

Quarterly financial report

Second quarter of 2017



Contents

1		
Key figures		3
2		
Summary		4
3		
Performance review		6
Macroeconomic environment		6
Income statement		8
Balance sheet		17
Risk management		22
Capital management and credit ratings		26
Liquidity management		27
Results by business units		28
4		
Share price performance		34
5		
Other key developments in the quarter		35
6		
Annex: TSB		36
7		
Glossary of terms on performance measures		37

Disclaimer

This document is strictly for informational purposes and is not an offer of any product. No agreement or commitment should be based on this document or any part of it.

Any decisions on financial transactions should take into account the client's needs and their appropriateness from a legal, tax, accounting and/or financial point of view, in accordance with the informational documents envisaged under the law in force. Investments that are commented on or recommended herein may not be of interest to all investors.

The opinions, projections and estimates contained in this document are based on public information and are an evaluation by Banco de Sabadell, S.A. at the date of drafting. No assurance is given that future results or events will conform to those opinions, projections and estimates. The information is subject to change without prior notice, its accuracy is not guaranteed and it may be incomplete or summarised. Banco de Sabadell, S.A. accepts no liability whatsoever for any losses arising from the use of this document or its content or otherwise in connection herewith.

Basis of presentation

The consolidated profit and loss accounts at the end of June 2017 and 2016, 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 2017.

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		
	30.06.16	30.06.17	Change (%)	30.06.16	30.06.17 ⁽³⁾	Change (%)
Profit and loss account (€million)						
Net interest income	1,392.4	1,413.8	15	1,942.5	1,936.9	-0.3
Gross operating income	2,325.4	2,390.9	2.8	2,980.2	3,043.4	2.1
Pre-provisions income	1,262.9	1,332.9	5.5	1,460.6	1,467.7	0.5
Profit before tax	396.3	537.5	35.6	594.0	634.4	6.8
Attributable net profit	279.6	385.3	37.8	425.3	450.6	5.9
Balance sheet (€million)						
Total assets	164,493	170,263	3.5	207,891	217,458	4.6
Performing gross loans	(1) 105,669	106,165	0.5	139,343	141,393	1.5
Gross loans to customers	(1) 116,320	114,589	-1.5	150,197	150,013	-0.1
On-balance sheet funds	(1) 122,582	121,947	-0.5	161,037	158,710	-1.4
Of which: Customer funds	(1) 100,100	101,864	1.8	134,152	135,928	1.3
Mutual funds	21,131	25,943	22.8	21,131	25,943	22.8
Pension funds and third-party insurance products	12,883	14,111	9.5	12,883	14,111	9.5
Funds under management	(1) 160,137	165,944	3.6	198,592	202,707	2.1
Net equity	--	--	--	12,862	13,073	1.6
Shareholders' equity	--	--	--	12,647	13,188	4.3
Profitability and cost-to-income ratios (%)						
ROA	--	--	--	0.38	0.38	--
RORWA	--	--	--	0.89	0.98	--
ROE	--	--	--	6.46	6.61	--
ROTE	--	--	--	7.79	7.92	--
Cost / income	44.26	42.83	--	49.97	51.81	--
Risk management						
Non-performing exposures (€million)	(1) 10,635	8,541	-19.7	10,812	8,703	-19.5
Total problematic assets	(1) 19,900	17,458	-12.3	20,077	17,619	-12.2
NPL ratio (%)	(1) 8.54	6.95	--	6.83	5.49	--
NPL coverage ratio (%)	(1) 53.9	47.1	--	54.1	47.1	--
Capital management						
Risk weighted assets (RWA)	(4) --	--	--	86,760	83,782	-3.4
Common Equity Tier 1 (%)	(4) --	--	--	11.9	12.7	--
Tier I (%)	(4) --	--	--	11.9	13.1	--
Total capital ratio (%)	(4) --	--	--	13.8	14.9	--
Leverage ratio (%)	(4) --	--	--	4.91	4.95	--
Liquidity management						
Loan-to-deposits ratio (%)	(1) 104.5	104.3	--	103.2	103.4	--
Share data (period end)						
Number of shareholders	--	--	--	265,609	246,622	--
Number of shares (million)	--	--	--	5,566	5,616	--
Share price (€)	(2) --	--	--	1.179	1.779	--
Market capitalisation (€million)	--	--	--	6,563	9,991	--
Earnings per share (EPS) (€)	--	--	--	0.14	0.15	--
Book value per share (€)	--	--	--	2.26	2.34	--
Price / Book value (times)	--	--	--	0.52	0.76	--
Price / Earnings ratio (P/E) (times)	--	--	--	8.54	12.11	--
Other data						
Branches	2,202	1,997	--	2,806	2,548	--
Employees	17,922	17,940	--	25,990	26,384	--

(1) In March 2017, Sabadell United Bank (hereinafter, SUB) has been reclassified as a non-current asset held for sale following a sale agreement reached in February 2017. For comparative purposes, SUB figures since March 2017 have been maintained. The NPL coverage ratio at June 2017 excludes mortgage floor provisions.

(2) Without adjusting historical values

(3) The EURGBP exchange rate used for the income statement at 30/06/2017 is 0.8598. The exchange rate used for the balance sheet is 0.8793 at 30/06/2017.

(4) Includes the issuance of AT1 of €750 million pending authorisation by the ECB to confirm its eligibility.

2. Summary

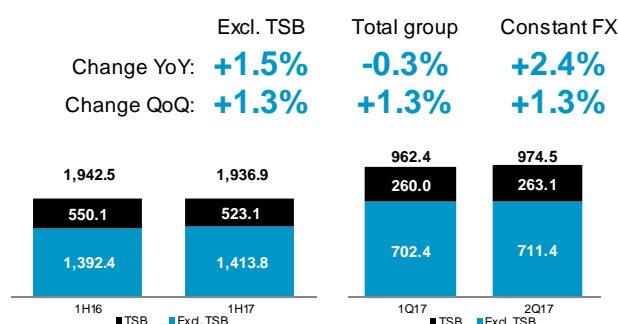
Solid growth in core banking business income:

Net interest income

The Group net interest income increased by 1.3% quarter-on-quarter and declined by -0.3% year-on-year, affected by downward trends of the EUR/GBP exchange rate (2.4% growth considering a constant exchange rate).

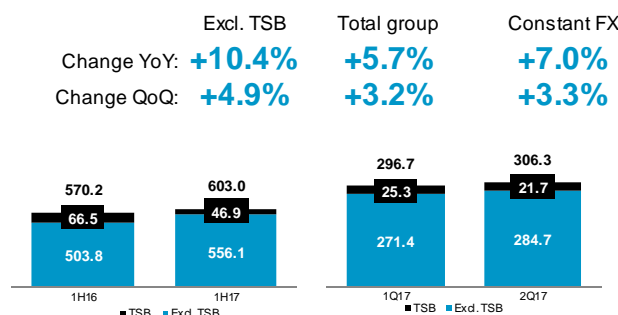
Net interest income excluding TSB has increased by 1.3% quarter-on-quarter and by 1.5% year-on-year.

Customer spread increased to 2.81% (2.77% in the previous quarter) driven by a significantly lower cost of customer funds.



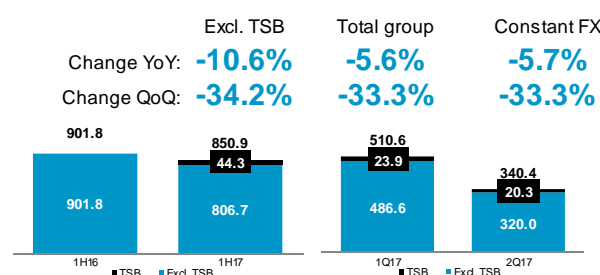
Net fees and commissions

Solid performance in net fees and commissions across all categories growing a 5.7% year-on-year (10.4% excluding TSB) and 7.0% considering a constant exchange rate. Growth in this quarter stands at 3.2% (4.9% excluding TSB).



Provisions for NPLs and other impairments

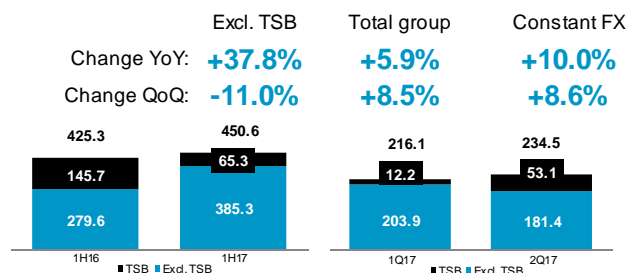
Provisions for NPLs and other impairments amounted to €850.9 million at June 2017 compared with €901.8 million at June 2016, representing a -5.6% reduction. Extraordinary gains on net trading income materialised in the year have been used to front-load provisions.



Net profit of the Group

Solid growth in the Group's core banking business (net interest income + net fees and commissions) reached 3.5% year-on-year considering a constant exchange rate.

The Group's net profit reached €450.6 million (€385.3 million excluding TSB) at June 2017.



Growth in performing gross loans and customer funds:

Performing gross loans

Performing gross loans increased by 1.5% (3.0% considering a constant exchange rate) compared with the same period of the previous year (0.5% excluding TSB). Compared to the previous quarter, it remained stable total group and increased by 0.7% excluding TSB.

The early call of the TSB Mortgage Enhancement⁽¹⁾ portfolio in this quarter is noteworthy. Adjusting this effect, Group's growth would stand at 1.4% quarter-on-quarter (2.3% considering a constant exchange rate) and 2.9% year-on-year (4.5% considering a constant exchange rate).

On-balance sheet customer funds

On balance sheet customer funds increased year-on-year by 1.3% (1.8% excluding TSB), with a 3.0% increase considering a constant exchange rate. Compared with the previous quarter, this increase was 1.5% (2.6% excluding TSB). Growth of both sight accounts and off-balance sheet funds.

Problematic assets

Excluding TSB, problematic assets have been reduced by €2,442 million over the last twelve months.

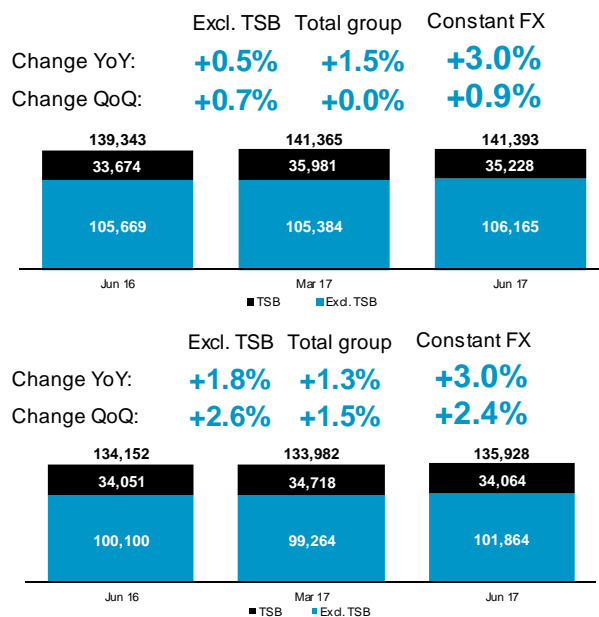
Reduction in foreclosed assets for the fourth consecutive quarter.

During the first half of 2017, the reduction was €1,159 million (of which €1,041 million correspond to non-performing exposures and €118 million to foreclosed assets), remaining at a higher pace than expected to meet the yearly target.

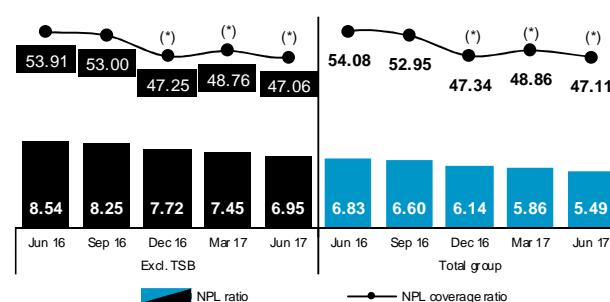
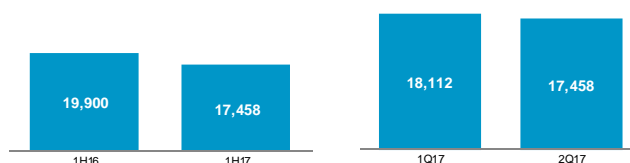
NPL ratio and coverage

The Group's NPL ratio continued to decline and stands at 5.49%^(*) (6.95%^(*) excluding TSB).

The NPL coverage ratio stands at 47.11%^(*) (47.06%^(*) excluding TSB) and coverage of foreclosed real estate assets stands at 47.8%.

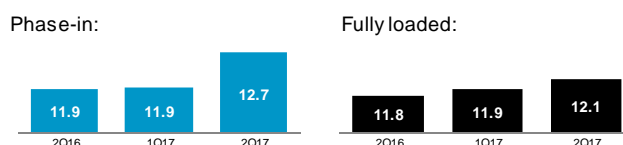


Change excl. TSB QoQ: **-3.6%**
 Change excl. TSB YoY: **-12.3%**



Capital ratio

The phase-in Common Equity Tier 1 (CET 1) ratio stands at 12.7%, 12.1% fully loaded CET1 ratio at 30 June 2017.



(*) Excludes mortgage floor provisions. Excluding SUB the NPL ratio stands at 5.62% at Group level (7.16% excluding TSB) and the NPL coverage ratio stands at 45.79% at Group level (45.71% excluding TSB).

(1) The mortgage enhancement portfolio has been returned to Lloyds after delivering its purpose. The success of TSB's business model, which is delivering solid lending growth and customer acquisition, has allowed to cancel the arrangement one year ahead of schedule.

3. Performance review

Macroeconomic environment

Global economic and financial background

Political events have continued to be a major focal point for financial markets during the quarter. In the UK an early general election was called in which the Conservatives lost their absolute majority, in spite of being the party which received the highest number of votes. In France, Macron (centrist-liberal) won the presidential elections and achieved absolute majority in the parliamentary elections. He thus has significant room for manoeuvre to carry out his reformist agenda. In Italy the possibility of early general elections being held this year has practically disappeared, due to the breakdown of the electoral law reform agreement. In the United States the investigation into the talks held with Russia during Trump's election campaign has been a central topic and has caused an increase in political uncertainty. Activity has shown a good performance in the euro area. In particular, GDP grew by 0.6% quarter-on-quarter in 1Q17, supported by internal demand. By country, Germany (0.6%), Spain (0.8%) and Portugal (1.0%) all showed a good performance. Furthermore, economic sentiment indicators point towards activity remaining positive. In the United States, GDP growth in 1Q17 moderated (0.4% quarter-on-quarter) as is often the case during this time of year, although 2Q17 data point towards greater dynamism in activity. With regard to inflation, it has moderated throughout the quarter in the euro area (affected by the energy price component) as well as in the United States (mainly because of lower mobile telephony prices).

Macroeconomic situation in Spain

Activity data continues to be clearly positive. In 1Q17 GDP grew by 0.8% quarter-on-quarter and the unemployment rate stood at 18.8% of the active population. Economic sentiment indicators and labour market data have continued to show a good performance in 2Q17. In this context, Bank of Spain is estimating that GDP could have grown by 0.9% quarter-on-quarter in 2Q17. Inflation performance continued to be influenced by fuel and electricity price trends. After the upturn seen in April, inflation moderated to 1.6% year-on-year in June. Regarding external accounts, the current account showed a deficit during the first four months of this year, in contrast to the surplus seen in the same period last year. In fiscal issues, budgetary execution data to May show that the public deficit could reach the Government's target of 3.1% of GDP at the end of the year. The Government was able to approve the General State Budget (GSB) for 2017, receiving parliamentary approval to limit expenditure with regard to the 2018 GSB.

