



1Q18 Results

Banco Sabadell's profit amounts to €259.3 million, 32.8% higher

- **Solid growth in the banking business (net interest income + net fees) with a 3.8% increase.**
- **Performing loans up by 3.6%* year/on/year, driven by the good performance of SMEs and new mortgage production.**
- **TSB, the UK subsidiary of Banco Sabadell, completes the integration of the new Proteo4UK platform.**

26 April 2018. At the end of the first quarter of 2018 Banco Sabadell's **net profit** reached €259.3M, 32.8% higher than in 2017. Solid growth in the Group's core banking business (net interest income + net fees) which increased by 3.8%.

Net **interest income** increased by 2.8% year-on-year to €911.5M. Customer **spread** reached 2.80%, and net trading **income** amounted to €22.5M, materialising the majority of the result expected in the year.

Operating **expenses** stood at €752.9M as at March 2018, of which €77.0M correspond chiefly to non-recurrent expenses relating to the TSB I.T. migration, which were already anticipated in the first quarter. Excluding non-recurrent costs, operating expenses increased by 1.5% in the quarter, due to the increase in expenses in the Mexican business and seasonality in personnel expenses.

NOTE: Information calculated on a like-for-like basis, assuming constant FX and excluding Sabadell United Bank, Mediterráneo Vida and the Mortgage Enhancement portfolio.

* Performing loans growth excludes APS impact (i.e. 80% of total APS exposure which risk is presented as performing and the receivables account).

Press Department

sabadellpress@bancosabadell.com

International: +34 935 916 360



@SabadellPrensa
@SabadellPrensa
@SabadellPress



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Provisions **for insolvencies and other impairments** amounted to €244.8M at the end of the first quarter of 2018, which represents a risk cost of 64bp.

The **NPL** ratio continues to decline, reaching 5.14%, from 5.32% IFRS9 proforma in the previous quarter. NPA **coverage** increased to 55.2%, affected by the implementation of IFRS9, with the NPL ratio reaching 56.6% and the coverage of foreclosed assets reaching 53.7%. Problematic **assets** continue to be reduced at a good pace, declining by €3,189M during the last 12 months, and by €251M in the quarter. The sale of foreclosed assets during the quarter continues to show positive results.

The **capital position** remains solid, with fully loaded Common Equity Tier 1 (CET 1) of 12.0% at the end of the first quarter of 2018, percentage which reflects the implementation of IFRS9.

Growth in performing loans and customer funds:

Performing **loans** grew by 3.6%* year-on-year and by 0.4% in the quarter, driven by the good performance of SMEs and new mortgage production. Total **customer funds increased** by 4.9% with strong growth in sight accounts and mutual funds.

On **balance sheet customer funds** grew 3.0% year-on-year, and by 5.0% excluding TBS quarter-on-quarter, driven by growth in sight accounts. Off **balance sheet** funds increased by 10.8% year-on-year and 2.3% in the quarter, mainly due to mutual and insurance funds. The net entry of **investment funds stands out**, with a year-on-year increase of 17.4%.

Sight **account balances** increased to €101,794M (€70,792M ex-TSB) representing a year-on-year increase of 9.2% and a quarter-on-quarter increase of 3.9%.

Total **Group assets** amounted to €219,009M, a 4.5% increase on a like-for-like basis.

NOTE: Information calculated on a like-for-like basis, assuming constant FX and excluding Sabadell United Bank, Mediterráneo Vida and the mortgage enhancement portfolio.

* Performing loans growth excludes APS impact (i.e. 80% of total APS exposure which risk is presented as performing and the receivables account).



Technological migration of TSB

Last weekend, 21 and 22 April, TSB, the UK subsidiary of the Banco Sabadell completed the technological migration to the new Proteo4UK platform. This represents the migration of over 1,300 million data of its over five million customers.

From day one the Proteo4UK platform has provided the usual service to branches and ATMs, ensuring operational continuity, data integrity and technological security.

However, last 23 April, certain incidents arose in digital banking access which required disconnecting the online service and mobile application before 11.00 on Tuesday 24 April, to carry out the necessary technological adjustments.

This service disruption affected some customers and caused a negative reaction in the United Kingdom which has called for a public explanation. Service was restored at 3.00 last Wednesday 25 April although this required managing the heavy traffic accumulated by these channels. Normal conditions will be progressively restored over the coming days.

