

Sabadell

Q4 2017 Results

February 2, 2018

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Highlights

2017 highlights

- Strong momentum of our core banking revenue which grew +5.5% YoY like-for-like¹ (+5.2% ex-TSB)
- Performing loan growth of +4.6% YoY like-for-like¹ (+1.2% ex-TSB), driven by strong activity in SMEs and new mortgage production
- Positive on-balance sheet customer funds evolution with +2.9% growth in the year like-for-like¹ (+2.6% ex-TSB). Total customer funds increased by +5.0% YoY like-for-like¹ (+5.3% ex-TSB) mainly driven by an outstanding net inflow of mutual funds and sight accounts
- NPA reduction of c.€2.2bn in the year, which was larger than initially expected. Additionally, we have created a new business line focusing on real estate development services (*Solvía Desarrollos Inmobiliarios*) with assets under management of c.€1.3bn (€0.7bn net of provisions). Including this, NPAs decreased by c.€3.5bn
- NPA coverage ended the year at 49.8%². Implementation of IFRS9 in January 2018 will imply €900M in provisions, and will increase NPA coverage to c.54.7%² pro forma
- Strong capital generation with CET1 fully-loaded of 12.8%. IFRS9 impact on capital of -78bps. Post IFRS9 implementation, our CET1 fully-loaded pro forma stands at 12.0%
- Final cash dividend of €0.05 per share, which brings the total yearly dividend to €0.07 per share³. Total payout increased to 49% (from 40% in 2016)
- Annual net profit of €801M, in line with our yearly target, with a YoY growth of c.+13% for the group and c.+34% ex-TSB

Note: Core banking revenue refers to net interest income plus commissions.

¹ Like-for-like assumes constant FX and excludes Sabadell United Bank, Mediterráneo Vida as well as the Mortgage enhancement contribution for comparison purposes. Performing loan growth excludes also the impact of the APS (i.e. the 80% of the APS problematic exposure which risk is presented as performing and the net loans and receivables account).

² Excluding mortgage floors provisions. Including mortgage floors provisions, NPA coverage stands at 51.1% and 56.0% pro forma post IFRS9.

³ Includes both, €0.02 per share interim cash dividend declared in 3Q17 as well as an additional €0.05 per share final cash dividend.

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Profitability and efficiency

4Q17 highlights: Profitability and efficiency

- Net interest income was down -0.6% like-for-like¹ QoQ despite the challenging interest rate environment
- Customer spread remained robust at 2.80% as a result of our ability to defend prices
- Commissions performed remarkably well, up +5.8% QoQ (+6.6% ex-TSB) mainly driven by growth of asset management fees
- Group core efficiency ratio² remained stable QoQ
- Quarterly results were impacted by the Deposit Guarantee Fund (“DGF”) and IDEC Q4 annual payments

¹ Like-for-like assumes constant FX and excludes Sabadell United Bank contribution for comparison purposes.

² Core efficiency ratio defined as accumulated operating expenses (excluding amortisation) divided by accumulated gross operating income excluding trading income as well as the capital gains on the VIF reinsurance transaction and the early call of the Mortgage enhancement portfolio.

2017 income statement

Euros in million	Sabadell Group				Sabadell, ex-TSB		
	2016	2017	%YoY constant FX	%YoY	2016	2017	%YoY
Net interest income	3,837.8	3,802.4	1.0%	-0.9%	2,786.9	2,768.8	-0.6%
Equity method & dividends	84.6	315.9	--	--	84.6	315.7	--
Commissions	1,148.6	1,223.4	7.4%	6.5%	1,022.8	1,127.8	10.3%
Trading income & forex	626.6	622.5	0.2%	-0.7%	573.1	512.9	-10.5%
Other operating results	-226.9	-227.0	0.6%	0.1%	-209.1	-211.3	1.1%
Gross operating income	5,470.7	5,737.3	6.6%	4.9%	4,258.3	4,514.0	6.0%
Personnel recurrent costs	-1,595.1	-1,546.9	-1.3%	-3.0%	-1,186.4	-1,163.0	-2.0%
Administrative recurrent costs	-981.2	-1,116.7	16.9%	13.8%	-581.0	-614.8	5.8%
Non recurrent costs	-87.1	-59.3	-30.6%	-31.8%	-49.3	-15.8	-67.9%
Depreciation & amortisation	-395.9	-402.2	2.9%	1.6%	-323.2	-329.6	2.0%
Pre-provisions income	2,411.5	2,612.1	9.6%	8.3%	2,118.4	2,390.8	12.9%
Total provisions & impairments	-1,427.1	-2,196.4	53.9%	53.9%	-1,399.0	-2,107.6	50.6%
Gains on sale of assets and other results	35.1	432.6	--	--	39.5	425.9	--
Profit before taxes	1,019.4	848.3	-14.6%	-16.8%	758.9	709.1	-6.6%
Taxes	-303.6	-43.1	-85.8%	-85.8%	-222.4	5.8	--
Minority interest	5.4	3.7	-31.5%	-31.5%	5.4	3.7	-31.5%
Attributable net profit	710.4	801.5	16.1%	12.8%	531.1	711.2	33.9%

The strong performance of our core banking revenue has driven us to achieve our YE net profit target of €800M

Quarterly income statement

	Sabadell Group					Sabadell, ex-TSB			
	4Q16	3Q17	4Q17	%QoQ constant FX	%QoQ	4Q16	3Q17	4Q17	%QoQ
Euros in million									
Net interest income	946.9	940.9	924.6	-1.9%	-1.7%	697.7	687.7	667.3	-3.0%
Equity method & dividends	12.6	267.7	12.2	-95.5%	-95.5%	12.6	267.7	12.0	-95.5%
Commissions	288.3	301.5	319.0	5.7%	5.8%	260.2	276.7	295.0	6.6%
Trading income & forex	55.8	37.3	35.0	-6.0%	-6.3%	56.8	30.8	21.3	-30.8%
Other operating results	-106.1	-7.6	-136.5	--	--	-106.3	-4.4	-131.0	--
Gross operating income	1,197.5	1,539.7	1,154.1	-25.1%	-25.0%	920.9	1,258.5	864.6	-31.3%
Personnel recurrent costs	-391.2	-385.1	-383.7	-0.6%	-0.4%	-286.4	-293.5	-280.5	-4.4%
Administrative recurrent costs	-243.3	-270.5	-281.9	3.8%	4.2%	-143.6	-149.6	-163.5	9.3%
Non recurrent costs	-41.8	-11.2	-12.2	7.7%	8.9%	-28.2	-1.6	-9.0	--
Depreciation & amortisation	-105.4	-103.0	-101.9	-1.3%	-1.0%	-88.0	-83.1	-84.4	1.6%
Pre-provisions income	415.9	770.0	374.4	-51.3%	-51.4%	374.8	730.7	327.2	-55.2%
Total provisions & impairments	-313.6	-1,116.9	-228.5	-69.7%	-79.5%	-285.5	-1,095.9	-205.0	-81.3%
Gains on sale of assets and other results	3.1	366.4	48.6	--	-86.7%	5.5	366.7	48.0	-86.9%
Profit before taxes	105.3	19.4	194.4	--	--	94.8	1.5	170.2	--
Taxes	-40.0	183.9	-44.7	--	--	-33.2	192.5	-36.1	--
Minority interest	1.8	0.1	2.0	--	--	1.8	0.1	2.0	--
Attributable net profit	63.5	203.2	147.7	-27.1%	-27.3%	59.7	193.9	132.0	-31.9%

- **Solid core banking revenue momentum with growth above +1.0% QoQ like-for-like (+1.4% ex-TSB)¹**
- **Quarterly net profit was impacted by the IDEC and DGF annual payments due in Q4**

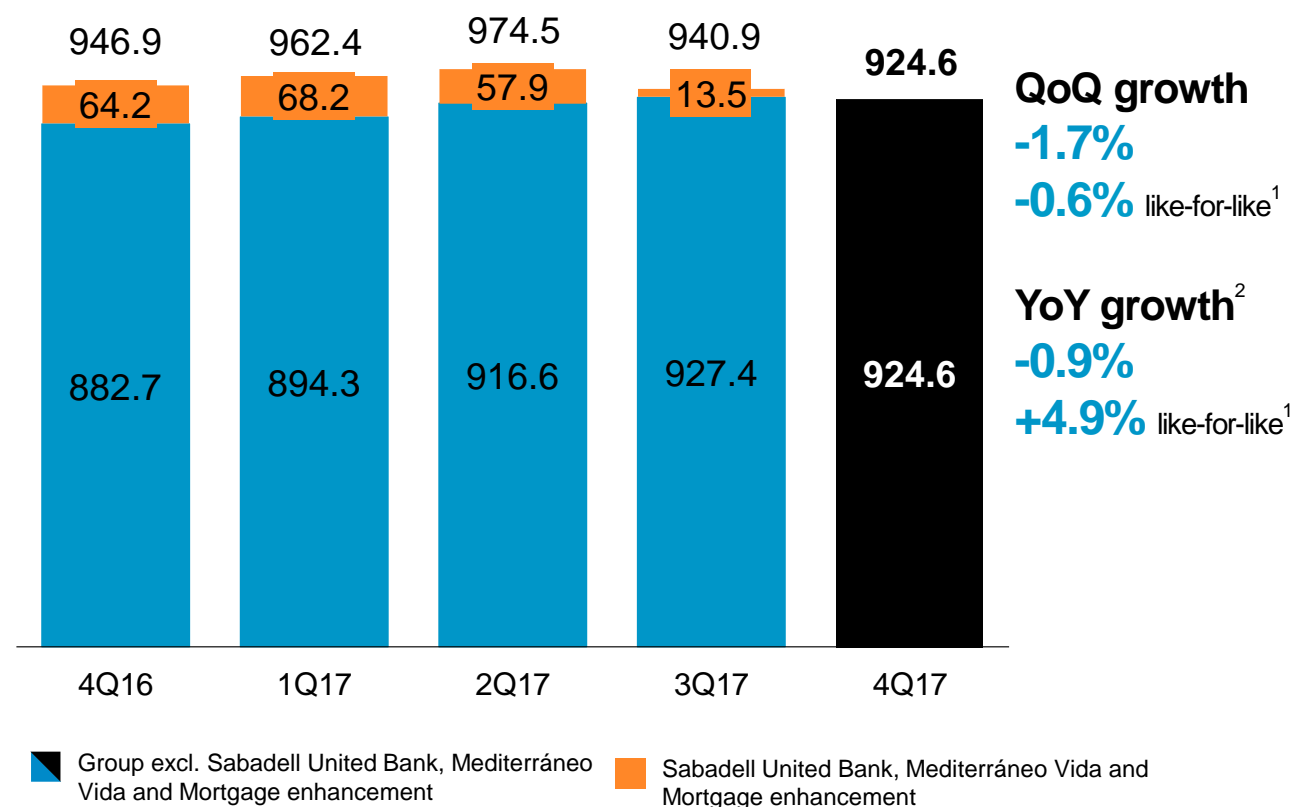
Note: The EURGBP exchange rate of 0.8871 used for this quarter's P&L corresponds to the daily average rate of 4Q17 (0.8976 as of 3Q17).

¹ Core banking revenue refers to net interest income plus commissions and growth expressed on a like-for-like basis (i.e. assuming constant FX and excluding Sabadell United Bank contribution).

Net interest income decreased slightly in the quarter

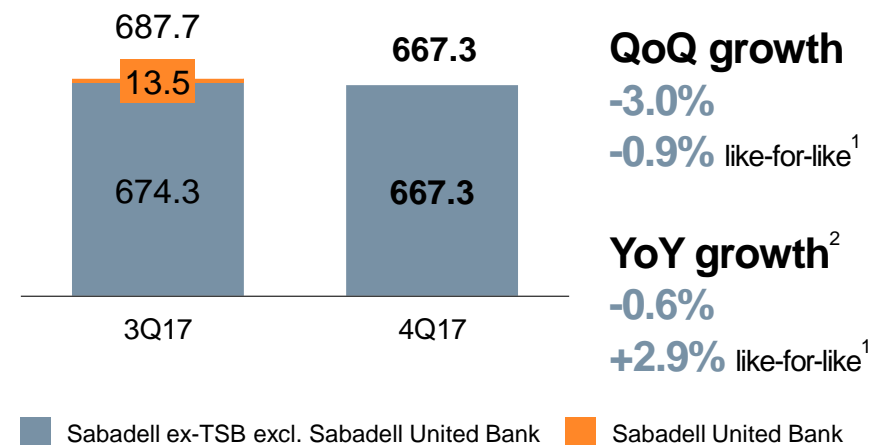
Group net interest income evolution

Euros in million



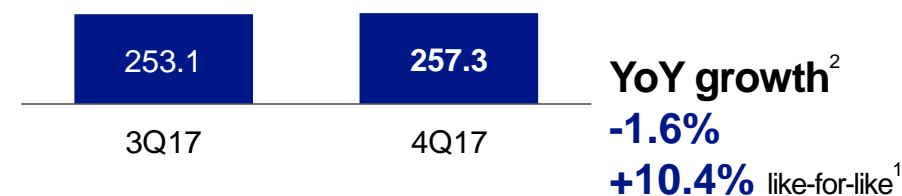
Sabadell, ex-TSB

Euros in million



TSB

Euros in million



Note: The EURGBP exchange rate of 0.8871 used for this quarter's P&L corresponds to the daily average rate of 4Q17 (0.8976 as of 3Q17). The EURGBP exchange rate of 0.8759 used for the 2017 P&L corresponds to the daily average rate of 2017.

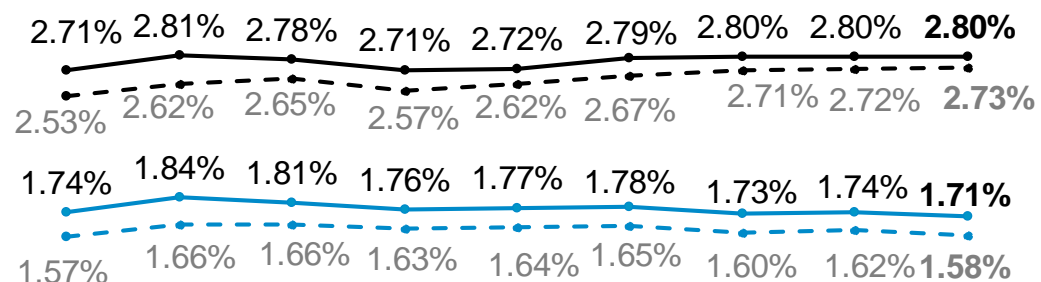
¹ Like-for-like assumes constant FX and excludes Sabadell United Bank, Mediterráneo Vida as well as the Mortgage enhancement contribution for comparison purposes.

² YoY calculated as the growth rate of cumulative results to December 2017 vs. cumulative results to December 2016.

Customer spread remained robust as a result of our ability to defend pricing

Net interest margin evolution

In percentage



4Q15 1Q16 2Q16 3Q16 4Q16 1Q17 2Q17 3Q17 4Q17

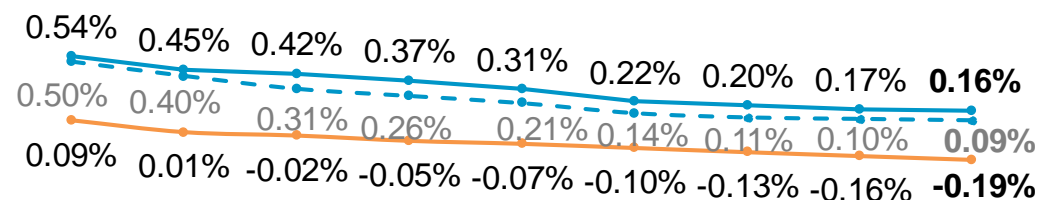
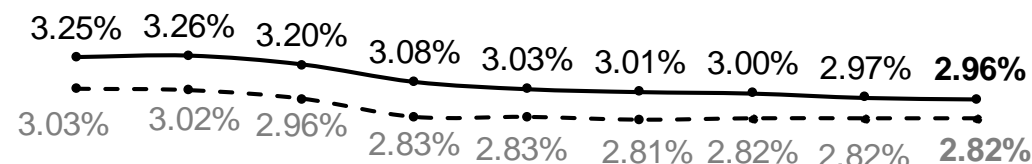
- Customer spread, group
- Net interest margin as % of ATA (NIM), group
- - - Customer spread, ex-TSB
- - - Net interest margin as % of ATA (NIM), ex-TSB

Note: Historic data assumes constant FX and excludes Sabadell United Bank, Mediterráneo Vida as well as the Mortgage enhancement impacts for comparison purposes.

¹ Quarterly average.

Customer loan yield and cost of funds

In percentage



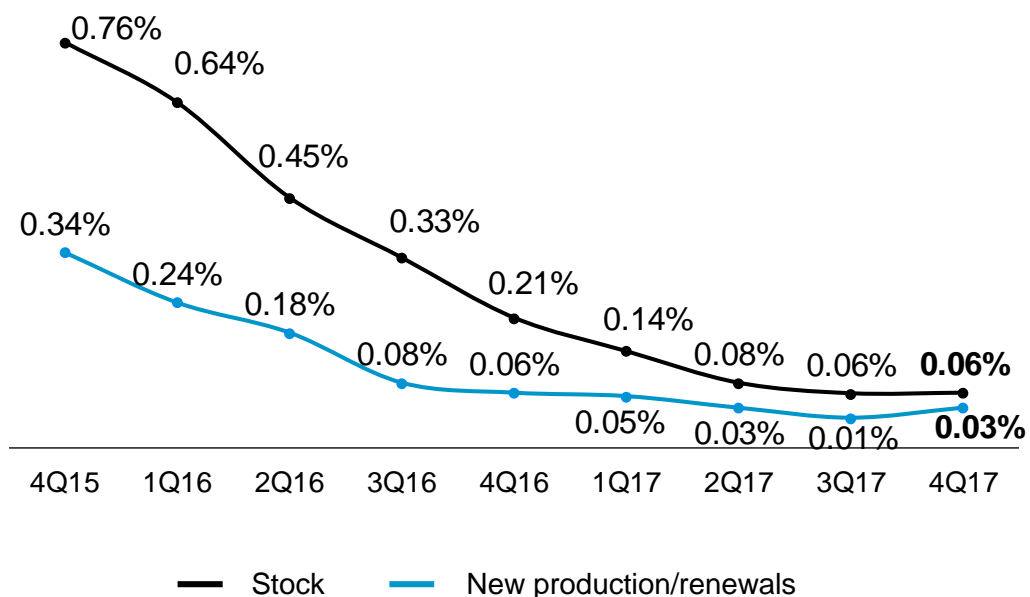
4Q15 1Q16 2Q16 3Q16 4Q16 1Q17 2Q17 3Q17 4Q17

- Customer loan yield, group
- Cost of customer funds, group
- - - Customer loan yield, ex-TSB
- - - Cost of customer funds, ex-TSB
- Euribor 12M¹

Wholesale funding cost was significantly lower in the quarter while term deposits rates remained stable