Macroeconomic situation in United Kingdom

Q2 data show a similar trend to Q1 data (GDP 1Q17: +0.2% quarter-on-quarter), with private consumption indicators moderating in comparison with 2016 data. In general, real estate sector data have surprised negatively. In terms of pricing, inflation has remained well above Bank of England's target, supported by the depreciation of the pound. In May, prices increased by 2.9% year-on-year, reaching their highest rate since mid-2013, although in June they

moderated to 2.6%. The Conservative party lost its absolute majority in the early general elections, which led it to seek an agreement with Northern Ireland's Democratic Unionist Party (DUP) to form a new government, weakening its position in terms of the Brexit negotiations. Negotiations with the EU began on 19 June, and are currently focused on the three areas which the EU has marked as priority to close the exit deal: the rights of ex-pats, the divorce bill and the border between Northern Ireland and the Republic of Ireland. The EU hopes that significant progress will have been made in these matters in October 2017 in order to move forward with negotiations regarding the new trade relationship.

Macroeconomic situation in Latin America

In Mexico, GDP grew to 2.6% year-on-year in the first quarter of this year, above the 2.0% growth registered in 2016, supported by the relative resilience of private consumption and positive export trends. The upturn in inflation has continued (exceeding 6% year-on-year), influenced by the increase in fuel prices in 2017. However, long term inflation expectations have remained anchored, and the central bank has hinted towards the possible end of the cycle of benchmark rate hikes (currently 7.00%). On the other hand, the market continues to remain relatively at ease in terms of the impact that the renegotiation of the free trade agreement with United States and Canada would have for Mexico.

In South America, political events in Brazil continue to make the headlines, and the current president has been formally charged with corruption offences. However, the economic and financial impact have been limited, due to the improvement in the country's economic fundamentals over the last few quarters. Economic activity in Colombia and Peru has continued to remain weak, which has led to new cuts in the benchmark interest rate by the respective central banks.

Fixed-income markets

The downward bias by central banks in developed countries has been left behind. In June the Fed hiked the benchmark rate again, to 1.00-1.25%. Furthermore, the Fed also unveiled details of its balance sheet reduction process, which it aims to begin this year, which will affect MBS, agency debt and government debt. In its June meeting the ECB took its first steps towards shifting its approach to its monetary policy. In particular, the ECB amended its forward guidance, eliminating references to "lower interest rates" as it believes that deflation risks would have disappeared. In any case, the ECB maintained its cautious tone regarding inflation. On the other hand, the ECB became increasingly optimistic on activity. In its June meeting it said that risks associated with economic growth were broadly balanced, when in previous meetings it had said that these risks were biased to the downside. Lastly, in the Bank of England meeting held in June, 3 members (out of a total of 8 members) voted in favour of an increase in the benchmark rate, emphasising better labour market conditions and the risk of higher upturns in inflation. Carney, Governor of Bank

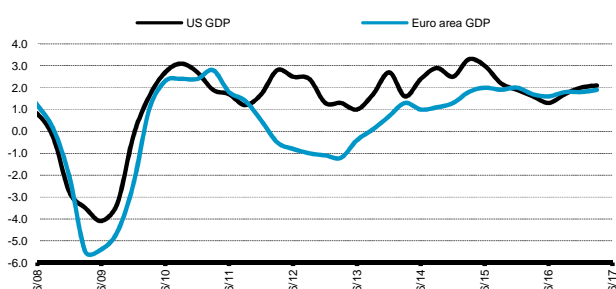
of England, voted in favour of maintaining benchmark interest rates unchanged, leaving the door open towards the withdrawal of certain monetary stimuli in the next few months.

In terms of long-term fixed-income markets, the yields on core government bonds have shown volatility. In Germany government bond yields ended the quarter at higher levels than the previous quarter, whilst these levels were lower in the United States. Bond yield performance was influenced by the ECB's first step towards shifting the approach of its monetary policy, lower political risk in Europe (thanks to the victory of Macron) and political noise in the United States. In the case of the United States, the moderation in inflation was an additional factor. Regarding the European periphery, country-risk premiums tightened in Spain and Italy, and particularly in Portugal. The spreads were supported, amongst other factors, by lower political uncertainty in Europe and the positive performance of activity data.

Equity markets

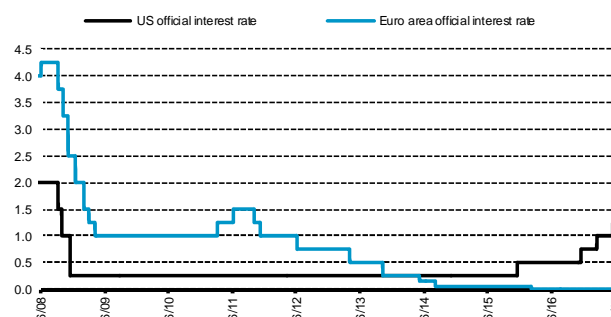
There were increases in American and Japanese equity indices during the quarter in their respective currencies. The appreciation of the Euro against the Dollar and the Yen, influenced by the ECB's first steps towards shifting its approach to monetary policy, led to negative returns in euro terms. Thus, the S&P 500 fell by -3.9% in the quarter in euro terms, but increased by +2.6% in dollars. The Nikkei 225 fell by 1.6% in euro terms, in spite of an upturn of almost +6% in yen. European stock market indices showed a mixed performance. The Euro STOXX 50 declined by -1.7%, the IBEX 35 declined by -0.2% and the Italian MIB increased by almost +0.5%, due to the positive performance of the banking sector after the rescue of Veneto banks. German and French indices did not show large changes (+0.1% and -0.0%, respectively).

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



Source: Bloomberg

Official interest rate– USA vs. Euro area (%)



Exchange rates: Parity vs. euros

Fx	30.06.16	30.09.16	31.12.16	31.03.17	30.06.17
USD	1.1102	1.1161	1.0541	1.0691	1.1412
GBP	0.8265	0.8610	0.8562	0.8555	0.8793
MXN	20.6347	21.7389	21.7719	20.0175	20.5839

Source: Bank of Spain

Income statement

Highlights

The Group's net profit reached €450.6 million (€385.3 million excluding TSB).

Net interest income increased by 1.3% at Group level and excluding TSB. Customer spread increased to 2.81% (2.77% in the previous quarter) driven by a significantly lower cost of customer funds.

Net fees and commissions recorded year-on-year growth of 5.7% (10.4% excluding TSB), and quarter-on-quarter growth of 3.2% (4.9% excluding TSB) with the positive performance of service fees and asset under management fees being particularly noteworthy.

Extraordinary gains on net trading income materialised in the year have been used to front-load provisions.

Profit and loss account

(€ million)	Excl. TSB			Total group			
	1H16	1H17	Change (%) YoY	1H16	⁽¹⁾ 1H17	Change (%) YoY	Change (%) at fixed FX
Net interest income	1,392.4	1,413.8	1.5	1,942.5	1,936.9	-0.3	2.4
Income from equity method and dividends	48.8	36.1	-26.0	48.8	36.1	-26.0	-26.1
Net fees and commissions	503.8	556.1	10.4	570.2	603.0	5.7	7.0
Results from financial transactions (net)	447.9	455.9	1.8	502.8	545.4	8.5	9.6
Foreign exchange (net)	14.7	4.9	-66.8	14.7	4.9	-66.8	-66.8
Other operating income/expense	-82.1	-75.9	-7.6	-98.9	-82.9	-16.2	-14.7
Gross operating income	2,325.4	2,390.9	2.8	2,980.2	3,043.4	2.1	4.3
Personnel expenses	-613.9	-594.3	-3.2	-828.7	-790.9	-4.6	-2.2
Non-recurrent	-14.2	-5.2	-63.5	-24.1	-12.8	-46.9	-45.0
Recurrent	-599.7	-589.1	-1.8	-804.6	-778.1	-3.3	-1.0
Other general expenses	-292.3	-301.6	3.2	-497.0	-587.4	18.2	22.8
Non-recurrent	0.0	0.0	--	-6.7	-23.1	245.0	252.1
Recurrent	-292.3	-301.6	3.2	-490.3	-564.3	15.1	19.6
Amortization & depreciation	-156.3	-162.1	3.7	-194.0	-197.4	1.7	3.6
Pre-provisions income	1,262.9	1,332.9	5.5	1,460.6	1,467.7	0.5	1.9
Provisions for NPLs	-514.4	-525.0	2.1	-514.4	-569.3	10.7	10.5
Other financial assets	-118.3	-43.3	-63.4	-118.3	-43.3	-63.4	-63.4
Other impairments	-269.1	-238.4	-11.4	-269.1	-238.4	-11.4	-11.4
Gains on sale of assets and other results	35.3	11.3	-68.1	35.3	17.6	-50.0	-50.3
Badwill	0.0	0.0	--	0.0	0.0	--	--
Profit before tax	396.3	537.5	35.6	594.0	634.4	6.8	10.7
Income tax	-114.7	-150.6	31.3	-166.6	-182.2	9.4	12.7
Consolidated net profit	281.7	386.9	37.4	427.4	452.2	5.8	9.8
Minority interest	2.1	1.6	-22.9	2.1	1.6	-22.9	-22.9
Attributable net profit	279.6	385.3	37.8	425.3	450.6	5.9	10.0
Pro memoria:							
Average total assets (€ million)	162,614	169,519		205,979	215,406		
Earnings per share (€)	⁽²⁾ 0.04	0.06		0.07	0.07		

(1) The EURGBP exchange rate used for the income statement is 0.8598.

(2) Aggregate at the end of each quarter, not annualised.

Quarterly profit and loss account

(€million)	Excl. TSB						Total group						
	2Q16	3Q16	4Q16	1Q17	2Q17	Change (%) 1Q17	2Q16	3Q16	4Q16	1Q17	(1) 2Q17	Change (%) 1Q17	Change (%) at fixed FX
Net interest income	696.7	696.9	697.7	702.4	711.4	1.3	968.6	948.4	946.9	962.4	974.5	1.3	1.3
Income from equity method and dividends	27.3	23.2	12.6	16.4	19.7	20.3	27.3	23.2	12.6	16.4	19.7	20.3	20.3
Net fees and commissions	257.9	258.8	260.2	271.4	284.7	4.9	292.4	290.0	288.3	296.7	306.3	3.2	3.3
Results from financial transactions (net)	144.5	54.3	54.0	341.9	114.0	-66.7	194.7	53.9	53.0	353.0	192.4	-45.5	-45.5
Foreign exchange (net)	11.8	-0.5	2.8	1.1	3.8	240.3	11.8	-0.5	2.8	1.1	3.8	240.3	240.7
Other operating income/expense	-65.9	-20.6	-106.3	-27.0	-48.9	81.2	-82.2	-219	-106.1	-29.6	-53.3	79.8	78.3
Gross operating income	1,072.2	1,012.0	920.9	1,306.3	1,084.6	-17.0	1,412.6	1,293.0	1,197.5	1,600.0	1,443.4	-9.8	-9.8
Personnel expenses	-307.3	-307.1	-314.6	-298.1	-296.2	-0.6	-413.1	-410.3	-424.1	-394.9	-396.0	0.3	0.3
No n-recurrent	-7.5	-6.9	-28.2	-3.5	-17	-50.6	-11.3	-110	-32.9	-7.0	-5.8	-16.9	-17.3
Recurrent	-299.7	-300.3	-286.4	-294.6	-294.5	0.0	-401.8	-399.3	-391.2	-387.9	-390.2	0.6	0.6
Other general expenses	-145.8	-145.2	-143.6	-151.0	-150.6	-0.3	-247.8	-251.1	-252.2	-293.0	-294.4	0.5	0.5
No n-recurrent	0.0	0.0	0.0	0.0	0.0	--	-5.0	-3.5	-8.9	-10.9	-12.3	13.0	13.1
Recurrent	-145.8	-145.2	-143.6	-151.0	-150.6	-0.3	-242.7	-247.7	-243.3	-282.2	-282.1	0.0	0.0
Amortization & depreciation	-78.0	-79.0	-88.0	-83.0	-79.2	-4.6	-96.8	-96.5	-105.4	-100.6	-96.8	-3.8	-3.8
Pre-provisions income	541.1	480.7	374.8	774.2	558.7	-27.8	654.9	535.0	415.9	811.5	656.2	-19.1	-19.1
Provisions for NPLs	-238.1	-95.0	223.8	-365.1	-159.9	-56.2	-238.1	-95.0	195.6	-389.0	-180.3	-53.7	-53.7
Other financial assets	-113.0	-4.3	-14.3	-3.5	-39.8	--	-113.0	-4.3	-14.3	-3.5	-39.8	--	--
Other impairments	-16.8	-12.4	-495.0	-18.0	-120.3	19	-16.8	-12.4	-495.0	-18.0	-120.3	19	19
Gains on sale of assets and other results	38.3	-13	5.5	-5.8	17.0	--	38.3	-3.3	3.1	1.7	16.0	--	--
Badwill	0.0	0.0	0.0	0.0	0.0	--	0.0	0.0	0.0	0.0	0.0	--	--
Profit before tax	112.5	267.7	94.8	281.8	255.7	-9.3	226.3	320.1	105.3	302.6	331.8	9.7	9.9
Income tax	-22.4	-74.4	-33.2	-76.1	-74.4	-2.2	-52.2	-97.0	-40.0	-84.8	-97.4	15.0	15.5
Consolidated net profit	90.1	193.3	61.6	205.6	181.2	-11.9	174.1	223.1	65.4	217.8	234.4	7.6	7.7
Minority interest	0.8	15	18	18	-0.2	--	0.8	15	18	18	-0.2	--	--
Attributable net profit	89.3	191.8	59.7	203.9	181.4	-11.0	173.3	221.6	63.5	216.1	234.5	8.5	8.6
Pro memoria:													
Average total assets (€million)	162,567	163,649	164,410	166,321	172,682		207,153	206,477	206,619	211,690	219,082		
Earnings per share (€)	(2) 0.04	0.07	0.09	0.03	0.06		0.07	0.10	0.13	0.03	0.07		

(1) The EURGBP exchange rate used for the income statement of the quarter is 0.8598.

(2) Aggregate at the end of each quarter, not annualised.

Net interest income:

Net interest income stands at €1,936.9 million at June 2017, with a decline of -0.3% year-on-year negatively affected by the evolution of the EUR/GBP exchange rate (2.4% growth considering a constant exchange rate) and a 1.3% increase quarter-on-quarter.

Excluding TSB net interest income amounted to €1,413.8 million at June 2017 with a year-on-year increase of 1.5% and 1.3% increase quarter-on-quarter.

In TSB, net interest income increased by 5.1% year-on-year driven by strong mortgage volume growth.

Customer spread:

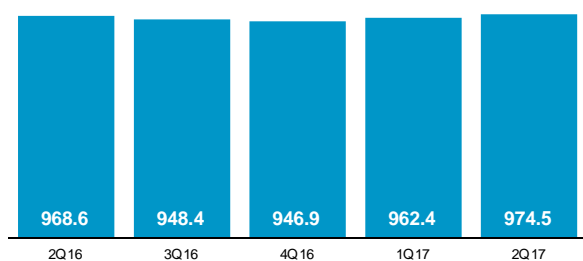
Customer spread at June 2017 stood at 2.81% (2.77% in the previous quarter). Net interest income as a percentage of average total assets stood at 1.78% (1.84% in the previous quarter).

