

# Quarterly financial report

## Fourth quarter of 2017



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## Basis of presentation

The consolidated income statement and balance sheet as at the end of December 2017 and 2016, together with the disclosures shown in this Financial Report, are presented in accordance with the accounting standards, principles and criteria defined in Note 1 to the Group's consolidated annual accounts as at 31 December 2017.

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

# 1. Key figures

	Excl. TSB			Total group		
	31.12.16	31.12.17	Change (%)	31.12.16	31.12.17 <sup>(5)</sup>	Change (%)
<b>Profit and loss account (€million)</b>						
Net interest income	2.786,9	2.768,8	-0,6	3.837,8	3.802,4	-0,9
Gross operating income	4.258,3	4.514,0	6,0	5.470,7	5.737,3	4,9
Pre-provisions income	2.118,4	2.390,8	12,9	2.411,5	2.612,1	8,3
Attributable net profit	531,1	711,2	33,9	710,4	801,5	12,8
<b>Balance sheet (€million)</b>						
Total assets	168.787	173.203	2,6	212.508	221.348	4,2
Performing gross loans	(1) 102.195	102.119	-0,1	134.288	137.522	2,4
Gross loans to customers	(1) 111.519	111.743	0,2	143.807	147.325	2,4
On-balance sheet funds	(1) 117.859	121.122	2,8	156.863	159.095	1,4
Of which: Customer funds	(1) 95.229	97.686	2,6	129.562	132.096	2,0
Mutual funds	22.594	27.375	21,2	22.594	27.375	21,2
Pension funds and third-party insurance products	14.360	13.951	-2,8	14.360	13.951	-2,8
Funds under management	(1) 158.465	166.447	5,0	197.469	204.420	3,5
Net equity	--	--	--	13.083	13.222	1,1
Shareholders' equity	--	--	--	12.926	13.426	3,9
<b>Profitability and cost-to-income ratios (%)</b>						
ROA	--	--	--	0,35	0,38	--
RORWA	--	--	--	0,83	1,03	--
ROE	--	--	--	5,59	6,10	--
ROTE	--	--	--	6,72	7,27	--
Cost / income	42,66	42,10	--	48,68	50,15	--
<b>Risk management</b>						
Non-performing exposures (€million)	9.583	7.781	-18,8	9.746	7.925	-18,7
Total problematic assets (€million)	18.617	15.174	-18,5	18.781	15.318	-18,4
NPL ratio (%)	(2) 7,72	6,57	--	6,14	5,14	--
NPL coverage ratio (%)	(2) 47,3	45,6	--	47,3	45,7	--
Problematic assets coverage (%)	(2) 47,4	49,7	--	47,4	49,8	--
<b>Capital management</b>						
Risk weighted assets (RWA)	--	--	--	86.070	77.638	-9,8
Common Equity Tier 1 phase-in (%)	--	--	--	12,0	13,4	--
Tier 1 phase-in (%)	--	--	--	12,0	14,3	--
Total capital ratio phase-in (%)	--	--	--	13,8	16,1	--
Leverage ratio phase-in (%)	--	--	--	4,74	4,97	--
<b>Liquidity management</b>						
Loan-to-deposits ratio (%)	(1) 107,0	105,4	--	103,5	104,3	--
<b>Share data (period end)</b>						
Number of shareholders	--	--	--	260.948	235.130	--
Average number of shares (million)	--	--	--	5.452	5.570	--
Share price (€)	(3) --	--	--	1,323	1,656	--
Market capitalisation (€million)	--	--	--	7.213	9.224	--
Earnings per share (EPS) (€)	(4) --	--	--	0,13	0,14	--
Book value per share (€)	--	--	--	2,37	2,41	--
Price / Book value (times)	--	--	--	0,56	0,69	--
Price / Earnings ratio (P/E) (times)	--	--	--	10,15	11,85	--
<b>Other data</b>						
Branches	2.160	1.922	--	2.767	2.473	--
Employees	17.885	17.558	--	25.945	25.845	--

(1) For the purposes of comparison, figures of 2016 have been showed excluding Sabadell United Bank (hereinafter, SUB), Mediterráneo Vida and TSB's Mortgage Enhancement portfolio.

(2) The coverage of non-performing loans and problematic assets as at Dec17 excludes provisions associated with mortgage floor provisions. As at Dec16, excluding SUB, the NPL coverage ratio would stand at 45.90% (45.78% excl. TSB), the coverage ratio of problematic assets would stand at 46.70% (46.65% excl. TSB) and the NPL ratio at 6.30% (7.97% excl. TSB).

(3) Without adjusting historical values.

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

(5) The EURGBP exchange rate used for the income statement at 31.12.17 is 0.8759. The exchange rate used for the balance sheet is 0.8872 as at 31.12.17.

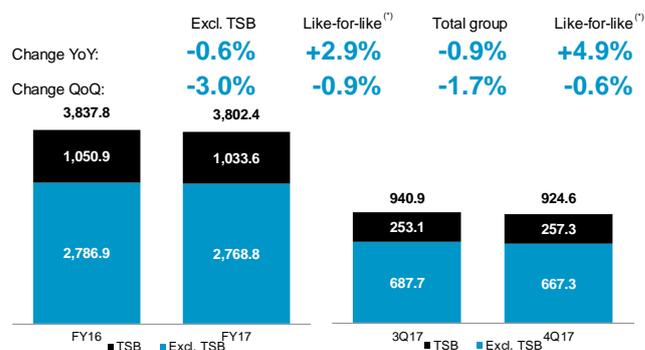
## 2. Summary

### Strong momentum of core banking revenue:

#### Net interest income

Considering a like-for-like basis <sup>(\*)</sup>, net interest income increased by 4.9% year-on-year (2.9% excluding TSB). Quarter-on-quarter, in a like-for-like basis <sup>(\*)</sup>, it declined slightly by -0.6% (-0.9% excluding TSB).

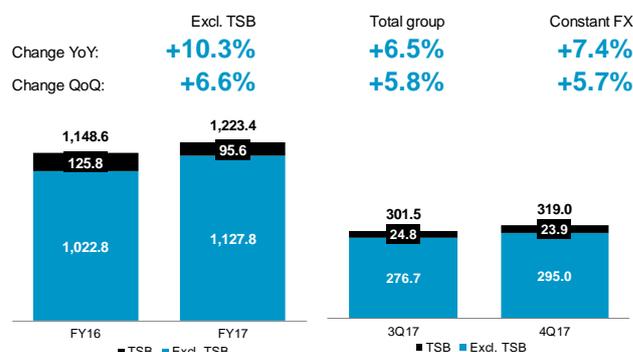
The customer spread remained robust at 2.80%, as a result of the ability to defend prices.



#### Net fees and commissions

Income from net fees and commissions showed a 6.5% increase year-on-year (10.3% excluding TSB) and a 5.8% increase quarter-on-quarter (6.6% excluding TSB).

Year-on-year, service fees and asset management fees have performed remarkably well.



#### NPLs provisions and other impairments

NPLs provisions and other impairments amounted to €-2,196.4 million as at 2017 year-end (€-2,107.6 million excluding TSB), compared with €-1,427.1 million as at 2016 year-end (€-1,399.0 million excluding TSB). 2017 figures include extraordinary gains on corporate transactions, which have been offset by additional provisions amounting to a gross value of €900 million.



#### Net profit of the Group

Strong momentum of the Group's core banking revenue (net interest income + net fees and commissions), growing by 5.5% year-on-year (5.2% excluding TSB) considering a like-for-like basis <sup>(\*)</sup>.

The Group's net profit amounted to €801.5 million (€711.2 million excluding TSB) at the end of 2017.



(\*) Data considering constant FX, excluding contributions of SUB, Mediterráneo Vida and TSB's Mortgage Enhancement portfolio.

## Performing gross loans

Performing loans volumes grew by 2.4% (-0.1% excluding TSB) year-on-year and -0.2% quarter-on-quarter (0.1% excl. TSB). Considering a like-for-like basis <sup>(1)</sup>, grew by 3.4% year-on-year and 0.1% quarter-on-quarter, driven by the strong activity of SMEs. Excluding the impact of the APS <sup>(1)</sup>, this growth would stand at 4.6% (1.2% excluding TSB) during the year, remaining stable during the quarter in a like-for-like basis.

In TSB, franchise customer lending remained stable during the quarter, and showed a positive trend during the year with a growth of 11.9%.

## On-balance sheet customer funds

On-balance sheet customer funds increased by 2.0% (2.6% excluding TSB) year-on-year and 0.6% (0.8% excluding TSB) quarter-on-quarter, driven by the growth of sight accounts, as well as off-balance sheet funds, primarily mutual funds. Considering a like-for-like basis <sup>(1)</sup>, it increased by 2.9% year-on-year and 0.8% quarter-on-quarter.

## Problematic assets

Problematic assets reduction, excluding TSB, of €2,191 million during the year (€1,802M in NPLs and €390M in foreclosed assets) and of €523 million during the quarter (€405M in NPLs and €118M in foreclosed assets). A new business line has also been carved out focusing on real estate development services (Solvía Desarrollos Inmobiliarios), with €1,252 million in assets under management (€683 millions net of provisions). Including these assets, problematic assets were reduced by €3,443 million during the year and €1,775 million during the quarter.

Foreclosed assets continued to be sold at a premium on average (1.4%) in the quarter. Going forward, no losses from sales are expected.

## NPL ratio and coverage

Reduction in the Group's NPL ratio, which stands at 5.14% (6.57% excluding TSB).

The coverage ratio of problematic assets stands at 49.76%, with the coverage of non-performing loans standing at 45.74% and the coverage of foreclosed assets at 54.08%. With the implementation of IFRS 9, the pro-forma coverage of problematic assets will increase to 54.72% and NPL ratio to 5.32%

## Capital ratio

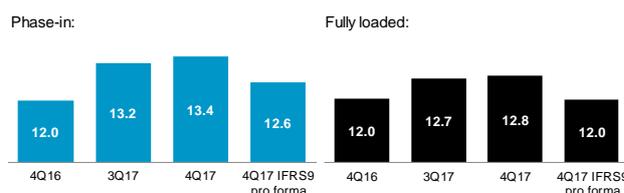
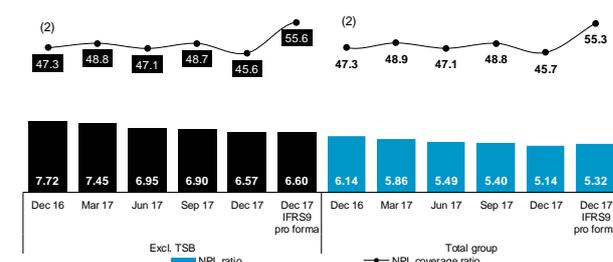
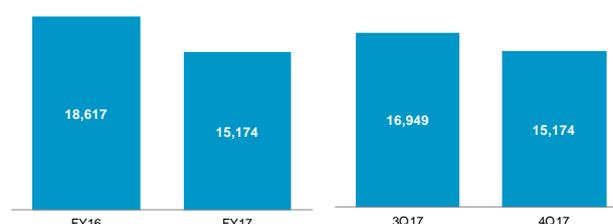
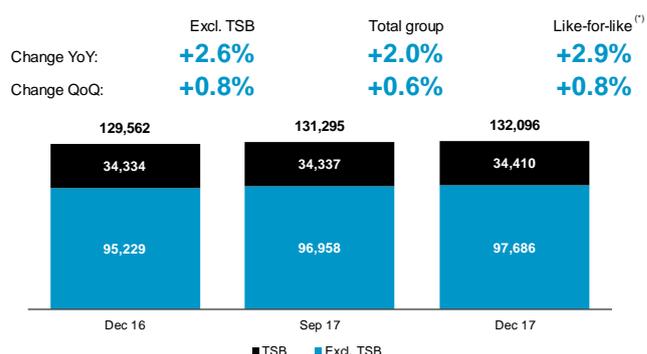
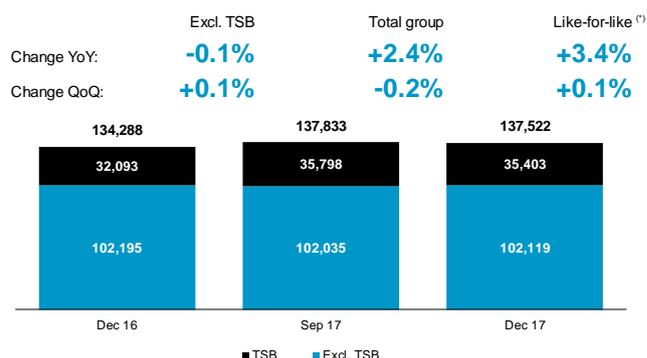
Strong capital position, with the phase-in Common Equity Tier 1 (CET 1) ratio standing at 13.4% and the fully-loaded CET 1 ratio at 12.8% as at 31 December 2017. Post IFRS 9 implementation, the CET 1 fully-loaded pro-forma ratio stands at 12.0%.

NOTE: Coverage is calculated excluding provisions associated with mortgage floor provisions.

(\*) Data considering constant FX, excluding contributions of SUB, Mediterráneo Vida and TSB's Mortgage Enhancement portfolio.

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

(2) Excluding SUB, the NPL coverage ratio would stand at 45.90% (45.78% excl. TSB) and the NPL ratio at 6.30% (7.97% excl. TSB).



## 3. Performance review

### Macroeconomic environment

#### Global economic, political and financial background

The positive tone of financial markets continued during the last quarter of the year, with volatilities of several assets close to minimum levels. The upturn of oil prices was notable, reaching levels not seen since mid-2015.

Activity data have continued to be robust and synchronized across developed economies, particularly in the euro area and the US. In both regions, GDP experienced a quarterly upturn of 0.7% in 3Q17. The high levels reached by economic sentiment indices suggest that this positive trend will continue. As regards inflation, in the euro area and the United States, the core component remained contained during that quarter, and showed no clear upward trend. Regarding politics, in the US Trump made changes to his administration, which ultimately adopted a more pragmatic tone. Progress in the economic agenda has been limited, although towards the end of the year the tax reform bill was approved, which focused on a permanent reduction of corporation tax. In Germany, a government has not yet been formed, and negotiations between Christian Democrats and Social Democrats continue. In Italy, general election has been brought forward to March 4th. Lastly, significant progress has been made in Greece for the disbursement of the next tranche of the third financial assistance programme.

#### Macroeconomic situation in Spain

Activity has continued to exhibit considerable dynamism. Bank of Spain estimated that GDP increased by 0.8% quarter-on-quarter in 4Q17 (3Q17: 0.8%), in a context in which key activity indicators have proven to be resilient to political uncertainty. The labour market has also performed well. In particular, the unemployment rate fell to 16.4% in 3Q17, a level not seen since the end of 2008.

In terms of the foreign sector, the current account surplus recorded until October is similar to that experienced in 2016 (1.9% of GDP). In fiscal terms, data up to October were compatible with the achievement of the public deficit target of 3.1% of GDP for 2017. In the real estate sector, property sales continued to record double-digit growth rates, consolidating the recovery of new property purchases in 2017.

Lastly, in the elections held in Catalonia on December 21st, the pro-independence parties reaffirmed their absolute majority in terms of seats, whilst Ciudadanos was the political party that received the most votes and seats.

#### Macroeconomic situation in the UK

Growth in activity has continued to be subdued (GDP 3Q17: 0.4% quarter-on-quarter) although some early activity indicators in 4Q17 pointed towards a slight improvement. The growth in house prices has slowed again, after growing during the first half of the year, particularly in London. Inflation has remained clearly above the objective of the Bank of England. As regards Brexit negotiations, a political agreement was reached on the priority topics relating to the UK withdrawal from the EU, while details relating to the

transition period are still pending. The green light was given to start trade negotiations, which are expected to start in March 2018.

#### Macroeconomic situation in Latin America

In Mexico, economic growth has slowed, due partly to the natural disasters that affected the country at the end of summer. Inflation has experienced another upturn, and uncertainty surrounding the NAFTA renegotiation has increased once more. In this context, and following the last hike in the Fed funds rate, the central bank of Mexico decided to implement a further increase to its official interest rate, to 7.25%.

In South America, year-on-year GDP growth has improved in Brazil, Colombia and Peru during the third quarter, although it remains weak. This, together with the fact that inflation has been contained, has allowed further cuts to the benchmark interest rate in these three countries. Politics have continued to attract attention, as 2018 marks a year in which elections will be held in Brazil and Colombia and in which Peru's president is likely to continue finding it difficult to govern without an absolute majority in Parliament.

#### Fixed-income markets

In terms of the monetary policy, the Fed increased the Fed funds rate by 25 b.p. to 1.25%-1.50% in December, and this upward trend is expected to continue, with three more hikes expected for 2018. Powell will take over as Governor of the Fed in February, which will guarantee the continuity of this monetary policy. The ECB recalibrated its asset purchase programme. It announced the extension of its programme to, at least, September 2018, and the reduction of its monthly purchase rate to €30bn as of January 2018. It also insisted that it would make no changes to interest rates for a prolonged period of time, and beyond the end of the asset purchase programme. Lastly, the Bank of England increased its reference rate by 25 b.p. in November, to 0.50%. The Bank of England justified its decision based on the positive tone of the labour market, the upturn in inflation and an increase in GDP that exceeded its potential.

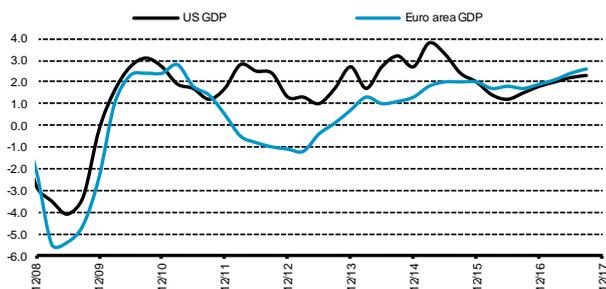
In terms of long-term fixed-income markets, the yield of German government bonds ended 4Q17 at similar levels to those of the previous quarter, whilst the yield of US government bonds was higher than the yield at the close of the previous quarter. Yields were driven upwards by positive economic activity data in both regions, the approval of the tax reform bill in the US and the increase in oil prices. An additional factor in Germany was the publication of the issuance strategy for 2018, which foresees higher gross funding requirements. Conversely, the yield of German government bonds was pushed downwards due to domestic political noise, unexpected decreases in inflation and the ECB's accommodative tone. The yield of UK government bonds was lower than at the end of the previous quarter, due to expectations that trade negotiations with the EU will prove to be less complex than agreements on the terms of the withdrawal agreement. Country risk premia in Spain and Italy ended the quarter at similar levels to the previous quarter, partly hindered by their domestic political situation.

## Equity markets

European stock indices generally experienced declines during the last quarter of the year (the Euro STOXX declined by -2.5% in euro terms), with those of countries in the European periphery standing out in a negative light. The IBEX 35 declined by -3.3% in euro terms and Italy's MIB by -3.7%, both affected by domestic political uncertainty.

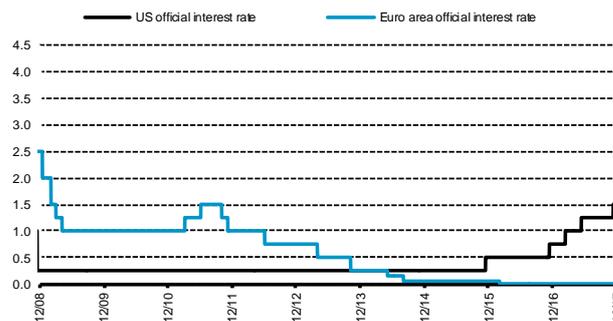
Conversely, the German DAX increased by 0.7% in euro terms. Stock markets in the US experienced an upturn in euro terms, setting a new record high, following the approval of the tax reform bill. The S&P 500 increased by 4.2% in euro terms. Lastly, the Japanese equity index (Nikkei 225) increased by 9.8% in euro terms, driven by the good growth outlook and a positive trend of corporate earnings.