Digital sales have reached 19%, and Apple Pay is coming

Digitalisation figures continue to increase, as a result of the bank's commitment to commercial transformation. Group digital clients amount 4.6 million, up 11%, and **digital channel sales** already account for 19% of the total.

With regard to Distribution and Simplification, a new "insurance relationship manager" role has been created, and new types of offices are being piloted. The digital offer will shortly include Apple Pay, a mobile payment service, which is another improvement to Sabadell Mobile and Sabadell Wallet.

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Historic maximum in the EQUOS quality survey

According to the results of STIGA and EQUOS, Banco Sabadell has achieved a historic maximum by scoring 8.19, after improving by 0.39 points in the quarter. Customers have improved their valuation in terms of “commercial actions” or “cross selling of payroll and insurance”. “Investment explanation” has also improved. EQUOS is a strategic objective included in the Bank’s Strategic Business Plan.

Banco Sabadell is also top ranked by companies and SMEs, as shown in its NPS (Net Promoter Score). Banco Sabadell continues to remain number #1 for large companies and SMEs; and number #2 in personal and retail banking. The NPS score, calculated by Accenture, is based on the following 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?”

In terms of **the acquisition of companies and individuals**, for another quarter, acquisition has shown a high level of dynamism, with a total of 124,657 new customers. By segment, the Group has acquired 93,854 new individual customers, 65,699 new payrolls and 30,803 companies.

Improvement **in market share** of the different products in Spain. In companies, POS turnover stands out, where Banco Sabadell’s share has grown to 14.62% in the first quarter of 2018 compared to 13.79% one year ago, and documentary credit, which stood at 29.73% at March, has increased from 28.85% 12 months ago. Market share in loans also grew, increasing from 11.14% to 11.25%. In individuals, in the life insurance segment, the share grew to 5.50% at the end of the first quarter, up from 5.21% at the end of March 2017; mutual funds grew to 6.22% from 6.04% previously, and household sight accounts grew to 6.10% from 6.00%.



Other key developments in the quarter

S&P and Moody's raise Banco Sabadell's credit rating

On 17 April, Moody's' Investors Service (Moody's) raised the credit rating of Banco Sabadell's mortgage and public covered bonds to Aa1 from Aa2. Moody's also raised the outlook for Banco Sabadell's deposits credit rating from stable to positive.

On 06 April, 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.

Banco Sabadell leads instant transfers in Spain

Banco Sabadell is leading the instant transfers project, a new service, which is free for individual customers who hold an Expansión Account. On 14 February, national instant transfers were implemented, with the participation of the majority of institutions, and Banco Sabadell carried out 75% of these operations during the first two days, registering 23,057 instant transfers, with a total volume of €16M. Using data from Iberpay, the total of instant transfers processed by Spanish financial institutions during these two days amounted to 30,905, which ranked Banco Sabadell as leader in this type of transfer.

A portfolio comprised of 52 technology startups.

Banco Sabadell is growing its portfolio of technology startups in which it holds a stake through its three startup investment vehicles. BStartup10, Sabadell Venture Capital and InnoCapital (Banco Sabadell's digital business hub, Innocells). The bank has been supporting startups for four years, which has led the number of startups which are customers of the bank to grow 2,700, and €143M in formalised loans with these entities. One of the most recent investments has been carried out by InnoCells in Biometric Vox, a Spanish startup that offers authentication and advanced electronic signature solutions through voice biometrics.

Shareholders gave a majority vote in favour of the management and results in 2017

The Ordinary General Shareholders Meeting held by Banco Sabadell, which met on Thursday 5th April in Alicante, with 61.35% of share capital, gave a majority vote in favour of the management and results of the institution's 136th year, and also approved the proposed distribution of the net profit obtained during 2017, which stood at €801.4M at year-end.

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sabadellpress@bancosabadell.com

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Presentation of the Strategic Business Plan 2018-2020

Banco Sabadell presented the main lines of its new Strategic Business Plan 2018-2020 on 23rd February, in London. The first priority for the next three-year period is to increase profitability, supported by growth in the core banking business and leadership in SMEs, rigorous cost management and the normalisation of the Group's non-performing assets. The second priority element is sustainability, in pursuit of which Banco Sabadell will speed up its technological transformation, increase the core of its brand and customer experience while focusing on the people who make up the Sabadell team. Lastly, the third priority element is the value generation plan via the development and growth of international franchises in United Kingdom and Mexico.