Excluding TSB, customer spread at the end of June 2017 stood at 2.73% (2.67% in the previous quarter) while net interest income as a percentage of average total assets stood at 1.65% (1.71% in the previous quarter).

The decline in the gains of the fixed income portfolio was compensated by the improvement in customer spread and lower wholesale funding cost. The improvement in wholesale funding cost corresponds to the maturity of different issuances which includes guaranteed debt, and covered bonds. The reduction in net interest income over average total assets is mainly due to the excess of liquidity deposited with the European Central Bank. Excluding this effect, net interest income over average total assets excl. TSB would have stood at 1.70% in the quarter.

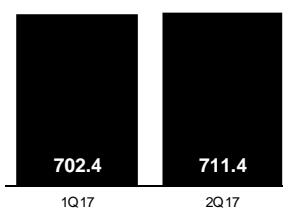
Evolution of Net interest income

Total Group (€ million)



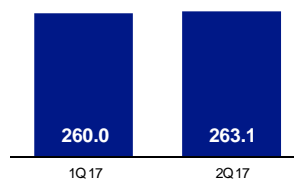
	Excl. TSB	Total group
Change YoY:	+1.5%	-0.3%
Change QoQ:	+1.3%	+1.3%

Sabadell excl. TSB (€ million)



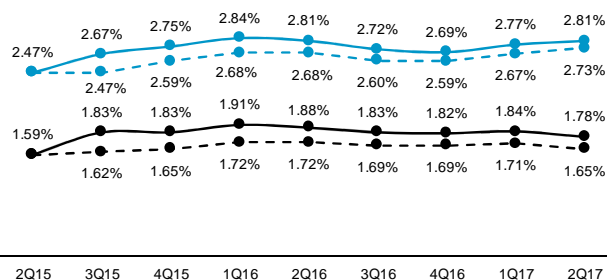
Change QoQ:
+1.3%

TSB (€ million)

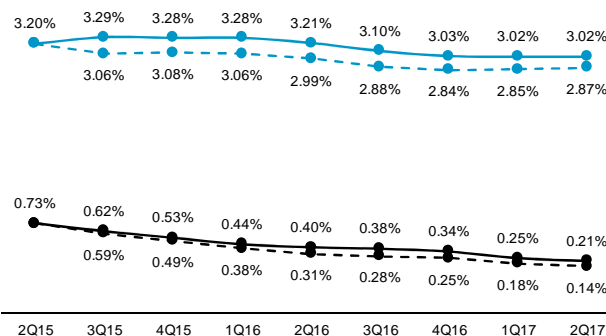


Change QoQ:
+1.2%
+1.2% in GBP

Net interest income (%)



Customer spread (%)



Gains and charges in the quarter

Total Group

2017 (€million)	1st Quarter			2nd Quarter (1)			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results
Cash and cash equivalent (3)	12,712	0.05	2	18,198	-0.01	-1						
Loans to customers (net)	138,670	3.02	1,034	139,176	3.02	1,049						
Fixed-income securities	29,763	2.15	158	31,800	1.59	126						
Equity securities	983	--	--	911	--	--						
Tang. & intang. assets	5,270	--	--	6,049	--	--						
Other assets	24,292	0.40	24	22,947	0.37	21						
Total assets	211,690	2.33	1,218	219,082	2.19	1,195						
Financial institutions (2)	31,876	-0.18	-14	41,109	-0.06	-6						
Customer deposits	129,635	-0.25	-80	131,137	-0.21	-70						
Sight Accounts	56,127	-0.09	-12	60,868	-0.06	-9						
Term accounts / Fix term deposits	23,409	-0.25	-15	21,997	-0.19	-11						
Ofex inv. / Foreign S.	43,288	-0.46	-49	42,912	-0.45	-48						
Others	6,812	-0.26	-4	5,359	-0.16	-2						
Capital markets	26,576	-1.74	-114	25,299	-1.44	-91						
Other liabilities	10,082	-1.89	-47	9,745	-2.22	-54						
Shareholders' equity	13,521	--	--	11,792	--	--						
Total funds	211,690	-0.49	-255	219,082	-0.40	-221						
Net interest income			962			974						
Customer spread		2.77			2.81							
Net interest margin as % of ATA		1.84			1.78							

2016 (€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 equivalent (3)	10,899	0.34	9	11,804	0.33	10	11,129	0.25	7	11,513	0.18	5
Loans to customers (net)	138,494	3.28	1,130	139,254	3.21	1,113	137,427	3.10	1,071	137,649	3.03	1,048
Fixed-income securities	25,061	2.81	175	25,893	2.46	159	27,174	2.31	158	27,198	2.42	165
Equity securities	966	--	--	980	--	--	1,058	--	--	1,013	--	--
Tang. & intang. assets	4,801	--	--	5,282	--	--	5,241	--	--	5,060	--	--
Other assets	24,585	0.30	19	23,938	0.35	21	24,449	0.31	19	24,186	0.43	26
Total assets	204,806	2.62	1,333	207,153	2.53	1,302	206,477	2.42	1,255	206,619	2.40	1,244
Financial institutions (2)	25,030	-0.61	-38	24,420	-0.65	-39	23,243	-0.22	-13	26,717	-0.20	-14
Customer deposits	126,729	-0.44	-140	129,503	-0.40	-129	128,777	-0.38	-123	126,934	-0.34	-108
Sight Accounts	46,390	-0.20	-23	49,029	-0.17	-20	52,126	-0.14	-18	52,753	-0.13	-17
Term accounts / Fix term deposits	32,271	-0.72	-57	29,865	-0.57	-42	26,912	-0.43	-29	24,427	-0.34	-21
Ofex inv. / Foreign S.	41,430	-0.59	-61	43,336	-0.62	-67	42,112	-0.63	-67	42,047	-0.57	-60
Others	6,638	0.06	1	7,273	0.05	1	7,627	-0.48	-9	7,707	-0.51	-10
Capital markets	30,641	-2.12	-162	30,265	-1.89	-142	30,441	-1.88	-144	29,516	-1.87	-138
Other liabilities	9,832	-0.80	-20	10,046	-0.92	-23	10,807	-1.01	-28	10,428	-1.40	-37
Shareholders' equity	12,574	--	--	12,918	--	--	13,209	--	--	13,024	--	--
Total funds	204,806	-0.70	-359	207,153	-0.65	-333	206,477	-0.59	-307	206,619	-0.57	-297
Net interest income			974			969			948			947
Customer spread		2.84			2.81			2.72			2.69	
Net interest margin as % of ATA		1.91			1.88			1.83			1.82	

- (1) The EURGBP exchange rate used for the income statement for the quarter is 0.8598 while that used for the balance sheet is 0.8793.
- (2) Includes repos. 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 cash, central banks, financial institutions and repos.

Sabadell excl. TSB

2017 (€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 (2)	7,430	-0.07	-1	13,400	-0.09	-3						
Loans to customers (net)	103,464	2.85	727	103,533	2.87	740						
Fixed-income securities	26,693	2.22	146	28,047	1.60	112						
Equity securities	978	--	--	346	--	--						
Tang. & intang. assets	3,878	--	--	4,361	--	--						
Other assets	23,877	0.54	32	22,995	0.56	32						
Total assets	166,321	2.20	903	172,682	2.05	881						
Financial institutions (1)	26,730	-0.13	-9	33,868	0.01	1						
Customer deposits	95,774	-0.18	-43	97,251	-0.14	-35						
Sight Accounts	56,127	-0.09	-12	60,868	-0.06	-9						
Term accounts / Fix term deposits	23,409	-0.25	-15	21,997	-0.19	-11						
Ofex inv. / Foreign S.	9,203	-0.52	-12	8,894	-0.58	-13						
Others	7,036	-0.26	-4	5,491	-0.16	-2						
Capital markets	23,832	-1.73	-102	23,802	-1.38	-82						
Other liabilities and shareholders' equity	19,985	-0.95	-47	17,762	-1.22	-54						
Total funds	166,321	-0.49	-200	172,682	-0.39	-170						
Net interest income			702			711						
Customer spread		2.67			2.73							
Net interest margin as % of ATA		1.71			1.65							

2016 (€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 (2)	6,827	0.29	5	6,013	0.24	4	5,584	0.19	3	6,396	0.14	2
Loans to customers (net)	103,769	3.06	789	104,061	2.99	774	104,026	2.88	752	104,157	2.84	743
Fixed-income securities	23,287	2.89	167	23,949	2.52	150	25,107	2.37	149	24,979	2.48	156
Equity securities	936	--	--	958	--	--	1,052	--	--	1,007	--	--
Tang. & intang. assets	3,352	--	--	3,772	--	--	3,685	--	--	3,874	--	--
Other assets	24,490	0.31	19	23,815	0.38	23	24,194	0.36	22	23,996	0.43	26
Total assets	162,661	2.42	980	162,567	2.35	950	163,649	2.25	926	164,410	2.24	927
Financial institutions (1)	24,419	-0.62	-38	23,254	-0.60	-35	22,045	-0.15	-8	25,082	-0.16	-10
Customer deposits	92,958	-0.38	-88	94,188	-0.31	-72	95,028	-0.28	-67	93,832	-0.25	-60
Sight Accounts	46,390	-0.20	-23	49,029	-0.17	-20	52,126	-0.14	-18	52,753	-0.13	-17
Term accounts / Fix term deposits	32,271	-0.72	-57	29,865	-0.57	-42	26,912	-0.43	-29	24,427	-0.34	-21
Ofex inv. / Foreign S.	7,660	-0.47	-9	8,021	-0.51	-10	8,363	-0.51	-11	8,797	-0.54	-12
Others	6,638	0.06	1	7,273	0.05	1	7,627	-0.48	-9	7,855	-0.50	-10
Capital markets	26,474	-2.12	-140	25,839	-1.93	-124	26,226	-1.91	-126	25,616	-1.91	-123
Other liabilities and shareholders' equity	18,810	-0.42	-20	19,285	-0.48	-23	20,349	-0.54	-28	19,881	-0.74	-37
Total funds	162,661	-0.70	-285	162,567	-0.63	-254	163,649	-0.56	-229	164,410	-0.56	-230
Net interest income			696			697			697			698
Customer spread		2.68			2.68			2.60			2.59	
Net interest margin as % of ATA		1.72			1.72			1.69			1.69	

- (1) Includes repos. 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.
- (2) Includes cash, central banks, financial institutions and repos.

Income from equity method and dividends:

This item stood at €36.1 million at the end of the first half of 2017, compared with €48.8 million at the end of the same period in 2016. These revenues are mainly due to income from the insurance and pension fund business.

Net fees and commissions:

This item amounted to €603.0 million at June 2017 (representing a 5.7% increase year-on-year and a 3.2% increase in the quarter).

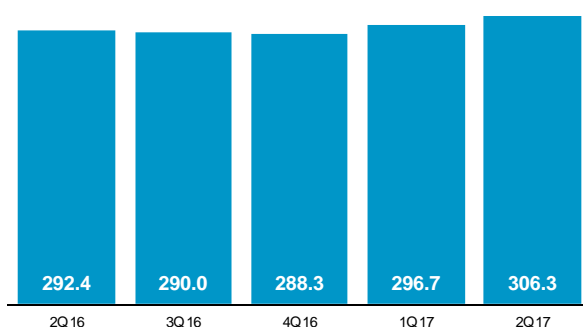
Excluding TSB, this item amounted to €556.1 million at June 2017 (representing a 10.4% increase year-on-year and a 4.9% increase in the quarter).

The positive performance of service and asset under management fees both year-on-year as well as quarter-on-quarter is particularly noteworthy.

TSB launched a campaign to accelerate growth in current accounts, which has impacted income from fees, as higher aggregator fees were paid in this quarter.

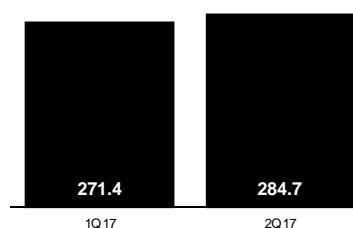
Evolution of net fees and commissions

Total Group (€ million)



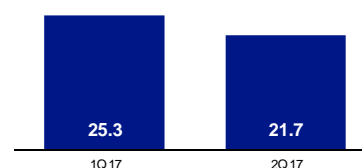
	Excl. TSB	Total group
Change YoY:	+10.4%	+5.7%
Change QoQ:	+4.9%	+3.2%

Sabadell excl. TSB (€ million)



Change QoQ:
+4.9%

TSB (€ million)



Change QoQ:
-14.3%
-14.4% in GBP

Net fees and commissions

(€million)	Excl. TSB			Total group			Excl. TSB			Total group		
	1Q 17	2 Q 17	Change (%)	1Q 17	2 Q 17	Change (%)	1H16	1H17	Change (%)	1H16	1H17	Change (%)
Lending fees	29.4	31.4	7.0	51.7	53.2	3.0	59.7	60.8	1.9	110.8	104.9	-5.3
Guarantees commissions	25.0	25.4	1.6	25.0	25.4	1.6	50.4	50.3	-0.3	50.4	50.3	-0.3
Risk transaction fees	54.3	56.8	4.5	76.6	78.6	2.5	110.2	111.1	0.9	161.2	155.2	-3.7
Cards	39.9	44.0	10.2	46.2	51.6	11.7	74.2	83.8	12.9	91.5	97.8	6.8
Payment orders	13.5	13.5	-0.1	13.5	13.5	-0.1	24.4	26.9	10.3	24.4	26.9	10.3
Securities	16.1	16.3	1.5	16.1	16.3	1.5	25.3	32.3	27.7	25.3	32.3	27.7
Custodian mutual and pension funds	3.1	3.3	5.7	3.1	3.3	5.7	6.2	6.4	2.9	6.2	6.4	2.9
Sight accounts	29.3	28.9	-1.6	32.6	31.6	-2.9	37.6	58.2	54.7	44.7	64.2	43.8
Foreign currency and notes exchange	16.9	18.4	8.4	16.9	18.4	8.4	36.2	35.3	-2.6	36.2	35.3	-2.6
Other transactions	21.1	21.1	0.1	14.5	10.5	-27.2	35.7	42.1	18.0	26.8	25.0	-6.5
Commissions for services	139.8	145.3	3.9	142.8	145.2	1.6	239.8	285.1	18.9	255.2	288.0	12.9
Mutual funds	35.4	38.3	8.3	35.4	38.3	8.3	71.8	73.6	2.6	71.8	73.6	2.6
Pension funds and insurance brokerage	37.1	39.5	6.3	37.1	39.5	6.3	68.5	76.6	11.9	68.5	76.6	11.9
Wealth management	4.8	4.8	1.3	4.8	4.8	1.3	13.7	9.6	-30.0	13.7	9.6	-30.0
Asset Under Management commissions	77.2	82.6	6.9	77.2	82.6	6.9	153.9	159.8	3.9	153.9	159.8	3.9
Total	271.4	284.7	4.9	296.7	306.3	3.2	503.8	556.1	10.4	570.2	603.0	5.7

(1) The EURGBP exchange rate used for the income statement for the year as well as for the quarter is 0.8598.

Net trading income:

At June 2017 this item amounted to €545.4 million (€455.9 million excluding TSB) compared to €502.8 million at June 2016 (€447.9 million excluding TSB). This quarter includes the early call of the TSB Mortgage Enhancement portfolio. June 2016 includes €109.5 million from the sale of all Visa Europe shares.

