

2017 year-end results

Banco Sabadell's profit amounts to €801.5 million, 12.8% higher



Chairman Josep Oliu, during his speech at the press conference held to present the bank's results.

- **The Group has exceeded all of its targets and lays the foundations for its Strategic Plan.**
- **Revenue from core banking business increased by 5.5% year-on-year on a like-for-like basis¹.**
- **Performing loans grew by 4,6%¹, driven by strong activity in SMEs and new mortgage production.**
- **The NPA coverage ratio stood at 54.7%² pro-forma, following the implementation of IFRS 9 in January 2018.**
- **The fully-loaded CET1 ratio increased to 12.8% and with the implementation of IFRS 9 it will stand at 12%.**

Supplementary dividend of 0.05 euros

During its meeting held on 1 February 2018, the Board of Directors of Banco Sabadell agreed to distribute a supplementary dividend in cash at €0.05 (gross) per share. This dividend supplements the interim dividend of €0.02 (gross) per share which was paid out on 29 December 2017, resulting in a total shareholder remuneration in cash of €0.07 (gross) per share. The dividend proposal will need to be approved at the Annual General Meeting, and the payout of the supplementary dividend shall be carried out once the AGM has been held.

Banco Sabadell Group has ended 2017 with net attributed profit of €801.5 million, representing a 12.8% increase year-on-year, a testament to the solidity of its business. These results have been achieved due to the strong increase in revenue from core banking business (net interest income and net fees and commissions), which increased by 5.5% on a like-for-like basis¹.

The customer spread remained stable at 2.80%, and net interest income increased by 4.9% year-on-year on a like-for-like basis¹. Fees and commis-

sion income increased by 7.4% considering a constant exchange rate.

Expenses stood at €2,723 million, up 2.2% from the previous year, due to seasonal IT costs in TSB which had already been forecast. The Group's cost-to-income ratio³ ended 2017 at 50%.

Insolvency provisions and other impairments amounted to €2,196.4 million, compared to €1,427.1 millions in 2016. At the close of 2017 figures included extraordinary gains on corporate transactions, the contribution of which was offset by the allocation of additional provisions amounting to a gross value of €900 million.

Growth in lending

The Group's performing loans grew by 4.6% year-on-year on a like-for-like basis¹. New lending to corporates increased by 10.7% to €16,925 million, and new mortgage loans grew by 7.5% to €3,299 million. Consumer loans also increased by

17.4% to €1,929 million. Performing gross loans ended the period with a balance of €137,522 million.

Throughout 2017, the bank was very active in its acquisition of business banking and retail banking customers, acquiring a total of 512,460 new customers in these segments. This increase in the number of customers was achieved with a level of service quality that exceeds the sector average. Banco Sabadell has consolidated its leadership in customer experience in the SMEs and large enterprises segments. According to STIGA - EQUOS studies, the level of service quality stands at 7.80 compared with the sector average of 7.03. The NPS (Net Promoter Score) index indicates that Banco Sabadell leads the customer experience ranking for large enterprises and SMEs, and ranks second in personal banking.

Customer funds increased, both on and off the balance sheet, to €177,421 million, 5% more¹, and

total assets amounted to €221,348 million, representing an increase of 10.2% on a like-for-like basis¹. Banco Sabadell has a solid capital position, with a phase-in Common Equity Tier 1 (CET1) ratio of 13.4% and a fully-loaded CET1 ratio of 12.8%. With the implementation of IFRS 9, the pro-forma fully-loaded CET1 ratio stands at 12%.

New business line

Banco Sabadell has carved out a new business line, Solvia Desarrollos Inmobiliarios, which includes €1,252 million in assets under management with a net value of €683 million. This new business line aims to optimise and further improve the real estate development service. Thanks to Solvia Desarrollos Inmobiliarios, the proportion of land in the composition of foreclosed assets has declined from 41% to 34%. Thus, non-performing assets have been reduced by €3,443 million during the year (€1,802 million in non-performing loans and €1,642 million in foreclosed assets, including Solvia Desarrollos Inmobiliarios). With the implementation of IFRS 9, the pro-forma coverage of non-performing assets stands at 54.72%².

