

### Results at the end of the first half of 2017

## Banco Sabadell net profit reaches €450.6M and improves financial margins across the board



The CEO, Jaime Guardiola, explained the results from the first half of the year to the media.

- Earnings from the Group's banking business increased by 3.5% and net interest income grew by 2.4% year-on-year.
- Revenue from transactions carried out in Sabadell United Bank and BanSabadell Vida will increase the NPA coverage ratio to 54%. This will bring an end to losses on sales of foreclosed assets and will allow future provisions to be more easily established.
- TSB's balance sheet momentum remains positive, with a 16.6% YoY increase in lending.

Banco Sabadell Group achieved, up to June 2017, net profit of €450.6 million, representing a 10% increase compared with the same period in 2016 considering a constant exchange rate, thanks to the solid growth of 3.5% in income from the Group's banking business (net interest income and net fees and commissions).

Net interest income increased by 2.4% year-on-year, considering a constant exchange rate, to €1,936.9 million, whilst the customer spread grew to 2.81% (2.77% in the previous quarter), driven by the reduced cost of customer funds.

The phase-in CET1 ratio rose to 12.67% at the end of June and the fully-loaded CET1 ratio stood at 12.13%. Including the sale of Sabadell United Bank (excluding surplus gains), this ratio will be 12.5%.

Total off-balance sheet customer funds amounted to €43,997 million, a 17.2% increase compared with the previous year. Equity in mutual funds amounted to €25,943 million, representing a 22.8% increase. Balance sheet momentum remains positive, with the Group's performing loans increasing over the last three months by 4.5% year-on-year when

adjusting for the return of TSB's Mortgage Enhancement portfolio to Lloyds.

In terms of on-balance sheet customer funds, these amounted to €135,928 million, increasing by 3% considering a constant exchange rate.

### Record sight account figures

Sight account balances reached one hundred billion euros for the first time, representing a 14.9% increase compared to the first half of 2016. This marked a milestone for the bank. Commercial activity has maintained a positive pace, resulting in the acquisition of 285,883 customers up to June. Consumer loans grew to €962 million and the amount granted in mortgage loans amounted to €1,709 million as at 30 June.

Income from sale transactions of Sabadell United Bank and reinsurance transactions of BanSabadell Vida will cause the NPA coverage

ratio to increase to 54% (52% excluding floor clauses), which will bring an end to losses on the sale of foreclosed assets in future. Thus, Banco Sabadell has strengthened its solvency position by jointly considering capital levels and accumulated provisions. The loan loss ratio has continued its downward trend from previous quarters, and stood at 5.49% at 30 June.

During the first half of the year, the volume of problematic assets was reduced by €1,159 million, a notable figure as this means that the bank is progressing towards achieving its year-end target at a faster rate than expected.

Furthermore, the strong commitment of Banco Sabadell to digital transformation and the provision of new remote services to customers has resulted in an increase in the number of digital customers of 7%, reaching 4.2 million. At present, 85% of the bank's transactions in Spain are carried out using remote

channels and digital sales already account for close to 20% of the total.

### TSB grows its customer base

The business in the United Kingdom continues to be strong. The British franchise's customer lending, together with its Whistletree portfolio, has increased by 16.6% year-on-year and customer deposits have increased by 6.4%, driven by the growth of sight accounts. The market share of newly opened current accounts stands at 6%, in line with the franchise's forecasts. The total number of customers surpassed 5 million during the quarter, representing an annual growth of 3.3%. Customers continue to recommend TSB to their families and friends, and its NPS (an indicator of service quality) has continued its upward trend during the first half of 2017.

The process of migrating to the new technology platform continues to proceed according to schedule and new technological advances aimed at customers have been developed. In this regard, TSB will be the first European bank to introduce iris scanning technology to its mobile app from September. This system will be incorporated into TSB's mobile app, which is already operational, built on Banco Sabadell's platform in the UK, Proteo4UK.

	30.06.2016	30.06.2017
<b>RATIOS</b>	%	%
Cost-to-income <sup>1</sup>	49.97	51.81
Core capital / Common equity	11.9	12.7
NPL ratio <sup>2</sup>	6.83	5.49
NPL coverage ratio <sup>2,3</sup>	54.1	51.0
<b>RESOURCES</b>		
Number of branches	2,806	2,548
Number of employees	25,990	26,384

<sup>(1)</sup> To calculate these ratios, gross income was adjusted to consider recurrent net trading income and the linear accrual of contributions to the Deposit Guarantee Fund.  
<sup>(2)</sup> For the purpose of comparison, the June 2017 figures include Sabadell United Bank figures.  
<sup>(3)</sup> Excluding floors, as at June 2017 the Group's total coverage excl. TSB is 47.1%.

