

Profit attributed to the Group

Profit before taxes increased by 36.9% with respect to 2015 (17.6% excluding TSB).

After deducting income tax and the share of profit attributed to non-controlling interests, net profit attributed to the group for 2016 was €710.4 million, a 0.3% increase compared with the previous year. Excluding TSB, attributed net profit would have amounted to €531.1 million in 2016, 9.4% lower than in 2015 due to the fact that the 2015 figure included negative goodwill (net of taxes) on the TSB acquisition.

Attributable net profit

710.4 €mn

16/15

+0.3%

ROTE

7.01%

Balance sheet management

Outstanding loan volumes increased in a context of growing competition.

Good performance by customer funds on the balance sheet, particularly demand accounts.

Exposure to problematic assets has been reduced by €7,400 million over the last three years, amply exceeding the goals of the Triple Plan.

	2015	2016	% 16/15
Cash and cash balances at central banks	7,343.5	11,688.3	59.2
Financial assets held for trading	2,312.1	3,484.2	50.7
Financial assets designated at fair value through profit or loss	77.3	34.8	(55.0)
Available-for-sale financial assets	23,460.4	18,718.3	(20.2)
Loans and receivables	153,550.3	150,384.4	(2.1)
Debt securities	1,732.5	918.6	(47.0)
Loans and advances	151,817.8	149,465.9	(1.5)
Held-to-maturity investments	—	4,598.2	—
Investments in joint ventures and associates	341.0	380.7	11.6
Tangible assets	4,188.5	4,475.6	6.9
Intangible assets	2,080.6	2,135.2	2.6
Other assets	15,274.1	16,608.0	8.7
Total assets	208,627.8	212,507.7	1.9
Financial liabilities held for trading	1,636.8	1,975.8	20.7
Financial liabilities measured at amortised cost	189,468.7	192,011.0	1.3
Deposits	159,182.1	162,909.1	2.3
Central banks	11,566.1	11,827.6	2.3
Credit institutions	14,724.7	16,666.9	13.2
Customers	132,891.3	134,414.5	1.1
Debt securities issued	27,864.4	26,533.5	(4.8)
Other financial liabilities	2,422.2	2,568.4	6.0
Liabilities under insurance and reinsurance contracts	2,218.3	34.8	(98.4)
Provisions	346.2	306.2	(11.6)
Other liabilities	2,190.1	5,096.9	132.7
Total liabilities	195,860.1	199,424.7	1.8
Shareholders' equity	12,274.9	12,926.2	5.3
Accumulated other comprehensive income	455.6	107.1	(76.5)
Minority interests (Non-controlling interests)	37.1	49.7	33.8
Equity	12,767.7	13,083.0	2.5
Total equity and total liabilities	208,627.8	212,507.7	1.9
Guarantees given	8,356.2	8,529.4	2.1
Contingent liabilities given	21,130.6	25,208.7	19.3
Total memorandum accounts	29,486.8	33,738.0	14.4

The EURGBP exchange rate used for the balance sheet is 0.8562 as of 31.12.2016.

Assets

At the end of 2016, the total assets of Banco Sabadell and its Group had increased by 1.9% to €212,507.7 million (€168,787.3 million excluding TSB), compared with €208,627.8 million (€165,249.6 million excluding TSB) at the end of 2015.

Outstanding gross loans and advances amounted to €140,557.3 million at year-end (€106,304.6 million excluding TSB). This item increased by 0.1% year-on-year (1.7% excluding TSB), while the balance of doubtful assets was reduced by -22.7% (the same excluding TSB) (T7).

