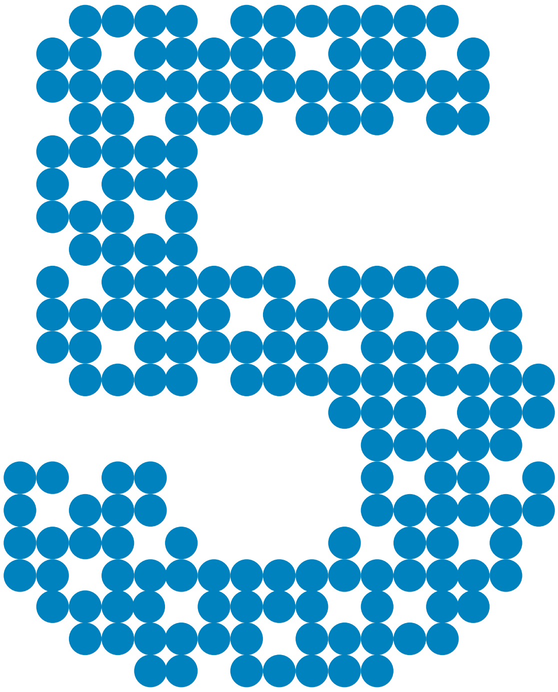
Financial information
Banco Sabadell Group



Key figures in 2017

T1 Key Figures

		2016	2017	% 17/16
Balance sheet (€M)	**(A)**			
Total assets		212,507.7	221,348.3	4.2
Outstanding gross lending		140,557.3	137,521.7	(2.2)
Loans and advances to customers - gross		150,095.2	147,324.6	(1.8)
Funds on the balance sheet		160,948.0	159,095.3	(1.2)
Of which: On-balance sheet customer funds		*133,456.6*	*132,096.2*	*(1.0)*
Mutual funds		22,594.2	27,374.6	21.2
Pension funds and insurance brokerage		14,360.4	13,951.4	(2.8)
Funds under management		201,554.0	204,419.9	1.4
Equity		13,083.0	13,221.8	1.1
Own funds		12,926.2	13,425.9	3.9
Income statement (€M)	**(B)**			
Net interest income		3,837.8	3,802.4	(0.9)
Gross income		5,470.7	5,737.3	4.9
Pre-provisions income		2,411.5	2,612.1	8.3
Profit attributable to the Group		710.4	801.5	12.8
Profitability and efficiency ratios (%)	**(C)**			
ROA		0.35%	0.38%	
RoRWA		0.83%	1.03%	
ROE		5.59%	6.10%	
ROTE		6.72%	7.27%	
Cost:income		48.68%	50.15%	
Capital management	**(D)**			
Risk weighted assets (RWA) (€M)		86,069.9	77,638.2	(9.8)
Common Equity Tier 1 (phased-in) (%)		12.0	13.4	
Tier I (phased-in) (%)		12.0	14.3	
Total capital ratio (phased-in) (%)		13.8	16.1	
Leverage ratio (phased-in) (%)		4.7	5.0	
Risk management	**(E)**			
NPLs (€M)		9,746.0	7,925.3	(18.7)
Total NPAs (€M)		18,781.0	15,318.4(	(18.4)
NPL ratio (%)		6.14	5.14	
NPL coverage ratio (%) (excluding interest rate floors)		47.3	45.7	
NPA asset coverage ratio (%) (excluding interest rate floors)		47.4	49.8	
Liquidity management	**(F)**			
Loan to deposits ratio (%)		105.1	104.3	
Share data (period end)	**(G)**			
Number of shareholders		260,948	235,130	
Average number of shares (million)		5,452	5,570	
Share price (€)		1.323	1.656	
Market capitalisation (€M)		7,212.9	9,223.9	
Earnings per share (EPS) (€)		0.13	0.14	
Book value per share (€)		2.37	2.41	
Price/Book value		0.56	0.69	
Price/earnings ratio (P/E)		10.15	11.85	
Other information				
Branches		2,767	2,473	
Employees		25,945	25,845	

(A) This table of key figures provides an overview of year-on-year changes in the main items in the Group's consolidated balance sheet, focusing particularly on data related to loans and advances and customer funds.
(B) This section sets out key margins from the income statement for the last two years.
(C) The ratios in this section of the table have been included to give a meaningful picture of profitability and the cost:income ratio in the last two years.
(D) The ratios in this section of the table have been included to give a meaningful picture of the capital position in the last two years.
(E) This section gives some key balances and ratios related to the Group's risk management.
(F) This section gives a meaningful picture of liquidity in the last two years.
(G) This section provides data on the share price and other stock market ratios and indicators.

See list, definition and purpose of the APMs used by the Banco Sabadell Group at:
https://www.grupbancsabadell.com/en/Shareholder and Investor Information/Financial information/Alternative performance measures

Profit was on target, supported by strong growth in banking revenues (net interest income and net fees and commissions).

Net interest income has increased steadily in like-for-like terms, while the customer spread remained stable.

Fees and commissions performed very well, boosted by service fees and asset management commissions.

T2 Income statement

€M

	2016	2017	% 17/16	Excl. TSB 2016	Excl. TSB 2017	% 17/16
Interest and related income	5,170.1	4,839.6	(6.4)	3,820.5	3,605.9	(5.6)
Interest and related charges	(1,332.3)	(1,037.3)	(22.1)	(1,033.6)	(837.1)	(19.0)
Net interest income	**3,837.8**	**3,802.4**	**(0.9)**	**2,786.9**	**2,768.8**	**(0.6)**
Dividend income	10.0	7.3	(27.7)	10.0	7.1	(29.7)
Share of profit or loss of entities accounted for using the equity method	74.6	308.7	313.9	74.6	308.7	313.9
Fees and commissions (net)	1,148.6	1,223.4	6.5	1,022.8	1,127.8	10.3
Gains (losses) on financial assets and liabilities (net)	609.7	614.1	0.7	556.2	504.5	(9.3)
Exchange differences (net)	16.9	8.4	(50.1)	16.9	8.4	(50.1)
Other operating income/expense	(226.9)	(227.0)	0.1	(209.1)	(211.3)	1.1
Gross income	**5,470.7**	**5,737.3**	**4.9**	**4,258.3**	**4,514.0**	**6.0**
Personnel expenses	(1,663.1)	(1,573.6)	(5.4)	(1,235.6)	(1,178.9)	(4.6)
Recurring	(1,595.1)	(1,546.9)	(3.0)	(1,186.4)	(1,163.0)	(2.0)
Non-recurring	(68.0)	(26.6)	(60.8)	(49.3)	(15.8)	(67.9)
Other general expenses	(1,000.3)	(1,149.4)	14.9	(581.0)	(614.8)	5.8
Recurring	(981.2)	(1,116.7)	13.8	(581.0)	(614.8)	5.8
Non-recurring	(19.1)	(32.7)	71.5	—	—	—
Depreciation and amortization	(395.9)	(402.2)	1.6	(323.2)	(329.6)	2.0
Pre-provisions income	**2,411.5**	**2,612.1**	**8.3**	**2,118.4**	**2,390.8**	**12.9**
Provisions for NPLs and other impairments	(550.7)	(1,225.2)	122.5	(522.5)	(1,136.4)	117.5
Other provisions and impairments	(876.5)	(971.1)	10.8	(876.5)	(971.1)	(10.8)
Capital gains on asset disposals and other income	35.1	432.6	—	39.5	425.9	—
Negative goodwill	—	—	—	—	—	—
Profit/loss before tax	**1,019.4**	**848.3**	**(16.8)**	**758.9**	**709.1**	**(6.6)**
Income tax	(303.6)	(43.1)	(85.8)	(222.4)	5.8	—
Consolidated net profit	**715.9**	**805.2**	**12.5**	**536.5**	**714.9**	**33.2**
Minority interest	5.4	3.7	(31.5)	5.4	3.7	(31.5)
Profit attributable to the Group	**710.4**	**801.5**	**12.8**	**531.1**	**711.2**	**33.9**
Pro memoria:						
Average total assets	206,265.2	214,356.2	3.9	163,325.7	168,418.0	3.1
Earnings per share (€)	0.13	0.14	—	0.09	0.13	—

