

2016 year-end results

Banco Sabadell's profit amounts to €710.4 million, 0.3% more, after extraordinary provisions



Chairman Josep Oliu and CEO for Banco Sabadell Jaime Guardiola, during their meeting with the press.

- **Problematic assets have been reduced by €2,961 million, a new record.**
- **Net interest income increased by 19.8%, remaining stable across quarters on a like-for-like basis.**
- **The NPL ratio has fallen from 13.6% in December 2013, at the start of the Triple Plan, to 6.1% in December 2016.**

Banco Sabadell Group closed 2016 with a net attributable profit of €710.4 million, up 0.3% from 2015, and net interest income of €3,837.8 million, a 19.8% increase compared with the previous year.

The entity's results demonstrated the strength of its profits and the stability of its generation of net interest income, in a prolonged low interest rate environment and after making extraordinary provisions which included the impact

of floor clauses. Revenues from the bank's core banking business (net interest income plus income from fees and commissions) remained stable and recurrent costs were lower, both in Spain and in the UK.

Commercial activity performed well despite the highly competitive environment, and the reduction of problematic assets continued to be carried out successfully, amply exceeding expectations. Fully-loaded CET1 capital at

Supplementary dividend of €0.03

On 26 January, the Board of Directors of Banco Sabadell agreed to distribute a supplementary dividend in cash of €0.03 (gross) per share. This dividend supplements the interim dividend of €0.02 (gross) per share which was paid out on 30 December 2016, resulting in a total shareholder remuneration in cash of €0.05 (gross) per share. The dividend will be paid out upon approval at the General Meeting of Shareholders.

2016 year-end stood at a healthy 12%.

Non-performing loans continued to be reduced during the final quarter of the year, to 6.14%. In December 2013, at the start of the Triple Strategic Plan, the NPL ratio stood at 13.6%, meaning that it has been reduced to less than half in three years.

The reduction of problematic assets was higher than the objectives of the Triple plan, with a reduction of €7,411 million over the last three years. 2016 marked a new record in the reduction of problematic assets, with a reduction of €2,961 million during the year, of which €648 million correspond to the fourth quarter.

Insolvency provisions and other impairments, which included the impact of floor clauses, amounted to €1,427.1 million at 2016 year-end, compared with €2,333.2 million in the previous year, which is a 38.8% reduction.

The Group's recurrent expenses decreased throughout the last quarter

The customer spread stood at 2.69%, remaining stable compared with 2015, and income from fees and commissions increased by 5.6% to €1,148.6 million at the end of the year.

The Group's recurrent expenses decreased throughout the last quarter, both in Spain and in the United Kingdom, by 1.9% to €634.5 million. Operating expenses stood at €2,663.3 million, including €87.1 million in non-recurrent expenses.

Increase in performing loans

The Group's gross performing loans showed a balance of €140,557.3 million, implying an increase of 3.9% at a constant exchange rate in a highly competitive environ-

ment. Compared with the previous quarter, this increase was 2%. This represented a 1.7% increase year-on-year.

On-balance sheet customer funds increased by 5.4% considering a constant exchange, totalling €133,456.6 million. Demand deposits and off-balance sheet funds also increased. The latter amounted to €40,605.9 million, an 8.6% increase compared with the previous year.

The balances of sight accounts amounted to €92,010.6 million, an 8.8% increase year-on-year. In total, funds under management amounted to €201,588.8 million, a 0.6% increase year-on-year.

Furthermore, the successful commercial and digital transformation spearheaded the continuous improvement of the bank's efficiency and customer experience in 2016, ranking Banco Sabadell high up in terms of quality.

TSB grows

In 2016, TSB recorded profit before tax and extraordinary gains of £177.7 million, a 68.1% increase. Net interest income amounted to £866.8 million, 10.9% more than in 2015. The positive trends of franchise lending were maintained, boosted by the growth of the mortgage brokerage business and supported by the continued increase of deposits. Furthermore, deposits continued to increase, reflecting customer trust.

