

Profit attributable to the Group

After deducting income tax and the part of profit corresponding to non-controlling interests, Group net profit amounted to €328.1 million in 2018, affected by the extraordinary migration and post-migration impacts at TSB and the extraordinary provisions for the Institute sale of portfolios. Excluding those impacts, net profit on a constant consolidation scope basis and at constant exchange rates increased by 9.6% year-on-year. Excluding TSB, the Group's attributable net profit amounted to €568.0 million in 2018. Excluding the extraordinary provisions for institutional sales of portfolios, profit increased by 2.0% year-on-year on a constant consolidation scope basis.

Attributable net profit in 2018

328.1 M€

Balance sheet

Outstanding lending increased due to good performance by the SME and large corporate segments in Spain, and to strong growth in Mexico.

The increase in customer funds on the balance sheet was driven by growth in demand accounts and in deposits with agreed maturity.

The decline in off-balance sheet funds was attributable mainly to mutual funds because of poor performance by the financial markets.

NPAs declined to 1.8% of total assets, with a coverage ratio of 52.1%.

The proforma CET1 ratio is 12.2% phased-in and 11.3% fully-loaded.

€M

	2017	2018	% 18/17
Cash and cash balances at central banks and other demand deposits	26,363	23,494	(10.9)
Financial assets held for trading	1,573	2,045	30.0
Financial assets not intended for trading, which are obligatorily measured at fair value through profit or loss	40	141	257.5
Financial assets at fair value through profit or loss	—	—	—
Financial assets at fair value through other comprehensive income	13,181	13,247	0.5
Financial assets at amortised cost	160,724	164,416	2.3
Debt securities	11,747	13,132	11.8
Loans and advances	148,977	151,284	1.5
Investments in joint ventures and associates	576	575	(0.1)
Tangible assets	3,827	2,498	(34.7)
Intangible assets	2,246	2,461	9.6
Other assets	12,821	13,445	4.9
Total assets	221,348	222,322	0.4
Financial liabilities held for trading	1,431	1,738	21.5
Financial liabilities at fair value through profit or loss	40	—	(100.0)
Financial liabilities at amortised cost	204,045	206,077	1.0
Deposits	177,326	179,878	1.4
Central banks	27,848	28,799	3.4
Credit institutions	14,171	12,000	(15.3)
Customers	135,307	139,079	2.8
Debt securities issued	23,788	22,599	(5.0)
Other financial liabilities	2,932	3,601	22.8
Provisions	318	466	46.9
Other liabilities	2,293	1,924	(16.1)
Total liabilities	208,127	210,205	1.0
Shareholders' equity	13,426	12,545	(6.6)
Accumulated other comprehensive income	(265)	(491)	85.2
Non-controlling interests	61	64	3.9
Equity	13,222	12,117	(8.4)
Total equity and total liabilities	221,348	222,322	0.4
Financial guarantees provided	1,983	2,041	2.9
Loan commitments provided	20,906	22,646	8.3
Other commitments provided	9,917	8,233	(17.0)
Total memorandum accounts	32,806	32,920	0.3

T6 Balance sheet

The EUR/GBP exchange rate used for the balance sheet is 0.8945 as of 31 December 2018.

Assets

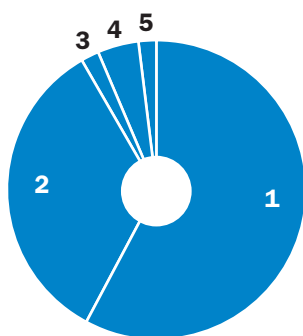
At the end of 2018, the total assets of Banco Sabadell and its Group amounted to €222,322 million (€176,14 million excluding TSB), compared with €221,348 million (€173,203 million excluding TSB) at the end of 2017.

T7 Loans and advances to customers

€M

	2017	2018	Change YoY (%)	Excl. TSB 2017	Excl. TSB 2018	Change YoY (%)
Mortgage loans & credit	84,267	80,872	(4.0)	52,259	49,833	(4.6)
Other secured loans & credit	2,315	2,767	19.5	2,315	2,766	19.5
Commercial loans	5,802	6,186	6.6	5,802	6,186	6.6
Leasing	2,316	2,565	10.7	2,316	2,565	10.7
Overdrafts and sundry accounts	42,822	46,976	9.7	39,427	44,383	12.6
Outstanding gross lending	137,522	139,366	1.3	102,119	105,732	3.5
Assets classified as stage 3	7,867	6,472	(17.7)	7,723	6,024	(22.0)
Accruals	(66)	(13)	(79.7)	(100)	(83)	(16.9)
Gross loans and advances to customers, excluding repos	145,323	145,824	0.3	109,742	111,673	1.8
Repos	2,001	596	(70.2)	2,001	596	(70.2)
Loans and advances to customers, gross	147,325	146,420	(0.6)	111,743	112,269	0.5
NPL and country-risk provisions	(3,727)	(3,433)	(7.9)	(3,646)	(3,211)	(11.9)
Loans and advances to customers	143,598	142,987	(0.4)	108,097	109,058	0.9

