

Sabadell

Q3 2017 Results

October 27, 2017

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1

Highlights

Highlights

- Domestic trends remain solid, with strong momentum in core banking revenue, which grew +5.2% YoY like-for-like¹
- Performing loan book growth of +5.0% YoY like-for-like¹, with a sustained improvement in the lending mix
- Extraordinary capital gains from recent corporate transactions have allowed us to increase our NPA coverage ratio to 51.5% (excl. floors)² and accelerate our CoR³ reduction
- Accumulated NPA reduction increased to €1.7bn in the year. On average real estate assets sold at a premium in the quarter
- Sabadell has delivered strong capital generation in the year, with CET1 fully-loaded currently at 12.7%. Additionally, the HI Partners and Iberiabank stake sales will increase our CET1 fully-loaded by c.30bps in 4Q17.
The Board has approved an interim dividend of €0.02/share
- YTD performance with accumulated net profit standing at €654M puts us well on track to meet our year-end target of €800M

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

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

² Coverage ratio including provisions associated with mortgage floors is 52.8%.

³ CoR (Cost of Risk) relates to both NPL and foreclosed provisions out of total lending and foreclosed assets.

2

Profitability and efficiency

3Q17 highlights: Profitability and efficiency

- Net interest income like-for-like¹ continued to grow supported by positive YoY volumes and slightly lower cost of customer funds in the quarter
- There is still room to further optimise wholesale funding cost in the coming years with no significant maturities remaining in 2017
- Fees & commissions fell slightly mainly due to Q3 seasonality
- The gross amount of net capital gains received from recent corporate transactions were allocated to extraordinary provisions, with the objective of accelerating CoR² normalisation

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

² CoR (Cost of Risk) relates to both NPL and foreclosed provisions out of total lending and foreclosed assets.

Quarterly income statement

Euros in million	Sabadell Group					Sabadell, ex-TSB			
	3Q16	2Q17	3Q17	%QoQ constant FX	%QoQ	3Q16	2Q17	3Q17	%QoQ
Net interest income	948.4	974.5	940.9	-2.1%	-3.4%	696.9	711.4	687.7	-3.3%
Equity method & dividends	23.2	19.7	267.7	--	--	23.2	19.7	267.7	--
Commissions	290.0	306.3	301.5	-1.2%	-1.6%	258.8	284.7	276.7	-2.8%
Trading income & forex	53.3	196.2	37.3	-80.9%	-81.0%	53.7	117.8	30.8	-73.9%
Other operating results	-21.9	-53.3	-7.6	-85.7%	-85.7%	-20.6	-48.9	-4.4	-91.0%
Gross operating income	1,293.0	1,443.4	1,539.7	7.8%	6.7%	1,012.0	1,084.6	1,258.5	16.0%
Personnel recurrent costs	-399.3	-390.2	-385.1	-0.1%	-1.3%	-300.3	-294.5	-293.5	-0.3%
Administrative recurrent costs	-247.7	-282.1	-270.5	-2.1%	-4.1%	-145.2	-150.6	-149.6	-0.7%
Non recurrent costs	-14.5	-18.1	-11.2	-35.6%	-37.9%	-6.9	-1.7	-1.6	-4.5%
Depreciation & amortisation	-96.5	-96.8	-103.0	7.3%	6.4%	-79.0	-79.2	-83.1	5.0%
Pre-provisions income	535.0	656.2	770.0	18.0%	17.3%	480.7	558.7	730.7	30.8%
Total provisions & impairments	-211.7	-340.4	-1,116.9	--	--	-211.7	-320.0	-1,095.9	--
Gains on sale of assets and other results	-3.3	16.0	366.4	--	--	-1.3	17.0	366.7	--
Profit before taxes	320.1	331.8	19.4	-94.1%	-94.1%	267.7	255.7	1.5	-99.4%
Taxes	-97.0	-97.4	183.9	--	--	-74.4	-74.4	192.5	--
Minority interest	1.5	-0.2	0.1	--	--	1.5	-0.2	0.1	--
Attributable net profit	221.6	234.5	203.2	-12.7%	-13.4%	191.8	181.4	193.9	6.9%

- Our core banking business remains strong, with growth above +1.6% QoQ like-for-like
- The gross amount of net capital gains received from recent corporate transactions have been allocated to extraordinary provisions

Note: The EURGBP exchange rate of 0.8976 used for this quarter's P&L corresponds to the daily average rate of 3Q17. Core banking revenue refers to net interest income plus commissions and growth expressed on a like-for-like basis (i.e. assuming constant FX and excluding Sabadell United Bank and Mediterráneo Vida as well as the Mortgage enhancement contribution).

9M income statement

	Sabadell Group				Sabadell, ex-TSB		
	9M16	9M17	%YoY constant FX	%YoY	9M16	9M17	%YoY
Euros in million							
Net interest income	2,890.9	2,877.8	1.8%	-0.5%	2,089.2	2,101.5	0.6%
Equity method & dividends	72.1	303.8	--	--	72.1	303.8	--
Commissions	860.2	904.5	6.2%	5.1%	762.6	832.8	9.2%
Trading income & forex	570.9	587.6	3.7%	2.9%	516.3	491.6	-4.8%
Other operating results	-120.8	-90.5	-24.1%	-25.1%	-102.8	-80.3	-21.9%
Gross operating income	4,273.2	4,583.1	9.3%	7.3%	3,337.4	3,649.4	9.3%
Personnel recurrent costs	-1,203.9	-1,163.2	-1.4%	-3.4%	-900.0	-882.6	-1.9%
Administrative recurrent costs	-737.9	-834.8	16.8%	13.1%	-437.4	-451.3	3.2%
Non recurrent costs	-45.2	-47.1	5.8%	4.1%	-21.1	-6.8	-67.6%
Depreciation & amortisation	-290.5	-300.3	5.0%	3.4%	-235.3	-245.2	4.2%
Pre-provisions income	1,995.6	2,237.7	13.6%	12.1%	1,743.6	2,063.6	18.4%
Total provisions & impairments	-1,113.5	-1,967.8	76.6%	76.7%	-1,113.5	-1,902.5	70.9%
Gains on sale of assets and other results	32.0	384.0	--	--	34.0	377.9	--
Profit before taxes	914.1	653.8	-26.6%	-28.5%	664.1	539.0	-18.8%
Taxes	-263.6	1.7	--	--	-189.1	41.9	--
Minority interest	3.6	1.7	-53.1%	-53.1%	3.6	1.7	-53.1%
Attributable net profit	646.9	653.8	4.2%	1.1%	471.4	579.2	22.9%

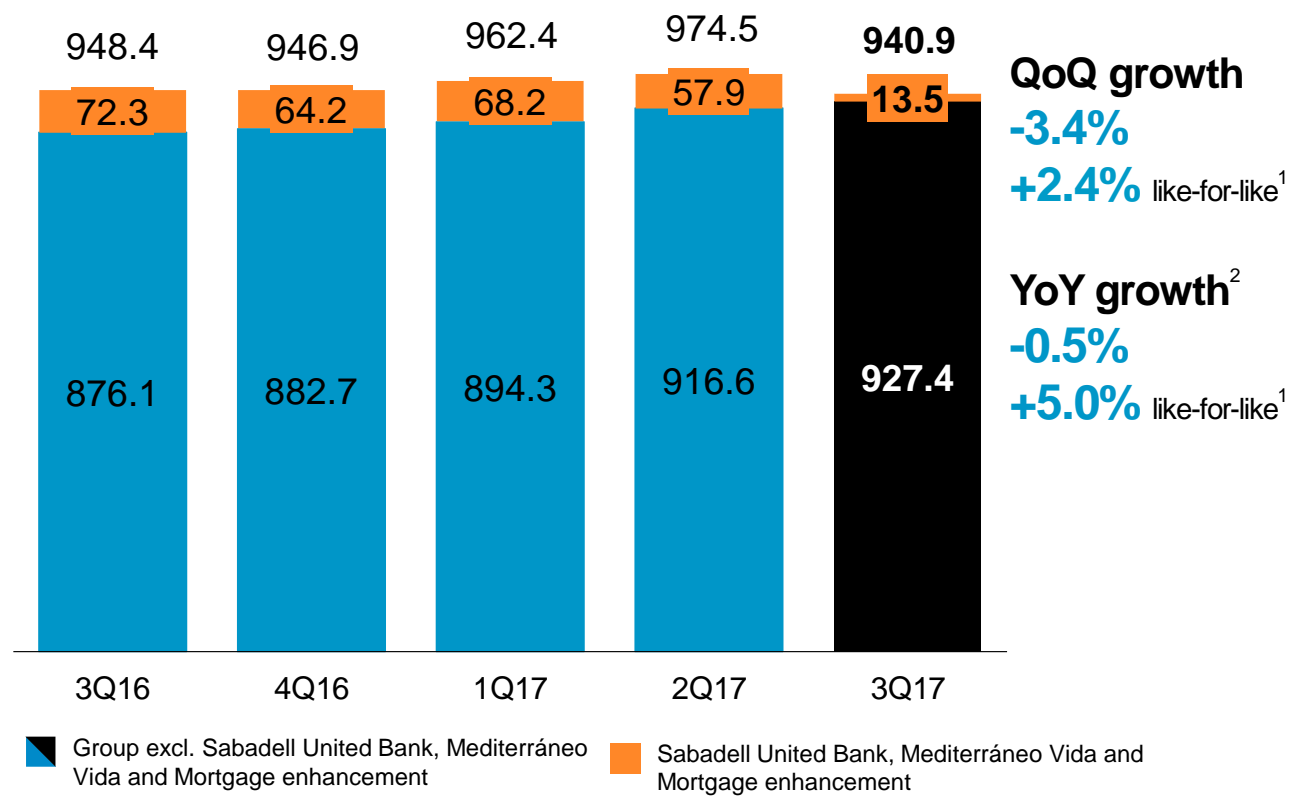
We are on track to meet our 2017 Group net profit target of €800M

Note: The EURGBP exchange rate of 0.8721 used for the last 9 months' P&L corresponds to the daily average rate of 9M17.

Net interest income continues to grow this quarter like-for-like...

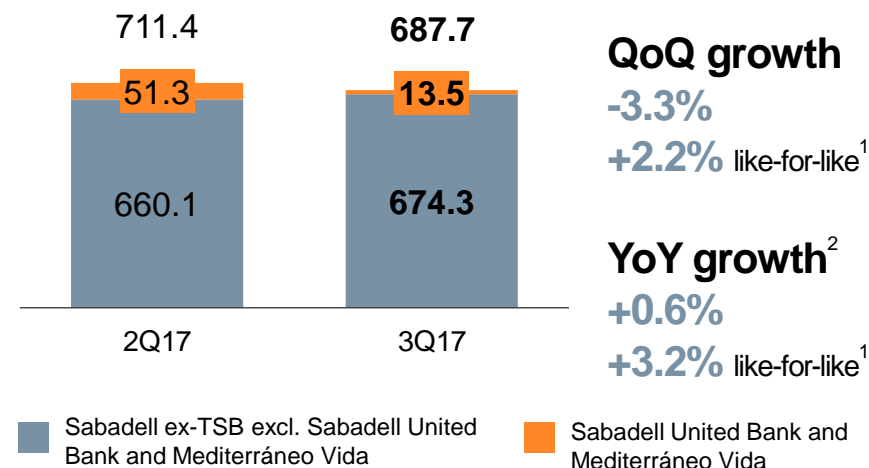
Group net interest income evolution

Euros in million



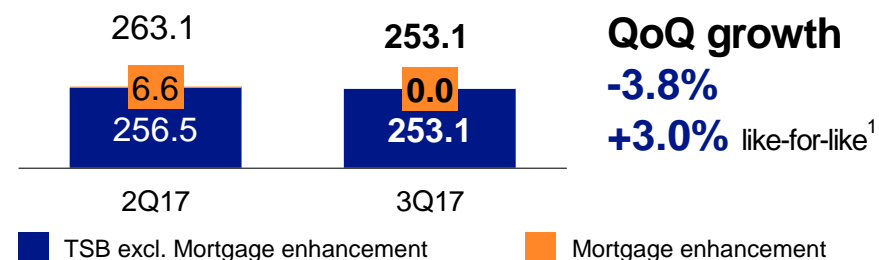
Sabadell, ex-TSB

Euros in million



TSB

Euros in million



Note: The EURGBP exchange rate of 0.8976 used for this quarter's P&L corresponds to the daily average rate of 3Q17. The EURGBP exchange rate of 0.8721 used for the last 9 months' P&L corresponds to the daily average rate of 9M17.

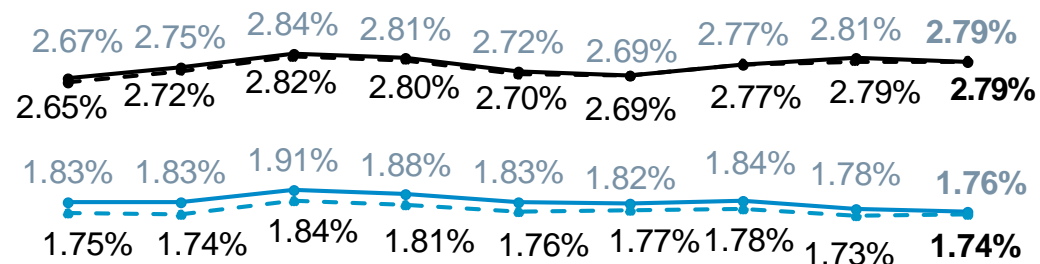
¹Like-for-like assumes constant FX and excludes Sabadell United Bank, Mediterráneo Vida as well as the Mortgage enhancement contribution for comparison purposes.

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

... with customer spread and NIM stable QoQ...

Group net interest margin evolution

In percentage



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

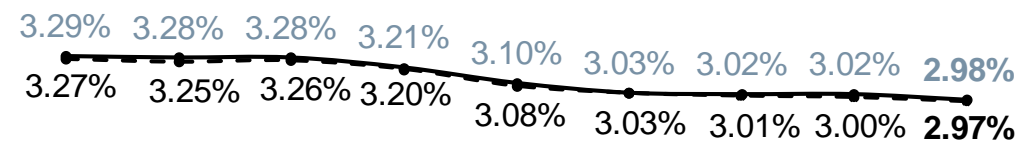
- Customer spread
- Net interest margin as % of ATA (NIM)
- ... Customer spread, like-for-like¹
- ... Net interest margin as % of ATA (NIM), like-for-like¹

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

² Quarterly average.

