

Banco Sabadell earns €216.1 million during the first quarter and improves its net interest income

- The Group's quarter-on-quarter profits are in line with its 2017 guidance, after increasing by 7.1% excluding TSB and after the materialisation of the forecast extraordinary technology expenses of TSB.
- Once again, there has been a strong growth in the Group's net interest income during the quarter, increasing by 1.6% to €962.4 million.
- TSB's business continues to perform well. Each week it acquires 6,000 new customers, and its lending continues to increase.
- The Group's NPL ratio has fallen to 5.86%, its lowest level since the third quarter of 2011, and problematic assets have been reduced by over €500 million during the first quarter.
- Banco Sabadell will have an estimated €447 million in net gains following the sale of Sabadell United Bank, once the sale transaction has been closed.

28 April 2017. In the first quarter of 2017, Banco Sabadell Group achieved **net profit** of €216.1 million, a 14.3% decrease compared to one year ago, after the materialisation of the forecast extraordinary technology expenses of TSB. Furthermore, most of the net trading income (NTI) forecast for the year has materialised during the first quarter, and has been used to frontload provisions. Quarter-on-quarter profits are in line with 2017 guidance.

Excluding TSB, Banco Sabadell has increased its profit by 7.1% during the first quarter, to €203.9 million, thanks to the solid growth of core banking business income, which is reflected in the improvement in net interest income despite a lower-for-longer interest rate environment.

This has allowed the Group's **net interest income** to reach €962.4 million, representing a 1.6% growth quarter-on-quarter and a 1.8% growth year-on-year considering a

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constant exchange rate. Furthermore, at the end of the first quarter of 2017, the **customer spread** stood at 2.77% (2.69% in the previous quarter).

Frontloading of provisions due to materialisation of NTI

At the end of the first quarter of 2017, **net trading income (NTI)** amounted to €353.0 million (€341.9million excluding TSB), including, amongst others, €246.2 million in gains on the sale of available-for-sale fixed-income financial assets and €10.4 million from the sale of the stake in Fluidra.

Insolvency **provisions** and other impairments amounted to €510.6 million at the end of the first quarter, compared with €434.9 million at the end of March 2016.

The quarter has been characterised by the frontloading of provisions, which has been possible as the majority of the net trading income forecast for the year has materialised during the first three months.

Materialisation of forecast extraordinary technology expenses of TSB

TSB continues to successfully implement its strategy and its business remains strong. It already has over five million customers, 2.9% more than one year ago, and on average over 6,000 customers opened a bank account with the British bank every week. In the last 12 months, 6% of customers who changed banks or who opened a new bank account in the UK chose TSB. Customer deposits increased to £29.7 million, a year-on-year increase of +11.0% which reflects the confidence that customers have in TSB. Lending has increased to £30.9 million, which implies a year-on-year growth of +12.6%. Lending from the franchise and the Whistletree portfolio grew to £29.1 million, a 15.2% increase year-on-year and a 5.6% increase quarter-on-quarter.

The integration of the technology platform is proceeding as planned, both in terms of costs and schedule. TSB operating expenses increased by 9.1% quarter-on-quarter due to TSB's extraordinary technology expenses, which had already been forecast.

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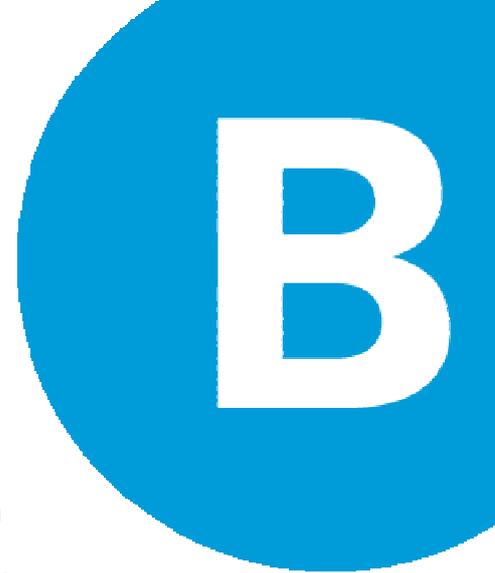
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Problematic assets reduced by over €500 million

Pricing discipline has been maintained to **reduce problematic assets**, and over the last twelve months, excluding TSB, these amount to €2,756 million, with a reduction of €506 million during the last three months. Of the latter, €439 million correspond to non-performing exposures and €67 million to foreclosed assets.

The Group's **NPL ratio** has continued to decline and stands at 5.86% (7.45% excluding TSB), reaching its lowest level since the third quarter of 2011. The **NPL coverage ratio** stands at 53.13% (53.10% excluding TSB), and the coverage of foreclosed real estate assets has increased to 47.9%. The NPL coverage ratio excluding adjustments due to the impairment of mortgage floor clauses stands at 48.76% excluding TSB (48.86% at total Group level).

The phase-in Common Equity Tier 1 (CET1) ratio stood at 11.94% at 31 March 2017, and the fully-loaded CET1 ratio at 11.9%.

