

Sabadell

Q2 2018 Results

July 27, 2018

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Commercial
activity and
transformation

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asset quality

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Highlights

Highlights

1. Significant balance sheet de-risking

 - €12.2bn NPAAs sold (gross)
 - 1.7% Net NPA ratio (pro forma)
 - +10bps Capital impact FL CET1

2. TSB IT migration completed

 - ✓ TSB mobile app, online banking, telephony and branch channels are much improved
 - ✓ Positive lending and current account growth in the quarter

3. Strong commercial activity ex-TSB

 - +3.9%^(QoQ) Performing loans¹
 - +4.6%^(YoY) Core banking revenue²
 - +3.6%^(YoY) Commissions
 - +9.0%^(YoY)

4. Extraordinary costs and provisions

 - -€226M TSB IT migration Costs and provisions (gross)
 - -€177M NPA sales Provisions (gross)
 - +€120.6M^(Group) YTD Net Profit (reported)
 - +24.4%^(Group) YTD Net profit (excl. one-offs, YoY) €456.8M
 - +24.6%^(ex-TSB) YTD Net profit (excl. one-offs, YoY) €441.7M

5. Sound capital position

 - 11.2% FL CET1 (pro forma)
 - ➡ Mainly impacted in the quarter by sovereign volatility, ALCO portfolio rebalancing, RWAs growth and SAREB equity impairment

Note: **All data is considered on a like-for-like basis for comparison purposes**, i.e. like-for-like assumes constant FX and excludes Sabadell United Bank, Mediterráneo Vida as well as the Mortgage enhancement portfolio contribution (when applicable), throughout the presentation. Pro forma data considers institutional NPA sales. ¹ Excludes the impact of the APS NPL run-off (i.e. the APS NPL run-off refers to the 80% of the APS problematic exposure, due to the DGF, which risk is presented as performing and the change in net loans and receivables account), throughout the presentation. ² Core banking revenue refers to net interest income plus commissions.

Significant balance sheet de-risking through institutional NPA sales

Institutional NPA sales



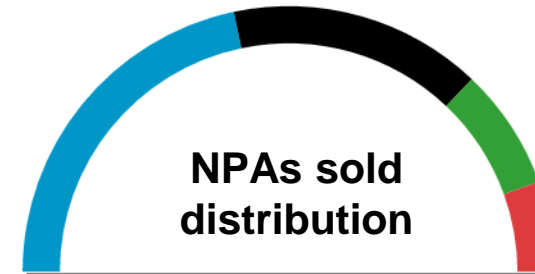
APS NPLs
€1.8bn

Other assets¹
€1.3bn

APS foreclosed assets
€3.8bn

Non-APS foreclosed assets
€5.3bn

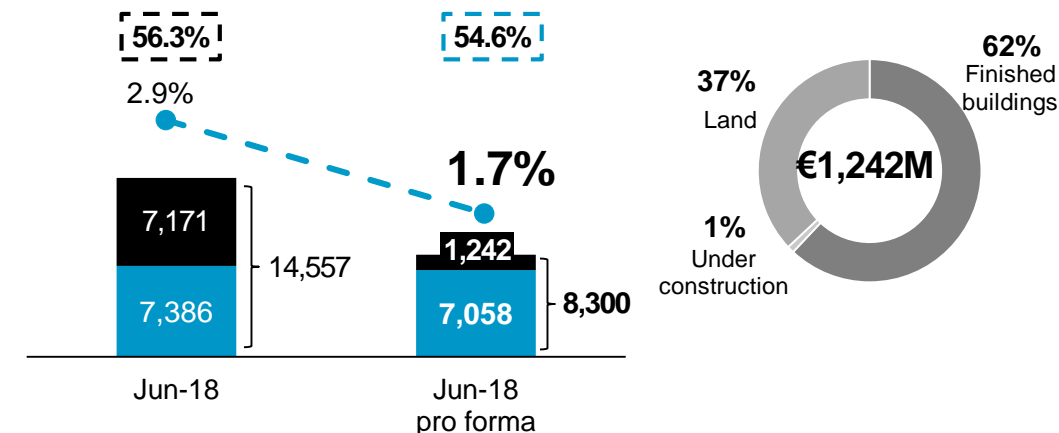
All assets to be transferred to NewCo(s), in which Sabadell will hold an equity stake of 20%



€12.2bn
Total gross NPAs sold

€4.6bn
Total net NPAs sold

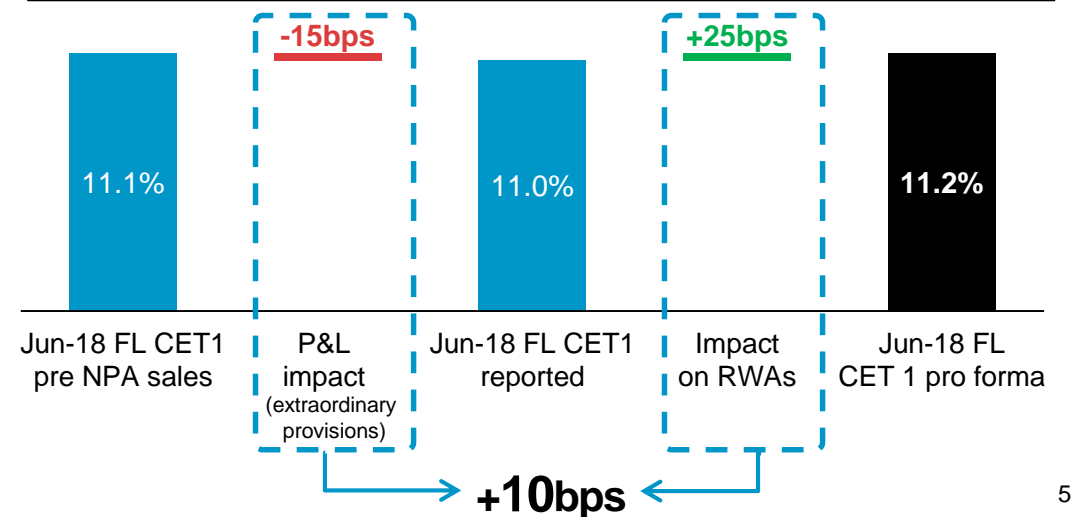
NPA exposure (pro forma) In million euros



 Coverage ratio
 Pro forma coverage ratio
 ● Net NPAs to total assets
 ■ NPLs
 ■ Foreclosed assets

¹ Includes mainly write-offs.

Fully-loaded CET 1 ratio (pro forma) In percentage

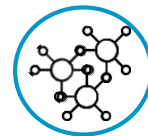


TSB migration and business update



TSB mobile app, online banking, telephony and branch channels are much improved

- **Significant progress has been made** to address the issues experienced by many customers in accessing different channels after the migration
- TSB's **mobile app, online banking, telephone banking and branch service levels are now much improved - and have been for some time**
- **Work is continuing** to minimise the level of future service interruptions
- **Migration of customer data** took place **as planned** as part of a **very complex project**:
 - Over 1.4 billion records of 5.2 million customers were transferred successfully
 - The **core banking platform has been operating correctly**, ensuring integrity of the data and accurate transaction settlements
- TSB has recruited over 1,800 people and redeployed 700 existing employees into customer-facing roles to mitigate customer impact
- TSB has received c.133k complaints, with **37% of complaints resolved** YTD
 - A **provision has been created this quarter** to deal with the cost of the programme, in addition to future customer redress cost



The new platform will deliver benefits to TSB and to TSB customers

- Enabler to improve **operational efficiency** and develop a competitive value proposition – unleashing the **capacity to create innovative products**
- Meaningful **competitive advantage** in term of time-to market of new product features and enhancements



Positive lending and current account growth in the quarter

- **Franchise mortgage lending** (excl. Whistletree) increased **+1.6% QoQ**. Total lending increased +0.7% QoQ
- c. 26,000 customers switched out from TSB in the quarter (out of more than 5 million customer base), while more than **20,000 customers opened a new bank account** or switched their account to TSB, with total current accounts growing **+0.6% QoQ**
- **Key commercial remediation actions launched for TSB customers**:
 - **Waived fees and charges** (overdraft, credit card over limit and business banking interest and fees) for three months
 - **Increased Classic Plus Account interest** from 3% to 5%
- **Robust liquidity with one of the strongest capital position** among UK banks (FL CET1 ratio of 19.2%)

Group results impacted by several extraordinary items post TSB's IT migration

Q2 TSB extraordinary items' impact on Sabadell Group results

In million EUR

| | |
|---|---------------|
| Waiver of overdraft charges/interest and fees | -33.2 |
| Classic plus account - interest increased to 5% | -2.7 |
| NII and fees | -35.9 |
| Losses from fraud and other losses | -39.8 |
| Other operating results | -39.8 |
| Specialists | -11.1 |
| Customers communication | -3.7 |
| Other resources | -20.3 |
| Costs | -35.0 |
| Customer redress provisions | -92.4 |
| Provisions | -92.4 |
| Total impact | -203.1 |

Additional extraordinary costs related to TSB's IT migration expected in 2H18 limited to:

- ▶ Classic plus account interest cost
- ▶ Resources cost (overtime pay, additional staff and expert support)

2019 is expected to be a normalised year for TSB

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Profitability and efficiency

2Q18 highlights: Profitability and efficiency

| | Sabadell, Group | | Sabadell, ex-TSB | | |
|-------------------------------|-----------------|------------------|------------------|------------------|--|
| | QoQ | YoY ² | QoQ | YoY ² | |
| Performing loans ¹ | > +2.9% | +3.7% | +3.9% | +4.6% | <ul style="list-style-type: none"> ▪ Strong performing loan growth QoQ driven by a solid performance of the SME segment and positive mortgage growth in Spain ▪ Group net interest income was slightly down QoQ impacted by TSB customer remedies. NII ex-TSB grew, underpinned by strong volumes and resilient SME yields, and despite the cost of strong liquidity levels and pressure from negative Euribor |
| NII | > -1.6% | +0.8% | +1.0% | +1.3% | |
| Commissions | > +2.5% | +6.3% | +6.5% | +9.0% | <ul style="list-style-type: none"> ▪ High single digit commissions growth QoQ and YoY at ex-TSB level supported by a strong performance in service and asset management fees |

Strong core banking revenue ex-TSB of +2.7% QoQ and +3.6% YoY

Note: All data is considered on a like-for-like basis for comparison purposes. Core banking revenue refers to net interest income plus commissions.

¹ Excludes the impact of the APS NPL run-off.

² %YoY calculated as the growth rate of cumulative results to June 2018 vs. cumulative results to June 2017.

Quarterly income statement

| In million EUR | Sabadell, Group | | | | | | Sabadell, ex-TSB | | | |
|---|-----------------|----------------|---------------|---------------------|-------------------|----------------------------------|------------------|--------------|---------------|-------------------|
| | 1Q18 | 2Q18 | %QoQ | %QoQ constant FX | %YoY ¹ | %YoY ¹ constant FX | 1Q18 | 2Q18 | %QoQ | %YoY ¹ |
| Net interest income | 911.5 | 898.6 | -1.4% | -1.6% | 0.0% | 0.8% | 658.4 | 665.1 | 1.0% | 1.3% |
| Equity method & dividends | 12.9 | 23.8 | 85.4% | 85.4% | 3.3% | 3.4% | 12.8 | 23.9 | 87.3% | 3.3% |
| Commissions | 314.4 | 322.3 | 2.5% | 2.5% | 6.1% | 6.3% | 291.3 | 310.3 | 6.5% | 9.0% |
| Trading income & forex | 226.0 | 19.9 | -91.2% | -91.2% | -50.3% | -50.2% | 218.8 | 1.2 | -99.4% | -52.1% |
| Other operating results | -9.7 | -88.7 | -- | -- | 72.6% | 75.0% | -7.0 | -48.3 | -- | 10.6% |
| Gross operating income | 1,455.1 | 1,175.9 | -19.2% | -19.3% | -8.8% | -8.3% | 1,174.3 | 952.3 | -18.9% | -7.6% |
| Personnel recurrent costs | -383.6 | -393.7 | 2.6% | 2.5% | 3.1% | 3.8% | -290.2 | -290.2 | 0.0% | 2.8% |
| Administrative recurrent costs | -292.3 | -266.4 | -8.9% | -9.2% | 1.4% | 2.6% | -162.4 | -163.2 | 0.5% | 12.9% |
| Non recurrent costs | -77.0 | -66.2 | -14.0% | -14.2% | -- | -- | -3.3 | -4.3 | 30.8% | 53.1% |
| Depreciation & amortisation | -87.1 | -89.5 | 2.7% | 2.6% | -9.2% | -8.8% | -69.4 | -67.7 | -2.5% | -13.9% |
| Pre-provisions income | 615.1 | 360.1 | -41.5% | -41.5% | -27.7% | -27.6% | 649.0 | 426.9 | -34.2% | -16.3% |
| Total provisions & impairments | -244.8 | -561.5 | 129.4% | 129.3% | -5.4% | -5.3% | -221.5 | -445.3 | 101.0% | -17.5% |
| Gains on sale of assets and other results | -0.6 | 4.6 | -- | -- | -77.5% | -77.3% | -1.1 | 4.3 | -- | -71.7% |
| Profit before taxes | 369.7 | -196.8 | -- | -- | -66.4% | -66.3% | 426.5 | -14.1 | -- | -15.5% |
| Taxes | -108.9 | 60.4 | -- | -- | -66.4% | -66.3% | -121.9 | 31.1 | -- | -31.1% |
| Minority interest | 1.5 | 2.3 | 59.8% | 59.8% | 139.5% | 139.5% | 1.5 | 2.3 | 59.8% | 139.5% |
| Attributable net profit | 259.3 | -138.7 | -- | -- | -67.2% | -67.2% | 303.1 | 14.6 | -95.2% | -10.4% |
| Memo: Attributable net profit (excl. one-offs)² | 309.0 | 147.8 | -52.2% | -52.1% | 24.1% | 24.4% | 303.1 | 138.6 | -54.3% | 24.6% |

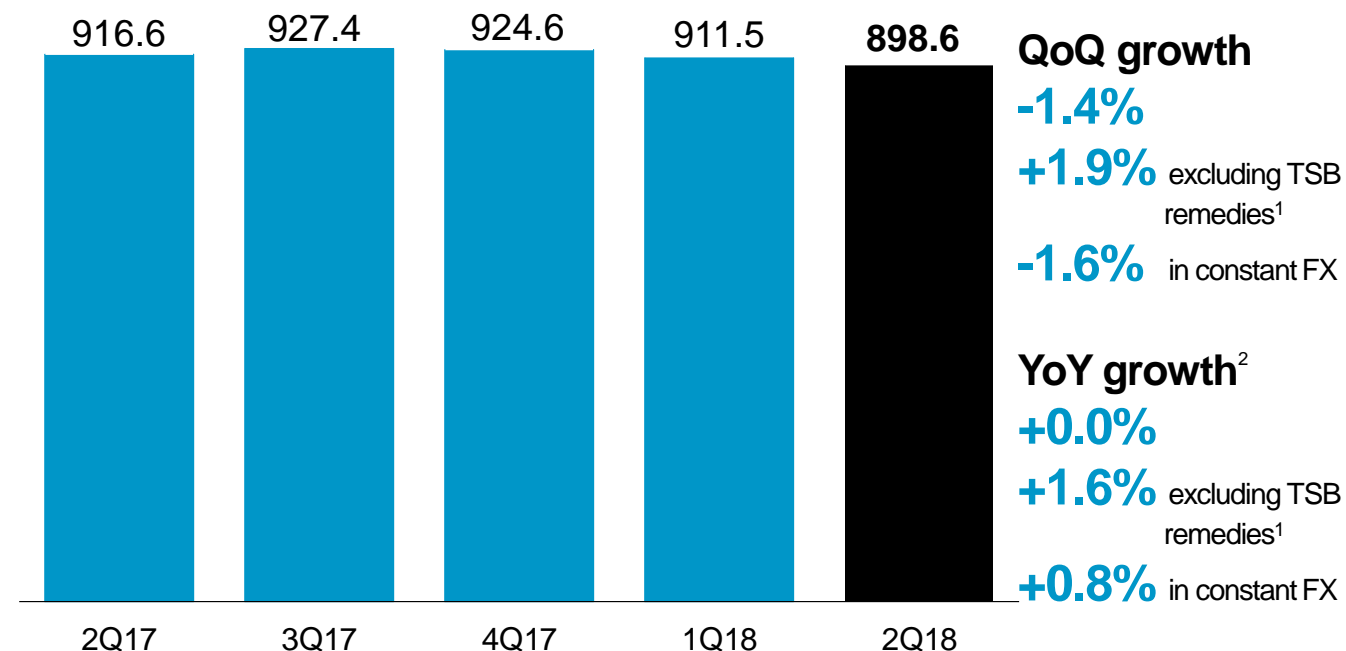
Net profit was impacted in the quarter by the contribution to the resolution fund and extraordinary items such as: TSB one-offs, institutional NPA sales provisions and SAREB debt impairment

Note: **All data is considered on a like-for-like basis for comparison purposes**. Quarterly income statement "as reported" is included in the annex section. The EURGBP exchange rate of 0.8767 used for this quarter's P&L corresponds to the daily average rate of 2Q18 (0.8834 as of 1Q18). The EURGBP exchange rate of 0.8801 used for this semester P&L corresponds to the daily average rate of 1H18 (0.8598 as of 1H17). ¹%YoY calculated as the growth rate of cumulative results to June 2018 vs. cumulative results to June 2017. ²Excludes TSB one-offs items and extraordinary provisions related to institutional NPA sales.

Positive NII performance at ex-TSB level, while Group NII was impacted by TSB customer remedies

Group net interest income evolution

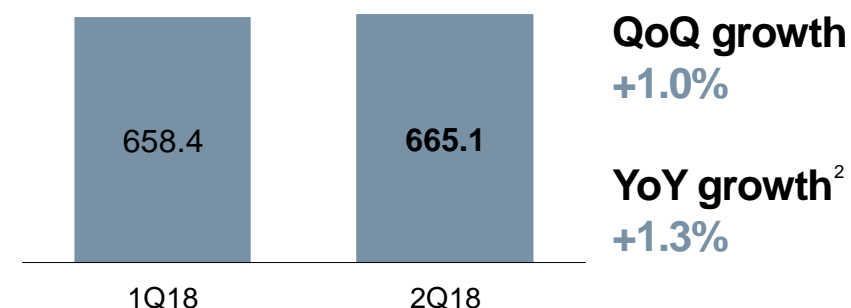
In million EUR



TSB post- IT migration customer remedies had a one-off negative impact of -€30.5M in the quarter

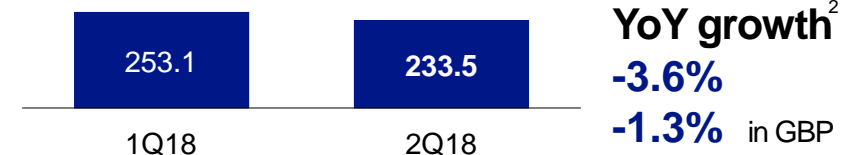
Sabadell, ex-TSB

In million EUR



TSB

In million EUR



Note: **All data is considered on a like-for-like basis for comparison purposes.**

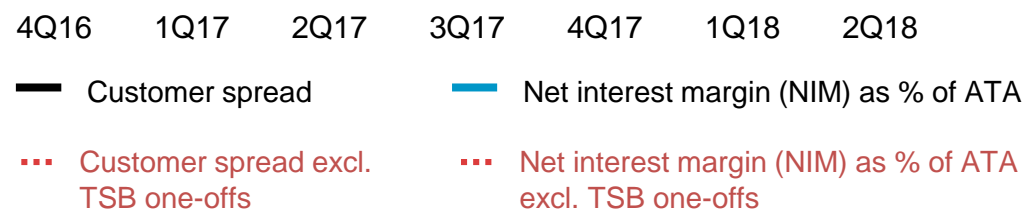
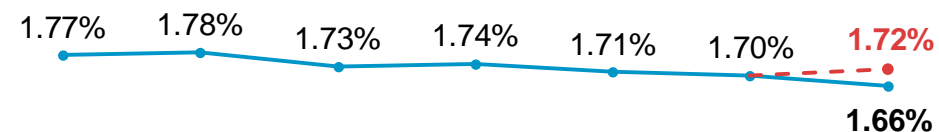
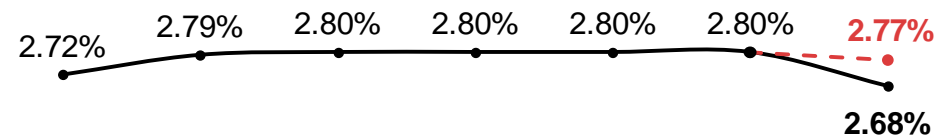
¹ Excludes NII related overdraft fee waivers and the increase in Classic Plus Account interest to 5%.