Group customer loan yield and cost of funds

In percentage



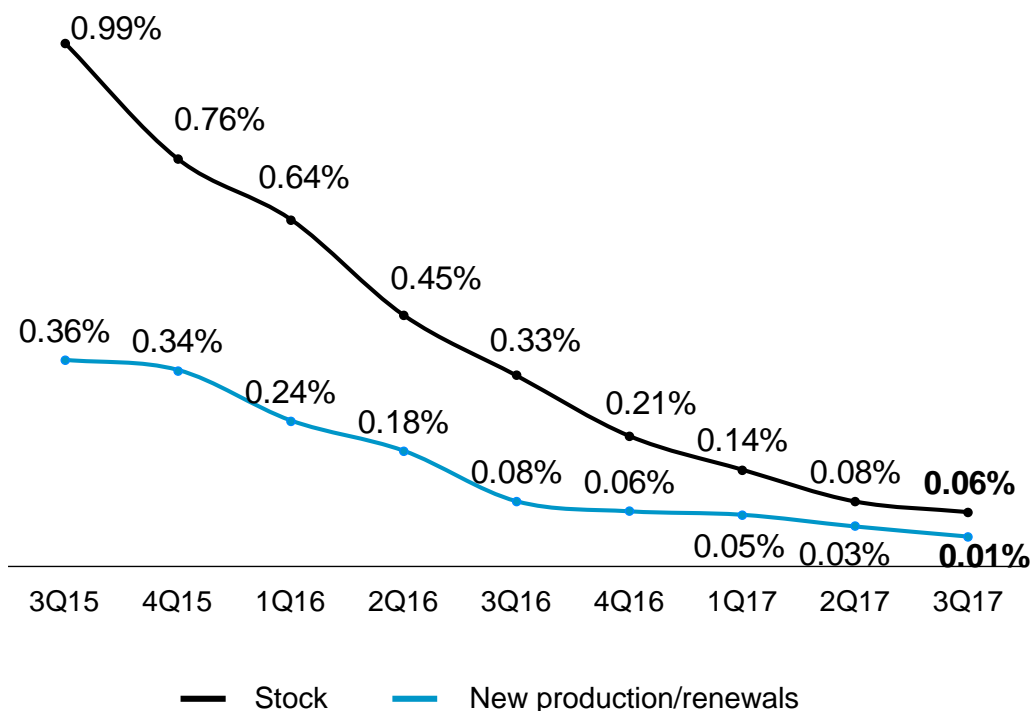
3Q15 4Q15 1Q16 2Q16 3Q16 4Q16 1Q17 2Q17 3Q17

- Customer loan yield
- Cost of customer funds
- ... Customer loan yield, like-for-like¹
- ... Cost of customer funds, like-for-like¹
- Euribor 12M²

... supported by a slightly lower cost of customer funds

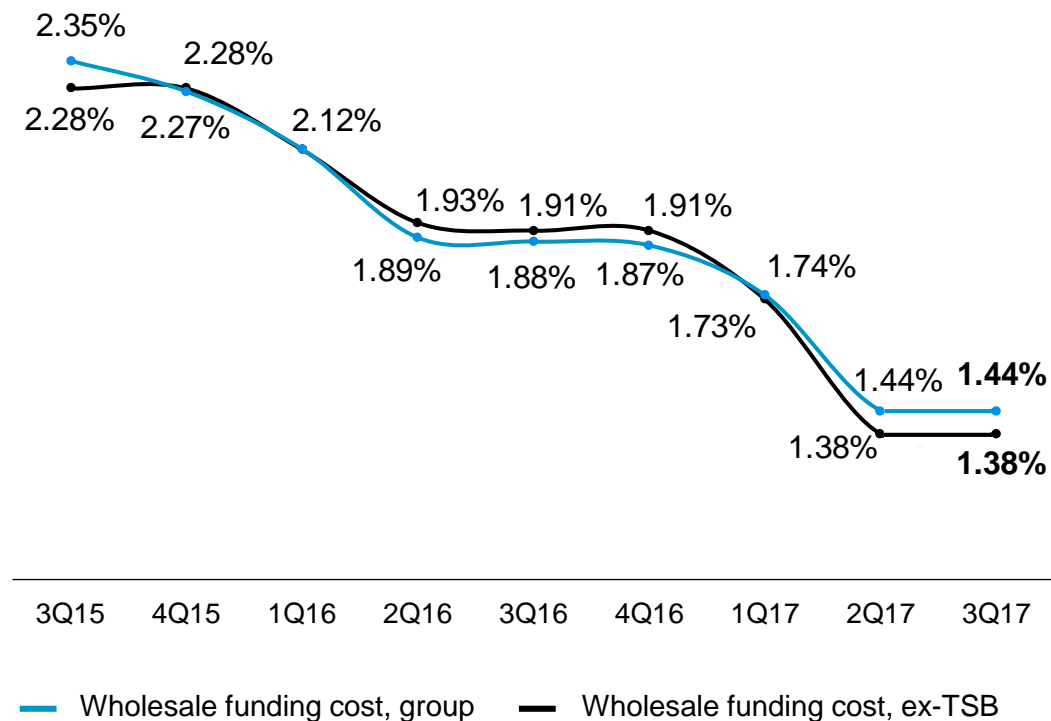
Contractual rates on term deposits, ex-TSB

In percentage



Wholesale funding cost

In percentage

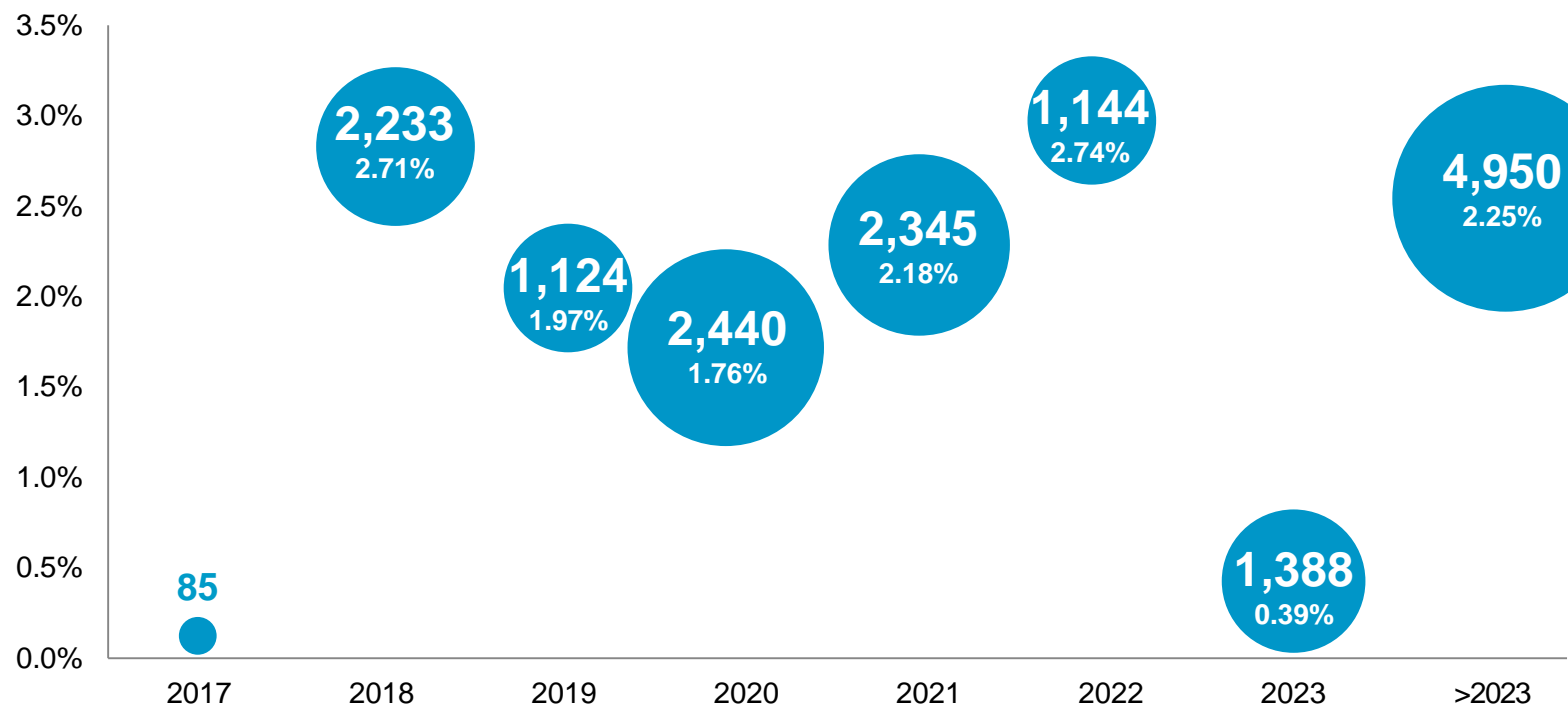


Note: Contractual rates for Euro term deposits. Wholesale funding cost excludes the additional benefit from TLTROII (€20.5bn) and TFS funding (€5.2bn).

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

Upcoming wholesale maturities, Sabadell group

Euros in million. In percentage



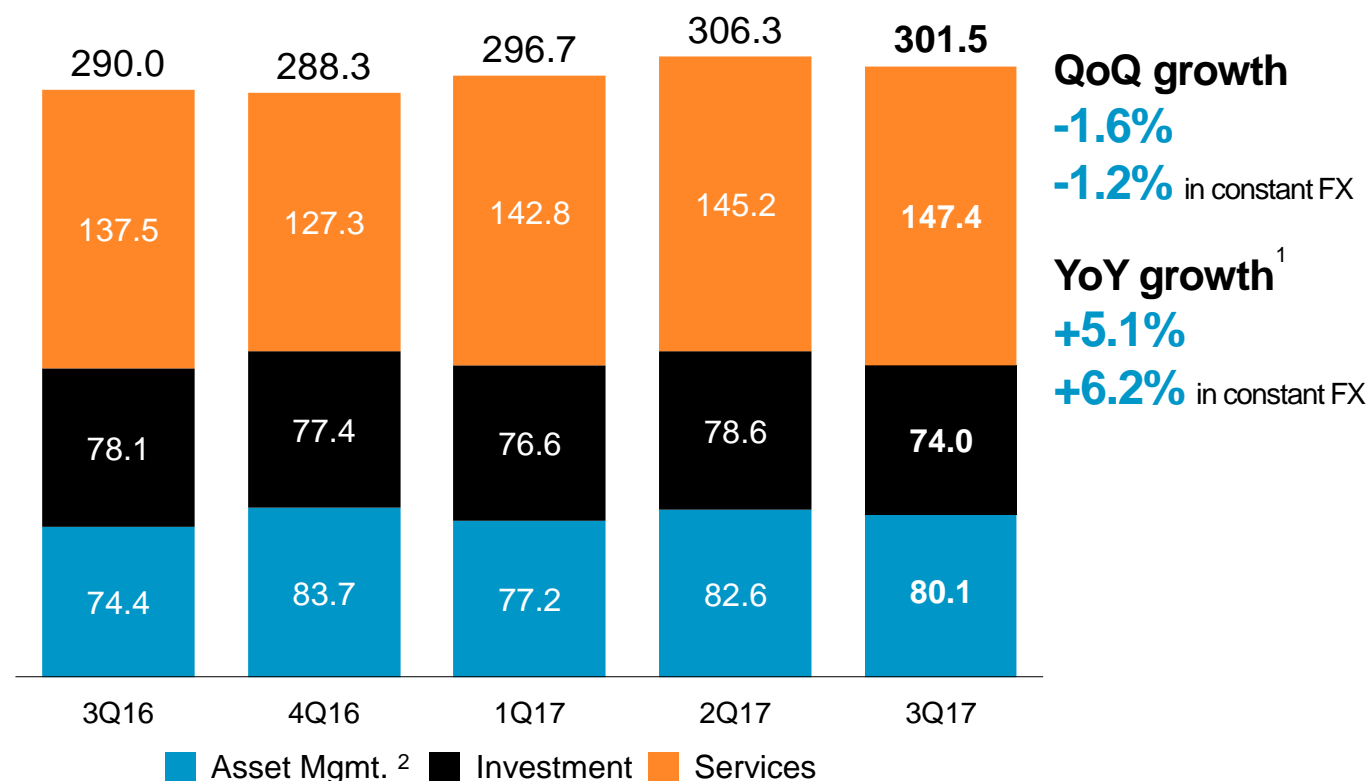
- There are no meaningful wholesale funding maturities in 2017

● The size of the bubble represents the volume of maturities.
 % The percentage is the current level of coupon payment.

Commissions were slightly lower in the quarter mainly due to Q3 seasonality

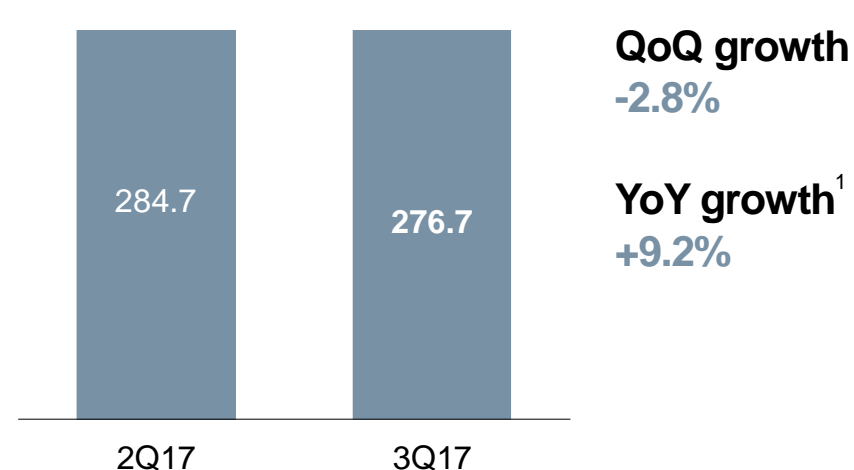
Group commission income evolution

Euros in million



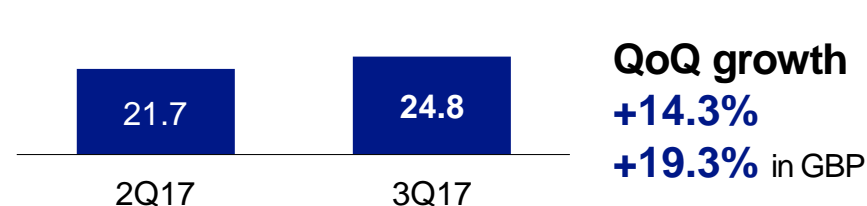
Sabadell, ex-TSB

Euros in million



TSB

Euros in million



Note: The EURGBP exchange rate of 0.8976 used for this quarter's P&L corresponds to the daily average rate of 3Q17. The EURGBP exchange rate of 0.8721 used for the last 9 months' P&L corresponds to the daily average rate of 9M17.

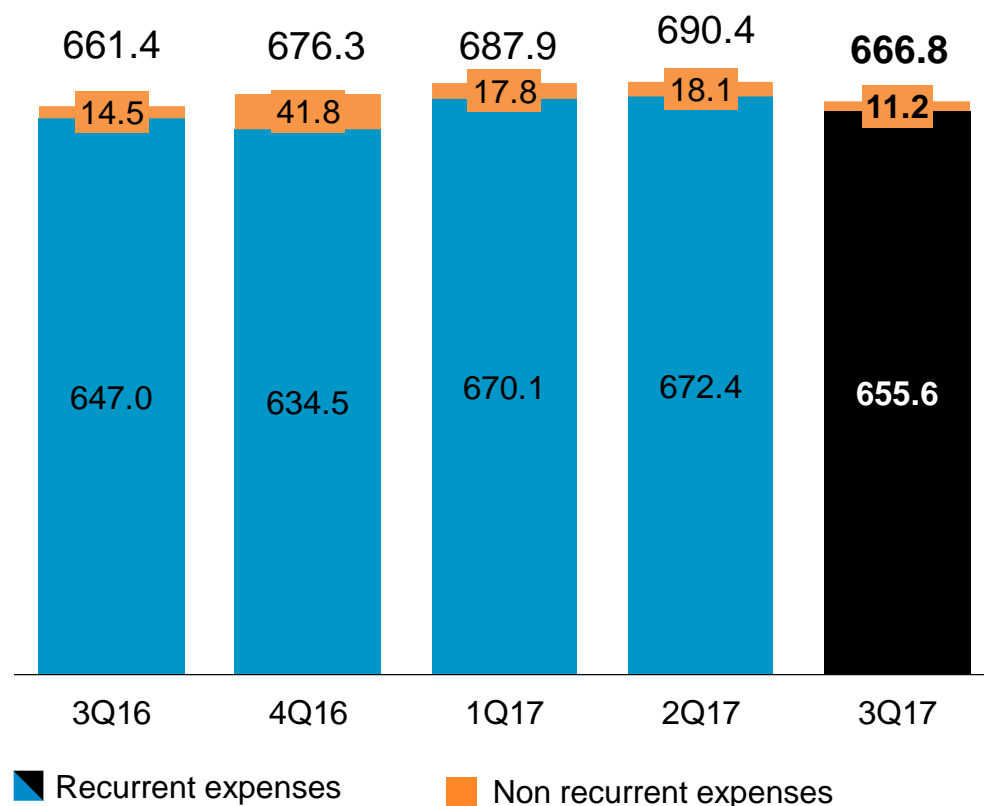
¹%YoY calculated as the growth rate of cumulative results to September 2017 vs. cumulative results to September 2016.

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

Group performance in costs partially offsets the anticipated one-off increase in TSB IT costs

Group personnel and general expenses

Euros in million

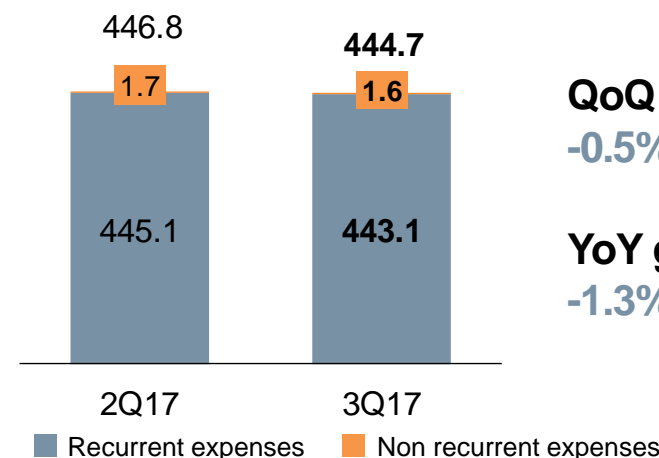


QoQ growth
-3.4%
-1.8% in constant FX

YoY growth¹
+2.9%
+5.5% in constant FX

Sabadell, ex-TSB

Euros in million

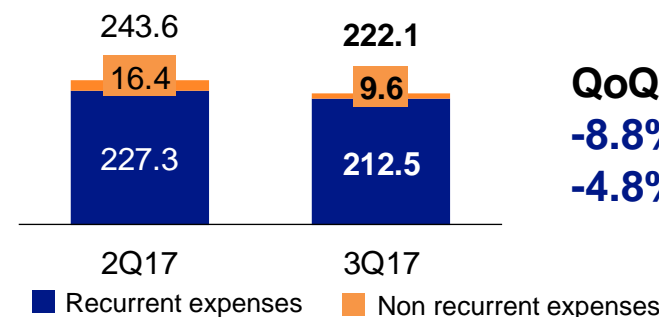


QoQ growth
-0.5%

YoY growth¹
-1.3%

TSB

Euros in million



QoQ growth
-8.8%
-4.8% in GBP

Note: The EURGBP exchange rate of 0.8976 used for this quarter's P&L corresponds to the daily average rate of 3Q17. The EURGBP exchange rate of 0.8721 used for the last 9 months' P&L corresponds to the daily average rate of 9M17.
 1%YoY calculated as the growth rate of cumulative results to September 2017 vs. cumulative results to September 2016.

