

Quarterly financial report

First quarter, 2015



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Basis of presentation

The consolidated profit and loss account and balance sheet as of 31 March 2015 and 2014, together with the disclosures shown in this Financial Report, are presented in accordance with the accounting standards, principles and criteria defined in Note 1 to the Group's consolidated financial statements as of 31 December 2014.

There were no significant changes in the scope of consolidation of Banco Sabadell in the last year, except for the acquisition and immediate absorption of JGB Bank, N.A. by Banco Sabadell's subsidiary in Miami, Sabadell United Bank N.A., on 11 July 2014.

Key figures

	31.03.14	31.12.14	31.03.15	Change (%) YoY
Profit and loss account (€'000)				
Net interest income	530,042	2,259,706	643,077	21.3
Gross operating income	1,647,997	4,800,526	1,665,853	1.1
Net income before provisions	(1) 1,129,409	2,749,104	1,142,407	1.2
Attributable net profit	(1) 81,152	371,677	174,638	115.2
Balance sheet (€'000)				
Total assets	161,093,927	163,345,673	167,479,963	4.0
Gross loans and advances to customers, excluding repos	120,191,868	117,963,953	118,526,822	-1.4
Gross loans and advances to customers	121,516,682	118,551,550	118,592,713	-2.4
On-balance sheet funds	123,334,814	121,806,632	121,913,740	-1.2
Of which: Customer-based funding on balance sheet	(2) 94,690,048	94,460,668	94,899,036	0.2
Mutual funds	12,318,076	15,705,612	18,673,572	51.6
Pension funds and third-party insurance products	12,286,679	11,755,126	11,749,719	-4.4
Funds under management	150,200,467	152,185,441	156,128,376	3.9
Shareholders' equity	10,185,877	10,223,743	10,408,746	2.2
Returns and efficiency (%)				
ROA	0.20	0.23	0.43	
ROE	3.47	3.70	7.02	
ROTE	3.85	4.14	7.87	
Cost / income (ex amortisation)	(3) 56.33	53.14	48.82	
Risk and capital management				
Non-performing loans (€'000)	17,727,095	15,909,945	14,862,897	
NPLs / Gross loans (%)	13.94	12.74	11.68	
NPL coverage ratio (%)	57.3	49.4	51.4	
Common equity Tier 1 (CET1 BIS III)	(4) 11.1	11.7	11.8	
Tier I	(4) 11.1	11.7	11.8	
Total capital ratio	(4) 12.1	12.8	12.8	
Share data (period end)				
Number of shareholders	237,830	231,481	229,181	
Number of shares	4,011,971,704	4,024,460,614	4,024,898,657	
Share price (€)	2.242	2.205	2.279	
Market capitalisation (€'000)	8,994,841	8,873,936	9,172,744	
Earnings per share (EPS) (€)	(5) 0.08	0.09	0.18	
Book value per share (€)	2.54	2.54	2.59	
Price /Book value (times)	0.88	0.87	0.88	
Price /earnings ratio (P/E) (times)	27.33	23.88	12.95	
Including conversion of convertible bond:				
Fully diluted number of shares including conversion of convertible bond	4,288,730,619	4,289,732,386	4,289,705,145	
Earnings per share (EPS) (€)	(5) 0.08	0.09	0.17	
Book value per share (€)	2.38	2.38	2.43	
Price /Book value (times)	0.94	0.93	0.94	
Other data				
Branches	2,343	2,320	2,305	
Employees	17,924	17,529	17,596	

- (1) In 2015, following the application of IFRIC 21 on accounting for levies, the contributions to the Deposit Guarantee Fund will be recognized in profit and loss as a single payment at year-end instead of being accrued during the year. If those amounts were accrued in 2015, net income before provisions would be €1,096 million (-3.0% with respect to 1Q14) and net income attributable to the group would be €142.1 million euro (75.2% more than in 1Q14).
- (2) Includes customer deposits (ex-repos) and other liabilities placed via the branch network: mandatory convertible bonds and non-convertible bonds issued by Banco Sabadell, as well as commercial paper, etc.
- (3) Personnel and other general administrative expenses / gross operating income. To calculate these ratios, gross operating income was adjusted considering only trading income and recurrent exchange differences. Besides, 2015 includes accruals related to the Deposits Guarantee Fund.
- (4) The entire series is in accordance with Basel III, as amended by Bank of Spain Circular 2/2014, approved in July 2014.
- (5) Annualising YTD earnings on a straight-line basis.

