equivalents or green, social or sustainability bonds from other European issuers
- Look-back period of **2 calendar years**
- Allocation and impact reporting on each issuance **at least once a year until full allocation**
- **Second Party Opinion (SPO) by Sustainalytics** and **independent auditor to verify the allocation of net proceeds** from each bond issuance

SDG Bond Framework



Use of proceeds – Eligible green project categories



UN SDG contribution	Category	Eligible Activities	EU Environmental Objective contribution
	Renewable energy	<ul style="list-style-type: none"> Power generation of renewable energy power plants: solar, wind, hydro, geothermal and bioenergy Transmission and distribution of energy 	1.Climate Change Mitigation
	Pollution prevention and control	<ul style="list-style-type: none"> Waste management infrastructure 	1.Climate Change Mitigation 5.Pollution prevention and control
	Sustainable water management	<ul style="list-style-type: none"> Water collection, treatment and supply systems 	1.Climate Change Mitigation 3.Sustainable use and protection of water 5.Pollution prevention and control
	Clean transportation	<ul style="list-style-type: none"> Private, public and commercial transportation with zero emissions vehicles or with low emission rate 	1. Climate Change Mitigation
 	Energy efficiency	<ul style="list-style-type: none"> Manufacture of low carbon technologies Individual renewal measures Information and communication services 	1.Climate Change Mitigation 2.Climate Change Adaptation
	Green buildings	<ul style="list-style-type: none"> Purchase & construction of Green buildings Renovation of buildings leading to energy savings improvement 	1. Climate Change Mitigation

SDG Bond Framework



Use of proceeds – Eligible social project categories



UN SDG contribution	Category	Eligible Activities	Target population
	Access to essential services	<ul style="list-style-type: none"> Health services, including systems infrastructure and development of equipment Education, including construction and renewal of facilities and training for education professionals Financial inclusion projects focused on providing access to banking and financial services for underserved populations Affordable basic infrastructure such as nurseries, care homes for the elderly and people with disabilities, soup kitchens 	<ul style="list-style-type: none"> General public Vulnerable populations Elderly
	Affordable housing	<ul style="list-style-type: none"> Construction, development and acquisition of social housing Access to adequate and affordable housing 	<ul style="list-style-type: none"> Vulnerable populations at risk of social exclusion Populations that require affordable housing
	Employment generation	<ul style="list-style-type: none"> Micro and small sized enterprises as defined by the European Commission SMEs, as defined by the European Commission, affected by any natural and/or health disaster (such as floods, droughts and pandemics) 	<ul style="list-style-type: none"> Unemployed people Populations affected by a natural and/or health disaster

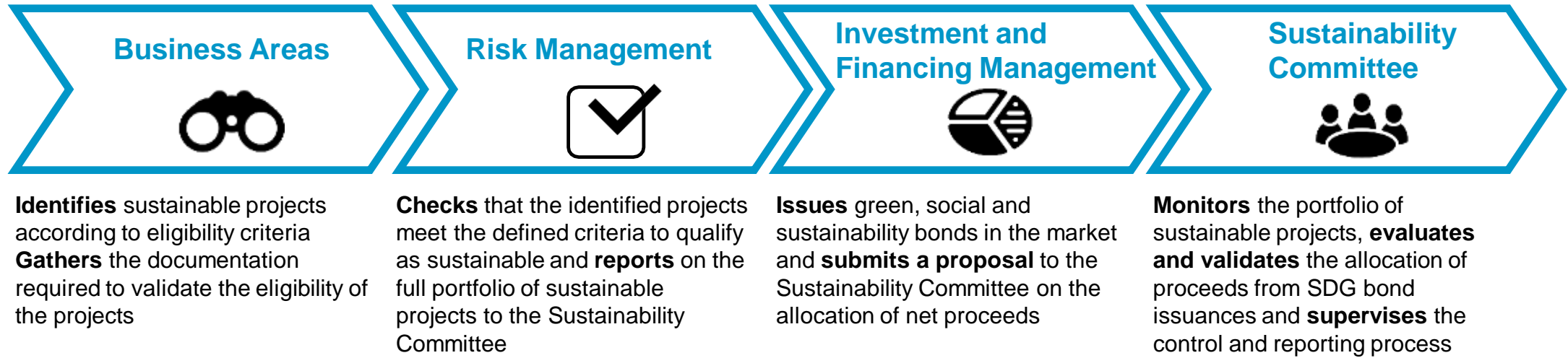
Exclusions:

- ▶ Nuclear energy
- ▶ Fossil fuels
- ▶ Mining
- ▶ Defense and arms of any type
- ▶ Gambling
- ▶ Tobacco or alcohol

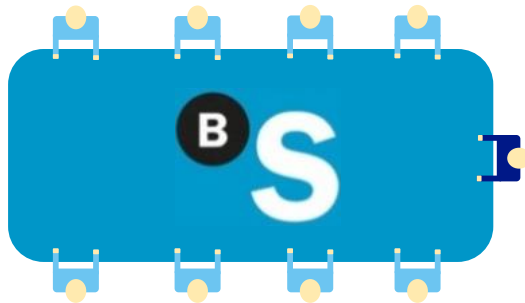
SDG Bond Framework



Project evaluation and selection



Sabadell's Sustainability Committee



- **Chaired by the Group CEO** with participation of senior members from the General Secretariat, the Risk and Regulation Division, the Operations and People Division, Risk Management, the Finance Division, Sabadell Spain and the Corporate & Investment Banking Division
- The **Sustainability Committee is in charge of setting Sabadell's sustainability strategy** and targets as well as proposing the key initiatives to achieve them
- With regard to the SDG Bond Framework, the committee is **responsible for updating it** when needed and **overseeing the Project Evaluation and Selection process**
- Meets **monthly** and reports regularly to the Executive Committee