Gains (losses) from exchange differences:

This item amounted to €4.9 million at June 2017, when compared to €14.7 million in the same period of the previous year.

Other operating income/expenses:

This item amounted to €-82.9 million at June 2017 (€-75.9 million excluding TSB) when compared to €-98.9 million at the end of the first half of 2016 (€-82.1 million excluding TSB).

The following contributions are particularly noteworthy: the contribution to the Single Resolution Fund for the amount of €-50.6 million (€-47.7 million in the previous year), TSB's contribution to the Financial Services Compensation Scheme for €-1.2 million (€-10.5 million in the previous year) and the €-30.7 million contribution for converting deferred tax assets into credit receivable by the Spanish Tax Authority (€-28.5 million in the previous year).

Operating expenses:

Operating expenses stood at €1,378.3 million at June 2017, of which €35.9 million correspond to non-recurrent expenses.

Excluding TSB, operating expenses stood at €895.9 million declining by -1.1%, of which €5.2 million correspond to non-recurring expenses.

The good performance of expenses at Group level partially offsets the anticipated one-off increase in TSB IT costs.

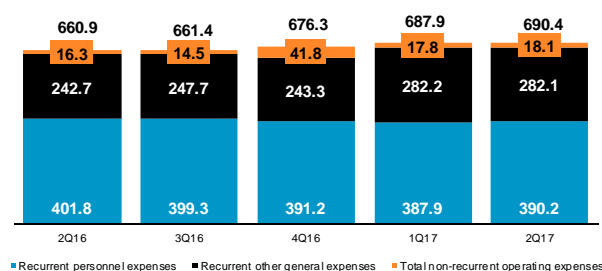
Operating expenses

(€million)	Excl. TSB			Total group			Excl. TSB			Total group		
	1Q17	2Q17	Change (%) 1Q17	1Q17	2Q17	Change (%) 1Q17	1H16	1H17	Change (%) YoY	1H16	1H17	Change (%) YoY
Recurrent	-294.6	-294.5	0.0	-387.9	-390.2	0.6	-599.7	-589.1	-1.8	-804.6	-778.1	-3.3
Non-recurrent	-3.5	-1.7	-50.6	-7.0	-5.8	-16.9	-14.2	-5.2	-63.5	-24.1	-12.8	-46.9
Personnel expenses	-298.1	-296.2	-0.6	-394.9	-396.0	0.3	-613.9	-594.3	-3.2	-828.7	-790.9	-4.6
IT and communications	-40.0	-39.0	-2.5	-113.0	-113.0	0.0	-75.9	-79.0	4.1	-147.9	-226.0	52.8
Advertising	-9.0	-9.0	0.0	-27.0	-28.0	3.7	-20.1	-18.0	-10.6	-56.1	-55.0	-1.9
Premises and office supplies	-35.0	-33.0	-5.7	-58.0	-60.0	3.4	-74.2	-68.0	-8.3	-127.6	-118.0	-7.5
Taxes other than income tax	-27.0	-25.0	-7.4	-27.0	-25.0	-7.4	-50.9	-52.0	2.2	-51.0	-52.0	2.0
Others	-40.0	-44.6	11.5	-57.2	-56.1	-1.8	-71.2	-84.6	18.9	-107.7	-113.3	5.2
Total recurrent	-151.0	-150.6	-0.3	-282.2	-282.1	0.0	-292.3	-301.6	3.2	-490.3	-564.3	15.1
Non-recurrent	0.0	0.0	--	-10.9	-12.3	13.0	0.0	0.0	--	-6.7	-23.1	245.0
Other general expenses	-151.0	-150.6	-0.3	-293.0	-294.4	0.5	-292.3	-301.6	3.2	-497.0	-587.4	18.2
Total	-449.1	-446.8	-0.5	-687.9	-690.4	0.4	-906.2	-895.9	-1.1	-1,325.6	-1,378.3	4.0

(1) The EURGBP exchange rate used for the income statement for the year as well as for the quarter is 0.8598.

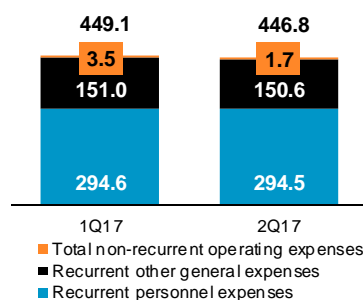
Evolution of operating expenses

Total Group (€ million)



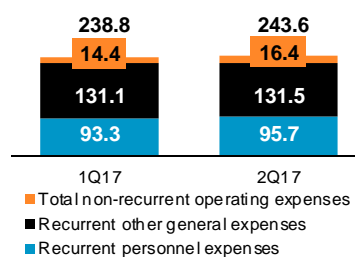
	Excl. TSB	Total group
Change YoY:	-1.1%	+4.0%
Change QoQ:	-0.5%	+0.4%

Sabadell excl. TSB (€ million)



Change QoQ:
-0.5%

TSB (€ million)



Change QoQ:
+2.0%
+2.0% in GBP

Pre-provisions income:

At June 2017, pre-provisions income amounted to €1,467.7 million (€1,332.9 million excluding TSB), representing a year-on-year increase of 0.5% (5.5% excluding TSB) mainly due to the core business banking growth in the year.

Provisions for NPLs and other impairments:

This item amounted to €850.9 million at June 2017 (€901.8 million when compared to the same period of the previous year). Extraordinary gains on net trading income materialised in the year have been used to front-load provisions.

Excluding TSB, provisions amount to €806.7 million at June 2017 (€901.8 million when compared to the same period of the previous year). Provisions during the second quarter of 2016 of €91.9 million for the impaired shareholding in BCP are particularly noteworthy.

Gains on sale of assets and others results:

This item amounted to €17.6 million at June 2017 (~~€~~35.3 million when compared to the same period of the previous year). It mainly includes the sale of Mediterráneo Vida for €16.6 million. In 2016, it mainly includes a gross gain of €52 million for the sale of the subsidiary hold in Dexia Sabadell.

Net profit:

Net profit attributable to the Group amounted to €450.6 million at June 2017, a 5.9% increase compared to the same period in 2016 (€425.3 million).

Excluding TSB, net profit attributable to the Group amounted to €385.3 million at the end of June 2017, a 37.8% increase compared to the same period in 2016 (€279.6 million).

Balance sheet

Highlights

The early call of the TSB Mortgage Enhancement portfolio in this quarter is noteworthy. Adjusting this effect, growth of performing gross loans at Group level would stand at 1.4% quarter-on-quarter (2.3% considering a constant exchange rate) and 2.9% year-on-year (4.5% considering a constant exchange rate).

Outstanding customer funds evolution, particularly in sight accounts which grew to €100bn, and in off-balance sheet funds.

In TSB the positive trend shown by lending has continued, driven by the increase in mortgages lending.

Balance sheet

(€million)	30.06.16	31.03.17	(3) 30.06.17	Change (%)	
				30.06.16	31.03.17
Cash, cash balances at central banks and other demand deposits	8,472	11,997	13,901	64.1	15.9
Financial assets held for trading and derivatives and other financial assets	4,067	2,639	2,434	-40.1	-7.8
Held to maturity investments		9,448	9,344	--	-11
Available-for-sale financial assets	22,484	19,027	18,990	-15.5	-0.2
Loans and receivables	149,532	147,549	148,081	-1.0	0.4
Loans and advances to customers	(1) 144,488	141,705	142,043	-1.7	0.2
Loans and advances of central banks and credit institutions		3,776	4,926	44.0	10.4
Debt securities	1,268	919	599	-52.8	-34.8
Investments in subsidiaries, joint ventures and associates	395	398	518	31.0	30.0
Tangible assets	4,217	4,437	4,586	8.8	3.4
Intangible assets	1,999	2,054	2,077	3.9	1.1
Other assets	16,726	21,543	17,527	4.8	-18.6
Total assets	207,891	219,093	217,458	4.6	-0.7
Financial liabilities held for trading and derivatives	3,601	2,816	2,922	-18.8	3.8
Financial liabilities at amortised cost	187,288	194,702	195,561	4.4	0.4
Central banks	(2) 10,679	24,702	26,136	144.7	5.8
Credit institutions	(2) 12,237	14,010	10,666	-12.8	-23.9
Customer deposits	(1) 132,617	131,533	131,841	-0.6	0.2
Debt securities issued	28,369	21,495	22,996	-18.9	7.0
Other financial liabilities	3,385	2,962	3,922	15.8	32.4
Assets covered under insurance and reinsurance contracts	51	44	43	-14.9	-2.3
Provisions	359	322	302	-15.9	-6.3
Other liabilities	3,730	8,265	5,557	49.0	-32.8
Subtotal liabilities	195,029	206,149	204,385	4.8	-0.9
Shareholders' equity	12,647	12,992	13,188	4.3	1.5
Valuation adjustments	177	-104	-186	--	77.8
Minority interest	37	56	71	89.7	25.2
Net equity	12,862	12,943	13,073	1.6	1.0
Total liabilities and equity	207,891	219,093	217,458	4.6	-0.7
Contingent risks	8,354	8,428	8,446	1.1	0.2
Contingent liabilities	20,183	21,765	20,740	2.8	-4.7

(1) From March 17 includes the reclassification of Sabadell United Bank, classified as non-current assets/liabilities held for sale.

(2) Deposits with central banks and credit institutions include the following amount of repos: €4.541 million at 30/06/16, €8.241 million at 31/03/17 and 5.526 million at 30/06/17.

(3) The EURGBP exchange rate used for the balance sheet is 0.8793.

Assets:

Banco Sabadell Group's total assets increased by 4.6% year-on-year to €217,458 million. Excluding TSB, it amounted to €170,263 million, representing a 3.5% increase year-on-year.

Loans and advances to customers:

Performing gross loans closed June 2017 with a balance of €141,393 million. Year-on-year this item increased by 1.5%, negatively affected by the evolution of the exchange rate of the pound against the euro during the year (increasing by 3.0% considering a constant exchange rate). It remains stable compared with the previous quarter.

The early call of the TSB Mortgage Enhancement portfolio in this quarter is noteworthy. Adjusting this effect, Group growth would stand at 1.4% quarter-on-quarter (2.3% considering a constant exchange rate) and 2.9% year-on-year (4.5% considering a constant exchange rate).

Excluding TSB, performing gross loans amounted to €106,165 million at June 2017. This item increased by 0.5% year-on-year and 0.7% quarter-on-quarter.

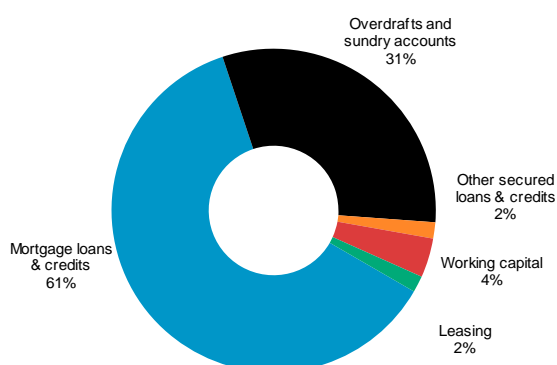
In TSB the positive trend shown by lending has continued, driven by the increase in mortgages lending.

Loans and advances to customers:

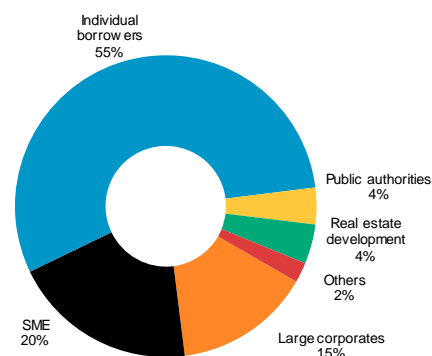
(€million)	Excl. TSB					Total group				
			Change (%)				Change (%)			
	30.06.16	31.03.17	30.06.17	30.06.16	31.03.17	30.06.16	31.03.17	30.06.17	30.06.16	31.03.17
Mortgage loans & credits	57,200	56,337	55,460	-3.0	-1.6	88,109	89,736	87,052	-1.2	-3.0
Other secured loans & credits	2,143	2,323	2,259	5.4	-2.8	2,143	2,323	2,259	5.4	-2.8
Working capital	5,295	5,150	5,561	5.0	8.0	5,507	5,150	5,561	1.0	8.0
Leasing	2,185	2,168	2,286	4.6	5.4	2,185	2,168	2,286	4.6	5.4
Overdrafts and sundry accounts	38,846	39,406	40,599	4.5	3.0	41,399	41,988	44,236	6.9	5.4
Performing gross loans	105,669	105,384	106,165	0.5	0.7	139,343	141,365	141,393	1.5	0.0
Performing gross loans (Excl. SUB)	105,669	101,320	102,437	-3.1	1.1	139,343	137,301	137,666	-1.2	0.3
Non-performing loans	10,537	9,095	8,484	-19.5	-6.7	10,714	9,259	8,646	-19.3	-6.6
Accruals	-163	-142	-125	-23.4	-11.8	-137	-104	-91	-33.7	-12.8
Gross loans to customers (excluding repos)	116,043	114,338	114,524	-1.3	0.2	149,921	150,520	149,948	0.0	-0.4
Reverse repos	276	0	65	-76.5	--	276	0	65	-76.5	--
Gross loans to customers	116,320	114,338	114,589	-1.5	0.2	150,197	150,520	150,013	-0.1	-0.3
NPL and country-risk provisions	-5,594	-4,775	-4,259	-23.9	-10.8	-5,709	-4,865	-4,339	-24.0	-10.8
Loans and advances to customers	110,725	109,563	110,331	-0.4	0.7	144,488	145,656	145,674	0.8	0.0
Loans and advances to customers (Excl. SUB)	110,725	105,612	106,700	-3.6	1.0	144,488	141,705	142,043	-1.7	0.2

(1) The EURGBP exchange rate used for the balance sheet is 0.8793.

Loans and advances to customers by product type, 30/06/17 (%)^(*)

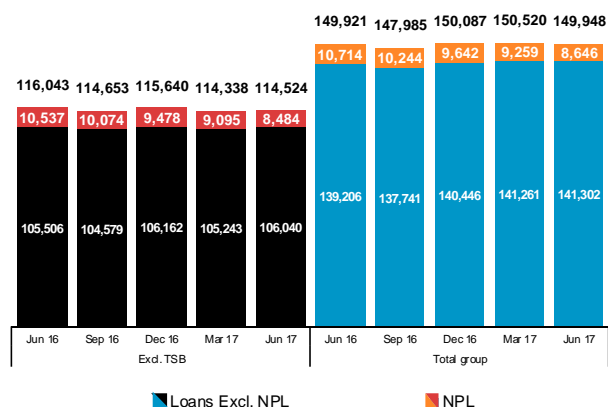


Loans and advances to customers by customer profile, 30/06/17 (%)



(*) Excluding NPLs and accrual adjustments.

Evolution of gross loans to customers (€ million)



Total group (*)
 Change YoY: **+1.5%**
 Change QoQ: **+0.0%**

Excl. TSB (*)
 Change YoY: **+0.5%**
 Change QoQ: **+0.7%**

(*) Change on performing gross loans.

Liabilities:

Customer funds:

At June 2017, on-balance sheet customer funds amounted to €135,928 million (€101,864 million excluding TSB), a year-on-year increase of 1.3% (1.8% excluding TSB) and a quarterly increase of 1.5% (2.6% excluding TSB).

