

### Results after the third quarter of 2016

**Banco Sabadell's profit amounts to €649.9 million, an 11.6% increase on last year**



Jaime Guardiola, during the results presentation to the press.

- **Net interest income remained resilient, with a 29% increase, reaching €2,890.8 million euros.**
- **The fully loaded CET 1 ratio reached 12%.**
- **Record reduction in foreclosed assets, with a reduction of €634.4 million in problematic assets during the quarter.**

Banco Sabadell closed the first nine months of 2016 with net profit attributed to the Group of €649.9 million, 11.6% more than in the same period in 2015. Net interest income continued to perform well, with a 29% increase up to September, reaching €2,890.8 million.

The third quarter of 2016 has been characterised by the stability of results and, specifically, by the solidity of profit before tax, with a 41.5% increase to €320.1 million between July and September, thanks to the resilience of the Group's net interest income. Furthermore, the cost of term deposits and wholesale funding continues to decline.

The fully-loaded Common Equity Tier 1 (CET 1) increased to 12%. Fees and commissions showed an 8.9% increase year on year, due to the positive performance of asset management.

#### **Record reduction**

The strategy involving the accelerated sale of assets continues to be applied successfully, as shown by the reduction of €634.4 million in problematic assets during the third quarter, including a reduction of €157.7 million in foreclosed assets, which is a record quarterly reduction. At the end of September, the balance of non-performing loans stood at €10.158 million, and the volume of problematic assets has been

reduced to €19,265.1 million. Since 2014, problematic assets have been reduced by €6,763 million, €3,085.7 million of which over the last twelve months.

The Group's NPL ratio continues its downward trend, standing at 6.6% at the end of September, meaning it has been reduced by half in less than three years, as in December 2013 it amounted to 13.6%. The NPL coverage ratio stood at 52.9% at the end of the first nine months of 2016.

Provisions between January and September totalled €1,113.5 million, a 43% reduction compared with the same period last year. In quarterly terms, provisions have declined considerably to €211.7 million in the third quarter, compared with €466.9 million at the end of the second quarter.

At the end of the third quarter of 2016, net trading income (NTI) totalled €556.7 million. Outstand-

ing credit volumes increased by 2.1% and ended September with a balance of €137,856.4 million. Total off-balance sheet customer funds amounted to €39,711.1 million, an 11.2% increase compared with the previous year, and on-balance sheet customer funds increased by 0.9% year-on-year. Equity in mutual funds amounted to €22,220.4 million, representing a 9% increase year-on-year.

Market shares continued to improve during the third quarter, strengthening the bank's position in the Spanish market. The increase in the market share of POS turnover was notable, increasing to 14.31%, compared to 13.31% in September 2015, as was the improvement in individuals' card turnover (7.59% vs. 7.11%), life insurance (5.41% vs. 5.10%), household deposits (6.05% vs. 5.60%) and mutual funds (6.07% vs. 5.86%).

## Digital Transformation

Banco Sabadell has achieved the objectives that it set itself for its Digital Transformation process. Since 2013, online customers have increased by 15%, and mobile customers have soared with a 145% increase. 86% of transactions performed by the bank's customers are carried out using remote channels, and 19% of available online products are sold through digital channels.

## TSB is growing

TSB is successfully implementing its strategy. Profit before tax excluding one-offs increased to £149.3 million in nine months, a 95.4% increase compared with the £76.4 million reported for the same period in 2015.

TSB lending has increased by 28.2% year-on-year, reaching £28,630.0 million, and the volume of deposits increased by 14.1% to £28,956.0 million. 6.8% of customers who have changed bank accounts or who have opened a new account in the United Kingdom so far this year have chosen TSB.

The franchise's volume of mortgage loans increased by 23.7% during the year, reflecting a strong mortgage demand. Specifically, mortgage renewals increased by 18%. The market share of new current accounts stood at 6.8% YTD, much higher than the target of 6%.