BancoSabadell Profit & loss account (consolidated)



Figures in € million	Total group				EXTSB		
	31.03.2017	31.03.2018	Change YoY	Change at fixed FX	31.03.2017	31.03.2018	Change YoY
Net interest income	894.3	911.5	1.9%	2.8%	646.0	658.4	1.9%
Income from equity method and dividend	16.2	12.9	-20.8%	-20.8%	16.2	12.8	-21.3%
Net fees and commissions	295.3	314.4	6.5%	6.7%	269.3	291.3	8.2%
Results from financial transactions (net)	352.3	222.5	-36.8%	-36.8%	341.2	215.3	-36.9%
Foreign exchange (net)	1.1	3.5	212.7%	206.4%	1.1	3.5	212.7%
Other operating income / expense	-14.2	-9.7	-31.8%	-30.7%	-11.6	-7.0	-39.9%
Gross operating income	1,545.0	1,455.1	-5.8%	-5.3%	1,262.3	1,174.3	-7.0%
Operating expense	-668.1	-752.9	12.7%	13.9%	-429.3	-455.9	6.2%
Non-recurrent	-17.6	-77.0	338.7%	348.2%	-3.2	-3.3	2.0%
Recurrent	-650.5	-675.9	3.9%	5.0%	-426.1	-452.6	6.2%
Amortization & depreciation	-99.1	-87.1	-12.1%	-11.6%	-81.5	-69.4	-14.8%
Net income before provisions	777.8	615.1	-20.9%	-20.8%	751.6	649.0	-13.6%
Provisions for NPLs and other impairments	-508.3	-244.8	-51.8%	-51.8%	-484.4	-221.5	-54.3%
Gains on sale of assets and other results	1.7	-0.6	--	--	-5.7	-1.1	-81.5%
Profit before tax	271.2	369.7	36.3%	36.4%	261.5	426.5	63.1%
Income tax	-74.0	-108.9	47.1%	47.3%	-68.4	-121.9	78.2%
Consolidated net profit	197.2	260.7	32.2%	32.3%	193.1	304.5	57.7%
Minority interest	1.8	1.5	-16.7%	-16.7%	1.8	1.5	-16.7%
Attributable net profit	195.4	259.3	32.7%	32.8%	191.3	303.1	58.4%

PRO MEMORIA	Total group				EXTSB		
	31.03.2017	31.03.2018	Change YoY	Change at fixed FX	31.03.2017	31.03.2018	Change YoY
Balances in € million							
Total assets	209,675	219,009	4.5%	5.3%	164,219	169,676	3.3%
Performing gross loans	135,238	137,246	1.5%	2.2%	101,320	101,653	0.3%
Performing gross loans ex APS	128,785	132,482	2.9%	3.6%	94,866	96,889	2.1%
Customer-based funding on balance sheet	130,148	133,280	2.4%	3.0%	95,430	98,283	3.0%
Customer-based funding off balance sheet	41,848	46,364	10.8%	10.8%	41,848	46,364	10.8%

RATIOS	Total group		EXTSB	
	31.03.2017	31.03.2018	31.03.2017	31.03.2018
Cost / income (ex amortisation) (%) (1)	52.32	53.42	43.62	40.39
Core capital / Common equity phase in (%)	11.9	12.9	--	--
NPLs / Gross loans (%)	5.86	5.14	7.45	6.38
NPLs coverage (%)	48.9	56.6	48.8	56.9
Number of branches	2,767	2,474	2,182	1,923
Number of employees	26,412	26,056	17,888	17,721

NOTE: Sabadell United Bank, Mediterraneo Vida and Mortgage Enhancement data excluded in order to be comparable with previous periods.

(1) To calculate these ratios, gross operating income was adjusted considering recurrent trading income and linear accrual of the Deposit Guarantee Fund contribution.

View the list and definition of Alternative Performance Measures in the Quarterly Financial Report.

https://www.grupbancosabadell.com/es/XTD/INDEX/?url=/es/INFORMACION_ACCIONISTAS_E_INVERSORES/INFORMACION_FINANCIERA/INFORMACION_MES_TRIMESTRALES/A_O_2016/

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