

Glossary of terms on alternative 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 (IFRS-EU), and also uses other non-audited measures commonly used in the banking sector (Alternative Performance Measures, or “APMs”) as monitoring indicators for the management of assets and liabilities, and the financial and economic situation of the Group, which facilitates its comparison with other entities.

Following the ESMA guidelines on APMs (ESMA/2015/1415es of October 2015), the purpose of which is to promote the use and transparency of information for the protection of investors in the European Union, the Group presents below, for each APM, the definition and use. In the quarterly financial report, the Group showed the reconciliation of the components of APMs with the headings of the financial statements and their quantification (this report is available in the corresponding section of the website (www.grupbancoabadell.com /Shareholder and Investor Information / Financial information / Quarterly reports) for each period.

Performance measure	Definition and calculation	Use or purpose
ROA	Consolidated profit/(loss) for the year / average total assets. Considers linear annualisation of profits obtained to date adjusted by the relative accrual of contributions to deposit guarantee and resolution funds, except at the year-end reporting date.	Measurement commonly used in the financial industry to determine the accounting profitability of the Group assets.
ROE	Profit/(loss) attributable to the Group / average own funds. The numerator uses the linear annualisation of profits obtained to date adjusted by the relative accrual of contributions to deposit guarantee and resolution funds, except at the year-end reporting date.	Measure commonly used in the financial industry to determine the accounting profitability of the Group's own funds.
RORWA	Profit/(loss) attributable to the Group / risk-weighted assets (RWAs). The numerator uses the linear annualisation of profits obtained to date adjusted by the relative accrual of contributions to deposit guarantee and resolution funds, except at the year-end reporting date.	Measure commonly used in the financial industry to determine the accounting profitability on risk weight assets.
ROTE	Profit/(loss) attributed to the Group / average own funds. The numerator uses the linear annualisation of profits obtained to date adjusted by the relative accrual of contributions to deposit guarantee and resolution funds, except at the year-end reporting date. The denominator excludes goodwill.	Additional measure of profit obtained from equity, although goodwill is excluded from the calculation. This indicator is included in the Group's strategic plan for 2014-2016, and its evolution is monitored.
Cost-to-income ratio	Administrative expenses/gross income. To calculate this ratio, recurring net trading income based on the Group's best estimates, except at year-end reporting date, has been considered, and it has excluded the fee charged by BanSabadell Vida for the reinsurance contract with Swiss Re Europe and the income generated by the early call of TSB's Mortgage Enhancement portfolio. The denominator includes the linear accrual of contributions to deposit guarantee funds and resolution funds, except at the year-end reporting date.	Main indicator of efficiency or productivity of banking activity. It is an indicator which is monitored and included in the Group's Strategic Plan for 2014-2016.
Other operating income and expenses	Comprised of accounting entries: other operating income and other operating expenses, as well as income from assets and expenses on liabilities under insurance and reinsurance contracts.	This indicator pools together the items used to explain part of the changes in the Group's consolidated profit and loss.
Capital gains from the sale of assets and other gains/(losses)	Comprised of the following accounting items: gains or losses on derecognition of non financial assets and gains on the sale of equity interests, net, excluding investment property and equity interests included in the heading of profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations.	This indicator pools together the items used to explain part of the changes in the Group's consolidated profit and loss.
Total provisions and impairments	Comprised of the following accounting items: Impairment or reversal of impairment of investments in joint ventures and associates, impairment or reversal of impairment on non-financial assets, investment property included in the heading of net gains or losses on derecognition of non-financial assets and profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (excluding equity interests), provisions or reversal of provisions and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and net modification losses or gains.	This indicator pools together the items used to explain part of the changes in the Group's consolidated profit and loss.