	31.12.2015	31.12.2016
RATIOS	%	%
Cost-to-income ¹	48,96	48,68
Core capital / Common equity	11,5	12,0
NPL ratio	7,79	6,14
NPL coverage ratio	53,6	51,5*
RESOURCES		
Number of branches	2.873	2.767
Number of employees	26.090	25.945

⁽¹⁾ To calculate these ratios, gross income for 2015 was adjusted to consider €400M in recurrent net trading income.
^(*) Hedges excluding adjustments due to impairment of floor clauses stood at 47.3% for both the Group and TSB.

Cumulative data in thousand euro	31.12.2015	31.12.2016	Absolute change	Relative change
KEY BALANCE SHEET FIGURES				
Total assets	208.627.771	212.507.719	3.879.948	1,9%
Gross customer lending ⁽¹⁾	152.696.837	150.087.282	-2.609.555	-1,7%
On-balance sheet customer funds	131.489.191	133.456.633	1.967.442	1,5%
Off-balance sheet customer funds	37.381.078	40.605.892	3.224.814	8,6%
Own funds	12.274.945	12.926.165	651.220	5,3%
⁽¹⁾ Excluding repos and deposits in credit institutions.				
RESULTS				
Net interest income	3.202.830	3.837.752	634.922	19,8%
Gross income	5.478.370	5.470.698	-7.672	-0,1%
Pre-provisions income	2.862.993	2.411.455	-451.538	-15,8%
Profit attributed to the Group	708.441	710.432	1.991	0,3%

SAB share and the market during 2016

After a relatively negative start to the year for equities in general, as the first half of the year progressed, the situation began to normalise until reaching close of 2015 levels. The results of the UK referendum held on 23rd June 2016 in favour of Brexit would condition the performance of financial markets during the second half of the year. There were significant declines in global stock exchanges, the IBEX-35 saw its highest one-day drop in its history, whilst the price of securities in the financial sector plummeted.

During the second half of the year, share price performances began to improve, to a certain extent, from the strong decline at the beginning of summer. However there continued to be significant political and economic uncertainty, both at a domestic and International level, which continued to generate volatility and lead to an erratic performance in the share prices of fixed-income assets and equities. Amongst the political events which have taken place during the last quarter, the following stand out: the end of the political paralysis in Spain, which allowed government to finally be formed, and the election of Donald Trump as the new President of the United States. With regard to economic developments, the huge rally of oil prices and the hike in North American interest rates are particularly noteworthy.

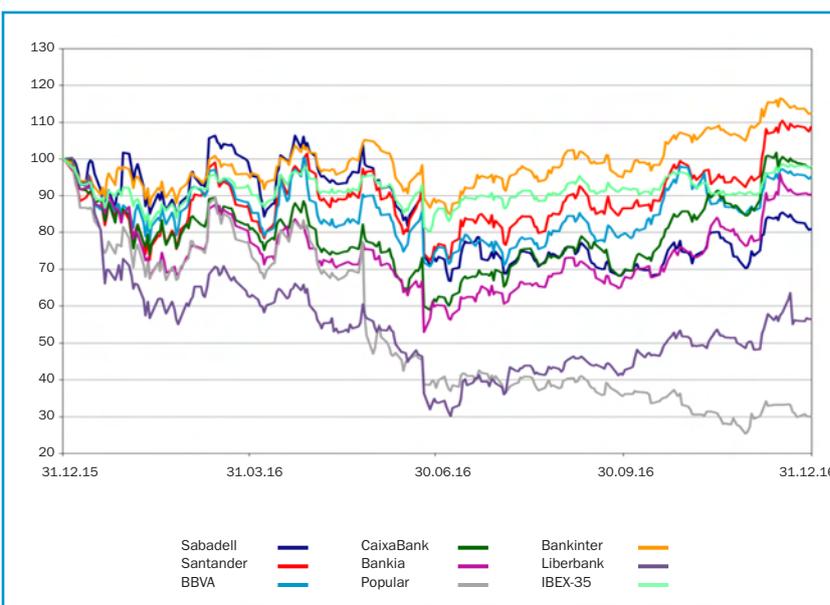
The vote in favour of Brexit conditioned the performance of the financial markets

Throughout the year, the average fall in the share prices of the eight listed Spanish banks reached -15.99%. The Ibex-35 fell by -2.01% during the same period. Using share prices adjusted by dividends, rights and other remunerations as a reference, the average fall in the banks' share prices was -12.05%. For Banco Sabadell, these declines reached -19.08% and -14.23% respectively.