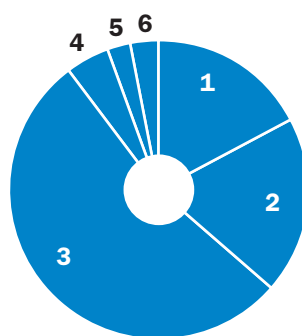
The EUR/GBP exchange rate used for the balance sheet is 0.8945 as of 31 December 2018.



G4
Loans and advances to customers, by product type
31.12.2018 (%) (*)

1	Mortgage loans & credit	58.0
2	Overdrafts and sundry accounts	33.7
3	Other secured loans & credit	2.0
4	Commercial loans	4.4
5	Leasing	1.9

(*) Excluding NPLs and accrual adjustments



G5
Loans and advances to customers, by customer profile
31.12.2018 (%) (*)

1	Companies	17.3
2	SMEs	19.3
3	Individuals	53.4
4	Public Sector	4.7
5	Real estate developers	2.4
6	Other	2.9

(*) Excluding NPLs and accrual adjustments

Gross loans and advances amounted to €139,366 million at 2018 year-end (€105,732 million excluding TSB), a 1.3% increase year-on-year (3.5% excluding TSB). The largest component of gross loans and receivables was mortgage loans, which amounted to €80,872 million as of 31 December 2018 and accounted for 58% of total gross loans and advances (T7) (G4 & G5).

The ratio of non-performing loans continues to fall, having reached 4.2% (5.0% excluding TSB).

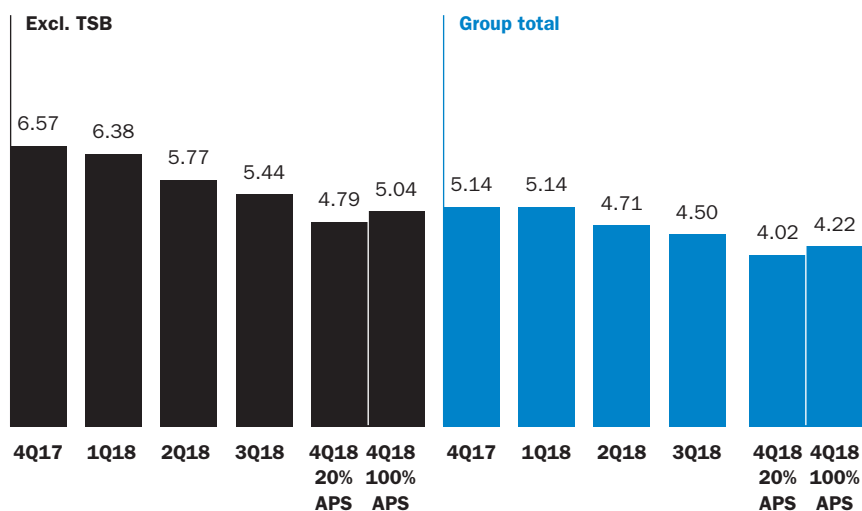
The Group's ratio of non-performing loans (G6 and T8) continues to decline due to the steady reduction in NPAs (NPLs and foreclosed properties). Additionally, the NPL coverage level is comfortable, standing at 54.1%, while coverage of foreclosed assets was 44.5% at 2018 year-end.

At the end of December 2018, the balance of the Banco Sabadell Group's exposures classified as stage 3 amounted to €6,554 million, having decreased by €1,689 million during the year.

The balance of foreclosed assets amounted to €1,726 million, having been reduced by €5,854 million in the year, including €5,800 million of institutional sales of portfolios, which were reclassified as non-current assets available for sale.

The balance of non-performing exposures at Group level stood at €8,279 million at 2018 year-end.

G6 NPL ratio (*) (%)



*Includes contingent exposures. In 4Q18, institutional portfolios were reclassified as non-current assets available for sale; accordingly, those assets are excluded from the data.

%

Excl. TSB	4Q17	1Q18	2Q18	3Q18	4Q18 20% APS	4Q18 100% APS
Real estate development and construction	21.37	19.80	17.66	16.16	12.81	15.68
Non-real-estate construction	6.87	7.17	6.42	5.58	5.63	5.68
Companies	3.33	3.53	3.12	2.60	2.32	2.32
SMEs and self-employed workers	8.09	7.88	7.40	7.05	6.26	6.48
Mortgage loans to individuals	6.88	6.50	6.04	5.89	5.52	5.82
NPL ratio	6.57	6.38	5.77	5.44	4.79	5.04

T8 Loan loss ratio, by segment

Includes contingent risks.