SDG Bond Framework



Management of proceeds

- **The Investments and Financing Management Division is responsible for managing the net proceeds** from Green, Social and/or Sustainability Bonds by proposing their allocation to eligible projects to the Sustainability Committee as well as for monitoring and reporting on outstanding bond issuances
- All projects that meet the eligibility criteria will be monitored and **a register will be kept comprising details of the projects**, loan amount outstanding, date of disbursement, maturity date and indicators of expected environmental and/or social benefits
- The Group undertakes to do everything in its power to **allocate the proceeds to eligible projects within a maximum of 2 years**
- Any **unallocated proceeds will be invested in cash, cash equivalents and/or green, social and sustainability bonds** from other European issuers that are in line with the Bank's investment guidelines
- Proceeds will be allocated according to the eligibility criteria set out in this Framework. In the event of any asset sales or loans that no longer meet the defined eligibility criteria, **the Group will do everything possible to use the allocated funds to finance other eligible loans or projects**

SDG Bond Framework



Reporting

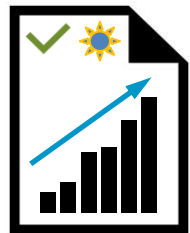
Banco Sabadell undertakes to publish reports on the **allocation of proceeds** from each bond issuance and the **environmental and/or social impact generated** by these projects **at least annually until full allocation of net proceeds** and thereafter if there is a material change in the composition of the financed eligible project portfolio.

■ Allocation Reporting



- To include information such as:
- ✓ Total funds obtained from green social and/or sustainability bond proceeds
 - ✓ Breakdown of proceeds allocated to eligible categories and mapping to UN SDGs
 - ✓ Share of financing vs refinancing
 - ✓ Share of unallocated proceeds at the time of reporting (if any)

■ Impact Reporting



Examples of potential KPIs:

Renewable energy

- Installed capacity (MW)
- Energy generated (MWh/year)
- Tonnes of CO2e avoided per year

Pollution prevention and control

- Tonnes of waste managed, recycled or recovered per year

Green buildings

- Energy saved (MWh/year)
- Tonnes of CO2e avoided per year

Sustainable water management

- Volume of wastewater treated or avoided (m3/year)
- Number of people with access to improved facilities

Clean transportation

- KM of public transport lines created/maintained
- Tonnes of CO2e avoided per year

Energy efficiency

- Energy saved (MWh/year)

Access to essential services

- Number of health/education facilities built/upgraded
- Number of beneficiaries

Affordable housing

- Number of residents benefited

Employment generation

- Number of jobs generated and retained

SDG Bond Framework

External review

Second-Party Opinion
Banco Sabadell SDG Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Banco Sabadell SDG Bond Framework aligns with the Green Bond Principles 2018, Social Bond Principles 2020 and Sustainability Bond Guidelines 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy, Pollution Prevention and Control, Sustainable Water Management, Energy Efficiency, Clean Transportation, Green Buildings, Access to Essential Services, Affordable Housing and Employment Generation – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 3, 4, 6, 7, 8, 11 and 12.



PROJECT EVALUATION / SELECTION Banco Sabadell's project evaluation and selection process is managed by the Sustainability Committee. Business Units identify potential projects, which are then screened by the Risk Management Division to ensure eligibility. The Investments and Financing Management Division will then propose a portfolio to the Sustainability Committee for final verification. Sustainalytics notes the Issuer's process is clearly defined and is aligned with market best practice.



MANAGEMENT OF PROCEEDS Management of proceeds will be handled by the Investments and Financing Management Division. Proceeds will be tracked via an internal system. Banco Sabadell intends to allocate proceeds within two years of issuance. Unallocated proceeds may be temporarily invested in other green bonds aligned with the Bank's internal investment guidelines. This process is aligned with market practice.



REPORTING Banco Sabadell intends to report on allocation and impact on an annual basis, on its website, until full allocation. Allocation reporting will include the total amounts allocated, the percentage of financing vs refinancing, the share of unallocated proceeds and a breakdown of proceeds allocated to eligible categories. Impact reporting will include relevant impact metrics. This process is aligned with market practice.



Second Party Opinion (SPO)



- Sabadell hired Sustainalytics to carry out an independent review of its SDG Bond Framework
- This SPO confirmed the alignment of this Framework with the ICMA Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines
- The SPO is available on Banco Sabadell's corporate website

