This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor´s report on the consolidated annual accounts

To the shareholders of Banco Sabadell, S.A.

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Banco de Sabadell, S.A. (thereinafter, the Parent apany) and its subsidiaries (hereinafter, the Group), which comprise the balance sheet as of December 31, 2017, the profit and loss account, the statement of recognized income and expenses, the total statement of changes in the net worth, the statement of cash flows and the report, all of them consolidated, corresponding to the year ended on that date.

In our opinion, the accompanying consolidated financial statements express in all material respects, the true image of the Group's equity and financial position as of December 31, 2017, as well as its results and cash flows, all of which are consolidated, corresponding to the year ended on that date, in accordance with the International Financial Reporting Standards, adopted by the European Union (IFRS-EU), and other provisions of the regulatory framework for financial information that are applicable in Spain.

Basis for opinion

We have carried out our audit in accordance with the regulations governing the current account auditing activity in Spain. Our responsibilities in accordance with these standards are described later in the Auditor's Responsibilities section in relation to the audit of the consolidated annual accounts of our report.

We are independent of the Group in accordance with the requirements of ethics, including those of independence, which are applicable to our audit of the consolidated annual accounts in Spain, as required by the regulations governing the activity of auditing accounts. In this sense, we have not provided services other than those of the audit of accounts nor have concurred situations or circumstances that, in accordance with the provisions of the aforementioned regulatory regulations, have affected the necessary independence so that it has been compromised.

We believe that the audit evidence we have obtained provides a sufficient and adequate basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Banco De Sabadell, S.A. and Dependent Companies

Key audit matter	How our audit addressed the key audit matter
Impairment from credit risk and real estate assets from foreclosures	

The determination of impairment due to credit risk is one of the most significant and complex estimates in the preparation of the attached consolidated annual accounts. The assessment of such impairment is based on both individualized estimates and collective estimates of the hedges, in this case through the use of different internal models of the Group.

In the determination of hedges for credit risk, guarantees, real or personal, considered effective are considered. The Group has developed internal methodologies for evaluating the recoverable amount of real estate collateral, estimating its fair value adjusted for its cost of sales, considering a discount to the reference value based on the Group's historical experience in the disposal of assets. of similar characteristics. The estimation of the fair value of real estate collateral is based on the information and / or appraised value provided by different companies and appraisal agencies.

Periodically, the Group performs recalibrations of its internal models in order to optimize its predictive capacity by updating, where appropriate, the variables considered or the algorithms used.

It should be noted that the estimate of the impairment of real estate assets arising from their credit activity and that, deed in lieu, or judicial process are attributed to the Group, is subject to the same criteria as those used to real estate collateral.

The models and valuation methods used suppose a high component of judgment and estimation for the determination of losses due to deterioration.

Our work has focused on the analysis, evaluation and verification of the internal control system, as well as the performance of test of details about provisions, both for those estimated collectively and individually.

Regarding the internal control system, among others, we have carried out the following procedures:

- Verification of the adequacy of the different work policies and procedures, as well as the approved internal models, the applicable regulatory requirements and the Group's governance model.
- Review of the periodic risk assessment and follow-up alerts carried out by the Group, as well as the effective performance of the process of periodic review of files of accredited persons for the follow-up of their classification and, in the cases in which it applies, registration of the deterioration.

Additionally, we have carried out detailed tests consisting of:

- Evaluation of the suitability of cash flow discount and guarantee recovery models.
- Review with respect to: i) calculation methodologies and variables considered in the functional and technical documentation referring to internal models; ii) the reliability and coherence of the data sources used; iii) historical loss rates for impairment in credit risk in the estimation of future cash flows and historical discount rates on sale of real estate assets against the appraised value; iv) the correct classification and segmentation of credit operations and real estate assets in the corresponding categories; and v) recalibrations and retrospective contrasts performed in internal models.
- Review of the operation of the "calculation engine" and re-execution of the calculation of collective provisions, for certain portfolios, and of the calculation of deterioration of real estate assets from adjudications based on the different asset categories.
- Review of a sample of individualized credit files, as well as real estate assets from foreclosures, to evaluate their proper classification and registration, as the case may be, of the corresponding impairment.
- Verification of the degree of compliance with the estimates of impairment losses made in prior periods with those actually incurred.