3

Commercial activity and
digital transformation

3Q17 highlights: Commercial activity and digital transformation

- Performing loan book grew +0.3% QoQ in constant FX despite Q3 seasonality, and +5.0% YoY like-for-like¹
- Positive off-balance sheet fund evolution, which increased +2.6% QoQ and +13.6% YoY, mainly driven by strong growth in mutual funds
- Continuous market share increases across products in Spain, with top ranking in service quality
- Digital customers increased by c.+10% YtD to 4.3M, as a result of our strong commitment to digital transformation

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

Balance sheet dynamics

Evolution of customer funds and loans

Euros in million	Sabadell group							Sabadell, ex-TSB				
	Sep-16	Jun-17	Sep-17	%QoQ constant FX	%QoQ	%YoY constant FX	%YoY	Sep-16	Jun-17	Sep-17	%QoQ	%YoY
Total assets	198,837	212,802	211,076	-0.7%	-0.8%	6.8%	6.2%	155,673	165,607	163,944	-1.0%	5.3%
Of which:												
Gross loans to customers ex repos ¹	144,360	146,201	146,054	0.0%	-0.1%	1.7%	1.2%	111,028	110,777	110,062	-0.6%	-0.9%
Performing loans	134,252	137,666	137,833	0.3%	0.1%	3.3%	2.7%	101,120	102,437	102,035	-0.4%	0.9%
Fixed income portfolio	25,092	28,783	27,906	-5.7%	-3.0%	11.6%	11.2%	22,955	24,612	24,022	-2.4%	4.6%
Total liabilities	186,011	199,928	197,872	-0.9%	-1.0%	7.0%	6.4%	145,281	155,221	153,220	-1.3%	5.5%
Of which:												
On-balance sheet customer funds	127,361	132,323	131,295	-0.7%	-0.8%	3.7%	3.1%	93,722	98,260	96,958	-1.3%	3.5%
Term funds ²	42,822	35,959	32,670	-9.1%	-9.1%	-23.5%	-23.7%	37,819	31,176	28,022	-10.1%	-25.9%
Sight accounts	84,539	96,365	98,625	2.4%	2.3%	17.6%	16.7%	55,903	67,083	68,936	2.8%	23.3%
Wholesale funding	24,583	20,652	20,286	-1.8%	-1.8%	-17.2%	-17.5%	20,512	19,163	18,861	-1.6%	-8.0%
ECB funding	10,762	20,938	21,135	0.9%	0.9%	96.4%	96.4%	10,762	20,938	21,135	0.9%	96.4%
BoE funding	0	5,183	5,169	0.0%	-0.3%	--	--	0	0	0	--	--
Off-balance sheet funds	39,711	43,997	45,129	2.6%	2.6%	13.6%	13.6%	39,711	43,997	45,129	2.6%	13.6%
Of which:												
Mutual funds	22,220	25,943	26,920	3.8%	3.8%	21.2%	21.2%	22,220	25,943	26,920	3.8%	21.2%
Pension funds	4,133	4,040	4,035	-0.1%	-0.1%	-2.4%	-2.4%	4,133	4,040	4,035	-0.1%	-2.4%
Third party insurance products	9,756	10,070	10,152	0.8%	0.8%	4.1%	4.1%	9,756	10,070	10,152	0.8%	4.1%
Managed accounts	3,602	3,943	4,022	2.0%	2.0%	11.7%	11.7%	3,602	3,943	4,022	2.0%	11.7%

Group performing loan book grew +0.3% QoQ and +5.0% YoY like-for-like³

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

The EURGBP exchange rate of 0.8818 used for this quarter's balance sheet is the closing exchange rate as of September 2017.

¹ Includes accrual adjustments.

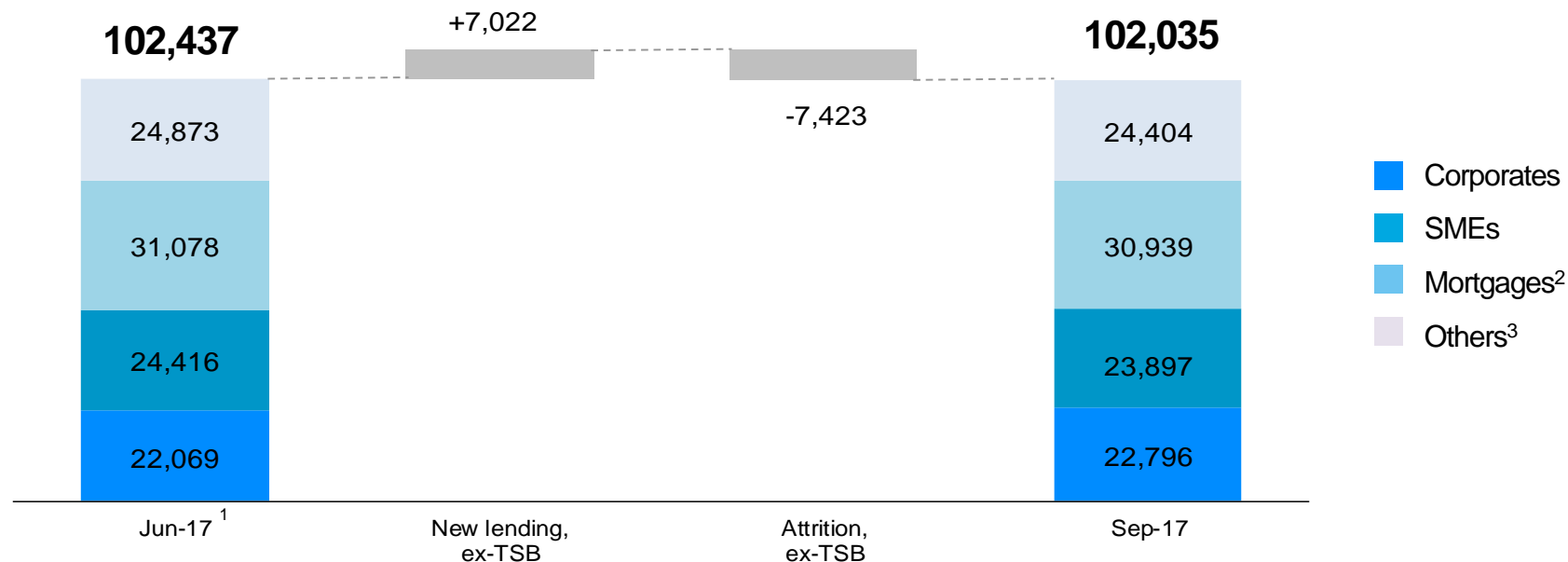
² Term funds include term deposits and other funds placed in the branch network and exclude repos and deposits from institutional clients.

³ Excluding also the Mortgage enhancement portfolio returned to Lloyds Banking Group for comparison purposes.

Performing loans ex-TSB remained stable QoQ despite seasonality

Performing loans: performance by customer type, ex-TSB

Euros in million



	Jun-17 ¹	New lending, ex-TSB	Attrition, ex-TSB	Sep-17	Var. %
Corporates	22,069	2,542	-1,815	22,796	+3.3%
SMEs	24,416	2,350	-2,870	23,897	-2.1%
Mortgages ²	31,078	688	-827	30,939	-0.4%
Others ³	24,873	1,442	-1,911	24,404	-1.9%
Total Sabadell, ex-TSB	102,437	7,022	-7,423	102,035	-0.4%

Note: Excludes accruals adjustments. The EURGBP exchange rate of 0.8818 used for this quarter's balance sheet is the closing rate as of September 2017.

¹ Data as of Jun-17 excludes Sabadell United Bank data for quarterly comparison purposes and has been adjusted to exclude the impact of internal reclassification.

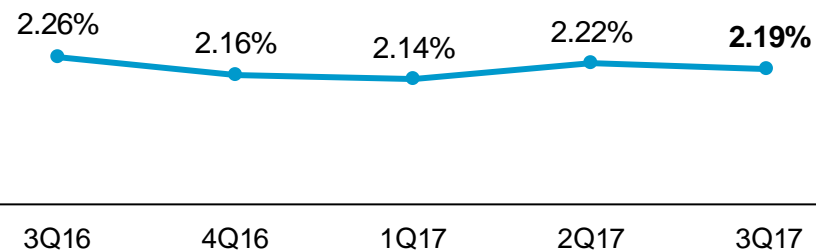
² Refers to residential mortgages for individuals only within Spain.

³ Others includes other mortgages, loans to developers, construction sector, real estate sector and others.

Front book pricing remained stable

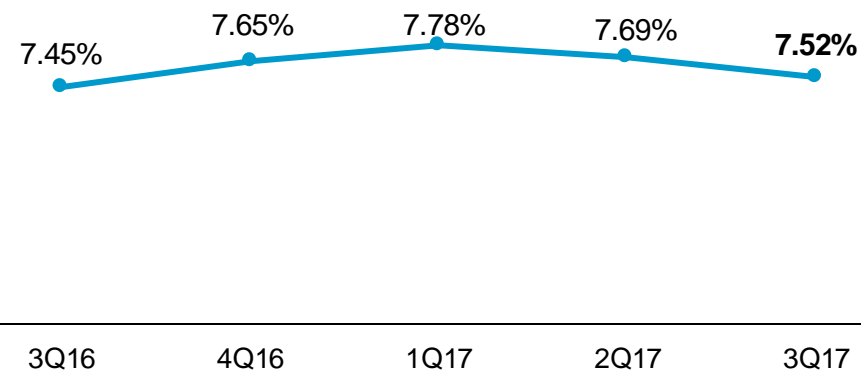
Mortgages to individuals

Yield in percentage



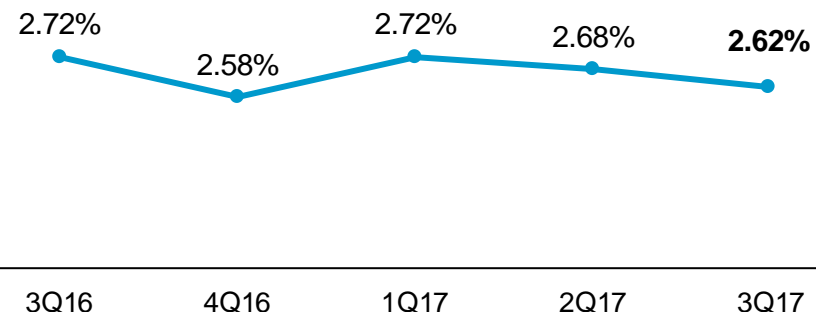
Consumer loans

Yield in percentage



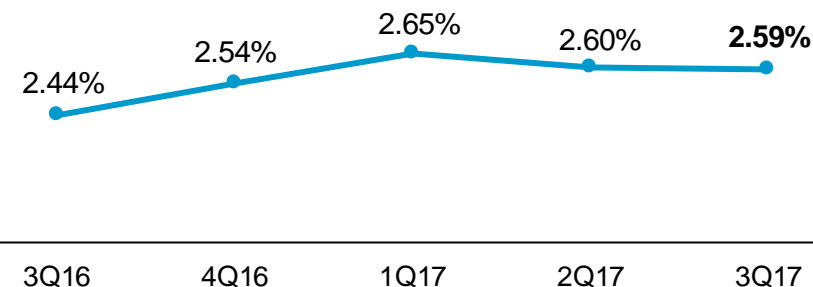
Loans to SMEs and Corporates

Yield in percentage



Credit line for SMEs and Corporates

Yield in percentage



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

Our market position in Spain grows even stronger...

Market shares by product

In percentage

		Loans ¹	Export documentary credit	PoS turnover	Transact ²
Companies	Sep- 17	↑ 11.49%	↑ 31.14%	↑ 15.26%	↑ 10.03%
	Sep- 16	11.09%	30.27%	14.12%	9.72%
		Credit card turnover	Life insurance ³	Household sight acc.	Mutual funds
Individuals	Sep- 17	↑ 7.73%	↑ 5.35%	↑ 6.43%	↑ 6.37%
	Sep- 16	7.46%	5.02%	6.05%	6.07%

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

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

¹ Excluding loans to Real Estate companies and repos.

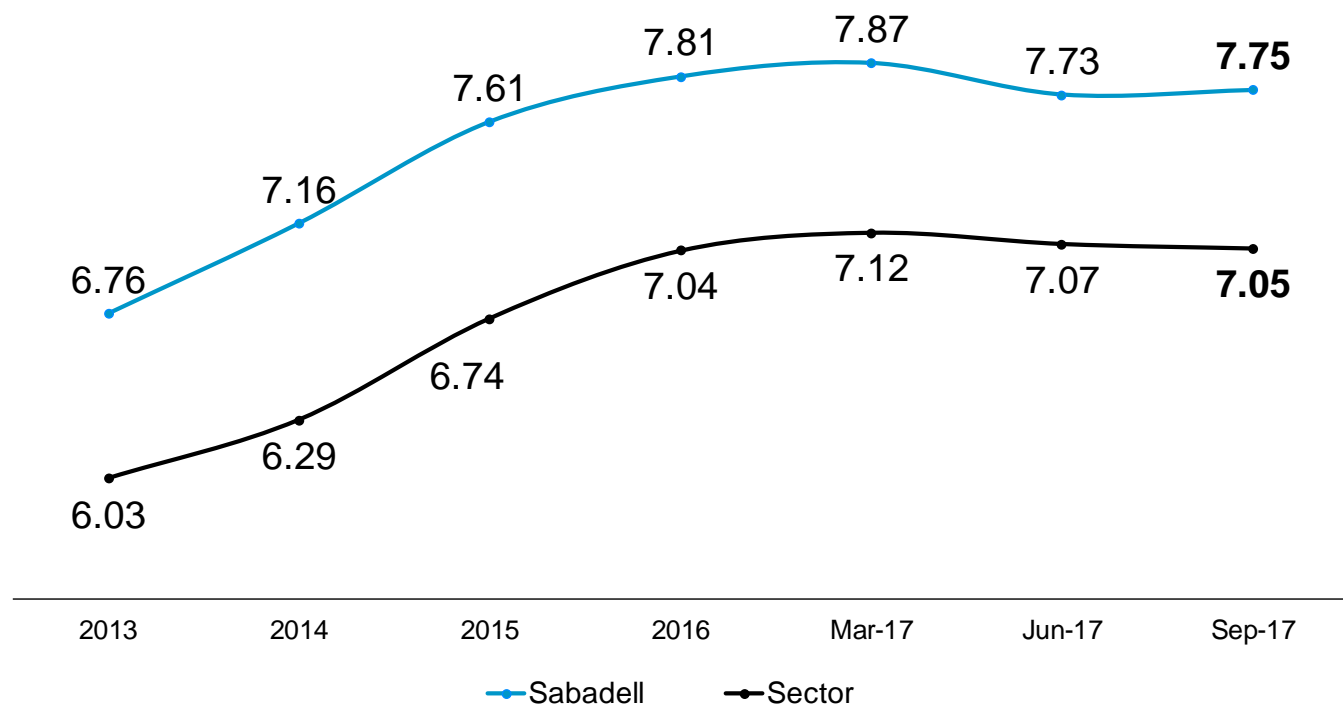
² Transactionality calculated per volume.

³ Insurance calculated per number of contracts.

... with high quality of service standards

Level of service quality ¹

Evolution of Sabadell quality index vs. sector



Net promoter score ²

Evolution of Sabadell quality index vs. sector

	2017	Ranking
Large companies (turnover >€5M)	35%	1 st
SMEs (turnover <€5M)	19%	1 st
Personal banking	28%	2 nd
Retail banking	3%	4 th

Sabadell continues to have a higher service quality score vs. the sector and it is top ranked by SMEs and large companies

¹ Source: STIGA, EQUOS (Objective Quality Analysis in Banking Networks, Q3 2017). Cumulative data.

