

Profit attributable to the Group

After deducting income tax and the share of profit attributed to non-controlling interests, net profit attributed to the group for 2017 was €801.5 million, a 12.8% increase compared with the previous year. Excluding TSB, net profit attributable to the group amounted to €711.2 million in 2017, 33.9% more than in 2016.

Attributable net profit in 2017

801.5M€

17/16

+13%

ROTE in 2017

7.3%

Balance sheet

Growth in outstanding loans and advances was driven by good performance in the SME segment.

Customer funds on the balance sheet were boosted by growth in demand deposits, while off-balance sheet funds increased mainly as a result of growth in mutual funds.

NPAs declined to 3.5% of total assets, with a coverage ratio of 49.8%. Under IFRS 9, they will amount to 3.2%, with 54.7% coverage.

A sound capital position, with a CET1 ratio of 13.4% (phased-in) and 12.8% (fully loaded).

€M

T6 Balance sheet

	2016	2017	% 17/16
Cash and cash balances at central banks and other demand deposits	11,688.3	26,362.8	125.5
Financial assets held for trading	3,484.2	1,572.5	(54.9)
Financial assets at fair value through profit or loss	34.8	39.5	13.5
Available-for-sale financial assets	18,718.3	13,180.7	(29.6)
Loans and receivables	150,384.4	149,551.3	(0.6)
Debt securities	918.6	574.2	(37.5)
Loans and advances	149,465.9	148,977.1	(0.3)
Held-to-maturity investments	4,598.2	11,172.5	143.0
Investments in joint ventures and associates	380.7	575.6	51.2
Tangible assets	4,475.6	3,826.5	(14.5)
Intangible assets	2,135.2	2,245.9	5.2
Other assets	16,608.0	12,821.0	(22.8)
Total assets	212,507.7	221,348.3	4.2
Financial liabilities held for trading	1,975.8	1,431.2	(27.6)
Financial liabilities designated at fair value through profit or loss	34.8	39.5	13.5
Financial liabilities measured at amortised cost	192,011.0	204,045.5	6.3
Deposits	162,909.1	177,325.8	8.8
Central banks	11,827.6	27,847.6	135.4
Credit institutions	16,666.9	14,170.7	(15.0)
Customers	134,414.5	135,307.4	0.7
Debt securities issued	26,533.5	23,787.8	(10.3)
Other financial liabilities	2,568.4	2,931.9	14.1
Provisions	306.2	317.5	3.7
Other liabilities	5,096.9	2,292.8	(55.0)
Total liabilities	199,424.7	208,126.5	4.4
Own Funds	12,926.2	13,425.9	3.9
Accumulated other comprehensive income	107.1	(265.3)	—
Minority interests (Non-controlling interests)	49.7	61.2	23.2
Equity	13,083.0	13,221.8	1.1
Total equity and total liabilities	212,507.7	221,348.3	4.2
Guarantees given	8,529.4	8,726.8	2.3
Contingent commitments given	25,208.7	24,079.3	(4.5)
Total memorandum accounts	33,738.0	32,806.2	(2.8)

The EUR/GBP exchange rate used for the balance sheet is 0.8872 as of 31.12.2017.

Assets

At the end of 2017, the total assets of Banco Sabadell and its Group amounted to €221,348 million (€173,203 million excluding TSB), compared with €212,508 million (€168,787 million excluding TSB) at the end of 2016. Outstanding gross loans and advances amounted to €137,522 million at year-end (€102,119 million excluding TSB). This item decreased by -2.2% year-on-year (-3.9% excluding TSB), while the balance of NPLs was reduced by -18.7% (-18.8% excluding TSB). The largest component of gross loans and receivables

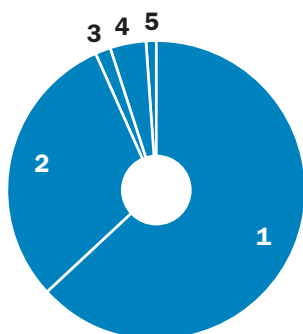
was mortgage loans, which amounted to €84,267 million as of 31 December 2017 and accounted for 61% of total gross loans and advances (T7) (G4 & G5).