Summary of the quarter

Good earnings performance

- ✓ Net interest income continues to rise in quarter-on-quarter terms, reaching €643.1 million (+21.3% y/y), driven by lower funding costs.
- ✓ In what is normally a weak quarter, net fees and commissions were stable, amounting to €225.8 million. The year-on-year growth of 12.4% was the result of expansion by off-balance sheet funds and of commercial actions aimed at increasing profitability.
- ✓ Strong trading income due to management of the ALCO portfolio. Extraordinary gains were offset by additional impairments to increase the level of reserves. Total trading income amounted to €736.2 million.
- ✓ The cost:income ratio improved to 48.8% (vs. 56.3% in 1Q14).
- ✓ The Group's attributable net profit amounted to €174.6 million.

Lending and customer funds are both rising.

- ✓ Loans and advances, excluding doubtful balances, increased for the second consecutive quarter, confirming the upswing in lending that had been observed in preceding quarters (mainly SMEs and corporates).
- ✓ Customer funds on the balance sheet were stable, while off-balance sheet funds increased by 27.4% year-on-year and 12.6% sequentially.

The reduction in problem assets is accelerating

- ✓ The volume of problem assets declined notably in the quarter, by €836 million. The balance has been cut by €1,956 million in the last 12 months.
- ✓ The Group's NPL ratio declined by over 100bp in the quarter, to 11.68%.
- ✓ Reserves covered 51.4% of doubtful loans and 44.62% of foreclosed real estate.

Strong capital and a solid funding structure.

- ✓ Common equity Tier 1 (phase-in) as of 31 March 2015: 11.8%.
- ✓ Loan to deposits ratio as of 31 March 2015: 109.1%.

Other

- ✓ On 19 March 2015, the Board of Directors of Banco Sabadell resolved unanimously to present a tender offer for TSB Banking Group plc at 340 pence per share, which entails valuing the entire capital of TSB at approximately 1.7 billion pounds sterling. On 17 April 2015, Banco Sabadell formally signed the offer and the period for acceptance by TSB shareholders commenced.
- ✓ On 19 March 2015, Banco Sabadell approved a rights issue for a total gross effective amount of €1,607 million. The rights issue has been completed successfully.

Performance review

Macroeconomic environment

Global economic and financial background

Greece was the main focus of attention within the euro area. In particular, following Syriza's victory in the early elections, Greece began renegotiating the terms of the international bailout programme. After complex negotiations, the existing Greek bailout programme was extended until June without increasing the amount of aid. Nevertheless, the Greek Treasury continued to experience liquidity difficulties since payments under the bailout require the troika to approve the structural reforms presented by Greece. Against this backdrop of instability, the ECB ceased accepting Greek government bonds as collateral in its regular funding operations and there was a run on deposits at Greek banks.

Meanwhile, the euro area economy performed positively, supported by the depreciation of the euro and lower oil prices. This occurred after 0.3% quarter-on-quarter GDP growth in the fourth quarter, driven by dynamic performance by Germany and Spain (0.7% growth by both countries). Meanwhile, inflation remained in negative territory.

The UK economy continues to perform well, supported by good labour market and consumer spending dynamics. Inflation continues to ease, reaching 0.0% year-on-year.

The US economy expanded by 0.5% q/q in the fourth quarter of 2014, while numbers for the first quarter of 2015 are mixed. This was due to bad weather, strikes at the west coast ports, lower oil extraction, and the dollar's appreciation. In any case, the labour market continues to normalise. Inflation eased with respect to the previous quarter due to lower energy prices (CPI: 0.0% y/y in February).

The Japanese economy emerged from recession in the fourth quarter of 2014 (+0.4% q/q GDP growth) and has continued to improve since then. Falling energy prices have helped ease Japanese inflation.

Fixed income markets

At its meeting in March, the Fed introduced greater flexibility in its monetary policy, stating that its benchmark interest rate (FFR) will depend on how the economy performs. That message was nuanced with a less