² %YoY calculated as the growth rate of cumulative results to June 2018 vs. cumulative results to June 2017.

Net interest margin (excl. one-offs) remained broadly stable despite strong liquidity levels

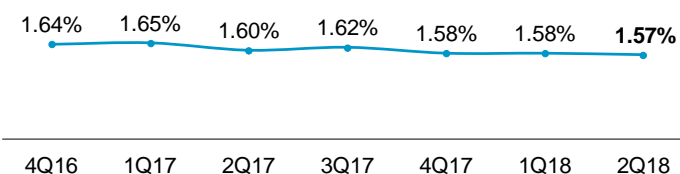
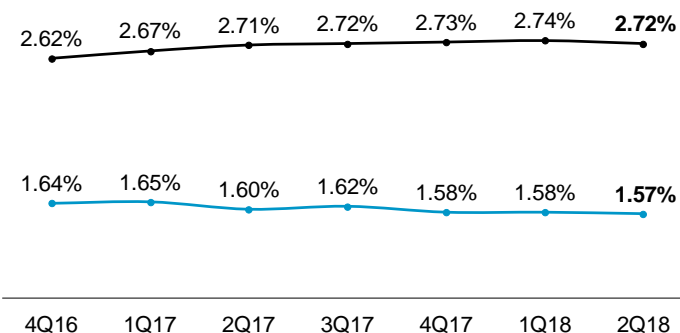
Customer spread and net interest margin, Sabadell Group

In percentage



Sabadell, ex-TSB

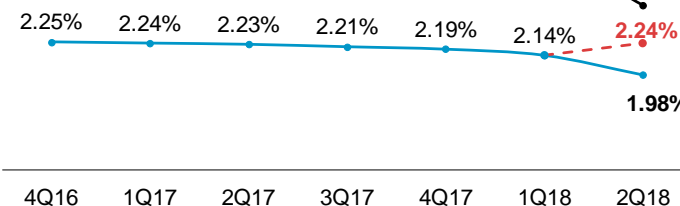
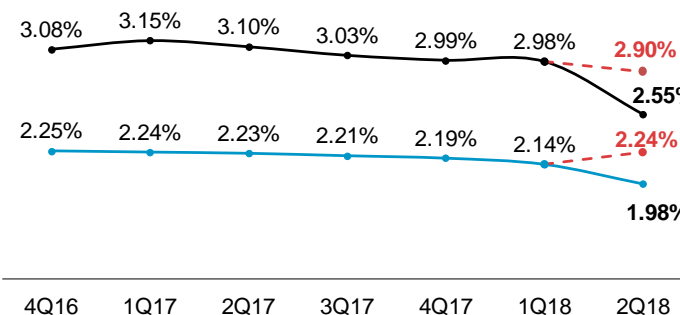
In percentage



Sabadell ex-TSB NIM remained resilient despite strong liquidity levels and negative rates pressure

TSB

In percentage



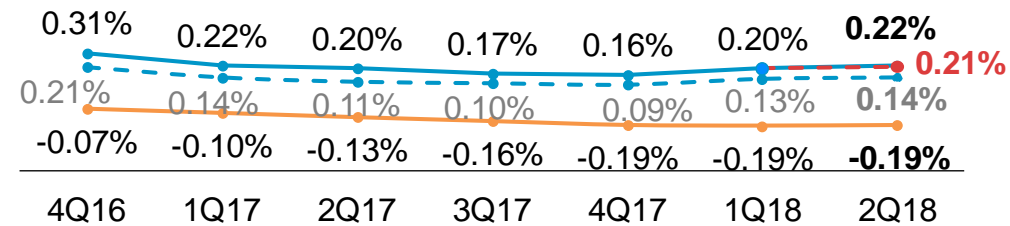
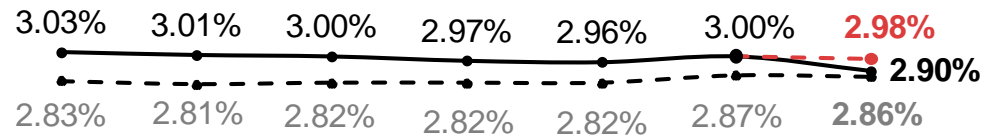
TSB customer spread was impacted by extraordinary -€30.5M of customer remedies cost

Note: All data is considered on a like-for-like basis for comparison purposes.

Customer spread (excl. one-offs) remained resilient as we continued to defend pricing and improve funding cost

Customer loan yield and cost of funds

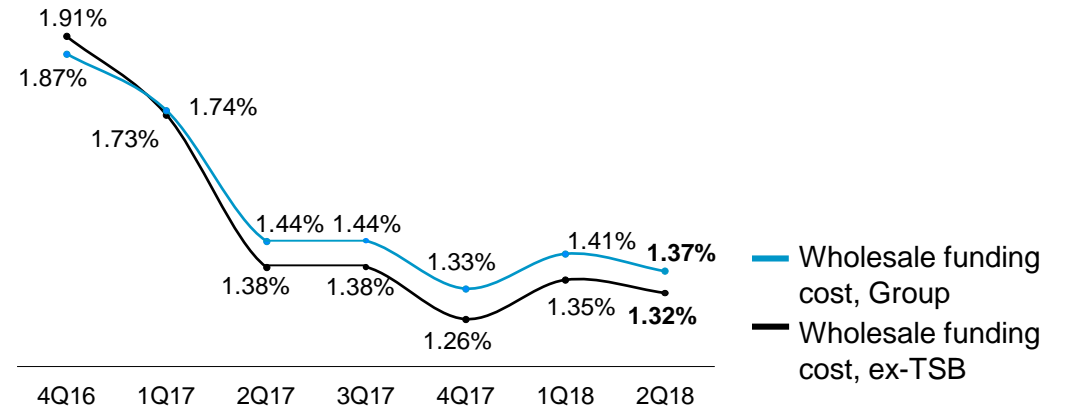
In percentage



- Customer loan yield, Group
- Customer loan yield excl. TSB one-offs, Group
- ... Customer loan yield, ex-TSB
- Cost of customer funds, Group
- Cost of customer funds excl. TSB one-offs, Group
- ... Cost of customer funds, ex-TSB
- Euribor 12M (quarterly average)

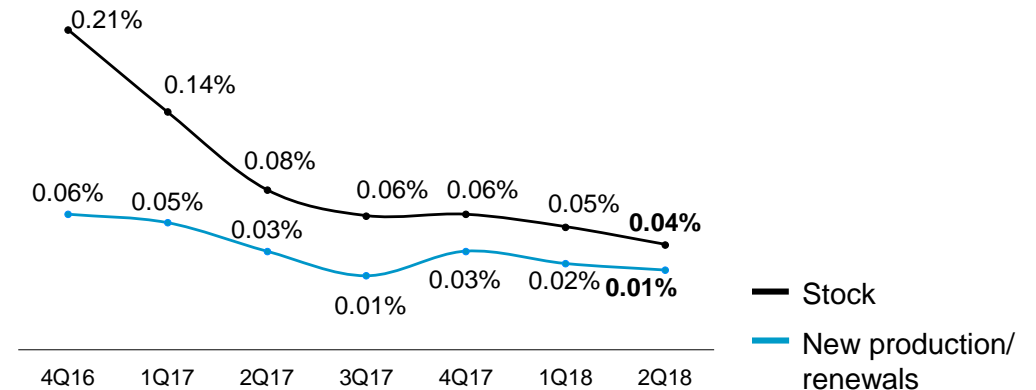
Wholesale funding cost¹

In percentage



Contractual rates on term deposits², ex-TSB

In percentage



Note: All data is considered on a like-for-like basis for comparison purposes.

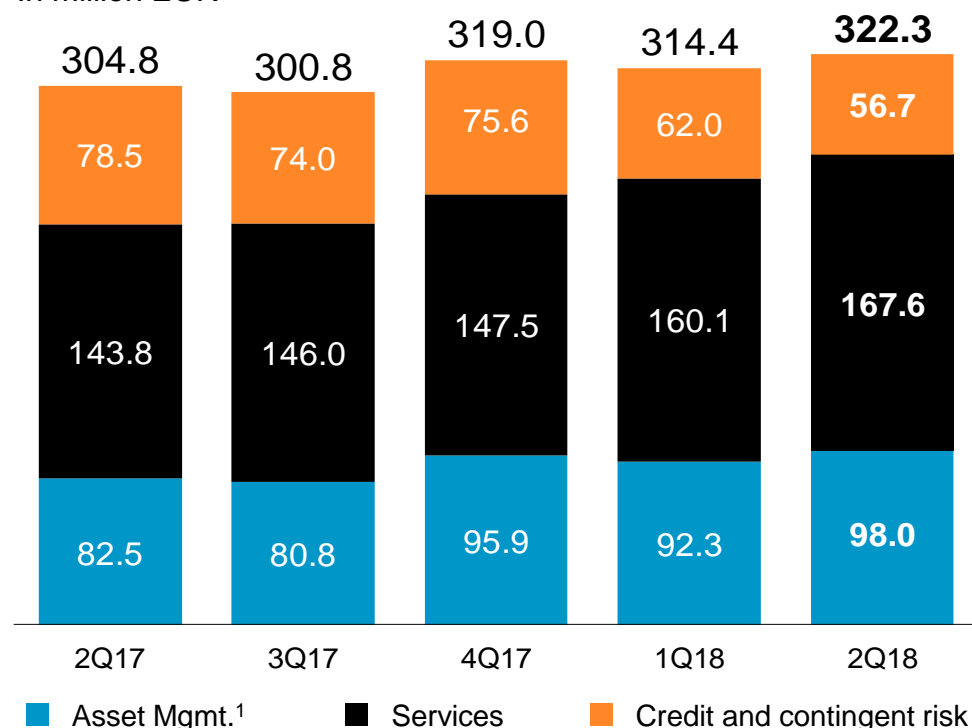
¹ Wholesale funding cost excludes the additional benefit from TLTRO II and TFS funding.

² Contractual rates for Euro term deposits.

Commissions increased YoY with positive performance in services and asset management

Group commission income evolution

In million EUR



QoQ growth

+2.5%

+4.2% excluding TSB remedies²

+2.5% in constant FX

YoY growth³

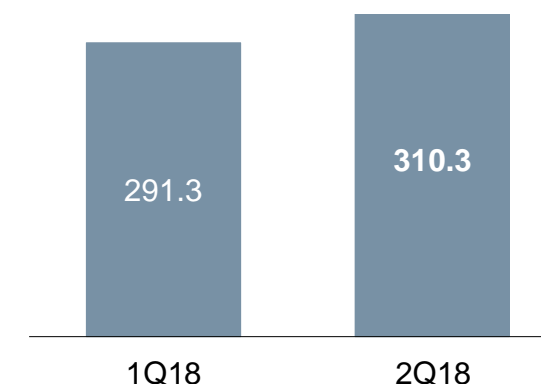
+6.1%

+7.0% excluding TSB remedies²

+6.3% in constant FX

Sabadell, ex-TSB

In million EUR



QoQ growth

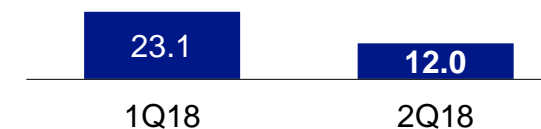
+6.5%

YoY growth³

+9.0%

TSB

In million EUR



QoQ growth

-48.2%

-48.6% in GBP

YoY growth³

-27.3%

-25.6% in GBP

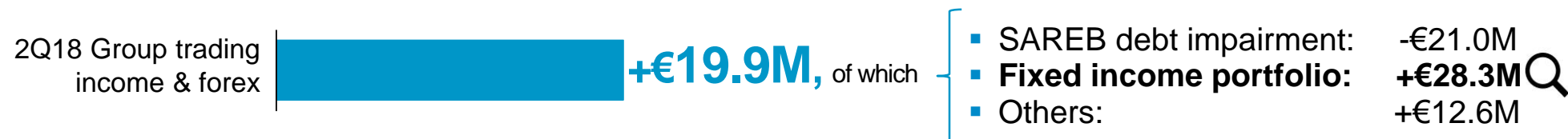
TSB post-IT migration customer remedies had a one-off negative impact of -€5.5M in commissions

Note: **All data is considered on a like-for-like basis for comparison purposes.**

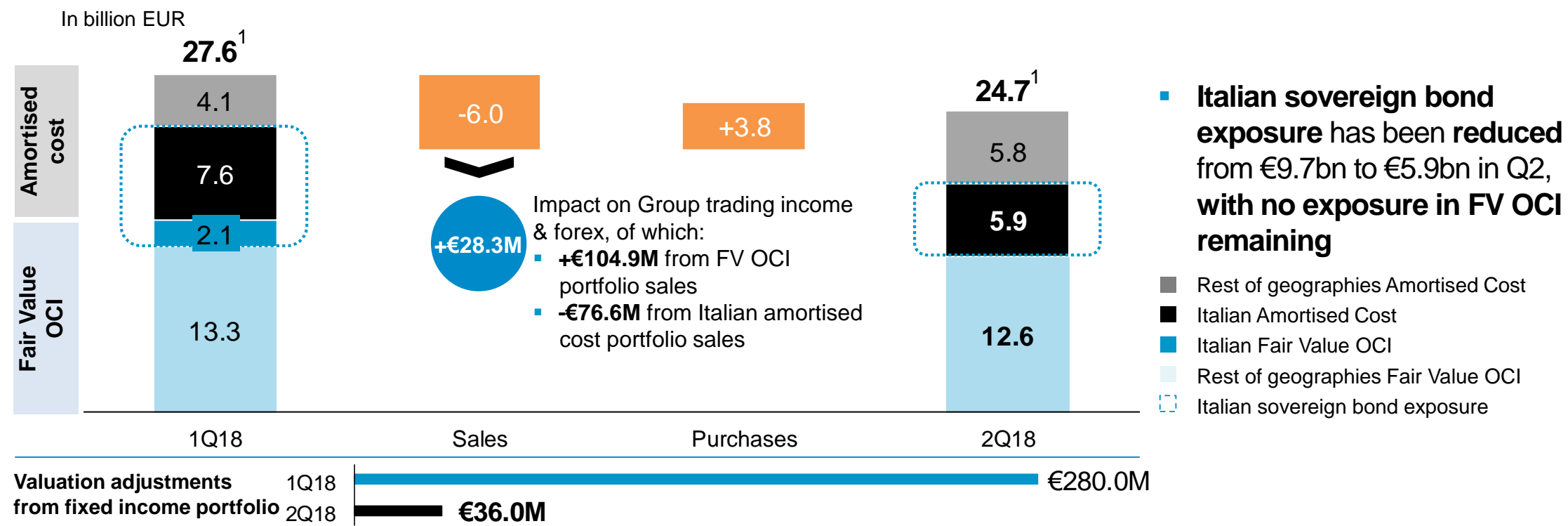
¹ Includes mutual funds, pension funds, insurance brokerage and wealth management commissions.

² Excludes waivers of overdraft charges related to fees and credit card over limit fees. ³ YoY calculated as the growth rate of cumulative results to June 2018 vs. cumulative results to June 2017.

Trading income impacted by SAREB debt impairment, which was more than offset by fixed income portfolio sales



Fixed income portfolio evolution, Sabadell Group

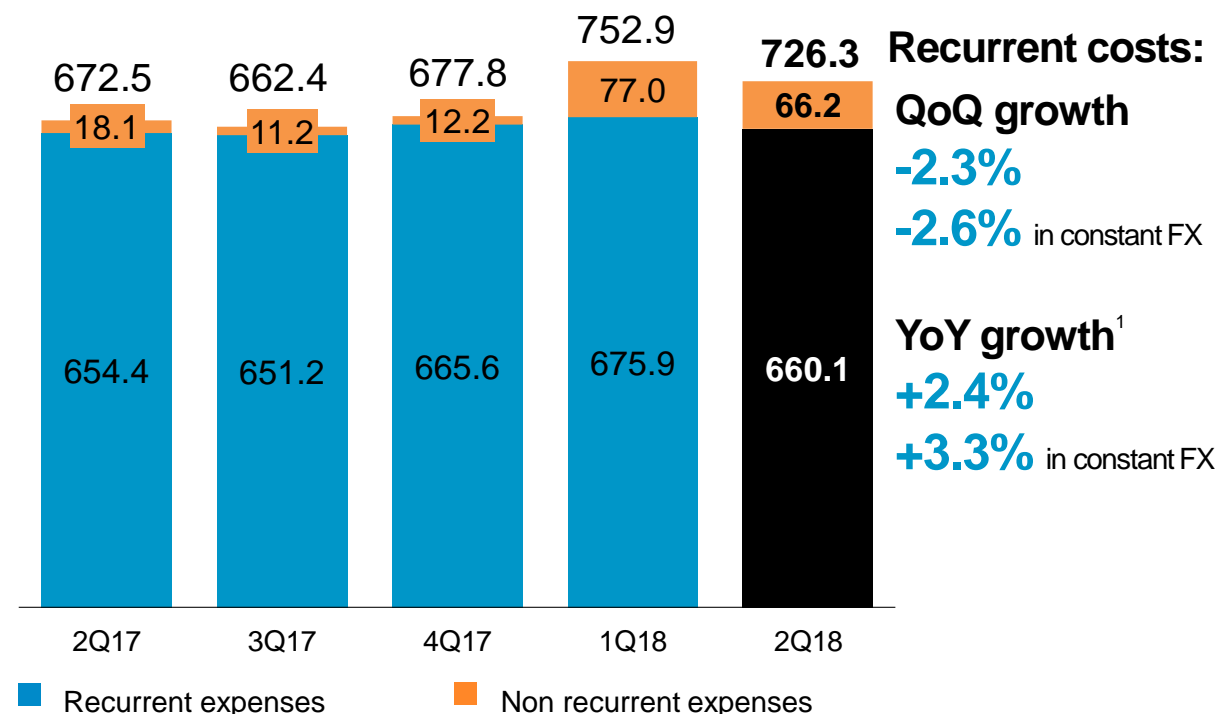


¹ Also includes the trading portfolio.

Recurrent costs fell as TSB completed the migration to its new technological platform

Group personnel and general expenses

In million EUR



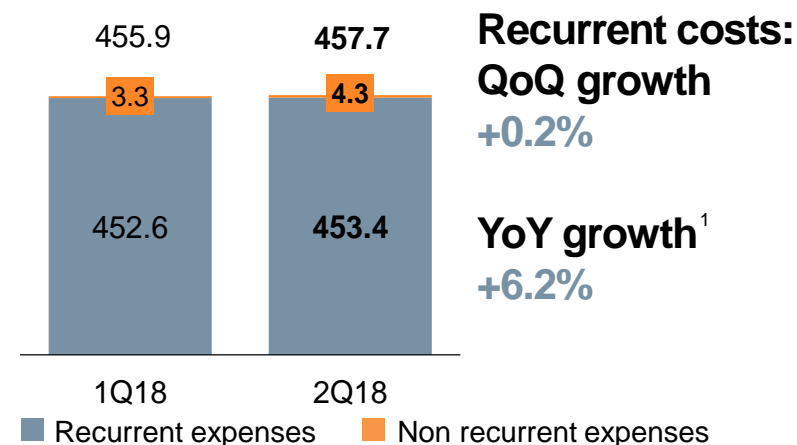
Non recurrent costs at TSB were impacted QoQ by IT post-migration one-off costs of -€35.0M and additional IT migration costs of -€22.6M

Note: All data is considered on a like-for-like basis for comparison purposes.

¹%YoY calculated as the growth rate of cumulative results to June 2018 vs. cumulative results to June 2017.

