

# Sabadell

## Q1 2018 Results

April 26, 2018

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# 1

## Highlights

# 1Q18 highlights

- Strong momentum in core banking revenue<sup>1</sup>, which grew +3.8% YoY both at Group level and ex-TSB
- Performing loan growth ex-APS NPL run-off<sup>2</sup> of +3.6% YoY (+2.1% ex-TSB), driven by a solid performance of the SME segment and strong new mortgage lending
- Positive total customer funds growth of +4.9% YoY (+5.4% ex-TSB) as a result of strong sight accounts and mutual funds growth of +10.0% and +17.4% respectively
- Continued improvement in asset quality with the net NPA to total assets ratio falling to 3.1% and NPA coverage increasing to 55.2% in the quarter. CoR fell to 64bps, while foreclosed assets continued to be sold with no losses on average
- Strong capital position, comfortably in excess of requirements, with a fully loaded CET1 of 12.0%
- S&P raised Sabadell's long-term credit rating to BBB (stable outlook) from BBB- while Moody's raised Sabadell's mortgage and public covered bonds credit rating to Aa1 from Aa2
- Last weekend TSB moved its five million customers and their 1.3 billion records to its new banking platform

Note: **All data is considered like-for-like for comparison purposes**, i.e. assuming constant FX and excluding Sabadell United Bank, Mediterráneo Vida as well as the Mortgage enhancement portfolio contribution (when applicable).

<sup>1</sup> Core banking revenue refers to net interest income plus commissions.

<sup>2</sup> Excludes the impact of the APS NPL run-off (i.e. the 80% of the APS problematic exposure, due to the DGF, which risk is presented as performing and the net loans and receivables account).

# 2

Profitability and efficiency

# 1Q18 highlights: Profitability and efficiency

% Growth	Sabadell, Group		Sabadell, ex-TSB		Highlights
	QoQ	YoY	QoQ	YoY	
<b>Performing loans<sup>1</sup></b>	+0.4%	+3.6%	+1.0%	+2.1%	<ul style="list-style-type: none"> <li>▪ <b>Strong performing loan growth YoY and QoQ</b> driven by a solid performance of the SME segment and strong new mortgage lending, with Spain growing +0.8% QoQ</li> <li>▪ <b>Net interest income performed remarkably well YoY.</b> Quarterly, net interest income was slightly down, impacted by negative Euribor re-pricing and fewer calendar days in the quarter</li> <li>▪ <b>Customer spread remained robust at 2.8%</b> driven by our ability to defend pricing. NIM was stable QoQ despite liquidity inflows during the quarter</li> </ul>
<b>NII</b>	-1.5%	+2.8%	-1.3%	+1.9%	
<b>Commissions</b>	-1.4%	+6.7%	-1.2%	+8.2%	<ul style="list-style-type: none"> <li>▪ <b>High single digit commission's growth YoY</b> supported by a strong performance in service and asset management fees. Commissions were down QoQ due to seasonality</li> </ul>

- Most of the **trading income** expected for the year **materialised during the quarter**
- **Non-recurrent expenses** related to the **TSB IT migration** have been **recognised in Q1**. **IT synergies will begin materialising from 2Q18**. Excluding non-recurrent costs, personnel and administrative costs increased by +1.5% QoQ due to cost ramp-up in Mexican business and seasonality in personnel expenses (at the ex-TSB level)
- **CoR was reduced to 64bps**, showing good progress towards achieving our YE target of 60bps

Note: **All data is considered like-for-like for comparison purposes**, i.e. assuming constant FX and excluding Sabadell United Bank, Mediterráneo Vida as well as the Mortgage enhancement portfolio contribution (when applicable).<sup>1</sup> Excludes the impact of the APS NPL run-off (i.e. the 80% of the APS problematic exposure, due to the DGF, which risk is presented as performing and the net loans and receivables account).

# Quarterly income statement

Euros in million	Sabadell, Group							Sabadell, ex-TSB				
	1Q17	4Q17	1Q18	%QoQ constant FX	%QoQ	%YoY like-for-like constant FX	%YoY like-for-like	1Q17	4Q17	1Q18	%QoQ	%YoY like-for-like
<b>Net interest income</b>	<b>894.3</b>	<b>924.6</b>	<b>911.5</b>	<b>-1.5%</b>	<b>-1.4%</b>	<b>2.8%</b>	<b>1.9%</b>	<b>646.0</b>	<b>667.3</b>	<b>658.4</b>	<b>-1.3%</b>	<b>1.9%</b>
Equity method & dividends	16.2	12.2	12.9	5.8%	5.8%	-20.8%	-20.8%	16.2	12.0	12.8	6.9%	-21.3%
Commissions	295.3	319.0	314.4	-1.4%	-1.4%	6.7%	6.5%	269.3	295.0	291.3	-1.2%	8.2%
Trading income & forex	353.4	35.0	226.0	--	--	-36.0%	-36.1%	342.4	21.3	218.8	--	-36.1%
Other operating results	-14.2	-136.5	-9.7	-92.9%	-92.9%	-30.7%	-31.8%	-11.6	-131.0	-7.0	-94.7%	-39.9%
<b>Gross operating income</b>	<b>1,545.0</b>	<b>1,154.1</b>	<b>1,455.1</b>	<b>26.0%</b>	<b>26.1%</b>	<b>-5.3%</b>	<b>-5.8%</b>	<b>1,262.3</b>	<b>864.6</b>	<b>1,174.3</b>	<b>35.8%</b>	<b>-7.0%</b>
<b>Memo: Gross operating income excl. trading income</b>	<b>1,192.7</b>	<b>1,120.5</b>	<b>1,232.6</b>	<b>9.9%</b>	<b>10.0%</b>	<b>4.0%</b>	<b>3.3%</b>	<b>921.1</b>	<b>844.5</b>	<b>959.0</b>	<b>13.6%</b>	<b>4.1%</b>
Personnel recurrent costs	-375.2	-383.7	-383.6	-0.1%	0.0%	3.0%	2.2%	-281.8	-280.5	-290.2	3.5%	3.0%
Administrative recurrent costs	-275.4	-281.9	-292.3	3.6%	3.7%	7.6%	6.2%	-144.2	-163.5	-162.4	-0.7%	12.6%
Non recurrent costs	-17.6	-12.2	-77.0	--	--	--	--	-3.2	-9.0	-3.3	-63.8%	2.0%
Depreciation & amortisation	-99.1	-101.9	-87.1	-14.6%	-14.5%	-11.6%	-12.1%	-81.5	-84.4	-69.4	-17.8%	-14.8%
Total costs excl. non recurrent costs	-749.6	-767.5	-763.0	-0.7%	-0.6%	2.7%	1.8%	-507.6	-528.4	-522.0	-1.2%	2.8%
<b>Pre-provisions income</b>	<b>777.8</b>	<b>374.4</b>	<b>615.1</b>	<b>64.2%</b>	<b>64.3%</b>	<b>-20.8%</b>	<b>-20.9%</b>	<b>751.6</b>	<b>327.2</b>	<b>649.0</b>	<b>98.4%</b>	<b>-13.6%</b>
<b>Memo: Pre-provisions income excl. trading income and non recurrent costs</b>	<b>443.1</b>	<b>352.9</b>	<b>469.6</b>	<b>33.0%</b>	<b>33.1%</b>	<b>6.2%</b>	<b>6.0%</b>	<b>413.5</b>	<b>316.1</b>	<b>437.0</b>	<b>38.2%</b>	<b>5.7%</b>
Total provisions & impairments	-508.3	-228.5	-244.8	7.1%	7.1%	-51.8%	-51.8%	-484.4	-205.0	-221.5	8.0%	-54.3%
Gains on sale of assets and other results	1.7	48.6	-0.6	--	--	--	--	-5.7	48.0	-1.1	--	-81.5%
<b>Profit before taxes</b>	<b>271.2</b>	<b>194.4</b>	<b>369.7</b>	<b>90.0%</b>	<b>90.2%</b>	<b>36.4%</b>	<b>36.3%</b>	<b>261.5</b>	<b>170.2</b>	<b>426.5</b>	<b>150.6%</b>	<b>63.1%</b>
Taxes	-74.0	-44.7	-108.9	143.3%	143.6%	47.3%	47.1%	-68.4	-36.1	-121.9	237.3%	78.2%
Minority interest	1.8	2.0	1.5	-28.4%	-28.4%	-16.7%	-16.7%	1.8	2.0	1.5	-28.4%	-16.7%
<b>Attributable net profit</b>	<b>195.4</b>	<b>147.7</b>	<b>259.3</b>	<b>75.4%</b>	<b>75.6%</b>	<b>32.8%</b>	<b>32.7%</b>	<b>191.3</b>	<b>132.0</b>	<b>303.1</b>	<b>129.6%</b>	<b>58.4%</b>

- **Net profit increased by +32.8% YoY (+58.4% ex-TSB)**
- **Pre-provisions income (excl. trading income and non recurrent costs) grew by +6.2% YoY (+5.7% ex-TSB)**

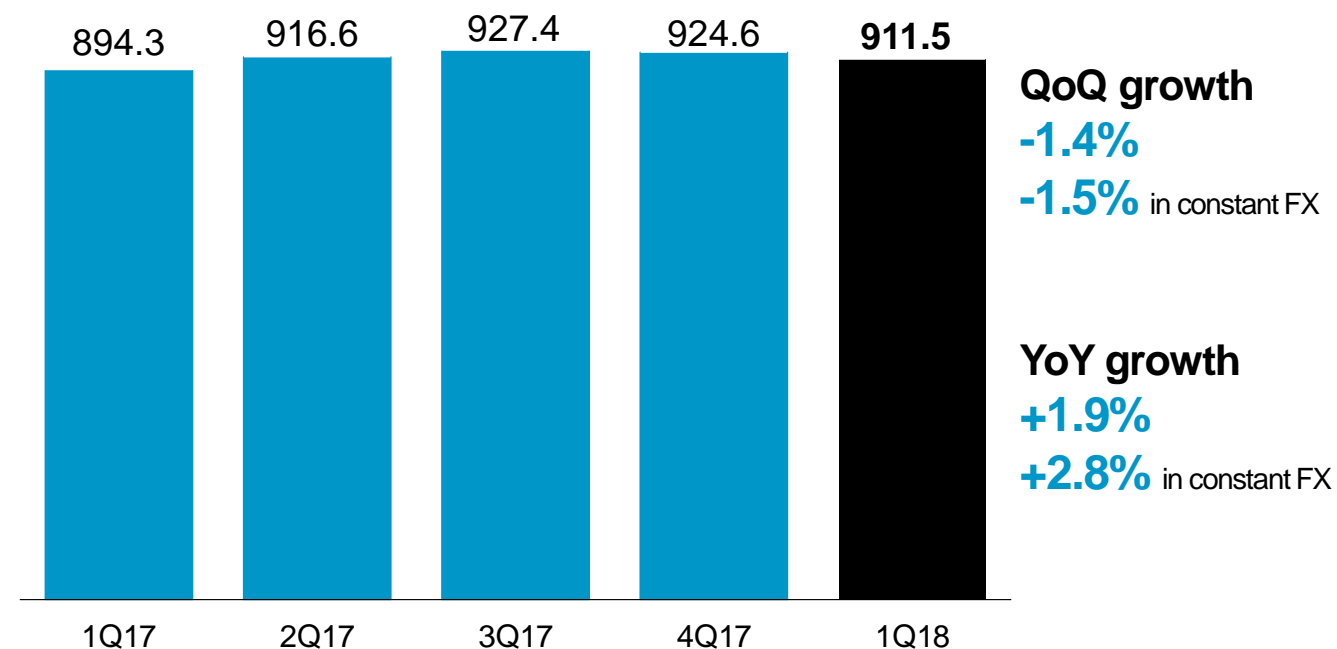
Note: **All data is considered like-for-like for comparison purposes**, i.e. assuming constant FX and excluding Sabadell United Bank, Mediterráneo Vida as well as the Mortgage enhancement portfolio contribution (when applicable). Quarterly income statement "as reported" is included in the annex section.

The EURGBP exchange rate of 0.8834 used for this quarter's P&L corresponds to the daily average rate of 1Q18 (0.8871 as of 4Q17).

# Net interest income decreased slightly QoQ impacted by fewer calendar days and Euribor re-pricing

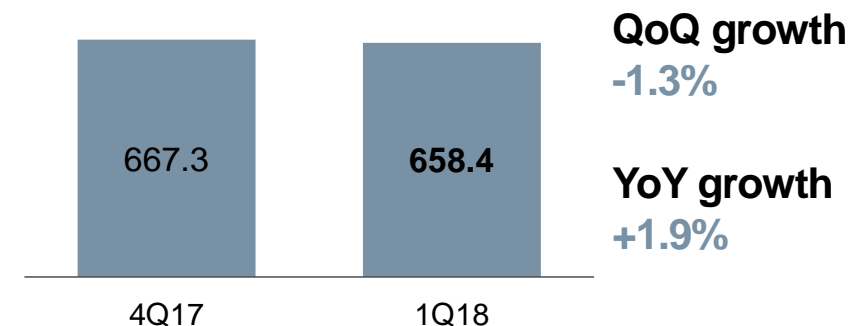
## Group net interest income evolution

Euros in million



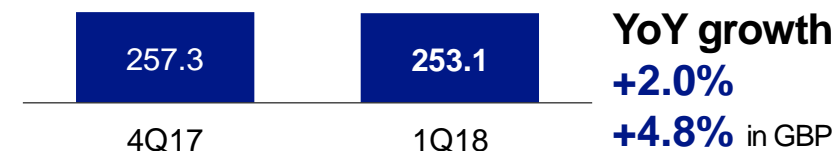
## Sabadell, ex-TSB

Euros in million



## TSB

Euros in million



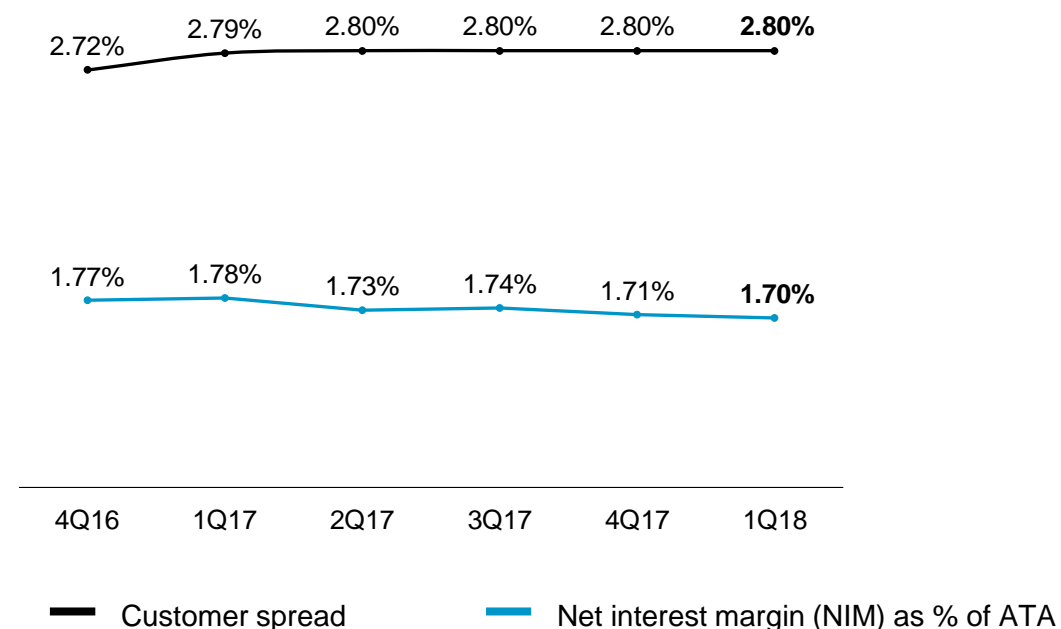
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# Net interest margin remained stable despite liquidity inflows during the quarter

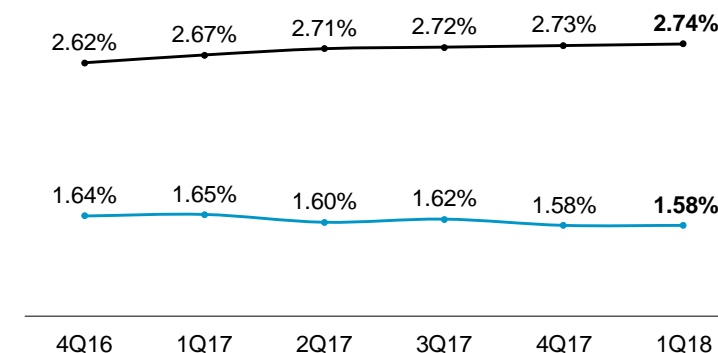
## Customer spread and net interest margin, Sabadell Group

In percentage



## Sabadell, ex-TSB

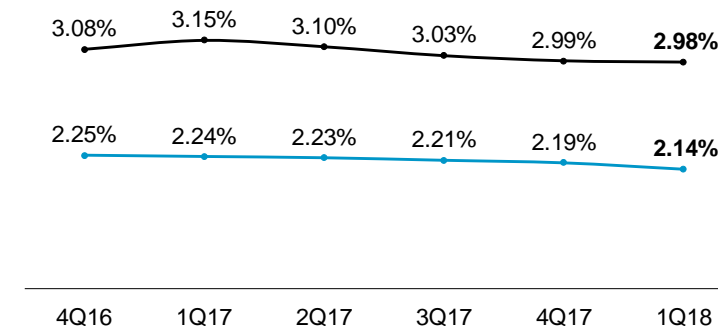
In percentage



TLTRO II net lending benchmark achieved, ensuring the lowest possible funding cost (-40bps)

## TSB

In percentage



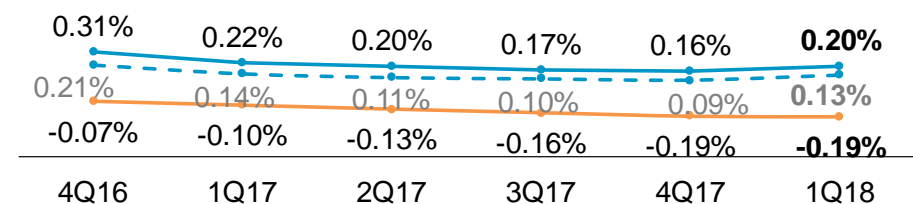
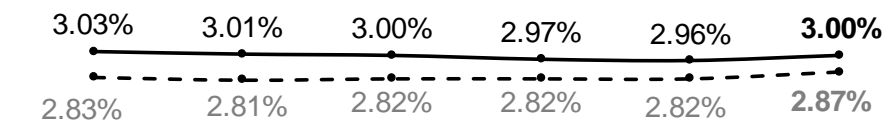
TSB withdrew an additional c.£850M of TFS funding, which increased liquidity impacting NIM downwards QoQ

Note: All data is considered like-for-like for comparison purposes, i.e. excluding Sabadell United Bank, Mediterráneo Vida as well as the Mortgage enhancement portfolio contribution (when applicable).

