

Results at the end of the first quarter of 2017

Banco Sabadell gains €216.1 million and improves its net interest income



The CEO, Jaime Guardiola, with CFO Tomás Varela and External Communications Director, Gabriel Martínez, during the press conference.

- The Group's quarter-on-quarter profits are in line with its 2017 objectives, after increasing by 7.1% excluding TSB.
- Once again, there has been a strong growth in net interest income during the quarter, increasing by 1.6%.
- TSB remains strong: each week it acquires 6,000 new customers, and its lending continues to increase.
- The NPL ratio and the volume of problematic assets continue to decline at a steady pace.

In the first quarter of 2017, Banco Sabadell Group achieved net profit of €216.1 million, a 14.3% decrease compared to one year ago, after the materialisation of the forecast extraordinary technology expenses of TSB. Furthermore, most of the net trading income (NTI) forecast for the year materialised during the first quarter, and has been used to frontload provisions. Quarter-on-quarter profits are in line with 2017 objectives.

Excluding TSB, Banco Sabadell increased its profit by 7.1% during the first quarter, to €203.9 million, thanks

to the solid growth of core banking business income, which was reflected in the improvement in net interest income despite a lower-for-longer interest rate environment.

This allowed the Group's net interest income to reach €962.4 million, representing a 1.6% growth quarter-on-quarter and a 1.8% growth year-on-year considering a constant exchange rate. Furthermore, at the end of the first quarter of 2017, the customer spread stood at 2.77% (2.69% in the previous quarter).

Net trading income (NTI) amounted to €353 million, including, amongst others, €246.2 million in gains on the sale of available-for-sale fixed-income financial assets and €10.4 million in gains on the sale of the stake in Fluidra.

Insolvency provisions and other impairments amounted to €510.6 million at the end of the first quarter, compared with €434.9 million in the same period of the previous year.

TSB remains strong

TSB continues to successfully implement its strategy and its business remains strong. In the first quarter, it had over five million customers, 2.9% more than one year ago, and on average over 6,000 customers opened a bank account with the British bank every week. In the last 12 months, 6% of customers who changed banks or who opened a new bank account in the UK chose TSB. Customer deposits

increased to £29.7 billion, an 11% increase, and lending increased to £30.9 billion, 12.6% more than one year previously.

The integration of the technology platform is proceeding as planned, both in terms of costs and schedule. TSB operating expenses increased by 9.1% quarter-on-quarter due to TSB's extraordinary technology expenses, which had already been forecast.

Fewer problematic assets

The reduction in the volume of problematic assets continues. They were reduced by €506 million over the last three months, of which €439 million corresponded to non-performing exposures and €67 million to foreclosed assets. The Group's NPL ratio also declined to 5.86%, reaching its lowest level since the third quarter of 2011.

On-balance sheet customer funds increased year-on-year by 2.1%, with

a 3.9% growth considering a constant exchange rate and sight account balances increased to €96,643 million, 16.1% more than one year ago. Gross performing loans amounted to €141,365 million, representing a 2.3% increase year-on-year. This percentage growth was negatively affected by changes in the exchange rate of the pound against the euro. Considering a constant exchange rate, the increase in lending would have been 4%.

Higher market shares

Market shares of the Group's main items continued to improve during the first quarter, as did customer appraisals of the quality of service offered by Banco Sabadell. It should be noted that Accenture's NPS (Net Promoter Score) study placed the entity as leader in the corporates and SMEs segments, and the entity moved up a place in the retail segment and is currently ranked second. Banco Sabadell's adaptation to digital channels has contributed to this positive performance. Customers have welcomed these channels, as shown by the 50% increase in the number of Sabadell Wallet downloads during the first quarter of the year.

At 31 March 2017, Banco Sabadell had a phase-in Common Equity Tier 1 (CE1) ratio of 11.94% and a fully-loaded CET1 ratio of 11.9%.