(1) Calculated based on uniform bases, assuming constant FX and excluding Sabadell United Bank, Mediterráneo Vida and TSB's Mortgage Enhancement portfolio. Performing loan growth excludes the impact of APS (i.e. 80% of the problematic exposures covered by the APS, which are presented as performing in the loans and receivables account).

(2) Excludes provisions for mortgage floor clauses.

(3) This ratio has been calculated without considering the fee charged by BanSabadell Vida for the reinsurance contract with Swiss Re Europe and the revenue generated by the early call of TSB's Mortgage Enhancement portfolio.

	31.12.2016	31.12.2017
RATIOS	%	%
Cost-to-income ¹	48.68	50.15
Core capital / Phase-in Common Equity	12.0	13.4
NPL ratio	6.14	5.14
NPL coverage excl. floors ²	47.3	45.7
RESOURCES		
Number of branches	2,767	2,473
Number of employees	25,945	25,845

⁽¹⁾ This ratio has been calculated without considering the fee charged by BanSabadell Vida for the reinsurance contract with Swiss Re Europe and the revenue generated by the early call of TSB's Mortgage Enhancement portfolio.
⁽²⁾ Including floors, as at December 2017 the Group's total coverage ratio is 48.3% and excl. TSB is 48.1%.

Cumulative data in million euro	31.12.2016	31.12.2017	Change considering	YoY change constant exchange rate
KEY BALANCE SHEET FIGURES				
Total assets ⁽¹⁾	202,916	221,348	9.1%	10.2%
Gross customer lending ^{(1) (2)}	143,799	145,323	1.1%	1.9%
On-balance sheet customer funds ⁽¹⁾	129,562	132,096	2.0%	2.9%
Off-balance sheet customer funds	40,606	45,325	11.6%	11.6%
Own funds	12,926	13,426	3.9%	-
RESULTS				
Net interest income	3,837.8	3,802.4	-0.9%	1.0%
Gross income	5,470.7	5,737.3	4.9%	6.6%
Pre-provisions income	2,411.5	2,612.1	8.3%	9.6%
Profit attributable to the Group	710.4	801.5	12.8%	16.1%

⁽¹⁾ For the purpose of comparison, excluding figures from Sabadell United Bank, Mediterráneo Vida and Mortgage Enhancement.
⁽²⁾ Excluding repos and deposits in credit institutions.

SAB share and stock markets in 2017

During the first half of the year, stock exchanges in the US and Europe followed upward trends at a fairly similar pace. However, from the summer onwards, there was a significant divergence in their performance. US stock exchanges continued their upward trend, reaching new record highs, while European stock exchanges stabilised.

As regards the SAB share price, as can be seen in the figure, the share price performed extremely well during the first part of the year, reaching its maximum price of 1.96 euros in July, after the publication of the half-yearly results.

**The SAB
share price rose
by 25.17%
in the year**

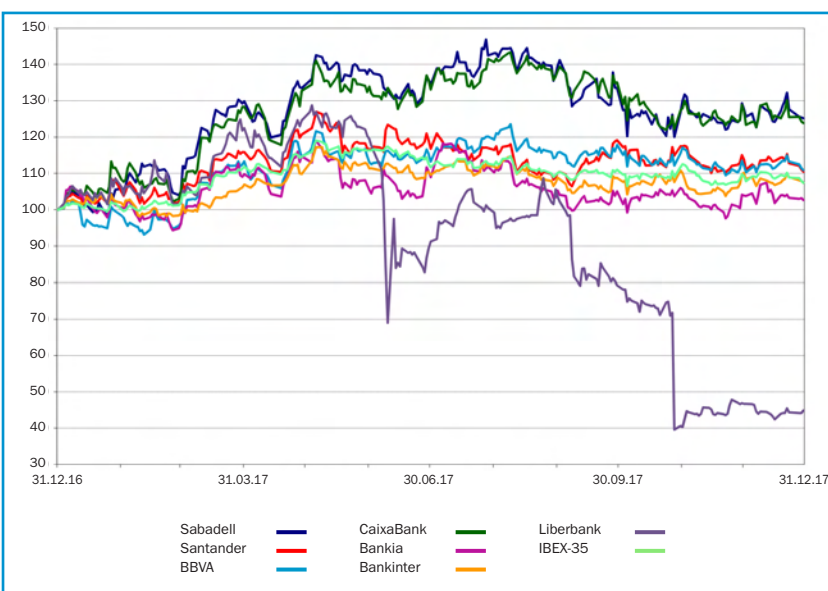
In September, political instability in Catalonia and its potential macro-economic repercussions affected the performance of the Spanish stock exchange, particularly companies with the largest exposures to Catalonia. Trading volumes and unease rocketed during the first days of October. Gradually the situation calmed down and the SAB share ended the year with a price of 1.656 euros.