# Customer spread remained robust as a result of our ability to defend pricing

## Customer loan yield and cost of funds

In percentage

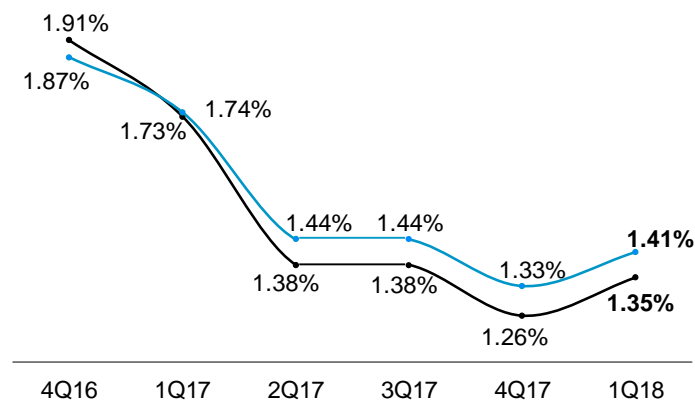


- Customer loan yield, group
- Customer loan yield, ex-TSB
- Cost of customer funds, group
- Cost of customer funds, ex-TSB
- Euribor 12M (quarterly average)

Note: All data is considered like-for-like for comparison purposes, i.e. assuming constant FX and excluding Sabadell United Bank, Mediterráneo Vida as well as the Mortgage enhancement portfolio contribution (when applicable). Contractual rates for Euro term deposits. Wholesale funding cost excludes the additional benefit from TLTRO II and TFS funding.

## Wholesale funding cost

In percentage

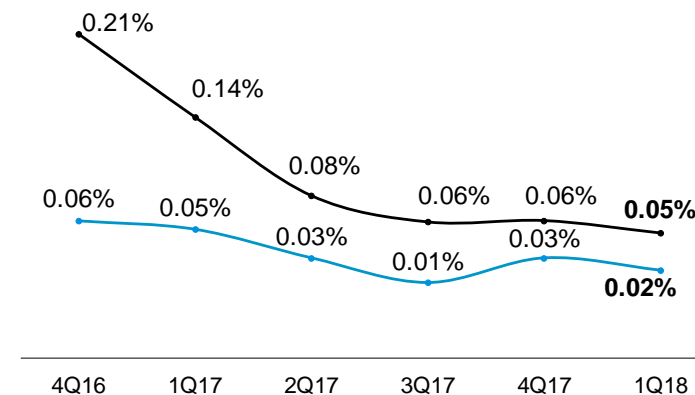


Wholesale funding cost was impacted by a positive one-off in 4Q17 and is recovering to its normalised level

- Wholesale funding cost, group
- Wholesale funding cost, ex-TSB

## Contractual rates on term deposits, ex-TSB

In percentage

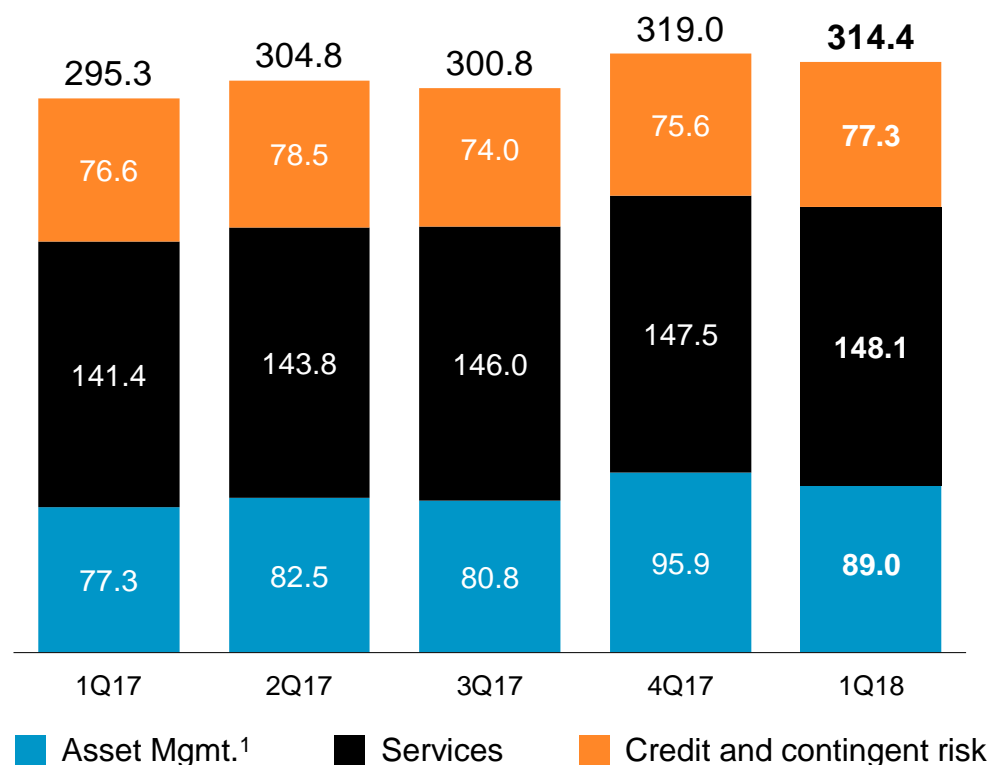


- Stock
- New production/renewals

# Commissions were up +6.7% YoY (+8.2% ex-TSB) and decreased slightly QoQ due to seasonality

## Group commission income evolution

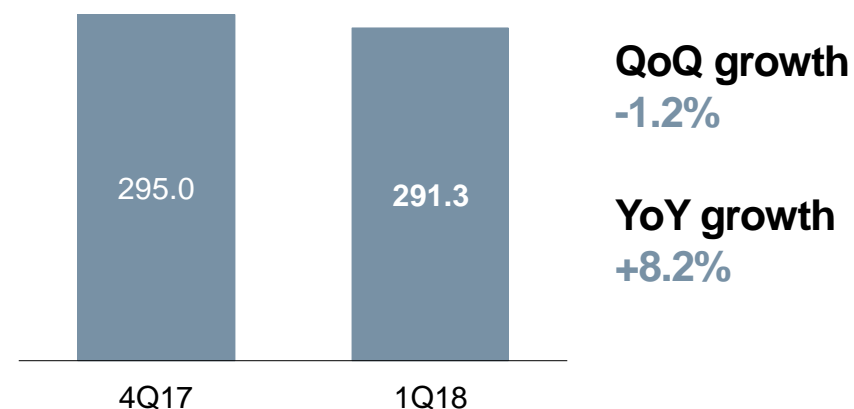
Euros in million



**QoQ growth**  
 -1.4%  
 -1.4% in constant FX  
  
**YoY growth**  
 +6.5%  
 +6.7% in constant FX

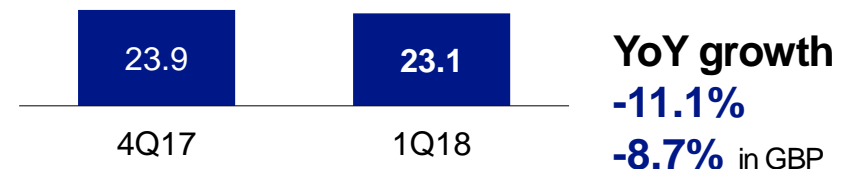
## Sabadell, ex-TSB

Euros in million



## TSB

Euros in million



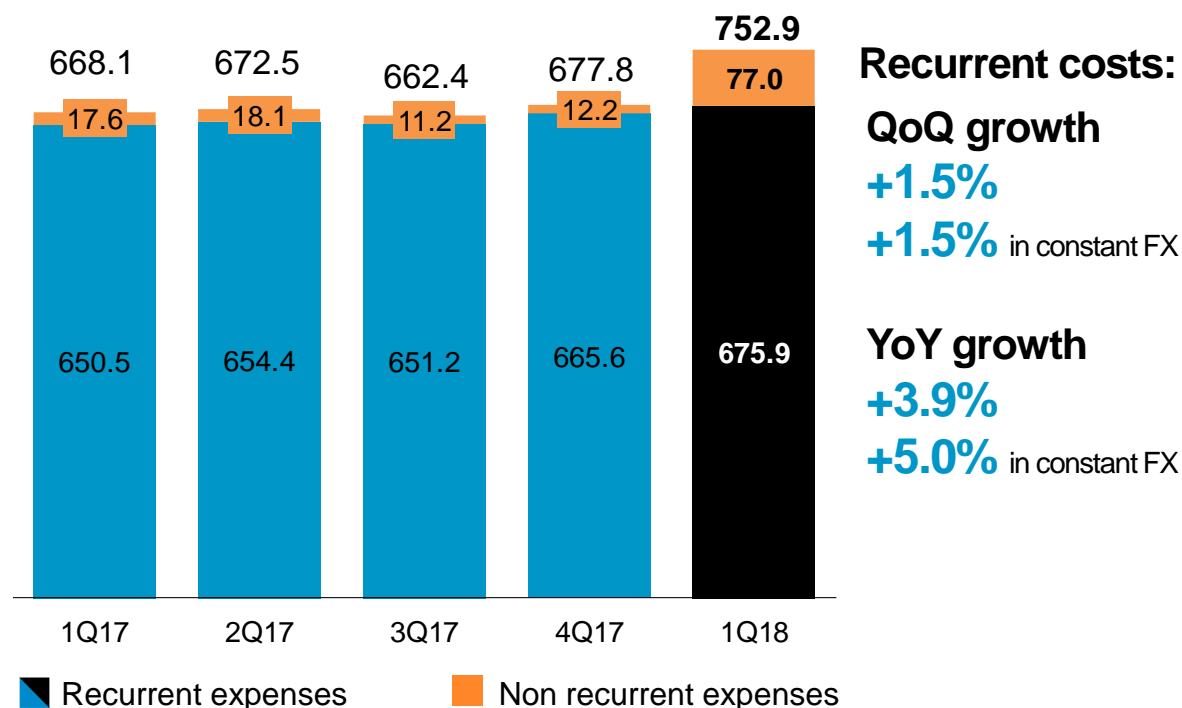
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<sup>1</sup> Includes mutual funds, pension funds, insurance brokerage and wealth management commissions.

# Non-recurrent expenses related to the TSB IT migration have been recognised in Q1, synergies to begin materialising from Q2

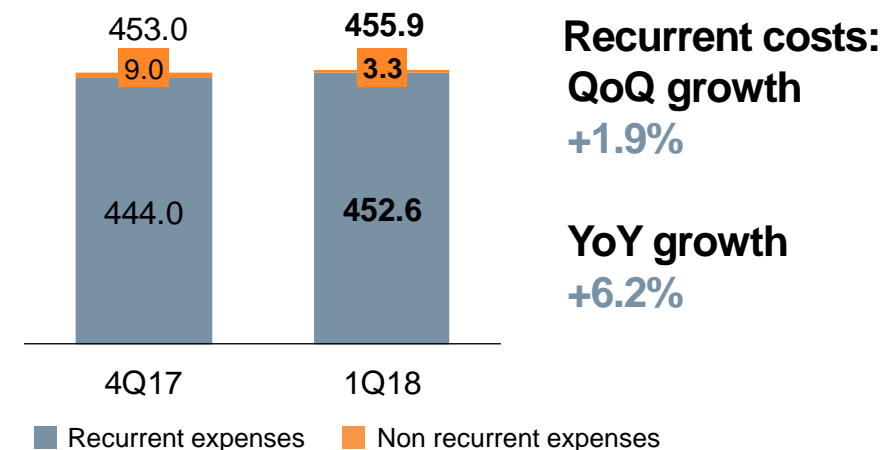
## Group personnel and general expenses

Euros in million



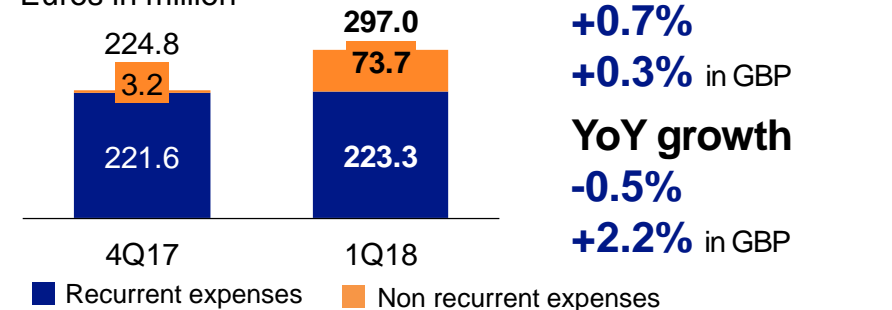
## Sabadell, ex-TSB

Euros in million



## TSB

Euros in million



Note: All data is considered like-for-like for comparison purposes, i.e. assuming constant FX and excluding Sabadell United Bank, Mediterráneo Vida as well as the Mortgage enhancement portfolio contribution (when applicable). YoY growth calculated as the growth rate of cumulative results to March 2018 vs. cumulative results to March 2017. The EURGBP exchange rate of 0.8834 used for this quarter's P&L corresponds to the daily average rate of 1Q18 (0.8871 as of 4Q17).

# 3

Commercial activity and  
transformation

# 1Q18 highlights: Commercial activity and transformation

- Performing loan growth ex-APS NPL run-off <sup>1</sup> of +3.6% YoY (+2.1% ex-TSB) and +0.4% QoQ (+1.0% ex-TSB), driven by a solid performance of the SME segment and strong new mortgage lending
- Group customer funds increased by +1.0% in the quarter (+1.1% ex-TSB)
  - On-balance sheet customer funds evolved positively QoQ increasing by +0.5% due to growing sight accounts, which increased by +3.4% in the quarter
  - Off-balance sheet funds increased by +2.3% QoQ mainly driven by an outstanding net inflow of mutual and insurance funds, which grew +2.8% and +3.5% respectively
- Strong commercial performance coupled with the highest standards of quality of service and customer experience:
  - In Spain, increasing market share and top ranked in quality of service. Our Equos service quality score reached 8.19 in the quarter, which represented a historic maximum
  - In the UK, TSB grew less quickly in the quarter as anticipated, in preparation for migration
  - Exponential lending and customer funds growth in Mexico

Note **All data is considered like-for-like for comparison purposes**, i.e. assuming constant FX and excluding Sabadell United Bank, Mediterráneo Vida as well as the Mortgage enhancement portfolio contribution (when applicable).

<sup>1</sup> Excludes the impact of the APS NPL run-off (i.e. the 80% of the APS problematic exposure, due to the DGF, which risk is presented as performing and the net loans and receivables account).

# Balance sheet dynamics

## Evolution of customer loans and funds

Euros in million	Sabadell Group							Sabadell, ex-TSB				
	Mar-17	Dec-17	Mar-18	%QoQ constant FX	%QoQ	%YoY like-for-like constant FX	%YoY like-for-like	Mar-17	Dec-17	Mar-18	%QoQ	%YoY like-for-like
<b>Total assets</b>	<b>209,675</b>	<b>221,348</b>	<b>219,009</b>	<b>-1.4%</b>	<b>-1.1%</b>	<b>5.3%</b>	<b>4.5%</b>	<b>164,219</b>	<b>173,203</b>	<b>169,676</b>	<b>3.3%</b>	<b>-2.0%</b>
Of which:												
Gross loans to customers ex repos <sup>1</sup>	144,373	145,323	144,967	-0.7%	-0.2%	1.1%	0.4%	110,254	109,742	108,949	-0.7%	-1.2%
Performing loans	135,238	137,522	137,246	-0.6%	-0.2%	2.2%	1.5%	101,320	102,119	101,653	-0.5%	0.3%
<b>Performing loans ex-APS NPL run-off<sup>3</sup></b>	<b>128,785</b>	<b>131,287</b>	<b>132,482</b>	<b>0.4%</b>	<b>0.9%</b>	<b>3.6%</b>	<b>2.9%</b>	<b>94,866</b>	<b>95,884</b>	<b>96,889</b>	<b>1.0%</b>	<b>2.1%</b>
Fixed income portfolio	29,573	24,638	27,609	11.9%	12.1%	-6.1%	-6.6%	26,107	22,253	24,759	11.3%	-5.2%
<b>Total liabilities</b>	<b>199,186</b>	<b>208,127</b>	<b>206,139</b>	<b>-1.3%</b>	<b>-1.0%</b>	<b>4.3%</b>	<b>3.5%</b>	<b>154,162</b>	<b>162,458</b>	<b>159,209</b>	<b>3.3%</b>	<b>-2.0%</b>
Of which:												
<b>On-balance sheet customer funds</b>	<b>130,148</b>	<b>132,096</b>	<b>133,280</b>	<b>0.5%</b>	<b>0.9%</b>	<b>3.0%</b>	<b>2.4%</b>	<b>95,430</b>	<b>97,686</b>	<b>98,283</b>	<b>0.6%</b>	<b>3.0%</b>
Term funds <sup>2</sup>	36,909	34,076	31,486	-7.8%	-7.6%	-14.4%	-14.7%	32,001	29,647	27,491	-7.3%	-14.1%
Sight accounts	93,239	98,020	101,794	3.4%	3.9%	10.0%	9.2%	63,429	68,039	70,792	4.0%	11.6%
Wholesale funding	19,647	22,062	21,259	-3.8%	-3.6%	8.4%	8.2%	18,065	20,141	19,374	-3.8%	7.2%
ECB funding	21,295	21,501	20,987	-2.4%	-2.4%	-1.4%	-1.4%	21,295	21,501	20,987	-2.4%	-1.4%
BoE funding	3,397	6,341	7,402	15.1%	16.7%	122.8%	117.9%	0	0	0	--	--
<b>Off-balance sheet funds</b>	<b>41,848</b>	<b>45,325</b>	<b>46,364</b>	<b>2.3%</b>	<b>2.3%</b>	<b>10.8%</b>	<b>10.8%</b>	<b>41,848</b>	<b>45,325</b>	<b>46,364</b>	<b>2.3%</b>	<b>10.8%</b>
Of which:												
Mutual funds	23,964	27,375	28,136	2.8%	2.8%	17.4%	17.4%	23,964	27,375	28,136	2.8%	17.4%
Pension funds	4,090	3,987	3,911	-1.9%	-1.9%	-4.4%	-4.4%	4,090	3,987	3,911	-1.9%	-4.4%
Third party insurance products	10,024	9,965	10,313	3.5%	3.5%	2.9%	2.9%	10,024	9,965	10,313	3.5%	2.9%
Managed accounts	3,771	3,999	4,004	0.1%	0.1%	6.2%	6.2%	3,771	3,999	4,004	0.1%	6.2%
<b>Total customer funds</b>	<b>171,996</b>	<b>177,421</b>	<b>179,644</b>	<b>1.0%</b>	<b>1.3%</b>	<b>4.9%</b>	<b>4.4%</b>	<b>137,278</b>	<b>143,011</b>	<b>144,647</b>	<b>1.1%</b>	<b>5.4%</b>

**Group performing loan book increased +0.4% QoQ<sup>3</sup> and grew +3.6% YoY<sup>3</sup>. APS annual cash payment received in the quarter from the Deposit Guarantee Fund for €1,429M**

Note **All data is considered like-for-like for comparison purposes**, i.e. assuming constant FX and excluding Sabadell United Bank, Mediterráneo Vida as well as the Mortgage enhancement portfolio contribution (when applicable). The EURGBP exchange rate of 0.8749 used for this quarter's balance sheet is the closing exchange rate as of March 2018.