	2015	2016	% 16/15	Excl. TSB 2015	Excl. TSB 2016	%16/15
Mortgage loans & credit	90,538.6	88,430.6	(2.3)	57,835.9	56,692.3	(2.0)
Other secured loans & credit	2,201.3	2,262.9	2.8	2,201.3	2,262.9	2.8
Commercial loans	5,665.1	5,530.0	(2.4)	5,410.5	5,530.0	2.2
Leasing	2,070.0	2,168.8	4.8	2,070.0	2,168.8	4.8
Overdrafts and sundry accounts	39,892.8	42,164.9	5.7	37,018.9	39,650.5	7.1
Outstanding gross lending	140,368	140,557	0.1	104,537	106,305	1.7
Non performing loans	12,470.4	9,641.5	(22.7)	12,253.8	9,478.0	(22.7)
Accruals	(141.4)	(111.5)	(21.1)	(155.7)	(142.3)	(8.6)
Gross loans and advances to customers, excluding repos	152,697	150,087	(1.7)	116,635	115,640	(0.9)
Repos	728.5	7.9	(98.9)	728.5	7.9	(98.9)
Loans and advances to customers - gross	153,425	150,095	(2.2)	117,363	115,648	(1.5)
NPL and country-risk provisions	(6,609.6)	(4,921.3)	(25.5)	(6,426.0)	(4,835.2)	(24.8)
Loans and advances to customers	146,816	145,174	(1.1)	110,937	110,813	(0.1)

Sound growth in performing loans, driven by companies and SMEs.

The ratio of non-performing loans continues to fall, having reached 6.14% (7.72% excluding TSB), from 13.6% at the end of December 2013.

The largest component of gross loans and receivables was mortgage loans, whose balance was €88,430.6 million as of 31 December 2016 and accounted for close to 60% of total gross loans and receivables (G4 and G5).

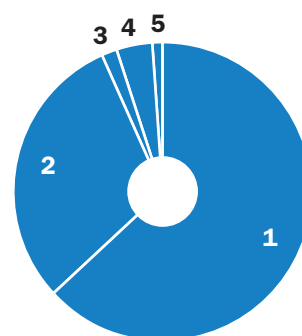
The Group's ratio of non-performing loans (G6 and T8) continues to decline due to the steady reduction in problematic assets (doubtful risks and foreclosed properties) as a result of successful efforts to accelerate asset sales. The doubtful asset coverage level is comfortable, as the coverage of real estate stood at 47.6% at 2016 year-end.

At the end of 2016, the Banco Sabadell Group's balance of doubtful risks amounted to €9,582.5 million, having declined by €2,761.7 million in aggregate during the year.

The balance of problematic assets (which include doubtful risks and foreclosed properties) declined by a notable €2,961.4 million during the year. At 2016 year-end, the Banco Sabadell Group's balance of problematic assets amounted to €18,617.1 million.

The quarterly evolution of these assets excluding TSB (doubtful loans plus real estate assets not covered by the asset protection scheme) can be seen in table T9.

The trend in the Group's coverage ratios is shown in table T10.



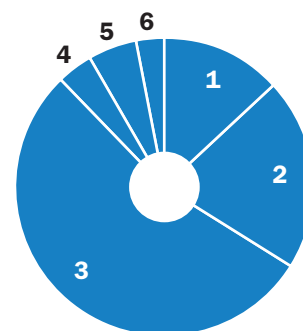
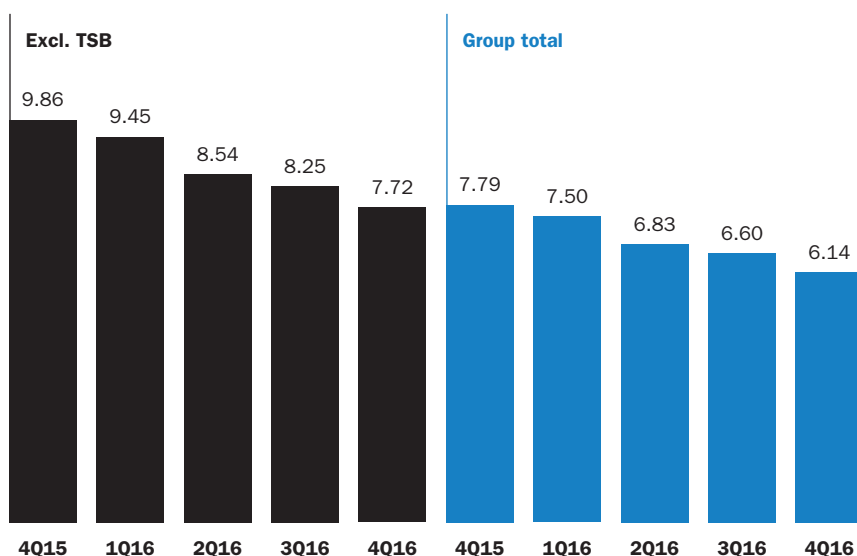
G4
Customer loans, by product type
31.12.2016 (%) (*)

1	Mortgage loans & credit	62.9
2	Overdrafts and sundry accounts	30.0
3	Other secured loans & credit	1.6
4	Commercial loans	3.9
5	Leasing	1.0

(*) Excluding doubtful assets and accrual adjustments.