	30.09.2015	30.09.2016
<b>RATIOS</b>		
	%	%
Cost-to-income <sup>1</sup>	48,68	49,91
Core capital / Common equity	11,6	12,1
NPL ratio	8,51	6,60
NPL coverage ratio	55,3	52,9
<b>RESOURCES</b>		
Number of branches	2.920	2.791
Number of employees	26.130	25.972

<sup>1</sup> To calculate these ratios, gross operating income was adjusted considering only recurrent trading income differences.

Data accumulated in thousand euros	30.09.2015	30.09.2016	Absolute change	Relative change
<b>PRO MEMORIA</b>				
Total assets	205.141.072	205.842.822	701.750	0,3%
Gross loans to customers <sup>(1)</sup>	148.094.619	147.984.691	-109.928	-0,1%
On-balance sheet customer funds	129.957.174	131.076.195	1.119.021	0,9%
Off-balance sheet customer funds	35.715.871	39.711.076	3.995.205	11,2%
Shareholders' equity	12.079.612	12.872.083	792.471	6,6%
<sup>(1)</sup> Excluding repos and deposits held with credit institutions.				
<b>PROFIT &amp; LOSS ACCOUNT</b>				
Net interest income	2.240.293	2.890.851	650.558	29,0%
Gross income	4.258.805	4.273.179	14.374	0,3%
Pre-provisions income	2.434.181	1.995.599	-438.582	-18,0%
Profit attributable to Group	579.805	646.908	67.103	11,6%

## SAB share after the third quarter of 2016

Throughout the third quarter of 2016 there has been an ongoing negative impact from the result of the UK's referendum, held on June 23rd, in which the UK voted to leave the European Union.

The political and economic uncertainty that this decision entails has affected the market in general, and has directly affected European companies with a notable presence in the United Kingdom. Parallel to this, the pound sterling has depreciated against the principal world currencies.

Other causes which, to a greater or lesser extent, have undermined the share prices of Spanish banking have been an ongoing environment of political instability, as well as a weak banking sector which has been impacted by lower profitability fostered by extremely low interest rates and the regulatory requirements of European monetary authorities.

The worsening of the Italian banking situation and recent news regarding the lack of trust in some of the largest German banks have done nothing but exacerbate the impact on already penalised share prices of financial institutions.

The attached graph shows the clear downwards evolution of the sector during the last twelve months. At the end of September, the average annual decline in the share price of the eight banks quoted on the continuous market stood at -31.26% (SAB -30.28%). Using the adjusted prices, these declines respectively stood at -28.35% and -27.19%.

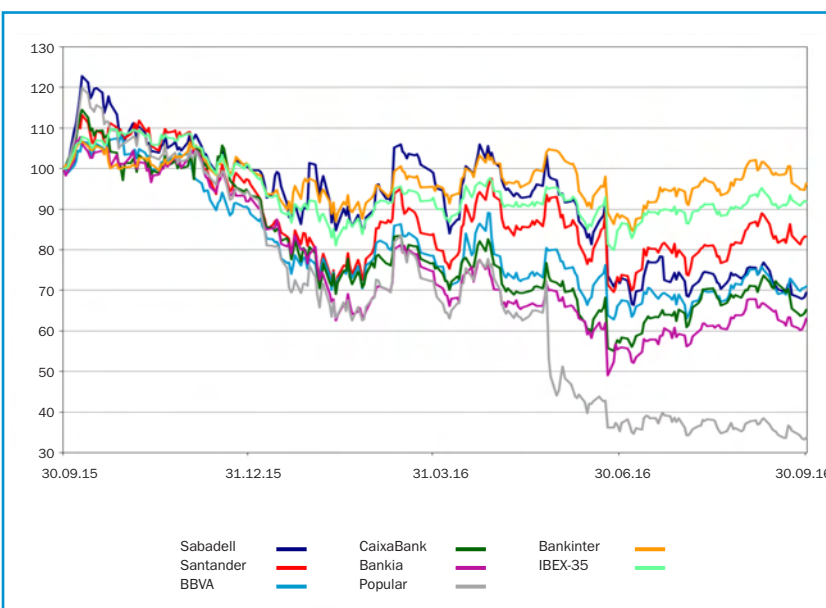
### Shareholder remuneration

On 27 October, 2016 the Board of Directors agreed on the payment of a dividend against 2016 results for the gross amount of €0.02 per share, to be paid on 30 December, and the ex-dividend date is 28 December 2016.