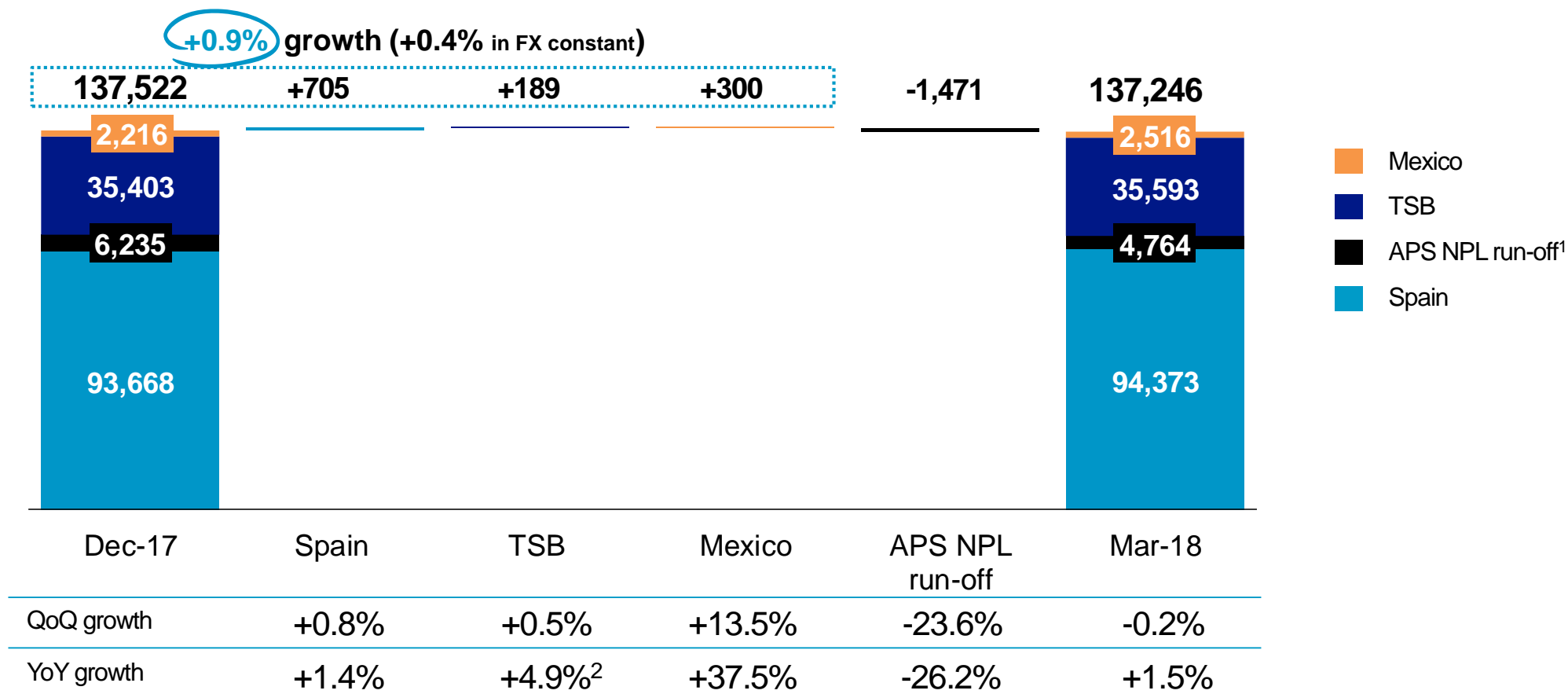
<sup>1</sup> Includes accrual adjustments. <sup>2</sup> Term funds include term deposits and other funds placed via the branch network and exclude repos and deposits from institutional clients.

<sup>3</sup> Excludes the impact of the APS NPL run-off (i.e. the 80% of the APS problematic exposure, due to the DGF, which risk is presented as performing and the net loans and receivables account).

# Group performing loans continue to show a robust performance with +0.9% growth QoQ

## Performing loans: performance by geographies, Group

Euros in million



Note: **Figures as reported.** Excludes accrual adjustments. The EURGBP exchange rate of 0.8749 used for this quarter's balance sheet is the closing exchange rate as of March 2018.

<sup>1</sup> APS NPL run-off includes the 80% of the APS problematic exposure due to the DGF which risk is presented as performing and the net loans and receivables account.

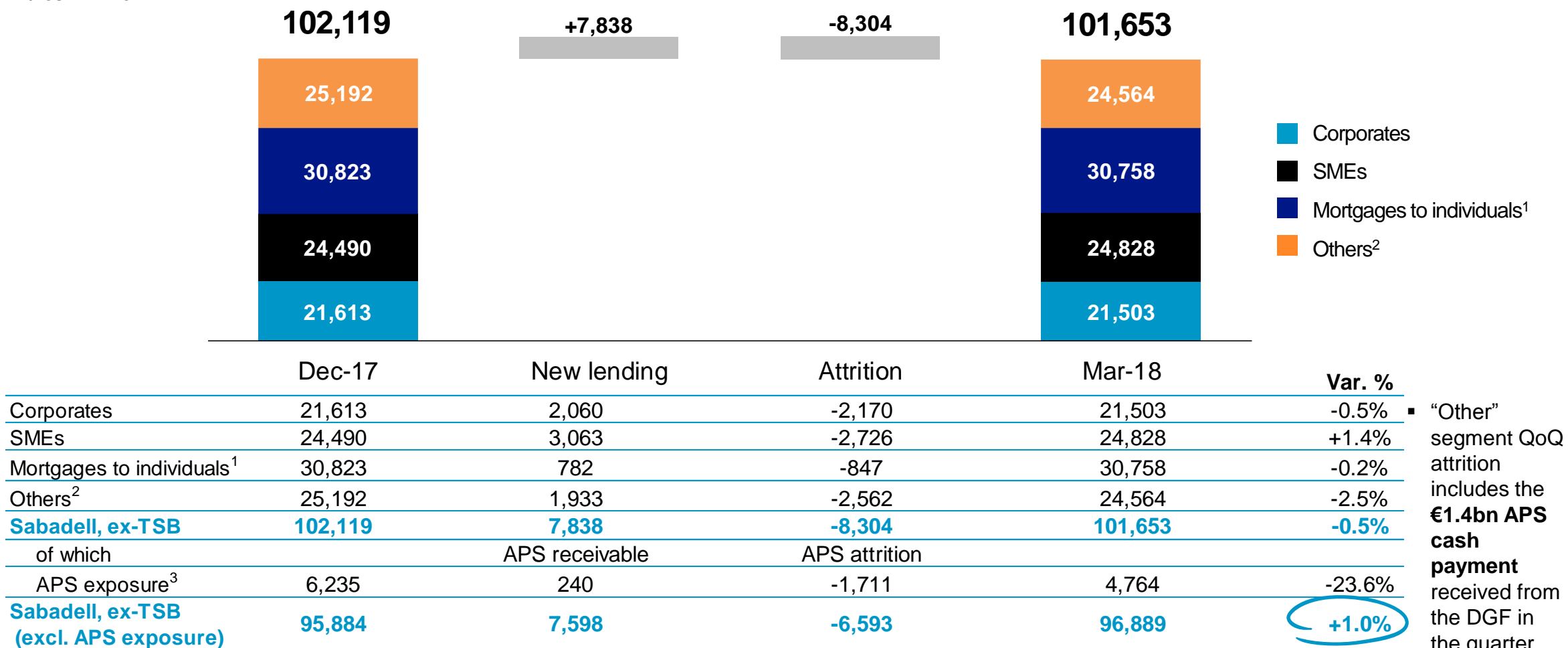
<sup>2</sup> Excluding the mortgage enhancement portfolio.



# Performing loans ex-TSB increased 1.0% QoQ with a solid performance in SMEs and stable mortgage balances

## Performing loans: performance by customer type, ex-TSB

Euros in million



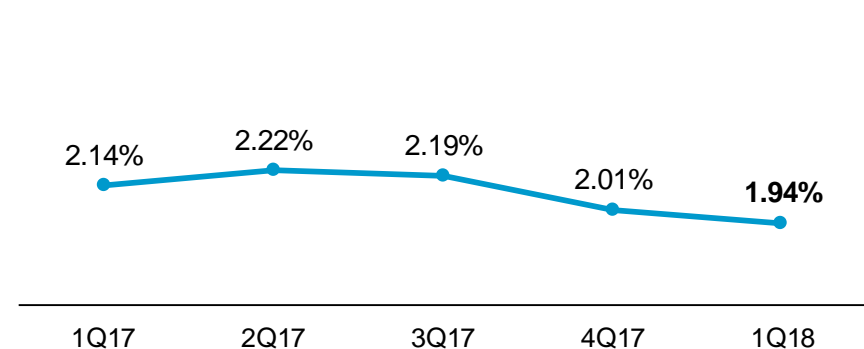
Note: Excludes accrual adjustments. The EURGBP exchange rate of 0.8749 used for this quarter's balance sheet is the closing exchange rate as of March 2018.

<sup>1</sup> Refers to residential mortgages for individuals only within Spain. <sup>2</sup> “Others” include mortgages to large companies and SMEs, consumer lending, the DGF net loans and receivables account, and other sectors including construction and real estate sectors. <sup>3</sup> Includes the impact of the APS (i.e. the 80% of the APS problematic exposure which risk is presented as performing and the net loans and receivables account) for comparison purposes.

# Lower prices in mortgages and new consumer lending were offset by increasing spreads for SMEs and Corporates

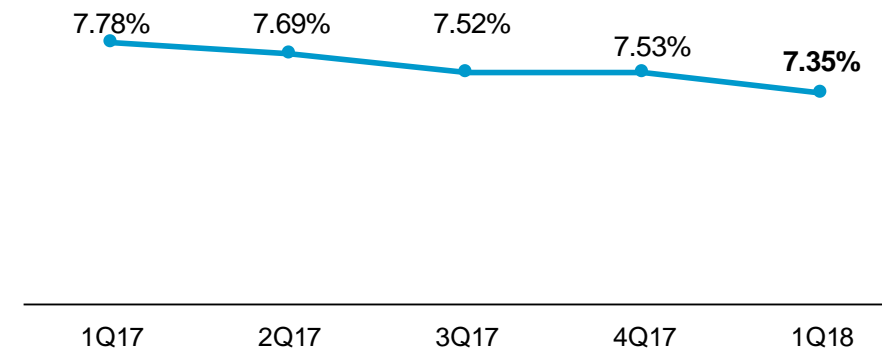
## Mortgages to individuals

Yield in percentage



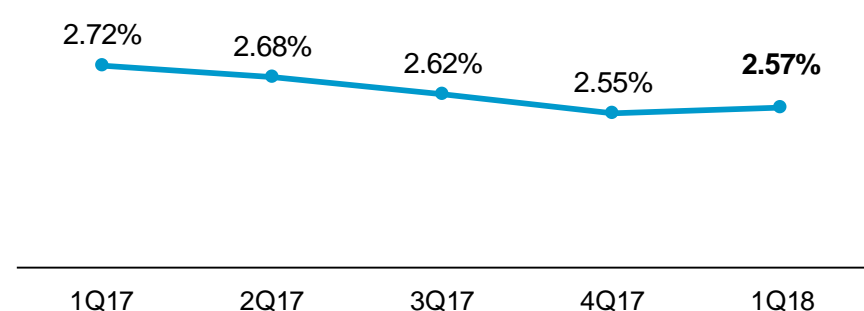
## Consumer loans

Yield in percentage



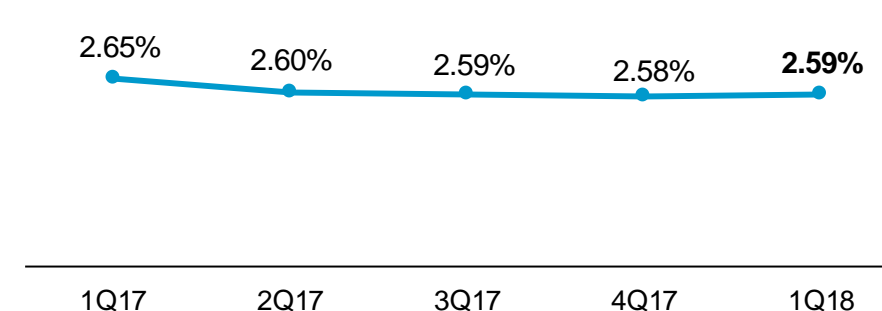
## Loans to SMEs and Corporates

Yield in percentage



## Credit line for SMEs and Corporates

Yield in percentage

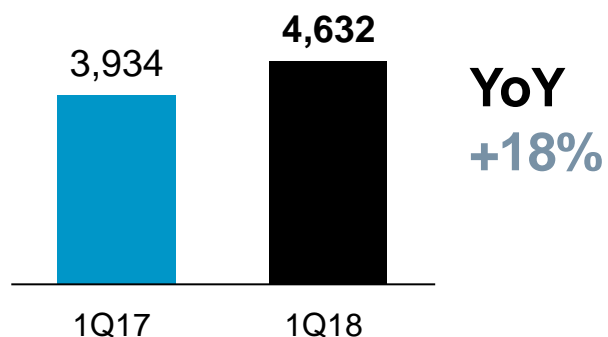


Note: Data refers to yields from the front book of the Spanish Commercial Banking Unit, excluding Sabadell Consumer Finance.

# Strong commercial momentum in Spain

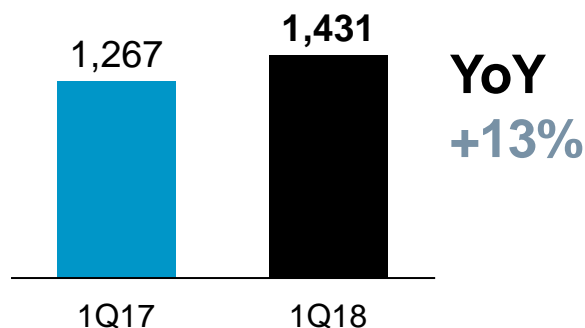
## New loans and credit facilities to SMEs

Euros in million



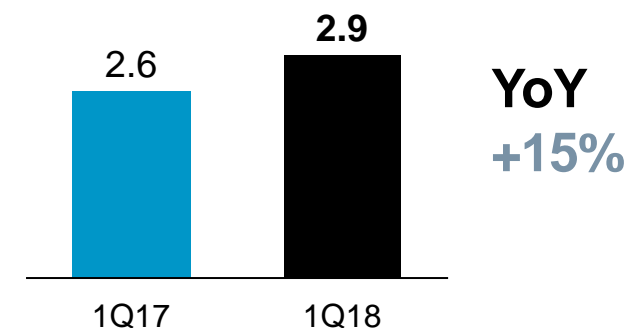
## New mortgages & consumer loans<sup>1</sup>

Euros in million



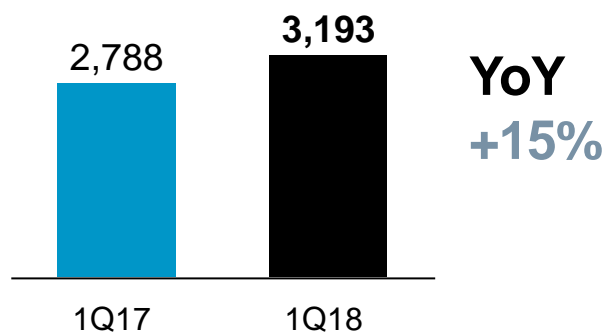
## Expansión accounts<sup>2</sup>

Number of accounts in million



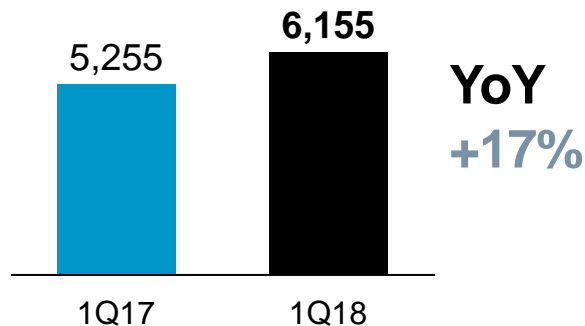
## Credit cards turnover

Euros in million



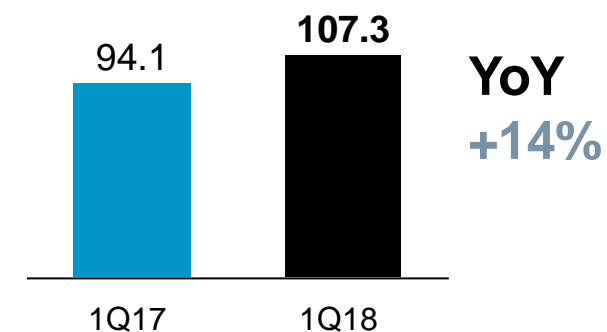
## PoS turnover

Euros in million



## New insurance contracts

Number of contracts in thousands



<sup>1</sup> New mortgages to individuals and self-employed. New consumer loans including Sabadell Consumer Finance.

<sup>2</sup> Expansión account is the relationship account with engaged businesses and individuals.

# We continue to grow our market position in Spain

## Market shares by product

In percentage

### Companies

Mar- 18

Mar- 17

Loans <sup>1</sup>	Export documentary credit	PoS turnover	Transact <sup>2</sup>
↑11.25%	↑29.73%	↑14.62%	↑ 9.77%
11.14%	28.85%	13.79%	9.60%

### Individuals

Mar- 18

Mar- 17

Credit card turnover	Life insurance <sup>3</sup>	Household sight acc.	Mutual funds
↑ 7.59%	↑ 5.50%	↑ 6.10%	↑ 6.22%
7.46%	5.21%	6.00%	6.04%

Note: 2018 data as of March 2018 or last available month. Figures to make data comparable YoY.

Sources include ICEA (life insurance), Bank of Spain (loans and household current acc.), Servired (PoS turnover and credit card turnover), Iberpay (transact.) and Swiftwatch (export documentary credit).

<sup>1</sup> Excluding loans to Real Estate companies and repos.

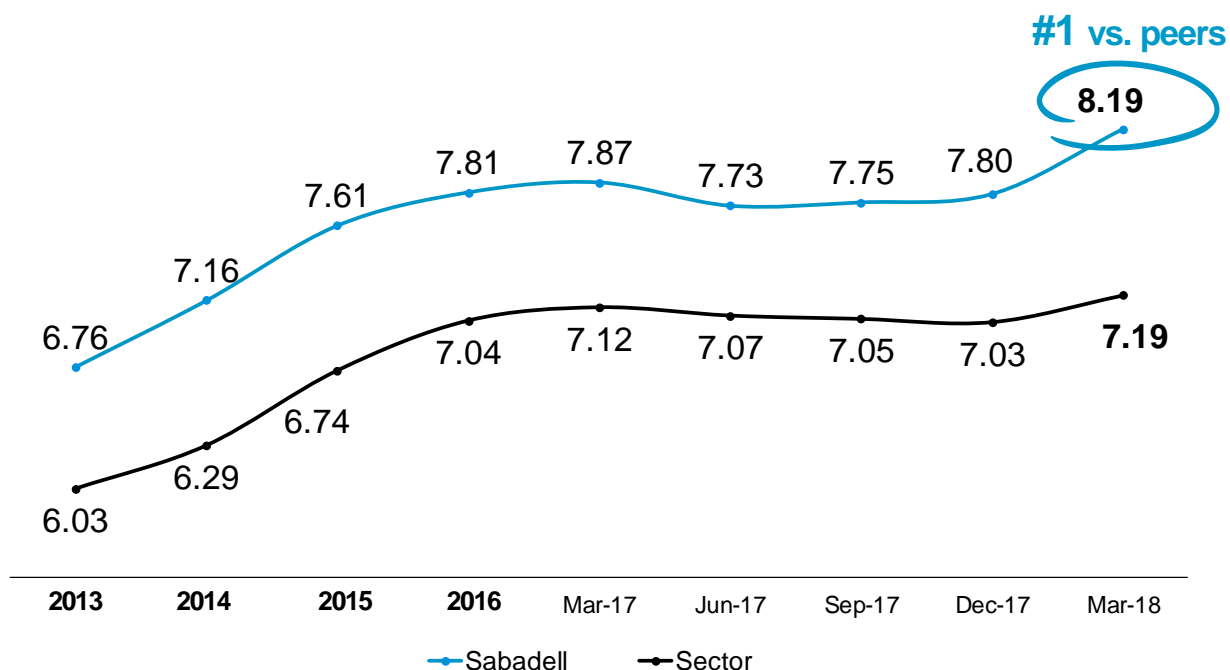
<sup>2</sup> Transactionality calculated per volume.

