

# Quarterly financial report

## Second quarter of 2018



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## Basis of presentation

The consolidated profit and loss accounts at the end of June 2018 and at 2017 year-end, together with the disclosures shown in this Financial Report, are presented in accordance with the accounting standards, principles and criteria defined in Note 1 to the Group's consolidated half-yearly accounts as at 30 June 2018.

Pursuant to the Guidelines on alternative performance measures published by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415es), a glossary has been included with the definitions and the reconciliation with the items presented in the financial statements of certain alternative financial measures used in this document. See Glossary of terms on performance measures.

# 1. Key figures

	Excl. TSB			Total group			
	30.06.17	30.06.18	Change (%)	30.06.17	30.06.18 <sup>(5)</sup>	Change (%)	
<b>Profit and loss account (€million)</b>							
Net interest income	(1)	1,306.1	1,323.5	1.3	1,810.9	1,810.1	0.0
Gross operating income	(1)	2,302.3	2,126.6	-7.6	2,884.0	2,631.0	-8.8
Pre-provisions income	(1)	1,285.0	1,076.0	-16.3	1,349.0	975.1	-27.7
Attributable net profit	(1)	354.5	317.7	-10.4	368.1	120.6	-67.2
<b>Balance sheet (€million)</b>							
Total assets		170,263	168,776	-0.9	217,458	215,935	-0.7
Performing gross loans		102,437	105,465	3.0	137,666	140,667	2.2
Gross loans to customers		110,842	112,702	1.7	146,266	148,382	1.4
On-balance sheet funds		118,074	121,908	3.2	154,838	158,162	2.1
Of which: Customer funds		98,260	102,323	4.1	132,323	135,695	2.5
Mutual funds		25,943	28,624	10.3	25,943	28,624	10.3
Pension funds and third-party insurance products		14,111	14,270	1.1	14,111	14,270	1.1
Funds under management		162,071	168,809	4.2	198,835	205,063	3.1
Net equity		--	--	--	13,073	12,070	-7.7
Shareholders' equity		--	--	--	13,188	12,476	-5.4
<b>Profitability and cost-to-income ratios (%)</b>							
ROA		--	--	--	0.38	0.09	
RORWA		--	--	--	0.98	0.23	
ROE	(2)	--	--	--	6.34	1.45	
ROTE		--	--	--	7.56	1.77	
Cost / income		42.32	43.80		51.33	57.11	
<b>Risk management</b>							
Non-performing exposures (€million)		8,541	6,997	-18.1	8,703	7,386	-15.1
Total problematic assets (€million)		17,458	14,168	-18.8	17,619	14,557	-17.4
NPL ratio (%)		6.95	5.77		5.49	4.71	
NPL coverage ratio (%)		47.1	57.2		47.1	57.0	
Problematic assets coverage (%)		47.5	56.4		47.5	56.3	
<b>Capital management</b>							
Risk weighted assets (RWA)		--	--	--	83,782	80,455	-4.0
Common Equity Tier 1 phase-in (%)		--	--	--	12.7	11.9	
Tier I phase-in (%)		--	--	--	13.1	13.4	
Total capital ratio phase-in (%)		--	--	--	14.9	15.0	
Leverage ratio phase-in (%)		--	--	--	4.95	5.06	
<b>Liquidity management</b>							
Loan-to-deposits ratio (%)		104.4	103.3		103.5	103.7	
<b>Share data (period end)</b>							
Number of shareholders		--	--	--	246,622	234,009	
Average number of shares (million)		--	--	--	5,574	5,574	
Share price (€)	(3)	--	--	--	1,779	1,436	
Market capitalisation (€million)		--	--	--	9,916	8,002	
Earnings per share (EPS) (€)	(4)	--	--	--	0.14	0.02	
Book value per share (€)		--	--	--	2.36	2.23	
TBV per share		--	--	--	1.99	1.81	
Price / Book value (times)		--	--	--	0.75	0.64	
Price / Earnings ratio (P/E) (times)		--	--	--	12.33	59.96	
<b>Other data</b>							
Branches		1,997	1,920		2,548	2,471	
Employees		17,940	17,778		26,384	25,915	

(1) For comparison purposes, 2017 figures are presented excluding Sabadell United Bank (hereinafter, SUB), Mediterráneo Vida and the TSB Mortgage Enhancement portfolio. See the P&L reported in "Income statement" section.

(2) ROE adjusted to reflect the amount of the Additional Tier I coupons, after tax, stands at 1.05%.

(3) Without adjusting historical values.

(4) Net profit adjusted to reflect the amount of the Additional Tier I coupons, after tax, recorded under own funds.

(5) The EURGBP exchange rate used for the income statement at 30.06.2018 is 0.8801. The exchange rate used for the balance sheet is 0.8861.

## 2. Summary

Figures presented on a like-for-like basis: <sup>(\*)</sup>

### Net interest income

Slight decline of net interest income in this quarter of -1.4%, impacted by TSB commercial actions which include the waiver of overdraft fees during the months of March, April and May and an increase in the Classic Plus account interest rate. Excluding TSB, 1.0% increase in net interest income, underpinned by strong volumes and resilient SME yields. Year-on-year and considering a constant exchange rate, net interest income growth to 0.8% and 1.3% excluding TSB.

Customer spread, excluding non-recurrent impacts mentioned before, stands at 2.77% and remains stable in the quarter.

### Net fees and commissions

Fees and commissions increased year-on-year considering a constant exchange rate to 6.3% (9.0% excluding TSB) driven by a strong performance in service and asset management fees. Quarter-on-quarter, growth of 2.5% (6.5% excluding TSB). Excluding the impact of the waiver of overdraft fees, growth of 7.0% year-on-year and 4.2% quarter-on-quarter.

### Operating expenses

Recurrent operating expenses showed a reduction of -2.3% on a quarter-on-quarter basis due to the completion of the TSB migration to the new technological platform. At the end of June 2018 they amounted to €-1,336.0 million, a year-on-year increase of 2.4%.

Non-recurrent costs in the year amounted to €-143.2 million, mainly due to TSB migration and post-migration costs.

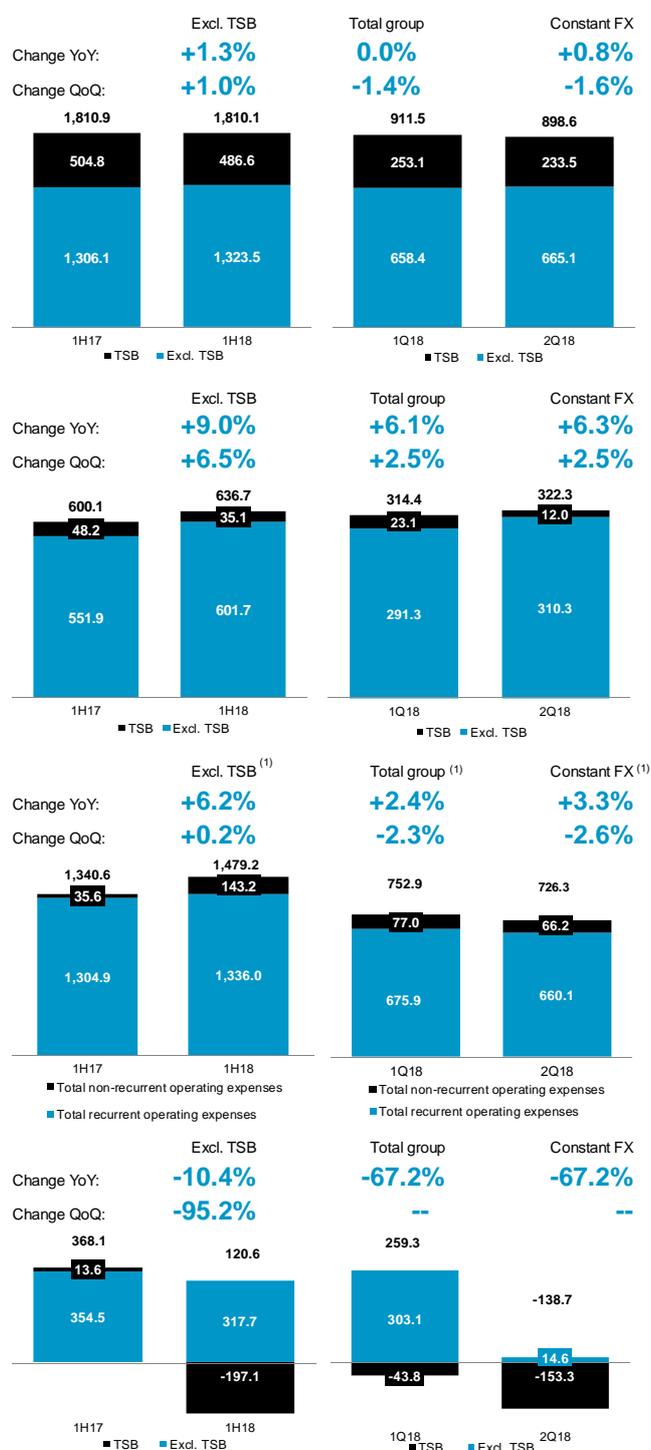
### Net profit of the Group

The Group's net profit reached €120.6 million (€317.7 million excluding TSB) at end June 2018. Excluding TSB migration and post-migration impacts and institutional NPA sales provisions, growth considering a constant exchange rate stood at 24.4% year-on-year.

Solid growth in the evolution of the Group's core banking business (net interest income + net fees and commissions) showed year-on-year growth of 3.6% considering a constant exchange rate, excluding TSB).

<sup>(\*)</sup> Excluding SUB, Mediterráneo Vida and the TSB Mortgage Enhancement portfolio.

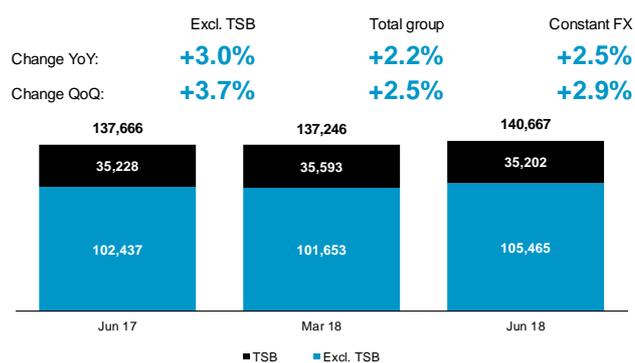
<sup>(1)</sup> Variation of total recurrent costs.



## Performing loans

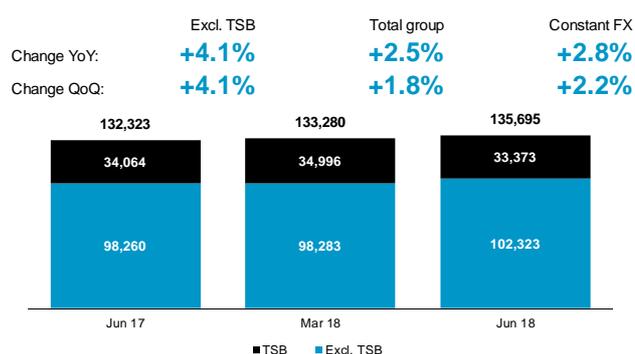
Performing loans grew by 2.5% (3.0% excluding TSB) on a year-on-year basis, considering a constant exchange rate (3.7% excluding TSB) in the quarter. Excluding the impact of the APS<sup>(1)</sup> run-off, growth considering a constant exchange rate reached 3.7% (4.6% excluding TSB) year-on-year and 2.9% (3.9% excluding TSB) in the quarter, driven by the solid performance of the SME segment and positive growth of mortgages to individuals in Spain.

At TSB, lending continued to increase in the quarter, considering a constant exchange rate, mainly due to growth in core mortgages.



## On-balance sheet customer funds

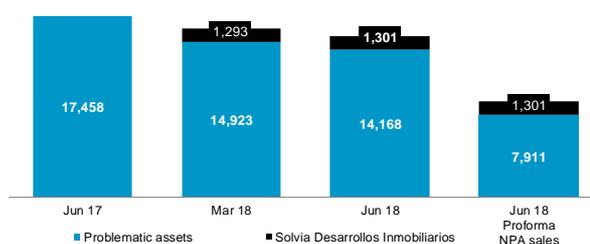
On-balance sheet customer funds grew at a constant exchange rate, reaching 2.8% (4.1% excluding TBS) on a year-on-year basis and 2.2% (4.1% excluding TSB) on a quarterly basis, driven by growth in sight accounts. Off-balance sheet funds increased by 1.2% in the quarter, mainly driven by mutual funds.



## Problematic assets

Organic NPAs reduction of €-775 million in the quarter (€-511M NPLs and €-244M foreclosed assets).

Considering the recently announced institutional NPA sales, problematic assets were reduced €-7,012 million in the quarter and €-9,547 million in the last 12 months.



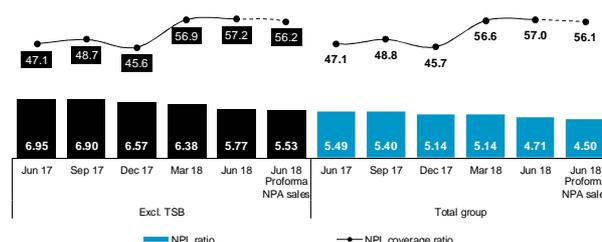
## NPL ratio and coverage

Strong reduction in Group NPL ratio to 4.71% (5.77% excluding TSB) and 4.50% (5.53% excluding TSB) considering the institutional NPA sales.

NPA coverage reached 56.3%, whereas the NPL coverage reached 57.0% and coverage of foreclosed assets reached 55.7%.

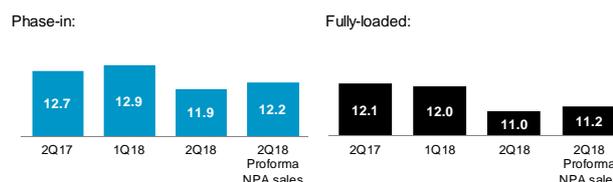
The net NPAs ratio to total assets stands at 2.9%.

Considering the institutional NPA sales, the ratio would stand at 1.7%.



## Capital ratio

The CET 1 phase-in ratio stands at 11.9% and the fully-loaded CET 1 ratio stands at 11.0% at the end of the second quarter of 2018. Post institutional NPA sales, the CET 1 phase-in stands at 12.2% and fully-loaded at 11.2%.



(1) 80% of total APS problematic exposure which risk is presented as performing and the receivables account.

## 3. Performance review

### Macroeconomic environment

#### Global economic, political and financial background

The political environment has captured the attention of international investors. In Italy, after an institutional crisis, a coalition government has been formed between the Five Star Movement and the League. Both have proposed expansionary budget measures and the renegotiation of tax rules imposed by Europe. In Spain, Pedro Sánchez, leader of the PSOE, won the motion of censure on the PP government. In terms of Brexit, negotiations for the United Kingdom's exit from the European Union are still blocked, as a feasible solution for both parties has still not been found on how to prevent a physical border in Ireland after Brexit. The domestic policy situation in the United Kingdom has become complicated, particularly due to the stances of members of the Conservative Party, which also make EU negotiations more difficult.

With respect to trade, the United States has increased the implementation of protectionist measures. After imposing steel and aluminium tariffs, Trump announced specific tariffs on strategic Chinese products, as well as future restrictions to Chinese investment in U.S. technology.

Europe gave the green light to the restructuring of Greek government debt, through the extension of maturities and a longer grace period for the interest and principal payments.

In terms of macroeconomic data, in the Euro Zone, GDP growth in 1Q18 moderated to 0.4% quarterly, partially influenced by one-off factors, such as bad weather. Economic sentiment indicators remain at high levels, which lends support to the continuity of the current expansionary cycle. Inflation rebounded significantly, affected by the increase in oil prices, and it is close to the target set by the central bank. In the U.S. the economy has shown very favourable dynamism, and inflation has shifted close to the Fed target.

#### Economic situation in Spain

The economy has continued to perform well, whilst economic sentiment indicators have reached levels which are compatible with the maintenance of solid growth. In this context, Bank of Spain estimates that the GDP growth rate seen in 1Q18 (0.7% quarterly) would be maintained in 2Q18.

In terms of the labour market, the unemployment rate (16.7% of the active population) is at levels similar to those seen in 2009, whilst Social Security affiliates have surpassed 19 million for the first time since September 2008. With regards to inflation, it has increased sharply, up to 2.3% in June, affected by the increase in fuel prices. Core inflation stands at 1.0% and still does not show a clear trend.

In terms of the real estate market, housing purchases have continued to show a high level of dynamism until May, whilst housing prices have continued to record noteworthy growth rates (1Q18: 6.2% year-on-year).

In terms of public accounts, subsequent to the definitive approval of General State Budgets for 2018, the change in

Government has led to the upwards review of 0.5 percentage points of the public deficit targets for 2018 and 2019, up to 2.7% and 1.8% of GDP, respectively. The socialist Prime Minister has also announced his intentions to introduce new taxes and changes to existing ones, including a banking tax to help absorb pension payment costs, matching diesel taxes with petrol taxes, a levy on large technology companies and the introduction of a minimum corporate income tax rate for large companies.

#### Economic situation in the United Kingdom

Activity indicators show that GDP could have shown more dynamism in 2Q18 than in the previous quarter (0.2% quarterly), confirming that GDP has been affected by the cold weather. In particular, indicators in the retail trade sector stand out positively.

With regard to the labour market, the unemployment rate remained at minimum levels of the last 42 years (4.2%) and salaries in real terms have now accumulated four consecutive months of positive growth, after a year of declines.

Inflation has remained above the target set by Bank of England, in spite of the fact that it has been subdued during the quarter, reaching 2.4% year-on-year. Core inflation has slowed to 1.9% year-on-year in June.

Housing prices continue to show a slow decline in their growth (1.8% year-on-year, vs. 2.6% in June 2017), which largely derives from Brexit uncertainty.

In terms of the foreign sector, the United Kingdom recorded a current account deficit in 1Q18, amounting to 3.4% of GDP, representing the lowest deficit since 1Q17.

#### Economic situation in Latin America

In Mexico, the economy is being affected by political uncertainty related to NAFTA renegotiations and domestic policy. Furthermore, instability in markets in the country has increased due to the increase in global risk aversion relating to fears over protectionist measures, Fed interest rate hikes and structural weaknesses in some emerging countries. This led the central bank of Mexico to hike the office interest rate, once again, to 7.75%, in spite of the moderation in inflation.

In South America, the economic evolution has been negative in Brazil, where the transport strike in May significantly affected activity, whilst also causing inflation to rebound. Furthermore, electoral uncertainty has increased in the lead-up to the elections which shall be held in October. In this context, the central bank of Brazil has been forced to end the cycle of cuts to the official rate. In the rest of the region economic evolution has shown an improvement in Colombia, Peru and Chile, in an environment of increased political certainty. In Colombia, the right-wing victory of Iván Duque in presidential elections in June stood out, interpreted by financial markets as favourable in terms of the direction of future economic policies.

## Fixed-income markets

Central banks of the main developed economies have continued to take steps towards the normalisation of their monetary policies. The Federal Reserve of the United States, in its June meeting, increased the benchmark rate by 25 bp again, up to 1.75%-2.00%, and expects the official rate to be above the neutral rate at the end of 2019. In spite of concerns over the protectionist environment, the Fed continues to consider that the U.S. economy shows significant strength. With regards to the ECB, in its June meeting, indicated the end of its asset purchase programme in December 2018. In any case, the ECB showed an accommodating tone and indicated that it would maintain interest rates at current levels until at least summer 2019. Lastly, the Bank of England showed a hawkish tone in its June meeting and left the doors open to an increase in the benchmark interest rate ahead of its August meeting.

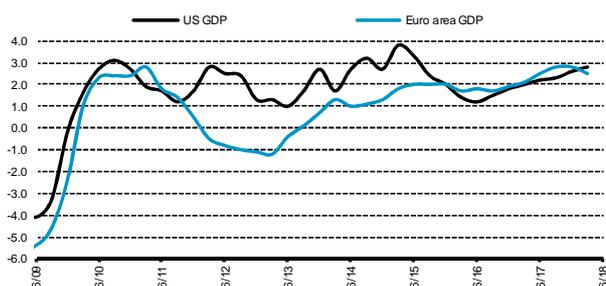
The profitability of U.S. government debt has ended the quarter at levels higher than in the previous quarter, in spite of trade tensions, as its impact has been offset by the

economic effects of expansionary fiscal policy and the upward trend of price indicators. Yields on long term government debt in Germany declined in the quarter, reaching levels which had not been since mid-2017. The decline was influenced, in addition to trade tensions at a global level, by the Italian political crisis and the accommodating tone of the ECB in its June meeting. With regards to the periphery, a significant rebound was noted in risk premiums, particularly the Italian risk premium, which reached levels not observed since 2013. This was conditioned by political tension in Italy.

## Equity markets

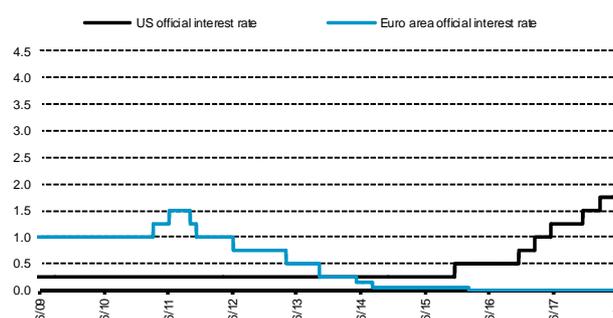
The Nikkei in Japan has topped earnings during the quarter, with a +4.0% increase in yen and +5.2% in euros. The S&P 500 has followed it, with a +2.9% increase in dollars and +8.4% in euros. With regards to European stock changes, there have been general increases with Euro STOXX 50 increasing by +1.0%, CAC +3.0% and DAX +1.7%, whilst the IBEX 35 has barely grown (+0.2%). The Italian stock exchange, MIB, fell by -3.5% due to the political situation in Italy.