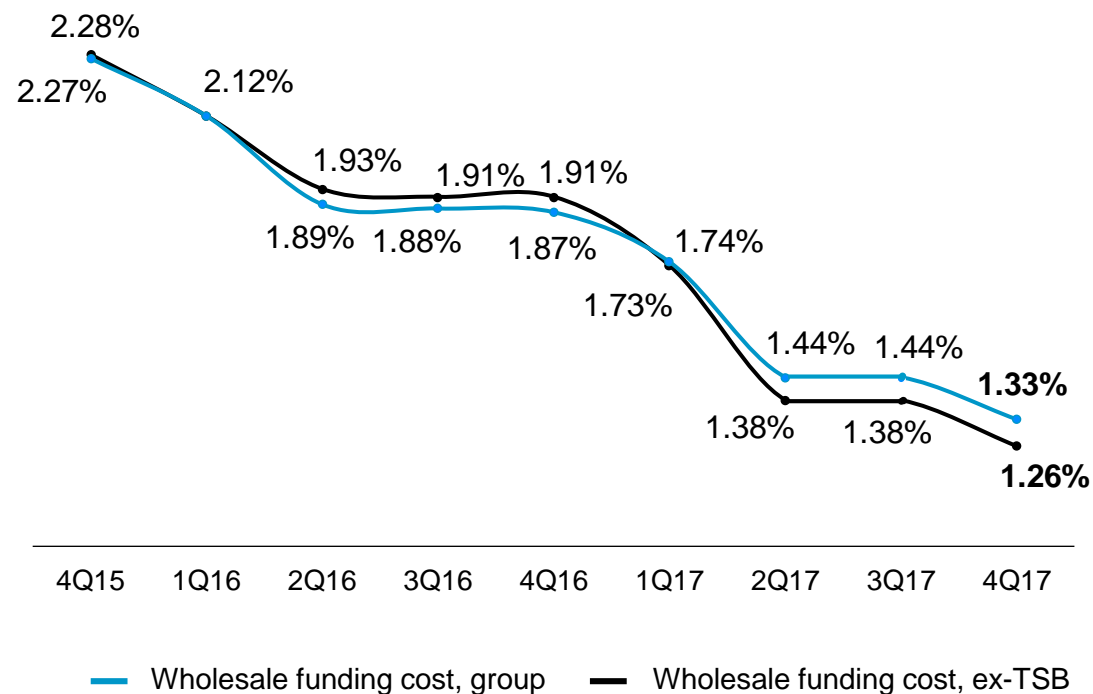
Contractual rates on term deposits, ex-TSB

In percentage



Wholesale funding cost

In percentage

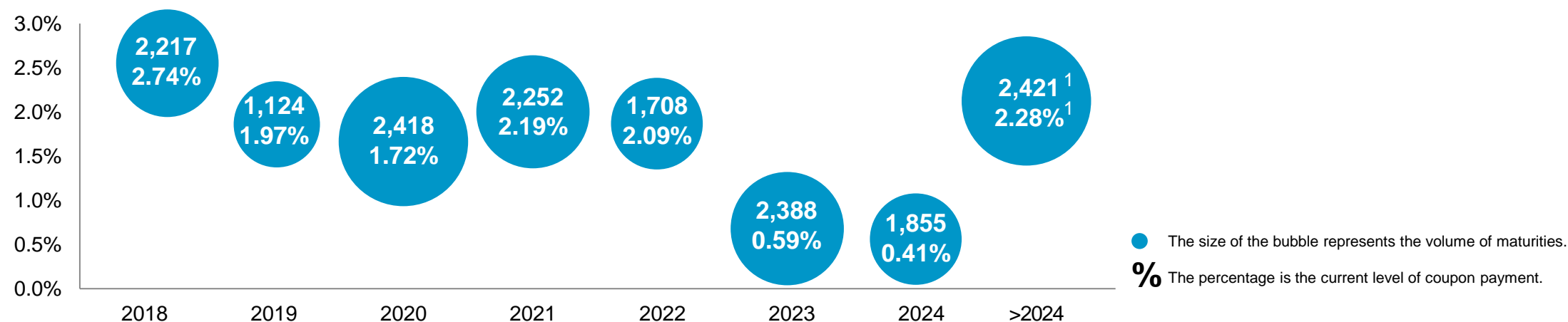


Note: Contractual rates for Euro term deposits. Wholesale funding cost excludes the additional benefit from TLTROII and TFS funding.

There is room to further optimise our wholesale funding cost in the next few years

Upcoming wholesale maturities, Sabadell group

Euros in million. In percentage



Maturity by product type, Sabadell group

Euros in million

	2018	2019	2020	2021	2022	2023	2024	>2024	Outstanding amount
Covered Bonds (CH)	1,556	1,124	2,015	1,808	1,683	1,388	1,850	1,911	13,335
Senior Debt	644	0	0	0	25	1,000	0	0	1,669
Subordinated Debt and AT1	0	0	403	434	0	0	0	1,660	2,497
Other mid- and long-term financial instruments	18	0	0	10	0	0	5	0	33
Total	2,217	1,124	2,418	2,252	1,708	2,388	1,855	3,571	17,534

¹ Excluding AT1.

Sabadell has tapped the capital markets successfully through several transactions...

**€400M
AT1
issuance**

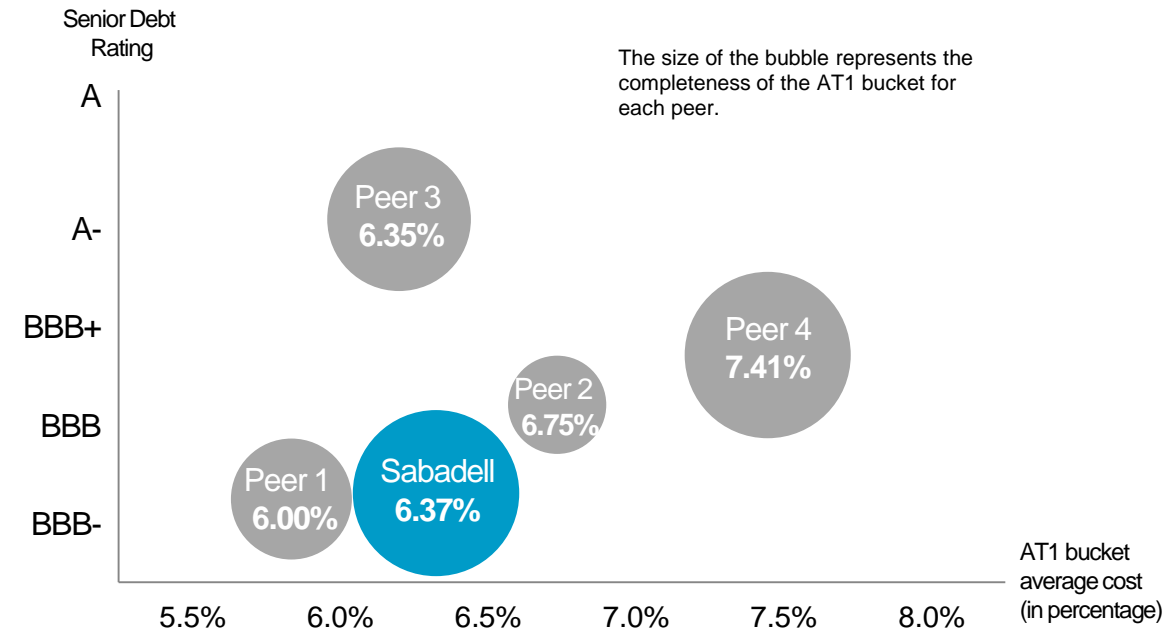
- Issuance of €400M AT1 securities at a 6.125% coupon (37.5bps below our previous issuance in May)
- The transaction allowed us to **complete our 1.5% AT1 bucket at an average cost of 6.37% coupon**

**€1,000M
Senior
unsecured
issuance**

- Issuance of €1,000M senior unsecured debt at a 0.875% coupon and 5-year maturity, which represented the first senior debt issuance since 2013 and the first one with investment grade from all rating agencies since 2012
- The transaction allowed us to **strengthen our liquidity position and generate potential MREL eligible liabilities**

**£500M
Covered
bond**

- Issuance of £500M covered bond at 3m£L+24bps and 5-year maturity
- This represented **TSB's inaugural covered bond transaction**

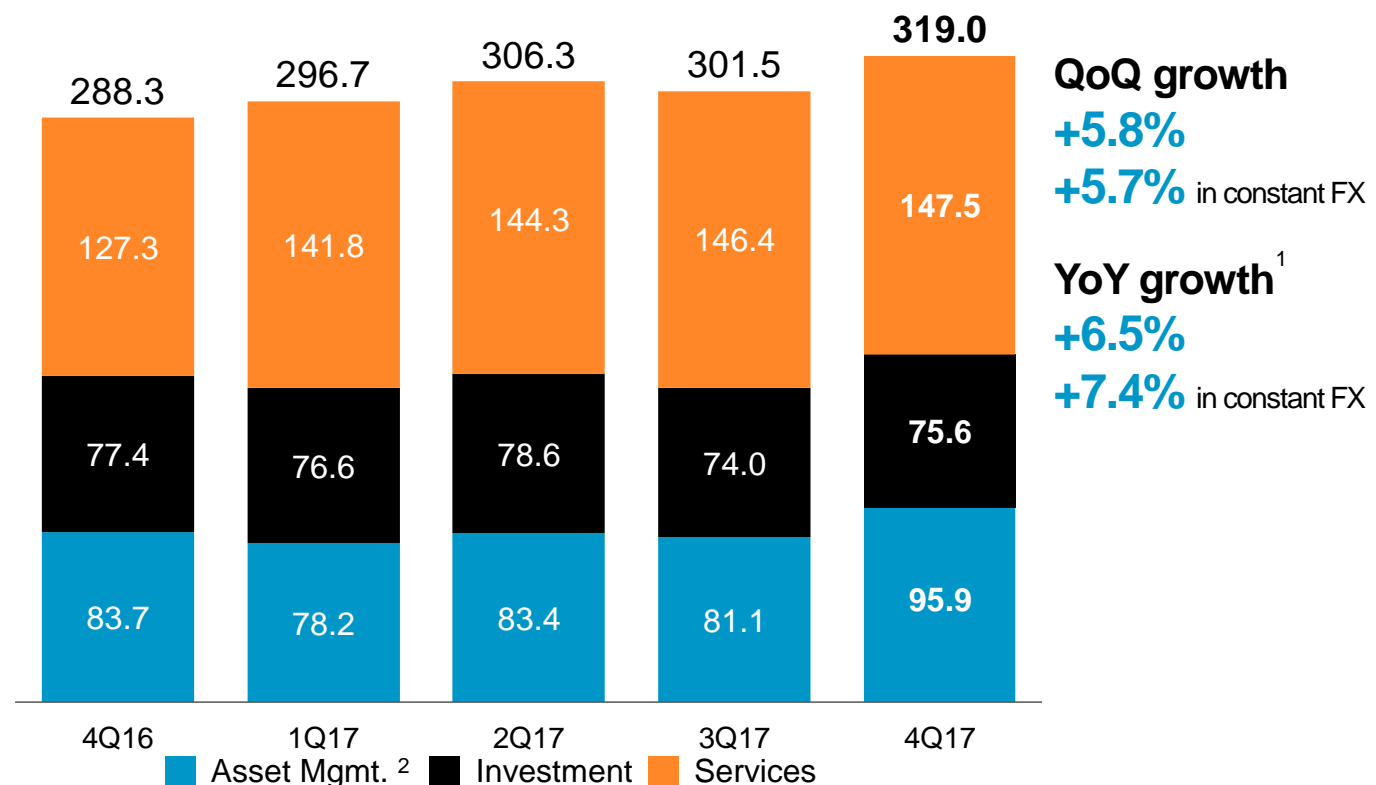


... allowing us to optimise our capital structure and strengthen our rating metrics

Commissions performed remarkably well QoQ driven by the strength of our asset management business

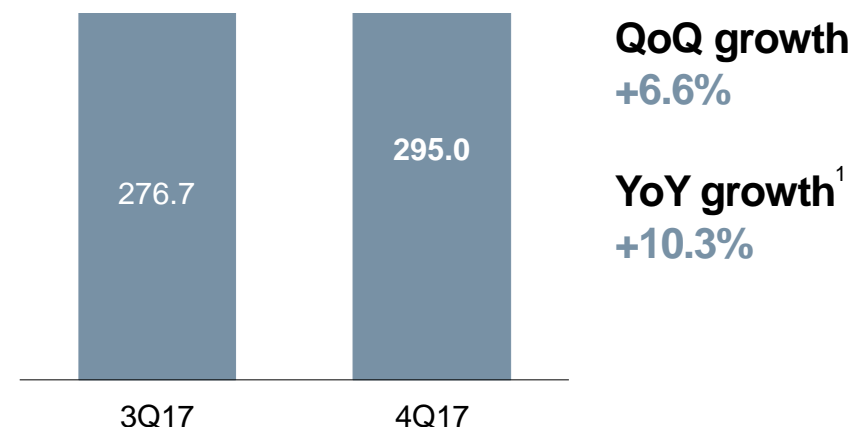
Group commission income evolution

Euros in million



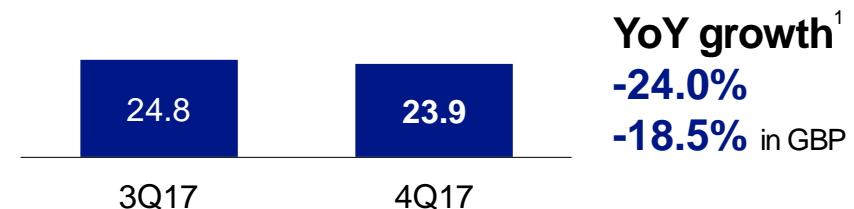
Sabadell, ex-TSB

Euros in million



TSB

Euros in million



Note: The EURGBP exchange rate of 0.8871 used for this quarter's P&L corresponds to the daily average rate of 4Q17 (0.8976 as of 3Q17). The EURGBP exchange rate of 0.8759 used for the 2017 P&L corresponds to the daily average rate of 2017.

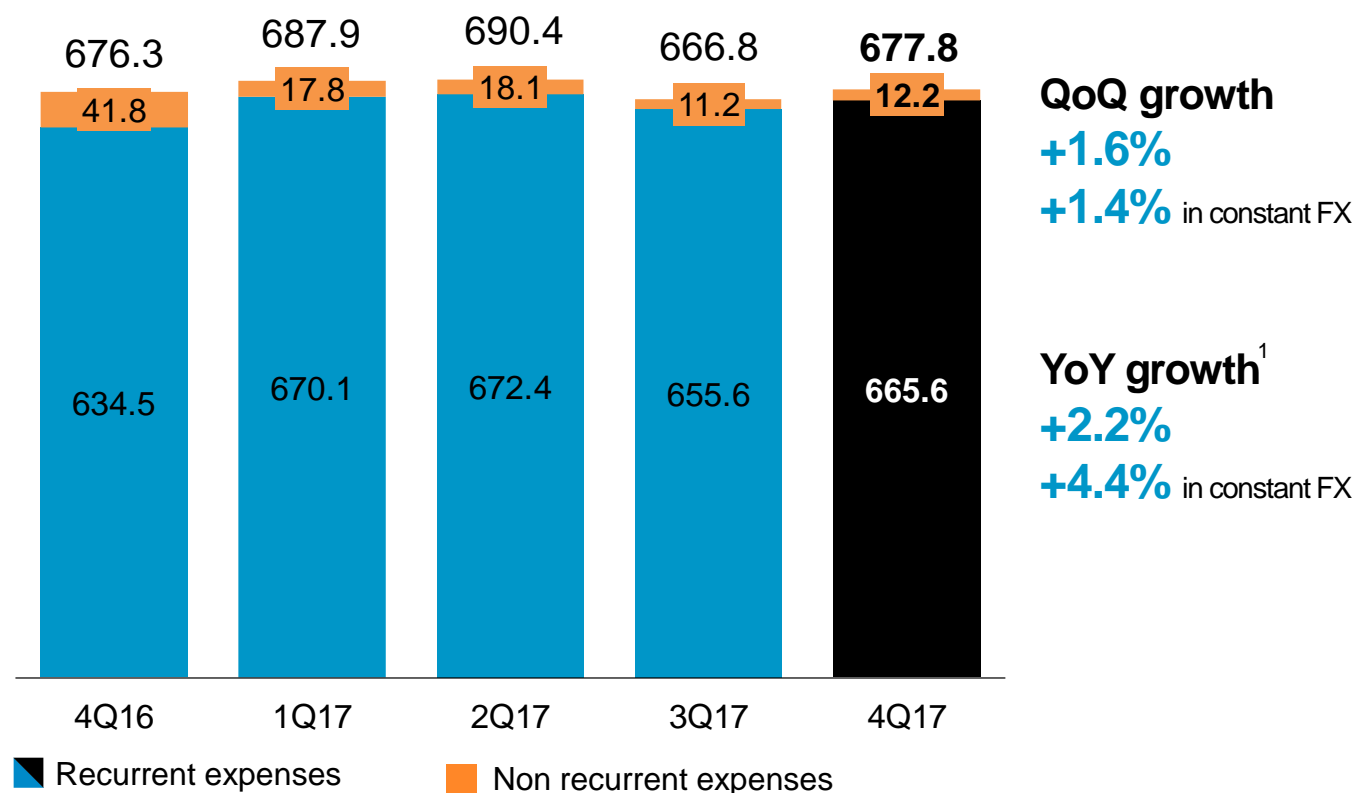
¹%YoY calculated as the growth rate of cumulative results to December 2017 vs. cumulative results to December 2016.

²Includes mutual funds, pension funds, insurance brokerage and wealth management commissions.

Group recurrent costs increased by +1.2% QoQ as a result of seasonality at TSB level

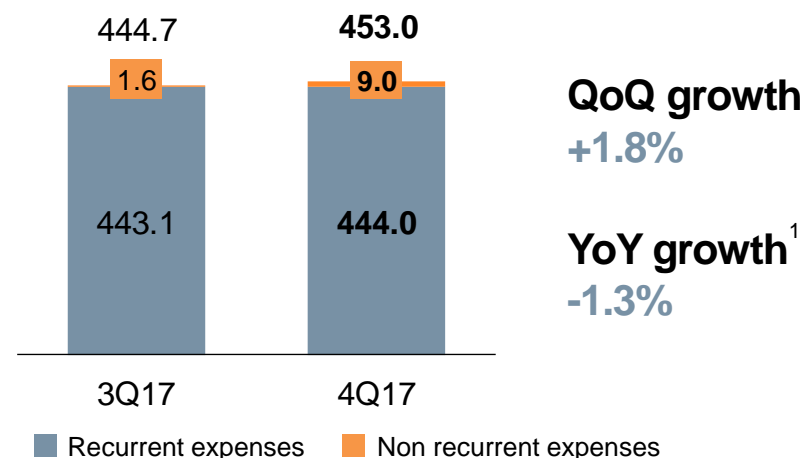
Group personnel and general expenses

Euros in million



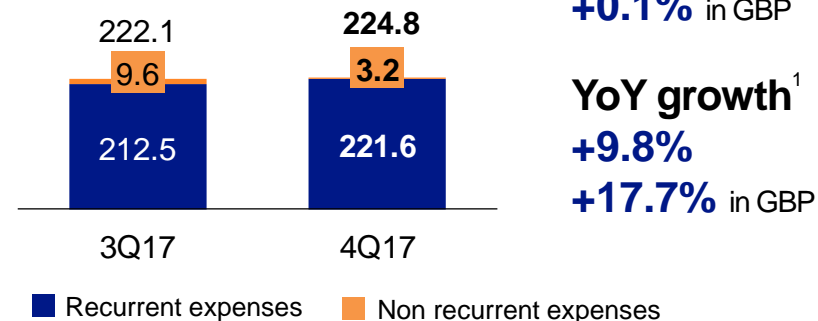
Sabadell, ex-TSB

Euros in million



TSB

Euros in million

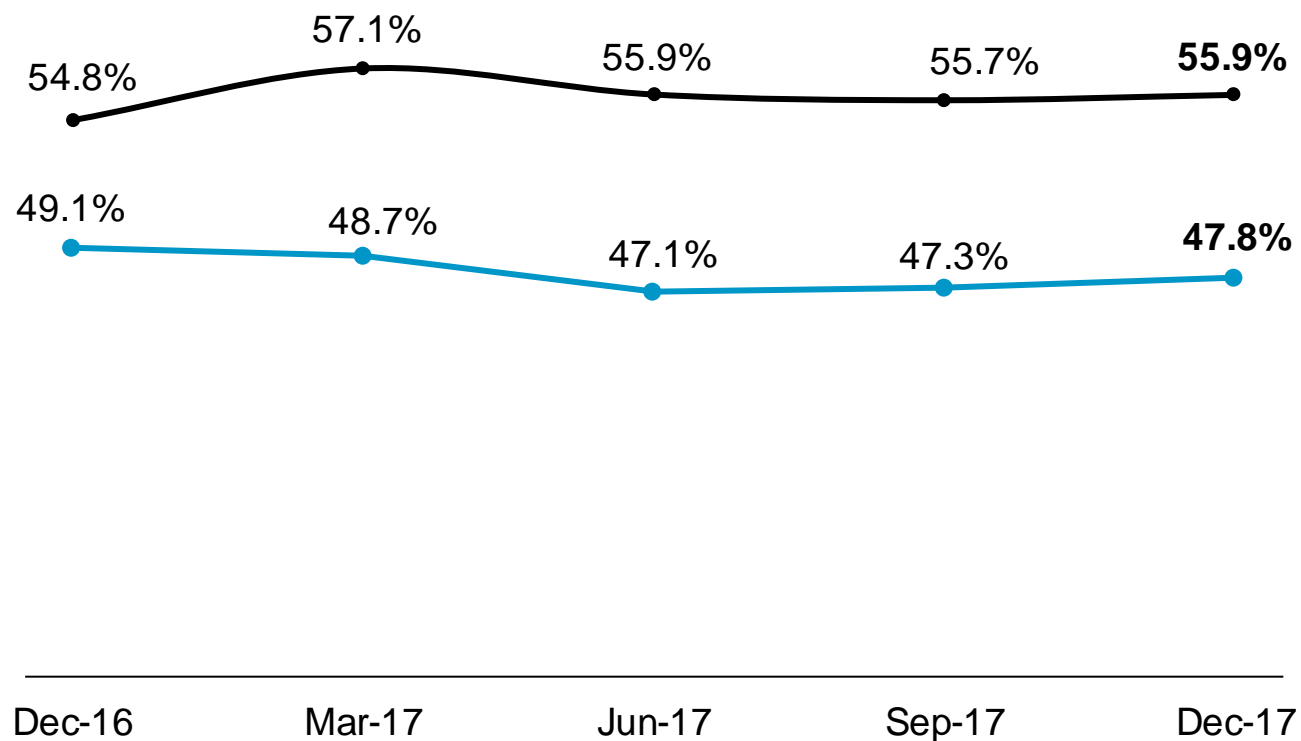


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¹YoY calculated as the growth rate of cumulative results to December 2017 vs. cumulative results to December 2016.

