

Quarterly financial report

First quarter of 2018



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Basis of presentation

The consolidated income statement and balance sheet at the end of March 2018 and at 2017, together with the disclosures shown in this Financial Report, are presented in accordance with the accounting standards, principles and criteria defined in Note 1 to the Group's consolidated annual accounts as at 31 December 2017.

Pursuant to the Guidelines on alternative performance measures published by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415es), a glossary has been included with the definitions and the reconciliation with the items presented in the financial statements of certain alternative financial measures used in this document. See Glossary of terms on performance measures.

1. Key figures

	Excl. TSB			Total group			
	31.03.17	31.03.18	Change (%)	31.03.17	31.03.18	Change (%)	
Profit and loss account (€million)							
Net interest income	(1)	646.0	658.4	19	894.3	911.5	19
Gross operating income	(1)	1,262.3	1,174.3	-7.0	1,545.0	1,455.1	-5.8
Pre-provisions income	(1)	751.6	649.0	-13.6	777.8	615.1	-20.9
Attributable net profit	(1)	191.3	303.1	58.4	195.4	259.3	32.7
Balance sheet (€million)							
Total assets		171,574	169,676	-1.1	219,093	219,009	0.0
Performing gross loans	(1)	101,320	101,653	0.3	135,238	137,246	1.5
Gross loans to customers	(1)	110,254	109,048	-1.1	144,373	145,066	0.5
On-balance sheet funds	(1)	114,137	120,508	5.6	153,028	158,521	3.6
Of which: Customer funds	(1)	95,430	98,283	3.0	130,148	133,280	2.4
Mutual funds		23,964	28,136	17.4	23,964	28,136	17.4
Pension funds and third-party insurance products		14,113	14,223	0.8	14,113	14,223	0.8
Funds under management	(1)	155,985	166,871	7.0	194,876	204,885	5.1
Net equity		--	--		12,943	12,870	-0.6
Shareholders' equity		--	--		12,992	12,965	-0.2
Profitability and cost-to-income ratios (%)							
ROA		--	--		0.33	0.43	
RORWA		--	--		0.79	1.17	
ROE	(2)	--	--		5.27	7.15	
ROTE		--	--		6.29	8.66	
Cost / income		43.62	40.39		52.32	53.42	
Risk management							
Non-performing exposures (€million)		9,143	7,507	-17.9	9,307	7,898	-15.1
Total problematic assets (€million)		18,112	14,923	-17.6	18,275	15,314	-16.2
NPL ratio (%)		7.45	6.38		5.86	5.14	
NPL coverage ratio (%)		48.8	56.9		48.9	56.6	
Problematic assets coverage (%)		48.4	55.3		48.4	55.2	
Capital management							
Risk weighted assets (RWA)		--	--		86,581	78,525	-9.3
Common Equity Tier 1 phase-in (%)		--	--		11.9	12.9	
Tier I phase-in (%)		--	--		11.9	14.4	
Total capital ratio phase-in (%)		--	--		13.7	16.1	
Leverage ratio phase-in (%)		--	--		4.61	5.08	
Liquidity management							
Loan-to-deposits ratio (%)	(1)	105.9	103.7		103.8	102.9	
Share data (period end)							
Number of shareholders		--	--		255,205	231,373	
Average number of shares (million)		--	--		5,576	5,579	
Share price (€)	(3)	--	--		17.18	16.61	
Market capitalisation (€million)		--	--		9,580	9,267	
Earnings per share (EPS) (€)	(4)	--	--		0.12	0.16	
Book value per share (€)		--	--		2.32	2.32	
TBV per share		--	--		1.95	1.91	
Price / Book value (times)		--	--		0.74	0.72	
Price / Earnings ratio (P/E) (times)		--	--		14.01	10.64	
Other data							
Branches		2,182	1,923		2,767	2,474	
Employees		17,888	17,721		26,412	26,056	

- (1) For comparison purposes, 2017 figures are presented excluding Sabadell United Bank (hereinafter, SUB), Mediterráneo Vida and the TSB Mortgage Enhancement Portfolio. See the P&L reported in "Income statement" section.
- (2) ROE adjusted to reflect the amount of the Additional Tier I coupons, after tax, stands at 6.76%.
- (3) Without adjusting historical values.
- (4) Net profit adjusted to reflect the amount of the Additional Tier I coupons, after tax, recorded in equity.
- (5) The EURGBP exchange rate used for the income statement at 31.03.18 is 0.8834. The exchange rate used for the balance sheet is 0.8749 at 31.03.18.

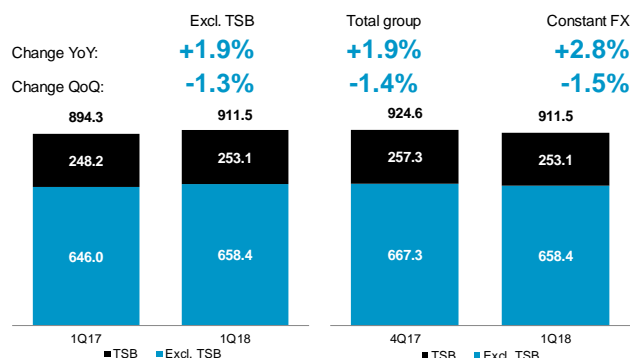
2. Summary

Figures presented on a like-for-like basis: ^(*)

Net interest income

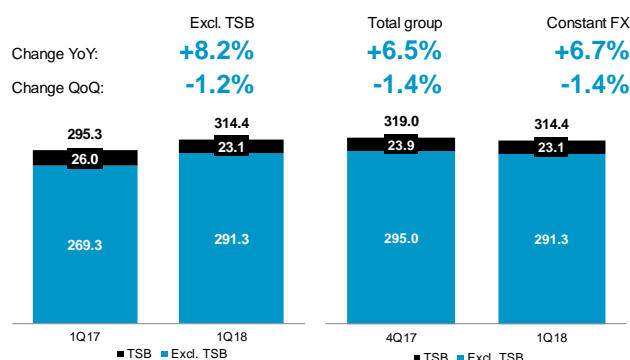
Net interest income performed remarkably well, increasing by 2.8% year-on-year at a constant exchange rate (1.9% excluding TSB). In the quarter, net interest income was slightly down by -1.4% (-1.3% excluding TSB), negatively affected by Euribor re-pricing as well as fewer calendar days in the quarter.

Customer spread remained at 2.80% as a result of the bank's ability to defend pricing. Net interest income as a percentage of average total assets remained stable, despite liquidity inflows.



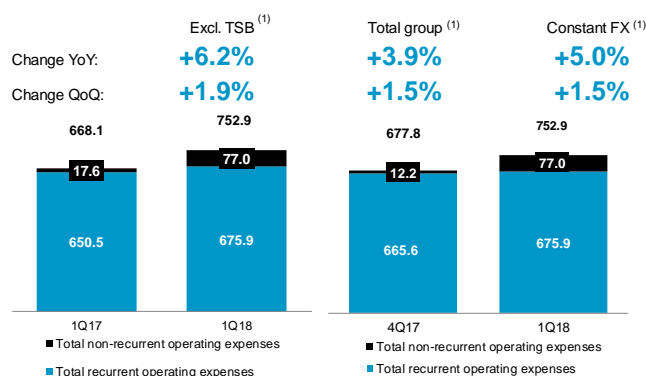
Net fees and commissions

Fees and commissions increased year-on-year considering a constant exchange rate to 6.7% (8.2% excluding TSB) driven by a strong performance in services and asset management fees. Quarterly fees and commissions declined by -1.4% (-1.2% excluding TSB) due to seasonality.



Operating expenses

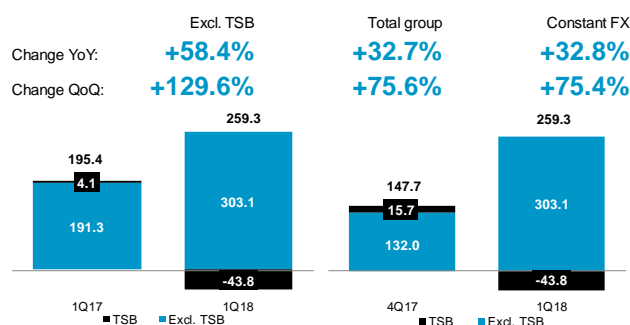
During this quarter operating expenses were impacted by non-recurrent costs relating to the TSB IT migration. Excluding non-recurrent costs, operating expenses increased by 1.5% in the quarter, due to cost ramp-up in Mexican business and seasonality in personnel expenses in ex TSB level.



Net profit of the Group

The Group's attributable net profit reached €259.3 million (€303.1 million excluding TSB) at the end of the first quarter of 2018, increasing by 32.8% year-on-year (58.4% excluding TSB).

Strong momentum in the Group's core banking revenue (net interest income + net fees and commissions) which reached 3.8% year-on-year considering a constant exchange rate (3.8% excluding TSB).



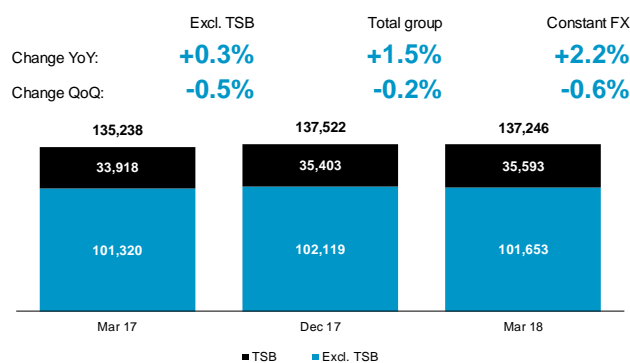
(*) Excluding SUB, Mediterráneo Vida and the TSB Mortgage Enhancement portfolio.

(1) Change over total recurrent costs.

Figures presented on a like-for-like basis: (*)

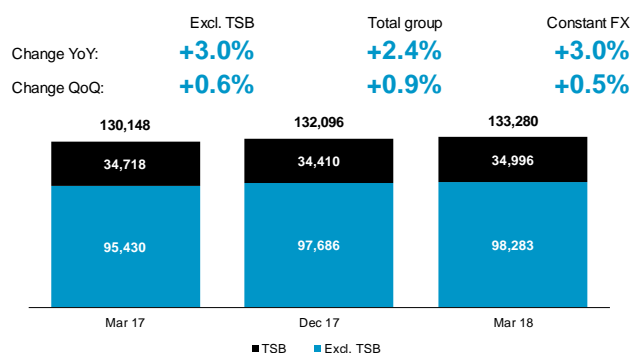
Performing loans

Performing loans considering a constant exchange rate increase by 2.2%, (0.3% excluding TSB) year-on-year, and decline by -0.6% (-0.5% excluding TSB) quarter-on-quarter due to the annual Deposit Guarantee Fund payment amounting to €1,429 million. Excluding the impact on the portfolio of the APS⁽¹⁾ run-off, growth considering a constant exchange rate reached 3.6% (2.1% excluding TSB) year-on-year and 0.4% (1.0% excluding TSB) during the quarter, driven by a solid performance of the SME segment and new mortgage production.



On-balance sheet customer funds

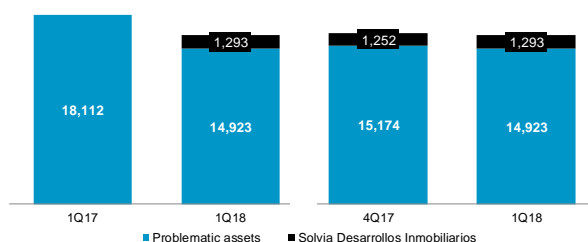
On-balance sheet customer funds considering a constant FX reached 3.0% (3.0% excluding TBS) on a year-on-year basis and 0.5% (0.6% excluding TSB) on a quarterly basis, driven by growth in sight accounts. Off-balance sheet funds increased by 2.3% in the quarter, mainly driven by mutual and insurance funds.



Problematic assets

Problematic assets were reduced by €-3,189 million excluding TSB during the last 12 months (€-1,636M non performing and €-1,552M foreclosed) and €-251 million in the quarter (€-274M NPLs and €+23M foreclosed).

The sale of foreclosed assets during the quarter continues to be sold at a premium.

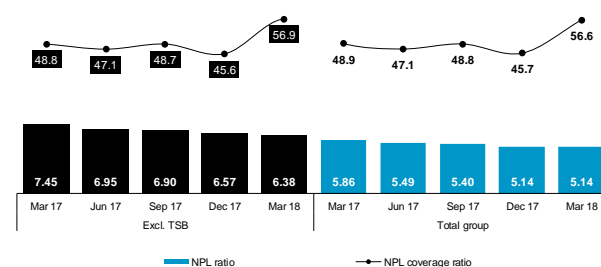


NPL ratio and coverage

The Group's NPL ratio stands at 5.14% (6.38% excluding TSB).

Problematic asset coverage reached 55.2% impacted by the implementation of IFRS9, whereby the NPA coverage ratio reached 56.6% and the coverage of foreclosed assets reached 53.7%.

The net NPA ratio to total assets stands at 3.1%.

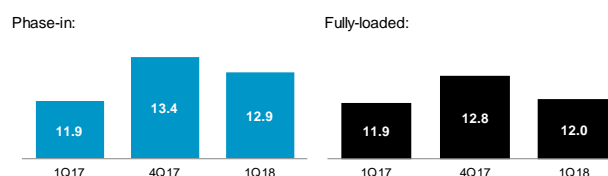


Capital ratio

Strong capital position, comfortably in excess of requirements, with a Common Equity Tier 1 (CET 1) fully loaded CET1 of 12.0% at the end of the first quarter of 2018.

(*) Excluding SUB, Mediterráneo Vida and the TSB Mortgage Enhancement portfolio.

(1) 80% of total APS problematic exposure which risk is presented as performing and the receivables account.



3. Performance review

Macroeconomic environment

Global economic, political and financial background

The economy has continued to show a positive performance in the main advanced economies. In the United States, business confidence has remained around its peak of the last few decades, whilst the unemployment rate has remained at very low levels. In the Euro Zone economic confidence indicators have remained at historically high levels, in spite of the declines experienced, and point towards the region continuing to show robust growth. In terms of inflation, in the United States it has remained slightly above 2.0% year-on-year, whilst in the Euro Zone prices have remained contained and without a clear upwards trend. During the quarter the focus has shifted towards political matters. In the United States, Trump has exhibited a more protectionist tone, with changes in his Cabinet, the announcement of tariffs and the blocking of foreign investments. In Italy, the elections delivered a fragmented parliament which, together with the rise of populist parties, has created a scenario of complex governability.

Macroeconomic situation in Spain

The economy has continued to show high levels of dynamism, in a context in which the impact of domestic political uncertainty has been limited and temporary, offset by the good performance of the global economy. In this context, institutions such as Bank of Spain and the IMF have revised their 2018 growth expectations upwards for Spain.

With regards to the foreign sector, in 2017 the current account recorded a surplus for the fifth consecutive year, similar to the surplus in 2016. With regards to the real estate sector, it is showing significant dynamism, albeit with regional differences. Thus, property transactions have maintained double digit growth, and property price increases have reached maximum levels since 2007 (Q417: 7.2% year-on-year).

In terms of fiscal policy, the public deficit in 2017 was 3.1% of GDP, below the target set by Europe. The Government presented the General State Budget for 2018, setting a target of 2.2% of GDP for the public deficit of the General Government. This budget includes some expansionary measures, such as wage increases for civil servants.

Lastly, the main credit rating agencies have upgraded Spain's rating. These agencies justified the improvements arising from reduced political tension in Catalonia, progress recorded during the last few years to reduce the fiscal deficit and the strong economic recovery.

Macroeconomic situation in the United Kingdom

Economic sentiment data have been negatively affected by colder than usual weather, and suggest that GDP growth in 1Q18 could be slow down relative to 4Q17. With regard to the labour market, the unemployment rate recorded a new historic minimum (4.2%) and real wages recovered positive growth rates after a year of declines.

In terms of inflation, it has remained above the Bank of England's target, despite a moderating trend during the quarter, reaching 2.5% year-on-year in March. Property prices have shown some volatility, in a context of a slowdown in the year-on-year growth rate.

In terms of the foreign sector, the United Kingdom recorded a current account deficit in 2017 amounting to 4.1% of GDP, the lowest deficit since 2011.

As regards Brexit negotiations, the United Kingdom and the EU have reached a political agreement on the transition period, meaning that the status quo will be maintained until December 2020, with the exception of the representation of the UK in European institutions. The transition period is subject to the signing and ratification of the exit agreement, which is expected to be finalised in October.

Macroeconomic situation in Latin America

In Mexico, economic growth showed significant progress in Q417, influenced by a favourable base effect after the negative impact of the earthquakes in 3Q17. On the other hand, concerns regarding a slower than expected reduction in inflation led the central bank to increase the official rate again, to 7.50%. In the meantime, uncertainty surrounding the NAFTA renegotiation has been reduced, after the Trump administration adopted a less severe tone in terms of the commercial relationship which they wish to maintain with Mexico.

In South America, year-on-year GDP growth in 4Q17 showed an improvement in Brazil, Colombia and Peru, although growth has remained weak. This, together with the fact that inflation has remained contained, has favoured new cuts to the benchmark interest rate in all three countries. Lastly, domestic policy has continued to remain a focal point, in a context in which 2018 will be an election year in several countries in Latin America. In this regard, in Brazil, ex-president Lula da Silva has been jailed on charges of corruption and money laundering, which makes it difficult for him to run for the presidential elections and also increases political uncertainty. In Peru, Pablo Kuczynski resigned as president of the country.