	31.03.2016	31.03.2017
RATIOS	%	%
Cost-to-income ¹	51,34	53,36
Core capital / Common equity	11,90	11,90
NPL ratio ²	7,50	5,86
NPL coverage ratio ²	54,70	53,10
RESOURCES		
Number of branches	2.874	2.767
Number of employees	26.064	26.412

⁽¹⁾ To calculate these ratios, gross income was adjusted to consider recurrent net trading income.
⁽²⁾ For the purpose of comparison, the March 2017 figures include Sabadell United Bank figures.

Cumulative data in million euro	31.03.2016	31.03.2017	Absolute change	Relative change
KEY BALANCE SHEET FIGURES				
Total assets	204.021	219.093	15.072	7,4%
Gross customer lending ^{(1) (2)}	149.828	150.520	693	0,5%
On-balance sheet funds ⁽²⁾	131.290	133.982	2.692	2,1%
Off-balance sheet funds	37.107	41.848	4.741	12,8%
Own funds	12.539	12.992	453	3,6%
RESULTS				
Net interest income	973,9	962,4	-11,5	-1,2%
Gross income	1.567,6	1.600,0	32,4	2,1%
Pre-provisions income	805,7	811,5	5,8	0,7%
Profit attributable to the Group	252,0	216,1	-35,9	-14,3%

⁽¹⁾ Excluding repos and deposits in credit institutions.
⁽²⁾ For the purpose of comparison, the March 2017 figures include Sabadell United Bank figures.

Sabadell share price performance during the first quarter of 2017

In general, international stock exchange performance exhibited an upwards trend throughout the first quarter of 2017. The main North American indices were particularly noteworthy, consistently reaching new historic highs.

In Spain, the IBEX-35 index increased by 11.8%. Overall, the Spanish banking sector performed reasonably well, with an average increase of 15.71%. The SAB share led this index with a significant revaluation of 29.86%. After being hindered at the end of 2016 by the uncertainty arising from the outcome of the Brexit referendum, our share had recovered by the end of January thanks to the presentation of the 2016 results. One of the main factors behind this upturn in the SAB share price was the announcement, at the end of February, of the sale, with significant gains, of our retail banking subsidiary in Florida, Sabadell United Bank. The graph shows the quarterly evolution of share price performance of Spanish banks.

Approval of dividend distribution

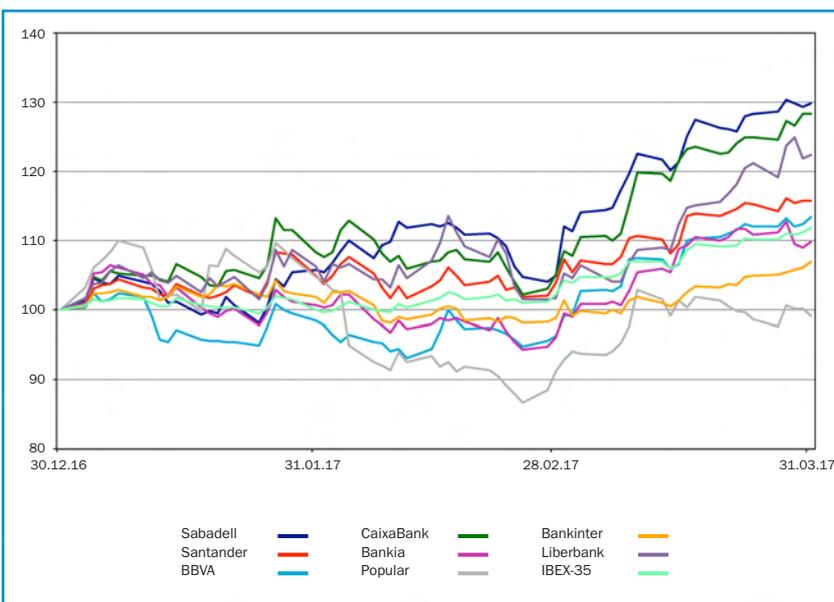
2016

The General Meeting of Shareholders held on 30 March approved the proposed dividend distribution of €0.05 per share corresponding to the year ended 31 December 2016. On 30.12.2016, €0.02 per share was paid on account and the supplementary dividend of €0.03 per share was paid on 7.4.2017.

