

# Quarterly financial report

## First quarter of 2017



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## Basis of presentation

The consolidated profit and loss accounts at the end of March 2017 and at 2016 year-end, 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 of 31 December 2016.

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		
	31.03.16	31.03.17	Change (%)	31.03.16	31.03.17 <sup>(3)</sup>	Change (%)
<b>Profit and loss account (€million)</b>						
Net interest income	695.7	702.4	10	973.9	962.4	-12
Gross operating income	1,253.2	1,306.3	4.2	1,567.6	1,600.0	2.1
Pre-provisions income	721.9	774.2	7.3	805.7	811.5	0.7
Profit before tax	283.9	281.8	-0.7	367.7	302.6	-17.7
Attributable net profit	190.3	203.9	7.1	252.0	216.1	-14.3
<b>Balance sheet (€million)</b>						
Total assets	161,189	171,574	6.4	204,021	219,093	7.4
Performing gross loans	(1) 103,724	105,384	16	138,255	141,365	2.3
Gross loans to customers	(1) 115,146	114,338	-0.7	149,887	150,520	0.4
On-balance sheet funds	(1) 12,147.4	118,175	-2.7	159,573	157,066	-1.6
Of which: Customer funds	(1) 97,493	99,264	1.8	131,290	133,982	2.1
Mutual funds	21,153	23,964	13.3	21,153	23,964	13.3
Pension funds and third-party insurance products	12,175	14,113	15.9	12,175	14,113	15.9
Funds under management	(1) 158,581	160,023	0.9	196,680	198,914	1.1
Net equity	--	--	--	12,789	12,943	1.2
Shareholders' equity	--	--	--	12,539	12,992	3.6
<b>Profitability and cost-to-income ratios (%)</b>						
ROA	--	--	--	0.38	0.33	--
RORWA	--	--	--	0.90	0.79	--
ROE	--	--	--	6.67	5.53	--
ROTE	--	--	--	8.00	6.63	--
Cost / income	46.13	44.74	--	51.34	53.36	--
<b>Risk management</b>						
Non-performing exposures (€million)	(1) 11,674	9,143	-21.7	11,870	9,307	-21.6
Total problematic assets	(1) 20,867	18,112	-13.2	21,064	18,275	-13.2
NPL ratio (%)	(1) 9.45	7.45	--	7.50	5.86	--
NPL coverage ratio (%)	(1) 54.4	53.1	--	54.7	53.1	--
<b>Capital management</b>						
Risk weighted assets (RWA)	--	--	--	86,299	86,581	0.3
Common Equity Tier 1 (%)	--	--	--	11.9	11.9	--
Tier I (%)	--	--	--	11.9	11.9	--
Total capital ratio (%)	--	--	--	13.3	13.7	--
Leverage ratio (%)	--	--	--	4.91	4.61	--
<b>Liquidity management</b>						
Loan-to-deposits ratio (%)	(1) 105.8	105.8	--	104.9	105.3	--
<b>Share data (period end)</b>						
Number of shareholders	--	--	--	262,221	255,205	--
Number of shares (million)	--	--	--	5,439	5,616	--
Share price (€)	(2) --	--	--	1,582	1,718	--
Market capitalisation (€million)	--	--	--	8,605	9,649	--
Earnings per share (EPS) (€)	--	--	--	0.14	0.12	--
Book value per share (€)	--	--	--	2.29	2.30	--
Price / Book value (times)	--	--	--	0.69	0.75	--
Price / Earnings ratio (P/E) (times)	--	--	--	11.05	14.11	--
<b>Other data</b>						
Branches	2,262	2,182	--	2,874	2,767	--
Employees	17,865	17,888	--	26,064	26,412	--

(1) In March 2017, Sabadell United Bank (hereinafter, SUB) has been reclassified as non-current assets held for sale following a sale agreement reached in February. For comparative purposes, SUB figures at March 2017 have been maintained.

(2) Without adjusting historical values.

(3) The EURGBP exchange rate used for the income statement at 31/03/2017 is 0.8599. The exchange rate used for the balance sheet is 0.8555 at 31/03/2017.

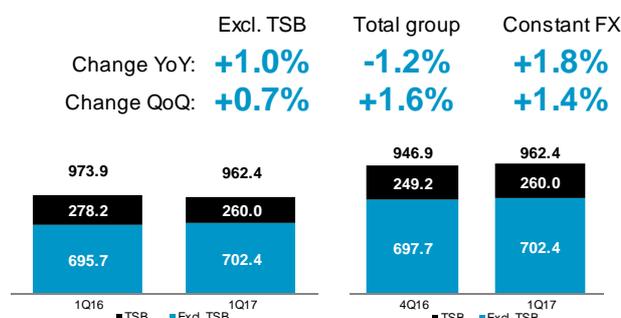
## 2. Summary

### Solid growth in banking business income:

#### Net interest income

The Group increased by 1.6% quarter-on-quarter and declined by -1.2% year-on-year, affected by downward trends of the EUR/GBP exchange rate (1.8% growth considering a constant exchange rate).

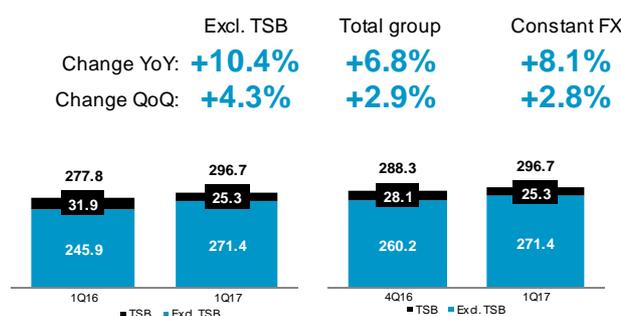
Net interest income excluding TSB has increased year-on-year in a lower-for-longer interest rate period driven by lower costs in fixed term deposits and wholesale funding, amounting to €702.4 million at the end of the first quarter of 2017, representing a 1.0% increase year-on-year and a 0.7% increase quarter-on-quarter.



#### Net fees and commissions

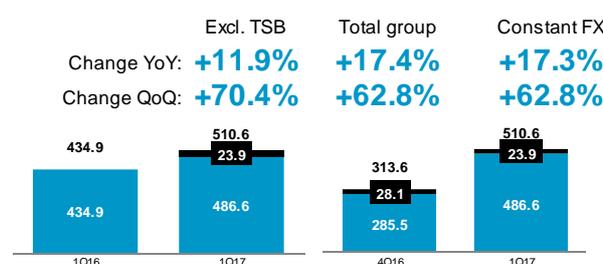
Income from net fees and commissions showed a 6.8% increase year-on-year (10.4% excluding TSB) and a 2.9% increase quarter-on-quarter (4.3% excluding TSB).

The positive performance of service fees is particularly noteworthy, specially those relating to sight accounts.



#### Provisions for NPLs and other impairments:

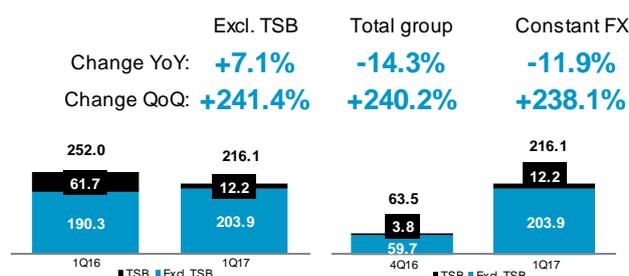
Provisions for NPLs and other impairments amounted to €510.6 million at the end of the first quarter of 2017, compared with €434.9 million at the first quarter of 2016, representing a 17.4% increase. Most of the net trading income expected for the year has been materialised during the first quarter, and has been used to front-load provisions.



#### Net profit of the Group

The Group's net profit amounted to €216.1 million (€203.9 million excluding TSB) at the end of the first quarter of 2017.

Frontloaded provisions and cost savings backloaded in the second half of the year will provide the forecast growth throughout the year.



## Increase in performing gross loans and customer funds:

### Gross loans

Performing gross loans increased by 2.3% at the end of the first quarter of 2017 (4.0% considering a constant exchange rate), compared with the same quarter of the previous year (1.6% excluding TSB), while front book pricing remained stable. Compared to the previous quarter, it increased by 0.6% (-0.9% excluding TSB and 0.5% considering a constant exchange rate). The first quarter of 2017 includes €984 million payment received from the Deposit Guarantee Fund (DGF). Excluding this effect, the quarter-on-quarter increase would stand at 1.3%.

In TSB, the positive trend of lending (12.6% growth year-on-year and 5.0% growth quarter-on-quarter) has continued, driven by the increase in core mortgages.

### On-balance sheet customer funds

On-balance sheet customer funds increased year-on-year by 2.1% (1.8% excluding TSB), with a 3.9% increase considering a constant exchange rate. Compared with the previous quarter, this increase was 0.4% (0.1% excluding TSB). Growth of both sight accounts and off-balance sheet funds.

### Problematic assets

Excluding TSB, over the last twelve months problematic assets have been reduced by €2,756 million

During the first quarter of 2017 the reduction was €506 million (of which €439 million correspond to non-performing exposures and €67 million to foreclosed assets) in line with target.

### NPL ratio and coverage

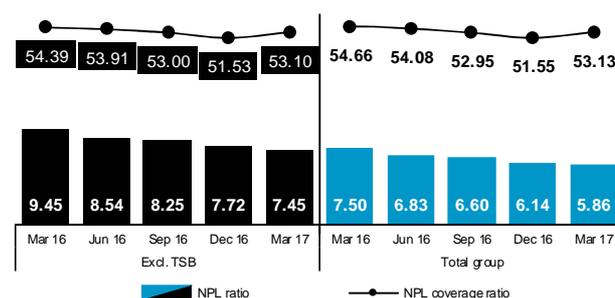
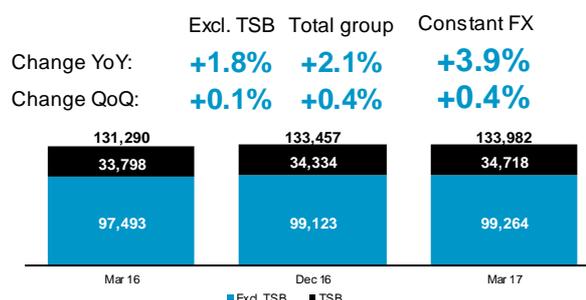
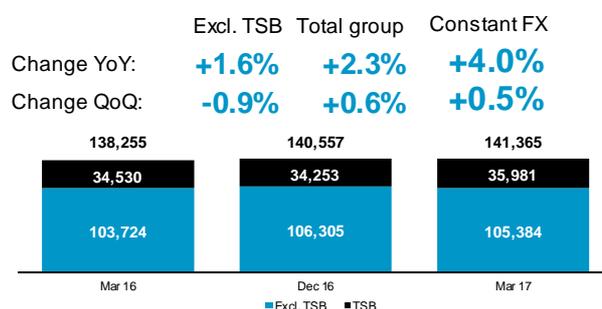
The Group's NPL ratio has continued to decline and stands at 5.86%<sup>(\*)</sup> (7.45%<sup>(\*)</sup> excluding TSB), reaching its lowest level since the third quarter of 2011.

The NPL coverage ratio stands at 53.13%<sup>(\*)</sup> (53.10%<sup>(\*)</sup> excluding TSB), and the coverage of foreclosed real estate assets has increased to 47.9%.

### Capital ratio

The phase-in Common Equity Tier 1 (CET1) ratio stands at 11.9%, the same as the fully-loaded CET1 ratio at 31 March 2017.

(\*) Excluding SUB, the NPL ratio stands at 7.70% excluding TSB (6.00% at total Group level), and the NPL coverage ratio stands at 51.64% excluding TSB (51.70% at total Group level). The NPL coverage ratio excluding mortgage floor provisions stands at 48.76% excluding TSB (48.86% at total Group level).



### Phase-in:



### Fully loaded:



## 3. Performance review

### Macroeconomic environment

#### Global economic and financial background

Political events have been a major focal point for financial markets during the quarter. In particular, the UK officially triggered Article 50, officially requesting the country's withdrawal from the EU. The British government acknowledged that membership of the single market means accepting the "four freedoms" (of people, goods, services and capital) and expressed her intention to satisfy the country's obligations as a withdrawing member of the EU and minimise the uncertainty caused by this decision. In the general elections in the Netherlands, Eurosceptics were defeated, and in France, Macron (who is a social liberal and pro-European) has consolidated his position as the primary candidate to win the next presidential elections. In the United States, Trump has encountered his first challenges, such as a lack of support of various Republican members of Congress for the changes that he intended to implement in terms of Obamacare (the US healthcare bill). In terms of foreign policy, the new US administration is becoming more moderate in its approach to trade policy and international relationships. In terms of activity, data have generally been positive in the Eurozone and in the US, particularly economic sentiment indicators, which have reached the record highs of recent years. With regard to inflation, this has been affected by the base effect of energy prices. In the Eurozone, inflation experienced an upturn during the first two months of the quarter to 2.0% year-on-year, and then fell again to 1.5%. Inflation also rose in the US, recording maximums not seen since 2012.

#### Macroeconomic situation in Spain

The economy has continued to perform well during the first quarter of 2017, after GDP recorded a 3.2% growth in 2016, with the unemployment rate reaching record lows not seen since 2009 (18.6% of the active population during the fourth quarter). In this context, Bank of Spain has upgraded its growth forecast for 2017 from 2.5% to 2.8%. Inflation stood at close to 3.0% year-on-year during the first two months of 2017, and then fell in March to 2.1%. Inflation performance was influenced by fuel and electricity price trends. In terms of the external sector, the current account balance ended 2016 with a surplus for the fourth consecutive year, standing at 2.0% of GDP. As regards public accounts, their deficit stood at 4.3% of GDP in 2016, below the revised target level of 4.6% and compared to the 5.1% recorded in 2015. Lastly, the General State Budget for 2017 was announced, which contemplates a reduction of this administration's deficit from 2.5% of GDP in 2016 to 1.1%. Macroeconomic forecasts included in this budget have been deemed to be reasonable by the Spanish Independent Authority for Fiscal Responsibility (Airef). The State intends to continue containing expenses and expects tax income to increase by close to 8%, more than the growth of the country's nominal GDP.