<sup>3</sup> Insurance calculated per number of contracts.

# Sabadell remains top ranked in the sector according to service quality

## Level of service quality<sup>1</sup>

Evolution of Sabadell quality index vs. sector



## Net promoter score (“NPS”)<sup>2</sup>

	2018	Ranking
Large companies (turnover >€5M)	32%	1 <sup>st</sup>
SMEs (turnover <€5M)	17%	1 <sup>st</sup>
Personal banking	27%	2 <sup>nd</sup>
Retail banking	9%	2 <sup>nd</sup>

**Sabadell increased once again the gap between its service quality score vs. the sector in the quarter and is top ranked by SMEs and large companies in NPS<sup>2</sup> and no. 2 in personal banking and retail banking**

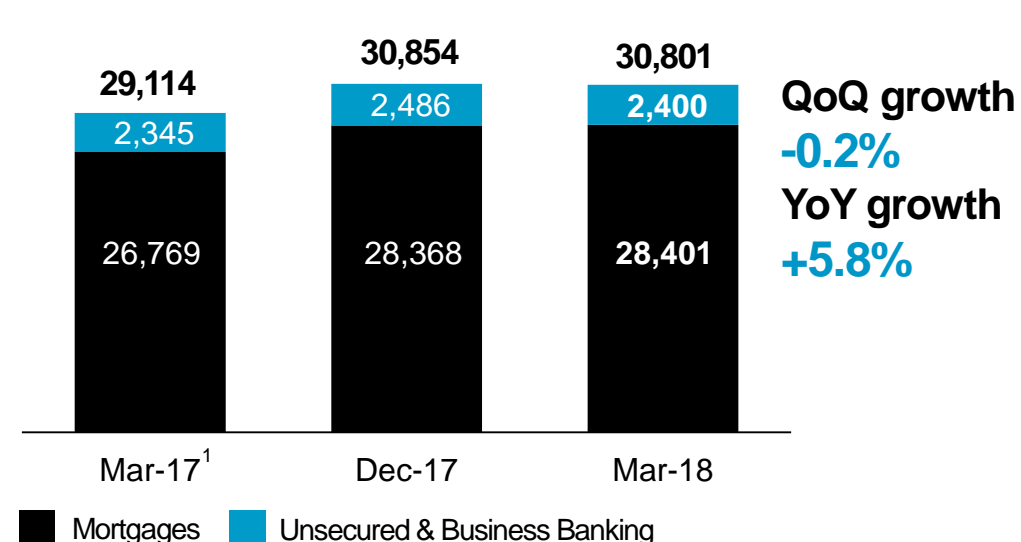
<sup>1</sup> Source: STIGA, EQUOS (Objective Quality Analysis in Banking Networks, Q1 2018). Cumulative data.

<sup>2</sup> Source: Benchmark NPS Accenture Report. Net promoter score (NPS) is based on the question “On a scale of 0-10, where 0 is not at all likely and 10 is extremely likely, how likely is it that you would recommend Sabadell to a friend or colleague?” NPS is the percentage of customers who score 9-10 after subtracting the percentage who score 0-6. Considers peer group entities. Data as last available month.

# TSB slowed down lending volumes in the quarter in preparation for the migration event to its new banking platform

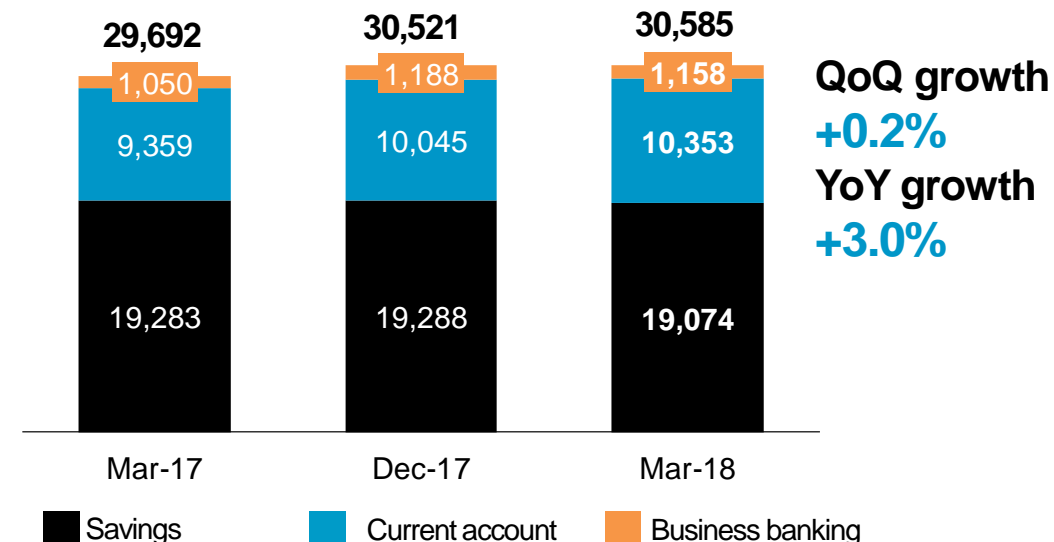
## Total customer lending (net)

GBP in million



## Total customer deposits

GBP in million



- **Positive balance sheet trend continues, with strong growth in Franchise customer lending** (excluding the Whistletree portfolio), which grew +7.9% YoY
- TSB advanced **£1.2 billion in new mortgage loans** in Q1 despite having slowed growth in order to facilitate migration

- **Customer deposits grew to £30.6bn, +0.2% QoQ and +3.0% YoY**, driven primarily by strong current account performance
- **6.6%<sup>2</sup> of all customers switching banks or opening a new account** in the past 12 months **choose TSB**

Note: Customer lending and deposits includes micro fair value hedge accounting adjustment. Franchise customer lending refers to total customer lending (net) excluding Whistletree portfolio.

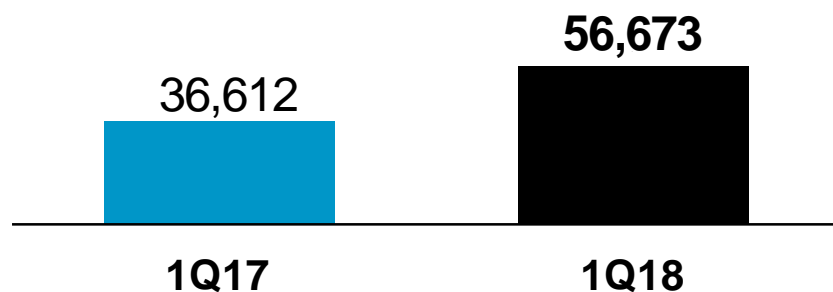
<sup>1</sup> Mar-17 data is considered like-for-like (i.e. excluding Mortgage enhancement portfolio) for comparison purposes.

<sup>2</sup> Source: CACI Current and Savings Account Market Database (CSDB) which includes current, packaged, youth, student and basic bank accounts, and new account openings excluding account upgrades. Data presented on a two month lag. Calculated on a 12 month rolling basis.

# Mexico continues to have an outstanding growth rate

## Customer loans

MXN in million



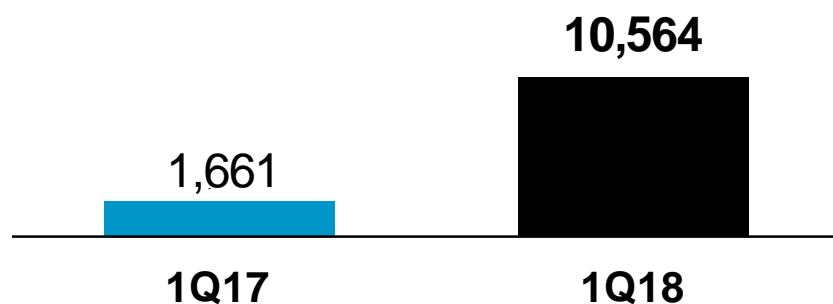
YoY growth  
**+54.8%**



**16**  
Branches for  
Corporates  
(3 new  
openings in  
Q1)

## Customer funds

MXN in million



YoY growth  
**+536.0%**



**Launch**  
of digital  
personal  
banking in  
Q1

# Strongly committed to our digital and commercial transformation with digital clients up +11% YoY

**4.6M**

(+11% YoY)

Group digital clients

**3.4M**

(+19% YoY)

Group mobile clients

**69M**

(+26% YoY)

Group web and mobile monthly traffic

**19%**

(+1pp YoY)

Digital sales in Spain

**57%**

(remains stable)

Digital sales in UK

**7,523**

(+57% YoY)

Digital sales of unsecured loans in Spain

**771k**

(+187% YoY)

Active Management customers in Spain

**78%**

(+19pp YoY)

Servicing transactions available in digital channels

**47k**

(+33% YoY)

Sabadell Wallet downloads in Spain



# We continue to deploy multiple commercial and digital transformation initiatives and investments

## Quarterly performance

---

### Distribution model and Simplification

- Deployment of a new commercial role: “[Insurance relationship managers](#)”
  - Launch of new branch model:
    - [Basic services offices](#), which provide day-to-day services
    - [Automated Offices](#) with relationship managers and ATMs
- 

### Digital offering

- Sabadell accepts [Apple Pay](#) for all segments
  - [Improving](#) user experience of [SabadellOnline](#), [Sabadell Mobile](#) and [Sabadell Wallet](#):
    - ✓ Issuance and receipt of domestic instant payments
    - ✓ Pension plans: extraordinary and periodic contributions, change of beneficiary and redemption
    - ✓ Online chat available for companies to resolve transaction-related queries or issues
- 

### Strategic investments

- InnoCells, the digital business hub of Sabadell, has invested in [Biometric Vox](#), a Spanish startup that offers authentication solutions and advanced electronic signature through voice biometrics



# 4

Solvency and asset quality

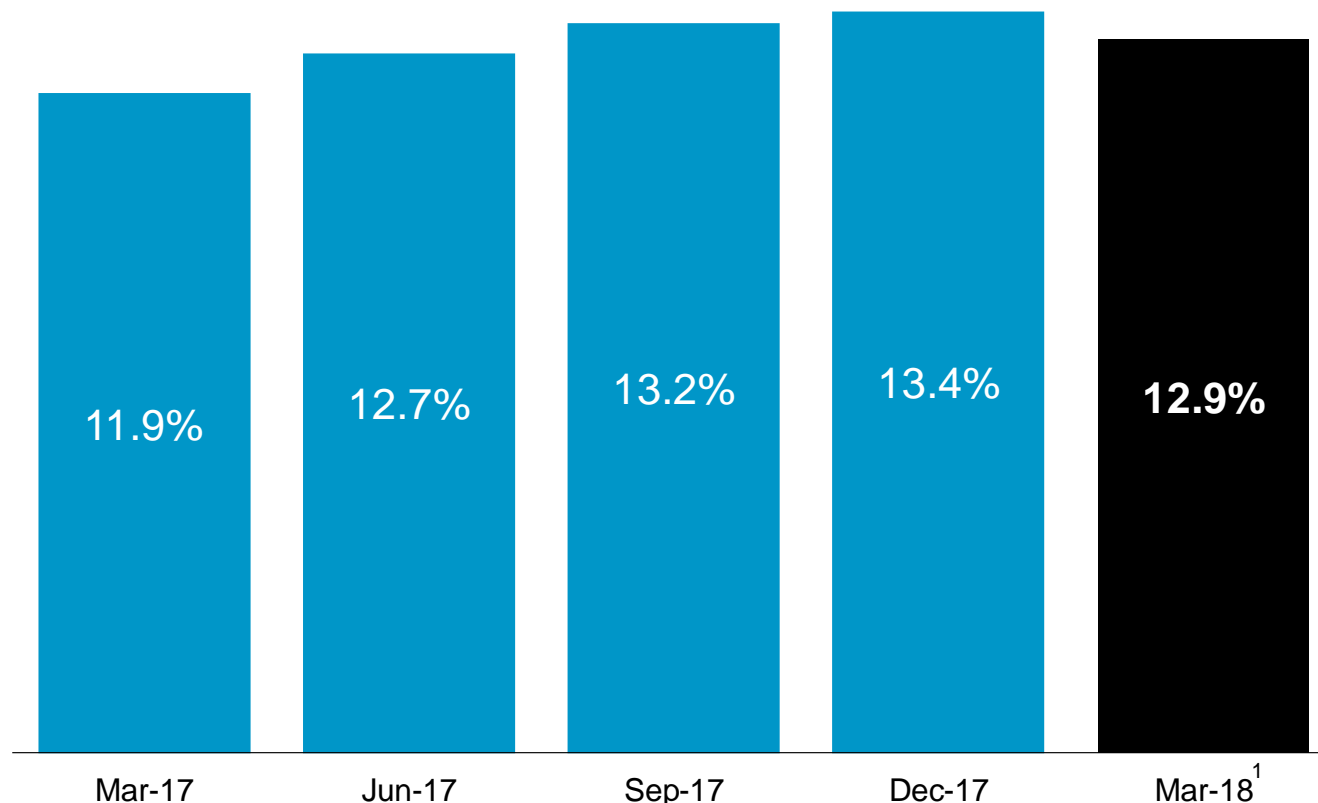
# 1Q18 highlights: Solvency and asset quality

- Continued progress in asset quality in the quarter:
  - Group NPL ratio fell to 5.14%
  - NPA decreased by €251M at ex-TSB level and the net NPA to total assets ratio fell to 3.1% at Group level
  - NPA coverage continued to increase to 55.2% in the quarter
  - CoR was reduced to 64bps, showing good progress towards achieving our YE target of 60bps
  - Foreclosed assets continued to be sold at a premium on average
- Our capital position remains strong, with fully-loaded CET1 of 12.0%
- S&P raised Sabadell's long-term credit rating to BBB (stable outlook) from BBB- while Moody's raised Sabadell's mortgage and public covered bonds credit rating to Aa1 from Aa2

# Solid capital position with phase-in CET1 at 12.9%

## Phase-in Common equity Tier 1 evolution

In percentage



- Phase-in CET1 ratio was impacted by the anticipated IFRS9 implementation (-78bps impact in fully-loaded) as well as higher RWAs and an increase in deductions due to lower transitional adjustments applied (as a calendar year has elapsed)

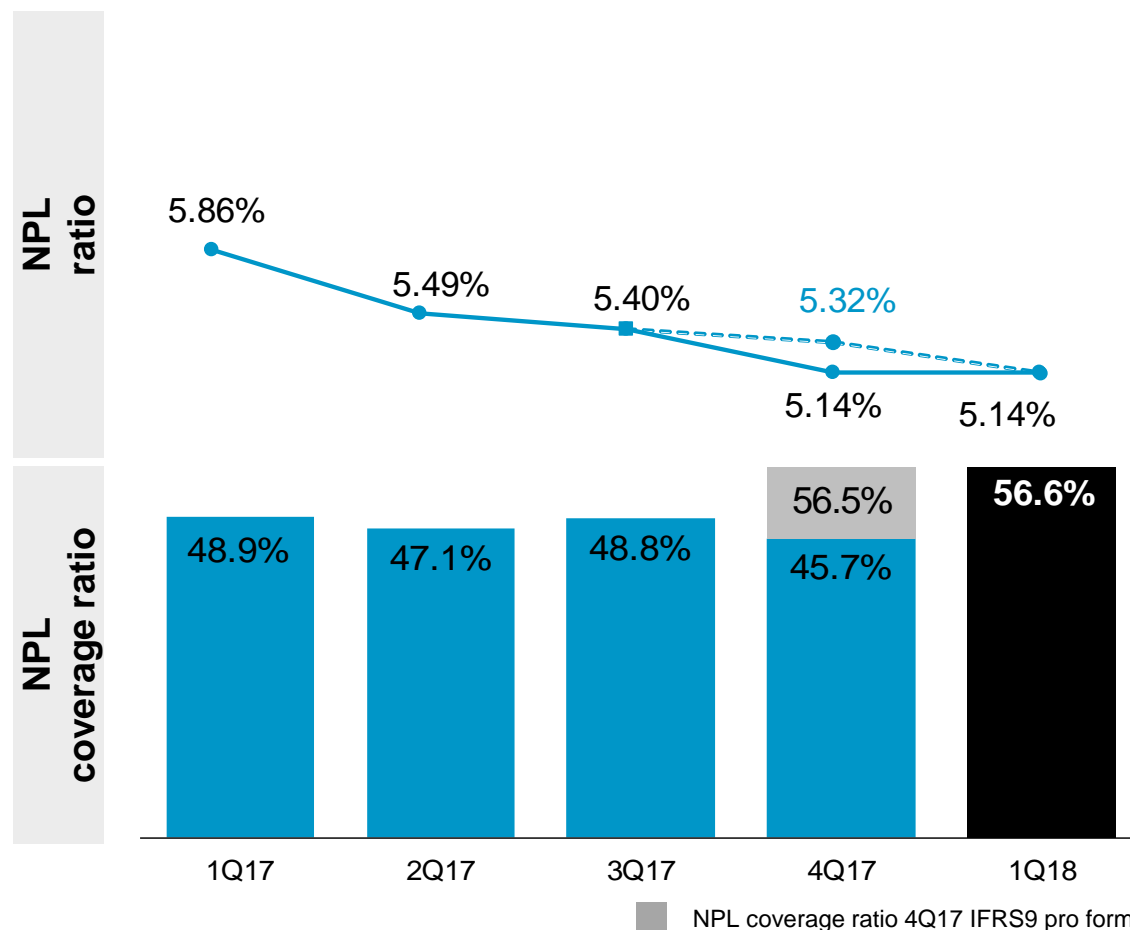
**Fully-loaded Common Equity Tier 1 stood at 12.0% in Mar-18**

<sup>1</sup> The ratio reflects also the phase-in of IFRS9.