The average exchange rate applied to TSB's profit and loss account is 0.8759, the average of the monthly exchange rates in 2017 weighted by net interest income plus fees and commissions. The accumulated exchange rate in December 2016 was 0.8166.

Net interest income

Net interest income amounted to €3,802.4 million in 2017, -0.9% less than in 2016. Excluding TSB, net interest income amounted to €2,768.8 million in 2017, -0.6% less than in 2016 (T2 & T3).

In like-for-like terms (i.e. at constant exchange rates and excluding the contribution from SUB, Mediterráneo Vida and TSB's mortgage enhancement), this item increased by 4.9% year-on-year (2.9% excluding TSB).

Net interest income with constant consolidation scope (y/y change)

Banco Sabadell (excl. TSB)

+2.9%

Group

+4.9%

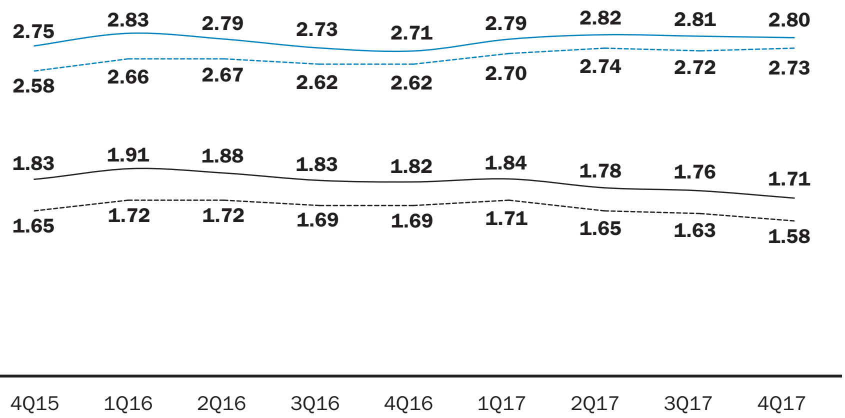
The margin on average total assets was 1.77% (1.86% in 2016). The average return on average total assets declined in spite of the increase in the customer spread (which was mainly attributable to the lower funding cost of customer deposits) because of a number of factors, principally the lower returns on fixed-income (G1 & G2).

T3 Revenues and expenses

€M

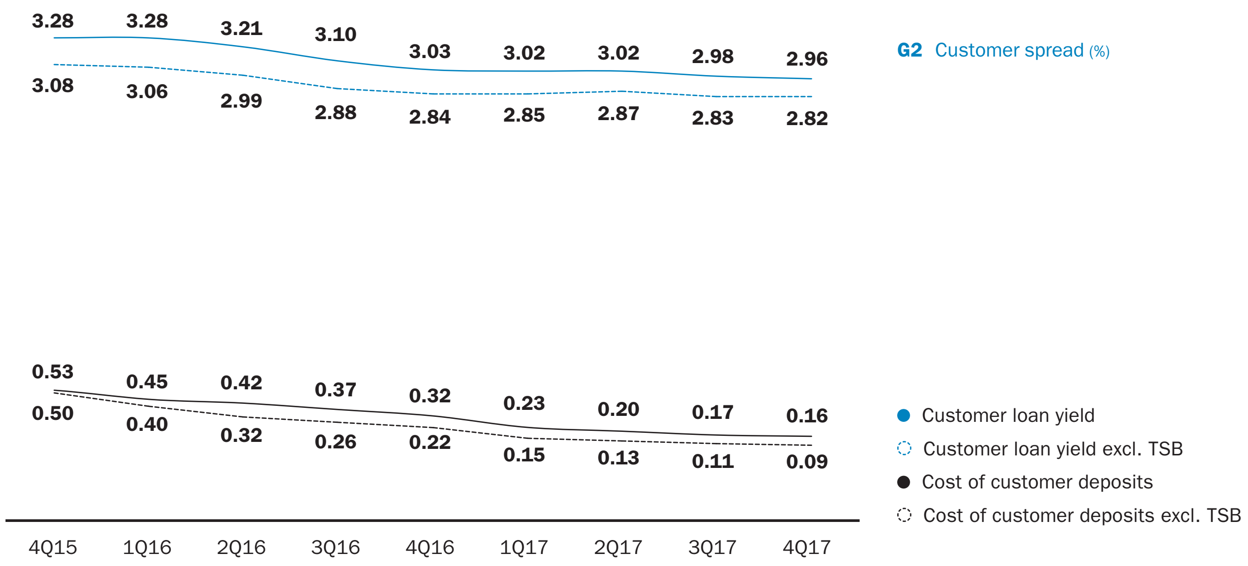
	2016			2017			17/16		Effect		
	Average balance	**Results**	**Rate %**	**Average balance**	**Results**	**Rate %**	**Average balance**	**Results**	**Rate**	**Volume**	**Days**
Cash on hand and at central banks and credit institutions	11,336.2	31.1	0.27	18,512.4	2.9	0.02	7,176.2	(28.2)	(33.4)	5.3	(100)
Loans to customers	138,202.2	4,361.3	3.16	136,937.9	4,102.1	3.00	(1,264.3)	(259.2)	(232.7)	(18.4)	(8,005)
Fixed-income securities	26,336.2	657.2	2.50	28,809.2	494.3	1.72	2,473.0	(162.9)	(187.2)	25.4	(1,171)
Subtotal	**175,874.6**	**5,049.6**	**2.87**	**184,259.5**	**4,599.4**	**2.50**	**8,385.0**	**(450.3)**	**(453.3)**	**12.3**	**(9,276)**
Equity securities	1,004.4	—	—	1,079.2	—	—	74.8	—	—	—	—
Property, plant and equipment and intangible assets	4,030.9	—	—	4,268.3	—	—	237.4	—	—	—	—
Other assets	25,355.3	84.2	0.33	24,749.2	88.6	0.36	(606.1)	4.4	—	4.4	—
Total capital employed	**206,265.2**	**5,133.9**	**2.49**	**214,356.2**	**4,688.0**	**2.19**	**8,091.0**	**(445.9)**	**(453.3)**	**16.7**	**(9,276)**
Credit institutions	18,046.2	(78.4)	(0.43)	28,553.5	(29.6)	(0.10)	10,507.3	48.8	44.7	33.9	(29,827)
Customer deposits	134,792.3	(525.0)	(0.39)	138,258.3	(266.3)	(0.19)	3,466.1	258.7	226.1	1.4	31,165
Capital market	30,214.3	(585.8)	(1.94)	26,020.3	(386.9)	(1.49)	(4,193.9)	198.9	110.5	86.7	1,708
Subtotal	**183,052.7**	**(1,189.2)**	**(0.65)**	**192,832.2**	**(682.8)**	**(0.35)**	**9,779.5**	**506.4**	**381.3**	**122.1**	**3,046**
Other liabilities	10,280.2	(107.0)	(1.04)	8,438.1	(202.8)	(2.40)	(1,842.1)	(95.9)	—	(95.9)	—
Own funds	12,932.3	—	—	13,086.0	—	—	153.7	—	—	—	—
Total funds	**206,265.2**	**(1,296.1)**	**(0.63)**	**214,356.2**	**(885.6)**	**(0.41)**	**8,091.0**	**410.5**	**381.3**	**26.2**	**3,046**
Average total assets	**206,265.2**	**3,837.8**	**1.86**	**214,356.2**	**3,802.4**	**1.77**	**8,091.0**	**(35.4)**	**(72.0)**	**42.9**	**(6,230)**

