BANCO SABADELL GROUP

Independent auditor's report, condensed consolidated half-yearly financial statements for the six months period ended June 30, 2017 and consolidated directors' report for the first six months of the 2017 financial year

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This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor's report on the condensed interim consolidated financial statements

To the shareholders of Banco de Sabadell, S.A.:

Report on the condensed interim consolidated financial statements

Opinion

We have audited the condensed interim consolidated financial statements of Banco Sabadell, S.A. (hereinafter, "the Parent Company") and its subsidiaries (hereinafter, the Group"), which comprise the balance sheet as at June 30, 2017, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes, all condensed and consolidated, for the six month period then ended.

In our opinion, the accompanying condensed interim consolidated financial statements of Banco Sabadell, S.A. and its subsidiaries for the six month period ended June 30, 2017 have been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, as provided in Article 12 of Royal Decree 1362/2007 for the preparation of condensed interim financial statements.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the condensed interim consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the condensed interim consolidated financial statements in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit in the condensed interim consolidated financial statements of the current period. These matters were addressed in the context of our audit of the condensed interim consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion of these matters.

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Key audit matters	How our audit addressed the key audit matter
Impairment due to credit risk and real estate assets arising from foreclosures	
Determining impairment due to credit risk is one of the most significant and complex estimation exercises performed when preparing the accompanying interim condensed consolidated financial statements. The evaluation of impairment due to credit risk is based on: • Individualized estimates of coverage, using various methods to calculate recoverable value (cash flow discount approach, recovery of collateral or a mix). • Collectived estimates of coverage through the application of the Group's internal models based on the various credit risk portfolios or segments. The measurement models and methods used entail a significant degree of judgements and estimates to determine impairment losses, taking into account factors such as: • The classification of the credit portfolios by risk. • The identification and presentation of impaired assets. • The use of significant assumptions such as future income levels, the outlook for interest rates, rates of unemployment, etc. • The application of qualitative adjustments when calculating provisions due to economic factors or judgments, such as internal rating policies or future economic expectations, among others. The initial adoption of internal models, and any subsequent modifications, are subject to the approval of the governing bodies and/or Group management, based on their materiality. Personal or real guarantees considered to be effective are taken into consideration when determining credit risk coverage. The evaluation of the recoverable amount of real estate collateral is subject to an estimate of its fair value less selling costs, adjusted by a discount compared with the benchmark value in accordance with the Group's past experience when selling assets of similar characteristics and the period over which each asset remains on the consolidated balance sheet.	Our work on the estimation of impairment for both credit risk and real estate foreclosures has focused on analysing, assessing and verifying the internal control system. We also performed tests of details with respect to loan – loss provisions estimated collectively and individually. The procedures we performed on the internal control system included the following, among others: • Verifying that the various policies and procedures and the approved internal models comply with applicable regulations. • Reviewing the various calculation methods used and the variables taken into account, as well as the retrospective recalibrations or comparisons. • Confirming the reliability and coherence of the sources of the data used in the calculations. • Reviewing the periodic assessment of risks and monitoring alerts carried out by the Group. • Evaluating the effective performance of the periodic review of borrower case files to monitor their classification and recognise impairment losses as necessary is carried out correctly. In addition, we carried out the following tests of details: • We verified: i) the methods of calculation and segmentation of borrowers and real estate assets in the different categories of credit risk or asset portfolios, respectively; ii) historical impairment losses due to credit risk in the estimation of future cash flows and historical discount rates on the sale of real estate assets compared with their appraised value; iii) the correct classification of credit transactions and real estate assets into the correct categories.

The Group has developed internal methods to estimate the discounts applied to the benchmark values and selling costs.

Furthermore, the estimate of the fair value of real estate collateral is based on the information and/or the value of appraisals provided by valuation companies and agencies. In some cases, statistical methods are used to update the appraisals when the assets represent low exposure and risk.

It should be noted that the estimation of the impairment of real estate assets originating from loan activities and which, through deed in lieu, purchase or judicial proceedings, are awarded to the Group, are subject to the same policies indicated above for real estate collateral.

In addition to the collateral for the various transactions, as a result of the acquisition of Banco CAM, the Asset Protection Scheme (APS) entered into force for a pre-determined portfolio whose gross value was €24,644 million at July 31, 2011. Through that APS, the Deposit Guarantee Fund (DGF) assumes 80% of the losses deriving from that portfolio over 10 years, once the relevant provisions totalling €3,882 million at that date, have been applied.

The balance drawn down from the credit and real estate asset portfolios protected by the APS total €6,175 million and €4,519, respectively, at June 30, 2017 .

The impairment losses recognized for accounting purposes with respect to these assets led the Group to estimate a receivable entitlement from the DGF for the surety granted under the heading "Loans and receivables". This receivable entitlement is paid in instalments by the DGF. The amount pending settlement at June 30, 2017 totals approximately €4,800 million.

See Notes 1, 2, 4.1 and 9 to the condensed interim consolidated financial statements with respect to impairment due to credit risk and Notes 4.1, 10, 12 and 13 to the condensed interim consolidated financial statements with respect to the impairment of real estate assets deriving from foreclosures.

- Recalculated the loan- loss provisions estimated collectively for certain portfolios and of the calculation of impairment of real estate assets from foreclosures according to the different asset categories (finished homes, offices and premises, buildings under construction and land).
- Evaluation of the suitability of cash flow discount models and collateral recovery models.
- Review of a sample of individual borrower case files to evaluate their adequate classification and the recognition, if appropriate, of the corresponding impairment losses had been duly recognised.
- Review of a sample of foreclosed properties to evaluate their adequate classification and the recognition, if appropriate, of the corresponding impairment.
- Verification of the degree of compliance with impairment losses due to credit risk or losses affecting foreclosed real estate assets estimated in prior years compared with the losses effectively incurred.

We performed the following tests of details specifically on the estimate of the receivable entitlement from the DGF deriving from the Asset Protection Scheme:

- Review of the reliability and the coherence of sources of the data concerning assets covered by the APS used in the calculation of the estimated receivable entitlement from the DGF.
- Verification of the calculation of the estimated receivable entitlement from the DGF based on the various categories of assets and transactions carried out, as well as its alignment with the accounting records.
- Analysis of the changes in the accounting estimates resulting from the periodic evaluation of the assets and the expected future benefits associated with the APS coverage, as a result of additional information or new events affecting the situation of the assets concerned.

Our tests of management's calculations and estimates did not identify any differences outside a reasonable range in the amount of the impairment due to credit risk and the foreclosed real estate assets recorded in the condensed interim consolidated financial statements.

Key audit matters	How our audit addressed the key audit matter
Verification of the recoverability of goodwill On an annual basis, or when there are indications of impairment, the Group performs an assessment to determine whether the goodwill recognized in its condensed interim consolidated financial statements is impaired. Each goodwill item is associated with one or more cash generating units (CGU), using the discount method for profits distributed through the various operating plans within each CGU to estimate their recoverable value. The estimation of the recoverable value of each CGU is inherently uncertain and includes a high level of judgments and estimates given that it is based on assumptions concerning matters such as key business assumptions (the evolution of credit, non-performing assets, interest rates, etc.) that determine the cash flows, discount rates and long-term growth rates that are applied. The models are sensitive to the variables and assumptions used, and there is a risk of the inaccurate assessment of those items due to their nature. See Notes 2 and 11 to the accompanying condensed interim consolidated financial statements.	With the assistance of our appraisal experts, we gained an understanding and performed a review of the estimation process carried out by the Group, as well as of the internal control environment, focusing our procedures on aspects such as: • Review of the criteria for defining the Group's CGUs associated with the various goodwill items. • Evaluation of the method used by to estimate the impairment of goodwill, including an assessment of the supervision controls applied to the process. • Review of the annual measurement reports on the impairment of goodwill prepared by the Group and by external experts. We have performed tests to examine the cash flow projection models for the various CGUs utilized by the Group, taking into consideration the content of current legislation, market practices and the specific expectations for the banking sector. This assessment included the verification of assumptions such as growth rates and discount rates, as well as an analysis of the budgetary monitoring of the primary CGUs and the impact of variations identified in the budgets and growth rates. We also reviewed the adequacy of the information presented in the accompanying condensed interim consolidated financial statements. As a result of the aforementioned procedures, we consider that the estimates made by Directors and management with respect to the recoverability of goodwill fall within a reasonable range within the context of the circumstances under which these condensed interim consolidated financial statements were prepared.

Key audit matters	How our audit addressed the key audit matter
Provisions for tax, legal and regulatory litigation During the ordinary course of its business operations the Group may become involved in administrative, judicial or arbitration proceedings of a tax, legal and/or regulatory nature. There are therefore situations that are not subject to judicial proceedings but which, based on the Group's evaluation, require the recognition of provisions. These items may include those associated with possible impacts for the Group regarding the amounts payable as a result of the hypothetical cancellation by the Courts of floor clauses or the application of Royal Decree-Law 1/2017 on consumer protection with regard to floor clauses. These proceedings generally take a long period of time to run their course, giving rise to complex processes dictated by the legislation prevailing in the various jurisdictions in wich the Group operates. The Group records a provision in this respect, therefore estimating the associated payment deemed probable and applying calculation procedures that are prudent and consistent with the uncertainty conditions inherent to the obligations they cover. The recognition of provisions for litigation is one of the areas requiring the highest degree of judgments and estimates. See Notes 1 and 9 (providing details of the provisions created to cover the outcome of floor clause contingencies) in the accompanying condensed interim consolidated financial statements.	Our review of the process for estimating the provisions for tax, legal and regulatory litigation carried out by the Group, and the analysis and evaluation of the internal controls over that process, consisted of the following procedures: • We familiarized ourselves with the policy for classifying litigation and provisions needed, in accordance with applicable accountant legislation. • We analysed the main individual and class-action lawsuits. • We obtained confirmation letters from internal attorneys who work with the Group to cross-check its assessment of the outcome of the litigation, the correct recognition of the provisions and the identification of potentially omitted liabilities. • We monitored ongoing tax inspections. • With the support of our internal experts, we analysed the estimate of the expected outcomes of the most significant tax and legal proceedings in progress. We also assessed possible contingencies relating to compliance with the Group's tax obligations for all the years open to inspection. • We analysed the recognition, estimation of, and movements in, the provisions recorded for accounting purposes and the movements therein. Specifically in connection with the provisions recorded to cover contingencies relating to floor clauses, our procedures focused on: • Understanding the control environment, assessing and checking the controls associated with the calculation and review of the provision recognized for customer compensation, including the process of generating and approving the model assumptions and results. • Evaluating the methodology used by the Group, verifying that it is in line with market practice. • Performing a sensitivity analysis on the model's results to determine possible changes in key assumptions. The result of our work shows that, in general, the judgments and estimates applied by the Group when evaluating these types of provisions are supported and reasonable based on available information.

Key audit matters	How our audit addressed the key audit matter
Automation of financial reporting systems Due to its nature, the Group's business, particularly the preparation of financial and accounting information, is highly dependent on information technology (IT) systems, such that adequate control of these systems is crucial to ensuring correct data processing. Moreover, as the systems become more complex, the risks relating to the organization's IT systems and, by extension, the data they process, increase. The effectiveness of the general internal control framework for information systems relating to the accounting recognition and closing process is essential for the performance of certain audit procedures relating to internal controls. Considering this context, it is vital to evaluate aspects such as the organization and governance of the Information Technology area, software maintenance and development controls, physical and logical security and system operation.	With the help of our IT system experts our work consisted of reviewing the general internal control environment associated with the information systems and applications that support the Group's accounting recognition and closings. We have also gained an understanding of the functionalities and involvement of the various information systems at the Group within the accounting recognition and closing process. We essentially performed the following procedures on the information systems considered relevant to the financial reporting process: • Review of the general computer controls relating to aspects deriving from operations, the development and maintenance of applications, their security and the governance and organization of the Group's information systems area. • Review of the general controls to manage authorization to access financial reporting systems and controls relating to the authorization of personnel to make changes to computer processes. • Understanding of key business processes, identifying automatic controls that exist in those processes and their validation. • Understanding and review of the process for generating manual accounting entries considered to give rise to a risk. Extraction, completeness validation and filtering of the accounting entries. • Understanding and re-execution of some of the calculations performed by the Group considered to have the highest impact, particularly those relating to the apportionment of financial product interest (loans, credit facilities and deposits) and the fees received. The results of our procedures involving the samples added to our tests of controls and tests of details were satisfactory and we did not detect any material aspect affecting the financial information included in the accompanying condensed interim consolidated financial statements.

Emphasis of matter

We draw attention to Note 1. which describes that these condensed interim consolidated financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union, therefore the accompanying condensed interim consolidated financial statements should be read together with the consolidated annual accounts of the Group for the year ended December 31, 2016. Our opinion is not modified in respect to this matter.

Other information: Interim consolidated director report

The other information includes only the interim consolidated directors' report for the six month period ended June 30, 2017, the formulation of which is the responsibility of the Parent Company's directors and does not form an integral part of the condensed interim consolidated financial statements.

Our audit opinion on the condensed interim consolidated financial statements does not cover the interim consolidated director report. Our responsibility for the interim consolidated director report, in accordance with legislation governing the audit practice, is to evaluate and report on the consistency between the interim consolidated management report and the condensed interim consolidated financial statements as a result of our knowledge of the Group obtained during the audit of the mentioned financial statements, and does not include information different to that obtained as evidence during our audit. Likewise, our responsibility is to evaluate and report on whether the content and presentation of the interim consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described in the previous paragraph, the information contained in the interim consolidated directors' report is consistent with that in the condensed interim consolidated financial statements for the six month period ended June 30, 2017 and its content and presentation are in accordance with the applicable regulations.

Responsibility of directors and the audit committee for the condensed interim consolidated financial statements

The Parent Company's directors are responsible for the preparation of the accompanying condensed interim consolidated financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of interim financial information, as provided in Article 12 of Royal Decree 1362/2007, and for such internal control deemed necessary to allow the preparation of condensed interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed interim consolidated financial statements, the Parent Company's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent Company's Audit Committee is responsible for overseeing the process of preparation and presentation of the condensed interim consolidated financial statements.

Auditor's responsibilities for the audit of the condensed interim consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the condensed interim consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these condensed interim consolidated financial statements.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the condensed interim consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent Company's directors.

- Conclude on the appropriateness of the Parent company´s directors´ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor´s report to the related disclosures in the condensed interim consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor´s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the condensed interim consolidated financial statements, including disclosures. We also assess whether the condensed interim consolidated financial statements reflect the underlying transactions and events in a manner that expresses a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information regarding the entities or business activities within the Group to express an opinion on the condensed interim consolidated financial statements. We are responsible for the management, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

We communicate with the Parent Company's Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent Company's Audit Committee with a statement that we have complied with relevant ethical requirements, including those of independence, and to communicate with it those matters that may reasonably be thought to affect our independence, and where applicable, the related safeguards.

From the matters communicated with the Parent Company's Audit Committee, we determine those matters that were the most significant during the audit of the condensed interim consolidated financial statements of the current period and which are, therefore, the key audit matters.

We describe these matters in our auditor´s report unless the law or regulations preclude the public disclosure about the matter.

Report on other legal and regulatory requirements

Appointment period

Shareholders at an ordinary general meeting held on March 30, 2017 appointed us as the Group's auditors and the auditor of the Group's consolidated annual accounts for 2017.

We were previously designated as the auditors by resolutions adopted by shareholders at general meetings and we have audited the accounts of the parent company without interruption since the year ended December 31, 1983.

Services rendered

PricewaterhouseCoopers Auditores, S.L. has provided to the Group during the period between January 1, and June 30, 2017, after obtaining the relevant approval from the Audit Committee, services other than audit, including the issuance of comfort letters, other regulatory reviews required from the auditor, as well as advisory and regulatory compliance services.

PricewaterhouseCoopers Auditores, S.L. (S0242)

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Raúl Ara Navarro (20210)

July 28, 2017

"Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see note 1). In the event of a discrepancy, the original Spanish-language version prevails".

Contents of the condensed interim consolidated financial statements of Banco Sabadell Group for the six-month period ended 30 June 2017

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Consolidated balance sheets of Banco Sabadell Group

At 30 June 2017 and 31 December 2016

Thousand euro

Asset	Note	30/06/2017	31/12/2016 (*)
Cash, cash balances at central banks and other demand deposits (**)	**7**	**13,901,406**	**11,688,250**
Financial assets held for trading		**1,936,455**	**3,484,221**
Derivatives		1,616,489	1,834,495
Equity instruments		5,664	10,629
Debt securities	8	314,302	1,639,097
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: provided or given as guarantee with right to sale or pledging		*21,880*	-
Financial assets designated at fair value through profit or loss		**43,004**	**34,827**
Equity instruments		34,605	34,827
Debt securities	8	5,551	-
Loans and advances	9	2,848	-
Central banks		-	-
Credit institutions		2,848	-
Customers		-	-
Memorandum item: provided or given as guarantee with right to sale or pledging		-	-
Available-for-sale financial assets		**18,989,508**	**18,718,339**
Equity instruments		463,414	597,809
Debt securities	8	18,526,094	18,120,530
Memorandum item: provided or given as guarantee with right to sale or pledging		*2,283,832*	*6,761,231*
Loans and receivables		**148,081,215**	**150,384,445**
Debt securities	8	599,153	918,584
Loans and advances	9	147,482,062	149,465,861
Central banks		63,348	66,229
Credit institutions		5,375,272	4,225,767
Customers		142,043,442	145,173,865
Memorandum item: provided or given as guarantee with right to sale or pledging		*113,799*	*855,145*
Held-to-maturity investments	**8**	**9,343,521**	**4,598,190**
Memorandum item: provided or given as guarantee with right to sale or pledging		*2,009,489*	-
Derivatives - hedge accounting		**449,568**	**535,160**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**5,417**	**965**
Investments in subsidiaries, joint ventures and associates		**517,621**	**380,672**
Multigroup entities		-	-
Associates		517,621	380,672
Assets covered under insurance and reinsurance contracts		**-**	**-**
Tangible assets	**10**	**4,585,745**	**4,475,600**
Property, Plant and Equipment		2,184,462	2,071,353
For own use		1,967,543	1,887,534
Leased out under operating leases		216,919	183,819
Investment property		2,401,283	2,404,247
Of which: leased out under operating leases		-	-
Memorandum item: acquired under financial lease		-	-
Intangible assets	**11**	**2,077,134**	**2,135,215**
Goodwill		1,019,556	1,094,526
Other intangible assets		1,057,578	1,040,689
Tax assets		**6,817,241**	**7,055,876**
Current tax assets		335,005	280,539
Deferred tax assets	32	6,482,236	6,775,337
Other assets	**12**	**3,489,965**	**4,437,265**
Insurance contracts linked to pensions		151,261	153,989
Inventories		2,755,873	2,924,459
Rest of other assets		582,831	1,358,817
Non-current assets and disposal groups classified as held for sale	**13**	**7,219,974**	**4,578,694**
TOTAL ASSETS		**217,457,774**	**212,507,719**

(*) Presented for comparison purposes only.

(**) See consolidated cash flows for the group.

Notes 1 to 35 of the notes to the financial statements and schedules are an integral part of the consolidated balance sheet at 30 June, 2017.

Consolidated balance sheets of Banco Sabadell Group

At 30 June 2017 and 31 December 2016

Thousand euro

Liabilities	Note	30/06/2017	31/12/2016 (*)
Financial liabilities held for trading		**1,552,112**	**1,975,806**
Derivatives		1,483,951	1,915,914
Short positions		68,161	59,892
Deposits		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Debt securities issued		-	-
Other financial liabilities		-	-
Financial liabilities designated at fair value through profit or loss		**-**	**-**
Deposits		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Debt securities issued		-	-
Other financial liabilities		-	-
Memorandum item: subordinated liabilities		-	-
Financial liabilities measured at amortised cost		**195,561,390**	**192,011,024**
Deposits		168,643,615	162,909,052
Central banks	14	26,136,254	11,827,573
Credit institutions	14	10,665,894	16,666,943
Customers	15	131,841,467	134,414,536
Debt securities issued	16	22,996,214	26,533,538
Other financial liabilities		3,921,561	2,568,434
Memorandum item: subordinated liabilities		*2,187,892*	*1,561,069*
Derivatives – Hedge accounting		**1,380,696**	**1,105,806**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**(10,504)**	**64,348**
Liabilities covered by insurance or reinsurance contracts	**17**	**43,016**	**34,836**
Provisions		**301,962**	**306,214**
Pensions and other post employment defined benefit obligations		87,647	89,471
Other long term employee benefits		17,448	24,554
Pending legal issues and tax litigation		40,893	49,404
Commitments and guarantees given		78,368	84,032
Other provisions		77,606	58,753
Tax liabilities		**689,950**	**778,540**
Current tax liabilities		220,276	236,275
Deferred tax liabilities	32	469,674	542,265
Share capital repayable on demand		**-**	**-**
Other liabilities		**624,753**	**934,801**
Liabilities included in disposal groups classified as held for sale	**13**	**4,241,856**	**2,213,368**
TOTAL LIABILITIES		**204,385,231**	**199,424,743**

(*) Presented for comparison purposes only.

Notes 1 to 35 of the notes to the financial statements and schedules are an integral part of the consolidated balance sheet at 30 June, 2017.

Consolidated balance sheets of Banco Sabadell Group

At 30 June 2017 and 31 December 2016

Thousand euro

Net equity	Note	30/06/2017	31/12/2016 (*)
Shareholders equity	**18**	**13,187,805**	**12,926,166**
Capital		702,019	702,019
Paid up capital		702,019	702,019
Unpaid capital which has been called up		-	-
Memorandum item: uncalled capital		-	-
Issue premium		7,882,899	7,882,899
Equity instruments issued other than capital		-	-
Equity component of compound financial instruments		-	-
Other equity instruments issued		-	-
Other components of net equity		45,214	38,416
Retained earnings		-	-
Revaluation reserves		-	-
Other reserves		4,214,564	3,805,065
Reserves or accumulated losses of investments in subsidiaries, joint ventures and associates		172,815	109,510
Other		4,041,749	3,695,555
(-) Treasury shares		(107,509)	(101,384)
Profit or loss attributable to owners of the parent		450,618	710,432
(-) Interim dividends		-	(111,281)
Accumulated other comprehensive income		**(185,770)**	**107,142**
Items that will not be reclassified to profit or loss		13,261	13,261
Actuarial gains or (-) losses on defined benefit pension plans		13,261	13,261
Non-current assets and disposal groups held for sale		-	-
Share of other recognised income and expense of Investments in subsidiaries, joint ventures and associates		-	-
Rest of valuation adjustments		-	-
Items that may be reclassified to profit or loss		(199,031)	93,881
Hedge of net investments in foreign operations [effective portion]		223,642	151,365
Foreign currency translation		(575,306)	(428,650)
Hedging derivatives. Cash flow hedges [effective portion]		(73,320)	(21,521)
Available-for-sale financial assets		190,743	280,548
Debt instruments		146,563	229,008
Equity instruments issued other than capital		44,180	51,540
Other valuation adjustments		-	-
Non-current assets and disposal groups held for sale	13	23,442	96,299
Share of other recognised income and expense of Investments in subsidiaries, joint ventures and associates		11,768	15,840
Minority interests (non-controlling interests)		**70,508**	**49,668**
Accumulated other comprehensive income		102	172
Other items		70,406	49,496
TOTAL EQUITY		**13,072,543**	**13,082,976**
TOTAL EQUITY AND TOTAL LIABILITIES		**217,457,774**	**212,507,719**
Memorandum Item			
Guarantees given	**19**	**8,445,792**	**8,529,354**
Contingent liabilities given	**20**	**20,739,704**	**25,208,687**

(*) Presented for comparison purposes only.

Notes 1 to 35 of the notes to the financial statements and schedules are an integral part of the consolidated balance sheet at 30 June, 2017.

Consolidated profit and loss accounts of Banco Sabadell Group

For the six-month periods ended 30 June 2017 and 2016

Thousand euro

	Note	30/06/2017	30/06/2016 (*)
Interest income	21	2,479,973	2,634,536
(Interest expenses)	21	(543,076)	(692,061)
(Expenses on share capital repayable on demand)		-	-
Gross Income		**1,936,897**	**1,942,475**
Dividend income		5,774	4,578
Results of entities recognised by the equity method		30,335	44,249
Fee and commission income	22	728,869	682,268
(Fee and commission expenses)	22	(125,867)	(112,029)
Results of financial operations (net)	23	545,381	502,808
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net		377,981	489,835
Gains or (-) losses on financial assets and liabilities held for trading, net		172,733	(1,922)
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net		127	2,025
Gains or (-) losses from hedge accounting, net		(5,460)	12,870
Exchange differences (gain or (-) loss), net		4,879	14,694
Other operating income	24	155,233	109,068
(Other operating expenses)	25	(219,066)	(183,088)
Income from assets covered by insurance or reinsurance contracts	17	67,416	82,332
(Expenses from liabilities covered by insurance or reinsurance contracts)	17	(86,462)	(107,193)
Gross Income		**3,043,389**	**2,980,162**
(Administrative expenses)	26	(1,378,341)	(1,325,619)
(Staff expenses)		(790,910)	(828,660)
(Other general administration expenses)		(587,431)	(496,959)
(Amortisation)	10, 11	(197,350)	(193,984)
(Provisions or (-) reversal of provisions)		(3,500)	(33,176)
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	27	(609,089)	(599,575)
(Financial assets measured at cost)		-	-
(Available- for-sale financial assets)		(37,635)	(97,408)
(Loans and receivables)		(570,570)	(502,167)
(Held to maturity investments)		(884)	-
Result of operating activity		**855,109**	**827,808**
(Impairment or (-) reversal of impairment of investments in joint ventures and associates)		(496)	(2,894)
(Impairment or (-) reversal of impairment on non-financial assets)	28	(153,155)	(242,320)
(Tangible assets)		(2,057)	(61,354)
(Intangible assets)		(2,722)	-
(Other)		(148,376)	(180,966)
Gains or (-) losses on derecognition of non financial assets, net	29	(10,021)	35,261
Negative goodwill recognised in profit or loss		-	-
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	30	(57,037)	(23,880)
Profit or (-) loss before tax from continuing operations		**634,400**	**593,975**
(Tax expense or (-) income related to profit or loss from continuing operations)		(182,201)	(166,588)
Profit or (-) loss after tax from continuing operations		**452,199**	**427,387**
Profit or (-) loss after tax from discontinued operations		-	-
PROFIT FOR THE PERIOD		**452,199**	**427,387**
Attributable to minority interest (non-controlling interests)		1,581	2,051
Attributable to owners of the parent		450,618	425,336
Earnings per share		**0.08**	**0.08**
Basic		0.08	0.08
Diluted		0.08	0.08

(*) Presented for comparison purposes only.

Notes 1 to 35 of the notes to the financial statements and schedules are an integral part of the consolidated balance sheet at 30 June, 2017.

Statements of changes in equity of Banco Sabadell Group

Consolidated statements of recognised income and expenses

For the six-month periods ended 30 June 2017 and 2016

Thousand euro

	30/06/2017	30/06/2016 (*)
Profit or loss for the period	**452,199**	**427,387**
Other comprehensive income	**(292,983)**	**(278,370)**
Items that will not be reclassified to profit or loss	-	-
Actuarial gains or (-) losses on defined benefit pension plans	-	-
Non-current assets and disposal groups held for sale	-	-
Share of other recognised income and expenses of investments in subsidiaries, joint ventures and associates	-	-
Rest of valuation adjustments	-	-
Income tax relating to items that will not be reclassified	-	-
Items that may be reclassifed to profit or loss	(292,983)	(278,370)
Hedge of net investments in foreign operations [effective portion]	72,277	119,147
Valuation gains or (-) losses taken to equity	72,277	119,147
Transferred to profit or loss	-	-
Other reclassifications	-	-
Foreign currency translation	(146,656)	(350,691)
Translation gains or (-) losses taken to equity	(146,656)	(350,691)
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges [effective portion]	(73,999)	45,833
Valuation gains or (-) losses taken to equity	(120,049)	91,992
Transferred to profit or loss	46,050	(46,159)
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Available-for-sale financial items	(128,393)	(280,766)
Valuation gains or (-) losses taken to equity	163,046	312,256
Transferred to profit or loss	(291,439)	(467,390)
Other reclassifications	-	(125,632)
Non-current assets and disposal groups held for sale	(104,082)	160,093
Valuation gains or (-) losses taken to equity	(104,082)	34,461
Transferred to profit or loss	-	-
Other reclassifications	-	125,632
Share of other recognised income and expenses of investments in subsidiaries, joint ventures and associates	(4,073)	2,544
Income tax relating to items that may be reclassified to profit or (-) loss	91,942	25,470
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**159,217**	**149,017**
Attributable to minority interest [Non-controlling interest]	1,511	2,023
Attributable to owners of the parent	157,706	146,994

(*) Presented for comparison purposes only.

The consolidated statement of recognised income and expenses together with the consolidated statement of changes in net equity of the Banco Sabadell Group make up the statement of changes in net equity.

Notes 1 to 35 of the notes to the financial statements and schedules are an integral part of the consolidated balance sheet at 30 June, 2017.

Statements of changes in equity of Banco Sabadell Group

Consolidated statements of recognised income and expenses

For the six-month periods ended 30 June 2017 and 2016

Thousand euro

Sources of changes in net equity	Capital	Share premium	Equity instruments issued other than Capital	Other equity	Retained earnings	Revaluation reserve	Other reserves	(-) Treasury shares	Profit or (-) loss arrtibutable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Minority interests: Accumulated other comprehensive income	Minority interests: Other items	Total
Opening balance 31/12/2016	**702,019**	**7,882,899**	**-**	**38,416**	**-**	**-**	**3,805,065**	**(101,384)**	**710,432**	**(111,281)**	**107,142**	**172**	**49,496**	**13,082,976**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance 31/12/2016	**702,019**	**7,882,899**	**-**	**38,416**	**-**	**-**	**3,805,065**	**(101,384)**	**710,432**	**(111,281)**	**107,142**	**172**	**49,496**	**13,082,976**
Total comprehensive income for the period	-	-	-	-	-	-	-	-	450,618	-	(292,912)	(70)	1,581	**159,217**
Other changes in net equity	-	-	-	6,798	-	-	409,499	(6,125)	(710,432)	111,281	-	-	19,329	**(169,650)**
Issue of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to net equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Divdends (or shareholder payments) (*)	-	-	-	-	-	-	(168,485)	-	-	-	-	-	-	**(168,485)**
Purchase of treasury shares	-	-	-	-	-	-	-	(180,302)	-	-	-	-	-	**(180,302)**
Sale or cancellation of treasury shares	-	-	-	-	-	-	1,224	174,177	-	-	-	-	-	**175,401**
Reclassification of financial instruments from net equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to net equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of net equity (**)	-	-	-	-	-	-	599,151	-	(710,432)	111,281	-	-	-	-
Net equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	6,798	-	-	-	-	-	-	-	-	-	**6,798**
Other increase or (-) decrease in net equity	-	-	-	-	-	-	(22,391)	-	-	-	-	-	19,329	**(3,062)**
Closing balance 30/06/2017	**702,019**	**7,882,899**	**-**	**45,214**	**-**	**-**	**4,214,564**	**(107,509)**	**450,618**	**-**	**(185,770)**	**102**	**70,406**	**13,072,543**

Notes 1 to 35 of the notes to the financial statements and schedules are an integral part of the consolidated balance sheet at 30 June, 2017.

The consolidated statement of recognised income and expenses together with the consolidated statements of changes in net equity of the Banco Sabadell Group make up the statement of changes in net equity.

(*) Distribution of supplementary dividend (see Note 3).

(**) Distribution of 2016 earnings (see Note 3).