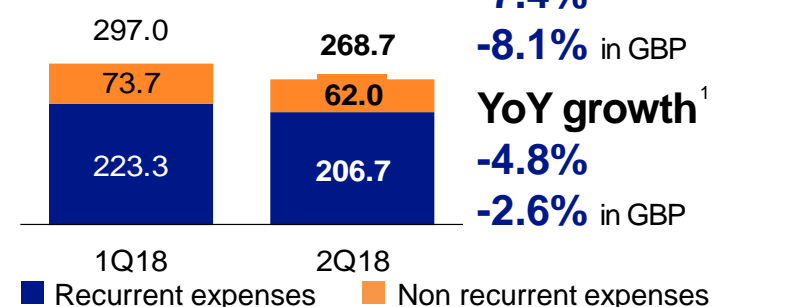
Sabadell, ex-TSB

In million EUR



TSB

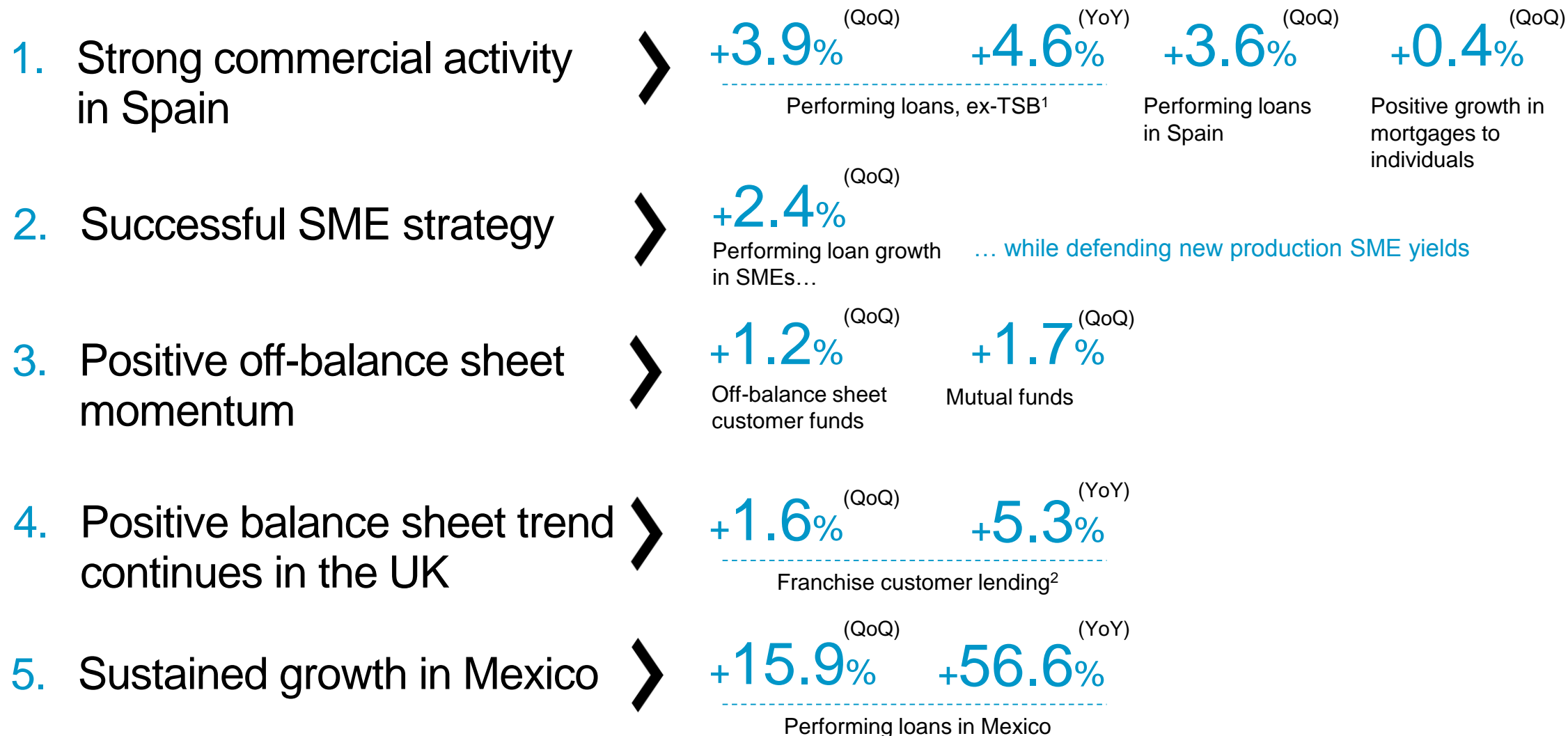
In million EUR



3

Commercial activity and
transformation

2Q18 highlights: Commercial activity and transformation



Note: All data is considered on a like-for-like basis for comparison purposes. UK Franchise customer lending and performing loans in Mexico are expressed in local currency.

¹ Excludes the impact of the APS NPL run-off. ² Excluding Whistletree portfolio.

Balance sheet dynamics

Evolution of customer loans and funds

| In million EUR | Sabadell Group | | | | | | | Sabadell, ex-TSB | | | | |
|--|----------------|----------------|----------------|---------------------|--------------|--------------------------------------|-----------------------|------------------|----------------|----------------|--------------|-----------------------|
| | Jun-17 | Mar-18 | Jun-18 | %QoQ constant FX | %QoQ | %YoY like-for-like constant FX | %YoY like-for-like | Jun-17 | Mar-18 | Jun-18 | %QoQ | %YoY like-for-like |
| Total assets | 212,802 | 219,009 | 215,935 | -1.1% | -1.4% | 1.8% | 1.5% | 165,607 | 169,676 | 168,776 | -0.5% | 1.9% |
| Of which: | | | | | | | | | | | | |
| Gross loans to customers ex repos ¹ | 146,201 | 144,967 | 147,934 | 2.4% | 2.0% | 1.5% | 1.2% | 110,777 | 108,949 | 112,255 | 3.0% | 1.3% |
| Performing loans | 137,666 | 137,246 | 140,667 | 2.9% | 2.5% | 2.5% | 2.2% | 102,437 | 101,653 | 105,465 | 3.7% | 3.0% |
| Performing loans ex-APS NPL run-off | 131,446 | 132,482 | 135,877 | 2.9% | 2.6% | 3.7% | 3.4% | 96,217 | 96,889 | 100,675 | 3.9% | 4.6% |
| Fixed income portfolio | 28,783 | 27,609 | 24,673 | -10.5% | -10.6% | -16.5% | -14.3% | 24,612 | 24,759 | 22,389 | -9.6% | -9.0% |
| Total liabilities | 199,928 | 206,139 | 203,865 | -0.8% | -1.1% | 2.3% | 2.0% | 155,221 | 159,209 | 158,931 | -0.2% | 2.4% |
| Of which: | | | | | | | | | | | | |
| On-balance sheet customer funds | 132,323 | 133,280 | 135,695 | 2.2% | 1.8% | 2.8% | 2.5% | 98,260 | 98,283 | 102,323 | 4.1% | 4.1% |
| Term funds ² | 35,959 | 31,486 | 30,296 | -3.6% | -3.8% | -15.6% | -15.7% | 31,176 | 27,491 | 27,381 | -0.4% | -12.2% |
| Sight accounts | 96,365 | 101,794 | 105,400 | 3.9% | 3.5% | 9.6% | 9.4% | 67,083 | 70,792 | 74,942 | 5.9% | 11.7% |
| Wholesale funding | 20,652 | 21,259 | 20,157 | -5.1% | -5.2% | -2.3% | -2.4% | 19,163 | 19,374 | 18,348 | -5.3% | -4.3% |
| ECB funding | 20,938 | 20,987 | 20,500 | -2.3% | -2.3% | -2.1% | -2.1% | 20,938 | 20,987 | 20,500 | -2.3% | -2.1% |
| BoE funding | 5,183 | 7,402 | 7,302 | -0.1% | -1.4% | 42.0% | 40.9% | 0 | 0 | 0 | -- | -- |
| Off-balance sheet funds | 43,997 | 46,364 | 46,901 | 1.2% | 1.2% | 6.6% | 6.6% | 43,997 | 46,364 | 46,901 | 1.2% | 6.6% |
| Of which: | | | | | | | | | | | | |
| Mutual funds | 25,943 | 28,136 | 28,624 | 1.7% | 1.7% | 10.3% | 10.3% | 25,943 | 28,136 | 28,624 | 1.7% | 10.3% |
| Pension funds | 4,040 | 3,911 | 3,869 | -1.1% | -1.1% | -4.2% | -4.2% | 4,040 | 3,911 | 3,869 | -1.1% | -4.2% |
| Third party insurance products | 10,070 | 10,313 | 10,401 | 0.9% | 0.9% | 3.3% | 3.3% | 10,070 | 10,313 | 10,401 | 0.9% | 3.3% |
| Managed accounts | 3,943 | 4,004 | 4,007 | 0.1% | 0.1% | 1.6% | 1.6% | 3,943 | 4,004 | 4,007 | 0.1% | 1.6% |
| Total customer funds | 176,320 | 179,644 | 182,596 | 1.9% | 1.6% | 3.7% | 3.6% | 142,257 | 144,647 | 149,224 | 3.2% | 4.9% |

Note: **All data is considered on a like-for-like basis for comparison purposes.** The EURGBP exchange rate of 0.8861 used for this quarter's balance sheet is the closing exchange rate as of June 2018.

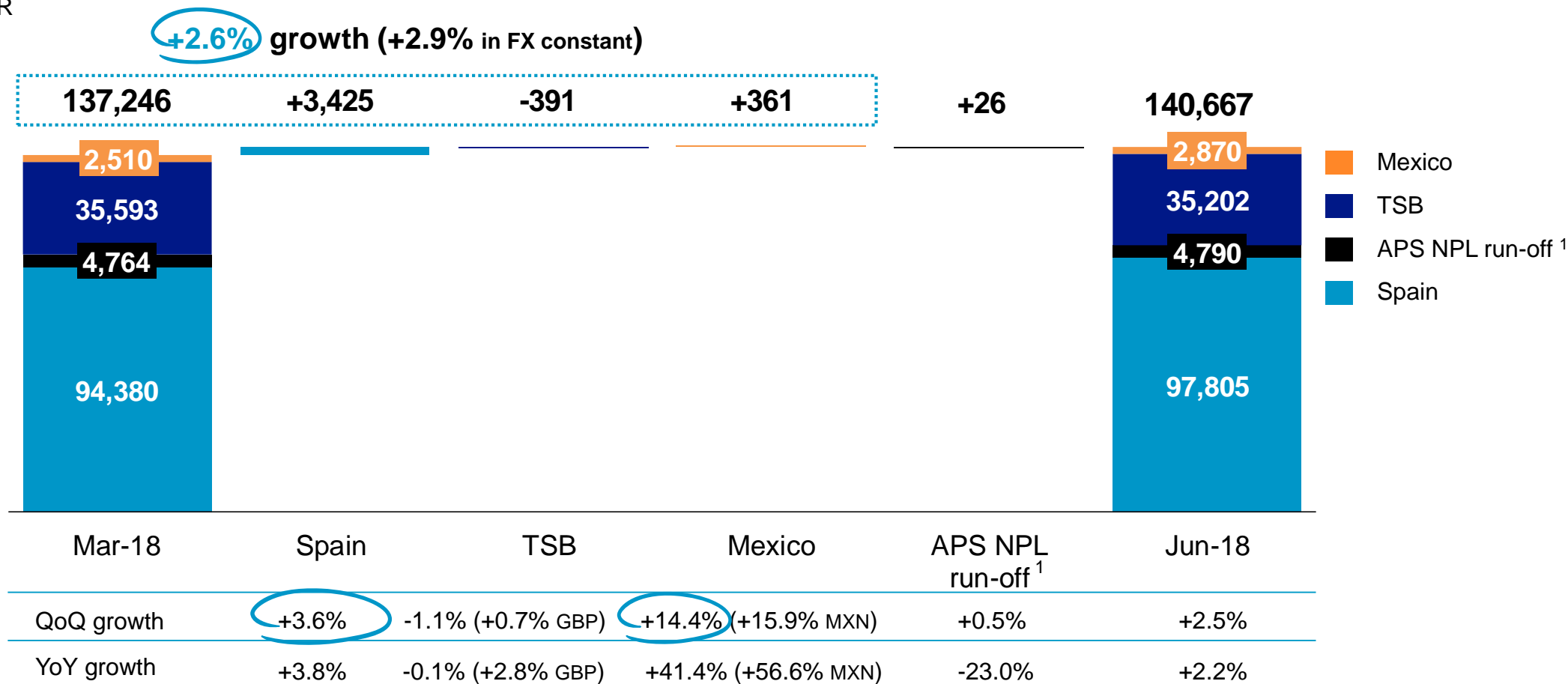
¹ Includes accrual adjustments.

² Term funds include term deposits and other funds placed via the branch network and exclude repos and deposits from institutional clients.

Group performing loans increased in the quarter, driven by strong growth in Spain

Performing loans: performance by geographies, Group

In million EUR

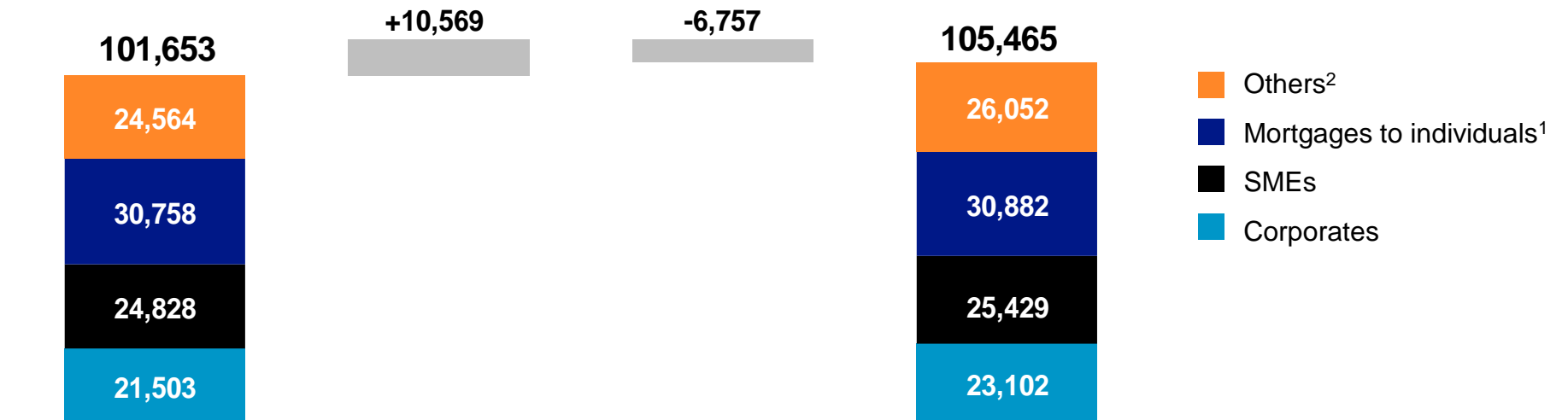


¹ APS NPL run-off refers to the 80% of the APS problematic exposure, due to the DGF, which risk is presented as performing and the change in net loans and receivables account.

Solid Corporates and SMEs segments performance and positive mortgages growth in the quarter

Performing loans: performance by customer type, ex-TSB

In million EUR



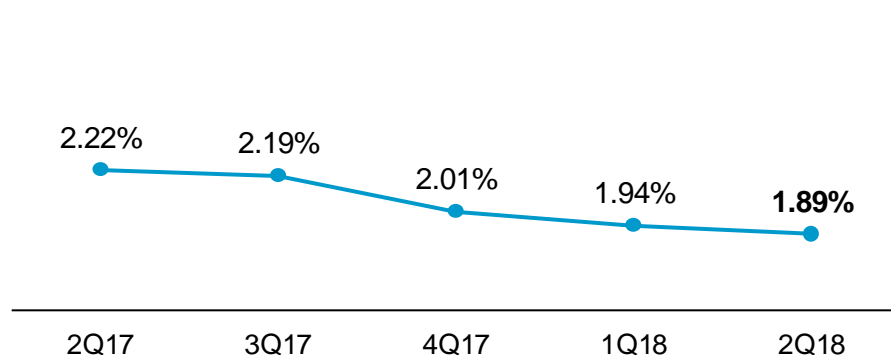
| | Mar-18 | New lending, ex-TSB | Attrition, ex-TSB | Jun-18 | Var. % |
|--|----------------|------------------------|----------------------|----------------|--------------|
| Corporates | 21,503 | 3,241 | -1,643 | 23,102 | +7.4% |
| SMEs | 24,828 | 3,201 | -2,599 | 25,429 | +2.4% |
| Mortgages to individuals ¹ | 30,758 | 1,041 | -918 | 30,882 | +0.4% |
| Others ² | 24,564 | 3,085 | -1,597 | 26,052 | +6.1% |
| Total Sabadell, ex-TSB | 101,653 | 10,569 | -6,757 | 105,465 | +3.8% |
| of which | | | | | |
| APS NPL run-off | 4,764 | 273 | -249 | 4,790 | +0.5% |
| Total Sabadell, ex-TSB (excl. APS exposure) | 96,889 | 10,296 | -6,508 | 100,675 | +3.9% |

Note: Excludes accrual adjustments. ¹ Refers to residential mortgages for individuals only within Spain. ² "Others" includes mortgages to large enterprises and SMEs, consumer lending, the DGF net loans and receivables account, and other sectors including construction and real estate sectors.

New lending yields remained stable in the highest growing segments thanks to our ability to defend pricing

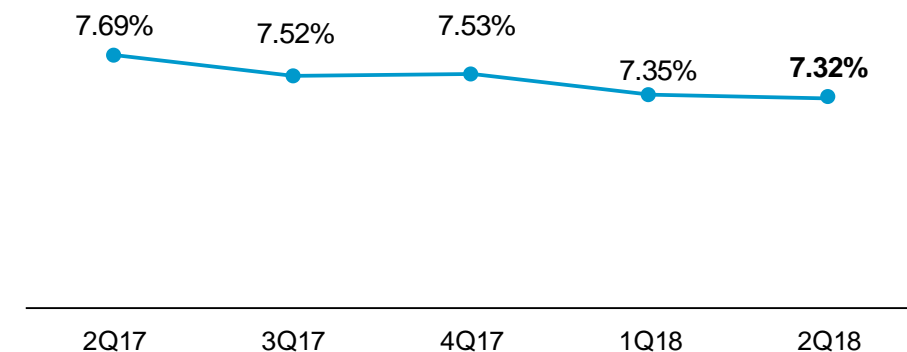
Mortgages to individuals

Yield in percentage



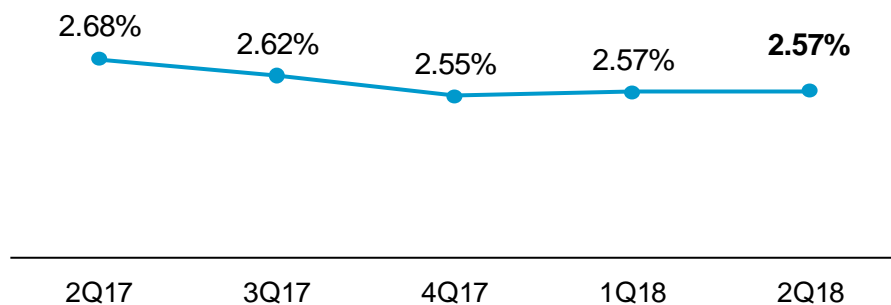
Consumer loans

Yield in percentage



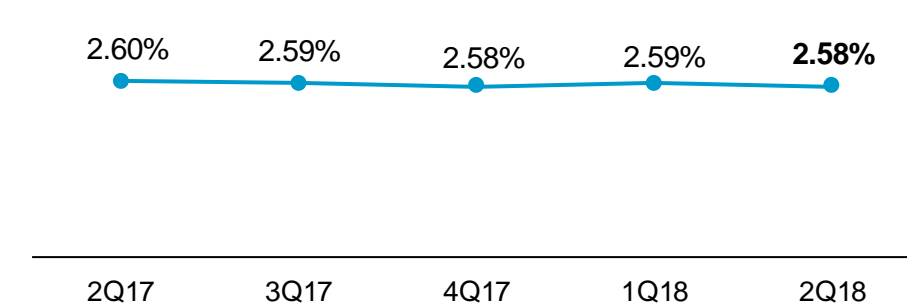
Loans to SMEs and Corporates

Yield in percentage



Credit line for SMEs and Corporates

Yield in percentage

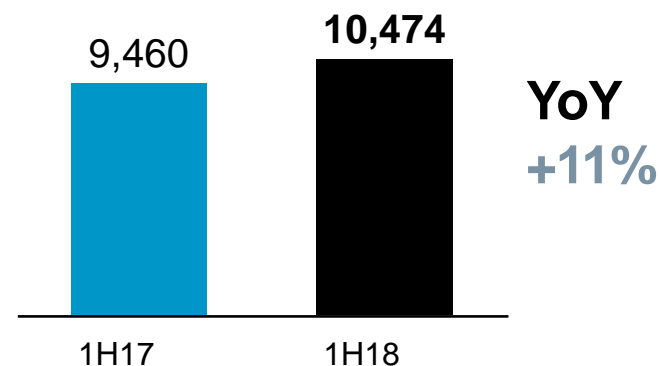


Note: Data refers to yields from the front book of the Spanish Commercial Banking Unit, excluding Sabadell Consumer Finance.