Fixed-income markets

In terms of monetary policy, the Fed, in its March meeting, increased the Fed funds rate by 25 b.p. to 1.50%-1.75%, whilst recognising the improvement in the economic outlook and pointing towards more gradual rate hikes in the future. The European Central Bank has continued to take small steps towards the normalisation of its monetary policy, and in its March meeting it did not include references as to whether the asset purchasing programme would be increased in terms of size or duration in the event of the worsening of economic or financial conditions. However, the central bank accompanied this change with an accommodating tone. In this context, Euribor rates remain at historically low levels. Lastly, the Bank of England reiterated that it could increase the benchmark rate in the next few months.

Financial markets have abandoned the state of complacency of recent quarters, and volatility has increased, while risk assets have experienced a correction. During the last few weeks of the quarter, fears of a trade war have captured the market's attention.

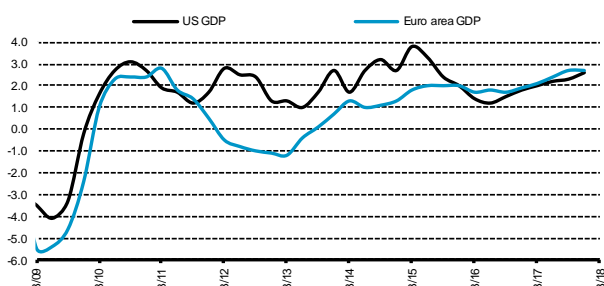
The yields of long term government bonds in the United States and the Euro zone uptuned sharply during the first part of the quarter, reaching maximums since 2014 and 2015, respectively. This movement was influenced by solid activity data, a less accommodating tone of central banks, the impact of the tax reform of the United States, the increase in oil prices and uncertainty regarding the holdings of US Treasuries by China. During the second half of the quarter, profitability declined, particularly in Germany, reversing part of the upwards movement. The decline in interest rates was influenced by fears of a trade war and worse business confidence indicators in the Euro zone.

Regarding the periphery, a decline in risk premiums was noted. The performance of the risk premium in Spain was relatively better than in Italy, influenced by the upgrade in Spain's credit rating outlook and the political context in Italy.

Equity markets

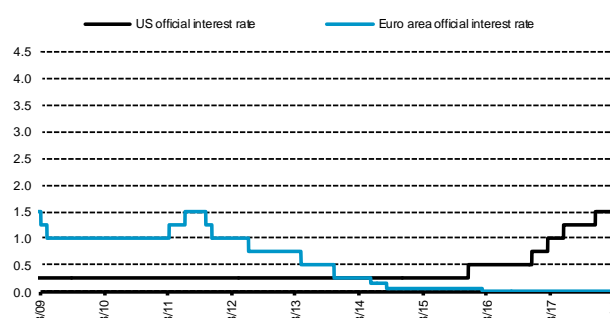
After a positive start to the year stock indices generally experienced declines, affected by the significant upturn in profitability of sovereign debt in the United States and Germany, observed until halfway through the quarter, and ahead of the fears of a trade war. The S&P fell by -3.4% in euros and the Nikkei 225 in Japan fell by -2.6% in euros. In Europe, the Euro Stoxx 50 decreased by -4.1% whilst the Ibex 35 fell by -4.4%. Only the Italian MIB did not show any declines, rebounding 2.6%

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



Source: Bloomberg

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



Exchange rates: Parity vs. euros

Fx	31.03.17	30.06.17	30.09.17	31.12.17	31.03.18
USD	1.0691	1.1412	1.1806	1.1993	1.2321
GBP	0.8555	0.8793	0.8818	0.8872	0.8749
MXN	20.0175	20.5839	21.4614	23.6612	22.5249

Source: Bank of Spain

Income statement

Highlights

The Group's attributable net profit reached €259.3 million (€303.1 million excluding TSB) at March 2018.

Net interest income performed remarkably well, increasing by 2.8% year-on-year on a like-for-like basis and at a constant FX (1.9% excluding TSB). In the quarter net interest income was slightly down by -1.4% (-1.3% excluding TSB), negatively affected by Euribor re-pricing as well as fewer calendar days in the quarter.

Fees and commissions increased year-on-year considering on a like-for-like basis and at a constant FX of 6.7% (8.2% excluding TSB) driven by a strong performance in services and asset management fees. Quarterly fees and commissions declined by -1.4% (-1.2% excluding TSB) due to seasonality.

Results from financial transactions amount to €222.5 million, materialising most of the result expected for the year.

The gross operating income excluding trading income on a like-for-like basis and at a constant FX increases by 4,0% (4,1% excluding TSB) year-on-year and by 9,9% (13,6% excluding TSB) quarter-on-quarter.

This quarter was impacted by non-recurrent costs relating to the TSB IT migration.

Profit and loss account - Reported

(€ million)	Excl. TSB			Total group			
	1Q17	1Q18	Change (%) YoY	1Q17	(1) 1Q18	Change (%) YoY	Change (%) at constant FX
Net interest income	702.4	658.4	-6.3	962.4	911.5	-5.3	-4.2
Income from equity method and dividends	16.4	12.8	-22.1	16.4	12.9	-21.5	-21.5
Net fees and commissions	271.4	291.3	7.3	296.7	314.4	6.0	6.3
Results from financial transactions (net)	341.9	215.3	-37.0	353.0	222.5	-37.0	-36.9
Foreign exchange (net)	1.1	3.5	212.7	1.1	3.5	212.7	206.4
Other operating income/expense	-27.0	-7.0	-74.2	-29.6	-9.7	-67.3	-67.0
Gross operating income	1,306.3	1,174.3	-10.1	1,600.0	1,455.1	-9.1	-8.4
Personnel expenses	-298.1	-293.5	-1.5	-394.9	-389.5	-1.4	-0.4
Non-recurrent	-3.5	-3.3	-6.2	-7.0	-5.9	-15.3	-13.9
Recurrent	-294.6	-290.2	-1.5	-387.9	-383.6	-1.1	-0.2
Other general expenses	-151.0	-162.4	7.5	-293.0	-363.4	24.0	26.0
Non-recurrent	0.0	0.0	--	-10.9	-71.1	--	--
Recurrent	-151.0	-162.4	7.5	-282.2	-292.3	3.6	5.2
Amortization & depreciation	-83.0	-69.4	-16.3	-100.6	-87.1	-13.4	-12.9
Pre-provisions income	774.2	649.0	-16.2	811.5	615.1	-24.2	-24.0
Provisions for NPLs	-365.1	-173.4	-52.5	-389.0	-196.6	-49.5	-49.3
Other financial assets	-3.5	-1.9	-45.9	-3.5	-1.9	-45.9	-45.9
Other impairments	-118.0	-46.2	-60.8	-118.0	-46.2	-60.8	-60.8
Gains on sale of assets and other results	-5.8	-1.1	-81.6	1.7	-0.6	--	--
Badwill	0.0	0.0	--	0.0	0.0	--	--
Profit before tax	281.8	426.5	51.3	302.6	369.7	22.2	22.9
Income tax	-76.1	-121.9	60.1	-84.8	-108.9	28.5	29.5
Consolidated net profit	205.6	304.5	48.1	217.8	260.7	19.7	20.3
Minority interest	1.8	1.5	-16.7	1.8	1.5	-16.7	-16.7
Attributable net profit	203.9	303.1	48.6	216.1	259.3	20.0	20.6
Pro memoria:							
Average total assets (€ million)	166,321	168,982		211,690	216,880		
Earnings per share (€)	(2) 0.03	0.05		0.03	0.04		

(1) The EURGBP exchange rate used for the P&L is 0.8834.

(2) Net profit adjusted to reflect the amount of the Additional Tier I coupons, after tax, recorded under equity. Accumulated at the end of each quarter, not annualised.

Profit and loss account - Like-for-like basis

(€ million)	Excl. TSB			TSB			Total group			
	1Q17	1Q18	Change (%) YoY	1Q17	1Q18	Change (%) YoY	1Q17	⁽¹⁾ 1Q18	Change (%) YoY	Change (%) at constant FX
Net interest income	646.0	658.4	1.9	248.2	253.1	2.0	894.3	911.5	1.9	2.8
Income from equity method and dividends	16.2	12.8	-21.3	0.0	0.1	--	16.2	12.9	-20.8	-20.8
Net fees and commissions	269.3	291.3	8.2	26.0	23.1	-11.1	295.3	314.4	6.5	6.7
Results from financial transactions (net)	341.2	215.3	-36.9	11.1	7.2	-34.9	352.3	222.5	-36.8	-36.8
Foreign exchange (net)	1.1	3.5	212.7	0.0	0.0	--	1.1	3.5	212.7	206.4
Other operating income/expense	-11.6	-7.0	-39.9	-2.6	-2.7	3.7	-14.2	-9.7	-31.8	-30.7
Gross operating income	1,262.3	1,174.3	-7.0	282.7	280.8	-0.7	1,545.0	1,455.1	-5.8	-5.3
Personnel expenses	-285.0	-293.5	3.0	-96.8	-96.0	-0.9	-381.9	-389.5	2.0	2.8
Non-recurrent	-3.2	-3.3	2.0	-3.5	-2.7	-24.3	-6.7	-5.9	-11.7	-10.4
Recurrent	-281.8	-290.2	3.0	-93.3	-93.3	0.0	-375.2	-383.6	2.2	3.0
Other general expenses	-144.2	-162.4	12.6	-142.0	-201.0	41.6	-286.2	-363.4	27.0	28.8
Non-recurrent	0.0	0.0	--	-10.9	-71.1	--	-10.9	-71.1	--	--
Recurrent	-144.2	-162.4	12.6	-131.1	-129.9	-0.9	-275.4	-292.3	6.2	7.6
Amortization & depreciation	-81.5	-69.4	-14.8	-17.6	-17.7	0.5	-99.1	-87.1	-12.1	-11.6
Pre-provisions income	751.6	649.0	-13.6	26.2	-33.9	--	777.8	615.1	-20.9	-20.8
Provisions for NPLs	-362.8	-173.4	-52.2	-23.9	-23.3	-2.9	-386.7	-196.6	-49.2	-49.0
Other financial assets	-3.5	-1.9	-45.9	0.0	0.0	--	-3.5	-1.9	-45.9	--
Other impairments	-118.1	-46.2	-60.9	0.0	0.0	--	-118.1	-46.2	-60.9	-60.9
Gains on sale of assets and other results	-5.7	-1.1	-81.5	7.5	0.4	-94.4	1.7	-0.6	--	--
Badwill	0.0	0.0	--	0.0	0.0	--	0.0	0.0	--	--
Profit before tax	261.5	426.5	63.1	9.8	-56.8	--	271.2	369.7	36.3	36.4
Income tax	-68.4	-121.9	78.2	-5.6	13.0	--	-74.0	-108.9	47.1	47.3
Consolidated net profit	193.1	304.5	57.7	4.1	-43.8	--	197.2	260.7	32.2	32.4
Minority interest	1.8	1.5	-16.7	0.0	0.0	--	1.8	1.5	-16.7	-16.7
Attributable net profit	191.3	303.1	58.4	4.1	-43.8	--	195.4	259.3	32.7	32.8

(1) The EURGBP exchange rate used for the P&L is 0.8834.

Profit and loss account - Reported

(€million)	Excl. TSB						Total group						
	1Q17	2Q17	3Q17	4Q17	1Q18	Change (%) 4Q17	1Q17	2Q17	3Q17	4Q17	1Q18	Change (%) 4Q17 constant FX	Change (%) 4Q17 constant FX
Net interest income	702.4	711.4	687.7	667.3	658.4	-1.3	962.4	974.5	940.9	924.6	911.5	-1.4	-1.5
Income from equity method and dividends	6.4	19.7	267.7	12.0	12.8	6.9	6.4	19.7	267.7	12.2	12.9	5.8	5.8
Net fees and commissions	2714	284.7	276.7	295.0	2913	-12	296.7	306.3	301.5	319.0	314.4	-1.4	-1.4
Results from financial transactions (net)	3419	114.0	28.5	20.1	215.3	--	353.0	192.4	35.0	33.7	222.5	--	--
Foreign exchange (net)	11	3.8	2.3	13	3.5	172.4	11	3.8	2.3	13	3.5	172.4	177.0
Other operating income/expense	-27.0	-48.9	-4.4	-1310	-7.0	-94.7	-29.6	-53.3	-7.6	-136.5	-9.7	-92.9	-92.9
Gross operating income	1,306.3	1,084.6	1,258.5	864.6	1,174.3	35.8	1,600.0	1,443.4	1,539.7	1,154.1	1,455.1	26.1	26.0
Personnel expenses	-298.1	-296.2	-295.1	-289.5	-293.5	14	-394.9	-396.0	-390.1	-392.6	-389.5	-0.8	-0.8
Non-recurrent	-3.5	-17	-16	-9.0	-3.3	-63.8	-7.0	-5.8	-5.0	-8.9	-5.9	-33.3	-33.3
Recurrent	-294.6	-294.5	-293.5	-280.5	-290.2	3.5	-387.9	-390.2	-385.1	-383.7	-383.6	0.0	-0.1
Other general expenses	-1510	-150.6	-149.6	-163.5	-162.4	-0.7	-293.0	-294.4	-276.7	-285.2	-363.4	27.4	27.2
Non-recurrent	0.0	0.0	0.0	0.0	0.0	--	-10.9	-12.3	-6.2	-3.4	-71.1	--	--
Recurrent	-1510	-150.6	-149.6	-163.5	-162.4	-0.7	-282.2	-282.1	-270.5	-281.9	-292.3	3.7	3.6
Amortization & depreciation	-83.0	-79.2	-83.1	-84.4	-69.4	-17.8	-100.6	-96.8	-103.0	-101.9	-87.1	-14.5	-14.6
Pre-provisions income	774.2	558.7	730.7	327.2	649.0	98.4	811.5	656.2	770.0	374.4	615.1	64.3	64.2
Provisions for NPLs	-365.1	-159.9	-456.4	-99.2	-173.4	74.8	-389.0	-180.3	-477.5	-122.7	-196.6	60.3	60.3
Other financial assets	-3.5	-39.8	-3.2	-9.3	-19	-79.5	-3.5	-39.8	-3.2	-9.3	-19	-79.5	-79.6
Other impairments	-118.0	-120.3	-636.2	-96.6	-46.2	-52.1	-118.0	-120.3	-636.2	-96.6	-46.2	-52.1	-52.1
Gains on sale of assets and other results	-5.8	17.0	366.7	48.0	-11	--	17	16.0	366.4	48.6	-0.6	--	--
Badwill	0.0	0.0	0.0	0.0	0.0	--	0.0	0.0	0.0	0.0	0.0	--	--
Profit before tax	281.8	255.7	1.5	170.2	426.5	150.6	302.6	331.8	19.4	194.4	369.7	90.2	90.0
Income tax	-76.1	-74.4	192.5	-36.1	-1219	237.3	-84.8	-97.4	183.9	-44.7	-108.9	143.6	143.3
Consolidated net profit	205.6	181.2	194.0	134.0	304.5	127.2	217.8	234.4	203.3	149.7	260.7	74.2	74.0
Minority interest	18	-0.2	0.1	2.0	15	-28.4	18	-0.2	0.1	2.0	15	-28.4	-28.4
Attributable net profit	203.9	181.4	193.9	132.0	303.1	129.6	216.1	234.5	203.2	147.7	259.3	75.6	75.4
Pro memoria:													
Average total assets (€million)	166,321	172,682	167,289	167,380	168,982		211,690	219,082	212,630	214,017	216,880		
Earnings per share (€)	(2)	0.03	0.06	0.09	0.12	0.05	0.03	0.07	0.10	0.14	0.04		

(1) The EURGBP exchange rate used for this quarter's P&L is 0.8834.

(2) Net profit adjusted to reflect the amount of the Additional Tier 1 coupons, after tax, recorded under own funds. Accumulated at the end of each quarter, not annualised..