The quarter-on-quarter performance of these assets, excl. TSB, is shown in table T9.

€M

	2017				2018			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Assets classified as NPAs in the year	636	526	513	617	481	330	385	354
Recoveries (1)	(897)	(1,067)	(706)	(956)	(539)	(573)	(600)	(1,053)
Removed from consolidation scope (2)	—	—	(10)	—	—	—	—	—
Ordinary net increase in NPAs	(261)	(541)	(203)	(339)	(58)	(243)	(215)	(699)
Assets classified as NPAs in the year	312	304	148	254	294	176	129	209
Sold or otherwise derecognised (1) (3)	(379)	(355)	(302)	(1,624)	(271)	(419)	(264)	(5,706)
Change in real estate	(67)	(51)	(154)	(1,370)	23	(244)	(135)	(5,497)
Net increase in NPAs	(328)	(592)	(357)	(1,709)	(35)	(487)	(350)	(6,196)
Defaults	(178)	(61)	(152)	(66)	(216)	(268)	(187)	(106)
Quarterly change in NPLs and real estate	(506)	(653)	(509)	(1,775)	(251)	(755)	(538)	(6,302)

T9 NPL and real estate exposure excl. TSB

Net variations, including as a non-performing exposure the 20% of exposure retained since it was not transferred to the FGD.

(1) In 4Q18, €5,800 million of institutional portfolios were reclassified as non-current assets available for sale (€279 million of non-performing loans and €5,521 million of foreclosed assets).

(2) Removal of Sabadell United Bank (SUB) from the consolidation scope.

(3) In 4Q17, a new business line (Solvía Desarrollos Inmobiliarios) was created to focus on real estate development, with €1,252 million in assets under management.

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

€M

	2017				2018				
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	4Q
								20% APS	100% APS
Exposures classified as stage 3	9,307	8,703	8,345	7,925	7,898	7,386	7,036	6,236	6,554
Provisions	4,548	4,100	4,069	3,625	4,467	4,209	4,036	3,419	3,544
Stage 3 coverage ratio	53.1	51.0	51.4	48.3	56.6	57.0	57.4	54.8	54.1
Real estate assets	8,968	8,917	8,763	7,393	7,416	7,171	7,036	1,539	1,726
Provisions	4,299	4,264	4,746	3,998	3,979	3,991	3,932	691	767
Real estate coverage ratio (%)	47.9	47.8	54.2	54.1	53.7	55.7	55.9	44.9	44.5
Total NPAs	18,275	17,619	17,108	15,318	15,314	14,557	14,072	7,775	8,279
Provisions	8,847	8,364	8,814	7,623	8,446	8,200	7,968	4,111	4,311
NPA coverage ratio (%)	50.6	49.4	52.8	51.1	55.2	56.3	56.6	52.9	52.1

T10 Group coverage ratios

NOTE: Includes contingent exposures. In 4Q18, institutional portfolios were reclassified as non-current assets available for sale; accordingly, those assets are excluded from the data.

Non-performing assets coverage ratio

+52.1%

On-balance sheet customer funds

+4.0%

Off-balance sheet customer funds

-2.8%

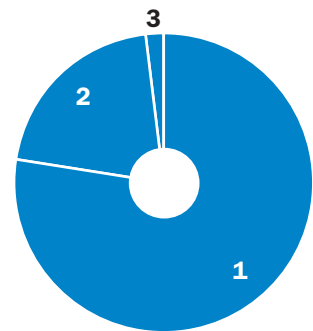
Liabilities

At the end of 2018, customer funds on the balance sheet amounted to €137,343 million (€104,859 million excluding TSB), compared with €132,096 million at the end of 2017 (€97,686 million excluding TSB), i.e. an increase of 4.0% (7.3% excluding TSB).

Off-balance sheet customer funds amounted to €44,034 million, a decline of -2.8% year-on-year. In particular, funds in collective investment institutions (CII) declined by -3.6% year-on-year to €26,379 million at 31 December 2018, mainly as a result of financial market performance, but this trend was offset by growth in brokered insurance, which rose 5.0% year-on-year to €10,465 million (T11 & G7).

The balance of demand accounts amounted to €107,665 million (€77,736 million euros excluding TSB), a 9.8% increase year-on-year (14.3% excluding TSB) (G8).

