

Milestones in 2017 and Plan 2020

Strengthening the bottom line. The Group exceeded all its objectives and laid the foundations for its Business Plan.

The market has recognised the Bank's good performance in 2017.

2017 was a transition year in which Banco Sabadell gave priority to strengthening its bottom line and to creating TSB's technology platform, the goal being to lay a solid foundation for the business plan for 2018-2020.

Banco Sabadell successfully exceeded all the objectives established at the beginning of 2017, an achievement that was widely recognised by the market.

Banco Sabadell's top priority in 2017 was to enhance earnings. To this end, the Bank focused on generating commercial activity, defending its margins and increasing fees and commissions, as well as consolidating its position in the main markets in which it operates (Spain and the United Kingdom); the result was that net profit amounted to €801.5 million.

And maintaining the trend of previous year, Banco Sabadell continued to improve its credit quality. In parallel, the Bank strengthened its capital in 2017, achieving a fully-loaded CET1 capital ratio of close to 12.8%.

Stronger earnings (G4) and a sound capital position enabled Banco Sabadell to continue increasing shareholder remuneration, with a total dividend of €0.07 per share in the year, i.e. an increase in the payout to 49% (from 40% in 2016).

Profitability

There was a sharp increase in banking revenues (net interest income plus fees and commissions) in 2017: +5.5% in like-for-like terms. Net interest income performed well as a result of dynamic commercial performance and an increase in customer spreads. Fees and commissions also performed very positively due to strong performance by the asset management business and to the commercial strategy designed to sell more products to existing customers. As anticipated, the cost:income ratio was affected by extraordinary technology expenditure at TSB, which was partially offset elsewhere in the group.

Commercial activity

Outstanding loan volumes were driven by the good performance by SMEs and large corporates, offsetting the ongoing decline in home mortgages.

As a result, the Bank continued to improve market share in various products and segments, maintaining a high level of service quality and seeking to offer the best customer experience (G5 & G6).

G4 Milestones in 2017

★ Rating upgraded to investment grade by the three rating agencies

★ #1 position in NPS¹ among SMEs and large corporates

★ Best share performance among Spanish banks in 2017

★ TSB was an award-winner at the 2017 Banking Technology Awards and the NPS reached +25 points at the end of the year (from +16 points in 2015)¹

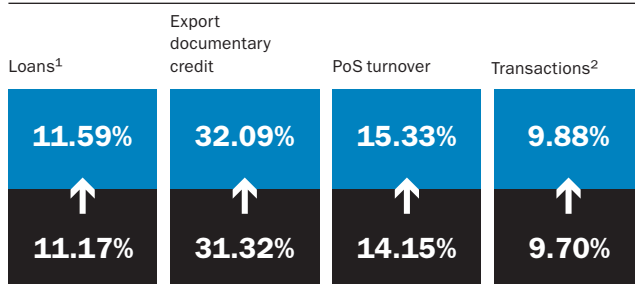
1. Bank objective quality survey Source: NPS Accenture Benchmark Report. Includes institutions that are comparable to the group. Data for the most recent available month.

G5 Product market share

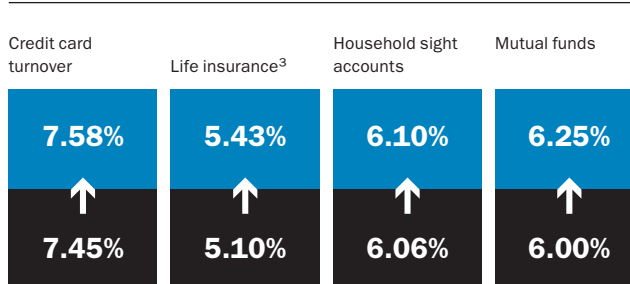
%

● Dec. 2017
● Dec. 2016

Companies



Individuals



Note: Data for 2017 are for December 2017 or most recent available month. YoY change. Sources: ICEA (life insurance), Bank of Spain (loans and demand deposits for households), Servired (POS and card turnover), Iberpay (transactions) and Swiftwatch (export documentary credit).

1 Excludes real estate services and repos.

2 Transaction calculated in terms of volume.

3 Insurance expressed as number of contracts.

The Bank has strengthened its position in the Spanish market through excellent quality of service.