Performance measure	Definition and calculation	Use or purpose
Pre-provisions income	Comprised of accounting entries: gross income plus administrative expenses and depreciation.	Significant indicator which reflects the evolution of the Group's consolidated profit/(loss).
Customer spread	Difference between returns and expenses of customer assets and liabilities, i.e. the contribution of transactions exclusively with customers to net interest income. Calculated considering the difference between the average rate charged by the bank on its customer loans and credit and the average rate that the bank pays for its customer deposits. The average rate on customer loans and credit is calculated as the accounting financial income on customer lending as an annualised percentage of the average daily balance of customer loans and credit. The average rate of customer funds is calculated as the accounting financial expenses on customer funds as an annualised percentage of the average daily balance of customer funds.	Indicator of the profitability of our purely banking activity.
Other assets	Comprised of accounting entries: 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.	Key figure and one of the main business indicators for financial institutions, and which is monitored.
Other liabilities	Comprised of accounting entries: derivatives- hedge accounting, fair value changes of the hedged items in portfolio hedge of interest rate risk, tax liabilities, other liabilities, liabilities included in disposal groups classified as held for sale.	Key figure and one of the main business indicators for financial institutions, and which is monitored.
Gross performing loans	Also known as performing loans. Includes gross customer lending excluding repos, other valuation adjustments and non-performing assets (loans classified as Stage 3).	Key figure and one of the main business indicators for financial institutions, and which is monitored.
Gross customer lending	Includes loans and advances to customers excluding impairment allowances.	Key figure and one of the main business indicators for financial institutions, and which is monitored.
On-balance sheet customer funds	Includes customer deposits (ex-repos) and other liabilities sold by the branch network (Banco Sabadell straight bonds, commercial paper and others); i.e. financial liabilities at amortised cost excluded financial liabilities without a retail nature.	Key figure and one of the main balances in the Group's consolidated balance sheet, and which is monitored.
On-balance sheet funds	Includes accounting sub-headings of customer deposits, debt securities issued (borrowing operations and other marketable securities and subordinated liabilities).	Key figure and one of the main business indicators for financial institutions, and which is monitored.
Off-balance sheet customer funds	Includes mutual funds, asset management, pension funds and insurance products sold by the Group.	Key figure and one of the main business indicators for financial institutions, and which is monitored.
Funds under management	The sum of on-balance sheet funds and off-balance sheet customer funds.	Key figure and one of the main business indicators for financial institutions, and which is monitored.
Stage 3 risks	The sum of accounting headings of stage 3 assets of loans and advances to customers, not classified as non current assets held for sale, together with guarantees given classified as stage 3.	Key figure and one of the main indicators used in the banking industry to monitor the status and evolution of the quality of credit risk incurred with customers and to assess the management of that risk.
NPL coverage ratio (risks classified as stage 3)	Gives the percentage of non-performing loans covered by allowances and provisions. Its calculation gives the ratio of impairment allowances for loans and advances to customers not classified as non-current assets held for sale (including guarantees given)/ total stage 3 risks (including guarantees given classified as stage 3).	One of the main indicators used in the banking industry to monitor the status and changes in the quality of credit risk incurred with customers and which gives the coverage provided by provisions prepared by the entity for non-performing assets.
Real estate assets coverage ratio	This calculation gives the ratio between impairment allowances for foreclosed real estate assets divided by total foreclosed real estate assets. The amount of foreclosed real estate assets includes properties classified in the portfolio of non-current assets and disposal groups classified as held for sale.	One of the main indicators used in the banking industry to monitor the status and changes in the quality of real estate risk and which gives the coverage provided by provisions prepared by the entity for real estate exposure.

Performance measure	Definition and calculation	Use or purpose
Non-performing assets (NPA)	The sum of non-performing loans and guarantees given classified as stage 3 and foreclosed real estate assets.	Indicator of the total exposure to risks and non-performing assets, including real estate assets.
NPL ratio	Expresses Stage 3 risks as a percentage of total customer lending not classified as non-current assets held for sale. All of the items included in the calculation correspond to headings or sub-headings of the financial accounting statements. It is calculated as the ratio of Stage 3 risks (including guarantees given)/customer loans not classified as non-current assets held for sale (excl. assets acquired under repurchase agreement) and guarantees given. This table shows the definition of Stage 3 risks..	One of the main indicators used in the banking industry to monitor the status and evolution of the quality of credit risk incurred with customers and to assess the management of that risk.
Loan to deposits ratio	Net loans and receivables divided by retail funding. Calculated by subtracting assets acquired under repurchase agreements (ATA) and brokerage loans from the numerator. Retail funding or on-balance sheet customer funds, defined in this table, are used as the denominator.	Measures a bank's liquidity by calculating the relationship between the funds available and the volume of loans and credit given to its customers. Liquidity is one of the key aspects which define an entity's structure.
Market capitalisation	Value obtained by multiplying the share price by the number of shares outstanding as at the reporting date.	It is an economic market indicator or market ratio that gives the total value of a company in line with market prices.
Earnings per share (EPS)	This divides profit/(loss) attributed to the Group by the number of shares outstanding as at the reporting date. The numerator uses the linear annualisation of profits obtained to date adjusted by the amount of the Additional Tier 1 coupon (AT1) and relative accrual of contributions to deposit guarantee and resolution funds except at year-end.	It is an economic market indicator or market ratio that indicates the profitability of a company, and is one of the most commonly used measurements to measure performance.
Book value per share	Calculated by dividing book value by the number of average shares as at the reporting date. Book value refers to the sum of own funds, using the linear annualisation of profit obtained to date adjusted by the amount of the Additional Tier 1 coupon (AT1) and the relative accrual of contributions to deposit guarantee and resolution funds, except at year-end.	It is an economic market indicator or market ratio that gives the book value per share.
TBV per share	Calculated by dividing tangible value by the number of average shares as at the reporting date. Tangible value refers to the sum of own funds, using the linear annualisation of profit obtained to date adjusted by intangible assets and the amount of the Additional Tier 1 coupon, as well as by the relative accrual of contributions to deposit guarantee and resolution funds, except at year-end.	It is an economic market indicator or market ratio that gives the tangible book value per share.
Price / Book value (share price divided by book value)	Calculated by dividing the share price by book value.	An economic measurement or market ratio commonly used by the market, which is representative of the relation between the share price and book value per share.
PER (share price / EPS)	Calculated by dividing the share price by earnings per share.	An economic measurement or market ratio commonly used by the market, which is representative of the market's assessment of a company's profit-generating capacity.