Statements of changes in equity of Banco Sabadell Group

Consolidated statements of recognised income and expenses

For the six-month periods ended 30 June 2017 and 2016

Thousand euro

Sources of changes in net equity	Capital	Share premium	Equity instruments issued other than Capital	Other equity	Retained earnings	Revaluation reserve	Other reserves	(-) Treasury shares	Profit or (-) loss arrtibutable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Minority interests: Accumulated other comprehensive income	Minority interests: Other items	Total
Opening balance 31/12/2015	**679,906**	**7,935,665**	**-**	**14,322**	**-**	**-**	**3,175,065**	**(238,454)**	**708,441**	**-**	**455,606**	**(39)**	**37,149**	**12,767,661**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance 31/12/2015	**679,906**	**7,935,665**	**-**	**14,322**	**-**	**-**	**3,175,065**	**(238,454)**	**708,441**	**-**	**455,606**	**(39)**	**37,149**	**12,767,661**
Total comprehensive income for the period	-	-	-	-	-	-	-	-	425,336	-	(278,342)	(28)	2,051	**149,017**
Other changes in net equity	15,877	(106,448)	-	14,066	-	-	614,515	117,284	(708,441)	-	-	-	(1,963)	**(55,110)**
Issue of ordinary shares	15,877	-	-	-	-	-	(15,877)	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to net equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Divdends (or shareholder payments)	-	(106,448)	-	-	-	-	(77,947)	135,695	-	-	-	-	-	**(48,700)**
Purchase of treasury shares	-	-	-	-	-	-	-	(208,103)	-	-	-	-	-	**(208,103)**
Sale or cancellation of treasury shares	-	-	-	-	-	-	4,944	189,692	-	-	-	-	-	**194,636**
Reclassification of financial instruments from net equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to net equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of net equity	-	-	-	3,393	-	-	705,048	-	(708,441)	-	-	-	-	-
Net equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	10,673	-	-	-	-	-	-	-	-	-	**10,673**
Other increase or (-) decrease in net equity	-	-	-	-	-	-	(1,653)	-	-	-	-	-	(1,963)	**(3,616)**
Closing balance 30/06/2016	**695,783**	**7,829,217**	**-**	**28,388**	**-**	**-**	**3,789,580**	**(121,170)**	**425,336**	**-**	**177,264**	**(67)**	**37,237**	**12,861,568**

Presented, solely and exclusively, for comparison purposes.

Notes 1 to 35 of the notes to the financial statements and schedules are an integral part of the consolidated balance sheet at 30 June, 2017.

Consolidated cash flow statements of Banco Sabadell Group

For the six-month periods ended 30 June 2017 and 2016

Thousand euro

	Note	30/06/2017	30/06/2016 (*)
Cash flows from operating activities		**6,616,201**	**1,389,431**
Profit/(loss) for the period		452,199	427,387
Adjustments for operating cash flows		1,190,907	1,090,382
Amortisation		197,350	193,984
Other adjustments		993,557	896,398
Increase/decrease of operating assets (net)		(1,352,739)	986,474
Financial assets held for trading		1,547,764	(986,992)
Financial assets designated at fair value through profit or loss		(8,177)	20,371
Available-for-sale financial assets		(1,418,702)	(1,597,921)
Loans and receivables		(2,305,822)	3,544,462
Other operating assets		832,197	6,554
Increase/decrease of operating liabilities (net)		6,393,560	(1,106,471)
Financial liabilities held for trading		(423,694)	595,825
Financial liabilities designated at fair value through profit or loss		-	-
Financial liabilities measured at amortised cost		7,084,883	(2,392,037)
Other operating liabilities		(267,629)	689,741
Income tax received/paid		(67,726)	(8,341)
Cash flows from investing activities		**(4,589,297)**	**(182,615)**
Payments made:		(5,210,407)	(1,010,678)
Tangible assets	10	(296,399)	(561,778)
Intangible assets		(115,735)	(6,207)
Investments in joint ventures and associates	Schedule I	(126,972)	(9,707)
Subsidiaries and other business units	Schedule I	(104,810)	-
Non current assets and liabilities held for sale		-	(432,986)
Held-to-maturity investments		(4,566,491)	-
Other payments related to investing activities		-	-
Payments received		621,110	828,063
Tangible assets	10, 29	148,642	355,444
Intangible assets		-	-
Investments in joint ventures and associates		15,208	49,567
Subsidiaries and other business units		6,500	-
Non current assets and liabilities held for sale (**)	13, 30	450,760	423,052
Held-to-maturity investments		-	-
Other payments related to investing activities		-	-

(*) Presented for comparison purposes only.

(**) Includes cash received from the sale of Mediterráneo Vida (€223 million).

(***) Includes amount classified under "Non-current assets held for sale" (see Note 13).

Notes 1 to 35 of the notes to the financial statements and schedules are an integral part of the consolidated cash flow statement at 30 June, 2017.

Consolidated cash flow statements of Banco Sabadell Group

For the six-month periods ended 30 June 2017 and 2016

Thousand euro

	Note	30/06/2017	30/06/2016 (*)
Cash flows from financing activities		**506,143**	**150,302**
Payments made:		(419,258)	(258,157)
Dividends	3	(168,485)	-
Subordinated liabilities		(66,050)	-
Redemption of own equity instruments		-	-
Acquisition of own equity instruments		(180,303)	(208,104)
Other payments related to financing activities		(4,421)	(50,053)
Payments received		925,401	408,459
Subordinated liabilities	Schedule V	750,000	213,823
Issuance of own equity instruments		-	-
Disposal of own equity instruments		175,401	194,636
Other payments related to financing activities		-	-
Effect of exchange rate fluctuations		**(15,164)**	**(228,499)**
Net increase/ (decrease) in cash and cash equivalents		**2,517,883**	**1,128,619**
Cash and cash equivalents at beginning of the period		**11,688,250**	**7,343,481**
Cash and equivalents at end of the period		**14,206,133**	**8,472,100**

Memorandum item		
CASH FLOWS CORRESPONDING TO		
Interest received	2,771,593	2,478,262
Interest paid	707,649	926,521
Dividends received	5,774	4,578
CASH COMPONENTS AND CASH EQUIVALENTS AT CLOSE OF THE PERIOD (***)		
Cash	682,854	654,202
Cash equivalent balances in central banks	12,648,312	6,849,176
Other demand deposits	874,968	968,722
Other financial assets	-	-
Less: bank overdrafts repayable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT CLOSE OF THE PERIOD	**14,206,133**	**8,472,100**
Of which: held by entities of the group but not available to the group	-	-

(*) Presented for comparison purposes only.

(**) Includes cash received from the sale of Mediterráneo Vida (€223 million).

(***) Includes amount classified under "Non-current assets held for sale" (see Note 13).

Notes 1 to 35 of the notes to the financial statements and schedules are an integral part of the consolidated cash flow statement at 30 June, 2017.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF BANCO SABADELL GROUP

For the six-month period ended 30 June 2017.

Note 1 – Activity, accounting policies and practices

Activity

Banco de Sabadell, S.A. (hereinafter also referred to as "Banco Sabadell" or "the bank"), with registered offices in Sabadell, Plaza de Sant Roc, 20, engages in banking activities and is subject to the standards and regulations governing banking institutions operating in Spain. The functions of prudential supervision of Banco Sabadell on a consolidated basis were taken on by the European Central Bank (ECB) in November 2014.

The bank is the parent company of a corporate group (see Schedule I and Note 2 to the 2016 consolidated annual accounts) whose activity it controls directly or indirectly and which comprise, together with the bank, Banco Sabadell Group ("the Group").

Basis of presentation

The Group's consolidated annual accounts for 2016 were prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union applicable at the end of 2016, taking into account Bank of Spain Circular 4/2004 of 22 December and amendments thereto and other financial reporting regulations applicable to the Group, in order to fairly present the Group's equity and consolidated financial situation as at 31 December 2016 and the results of its consolidated operations, changes in equity and cash flows in 2016.

Note 1 to the 2016 consolidated annual accounts summarises the most significant accounting principles, policies and valuation criteria applied by the Group. Those consolidated annual accounts were authorised by the directors of Banco Sabadell at a meeting of the Board on 26 January 2017 and were approved by the shareholders at the Annual General Meeting on 30 March 2017.

These condensed interim consolidated financial statements for the six months to 30 June 2017 have been prepared and are presented in accordance with IAS 34 "Interim Financial Reporting", as set out in the IFRS, and they were authorised by the bank's Directors on 27 July 2017, together with the disclosures required by Circular 5/2015 of 28 October, of the Spanish National Securities Market Commission (CNMV).

In accordance with IAS 34, interim financial information is prepared exclusively for the purpose of describing material events and variations that occurred during the half-year and is not intended to duplicate the information published previously in the latest authorised consolidated annual accounts. For a proper comprehension of the information included in these condensed interim consolidated financial statements, they should be read together with the Group's consolidated annual accounts for the year ended 31 December 2016.

Except as otherwise indicated, these condensed interim consolidated financial statements are expressed in thousands of euros. In order to show the amounts in thousands of euros, the accounting balances have been subject to rounding; for this reason, some of the amounts appearing in certain tables may not be the exact arithmetic sum of the preceding figures.

Standards and interpretations issued by the International Accounting Standards Board (IASB) coming into effect in 2017

During the first half of 2017, no standards or interpretations have been adopted by the European Union, nor have there been any amendments thereto which have been applied by the Group due to their entry into force or their expected application.

IASB-issued standards and interpretations not yet in effect

At the date of authorisation of these condensed interim consolidated financial statements, the most significant standards and interpretations published by the IASB but which have not yet entered into force, either because their effective implementation date is after the date of these condensed interim consolidated financial statements, or because they had not yet been adopted by the European Union are, in addition to those set out in Note 1 to the 2016 consolidated annual accounts, the following:

IFRS 17 "Insurance contracts"

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts.

Pursuant to this standard, insurance contracts combine components of financial instruments and service contracts. Furthermore, many insurance contracts combine cash flows that vary substantially and have a long duration. For the purpose of providing useful information about these aspects, IFRS 17:

- combines the current measurement of future cash flows with the recognition of income throughout the period during which the services set forth in the contracts are provided.

- presents the revenue from the services provided separately from the financial expenses and income relating to these contracts.

- requires entities to decide whether to recognise the entirety of their financial income and expenses relating to insurance contracts in the profit and loss statement or whether part of such revenue shall be recognised in the statement of equity.

The implementation of this standard shall be mandatory as of 1 January 2021, although entities that have adopted IFRS 9 and IFRS 15 will be able to implement it earlier. This standard is currently pending adoption by the European Union.

IFRIC 23 "Uncertainty over income tax treatments"

This interpretation is to be applied to the estimation of the tax position when there is uncertainty over income tax treatments. To this end, entities are required to determine whether tax positions for which there is uncertainty should be considered independently or whether they should be considered together and whether it is probable that the relevant authority will accept the uncertain tax treatment that an entity has used or plans to use in its income tax filing:

- if considered probable, the entity will have to determine its tax position consistently with the tax treatment which it has used or plans to use;

- if considered not probable, the entity should reflect the effect of such uncertainty when determining its tax position.

This interpretation, which is currently pending adoption by the European Union, will come into effect on 1 January 2019, although its implementation prior to this date is permitted.

The bank's management believes that the adoption of the standard and the interpretation published by IASB during the first half of 2017 but not yet in effect will not have any significant impact on the Group.

Implementation of IFRS 9 "Financial instruments"

As explained in the consolidated annual accounts for 2016, the Group began preparatory work for the implementation of this standard at the end of 2014. This project covers three years (2015, 2016 and 2017) and is cross-cutting, as it will have an impact on the Group's processes and systems, and on the financial reporting governance and controls. This project is headed by a specific committee which is responsible, and has been from its inception, for coordinating the different Group departments involved and for ensuring that the implementation objectives which have been set are achieved on time.

The approach followed by the entity to take on new classification criteria for the purpose of presenting information related to financial instruments has consisted in establishing a process for the assessment of characteristics of financial assets which will determine their classification into one of the portfolios set forth in the standard. The results obtained after this assessment will be taken into consideration in the processes for accepting and granting new operations, when defining policies and fitting in new decisions to be taken within the entity's governance environment and when determining changes in current accounting cycles in order to incorporate these new requirements.

With regard to the focus of the project on the new estimated impairment loss model, the entity has worked on the adaptation of the triggers or indicators used to classify its financial instruments into one of the three portfolios defined in the standard and their implementation into the systems; the development of individual and collective analysis tools, together with their corresponding accounting processes and the definition of information flows between divisions and the assignment of responsibilities according to the functions established; the incorporation of forward looking information in the calculation of expected loss; the update of internal and external reporting based on the changes in IFRS 9, the analysis and development of the project for its implementation in the Group's subsidiaries; the documentation process of the criteria used for the adoption of the standard and the amendment of accounting policies; the adaptation of information flows to the governing bodies on aspects relating to implementation and review and the approval and decision making process. In this regard, the Group has adapted its approval processes for internal models to ensure their compliance with the new requirements. The plan to amend and adapt the systems is in its final stage of development and user tests have been initiated to validate the correct implementation of the models and the goodness of fit of the calculations, and to guarantee the alignment with the requirements set forth in the standard. These models will be subject to review by the Group's internal control functions.

The Group does not expect any significant changes in terms of classifying operations on the balance sheet arising from the use of the business model under which its financial assets are managed, given that the majority of cash flows that these represent are principal and interest payments, for which reason they will be valued at amortised cost, which is the main criterion by which the Group's financial assets are currently valued, as they mainly consist of loans and receivables.

The impacts due to the adaptation of the new accounting standard IFRS 9 are not expected to be significant in terms of the accounting classification in the various financial statements. In terms of value adjustments due to impairment, the main implications are the implementation of the expected lifetime loss model, which has certain effects which offset each other, and the introduction of scenarios in the consideration of the non-linearity of losses. For these purposes, as indicated above, the Group is in the process of adapting and calibrating the triggers or indicators of a significant increase in risk, which together with the use of internal models based on internal credit ratings, aligned with the Group's risk management, shall be used to determine the classification and insolvency provisions of each financial asset into one of the three portfolios mentioned earlier. On the other hand, in order to apply the expected lifetime loss model, the Group has developed its credit rating models, which are already used for regulatory purposes, incorporating the necessary changes to their calibration in order to comply with the new accounting standard. Additionally, the Group has scenario forecasting models, which shall be used to include forward looking information, both for the purpose of determining whether there is a significant increase in credit risks, as well as for estimating the total expected loss for assets.

Furthermore, no significant impacts on hedge accounting as a consequence of the entry into force of this standard are expected to occur.

Throughout 2017, the Group has developed a process which allows value adjustments due to impairment, obtained from the application of current accounting regulations (IAS 39), to be compared against those that would be obtained from the application of IFRS 9 (parallel run), with the objective of ensuring the correct implementation of the latter and analysing the new dynamics in the value adjustments due to impairment derived from the new standard.

The Group considers that the incorporation of IFRS 9 does not entail a significant change in its tools and methodologies for the management and monitoring of impairment losses on financial assets, although it does imply a necessity to carry out an assessment, through which the new changes in this standard should be incorporated into the processes and systems already established by the Group.

The project for the adoption of IFRS 9 is being developed in accordance with the plan and in line with expected implementation dates. As indicated above, the Group is currently assessing different existing alternatives for the practical application of some of the new requirements established by IFRS 9, and, as a consequence, its estimated impact will vary depending on the decisions which are finally adopted. Due to the foregoing, at the date of authorisation of these condensed interim consolidated accounts, the Group still does not have a sufficiently precise estimation of the impact that the initial application of this standard will have on consolidated financial statements.

Accounting principles and policies applied

The accounting principles and policies used in preparing these condensed interim consolidated financial statements are consistent with those used in drawing up the Group's consolidated annual accounts at 31 December 2016.

a) Use of judgements and estimates in preparing the financial statements

The preparation of the condensed interim consolidated financial statements requires certain accounting estimates to be made. It also requires that Management exercise judgement in the process of applying the Group's accounting policies. Such estimates may affect the carrying amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements, as well as income and expenses in the period covered by the same. The main estimates made in these condensed interim consolidated financial statements refer to the following:

• Income tax expense, in accordance with IAS 34, is recognised in interim periods on the basis of the best estimate of the weighted average tax rate that the Group expects for the annual period.

• Impairment losses on certain financial assets.

• Assumptions used in actuarial calculations of liabilities and commitments in respect of post-employment benefits and in those of liabilities under insurance contracts.

• Useful lives of tangible and intangible assets.

• The measurement of goodwill arising on consolidation.

• Provisions and consideration of contingent liabilities.

• Fair value of unquoted financial assets.

• Fair value of real estate assets held on the balance sheet.

Although estimates are based on the best information available to Management about the present and foreseeable circumstances, final outcomes may be at variance with these estimates.

With regards to the information included in the 2016 consolidated annual accounts (Note 24) concerning the potential impacts for Banco Sabadell on the reimbursement of amounts paid as a result of the application of mortgage floor clauses, whether as a result of the hypothetical cancellation by the courts of law of floor clauses or whether due to the implementation of Royal Decree-Law 1/2017 of 20 January on measures to protect consumers regarding floor clauses, the estimated maximum impact included in such consolidated annual accounts has been maintained.

b) Comparability

The information presented in these condensed interim consolidated financial statements in connection with 2016 is provided solely and exclusively for purposes of comparison with the information for the period ended 30 June 2017 (with the exception of the balance sheet, which is presented as at 31 December 2016).

c) Seasonal nature of the Group's transactions

Given the activities in which the Group companies are engaged, its transactions are not cyclical or seasonal in nature. Consequently, these notes to the condensed interim consolidated financial statements for the six months ended 30 June 2017 do not contain specific disclosures in this regard.

d) Materiality

In accordance with IAS 34, when determining the note disclosures to be made on the various items in the financial statements and other matters, the Group has taken into account their materiality in relation to the condensed interim consolidated financial statements.

Note 2 – Banco Sabadell Group

Banco Sabadell is comprised of different financial institutions, brands, subsidiaries and affiliates that cover all aspects of financial business.

Schedule I to the consolidated annual accounts for the year ended 31 December 2016 contains material disclosures about the Group companies that were consolidated as at that date and those recognised by the equity method.

Schedule I to these condensed interim consolidated financial statements gives details of the business combinations, acquisitions and sales of shares held in other institutions (subsidiaries and/or investments in associates) conducted by the Group during the six-month period ended 30 June 2017.

Removals from the scope of consolidation in the first half of 2017

On 22 June 2016, the Group reached an agreement to sell 100% of its shares in Mediterráneo Vida, Sociedad Anónima de Seguros y Reaseguros, a life insurance and saving/retirement insurance undertaking that has managed a portfolio with no new business since 2014 to a consortium led by Ember. The closing of this transaction was subject to obtaining the corresponding regulatory authorisation. Consequently, the Group did not record any gains/(losses) from this transaction in the consolidated profit and loss statement for 2016, although it reclassified assets and liabilities from this subsidiary company to headings of "*Non-current assets and disposal groups classified as held for sale*" and "*Liabilities included in disposal groups classified as held for sale*" of the consolidated balance sheet at 31 December 2016 pursuant to current legislation (see Note 13). In June 2017, having obtained the aforementioned authorisations, the Group has proceeded to account for the sale of this investee, recognising gains of €16,634 thousand.

Other business transactions during the first half of the year and current relevant contracts

Divestiture agreement of Sabadell United Bank, N.A.

On 28 February 2017, Banco Sabadell reached an agreement to sell shares representing 100% of the share capital of its subsidiary Sabadell United Bank, N.A. to the US entity Iberiabank Corporation (hereinafter, "IBKC"), for a total price, estimated at 30 June 2017, of USD 1,016 million.

The price will be paid upon the closing of the transaction through the delivery in cash of USD 803 million, the handover of 2,610,304 IBKC shares and, should such shares represent less than 4.9% of the working capital of IBKC, the difference up to 4.9% will be paid in cash, at a price per share set at $ 85.0039 per share. This transaction will generate net gains (estimated applying the exchange rate as at 30 June 2017) upon completion of approximately €387 million.

The closing of this transaction is scheduled for the second half of 2017, once the corresponding administrative authorisations have been obtained. Consequently, the Group did not record any gains/(losses) from this transaction in the consolidated profit and loss statement for the six-month period ended 30 June 2017, although it reclassified assets and liabilities from this subsidiary company to headings of "*Non-current assets and disposal groups classified as held for sale*" and "*Liabilities included in disposal groups classified as held for sale*" of the consolidated balance sheet at 30 June 2017 pursuant to current legislation (see Note 13).

Other disclosures

Asset protection scheme

As a result of the acquisition of Banco CAM on 1 June 2012, the Asset Protection Scheme (hereinafter, "APS") came into force with retroactive effect as from 31 July 2011, in accordance with the protocol on financial assistance for the restructuring of Banco CAM. Under the scheme, which covers a specified portfolio of assets with a gross value of €24,644 million at 31 July 2011, the Deposit Guarantee Fund (hereinafter, "DGF") will bear 80% of losses on the portfolio for a period of ten years, once impairment allowances in respect of those assets, which amounted to €3,882 million at that date, have been fully applied.

The portfolio of assets protected by the APS on the date it entered into force (31 July 2011) breaks down as follows:

€ million

	On individual balance sheet		On Group balance sheet	
	Balance	**Provision**	**Balance**	**Provision**
Loans and advances	21,711	2,912	19,117	2,263
Of which: risk drawn down	*21,091*	-	*18,460*	-
Of which: guarantees and contingent liabilities	*620*	-	*657*	-
Real estate assets	2,380	558	4,663	1,096
Investments in joint ventures and associates	193	52	504	163
Written-off assets	360	360	360	360
Total	**24,644**	**3,882**	**24,644**	**3,882**

Movements in the balance drawn from the customer lending portfolio protected by the APS from its entry into force until 30 June 2017 are as follows:

€ million

Balance at 31 July 2011	**18,460**
Acquisition of real estate assets	(7,071)
Collections received, subrogations and loan sales	(4,266)
Increase in written-off assets	(1,027)
Credit draw-downs	78
Balance at 30 June 2017	**6,175**

Movements in the balance of the real estate asset portfolio protected by the APS from its entry into force until 30 June 2017 are as follows:

€ million

Balance at 31 July 2011	**4,663**
Acquisition of real estate assets	5,192
Sale of real estate assets	(5,336)
Balance at 30 June 2017	**4,519**

The table below shows the breakdown of the portfolio of APS-protected assets as at 30 June 2017, the NPL ratios and NPL coverage ratios and the breakdown of financing awarded to construction and real estate development prior to the transfer of credit risk to the DGF:

€ million

	On Group balance sheet		*Of which doubtful*	
	Balance	**Provision**	***Balance***	***Provision***
Loans and advances	6,183	1,996	*3,731*	*1,987*
Of which: risk drawn down	6,175	1,995	*3,730*	*1,987*
Of which: guarantees and contingent liabilities	9	1	*1*	-
Real estate assets (*)	4,519	2,667	-	-
Investments in joint ventures and associates	48	29	-	-
Written-off assets	1,451	1,451	-	-
Total	**12,201**	**6,143**	***3,731***	***1,987***

(*) Real estate exposure for which credit risk has been transferred, applying the Asset Protection Scheme (see details on the exposure to the sector of provision and real estate development in Note 4).

%

	30/06/2017
NPL ratio	60.34
NPL coverage ratio	53.50

€ million

	On Group balance sheet		*Of which doubtful*	
	Balance	Provision	*Balance*	*Provision*
Draw down risk loans and advances	6,175	1,995	*3,730*	*1,987*
Of which financing for construction and real estate development (business in Spain)	2,786	1,463	*2,440*	*1,461*
For which credit risk has been transferred	2,229	1,170	*1,952*	*1,169*
For which credit risk has not been transferred	557	293	*488*	*292*
Total	**6,175**	**1,995**	***3,730***	***1,987***

The criteria for recording and presenting assets guaranteed by the APS are described in Note 2 to the consolidated annual accounts of 31 December 2016. For all losses recorded for accounting purposes, deriving from loan loss provisions, loan reductions, provisions for real estate asset impairments and losses from the disposal of these assets, the bank keeps a billing statement classed under the “Loans and receivables” heading and recognised on the profit and loss statement, in order to reflect the collection rights of the DGF for the guarantee granted by the same, and to neutralise the impact of recorded losses related to assets covered by the APS on the profit and loss statement. The cumulative amount recorded as at 30 June 2017 amounts to close to €4,800 million.

Note 3 – Proposed distribution of earnings and earnings per share

The dividends paid by the bank in the six-month period ended 30 June 2017 are detailed below:

Thousand euro

	30/06/2017		
	% of par	Euro per share	Amount
Ordinary shares	24%	0.03	168,485
Other shares (non-voting, redeemable, etc.)	0	0	0
Total dividends paid			**168,485**
a) Dividends charged to results	24%	0.03	168,485
b) Dividends charged to reserves or issue premium	0	0	0
c) Dividends in kind	0	0	0

The General Meeting of Shareholders, held on 30 March 2017, approved shareholder remuneration supplementary to the dividend corresponding to 2016, of €0.03 per share, which was paid on 7 April 2017. Previously, in December 2016, shareholders received remuneration in the form of a dividend of €0.02 per share, charged to the income statement for 2016, which was paid on 30 December 2016.

The dividends paid by the bank in the six-month period ended 30 June 2016 are detailed below:

Thousand euro

	30/06/2016		
	% of par	Euro per share	Amount
Ordinary shares	0%	0	0
Other shares (non-voting, redeemable, etc.)	0	0	0
Total dividends paid			**0**
a) Dividends charged to results	0%	0	0
b) Dividends charged to reserves or issue premium	0	0	0
c) Dividends in kind	0	0	0

On 31 March 2016, the General Meeting of Shareholders approved a flexible remuneration to shareholders arranged in the form of a capital increase charged to reserves in the amount of €0.05 per share, offering shareholders the opportunity to receive that amount in cash and/or in new shares through the sale of rights to free assignment, with the purchase commitment of rights to free assignment to be undertaken by the bank.

Each shareholder received a right to free assignment for each of the bank's shares which they owned. When the capital increase was carried out, each bank shareholder received one new share for every 34 rights to free assignment.

As a result, on 25 April 2016, a capital increase was carried out charged to reserves in the amount of €15,877 thousand through the issuance of 127,016,761 new shares with a par value of €0.125 each, since 79.40% of the owners of the rights to free assignment elected to receive new shares. The other 18.57% of holders of rights to free assignment accepted the bank's irrevocable commitment to purchase the rights, with the result that the bank acquired 1,010,122,734 rights for a total gross amount of €48,486 thousand, which is presented under "*Dividends (or shareholder remuneration)*", reducing "*Other reserves*" in the consolidated statement of changes in equity.

The General Meeting of Shareholders approved shareholder remuneration, supplementary to the dividend, of €0.02 per share consisting in the delivery of shares from the bank's treasury portfolio for an equivalent amount, which was recognised at its market value with a counterpart under "*Share premium*" at €106,448 thousand, and at the difference compared to the value of the delivered treasury portfolio (€135,695 thousand) and cash flow peaks (€213 thousand) with a counterpart in "*Other reserves*" amounting to €29,461 thousand. Both are shown under the heading "*Dividends (or shareholder remuneration)*" of the consolidated statement of changes in equity.

Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss attributable to the Group by the weighted average number of ordinary shares outstanding in the year, excluding any treasury shares purchased by the Group. Diluted earnings per share are calculated by adjusting the profit or loss attributable to the Group and the weighted average number of ordinary shares outstanding for the estimated effect of all potential conversions of ordinary shares.

Earnings per share calculations of the Group are shown in the following table:

Thousand euro

	30/06/2017	30/06/2016
Group attributable net profit (thousand euro)	450,618	425,336
Result from discontinued operations (net) (thousand euro)	-	-
Weighted average number of ordinary shares outstanding (*)	5,573,976,556	5,398,556,699
Assumed conversion of convertible debt and other equity instruments	9,938,231	48,826,184
Adjusted weighted average number of ordinary shares outstanding	5,583,914,787	5,447,382,883
Earnings per share (in euros)	0.08	0.08
Basic earnings per share adjusted for effect of mandatory convertible bonds (in euros)	0.08	0.08
Diluted earnings per share (in euros)	0.08	0.08

(*) Average number of outstanding shares, excluding the average number of own shares held as treasury throughout the period.

At 30 June 2017 and 2016, there were no other share-based financial instruments or commitments to employees with a material impact on the calculation of diluted earnings per share for the periods presented. For this reason, basic earnings per share coincide with diluted earnings per share.

Note 4 – Financial risk management

Note 4 to the consolidated annual accounts for 2016 on Financial risk management gives information on the corporate risk culture, the risk appetite framework and the overall organisation of the risk function, as well as the management and monitoring of the main financial and non-financial risks.

Relevant information updated to 30 June 2017 relative to financial risk management is shown below.

4.1 Credit risk

Credit risk exposure

The tables below show the breakdown, by headings of the consolidated balance sheet, of the Group's maximum gross exposure to credit risk at 30 June 2017 and 31 December 2016, without deducting collateral or credit upgrades received in order to ensure compliance with payment obligations, broken down in accordance with the nature of the financial instruments and their counterparties:

Maximum credit risk exposure	Note	30/06/2017	31/12/2016
Financial assets held for trading			
Equity instruments		5,664	10,629
Debt securities	8	314,302	1,639,097
Loans and advances		-	-
Financial assets designated at fair value through profit or loss			
Equity instruments		34,605	34,827
Debt securities		5,551	-
Loans and advances		2,848	-
Available-for-sale financial assets			
Equity instruments		658,784	766,609
Debt securities	8	18,532,538	18,128,525
Loans and receivables			
Debt securities	8	609,047	930,585
Loans and advances	9	151,713,134	154,393,890
Held-to-maturity investments	**8**	**9,344,274**	**4,598,190**
Derivatives		**2,066,057**	**2,369,655**
Total risk due to financial assets		**183,286,803**	**182,872,007**
Guarantees given		8,445,792	8,529,354
Other commitments given		20,739,704	25,208,687
Total commitments and guarantees given		**29,185,496**	**33,738,041**
Total maximum credit risk exposure		**212,472,299**	**216,610,048**

The value of the collateral received to ensure collection, broken down into collateral and other guarantees, at 30 June 2017 and at 2016 year-end, are as follows:

Thousand euro

Guarantees received	30/06/2017	31/12/2016
Collateral value	83,370,501	87,667,577
Of which: doubtful exposures guarantees	*4,448,331*	*4,500,350*
Value of other guarantees	9,845,249	8,911,554
Of which: doubtful exposures guarantees	*408,740*	*485,640*
Total value of guarantees received	**93,215,750**	**96,579,131**

Information on the value of financial guarantees given at 30 June 2017 and 2016 year-end is shown below:

Thousand euro

	30/06/2017	31/12/2016
Loan commitments given	20,271,354	19,567,289
The amount of which is non-performing	44,400	-
Amount reflected under liabilities on the balance sheet	25,427	23,160
Financial guarantees given (*)	1,865,612	1,878,608
The amount of which is non-performing	37,545	*42,507*
Amount reflected under liabilities on the balance sheet (**)	38,789	35,382
Other commitments given	7,048,530	6,650,746
The amount of which is non-performing	13,348	*61,632*
Amount reflected under liabilities on the balance sheet	14,152	25,490

(*) Of which 89 and 89 million euros in June 2017 and December 2016 granted in relation to construction and real estate development.

(**) Of which 5 and 2 million euros in June 2017 and December 2016 recorded under liabilities on the balance sheet in relation to real estate development.

Refinancing and restructuring operations

Information on refinancing and restructuring operations at 30 June 2017 and 2016 year-end is shown below. The Group's refinancing policy and strategy is described in Note 4 on "*Financial risk management*" in the 2016 consolidated annual accounts.