Key audit matter	How our audit addressed the key audit matter
In addition to the guarantees established on the different operations, as a result of the acquisition of Banco CAM, the Asset Protection Scheme (hereinafter, APS) entered into force for a predetermined portfolio of assets. Through said APS, the Deposit Guarantee Fund (hereinafter, DGF) assumes 80% of the losses derived from said portfolio during a period of 10 years, once the provisions constituted on said date of acquisition have been absorbed. Thus, for the accounting impairment losses corresponding to these assets, the Banco Sabadell Group estimates a collection right against the DGF for the guarantee granted in the "Loans and Receivables" caption. This collection right is subject to periodic settlements by the DGF. See Notes 1, 2, 4.4.1 and 11 and Annex 6 of the attached consolidated annual accounts for impairment due to credit risk and Notes 1, 2, 4.4.1, 13, 15 and 17 and Annex 6 of the accounts consolidated annual reports in relation to the deterioration of real estate assets from adjudications.	Specifically regarding the estimation of the collection right against the DGF derived from the Assets Protection Scheme, we have carried out the following tests: • Review of the reliability and consistency of the data sources of the assets with APS coverage used in the calculation of the estimation of the collection right against the DGF. • Verification of the calculation in the estimation of the collection right against the DGF, according to the different categories of assets and operations carried out, as well as their consistency with the accounting records. • Analysis of changes in accounting estimates resulting from the periodic evaluation of the assets and expected future benefits associated with the APS coverage as a result of additional information or new facts about the status of the assets. As a result of our tests with respect to the calculations and estimates in the amount of impairment due to credit risk and real estate assets from adjudications, no differences have been identified, above a reasonable range, in the amounts recorded in the accompanying annual accounts.

Key audit matter	How our audit addressed the key audit matter
Entry into force of IFRS 9 "Financial Instruments" in the year 2018	

On January 1, 2018, IFRS 9 "Financial instruments" enters into force, significantly affecting both the classification of financial instruments for presentation and valuation criteria, and the classification of financial instruments based on their non-performing and estimate of losses due to deterioration of credit risk.

The Banco Sabadell Group began at the end of 2014 a project on the implementation of this standard that has had an impact on the group's processes and systems, as well as on the governance and controls of financial information.

See section IFRS 9 "Financial instruments" of Note 1 to the attached consolidated financial statements, which describes the main changes in the policies, procedures and tools of the group, as a result of the entry into force of said standard, as well as the estimated impacts significant as of January 1, 2018 in the accompanying consolidated annual accounts.

Our work has focused on the analysis of the adequacy of the information presented in the attached consolidated annual accounts, as well as on conducting test of details on the correction of the impacts estimated by the Group. Among others, we have performed the following procedures:

In relation to the presentation and valuation of financial instruments we have carried out the following procedures:

- Review of the consistency of: i) the accounting policies developed by the Group and its adaptation to the requirements of IFRS 9; ii) of the business models defined for the classification of financial instruments; and iii) the definition and application of the SPPI Test (only payment of principal and interest) for the assignment of the different financial instruments to said business models.

In relation to the classification of financial instruments based on their delinquency and the estimation of impairment losses, we have carried out the following procedures:

- Review of the methodology for classifying credit assets in the three states defined in the standard, analyzing the adequacy of: i) the definition of impairment applied; and ii) the methodology for estimating the significant increase in credit risk for assets classified in stage 2, based on the definition of qualitative indicators and thresholds for the increase of quantitative indicators.

- Review of the different calculation methodologies and the criteria adopted for the estimation of the risk parameters used in the calculation of the expected loss, including: i) the estimation of the risk parameters throughout the life of the operation or 12 months, depending on the corresponding state; ii) the use of alternative scenarios in the projections carried out in the future; and iii) the use of retrospective contrast methodologies for the most relevant parameters in the estimation of impairment.