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



Source: Bloomberg

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



## Exchange rates: Parity vs. euro

Fx	31.12.16	31.03.17	30.06.17	30.09.17	31.12.17
USD	1.0541	1.0691	1.1412	1.1806	1.1993
GBP	0.8562	0.8555	0.8793	0.8818	0.8872
MXN	21.7719	20.0175	20.5839	21.4614	23.6612

Source: Bank of Spain

## Income statement

### Highlights:

The Group's net profit amounted to €801.5 million (€711.2 million excluding TSB) as at December 2017.

Considering a like-for-like basis, net interest income increased by 4.9% (2.9% excluding TSB) during the year, with a slight decline during the quarter of -0.6% (-0.9% excluding TSB).

Fees and commissions income performed remarkably well, growing by 6.5% (10.3% excluding TSB), driven by service fees and asset management fees.

The Group's core banking revenue (net interest income + net fees and commissions) increased by 5.5% year-on-year (5.2% excluding TSB) in a like-for-like basis.

### Profit and loss account

(€ million)	Excl. TSB			Total group			
	FY16	FY17	Change (%) YoY	FY16	FY17 <sup>(1)</sup>	Change (%) YoY	Change (%) at fixed FX
<b>Net interest income</b>	<b>2,786.9</b>	<b>2,768.8</b>	<b>-0.6</b>	<b>3,837.8</b>	<b>3,802.4</b>	<b>-0.9</b>	<b>1.0</b>
Income from equity method and dividends	84.6	315.7	273.2	84.6	315.9	273.4	273.6
Net fees and commissions	1,022.8	1,127.8	10.3	1,148.6	1,223.4	6.5	7.4
Results from financial transactions (net)	556.2	504.5	-9.3	609.7	614.1	0.7	1.6
Foreign exchange (net)	16.9	8.4	-50.1	16.9	8.4	-50.1	-49.3
Other operating income/expense	-209.1	-211.3	1.1	-226.9	-227.0	0.1	0.6
<b>Gross operating income</b>	<b>4,258.3</b>	<b>4,514.0</b>	<b>6.0</b>	<b>5,470.7</b>	<b>5,737.3</b>	<b>4.9</b>	<b>6.6</b>
Personnel expenses	-1,235.6	-1,178.9	-4.6	-1,663.1	-1,573.6	-5.4	-3.7
Non-recurrent	-49.3	-15.8	-67.9	-68.0	-26.6	-60.8	-60.3
Recurrent	-1,186.4	-1,163.0	-2.0	-1,595.1	-1,546.9	-3.0	-1.3
Other general expenses	-581.0	-614.8	5.8	-1,000.3	-1,149.4	14.9	18.0
Non-recurrent	0.0	0.0	--	-19.1	-32.7	71.5	79.8
Recurrent	-581.0	-614.8	5.8	-981.2	-1,116.7	13.8	16.9
Amortization & depreciation	-323.2	-329.6	2.0	-395.9	-402.2	1.6	2.9
<b>Pre-provisions income</b>	<b>2,118.4</b>	<b>2,390.8</b>	<b>12.9</b>	<b>2,411.5</b>	<b>2,612.1</b>	<b>8.3</b>	<b>9.6</b>
Provisions for NPLs	-385.7	-1,080.6	180.2	-413.8	-1,169.4	182.6	183.0
Other financial assets	-136.9	-55.8	-59.2	-136.9	-55.8	-59.2	-59.2
Other impairments	-876.5	-971.1	10.8	-876.5	-971.1	10.8	10.8
Gains on sale of assets and other results	39.5	425.9	--	35.1	432.6	--	--
Badwill	0.0	0.0	--	0.0	0.0	--	--
<b>Profit before tax</b>	<b>758.9</b>	<b>709.1</b>	<b>-6.6</b>	<b>1,019.4</b>	<b>848.3</b>	<b>-16.8</b>	<b>-14.6</b>
Income tax	-222.4	5.8	--	-303.6	-43.1	-85.8	-85.8
<b>Consolidated net profit</b>	<b>536.5</b>	<b>714.9</b>	<b>33.2</b>	<b>715.9</b>	<b>805.2</b>	<b>12.5</b>	<b>15.8</b>
Minority interest	5.4	3.7	-31.5	5.4	3.7	-31.5	-31.5
<b>Attributable net profit</b>	<b>531.1</b>	<b>711.2</b>	<b>33.9</b>	<b>710.4</b>	<b>801.5</b>	<b>12.8</b>	<b>16.1</b>
Pro memoria:							
Average total assets (€ million)	163,326	168,418		206,265	214,356		
Earnings per share (€)	(2) 0.09	0.12		0.13	0.14		

(1) The EURGBP exchange rate used for the income statement is 0.8759.

(2) Net profit adjusted by the Additional Tier 1 coupons, after tax, recognised in equity. Accumulated at the end of each quarter, not annualised.

## Quarterly profit and loss account

(€million)	Excl. TSB						Total group						
	4Q16	1Q17	2Q17	3Q17	4Q17	Change (%) 3Q17	4Q16	1Q17	2Q17	3Q17	4Q17	Change (%) 3Q17	Change (%) at fixed FX
<b>Net interest income</b>	<b>697.7</b>	<b>702.4</b>	<b>711.4</b>	<b>687.7</b>	<b>667.3</b>	<b>-3.0</b>	<b>946.9</b>	<b>962.4</b>	<b>974.5</b>	<b>940.9</b>	<b>924.6</b>	<b>-1.7</b>	<b>-1.9</b>
Income from equity method and dividends	12.6	16.4	19.7	267.7	12.0	-95.5	12.6	16.4	19.7	267.7	12.2	-95.5	-95.5
Net fees and commissions	260.2	271.4	284.7	276.7	295.0	6.6	288.3	296.7	306.3	301.5	319.0	5.8	5.7
Results from financial transactions (net)	54.0	341.9	114.0	28.5	20.1	-29.7	53.0	353.0	192.4	35.0	33.7	-3.8	-3.4
Foreign exchange (net)	2.8	1.1	3.8	2.3	1.3	-44.2	2.8	1.1	3.8	2.3	1.3	-44.2	-44.8
Other operating income/expense	-106.3	-27.0	-48.9	-4.4	-131.0	--	-106.1	-29.6	-53.3	-7.6	-136.5	--	--
<b>Gross operating income</b>	<b>920.9</b>	<b>1,306.3</b>	<b>1,084.6</b>	<b>1,258.5</b>	<b>864.6</b>	<b>-31.3</b>	<b>1,197.5</b>	<b>1,600.0</b>	<b>1,443.4</b>	<b>1,539.7</b>	<b>1,154.1</b>	<b>-25.0</b>	<b>-25.1</b>
Personnel expenses	-314.6	-298.1	-296.2	-295.1	-289.5	-19	-424.1	-394.9	-396.0	-390.1	-392.6	0.6	0.4
Non-recurrent	-28.2	-3.5	-1.7	-1.6	-9.0	449.0	-32.9	-7.0	-5.8	-5.0	-8.9	77.8	76.2
Recurrent	-286.4	-294.6	-294.5	-293.5	-280.5	-4.4	-391.2	-387.9	-390.2	-385.1	-383.7	-0.4	-0.6
Other general expenses	-113.6	-151.0	-150.6	-149.6	-163.5	9.3	-252.2	-293.0	-294.4	-276.7	-285.2	3.1	2.7
Non-recurrent	0.0	0.0	0.0	0.0	0.0	--	-8.9	-10.9	-12.3	-6.2	-3.4	-46.2	-46.7
Recurrent	-113.6	-151.0	-150.6	-149.6	-163.5	9.3	-243.3	-282.2	-282.1	-270.5	-281.9	4.2	3.8
Amortization & depreciation	-88.0	-83.0	-79.2	-83.1	-84.4	1.6	-105.4	-100.6	-96.8	-103.0	-101.9	-1.0	-1.3
<b>Pre-provisions income</b>	<b>374.8</b>	<b>774.2</b>	<b>558.7</b>	<b>730.7</b>	<b>327.2</b>	<b>-55.2</b>	<b>415.9</b>	<b>811.5</b>	<b>656.2</b>	<b>770.0</b>	<b>374.4</b>	<b>-51.4</b>	<b>-51.3</b>
Provisions for NPLs	223.8	-365.1	-159.9	-456.4	-99.2	-78.3	195.6	-389.0	-180.3	-477.5	-122.7	-74.3	-74.3
Other financial assets	-14.3	-3.5	-39.8	-3.2	-9.3	190.7	-14.3	-3.5	-39.8	-3.2	-9.3	190.7	190.8
Other impairments	-495.0	-118.0	-120.3	-636.2	-96.6	-84.8	-495.0	-118.0	-120.3	-636.2	-96.6	-84.8	-84.8
Gains on sale of assets and other results	5.5	-5.8	17.0	366.7	48.0	-86.9	3.1	1.7	16.0	366.4	48.6	-86.7	--
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>94.8</b>	<b>281.8</b>	<b>255.7</b>	<b>1.5</b>	<b>170.2</b>	<b>--</b>	<b>105.3</b>	<b>302.6</b>	<b>331.8</b>	<b>19.4</b>	<b>194.4</b>	<b>--</b>	<b>--</b>
Income tax	-33.2	-76.1	-74.4	192.5	-36.1	--	-40.0	-84.8	-97.4	183.9	-44.7	--	--
<b>Consolidated net profit</b>	<b>61.6</b>	<b>205.6</b>	<b>181.2</b>	<b>194.0</b>	<b>134.0</b>	<b>-30.9</b>	<b>65.4</b>	<b>217.8</b>	<b>234.4</b>	<b>203.3</b>	<b>149.7</b>	<b>-26.4</b>	<b>-26.2</b>
Minority interest	18	18	-0.2	0.1	2.0	--	18	18	-0.2	0.1	2.0	--	--
<b>Attributable net profit</b>	<b>59.7</b>	<b>203.9</b>	<b>181.4</b>	<b>193.9</b>	<b>132.0</b>	<b>-31.9</b>	<b>63.5</b>	<b>216.1</b>	<b>234.5</b>	<b>203.2</b>	<b>147.7</b>	<b>-27.3</b>	<b>-27.1</b>
Pro memoria:													
Average total assets (€million)	164,410	166,321	172,682	167,289	167,380		206,619	211,690	219,082	212,630	214,017		
Earnings per share (€)	(2)	0.10	0.03	0.06	0.09	0.12	0.13	0.03	0.07	0.10	0.14		

(1) The EURGBP exchange rate used for the income statement of the quarter is 0.8871.

(2) Net profit adjusted by the Additional Tier 1 coupons, after tax, recognised in equity. Accumulated at the end of each quarter, not annualised.

### Net interest income:

Net interest income stood at €3,802.4 million as at December 2017, a decrease of -0.9% year-on-year and -1.7% quarter-on-quarter. Considering a like-for-like basis, it increased by 4.9% year-on-year and declined by -0.6% quarter-on-quarter.

Excluding TSB, net interest income amounted to €2,768.8 million at the end of 2017, a decrease of -0.6% year-on-year and -3.0% quarter-on-quarter.

Considering a like-for-like basis, it increased by 2.9% year-on-year and declined by -0.9% quarter-on-quarter.

In TSB there was a solid growth in the franchise's net interest income, increasing by 1.7% during the quarter and by 11.8% during the year.

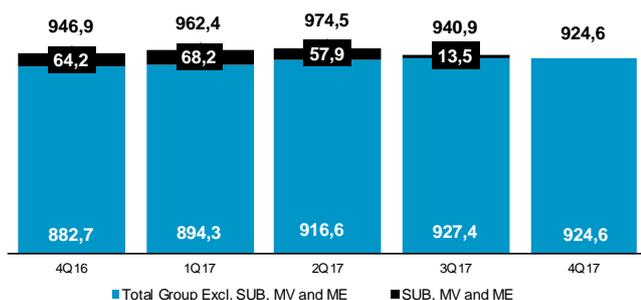
### Customer spread:

At the end of 2017, the customer spread stood at 2.80% (2.81% in the previous quarter). The net interest margin as a percentage of average total assets stood at 1.71% (1.76% in the previous quarter).

Excluding TSB, the customer spread as at December 2017 stood at 2.73% (2.72% in the previous quarter) while the net interest margin as a percentage of average total assets was 1.58% (1.63% in the previous quarter).

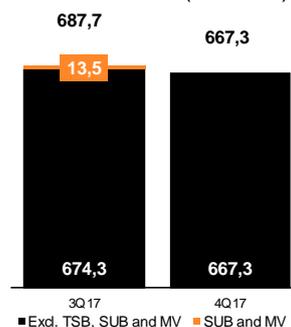
### Net interest income

Total group (€ millions)



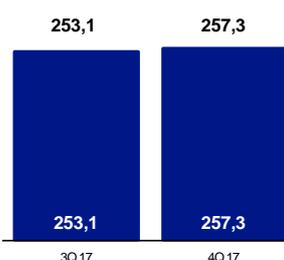
Change YoY: **-0,9%** Total group      Like-for-like <sup>(\*)</sup> **+4,9%**  
 Change QoQ: **-1,7%**                                      **-0,6%**

Sabadell ex - TSB (€ millions)



Change QoQ: **-3,0%**  
**-0,9%** Like-for-like <sup>(\*)</sup>  
 Change YoY: **-0,6%**  
**+2,9%** Like-for-like <sup>(\*)</sup>

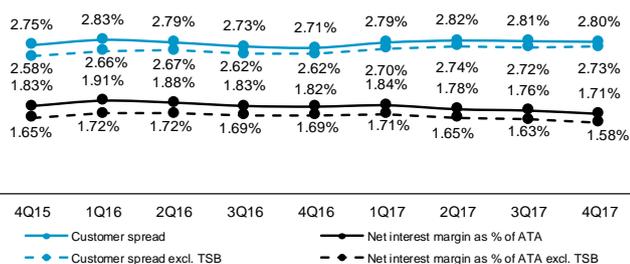
TSB (€ millions)



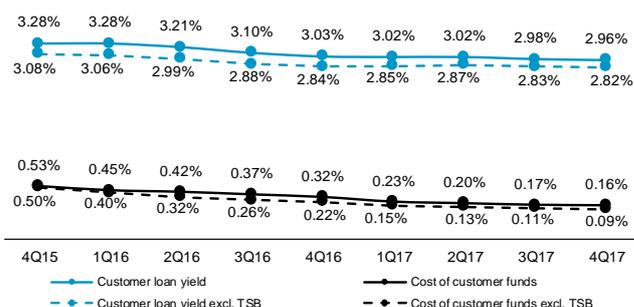
Change QoQ: **+1,7%**  
**+0,5%** in GBP  
 Change YoY: **-1,6%**  
**+10,4%** Like-for-like <sup>(\*)</sup>

(\*) Growth rates are expressed in a like-for-like basis (i.e. assuming constant FX and excluding Sabadell United Bank and Mediterráneo Vida as well as the Mortgage enhancement contribution).

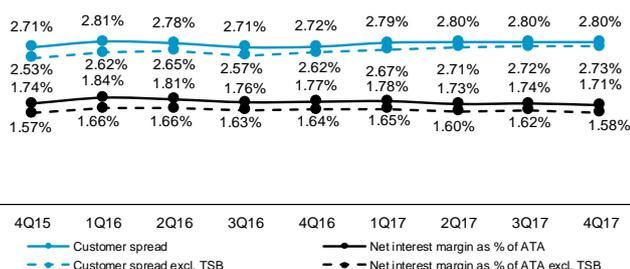
### Net interest income (%)



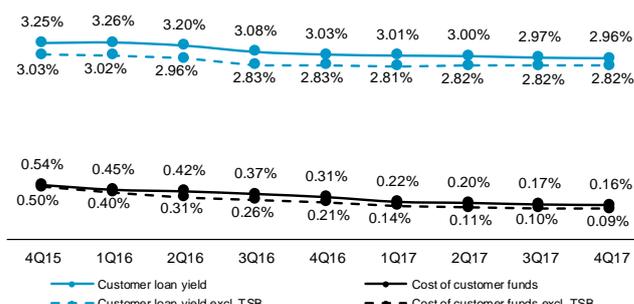
### Customer spread (%)



### Net interest income – like-for-like (%)



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



## Gains and charges in the quarter

### Total Group

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

2016 (€million)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avgc.balance	Rate %	Results									
Cash and cash equivalent (2)	10,899	0.34	9	11,804	0.33	10	11,129	0.25	7	11,513	0.18	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	25,061	2.81	175	25,893	2.46	159	27,174	2.31	158	27,198	2.42	165
Equity securities	966	--	--	980	--	--	1,058	--	--	1,013	--	--
Tang. & intang. assets	3,912	--	--	4,094	--	--	3,984	--	--	4,131	--	--
Other assets	25,474	0.29	19	25,126	0.33	21	25,706	0.29	19	25,115	0.41	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 (3)	18,205	-0.60	-27	18,623	-0.60	-28	17,393	-0.22	-9	17,972	-0.31	-14
Customer deposits (4)	133,554	-0.45	-150	135,301	-0.42	-140	134,628	-0.37	-126	135,679	-0.32	-108
Capital markets	30,641	-2.12	-162	30,265	-1.89	-142	30,441	-1.88	-144	29,516	-1.87	-138
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>2.83</b>			<b>2.79</b>			<b>2.73</b>			<b>2.71</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 0.8871 while that used for the balance sheet is 0.8872.

(2) Includes cash, central banks, credit institutions and reverse repos.

(3) Financial income and expenses deriving from the application of negative interest rates are recorded in line with the nature of the associated asset or liability. The credit institutions heading on the liabilities side of the balance sheet includes financial income from negative interest rates of balances of credit institutions under liabilities, mainly those relating to TLTRO II.

(4) Includes repos.

## Sabadell excl. TSB

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

2016 (€million)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.e.balance	Rate %	Results									
Cash and cash equivalents (1)	6,827	0.29	5	6,013	0.24	4	5,584	0.19	3	6,396	0.14	2
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	23,287	2.89	167	23,949	2.52	150	25,107	2.37	149	24,979	2.48	156
Equity securities	936	--	--	958	--	--	1,052	--	--	1,007	--	--
Tang. & intang. assets	3,344	--	--	3,549	--	--	3,486	--	--	3,653	--	--
Other assets	24,498	0.31	19	24,038	0.38	23	24,393	0.36	22	24,217	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 (2)	17,836	-0.62	-27	17,906	-0.60	-28	17,287	-0.15	-9	17,881	-0.16	-14
Customer deposits (3)	99,540	-0.40	-98	99,536	-0.32	-79	99,787	-0.26	-66	101,033	-0.22	-56
Capital markets	26,474	-2.12	-140	25,839	-1.93	-124	26,226	-1.91	-126	25,616	-1.91	-123
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>2.66</b>			<b>2.67</b>			<b>2.62</b>			<b>2.62</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) Includes cash, central banks, credit institutions and reverse repos.
- (2) Financial income and expenses deriving from the application of negative interest rates are recorded in line with the nature of the associated asset or liability. The credit institutions heading on the liabilities side of the balance sheet includes financial income from negative interest rates of balances of credit institutions under liabilities, mainly those relating to TLTRO II.
- (3) Includes repos.

### Income from equity method and dividends:

This item amounted to €315.9 million at the end of 2017, compared with €84.6 million at the end of the previous year. This income mainly includes results from the insurance and pension business and BanSabadell Vida's net fee for the reinsurance contract with Swiss Re Europe during the third quarter of 2017.