Quarterly income statement - Like-for-like basis

(€million)	Excl. TSB						Total group						
	1Q17	2Q17	3Q17	4Q17	1Q18	Change (%) 4Q17	1Q17	2Q17	3Q17	4Q17	1Q18	Change (%) 4Q17 constant FX	Change (%) 4Q17 constant FX
Net interest income	646.0	660.1	674.3	667.3	658.4	-1.3	894.3	916.6	927.4	924.6	911.5	-1.4	-1.5
Income from equity method and dividends	6.2	19.3	267.6	12.0	12.8	6.9	6.2	19.3	267.6	12.2	12.9	5.8	5.8
Net fees and commissions	269.3	282.6	276.1	295.0	2913	-12	295.3	304.8	300.8	319.0	314.4	-1.4	-1.4
Results from financial transactions (net)	3412	12.7	28.4	20.1	215.3	--	352.3	137.3	34.9	33.7	222.5	--	--
Foreign exchange (net)	11	3.8	2.3	13	3.5	172.4	11	3.8	2.3	13	3.5	172.4	177.0
Other operating income/expense	-116	-38.4	16	-1310	-7.0	-94.7	-14.2	-42.8	-1.6	-136.5	-9.7	-92.9	-92.9
Gross operating income	1,262.3	1,040.0	1,250.3	864.6	1,174.3	35.8	1,545.0	1,338.9	1,531.5	1,154.1	1,455.1	26.1	26.0
Personnel expenses	-285.0	-284.6	-2917	-289.5	-293.5	14	-381.9	-384.4	-386.7	-392.6	-389.5	-0.8	-0.8
Non-recurrent	-3.2	-17	-16	-9.0	-3.3	-63.8	-6.7	-5.8	-5.0	-8.9	-5.9	-33.3	-33.3
Recurrent	-281.8	-282.9	-290.1	-280.5	-290.2	3.5	-375.2	-378.6	-381.7	-383.7	-383.6	0.0	-0.1
Other general expenses	-144.2	-144.2	-148.6	-163.5	-162.4	-0.7	-286.2	-288.0	-275.7	-285.2	-363.4	27.4	27.2
Non-recurrent	0.0	0.0	0.0	0.0	0.0	--	-10.9	-12.3	-6.2	-3.4	-71.1	--	--
Recurrent	-144.2	-144.2	-148.6	-163.5	-162.4	-0.7	-275.4	-275.8	-269.5	-281.9	-292.3	3.7	3.6
Amortization & depreciation	-81.5	-77.7	-82.6	-84.4	-69.4	-17.8	-99.1	-95.3	-102.5	-101.9	-87.1	-14.5	-14.6
Pre-provisions income	751.6	533.4	727.3	327.2	649.0	98.4	777.8	571.1	766.6	374.4	615.1	64.3	64.2
Provisions for NPLs	-362.8	-163.8	-455.5	-99.1	-173.4	74.9	-386.7	-184.1	-476.5	-122.7	-196.6	60.3	60.3
Other financial assets	-3.5	-39.8	-3.2	-9.3	-19	-79.6	-3.5	-39.8	-3.2	-9.3	-19	-79.5	-79.6
Other impairments	-118.1	-120.4	-636.5	-96.6	-46.2	-52.1	-118.1	-120.4	-636.5	-96.6	-46.2	-52.1	-52.1
Gains on sale of assets and other results	-5.7	17.1	366.7	48.0	-11	--	17	16.0	366.4	48.6	-0.6	--	--
Badwill	0.0	0.0	0.0	0.0	0.0	--	0.0	0.0	0.0	0.0	0.0	--	--
Profit before tax	261.5	226.5	-1.3	170.2	426.5	150.6	271.2	242.8	16.7	194.4	369.7	90.2	90.0
Income tax	-68.4	-63.4	193.3	-36.1	-1219	237.3	-74.0	-70.3	184.7	-44.7	-108.9	143.6	143.3
Consolidated net profit	193.1	163.0	192.1	134.0	304.5	127.2	197.2	172.5	201.3	149.7	260.7	74.2	74.0
Minority interest	18	-0.2	0.1	2.0	15	-28.4	18	-0.2	0.1	2.0	15	-28.4	-28.4
Attributable net profit	191.3	163.2	192.0	132.0	303.1	129.6	195.4	172.7	201.2	147.7	259.3	75.6	75.4

(1) The EURGBP exchange rate used for this quarter's P&L is 0.8834.

Net interest income:

Net interest income amounts to €911.5 million at the end of March 2018, representing a decline of -5.3% year-on-year and -1.4% in the quarter. On a like-for-like basis, and at a constant FX, growth amounts to 2.8% year-on-year and -1.5% quarter-on-quarter.

Excluding TSB, net interest income amounts to €658.4 million at the end of the first quarter of 2018 and represents a year-on-year reduction of -6.3% and -1.3% in the quarter. On a like-for-like basis, year-on-year growth amounts to 1.9%.

TSB net interest income amounts to €253.1 million and represents a quarter-on-quarter reduction of -1.6% (-2.0% at a constant FX) and a year-on-year increase of 2.0% (4.8% at a constant FX).

Customer spread:

Customer spread at end March 2018 stood at 2.80% (2.80% in the previous quarter), where customer yield increased by 4 bps due to a positive volume mix evolution, with higher growth in the higher yielding geographies and customer segments; and the cost of customer funds increased by 4 bps due to the increased cost of foreign currency deposits.

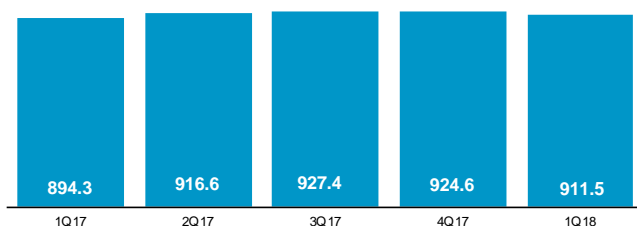
Net interest income as a percentage of average total assets stood at 1.70% (1.71% in the previous quarter).

Excluding TSB, customer spread at the end of March 2018 stood at 2.74% (2.73% in the previous quarter) while net interest income as a percentage of average total assets stood at 1.58%, as well as the previous quarter.

TSB customer spread at the end of March 2018 stood at 2.98% (2.99% in the previous quarter) while net interest income as a percentage of average total assets stood at 2.14% (2.19% in the previous quarter), impacted by the competitive environment in UK, and by the new liquidity entry.

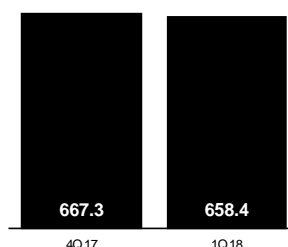
Evolution of net interest income - like-for-like basis

Total group (€ millions)



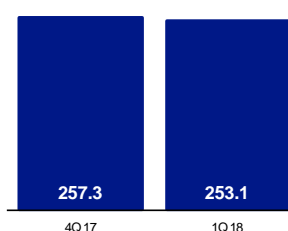
	Total group	Constant FX
Change YoY:	+1.9%	+2.8%
Change QoQ:	-1.4%	-1.5%

Sabadell ex - TSB (€ millions)



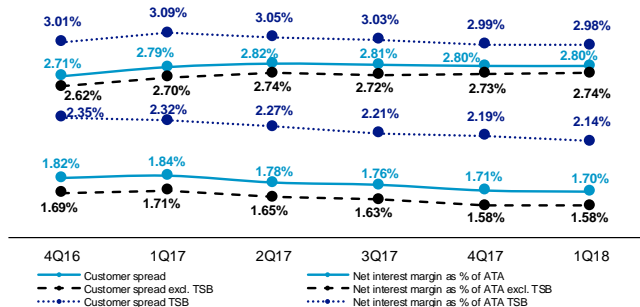
Change QoQ:	-1.3%
Change YoY:	+1.9%

TSB (€ millions)

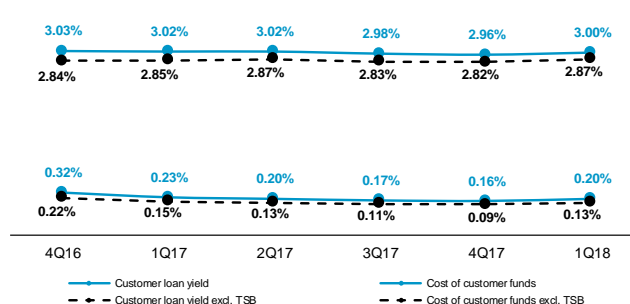


Change QoQ:	-1.6%	-2.0% in GBP
Change YoY:	+2.0%	+4.8% in GBP

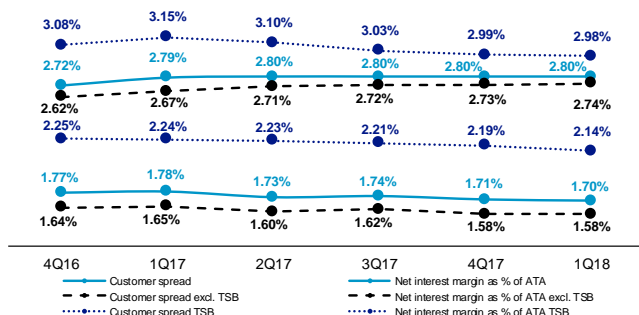
Net interest income (%)



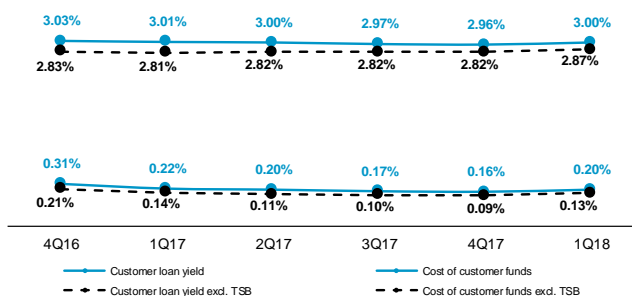
Customer spread (%)



Net interest income - like-for-like basis (%)



Customer spread - like-for-like basis (%)



Gains and charges in the quarter

Total Group

2018 (€million)	1st Quarter (1)			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.e.balance	Rate %	Results	Avg.e.balance	Rate %	Results	Avg.e.balance	Rate %	Results	Avg.e.balance	Rate %	Results
Cash and cash equivalent (2)	29,544	0.01	1									
Loans to customers (net)	133,924	3.00	992									
Fixed-income securities	25,407	1.49	93									
Equity securities	989	--	--									
Tang. & intang. assets	3,874	--	--									
Other assets	23,142	0.77	44									
Total assets	216,880	2.11	1,129									
Financial institutions (3)	3,181	-0.11	-9									
Customer deposits (4)	138,805	-0.20	-69									
Capital markets	25,588	-1.41	-89									
Other liabilities	7,848	-2.64	-51									
Shareholders' equity	12,757	--	--									
Total funds	216,880	-0.41	-218									
Net interest income			912									
Customer spread			2.80									
Net interest margin as % of ATA			1.70									

2017 (€million)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.e.balance	Rate %	Results	Avg.e.balance	Rate %	Results	Avg.e.balance	Rate %	Results	Avg.e.balance	Rate %	Results
Cash and cash equivalent (2)	12,712	0.05	2	18,198	-0.01	-1	19,408	-0.03	-1	23,602	0.05	3
Loans to customers (net)	138,670	3.02	1,034	139,176	3.02	1,049	135,288	2.98	1,015	134,680	2.96	1,004
Fixed-income securities	29,763	2.15	158	31,800	1.59	126	28,417	1.59	114	25,310	1.51	96
Equity securities	983	--	--	911	--	--	1,328	--	--	1,091	--	--
Tang. & intang. assets	4,200	--	--	4,270	--	--	4,308	--	--	4,294	--	--
Other assets	25,363	0.38	24	24,726	0.34	21	23,880	0.36	22	25,041	0.35	22
Total assets	211,690	2.33	1,218	219,082	2.19	1,195	212,630	2.14	1,149	214,017	2.09	1,126
Financial institutions (3)	20,162	-0.29	-14	31,188	-0.06	-5	30,700	-0.05	-4	32,011	-0.08	-7
Customer deposits (4)	141,349	-0.23	-80	141,058	-0.20	-71	135,198	-0.17	-59	135,525	-0.16	-56
Capital markets	26,576	-1.74	-114	25,299	-1.44	-91	25,800	-1.44	-94	26,411	-1.33	-88
Other liabilities	10,656	-1.78	-47	8,488	-2.54	-54	7,799	-2.66	-52	6,858	-2.88	-50
Shareholders' equity	12,947	--	--	13,048	--	--	13,133	--	--	13,212	--	--
Total funds	211,690	-0.49	-255	219,082	-0.40	-221	212,630	-0.39	-208	214,017	-0.37	-201
Net interest income			962			974			941			925
Customer spread			2.79			2.82			2.81			2.80
Net interest margin as % of ATA			1.84			1.78			1.76			1.71

- (1) The EURGBP exchange rate used for the income statement for the quarter is 0.8834 while that used for the balance sheet is es 0.8749.
- (2) This includes cash, central banks, credit institutions and reverse repos.
- (3) Financial income and expenses deriving from the application of negative interest rates are recorded in line with the nature of the associated asset or liability. The credit institutions heading on the liabilities side includes income from negative interest rates of balances of credit institutions under liabilities, mainly those relating to TLTRO II.
- (4) Includes repos.

Sabadell excluding TSB

2018 (€million)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results
Cash and cash equivalents (1)	21013	-0.18	-10									
Loans to customers (net)	98,849	2.87	700									
Fixed-income securities	22,961	1.48	84									
Equity securities	961	--	--									
Tang. & intang. assets	3,668	--	--									
Other assets	21,530	0.89	47									
Total assets	168,982	1.97	821									
Financial institutions (2)	25,064	0.01	1									
Customer deposits (3)	103,372	-0.13	-34									
Capital markets	23,735	-1.35	-79									
Other liabilities and shareholders' equity	16,810	-1.23	-51									
Total funds	168,982	-0.39	-163									
Net interest income			658									
Customer spread		2.74										
Net interest margin as % of ATA		1.58										

2017 (€million)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results
Cash and cash equivalents (1)	7,430	-0.07	-1	13,400	-0.09	-3	14,039	-0.13	-4	16,089	-0.12	-5
Loans to customers (net)	103,464	2.85	727	103,533	2.87	740	101,298	2.83	724	99,666	2.82	708
Fixed-income securities	26,693	2.22	146	28,047	1.60	112	24,516	1.60	99	22,968	1.50	87
Equity securities	978	--	--	346	--	--	763	--	--	526	--	--
Tang. & intang. assets	3,723	--	--	3,794	--	--	3,843	--	--	3,841	--	--
Other assets	24,032	0.53	32	23,562	0.55	32	22,830	0.59	34	24,289	0.47	29
Total assets	166,321	2.20	903	172,682	2.05	881	167,289	2.02	852	167,380	1.94	819
Financial institutions (2)	17,498	-0.13	-12	26,536	0.01	-1	25,629	0.00	0	25,951	0.01	1
Customer deposits (3)	105,007	-0.15	-39	104,583	-0.13	-33	100,528	-0.11	-27	100,214	-0.09	-23
Capital markets	23,832	-1.73	-102	23,802	-1.38	-82	24,392	-1.38	-85	24,938	-1.26	-79
Other liabilities and shareholders' equity	19,985	-0.95	-47	17,762	-1.22	-54	16,740	-1.24	-52	16,276	-1.22	-50
Total funds	166,321	-0.49	-200	172,682	-0.39	-170	167,289	-0.39	-164	167,380	-0.36	-152
Net interest income			702			711			688			667
Customer spread		2.70			2.74			2.72			2.73	
Net interest margin as % of ATA		1.71			1.65			1.63			1.58	

- (1) This includes cash, central banks, credit institutions and reverse repos.
(2) Financial income and expenses deriving from the application of negative interest rates are recorded in line with the nature of the associated asset or liability. The credit institutions heading on the liabilities side includes income from negative interest rates of balances of credit institutions under liabilities, mainly those relating to TLTRO II.
(3) Include repos

Income from equity method and dividends:

This item stood at €12.9 million at the end of the first quarter of 2018, compared with €16.4 million at the end of the first quarter of 2017. These revenues are mainly due to income from the insurance and pension fund business.

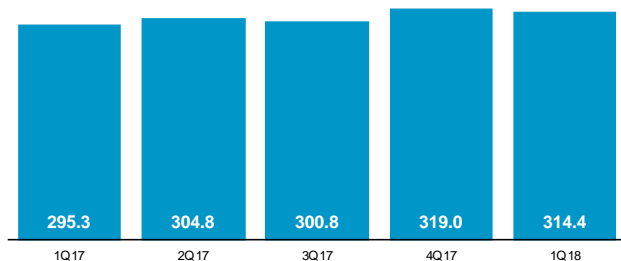
Net fees and commissions:

Commissions have grown year-on-year by 6.0% (7.3% excluding TSB). On a like-for-like basis and considering a constant FX they have grown by 6.7% (8.2% excluding TSB). The positive performance of services fees as well as asset management fees is particularly noteworthy.

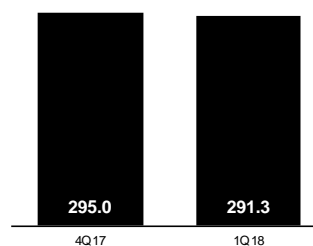
Quarter-on-quarter fees and commissions declined by -1.4% (-1.2% excluding TSB) mostly due to seasonality in the asset management segment in the last quarter of 2017, and also due to a lower number of calendar days in the first quarter of 2018.

Evolution of net fees and commissions - like-for-like basis

Total group (€ millions)



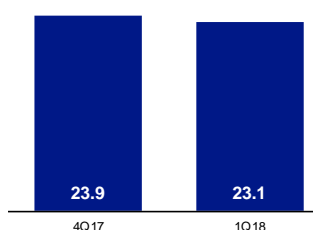
Sabadell ex - TSB (€ millions)



Change QoQ:
-1.2%

Change YoY:
+8.2%

TSB (€ millions)



Change QoQ:
-3.5%
-3.9% in GBP

Change YoY:
-11.1%
-8.7% in GBP

	Total group	Constant FX
Change YoY:	+6.5%	+6.7%
Change QoQ:	-1.4%	-1.4%

Net fees and commissions

(€million)	Excl. TSB			Total group			Excl. TSB			Total group		
	4 Q17	1Q18	Change (%)	4 Q17	1Q18	Change (%)	1Q17	1Q18	Change (%) YoY	1Q17	1Q18	Change (%) YoY
Lending fees	30.8	32.9	7.1	51.3	53.4	4.1	29.4	32.9	12.1	51.7	53.4	3.3
Guarantees commissions	24.3	23.9	-1.4	24.3	23.9	-1.4	25.0	23.9	-4.0	25.0	23.9	-4.0
Risk transaction fees	55.0	56.9	3.4	75.6	77.3	2.3	54.3	56.9	4.7	76.6	77.3	0.9
Cards	44.2	41.5	-6.2	52.3	48.2	-7.9	39.9	41.5	4.1	46.2	48.2	4.3
Payment orders	14.0	12.8	-8.6	14.0	12.8	-8.6	13.5	12.8	-4.8	13.5	12.8	-4.8
Securities	15.9	14.9	-6.1	15.9	14.9	-6.1	15.0	14.9	-0.7	15.0	14.9	-0.7
Custodian mutual and pension funds	3.4	3.4	-0.9	3.4	3.4	-0.9	3.1	3.4	9.3	3.1	3.4	9.3
Sight accounts	30.0	34.2	13.7	33.2	36.9	11.0	29.3	34.2	16.5	32.6	36.9	13.1
Foreign currency and notes exchange	18.8	19.0	1.4	18.8	19.0	1.4	16.9	19.0	12.2	16.9	19.0	12.2
Other transactions	17.7	19.6	10.4	9.9	12.9	30.0	21.1	19.6	-7.1	14.5	12.9	-11.1
Commissions for services	144.1	145.4	0.9	147.5	148.1	0.4	138.8	145.4	4.7	141.8	148.1	4.4
Mutual funds	43.0	38.6	-10.1	43.0	38.6	-10.1	36.4	38.6	6.2	36.4	38.6	6.2
Pension funds and insurance brokerage	39.3	42.3	7.5	39.3	42.3	7.5	37.1	42.3	14.0	37.1	42.3	14.0
Wealth management	13.6	8.1	-40.2	13.6	8.1	-40.2	4.8	8.1	70.8	4.8	8.1	70.8
Asset Under Management commissions	95.9	89.0	-7.1	95.9	89.0	-7.1	78.2	89.0	13.8	78.2	89.0	13.8
Total	295.0	291.3	-1.2	319.0	314.4	-1.4	271.4	291.3	7.3	296.7	314.4	6.0

Note: 1Q17 figures includes Sabadell United Bank, Mediterráneo Vida and the TSB Mortgage Enhancement Portfolio.