#### Macroeconomic situation in the UK

Activity data in the UK continues to be positive, although the economy is beginning to show symptoms of a gradual

slowdown. GDP in the fourth quarter increased by 0.7% quarter-on-quarter, although recent data point towards a 0.5% growth for the first quarter of this year, and the published indicators continue to gradually decline. In terms of pricing, inflation has experienced an upturn in recent months, boosted by energy prices and the depreciation of the pound. With regard to Brexit, the government initiated the process to formally withdraw from the EU by triggering Article 50 on March 29th. Subsequently, Prime Minister Theresa May announced early general elections in the UK which will be held on June 8th, with a view to strengthening her position ahead of future negotiations with the EU as regards Brexit.

#### Macroeconomic situation in Latin America

In Mexico, investment has continued to be weak, and the growth of consumption has slowed. However, activity relating to exports has improved. The upturn in inflation has continued, affected by the previous currency devaluation and the increase in fuel prices. However, financial markets appear to be more at ease (thanks to the US' more constructive approach to the NAFTA trade renegotiation), and this has recently allowed the central bank to limit the magnitude of its official interest rate hikes. As a result, the decline in economic outlooks for Mexico has recently come to a stop.

In terms of South America, the deterioration of Brazil's economic performance seems to be over. The market continues to trust in the reform process being implemented by the government. This, together with a sharp moderation in inflation, has allowed the central bank to successively apply sharper cuts to its official interest rate. In Colombia, the adjustment of economic imbalances has continued, although catalysts for future growth are still not in place. The moderation of inflation has allowed the central bank to cut its interest rates in recent months. As a result, credit rating agencies have improved their debt outlooks of both Brazil and Colombia. Lastly, in Peru, the delay of large-scale construction projects and the heaviest rainfall recorded by the country in over two decades have caused a significant downgrade of the country's growth forecasts for this year.

#### Fixed-income markets

The Fed increased its Fed Funds Rate in its meeting of 15th March to 0.75%-1.00%, and the expected interest rate hikes for 2017 and 2018 were maintained (two additional hikes in 2017 and three in 2018). The Fed made very few changes to its economic outlook from those in place in December. The Fed's decision to hike the funds rate took place after a dramatic shift in the expectations of the likelihood of a rate hike in the weeks prior to the meeting, leading to a significant recalibration of market expectations which began to factor in a rate hike. The ECB began to prepare the market for a future shift in the approach of its monetary policy. In particular, in its March meeting, it indicated that deflation risks had largely disappeared, that risks of downward revisions of economic outlooks had been reduced and that "superficial" discussions had been held on the possibility of changing forward guidance. Subsequently,

the ECB played down expectations of future changes to its monetary policy.

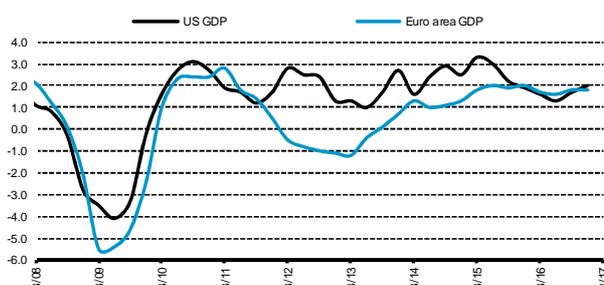
In terms of long-term fixed-income markets, the yield of German government bonds closed the quarter at higher levels than in the previous quarter. Increased inflation during the first part of the quarter, a tougher discourse by the ECB in its March meeting and the allaying of political uncertainty in Europe drove yields upwards. Conversely, changes in the ECB's discourse after its March meeting hindered the yield of German government bonds. In the US, the yield of its sovereign bonds ended the quarter slightly below that recorded in the previous quarter. Initially, higher inflation and increased market expectations of a Fed Funds Rate hike in March helped to drive this upturn. However, the tone of the Fed in its monetary policy meeting, which was more cautious than the market had expected, together with the overturning of Trump's aims regarding Obamacare created downward pressure on yields. Lastly, the credit rating

agency Standard & Poor's changed its rating outlook of Spain's government bonds (BBB+) to positive.

### Equity markets

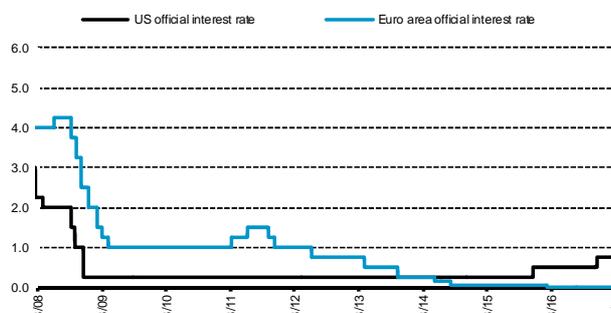
Equity indices in the main advanced economies experienced an upturn during the first quarter of the year, influenced by Trump's electoral promises (fiscal reform, an infrastructure plan and the deregulation of the financial sector). However, during the final stretch of the quarter, certain adjustments took place in response to the inability of the Trump administration to introduce its intended reforms with regard to Obamacare (the US healthcare bill). S&P 500 closed the quarter with a 4.05% increase in euro terms, whilst Nikkei increased by 2.21% in euro terms. In Europe, the UK index increased by 2.70% in euro terms and EURO STOXX 50 increased by 6.39%, with the upturn of the IBEX 35 (11.88%) being particularly notable, helped in part by the positive performance of the banking sector.

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



Source: Bloomberg

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



### Exchange rates: Parity vs. euro

Fx	31.03.16	30.06.16	30.09.16	31.12.16	31.03.17
USD	1.1385	1.1102	1.1161	1.0541	1.0691
GBP	0.7916	0.8265	0.8610	0.8562	0.8555
MXN	19.5903	20.6347	21.7389	21.7719	20.0175

Source: Bank of Spain

## Income statement

### Highlights:

The Group's net profit amounted to €216.1 million (€203.9 million excluding TSB).

In the first quarter, the net interest income increased by 1.6% driven by lower costs in fixed term deposits and wholesale funding

Income from fees and commissions recorded a year-on-year growth of 6.8% (10.4% excluding TSB), and a quarter-on-quarter growth of 2.9% (4.3% excluding TSB), with the positive performance of service fees being noteworthy, particularly those relating to sight accounts.

Most of the net trading income expected for the year has been materialised during the first quarter and has been used to front-load provisions.

### Profit and loss account

(€ million)	Excl. TSB			Total group			
	1Q16	1Q17	Change (%) YoY	1Q16	1Q17 <sup>(1)</sup>	Change (%) YoY	Change (%) at fixed FX
<b>Net interest income</b>	<b>695.7</b>	<b>702.4</b>	<b>1.0</b>	<b>973.9</b>	<b>962.4</b>	<b>-1.2</b>	<b>1.8</b>
Income from equity method and dividends	21.6	16.4	-24.0	21.6	16.4	-24.0	-24.0
Net fees and commissions	245.9	271.4	10.4	277.8	296.7	6.8	8.1
Results from financial transactions (net)	303.4	341.9	12.7	308.1	353.0	14.6	14.6
Foreign exchange (net)	2.9	1.1	-61.9	2.9	1.1	-61.9	-61.6
Other operating income/expense	-16.2	-27.0	66.4	-16.7	-29.6	77.4	78.8
<b>Gross operating income</b>	<b>1,253.2</b>	<b>1,306.3</b>	<b>4.2</b>	<b>1,567.6</b>	<b>1,600.0</b>	<b>2.1</b>	<b>4.2</b>
Personnel expenses	-306.7	-298.1	-2.8	-415.5	-394.9	-5.0	-2.3
Non-recurrent	-6.7	-3.5	-48.1	-12.8	-7.0	-45.4	-42.3
Recurrent	-300.0	-294.6	-1.8	-402.7	-387.9	-3.7	-1.1
Other general expenses	-146.4	-151.0	3.1	-249.2	-293.0	17.6	22.8
Non-recurrent	0.0	0.0	--	-1.7	-10.9	--	--
Recurrent	-146.4	-151.0	3.1	-247.5	-282.2	14.0	19.1
Amortization & depreciation	-78.3	-83.0	6.0	-97.2	-100.6	3.5	5.6
<b>Pre-provisions income</b>	<b>721.9</b>	<b>774.2</b>	<b>7.3</b>	<b>805.7</b>	<b>811.5</b>	<b>0.7</b>	<b>1.8</b>
Provisions for NPLs	-276.3	-365.1	32.1	-276.3	-389.0	40.8	40.6
Other financial assets	-5.3	-3.5	-33.6	-5.3	-3.5	-33.6	-33.6
Other impairments	-153.3	-118.0	-23.0	-153.3	-118.0	-23.0	-23.0
Gains on sale of assets	-3.1	-5.8	88.5	-3.1	1.7	--	--
Badw ill	0.0	0.0	--	0.0	0.0	--	--
<b>Profit before tax</b>	<b>283.9</b>	<b>281.8</b>	<b>-0.7</b>	<b>367.7</b>	<b>302.6</b>	<b>-17.7</b>	<b>-15.7</b>
Income tax	-92.3	-76.1	-17.5	-114.4	-84.8	-25.9	-24.7
<b>Consolidated net profit</b>	<b>191.6</b>	<b>205.6</b>	<b>7.3</b>	<b>253.3</b>	<b>217.8</b>	<b>-14.0</b>	<b>-11.7</b>
Minority interest	1.3	1.8	35.7	1.3	1.8	35.7	35.7
<b>Attributable net profit</b>	<b>190.3</b>	<b>203.9</b>	<b>7.1</b>	<b>252.0</b>	<b>216.1</b>	<b>-14.3</b>	<b>-11.9</b>
Pro memoria:							
Average total assets (€ million)	162,661	166,321		204,806	211,690		
Earnings per share (€)	(2) 0.02	0.03		0.04	0.03		

(1) The EURGBP exchange rate used for the income statement is 0.8599.

(2) Aggregate at the end of each quarter, not annualised.

## Quarterly profit and loss account

(€million)	Excl. TSB						Total group						
	1Q16	2Q16	3Q16	4Q16	1Q17	Change (%) 4Q16	1Q16	2Q16	3Q16	4Q16	(1) 1Q17	Change (%) 4Q16	Change (%) at fixed FX
<b>Net interest income</b>	<b>695.7</b>	<b>696.7</b>	<b>696.9</b>	<b>697.7</b>	<b>702.4</b>	<b>0.7</b>	<b>973.9</b>	<b>968.6</b>	<b>948.4</b>	<b>946.9</b>	<b>962.4</b>	<b>1.6</b>	<b>1.4</b>
Income from equity method and dividends	216	27.3	23.2	12.6	16.4	30.5	216	27.3	23.2	12.6	16.4	30.5	30.4
Net fees and commissions	245.9	257.9	258.8	260.2	271.4	4.3	277.8	292.4	290.0	288.3	296.7	2.9	2.8
Results from financial transactions (net)	303.4	144.5	54.3	54.0	341.9	--	308.1	194.7	53.9	53.0	353.0	--	--
Foreign exchange (net)	2.9	118	-0.5	2.8	11	-59.8	2.9	118	-0.5	2.8	11	-59.8	-59.7
Other operating income/expense	-16.2	-65.9	-20.6	-106.3	-27.0	-74.6	-16.7	-82.2	-219	-106.1	-29.6	-72.1	-72.0
<b>Gross operating income</b>	<b>1,253.2</b>	<b>1,072.2</b>	<b>1,012.0</b>	<b>920.9</b>	<b>1,306.3</b>	<b>41.8</b>	<b>1,567.6</b>	<b>1,412.6</b>	<b>1,293.0</b>	<b>1,197.5</b>	<b>1,600.0</b>	<b>33.6</b>	<b>33.3</b>
Personnel expenses	-306.7	-307.3	-307.1	-314.6	-298.1	-5.2	-45.5	-413.1	-410.3	-424.1	-394.9	-6.9	-7.1
Non-recurrent	-6.7	-7.5	-6.9	-28.2	-3.5	-87.7	-12.8	-11.3	-110	-32.9	-7.0	-78.8	-78.9
Recurrent	-300.0	-299.7	-300.3	-286.4	-294.6	2.9	-402.7	-401.8	-399.3	-391.2	-387.9	-0.8	-10
Other general expenses	-146.4	-145.8	-145.2	-143.6	-1510	5.2	-249.2	-247.8	-251.1	-252.2	-293.0	16.2	16.7
Non-recurrent	0.0	0.0	0.0	0.0	0.0	--	-1.7	-5.0	-3.5	-8.9	-10.9	21.9	16.2
Recurrent	-146.4	-145.8	-145.2	-143.6	-1510	5.2	-247.5	-242.7	-247.7	-243.3	-282.2	16.0	16.6
Amortization & depreciation	-78.3	-78.0	-79.0	-88.0	-83.0	-5.7	-97.2	-96.8	-96.5	-105.4	-100.6	-4.5	-4.7
<b>Pre-provisions income</b>	<b>721.9</b>	<b>541.1</b>	<b>480.7</b>	<b>374.8</b>	<b>774.2</b>	<b>106.6</b>	<b>805.7</b>	<b>654.9</b>	<b>535.0</b>	<b>415.9</b>	<b>811.5</b>	<b>95.1</b>	<b>94.8</b>
Provisions for NPLs	-276.3	-238.1	-95.0	223.8	-365.1	--	-276.3	-238.1	-95.0	195.6	-389.0	--	--
Other financial assets	-5.3	-119.0	-4.3	-14.3	-3.5	-75.3	-5.3	-119.0	-4.3	-14.3	-3.5	-75.3	-75.3
Other impairments	-163.3	-116.8	-112.4	-495.0	-118.0	-76.2	-163.3	-116.8	-112.4	-495.0	-118.0	-76.2	-76.2
Gains on sale of assets	-3.1	38.3	-1.3	5.5	-5.8	--	-3.1	38.3	-3.3	3.1	1.7	-45.8	-47.0
Badwill	0.0	0.0	0.0	0.0	0.0	--	0.0	0.0	0.0	0.0	0.0	--	--
<b>Profit before tax</b>	<b>283.9</b>	<b>112.5</b>	<b>267.7</b>	<b>94.8</b>	<b>281.8</b>	<b>197.2</b>	<b>367.7</b>	<b>226.3</b>	<b>320.1</b>	<b>105.3</b>	<b>302.6</b>	<b>187.2</b>	<b>185.4</b>
Income tax	-92.3	-22.4	-74.4	-33.2	-76.1	129.1	-114.4	-52.2	-97.0	-40.0	-84.8	112.0	110.4
<b>Consolidated net profit</b>	<b>191.6</b>	<b>90.1</b>	<b>193.3</b>	<b>61.6</b>	<b>205.6</b>	<b>234.0</b>	<b>253.3</b>	<b>174.1</b>	<b>223.1</b>	<b>65.4</b>	<b>217.8</b>	<b>233.2</b>	<b>231.3</b>
Minority interest	13	0.8	1.5	1.8	1.8	-5.2	13	0.8	1.5	1.8	1.8	-5.2	-5.2
<b>Attributable net profit</b>	<b>190.3</b>	<b>89.3</b>	<b>191.8</b>	<b>59.7</b>	<b>203.9</b>	<b>241.4</b>	<b>252.0</b>	<b>173.3</b>	<b>221.6</b>	<b>63.5</b>	<b>216.1</b>	<b>240.2</b>	<b>238.1</b>
Pro memoria:													
Average total assets (€million)	162,661	162,567	163,649	164,410	166,321		204,806	207,153	206,477	206,619	211,690		
Earnings per share (€)	(2) 0.02	0.04	0.07	0.09	0.03		0.04	0.07	0.10	0.13	0.03		