External Verification



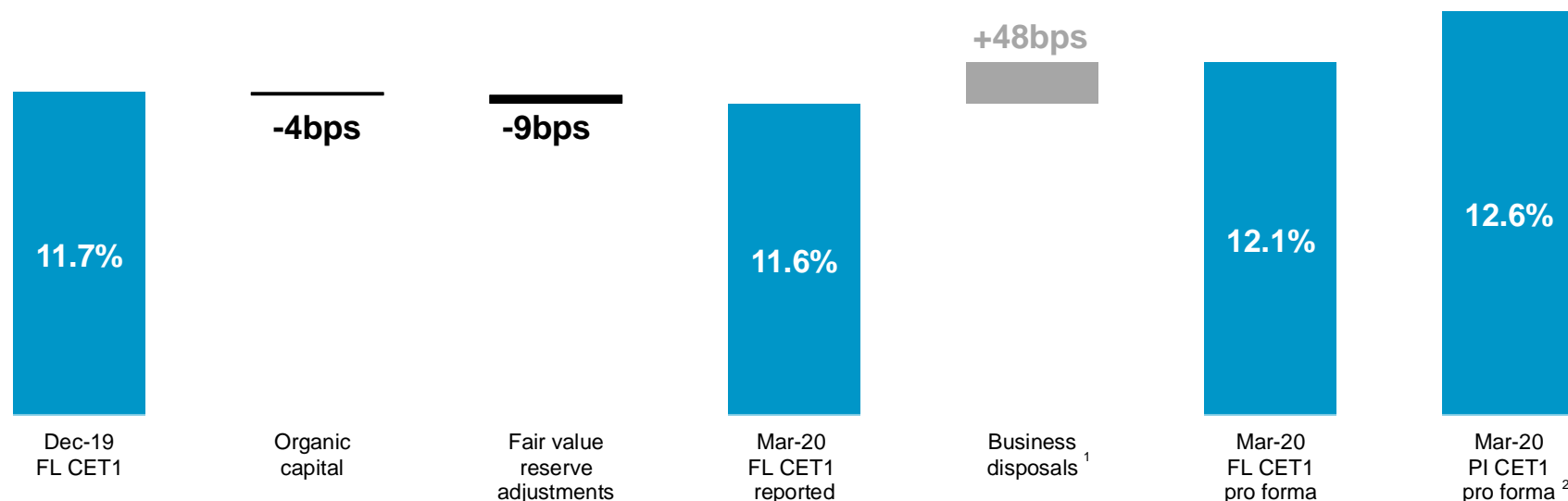
- Sabadell will engage an independent auditor to verify the allocation of net proceeds obtained from issuing green, social and sustainability bonds and to review the alignment of financed projects with the eligibility criteria established in the Framework

Appendix

- 1 Capital and liquidity
- 2 Commercial activity
- 3 Asset quality and cost of risk
- 4 Renewable energy projects

1. Sabadell's capital position remained stable QoQ

QoQ CET1 evolution



Mar-20 RWAs: €81,500M

Of which:

- Credit risk: €65bn
- Market risk: €1bn
- Operational risk: €8bn
- DTAs & others: €7bn

Of which:

- Spain: €66bn
- UK: €12bn
- Mexico: €4bn

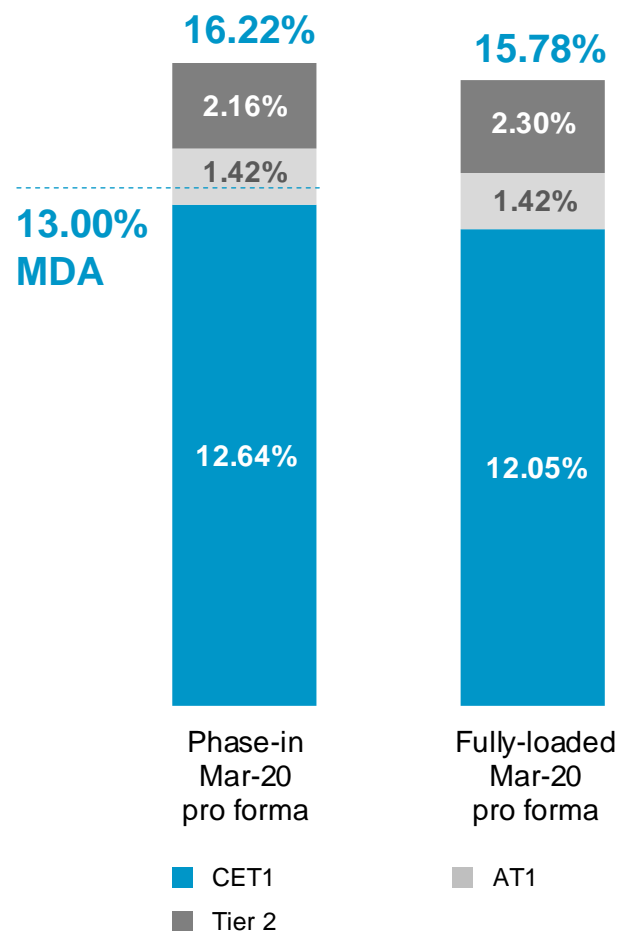
- No interim dividend in 2020, therefore no dividend accrued in the quarter
- Sabadell AM disposal was closed on June 30th, which represented 36bps of capital

¹ Of which: RE developer ("Desarrollos Inmobiliarios") disposal: +5bps, Sabadell AM disposal: +36bps and the depositary business disposal: +7bps. ² Includes 70% of the IFRS9 transitional impact.

1. Comfortable MDA buffer of 322bps

Strong capital position ...

Group capital position



... well above capital requirements

Group capital requirements

%	2019	2020	2020 (post Mar-20 ECB statements)
Pillar 1 CET1	4.50%	4.50%	4.50%
Pillar 2 CET1 Requirement (P2R)	2.25%	2.25%	1.27%
Capital Conservation Buffer	2.50%	2.50%	2.50%
Countercyclical Buffer	0.14%	-	-
Other Systemically Important institutions	0.25%	0.25%	0.25%
CET1 Requirement	9.64%	9.50%	8.52%
AT1	1.50%	1.50%	1.92% ²
Tier 2	2.00%	2.00%	2.56% ²
Total Capital Requirement	13.14%	13.00%	13.00%

Total capital and CET1 requirement of 13.00% and 8.52%, respectively, post Mar-20 supervisory statements as:

- ✓ BoE decreased the Countercyclical buffer to 0%
- ✓ Change of P2R mix as per CRDV