(1) The EURGBP exchange rate used for this quarter's income statement is 0.8834 at the end of the first quarter of 2018.

Net trading income:

At the end of the first quarter of 2018, net trading income amounted to €222.5 million (excluding TSB amounted to €215.3 million).

At the end of the first quarter of 2017 it amounted to €353.0 million (excluding TSB amounted to €341.9 million).

Net gains (losses) from exchange differences:

This item amounted to €3.5 million the end of the first quarter of 2018, when compared to €1.1 million in the same period of the previous year.

Other operating income/expenses:

This item amounted to €-9.7 million at the end of the first quarter of 2018 (€-7.0 million excluding TSB) when compared to €-29.6 million at the end of the first quarter of 2017 (€-27.0 million excluding TSB) which included the insurance expenses of Mediterráneo Vida.

In the previous quarter, the payment to the Deposit Guarantee Fund and the payment of the Tax on Deposits in Credit Institutions stand out.

Operating expenses:

Operating expenses stood at €-752.9 million at March 2018, of which €-77.0 million, which mainly correspond to non-recurrent expenses related to TSB IT migration. Excluding non-recurrent costs, operating expenses increased by 1.5% in the quarter.

Excluding TSB, operating expenses stood at €-455.9 million, which represents a quarter-on-quarter increase of 1.9% excluding non-recurrent costs, due to cost ramp-up in Mexican business and seasonality in personnel expenses.

Operating expenses

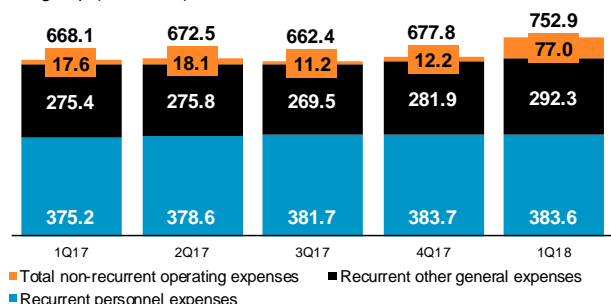
(€million)	Excl. TSB			Total group			Excl. TSB			Total group		
	4 Q17	1Q18	Change (%)	4 Q17	1Q18	Change (%)	1Q17	1Q18	Change (%)	1Q17	1Q18	Change (%)
Recurrent	-280.5	-290.2	3.5	-383.7	-383.6	0.0	-294.6	-290.2	-1.5	-387.9	-383.6	-1.1
Non-recurrent	-9.0	-3.3	-63.8	-8.9	-5.9	-33.3	-3.5	-3.3	-6.2	-7.0	-5.9	-15.3
Personnel expenses	-289.5	-293.5	1.4	-392.6	-389.5	-0.8	-298.1	-293.5	-1.5	-394.9	-389.5	-1.4
IT and communications	-41.5	-41.5	0.0	-108.7	-113.9	4.8	-40.0	-41.5	3.8	-113.0	-113.9	0.8
Advertising	-12.2	-11.3	-7.4	-28.5	-27.5	-3.5	-9.0	-11.3	25.6	-27.0	-27.5	1.9
Premises and office supplies	-36.4	-36.2	-0.5	-56.0	-57.5	2.7	-35.0	-36.2	3.4	-58.0	-57.5	-0.9
Taxes other than income tax	-29.7	-26.2	-11.8	-29.9	-26.3	-12.0	-27.0	-26.2	-3.0	-27.0	-26.3	-2.6
Others	-43.7	-47.2	8.0	-58.8	-67.1	14.2	-40.0	-47.2	17.9	-57.2	-67.1	17.5
Total recurrent	-163.5	-162.4	-0.7	-281.9	-292.3	3.7	-151.0	-162.4	7.5	-282.2	-292.3	3.6
Non-recurrent	0.0	0.0	--	-3.4	-71.1	--	0.0	0.0	--	-10.9	-71.1	--
Other general expenses	-163.5	-162.4	-0.7	-285.2	-363.4	27.4	-151.0	-162.4	7.5	-293.0	-363.4	24.0
Total	-453.0	-455.9	0.6	-677.8	-752.9	11.1	-449.1	-455.9	1.5	-687.9	-752.9	9.4

Note: 1Q17 figures includes Sabadell United Bank, Mediterráneo Vida and the TSB Mortgage Enhancement Portfolio.

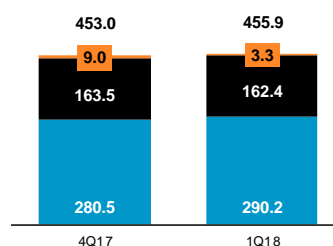
(1) The EURGBP exchange rate used for this quarter's income statement is 0.8834 at the end of the first quarter of 2018.

Evolution of operating expenses - like-for-like basis

Total group (€ millions)



Sabadell ex - TSB (€ millions)



Recurrent expenses

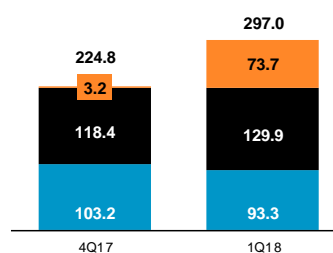
Change QoQ:

+1.9%

Change YoY:

+6.2%

TSB (€ millions)



Recurrent expenses

Change QoQ:

+0.7%

+0.3% in GBP

Change YoY:

-0.5%

+2.2% in GBP

	Total group (*)	Constant FX (*)
Change YoY:	+3.9%	+5.0%
Change QoQ:	+1.5%	+1.5%

(1) Change over total recurrent costs.

Pre-provisions income:

At the end of the first quarter of 2018, pre-provisions income amounts to €615.1 million (€649.0 million excluding TSB), representing a year-on-year decline of -24.2% (-16.2% excluding TSB) mainly due to the extraordinary trading income generated in the previous year, as well as non-recurrent costs relating to the TSB IT migration in the quarter. On a like-for like basis and at constant FX and excluding net gains from financial transactions and non-recurrent costs, year-on-year growth amounted to 6.2% (5.7% excluding TSB).

Provisions for NPLs and other impairments:

This item amounted to €-244.8 million at the end of the first quarter of 2018 (€-221.5 million excluding TSB) compared with €-510.6 million (€-486.6 million excluding TSB) at the end of the first quarter of 2017. In March 2018 this represents a Cost of Risk of 64bp.

Gains on sale of assets and other results:

This item amounts to €-0.6 million at the end of the first quarter of 2018, compared to €1.7 million at the end of the first quarter of 2017 and principally includes results from the sale of fixed assets for own use.

Net profit:

Net profit attributed to the Group amounts to €259.3 million at the end of the first quarter of 2018, which represents on a like-for-like basis and considering a constant FX a 32.8% increase.

Excluding TSB, net profit attributed to the Group amounts to €303.1 million at the end of the first quarter of 2018, 58.4% higher than the first quarter of 2017 on a like-for-like basis.

Balance sheet

Highlights

Performing loans considering a constant exchange rate increase by 2.2%, (0.3% excluding TSB) year-on-year, and decline by -0.6% (-0.5% excluding TSB) quarter-on-quarter due to the annual Deposit Guarantee Fund payment amounting to €1,429 million. Excluding the impact on the portfolio of the APS⁽¹⁾ run-off, growth considering a constant exchange rate reached 3.6% (2.1% excluding TSB) year-on-year and 0.4% (1.0% excluding TSB) during the quarter, driven by a solid performance of the SME segment and new mortgage production.

On-balance sheet customer funds considering a constant FX reached 3.0% (3.0% excluding TBS) on a year-on-year basis and 0.5% (0.6% excluding TSB) on a quarterly basis, driven by growth in sight accounts.

(1) 80% of total APS problematic exposure which risk is presented as performing and the receivables account.

Off-balance sheet funds increased by 2.3% in the quarter, mainly driven by mutual and insurance funds. Considering a constant FX, on-balance sheet customer funds grew by 3.0% year-on-year.

At TSB, performing loans grew by 4.9% year-on-year excluding the Mortgage Enhancement portfolio (7.3% considering a constant FX). Customer deposits grew by 0.8% year-on-year (3.0% considering a constant FX). During the quarter volumes were intentionally slowed down in preparation for the migration to the new banking platform.

Balance sheet

(€million)	31.03.17	31.12.17	(3) 31.03.18	Change (%)	
				31.03.17	31.12.17
Cash, cash balances at central banks and other demand deposits	11,997	26,363	22,782	89.9	-13.6
Financial assets held for trading and fair value with changes in PL	2,259	1,612	1,906	-15.6	18.2
Held to maturity investments	9,448	11,172	0	-100.0	-100.0
Financial assets in fair value OCI	19,027	13,181	15,867	-16.6	20.4
Financial assets at amortised cost	147,549	149,551	158,833	7.6	6.2
Loans and advances to customers	(1) 141,705	143,598	140,691	-0.7	-2.0
Loans and advances of central banks and credit institutions	4,926	5,379	6,411	30.2	19.2
Debt securities	919	574	11,730	--	--
Investments in subsidiaries, joint ventures and associates	398	576	590	48.3	2.6
Tangible assets	4,437	3,827	3,770	-15.0	-1.5
Intangible assets	2,054	2,246	2,271	10.5	1.1
Other assets	2,1924	12,821	12,989	-40.8	1.3
Total assets	219,093	221,348	219,009	0.0	-1.1
Financial liabilities held for trading and fair value with changes in PL	1,582	1,471	1,490	-5.8	1.3
Financial liabilities at amortised cost	194,702	204,045	201,820	3.7	-1.1
Central banks	(2) 24,702	27,848	28,393	14.9	2.0
Credit institutions	(2) 14,010	14,171	11,865	-15.3	-16.3
Customer deposits	(1) 131,533	135,307	135,790	3.2	0.4
Debt securities issued	21,495	23,788	22,731	5.8	-4.4
Other financial liabilities	2,962	2,932	3,039	2.6	3.7
Provisions	322	318	472	46.4	48.5
Other liabilities	9,543	2,293	2,358	-75.3	2.8
Subtotal liabilities	206,149	208,127	206,139	0.0	-1.0
Shareholders' equity	12,992	13,426	12,965	-0.2	-3.4
Valuation adjustments	-104	-265	-155	48.0	-41.7
Minority interest	56	61	60	5.9	-2.5
Net equity	12,943	13,222	12,870	-0.6	-2.7
Total liabilities and equity	219,093	221,348	219,009	0.0	-1.1
Contingent risks	8,428	8,727	8,707	3.3	-0.2
Contingent liabilities	21,765	24,079	21,711	-0.2	-9.8

(1) It should be taken into account that from March 2017 it includes the reclassification of Sabadell United Bank, classified as non-current assets/liabilities held for sale. As at 31 July 2017 the sale of Sabadell United Bank was completed.

(2) Deposits with central banks and credit institutions include the following amount of repos: €8,241 million at 31.03.2017, €9,591 million at 31.12.2017 and €6,891 million at 31.03.2018.

(3) The EURGBP FX used for the balance sheet is 0.8749.

Assets:

Total Group assets amounted to €219,009 million, a 4.5% increase on a like-for-like basis. Excluding TSB, total assets amount to €169,676 million, representing a

3.3% increase year-on-year on a like-for-like basis. During the quarter, it declined by -1.1% (-2.0% excluding TSB).

Loans and advances to customers:

Performing gross loans ended the first quarter of 2018 with a balance of €137,246 million (€101,653 million excluding TSB) representing year-on-year growth of 1.5% (0.3% excluding TSB), driven by the good performance of SMEs and strong new mortgage production. Quarter-on-quarter decline of -0.2% (-0.5% excluding TSB) due to the annual cash payment received from the Deposit Guarantee Fund for €1,429 million.

Excluding the APS⁽¹⁾ impact, and considering a constant FX, growth stands at 3.6% (2.1% excluding TSB) year-on-year and 0.4% (1.0% excluding TSB) in the quarter.

At TSB, performing loans grew by 4.9% year-on-year excluding the Mortgage Enhancement portfolio (7.3% considering a constant FX). During the quarter volumes were intentionally slowed down in preparation for the migration to the new banking platform.

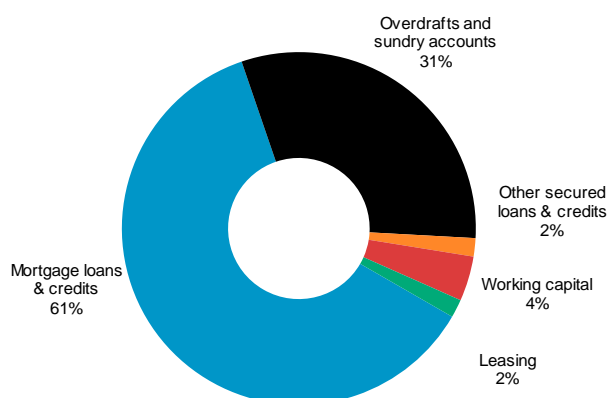
(1) 80% of total APS problematic exposure which risk is presented as performing and the receivables account.

Loans and advances to customers:

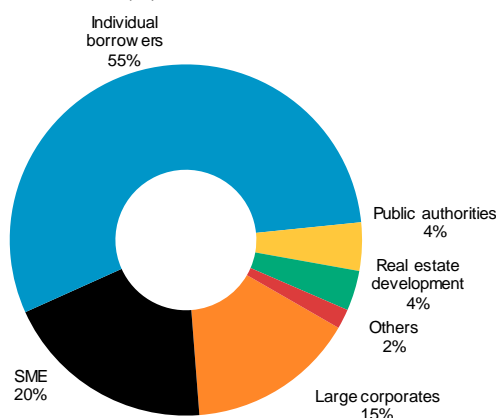
(€million)	Excl. TSB					Total group				
	31.03.17	31.12.17	31.03.18	Change (%)		31.03.17	31.12.17	31.03.18	Change (%)	
Mortgage loans & credits	53,532	52,259	52,000	-2.9	-0.5	84,868	84,267	84,301	-0.7	0.0
Other secured loans & credits	2,323	2,315	2,309	-0.6	-0.3	2,323	2,315	2,309	-0.6	-0.3
Working capital	5,147	5,802	5,644	9.6	-2.7	5,147	5,802	5,644	9.6	-2.7
Leasing	2,168	2,316	2,291	5.6	-1.1	2,168	2,316	2,291	5.6	-1.1
Overdrafts and sundry accounts	38,149	39,427	39,410	3.3	0.0	40,731	42,822	42,702	4.8	-0.3
Performing gross loans (2)	101,320	102,119	101,653	0.3	-0.5	135,238	137,522	137,246	1.5	-0.2
Performing gross loans	101,320	102,119	101,653	0.3	-0.5	137,301	137,522	137,246	0.0	-0.2
Non-performing loans	9,086	7,723	7,410	-18.4	-4.1	9,250	7,867	7,801	-15.7	-0.8
Accruals	-152	-100	-114	-24.8	14.4	-114	-66	-80	-30.6	2.12
Gross loans to customers (excluding repos)	110,254	109,742	108,949	-1.2	-0.7	144,373	145,323	144,967	0.4	-0.2
Reverse repos	0	2,001	99	--	-95.1	0	2,001	99	--	-95.1
Gross loans to customers	110,254	111,743	109,048	-1.1	-2.4	144,373	147,325	145,066	0.5	-1.5
NPL and country-risk provisions	-4,642	-3,646	-4,180	-9.9	14.6	-4,731	-3,727	-4,375	-7.5	17.4
Loans and advances to customers (2)	105,612	108,097	104,868	-0.7	-3.0	139,642	143,598	140,691	0.8	-2.0
Loans and advances to customers	105,612	108,097	104,868	-0.7	-3.0	141,705	143,598	140,691	-0.7	-2.0

(1) The EURGBP exchange rate used for the balance sheet is 0.8749.
(2) Figures presented on a like-for-like basis.