(1) The EURGBP exchange rate used for the income statement of the quarter is 0.8599.

(2) Aggregate at the end of each quarter, not annualised.

### Net interest income:

Net interest income increased during the first quarter of 2017, in a lower-for-longer interest rate environment. Year-on-year, net interest income has been negatively affected by the EUR/GBP exchange rate.

At the end of the first quarter of 2017, it stood at €962.4 million, with a year-on-year decline of -1.2% and a quarter-on-quarter growth of 1.6%.

Excluding TSB, net interest income amounted to €702.4 million at the end of the first quarter of 2017, a 1.0%

increase year-on-year and a 0.7% increase quarter-on-quarter, driven by the lower cost of funding.

In TSB, net interest income increased by 5.4% during the quarter, as a result of lower deposit cost and a strong mortgage lending growth.

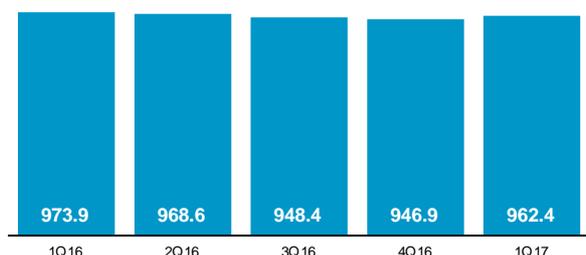
### Customer spread:

At the end of the first quarter of 2017, the customer spread stood at 2.77% (2.69% in the previous quarter). The net interest income as a percentage of average total assets stood at 1.84% (1.82% in the previous quarter), growing for the first time since the first quarter of 2016.

Excluding TSB, the customer spread at the end of the first quarter of 2017 stood at 2.67% (2.59% in the previous quarter) while the net interest margin as a percentage of average total assets was 1.71% (1.69% in the previous quarter).

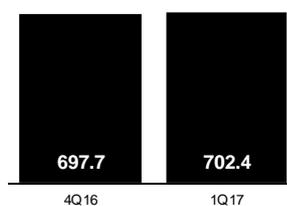
### Net interest income

Total Group (€ million)



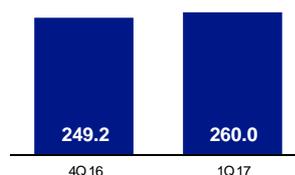
	Excl. TSB	Total group
Change YoY:	<b>+1.0%</b>	<b>-1.2%</b>
Change QoQ:	<b>+0.7%</b>	<b>+1.6%</b>

Sabadell ex TSB (€ million)



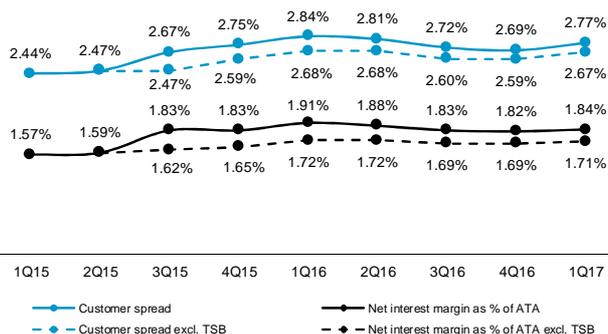
Change QoQ:  
**+0.7%**

TSB (€ million)

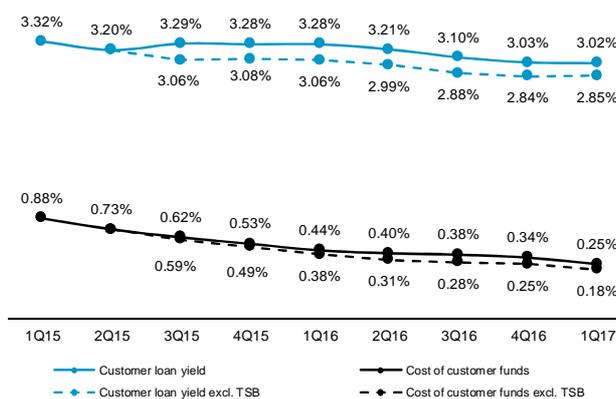


Change QoQ:  
**+4.3%**  
**+3.3% in GBP**

### Net interest income (%)



### Customer spread (%)



## Gains and charges in the quarter

### Total Group

2017 (€million)	1st Quarter (1)			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results
Cash and balance with central banks & fin. inst.	11,129	0.12	3									
Loans to customers (net)	138,670	3.02	1,034									
Fixed-income securities	31,346	2.03	157									
Equity securities	983	--	--									
Tang. & intang. assets	5,270	--	--									
Other assets	24,292	0.40	24									
<b>Total assets</b>	<b>211,690</b>	<b>2.33</b>	<b>1,218</b>									
Financial institutions (2)	20,162	-0.29	-14									
Customer deposits	129,635	-0.25	-80									
Sight Accounts	56,127	-0.09	-12									
Term accounts / Fix term deposits	23,409	-0.25	-15									
Ofex inv. / Foreign S.	43,288	-0.46	-49									
Others	6,812	-0.26	-4									
Capital markets	26,576	-1.74	-114									
Repos	11,714	0.01	0									
Other liabilities	10,082	-1.89	-47									
Shareholders' equity	13,521	--	--									
<b>Total funds</b>	<b>211,690</b>	<b>-0.49</b>	<b>-255</b>									
<b>Net interest income</b>			<b>962</b>									
<b>Customer spread</b>		<b>2.77</b>										
<b>Net interest margin as % of ATA</b>		<b>1.84</b>										

2016 (€million)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Results									
Cash and balance with central banks & fin. inst.	8,715	0.40	9	10,282	0.35	9	10,295	0.27	7	10,300	0.21	5
Loans to customers (net)	138,494	3.28	1,130	139,254	3.21	1,113	137,427	3.10	1,071	137,649	3.03	1,048
Fixed-income securities	27,245	2.60	176	27,415	2.34	159	28,009	2.25	158	28,410	2.31	165
Equity securities	966	--	--	980	--	--	1,058	--	--	1,013	--	--
Tang. & intang. assets	4,801	--	--	5,282	--	--	5,241	--	--	5,060	--	--
Other assets	24,585	0.30	19	23,938	0.35	21	24,449	0.31	19	24,186	0.43	26
<b>Total assets</b>	<b>204,806</b>	<b>2.62</b>	<b>1,333</b>	<b>207,153</b>	<b>2.53</b>	<b>1,302</b>	<b>206,477</b>	<b>2.42</b>	<b>1,255</b>	<b>206,619</b>	<b>2.40</b>	<b>1,244</b>
Financial institutions (2)	18,205	-0.60	-27	18,623	-0.60	-28	17,393	-0.22	-9	17,972	-0.31	-14
Customer deposits	126,729	-0.44	-140	129,503	-0.40	-129	128,777	-0.38	-123	126,934	-0.34	-108
Sight Accounts	46,390	-0.20	-23	49,029	-0.17	-20	52,126	-0.14	-18	52,753	-0.13	-17
Term accounts / Fix term deposits	32,271	-0.72	-57	29,865	-0.57	-42	26,912	-0.43	-29	24,427	-0.34	-21
Ofex inv. / Foreign S.	41,430	-0.59	-61	43,336	-0.62	-67	42,112	-0.63	-67	42,047	-0.57	-60
Others	6,638	0.06	1	7,273	0.05	1	7,627	-0.48	-9	7,707	-0.51	-10
Capital markets	30,641	-2.12	-162	30,265	-1.89	-142	30,441	-1.88	-144	29,516	-1.87	-138
Repos	6,826	-0.64	-11	5,797	-0.79	-11	5,850	-0.22	-3	8,745	0.00	0
Other liabilities	9,832	-0.80	-20	10,046	-0.92	-23	10,807	-1.01	-28	10,428	-1.40	-37
Shareholders' equity	12,574	--	--	12,918	--	--	13,209	--	--	13,024	--	--
<b>Total funds</b>	<b>204,806</b>	<b>-0.70</b>	<b>-359</b>	<b>207,153</b>	<b>-0.65</b>	<b>-333</b>	<b>206,477</b>	<b>-0.59</b>	<b>-307</b>	<b>206,619</b>	<b>-0.57</b>	<b>-297</b>
<b>Net interest income</b>			<b>974</b>			<b>969</b>			<b>948</b>			<b>947</b>
<b>Customer spread</b>		<b>2.84</b>			<b>2.81</b>			<b>2.72</b>			<b>2.69</b>	
<b>Net interest margin as % of ATA</b>		<b>1.91</b>			<b>1.88</b>			<b>1.83</b>			<b>1.82</b>	

- (1) The EURGBP exchange rate used for the income statement for the quarter is 0.8599 while that used for the balance sheet is 0.8555.  
(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 of the balance sheet includes income from negative interest rates of balances of credit institutions under liabilities, mainly those relating to TLTRO II.

## Sabadell ex TSB

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 balance with central banks & fin. inst.	5,847	0.02	0									
Loans to customers (net)	103,464	2.85	727									
Fixed-income securities	28,276	2.07	144									
Equity securities	978	--	--									
Tang. & intang. assets	3,878	--	--									
Other assets	23,877	0.54	32									
<b>Total assets</b>	<b>166,321</b>	<b>2.20</b>	<b>903</b>									
Financial institutions (1)	17,498	-0.29	-12									
Customer deposits	95,774	-0.18	-43									
Sight Accounts	56,127	-0.09	-12									
Term accounts / Fix term deposits	23,409	-0.25	-15									
Ofex inv. / Foreign S.	9,203	-0.52	-12									
Others	7,036	-0.26	-4									
Capital markets	23,832	-1.73	-102									
Repos	9,233	0.15	4									
Other liabilities and shareholders' equity	19,985	-0.95	-47									
<b>Total funds</b>	<b>166,321</b>	<b>-0.49</b>	<b>-200</b>									
<b>Net interest income</b>			<b>702</b>									
<b>Customer spread</b>		<b>2.67</b>										
<b>Net interest margin as % of ATA</b>		<b>1.71</b>										

2016 (€million)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Results									
Cash and balance with central banks & fin. inst.	4,643	0.42	5	4,490	0.31	4	4,749	0.28	3	5,754	0.20	3
Loans to customers (net)	103,769	3.06	789	104,061	2.99	774	104,026	2.88	752	104,157	2.84	743
Fixed-income securities	25,471	2.64	167	25,471	2.37	150	25,942	2.28	149	25,621	2.41	155
Equity securities	936	--	--	958	--	--	1,052	--	--	1,007	--	--
Tang. & intang. assets	3,352	--	--	3,772	--	--	3,685	--	--	3,874	--	--
Other assets	24,490	0.31	19	23,815	0.38	23	24,194	0.36	22	23,996	0.43	26
<b>Total assets</b>	<b>162,661</b>	<b>2.42</b>	<b>980</b>	<b>162,567</b>	<b>2.35</b>	<b>950</b>	<b>163,649</b>	<b>2.25</b>	<b>926</b>	<b>164,410</b>	<b>2.24</b>	<b>927</b>
Financial institutions (1)	17,836	-0.61	-27	17,906	-0.62	-28	17,287	-0.21	-9	17,881	-0.30	-14
Customer deposits	92,958	-0.38	-88	94,188	-0.31	-72	95,028	-0.28	-67	93,832	-0.25	-60
Sight Accounts	46,390	-0.20	-23	49,029	-0.17	-20	52,126	-0.14	-18	52,753	-0.13	-17
Term accounts / Fix term deposits	32,271	-0.72	-57	29,865	-0.57	-42	26,912	-0.43	-29	24,427	-0.34	-21
Ofex inv. / Foreign S.	7,660	-0.47	-9	8,021	-0.51	-10	8,363	-0.51	-11	8,797	-0.54	-12
Others	6,638	0.06	1	7,273	0.05	1	7,627	-0.48	-9	7,855	-0.50	-10
Capital markets	26,474	-2.12	-140	25,839	-1.93	-124	26,226	-1.91	-126	25,616	-1.91	-123
Repos	6,582	-0.65	-11	5,348	-0.54	-7	4,759	0.06	1	7,201	0.20	4
Other liabilities and shareholders' equity	18,810	-0.42	-20	19,285	-0.48	-23	20,349	-0.54	-28	19,881	-0.74	-37
<b>Total funds</b>	<b>162,661</b>	<b>-0.70</b>	<b>-285</b>	<b>162,567</b>	<b>-0.63</b>	<b>-254</b>	<b>163,649</b>	<b>-0.56</b>	<b>-229</b>	<b>164,410</b>	<b>-0.56</b>	<b>-230</b>
<b>Net interest income</b>			<b>696</b>			<b>697</b>			<b>697</b>			<b>698</b>
<b>Customer spread</b>		<b>2.68</b>			<b>2.68</b>			<b>2.60</b>			<b>2.59</b>	
<b>Net interest margin as % of ATA</b>		<b>1.72</b>			<b>1.72</b>			<b>1.69</b>			<b>1.69</b>	

(1) 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 of the balance sheet includes income from negative interest rates of balances of credit institutions under liabilities, mainly those relating to TLTRO II.