Financial revenues or costs deriving from the application of negative interest rates are recognised as a function of the nature of the related asset or liability. The credit institutions line under liabilities refers to negative interest on the balance of liabilities with credit institutions, the most significant item being TLTRO II revenues.



G1 Net interest income (%)

- Customer spread
- Customer spread, excl. TSB
- Net interest income / Average total assets
- Net interest income / Average total assets excl. TSB



G2 Customer spread (%)

Gross income

Dividends received and income from equity-accounted undertakings together amounted to €315.9 million, compared with €84.6 million in 2016. Those revenues are due mainly to the insurance and pension fund business and the net commission collected by BanSabadell Vida for the reinsurance contract signed with Swiss Re Europe in the third quarter of 2017.

Net fees and commissions amounted to €1,223.4 million (€1,127.8 million excluding TSB), a year-on-year increase of 6.5% (10.3% excluding TSB). This increase was attributable mainly to positive performance by service fees, which increased by 11.5% (16.2% excluding TSB), and by asset management fees, which increased by 8.6% year-on-year.

Net fees and commissions (y/y change)

Banco Sabadell (excl. TSB)

+10.3%

Group

+6.5%

T4 Fees and commissions

€M

	2016	2017	% 17/16	Excl. TSB 2016	Excl. TSB 2017	% 17/16
Asset transactions	215.7	206.1	(4.5)	119.8	121.1	1.0
Guarantees	101.0	98.7	(2.2)	101.0	98.7	(2.2)
Commissions from risk transactions	**316.7**	**304.8**	**(3.7)**	**220.8**	**219.8**	**(0.5)**
Cards	191.2	205.7	7.6	156.1	174.4	11.7
Payment orders	50.4	54.0	7.1	50.4	54.0	7.1
Securities	50.4	60.4	19.9	50.4	60.4	19.9
Demand accounts	89.9	130.8	45.6	76.0	119.3	57.0
Rest	138.2	129.1	(6.6)	157.2	161.3	2.6
Commissions for services	**520.0**	**580.0**	**11.5**	**490.1**	**569.4**	**16.2**
Mutual funds	145.7	158.4	8.7	145.7	158.4	8.7
Pension funds and insurance brokerage	140.9	152.8	8.5	140.9	152.8	8.5
Asset management	25.3	27.4	8.2	25.3	27.4	8.2
Asset management fees and commissions	**311.9**	**338.6**	**8.6**	**311.9**	**338.6**	**8.6**
Total	**1,148.6**	**1,223.4**	**6.5**	**1,022.8**	**1,127.8**	**10.3**

Income from financial transactions amounted to €614.1 million (€504.5 million excluding TSB), including the early call of TSB's mortgage enhancement in the second quarter. In 2016, income from financial transactions amounted to €609.7 million (€556.2 million excluding TSB), including notably €109.5 million from the sale of the entire stake in Visa Europe.

Exchange differences amounted to €8.4 million, compared with €16.9 million in 2016.

Other operating revenues and expenses amounted to -€227 million (-€211.3 million excluding TSB), compared with -€226.9 million (-€209.1 million excluding TSB) in 2016. Notable components of this item include the -€98.3 million contribution to the Spanish Deposit Insurance Scheme (-€94.9 million in 2016), the -€54.7 million levy on conversion of deferred tax assets into debt claims against the Spanish tax authorities (-€57.0 million in 2016), the -€50.6 million contribution to the National Resolution Fund (-€47.7 million in 2016), and the -€28.1 million tax on deposits at credit institutions (IDEC) (-€27.6 million in 2016).

Pre-provisions income

Operating expenses (personnel and general) amounted to €2.723.0 million in 2017 (€1,793.6 million excluding TSB), of which €59.3 million are non-recurring items (€15.8 million excluding TSB). In 2016, operating expenses amounted to €2,663.3 million (€1,816.7 million excluding TSB), including €87.1 million in non-recurring expenses (€49.3 million excluding TSB). The year-on-year increase was due to extraordinary technology costs at TSB that had already been planned (G3 & T5).

The cost:income ratio was 50.15% (42.10% excluding TSB) in 2017, compared with 48.68% (42.66% excluding TSB) in 2016.

Gross income in 2017 excludes the revenues from the early call of TSB's mortgage enhancement and the net commission received by Bansabadell Vida for the reinsurance contract with Swiss Re Europe.

