

Sabadell America

Business overview

Banco Sabadell America comprises several business units, two banks, an investment firm and several affiliates and representative offices which together provide corporate banking, commercial banking and private banking services. The business is managed from Miami, where Banco Sabadell has had a foreign branch, Sabadell International Branch (SIB) in operation since 1993, focusing on corporate and private banking, and a bank, Sabadell United Bank (SUB) which operates a commercial banking business in the south of Florida. In 2012 the Bank opened a representative office in New York, where a large part of the Sabadell America structured finance business is handled. In 2015 it opened representative offices in Colombia and Peru to drive forward the corporate banking and structured finance businesses. In 2014 Sabadell Capital was established in Mexico with a brief to build a portfolio of corporate and project finance loans. Banco Sabadell commenced banking operations in Mexico in 2016 by setting up a commercial bank there, focused initially on corporate banking.

The Bank provides services and support to its customers from these operations centres in coordination

with its representative offices in Colombia, Peru and the Dominican Republic.

With its current structure, Sabadell America is one of the few financial institutions in the region with the capability and experience to provide a full range of banking and financial services, from highly complex and sophisticated products for large corporate clients, including project finance, to products for individual customers and an extensive offering of products and services commonly required by business and professional people and by companies of any size.

Key developments in 2016

Considerable progress was made in 2016 in consolidating existing business lines and deepening the initiatives that commenced in 2015, resulting in 19% growth in business volumes (lending, customer funds and securities deposited) (G3).

In December Sabadell International Branch (SIB) acquired a portfolio of banking business worth some USD 800 million from Itau Private Banking, giving Sabadell a further boost as a major private banking player for customers in Latin America. This acquisition is the Bank's eighth corporate operation in the region in less than ten years.

€ million

	2015	2016	% 16/15
Net interest income	216.10	249.93	15.7
Fees and commissions (net)	37.08	41.91	13.0
Other revenues	2.21	14.45	554.0
Gross income	255.39	306.29	19.9
Operating expenses	(142.34)	(164.83)	15.8
Operating profit/(loss)	113.05	141.47	25.1
Provisioning expense (net)	2.94	0.04	(98.6)
Profit/loss on problematic assets	(29.15)	(14.87)	(49.0)
Other profits/(losses)	4.77	0.54	(88.7)
Profit/loss before tax	91.60	127.18	38.8
Ratios (%)			
ROE (profit / average shareholders' equity)	7.1	7.0	—
Cost:income (general administrative expenses / gross income)	54.1	50.6	—
NPL ratio	0.6	0.3	—
NPL coverage ratio	142.6	269.7	—
Business volumes			—
Loans and advances	7,374	9,261	25.6
Customer funds	6,769	7,815	15.5
Securities deposited	1,996	2,562	28.3
Other information			
Employees	764	868	13.6
Branches	28	35	25.0

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The average exchange rate in 2016 for the income statement was USD 1.1052 and MXN 20.7365 and for the balance sheet it was USD 1.0541 and MXN 21.7719.

The average exchange rate for 2015 was USD 1.0887 and MXN 18.9145.

In its corporate banking operations SIB continued to expand into new markets, with 90% of this growth being achieved in coordination with the Bank's representative offices in Peru and Colombia. In addition it saw an increase in business from the US, including rises of 15% in loans, 29% in customer funds and deposits and 28% in securities in deposit. As a result of its organic and inorganic growth, SIB saw the overall volume of business grow by 23% over the 2015 figure, with a net profit before tax of USD 64 million.

In the US the Bank, through Sabadell United Bank, continued its programme of promoting brand awareness among the market segments it serves. The campaign was specifically targeted on professional people and entrepreneurs, as well as high net worth individuals, to whom it provides private banking and wealth management services through its Sabadell Bank and Trust division (SB&T). Thanks to these efforts, in 2016 SB&T was awarded a prize by the Daily Business Review as Best bank for wealth management in the south of Florida. During 2016 business volumes increased by 7% to USD 9.2 billion, with pre-tax profits for the year rising by 26% to USD 79 million thanks to efficiency improvement initiatives.

Elsewhere in the Americas region, implementation of the Triple plan continued with actions started in 2014 and 2015 to establish a strong base for Sabadell Capital, a Mexican multi-purpose financial company ("SO-FOM") engaging in the businesses of corporate banking and structured finance. As a result the company saw its lending increase by USD 593 million and made a pre-tax profit of USD 30 million.

In continuation of the Group's strategy of expansion in Mexico, in late 2015 a banking licence was obtained authorising Banco Sabadell to establish itself in that country. In January 2016 the Bank commenced trading, concentrating initially on financial services for the business customer. Within less than a year of starting to trade, the Bank was already seeing business volumes of USD 393 million in loans and deposits.