### Income from equity method and dividends:

This item stood at €16.4 million at the end of the first quarter of 2017, compared with €21.6 million at the end of the first quarter of 2016 and €12.6 million in the previous quarter. These revenues are due mainly to income from the insurance and pension fund business.

### Net fees and commissions:

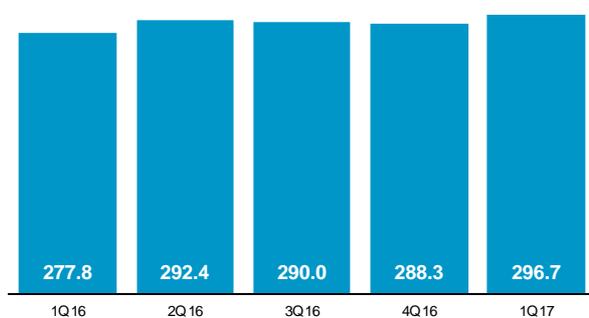
This item amounted to €296.7 million at the end of the first quarter of 2017 (representing a 6.8% increase year-on-year and a 2.9% increase during the quarter).

Excluding TSB, this item amounted to €271.4 million at the end of the first quarter of 2017 (a 10.4% increase year-on-year and a 4.3% increase during the quarter).

The positive performance of service fees both year-on-year and quarter-on-quarter was particularly notable. Specially, the increase in fees on sight accounts (excluding TSB, 56.7% year-on-year and 49.5% during the quarter).

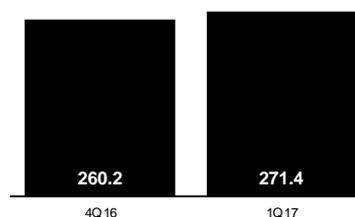
### Evolution of net fees and commissions

Total Group (€ million)



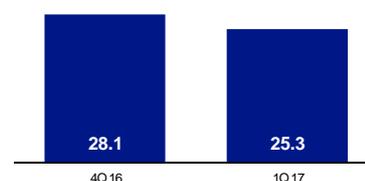
	Excl. TSB	Total group
Change YoY:	<b>+10.4%</b>	<b>+6.8%</b>
Change QoQ:	<b>+4.3%</b>	<b>+2.9%</b>

Sabadell ex TSB (€ million)



Change QoQ:  
**+4.3%**

TSB (€ million)



Change QoQ:  
**-10.2%**  
**-11.0% in GBP**

## Net fees and commissions

	Excl. TSB			Total group			Excl. TSB			Total group		
	4 Q 16	1Q17	Change (%)	4 Q 16	1Q17	Change (%)	1Q16	1Q17	Change (%)	1Q16	1Q17	Change (%)
(€million)												
Lending fees	30.2	29.4	-2.5	52.1	51.7	-0.8	28.9	29.4	1.6	55.2	51.7	-6.4
Guarantees commissions	25.2	25.0	-1.1	25.2	25.0	-1.1	25.3	25.0	-1.2	25.3	25.0	-1.2
<b>Risk transaction fees</b>	<b>55.4</b>	<b>54.3</b>	<b>-1.9</b>	<b>77.4</b>	<b>76.6</b>	<b>-0.9</b>	<b>54.2</b>	<b>54.3</b>	<b>0.3</b>	<b>80.5</b>	<b>76.6</b>	<b>-4.8</b>
Cards	40.9	39.9	-2.6	48.9	46.2	-5.6	36.1	39.9	10.4	44.5	46.2	3.8
Payment orders	13.4	13.5	0.2	13.4	13.5	0.2	11.7	13.5	15.2	11.7	13.5	15.2
Securities	13.1	16.1	22.5	13.1	16.1	22.5	11.5	16.1	39.3	11.5	16.1	39.3
Custodian mutual and pension funds	3.2	3.1	-2.9	3.2	3.1	-2.9	3.1	3.1	0.1	3.1	3.1	0.1
Sight accounts	19.6	29.3	49.5	23.0	32.6	41.6	18.7	29.3	56.7	22.3	32.6	46.4
Foreign currency and notes exchange	17.2	16.9	-1.6	17.2	16.9	-1.6	19.0	16.9	-10.7	19.0	16.9	-10.7
Other transactions	13.6	21.1	54.4	8.4	14.5	72.0	18.0	21.1	17.1	11.7	14.5	24.1
<b>Commissions for services</b>	<b>121.2</b>	<b>139.8</b>	<b>15.4</b>	<b>127.3</b>	<b>142.8</b>	<b>12.2</b>	<b>118.1</b>	<b>139.8</b>	<b>18.4</b>	<b>123.7</b>	<b>142.8</b>	<b>15.4</b>
Mutual funds	37.2	35.4	-5.0	37.2	35.4	-5.0	34.4	35.4	2.8	34.4	35.4	2.8
Pension funds and insurance brokerage	37.5	37.1	-1.0	37.5	37.1	-1.0	33.2	37.1	11.8	33.2	37.1	11.8
Wealth management	9.0	4.8	-46.9	9.0	4.8	-46.9	6.0	4.8	-21.1	6.0	4.8	-21.1
<b>Asset Under Management commissions</b>	<b>83.7</b>	<b>77.2</b>	<b>-7.7</b>	<b>83.7</b>	<b>77.2</b>	<b>-7.7</b>	<b>73.6</b>	<b>77.2</b>	<b>4.9</b>	<b>73.6</b>	<b>77.2</b>	<b>4.9</b>
<b>Total</b>	<b>260.2</b>	<b>271.4</b>	<b>4.3</b>	<b>288.3</b>	<b>296.7</b>	<b>2.9</b>	<b>245.9</b>	<b>271.4</b>	<b>10.4</b>	<b>277.8</b>	<b>296.7</b>	<b>6.8</b>

(1) The EURGBP exchange rate used for the income statement of the quarter is 0.8599.

### Net trading income:

At the end of the first quarter of 2017, this item amounted to €353.0 million (€341.9 million excluding TSB), including, amongst others, €246.2 million in gains on the sale of available-for-sale fixed-income financial assets and €10.4 million from the sale of the stake in Fluidra. Most of the net trading income expected for the year has been materialised during the first quarter, and has been used to front-load provisions.

At the end of the first quarter of 2016, this item totalled €308.1 million (€303.4 million excluding TSB) and included, amongst others, €320.3 million from the sale of available-for-sale fixed-income financial assets.

### Gains/(losses) from exchange differences:

This item amounted to €1.1 million at the end of the first quarter of 2017, compared with €2.9 million at the end of the first quarter of the previous year.

### Other operating income/expenses:

This item amounted to €-29.6 million at the end of the first quarter of 2017 (€-27.0 million excluding TSB). The €16.1 million in financial contributions for converting deferred tax assets into credit receivable by the Spanish Tax Authority are particularly noteworthy.

In the previous quarter, contributions to the Deposit Guarantee Fund and to Tax on Deposits in Credit Institutions (IDEC, for its acronym in Spanish) were particularly noteworthy.

### Operating expenses:

Operating expenses stood at €687.9 million at the end of the first quarter of 2017, including €17.8 million in non-recurrent expenses.

Excluding TSB, operating expenses amounted to €449.1 million, including €3.5 million in non-recurrent expenses.

In TSB, operating expenses increased by 9.1% quarter-on-quarter due to the expected step-up IT costs which are distributed evenly throughout the year and will be compensated by costs savings in Spain.

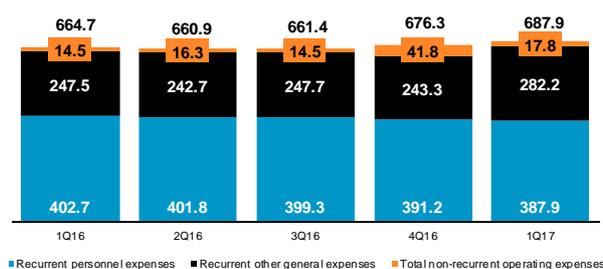
## Operating expenses

(€million)	Excl. TSB			Total group			Excl. TSB			Total group		
	4 Q16	1 Q17	Change (%) 4 Q16	4 Q16	1 Q17	Change (%) 4 Q16	1 Q16	1 Q17	Change (%) YoY	1 Q16	1 Q17	Change (%) YoY
Recurrent	-286.4	-294.6	2.9	-391.2	-387.9	-0.8	-300.0	-294.6	-1.8	-402.7	-387.9	-3.7
Non-recurrent	-28.2	-3.5	-87.7	-32.9	-7.0	-78.8	-6.7	-3.5	-48.1	-12.8	-7.0	-45.4
<b>Personnel expenses</b>	<b>-314.6</b>	<b>-298.1</b>	<b>-5.2</b>	<b>-424.1</b>	<b>-394.9</b>	<b>-6.9</b>	<b>-306.7</b>	<b>-298.1</b>	<b>-2.8</b>	<b>-415.5</b>	<b>-394.9</b>	<b>-5.0</b>
IT and communications	-35.4	-40.0	13.1	-71.3	-113.0	58.5	-37.2	-40.0	7.4	-75.2	-113.0	50.3
Advertising	-10.4	-9.0	-13.1	-27.3	-27.0	-1.0	-10.0	-9.0	-9.8	-28.5	-27.0	-5.3
Premises and office supplies	-35.6	-35.0	-1.7	-62.7	-58.0	-7.5	-36.9	-35.0	-5.2	-62.9	-58.0	-7.7
Taxes other than income tax	-19.3	-27.0	40.0	-19.2	-27.0	40.9	-25.8	-27.0	4.7	-25.8	-27.0	4.5
Others	-42.9	-40.0	-6.8	-62.9	-57.2	-9.1	-36.5	-40.0	9.6	-55.1	-57.2	3.8
<b>Total recurrent</b>	<b>-143.6</b>	<b>-151.0</b>	<b>5.2</b>	<b>-243.3</b>	<b>-282.2</b>	<b>16.0</b>	<b>-146.4</b>	<b>-151.0</b>	<b>3.1</b>	<b>-247.5</b>	<b>-282.2</b>	<b>14.0</b>
Non-recurrent	0.0	0.0	--	-8.9	-10.9	21.9	0.0	0.0	--	-1.7	-10.9	--
<b>Other general expenses</b>	<b>-143.6</b>	<b>-151.0</b>	<b>5.2</b>	<b>-252.2</b>	<b>-293.0</b>	<b>16.2</b>	<b>-146.4</b>	<b>-151.0</b>	<b>3.1</b>	<b>-249.2</b>	<b>-293.0</b>	<b>17.6</b>
<b>Total</b>	<b>-458.1</b>	<b>-449.1</b>	<b>-2.0</b>	<b>-676.3</b>	<b>-687.9</b>	<b>1.7</b>	<b>-453.1</b>	<b>-449.1</b>	<b>-0.9</b>	<b>-664.7</b>	<b>-687.9</b>	<b>3.5</b>

(1) The EURGBP exchange rate used for the income statement of the quarter is 0.8599.

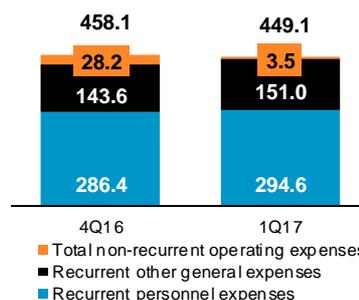
## Evolution of operating expenses

Total Group (€ million)



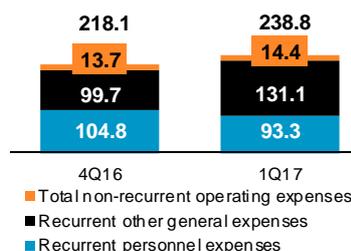
	Excl. TSB	Total group
Change YoY:	<b>-0.9%</b>	<b>+3.5%</b>
Change QoQ:	<b>-2.0%</b>	<b>+1.7%</b>

Sabadell ex TSB (€ million)



Change QoQ:  
**-2.0%**

TSB (€ million)



Change QoQ:  
**+9.5%**  
**+8.4% in GBP**

**Pre-provisions income:**

At the end of the first quarter of 2017, pre-provisions income amounted to €811.5 million (€774.2 million excluding TSB), representing a 0.7% increase year-on-year (7.3% excluding TSB) and a 95.1% increase quarter-on-quarter (106.6% excluding TSB), mainly due to the increase in net trading income and income from net fees and commissions during the year and contributions to the Deposit Guarantee Fund and to the Tax on Deposits in Credit Institutions (IDEC, for its acronym in Spanish) during the previous quarter.