Despite episodes of instability, particularly during the final months of the year, the SAB share price experienced the highest growth of all quoted Spanish financial institutions in 2017, increasing by 25.17%.

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
October	1.719	1.729	1.522	44,127,989
November	1.690	1.749	1.615	22,477,560
December	1.656	1.750	1.616	23,268,955
Change				
Dec. 2016 - Dec. 2017	+25.17%			

Share price performance



Technical information *

Number of shares	5,626,964,701
Number of shareholders	235,130
Average daily trading (January-December, in securities)	27,237,193
Average daily trading (January-December, in euros)	45,382,430
Capitalisation	€9,318,253,545
EPS (earnings per share)	€0.14
PER (price/earnings ratio)	11.85 x
Book value per share	€2.41
P/VC (Price/book value)	0.69 x
Dividend yield (with closing price at end of December 2016)	3.78%
Dividend yield (with closing price at end of December 2017)	3.02%

* As at 31 December 2017.

Josep Oliu: “We are the protagonists of a great company of the future”



Chairman Josep Oliu, during his speech at the Annual Management Meeting.

More than 1,800 Banco Sabadell management staff came together at the Palau de Congressos de Catalunya to attend the Annual Management Meeting that took place in December. The meeting included a summary of results for 2017 and an introduction to the outlooks of the new strategic plan for 2018-2020, which will be implemented under the strategic approach of “Anticipating and Caring”. Chairman Josep Oliu emphasised that the bank needs to prove itself to society as an organisation which strives to act in an ethical and responsible manner.

He also added that “we are the protagonists of a major project, and of a great company of the future” and that during 2018-2020 “we are going to remain close to our customers, improve our profitability and continue with the bank’s international development”.

The CEO for Banco Sabadell, Jaime Guardiola, expressed his satisfaction with the milestones that have been achieved during 2017, and highlighted TSB’s technological integration, the significant reduction of non-performing assets and the excellent business activity across all businesses and geographies.

More than 300 entrepreneurs attend the International Business Conference



More than 300 entrepreneurs attended the twelfth International Business Conference held by Banco Sabadell in November. The event offered an opportunity to address business strategies in a global market, and Chairman Josep Oliu and CEO Jaime Guardiola both gave speeches during the event.

A round table debate was held, moderated by the Banco Sabadell

Regional Director for Catalonia, Lluís Buil. During the discussion, participants agreed on the following keys for successful internationalisation: the company’s full commitment, specialisation, having a competitive product, gaining support from local partners, prudently studying and analysing markets and acting in politically and legally stable environments.

Presentation of Strategic Plan 2018-2020

On 23 February, the bank will be publishing its new Strategic Plan, which will lay down the key targets for 2018, 2019 and 2020. It will hold a series of meetings in London with international analysts in order to share the bank’s guidelines and objectives with them. The key pillars of the strategic plan will be the improvement of profitability of the franchises in the United Kingdom and Mexico, the strengthening of the brand and customer experience as well as the boost of its technological capabilities.

Retail banking already operational in Mexico



With the beginning of the new year, the bank has launched its retail banking in Mexico. Banco Sabadell’s value proposition for Mexican customers is based on a 100% digital model, in which the main channel is a mobile device, combined with an important element of human touch, which offers a new and unique experience in the Mexican market. With its penetration in the retail customer segment, the bank has extended the scope of its activity, which to date had focused on business banking. In the photo, Jaime Guardiola, CEO for Banco Sabadell, and Francesc Noguera, General Manager of Banco Sabadell Mexico.

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