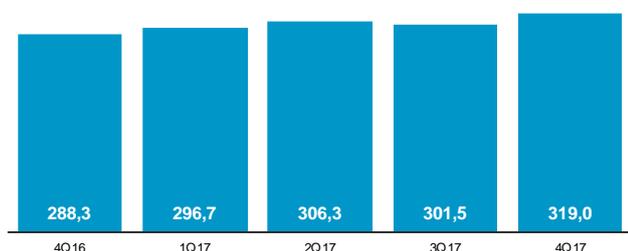
### Net fees and commissions:

Year-on-year, commissions grew by 6.5% (10.3% excluding TSB). The positive performance of both service fees, which increased by 11.5% (16.2% excluding TSB) and asset management fees, which increased by 8.6%, particularly stands out.

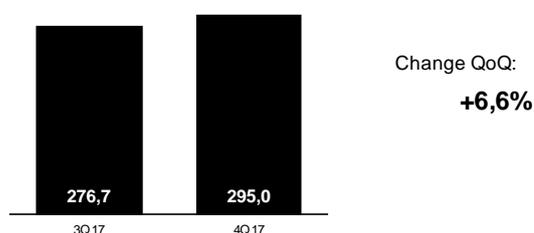
During the quarter, the growth stood at 5.8% (6.6% excluding TSB), with asset management fees performing remarkably well with a growth of 18.2%.

### Evolution of net fees and commissions

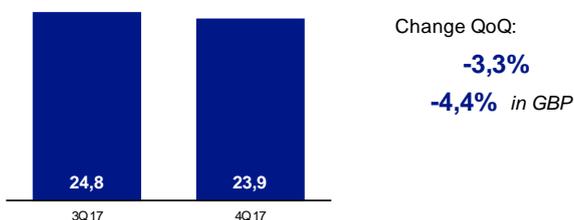
Total group (€ millions)



Sabadell ex - TSB (€ millions)



TSB (€ millions)



	Excl. TSB	Total group
Change YoY:	<b>+10,3%</b>	<b>+6,5%</b>
Change QoQ:	<b>+6,6%</b>	<b>+5,8%</b>

## Net fees and commissions

	Excl. TSB			Total group			Excl. TSB			Total group		
	3 Q17	4 Q17	Change (%) 3 Q17	3 Q17	4 Q17	Change (%) (1) 3 Q17	FY 16	FY 17	Change (%) YoY	FY 16	FY 17	Change (%) YoY
(€million)												
Lending fees	29.5	30.8	4.2	49.9	51.3	2.8	119.8	121.1	1.0	215.7	206.1	-4.5
Guarantees commissions	24.1	24.3	0.7	24.1	24.3	0.7	101.0	98.7	-2.2	101.0	98.7	-2.2
<b>Risk transaction fees</b>	<b>53.6</b>	<b>55.0</b>	<b>2.6</b>	<b>74.0</b>	<b>75.6</b>	<b>2.1</b>	<b>220.8</b>	<b>219.8</b>	<b>-0.5</b>	<b>316.7</b>	<b>304.8</b>	<b>-3.7</b>
Cards	46.3	44.2	-4.5	55.7	52.3	-6.1	156.1	174.4	11.7	191.2	205.7	7.6
Payment orders	13.1	14.0	7.3	13.1	14.0	7.3	50.4	54.0	7.1	50.4	54.0	7.1
Securities	14.0	15.9	13.3	14.0	15.9	13.3	50.4	60.4	19.9	50.4	60.4	19.9
Custodian mutual and pension funds	3.4	3.4	1.5	3.4	3.4	1.5	12.6	13.3	5.0	12.6	13.3	5.0
Sight accounts	31.1	30.0	-3.4	33.3	33.2	-0.4	76.0	119.3	57.0	89.9	130.8	45.6
Foreign currency and notes exchange	20.5	18.8	-8.5	20.5	18.8	-8.5	70.3	74.6	6.0	70.3	74.6	6.0
Other transactions	13.6	17.7	30.3	6.4	9.9	55.9	74.2	73.5	-0.9	55.2	41.3	-25.2
<b>Commissions for services</b>	<b>142.0</b>	<b>144.1</b>	<b>1.5</b>	<b>146.4</b>	<b>147.5</b>	<b>0.8</b>	<b>490.1</b>	<b>569.4</b>	<b>16.2</b>	<b>520.0</b>	<b>580.0</b>	<b>11.5</b>
Mutual funds	40.0	43.0	7.5	40.0	43.0	7.5	145.7	158.4	8.7	145.7	158.4	8.7
Pension funds and insurance brokerage	36.9	39.3	6.6	36.9	39.3	6.6	140.9	152.8	8.5	140.9	152.8	8.5
Wealth management	4.2	13.6	220.2	4.2	13.6	220.2	25.3	27.4	8.2	25.3	27.4	8.2
<b>Asset Under Management commissions</b>	<b>81.1</b>	<b>95.9</b>	<b>18.2</b>	<b>81.1</b>	<b>95.9</b>	<b>18.2</b>	<b>311.9</b>	<b>338.6</b>	<b>8.6</b>	<b>311.9</b>	<b>338.6</b>	<b>8.6</b>
<b>Total</b>	<b>276.7</b>	<b>295.0</b>	<b>6.6</b>	<b>301.5</b>	<b>319.0</b>	<b>5.8</b>	<b>1,022.8</b>	<b>1,127.8</b>	<b>10.3</b>	<b>1,148.6</b>	<b>1,223.4</b>	<b>6.5</b>

(1) The EURGBP exchange rate used for the income statement is 0.8759 over the year and 0.8871 during the quarter.

## Net trading income:

At the end of 2017, net trading income amounted to €614.1 million (€504.5 million excluding TSB), compared with €609.7 million at the end of the preceding year (€556.2 million excluding TSB). Includes the early call of TSB's Mortgage Enhancement portfolio during the second quarter of 2017. In the previous year, it includes €109.5 million from the sale of 100% of Visa Europe shares.

### Net gains/(losses) from exchange differences:

This item amounted to €8.4 million as at 2017 year-end, compared with €16.9 million during the previous year.

### Other operating income and expenses:

This item amounted to €-227.0 million as at 2017 year-end (€-211.3 million excluding TSB) compared with €-226.9 million at 2016 year-end (€-209.1 million excluding TSB).

Particularly worthy of notes were the contributions to the Deposit Guarantee Fund of €-97.9 million (€-87.3 million in the previous year), contribution for converting deferred tax

assets into credit receivable by the Spanish Tax Authority amounting to €-54.7 million (€-57.0 million in the previous year), the contribution to the Single Resolution Fund amounting to €-50.6 million (€-47.7 million in the previous year), the contribution to the Tax on Deposits of Credit Institutions (IDEC) amounting to €-28.1 million (€-27.6 million in the previous year) and TSB's contribution to the Financial Services Compensation Scheme amounting to €-0.4 million (€-7.6 million in the previous year).

### Operating expenses:

Operating expenses amounted to €-2,723.0 million as at December 2017, including €-59.3 million in non-recurrent expenses. The year-on-year increase corresponds to TSB's one-off IT costs which were already expected.

Excluding TSB, operating expenses amounted to €-1,793.6 million, representing a year-on-year decline of -1.3%, of which €-15.8 million corresponded to non-recurrent expenses.

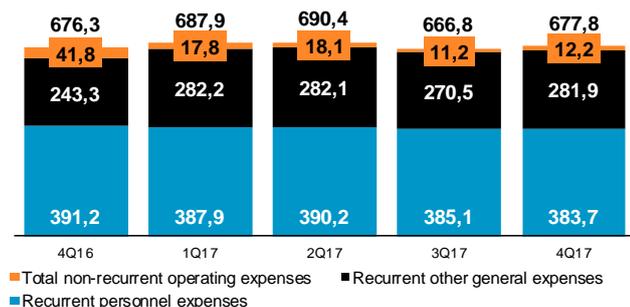
## Operating expenses

(€million)	Excl. TSB			Total group			Excl. TSB			Total group		
	3 Q17	4 Q17	Change (%) 3 Q17	3 Q17	4 Q17	Change (%) 3 Q17	FY 16	FY 17	Change (%) YoY	FY 16	FY 17	Change (%) YoY
Recurrent	-293.5	-280.5	-4.4	-385.1	-383.7	-0.4	-1,186.4	-1,163.0	-2.0	-1,595.1	-1,546.9	-3.0
Non-recurrent	-1.6	-9.0	449.0	-5.0	-8.9	77.8	-49.3	-15.8	-67.9	-68.0	-26.6	-60.8
<b>Personnel expenses</b>	<b>-295.1</b>	<b>-289.5</b>	<b>-1.9</b>	<b>-390.1</b>	<b>-392.6</b>	<b>0.6</b>	<b>-1,235.6</b>	<b>-1,178.9</b>	<b>-4.6</b>	<b>-1,663.1</b>	<b>-1,573.6</b>	<b>-5.4</b>
IT and communications	-37.3	-41.5	11.3	-103.7	-108.7	4.8	-151.2	-157.7	4.3	-293.6	-438.1	49.2
Advertising	-8.8	-12.2	38.6	-23.5	-28.5	21.3	-38.7	-39.2	1.2	-111.1	-106.7	-4.0
Premises and office supplies	-33.6	-36.4	8.3	-55.4	-56.0	1.1	-145.7	-138.3	-5.1	-249.7	-229.7	-8.0
Taxes other than income tax	-25.0	-29.7	18.8	-25.0	-29.9	19.6	-95.7	-106.6	11.4	-95.7	-106.9	11.6
Others	-44.9	-43.7	-2.8	-62.9	-58.8	-6.5	-149.6	-173.0	15.6	-231.1	-235.3	1.8
<b>Total recurrent</b>	<b>-149.6</b>	<b>-163.5</b>	<b>9.3</b>	<b>-270.5</b>	<b>-281.9</b>	<b>4.2</b>	<b>-581.0</b>	<b>-614.8</b>	<b>5.8</b>	<b>-981.2</b>	<b>-1,116.7</b>	<b>13.8</b>
Non-recurrent	0.0	0.0	--	-6.2	-3.4	-46.2	0.0	0.0	--	-19.1	-32.7	71.5
<b>Other general expenses</b>	<b>-149.6</b>	<b>-163.5</b>	<b>9.3</b>	<b>-276.7</b>	<b>-285.2</b>	<b>3.1</b>	<b>-581.0</b>	<b>-614.8</b>	<b>5.8</b>	<b>-1,000.3</b>	<b>-1,149.4</b>	<b>14.9</b>
<b>Total</b>	<b>-444.7</b>	<b>-453.0</b>	<b>1.8</b>	<b>-666.8</b>	<b>-677.8</b>	<b>1.6</b>	<b>-1,816.7</b>	<b>-1,793.6</b>	<b>-1.3</b>	<b>-2,663.3</b>	<b>-2,723.0</b>	<b>2.2</b>

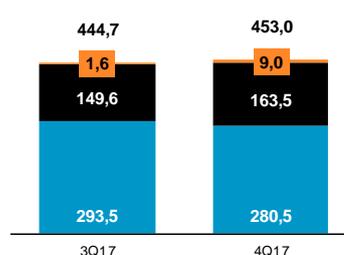
(1) The EURGBP exchange rate used for the income statement is 0.8759 over the year and 0.8871 during the quarter.

## Changes in operating expenses

Total group (€ millions)

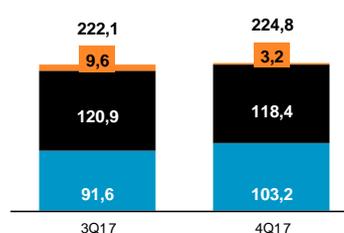


Sabadell ex - TSB (€ millions)



Change QoQ:  
**+1,8%**

TSB (€ millions)



Change QoQ:  
**+1,3%**  
**+0,1% in GBP**

	Excl. TSB	Total group
Change YoY:	<b>-1,3%</b>	<b>+2,2%</b>
Change QoQ:	<b>+1,8%</b>	<b>+1,6%</b>

**Pre-provisions income:**

As at 2017 year-end, pre-provisions income amounted to €2,612.1 million (€2,390.8 million excluding TSB), representing an increase of 8.3% year-on-year (12.9% excluding TSB), mainly due to BanSabadell Vida's net fee for the reinsurance contract with Swiss Re Europe during the third quarter of 2017.

**NPLs provisions and other impairments:**

This item amounted to €-2,196.4 million as at 2017 year-end (€-2,107.6 million excluding TSB), compared with €-1,427.1 million (€-1,399.0 million excluding TSB) at the end of the preceding year. 2017 figures include extraordinary gains on corporate transactions, which have been offset by additional provisions amounting to a gross value of €900 million.

In the quarter, this item amounted to €-228.5 million (€-205.0 million excluding TSB), compared with €-1,116.9 million (€-1,095.9 million excluding TSB) in the previous quarter.

**Gains on sales of assets and other income:**

This item amounted to €432.6 million as at 2017 year-end (€35.1 million as at 2016 year-end) and mainly included net gains on the sale of Sabadell United Bank, the sale of Mediterráneo Vida and the sale of 100% of the capital in HI Partners Holdco Value Added, S.A.U. by the subsidiary Hotel Investment Partners, S.L. (HIP). In 2016, they include mainly gross gains of €52 million on the sale of the stake held in Dexia Sabadell.

**Net profit:**

Net profit attributable to the Group amounted to €801.5 million as at 2017 year-end, compared with €710.4 million obtained at the end of 2016.

Excluding TSB, net profit attributable to the Group amounted to €711.2 million as at 2017 year-end, a 33.9% increase compared with 2016 (€531.1 million).

## Balance sheet

### Highlights:

Considering a like-for-like basis, performing loans increased by 3.4% year-on-year and 0.1% quarter-on-quarter, driven by the strong activity of SMEs. Excluding the impact of the APS, this growth would stand at 4.6% (1.2% excluding TSB) during the year, remaining stable during the quarter in a like-for-like basis.

Customer funds increased, driven by the growth of sight accounts, as well as off-balance sheet funds, primarily mutual funds.

In TSB, franchise customer lending remained stable during the quarter, and showed a positive trend during the year with a growth of 11.9%. Customer funds increased, driven by the growth of current accounts.

### Balance sheet

(€million)	31.12.16	30.09.17	(3) 31.12.17	Change (%)	
				31.12.16	30.09.17
Cash, cash balances at central banks and other demand deposits	11,688	13,588	26,363	125.5	94.0
Financial assets held for trading and derivatives and other financial assets	4,055	2,352	2,034	-49.8	-13.5
Held to maturity investments	4,598	11,312	11,172	143.0	-1.2
Available-for-sale financial assets	18,718	16,371	13,181	-29.6	-19.5
Loans and receivables	150,384	147,991	149,551	-0.6	1.1
Loans and advances to customers	(1) 145,174	144,050	143,598	-1.1	-0.3
Loans and advances of central banks and credit institutions	4,292	3,342	5,379	25.3	60.9
Debt securities	919	599	574	-37.5	-4.2
Investments in subsidiaries, joint ventures and associates	381	785	576	51.2	-26.7
Tangible assets	4,476	4,602	3,827	-14.5	-16.9
Intangible assets	2,135	2,123	2,246	5.2	5.8
Other assets	16,072	11,952	12,399	-22.9	3.7
<b>Total assets</b>	<b>212,508</b>	<b>211,076</b>	<b>221,348</b>	<b>4.2</b>	<b>4.9</b>
Financial liabilities held for trading, derivatives and other financial liabilities	3,181	2,977	2,470	-22.3	-17.0
Financial liabilities at amortised cost	192,011	193,201	204,045	6.3	5.6
Central banks	(2) 11,828	26,311	27,848	135.4	5.8
Credit institutions	(2) 16,667	7,103	14,171	-15.0	99.5
Customer deposits	(1) 134,415	133,937	135,307	0.7	1.0
Debt securities issued	26,534	22,318	23,788	-10.3	6.6
Other financial liabilities	2,568	3,533	2,932	14.1	-17.0
Provisions	306	308	318	3.7	3.2
Other liabilities	3,927	1,387	1,293	-67.1	-6.7
<b>Subtotal liabilities</b>	<b>199,425</b>	<b>197,872</b>	<b>208,127</b>	<b>4.4</b>	<b>5.2</b>
Shareholders' equity	12,926	13,372	13,426	3.9	0.4
Valuation adjustments	107	-239	-265	--	10.8
Minority interest	50	72	61	23.2	-15.4
<b>Net equity</b>	<b>13,083</b>	<b>13,205</b>	<b>13,222</b>	<b>1.1</b>	<b>0.1</b>
<b>Total liabilities and equity</b>	<b>212,508</b>	<b>211,076</b>	<b>221,348</b>	<b>4.2</b>	<b>4.9</b>
Contingent risks	8,529	8,599	8,727	2.3	1.5
Contingent liabilities	25,209	22,157	24,079	-4.5	8.7

(1) In March 2017, SUB has been reclassified as a non-current assets/liabilities held for sale following a sale agreement reached in February 2017. The sale of this company was completed on 31 July 2017.

(2) Deposits with central banks and credit institutions include the following amounts of repos: €9,858 million as at 31.12.16, €2,268 million as at 30.09.17 and €9,591 million as at 31.12.17.

(3) The EURGBP exchange rate used for the balance sheet is 0.8872.

### Assets:

Banco Sabadell Group's total assets increased by 4.2% year-on-year to €221,348 million. Excluding TSB, they amounted to €173,203 million, representing a 2.6% increase year-on-year. In the quarter, this increase stood at 4.9% (5.6% excluding TSB).

### Loans and advances to customers:

Performing gross loans ended 2017 with a balance of €137,522 million (€102,119 million excluding TSB), representing a growth, in a like-for-like basis, of 3.4% year-on-year and 0.1% quarter-on-quarter, driven by the strong activity of SMEs.

Excluding the impact of the APS, this growth would stand at 4.6% (1.2% excluding TSB) during the year, remaining stable during the quarter in a like-for-like basis.

In TSB, franchise customer lending remained stable during the quarter, and showed a positive trend during the year with a growth of 11.9%.