Pro-active selling of real estate has proved to be a successful strategy.

G6 NPL ratio (%)



G5 Customer loans, by customer profile 31.12.2016 (%) (*)

1	Companies	13.4
2	SMEs	20.8
3	Individuals	54.1
4	General government	4.0
5	Real estate developers	5.2
6	Other	3.0

(*) Excluding doubtful assets and accrual adjustments.

%

Excl. TSB	4Q15	1Q16	2Q16	3Q16	4Q16
Real estate development and construction	38.81	37.01	33.29	31.99	29.05
Non-real-estate construction	14.36	12.18	11.76	11.62	9.68
Companies	4.62	4.58	3.89	3.84	3.82
SMEs and self-employed workers	10.83	10.23	9.39	8.71	8.47
Mortgage loans to individuals	7.83	7.82	7.47	7.43	7.25
Loan loss ratio	9.86	9.45	8.54	8.25	7.72

Calculated with contingent risks and 20% of APS balance.

€ million

	2015				2016			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Inflows	755	740	735	729	654	660	547	700*
Recoveries on loans previously written off	(1,557)	(1,471)	(1,275)	(1,273)	(1,111)	(1,629)	(880)	(1,174)
Ordinary net increase in doubtful assets	(802)	(731)	(540)	(544)	(457)	(969)	(333)	(474)
Assets classified as doubtful in the year	412	710	243	487	364	362	248	384
Sold or otherwise derecognised	(201)	(543)	(242)	(480)	(404)	(290)	(406)	(457)
Change in real estate	211	167	1	7	(41)	71	(158)	(73)
Net increase in doubtful assets plus real estate	(591)	(564)	(539)	(537)	(498)	(898)	(491)	(547)
Defaults	245	170	300	234	213	70	144	101
Quarterly change in doubtful balances and real estate	(836)	(734)	(839)	(771)	(711)	(968)	(635)	(648)

(*) Includes €184 million impact of new Bank of Spain Circular on reserves.

T8 Loan loss ratio by segment

T9 Doubtful exposures and real estate excl. TSB

Problematic assets coverage ratio

49.6%

	2015				2016			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Doubtful exposures	14,863	14,215	13,345	12,561	11,870	10,812	10,328	9,746
Provisions	7,637	7,627	7,385	6,738	6,488	5,847	5,468	5,024
Coverage ratio (%) (*)	51.38	53.65	55.34	53.64	54.66	54.08	52.95	51.55
Real estate assets	9,059	9,227	9,228	9,234	9,193	9,265	9,107	9,035
Provisions	4,043	3,995	4,071	4,045	3,928	3,997	3,911	4,297
Real estate coverage ratio (%)	44.62	43.30	44.12	43.80	42.73	43.14	42.95	47.56
Total problematic assets	23,922	23,442	22,572	21,795	21,064	20,077	19,435	18,781
Provisions	11,679	11,622	11,457	10,783	10,417	9,845	9,380	9,321
Problematic assets coverage ratio (%) (**)	48.82	49.58	50.75	49.47	49.45	49.03	48.26	49.63

NOTE: Includes contingent risks. Figures include 20% of APS.

(*) The coverage ratio of doubtful loans without adjusting for the impairment of interest-rate floors is 47.25% excl. TSB and 47.34% for the entire Group.

(**) The coverage ratio of problematic assets without adjusting for the impairment of interest-rate floors is 47.40% excl. TSB and 47.45% for the entire Group.

