

Banco Sabadell is leading MLA in syndicated loans and project finance in the Spanish market.

Highlights

- Ranks 4th among syndicated loan and project finance MLAs In the Spanish market.
- Bond issuance activity on behalf of customers has been strengthened.

Earnings before taxes

200€M
(+7.5%)

Key figures in the Structured Financing business

Financing portfolio in 2017

12,608.3€M

New business in 2017

6,340.5€M

Number of transactions in 2017

250

Business overview

Corporate & Investment Banking offers financial solutions and advisory services to large companies and financial institutions, both Spanish and foreign, through branches throughout Spain and in 16 other countries. Its activities embrace corporate banking, structured finance and global financial institutions.

- Corporate Banking is the unit in charge of large corporates which, because of their size, complexity and unique features, require a customised service in which transactional banking services are supplemented by specialised units such as Structured Finance, Corporate Finance and Treasury and Capital Markets; the result is a comprehensive solution model for their needs. The business model is based on close strategic relations with customers, providing them with global solutions that are tailored to their needs while also taking account of the specific features of their business and the markets in which they operate.
- Structured finance consists of origination and structuring of corporate and acquisition finance and project finance deals. In addition to traditional forms of bank

Main business activities in Corporate & Investment Banking

Corporate Banking

Structured finance

Global Financial Institutions

lending, it is specialised in corporate bond issuance, enabling it to cover the full range of options in long-term business finance. Banco Sabadell's structured finance team operates worldwide from offices in Madrid, Barcelona, Bilbao, Alicante, Oviedo, Paris, London, Lima, Bogota, Miami, New York and Mexico City, and has more than 20 years' experience.

- In Global Financial Institutions, the business model is built around two central pillars: providing optimal support to our corporate customers as they expand abroad, in coordination with the Group's network of branches, subsidiaries and investees in other countries, and managing the business with the "bank" customer segment (over 3,000 financial institutions worldwide) with which Banco Sabadell has cooperation agreements to provide Group customers with the best possible coverage worldwide.

Management priorities in 2017

In 2017 Banco Sabadell maintained its policy of supporting customers and adapting to meet their emerging needs within Spain's macroeconomic context amid changing credit market conditions. The Bank is a leader in the Spanish Middle Market segment and is exporting its know-how to other regions. Corporate & Investment Banking ranks 4th among syndicated loan and project finance MLAs in the Spanish market (T6 & T7).

Fees in international markets where the unit operates accounted for 47.2% of total Structured Finance revenues in 2017, and we acted as agent bank in various financing operations outside Spain.

Bond issuance on behalf of customers has also been strengthened. This business, conducted together with the Treasury division, has increased the Bank's ability to offer customers a wide range of long-term finance options.

In 2017, Global Financial Institutions handled more than 350 bilateral trades in the international markets segment and business was stepped up with other financial institutions on the international stage.

During the year, Sabadell Corporate Finance closed a major deal in the food service sector and worked together with teams in Mexico and the US to provide M&A advisory services in that region.

Global Financial Institutions – market shares

LC share in 2017

30.03

€M

Position	Mandated Lead Arranger	Amount	Number
1	Santander	656	25
2	CaixaBank	699	23
3	BBVA	503	23
4	Banco de Sabadell SA	414	19
5	Bankia	501	16
6	BNP Paribas	269	11
7	Bankinter	191	6
8	Credit Agricole CIB	174	6
9	ING	164	5
10	SG Corporate & Investment Banking	254	4

T6 Syndicated loan
MLA — Spanish
market 2017

€M

Position	Mandated Lead Arranger	Amount	Number
1	Santander	865	21
2	CaixaBank	528	17
3	BBVA	399	15
4	Banco de Sabadell SA	403	13
5	Bankia	180	9
6	BNP Paribas	298	6
7	ING	388	5
8	Natixis	227	4
9	ICO	65	4
10	Credit Agricole CIB	351	4

T7 Project finance
MLA — Spanish
market 2017

Key business data

Net profit amounted to €139.5 million in 2017, a 7.7% year-on-year increase, due mainly to the decrease in provisions and impairments. Gross income rose 1.0% to €302 million and not including the revenues recognised under income from financial transactions in 2016, the increase would have been 5.0% (T8).

Net interest income rose 9.1% year-on-year to €192.3 million. Net fees and commissions totalled €116.7 million, i.e. 3.5% higher than in the previous year due to higher commissions on syndicated loans.

Income from financial transactions and exchange differences decreased by -81.3% as a result of extraordinary sales of loan portfolios in 2016.