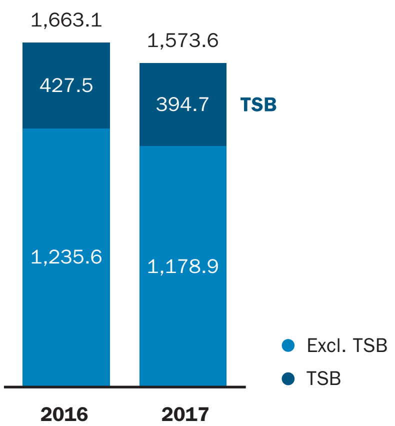
As a result, profit before provisions amounted to €2,612.1 million (€2,390.8 million excluding TSB) in 2017, compared with €2,411.5 million (€2,118.4 million excluding TSB) in 2016, i.e. an 8.3% increase (12.9% excluding TSB).

G3

Personnel expenses (y/y change)
€M

Group
-5.4%

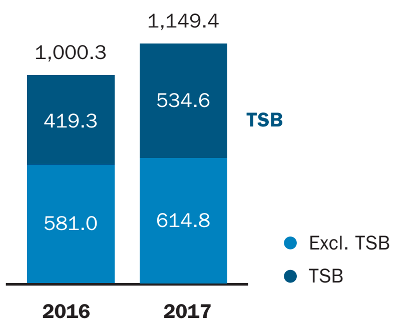
Excl. TSB
-4.6%



Other general expenses (y/y change)
€M

Group
+14.9%

Excl. TSB
+5.8%



The figures for the year include extraordinary income on corporate transactions that strengthened the Group's capital and coverage position.

€M

T5 Operating expenses

	2016	2017	% 17/16	Excl. TSB 2016	Excl. TSB 2017	% 17/16
Recurring	(1,595.1)	(1,546.9)	(3.0)	(1,186.4)	(1,163.0)	(2.0)
Non-recurring	(68.0)	(26.6)	(60.8)	(49.3)	(15.8)	(67.9)
Personnel expenses	**(1,663.1)**	**(1,573.6)**	**(5.4)**	**(1,235.7)**	**(1,178.9)**	**(4.6)**
Technology and communications	(293.6)	(438.1)	49.2	(151.2)	(157.7)	4.3
Advertising	(111.1)	(106.7)	(4.0)	(38.7)	(39.2)	1.2
Property, fittings and office material	(249.7)	(229.7)	(8.0)	(145.7)	(138.3)	(5.1)
Taxes other than income tax	(95.7)	(106.9)	11.6	(95.7)	(106.6)	11.4
Other	(231.1)	(235.3)	1.8	(149.6)	(173.0)	15.6
Total recurring	**(981.2)**	**(1,116.7)**	**13.8**	**(580.9)**	**(614.8)**	**5.8**
Non-recurring	(19.1)	(32.7)	71.5	—	—	—
Other general administrative expenses	**(1,000.3)**	**(1,149.4)**	**14.9**	**(580.9)**	**(614.8)**	**5.8**
Total	**(2,663.3)**	**(2,723.0)**	**2.2**	**(1,816.7)**	**(1,793.6)**	**(1.3)**

Provisions and impairments totalled -€2.196.4 million (-€2,107.6 million excluding TSB) in 2017, compared with -€1,427.1 million (-€1.399.0 million excluding TSB) in 2016. The increase in 2017 was mainly due to the extraordinary profits on corporate transactions, which made it possible to recognise additional provisions in the amount of €900 million gross.

Capital gains on asset sales amounted to €432.6 million (€35.1 million in 2016) and include mainly the net gain from the sale of Sabadell United Bank, the sale of Mediterráneo Vida and the sale of 100% of HI Partners Holdco Value Added, SAU by subsidiary Hotel Investment Partners, SL (HIP). Capital gains on asset sales in 2016 referred mainly to the €52 million capital gain on the sale of the stake in Dexia Sabadell.

Cost:income ratio in 2017

Banco Sabadell (excl. TSB)

42.1%

Group

50.1%

The core cost:income ratio improved year-on-year excl. TSB.

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

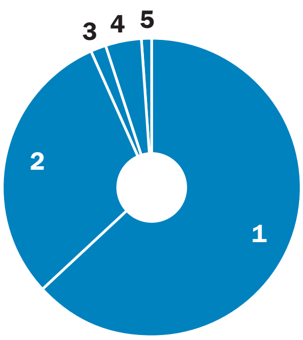
At the end of 2017, the total assets of Banco Sabadell and its Group amounted to €221,348 million (€173,203 million excluding TSB), compared with €212,508 million (€168,787 million excluding TSB) at the end of 2016. Outstanding gross loans and advances amounted to €137,522 million at year-end (€102,119 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

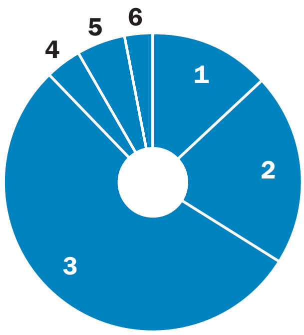
	2016	2017	% 17/16	Excl. TSB 2016	Excl. TSB 2017	% 17/16
Mortgage loans & credit	88,430.6	84,266.6	(4.7)	56,692.3	52,259.4	(7.8)
Other secured loans & credit	2,262.9	2,314.8	2.3	2,262.9	2,314.8	2.3
Commercial loans	5,530.0	5,801.6	4.9	5,530.0	5,801.6	4.9
Leasing	2,168.8	2,316.3	6.8	2,168.8	2,316.3	6.8
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).

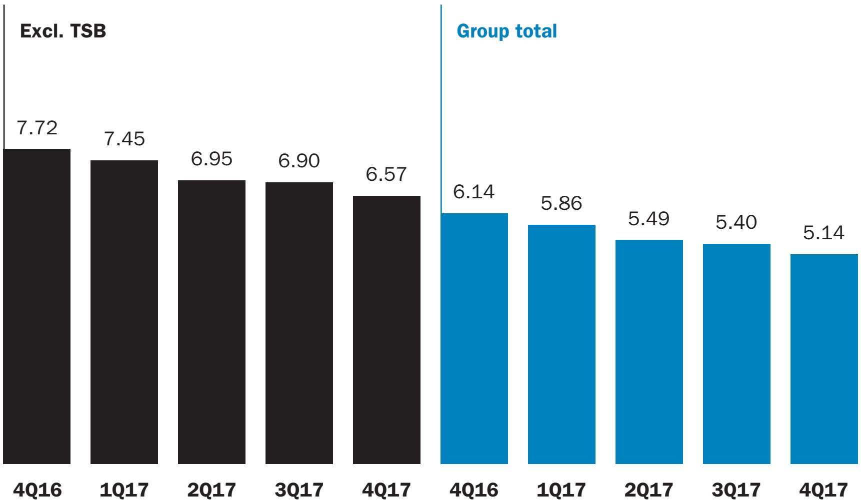
The Group's ratio of non-performing loans (G6 and T8) continues to decline due to the steady reduction in NPAs (NPLs and foreclosed properties). The NPL coverage level is comfortable, and coverage of foreclosed assets increased to 54.08% at 2017 year-end.