MDA buffer
pro forma
322bps¹

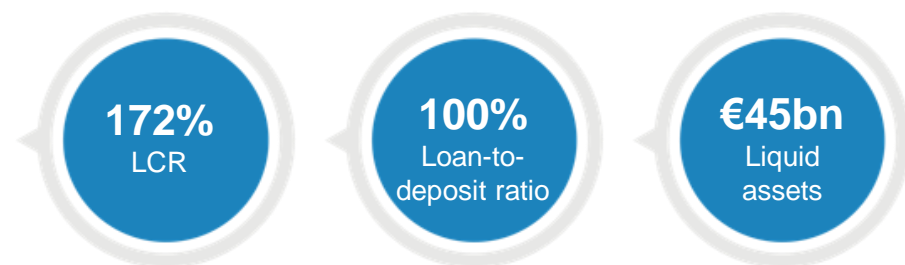
Phase-in
leverage ratio
5.09%

¹ Total capital phase-in pro forma as at Mar-20 (16.22%) vs. total capital requirement of 2020 (13.00%). ² Post Mar-20 ECB statement, which assumes the bank can use excess Tier 2 and AT1 to meet P2R (in total 98bps of excess hybrid capital, of which 42bps would be AT1 and 56bps Tier 2).

1. Strong liquidity position

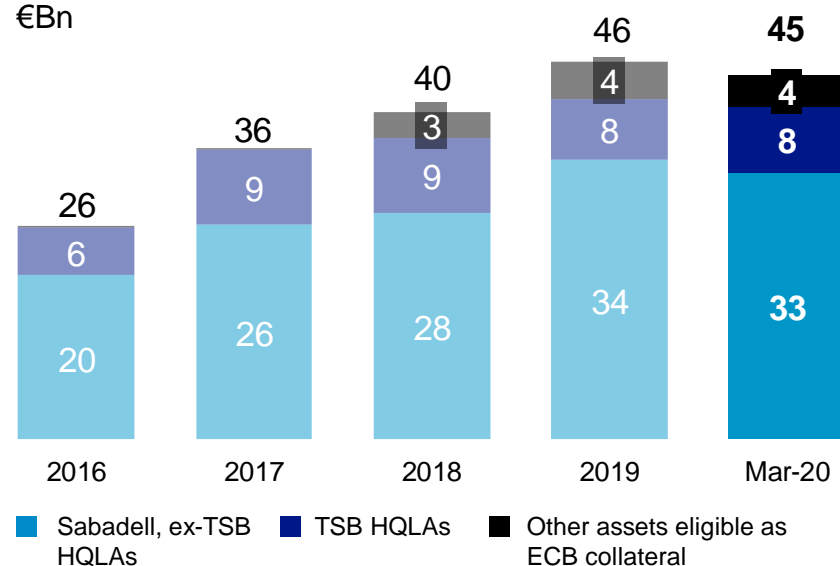
Substantial liquidity buffers

Sabadell Group¹



Total liquid assets

€Bn



¹ Data as at March 2020.

Credit ratings

Group long-term credit ratings and outlook

Standard & Poor's	BBB Negative	Fitch Ratings	BBB Watch negative
Moody's ¹	Baa3 Stable	DBRS	A (low) Negative

¹ Refers to the senior unsecured (preferred) long-term rating.

Additional Central Bank funding

Outstanding funding:

- TLTRO-III: €27bn, which are due in June 2023
- TFS: £4.5bn, of which £3.6bn are due in 2021 and £0.9bn in 2022

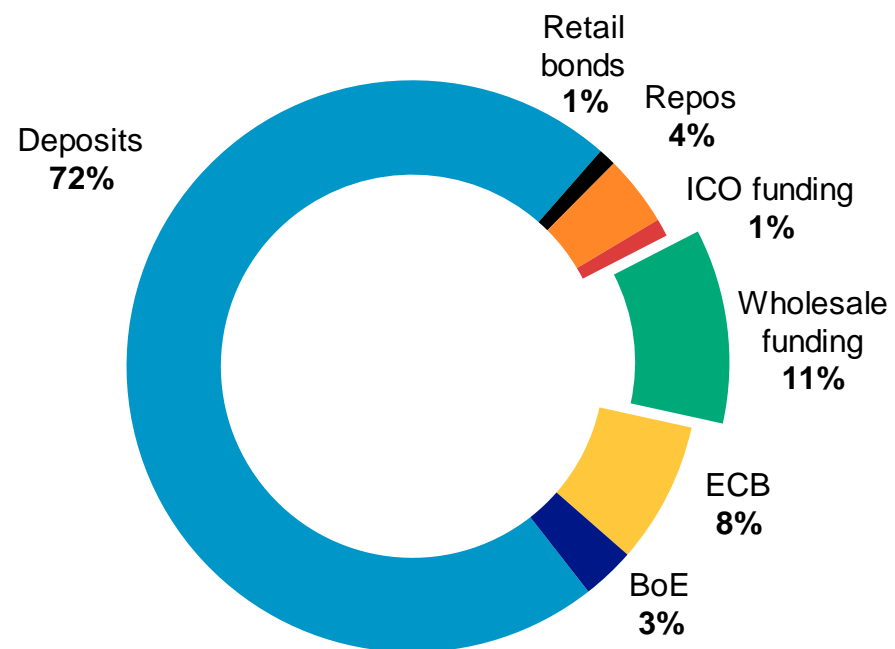
Additional liquidity available:

- TLTRO-III: Up to €2bn funds available
- TFSME: At least £3.0bn funds available

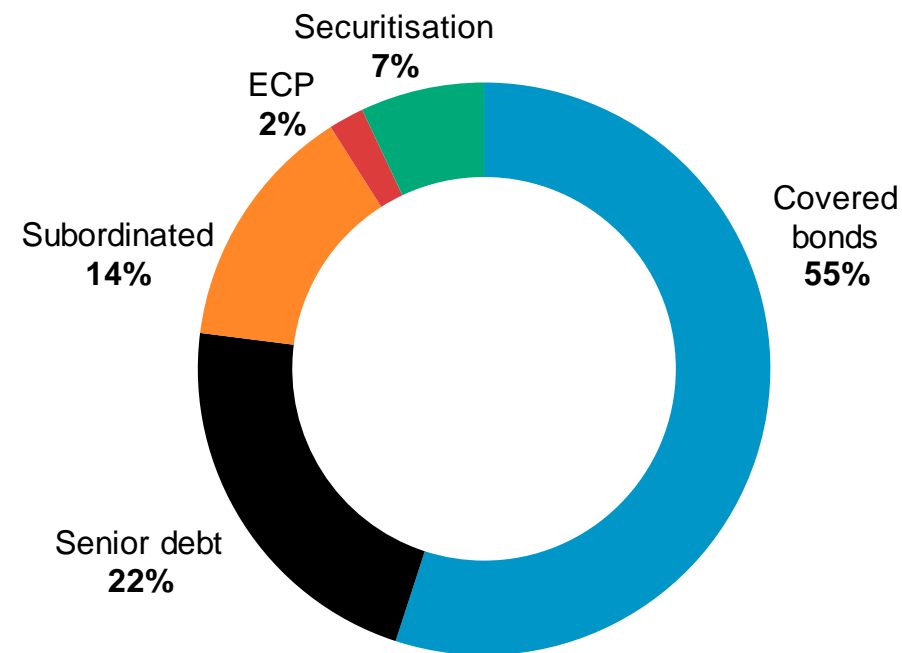
Outstanding TFS funding to be rolled out into new facilities

1. Group funding structure

Funding structure






Wholesale funding breakdown



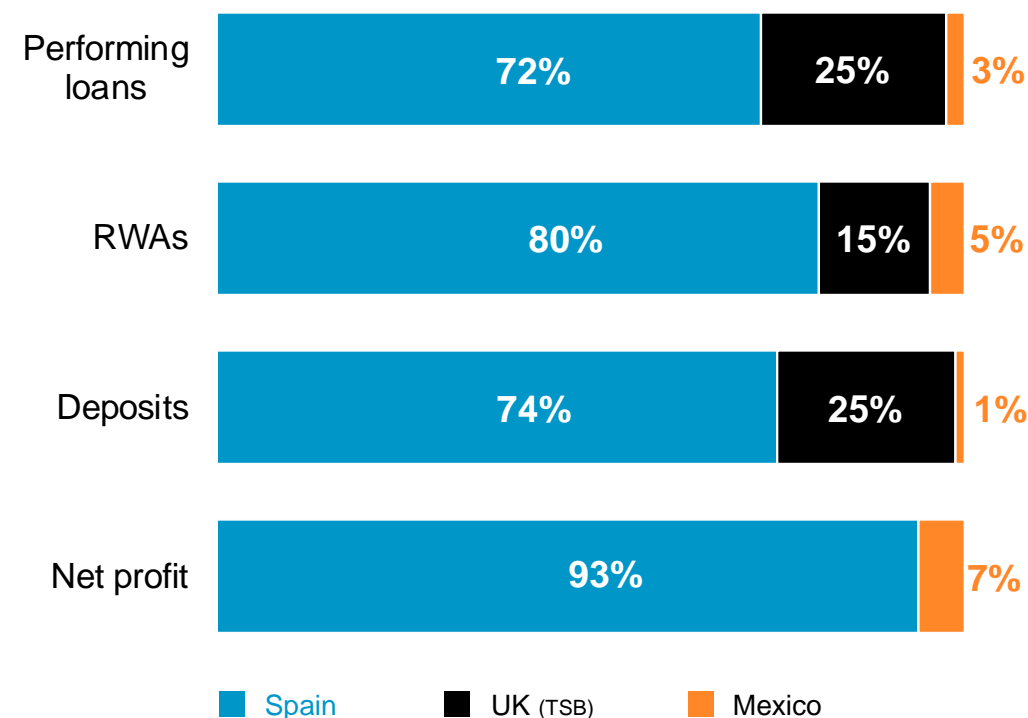
2. Performing loans grew YoY across geographies

Group performing loans evolution by geography

€M.

		Mar-20	QoQ	YoY
	Spain	103,246	+2.6% ¹	+4.2% ¹
	of which: foreign branches	10,096	+10.5%	+28.1%
	UK (TSB)	34,844	-0.5%	+2.7%
	Mexico	3,623	+22.8%	+30.9%
Total		141,714	+2.2%¹	+4.4%¹