Core efficiency ratio remained stable QoQ and improved YoY at ex-TSB level

Core efficiency ratio (excluding trading income)¹

In percentage



2017 core efficiency ratio¹ was impacted by the one-off step-up in IT costs at TSB which was partially offset at ex-TSB level

— Group
— Ex-TSB

¹ Core efficiency ratio defined as accumulated operating expenses (excluding amortisation) divided by accumulated gross operating income excluding trading income as well as the capital gains from the VIF reinsurance transaction and the early call of the Mortgage enhancement portfolio.

3

Commercial activity and
digital transformation

4Q17 highlights: Commercial activity and digital transformation

- Performing loan book remained stable QoQ, and grew +4.6% YoY like-for-like¹ (+1.2% ex-TSB), with a strong performance in SMEs
- Group customer funds increased by +0.7% in the quarter in constant FX (+0.6% ex-TSB). Our liquidity position was robust with a LCR of 168% ex-TSB (+27pp QoQ) and 295% at TSB level (+58pp QoQ)
 - On-balance sheet customer funds evolved positively QoQ increasing by +0.8% in constant FX due to growing term deposits
 - Off-balance sheet funds increased by +0.4% QoQ and +11.6% YoY like-for-like¹ mainly driven by an outstanding net inflow of mutual funds
- Continuous market share increases across products in Spain and top ranked in customer experience by SMEs and large companies
 - Our Equos service quality score reached 7.95 in the quarter, which represented a historic maximum
- Digital customers increased by c.+10% to 4.4M during the year, as a result of our strong commitment to digital transformation

¹ Like-for-like assumes constant FX and excludes Sabadell United Bank, Mediterráneo Vida as well as the Mortgage enhancement contribution for comparison purposes. Performing loan growth excludes also the impact of the APS (i.e. the 80% of the APS problematic exposure which risk is presented as performing and the net loans and receivables account).

Balance sheet dynamics

Evolution of customer funds and loans

Euros in million	Sabadell Group							Sabadell, ex-TSB				
	Dec-16	Sep-17	Dec-17	%QoQ constant FX	%QoQ	%YoY constant FX	%YoY	Dec-16	Sep-17	Dec-17	%QoQ	%YoY
Total assets	202,916	211,076	221,348	5.1%	4.9%	10.2%	9.1%	161,355	163,944	173,203	5.6%	7.3%
Of which:												
Gross loans to customers ex repos ¹	143,799	146,054	145,323	-0.2%	-0.5%	1.9%	1.1%	111,511	110,062	109,742	-0.3%	-1.6%
Performing loans	134,288	137,833	137,522	0.1%	-0.2%	3.4%	2.4%	102,195	102,035	102,119	0.1%	-0.1%
Fixed income portfolio	24,346	27,906	24,638	-11.6%	-11.7%	2.0%	1.2%	21,895	24,022	22,253	-7.4%	1.6%
Total liabilities	192,386	197,872	208,127	5.4%	5.2%	9.3%	8.2%	151,124	153,220	162,458	6.0%	7.5%
Of which:												
On-balance sheet customer funds	129,562	131,295	132,096	0.8%	0.6%	2.9%	2.0%	95,229	96,958	97,686	0.8%	2.6%
Term funds ²	41,029	32,670	34,076	4.4%	4.3%	-16.6%	-16.9%	36,082	28,022	29,647	5.8%	-17.8%
Sight accounts	88,533	98,625	98,020	-0.4%	-0.6%	12.0%	10.7%	59,146	68,936	68,039	-1.3%	15.0%
Wholesale funding	24,812	20,286	22,062	8.8%	8.8%	-10.6%	-11.1%	20,930	18,861	20,141	6.8%	-3.8%
ECB funding	11,818	21,135	21,501	1.7%	1.7%	81.9%	81.9%	11,818	21,135	21,501	1.7%	81.9%
BoE funding	0	5,169	6,341	23.4%	22.7%	--	--	0	0	0	--	--
Off-balance sheet funds	40,606	45,129	45,325	0.4%	0.4%	11.6%	11.6%	40,606	45,129	45,325	0.4%	11.6%
Of which:												
Mutual funds	22,594	26,920	27,375	1.7%	1.7%	21.2%	21.2%	22,594	26,920	27,375	1.7%	21.2%
Pension funds	4,117	4,035	3,987	-1.2%	-1.2%	-3.2%	-3.2%	4,117	4,035	3,987	-1.2%	-3.2%
Third party insurance products	10,243	10,152	9,965	-1.8%	-1.8%	-2.7%	-2.7%	10,243	10,152	9,965	-1.8%	-2.7%
Managed accounts	3,651	4,022	3,999	-0.6%	-0.6%	9.5%	9.5%	3,651	4,022	3,999	-0.6%	9.5%
Total customer funds	170,168	176,425	177,421	0.7%	0.6%	5.0%	4.3%	135,834	142,088	143,011	0.6%	5.3%

**Group performing loan book remained stable QoQ³
and grew +4.6% YoY³ (+1.2% ex-TSB)**

Note: Sabadell United Bank, Mediterráneo Vida and Mortgage enhancement data excluded for quarterly and yearly comparison purposes.

The EURGBP exchange rate of 0.8872 used for this quarter's balance sheet is the closing exchange rate as of December 2017.

¹ Includes accrual adjustments.

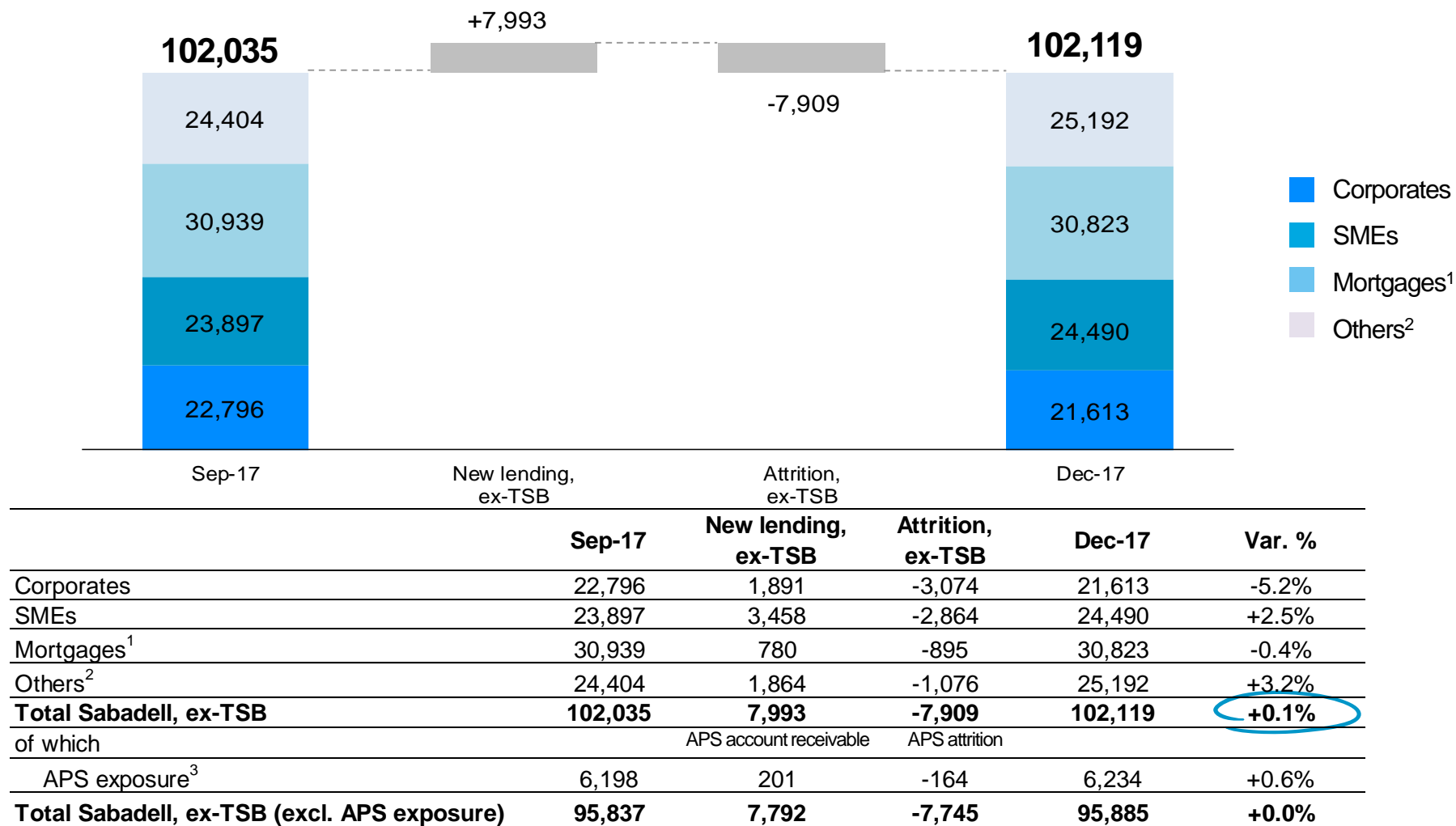
² Term funds include term deposits and other funds placed via the branch network and exclude repos and deposits from institutional clients.

³ In constant FX and excludes the impact of the APS (i.e. the 80% of the APS problematic exposure which risk is presented as performing and the net loans and receivables account) for comparison purposes.

Performing loans ex-TSB remained stable QoQ with a strong performance in SMEs

Performing loans: performance by customer type, ex-TSB

Euros in million



Note: Excludes accrual adjustments. The EURGBP exchange rate of 0.8872 used for this quarter's balance sheet is the closing exchange rate as of December 2017.

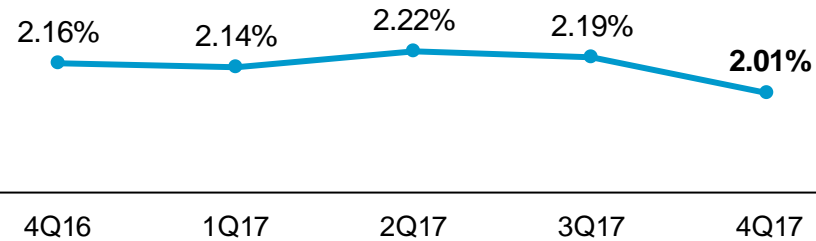
¹ Refers to residential mortgages for individuals only within Spain. ² Others includes other mortgages, loans to developers, construction sector, real estate sector and others.

³ Includes the impact of the APS (i.e. the 80% of the APS problematic exposure which risk is presented as performing and the net loans and receivables account) for comparison purposes.

Front book pricing pressure was offset by positive volume mix growth

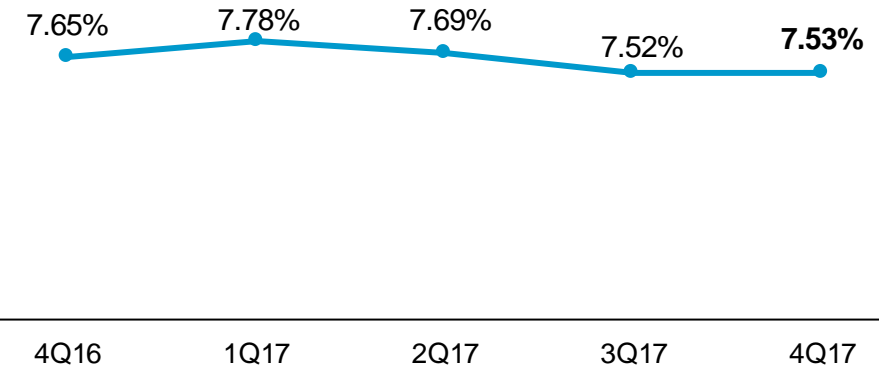
Mortgages to individuals

Yield in percentage



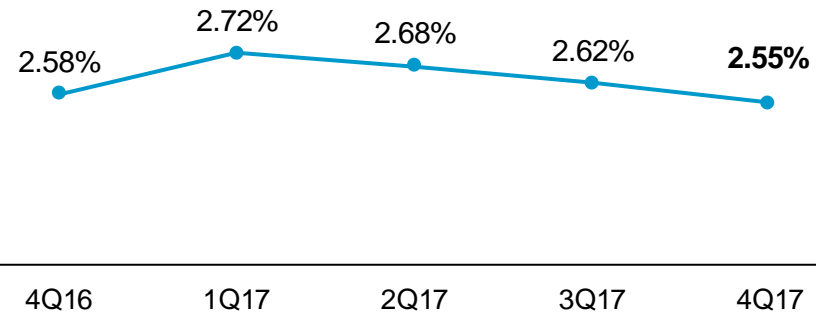
Consumer loans

Yield in percentage



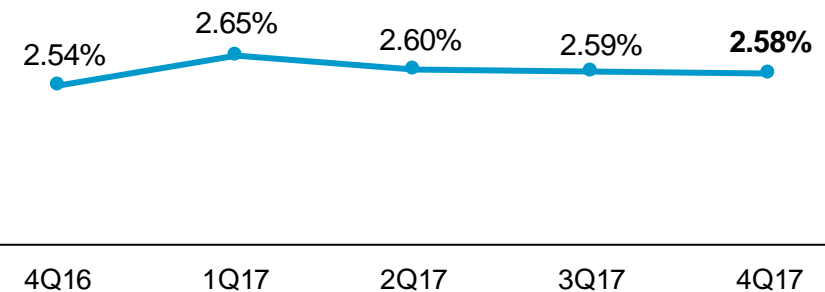
Loans to SMEs and Corporates

Yield in percentage



Credit line for SMEs and Corporates

Yield in percentage



Note: Data refers to yields from the front book of the Spanish Commercial Banking Unit, excluding Sabadell Consumer Finance.

Our market position in Spain grows even stronger...

Market shares by product

In percentage

		Loans ¹	Export documentary credit	PoS turnover	Transact ²
Companies	Dec- 17	↑ 11.59%	↑ 32.09%	↑ 15.33%	↑ 9.88%
	Dec- 16	11.17%	31.32%	14.15%	9.70%
		Credit card turnover	Life insurance ³	Household sight acc.	Mutual funds
Individuals	Dec- 17	↑ 7.58%	↑ 5.43%	↑ 6.10%	↑ 6.25%
	Dec- 16	7.45%	5.10%	6.06%	6.00%

Note: 2017 data as of December 2017 or last available month. Figures to make data comparable YoY.

Sources include ICEA (life insurance), Bank of Spain (loans and household current acc.), Servired (PoS turnover and credit card turnover), Iberpay (transact.) and Swiftwatch (export documentary credit).

¹ Excluding loans to Real Estate companies and repos.

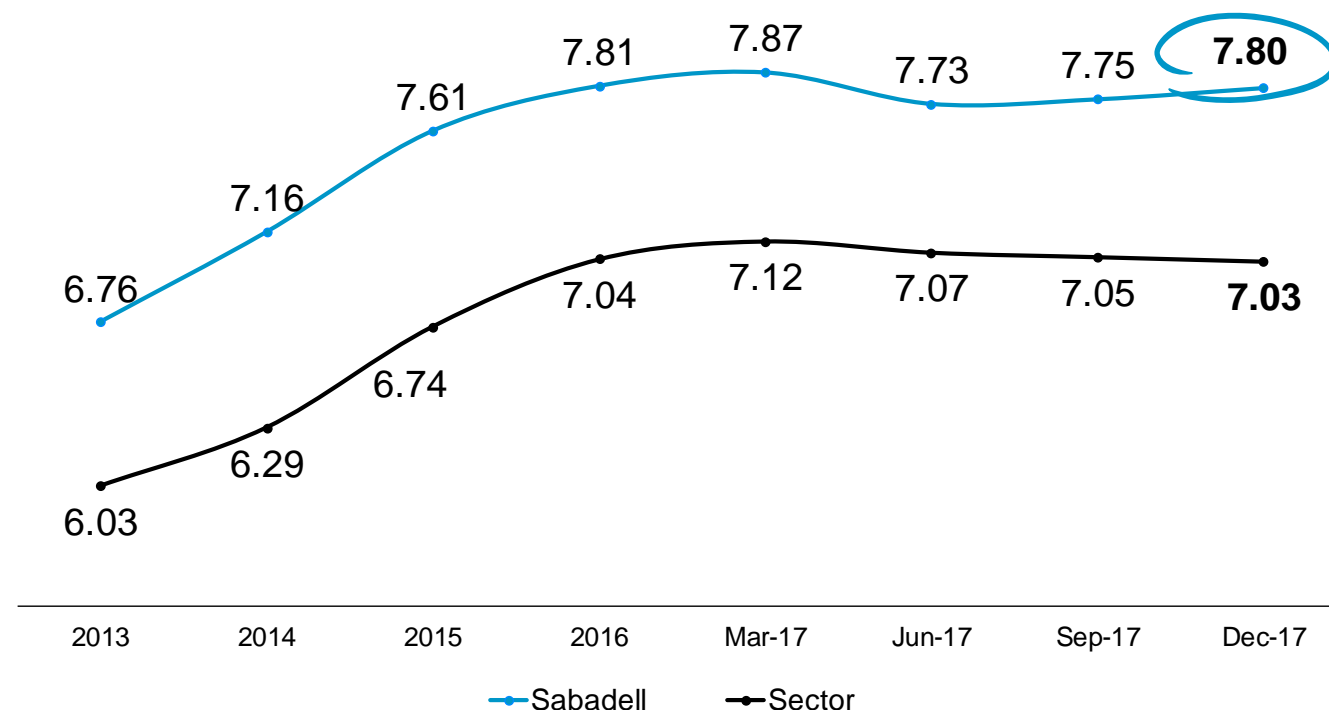
² Transactionality calculated per volume.