Strong commercial momentum in Spain

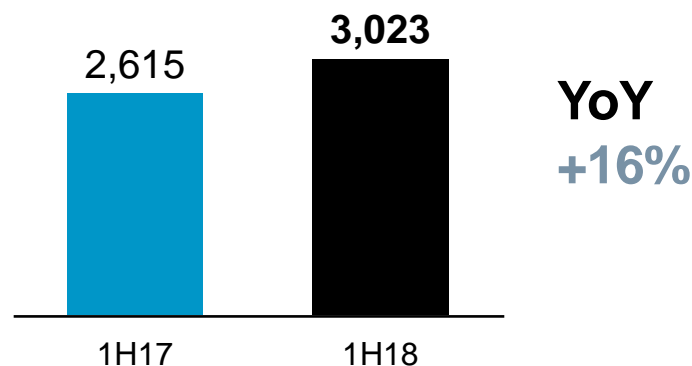
New loans and credit facilities to SMEs

In million EUR



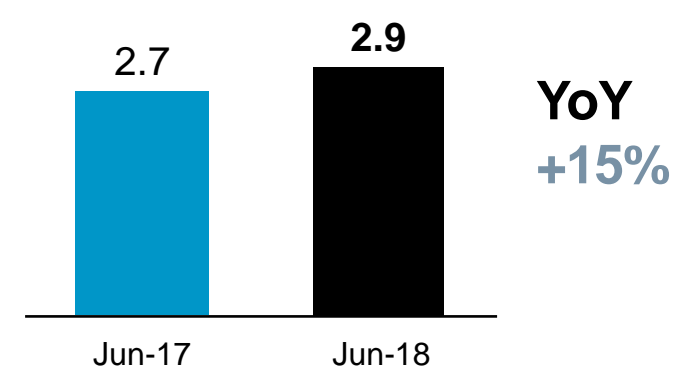
New mortgages & consumer loans¹

In million EUR



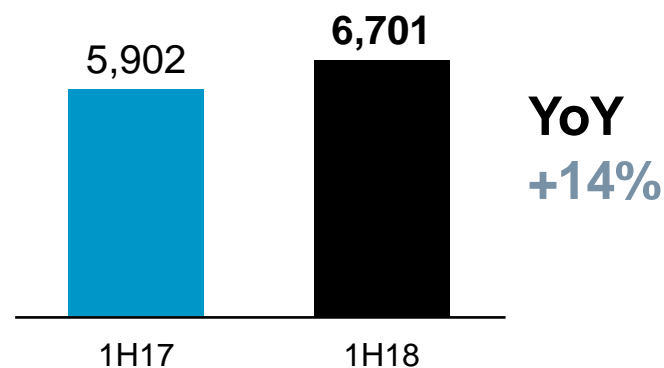
Expansión accounts²

Number of accounts (in million)



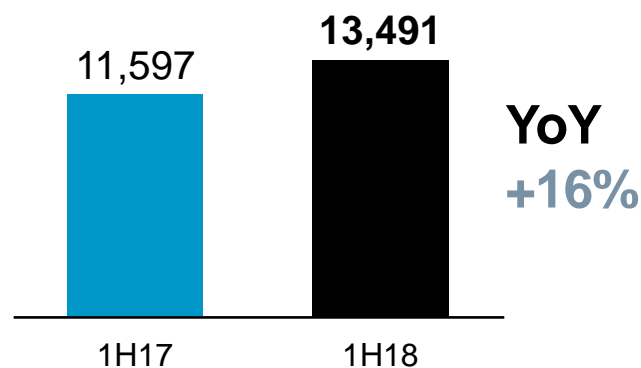
Credit card turnover

In million EUR



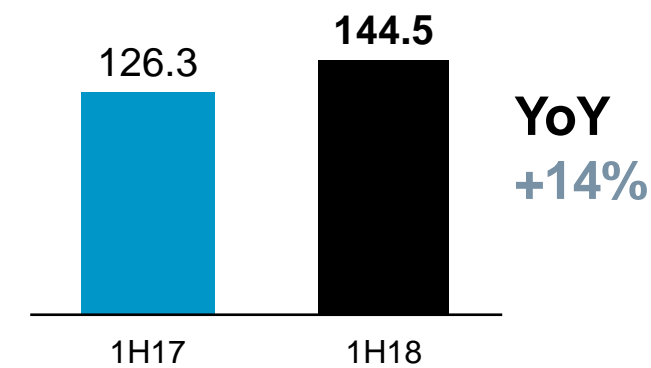
PoS turnover

In million EUR



New insurance premium

In million EUR



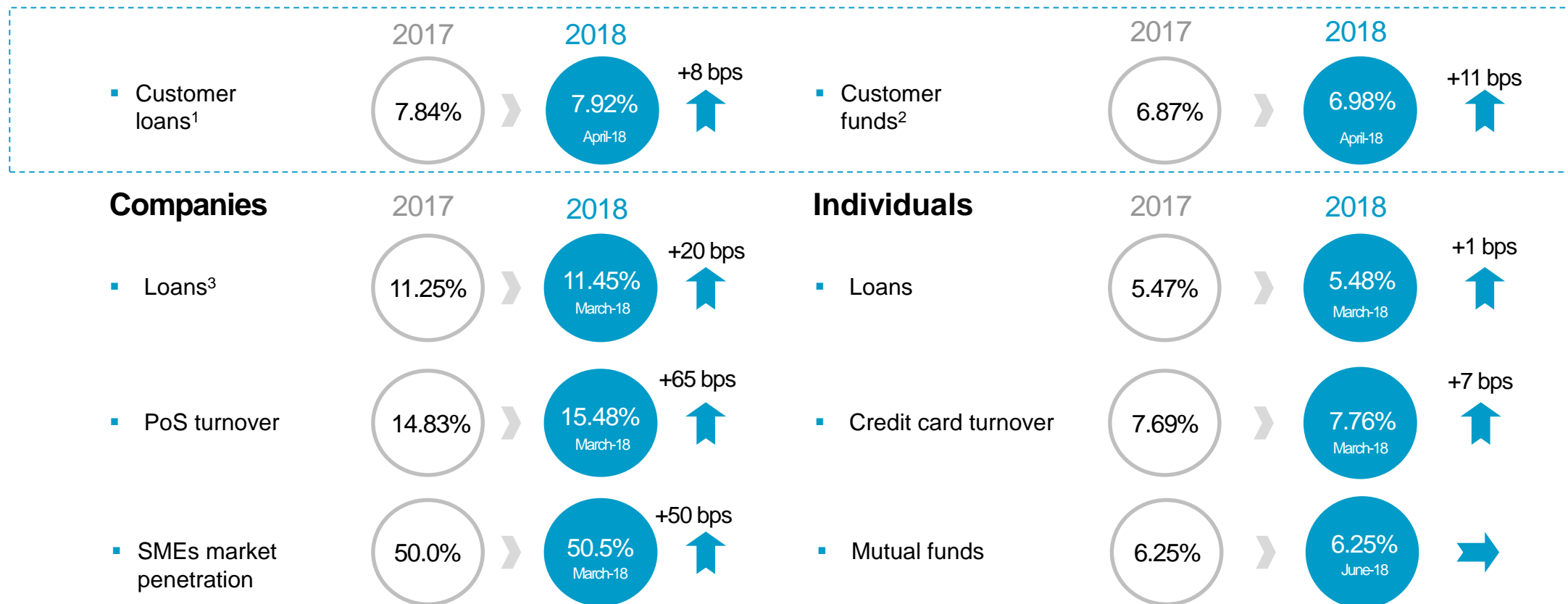
¹ New mortgages to individuals and self-employed. New consumer loans including Sabadell Consumer Finance.

² Expansión account is the relationship account with engaged businesses and individuals.

Increasing our market position in Spain in line with our business plan

Market shares

In percentage



Note: 2017 data as at December. 2018 figures as of last available data.

Sources include Bank of Spain, ICEA, Inverco and Servired.

¹ Excluding repos and APS effect.

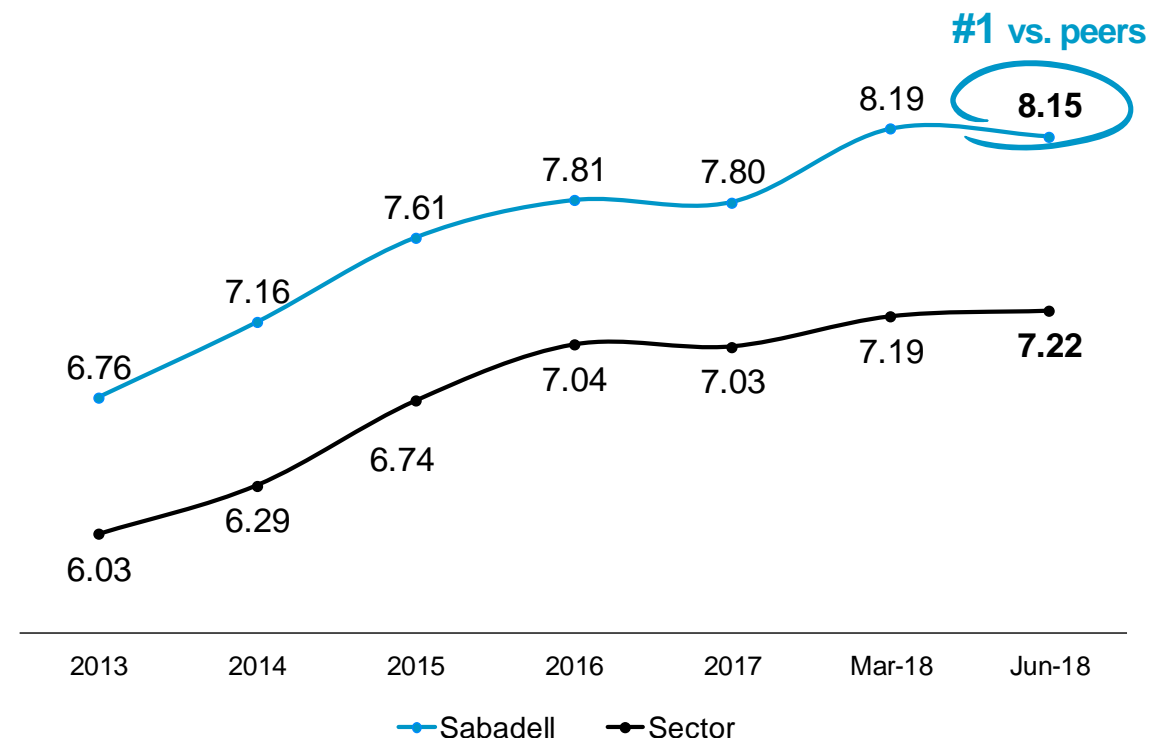
² Customer funds from other domestic sector: sight and term accounts + mutual funds + savings insurance products + pension plans + retail bonds.

³ Excluding loans to real estate companies and repos.

Sabadell remains top ranked in the Spanish sector according to service quality and customer experience

Level of service quality¹

Evolution of Sabadell quality index vs. sector



Net promoter score (“NPS”)²

| | 2018 | Ranking |
|-----------------------------------|------|-----------------|
| Large enterprises (turnover >€5M) | 36% | 1 st |
| SMEs (turnover <€5M) | 18% | 1 st |
| Personal banking | 30% | 2 nd |
| Retail banking | 4% | 3 rd |

Sabadell continues to be perceived well above the spanish sector average in terms of service quality. NPS² ranking positions: 1st in SMEs and large enterprises, 2nd in personal banking and 3rd in retail banking

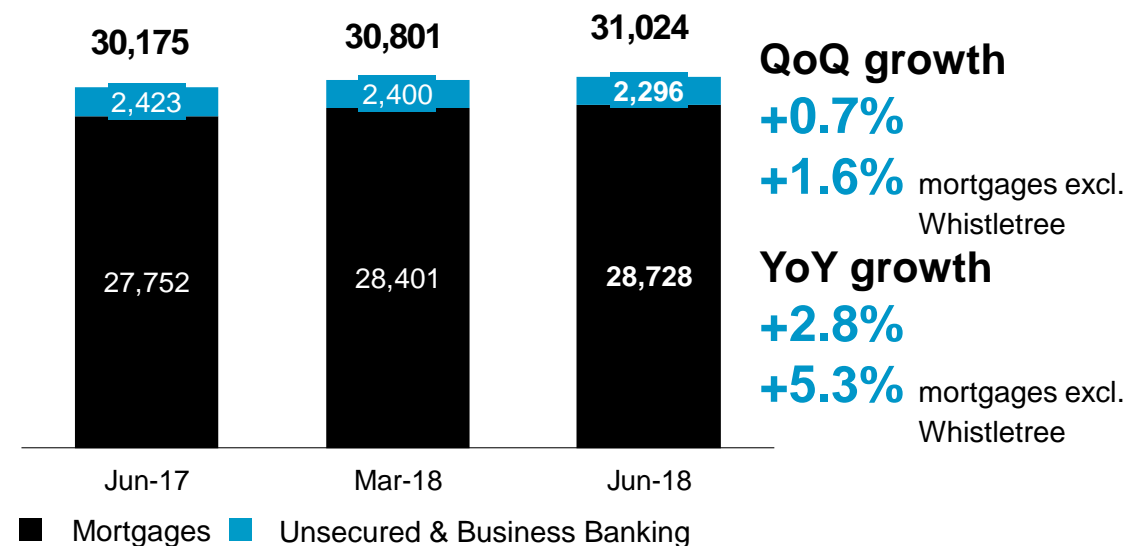
¹ Source: STIGA, EQUOS (Objective Quality Analysis in Banking Networks, Q2 2018). Cumulative data.

² 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 saw positive lending and current account growth in the quarter

Total customer lending (net)

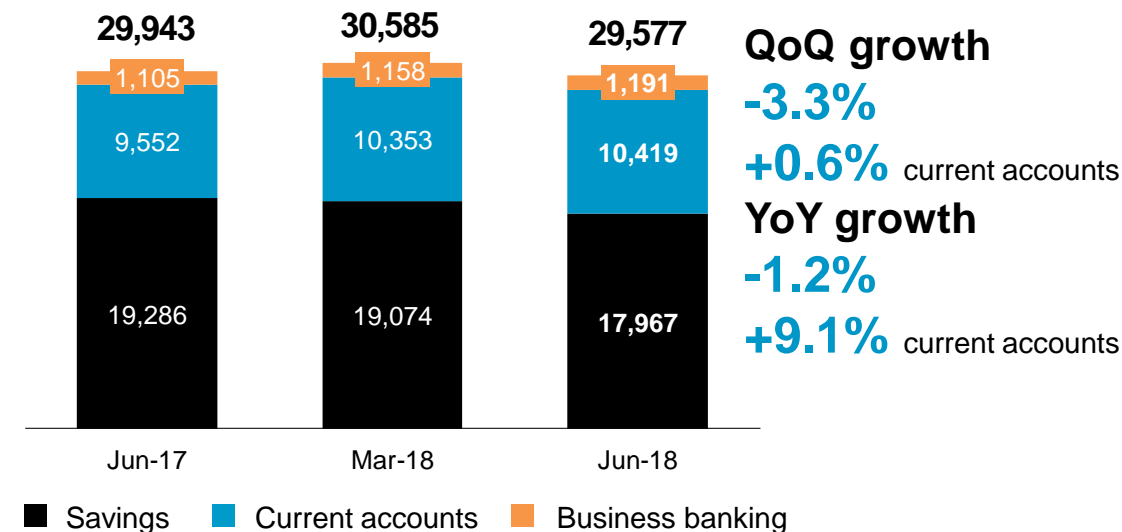
In million GBP



- **Positive trend continues with Franchise mortgage lending** (excl. Whistletree) growing by **+1.6% QoQ** and **+5.3 YoY**, despite having slowed down volume growth intentionally in order to facilitate IT migration

Total customer deposits

In million GBP



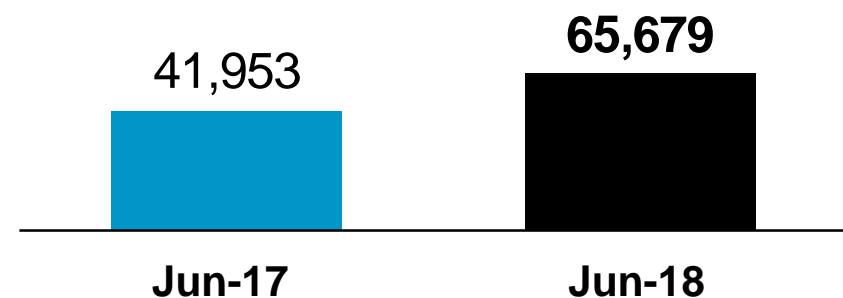
- **Current accounts increased** by **+0.6% QoQ** and **+9.1% YoY**
- **Savings deposits** reduction reflects pricing decisions taken early in 2018 to manage deposit volumes through the 2018 'ISA season' given TSB's strong liquidity position

Note: Customer lending and deposits includes micro fair value hedge accounting adjustment.

Mexico continues to have an outstanding growth rate

Customer loans

In million MXN

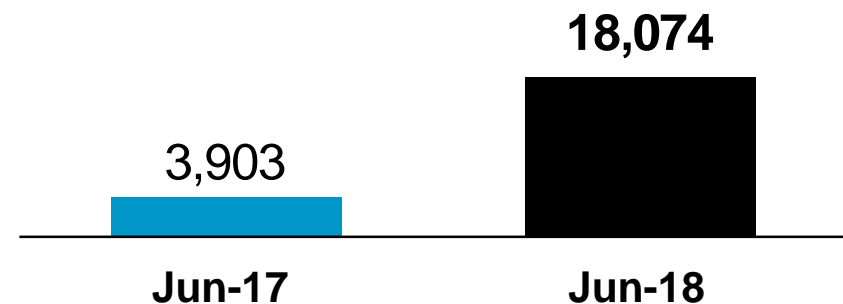


YoY growth
+57%



Customer funds

In million MXN



YoY growth
+363%



Note: The EURMXN exchange rate of 22.8817 used for this quarter's balance sheet is the closing exchange rate as of June 2018. The EURMXN exchange rate of 20.5839 is the closing exchange rate as of June 2017.