In like-for-like terms, outstanding loans and advances amounted to €134,288 million at 2016 year-end; accordingly, this item increased by 2.4% in 2017.

T7 Loans and advances to customers

€M

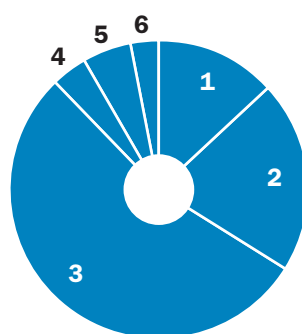
	2016	2017	% 17/16	Excl. TSB 2016	Excl. TSB 2017	% 17/16
Mortgage loans & credit	88,430.6	84,266.6	(4.7)	56,692.3	52,259.4	(7.8)
Other secured loans & credit	2,262.9	2,314.8	2.3	2,262.9	2,314.8	2.3
Commercial loans	5,530.0	5,801.6	4.9	5,530.0	5,801.6	4.9
Leasing	2,168.8	2,316.3	6.8	2,168.8	2,316.3	6.8
Overdrafts and sundry accounts	42,164.9	42,822.4	1.6	39,650.5	39,426.6	(0.6)
Outstanding gross lending	140,557	137,522	(2.2)	106,305	102,119	(3.9)
NPLs (customer loans)	9,641.5	7,867.2	(18.4)	9,478.0	7,722.9	(18.5)
Accruals	(111.5)	(65.6)	(41.2)	(142.3)	(99.7)	(29.9)
Gross loans and advances to customers, excluding repos	150,087	145,323	(3.2)	115,640	109,742	(5.1)
Repos	7.9	2,001.4	—	7.9	2,001.4	—
Loans and advances to customers - gross	150,095	147,325	(1.8)	115,648	111,743	(3.4)
NPL and country-risk provisions	(4,921.3)	(3,726.7)	(24.3)	(4,835.2)	(3,646.0)	(24.6)
Loans and advances to customers	145,174	143,598	(1.1)	110,813	108,097	(2.5)



G4
Loans and advances to customers,
by product type
31.12.2017 (%) (*)

1	Mortgage loans & credit	61.3
2	Overdrafts and sundry accounts	31.2
3	Other secured loans & credit	1.7
4	Commercial loans	4.2
5	Leasing	1.7

(*) Excluding NPLs and accrual adjustments



G5
Loans and advances to customers,
by customer profile
31.12.2017 (%) (*)

1	Companies	15.3
2	SMEs	19.4
3	Individuals	54.6
4	General government	4.2
5	Real estate developers	3.9
6	Other	2.6

(*) Excluding NPLs and accrual adjustments

The ratio of non-performing loans continues to fall, having reached 5.14% (6.57% excluding TSB).

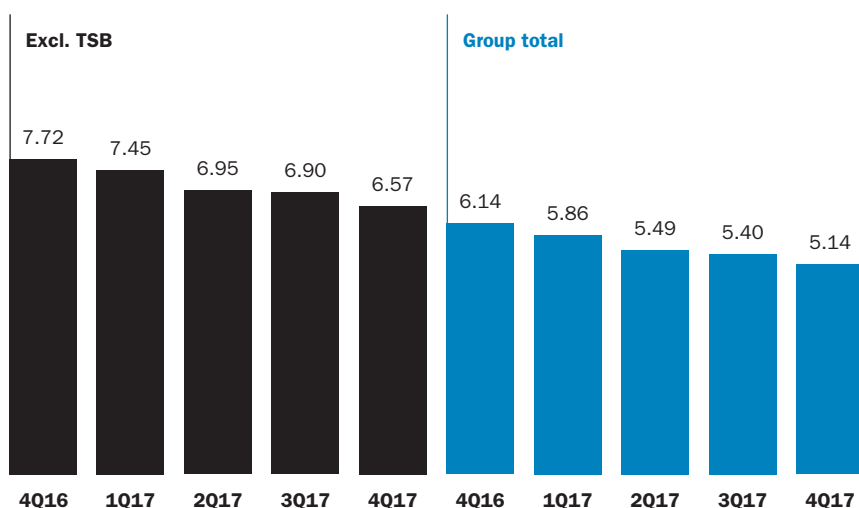
The Group's ratio of non-performing loans (G6 and T8) continues to decline due to the steady reduction in NPAs (NPLs and foreclosed properties). The NPL coverage level is comfortable, and coverage of foreclosed assets increased to 54.08% at 2017 year-end.

