

Results at the end of the third quarter of 2017

Banco Sabadell's net profit reaches €653.8M and its fully-loaded CET1 ratio stands at 13%



Jaime Guardiola, at the centre, presenting the results to the media.

- Banco Sabadell maintains its annual profit objective at €800 million.
- Net interest income increased by 5% year-on-year and by 2.4% compared to the previous quarter on a like-for-like basis¹.
- Extraordinary gains on recent transactions pushed the fully-loaded CET1 ratio up to 13%, the highest of all domestic listed banks, and the NPL coverage ratio to 52.8%.
- Problematic assets up to September were reduced by €1.7bn. The high level of coverage allowed foreclosed assets to be sold for an average profit of 2.6%.
- The Board of Directors has approved the distribution of an interim dividend of €0.02 (gross) per share.

Banco Sabadell Group achieved, up to September 2017, net profit of €653.8 million, a 4.2% increase compared with the same period in 2016 considering a constant exchange rate, thanks to the solid growth of 5.2% in income from

the Group's banking business (net interest income plus net fees and commissions) on a like-for-like basis. This growth rate means that the bank is on target to achieve its annual profit objective of €800 million.

⁽¹⁾ All comparable figures exclude Sabadell United Bank, Mediterráneo Vida and TSB's Mortgage Enhancement portfolio, considering a constant exchange rate.

Interim dividend

The Board of Directors agreed, on 26 October 2017, to distribute earnings from 2017 in the form of an interim dividend of €0.02 (gross) per share, which shall be paid on 29 December 2017, the ex-dividend date being 27 December 2017.

Quarterly net interest income amounted to €940.9 million due to positive volumes and the lower cost of customer funds. NII increased for another quarter, by 2.4% in the third quarter, and by 5% year-on-year considering a constant exchange rate and on a like-for-like basis. The customer spread stood at 2.79%.

Level of capital

Banco Sabadell continues to strengthen its solvency position, jointly considering capital levels and accumulated provisions. The sound generation of capital throughout the first nine months of the year allowed the bank to reach a phase-in CET 1 capital ratio of 13.2%, compared with 12.1% one year ago. The fully-loaded CET1 ratio stood at 13% on a like-for-like basis (+30bp following the sale of HI Partners and the stake in IberiaBank) at the end of September, the highest

level of solvency of domestic listed banks.

Insolvency provisions and other impairments amounted to €1,967.8 million, compared to €1,113.5 million one year previously. Extraordinary gains from net trading income (NTI), together with the capital gains on the sale of Sabadell United Bank and the reinsurance of BanSabadell Vida, which have materialised during the year, have been allocated in their gross value to extraordinary provisions.

The NPA coverage ratio stood at 52.8% (51.5% excluding floor clauses), with the plan to reduce problematic assets moving forward at a good pace, reducing these assets excl. TSB by €1.7bn during the year with a net profit of 2.6% over the last three months. Problematic assets were reduced by €2,316 million over the last 12 months and the NPL ratio fell to 5.4%.

Increase in lending

Balance sheet momentum over the last three months led to a growth in performing loans of the Group of 5% year-on-year considering a constant exchange rate (excluding TSB's mortgage enhancement portfolio, which has been returned to Lloyds, and Sabadell United Bank), with an improvement in the business mix. Compared with the previous quarter, performing loans grew by 0.3% considering a constant exchange rate, despite the seasonality associated with the quarter. Performing gross loans ended the quarter with a balance of €137,833 million.

On-balance sheet customer funds increased year-on-year by 3.7% considering a constant exchange rate, reaching €131,295 million, whilst off-balance sheet customer funds amounted to €45,129 million, a 13.6% increase. Equity in mutual funds amounted to €26,920 million, a 21.2% increase year-on-year.

Improvement in TSB's NII

TSB has maintained its positive trend in lending, driven by the growth in mortgage lending. The franchise's customer lending, together with its Whistletree portfolio, increased by 15.5% year-on-year. Another example of the resilience of the franchise and the Whistletree portfolio is its net interest income, which grew by 10.5% year-on-year. Customer funds increased by 4.5% during the year, driven by the increase of current accounts.