Loans and advances to customers by product type, 31.03.2018 (%) ^(*)

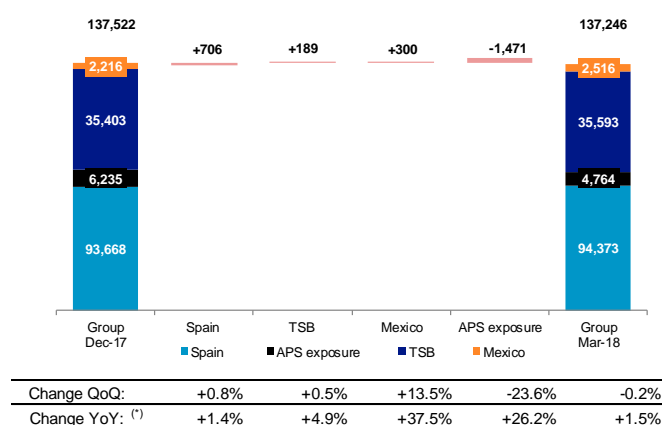


Loans and advances to customers by customer profile, 31.03.2018 (%)



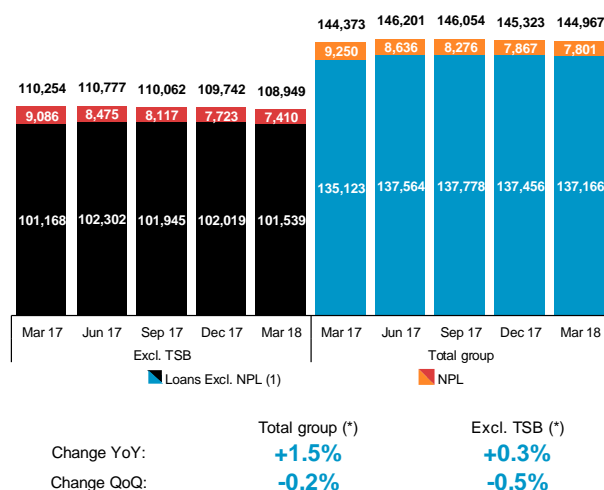
(*) Excluding non-performing assets and accrual adjustments.

Gross performing loans: performance by geographies (€ million)



(*) Figures on like-for-like basis

Evolution of gross loans to customer (€ million)



(*) Change on performing gross loans.

(1) Figures expressed in a like-for-like basis

Liabilities:

Customer funds:

At the end of the first quarter of 2018, on-balance sheet customer funds amounted to €133,280 million (€98,283 million excluding TSB), representing an increase of 2.4% (3.0% excluding TSB) year-on-year, and a quarterly increase of 0.9% (0.6% excluding TSB).

Sight account balances amounted to €101,794 million (€70,792 million excluding TSB) representing a 9.2% year-on-year increase (11.6% excluding TSB) and a quarterly increase of 3.9% (4.0% excluding TSB).

Term deposits amounted to €30,054 million (€26,060 million excluding TSB), -15.0% lower than in the same period in 2017 (-14.4% excluding TSB) and -7.3% (-6.9% excluding TSB) lower than the previous quarter. The year-on-year decline is primarily due to the evolution of interest rates, reflected in the transfer to sight accounts and off-balance sheet funds.

Total off-balance sheet customer funds amounted to €46,364 million at the end of the first quarter of 2018, and increased by 10.8% when compared to the previous year (a 2.3% quarter-on-quarter increase). Mutual funds at the end of the first quarter of 2018 amounts to €28,136 million, representing a year-on-year increase of 17.4% (2.8% on a quarterly basis).

Debt and other tradable securities:

At the end of the first quarter of 2018 this item amounted to €20,173 million (€18,730 million excluding TSB), representing a year-on-year decrease of 1.2% (-0.4% excluding TSB) and a -5.1% decline in the quarter (-5.2% excluding TSB) mainly due to the maturity of mortgage covered bonds.

The position with the ECB at the end of the first quarter of 2018 stands at €20,987 million, in which the TLTRO II auction in which the bank participated with €10,500 million in March 2017 is particularly noteworthy.

The position held with Bank of England TFS at the end of the first quarter of 2018 amounted to €7,402 million (6,470 millions of pounds).

Funds under management:

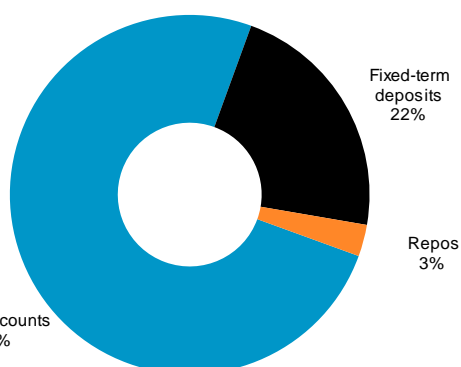
Funds under management amounted to €204,885 million (€166,871 million excluding TSB) when compared to €194,876 million (€155,985 million excluding TSB) in 2017, representing a 5.1% increase year-on-year (7.0% excluding TSB) and an increase of 0.2% quarter-on-quarter (0.3% excluding TSB).

Customer funds

(€million)	Excl. TSB					Total group						
	31.03.17		31.12.17		31.03.18		31.03.17		31.12.17		31.03.18	
			Change (%)						Change (%)			
Financial liabilities at amortised cost	151,125	159,462	155,932	3.2	-2.2	194,702	204,045	201,820	3.7	-1.1		
Non-retail financial liabilities	55,695	61,776	57,648	3.5	-6.7	64,554	71,949	68,540	6.2	-4.7		
Central banks	2,1305	2,1507	20,991	-1.5	-2.4	24,702	27,848	28,393	14.9	2.0		
Credit institutions	13,084	14,171	11,865	-9.3	-16.3	14,010	14,171	11,865	-15.3	-16.3		
Institutional issues	18,707	23,436	22,224	18.8	-5.2	22,880	26,999	25,242	10.3	-6.5		
Other financial liabilities	2,600	2,663	2,568	-1.2	-3.6	2,962	2,932	3,039	2.6	3.7		
On-balance sheet customer funds	95,430	97,686	98,283	3.0	0.6	130,148	132,096	133,280	2.4	0.9		
Customer deposits	94,261	99,277	99,683	5.8	0.4	131,533	135,307	135,790	3.2	0.4		
Sight accounts	63,429	68,039	70,792	11.6	4.0	93,239	98,020	101,794	9.2	3.9		
Fixed-term deposits	(2) 30,454	27,996	26,060	-14.4	-6.9	35,362	32,425	30,054	-15.0	-7.3		
Repos	223	3,119	2,720	--	-12.8	2,789	4,750	3,869	38.7	-18.5		
Accruals and derivative hedging adjustments	155	123	111	-28.0	-9.3	143	113	73	-48.8	-35.2		
Debt and other tradable securities	18,797	19,764	18,730	-0.4	-5.2	19,929	21,250	20,173	1.2	-5.1		
Subordinated liabilities	(3) 1,078	2,081	2,094	94.3	0.7	1,566	2,537	2,558	63.3	0.8		
On-balance sheet funds	114,137	121,122	120,508	5.6	-0.5	153,028	159,095	158,521	3.6	-0.4		
Mutual funds	23,964	27,375	28,136	17.4	2.8	23,964	27,375	28,136	17.4	2.8		
Equity funds	1,468	1,929	1,907	29.9	-1.1	1,468	1,929	1,907	29.9	-1.1		
Balanced funds	4,824	6,490	6,885	42.7	6.1	4,824	6,490	6,885	42.7	6.1		
Fixed-income funds	4,615	4,488	4,342	-5.9	-3.2	4,615	4,488	4,342	-5.9	-3.2		
Guaranteed return funds	4,171	3,829	3,898	-6.6	1.8	4,171	3,829	3,898	-6.6	1.8		
Real estate funds	118	125	124	5.1	-1.5	118	125	124	5.1	-1.5		
Venture capital funds	22	38	39	78.0	2.1	22	38	39	78.0	2.1		
Dedicated investment companies	2,165	2,192	2,205	1.8	0.6	2,165	2,192	2,205	1.8	0.6		
Third-party funds	6,581	8,283	8,738	32.8	5.5	6,581	8,283	8,738	32.8	5.5		
Managed accounts	3,771	3,999	4,004	6.2	0.1	3,771	3,999	4,004	6.2	0.1		
Pension funds	4,090	3,987	3,911	-4.4	-1.9	4,090	3,987	3,911	-4.4	-1.9		
Individual	2,579	2,476	2,414	-6.4	-2.5	2,579	2,476	2,414	-6.4	-2.5		
Company	1,497	1,498	1,484	-0.8	-0.9	1,497	1,498	1,484	-0.8	-0.9		
Group	14	13	12	-13.5	-2.1	14	13	12	-13.5	-2.1		
Third-party insurance products	10,024	9,965	10,313	2.9	3.5	10,024	9,965	10,313	2.9	3.5		
Off-balance sheet customer funds	41,848	45,325	46,364	10.8	2.3	41,848	45,325	46,364	10.8	2.3		
Funds under management	155,985	166,447	166,871	7.0	0.3	194,876	204,420	204,885	5.1	0.2		

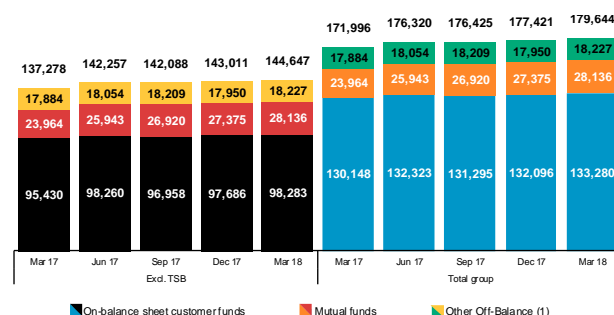
- (1) The EURGBP exchange rate used for the balance sheet is 0.8749.
(2) Includes deposits redeemable at notice and hybrid financial liabilities.
(3) These are subordinated liabilities of debt securities.

Customer deposits, 31.03.2018 (%) ^(*)



(*) Excluding adjustments for accruals and hedging derivatives.

Evolution of customer funds (€ million)



Excl. TSB (*) Change YoY: **+3.0%** Change QoQ: **+0.6%**
Total group (*) Change YoY: **+2.4%** Change QoQ: **+0.9%**

(*) Change on balance sheet customer funds.

(1) Includes pension funds, third-party insurance products and wealth management.

Net equity:

At the end of the first quarter of 2018 this item amounted to €12,870 million, with a -0.6% year-on-year decline, and -2.7% quarter-on-quarter decline due to the impact of IFRS9.

Net equity

(€million)	31.03.17	31.12.17	31.03.18	Change	
				31.03.17	31.12.17
Shareholders' equity	12,992	13,426	12,965	-27	-461
Issued capital	702	703	703	1	0
Reserves	12,109	12,107	12,082	-27	-25
Other equity	43	32	36	-7	4
Less: treasury shares	-79	-106	-116	-37	-10
Attributable net profit	216	801	259	43	-542
Less: dividends and payments	0	-112	0	0	112
Valuation adjustments	-104	-265	-155	-50	111
Minority interest	56	61	60	3	-2
Net equity	12,943	13,222	12,870	-74	-352

Risk management

Highlights

The Group's NPL ratio stands at 5.14% (6.38% excluding TSB).

Problematic assets were reduced by €-3,189 million excluding TSB during the last 12 months (€-1,636M non performing and €-1,552M foreclosed) and €-251 million in the quarter (€-274M NPLs and €+23M foreclosed).

The sale of foreclosed assets during the quarter continues to be sold at a premium.

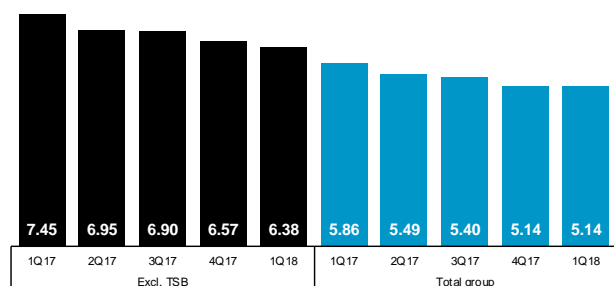
Problematic asset coverage reached 55.2% impacted by the implementation of IFRS9, whereby the NPA coverage ratio reached 56.6% and the coverage of foreclosed assets reached 53.7%.

NPL ratio and coverage:

The Group's NPL ratio continued its downward trend due to the steady reduction in non-performing exposures. In the quarter, reduction of €274 million excluding TSB, and €1,636 million in the last 12 months.

At the end of the first quarter of 2018, the balance of non-performing exposures excluding TSB amounted to €7,507 million.

NPL ratio (in %) ^(*)



(*) Calculated including contingent exposures and 20% of the APS.

NPL ratios by segment ^(*)

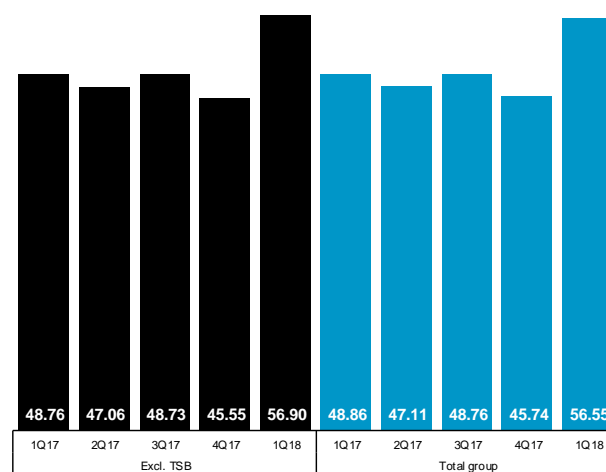
Excl. TSB	1Q17	2Q17	3Q17	4Q17	1Q18
Real estate development and/or construction purposes	28.04%	25.80%	23.82%	21.37%	19.80%
Construction purposes non-related to real estate dev.	5.88%	6.57%	6.44%	6.87%	7.17%
Large corporates	3.16%	3.01%	3.03%	3.33%	3.53%
SME and small retailers and self-employed	8.41%	8.31%	8.21%	8.09%	7.88%
Individuals with 1st mortgage guarantee assets	7.24%	7.20%	7.51%	6.88%	6.50%
NPL ratio	7.45%	6.95%	6.90%	6.57%	6.38%

(*) Calculated including contingent exposures and 20% of the APS.

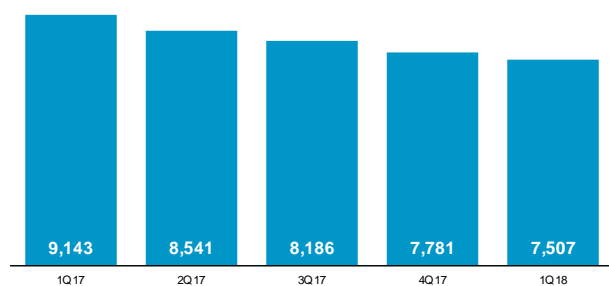
Quarterly reduction of problematic assets excluding TSB amounted to €251 million and €3,189 million in the last 12 months.

At the end of the first quarter of 2018, the balance of problematic assets excluding TSB amounted to €14,923 million.

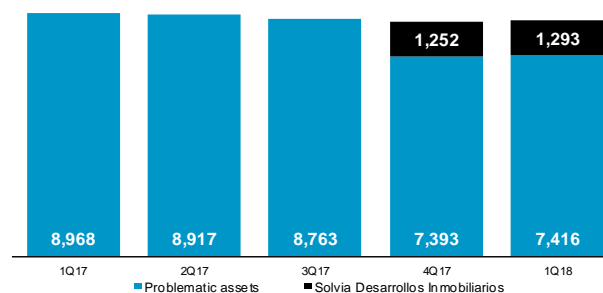
NPL coverage ratio (in %) ^(*)



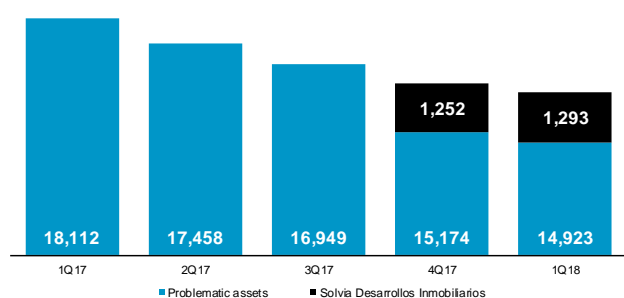
Evolution of NPLs excluding TSB (€ million) ^(*)



Evolution of real estate assets excluding TSB (€ million) ^(*)



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



(*) Calculated including contingent exposures and 20% of the APS.

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

Evolution of NPLs and RE assets excluding TSB ^(*)

(€million)	1Q17	2Q17	3Q17	4Q17	1Q18
Entries	636	526	513	617	481
Recoveries	-897	-1,067	-706	-956	-539
Exits of perimeter ⁽¹⁾	0	0	-10	0	0
Ordinary net entries	-261	-541	-203	-339	-58
Entries	312	304	148	254	294
Sales and other outcomes ⁽²⁾	-379	-355	-302	-1,624	-271
Change in real estate assets	-67	-51	-154	-1,370	23
Net entries plus change in real estate assets	-328	-592	-357	-1,709	-35
Write-offs	-178	-61	-152	-66	-216
Real estate assets and NPL quarterly change	-506	-653	-509	-1,775	-251

(*) Data includes 20% of APS.

(1) Corresponds to the exit of SUB, from the scope of consolidation.

(2) In 4Q17 a new business line has been carved out focusing on real estate development services (Solvia Desarrollos Inmobiliarios) with €1,252 million in assets under management.