³ Insurance calculated per number of contracts.

... with high quality of service standards

Level of service quality¹

Evolution of Sabadell quality index vs. sector



Net promoter score (“NPS”)²

Evolution of Sabadell quality index vs. sector

	2017	Ranking
Large companies (turnover >€5M)	34%	1 st
SMEs (turnover <€5M)	19%	1 st
Personal banking	29%	2 nd
Retail banking	5%	4 th

Sabadell increased the gap between its service quality score vs. the sector in the quarter and continued to be top ranked by SMEs and large companies in NPS²

¹ Source: STIGA, EQUOS (Objective Quality Analysis in Banking Networks, Q4 2017). Cumulative data.

² Source: Benchmark NPS Accenture Report. Net promoter score (NPS) is based on the question “On a scale of 0-10, where 0 is not at all likely and 10 is extremely likely, how likely is it that you would recommend Sabadell to a friend or colleague?” NPS is the percentage of customers who score 9-10 after subtracting the percentage who score 0-6. Considers peer group entities. Data as last available month.

Strongly committed to our digital and commercial transformation with digital clients up +10% YoY

4.4M

(+10% YtD)

Group digital clients

3.3M

(+17% YtD)

Group mobile clients

750k

(+233% YtD)

Active Management customers in Spain

20%

(+1pp YoY)

Digital sales in Spain

59%

(+9pp YoY)

Digital sales in UK

26,725

(+68% YoY)

Unsecure loans digital sales in Spain

35M

(+19% YoY)

Web and mobile monthly traffic in Spain

14%

Bizum registrations market share in Spain

332k

(+108% YtD)

Sabadell Wallet's downloads in Spain

We continue to strengthen our leap in commercial and digital transformation

Initiatives

Quarterly performance

Distribution model

Offer greater efficiency and more convenience as well as an improved customer experience

- **Active Management:**
 - ✓ 475k new clients
 - ✓ We have reached our target of 750k customers in 2017
- **Branch Network:**
 - ✓ 58 branches merged

Simplification

Facilitate commercial and operational processes for our customers and simplify their interaction with the bank

- Product count: 30% product reduction (65% annual)

Digital offering

Develop new capabilities and promote their use to provide our customers with the best user experience

- Face ID for iPhone X
- Multiple transfers made using Bizum
- Temporary blocking of debit or credit cards

Data driven processes

Provide value to our customers and enhance our business decision-making process

- Pull event driven client impact: 30.4% (+12 pp YtD)

4

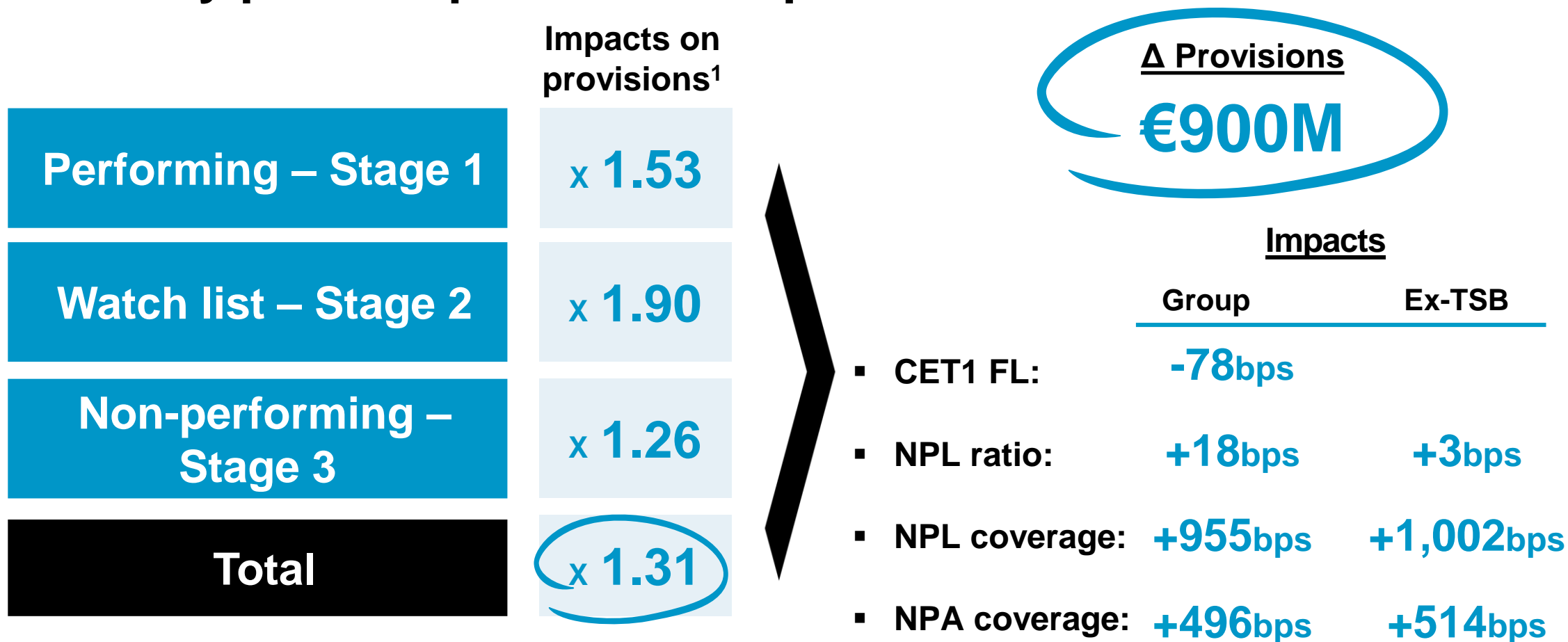
Solvency and asset quality

4Q17 highlights: Solvency and asset quality

- Our NPL ratio continues to fall to 5.14%
- Strong progress in NPA reduction during the quarter, with a decrease of €523M
- Creation of a new business line focusing on real estate development services (*Solvia Desarrollos Inmobiliarios*) with c.€1.3bn in assets under management (€0.7bn net of provisions) from our real estate portfolio. Including this, NPAs decreased by c.€1.8bn in the quarter
- Land contribution to our foreclosed assets mix decreased from 41% to 34% following the creation of this new business line
- Foreclosed assets continued to be sold at a premium on average (+1.4%) in the quarter
- We continue having a strong combined capital and solvency position post IFRS9 implementation with CET1 fully-loaded pro forma of 12.0% and NPA coverage of c.54.7%¹

¹ Excluding mortgage floors provisions. Including mortgage floors provisions, NPA coverage stands at 56.0% pro forma post IFRS9.

We continue having a strong combined capital and solvency position post IFRS9 implementation



CET1 fully loaded IFRS9 pro forma stands at 12.0% while NPA coverage increases to c.54.7%²

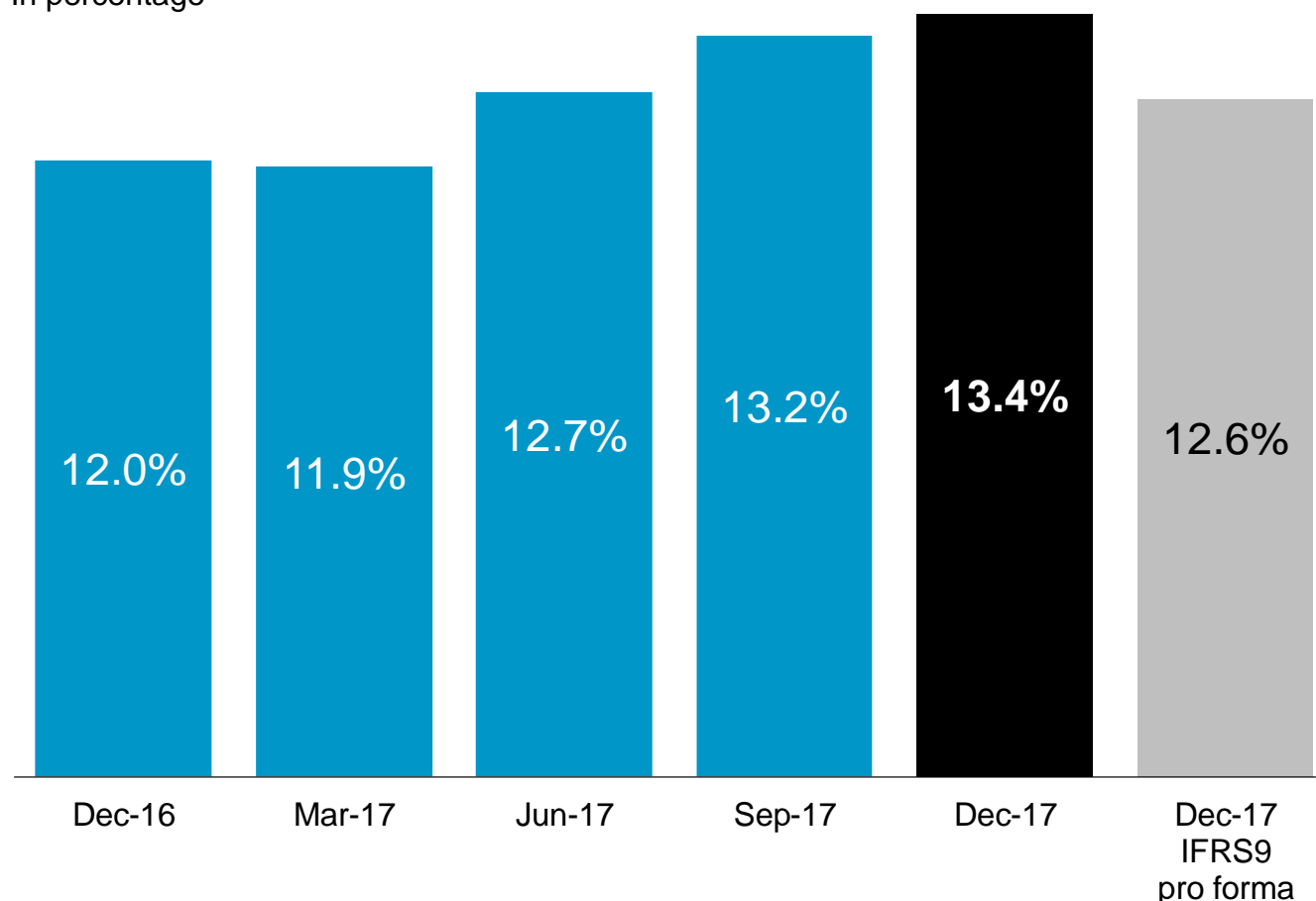
¹ Multiple of collective risk provisions.

² Excluding mortgage floors provisions. Including mortgage floors provisions, NPA coverage stands at 56.0% pro forma post IFRS9.

Solid capital position with CET1 phase-in at 13.4%

Common equity Tier 1 phase-in evolution

In percentage



- **CET1 phase-in improved in the quarter**, driven by RWAs savings from corporate transactions and new estimations in IRB parameters, partially offset by an increase in deductions
- Final cash dividend of €0.05 per share, which brings the **total yearly dividend to €0.07 per share¹**. Total payout increased to **49%**

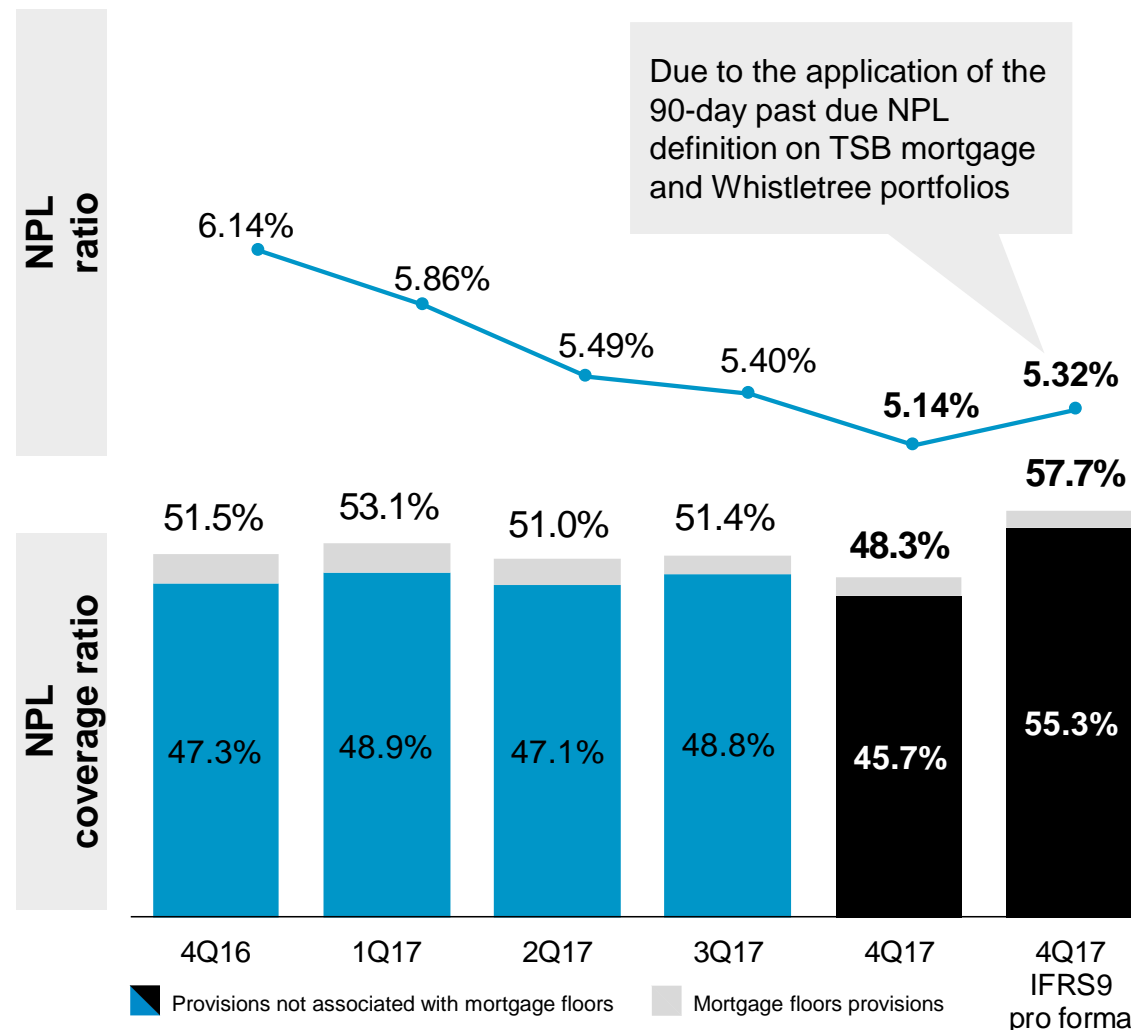
Common Equity Tier 1 fully-loaded of 12.8%. Post IFRS9 implementation, our CET1 fully-loaded pro forma stands at 12.0% (Dec-17)

¹ Includes both, €0.02 per share interim cash dividend declared in 3Q17 as well as an additional €0.05 per share final cash dividend.

NPL ratio continues to decline to c.5.1%

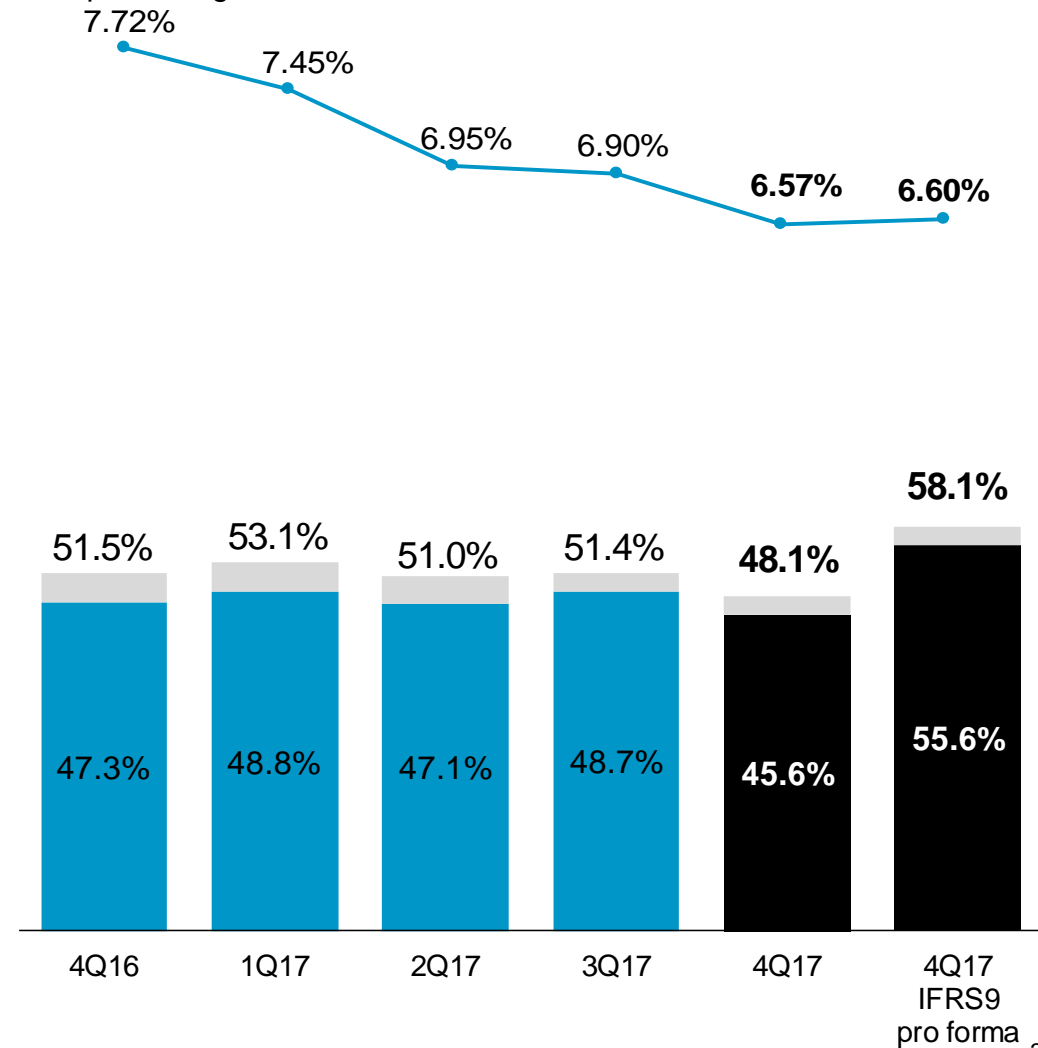
Sabadell, group

In percentage



Sabadell, ex-TSB

In percentage



Note: Includes contingent risk. The Group and Sabadell ex-TSB's NPLs and provisions include 20% of the NPLs and associated provisions included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol.

Sabadell has created a new subsidiary focusing on real estate development services



Solvía Desarrollos Inmobiliarios is a new subsidiary carved out from Solvia which will be responsible for our business of real estate development services



Rationale:

- Further optimise and **improve our developer service**
- **Develop a new business line** that will generate new sources of sustainable income over time
- **Open and diversify** the current real estate development **customer base**
- **Enhance the valuation of our RE development business**



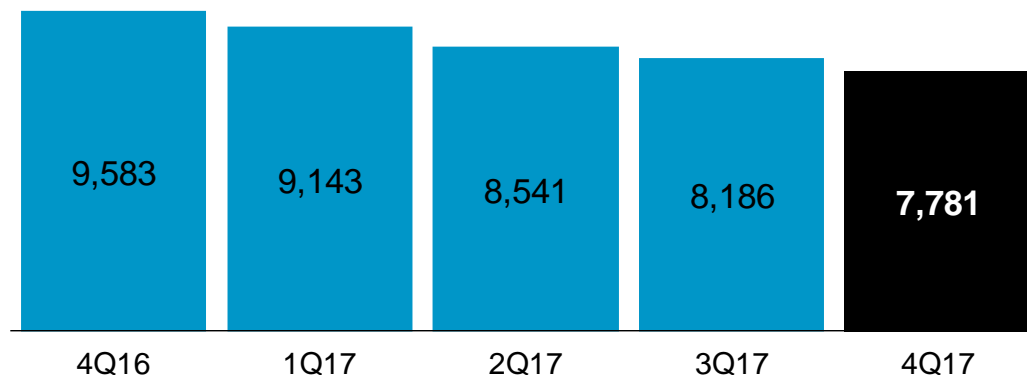
Scope:

- 64 professionals with real estate experience coming from Solvia
- 84 real estate developments which include more than 4,000 properties

NPA reduction of c.€3.5bn in the year...