- Review of the coherence of the design, operation and results of the "calculation engine".

In general terms, the results of our procedures have been satisfactory and no relevant aspects have been identified that could significantly affect the financial information included in the attached consolidated annual accounts.

Key audit matter	How our audit addressed the key audit matter
Verification of the recoverability of goodwill	
The Banco Sabadell Group carries out, on an annual basis, or when indications of impairment are identified, an evaluation to determine whether there is impairment in the goodwill registered in its consolidated annual accounts. Each goodwill is associated with one or more cash generating units (CGU), using the discount method for profits distributed through the various operating plans with each CGU to estimate their recoverable value. The estimation of the recoverable value of each CGU is inherently uncertain and includes a high level of judgment and estimation given that is based on assumptions concerning matters such as key business assumptions (the evolution of credit, non-performing assets, interest rates etc.) that determine cash flows, discount rates and long-term growth rates used. The models are sensitive to the variables and assumptions used, existing, by their nature, the risk of inaccuracies in the valuation of them. See Notes 1 and 16 of the attached consolidated annual accounts.	We have carried out, with the collaboration of our experts in valuations, the understanding and review of the process carried out by the Group, as well as the internal control environment, focusing our procedures on aspects such as: • The review of the criteria for the definition of the Group's CGUs associated with the different goodwill. • The evaluation of the methodology used to estimate the impairment of goodwill. • The review of the annual valuation reports, made by the Group, on the assessment of impairment in goodwill. On the other side, we have carried out tests to compare the cash flow forecast models corresponding to the different CGUs used by the Group, considering what is established by the regulations, the market practice and the specific expectations of the banking sector. This evaluation has included the verification of assumptions, such as the growth rates and discount rates used, as well as the budget monitoring analysis of the main CGUs and the impact of the variations identified in the budgets and growth rates. Finally, we have reviewed the adequacy of the information broken down in the annual consolidated accounts. As a result of the above procedures, we consider that the estimates made in relation to the recoverability of goodwill are within a reasonable range, in the context of the circumstances in which the accompanying consolidated annual accounts are prepared.

Key audit matter	How our audit addressed the key audit matter
Provisions for tax, legal and regulatory litigation During the ordinary course of its business operations, Banco Sabadell Group may be immersed in administrative, judicial or arbitration proceedings of tax, legal and / or regulatory nature. There are therefore situations that are not subject to judicial proceedings based on the company's evaluations, according to the assessment made require the registration of provisions, such as those related to the possible impacts of the return of the amounts received as a result of the hypothetical cancellation by the courts of the floor clauses or by the application of Royal Decree-law 1/2017 on consumer protection with regard to floor clauses. Generally, these procedures end after a long period of time, resulting in complex processes according to the legislation in force in the different jurisdictions in which it operates. The Group records a provision for these items, thus estimating the associated disbursement as probable based on the estimates made, applying prudent calculation procedures consistent with the conditions of uncertainty inherent in the obligations they cover. The recognition of provisions for litigation is one of the areas requiring the highest degree of judgements and estimates. See Notes 1 and 11 (providing details of the provisions created to cover the outcome of floor clause contingencies) of the attached consolidated annual accounts are detailed.	Our review of the process of estimating the provisions for tax, legal and regulatory litigation, made by the Group, and the analysis and evaluation of the internal control of said process, consisted of the following procedures: • Compression of the litigation qualification policy and need for provision, in accordance with applicable accounting regulations. • Analysis of the main demands, both individual and, where appropriate, collective. • Obtaining confirmation letters from the Group's legal counsel to compare its evaluation of the expected result of the litigation, the correct recording of the provision, as well as the identification of potential omitted liabilities. • With the support of our internal experts, monitoring of the evolution of the open fiscal inspections, analysis of the estimation of the expected result of the most significant ongoing fiscal procedures and of the possible contingencies in relation to the fulfillment of the tax obligations for all the periods open to inspection. • Analysis of the recognitions, estimation and movement of accounting provisions. Specifically for the provisions established for the compensation of clients and cover the contingent outcomes related to land clauses, our procedures focused on: • Understanding of the control environment, evaluation and verification of the controls associated with the calculation and review of the provision for the compensation of customers, including the process and approval of the assumptions and results of the estimates made. • Evaluating the methodology and hypotheses used by the Group, verifying that they are in line with market practice. • Sensitivity analysis on the results of the model before possible variations in the key assumptions. The result of our work shows that, in general, the Group's judgments and estimates applied by the company, when evaluating these types of provisions, are supported and reasoned based on the information available.