**GDO – USA vs. Euro area** (year-on-year change, %)



Source: Bloomberg

**Official interest rate – USA vs. Euro zone** (%)



## Exchange rates: Parity vs. euros

Fx	30.06.17	30.09.17	31.12.17	31.03.18	30.06.18
USD	1.1412	1.1806	1.1993	1.2321	1.1658
GBP	0.8793	0.8818	0.8872	0.8749	0.8861
MXN	20.5839	21.4614	23.6612	22.5249	22.8817

Source: Bank of Spain

## Income statement

### Highlights

The Group's net profit reached €120.6 million (€317.7 million excluding TSB) at the end of June 2018.

This quarter it has been impacted by €-203.1 million due to TSB post-migration costs, of which €-30.4 million affect net interest income and €-5.5 million in fees and commissions due to commercial actions which included the waiver of overdraft fees during the months of March, April and May and an increase in the Classic Plus account interest rate, €-39,8 million affect other operating income/expenses due to losses from fraud, €-35.0 million affect operating expenses due to the costs of specialists, customer communications and other resources, and €-92.4 million affect provisions for future customer redress.

Additionally, the group net profit is also impacted by the contribution of €-49.7 million to the Single Resolution Fund (SRF), €-22.6 million to additional IT migration costs and €-177.1 million in provisions due to institutional NPA sales.

Excluding TSB migration and post-migration impacts and institutional NPA sales provisions, growth on a like-for-like basis and considering a constant exchange rate stands at 24.4% year-on-year.

### Profit and loss account - Reported

(€ million)	Excl. TSB			Total group			
	1H17	1H18	Change (%) YoY	1H17	1H18 <sup>(1)</sup>	Change (%) YoY	Change (%) at constant FX
<b>Net interest income</b>	<b>1,413.8</b>	<b>1,323.5</b>	<b>-6.4</b>	<b>1,936.9</b>	<b>1,810.1</b>	<b>-6.5</b>	<b>-5.6</b>
Income from equity method and dividends	36.1	36.7	1.7	36.1	36.7	1.7	1.8
Net fees and commissions	556.1	601.7	8.2	603.0	636.7	5.6	5.9
Results from financial transactions (net)	455.9	214.8	-52.9	545.4	239.5	-56.1	-56.0
Foreign exchange (net)	4.9	5.2	6.5	4.9	6.3	28.6	25.6
Other operating income/expense	-75.9	-55.3	-27.1	-82.9	-98.4	18.7	19.8
<b>Gross operating income</b>	<b>2,390.9</b>	<b>2,126.6</b>	<b>-11.1</b>	<b>3,043.4</b>	<b>2,631.0</b>	<b>-13.6</b>	<b>-13.0</b>
Personnel expenses	-594.3	-587.9	-1.1	-790.9	-798.6	1.0	1.8
Non-recurrent	-5.2	-7.5	44.9	-12.8	-21.3	66.9	69.6
Recurrent	-589.1	-580.4	-1.5	-778.1	-777.3	-0.1	0.7
Other general expenses	-301.6	-325.6	7.9	-587.4	-680.6	15.9	17.5
Non-recurrent	0.0	0.0	--	-23.1	-121.9	427.2	440.4
Recurrent	-301.6	-325.6	7.9	-564.3	-558.7	-1.0	0.4
Amortization & depreciation	-162.1	-137.1	-15.4	-197.4	-176.6	-10.5	-10.0
<b>Pre-provisions income</b>	<b>1,332.9</b>	<b>1,076.0</b>	<b>-19.3</b>	<b>1,467.7</b>	<b>975.1</b>	<b>-33.6</b>	<b>-33.4</b>
Provisions for NPLs	-525.0	-372.4	-29.1	-569.3	-419.9	-26.2	-26.1
Other financial assets	-43.3	0.8	--	-43.3	-91.2	110.6	110.6
Other impairments	-238.4	-295.2	23.8	-238.4	-295.2	23.8	23.8
Gains on sale of assets and other results	11.3	3.2	-71.5	17.6	4.0	-77.4	-77.2
Badwill	0.0	0.0	--	0.0	0.0	--	--
<b>Profit before tax</b>	<b>537.5</b>	<b>412.4</b>	<b>-23.3</b>	<b>634.4</b>	<b>172.9</b>	<b>-72.7</b>	<b>-72.6</b>
Income tax	-150.6	-90.8	-39.7	-182.2	-48.5	-73.4	-73.1
<b>Consolidated net profit</b>	<b>386.9</b>	<b>321.5</b>	<b>-16.9</b>	<b>452.2</b>	<b>124.4</b>	<b>-72.5</b>	<b>-72.4</b>
Minority interest	1.6	3.8	139.5	1.6	3.8	139.5	139.5
<b>Attributable net profit</b>	<b>385.3</b>	<b>317.7</b>	<b>-17.5</b>	<b>450.6</b>	<b>120.6</b>	<b>-73.2</b>	<b>-73.1</b>
Pro memoria:							
Average total assets (€ million)	169,519	169,386		215,406	216,960		
Earnings per share (€)	(2) 0.06	0.05		0.07	0.01		

(1) The EURGBP exchange rate used for the income statement is 0.8801.

(2) Net profit adjusted to reflect the amount of the Additional Tier I coupons, after tax, recorded under equity. Accumulated at the end of each quarter, not annualised.

**Profit and loss account - Like-for-like basis**

(€ million)	Excl. TSB			Total group			
	1H17	1H18	Change (%) YoY	1H17	<sup>(1)</sup> 1H18	Change (%) YoY	Change (%) at constant FX
<b>Net interest income</b>	<b>1,306.1</b>	<b>1,323.5</b>	<b>1.3</b>	<b>1,810.9</b>	<b>1,810.1</b>	<b>0.0</b>	<b>0.8</b>
Income from equity method and dividends	35.5	36.7	3.3	35.5	36.7	3.3	3.4
Net fees and commissions	551.9	601.7	9.0	600.1	636.7	6.1	6.3
Results from financial transactions (net)	454.0	214.8	-52.7	489.6	239.5	-51.1	-51.0
Foreign exchange (net)	4.9	5.2	6.5	4.9	6.3	28.6	25.6
Other operating income/expense	-50.0	-55.3	10.6	-57.0	-98.4	72.6	75.0
<b>Gross operating income</b>	<b>2,302.3</b>	<b>2,126.6</b>	<b>-7.6</b>	<b>2,884.0</b>	<b>2,631.0</b>	<b>-8.8</b>	<b>-8.3</b>
Personnel expenses	-569.7	-587.9	3.2	-766.3	-798.6	4.2	4.9
Non-recurrent	-4.9	-7.5	53.1	-12.5	-21.3	70.6	73.2
Recurrent	-564.7	-580.4	2.8	-753.8	-777.3	3.1	3.8
Other general expenses	-288.5	-325.6	12.9	-574.3	-680.6	18.5	20.1
Non-recurrent	0.0	0.0	--	-23.1	-121.9	427.2	440.4
Recurrent	-288.5	-325.6	12.9	-551.2	-558.7	1.4	2.6
Amortization & depreciation	-159.2	-137.1	-13.9	-194.4	-176.6	-9.2	-8.8
<b>Pre-provisions income</b>	<b>1,285.0</b>	<b>1,076.0</b>	<b>-16.3</b>	<b>1,349.0</b>	<b>975.1</b>	<b>-27.7</b>	<b>-27.6</b>
Provisions for NPLs	-526.6	-372.4	-29.3	-570.9	-419.9	-26.5	-26.1
Other financial assets	-43.3	0.8	--	-43.3	-91.2	110.7	102.9
Other impairments	-238.5	-295.2	23.8	-238.5	-295.2	23.8	23.8
Gains on sale of assets and other results	11.3	3.2	-71.7	17.7	4.0	--	-77.3
Badw ill	0.0	0.0	--	0.0	0.0	--	--
<b>Profit before tax</b>	<b>487.9</b>	<b>412.4</b>	<b>-15.5</b>	<b>514.0</b>	<b>172.9</b>	<b>-66.4</b>	<b>-66.3</b>
Income tax	-131.8	-90.8	-31.1	-144.3	-48.5	-66.4	-66.3
<b>Consolidated net profit</b>	<b>356.1</b>	<b>321.5</b>	<b>-9.7</b>	<b>369.7</b>	<b>124.4</b>	<b>-66.4</b>	<b>-66.3</b>
Minority interest	1.6	3.8	139.5	1.6	3.8	139.5	139.5
<b>Attributable net profit</b>	<b>354.5</b>	<b>317.7</b>	<b>-10.4</b>	<b>368.1</b>	<b>120.6</b>	<b>-67.2</b>	<b>-67.2</b>

(1) The EURGBP exchange rate used for the income statement is 0.8801.

## Quarterly profit and loss account - Reported

(€million)	Excl. TSB						Total group						
	2Q17	3Q17	4Q17	1Q18	2Q18	Change (%) 1Q18	2Q17	3Q17	4Q17	1Q18	2Q18	Change (%) 1Q18 constant FX	Change (%) 1Q18 constant FX
<b>Net interest income</b>	<b>711.4</b>	<b>687.7</b>	<b>667.3</b>	<b>658.4</b>	<b>665.1</b>	<b>1.0</b>	<b>974.5</b>	<b>940.9</b>	<b>924.6</b>	<b>911.5</b>	<b>898.6</b>	<b>-1.4</b>	<b>-1.6</b>
Income from equity method and dividends	19.7	267.7	12.0	12.8	23.9	87.3	19.7	267.7	12.2	12.9	23.8	85.4	85.4
Net fees and commissions	284.7	276.7	295.0	291.3	310.3	6.5	306.3	301.5	319.0	314.4	322.3	2.5	2.5
Results from financial transactions (net)	114.0	28.5	20.1	215.3	-0.5	--	124.4	35.0	33.7	222.5	17.1	-92.3	-92.4
Foreign exchange (net)	3.8	2.3	13	3.5	17	-50.1	3.8	2.3	13	3.5	2.8	-19.0	-19.6
Other operating income/expense	-48.9	-4.4	-131.0	-7.0	-48.3	--	-53.3	-7.6	-136.5	-9.7	-88.7	--	--
<b>Gross operating income</b>	<b>1,084.6</b>	<b>1,258.5</b>	<b>864.6</b>	<b>1,174.3</b>	<b>952.3</b>	<b>-18.9</b>	<b>1,443.4</b>	<b>1,539.7</b>	<b>1,154.1</b>	<b>1,455.1</b>	<b>1,175.9</b>	<b>-19.2</b>	<b>-19.3</b>
Personnel expenses	-296.2	-295.1	-289.5	-293.5	-294.5	0.3	-396.0	-390.1	-392.6	-389.5	-409.1	5.0	4.9
Non-recurrent	-17	-16	-9.0	-3.3	-4.3	30.8	-5.8	-5.0	-8.9	-5.9	-15.4	160.6	160.2
Recurrent	-294.5	-293.5	-280.5	-290.2	-290.2	0.0	-390.2	-385.1	-383.7	-383.6	-393.7	2.6	2.5
Other general expenses	-150.6	-149.6	-163.5	-162.4	-163.2	0.5	-294.4	-276.7	-285.2	-363.4	-317.2	-12.7	-13.0
Non-recurrent	0.0	0.0	0.0	0.0	0.0	--	-12.3	-6.2	-3.4	-71.1	-50.8	-28.5	-28.6
Recurrent	-150.6	-149.6	-163.5	-162.4	-163.2	0.5	-282.1	-270.5	-281.9	-292.3	-266.4	-8.9	-9.2
Amortization & depreciation	-79.2	-83.1	-84.4	-69.4	-67.7	-2.5	-96.8	-103.0	-101.9	-87.1	-89.5	2.7	2.6
<b>Pre-provisions income</b>	<b>558.7</b>	<b>730.7</b>	<b>327.2</b>	<b>649.0</b>	<b>426.9</b>	<b>-34.2</b>	<b>656.2</b>	<b>770.0</b>	<b>374.4</b>	<b>615.1</b>	<b>360.1</b>	<b>-41.5</b>	<b>-41.5</b>
Provisions for NPLs	-159.9	-456.4	-99.2	-173.4	-199.0	14.8	-180.3	-477.5	-122.7	-196.6	-223.2	13.5	13.4
Other financial assets	-39.8	-3.2	-9.3	-19	2.7	--	-39.8	-3.2	-9.3	-19	-89.3	--	--
Other impairments	-120.3	-636.2	-96.6	-46.2	-249.0	438.6	-120.3	-636.2	-96.6	-46.2	-249.0	438.6	438.6
Gains on sale of assets and other results	17.0	366.7	48.0	-1.1	4.3	--	16.0	366.4	48.6	-0.6	4.6	--	--
Badwill	0.0	0.0	0.0	0.0	0.0	--	0.0	0.0	0.0	0.0	0.0	--	--
<b>Profit before tax</b>	<b>255.7</b>	<b>1.5</b>	<b>170.2</b>	<b>426.5</b>	<b>-14.1</b>	<b>--</b>	<b>331.8</b>	<b>19.4</b>	<b>194.4</b>	<b>369.7</b>	<b>-196.8</b>	<b>--</b>	<b>--</b>
Income tax	-74.4	192.5	-36.1	-121.9	31.1	--	-97.4	183.9	-44.7	-108.9	60.4	--	--
<b>Consolidated net profit</b>	<b>181.2</b>	<b>194.0</b>	<b>134.0</b>	<b>304.5</b>	<b>17.0</b>	<b>-94.4</b>	<b>234.4</b>	<b>203.3</b>	<b>149.7</b>	<b>260.7</b>	<b>-136.4</b>	<b>--</b>	<b>--</b>
Minority interest	-0.2	0.1	2.0	15	2.3	59.8	-0.2	0.1	2.0	15	2.3	59.8	59.8
<b>Attributable net profit</b>	<b>181.4</b>	<b>193.9</b>	<b>132.0</b>	<b>303.1</b>	<b>14.6</b>	<b>-95.2</b>	<b>234.5</b>	<b>203.2</b>	<b>147.7</b>	<b>259.3</b>	<b>-138.7</b>	<b>--</b>	<b>--</b>
Pro memoria:													
Average total assets (€million)	172,682	167,289	167,380	168,982	169,785		219,082	212,630	214,017	216,880	217,039		
Earnings per share (€)	(2) 0.06	0.09	0.12	0.05	0.05		0.07	0.10	0.14	0.04	0.01		

(1) The EURGBP exchange rate used for this quarter's income statement is 0.8767.

(2) Net profit adjusted to reflect the amount of the Additional Tier 1 coupons, after tax, recorded under own funds. Accumulated at the end of each quarter, not annualised.

## Quarterly income statement - Like-for-like basis

(€million)	Excl. TSB						Total group						
	2Q17	3Q17	4Q17	1Q18	2Q18	Change (%) 1Q18	2Q17	3Q17	4Q17	1Q18	2Q18	Change (%) 1Q18 constant FX	Change (%) 1Q18 constant FX
<b>Net interest income</b>	<b>660.1</b>	<b>674.3</b>	<b>667.3</b>	<b>658.4</b>	<b>665.1</b>	<b>1.0</b>	<b>916.6</b>	<b>927.4</b>	<b>924.6</b>	<b>911.5</b>	<b>898.6</b>	<b>-1.4</b>	<b>-1.6</b>
Income from equity method and dividends	19.3	267.6	12.0	12.8	23.9	87.3	19.3	267.6	12.2	12.9	23.8	85.4	85.4
Net fees and commissions	282.6	276.1	295.0	291.3	310.3	6.5	304.8	300.8	319.0	314.4	322.3	2.5	2.5
Results from financial transactions (net)	12.7	28.4	20.1	215.3	-0.5	--	13.3	34.9	33.7	222.5	17.1	-92.3	-92.4
Foreign exchange (net)	3.8	2.3	13	3.5	17	-50.1	3.8	2.3	13	3.5	2.8	-19.0	-19.6
Other operating income/expense	-38.4	16	-131.0	-7.0	-48.3	--	-42.8	-16	-136.5	-9.7	-88.7	--	--
<b>Gross operating income</b>	<b>1,040.0</b>	<b>1,250.3</b>	<b>864.6</b>	<b>1,174.3</b>	<b>952.3</b>	<b>-18.9</b>	<b>1,338.9</b>	<b>1,531.5</b>	<b>1,154.1</b>	<b>1,455.1</b>	<b>1,175.9</b>	<b>-19.2</b>	<b>-19.3</b>
Personnel expenses	-284.6	-291.7	-289.5	-293.5	-294.5	0.3	-384.4	-386.7	-392.6	-389.5	-409.1	5.0	4.9
Non-recurrent	-17	-16	-9.0	-3.3	-4.3	30.8	-5.8	-5.0	-8.9	-5.9	-15.4	160.6	160.2
Recurrent	-282.9	-290.1	-280.5	-290.2	-290.2	0.0	-378.6	-381.7	-383.7	-383.6	-393.7	2.6	2.5
Other general expenses	-144.2	-148.6	-163.5	-162.4	-163.2	0.5	-288.0	-275.7	-285.2	-363.4	-317.2	-12.7	-13.0
Non-recurrent	0.0	0.0	0.0	0.0	0.0	--	-12.3	-6.2	-3.4	-71.1	-50.8	-28.5	-28.6
Recurrent	-144.2	-148.6	-163.5	-162.4	-163.2	0.5	-275.8	-269.5	-281.9	-292.3	-266.4	-8.9	-9.2
Amortization & depreciation	-77.7	-82.6	-84.4	-69.4	-67.7	-2.5	-95.3	-102.5	-101.9	-87.1	-89.5	2.7	2.6
<b>Pre-provisions income</b>	<b>533.4</b>	<b>727.3</b>	<b>327.2</b>	<b>649.0</b>	<b>426.9</b>	<b>-34.2</b>	<b>571.1</b>	<b>766.6</b>	<b>374.4</b>	<b>615.1</b>	<b>360.1</b>	<b>-41.5</b>	<b>-41.5</b>
Provisions for NPLs	-163.8	-455.5	-99.2	-173.4	-199.0	14.8	-184.1	-476.5	-122.7	-196.6	-223.2	13.5	13.4
Other financial assets	-39.8	-3.2	-9.3	-19	2.7	--	-39.8	-3.2	-9.3	-19	-89.3	--	--
Other impairments	-120.4	-636.5	-96.6	-46.2	-249.0	438.6	-120.4	-636.5	-96.6	-46.2	-249.0	438.6	438.6
Gains on sale of assets and other results	17.1	366.7	48.0	-1.1	4.3	--	16.0	366.4	48.6	-0.6	4.6	--	--
Badwill	0.0	0.0	0.0	0.0	0.0	--	0.0	0.0	0.0	0.0	0.0	--	--
<b>Profit before tax</b>	<b>226.5</b>	<b>-1.3</b>	<b>170.2</b>	<b>426.5</b>	<b>-14.1</b>	<b>--</b>	<b>242.8</b>	<b>16.7</b>	<b>194.4</b>	<b>369.7</b>	<b>-196.8</b>	<b>--</b>	<b>--</b>
Income tax	-63.4	193.3	-36.1	-121.9	31.1	--	-70.3	184.7	-44.7	-108.9	60.4	--	--
<b>Consolidated net profit</b>	<b>163.0</b>	<b>192.1</b>	<b>134.0</b>	<b>304.5</b>	<b>17.0</b>	<b>-94.4</b>	<b>172.5</b>	<b>201.3</b>	<b>149.7</b>	<b>260.7</b>	<b>-136.4</b>	<b>--</b>	<b>--</b>
Minority interest	-0.2	0.1	2.0	15	2.3	59.8	-0.2	0.1	2.0	15	2.3	59.8	59.8
<b>Attributable net profit</b>	<b>163.2</b>	<b>192.0</b>	<b>132.0</b>	<b>303.1</b>	<b>14.6</b>	<b>-95.2</b>	<b>172.7</b>	<b>201.2</b>	<b>147.7</b>	<b>259.3</b>	<b>-138.7</b>	<b>--</b>	<b>--</b>

(1) The EURGBP exchange rate used for this quarter's income statement is 0.8767.

### Net interest income:

Net interest income amounts to €1,810.1 million at the end of June 2018, representing a decline of -6.5% year-on-year and -1.4% in the quarter. On a like-for-like basis and considering a constant exchange rate, year-on-year growth amounts to 0.8%.

Excluding TSB, net interest income amounts to €1,323.5 million at end June 2018, representing a year-on-year decline of -6.4% (1.3% growth on a like-for-like basis). In the quarter, net interest income grew by 1.0%, underpinned by strong volumes and resilient SME yields.

TSB's net interest income amounts to €486.6 million with a decline of -7.0% (-1.2% on a like-for-like basis and considering a constant exchange rate) year-on-year and a -7.8% quarter-on-quarter decline due to commercial actions which include the waiver of overdraft fees during the months of March, April and May, and the increase in the Classic Plus account interest rate, amounting to €30.4 million.