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 (%)



T8 NPL ratio by segment

%

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**

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.

T9 NPL and real estate exposure excl. TSB

€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)**

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).

T10 Group coverage ratios

€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**

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

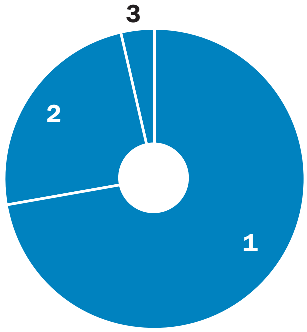
Funds under management increased by 1.4% year-on-year (2.4% excluding TSB), mainly due to growth by demand deposits and off-balance sheet funds, notably mutual funds (T11 & G7).

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.

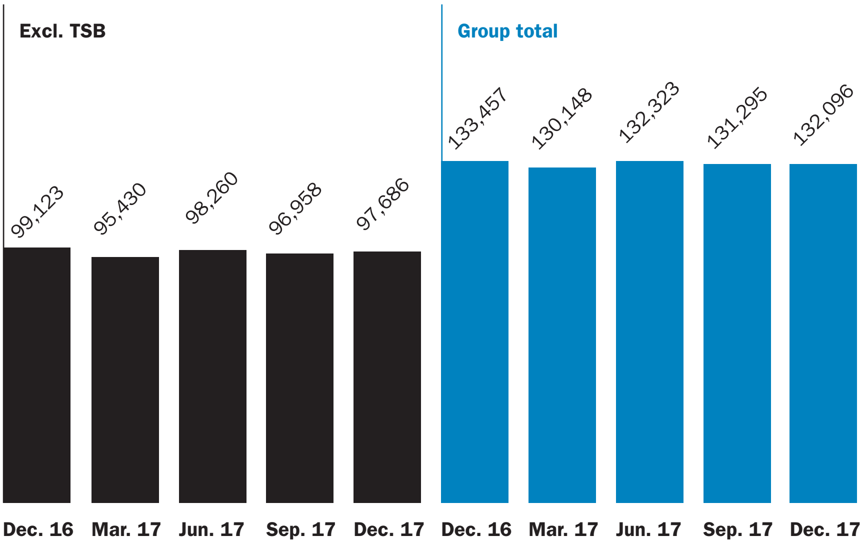
Debt securities issued (bonds and other negotiable securities and subordinated liabilities) amounted to €23,788 million at the end of 2017 (€21,845 million excluding TSB), compared with €26,534 million (€22,618 million excluding TSB) as of 31 December 2016.



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)
Pesonal 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).

T12 Equity

€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**

The adjusted loan-to-deposits ratio was 104.3% as of 31 December 2017, with a balanced retail funding structure.

The Liquidity Coverage Ratio (LCR) as of 31 December 2017 was above 168% excluding TSB, and 295% at TSB alone.

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

Customer funds on the balance sheet amounted to €132,096 million, a 1% decline with respect to 2016 year-end (€133,457 million). In 2017, 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 2017, the balance of demand accounts had increased by 6.5% to €98,020 million, whereas deposits with agreed maturity had declined by 19.9%.

During 2017, the funding gap continued to widen, as it had in previous years, which enabled the institution to continue its policy of partially refinancing maturities in the capital markets and, at the same time, to maintain the downward trend in the loan to deposits (LtD) ratio (from 147% at 2010 year-end to 104.3% at 2017 year-end). To calculate the loan to deposit (LtD) ratio, net customer loans (adjusted for subsidised funding) is taken as the numerator, and retail funding as the denominator (T13).

€M

	Excl. TSB 2016	Excl. TSB 2017	Group total 2016	Group total 2017
Gross loans and advances to customers, excluding repos	115,640	109,742	150,087	145,323
NPL and country-risk provisions	(4,835)	(3,646)	(4,921)	(3,727)
Loan brokerage	(4,900)	(3,110)	(4,900)	(3,835)
Adjusted net loans and advances	**105,905**	**102,986**	**140,266**	**137,761**
On-balance sheet customer funds	99,123	97,686	133,457	132,096
Loan to deposit ratio (%)	**106.8**	**105.4**	**105.1**	**104.3**

T13 Loan to deposits ratio

The EUR/GBP exchange rate used for the balance sheet is 0.8872 as of 31.12.2017 and 0.8562 as of 31.12.2016.

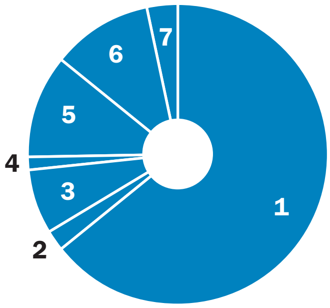
The institution continued to access the capital markets on a normal basis. €3,206 million in capital market funding matured in 2017. In contrast, Banco Sabadell issued €5,194.6 million. Specifically, it issued €1,000 million in 10-year mortgage covered bonds in April, plus a €100 million tap in October; €500 million in 8-year mortgage covered bonds, subscribed entirely by the European Investment Bank (EIB), and €1,444.6 million in senior debt in the form of six separate issues maturing between two and five years. It also placed two issues of contingently convertible preferred securities (Additional Tier 1). Banco Sabadell placed its first issue of Additional Tier 1 in the amount of €750 million on 18 May 2017, followed by a second issue in the amount of €400 million on 23 November 2017. On 5 December 2017, Banco Sabadell issued €1,000 million in senior debt at 5 years and 3 months (G9 & G10).

On 24 February 2017, the FCA approved TSB's new mortgage covered bond programme with a limit of £5,000 million. On 7 December 2017, TSB made its inaugural issue of mortgage covered bonds, placing a 5-year £500 million bond with institutional investors, paying a coupon of £ Libor 3 months + 24bp.

In March 2017, Banco Sabadell participated in the ECB's last targeted longer-term refinancing operation II (TLTRO II) for a total amount of €10,500 million, on top of the €10,000 million it borrowed in 2016 under that same framework.

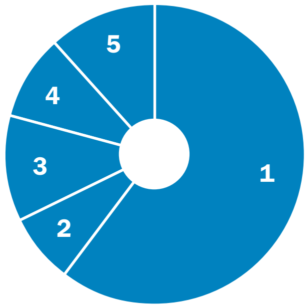
In 2016, the Bank of England implemented a number of measures to support economic growth. They included a reduction in the bank base rate and the introduction, in August 2016, of the Term Funding Scheme (TFS), designed to encourage lending by enabling UK banks to borrow for four years against eligible collateral. As a member of the Sterling Monetary Framework (SMF), TSB made use of the TFS throughout 2017, having borrowed €6,334 million by the end of the year.