Banco Sabadell expanded the quality gap that separates it from the rest of the industry and ranks first in customer experience for large corporates and SMEs.

Service quality Net promoter score (NPS)¹

Sabadell quality index with respect to the industry

G6

	2017	Ranking
Large companies (turnover >5 €M)	34%	1 st
SMEs (turnover < 5 €M)	19%	1 st
Personal Banking	29%	2 nd
Retail Banking	5%	4 th

Source: NPS Accenture Benchmark Report. The NPS is based on the question "On a scale of 0 to 10, where 0 is 'not at all likely' and 10 is 'I would definitely recommend it', how likely would you be to recommend Banco Sabadell to a relative or friend?"

The NPS is the percentage of customers who answered 9 or 10, after eliminating those who answered between 0 and 6. Includes institutions that are comparable to the Group. Data for the most recent available month.

Credit quality and capital adequacy

Maintaining the trend of previous years, Banco Sabadell continued to improve its credit quality. This was evident in the reduction in NPAs by €2.2 billion in the year, exceeding the initial objective. Additionally, a new business line was created to focus on developing real estate (Solvia Desarrollos Inmobiliarios), with assets worth €1.3 billion under management (€0.7 billion net of provisions); this, coupled with the preceding actions, resulted in a €3.5 billion reduction in NPAs (including €1.252 billion of NPAs in the carve-out for the new Solvia Desarrollos Inmobiliarios business line), while the NPL ratio was cut from 6.14% to 5.14%. During 2017, the Bank carried out several successful corporate transactions, enabling it to increase provisions by close to €900 million, thus reinforcing coverage of non-performing assets to 49.8% while, at the

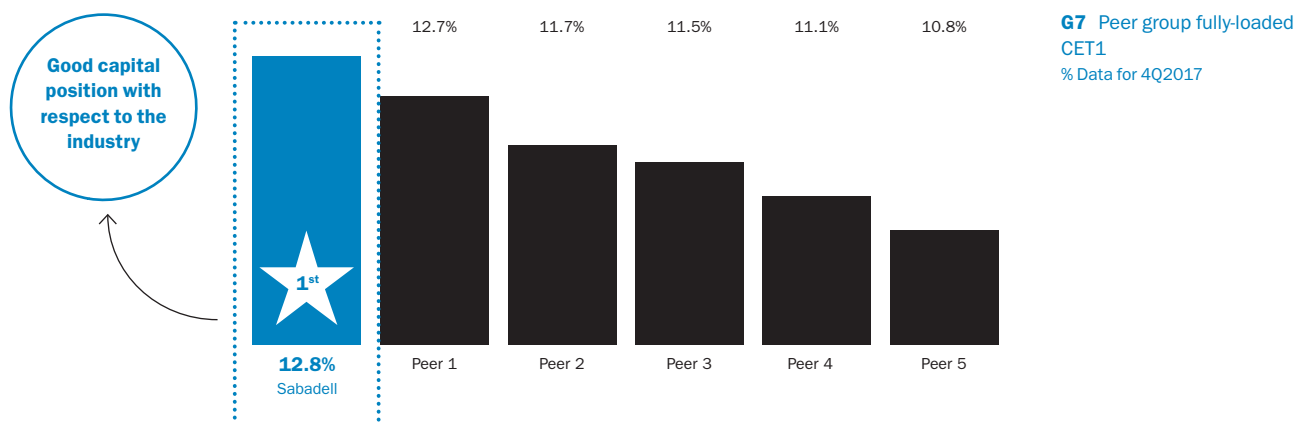
same time, putting an end to losses on the sale of fore-closed assets.

Those corporate operations also made it possible to continue strengthening the bank's sound capital position, achieving a fully-loaded CET1 ratio of close to 13% (G7).

Additionally, the implementation of IFRS 9 in January 2018 will entail €900 million in provisions and increase coverage of NPAs to 54.7% in pro forma terms (excluding interest rate floors; including provisions for interest rates floors, coverage of NPAs stands at 51.1%, or 56.0% pro forma IFRS 9) while bringing the fully-loaded CET1 ratio to 12.0% in pro forma terms.