### Customer spread:

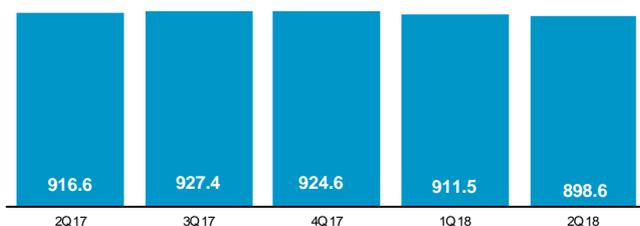
Customer spread stands at 2.68%. Excluding non-recurrent impacts, it stands at 2.77% and remains stable in the quarter due to the ability to defend pricing.

NIM as a percentage of average of total assets amount to 1.66%. Excluding post-TSB migration impacts, this item stands at 1.72% (1.70% in the previous quarter).

Excluding TSB, customer spread at the end of the quarter amounts to 2.72% (2.74% in the previous quarter) and net interest margin over total assets amounts to 1.57% (1.58% in the previous quarter) remaining stable despite strong liquidity levels and negative rates pressure.

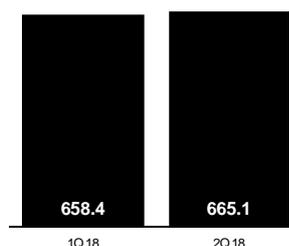
### Evolution of net interest income - Like-for-like basis

Total group (€ millions)



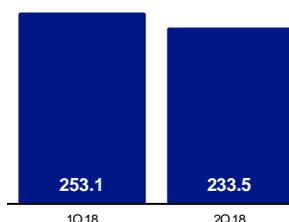
	Total group	Constant FX
Change YoY:	<b>0.0%</b>	<b>+0.8%</b>
Change QoQ:	<b>-1.4%</b>	<b>-1.6%</b>

Sabadell ex - TSB (€ millions)



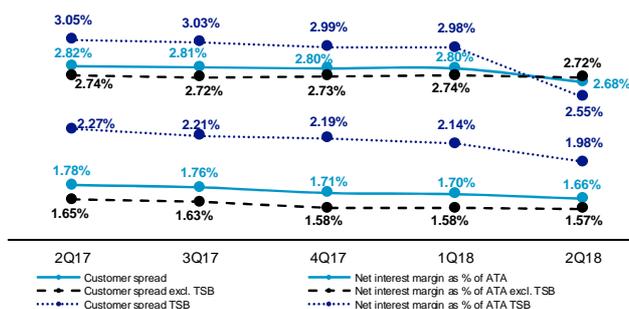
Change QoQ:	<b>+1.0%</b>
Change YoY:	<b>+1.3%</b>

TSB (€ millions)

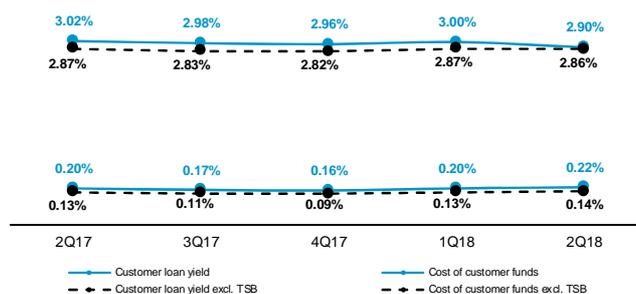


Change QoQ:	<b>-7.8%</b> <i>in GBP</i>
Change YoY:	<b>-3.6%</b> <i>in GBP</i>

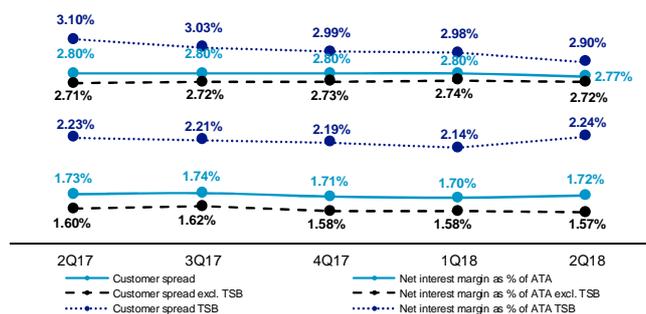
### Net interest income (%)



### Customer spread (%)



### Net interest income - Like-for-like basis (ex one-offs) (%)



### Customer spread – Like-for-like basis (ex one-offs) (%)



## Gains and charges in the quarter

### Total Group

2018 (€million)	1st Quarter			2nd Quarter (1)			3rd Quarter			4th Quarter		
	Avg.e.balance	Rate %	Results	Avg.e.balance	Rate %	Results	Avg.e.balance	Rate %	Results	Avg.e.balance	Rate %	Results
Cash and cash equivalent (2)	29,544	0.01	1	28,180	0.01	1						
Loans to customers (net)	133,924	3.00	992	135,992	2.90	983						
Fixed-income securities	25,407	1.49	93	26,158	1.49	97						
Equity securities	989	--	--	1,021	--	--						
Tang. & intang. assets	3,874	--	--	4,061	--	--						
Other assets	23,142	0.77	44	21,625	1.11	60						
<b>Total assets</b>	<b>216,880</b>	<b>2.11</b>	<b>1,129</b>	<b>217,039</b>	<b>2.11</b>	<b>1,141</b>						
Financial institutions (3)	3,188	-0.11	-9	32,137	-0.09	-7						
Customer deposits (4)	138,805	-0.20	-69	140,271	-0.22	-76						
Capital markets	25,588	-1.41	-89	25,005	-1.37	-85						
Other liabilities	7,848	-2.64	-51	7,327	-4.04	-74						
Shareholders' equity	12,757	--	--	12,299	--	--						
<b>Total funds</b>	<b>216,880</b>	<b>-0.41</b>	<b>-218</b>	<b>217,039</b>	<b>-0.45</b>	<b>-242</b>						
<b>Net interest income</b>			<b>912</b>			<b>899</b>						
<b>Customer spread</b>		<b>2.80</b>			<b>2.68</b>							
<b>Net interest margin as % of ATA</b>		<b>1.70</b>			<b>1.66</b>							

2017 (€million)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.e.balance	Rate %	Results									
Cash and cash equivalent (2)	12,712	0.05	2	18,198	-0.01	-1	19,408	-0.03	-1	23,602	0.05	3
Loans to customers (net)	138,670	3.02	1,034	139,176	3.02	1,049	135,288	2.98	1,015	134,680	2.96	1,004
Fixed-income securities	29,763	2.15	158	31,800	1.59	126	28,417	1.59	114	25,310	1.51	96
Equity securities	983	--	--	911	--	--	1,328	--	--	1,091	--	--
Tang. & intang. assets	4,200	--	--	4,270	--	--	4,308	--	--	4,294	--	--
Other assets	25,363	0.38	24	24,726	0.34	21	23,880	0.36	22	25,041	0.35	22
<b>Total assets</b>	<b>211,690</b>	<b>2.33</b>	<b>1,218</b>	<b>219,082</b>	<b>2.19</b>	<b>1,195</b>	<b>212,630</b>	<b>2.14</b>	<b>1,149</b>	<b>214,017</b>	<b>2.09</b>	<b>1,126</b>
Financial institutions (3)	20,162	-0.29	-14	31,188	-0.06	-5	30,700	-0.05	-4	32,011	-0.08	-7
Customer deposits (4)	141,349	-0.23	-80	141,058	-0.20	-71	135,198	-0.17	-59	135,525	-0.16	-56
Capital markets	26,576	-1.74	-114	25,299	-1.44	-91	25,800	-1.44	-94	26,411	-1.33	-88
Other liabilities	10,656	-1.78	-47	8,488	-2.54	-54	7,799	-2.66	-52	6,858	-2.88	-50
Shareholders' equity	12,947	--	--	13,048	--	--	13,133	--	--	13,212	--	--
<b>Total funds</b>	<b>211,690</b>	<b>-0.49</b>	<b>-255</b>	<b>219,082</b>	<b>-0.40</b>	<b>-221</b>	<b>212,630</b>	<b>-0.39</b>	<b>-208</b>	<b>214,017</b>	<b>-0.37</b>	<b>-201</b>
<b>Net interest income</b>			<b>962</b>			<b>974</b>			<b>941</b>			<b>925</b>
<b>Customer spread</b>		<b>2.79</b>			<b>2.82</b>			<b>2.81</b>			<b>2.80</b>	
<b>Net interest margin as % of ATA</b>		<b>1.84</b>			<b>1.78</b>			<b>1.76</b>			<b>1.71</b>	

- (1) The EURGBP exchange rate used for the income statement for the quarter is 0.8767 while that used for the balance sheet is 0.8861.
- (2) This includes cash, central banks, credit institutions and reverse repos.
- (3) Financial income and expenses deriving from the application of negative interest rates are recorded in line with the nature of the associated asset or liability. The credit institutions heading on the liabilities side includes income from negative interest rates of balances of credit institutions under liabilities, mainly those relating to TLTRO II.
- (4) Includes repos.

## Sabadell excluding TSB

2018 (€million)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results
Cash and cash equivalents (1)	2,103	-0.18	-10	20,625	-0.17	-9						
Loans to customers (net)	98,849	2.87	700	100,741	2.86	718						
Fixed-income securities	22,961	1.48	84	23,314	1.49	86						
Equity securities	961	--	--	1,006	--	--						
Tang. & intang. assets	3,668	--	--	3,707	--	--						
Other assets	2,1530	0.89	47	20,391	1.14	58						
<b>Total assets</b>	<b>168,982</b>	<b>1.97</b>	<b>821</b>	<b>169,785</b>	<b>2.02</b>	<b>854</b>						
Financial institutions (2)	25,064	0.01	1	24,763	0.02	1						
Customer deposits (3)	103,372	-0.13	-34	105,696	-0.14	-36						
Capital markets	23,735	-1.35	-79	23,155	-1.32	-76						
Other liabilities and shareholders' equity	16,810	-1.23	-51	16,172	-1.93	-78						
<b>Total funds</b>	<b>168,982</b>	<b>-0.39</b>	<b>-163</b>	<b>169,785</b>	<b>-0.45</b>	<b>-189</b>						
<b>Net interest income</b>			<b>658</b>			<b>665</b>						
<b>Customer spread</b>		<b>2.74</b>			<b>2.72</b>							
<b>Net interest margin as % of ATA</b>		<b>1.58</b>			<b>1.57</b>							

2017 (€million)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Results									
Cash and cash equivalents (1)	7,430	-0.07	-1	13,400	-0.09	-3	14,039	-0.13	-4	16,089	-0.12	-5
Loans to customers (net)	103,464	2.85	727	103,533	2.87	740	101,298	2.83	724	99,666	2.82	708
Fixed-income securities	26,693	2.22	146	28,047	1.60	112	24,516	1.60	99	22,968	1.50	87
Equity securities	978	--	--	346	--	--	763	--	--	526	--	--
Tang. & intang. assets	3,723	--	--	3,794	--	--	3,843	--	--	3,841	--	--
Other assets	24,032	0.53	32	23,562	0.55	32	22,830	0.59	34	24,289	0.47	29
<b>Total assets</b>	<b>166,321</b>	<b>2.20</b>	<b>903</b>	<b>172,682</b>	<b>2.05</b>	<b>881</b>	<b>167,289</b>	<b>2.02</b>	<b>852</b>	<b>167,380</b>	<b>1.94</b>	<b>819</b>
Financial institutions (2)	17,498	-0.13	-12	26,536	0.01	-1	25,629	0.00	0	25,951	0.01	1
Customer deposits (3)	105,007	-0.15	-39	104,583	-0.13	-33	100,528	-0.11	-27	100,214	-0.09	-23
Capital markets	23,832	-1.73	-102	23,802	-1.38	-82	24,392	-1.38	-85	24,938	-1.26	-79
Other liabilities and shareholders' equity	19,985	-0.95	-47	17,762	-1.22	-54	16,740	-1.24	-52	16,276	-1.22	-50
<b>Total funds</b>	<b>166,321</b>	<b>-0.49</b>	<b>-200</b>	<b>172,682</b>	<b>-0.39</b>	<b>-170</b>	<b>167,289</b>	<b>-0.39</b>	<b>-164</b>	<b>167,380</b>	<b>-0.36</b>	<b>-152</b>
<b>Net interest income</b>			<b>702</b>			<b>711</b>			<b>688</b>			<b>667</b>
<b>Customer spread</b>		<b>2.70</b>			<b>2.74</b>			<b>2.72</b>			<b>2.73</b>	
<b>Net interest margin as % of ATA</b>		<b>1.71</b>			<b>1.65</b>			<b>1.63</b>			<b>1.58</b>	

- (1) This includes cash, central banks, credit institutions and reverse repos.  
(2) Financial income and expenses deriving from the application of negative interest rates are recorded in line with the nature of the associated asset or liability. The credit institutions heading on the liabilities side includes income from negative interest rates of balances of credit institutions under liabilities, mainly those relating to TLTRO II.  
(3) Includes repos.

### Income from equity method and dividends

This item stood at €36.7 million at the end of June 2018, versus €36.1 million at the end of June 2017. These revenues are mainly due to income from the insurance and pension fund business.

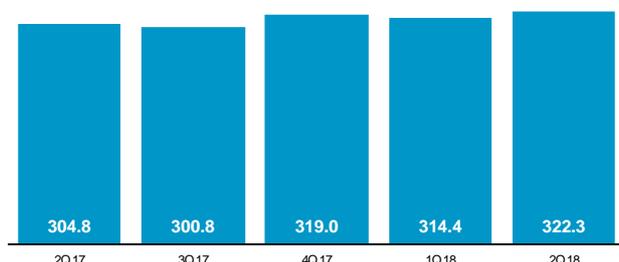
### Net fees and commissions:

On a year-on-year basis they have grown by 5.6% (8.2% excluding TSB). On a like-for-like basis and considering a constant exchange rate they have grown by 6.3% (9.0% excluding TSB). The positive performance of service fees as well as asset management fees is particularly noteworthy.

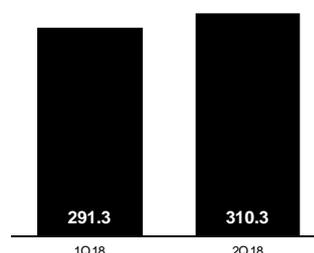
Quarter-on-quarter growth of 2.5% (6.5% excluding TSB) impacted by €-5.5 million due to the waiver of TSB overdraft fees during the months of March, April and May.

## Evolution of net fees and commissions - Like-for-like basis

Total group (€ millions)



Sabadell ex - TSB (€ millions)

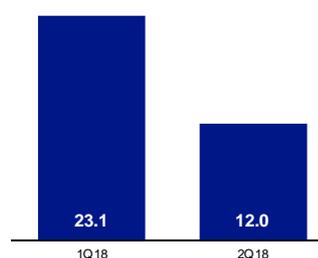


Change QoQ:  
**+6.5%**

Change YoY:  
**+9.0%**

	Total group	Constant FX
Change YoY:	<b>+6.1%</b>	<b>+6.3%</b>
Change QoQ:	<b>+2.5%</b>	<b>+2.5%</b>

TSB (€ millions)



Change QoQ:  
**-48.2%**  
**-48.6%** in GBP

Change YoY:  
**-27.3%**  
**-25.6%** in GBP

## Net fees and commissions

(€million)	Excl. TSB			Total group			Excl. TSB			Total group		
	1Q18	2Q18	Change (%) 1Q18	1Q18	2Q18	Change (%) 1Q18	1H17	1H18	Change (%) YoY	1H17	1H18	Change (%) YoY
Lending fees	32.9	32.8	-0.3	38.1	31.4	-17.5	60.8	65.8	8.1	104.9	69.5	-33.7
Guarantees commissions	23.9	25.3	5.5	23.9	25.3	5.5	50.3	49.2	-2.2	50.3	49.2	-2.2
<b>Risk transaction fees</b>	<b>56.9</b>	<b>58.1</b>	<b>2.1</b>	<b>62.0</b>	<b>56.7</b>	<b>-8.6</b>	<b>111.1</b>	<b>115.0</b>	<b>3.5</b>	<b>155.2</b>	<b>118.8</b>	<b>-23.5</b>
Cards	41.5	45.9	10.6	48.2	52.8	9.5	83.8	87.4	4.3	97.8	101.0	3.3
Payment orders	12.8	14.2	10.9	16.1	14.8	-7.7	26.9	27.0	0.4	26.9	30.9	14.9
Securities	14.9	16.4	9.6	14.9	16.4	9.6	30.5	31.3	2.5	30.5	31.3	2.5
Custodian mutual and pension funds	3.4	3.3	-3.3	3.4	3.3	-3.3	6.4	6.7	4.5	6.4	6.7	4.5
Sight accounts	34.2	37.1	8.6	52.1	53.0	1.7	58.2	71.3	22.5	64.2	105.2	63.7
Foreign currency and notes exchange	19.0	26.3	38.4	19.0	26.3	38.4	35.3	45.3	28.3	35.3	45.3	28.3
Other transactions	19.6	16.0	-18.1	6.3	1.0	-84.8	42.1	35.6	-15.5	25.0	7.2	-71.2
<b>Commissions for services</b>	<b>145.4</b>	<b>159.2</b>	<b>9.5</b>	<b>160.1</b>	<b>167.6</b>	<b>4.7</b>	<b>283.3</b>	<b>304.6</b>	<b>7.5</b>	<b>286.2</b>	<b>327.6</b>	<b>14.5</b>
Mutual funds	38.6	39.6	2.4	38.6	39.6	2.4	75.5	78.2	3.6	75.5	78.2	3.6
Pension funds and insurance brokerage	42.3	46.3	9.5	45.6	51.3	12.5	76.6	88.6	15.7	76.6	96.9	26.5
Wealth management	8.1	7.1	-11.9	8.1	7.1	-11.9	9.6	15.3	59.6	9.6	15.3	59.6
<b>Asset Under Management commissions</b>	<b>89.0</b>	<b>93.0</b>	<b>4.5</b>	<b>92.3</b>	<b>98.0</b>	<b>6.2</b>	<b>161.6</b>	<b>182.1</b>	<b>12.6</b>	<b>161.6</b>	<b>190.4</b>	<b>17.8</b>
<b>Total</b>	<b>291.3</b>	<b>310.3</b>	<b>6.5</b>	<b>314.4</b>	<b>322.3</b>	<b>2.5</b>	<b>556.1</b>	<b>601.7</b>	<b>8.2</b>	<b>603.0</b>	<b>636.7</b>	<b>5.6</b>

Note: 1H17 figures include Sabadell United Bank, Mediterráneo Vida and the TSB Mortgage Enhancement Portfolio.

(1) The EURGBP exchange rate used for the income statement is 0.8801 in the year and 0.8767 in the quarter.

## Net trading income:

At the end of June 2018, net trading income amounted to €239.5 million (excluding TSB, €214.8 million). In the quarter it amounted to €17.1 million (€-0.5 million excluding TSB) including SAREB subordinated debt impairment.

In June 2017 net trading income ended at €545.4 million (excluding TSB €455.9M) with the early call of TSB's Mortgage Enhancement portfolio standing out.

## Net gains (losses) from exchange differences:

This item amounted to €6.3 million at the end of June 2018, when compared to €4.9 million in the same period of the previous year.

## Other operating income/expenses:

Amounted to €-98.4 million at the end of June 2018 (excluding TSB, it amounted to €-55.3 million) compared to €-82.9 million at the end of June 2017 (€-75.9 million excluding TSB).

In the quarter, it is worth noting the contribution of €-49.7 million to the Single Resolution Fund (SRF) and fraud losses at TSB amounting to €-39.8 million.

## Operating expenses

Operating expenses stood at €-1,479.2 million at June 2018, of which €-143.2 million correspond to TSB migration and post-migration. In the quarter, operating expenses amounted to €-726.3 million which represents a reduction of -3.5%.

Excluding TSB, operating expenses amounted to €-913.5 million, which represents a quarter-on-quarter increase of 2.0%, 6.5% on a like-for-like basis. In the quarter, operating expenses amounted to €-457.7 million, which represents a slight increase of 0.4%.