SAB share price and volumes

		Final price €	Maximum price €	Minimum price €	Average daily volume (securities)
2015		1,635	2,499	1,577	32.155.802
2016	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
	October	1,219	1,280	1,105	21.350.291
	November	1,177	1,334	1,137	37.573.620
	December	1,323	1,404	1,170	31.892.755
Change					
Dec. 2015 - Dec. 2016		-19,08%			

Share price performance



Technical information *

Number of shares	5.616.151.196
Number of shareholders	260.948
Average daily trading (January-December, in securities)	29.994.232
Average daily trading (January-December, in euros)	41.275.836
Capitalisation	7.430.168.032 €
EPA (earnings per share)	0,13 €
PER (price/earnings ratio)	10,46 x
Book value per share	2,30 €
P/VC (price/book value)	0,57 x
Dividend yield (with closing price at end of Dec.2015)	5,38%
Dividend yield (with closing price at end of Dec.2016)	6,65%

* As of 31 December 2016.

Josep Oliu: “We still need to strive for excellence”



During the Annual Directors' Meeting Josep Oliu spoke to more than 1,600 directors of the bank.

Banco Sabadell held its Annual Directors' Meeting on 14th December, 2016 in Barcelona. The meeting was an excellent opportunity to present the results of the latest strategic plan, plan Triple 2014-2016, and also to set out the action points for the next four years. In terms of future plans, throughout 2017 the bank will focus its efforts on completing the technology migration process for TSB, transforming the sales model and reducing non-performing assets as well as reducing costs. Upon achieving of these objectives, in 2018 the bank will present its new strategic plan.

The Chairman of Banco Sabadell, Josep Oliu, positively valued the giant leap the bank has taken in the last three years and said that “we have been very successful, but we still need to strive for excellence”. The CEO of Banco Sabadell, Jaime Guardiola, categorised as “extraordinary” the business activity carried out between 2014 and 2016. They both highlighted that the bank's challenges lie in being the leaders of customer satisfaction, carrying out the digital transformation without losing sight of the close and differential relationship the bank has with its customers, as well as consolidating the business in the UK and Mexico.

Good economic perspectives for 2017

In mid-January 2017 the Chairman, Josep Oliu, presented his thoughts on the current year in a conference titled “Economic Outlook 2017”, held at the Sabadell Chamber of Commerce. The Chairman highlighted that, in general terms, the outlooks are better than previous years, although he said that global growth will continue to remain contained, but for the first time since the financial crisis, economic growth is not expected to surprise negatively. With regard to the Spanish economy, the Chairman said that it will maintain



More than 200 people attended Josep Oliu's conference at the Sabadell Chamber of Commerce in Sabadell.

a growth rate of 2.5% and, together with Ireland, Spain will be the country that will grow the most within the European Union.

The bank recovered its investment grade rating

At the end of 2016, Moody's raised Banco Sabadell's senior debt rating (Baa3), allowing the bank to recover its investment grade rating again after four years. This new rating reflects the improvement of the bank's fundamentals, mainly in terms of risk. In November 2016, Standard & Poor's also raised the Group's rating outlook to BB+, from Stable to Positive. The increase in rating outlook represents an improvement in asset quality, greater liquidity and consolidation in the national market, as well as geographic diversification in the different sources of income.

Commercial partnership with Mapfre in Mexico



Directors of Mapfre and Banco Sabadell, presenting the agreement in Mexico.

In November 2016, Banco Sabadell and Mapfre entered into a partnership in Mexico to offer financial and business protection through the sale of insurance and provision of services to customers of both companies. The objective of this partnership is to provide full protection through financing plans and insurance coverage in accordance with the needs of each customer.

Shareholders Relations Service

You can view this information on www.grupobancosabadell.com
(Shareholder and Investor Information > Products and Services)

To have it sent to you by email, or to unsubscribe,
please email accionista@bancosabadell.com or call +34 937 288 882

Sena, 12 · 08174 Sant Cugat del Vallès (Barcelona)