As for the capital market, Banco Sabadell placed its first two issues of contingently convertible preferred securities (AT1), amounting to €750 million and €400 million. As a result, the Bank completed the 1.5% AT1 buffer in its capital structure as required by the ECB. Those issues enabled Banco Sabadell to optimise its capital structure.

Leader in capital adequacy among Spanish banks.



Data from bank earnings presentations.
From December 2013 to December 2017.

TSB technology migration

In 2017, Banco Sabadell built a new cutting-edge technology platform for TSB, which was presented to analysts and the press in November. The final phase of TSB's technology migration has begun, which will enable the bank to finally disconnect from its former parent company, Lloyds Banking Group. After the migration, TSB will become the first bank in the United Kingdom with a leading-edge platform adapted to the challenges of the digital era.

Successfully completing the technology migration to a newly-created free-standing platform will provide TSB with a strong competitive advantage and drive its commercial transformation, while significantly reducing the time-to-market for new products and services and offering notable synergies.

The first visible milestone of the migration is the new TSB mobile app, which gives customers an interface adapted to their needs, with enhanced user experience and innovative features. In fact, TSB is the first bank in Europe to use iris recognition built into its mobile app, based on an agreement with Samsung.

Banco Sabadell is also keenly aware of the technological challenges faced by financial institutions in the digital era. For this reason, in 2017 the Bank continued focusing on advancing an efficient management model, deploying the necessary technological capabilities to develop digital businesses.

To this end, in 2017, Banco Sabadell founded InnoCells, a hub for new digital businesses, and its corporate venture arm, InnoCapital, aimed at making strategic digital and technology investments in businesses in the seed phase and in series A and B rounds, always in areas of interest for the Banco Sabadell Group.

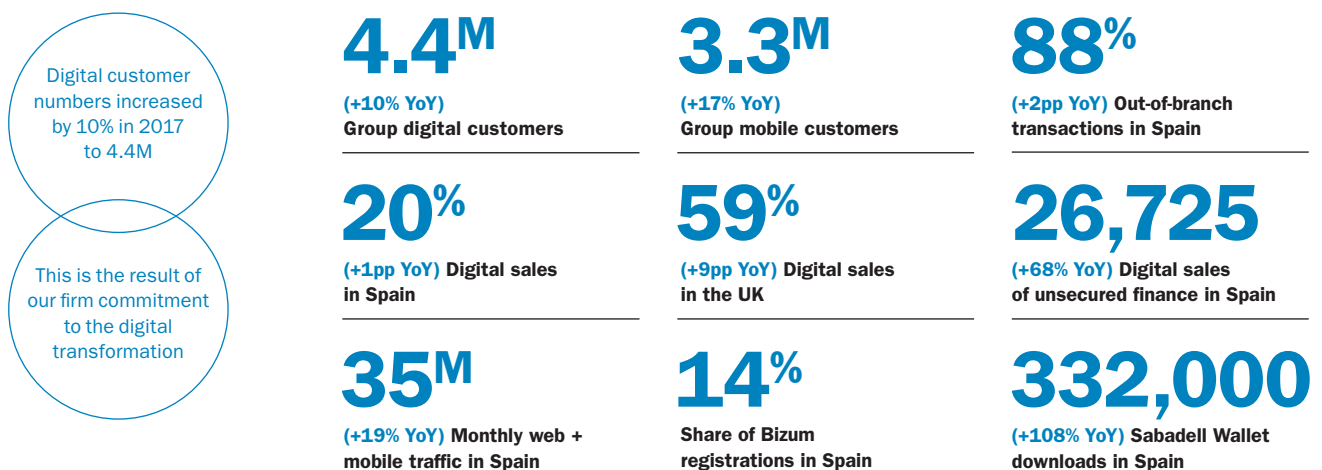
As part of its overall strategy of supporting startups, in 2017 the Bank, through InnoCapital, co-led a first round of investment in Bud, a leading UK fintech in the integration of financial products and solutions in a single marketplace.

Also, in collaboration with InnoCells, Banco Sabadell launched Kelvin Atlas, the most complete public open data portal in the Spanish financial sector, which gives any user detailed economic, commercial and tourist statistics via an interactive map that is constantly kept up to date. Using anonymous fully-shielded data, it is possible to ascertain consumer trends in any territory (G9).