## Operating expenses

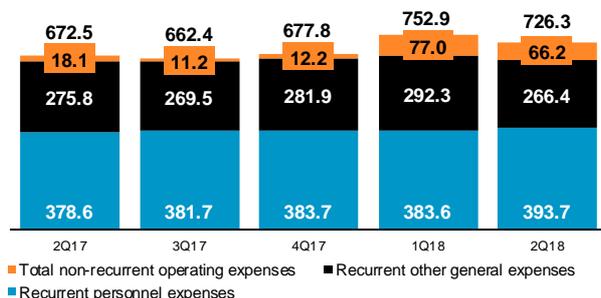
(€million)	Excl. TSB			Total group			Excl. TSB			Total group		
	1Q18	2Q18	Change (%) 1Q18	1Q18	2Q18	Change (%) (1) 1Q18	1H17	1H18	Change (%) YoY	1H17	1H18	Change (%) (1) YoY
Recurrent	-290.2	-290.2	0.0	-383.6	-393.7	2.6	-589.1	-580.4	-1.5	-778.1	-777.3	-0.1
Non-recurrent	-3.3	-4.3	30.8	-5.9	-15.4	160.6	-5.2	-7.5	44.9	-12.8	-21.3	66.9
<b>Personnel expenses</b>	<b>-293.5</b>	<b>-294.5</b>	<b>0.3</b>	<b>-389.5</b>	<b>-409.1</b>	<b>5.0</b>	<b>-594.3</b>	<b>-587.9</b>	<b>-1.1</b>	<b>-790.9</b>	<b>-798.6</b>	<b>1.0</b>
IT and communications	-41.5	-45.9	10.6	-111.7	-90.7	-18.8	-78.9	-87.4	10.8	-210.8	-202.4	-4.0
Advertising	-11.3	-12.3	8.6	-27.5	-22.2	-19.2	-18.2	-23.6	29.7	-54.5	-49.6	-8.9
Premises and office supplies	-34.7	-34.7	-0.1	-54.0	-55.2	2.1	-64.9	-69.4	6.9	-105.3	-109.2	3.7
Taxes other than income tax	-26.2	-27.7	5.7	-26.3	-27.6	5.3	-51.9	-53.9	3.9	-52.0	-53.9	3.7
Others	-48.7	-42.6	-12.4	-72.9	-70.6	-3.1	-87.8	-91.3	4.1	-141.7	-143.6	1.3
<b>Total recurrent</b>	<b>-162.4</b>	<b>-163.2</b>	<b>0.5</b>	<b>-292.3</b>	<b>-266.4</b>	<b>-8.9</b>	<b>-301.6</b>	<b>-325.6</b>	<b>7.9</b>	<b>-564.3</b>	<b>-558.7</b>	<b>-1.0</b>
Non-recurrent	0.0	0.0	--	-71.1	-50.8	-28.5	0.0	0.0	--	-23.1	-12.9	42.7
<b>Other general expenses</b>	<b>-162.4</b>	<b>-163.2</b>	<b>0.5</b>	<b>-363.4</b>	<b>-317.2</b>	<b>-12.7</b>	<b>-301.6</b>	<b>-325.6</b>	<b>7.9</b>	<b>-587.4</b>	<b>-680.6</b>	<b>15.9</b>
<b>Total</b>	<b>-455.9</b>	<b>-457.7</b>	<b>0.4</b>	<b>-752.9</b>	<b>-726.3</b>	<b>-3.5</b>	<b>-895.9</b>	<b>-913.5</b>	<b>2.0</b>	<b>-1,378.3</b>	<b>-1,479.2</b>	<b>7.3</b>

Note: 1H17 figures include Sabadell United Bank, Mediterráneo Vida and the TSB Mortgage Enhancement portfolio.

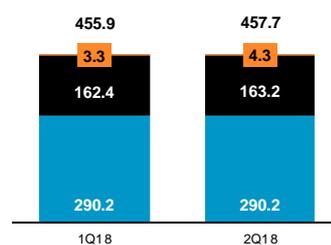
(1) The EURGBP exchange rate used for the income statement is 0.8801 in the year and 0.8767 in the quarter.

## Evolution of operating expenses - Like-for-like basis

Total group (€ millions)



Sabadell ex - TSB (€ millions)



Recurrent expenses

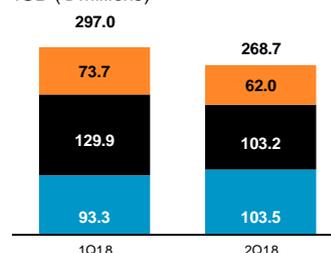
Change QoQ:

**+0.2%**

Change YoY:

**+6.2%**

TSB (€ millions)



Recurrent expenses

Change QoQ:

**-7.4%**

**-8.1% in GBP**

Change YoY:

**-4.8%**

**-2.6% in GBP**

	Total group <sup>(1)</sup>	Constant FX <sup>(1)</sup>
Change YoY:	<b>+2.4%</b>	<b>+3.3%</b>
Change QoQ:	<b>-2.3%</b>	<b>-2.6%</b>

(1) Change over total recurrent costs.

### Pre-provisions income:

At the end of June 2018, pre-provisions income amounts to €975.1 million (€1,076.0 million excluding TSB), representing a year-on-year decline of -27.6% (-16.3% excluding TSB) on a like-for-like basis and considering a constant exchange rate, mainly due to the extraordinary net trading income generated in the previous year, as well as TSB non-recurrent costs related to migration and post-migration in the first half of the year.

### Provisions for NPLs and other impairments:

Amount to €-806.3 million at the end of June 2018 (-€666.8 million excluding TSB) and includes a provision of €-92.4 million due to future TSB customer redress and a provision of €-177.1 million for institutional NPA sales.

At the end of June in the previous year, it amounted to €-850.9 million (€-806.7 million excluding TSB).

### Gains on sale of assets and other results:

Amounts to €4.0 million at the end of June 2018, whilst at the end of June 2017 it amounted to €17.6 million, including the sale of Mediterráneo Vida for the amount of €16.6 million.

### Net profit:

The Group's net profit amounted to €120.6 million at the end of June 2018. Excluding TSB migration and post-migration impacts and provisions from institutional NPA sales, growth considering a constant exchange rate stands at 24.4% year-on-year.

Excluding TSB, the Group's net profit amounted to €317.7 million at the end of June 2018. Excluding the institutional NPA sales provisions, like-for-like growth amounts to 24.6% year-on-year.

## Balance sheet

### Highlights:

Performing loans grew by 2.5% (3.0% excluding TSB) on a year-on-year basis considering a constant exchange rate and 2.9% (3.7% excluding TSB) in the quarter. Excluding the impact of the APS<sup>(1)</sup> run-off, growth considering a constant exchange rate reached 3.7% (4.6% excluding TSB) year-on-year, and 2.9% (3.9% excluding TSB) during the quarter, driven by the solid performance of the SME segment and positive growth of mortgages to individuals in Spain.

In the quarter, the fixed income debt portfolio has been reduced by c.€-3bn. Italian sovereign public debt exposure has been reduced to €-3.8bn (from €9.7bn to €5.9bn) with the remaining exposure at amortised cost portfolio.

(1) 80% of total APS problematic exposure which risk is presented as performing and the receivables account.

On-balance sheet customer funds grew at a constant exchange rate, reaching 2.8% (4.1% excluding TBS) on a year-on-year basis and 2.2% (4.1% excluding TSB) on a quarterly basis, driven by growth in sight accounts.

Off-balance sheet funds increased by 1.2% in the quarter, mainly driven by mutual funds.

At TSB, lending continued to increase in the quarter, considering a constant exchange rate, mainly driven by growth in core mortgages. Funds declined by -4.6% in the quarter (-3.3% considering a constant exchange rate) mainly due to the decisions taken early in 2018 to manage deposit volumes through the 2018 'ISA season' given TSB's strong liquidity position.

### Balance sheet

(€million)	30.06.17	31.03.18	(3) 30.06.18	Change (%)	
				30.06.17	31.03.18
Cash, cash balances at central banks and other demand deposits	13,901	22,782	19,756	42.1	-13.3
Financial assets held for trading and fair value with changes in PL	1,979	1,906	2,259	14.1	18.5
Held to maturity investments	9,344	0	0	-100.0	--
Financial assets in fair value OCI	18,990	15,867	12,867	-32.2	-18.9
Financial assets at amortised cost	148,081	158,833	162,280	9.6	2.2
Loans and advances to customers	(1) 142,043	140,691	144,266	16	2.5
Loans and advances of central banks and credit institutions	5,439	6,411	6,311	16.0	-1.6
Debt securities	599	11,730	11,703	--	-0.2
Investments in subsidiaries, joint ventures and associates	518	590	528	19	-10.6
Tangible assets	4,586	3,770	3,361	-26.7	-10.8
Intangible assets	2,077	2,271	2,320	11.7	2.1
Other assets	17,982	12,989	12,565	-30.1	-3.3
<b>Total assets</b>	<b>217,458</b>	<b>219,009</b>	<b>215,935</b>	<b>-0.7</b>	<b>-1.4</b>
Financial liabilities held for trading and fair value with changes in PL	1,595	1,490	1,788	12.1	20.0
Financial liabilities at amortised cost	195,561	201,820	199,596	2.1	-1.1
Central banks	(2) 26,136	28,393	27,814	6.4	-2.0
Credit institutions	(2) 10,666	11,865	10,612	-0.5	-10.6
Customer deposits	(1) 131,841	135,790	136,994	3.9	0.9
Debt securities issued	22,996	22,731	21,168	-7.9	-6.9
Other financial liabilities	3,922	3,039	3,009	-23.3	-1.0
Provisions	302	472	516	71.0	9.5
Other liabilities	6,927	2,358	1,964	-71.6	-16.7
<b>Subtotal liabilities</b>	<b>204,385</b>	<b>206,139</b>	<b>203,865</b>	<b>-0.3</b>	<b>-1.1</b>
Shareholders' equity	13,188	12,965	12,476	-5.4	-3.8
Valuation adjustments	-186	-155	-468	15.1	202.2
Minority interest	71	60	61	-13.2	2.6
<b>Net equity</b>	<b>13,073</b>	<b>12,870</b>	<b>12,070</b>	<b>-7.7</b>	<b>-6.2</b>
<b>Total liabilities and equity</b>	<b>217,458</b>	<b>219,009</b>	<b>215,935</b>	<b>-0.7</b>	<b>-1.4</b>
Contingent risks	8,446	8,707	8,957	6.1	2.9
Contingent liabilities	20,740	21,711	23,451	13.1	8.0

(1) It should be taken into account that from March 2017 it includes the reclassification of Sabadell United Bank, classified as non-current assets/liabilities held for sale. As at 31 July 2017 the sale of Sabadell United Bank was completed.

(2) Deposits with central banks and credit institutions include the following amount of repos: €5.526 million at 30.06.2017, €6.891 million at 31.03.2018 and €5.627 million at 30.06.2018.

(3) The EURGBP exchange rate used for the balance sheet is 0.8861.

### Assets:

Total Group assets amounted to €215.935 million, a 1.8% increase on a like-for-like basis and considering a constant exchange rate, and a decline of -1.1% in the quarter.

Excluding TSB, it amounts to €168,776 million, representing a growth on a like-for-like basis of 1.9% year-on-year and a slight decline of -0.5% quarter-on-quarter.

### Loans and advances to customers:

Performing gross loans ended the second quarter of 2018 with a balance of €140,667 million (€105,465 million excluding TSB) representing year-on-year growth of 2.5% considering a constant exchange rate (3.0% excluding TSB), and quarterly growth of 2.9% (3.7% excluding TSB) driven by the solid performance of the SME segment and positive growth of mortgages to individuals in Spain.

Excluding the APS impact <sup>(1)</sup> and considering a constant exchange rate, growth stands at 3.7% (4.6% excluding TSB) year-on-year and 2.9% (3.9% excluding TSB) in the quarter.

In Spain, performing loans excluding APS grew by 3.6% quarter-on-quarter and 3.8% year-on-year, and in Mexico by 14.4% quarterly and 41.4% year-on-year.

At TSB, lending growth continues in the quarter considering a constant exchange rate, mainly driven by growth in core mortgages.

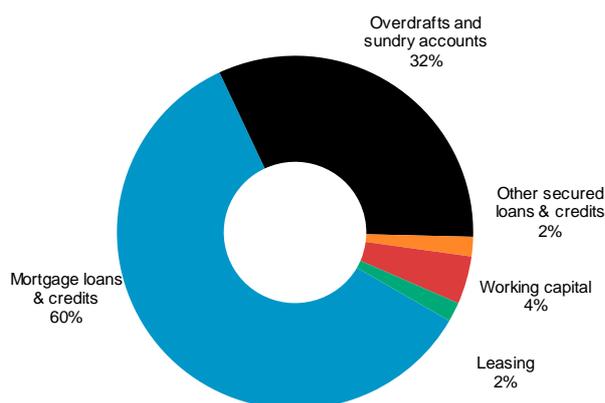
<sup>(1)</sup> 80% of total APS exposure which risk is presented as performing and the receivables account.

### Loans and advances to customers

Excl. TSB	30.06.17		31.03.18		30.06.18		Change (%)		Total group	30.06.17		31.03.18		30.06.18		Change (%)		
	30.06.17	31.03.18	30.06.18	30.06.17	31.03.18	30.06.18	30.06.17	31.03.18		30.06.18	30.06.17	31.03.18	30.06.18	30.06.17	31.03.18	30.06.18	30.06.17	31.03.18
(€million)																		
Mortgage loans & credits	52,802	52,000	51,835	-1.8	-0.3				84,394	84,301	83,977	-0.5	-0.4					
Other secured loans & credits	2,259	2,309	2,491	10.3	7.9				2,259	2,309	2,494	10.4	8.0					
Working capital	5,560	5,644	6,148	10.6	8.9				5,560	5,644	6,148	10.6	8.9					
Leasing	2,286	2,291	2,505	9.6	9.4				2,286	2,291	2,505	9.6	9.4					
Overdrafts and sundry accounts	39,530	39,410	42,486	7.5	7.8				43,766	42,702	45,543	5.5	6.7					
<b>Performing gross loans</b>	<b>102,437</b>	<b>101,653</b>	<b>105,465</b>	<b>3.0</b>	<b>3.7</b>				<b>137,666</b>	<b>137,246</b>	<b>140,667</b>	<b>2.2</b>	<b>2.5</b>					
Non-performing loans	8,475	7,410	6,900	-18.6	-6.9				8,636	7,801	7,290	-15.6	-6.6					
Accruals	-135	-114	-111	-17.9	-2.7				-101	-80	-23	-77.3	-71.1					
<b>Gross loans to customers (excluding repos)</b>	<b>110,777</b>	<b>108,949</b>	<b>112,255</b>	<b>1.3</b>	<b>3.0</b>				<b>146,201</b>	<b>144,967</b>	<b>147,934</b>	<b>1.2</b>	<b>2.0</b>					
Reverse repos	65	99	448	--	352.1				65	99	448	--	352.1					
<b>Gross loans to customers</b>	<b>110,842</b>	<b>109,048</b>	<b>112,702</b>	<b>1.7</b>	<b>3.4</b>				<b>146,266</b>	<b>145,066</b>	<b>148,382</b>	<b>1.4</b>	<b>2.3</b>					
NPL and country-risk provisions	-4,142	-4,180	-3,908	-5.6	-6.5				-4,222	-4,375	-4,115	-2.5	-5.9					
<b>Loans and advances to customers</b>	<b>106,700</b>	<b>104,868</b>	<b>108,794</b>	<b>2.0</b>	<b>3.7</b>				<b>142,043</b>	<b>140,691</b>	<b>144,266</b>	<b>1.6</b>	<b>2.5</b>					

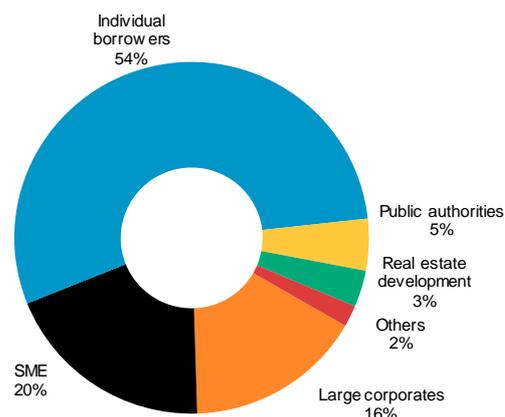
<sup>(1)</sup> The EURGBP exchange rate used for the balance sheet is 0.8861.

### Loans and advances to customers by product type, 30.06.2018 (%) <sup>(\*)</sup>

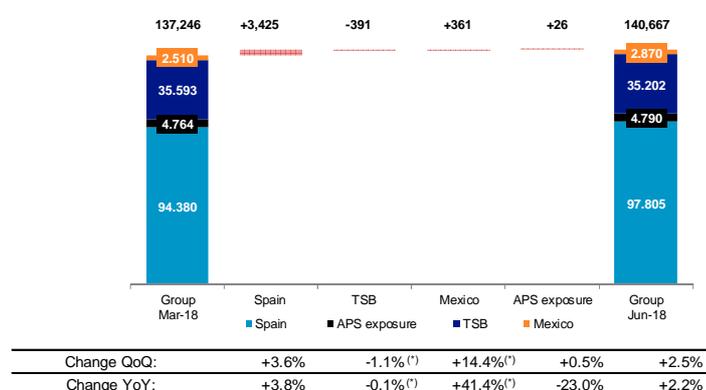


<sup>(\*)</sup> Excluding non-performing assets and accrual adjustments.

### Loans and advances to customers by customer profile, 30.06.2018 (%)

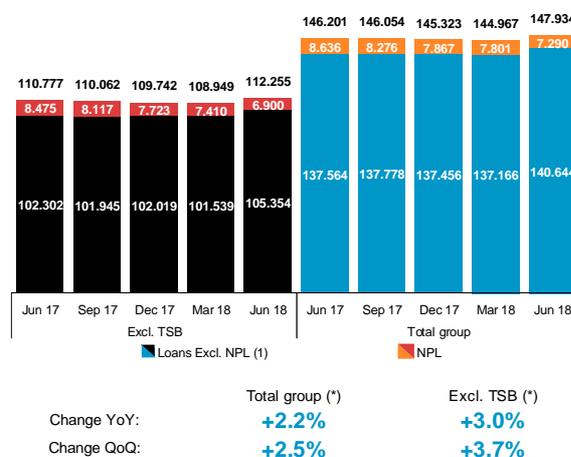


## Gross performing loans: performance by geographies (€ million)



(\*) At constant FX of +0.7% QoQ and +2.8% YoY in TSB and +15.9% QoQ and +56.6% YoY in Mexico.

## Evolution of gross customer lending (€ million)



Change YoY: **+2.2%** (Total group) / **+3.0%** (Excl. TSB)  
 Change QoQ: **+2.5%** (Total group) / **+3.7%** (Excl. TSB)

(\*) Change on performing gross loans.

(1) Figures expressed in a like-for-like basis

## Liabilities:

### Customer funds:

At the end of the second quarter of 2018, on-balance sheet customer funds amounted to €135,695 million (€102,323 million excluding TSB), representing an increase of 2.8% (4.1% excluding TSB) year-on-year, and an increase of 2.2% (4.1% excluding TSB) quarter-on-quarter.

Sight account balances amounted to €105,400 million (€74,942 million excluding TSB) representing a 9.4% year-on-year increase (11.7% excluding TSB) and a quarterly increase of 3.5% (5.9% excluding TSB).

Term deposits amounted to €29,265 million (€26,350 million excluding TSB), representing a decline of -13.5% compared to the same period in the previous year (-9.3% excluding TSB) and -2.6% lower than in the previous quarter (1.1% growth excluding TSB). The year-on-year decline is primarily driven by the evolution of interest rates, reflected in the transfer to sight accounts and off-balance sheet funds.

Total off-balance sheet customer funds amounted to €46,901 million at the end of the second quarter of 2018, and increased by 6.6% when compared to the previous year (a 1.2% quarter-on-quarter increase). Mutual funds, at the end of the second quarter of 2018 amounts to €28,624 million, representing a 10.3% year-on-year increase (1.7% quarter-on-quarter).

### Debt and other tradable securities:

At the end of the second quarter of 2018 this item amounted to €18.661 million (€17.290 million excluding TSB), representing a year-on-year decrease of -10.3% (-12.5% excluding TSB) and a -7.5% decline in the quarter (-7.7% excluding TSB) mainly due to the maturity of senior debt.

Exposure to central banks has been reduced to €587 million, ending June 2018 at €27,802 million, of which €20,500 million is held with the ECB, and the €7,302 million with the Bank of England (TFS).

### Funds under management:

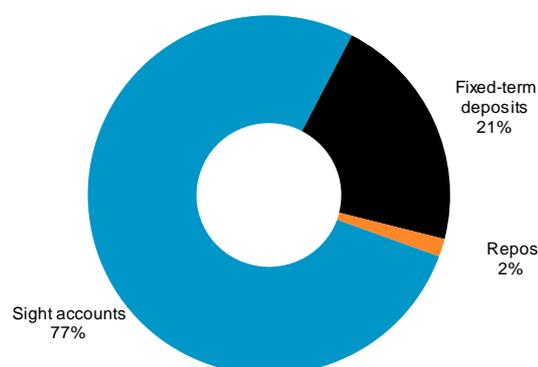
Funds under management amounted to €205,063 million (€168,809 million excluding TSB) when compared to €198,835 million (€162,071 million excluding TSB) in 2017, representing a 3.1% increase year-on-year (4.2% excluding TSB) and an increase of 0.1% quarter-on-quarter (1.2% excluding TSB).