Thousand euro

	30/06/2017						
	Credit institutions	**Public Administrations**	**Other financial corporations and individual entrepreneurs (financial business activity)**	**Other financial corporations and individual entrepreneurs (non-financial business activity)**	***Of which: financing and construction of real estate development (including land)***	**Rest of households**	**Tot**
Total							
Unsecured							
Number of operations	-	23	55	16,514	*1,805*	54,061	**70,65**
Gross carrying amount	-	18,304	80,952	2,010,496	*386,709*	331,576	**2,441,32**
Secured							
Number of operations	-	8	23	14,520	*4,369*	41,440	**55,99**
Gross carrying amount	-	325	1,430	2,586,990	*778,022*	2,978,978	**5,567,72**
Impairment allowances	**-**	**623**	**9,793**	**1,076,434**	***421,992***	**366,425**	**1,453,27**
Of which doubtful risk							
Unsecured							
Number of operations	-	*6*	*20*	*6,580*	*1,604*	*27,021*	***33,62***
Gross carrying amount	-	*2,650*	*13,843*	*1,163,785*	*348,682*	*199,563*	***1,379,84***
Secured							
Number of operations	-	*6*	*11*	*7,795*	*3,529*	*18,702*	***26,51***
Gross carrying amount	-	*326*	*802*	*1,455,748*	*581,794*	*1,608,188*	***3,065,06***
Specific coverage	**-**	***623***	***9,763***	***1,020,933***	***417,093***	***338,989***	***1,370,30***
Total							
Number of operations	-	31	78	31,034	*6,174*	95,501	**126,64**
Gross amount	-	18,629	82,382	4,597,486	*1,164,731*	3,310,554	**8,009,05**
Impairment allowances	-	623	9,793	1,076,434	*421,992*	366,425	**1,453,27**
Additional information: financing classed as Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	

Thousand euro

	31/12/2016						
	Credit institutions	Public Administrations	Other financial corporations and individual entrepreneurs (financial business activity)	Other financial corporations and individual entrepreneurs (non-financial business activity)	*Of which: financing and construction of real estate development (including land)*	Rest of households	Tot
Total							
Unsecured							
Number of operations	-	-	56	19,308	*700*	60,132	**79,4**
Gross carrying amount	-	-	134,220	1,403,486	*152,090*	214,648	**1,752,3**
Secured							
Number of operations	-	28	23	20,241	*7,609*	51,912	**72,2**
Gross carrying amount	-	21,259	12,253	3,929,309	*1,412,073*	3,548,530	**7,511,3**
Impairment allowances	-	865	255	1,240,631	*558,242*	422,435	**1,664,1**
Of which doubtful risk							
Unsecured							
Number of operations	-	-	*11*	*5,219*	*381*	*24,434*	***29,6***
Gross carrying amount	-	-	*417*	*602,180*	*136,516*	*89,514*	***692,1***
Secured							
Number of operations	-	*9*	*12*	*11,373*	*6,342*	*20,735*	***32,1***
Gross carrying amount	-	*3,125*	*689*	*2,388,137*	*1,112,891*	*1,669,943*	***4,061,8***
Specific coverage	-	*865*	*228*	*1,150,073*	*550,584*	*380,629*	***1,531,7***
Total							
Number of operations	-	28	79	39,549	*8,309*	112,044	**151,7**
Gross amount	-	21,259	146,473	5,332,795	*1,564,163*	3,763,178	**9,263,7**
Impairment allowances	-	865	255	1,240,631	*558,242*	422,435	**1,664,1**
Additional information: financing classed as Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	

The value of the guarantees received to ensure collection associated with refinancing and restructuring operations, broken down into collateral and other guarantees, at 30 June 2017 and 2016 year-end, are as follows:

Thousand euro

Guarantees Received	**30/06/2017**	**31/12/2016**
Collateral value	4,880,221	5,817,830
Of which: non-performing risks guarantees	2,254,375	2,621,019
Amount of other guarantees	569,349	653,986
Of which: non-performing risks guarantees	251,837	250,968
Total value of guarantees received	**5,449,570**	**6,471,816**

Detailed movements of the refinancing and restructuring balance and associated provisions during the first half of 2017 and 2016 are as follows:

Thousand euro

	30/06/2017	**30/06/2016**
Opening balance	9,263,705	14,816,307
(+) Refinancing and restructuring in the period	774,798	1,515,998
Memorandum item: impact recorded in the profit and loss account for the period	*65,032*	*192,850*
(-) Debt amortisation	(748,273)	(1,334,110)
(-) Foreclosures	(227,545)	(282,172)
(-) Balance sheet write offs (reclassified as write offs)	(108,732)	(94,052)
(+)/(-) Other changes (*)	(944,902)	(1,072,540)
Balance at the end of the period	**8,009,051**	**13,549,431**

(*) Includes mainly financial assets no longer classified as refinanced as they exceed the cure periods set previously.

The table below shows the value of operations which, after refinancing or restructuring, have been classified as doubtful during the period:

Thousand euro

	30/06/2017	31/12/2016
Public Administrations	-	**707**
Rest of legal entities and individual entrepreneurs	**147,067**	**444,792**
Of which: Financing of construction and development	27,234	124,975
Rest of natural persons	**216,508**	**349,306**
Total	**363,575**	**794,805**

The average probability of default at 30 June 2017 and 31 December 2016 of current refinancing and restructuring operations per activity is as follows:

%

	30/06/2017	31/12/2016
Public Administrations (*)	-	-
Rest of legal entities and individual entrepreneurs	10	11
Of which: Financing of construction and development	*11*	*12*
Rest of natural persons	12	12

(*) The use of internal models to calculate capital requirements regarding this information is not authorised.

Average probability of default is calculated as at the end of the quarter immediately preceding the publication of results.

Concentration risk

Country risk: geographic exposure to credit risk

The breakdown of risks by activity and at global level at 30 June 2017 and 31 December 2016 is as follows:

Thousand euro

	30/06/2017				
	Total	Spain	Rest of European Union	Americas	Rest of the world
Credit institutions	**21,530,101**	**8,403,238**	**11,401,420**	**1,156,996**	**568,447**
Public Administrations	**35,572,271**	**18,600,954**	**11,645,940**	**5,254,729**	**70,648**
Central Administration	29,784,970	13,344,778	11,645,935	4,753,900	40,357
Rest	5,787,301	5,256,176	5	500,829	30,291
Other financial institutions	**6,358,422**	**3,197,397**	**1,451,916**	**1,663,327**	**45,782**
Non-financial companies and individual entrepreneurs	**64,045,582**	**55,090,920**	**3,585,064**	**4,790,456**	**579,142**
Construction and real estate	5,937,664	5,840,660	15,881	57,801	23,322
Civil works construction	1,558,360	1,525,305	12,467	18,004	2,584
Other Purposes	56,549,558	47,724,955	3,556,716	4,714,651	553,236
Large companies	21,157,501	15,980,501	1,505,192	3,602,094	69,714
SMEs and individual proprietors	35,392,057	31,744,454	2,051,524	1,112,557	483,522
Non-profit institutions serving households	**73,553,046**	**36,488,588**	**35,898,389**	**156,303**	**1,009,766**
Properties	62,417,107	28,196,327	33,209,957	148,248	862,575
Consumption	7,197,217	5,344,558	1,716,050	6,693	129,916
Other purposes	3,938,722	2,947,703	972,382	1,362	17,275
Total	**201,059,422**	**121,781,097**	**63,982,729**	**13,021,811**	**2,273,785**

Thousand euro

	31/12/2016				
	Total	Spain	Rest of European Union	Americas	Rest of the world
Credit institutions	**18,269,730**	**8,058,200**	**8,463,915**	**1,208,778**	**538,837**
Public Administrations	**32,794,943**	**19,758,603**	**9,533,956**	**3,425,625**	**76,759**
Central Administration	25,016,113	14,395,295	9,403,079	1,179,130	38,609
Rest	7,778,830	5,363,308	130,877	2,246,495	38,150
Other financial institutions	**3,761,100**	**2,700,955**	**525,918**	**481,114**	**53,113**
Non-financial companies and individual entrepreneurs	**64,159,247**	**51,874,700**	**3,429,712**	**8,211,138**	**643,697**
Construction and real estate	7,647,180	7,008,309	87,631	505,737	45,503
Civil works construction	1,879,036	1,820,929	23,810	22,712	11,585
Other Purposes	54,633,031	43,045,462	3,318,271	7,682,689	586,609
Large companies	24,658,629	16,496,530	2,424,411	5,408,744	328,944
SMEs and individual proprietors	29,974,402	26,548,932	893,860	2,273,945	257,665
Non-profit institutions serving households	**78,609,080**	**39,866,067**	**36,253,458**	**1,614,775**	**874,780**
Properties	67,015,350	31,112,369	33,598,901	1,579,745	724,335
Consumption	7,515,541	5,764,952	1,603,144	17,097	130,348
Other purposes	4,078,189	2,988,746	1,051,413	17,933	20,097
Total	**197,594,100**	**122,258,525**	**58,206,959**	**14,941,430**	**2,187,186**

Sovereign risk exposure

The breakdown, by type of financial instrument, of the exposure to sovereign risk, applying the criteria required by the European Banking Authority (EBA), at 30 June 2017 and 31 December 2016, is as follows:

Thousand euro

	30/06/2017										
	Sovereign debt securities						Derivatives				
Sovereign risk exposure by country (*)	Trading portfolio	Short positions	Available-for-sale portfolio	Loans and receivables	Held until maturity	Loans and advances to customers (**)	Direct exposure	Indirect exposure	Total	Other exposures (***)	%
Spain	120,052	(68,161)	8,337,907	-	639,223	9,638,924	-	(4)	18,667,941	4,309	52.6%
Italty	10,251	-	3,588,574	-	6,873,206	-	-	-	10,472,031	-	29.5%
United Kingdom	-	-	3,781,540	-	-	19	-	-	3,781,559	-	10.6%
Portugal	-	-	51,685	-	1,090,393	-	-	-	1,142,078	-	3.2%
Mexico	-	-	186,699	-	506,316	-	-	-	693,015	-	2.0%
USA	-	-	183,181	-	-	60	-	-	183,241	-	0.5%
Rest of the world	10,277	-	364,206	-	142,103	51,824	-	-	568,410	-	1.6%
Total	**140,580**	**(68,161)**	**16,493,792**	**-**	**9,251,241**	**9,690,827**	**-**	**(4)**	**35,508,275**	**4,309**	**100.0%**

(*) Sovereign exposure positions shown in accordance with EBA critieria.

(**) Includes amounts not drawn under credit transactions and other contingent exposures (€ 542 million euros as at 30 June 2017).

(***) Relates to commitments for cash purchases and sales of financial assets.

Thousand euro

	31/12/2016										
	Sovereign debt securities						Derivatives				
Sovereign risk exposure by country (*)	Trading portfolio	Short positions	Available-for-sale portfolio	Loans and receivables	Held until maturity	Loans and advances to customers (**)	Direct exposure	Indirect exposure	Total	Other exposures (***)	%
Spain	932,175	(59,891)	8,461,114	320,667	-	10,080,456	-	13,352	19,747,873	99,927	57.4%
Italty	502,026	-	2,711,220	-	2,818,518	-	-	4,026	6,035,790	2,362,526	24.3%
USA	-	-	1,323,396	-	-	93,665	-	30,720	1,447,781	265,456	5.0%
United Kingdom	-	-	2,187,458	-	-	19	-	-	2,187,477	-	6.3%
Portugal	-	-	-	-	1,106,401	-	-	-	1,106,401	-	3.2%
Mexico	-	-	201,802	-	550,184	-	-	-	751,986	-	2.2%
Rest of the world	10,332	-	324,489	-	123,088	125,818	-	-	583,727	(1)	1.7%
Total	**1,444,533**	**(59,891)**	**15,209,479**	**320,667**	**4,598,191**	**10,299,957**	**-**	**48,098**	**31,861,035**	**2,727,908**	**100.0%**

(*) Sovereign exposure positions shown in accordance with EBA critieria.

(**) Includes amounts not drawn under credit transactions and other contingent exposures (€ 544 million euros as at 31 December 2016).

(***) Relates to commitments for cash purchases and sales of financial assets.

Exposure to construction and real estate development

Details of financing intended for construction and real estate development and its coverage are as follows:

€ million

	30/06/2017				
	Gross amount	*Of which: APS (*)*	Excess value of guarantee	*Of which: APS (*)*	Allowances for impairment losses (**)
Financing for construction and real estate development (including land) (businesses in Spain)	**6,313**	***2,786***	**2,186**	***1,385***	**879**
Of which: doubtful	*1,774*	-	*754*	-	*858*

(*) Exposure for which, by applying the Asset Protection Scheme (see note 2), credit risk has been transferred. It thus corresponds to 80% of the total value of the exposure.

(**) Value adjustments made due to exposure for which the bank maintains credit risks. Value adjustments made for exposures for which risk has been transferred are therefore not included.

€ million

	31/12/2016				
	Gross amount	*Of which: APS (*)*	Excess value of guarantee	*Of which: APS (*)*	Allowances for impairment losses (**)
Financing for construction and real estate development (including land) (businesses in Spain)	**7,762**	***3,008***	**2,602**	***1,301***	**1,183**
Of which: doubtful	*2,387*	-	*759*	-	*1,136*

(*) Exposure for which, by applying the Asset Protection Scheme (see note 2), credit risk has been transferred. It thus corresponds to 80% of the total value of the exposure.

(**) Value adjustments made due to exposure for which the bank maintains credit risks. Value adjustments made for exposures for which risk has been transferred are therefore not included.

€ million

	Gross carrying amount	
Memorandum item	**30/06/2017**	**31/12/2016**
Assets written-off	96	136

€ million

	Amount	Amount
Memorandum item	**30/06/2017**	**31/12/2016**
Customer loans and advances, excluding Public Administrations (businesses in Spain) (carrying amount)	93,312	93,865
Total assets (total businesses) (carrying amount)	217,458	212,508
Allowances and provisions for exposures classed as standard (total businesses)	883	880

The breakdown of financing intended for construction and real estate development for operations registered by credit institutions (business in Spain) is as follows:

€ million

	Gross carrying amount 30/06/2017	*Of which: APS*	Gross carrying amount 31/12/2016	*Of which: APS*
Unsecured	**870**	***537***	**701**	***62***
Mortgage loan	**5,443**	***2,249***	**7,061**	***2,946***
Finished buildings and other constructions	3,872	*1,266*	4,820	*1,717*
Housing	2,516	*943*	3,487	*1,281*
Rest	1,356	*323*	1,333	*436*
Buildings and others under construction	226	*159*	380	*245*
Housing	202	*146*	343	*222*
Rest	24	*13*	37	*23*
Land	1,345	*824*	1,861	*984*
Building land	1,176	*677*	1,555	*805*
Other land	169	*147*	306	*179*
Total	**6,313**	***2,786***	**7,762**	***3,008***

The figures shown do not show the total value of guarantees received, but the net accounting value of the associated exposure.

Guarantees received associated with financing intended for construction and real estate development are shown hereafter, for both periods:

€ million

Guarantees received	**30/06/2017**	**31/12/2016**
Collateral value	3,257	4,141
Of which: doubtful risks	760	*1,068*
Value of other guarantees	1,093	1,127
Of which: doubtful risks	40	*64*
Total value of guarantees received	**4,351**	**5,268**

The breakdown of lending to households for the acquisition of property for transactions recorded by credit institutions (business in Spain) is as follows:

€ million

	30/06/2017		
	Gross carrying amount	***Of which: APS***	***Of which: doubtful***
Lending for house purchase	**33,061**	**815**	**1,983**
Unsecured	622	*20*	110
Mortgage security	32,439	*795*	1,873

€ million

	31/12/2016		
	Gross carrying amount	***Of which: APS***	***Of which: doubtful***
Lending for house purchase	**33,696**	**693**	**2,051**
Unsecured	199	*1*	4
Mortgage security	33,497	*692*	2,047

The table below shows the breakdown of secured mortgage loans granted to households for the purchase of housing in terms of the percentage of the last available valuation amount for transactions recorded by credit institutions (business in Spain) represented by the total amount loaned:

€ million

	30/06/2017		
	Gross carrying amount	***Of which: APS***	***Of which: doubtful***
LTV ranges	**32,439**	***795***	***1,873***
LTV <= 40%	6,167	*75*	*229*
40% < LTV <= 60%	7,875	*148*	*242*
60% < LTV <= 80%	9,490	*217*	*423*
80% < LTV <= 100%	6,034	*191*	*474*
LTV > 100%	2,873	*164*	*505*

€ million

	31/12/2016		
	Gross carrying amount	***Of which: APS***	***Of which: doubtful***
LTV ranges	**33,497**	***692***	***2,047***
LTV <= 40%	8,132	*172*	*337*
40% < LTV <= 60%	11,268	*251*	*480*
60% < LTV <= 80%	10,196	*194*	*726*
80% < LTV <= 100%	2,650	*43*	*307*
LTV > 100%	1,251	*31*	*197*

Lastly, the table below gives details of assets awarded to companies in the consolidated group for transactions recorded by credit institutions in Spain:

€ million

	30/06/2017			
	Gross carrying amount	Allowances	*Gross amount (**)*	*Allowances (**)*
Real estate assets deriving from financing of construction and real estate development	**7,651**	**2,960**	***6,999***	***3,421***
Finished buildings	3,145	791	*2,721*	*1,041*
Housing	1,663	388	*1,369*	*552*
Rest	1,482	403	*1,352*	*489*
Buildings under construction	584	187	*499*	*225*
Housing	507	153	*430*	*185*
Rest	77	34	*69*	*40*
Land	3,922	1,982	*3,779*	*2,155*
Building land	1,460	686	*1,379*	*789*
Other land	2,462	1,296	*2,400*	*1,366*
Real estate assets deriving from home loan mortgages for house purchases	**1,972**	**556**	***1,918***	***843***
Other foreclosed real estate assets or received in discharge of debts	-	-	-	-
Foreclosed equity instruments or received in discharge of debts	**5**	**5**	-	-
Equity instruments of entities holding foreclosed real estate assets or received in discharge of debts	-	-	-	-
Financing to entities holding foreclosed real estate assets or received in discharge of debts (*)	-	-	-	-
Total real-estate portfolio	**9,628**	**3,521**	***8,917***	***4,264***

(*) Financing to non-consolidated investees is included in the first table in this note.

(**) Problematic real-estate assets including properties outside of national territory, considering the hedging in the original financing and the credit risk transferred upon application of the APS.

€ million

	31/12/2016			
	Gross carrying amount	Allowances	*Gross amount (**)*	*Allowances (**)*
Real estate assets deriving from financing of construction and real estate development	**7,842**	**3,026**	***7,116***	***3,438***
Finished buildings	3,241	855	*2,788*	*1,086*
Housing	1,729	425	*1,377*	*576*
Rest	1,512	430	*1,412*	*510*
Buildings under construction	564	176	*477*	*212*
Housing	467	140	*389*	*171*
Rest	97	36	*88*	*41*
Land	4,037	1,995	*3,851*	*2,140*
Building land	1,564	721	*1,455*	*820*
Other land	2,473	1,274	*2,396*	*1,320*
Real estate assets deriving from home loan mortgages for house purchases	**1,999**	**599**	***1,918***	***859***
Other foreclosed real estate assets or received in discharge of debts	-	-	-	-
Foreclosed equity instruments or received in discharge of debts	**30**	**1**	-	-
Equity instruments of entities holding foreclosed real estate assets or received in discharge of debts	-	-	-	-
Financing to entities holding foreclosed real estate assets or received in discharge of debts (*)	-	-	-	-
Total real-estate portfolio	**9,871**	**3,626**	**9,035**	**4,297**

(*) Financing to non-consolidated investees is included in the first table in this note.

(**) Problematic real-estate assets including properties outside of national territory, considering the hedging in the original financing and the credit risk transferred upon application of the APS.

Given that for part of these assets the risk of loss of value is transferred by the Asset Protection Scheme, the table below shows the reconciliation with the amount corresponding to problematic real estate assets, including amounts from outside Spain.

€ million

	30/06/2017		
	Gross Value	Net carrying value	Allowances for impairment losses
Total business Spain	**9,624**	**6,108**	**3,516**
Total business outside of Spain and others	28	26	2
Transferred credit risk with the application of APS	(1,481)	(1,481)	-
Coverage constitued in the original financing	746	-	746
Total	**8,917**	**4,653**	**4,264**

€ million

	31/12/2016		
	Gross Value	Net carrying value	Allowances for impairment losses
Total business Spain	**9,841**	**6,216**	**3,625**
Total business outside of Spain and others	49	45	4
Transferred credit risk with the application of APS	(1,523)	(1,523)	-
Coverage constitued in the original financing	668	-	668
Total	**9,035**	**4,738**	**4,297**

As part of its ongoing risk management and, in particular, its policy on the construction and real estate development, the Group has a number of specific policies for mitigating risks. These can be seen in Note 4 on Financial Risk Management in the 2016 consolidated annual accounts.

4.2 Liquidity risk

Assessment of liquidity requirements and funding policy

Banco Sabadell's liquidity management seeks to ensure funding for its commercial activity at an appropriate cost and term while minimising liquidity risk. The bank's funding policy is focused on maintaining a balanced funding structure, based mainly on customer deposits, and supplemented with access to wholesale markets that allows the Group to maintain a comfortable liquidity position at all times.

In order to manage its liquidity, the Group applies a structure based on Liquidity Management Units (UGLs, for their acronym in Spanish). Each UGL is responsible for managing its own liquidity and for setting its own metrics to control liquidity risk, in coordination with the Group's corporate functions. At present, the UGLs are Banco Sabadell (includes overseas branches - OFEX), Sabadell United Bank (SUB), Banc Sabadell d'Andorra (BSA) and TSB.

The main source of funding of the Group is customer deposits (mainly sight accounts and term deposits captured through the branch network), supplemented by funding through interbank and capital markets in which the entity maintains various short-term and long-term funding programmes in order to achieve an adequate level of diversification in terms of type of product, term and investor. The institution maintains a diversified portfolio of liquid assets that are largely eligible as collateral in exchange for access to financing operations with the European Central Bank (ECB).

During the first half of 2017, the generation of the customer funding gap at Group level (not including the contribution of SUB) amounted to €3,596 million, due mainly to the positive evolution of customer funds.

In the first half of 2017, Banco Sabadell's maturities on the wholesale market amounted to €2,862 million (excluding securitisations) and it issued €1,750 million in the capital markets.

In the second half of 2017, Banco Sabadell has forecast maturing medium- and long-term wholesale market debt of €285 million (excludes partial amortisations derived from securitisations placed on the market).

At 30 June 2017, the drawn balance of the bank's facility held in Bank of Spain for monetary policy transactions with the European Central Bank stands at €20,938 million (€11,818 million at 31 December 2016), of which €20,500 million correspond to the TLTRO II (targeted longer term refinancing operations) liquidity auctions and USD 500 million from the weekly auction. During the first half of 2017, Banco Sabadell has participated in the TLTRO II liquidity auction of 29 March 2017, for an amount of €10,500 million.

During the first half of 2017, TSB has accessed the Term Funding Scheme (TFS), the new funding scheme announced by Bank of England in mid-2016, amounting to €5,180 million at 30 June 2017.

The table below shows the breakdown of balances by contractual maturity, excluding, in some cases, value adjustments and losses due to impairment of certain items on the consolidated balance sheet at 30 June 2017 under business-as-usual market conditions:

Thousand euro

Residual Contractual Maturities 30/06/2017	Sight	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total
Money Market	500,120	15,338,570	111,386	706,244	-	22,437	423,394	-	-	**17,102,151**
Loans and receivables	824,868	5,322,772	5,999,724	15,486,529	13,010,262	11,200,291	10,288,389	9,081,860	61,092,570	**132,307,265**
Debt securities	6,620	8,765	119,925	797,746	791,445	607,385	769,092	1,664,778	23,204,065	**27,969,821**
Other assets	1,859,966	-	-	-	-	-	-	-	-	**1,859,966**
Total assets	**3,191,574**	**20,670,107**	**6,231,035**	**16,990,519**	**13,801,707**	**11,830,113**	**11,480,875**	**10,746,638**	**84,296,635**	**179,239,203**
Money Market	6,701	5,329,982	684,399	2,041,091	12,262	10,150,168	10,693,260	77,359	5,556,794	**34,552,016**
Customer resources	90,919,603	5,169,136	5,554,992	22,355,026	3,430,885	1,567,743	587,159	880,918	(1,497,088)	**128,968,374**
Marketable debt securities (*)	-	923,819	989,856	5,630,432	3,488,863	2,617,104	3,458,204	2,946,308	6,591,668	**26,646,254**
Of which: Subordinated liabilities	-	*300,000*	-	*817,680*	*1,970,697*	*924,786*	*478,233*	*775,000*	*533,425*	***5,799,821***
Other liabilities	760,344	166,739	179,440	788,308	657,504	428,459	285,826	180,935	549,259	**3,996,814**
Total liabilities	**91,686,648**	**11,589,676**	**7,408,687**	**30,814,857**	**7,589,514**	**14,763,474**	**15,024,449**	**4,085,520**	**11,200,633**	**194,163,458**
Of which:										
Secured liabilities	-	*4,319,854*	*738,717*	*2,740,470*	*858,069*	*40,366*	*2,091,099*	*439,189*	*6,841,119*	**18,068,883**
Unsecured liabilities	*91,686,648*	*7,269,822*	*6,669,970*	*28,074,387*	*6,731,446*	*14,723,108*	*12,933,350*	*3,646,330*	*4,359,515*	**176,094,576**
Trading and Hedging Derivatives										
Receipt positions	-	6,529,904	7,060,142	18,949,548	15,082,096	8,821,635	5,276,615	9,071,306	58,602,120	**129,393,366**
Payment positions	-	4,276,697	5,490,384	18,850,762	15,792,508	7,526,630	14,136,130	10,610,729	42,070,435	**118,754,275**
Net	-	**2,253,207**	**1,569,758**	**98,786**	**(710,412)**	**1,295,005**	**(8,859,515)**	**(1,539,423)**	**16,531,685**	**10,639,091**
Contingent risks										
Financial Guarantees	13,162	56,223	83,238	411,679	286,203	173,781	106,221	103,263	1,528,853	**2,762,623**

Thousand euro

Residual Contractual Maturities 31/12/2016	Sight	Up to 1 month	Between 1 and 3	Between 3 and 12	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total
Money Market	383,232	11,063,550	507,680	883,355	10,056	15,433	435,058	-	-	**13,298,364**
Loans and receivables	*318,850*	*4,238,238*	*5,884,157*	*15,517,248*	*13,888,186*	11,664,735	9,733,905	9,008,065	60,823,760	**131,077,143**
Debt securities	-	38,307	59,429	1,100,296	1,014,272	938,892	907,656	1,827,359	18,552,479	**24,438,690**
Other assets	*546,756*	*10,679*	-	-	-	-	-	-	-	**557,435**
Total assets	**1,248,837**	**15,350,774**	**6,451,267**	**17,500,899**	**14,912,514**	**12,619,060**	**11,076,620**	**10,835,424**	**79,376,239**	**169,371,633**
Money Market	1,534	9,548,830	1,954,808	2,423,471	304,337	2,244,063	10,650,509	66,769	53,170	**27,247,492**
Customer resources	80,027,468	6,350,790	8,471,037	22,525,772	5,394,356	1,588,454	801,168	818,282	55,571	**126,032,898**
Marketable debt securities (*)	-	2,093,982	2,440,386	4,909,701	3,366,905	1,757,627	3,998,428	3,278,376	5,985,687	**27,831,091**
Of which: Subordinated liabilities	-	-	-	83,730	-	-	424,600	490,061	533,425	**1,531,817**
Other liabilities	-	410,667	243,272	1,397,473	802,843	614,196	403,583	298,528	1,767,318	**5,937,879**
Total liabilities	**80,029,002**	**18,404,269**	**13,109,502**	**31,256,417**	**9,868,440**	**6,204,340**	**15,853,688**	**4,461,955**	**7,861,746**	**187,049,360**
Of which:										
Secured liabilities	-	*8,478,820*	*1,882,382*	*3,974,636*	*2,094,706*	*3,822,941*	*3,663,130*	*2,682,400*	*5,385,729*	**31,984,744**
Unsecured liabilities	*80,029,002*	*9,925,449*	*11,227,121*	*27,281,780*	*7,773,734*	*2,381,399*	*12,190,558*	*1,779,555*	*2,476,018*	**155,064,615**
Trading and Hedging Derivatives										
Receipt positions	406	9,001,830	9,145,760	18,968,059	16,589,433	7,200,243	5,940,177	8,066,168	44,857,154	**119,769,230**
Payment positions	-	11,218,731	16,426,905	21,866,001	16,740,936	7,359,623	9,392,160	6,721,421	45,770,028	**135,495,805**
Net	**406**	**(2,216,901)**	**(7,281,145)**	**(2,897,942)**	**(151,503)**	**(159,380)**	**(3,451,983)**	**1,344,747**	**(912,874)**	**(15,726,575)**
Contingent risks										
Financial Guarantees	177	93,030	109,441	497,196	207,737	223,510	80,672	109,238	1,350,151	**2,671,150**

Note 4 "*Financial risk management*" of the 2016 consolidated annual accounts of Banco Sabadell Group describes the policies and procedures used by the Group to manage liquidity risk.

Liquid assets

Banco Sabadell maintains a liquidity buffer in the form of liquid assets to meet eventual liquidity needs. This buffer is mainly comprised of the following assets:

€ million

	30/06/2017	31/12/2016
Cash (*) + Interbank Net Position	9,700	8,002
Available under the facility	6,372	6,869
Assets pledged under the facility (**)	*27,310*	*18,687*
Drawn-down balance on Bank of Spain facility (***)	*20,938*	*11,818*
Elegible ECB assets outside of the facility	7,877	8,423
Other non-elegible marketable assets by the central bank (****)	4,434	3,587
Total Liquid Assets Available	**28,383**	**26,881**

(*) Excess reserves at central banks.

(**) Market value and once the ECB discount is applied for monetary policy transactions.

(***) Of which, as at 30 June 2017, €20,500 million correspond to the ECB's four-year TLTRO II (Targeted Longer Term Refinancing Operations II) liquidity auctions of 29 March 2017 and 29 June 2016. As at 31 December 2016, €10,000 million corresponded to the ECB's TLTRO II liquidity auction of 29 June 2016.

(****) Market value after applying the Liquidity Coverage Ratio (LCR) haircut. Includes Fixed Income as a quality and liquid asset according to the LCR (HQLA) and other marketable securities of different entities of the Group.

In the case of TSB, the first line of liquidity at 30 June 2017 is mainly comprised of gilts amounting to €2,719 million (€1,678 million at 31 December 2016) and a surplus of reserves in Bank of England (BoE) amounting to €5,651 million (€4,191 million at 31 December 2016).

In addition to the first line of liquidity, the bank maintains a buffer of real estate assets and loans to general governments eligible as collateral of covered bonds and territorial bonds respectively, which at the end of the first half of 2017 contributed €5,202 million in terms of the capacity to issue new treasury bonds eligible as collateral in return for access to the ECB facility (€4,924 million at 2016 year-end). At the end of June 2017, available liquidity amounted to €33,585 million in cash, corresponding to the amount of the first line of liquidity plus the issuing capacity of the bank's covered bonds and territorial bonds at the end of the first half of the year adjusted by the average haircut applicable to bonds by the ECB (€31,805 million in cash at 31 December 2016).

Capital Markets

The level of funding in capital markets has declined in recent years, due to, amongst other aspects, the positive evolution of the customer funding gap. At the end of June 2017, the outstanding balance of financing in capital markets stood at €21,098 million, compared with €25,160 million at 31 December 2016. By product type, as at June 2017, €12,806 million of the total amount placed in capital markets corresponded to covered bonds, €2,299 million to promissory notes and ECP placed with wholesale investors, €682 million to senior debt, €2,186 million to issuances of subordinated debt and preferred shares (of which €438 million came from TSB), €3,092 million corresponded to securitisation bonds placed on the market (of which €1,051 million correspond to TSB), and €33 million corresponded to other medium and long-term financial instruments.

Maturities of issuances (excluding securitisations, ECP and promissory notes) aimed at institutional investors by product type at 30 June 2017 are analysed below:

€ million

	3Q17	4Q17	2018	2019	2020	2021	2022	>2023	Outstanding
Mortgage and mortgage covered bonds (*)	200	85	1,555	1,124	2,165	2,008	1,119	4,549	12,806
Senior Debt (**)	-	-	657	-	-	-	25	-	682
Subordinated debt and preference shares (**)	-	-	-	-	425	478	-	1,283	2,186
Other medium/long term financial instruments (**)	-	-	18	-	-	10	-	5	33
Total	**200**	**85**	**2,229**	**1,124**	**2,590**	**2,497**	**1,144**	**5,838**	**15,707**

(*) Secured issues

(**) Unsecured issues

Banco Sabadell Group is an active participant in, and maintains up to date, a number of funding programmes in capital markets in order to diversify the various sources of funding which are available to the entity. Specifically, where short-term funding is concerned, it has a corporate promissory notes programme registered with the Spanish National Securities Market Commission (CNMV) and a Euro Commercial Paper (ECP) programme aimed at domestic and international customers, respectively. As regards medium and long-term funding, the entity has a scheme for the issuance of non-equity securities registered with the Spanish National Securities Market Commission (CNMV) and a Euro Medium Term Notes (EMTN) programme registered with the Ireland Stock Exchange.

During the first half of 2017, the outstanding balance of the securities scheme and the Euro Commercial Paper programme net of positions subscribed by Group companies has been slightly reduced, from a balance of €2,612 million at 31 December 2016 to a balance of €2,299 million at 30 June 2017.