On-balance sheet customer funds increased year-on-year by 2.1% (1.8% excluding TSB), with a 3.9% increase considering a constant exchange rate. Compared with the previous quarter, they increased by 0.4% (0.1% excluding TSB), particularly thanks to the growth of both sight accounts and off-balance sheet funds. Interest rate cuts have been behind this growth.

Sight account balances amounted to €96,643 million (€66,833 million excluding TSB), a 16.1% increase year-on-year (23.5% excluding TSB), and a 5.0% increase quarter-on-quarter (6.7% excluding TSB). **Total off-balance sheet customer funds** amounted to €41,848 million at the end of the first quarter of 2017, a 12.8% increase compared with the previous year (a 3.1% increase quarter-on-quarter). Equity in mutual funds amounted to €23,964 million at 31 March 2017, representing a 13.3% increase year-on-year (6.1% quarter-on-quarter).

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Gross performing loans closed March 2017 with a balance of €141,365 million. Year-on-year, this item increased by 2.3%, negatively affected by the evolution of the exchange rate of the pound against the euro during the year (increasing by 4.0% considering a constant exchange rate). Compared with the previous quarter, this increase was 0.6%. Excluding the payment received from the Deposit Guarantee Fund of €984 million, gross performing loans increased by 1.3% quarter-on-quarter.

Sale of Sabadell United Bank for USD 1,025 million

Highlights during this quarter include the agreement with IBERIABANK Corporation to sell Sabadell United Bank, the retail banking subsidiary in the US. The subsidiary has been sold for USD 1,025 million (approximately €967 million). This transaction will generate net gains for Banco Sabadell of approximately €447 million.

The transaction is scheduled for completion during the second half of 2017, once the relevant permits and authorisations have been obtained from the corresponding regulatory authorities.

Leaders in customer experience thanks to the Group's digital transformation

The main **market shares** have continued to improve during the first quarter. In the corporates segment, activity in POS terminals was notable, with Banco Sabadell's market share increasing to 13.97%, up from 13.62%, and export activity stood at 12.99%, up from 11.71%. The market share in terms of lending also increased to 11.14% from 11.13%. In the individuals' credit card segment, the market share improved to 7.60% from 7.41%, that of life insurance policies improved to 5.61%, from 5.23%, and household deposits to 6.21% from 5.73%.

Customer appraisals, measured in terms of how likely they are to recommend the bank to others, continue to rate the quality of service offered by Banco Sabadell very highly, as shown by the last NPS (Net Promoter Score) study by Accenture, which focused on the first quarter. Banco Sabadell has been ranked in first place in both the Corporates and SMEs segments, with a gap between Banco Sabadell's ranking and that of its competitors. In the retail segment, Banco Sabadell has improved its position, reaching second place and closing the gap between Banco Sabadell and the top-ranked entity.

Banco Sabadell's adaptation to digital channels has contributed to this positive performance. Customers have welcomed these channels, as shown by the 50% increase

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in the number of Sabadell Wallet downloads in just one quarter. In the last three months, the new version of the Sabadell app has been implemented, together with other updates to the Sabadell Wallet app. Banco Sabadell mobile customers can access the app through touch ID and can access the Bizum service to send and request money to and from contacts saved in the address book, from mobile to mobile, without needing to know the account numbers.

Banco Sabadell has also been the first bank to create a special keypad for iOS users, called Sabadell Keypad, which can be used to send money to contacts saved in the address book from users' usual chat application without having to close the chat. The Banco Sabadell keypad can be accessed in the same way as the emoji keyboard; users can then select the contact and the amount. Transactions are signed for using the keypad itself and proof of payment can be copied and pasted into the chat.

Other key developments

The General Meeting of Shareholders has approved shareholder remuneration of €0.05 (gross) per share and the 2016 annual accounts

The Ordinary General Meeting of Shareholders of Banco Sabadell was held on March 30th, and 63.9% of the share capital was represented by both shareholders in attendance and proxies, who gave a majority vote in favour of the management and results of the institution's 135th year and expressed their agreement with the proposed distribution of the net profit obtained during 2016, which stood at €710.4 million at year-end. An agreement was reached in the meeting to allocate €279.7 million as shareholder remuneration, to be paid at €0.05 per share. Of this amount, €0.02 per share was paid in December 2016, and the remaining €0.03 per share was paid on 7 April 2017.

Mexico: MXN 44 billion for corporates during 2017

Banco Sabadell expects to end 2017 with lending in the form of credit of MXN 44 billion to corporates and businesses, between both entities, bank and SOFOM, which will allow Banco Sabadell to increase its customer portfolio by 92% and its turnover by 32% to MXN 47,024,000. The entity is planning an ambitious deployment of 12 new business banking and corporate banking products, and also plans to begin the first stages of its personal banking plan, which aims to be 100% digital in line with current consumer trends. It also hopes to open 7 new mid market banking centres in 2017 in Mexico City (3), Guadalajara (1), Monterrey (1) and the Bajío region (2), and aims to increase its workforce by 68%.

Over €96 million invested in start-ups

Over the last three years, Banco Sabadell has invested €96 million in start-ups, as a show of its support of emerging technology companies and of its commitment to

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innovation and entrepreneurship. The bank's funding of this type of company amounted to over €90 million, and investment in capital through its investment vehicles BStartup10 and Sabadell Venture amounted to €6 million. As a result, Banco Sabadell has over 2,300 customers who are start-ups, and it invests in the capital of 35 companies.