## Customer funds

(€million)	Excl. TSB					Total group						
	30.06.17		31.03.18		30.06.18	Change (%)		(1)		30.06.18	Change (%)	
	30.06.17	31.03.18	30.06.17	31.03.18		30.06.17	31.03.18	30.06.17	31.03.18		30.06.17	31.03.18
<b>Financial liabilities at amortised cost</b>	<b>152,338</b>	<b>155,932</b>	<b>156,002</b>	<b>2.4</b>	<b>0.0</b>	<b>195,561</b>	<b>201,820</b>	<b>199,596</b>	<b>2.1</b>	<b>-1.1</b>		
Non-retail financial liabilities	54,079	57,648	53,679	-0.7	-6.9	63,238	68,540	63,901	1.0	-6.8		
Central banks	20,954	20,991	20,502	-2.2	-2.3	26,136	28,393	27,814	6.4	-2.0		
Credit institutions	9,822	11,865	10,612	8.0	-10.6	10,666	11,865	10,612	-0.5	-10.6		
Institutional issues	19,815	22,224	19,585	-1.2	-11.9	22,514	25,242	22,466	-0.2	-11.0		
Other financial liabilities	3,489	2,568	2,980	-14.6	16.0	3,922	3,039	3,009	-23.3	-1.0		
<b>On-balance sheet customer funds</b>	<b>98,260</b>	<b>98,283</b>	<b>102,323</b>	<b>4.1</b>	<b>4.1</b>	<b>132,323</b>	<b>133,280</b>	<b>135,695</b>	<b>2.5</b>	<b>1.8</b>		
Customer deposits	96,594	99,683	102,564	6.2	2.9	131,841	135,790	136,994	3.9	0.9		
Sight accounts	67,083	70,792	74,942	11.7	5.9	96,365	101,794	105,400	9.4	3.5		
Fixed-term deposits	(2) 29,067	26,060	26,350	-9.3	1.1	33,849	30,054	29,265	-13.5	-2.6		
Repos	299	2,720	1,145	283.2	-57.9	1,494	3,869	2,188	46.4	-43.5		
Accruals and derivative hedging adjustments	145	111	127	-12.4	14.0	133	73	141	5.9	93.6		
Debt and other tradable securities	19,757	18,730	17,290	-12.5	-7.7	20,808	20,173	18,661	-10.3	-7.5		
Subordinated liabilities	(3) 1,723	2,094	2,054	19.2	-1.9	2,188	2,568	2,507	14.6	-2.0		
<b>On-balance sheet funds</b>	<b>118,074</b>	<b>120,508</b>	<b>121,908</b>	<b>3.2</b>	<b>1.2</b>	<b>154,838</b>	<b>158,521</b>	<b>158,162</b>	<b>2.1</b>	<b>-0.2</b>		
Mutual funds	25,943	28,136	28,624	10.3	1.7	25,943	28,136	28,624	10.3	1.7		
Equity funds	1,465	1,907	1,823	24.4	-4.4	1,465	1,907	1,823	24.4	-4.4		
Balanced funds	5,848	6,885	7,152	22.3	3.9	5,848	6,885	7,152	22.3	3.9		
Fixed-income funds	4,797	4,342	4,356	-9.2	0.3	4,797	4,342	4,356	-9.2	0.3		
Guaranteed return funds	4,123	3,898	3,999	-3.0	2.6	4,123	3,898	3,999	-3.0	2.6		
Real estate funds	118	124	125	5.6	1.0	118	124	125	5.6	1.0		
Venture capital funds	23	39	42	86.8	9.0	23	39	42	86.8	9.0		
Dedicated investment companies	2,192	2,205	2,220	1.3	0.7	2,192	2,205	2,220	1.3	0.7		
Third-party funds	7,379	8,738	8,907	20.7	1.9	7,379	8,738	8,907	20.7	1.9		
Managed accounts	3,943	4,004	4,007	1.6	0.1	3,943	4,004	4,007	1.6	0.1		
Pension funds	4,040	3,911	3,869	-4.2	-1.1	4,040	3,911	3,869	-4.2	-1.1		
Individual	2,534	2,414	2,376	-6.2	-1.6	2,534	2,414	2,376	-6.2	-1.6		
Company	1,492	1,484	1,481	-0.8	-0.2	1,492	1,484	1,481	-0.8	-0.2		
Group	14	12	12	-12.3	-2.0	14	12	12	-12.3	-2.0		
Third-party insurance products	10,070	10,313	10,401	3.3	0.9	10,070	10,313	10,401	3.3	0.9		
<b>Off-balance sheet customer funds</b>	<b>43,997</b>	<b>46,364</b>	<b>46,901</b>	<b>6.6</b>	<b>1.2</b>	<b>43,997</b>	<b>46,364</b>	<b>46,901</b>	<b>6.6</b>	<b>1.2</b>		
<b>Funds under management</b>	<b>162,071</b>	<b>166,871</b>	<b>168,809</b>	<b>4.2</b>	<b>1.2</b>	<b>198,835</b>	<b>204,885</b>	<b>205,063</b>	<b>3.1</b>	<b>0.1</b>		

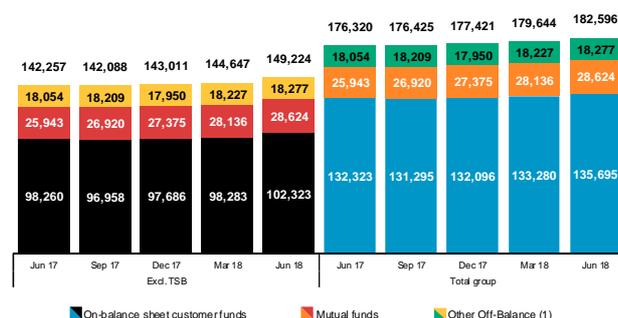
- (1) The EURGBP exchange rate used for the balance sheet is 0.8861.  
(2) Includes deposits redeemable at notice and hybrid financial liabilities.  
(3) These are subordinated liabilities of debt securities.

## Customer deposits, 30.06.2018 (\*) (%)



(\*) Excluding adjustments for accruals and hedging derivatives.

## Evolution of customer funds (€ million)



Excl. TSB (\*)

Change YoY: **+4.1%**

Change QoQ: **+4.1%**

Total group (\*)

Change YoY: **+2.5%**

Change QoQ: **+1.8%**

(\*) Change on balance sheet customer funds.

(1) Includes pension funds, third-party insurance products and wealth management.

## Net equity:

At the end of the second quarter of 2018 it amounted to €12,070 million, impacted in the quarter by results and the valuation adjustments.

### Net equity

(€million)	30.06.17	31.03.18	30.06.18	Change	
				30.06.17	31.03.18
Shareholders' equity	13,188	12,965	12,476	-712	-489
Issued capital	702	703	703	1	0
Reserves	12,097	12,082	11,744	-354	-338
Other equity	45	36	39	-6	3
Less: treasury shares	-108	-116	-131	-23	-15
Attributable net profit	451	259	121	-330	-139
Less: dividends and payments	0	0	0	0	0
Valuation adjustments	-186	-155	-468	-282	-313
Minority interest	71	60	61	-9	2
<b>Net equity</b>	<b>13,073</b>	<b>12,870</b>	<b>12,070</b>	<b>-1,003</b>	<b>-800</b>

## Risk management

### Highlights:

Reduction in Group NPL ratio to 4.71% (5.77% excluding TSB) and 4.50% (5.53% excluding TSB) including the institutional NPA sales.

Organic NPAs reduction of €-775M in the quarter (€-511M NPLs and €-244M foreclosed assets).

Considering the recently announced institutional NPA sales, problematic assets ex-TSB amounted to €7,911 million, implying a reduction of €-7,012M in the quarter and €-9,547 million in the last 12 months.

NPA coverage reached 56.3%, whereas the NPL coverage reached 57.0% and coverage of foreclosed assets reached 55.7%.

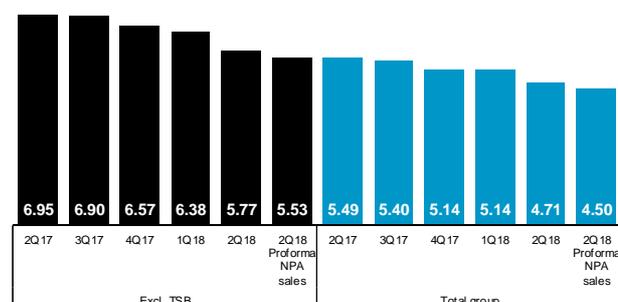
The net NPAs ratio to total assets stands at 2.9%. Considering the institutional NPA sales, the ratio would stand at 1.7%.

### Risk management:

At the end of the second quarter of 2018 the balance of non-performing assets, excluding TSB, amounted to €14,168 million (€6,997 doubtful and €7,171 foreclosed) which represents quarterly organic reduction of €-755 million (€-511M doubtful loans and €-244M foreclosed assets).

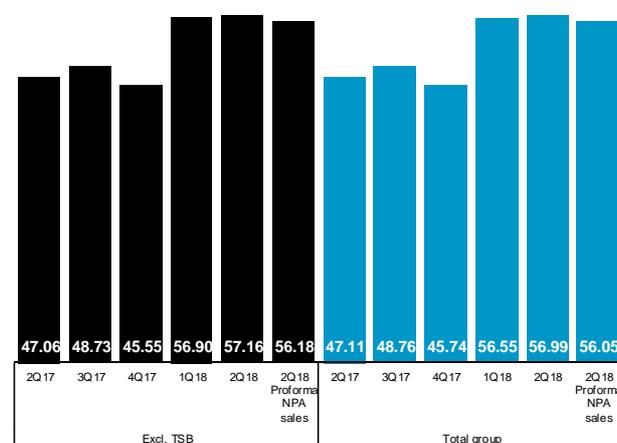
Considering the institutional NPA sales, the reduction of non-performing assets amounts to €7,012 million in the quarter and €9,547 million in the last 12 months, bringing the balance up to €7,911 million (€6,669 million indoubtful loans and €1,242 million in foreclosed assets)

NPL ratio (in %) (\*)



(\*) Calculated including contingent exposures and 20% of the APS.

NPL coverage ratio (in %) (\*)

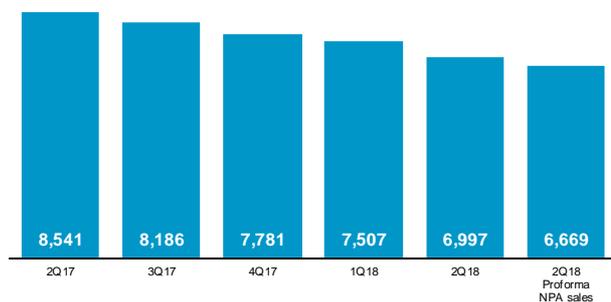


### NPL ratios by segment (\*)

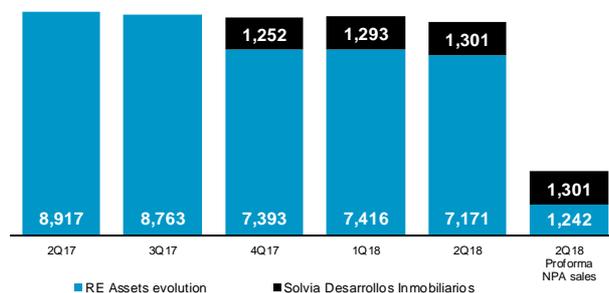
Excl. TSB	2Q17	3Q17	4Q17	1Q18	2Q18
Real estate development and/or construction purposes	25.80%	23.82%	21.37%	19.80%	17.66%
Construction purposes non-related to real estate dev.	6.57%	6.44%	6.87%	7.17%	6.42%
Large corporates	3.01%	3.03%	3.33%	3.53%	3.12%
SME and small retailers and self-employed	8.31%	8.21%	8.09%	7.88%	7.40%
Individuals with 1st mortgage guarantee assets	7.20%	7.51%	6.88%	6.50%	6.04%
<b>NPL ratio</b>	<b>6.95%</b>	<b>6.90%</b>	<b>6.57%</b>	<b>6.38%</b>	<b>5.77%</b>

(\*) Calculated including contingent exposures and 20% of the APS.

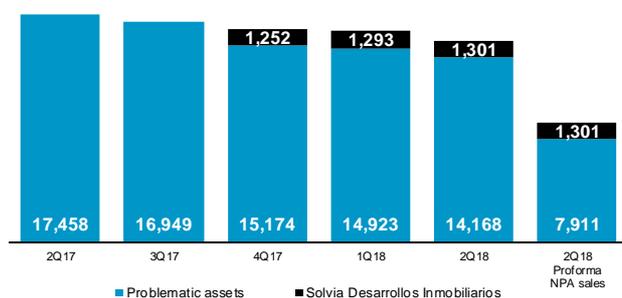
### Evolution of NPLs excluding TSB (€ million) <sup>(\*)</sup>



### Evolution of real estate assets excluding TSB (€ million) <sup>(\*)</sup>



### Evolution of problematic assets excluding TSB (€ million) <sup>(\*)</sup>



(\*) Calculated including contingent exposures and 20% of the APS.

The table below shows the evolution of the Group's problematic assets, and their reduction during the last quarters.

### Evolution of NPLs and RE assets excluding TSB <sup>(\*)</sup>

(€million)	2Q17	3Q17	4Q17	1Q18	2Q18
Entries	526	513	617	481	330
Recoveries	-1,067	-706	-956	-539	-573
Exits of perimeter (1)	0	-10	0	0	0
<b>Ordinary net entries</b>	<b>-541</b>	<b>-203</b>	<b>-339</b>	<b>-58</b>	<b>-243</b>
Entries	304	148	254	294	176
Sales and other outcomes (2)	-355	-302	-1,624	-271	-419
<b>Change in real estate assets</b>	<b>-51</b>	<b>-154</b>	<b>-1,370</b>	<b>23</b>	<b>-244</b>
<b>Net entries plus change in real estate assets</b>	<b>-592</b>	<b>-357</b>	<b>-1,709</b>	<b>-35</b>	<b>-487</b>
Write-offs	-61	-62	-66	-216	-268
<b>Real estate assets and NPL quarterly change</b>	<b>-653</b>	<b>-509</b>	<b>-1,775</b>	<b>-251</b>	<b>-755</b>

(\*) Data includes 20% of APS.

(1) Corresponds to the exit of SUB.

(2) In 4Q17 a new business line has been carved out focusing on real estate development services (Solvia Desarrollo Inmobiliarios) with €1,252 million in assets under management.

## Evolution of coverage of total Group NPLs and real estate assets <sup>(\*)</sup>

(€ million)	2Q17	3Q17	4Q17	1Q18	2Q18	2Q18 Proforma NPA sales
Non-performing exposures	8,703	8,345	7,925	7,898	7,386	7,058
Provisions	4,100	4,069	3,625	4,467	4,209	3,956
<b>NPL coverage ratio (%)</b>	<b>47.1%</b>	<b>48.8%</b>	<b>45.7%</b>	<b>56.6%</b>	<b>57.0%</b>	<b>56.1%</b>
RE Assets evolution	8,917	8,763	7,393	7,416	7,171	1,242
Provisions	4,264	4,746	3,998	3,979	3,991	579
<b>Real Estate coverage ratio (%)</b>	<b>(1) 47.8%</b>	<b>54.2%</b>	<b>54.1%</b>	<b>53.7%</b>	<b>55.7%</b>	<b>46.6%</b>
Total problematic assets	17,619	17,108	15,318	15,314	14,557	8,300
Provisions	8,364	8,814	7,623	8,446	8,200	4,535
<b>Problematic assets coverage (%)</b>	<b>47.5%</b>	<b>51.5%</b>	<b>49.8%</b>	<b>55.2%</b>	<b>56.3%</b>	<b>54.6%</b>
<b>Problematic assets over Gross loans + RE assets</b>	<b>11.4%</b>	<b>11.1%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>9.4%</b>	<b>5.6%</b>
<b>Net problematic assets</b>	<b>9,255</b>	<b>8,294</b>	<b>7,695</b>	<b>6,868</b>	<b>6,357</b>	<b>3,765</b>
<b>Net problematic assets as of % of total assets</b>	<b>4.3%</b>	<b>3.9%</b>	<b>3.5%</b>	<b>3.1%</b>	<b>2.9%</b>	<b>1.7%</b>

(\*) includes contingent risks. Figures include 20% of APS.

(1) The real estate coverage ratio including write-downs stands at 63.1%.

## Forborne and restructured loans

The balance of forborne and restructured loans at 30 June 2018 is:

(€million)	Total	Of which: doubtful
Public sector	20	20
Companies and self employed	3,682	2,011
Of which: Financing for construction and real estate development	721	552
Individuals	2,321	1,245
<b>Total</b>	<b>6,023</b>	<b>3,276</b>
<b>Provisions</b>	<b>1,422</b>	<b>1,201</b>

## Foreclosed problematic assets <sup>(\*)</sup>

(€million)	Gross amount	Allowances for losses
<b>Real estate assets deriving from financing of construction and real estate development</b>	<b>5,209</b>	<b>3,111</b>
Finished buildings	2,613	1,185
Housing	1,285	570
Rest	1,328	616
Buildings under construction	253	151
Housing	224	136
Rest	29	15
Land	2,344	1,775
Building land	629	458
Other land	1,715	1,317
<b>Real estate assets deriving from home loan mortgages</b>	<b>1,962</b>	<b>880</b>
<b>Total real-estate portfolio</b>	<b>7,171</b>	<b>3,991</b>

(\*) Problematic real estate assets, including properties outside of Spain, considering the coverage allowed for in the original financing, and the credit risk that was transferred through the enforcement of the APS.

## Impairment allowances by the Group for credit risk hedging

(€million)	2017	2018
<b>Initial balance</b>	<b>4,940</b>	<b>3,740</b>
IFRS9 implementation	0	993
Movements reflected in provisions for NPLs	944	319
Movements not reflected in provisions for NPLs	-2,140	-928
Utilisation of provisions	-1,817	-647
Other movements (*)	-323	-281
Adjustments for exchange differences	-4	-4
<b>Final balance</b>	<b>3,740</b>	<b>4,120</b>

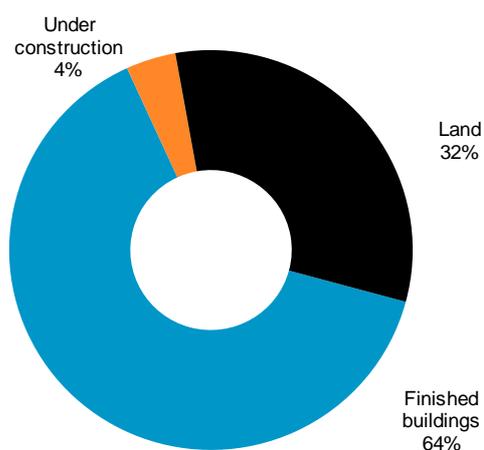
(\*) Corresponds to the transfer of €80 million of impairment allowances for credit risk hedging of non-current assets held for sale and investment properties and the transfer of €201 million of impairment allowances to cover contingencies relating to mortgage floor provisions.

NOTE: Excludes guarantees and sums undrawn

## Real estate portfolio breakdown by asset class:

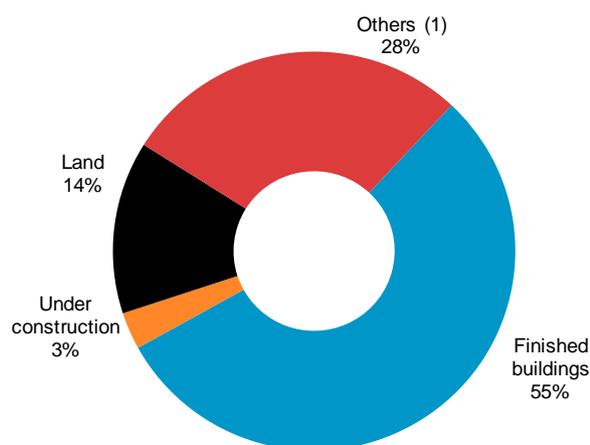
The breakdown at 30 June 2018 by asset class of the real estate portfolio is as follows:

### Foreclosed assets, 30.06.2018 (\*)



(\*) Figures include 20% of APS. Reported figures (pre NPA sales)

### Real Estate Development, 30.06.2018 (\*)



Includes other guarantees.

## Capital management and credit ratings

### Highlights

The phase-in CET 1 ratio stands at 11.9% and in fully-loaded stands at 11.0% at the end of the second quarter of 2018. Post institutional NPA sales, the phase-in CET 1 stands at 12.2% and fully-loaded at 11.2%.

The leverage ratio stands at 5.06% phase-in and 4.73% fully-loaded.

The fully-loaded CET 1 ratio in the quarter is impacted by different extraordinary items: -32 bps due to valuation adjustments at the fair value OCI portfolio, and the management of the ALCO portfolio, -25bps due to the increase in RWAs at TSB (due to the adjustment in IRB mortgage models to apply the 90 days default definition instead of 180 days in order to align TSB models with SSM and Group criteria), -15bps due to institutional NPA sales, -11bps due to the SAREB equity impairment and -18bps due to other impacts which include the organic growth of the business.

### Phase-in capital ratios

(€million)	30.06.17	31.03.18	30.06.18
Issued capital	702	703	703
Reserves	12,114	11,328	11,232
Minority interest	19	11	11
Deductions (1)	-2,219	-1,924	-2,340
<b>Common Equity Tier 1</b>	<b>10,616</b>	<b>10,118</b>	<b>9,606</b>
<b>CET 1 Phase-in (%)</b>	<b>12.7%</b>	<b>12.9%</b>	<b>11.9%</b>
Preference shares and other	768	1,152	1,152
Deductions	-436	0	0
<b>Primary capital</b>	<b>10,948</b>	<b>11,270</b>	<b>10,759</b>
<b>Tier I (%)</b>	<b>13.1%</b>	<b>14.4%</b>	<b>13.4%</b>
<b>Secondary capital</b>	<b>1,502</b>	<b>1,342</b>	<b>1,304</b>
<b>Tier II (%)</b>	<b>1.8%</b>	<b>1.7%</b>	<b>1.6%</b>
<b>Total capital</b>	<b>12,450</b>	<b>12,612</b>	<b>12,062</b>
<b>Total capital ratio (%)</b>	<b>14.9%</b>	<b>16.1%</b>	<b>15.0%</b>
<b>Risk weighted assets (RWA)</b>	<b>83,782</b>	<b>78,525</b>	<b>80,455</b>
<b>Leverage ratio (%)</b>	<b>495%</b>	<b>5.08%</b>	<b>5.06%</b>

The phase-in CET 1 ratio of Banco de Sabadell, S.A. (individual) stood at 11.77% at March 2018.