Strongly committed to our digital and commercial transformation with digital clients up +12% YoY

4.7M

(+12% YoY)

Group digital clients

3.3M

(+22% YoY)

Group mobile clients

65M

(+9% YoY)

Group web and mobile
monthly traffic

17,138

(+52% YoY)

Digital sales of unsecured
loans in Spain

51%

(-8pp YoY)

Digital sales in UK

18%

(+1pp YoY)

Digital sales in Spain

768k

(+181% YoY)

Active Management
customers in Spain

89%

(+4pp YoY)

Transactions executed
through remote channels

5.6M

(+43% YoY)

Pull data-driven
commercial impacts

We continued to roll out new digital initiatives and completed new investments in technological ventures

Quarterly performance

Simplification

- **“Immediate loans”**: application, completion and credit to current account with just one branch appointment



- **Mortgage Service Centres**: freeing up time for branches and providing specialised services to mortgage applicants



Digital offering

- **Solvia Price Index and Location Intelligence**: intelligent pricing and advice tools to buy, sell or rent a house



- Improving user experience of **Sabadell Online, Sabadell App and Sabadell Wallet**



Strategic investments

- **Instant Credit**: multilender online platform for consumer finance



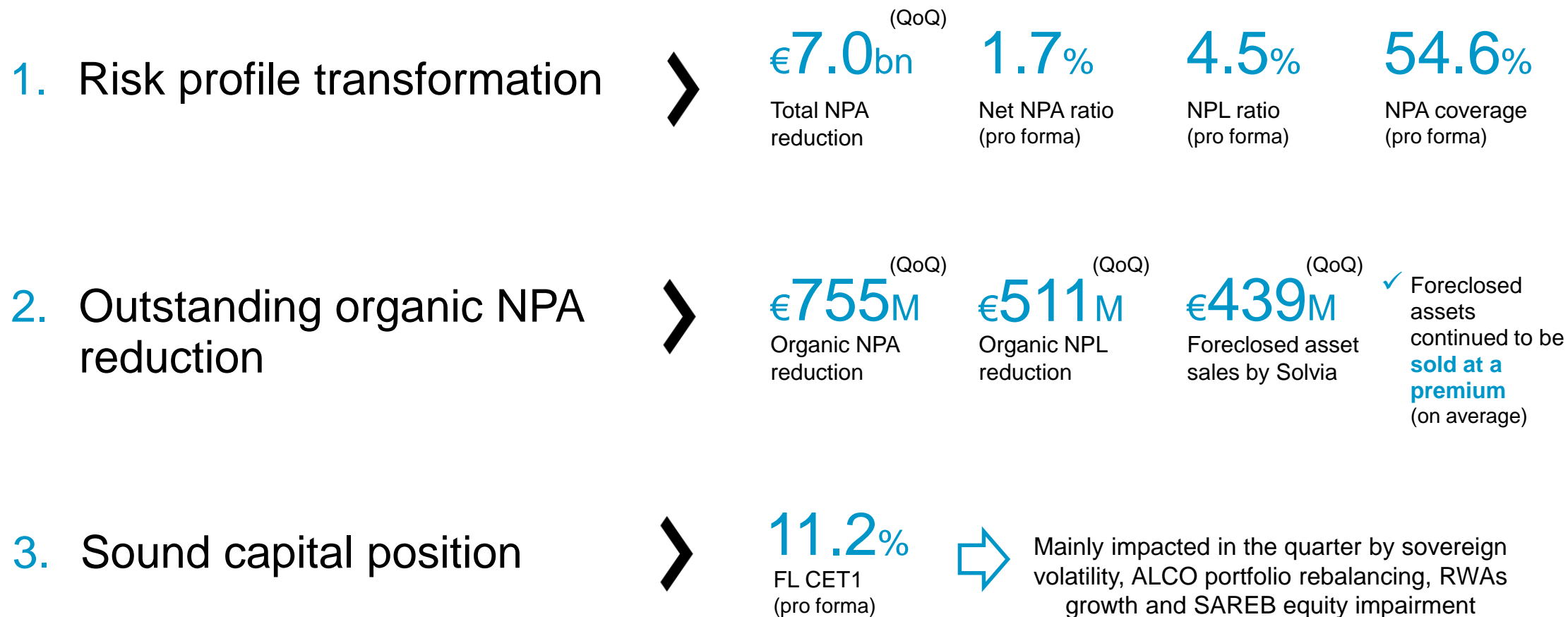
- **Cardumen Capital**: venture capital fund focused on Israeli start-up investments



4

Solvency and asset quality

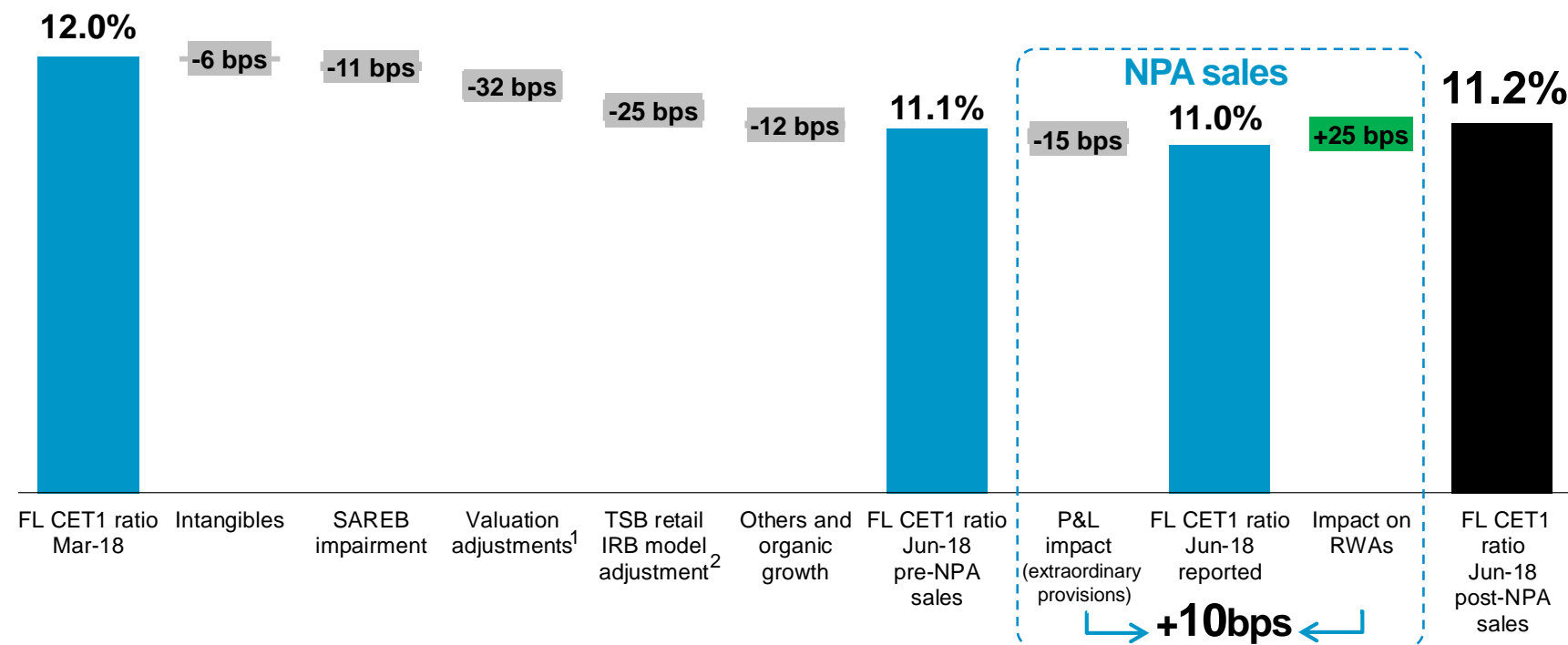
2Q18 highlights: Solvency and asset quality



FL CET1 ratio decreased in the quarter mainly impacted by several one-offs

Fully-loaded Common Equity Tier 1 evolution

In percentage



Fully loaded CET1 ratio was mainly impacted QoQ by:

- **Valuation adjustments¹** in the Fair Value OCI portfolio
- TSB increase in **RWAs²**
- **SAREB** equity impairment...

... although it was partially offset by the impact of the **institutional NPAs sales** announced

Post institutional NPA sales, our fully-loaded CET1 ratio pro forma stands at 11.2%, and phase-in CET1 ratio pro forma stands at 12.2%

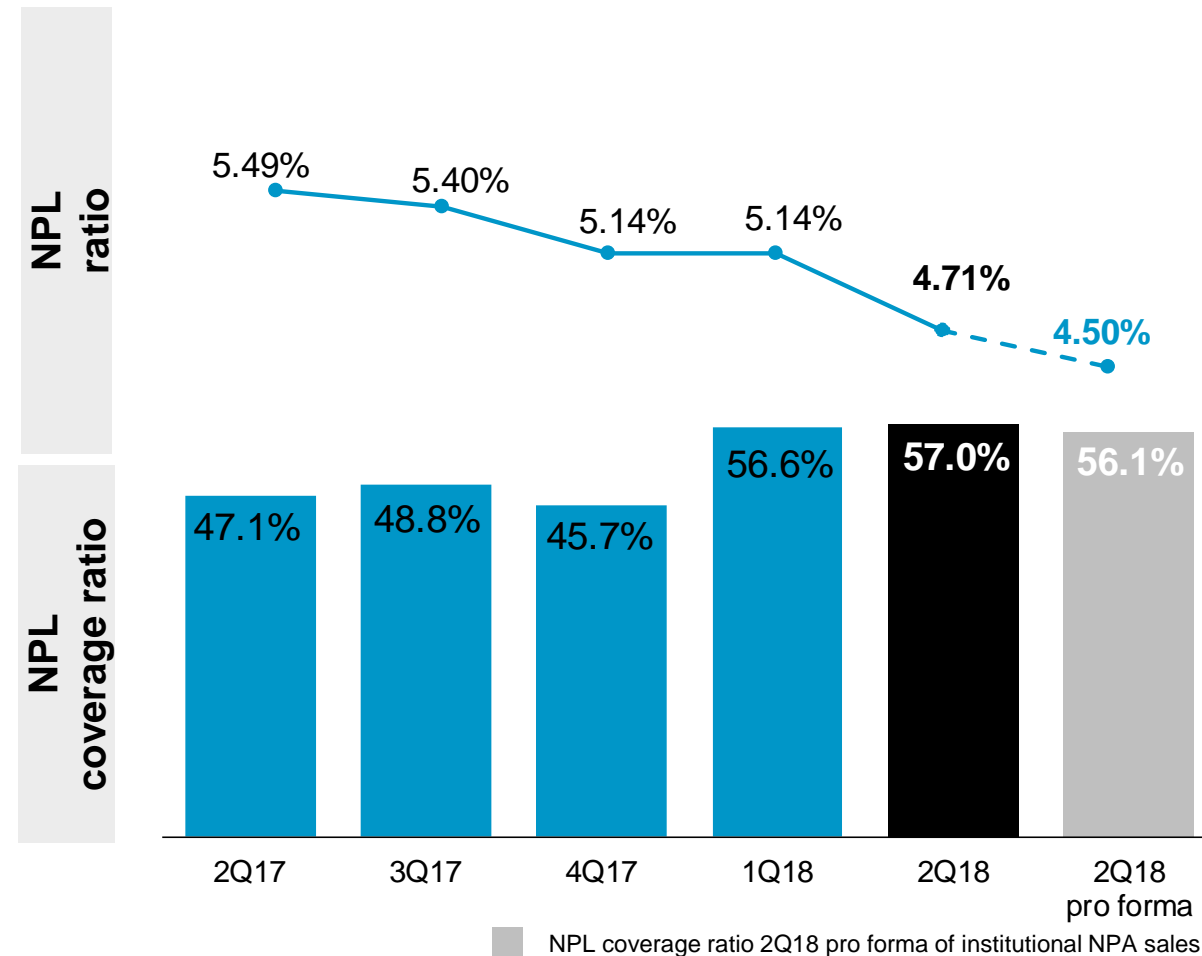
¹ Includes adjustments from both the fair value OCI portfolio and FX adjustments.

² TSB increase in RWAs due to an adjustment in the mortgage IRB models in order to apply the 90 days default definition instead of 180 days default definition with the aim to align TSB models with SSM and Group criteria.

The Group NPL ratio has been reduced significantly to 4.71%, and 4.50% when including institutional NPA sales

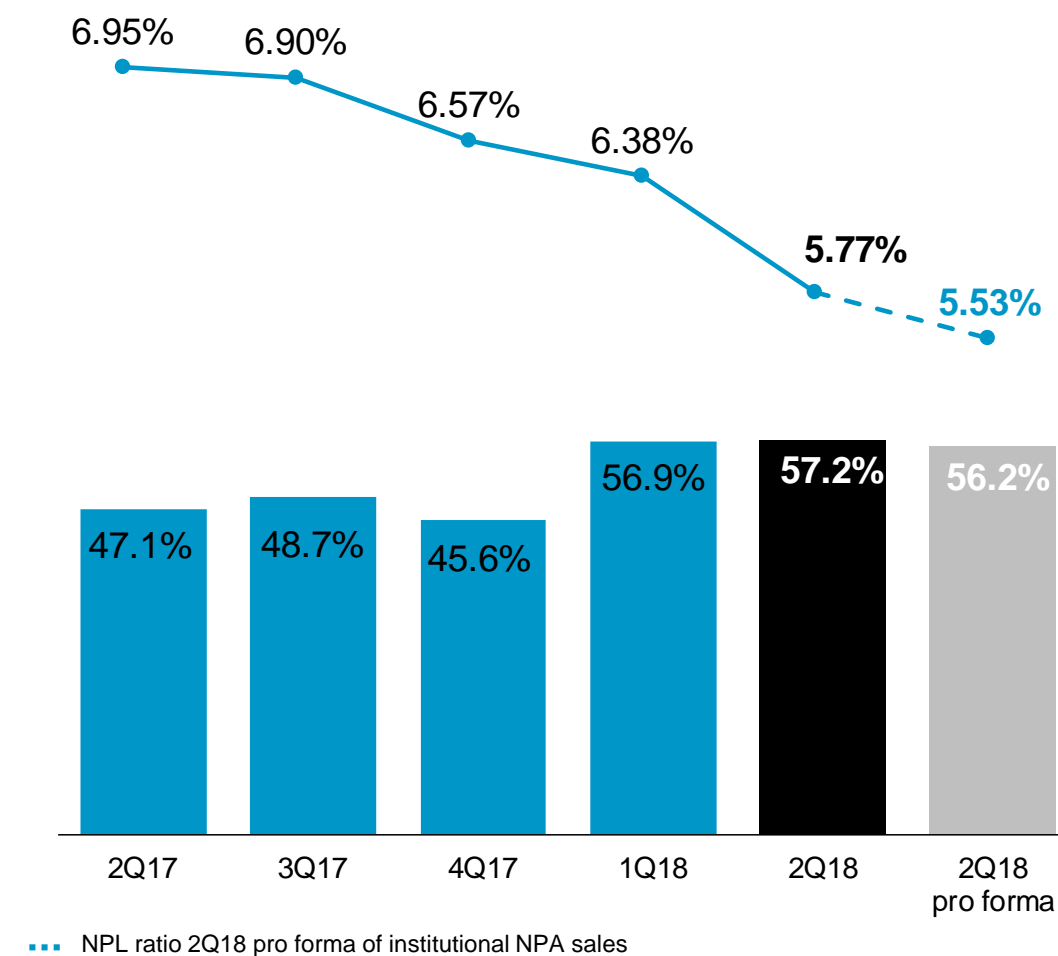
Sabadell Group

In percentage



Sabadell, ex-TSB

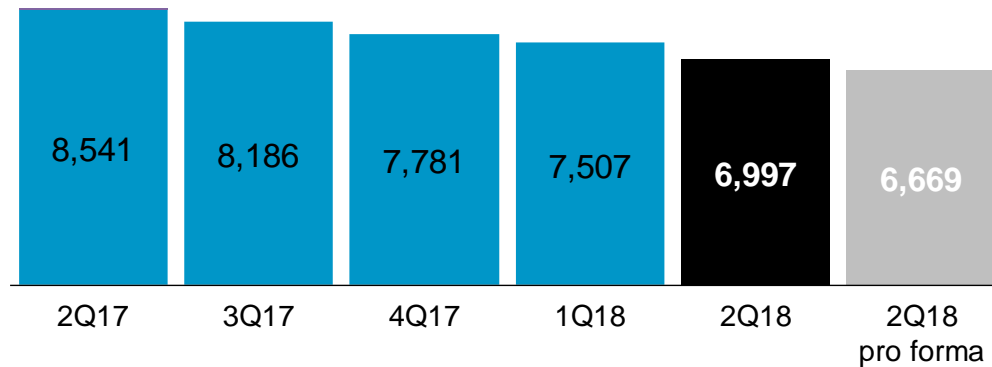
In percentage



Big step towards de-risking our balance sheet, including a strong organic reduction

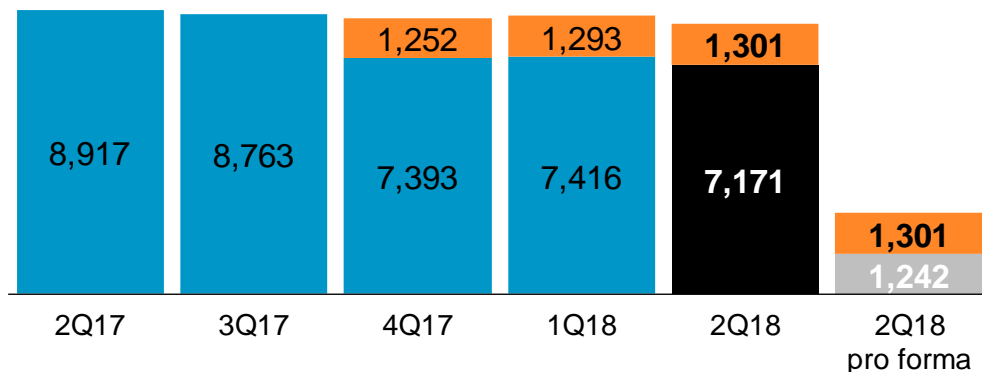
NPL evolution, ex-TSB

In million EUR



Foreclosed assets evolution, ex-TSB

In million EUR



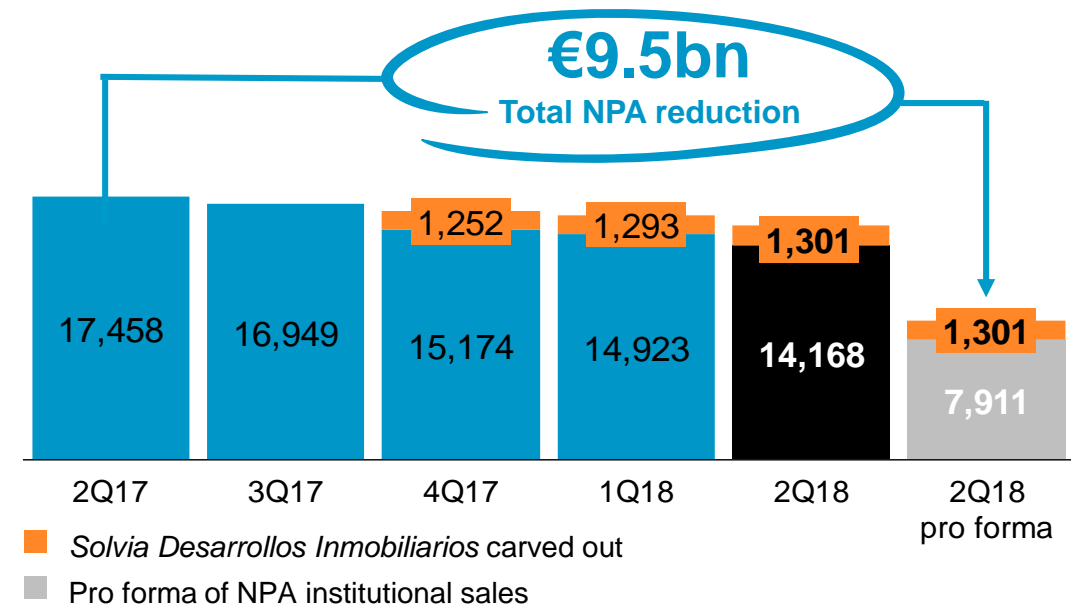
Total problematic assets, ex-TSB

In million EUR

Organic reduction in the quarter:

- €755M in NPAs, of which:
 - €511M in NPLs
 - €244M in foreclosed assets

Additional NPA reduction of €6,257M through institutional NPA sales announced

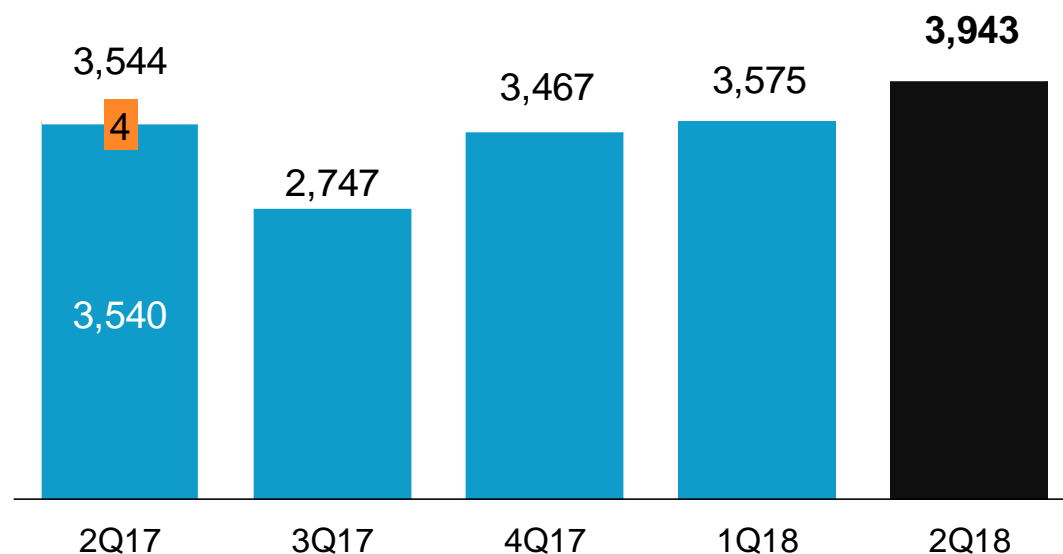


Note: Includes contingent risk. Sabadell ex-TSB's NPLs, foreclosed assets and NPAs include 20% of the problematic exposure included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol.