Cumulative data in million euro	30.06.2016	30.06.2017	Change considering	YoY change constant exchange rate
<b>KEY BALANCE SHEET FIGURES</b>				
Total assets	207,891	217,458	4.6%	6.0%
Gross customer lending <sup>(1) (2)</sup>	149,921	149,948	0.0%	1.5%
On-balance sheet customer funds <sup>(2)</sup>	134,152	135,928	1.3%	3.0%
Off-balance sheet customer funds	37,555	43,997	17.2%	17.2%
Own funds	12,647	13,188	4.3%	–
<b>RESULTS</b>				
Net interest income	1,942.5	1,936.9	-0.3%	2.4%
Gross income	2,980.2	3,043.4	2.1%	4.3%
Pre-provisions income	1,460.6	1,467.7	0.5%	1.9%
Profit attributable to the Group	425.3	450.6	5.9%	10.0%

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

## Sabadell share performance in the first half of 2017

The SAB share has ended the first half of the year at levels even better than those at the close of the first quarter. After ending March with a substantial increase compared to the 2016 close (+29.86%), the second quarter was characterised by market turbulence caused by Banco Popular in the industry until the final resolution of the issue at the beginning of June, and by its liquidation a few weeks later, pursuant to Italian insolvency procedures of Banca Popolare di Vicenza and Veneto Banca. Despite this, the SAB share price ended the six-month period with a revaluation of 34.47%, the highest share price increase of Spanish banks and the second highest of the Ibex-35.

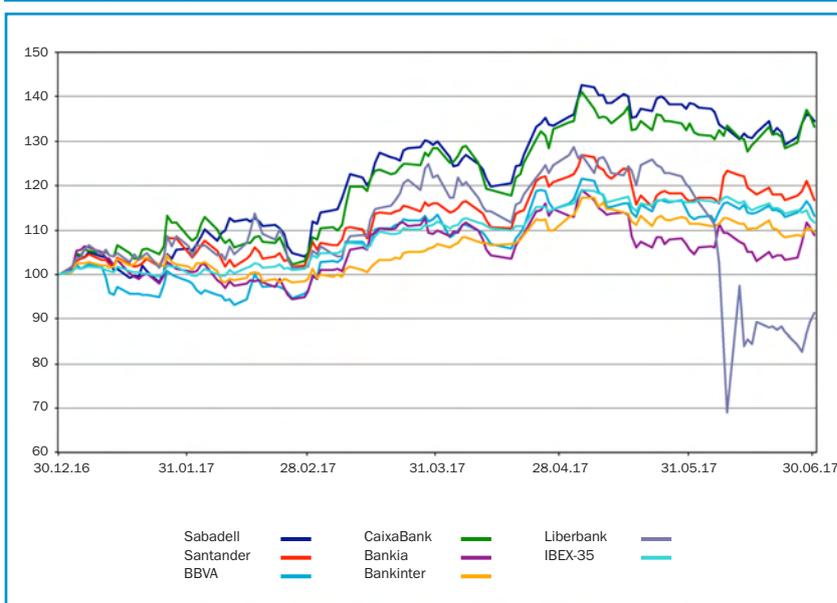
Factors that have contributed to this positive share price performance include the favourable assessment of analysts of our results from the first quarter. The positive development of Spanish macro-economic indicators, which have exceeded expectations, together with the optimism generated following Emmanuel Macron's victory in the French presidential elections, have provided a dose of tranquillity and confidence in the middle of the second quarter. Specifically, the SAB share price remained in the range of 1.80-1.90 euros for the majority of May.

Throughout the month of June, stock markets in general showed certain symptoms of exhaustion. However, our share received additional support when the credit rating agency S&P Global Ratings announced that it had raised the bank's rating, meaning that the bank had recovered its investment grade category. The SAB share ended the six-month period with a price of €1.779, representing a 3.55% increase compared to the end of March. The graph shows the evolution of share price performance of Spanish banks during the current year.