# Group NPL ratio fell to 5.14%

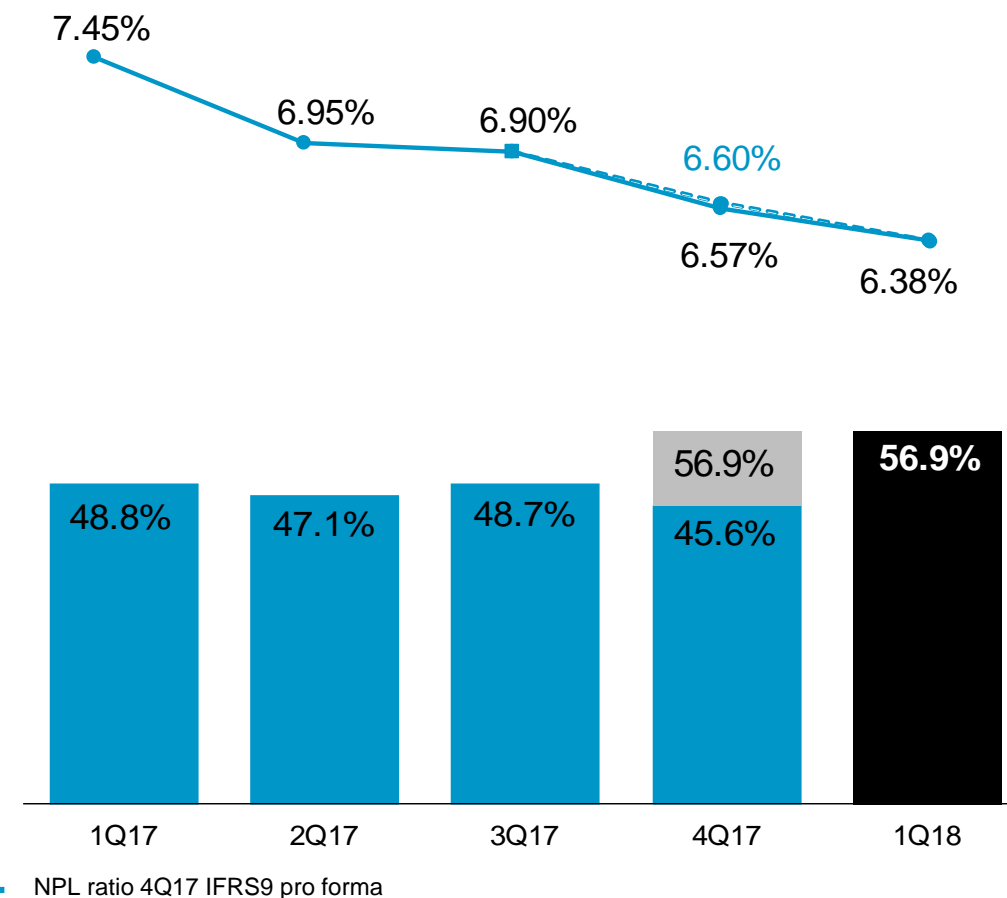
## Sabadell, group

In percentage



## Sabadell, ex-TSB

In percentage

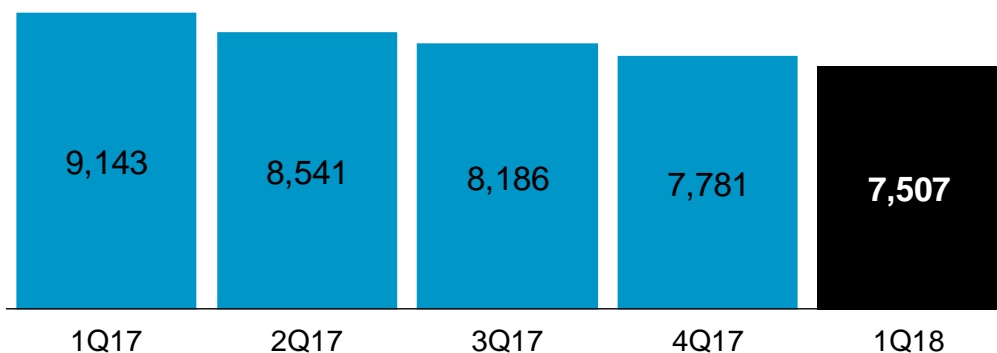


Note: Includes contingent risk. The Group and Sabadell ex-TSB's NPLs and provisions include 20% of the NPLs and associated provisions included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol.

# We continued progressing in our NPA asset reduction strategy with a decrease of €251M in the quarter

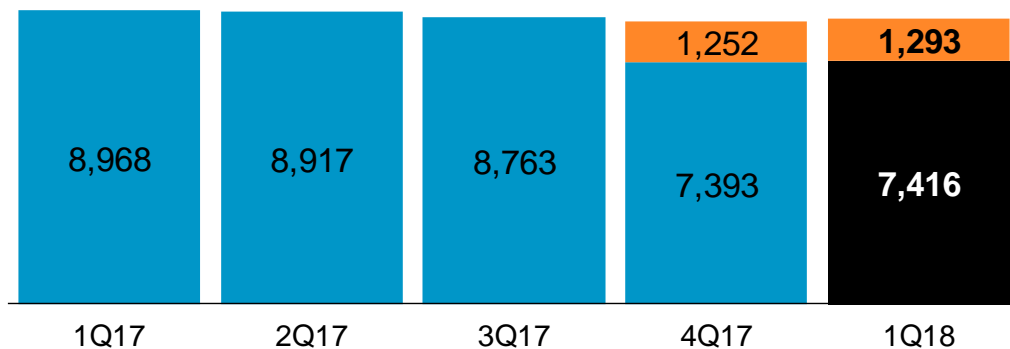
## NPL evolution, ex-TSB

Euros in million



## Foreclosed assets evolution, ex-TSB

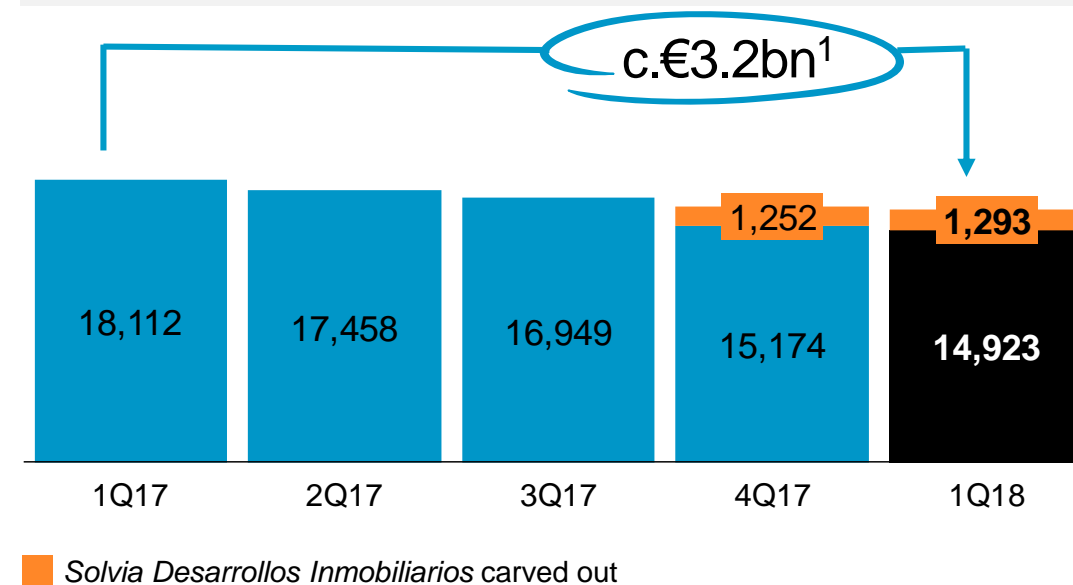
Euros in million



## Total problematic assets, ex-TSB

Euros in million

- **€274M** further reduction of NPLs during 1Q18
- Foreclosed assets increased by **€23M** during 1Q18
- NPAs decreased by **€251M** during 1Q18



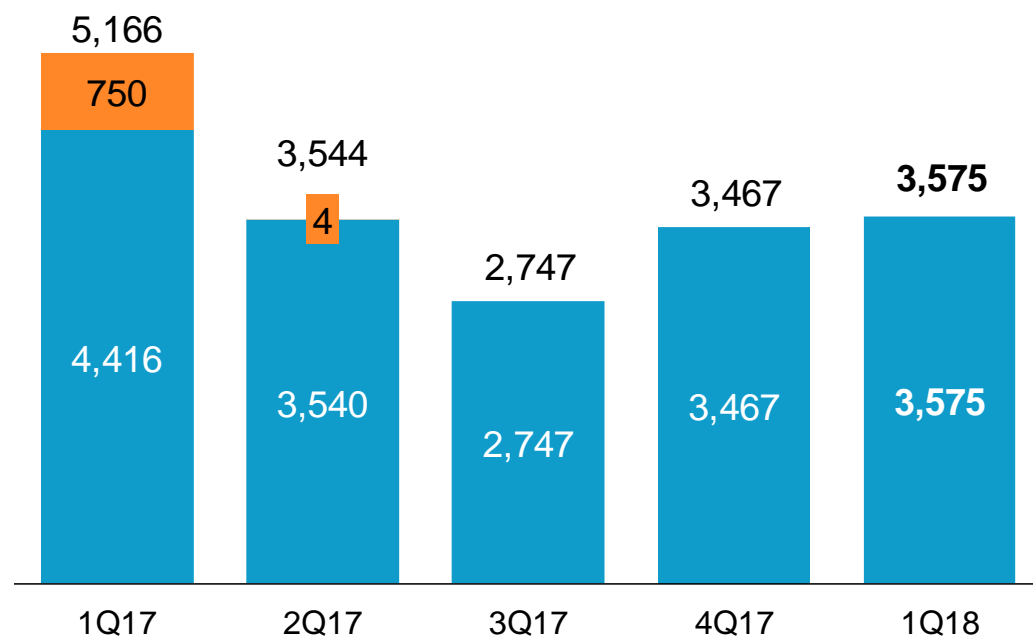
Note: Includes contingent risk. Sabadell ex-TSB's NPLs, foreclosed assets and NPAs include 20% of the problematic exposure included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol.

<sup>1</sup> The €3.2bn reduction includes €1,293M carved out into our business line *Solvia Desarrollos Inmobiliarios*.

# Solvía continued to sell real estate assets at a premium on average

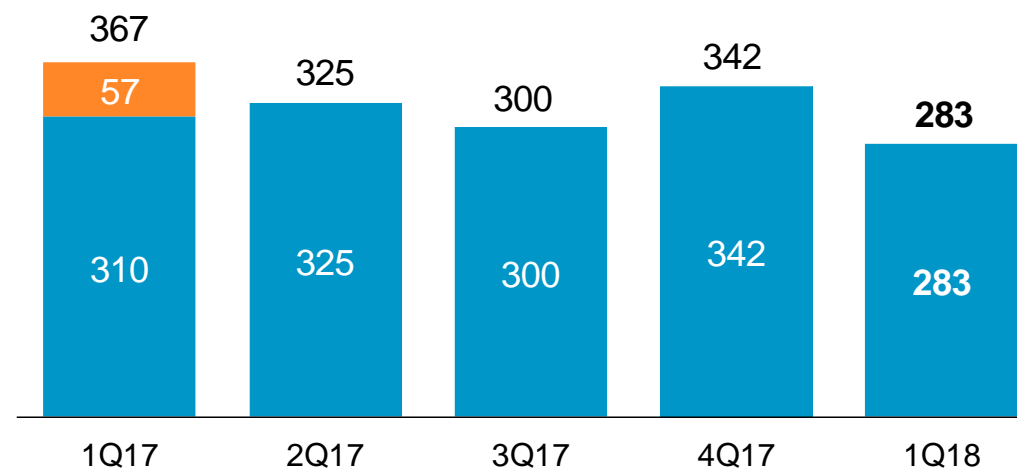
## Number of foreclosed assets sold

In units



## Foreclosed assets sold (Includes 20% APS exposure)

Euros in million



■ Institutional sales
 ■ Private individuals sales

**Number of foreclosed assets units sold increase QoQ**

# Our net NPA to total assets ratio fell to 3.1% with NPA coverage increasing to 55.2%

## Sabadell Group coverage ratios evolution

Euros in million. In percentage

	1Q17	2Q17	3Q17	4Q17	1Q18
NPL evolution	9,307	8,703	8,345	7,925	7,898
Provisions	4,548	4,100	4,069	3,625	4,467
<b>Coverage ratio (%)</b>	<b>48.9%</b>	<b>47.1%</b>	<b>48.8%</b>	<b>45.7%</b>	<b>56.6%</b>

	1Q17	2Q17	3Q17	4Q17	1Q18
Foreclosed assets evolution	8,968	8,917	8,763	7,393	7,416
Provisions	4,299	4,264	4,746	3,998	3,979
<b>Coverage ratio (%)</b>	<b>47.9%</b>	<b>47.8%</b>	<b>54.2%</b>	<b>54.1%</b>	<b>53.7%</b>

Foreclosed assets coverage ratio (incl. write-downs)

**63.1%**

	1Q17	2Q17	3Q17	4Q17	1Q18
Total problematic assets	18,275	17,619	17,108	15,318	15,314
Provisions	8,847	8,364	8,814	7,623	8,446
<b>Coverage ratio (%)</b>	<b>48.4%</b>	<b>47.5%</b>	<b>51.5%</b>	<b>49.8%</b>	<b>55.2%</b>

<b>Net problematic assets</b>	<b>9,429</b>	<b>9,255</b>	<b>8,294</b>	<b>7,695</b>	<b>6,868</b>
<b>Net problematic assets as % of total assets (%)</b>	<b>4.3%</b>	<b>4.3%</b>	<b>3.9%</b>	<b>3.5%</b>	<b>3.1%</b>

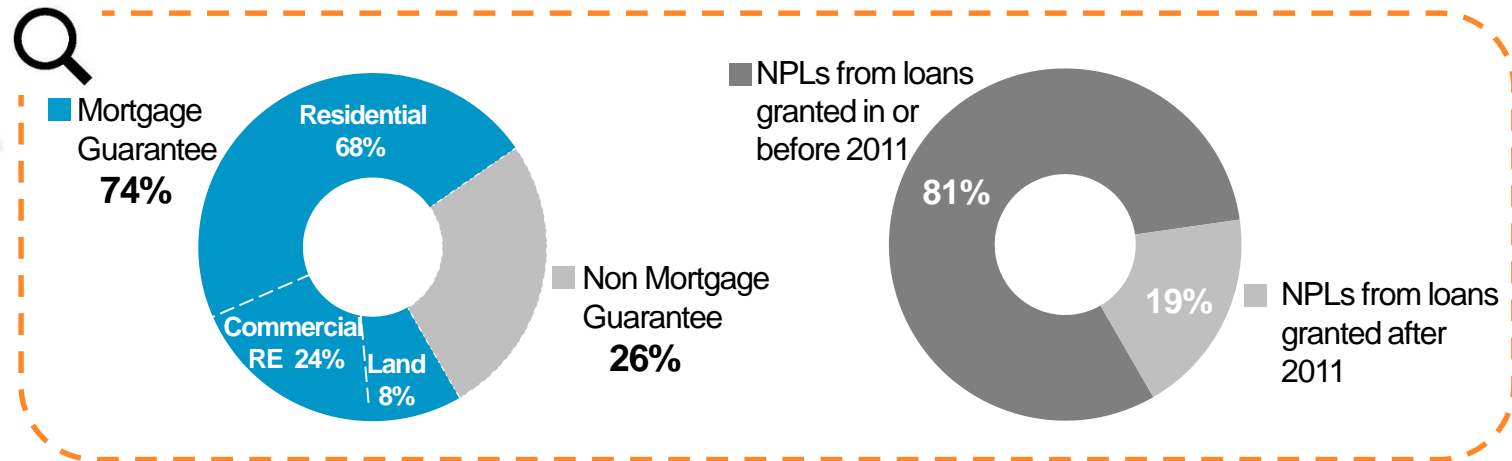
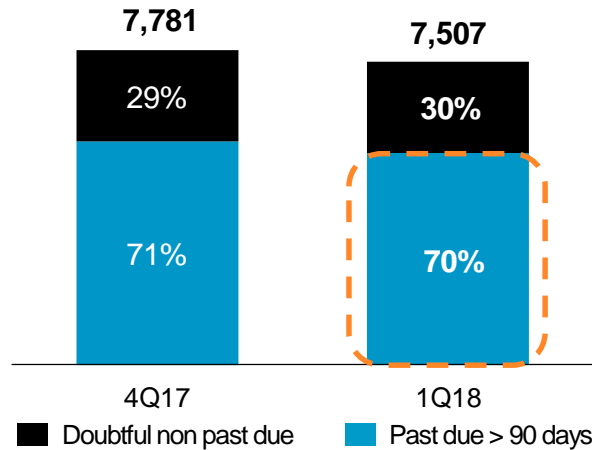
Note: Includes contingent risk. Sabadell Group's NPLs, foreclosed assets and NPAs include 20% of the problematic exposure included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol. Accordingly, the Group provisions include the provisions associated with 20% of the problematic exposure included in the APS.



# The composition of our foreclosed assets portfolio continues to improve with a high rotation of land assets

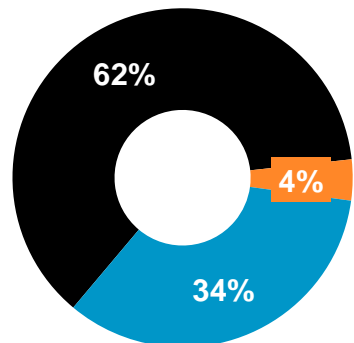
## NPL evolution, ex-TSB

Euros in million. In percentage



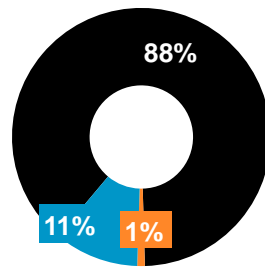
## Foreclosed Assets, ex-TSB

4Q17



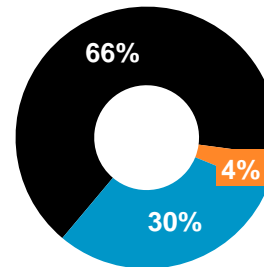
## + New Entries

1Q18



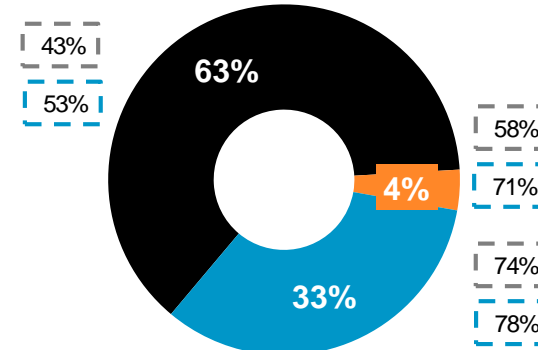
## - Sales

1Q18



## Foreclosed Assets, ex-TSB<sup>1</sup>

1Q18



- Land sales represented 30% of our foreclosed asset sales in Q1
- 64% of our stock was foreclosed in the last 5 years

Land Under construction Finished properties<sup>2</sup> Coverage Coverage including write downs

Note: NPL evolution includes Sabadell United Bank. Sabadell ex-TSB's NPLs, foreclosed assets and provisions include 20% of the NPLs, foreclosed assets and associated provisions included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol. <sup>1</sup> Excludes the €1,293M carved out into our business line *Solvía Desarrollos Inmobiliarios*.

<sup>2</sup> Also includes other real estate assets derived from home loan mortgages for property purchases.