Furthermore, during the first half of 2017, Banco Sabadell has carried out issuances placed with institutional investors totalling €1,750 million. Specifically, it accessed the institutional market with a public issuance of covered bonds in April 2017 amounting to €1,000 million with a 10-year term and with a 1% coupon; on 18 May 2017, Banco Sabadell carried out its first issuance of preferred shares contingently convertible into ordinary shares of the bank (Additional Tier 1) amounting to €750 million with a fixed interest rate of 6.5%.

Over the same period of time, Banco Sabadell has carried out, under the Fixed Income Scheme in effect at each given time, three issuances of non-convertible bonds aimed at retail investors with a 2-year term and totalling €1,398 million.

4.3. Market risk

Structural exchange rate risk

The bank's Financial Division, through ALCO, has designed and executed the coverage of foreign exchange structural positions with the primary aim of minimising the negative impact on CET1 capital ratios caused by exchange rate fluctuations. The bank covers its structural positions using net foreign investment such that a potential devaluation of the currency could result in a reduction in risk-weighted assets and therefore a neutral impact on capital ratios.

During the first quarter of 2017 and with regards to the agreement to sell Sabadell United Bank, N.A. (see Note 2), the full structural position in USD has been hedged, in addition to a further hedge of a significant part of the expected gains on the same. The overall hedged amount stands at USD 900 million.

In a context in which a 'soft' but chaotic Brexit is seen as an increasingly likely outcome, and in the midst of uncertainty surrounding the stability of the British government, Banco de Sabadell, S.A. closely monitors changes in the EUR/GBP exchange rate on a continuous basis. During this period, the Group has been implementing a hedging policy that seeks to mitigate any negative effects on capital ratios and on revenue generated by its business in GBP that could be experienced as a result of changes in the aforementioned EUR/GBP exchange rate. Thus, the bank has an economic hedge of profits and flows expected from its subsidiary TSB, corresponding to the forecast profit of the current year, through an open position in GBP to offset exchange rate fluctuations of this currency, recognised as a trading position.

The net position of foreign currency assets and liabilities includes the structural position of the bank valued at historic exchange rates which amounted to €1,466 million, which includes €704 million corresponding to permanent shareholdings in GBP, €325 million corresponding to permanent shareholdings in USD and €398 million to shareholdings in MXN. Net assets and liabilities valued at a historic exchange rate are hedged with forwards transactions and options denominated in foreign currencies in line with the Group's risk management policy.

At the end of June 2017, the equity exposure sensitivity to a 1% devaluation in exchange rates against the euro of the main currencies to which the bank is exposed amounted to €15 million, of which 48% correspond to the sterling pound, 22% to the US dollar and 27% to the Mexican peso.

Note 5 – Minimum own funds and capital management

The Group calculates the bank's minimum capital requirements based on Directive 2013/36/EU (generally known as CRD-IV) and Regulation (EU) 575/2013 (CRR), which regulates the minimum capital to be held by credit institutions. This framework came into force on 1 January 2014 and was enacted in Spain through: (i) Royal Decree-Law 14/2013 on urgent measures for the transposition into Spanish law of EU regulations on supervision and solvency of financial institutions, (ii) Law 10/2014 on the organisation, supervision and solvency of credit institutions, (iii) Royal Decree 84/2015, which implements the aforementioned Law 10/2014, as well as other lower-ranking provisions and (iv) Bank of Spain Circulars 2/2014 and 2/2016.

Under those requirements, credit institutions must comply with a total capital ratio of 8% at all times. However, regulators may exercise their powers under the new regulatory framework and require institutions to maintain additional capital.

The Bank received a notification from the European Central Bank regarding the decision on the prudential minimum requirements applicable to the bank, following a supervisory review and evaluation process (SREP), determining that Banco Sabadell must maintain a Common Equity Tier 1 (CET1) ratio of 7.375% measured against phased-in regulatory capital. This requirement includes the minimum required by Pillar 1 (4.50%) and Pillar 2 (1.50%), the capital conservation buffer (1.25%) and the systemic buffer (O-SIIs) (0.125%).

The following table shows the capital ratios and eligible own funds of the Group as at 30 June 2017 and 31 December 2016:

Thousand euro

	30/06/2017	31/12/2016	Change (%) year-on-year
Share capital	702,019	702,019	-
Reserves	12,355,436	11,874,214	4.05
Convertible bonds	-	-	-
Non-controlling interests	18,919	21,490	(11.96)
Deductions	(2,460,400)	(2,265,363)	8.61
CET1 resources	**10,615,974**	**10,332,360**	**2.74**
CET1 (%)	12.7	12.0	
Preference shares, convertible bonds and deductions	331,957	-	-
AT1 Funds	**331,957**	**-**	**-**
AT 1 (%)	0.4	-	
Tier one resources	**10,947,931**	**10,332,360**	**5.96**
Tier I (%)	13.1	12.0	
Tier two resources	**1,501,971**	**1,519,237**	**(1.14)**
Tier II (%)	1.8	1.8	
Capital base	**12,449,902**	**11,851,597**	**5.05**
Minimum capital requirement	6,702,583	6,885,598	(2.66)
Capital surplus	**5,747,319**	**4,965,999**	**15.73**
BIS Ratio (%)	**14.9**	**13.8**	**7.92**
Risk Weighted Assets (RWA)	**83,782,288**	**86,069,980**	**(2.66)**

Core capital accounted for 85.3% of eligible own funds.

Basel III Tier 1 consists of convertible bonds and the deduction of intangible assets by the same amount.

Secondary or Tier 2 capital provides a further 12.1% of the BIS ratio and is made up very largely of subordinated bonds and generic provisions (subject to regulatory limits as to eligibility), and other required deductions.

The Leverage Ratio (LR) aims to strengthen capital requirements by providing a supplementary measure which is not linked to the risk level. The leverage ratio is the ratio between eligible primary capital (Tier 1) and exposure, calculated according to the criteria set forth for this ratio.

The CRR sets forth a leverage ratio compliance with which is mandatory as of 1 January 2018. Previously, a definition and calibration period between 2014 and 2017 has been established, during which institutions are required to disclose their leverage ratio and send information relative to the same to the supervisor who, based on the results, shall implement amendments as they see fit prior to its entry into force. At present, the bank reports to the supervisor on a quarterly basis and a minimum reference level of 3% is considered.

The level of exposure is calculated in line with the definition contained in Commission Delegated Regulation (EU) 62/2015. The leverage ratio at 30 June 2017 and 31 December 2016 is shown below:

Thousand euro

	30/06/2017	31/12/2016
Tier 1 capital	10,947,931	10,332,360
Exposure	221,277,880	217,918,574
Leverage ratio	**4.95%**	**4.74%**

Note 6 – Fair value of assets and liabilities

Financial assets and liabilities

The methodology and classification of fair value by level is explained in detail in the Group's 2016 consolidated annual accounts.

Determination of the fair value of financial instruments

A comparison between the value at which the Group's financial assets and liabilities are recognised on the accompanying consolidated balance sheets and the related fair value is as follows:

Thousand euro

		30/06/2017		31/12/2016	
	Note	Accounting	Fair value	Accounting	Fair value
Assets:					
Cash and cash balances at central banks	7	13,901,406	13,901,406	11,688,250	11,688,250
Financial assets held for trading	8, 9	1,936,455	1,936,455	3,484,221	3,484,221
Financial assets designated at fair value through profit or loss	8, 9	43,004	43,004	34,827	34,827
Available-for-sale financial assets	8, 9	18,989,508	18,989,508	18,718,339	18,718,339
Loans and receivables	8, 9	148,081,215	156,577,347	150,384,445	158,022,457
Held to maturity investments	8	9,343,521	9,513,769	4,598,190	4,956,486
Derivatives - Hedge accounting		449,568	449,568	535,160	535,160
Fair value changes of the hedged items in portfolio hedge of interest rate risk		5,417	5,417	965	965
Total assets		**192,750,094**	**201,416,474**	**189,444,397**	**197,440,705**

Thousand euro

	Note	30/06/2017		31/12/2016	
		Accounting	Fair value	Accounting	Fair value
Liabilities:					
Financial liabilities held for trading		1,552,112	1,552,112	1,975,806	1,975,806
Financial liabilities designated at fair value through profit or loss		-	-	-	-
Financial liabilities measured at amortised cost	14, 15, 16	195,561,390	195,369,191	192,011,024	193,175,272
Derivatives - Hedge accounting		1,380,696	1,380,696	1,105,806	1,105,806
Fair value changes of the hedged items in portfolio hedge of interest rate risk		(10,504)	(10,504)	64,348	64,348
Total liabilities		**198,483,694**	**198,291,495**	**195,156,984**	**196,321,232**

In relation to financial instruments whose carrying amount differs from their fair value, the latter has been calculated as follows:

–The fair value of "*Loans and receivables*" and "*Financial liabilities measured at amortised cost*" has been estimated by the discounted cash flow method, using market interest rates at the end of each year.

–The heading "*Fair value changes of the hedged items in portfolio hedge of interest rate risk*" on the accompanying consolidated balance sheets records the difference between the carrying amount of the deposits covered (recorded in "*Loans and receivables*") and the fair value calculated using internal models and observable market variables.

The following table presents the main financial instruments recognised at fair value in the accompanying consolidated balance sheets, broken down according to the valuation method used when estimating their fair value:

Thousand euro

	30/06/2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets held for trading	300,992	1,635,463	-	1,936,455
Derivatives	141	1,616,348	-	1,616,489
Equity instruments	-	5,664	-	5,664
Debt securities	300,851	13,451	-	314,302
Loans and advances-customers	-	-	-	-
Financial assets designated at fair value through profit or loss	-	43,004	-	43,004
Equity instruments	-	34,605	-	34,605
Debt securities	-	5,551	-	5,551
Loans and advances-credit institutions	-	2,848	-	2,848
Available-for-sale financial assets	18,166,810	645,198	177,500	18,989,508
Equity instruments	88,961	196,953	177,500	463,414
Debt securities	18,077,849	448,245	-	18,526,094
Derivatives - hedge accounting	-	449,568	-	449,568
Total assets	**18,467,802**	**2,773,233**	**177,500**	**21,418,535**

Thousand euro

	30/06/2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities:				
Liabilities held for trading	68,301	1,483,811	-	1,552,112
Derivatives	140	1,483,811	-	1,483,951
Short positions	68,161	-	-	68,161
Deposits at credit institutions	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-
Derivatives - hedge accounting	-	1,380,696	-	1,380,696
Total liabilities	**68,301**	**2,864,507**	**-**	**2,932,808**

Thousand euro

	31/12/2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Financial assets held for trading	1,624,748	1,859,473	-	3,484,221
Derivatives	3,774	1,830,721	-	1,834,495
Equity instruments	-	10,629	-	10,629
Debt securities	1,620,974	18,123	-	1,639,097
Loans and advances-customers	-	-	-	-
Financial assets designated at fair value through profit or loss	-	34,827	-	34,827
Equity instruments	-	34,827	-	34,827
Debt securities	-	-	-	-
Loans and advances-credit institutions	-	-	-	-
Available-for-sale financial assets	16,784,526	1,683,006	250,807	18,718,339
Equity instruments	100,006	246,996	250,807	597,809
Debt securities	16,684,520	1,436,010	-	18,120,530
Derivatives - hedge accounting	108,078	427,082	-	535,160
Total assets	**18,517,352**	**4,004,388**	**250,807**	**22,772,547**

Thousand euro

	31/12/2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities:				
Liabilities held for trading	59,900	1,915,906	-	1,975,806
Derivatives	8	1,915,906	-	1,915,914
Short positions	59,892	-	-	59,892
Deposits at credit institutions	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-
Derivatives - hedge accounting	63,745	1,042,061	-	1,105,806
Total liabilities	**123,645**	**2,957,967**	**-**	**3,081,612**

The movements in the balances of the financial assets and liabilities classified as Level 3 that are disclosed in the accompanying consolidated balance sheets are as follows:

Thousand euro

	Asset	Liabilities
Balance at 31 December 2016	**250,807**	**-**
Impairments recognised on income statement (*)	(37,000)	-
Valuation adjustments not recognised on income statement	(509)	-
Purchases, sales, write-offs	1,312	-
Net additions/(exits) on Level 3	7,793	-
Exchange differences and other	(145)	-
Due to transfer to "Non-current assets held for sale" (Sabadell United Bank)	(44,758)	
Balance at 30 June 2017	**177,500**	**-**

(*) Relates to securities kept on the balance sheet.

At 30 June 2017, income from sales of financial instruments classified as Level 3, recognised in the accompanying profit and loss statement, was not material.

Details of financial instruments that were transferred between valuation levels in the first six months of 2017 and during 2016 are as follows:

Thousand euro

	30/06/2017						
	From	Level 1		Level 2		Level 3	
	To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
Assets:							
Financial assets held for trading		-	-	-	-	-	-
Financial assets at fair value through profit or loss		-	-	-	-	-	-
Available-for-sale financial assets		-	-	-	7,659	-	-
Derivatives		-	-	-	-	-	-
Liabilities							
Financial liabilities held for trading		-	-	-	-	-	-
Financial libailities at fair value through profit or loss		-	-	-	-	-	-
Derivatives-hedge accounting		-	-	-	-	-	-
Total		**-**	**-**	**-**	**7,659**	**-**	**-**

The transfers from level 2 to level 3 are due to the use of non-observable variables in their valuation.

Thousand euro

	31/12/2016						
	From	Level 1		Level 2		Level 3	
	To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
Assets:							
Financial assets held for trading		-	-	-	-	-	634,920
Financial assets at fair value through profit or loss		-	-	-	-	-	
Available-for-sale financial assets		-	-	-	-	-	
Derivatives		-	-	-	-	-	138,620
Liabilities							
Financial liabilities held for trading		-	-	-	-	-	226,050
Financial libailities at fair value through profit or loss		-	-	-	-	-	
Derivatives-hedge accounting		-	-	-	-	-	183,849
Total		**-**	**-**	**-**	**-**	**-**	**1,183,439**

At 30 June 2017, the effect of replacing the main assumptions used in the valuation of Level 3 financial instruments with other reasonably possible assumptions, taking the highest value (most favourable assumption) or lowest value (least favourable assumption) in the range that is considered likely, is not significant because the amount of financial instruments classified as Level 3 is non-material.

Loans and financial liabilities designated at fair value through profit or loss

At 30 June 2017 and 31 December 2016, there were no loans or other financial liabilities at fair value other than those recognised under the headings "*Financial assets held for trading – Loans and advances*", "*Financial assets designated at fair value through profit or loss*" and "*Financial liabilities designated at fair value through profit or loss*" in the accompanying consolidated balance sheets.

Financial instruments at cost

Figures as at the end of June 2017 do not differ from those reported in the 2016 consolidated annual accounts.

During the period between 31 December 2016 and 30 June 2017, there were no sales of financial instruments recorded at cost.

Non-financial assets

Real estate assets

The methodology used by the Group to determine the fair value of real estate assets is explained in detail in the Group's 2016 consolidated annual accounts.

The methods used in the valuation of the Group's portfolio based on the type of asset are summarised below:

- Completed works: valued in comparable terms, based on updates to income or the statistical model (Level 2).

- Works in progress: valued using the cost method as a sum of the land value and the value of the work carried out (Level 3).

- Land: valued using the residual method (Level 3).

Significant non-observable variables used in valuations classed on Level 3 were carried out not by the Group but by the independent valuation companies that performed the appraisals. Given the widespread use of the appraisals, the valuation techniques of which are clearly set out in the regulation governing the valuation of properties, the non-observable variables used reflect the assumptions frequently used by all valuation firms. Regarding the weight of the non-observable variables in the appraisals, these represent almost all of the value of these appraisals.

At 30 June 2017, net accounting values do not differ significantly from the fair values of these assets (see Note 4).

The Group determines the fair value of tangible assets for own use in order to detect any indications of impairment, based on the difference between their appraisal value and their value in use. At 30 June 2017, accounting values do not differ significantly from the fair values of these assets.

Note 7 – Cash and cash balances at central banks and other demand deposits

The composition of this heading on the asset side of the consolidated balance sheets at 30 June 2017 and 31 December 2016 was as follows:

Thousand euro

	30/06/2017	31/12/2016
By nature:		
Cash	648,669	759,357
Cash balances at central banks	12,387,113	10,122,725
Other demand deposits	865,624	806,168
Total	**13,901,406**	**11,688,250**

Note 8 – Debt securities

Debt securities reported in the consolidated balance sheet at 30 June 2017 and 31 December 2016 are analysed below:

Thousand euro

	30/06/2017	31/12/2016
By heading:		
Financial assets held for trading	314,302	1,639,097
Financial assets designated at fair value through profit or loss	5,551	-
Available-for-sale financial assets	18,526,094	18,120,530
Loans and receivables	599,153	918,584
Held to maturity investments	9,343,521	4,598,190
Total	**28,788,621**	**25,276,401**
By nature:		
Central banks	-	-
General governments	26,369,137	22,877,291
Credit institutions	958,203	925,180
Other sectors	1,464,562	1,476,902
Doubtful assets	6,613	9,030
Impairment adjustments	(9,894)	(12,001)
Total	**28,788,621**	**25,276,401**

Note 9 – Loans and advances

Central banks and Credit institutions

The breakdown of the headings "*Loans and advances - Central Banks*" and "*Loans and advances - Credit institutions*" in the consolidated balance sheets at 30 June 2017 and 31 December 2016 is as follows:

Thousand euro

	30/06/2017	31/12/2016
By heading:		
Financial assets held for trading	-	-
Financial assets designated at fair value through profit or loss	2,848	-
Loans and receivables	5,438,621	4,291,996
Total	**5,441,469**	**4,291,996**
By nature:		
Deposits with agreed maturity	1,603,301	2,320,133
Assets acquired under repurchase agreements	3,210,915	1,704,404
Hybrid financial assets	110	89
Other	631,528	269,122
Doubtful assets	401	368
Impairment adjustments	(8,970)	(6,681)
Other valuation adjustments (interests, fees and commissions, others)	4,184	4,560
Total	**5,441,469**	**4,291,996**

Customers

The breakdown of the heading "*Loans and advances - Customers*" (General governments and Other sectors) of the consolidated balance sheet at 30 June 2017 and 31 December 2016 is as follows:

Thousand euro

	30/06/2017	31/12/2016
By heading:		
Financial assets held for trading	-	-
Financial assets designated at fair value through profit or loss	-	-
Loans and receivables	142,043,442	145,173,865
Total	**142,043,442**	**145,173,865**
By nature:		
Receivable on demand and other	8,009,454	6,801,456
Commercial credit	5,560,240	5,530,045
Finance leases	2,285,895	2,168,803
Secured loans	86,653,023	90,693,505
Assets acquired under repurchase agreements	64,819	7,930
Other term loans	35,156,971	35,363,490
Doubtful assets	8,636,400	9,641,526
Impairment adjustments	(4,222,102)	(4,921,348)
Other valuation adjustments (interests, fees and commissions, others)	(101,258)	(111,543)
Total	**142,043,442**	**145,173,865**
By sector:		
General Governments	9,102,589	9,683,466
Other sectors	128,627,813	130,881,764
Doubtful assets	8,636,400	9,641,526
Impairment adjustments	(4,222,102)	(4,921,348)
Other valuation adjustments (interests, fees and commissions, others)	(101,258)	(111,543)
Total	**142,043,442**	**145,173,865**

Doubtful assets

The amounts of non-performing assets in the various headings of the asset side of the consolidated balance sheets at 30 June 2017 and 31 December 2016 were as follows:

Thousand euro

	30/06/2017	31/12/2016
Debt securities	6,613	9,030
Loans and advances		
Customers	8,636,400	9,641,526
Central banks and Credit institutions	401	368
Total	**8,643,414**	**9,650,925**
By sector:		
General Governments	6,153	13,863
Central banks and Credit institutions	4,890	7,276
Other private sectors	8,632,371	9,629,785
Total	**8,643,414**	**9,650,925**

Value adjustments

Value adjustments due to asset impairment under the various headings on the asset side of the consolidated balance sheets at 30 June 2017 and 31 December 2016 were as follows:

Thousand euro

	30/06/2017	31/12/2016
Debt securities	9,894	12,001
Loans and advances		
Customers	4,222,102	4,921,348
Central banks and Credit institutions	8,970	6,681
Total	**4,240,966**	**4,940,030**

The bank considers that the value adjustments due to impairment and provisions made by the Group are sufficient to absorb potential losses on its assets and the effects of the occurrence of any open contingencies of the bank.

Value adjustments due to impairment include €339 million to cover the occurrence of contingencies relating to floor clauses. Excluding the described impairment, the non-performing loan coverage ratio would stand at 45.79% and the problematic asset coverage ratio at 46.82% (45.71% and 46.79%, respectively, excluding the inclusion of TSB).

Details of the value adjustments made by the Group for credit risk hedging and their cumulative amount at the start and at the end of the first half of the year is as follows:

Thousand euro

	Determined individually	Determined collectively	IBNR coverage	Country risk	Total
Balance at 31 December 2016	**1,321,959**	**2,448,093**	**1,161,472**	**8,506**	**4,940,030**
Movements reflected in the income statement (*)	**99,230**	**410,807**	**(28,788)**	**4,310**	**485,559**
Movements not reflected in the income statement	**(470,029)**	**(460,521)**	**(251,501)**	**(3,081)**	**(1,185,132)**
Utilisation of provisions	(356,364)	(521,414)	(50,559)	-	(928,337)
Other movements (**)	(113,665)	60,893	(200,942)	(3,081)	(256,795)
Adjustments for exchange differences	**(30)**	**(1,248)**	**1,858**	**(71)**	**509**
Balance at 30 June 2017	**951,130**	**2,397,131**	**883,041**	**9,664**	**4,240,966**

(*) This figure, impaired financial assets written off against income and bad-debt recoveries are reflected under the heading "Impairment losses on financial assets" (see Note 27).
(**) Corresponds to the transfer of €119,496 thousand in value adjustments made for credit risk hedging to non-current assets held for sale (see Note 13) and real estate investments (see Note 10) and the transfer of €137,299 thousand of value adjustments of Sabadell United Bank due to the reclassification into non-current assets held for sale (see Note 13) following the sale agreement.

The loan loss ratio, broken down by financing segment, is set out below:

%

	4Q16	Proforma 2Q17 (*)	2Q17
Real estate development and construction	28.98	25.80	25.72
Non-real estate construction	9.67	6.57	6.56
Corporates	3.82	3.01	3.01
SMEs and sole proprietors	8.42	8.76	8.70
Individuals with 1st mortgage guarantee	4.36	7.42	4.33
Banco Sabadell Group loan loss ratio	6.14	7.16	5.62

(*) Loan loss ratio without taking into account the inclusion of TSB.

Note 10 – Tangible assets

The composition of this item in the consolidated balance sheets at 30 June 2017 and 31 December 2016 was as follows:

Thousand euro

	30/06/2017				31/12/2016			
	Cost	**Depreciation**	**Impairment**	**Net value**	**Cost**	**Depreciation**	**Impairment**	**Net value**
Property, Plant and Equipment:	**3,790,284**	**(1,559,184)**	**(46,638)**	**2,184,462**	**3,567,707**	**(1,454,273)**	**(42,080)**	**2,071,354**
For own use:	3,520,366	(1,506,698)	(46,125)	1,967,543	3,338,350	(1,409,450)	(41,366)	1,887,534
Computer equipment and related facilities	511,453	(375,844)	-	135,609	510,075	(362,317)	-	147,758
Furniture, vehicles and other facilities	1,321,611	(768,334)	-	553,277	1,276,676	(695,499)	-	581,177
Buildings	1,627,430	(354,061)	(46,125)	1,227,244	1,510,659	(344,634)	(41,366)	1,124,659
Work in progress	26,497	-	-	26,497	10,161	-	-	10,161
Other	33,375	(8,459)	-	24,916	30,779	(7,000)	-	23,779
Leased out under operating leases	269,918	(52,486)	(513)	216,919	229,357	(44,823)	(714)	183,820
Investment property:	**2,981,104**	**(203,929)**	**(375,892)**	**2,401,283**	**2,966,638**	**(181,841)**	**(380,551)**	**2,404,247**
Buildings	2,927,047	(201,966)	(360,661)	2,364,420	2,929,488	(180,655)	(374,238)	2,374,594
Rural property, plots and sites	54,057	(1,963)	(15,231)	36,863	37,150	(1,186)	(6,312)	29,652
Total	**6,771,388**	**(1,763,113)**	**(422,530)**	**4,585,745**	**6,534,345**	**(1,636,114)**	**(422,631)**	**4,475,601**

Changes in the balance of the "*Tangible assets*" heading during the first half of 2017 were as follows:

Thousand euro

	Note	Land and buildings	Furnishings and equipment	Investment properties	Leased under operating	Total
Cost:						
Balances at 31 December 2016		**1,551,599**	**1,786,751**	**2,966,638**	**229,357**	**6,534,345**
Scope additions /exclusions	2	122,555	41,251	-	-	163,806
Additions		48,890	37,246	149,186	61,077	296,399
Disposals		(11,440)	(19,804)	(167,815)	(18,812)	(217,871)
Other transfers		1,434	-	43,850	(1,434)	43,850
"Reclassified to "Non-current assets held for sale" of Sabadell United Bank"		(19,188)	(9,823)	-	-	(29,011)
NPL transfers (*)	9	-	-	(10,755)	-	(10,755)
Exchange differences		(6,548)	(2,557)	-	(270)	(9,375)
Balances at 30 June 2017		**1,687,302**	**1,833,064**	**2,981,104**	**269,918**	**6,771,388**
Accumulated depreciation:						
Balances at 31 December 2016		**351,634**	**1,057,816**	**181,841**	**44,823**	**1,636,114**
Scope additions /exclusions	2	16,953	38,178	-	-	55,131
Additions		21,649	54,965	31,387	15,673	123,674
Disposals		(3,270)	(14,175)	(9,179)	(7,793)	(34,417)
Other transfers		(15,799)	15,897	(120)	(98)	(120)
"Reclassified to "Non-current assets held for sale" of Sabadell United Bank"		(5,946)	(6,872)	-	-	(12,818)
Exchange differences		(2,701)	(1,631)	-	(119)	(4,451)
Balances at 30 June 2017		**362,520**	**1,144,178**	**203,929**	**52,486**	**1,763,113**
Impairment losses:						
Balances at 31 December 2016		**41,366**	**-**	**380,551**	**714**	**422,631**
Scope additions /exclusions	2	-	-	-	-	-
Impairment through profit or loss	28	7,566	-	43,888	-	51,454
Reversal of impairment through profit or loss	28	-	-	(49,397)	-	(49,397)
Utilisations		(2,807)	-	(18,685)	(201)	(21,693)
Other transfers		-	-	19,535	-	19,535
Balances at 30 June 2017		**46,125**	**-**	**375,892**	**513**	**422,530**
Balances at 31 December 2016		**1,158,599**	**728,935**	**2,404,246**	**183,820**	**4,475,600**
Balances at 30 June 2017		**1,278,657**	**688,886**	**2,401,283**	**216,919**	**4,585,745**

(*) Allowance arising from value adjustments made in relation to credit risk hedging.

Details of the source of the amortised cost of the transfers to the "*Tangible assets*" heading during the first half of 2017 are as follows:

Thousand euro

	Note	30/06/2017	31/12/2016
Inventories	12	6,450	13,932
Non-current assets and disposal groups classified as held for sale	13	17,985	45,484
Impaired loans		(10,755)	(8,103)
Total		**13,680**	**51,313**

Note 11 – Intangible assets

The composition of this item at 30 June 2017 and 31 December 2016 was as follows:

Thousand euro

	30/06/2017	31/12/2016
Goodwill:	**1,019,556**	**1,094,526**
Banco Urquijo	473,837	473,837
Banco Guipuzcoano group	285,345	285,345
Sabadell United Bank, N.A.	-	72,960
From acquisition of Banco BMN-Penedès assets	245,364	245,364
Rest	15,010	17,020
Other intangible assets :	**1,057,578**	**1,040,689**
With a finite useful life:	1,057,578	1,040,689
Contractual relations with customers (Banco Urquijo)	3,950	5,734
Contractual relations with customers and brand (Banco Guipuzcoano)	18,750	21,753
Private Banking business, Miami	25,503	29,725
Contractual relations with customers (Sabadell United Bank)	-	12,488
Contractual relations with TSB customers and brand	264,002	292,043
Computer applications	732,006	675,397
Other deferred expenses	13,367	3,549
Total	**2,077,134**	**2,135,215**

Changes in goodwill in the first half of 2017 were as follows:

Thousand euro

	Goodwill	Impairment	Total
Balance at 31 December 2016	**1,094,526**	**-**	**1,094,526**
Additions	-	-	-
Disposals	(2,010)	-	(2,010)
Exchange differences	(5,835)	-	(5,835)
Reclassified to "Non-current assets held for sale" of Sabadell United Bank	(67,125)	-	(67,125)
Balance at 30 June 2017	**1,019,556**	**-**	**1,019,556**

Note 12 – Other assets

The composition of the "*Other assets*" heading at 30 June 2017 and 31 December 2016 was as follows:

Thousand euro

	30/06/2017	31/12/2016
Insurance contracts linked to pensions	151,261	153,989
Inventories	2,755,873	2,924,459
Rest of other assets	582,831	1,358,817
Total	**3,489,965**	**4,437,265**

Changes in inventories in the first half of 2017 were as follows:

Thousand euro

	Note	Land	Buildings under construction	Finished buildings	Total
Balance at 31 December 2015		**1,776,858**	**234,922**	**912,679**	**2,924,459**
Additions		51,076	37,814	125,656	214,546
Disposals		(72,957)	(9,987)	(145,362)	(228,306)
Impairment through profit or loss	28	(110,152)	(23,262)	(106,995)	(240,409)
Reversal of impairment through profit or loss		34,580	9,311	48,142	92,033
Other transfers	10	(3,522)	(24,284)	21,356	(6,450)
Balance at 30 June 2016		**1,675,883**	**224,514**	**855,476**	**2,755,873**

Note 13 – Non-current assets and assets and liabilities included in disposal groups classified as held for sale

The composition of these headings in the consolidated balance sheets at 30 June 2017 and 31 December 2016 was as follows:

Thousand euro

	30/06/2017	*Of which: Sabadell United Bank*	31/12/2016	*Of which: Mediterraneo Vida*
Assets	**8,010,801**	***5,014,644***	**5,423,159**	***2,438,067***
Cash, cash balances at central banks and other demand deposits	304,727	*304,727*	-	-
Loans and advances	3,666,197	*3,666,197*	28,584	*28,585*
Credit institutions	35,711	*35,711*	28,284	*28,284*
Customers	3,630,486	*3,630,486*	301	*301*
Debt securities	832,201	*832,201*	2,375,232	*2,375,232*
Equity instruments	62,982	*62,982*	7,012	*7,012*
Tangible assets	2,971,727	*16,193*	2,942,683	-
Tangible assets for own use	75,312	*16,193*	66,958	-
Foreclosed tangible assets	2,893,537	-	2,874,314	-
Leased out under operating leases	2,878	-	1,411	-
Other assets	172,967	*132,344*	69,648	*27,238*
Impairment adjustments	**(790,826)**	**-**	**(844,464)**	**-**
Non-current assets and disposal groups classified as held for sale	**7,219,975**	***5,014,644***	**4,578,694**	***2,438,067***
Liabilities				
Financial liabilities measured at amortised cost	4,206,626	*4,206,623*	2,058	*2,056*
Tax liabilities	3,761	*3,761*	52,106	*52,106*
Liabilities under insurance or reinsurance contracts	-	-	2,159,084	*2,159,084*
Rest	31,469	*31,469*	119	*119*
Liabilities included in disposal groups classified as held for sale	**4,241,856**	***4,241,853***	**2,213,368**	***2,213,365***

Balances in this heading are made up of "*Non-current assets and liabilities included in disposal groups classified as held for sale*" whose carrying amounts are expected to be recoverable through their disposal within the year immediately following the financial closing of the year.

The main changes in this heading during the six-month period correspond to the sale of Mediterráneo Vida, Sociedad Anónima de Seguros y Reaseguros and to the reclassification of the assets and liabilities of Sabadell United Bank, N.A., both of which are explained in Note 2 to these condensed interim consolidated financial statements.

The contribution of Sabadell United Bank, NA. to the heading "*Accumulated other comprehensive income*" of the consolidated statement of equity has been reclassified under the sub-heading "*Items that may be reclassified to profit or loss - Non-current assets and disposal groups classified as held for sale*". This contribution includes valuation adjustments of available-for-sale financial assets.