Commercial and digital transformation

Banco Sabadell continues to drive its commercial transformation by developing new distribution models: Active Management, multilocation branches, branches with shared managers, etc. Additionally, the implementation of pull models based on data & analytics and of targeted marketing will enable us to increase the relevance and improve the density of the relationship with customers (G8).

G8 Digital and commercial transformation



Corporate transactions

In 2017, Banco Sabadell created significant value through a number of successful transactions (G10):

- In July, Banco Sabadell completed the sale of subsidiary Sabadell United Bank (SUB). The buyer, Iberiabank Corporation (IBKC), paid USD 796 million in cash and 2.6 million IBKC shares, representing 4.87% of its share capital, worth USD 209 million on the basis of the closing price on 28 July 2017. This sale provided a net capital gain of €370 million. Subsequently, during the fourth quarter of the year, the Bank disposed of its holding in IBKC for USD 205 million.

- Also in June, BanSabadell Vida, a company owned 50% by Banco Sabadell, signed a reinsurance contract with reinsurer Swiss Re Europe, S.A. for its portfolio of individual life and casualty policies. This transaction generated €253.5 million in net revenues for the Banco Sabadell Group.
- In October, Banco Sabadell subsidiary Hotel Investment Partners, S.L. sold its hotel management platform (HI Partners Holdco Value Added, S.A.U.) to The Blackstone Group L.P. This transaction provided a net capital gain of approximately €51 million in Banco Sabadell's P&L for 2017.

The number of customers using digital channels increased by 10% in 2017, to 4.4 million, as a result of our firm commitment to the digital transformation.

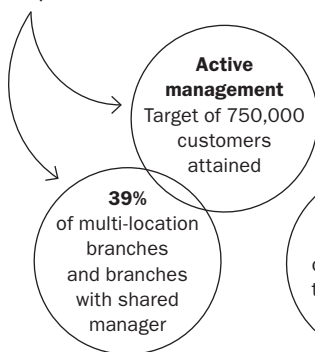
The Bank continues to advance with the commercial and digital transformation.

G9 Digital and commercial transformation

Initiatives → Annual performance

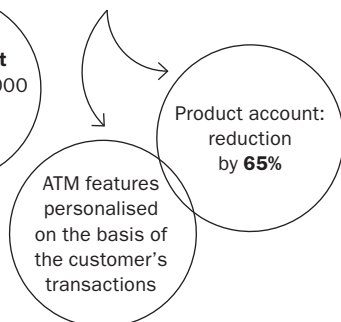
Distribution model

Offer greater efficiency and more convenience as well as an improved customer experience



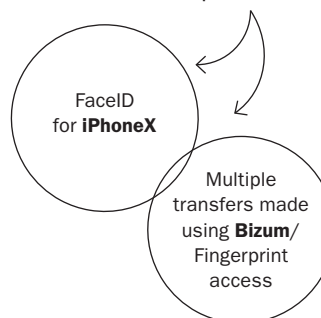
Simplification

Facilitate commercial and operational processes for our customers and simplify their interaction with the bank



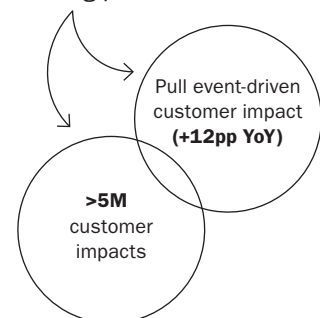
Digital offering

Develop new capabilities and promote their use to provide our customers with the best user experience



Data driven processes

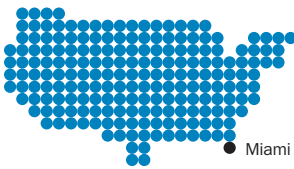
Provide value to our customers and enhance our business decision-making process



Successful corporate transactions reinforced the Group's capital and coverage levels in 2017.