	30.09.2016	30.09.2017
RATIOS	%	%
Cost-to-income ¹	49.91	51.20
Core capital / Common equity	12.1	13.2
NPL ratio	6.60	5.40
NPA coverage ratio ²	52.9	51.4
RESOURCES		
Number of branches	2,791	2,522
Number of employees	25,972	25,972

⁽¹⁾ To calculate these ratios, gross income is adjusted considering recurring NTI and the linear accrual of contributions to the Deposit Guarantee Fund. Non-recurring results from the net fee charged by BSVida for the reinsurance contract with Swiss Re Europe are excluded.

⁽²⁾ Excluding floors, as at September 2017, the Group's total coverage ratio is 48.8% and excl. TSB is 48.7%.

Cumulative data in million euro	30.09.2016	30.09.2017	Change considering	YoY change constant exchange rate
KEY BALANCE SHEET FIGURES				
Total assets ⁽¹⁾	198,837	211,076	6.2%	6.8%
Gross customer lending ^{(1) (2)}	144,360	146,054	1.2%	1.7%
On-balance sheet customer funds ⁽¹⁾	127,361	131,295	3.1%	3.7%
Off-balance sheet customer funds	39,711	45,129	13.6%	13.6%
Own funds	12,872	13,372	3.9%	–
RESULTS				
Net interest income	2,890.9	2,877.8	-0.5%	1.8%
Gross income	4,273.2	4,583.1	7.3%	9.3%
Pre-provisions income	1,995.6	2,237.7	12.1%	13.6%
Profit attributable to the Group	646.9	653.8	1.1%	4.2%

⁽¹⁾ For the purpose of comparison, the September 2017 figures include Sabadell United Bank figures.

⁽²⁾ Excluding repos and deposits in credit institutions.

Sabadell share price performance during the third quarter of 2017

Towards the end of July and coinciding with the date on which the bank's half-yearly results were presented, the SAB share reached its maximum price of the year: 1.96 euros. It remained at around 1.90 euros throughout August, when trading volumes were low in a market that remained mostly calm.

However, volatility began to increase as the summer wore on, amidst growing tensions between the United States and North Korea. The appreciation of the euro against the dollar (climbing up to 1.20 dollars per euro) was not well received by European stock markets, due to its harmful effect on the continent's exporting industry.

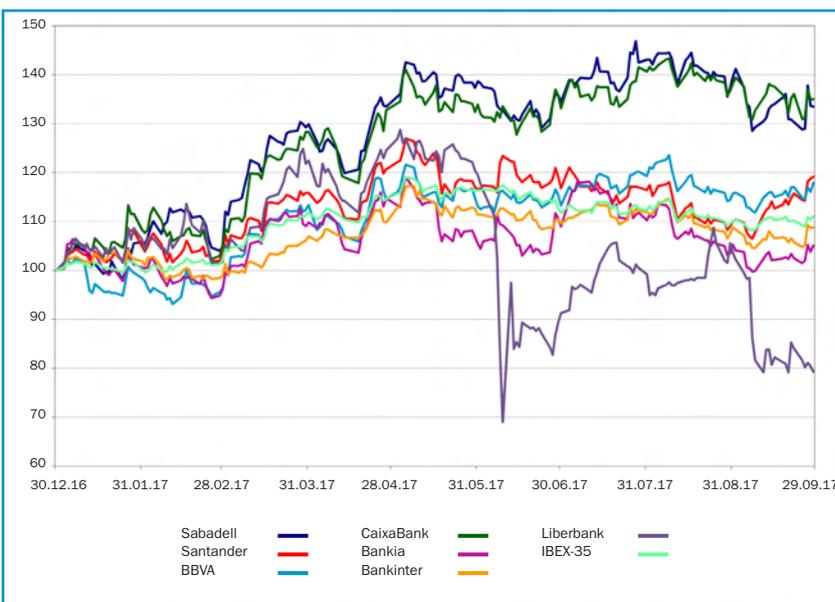
The annual revaluation of the bank's securities was 33.48% at the end of the third quarter