**Provisions for NPLs and other impairments:**

This item amounted to €510.6 million at the end of the first quarter of 2017 (€434.9 million at the end of the first quarter of the previous year and €313.6 million in the previous quarter). Most of the net trading income expected for the year has been materialised during the first quarter and has been used to front-load provisions.

Excluding TSB, this item amounted to €486.6 million at the end of the first quarter of 2017 (€434.9 million at the end of the first quarter of the previous year and €285.5 million in the previous quarter).

**Gains on sale of assets:**

This item amounted to €1.7 million at the end of the first quarter of 2017 (€-3.1 million at the end of the first quarter of 2016). Both periods mainly include gains and losses on sales of own-use fixed assets.

**Net profit:**

Core business continues to be solid (with the increase in income from fees and commissions being particularly worthy of note), with a large part of the net trading income and provisions materialised during the first quarter of 2017.

Net profit attributable to the Group amounted to €216.1 million at the end of the first quarter 2017, a 14.3% decrease compared to the same period in 2016 (€252.0 million). Frontloaded provisions and cost savings backloaded in the second half of the year will provide the forecast growth throughout the year.

Excluding TSB, net profit attributable to the Group amounted to €203.9 million at the end of the first quarter 2017, a 7.1% increase compared with the same period in 2016 (€190.3 million).

## Balance sheet

### Highlights:

Year-on-year growth of performing gross loans of 2.3% (1.6% excluding TSB), while front book pricing remained stable. A payment of €984 million received from the DGF during the quarter is particularly worthy of note. Excluding this effect, the quarter-on-quarter increase stands at 1.3%.

Positive performance of customer funds, particularly in sight accounts and off-balance sheet funds.

In TSB, the positive trend shown by lending (12.6% growth year-on-year and 5.0% growth quarter-on-quarter) has continued, driven by the increase in mortgages lending.

### Balance sheet

(€million)	31.03.16	31.12.16	(4) 31.03.17	Change (%)	
				31.03.16	31.12.16
Cash, cash balances at central banks and other demand deposits	6,963	11,688	11,997	72.3	2.6
Financial assets held for trading and derivatives					
and other financial assets	4,146	4,055	2,639	-36.3	-34.9
Held to maturity investments		4,598	9,448	--	105.5
Available-for-sale financial assets	24,255	18,718	19,027	-21.6	1.6
Loans and receivables	147,616	150,384	147,549	0.0	-1.9
Loans and advances to customers	(1) 143,525	145,174	141,705	-1.3	-2.4
Loans and advances of central banks and credit institutions	2,358	4,292	4,926	108.9	14.8
Debt securities	1,733	919	919	-47.0	0.0
Investments in subsidiaries, joint ventures and associates	366	381	398	8.8	4.6
Tangible assets	4,197	4,476	4,437	5.7	-0.9
Intangible assets	2,011	2,135	2,054	2.1	-3.8
Other assets	14,468	16,072	21,543	48.9	34.0
<b>Total assets</b>	<b>204,021</b>	<b>212,508</b>	<b>219,093</b>	<b>7.4</b>	<b>3.1</b>
Financial liabilities held for trading and derivatives	2,923	3,146	2,816	-3.7	-10.5
Financial liabilities at amortised cost	184,104	192,011	194,702	5.8	1.4
Central banks	(2) 11,020	11,828	24,702	124.2	108.8
Credit institutions	(2) 12,958	16,667	14,010	8.1	-15.9
Customer deposits	(1) 130,772	134,415	131,533	0.6	-2.1
Debt securities issued	26,556	26,534	21,495	-19.1	-19.0
Other financial liabilities	2,799	2,568	2,962	5.8	15.3
Assets covered under insurance and reinsurance contracts	(3) 2,245	35	44	-98.0	26.4
Provisions	335	306	322	-3.8	5.2
Other liabilities	1,625	3,927	8,265	408.6	110.5
<b>Subtotal liabilities</b>	<b>191,232</b>	<b>199,425</b>	<b>206,149</b>	<b>7.8</b>	<b>3.4</b>
Shareholders' equity	12,539	12,926	12,992	3.6	0.5
Valuation adjustments	212	107	-104	--	--
Minority interest	38	50	56	46.9	13.4
<b>Net equity</b>	<b>12,789</b>	<b>13,083</b>	<b>12,943</b>	<b>1.2</b>	<b>-1.1</b>
<b>Total liabilities and equity</b>	<b>204,021</b>	<b>212,508</b>	<b>219,093</b>	<b>7.4</b>	<b>3.1</b>
Contingent risks	8,243	8,529	8,428	2.2	-1.2
Contingent liabilities	19,926	25,209	21,765	9.2	-13.7

(1) The decline as at March 2017 is due mainly to the reclassification of Sabadell United Bank classified as non-current assets/liabilities held for sale.

(2) Deposits with central banks and credit institutions include the following amounts of repos: €4,279 million at 31/03/2016, €9,858 million at 31/12/2016 and €8,241 million at 31/03/2017.

(3) The decline in December 2016 corresponds mainly to €2,159 million from Mediterráneo Vida which was classified as non-current liabilities held-for-sale.

(4) The EURGBP exchange rate used for the balance sheet is 0.8555.

### Assets:

Banco Sabadell Group's total assets increased by 3.1% quarter-on-quarter to €219,093 million. Excluding TSB, it amounted to €171,574 million, representing a 1.7% increase during the quarter.

### Loans and advances to customers:

Performing gross loans closed March 2017 with a balance of €141,365 million. Year-on-year, this item increased by 2.3%, negatively affected by the evolution of the exchange rate of the pound against the euro during the year (increasing by 4.0% considering a constant exchange rate). Compared with the previous quarter, this item increased by 0.6%, and included a €984 million payment received from the DGF during the first quarter of 2017. Excluding this effect, the quarter-on-quarter increase stands at 1.3%.

Excluding TSB, performing gross loans amounted to €105,384 million at the end of the first quarter of 2017. This item increased by 1.6% compared with the same period in the previous year. Compared with the previous quarter, it decreased by 0.9%.

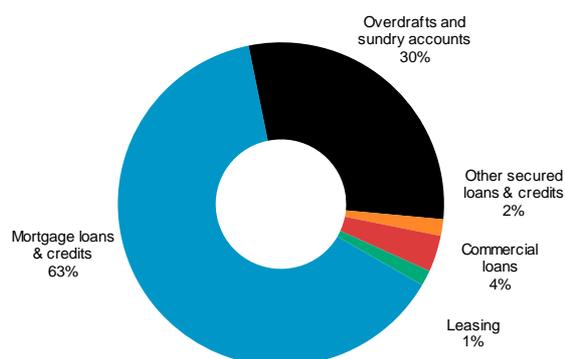
In TSB, the positive trend shown by lending (12.6% growth year-on-year and 5.0% growth quarter-on-quarter) has continued, driven by the increase in core mortgages.

### Loans and advances to customers

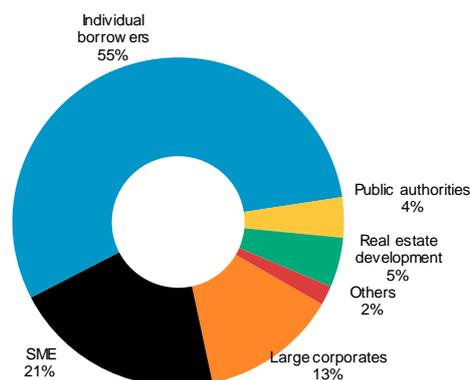
(€million)	Excl. TSB					Total group				
	31.03.16	31.12.16	31.03.17	Change (%)		31.03.16	31.12.16	31.03.17	Change (%)	
Mortgage loans & credits	57,450	56,692	56,337	-19	-0.6	89,105	88,431	89,736	0.7	1.5
Other secured loans & credits	2,281	2,263	2,323	1.8	2.7	2,281	2,263	2,323	1.8	2.7
Commercial loans	4,853	5,530	5,150	6.1	-6.9	5,080	5,530	5,150	1.4	-6.9
Leasing	2,145	2,169	2,168	1.1	0.0	2,145	2,169	2,168	1.1	0.0
Overdrafts and sundry accounts	36,995	39,651	39,406	6.5	-0.6	39,644	42,165	41,988	5.9	-0.4
<b>Performing gross loans</b>	<b>103,724</b>	<b>106,305</b>	<b>105,384</b>	<b>1.6</b>	<b>-0.9</b>	<b>138,255</b>	<b>140,557</b>	<b>141,365</b>	<b>2.3</b>	<b>0.6</b>
<b>Performing gross loans (Excl. SUB)</b>	<b>103,724</b>	<b>106,305</b>	<b>101,320</b>	<b>-2.3</b>	<b>-4.7</b>	<b>138,255</b>	<b>140,557</b>	<b>137,301</b>	<b>-0.7</b>	<b>-2.3</b>
Non-performing loans	11,569	9,478	9,095	-2.14	-4.0	11,765	9,642	9,259	-2.13	-4.0
Accruals	-206	-142	-142	-3.13	-0.5	-192	-112	-104	-45.6	-6.6
<b>Gross loans to customers (excluding repos)</b>	<b>115,087</b>	<b>115,640</b>	<b>114,338</b>	<b>-0.7</b>	<b>-1.1</b>	<b>149,828</b>	<b>150,087</b>	<b>150,520</b>	<b>0.5</b>	<b>0.3</b>
Reverse repos	59	8	0	-100.0	-100.0	59	8	0	-100.0	-100.0
<b>Gross loans to customers</b>	<b>115,146</b>	<b>115,648</b>	<b>114,338</b>	<b>-0.7</b>	<b>-1.1</b>	<b>149,887</b>	<b>150,095</b>	<b>150,520</b>	<b>0.4</b>	<b>0.3</b>
NPL and country-risk provisions	-6,223	-4,835	-4,775	-23.3	-1.2	-6,362	-4,921	-4,865	-23.5	-1.2
<b>Loans and advances to customers</b>	<b>108,922</b>	<b>110,813</b>	<b>109,563</b>	<b>0.6</b>	<b>-1.1</b>	<b>143,525</b>	<b>145,174</b>	<b>145,656</b>	<b>1.5</b>	<b>0.3</b>
<b>Loans and advances to customers (Excl. SUB)</b>	<b>108,922</b>	<b>110,813</b>	<b>105,612</b>	<b>-3.0</b>	<b>-4.7</b>	<b>143,525</b>	<b>145,174</b>	<b>141,705</b>	<b>-1.3</b>	<b>-2.4</b>

(1) The EURGBP exchange rate used for the balance sheet is 0.8555.

### Loans and advances to customers by product type, 31/03/2017 (%)<sup>(\*)</sup>

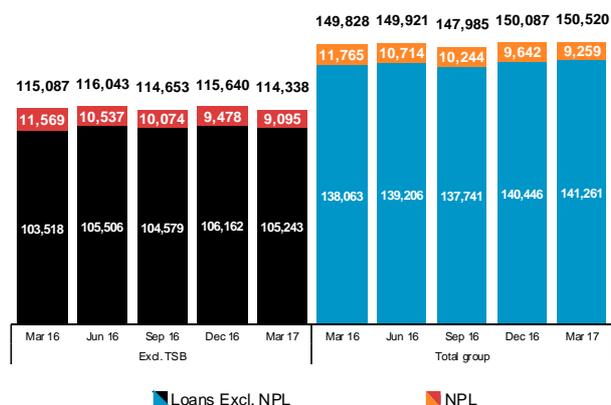


### Loans and advances to customers by customer profile, 31/03/2017 (%)<sup>(\*)</sup>



(\*) Excluding NPLs and accrual adjustments.

## Evolution of gross customer lending (€ million)



Total group (\*)  
 Change YoY: **+2.3%**  
 Change QoQ: **+0.6%**

Excl. TSB (\*)  
 Change YoY: **+1.6%**  
 Change QoQ: **-0.9%**

(\*) Excluding NPLs

## Liabilities:

### Customer funds:

At the end of the first quarter of 2017, on-balance sheet customer funds amounted to €133,982 million (€99,264 million excluding TSB), a 2.1% increase year-on-year (1.8% excluding TSB) and a 0.4% increase quarter-on-quarter (0.1% excluding TSB).

Sight account balances amounted to €96,643 million (€66,833 million excluding TSB), a 16.1% increase year-on-year (23.5% excluding TSB), and a 5.0% increase quarter-on-quarter (6.7% excluding TSB).

Term deposits totalled €35,792 million (€30,884 million excluding TSB), a 22.3% decrease compared with the same period in the previous year (-25.4% excluding TSB) and a quarter-on-quarter decrease of 10.9% (-12.3% excluding TSB) due mainly to interest rate fluctuations reflected in the transfers to sight accounts and off-balance sheet funds.

Total off-balance sheet customer funds amounted to €41,848 million at the end of the first quarter of 2017, a 12.8% increase compared with the previous year (a 3.1% increase quarter-on-quarter). Mutual funds amounted to €23,964 million at 31 March 2017, representing a 13.3% increase year-on-year (6.1% quarter-on-quarter).