At the end of 2017, the Banco Sabadell Group had €7,925 million in NPLs, a reduction of €1,821 million in the year.

The balance of foreclosed assets was €7,393 million, having declined by €390 million in the year. Additionally, a new line of business (Solvia Desarrollos Inmobiliarios) has been created to focus on real estate development, with €1,252 million of assets under management (€683 million net of provisions). If those assets are taken into account, the balance of foreclosed assets was reduced by €1,642 million in the year.

Therefore, the balance of NPAs (which include NPLs and foreclosed properties) declined by €2,210 million during the year to €15,318 million. If the assets transferred to the new line of business are taken into account, the reduction was €3,462 million.

G6 NPL ratio (%)



%

Excl. TSB	4Q16	1Q17	2Q17	3Q17	4Q17
Real estate development and construction	29.05	28.04	25.80	23.82	21.37
Non-real-estate construction	9.68	5.88	6.57	6.44	6.87
Companies	3.82	3.16	3.01	3.03	3.33
SMEs and self-employed workers	8.47	8.41	8.31	8.21	8.09
Mortgage loans to individuals	7.25	7.24	7.20	7.51	6.88
NPL ratio	7.72	7.45	6.95	6.90	6.57

T8 NPL ratio by segment

Calculated with contingent risks and 20% of APS balance.

The quarterly trend in these assets excluding TSB (NPLs plus real estate assets not covered by the Asset Protection Scheme) can be seen in table T9.

€M

	2016				2017			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Assets classified as NPAs in the year (1)	654	660	547	700	636	526	513	617
Recoveries on loans previously written off	(1,111)	(1,629)	(880)	(1,174)	(897)	(1,067)	(706)	(956)
Removed from consolidation scope (2)	—	—	—	—	—	—	(10)	—
Ordinary net increase in NPAs	(457)	(969)	(333)	(474)	(261)	(541)	(203)	(339)
Assets classified as NPAs in the year	364	362	248	384	312	304	148	254
Sold or otherwise derecognised (3)	(404)	(290)	(406)	(457)	(379)	(355)	(302)	(1,624)
Change in real estate	(41)	71	(158)	(73)	(67)	(51)	(154)	(1,370)
Net increase in NPAs	(498)	(898)	(491)	(547)	(328)	(592)	(357)	(1,709)
Defaults	(213)	(70)	(144)	(101)	(178)	(61)	(152)	(66)
Quarterly change in NPLs and real estate	(711)	(968)	(635)	(648)	(506)	(653)	(509)	(1,775)

T9 NPL and real estate exposure excl. TSB

Figures include 20% of APS.

(1) Figures for 4Q16 include the €184 million impact of the Bank of Spain's new circular on provisions.

(2) Deconsolidation of SUB.

(3) In the fourth quarter of 2017, a new business line (Solvia Desarrollos Inmobiliarios) was created to focus on real estate development, with €1,252 million in assets under management.

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

€M

	2016				2017			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
NPLs	11,870	10,812	10,328	9,746	9,307	8,703	8,345	7,925
Provisions	6,488	5,847	5,468	5,024	4,548	4,100	4,069	3,625
NPL coverage ratio (%) (*)	54.66	54.08	52.95	51.55	53.13	51.00	51.40	48.26
Real estate assets	9,193	9,265	9,107	9,035	8,968	8,917	8,763	7,393
Provisions	3,928	3,997	3,911	4,297	4,299	4,264	4,746	3,998
Coverage of foreclosed assets (%)	42.73	43.14	42.95	47.56	47.93	47.82	54.15	54.08
Total NPAs	21,064	20,077	19,435	18,781	18,275	17,619	17,108	15,318
Provisions	10,417	9,845	9,380	9,321	8,847	8,364	8,814	7,623
NPA coverage ratio (%) (**)	49.45	49.03	48.26	49.63	50.60	49.40	52.81	51.07

T10 Group coverage ratios

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

(*) The NPL coverage ratio without adjusting for the impairment of interest-rate floors is 45.55% excl. TSB and 45.74% for the entire Group.