On-balance sheet customer funds

+1.5%

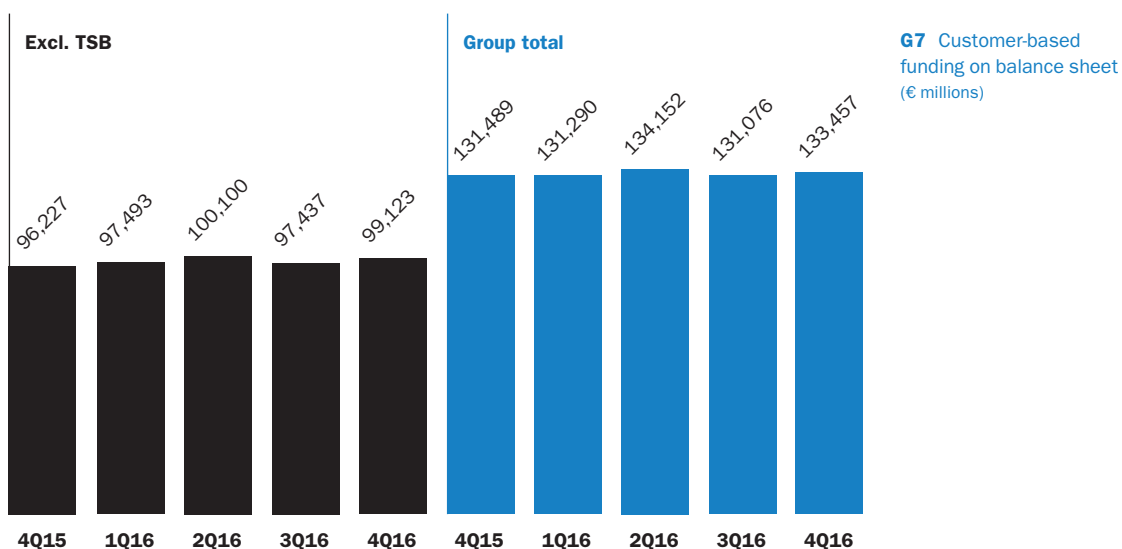
Off-balance sheet customer funds

+8.6%

Liabilities

Customer funds on the balance sheet increased by 1.5% in 2016 to €133,456.6 million (€99,123.0 million excluding TSB), up from €131,489.2 million a year earlier (€96,227.0 million excluding TSB) (T11 and G7).

Demand account balances totalled €92,010.6 million (€62,624.0 million excluding TSB), an 8.8% increase year-on-year (16.3% excluding TSB). Deposits with agreed maturity amounted to €40,154.0 million (€35,206.9 million excluding TSB), a 13.4% decline compared with the previous year (a 15.8% decline excluding TSB) (G8).



T11 Customer funds

€ million

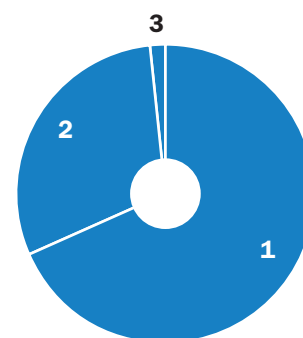
	2015	2016	% 16/15	Excl. TSB 2015	Excl. TSB 2016	Excl. TSB % 16/15
On-balance sheet customer funds (*)	131,489.2	133,456.6	1.5	96,227.0	99,123.0	3.0
Customer deposits	132,891.3	134,414.5	1.1	97,640.1	99,325.7	1.7
Current and savings accounts	84,536.1	92,010.6	8.8	53,849.5	62,624.0	16.3
Deposits with agreed maturity	46,391.3	40,154.0	(13.4)	41,815.8	35,206.9	(15.8)
Repos	1,950.6	2,072.2	6.2	1,950.6	1,303.0	(33.2)
Adjustments for accruals and hedges with derivatives.	13.3	177.9	—	24.2	191.8	—
Debt and other tradable securities	26,406.6	24,987.5	(5.4)	22,455.9	21,555.2	(4.0)
Subordinated liabilities	1,457.8	1,546.0	6.1	909.8	1,063.3	16.9
Insurance contract liabilities (**)	2,218.3	34.8	(98.4)	2,218.3	34.8	(98.4)
Funds on the balance sheet	162,974.0	160,982.9	(1.2)	123,224.2	121,979.0	(1.0)
Mutual funds	21,427.3	22,594.2	5.4	21,427.3	22,594.2	5.4
Equity funds	1,417.6	1,313.0	(7.4)	1,417.6	1,313.0	(7.4)
Balanced funds	4,271.9	4,253.4	(0.4)	4,271.9	4,253.4	(0.4)
Fixed-income funds	4,327.7	4,773.2	10.3	4,327.7	4,773.2	10.3
Guaranteed return funds	3,380.2	4,057.2	20.0	3,380.2	4,057.2	20.0
Real estate funds	67.4	88.3	31.0	67.4	88.3	31.0
Dedicated investment companies	1,994.2	2,065.4	3.6	1,994.2	2,065.4	3.6
Venture capital funds	—	21.4	—	—	21.4	—
Third-party funds	5,968.3	6,022.3	0.9	5,968.3	6,022.3	0.9
Managed accounts	4,001.9	3,651.3	(8.8)	4,001.9	3,651.3	(8.8)
Pension funds	4,305.1	4,117.0	(4.4)	4,305.1	4,117.0	(4.4)
Individual	2,759.8	2,621.0	(5.0)	2,759.8	2,621.0	(5.0)
Companies	1,529.6	1,481.4	(3.1)	1,529.6	1,481.4	(3.1)
Group	15.8	14.6	(7.2)	15.8	14.6	(7.2)
Third-party insurance products	7,646.8	10,243.4	34.0	7,646.8	10,243.4	34.0
Funds under management	200,355.1	201,588.8	0.6	160,605.2	162,584.9	1.2