Spanish entity with most significant achievements in the United Kingdom in 2016

The Spanish Chamber of Commerce in Great Britain granted Banco Sabadell the Annual Golden Award on April 4th, as the Spanish entity whose achievements in the UK in 2016 have been particularly significant. The award ceremony took place at the Spanish Embassy in London. The event was attended by Carlos Bastarreche, the Spanish ambassador to the United Kingdom, the Chairman of Banco Sabadell, Josep Oliu, as well as multiple representatives from the business sectors in both countries.

GBP 118 million in funding for 4 wind farms in the UK

On February 9th, Banco de Sabadell and National Australia Bank reached financial close on a GBP 118 million financing four wind farms in the UK owned by Cubico Sustainable Investments, one of the world's leading renewable energy infrastructure companies. The GBP 118 million debt package was granted by Banco Sabadell and NAB, which acted as joint bookrunners and mandated lead arrangers.

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BancoSabadell Profit & loss account (consolidated)



Figures in € million	Total group		Change		ExTSB		Change	
	31.03.2016	31.03.2017	Absolute	Relative	31.03.2016	31.03.2017	Absolute	Relative
Net interest income	973,9	962,4	-11,5	-1,2%	695,7	702,4	6,8	1,0%
Income from equity method and dividend	21,6	16,4	-5,2	-24,0%	21,6	16,4	-5,2	-24,0%
Net fees and commissions	277,8	296,7	18,9	6,8%	245,9	271,4	25,5	10,4%
Results from financial transactions (net)	308,1	353,0	44,9	14,6%	303,4	341,9	38,5	12,7%
Foreign exchange (net)	2,9	1,1	-1,8	-61,9%	2,9	1,1	-1,8	-61,9%
Other operating income / expense	-16,7	-29,6	-12,9	77,4%	-16,2	-27,0	-10,8	66,4%
Gross operating income	1.567,6	1.600,0	32,4	2,1%	1.253,2	1.306,3	53,1	4,2%
Operating expense	-664,7	-687,9	-23,2	3,5%	-453,1	-449,1	4,0	-0,9%
Non-recurrent	-14,5	-17,8	-3,4	23,3%	-6,7	-3,5	3,2	-48,1%
Recurrent	-650,3	-670,1	-19,8	3,0%	-446,4	-445,6	0,8	-0,2%
Amortization & depreciation	-97,2	-100,6	-3,4	3,5%	-78,3	-83,0	-4,7	6,0%
Net income before provisions	805,7	811,5	5,8	0,7%	721,9	774,2	52,3	7,3%
Provisions for NPLs and other impairments	-434,9	-510,6	-75,7	17,4%	-434,9	-486,6	-51,7	11,9%
Gains on sale of assets	-3,1	1,7	4,8	--	-3,1	-5,8	-2,7	88,5%
Badwill	0,0	0,0	0,0	--	0,0	0,0	0,0	--
Profit before tax	367,7	302,6	-65,1	-17,7%	283,9	281,8	-2,1	-0,7%
Income tax	-114,4	-84,8	29,7	-25,9%	-92,3	-76,1	16,2	-17,5%
Consolidated net profit	253,3	217,8	-35,5	-14,0%	191,6	205,6	14,1	7,3%
Minority interest	1,3	1,8	0,5	35,7%	1,3	1,8	0,5	35,7%
Attributable net profit	252,0	216,1	-35,9	-14,3%	190,3	203,9	13,6	7,1%

PRO MEMORIA Balances in € million	Total group		Change		ExTSB		Change	
	31.03.2016	31.03.2017	Absolute	Relative	31.03.2016	31.03.2017	Absolute	Relative
Total assets	204.021	219.093	15.072	7,4%	161.189	171.574	10.385	6,4%
Gross loans and advances to customers (1) (2)	149.828	150.520	693	0,5%	115.087	114.338	-749	-0,7%
Customer-based funding on balance sheet (2)	131.290	133.982	2.692	2,1%	97.493	99.264	1.771	1,8%
Customer-based funding off balance sheet	37.107	41.848	4.741	12,8%	37.107	41.848	4.741	12,8%
Shareholders' equity	12.539	12.992	453	3,6%				

RATIOS	Total group		ExTSB	
	31.03.2016	31.03.2017	31.03.2016	31.03.2017
Cost / income (ex amortisation) (%) (3)	51,34	53,36	46,13	44,74
Core capital / Common equity phase in (%)	11,9	11,9	--	--
NPLs / Gross loans (%) (2)	7,50	5,86	9,45	7,45
NPLs coverage (%) (2)	54,7	53,1	54,4	53,1
Number of branches	2.874	2.767	2.262	2.182
Number of employees	26.064	26.412	17.865	17.888

(1) Excluding repos and deposits in credit institutions. (2) Sabadell United Bank data included as of March 2017 in order to be comparable with previous periods. (3) To calculate these ratios, gross operating income was adjusted considering recurrent trading income

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