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

Strongly committed to our digital and commercial transformation with digital customers up +10% YtD

4.3M

(+10% YtD)

Group digital customers

3.2M

(+15% YtD)

Group mobile customers

275k

(+22% YtD)

Active Management customers in Spain

19%

(+2pp YoY)

Digital sales in Spain

58%

(+8pp YoY)

Digital sales in UK

17k

(+87% YoY)

Digital sales of unsecured loans in Spain

33M

(+21% YoY)

Web and mobile monthly traffic in Spain

15%

Bizum registrations market share in Spain

269k

(+69% YtD)

Sabadell Wallet downloads in Spain

We continue to strengthen our leap in commercial and digital transformation

Objectives

Initiatives

Quarterly performance

Leap in commercial transformation

*“Increase the number of customers under the Active Management model...
... while expanding our digital capabilities ...
... and improving our value proposition”*

Distribution model

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

Simplification

Facilitates commercial and operational processes for our clients and simplifies their interaction with the bank

Digital offering

Develops new capabilities and promotes their use to provide our customers with the best user experience

Data driven processes

Provide value to our customers and enhances our business decision process

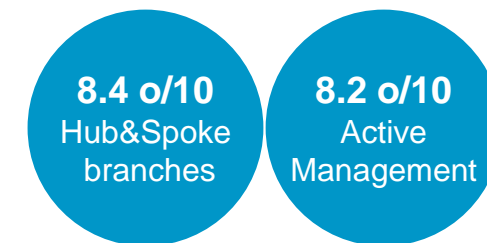
- We have increased our Active Management model capabilities: 74% of usual transactions in Q3
- Out-of-branch visits (3,500 relationship managers with tablet): c. 200,000 signed documents¹ YtD (x8.5 vs 2016)
- Deployment of a new commercial role: “Business relationship managers” which focus on micro business, stores and self-employed

- New functionality to increase credit card limit through overdrafts SMS alert
- New Google Chrome add-in for "Expansion Loan"
- Mailing reduction to 1 million of individuals and 0.4 million businesses
- New service to promote the use of the digital channel for the business segment

- New versions of SabadellOnline, Sabadell Mobile and Sabadell Wallet improving user experience. New functionality to allow our customers to:
 - Make instant payments (Bizum) through SIRI system
 - Improve Instant Money’s user experience
 - Improve usability and simplicity of SabadellOnline Companies

- Pull event-driven client impact: 26.4% (+7 pp YtD)
- Deployment of “Pull approach”: best products allocation to each customer

Q3 satisfaction index



¹ Refers to biometric signatures.

InnoCells is Sabadell’s hedging strategy to turn the shift in paradigm into an opportunity

Objectives

Strategy: Contributing to Sabadell’s digital agenda with an outside-in approach

Business building: Collaboration with startups & entrepreneurs-in-residence to **develop digital businesses**

Strategic investments: Strategic investments in digital and technological businesses through the corporate venture vehicle **InnoCapital**

Quarterly performance

InnoCapital, Sabadell’s Corporate Venture vehicle set up in Q3, **has completed its first investment in a fintech: Bud**

“Bud, your money platform”

Description

Plug and play B2B2C financial services platform aggregating products and data focused on engagement of retail customers

Date of investment

September 2017

Operating countries

UK - completed partnerships with top financial institutions



4

Solvency and asset quality

3Q17 highlights: Solvency and asset quality

- Sustained reduction in NPL ratio, standing at 5.4%
- Extraordinary capital gains from recent corporate transactions have allowed us to increase our NPA coverage ratio to 51.5% (excl. floors)¹ and accelerate our CoR² reduction
- Solid progress in our NPA reduction plan, with an improved composition of our foreclosed assets
- Real estate assets sold at a +2.6% premium on average this quarter. Overall, going forward we continue to expect no losses from sales
- We continue to have the best capital position in the sector. Our CET1 fully-loaded currently stands at 12.7%. Additionally, the HI Partners and Iberiabank stake sales will increase our CET1 fully-loaded by c.30bps in 4Q17. The Board has approved an interim dividend of €0.02/share

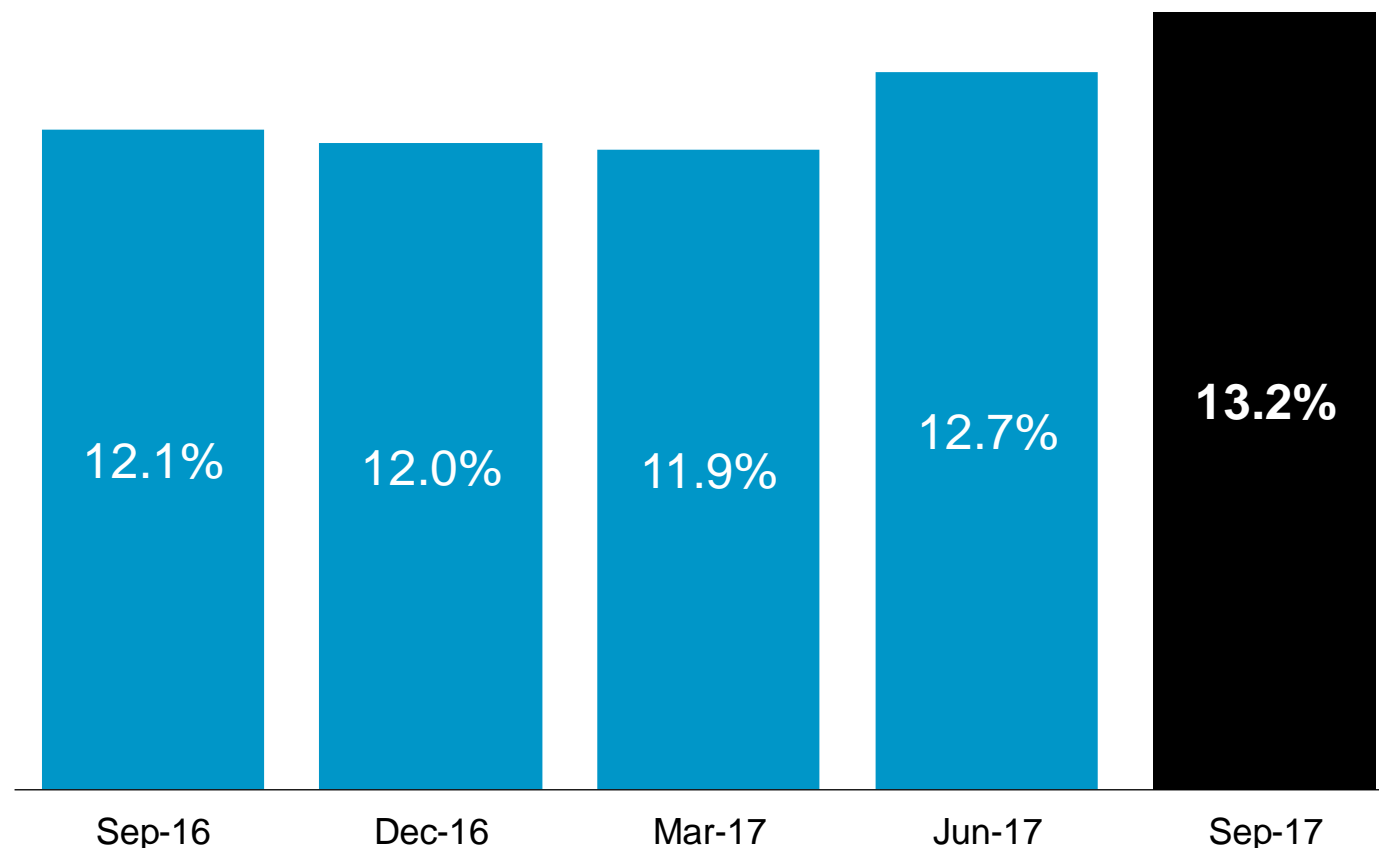
¹ Coverage ratio including provisions associated with mortgage floors is 52.8%.

² CoR (Cost of Risk) relates to both NPL and foreclosed provisions out of total lending and foreclosed assets.

Top capital position with CET1 phase-in at 13.2%

Common equity Tier 1 phase-in evolution

In percentage and basis points



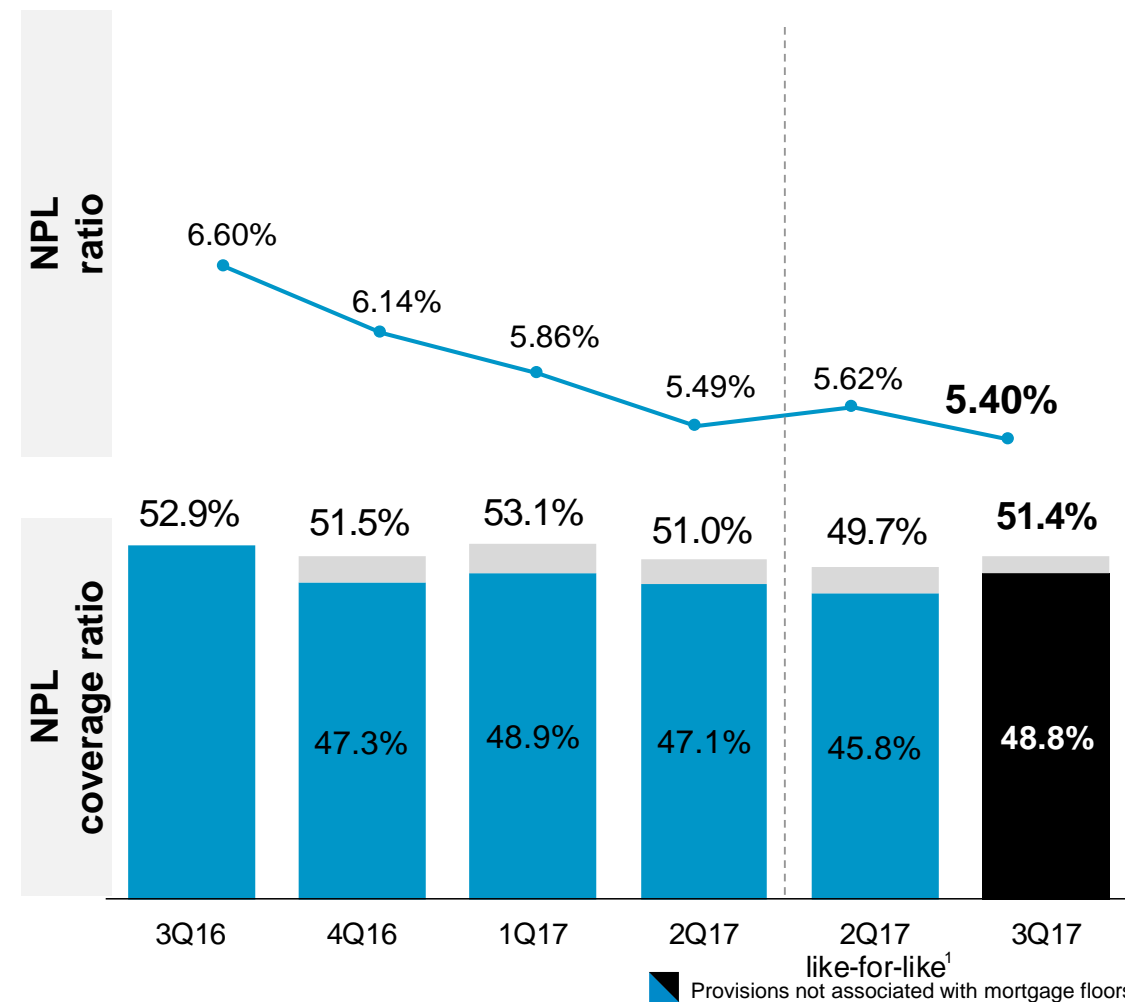
- **CET1 phase-in improved substantially in the quarter**, driven by RWAs savings from the sale of Sabadell United Bank, and also due to the extraordinary provisions in this quarter
- **The Board has approved an interim dividend of €0.02/share**

Common Equity Tier 1 fully-loaded of 12.7% (Sep-17). Additionally, the HI Partners and Iberiabank stake sales will increase our CET1 fully-loaded by c.30bps in 4Q17

NPL ratio continues to decline and stands at 5.40%

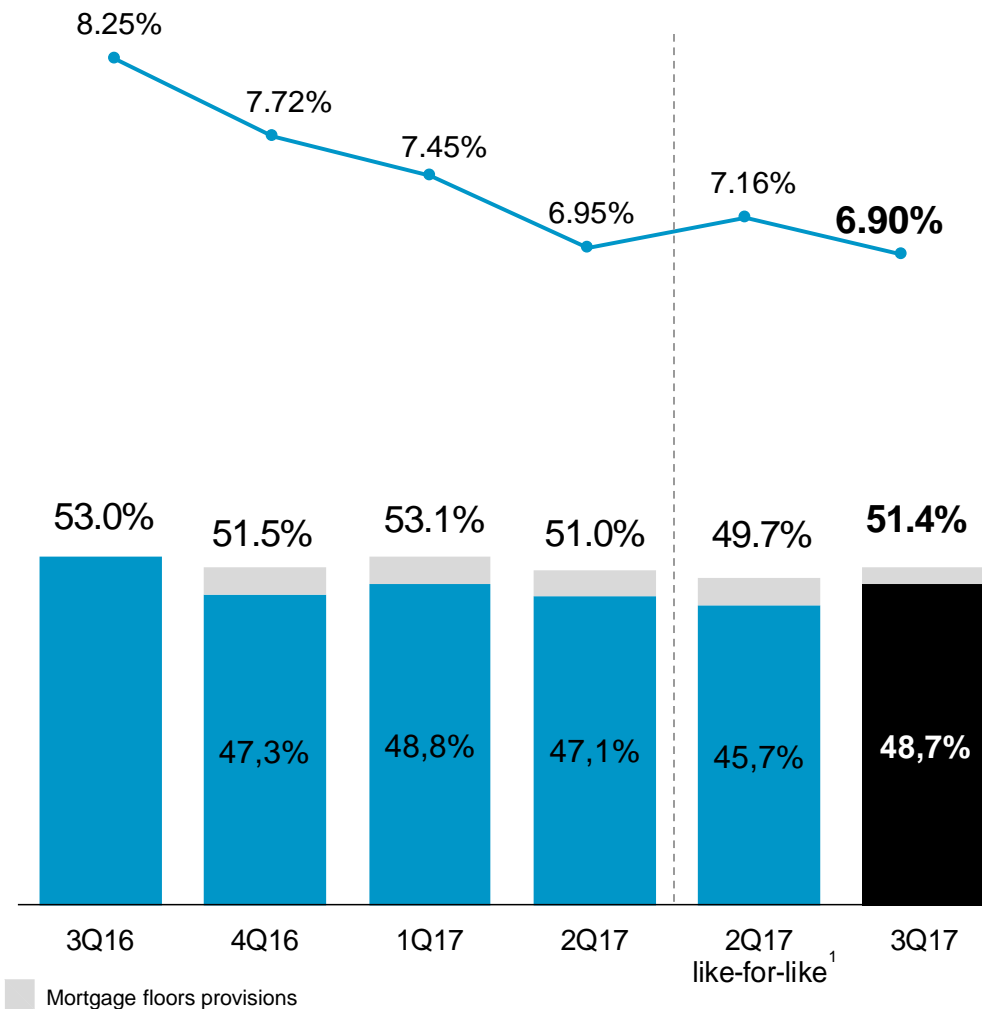
Sabadell group

In percentage



Sabadell, ex-TSB

In percentage

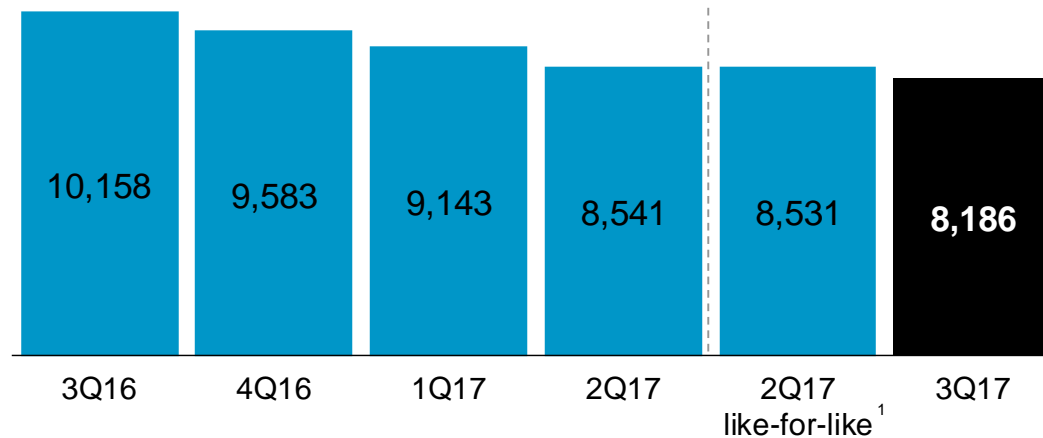


Note: Includes contingent risk. The Group and Sabadell ex-TSB's NPLs and provisions include 20% of the NPLs and associated provisions included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol. ¹ Excluding Sabadell United Bank data for comparison purposes.