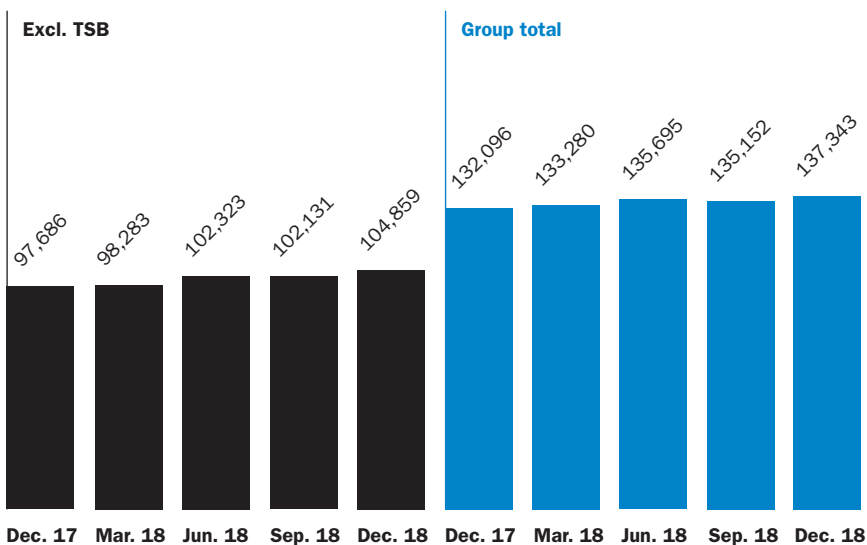
Outstanding debt securities (bonds and other negotiable securities and subordinated liabilities) amounted to €22,599 million at the end of 2018 (€20,889 million excluding TSB), compared with €23,788 million as of 31 December 2017 (€21,845 million excluding TSB).



G8
Customer deposits
31.12.2018 (en %)

1	Demand accounts	77.5
2	Deposits with agreed maturity	20.7
3	Repos	1.8

(*) Excluding accrual adjustments and hedging derivatives.



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

T11 Customer funds

€M

	2017	2018	Year-on-year change (%)	Excl. TSB 2017	Excl. TSB 2018	Year-on-year change (%)
On-balance sheet customer funds (*)	132,096	137,343	4.0	97,686	104,859	7.3
Customer deposits	135,307	139,079	2.8	99,277	105,353	6.1
Current and savings accounts	98,020	107,665	9.8	68,039	77,736	14.3
Deposits with agreed maturity	32,425	28,709	(11.5)	27,996	26,154	(6.6)
Repos	4,750	2,533	(46.7)	3,119	1,321	(57.7)
Accrual adjustments and hedging derivatives	113	172	52.3	123	142	15.7
Bonds and other tradable securities	21,250	19,568	(7.9)	19,764	18,313	(7.3)
Subordinated liabilities (**)	2,537	3,031	19.4	2,081	2,586	24.3
Funds on the balance sheet	159,095	161,678	1.6	121,122	126,251	4.2
Mutual funds	27,375	26,379	(3.6)	27,375	26,379	(3.6)
Equity funds	1,929	1,681	(12.9)	1,929	1,681	(12.9)
Balanced funds	6,490	6,469	(0.3)	6,490	6,469	(0.3)
Fixed-income funds	4,488	4,027	(10.3)	4,488	4,027	(10.3)
Guaranteed return funds	3,829	4,074	6.4	3,829	4,074	6.4
Real estate funds	125	115	(8.3)	125	115	(8.3)
Venture capital funds	38	46	21.1	38	46	21.1
Investment companies	2,192	1,886	(13.9)	2,192	1,886	(13.9)
UCITS sold but not managed	8,283	8,081	(2.4)	8,283	8,081	(2.4)
Asset management	3,999	3,595	(10.1)	3,999	3,595	(10.1)
Pension funds	3,987	3,594	(9.8)	3,987	3,594	(9.8)
Personal schemes	2,476	2,168	(12.4)	2,476	2,168	(12.4)
Companies	1,498	1,416	(5.5)	1,498	1,416	(5.5)
Collective schemes	13	11	(14.6)	13	11	(14.6)
Third-party insurance products	9,965	10,465	5.0	9,965	10,465	5.0
Off-balance sheet funds	45,325	44,034	(2.8)	45,325	44,034	(2.8)
Funds under management	204,420	205,711	0.6	166,447	170,285	2.3

(*) 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.

The EUR/GBP exchange rate used for the balance sheet is 0.8945 as of 31 December 2018.

Equity

At 2018 year-end, the Group's shareholders' equity amounted to €12,117 million (T12).

€M

	2017	2018	% 18/17
Shareholders' equity	13,426	12,545	(6.6)
Capital	703	703	—
Reserves	12,107	11,732	(3.1)
Other equity	32	35	9.2
Less: own shares	(106)	(143)	34.9
Profit attributable to the Group	801	328	(59.1)
Less: dividendos y retribuciones	(112)	(111)	(0.8)
Otro resultado global acumulado	(265)	(491)	85.2
Non-controlling interests	61	64	3.9
Equity	13,222	12,117	(8.4)

T12 Equity