Changes in "*Non-current assets and disposal groups classified as held for sale*" in the first half of 2017 were as follows:

Thousand euro

	Note	Non-current assets and disposal groups classified as held for sale
Cost:		
Balances at 31 December 2016		**5,423,159**
Reclassification Sabadell United Bank	2	5,015,703
Additions		491,780
Disposals		(347,379)
Sale Mediterráneo Vida	2	(2,438,066)
Other transfers	10	(25,654)
Impaired assets (*)	9	(108,742)
Balances at 30 June 2017		**8,010,801**
Impairment adjustments:		
Balances at 31 December 2016		**844,464**
Impairment through profit or loss	30	170,267
Reversal of impairment through profit or loss	30	(118,841)
Utilisations		(97,395)
Other transfers	10	(7,669)
Balances at 30 June 2017		**790,826**
Net balances at 31 December 2016		**4,578,695**
Net balances at 30 June 2017		**7,219,975**

(*) Fund resulting from value adjustments for credit risk hedging.

Note 14 – Deposits in credit institutions and central banks

The breakdown of the "*Deposits - Central Banks*" and "*Deposits - Credit Institutions*" headings in the consolidated balance sheets at 30 June 2017 and 31 December 2016 is as follows:

Thousand euro

	30/06/2017	31/12/2016
By heading:		
Financial liabilities measured at amortised cost	36,802,149	28,494,516
Total	**36,802,149**	**28,494,516**
By nature:		
Demand deposits	278,863	330,937
Deposits with agreed maturity	30,845,238	18,119,583
Repurchase agreements	5,526,003	9,858,488
Deposits redeemable at notice	-	-
Hybrid financial liabilities	48,600	-
Other accounts	90,623	170,165
Valuation adjustments	12,822	15,344
Total	**36,802,149**	**28,494,516**

Note 15 – Customer deposits

The breakdown of the "*Deposits - Customers*" heading in the consolidated balance sheet at 30 June 2017 and 31 December 2016 is as follows:

Thousand euro

	30/06/2017	31/12/2016
By heading:		
Financial liabilities measured at amortised cost	131,841,467	134,414,536
Total	**131,841,467**	**134,414,536**
By nature:		
Demand deposits	96,364,710	92,010,553
Deposits with agreed maturity	32,112,521	35,290,208
Deposits redeemable at notice	-	30,384
Hybrid financial liabilities	1,736,812	4,833,384
Repurchase agreements	1,493,964	2,072,155
Valuation adjustments	133,460	177,851
Total	**131,841,467**	**134,414,536**
By sector:		
General governments	3,312,161	3,700,137
Other sectors	128,395,846	130,536,548
Other valuation adjustments (interests, fees and commissions, and others)	133,460	177,851
Total	**131,841,467**	**134,414,536**

Note 16 – Debt securities issued

Details of debt securities issued by the Group by type of issuance and recognised on the consolidated balance sheets at 30 June 2017 and 31 December 2016 are as follows:

Thousand euro

	30/06/2017	31/12/2016
Straight bonds/debentures	4,153,662	4,743,071
Straight bonds	3,704,604	3,226,857
Structured bonds	449,058	457,164
Government guaranteed straight bonds	-	1,059,050
Promissory notes	3,917,933	3,938,500
Covered bonds	10,049,200	10,856,100
Territorial bonds	-	-
Securitisation funds	2,678,554	5,345,117
Subordinated debts represented by marketable securities	2,155,072	1,481,042
Subordinated bonds	1,386,672	1,462,642
Preferred shares	768,400	18,400
Valuation and other adjustments	41,793	169,708
Total	**22,996,214**	**26,533,538**

Schedule IV shows details of new issuances during the first half of 2017.

Note 17 – Liabilities under insurance and reinsurance contracts

The balance at 30 June 2017 and 31 December 2016 of liabilities under insurance or reinsurance contracts is shown below:

Thousand euro

	30/06/2017	31/12/2016
Unearned premiums and unexpired risks	**13**	**9**
Non-life insurance	**-**	-
Life insurance		
Life insurance in which the investment risk is borne by the policyholders	43,003	34,827
Total	**43,016**	**34,836**

Note 18 – Equity

Share capital at the end of the first half of 2017

The bank's share capital amounted to €702,018,899.50, represented by 5,616,151,196 registered shares with a par value of €0.125 each, all of which are fully subscribed and paid.

Changes in share capital in the first half of 2017

No changes in share capital have taken place in the first half of 2017.

Note 19 – Guarantees given

The breakdown of guarantees given is as follows:

Thousand euro

	30/06/2017	31/12/2016
Financial guarantees	1,865,612	1,872,647
Assets under third party obligations	-	-
Non-revocable documentary credit	973,193	1,119,550
Additional settlement guarantee	20,000	20,000
Other bonds and guarantees given	5,586,987	5,517,157
Other contingent liabilities	-	-
Total	**8,445,792**	**8,529,354**

Non-performing guarantees given

The balance of non-performing guarantees given at 30 June 2017 amounts to €56,284 thousand (€104,139 thousand at 31 December 2016).

Credit risk hedging for non-performing guarantees given is as follows:

Thousand euro

	30/06/2017	31/12/2016
Coverage determined individually:	**10,470**	**12,236**
Hedging of customer insolvency risk	10,470	12,236
Coverage determined collectively:	**12,894**	**13,125**
Hedging of customer insolvency risk	10,273	10,865
Allowance for country risk	2,622	2,260
IBNR coverage (*)	**36,567**	**35,510**
Total	**59,931**	**60,871**

(*) Collective value adjustments for losses incurred but not reported.

This hedging is recognised under the “*Provisions*” heading on the liabilities side of the balance sheet.

Note 20 – Contingent commitments given

The composition of this item at 30 June 2017 and 31 December 2016 was as follows:

Thousand euro

	30/06/2017	31/12/2016
Drawable by third parties	20,271,354	19,567,289
Credit institutions	436	660
General governments sector	514,036	518,018
Other resident sectors	12,688,434	11,522,581
Non-residents	7,068,448	7,526,029
Financial asset forward purchase commitments	53,787	2,675,004
Conventional financial asset purchase contracts	150,437	2,779,198
Subscribed securities pending disbursement	1,939	1,939
Securities placement and subscription commitments	-	-
Other contingent commitments given	262,187	185,257
Total	**20,739,704**	**25,208,687**

Note 21 – Interest income and expenses

These headings on the consolidated profit and loss statement include interests accrued during the period for all financial assets and liabilities whose yield, implicit or explicit, is obtained by applying the effective interest rate approach, irrespective of whether they are valued at fair value or otherwise, and using product adjustments due to accounting hedges. Interests are recorded at gross value, without deducting any tax withholdings exercised at the source.

The majority of interest income and expenses is generated by the Group’s financial assets measured either at amortised cost or at fair value with changes in equity.

The quarterly net interest income for both years and the average income and expenses of the various components that make up total loans and advances and customer funds are broken down as follows:

Thousand euro

	2017												
	1st quarter			2nd quarter			3rd quarter			4th quarter			TOTAL
	verage balance	Rate %	Profit/(loss)	verage balance	Rate %	Profit/(loss)	verage balance	Rate %	Profit/(loss)	verage balance	Rate %	Profit/(loss)	
Average yield of the investment	**211,690,107**	**2.33**	**1,217,554**	**219,081,800**	**2.19**	**1,195,386**	**-**	**-**	**-**	**-**	**-**	**-**	**2,412,940**
Cash and cash balances at central banks (*)	12,711,586	0.05	1,701	18,198,341	(0.01)	(536)	-	-	-	-	-	-	**1,165**
Loans and advances	138,670,199	3.02	1,033,973	139,175,529	3.02	1,048,683	-	-	-	-	-	-	**2,082,656**
Fixed-income portfolio (**)	29,762,880	2.15	158,055	31,800,063	1.59	126,279	-	-	-	-	-	-	**284,334**
Equity portfolio	982,684	-	-	911,215	-	-	-	-	-	-	-	-	**-**
Assets and intangible assets	5,270,419	-	-	6,049,394	-	-	-	-	-	-	-	-	**-**
Rest of other assets	24,292,339	0.40	23,825	22,947,258	0.37	20,960	-	-	-	-	-	-	**44,785**
Average cost of resources	**211,690,107**	**(0.49)**	**(255,129)**	**219,081,800**	**(0.40)**	**(220,914)**	**-**	**-**	**-**	**-**	**-**	**-**	**(476,043)**
Credit institutions (***)	31,875,868	(0.18)	(14,029)	41,109,090	(0.03)	(5,838)	-	-	-	-	-	-	**(19,867)**
Customer deposits	129,635,221	(0.25)	(80,390)	131,136,892	(0.21)	(70,240)	-	-	-	-	-	-	**(150,630)**
Capital market	26,575,834	(1.74)	(113,822)	25,299,212	(1.44)	(91,001)	-	-	-	-	-	-	**(204,823)**
Other liabilities	10,082,048	(1.89)	(46,888)	9,744,994	(2.22)	(53,835)	-	-	-	-	-	-	**(100,723)**
Own funds	13,521,136	-	-	11,791,612	-	-	-	-	-	-	-	-	**-**
Net interest income			**962,425**			**974,472**			**-**			**-**	**1,936,897**
Total ATAs			**211,690,107**			**219,081,800**			**-**			**-**	**-**
Ratio (margin / ATA)			**1.84**			**1.78**			**-**			**-**	**-**

(*) Includes cash, central banks, credit institutions and reverse repos

(**) Includes €4,052 thousand corresponding to interests from financial assets designated at fair value through profit or loss (financial assets held for trading)

(***) Includes repos

Financial income or costs deriving from the application of negative interest rates are recorded in line with the nature of the associated asset or liability. The credit institutions item under liabilities includes negative interest from balances of liability headings of credit institutions, the most significant of which is income from TLTRO II.

Thousand euro

	2016												
	1st quarter			2nd quarter			3rd quarter			4th quarter			TOTAL
	verage balance	Rate %	Profit/(loss)	verage balance	Rate %	Profit/(loss)	verage balance	Rate %	Profit/(loss)	verage balance	Rate %	Profit/(loss)	
Average yield of the investment	**204,805,768**	**2.62**	**1,332,686**	**207,152,833**	**2.53**	**1,301,850**	**206,477,426**	**2.42**	**1,255,294**	**206,618,507**	**2.40**	**1,244,039**	**5,133,869**
Cash and cash equivalents (*)	10,899,320	0.34	9,106	11,804,105	0.33	9,719	11,128,783	0.25	7,068	11,512,977	0.18	5,224	**31,117**
Loans and advances	138,493,620	3.28	1,129,678	139,254,470	3.21	1,112,814	137,426,703	3.10	1,071,244	137,648,550	3.03	1,047,551	**4,361,287**
Fixed-income portfolio (**)	25,060,673	2.81	175,347	25,893,234	2.46	158,657	27,174,319	2.31	158,045	27,197,843	2.42	165,174	**657,223**
Equity portfolio	966,252	-	-	980,312	-	-	1,057,539	-	-	1,012,966	-	-	-
Assets and intangible assets	4,801,034	-	-	5,282,354	-	-	5,241,423	-	-	5,060,240	-	-	-
Rest of other assets	24,584,869	0.30	18,555	23,938,358	0.35	20,660	24,448,659	0.31	18,937	24,185,931	0.43	26,090	**84,242**
Average cost of resources	**204,805,768**	**(0.70)**	**(358,793)**	**207,152,833**	**(0.65)**	**(333,268)**	**206,477,426**	**(0.59)**	**(306,918)**	**206,618,507**	**(0.57)**	**(297,138)**	**(1,296,117)**
Credit institutions (***)	25,030,201	(0.61)	(37,996)	24,420,164	(0.65)	(39,446)	23,243,111	(0.22)	(12,592)	26,717,047	(0.20)	(13,727)	**(103,761)**
Customer deposits	126,728,578	(0.44)	(139,626)	129,503,193	(0.40)	(128,697)	128,777,499	(0.38)	(123,142)	126,933,935	(0.34)	(108,179)	**(499,644)**
Capital market	30,640,997	(2.12)	(161,610)	30,264,910	(1.89)	(142,108)	30,440,556	(1.88)	(143,630)	29,515,748	(1.87)	(138,411)	**(585,759)**
Other liabilities	9,832,268	(0.80)	(19,561)	10,046,358	(0.92)	(23,017)	10,807,323	(1.01)	(27,554)	10,427,589	(1.39)	(36,821)	**(106,953)**
Own funds	12,573,724	-	-	12,918,208	-	-	13,208,937		-	13,024,188	-	-	**-**
Net interest income			**973,893**			**968,582**			**948,376**			**946,901**	**3,837,752**
Total ATAs			**204,805,768**			**207,152,833**			**206,477,426**			**206,618,507**	**-**
Ratio (margin / ATA)			**1.91**			**1.88**			**1.83**			**1.83**	**-**

(*) Includes cash, central banks, credit institutions and reverse repos

(**) Includes €6,670 thousand corresponding to interests from financial assets designated at fair value through profit or loss (financial assets held for trading).

(***) Includes repos

Financial income or costs deriving from the application of negative interest rates are recorded in line with the nature of the associated asset or liability. The credit institutions item under liabilities includes negative interest from balances of liability headings of credit institutions, the most significant of which is income from TLTRO II.

The customer spread has been maintained despite the interest rate environment due to the reduced cost of retail funds. Net interest income as a percentage of average total assets has fallen slightly due to the decline in the performance of the fixed-income portfolio, together with the bank's improved liquidity position. As a result, the spread on average total assets was 1.78% in the second quarter of 2017 (1.88% in the second quarter of 2016).

The following table shows, for loans and deposits in the branch network in Spain (not including operations at foreign subsidiaries or branches), the contractual spread on transactions arranged in each quarter of 2016 and 2017 (new business) and each of their resulting final portfolios (stock) at the end of each period:

Basis point spread	Additions (quarterly average)						Stock					
	2016				2017		2016				2017	
	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q3	Q4	Q1	Q2
Credit	226	257	249	258	236	257	242	235	247	244	241	238
Loans	239	265	309	248	300	263	235	240	240	239	240	240
Home mortgage loans	190	184	198	167	155	164	103	110	111	113	113	114
Leasing	317	317	309	301	305	286	224	229	232	234	238	242
Contract-hire	546	437	533	445	449	374	581	540	531	531	513	477
Discounting	313	292	295	270	266	249	337	311	321	292	284	259
Confirming	258	260	278	273	259	249	250	245	255	246	245	231
Forfaiting	453	421	447	349	547	529	527	447	423	384	407	408
Loans and receivables	**261**	**260**	**269**	**248**	**249**	**238**	**176**	**180**	**181**	**182**	**182**	**181**
1-month deposit with agreed maturity	32	40	40	39	32	27	35	40	33	37	30	22
3-month deposit with agree maturity	35	32	31	28	37	17	34	32	32	26	34	19
6-month deposit with agreed maturity	28	33	25	25	16	24	23	31	23	23	17	22
12-month deposit with agreed	36	24	12	12	15	14	36	32	29	24	18	15
>12-month deposit with agreed	39	28	27	26	26	25	61	47	38	32	28	25
Time deposits	**36**	**29**	**26**	**25**	**25**	**22**	**46**	**37**	**31**	**27**	**23**	**20**

With respect to the existing home mortgages portfolio at 30 June 2017, the breakdown on the basis of when the interest rate on the transaction is to be reviewed is as follows:

Thousand euro

Mortgage repricing schedule	Q3 17	Q4 17	Q1 18	Q2 18	Total
Home mortgages	7,326,105	8,108,481	6,483,728	6,821,196	**28,739,510**

Corresponds to Business in Spain - branch network

Accumulated new deposits until 30 June 2017 and 2016, broken down by contractual maturity, are as follows:

€ million

Deposits by maturity	Additions in the quarter					
	2016				2017	
	Q1	Q2	Q3	Q4	Q1	Q2
Up to 3 months	2,653	2,797	3,058	3,186	3,041	3,121
from 3 to 6 months	664	635	429	572	586	902
from 6 to 12 months	4,112	4,359	2,867	2,749	2,923	3,241
from 12 to 18 months	629	771	824	532	601	905
more than 18 months	2,671	2,257	2,379	4,054	3,445	3,757
Total deposits	**10,729**	**10,819**	**9,557**	**11,093**	**10,597**	**11,926**
%						
Up to 3 months	24.7	25.9	32.0	28.7	28.7	26.2
from 3 to 6 months	6.2	5.9	4.5	5.2	5.5	7.6
from 6 to 12 months	38.3	40.3	30.0	24.8	27.6	27.2
from 12 to 18 months	5.9	7.1	8.6	4.8	5.7	7.6
more than 18 months	24.9	20.9	24.9	36.5	32.5	31.5
Total deposits	**100**	**100**	**100**	**100**	**100**	**100**

Corresponds to Business Spain - branch network operations.

Note 22 – Fee and commission income and expenses

Fee and commission income and expenses on financial transactions and the provision of services were as follows:

Thousand euro

	30/06/2017	30/06/2016
Fees derived from risk operations	**155,216**	**161,199**
Lending	104,907	110,755
Guarantees	50,309	50,444
Service fees	**287,992**	**255,176**
Cards	97,750	91,535
Payment orders	26,915	24,411
Securities	32,334	25,229
Demand deposits	64,220	44,659
Rest	66,773	69,342
Asset management fees	**159,794**	**153,864**
Investment funds	73,648	71,755
Marketing of pension funds and insurance	76,581	68,453
Asset management	9,565	13,656
Total	**603,002**	**570,239**
Memorandum item		
Fee and commission income	728,869	682,268
Fee and commission expenses	(125,867)	(112,029)
Net fees and commissions	**603,002**	**570,239**

Note 23 – Net trading income

The composition of this heading in the consolidated profit and loss statement at 30 June 2017 and 2016 was as follows:

Thousand euro

	30/06/2017	30/06/2016
By heading:		
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	377,981	489,835
Gains or (-) losses on financial assets and liabilities held for trading, net	172,733	(1,922)
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	127	2,025
Gains or (-) losses from hedge accounting, net	(5,460)	12,870
Total	**545,381**	**502,808**
By type of financial instrument:		
Net gain/(loss) on debt securities	357,117	365,502
Net gain/(loss) on other equity instruments	12,431	111,972
Net gain/(loss) on derivatives	157,349	2,888
Net gain/(loss) other items (*)	18,484	22,445
Total	**545,381**	**502,808**

(*) Mainly includes gain/(loss) on sale of various loan portfolios sold throughout the year.

Throughout the first half of 2017, the Group has carried out sales of certain debt securities that it held in the portfolio of available-for-sale financial assets, generating earnings of €347,569 thousand at 30 June 2017. Of these results, €327,185 thousand of earnings are from the sale of debt securities held with general governments.

As at 2 March 2017 the Group, through BanSabadell Inversió Desenvolupament, S.A.U., a subsidiary wholly-owned by Banco Sabadell, proceeded to sell its 5.00% stake held in Fluidra, S.A. through a private accelerated book building offer between qualified and institutional investors. The total sale amount was €26,749 thousand, representing net profit for the Group of approximately €10,420 thousand.

Note 24 – Other operating income

The composition of this heading in the consolidated profit and loss statement at 30 June 2017 and 2016 was as follows:

Thousand euro

	30/06/2017	30/06/2016
Operating income from investment property	49,314	48,971
Sales and other income from provision of non-financial services	62,956	30,732
Other operating income	42,963	29,364
Total	**155,233**	**109,068**

Sales and income from the provision of non-financial services include income generated by the management of real estate asset portfolios from other entities (Sareb, the Spanish company for the management of assets proceeding from the restructuring of the banking system).

The income recognised in the subheading "*Other operating income*" mostly corresponds to income from Group entities engaged in non-financial activities (mainly operating leases).

Note 25 – Other operating expenses

The composition of this heading in the consolidated profit and loss statement at 30 June 2017 and 2016 was as follows:

Thousand euro

	30/06/2017	30/06/2016
Contribution to deposit guarantee funds	(2,221)	(12,075)
Banco Sabadell	(37)	(40)
TSB	(1,220)	(10,529)
Sabadell United Bank	(369)	(1,487)
Rest	(595)	(19)
Other items	(216,845)	(171,013)
Contribution to resolution fund	(50,639)	(47,661)
Monetisation rates	(30,654)	(28,500)
Rest	(135,552)	(94,852)
Total	**(219,066)**	**(183,088)**

The item Contributions to deposit guarantee funds includes, at 30 June 2017, a €1.2 million contribution to the UK Financial Services Compensation Scheme.

The Other items heading mainly includes, at 30 June 2017, expenses relating to non-financial activities.

Note 26 – Administrative expenses

This heading in the consolidated profit and loss statement includes expenses incurred by the Group in respect of staff and other administrative expenses.

Staff expenses

The staff expenses charged to the consolidated profit and loss statement at 30 June 2017 and 2016 are as follows:

Thousand euro

	30/06/2017	30/06/2016
Salaries and bonuses, serving employees	(594,582)	(614,724)
Social Security contributions	(121,289)	(120,595)
Contributions to defined benefit plans	(1,250)	(1,502)
Contributions to defined contribution plans	(32,810)	(34,925)
Other staff expenses	(40,979)	(56,914)
Total	**(790,910)**	**(828,660)**

The average workforce of the bank and Group in the six-month periods ended 30 June 2017 and 30 June 2016 is detailed below:

Number of employees

	Banco de Sabadell, S.A.		Banco Sabadell group	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Average workforce	**15,398**	**16,046**	**26,353**	**26,073**
Men	7,617	8,012	11,590	11,561
Women	7,781	8,034	14,763	14,512

At 30 June 2017 and 2016, the distribution of employees by category and gender is as follows:

Number of employees

	30/06/2017			30/06/2016		
	Men	Women	Total	Men	Women	Total
Management personnel	478	150	628	488	145	633
Technical personnel	10,119	11,063	21,182	9,392	9,650	19,042
Administrative personnel (*)	1,034	3,540	4,574	1,638	4,677	6,315
Total	**11,631**	**14,753**	**26,384**	**11,518**	**14,472**	**25,990**

(*) Pursuant to the private banking agreement, employees have been reclassified into the Administrative Staff category. For this reason, the group of Technical Staff is larger than in the report as at 30/06/2016.

Non-recurring staff expenses amounted to €12,773 thousand in the period ended 30 June 2017 (€24,075 thousand at 30 June 2016). Expenses considered as non-recurring are those that do not form part of the Entity’s ordinary activities. In the case of staff expenses, they are considered to be those linked to the new organisational structure and commercial transformation.

Other administrative expenses

This heading includes all other administrative expenses incurred during the periods:

Thousand euro

	30/06/2017	30/06/2016
For property, plant and equipment	(118,272)	(127,621)
IT equipment	(202,927)	(124,198)
Communications	(22,800)	(23,671)
Advertising and publicity	(54,721)	(56,060)
Outsourced administrative services	(51,249)	(46,916)
Levies and taxes	(51,989)	(50,978)
Technical reports	(24,610)	(16,547)
Vigilance and fund transport services	(13,946)	(10,119)
Entertainment expenses and staff travel expenses	(10,787)	(9,403)
Membership fees	(9,705)	(7,140)
Other expenses	(26,425)	(24,305)
Total	**(587,431)**	**(496,959)**

As at 30 June 2017, other non-recurring administrative expenses amounted to €23,126 thousand, and as at 30 June 2016 they amounted to €6,704 thousand, including expenses associated with specific cost reduction schemes and expenses associated with special projects relating to a change in the scope of consolidation.

The cost-to-income ratio (staff expenses and other general administrative expenses / gross income) stood at 51.81% at 30 June 2017 and 49.97% at 30 June 2016. To calculate these cost-to-income ratios, gross income in both years has been adjusted, linearising net trading income and including the linear accrual of contributions to the Deposit Guarantee Fund.

Information about the Group's branches is given below:

Number of branches

	30/06/2017	30/06/2016
Branches	**2,548**	**2,806**
Inside Spain	1,931	2,141
Outside Spain	617	665

The decrease in the number of branches of the Group at 30 June 2017 is mainly due to the merger of branches in Banco de Sabadell.

Note 27 – Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss

The composition of this heading in the consolidated profit and loss statement of the Group at 30 June 2017 and 2016 was as follows:

Thousand euro

	Note	30/06/2017	30/06/2016
Available-for-sale financial assets		**(37,635)**	**(97,408)**
Debt securities		(600)	1,481
Other equity instruments		(37,035)	(98,889)
Loans and receivables (*)	9	**(570,570)**	**(502,167)**
Held to maturity investments		**(884)**	-
Total		**(609,089)**	**(599,575)**

(*) This figure equates to the sum of provisions/reversals through profit or loss of value adjustments made for credit risk hedging, depreciation through profit or loss of financial assets no longer classified as assets and the recovery of write-offs.

During the first half of 2017, the Group's shareholding in Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (SAREB) registered an impairment of €37,000 thousand.

Note 28 – Impairment or (-) reversal of impairment of non-financial assets

The breakdown of losses due to impairment or reversal of impairment on non-financial assets at 30 June 2017 and 2016 is as follows:

Thousand euro

	Note	30/06/2017	30/06/2016
Property plant and equipment	10	(7,566)	(41)
Investment property	10	5,509	(61,313)
Goodwill and other intangible assets		(2,722)	-
Inventories	12	(148,376)	(180,966)
Total		**(153,155)**	**(242,320)**

The heading "*Value impairment or (-) reversal of value impairment on non-financial assets*" on the consolidated profit and loss statement mainly indicates adjustments due to impairment carried out on real properties for internal use by the Group and real estate inventories and investments.

Note 29 – Gains or (-) losses on derecognition of non-financial assets and shares, net

The composition of this heading in the consolidated profit and loss statement of the Group at 30 June 2017 and 2016 was as follows:

Thousand euro

	30/06/2017	30/06/2016
Gains or (-) losses on derecognition of non-financial assets, net	**(10,021)**	**35,261**
Property plant and equipment	(2,064)	(11,017)
Investment property	(11,055)	-
Intangible assets	(892)	(8)
Investments (*)	2,403	46,286
Other equity instruments	-	-
Other items	1,587	-

(*) See Schedule I - Removals from the scope of consolidation.

Note 30 – Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

The breakdown of this heading during the first half of 2017 and 2016 is as follows:

Thousand euro

	Note	30/06/2017	30/06/2016
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (net)		**(57,037)**	**(23,880)**
Property, Plant and Equipment for own use and foreclosed		(72,636)	(26,999)
Net profit/loss		(21,210)	(43,876)
Impairment/reversal	13	(51,426)	16,877
Investment property		(1,000)	-
Intangible assets		-	-
Investments (*)	2	16,613	-
Other equity instruments		-	(99)
Other items		(14)	3,218

(*) Includes mainly gains on sale of Mediterráneo Vida, Sociedad Anónima de Seguros y Reaseguros, a life and savings insurance company.

The impairment of non-current assets held for sale excludes income from the increase in fair value less sale costs.

Note 31 – Segment information

Segmentation criteria

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 separate ones: Banking Business Spain, Asset Transformation, Banking Business United Kingdom and Other Geographies.

- Each business is allocated 11% of capital and the surplus of own funds is allocated to Banking Business Spain.

- Banking Business United Kingdom includes TSB's contribution to the Group.

- Other Geographies mostly comprises Mexico, United States, overseas branches and representative offices. For the purpose of comparison, in 2017 Sabadell United Bank figures have been included in both investment and funds.

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

Corporate Banking offers specialised financing services together with a comprehensive offering of solutions from transactional banking services to more complex and tailored 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 with a view to achieving a good rate of return for customers, increasing and diversifying the customer base and ensuring the consistency of investment processes through a rigorous analysis and with good-quality management, while providing multi-channel access.

– **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 HIP. In terms of abnormal risk and real estate exposure, the unit focuses on developing its asset transformation strategy and integrating the general overview of the Group's real estate balance sheet in order to maximise its value.

– **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, overseas branches and representative offices which offer all types of banking and financial services, from the most complex and specialist services for large corporations, such as project finance operations, to products for individual customers, offering all products and services that professionals and companies of any size might need.

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:

Million euro

	30/06/2017				
	Business banking Spain	**Asset transformation**	**Business banking UK (*)**	**Other geographies (**)**	**Total group**
Net interest income	**1,270**	**(22)**	**523**	**165**	**1,936**
Results calculated using the equity method and dividends	35	(1)	-	2	36
Net fees and commissions	526	1	47	29	603
Net trading income and exchange differences	489	(35)	89	7	550
Other operating income and expenses	(160)	66	(7)	5	(96)
Gross income	**2,160**	**9**	**652**	**208**	**3,029**
Administrative and depreciation expenses.	(838)	(84)	(518)	(122)	(1,562)
Operating income	**1,322**	**(75)**	**134**	**86**	**1,467**
Provisions and impairments	(447)	(357)	(44)	(2)	(850)
Gains /(Losses) on disposals of assets and others	11	-	6	-	17
Profit/(loss) before taxes	**886**	**(432)**	**96**	**84**	**634**
Corporate income tax	(247)	123	(32)	(26)	(182)
Results after tax	**639**	**(309)**	**64**	**58**	**452**
Results attributed to the minority	1	-	-	-	1
Total gains/(losses) of reported Group segments	**638**	**(309)**	**64**	**58**	**451**
ROE (earnings divided by average equity)	15.5%	--	3.5%	10.0%	6.6%
Cost-to-income (administrative expenses divided by gross income)	38.2%	--	78.7%	55.9%	51.8%
Loan loss ratio (%)	6.5%	25.1%	0.5%	0.8%	5.5%
NPL coverage ratio (including SUB) (%)	43.0%	52.9%	49.9%	213.0%	47.1%

(*) Includes contribution to TSB consolidated balance sheet. Exchange rate applied to the balance sheet is GBP 0.879 and that applied to the income statement is GBP 0.860 (average).

(**) Mainly includes Mexico, United States, overseas branches and representative offices. Exchange rate applied to the balance sheet is GBP 0.879, MXN 20.583, USD 1.141 and to the income statement is GBP 0.859, MXN 20.976 and USD 1.082 (average).

Million euro

	30/06/2017				
	Business banking Spain	**Asset transformation**	**Business banking UK (*)**	**Other geographies (**)**	**Total group**
Assets	**133,047**	**17,398**	**47,195**	**19,819**	**217,459**
Customer lending (net) ex repos	92,426	5,603	35,343	12,302	145,674
Real estate exposure	-	4,622	-	31	4,653
Liabilities	**124,664**	**15,367**	**45,696**	**18,658**	**204,385**
On-balance sheet customer funds	92,933	160	34,064	8,772	135,929
Capital market wholesale funding	19,163	-	1,489	-	20,652
Allocated capital	**8,383**	**2,032**	**1,499**	**1,160**	**13,074**
Off-balance sheet customer funds	**42,954**	**14**	**-**	**1,029**	**43,997**

(*) Includes contribution to TSB consolidated balance sheet. Exchange rate applied to the balance sheet is GBP 0.879 and that applied to the income statement is GBP 0.860 (average).

(**) Mainly includes Mexico, United States, overseas branches and representative offices. Exchange rate applied to the balance sheet is GBP 0.879, MXN 20.583, USD 1.141 and to the income statement is GBP 0.859, MXN 20.976 and USD 1.082 (average).

Million euro

	30/06/2016				
	Business banking Spain	Asset transformation	Business banking UK (*)	Other geographies (**)	Total group
Net interest income	**1,261**	**(13)**	**550**	**144**	**1,942**
Results calculated using the equity method and dividends	49	(1)	-	1	49
Net fees and commissions	472	(1)	67	33	571
Net trading income and exchange differences	501	(52)	55	13	517
Other operating income and expenses	(142)	59	(17)	-	(100)
Gross income	**2,141**	**(8)**	**655**	**191**	**2,979**
Administrative and depreciation expenses.	(890)	(71)	(457)	(100)	(1,518)
Operating income	**1,251**	**(79)**	**198**	**91**	**1,461**
Provisions and impairments	(483)	(401)	-	(18)	(902)
Gains /(Losses) on disposals of assets and others	35	-	-	-	35
Profit/(loss) before taxes	**803**	**(480)**	**198**	**73**	**594**
Corporate income tax	(223)	132	(52)	(24)	(167)
Results after tax	**580**	**(348)**	**146**	**49**	**427**
Results attributed to the minority	2	-	-	-	2
Total gains/(losses) of Group segments	**578**	**(348)**	**146**	**49**	**425**
ROE (earnings divided by average equity)	15.4%	--	9.1%	9.7%	6.5%
Cost-to-income (administrative expenses divided by gross income)	41.2%	--	64.1%	49.3%	50.0%
Loan loss ratio (%)	7.0%	34.7%	0.5%	0.6%	6.8%
NPL coverage ratio (%)	49.4%	61.4%	64.6%	173.4%	54.1%

(*) Includes contribution to TSB consolidated balance sheet. Exchange rate applied to the balance sheet is GBP 0.826 and that applied to the income statement is GBP 0.778 (average).