Business distribution across geographies Mar-20

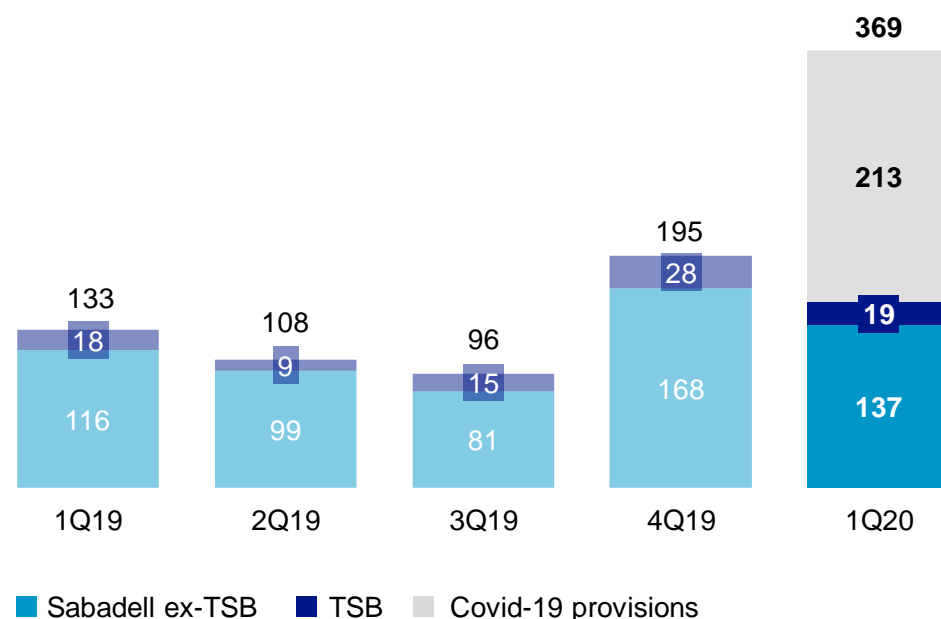


Note: Group growth rate expressed in constant FX and Mexico and UK in local currency. Excludes CAM Asset Protection Scheme A/R . ¹ Excludes the impact of €0.5bn A/R related to the closing of NPA disposals (€1.1bn in Dec-19).

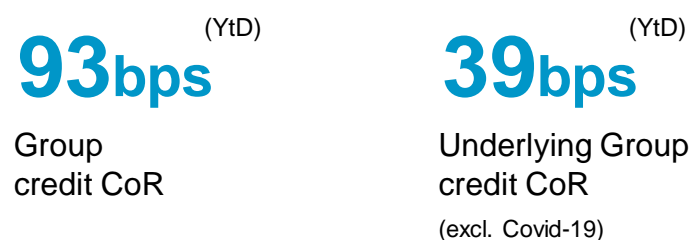
3. Sabadell has frontloaded significant provisions to prepare for Covid-19

Evolution of credit provisions (excl. costs)

€M



Credit CoR

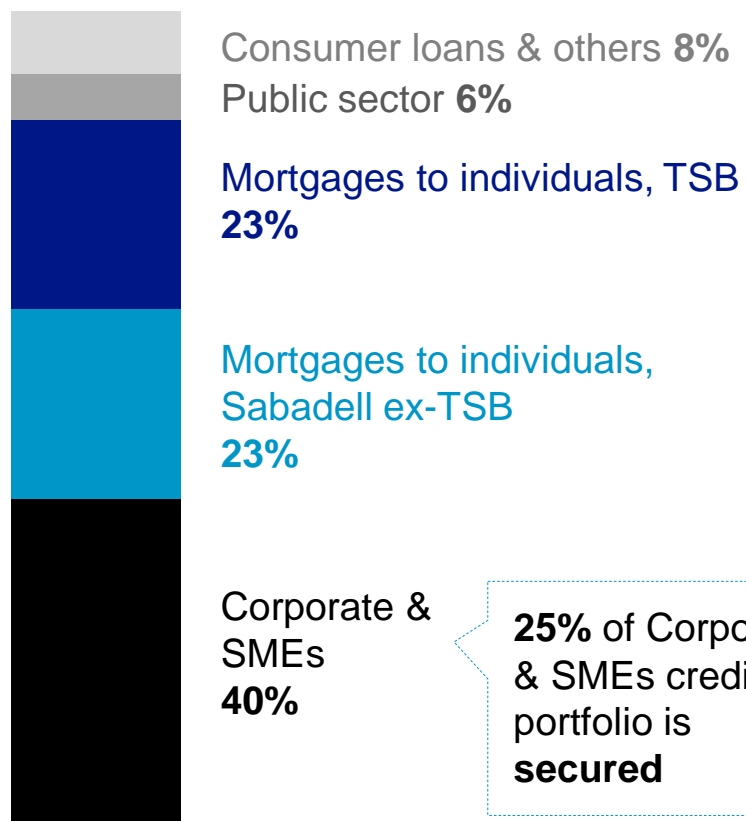


- A Post Model Adjustment was used in the calculation of Covid-19 provisions. This adjustment was based on our estimated credit losses, using the macro-economic scenarios recently published by the Bank of Spain, and giving more weight to the long-term outlook, which is more stable
- As a result, Sabadell has booked €213M of additional provisions

3. Well diversified portfolio with limited exposure to sectors most sensitive to Covid-19

Group performing loans

€142bn



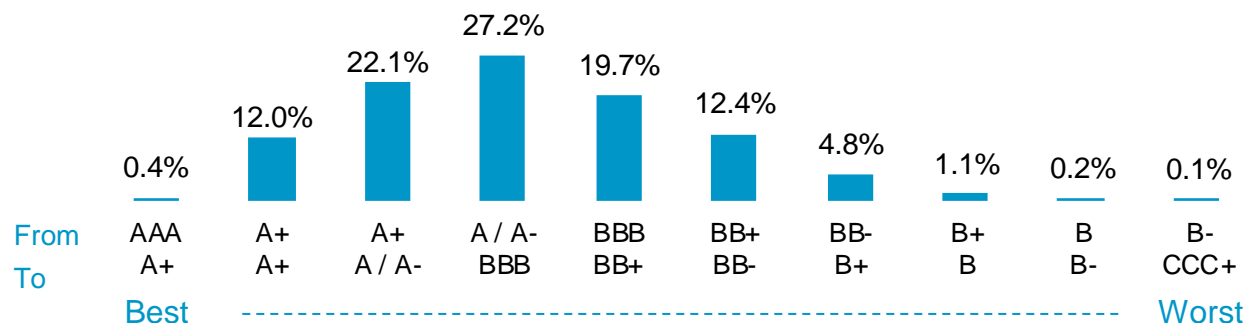
25% of Corporates & SMEs credit portfolio is secured