# TSB holds a low risk profile

## Total Customer Lending - Mortgages and Unsecured & Business Banking

GBP in million	Mar-17 <sup>1</sup>	Dec-17	Mar-18
Mortgages	26,769	28,368	28,401
Unsecured & Business Banking	2,345	2,486	2,400
<b>Total Lending balances (net)</b>	<b>29,114</b>	<b>30,854</b>	<b>30,801</b>

## Mortgages - Residential vs. Buy to let (BTL)

In percentage	Mar-17	Dec-17	Mar-18
<b>TSB Total BTL %</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>

## Mortgages loan to value (LTV)<sup>2</sup>

In percentage	Mar-17	Dec-17	Mar-18
LTV Mortgage Flow	62.6%	58.5%	60.6%
<b>LTV Mortgage Stock<sup>3</sup></b>	<b>43.1%</b>	<b>44.2%</b>	<b>44.2%</b>

- ✓ **Secured lending** represents more than **92%** of net lending
- ✓ **Good asset quality and low risk mortgage portfolio:**
  - BTL represents only 15%
  - Mortgage lending has an average LTV of 44%
  - Interest only concentration is c.28% (excluding Whistletree)

## Cost of Risk (AQR)<sup>4</sup> - Mortgages and Unsecured & Business Banking

In percentage (annualised for each quarter)	Mar-17	Dec-17	Mar-18
Mortgages	0.02%	0.03%	-0.01%
Unsecured & Business Banking	3.15%	2.89%	3.27%
<b>Total TSB AQR</b>	<b>0.28%</b>	<b>0.27%</b>	<b>0.27%</b>

## Doubtful loans ratio

In percentage	Mar-17	Dec-17	Mar-18
<b>Doubtful loans ratio</b>	<b>0.5%</b>	<b>0.4%</b>	<b>1.1%</b>

## Common Equity Tier 1 Capital ratio

In percentage	Mar-17	Dec-17	Mar-18
<b>Common Equity Tier 1 Capital ratio</b>	<b>18.1%</b>	<b>20.0%</b>	<b>19.8%</b>

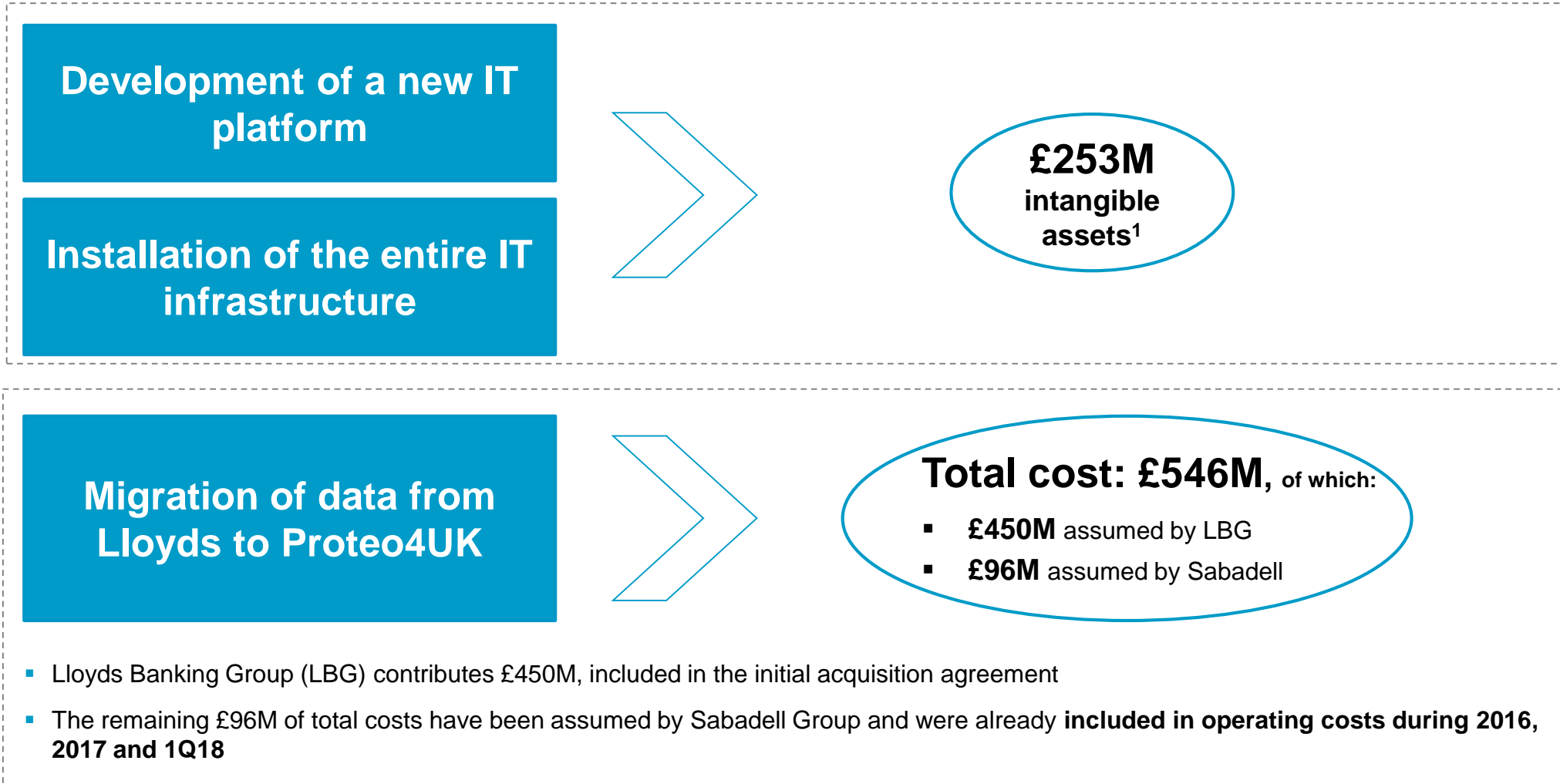
- ✓ Capital position remains one of the strongest of UK banks with a **CET1 ratio** of 19.9% on a IFRS9 transitional basis (**19.8%** on a fully loaded basis)
- ✓ **Leverage ratio** of **4.4%**
- ✓ **High proportion of PCAs** in funding mix which represents c.34%

Note: Customer lending and deposits includes micro fair value hedge accounting adjustment.<sup>1</sup> Mar-17 data is considered like-for-like (i.e. excluding Mortgage enhancement portfolio) for comparison purposes.<sup>2</sup> The LTV ratio is a calculation which expresses the amount of a mortgage balance outstanding as a percentage of the total appraised value of the property. The appraised value is indexed quarterly.<sup>3</sup> From Jun-17 the LTV of Mortgage Stock excludes the Mortgage enhancement portfolio, which had a LTV of approximately 32% as at Mar-17. <sup>4</sup> AQR is a measure used to track the quality of the lending book. Calculated as P&L impairment charge divided by average gross customer lending balances.

**5**

**TSB migration**

# The migration project has entailed....



<sup>1</sup> Which corresponds to €284M in Sabadell Group balance sheet.

<sup>®</sup> Sabadell



Estar donde estés.  
Ser on siguis.  
There, wherever you are.

# Annex

# Quarterly income statement - “as reported”

Euros in million	Sabadell, Group							Sabadell, ex-TSB				
	1Q17	4Q17	1Q18	%QoQ	%QoQ constant FX	%YoY	%YoY constant FX	1Q17	4Q17	1Q18	%QoQ	%YoY
<b>Net interest income</b>	<b>962.4</b>	<b>924.6</b>	<b>911.5</b>	<b>-1.4%</b>	<b>-1.5%</b>	<b>-5.3%</b>	<b>-4.2%</b>	<b>702.4</b>	<b>667.3</b>	<b>658.4</b>	<b>-1.3%</b>	<b>-6.3%</b>
Equity method & dividends	16.4	12.2	12.9	5.8%	5.8%	-21.5%	-21.5%	16.4	12.0	12.8	6.9%	-22.1%
Commissions	296.7	319.0	314.4	-1.4%	-1.4%	6.0%	6.3%	271.4	295.0	291.3	-1.2%	7.3%
Trading income & forex	354.1	35.0	226.0	--	--	-36.2%	-36.1%	343.0	21.3	218.8	--	-36.2%
Other operating results	-29.6	-136.5	-9.7	-92.9%	-92.9%	-67.3%	-67.0%	-27.0	-131.0	-7.0	-94.7%	-74.2%
<b>Gross operating income</b>	<b>1,600.0</b>	<b>1,154.1</b>	<b>1,455.1</b>	<b>26.1%</b>	<b>26.0%</b>	<b>-9.1%</b>	<b>-8.4%</b>	<b>1,306.3</b>	<b>864.6</b>	<b>1,174.3</b>	<b>35.8%</b>	<b>-10.1%</b>
Personnel recurrent costs	-387.9	-383.7	-383.6	0.0%	-0.1%	-1.1%	-0.2%	-294.6	-280.5	-290.2	3.5%	-1.5%
Administrative recurrent costs	-282.2	-281.9	-292.3	3.7%	3.6%	3.6%	5.2%	-151.0	-163.5	-162.4	-0.7%	7.5%
Non recurrent costs	-17.8	-12.2	-77.0	--	--	--	--	-3.5	-9.0	-3.3	-63.8%	-6.2%
Depreciation & amortisation	-100.6	-101.9	-87.1	-14.5%	-14.6%	-13.4%	-12.9%	-83.0	-84.4	-69.4	-17.8%	-16.3%
<b>Pre-provisions income</b>	<b>811.5</b>	<b>374.4</b>	<b>615.1</b>	<b>64.3%</b>	<b>64.2%</b>	<b>-24.2%</b>	<b>-24.0%</b>	<b>774.2</b>	<b>327.2</b>	<b>649.0</b>	<b>98.4%</b>	<b>-16.2%</b>
Total provisions & impairments	-510.6	-228.5	-244.8	7.1%	7.1%	-52.1%	-52.0%	-486.6	-205.0	-221.5	8.0%	-54.5%
Gains on sale of assets	1.7	48.6	-0.6	--	--	--	--	-5.8	48.0	-1.1	--	-81.6%
Negative goodwill	0.0	0.0	0.0	--	--	--	--	0.0	0.0	0.0	--	--
<b>Profit before taxes</b>	<b>302.6</b>	<b>194.4</b>	<b>369.7</b>	<b>90.2%</b>	<b>90.0%</b>	<b>22.2%</b>	<b>22.9%</b>	<b>281.8</b>	<b>170.2</b>	<b>426.5</b>	<b>150.6%</b>	<b>51.3%</b>
Taxes	-84.8	-44.7	-108.9	143.6%	143.3%	28.5%	29.5%	-76.1	-36.1	-121.9	237.3%	60.1%
Minority interest	1.8	2.0	1.5	-28.4%	-28.4%	-16.7%	-16.7%	1.8	2.0	1.5	-28.4%	-16.7%
<b>Attributable net profit</b>	<b>216.1</b>	<b>147.7</b>	<b>259.3</b>	<b>75.6%</b>	<b>75.4%</b>	<b>20.0%</b>	<b>20.7%</b>	<b>203.9</b>	<b>132.0</b>	<b>303.1</b>	<b>129.6%</b>	<b>48.6%</b>

# Quarterly income statement – “like-for-like”

Excluding SUB, Mediterraneo Vida and Mortgage Enhancement portfolio

Euros in million	Sabadell, Group					Sabadell, ex-TSB				
	1Q17	2Q17	3Q17	4Q17	1Q18	1Q17	2Q17	3Q17	4Q17	1Q18
<b>Net interest income</b>	<b>894.3</b>	<b>916.6</b>	<b>927.4</b>	<b>924.6</b>	<b>911.5</b>	<b>646.0</b>	<b>660.1</b>	<b>674.3</b>	<b>667.3</b>	<b>658.4</b>
Equity method & dividends	16.2	19.3	267.6	12.2	12.9	16.2	19.3	267.6	12.0	12.8
Commissions	295.3	304.8	300.8	319.0	314.4	269.3	282.6	276.1	295.0	291.3
Trading income & forex	353.4	141.0	37.2	35.0	226.0	342.4	116.5	30.7	21.3	218.8
Other operating results	-14.2	-42.8	-1.6	-136.5	-9.7	-11.6	-38.4	1.6	-131.0	-7.0
<b>Gross operating income</b>	<b>1,545.0</b>	<b>1,338.9</b>	<b>1,531.5</b>	<b>1,154.1</b>	<b>1,455.1</b>	<b>1,262.3</b>	<b>1,040.0</b>	<b>1,250.3</b>	<b>864.6</b>	<b>1,174.3</b>
Personnel recurrent costs	-375.2	-378.6	-381.7	-383.7	-383.6	-281.8	-282.9	-290.1	-280.5	-290.2
Administrative recurrent costs	-275.4	-275.8	-269.5	-281.9	-292.3	-144.2	-144.2	-148.6	-163.5	-162.4
Non recurrent costs	-17.6	-18.1	-11.2	-12.2	-77.0	-3.2	-1.7	-1.6	-9.0	-3.3
Depreciation & amortisation	-99.1	-95.3	-102.5	-101.9	-87.1	-81.5	-77.7	-82.6	-84.4	-69.4
<b>Pre-provisions income</b>	<b>777.8</b>	<b>571.1</b>	<b>766.6</b>	<b>374.4</b>	<b>615.1</b>	<b>751.6</b>	<b>533.4</b>	<b>727.3</b>	<b>327.2</b>	<b>649.0</b>
Total provisions & impairments	-508.3	-344.3	-1,116.3	-228.5	-244.8	-484.4	-324.0	-1,095.2	-205.0	-221.5
Gains on sale of assets and other results	1.7	16.0	366.4	48.6	-0.6	-5.7	17.1	366.7	48.0	-1.1
Negative goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Profit before taxes</b>	<b>271.2</b>	<b>242.8</b>	<b>16.7</b>	<b>194.4</b>	<b>369.7</b>	<b>261.5</b>	<b>226.5</b>	<b>-1.3</b>	<b>170.2</b>	<b>426.5</b>
Taxes	-74.0	-70.3	184.7	-44.7	-108.9	-68.4	-63.4	193.3	-36.1	-121.9
Minority interest	1.8	-0.2	0.1	2.0	1.5	1.8	-0.2	0.1	2.0	1.5
<b>Attributable net profit</b>	<b>195.4</b>	<b>172.7</b>	<b>201.2</b>	<b>147.7</b>	<b>259.3</b>	<b>191.3</b>	<b>163.2</b>	<b>192.0</b>	<b>132.0</b>	<b>303.1</b>

Note: figures do not include FX constant.



# Sabadell share: key data

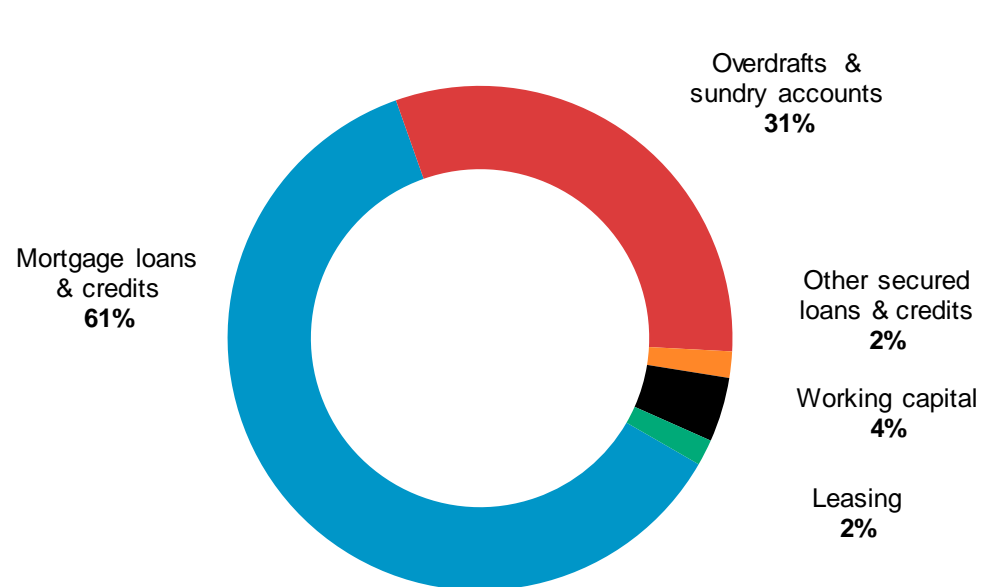
	Mar-17	Mar-18
<b>Shareholders and trading</b>		
Number of shareholders	255,205	231,373
Average number of shares (million)	5,576	5,579
<b>Share price (€)</b>		
Closing session (end of quarter)	1.718	1.661
Market capitalisation (€ million)	9,580	9,267
<b>Stock market multiples</b>		
Earnings per share (EPS) (€) <sup>1</sup>	0.12	0.16
Book value per share (€)	2.32	2.32
Price / Book value (x)	0.74	0.72
Price / Earnings ratio (P/E) (x) <sup>1</sup>	14.01	10.64
Tangible Book Value per share (€)	1.95	1.91

<sup>1</sup> Figures adjusted to reflect the amount of the Additional Tier 1 coupon, after tax, registered in equity.

# Performing loans by product type

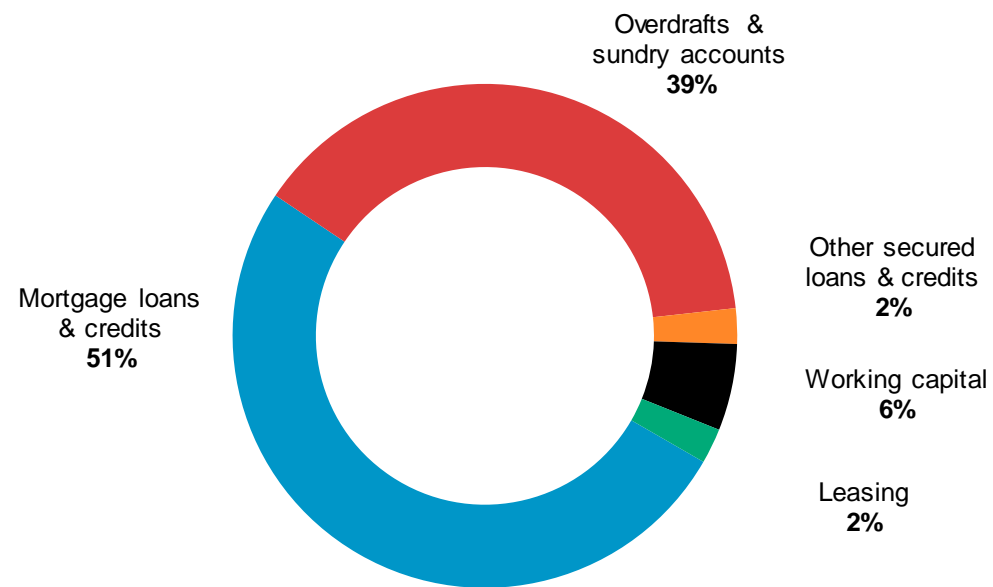
## Sabadell group

In percentage



## Sabadell, ex-TSB

In percentage

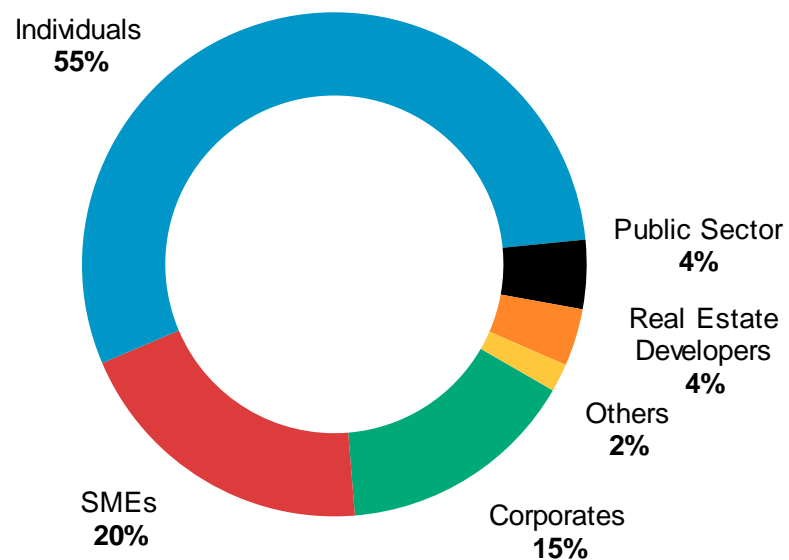


Note: Data as of March 2018.