Accumulated NPA reduction of c.€1.7bn in the year, which ^BSabadell is above our business plan target...

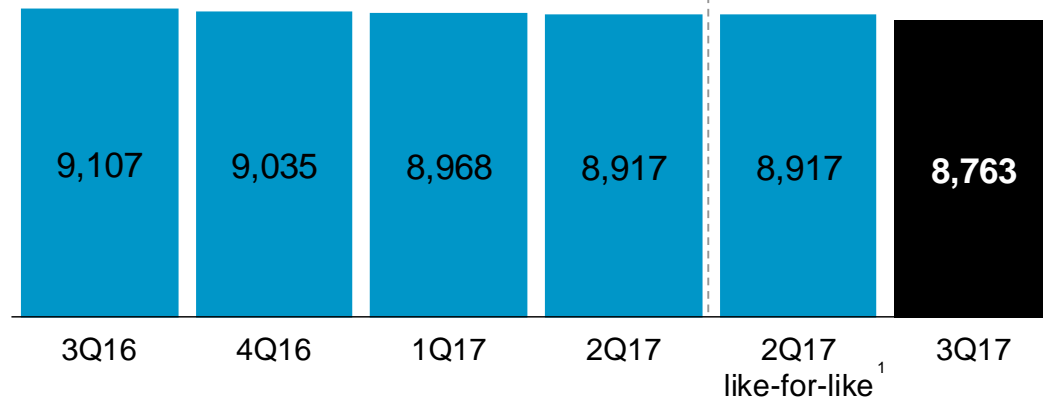
NPL evolution, ex-TSB

Euros in million



Foreclosed assets evolution, ex-TSB

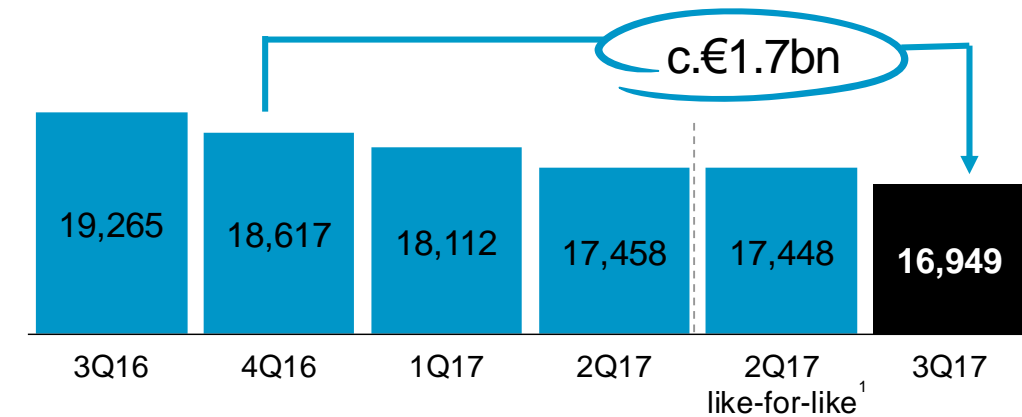
Euros in million



Total problematic assets, ex-TSB

Euros in million

- **€355M** further reduction of NPLs during 3Q17
- Foreclosed asset reduction of **€154M** during 3Q17
- NPAs decreased by **€509M** during 3Q17



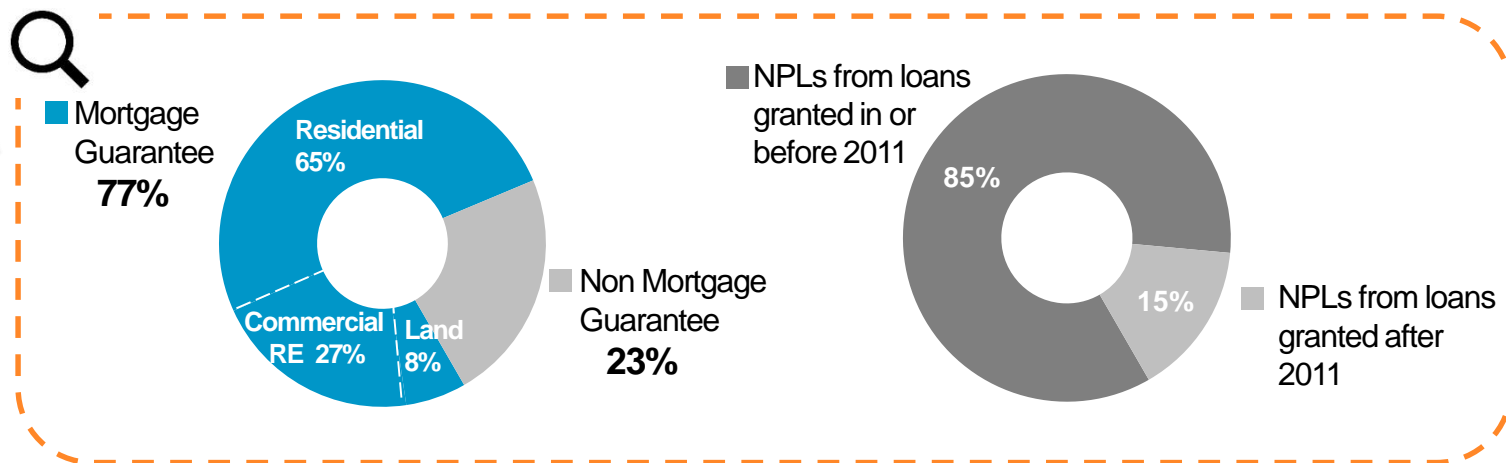
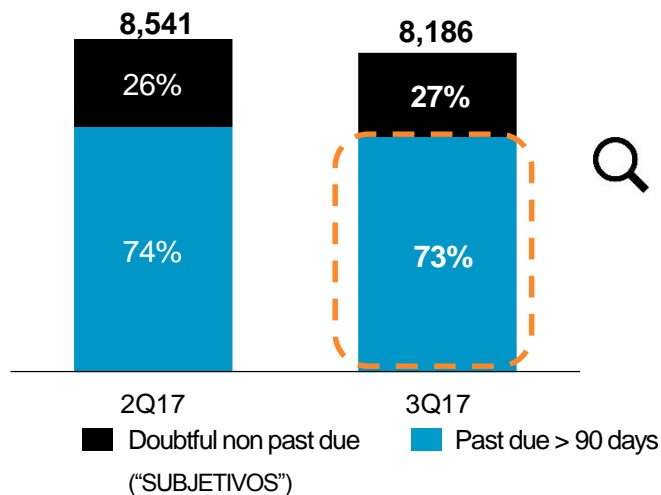
Note: Includes contingent risk. Sabadell ex-TSB's NPLs, foreclosed assets and NPAs include 20% of the problematic exposure included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol.

¹ Excluding Sabadell United Bank data for comparison purposes.

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

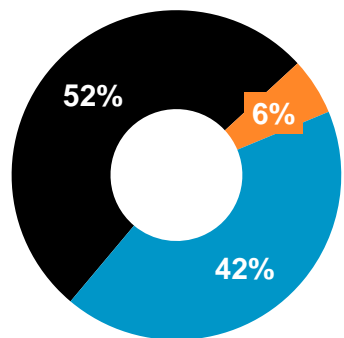
NPL evolution, ex-TSB

Euros in million. In percentage



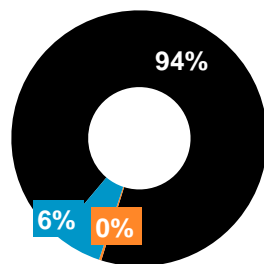
Foreclosed Assets, ex-TSB

2Q17



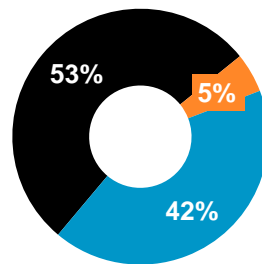
+ New Entries

3Q17



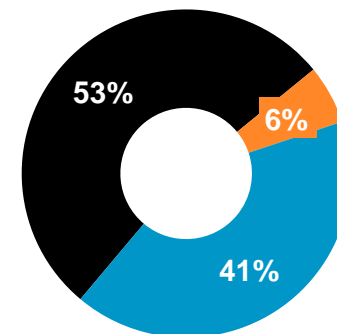
- Sales

3Q17



Foreclosed Assets, ex-TSB

3Q17



- Land sales represented 42% of our foreclosed sales in Q3
- 75% of our stock was foreclosed in the last 5 years

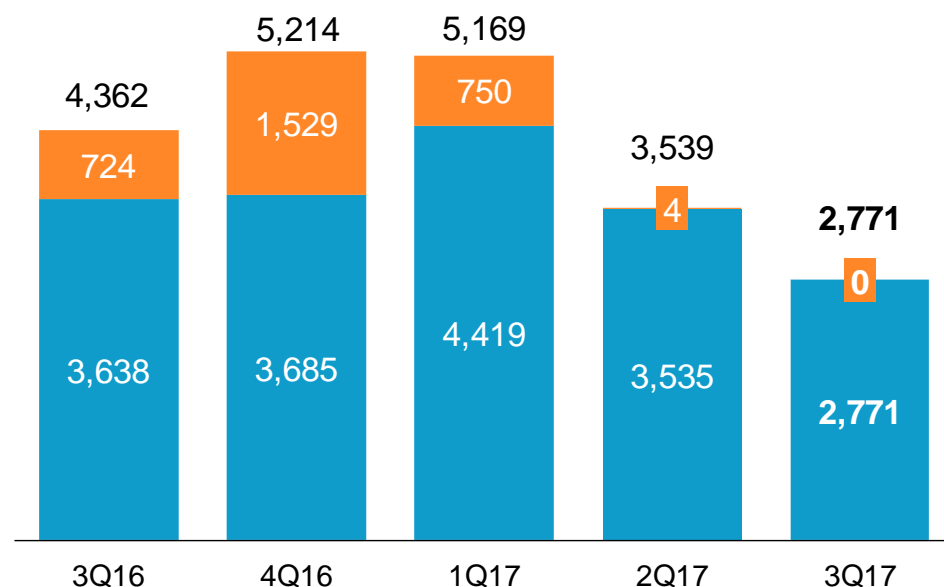
Legend: Land (blue), Under construction (orange), Finished properties¹ (black), Coverage (dashed blue), Coverage including write downs (dashed blue)

Note: NPL evolution includes Sabadell United Bank. Sabadell ex-TSB's NPLs, foreclosed assets and provisions include 20% of the NPLs, foreclosed assets and associated provisions included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol. ¹ Includes also other real estate assets derived from home loan mortgages for house purchases.

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

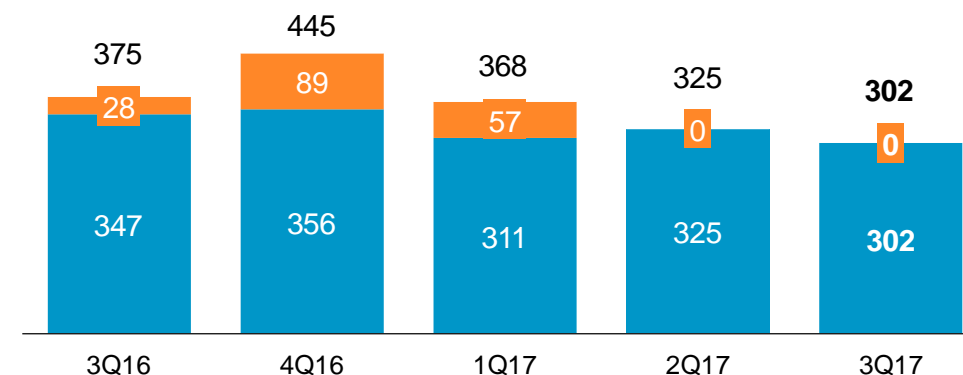
Number of foreclosed assets sold

In units



Foreclosed assets sold (Includes 20% APS exposure)

Euros in million



■ Institutional sales ■ Private individuals sales

During this quarter, Solvía has sold real estate assets at a 2.6% premium on average. Going forward, we continue to expect no losses from sales

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

Sabadell sells HI Partners, its hotel management platform, for €630.7M



Sale to **The Blackstone Group**¹ of shares representing **100% of HI Partners Holdco Value Added, S.A.U. capital stock**

- 100% scalable **hotel management platform** focused on the hospitality industry
- High quality hotel portfolio, including **14 owned upscale hotels in Spain**



Price of **€630.7M**, depending on the final amount of potential non-material adjustments



Transaction subject to **obtaining** the necessary **authorization** from the **Comisión Nacional de los Mercados y la Competencia**



Estimated **€55M net capital gain** in Sabadell's 4Q17 results



Estimated **impact on CET1 FL ratio of c.+ 22bps** as of December 2017

¹ Halley Holdco S.à r.l., entity controlled by funds advised by subsidiaries of The Blackstone Group L.P.

Extraordinary capital gains from recent transactions have allowed us to increase our NPA coverage ratio to 51.5%

Sabadell Group coverage ratios evolution

Euros in million

	3Q16	4Q16	1Q17	2Q17	2Q17 like-for-like ¹	3Q17
NPL evolution	10,328	9,746	9,307	8,703	8,693	8,345
Provisions	5,468	4,614	4,548	4,100	3,981	4,069
Coverage ratio (%)	52.9%	47.3%	48.9%	47.1%	45.8%	48.8%
Coverage ratio incl. mortgage floors (%)		51.5%	53.1%	51.0%	49.7%	51.4%

	3Q16	4Q16	1Q17	2Q17	2Q17 like-for-like ¹	3Q17
RE foreclosed assets evolution	9,107	9,035	8,968	8,917	8,917	8,763
Provisions	3,911	4,297	4,299	4,264	4,264	4,746
Coverage ratio (%)	42.9%	47.6%	47.9%	47.8%	47.8%	54.2%

	3Q16	4Q16	1Q17	2Q17	2Q17 like-for-like ¹	3Q17
Total problematic assets	19,435	18,781	18,275	17,619	17,610	17,108
Provisions	9,380	8,911	8,847	8,364	8,245	8,814
Coverage ratio (%)	48.3%	47.4%	48.4%	47.5%	46.8%	51.5%
Coverage ratio incl. mortgage floors (%)		49.6%	50.6%	49.4%	48.7%	52.8%

Foreclosed assets
coverage ratio
(incl. write-downs)

63.0%

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

¹ Excluding Sabadell United Bank data for comparison purposes.

5

TSB results

3Q17 highlights: TSB results

- Positive balance sheet trend continues, with Franchise customer lending¹ growing +2.2% QoQ and +15.5% YoY
- Solid Franchise NII¹ performance, increasing +3.2% QoQ and +10.5% YoY
- Customer deposits grew +4.5% YoY. 6.4%² of all customers switching banks or opening a new account in the past 12 months chose TSB – in line with our long-term target
- Customers continue to recommend TSB, with NPS³ at +24 for the nine month period
- TSB customers are the first in Europe to use iris scanning security features to access their accounts with TSB’s mobile banking app
- TSB is set to become the first major bank in the UK to have designed and built a new state-of-the-art banking platform

¹ Including the Whistletree portfolio.