Corporates and SMEs most sensitive to Covid-19

€Bn

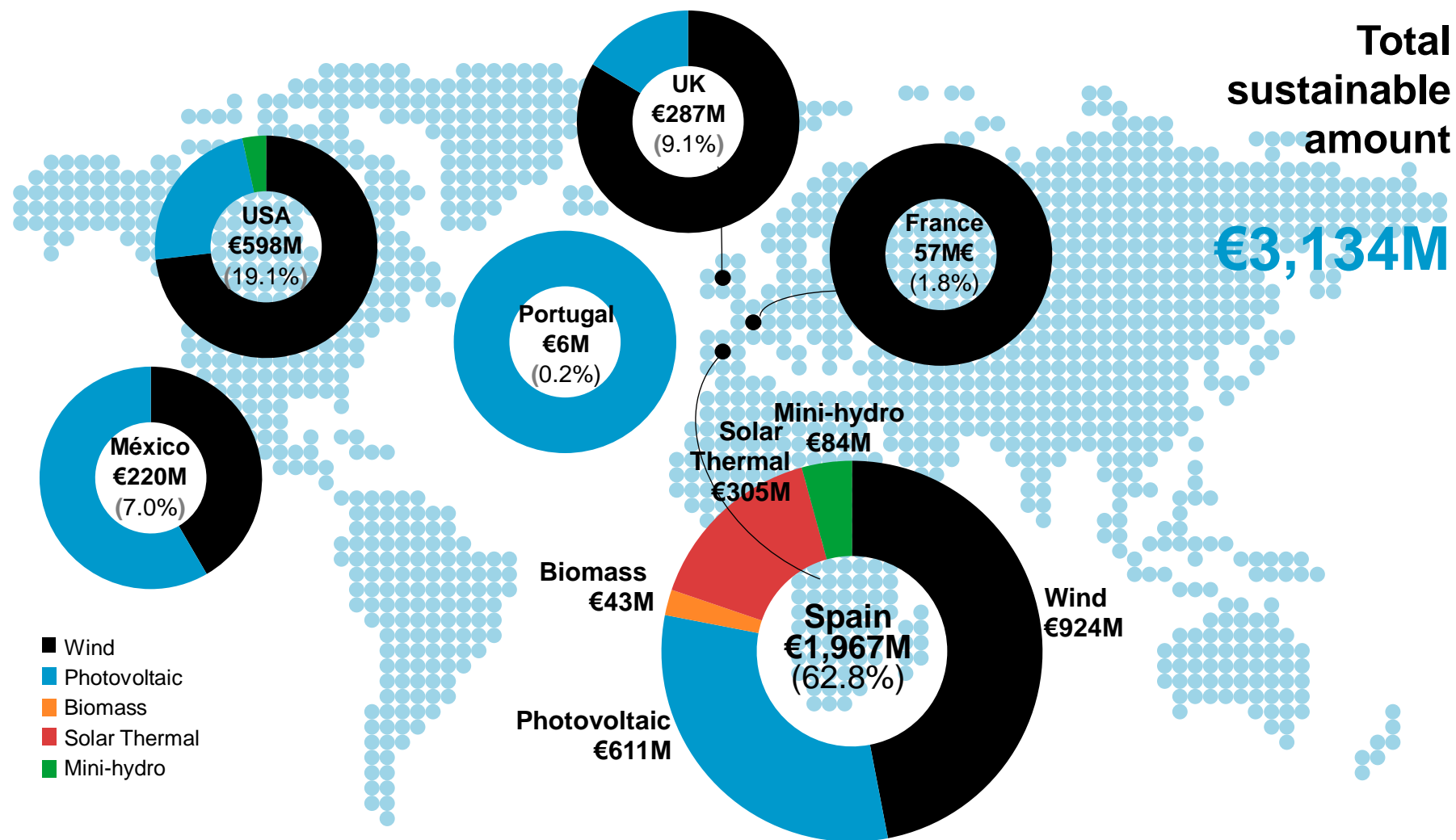
	Performing loans	EAD
Tourism, Hospitality & Leisure	5.3	6.2
Transport	3.4	3.8
of which, Airlines	0.5	0.5
Auto	1.4	1.6
Retail (non-food)	1.1	1.2
Oil	0.2	0.4
Total	11.4	13.1
% of total	8%	8%

Breakdown of total Corporates & SMEs portfolio EAD by rating




Note: Data as at Mar-20. Excludes CAM Asset Protection Scheme A/R. EAD refers to Exposure at Default.

4. Renewable Energy Portfolio



Note: Data as at December 2019.