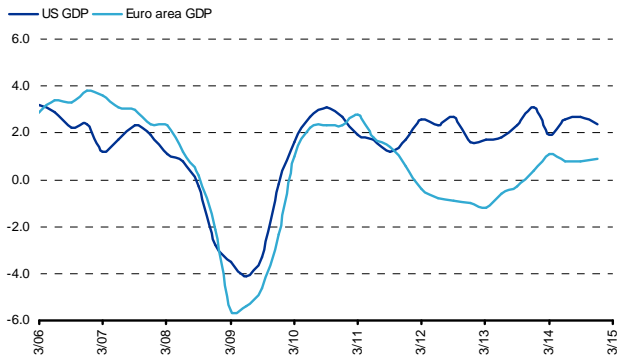
optimistic tone regarding the economy and the labour market. As a result, the Fed revised downwards its projections for the FFR for the coming years. Meanwhile, in March the ECB commenced the program to purchase government bonds that it had announced at the beginning of the quarter. This program will last at least until September 2016 and, in any event, until the ECB considers that inflation is on track to reach the target of 2.0%. The ECB has capped government bond purchases at 25% of each issue and 33% of each issuer. Also, to qualify for purchase, bonds must be listed and have yield superior to the deposit facility rate (-0.20%). Through this program and purchases of covered bonds and ABSs, the ECB intends to buy about €60 billion per month. In the United Kingdom, differences were observed within the Bank of England. Whereas a number of members expressed concern about the effects of appreciation by sterling, others indicated that the most likely next move will be an increase in rates. The Bank of Japan extended its program of lending to the real economy by one year and, in particular, increased the funds available for loans to increase potential growth.

As for long-term bond markets, yields on US government bonds shrank due to growing concerns about low-inflation and to the economic and financial consequences of cheaper oil and a stronger dollar. German government bond yields also slipped to record low levels. This was influenced by the start of the ECB government bond purchasing program and by uncertainty about Greece. Country risk premiums retreated, especially in Italy and Portugal, while Spain's premium remained virtually unchanged. Greece's spread rebounded to levels not seen since the end of 2012.

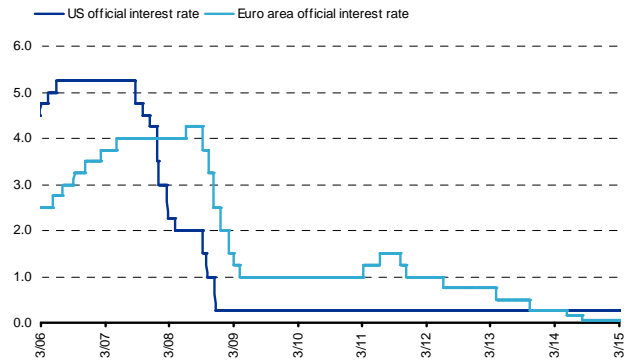
Equity markets

The European indices performed well in the first quarter of 2015, supported by ECB purchases of government bonds. In particular, the EURO STOXX index rose 18% in euros, the DAX by 22%, CAC by 18% and the IBEX by 12%. In the US, the S&P 500 was less dynamic than its European counterparts, appreciating by 13% in euro terms. The season of 4Q14 earnings ended moderately positive in the US and Spain and slightly negative in Europe in terms of both earnings-per-share and margins. Finally, in Japan, the NIKKEI 225 index rose 24% in euro terms.

GDP – USA vs. Euro area (y/y change, %)



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



Profit & loss account

Banco Sabadell and its group ended the first quarter of 2015 with €174.6 million in net attributable profit (an increase of 115.2% year-on-year), after booking €906.5 million in provisions for bad debts, securities and real estate.

Profit & loss account

(€000)	1Q14	(1) 1Q15	Change (%) YoY
Net interest income	530,042	643,077	21.3
Income from equity method and dividend	22	10,352	--
Net fees and commissions	200,971	225,834	12.4
Results from financial transactions (net)	930,660	736,249	-20.9
Foreign exchange (net)	16,015	65,415	308.5
Other operating income/expense	-29,713	-15,074	-49.3
Gross operating income	1,647,997	1,665,853	1.1
Personnel expenses	-298,766	-301,047	0.8
Non-recurrent	-5,976	-5,572	-6.8
Recurrent	-292,790	-295,475	0.9
Other general expenses	-151,871	-146,339	-3.6
Non-recurrent	-3,788	-1,124	-70.3
Recurrent	-148,083	-145,215	-1.9
Amortization & depreciation	-67,951	-76,060	11.9
Net income before provisions	1,129,409	1,142,407	1.2
Provisions for NPLs and other impairments	-1,096,497	-906,481	-17.3
Gains on sale of assets	69,927	9,580	-86.3
Badwill	0	0	--
Profit before tax	102,839	245,506	138.7
Income tax	-18,654	-69,757	274.0
Consolidated net profit	84,185	175,749	108.8
Minority interest	3,033	1,111	-63.4
Attributable net profit	81,152	174,638	115.2
Pro memoria:			
Average total assets	167,190,254	166,113,468	
Earnings per share (€)	(2) 0.02	0.04	

(1) In 2015, following the application of IFRIC 21 on accounting for levies, the contributions to the Deposit Guarantee Fund will be recognized in profit and loss as a single payment at year-end instead of being accrued during the year. If those amounts were accrued on a straight-line basis in 2015, net income before provisions would be €1,096 million (-3.0% with respect to 1Q14) and net income attributable to the group would be €142.1 million euro (75.2% more than in 1Q14).