The institution maintained a liquidity buffer in the form of liquid assets to meet any eventual liquidity needs. The Liquidity Coverage Ratio (LCR) came into force on 1 October 2015 and will be phased in until 2018. The required ratio was 80% in 2017. At group level, the LCR remained well above 100% at all times. The Net Stable Funding Ratio (NSFR) is still being studied and is pending final definition, even though it was due to come into force in January 2018; like the LCR, it is expected to be phased in. Nevertheless, the institution's ratio exceeds 100%.



G9
Funding structure
31.12.2017 (%)

1	Deposits	64.3
2	Retail issues	2.1
3	Repos	7.2
4	ICO funding	1.2
5	Wholesale market	11.1
6	ECB	10.9
7	Bank of England	3.2



G10
Breakdown of institutional issues
31.12.2017 (%)

1	Mortgage covered bonds	60.4
2	Senior debt	7.6
3	Preferred securities and subordinated debt	11.3
4	ECP + institutional commercial paper	9.2
5	Securitisation	11.5

The Bank regained investment grade.

In 2017, the three rating agencies that assess Banco Sabadell's credit quality were Standard & Poor's, Moody's and DBRS. Below are details of the current ratings and the last date on which they were affirmed.

On 27 June 2017, S&P Global Ratings upgraded Banco Sabadell's long-term credit rating to BBB- (from BB+) and its short-term rating to A-3 (from B), maintaining the positive outlook. This upgrade restored Banco Sabadell to investment grade. S&P Global Ratings upgraded the rating as it considers that Banco Sabadell has continued to strengthen its capital position and is making steady progress in de-risking its balance sheet. Additionally, S&P Global Ratings upgraded its rating of Banco Sabadell's subordinated debt and preference shares by two notches, to BB and B, respectively.

On 23 November 2017, Moody's Investors Service (Moody's) affirmed Banco Sabadell's long-term deposits rating at Baa2, with stable outlook, and the long-term senior debt rating at Baa3, with positive outlook. The agency took account of the improvement in credit risk despite the high volume of NPAs, the improvement in loss-absorbing capacity during the year and the existence of adequate liquidity, considering the political situation in Catalonia.

On 21 December 2017, DBRS confirmed its rating of Banco Sabadell, maintaining the long-term rating at BBB (high) and the short-term rating at R-1 (low), outlook stable. The agency highlighted the increase in core revenues despite the ongoing pressure from low interest rates, the reduction in non-performing assets (although the amount is still high when compared to the European average) and the sound financial position, supported by customers in Spain and the UK. It also appreciated the sound level of capital, supported by an improvement in internal capital generation and the recent issuance of capital instruments.

Banco Sabadell met with the three agencies in 2017. These visits or conference calls discussed the Bank's strategy, TSB's performance, results, capital, liquidity, risks, credit quality, and NPA management (T14).

T14 Credit ratings

Agency	Date	Long term	Short term	Outlook
DBRS	21.12.2017	BBB (high)	R-1 (low)	Stable
S&P Global Ratings	27.06.2017	BBB-	A-3	Positive
Moody's (*)	23.11.2017	Baa3 / Baa2	P-3 / P-2	Positive/Stable

(*) Senior debt and deposits, respectively.

The Bank maintains a sound capital profile after implementing IFRS 9.

Capital management

Capital management is the result of an ongoing capital planning process. This process considers expected economic, regulatory and industry performance, as well as adverse scenarios. It factors in projected capital consumption in the various businesses under a number of scenarios as well as market conditions that may determine the efficacy of measures that may be taken. The process is conducted in line with the bank's strategic goals and the pursuit of attractive returns for shareholders, while ensuring that own funds are sufficient to attend to the risks inherent in the banking business.

As a general policy, the institution aims to ensure that available capital is adequate to the overall level of risks incurred.

The Group follows the guidelines established by CRD-IV and secondary legislation to determine the capital requirements inherent in the risks that are actually incurred by the institution, based on internal risk measurement models that have been validated independently. The supervsor has authorised the Group to use most of its internal models to calculate regulatory capital requirements.

The capital map by risk type at 2017 year-end is shown in figure G11.

The Group has a complex measurement system in place for each type of risk that it incurs as well as integration methodologies for each of these risks, all of which apply on an end-to-end basis and take into account possible stress scenarios and the pertinent financial planning. These risk assessment systems conform to best practices.

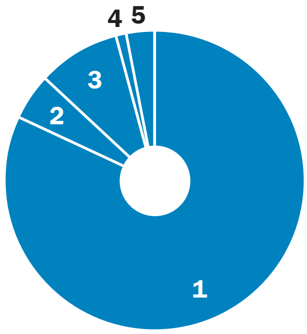
The Group performs a capital self-assessment each year. This process is based on a broad inventory of previously identified risks and on a qualitative internal assessment of policies, procedures, risk acceptance, measurement and control systems and their corresponding mitigation techniques.

An overall quantitative assessment then determines capital needs based on internal parameters using models employed by the bank (e.g. borrower credit rating or scoring systems), as well as other internal estimates suited to each type of risk. The assessments of each risk type are subsequently combined and an amount of allocated capital is determined.

Furthermore, the institution's business and financial plans and its stress tests are taken into account in order to ascertain whether business trends and possible adverse scenarios may endanger the bank's capital when compared with available equity.

The risk assessment in terms of the necessary allocated capital enables it to be compared with the returns, from transaction and customer level up to the business unit level. The Group has implemented a system to analyse the risk-adjusted return on capital (RaRoC) provided by this assessment, allowing homogeneous comparisons to be made and enabling them to be factored into transaction pricing.

The amount and quality of capital are metrics used in the Risk Appetite Statement within the Group's Risk Appetite Framework, as set out in the chapter on "Risk management".



G11 Capital map by risk type 31.12.2017 (%)

1	Credit risk	82
2	Structural risk	5
3	Operational risk	9
4	Market risk	1
5	Other	3

For further information on capital management, refer to the annual "Basel 2 - Pillar 3 Disclosures", available on the bank's website in the section Shareholder and Investor Information/Financial Information.

Qualifying capital and capital ratios

Regulations

The new regulatory framework under which the European Union implemented the Basel III capital accords of the Basel Committee on Banking Supervision (BCBS) came into force on 1 January 2015 and will be phased in until 1 January 2019.

This framework, structured in three pillars, regulates minimum own funds that credit institutions need to maintain, both at an individual and a consolidated level, and the way in which these own funds are to be calculated (Pillar 1), a capital self-assessment and supervisory review process (Pillar 2), and the public information to be disclosed to the market (Pillar 3).

As a Spanish credit institution, the Group is subject to CRD-IV, which has been implemented in Spain through various standards and regulations (for further details of these regulations, see Note 5 to the consolidated annual accounts for 2017).