Administrative expenses and depreciation and amortisation charges totalled -€33.5 million, stable on the same period last year.

Provisions and impairments amounted to -€68.6 million, a reduction of 13.7%. Net lending slipped by 0.9% and customer funds on the balance sheet rose by 57.5% as demand deposits, deposits with agreed maturity and off-balance sheet funds increased by +15.4% mainly as a result of employer pension plans.

Corporate Banking

Corporate & Investment Banking had an excellent year in 2017, against a backdrop of normal market operation and ample liquidity, especially in the Eurozone, in accordance with the monetary policy in place. This environment of surplus liquidity, coupled with the sound performance in issuance markets, exerted huge competitive pressure (falling prices for underwriting, early cancellation of bank loans, etc.).

Despite this environment, the policy on approving new financing transactions in Corporate Banking remained unchanged, following strict risk and profitability criteria (the NPL ratio was below 1% at year-end). In this regard, a highly positive development in 2017 was the deployment of a new tool to simulate the return on capital, for either standalone operations or for a customer's positions as a whole, regardless of the region in which they operate with Banco Sabadell.

This business achieved solid growth in 2017, with lending volume up 6%, buoyed by the activity of our customers outside Spain, which increased by 23.6% (growth was spearheaded by Mexico, with 43.5%, and the UK, with 37.2%); this ongoing trend in the last few years has enabled the Bank to significantly diversify the risk in geographic terms, with 44.5% of this kind of business coming from other countries.

	2016	2017	% 17/16
Net interest income	176	192	9.1
Equity-accounted affiliates and dividends	—	—	—
Fees and commissions (net)	113	117	3.5
Net income from financial transactions and exchange differences	16	3	(81.3)
Other operating income/expense	(6)	(10)	66.7
Gross income	299	302	1.0
Administrative expenses and depreciation and amortisation	(33)	(33)	—
Operating profit/(loss)	266	269	1.1
Provisions and impairments	(80)	(69)	(13.7)
Gain/(loss) on derecognition of assets, etc.	—	—	—
Profit/(loss) before tax	186	200	7.5
Income tax	(56)	(60)	7.1
Profit/(loss) after tax	130	140	7.7
Minority interest	—	—	—
Profit/(loss) attributable to the group	130	140	7.7
Ratios (%)			
ROE (profit / average shareholders' equity)	15.4%	16.2%	—
Cost:income (general administrative expenses / gross income)	11.1%	11.1%	—
NPL ratio (%)	5.5%	4.1%	—
NPL coverage ratio (%)	75.5%	94.0%	—
Assets			
Assets	13,255	15,879	19.8
Loans and advances to customers (net), excluding repos	8,850	8,773	(0.9)
Liabilities			
Liabilities	12,377	15,069	21.8
On-balance sheet customer funds	3,526	5,555	57.5
Assigned capital			
Assigned capital	878	810	(7.7)
Off-balance sheet customer funds	540	623	15.4
Other indicators			
Employees	150	140	—
Branches	2	2	—

With regard to customer funds managed (on- and off-balance sheet, and securities operations, including custody), the increase was even sharper, 146% (at constant exchange rates) as a result of our relationship as a strategic partner for our customers, a strategy that secured us more than fifty mandates in the year to take part in their most valuable transactions, such as issuance, equity, structured financing, asset divestment, M&A, etc.

The standardised methodology used by the Corporate & Investment Banking teams in all 17 countries where the division operates, a commercial policy benefiting our customers, and having not only specialist commercial teams but also an exclusive middle office for major corporate customers, enabled the Bank to maintain the highest

service quality standards, as evidenced by the various indicators monitoring service performance, such as customer satisfaction surveys conducted by the independent consultancy Stiga (score of 8.74 out of 10 in 2017).

Structured Finance

Structured finance offers specialist solutions and advice to customers, providing global coverage with local teams.

From the financing standpoint, customers are offered structuring and the execution of operations in corporate and acquisition finance, as well as project and asset finance, commercial real estate and global trade finance.

This area has the capacity to syndicate and underwrite, and to purchase and sell stakes in syndicated loans in the secondary market. In addition to traditional forms of bank lending, the Bank is specialised in corporate bond issuance, enabling it to offer the full range of options in long-term business finance.

Sabadell Corporate Finance is also intensely involved in mergers and acquisitions advisory, and the Bank is a member of Terra Alliance (T9).

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Activity	
Specialist Finance	Advisory services/OTD
Corporates	Syndication
Project Finance	M&A
Asset Finance	ECM
Trade Finance	DCM/PP
Commercial Real Estate	GFI

T9 Structured Finance business