Sight account balances amounted to €99,512 million (€70,231 million excluding TSB) representing a 12.5% year-on-year increase (18.0% excluding TSB) and a quarterly increase of 3.0% (5.1% excluding TSB).

Term deposits totalled €34,306 million (€29,524 million excluding TSB), a 20.5% decrease when compared to the same period in the previous year (-22.3% excluding TSB) and a quarterly decrease of 4.2% (-4.4% excluding TSB) mainly due to interest rate fluctuations reflected in the transfers to sight accounts and off-balance sheet funds.

Total off-balance sheet customer funds amounted to €43,997 million at June 2017 and increased by 17.2% when compared to the previous year (a 5.1% quarter-on-quarter increase). Mutual funds, which at 30 June 2017 amounted to €25,943 million represent a year-on-year increase of 22.8% (8.3% quarter-on-quarter).

In TSB, deposits increased by 6.4% over the year and by 0.8% over the quarter, driven by growth in current accounts.

Debt and other tradable securities:

At 30 June 2017 this item amounted to €20,808 million (€19,757 million excluding TSB), representing a year-on-year decrease of -22.0% (-13.3% excluding TSB) and a 4.4% increase in the quarter (5.1% excluding TSB). The year-on-year decrease is mainly due to the maturity of TSB securitization bonds and guaranteed debt.

In March the bank took part in the TLTRO II auction with €10,500 million, the total position at 30 June 2017 being €20,500 million. The position held with Bank of England TFS at 30 June 2017 amounted to €5,183 million.

In May 2017 Sabadell carried out an AT1 issuance for the amount of €750 million at 6.5% coupon rate. Additionally, in April it successfully tapped the markets raising €1.0bn long dated Covered Bond (10 years), priced at a competitive spread of 33 bps.

Funds under management:

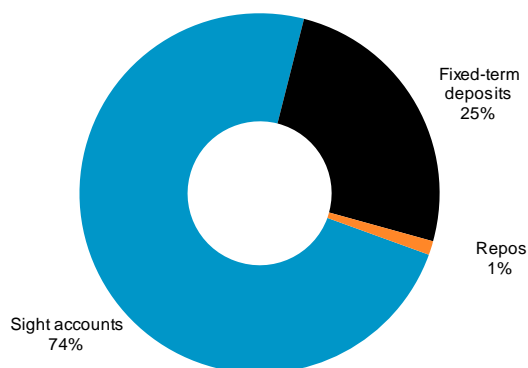
Funds under management amounted to €202,707 million (€165,944 million excluding TSB) when compared to €198,592 million (€160,137 million excluding TSB) one year previously, representing a 2.1% increase year-on-year (3.6% excluding TSB) and an increase of 1.9% quarter-on-quarter (3.7% excluding TSB).

Customer funds

(€million)	Excl. TSB					Total group				
	30.06.16	31.03.17	30.06.17	Change (%)		30.06.16	31.03.17	30.06.17	Change (%)	
				30.06.16	31.03.17				30.06.16	31.03.17
Financial liabilities at amortised cost	147,770	151,125	152,338	3.1	0.8	187,288	194,702	195,561	4.4	0.4
Non-retail financial liabilities	47,670	55,695	54,079	13.4	-2.9	53,137	64,554	63,238	19.0	-2.0
Central banks	10,679	21,305	20,954	96.2	-1.6	10,679	24,702	26,136	144.7	5.8
Credit institutions	11,174	13,084	9,822	-12.1	-24.9	12,237	14,010	10,666	-12.8	-23.9
Institutional issues	22,431	18,707	19,815	-11.7	5.9	26,835	22,880	22,514	-16.1	-1.6
Other financial liabilities	3,385	2,600	3,489	3.1	34.2	3,385	2,962	3,922	15.8	32.4
On-balance sheet customer funds (Excl. SUB)	100,100	95,430	98,260	-1.8	3.0	134,152	130,148	132,323	-1.4	1.7
On-balance sheet customer funds	100,100	99,264	101,864	1.8	2.6	134,152	133,982	135,928	1.3	1.5
Customer deposits	98,576	98,255	100,424	1.9	2.2	132,617	135,528	135,671	2.3	0.1
Sight accounts	59,527	66,833	70,231	18.0	5.1	88,429	96,643	99,512	12.5	3.0
Fixed-term deposits	(2) 37,976	30,884	29,524	-22.3	-4.4	43,126	35,792	34,306	-20.5	-4.2
Repos	857	383	523	-39.0	36.4	857	2,949	1,718	100.4	-41.7
Accruals and derivative hedging adjustments	215	155	145	-32.4	-6.2	205	143	134	-34.8	-6.4
Debt and other tradable securities	22,778	18,797	19,757	-13.3	5.1	26,683	19,929	20,808	-22.0	4.4
Subordinated liabilities	(3) 1,178	1,078	1,723	46.3	59.8	1,687	1,566	2,188	29.7	39.7
Assets covered under insurance and reinsurance contracts	51	44	43	-14.9	-3.2	51	44	43	-14.9	-2.3
On-balance sheet funds	122,582	118,175	121,947	-0.5	3.2	161,037	157,066	158,710	-1.4	1.0
Mutual funds	21,131	23,964	25,943	22.8	8.3	21,131	23,964	25,943	22.8	8.3
Equity funds	1,130	1,468	1,465	29.6	-0.2	1,130	1,468	1,465	29.6	-0.2
Balanced funds	4,288	4,824	5,848	36.4	21.2	4,288	4,824	5,848	36.4	21.2
Fixed-income funds	4,508	4,615	4,797	6.4	3.9	4,508	4,615	4,797	6.4	3.9
Guaranteed return funds	3,342	4,171	4,123	23.4	-1.2	3,342	4,171	4,123	23.4	-1.2
Real estate funds	82	118	118	44.8	0.5	82	118	118	44.8	0.5
Venture capital funds	7	22	23	221.6	3.9	7	22	23	221.6	3.9
Dedicated investment companies	1,952	2,165	2,192	12.3	1.2	1,952	2,165	2,192	12.3	1.2
Third-party funds	5,822	6,581	7,379	26.7	12.1	5,822	6,581	7,379	26.7	12.1
Managed accounts	3,542	3,771	3,943	11.3	4.6	3,542	3,771	3,943	11.3	4.6
Pension funds	4,147	4,090	4,040	-2.6	-1.2	4,147	4,090	4,040	-2.6	-1.2
Individual	2,650	2,579	2,534	-4.4	-1.7	2,650	2,579	2,534	-4.4	-1.7
Company	1,482	1,497	1,492	0.7	-0.3	1,482	1,497	1,492	0.7	-0.3
Group	15	14	14	-4.3	-3.4	15	14	14	-4.3	-3.4
Third-party insurance products	8,735	10,024	10,070	15.3	0.5	8,735	10,024	10,070	15.3	0.5
Off-balance sheet customer funds	37,555	41,848	43,997	17.2	5.1	37,555	41,848	43,997	17.2	5.1
Funds under management	160,137	160,023	165,944	3.6	3.7	198,592	198,914	202,707	2.1	1.9

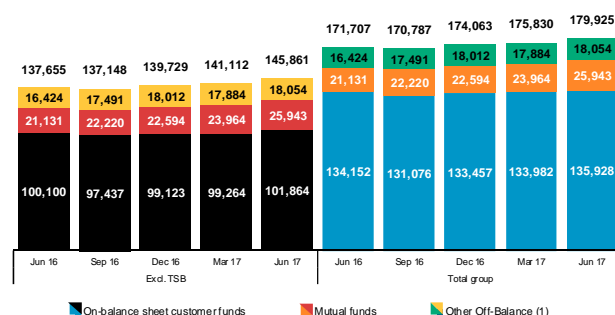
- (1) The EURGBP exchange rate used for the balance sheet is 0.8793.
(2) Includes deposits redeemable at notice and hybrid financial liabilities.
(3) These are subordinated liabilities of debt securities.

Customer deposits, 30/06/17 (%) ^(*)



(*) Excluding adjustments for accruals and hedging derivatives.

Evolution of customer funds (€ million)



Excl. TSB (*) Change YoY: **+1.8%** Change QoQ: **+2.6%**
Total group (*) Change YoY: **+1.3%** Change QoQ: **+1.5%**

(*) Change on balance sheet customer funds.

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

Net equity:

As at June 2017 this item amounted to €13,073 million, representing an increase of 1.6% when compared to the end of June 2016 and 1.0% when compared to the previous quarter.

Net equity

(€million)	30.06.16	31.03.17	30.06.17	Change	
				30.06.16	31.03.17
Shareholders' equity	12,647	12,992	13,188	541	196
Issued capital	696	702	702	6	0
Reserves	11,619	12,109	12,097	479	-12
Other equity	28	43	45	17	2
Less: treasury shares	-121	-79	-108	14	-29
Attributable net profit	425	216	451	25	235
Less: dividends and payments	0	0	0	0	0
Valuation adjustments	177	-104	-186	-363	-81
Minority interest	37	56	71	33	14
Net equity	12,862	12,943	13,073	211	129

Risk management

Highlights

The Group's NPL ratio has continued to decline and stands at 5.49% (6.95% excluding TSB).

During the first half of 2017, the reduction was €1,159 million (of which €1,041 million correspond to non-performing exposures and €118 million to foreclosed assets), remaining at a higher pace than expected to meet the yearly target.

NPL ratio and coverage:

The Group's NPL ratio continued its downward trend due to the steady reduction in non-performing loans during the first half of 2017.

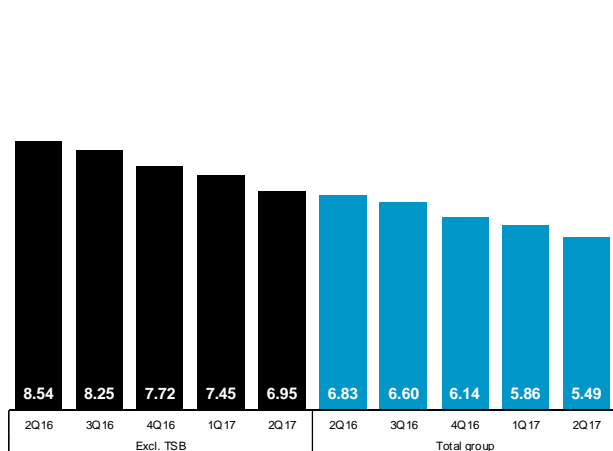
Quarter-on-quarter reduction of non-performing exposures excluding TSB of €602 million and €2,094 million year-on-year. As at June 2017, the balance of non-performing exposures amounts to €8,541 million.

Reduction in foreclosed assets for the fourth consecutive quarter.

Excluding TSB, over the last twelve months problematic assets have been reduced by €2,442 million.

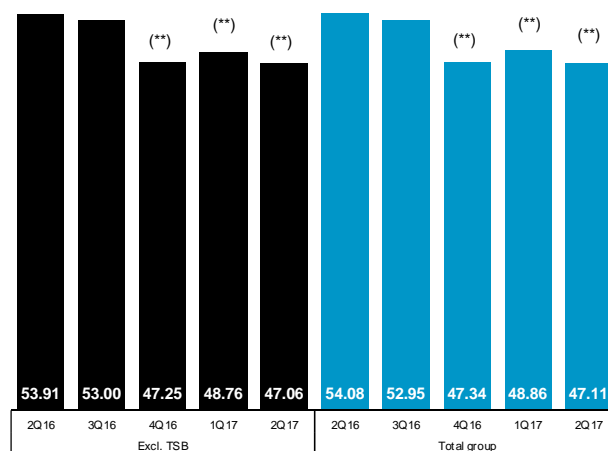
Quarter-on-quarter reduction of problematic assets excluding TSB of €653 million, and €2,442 million year-on-year. As at June 2017, the balance of problematic assets amounts to €17,458 million.

NPL ratios (%) ^(*)



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

NPL coverage ratios (%) ^(*)



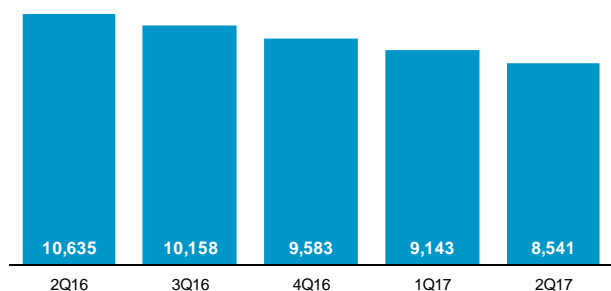
(*) Excludes mortgage floor provisions.
Note: Includes SUB. Excluding SUB the NPL ratio would stand at 5.62% at Group level (7.16% excluding TSB) and the NPL coverage ratio stands at 45.79% at Group level (45.71% excluding TSB) at 2Q17.

NPL ratios by segment ^(*)

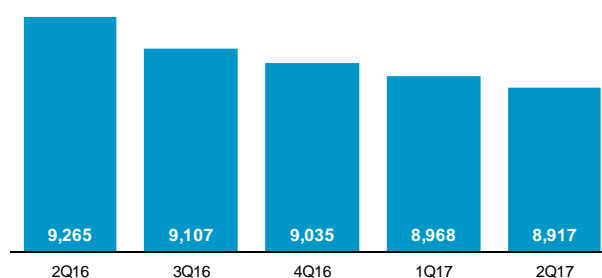
Excl. TSB	2 Q 16	3 Q 16	4 Q 16	1 Q 17	2 Q 17
Real estate development and/or construction purposes	33.29%	31.99%	29.05%	28.04%	25.80%
Construction purposes non-related to real estate dev.	11.76%	11.62%	9.68%	5.88%	6.57%
Large corporates	3.89%	3.84%	3.82%	3.16%	3.01%
SME and small retailers and self-employed	9.39%	8.71%	8.47%	8.41%	8.31%
Individuals with 1st mortgage guarantee assets	7.47%	7.43%	7.25%	7.24%	7.20%
NPL ratio	8.54%	8.25%	7.72%	7.45%	6.95%

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

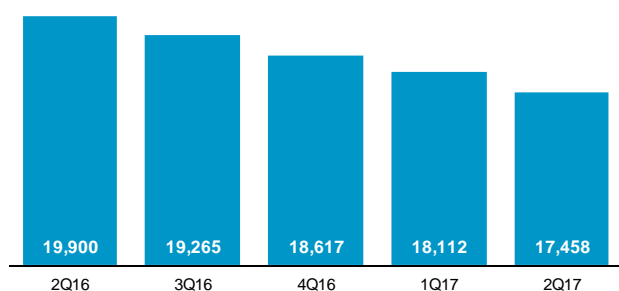
Evolution of NPLs excl. TSB (€ million) ^(*)



Evolution of real estate assets excl. TSB (€ million) ^(*)



Evolution of problematic assets excl. TSB (€ million) ^(*)



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

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 excl. TSB ^(*)

(€million)	2Q16	3Q16	4Q16	1Q17	2Q17
Entries ⁽¹⁾	660	547	700	636	526
Recoveries	-1,629	-880	-1,174	-897	-1,067
Ordinary net entries	-969	-333	-474	-261	-541
Entries	362	248	384	312	343
Sales and other outcomes	-290	-406	-457	-379	-394
Change in real estate assets	71	-158	-73	-67	-51
Net entries plus change in real estate assets	-898	-490	-547	-328	-592
Write-offs	70	144	101	178	61
Real estate assets and NPL quarterly change	-968	-634	-648	-506	-653

(*) Data includes 20% of APS. Includes SUB.

(1) During the last quarter of 2016, this item included the impact of €184 million from the new Banco of Spain Circular on provisions.