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

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

TSB income statement

	2Q17	3Q17	%QoQ	9M16	9M17	%YoY
GBP in million						
Franchise and Whistletree ¹	225.0	232.1	3.2%	610.0	674.2	10.5%
Mortgage enhancement ²	5.5	0.0	--	41.3	15.6	-62.2%
Net interest income	230.5	232.1	0.7%	651.3	689.8	5.9%
Franchise and Whistletree ¹	29.4	26.6	-9.5%	83.0	80.8	-2.7%
Mortgage enhancement ²	46.7	0.0	--	-5.3	46.1	--
Other operating income	76.1	26.6	-65.0%	77.7	126.9	63.3%
Total income	306.6	258.7	-15.6%	729.0	816.7	12.0%
Total operating expenses (excl. one-offs)	-206.1	-203.5	-1.3%	-518.0	-612.4	18.2%
Franchise and Whistletree ¹	-17.5	-18.9	8.0%	-61.8	-57.0	-7.8%
Mortgage enhancement ²	0.0	0.0	--	0.1	0.0	--
Impairment on loans & advances	-17.5	-18.9	8.0%	-61.7	-57.0	-7.6%
Management profit (excl. one-offs)	83.0	36.3	-56.3%	149.3	147.3	-1.3%
One-offs and others	-6.5	-10.4	60.0%	12.3	-13.1	--
Tax income	-20.4	-7.1	-65.2%	-47.8	-36.5	-23.6%
Statutory profit after tax	56.1	18.8	-66.5%	113.8	97.7	-14.1%
	2Q17	3Q17	QoQ	9M16	9M17	YoY
TSB NIM ³	2.99%	3.01%	0.02 pp	3.14%	3.02%	-0.12 pp

- **Franchise and Whistletree NII was up +3.2% in the quarter and +10.5% in the year**
- **Operating expenses fell -1.3% in the quarter** driven by lower personnel and marketing expenses. As expected, operating costs increased 18.2% year-on-year driven primarily by the c.£90 million increase in outsourcing fees paid to Lloyds Banking Group in the first nine months of 2017
- **Management profit (excluding one-offs and the Mortgage enhancement) increased c.17.9% QoQ like-for-like**, driven by the strong evolution of the core business

¹ Franchise comprises the retail banking business carried out in the UK, which offers a broad range of retail financial services. Whistletree Loans (£2.2 billion as at 30 September 2017) is a portfolio of former Northern Rock mortgages and unsecured loans for which beneficial interest was acquired from Cerberus Capital Management group with effect from 7 December 2015.

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

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

TSB balance sheet

GBP in million	Sep-16	Jun-17	Sep-17	% QoQ	% YoY
Franchise and Whistletree customer lending ¹	26,686	30,175	30,829	2.2%	15.5%
Mortgage enhancement ²	1,944	0	0	--	--
Total customer lending (net)	28,630	30,175	30,829	2.2%	7.7%
Savings deposits	19,096	19,286	19,247	-0.2%	0.8%
Current account deposits	8,830	9,552	9,867	3.3%	11.7%
Business banking deposits	1,030	1,105	1,150	4.1%	11.7%
Total customer deposits	28,956	29,943	30,264	1.1%	4.5%

	Sep-16	Jun-17	Sep-17	QoQ	YoY
Common Equity Tier 1 Capital ratio	17.0%	19.3%	18.9%	-0.4 pp	1.9 pp

- **Positive balance sheet trend continues**, with strong growth in **Franchise and Whistletree customer lending**, which grew to £30.8bn, a growth rate of **+2.2% and +15.5% QoQ and YoY, respectively**. Franchise customer lending (excluding Whistletree) grew 18.8% YoY
- TSB advanced **£5.8 billion in new mortgage loans** in the first nine months of 2017, up **17.5%** on the same period last year
- **Customer deposits grew to £30.3bn, +1.1% QoQ and +4.5% YoY**, driven primarily by strong current account growth
- **The lending book remains of good quality**. Mortgage lending has an average LTV of 44.3%
- TSB **liquidity is robust**, while the capital position remains one of the strongest of UK banks with a **CET1 ratio of 18.9%**

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

¹ Franchise comprises the retail banking business carried out in the UK, which offers a broad range of retail financial services. Whistletree Loans (£2.2 billion as at 30 September 2017) is a portfolio of former Northern Rock mortgages and unsecured loans for which beneficial interest was acquired from Cerberus Capital Management group with effect from 7 December 2015.

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TSB prepares to unveil new state-of-the-art banking platform

Quarterly migration update

Mobile App



- Over 550k clients have already downloaded TSB's new mobile app
- Updated versions based on customer feedback
- Pay a credit card functionality added
- Account list view added – making it easier to view all your accounts
- 'Running balances' will be easier to view
- TSB is the first bank in Europe to introduce iris scanning technology in partnership with Samsung

Proteo4UK delivery



- Proteo4UK platform built
- CHAPS, FPS and BACS payments schemes tested and payments completed successfully
- ATMs migration in progress
- Employee training of the new system is almost complete
- The new platform will be rolled out to TSB partners from November – including current accounts, debit cards, credit cards and savings accounts
- New mortgage broker platform, TSB Mortgage Pro, will go live at the end of this year providing a better and faster service to our brokers and customers
- TSB branches to operate on "thin-client" technology
- New digital workplace – implementation of a more collaborative and digital workplace with Microsoft Office 365
- **New state-of-the-art banking platform will be unveiled at a showcase event in Q4 2017**

Data migration



- **TSB is re-planning the final phase of the roll-out of the platform to customers in Q1 2018**
- This means TSB will be able to focus on helping customers understand the implications of the widely anticipated Bank of England base rate rise in November



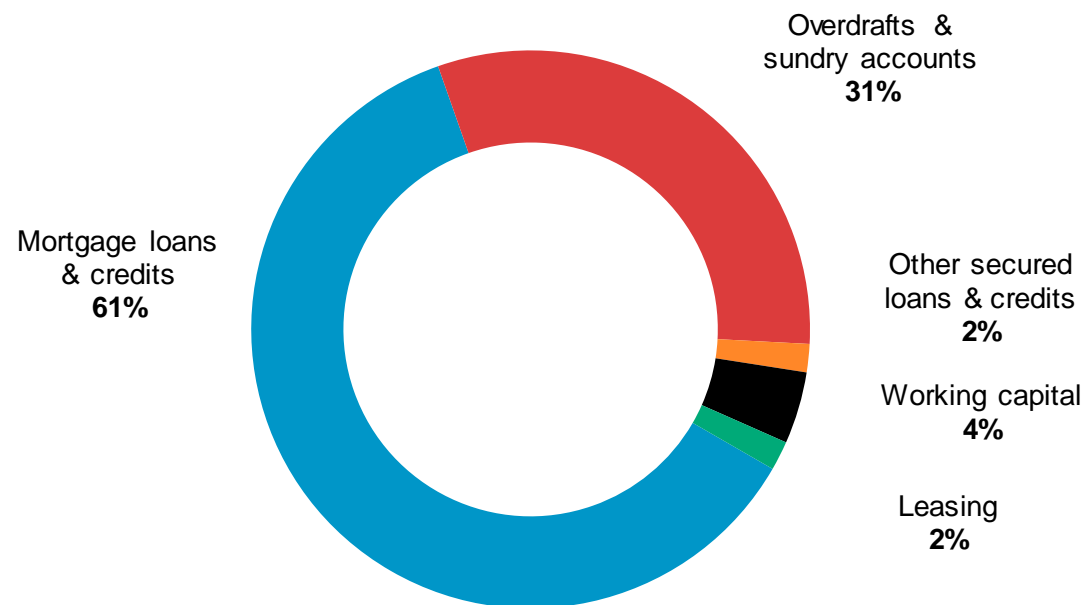
Estar donde estás.
Ser on siguis.
There, wherever you are.

Annex

Performing loans by product type

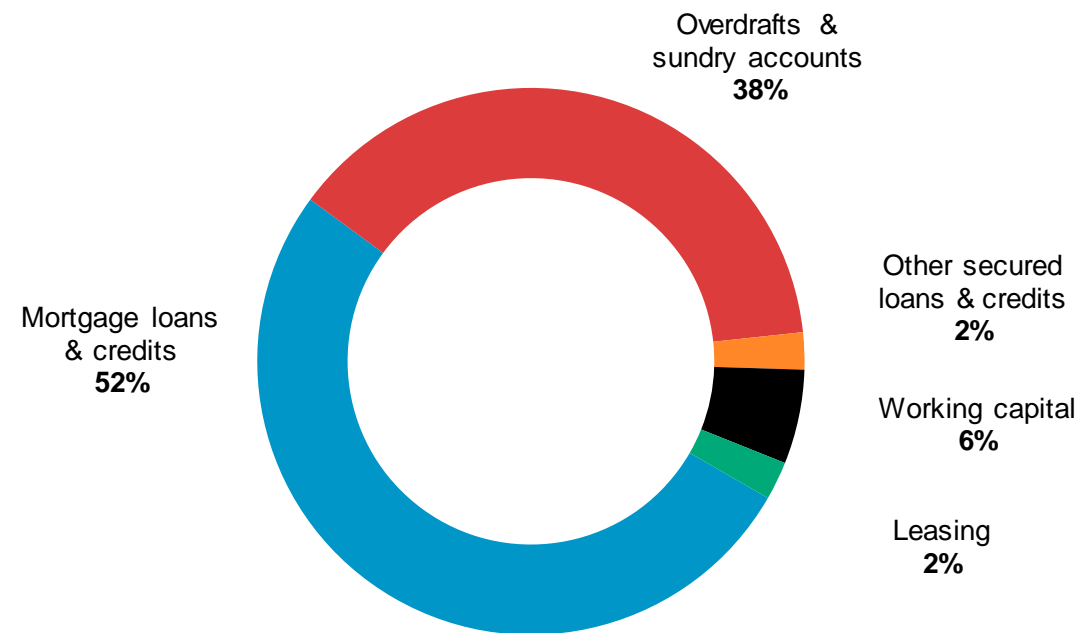
Sabadell group

In percentage



Sabadell, ex-TSB

In percentage

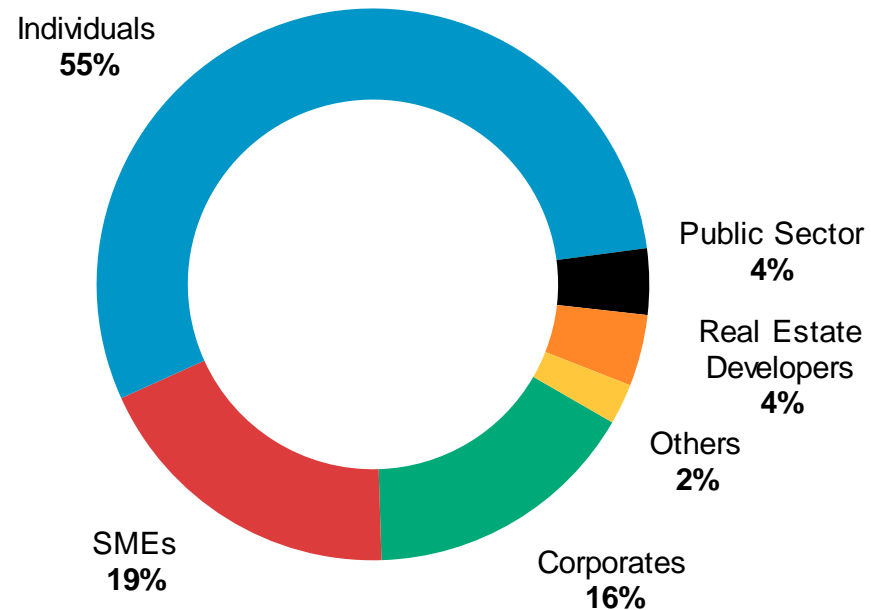


Note: Data as of September 2017.

Business mix by customer type

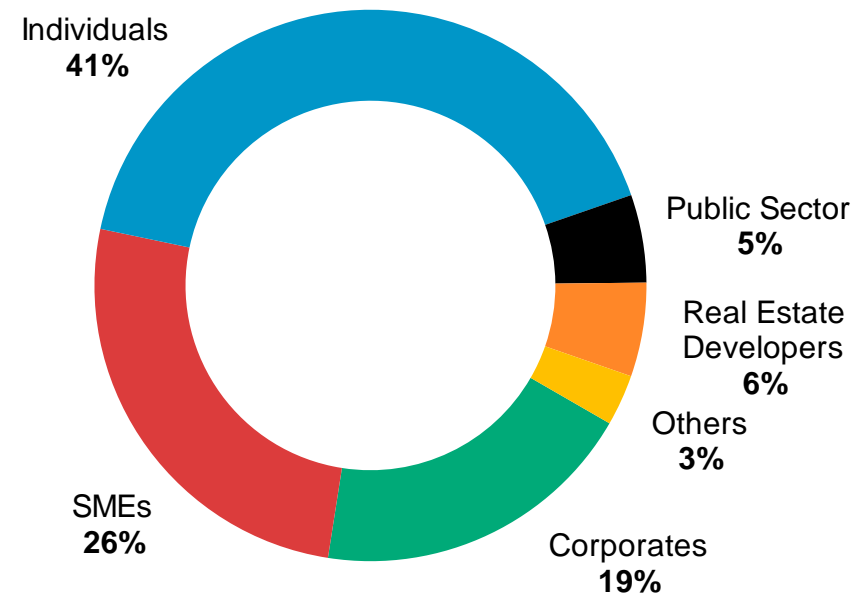
Sabadell group

In percentage



Sabadell, ex-TSB

In percentage

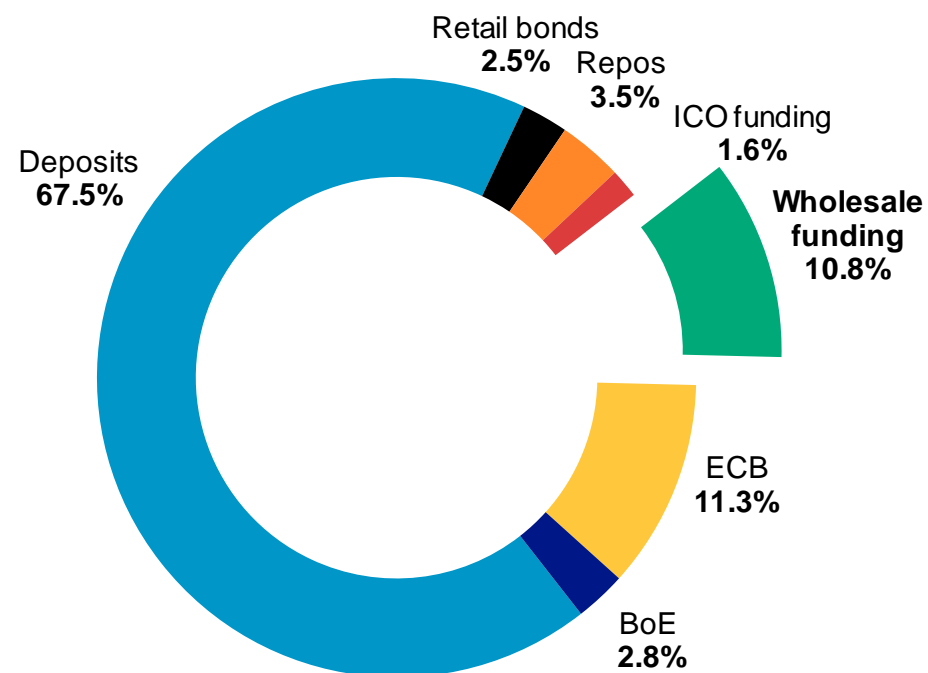


Note: Data as of September 2017.

Funding structure, Sabadell group

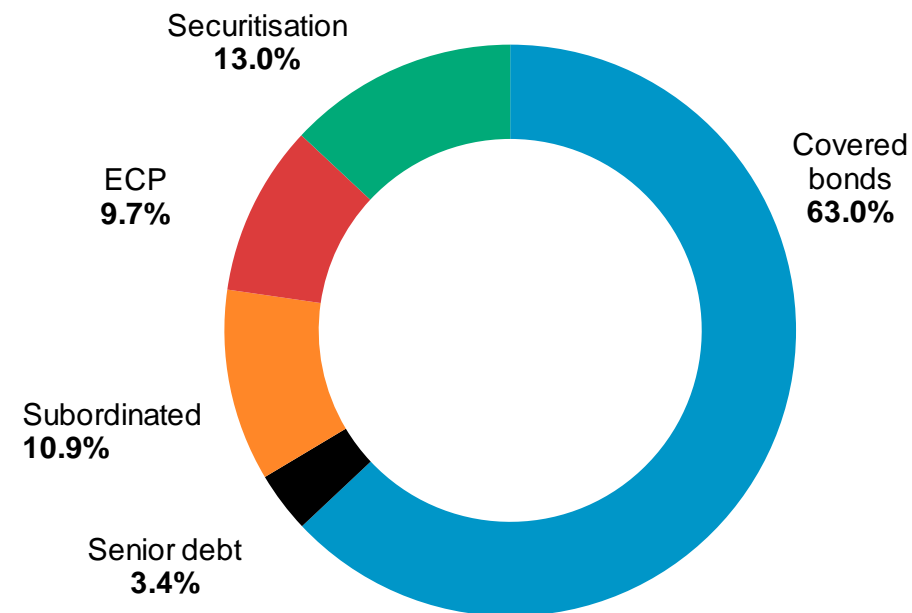
Funding structure

In percentage



Wholesale funding breakdown

In percentage



Note: Data as of September 2017.