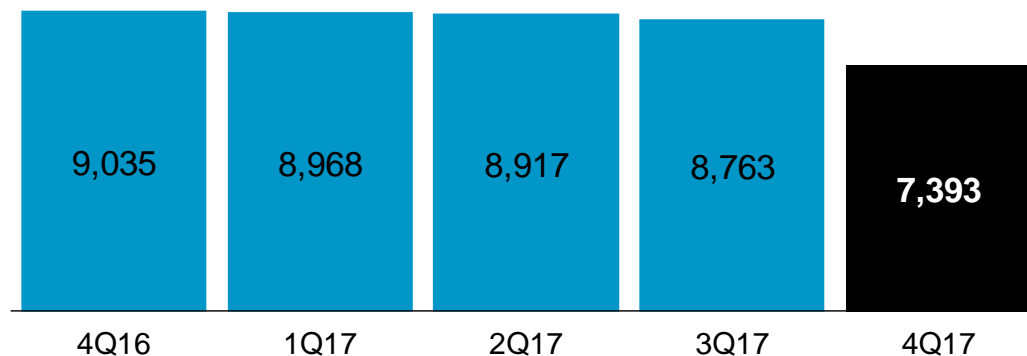
NPL evolution, ex-TSB

Euros in million



Foreclosed assets evolution, ex-TSB

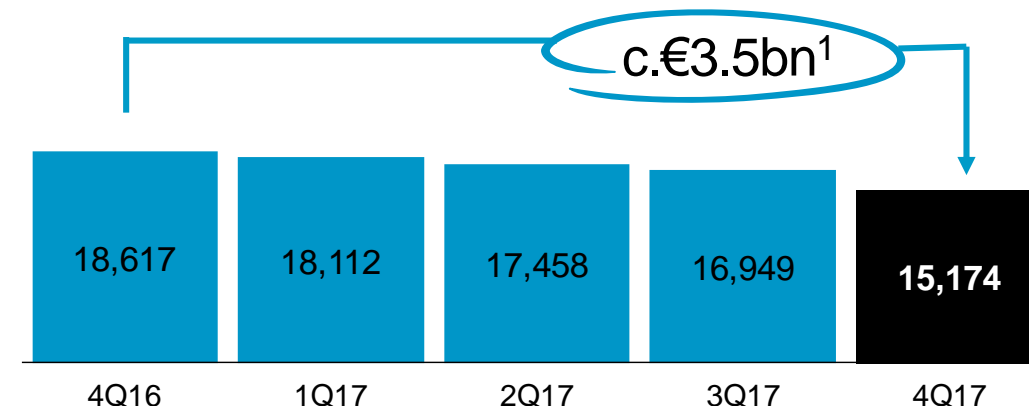
Euros in million



Total problematic assets, ex-TSB

Euros in million

- **€405M** further reduction of NPLs during 4Q17
- Foreclosed asset reduction of **€1,370M¹** during 4Q17
- NPAs decreased by **€1,775M¹** during 4Q17



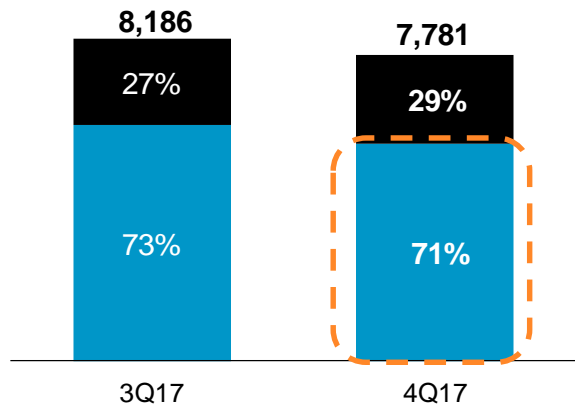
Note: Includes contingent risk. Sabadell ex-TSB's NPLs, foreclosed assets and NPAs include 20% of the problematic exposure included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol.

¹ Includes €1,252M carved out into our new business line *Solvía Desarrollos Inmobiliarios*.

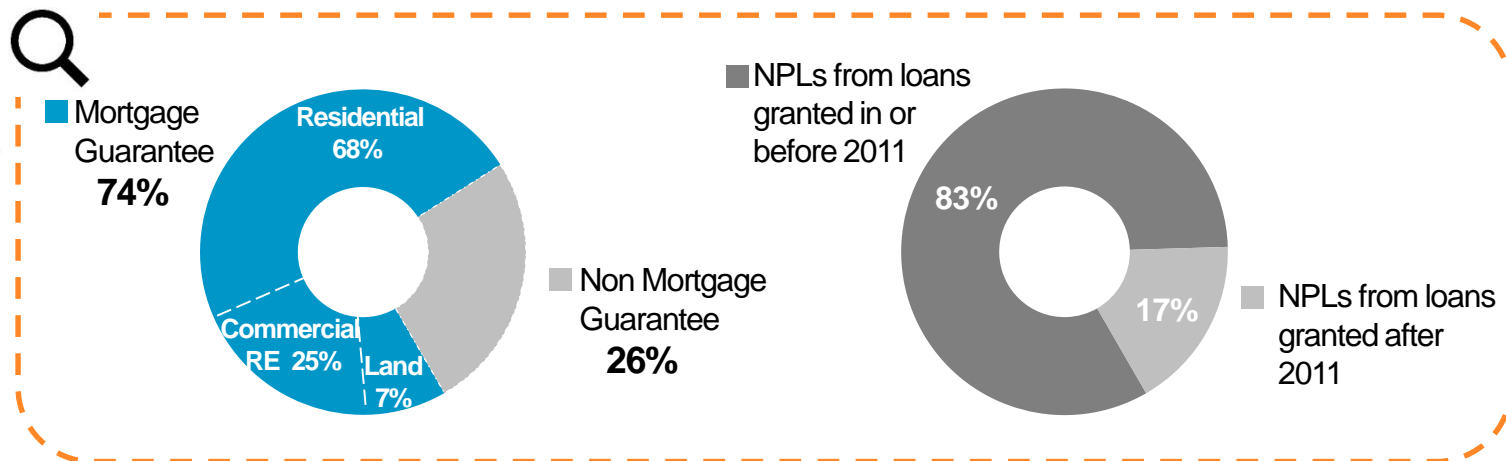
... with high rotation and improved composition of our foreclosed assets portfolio

NPL evolution, ex-TSB

Euros in million. In percentage

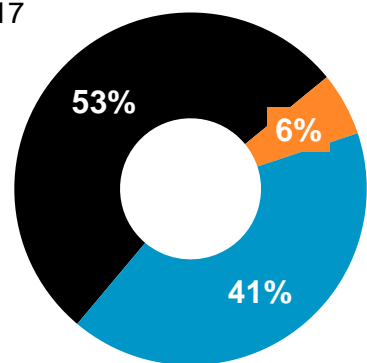


■ Doubtful non past due ("SUBJETIVOS")
 ■ Past due > 90 days



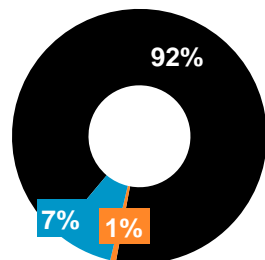
Foreclosed Assets, ex-TSB

3Q17



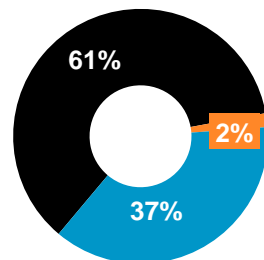
+ New Entries

4Q17



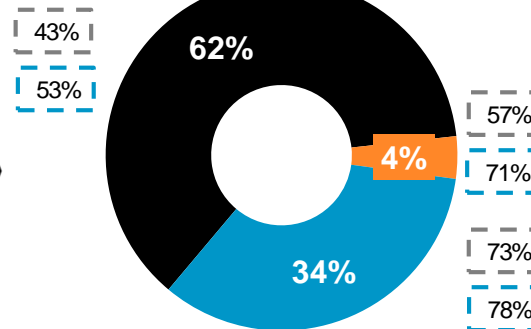
- Sales¹

4Q17



Foreclosed Assets, ex-TSB²

4Q17



■ Land sales represented **c.40%** of our foreclosed sales in Q4

■ **68%** of our stock was foreclosed in the last 5 years

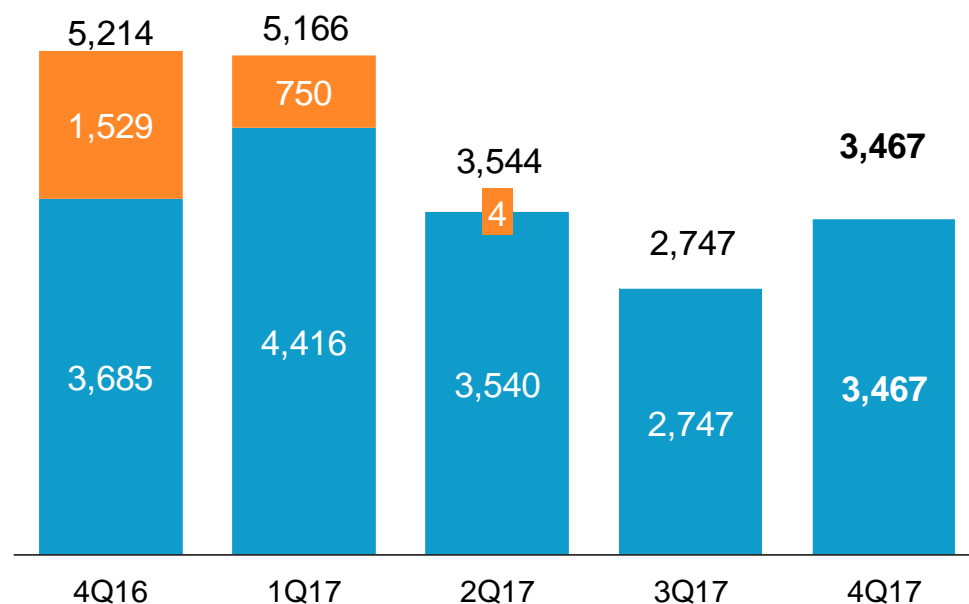
■ Land
 ■ Under construction
 ■ Finished properties³
 Coverage
 Coverage including write downs

Note: NPL evolution includes Sabadell United Bank. Sabadell ex-TSB's NPLs, foreclosed assets and provisions include 20% of the NPLs, foreclosed assets and associated provisions included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol. ¹ Excludes the €1,252M carved out into our new business line *Solvía Desarrollos Inmobiliarios*. ² Includes the €1,252M carved out into our new business line *Solvía Desarrollos Inmobiliarios*. ³ Also includes other real estate assets derived from home loan mortgages for house purchases.

Solvía continues to deliver a solid performance in real estate asset sales

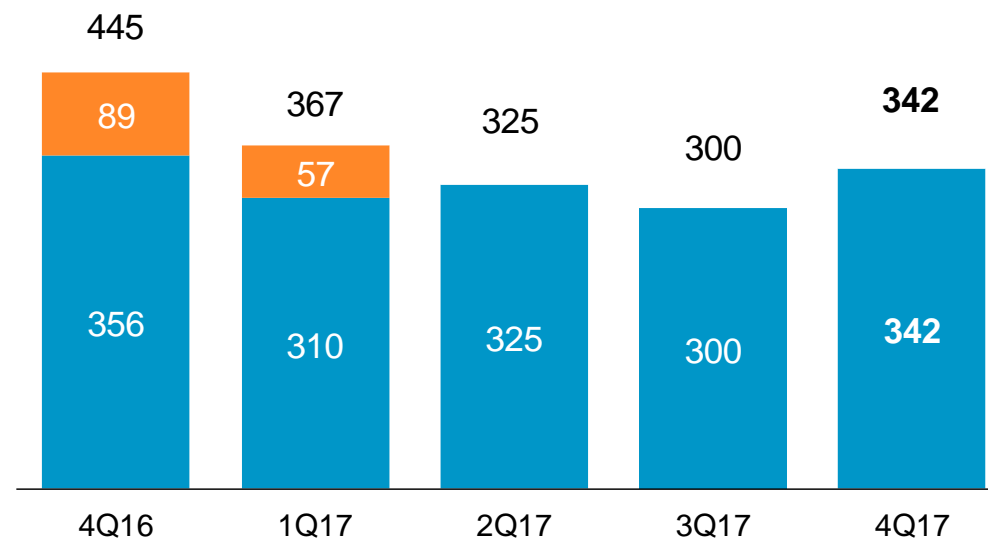
Number of foreclosed assets sold

In units



Foreclosed assets sold (Includes 20% APS exposure)

Euros in million



■ Institutional sales
 ■ Private individuals sales

During this quarter, Solvía has sold real estate assets at a 1.4% premium on average. Going forward, we continue to expect no losses from sales

Note: Includes sales from Sabadell's foreclosed assets which risk is assumed by Sabadell in accordance with the APS protocol. (i.e. includes 20% of APS).

Our net NPA to assets ratio has fallen in the year from 4.6% to 3.2% post IFRS9

Sabadell Group coverage ratios evolution

Euros in million. In percentage

	4Q16	1Q17	2Q17	3Q17	4Q17	4Q17 IFRS9 pro forma
NPL evolution	9,746	9,307	8,703	8,345	7,925	8,184
Provisions	4,614	4,548	4,100	4,069	3,625	4,525
Coverage ratio (%)	47.3%	48.9%	47.1%	48.8%	45.7%	55.3%
Coverage ratio incl. mortgage floors (%)	51.5%	53.1%	51.0%	51.4%	48.3%	57.7%
	4Q16	1Q17	2Q17	3Q17	4Q17	
Foreclosed assets evolution	9,035	8,968	8,917	8,763	7,393	
Provisions	4,297	4,299	4,264	4,746	3,998	
Coverage ratio (%)	47.6%	47.9%	47.8%	54.2%	54.1%	
	4Q16	1Q17	2Q17	3Q17	4Q17	4Q17 IFRS9 pro forma
Total problematic assets	18,781	18,275	17,619	17,108	15,318	15,577
Provisions	8,911	8,847	8,364	8,814	7,623	8,523
Coverage ratio (%)	47.4%	48.4%	47.5%	51.5%	49.8%	54.7%
Coverage ratio incl. mortgage floors (%)	49.6%	50.6%	49.4%	52.8%	51.1%	56.0%
Net problematic assets	9,870	9,429	9,255	8,294	7,695	7,054
Net problematic assets as % of total assets (%)	4.6%	4.3%	4.3%	3.9%	3.5%	3.2%

Foreclosed assets
coverage ratio
(incl. write-downs)

63.5%

Note: Includes contingent risk. Sabadell Group's NPLs, foreclosed assets and NPAs include 20% of the problematic exposure included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol. Accordingly, the Group provisions include the provisions associated with 20% of the problematic exposure included in the APS.

5

TSB results

4Q17 highlights: TSB results

- Franchise customer lending¹ remained stable QoQ and increased +11.9% YoY
- Customer deposits grew +0.8% QoQ and +3.9% YoY
 - 6.2%² of all customers switching banks or opening a new account in 2017 chose TSB – beating the long-term target of 6% for the fourth year in a row
- Franchise NII¹ increased +1.7% QoQ and +11.8% YoY
- Customers continue to recommend TSB, with NPS³ at +25 during 2017
- In November, TSB unveiled its new banking platform – with TSB set to become the first major bank in the UK to have designed and built a new state-of-the-art platform for the digital age
- We have announced up to a £100M investment fund, with an initial tranche of £30M to support Britain’s small businesses

¹ Including the Whistletree portfolio.

² Source: CACI Current and Savings Account Market Database (CSDB) which includes current, packaged, youth, student and basic bank accounts, and new account openings excluding account upgrades. Data presented on a two month lag.

³ Net promoter score (NPS) is based on the question “On a scale of 0-10, where 0 is not at all likely and 10 is extremely likely, how likely is it that you would recommend TSB to a friend or colleague?” NPS is the percentage of TSB customers who score 9-10 after subtracting the percentage who score 0-6. Calculated on a year-to-date basis.

TSB income statement

GBP in million	3Q17	4Q17	%QoQ	2016	2017	%YoY
Franchise and Whistletree ¹	232.1	236.1	1.7%	814.3	910.3	11.8%
Mortgage enhancement ²	0.0	0.0	--	52.5	15.6	-70.3%
Net interest income	232.1	236.1	1.7%	866.8	925.9	6.8%
Franchise and Whistletree ¹	26.6	27.7	4.1%	108.3	108.5	0.2%
Mortgage enhancement ²	0.0	0.0	--	-6.3	46.1	--
Other operating income	26.6	27.7	4.1%	102.0	154.6	51.6%
Total income	258.7	263.8	2.0%	968.8	1,080.5	11.5%
Total operating expenses (excl. one-offs)	-203.5	-208.9	2.7%	-703.8	-821.3	16.7%
Franchise and Whistletree ¹	-18.9	-20.8	10.1%	-87.3	-77.8	-10.9%
Mortgage enhancement ²	0.0	0.0	--	0.0	0.0	--
Impairment on loans & advances	-18.9	-20.8	10.1%	-87.3	-77.8	-10.9%
Management profit (excl. one-offs)	36.3	34.1	-6.1%	177.7	181.4	2.1%
One-offs and others	-10.4	-5.6	-46.2%	4.3	-18.7	--
Tax income	-7.1	-7.5	5.6%	-54.2	-44.0	-18.8%
Statutory profit after tax	18.8	21.0	11.7%	127.8	118.7	-7.1%
	3Q17	4Q17	QoQ	2016	2017	YoY
TSB NIM ³	3.01%	3.03%	0.02 pp	3.09%	3.02%	-0.07 pp

- **Franchise and Whistletree NII was up +1.7% in the quarter and +11.8% YoY** as a result of balance sheet growth during the year
- **Operating expenses increased +2.7% in the quarter** mainly driven by higher personnel costs related to end of year award schemes. As expected, operating costs increased by 16.7% in the year, driven primarily by the increase in contractual outsourcing fees paid to Lloyds Banking Group
- **Management profit (excluding one-offs) increased +2.1% YoY**, driven by strong balance sheet performance and the early call of the Mortgage enhancement portfolio, partly offset by the increase in outsourcing fees paid to Lloyds Banking Group

¹ Franchise comprises the retail banking business carried out in the UK, which offers a broad range of retail financial services. Whistletree Loans (£2.1 billion as of December 2017) is a portfolio of former Northern Rock mortgages and unsecured loans for which beneficial interest was acquired from Cerberus Capital Management group with effect from 7 December 2015.

² £3.4 billion residential mortgage loan book created in February 2014 by Lloyds Banking Group ("LBG") to enhance TSB's profitability with a target of delivering £230 million profit over a four year period. TSB and LBG agreed an early settlement arrangement and the portfolio was returned to LBG on June 28, 2017. The transaction was effective as of June 1, 2017.

³ Management basis net interest income divided by average loans and advances to customers, gross of impairment allowance.