(**) The NPA coverage ratio without adjusting for the impairment of interest-rate floors is 49.71% excl. TSB and 49.77% for the entire Group.

**NPA coverage ratio pre-IFRS 9
(excluding interest rate floors)**

+49.8%

**On-balance sheet
customer funds**

-1.0%

**Off-balance sheet
customer funds**

+11.6%

Liabilities

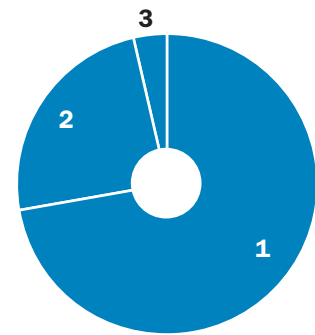
Funds under management increased by 1.4% year-on-year (2.4% excluding TSB), mainly due to growth by demand deposits and off-balance sheet funds, notably mutual funds (T11 & G7).

The balance of demand deposits totalled €98,020 million (€68,039 million excluding TSB), a 6.5% increase year-on-year (8.6% excluding TSB) (G8).

At the end of 2017, customer funds on the balance sheet amounted to €132,096 million (€97,686 million excluding TSB), compared with €133,457 million at the end of 2016 (€99,123 million excluding TSB), i.e. a decline of 1.0% (a decline of 1.4% excluding TSB). Eliminating the effect of Sabadell United Bank, Mediterráneo Vida and the early call of TSB's mortgage enhancement, customer funds on the balance sheet amounted to €129,562 million at the end of 2016 (€95,229 million excluding TSB), i.e. a year-on-year increase of 2.0% (2.6% excluding TSB).

Off-balance sheet customer funds amounted to €45,325 million, an 11.6% increase year-on-year. Within this item, the balance of assets in collective investment institutions increased steadily, to €27,375 million as of 31 December 2017, i.e. a 21.2% increase year-on-year, while assets under management amounted to €3,999 million, a 9.5% increase with respect to 2016 year-end.

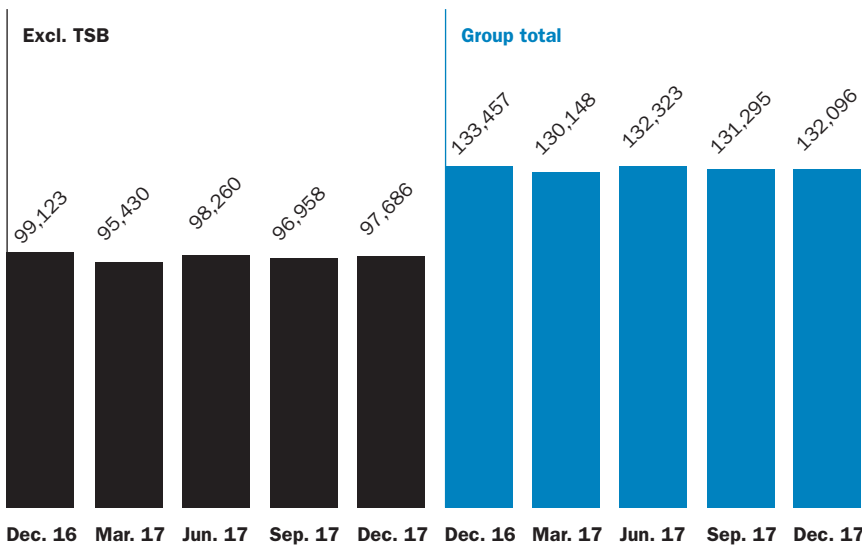
Debt securities issued (bonds and other negotiable securities and subordinated liabilities) amounted to €23,788 million at the end of 2017 (€21,845 million excluding TSB), compared with €26,534 million (€22,618 million excluding TSB) as of 31 December 2016.