Wholesale funding maturities and cost

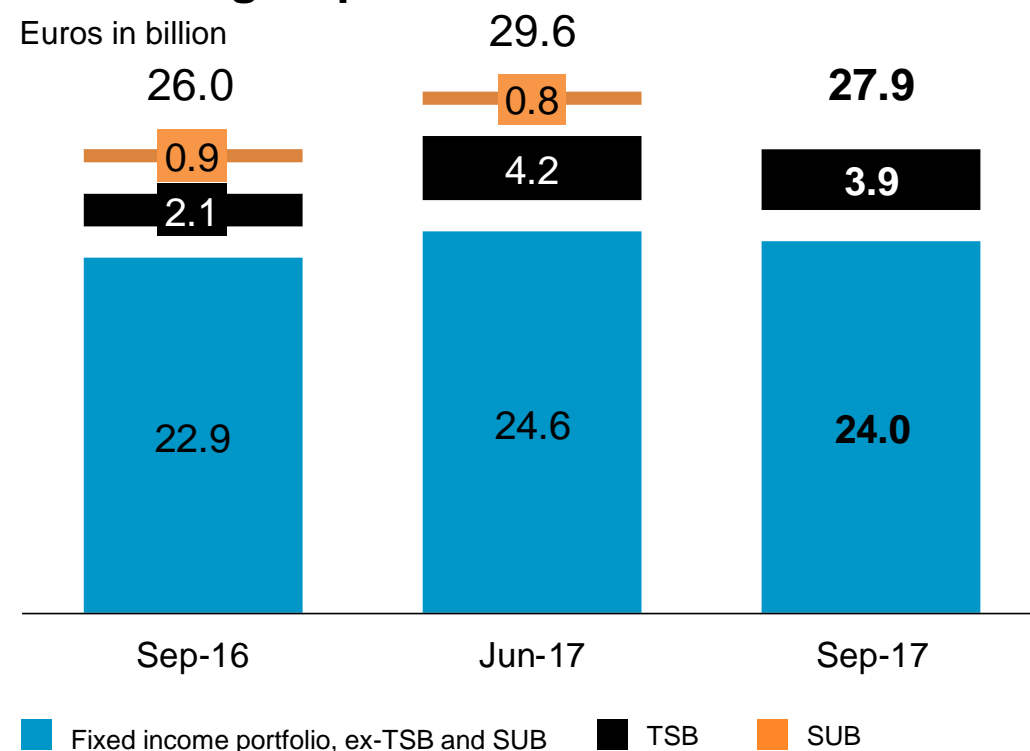
Maturity by product type, Sabadell group

Euros in million

	4Q17	2018	2019	2020	2021	2022	2023	>2023	Outstanding amount
Covered Bonds (CH)	85	1,559	1,124	2,015	1,858	1,119	1,388	3,661	12,809
Senior Debt	0	657	0	0	0	25	0	0	682
Subordinated Debt and AT1	0	0	0	425	477	0	0	1,283	2,185
Other mid- and long-term financial instruments	0	18	0	0	10	0	0	5	33
Total	85	2,233	1,124	2,440	2,345	1,144	1,388	4,950	15,709

Fixed income portfolio

Fixed income portfolio evolution, Sabadell group



Fixed income portfolio, Sabadell group

Euros in billion. In percentage

	Sep-16	Jun-17	Sep-17
Fixed income portfolio	25.1	28.8	27.9
% of total assets	12.6%	13.5%	13.2%
of which:			
Available for sale fixed income portfolio	21.6	18.5	15.7
Available for sale duration (yrs)¹	2.9	1.8	1.7

Note: Excluding Sabadell United Bank data.

¹ Duration includes the impact of interest rate swaps.

Fixed income portfolio composition

Fixed income portfolio composition evolution, Sabadell group

Euros in billion

	Sep-16	Jun-17	Sep-17
Spanish Government Debt	10.78	9.09	8.48
Italian Government Debt	6.10	10.46	10.32
UK Government Debt	1.93	3.78	3.47
Other Government Debt	3.44	2.57	2.77
of which:			
US Government	1.28	0.18	0.17
Portuguese Government	0.98	1.14	1.14
Mexican Government	0.72	0.69	0.67
Agencies	1.34	1.21	1.03
Covered Bonds	0.34	0.29	0.28
Corporates & Financials	1.17	1.36	1.56
Total	25.11	28.78	27.91
of which:			
Held to maturity	0.03	9.34	11.30
Available for sale	21.57	18.53	15.72

Evolution of NPLs and foreclosed assets

Evolution of NPLs and foreclosed assets, ex-TSB

Euros in million

	3Q16	4Q16	1Q17	2Q17	3Q17
Gross entries (NPL)	547	700 ¹	636	526	513
Recoveries	-880	-1,174	-897	-1,067	-706
Scope exclusions	0	0	0	0	-10
Net NPL entries	-333	-474	-261	-541	-203
Gross entries (foreclosed assets)	248	384	312	304	148
Sales ²	-406	-457	-379	-355	-302
Change in foreclosed assets	-158	-73	-67	-51	-154
Net NPL entries + Change in foreclosed assets	-490	-547	-328	-592	-357
Write-offs	-144	-101	-178	-61	-152
Foreclosed assets and NPLs quarterly change	-634	-648	-506	-653	-509

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

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

² Includes other outcomes.

Forbearance exposure

Forborne and restructured loans

Euros in million

	Total	Of which: doubtful
Public authorities	16	3
Corporate and entrepreneurs	4,708	2,768
Of which: Financing for construction and real estate development	1,079	857
Individual borrowers	2,774	1,572
Total	7,497	4,343
Provisions	1,388	1,316

NPL ratio breakdown

NPL ratios by segment, ex-TSB

In percentage

	3Q16	4Q16	1Q17	2Q17	2Q17 like-for-like ¹	3Q17
Real Estate development and/or construction purposes	31.99%	29.05%	28.04%	25.80%	25.80%	23.82%
Construction purposes non-related to real estate dev.	11.62%	9.68%	5.88%	6.57%	6.57%	6.44%
Large corporates	3.84%	3.82%	3.16%	3.01%	3.01%	3.03%
SME and small retailers and self-employed	8.71%	8.47%	8.41%	8.31%	8.76%	8.21%
Individuals with 1 st mortgage guarantee assets	7.43%	7.25%	7.24%	7.20%	7.42%	7.51%
NPL ratio, Sabadell ex-TSB	8.25%	7.72%	7.45%	6.95%	7.16%	6.90%

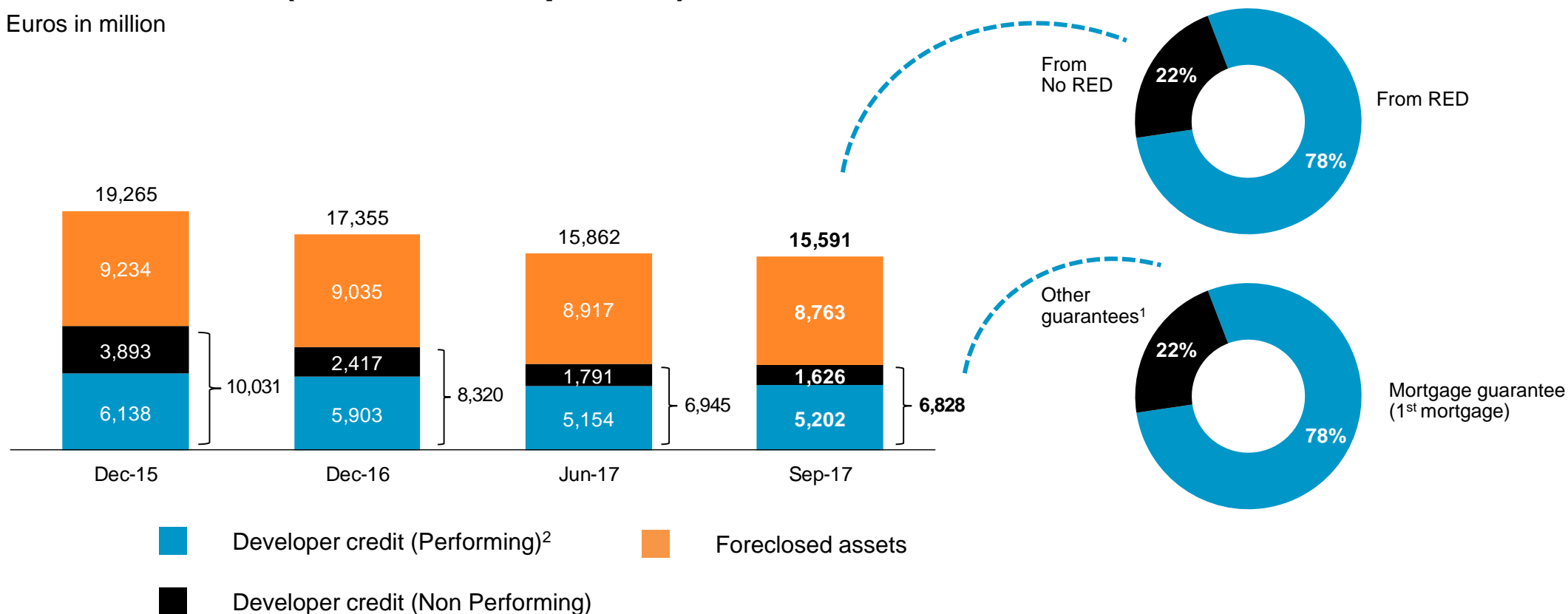
Note: Includes contingent risk. Sabadell ex-TSB's NPLs include 20% of the NPLs included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol.

¹ Excluding Sabadell United Bank data for comparison purposes.

Sabadell real estate exposure

Balance sheet (real estate exposure), ex-TSB

Euros in million



Note: Data as of September 2017. Contingent exposures included.

Sabadell ex-TSB's Developer NPLs include 20% of the Developer NPLs included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol.


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

² Includes loans classified as watchlist. Of which €1,735M is APS developer non-performing credit which risk has been transferred to the DGF and €278M is APS developer performing exposure which credit risk has been transferred to the DGF.

Real Estate exposure

Real estate portfolio break-down, ex-TSB

Euros in million (gross value)

Foreclosed assets	8,763
Finished property ¹	53%
Under construction	6%
Land	41%
Developer loans	6,828 
Finished property	57%
Under construction	4%
Land	18%
Others ²	21%
Total RE related exposure	15,591

Developer loans break-down, ex-TSB

Euros in million (gross value)

	Sep-17	% of total
Developer loans	6,828	44%
Performing	4,716 ³	69%
Watchlist	486	7%
Non performing	1,626	24%

Note: Data as of September 2017. Contingent exposures included.

Sabadell ex-TSB's developer NPLs and foreclosed assets include 20% of the developer NPLs and foreclosed assets included in the APS, which risk is assumed by Sabadell in accordance with the APS protocol.

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

² Other guarantees.

³ Of which €1,735M is APS developer non-performing credit which risk has been transferred to the DGF and €278M is APS developer performing exposure which credit risk has been transferred to the DGF.

Foreclosed assets exposure and coverage

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

Euros in million. In percentage

	Gross problematic exposure	Associated provisions	Coverage ratio
Finished buildings	2,694	1,190	44.2%
Housing	1,342	608	45.3%
Rest	1,352	582	43.1%
Under construction	506	234	46.2%
Housing	444	198	44.6%
Rest	62	36	58.1%
Land	3,639	2,478	68.1%
Building land	1,299	827	63.6%
Other land	2,340	1,651	70.6%
Others¹	1,924	844	43.9%
Total foreclosed assets	8,763	4,746	54.2%

Note: Data as of September 2017.

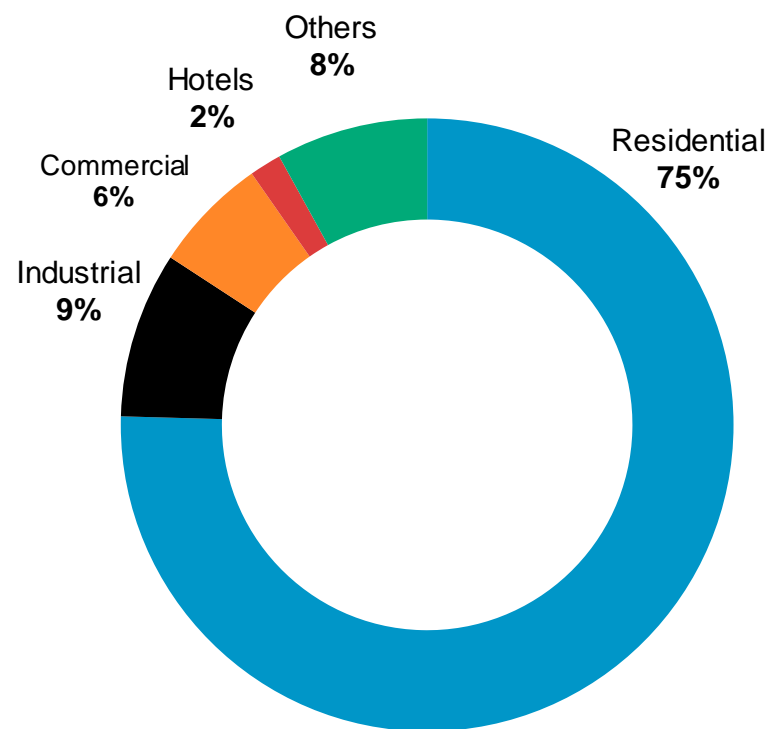
Sabadell ex-TSB's foreclosed assets include 20% of the foreclosed assets included in the APS, which risk is assumed by Sabadell according to the APS protocol. Accordingly, Sabadell ex-TSB's provisions include all provisions associated to 20% of the foreclosed assets included in the APS.

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

REOs/Foreclosed assets segmentation

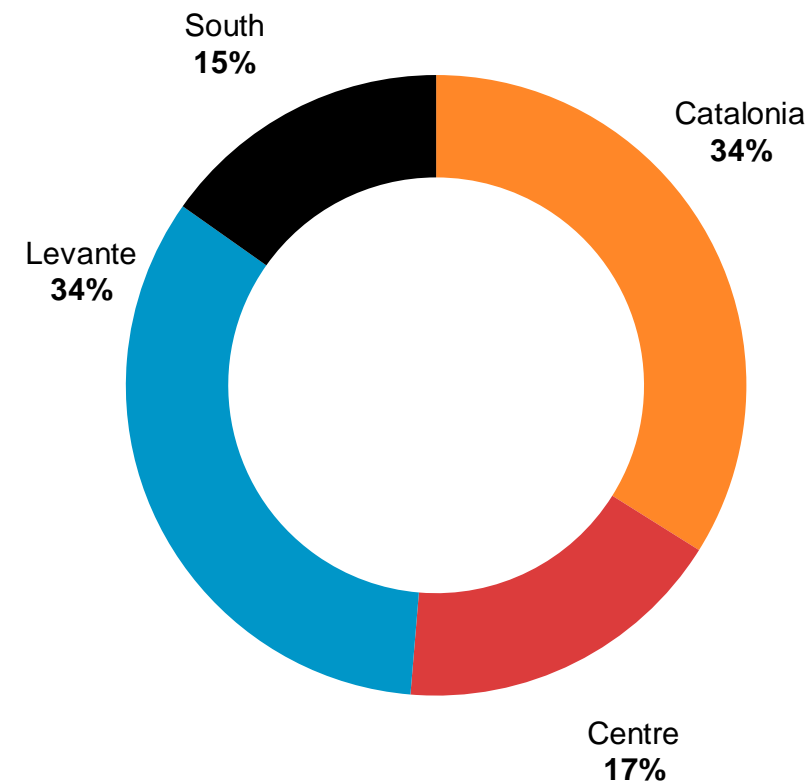
Foreclosed assets by use, ex-TSB

In percentage



Foreclosed assets by location, ex-TSB

In percentage

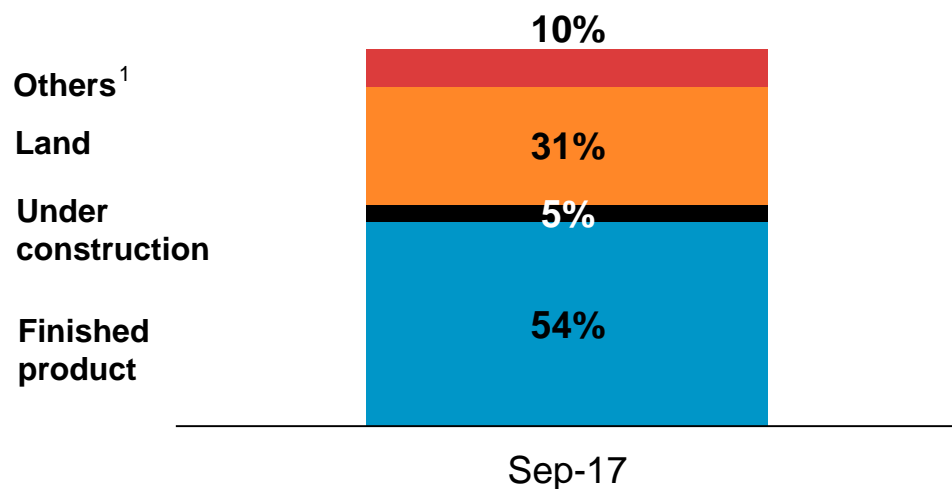


Note: Data as of September 2017. Includes 100% APS.