TSB balance sheet

GBP in million	Dec-16	Sep-17	Dec-17	% QoQ	% YoY
Franchise and Whistletree customer lending ¹	27,570	30,829	30,854	0.1%	11.9%
Mortgage enhancement ²	1,849	0	0	--	--
Total customer lending (net)	29,419	30,829	30,854	0.1%	4.9%
Savings deposits	19,285	19,247	19,288	0.2%	0.0%
Current account deposits	9,041	9,867	10,045	1.8%	11.1%
Business banking deposits	1,058	1,150	1,188	3.3%	12.3%
Total customer deposits	29,384	30,264	30,521	0.8%	3.9%

	Dec-16	Sep-17	Dec-17	QoQ	YoY
Common Equity Tier 1 Capital ratio	18.4%	18.9%	20.0%	1.1 pp	1.6 pp

- **Positive balance sheet trend continues, with strong growth in Franchise customer lending** being partly offset by the expected run off of the closed Whistletree portfolio to reach £30.9bn
- **TSB advanced £7.0 billion in new mortgage loans** during the year, **up +6.2%** from 2016 levels
- **Customer deposits grew to £30.5bn, +0.8% QoQ and +3.9% YoY**, driven primarily by strong current account performance
- **The lending book remains of good quality.** Mortgage lending has an average LTV of 44%
- **TSB liquidity continues to be robust**, while the capital position remains one of the strongest of UK banks with a **CET1 ratio of 20.0%**

Note: Customer lending and customer deposits include Micro fair value hedge accounting adjustment.

¹ Franchise comprises the retail banking business carried out in the UK, which offers a broad range of retail financial services. Whistletree Loans (£2.1 billion as of December 2017) is a portfolio of former Northern Rock mortgages and unsecured loans for which beneficial interest was acquired from Cerberus Capital Management group with effect from 7 December 2015.

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TSB unveils its new banking platform



High-tech transformation

- TSB is the first major bank in the UK to have designed and built a new state-of-the-art banking platform for the digital age
- Building and testing the new platform 'Proteo4UK' has taken 2,500 men-years of effort
- The platform was unveiled to media, analysts and TSB partners on 30 November 2017
- As part of the Proteo4UK delivery:
 - TSB has built two brand new UK based data centres
 - Many of TSB's new ATMs are operating on the new platform
 - TSB is now a direct member of Faster Payments, BACs & CASS
 - TSB Mortgage Pro is live – providing a better and faster service to brokers and customers
 - TSB is the first major bank in the UK to partner with Microsoft to roll out the full suite of Office 365
- The new platform will unlock TSB's capability to help more local businesses to thrive across the UK – and bring much needed competition to the small business banking market as TSB competes for one of the grants from the Capability and Innovation Fund recently announced by the UK Government



Mobile App

- Proteo4UK gives TSB the ability to update the mobile banking app every few weeks
- Recent updated versions of the mobile banking app have included:
 - Biometric payment authentication
 - Set up and amend standing orders
 - View and cancel direct debits
 - Enhance transaction view with merchant logos and running balance
- TSB customers were also the first in Europe to use iris scanning security to access their mobile banking app and among the first in the world to use Apple's new facial recognition technology to access their account and make payments
- TSB was recognised for best use of biometrics for Samsung Pass iris recognition at the 2017 Banking Technology Awards

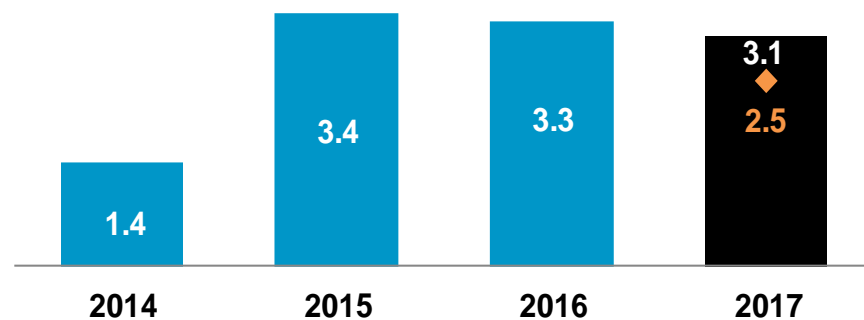
6

2017 results and outlook

The Spanish economy has shown significant dynamism for the third consecutive year

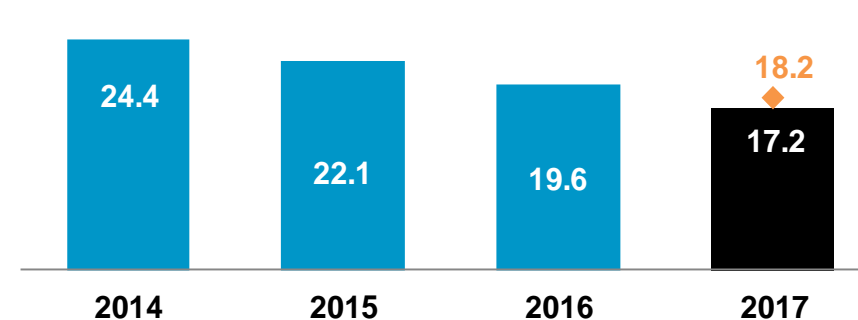
GDP

Year average, annual variation in percentage



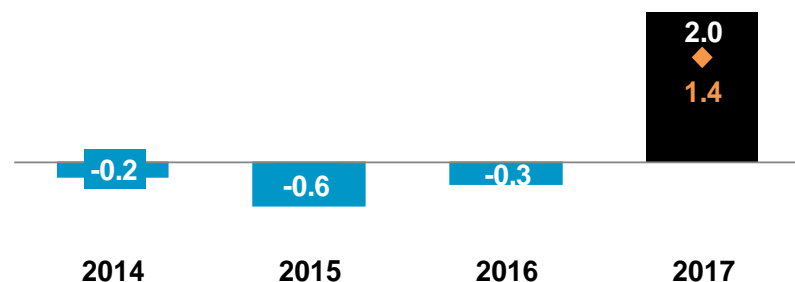
Unemployment rate

Year average, percentage of active population



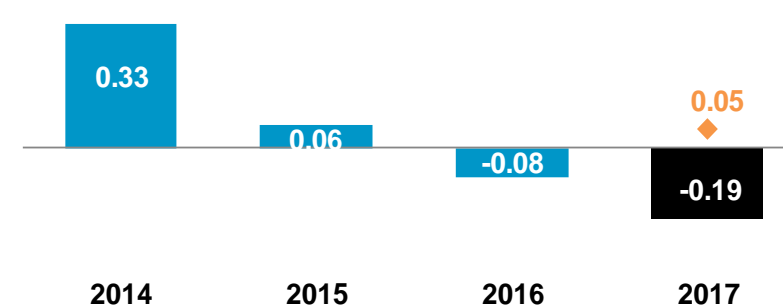
HICP inflation

Year average, annual variation in percentage



Euribor 12 months

Year end, in percentage

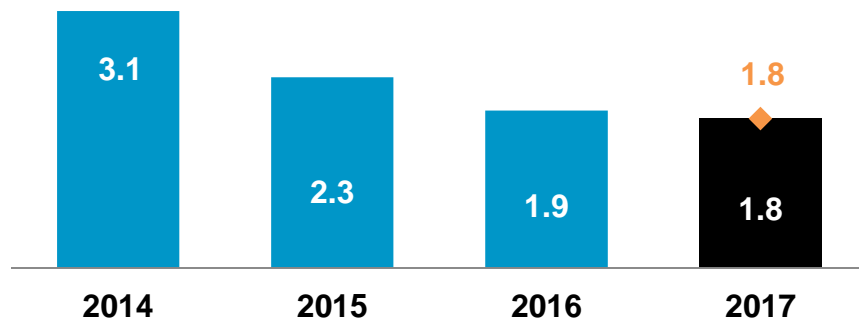


◆ Sabadell Strategic update 2017 forecast

Limited economic slowdown in the UK after the referendum vote and lowest unemployment rate of the last 42 years

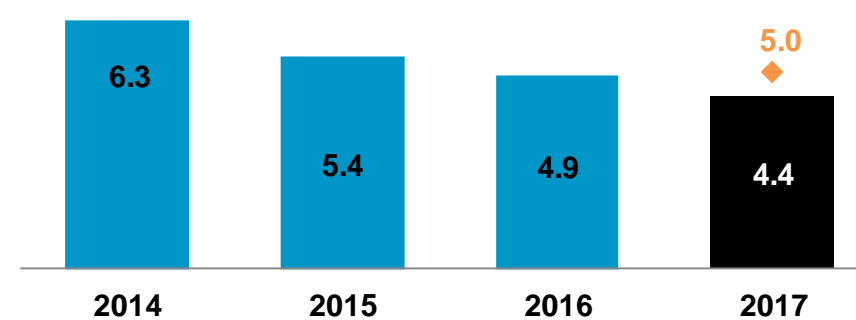
GDP

Year average, annual variation in percentage



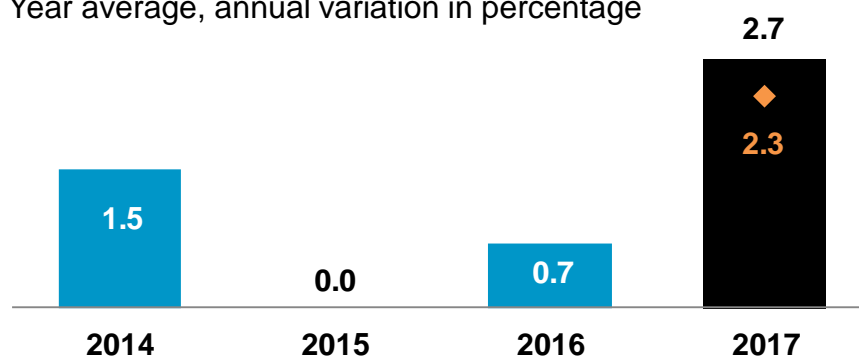
Unemployment rate

Year average, percentage of active population



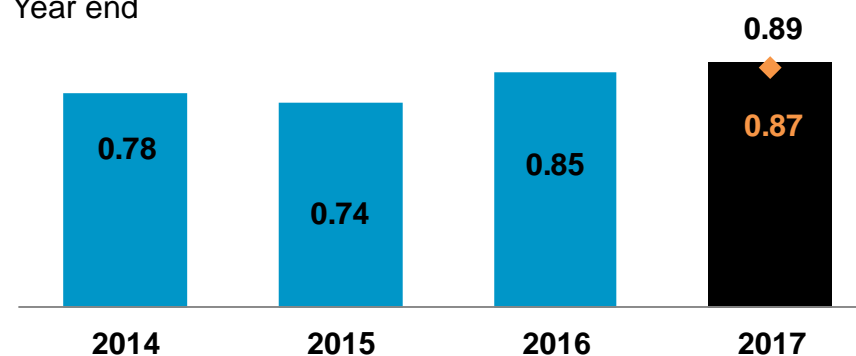
CPI inflation

Year average, annual variation in percentage



Pounds per euro

Year end



— Sabadell Strategic update 2017 forecast

Note: Unemployment rate figure for 2017 corresponds to Bloomberg consensus' forecasts.

Our 2017 achievements

	Target like-for-like ¹	Reported		
Commercial dynamism	Net interest income growth ¹	1.6%	4.9%	<input checked="" type="checkbox"/>
	Commission growth	5.0%	6.5%	<input checked="" type="checkbox"/>
	Performing loan growth ¹	c.5%	c.5%	<input checked="" type="checkbox"/>
	Net profit	€800M	€801M	<input checked="" type="checkbox"/>
Asset quality and solvency	NPA reduction	€2.0bn	€2.2bn + €1.3bn ²	<input checked="" type="checkbox"/>
	NPL ratio ¹	5.1%	5.1%	<input checked="" type="checkbox"/>
	NPA coverage ³	48%	49.8% (54.7% Post IFRS9)	<input checked="" type="checkbox"/>
	CET1 fully loaded		12.8% (12.0% Post IFRS9)	<input checked="" type="checkbox"/>
Costs	Efficiency ⁴	50%	50%	<input checked="" type="checkbox"/>

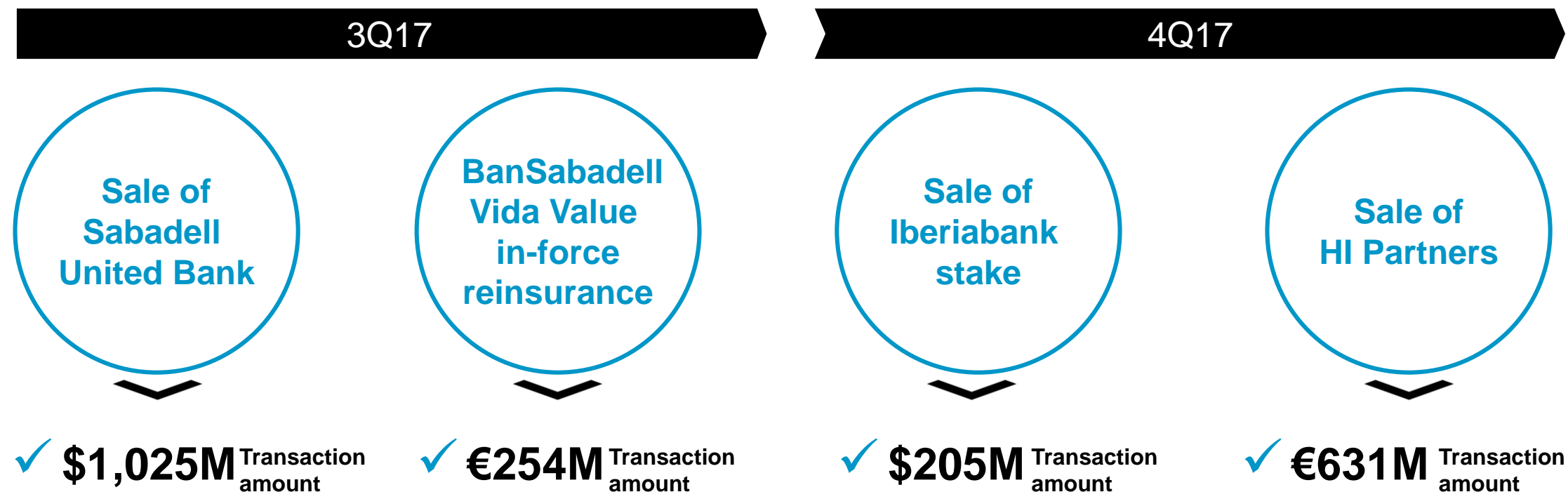
¹ Data presented as pro forma of SUB, VIF, Mediterráneo Vida and Mortgage enhancement portfolio for comparison purposes. Performing loan growth excludes also the impact of the APS (i.e. the 80% of the APS problematic exposure which risk is presented as performing and the net loans and receivables account).

² Includes the €1,252M carved out into our new business line *Solvía Desarrollos Inmobiliarios*.

³ Excluding mortgage floors provisions. Including mortgage floors provisions NPA coverage stands at 51.1% and 56.0% post IFRS9.

⁴ Accumulated operating expenses (excluding amortisation) divided by accumulated gross operating income excluding the capital gains from the VIF reinsurance transaction and the early call of the Mortgage enhancement portfolio.

During this year we successfully executed several corporate transactions...



... generating c.€900M to reinforce provisions and over 60bps in capital

The market has recognised the good performance of our business in 2017

- ★ **Rating agencies upgrades.** Investment grade by the 3 rating agencies
- ★ **Top ranked** by SMEs and large corporates (#1 NPS¹ score in Spain)
- ★ **TSB** was an award-winner at the 2017 Banking Technology Awards² and the NPS³ reached +25 points at the end of the year (from +16 points in 2015)
- ★ **Best share price performance** among Spanish banks in 2017

¹ Net promoter score. Quality of service sector index. Source: Benchmark NPS Accenture Report. Considers peer group entities. Data as last available month.

² TSB was recognised for best use of biometrics for Samsung Pass iris recognition at the 2017 Banking Technology Awards.

³ NPS is based on the question "On a scale of 0-10, where 0 is not at all likely and 10 is extremely likely, how likely is it that you would recommend TSB to a friend or colleague?" NPS is the percentage of TSB customers who score 9-10 after subtracting the percentage who score 0-6. Calculated as a 12 month rolling average.

We are launching a new strategic plan from a solid starting point

New Strategic Plan
Enhancing
profitability



✓ Positive core business evolution

✓ Strong franchise

✓ Leadership in SMEs

✓ Superior efficiency in Spain

✓ Good NPA coverage

✓ International growth momentum

✓ State-of-the-art technology

✓ Geared to rate increases

Vision 2020

1

Enhancing profitability

- Business growth
- Efficiency optimisation
- NPA normalisation



2



- **Brand and Customer experience** as differentiating factors

3



- **Technological capabilities** as an opportunity to evolve the value proposition

4



- **Attractive organisation and people** with the necessary skills

5



- Consolidation of the Bank's **internationalisation** process

Save the date



Banco Sabadell's Investor & Analyst Day 2018



23rd February 2018 at 09.30 a.m. (GMT) at
the Landmark Hotel in London



For further information please send an email to:
Investorrelations@bancsabaddell.com





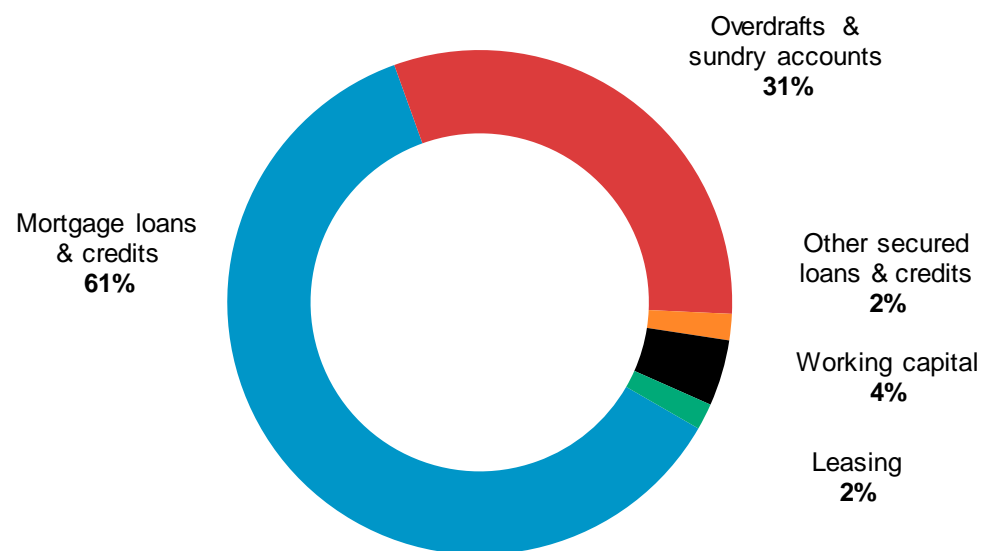
Estar donde estás.
Ser on siguis.
There, wherever you are.