In TSB, deposits increased by 11.0% over the year and by 1.0% over the quarter.

### Debt and other tradable securities:

At 31 March 2017, this item amounted to €19,929 million (€18,797 million excluding TSB), representing a -20.7% decline year-on-year (-13.0% excluding TSB) and a -20.2% decline during the quarter (-12.8% excluding TSB). This decline is due mainly to maturities of covered bonds and guaranteed issuances.

In March, the bank took part in the TLTRO II auction with €10,500 million, being the total position at 31 March 2017 of €20,500 million. The position held with Bank of England TFS at 31 March 2017 amounted to €3,397 million.

### Funds under management:

Funds under management amounted to €198,914 million (€160,023 million excluding TSB), compared with €196,680 million (€158,581 million excluding TSB) one year previously, representing a 1.1% increase year-on-year (0.9% excluding TSB).

## Customer funds

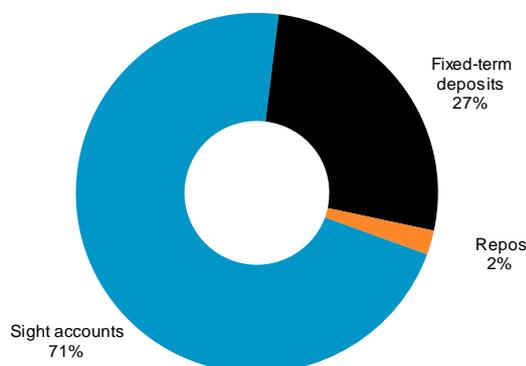
(€million)	Excl. TSB					Total group					
	31.03.16		31.12.16		31.03.17	Change (%)		(1)		Change (%)	
	31.03.16	31.12.16	31.03.17	31.03.16		31.12.16	31.03.16	31.12.16	31.03.16	31.12.16	
<b>Financial liabilities at amortised cost</b>	<b>145,038</b>	<b>152,072</b>	<b>151,125</b>	<b>4.2</b>	<b>-0.6</b>	<b>184,104</b>	<b>192,011</b>	<b>194,702</b>	<b>5.8</b>	<b>1.4</b>	
Non-retail financial liabilities	-47,545	-52,949	-55,695	17.1	5.2	-52,814	-58,554	-64,554	22.2	10.2	
Central banks	-11,020	-11,828	-21,305	93.3	80.1	-11,020	-11,828	-24,702	124.2	108.8	
Credit institutions	-11,991	-15,732	-13,084	9.1	-16.8	-12,958	-16,667	-14,010	8.1	-15.9	
Institutional issues	-21,736	-22,821	-18,707	-13.9	-18.0	-26,037	-27,491	-22,880	-12.1	-16.8	
Other financial liabilities	-2,799	-2,568	-2,600	-7.1	1.2	-2,799	-2,568	-2,962	5.8	15.3	
<b>On-balance sheet customer funds (Excl. SUB)</b>	<b>97,493</b>	<b>99,123</b>	<b>95,430</b>	<b>-2.1</b>	<b>-3.7</b>	<b>131,290</b>	<b>133,457</b>	<b>130,148</b>	<b>-0.9</b>	<b>-2.5</b>	
<b>On-balance sheet customer funds</b>	<b>97,493</b>	<b>99,123</b>	<b>99,264</b>	<b>1.8</b>	<b>0.1</b>	<b>131,290</b>	<b>133,457</b>	<b>133,982</b>	<b>2.1</b>	<b>0.4</b>	
Customer deposits	96,720	99,326	98,255	1.6	-1.1	130,772	134,415	135,528	3.6	0.8	
Sight accounts	54,112	62,624	66,833	23.5	6.7	83,251	92,011	96,643	16.1	5.0	
Fixed-term deposits	41,388	35,207	30,884	-25.4	-12.3	46,046	40,154	35,792	-22.3	-10.9	
Repos	1,235	1,303	383	-68.9	-70.6	1,499	2,072	2,949	96.7	42.3	
Accruals and derivative hedging adjustments	-14	192	155	--	-19.2	-25	178	143	--	-19.6	
Debt and other tradable securities	2,160	2,155	18,797	-13.0	-12.8	25,120	24,987	19,929	-20.7	-20.2	
Subordinated liabilities	(2)	907	1,063	18.9	1.4	1,436	1,546	1,566	9.1	1.3	
Assets covered under insurance and reinsurance contracts	(3)	2,245	35	44	-98.0	2,245	35	44	-98.0	26.4	
<b>On-balance sheet funds</b>	<b>121,474</b>	<b>121,979</b>	<b>118,175</b>	<b>-2.7</b>	<b>-3.1</b>	<b>159,573</b>	<b>160,983</b>	<b>157,066</b>	<b>-1.6</b>	<b>-2.4</b>	
Mutual funds	21,153	22,594	23,964	13.3	6.1	21,153	22,594	23,964	13.3	6.1	
Equity funds	1,206	1,313	1,468	21.8	11.8	1,206	1,313	1,468	21.8	11.8	
Balanced funds	4,322	4,253	4,824	11.6	13.4	4,322	4,253	4,824	11.6	13.4	
Fixed-income funds	4,503	4,773	4,615	2.5	-3.3	4,503	4,773	4,615	2.5	-3.3	
Guaranteed return funds	3,337	4,057	4,171	25.0	2.8	3,337	4,057	4,171	25.0	2.8	
Real estate funds	83	88	118	42.4	33.0	83	88	118	42.4	33.0	
Venture capital funds	0	21	22	--	1.9	0	21	22	--	1.9	
Dedicated investment companies	1,953	2,065	2,165	10.9	4.8	1,953	2,065	2,165	10.9	4.8	
Third-party funds	5,750	6,022	6,581	14.5	9.3	5,750	6,022	6,581	14.5	9.3	
Managed accounts	3,779	3,651	3,771	-0.2	3.3	3,779	3,651	3,771	-0.2	3.3	
Pension funds	4,194	4,117	4,090	-2.5	-0.7	4,194	4,117	4,090	-2.5	-0.7	
Individual	2,706	2,621	2,579	-4.7	-1.6	2,706	2,621	2,579	-4.7	-1.6	
Company	1,473	1,481	1,497	1.6	1.0	1,473	1,481	1,497	1.6	1.0	
Group	15	15	14	-6.5	-1.5	15	15	14	-6.5	-1.5	
Third-party insurance products	7,981	10,243	10,024	25.6	-2.1	7,981	10,243	10,024	25.6	-2.1	
<b>Off-balance sheet customer funds</b>	<b>37,107</b>	<b>40,606</b>	<b>41,848</b>	<b>12.8</b>	<b>3.1</b>	<b>37,107</b>	<b>40,606</b>	<b>41,848</b>	<b>12.8</b>	<b>3.1</b>	
<b>Funds under management</b>	<b>158,581</b>	<b>162,585</b>	<b>160,023</b>	<b>0.9</b>	<b>-1.6</b>	<b>196,680</b>	<b>201,589</b>	<b>198,914</b>	<b>1.1</b>	<b>-1.3</b>	

(1) The EURGBP exchange rate used for the balance sheet is 0.8555.

(2) These are subordinated liabilities of debt securities.

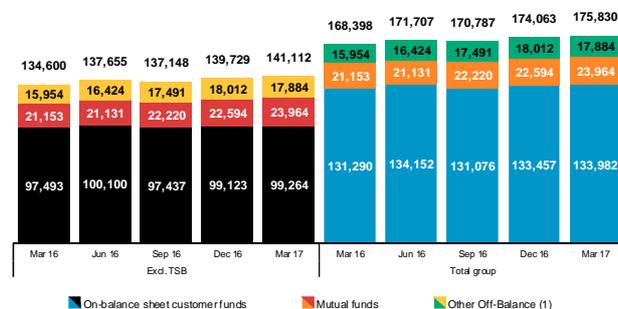
(3) This decline in December 2016 corresponds mainly to €2,159 million from Mediterráneo Vida which was classified as non-current liabilities held-for-sale.

## Customer deposits, 31/03/2017 (%)<sup>(\*)</sup>



(\*) Excluding adjustments for accruals and hedging derivatives.

## Evolution of customer funds (€ million)



Excl. TSB (\*)      Total group (\*)

Change YoY: **+1.8%**      Change YoY: **+2.1%**

Change QoQ: **+0.1%**      Change QoQ: **+0.4%**

(\*) Change on balance sheet customer funds.

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

## Net equity:

As at March 2017, this item amounted to €12,943 million, a 1.2% increase compared with the end of the first quarter of the previous year (a -1.1% decrease compared with the end of the previous quarter due to the valuation adjustments decrease).

## Net equity

(€million)	31.03.16	31.12.16	31.03.17	Change	
				31.03.16	31.12.16
Shareholders' equity	12,539	12,926	12,992	453	65
Issued capital	680	702	702	22	0
Reserves	11,819	11,688	12,109	290	421
Other equity	17	38	43	26	5
Less: treasury shares	-229	-101	-79	151	23
Attributable net profit	252	710	216	-36	-494
Less: dividends and payments	0	-111	0	0	111
Valuation adjustments	212	107	-104	-316	-212
Minority interest	38	50	56	18	7
<b>Net equity</b>	<b>12,789</b>	<b>13,083</b>	<b>12,943</b>	<b>155</b>	<b>-140</b>

## Risk management

### Highlights:

The Group's NPL ratio continued to decline and stands at 5.86% (7.45% excluding TSB), reaching its lowest level since the third quarter of 2011.

Problematic assets (including non-performing loans and foreclosed assets) have been reduced by €506 million during the quarter, excluding TSB.

### NPL ratio and coverage:

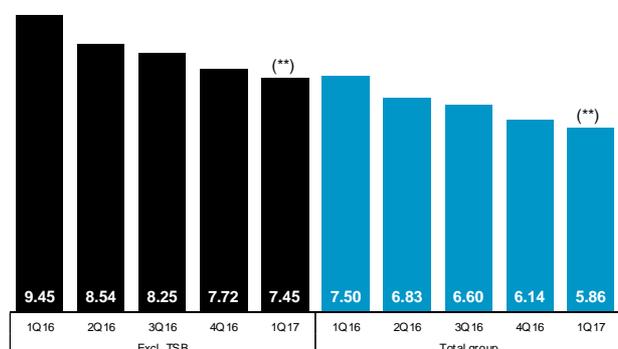
The Group's NPL ratio continued its downward trend due to the steady reduction in non-performing loans during the first quarter of 2017.

Non-performing exposures declined by €439 million quarter-on-quarter and by €2,531 million year-on-year, excluding TSB. As at March 2017, the balance of non-performing exposures amounted to €9,143 million.

Increase in the coverage of problematic assets, standing at 50.6% as at March 2017 (49.6% at December 2016).

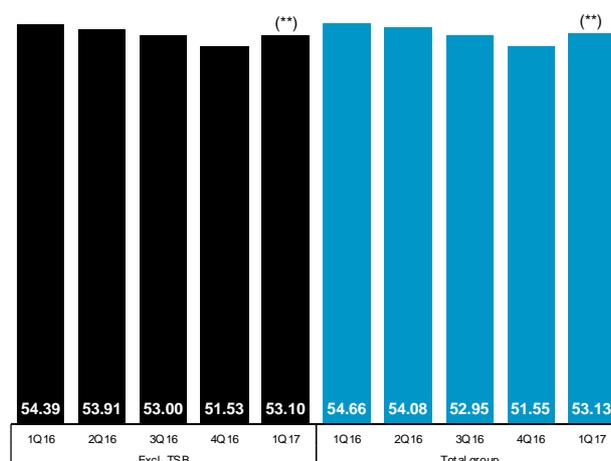
Problematic assets were reduced by €506 million quarter-on-quarter and by €2,756 million year-on-year, excluding TSB. As at March 2017, the balance of problematic assets amounted to €18,112 million.

### NPL ratio (%)<sup>(\*)</sup>



(\*) NPL ratio is calculated including contingent exposures and 20% of the APS. Includes SUB

### NPL coverage ratios (%)<sup>(\*)</sup>



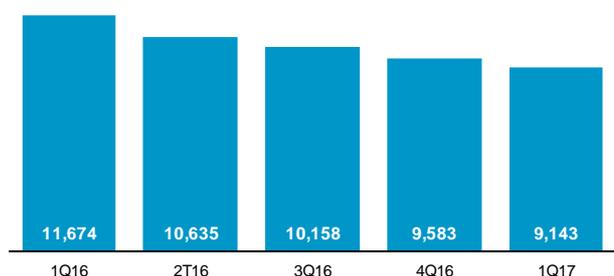
(\*\*) Includes SUB. Excluding SUB, the NPL ratio would stand at 7.70% excluding TSB (6.00% at total Group level), and the NPL coverage ratio would stand at 51.64% excluding TSB (51.70% at total Group level). The NPL coverage ratio excluding mortgage floor provisions stands at 48.76% excluding TSB (48.86% at total Group level).

### NPL ratios by segment<sup>(\*)</sup>

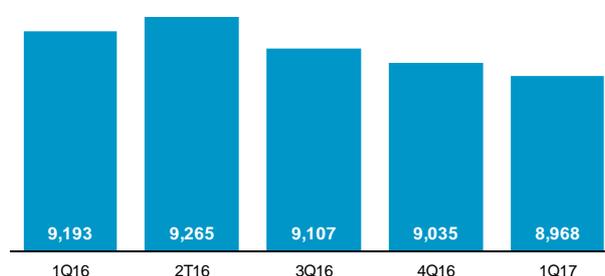
Excl. TSB	1Q16	2Q16	3Q16	4Q16	1Q17
Real estate development and/or construction purposes	37.01%	33.29%	31.99%	29.05%	28.04%
Construction purposes non-related to real estate dev.	12.18%	11.76%	11.62%	9.68%	5.88%
Large corporates	4.58%	3.89%	3.84%	3.82%	3.16%
SME and small retailers and self-employed	10.23%	9.39%	8.74%	8.47%	8.44%
Individuals with 1st mortgage guarantee assets	7.82%	7.47%	7.43%	7.25%	7.24%
<b>NPL ratio</b>	<b>9.45%</b>	<b>8.54%</b>	<b>8.25%</b>	<b>7.72%</b>	<b>7.45%</b>

(\*) NPL ratio is calculated including contingent exposures and 20% of the APS. Includes SUB.