Political tension in Spain increased in September, as a result of the Catalan government's intention to hold an independence referendum. This led to uncertainty taking hold of the market and increased the downward pressure on the banking sector's quotations. Despite this complex situation, the annual revaluation of the SAB share was of 33.48% at the end of the third quarter, the second highest revaluation in the sector. 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)
2016	1.323	1.810	1.065	29,994,232
2017				
January	1.394	1.428	1.295	27,892,517
February	1.388	1.520	1.372	28,796,306
March	1.718	1.742	1.430	32,134,611
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
July	1.893	1.960	1.782	23,597,898
August	1.847	1.916	1.793	12,827,543
September	1.766	1.876	1.668	25,388,204
Change				
Dec. 2016 - Sep. 2017	+33.48%			

Share price performance



Technical information *

Number of shares	5,616,151,196
Number of shareholders	239,871
Average daily trading (January-September, in securities)	26,239,855
Average daily trading (January-September, in euros)	43,756,115
Capitalisation	9,918,123,012 €
EPS (earnings per share)	0.14 €
PER (price/earnings ratio)	12.78 x
Book value per share	2.39 €
P/VC (Price/book value)	0.74 x
Dividend yield (with closing price at end of Dec. 2016)	3.78%

* As at 30 September 2017.

TSB's new IT platform almost ready for launch



TSB has unveiled the advantages of the new IT platform, Proteo4UK, in order to present the upcoming launch of a set of banking services including current accounts, debit cards, credit cards and savings accounts. Proteo4UK also provides access to brokers selling TSB mortgages.

The new platform is already in use and customers are

beginning to enjoy the benefits of TSB's new banking app, the first in Europe to integrate iris recognition technology. TSB has rescheduled the final stage of the deployment of Proteo4UK, initially scheduled for November 4th and 5th. It will now take place during the first quarter of 2018, as the originally planned deployment would have taken place just two days after the first interest rate hike in a decade in the UK. This rescheduling has allowed TSB to focus all of its efforts on notifying its 5 million customers of the interest rate hike.

Recognition of Dr Mar Reguant, holder of a PhD in Economics



The award ceremony of the Sixteenth Banco Sabadell Foundation Award for Economic Research took place on 3rd October at the SabadellHerrero headquarters in Oviedo. The jury awarded the prize to the doctor of economics, Mar Reguant, for her research into the field of energy and environmental economics.

The chairman of Banco Sabadell, Josep Oliu, gave out the award, and in his speech he highlighted the youth and quality of the publications of Mar Reguant as well as Banco Sabadell's commitment to young talents, which is manifested in these types of events that recognise those with a promising career in the different branches of knowledge. The President of the Principality of Asturias, Javier Fernández, was at the forefront of a number of prestigious members of Asturian society who attended the event.

The bank's legal domicile moves to Alicante



On 5th October, the Board of Directors of Banco Sabadell resolved to move its legal domicile to the city of Alicante in order to continue protection of the interests of its shareholders, customers and employees.

This decision will allow the bank as a whole to continue to provide, without any disruption whatsoever, financial services to all of its customers and companies in all of the territories

in which the bank operates under the supervision of the European Central Bank (ECB) and the regulation of the European Banking Authority (EBA).

Banco Sabadell is an international banking group with a network of close to 2,500 branches and over 11 million customers. 70% of its business is located in Spain, with the remaining 30% shared between the United Kingdom, the United States and Mexico.

The Group's exposure in Catalonia represents 16% of its total customers and turnover. In the photo, the bank's building in Alicante.

SabadellUrquijo takes part in charitable projects



In September, SabadellUrquijo Banca Privada publicly announced its involvement with 22 charitable projects, which have been allocated an economic amount corresponding to 50% of the management fee of SabadellUrquijo Cooperación and 35% of the management fee of the Sabadell Inversión Ética y Solidaria Investment Fund. The majority of the selected projects focus on addressing risks of social

exclusion, meeting basic food and healthcare needs of various groups of individuals and improving the living conditions of people with disabilities.

The entity has been working together with charitable causes for almost 20 years through its Ethical Committee, which is responsible for assessing the proposals. Hospital San Juan de Dios in Leon, Manos Unidas and the Instituto Español de Misiones Extranjeras are just some of the organisations that have benefited from its involvement this year. In the photo, members of the benefited institutions and SabadellUrquijo.

Shareholder Relations Service

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