Key audit matter	How our audit addressed the key audit matter
Automation of financial reporting systems	
The operation of the Banco Sabadell Group, by its nature, and especially the process of preparing financial and accounting information, has a great dependence on information systems, so an adequate control environment over them is vital to guarantee the correct processing of information. In addition, as the systems become more complex, the risks associated with the information technologies of the organization and therefore the information they process increase. The effectiveness of the general internal control framework for the information systems related to the accounting and closing process is fundamental for the performance of certain procedures related to internal control. In this context, it is necessary to consider such aspects of the organization and governance of the Information Systems Area, the controls over the maintenance and development of the applications, the physical and logical security and the operation systems.	With the collaboration of our experts in information systems and processes, our work consisted of reviewing the general internal control environment associated with the information systems and applications that support the Group's accounting record and closing. Additionally, we have made an understanding of the functionalities and involvement in the process of registration and accounting closing of the different information systems of the Group. Regarding the information systems considered relevant in the process of generating financial information, we have basically carried out the following procedures: • Review of general computer controls in relation to aspects derived from the process of exploitation, development and maintenance of applications, security of these, and governance and organization of the Group's Information Systems Area. • Review of controls of a general nature for the management of authorizations for access to financial information systems and controls in relation to personnel authorizations for the implementation of changes in computer processes. • Understanding key business processes, identification of automatic controls in them and validation. • Understanding and review of the process of generating manual accounting entries considered as risk. Extraction, validation of completeness and filtering of entries entered in the accounting. • Understanding and re-execution of some of the calculations made by the Group and considered to have the greatest impact, especially those corresponding to the accrual of interest on financial products (loans, credits and deposits) and of commissions received. In general terms, the results of our procedures have been satisfactory and no relevant aspects have been identified that could significantly affect the financial information included in the attached consolidated annual accounts.

Other information: Consolidated Director's report

The other information comprises exclusively the consolidated Director's report for the year 2017, the formulation of which is the responsibility of the Directors of the Parent Company and is not an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated director report. Our responsibility for the information contained in the consolidated director report is defined in the regulations governing the account auditing activity, which establishes two different levels of the same:

a) A specific level that is applicable to the status of non-financial information, as well as to certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) Of Law 22/2015, on Audit of Accounts, which consists in verifying only that the aforementioned information has been provided in the consolidated management report and, if not, to inform about it.

b) A general level applicable to the rest of the information included in the consolidated director's report, which consists of evaluating and reporting on the concordance of the aforementioned information with the consolidated annual accounts, based on the Group's knowledge obtained in the performance of the audit of the aforementioned accounts and without including information other than that obtained as evidence during the same, as well as evaluating and reporting whether the content and presentation of this part of the consolidated management report are in accordance with the regulations that result from application. If, based on the work we have done, we conclude that there are material inaccuracies, we are obliged to report it.

Based on the work done, as described in the previous paragraph, we have verified that the specific information mentioned in section a) above has been provided in the consolidated management report and the rest of the information contained in the consolidated management report agrees with the consolidated annual accounts for 2017 and its content and presentation are in accordance with the regulations that result from application

Responsibility of the Directors and the Audit and Control Committee for the consolidated annual accounts

The Directors of the Parent Company are responsible for preparing the accompanying consolidated financial statements, so as to give a true and fair view of the assets, financial position and consolidated results of the Banco Sabadell Group, in accordance with the IFRS-EU and other provisions of the financial reporting regulatory framework applicable to the Group in Spain, and of the internal control that they deem necessary to allow the preparation of consolidated annual accounts free of material misstatement, due to fraud or error.