Annex

Performing loans by product type

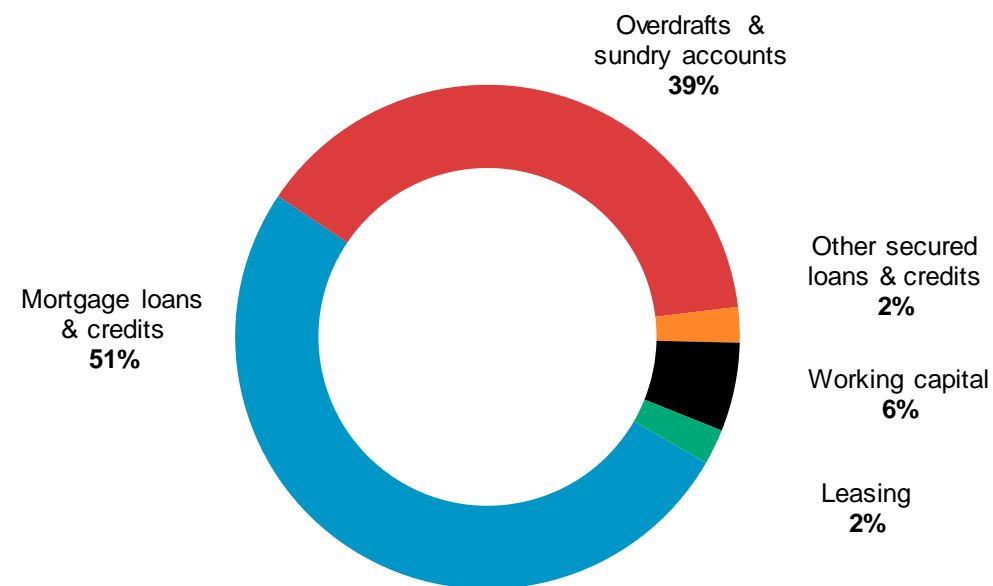
Sabadell group

In percentage



Sabadell, ex-TSB

In percentage

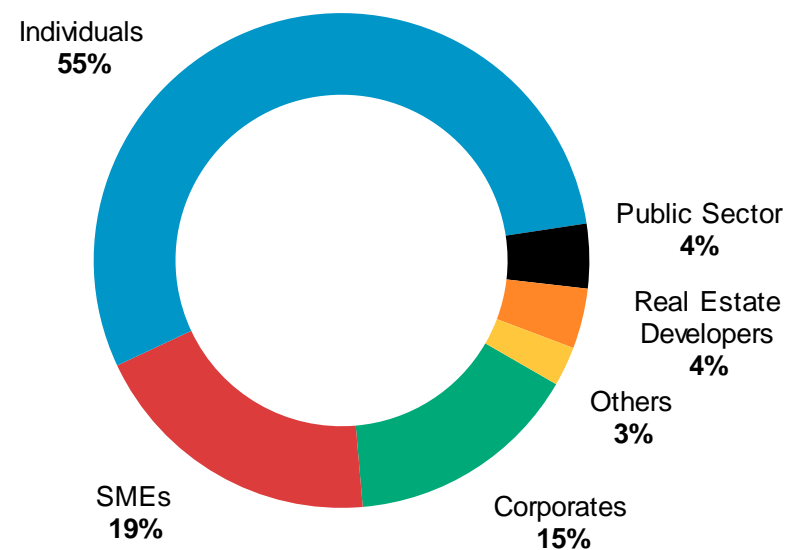


Note: Data as of December 2017.

Business mix by customer type

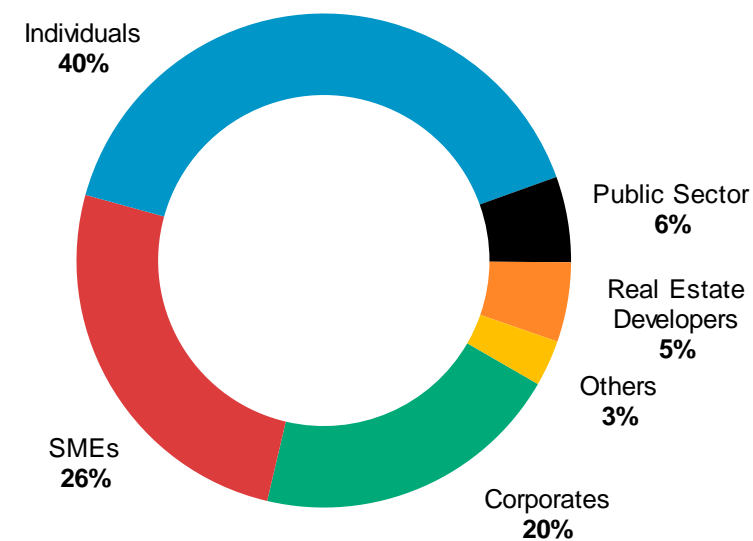
Sabadell group

In percentage



Sabadell, ex-TSB

In percentage

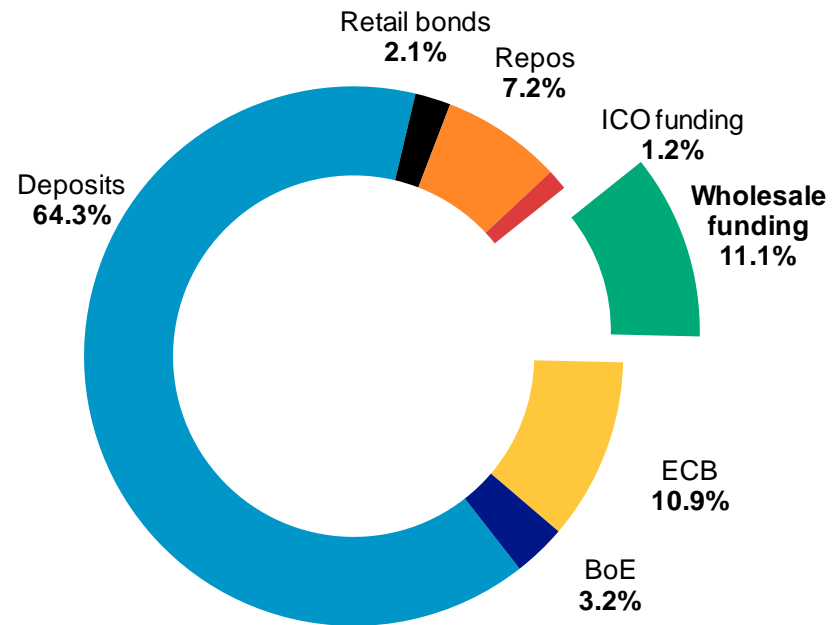


Note: Data as of December 2017.

Funding structure, Sabadell group

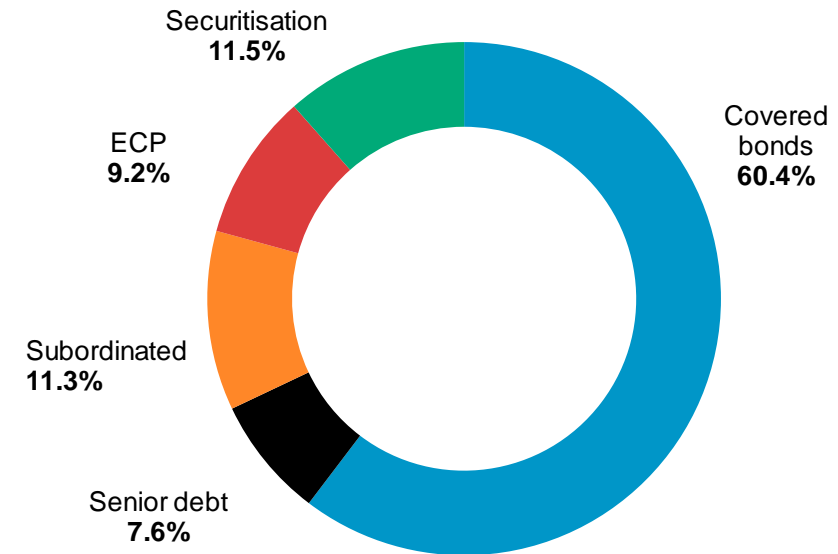
Funding structure

In percentage



Wholesale funding breakdown

In percentage

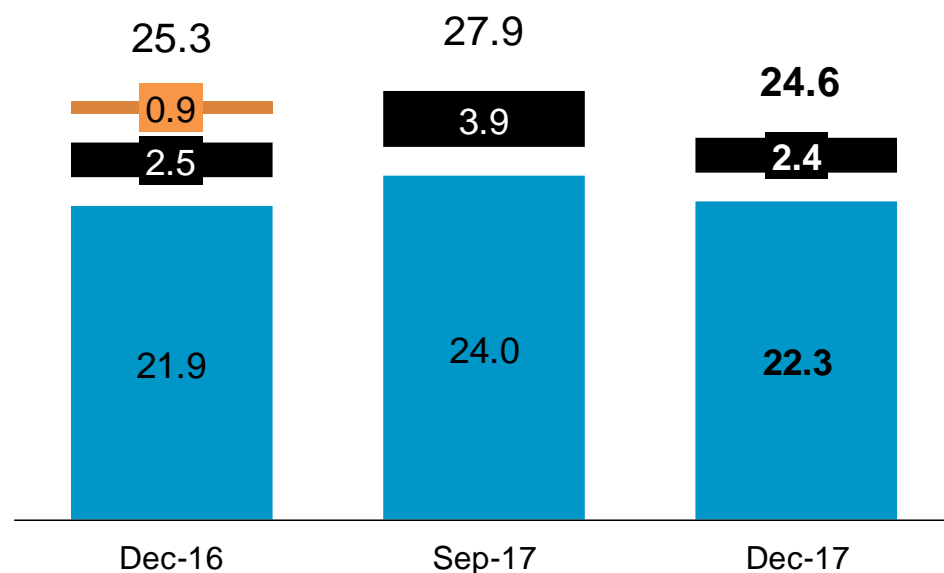


Note: Data as of December 2017.

Fixed income portfolio

Fixed income portfolio evolution, Sabadell group

Euros in billion



■ Fixed income portfolio, ex-TSB and SUB
 ■ TSB
 ■ Sabadell United Bank ("SUB")

Fixed income portfolio, Sabadell group

Euros in billion. In percentage

	Dec-16	Sep-17	Dec-17
Fixed income portfolio	24.4	27.9	24.6
% of total assets	11.5%	13.2%	11.1%
of which:			
Available for sale fixed income portfolio	17.1	15.7	12.8
Available for sale duration (yrs)¹	2.1	1.7	1.7

Note: Excluding Sabadell United Bank data.

¹ Duration includes the impact of interest rate swaps.

Fixed income portfolio composition

Fixed income portfolio composition evolution, Sabadell group

Euros in billion

	Dec-16	Sep-17	Dec-17
Spanish Government Debt	9.7	8.5	7.7
Italian Government Debt	6.0	10.3	9.6
UK Government Debt	2.2	3.5	1.9
Other Government Debt	3.7	2.8	2.6
of which:			
US Government	1.3	0.2	0.2
Portuguese Government	1.1	1.1	1.1
Mexican Government	0.7	0.7	0.7
Agencies	1.3	1.0	1.0
Covered Bonds	0.4	0.3	0.1
Corporates & Financials	1.1	1.6	1.7
Total	24.4	27.9	24.6
of which:			
Held to maturity	4.6	11.3	11.2
Available for sale	17.1	15.7	12.8

Note: Excluding Sabadell United Bank data.

Evolution of NPLs and foreclosed assets

Evolution of NPLs and foreclosed assets, ex-TSB

Euros in million

	4Q16	1Q17	2Q17	3Q17	4Q17
Gross entries (NPL)	700 ¹	636	526	513	617
Recoveries	-1,174	-897	-1,067	-706	-956
Scope exclusions	0	0	0	-10	0
Net NPL entries	-474	-261	-541	-203	-339
Gross entries (foreclosed assets)	384	312	304	148	254
Sales ²	-457	-379	-355	-302	-1,624 ³
Change in foreclosed assets	-73	-67	-51	-154	-1370
Net NPL entries + Change in foreclosed assets	-547	-328	-592	-357	-1,709
Write-offs	-101	-178	-61	-152	-66
Foreclosed assets and NPLs quarterly change	-648	-506	-653	-509	-1,775

Note: Includes contingent risk. Sabadell ex-TSB's NPLs, foreclosed assets and NPAs include 20% of the problematic exposure included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol.

¹ Includes the impact of the new Bank of Spain provisioning circular of €184M.

² Includes other outcomes.

³ Includes €1,252M carved out into our new business line *Solvía Desarrollos Inmobiliarios*.

Forbearance exposure

Forborne and restructured loans, Group

Euros in million

	Total	Of which: doubtful
Public authorities	12	10
Corporate and entrepreneurs	4,251	2,412
Of which: Financing for construction and real estate development	905	728
Individual borrowers	2,580	1,439
Total	6,843	3,860
Provisions	1,244	1,181

NPL ratio breakdown

NPL ratios by segment, ex-TSB

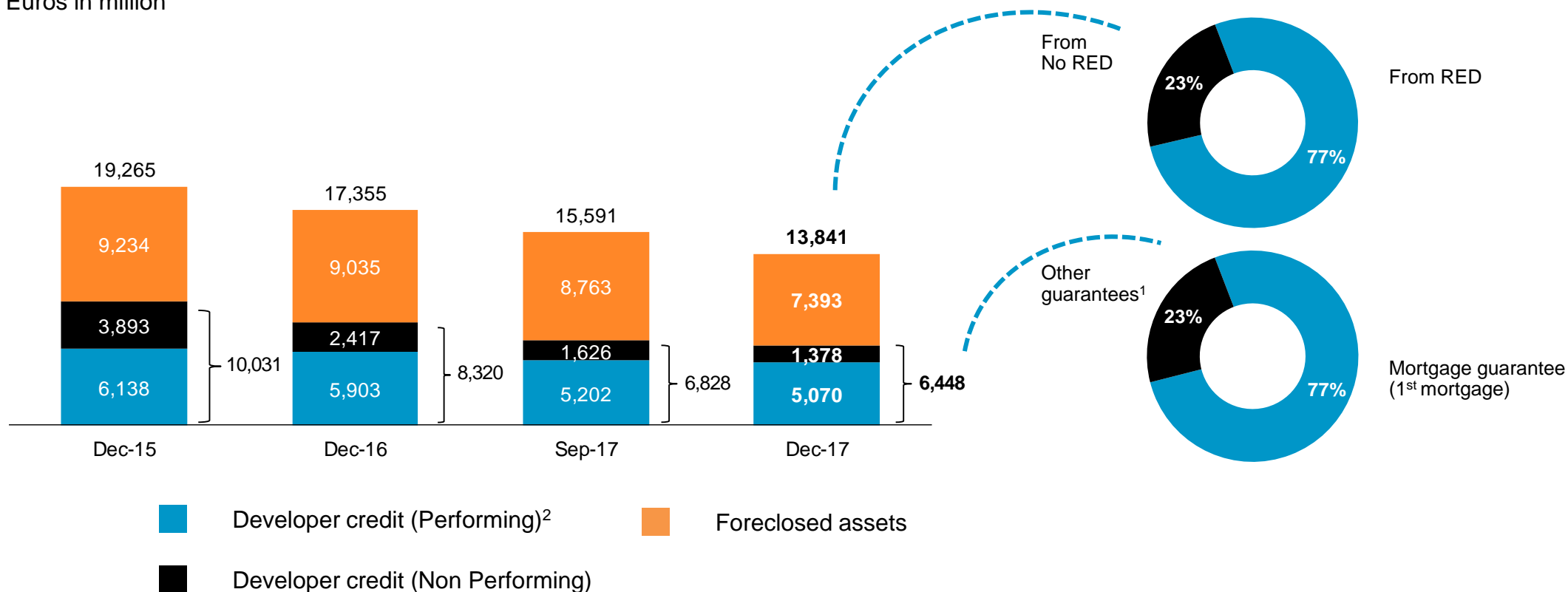
In percentage

	4Q16	1Q17	2Q17	3Q17	4Q17
Real Estate development and/or construction purposes	29.05%	28.04%	25.80%	23.82%	21.37%
Construction purposes non-related to real estate dev.	9.68%	5.88%	6.57%	6.44%	6.87%
Large corporates	3.82%	3.16%	3.01%	3.03%	3.33%
SME and small retailers and self-employed	8.47%	8.41%	8.31%	8.21%	8.09%
Individuals with 1 st mortgage guarantee assets	7.25%	7.24%	7.20%	7.51%	6.88%
NPL ratio, Sabadell ex-TSB	7.72%	7.45%	6.95%	6.90%	6.57%

Sabadell real estate exposure

Balance sheet (real estate exposure), ex-TSB

Euros in million



Note: Data as of December 2017. Contingent exposures included. Sabadell ex-TSB's Developer NPLs include 20% of the Developer NPLs included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol.


¹ Unsecured assets or with pledge, personal or 2nd mortgage guarantees.

² Includes loans classified as watchlist. Of which €1,590M is APS developer non-performing credit which risk has been transferred to the DGF in accordance with the APS protocol and €330M is APS developer performing exposure.

Real Estate exposure

Real estate portfolio breakdown, ex-TSB

Euros in million (gross value)

Foreclosed assets	7,393
Finished property ¹	62%
Under construction	4%
Land	34%
Developer loans	6,448 
Finished property	56%
Under construction	4%
Land	17%
Others ²	23%
Total RE related exposure	13,841

Developer loans breakdown, ex-TSB

Euros in million (gross value)

	Dec-17	% of total
Developer loans	6,448	47%
Performing	4,666 ³	72%
Watchlist	404	6%
Non performing	1,378	21%

Note: Data as of December 2017. Contingent exposures included. Sabadell ex-TSB's developer NPLs and foreclosed assets include 20% of the developer NPLs and foreclosed assets included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol.

¹ And other real estate assets derived from home loan mortgages for house purchases.

² Other guarantees.

³ Of which €1,590M is APS developer non-performing credit which risk has been transferred to the DGF in accordance with the APS protocol and €330M is APS developer performing exposure.

Foreclosed assets exposure and coverage

Foreclosed assets exposure and coverage breakdown by asset type, ex-TSB

Euros in million. In percentage

	Gross problematic exposure	Associated provisions	Coverage ratio
Finished buildings	2,681	1,119	41.7%
Housing	1,302	505	38.8%
Rest	1,379	614	44.5%
Under construction	289	165	57.2%
Housing	245	137	56.1%
Rest	44	28	63.0%
Land	2,509	1,843	73.4%
Building land	832	603	72.4%
Other land	1,677	1,240	73.9%
Others¹	1,914	872	45.5%
Total foreclosed assets	7,393	3,998	54.1%

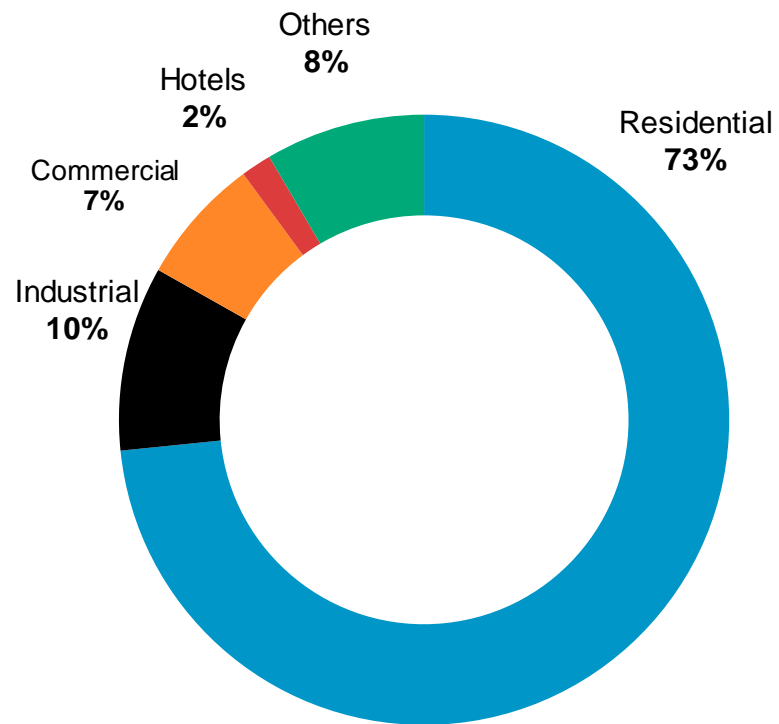
Note: Data as of December 2017. Sabadell ex-TSB's foreclosed assets include 20% of the foreclosed assets included in the APS, which risk is assumed by Sabadell according to the APS protocol. Accordingly, Sabadell ex-TSB's provisions include all provisions associated to 20% of the foreclosed assets included in the APS.