Evolution of coverage of total Group NPLs and real estate assets ^(*)

(€ million)	1Q17	2Q17	3Q17	4Q17	1Q18
Non-performing exposures	9,307	8,703	8,345	7,925	7,898
Provisions	4,548	4,100	4,069	3,625	4,467
NPL coverage ratio (%)	48.9%	47.1%	48.8%	45.7%	56.6%
RE Assets evolution	8,968	8,917	8,763	7,393	7,416
Provisions	4,299	4,264	4,746	3,998	3,979
Real Estate coverage ratio (%)	(1) 47.9%	47.8%	54.2%	54.1%	53.7%
Total problematic assets	18,275	17,619	17,108	15,318	15,314
Provisions	8,847	8,364	8,814	7,623	8,446
Problematic assets coverage (%)	48.4%	47.5%	51.5%	49.8%	55.2%
Net problematic assets	9,429	9,255	8,294	7,695	6,868
Net problematic assets as of % of total assets	4.3%	4.3%	3.9%	3.5%	3.1%

(*) Includes contingent risks. Figures include 20% of APS.

(1) The real estate coverage ratio including write-downs stands at 63.1%.

Forborne and restructured loans

The balance of forborne and restructured loans at 31 March 2018 is:

(€million)	Total	Of which: doubtful
Public authorities	22	22
Corporate and entrepreneurs	4,174	2,329
Of which: Financing for construction and real estate development	824	664
Individual borrowers	2,453	1,355
Total	6,649	3,706
Provisions	1,607	1,374

Foreclosed problematic assets ^(*)

(€million)	Gross amount	Allowances for losses
Real estate assets deriving from financing of construction and real estate development	5,431	3,079
Finished buildings	2,685	1,100
Housing	1,318	502
Rest	1,367	597
Buildings under construction	276	160
Housing	224	128
Rest	52	33
Land	2,470	1,819
Building land	806	581
Other land	1,664	1,238
Real estate assets deriving from home loan mortgages	1,984	900
Total real-estate portfolio	7,416	3,979

(*) Problematic real estate assets, including properties outside of Spain, considering the coverage allowed for in the original financing, and the credit risk that was transferred through the enforcement of the APS.

Impairment allowances by the Group for credit risk hedging

(€million)	2017	2018
Initial balance	4,940	3,740
IFRS9 implementation	0	991
Movements reflected in provisions for NPLs	944	143
Movements not reflected in provisions for NPLs	-2,140	-498
Utilisation of provisions	-1,817	-298
Other movements (*)	-323	-200
Adjustments for exchange differences	-4	2
Final balance	3,740	4,378

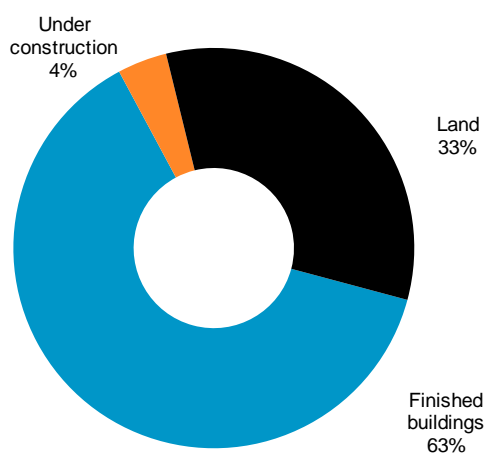
(*) Corresponds to the transfer of €38 million of impairment allowances for credit risk hedging of non-current assets held for sale and investment properties and the transfer of €162 million of impairment allowances to cover contingencies relating to mortgage floor provisions.

NOTE: Excludes guarantees and cash and cash equivalent.

Real estate portfolio breakdown by asset class:

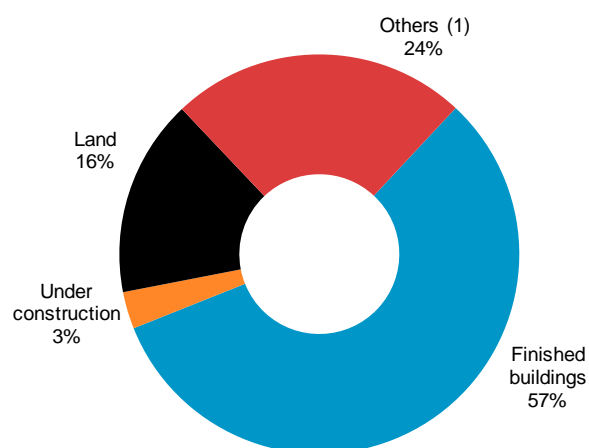
The breakdown at 31 March 2018 by asset class of the real estate portfolio is as follows:

Foreclosed assets, 31.03.2018 (*)



(*) Figures include 20% of APS

Real Estate Development, 31.03.18 (*)



Includes other guarantees.

Capital management and credit ratings

Highlights

Strong capital position, comfortably in excess of requirements, with a fully loaded CET1 of 12.0%.

The CET 1 phase-in was impacted by the anticipated IFRS9 implementation (-78bps impact in fully-loaded) as well as higher RWAs and an increase in deductions due to lower transitional adjustments applied (as a calendar year has elapsed).

The leverage ratio stands at 5.08% phase-in and 4.72% fully-loaded.

Phase-in capital ratios

(€million)	31.03.17	31.12.17	31.03.18
Issued capital	702	703	703
Reserves	11,978	11,911	11,328
Minority interest	20	17	11
Deductions ⁽¹⁾	-2,363	-2,209	-1,924
Common Equity Tier 1	10,336	10,423	10,118
CET 1 Phase-in (%)	11.9%	13.4%	12.9%
Preference shares and other	18	1,150	1,152
Deductions	-18	-452	0
Primary capital	10,336	11,121	11,270
Tier I (%)	11.9%	14.3%	14.4%
Secondary capital	1,548	1,403	1,342
Tier II (%)	1.8%	1.8%	1.7%
Total capital	11,884	12,524	12,612
Total capital ratio (%)	13.7%	16.1%	16.1%
Risk weighted assets (RWA)	86,581	77,638	78,525
Leverage ratio (%)	4.61%	4.97%	5.08%

The phase-in CET1 ratio of Banco de Sabadell, S.A. (individual) stood at 12.29% at December 2017.

(1) Includes the transitional adjustments of IFRS9.

Fully-loaded capital ratios

(€million)	31.03.17	31.12.17	31.03.18
Issued capital	720	703	703
Reserves	11,978	11,911	11,328
Minority interest	44	12	11
Deductions	-2,418	-2,704	-2,601
Common Equity Tier 1	10,294	9,923	9,441
CET 1 Fully Loaded (%)	11.9%	12.8%	12.0%
Preference shares and other	3	1,153	1,152
Primary capital	10,297	11,075	10,594
Tier I (%)	11.9%	14.3%	13.5%
Secondary capital	1,557	1,409	1,342
Tier II (%)	1.8%	1.8%	1.7%
Total capital	11,853	12,484	11,935
Total capital ratio (%)	13.7%	16.1%	15.2%
Risk weighted assets (RWA)	86,581	77,638	78,632
Leverage ratio (%)	4.59%	4.95%	4.72%

(1) Includes convertible bonds

Credit ratings

Agency	Date	Long term	Short term	Outlook
DBRS	21.12.2017	BBB (high)	R-1 (low)	Stable
S&P Global Rating ⁽¹⁾	06.04.2018	BBB	A-2	Estable
Moody's ⁽²⁾	17.04.2018	Baa3 / Baa2	P-3 / P-2	Positive/Positive

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

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

On 06 April 2018, S&P Global Ratings has raised Banco Sabadell's long-term credit rating to BBB from BBB- and its short-term rating to A-2 from A-3. The outlook is stable. This rating upgrade is based on the improvement of Banco Sabadell's credit quality in a context of a lower industry risk for the Spanish banking system mainly supported by the deleveraging of the latter as well as an improvement in investor confidence in the sector.

On 17 April 2018, Moody's Investors Service (Moody's), has raised Banco Sabadell's mortgage and public covered bonds credit rating to Aa1 from Aa2. Moody's has changed the outlook on Banco Sabadell's deposits credit rating to positive from stable. These revisions are based on the improvement of the Government of Spain credit rating on 13 April 2018.

Liquidity management

Highlights

The adjusted *loan to deposits* ratio at 31 March 2018 stood at 102.9% with a balanced retail funding structure.

LCR (Liquidity Coverage Ratio) at 31 March 2017 stands at 171%, excluding TSB, and 327% TSB, whilst during the same period in 2017 it stood at 123% excluding TSB and 166% TSB.

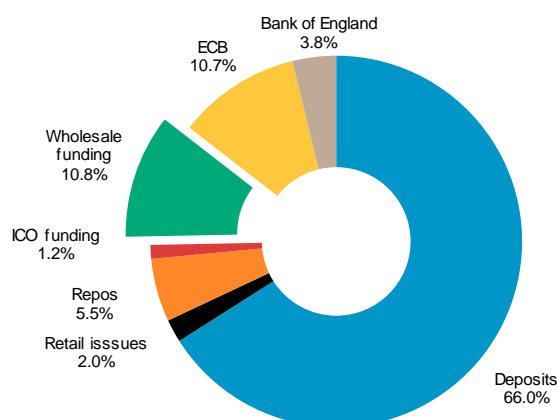
(€ million)		31.03.17	31.12.17	31.03.18 (1)
Loans and advances to customers	(2)	139,642	141,597	140,592
Brokered loans		-4,539	-3,835	-3,513
Adjusted net loans and advances		135,103	137,761	137,079
On-balance sheet customer funds		130,148	132,096	133,280
Loan-to-deposits ratio (%)	(3)	103.8	104.3	102.9

(1) The EURGBP exchange rate used for the balance sheet is 0.8749 at 31.03.2018.

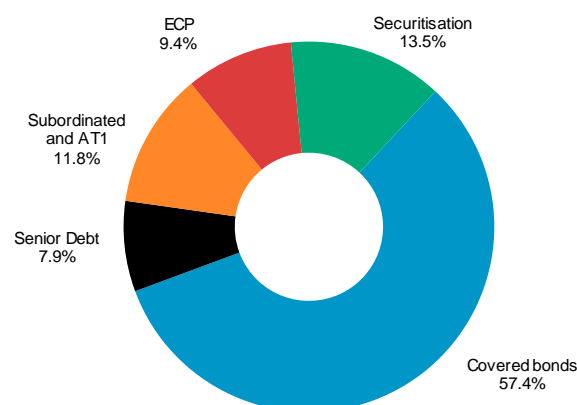
(2) Excludes repos.

(3) Figures presented on a like-for-like basis.

Funding structure, 31.03.2018



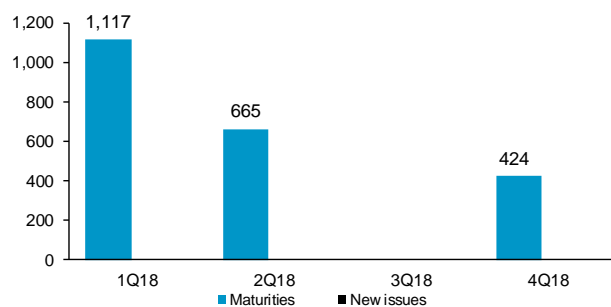
Wholesale market breakdown, 31.03.2018



Maturity of institutional issues

(€ million)	2018	2019	2020	2021	2022	2023	>2023	Outstanding balance
Covered bonds	444	1,124	2,015	1,808	1,691	1,388	3,761	12,231
Senior Debt	632	12	0	0	25	999	0	1,667
Subordinated and AT1	0	0	403	440	0	0	1,660	2,503
Other mid- and long-term financial instruments	13	0	0	10	0	0	5	28
Total	1,088	1,136	2,418	2,258	1,716	2,387	5,426	16,429

New issuances and maturities of wholesale funding



Maturities in the year:

(€ million)	1Q18	2Q18	3Q18	4Q18
Covered bonds	1,112	20	0	424
GGB	0	0	0	0
Senior Debt	0	632	0	0
Subordinated and AT1	0	0	0	0
Other mid- and long-term financial instrum	5	13	0	0
Total	1,117	665	0	424

Results by business units

This section gives information regarding earnings and other indicators of the Group's business units.

The criteria that Banco Sabadell Group uses to report on results for each segment are:

- There are four separate geographies: Banking Business Spain, Asset Transformation, Banking Business United Kingdom and Other Geographies.
- Each business is allocated 11% of capital divided by its risk-weighted assets and the surplus of own funds is allocated to Banking Business Spain.
- Banking Business United Kingdom includes TSB's contribution to the Group.
- Other geographies mostly comprises Mexico, overseas branches and representative offices. For the purpose of comparison, changes have been calculated for loans, funds and the income statement excluding Sabadell United Bank.

In terms of the other criteria applied, segment information is first structured with a breakdown by geography and then broken down based on the customers to which each segment is aimed.

Segmentation by geography and business units

- **Banking business Spain**, which includes the following customer-oriented business units:

Commercial Banking offers both investment and savings products. In terms of investment, the sale of mortgage products, working capital and loans is particularly noteworthy. In terms of savings, the main products are deposits (demand deposits and term deposits), mutual funds, savings insurance and pension funds. Protection insurance products and payment services are also noteworthy, such as credit cards and the issues of transfers, amongst others.

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

Markets and Private Banking offers and designs high value-added products and services for customers.

- **Asset Transformation:**

Comprehensively manages non-regular risk and real estate exposure, and also sets out and implements the strategy of real estate investee companies, such as Solvia.

- **Banking business United Kingdom:**

The TSB franchise includes retail business conducted in the United Kingdom, which includes current and savings accounts, personal loans, credit cards and mortgages.

- **Other geographies:**

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

The information presented here is based on the separate financial statements of each Group company, with the corresponding disposals and adjustments in the scope of consolidation and the analytical accounting of income and expenses in cases in which a business is spread over one or more legal entities, to enable revenues and costs to be allocated for each customer depending on the business unit to which that customer is assigned.

Each business unit is treated as an independent business, therefore commissioning takes place between businesses for the provision of services involving the distribution of products, services and systems. The overall net impact of commissioning between business units is zero.

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

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

Profit and loss 1Q18

(€million)	Banking business Spain	Real Estate asset transformation	Banking business UK	Other geographies	Total
Net interest income	609.1	-5.7	253.1	55.0	911.5
Income from equity method and dividends	12.2	0.0	0.1	0.6	12.9
Net fees and commissions	285.0	-5.1	23.1	11.5	314.4
Results from financial transactions and foreign exchange	208.3	8.7	7.2	1.8	226.0
Other operating income/expense	-43.1	32.5	-2.7	3.6	-9.7
Gross operating income	1,071.5	30.3	280.8	72.5	1,455.1
Operating expenses and amortization	-444.8	-33.1	-314.7	-47.4	-840.0
Pre-provisions income	626.7	-2.8	-33.9	25.1	615.1
Impairment on loans & advances	-98.3	-107.6	-23.3	-15.6	-244.8
Gains on sale of assets and other results	-1.1	0.0	0.4	0.0	-0.6
Profit before tax	527.3	-110.4	-56.8	9.5	369.7
Income tax	-148.2	25.7	13.0	0.7	-108.9
Consolidated net profit	379.1	-84.7	-43.8	10.2	260.7
Minority interest	1.3	0.0	0.0	0.1	1.5
Attributable net profit	377.7	-84.7	-43.8	10.1	259.3
ROE	15.5%	--	-11.3%	8.0%	7.15%
Cost / income	38.0%	--	105.8%	63.3%	53.42%
NPL ratio (%)	6.0%	29.1%	1.1%	0.9%	5.14%
NPL coverage ratio (%)	56.5%	62.7%	49.9%	103.7%	56.55%

Profit and loss 1Q17

(€million)	Banking business Spain	Real Estate asset transformation	Banking business UK	Other geographies	Total
Net interest income	630.8	-12.9	260.0	84.5	962.4
Income from equity method and dividends	15.8	-0.1	0.0	0.6	16.4
Net fees and commissions	256.9	0.4	25.3	14.1	296.7
Results from financial transactions and foreign exchange	340.5	-0.2	11.1	2.7	354.1
Other operating income/expense	-62.0	32.1	-2.6	3.0	-29.6
Gross operating income	1,182.0	19.3	293.7	104.9	1,600.0
Operating expenses and amortization	-430.3	-40.7	-256.4	-61.1	-788.5
Pre-provisions income	751.7	-21.3	37.3	43.8	811.5
Impairment on loans & advances	-271.2	-213.6	-23.9	-1.8	-510.6
Gains on sale of assets and other results	-5.8	0.0	7.5	0.0	1.7
Profit before tax	474.7	-235.0	20.8	42.0	302.6
Income tax	-139.9	73.9	-8.6	-10.2	-84.8
Consolidated net profit	334.9	-161.1	12.2	31.9	217.8
Minority interest	1.6	0.0	0.0	0.1	1.8
Attributable net profit	333.2	-161.1	12.2	31.7	216.1
ROE	15.2%	--	3.3%	11.3%	5.27%
Cost / income	40.7%	--	81.3%	55.4%	52.32%
NPL ratio (%)	6.7%	28.6%	0.5%	1.1%	5.86%
NPL coverage ratio (%)	45.9%	52.1%	54.7%	174.8%	48.86%

Balance sheet 1Q18

(€million)	Banking business Spain	Real Estate asset transformation	Banking business UK	Other geographies	Total
Total assets	139,346	15,235	49,332	15,096	219,009
Loans and advances to customers (Ex Repos)	92,750	3,032	35,823	8,987	140,592
RE exposure	0	3,437	0	0	3,437
Subtotal liabilities	130,279	13,947	47,760	14,153	206,139
On-balance sheet customer funds	93,093	199	34,996	4,991	133,280
Capital markets w wholesale funding	19,374	0	1,885	0	21,259
Equity	9,067	1,288	1,572	943	12,870
Off-balance sheet customer funds	45,302	38	0	1,024	46,364

Balance sheet 1Q17

(€million)	Banking business Spain	Real Estate asset transformation	Banking business UK	Other geographies	Total
Total assets	134,790	17,424	47,519	19,360	219,093
Loans and advances to customers (Ex Repos)	91,769	5,962	36,093	7,880	141,705
RE exposure	0	4,638	0	31	4,669
Subtotal liabilities	126,610	15,361	45,980	18,198	206,149
On-balance sheet customer funds	90,455	176	34,718	4,799	130,148
Capital markets w wholesale funding	18,065	0	1,581	0	19,647
Equity	8,180	2,063	1,539	1,161	12,943
Off-balance sheet customer funds	40,781	14	0	1,052	41,848

Banking business Spain

Net profit at March 2018 amounted to €377.7 million, a year-on-year increase of 13.4%, mainly due to lower provisions, as well as net fees and commissions. Excluding Mediterráneo Vida in the previous year, the increase stands at 14.4%.