4. Renewable Energy Projects

Eligibility criteria	Renewable energy 
	<ul style="list-style-type: none"> • Generation of photovoltaic energy through solar panels and concentrated solar power technology. • Generation of both onshore and offshore wind energy. • Generation of hydroelectric energy through the creation of new hydro power plants or investments in the refurbishment or refinancing of existing hydro power plants (hydro power facilities with capacity above 25MW are excluded). • Generation of geothermal energy. • Generation of bioenergy through agriculture and forestry waste. • Transmission and distribution of energy
Impact reporting KPIs	<ul style="list-style-type: none"> • Installed capacity (MW) • Energy generated (MWh/year) • Km of transmission lines network • Tonnes of CO2e avoided per year

Example of project: **Mula PV**

Description of project : **Solar Power Plant which is one of the largest solar power plants in Spain and will supply the annual electricity consumption of ~ 540,000 households**

Location: **Murcia, Spain**

Installed capacity¹: **450 MW**

Annual energy production¹: **794 GWh**

The project was **concluded in 2019**

Annual GHG² emissions avoided: **191,324 tonnes of CO₂eq.**



¹ Installed capacity and annual energy production data estimated ex ante

² Methodology applied to estimate the annual GHG emissions avoided. 1GWh ≈ 240,962 CO₂ saved

4. Renewable Energy Projects

Example of project: **Norvento Sasdónigas & Estelo**

Description of project: **One of the largest wind farm projects in north-west Spain that will supply the annual electricity consumption of ~ 153,600 households**

Location: **Galicia, Spain**

Installed capacity¹: **128 MW**

Annual energy production¹: **548 GWh**

The project was concluded in **2019**

Annual GHG² emissions avoided: **286,332 tonnes of CO₂eq.**



Example of project: **La Solanilla**

Description of project: **Photovoltaic project awarded in the last Spanish auction promoted by FRV. It will supply the annual electricity consumption of ~ 60,000 households**

Location: **Extremadura, Spain**

Installed capacity¹: **50 MW**

Annual energy production¹: **100 GWh**

The project was concluded in **1Q2020**

Annual GHG³ emissions avoided: **240,962 tonnes of CO₂eq.**



¹ Installed capacity and annual energy production data estimated ex ante.

² Methodology applied to estimate the annual GHG emissions avoided 1GWh ≈ 522,504 CO₂ saved

³ Methodology applied to estimate the annual GHG emissions avoided 1GWh ≈ 240,962 CO₂ saved

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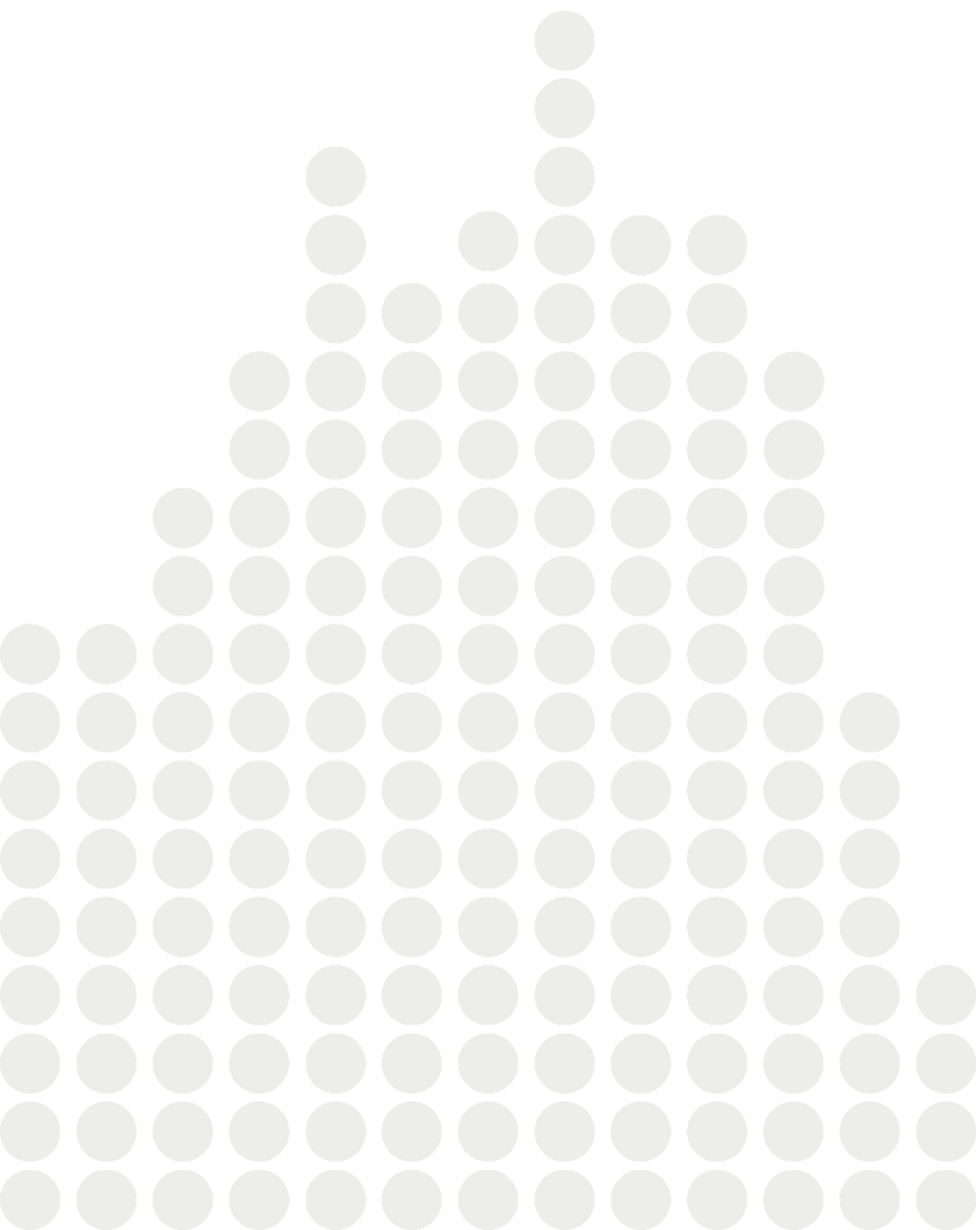
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B Sabadell
Shareholder and Investor Relations

investorrelations@bancsabadell.com

+44 2071 553 888