¹ Refers to real estate assets derived from home loan mortgages for house purchases.

REOs/Foreclosed assets segmentation

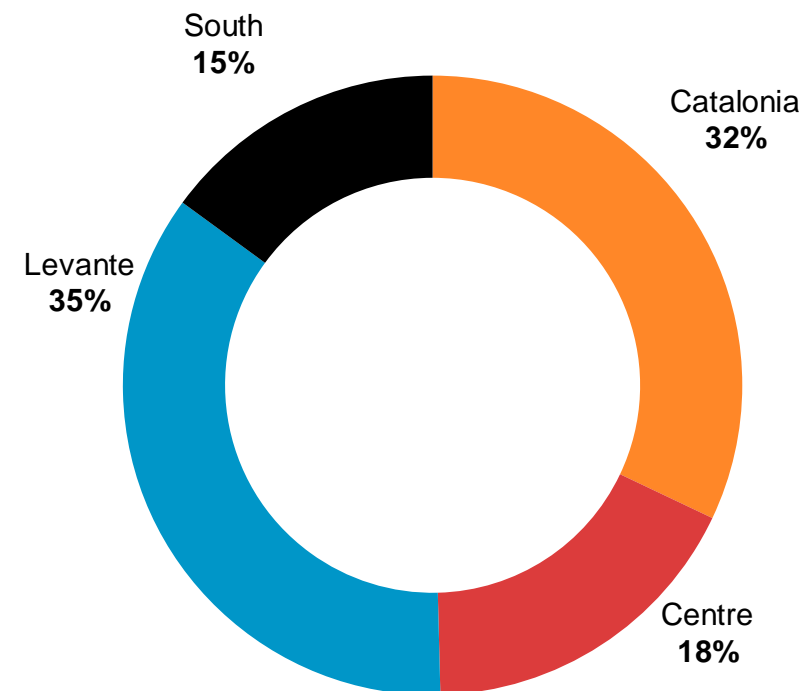
Foreclosed assets by use, ex-TSB

In percentage



Foreclosed assets by location, ex-TSB

In percentage

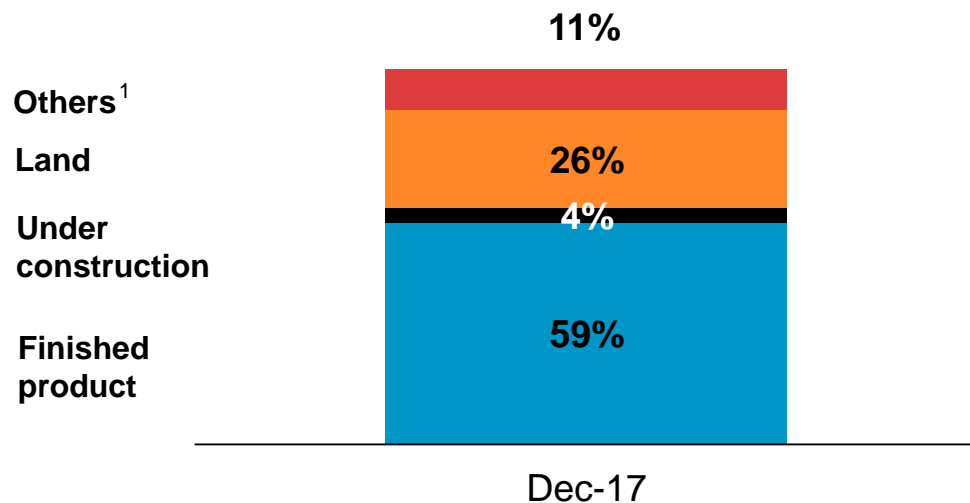


Note: Data as of December 2017. Includes 100% APS.

Real Estate portfolio breakdown by asset class and region

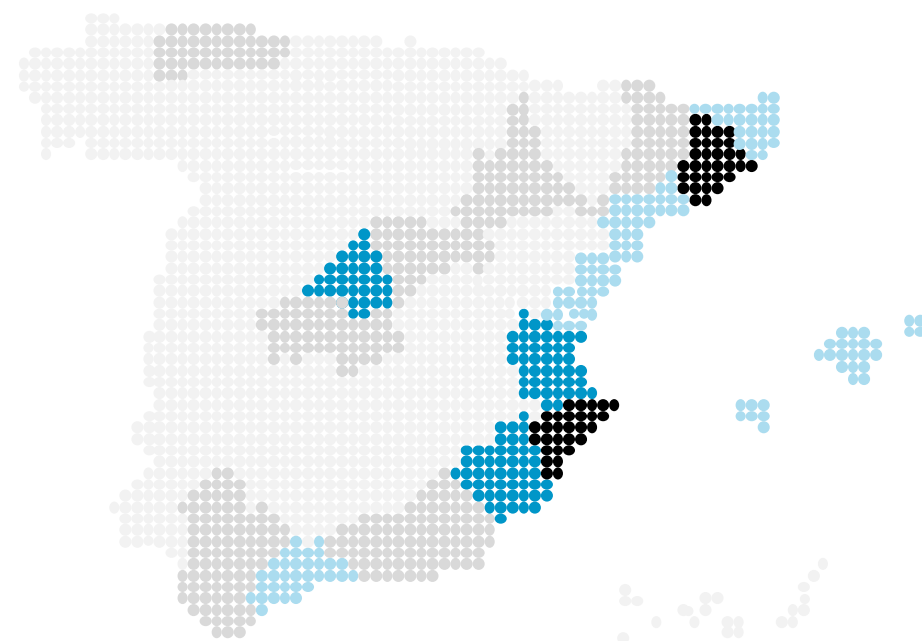
Portfolio breakdown by asset class, ex-TSB

In percentage



Portfolio breakdown by region

>80% of finished properties in coastal areas and Madrid



% of stock per region



Note: Data as of December 2017.

¹ Other guarantees.

APS main figures

APS breakdown and evolution

Euros in million

Concept	Jun-12 ^{1,2}	Dec-17 ²	Var. (%)
Gross loans and advances	19,117	5,385	-71.8%
of which at-risk	18,460	5,377	-70.9%
of which contingent guarantees and liabilities	657	8	-98.7%
Real estate assets	4,663	4,284	-8.1%
Equity stakes	504	48	-90.6%
Write offs	360	1,543	328.6%
Total	24,644	11,260	-54.3%

The APS book has decreased above 54% (€13.4bn) in less than 6 years

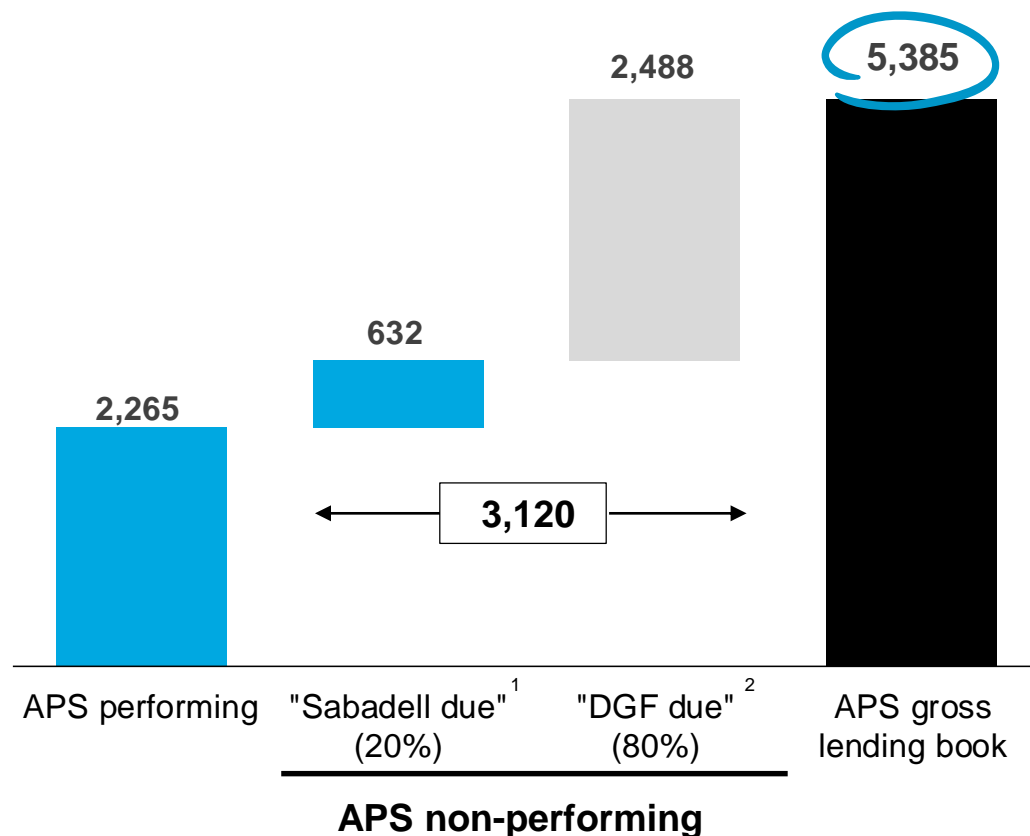
¹ The APS came into effect on June 1, 2012 with retroactive effects from July 31, 2011.

² Gross of original existing provisions.

APS gross loan and developers exposure

APS gross loans and advances (as of Dec-17)

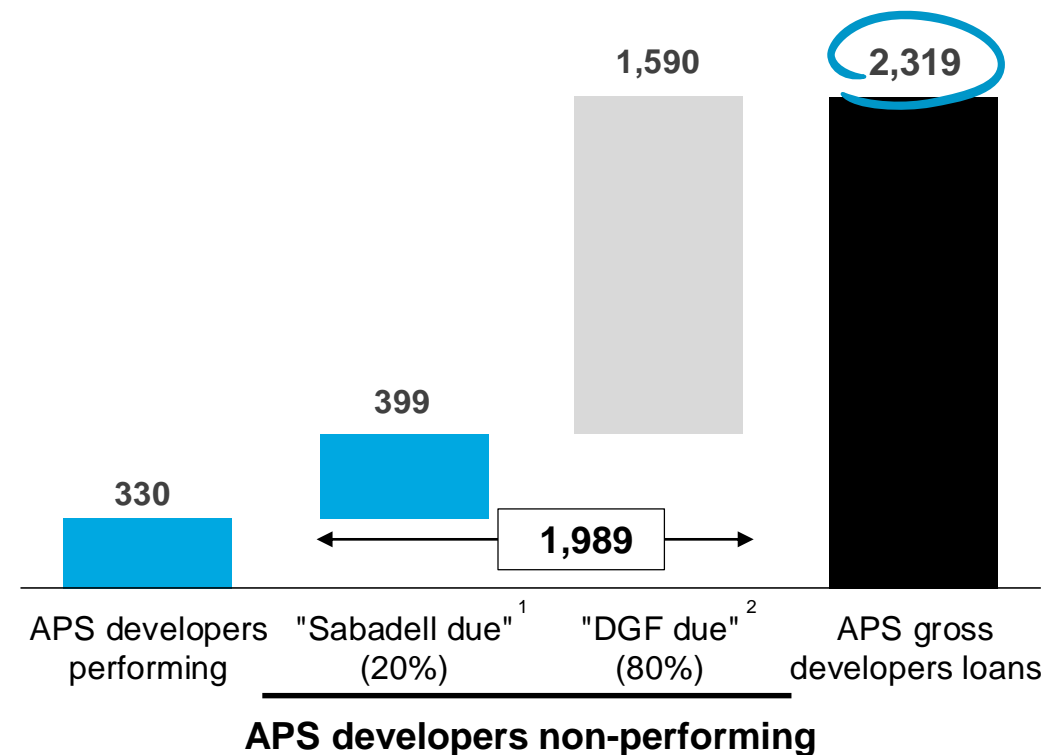
Euros in million



The total APS NPL ratio is 57.9%

APS developers loans (as of Dec-17)

Euros in million



The developers APS NPL ratio is 85.8%

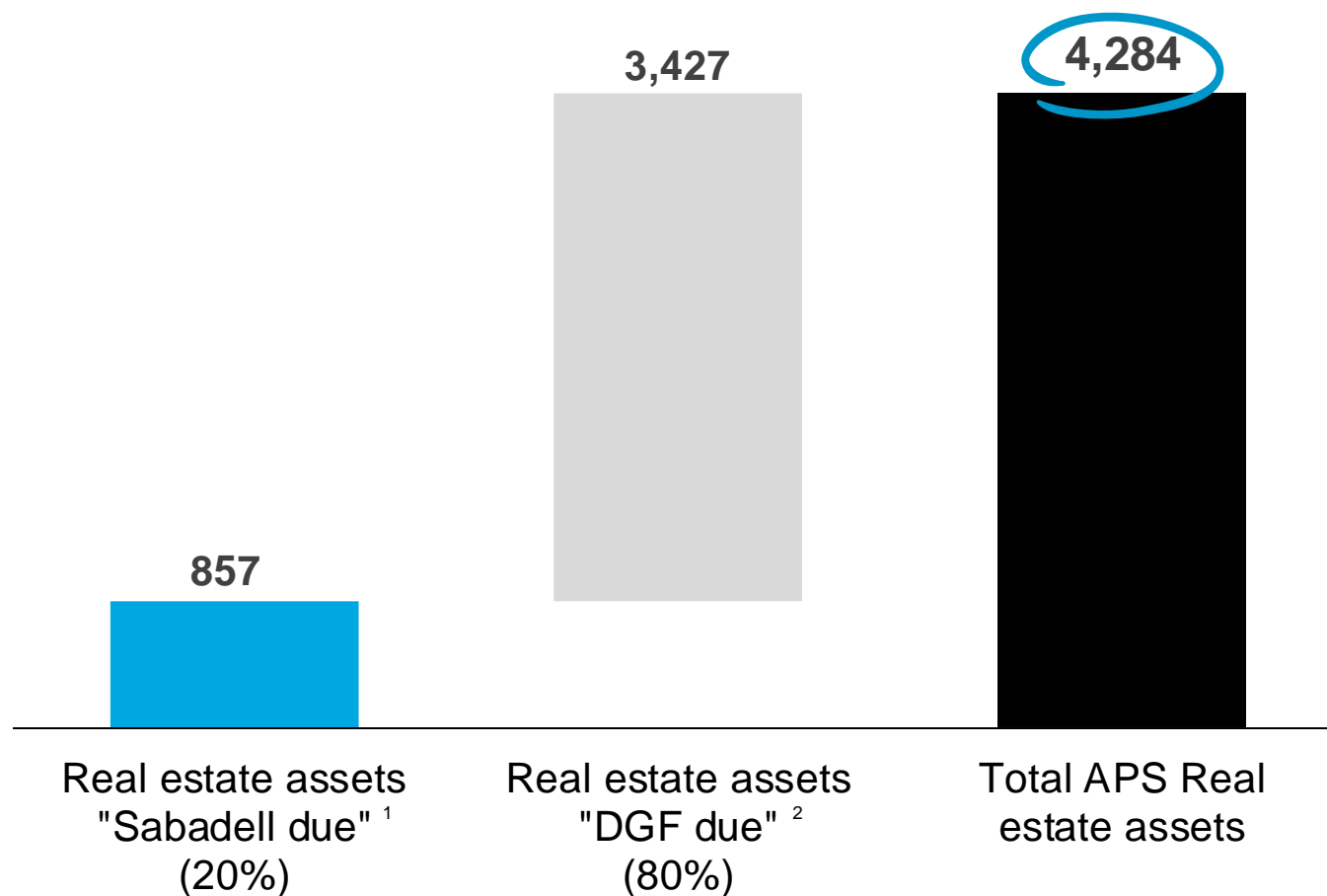
¹ 20% of total APS non-performing credit risk is assumed by Sabadell as per the APS protocol.

² 80% of total APS non-performing credit risk is transferred to the Deposit Guarantee Fund ("DGF") as per the APS protocol.

APS real estate asset book

APS real estate (as of Dec-17)

Euros in million



¹ 20% of all APS real estate losses are assumed by Sabadell as per the APS protocol.

² 80% of all APS real estate losses are assumed by the Deposit Guarantee Fund ("DGF") as per the APS protocol.

APS provisions overview

APS provisions and exposure (as of Dec-17)

Euros in million

	APS Exposure	APS Provisions	APS Coverage
Total APS problematic exposure			
Non-performing credit	3,120	1,698	54.4%
of which "DGF due" ¹	2,488	1,353	
Real estate assets	4,284	2,632	61.4%
of which "DGF due" ¹	3,427	2,106	
Total APS problematic credit and assets	7,404	4,330	58.5%
Total APS developers loans			
Non-performing developers credit	1,989	1,210	60.9%
of which "DGF due" ¹	1,590	968	
Total APS problematic developers credit and assets	6,273	3,842	61.3%

¹ "DGF due" represents 80% of APS exposure which risk has been assumed by the Deposit Guarantee Fund ("DGF") as per the APS protocol.

TSB customer lending

GBP in million	Dec-16	Sep-17	Dec-17
Mortgages	27,124	28,354	28,368
Unsecured & Business Banking	2,295	2,475	2,486
Total Lending balances (net)	29,419	30,829	30,854

Mortgages - Residential vs. Buy to let (BTL)

In percentage	Dec-16	Sep-17	Dec-17
TSB Total BTL %	15%	15%	15%

Mortgages loan to value (LTV)¹

In percentage	Dec-16	Sep-17	Dec-17
LTV Mortgage Flow	61.7%	59.5%	58.5%
LTV Mortgage Stock ²	42.4%	44.3%	44.2%

Cost of Risk (AQR)³ - Mortgages and Unsecured & Business Banking

In percentage (annualised for each quarter)	Dec-16	Sep-17	Dec-17
Mortgages	0.05%	0.01%	0.03%
Unsecured & Business Banking	3.68%	2.77%	2.89%
Total TSB AQR	0.35%	0.24%	0.27%

Note: Customer lending includes micro fair value hedge accounting adjustment.

¹ The LTV ratio is a calculation which expresses the amount of a mortgage balance outstanding as a percentage of the total appraised value of the property. The appraised value is indexed quarterly.

² From Jun-17 the LTV of Mortgage Stock excludes the Mortgage enhancement portfolio, which had a LTV of approximately 32% as at Mar-17.

³ AQR is a measure used to track the quality of the lending book. Calculated as P&L impairment charge divided by average gross customer lending balances.

SUB, Mediterráneo Vida and Mortgage enhancement contribution to Sabadell group 2017 results

Euros in million	Sabadell United Bank & Mediterráneo Vida	Mortgage Enhancement
Net interest income	121.2	18.4
Equity method & dividends	0.6	
Commissions	4.9	-1.3
Trading income & forex	2.1	53.9
Other operating results	-25.5	
Gross operating income	103.2	70.9
Personnel costs	-26.4	
Administrative costs	-13.4	
Depreciation & amortisation	-3.4	
Pre-provisions income	57.7	70.9
Total provisions & impairments	-5.3	
Gains on sale of assets	-0.1	
Profit before taxes	52.3	70.9
Taxes	-19.6	-19.1
Attributable net profit	32.7	51.8

Note: Individual contributions to Sabadell results up until the close of each transaction. Sabadell United Bank sale closed on July 31, 2017; Mediterráneo Vida sale was closed on May 17, 2017; and Mortgage enhancement early call was executed on June 1, 2017.

Sabadell share: key data

	Dec-16	Dec-17
Shareholders and trading		
Number of shareholders	260,948	235,130
Average number of shares (million)	5,452	5,570
Share price (€)		
Closing session (end of quarter)	1.323	1.656
Market capitalisation (€ million)	7,213	9,224
Stock market multiples		
Earnings per share (EPS) (€) ¹	0.13	0.14
Book value per share (€)	2.37	2.41
Price / Book value (x)	0.56	0.69
Price / Earnings ratio (P/E) (x) ¹	10.15	11.85

¹ Figures adjusted to reflect the amount of the Additional Tier 1 coupon, after tax, registered in equity.

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