In the preparation of the consolidated annual accounts, the Directors of the Parent Company are responsible for assessing the Group's ability to continue as a going concern, revealing, as appropriate, the issues related to the company in operation and using the accounting principle of operating company unless the aforementioned administrators intend to liquidate the Group or cease operations, or there is no other realistic alternative.

The Audit and Control Committee of the Parent Company is responsible for overseeing the process of preparing and presenting the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance that the consolidated annual accounts as a whole are free from material misstatement, due to fraud or error, and issue an audit report that contains our opinion.

Reasonable security is a high degree of security but does not guarantee that an audit conducted in accordance with the regulations governing the audit activity in force in Spain always detects material misstatement when it exists. The inaccuracies may be due to fraud or error and are considered material if, individually or in an aggregate manner, it can reasonably be expected to influence the economic decisions that users make based on the consolidated annual accounts.

As part of an audit in accordance with the regulations governing the current account auditing activity in Spain, we apply our professional judgment and maintain an attitude of professional skepticism throughout the audit. As well:

- We identify and assess the risks of material misstatement in the consolidated annual accounts, due to fraud or error, we design and apply audit procedures to respond to such risks and obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than in the case of a material misstatement due to error, since the fraud may involve collusion, falsification, deliberate omissions, intentionally erroneous statements, or circumvention of internal control.

- We obtain knowledge of the internal control relevant to the audit in order to design audit procedures that are appropriate to the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the internal control of the Banco Sabadell Group.

- We evaluate whether the accounting policies applied are adequate and the reasonableness of the accounting estimates and the corresponding information disclosed by the Directors of the Parent Company.

- We conclude on whether the use of the accounting principle of the operating company by the Directors of the Parent Company is adequate and, based on the audit evidence obtained, we conclude whether or not there is material uncertainty related to events or conditions that may generate significant doubts about the Group's ability to continue as a functioning company. If we conclude that there is material uncertainty, we are required to draw attention in our audit report to the corresponding information disclosed in the consolidated annual accounts or, if such disclosures are not adequate, that we express an amended opinion. Our conclusions are based on the audit evidence obtained to date from our audit report. However, future events or conditions may cause the Group to cease to be a functioning company.

- We evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosed information, and whether the consolidated annual accounts represent the underlying transactions and events in a way that manages to express the true image.

- We obtain sufficient and adequate evidence in relation to the financial information of the entities or business activities within the Banco Sabadell Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group's audit. We are solely responsible for our audit opinion.

We communicate with the Parent Company's Audit and Control Committee regarding, among other matters, the scope and timing of the planned audit and the significant findings of the audit, as well as any significant internal control deficiencies that we identified in the course of the audit.

We also provide the Parent Company's Audit and Control Committee with a statement that we have complied with the applicable ethical requirements, including those of independence, and we have communicated with it to report any issues that reasonably could pose a threat to our company independence and, where appropriate, the corresponding safeguards.

Among the issues that have been reported to the Parent Company's Audit and Control Committee, we determine those that have been of the greatest significance in the audit of the consolidated annual accounts of the current period and that are, consequently, the issues key to the audit.

We describe those issues in our audit report unless legal or regulatory provisions prohibit public disclosure of the matter.

Report on other legal and regulatory requirements

Report to the Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Group's Audit and Control Committee dated January 30, 2018.

Appointment period

The Ordinary General Shareholders' Meeting of the Company held on March 30, 2017 appointed us as auditors of the Group for the year ended December 31, 2017.

Previously, we were appointed by resolution of the General Shareholders' Meeting for a period of 35 years and we have audited the consolidated accounts continuously since the year ended the December 31, 1983.

Services provided

PricewaterhouseCoopers Auditores, SL, has lent to Banco de Sabadell, S.A., during the year 2017, with the prior approval of the Audit and Control Committee, services other than auditing, including the issuance of comfort letters, other regulatory reviews required by the auditor, as well as advisory services and regulatory compliance.

PricewaterhouseCoopers Auditores, S.L. (S0242)

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Raúl Ara Navarro (20210)

February 2, 2018