(**) Mainly includes Mexico, United States, overseas branches and representative offices. Exchange rate applied to the balance sheet is GBP 0.8265, MXN 20.634, USD 1.110 and to the income statement is GBP 0.7782, MXN 20.157 and USD 1.114.

Million euro

	30/06/2016				
	Business banking Spain	Asset transformation	Business banking UK (*)	Other geographies (**)	Total group
Assets	**128,347**	**18,633**	**43,398**	**17,514**	**207,892**
Customer lending (net) ex repos	93,248	7,099	33,763	10,378	144,488
Real estate exposure	-	5,247	-	21	5,268
Liabilities	**120,371**	**16,407**	**41,788**	**16,462**	**195,028**
On-balance sheet customer funds	91,756	137	34,051	8,207	134,151
Capital market wholesale funding	21,428	-	4,370	-	25,798
Allocated capital	**7,975**	**2,226**	**1,609**	**1,051**	**12,861**
Off-balance sheet customer funds	**36,591**	**31**	**-**	**933**	**37,555**

(*) Includes contribution to TSB consolidated balance sheet. Exchange rate applied to the balance sheet is GBP 0.826 and that applied to the income statement is GBP 0.778 (average).

(**) Mainly includes Mexico, United States, overseas branches and representative offices. Exchange rate applied to the balance sheet is GBP 0.8265, MXN 20.634, USD 1.110 and to the income statement is GBP 0.7782, MXN 20.157 and USD 1.114.

Ordinary income generated by each business unit at 30 June 2017 and 2016 is as follows:

Thousand euro

	Consolidated					
	Ordinary income from customers		Ordinary income between segments		Total ordinary income	
SEGMENTS	**30/06/2017**	**30/06/2016**	**30/06/2017**	**30/06/2016**	**30/06/2017**	**30/06/2016**
Banking business Spain	2,161,780	2,265,311	107,664	88,448	2,269,443	2,353,759
Asset transformation	184,814	158,999	254	115	185,067	159,114
Banking business UK	815,963	860,425	-	-	815,963	860,425
Other geographies	291,032	225,126	1,251	1,126	292,283	226,252
		-		-		-
(-) Adjustments and eliminations of ordinary income between segments	-	-	(109,169)	(89,690)	(109,169)	(89,690)
Total	**3,453,588**	**3,509,861**	**-**	**-**	**3,453,588**	**3,509,861**

The Directors’ Report gives a more detailed assessment of each of these business units.

The breakdown of interest income by geography for the period between 1 January 2017 and 30 June 2017, and the comparison with the same period of the preceding year, is as follows:

Thousand euro

	Geographical distribution of interest income			
Geographical area	**Individual**		**Consolidated**	
	30/06/2017	**30/06/2016**	**30/06/2017**	**30/06/2016**
Domestic market	1,597,937	1,710,355	1,605,369	1,743,789
Exports:				
European Union	28,076	21,897	657,203	725,811
OECD countries	63,611	53,030	208,589	156,914
Other countries	2,264	1,842	8,812	8,022
Total	**1,691,888**	**1,787,124**	**2,479,973**	**2,634,536**

Note 32 – Deferred tax assets and liabilities

Under current tax regulations, certain timing differences must be taken into account when quantifying the income tax expense. The origins of the deferred tax assets / liabilities recognised in the balance sheet at 30 June 2017 and 31 December 2016 are as follows:

Thousand euro

Deferred tax assets	30/06/2017	31/12/2016
Monetisable	**5,553,136**	**5,806,136**
Due to loans impairment	3,332,578	3,916,675
Due to real estate asset impairment	2,094,148	1,762,269
Due to pension funds	126,410	127,192
Non-monetisable	**604,753**	**611,883**
Due to merger funds	122,344	128,716
Due to foreign credit impairment	21,102	72,044
Due to other non-deductible provisions	126,415	10,664
Due to impairment of equity and debt instruments	173,718	15,130
Due to real estate asset impairment	-	179,918
Other	161,174	205,411
Tax credits for losses carried forward	**310,666**	**350,261**
Deductions not applied	**13,681**	**7,057**
Total	**6,482,236**	**6,775,337**

Deferred tax liabilities	30/06/2017	31/12/2016
Property appreciation	88,850	70,239
Adjustments to value of wholesale debt issuances arising on business combinations	68,626	78,628
Other financial asset value adjustments	272,769	322,230
Other	39,429	71,168
Total	**469,674**	**542,265**

Note 33 – Related-party transactions

During the first half of 2017, no material transactions took place with related parties as defined in Order EHA/3050/2004. Those that did take place were in the normal course of the company's business and were performed at market prices.

The most significant balances recognised by the Group in its dealings with related parties, and the effect on the income statement of related-party transactions, are shown below:

Thousand euro

	30/06/2017					31/12/2016
	Joint control or significant influence	Associates	Key personnel	Other related parties (*)	TOTAL	TOTAL
Assets:						
Customer lending and other financial assets	-	203,715	12,115	180,953	**396,783**	**371,022**
Liabilities:						
Customer deposits and other financial liabilities	-	495,181	13,185	177,740	**686,106**	**1,328,712**
Memorandum accounts:						
Contingent exposures	-	48,656	-	16,401	**65,057**	**10,394**
Contingent commitments given		504	3,876	31,750	**36,130**	**30,204**
Income statement:						
Interest and similar income	-	1,451	34	2,611	**4,096**	**11,008**
Interest and similar charges	-	(3,494)	(13)	(228)	**(3,735)**	**(10,533)**
Return on capital instruments	-	-	-	-	**-**	**-**
Net fees and commissions	-	60,689	22	117	**60,828**	**31,487**
Other operating income	-	1,168	-	-	**1,168**	**3,268**

(*) Includes employee pension schemes.

Note 34 – Remuneration of and balances with members of the Board of Directors and senior management

The remuneration collected by, and balances with, members of the Board of Directors, and the remuneration received by senior management members in the six-month periods ended 30 June 2017 and 30 June 2016 are shown below:

Thousand euro

Directors	**30/06/2017**	**30/06/2016**
Remuneration item:		
Fixed remuneration	2,063	2,060
Variable remuneration	1,375	1,368
Articles of Association-mandated	938	999
Others	41	25
Total	**4,417**	**4,452**

Thousand euro

	30/06/2017	**30/06/2016**
Other benefits:		
Loans	5,270	11,307
Pension funds and plans: Contributions	3	2
Guarantees provided for directors	2,524	2,648

Thousand euro

Senior management	**30/06/2017**	**30/06/2016**
Total remuneration	3,628	3,713

The “Management staff” category includes members of senior management and the Internal Audit Department, in accordance with the criteria set out in CNMV Circular 5/2013, of 12 June.

The theoretical amounts of variable remuneration at 30 June 2017 are 50% of the variable target for 2017, but this does not entail any vested right claimable under this heading, and it is possible that such remuneration may not materialise.

Note 35 – Subsequent events

Since 30 June 2017, there have been no events worthy of mention, with the exception of the following:

Bansabadell Vida, S.A. de Seguros y Reaseguros (“Bansabadell Vida”), a company in which Banco Sabadell holds a 50% interest and controlled by Zurich Vida, Compañía de Seguros y Reaseguros, S.A. entered into a reinsurance contract on 24 July 2017 with the Spanish branch of the reinsurance company Swiss Re Europe, S.A., in respect of its individual life insurance portfolio as at 30 June 2017.

The reinsurance commission that Bansabadell Vida will receive will amount to €683.7 million, resulting in net income of €253.5 million for Banco Sabadell Group, after deducting taxes and expenses relating to this transaction, which will be recognised under the heading “*Results of entities recognised by the equity method*” in the Group’s income statement.

Schedule I – Changes in the scope of consolidation

Additions to the scope of consolidation in the first half of 2017:

Thousand euro

Name of entity (or line of business) acquired or merged	Category	Effective date of the transaction	Cost of combination Acquisition cost	 Fair value of equity instruments issued for the acquisiton	% voting rights acquired	% total voting rights	Kind of holding	Method
Aurica Coinvestments S.L.	Subsidiary	3/17/2017	52,972		82.48%	82.48%	Indirecta	Full Consolidation
Delta Tecnic, S.A. (*)	Associate	4/30/2017	14,552		40.00%	40.00%	Indirecta	Equity method
Flex Equipos De Descanso, S.A. (*)	Associate	4/30/2017	50,930		19.16%	19.16%	Indirecta	Equity method
Sabadell Innovation Cells, S.L.U.	Subsidiary	4/30/2017	3		100.00%	100.00%	Directa	Full Consolidation
Tsb Banking Group Plc Share Trust	Subsidiary	1/1/2017	0		100.00%	100.00%	Indirecta	Full Consolidation
Xunqueira Eolica, S.L. (**)	Subsidiary	3/31/2017	400		98.55%	98.55%	Indirecta	Full Consolidation
IFA Beach Hotel, S.A.U. (**)	Subsidiary	6/30/2017	26,270		100.00%	100.00%	Indirecta	Full Consolidation
IFA Continental Hotel, S.A.U. (**)	Subsidiary	6/30/2017	36,060		100.00%	100.00%	Indirecta	Full Consolidation
IFA Hotel Dunamar, S.A.U. (**)	Subsidiary	6/30/2017	42,080		100.00%	100.00%	Indirecta	Full Consolidation
Tropical Partners, S.L. (*)	Associate	6/30/2017	61,490		49.99%	49.99%	Indirecta	Equity method
Rest (**)	Subsidiary	3/31/2017	0		100.00%	100.00%	Indirecta	Full Consolidation
Total newly consolidated subsidiaries			**157,785**					
Total newly consolidated associates			**126,972**					

(*) See cash flow statement - investment activities, under Investment Payments/Collections in joint ventures and associates.

(**) See cash flow statement - investment activities in the row indicating Payments/Collections of Investments in subsidiaries and other business units

Removals from to the scope of consolidation in the first half of 2017:

Thousand euro

Name of entity (or line of business) sold, spun off or otherwise disposed of	Category	Effective date of the transaction	% Voting rights disposed of	% Total voting rights following disposal	Profit/ Loss generated	Kind of holding	Method	Reason
Empire Properties Spain, S.L.	Subsidiary	3/31/2017	1.00	0.00	(560)	Direct	Full Consolidation	a
Eólica de Cuesta Roya, S.L.	Subsidiary	3/31/2017	0.51	0.00	(2)	Direct	Full Consolidation	b
Exel Broker de Seguros, S.A.	Subsidiary	5/31/2017	1.00	0.00	2,998	Direct	Full Consolidation	a
Puerto de Tamariu, AIE	Subsidiary	1/31/2017	1.00	0.00	-	Direct	Full Consolidation	c
Serveis d´Assessorament BSA, S.A.U.	Subsidiary	2/28/2017	0.51	0.00	-	Indirect	Full Consolidation	d
Diana Capital, S.G.E.C.R., S.A.	Associate	6/30/2017	0.00	0.21	-	Direct	Equity method	e
Gesta Aparcamientos, S.L.	Associate	6/30/2017	0.00	0.40	-	Indirect	Equity method	e
Guisain, S.L.	Associate	6/30/2017	0.00	0.40	-	Indirect	Equity method	e
Mediterráneo Vida, S.A.U. de Seguros y Reaseguros	Subsidiary	6/30/2017	100.00	0.00	16,634	Indirect	Full Consolidation	a
Parque Tecnológico Fuente Álamo, S.A.	Associate	6/30/2017	0.00	1.00	-	Direct	Equity method	e
Planificació TGN2004, S.L. en liquidación	Associate	6/30/2017	0.00	0.50	-	Indirect	Equity method	e
Tremon Maroc Mediterraneo Services Immobiliers, S.A.R.L.	Associate	6/30/2017	0.00	0.20	-	Indirect	Equity method	e
Visualmark Internacional, S.L.	Associate	6/30/2017	0.00	1.00	-	Indirect	Equity method	e
Rest					(54)			
Total					**19,016**			

(a) Disposals from the scope of consolidation due to sale of shareholding.

(b) Disposals from the scope due to dissolution and/or liquidation.

(c) Disposals due to reclassification into non-current assets held for sale.

(d) Disposals due to merger.

(e) Removals due to loss of significant influence

Schedule II – Financial statements of Banco Sabadell

Interim financial statements of Banco de Sabadell, S.A.

Below are presented the separate balance sheets at 30 June 2017 and 31 December 2016, the separate profit and loss statements, the separate statements of recognised income and expenses, the separate statements of total changes in equity and the separate cash flow statements of the bank for the six-month period ended 30 June 2017 and 2016, prepared in accordance with the same accounting principles and policies and valuation methods applied to these condensed interim consolidated financial statements for the Group.

Separate balance sheets of Banco de Sabadell, S.A.

At 30 June 2017 and 31 December 2016

Thousand euro

Asset	30/06/2017	31/12/2016 (*)
Cash, cash balances at central banks and other demand deposits	**7,279,639**	**6,464,915**
Financial assets held for trading	**1,841,067**	**3,348,646**
Derivatives	1,540,410	1,727,866
Equity instruments	-	-
Debt securities	300,657	1,620,780
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Memorandum item: provided or given as guarantee with right to sale or pledging	*21,880*	-
Financial assets designated at fair value through profit or loss	**-**	**-**
Equity instruments	-	-
Debt securities	-	-
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Memorandum item: provided or given as guarantee with right to sale or pledging	-	-
Available-for-sale financial assets	**14,549,503**	**14,853,067**
Equity instruments	374,176	411,945
Debt securities	14,175,327	14,441,122
Memorandum item: provided or given as guarantee with right to sale or pledging	2,283,832	6,761,231
Loans and receivables	**120,870,104**	**120,032,969**
Debt securities	599,153	918,584
Loans and advances	120,270,951	119,114,385
Central banks	-	-
Credit institutions	6,243,903	4,805,917
Customers	114,027,048	114,308,468
Memorandum item: provided or given as guarantee with right to sale or pledging	*113,799*	*855,145*
Held-to-maturity investments	**9,222,290**	**4,598,190**
Memorandum item: provided or given as guarantee with right to sale or pledging	*2,009,489*	-
Derivatives - hedge accounting	**163,653**	**233,348**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**19,388**	**-**
Investments in subsidiaries, joint ventures and associates	**5,702,681**	**5,901,134**
Group entities	5,568,771	5,761,903
Associates	133,910	139,231
Tangible assets	**1,963,321**	**1,945,194**
Property, Plant and Equipment	1,287,891	1,319,610
For own use	1,287,891	1,319,610
Leased out under operating leases	-	-
Investment property	675,430	625,584
Of which: leased out under operating leases	-	-
Memorandum item: acquired under financial lease	-	-
Intangible assets	**330,659**	**370,411**
Goodwill	259,471	286,056
Other intangible assets	71,188	84,355
Tax assets	**6,619,511**	**6,668,718**
Current tax assets	94,723	146,146
Deferred tax assets	6,524,788	6,522,572
Other assets	**329,149**	**332,714**
Insurance contracts linked to pensions	151,261	153,989
Inventories	-	-
Rest of other assets	177,888	178,725
Non-current assets and disposal groups classified as held for sale	**2,457,248**	**1,995,297**
TOTAL ASSETS	**171,348,213**	**166,744,603**

(*) Presented for comparison purposes only.

Separate balance sheets of Banco de Sabadell, S.A.

At 30 June 2017 and 31 December 2016

Thousand euro

Liabilities	30/06/2017	31/12/2016 (*)
Financial liabilities held for trading	**1,525,856**	**1,889,775**
Derivatives	1,457,695	1,829,883
Short positions	68,161	59,892
Deposits	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Debt securities issued	-	-
Other financial liabilities	-	-
Financial liabilities designated at fair value through profit or loss	**-**	**-**
Deposits	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Debt securities issued	-	-
Other financial liabilities	-	-
Memorandum item: subordinated liabilities	-	-
Financial liabilities measured at amortised cost	**155,835,050**	**150,564,174**
Deposits	130,039,434	125,118,966
Central banks	20,938,175	11,818,693
Credit institutions	9,565,522	14,960,043
Customers	99,535,737	98,340,230
Debt securities issued	22,275,626	22,891,733
Other financial liabilities	3,519,990	2,553,475
Memorandum item: subordinated liabilities	*1,756,823*	*1,115,167*
Derivatives – Hedge accounting	**229,106**	**355,475**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**(63,160)**	**(18,270)**
Provisions	**317,096**	**394,118**
Pensions and other post employment defined benefit obligations	87,647	89,471
Other long term employee benefits	12,201	18,759
Pending legal issues and tax litigation	39,994	48,505
Commitments and guarantees given	127,886	192,375
Other provisions	49,368	45,008
Tax liabilities	**715,763**	**611,407**
Current tax liabilities	298,036	116,620
Deferred tax liabilities	417,727	494,787
Share capital repayable on demand	**-**	**-**
Other liabilities	**315,819**	**402,615**
Liabilities included in disposal groups classified as held for sale	**-**	**-**
TOTAL LIABILITIES	**158,875,530**	**154,199,294**

(*) Presented for comparison purposes only.

Separate balance sheets of Banco de Sabadell, S.A.

At 30 June 2017 and 31 December 2016

Thousand euro

Equity	**30/06/2017**	**31/12/2016 (*)**
Shareholders equity	**12,411,115**	**12,278,733**
Capital	702,019	702,019
Paid up capital	702,019	702,019
Unpaid capital which has been called uo	-	-
Memorandum item: uncalled capital	-	-
Issue premium	7,882,899	7,882,899
Equity instruments issued other than capital	-	-
Equity component of compound financial instruments	-	-
Other equity instruments issued	-	-
Other equity instruments issued	28,284	23,818
Retained earnings	-	-
Revaluation reserves	-	-
Other reserves	3,582,225	3,490,819
(-) Treasury shares	(87,757)	(89,380)
Profit (loss)	303,445	379,839
(-) Interim dividends	-	(111,281)
Accumulated other comprehensive income	**61,569**	**266,576**
Items that will not be reclassified to profit or loss	13,261	13,260
Actuarial gains or (-) losses on defined benefit pension plans	13,261	13,260
Non-current assets and disposal groups classified as held for sale	-	-
Rest of valuation adjustments	-	-
Items that may be reclassified to profit or loss	48,308	253,316
Hedge of net investments in foreign operations [effective portion]	-	-
Foreign currency translation	8,557	35,316
Hedging derivatives. Cash flow hedges [effective portion]	(93,780)	(39,496)
Available-for-sale financial assets	133,531	257,496
Debt instruments	104,854	230,477
Equity instruments	28,677	27,019
Non-current assets and disposal groups classified as held for sale	-	-
TOTAL EQUITY	**12,472,684**	**12,545,309**
TOTAL EQUITY AND TOTAL LIABILITIES	**171,348,213**	**166,744,603**

Memorandum Item		
Guarantees given	**8,911,981**	**8,831,580**
Contingent liabilities given	**15,284,260**	**20,197,734**

(*) Presented for comparison purposes only.

Separate profit and loss account of Banco de Sabadell, S.A.

For the six-month periods ended 30 June 2017 and 2016

Thousand euro

	30/06/2017	30/06/2016 (*)
Interest income	1,691,888	1,787,124
(Interest expenses)	(422,172)	(542,236)
(Expenses on share capital repayable on demand)	-	-
Gross Income	**1,269,716**	**1,244,888**
Dividend income	148,083	37,418
Fee and commission income	531,828	480,875
(Fee and commission expenses)	(50,861)	(42,214)
Results of financial operations (net)	446,186	444,747
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	296,316	433,104
Gains or (-) losses on financial assets and liabilities held for trading, net	150,460	12,510
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	-	-
Gains or (-) losses from hedge accounting, net	(590)	(867)
Exchange differences (gain or (-) loss), net	6,252	8,935
Other operating income	41,015	39,900
(Other operating expenses)	(124,700)	(105,116)
Gross Income	**2,267,519**	**2,109,433**
(Administrative expenses)	(884,528)	(896,461)
(Staff expenses)	(512,334)	(551,414)
(Other general administration expenses)	(372,194)	(345,047)
(Amortisation)	(96,646)	(119,280)
(Provisions or (-) reversal of provisions)	57,567	(32,479)
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	(805,292)	(649,874)
(Financial assets measured at cost)	-	-
(Available- for-sale financial assets)	(38,431)	(12,417)
(Loans and receivables)	(766,289)	(637,457)
(Held to maturity investments)	(572)	-
Net operating income	**538,620**	**411,339**
(Impairment or (-) reversal of impairment of investments in joint ventures and associates)	39,542	(63,039)
(Impairment or (-) reversal of impairment on non-financial assets)	(1,195)	(23,502)
(Tangible assets)	(1,195)	(23,502)
(Intangible assets)	-	-
(Other)	-	-
Gains or (-) losses on derecognition of non financial assets, net	(7,235)	35,585
Negative goodwill recognised in profit or loss	-	-
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(72,621)	(18,741)
Profit or (-) loss before tax from continuing opearations	**497,111**	**341,642**
(Tax expense or (-) income related to profit or loss from continuing operations)	(193,666)	(106,014)
Profit or (-) loss after tax from continuing operations	**303,445**	**235,628**
Profit or (-) loss after tax from discontinued operations	-	-
PROFIT/(LOSS) FOR THE PERIOD	**303,445**	**235,628**
Earnings per share	**-**	**0.04**
Basic	0.05	0.04
Diluted	0.05	0.04

(*) Presented for comparison purposes only.

Separate statements of changes in equity of Banco de Sabadell, S.A.

Separate statements of recognised income and expenses of Banco de Sabadell, S.A.

For the six-month periods ended 30 June 2017 and 2016

Thousand euro

	30/06/2017	30/06/2016 (*)
Profit or loss for the period	**303,445**	**235,628**
Other comprehensive income	**(205,007)**	**(68,859)**
Items that will not be reclassified to profit or loss	-	-
Actuarial gains or (-) losses on defined benefit pension plans	-	-
Non-current assets and disposal groups held for sale	-	-
Rest of valuation adjustments	-	-
Income tax relating to items that will not be reclassified	-	-
Items that may be reclassifed to profit or loss	(205,007)	(68,859)
Hedge of net investments in foreign operations [effective portion]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Foreign currency translation	(26,759)	134
Valuation gains or (-) losses taken to equity	(26,759)	134
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges [effective portion]	(77,548)	22,839
Valuation gains or (-) losses taken to equity	(132,626)	17,545
Transferred to profit or loss	55,078	5,294
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Available-for-sale financial items	(177,093)	(121,400)
Valuation gains or (-) losses taken to equity	151,674	272,464
Transferred to profit or loss	(328,767)	(393,864)
Other reclassifications	-	-
Non-current assets and disposal groups held for sale	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Income tax relating to items that may be reclassified to profit or (-) loss	76,393	29,567
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**98,438**	**166,769**

(*) Presented for comparison purposes only.
The consolidated statement of recognised income and expenses together with the consolidated statement of changes in total equity of the Banco Sabadell Group make up the statement of changes in net equity.

Separate statements of changes in equity of Banco de Sabadell, S.A.

For the six-month periods ended 30 June 2017 and 2016

En miles de euros

Changes in equity	Capital	Share premium	Equity instruments issued other than Capital	Other equity	Retained earnings	Revaluation reserve	Other reserves	(-) Treasury shares	Profit/(loss) for the period	(-) Intermim dividends	Accumulated other comprehensive income	Total
Opening balance 31/12/2016	**702,019**	**7,882,899**	**-**	**23,818**	**-**	**-**	**3,490,819**	**(89,380)**	**379,839**	**(111,281)**	**266,576**	**12,545,309**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance 31/12/2016	**702,019**	**7,882,899**	**-**	**23,818**	**-**	**-**	**3,490,819**	**(89,380)**	**379,839**	**(111,281)**	**266,576**	**12,545,309**
Total comprehensive income for the year	-	-	-	-	-	-	-	-	303,445	-	(205,007)	**98,438**
Other changes in equity	-	-	-	4,466	-	-	91,406	1,623	(379,839)	111,281	-	**(171,063)**
Issue of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-
Divdends (or shareholder payments)	-	-	-	-	-	-	(168,484)	-	-	-	-	**(168,484)**
Purchase of treasury shares	-	-	-	-	-	-	-	(172,553)	-	-	-	**(172,553)**
Sale or cancellation of treasury shares	-	-	-	-	-	-	1,224	174,176	-	-	-	**175,400**
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity (*)	-	-	-	-	-	-	268,558	-	(379,839)	111,281	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	4,466	-	-	-	-	-	-	-	**4,466**
Other increase or (-) decrease in equity	-	-	-	-	-	-	(9,892)	-	-	-	-	**(9,892)**
Closing balance 30/06/2017	**702,019**	**7,882,899**	**-**	**28,284**	**-**	**-**	**3,582,225**	**(87,757)**	**303,445**	**-**	**61,569**	**12,472,684**

(*) Includes the distribution of profit/(loss) for the period and complementary remuneration in addition to the dividend (see note 3).

Separate statements of changes in equity of Banco de Sabadell, S.A.

For the six-month periods ended 30 June 2017 and 2016

En miles de euros

Changes in equity	Capital	Share premium	Equity instruments issued other than Capital	Other equity	Retained earnings	Revaluation reserve	Other reserves	(-) Treasury shares	Profit/(loss) for the period	(-) Intermim dividends	Accumulated other comprehensive income	Total
Opening balance 31/12/2015	**679,906**	**7,935,665**	**-**	**14,322**	**-**	**-**	**3,265,305**	**(228,690)**	**301,898**	**-**	**351,458**	**12,319,864**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance 31/12/2015	**679,906**	**7,935,665**	**-**	**14,322**	**-**	**-**	**3,265,305**	**(228,690)**	**301,898**	**-**	**351,458**	**12,319,864**
Total comprehensive income for the year	-	-	-	-	-	-	-	-	235,628	-	(68,859)	**166,769**
Other changes in equity	15,877	(106,447)	-	4,736	-	-	211,665	119,998	(301,898)	-	-	**(56,069)**
Issue of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	15,877	-	-	-	-	-	(15,877)	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-
Divdends (or shareholder payments) (*)	-	(106,447)	-	-	-	-	(77,948)	135,695	-	-	-	**(48,700)**
Purchase of treasury shares	-	-	-	-	-	-		(204,451)	-	-	-	**(204,451)**
Sale or cancellation of treasury shares	-	-	-	-	-	-	4,945	188,754	-	-	-	**193,699**
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	-	-	301,898	-	(301,898)	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	4,736	-	-	-	-	-	-	-	**4,736**
Other increase or (-) decrease in equity	-	-	-	-	-	-	(1,353)	-	-	-	-	**(1,353)**
Closing balance 30/06/2016	**695,783**	**7,829,218**	**-**	**19,058**	**-**	**-**	**3,476,970**	**(108,692)**	**235,628**	**-**	**282,599**	**12,430,564**

(*) Remuneration supplementary to dividend (see Note 3).

Separate cash flow statements of Banco Sabadell, S.A.

For the six-month periods ended 30 June 2017 and 2016

Thousand euro

	30/06/2017	30/06/2016 (*)
Cash flows from operating activities	**4,564,439**	**725,018**
Profit/(loss) for the period	303,445	235,628
Adjustments for operating cash flows	1,084,777	876,065
Amortisation	96,646	119,280
Other adjustments	988,131	756,785
Increase/decrease of operating assets (net)	(608,442)	831,258
Financial assets held for trading	1,507,579	(739,080)
Financial assets designated at fair value through profit or loss	-	-
Available-for-sale financial assets	141,689	(1,182,679)
Loans and receivables	(2,100,915)	2,294,751
Other operating assets	(156,795)	458,266
Increase/decrease of operating liabilities (net)	3,830,217	(1,211,808)
Financial liabilities held for trading	(363,920)	491,177
Financial liabilities designated at fair value through profit or less	-	-
Financial liabilities measured at amortised cost	4,520,876	(1,985,256)
Other operating liabilities	(326,740)	282,271
Income tax received/paid	(45,557)	(6,125)
Cash flows from investing activities	**(4,336,455)**	**(163,798)**
Payments made:	(4,739,192)	(593,618)
Tangible assets	(92,070)	(107,051)
Intangible assets	(853)	-
Investments in joint ventures and associates	-	(95,190)
Subsidiaries and other business units	(80,090)	-
sales	-	(391,377)
Held-to-maturity investments	(4,566,179)	-
Other payments related to investing activities	-	-
Payments received	402,736	429,820
Tangible assets	12,128	21,334
Intangible assets	-	138
Investments in joint ventures and associates	15,208	54,077
Subsidiaries and other business units	169,072	-
sales	206,327	354,271
Held-to-maturity investments	-	-
Other payments related to investing activities	-	-
Cash flows from financing activities	**579,942**	**49,146**
Payments made:	(345,460)	(254,505)
Dividends	(168,485)	-
Subordinated liabilities	-	-
Redemptiopn of own equity instruments	-	-
Acquisition of own equity instruments	(172,555)	(204,452)
Other payments related to financing activities	(4,421)	(50,053)
Payments received	925,401	303,651
Subordinated liabilities	750,000	109,953
Issuance of own equity instruments	-	-
Disposal of own equity instruments	175,401	193,698
Other payments related to financing activities	-	-
Effect of exchange rate fluctuations	**6,798**	**134**
Net increase/ (decrease) in cash and cash equivalents	**814,724**	**610,500**
Cash and cash equivalents at beginning of the period	**6,464,915**	**2,096,603**
Cash and equivalents at end of the period	**7,279,639**	**2,707,103**

CASH AND CASH EQUIVALENTS FOR THE PERIOD		
Cash	487,270	431,524
Cash equivalent balances in central banks	6,589,868	2,148,514
Other demand deposits	202,501	127,065
Other financial assets	-	-
Less: bank overdrafts repayable on demand	-	-

(*) Presented for comparison purposes only.

Schedule III – Information required to be kept by issuers of mortgage market securities and the special mortgage register

Information concerning the data kept in the special accounting register of the issuer Banco Sabadell referred to in Article 21 of Royal Decree 716/2009, as required by Bank of Spain Circular 5/2011 is as follows, without taking account of the guarantee provided by the DGF.