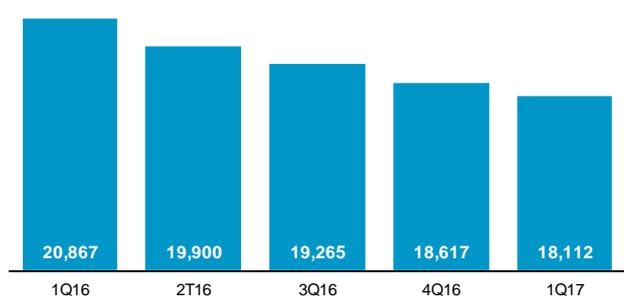
### Evolution of NPLs excl. TSB (€ million)<sup>(\*)</sup>



### Evolution of real estate assets excl. TSB (€ million)<sup>(\*)</sup>



### Evolution of problematic assets excl. TSB (€ million)<sup>(\*)</sup>



(\*) NPL ratio is calculated including contingent exposures and 20% of the APS. Includes SUB.

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

### Evolution of NPLs and RE assets ex. TSB <sup>(\*)</sup>

(€million)	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17
Entries <sup>(1)</sup>	654	660	547	700	636
Recoveries	-1,111	-1,629	-880	-1,174	-897
<b>Ordinary net entries</b>	<b>-457</b>	<b>-969</b>	<b>-333</b>	<b>-474</b>	<b>-261</b>
Entries	364	362	248	384	312
Sales and other outcomes	-404	-290	-406	-457	-379
<b>Change in real estate assets</b>	<b>-41</b>	<b>71</b>	<b>-158</b>	<b>-73</b>	<b>-67</b>
<b>Net entries plus change in real estate assets</b>	<b>-498</b>	<b>-898</b>	<b>-490</b>	<b>-547</b>	<b>-328</b>
Write-offs	213	70	144	101	178
<b>Real estate assets and NPL quarterly change</b>	<b>-711</b>	<b>-968</b>	<b>-634</b>	<b>-648</b>	<b>-506</b>

(\*) Data include 20% of NPLs and RE assets covered by the APS. Includes SUB.

(1) During the last quarter of 2016, this item included the impact of €184 million arising from the new Banco of Spain Circular on provisions.

## Evolution of coverage of Group NPLs and real estate assets <sup>(\*)</sup>

(€million)	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17
Non-performing exposures	11,870	10,812	10,328	9,746	9,307
Provisions	6,488	5,847	5,468	5,024	4,945
<b>NPL coverage ratio (%) <sup>(**)</sup></b>	<b>54.7%</b>	<b>54.1%</b>	<b>52.9%</b>	<b>51.5%</b>	<b>53.1%</b>
RE Assets evolution	9,193	9,265	9,107	9,035	8,968
Provisions	3,928	3,997	3,911	4,297	4,299
<b>Real Estate coverage ratio (%) <sup>(***)</sup></b>	<b>42.7%</b>	<b>43.1%</b>	<b>42.9%</b>	<b>47.6%</b>	<b>47.9%</b>
Total problematic assets	21,064	20,077	19,435	18,781	18,275
Provisions	10,417	9,845	9,380	9,321	9,244
<b>Problematic assets coverage (%) <sup>(****)</sup></b>	<b>49.5%</b>	<b>49.0%</b>	<b>48.3%</b>	<b>49.6%</b>	<b>50.6%</b>

(\*) Includes contingent risks. Data include 20% of NPLs and RE assets covered by the APS. Includes SUB.

(\*\*) The NPL coverage ratio excluding mortgage floor provisions stands at 48.76% excluding TSB (48.86% at total Group level). Excluding SUB, the NPL coverage ratio stands at 51.64% excl. TSB and at 51.70% at total Group level.

(\*\*\*) The real estate coverage ratio including write-downs stands at 57.8%.

(\*\*\*\*) The problematic assets coverage ratio excluding mortgage floor provisions stands at 48.35% excluding TSB (48.41% at total Group level). Excluding SUB, the problematic assets coverage ratio stands at 49.81% excl. TSB and at 49.85% at total Group level.

## Forborne and restructured loans

The balance of forborne and restructured loans at 31 March 2017 is as follows:

(€million)	Total	Of which: doubtful
Public authorities	21	3
Corporate and entrepreneurs	5,211	2,738
Of which: Financing for construction and real estate development	1,387	1,068
Individual borrowers	3,739	1,830
<b>Total</b>	<b>8,971</b>	<b>4,572</b>
<b>Provisions</b>	<b>1,551</b>	<b>1,449</b>

## Foreclosed problematic assets <sup>(\*)</sup>

(€million)	Gross amount	Allowances for losses
<b>Real estate assets deriving from financing of construction and real estate development</b>	<b>7,090</b>	<b>3,446</b>
Finished buildings	2,731	1,061
Housing	1,369	572
Rest	1,362	489
Buildings under construction	503	231
Housing	434	191
Rest	69	40
Land	3,857	2,154
Building land	1,435	83
Other land	2,422	1,341
<b>Real estate assets deriving from home loan mortgages</b>	<b>1,878</b>	<b>853</b>
Real estate assets acquired in discharge of debts	-	-
Equity instruments of companies holding foreclosed assets or acquired in discharge of debts	-	-
Financing to entities holding foreclosed real estate assets or received in discharge of debts	-	-
<b>Total real-estate portfolio</b>	<b>8,968</b>	<b>4,299</b>

(\*) 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.

### Value adjustments made by the Group for credit risk

(€million)	2016	2017
<b>Initial balance</b>	<b>6,624</b>	<b>4,940</b>
Movements reflected in provisions for NPLs	379	381
Movements not reflected in provisions for NPLs	-2,056	-568
Utilisation of provisions	-1,894	-376
Other movements (*)	-162	-192
Adjustments for exchange differences	-7	-2
<b>Final balance</b>	<b>4,940</b>	<b>4,751</b>

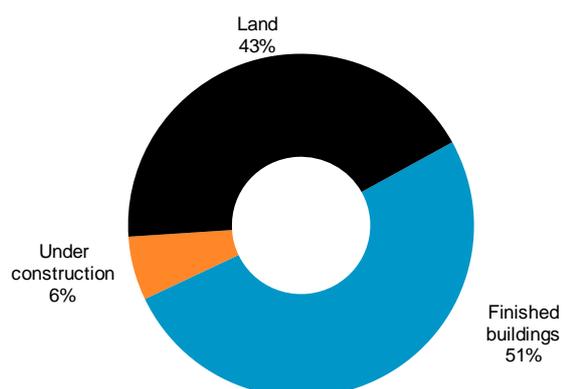
(\*) Corresponds to the transfer of €-55 million of value adjustments made for credit risk hedging to non-current assets held for sale and investment properties and €-137 million of SUB.

NOTE: Excludes guarantees and cash & cash equivalents

### Real estate portfolio breakdown by asset class:

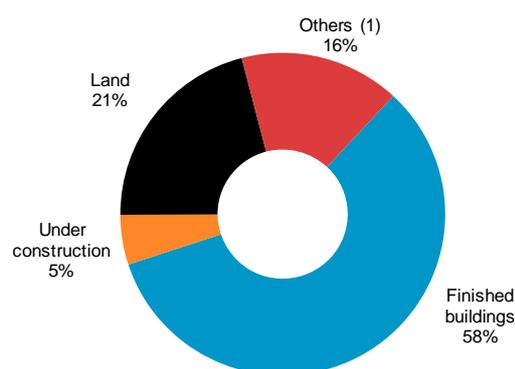
The breakdown, at 31 March 2017, by asset class of the real estate portfolio is as follows:

#### Foreclosed assets, 31/03/2017 (\*)



(\*) Data 20% APS

#### Real estate development, 31/03/2017 (\*)



(1) Includes other guarantees.

## Capital management and credit ratings

### Highlights:

The phase-in Common Equity Tier 1 (CET 1) ratio stood at 11.9%, the same as the fully-loaded CET1 ratio at 31 March 2017 which will be strengthened due to the sale of SUB.

The leverage ratio stood at 4.61% as at March 2017.

CET 1 remained stable in the quarter, as we materialised part of our fixed income portfolio capital gains which, together with the increase in RWAs, has offset this quarter's organic capital generation.

### Capital ratios

(€million)	31.03.16	31.12.16	31.03.17
Issued capital	680	702	702
Reserves	11642	11874	11,978
Minority interest	20	21	20
Deductions	-2,043	-2,265	-2,363
<b>Common Equity Tier 1</b>	<b>10,298</b>	<b>10,332</b>	<b>10,336</b>
<b>Common Equity Tier 1 (%)</b>	<b>11.9%</b>	<b>12.0%</b>	<b>11.9%</b>
Preferred Shares and convertible bonds	78	8	8
Deductions	-78	-8	-8
<b>Primary capital</b>	<b>10,298</b>	<b>10,332</b>	<b>10,336</b>
<b>Tier I (%)</b>	<b>11.9%</b>	<b>12.0%</b>	<b>11.9%</b>
<b>Secondary capital</b>	<b>1,139</b>	<b>1,519</b>	<b>1,548</b>
<b>Tier II (%)</b>	<b>1.3%</b>	<b>1.8%</b>	<b>1.8%</b>
Total capital	11,437	11,852	11,884
<b>Total capital ratio (%)</b>	<b>13.3%</b>	<b>13.8%</b>	<b>13.7%</b>
<b>Risk weighted assets (RWA)</b>	<b>86,299</b>	<b>86,070</b>	<b>86,581</b>
<b>Leverage ratio (%)</b>	<b>4.91</b>	<b>4.74</b>	<b>4.61</b>

The phase-in CET 1 ratio of Banco de Sabadell, S.A. (individual) stood at 14.91% as of December 2016.

### Credit ratings

Agency	Date	Long term	Short term	Outlook
DBRS	02.08.2016	BBB (high)	R-1 (low)	Stable
S&P Global Rating <sup>(1)</sup>	02.11.2016	BB+	B	Positive
Moody's <sup>(2)</sup>	01.12.2016	Baa3 / Baa2	P-3 / P-2	Stable

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

<sup>(2)</sup> Corresponds to senior debt and deposits, respectively.

## Liquidity management

### Highlights:

The adjusted loan-to-deposit ratio at 31 March 2017 was 105.3% with a balanced retail funding structure.

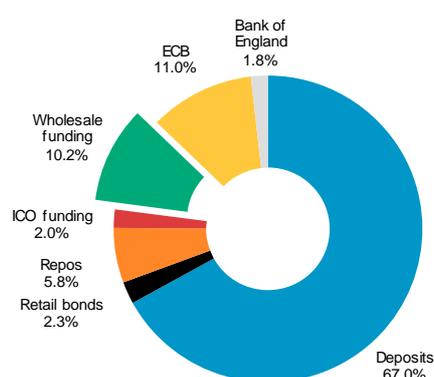
The Liquidity Coverage Ratio (LCR) was above 100% at 31 March 2017.

(€ million)		31.03.16	31.12.16	31.03.17 (1)
Loans and advances to customers	(2)	143,466	145,166	145,656
Brokered loans		-5,748	-4,900	-4,541
<b>Adjusted net loans and advances</b>		<b>137,719</b>	<b>140,266</b>	<b>141,114</b>
<b>On-balance sheet customer funds</b>		<b>131,290</b>	<b>133,457</b>	<b>133,982</b>
<b>Loan-to-deposits ratio (%)</b>		<b>104.9</b>	<b>105.1</b>	<b>105.3</b>

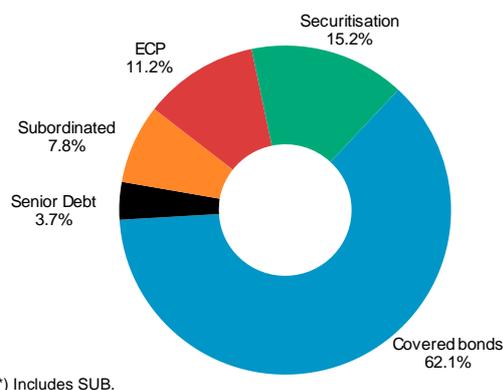
(1) The EURGBP exchange rate used for the balance sheet is 0.8555 at 31/03/2017. Includes SUB.

(2) Excluding repos.

### Funding structure, 31/03/2017 (\*)



### Wholesale funding breakdown, 31/03/2017 (\*)

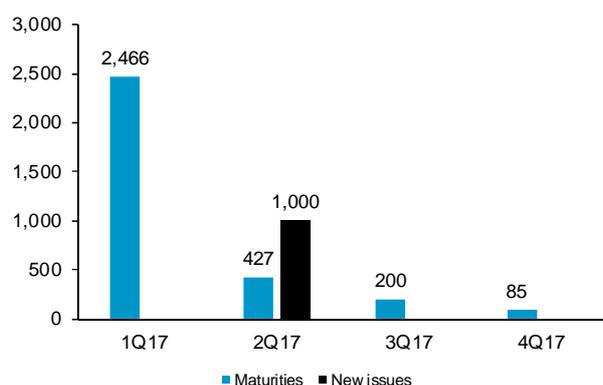


(\*) Includes SUB.