Private individual sales increased by +55% in the quarter

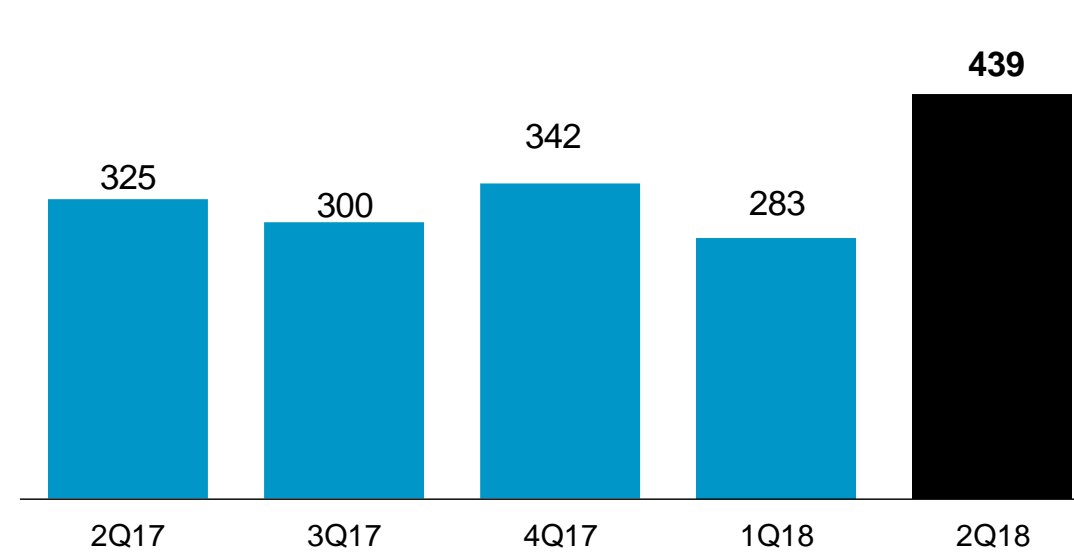
Number of foreclosed assets sold

In units



Foreclosed assets sold (Includes 20% APS exposure)

In million EUR



■ Institutional sales ■ Private individual sales

NPAs continued to be sold at a premium on average in the quarter

Our pro forma net NPA to total assets ratio fell to 1.7% from 3.1% in the quarter

Sabadell Group coverage ratios evolution

In million EUR

| | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 | 2Q18 pro forma |
|--|--------------|--------------|--------------|--------------|---------------|----------------|
| NPL evolution | 8,703 | 8,345 | 7,925 | 7,898 | 7,386 | 7,058 |
| Provisions | 4,100 | 4,069 | 3,625 | 4,467 | 4,209 | 3,956 |
| Coverage ratio (%) | 47.1% | 48.8% | 45.7% | 56.6% | 57.0% | 56.1% |
| | | | | | | |
| | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 | 2Q18 pro forma |
| Foreclosed assets evolution | 8,917 | 8,763 | 7,393 | 7,416 | 7,171 | 1,242 |
| Provisions | 4,264 | 4,746 | 3,998 | 3,979 | 3,991 | 579 |
| Coverage ratio (%) | 47.8% | 54.2% | 54.1% | 53.7% | 55.7%* | 46.6% |
| | | | | | | |
| | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 | 2Q18 pro forma |
| Total problematic assets | 17,619 | 17,108 | 15,318 | 15,314 | 14,557 | 8,300 |
| Provisions | 8,364 | 8,814 | 7,623 | 8,446 | 8,200 | 4,535 |
| Coverage ratio (%) | 47.5% | 51.5% | 49.8% | 55.2% | 56.3% | 54.6% |
| | | | | | | |
| | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 | 2Q18 pro forma |
| Problematic assets as % of gross loans to customers + foreclosed assets (%)¹ | 11.4% | 11.1% | 10.0% | 10.0% | 9.4% | 5.6% |
| | | | | | | |
| | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 | 2Q18 pro forma |
| Net problematic assets | 9,255 | 8,294 | 7,695 | 6,868 | 6,357 | 3,765 |
| Net problematic assets as % of total assets (%) | 4.3% | 3.9% | 3.5% | 3.1% | 2.9% | 1.7% |

Foreclosed assets coverage ratio 2Q18 (incl. write-downs)*

63.1%

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.

¹ Gross loans to customers including accrual adjustments.

TSB continues to hold a low risk profile

Total Customer Lending - Mortgages and Unsecured & Business Banking

| In million GBP | Jun-17 | Mar-18 | Jun-18 |
|-------------------------------------|---------------|---------------|---------------|
| Mortgages | 27,752 | 28,401 | 28,728 |
| Unsecured & Business Banking | 2,423 | 2,400 | 2,296 |
| Total Lending balances (net) | 30,175 | 30,801 | 31,024 |

Mortgages - Residential vs. Buy to let (BTL)

| In percentage | Jun-17 | Mar-18 | Jun-18 |
|------------------------|------------|------------|------------|
| TSB Total BTL % | 15% | 15% | 15% |

Mortgages loan to value (LTV)¹

| In percentage | Jun-17 | Mar-18 | Jun-18 |
|---------------------------|------------|------------|------------|
| LTV Mortgage Stock | 45% | 44% | 45% |

- ✓ **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 45%
 - Interest only concentration is c.27% (excluding Whistletree)

Cost of Risk (AQR)² - Mortgages and Unsecured & Business Banking

| In percentage (annualised for each quarter) | Jun-17 | Mar-18 | Jun-18 |
|---|--------------|--------------|--------------|
| Mortgages | -0.06% | -0.01% | 0.02% |
| Unsecured & Business Banking | 3.51% | 3.27% | 3.08% |
| Total TSB AQR | 0.23% | 0.27% | 0.27% |

Doubtful loans ratio

| In percentage | Jun-17 | Mar-18 | Jun-18 |
|-----------------------------|-------------|-------------|-------------|
| Doubtful loans ratio | 0.5% | 1.1% | 1.1% |

Common Equity Tier 1 Capital ratio

| In percentage | Jun-17 | Mar-18 | Jun-18 |
|---|--------------|--------------|--------------|
| Common Equity Tier 1 Capital ratio | 19.3% | 19.8% | 19.2% |

- ✓ Capital position remains one of the strongest of UK banks with a **CET1 ratio** of **19.2%** on a fully loaded basis
- ✓ **Leverage ratio** of **5.3%**
- ✓ **High proportion of PCAs** in funding mix, which is higher than 35%

Note: Customer lending and deposits includes micro fair value hedge accounting adjustment.

¹ 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.² 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.

[®] Sabadell



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

Annex

Half-yearly income statement- like-for-like

| In million EUR | Sabadell, Group | | | | Sabadell, ex-TSB | | |
|---|-----------------|----------------|---------------|------------------|------------------|----------------|---------------|
| | 1H17 | 1H18 | %YoY | %YoY constant FX | 1H17 | 1H18 | %YoY |
| Net interest income | 1,810.9 | 1,810.1 | 0.0% | 0.8% | 1,306.1 | 1,323.5 | 1.3% |
| Equity method & dividends | 35.5 | 36.7 | 3.3% | 3.4% | 35.5 | 36.7 | 3.3% |
| Commissions | 600.1 | 636.7 | 6.1% | 6.3% | 551.9 | 601.7 | 9.0% |
| Trading income & forex | 494.4 | 245.8 | -50.3% | -50.2% | 458.8 | 220.0 | -52.1% |
| Other operating results | -57.0 | -98.4 | 72.6% | 75.0% | -50.0 | -55.3 | 10.6% |
| Gross operating income | 2,884.0 | 2,631.0 | -8.8% | -8.3% | 2,302.3 | 2,126.6 | -7.6% |
| Personnel recurrent costs | -753.8 | -777.3 | 3.1% | 3.8% | -564.7 | -580.4 | 2.8% |
| Administrative recurrent costs | -551.2 | -558.7 | 1.4% | 2.6% | -288.5 | -325.6 | 12.9% |
| Non recurrent costs | -35.6 | -143.2 | -- | -- | -4.9 | -7.5 | 53.1% |
| Depreciation & amortisation | -194.4 | -176.6 | -9.2% | -8.8% | -159.2 | -137.1 | -13.9% |
| Pre-provisions income | 1,349.0 | 975.1 | -27.7% | -27.6% | 1,285.0 | 1,076.0 | -16.3% |
| Total provisions & impairments | -852.7 | -806.3 | -5.4% | -5.3% | -808.4 | -666.8 | -17.5% |
| Gains on sale of assets and other result: | 17.7 | 4.0 | -77.5% | -77.3% | 11.3 | 3.2 | -71.7% |
| Profit before taxes | 514.0 | 172.9 | -66.4% | -66.3% | 487.9 | 412.4 | -15.5% |
| Taxes | -144.3 | -48.5 | -66.4% | -66.3% | -131.8 | -90.8 | -31.1% |
| Minority interest | 1.6 | 3.8 | 139.5% | 139.5% | 1.6 | 3.8 | 139.5% |
| Attributable net profit | 368.1 | 120.6 | -67.2% | -67.2% | 354.5 | 317.7 | -10.4% |

Note: **All data is considered on a like-for-like basis for comparison purposes.** The EURGBP exchange rate of 0.8801 used for this semester P&L corresponds to the daily average rate of 1H18 (0.8598 as of 1H17).

Quarterly income statement - “as reported”

| In million EUR | Sabadell, Group | | | | | Sabadell, ex-TSB | | | |
|--------------------------------|-----------------|----------------|----------------|---------------|---------------------|------------------|----------------|--------------|---------------|
| | 2Q17 | 1Q18 | 2Q18 | %QoQ | %QoQ FX constant | 2Q17 | 1Q18 | 2Q18 | %QoQ |
| Net interest income | 974.5 | 911.5 | 898.6 | -1.4% | -1.6% | 711.4 | 658.4 | 665.1 | 1.0% |
| Equity method & dividends | 19.7 | 12.9 | 23.8 | 85.4% | 85.4% | 19.7 | 12.8 | 23.9 | 87.3% |
| Commissions | 306.3 | 314.4 | 322.3 | 2.5% | 2.5% | 284.7 | 291.3 | 310.3 | 6.5% |
| Trading income & forex | 196.2 | 226.0 | 19.9 | -91.2% | -91.2% | 117.8 | 218.8 | 1.2 | -99.4% |
| Other operating results | -53.3 | -9.7 | -88.7 | -- | -- | -48.9 | -7.0 | -48.3 | -- |
| Gross operating income | 1,443.4 | 1,455.1 | 1,175.9 | -19.2% | -19.3% | 1,084.6 | 1,174.3 | 952.3 | -18.9% |
| Personnel recurrent costs | -390.2 | -383.6 | -393.7 | 2.6% | 2.5% | -294.5 | -290.2 | -290.2 | 0.0% |
| Administrative recurrent costs | -282.1 | -292.3 | -266.4 | -8.9% | -9.2% | -150.6 | -162.4 | -163.2 | 0.5% |
| Non recurrent costs | -18.1 | -77.0 | -66.2 | -14.0% | -14.2% | -1.7 | -3.3 | -4.3 | 30.8% |
| Depreciation & amortisation | -96.8 | -87.1 | -89.5 | 2.7% | 2.6% | -79.2 | -69.4 | -67.7 | -2.5% |
| Pre-provisions income | 656.2 | 615.1 | 360.1 | -41.5% | -41.5% | 558.7 | 649.0 | 426.9 | -34.2% |
| Total provisions & impairments | -340.4 | -244.8 | -561.5 | 129.4% | 129.3% | -320.0 | -221.5 | -445.3 | 101.0% |
| Gains on sale of assets | 16.0 | -0.6 | 4.6 | -- | -- | 17.0 | -1.1 | 4.3 | -- |
| Negative goodwill | 0.0 | 0.0 | 0.0 | -- | -- | 0.0 | 0.0 | 0.0 | -- |
| Profit before taxes | 331.8 | 369.7 | -196.8 | -- | -- | 255.7 | 426.5 | -14.1 | -- |
| Taxes | -97.4 | -108.9 | 60.4 | -- | -- | -74.4 | -121.9 | 31.1 | -- |
| Minority interest | -0.2 | 1.5 | 2.3 | 59.8% | 59.8% | -0.2 | 1.5 | 2.3 | 59.8% |
| Attributable net profit | 234.5 | 259.3 | -138.7 | -- | -- | 181.4 | 303.1 | 14.6 | -95.2% |

Note: The EURGBP exchange rate of 0.8767 used for this quarter's P&L corresponds to the daily average rate of 2Q18 (0.8834 as of 1Q18).

Half-yearly income statement - “as reported”

| In million EUR | Sabadell, Group | | | | Sabadell, ex-TSB | | |
|--------------------------------|-----------------|----------------|---------------|---------------------|------------------|----------------|---------------|
| | 1H17 | 1H18 | %YoY | %YoY FX constant | 1H17 | 1H18 | %YoY |
| Net interest income | 1,936.9 | 1,810.1 | -6.5% | -5.6% | 1,413.8 | 1,323.5 | -6.4% |
| Equity method & dividends | 36.1 | 36.7 | 1.7% | 1.8% | 36.1 | 36.7 | 1.7% |
| Commissions | 603.0 | 636.7 | 5.6% | 5.9% | 556.1 | 601.7 | 8.2% |
| Trading income & forex | 550.3 | 245.8 | -55.3% | -55.3% | 460.8 | 220.0 | -52.3% |
| Other operating results | -82.9 | -98.4 | 18.7% | 19.8% | -75.9 | -55.3 | -27.1% |
| Gross operating income | 3,043.4 | 2,631.0 | -13.6% | -13.0% | 2,390.9 | 2,126.6 | -11.1% |
| Personnel recurrent costs | -778.1 | -777.3 | -0.1% | 0.7% | -589.1 | -580.4 | -1.5% |
| Administrative recurrent costs | -564.3 | -558.7 | -1.0% | 0.4% | -301.6 | -325.6 | 7.9% |
| Non recurrent costs | -35.9 | -143.2 | 299.0% | 307.9% | -5.2 | -7.5 | 44.9% |
| Depreciation & amortisation | -197.4 | -176.6 | -10.5% | -10.0% | -162.1 | -137.1 | -15.4% |
| Pre-provisions income | 1,467.7 | 975.1 | -33.6% | -33.4% | 1,332.9 | 1,076.0 | -19.3% |
| Total provisions & impairments | -850.9 | -806.3 | -5.3% | -5.1% | -806.7 | -666.8 | -17.3% |
| Gains on sale of assets | 17.6 | 4.0 | -77.4% | -77.2% | 11.3 | 3.2 | -71.5% |
| Negative goodwill | 0.0 | 0.0 | -- | -- | 0.0 | 0.0 | -- |
| Profit before taxes | 634.4 | 172.9 | -72.7% | -72.6% | 537.4 | 412.4 | -23.3% |
| Taxes | -182.2 | -48.5 | -73.4% | -73.1% | -150.6 | -90.8 | -39.7% |
| Minority interest | 1.6 | 3.8 | 139.5% | 139.5% | 1.6 | 3.8 | 139.5% |
| Attributable net profit | 450.6 | 120.6 | -73.2% | -73.1% | 385.3 | 317.7 | -17.5% |

Note: The EURGBP exchange rate of 0.8801 used for this semester P&L corresponds to the daily average rate of 1H18 (0.8598 as of 1H17).

Sabadell share: key data

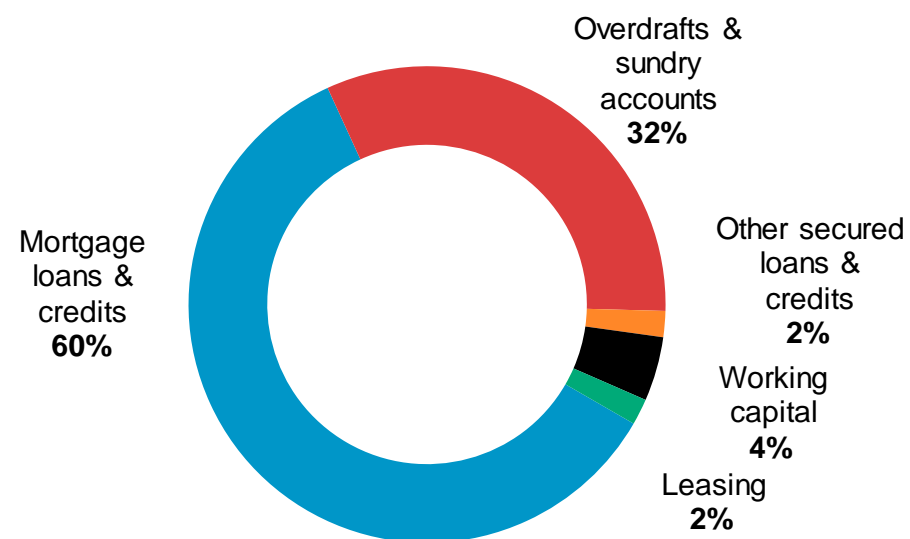
| | Jun-17 | Jun-18 |
|---|---------|---------|
| Shareholders and trading | | |
| Number of shareholders | 246,622 | 234,009 |
| Average number of shares (million) | 5,574 | 5,574 |
| Share price | | |
| Closing session (end of quarter) (€) | 1.779 | 1.436 |
| Market capitalisation (€ million) | 9,916 | 8,002 |
| Stock market multiples | | |
| Earnings per share (EPS) (€) ¹ | 0.14 | 0.02 |
| Book value per share (€) | 2.36 | 2.23 |
| Price / Book value (x) | 0.75 | 0.64 |
| Price / Earnings ratio (P/E) (x) ¹ | 12.33 | 59.96 |
| Tangible Book Value per share (€) | 1.99 | 1.81 |

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

Performing loans by product type

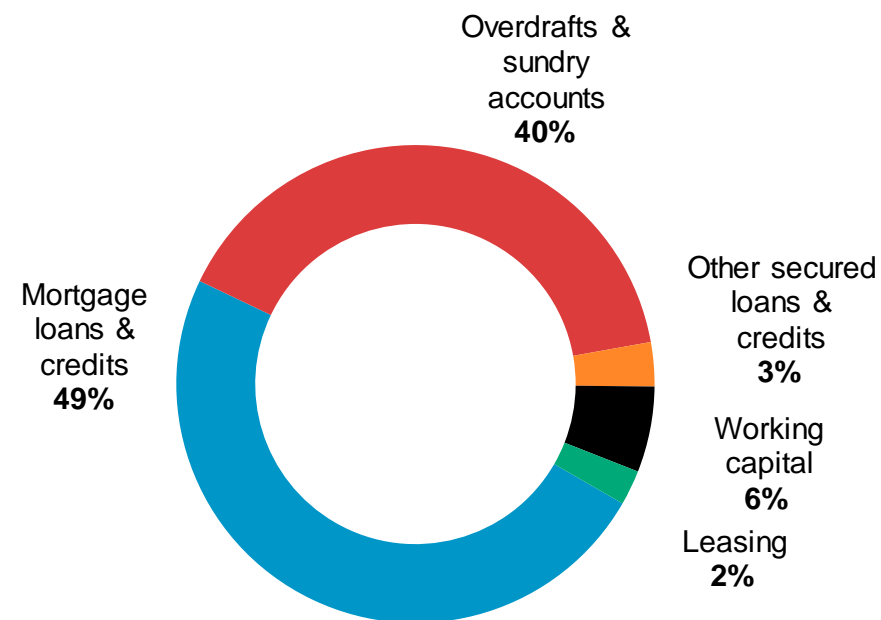
Sabadell Group

In percentage



Sabadell, ex-TSB

In percentage

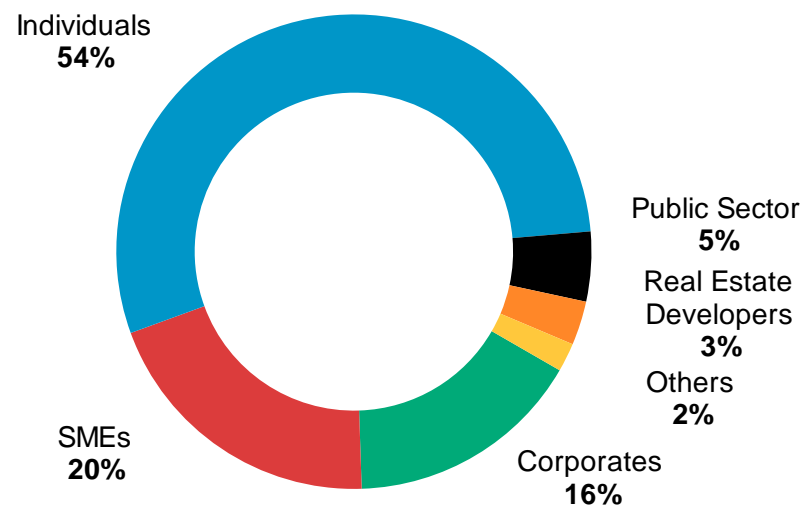


Note: Data as of June 2018.