G10 Acquisitions and divestments

Sale of Sabadell United Bank



Crystallising tangible book value

×1.95

1,025\$M

Sale amount

Reinsurance of the BanSabadell Vida value-in-force

Agreement with the world's second-largest reinsurer



Risk management by monetising the future value of the portfolio

254€M

Deal amount

Sale of HI Partners

Located in the main tourist destinations



Hotel management platform focused on vacation hotels

631€M

Deal amount

Strategic Plan 2018-2020

G11 Strategic Plan 2020



Under the three-year Strategic Plan 2020, the Bank will have adapted its strategic programmes to the degree of maturity of each market in which it operates: Spain, United Kingdom and Mexico (G11, G12, G13 & G14).

In Spain, the vision for 2020 is to develop the current business by focusing on specific aspects to expand market share among both individuals and companies, increase spreads, and gain efficiency. This will be achieved with a coherent, consistent brand both internally and externally, offering a distinctive customer experience, transforming

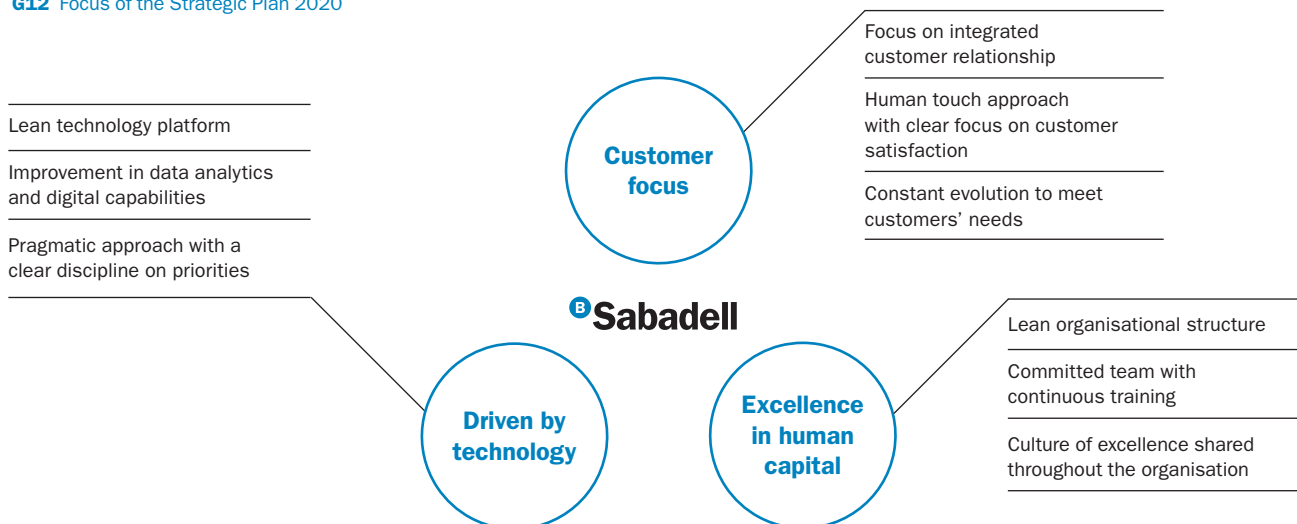
the business to be more relevant and convenient for our customers, developing new digital businesses, and adopting a more proactive risk management approach. Another priority will be to continue managing non-performing assets in order to normalise the classification of assets as delinquent, accelerate the reduction of non-performing stock, cease incurring losses on the sale of foreclosed assets and, in this way, attain a normalised cost of risk in 2020.

In the United Kingdom, Banco Sabadell will focus on achieving significant business growth, taking advantage of technological autonomy as a lever for differentiation, improving efficiency by maintaining a focus on managing costs, and taking advantage of the Group's knowledge and leadership in the SME and corporate segment to kickstart this business in the United Kingdom.

Efforts in Mexico will focus on boosting the corporate and corporate banking business with an ambitious growth plan, building on the positive track record and solid foundations already laid in that country. The bank will also enter the banking for individuals business with an innovative digital proposal.

Because of their importance for the Group, those three markets will share a strategic focus on the brand and customer experience as distinguishing features, an effective, efficient management model, deploying the necessary technological capabilities to develop digital businesses and lead the transformation within the company and the development of internal talent.

G12 Focus of the Strategic Plan 2020



G13 Base of the Plan

Enhancing profitability