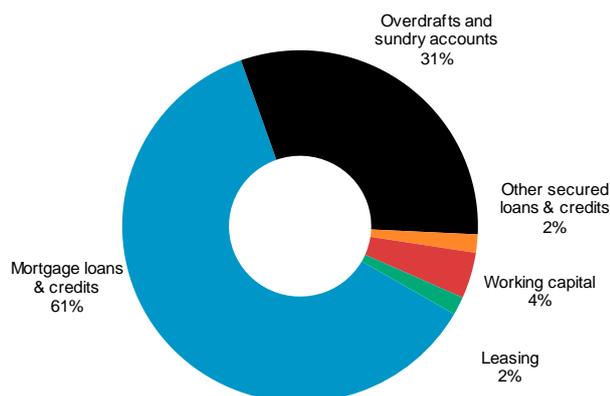
### Loans and advances to customers

(€million)	Excl. TSB					Total group				
	31.12.16	30.09.17	31.12.17	Change (%)		31.12.16	30.09.17	31.12.17	Change (%)	
Mortgage loans & credits	53,902	52,555	52,259	-3.0	-0.6	83,481	84,735	84,267	0.9	-0.6
Other secured loans & credits	2,263	2,246	2,315	2.3	3.0	2,263	2,246	2,315	2.3	3.0
Working capital	5,526	5,719	5,802	5.0	1.4	5,526	5,719	5,802	5.0	1.4
Leasing	2,169	2,327	2,316	6.8	-0.5	2,169	2,327	2,316	6.8	-0.5
Overdrafts and sundry accounts	38,335	39,187	39,427	2.8	0.6	40,850	42,805	42,822	4.8	0.0
<b>Performing gross loans (2)</b>	<b>102,195</b>	<b>102,035</b>	<b>102,119</b>	<b>-0.1</b>	<b>0.1</b>	<b>134,288</b>	<b>137,833</b>	<b>137,522</b>	<b>2.4</b>	<b>-0.2</b>
<b>Performing gross loans</b>	<b>106,305</b>	<b>102,035</b>	<b>102,119</b>	<b>-3.9</b>	<b>0.1</b>	<b>140,557</b>	<b>137,833</b>	<b>137,522</b>	<b>-2.2</b>	<b>-0.2</b>
Non-performing loans	9,468	8,117	7,723	-18.4	-4.9	9,631	8,276	7,867	-18.3	-4.9
Accruals	-151	-90	-100	-34.0	10.9	-120	-55	-66	-45.5	18.8
<b>Gross loans to customers (excluding repos)</b>	<b>111,511</b>	<b>110,062</b>	<b>109,742</b>	<b>-1.6</b>	<b>-0.3</b>	<b>143,799</b>	<b>146,054</b>	<b>145,323</b>	<b>1.1</b>	<b>-0.5</b>
Reverse repos	8	2,188	2,001	--	-8.5	8	2,188	2,001	--	-8.5
<b>Gross loans to customers</b>	<b>111,519</b>	<b>112,250</b>	<b>111,743</b>	<b>0.2</b>	<b>-0.5</b>	<b>143,807</b>	<b>148,242</b>	<b>147,325</b>	<b>2.4</b>	<b>-0.6</b>
NPL and country-risk provisions	-4,695	-4,112	-3,646	-22.3	-11.3	-4,781	-4,192	-3,727	-22.1	-11.1
<b>Loans and advances to customers (2)</b>	<b>106,824</b>	<b>108,138</b>	<b>108,097</b>	<b>1.2</b>	<b>0.0</b>	<b>139,026</b>	<b>144,050</b>	<b>143,598</b>	<b>3.3</b>	<b>-0.3</b>
<b>Loans and advances to customers</b>	<b>110,813</b>	<b>108,138</b>	<b>108,097</b>	<b>-2.5</b>	<b>0.0</b>	<b>145,174</b>	<b>144,050</b>	<b>143,598</b>	<b>-1.1</b>	<b>-0.3</b>

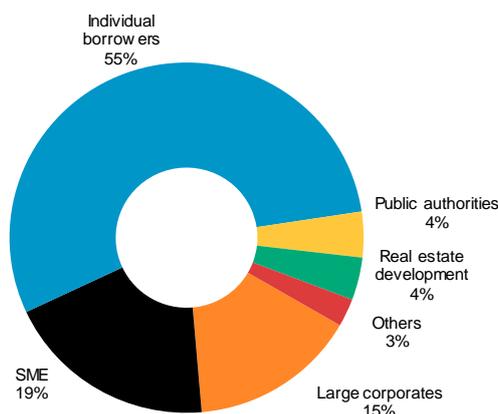
(1) The EURGBP exchange rate used for the balance sheet is 0.8872.

(2) Excludes contributions of SUB, Mediterráneo Vida and TSB's Mortgage Enhancement portfolio.

### Loans and advances to customers by product type, 31.12.17 (%) <sup>(1)</sup>

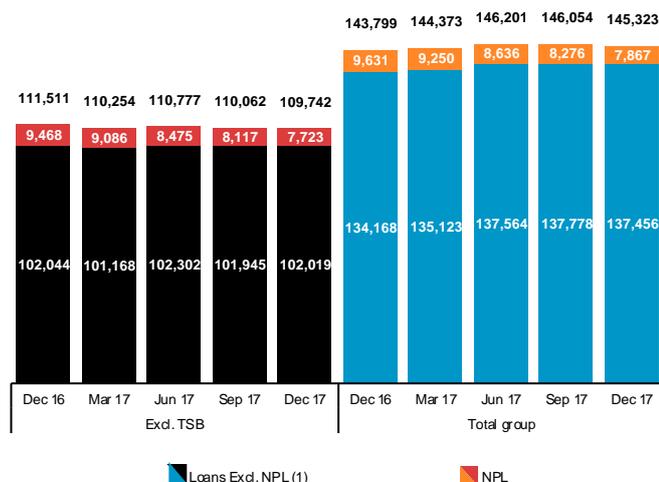


### Loans and advances to customers by customer profile, 31.12.17 (%)



(\*) Excluding NPLs and accrual adjustments.

## Evolution of gross loans to customers (€ million)



Total group (\*)  
 Change YoY: **+2.4%**  
 Change QoQ: **-0.2%**

Excl. TSB (\*)  
 Change YoY: **-0.1%**  
 Change QoQ: **+0.1%**

(\*) Change on performing gross loans.  
 (1) Excluding contributions of SUB, Mediterráneo Vida and Mortgage Enhancement of TSB.

## Liabilities:

### Customer funds:

At the end of 2017, on-balance sheet customer funds amounted to €132,096 million (€97,686 million excluding TSB), representing a 2.0% increase (2.6% excluding TSB) during the year and a 0.6% increase (0.8% excluding TSB) during the quarter.

Sight account balances amounted to €98,020 million (€68,039 million excluding TSB), representing a 10.7% increase year-on-year (15.0% excluding TSB) and a -0.6% decrease quarter-on-quarter (-1.3% excluding TSB).

Term deposits amounted to €32,425 million (€27,996 million excluding TSB), an -18.4% decrease compared with the same period in the previous year (-19.5% excluding TSB) and a quarter-on-quarter increase of 4.9% (6.6% excluding TSB). This year-on-year decline is mainly due to interest rate fluctuations, which are reflected in the transfer of sight accounts and off-balance sheet funds.

Total off-balance sheet customer funds amounted to €45,325 million at the end of 2017, an 11.6% increase compared with the previous year (a 0.4% increase quarter-on-quarter). Equity in mutual funds amounted to €27,375 million at 2017 year-end, representing a 21.2% increase year-on-year (1.7% quarter-on-quarter).

In TSB, customer funds increased by 3.9% year-on-year and by 0.8% quarter-on-quarter, mainly driven by the increase in current accounts.

### Debt and other tradable securities:

As at 2017 year-end, this item amounted to €21,250 million (€19,764 million excluding TSB), representing a -15.0% decline year-on-year (-8.3% excluding TSB) and a 5.7% increase during the quarter (3.3% excluding TSB). This year-on-year decline is mainly due to maturities of TSB's securitisation bonds and secured debt.

The position with the ECB as at 2017 year-end stands at €20,500 million, with the TLTRO II auction, in which the bank participated with €10,500 million in March, being particularly noteworthy. The position held with Bank of England's TFS at 2017 year-end amounted to €6,341 million.

In the fourth quarter of 2017, Sabadell carried out an issue of AT1 capital for €400 million, with a coupon rate of 6.125%. Additionally, €1,000 millions in senior unsecured debt and £500 million in TSB covered bonds were successfully issued.

### Funds under management:

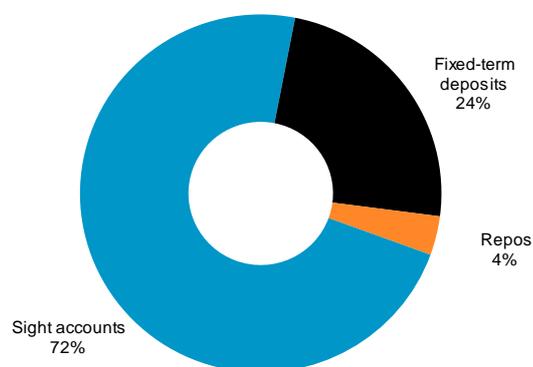
Funds under management amounted to €204,420 million (€166,447 million excluding TSB), compared with €197,469 million (€158,465 million excluding TSB) one year previously, representing a year-on-year increase of 3.5% (5.0% excluding TSB) and a quarter-on-quarter increase of 1.5% (1.6% excluding TSB).

## Customer funds

(€million)	Excl. TSB					Total group					
	31.12.16	30.09.17	31.12.17	Change (%)		31.12.16	30.09.17	31.12.17	Change (%)		
<b>Financial liabilities at amortised cost</b>	<b>152,072</b>	<b>149,990</b>	<b>159,462</b>	<b>4.9</b>	<b>6.3</b>	<b>192,011</b>	<b>193,201</b>	<b>204,045</b>	<b>6.3</b>	<b>5.6</b>	
Non-retail financial liabilities	52,949	53,032	61,776	16.7	16.5	58,554	61,906	71,949	22.9	16.2	
Central banks	11,828	21,142	21,507	81.8	1.7	11,828	26,311	27,848	135.4	5.8	
Credit institutions	15,732	7,113	14,171	-9.9	99.2	16,667	7,103	14,171	-15.0	99.5	
Institutional issues	22,821	21,659	23,436	2.7	8.2	27,491	24,960	26,999	-1.8	8.2	
Other financial liabilities	2,568	3,119	2,663	3.7	-14.6	2,568	3,533	2,932	14.1	-17.0	
<b>On-balance sheet customer funds</b>	<b>99,123</b>	<b>96,958</b>	<b>97,686</b>	<b>-1.4</b>	<b>0.8</b>	<b>133,457</b>	<b>131,295</b>	<b>132,096</b>	<b>-1.0</b>	<b>0.6</b>	
<b>On-balance sheet customer funds</b>	<b>(2)</b>	<b>95,229</b>	<b>96,958</b>	<b>2.6</b>	<b>0.8</b>	<b>129,562</b>	<b>131,295</b>	<b>132,096</b>	<b>2.0</b>	<b>0.6</b>	
Customer deposits	95,240	97,753	99,277	4.2	1.6	130,329	133,937	135,307	3.8	1.0	
Sight accounts	59,146	68,936	68,039	16.0	-1.3	88,533	98,625	98,020	10.7	-0.6	
Fixed-term deposits	(3)	34,790	26,252	27,996	-19.5	6.6	39,737	30,900	32,425	-18.4	4.9
Repos	1,113	2,412	3,119	180.4	29.3	1,882	4,274	4,750	152.4	11.1	
Accruals and derivative hedging adjustments	191	153	123	-35.9	-19.9	177	138	113	-36.5	-18.5	
Debt and other tradable securities	2,155	19,126	19,764	-8.3	3.3	24,987	20,114	21,250	-15.0	5.7	
Subordinated liabilities	(4)	1,063	1,737	2,081	95.7	19.8	1,546	2,204	2,537	64.1	15.1
<b>On-balance sheet funds</b>	<b>(2)</b>	<b>117,859</b>	<b>118,617</b>	<b>2.8</b>	<b>2.1</b>	<b>156,863</b>	<b>156,255</b>	<b>159,095</b>	<b>1.4</b>	<b>1.8</b>	
Mutual funds	22,594	26,920	27,375	21.2	1.7	22,594	26,920	27,375	21.2	1.7	
Equity funds	1,313	1,725	1,929	46.9	11.8	1,313	1,725	1,929	46.9	11.8	
Balanced funds	4,253	6,242	6,490	52.6	4.0	4,253	6,242	6,490	52.6	4.0	
Fixed-income funds	4,773	4,667	4,488	-6.0	-3.8	4,773	4,667	4,488	-6.0	-3.8	
Guaranteed return funds	4,057	3,976	3,829	-5.6	-3.7	4,057	3,976	3,829	-5.6	-3.7	
Real estate funds	88	122	125	42.0	3.0	88	122	125	42.0	3.0	
Venture capital funds	21	23	38	77.7	68.0	21	23	38	77.7	68.0	
Dedicated investment companies	2,065	2,206	2,192	6.1	-0.6	2,065	2,206	2,192	6.1	-0.6	
Third-party funds	6,022	7,959	8,283	37.5	4.1	6,022	7,959	8,283	37.5	4.1	
Managed accounts	3,651	4,022	3,999	9.5	-0.6	3,651	4,022	3,999	9.5	-0.6	
Pension funds	4,117	4,035	3,987	-3.2	-1.2	4,117	4,035	3,987	-3.2	-1.2	
Individual	2,621	2,530	2,476	-5.5	-2.2	2,621	2,530	2,476	-5.5	-2.2	
Company	1,481	1,491	1,498	1.1	0.5	1,481	1,491	1,498	1.1	0.5	
Group	15	14	13	-13.0	-7.4	15	14	13	-13.0	-7.4	
Third-party insurance products	10,243	10,152	9,965	-2.7	-1.8	10,243	10,152	9,965	-2.7	-1.8	
<b>Off-balance sheet customer funds</b>	<b>40,606</b>	<b>45,129</b>	<b>45,325</b>	<b>11.6</b>	<b>0.4</b>	<b>40,606</b>	<b>45,129</b>	<b>45,325</b>	<b>11.6</b>	<b>0.4</b>	
<b>Funds under management</b>	<b>(2)</b>	<b>158,465</b>	<b>163,746</b>	<b>166,447</b>	<b>5.0</b>	<b>197,469</b>	<b>201,384</b>	<b>204,420</b>	<b>3.5</b>	<b>1.5</b>	

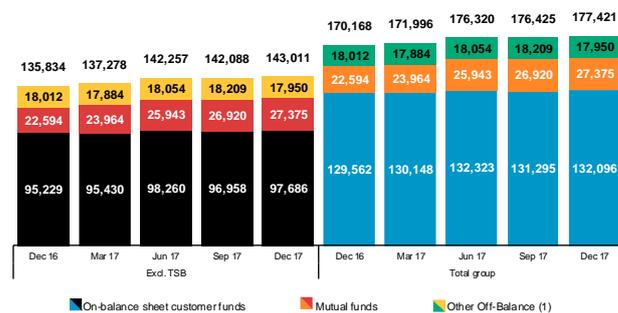
- (1) The EURGBP exchange rate used for the balance sheet is 0.8872.  
(2) Excludes contributions of SUB, Mediterráneo Vida and TSB's Mortgage Enhancement portfolio.  
(3) Includes deposits redeemable at notice and hybrid financial liabilities.  
(4) These are subordinated liabilities of debt securities.

## Customer deposits, 31.12.17 (%) <sup>(\*)</sup>



(\*) Excluding accrual adjustments and hedging derivatives.

## Evolution of customer funds (€ million)



Excl. TSB (\*)      Total group (\*)  
Change YoY: **+2.6%**      Change YoY: **+2.0%**  
Change QoQ: **+0.8%**      Change QoQ: **+0.6%**

(\*) Change on balance sheet customer funds.

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

## Net equity:

As at 2017 year-end, this item amounted to €13,222 million, with a 1.1% increase that remained stable compared to the previous quarter.

### Net equity

(€million)	31.12.16	30.09.17	31.12.17	Change	
				31.12.16	30.09.17
Shareholders' equity	12,926	13,372	13,426	500	54
Issued capital	702	702	703	1	1
Reserves	11,688	12,090	12,107	419	17
Other equity	38	43	32	-6	-11
Less: treasury shares	-101	-117	-106	-5	11
Attributable net profit	710	654	801	91	148
Less: dividends and payments	-111	0	-112	0	-112
Valuation adjustments	107	-239	-265	-372	-26
Minority interest	50	72	61	12	-11
<b>Net equity</b>	<b>13,083</b>	<b>13,205</b>	<b>13,222</b>	<b>139</b>	<b>17</b>

## Risk management

### Highlights:

Reduction in the Group's NPL ratio, which stands at 5.14% (6.57% excluding TSB).

Problematic assets, excluding TSB, have been reduced by €2,191 million during the year and by €523 million during the quarter. A new business line has also been carved out focusing on real estate development services (Solvia Desarrollos Inmobiliarios), with €1,252 million in assets under management (€683 millions net of provisions).

Including these assets, problematic assets were reduced by €3,443 million during the year and €1,775 million during the quarter.

### NPL ratio and coverage:

The Group's NPL ratio continued its downward trend due to the steady reduction of non-performing exposures throughout 2017.

Quarterly reduction of non-performing exposures, excluding TSB, of €405 million and €1,802 million in the year. As at 2017 year-end, the balance of non-performing exposures excluding TSB amounted to €7,781 million.

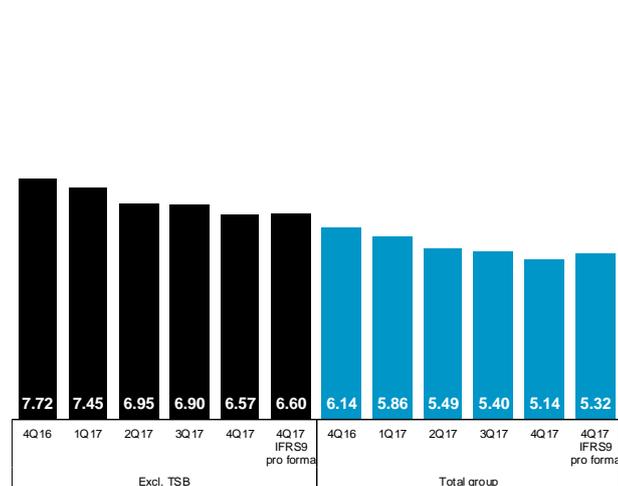
Foreclosed assets continued to be sold at a premium on average (1.4%) in the quarter. Going forward, no losses from sales are expected.

The coverage ratio of problematic assets stands at 49.76%, with the coverage of non-performing loans standing at 45.74% and the coverage of foreclosed assets at 54.08%. With the implementation of IFRS 9, the pro-forma coverage of problematic assets will increase to 54.72% and NPL ratio to 5.32%.

Quarterly reduction of problematic assets, excluding TSB, of €523 million and €2,191 million in the year. Considering these assets of €1,252 million corresponding to the new business line, problematic assets were reduced by €3,443 million during the year and by €1,775 million during the quarter.

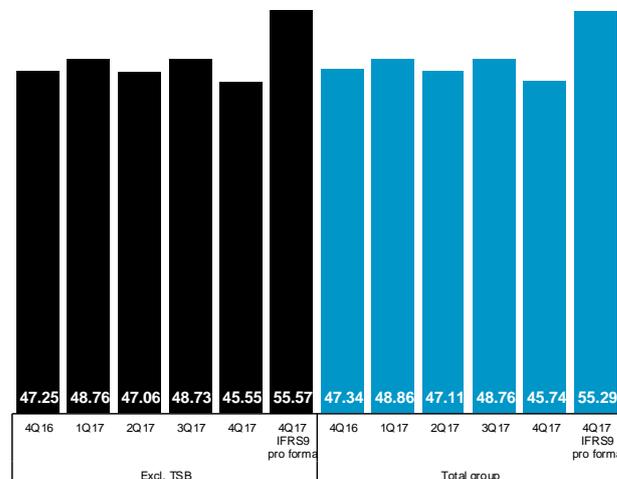
As at 2017 year-end, the balance of problematic assets excluding TSB amounted to €15,174 million.

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



(\*) Calculated including contingent liabilities and 20% of the APS balance. In Dec16, excluding SUB, the NPL coverage ratio would stand at 45.90% (45.78% excl. TSB) and the NPL ratio at 6.30% (7.97% excl. TSB).

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



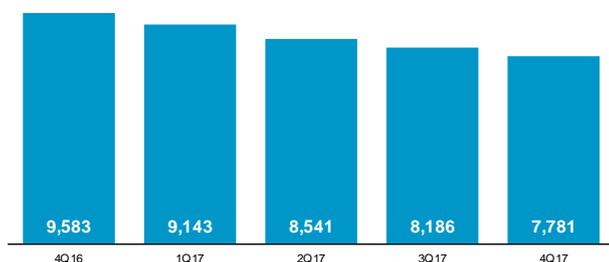
Note: Coverage ratios are calculated excluding mortgage floor provisions.