### Sabadell share price and volumes

		Final price €	Maximum price €	Minimum price €	Average daily volume (securities)
<b>2016</b>		1.323	1.810	1.065	29,994,232
<b>2017</b>	January	1.394	1.428	1.295	27,892,517
	February	1.388	1.520	1.372	28,796,306
	March	1.718	1.742	1.430	32,134,611
	April	1.766	1.797	1.565	34,507,679
	May	1.834	1.899	1.724	24,354,136
	June	1.779	1.857	1.696	28,578,350
Change					
Dec. 2016 - Jun. 2017		+34.47%			

### Share price performance



### Technical information\*

Number of shares	5,616,151,196
Number of shareholders	246,622
Average daily trading (January-June, in securities)	29,246,539
Average daily trading (January-June, in euros)	47,185,077
Capitalisation	9,991,132,978 €
EPS (earnings per share)	0.15 €
PER (price/earnings ratio)	12.11 x
Book value per share	2.34 €
P/VC (Price/book value)	0.76 x
Dividend yield (with closing price at end of Dec. 2016)	3.78%

\*At 30 June 2017.

## Banco Sabadell classed as investment grade by all three credit rating agencies



Photo of one of the buildings of the corporate centre in Sant Cugat.

At the end of June, the credit rating agency Standard & Poor's (S&P) raised Banco Sabadell's long-term credit rating to BBB- from BB+ and its short-term rating to A-3 from B. The trend remains positive. This upgrade reflects, according to S&P, the improvement of the entity's solvency and the progress made in de-risking its balance sheet. The agency also raised its rating of Banco Sabadell's non-deferrable subordinated debt and preferred shares by two notches to BB and B, respectively.

This represents a significant achievement for Banco Sabadell as, following this upgrade, the entity has

recovered its classification as investment grade by all three of the agencies (S&P, Moody's and DBRS) that currently rate the bank.

Chairman Josep Oliu highlighted this fact by stating that "the effort made by the bank in recent years, which has resulted in a significant reduction in the balance of assets damaged by the crisis, as well as in the strengthening of the bank's solvency ratio, has allowed S&P to recognise both the milestones that we have achieved and the outlook of future growth. This will affect the future for the benefit of the bank, our shareholders and our customers".

## The Foundation gives out awards for research into economics, biomedicine and engineering



Borja Ibáñez, Mar Reguant and Romain Quidant.

The Banco Sabadell Foundation, in a bid to promote research in the fields of economics, biomedicine and engineering, has given out awards to acknowledge the work and talent of three young professionals. Mar Reguant, holder of a PhD in Economics, was the winner of the XVI Award for Economic Research, consisting of €30,000, for her research in the field of energy and environmental economics. Borja Ibáñez, holder of a PhD in medicine, won the XII Award for Biomedical Research for his contribution

to the fight against cardiovascular diseases. Lastly, Romain Quidant, holder of a PhD in Physics, was given the first Award for Science and Engineering for his contributions to the world of nanophotonics. The Award for Science and Engineering, in which the Barcelona Institute of Science and Technology (BIST) is a collaborating partner, and the Award for Biomedicine consist of €50,000 each.

## Over €10bn in funding for companies



Banco Sabadell has signed two important agreements with CEOE (the Spanish Confederation of Business Organisations) and the European Investment Bank (EIB) to fund the country's companies. Together with the CEOE, the entity is putting at the disposal of companies with an association with CEOE a funding facility of €10 billion with preferential terms. With the EIB, both institutions undertake to provide SMEs with €800 million in order to support and facilitate the development of new projects, particularly in the service and industry sectors. In the photo, the CEO for Banco Sabadell, Jaime Guardiola, and the President of the CEOE, Juan Rosell.

## BanSabadell Vida reinsures its portfolio for €683.7M



Javier Valle, General Manager of BanSabadell Vida.

BanSabadell Vida, a company in which Banco Sabadell and Zurich Vida each hold a 50% interest, has entered into a reinsurance contract with the reinsurance company Swiss Re Europe in respect of its individual life insurance portfolio as at 30 June 2017. BanSabadell Vida has received a reinsurance commission of 683.7 million euros, resulting in net income of approximately 253.5 million euros for Banco Sabadell Group, after deducting taxes and expenses relating to this transaction.

### Shareholders Relations Service

You can view this information on [www.grupobancosabadell.com](http://www.grupobancosabadell.com) (Shareholder and Investor Information > Products and Services)

To have it sent to you by email, or to unsubscribe, please email [accionista@bancosabadell.com](mailto:accionista@bancosabadell.com) or call +34 937 288 882

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