Net interest income stood at €609.1 million and declined by -3.4% compared to the same period in 2017. Excluding Mediterráneo Vida, the net interest income remains in line with the previous year.

Net fees and commissions stood at €285.0 million, 10.9% higher than in the previous year due to the positive performance of service fees and asset management fees.

Net trading income and exchange differences amounted to €208.3 million, with a decline mainly due to extraordinary trading income in the previous year.

Administration and amortisation costs amounted to €-444.8 million, a 3.4% increase compared to the same period in the previous year.

Provisions and impairments amounted to €-98.3 million, being significantly lower than the previous year due to extraordinary provisions.

(€ million)	Change (%)			Simple evolution				
	1Q17	1Q18	YoY	1Q17	2Q17	3Q17	4Q17	1Q18
Net interest income	630.8	609.1	-3.4%	630.8	639.5	633.4	624.5	609.1
Income from equity method and dividends	15.8	12.2	-23.0%	15.8	19.6	266.4	11.3	12.2
Net fees and commissions	256.9	285.0	10.9%	256.9	270.5	264.8	283.6	285.0
Results from financial transactions and foreign exchange	340.5	208.3	-38.8%	340.5	148.3	30.4	21.9	208.3
Other operating income/expense	-62.0	-43.1	-30.6%	-62.0	-84.2	-23.7	-162.4	-43.1
Gross operating income	1,182.0	1,071.5	-9.3%	1,182.0	993.7	1,171.3	778.8	1,071.5
Operating expenses and amortization	-430.3	-444.8	3.4%	-430.3	-421.6	-448.8	-454.8	-444.8
Pre-provisions income	751.7	626.7	-16.6%	751.7	572.1	722.5	324.0	626.7
Impairment on loans & advances	-271.2	-98.3	-63.7%	-271.2	-176.1	-396.8	-23.2	-98.3
Gains on sale of assets and other results	-5.8	-1.1	-81.6%	-5.8	17.0	366.7	5.8	-1.1
Profit before tax	474.7	527.3	11.1%	474.7	413.0	692.4	306.6	527.3
Income tax	-139.9	-148.2	6.0%	-139.9	-107.1	-24.8	-49.3	-148.2
Consolidated net profit	334.9	379.1	13.2%	334.9	305.9	667.6	257.3	379.1
Minority interest	1.6	1.3	-18.4%	1.6	-0.3	0.1	-1.8	1.3
Attributable net profit	333.2	377.7	13.4%	333.2	306.2	667.5	259.1	377.7
Accumulated ratios								
ROE	15.2%	15.5%		15.2%	15.5%	15.6%	17.8%	15.5%
Cost / income	40.7%	38.0%		40.7%	38.7%	39.5%	39.1%	38.0%
NPL ratio (%)	6.7%	6.0%		6.7%	6.5%	6.2%	5.7%	6.0%
NPL coverage ratio (%)	45.9%	56.5%		45.9%	43.0%	47.4%	45.6%	56.5%

Customer loans and advances (excluding ATAs) amounted to €92,750 million, with a increase by 1.1% year-on-year.

On-balance sheet customer funds increased by 2.9% year-on-year, with significant growth in sight accounts. Off-balance sheet funds increased by 11.1% in the quarter, mainly driven by strong growth in mutual funds.

(€ million)	Change (%)			Simple evolution				
	1Q17	1Q18	YoY	1Q17	2Q17	3Q17	4Q17	1Q18
Total assets	134,790	139,346	3.4%	134,790	133,047	133,995	142,521	139,346
Loans and advances to customers (Ex Repos)	91,769	92,750	1.1%	91,769	92,361	92,923	93,394	92,750
Subtotal liabilities	126,610	130,279	2.9%	126,610	124,664	125,045	133,370	130,279
On-balance sheet customer funds	90,455	93,093	2.9%	90,455	92,933	92,196	92,558	93,093
Capital markets w/ wholesale funding	18,065	19,374	7.2%	18,065	19,163	18,861	20,168	19,374
Equity	8,180	9,067	10.8%	8,180	8,383	8,950	9,151	9,067
Off-balance sheet customer funds	40,781	45,302	11.1%	40,781	42,954	44,086	44,265	45,302
Other data								
Employees ⁽¹⁾	16,025	15,938	-0.5%	16,025	15,988	15,950	15,888	15,938
Branches	2,123	1,881	-11.4%	2,123	1,931	1,930	1,880	1,881

(1) Includes employees of Fonomed (call center)

Asset Transformation

Net profit as at March 2018 amounted to €-84.7 million and grew 47.4% year-on-year, due to the year-on-year increase in net interest income, lower loan provisions and the positive results off foreclosed assets sales.

Net interest income amounted to €-5.7 million, improving compared to the previous year.

In 2018 net trading income includes the sales of real estate companies.

Other products and operating expenses grew 1.3%, excluding Hotel Investment Partners, growth stands at 23.9% due to the good management in real estate.

Gross income amounted to €30.3 million, a 56.8% increase compared to 2017.

Administrative expenses and depreciations decreased by -18.7% year-on-year to €-33.1 million. Excluding Hotel Investment Partners, expenses declined by -10.5%.

Provisions and impairments amounted to €-122.9 million, -38.1% decline compared to the same period in the previous year.

(€ million)	Change (%)			Simple evolution				
	1Q17	1Q18	YoY	1Q17	2Q17	3Q17	4Q17	1Q18
Net interest income	-12.9	-5.7	55.7%	-12.9	-9.0	-15.3	-14.9	-5.7
Income from equity method and dividends	-0.1	0.0	--	-0.1	-0.9	0.6	-0.2	0.0
Net fees and commissions	0.4	-0.1	--	0.4	0.7	0.5	0.3	-0.1
Results from financial transactions and foreign exchange	-0.2	8.7	--	-0.2	-34.4	-0.2	-2.6	8.7
Other operating income/expense	32.1	32.5	1.3%	32.1	33.6	23.6	29.0	32.5
Gross operating income	19.3	30.3	56.8%	19.3	-10.0	9.2	11.6	30.3
Operating expenses and amortization	-40.7	-33.1	-18.7%	-40.7	-43.3	-40.0	-38.7	-33.1
Pre-provisions income	-21.3	-2.8	87.0%	-21.3	-53.4	-30.8	-27.1	-2.8
Impairment on loans & advances	-198.4	-122.9	-38.1%	-198.4	-131.3	-694.1	-177.9	-122.9
Sales results	-15.2	15.3	--	-15.2	-12.5	8.5	5.1	15.3
Gains on sale of assets and other results	0.0	0.0	--	0.0	0.0	0.0	41.0	0.0
Profit before tax	-235.0	-110.4	53.0%	-235.0	-197.2	-716.4	-158.9	-110.4
Income tax	73.9	25.7	-65.3%	73.9	49.0	220.1	21.0	25.7
Consolidated net profit	-161.1	-84.7	47.4%	-161.1	-148.1	-496.3	-137.9	-84.7
Minority interest	0.0	0.0	--	0.0	0.0	0.0	0.0	0.0
Attributable net profit	-161.1	-84.7	47.4%	-161.1	-148.1	-496.3	-137.9	-84.7
Accumulated ratios								
ROE	--	--	--	--	--	--	--	--
Cost / income	--	--	--	--	--	--	--	--
NPL ratio (%)	28.6%	29.1%	--	28.6%	25.1%	28.9%	32.2%	29.1%
NPL coverage ratio (%)	52.1%	62.7%	--	52.1%	52.9%	53.2%	49.9%	62.7%

Due to the good management of real estate assets, net lending declined by -49.1% year-on-year and net real estate exposure declined by -25.9%.

Intra-group funding amounted to €11,858 million, -13.2% less than in the previous quarter.

(€ million)	Change (%)			Simple evolution				
	1Q17	1Q18	YoY	1Q17	2Q17	3Q17	4Q17	1Q18
Total assets	17,424	15,235	-12.6%	17,424	17,398	15,713	15,384	15,235
Loans and advances to customers (Ex Repos)	5,962	3,032	-49.1%	5,962	5,603	4,250	3,865	3,032
RE exposure	4,638	3,437	-25.9%	4,638	4,622	3,995	3,372	3,437
Subtotal liabilities	15,361	13,947	-9.2%	15,361	15,367	13,685	13,728	13,947
On-balance sheet customer funds	176	199	13.3%	176	160	115	104	199
Intragroup financing	13,656	11,858	-13.2%	13,656	13,602	13,117	12,627	11,858
Equity	2,063	1,288	-37.6%	2,063	2,031	2,028	1,656	1,288
Off-balance sheet customer funds	14	38	169.3%	14	14	36	27	38
Other data								
Employees	867	998	15.1%	867	919	1,008	1,018	998

Banking business United Kingdom

Net profit in March amounted to €-43.8 million, with a year-on-year decline due to the technology costs associated with the IT migration.

Net interest income declined by -2.6% due to the early call of the Mortgage Enhancement portfolio in 2017. On a like-for-like basis and considering a constant FX, growth amounted to 4.8%.

Net trading income includes the sale of fixed income.

Net fees and commissions declined by -8.7% due to lower services commissions.

Administrative expenses and depreciations increased by 22.8% year-on-year amounting to €-314.7 million due to the technology costs associated with the IT migration. Excluding the non recurring costs, the administrative expenses and depreciations declined by -0.5% year-on-year.

Provisions and impairments amounted to €-23.3 million, in line with 2017.

(€ million)	Change (%)			Simple evolution				
	1Q17	1Q18	YoY	1Q17	2Q17	3Q17	4Q17	1Q18
Net interest income	260.0	253.1	-2.6%	260.0	263.1	253.1	257.3	253.1
Income from equity method and dividends	0.0	0.1	--	0.0	0.0	0.0	0.2	0.1
Net fees and commissions	25.3	23.1	-8.7%	25.3	21.7	24.8	23.9	23.1
Results from financial transactions and foreign exchange	11.1	7.2	-35.2%	11.1	78.4	6.5	13.6	7.2
Other operating income/expense	-2.6	-2.7	4.7%	-2.6	-4.4	-3.2	-5.5	-2.7
Gross operating income	293.7	280.8	-4.4%	293.7	358.8	281.2	289.6	280.8
Operating expenses and amortization	-256.4	-314.7	22.8%	-256.4	-261.2	-241.9	-242.4	-314.7
Pre-provisions income	37.3	-33.9	--	37.3	97.6	39.3	47.2	-33.9
Impairment on loans & advances	-23.9	-23.3	-2.7%	-23.9	-20.3	-21.0	-23.5	-23.3
Gains on sale of assets and other results	7.5	0.4	-94.5%	7.5	-1.1	-0.3	0.5	0.4
Profit before tax	20.8	-56.8	--	20.8	76.1	17.9	24.2	-56.8
Income tax	-8.6	13.0	--	-8.6	-23.0	-8.6	-8.5	13.0
Consolidated net profit	12.2	-43.8	--	12.2	53.1	9.3	15.7	-43.8
Minority interest	0.0	0.0	--	0.0	0.0	0.0	0.0	0.0
Attributable net profit	12.2	-43.8	--	12.2	53.1	9.3	15.7	-43.8
Accumulated ratios								
ROE	3.3%	-11.3%		3.3%	3.5%	3.3%	5.8%	-11.3%
Cost / income	81.3%	105.8%		81.3%	78.7%	80.4%	79.5%	105.8%
NPL ratio (%)	0.5%	1.1%		0.5%	0.5%	0.4%	0.4%	1.1%
NPL coverage ratio (%)	54.7%	49.9%		54.7%	49.9%	50.0%	55.9%	49.9%

Loans and advances to customers (excluding repos) amounted to €35,823 million, with a year-on-year decline of -0.7%, due to the first quarter of 2017 includes the Mortgage Enhancement portfolio. On a like-for-like basis and considering a constant FX, growth amounted to 5.8% compared to the previous year.

On balance sheet customer funds amounted to €34,996 million and grew 0.8% year-on-year (3.0% considering a constant FX).

(€ million)	Change (%)			Simple evolution				
	1Q17	1Q18	YoY	1Q17	2Q17	3Q17	4Q17	1Q18
Total assets	47,519	49,332	3.8%	47,519	47,195	47,132	48,145	49,332
Loans and advances to customers (Ex Repos)	36,093	35,823	-0.7%	36,093	35,343	35,912	35,501	35,823
Subtotal liabilities	45,980	47,760	3.9%	45,980	45,696	45,647	46,597	47,760
On-balance sheet customer funds	34,718	34,996	0.8%	34,718	34,064	34,337	34,410	34,996
Capital markets w wholesale funding	1,581	1,885	19.2%	1,581	1,489	1,424	1,920	1,885
Equity	1,539	1,572	2.2%	1,539	1,499	1,485	1,548	1,572
Other data								
Employees	8,524	8,335	-2.2%	8,524	8,444	8,383	8,287	8,335
Branches	585	551	-5.8%	585	551	551	551	551

Other geographies

Net profit as at March 2018 amounted to €10.1 million, a year-on-year decrease of -68.2% as Sabadell United Bank did not contribute in this quarter as well as higher expenses associated with expansion in Mexico. Excluding Sabadell United Bank, customer funds declined by -45.7%.

Net interest income stood at €55.0 million, showing a -34.9% decline. Excluding Sabadell United Bank, growth amounted to 14.1%, mainly driven by the growth in Mexico.

Net fees and commissions declined by -18.3% mainly due to the lack of contribution of Sabadell United Bank. Excluding SUB the year-on-year change amounts to -4.2%.

Gross income amounted to €72.5 million, a -30.9% year-on-year decline. Excluding Sabadell United Bank, gross income grew by 9.8% due to the good performance in Mexico.

Operating expenses and depreciation declined by -22.5%. Excluding the sale of Sabadell United Bank, they increased by 17.0%, primarily due to expenses associated with the expansion in Mexico.

(€ million)	Change (%)			Simple evolution				
	1Q17	1Q18	YoY	1Q17	2Q17	3Q17	4Q17	1Q18
Net interest income	84.5	55.0	-34.9%	84.5	80.8	69.6	57.7	55.0
Income from equity method and dividends	0.6	0.6	-4.3%	0.6	1.0	0.7	0.9	0.6
Net fees and commissions	14.1	11.5	-18.3%	14.1	15.2	9.6	11.1	11.5
Results from financial transactions and foreign exchange	2.7	1.8	-35.4%	2.7	3.9	0.7	2.0	1.8
Other operating income/expense	3.0	3.6	21.6%	3.0	1.8	-4.3	2.4	3.6
Gross operating income	104.9	72.5	-30.9%	104.9	102.7	76.3	74.1	72.5
Operating expenses and amortization	-61.1	-47.4	-22.5%	-61.1	-61.0	-39.0	-43.8	-47.4
Pre-provisions income	43.8	25.1	-42.7%	43.8	41.7	37.3	30.3	25.1
Impairment on loans & advances	-1.8	-15.6	--	-1.8	-0.1	-13.5	-9.0	-15.6
Gains on sale of assets and other results	0.0	0.0	--	0.0	0.0	0.0	1.2	0.0
Profit before tax	42.0	9.5	-77.3%	42.0	41.6	23.8	22.6	9.5
Income tax	-10.2	0.7	--	-10.2	-16.4	-2.8	-7.9	0.7
Consolidated net profit	31.9	10.2	-68.0%	31.9	25.2	20.9	14.7	10.2
Minority interest	0.1	0.1	7.1%	0.1	0.1	0.0	3.8	0.1
Attributable net profit	31.7	10.1	-68.2%	31.7	25.1	20.9	10.8	10.1
Accumulated ratios								
ROE	11.3%	8.0%		11.3%	10.0%	9.6%	8.8%	8.0%
Cost / income	55.4%	63.3%		55.4%	55.9%	54.1%	54.5%	63.3%
NPL ratio (%)	1.1%	0.9%		1.1%	0.8%	0.9%	0.9%	0.9%
NPL coverage ratio (%)	174.8%	103.7%		174.8%	213.5%	103.4%	113.0%	103.7%

Net lending amounted to €8,987 million, and grew 14.0% due to the business in Mexico.

On-balance sheet customer funds amounted to €4,991 million, and grew 4.0%. Off balance sheet customer funds amounted to €1,024 million and showed a slight decline of -2.7%.