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

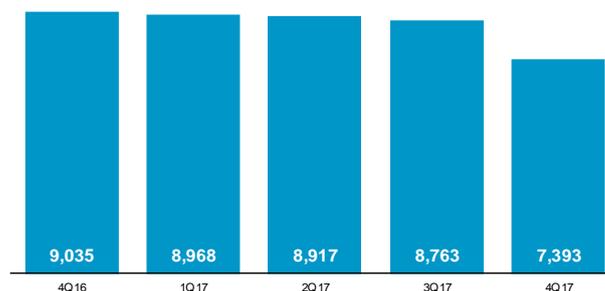
Excl. TSB	4Q16	1Q17	2Q17	3Q17	4Q17
Real estate development and/or construction purposes	29.05%	28.04%	25.80%	23.82%	21.37%
Construction purposes non-related to real estate dev.	9.68%	5.88%	6.57%	6.44%	6.87%
Large corporates	3.82%	3.16%	3.01%	3.03%	3.33%
SME and small retailers and self-employed	8.47%	8.41%	8.31%	8.21%	8.09%
Individuals with 1st mortgage guarantee assets	7.25%	7.24%	7.20%	7.51%	6.88%
<b>NPL ratio</b>	<b>7.72%</b>	<b>7.45%</b>	<b>6.95%</b>	<b>6.90%</b>	<b>6.57%</b>

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

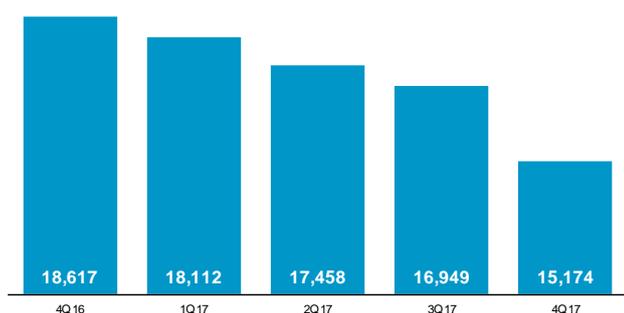
### Evolution of NPLs excl. TSB (€ million) <sup>(\*)</sup>



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



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



(\*) Calculated including contingent liabilities and 20% of the APS balance.

The table below shows the evolution of the Group's problematic assets. Their reduction during recent quarters is evident.

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

(€million)		4 Q 16	1 Q 17	2 Q 17	3 Q 17	4 Q 17
Entries	(1)	700	636	526	513	617
Recoveries		-1,174	-897	-1,067	-706	-956
Exits of perimeter	(2)	0	0	0	-10	0
<b>Ordinary net entries</b>		<b>-474</b>	<b>-261</b>	<b>-541</b>	<b>-203</b>	<b>-339</b>
Entries		384	312	304	148	254
Sales and other outcomes	(3)	-457	-379	-355	-302	-1,624
<b>Change in real estate assets</b>		<b>-73</b>	<b>-67</b>	<b>-51</b>	<b>-154</b>	<b>-1,370</b>
<b>Net entries plus change in real estate assets</b>		<b>-547</b>	<b>-328</b>	<b>-592</b>	<b>-357</b>	<b>-1,709</b>
Write-offs		-101	-178	-61	-152	-66
<b>Real estate assets and NPL quarterly change</b>		<b>-648</b>	<b>-506</b>	<b>-653</b>	<b>-509</b>	<b>-1,775</b>

(\*) Data include 20% of APS.

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

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

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

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

(€ million)	4Q16	1Q17	2Q17	3Q17	4Q17	4Q17
	IFRS9 pro forma					
Non-performing exposures	9,746	9,307	8,703	8,345	7,925	8,184 <sup>(1)</sup>
Provisions	4,614	4,548	4,100	4,069	3,625	4,525
<b>NPL coverage ratio (%) <sup>(2)</sup></b>	<b>47.3%</b>	<b>48.9%</b>	<b>47.1%</b>	<b>48.8%</b>	<b>45.7%</b>	<b>55.3%</b>
<b>NPL coverage ratio incl. mortgage floors (%)</b>	<b>51.5%</b>	<b>53.1%</b>	<b>51.0%</b>	<b>51.4%</b>	<b>48.3%</b>	<b>57.7%</b>
RE Assets evolution	9,035	8,968	8,917	8,763	7,393	7,393
Provisions	4,297	4,299	4,264	4,746	3,998	3,998
<b>Real Estate coverage ratio (%) <sup>(3)</sup></b>	<b>47.6%</b>	<b>47.9%</b>	<b>47.8%</b>	<b>54.2%</b>	<b>54.1%</b>	<b>54.1%</b>
Total problematic assets	18,781	18,275	17,619	17,108	15,318	15,577
Provisions	8,911	8,847	8,364	8,814	7,623	8,523
<b>Problematic assets coverage (%) <sup>(4)</sup></b>	<b>47.4%</b>	<b>48.4%</b>	<b>47.5%</b>	<b>51.5%</b>	<b>49.8%</b>	<b>54.7%</b>
<b>NPL coverage ratio incl. mortgage floors (%)</b>	<b>49.6%</b>	<b>50.6%</b>	<b>49.4%</b>	<b>52.8%</b>	<b>51.1%</b>	<b>56.0%</b>
<b>Net problematic assets</b>	<b>9,870</b>	<b>9,429</b>	<b>9,255</b>	<b>8,294</b>	<b>7,695</b>	<b>7,054</b>
<b>Net problematic assets as of % of total assets</b>	<b>4.6%</b>	<b>4.3%</b>	<b>4.3%</b>	<b>3.9%</b>	<b>3.5%</b>	<b>3.2%</b>

(\*) Includes contingent risks. Data include 20% APS.

(1) This increase is due to the application of the >90 days past due NPL definition on TSB mortgages and Whistletree portfolio.

(2) In 4Q16, excluding SUB, the NPL coverage ratio would stand at 45.90% (45.78% excl. TSB).

(3) The real estate coverage ratio, including debt reductions, stands at 63.5%.

(4) In 4Q17, excluding SUB, the coverage ratio of problematic assets would stand at 46.70% (46.65% excl. TSB).

## Forborne and restructured loans

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

(€million)	Total	Of which: doubtful
Public authorities	12	10
Corporate and entrepreneurs	4,251	2,412
Of which: Financing for construction and real estate development	905	728
Individual borrowers	2,580	1,439
<b>Total</b>	<b>6,843</b>	<b>3,860</b>
<b>Provisions</b>	<b>1,244</b>	<b>1,181</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>5,479</b>	<b>3,126</b>
Finished buildings	2,681	1,119
Housing	1,302	505
Rest	1,379	614
Buildings under construction	289	165
Housing	245	137
Rest	44	28
Land	2,509	1,843
Building land	832	603
Other land	1,677	1,240
<b>Real estate assets deriving from home loan mortgages</b>	<b>1,914</b>	<b>872</b>
<b>Total real-estate portfolio</b>	<b>7,393</b>	<b>3,998</b>

(\*) Non-performing 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.

### Details of value adjustments made by the Group for credit risk hedging

(€million)	2016	2017
<b>Initial balance</b>	<b>6,624</b>	<b>4,940</b>
Movements reflected in provisions for NPLs	379	944
Movements not reflected in provisions for NPLs	-2,056	-2,140
Utilisation of provisions	-1,894	-1817
Other movements (*)	-162	-323
Adjustments for exchange differences	-7	-4
<b>Final balance</b>	<b>4,940</b>	<b>3,740</b>

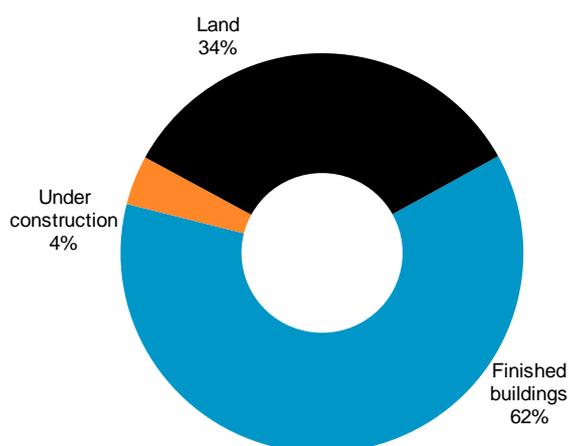
(\*) Corresponds to the transfer in 2017 of €-186 million of value adjustments for credit risk hedging to non-current assets held for sale and investment properties and €-137 million from SUB.

NOTE: Excludes guarantees and cash and cash equivalents.

### Real estate portfolio breakdown by asset class:

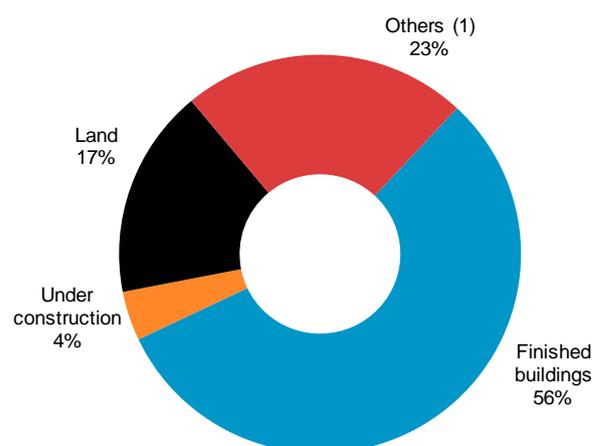
The breakdown, at 31 December 2017, by asset class of the real estate exposure is as follows:

#### Foreclosed assets, 31.12.17 (\*)



(\*) Data 20% APS

#### Real estate development, 31.12.17 (\*)



(1) Includes other guarantees.

## Capital management and credit ratings

### Highlights:

Strong capital position, with the phase-in Common Equity Tier 1 (CET 1) ratio standing at 13.4% and the fully-loaded CET 1 ratio at 12.8% as at 31 December 2017. Post IFRS 9 implementation, the CET 1 fully-loaded pro-forma ratio stands at 12.0%.

The phase-in CET1 ratio improve substantially during the quarter, driven by RWAs savings from corporate transactions and new estimations of IRB parameters partially offset by an increase in deductions.

After the SREP process, the CET 1 required level by the ECB stands at 8.3125%, and at 11.8125% for total capital, meaning that Banco Sabadell has no limits to its maximum distributable amount (MDA).

The leverage ratio stands at 4.97 phase-in and at 4.95 fully-loaded. With the implementation of IFRS 9, the fully-loaded ratio amounts to 4.72%.

The Board of Directors has approved a complementary cash dividend of €0.05 per share, increasing the total dividend to €0.07 per share and increasing the payout to 49% (40% in 2016).

### Capital ratios - phase-in

(€million)	31.12.16	30.09.17	31.12.17
Issued capital	702	702	703
Reserves	11,874	12,038	11,911
Minority interest	21	17	17
Deductions	-2,265	-2,003	-2,209
<b>Common Equity Tier 1</b>	<b>10,332</b>	<b>10,755</b>	<b>10,423</b>
<b>CET 1 Phase-in (%)</b>	<b>12.0%</b>	<b>13.2%</b>	<b>13.4%</b>
Preferred Shares and convertible bonds	18	768	1,150
Deductions	-18	-421	-452
<b>Primary capital</b>	<b>10,332</b>	<b>11,101</b>	<b>11,121</b>
<b>Tier I (%)</b>	<b>12.0%</b>	<b>13.6%</b>	<b>14.3%</b>
<b>Secondary capital</b>	<b>1,519</b>	<b>1,476</b>	<b>1,403</b>
<b>Tier II (%)</b>	<b>1.8%</b>	<b>1.8%</b>	<b>1.8%</b>
<b>Total capital</b>	<b>11,852</b>	<b>12,578</b>	<b>12,524</b>
<b>Total capital ratio (%)</b>	<b>13.8%</b>	<b>15.5%</b>	<b>16.1%</b>
<b>Risk weighted assets (RWA)</b>	<b>86,070</b>	<b>81,345</b>	<b>77,638</b>
<b>Leverage ratio (%)</b>	<b>4.74</b>	<b>5.22</b>	<b>4.97</b>

The phase-in CET1 ratio of Banco de Sabadell S.A. (individual) is 13.38% as at September 2017.

### Capital ratios – fully-loaded

(€million)	31.12.16	30.09.17	31.12.17
Issued capital	(1) 720	720	703
Reserves	11,874	12,038	11,911
Minority interest	12	12	12
Deductions	-2,236	-2,441	-2,704
<b>Common Equity Tier 1</b>	<b>10,369</b>	<b>10,328</b>	<b>9,923</b>
<b>CET 1 Fully Loaded (%)</b>	<b>12.0%</b>	<b>12.7%</b>	<b>12.8%</b>
Preference shares and other	3	753	1,153
<b>Primary capital</b>	<b>10,372</b>	<b>11,081</b>	<b>11,075</b>
<b>Tier I (%)</b>	<b>12.1%</b>	<b>13.6%</b>	<b>14.3%</b>
<b>Secondary capital</b>	<b>1,534</b>	<b>1,478</b>	<b>1,409</b>
<b>Tier II (%)</b>	<b>1.8%</b>	<b>1.8%</b>	<b>1.8%</b>
<b>Total capital</b>	<b>11,906</b>	<b>12,558</b>	<b>12,484</b>
<b>Total capital ratio (%)</b>	<b>13.8%</b>	<b>15.4%</b>	<b>16.1%</b>
<b>Risk weighted assets (RWA)</b>	<b>86,070</b>	<b>81,345</b>	<b>77,638</b>
<b>Leverage ratio (%)</b>	<b>4.76%</b>	<b>5.21%</b>	<b>4.95%</b>

(1) Includes convertible bonds.

## Credit ratings

Agency	Date	Long term	Short term	Outlook
DBRS	21.12.2017	BBB (high)	R-1 (low)	Stable
S&P Global Rating <sup>(1)</sup>	27.06.2017	BBB-	A-3	Positive
Moody's <sup>(2)</sup>	23.11.2017	Baa3 / Baa2	P-3 / P-2	Positive/Stable

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

On 27 June 2017 S&P Global Ratings raised Banco Sabadell's long-term credit rating to BBB- from BB+ and its short-term rating to A-3 from B, with the outlook remaining positive. With this upgrade in Banco Sabadell's rating, once again the bank has obtained Investment Grade rating. The rating action reflects the belief of S&P Global Ratings that Banco Sabadell has continued to strengthen its solvency and that it continues to make progress in de-risking its balance sheet. Additionally, S&P Global Ratings raised its rating of Banco Sabadell's non-deferrable subordinated debt and preferred shares by two notches to BB and B, respectively.

On 23 November 2017, Moody's Investors Service (Moody's) confirmed the long-term deposits rating of Banco Sabadell of Baa2 with a stable outlook and the long-term senior debt rating of Baa3 with a stable outlook. The agency has valued the improvement in credit risk despite the high volume of problematic assets, the improved loss-absorbing capacity during the year and the adequacy of liquidity, considering the political situation in Catalonia.

On 21 December 2017, DBRS confirmed its rating of Banco Sabadell, with the long-term rating remaining at BBB (high) and the short-term rating remaining at R-1 (low) with a stable outlook. The agency highlighted the growth in banking revenue, considering the continued pressure of low interest rates, the reduction of problematic assets, even though their volumes are still high when compared to the European average and the solid financial position, supported by its customers in Spain and in the UK. It also valued the sound level of capital, supported by an improvement in the generation of internal capital and the recent issuance of capital instruments.

## Liquidity management

### Highlights:

The adjusted loan-to-deposit ratio at 31 December 2017 was 104.3% with a balanced retail funding structure.

The LCR (Liquidity Coverage Ratio) stood at 168% excluding TSB and 295% for TSB as at 31 December 2017, and at 132% excluding TSB and 171% for TSB during the same period in the previous year.

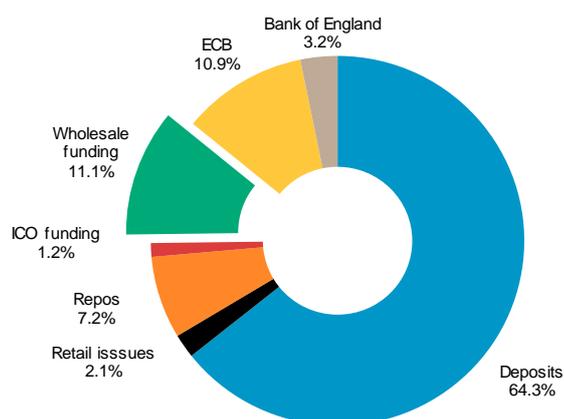
(€ million)		31.12.16	30.09.17	31.12.17 (1)
Loans and advances to customers	(2)	139,018	141,862	141,597
Brokered loans		-4,899	-4,638	-3,835
<b>Adjusted net loans and advances</b>		<b>134,119</b>	<b>137,224</b>	<b>137,761</b>
<b>On-balance sheet customer funds</b>		<b>129,562</b>	<b>131,295</b>	<b>132,096</b>
<b>Loan-to-deposits ratio (%)</b>	(3)	<b>103.5</b>	<b>104.5</b>	<b>104.3</b>

(1) The EURGBP exchange rate used for the balance sheet is 0.8872 at 31.12.17.

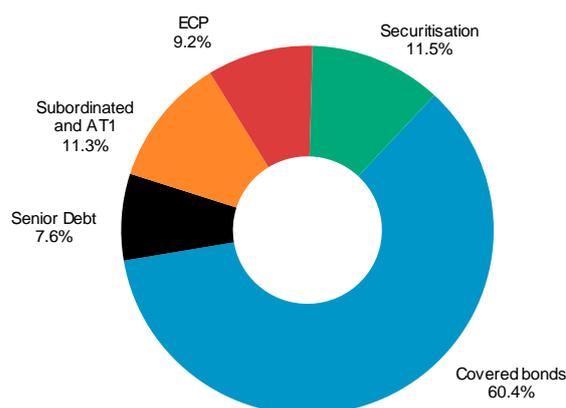
(2) Excludes reverse repos.

(3) For the purpose of comparison, changes are calculated excluding SUB, Mediterráneo Vida and TSB's Mortgage Enhancement figures.

### Funding structure, 31.12.17



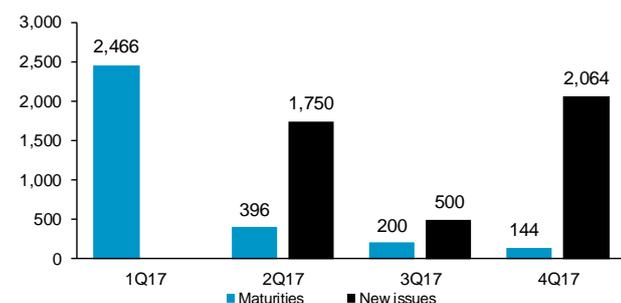
### Wholesale funding breakdown, 31.12.17



### Maturity of institutional issuances

(€million)	2018	2019	2020	2021	2022	2023	>2023	Outstanding balance
Covered bonds	1,556	1,124	2,015	1,808	1,683	1,388	3,761	13,335
Senior Debt	644	0	0	0	25	1,000	0	1,669
Subordinated and AT1	0	0	403	434	0	0	1,660	2,497
Other mid- and long-term financial instruments	18	0	0	10	0	0	5	33
<b>Total</b>	<b>2,217</b>	<b>1,124</b>	<b>2,418</b>	<b>2,252</b>	<b>1,708</b>	<b>2,388</b>	<b>5,426</b>	<b>17,534</b>

### New issuances and maturities of wholesale funding



### Maturities during the year:

(€ million)	1Q17	2Q17	3Q17	4Q17
Covered bonds	1,407	330	200	85
GGB	1,059	0	0	0
Senior Debt	0	0	0	0
Subordinated and AT1	0	66	0	59
Other mid- and long-term financial instrum	0	0	0	1
<b>Total</b>	<b>2,466</b>	<b>396</b>	<b>200</b>	<b>144</b>

## Results by business units

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

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

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

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

### Segmentation by geography and business units

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

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

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

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

- **Asset Transformation:**

Asset Transformation comprehensively manages irregular risk and real estate exposure, and also sets out and implements the strategy of real estate investee companies, such as Solvia.