### Maturity of institutional issues

(€million)	2017	2018	2019	2020	2021	2022	2023	>2023	Outstanding balance
Covered bonds (CH)	606	1,559	1,124	2,165	2,108	1,119	1,388	2,161	12,231
GGB	0	0	0	0	0	0	0	0	0
Senior Debt	40	617	0	0	0	25	0	0	682
Subordinated	66	0	0	425	490	0	0	533	1,514
Other mid- and long-term financial instruments	0	18	0	0	10	0	0	5	33
<b>Total</b>	<b>712</b>	<b>2,194</b>	<b>1,124</b>	<b>2,590</b>	<b>2,609</b>	<b>1,144</b>	<b>1,388</b>	<b>2,700</b>	<b>14,461</b>

### New issuances and maturities of wholesale funding



### Breakdown of maturities:

(€ million)	1Q17	2Q17	3Q17	4Q17
Covered bonds (CH)	1,407	321	200	85
GGB	1,059	0	0	0
Senior Debt	0	40	0	0
Subordinated	0	66	0	0
<b>Total</b>	<b>2,466</b>	<b>427</b>	<b>200</b>	<b>85</b>

On April 2017, Sabadell has successfully tapped the markets raising €1.0bn long dated Covered Bond (10 years), priced at a competitive spread of 33 bps.

## Results by business units

This section gives information regarding earnings and other indicators of the Group's business units. With regard to the type of products and services from which ordinary income is derived, information is given below for each business unit:

- Banking Business Spain includes the following customer-oriented business units:

Retail and Business Banking offers both investment and savings products. In terms of investment, the sale of mortgage products, current assets and liabilities and loans is particularly noteworthy. In terms of savings, the main products are deposits (demand and term deposits), mutual funds, savings insurance and pension schemes. 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 from transactional banking services to more complex and tailored solutions relating to financing and treasury, amongst others.

Markets and Private Banking offers and designs products and services with a high added-value with a view to achieving a high rate of return for the customer, increasing and diversifying the customer base and ensuring consistent investment processes through a rigorous analysis and with

high-quality management, while taking the customer relationship model to a multichannel level.

- 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. In terms of abnormal risk and real estate exposure, the unit focuses on developing its asset transformation strategy and integrating the overall vision of the Group's real estate balance sheet in order to maximise its value.

- 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.

Business banking Americas: this is formed by various business units, three banking institutions, a stock and investment broker, investees and representative offices which offer all types of banking and financial services, from the most complex and specialist services for large enterprises, such as project finance operations, to products for individual customers, offering all products and services that professionals and companies of any size might need. The bank also offers services to its customers from operating centres in conjunction with representative offices in Colombia, Peru and the Dominican Republic.

A breakdown of profit before tax and other key figures for each business unit is shown below:

31.03.2016	Gross operating income (€'000)	Profit before tax (€'000)	ROE	Cost / income ratio	Employees	Domestic branches
Banking business Spain	1,148,715	470,927	17.2%	44.5%	16,011	2,205
Real Estate asset transformation	25,522	-200,892	-69.8%	--	712	0
Banking business UK (1)	312,687	68,371	9.0%	67.5%	8,199	612
Banking business America (2)	72,788	25,845	8.4%	50.7%	1,012	30
		<b>364,250</b>	(3)			
31.03.2017	Gross operating income (€'000)	Profit before tax (€'000)	ROE	Cost / income ratio	Employees	Domestic branches
Banking business Spain	1,184,957	469,430	16.0%	30.7%	15,674	2,123
Real Estate asset transformation	18,498	-242,610	-87.7%	--	958	0
Banking business UK (1)	302,857	37,135	4.9%	80.7%	8,524	585
Banking business America (2)	85,963	30,468	9.2%	58.5%	1,121	33
		<b>294,423</b>	(3)			

(1) The exchange rate used for the balance sheet of Banking Business UK for 2017 is GBP 0.8555 and that for the income statement is GBP 0.8599 (average of last 3 months). The exchange rate used for the balance sheet in 2016 is GBP 0.7916 and that for the income statement is GBP 0.7700 (average of last 3 months).

(2) The exchange rate used for the income statement of Banking Business Americas for 2017 is USD 1.0647 and MXN 21.6485 and that for the balance sheet is USD 1.0691 and MXN 20.0175. The exchange rate used for the balance sheet and income statement in 2016 is USD 1.1385 and MXN 19.5903.

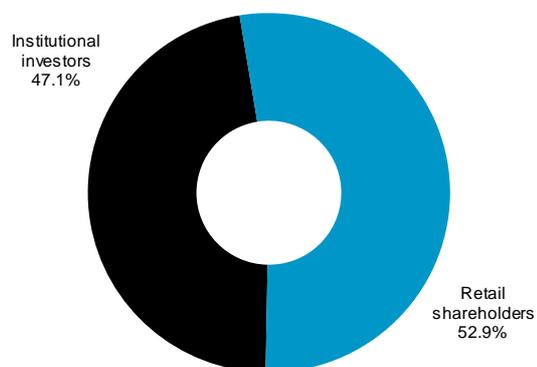
(3) The reconciliation with total Group results must include other geographies not shown here, and the tax effect.

## 4. Share price performance

	31.03.16	31.03.17	Change (%) YoY
<b>Shareholders and trading</b>			
Number of shareholders	262,221	255,205	-2.7
Number of shares (million)	5,439	5,616	3.3
Average daily trading volume (millions shares)	33	30	-8.9
<b>Share price (€)</b> <sup>(1)</sup>			
Opening session (of the year)	1.635	1.323	
High (of the year)	1.774	1.742	
Low (of the year)	1.375	1.295	
Closing session (end of quarter)	1.582	1.718	
Market capitalisation (€ million)	8,605	9,649	
<b>Stock market multiples</b>			
Earnings per share (EPS) (€)	0.14	0.12	
Book value per share (€)	2.29	2.30	
Price / Book value (times)	0.69	0.75	
Price / Earnings ratio (P/E) (times)	11.05	14.11	

(1) Without adjusting historical values.

### Shareholders' structure



Source: GEM, data at 31 March 2017

## 5. Other key developments in the quarter

### **Banco Sabadell gives notice of its agreement to sell 100% of the share capital of its subsidiary Sabadell United Bank, N.A. to the US entity Iberiabank Corporation**

Banco Sabadell has sold shares representing 100% of the share capital of its subsidiary, Sabadell United Bank N.A. (Sabadell United) to the US entity Iberiabank Corporation (IBKC or the Buyer), for a total price of USD 1,025 million (approximately €967 million), through an agreement, the completion of which is expected during the second half of 2017, and shall be subject to obtaining the corresponding administrative authorisations.

The price shall be paid upon completion of the transaction with the delivery in cash of at least USD 803,113,980 and a number of IBKC shares the market value of which must cover the difference up to the total price, and under no event shall they exceed 4.9% of IBKC's share capital, the difference (if any) being paid in cash until the total agreed price is reached.

This transaction will generate gains (estimated applying current exchange rates) upon completion of approximately €447 million.

### **Transfers by corporate investees**

Banco Sabadell gives notice that BanSabadell Inversió Desenvolupament, S.A.U., a subsidiary wholly-owned by Banco Sabadell, has sold 5,631,454 Fluidra, S.A. shares representing 5.00% of its share capital, through a private accelerated book building offering between qualified and institutional investors which started 2<sup>nd</sup> of March 2017, once markets had closed.

The sale price per share was €4.75 (which entails a 7.86% discount with respect to the price at the end of the previous trading session), therefore the total sale price amounted to €26,749,407, representing profit before tax on the Banco Sabadell consolidated financial statements of approximately €10.5 million.

Following this transaction, BanSabadell Inversió Desenvolupament, S.A.U. has fully divested its stake in Fluidra, S.A.

### **Formalisation of shareholder remuneration**

During the Banco Sabadell's Board of Directors meeting held on 26 January 2017, an agreement was reached to distribute a supplementary dividend in cash to shareholders at €0.03 (gross) per share, approved by the General Ordinary Meeting of Shareholders under the agenda item two, settling this supplementary remuneration on 7 of April 2017.

This dividend supplements the interim dividend of €0.02 (gross) per share, agreed by the Board of Directors on 27 October 2016, and which was paid out on 30 December 2016, resulting in total shareholder remuneration in cash of €0.05 (gross) per share.

## 6. Annex: TSB

The performance of TSB's income statement and balance sheet is shown below:

### Income statement:

(GBP millions)	1Q16	4Q16	1Q17	% QoQ	% YoY
Franchise and Whistletree (1)	203.7	204.3	217.1	6.3%	6.6%
Mortgage enhancement (2)	14.8	11.2	10.1	-9.8%	-31.8%
<b>Net Interest Income</b>	<b>218.5</b>	<b>215.5</b>	<b>227.2</b>	<b>5.4%</b>	<b>4.0%</b>
Franchise and Whistletree (1)	26.7	25.3	24.8	-2.0%	-7.1%
Mortgage enhancement (2)	-2.2	-1.0	-0.6	-40.0%	-72.7%
<b>Other operating income</b>	<b>24.5</b>	<b>24.3</b>	<b>24.2</b>	<b>-0.4%</b>	<b>-1.2%</b>
<b>Total income</b>	<b>243.0</b>	<b>239.8</b>	<b>251.4</b>	<b>4.8%</b>	<b>3.5%</b>
<b>Total operating expenses (excl. one-offs)</b>	<b>-164.0</b>	<b>-185.8</b>	<b>-202.8</b>	<b>9.1%</b>	<b>23.7%</b>
Franchise and Whistletree (1)	-19.1	-25.5	-20.6	-19.2%	7.9%
Mortgage enhancement (2)	0.0	-0.1	0.0	-100.0%	--
<b>Impairment on loans &amp; advances</b>	<b>-19.1</b>	<b>-25.6</b>	<b>-20.6</b>	<b>-19.5%</b>	<b>7.9%</b>
<b>Management profit (excl. one-offs)</b>	<b>59.9</b>	<b>28.4</b>	<b>28.0</b>	<b>-1.4%</b>	<b>-53.3%</b>
Other operating income	-7.3	-8.0	3.8	--	--
Tax income	-13.4	-6.4	-9.0	40.6%	-32.8%
<b>Statutory Profit after Tax</b>	<b>39.2</b>	<b>14.0</b>	<b>22.8</b>	<b>62.9%</b>	<b>-41.8%</b>
	<b>1Q16</b>	<b>4Q16</b>	<b>1Q17</b>	<b>QoQ</b>	<b>YoY</b>
TSB NIM (3)	3.26%	2.94%	3.05%	0.11 pp	-0.21 pp

(1) Franchise comprises the retail banking business carried out in the United Kingdom, which offers a broad range of financial services. Whistletree is a portfolio of former Northern Rock mortgage loans and unsecured loans which beneficial interest was acquired from Cerberus Capital Management Group with effect from 7 December 2015.

(2) Mortgage enhancement is a separate portfolio of mortgage assets which was assigned to TSB with effect from 28 February 2014. This segment was established in response to a review by the Office of Fair Trading of the effect on competition of the divestment of TSB and is designed to increase TSB's profitability.

(3) Calculated as Management profit net interest income divided by average loans and advances to customers, gross of impairment allowance.

### Balance sheet:

(GBP millions)	1Q16	4Q16	1Q17	%QoQ	% YoY
Franchise and Whistletree customer lending	25,277	27,570	29,114	5.6%	15.2%
Mortgage enhancement	2,157	1,849	1,765	-4.6%	-18.2%
<b>Total Customer lending (Net)</b>	<b>27,434</b>	<b>29,419</b>	<b>30,879</b>	<b>5.0%</b>	<b>12.6%</b>
Savings deposits	17,605	19,285	19,283	0.0%	9.5%
Current account deposits	8,193	9,041	9,359	3.5%	14.2%
Business banking deposits	948	1,058	1,050	-0.8%	10.8%
<b>Total customer deposits</b>	<b>26,746</b>	<b>29,384</b>	<b>29,692</b>	<b>1.0%</b>	<b>11.0%</b>
	<b>1Q16</b>	<b>4Q16</b>	<b>1Q17</b>	<b>QoQ</b>	<b>YoY</b>
Common Equity Tier 1 Capital ratio	17.7%	18.4%	18.1%	-0.3 pp	0.4 pp

## 7. 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 own funds. Numerator considers linear annualisation of profit obtained to date and adjusted by contributions to guarantee and resolution funds except year end. Denominator excludes profit attributed to the Group as part of own funds.	3
RORWA	(*) Consolidated income during the year / risk-weighted assets (RWA).	3
ROTE	(*) (***) Profit attributed to the Group / average own funds. Numerator considers linear annualisation of profit obtained to date and adjusted by contributions to guarantee and resolution funds except year end. Denominator excludes profit attributed to the Group as part of own funds.	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. 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
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.	10
Other assets	Comprised of the following accounting items: 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: tax liabilities, 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	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.	27
Market capitalisation	Product of the share price and the number of outstanding shares at the end of the period.	29
Earnings per share	Ratio between net profit attributed to the Group and the number of outstanding shares at the end of the period. Numerator considers linear annualisation of profit obtained to date and adjusted by contributions to guarantee and resolution funds except year end.	29
Book value per share	Ratio between carrying value / number of shares at the end of the period. Accounting value is calculated as the sum of own funds, considering linear annualisation of profit obtained to date and adjusted by contributions to guarantee and resolution funds except year end.	29
Price / Book value (times)	Ratio between share price / carrying value.	29
Price / Earnings ratio (P/E) (times)	(*) Ratio between share price / earnings per share.	29

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

(\*\*) Average calculated using average daily balances.

(\*\*\*) Average calculated using 13 last positions at the end of the month.

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

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