(€ million)	Change (%)			Simple evolution				
	1Q17	1Q18	YoY	1Q17	2Q17	3Q17	4Q17	1Q18
Total assets	19,360	15,096	-22.0%	19,360	19,819	14,309	15,298	15,096
Loans and advances to customers (Ex Repos)	7,880	8,987	14.0%	7,880	8,671	8,776	8,836	8,987
RE exposure	31	0	-100.0%	31	31	23	23	0
Subtotal liabilities	18,198	14,153	-22.2%	18,198	18,658	13,503	14,431	14,153
On-balance sheet customer funds	4,799	4,991	4.0%	4,799	5,167	4,647	5,024	4,991
Equity	1,161	943	-18.8%	1,161	1,160	806	866	943
Off-balance sheet customer funds	1,052	1,024	-2.7%	1,052	1,029	1,030	1,033	1,024
Other data								
Employees	1,109	785	-29.2%	1,109	1,146	744	765	785
Branches	59	42	-28.8%	59	66	41	42	42

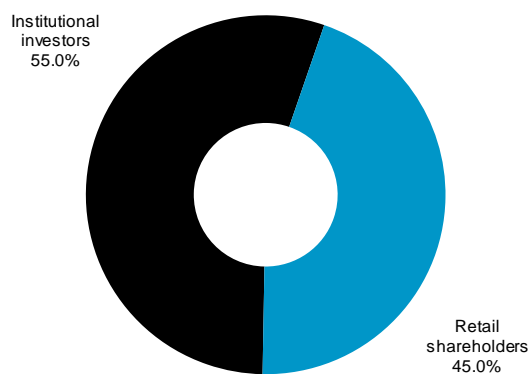
4. Share price performance

	31.03.17	31.03.18	Change (%) YoY
Shareholders and trading			
Number of shareholders	255,205	231,373	-9.3
Average number of shares (million)	5,576	5,579	0.0
Average daily trading volume (millions shares)	30	22	-25.4
Share price (€) (1)			
Opening session (of the year)	1.323	1.656	
High (of the year)	1.742	1.945	
Low (of the year)	1.295	1.626	
Closing session (end of quarter)	1.718	1.661	
Market capitalisation (€ million)	9,580	9,267	
Stock market multiples			
Earnings per share (EPS) (€)	(2) 0.12	0.16	
Book value per share (€)	2.32	2.32	
TBV per share	1.95	1.91	
Price / Book value (times)	0.74	0.72	
Price / Earnings ratio (P/E) (times)	14.01	10.64	

(1) Without adjusting historical values

(2) Net profit adjusted to reflect the amount of the Additional Tier I coupons, after tax, recorded under own funds.

Shareholders' structure



Source: GEM, figures at 31 March 2018

5. Other key developments in the quarter

Banco Sabadell notified the Board of Directors of the agreement of the cash distribution of a supplementary dividend.

On 1 February 2018 the Board of Directors agreed to the cash distribution of a supplementary dividend to shareholders of 0.05 gross euros per share.

This dividend is supplementary to the interim dividend for the amount of 0.02 gross euros per share, agreed by the Board of Directors on 26 October 2017, which was paid on 29 December 2017, which represents total cash shareholder remuneration of 0.07 gross euros per share.

The dividend proposal is subject to approval by the Ordinary General Meeting of Shareholders, with payment of the supplementary dividend subject to the celebration of this meeting.

Banco Sabadell informs of the rating upgrade by S&P Global Ratings

On 06 April 2018, S&P Global Ratings has raised Banco Sabadell's long-term credit rating to BBB from BBB- and its short-term rating to A-2 from A-3. The outlook is stable.

This rating upgrade is based on the improvement of Banco Sabadell's credit quality in a context of a lower industry risk for the Spanish banking system mainly supported by the deleveraging of the latter as well as an improvement in investor confidence in the sector.

Banco Sabadell informs of the rating upgrade by Moody's Investors Service

On 17 April 2018, Moody's Investors Service (Moody's), has raised Banco Sabadell's mortgage and public covered bonds credit rating to Aa1 from Aa2.

Moody's has changed the outlook on Banco Sabadell's deposits credit rating to positive from stable.

These revisions are based on the improvement of the Government of Spain credit rating on 13 April 2018.

6. Glossary of terms on performance measures

In its presentation of its results to the market, and for the purpose of monitoring the business and decision-making processes, the Group uses performance measures pursuant to the generally accepted accounting regulations (IFRS-EU), and also uses other non-audited measures commonly used in the banking sector (Alternative Performance Measures, or APMs) as monitoring indicators for the management of assets and liabilities, and the financial and economic situation of the Group, which facilitates its

comparison with other entities. Following the ESMA guidelines on APMs (ESMA/2015/1415es of October 2015), the purpose of which is to promote the use and transparency of information for the protection of investors in the European Union, the Group presents below, for each APM, the reconciliation with items shown in the financial statements (in each section of the report) and its definition and calculation:

Alternative Performance measures	Definition and calculation	Page
ROA	(*) (**) Consolidated income during the year / ATA. Considering linear annualisation of profit obtained to date and adjusted by contributions to guarantee and resolution funds except year end. Average Total Assets are the moving average of total assets over the last 12 calendar months.	3
ROE	(*) (***) Profit attributed to the Group / average equity. Numerator considers linear annualisation of profit obtained to date and adjusted by contributions to guarantee and resolution funds except year end.	3
RORWA	(*) Profit attributed to the Group / risk-weighted assets (RWA). Numerator considers linear annualisation of profit obtained to date.	3
ROTE	(*) (***) Profit attributed to the Group / average equity. Numerator considers linear annualisation of profit obtained to date and adjusted by contributions to guarantee and resolution funds except year end. Denominator excludes goodwill.	3
Cost / income ratio	(*) Staff expenses and other general administrative expenses / gross income. Calculated by adjusting gross income, taking into account the recurrent results from financial transactions with the best group estimate except for the end of the year, excluding commission received for BanSabadell Vida value-in force "VIF" and the income from Mortgage Enhancement of TSB. Denominator includes the linear accrual of contributions to deposit guarantee fund and resolution fund except year end.	3
Other operating income/expense	Comprised of the following accounting items: Other operating income and other operating expense as well as income from assets and expenses on liabilities under insurance or reinsurance contracts	8
Other impairments	Comprised of the following accounting items: impairment of (-) reversal of impairment of investments in joint ventures and associates, impairment or (-) reversal of impairment on non- financial assets, investment properties in the gains or (-) losses on derecognition of non- financial assets and shareholdings, net and profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations excluding the associates.	8
Gains on sale of assets and other results	Comprised of the following accounting items: gains or (-) losses on derecognition of non-financial assets and shareholdings, net excluding the investment properties and associates included in the profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations excluding the associates.	8
Pre-provisions income	Comprised of the following accounting items: gross income plus administration and amortisation/depreciation expenses	8
Customer spread	(**) Difference between return and cost of assets and liabilities related to customers, i.e. contribution to net interest income of operations exclusively with customers. Calculated ratio taking into account the difference between the medium rate the bank receives for the customers' loans and the medium rate the bank pays for the customers' deposits. The medium rate of customers' loans is the annualized percentage between the financial income of clients' loans relative to the medium daily amount of clients' loans. The medium rate of customers' funds is the annualized percentage between the financial expenses of customers' funds relative to the medium daily amount of customers' funds.	11
Other assets	Comprised of the following accounting items: Derivatives - Hedge accounting, fair value changes of the hedged items in portfolio hedge of interest rate risk, tax assets, other assets, assets under insurance or reinsurance contracts and non-current assets and disposal groups classified as held for sale.	17
Other liabilities	Comprised of the following accounting items: Derivatives - Hedge accounting, tax liabilities, fair value changes of the hedged items in portfolio hedge of interest rate risk, other liabilities and liabilities included in disposal groups classified as held for sale.	17
Gross loans to customers	Includes loans and advances to customers excluding NPL and country-risk provisions.	18
Performing gross loans	Includes gross loans to customers excluding repos, NPL and accrual adjustments.	18
On-balance sheet customer funds	Includes customer deposits (ex repos) and other liabilities placed by the branch network (Banco Sabadell non-convertible bonds, promissory notes and others).	20
Off-balance sheet customer funds	Includes mutual funds, asset management, pension funds and third-party insurance products.	20
On-balance sheet funds	Includes accounting sub-headings of customer deposits, marketable debt securities, subordinated liabilities and liabilities under insurance or reinsurance contracts.	20
Funds under management	Sum of on-balance sheet and off-balance sheet customer funds.	20
NPL coverage ratio	Shows the % of NPLs covered by provisions. Calculated using the ratio between the allowance of loans and advances to customers (including allowances for contingent exposures) / total non-performing exposures (including contingent liabilities).	22
NPL ratio	% of non-performing exposures over total risk assumed by customers. All of the calculation's components correspond to headings or sub-headings in accounting financial statements. Calculation comprised of the ratio between non-performing exposures, including contingent liabilities / Customer lending and contingent liabilities. See table for the definition of non-performing exposures. Contingent liabilities include granted guarantees and contingent commitments.	22
Non-performing exposures	Sum of accounting items: NPLs, Loans and advances to customers and non-performing guarantees granted.	24
Problematic assets	Sum of non-performing exposures and foreclosed real estate assets.	24
Real estate coverage ratio	Calculation comprised of ratio between allowances for impairment of foreclosed real estate assets / total foreclosed real estate assets. Amount of foreclosed RE assets includes property classified in the non-current asset portfolio and disposable groups of items classed as held-for-trading.	24
Loan-to-deposits ratio	Net loans and receivables over retail funding. Calculated by subtracting mediation loans from the numerator. The denominator considers real estate funding and customer funds, defined in this table.	28
Market capitalisation	Product of the share price and the average number of outstanding shares at the end of the period.	35
Earnings per share	Ratio between net profit attributed to the Group and the average number of outstanding shares at the end of the period. Numerator considers linear annualisation of profit obtained to date adjusted by the Additional Tier I coupon payment, after tax, registered in equity as well as adjusted by contributions to guarantee and resolution funds except year end.	35
Book value per share	Ratio between carrying value / average number of shares at the end of the period. Accounting value is calculated as the sum of equity, considering linear annualisation of profit obtained to date and adjusted by the Additional Tier I coupon payment as well as by contributions to guarantee and resolution funds except year end.	35
TBV per share	Ratio between tangible value / average number of shares at the end of the period. Tangible value is calculated as the sum of equity, considering linear annualisation of profit obtained to date and adjusted by intangible assets and by the Additional Tier I coupon payment as well as by contributions to guarantee and resolution funds except year end.	35
Price / Book value (times)	Ratio between share price / carrying value.	35
Price / Earnings ratio (P/E) (times)	(*) Ratio between share price / earnings per share.	35

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

(**) Average calculated using average daily balances.

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

Alternative Performance measures	Conciliation (€millions)	1Q 17	1Q 18
ROA	Average total assets	211,690	216,880
	Consolidated net profit	218	261
	DGR - SRF adjustment net of tax	-47	-32
	ROA (%)	0.33	0.43
ROE	Average equity	12,978	12,889
	Attributable net profit	216	259
	DGR - SRF adjustment net of tax	-47	-32
	ROE (%)	5.27	7.15
RORWA	Risk weighted assets (RWA)	86,581	78,525
	Attributable net profit	216	259
	DGR - SRF adjustment net of tax	-47	-32
	RORWA (%)	0.79	1.17
ROTE	Average equity (excluding intangible assets)	10,864	10,638
	Attributable net profit	216	259
	DGR - SRF adjustment net of tax	-47	-32
	ROTE (%)	6.29	8.66
Cost / income ratio	Gross operating income	1,600	1,455
	Adjusted gross operating income	1,315	1,409
	Operating expenses	-688	-753
	Cost / income ratio (%)	52.32	53.42
Other operating income/expense	Other operating income	76	72
	Other operating expenses	-94	-82
	Income from assets under insurance or reinsurance contracts	44	0
	Expenses on liabilities under insurance or reinsurance contracts	-56	0
	Other operating income/expense	-30	-10
Other impairments	Impairment of (-) reversal of impairment of investments in joint ventures and associates	0	0
	Impairment or (-) reversal of impairment on non-financial assets	-64	-6
	Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	-54	-39
	Gains from sales of associates	0	0
	Gains from sales of investment properties and associates	0	-1
	Other impairments	-118	-46
Gains on sale of assets and other results	Gains or (-) losses on derecognition of non-financial assets and shareholdings, net	2	-1
	Gains from sales of associates	0	0
	Gains from sales of investment properties and associates	0	1
	Gains on sale of assets and other results	2	-1
Pre-provisions income	Gross operating income	1,600	1,455
	Operating expenses	-688	-753
	Personnel expenses	-395	-389
	Other general expenses	-293	-363
	Amortization & depreciation	-101	-87
	Pre-provisions income	811	615
	Customer spread	Loans to customers (net)	
Avge.balance		138,670	133,924
Results		1,034	992
Rate %		3.02	3.00
Customer deposits			
Avge.balance		141,349	138,805
Results		-80	-69
Rate %	-0.23	-0.20	
Customer spread	2.79	2.80	
Other assets	Derivatives - Hedge accounting	380	277
	Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	-12
	Tax assets	6,948	7,125
	Other assets	4,621	3,042
	Non-current assets and disposal groups classified as held for sale	9,974	2,558
	Other assets	21,924	12,989
Other liabilities	Derivatives - Hedge accounting	1,283	856
	Fair value changes of the hedged items in portfolio hedge of interest rate risk	-5	-26
	Tax liabilities	761	614
	Other liabilities	674	902
	Liabilities included in disposal groups classified as held for sale	6,830	12
	Other liabilities	9,543	2,358

Alternative Performance measures	Conciliation (€millions)	1Q17*	1Q18
Performing gross loans	Mortgage loans & credits	84,868	84,301
	Other secured loans & credits	2,323	2,309
	Working capital	5,147	5,644
	Leasing	2,168	2,291
	Overdrafts and sundry accounts	40,731	42,702
	Performing gross loans	135,238	137,246
	Non-performing loans (customer)	9,250	7,801
	Accruals	-114	-80
	Gross loans to customers,	144,373	144,967
	Reverse repos	0	99
Gross loans to customers	Gross loans to customers	144,373	145,066
	NPL and country-risk provisions	-4,731	-4,375
	Loans and advances to customers	139,642	140,691
On-balance sheet customer funds	Financial liabilities at amortised cost	194,702	201,820
	Non-retail financial liabilities	64,554	68,540
	Central banks	24,702	28,393
	Credit institutions	14,010	11,865
	Institutional issues	22,880	25,242
	Other financial liabilities	2,962	3,039
	On-balance sheet customer funds	130,148	133,280
	Customer deposits	131,533	135,790
	Sight accounts	93,239	101,794
	Fixed-term deposits including available and hybrid financial liabilities	35,362	30,054
On-balance sheet funds	Repos	2,789	3,869
	Accruals and derivative hedging adjustments	143	73
	Debt and other tradable securities	19,929	20,173
	Subordinated liabilities (**)	1,566	2,558
	On-balance sheet funds	153,028	158,521
	Mutual funds	23,964	28,136
	Managed accounts	3,771	4,004
	Pension funds	4,090	3,911
	Third-party insurance products	10,024	10,313
	Off-balance sheet customer funds	41,848	46,364
Funds under management	Funds under management	194,876	204,885
Non-performing exposures	Customer loans and advances	9,250	7,801
	Contingent non-performing exposures	57	97
	Non-performing exposures (€million)	9,307	7,898
NPL coverage ratio (%)	Non-performing exposures	9,307	7,898
	Provisions	4,548	4,467
	NPL coverage ratio (%)	48.9%	56.6%
Real Estate coverage ratio (%)	RE Assets evolution	8,968	7,416
	Provisions	4,299	3,979
	Real Estate coverage ratio (%)	47.9%	53.7%
Problematic assets	Non-performing exposures	9,307	7,898
	RE Assets evolution	8,968	7,416
	Problematic assets	18,275	15,314
	Provisions of problematic assets	8,847	8,446
	Problematic assets coverage (%)	48.4%	55.2%
NPL ratio (%)	Non-performing exposures	9,307	7,898
	Loans to customers and contingent risks	158,948	153,674
	NPL ratio (%)	5.9%	5.1%
Loan-to-deposits ratio (%)	Adjusted net loans and advances w/o repos by brokered loans	135,103	137,079
	On-balance sheet customer funds	130,148	133,280
	Loan-to-deposits ratio (%)	103.8%	102.9%
Market capitalisation (€000)	Average number of shares (million)	5,576	5,579
	Share price (€)	1718	1661
	Market capitalisation (€'000)	9,580	9,267
Earnings per share (EPS) (€)	Net profit attributed to the Group adjusted	169	215
	Attributable net profit	216	259
	DGR - SRF adjustment net of tax	-47	-32
	Accrued AT1	0	-13
	Average number of shares (million)	5,576	5,579
	Earnings per share (EPS) (€)	0.12	0.16
	Share price (€)	1718	1661
Book value per share (€)	Adjusted equity	12,944	12,920
	Shareholders' equity	12,992	12,965
	DGR - SRF adjustment net of tax	-47	-32
	Accrued AT1	0	-13
	Average number of shares (million)	5,576	5,579
	Book value per share (€)	2.32	2.32
	Intangible assets	2,054	2,271
TBV per share	Adjusted equity (excluding intangible assets)	10,890	10,649
	TBV per share	1.95	1.91
	Price / Book value (times)	0.74	0.72
Price / Earnings ratio (P/E) (times)	Price / Earnings ratio (P/E) (times)	14.01	10.6

(*) Like-for-like figures for loans and recursos.

(**) Refers to subordinated liabilities of debt securities

See list, definition and purpose of the APMS used by Banco Sabadell Group here:

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Investor relations

For further information, contact:



investorrelations@bancsabadell.com

+44 2071 553 888