(2) Not annualized.

Profit & loss account - quarterly

(€000)	1Q14	2Q14	3Q14	4Q14	(1) 1Q15	Change (%) YoY
Net interest income	530,042	545,945	574,060	609,659	643,077	21.3
Income from equity method and dividend	22	8,464	-8,834	9,077	10,352	--
Net fees and commissions	200,971	213,508	215,129	231,283	225,834	12.4
Results from financial transactions (net)	930,660	202,234	166,136	464,574	736,249	-20.9
Foreign exchange (net)	16,015	22,323	52,107	9,111	65,415	308.5
Other operating income/expense	-29,713	-42,417	-60,948	-58,882	-15,074	-49.3
Gross operating income	1,647,997	950,057	937,650	1,264,822	1,665,853	1.1
Personnel expenses	-298,766	-310,929	-296,788	-296,121	-301,047	0.8
Non-recurrent	-5,976	-24,934	-1,807	-592	-5,572	-6.8
Recurrent	-292,790	-285,995	-294,981	-295,529	-295,475	0.9
Other general expenses	-151,871	-141,576	-137,926	-139,341	-146,339	-3.6
Non-recurrent	-3,788	-2,199	0	-878	-1,124	-70.3
Recurrent	-148,083	-139,377	-137,926	-138,463	-145,215	-1.9
Amortization & depreciation	-67,951	-67,983	-70,041	-72,129	-76,060	11.9
Net income before provisions	1,129,409	429,569	432,895	757,231	1,142,407	1.2
Provisions for NPLs and other impairments	-1,096,497	-318,821	-309,669	-774,672	-906,481	-17.3
Gains on sale of assets	69,927	12,178	3,195	151,648	9,580	-86.3
Badwill	0	0	0	0	0	--
Profit before tax	102,839	122,926	126,421	134,207	245,506	138.7
Income tax	-18,654	-34,916	-28,617	-27,561	-69,757	274.0
Consolidated net profit	84,185	88,010	97,804	106,646	175,749	108.8
Minority interest	3,033	1,476	240	219	1,111	-63.4
Attributable net profit	81,152	86,534	97,564	106,427	174,638	115.2
Pro memoria:						
Average total assets	167,190,254	161,119,552	162,499,242	162,740,694	166,113,468	
Earnings per share (€)	(2) 0.02	0.04	0.07	0.09	0.04	

(1) In 2015, following the application of IFRIC 21 on accounting for levies, the contributions to the Deposit Guarantee Fund will be reflected in profit and loss as a single payment at year-end instead of being accrued during the year. If those amounts were accrued on a straight-line basis in 2015, net income before provisions would be €1,086 million (-3.0% with respect to 1Q14) and net income attributable to the group would be €142.1 million euro (75.2% more than in 1Q14).

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

Net interest income continued the upward trend of previous quarters to reach €643.1 million in the first quarter of 2015, i.e. 21.3% more than in the same period of 2014, broadly as a result of the reduction in funding costs. The

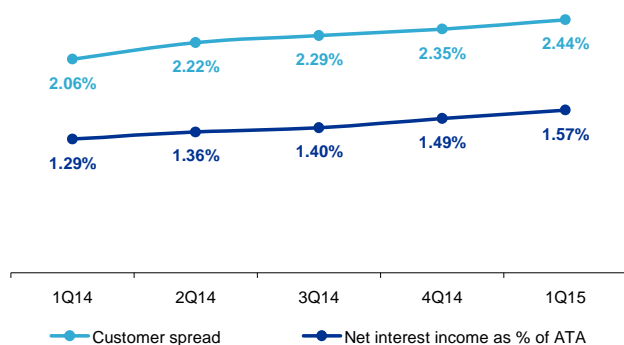
customer spread stood at 2.44% (2.35% in 4Q14) and the margin on average total assets reached 1.57% (1.49% in 4Q14).