(1) Includes transitional adjustments of IFRS9.

### Fully-loaded capital ratios

(€million)	30.06.17	31.03.18	30.06.18
Issued capital (1)	720	703	703
Reserves	11,938	11,328	11,232
Minority interest	14	11	11
Deductions	-2,513	-2,601	-3,075
<b>Common Equity Tier 1</b>	<b>10,159</b>	<b>9,441</b>	<b>8,871</b>
<b>CET 1 Fully Loaded (%)</b>	<b>12.1%</b>	<b>12.0%</b>	<b>11.0%</b>
Preference shares and other	753	1,152	1,152
<b>Primary capital</b>	<b>10,912</b>	<b>10,594</b>	<b>10,024</b>
<b>Tier I (%)</b>	<b>13.0%</b>	<b>13.5%</b>	<b>12.4%</b>
<b>Secondary capital</b>	<b>1,512</b>	<b>1,342</b>	<b>1,304</b>
<b>Tier II (%)</b>	<b>1.8%</b>	<b>1.7%</b>	<b>1.6%</b>
<b>Total capital</b>	<b>12,424</b>	<b>11,935</b>	<b>11,328</b>
<b>Total capital ratio (%)</b>	<b>14.8%</b>	<b>15.2%</b>	<b>14.0%</b>
<b>Risk weighted assets (RWA)</b>	<b>83,782</b>	<b>78,632</b>	<b>80,766</b>
<b>Leverage ratio (%)</b>	<b>4.93</b>	<b>4.72%</b>	<b>4.73%</b>

(1) Includes convertible bonds

## Credit ratings

Agency	Date	Long term	Short term	Outlook
DBRS	16.07.2018	BBB (high)	R-1 (low)	Positive
S&P Global Rating <sup>(1)</sup>	28.06.2018	BBB	A-2	Estable
Moody's <sup>(2)</sup>	17.04.2018	Baa3 / Baa2	P-3 / P-2	Positive/Positive

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<sup>(2)</sup> Corresponds to senior debt and deposits, respectively.

On 06 April 2018, S&P Global Ratings raised Banco Sabadell's long-term credit rating to BBB from BBB- and its short term credit rating to A-2 from A-3 with a stable outlook. This rating upgrade is based on the improvement of Banco Sabadell's credit quality in a context of lower industrial risks of the Spanish banking system, principally due to its deleveraging, as well as an improvement in investor confidence.

On 28 June 2018, S&P Global Ratings confirmed Banco Sabadell's long-term credit rating of BBB and its short term credit rating to A-2 with a stable outlook.

On 17 April 2018, Moody's Investors Service (Moody's) raised the credit rating of Banco Sabadell's mortgage and public covered bonds to Aa1 from Aa2, and also raised the outlook for Banco Sabadell's deposits credit rating from stable to positive. These upgrades are based on the improvement in the credit rating of the Spanish Government on 13 April, 2018.

On 16 July, DBRS Rating Limited raised Banco Sabadell's outlook to Positive (from Stable) and it confirmed Banco Sabadell's long term rating as BBB (High), and it's short term rating as R-1 (low). The upgrade to positive and the confirmation of the rating reflect the solid capitalisation vision of Banco Sabadell Group and the continuous improvement in asset quality and the profitability of the core business in Spain.

## Liquidity management

### Highlights

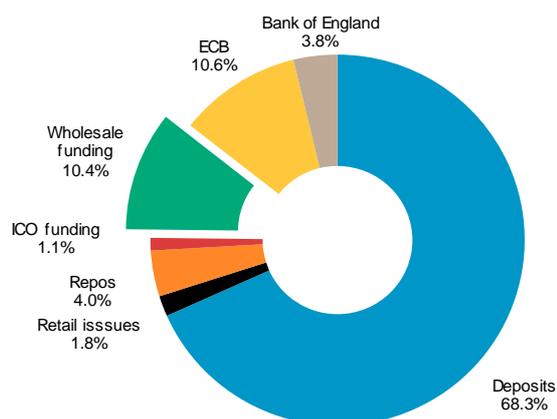
The adjusted loan to deposits ratio at 30 June 2018 stood at 103.7% with a balanced retail funding structure.

LCR (Liquidity Coverage Ratio) at 30 June 2018 stands at 166%, excluding TSB, 314%, whilst during the same period in 2017 it stood at 147% excluding TSB and 261% with TSB.

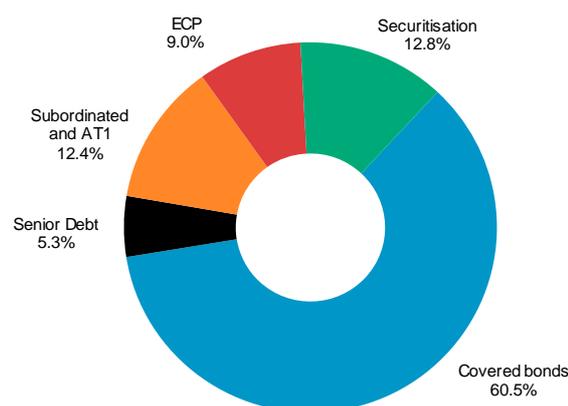
(€ million)	30.06.17	31.03.18	30.06.18 (1)
Loans and advances to customers (2)	141,979	140,592	143,818
Brokered loans	-5,058	-3,513	-3,119
<b>Adjusted net loans and advances</b>	<b>136,920</b>	<b>137,079</b>	<b>140,700</b>
<b>On-balance sheet customer funds</b>	<b>132,323</b>	<b>133,280</b>	<b>135,695</b>
<b>Loan-to-deposits ratio (%)</b>	<b>103.5</b>	<b>102.9</b>	<b>103.7</b>

(1) The EURGBP exchange rate used for the balance sheet is 0.8861 at 30.06.18.  
 (2) Excludes repos.

### Funding structure, 30.06.2018



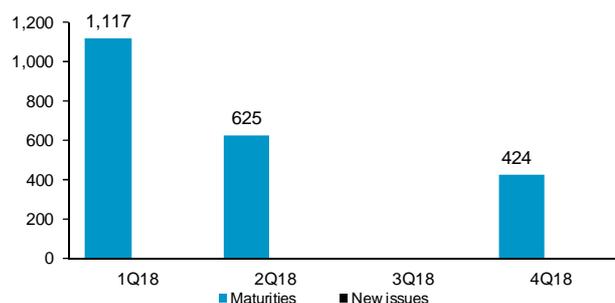
### Wholesale market breakdown, 30.06.2018



### Maturity of institutional issues

(€ million)	2018	2019	2020	2021	2022	2023	>2023	Outstanding balance
Covered bonds	424	1,124	2,015	1,808	1,684	1,388	3,761	12,204
Senior Debt	0	51	0	0	25	998	0	1,074
Subordinated and AT1	0	0	403	435	0	0	1,660	2,497
Other mid- and long-term financial instruments	0	0	0	10	0	0	5	15
<b>Total</b>	<b>424</b>	<b>1,175</b>	<b>2,418</b>	<b>2,253</b>	<b>1,709</b>	<b>2,386</b>	<b>5,426</b>	<b>15,791</b>

### New issuances and maturities of wholesale funding



### Maturities in the year:

(€ million)	1Q18	2Q18	3Q18	4Q18
Covered bonds	1,112	20	0	424
GGB	0	0	0	0
Senior Debt	0	592	0	0
Subordinated and AT1	0	0	0	0
Other mid- and long-term financial instrun	5	13	0	0
<b>Total</b>	<b>1,117</b>	<b>625</b>	<b>0</b>	<b>424</b>

## Results by business units

This section gives information regarding earnings and other indicators of the Group's business units.

The criteria that Banco Sabadell Group uses to report on results for each segment are:

- There are four separate geographies: Banking Business Spain, Asset Transformation, Banking Business United Kingdom and Other Geographies.
- Each business is allocated 11% of capital divided by its risk-weighted assets and the surplus of own funds is allocated to Banking Business Spain.
- Banking Business United Kingdom includes TSB's contribution to the Group.
- Other Geographies mostly comprises Mexico, overseas branches and representative offices. For the purpose of comparison, changes have been calculated for loans, funds and the income statement, excluding Sabadell United Bank.

In terms of the other criteria applied, segment information is first structured with a breakdown by geography and then broken down based on the customers to which each segment is aimed.

### Segmentation by geography and business units

- **Banking business Spain**, which includes the following customer-oriented business units:

Retail and Business Banking offers both investment and savings products. In terms of investment, the sale of mortgage products, working capital and loans is particularly noteworthy. In terms of savings, the main products are deposits (demand deposits and term deposits), mutual funds, savings insurance and pension funds. Protection insurance products and payment services are also noteworthy, such as credit cards and the issues of transfers, amongst others.

Corporate Banking offers specialised financing services together with a comprehensive offering of solutions relating to the fields of financing and treasury, as well as import and export activities.

Markets and Private Banking offers and designs high value-added products and services for customers.

- **Asset Transformation:**

Comprehensively manages non-regular risk and real estate exposure, and also sets out and implements the strategy of real estate investee companies, such as Solvia.

- **Banking business United Kingdom:**

The TSB franchise includes retail business conducted in the United Kingdom, which includes current and savings accounts, personal loans, credit cards and mortgages.

- **Other geographies:**

Other Geographies mostly comprises Mexico, overseas branches and representative offices that offer all types of banking and financial services of Corporate Banking, Private Banking and Business and Retail Banking.

The information presented here is based on the separate financial statements of each Group company, with the corresponding disposals and adjustments in the scope of consolidation and the analytical accounting of income and expenses in cases in which a business is spread over one or more legal entities, to enable revenues and costs to be allocated for each customer depending on the business unit to which that customer is assigned.

Each business unit is treated as an independent business, therefore commissioning takes place between businesses for the provision of services involving the distribution of products, services and systems. The overall net impact of commissioning between business units is zero.

Each business unit bears its own direct costs, on the basis of general and analytical accounting, as well as the indirect costs of corporate units.

Key data relating to the segmentation of the Group's activity are given hereafter.

## Profit and loss 1H18

(€million)	Banking business Spain	Real Estate asset transformation	Banking business UK	Other geographies	Total
<b>Net interest income</b>	<b>1,219.7</b>	<b>-13.6</b>	<b>486.6</b>	<b>117.4</b>	<b>1,810.1</b>
Income from equity method and dividends	35.8	0.0	0.0	0.9	36.7
Net fees and commissions	575.5	1.2	35.1	25.0	636.7
Results from financial transactions and foreign exchange	205.2	8.8	25.8	5.9	245.8
Other operating income/expense	-130.9	70.0	-43.1	5.6	-98.4
<b>Gross operating income</b>	<b>1,905.3</b>	<b>66.4</b>	<b>504.4</b>	<b>154.9</b>	<b>2,631.0</b>
Operating expenses and amortization	-896.7	-64.3	-605.2	-89.6	-1,655.8
<b>Pre-provisions income</b>	<b>1,008.6</b>	<b>2.1</b>	<b>-100.8</b>	<b>65.3</b>	<b>975.1</b>
Impairment on loans & advances	-262.2	-376.6	-139.5	-28.0	-806.3
Gains on sale of assets and other results	3.2	0.0	0.8	0.0	4.0
<b>Profit before tax</b>	<b>749.6</b>	<b>-374.5</b>	<b>-239.5</b>	<b>37.3</b>	<b>172.9</b>
Income tax	-205.7	118.8	42.3	-4.0	-48.5
<b>Consolidated net profit</b>	<b>543.9</b>	<b>-255.6</b>	<b>-197.1</b>	<b>33.3</b>	<b>124.4</b>
Minority interest	2.3	0.0	0.0	1.5	3.8
<b>Attributable net profit</b>	<b>541.6</b>	<b>-255.6</b>	<b>-197.1</b>	<b>31.8</b>	<b>120.6</b>
ROE	11.2%	--	-25.7%	8.9%	1.45%
Cost / income	42.3%	--	112.1%	55.2%	57.11%
NPL ratio (%)	5.5%	27.7%	1.1%	0.6%	4.71%
NPL coverage ratio (%)	55.0%	64.0%	53.9%	241.1%	56.99%

## Profit and loss 1H17

(€million)	Banking business Spain	Real Estate asset transformation	Banking business UK	Other geographies	Total
<b>Net interest income</b>	<b>1,270.4</b>	<b>-21.9</b>	<b>523.1</b>	<b>165.4</b>	<b>1,936.9</b>
Income from equity method and dividends	35.4	-0.9	0.0	1.6	36.1
Net fees and commissions	527.4	1.1	47.0	29.3	603.0
Results from financial transactions and foreign exchange	488.8	-34.6	89.5	6.6	550.3
Other operating income/expense	-146.3	65.7	-7.0	4.7	-82.9
<b>Gross operating income</b>	<b>2,175.7</b>	<b>9.3</b>	<b>652.5</b>	<b>207.6</b>	<b>3,043.4</b>
Operating expenses and amortization	-851.9	-84.0	-517.6	-122.1	-1,575.7
<b>Pre-provisions income</b>	<b>1,323.8</b>	<b>-74.7</b>	<b>134.9</b>	<b>85.5</b>	<b>1,467.7</b>
Impairment on loans & advances	-447.4	-357.4	-44.2	-1.9	-850.9
Gains on sale of assets and other results	11.3	0.0	6.4	0.0	17.6
<b>Profit before tax</b>	<b>887.7</b>	<b>-432.1</b>	<b>96.9</b>	<b>83.6</b>	<b>634.4</b>
Income tax	-246.9	122.9	-31.6	-26.6	-182.2
<b>Consolidated net profit</b>	<b>640.8</b>	<b>-309.2</b>	<b>65.3</b>	<b>57.1</b>	<b>452.2</b>
Minority interest	1.4	0.0	0.0	0.2	1.6
<b>Attributable net profit</b>	<b>639.4</b>	<b>-309.2</b>	<b>65.3</b>	<b>56.9</b>	<b>450.6</b>
ROE	15.5%	--	3.5%	10.0%	6.34%
Cost / income	38.7%	--	78.7%	55.9%	51.33%
NPL ratio (%)	6.5%	25.1%	0.5%	0.8%	5.49%
NPL coverage ratio (%)	43.0%	52.9%	49.9%	213.5%	47.11%

## Balance sheet 1H18

(€million)	Banking business Spain	Real Estate asset transformation	Banking business UK	Other geographies	Total
<b>Total assets</b>	<b>140,570</b>	<b>12,850</b>	<b>47,159</b>	<b>15,356</b>	<b>215,935</b>
Loans and advances to customers (Ex Repos)	96,099	2,613	35,472	9,634	143,818
RE exposure	0	3,180	0	0	3,180
<b>Subtotal liabilities</b>	<b>132,021</b>	<b>11,797</b>	<b>45,656</b>	<b>14,391</b>	<b>203,865</b>
On-balance sheet customer funds	96,569	182	33,373	5,572	135,695
Capital markets w wholesale funding	18,348	0	1,809	0	20,157
<b>Equity</b>	<b>8,549</b>	<b>1,053</b>	<b>1,503</b>	<b>966</b>	<b>12,070</b>
Off-balance sheet customer funds	45,800	34	0	1,067	46,901

## Balance sheet 1H17

(€million)	Banking business Spain	Real Estate asset transformation	Banking business UK	Other geographies	Total
<b>Total assets</b>	<b>133,047</b>	<b>17,398</b>	<b>47,195</b>	<b>19,819</b>	<b>217,458</b>
Loans and advances to customers (Ex Repos)	92,361	5,603	35,343	8,671	141,979
RE exposure	0	4,622	0	31	4,653
<b>Subtotal liabilities</b>	<b>124,664</b>	<b>15,367</b>	<b>45,696</b>	<b>18,658</b>	<b>204,385</b>
On-balance sheet customer funds	92,933	160	34,064	5,167	132,323
Capital markets w wholesale funding	19,163	0	1,489	0	20,652
<b>Equity</b>	<b>8,383</b>	<b>2,031</b>	<b>1,499</b>	<b>1,160</b>	<b>13,073</b>
Off-balance sheet customer funds	42,954	14	0	1,029	43,997

## Banking business Spain

Net profit as at March 2018 amounted to €541.6 million, a year-on-year decrease of -15.3% due to lower net trading income compared to the previous year. Excluding Mediterráneo Vida in the previous year, the increase stands at 14.6%.

Net interest income stood at €1,219.7 million and declined by -4.0% compared to the same period in 2017. Excluding Mediterráneo Vida, net interest margin remains in line with the previous year.

Net fees and commissions stood at €575.5 million, 9.1% higher than in the previous year due to the positive performance of service fees and asset management fees.

Net trading income and exchange differences amounted to €205.2 million, with a decline mainly due to extraordinary net trading income in the previous year and due to SAREB debt impairment in this quarter.

Administration and amortisation costs amounted to €-896.7 million, a 5.3% increase compared to the same period in the previous year mainly due to the increase in expenses associated with the transformation and digitalization of the business as well as new regulatory developments.

Provisions and impairments amounted to €-262.2 million, significantly lower than in the previous year.

(€ million)	Change (%)			Simple evolution					
	1H17	1H18	YoY	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
<b>Net interest income</b>	<b>1,270.4</b>	<b>1,219.7</b>	<b>-4.0%</b>	<b>630.8</b>	<b>639.5</b>	<b>633.4</b>	<b>624.5</b>	<b>609.1</b>	<b>610.5</b>
Income from equity method and dividends	35.4	35.8	1.0%	15.8	19.6	266.4	11.3	12.2	23.6
Net fees and commissions	527.4	575.5	9.1%	256.9	270.5	264.8	283.6	285.0	290.5
Results from financial transactions and foreign exchange	488.8	205.2	-58.0%	340.5	148.3	30.4	21.9	208.3	-3.1
Other operating income/expense	-146.3	-130.9	-10.5%	-62.0	-84.2	-23.7	-162.4	-43.1	-87.9
<b>Gross operating income</b>	<b>2,175.7</b>	<b>1,905.3</b>	<b>-12.4%</b>	<b>1,182.0</b>	<b>993.7</b>	<b>1,171.3</b>	<b>778.8</b>	<b>1,071.5</b>	<b>833.7</b>
Operating expenses and amortization	-851.9	-896.7	5.3%	-430.3	-421.6	-448.8	-454.8	-444.8	-451.9
<b>Pre-provisions income</b>	<b>1,323.8</b>	<b>1,008.6</b>	<b>-23.8%</b>	<b>751.7</b>	<b>572.1</b>	<b>722.5</b>	<b>324.0</b>	<b>626.7</b>	<b>381.8</b>
Impairment on loans & advances	-447.4	-262.2	-41.4%	-271.2	-176.1	-396.8	-23.2	-98.3	-163.8
Gains on sale of assets and other results	11.3	3.2	-71.8%	-5.8	17.0	366.7	5.8	-1.1	4.2
<b>Profit before tax</b>	<b>887.7</b>	<b>749.6</b>	<b>-15.6%</b>	<b>474.7</b>	<b>413.0</b>	<b>692.4</b>	<b>306.6</b>	<b>527.3</b>	<b>222.2</b>
Income tax	-246.9	-205.7	-16.7%	-139.9	-107.1	-24.8	-49.3	-148.2	-57.4
<b>Consolidated net profit</b>	<b>640.8</b>	<b>543.9</b>	<b>-15.1%</b>	<b>334.9</b>	<b>305.9</b>	<b>667.6</b>	<b>257.3</b>	<b>379.1</b>	<b>164.8</b>
Minority interest	1.4	2.3	66.3%	1.6	-0.3	0.1	-1.8	1.3	0.9
<b>Attributable net profit</b>	<b>639.4</b>	<b>541.6</b>	<b>-15.3%</b>	<b>333.2</b>	<b>306.2</b>	<b>667.5</b>	<b>259.1</b>	<b>377.7</b>	<b>163.9</b>
<b>Accumulated ratios</b>									
ROE	15.5%	11.2%		15.2%	15.5%	15.6%	17.8%	15.5%	11.2%
Cost / income	38.7%	42.3%		40.7%	38.7%	39.5%	39.1%	38.0%	42.3%
NPL ratio (%)	6.5%	5.5%		6.7%	6.5%	6.2%	5.7%	6.0%	5.5%
NPL coverage ratio (%)	43.0%	55.0%		45.9%	43.0%	47.4%	45.6%	56.5%	55.0%

Loans and advances to customers (ex repos) amounted to €96,099 million, with 4.0% year-on-year growth.

On-balance sheet customer funds increased by 3.9% year-on-year, with significant growth in sight accounts. Off-balance sheet funds increased by 6.6% in the quarter, mainly driven by strong growth in mutual funds.