Real Estate portfolio breakdown by asset class and region

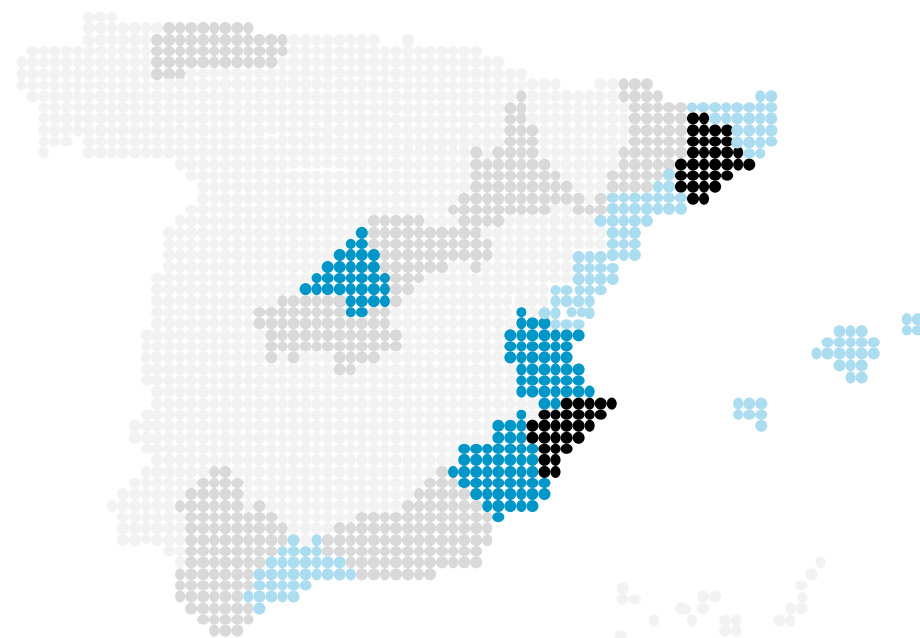
Portfolio breakdown by asset class, ex-TSB

In percentage

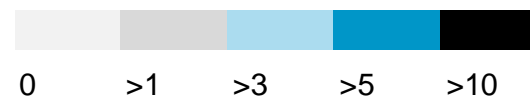


Portfolio breakdown by region

>80% of finished properties in coastal areas and Madrid



% of stock per region



Note: Data as of September 2017.

¹ Other guarantees.

APS main figures

APS breakdown and evolution

Euros in million

Concept	Jun-12 ^{1,2}	Sep-17 ²	Var. (%)
Gross loans and advances	19,117	5,762	-69.9%
of which at-risk	18,460	5,753	-68.8%
of which contingent guarantees and liabilities	657	9	-98.7%
Real estate assets	4,663	4,479	-3.9%
Equity stakes	504	48	-90.5%
Write offs	360	1,651	358.6%
Total	24,644	11,940	-51.5%

The APS book has decreased by 52% (€12.7bn) in 5 years

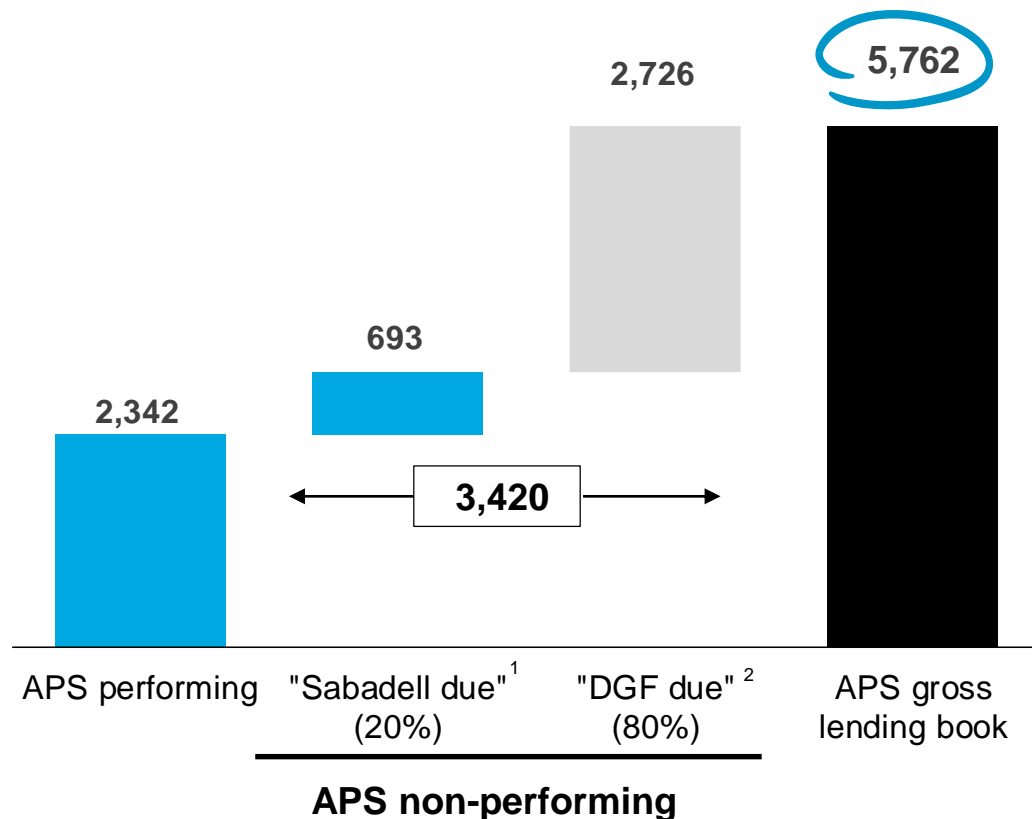
¹ The APS came into effect on June 1, 2012 with retroactive effects from July 31, 2011.

² Gross of original existing provisions.

APS gross loan and developers exposure

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

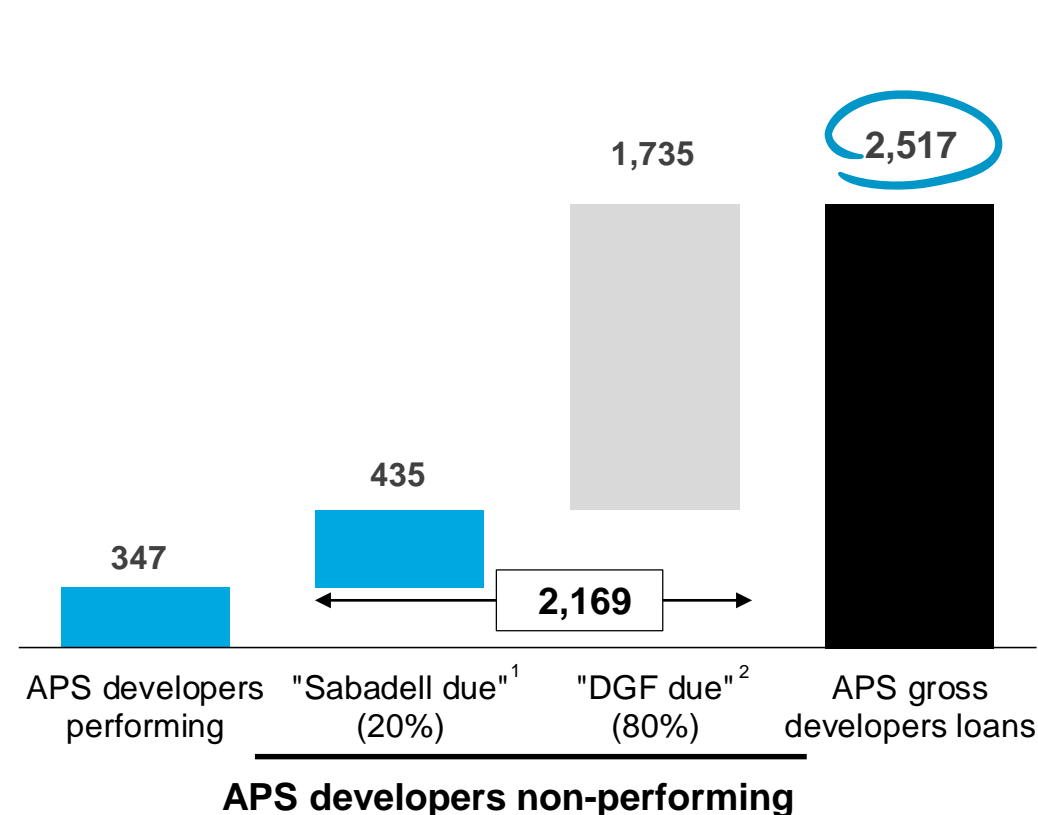
Euros in million



The total APS NPL ratio is 59.3%

APS developers loans (as of Sep-17)

Euros in million



The developers APS NPL ratio is 86.2%

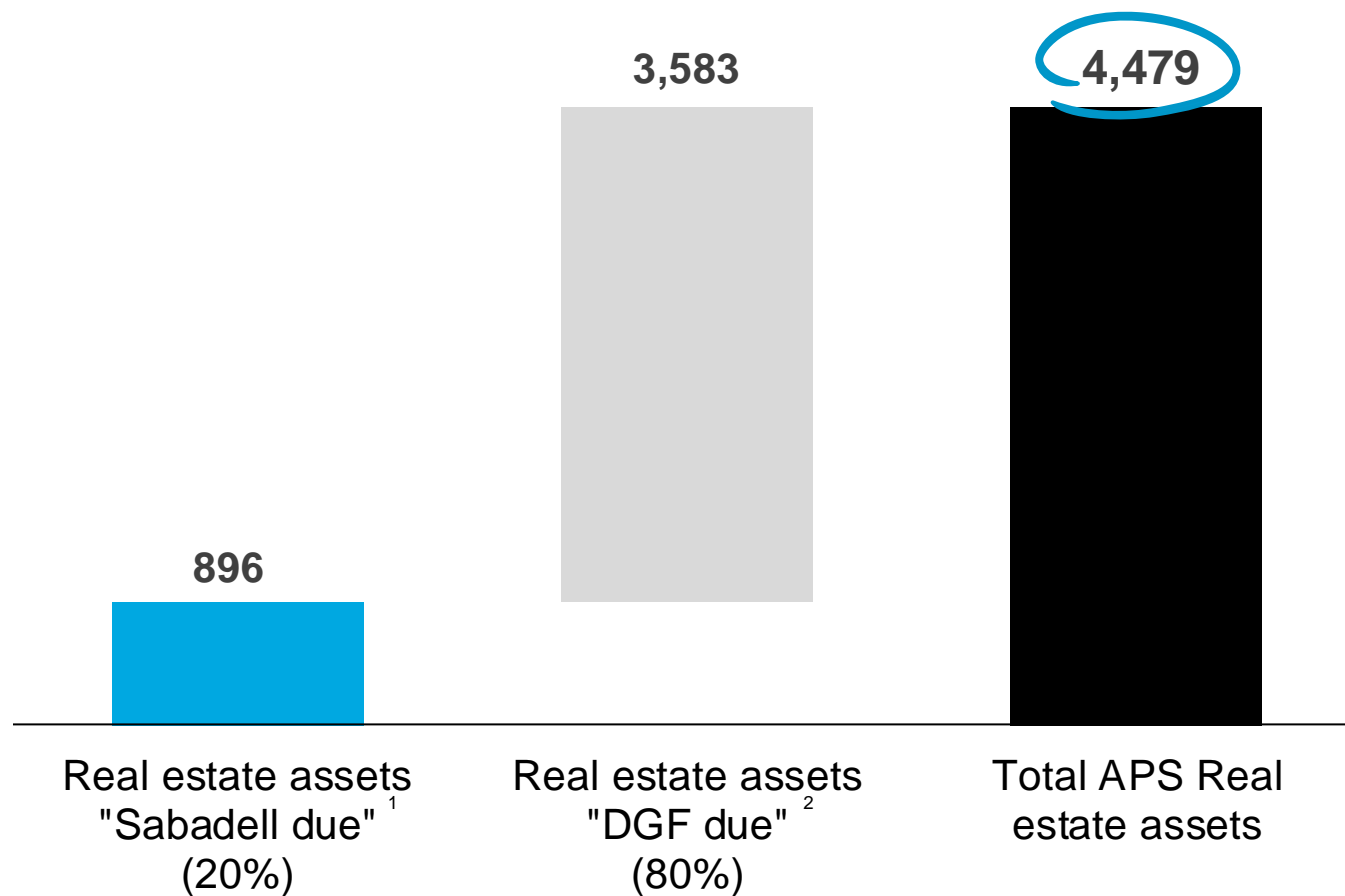
¹ 20% of total APS non-performing credit risk is assumed by Sabadell as per the APS protocol.

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

APS real estate asset book

APS real estate (as of Sep-17)

Euros in million



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

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

APS provisions overview

APS provisions and exposure (as of Sep-17)

Euros in million

	APS Exposure	APS Provisions	APS Coverage
Total APS problematic exposure			
Non-performing credit	3,420	1,792	52.4%
of which "DGF due" ¹	2,726	1,427	
Real estate assets	4,479	2,644	59.0%
of which "DGF due" ¹	3,583	2,115	
Total APS problematic credit and assets	7,898	4,435	56.2%
Total APS developers loans			
Non-performing developers credit	2,169	1,282	59.1%
of which "DGF due" ¹	1,735	1,025	
Total APS problematic developers credit and assets	6,648	3,926	59.0%

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

TSB customer lending - additional information

Total Customer Lending - Mortgages and Unsecured & Business Banking

GBP in million	Sep-16	Jun-17	Sep-17
Mortgages	26,351	27,752	28,354
Unsecured & Business Banking	2,279	2,423	2,475
Total Lending balances (net)	28,630	30,175	30,829

Mortgages - Residential vs. Buy to let (BTL)

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

Mortgages loan to value (LTV)¹

In percentage	Sep-16	Jun-17	Sep-17
LTV Mortgage Flow	62.2%	62.7%	59.5%
LTV Mortgage Stock	41.4%	44.6% ²	44.3%

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

In percentage (annualised for each quarter)	Sep-16	Jun-17	Sep-17
Mortgages	0.05%	-0.06%	0.01%
Unsecured & Business Banking	2.97%	3.51%	2.77%
Total TSB AQR	0.30%	0.23%	0.24%

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

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

² From Jun-17 the LTV of Mortgage Stock excludes the Mortgage Enhancement portfolio, which had a LTV of approximately 32% as at Mar-17. This accounts for approximately 1pp of the LTV Mortgage Stock increase for the quarter to Jun-17.

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

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

Euros in million	Sabadell United Bank & Mediterráneo Vida	Mortgage Enhancement
Net interest income	121.2	18.4
Equity method & dividends	0.6	
Commissions	4.9	-1.3
Trading income & forex	2.1	53.9
Other operating results	-25.5	
Gross operating income	103.2	70.9
Personnel costs	-28.0	
Administrative costs	-14.2	
Depreciation & amortisation	-3.4	
Pre-provisions income	57.7	70.9
Total provisions & impairments	-5.3	
Gains on sale of assets	-0.1	
Profit before taxes	52.3	70.9
Taxes	-19.6	-19.1
Attributable net profit	32.7	51.8

Note: The EURGBP exchange rate of 0.8721 used for the last 9 months' P&L corresponds to the daily average rate of 9M17. Individual contributions to Sabadell results up until the close of each transaction. Sabadell United Bank sale closed on July 31, 2017; Mediterráneo Vida sale was closed on May 17, 2017; and Mortgage enhancement early call was executed on June 1, 2017.

Sabadell share: key data

	Sep-16	Sep-17
Shareholders and trading		
Number of shareholders	266,790	239.871
Average number of shares (million)	5,430	5,573
Share price (€)		
Closing session (end of quarter)	1.140	1.766
Market capitalisation (€ million)	6,190	9,842
Stock market multiples		
Earnings per share (EPS) (€) ¹	0.14	0.14
Book value per share (€)	2.36	2.39
Price / Book value (x)	0.48	0.74
Price / Earnings ratio (P/E) (x) ¹	7.96	12.78

¹ Figures adjusted to reflect the amount of the Additional Tier1 coupon, after tax, registered in equity.

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