A) Lending transactions (recognised as assets)

Details of the aggregate nominal values of mortgage loans and credit at 30 June 2017 and 2016 backing issues of asset-backed securities, their eligibility and the extent to which they qualify as such for mortgage market purposes, are presented in the following table:

Thousand euro

Analysis of overall mortgage loan & credit portfolio; eligibility and qualifying amounts (Nominal Values)

	30/06/2017	31/12/2016
Total mortgage loan and credit portfolio	**57,680,329**	**60,284,332**
Mortgage securities issued	**4,790,564**	**5,144,462**
Of which: loans held on balance sheet	4,508,029	4,835,597
Mortgage transfer certificates	**3,472,696**	**3,963,115**
Of which: loans held on balance sheet	3,315,356	3,768,861
Mortgage loans pledged as security for financing received	-	-
Loans backing issues of mortgage bonds and mortgage covered bonds	**49,417,069**	**51,176,755**
Ineligible loans	14,193,375	15,411,370
Fulfil eligibility requirements except for limit under Article 5.1 of Royal Decree 716/2009	11,449,667	12,290,896
Rest	2,743,708	3,120,474
Elgible loans	35,223,694	35,765,385
Non-qualifiying portions	94,478	107,768
Qualifying portions	35,129,216	35,657,617
Loans covering mortgage bond issues	-	-
Loans eligible as cover for mortgage covered bond issues	35,129,216	35,657,617
Substitution assets related to mortgage covered bond issues	-	-

A breakdown of these nominal values according to different classifications is given below:

Thousand euro

Analysis of total mortgage loan & credit portfolio backing mortgage market issuances

	30/06/2017		31/12/2016	
	Total	***Of which : Eligible loans***	**Total**	***Of which : Eligible loans***
Total mortgage loan and credit portfolio	**49,417,069**	**35,223,694**	**51,176,755**	**35,765,385**
Origin of operations	**49,417,069**	**35,223,694**	**51,176,755**	**35,765,385**
Originated by the Bank	48,609,746	34,762,651	50,346,578	35,295,368
Subrogated from other entities	277,553	226,687	269,891	224,558
Rest	529,770	234,356	560,286	245,459
Currency	**49,417,069**	**35,223,694**	**51,176,755**	**35,765,385**
Euro	49,296,479	35,129,736	51,045,668	35,705,266
Other currencies	120,590	93,958	131,087	60,119
Payment status	**49,417,069**	**35,223,694**	**51,176,755**	**35,765,385**
Performing	41,750,872	32,170,895	41,444,636	32,026,465
Other situations	7,666,197	3,052,799	9,732,119	3,738,920
Average residual period to maturity	**49,417,069**	**35,223,694**	**51,176,755**	**35,765,385**
Up to 10 years	13,243,413	8,517,863	14,278,937	8,669,175
10 to 20 years	17,303,922	13,479,699	17,327,453	13,335,178
20 to 30 years	14,531,752	10,682,776	14,651,158	10,747,915
More than 30 years	4,337,982	2,543,356	4,919,207	3,013,117
Interest rate	**49,417,069**	**35,223,694**	**51,176,755**	**35,765,385**
Fixed	10,346,661	7,366,155	9,321,347	6,334,684
Variable	39,070,408	27,857,539	41,855,408	29,430,701
Mixed	-	-	-	-
Holders	**49,417,069**	**35,223,694**	**51,176,755**	**35,765,385**
Legal entities and individual entrepreneurs	17,895,236	10,082,858	19,786,398	10,745,538
Of which: Real estate developments	4,947,879	1,908,914	*6,539,086*	*2,537,346*
Other individuals and NPISH	31,521,833	25,140,836	31,390,357	25,019,847
Type of guarantee	**49,417,069**	**35,223,694**	**51,176,755**	**35,765,385**
Assets/finished buildings	45,979,667	34,046,845	46,669,023	34,402,220
Residential	36,804,159	28,065,563	37,442,623	28,517,150
Of which: Official housing	*1,800,123*	*1,279,841*	*1,744,996*	*1,233,156*
Purchased for resale	9,046,480	5,886,540	9,088,092	5,783,908
Other	129,028	94,742	138,308	101,162
Assets/Building under construction	376,763	243,140	535,955	312,429
Residential	346,224	218,182	495,870	278,110
Of which: Official housing	*62*	-	*63*	-
Purchased for resale	28,693	23,113	36,568	30,804
Other	1,846	1,845	3,517	3,515
Land	3,060,639	933,709	3,971,777	1,050,736
Developed	1,580,662	366,314	2,158,151	452,427
Rest	1,479,977	567,395	1,813,626	598,309

The nominal values of drawable funds (i.e. undrawn loan commitments) within the total mortgage loan and credit portfolio were as follows:

Thousand euro

Available balances (nominal value). Total mortgage loans and credits backing the issue of covered bonds and mortgage bonds

	30/06/2017	31/12/2016
Potentially eligible	1,028,685	1,057,382
Ineligible	2,015,076	1,537,366

The breakdown of nominal values based on the loan-to-value (LTV) ratio of the last available valuation of the mortgage loans and credit portfolio eligible for the issuance of covered bonds and mortgage-backed securities is given hereafter:

Thousand euro

LTV ratio by type of security. Eligible loans for the issue of mortgage bonds and mortgage covered bonds

	30/06/2017	31/12/2016
Secured on residential property	**28,397,518**	**28,928,427**
Of which LTV <= 40%	*8,260,800*	*8,594,798*
Of which LTV 40%-60%	*10,965,119*	*11,062,573*
Of which LTV 60%-80%	*9,171,599*	*9,271,056*
Of which LTV > 80%	-	-
Secured on other properties	**6,826,176**	**6,836,958**
Of which LTV <= 40%	*4,123,771*	*4,131,633*
Of which LTV 40%-60%	*2,702,405*	*2,705,325*
Of which LTV > 60%	-	-

Changes during the first half of 2017 in the nominal values of mortgage loans that collateralise issuances of covered bonds and mortgage-backed securities (eligible and non-eligible) are as follows:

Thousand euro

Movements in nominal values of mortgage loans

	Eligible	Ineligible
Balance at 31 December 2016	**35,765,385**	**15,411,370**
Derecognised during the year	**(4,670,133)**	**(3,802,582)**
Repayment at maturity	(1,369,430)	(275,409)
Early repayment	(551,176)	(257,167)
Subrogrations by other entities	(11,977)	(1,915)
Rest	(2,737,550)	(3,268,091)
Additions in the year	**4,128,442**	**2,584,587**
Originated by the Bank	1,802,972	708,766
Subrogations from other entities	22,465	2,547
Rest	2,303,005	1,873,274
Balance at 30 June 2017	**35,223,694**	**14,193,375**

B) Funding transactions (recognised as liabilities)

Information on issuances of collateralised securities backed by Banco Sabadell mortgage loans and credit portfolios is provided in the following table, analysed by unexpired term and according to whether the sale was by public offering or otherwise.

Thousand euro

Nominal value	30/06/2017	31/12/2016
Mortgage covered bonds in issue	**22,627,545**	**23,457,544**
Of which: not reflected under liabilities on the balance sheet	*9,563,800*	*9,556,900*
Debt securities issued through public offering	**7,100,000**	**7,600,000**
Time to maturity up to one year	1,000,000	1,500,000
Time to maturity from one to two years	-	1,000,000
Time to maturity from two to three years	750,000	-
Time to maturity from three to five years	2,350,000	3,100,000
Time to maturity from five to ten years	3,000,000	2,000,000
Time to maturity more than ten years	-	-
Debt securities. Other issues	**12,513,000**	**12,813,000**
Time to maturity up to one year	200,000	500,000
Time to maturity from one to two years	4,300,000	1,150,000
Time to maturity from two to three years	1,500,000	3,150,000
Time to maturity from three to five years	4,880,000	6,380,000
Time to maturity from five to ten years	1,633,000	1,633,000
Time to maturity more than ten years	-	-
Deposits	**3,014,545**	**3,044,544**
Time to maturity up to one year	455,000	330,000
Time to maturity from one to two years	438,710	593,710
Time to maturity from two to three years	669,980	524,146
Time to maturity from three to five years	600,000	445,833
Time to maturity from five to ten years	830,855	1,130,855
Time to maturity more than ten years	20,000	20,000

	30/06/2017		31/12/2016	
	Value nominal (€ thousand)	Maturity average residual (years)	Value nominal (€ thousand)	Maturity average residual (years)
Mortgage transfer certificates	**3,472,696**	**17**	**3,963,115**	**17**
Issued through public offering	-	-	-	-
Other issues	3,472,696	17	3,963,115	17
Mortgage securities	**4,790,564**	**15**	**5,144,462**	**16**
Issued through public offering	-	-	-	-
Other issues	4,790,564	15	5,144,462	16

Banco de Sabadell, S.A.'s over-collateralisation ratio (the nominal value of all the mortgage loans and credit backing the issuance of covered bonds and mortgage-backed securities, divided by the nominal value of issued mortgage covered bonds) stood at 218% at 30 June 2017.

The policies and procedures aimed at guaranteeing compliance with the regulations governing the mortgage market are described in Note 4 to the 2016 consolidated annual accounts on financial risk management.

With regards to funding activities, Banco Sabadell Group is an active participant in capital markets and has a number of funding programmes in operation (see Note 4 to the 2016 consolidated annual accounts). As one element of the Group's funding strategy, Banco de Sabadell, S.A. is an issuer of covered bonds. Covered bonds are issued backed by the bank's portfolio of mortgage loans that meet the eligibility criteria set forth in Royal Decree 716/2009, which provides rules on the mortgage market and mortgage finance in Spain. The Group has procedures in place to monitor its entire portfolio of mortgage loans and credit. These include maintaining special accounting records of all mortgage loans and credit — and any assets that replace them — used to back issues of covered bonds and mortgage-backed securities, and of any financial derivatives associated with them; verifying that all loans and other assets meet the eligibility criteria for use as collateral in issues of covered bonds; and ensuring that bond issues are at all times kept to within their maximum limits, as required by the applicable mortgage market legislation.

Schedule IV – Other risk information

Loans and advances to customers broken down by activity and type of guarantee

The breakdown of the balance of loans and advances to customers and type of guarantee at 30 June 2017 and 31 December 2016, respectively, is as follows:

Thousand euro

30/06/2017	TOTAL	Of which: mortgage loans	Of which: other collaterised loans	Collaterised loans. Carrying amount over last available appraisal. Loan to value: Less than or equal to 40%	Greater than 40% or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%
Public Administrations	**9,083,418**	**59,628**	**26,072**	**29,415**	**29,644**	**16,812**	**8,006**	**1,823**
Other financial corporations and individual entrepreneurs (financial business activity)	**1,197,652**	**266,888**	**6,765**	**126,991**	**92,660**	**42,309**	**378**	**11,315**
Non financial corporations and individual entrepreneurs (non-financial business activity)	**56,505,901**	**18,882,817**	**2,381,160**	**7,747,438**	**5,060,654**	**3,072,177**	**1,630,518**	**3,753,190**
Construction and real estate development (including	5,917,215	5,052,963	214,363	1,408,247	1,161,803	619,438	423,522	1,654,316
Construction of civil works	727,161	96,569	8,680	44,862	27,822	10,451	8,697	13,417
Other purposes	49,861,525	13,733,285	2,158,117	6,294,329	3,871,029	2,442,288	1,198,299	2,085,457
Large companies	16,960,496	2,118,007	1,002,972	1,770,161	361,304	311,402	283,268	394,844
SMEs and sole proprietors	32,901,029	11,615,278	1,155,145	4,524,168	3,509,725	2,130,886	915,031	1,690,613
Rest of households	**73,394,552**	**67,326,130**	**138,026**	**15,446,877**	**21,814,081**	**21,233,492**	**6,751,951**	**2,217,755**
Properties	62,399,611	62,385,085	14,525	13,516,462	20,325,050	20,330,282	6,404,198	1,823,618
Consumption	7,192,449	3,691,755	33,808	1,476,548	1,122,560	685,174	227,427	213,854
Other purposes	3,802,492	1,249,290	89,693	453,867	366,471	218,036	120,326	180,283
TOTAL	**140,181,523**	**86,535,463**	**2,552,023**	**23,350,721**	**26,997,039**	**24,364,790**	**8,390,853**	**5,984,083**
MEMORANDUM ITEM Refinancing, refinanced and restructured operations.	6,555,994	5,028,339	100,362	1,109,776	1,305,974	1,214,966	732,774	765,211

Thousand euro

31/12/2016	TOTAL	Of which: mortgage loans	Of which: other collaterised loans	Collaterised loans. Carrying amount over last available appraisal. Loan to value: Less than or equal to 40%	Greater than 40% or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%
Public Administrations	**9,672,203**	**63,328**	**29,611**	**33,797**	**26,686**	**21,300**	**10,914**	**242**
Other financial corporations and individual entrepreneurs (financial business activity)	**1,529,964**	**225,431**	**11,544**	**129,186**	**61,213**	**32,120**	**418**	**14,038**
Non financial corporations and individual entrepreneurs (non-financial business activity)	**54,865,311**	**21,039,638**	**2,118,596**	**8,682,983**	**5,619,744**	**3,279,982**	**1,764,821**	**3,810,704**
Construction and real estate development (including	7,384,262	6,414,054	59,769	1,873,838	1,312,792	794,888	564,358	1,927,947
Construction of civil works	929,939	109,506	5,157	47,865	30,444	12,022	10,183	14,149
Other purposes	46,551,110	14,516,078	2,053,670	6,761,280	4,276,508	2,473,072	1,190,280	1,868,608
Large companies	23,147,491	2,212,883	1,014,578	1,982,462	300,686	326,487	341,261	276,565
SMEs and sole proprietors	23,403,619	12,303,195	1,039,092	4,778,818	3,975,822	2,146,585	849,019	1,592,043
Rest of households	**78,337,895**	**71,880,048**	**171,628**	**16,989,062**	**24,219,106**	**21,953,567**	**6,810,869**	**2,079,072**
Properties	67,015,350	66,723,129	15,227	15,008,921	22,647,654	20,966,329	6,422,914	1,692,538
Consumption	7,513,943	3,819,744	44,510	1,517,874	1,177,020	738,124	246,145	185,091
Other purposes	3,808,602	1,337,175	111,891	462,267	394,432	249,114	141,810	201,443
TOTAL	**144,405,373**	**93,208,445**	**2,331,379**	**25,835,028**	**29,926,749**	**25,286,969**	**8,587,022**	**5,904,056**
MEMORANDUM ITEM Refinancing, refinanced and restructured operations.	7,599,200	5,944,077	106,074	1,349,978	1,539,868	1,450,836	820,973	888,496

Risk concentration broken down by activity

The risk concentration broken down by activity and at the level of Spanish autonomous communities at 30 June 2017 and 31 December 2016, respectively, is as follows:

Thousand euro

	TOTAL	30/06/2017 AUTONOMOUS COMMUNITIES								
		Andalusia	Aragon	Asturias	learic Islands	anary Islands	Cantabria	Castilla-La Mancha	Castile and León	Catalonia
Credit institutions	**8,403,238**	**7,234**	**11,017**	**17,511**	**1,321**	**490**	**129,917**	**669**	**990**	**902,185**
Public Administrations	**18,600,954**	**106,408**	**102,268**	**223,770**	**83,511**	**43,607**	**27,557**	**32,529**	**448,827**	**826,293**
Central Administration	13,344,778	-	-	-	-	-	-	-	-	-
Rest	5,256,176	106,408	102,268	223,770	83,511	43,607	27,557	32,529	448,827	826,293
Other financial institutions	**3,197,397**	**3,512**	**1,838**	**2,011**	**628**	**316**	**244**	**436**	**8,285**	**1,641,000**
Non-financial companies and individual entrepreneurs	**55,090,920**	**2,966,661**	**950,394**	**1,734,756**	**1,709,366**	**1,153,723**	**251,935**	**572,510**	**1,346,486**	**16,859,704**
Construction and real estate	5,840,660	641,026	97,811	134,902	151,027	126,306	17,724	67,019	67,327	1,324,289
Civil works construction	1,525,305	39,034	30,647	52,594	10,360	3,200	4,239	8,617	23,702	300,463
Other Purposes	47,724,955	2,286,601	821,936	1,547,260	1,547,979	1,024,217	229,972	496,874	1,255,457	15,234,952
Large companies	15,980,501	587,808	233,218	451,211	496,766	394,384	102,102	115,424	366,339	4,158,657
SMEs and individual proprietors	31,744,454	1,698,793	588,718	1,096,049	1,051,213	629,833	127,870	381,450	889,118	11,076,295
Non-profit institutions serving househo	**36,488,588**	**2,639,217**	**485,548**	**1,265,846**	**1,515,760**	**596,751**	**113,800**	**583,870**	**699,934**	**12,415,992**
Properties	28,196,327	2,091,666	379,533	919,812	1,212,617	424,893	85,765	465,229	541,093	9,536,863
Consumption	5,344,558	394,457	78,323	201,524	195,287	138,277	19,812	88,339	102,636	1,981,297
Other purposes	2,947,703	153,094	27,692	144,510	107,856	33,581	8,223	30,302	56,205	897,832
TOTAL	**121,781,097**	**5,723,032**	**1,551,065**	**3,243,894**	**3,310,586**	**1,794,887**	**523,453**	**1,190,014**	**2,504,522**	**32,645,174**

Thousand euro

	30/06/2017 AUTONOMOUS COMMUNITIES								
	Extremadura	Galicia	Madrid	Murcia	Navarra	Valencian Community	isque Country	La Rioja	Ceuta and Melilla
Credit institutions	**62**	**16,711**	**6,838,809**	**3,812**	**128**	**19,234**	**453,042**	**65**	**41**
Public Administrations	**50,238**	**160,938**	**1,525,810**	**70,439**	**130,491**	**799,517**	**569,736**	**46,724**	**7,513**
Central Administration	-	-	-	-	-	-	-	-	-
Rest	50,238	160,938	1,525,810	70,439	130,491	799,517	569,736	46,724	7,513
Other financial institutions	**48**	**7,385**	**1,401,361**	**3,793**	**299**	**96,666**	**29,484**	**1**	**90**
Non-financial companies and individual entrepreneurs	**155,343**	**1,926,587**	**14,435,612**	**1,531,469**	**550,867**	**5,260,011**	**3,473,743**	**191,980**	**19,773**
Construction and real estate	10,978	100,443	1,254,560	521,115	25,169	1,123,551	151,229	25,267	917
Civil works construction	3,507	91,279	744,122	9,160	9,360	64,936	129,272	723	90
Other Purposes	140,858	1,734,865	12,436,930	1,001,194	516,338	4,071,524	3,193,242	165,990	18,766
Large companies	46,241	319,129	5,639,706	206,428	207,267	1,085,989	1,541,804	27,657	371
SMEs and individual proprietors	94,617	1,415,736	6,797,224	794,766	309,071	2,985,535	1,651,438	138,333	18,395
Non-profit institutions serving	**125,784**	**748,293**	**3,136,414**	**2,676,454**	**161,098**	**8,216,883**	**975,472**	**75,877**	**55,595**
Properties	95,314	512,808	2,632,018	1,957,201	117,435	6,335,979	783,959	55,358	48,784
Consumption	23,460	161,355	344,032	413,476	23,867	1,051,936	109,182	11,832	5,466
Other purposes	7,010	74,130	160,364	305,777	19,796	828,968	82,331	8,687	1,345
TOTAL	**331,475**	**2,859,914**	**27,338,006**	**4,285,967**	**842,883**	**14,392,311**	**5,501,477**	**314,647**	**83,012**

Thousand euro

	31/12/2016									
		AUTONOMOUS COMMUNITIES								
	TOTAL	Andalusia	Aragon	Asturias	ılearic Islands	:anary Islands	Cantabria	Castilla-La Mancha	Castile and León	Catalonia
Credit institutions	**8,058,200**	**159,408**	**268**	**21,191**	**660**	**530**	**67,007**	**667**	**810**	**963,535**
Public Administrations	**19,758,603**	**262,488**	**102,732**	**198,955**	**77,310**	**46,294**	**27,866**	**34,531**	**455,564**	**908,625**
Central Administration	14,395,295	-	-	-	-	-	-	-	-	-
Rest	5,363,308	262,488	102,732	198,955	77,310	46,294	27,866	34,531	455,564	908,625
Other financial institutions	**2,700,955**	**3,485**	**573**	**2,568**	**1,192**	**336**	**243**	**10,912**	**6,356**	**1,103,938**
Non-financial companies and individual entrepreneurs	**51,874,700**	**3,022,132**	**920,867**	**1,783,544**	**1,744,371**	**918,666**	**248,723**	**772,935**	**1,344,358**	**15,452,306**
Construction and real estate	7,008,309	809,916	131,480	162,490	168,889	121,984	20,999	87,377	76,785	1,516,773
Civil works construction	1,820,929	66,313	33,551	62,007	9,993	3,569	4,935	10,701	29,719	457,671
Other Purposes	43,045,462	2,145,903	755,836	1,559,047	1,565,489	793,113	222,789	674,857	1,237,854	13,477,862
Large companies	16,496,530	623,660	202,157	505,496	606,523	274,833	106,154	309,685	356,569	4,218,630
SMEs and individual proprietors	26,548,932	1,522,243	553,679	1,053,551	958,966	518,280	116,635	365,172	881,285	9,259,232
Non-profit institutions serving househo	**39,866,067**	**2,676,893**	**491,153**	**1,251,325**	**1,547,361**	**601,614**	**113,166**	**603,886**	**696,765**	**13,926,972**
Properties	31,112,369	2,120,396	385,655	932,183	1,244,639	438,654	86,041	477,313	545,996	10,843,832
Consumption	5,764,952	394,163	79,137	208,159	194,390	130,065	20,591	85,630	101,401	2,184,199
Other purposes	2,988,746	162,334	26,361	110,983	108,332	32,895	6,534	40,943	49,368	898,941
TOTAL	**122,258,525**	**6,124,406**	**1,515,593**	**3,257,583**	**3,370,894**	**1,567,440**	**457,005**	**1,422,931**	**2,503,853**	**32,355,376**

Thousand euro

	31/12/2016								
	AUTONOMOUS COMMUNITIES								
	Extremadura	Galicia	Madrid	Murcia	Navarra	Valencian Community	ısque Country	La Rioja	Ceuta and Melilla
Credit institutions	**57**	**16,192**	**6,257,400**	**5,194**	**96**	**140,057**	**425,039**	**59**	**30**
Public Administrations	**51,105**	**111,799**	**1,395,725**	**50,704**	**135,033**	**801,309**	**648,641**	**46,504**	**8,123**
Rest	51,105	111,799	1,395,725	50,704	135,033	801,309	648,641	46,504	8,123
Other financial institutions	**105**	**4,410**	**1,331,397**	**3,860**	**388**	**144,341**	**86,757**	**-**	**94**
Non-financial companies and individual entrepreneurs	**142,876**	**1,788,990**	**12,409,279**	**1,655,492**	**566,155**	**5,476,742**	**3,408,825**	**196,008**	**22,431**
Construction and real estate	12,010	114,673	1,399,907	673,205	25,821	1,429,989	218,541	33,275	4,195
Civil works construction	4,013	119,996	802,568	9,541	9,767	66,475	129,163	947	-
Other Purposes	126,853	1,554,321	10,206,804	972,746	530,567	3,980,278	3,061,121	161,786	18,236
Large companies	40,352	368,535	5,699,514	205,117	213,023	1,124,970	1,606,150	34,866	296
SMEs and individual proprietors	86,501	1,185,786	4,507,290	767,629	317,544	2,855,308	1,454,971	126,920	17,940
Non-profit institutions serving	**124,839**	**733,164**	**4,702,056**	**2,732,930**	**162,883**	**8,414,576**	**962,429**	**71,437**	**52,618**
Properties	96,037	514,363	3,809,902	2,029,706	119,493	6,592,794	773,925	55,165	46,275
Consumption	22,327	157,083	525,936	427,443	24,594	1,082,532	110,169	12,132	5,001
Other purposes	6,475	61,718	366,218	275,781	18,796	739,250	78,335	4,140	1,342
TOTAL	**318,982**	**2,654,555**	**26,095,857**	**4,448,180**	**864,555**	**14,977,025**	**5,531,691**	**314,008**	**83,296**

Schedule V – Information on new issuances during the six-month period

The breakdown of the Group's new issuances at 30 June 2017 is as follows:

Thousand euro

Issuing entity	Type of issue	Date of issue	Amount 30/06/2017	Interest rate ruling at 30/06/2017	Maturity date	Issue currency	Target of offering
Banco de Sabadell, S.A.	Ordinary bonds	07/03/2017	591,066	0.40%	07/03/2019	Euros	Retail
Banco de Sabadell, S.A.	Ordinary bonds	24/04/2017	342,017	0.40%	24/04/2019	Euros	Retail
Banco de Sabadell, S.A.	Covered bonds	26/04/2017	1,000,000	1.00%	26/04/2027	Euros	Institutional
Banco de Sabadell, S.A. (*)	AT1 issuance	18/05/2017	750,000	6.50%	18/05/2022	Euros	Institutional
Banco de Sabadell, S.A.	Ordinary bonds	21/06/2017	464,764	0.40%	21/06/2019	Euros	Retail

(*) For further information, refer to significant event dated 5 May 2017 submitted to the National Securities Market Commission.

CONSOLIDATED DIRECTORS’ REPORT FOR THE FIRST SIX MONTHS OF 2017

The interim consolidated directors’ report is prepared with the sole purpose of describing the significant events and changes that occurred in the six-month period, without duplicating information already published in the most recent consolidated annual accounts. Consequently, for proper comprehension of the information contained in this interim Directors’ report, it should be read in conjunction with that contained in the Group's 2016 consolidated annual accounts, which were prepared in accordance with the recommendations of the "Guide for the preparation of directors' reports of listed companies", published by the CNMV in July 2013.

Global economic and financial background

The political environment has been a major focal point for financial markets during the first half of the year. In the United States, the first months with Trump as President have been characterised by the limited progress made in the implementation of the measures presented in his electoral campaign. Research into the links between Russia and Trump’s electoral campaign has been a central aspect in the country, and has caused an increase in political uncertainty. In the United Kingdom, the government triggered Article 50 to officially request its withdrawal from the European Union (EU) in March. A snap election was also called, in which the Conservative Party, despite receiving the highest proportion of votes, lost its absolute majority, which has resulted in a more complex domestic political situation. Negotiations between the UK and the EU began at the end of June and have been focusing mainly on the withdrawal agreement, which sets out the rights of expatriates, the divorce bill and the border between Northern and Southern Ireland. In France, Macron (a liberal centrist) won the presidential elections and obtained an absolute majority in the parliamentary elections. This has given him extensive room for manoeuvre with which to implement his reformist agenda. In terms of activity, the development of the Euro area has been positive. In particular, GDP expanded by 0.6% quarter-on-quarter during 1Q17, supported by internal demand. Individual countries that stood out in a positive light were Germany (0.6%), Spain (0.8%) and Portugal (1.0%). Furthermore, economic sentiment indicators point towards a continuation of the favourable tone of this activity. In the US, the growth of GDP in 1Q17 slowed (0.4% quarter-on-quarter), as tends to occur at this time of year, although 2Q17 data point towards greater dynamism in activity. In the UK, GDP growth during 1Q17 slowed to 0.2% quarter-on-quarter, hindered by consumption and the foreign sector. Inflation recovered in the beginning of the six-month period in the Euro area and in the US, partly driven by the base effect of oil prices. In the UK, inflation was significantly above the objective of the central bank, influenced by the weakness of the pound.

Central banks and fixed income markets

Central banks in developed countries are slowly moving away from their downward bias. The Fed raised its federal funds rate in March and in June to 1.00-1.25%. It also announced details of its balance sheet reduction process, which it intends to initiate this year and which will affect MBS, agency debt and government debt. The ECB took the first steps towards changing the approach of its monetary policy in June. In particular, it amended its forward guidance, removing the section that made reference to “lower rates” as it considers the risks of deflation to have been removed. In any case, it maintained a cautious tone with regards to inflation. The central bank has been increasingly optimistic regarding activity. In its June meeting, it indicated that the risks associated with economic growth were practically balanced, contrary to its statements in previous meetings, where it indicated that they were being reduced. Lastly, in the Bank of England June meeting, three members (of a total of eight) voted in favour of raising the benchmark interest rate, emphasising the improved conditions of the labour market and the risk of larger upturns in inflation. Furthermore, Carney, the governor of the central bank, who voted in this meeting in favour of maintaining the benchmark interest rate, hinted at the bank’s withdrawal of some of its monetary stimulus package in the coming months.

In terms of long-term fixed-income markets, the yield of US government bonds declined during the six-month period, hindered by lower expectations regarding the implementation of Trump’s economic policies, domestic political noise and the moderation of inflation since March. As regards Germany, the yield of its long-term government bonds showed volatility and ended the six-month period at higher levels than those at the end of the previous six-month period. Yields were influenced by the beginning of a change in approach of the ECB’s monetary policy and by the results of the elections in France. In terms of the periphery, risk premiums in Spain and Portugal were lowered, whilst the risk premium in Italy ended the six-month period at a slightly higher level than in the previous six-month period. Risk premiums in the periphery were supported by reduced political uncertainty in Europe and the positive tone of data relating to activity.

Currency market

The euro has appreciated against its main currency pairs in the last six months. This has been possible thanks to the improved economic growth environment of the Euro area, the start of a shift in approach of the ECB's monetary policy and lower levels of political uncertainty in the region following the elections in France. The euro appreciated by over 8% against the dollar to USD/EUR 1.14. In the US, lower expectations regarding the implementation of Trump's economic policies, domestic political noise and the moderation of inflation have also been determining factors of the exchange rate. In terms of the sterling pound, the appreciation of the euro was close to 3.0%, reaching an exchange rate of over 0.88 GBP/EUR following the Conservative Party's loss of its absolute majority in the UK elections.

Emerging markets

In general, data from emerging markets suggest that have had a positive six months, supported by: (i) reduced fears in terms of Trump's protectionist agenda, (ii) lower political risks in the Euro area, (iii) the recent weakness of the dollar, (iv) expectations of a smooth normalisation of the monetary policy in developed countries and (v) the relatively positive development of the Chinese economy. In terms of the first aspect, the US has avoided a policy of clear confrontation with China, in contrast to the statements made by Trump during the electoral campaign. China has favoured a foreign exchange policy which aims to stave off the depreciation of the yuan and has shown itself in favour of increasing its investment in US debt. The increased stability in the economy and foreign exchange has allowed Chinese authorities to assume greater control over financial risks. In terms of Latin America, the new political crisis that has broken out in Brazil initially affected the country's financial markets, but the contagion effect on other emerging countries has been limited. This was thanks to the improved current situation of the Brazilian economy, partly the result of the reduction in imbalances that has taken place over the last year. The central bank of Brazil was able to easily continue with its aggressive pace of interest rate cuts. Other countries in South America have also implemented interest rate cuts (Colombia, Peru and Chile). In terms of Mexico, the devaluation of the peso as a result of Trump's victory has fully recovered, as Trump has eased his discourse with regards negotiating NAFTA. The responsible actions of the Mexican central bank have also been a contributing factor, raising the benchmark rate and introducing foreign exchange hedges auctions.

Business performance

Banco Sabadell and its Group ended the first half of the year with €450.6 million in net attributable profit (€385.3 million excluding TSB), after booking €850.9 million in impairment allowances for loan losses, securities and real estate (€806.7 million excluding TSB). During the same period in 2016, net attributable profit amounted to €425.3 million (€279.6 million excluding TSB) and the level of provisions made amounted to €901.8 million.

The positive performance of the ordinary business, strict control of operating expenses, judicious management of customer spreads and the continuous reduction of problematic assets were the main factors behind Banco Sabadell's business performance during the first half of 2017.

Balance sheet

At the end of the first half of 2017, the total assets of Banco Sabadell and its group amounted to €217,458 million, a 2.3% increase with respect to 2016 year-end.

Gross lending showed a balance of €137,666 million (€102,437 million excluding TSB), with a decline of 2.1% compared with the balance at the end of 2016 (a decline of 3.6% excluding TSB), due mainly to the reclassification of Sabadell United Bank (hereinafter, "SUB") to non-current assets held for sale. Including SUB, the balance amounted to €141,393 million (€106,165 million excluding TSB), increasing by 0.6% compared with the balance at 2016 year-end (a 0.1% decline excluding TSB), driven by the growth in the volume of mortgage loans which was partially offset by the early call of TSB's Mortgage Enhancement portfolio and the payment received from the DGF during the first quarter of 2017.

Mortgage loans are the largest single component of gross performing loans, amounting to €84,394 million at 30 June 2017 (€52,802 million excluding TSB), representing 61.3% of total gross performing loans (51.5% excluding TSB). Including SUB, mortgage loans represented 61.6% (52.2% excluding TSB).

The reduction of non-performing assets caused NPL ratio including SUB to fall to 5.49% at the end of June 2017 (6.95% excluding TSB), compared with 6.14% as at 2016 year-end (7.72% excluding TSB). The NPL coverage ratio at the end of June 2017 including SUB stood at 47.11% (47.06% excluding TSB), compared with 47.34% (47.25% excluding TSB) at 2016 year-end. Excluding SUB, the NPL ratio stood at 5.62% at the end of June 2017 (7.16% excluding TSB) and the NPL coverage ratio at 45.79% (45.71% excluding TSB).

On 30 June 2017, on-balance sheet customer funds amounted to €132,323 million (€98,260 million excluding TSB), compared with €133,457 million (€99,123 million excluding TSB) at the end of 2016, representing a 0.8% decline (0.9% excluding TSB). Including SUB, on-balance sheet customer funds amounted to €135,928 million (€101,864 million excluding TSB), representing a 1.9% increase (2.8% excluding TSB).

Sight account balances amounted to €96,365 million (€67,083 million excluding TSB), representing a 4.7% increase compared to 2016 year-end (7.1% excluding TSB), and customer term deposits (including deposits redeemable at notice and hybrid financial liabilities) amounted to €33,849 million (€29,067 million excluding TSB), 15.7% less than in the previous year (17.4% less excluding TSB). The downward trend of interest rates in financial markets has caused a shift in the composition of on-balance sheet customer funds from term deposits to sight accounts and off-balance sheet funds.