Sabadell share price and volumes

		Final price €	Maximum price €	Minimum price €	Average daily volume (securities)
2016		1,323	1,810	1,065	29.994.232
2017	January	1,394	1,428	1,295	27.892.517
	February	1,388	1,520	1,372	28.796.306
	March	1,718	1,742	1,430	32.134.611
Change					
Dec. 2016 - Mar. 2017: +29.86%					

Share price performance



Technical information*

Number of shares	5.616.151.196
Number of shareholders	255.205
Average daily trading (January-March, in securities)	29.671.655
Average daily trading (January-March, in euros)	44.003.148
Capitalisation	9.648.547.755 €
EPS (earnings per share)	0,12 €
PER (price/earnings ratio)	14,11 x
Book value per share	2,30 €
Price/book value	0,75 x
Dividend yield (with closing price at end of Dec.2016)	3,78%

* At 31 March 2017.

Shareholders approve the bank's management and results



Photo of the General Meeting of Shareholders, which took place in Sabadell.

On 30 March, the General Meeting of Shareholders of the bank approved the management and results of 2016, with the bank ending the year with net profit of €710.4 million, and agreed to allocate €279.7 million as shareholder remuneration (€0.05 per share).

The appointment of Anthony Frank Elliot Ball as a new independent director of the bank was also approved. The appointment of independent director Manuel Valls was ratified and Maria Teresa Garcia-Milà was re-elected, also as independent director. The re-election of José Luis Negro as executive director was also approved.

The Chairman, Josep Oliu, and the CEO, Jaime Guardiola, gave shareholders an outline of the highlights of 2016, the final year of the Triple Plan. Oliu emphasised that the Triple Plan was crucial “in ensuring the bank is in a strong competitive position, with a plan to create future value in Spain, the United Kingdom and Mexico”. Guardiola noted that “the positive performance of businesses and the results obtained are a testament to the efficiency of our business model and to Banco Sabadell’s ability to create value”.

Banco Sabadell sells Sabadell United Bank

In February, Banco Sabadell reached an agreement with IBERIABANK Corporation to sell Sabadell United Bank, its retail banking subsidiary which has been operating in Florida since 2007, for €967 million. The transaction, agreed at 1.95 times its book value, will generate net gains for Banco Sabadell of €447 million. The transaction is scheduled for completion in the second half of this year, once the relevant permits and authorisations have been obtained from the corresponding regulatory



authorities. Banco Sabadell will continue performing its core corporate banking and international private banking activities through its US branch in Miami.

The 10th tournament for Nadal and Banco Sabadell



Rafa Nadal won this year’s Barcelona Open Banc Sabadell Conde de Godó Award tennis tournament, beating Austrian player Dominic Thiem in two sets (6-4 and 6-1). Nadal, from the Balearic Islands, won his 10th title in the Real Club de Tennis Barcelona, a record in the Barcelona Open, and a milestone which coincided with ten years of the bank’s sponsorship of this tournament.

Best Spanish entity in the United Kingdom



The Spanish Chamber of Commerce in Great Britain granted Banco Sabadell the Annual Golden Award at the beginning of April, an award which recognises the Spanish entity with the most significant achievements in the UK. This award is a testament to Banco Sabadell’s history and commitment to this country, and of its contribution to business relationships between the Spanish and UK markets. The award ceremony took place at the Spanish Embassy in London. Chairman Josep Oliu received the award from the Spanish ambassador to the United Kingdom, Carlos Basterreche, and the President of the Spanish Chamber of Commerce in Spain, Javier San Basillo (pictured).

Shareholders Relations Service

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