# Business mix by customer type

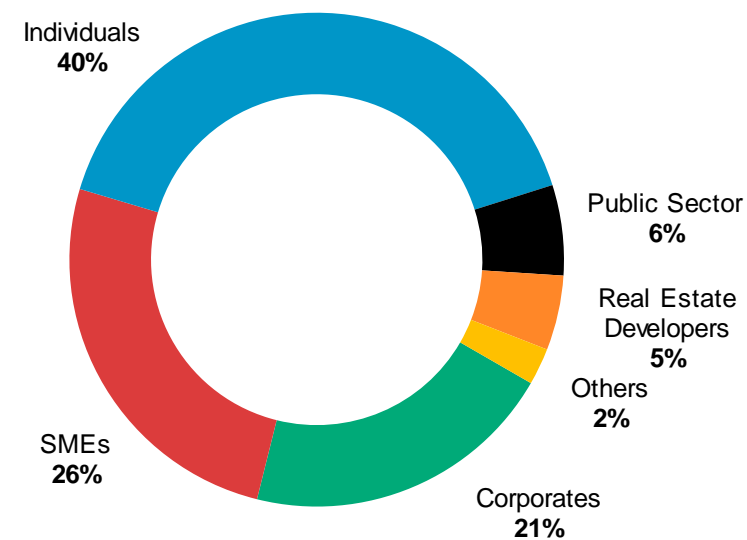
## Sabadell group

In percentage



## Sabadell, ex-TSB

In percentage

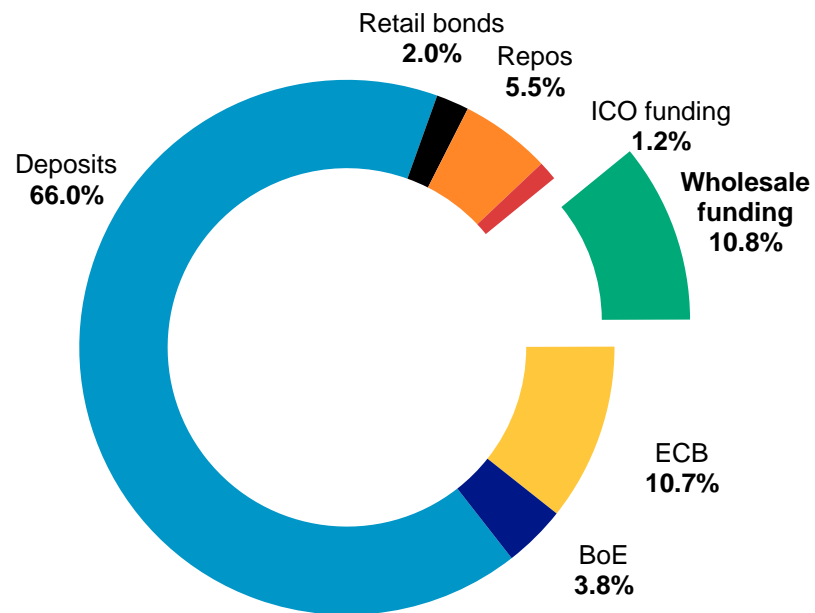


Note: Data as of March 2018.

# Funding structure, Sabadell group

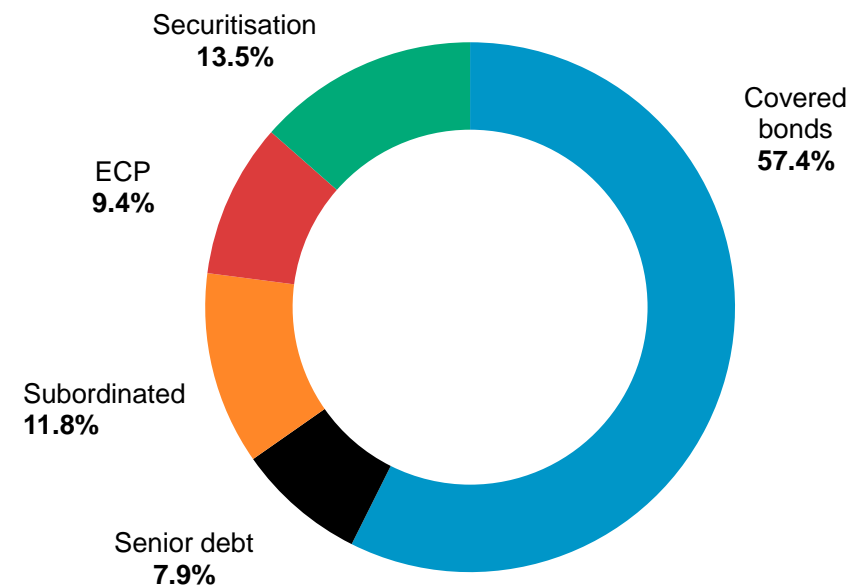
## Funding structure

In percentage



## Wholesale funding breakdown

In percentage

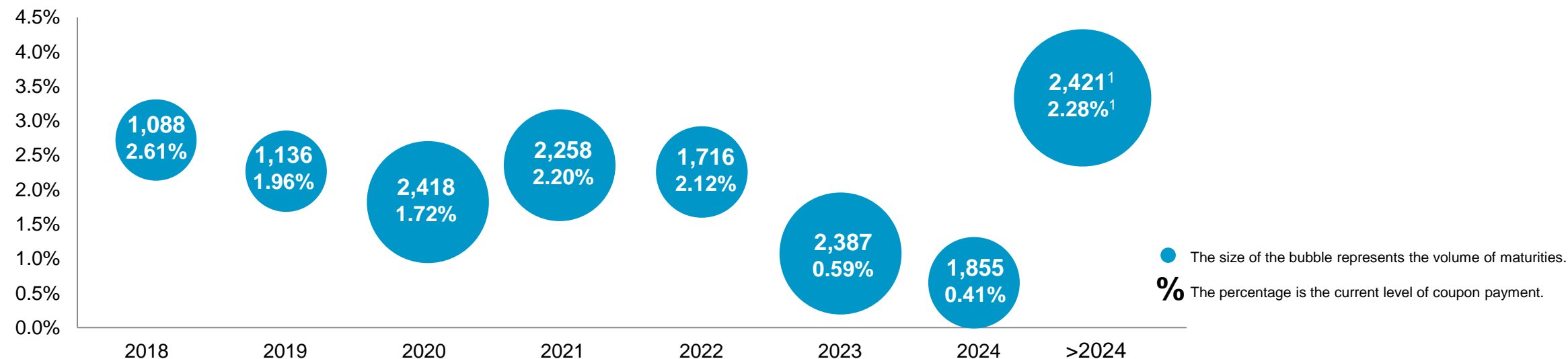


Note: Data as of March 2018.

# Wholesale funding maturities and cost

## Upcoming wholesale maturities, Sabadell group

Euros in million. In percentage



## Maturity by product type, Sabadell group

Euros in million

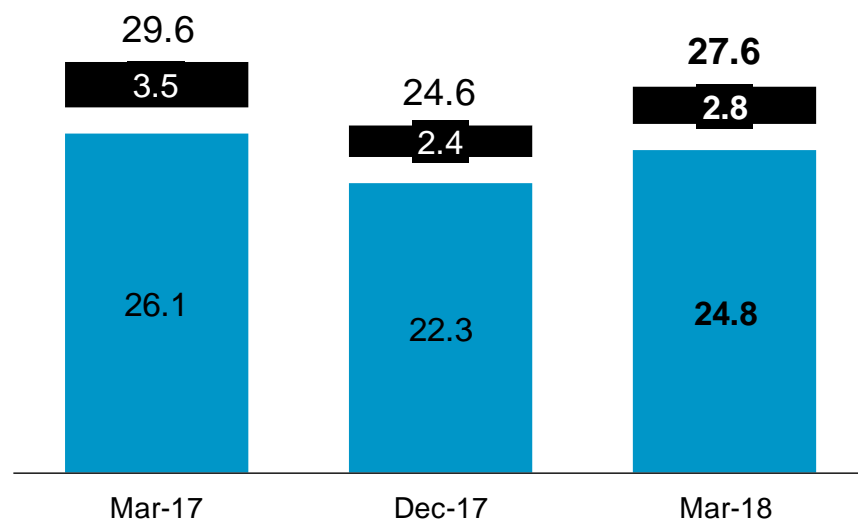
	2Q18	3Q18	4Q18	2019	2020	2021	2022	2023	2024	>2024	Outstanding amount
Covered Bonds (CH)	20	0	424	1,124	2,015	1,808	1,691	1,388	1,850	1,911	12,231
Senior Debt	632	0	0	12	0	0	25	999	0	0	1,667
Subordinated Debt and AT1	0	0	0	0	403	440	0	0	0	1,660	2,503
Other mid- and long-term financial instruments	13	0	0	0	0	10	0	0	5	0	28
<b>Total</b>	<b>665</b>	<b>0</b>	<b>424</b>	<b>1,136</b>	<b>2,418</b>	<b>2,258</b>	<b>1,716</b>	<b>2,387</b>	<b>1,855</b>	<b>3,571</b>	<b>16,429</b>

<sup>1</sup> Excluding the AT1.

# Fixed income portfolio

## Fixed income portfolio evolution, Sabadell group

Euros in billion



■ Fixed income portfolio, ex-TSB ■ TSB

## Fixed income portfolio, Sabadell group

Euros in billion. In percentage

	Mar-17	Dec-17	Mar-18
<b>Fixed income portfolio</b>	<b>29.6</b>	<b>24.6</b>	<b>27.6</b>
<b>% of total assets</b>	14.1%	11.1%	12.6%
of which:			
<b>Fair Value OCI fixed income portfolio</b>	18.5	12.8	15.5
<b>Fair Value OCI duration (yrs)<sup>1</sup></b>	2.0	1.7	2.6

Note: Excluding Sabadell United Bank data.

<sup>1</sup> Duration includes the impact of interest rate swaps.

# Fixed income portfolio composition

## Fixed income portfolio composition evolution, Sabadell group

Euros in billion

	Mar-17	Dec-17	Mar-18
Spanish Government Debt	10.0	7.7	9.4
Italian Government Debt	10.8	9.6	9.7
UK Government Debt	3.1	1.9	2.4
Other Government Debt	2.7	2.6	3.0
of which:			
US Government	0.5	0.2	0.2
Portuguese Government	1.1	1.1	1.7
Mexican Government	0.7	0.7	0.5
Agencies	1.2	1.0	1.0
Covered Bonds	0.3	0.1	0.1
Corporates & Financials	1.5	1.7	2.0
<b>Total</b>	<b>29.6</b>	<b>24.6</b>	<b>27.6</b>
of which:			
Amortised Cost	9.4	11.2	11.7
Fair Value OCI	18.5	12.8	15.5

Note: Excluding Sabadell United Bank data.

# Evolution of NPLs and foreclosed assets

## Evolution of NPLs and foreclosed assets, ex-TSB

Euros in million

	1Q17	2Q17	3Q17	4Q17	1Q18
Gross entries (NPL)	636	526	513	617	481
Recoveries	-897	-1,067	-706	-956	-539
Scope exclusions	0	0	-10	0	0
<b>Net NPL entries</b>	<b>-261</b>	<b>-541</b>	<b>-203</b>	<b>-339</b>	<b>-58</b>
Gross entries (foreclosed assets)	312	304	148	254	294
Sales <sup>1</sup>	-379	-355	-302	-1,624 <sup>2</sup>	-271
<b>Change in foreclosed assets</b>	<b>-67</b>	<b>-51</b>	<b>-154</b>	<b>-1,370</b>	<b>23</b>
<b>Net NPL entries + Change in foreclosed assets</b>	<b>-328</b>	<b>-592</b>	<b>-357</b>	<b>-1,709</b>	<b>-35</b>
Write-offs	-178	-61	-152	-66	-216
<b>Foreclosed assets and NPLs quarterly change</b>	<b>-506</b>	<b>-653</b>	<b>-509</b>	<b>-1,775</b>	<b>-251</b>

Note: Includes contingent risk. Sabadell ex-TSB's NPLs, foreclosed assets and NPAs include 20% of the problematic exposure included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol.

<sup>1</sup> Includes other outcomes.

<sup>2</sup> Includes €1,252M carved out into our new business line *Solvía Desarrollos Inmobiliarios*.



# Forbearance exposure

## Forborne and restructured loans, Group

Euros in million

	Total	Of which: doubtful
Public authorities	22	22
Corporate and entrepreneurs	4,174	2,329
Of which: Financing for construction and real estate development	824	664
Individual borrowers	2,453	1,355
<b>Total</b>	<b>6,649</b>	<b>3,706</b>
<b>Provisions</b>	<b>1,607</b>	<b>1,374</b>

# NPL ratio breakdown

## NPL ratios by segment, ex-TSB

In percentage

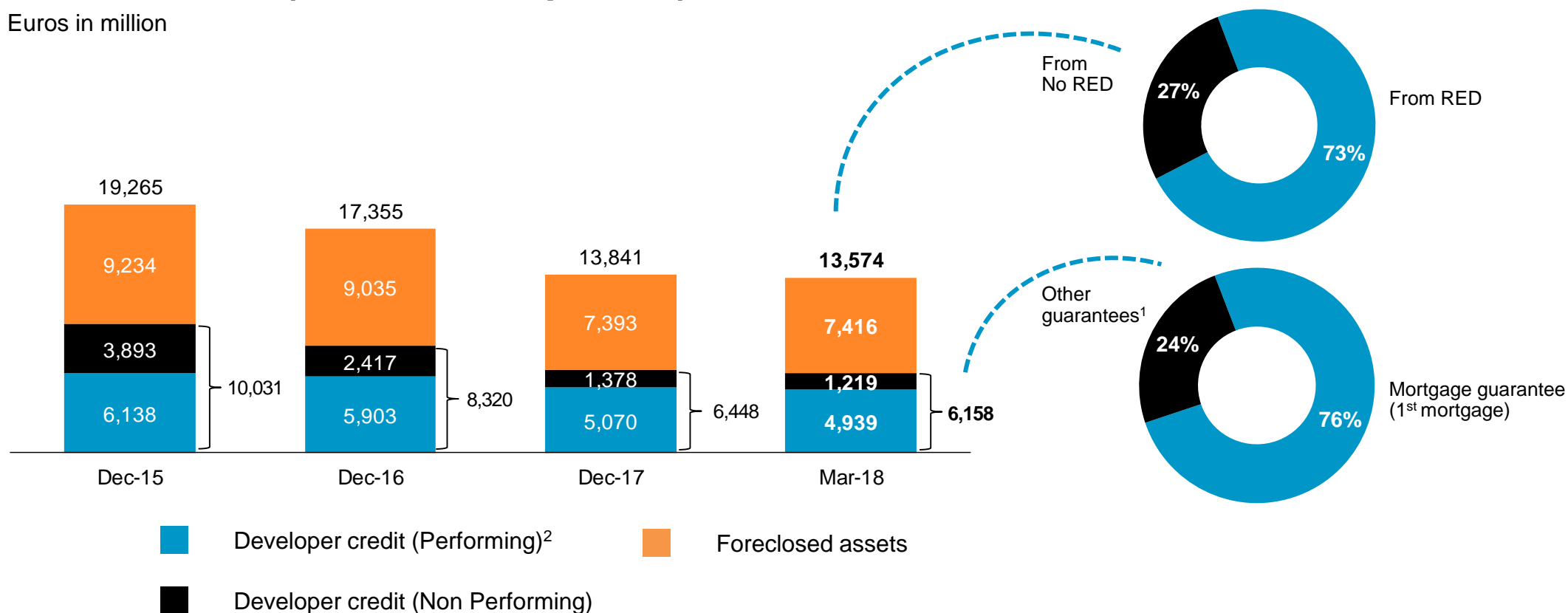
	1Q17	2Q17	3Q17	4Q17	1Q18
Real Estate development and/or construction purposes	28.04%	25.80%	23.82%	21.37%	19.80%
Construction purposes non-related to real estate dev.	5.88%	6.57%	6.44%	6.87%	7.17%
Large corporates	3.16%	3.01%	3.03%	3.33%	3.53%
SME and small retailers and self-employed	8.41%	8.31%	8.21%	8.09%	7.88%
Individuals with 1 <sup>st</sup> mortgage guarantee assets	7.24%	7.20%	7.51%	6.88%	6.50%
<b>NPL ratio, Sabadell ex-TSB</b>	<b>7.45%</b>	<b>6.95%</b>	<b>6.90%</b>	<b>6.57%</b>	<b>6.38%</b>

Note: Includes contingent risk. Sabadell ex-TSB's NPLs include 20% of the NPLs included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol.

# Sabadell real estate exposure

## Balance sheet (real estate exposure), ex-TSB

Euros in million



Note: Data as of March 2018. Contingent exposures included. Sabadell ex-TSB's Developer NPLs include 20% of the Developer NPLs included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol.

<sup>1</sup> Unsecured assets or with pledge, personal or 2<sup>nd</sup> mortgage guarantees.

<sup>2</sup> Includes loans classified as watchlist. Of which €1,354M is APS developer non-performing credit which risk has been transferred to the DGF in accordance with the APS protocol and €313M is APS developer performing exposure. Both figures do not include guaranties.

# Real Estate exposure

## Real estate portfolio breakdown, ex-TSB

Euros in million (gross value)

<b>Foreclosed assets</b>	<b>7,416</b>
Finished property <sup>1</sup>	63%
Under construction	4%
Land	33%
<b>Developer loans</b>	<b>6,158</b>
Finished property	57%
Under construction	3%
Land	16%
Others <sup>2</sup>	24%
<b>Total RE related exposure</b>	<b>13,574</b>

6,158 Q

## Developer loans breakdown, ex-TSB

Euros in million (gross value)

	Mar-18	% of total
<b>Developer loans</b>	<b>6,158</b>	<b>45%</b>
Performing	4,530 <sup>3</sup>	74%
Watchlist	409	7%
Non performing	1,219	20%

Note: Data as of March 2018. Contingent exposures included. Sabadell ex-TSB's developer NPLs and foreclosed assets include 20% of the developer NPLs and foreclosed assets included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol.

<sup>1</sup> And other real estate assets derived from home loan mortgages for house purchases.

<sup>2</sup> Other guarantees.

<sup>3</sup> Of which €1,354M is APS developer non-performing credit which risk has been transferred to the DGF in accordance with the APS protocol and €313M is APS developer performing exposure.