Evolution of coverage of total Group NPLs and real estate assets ^(*)

(€million)	2 Q 16	3 Q 16	4 Q 16	1 Q 17	2 Q 17
Non-performing exposures	10,812	10,328	9,746	9,307	8,703
Provisions	5,847	5,468	4,614	4,548	4,100
NPL coverage ratio (%) ^(**)	54.1%	52.9%	47.3%	48.9%	47.1%
NPL coverage ratio incl. mortgage floors (%)			51.5%	53.1%	51.0%
RE Assets evolution	9,265	9,107	9,035	8,968	8,917
Provisions	3,997	3,911	4,297	4,299	4,264
Real Estate coverage ratio (%) ^(***)	43.1%	42.9%	47.6%	47.9%	47.8%
Total problematic assets	20,077	19,435	18,781	18,275	17,619
Provisions	9,845	9,380	8,911	8,847	8,364
Problematic assets coverage (%) ^(****)	49.0%	48.3%	47.4%	48.4%	47.5%
NPL coverage ratio incl. mortgage floors (%)			49.6%	50.6%	49.4%

(*) Includes contingent risks. Data includes 20% of APS. Includes SUB.

(**) Excluding SUB, the NPL coverage ratio stands at 45.79% and (45.71% excl. TSB) at total Group level at 2Q17.

(***) The real estate coverage ratio including write-downs stands at 57.9%.

(****) Excluding SUB, the problematic assets coverage ratio stands at 46.82% (46.79% excl. TSB) at total Group level.

Forborne and restructured loans

The balance of forborne and restructured loans at 30 June 2017 is as follows:

(€million)	Total	Of which: doubtful
Public authorities	19	3
Corporate and entrepreneurs	4,680	2,634
Of which: Financing for construction and real estate development	1,165	930
Individual borrowers	3,311	1,808
Total	8,009	4,445
Provisions	1,453	1,370

Foreclosed problematic assets ^(*)

(€million)	Gross amount	Allowances for losses
Real estate assets deriving from financing of construction and real estate development	6,999	3,421
Finished buildings	2,721	1,041
Housing	1,369	552
Rest	1,352	489
Buildings under construction	499	225
Housing	430	185
Rest	69	40
Land	3,779	2,155
Building land	1,379	789
Other land	2,400	1,366
Real estate assets deriving from home loan mortgages	1,918	843
Real estate assets acquired in discharge of debts	-	-
Equity instruments of companies holding foreclosed assets or acquired in discharge of debts	-	-
Financing to entities holding foreclosed real estate assets or received in discharge of debts	-	-
Total real-estate portfolio	8,917	4,264

(*) 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.

Value adjustments made by the Group for credit risk

(€million)	2016	2017
Initial balance	6,624	4,940
Movements reflected in provisions for NPLs	379	486
Movements not reflected in provisions for NPLs	-2,056	-1,185
Utilisation of provisions	-1,894	-928
Other movements (*)	-162	-257
Adjustments for exchange differences	-7	1
Final balance	4,940	4,241

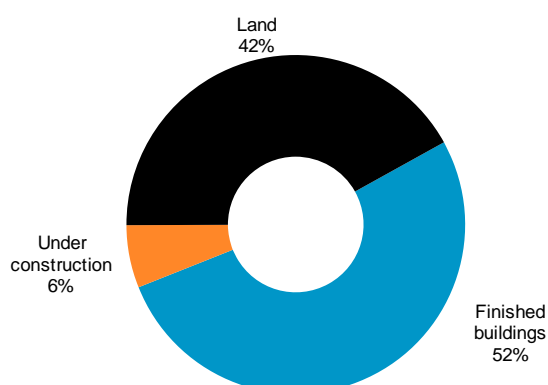
(*) Corresponds to the transfer of €-119 million of value adjustments made for credit risk hedging of non-current assets held for sale and investment properties and €-137 million of SUB.

NOTE: Excludes guarantees and cash and cash equivalents.

Real estate portfolio breakdown by asset class:

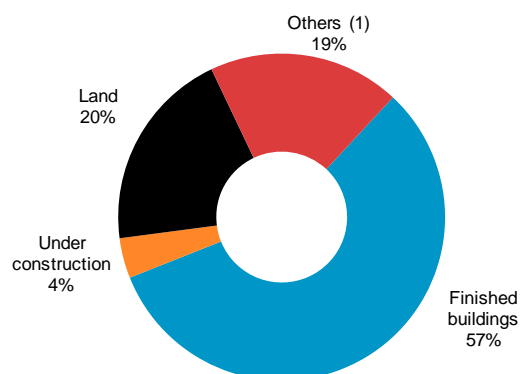
The breakdown at 30 June 2017 by asset class of the real estate portfolio is as follows:

Foreclosed assets, 30/06/17 (*)



(*) Data 20% APS

Real Estate Development, 30/06/17 (*)



(1) Includes other guarantees.

Capital management and credit ratings

Highlights

The phase-in Common Equity Tier 1 (CET 1) ratio stood at 12.7%, 12.1% fully loaded at 30 June 2017, which will be strengthened due to the sale of SUB.

The phase-in CET1 ratio has improved substantially in the quarter, as we benefitted from the AT1 issuance, as well as the reduction in RWAs and the early call of the Mortgage Enhancement portfolio, among others.

The Group has obtained again Investment Grade rating from all of the rating agencies.

Capital ratios ⁽¹⁾

(€million)	30.06.16	31.03.17	30.06.17
Issued capital	696	702	702
Reserves	11,737	11,978	12,114
Minority interest	21	20	19
Deductions	-2,123	-2,363	-2,219
Common Equity Tier 1	10,330	10,336	10,616
Common Equity Tier 1 (%)	11.9%	11.9%	12.7%
Preferred Shares and convertible bonds	78	18	768
Deductions	-78	-18	-436
Primary capital	10,330	10,336	10,948
Tier I (%)	11.9%	11.9%	13.1%
Secondary capital	1,631	1,548	1,502
Tier II (%)	1.9%	1.8%	1.8%
Total capital	11,961	11,884	12,450
Total capital ratio (%)	13.8%	13.7%	14.9%
Risk weighted assets (RWA)	86,760	86,581	83,782
Leverage ratio (%)	4.91	4.61	4.95

The phase-in CET1 ratio of Banco de Sabadell, S.A. (individual) stood at 14.79% at March 2017.

(1) Includes the issuance of AT1 of €750 million pending authorisation by the ECB to confirm its eligibility.

Credit ratings

Agency	Date	Long term	Short term	Outlook
DBRS ⁽²⁾	19.07.2017	BBB (high)	R-1 (low)	Stable
S&P Global Rating ⁽¹⁾	27.06.2017	BBB-	A-3	Positive
Moody's ⁽²⁾	10.05.2017	Baa3 / Baa2	P-3 / P-2	Positive/Stable

(1) Copyright by Standard & Poor's, A division of the McGraw-Hill Companies, Inc. Reproduced with permission of Standard & Poor's.

(2) Corresponds to senior debt and deposits, respectively.

On 27 June 2017, S&P Global Ratings raised Banco Sabadell's long-term credit rating to BBB- from BB+ and its short term credit rating to A-3 from B, with the outlook remaining positive. With this upgrade in Banco Sabadell's rating, once again the bank has obtained Investment Grade rating. The rating action reflects the belief of S&P Global Ratings that Banco Sabadell has continued to strengthen its solvency and that it continues to make progress in de-risking its balance sheet. Additionally, S&P Global Ratings raised its rating of Banco Sabadell's non-deferrable subordinated debt and preferred shares by two notches to BB and B, respectively.

On 10 May 2017 Moody's Investors Service (Moody's) has taken rating actions on different Spanish banking groups, as a consequence of the change of Spain's banking Macro Profile (Baa2 stable) to "Strong-" from "Moderate+", as well as the continued improvement in the banks' credit fundamentals, notably asset risk. Moody's has affirmed Banco Sabadell's Baa2 long-term deposit rating with a stable outlook and its Baa3 long-term senior debt rating, changing the outlook to positive from stable.

On 19 July 2017 DBRS has affirmed Banco Sabadell's rating, maintaining its long term rating as BBB (high) and its short term rating as R-1 (low), with a stable outlook.

Liquidity management

Highlights

The adjusted loan to deposits ratio at 30 June 2017 was 103.4% with a balanced retail funding structure.

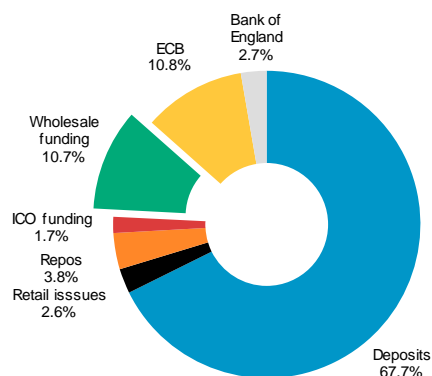
The LCR (Liquidity Coverage Ratio) was 147% excl. TSB and 261% TSB at 30 June 2017.

(€ million)	30.06.16	31.03.17	30.06.17 (1)
Loans and advances to customers (2)	144,212	145,656	145,609
Brokered loans	-5,813	-4,541	-5,064
Adjusted net loans and advances	138,399	141,114	140,545
On-balance sheet customer funds	134,152	133,982	135,928
Loan-to-deposits ratio (%)	103.2	105.3	103.4

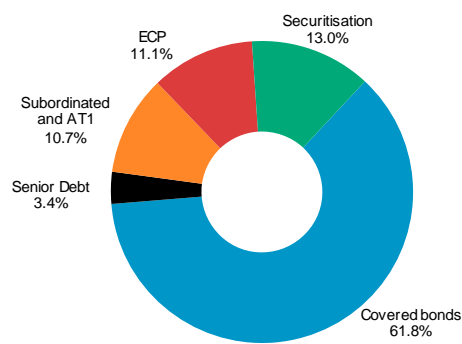
(1) The EURGBP exchange rate used for the balance sheet is 0.8793 at 30/06/17. Includes SUB.

(2) Excluding repos.

Funding structure, 30/06/17 (*)



Wholesale funding breakdown, 30/06/17 (*)

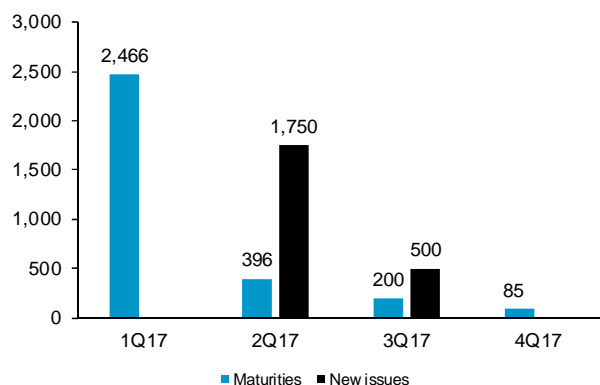


(*) Includes SUB.

Maturity of institutional issues

(€million)	3Q 17	4Q 17	2018	2019	2020	2021	2022	2023	>2023	Outstanding balance
Covered bonds	200	85	1,555	1,124	2,165	2,008	1,119	1,388	3,161	12,806
Senior Debt	0	0	657	0	0	0	25	0	0	682
Subordinated and AT1	0	0	0	0	425	478	0	0	1,283	2,166
Other mid- and long-term financial instruments	0	0	18	0	0	10	0	0	5	33
Total	200	85	2,229	1,124	2,590	2,497	1,144	1,388	4,450	15,707

New issuances and maturities of wholesale funding



Breakdown of maturities:

(€ million)	1Q17	2Q17	3Q17	4Q17
Covered bonds	1,407	330	200	85
GGB	1,059	0	0	0
Senior Debt	0	0	0	0
Subordinated and AT1	0	66	0	0
Total	2,466	396	200	85

On 21 July 2017, Sabadell has issued €500 million of covered bonds with maturity in 2025.

Results by business units

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

During this six-month period, the following criteria based on which Banco Sabadell Group had been reporting segment results to date have been modified:

- The geographies have been restructured into four areas: Banking Business Spain, Asset Transformation, Banking Business United Kingdom and Other Geographies.
- Each business unit is assigned 11% of capital and surplus funds are allocated to Banking Business Spain.
- Banking Business United Kingdom includes TSB's contribution to the Group.
- 'Other geographies' mostly comprises Mexico, United States, branches located outside of Spain and representative offices. For comparison purposes, in 2017 Sabadell United Bank investment as well as resources are included.

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

The current structure is comprised of:

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

Commercial Banking, which offers financing, investment and savings products.

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

Markets and Private Banking offers and designs products and services with a high added value for the customer.

- **Asset Transformation:**

Asset Transformation comprehensively manages abnormal risk and real estate exposure, and also sets out and implements the strategy of real estate investee companies such as Solvia and Hotel Investment Partnership.

- **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:**

This item mostly comprises Mexico, United States, branches located outside of Spain, and representative offices which offer all types of banking and financial services.

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 in the and 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 final 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 1H17

(€million)	Banking business Spain	Real Estate asset transformation	Banking business UK	Other geographies	Total
Net interest income	1,270.4	-21.9	523.1	165.4	1,936.9
Income from equity method and dividends	35.4	-0.9	0.0	1.6	36.1
Net fees and commissions	525.7	1.1	46.9	29.3	603.0
Results from financial transactions and foreign exchange	488.8	-34.6	89.4	6.6	550.3
Other operating income/expense	-146.2	65.6	-7.0	4.7	-82.9
Gross operating income	2,174.0	9.3	652.5	207.6	3,043.4
Operating expenses and amortization	-851.9	-84.0	-517.7	-122.1	-1,575.7
Pre-provisions income	1,322.1	-74.7	134.8	85.5	1,467.7
Impairment on loans & advances	-447.4	-357.4	-44.3	-1.9	-850.9
Gains on sale of assets and other results	11.3	0.0	6.4	0.0	17.6
Profit before tax	886.0	-432.2	97.0	83.6	634.4
Income tax	-246.9	122.9	-31.6	-26.6	-182.2
Consolidated net profit	639.0	-309.2	65.3	57.1	452.2
Minority interest	1.4	0.0	0.0	0.2	1.6
Attributable net profit	637.7	-309.2	65.3	56.9	450.6
ROE	15.5%	--	3.5%	10.0%	6.6%
Cost / income	38.7%	--	78.7%	55.9%	51.8%
NPL ratio (%)	6.5%	25.1%	0.5%	0.8%	5.5%
NPL coverage ratio (%)	43.0%	52.9%	49.9%	213.5%	47.1%

Profit and loss 1H16

(€million)	Banking business Spain	Real Estate asset transformation	Banking business UK	Other geographies	Total
Net interest income	1,261.9	-13.3	550.1	143.8	1,942.5
Income from equity method and dividends	49.0	-1.1	0.0	1.0	48.8
Net fees and commissions	472.3	-1.1	66.5	32.5	570.2
Results from financial transactions and foreign exchange	501.0	-51.1	55.0	12.7	517.5
Other operating income/expense	-140.1	58.5	-16.8	-0.4	-98.9
Gross operating income	2,144.0	-8.1	654.8	189.5	2,980.2
Operating expenses and amortization	-892.3	-70.4	-457.1	-99.8	-1,519.6
Pre-provisions income	1,251.7	-78.4	197.6	89.7	1,460.6
Impairment on loans & advances	-482.8	-400.7	0.0	-18.4	-901.8
Gains on sale of assets and other results	35.3	0.0	0.0	0.0	35.3
Profit before tax	804.2	-479.1	197.6	71.3	594.0
Income tax	-224.6	132.3	-51.9	-22.3	-166.6
Consolidated net profit	579.5	-346.9	145.7	49.0	427.4
Minority interest	1.9	0.0	0.0	0.1	2.1
Attributable net profit	577.6	-346.9	145.7	48.9	425.3
ROE	15.4%	--	9.1%	9.7%	6.5%
Cost / income	41.2%	--	64.1%	49.3%	50.0%
NPL ratio (%)	7.0%	34.7%	0.5%	0.6%	6.8%
NPL coverage ratio (%)	49.4%	61.4%	64.6%	173.4%	54.1%

Balance sheet 1H17

(€million)	Banking business Spain	Real Estate asset transformation	Banking business UK	Other geographies	Total
Total assets	133,047	17,398	47,195	19,819	217,458
Loans and advances to customers	92,426	5,603	35,343	12,302	145,674
RE exposure	0	4,622	0	31	4,653
Subtotal liabilities	124,664	15,367	45,696	18,658	204,385
On-balance sheet customer funds	92,933	160	34,064	8,772	135,928
Capital markets w wholesale funding	19,163	0	1,489	0	20,652
Equity	8,383	2,031	1,499	1,160	13,073
Off-balance sheet customer funds	42,954	14	0	1,029	43,997

Balance sheet 1H16

(€million)	Banking business Spain	Real Estate asset transformation	Banking business UK	Other geographies	Total
Total assets	128,346	18,633	43,398	17,514	207,891
Loans and advances to customers	93,248	7,099	33,763	10,378	144,488
RE exposure	0	5,246	0	21	5,268
Subtotal liabilities	120,371	16,407	41,788	16,462	195,029
On-balance sheet customer funds	91,756	137	34,051	8,207	134,152
Capital markets w wholesale funding	21,428	0	4,370	0	25,798
Equity	7,975	2,226	1,609	1,051	12,862
Off-balance sheet customer funds	36,591	31	0	933	37,555

Banking business Spain

Revenue in June 2017 amounted to €637.7 million, representing a +10.4% increase year-on-year.