(€ million)	Change (%)			Simple evolution					
	1H17	1H18	YoY	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
<b>Total assets</b>	<b>133,047</b>	<b>140,570</b>	<b>5.7%</b>	<b>134,790</b>	<b>133,047</b>	<b>133,995</b>	<b>142,521</b>	<b>139,346</b>	<b>140,570</b>
Loans and advances to customers (Ex Repos)	92,361	96,099	4.0%	91,769	92,361	92,923	93,394	92,750	96,099
<b>Subtotal liabilities</b>	<b>124,664</b>	<b>132,021</b>	<b>5.9%</b>	<b>126,610</b>	<b>124,664</b>	<b>125,045</b>	<b>133,370</b>	<b>130,279</b>	<b>132,021</b>
On-balance sheet customer funds	92,933	96,569	3.9%	90,455	92,933	92,196	92,558	93,093	96,569
Capital markets w/wholesale funding	19,163	18,348	-4.3%	18,065	19,163	18,861	20,168	19,374	18,348
<b>Equity</b>	<b>8,383</b>	<b>8,549</b>	<b>2.0%</b>	<b>8,180</b>	<b>8,383</b>	<b>8,950</b>	<b>9,151</b>	<b>9,067</b>	<b>8,549</b>
Off-balance sheet customer funds	42,954	45,800	6.6%	40,781	42,954	44,086	44,265	45,302	45,800
<b>Other data</b>									
Employees (1)	15,988	15,922	-0.4%	16,025	15,988	15,950	15,888	15,938	15,922
Branches	1,931	1,877	-2.8%	2,123	1,931	1,930	1,880	1,881	1,877

(1) Includes Fonomed employees (call centre)

## Asset Transformation

Net profit as at June 2018 amounted to €-255.6 million and grew 17.3% year-on-year, due to the year-on-year increase in net interest income, higher impairments and the positive results of foreclosed assets sales.

In 2018, net trading income includes the sale of real estate companies, with a positive result of €8.8 million.

Gross income amounted to €66.4 million, much higher than in 2017.

Administrative expenses and depreciations decreased by -23.4% year-on-year to €-64.3 million.

Provisions and impairments amounted to €-406.8 million, 23.4% higher than in the same period of the previous year, as in the quarter it includes €-177.1 million of institutional NPA sales provisions.

The results of sales continue to show positive results and amount to €30.2 million at June 2018.

(€ million)	Change (%)			Simple evolution					
	1H17	1H18	YoY	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
<b>Net interest income</b>	<b>-21.9</b>	<b>-13.6</b>	<b>38.0%</b>	<b>-12.9</b>	<b>-9.0</b>	<b>-15.3</b>	<b>-14.9</b>	<b>-5.7</b>	<b>-7.9</b>
Income from equity method and dividends	-0.9	0.0	--	-0.1	-0.9	0.6	-0.2	0.0	0.0
Net fees and commissions	1.1	1.2	5.9%	0.4	0.7	0.5	0.3	-5.1	6.3
Results from financial transactions and foreign exchange	-34.6	8.8	--	-0.2	-34.4	-0.2	-2.6	8.7	0.1
Other operating income/expense	65.7	70.0	6.7%	32.1	33.6	23.6	29.0	32.5	37.5
<b>Gross operating income</b>	<b>9.3</b>	<b>66.4</b>	<b>--</b>	<b>19.3</b>	<b>-10.0</b>	<b>9.2</b>	<b>11.6</b>	<b>30.3</b>	<b>36.1</b>
Operating expenses and amortization	-84.0	-64.3	-23.4%	-40.7	-43.3	-40.0	-38.7	-33.1	-31.2
<b>Pre-provisions income</b>	<b>-74.7</b>	<b>2.1</b>	<b>--</b>	<b>-21.3</b>	<b>-53.4</b>	<b>-30.8</b>	<b>-27.1</b>	<b>-2.8</b>	<b>4.9</b>
Impairment on loans & advances	-329.7	-406.8	23.4%	-198.4	-131.3	-694.1	-177.9	-122.9	-283.9
Sales results	-27.7	30.2	--	-15.2	-12.5	8.5	5.1	15.3	14.9
Gains on sale of assets and other results	0.0	0.0	--	0.0	0.0	0.0	41.0	0.0	0.0
<b>Profit before tax</b>	<b>-432.1</b>	<b>-374.5</b>	<b>13.3%</b>	<b>-235.0</b>	<b>-197.2</b>	<b>-716.4</b>	<b>-158.9</b>	<b>-110.4</b>	<b>-264.1</b>
Income tax	122.9	118.8	-3.3%	73.9	49.0	220.1	21.0	25.7	93.2
<b>Consolidated net profit</b>	<b>-309.2</b>	<b>-255.6</b>	<b>17.3%</b>	<b>-161.1</b>	<b>-148.1</b>	<b>-496.3</b>	<b>-137.9</b>	<b>-84.7</b>	<b>-170.9</b>
Minority interest	0.0	0.0	--	0.0	0.0	0.0	0.0	0.0	0.0
<b>Attributable net profit</b>	<b>-309.2</b>	<b>-255.6</b>	<b>17.3%</b>	<b>-161.1</b>	<b>-148.1</b>	<b>-496.3</b>	<b>-137.9</b>	<b>-84.7</b>	<b>-170.9</b>
<b>Accumulated ratios</b>									
ROE	--	--		--	--	--	--	--	--
Cost / income	--	--		--	--	--	--	--	--
NPL ratio (%)	25.1%	27.7%		28.6%	25.1%	28.9%	32.2%	29.1%	27.7%
NPL coverage ratio (%)	52.9%	64.0%		52.1%	52.9%	53.2%	49.9%	62.7%	64.0%

Due to the good management of real estate assets, net lending declined by -53.4% year-on-year and net real estate exposure declined by -31.2%.

Intragroup financing amounted to €10,390 million, -23.6% less than in the previous year.

(€ million)	Change (%)			Simple evolution					
	1H17	1H18	YoY	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
<b>Total assets</b>	<b>17,398</b>	<b>12,850</b>	<b>-26.1%</b>	<b>17,424</b>	<b>17,398</b>	<b>15,713</b>	<b>15,384</b>	<b>15,235</b>	<b>12,850</b>
Loans and advances to customers (Ex Repos)	5,603	2,613	-53.4%	5,962	5,603	4,250	3,865	3,032	2,613
RE exposure	4,622	3,180	-31.2%	4,638	4,622	3,995	3,372	3,437	3,180
<b>Subtotal liabilities</b>	<b>15,367</b>	<b>11,797</b>	<b>-23.2%</b>	<b>15,361</b>	<b>15,367</b>	<b>13,685</b>	<b>13,728</b>	<b>13,947</b>	<b>11,797</b>
On-balance sheet customer funds	160	182	14.1%	176	160	115	104	199	182
Intragroup financing	13,602	10,390	-23.6%	13,656	13,602	13,117	12,627	11,858	10,390
<b>Equity</b>	<b>2,031</b>	<b>1,053</b>	<b>-48.2%</b>	<b>2,063</b>	<b>2,031</b>	<b>2,028</b>	<b>1,656</b>	<b>1,288</b>	<b>1,053</b>
Off-balance sheet customer funds	14	34	142.6%	14	14	36	27	38	34
<b>Other data</b>									
Employees	919	1,015	10.4%	867	919	1,008	1,018	998	1,015

## Banking business United Kingdom

Net profit in June 2018 amounts to €-191.7 million, partially impacted by €-294.7 million of migration and post-migration costs.

Net interest income amounts to €486.6 million and declines by -7.0% by extraordinary commercial actions taken by TSB after the technology migration.

Net trading income includes the sale of fixed income.

Net fees and commissions declined by -25.4% mainly due to lower fees and commissions in sight accounts and by extraordinary commercial actions taken by TSB after the technology migration.

Administration and amortisation costs increased by 16.9% year-on-year and they amounted to €-605.2 million, including €-135.7 million of non-recurrent costs relating to the migration and post-migration.

Provisions and impairments amounted to €-139.5 million and include a provision of €-92.4 million for total estimated customer redress, including extraordinary costs to the complaints management procedure related to the migration.

(€ million)	Change (%)			Simple evolution					
	1H17	1H18	YoY	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
<b>Net interest income</b>	<b>523.1</b>	<b>486.6</b>	<b>-7.0%</b>	<b>260.0</b>	<b>263.1</b>	<b>253.1</b>	<b>257.3</b>	<b>253.1</b>	<b>233.5</b>
Income from equity method and dividends	0.0	0.0	--	0.0	0.0	0.0	0.2	0.1	-0.1
Net fees and commissions	47.0	35.1	-25.4%	25.3	21.7	24.8	23.9	23.1	12.0
Results from financial transactions and foreign exchange	89.5	25.8	-71.1%	11.1	78.4	6.5	13.6	7.2	18.6
Other operating income/expense	-7.0	-43.1	--	-2.6	-4.4	-3.2	-5.5	-2.7	-40.4
<b>Gross operating income</b>	<b>652.5</b>	<b>504.4</b>	<b>-22.7%</b>	<b>293.7</b>	<b>358.8</b>	<b>281.2</b>	<b>289.6</b>	<b>280.8</b>	<b>223.6</b>
Operating expenses and amortization	-517.6	-605.2	16.9%	-256.4	-261.2	-241.9	-242.4	-314.7	-290.5
<b>Pre-provisions income</b>	<b>134.9</b>	<b>-100.8</b>	<b>--</b>	<b>37.3</b>	<b>97.6</b>	<b>39.3</b>	<b>47.2</b>	<b>-33.9</b>	<b>-66.9</b>
Impairment on loans & advances	-44.2	-139.5	215.5%	-23.9	-20.3	-21.0	-23.5	-23.3	-116.2
Gains on sale of assets and other results	6.4	0.8	-87.7%	7.5	-1.1	-0.3	0.5	0.4	0.4
<b>Profit before tax</b>	<b>96.9</b>	<b>-239.5</b>	<b>--</b>	<b>20.8</b>	<b>76.1</b>	<b>17.9</b>	<b>24.2</b>	<b>-56.8</b>	<b>-182.7</b>
Income tax	-31.6	42.3	--	-8.6	-23.0	-8.6	-8.5	13.0	29.4
<b>Consolidated net profit</b>	<b>65.3</b>	<b>-197.1</b>	<b>--</b>	<b>12.2</b>	<b>53.1</b>	<b>9.3</b>	<b>15.7</b>	<b>-43.8</b>	<b>-153.3</b>
Minority interest	0.0	0.0	--	0.0	0.0	0.0	0.0	0.0	0.0
<b>Attributable net profit</b>	<b>65.3</b>	<b>-197.1</b>	<b>--</b>	<b>12.2</b>	<b>53.1</b>	<b>9.3</b>	<b>15.7</b>	<b>-43.8</b>	<b>-153.3</b>
<b>Accumulated ratios</b>									
ROE	3.5%	-25.7%		3.3%	3.5%	3.3%	5.8%	-11.3%	-25.7%
Cost / income	78.7%	112.1%		81.3%	78.7%	80.4%	79.5%	105.8%	112.1%
NPL ratio (%)	0.5%	1.1%		0.5%	0.5%	0.4%	0.4%	1.1%	1.1%
NPL coverage ratio (%)	49.9%	53.9%		54.7%	49.9%	50.0%	55.9%	49.9%	53.9%

Loans and advances to customers (ex repos) amounted to €35,472 million, with a year-on-year increase of 0.4%. Considering a like-for-like basis, this item increased by 2.8% in comparison to the previous year.

On balance sheet customer funds amounted to €33,373 million and declined by -2.0% year-on-year (-1.2% considering a constant exchange rate). In the quarter, they have mainly declined due to the maturity of saving deposits (FRISA) whilst the balance of sight accounts (PCA, personal current accounts) increased.

(€ million)	Change (%)			Simple evolution					
	1H17	1H18	YoY	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
<b>Total assets</b>	<b>47,195</b>	<b>47,159</b>	<b>-0.1%</b>	<b>47,519</b>	<b>47,195</b>	<b>47,132</b>	<b>48,145</b>	<b>49,332</b>	<b>47,159</b>
Loans and advances to customers (Ex Repos)	35,343	35,472	0.4%	36,093	35,343	35,912	35,501	35,823	35,472
<b>Subtotal liabilities</b>	<b>45,696</b>	<b>45,656</b>	<b>-0.1%</b>	<b>45,980</b>	<b>45,696</b>	<b>45,647</b>	<b>46,597</b>	<b>47,760</b>	<b>45,656</b>
On-balance sheet customer funds	34,064	33,373	-2.0%	34,718	34,064	34,337	34,410	34,996	33,373
Capital markets w wholesale funding	1,489	1,809	21.5%	1,581	1,489	1,424	1,920	1,885	1,809
<b>Equity</b>	<b>1,499</b>	<b>1,503</b>	<b>0.3%</b>	<b>1,539</b>	<b>1,499</b>	<b>1,485</b>	<b>1,548</b>	<b>1,572</b>	<b>1,503</b>
<b>Other data</b>									
Employees	8,444	8,137	-3.6%	8,524	8,444	8,383	8,287	8,335	8,137
Branches	551	551	0.0%	585	551	551	551	551	551

## Other geographies

Net profit in June 2018 amounted to €31.8 million, a year-on-year decrease of -44.1% as Sabadell United Bank did not contribute in this quarter, as well as higher costs in Mexico. Excluding Sabadell United Bank, net profit remained in line.

Net interest income stood at €117.4 million, showing a -29.0% decline. Excluding Sabadell United Bank, growth amounted to 28.4%, mainly driven by growth in Mexico and EMEA OFEX (Paris, London and Casablanca).

Net fees and commissions increased compared to the previous quarter, and in the year show a decline of -14.7%, mainly due to the lack of contribution of Sabadell United Bank. Excluding SUB, net fees and commissions remain in line.

Net interest income amounted to €154.9 million, showing a -25.4% year-on-year decline. Excluding the sale of Sabadell United Bank, gross income grew by 20.4% due to the good performance in Mexico and EMEA OFEX.

Operating expenses and depreciation declined by -26.6%. Excluding the sale of Sabadell United Bank, they increased by 4.8%, primarily due to expansion expenses in Mexico.

Provisions and impairments increased in comparison to the previous year due to provisions associated with the increase in investment in Mexico and Miami and due to higher provisions mainly associated to singular operations in London's OFEX.

(€ million)	Change (%)			Simple evolution					
	1H17	1H18	YoY	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
<b>Net interest income</b>	<b>165.4</b>	<b>117.4</b>	<b>-29.0%</b>	<b>84.5</b>	<b>80.8</b>	<b>69.6</b>	<b>57.7</b>	<b>55.0</b>	<b>62.4</b>
Income from equity method and dividends	1.6	0.9	-42.4%	0.6	1.0	0.7	0.9	0.6	0.3
Net fees and commissions	29.3	25.0	-14.7%	14.1	15.2	9.6	11.1	11.5	13.5
Results from financial transactions and foreign exchange	6.6	5.9	-10.6%	2.7	3.9	0.7	2.0	1.8	4.2
Other operating income/expense	4.7	5.6	18.6%	3.0	1.8	-4.3	2.4	3.6	2.0
<b>Gross operating income</b>	<b>207.6</b>	<b>154.9</b>	<b>-25.4%</b>	<b>104.9</b>	<b>102.7</b>	<b>76.3</b>	<b>74.1</b>	<b>72.5</b>	<b>82.4</b>
Operating expenses and amortization	-122.1	-89.6	-26.6%	-61.1	-61.0	-39.0	-43.8	-47.4	-42.2
<b>Pre-provisions income</b>	<b>85.5</b>	<b>65.3</b>	<b>-23.6%</b>	<b>43.8</b>	<b>41.7</b>	<b>37.3</b>	<b>30.3</b>	<b>25.1</b>	<b>40.2</b>
Impairment on loans & advances	-1.9	-28.0	--	-1.8	-0.1	-13.5	-9.0	-15.6	-12.5
Gains on sale of assets and other results	0.0	0.0	--	0.0	0.0	0.0	1.2	0.0	0.0
<b>Profit before tax</b>	<b>83.6</b>	<b>37.3</b>	<b>-55.4%</b>	<b>42.0</b>	<b>41.6</b>	<b>23.8</b>	<b>22.6</b>	<b>9.5</b>	<b>27.8</b>
Income tax	-26.6	-4.0	-84.9%	-10.2	-16.4	-2.8	-7.9	0.7	-4.7
<b>Consolidated net profit</b>	<b>57.1</b>	<b>33.3</b>	<b>-41.7%</b>	<b>31.9</b>	<b>25.2</b>	<b>20.9</b>	<b>14.7</b>	<b>10.2</b>	<b>23.1</b>
Minority interest	0.2	1.5	--	0.1	0.1	0.0	3.8	0.1	1.4
<b>Attributable net profit</b>	<b>56.9</b>	<b>31.8</b>	<b>-44.1%</b>	<b>31.7</b>	<b>25.1</b>	<b>20.9</b>	<b>10.8</b>	<b>10.1</b>	<b>21.7</b>
<b>Accumulated ratios</b>									
ROE	10.0%	8.9%		11.3%	10.0%	9.6%	8.8%	8.0%	8.9%
Cost / income	55.9%	55.2%		55.4%	55.9%	54.1%	54.5%	63.3%	55.2%
NPL ratio (%)	0.8%	0.6%		1.1%	0.8%	0.9%	0.9%	0.9%	0.6%
NPL coverage ratio (%)	213.5%	241.1%		174.8%	213.5%	103.4%	113.0%	103.7%	241.1%

Lending amounted to €9,634 million, 11.1% higher than in the previous year, mainly due to the growth of the business in Mexico and Miami.

On balance sheet customer funds amounted to €5,572 million and grew by 7.8%. Off-balance sheet funds amounted to €1,067 million and increased by 3.7% due to increases in Andorra and Miami OFEX.

(€ million)	Change (%)			Simple evolution					
	1H17	1H18	YoY	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
<b>Total assets</b>	<b>19,819</b>	<b>15,356</b>	<b>-22.5%</b>	<b>19,360</b>	<b>19,819</b>	<b>14,309</b>	<b>15,298</b>	<b>15,096</b>	<b>15,356</b>
Loans and advances to customers (Ex Repos)	8,671	9,634	11.1%	7,880	8,671	8,776	8,836	8,987	9,634
RE exposure	31	0	-100.0%	31	31	23	23	0	0
<b>Subtotal liabilities</b>	<b>18,658</b>	<b>14,391</b>	<b>-22.9%</b>	<b>18,198</b>	<b>18,658</b>	<b>13,503</b>	<b>14,431</b>	<b>14,153</b>	<b>14,391</b>
On-balance sheet customer funds	5,167	5,572	7.8%	4,799	5,167	4,647	5,024	4,991	5,572
<b>Equity</b>	<b>1,160</b>	<b>966</b>	<b>-16.8%</b>	<b>1,161</b>	<b>1,160</b>	<b>806</b>	<b>866</b>	<b>943</b>	<b>966</b>
Off-balance sheet customer funds	1,029	1,067	3.7%	1,052	1,029	1,030	1,033	1,024	1,067
<b>Other data</b>									
Employees	1,146	845	-26.3%	1,109	1,146	744	765	785	845
Branches	66	43	-34.8%	59	66	41	42	42	43

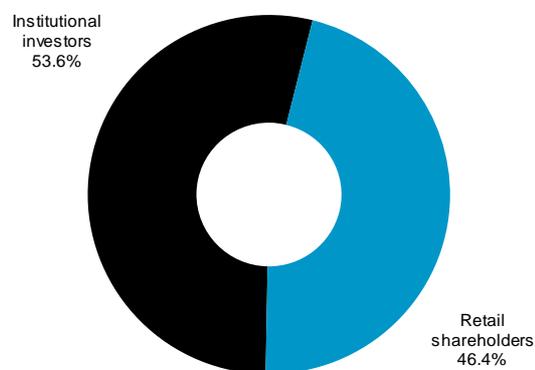
## 4. Share price performance

	30.06.2017	30.06.2018	Change (%) YoY
<b>Shareholders and trading</b>			
Number of shareholders	246,622	234,009	-5.1
Average number of shares (million)	5,574	5,574	0.0
Average daily trading volume (millions shares)	29	30	2.0
<b>Share price (€)</b> (1)			
Opening session (of the year)	1.323	1.656	
High (of the year)	1.899	1.945	
Low (of the year)	1.295	1.366	
Closing session (end of quarter)	1.779	1.436	
Market capitalisation (€ million)	9,916	8,002	
<b>Stock market multiples</b>			
Earnings per share (EPS) (€)	(2) 0.14	0.02	
Book value per share (€)	2.36	2.23	
TBV per share	1.99	1.81	
Price / Book value (times)	0.75	0.64	
Price / Earnings ratio (P/E) (times)	12.33	59.96	

(1) Without adjusting historical values

(2) Net profit adjusted to reflect the amount of the Additional Tier I coupons, after tax, recorded under own funds.

### Shareholders' structure



Source: GEM, figures at 30 June 2018

## 5. Other key developments in the quarter

### **Banco Sabadell notified the Board of Directors of the agreement of the cash distribution of a supplementary dividend.**

On 1 February 2018 the Board of Directors agreed to the cash distribution of a supplementary dividend to shareholders of 0.05 gross euros per share. This dividend is supplementary to the interim dividend for the amount of 0.02 gross euros per share, agreed by the Board of Directors on 26 October 2017, which was paid on 29 December 2017, which represents total cash shareholder remuneration of 0.07 gross euros per share. On 19 April 2018 the dividend proposal has been approved by the Ordinary General Meeting of Shareholders, with payment of the supplementary dividend on 27 April 2018.

### **Banco Sabadell informs of the rating upgrade by S&P Global Ratings**

On 06 April 2018, S&P Global Ratings has raised Banco Sabadell's long-term credit rating to BBB from BBB- and its short-term rating to A-2 from A-3. The outlook is stable. This rating upgrade is based on the improvement of Banco Sabadell's credit quality in a context of a lower industry risk for the Spanish banking system mainly supported by the deleveraging of the latter as well as an improvement in investor confidence in the sector.