- **Banking business United Kingdom:**

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

- **Other geographies:**

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

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

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

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

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

## Profit and loss FY17

(€million)	Banking business Spain	Real Estate asset transformation	Banking business UK	Other geographies	Total
<b>Net interest income</b>	<b>2,528.2</b>	<b>-52.1</b>	<b>1,033.6</b>	<b>292.7</b>	<b>3,802.4</b>
Income from equity method and dividends	313.1	-0.5	0.2	3.2	315.9
Net fees and commissions	1,075.9	1.9	95.6	50.0	1,223.4
Results from financial transactions and foreign exchange	541.1	-37.5	109.6	9.3	622.5
Other operating income/expense	-332.4	118.3	-15.7	2.8	-227.0
<b>Gross operating income</b>	<b>4,125.8</b>	<b>30.1</b>	<b>1,223.3</b>	<b>358.0</b>	<b>5,737.3</b>
Operating expenses and amortization	-1,755.6	-162.7	-1,002.0	-204.9	-3,125.2
<b>Pre-provisions income</b>	<b>2,370.3</b>	<b>-132.6</b>	<b>221.3</b>	<b>153.1</b>	<b>2,612.1</b>
Impairment on loans & advances	-867.4	-1,215.8	-88.8	-24.4	-2,196.4
Gains on sale of assets and other results	383.7	41.0	6.6	1.2	432.6
<b>Profit before tax</b>	<b>1,886.6</b>	<b>-1,307.4</b>	<b>139.1</b>	<b>130.0</b>	<b>848.3</b>
Income tax	-320.9	364.0	-48.8	-37.3	-43.1
<b>Consolidated net profit</b>	<b>1,565.7</b>	<b>-943.4</b>	<b>90.3</b>	<b>92.7</b>	<b>805.2</b>
Minority interest	-0.4	0.0	0.0	4.1	3.7
<b>Attributable net profit</b>	<b>1,566.1</b>	<b>-943.4</b>	<b>90.3</b>	<b>88.6</b>	<b>801.5</b>
ROE	17.8%	--	5.8%	8.8%	6.10%
Cost / income	39.1%	--	79.5%	54.5%	50.15%
NPL ratio (%)	5.7%	32.2%	0.4%	0.9%	5.14%
NPL coverage ratio (%)	45.6%	49.9%	55.9%	113.0%	45.74%

## Profit and loss FY16

(€million)	Banking business Spain	Real Estate asset transformation	Banking business UK	Other geographies	Total
<b>Net interest income</b>	<b>2,513.3</b>	<b>-26.2</b>	<b>1,050.9</b>	<b>299.8</b>	<b>3,837.8</b>
Income from equity method and dividends	82.4	-1.1	0.0	3.3	84.6
Net fees and commissions	959.8	-1.5	125.8	64.4	1,148.6
Results from financial transactions and foreign exchange	600.2	-50.4	53.6	23.3	626.6
Other operating income/expense	-340.5	128.1	-17.8	3.3	-226.9
<b>Gross operating income</b>	<b>3,815.3</b>	<b>48.9</b>	<b>1,212.5</b>	<b>394.1</b>	<b>5,470.7</b>
Operating expenses and amortization	-1,782.8	-151.3	-919.3	-205.8	-3,059.2
<b>Pre-provisions income</b>	<b>2,032.4</b>	<b>-102.4</b>	<b>293.2</b>	<b>188.3</b>	<b>2,411.5</b>
Impairment on loans & advances	-569.9	-800.7	-28.1	-28.5	-1,427.1
Gains on sale of assets and other results	39.8	0.0	-4.4	-0.2	35.1
<b>Profit before tax</b>	<b>1,502.4</b>	<b>-903.0</b>	<b>260.6</b>	<b>159.5</b>	<b>1,019.4</b>
Income tax	-431.4	263.2	-81.2	-54.1	-303.6
<b>Consolidated net profit</b>	<b>1,070.9</b>	<b>-639.8</b>	<b>179.4</b>	<b>105.4</b>	<b>715.9</b>
Minority interest	5.5	0.0	0.0	0.0	5.4
<b>Attributable net profit</b>	<b>1,065.5</b>	<b>-639.8</b>	<b>179.4</b>	<b>105.4</b>	<b>710.4</b>
ROE	19.4%	--	8.0%	13.2%	5.59%
Cost / income	43.4%	--	69.8%	49.1%	48.68%
NPL ratio (%)	6.6%	31.7%	0.5%	0.5%	6.14%
NPL coverage ratio (%)	43.2%	54.2%	52.7%	174.8%	47.34%

## Balance sheet FY17

(€million)	Banking business Spain	Real Estate asset transformation	Banking business UK	Other geographies	Total
<b>Total assets</b>	<b>142,521</b>	<b>15,384</b>	<b>48,145</b>	<b>15,298</b>	<b>221,348</b>
Loans and advances to customers (Ex Repos)	93,394	3,865	35,501	8,836	141,597
RE exposure	0	3,372	0	23	3,395
<b>Subtotal liabilities</b>	<b>133,370</b>	<b>13,728</b>	<b>46,597</b>	<b>14,431</b>	<b>208,127</b>
On-balance sheet customer funds	92,558	104	34,410	5,024	132,096
Capital markets w wholesale funding	20,168	0	1,920	0	22,088
<b>Equity</b>	<b>9,151</b>	<b>1,656</b>	<b>1,548</b>	<b>866</b>	<b>13,222</b>
Off-balance sheet customer funds	44,265	27	0	1,033	45,325

## Balance sheet FY16

(€million)	Banking business Spain	Real Estate asset transformation	Banking business UK	Other geographies	Total
<b>Total assets</b>	<b>130,092</b>	<b>17,956</b>	<b>43,720</b>	<b>20,740</b>	<b>212,508</b>
Loans and advances to customers (Ex Repos)	92,059	6,663	34,361	12,083	145,166
RE exposure	0	4,716	0	22	4,738
<b>Subtotal liabilities</b>	<b>121,709</b>	<b>15,886</b>	<b>42,200</b>	<b>19,629</b>	<b>199,425</b>
On-balance sheet customer funds	89,835	172	34,334	9,116	133,457
Capital markets w wholesale funding	20,930	0	3,882	0	24,812
<b>Equity</b>	<b>8,382</b>	<b>2,069</b>	<b>1,521</b>	<b>1,111</b>	<b>13,083</b>
Off-balance sheet customer funds	39,603	15	0	988	40,606

## Banking business Spain

Net profit as at December 2017 amounted to €1,566.1 million, a year-on-year increase of 47.0% due to the 3.8% increase in core revenue and sales of businesses carried out during the year, although gross operating income also increased to €4,125.8 million, representing an 8.1% increase year-on-year.

Net interest income stood at €2,528.2 million, a 0.6% increase compared to the same period in 2016.

Excluding the sale of Mediterráneo Vida, net interest income grew by 2.7%.

Income from equity method and dividends stood at €313.1 million which mainly includes BanSabadell Vida's net fee for the reinsurance contract with Swiss Re Europe.

Net fees and commissions stood at €1,075.9 million, 12.1% higher than in the previous year due to the positive performance of service fees and asset management fees.

Net trading income and income from exchange differences amounted to €541.1 million.

Administrative expenses and depreciations amounted to €-1,755.6 million, a -1.5% decline compared to the previous year.

Provisions and impairments amounted to €-867.4 million due to extraordinary provisions allocated during the year.

Gains on the sale of assets and other income amounted to €383.7 million and included gains on the sale of Mediterráneo Vida and Sabadell United Bank.

€ million	Change (%)			Simple evolution							
	FY16	FY17	YoY	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
<b>Net interest income</b>	<b>2,513.3</b>	<b>2,528.2</b>	<b>0.6%</b>	<b>637.4</b>	<b>624.4</b>	<b>623.5</b>	<b>628.0</b>	<b>630.8</b>	<b>639.5</b>	<b>633.4</b>	<b>624.5</b>
Income from equity method and dividends	82.4	313.1	279.9%	21.1	27.9	22.2	11.3	15.8	19.6	266.4	11.3
Net fees and commissions	959.8	1,075.9	12.1%	230.4	241.9	244.4	243.0	256.9	270.5	264.8	283.6
Results from financial transactions and foreign exchange	600.2	541.1	-9.8%	297.3	203.7	46.0	53.2	340.5	148.3	30.4	21.9
Other operating income/expense	-340.5	-332.4	-2.4%	-43.6	-96.5	-50.8	-149.5	-62.0	-84.2	-23.7	-162.4
<b>Gross operating income</b>	<b>3,815.3</b>	<b>4,125.8</b>	<b>8.1%</b>	<b>1,142.6</b>	<b>1,001.3</b>	<b>885.3</b>	<b>786.1</b>	<b>1,182.0</b>	<b>993.7</b>	<b>1,171.3</b>	<b>778.8</b>
Operating expenses and amortization	-1,782.8	-1,755.6	-1.5%	-447.6	-444.7	-442.9	-447.7	-430.3	-421.6	-448.8	-454.8
<b>Pre-provisions income</b>	<b>2,032.4</b>	<b>2,370.3</b>	<b>16.6%</b>	<b>695.0</b>	<b>556.6</b>	<b>442.4</b>	<b>338.4</b>	<b>751.7</b>	<b>572.1</b>	<b>722.5</b>	<b>324.0</b>
Impairment on loans & advances	-569.9	-867.4	52.2%	-242.9	-239.9	-47.7	-39.4	-271.2	-176.1	-396.8	-23.2
Gains on sale of assets and other results	39.8	383.7	864.5%	-3.1	38.3	-1.3	5.8	-5.8	17.0	366.7	5.8
<b>Profit before tax</b>	<b>1,502.4</b>	<b>1,886.6</b>	<b>25.6%</b>	<b>449.1</b>	<b>355.1</b>	<b>393.5</b>	<b>304.8</b>	<b>474.7</b>	<b>413.0</b>	<b>692.4</b>	<b>306.6</b>
Income tax	-431.4	-320.9	-25.6%	-141.7	-82.9	-111.2	-95.6	-139.9	-107.1	-24.8	-49.3
<b>Consolidated net profit</b>	<b>1,070.9</b>	<b>1,565.7</b>	<b>46.2%</b>	<b>307.4</b>	<b>272.1</b>	<b>282.2</b>	<b>209.2</b>	<b>334.9</b>	<b>305.9</b>	<b>667.6</b>	<b>257.3</b>
Minority interest	5.5	-0.4	-106.7%	1.1	0.8	1.4	2.2	1.6	-0.3	0.1	-1.8
<b>Attributable net profit</b>	<b>1,065.5</b>	<b>1,566.1</b>	<b>47.0%</b>	<b>306.2</b>	<b>271.4</b>	<b>280.9</b>	<b>207.0</b>	<b>333.2</b>	<b>306.2</b>	<b>667.5</b>	<b>259.1</b>
<b>Accumulated ratios</b>											
ROE	19.4%	17.8%		14.8%	15.4%	14.9%	19.4%	15.2%	15.5%	15.6%	17.8%
Cost / income	43.4%	39.1%		44.5%	41.2%	41.8%	43.4%	40.7%	38.7%	39.5%	39.1%
NPL ratio (%)	6.6%	5.7%		7.5%	7.0%	6.8%	6.6%	6.7%	6.5%	6.2%	5.7%
NPL coverage ratio (%)	43.2%	45.6%		49.6%	49.4%	47.6%	43.2%	45.9%	43.0%	47.4%	45.6%

Loans and advances to customers (excluding ATAs) amounted to €93,394 million and grew by 1.5% year-on-year.

On-balance sheet customer funds increased by 3.0% year-on-year, with a significant growth of sight accounts. Off-balance sheet funds increased by 11.8%, with a strong growth in mutual funds.

€ million	Change (%)			Simple evolution							
	FY16	FY17	YoY	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
<b>Total assets</b>	<b>130,092</b>	<b>142,521</b>	<b>9.6%</b>	<b>125,489</b>	<b>128,346</b>	<b>126,741</b>	<b>130,092</b>	<b>134,790</b>	<b>133,047</b>	<b>133,995</b>	<b>142,521</b>
Loans and advances to customers (Ex Repos)	92,059	93,394	1.5%	91,792	93,248	92,197	92,059	91,769	92,426	92,923	93,394
<b>Subtotal liabilities</b>	<b>121,709</b>	<b>133,370</b>	<b>9.6%</b>	<b>117,628</b>	<b>120,371</b>	<b>118,322</b>	<b>121,709</b>	<b>126,610</b>	<b>124,664</b>	<b>125,045</b>	<b>133,370</b>
On-balance sheet customer funds	89,835	92,558	3.0%	89,642	91,756	89,101	89,835	90,455	92,933	92,205	92,558
Capital markets w/wholesale funding	20,930	20,168	-3.6%	20,438	21,428	20,512	20,930	18,065	19,163	18,861	20,168
<b>Equity</b>	<b>8,382</b>	<b>9,151</b>	<b>9.2%</b>	<b>7,860</b>	<b>7,975</b>	<b>8,420</b>	<b>8,382</b>	<b>8,180</b>	<b>8,383</b>	<b>8,950</b>	<b>9,151</b>
Off-balance sheet customer funds	39,603	44,265	11.8%	36,060	36,591	38,742	39,603	40,781	42,954	44,086	44,265
<b>Other data</b>											
Employees	16,001	15,775	-1.4%	16,213	16,160	16,198	16,001	15,912	15,875	15,837	15,775
Branches	2,119	1,880	-11.3%	2,205	2,141	2,131	2,119	2,123	1,931	1,930	1,880

## Asset Transformation

Net profit as at December 2017 amounted to €-943.4 million, affected by the extraordinary provisions of the previous quarter.

Net interest income amounted to €-52.1 million, a lower figure than in the previous year due to the reduction of the loan portfolio run-off.

Net trading income includes the impacts of the sales of non-performing asset portfolios.

Gross income amounted to €30.1 million, -38.4% less than in the previous year.

Administrative expenses and depreciations increased by 7.6% year-on-year to €-162.7 million due to the expansion of the servicer and the increase in the portfolio of hotels managed by Hotel Investment Partners.

Provisions and impairments amounted to €-1,201.7 million due to extraordinary impairments carried out.

Gains on sales during this quarter were positive at €5.1 million due to property sales.

Gains on the sale of assets during this quarter mainly included the sale of the subsidiary HI Partners Holdco Value Added, of Hotel Investment Partners.

(€ million)	Change (%)			Simple evolution							
	FY16	FY17	YoY	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
<b>Net interest income</b>	<b>-26.2</b>	<b>-52.1</b>	<b>98.8%</b>	<b>-10.3</b>	<b>-3.0</b>	<b>-2.2</b>	<b>-10.8</b>	<b>-12.9</b>	<b>-9.0</b>	<b>-15.3</b>	<b>-14.9</b>
Income from equity method and dividends	-1.1	-0.5	-49.9%	0.0	-1.1	0.0	0.0	-0.1	-0.9	0.6	-0.2
Net fees and commissions	-1.5	1.9	-232.2%	-0.5	-0.5	-0.8	0.4	0.4	0.7	0.5	0.3
Results from financial transactions and foreign exchange	-50.4	-37.5	-25.7%	-1.0	-50.1	0.0	0.6	-0.2	-34.4	-0.2	-2.6
Other operating income/expense	128.1	118.3	-7.6%	27.8	30.7	28.3	41.3	32.1	33.6	23.6	29.0
<b>Gross operating income</b>	<b>48.9</b>	<b>30.1</b>	<b>-38.4%</b>	<b>15.9</b>	<b>-24.0</b>	<b>25.4</b>	<b>31.6</b>	<b>19.3</b>	<b>-10.0</b>	<b>9.2</b>	<b>11.6</b>
Operating expenses and amortization	-151.3	-162.7	7.6%	-35.0	-35.4	-36.7	-44.2	-40.7	-43.3	-40.0	-38.7
<b>Pre-provisions income</b>	<b>-102.4</b>	<b>-132.6</b>	<b>29.5%</b>	<b>-19.0</b>	<b>-59.4</b>	<b>-11.3</b>	<b>-12.7</b>	<b>-21.3</b>	<b>-53.4</b>	<b>-30.8</b>	<b>-27.1</b>
Impairment on loans & advances	-704.4	-1,201.7	70.6%	-171.4	-208.7	-115.6	-208.6	-198.4	-131.3	-694.1	-177.9
Sales results	-96.3	-14.1	-85.4%	-14.1	-6.5	-42.3	-33.4	-15.2	-12.5	8.5	5.1
Gains on sale of assets and other results	0.0	41.0	--	0.0	0.0	0.0	0.0	0.0	0.0	0.0	41.0
<b>Profit before tax</b>	<b>-903.0</b>	<b>-1,307.4</b>	<b>44.8%</b>	<b>-204.5</b>	<b>-274.6</b>	<b>-169.2</b>	<b>-254.7</b>	<b>-235.0</b>	<b>-197.2</b>	<b>-716.4</b>	<b>-158.9</b>
Income tax	263.2	364.0	38.3%	63.3	69.0	49.7	81.3	73.9	49.0	220.1	21.0
<b>Consolidated net profit</b>	<b>-639.8</b>	<b>-943.4</b>	<b>47.5%</b>	<b>-141.2</b>	<b>-205.6</b>	<b>-119.5</b>	<b>-173.5</b>	<b>-161.1</b>	<b>-148.1</b>	<b>-496.3</b>	<b>-137.9</b>
Minority interest	0.0	0.0	--	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Attributable net profit</b>	<b>-639.8</b>	<b>-943.4</b>	<b>47.5%</b>	<b>-141.2</b>	<b>-205.6</b>	<b>-119.5</b>	<b>-173.5</b>	<b>-161.1</b>	<b>-148.1</b>	<b>-496.3</b>	<b>-137.9</b>
<b>Accumulated ratios</b>											
ROE	--	--	--	--	--	--	--	--	--	--	--
Cost / income	--	--	--	--	--	--	--	--	--	--	--
NPL ratio (%)	31.7%	32.2%	--	37.9%	34.7%	34.4%	31.7%	28.6%	25.1%	28.9%	32.2%
NPL coverage ratio (%)	54.2%	49.9%	--	62.4%	61.4%	63.1%	54.2%	52.1%	52.9%	53.2%	49.9%

Due to the good management of real estate assets, loans and advances declined by -42.0% year-on-year and net real estate exposure declined by -28.5%.

Intra-group funding amounted to €12,627 million, -10.2% less than in the previous year.

(€ million)	Change (%)			Simple evolution							
	FY16	FY17	YoY	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
<b>Total assets</b>	<b>17,956</b>	<b>15,384</b>	<b>-14.3%</b>	<b>19,031</b>	<b>18,633</b>	<b>18,125</b>	<b>17,956</b>	<b>17,424</b>	<b>17,398</b>	<b>15,713</b>	<b>15,384</b>
Loans and advances to customers (Ex Repos)	6,663	3,865	-42.0%	7,294	7,099	6,546	6,663	5,962	5,603	4,250	3,865
RE exposure	4,716	3,372	-28.5%	5,247	5,246	5,174	4,716	4,638	4,622	3,995	3,372
<b>Subtotal liabilities</b>	<b>15,886</b>	<b>13,728</b>	<b>-13.6%</b>	<b>16,737</b>	<b>16,407</b>	<b>15,977</b>	<b>15,886</b>	<b>15,361</b>	<b>15,367</b>	<b>13,685</b>	<b>13,728</b>
On-balance sheet customer funds	172	104	-39.7%	151	137	144	172	176	160	115	104
Intragroup financing	14,057	12,627	-10.2%	15,251	14,905	14,575	14,057	13,656	13,602	13,117	12,627
<b>Equity</b>	<b>2,069</b>	<b>1,656</b>	<b>-20.0%</b>	<b>2,294</b>	<b>2,226</b>	<b>2,148</b>	<b>2,069</b>	<b>2,063</b>	<b>2,031</b>	<b>2,028</b>	<b>1,656</b>
Off-balance sheet customer funds	15	27	83.0%	31	31	15	15	14	14	36	27
<b>Other data</b>											
Employees	825	1,018	23.4%	653	750	772	825	867	919	1,008	1,018

## Banking business United Kingdom

Net profit in December 2017 amounted to €90.3 million, with a year-on-year decline of -49.7%, as in 2016 provisions and impairments were offset against the expected losses reserve created in the preliminary PPA (Purchase Price Allocation) until the fourth quarter. However, core revenue increased by 6.5% considering a constant exchange rate and excluding the Mortgage Enhancement portfolio (like-for-like basis).