Business mix by customer type

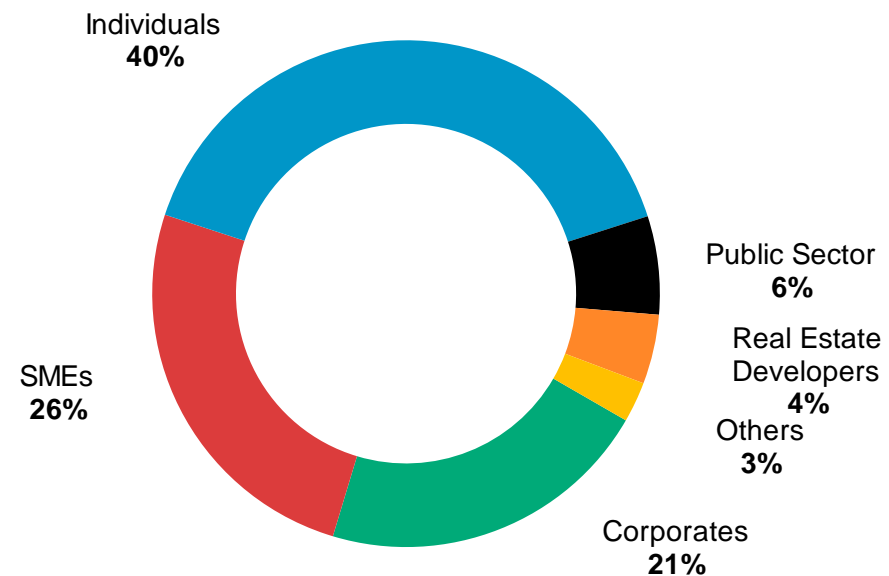
Sabadell Group

In percentage



Sabadell, ex-TSB

In percentage

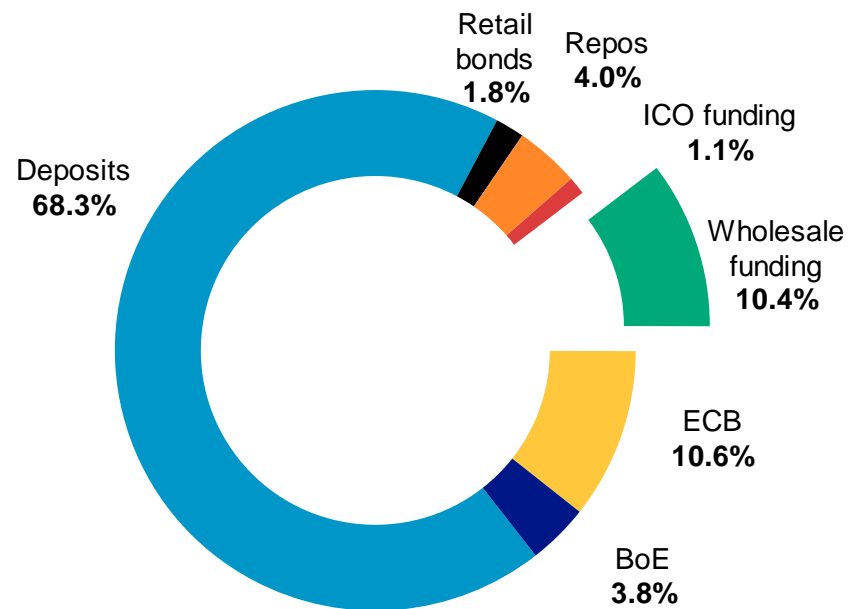


Note: Data as of June 2018.

Funding structure, Sabadell Group

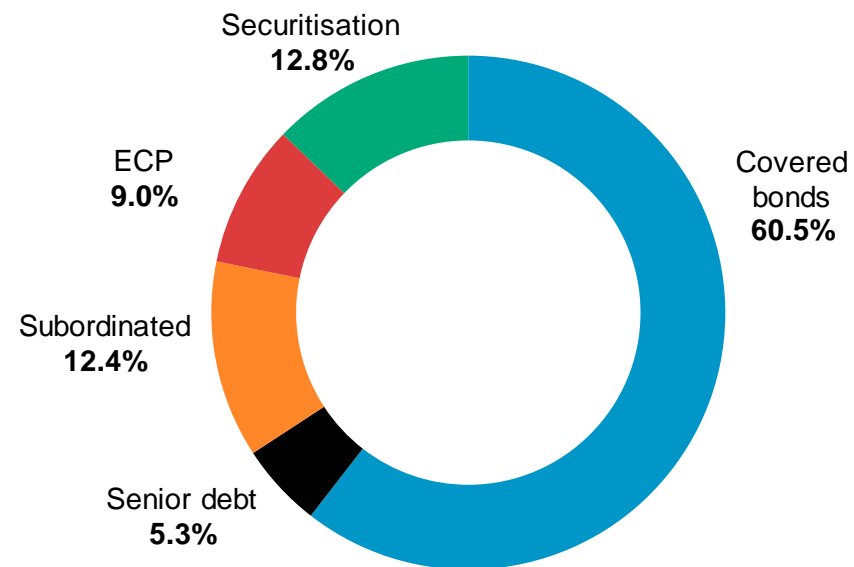
Funding structure

In percentage



Wholesale funding breakdown

In percentage

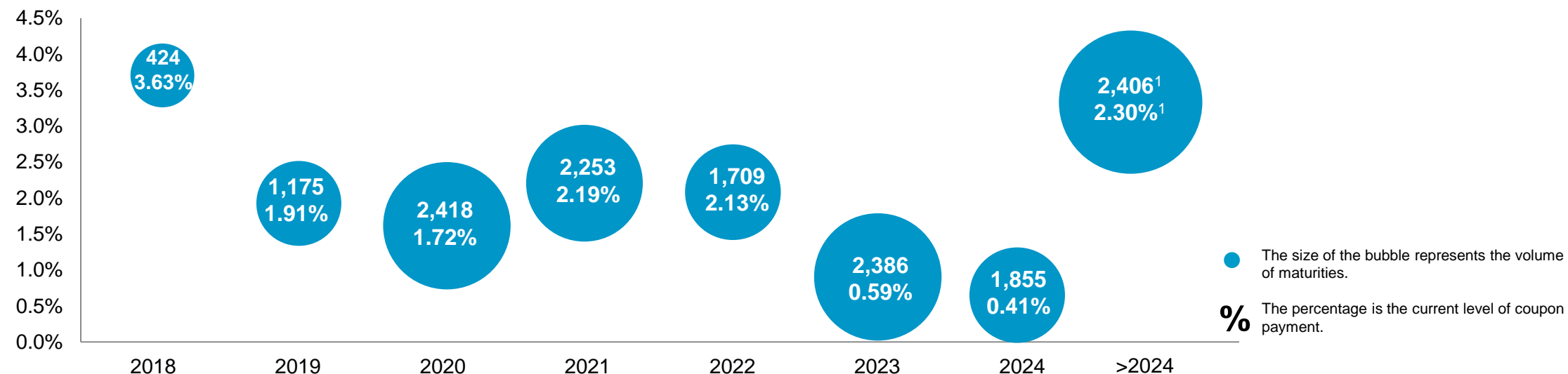


Note: Data as of June 2018.

Wholesale funding maturities and cost

Upcoming wholesale maturities, Sabadell Group

In million EUR. In percentage



Maturity by product type, Sabadell Group

In million EUR

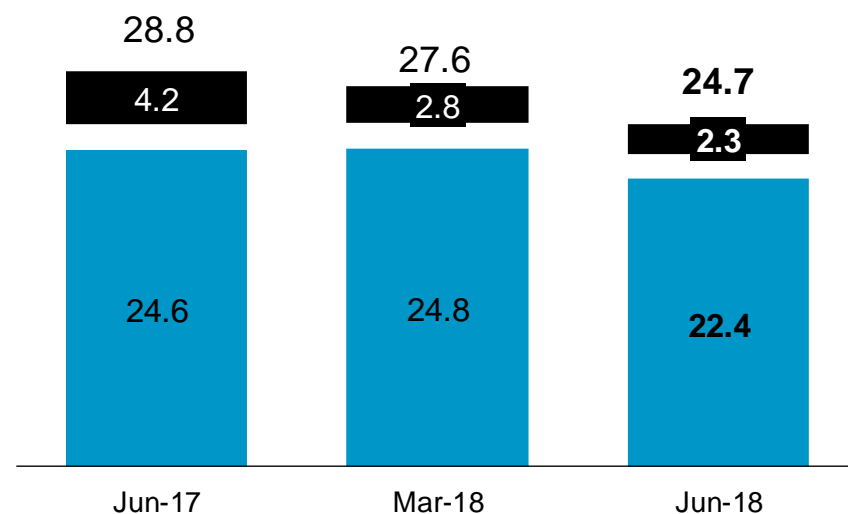
| | 3Q18 | 4Q18 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | >2024 | Outstanding amount |
|--|----------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------------|
| Covered Bonds (CH) | 0 | 424 | 1,124 | 2,015 | 1,808 | 1,684 | 1,388 | 1,850 | 1,911 | 12,204 |
| Senior Debt | 0 | 0 | 51 | 0 | 0 | 25 | 998 | 0 | 0 | 1,074 |
| Subordinated Debt and AT1 | 0 | 0 | 0 | 403 | 435 | 0 | 0 | 0 | 1,660 | 2,497 |
| Other mid- and long-term financial instruments | 0 | 0 | 0 | 0 | 10 | 0 | 0 | 5 | 0 | 15 |
| Total | 0 | 424 | 1,175 | 2,418 | 2,253 | 1,709 | 2,386 | 1,855 | 3,571 | 15,791 |

¹ Excluding the AT1.

Fixed income portfolio

Fixed income portfolio evolution, Sabadell Group

In billion EUR



■ Fixed income portfolio, ex-TSB ■ TSB

Fixed income portfolio, Sabadell Group

In billion EUR

| | Jun-17 | Mar-18 | Jun-18 |
|--|-------------|-------------|-------------|
| Fixed income portfolio | 28.8 | 27.6 | 24.7 |
| % of total assets | 13.5% | 12.6% | 11.4% |
| of which: | | | |
| Fair Value OCI fixed income portfolio | 18.5 | 15.5 | 12.6 |
| Fair Value OCI duration (yrs)¹ | 1.8 | 2.6 | 2.1 |

Note: Excluding Sabadell United Bank data.

¹ Duration includes the impact of interest rate swaps.

Fixed income portfolio composition

Fixed income portfolio composition evolution, Sabadell Group

In billion EUR

| | Jun-17 | Mar-18 | Jun-18 |
|-------------------------|-------------|-------------|-------------|
| Spanish Government Debt | 9.1 | 9.4 | 10.9 |
| Italian Government Debt | 10.5 | 9.7 | 5.9 |
| UK Government Debt | 3.8 | 2.4 | 1.8 |
| Other Government Debt | 2.6 | 3.0 | 3.1 |
| of which: | | | |
| US Government | 0.2 | 0.2 | 0.2 |
| Portuguese Government | 1.1 | 1.7 | 1.8 |
| Mexican Government | 0.7 | 0.5 | 0.6 |
| Agencies | 1.2 | 1.0 | 1.0 |
| Covered Bonds | 0.3 | 0.1 | 0.1 |
| Corporates & Financials | 1.4 | 2.0 | 1.9 |
| Total | 28.8 | 27.6 | 24.7 |
| of which: | | | |
| Amortised Cost | 9.3 | 11.7 | 11.7 |
| Fair Value OCI | 18.5 | 15.5 | 12.6 |

Note: Excluding Sabadell United Bank data.

Evolution of NPLs and foreclosed assets, reported

Evolution of NPLs and foreclosed assets, ex-TSB

In million EUR

| | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|--|-------------|-------------|---------------------|-------------|-------------|
| Gross entries (NPL) | 526 | 513 | 617 | 481 | 330 |
| Recoveries | -1,067 | -706 | -956 | -539 | -573 |
| Scope exclusions | 0 | -10 | 0 | 0 | 0 |
| Net NPL entries | -541 | -203 | -339 | -58 | -243 |
| Gross entries (foreclosed assets) | 304 | 148 | 254 | 294 | 176 |
| Sales ¹ | -355 | -302 | -1,624 ² | -271 | -419 |
| Change in foreclosed assets | -51 | -154 | -1,370 | 23 | -244 |
| Net NPL entries + Change in foreclosed assets | -592 | -357 | -1,709 | -35 | -487 |
| Write-offs | -61 | -152 | -66 | -216 | -268 |
| Foreclosed assets and NPLs quarterly change | -653 | -509 | -1,775 | -251 | -755 |

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.

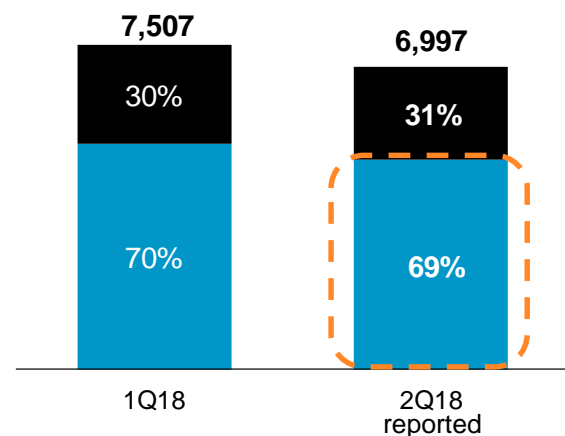
¹ Includes other outcomes.

² Includes €1,252M carved out into our new business line *Solvia Desarrollos Inmobiliarios*.

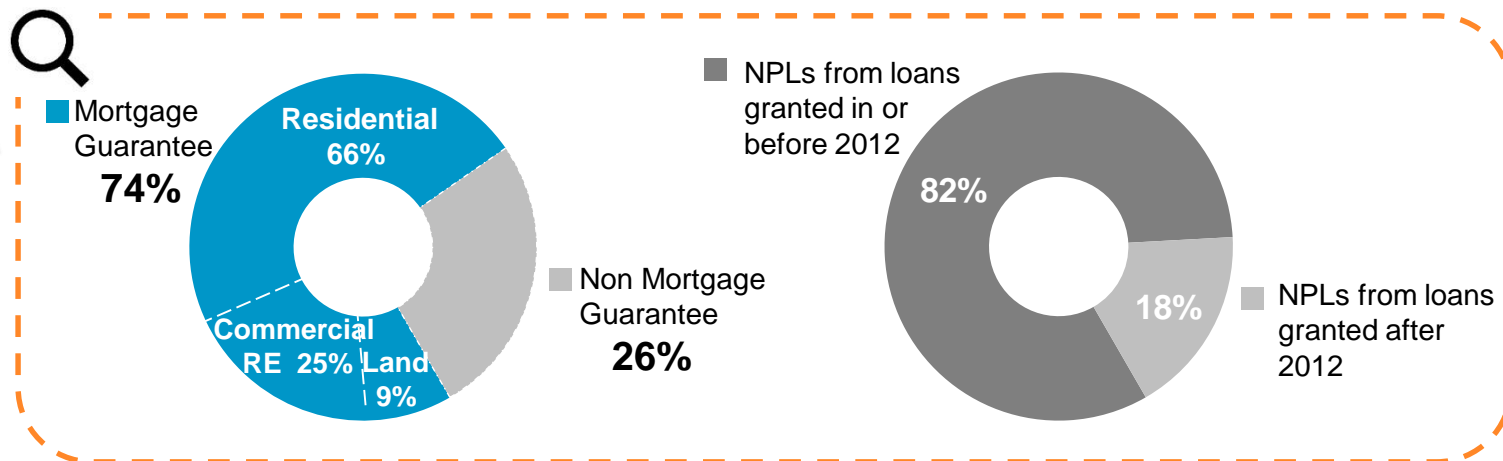
NPLs and foreclosed assets composition

NPL evolution, ex-TSB¹

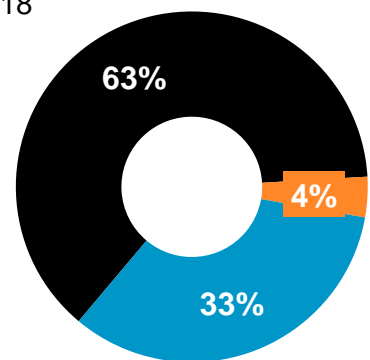
In million EUR. In percentage



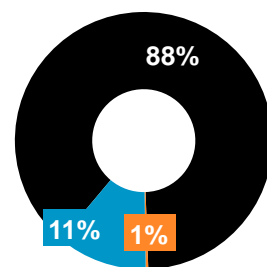
Doubtful non past due
 Past due > 90 days
 ("SUBJETIVOS")



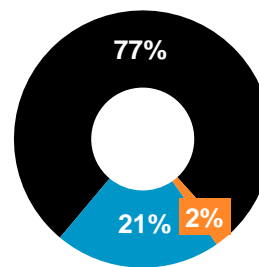
Foreclosed Assets, ex-TSB 1Q18



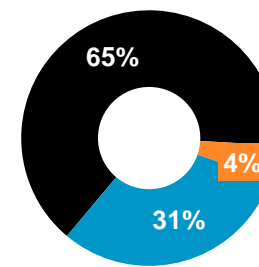
+ New Entries 2Q18



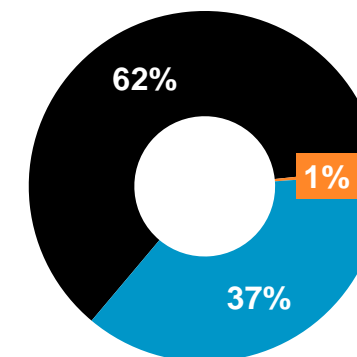
- Organic sales 2Q18



- Institutional NPA sales



Foreclosed Assets, ex-TSB 2Q18 Pro forma



Land
 Under construction
 Finished buildings²

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

¹ Excludes institutional NPA sales. ² Also includes other real estate assets derived from home loan mortgages for property purchases.