(*) Includes customer deposits (ex-repos) and other liabilities placed via the branch network: mandatory convertible bonds, non-convertible bonds issued by Banco Sabadell, commercial paper and others.

(**) The reduction is due mainly to €2,159 million at Mediterráneo Vida, classified as non-current liabilities in disposable groups that are classified as available for sale. The EURGBP exchange rate used for the balance sheet is 0.8562 as of 31.12.2016.

Total off-balance sheet customer funds amounted to €40,605.9 million, an 8.6% increase year-on-year. Within this item, the balance of assets in collective investment institutions increased steadily, to €22,594.2 million as of 31 December 2016, i.e. a 5.4% increase year-on-year, while insurance premiums amounted to €10,243.4 million, a 34.0% increase year-on-year.

Total funds under management amounted to €201,588.8 million as of 31 December 2016 (€162,584.9 million excluding TSB), an increase of 0.6% with respect to the balance of €200,355.1 million (€160,605.2 million excluding TSB) as of 31 December 2015 (+1.2% excluding TSB).



G8

Customer deposits

31.12.2016 (%) (*)

- 1 Demand accounts 68.5
- 2 Deposits with agreed maturity 29.9
- 3 Repos 1.5

(*) Excluding adjustments for accruals and hedging derivatives.

Equity

At 2016 year-end, shareholders' equity amounted to €13,083.0 million (T12).

€ million

	2015	2016	% 16/15
Shareholders' equity	12,274.9	12,926.2	5.3
Capital	679.9	702.0	3.3
Reserves	11,110.7	11,688.0	5.2
Other equity	14.3	38.4	168.2
Less: treasury shares	(238.5)	(101.4)	(57.5)
Profit attributed to the group	708.4	710.4	0.3
Less: acciones propias	—	(111.3)	—
Accumulated other comprehensive income	455.6	107.1	(76.5)
Minority interest	37.1	49.7	33.8
Equity	12,767.7	13,083.0	2.5

T12

Liquidity management

The adjusted loan-to-deposits ratio was 105.1% as of 31 December 2016, with a balanced retail funding structure.

The Liquidity Coverage Ratio (LCR) was above 100% as of 31 December 2016.

The bank's funding policy focuses on maintaining a balanced funding structure based mainly on customer deposits base (principally demand accounts and deposits with agreed maturity, collected through the branch network), complemented by financing through the interbank and capital markets, where the entity has various short and long-term funding programs to achieve an appropriate level of diversification by product type, term and investor. The entity also maintains a diversified portfolio of liquid assets, mostly eligible as collateral for Eurosystem credit transactions.

Customer funds on the balance sheet amounted to €133,457 million at 2016 year-end, 1.5% higher than the year-ago figure (€131,489 million). In 2016, balances continued to move from deposits with agreed maturities to demand accounts and mutual funds as a result of the downward trend in interest rates. At 31 December 2016, the balance of demand accounts had increased by 8.8% to €92,011 million, whereas deposits with agreed maturity had declined by 13.3%.