# Foreclosed assets exposure and coverage

## Foreclosed assets exposure and coverage breakdown by asset type, ex-TSB

Euros in million. In percentage

	Gross problematic exposure	Associated provisions	Coverage ratio
<b>Finished buildings</b>	<b>2,685</b>	<b>1,100</b>	<b>41.0%</b>
Housing	1,318	502	38.1%
Rest	1,367	597	43.7%
<b>Under construction</b>	<b>276</b>	<b>160</b>	<b>58.1%</b>
Housing	224	128	56.9%
Rest	52	33	63.0%
<b>Land</b>	<b>2,470</b>	<b>1,819</b>	<b>73.6%</b>
Building land	806	581	72.0%
Other land	1,664	1,238	74.4%
<b>Others<sup>1</sup></b>	<b>1,984</b>	<b>900</b>	<b>45.4%</b>
<b>Total foreclosed assets</b>	<b>7,416</b>	<b>3,979</b>	<b>53.7%</b>

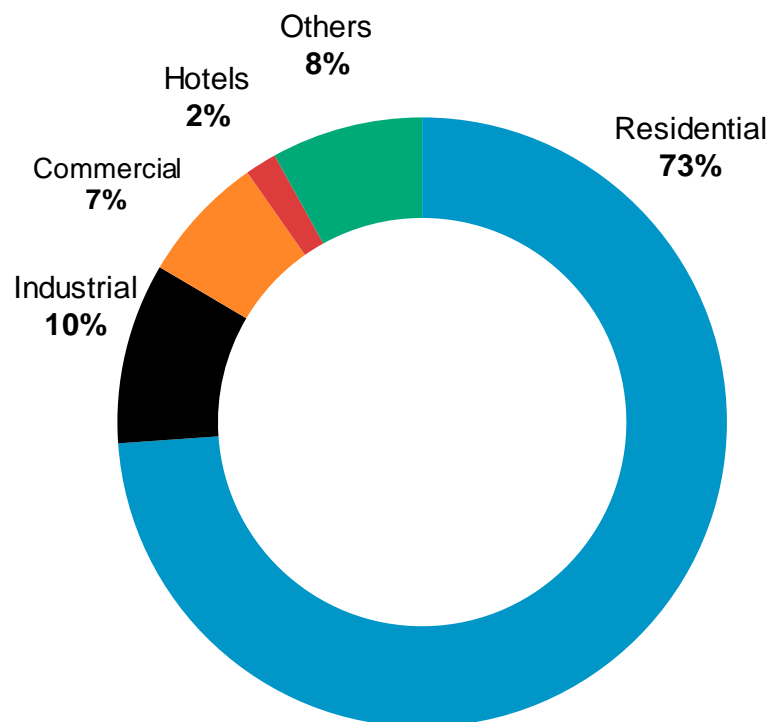
Note: Data as of March 2018. Sabadell ex-TSB's foreclosed assets include 20% of the foreclosed assets included in the APS, which risk is assumed by Sabadell according to the APS protocol. Accordingly, Sabadell ex-TSB's provisions include all provisions associated to 20% of the foreclosed assets included in the APS.

<sup>1</sup> Refers to real estate assets derived from home loan mortgages for house purchases.

# REOs/Foreclosed assets segmentation

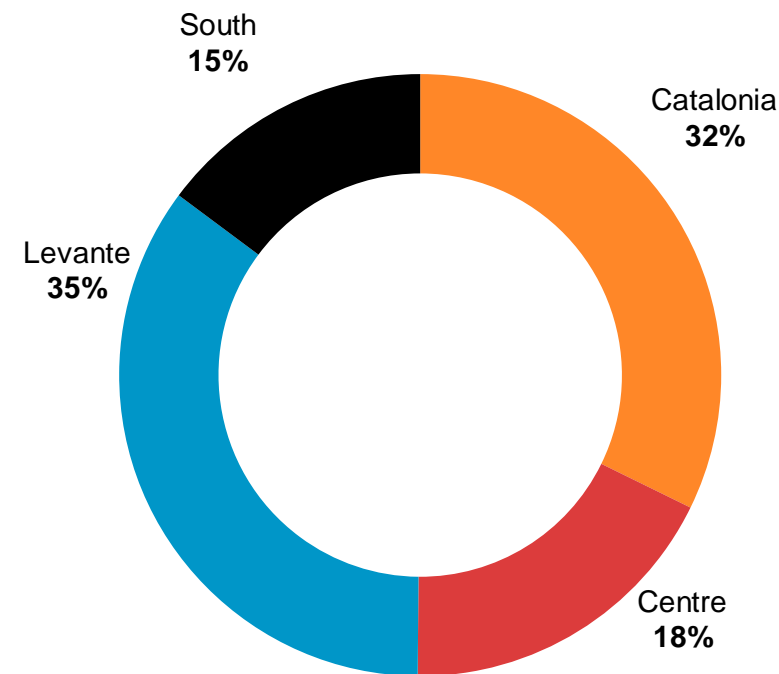
## Foreclosed assets by use, ex-TSB

In percentage



## Foreclosed assets by location, ex-TSB

In percentage

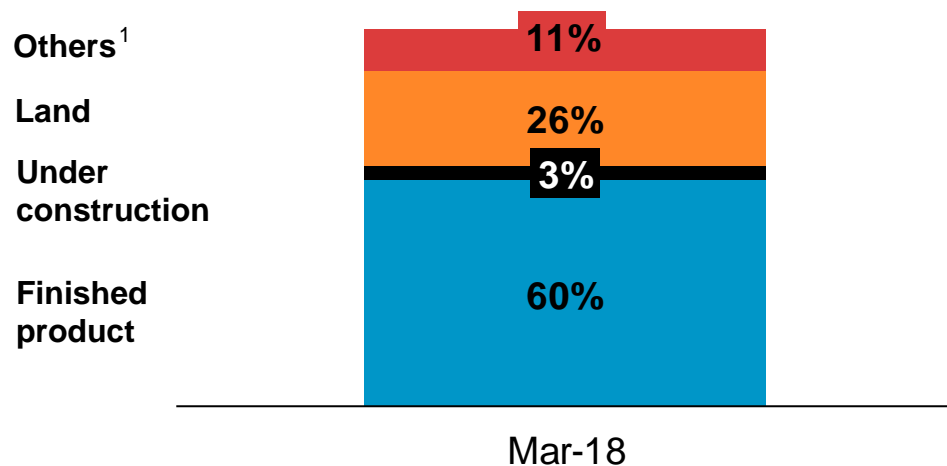


Note: Data as of March 2018. Includes 100% APS.

# Real Estate portfolio breakdown by asset class and region

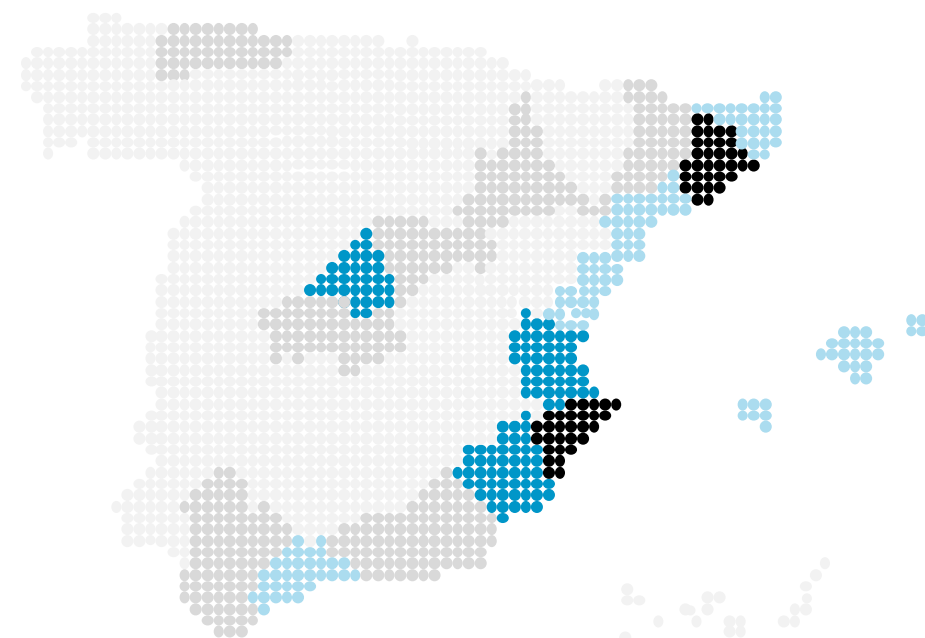
## Portfolio breakdown by asset class, ex-TSB

In percentage

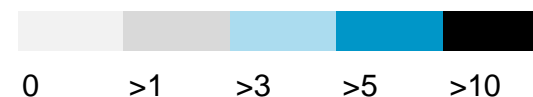


## Portfolio breakdown by region

>72% of finished properties in the Mediterranean coastal area and Madrid



% of stock per region



Note: Data as of March 2018.

<sup>1</sup> Other guarantees.

# APS main figures

## APS breakdown and evolution

Euros in million

Concept	Jun-12 <sup>1,2</sup>	Mar-18 <sup>2</sup>	Var. (%)
Gross loans and advances	19,117	4,850	-74.6%
of which at-risk	18,460	4,841	-73.8%
of which contingent guarantees and liabilities	657	8	-98.7%
Real estate assets	4,663	4,101	-12.1%
Equity stakes	504	40	-92.1%
Write offs	360	1,881	422.4%
<b>Total</b>	<b>24,644</b>	<b>10,871</b>	<b>-55.9%</b>

**The APS book has decreased c.56% (€13.8bn) in less than 6 years**

<sup>1</sup> The APS came into effect on June 1, 2012 with retroactive effects from July 31, 2011.

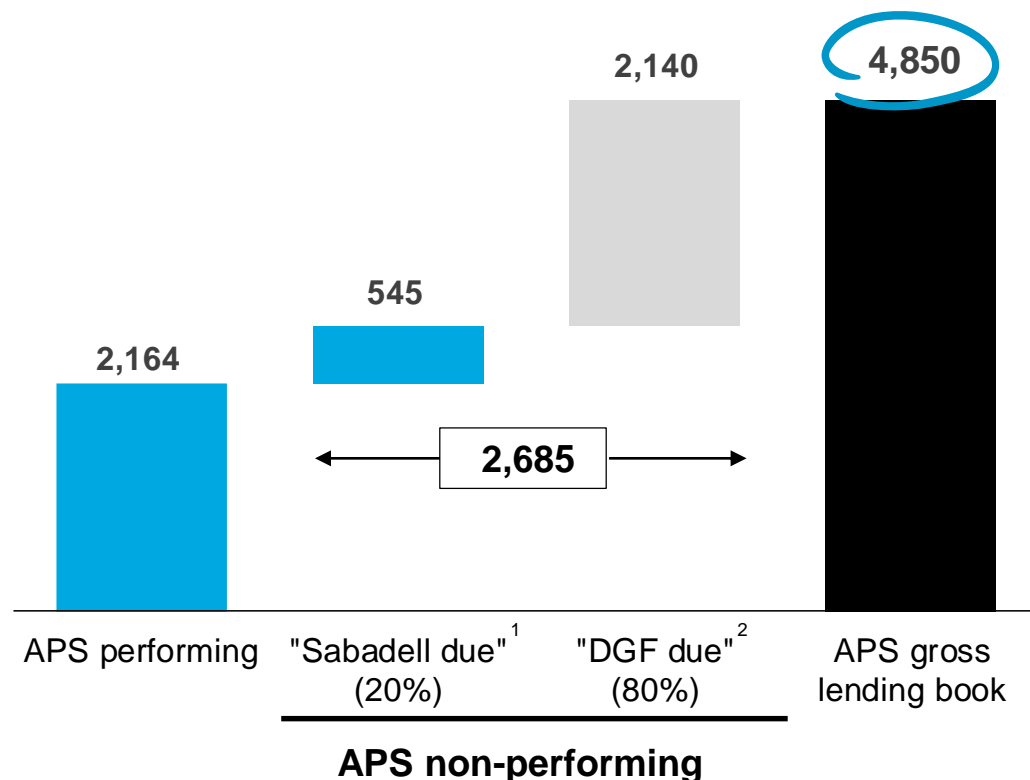
<sup>2</sup> Gross of original existing provisions.



# APS gross loan and developers exposure

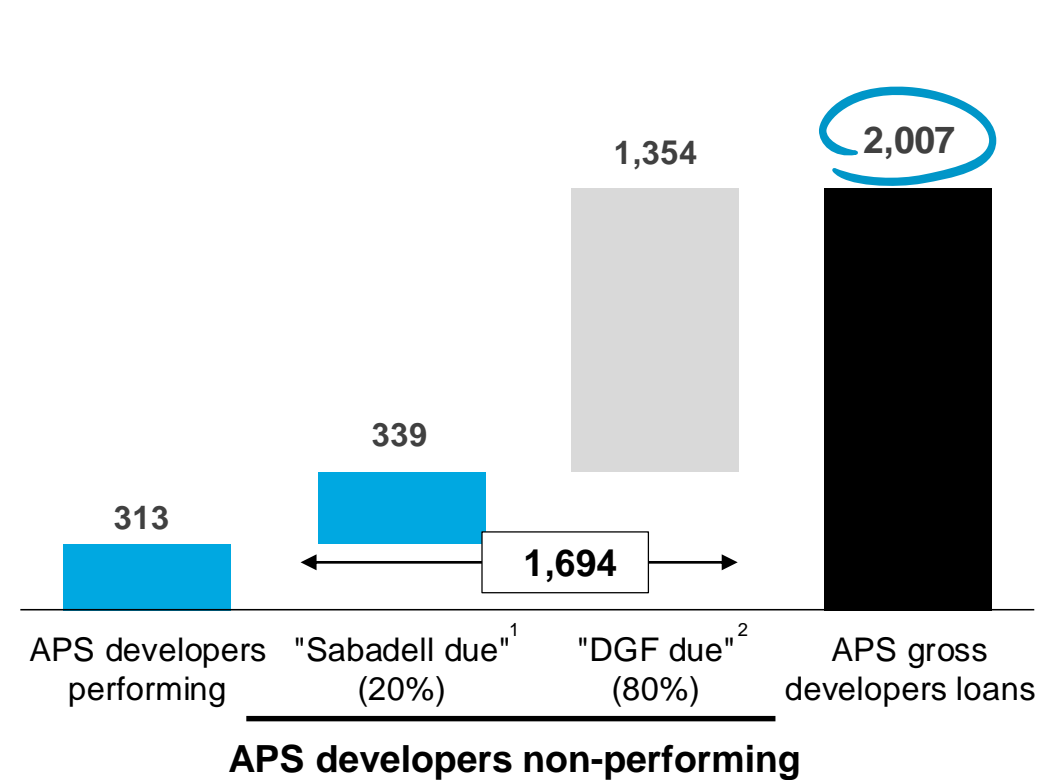
## APS gross loans and advances (as of Mar-18)

Euros in million



## APS developers loans (as of Mar-18)

Euros in million



**The total APS NPL ratio is 55.4%**

**The developers APS NPL ratio is 84.4%**

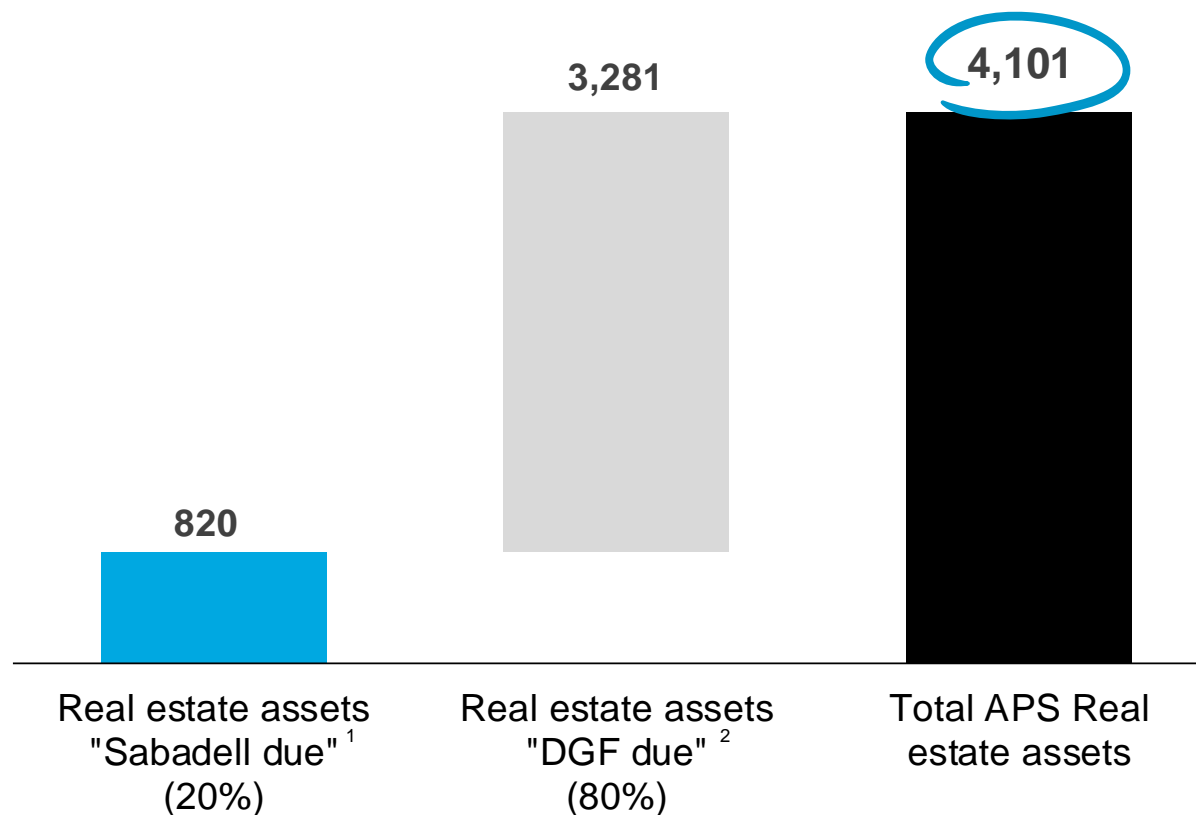
<sup>1</sup> 20% of total APS non-performing credit risk is assumed by Sabadell as per the APS protocol.

<sup>2</sup> 80% of total APS non-performing credit risk is transferred to the Deposit Guarantee Fund ("DGF") as per the APS protocol.

# APS real estate asset book

## APS real estate (as of Mar-18)

Euros in million



<sup>1</sup> 20% of all APS real estate losses are assumed by Sabadell as per the APS protocol.

<sup>2</sup> 80% of all APS real estate losses are assumed by the Deposit Guarantee Fund ("DGF") as per the APS protocol.

# APS provisions overview

## APS provisions and exposure (as of Mar-18)

Euros in million

	APS Exposure	APS Provisions	APS Coverage
<b>Total APS problematic exposure</b>			
Non-performing credit	2,685	1,615	60.2%
of which "DGF due" <sup>1</sup>	2,140	1,286	
Real estate assets	4,101	2,533	61.8%
of which "DGF due" <sup>1</sup>	3,281	2,026	
<b>Total APS problematic credit and assets</b>	<b>6,786</b>	<b>4,148</b>	<b>61.1%</b>
<b>Total APS developers loans</b>			
Non-performing developers credit	1,694	1,130	66.7%
of which "DGF due" <sup>1</sup>	1,354	904	
<b>Total APS problematic developers credit and assets</b>	<b>5,795</b>	<b>3,663</b>	<b>63.2%</b>

<sup>1</sup> "DGF due" represents 80% of APS exposure which risk has been assumed by the Deposit Guarantee Fund ("DGF") as per the APS protocol.

# Sabadell Group's credit ratings and outlook

	Long Term	Short Term	Outlook	Last update
<b>DBRS</b>	BBB (High)	R-1 (low)	Stable	21.12.2017
<b>STANDARD &amp; POOR'S</b>	BBB	A-2	Stable	06.04.2018
<b>MOODY'S<sup>1</sup></b>	Baa3/ Baa2	P-3/ P-2	Positive/Positive	17.04.2018

<sup>1</sup> Relates to senior debt and deposits, respectively.

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For further information, please contact the  
Investor Relations team at:

**[investorrelations@bancsabadell.com](mailto:investorrelations@bancsabadell.com)**

**+44 2071 553 888**