Net interest income declined by -1.6% due to exchange rate fluctuations and the early call of the Mortgage Enhancement portfolio. In a like-for-like basis, this growth stands at 10.4%.

Net fees and commissions fell by -24.0%, mainly due to the fees paid from aggregator accounts in service fees.

Net trading income includes the results of the early call of the Mortgage Enhancement portfolio. The sale of Visa Europe shares was recognised in 2016.

Gross income, standing at €1,223.3 million, increased by 0.9% and by 7.3% considering a like-for-like basis.

Operating expenses and amortizations increased by 9.0% to €-1,002.0 million due to TSB's one-off IT costs which were already expected.

Provisions and impairments amounted to €-88.8 million, more than in the previous year due to the PPA in 2016.

(€ million)	Change (%)			Simple evolution							
	FY16	FY17	YoY	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
<b>Net interest income</b>	<b>1,050.9</b>	<b>1,033.6</b>	<b>-1.6%</b>	<b>278.2</b>	<b>271.9</b>	<b>251.5</b>	<b>249.2</b>	<b>260.0</b>	<b>263.1</b>	<b>253.1</b>	<b>257.4</b>
Income from equity method and dividends	0.0	0.2	--	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Net fees and commissions	125.8	95.6	-24.0%	31.9	34.6	31.2	28.1	25.3	21.7	24.8	23.9
Results from financial transactions and foreign exchange	53.6	109.6	104.5%	4.7	50.2	-0.4	-1.0	11.1	78.4	6.5	13.6
Other operating income/expense	-17.8	-15.7	-11.6%	-0.5	-16.3	-1.3	0.2	-2.6	-4.4	-3.2	-5.5
<b>Gross operating income</b>	<b>1,212.4</b>	<b>1,223.3</b>	<b>0.9%</b>	<b>314.4</b>	<b>340.4</b>	<b>281.0</b>	<b>276.6</b>	<b>293.7</b>	<b>358.8</b>	<b>281.2</b>	<b>289.6</b>
Operating expenses and amortization	-919.3	-1,002.0	9.0%	-230.5	-226.6	-226.7	-235.5	-256.4	-261.2	-241.9	-242.4
<b>Pre-provisions income</b>	<b>293.1</b>	<b>221.3</b>	<b>-24.5%</b>	<b>83.8</b>	<b>113.8</b>	<b>54.4</b>	<b>41.1</b>	<b>37.3</b>	<b>97.6</b>	<b>39.3</b>	<b>47.2</b>
Impairment on loans & advances	-28.1	-88.8	216.1%	0.0	0.0	0.0	-28.1	-23.9	-20.3	-21.0	-23.5
Gains on sale of assets and other results	-4.4	6.6	-250.8%	0.0	0.0	-2.0	-2.4	7.5	-1.1	-0.3	0.5
<b>Profit before tax</b>	<b>260.5</b>	<b>139.1</b>	<b>-46.6%</b>	<b>83.8</b>	<b>113.8</b>	<b>52.4</b>	<b>10.5</b>	<b>20.8</b>	<b>76.1</b>	<b>17.9</b>	<b>24.2</b>
Income tax	-81.2	-48.8	-39.9%	-22.1	-29.8	-22.6	-6.7	-8.6	-23.0	-8.6	-8.5
<b>Consolidated net profit</b>	<b>179.3</b>	<b>90.3</b>	<b>-49.7%</b>	<b>61.7</b>	<b>84.0</b>	<b>29.8</b>	<b>3.8</b>	<b>12.2</b>	<b>53.1</b>	<b>9.3</b>	<b>15.7</b>
Minority interest	0.0	0.0	--	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Attributable net profit</b>	<b>179.3</b>	<b>90.3</b>	<b>-49.7%</b>	<b>61.7</b>	<b>84.0</b>	<b>29.8</b>	<b>3.8</b>	<b>12.2</b>	<b>53.1</b>	<b>9.3</b>	<b>15.7</b>
<b>Accumulated ratios</b>											
RDE	8.0%	5.8%		10.7%	9.1%	7.4%	8.0%	3.3%	3.5%	3.3%	5.8%
Cost / income	69.8%	79.5%		67.3%	64.1%	67.2%	69.8%	81.3%	78.7%	80.4%	79.5%
NPL ratio (%)	0.5%	0.4%		0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.4%	0.4%
NPL coverage ratio (%)	52.7%	55.3%		70.5%	64.6%	49.7%	52.7%	54.7%	49.9%	50.0%	55.9%

Loans and advances to customers amounted to €35,501 million, a 3.3% increase year-on-year due to the strong growth of mortgages and despite the early call of the Mortgage Enhancement portfolio that took place in June. Considering a like-for-like basis, this item increased by 14.2%<sup>(1)</sup> compared with the previous year.

On-balance sheet customer funds amounted to €34,410 million and increased by 0.2%. In constant exchange rate, this growth stands at 3.9%

(€ million)	Change (%)			Simple evolution							
	FY16	FY17	YoY	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
<b>Total assets</b>	<b>43,720</b>	<b>48,145</b>	<b>10.1%</b>	<b>42,832</b>	<b>43,398</b>	<b>43,164</b>	<b>43,720</b>	<b>47,519</b>	<b>47,195</b>	<b>47,132</b>	<b>48,145</b>
Loans and advances to customers (Ex Repos)	34,361	35,501	3.3%	34,603	33,763	33,248	34,361	36,093	35,343	35,912	35,501
<b>Subtotal liabilities</b>	<b>42,200</b>	<b>46,597</b>	<b>10.4%</b>	<b>41,199</b>	<b>41,788</b>	<b>41,638</b>	<b>42,200</b>	<b>45,980</b>	<b>45,696</b>	<b>45,647</b>	<b>46,597</b>
On-balance sheet customer funds	34,334	34,410	0.2%	33,798	34,051	33,639	34,334	34,718	34,064	34,337	34,410
Capital markets w/wholesale funding	3,882	1,920	-50.5%	4,048	4,370	4,071	3,882	1,581	1,489	1,424	1,920
<b>Equity</b>	<b>1,521</b>	<b>1,548</b>	<b>1.8%</b>	<b>1,632</b>	<b>1,609</b>	<b>1,526</b>	<b>1,521</b>	<b>1,539</b>	<b>1,499</b>	<b>1,485</b>	<b>1,548</b>
<b>Other data</b>											
Employees	8,060	8,287	2.8%	8,199	8,068	7,965	8,060	8,524	8,444	8,383	8,287
Branches	587	551	-6.1%	612	604	599	587	585	551	551	551

(1) Including advances that not are loans.

## Other geographies

Net profit as at December 2017 amounted to €88.6 million, a year-on-year decrease of -16.0% due to the sale of Sabadell United Bank. Excluding this sale, net profit increased by 10.9%.

Net interest income, which stood at €292.7 million, fell by -2.4%. Excluding the sale of Sabadell United Bank, net interest income grew by 25.4%, particularly driven by the growth in Mexico.

Net fees and commissions decreased by -22.4% due to lower fees on Securities and Investment Funds in Banco Sabadell Andorra and smaller corporate banking transactions in Mexico.

Gross income, which stood at €358.0 million, recorded a decrease of -9.1%. Excluding the sale of Sabadell United Bank, gross income grew by 9.9%.

Operating expenses and amortization declined by -0.4%. Excluding the sale of Sabadell United Bank, they increased by 22.3%, primarily due to expenses associated with expansion in Mexico.

(€ million)	Change (%)			Simple evolution							
	FY16	FY17	YoY	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
<b>Net interest income</b>	<b>299.8</b>	<b>292.7</b>	<b>-2.4%</b>	<b>68.5</b>	<b>75.3</b>	<b>75.6</b>	<b>80.5</b>	<b>84.5</b>	<b>80.8</b>	<b>69.6</b>	<b>57.7</b>
Income from equity method and dividends	3.3	3.2	-2.0%	0.5	0.4	1.1	1.2	0.6	1.0	0.7	0.9
Net fees and commissions	64.4	50.0	-22.4%	16.0	16.5	15.1	16.8	14.1	15.2	9.6	11.1
Results from financial transactions and foreign exchange	23.3	9.3	-60.1%	10.0	2.7	7.7	3.0	2.7	3.9	0.7	2.0
Other operating income/expense	3.3	2.8	-13.8%	-0.3	-0.1	1.9	1.9	3.0	1.8	-4.3	2.4
<b>Gross operating income</b>	<b>394.1</b>	<b>358.0</b>	<b>-9.1%</b>	<b>94.6</b>	<b>94.8</b>	<b>101.3</b>	<b>103.3</b>	<b>104.9</b>	<b>102.7</b>	<b>76.3</b>	<b>74.1</b>
Operating expenses and amortization	-205.8	-204.9	-0.4%	-48.8	-51.0	-51.7	-54.2	-61.1	-61.0	-39.0	-43.8
<b>Pre-provisions income</b>	<b>188.3</b>	<b>153.1</b>	<b>-18.7%</b>	<b>45.9</b>	<b>43.8</b>	<b>49.6</b>	<b>49.1</b>	<b>43.8</b>	<b>41.7</b>	<b>37.3</b>	<b>30.3</b>
Impairment on loans & advances	-28.5	-24.4	-14.6%	-6.5	-11.8	-6.1	-4.0	-1.8	-0.1	-13.5	-9.0
Gains on sale of assets and other results	-0.2	1.2	-593.1%	0.0	0.0	0.0	-0.3	0.0	0.0	0.0	1.2
<b>Profit before tax</b>	<b>159.5</b>	<b>130.0</b>	<b>-18.5%</b>	<b>39.3</b>	<b>32.0</b>	<b>43.4</b>	<b>44.8</b>	<b>42.0</b>	<b>41.6</b>	<b>23.8</b>	<b>22.6</b>
Income tax	-54.1	-37.3	-31.1%	-13.9	-8.4	-12.9	-18.9	-10.2	-16.4	-2.8	-7.9
<b>Consolidated net profit</b>	<b>105.4</b>	<b>92.7</b>	<b>-12.1%</b>	<b>25.4</b>	<b>23.6</b>	<b>30.5</b>	<b>25.9</b>	<b>31.9</b>	<b>25.2</b>	<b>20.9</b>	<b>14.7</b>
Minority interest	0.0	4.1	--	0.1	0.0	0.2	-0.3	0.1	0.1	0.0	3.8
<b>Attributable net profit</b>	<b>105.4</b>	<b>88.6</b>	<b>-16.0%</b>	<b>25.3</b>	<b>23.6</b>	<b>30.4</b>	<b>26.2</b>	<b>31.7</b>	<b>25.1</b>	<b>20.9</b>	<b>10.8</b>
<b>Accumulated ratios</b>											
ROE	13.2%	8.8%		10.1%	9.7%	10.3%	13.2%	11.3%	10.0%	9.6%	8.8%
Cost / income	49.1%	54.5%		48.3%	49.3%	49.0%	49.1%	55.4%	55.9%	54.1%	54.5%
NPL ratio (%)	0.5%	0.9%		0.7%	0.6%	0.6%	0.5%	1.1%	0.8%	0.9%	0.9%
NPL coverage ratio (%)	174.8%	113.0%		157.3%	173.4%	159.4%	174.8%	174.8%	213.5%	103.4%	113.0%

Loans and advances amounted to €8,836 million, a -26.9% decrease due to the sale of Sabadell United Bank. Excluding the sale of Sabadell United Bank, loans and advances grew by 9.2%, due to business in Mexico.

On-balance sheet customer funds amounted to €5,024 million and decreased by -44.9% due to the sale of Sabadell United Bank. Excluding the sale of Sabadell United Bank, on-balance sheet customer funds declined by -3.8%. Off-balance sheet customer funds amounted to €1,033 million, representing an increase of 4.5%.

(€ million)	Change (%)			Simple evolution							
	FY16	FY17	YoY	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
<b>Total assets</b>	<b>20,740</b>	<b>15,298</b>	<b>-26.2%</b>	<b>16,669</b>	<b>17,514</b>	<b>17,813</b>	<b>20,740</b>	<b>19,360</b>	<b>19,819</b>	<b>14,309</b>	<b>15,298</b>
Loans and advances to customers (Ex Repos)	12,083	8,836	-26.9%	9,777	10,378	10,644	12,083	11,831	12,302	8,776	8,836
RE exposure	22	23	3.5%	18	21	21	22	31	31	23	23
<b>Subtotal liabilities</b>	<b>19,629</b>	<b>14,431</b>	<b>-26.5%</b>	<b>15,668</b>	<b>16,462</b>	<b>16,711</b>	<b>19,629</b>	<b>18,198</b>	<b>18,658</b>	<b>13,503</b>	<b>14,431</b>
On-balance sheet customer funds	9,116	5,024	-44.9%	7,699	8,207	8,192	9,116	8,633	8,772	4,647	5,024
<b>Equity</b>	<b>1,111</b>	<b>866</b>	<b>-22.0%</b>	<b>1,002</b>	<b>1,051</b>	<b>1,102</b>	<b>1,111</b>	<b>1,161</b>	<b>1,160</b>	<b>806</b>	<b>866</b>
Off-balance sheet customer funds	988	1,033	4.5%	1,016	933	954	988	1,052	1,029	1,030	1,033
<b>Other data</b>											
Employees	1,059	765	-27.8%	999	1,012	1,037	1,059	1,109	1,146	744	765
Branches	61	42	-31.1%	57	61	61	61	59	66	41	42

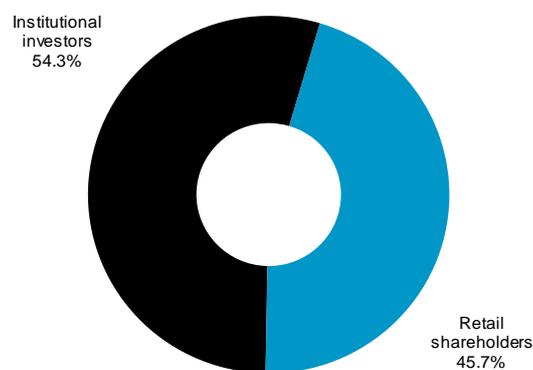
## 4. Share price performance

	31.12.16	31.12.2017	Change (%) YoY
<b>Shareholders and trading</b>			
Number of shareholders	260.948	235.130	-9,9
Average number of shares (million)	5.452	5.570	2,2
Average daily trading volume (millions shares)	30	27	-9,2
<b>Share price (€)</b> (1)			
Opening session (of the year)	1,635	1,323	
High (of the year)	1,810	1,960	
Low (of the year)	1,065	1,295	
Closing session (end of quarter)	1,323	1,656	
Market capitalisation (€ million)	7.213	9.224	
<b>Stock market multiples</b>			
Earnings per share (EPS) (€)	(2) 0,13	0,14	
Book value per share (€)	2,37	2,41	
Price / Book value (times)	0,56	0,69	
Price / Earnings ratio (P/E) (times)	10,15	11,85	

(1) Without adjusting historical values.

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

### Shareholders' structure



Source: GEM, data at 31 December 2017.

## 5. Other key developments in the quarter

### **Issuance of Banco Sabadell Mandatory Convertible Subordinated Bonds**

Further to the relevant fact dated 20 October 2017 (registry number 257640), on 28 October 2017 took place the mandatory conversion of the issue of the outstanding 70.720.450 Mandatory Convertible Subordinated Bonds Series IV/2013 (the Bonds IV/2013), under the Securities Note filed with the official records of the CNMV on 1 October 2013, with a nominal value of 17,680,112.5 euros.

The holders of the 70,720,450 Bonds IV/2013 are entitled, in proportion to their respective ownership and pursuant to the conversion procedure set out in the Securities Note, to a total of 10,813,505 ordinary shares of Banco Sabadell for a total nominal value of 1,351,688.125 euros.

For information purposes, it is hereby announced that the conversion price, calculated pursuant to section 4.6.1(C).I of the above-referred Securities Note, after the corresponding anti-dilution adjustments, is 1.635 euros per share.

On 2 November, Banco Sabadell has passed the corresponding resolution to execute the share capital increase approved by the Board of Directors at its meeting held on 30 September 2013, for a nominal value of 1,351,688.125 euros.

As a result of this capital increase, the share capital of Banco Sabadell has been set at 703,370,587.625 euros, divided into 5,626,964,701 ordinary shares of Banco Sabadell at a nominal value of 0.125 euros per share and the Bonds IV/2013 have been fully redeemed.

### **Banco Sabadell announces that it has agreed to carry out an issuance of perpetual securities convertible into new ordinary shares of Banco Sabadell**

On 10 November 2017, Banco Sabadell has agreed to carry out an issue of perpetual preferred securities contingently convertible to newly issued ordinary shares of Banco Sabadell (the Preferred Securities) for a nominal value of €400 million. In the issue, pre-emption rights would be disapplied and provision made for undersubscription.

The Preferred Securities are perpetual, but they may be converted to newly issued ordinary shares of Banco Sabadell if the common equity Tier 1 (CET1) ratio of Banco Sabadell and/or its consolidated group falls below 5.125%. CET1 ratios are calculated in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The conversion price of the Preferred Securities would be the highest of (i) the average of the daily volume weighted average price of an ordinary share of Banco Sabadell on each of the five consecutive dealing days ending on the dealing date immediately preceding the date on which the conversion event is announced, (ii) €1.095 (the Floor Price), and (iii) the nominal value of an ordinary share of Banco Sabadell at the time of conversion (as of today, the nominal value of an ordinary share is €0.125). The Preferred Securities' remuneration, whose payment is subject to certain conditions and to the discretion of Banco Sabadell, has been set at 6.125% per annum (payable quarterly) for the first 5 years, being reviewed thereafter every five years.

The Preferred Securities, subject to the approval of the European Central Bank, will be accounted for as Additional Tier 1 Capital.

### **Banco Sabadell discloses its prudential minimum capital requirements for 2018 required by the ECB**

On 14 December 2017, Banco Sabadell has been notified about the decision of the European Central Bank (ECB) regarding minimum prudential capital requirements in 2018 following the outcome of the Supervisory Review and Evaluation Process (SREP). As a result, Banco Sabadell exceeds the required limits and has no restriction to the distribution of dividends, variable remunerations or coupon payments to the holders of Additional Tier 1 (AT1) instruments.

The requirement for Banco Sabadell is to maintain a Common Equity Tier 1 ratio (CET1 phase-in) of 8.3125% and a Total Capital ratio phase-in of 11.8125% on a consolidated basis. These ratios include the minimum Pillar 1 requirement (4.50%), the ECB Pillar 2 requirement (1.75%), the Capital Conservation buffer (1.875%) and the O-SII buffer (0.1875%).

### **Banco Sabadell announces the completion of its sale of 100% of the share capital of HI Partners Holdco Value Added, S.A.U. to Halley Bidco, S.L.U.**

On 22 December 2017, Banco Sabadell notifies that its subsidiary Hotel Investment Partners, S.L. completed the sale of the shares representing 100% of the share capital of HI Partners Holdco Value Added, S.A.U., its hotel management platform, to Halley Bidco, S.L.U., an entity controlled by funds advised by The Blackstone Group International Partners LLP.

As a consequence, the seller has received as consideration an amount of 630,732,907 euros (SIX HUNDRED AND THIRTY MILLION SEVEN HUNDRED THIRTY-TWO THOUSAND NINE HUNDRED SEVEN EUROS), which generates a benefit of approximately 50 million euros in the results of Banco Sabadell for fiscal year 2017, including the net capital gain obtained, the results from the sale agreement and the estimated costs, and an increase of 21 basis points of Common Equity Tier 1 (CET1) in the regulatory capital position of Banco Sabadell as of December 31, 2017.