Net interest income increased to €1,270.4 million, increasing by 0.7% compared to the same period in the previous year. Income from net fees and commissions stood at €525.7 million, an 11.3% increase compared to the same six-month period in the previous year, due to the good performance of service fees and asset under management. Results from financial transactions and Foreign exchange (net) amounted to €488.8 million, which is lower when compared to the same period in the previous year, in which €63.1 million were recognised as income from the sale of 100% of the Group's Visa Europe shares.

Gross income amounted to €2,174.0 million, representing a 1.4% growth year-on-year.

Administrative expenses and depreciations stood at €-851.9 million, -4.5% less than in the first half of 2016. Provisions and impairments amounted to €-447.4 million.

Gains/ (losses) on the sale of assets and others results amounted to €11.3 million and included gains from the sale of Mediterráneo Vida of €16.6 million.

(€ million)	Change (%)			Simple evolution					
	1H16	1H17	YoY	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Net interest income	1,261.9	1,270.4	0.7%	637.4	624.4	623.5	628.0	630.8	639.5
Income from equity method and dividends	49.0	35.4	-27.6%	21.1	27.9	22.2	11.3	15.8	19.6
Net fees and commissions	472.3	525.7	11.3%	230.4	241.9	244.4	243.0	256.9	268.8
Results from financial transactions and foreign exchange	501.0	488.8	-2.4%	297.3	203.7	46.0	53.2	340.5	148.3
Other operating income/expense	-140.1	-146.2	4.4%	-43.6	-96.5	-50.8	-149.4	-62.0	-84.2
Gross operating income	2,144.0	2,174.0	1.4%	1,142.6	1,001.4	885.3	786.2	1,182.0	992.0
Operating expenses and amortization	-892.3	-851.9	-4.5%	-447.6	-444.7	-442.9	-447.7	-430.3	-421.6
Pre-provisions income	1,251.7	1,322.1	5.6%	695.0	556.7	442.4	338.5	751.7	570.4
Impairment on loans & advances	-482.8	-447.4	-7.3%	-242.9	-239.9	-47.7	-39.5	-271.2	-176.2
Gains on sale of assets and other results	35.3	11.3	-68.0%	-3.1	38.3	-1.3	5.5	-5.8	17.1
Profit before tax	804.2	886.0	10.2%	449.1	355.1	393.5	304.5	474.7	411.2
Income tax	-224.6	-246.9	9.9%	-141.7	-82.9	-111.2	-95.4	-139.9	-107.1
Consolidated net profit	579.5	639.0	10.3%	307.4	272.2	282.2	209.2	334.9	304.2
Minority interest	1.9	1.4	-29.0%	1.2	0.7	1.4	2.2	1.6	-0.3
Attributable net profit	577.6	637.7	10.4%	306.2	271.4	280.9	207.0	333.2	304.5
Accumulated ratios									
ROE	15.4%	15.5%		14.8%	15.4%	14.9%	19.4%	15.2%	15.5%
Cost / income	41.2%	38.7%		44.5%	41.2%	41.8%	43.4%	40.7%	38.7%
NPL ratio (%)	7.0%	6.5%		7.5%	7.0%	6.8%	6.6%	6.7%	6.5%
NPL coverage ratio (%)	49.4%	43.0%		49.6%	49.4%	47.6%	43.2%	49.6%	43.0%

Loans and advances to customers amounted to €92,426 million, decreasing by -0.9% year-on-year due to the reduction of NPLs.

On-balance sheet customer funds increased by +1.3% year-on-year, with a significant growth of sight accounts. Off-balance sheet funds increased by +17.4%, with a strong growth in mutual funds.

(€ million)	Change (%)			Simple evolution					
	1H16	1H17	YoY	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Total assets	128,346	133,047	3.7%	125,489	128,346	126,741	130,092	134,790	133,047
Loans and advances to customers	93,248	92,426	-0.9%	91,792	93,248	92,197	92,069	91,769	92,426
Subtotal liabilities	120,371	124,664	3.6%	117,628	120,371	118,322	121,709	126,610	124,664
On-balance sheet customer funds	91,756	92,933	1.3%	89,642	91,756	89,101	89,835	90,455	92,933
Capital markets w/ wholesale funding	21,428	19,163	-10.6%	20,438	21,428	20,512	20,930	18,065	19,163
Equity	7,975	8,383	5.1%	7,860	7,975	8,420	8,382	8,180	8,383
Off-balance sheet customer funds	36,591	42,954	17.4%	36,060	36,591	38,742	39,603	40,781	42,954
Other data									
Employees	16,160	15,875	-1.8%	16,213	16,160	16,198	16,001	15,912	15,875
Branches	2,141	1,931	-9.8%	2,205	2,141	2,131	2,119	2,123	1,931

Asset Transformation

Revenue in June 2017 amounted to €-309.2 million, representing a +10.9% growth year-on-year.

Net interest income amounted to €-21.9 million, a year-on-year increase of +65.0%, due to the run-off of the loan portfolio. Results from financial transactions include the impacts of the sales of problematic asset portfolios. Other operating income and expenses increased by +12.2% due to the contribution of Solvia Servicios Inmobiliarios and the increase in income of Hotel Investment Partnership.

Gross income went from a negative contribution of €-8.1 million to a positive contribution of €+9.3 million.

Administrative expenses and depreciations increased by +19.4% compared with the first half of 2016, amounting to €-84.0 M due to the expansion of the servicer and the increase in the scope of Hotel Investment Partnership.

Provisions and impairments amounted to €-357.4 million.

(€ million)	Change (%)			Simple evolution					
	1H16	1H17	YoY	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Net interest income	-13.3	-21.9	65.0%	-10.3	-3.0	-2.2	-10.8	-12.9	-9.0
Income from equity method and dividends	-1.1	-0.9	-15.1%	0.0	-1.1	0.0	0.0	-0.1	-0.9
Net fees and commissions	-1.1	1.1	204.3%	-0.5	-0.5	-0.8	0.4	0.4	0.7
Results from financial transactions and foreign exchange	-51.1	-34.6	32.2%	-1.0	-50.1	0.0	0.6	-0.2	-34.4
Other operating income/expense	58.5	65.6	12.2%	27.8	30.7	28.3	41.3	32.1	33.5
Gross operating income	-8.1	9.3	215.1%	15.9	-24.0	25.4	31.5	19.3	-10.1
Operating expenses and amortization	-70.4	-84.0	19.4%	-35.0	-35.4	-36.7	-44.2	-40.7	-43.3
Pre-provisions income	-78.4	-74.7	4.7%	-19.0	-59.4	-11.3	-12.8	-21.3	-53.4
Impairment on loans & advances	-400.7	-357.4	-10.8%	-185.5	-215.2	-157.9	-241.9	-213.6	-143.8
Gains on sale of assets and other results	0.0	0.0	--	0.0	0.0	0.0	0.0	0.0	0.0
Profit before tax	-479.1	-432.2	9.8%	-204.5	-274.6	-169.2	-254.7	-235.0	-197.2
Income tax	132.3	122.9	-7.1%	63.3	69.0	49.7	81.3	73.9	49.0
Consolidated net profit	-346.9	-309.2	10.9%	-141.2	-205.7	-119.5	-173.4	-161.1	-148.2
Minority interest	0.0	0.0	--	0.0	0.0	0.0	0.0	0.0	0.0
Attributable net profit	-346.9	-309.2	10.9%	-141.2	-205.7	-119.5	-173.4	-161.1	-148.2
Accumulated ratios									
ROE	--	--		-24.7%	-30.7%	-27.6%	-38.7%	-31.7%	-30.5%
Cost / income	--	--		--	--	--	--	--	--
NPL ratio (%)	34.7%	25.1%		37.9%	34.7%	34.4%	31.7%	28.6%	25.1%
NPL coverage ratio (%)	61.4%	52.9%		62.4%	61.4%	63.1%	54.2%	62.4%	52.9%

Due to the good management of real estate assets, loans and advances to customers declined by -21.1% year-on-year due to the reduction of NPLs and real estate exposure declined by -11.9%.

Intra-group funding amounted to €13,602 million, -8.7% less than in the previous year.

(€ million)	Change (%)			Simple evolution					
	1H16	1H17	YoY	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Total assets	18,633	17,398	-6.6%	19,031	18,633	18,125	17,956	17,424	17,398
Loans and advances to customers	7,099	5,603	-21.1%	7,294	7,099	6,546	6,663	5,962	5,603
RE exposure	5,246	4,622	-11.9%	5,247	5,246	5,174	4,716	4,638	4,622
Subtotal liabilities	16,407	15,367	-6.3%	16,737	16,407	15,977	15,886	15,361	15,367
On-balance sheet customer funds	137	160	16.1%	151	137	144	172	176	160
Financiación Intragrupo	14,905	13,602	-8.7%	15,251	14,905	14,575	14,057	13,656	13,602
Equity	2,226	2,031	-8.7%	2,294	2,226	2,148	2,069	2,063	2,031
Off-balance sheet customer funds	31	14	-54.6%	31	31	15	15	14	14
Other data									
Employees	750	919	22.5%	653	750	772	825	867	919

Banking business United Kingdom

Revenue in June 2017 amounted to €65.3 million, representing a -55.2% decrease year-on-year.

Considering a constant exchange rate, net interest income increased by +5.1% due to the increase in mortgages. This item decreased by -4.9% due to the evolution of the exchange rate. Income from net fees and commissions declined by -29.4%, and results from financial transactions increased by +62.8%, with the income from the early call of the Mortgage Enhancement portfolio being recognised in 2017, and the income from the sale of Visa Europe shares being recognised in 2016.

Gross income, standing at €652.5 million, has declined slightly by -0.3%. Considering a constant exchange rate, this item increased by +10.1%.

Administrative expenses and depreciations increased by +13.2% to €-517.7 million due to extraordinary technology expenses expected in TSB.

Provisions and impairments in 2016 declined given the expected loss during the preliminary Purchase Price Acquisition exercise until the fourth quarter, and for 2017 these have increased to €-44.3 million.

(€ million)	Change (%)			Simple evolution					
	1H16	1H17	YoY	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Net interest income	550.1	523.1	-4.9%	278.2	271.9	251.5	249.2	260.0	263.1
Income from equity method and dividends	0.0	0.0	--	0.0	0.0	0.0	0.0	0.0	0.0
Net fees and commissions	66.5	46.9	-29.4%	31.9	34.6	31.2	28.1	25.3	21.7
Results from financial transactions and foreign exchange	55.0	89.4	62.8%	4.7	50.2	-0.4	-1.0	11.1	78.4
Other operating income/expense	-16.8	-7.0	-58.3%	-0.5	-16.3	-1.3	0.2	-2.6	-4.4
Gross operating income	654.8	652.5	-0.3%	314.4	340.4	281.0	276.6	293.7	358.8
Operating expenses and amortization	-457.1	-517.7	13.2%	-230.5	-226.6	-226.7	-235.5	-256.4	-261.2
Pre-provisions income	197.6	134.8	-31.8%	83.8	113.8	54.4	41.1	37.3	97.6
Impairment on loans & advances	0.0	-44.3	--	0.0	0.0	0.0	-28.1	-23.9	-20.3
Gains on sale of assets and other results	0.0	6.4	--	0.0	0.0	-2.0	-2.4	7.5	-1.1
Profit before tax	197.6	97.0	-50.9%	83.8	113.8	52.4	10.5	20.8	76.1
Income tax	-51.9	-31.6	-39.1%	-22.1	-29.8	-22.6	-6.7	-8.6	-23.0
Consolidated net profit	145.7	65.3	-55.2%	61.7	84.0	29.8	3.8	12.2	53.1
Minority interest	0.0	0.0	--	0.0	0.0	0.0	0.0	0.0	0.0
Attributable net profit	145.7	65.3	-55.2%	61.7	84.0	29.8	3.8	12.2	53.1
Accumulated ratios									
ROE	9.1%	3.5%		10.7%	9.1%	7.4%	8.0%	3.3%	3.5%
Cost / income	64.1%	81.1%		67.3%	64.1%	67.2%	69.8%	81.3%	78.7%
NPL ratio (%)	0.5%	0.5%		0.6%	0.5%	0.5%	0.5%	0.5%	0.5%
NPL coverage ratio (%)	64.6%	49.9%		70.5%	64.6%	49.7%	52.7%	70.5%	49.9%

Loans and advances to customers amounted to €35,343 million, a +4.7% increase year-on-year due to the strong growth of mortgages and compensated by the early call of the Mortgage Enhancement portfolio that took place in June. Adjusting this effect, and considering a constant exchange rate, it increased by +14.2% compared with the previous year.

On-balance sheet customer funds amounted to €34,064 million and remained at similar levels to those of the previous year due to the effect of exchange rate fluctuations. Considering a constant exchange rate, this growth stands at +6.4%.

(€ million)	Change (%)			Simple evolution					
	1H16	1H17	YoY	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Total assets	43,398	47,195	8.7%	42,832	43,398	43,164	43,720	47,519	47,195
Loans and advances to customers	33,763	35,343	4.7%	34,603	33,763	33,248	34,361	36,093	35,343
Subtotal liabilities	41,788	45,696	9.4%	41,199	41,788	41,638	42,200	45,980	45,696
On-balance sheet customer funds	34,051	34,064	0.0%	33,798	34,051	33,639	34,334	34,718	34,064
Capital markets w/ wholesale funding	4,370	1,489	-65.9%	4,048	4,370	4,071	3,882	1,581	1,489
Equity	1,609	1,499	-6.9%	1,632	1,609	1,526	1,521	1,539	1,499
Other data									
Employees	8,068	8,444	4.7%	8,199	8,068	7,965	8,060	8,524	8,444
Branches	604	551	-8.8%	612	604	599	587	585	551

Other geographies

Revenue in June 2017 amounted to €56.9 million, representing a +16.3% increase year-on-year.