### **Banco Sabadell informs of the rating upgrade by Moody's Investors Service.**

On 17 April 2018, Moody's Investors Service (Moody's), has raised Banco Sabadell's mortgage and public covered bonds credit rating to Aa1 from Aa2. Moody's has changed the outlook on Banco Sabadell's deposits credit rating to positive from stable. These revisions are based on the improvement of the Government of Spain credit rating on 13 April 2018.

### **Banco Sabadell reports on the migration incidents of the technology platform of TSB Bank.**

Regarding the incidents that emerged following the IT migration of TSB Bank plc (TSB) in the United Kingdom on April 22nd, and notwithstanding the investigation into the circumstances and causes of the incidents currently being carried out by TSB through independent experts and by British regulators, we hereby inform you that, according to statements made to the Treasury Select Committee of the British Parliament by TSB representatives, the current costs related to these incidents stand at 70 million pounds (approx.). This amount includes the costs related to the temporary waiver of overdraft fees, compensation for cases of fraud linked to the migration, and the increase of resources (overtime pay, additional staff and expert support).

The information related to TSB impacts has been updated in Q2 presentation results.

### **Banco Sabadell informs of the rating upgrade by DBRS Rating Limited**

On 16 July, DBRS Rating Limited has raised Banco Sabadell's outlook to positive (from stable) and affirmed its

long-term credit rating to BBB (high) and its short-term rating to R-1 (low). The change of trend to positive and the confirmation of the rating reflect the Banco Sabadell Group's sound capitalisation and continued improvement in asset quality and core profitability in Spain.

### **Banco Sabadell informs of the transfer of almost all of its real estate exposure to a subsidiary of Cerberus Capital Management L.P.**

On 19 July Banco Sabadell has reached an agreement on the date hereof for the transfer of almost the whole of its real estate exposure to an affiliate of Cerberus Capital Management, L.P. ("Cerberus" and the "Transaction"). The real estate assets included in the Transaction have a gross book value, altogether, of circa € 9,100 million and a net book value, altogether, of circa € 3,900 million. The Transaction has been structured through the transfer of two real estate portfolios commercially identified as "Challenger" and "Coliseum" to one or more newly incorporated companies (the "NewCo(s)"), the share capital of which will be contributed and/or transferred so that Cerberus, directly or indirectly, owns a 80% interest in the NewCo(s)'s share capital and Banco Sabadell the remaining 20% interest. Banco Sabadell and Cerberus will enter into a shareholders' agreement to set forth their contractual relationships as partners of the NewCo(s). Solvia Servicios Inmobiliarios, S.L.U., that will remain wholly owned by Banco Sabadell, will continue to service on an exclusive basis the real estate assets included to the Transaction. Closing of the Transaction, that will occur once the relevant authorizations are obtained and the conditions regarding each of the portfolios are complied with, will imply the transfer of the control over the real estate assets included in the Transaction and, hence, their deconsolidation from the balance sheet of Banco Sabadell group. The Transaction contributes positively to enhancing the profitability of Banco Sabadell group, requiring the recognition of additional provisions with a net impact of approximately € 92 million, and will create a positive impact of circa 13 basis points on the capital ratio of Common Equity Tier 1 (fully-loaded) of Banco Sabadell.

### **Banco Sabadell has reached an agreement for the transfer of a portfolio of loans to Deutsche Bank and to Carval Investors**

On 24 July 2018, Banco Sabadell has reached an agreement for the transfer of a portfolio of loans that, in turn, is composed of three sub-portfolios, mostly secured by the relevant mortgages, with an aggregate outstanding balance amounting to approximately EUR 2,295 million to Deutsche Bank and to Carval Investors (the "Transaction"). The Transaction will be closed once the relevant authorizations are obtained and the relevant conditions are fulfilled. The Transaction will create a negative impact of circa 3 basis points on the capital ratio of Common Equity Tier 1 (fully-loaded) of Banco Sabadell, which will include additional provisions with a net impact of approximately EUR 32 million in the results.

## 6. Glossary of terms on performance measures

In its presentation of its results to the market, and for the purpose of monitoring the business and decision-making processes, the Group uses performance measures pursuant to the generally accepted accounting regulations (IFRS-EU), and also uses other non-audited measures commonly used in the banking sector (Alternative Performance Measures, or APMs) as monitoring indicators for the management of assets and liabilities, and the financial and economic situation of the Group, which facilitates its comparison with other entities.

Following the ESMA guidelines on APMs (ESMA/2015/1415es of October 2015), the purpose of which is to promote the use and transparency of information for the protection of investors in the European Union, the Group presents below, for each APM, the reconciliation with items shown in the financial statements (in each section of the report) and its definition and calculation:

	Definition and calculation	Page
ROA	(*) (**) Consolidated income during the year / ATA. Considering linear annualisation of profit obtained to date and adjusted by contributions to guarantee and resolution funds except year end. Average Total Assets are the moving average of total assets over the last 12 calendar months.	3
ROE	(*) (***) Profit attributed to the Group / average equity. Numerator considers linear annualisation of profit obtained to date and adjusted by contributions to guarantee and resolution funds except year end.	3
RORWA	(*) Profit attributed to the Group / risk-weighted assets (RWA). Numerator considers linear annualisation of profit obtained to date.	3
ROTE	(*) (***) Profit attributed to the Group / average equity. Numerator considers linear annualisation of profit obtained to date and adjusted by contributions to guarantee and resolution funds except year end. Denominator excludes goodwill.	3
Cost / income ratio	(*) Administrative expenses / gross income adjusted. Calculated by adjusting gross income, taking into account the recurrent results from financial transactions with the best group estimate except for the end of the year, as well as excluding in the year 2017 the commission received for BanSabadell Vida value-in force "VIF" and the income from Mortgage Enhancement of TSB. In addition, the denominator includes the linear accrual of contributions to deposit guarantee fund and resolution fund except year end.	3
Other operating income/expense	Comprised of the following accounting items: Other operating income and other operating expense as well as income from assets and expenses on liabilities under insurance or reinsurance contracts	8
Total provisions & impairments	Comprised of the following accounting items: impairment of reversal of impairment of investments in joint ventures and associates, impairment or reversal of impairment on non-financial assets, investment properties in the gains or losses on derecognition of non-financial assets, net and profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations excluding the associates, provisions or reversal of provisions and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss.	8
Gains on sale of assets and other results	Comprised of the following accounting items: gains or losses on derecognition of non-financial assets, net, excluding the investment properties and associates included in the profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations excluding the associates.	8
Pre-provisions income	Comprised of the following accounting items: gross income plus administration and amortisation/depreciation expenses	8
Customer spread	(**) Difference between return and cost of assets and liabilities related to customers, i.e. contribution to net interest income of operations exclusively with customers. Calculated ratio taking into account the difference between the medium rate the bank receives for the customers' loans and the medium rate the bank pays for the customers' deposits. The medium rate of customers' loans is the annualized percentage between the financial income of clients' loans relative to the medium daily amount of clients' loans. The medium rate of customers' funds is the annualized percentage between the financial expenses of customers' funds relative to the medium daily amount of customers' funds.	11
Other assets	Comprised of the following accounting items: Derivatives - Hedge accounting, fair value changes of the hedged items in portfolio hedge of interest rate risk, tax assets, other assets, assets under insurance or reinsurance contracts and non-current assets and disposal groups classified as held for sale.	17
Other liabilities	Comprised of the following accounting items: Derivatives - Hedge accounting, tax liabilities, fair value changes of the hedged items in portfolio hedge of interest rate risk, other liabilities and liabilities included in disposal groups classified as held for sale.	17
Gross loans to customers	Includes loans and advances to customers excluding value corrections for impairment.	18
Performing gross loans	Includes gross loans to customers excluding repos, NPL and accrual adjustments.	18
On-balance sheet customer funds	Includes customer deposits (ex repos) and other liabilities placed by the branch network (Banco Sabadell non-convertible bonds, promissory notes and	20
Off-balance sheet customer funds	Includes mutual funds, asset management, pension funds and third-party insurance products.	20
On-balance sheet funds	Includes accounting sub-headings of customer deposits, debt securities issued (debt and other tradable securities and subordinated liabilities).	20
Funds under management	Sum of on-balance sheet and off-balance sheet customer funds.	20
NPL coverage ratio - stage 3 (%)	Shows the % of NPLs (stage 3), covered by provisions. Calculated using the ratio between the allowance of loans and advances to customers (including allowances for guarantees granted) / total non-performing exposures (stage 3) (including NPL guarantees granted, (stage 3)).	22
NPL ratio	% of non-performing exposures (stage 3), over total risk assumed by customers. All of the calculation's components correspond to headings or sub-headings in accounting financial statements. Calculation comprised of the ratio between non-performing exposures (stage 3), including guarantees granted/ Customer lending and guarantees granted. See table for the definition of non-performing exposures (stage 3).	22
Non-performing exposures - stage 3	Sum of accounting items: NPLs (stage 3) loans and advances to customers and non-performing guarantees granted (stage 3).	24
Problematic assets	Sum of non-performing exposures, classified as stage 3, and foreclosed real estate assets.	24
Real estate coverage ratio	Calculation comprised of ratio between allowances for impairment of foreclosed real estate assets / total foreclosed real estate assets. Amount of foreclosed RE assets includes property classified in the non-current asset portfolio and disposable groups of items classed as held-for-trading.	24
Loan-to-deposits ratio	Net loans and receivables over retail funding. Calculated by subtracting mediation loans from the numerator. The denominator considers real estate funding and customer funds, defined in this table.	28
Market capitalisation	Product of the share price and the average number of outstanding shares at the end of the period.	35
Earnings per share	Ratio between net profit attributed to the Group and the average number of outstanding shares at the end of the period. Numerator considers linear annualisation of profit obtained to date adjusted by the Additional Tier I coupon payment, after tax, registered in equity as well as adjusted by contributions to guarantee and resolution funds except year end.	35
Book value per share	Ratio between carrying value / average number of shares at the end of the period. Accounting value is calculated as the sum of equity, considering linear annualisation of profit obtained to date and adjusted by the Additional Tier I coupon payment as well as by contributions to guarantee and resolution funds except year end.	35
TBV per share	Ratio between tangible value / average number of shares at the end of the period. Tangible value is calculated as the sum of equity, considering linear annualisation of profit obtained to date and adjusted by intangible assets and by the Additional Tier I coupon payment as well as by contributions to guarantee and resolution funds except year end.	35
Price / Book value (times)	Ratio between share price / carrying value.	35
Price / Earnings ratio (P/E) (times)	(*) Ratio between share price / earnings per share.	35

(\*) The linear accrual of contributions to guarantee funds and resolution funds have been made based on the Group's best estimates.

(\*\*) Average calculated using average daily balances.

(\*\*\*) Average calculated using the last positions at the end of December 2017.

Alternative Performance measures	Conciliation (€millions)	1H 17	FY 17	1H 18
ROA	Average total assets	215,406	214,356	216,960
	Consolidated net profit	452	805	124
	DGR - SRF adjustment net of tax	-41	0	-29
	<b>ROA (%)</b>	<b>0.38</b>	<b>0.38</b>	<b>0.09</b>
ROE	Average equity	13,013	13,143	12,762
	Attributable net profit	451	801	121
	DGR - SRF adjustment net of tax	-41	0	-29
	<b>ROE (%)</b>	<b>6.34</b>	<b>6.10</b>	<b>1.45</b>
RORWA	Risk weighted assets (RWA)	83,782	77,638	80,455
	Attributable net profit	451	801	121
	DGR - SRF adjustment net of tax	-41	0	-29
	<b>RORWA (%)</b>	<b>0.98</b>	<b>1.03</b>	<b>0.23</b>
ROTE	Average equity (excluding intangible assets)	10,919	11,025	10,484
	Attributable net profit	451	801	121
	DGR - SRF adjustment net of tax	-41	0	-29
	<b>ROTE (%)</b>	<b>7.56</b>	<b>7.27</b>	<b>1.77</b>
Cost / income ratio	<b>Adjusted gross operating income</b>	<b>2,685</b>	<b>5,430</b>	<b>2,590</b>
	<b>Cost / income ratio (%)</b>	<b>51.33</b>	<b>50.15</b>	<b>57.11</b>
Other operating income/expense	Other operating income	155	338	148
	Other operating expenses	-219	-546	-247
	Income from assets under insurance or reinsurance contracts	67	67	0
	Expenses on liabilities under insurance or reinsurance contracts	-86	-86	0
	<b>Other operating income/expense</b>	<b>-83</b>	<b>-227</b>	<b>-98</b>
Total provisions & impairments	Impairment of reversal of impairment of investments in joint ventures and associates	0	-1	0
	Impairment or reversal of impairment on non-financial assets	-153	-799	-36
	Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	-57	-139	-262
	Gains from sales of associates	-17	-17	0
	Gains from sales of investment properties and associates	-11	-15	3
	<b>Other impairments</b>	<b>-238</b>	<b>-971</b>	<b>-295</b>
	Provisions or reversal of provisions	-4	-14	-84
	Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	-609	-1,211	-427
	<b>Provisions for NPLs and other financial assets</b>	<b>-613</b>	<b>-1,225</b>	<b>-511</b>
	<b>Total provisions &amp; impairments</b>	<b>-851</b>	<b>-2,196</b>	<b>-806</b>
Gains on sale of assets and other results	Gains or losses on derecognition of non-financial assets, net	-10	401	7
	Gains from sales of associates	17	17	0
	Gains from sales of investment properties and associates	11	15	-3
	<b>Gains on sale of assets and other results</b>	<b>18</b>	<b>433</b>	<b>4</b>
Pre-provisions income	Gross operating income	3,043	5,737	2,631
	Operating expenses	-1,378	-2,723	-1,479
	Personnel expenses	-791	-1,574	-799
	Other general expenses	-587	-1,149	-681
	Amortization & depreciation	-197	-402	-177
	<b>Pre-provisions income</b>	<b>1,468</b>	<b>2,612</b>	<b>975</b>
Customer spread	Loans to customers (net)			
	Avg.balance	138,924	136,938	134,964
	Results	2,083	4,102	1,975
	Rate %	3.02	3.00	2.95
	Customer deposits			
	Avg.balance	141,203	138,258	139,542
Results	-152	-266	-145	
Rate %	-0.22	-0.19	-0.21	
<b>Customer spread</b>	<b>2.81</b>	<b>2.81</b>	<b>2.74</b>	
Other assets	Derivatives - Hedge accounting	450	374	259
	Fair value changes of the hedged items in portfolio hedge of interest rate risk	5	48	63
	Tax assets	6,817	6,861	7,112
	Other assets	3,490	2,976	2,675
	Non-current assets and disposal groups classified as held for sale	7,220	2,562	2,455
	<b>Other assets</b>	<b>17,982</b>	<b>12,821</b>	<b>12,565</b>
Other liabilities	Derivatives - Hedge accounting	1,381	1,004	703
	Fair value changes of the hedged items in portfolio hedge of interest rate risk	-11	-5	-4
	Tax liabilities	690	532	339
	Other liabilities	625	741	909
	Liabilities included in disposal groups classified as held for sale	4,242	21	18
	<b>Other liabilities</b>	<b>6,927</b>	<b>2,293</b>	<b>1,964</b>

Customer spread is calculated using cumulative data.

Alternative Performance measures	Conciliation (€millions)	1H 17	FY 17	1H 18
Performing gross loans	Mortgage loans & credits	84,394	84,267	83,977
	Other secured loans & credits	2,259	2,315	2,494
	Working capital	5,560	5,802	6,148
	Leasing	2,286	2,316	2,505
	Overdrafts and sundry accounts	43,166	42,822	45,543
	<b>Performing gross loans</b>	<b>137,666</b>	<b>137,522</b>	<b>140,667</b>
	Non-performing loans (customer) - stage 3	8,636	7,867	7,290
	Accruals	-101	-66	-23
	<b>Gross loans to customers excluding repos</b>	<b>146,201</b>	<b>145,323</b>	<b>147,934</b>
	Reverse repos	65	2,001	448
Gross loans to customers	<b>Gross loans to customers</b>	<b>146,266</b>	<b>147,325</b>	<b>148,382</b>
	NPL and country-risk provisions	-4,222	-3,727	-4,115
	<b>Loans and advances to customers</b>	<b>142,043</b>	<b>143,598</b>	<b>144,266</b>
On-balance sheet customer funds	Financial liabilities at amortised cost	195,561	204,045	199,596
	Non-retail financial liabilities	63,238	71,949	63,901
	Central banks	26,136	27,848	27,814
	Credit institutions	10,666	14,171	10,612
	Institutional issues	22,514	26,999	22,466
	Other financial liabilities	3,922	2,932	3,009
	<b>On-balance sheet customer funds</b>	<b>132,323</b>	<b>132,096</b>	<b>135,695</b>
	Customer deposits	131,841	135,307	136,994
	Sight accounts	96,365	98,020	105,400
	Fixed-term deposits including available and hybrid financial liabilities	33,849	32,425	29,265
Repos	1,494	4,750	2,188	
Accruals and derivative hedging adjustments	133	113	141	
On-balance sheet funds	Debt and other tradable securities	20,808	21,250	18,661
	Subordinated liabilities (*)	2,188	2,537	2,507
	<b>On-balance sheet funds</b>	<b>154,838</b>	<b>159,095</b>	<b>158,162</b>
	Mutual funds	25,943	27,375	28,624
	Managed accounts	3,943	3,999	4,007
	Pension funds	4,040	3,987	3,869
	Third-party insurance products	10,070	9,965	10,401
	<b>Off-balance sheet customer funds</b>	<b>43,997</b>	<b>45,325</b>	<b>46,901</b>
	<b>Funds under management</b>	<b>198,835</b>	<b>204,420</b>	<b>205,063</b>
	Non-performing exposures - stage 3	Customer, central banks and financial institutions loans and advances	8,636	7,867
Guarantees granted in stage 3		66	58	95
<b>Non-performing exposures - stage 3 (€million)</b>		<b>8,703</b>	<b>7,925</b>	<b>7,386</b>
NPL coverage ratio - stage 3 (%)	Non-performing exposures - stage 3	8,703	7,925	7,386
	Provisions	4,100	3,625	4,209
	<b>NPL coverage ratio - stage 3 (%)</b>	<b>47.1%</b>	<b>45.7%</b>	<b>57.0%</b>
Real Estate coverage ratio (%)	RE Assets evolution	8,917	7,393	7,171
	Provisions	4,264	3,998	3,991
	<b>Real Estate coverage ratio (%)</b>	<b>47.8%</b>	<b>54.1%</b>	<b>55.7%</b>
Problematic assets	Non-performing exposures - stage 3	8,703	7,925	7,386
	RE Assets evolution	8,917	7,393	7,171
	<b>Problematic assets</b>	<b>17,619</b>	<b>15,318</b>	<b>14,557</b>
	Provisions of problematic assets	8,364	7,623	8,200
	<b>Problematic assets coverage (%)</b>	<b>47.5%</b>	<b>49.8%</b>	<b>56.3%</b>
NPL ratio	Non-performing exposures - stage 3	8,703	7,925	7,386
	Loans to customers and contingent risks	158,394	154,050	156,891
	<b>NPL ratio (%)</b>	<b>5.5%</b>	<b>5.1%</b>	<b>4.7%</b>
Loan-to-deposits ratio (%)	Adjusted net loans and advances w/o repos by brokered loans	136,920	137,761	140,700
	On-balance sheet customer funds	132,323	132,096	135,695
	<b>Loan-to-deposits ratio (%)</b>	<b>103.5%</b>	<b>104.3%</b>	<b>103.7%</b>
Market capitalisation (€000)	Average number of shares (million)	5,574	5,570	5,574
	Share price (€)	1,779	1,656	1,436
	<b>Market capitalisation (€'000)</b>	<b>9,916</b>	<b>9,224</b>	<b>8,002</b>
Earnings per share (EPS) (€)	Net profit attributed to the Group adjusted	405	778	66
	Attributable net profit	451	801	121
	DGR - SRF adjustment net of tax	-41	0	-29
	Accrued AT1	-4	-23	-26
	Average number of shares (million)	5,574	5,570	5,574
	<b>Earnings per share (EPS) (€)</b>	<b>0.14</b>	<b>0.14</b>	<b>0.02</b>
	Share price (€)	1,779	1,656	1,436
Book value per share (€)	Adjusted equity	13,142	13,403	12,422
	Shareholders' equity	13,188	13,426	12,476
	DGR - SRF adjustment net of tax	-41	0	-29
	Accrued AT1	-4	-23	-26
	Average number of shares (million)	5,574	5,570	5,574
	<b>Book value per share (€)</b>	<b>2.36</b>	<b>2.41</b>	<b>2.23</b>
	Intangible assets	2,077	2,246	2,320
TBV per share	Adjusted equity (excluding intangible assets)	11,065	11,157	10,102
	<b>TBV per share</b>	<b>1.99</b>	<b>2.00</b>	<b>1.81</b>
	<b>Price / Book value (times)</b>	<b>0.75</b>	<b>0.69</b>	<b>0.64</b>
<b>Price / Earnings ratio (P/E) (times)</b>	<b>12.33</b>	<b>11.85</b>	<b>59.96</b>	

(\*) Refers to subordinated liabilities of debt securities

See list, definition and purpose of the APMs used by Banco Sabadell Group here:

[www.grupbancsabadell.com/](http://www.grupbancsabadell.com/)

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