In accordance with the requirements established in the CRR, credit institutions must have a total capital ratio of 8% at all times. However, under the new regulatory framework, regulators are empowered to require banks to have additional levels of capital.

On 14 December 2017, the institution received notice from the European Central Bank with regard to its decision on the prudential minimum capital requirements applicable to the bank in 2018, following the Supervisory Review and Evaluation Process (SREP): the Banco Sabadell Group is required to maintain a CET1 ratio of 8.3125% on a consolidated basis, measured with respect to the phased-in regulatory capital. This includes the minimum required under Pillar 1 (4.50%) and Pillar 2 (1.75%), the capital conservation buffer (1.875%) and the requirement deriving from the bank being classified as systemic (0.1875%). In aggregate, this is the level of consolidated CET1 below which the Group would be required to calculate the Maximum Distributable Amount (MDA), which would constitute a limit on the payment of dividends, variable remuneration, and coupons to holders of additional Tier 1 capital instruments.

Additionally, on the basis of the note published by the Bank of Spain on 24 November 2017 in which it identified systemically important Institutions and established their capital buffers in line with the European Banking Authority Guidelines on the criteria for the assessment of other systemically important institutions (O-SIIs) (EBA/GL/2014/10), as set out in Standard 14 and Annex 1 of Bank of Spain Circular 2/2016, Banco Sabadell was designated as an O-SII and its capital buffer was set at 0.1875% for 2018. Banco Sabadell's specific countercyclical capital buffer, calculated in accordance with Bank of Spain Circular 2/2016, of 2 February, was 0% throughout 2017.

At 31 December 2017, the Group had a CET1 phased-in capital ratio of 13.4% and, accordingly, did not incur any of the limitations referred to above.

The fully-loaded CET1 ratio amounts to 12.8%, as of December 2017, or 12.0% pro-forma the implementation of IFRS 9.

As of 31 December 2017, the group's qualifying capital amounted to €12,524 million, i.e. a surplus of €6,313 million, as shown in table T15.

Common Equity Tier 1 (CET1) accounts for 83.2% of qualifying capital. The deductions consist mainly of goodwill and intangibles.

Under Basel III, Tier 1 capital is made up of CET1 plus Additional Tier 1 capital, which comprises capital instruments in the form of preferred securities and deductions — mainly deductions due to goodwill and intangible assets in percentage corresponding to the transition period (20%) and deductions due to underprovisions for expected losses under IRB models, also in the percentage corresponding to the transition period (10%).

Tier 2 funds, which contribute 11% of the BIS ratio, are comprised mainly of subordinated debt and general-purpose provisions (subject to regulatory caps), as well as the other required deductions.

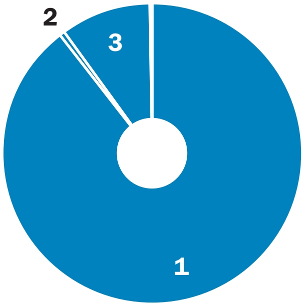
Risk-weighted assets (RWA) are broken down by risk type, as shown in figure G12; the largest single component is credit risk.

The distribution of own funds requirements for this risk class (credit risk), by segment, location and economic sector, is shown in figures G13 y G14.

Figures G15, G16, G17, G18, G19 and G20 show the distribution of EAD (exposure at default) and RWA (risk-weighted assets) by segment, and the same information detailed by calculation method.

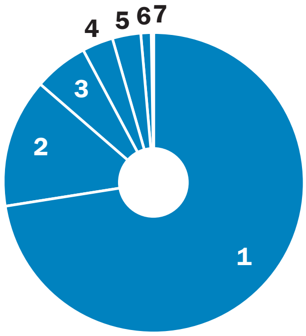
In addition to the capital ratios, the leverage ratio seeks to enhance capital requirements with a supplementary metric unrelated to the level of risk. It is defined as the quotient between qualifying Tier 1 capital and the exposure calculated in accordance with Commission Regulation (EU) 2015/62, of 10 October 2014. Table T16 shows the leverage ratio as of 31 December 2017 and 2016; it is evident that the institution amply exceeds the minimum required by the supervisor.

The CRR defines a leverage ratio which is binding from 1 January 2018. Before that, there was a definition and calibration period from 2014 to 2017 in which institutions were obliged to publish information about the ratio and file it with the supervisor; as a function of the outcome, the latter made the necessary changes to bring it into force. The ratio is currently reported to the regulator on a quarterly basis, based on a benchmark value of 3%.



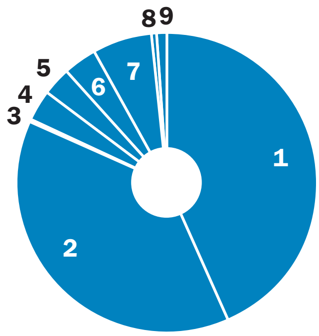
G12
Capital requirements, by exposure type
31.12.2017 (%)

1	Credit risk	89.5
2	Market risk	0.7
3	Operational risk	9.8



G13
Capital requirements, by region
31.12.2017 (%)

1	Spain	72.6
2	UK	13.8
3	Latin America	5.9
4	Rest of EU	3.4
5	North America	3.1
6	Rest of the world	1.2
7	Rest of OECD	0.0



G14
Exposure, by segment
31.12.2017 (%)

1	Finance, commerce and other services	43.6
2	Individuals	38.3
3	Extractive industries	0.2
4	Manufacturing industries	3.3
5	Energy production and distribution	3.1
6	Real estate	3.5
7	Transport, distribution and hospitality	6.6
8	Agriculture, livestock and fishing	0.4
9	Construction	1.0

T15 Composition of the capital ratios

€M

	2016	2017	% 17/16
Capital	702.0	703.4	0.2
Reserves	11,874.2	12,106.6	2.0
Convertible bonds	—	—	—
Minority interest	21.5	16.9	(21.3)
Deductions	(2,265.4)	(2,403.8)	6.1
CET1 capital	**10,332.4**	**10,423.1**	**0.9**
CET1 (%)	12.0	13.4	—
Preference shares, convertible bonds and deductions	—	697.9	—
AT1 capital	**—**	**697.9**	**—**
AT1 (%)	—	0.9	—
Primary capital	**10,332.4**	**11,121.0**	**7.6**
Tier I (%)	12.0	14.3	—
Secondary capital	**1,519.2**	**1,403.3**	**(7.6)**
Tier II (%)	1.8	1.8	—
Total capital	**11,851.6**	**12,524.3**	**5.7**
Minimum capital requirement	6,885.6	6,211.1	(9.8)
Capital surplus	**4,966.0**	**6,313.2**	**27.1**
BIS ratio (%)	**13.8**	**16.1**	**—**
Risk weighted assets (RWA)	**86,070.0**	**77,638.2**	**(9.8)**

T16 Leverage ratio

€M

	2016	2017
Tier 1 capital	10,332.4	11,121.0
Exposure	217,918.6	223,785.8
Leverage ratio	**4.74%**	**4.97%**

Capital-raising

In the last five years, the bank has increased the capital base by more than €5,000 million through organic generation of profits and through issues that qualify as Tier 1 capital, including the €1,607 million rights issue in 2015 as a result of the TSB acquisition (T17).