G8
Customer deposits
31.12.2017 (%) (*)

1	Demand accounts	72.0
2	Deposits with agreed maturity	24.0
3	Repos	4.0

(*) Excluding adjustments for accruals and hedging derivatives.



G7 Customer-based
funding on balance sheet
(€M)

T11 Customer funds

€M

	2016	2017	% 17/16	Ex-TSB 2016	Excl. TSB 2017	Excl. TSB %17/16
On-balance sheet customer funds (*)	133,456.6	132,096.2	(1.0)	99,123.0	97,686.3	(1.4)
Customer deposits	134,414.5	135,307.4	0.7	99,325.7	99,277.3	—
Current and savings accounts	92,010.6	98,019.8	6.5	62,624.0	68,039.1	8.6
Deposits with agreed maturity	40,154.0	32,425.3	(19.2)	35,206.9	27,996.1	(20.5)
Repos	2,072.2	4,749.6	129.2	1,303.0	3,119.4	139.4
Adjustments for accruals and hedges with derivatives	177.9	112.7	(36.6)	191.8	122.7	(36.0)
Debt and other tradable securities	24,987.5	21,250.5	(15.0)	21,555.2	19,764.1	(8.3)
Subordinated liabilities (**)	1,546.0	2,537.4	64.1	1,063.3	2,080.6	95.7
Funds on the balance sheet	160,948.1	159,095.3	(1.2)	121,944.2	121,122.0	(0.7)
Mutual funds	22,594.2	27,374.6	21.2	22,594.2	27,374.6	21.2
Equity funds	1,313.0	1,928.9	46.9	1,313.0	1,928.9	46.9
Balanced funds	4,253.4	6,489.7	52.6	4,253.4	6,489.7	52.6
Fixed-income funds	4,773.2	4,488.0	(6.0)	4,773.2	4,488.0	(6.0)
Guaranteed return funds	4,057.2	3,829.3	(5.6)	4,057.2	3,829.3	(5.6)
Real estate funds	88.3	125.4	42.0	88.3	125.4	42.0
Venture capital funds	21.4	38.0	77.7	21.4	38.0	77.7
Investment companies	2,065.4	2,192.1	6.1	2,065.4	2,192.1	6.1
UCITS sold but not managed	6,022.3	8,283.3	37.5	6,022.3	8,283.3	37.5
Asset management	3,651.3	3,998.7	9.5	3,651.3	3,998.7	9.5
Pension funds	4,117.0	3,986.6	(3.2)	4,117.0	3,986.6	(3.2)
Personal schemes	2,621.0	2,475.6	(5.5)	2,621.0	2,475.6	(5.5)
Workplace schemes	1,481.4	1,498.2	1.1	1,481.4	1,498.2	1.1
Collective schemes	14.6	12.7	(13.0)	14.6	12.7	(13.0)
Third-party insurance products	10,243.4	9,964.9	(2.7)	10,243.4	9,964.9	(2.7)
Funds under management	201,554.0	204,420.0	1.4	162,550.1	166,446.7	2.4

(*) Includes customer deposits (excl. repos) and other liabilities placed via the branch network: mandatory convertible bonds, non-convertible bonds of Banco Sabadell, commercial paper, etc.

(**) Subordinated liabilities in connection with debt securities.

Equity

At 2017 year-end, the Group's shareholders' equity amounted to €13,221.8 million (T12).

€M

	2016	2017	% 17/16
Own funds	12,926.2	13,425.9	3.9
Capital	702.0	703.4	0.2
Reserves	11,688.0	12,106.6	3.6
Other equity	38.4	32.5	(15.4)
Less: own securities	(101.4)	(106.3)	4.9
Profit attributable to the Group	710.4	801.5	12.8
Less: dividends and coupons	(111.3)	(111.6)	0.3
Accumulated other comprehensive income	107.1	(265.3)	—
Minority interest	49.7	61.2	23.2
Equity	13,083.0	13,221.8	1.1

T12 Equity