Forbearance exposure, reported

Forborne and restructured loans, Sabadell Group

In million EUR

| | Total | Of which: doubtful |
|--|--------------|--------------------|
| Public sector | 20 | 20 |
| Companies and self-employed | 3,682 | 2,011 |
| Of which: Financing for construction and real estate development | 721 | 552 |
| Individuals | 2,321 | 1,245 |
| Total | 6,023 | 3,276 |
| Provisions | 1,422 | 1,201 |

NPL ratio breakdown, reported

NPL ratios by segment, ex-TSB

In percentage

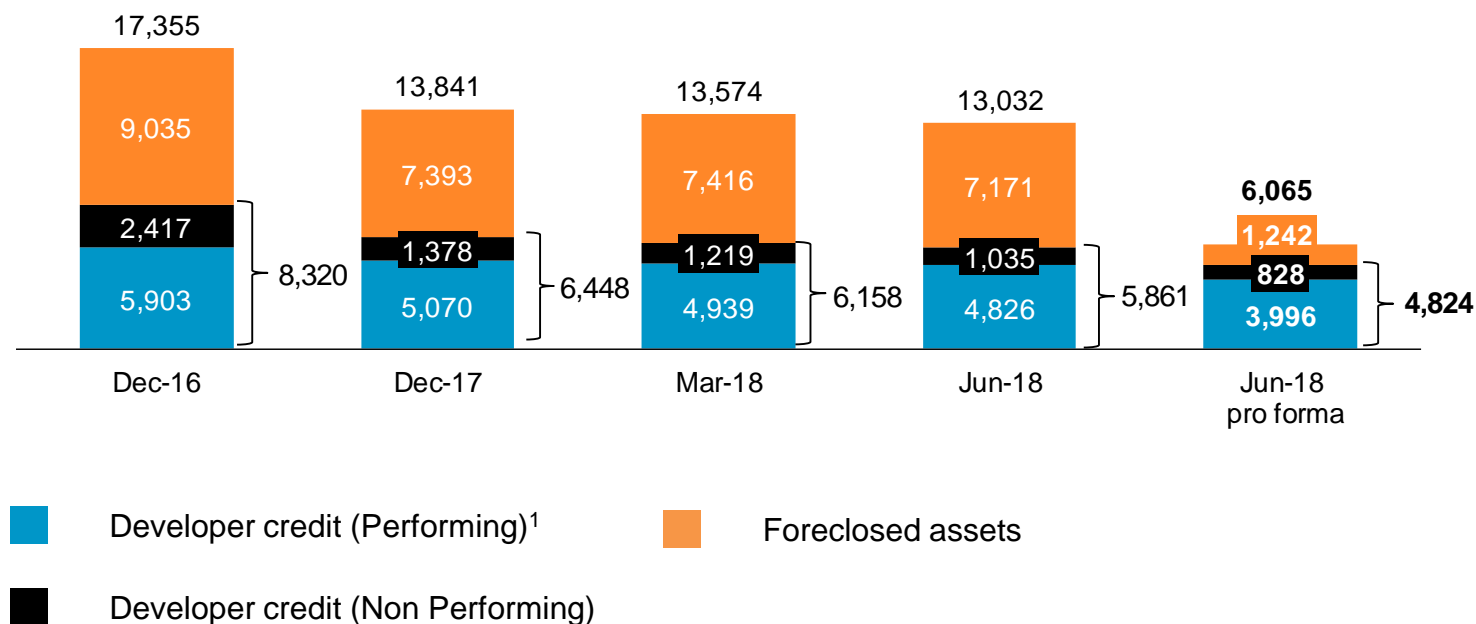
| | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|--|--------------|--------------|--------------|--------------|--------------|
| Real Estate development and/or construction purposes | 25.80% | 23.82% | 21.37% | 19.80% | 17.66% |
| Construction purposes non-related to real estate dev. | 6.57% | 6.44% | 6.87% | 7.17% | 6.42% |
| Large corporates | 3.01% | 3.03% | 3.33% | 3.53% | 3.12% |
| SME and small retailers and self-employed | 8.31% | 8.21% | 8.09% | 7.88% | 7.40% |
| Individuals with 1 st mortgage guarantee assets | 7.20% | 7.51% | 6.88% | 6.50% | 6.04% |
| NPL ratio, Sabadell ex-TSB | 6.95% | 6.90% | 6.57% | 6.38% | 5.77% |

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, pro forma

Balance sheet (real estate exposure), ex-TSB

In million EUR



Note: Data as of June 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. Pro forma data considers institutional NPA sales.

¹ Includes loans classified as watchlist. Of which €331M is APS developer non-performing credit which risk has been transferred to the DGF in accordance with the APS protocol and €291M is APS developer performing exposure. Both figures do not include guaranties.

Foreclosed assets exposure and coverage, reported

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

In million EUR. In percentage

| | Gross problematic exposure | Associated provisions | Coverage ratio |
|--------------------------------|----------------------------|-----------------------|----------------|
| Finished buildings | 2,613 | 1,185 | 45.4% |
| Housing | 1,285 | 570 | 44.3% |
| Rest | 1,328 | 616 | 46.4% |
| Under construction | 253 | 151 | 59.6% |
| Housing | 224 | 136 | 60.5% |
| Rest | 29 | 15 | 52.5% |
| Land | 2,344 | 1,775 | 75.8% |
| Building land | 629 | 458 | 72.9% |
| Other land | 1,715 | 1,317 | 76.8% |
| Others¹ | 1,962 | 880 | 44.8% |
| Total foreclosed assets | 7,171 | 3,991 | 55.7% |

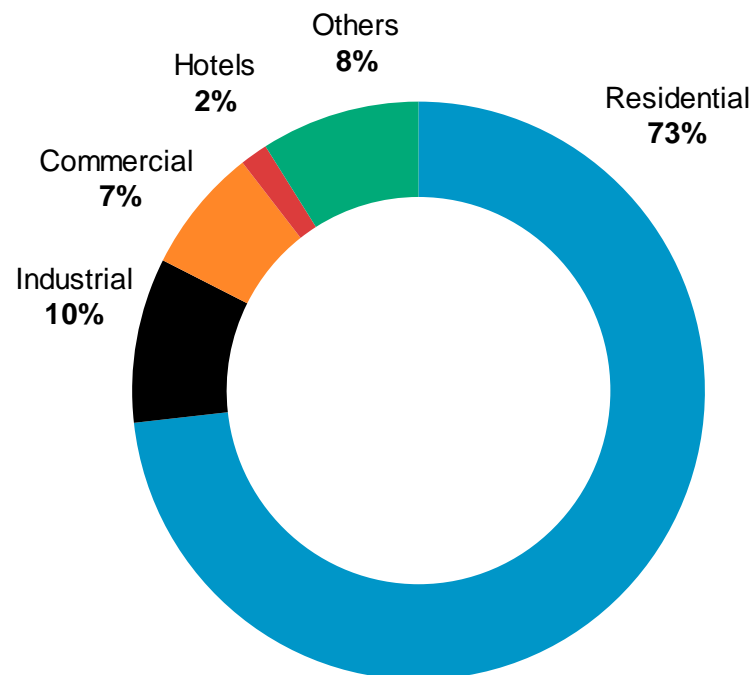
Note: Data as of June 2018. Sabadell ex-TSB's foreclosed assets include 20% of the foreclosed assets included in the APS, which risk is assumed by Sabadell according to the APS protocol. Accordingly, Sabadell ex-TSB's provisions include all provisions associated to 20% of the foreclosed assets included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

¹ Refers to real estate assets derived from home loan mortgages for house purchases.

REOs/Foreclosed assets segmentation, reported

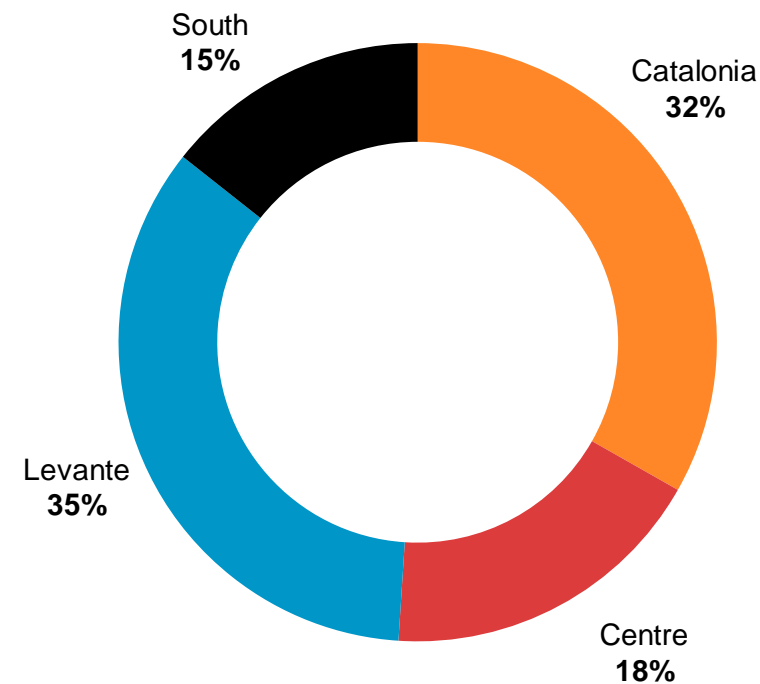
Foreclosed assets by use, ex-TSB

In percentage



Foreclosed assets by location, ex-TSB

In percentage

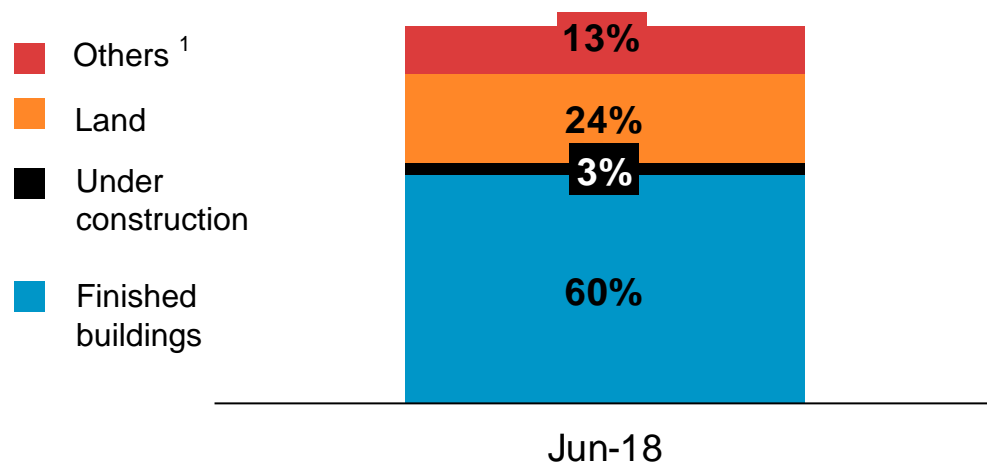


Note: Data as of June 2018. Includes 100% APS.

Real Estate portfolio breakdown by asset class and region, reported

Portfolio breakdown by asset class, ex-TSB

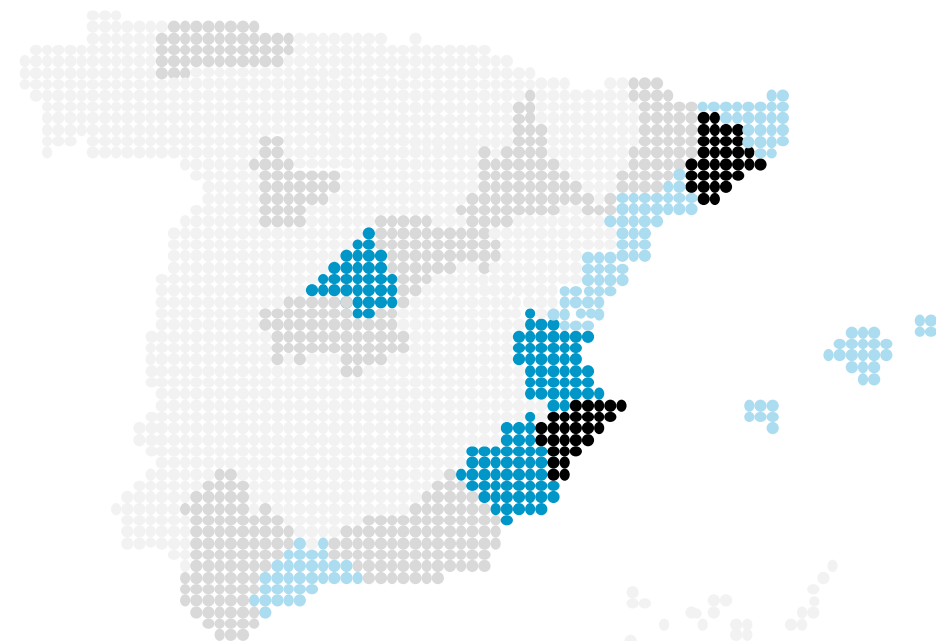
In percentage



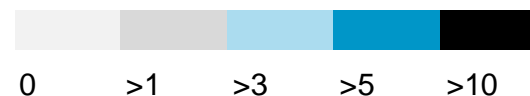
Note: Data as of June 2018.
¹ Other guarantees.

Portfolio breakdown by region

80% of finished properties in the Mediterranean coastal area and Madrid



% of stock per region



APS main figures, pro forma

APS breakdown and evolution

In million EUR

| Concept | Jun-12 ^{1,2} | Jun-18 ² | Var. (%) | Jun-18 pro forma ² | Var. (%) pro forma |
|--|-----------------------|---------------------|---------------------------|----------------------------------|-----------------------|
| Gross loans and advances | 19,117 | 4,452 | -76.7% | 2,813 | -85.3% |
| of which at-risk | 18,460 | 4,444 | -75.9% | 2,805 | -84.8% |
| of which contingent guarantees and liabilities | 657 | 8 | -98.7% | 8 | -98.7% |
| Real estate assets | 4,663 | 3,925 | -15.8% | 179 | -96.2% |
| Equity stakes | 504 | 40 | -92.0% | 40 | -92.0% |
| Write offs | 360 | 2,006 | 457.3% | 680 | 88.9% |
| Total | 24,644 | 10,424 | -57.7%³ | 3,712 | -84.9% |

Post institutional NPA sales, the APS book has decreased c. 85% (€20.9bn) since inception

Note: Pro forma data considers institutional NPA sales.

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

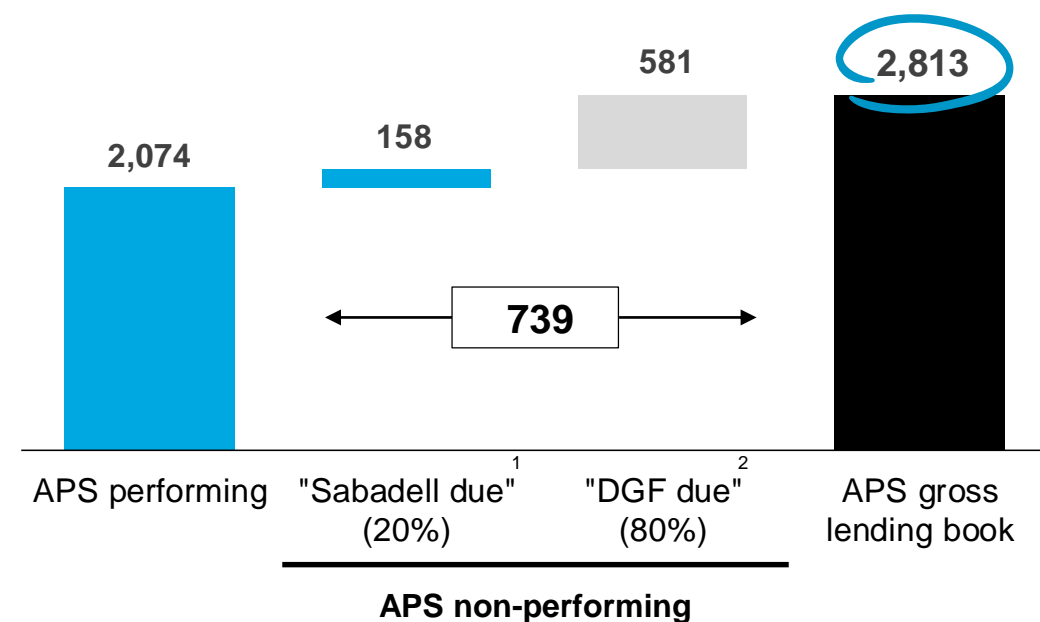
² Gross of original existing provisions.

³ Excludes institutional NPA sales.

APS gross loan and developers exposure, pro forma

APS gross loans and advances (as of Jun-18 pro forma)

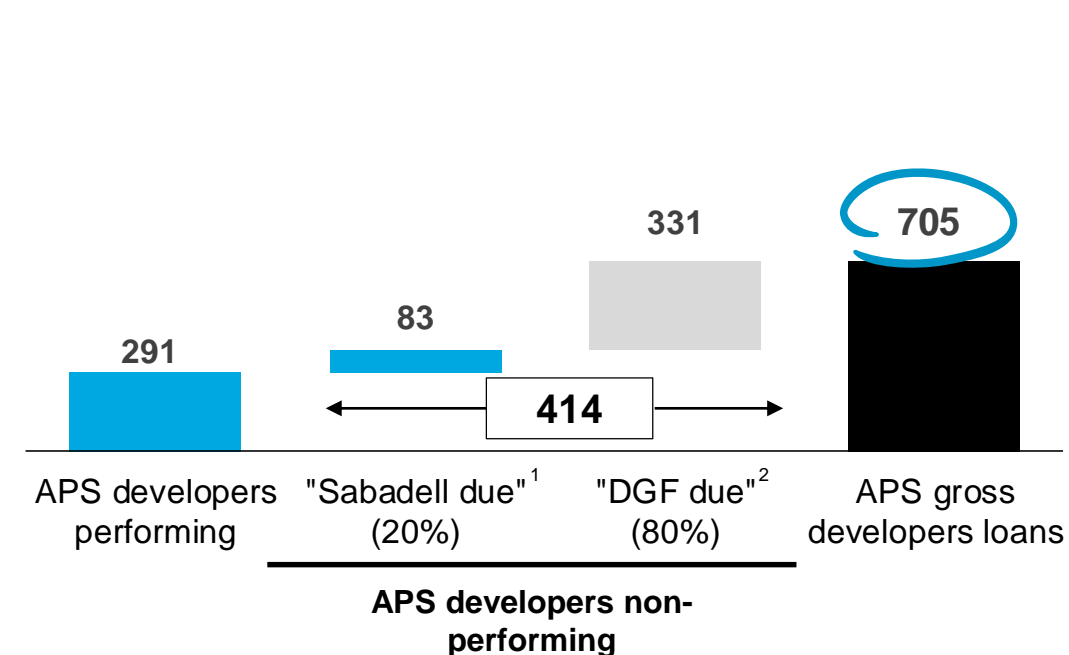
In million EUR



The total APS NPL ratio is 26.3%

APS developers loans (as of Jun-18 pro forma)

In million EUR



The developers APS NPL ratio is 58.7%

Note: Pro forma data considers institutional NPA sales.

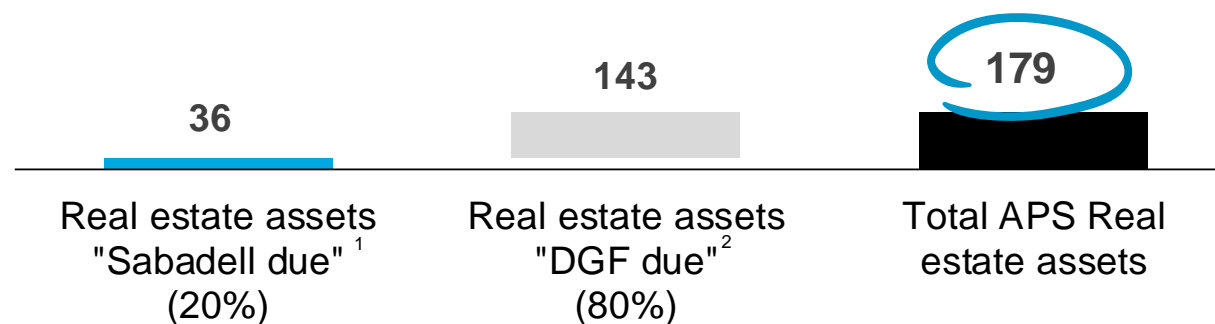
¹ 20% of total APS non-performing credit risk is assumed by Sabadell as per the APS protocol.

² 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, pro forma

APS real estate (as of Jun-18 pro forma)

In million EUR



Note: Pro forma data considers institutional NPA sales.

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

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

APS provisions overview, pro forma

APS provisions and exposure (as of Jun-18 pro forma)

In million EUR

| | APS Exposure | APS Provisions | APS Coverage |
|---|--------------|----------------|--------------|
| Total APS problematic exposure | | | |
| Non-performing credit | 739 | 378 | 51.1% |
| of which "DGF due" ¹ | 581 | 293 | |
| Real estate assets | 179 | 151 | 84.4% |
| of which "DGF due" ¹ | 143 | 121 | |
| Total APS problematic credit and assets | 918 | 528 | 57.6% |
| Total APS developers loans | | | |
| Non-performing developers credit | 414 | 258 | 62.3% |
| of which "DGF due" ¹ | 331 | 206 | |
| Total APS problematic developers credit and assets | 593 | 409 | 69.0% |

Note: Pro forma data considers institutional NPA sales.

¹ "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 |
|------------------------------|------------|------------|-------------------|-------------|
| DBRS | BBB (High) | R-1 (low) | Positive | 16.07.2018 |
| STANDARD & POOR'S | BBB | A-2 | Stable | 28.06.2018 |
| MOODY'S¹ | Baa3/ Baa2 | P-3/ P-2 | Positive/Positive | 17.04.2018 |

¹ Relates to senior debt and deposits, respectively.

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