Including SUB, sight accounts amounted to €99,512 million (€70,231 million excluding TSB), representing an 8.2% increase compared to 2016 year-end (12.1% excluding TSB), and customer term deposits (including deposits redeemable at notice and hybrid financial liabilities) amounted to €34,306 million (€29,524 million excluding TSB), 14.6% less than in the previous year (16.1% less excluding TSB).

Total off-balance sheet customer funds amounted to €43,997 million, an 8.4% increase compared with the end of the previous year. In this item, the increase in investment funds was particularly notable, amounting to €25,943 million at the end of June 2017, representing a 14.8% increase compared to 2016 year-end.

Debt securities issued (excluding subordinated liabilities) amounted to €20,808 million at the end of the first half of this year (€19,757 million excluding TSB), compared to 2016 year-end, when they amounted to €24,987 million (€21,555 million excluding TSB).

Total funds under management at 30 June 2017 amounted to €198,878 million (€162,114 million excluding TSB), compared with €201,589 million at 31 December 2016 (€162,585 million excluding TSB), representing a reduction during the first half of the year of 1.3% (a decline of 0.3% excluding TSB). Including SUB, total funds under management amounted to €202,707 million (€165,944 million excluding TSB), representing a 0.6% increase compared to 2016 year-end (2.1% excluding TSB).

Income and profit performance

Net interest income amounted to €1,936.9 million in the first half of the year, -0.3% less than in the first half of 2016. Excluding TSB, net interest income amounted to €1,413.8 million at the end of the first half of 2017, a 1.5% increase compared with the previous year.

The customer spread has been maintained despite the interest rate environment, supported by the reduced cost of retail funds. Net interest income as a percentage of average total assets has declined slightly due to the decline in the performance of the fixed-income portfolio, together with the Group's improved liquidity position. As a result, the spread on average total assets was 1.78% in the second quarter of 2017 (1.88% in the second quarter of 2016).

Dividends received and results from equity-accounted companies together amounted to €36.1 million in 1H17, compared with a €48.8 million during 1H16. Those revenues are due mainly to the insurance and pension fund business.

Net fees and commissions during the first half of the year amounted to €603.0 million (€556.1 million excluding TSB), increasing by 5.7% year-on-year (10.4% excluding TSB). This increase was due mainly to the positive performance of service fees and asset management.

Net trading income amounted to €545.4 million (€455.9 million excluding TSB) and included the early call of TSB's Mortgage Enhancement portfolio. During the first half of 2016, net trading income amounted to €502.8 million (€447.9 million excluding TSB), including €109.5 million in gains on the purchase of 100% of Visa Europe shares.

Net income from exchange differences amounted to €4.9 million, compared with €14.7 million in the first half of 2016.

Other operating income and expenses amounted to €-82.9 million (€-75.9 million excluding TSB), compared with €-98.9 million (€-82.1 million excluding TSB) in the first half of 2016. Particularly worthy of note under this heading was the contribution to the single resolution fund of €-50.6 million (€-47.7 million in 2016).

Administrative expenses (staff and general) during 2017 amounted to €1,378.3 million (€895.9 million excluding TSB), of which €35.9 million are attributable to non-recurrent items (mainly staff indemnities and extraordinary technology expenses which were already forecast). Administrative expenses amounted to €1,325.6 million (€906.2 million excluding TSB) in the first half of 2016, of which €30.8 million were attributable to non-recurrent items.

The cost-to-income ratio at the end of June 2017 stood at 42.83%, compared with 44.26% at the end of the first half of 2016 excluding TSB. With TSB, the cost-to-income ratio stood at 51.81%, compared with 49.97% at the end of the first half of 2016. The cost-to-income ratio is calculated by adjusting gross income, linearising net trading income and including the accrual of contributions to the Deposit Guarantee Fund.

As a result of the above, the first half of 2017 ended with pre-provisions income of €1,467.7 million (€1,460.6 million in 2016). Excluding TSB, pre-provisions income amounted to €1,332.9 million, compared with €1,262.9 million in 2016.

Allowances for loan losses and other impairments (primarily real estate and financial assets) amounted to €850.9 million, compared with €901.8 million in the first half of 2016. The increased net trading income that has been used to frontload provisions is particularly noteworthy.

Gains on sales of assets and other income amounted to €17.6 million and included mainly €16.6 million from the sale of Mediterráneo Vida and income from the sale of property, plant and equipment for own use. During the first half of 2016, gains on sales of assets amounted to €35.3 million and included primarily €52.4 million from the arbitration award for the sale of Dexia.

Profit before tax amounted to €634.4 million (€537.5 million excluding TSB), representing a 6.8% increase (35.6% excluding TSB) compared to the same item in the previous year.

After deducting income tax and minority interests, net profit attributable to the Group amounted to €450.6 million at the end of 1H2017, i.e. 5.9% higher than in the same period of the previous year. Excluding TSB, net profit attributable to the Group amounted to €385.3 million at the end of June 2017, compared with €279.6 million during the first half of 2016.

Capital

The phase-in Common Equity Tier 1 (CET1) ratio stood at 12.7%, with the fully-loaded CET1 ratio standing 12.1% as at 30 June 2017, and this will be strengthened due to the sale of SUB.

The CET1 ratio has substantially improved during the quarter, benefited by the issuance of AT1 as well as the reduction of risk-weighted assets and the early call of the mortgage enhancement portfolio, amongst others.

Given the entry into force of IFRS 9 in 2018, the Group has made a preliminary estimate of the impacts of the new insolvency hedging requirements that the new standard will require. The impact has been estimated at between 50 and 60 basis points in fully-loaded CET1.

The Group has recovered its investment grade category with all of the credit rating agencies.

On 27 June 2017 S&P Global Ratings raised Banco Sabadell's long-term credit rating to BBB- from BB+ and its short-term rating to A-3 from B. The trend remains positive. With this rating upgrade, Banco Sabadell has once again attained 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 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 carried out rating actions in different Spanish banking groups, as a result of the change of Spain's banking Macro Profile (Baa2 stable) to "Strong-" from

“Moderate+”, as well as the continuous improvement of bank lending fundamentals, particularly those relating to asset risk. Moody’s has confirmed the long-term deposits rating of Banco Sabadell of Baa2 with a stable trend and the long-term senior debt rating of Baa3, changing the trend to positive from stable.

On 19 July 2017, DBRS has confirmed its rating of Banco Sabadell, with the long-term rating remaining at BBB (high) and the short-term rating remaining at R-1 (low) with a stable trend.

Branches and offices

At the end of June 2017, Banco Sabadell had 2,548 branches (of which 551 were TSB), i.e. 219 less than at 31 December 2016.

Of the total number of Banco Sabadell Group branches and offices, 1,435 were operating under the Sabadell brand (including 32 business banking and 2 corporate banking branches); 115 were operating as Sabadell Gallego (including 3 business banking branches); 153 under Sabadell Herrero (including 3 business banking branches); 114 were SabadellGuipuzcoano branches (including 5 business banking branches); 10 were SabadellUrquijo branches; 102 were Solbank branches; and there were 617 international branches, including 25 operated by Sabadell United Bank, 14 by Sabadell Mexico, 7 by BancSabadell d'Andorra and 551 by TSB. Additionally, ActivoBank has two "Activo Centres" open to the public.

Business review

The key financial figures associated to the Group’s largest business units are shown hereafter, in line with the information by segments described in Note 42 to the consolidated annual accounts.

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 with June 2016. Income from net fees and commissions stood at €525.7 million, an +11.4% increase compared to the same six-month period in the previous year, due to the good performance of service fees and asset management. Net trading income and income from exchange differences amounted to €488.8 million, less than 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 €2,160.3 million, representing a 0.9% growth year-on-year.

Administrative expenses and depreciations amounted to €-838.2 million, a -5.8% decline compared to the first half of 2016. Provisions and impairments amounted to €-447.4 million.

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

€ milion

	30/06/2017	30/06/2016	Change (%) YoY
Net interest income	**1,270**	**1,261**	**0.7**
Results calculated using the equity method and dividends	35	49	(28.6)
Net fees and commissions	526	472	11.4
Net trading income and exchange differences	489	501	(2.4)
Other operating income/expenses	(160)	(142)	12.7
Gross income	**2,160**	**2,141**	**0.9**
Administrative expenses and depreciations	(838)	(890)	(5.8)
Operating income	**1,322**	**1,251**	**5.7**
Provisions and impairments	(447)	(483)	(7.5)
Gains /(Losses) on disposals of assets and others	11	35	(68.6)
Profit/(loss) before taxes	**886**	**803**	**10.3**
Income tax	(247)	(223)	10.8
Results after tax	**639**	**580**	**10.2**
Results attributed to the minority	1	2	(50.0)
Results attributed to the group	**638**	**578**	**10.4**
ROE (earnings divided by average equity)	15.5%	15.4%	
Costs:income ratio (administrative costs divided by gross income)	38.2%	41.2%	
Loan loss ratio (%)	6.5%	7.0%	
NPL coverage ratio (%)	43.0%	49.4%	

Net lending amounted to €92,426 million and declined by -0.9% year-on-year due to the reduction of non-performing assets.

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.

€ milion

	30/06/2017	30/06/2016	Change (%) YoY
Assets	**133,047**	**128,347**	**3.7**
Customer lending (net) ex repos	92,426	93,248	(0.9)
Real estate exposure (net)	-	-	-
Liabilities	**124,664**	**120,371**	**3.6**
On-balance sheet customer funds	92,933	91,756	1.3
Capital market wholesale funding	19,163	21,428	(10.6)
Allocated capital	**8,383**	**7,976**	**5.1**
Off-balance sheet customer funds	**42,954**	**36,591**	**17.4**
Other indicators			
Employees	15,875	16,160	(1.8)
Branches	1,931	2,141	(9.8)

Commercial Banking

Commercial Banking offers financing, investment and savings products. In terms of investment, the sale of mortgage products, working capital and credit is particularly noteworthy. In terms of savings, the main products are deposits (demand and term deposits), investment funds, savings insurance and pension schemes.

Protection insurance products and payment services are also noteworthy, such as credit cards and the issues of transfers, amongst others.

€ milion

	30/06/2017	30/06/2016	Change (%) YoY
Net interest income	**1,158**	**1,153**	**0.4**
Results calculated using the equity method and dividends	29	25	16.0
Net fees and commissions	422	372	13.4
Net trading income and exchange differences	(12)	8	(250.0)
Other operating income/expenses	(67)	(66)	1.5
Gross income	**1,530**	**1,492**	**2.5**
Administrative expenses and depreciations	(745)	(731)	1.9
Operating income	**785**	**761**	**3.2**
Provisions and impairments	(205)	(136)	50.7
Gains /(Losses) on disposals of assets and others	18	-	-
Profit/(loss) before taxes	**598**	**625**	**(4.3)**
Income tax	(164)	(179)	(8.4)
Results after tax	**434**	**446**	**(2.7)**
Results attributed to the minority	-	-	-
Results attributed to the group	**434**	**446**	**(2.7)**
ROE (earnings divided by average equity)	19.7%	20.0%	
Costs:income ratio (administrative costs divided by gross income)	47.8%	48.1%	
Loan loss ratio (%)	7.5%	8.0%	
NPL coverage ratio (%)	37.2%	42.4%	

€ milion

	30/06/2017	30/06/2016	Change (%) YoY
Assets	**144,409**	**138,417**	**4.3**
Customer lending (net) ex repos	75,086	74,904	0.2
Real estate exposure (net)	-	-	-
Liabilities	**139,934**	**133,829**	**4.6**
On-balance sheet customer funds	64,663	56,265	14.9
Capital market wholesale funding	-	-	-
Allocated capital	**4,330**	**4,407**	**(1.7)**
Off-balance sheet customer funds	**22,991**	**19,982**	**15.1**
Other indicators			
Employees	11,606	12,395	-
Branches	1,919	2,127	-

Corporate Banking

Corporate Banking offers financial solutions and advisory services to large enterprises and financial institutions, both national (Spanish) and international. It encompasses the businesses of Corporate Banking, Structured Finance and Global Financial Institutions.

€ milion

	30/06/2017	30/06/2016	Change (%) YoY
Net interest income	**92**	**88**	**4.5**
Results calculated using the equity method and dividends	-	-	-
Net fees and commissions	58	54	7.4
Net trading income and exchange differences	2	16	(87.5)
Other operating income/expenses	(3)	(3)	-
Gross income	**149**	**155**	**(3.9)**
Administrative expenses and depreciations	(17)	(17)	-
Operating income	**132**	**138**	**(4.3)**
Provisions and impairments	(60)	(100)	(40.0)
Gains /(Losses) on disposals of assets and others	-	-	-
Profit/(loss) before taxes	**72**	**38**	**89.5**
Income tax	(20)	(11)	81.8
Results after tax	**52**	**27**	**92.6**
Results attributed to the minority	-	-	-
Results attributed to the group	**52**	**27**	**92.6**
ROE (earnings divided by average equity)	11.5%	6.4%	
Costs:income ratio (administrative costs divided by gross income)	11.5%	10.8%	
Loan loss ratio (%)	4.6%	5.5%	
NPL coverage ratio (%)	81.8%	83.7%	

€ milion

	30/06/2017	30/06/2016	Change (%) YoY
Assets	**14,046**	**13,997**	**0.4**
Customer lending (net) ex repos	8,853	9,093	(2.6)
Real estate exposure (net)	-	-	-
Liabilities	**13,132**	**13,167**	**(0.3)**
On-balance sheet customer funds	4,279	4,073	5.1
Capital market wholesale funding	-	-	-
Allocated capital	**914**	**830**	**10.1**
Off-balance sheet customer funds	**547**	**536**	**2.1**
Other indicators			
Employees	151	149	-
Branches	2	2	-

Markets and Private Banking

Markets and Private Banking offers and designs products and services with a high added value with a view to achieving a good rate of return for customers, increasing and diversifying the customer base and ensuring the consistency of investment processes through a rigorous analysis and with good-quality management, while providing multi-channel access.

€ milion

	30/06/2017	30/06/2016	Change (%) YoY
Net interest income	**20**	**21**	**(4.8)**
Results calculated using the equity method and dividends	-	-	-
Net fees and commissions	91	85	7.1
Net trading income and exchange differences	7	8	(12.5)
Other operating income/expenses	(1)	(1)	-
Gross income	**117**	**113**	**3.5**
Administrative expenses and depreciations	(54)	(57)	(5.3)
Operating income	**63**	**56**	**12.5**
Provisions and impairments	(1)	(7)	(85.7)
Gains /(Losses) on disposals of assets and others	-	-	-
Profit/(loss) before taxes	**62**	**49**	**26.5**
Income tax	(18)	(14)	28.6
Results after tax	**44**	**35**	**25.7**
Results attributed to the minority	-	-	-
Results attributed to the group	**44**	**35**	**25.7**
ROE (earnings divided by average equity)	39.3%	30.5%	
Costs:income ratio (administrative costs divided by gross income)	45.9%	49.5%	
Loan loss ratio (%)	1.4%	1.5%	
NPL coverage ratio (%)	15.7%	94.7%	

€ milion

	30/06/2017	30/06/2016	Change (%) YoY
Assets	**8,724**	**7,521**	**16.0**
Customer lending (net) ex repos	1,932	1,871	3.3
Real estate exposure (net)	-	-	-
Liabilities	**8,504**	**7,296**	**16.6**
On-balance sheet customer funds	6,433	5,218	23.3
Capital market wholesale funding	-	-	-
Allocated capital	**220**	**225**	**(2.2)**
Off-balance sheet customer funds	**14,838**	**11,868**	**25.0**
Other indicators			
Employees	534	532	-
Branches	12	10	-

Real Estate 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 69%, due to the reduction of the run-off loan portfolio. Net trading income includes the impacts of the sales of problematic asset portfolios. Other operating income and expenses increased by 11.9% 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 +18.3% compared with the second half of 2016 to €-84 million due to the expansion of the servicer's business and the increase in the scope of Hotel Investment Partnership.

Provisions and impairments amounted to €-357.4 million.

€ milion

	30/06/2017	30/06/2016	Change (%) YoY
Net interest income	**(22)**	**(13)**	**69.2**
Results calculated using the equity method and dividends	(1)	(1)	-
Net fees and commissions	1	(1)	(200.0)
Net trading income and exchange differences	(35)	(52)	(32.7)
Other operating income/expenses	66	59	11.9
Gross income	**9**	**(8)**	**(212.5)**
Administrative expenses and depreciations	(84)	(71)	18.3
Operating income	**(75)**	**(79)**	**(5.1)**
Provisions and impairments	(357)	(401)	(11.0)
Gains /(Losses) on disposals of assets and others	-	-	-
Profit/(loss) before taxes	**(432)**	**(480)**	**(10.0)**
Income tax	123	132	(6.8)
Results after tax	**(309)**	**(348)**	**(11.2)**
Results attributed to the minority	-	-	-
Results attributed to the group	**(309)**	**(348)**	**(11.2)**
ROE (earnings divided by average equity)	-	-	
Costs:income ratio (administrative costs divided by gross income)	-	-	
Loan loss ratio (%)	25.1%	34.7%	
NPL coverage ratio (%)	52.9%	61.4%	

Due to the good management of real estate assets, net lending declined by -21.1% year-on-year and net real estate exposure declined by -11.9%.

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

€ milion

	30/06/2017	30/06/2016	Change (%) YoY
Assets	**17,398**	**18,633**	**(6.6)**
Customer lending (net) ex repos	5,603	7,099	(21.1)
Real estate exposure (net)	4,622	5,247	(11.9)
Liabilities	**15,367**	**16,407**	**(6.3)**
On-balance sheet customer funds	160	137	16.8
Intra-group funding	13,602	14,905	(8.7)
Allocated capital	**2,031**	**2,226**	**(8.8)**
Off-balance sheet customer funds	**14**	**31**	**(54.8)**
Other indicators			
Employees	1,023	793	29.0
Branches	-	-	-

Banking business United Kingdom

Revenue in June 2017 amounted to €65.3 million, representing a -55% 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. Net fees and commissions declined by -29.4%, and net trading income increased by +61.8%, 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 -0.5%. Considering a constant exchange rate, this item increased by 10.1%.

Administrative expenses and depreciations increased by +13.3% to €-517.7 million due to extraordinary technology expenses forecast in TSB.

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

€ milion

	30/06/2017	30/06/2016	Change (%) YoY
Net interest income	**523**	**550**	**(4.9)**
Results calculated using the equity method and dividends	-	-	-
Net fees and commissions	47	67	(29.9)
Net trading income and exchange differences	89	55	61.8
Other operating income/expenses	(7)	(17)	(58.8)
Gross income	**652**	**655**	**(0.5)**
Administrative expenses and depreciations	(518)	(457)	13.3
Operating income	**134**	**198**	**(32.3)**
Provisions and impairments	(43)	-	-
Gains /(Losses) on disposals of assets and others	6	-	-
Profit/(loss) before taxes	**97**	**198**	**(51.0)**
Income tax	(32)	(52)	(38.5)
Results after tax	**65**	**146**	**(55.5)**
Results attributed to the minority	-	-	-
Results attributed to the group	**65**	**146**	**(55.5)**
ROE (earnings divided by average equity)	3.5%	9.1%	
Costs:income ratio (administrative costs divided by gross income)	78.7%	64.1%	
Loan loss ratio (%)	0.5%	0.5%	
NPL coverage ratio (%)	49.9%	64.6%	

Net lending to customers amounted to €35,343 million, a 4.7% increase year-on-year due to the strong growth of mortgages and despite the early call of the Mortgage Enhancement portfolio that took place in June. The effect of the latter aside, and considering a constant exchange rate, net lending increased by +14.2% compared with the previous year.

On-balance sheet customer funds amounted to €34,063.6 million and remained at similar levels to the previous year due to the effect of exchange rate fluctuations. Considering a constant exchange rate, this growth stands at +6.4%.

€ milion

	30/06/2017	30/06/2016	Variación (%) interanual
Assets	**47,195**	**43,398**	**8.7**
Customer lending (net) ex repos	35,343	33,763	4.7
Liabilities	**45,696**	**41,789**	**9.3**
On-balance sheet customer funds	34,064	34,051	-
Capital market wholesale funding	1,489	4,370	(65.9)
Allocated capital	**1,499**	**1,609**	**-**
Off-balance sheet customer funds	**-**	**-**	**-**
Other indicators			
Employees	8,444	8,068	4.7
Branches	551	604	(8.8)

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 -12% due to the lower volume of corporate banking transactions.

Gross income, which stood at €207.6 million, recorded an increase of 9%.

Administrative expenses and depreciations increased by +22% to €-122.1 million due to the forecast costs of expansion into Mexico.

€ milion

	30/06/2017	30/06/2016	Change (%) YoY
Net interest income	**165**	**144**	**14.6**
Results calculated using the equity method and dividends	2	1	100.0
Net fees and commissions	29	33	(12.1)
Net trading income and exchange differences	7	13	(46.2)
Other operating income/expenses	5	-	-
Gross income	**208**	**191**	**8.9**
Administrative expenses and depreciations	(122)	(100)	22.0
Operating income	**86**	**91**	**(5.5)**
Provisions and impairments	(2)	(18)	(88.9)
Gains /(Losses) on disposals of assets and others	-	-	-
Profit/(loss) before taxes	**84**	**73**	**15.1**
Income tax	(27)	(24)	12.5
Results after tax	**57**	**49**	**16.3**
Results attributed to the minority	-	-	-
Results attributed to the group	**57**	**49**	**16.3**
ROE (earnings divided by average equity)	10.0%	9.7%	
Costs:income ratio (administrative costs divided by gross income)	55.9%	49.3%	
Loan loss ratio (%)	0.8%	0.6%	
NPL coverage ratio (%)	213.5%	173.4%	

Net lending 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.

€ milion

	30/06/2017	30/06/2016	Change (%) YoY
Assets	**19,819**	**17,514**	**13.2**
Customer lending (net) ex repos	12,302	10,378	18.5
Real estate exposure (net)	31	21	47.6
Liabilities	**18,658**	**16,462**	**13.3**
On-balance sheet customer funds	8,772	8,207	6.9
Capital market wholesale funding	-	-	-
Allocated capital	**1,161**	**1,052**	**10.4**
Off-balance sheet customer funds	**1,029**	**933**	**10.3**
Other indicators			
Employees	1,146	1,012	13.2
Branches	66	61	8.2

Corporate Governance

As required by Article 540 of the Spanish Capital Companies Act, Banco Sabadell Group has prepared an annual report on Corporate Governance for the year 2016, which, in accordance with Article 49 of the Spanish Commercial Code, forms part of the Directors' Report for the 2016 consolidated annual accounts. It includes a section on the extent to which the bank is following recommendations on corporate governance that currently exist in Spain.

Information on Corporate Governance is available on the Group's corporate website (www.grupobancosabadell.com), and can be accessed directly from the "Corporate governance and remuneration policy" link on this website's homepage.

Glossary of terms on performance indicators

In the presentation of its results to the market, and for the purpose of monitoring the business and decision-making processes, the Group uses performance indicators 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 definition, use and reconciliation.

Performance indicator	Definition and calculation	Use or purpose
ROE (*)(**)	Profit attributable to the Group / average own funds. The numerator uses the linear annualisation of profits obtained to date adjusted by the relative accrual of contributions to deposit guarantee and resolution funds. The denominator excludes profit attributed to the Group as part of own funds.	Measure commonly used in the financial industry to determine the accounting profitability of the Group's own funds.
Cost-to-income ratio (*)	Staff expenses and other general administrative expenses/gross income. To calculate this ratio, gross income is adjusted by linearising net trading income. The denominator includes the linear accrual of contributions to deposit guarantee funds and resolution funds except at year-end.	Main indicator of efficiency or productivity of banking activity. It is an indicator which is monitored and included in the Group's Strategic Plan for 2014-2016.
Other provisions and impairments	This item is comprised of the following accounting items: impairment of reversal of impairment on investments in joint ventures and associates, impairment or reversal of impairment on non-financial assets, real estate investments under the heading of gains or (-) losses on derecognition of non-financial assets and shares, net and gains or (-) losses from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations, excluding shares.	This indicator pools together the items used to explain part of the changes in the Group's consolidated profit and loss.
Gains on sale of assets and other income	This item is comprised of the following accounting items: gains or (-) losses on derecognition of non-financial assets and interests, net, excluding real estate investments and shares included under the heading gains or (-) losses from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations.	This indicator pools together the items used to explain part of the changes in the Group's consolidated profit and loss.
Pre-provisions income	Comprised of gross income accounting entries plus administrative and depreciation expenses.	Significant indicator which reflects the evolution of the Group's consolidated profit/(loss).
Customer spread	Difference between returns and expenses of customer assets and liabilities, i.e. the contribution of transactions exclusively with customers to net interest income. Calculated considering the difference between the average interest rate charged by the bank on its customer loans and credit and the average interest rate that the bank pays for its customer deposits. The average interest rate on customer loans and credit is calculated as the accounting financial income on	Indicator of the profitability of our purely banking activity.

Performance indicator	Definition and calculation	Use or purpose
	customer lending as an annualised percentage of the average daily balance of customer loans and credit. The average interest rate on customer funds is calculated as the accounting financial expenses on customer funds as an annualised percentage of the average daily balance of customer funds.	
Gross customer lending	Includes loans and advances to customers excluding insolvency provisions and allowances for country risk.	Key figure and one of the main business indicators for financial institutions, and which is monitored.
Gross performing loans	Includes gross customer lending excluding repos, accrual adjustments and non-performing assets.	Key figure and one of the main business indicators for financial institutions, and which is monitored.
On-balance sheet customer funds	Includes customer deposits (excl. repos) and other liabilities placed by the branch network (Banco Sabadell non-convertible bonds, promissory notes and others).	Key figure and one of the main balances in the Group's consolidated balance sheet, and which is monitored.
Off-balance sheet customer funds	Includes mutual funds, equity management, pension funds and insurance products sold by the Group.	Key figure and one of the main business indicators for financial institutions, and which is monitored.
On-balance sheet funds	Includes accounting sub-headings of customer deposits, marketable debt securities, subordinated liabilities and liabilities under insurance and reinsurance contracts.	Key figure and one of the main business indicators for financial institutions, and which is monitored.
Funds under management	The sum of on-balance sheet funds and off-balance sheet customer funds.	Key figure and one of the main business indicators for financial institutions, and which is monitored.
NPL coverage ratio	Gives the percentage of non-performing loans covered by provisions. Calculated as the ratio between the impairment allowance for loans and advances to customers (including contingent liability funds) over total non-performing loans (including non-performing contingent loans).	One of the main indicators used in the banking industry to monitor the status and changes in the quality of credit risk incurred with customers and which gives the coverage provided by provisions prepared by the entity for non-performing assets.
Loan loss ratio	Expresses non-performing loans as a percentage of total customer lending. All calculation components correspond to headings or sub-headings on financial statements. Calculated as the ratio between non-performing loans, including contingent liabilities, over total customer lending and contingent liabilities. Non-performing loans are described in this table. Contingent liabilities include guarantees given and contingent commitments given.	One of the main indicators used in the banking industry to monitor the status and evolution of the quality of credit risk incurred with customers and to assess the management of that risk.
Non-performing loans	The sum of accounting headings of non-performing assets within loans and advances to customers together with non-performing guarantees given.	Key figure and one of the main indicators used in the banking industry to monitor the status and evolution of the quality of credit risk incurred with customers and to assess the management of that risk.

(*) The linear accrual of contributions to the guarantee and resolution funds during the first three quarters of the year are made based on the Group's best estimates.
(**) Average calculated using 13 last positions at the end of the month.

APMs reconciliation (data in million euros, with the exception of those shown in percentages). The balance sheet headings of the previous period correspond to those at 31 December 2016 and the items of the profit and loss statement correspond to 30 June 2016.

	30/06/2017	Previous period
ROE		
Average own funds (excluding net profit attributable to the Group)	12,480	12,174
Adjusted net profit attributable to the Group	409	710
ROE (%)	**6.61**	**5.84**
Cost-to-income ratio		
Net interest income	1,937	1,942
Return on capital instruments (dividends)	6	5
Share of profit or loss of entities accounted for using the equity method	30	44
Net fees and commissions	603	570
Recurring net trading income	221	237
Net trading income	545	503
Adjustment for non-recurring net trading income	-324	-266
Exchange differences (net)	5	15
Other operating income/expenses	-142	-161
Adjusted gross income	**2,660**	**2,653**
Administrative expenses	1,378	1,326
Cost-to-income ratio (%)	**51.81**	**49.97**
Total assets		
Average balance	219,082	207,153
Gains/losses	1,195	1,302
Interest rate (%)	2.19	2.53
Total liabilities		
Average balance	219,082	207,153
Gains/losses	-221	-333
Interest rate (%)	-0.40	-0.65
Income over ATA	**1.78**	**1.88**
Impairment or reversal of impairment on investments in subsidiaries, joint ventures and associates	-0.5	-2.9
Impairment or reversal of impairment on non-financial assets	-153.2	-242.3
Gains or losses on derecognition of non-financial assets and shares	-10.0	35.3
Of which, Real estate investments	-11.1	0.0
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	-57.0	-23.9
Of which, investees	16.6	0.0
Provisions or reversal of provisions	-3.5	-33
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	-609.1	-599.6
Gains on sale of assets	**17.6**	**35.3**
Total provisions and impairments	**-850.9**	**-901.8**
Pre-provisions income		
Gross income	**3,042**	**2,980**
Administrative expenses	-1,378	-1,326
Depreciations	-197	-194
Pre-provisions income	**1,468**	**1,461**
Customer lending (net)		
Average balance	139,176	139,254
Gains/losses	1,049	1,113
Interest rate (%)	3.02	3.21
Customer deposits		
Average balance	131,137	129,503
Gains/losses	-70	-129
Interest rate (%)	-0.21	-0.40
Customer spread	**2.81**	**2.81**

	30/06/2017	Previous period
Gross customer lending / Gross performing loans		
Loans and credit secured with guarantees	84,394	88,431
Loans and credit secured with other collateral	2,259	2,263
Trade credit	5,561	5,530
Financial leasing	2,286	2,169
Demand debit balances and sundry debtors	43,166	42,165
Gross performing loans	**137,666**	**140,557**
Non-performing assets	8,636	9,642
Accrual adjustments	-101	-112
Gross customer lending (excluding repos)	**146,201**	**150,087**
Reverse repos	65	8
Gross customer lending	**146,266**	**150,095**
Provisions fund for insolvencies and country risk	-4,222	-4,921
Loans and advances to customers	**142,043**	**145,174**
On-balance sheet customer funds		
Financial liabilities measured at amortised cost	**195,561**	**192,011**
Non-retail financial liabilities	63,238	58,554
Deposits from central banks	26,136	11,828
Deposits from credit institutions	10,666	16,667
Institutional Issues	22,514	27,491
Other financial liabilities	3,922	2,568
On-balance sheet customer funds	**132,323**	**133,457**
On-balance sheet funds		
Customer deposits	131,841	134,415
Sight accounts	96,365	92,011
Term deposits including deposits redeemable at notice and hybrid financial liabilities	33,849	40,154
Of which, deposits redeemable at notice	0	30
Of which, hybrid financial liabilities	1,737	4,833
Repurchase agreements	1,494	2,072
Accrual adjustments and hedging derivatives	133	178
Debt securities issued	22,996	26,534
Of which, subordinated liabilities	2,188	1,546
Liabilities under insurance and reinsurance contracts	43	35
On-balance sheet funds	**154,881**	**160,983**
Off-balance sheet customer funds		
Investment funds	25,943	22,594
Asset management	3,943	3,651
Pension funds	4,040	4,117
Insurance products sold by the Group	10,070	10,243
Total off-balance sheet funds	**43,997**	**40,606**
Funds under management		
On-balance sheet funds	154,881	160,983
Total off-balance sheet funds	43,997	40,606
Funds under management	**198,878**	**201,589**
NPL coverage ratio		
Non-performing loans	8,693	9,746
Provisions	4,319	5,024
NPL coverage ratio (%)	**49.7**	**51.5**
Loan loss ratio		
Non-performing loans	8,693	9,746
Customer loans and contingent liabilities	154,647	158,617
Loan loss ratio (%)	**5.6%**	**6.1%**

	30/06/2017	Previous period
Non-performing loans		
Loans and advances	**8,636**	**9,642**
to customers	8,636	9,642
to central banks and credit institutions	0	0
Non-performing contingent liabilities	56	104
Non-performing loans	**8,693**	**9,746**