### **Banco Sabadell announces to the Board of Directors that it has agreed to distribute a supplementary dividend in cash.**

During the Banco Sabadell Board of Directors meeting held 1 February 2018, a resolution was adopted to distribute a supplementary dividend in cash to shareholders at €0.05 (gross) per share.

This dividend supplements the interim dividend of €0.02 (gross) per share, agreed by the Board of Directors on 26 October 2017, and which was paid out on 29 December 2017, resulting in a total shareholder remuneration in cash of €0.07 (gross) per share.

The dividend proposal shall need to be approved at the Annual General Meeting (AGM), and the payout of the supplementary dividend shall be carried out once the AGM has been held.

## 6. Annex: TSB

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

### Income statement:

(in million pounds)		3Q17	4Q17	% QoQ	FY16	FY17	% YoY
Franchise and Whistletree	(1)	232.1	236.1	1.7%	814.3	910.3	11.8%
Mortgage enhancement	(2)	0.0	0.0	--	52.5	15.6	-70.3%
<b>Net interest income</b>		<b>232.1</b>	<b>236.1</b>	<b>1.7%</b>	<b>866.8</b>	<b>925.9</b>	<b>6.8%</b>
Franchise and Whistletree	(1)	26.6	27.7	4.1%	108.3	108.5	0.2%
Mortgage enhancement	(2)	0.0	0.0	--	-6.3	46.1	--
<b>Other operating income</b>		<b>26.6</b>	<b>27.7</b>	<b>4.1%</b>	<b>102.0</b>	<b>154.6</b>	<b>51.6%</b>
<b>Total income</b>		<b>258.7</b>	<b>263.8</b>	<b>2.0%</b>	<b>968.8</b>	<b>1,080.5</b>	<b>11.5%</b>
<b>Total operating expenses (excl. one-offs)</b>		<b>-203.5</b>	<b>-208.9</b>	<b>2.7%</b>	<b>-703.8</b>	<b>-821.3</b>	<b>16.7%</b>
Franchise and Whistletree	(1)	-18.9	-20.8	10.1%	-87.3	-77.8	-10.9%
Mortgage enhancement	(2)	0.0	0.0	--	0.0	0.0	--
<b>Impairment on loans &amp; advances</b>		<b>-18.9</b>	<b>-20.8</b>	<b>10.1%</b>	<b>-87.3</b>	<b>-77.8</b>	<b>-10.9%</b>
<b>Management profit (excl. one-offs)</b>		<b>36.3</b>	<b>34.1</b>	<b>-6.1%</b>	<b>177.7</b>	<b>181.4</b>	<b>2.1%</b>
Other operating income		-10.4	-5.6	-46.2%	4.3	-18.7	--
Tax income		-7.1	-7.5	5.6%	-54.2	-44.0	-18.8%
<b>Statutory Profit after Tax</b>		<b>18.8</b>	<b>21.0</b>	<b>11.7%</b>	<b>127.8</b>	<b>118.7</b>	<b>-7.1%</b>
		<b>3Q17</b>	<b>4Q17</b>	<b>QoQ</b>	<b>FY16</b>	<b>FY17</b>	<b>YoY</b>
TSB NIM	(3)	3.01%	3.03%	0.02 pp	3.09%	3.02%	-0.07 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 was acquired from Cerberus Capital Management Group with effect from 7 December 2015.

(2) The Mortgage Enhancement portfolio (valued at £3.4bn) was created in February 2014 by Lloyds Banking Group (LBG) to enhance TSB's profitability with a target of delivering £230M in profit over a four-year period. TSB and LBG agreed an early settlement arrangement, and the portfolio was returned to LBG on 28 June 2017. The transaction became effective on 1 June 2017.

(3) Calculated as net interest income divided by the average of performing gross loans.

### Balance sheet:

(in million pounds)	4Q16	3Q17	4Q17	%QoQ	% YoY
Franchise and Whistletree customer lending	27,570	30,829	30,854	0.1%	11.9%
Mortgage enhancement	1,849	0	0	--	-100.0%
<b>Total Customer lending (Net)</b>	<b>29,419</b>	<b>30,829</b>	<b>30,854</b>	<b>0.1%</b>	<b>4.9%</b>
Savings deposits	19,285	19,247	19,288	0.2%	0.0%
Current account deposits	9,041	9,867	10,045	1.8%	11.1%
Business banking deposits	1,058	1,150	1,188	3.3%	12.3%
<b>Total customer deposits</b>	<b>29,384</b>	<b>30,264</b>	<b>30,521</b>	<b>0.8%</b>	<b>3.9%</b>
	<b>4Q16</b>	<b>3Q17</b>	<b>4Q17</b>	<b>QoQ</b>	<b>YoY</b>
CET 1 Capital ratio	18.4%	18.9%	20.0%	1.1 pp	1.6 pp

## 7. Glossary of terms on performance measures

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

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

Alternative Performance measures	Definition and calculation	Page
ROA	(*) (**) Consolidated income during the year / ATA. Considering linear annualisation of profit obtained to date and adjusted by contributions to guarantee and resolution funds except year end. Average Total Assets are the moving average of total assets over the last 12 calendar months.	3
ROE	(*) (***) Profit attributed to the Group / average equity. Numerator considers linear annualisation of profit obtained to date and adjusted by contributions to guarantee and resolution funds except year end.	3
RORWA	(*) Profit attributed to the Group / risk-weighted assets (RWA).	3
ROTE	(*) (***) Profit attributed to the Group / average equity. Numerator considers linear annualisation of profit obtained to date and adjusted by contributions to guarantee and resolution funds except year end. Denominator excludes goodwill.	3
Cost / income ratio	(*) Staff expenses and other general administrative expenses / gross income. Calculated by adjusting gross income, taking into account the recurrent results from financial transactions with the best group estimate except for the end of the year, excluding commission received for BanSabadell Vida value-in force “VIF” and the income from Mortgage Enhancement of TSB. Denominator includes the linear accrual of contributions to deposit guarantee fund and resolution fund except year end.	3
Other operating income/expense	Comprised of the following accounting items: Other operating income and other operating expense as well as income from assets and expenses on liabilities under insurance or reinsurance contracts	8
Other impairments	Comprised of the following accounting items: impairment of (-) reversal of impairment of investments in joint ventures and associates, impairment or (-) reversal of impairment on non-financial assets, investment properties in the gains or (-) losses on derecognition of non-financial assets and shareholdings, net and profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations excluding the associates.	8
Gains on sale of assets and other results	Comprised of the following accounting items: gains or (-) losses on derecognition of non-financial assets and shareholdings, net excluding the investment properties and associates included in the profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations excluding the associates.	8
Pre-provisions income	Comprised of the following accounting items: gross income plus administration and amortisation/depreciation expenses	8
Customer spread	(**) Difference between return and cost of assets and liabilities related to customers, i.e. contribution to net interest income of operations exclusively with customers. Calculated ratio taking into account the difference between the medium rate the bank receives for the customers' loans and the medium rate the bank pays for the customers' deposits. The medium rate of customers' loans is the annualized percentage between the financial income of clients' loans relative to the medium daily amount of clients' loans. The medium rate of customers' funds is the annualized percentage between the financial expenses of customers' funds relative to the medium daily amount of customers' funds.	10
Other assets	Comprised of the following accounting items: Derivatives - Hedge accounting, fair value changes of the hedged items in portfolio hedge of interest rate risk, tax assets, other assets, assets under insurance or reinsurance contracts and non-current assets and disposal groups classified as held for sale.	17
Other liabilities	Comprised of the following accounting items: Derivatives - Hedge accounting, tax liabilities, fair value changes of the hedged items in portfolio hedge of interest rate risk, other liabilities and liabilities included in disposal groups classified as held for sale.	17
Gross loans to customers	Includes loans and advances to customers excluding NPL and country-risk provisions.	18
Performing gross loans	Includes gross loans to customers excluding repos, NPL and accrual adjustments.	18
On-balance sheet customer funds	Includes customer deposits (ex repos) and other liabilities placed by the branch network (Banco Sabadell non-convertible bonds, promissory notes and	20
Off-balance sheet customer funds	Includes mutual funds, asset management, pension funds and third-party insurance products.	20
On-balance sheet funds	Includes accounting sub-headings of customer deposits, marketable debt securities, subordinated liabilities and liabilities under insurance or reinsurance contracts.	20
Funds under management	Sum of on-balance sheet and off-balance sheet customer funds.	20
NPL coverage ratio	Shows the % of NPLs covered by provisions. Calculated using the ratio between the allowance of loans and advances to customers (including allowances for contingent exposures) / total non-performing exposures (including contingent liabilities).	22
NPL ratio	% of non-performing exposures over total risk assumed by customers. All of the calculation's components correspond to headings or sub-headings in accounting financial statements. Calculation comprised of the ratio between non-performing exposures, including contingent liabilities / Customer lending and contingent liabilities. See table for the definition of non-performing exposures. Contingent liabilities include granted guarantees and contingent commitments.	22
Non-performing exposures	Sum of accounting items: NPLs, Loans and advances to customers and non-performing guarantees granted.	24
Problematic assets	Sum of non-performing exposures and foreclosed real estate assets.	24
Real estate coverage ratio	Calculation comprised of ratio between allowances for impairment of foreclosed real estate assets / total foreclosed real estate assets. Amount of foreclosed RE assets includes property classified in the non-current asset portfolio and disposable groups of items classed as held-for-trading.	24
Loan-to-deposits ratio	Net loans and receivables over retail funding. Calculated by subtracting mediation loans from the numerator. The denominator considers real estate funding and customer funds, defined in this table.	28
Market capitalisation	Product of the share price and the average number of outstanding shares at the end of the period.	35
Earnings per share	Ratio between net profit attributed to the Group and the average number of outstanding shares at the end of the period. Numerator considers linear annualisation of profit obtained to date adjusted by the Additional Tier 1 coupon payment, after tax, registered in equity as well as adjusted by contributions to guarantee and resolution funds except year end.	35
Book value per share	Ratio between carrying value / average number of shares at the end of the period. Accounting value is calculated as the sum of equity, considering linear annualisation of profit obtained to date and adjusted by contributions to guarantee and resolution funds except year end.	35
Price / Book value (times)	Ratio between share price / carrying value.	35
Price / Earnings ratio (P/E) (times)	(*) Ratio between share price / earnings per share.	35

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

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

(\*\*\*) Average calculated using the last positions at the end of the month since December 2016.

Alternative Performance measures	Conciliation (€millions)	2017	2016
ROA	Average total assets	214,356	206,265
	Consolidated net profit	805	716
	<b>ROA (%)</b>	<b>0.38</b>	<b>0.35</b>
ROE	Average equity	13,143	12,717
	Attributable net profit	801	710
	<b>ROE (%)</b>	<b>6.10</b>	<b>5.59</b>
RORWA	Risk weighted assets (RWA)	77,638	86,070
	Attributable net profit	801	710
	<b>RORWA (%)</b>	<b>1.03</b>	<b>0.83</b>
ROTE	Average equity (excluding intangible assets)	11,025	10,570
	Attributable net profit	801	710
	<b>ROTE (%)</b>	<b>7.27</b>	<b>6.72</b>
Cost / income ratio	Gross operating income	5,737	5,471
	VIF	-254	0
	Mortgage Enhancement	-54	0
	<b>Adjusted gross operating income</b>	<b>5,430</b>	<b>5,471</b>
	Operating expenses	-2,723	-2,663
	<b>Cost / income ratio (%)</b>	<b>50.15</b>	<b>48.68</b>
Other operating income/expense	Other operating income	338	287
	Other operating expenses	-546	-467
	Income from assets under insurance or reinsurance contracts	67	166
	Expenses on liabilities under insurance or reinsurance contracts	-86	-213
	<b>Other operating income/expense</b>	<b>-227</b>	<b>-227</b>
Other impairments	Impairment of (-) reversal of impairment of investments in joint ventures and associates	-1	-4
	Impairment or (-) reversal of impairment on non-financial assets	-799	-558
	Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	-139	-315
	Gains from sales of associates	-17	0
	Gains from sales of investment properties and associates	-15	0
	<b>Other impairments</b>	<b>-971</b>	<b>-876</b>
Gains on sale of assets and other results	Gains or (-) losses on derecognition of non-financial assets and shareholdings, net	401	35
	Gains from sales of associates	17	0
	Gains from sales of investment properties and associates	15	0
	<b>Gains on sale of assets and other results</b>	<b>433</b>	<b>35</b>
Pre-provisions income	Gross operating income	5,737	5,471
	Operating expenses	-2,723	-2,663
	Personnel expenses	-1,574	-1,663
	Other general expenses	-1,149	-1,000
	Amortization & depreciation	-402	-396
	<b>Pre-provisions income</b>	<b>2,612</b>	<b>2,411</b>
Customer spread	Loans to customers (net)		
	Avg.balance	136,938	138,202
	Results	4,102	4,361
	Rate %	3.00	3.16
	Customer deposits		
	Avg.balance	138,258	134,792
	Results	-266	-525
Rate %	-0.19	-0.39	
	<b>Customer spread</b>	<b>2.81</b>	<b>2.77</b>
Other assets	Derivatives - Hedge accounting	374	535
	Fair value changes of the hedged items in portfolio hedge of interest rate risk	48	1
	Tax assets	6,861	7,056
	Other assets	2,976	4,437
	Non-current assets and disposal groups classified as held for sale	2,562	4,579
	<b>Other assets</b>	<b>12,821</b>	<b>16,608</b>
Other liabilities	Derivatives - Hedge accounting	1,004	1,106
	Fair value changes of the hedged items in portfolio hedge of interest rate risk	-5	64
	Tax liabilities	532	779
	Other liabilities	741	935
	Liabilities included in disposal groups classified as held for sale	21	2,213
	<b>Other liabilities</b>	<b>2,293</b>	<b>5,097</b>

Alternative Performance measures	Conciliation (€millions)	2017	2016	2016 *
Performing gross loans	Mortgage loans & credits	84,267	88,431	83,481
	Other secured loans & credits	2,315	2,263	2,263
	Working capital	5,802	5,530	5,526
	Leasing	2,316	2,169	2,169
	Overdrafts and sundry accounts	42,822	42,165	40,850
	<b>Performing gross loans</b>	<b>137,522</b>	<b>140,557</b>	<b>134,288</b>
	Non-performing loans (customer)	7,867	9,642	9,631
	Accruals	-66	-12	-120
	<b>Gross loans to customers,</b>	<b>145,323</b>	<b>150,087</b>	<b>143,799</b>
	Reverse repos	2,001	8	8
Gross loans to customers	<b>Gross loans to customers</b>	<b>147,325</b>	<b>150,095</b>	<b>143,807</b>
	NPL and country-risk provisions	-3,727	-4,921	-4,781
	<b>Loans and advances to customers</b>	<b>143,598</b>	<b>145,174</b>	<b>139,026</b>
On-balance sheet customer funds	Financial liabilities at amortised cost	204,045	192,011	185,853
	Non-retail financial liabilities	-71,949	-58,554	-56,291
	Central banks	-27,848	-11,828	-11,828
	Credit institutions	-14,171	-16,667	-16,121
	Institutional issues	-26,999	-27,491	-25,786
	Other financial liabilities	-2,932	-2,568	-2,555
	<b>On-balance sheet customer funds</b>	<b>132,096</b>	<b>133,457</b>	<b>129,562</b>
	Customer deposits	135,307	134,415	130,329
	Sight accounts	98,020	92,011	88,533
	Fixed-term deposits including available and hybrid financial liabilities	32,425	40,154	39,737
On-balance sheet funds	Repos	4,750	2,072	1,882
	Accruals and derivative hedging adjustments	113	178	177
	Debt and other tradable securities	21,250	24,987	24,987
	Subordinated liabilities (**)	2,537	1,546	1,546
	<b>On-balance sheet funds</b>	<b>159,095</b>	<b>160,948</b>	<b>156,863</b>
	On-balance sheet funds	27,375	22,594	22,594
	Managed accounts	3,999	3,651	3,651
	Pension funds	3,987	4,117	4,117
	Third-party insurance products	9,965	10,243	10,243
	<b>Off-balance sheet customer funds</b>	<b>45,325</b>	<b>40,606</b>	<b>40,606</b>
Funds under management	<b>Funds under management</b>	<b>204,420</b>	<b>201,554</b>	<b>197,469</b>
	Customer loans and advances	7,867	9,642	
Non-performing exposures	Contingent non-performing exposures	58	104	
	<b>Non-performing exposures (€million)</b>	<b>7,925</b>	<b>9,746</b>	
NPL coverage ratio (%)	Non-performing exposures	7,925	9,746	
	Provisions	3,625	4,614	
	<b>NPL coverage ratio (%)</b>	<b>45.7%</b>	<b>47.3%</b>	
	Provisions incl. mortgage floors	3,825	5,024	
	<b>NPL coverage ratio incl. mortgage floors (%)</b>	<b>48.3%</b>	<b>51.5%</b>	
Real Estate coverage ratio (%)	RE Assets evolution	7,393	9,035	
	Provisions	3,998	4,297	
	<b>Real Estate coverage ratio (%)</b>	<b>54.1%</b>	<b>47.6%</b>	
Problematic assets	Non-performing exposures	7,925	9,746	
	RE Assets evolution	7,393	9,035	
	<b>Problematic assets</b>	<b>15,318</b>	<b>18,781</b>	
	Provisions of problematic assets	7,623	8,911	
	<b>Problematic assets coverage (%)</b>	<b>49.8%</b>	<b>47.4%</b>	
	Provisions of problematic assets	7,824	9,321	
	<b>Problematic assets coverage incl. mortgage floors (%)</b>	<b>51.1%</b>	<b>49.6%</b>	
NPL ratio (%)	Non-performing exposures	7,925	9,746	
	Loans to customers and contingent risks	154,050	158,617	
	<b>NPL ratio (%)</b>	<b>5.1%</b>	<b>6.1%</b>	
Loan-to-deposits ratio (%)	Adjusted net loans and advances w/o repos by brokered loans	137,761	140,266	134,119
	On-balance sheet customer funds	132,096	133,457	129,562
	<b>Loan-to-deposits ratio (%)</b>	<b>104.3%</b>	<b>105.1%</b>	<b>103.5%</b>
Market capitalisation (€000)	Average number of shares (million)	5,570	5,452	
	Share price (€)	1,656	1,323	
	<b>Market capitalisation (€'000)</b>	<b>9,224</b>	<b>7,213</b>	
Earnings per share (EPS) (€)	Net profit attributed to the Group adjusted with accrued AT1	778	710	
	Attributable net profit	801	710	
	Accrued AT1	-23	0	
	Average number of shares (million)	5,570	5,452	
	<b>Earnings per share (EPS) (€)</b>	<b>0.14</b>	<b>0.13</b>	
Book value per share (€)	Share price (€)	1,656	1,323	
	Adjusted equity	13,449	12,926	
	Shareholders' equity	13,426	12,926	
	Accrued AT1	23	0	
	Average number of shares (million)	5,570	5,452	
	<b>Book value per share (€)</b>	<b>2.41</b>	<b>2.37</b>	
	<b>Price / Book value (times)</b>	<b>0.69</b>	<b>0.56</b>	
	<b>Price / Earnings ratio (P/E) (times)</b>	<b>11.8</b>	<b>10.2</b>	

(\*) Excluding SUB, Mediterraneo Vida and Mortgage enhancement.

(\*\*) Refers to subordinated liabilities of debt securities

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

[www.grupbancsabadell.com/ INFORMACION\\_ACCIONISTAS\\_E\\_INVERSORES/INFORMACION\\_FINANCIERA/MEDIDAS\\_ALTERNATIVAS\\_DEL\\_RENDIMIENTO](http://www.grupbancsabadell.com/ INFORMACION_ACCIONISTAS_E_INVERSORES/INFORMACION_FINANCIERA/MEDIDAS_ALTERNATIVAS_DEL_RENDIMIENTO)

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