The change in phased-in common equity tier 1 (CET1) between 2016 and 2017 is mainly due to retained earnings, higher deductions and two issues of contingently convertible preferred securities in 2017, amounting to €750 million and €400 million. Those two issues not only increased the phased-in CET1 ratio but also optimised Banco Sabadell's capital structure.

Risk weighted assets (RWA) for the year amount to €77,638 million, a 9.80% decrease compared with the previous year. This change is due mainly to the sale of subsidiary Sabadell United Bank, the application of the Group's new models to calculate the capital requirements for private individuals and adjustments, and the improvement in customers' credit profiles.

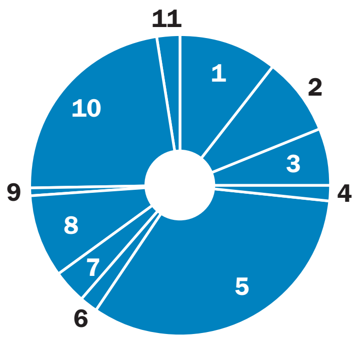
All of these capital-raising issues and events, which impacted both available capital and risk-weighted assets, enabled Banco Sabadell to reach a phased-in common equity tier 1 (CET1) ratio of 13.4% in December 2017, and a total capital ratio of 16.1%, amply exceeding the standards required by the regulatory framework.

€M

T17

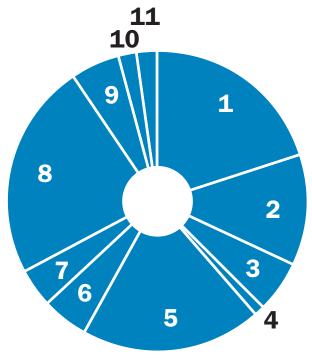
		Amount	Impact on capital
February 2011	Debt-for-equity swap (equity raised through accelerated book building, and repurchase of preferred securities and subordinated debt)	411	+68 bp of Core Tier I
February 2012	Preference shares swapped for ordinary shares	785	+131 bp of Core Tier 1
March 2012	Capital increase	903	+161 bp of Core Tier I
July 2012	Preferential debt instruments and Banco CAM subordinated shares swapped for ordinary shares	1,404	+186 bp of Core Tier 1
September 2013	Accelerated bookbuilding and rights issue	1,383	+178 bp of Core Tier I
October 2013	Mandatorily convertible bonds issued and exchanged for B. Gallego hybrids	122	+17 bp of Core Tier I
April 2015	Rights issue - TSB	1,607	+181 bp of Core Tier I

Note: The impact on capital (in basis points) is calculated using the year-end data for each year; these figures have varied significantly due to the increase in the Group's consolidation scope in the last few years.



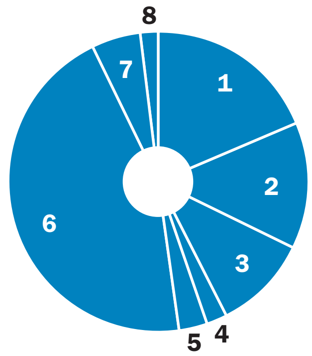
G15
EAD by segment
31.12.2017 (%)

1	Companies	10.7
2	Corporate SME	8.3
3	Retail SME	6.3
4	Retailers and sole proprietors	1.5
5	Mortgage loans	32.7
6	Loans	2.1
7	Other retail	3.6
8	Other	8.7
9	Equities	0.8
10	Public sector	23.0
11	Financial institutions	2.3



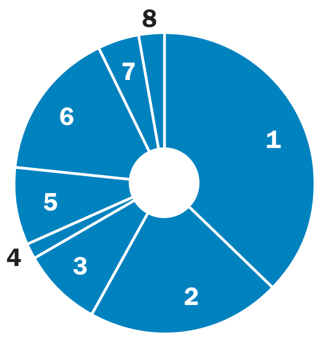
G16
RWA by segment
31.12.2017 (%)

1	Companies	20.1
2	Corporate SME	12.0
3	Retail SME	5.4
4	Retailers and sole proprietors	1.1
5	Mortgage loans	19.5
6	Loans	5.1
7	Other retail	4.1
8	Other	23.3
9	Equities	5.5
10	Public sector	1.7
11	Financial institutions	2.2



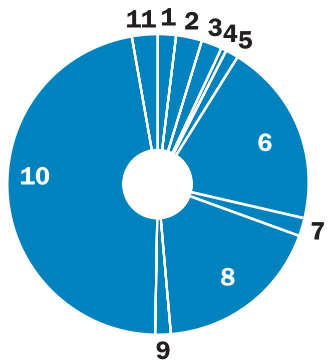
G17
EAD by segment, using IRB method
31.12.2017 (%)

1	Companies	18.8
2	Corporate SME	13.5
3	Retail SME	10.3
4	Retailers and sole proprietors	2.4
5	Loans	3.0
6	Mortgage loans	44.9
7	Other retail	5.2
8	Financial institutions	1.9



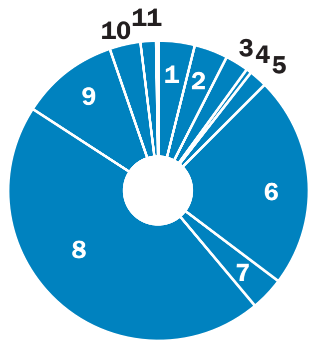
G18
RWA by segment, using IRB method
31.12.2017 (%)

1	Companies	37.4
2	Corporate SME	20.9
3	Retail SME	8.6
4	Retailers and sole proprietors	1.7
5	Loans	8.4
6	Mortgage loans	16.0
7	Other retail	4.5
8	Financial institutions	2.5



G19
EAD by segment, using standard method
31.12.2017 (%)

1	Companies	2.1
2	Corporate SME	2.9
3	Retail SME	2.1
4	Retailers and sole proprietors	0.6
5	Loans	1.3
6	Mortgage loans	20.0
7	Other retail	1.9
8	Other	17.9
9	Equities	1.6
10	Public sector	47.0
11	Financial institutions	2.6



G20
RWA by segment, using standard method
31.12.2017 (%)

1	Companies	3.9
2	Corporate SME	3.8
3	Retail SME	2.4
4	Retailers and sole proprietors	0.6
5	Loans	2.0
6	Mortgage loans	22.7
7	Other retail	3.7
8	Other	45.1
9	Equities	10.6
10	Public sector	3.3
11	Financial institutions	1.9