Net interest income, which stood at €165.4 million, increased by +15%, mainly as a result of the increase in investment in Mexico. Net fees and commissions decreased by -10.0% due to the lower volume of corporate banking transactions.

Gross income, which stood at €207.6 million, increased by +9.6%.

Administrative expenses and depreciations increased by +22.3% to €-122.1 million due to the expected costs of expansion in Mexico.

(€ million)	Change (%)			Simple evolution					
	1H16	1H17	YoY	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Net interest income	143.8	165.4	15.0%	68.5	75.3	75.6	80.4	84.5	80.8
Income from equity method and dividends	1.0	1.6	67.6%	0.5	0.4	1.1	1.2	0.6	1.0
Net fees and commissions	32.5	29.3	-10.0%	16.0	16.5	15.1	16.8	14.1	15.2
Results from financial transactions and foreign exchange	12.7	6.6	-47.5%	10.0	2.7	7.7	3.0	2.7	3.9
Other operating income/expense	-0.4	4.7	-1152.8%	-0.3	-0.1	1.9	1.9	3.0	1.8
Gross operating income	189.5	207.6	9.6%	94.6	94.8	101.3	103.3	104.9	102.7
Operating expenses and amortization	-99.8	-122.1	22.3%	-48.8	-51.0	-51.7	-54.2	-61.1	-61.0
Pre-provisions income	89.7	85.5	-4.6%	45.9	43.8	49.6	49.0	43.8	41.7
Impairment on loans & advances	-18.4	-1.9	-89.7%	-6.5	-11.8	-6.1	-4.0	-1.8	-0.1
Gains on sale of assets and other results	0.0	0.0	-100.0%	0.0	0.0	0.0	0.0	0.0	0.0
Profit before tax	71.3	83.6	17.3%	39.3	32.0	43.4	45.0	42.0	41.6
Income tax	-22.3	-26.6	19.1%	-13.9	-8.4	-12.9	-19.1	-10.2	-16.4
Consolidated net profit	49.0	57.1	16.4%	25.4	23.6	30.5	25.9	31.9	25.2
Minority interest	0.1	0.2	59.6%	0.1	0.0	0.2	-0.3	0.1	0.1
Attributable net profit	48.9	56.9	16.3%	25.3	23.5	30.4	26.2	31.7	25.1
Accumulated ratios									
ROE	9.7%	10.0%		10.1%	9.7%	10.3%	13.2%	11.3%	10.0%
Cost / income	49.3%	55.9%		48.3%	49.3%	49.0%	49.1%	55.4%	55.9%
NPL ratio (%)	0.6%	0.8%		0.7%	0.6%	0.6%	0.5%	1.1%	0.8%
NPL coverage ratio (%)	173.4%	213.5%		157.3%	173.4%	159.4%	174.8%	157.3%	213.5%

Loans and advances to customers amounted to €12,302 million, an +18.5% increase overall, with increases being recorded across all geographies.

On-balance sheet customer funds amounted to €8,772 million, whilst off-balance sheet funds amounted to €1,029 million, increasing by +6.9% and +10.4% respectively.

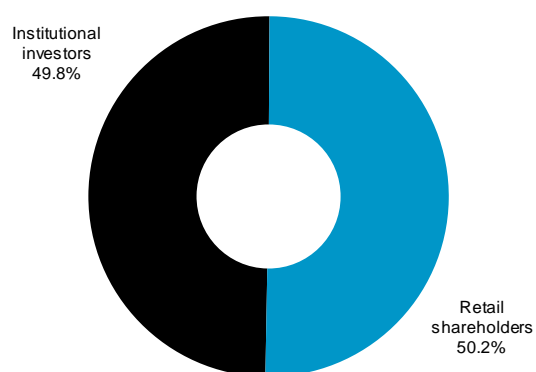
(€ million)	Change (%)			Simple evolution					
	1H16	1H17	YoY	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Total assets	17,514	19,819	13.2%	16,669	17,514	17,813	20,740	19,360	19,819
Loans and advances to customers	10,378	12,302	18.5%	9,777	10,378	10,644	12,083	11,831	12,302
RE exposure	21	31	47.7%	18	21	21	22	31	31
Subtotal liabilities	16,462	18,658	13.3%	15,668	16,462	16,711	19,629	18,198	18,658
On-balance sheet customer funds	8,207	8,772	6.9%	7,699	8,207	8,192	9,116	8,633	8,772
Equity	1,051	1,160	10.4%	1,002	1,051	1,102	1,111	1,161	1,160
Off-balance sheet customer funds	933	1,029	10.4%	1,016	933	954	988	1,052	1,029
Other data									
Employees	1,012	1,146	13.2%	999	1,012	1,037	1,059	1,109	1,146
Branches	61	66	8.2%	57	61	61	61	59	66

4. Share price performance

	30.06.2016	30.06.2017	Change (%) YoY
Shareholders and trading			
Number of shareholders	265,609	246,622	-7.1
Number of shares (million)	5,566	5,616	0.9
Average daily trading volume (millions shares)	32	29	-8.2
Share price (€) ⁽¹⁾			
Opening session (of the year)	1.635	1.323	
High (of the year)	1.810	1.899	
Low (of the year)	1.089	1.295	
Closing session (end of quarter)	1.179	1.779	
Market capitalisation (€ million)	6,563	9,991	
Stock market multiples			
Earnings per share (EPS) (€)	0.14	0.15	
Book value per share (€)	2.26	2.34	
Price / Book value (times)	0.52	0.76	
Price / Earnings ratio (P/E) (times)	8.54	12.11	

(1) Without adjusting historical values

Shareholders' structure



Source: GEM, data at 30 June 2017

5. Other key developments in the quarter

Banco Sabadell agreed to carry out an issue of preferred securities contingently convertible into ordinary shares of the Bank.

On 5 May 2017, has agreed to carry out an issue of perpetual preferred securities contingently convertible to newly issued ordinary shares of Banco Sabadell (the Preferred Securities) for a nominal value of €750 million. In the issue, pre-emption rights would be disappplied and provision made for undersubscription.

The Preferred Securities are perpetual, but they may be converted to newly issued ordinary shares of Banco Sabadell if the common equity Tier 1 (CET1) ratio of Banco Sabadell or its consolidated group falls below 5.125%. CET1 ratios are calculated in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The conversion price of the Preferred Securities would be the highest of (i) the average of the daily volume weighted average price of an ordinary share of Banco Sabadell on each of the five consecutive dealing days ending on the dealing date immediately preceding the date on which the conversion event is announced, (ii) €1.221 (the Floor Price), and (iii) the nominal value of an ordinary share of Banco Sabadell at the time of conversion (as of today, the nominal value of an ordinary share is €0.125). The Preferred Securities' remuneration, whose payment is subject to certain conditions and to the discretion of Banco Sabadell, has been set at 6.5% per annum (payable quarterly) for the first 5 years, being reviewed thereafter every five years.

The Preferred Securities, subject to the approval of the European Central Bank, will be accounted for as Additional Tier 1 Capital.

Banco Sabadell announces that S&P Global Ratings has raised its credit rating

On 27 June 2017, S&P Global Ratings has raised Banco Sabadell's long-term credit rating to BBB- from BB+ and its short-term rating to A-3 from B, with the outlook remaining positive. With this rating upgrade, Banco Sabadell has again reached the level of Investment Grade. S&P Global Ratings raised the rating as it considers that Banco Sabadell has continued to strengthen its solvency and that it continues to make progress in de-risking its balance sheet. Additionally, S&P Global Ratings raised its rating of Banco Sabadell's nondeferrable subordinated debt and preferred shares by two notches to BB and B, respectively.

Banco Sabadell announces ratings actions performed by Moody's Investors Service

On 10 May 2017, Moody's Investors Service (Moody's) has taken rating actions on different Spanish banking groups, as a consequence of the change of Spain's banking Macro Profile (Baa2 Stable) to "Strong-" from "Moderate+", as well as the continued improvement in the banks' credit fundamentals, notably asset risk.

Moody's has affirmed Banco Sabadell's Baa2 long-term deposit ratings with a stable outlook and its Baa3 long-term senior debt rating, changing the outlook to positive from stable.

The change in the outlook of Banco Sabadell's long-term senior debt rating reflects Moody's expectations that the Bank's credit profile will continue to improve over the next 12 to 18 months and that Banco Sabadell will continue to reduce the stock of problematic assets and gradually improve its profitability metrics as the domestic operations continue to recover.

Banco Sabadell gives notice that Bansabadell Vida, S.A. de Seguros y Reaseguros, a company in which Banco Sabadell and Zurich Vida, Compañía de Seguros y Reaseguros, S.A. each hold a 50% interest, has signed a reinsurance contract

On 24 July 2017, Bansabadell Vida, S.A. de Seguros y Reaseguros (Bansabadell Vida), company in which Banco Sabadell and Zurich Vida, Compañía de Seguros y Reaseguros, S.A. (Zurich) hold a 50% interest, has executed a reinsurance contract in respect of its life insurance portfolio as at 30 June 2017.

Bansabadell Vida has received a reinsurance commission of 683.7 million euros, resulting in net income of approximately 253.5 million euros for Banco Sabadell Group, after taxes and expenses relating to this transaction.

This agreement will not have any impact on Bansabadell Vida customers, nor on the policies subject to reinsurance.

6. Annex: TSB

The performance of TSB's income statement and balance sheet is shown below:

Income Statement:

(in million pounds)		1Q17	2Q17	% QoQ	1H16	1H17	% YoY
Franchise and Whistletree	(1)	217.1	225.0	3.6%	407.2	442.1	8.6%
Mortgage enhancement	(2)	10.1	5.5	-45.5%	28.4	15.6	-45.1%
Net interest income		227.2	230.5	1.5%	435.6	457.7	5.1%
Franchise and Whistletree	(1)	24.8	29.4	18.5%	55.5	54.2	-2.3%
Mortgage enhancement	(2)	-0.6	46.7	--	-4.0	46.1	--
Other operating income		24.2	76.1	214.5%	51.5	100.3	94.8%
Total income		251.4	306.6	22.0%	487.1	558.0	14.6%
Total operating expenses (excl. one-offs)		-202.8	-206.1	1.6%	-339.0	-408.9	20.6%
Franchise and Whistletree	(1)	-20.6	-17.5	-15.0%	-40.4	-38.1	-5.7%
Mortgage enhancement	(2)	0.0	0.0	--	0.0	0.0	--
Impairment on loans & advances		-20.6	-17.5	-15.0%	-40.4	-38.1	-5.7%
Management profit (excl. one-offs)		28.0	83.0	196.4%	107.7	111.0	3.1%
Other operating income		3.8	-6.4	--	17.7	-2.6	--
Tax income		-9.0	-20.4	127.2%	-31.9	-29.4	-7.7%
Statutory Profit after Tax		22.8	56.1	146.1%	93.5	78.9	-15.6%
		1Q17	2Q17	QoQ	1H16	1H17	YoY
TSB NIM	(3)	3.05%	2.99%	-0.06 pp	3.20%	3.02%	-0.18 pp

(1) Franchise comprises the retail banking business carried out in the United Kingdom, which offers a broad range of financial services. Whistletree is a portfolio of former Northern Rock mortgage loans and unsecured loans which 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 to enhance TSB's profitability with a target of delivering £230 million profit over a four year period in order to aid the emergence of a strong challenger bank in the UK market.

(3) Calculated as net interest income divided by average gross loans.

Balance sheet:

(in million pounds)	2Q16	1Q17	2Q17	%QoQ	% YoY
Franchise and Whistletree customer lending	25,880	29,114	30,174	3.6%	16.6%
Mortgage enhancement	2,049	1,765	0	-100.0%	-100.0%
Total Customer lending (Net)	27,929	30,879	30,174	-2.3%	8.0%
Savings deposits	18,748	19,283	19,286	0.0%	2.9%
Current account deposits	8,399	9,359	9,552	2.1%	13.7%
Business banking deposits	988	1,050	1,105	5.2%	11.8%
Total customer deposits	28,135	29,692	29,943	0.8%	6.4%
	2Q16	1Q17	2Q17	QoQ	YoY
CET 1 Capital ratio	17.2%	18.1%	19.3%	1.2 pp	2.1 pp

7. 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:

Alternative Performance measures	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 own funds. Numerator considers linear annualisation of profit obtained to date and adjusted by contributions to guarantee and resolution funds except year end. Denominator excludes profit attributed to the Group as part of own funds.	3
RORWA	(*) Consolidated income during the year / risk-weighted assets (RWA).	3
ROTE	(*) (***) Profit attributed to the Group / average own funds. Numerator considers linear annualisation of profit obtained to date and adjusted by contributions to guarantee and resolution funds except year end. Denominator excludes profit attributed to the Group as part of own funds.	3
Cost / income ratio	(*) Staff expenses and other general administrative expenses / gross income. Calculated by adjusting gross income, taking into account the recurrent results from financial transactions with the best group' estimate. 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
Other 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 and shareholdings, 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.	8
Gains on sale of assets and other results	Comprised of the following accounting items: gains or (-) losses on derecognition of non-financial assets and shareholdings, 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.	10
Other assets	Comprised of the following accounting items: 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: tax liabilities, 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 NPL and country-risk provisions.	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, marketable debt securities, subordinated liabilities and liabilities under insurance or reinsurance contracts.	20
Funds under management	Sum of on-balance sheet and off-balance sheet customer funds.	20
NPL coverage ratio	Shows the % of NPLs covered by provisions. Calculated using the ratio between the allowance of loans and advances to customers (including allowances for contingent exposures) / total non-performing exposures (including contingent liabilities).	22
NPL ratio	% of non-performing exposures 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, including contingent liabilities / Customer lending and contingent liabilities. See table for the definition of non-performing exposures. Contingent liabilities include granted guarantees and contingent commitments.	22
Non-performing exposures	Sum of accounting items: NPLs, Loans and advances to customers and non-performing guarantees granted.	24
Problematic assets	Sum of non-performing exposures 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.	27
Market capitalisation	Product of the share price and the number of outstanding shares at the end of the period.	34
Earnings per share	Ratio between net profit attributed to the Group and the number of outstanding shares at the end of the period. Numerator considers linear annualisation of profit obtained to date and adjusted by contributions to guarantee and resolution funds except year end.	34
Book value per share	Ratio between carrying value / number of shares at the end of the period. Accounting value is calculated as the sum of own funds, considering linear annualisation of profit obtained to date and adjusted by contributions to guarantee and resolution funds except year end.	34
Price / Book value (times)	Ratio between share price / carrying value.	34
Price / Earnings ratio (P/E) (times)	(*) Ratio between share price / earnings per share.	34

(*) 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 13 last positions at the end of the month.

See list, definition and purpose of the APMs used by Banco Sabadell Group here: www.grupbancsabadell.com/INFORMACION_ACCIONISTAS_E_INVERSORES/INFORMACION_FINANCIERA/MEDIDAS_ALTERNATIVAS_DEL_RENDIMIENTO

Investor relations

For further information, contact:



Investor Relations

investorrelations@bancsabadell.com

+44 2071 553 888