### SAB share price and volumes

		Final price €	Maximum price €	Minimum price €	Average daily volume (securities)
<b>2015</b>		1,635	2,499	1,577	32.155.802
<b>2016</b>	January	1,664	1,700	1,385	33.015.898
	February	1,467	1,709	1,375	35.561.638
	March	1,582	1,774	1,438	29.122.236
	April	1,669	1,810	1,366	38.764.149
	May	1,536	1,700	1,494	21.018.726
	June	1,179	1,597	1,089	34.095.483
	July	1,223	1,315	1,078	36.193.106
	August	1,215	1,243	1,111	18.721.064
	September	1,140	1,274	1,065	23.996.151
Change					
	Dec. 2015 - Sep. 2016	-30,28%			

### Share price evolution



### Technical information \*

Number of shares	5.566.261.753
Number of shareholders	266.790
Average daily trading (January-September, in securities)	29.864.218
Average daily trading (January-September, in euros)	42.361.912
Capitalisation	6.345.538.398 €
EPS (earnings per share)	0,14 €
PER (price/earnings ratio)	8,16 x
Book value per share	2,30 €
P/BV (price/book value)	0,50 x
Dividend yield (with closing price at end of Dec.2015)	4,16%
Dividend yield (with closing price at end of Sept.2016)	5,96%

\* As of 30 September 2016.

## Extension of facilities in Casablanca



Josep Oliu, together with the staff of the Banco Sabadell branch in Casablanca.

Josep Oliu, Chairman of Banco Sabadell visited the Banco Sabadell branch in Casablanca, to see the new installations and to greet the team. His visit to Morocco also allowed him to participate in an event organised by the Tanja Foundation and the L'Economiste newspaper. The Chairman was a speaker at the event, and he spoke about the economy and the financial sector in Spain during the crisis, as well as Banco Sabadell's expectations and projects in Morocco. The Minister of Economy and Finance

of the Maghreb Country, Mohamed Bousaid was one of the attendees of the event.

Banco Sabadell has been present in Morocco since the end of 2009, and most of its activity focuses on the management of business relations between Morocco and Spain, working together with Spanish companies in this country. It should be noted that over the last two years Banco Sabadell has extended its management scope to Moroccan companies with a close relationship with Spain.

## Agreement with the British Chamber of Commerce

Banco Sabadell and the British Chamber of Commerce in Spain have signed a cooperation agreement in which both institutions undertake to promote business and investment between British and Spanish companies. For the Bank, this agreement complements Banco Sabadell's business activities in the United Kingdom and helps Banco Sabadell to position itself as a key institution for British companies who operate in Spain as well as for Spanish companies who develop



commercial relationships with the United Kingdom. Regional director of Banco Sabadell, Xavier Comerma, and national director of the British Chamber of Commerce in Spain, Eva Prada, signed the agreement.

## Promoting young talent



Graduates of the Talent Graduate Program.

The Bank has hosted the graduation ceremony of 40 recent graduates who have taken part in the first edition of the Talent Graduate Program (TGP). At the celebration, known as Talent Day, an additional 40 young persons were also welcomed to start the second edition. The selected candidates will follow a thorough training program divided between different positions and departments of the bank during the next two years. The TGP is an initiative which recruits recent, young graduates who have a very high potential.

## Over 2,000 start-ups are Banco Sabadell customers

Within the context of the South Summit, an event which was sponsored by Banco Sabadell, and which was held at the beginning of October in Madrid, the Bank reviewed its relationship with the world of startups. Today, more than 2,000 emerging and innovative companies are Banco Sabadell customers, and in two and a half years the BStartup division has already granted 68 million euros in loans to this segment of the market. Furthermore, the BStartup10 and the Sabadell Venture Capital division have already invested €4.5 million in the capital of 27 startups.

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