Gains and charges in the quarter

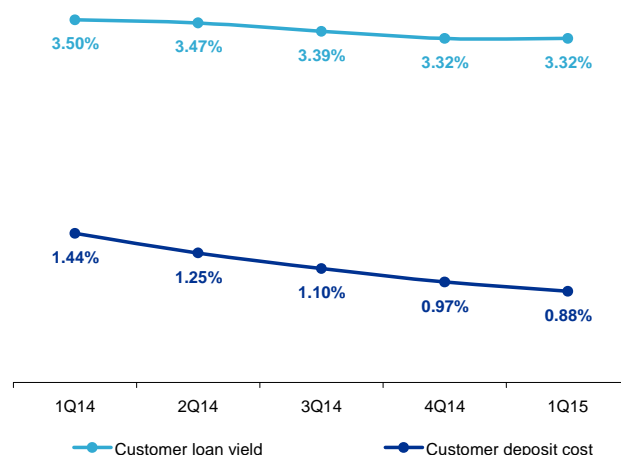
2014 (€'000)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income
Cash and balance with central banks & financial	4,277,014	1.10	11,605	3,998,214	1.06	10,539	4,278,672	0.91	9,791	4,480,122	0.72	8,164
Loans to customers (net)	108,442,873	3.50	936,272	106,316,927	3.47	920,825	105,962,409	3.39	904,230	105,085,900	3.32	879,643
Fixed-income securities	24,136,993	3.41	202,734	21,208,649	3.84	203,235	22,276,597	3.65	204,884	23,207,907	3.35	195,999
Equity securities	834,668	--	--	1,395,773	--	--	1,401,733	--	--	1,659,535	--	--
Tang. & intang. assets	3,904,974	--	--	3,922,139	--	--	3,802,468	--	--	3,422,926	--	--
Other assets	25,593,732	0.10	6,075	24,277,850	0.10	6,235	24,777,363	0.11	6,827	24,884,304	0.10	6,439
Total assets	167,190,254	2.81	1,156,686	161,119,552	2.84	1,140,834	162,499,242	2.75	1,125,732	162,740,694	2.66	1,090,245
Financial institutions	16,165,139	-1.40	-55,769	13,552,136	-1.52	-51,463	10,565,998	-1.71	-45,646	12,720,001	-1.29	-41,429
Customer deposits	92,164,157	-1.44	-327,850	92,504,475	-1.25	-289,269	94,121,172	-1.10	-261,851	93,502,083	-0.97	-228,219
Capital markets	27,506,366	-3.54	-239,842	27,238,731	-3.51	-238,425	26,563,127	-3.41	-228,133	26,314,842	-3.05	-202,105
Repos	9,319,950	-0.68	-15,732	6,666,753	-0.71	-11,863	9,824,642	-0.47	-11,525	8,573,936	-0.47	-10,059
Other liabilities	11,838,144	0.43	12,549	10,296,456	-0.15	-3,869	10,384,566	-0.17	-4,517	10,639,953	0.05	1,226
Shareholders' equity	10,196,498	--	--	10,861,001	--	--	11,039,737	--	--	10,989,879	--	--
Total funds	167,190,254	-1.52	-626,644	161,119,552	-1.48	-594,889	162,499,242	-1.35	-551,672	162,740,694	-1.17	-480,586
Net interest income			530,042			545,945			574,060			609,659
Customer spread		2.06			2.22			2.29			2.35	
Net interest income as % of ATA		1.29			1.36			1.40			1.49	

2015 (€'000)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income
Cash and balance with central banks & financial	4,506,907	0.69	7,620									
Loans to customers (net)	105,699,264	3.32	866,029									
Fixed-income securities	26,659,263	2.94	193,159									
Equity securities	1,466,208	--	--									
Tang. & intang. assets	3,712,828	--	--									
Other assets	24,068,998	0.18	10,440									
Total assets	166,113,468	2.63	1,077,248									
Financial institutions	15,819,325	-1.06	-41,192									
Customer deposits	92,350,893	-0.88	-200,352									
Capital markets	25,895,734	-2.71	-173,287									
Repos	10,118,263	-0.42	-10,564									
Other liabilities	10,323,239	-0.34	-8,776									
Shareholders' equity	11,606,014	--	--									
Total funds	166,113,468	-1.06	-434,171									
Net interest income			643,077									
Customer spread		2.44										
Net interest income as % of ATA		1.57										

Net interest income (%)



Customer spread (%)



The figures below show the trend in net interest income as a percentage of average total assets and the trend in customer spreads.

Dividends received and results from equity-accounted affiliates together increased considerably in year-on-year terms to €10.4 million in the first quarter of 2015. Those revenues were obtained mainly from the insurance and pension business.

Net fees and commissions totalled €225.8 million euro, a 12.4% increase year-on-year. This growth was observed generally in all types of fees and commissions (risk operations, services, mutual funds, insurance and pension sales) and is attributable mainly to good performance by off-balance sheet funds and to commercial action to enhance cross-selling products and services.

Net fees and commissions

(€000)	1Q14	4Q14	1Q15	Change (%) 1Q14	Change (%) 4Q14
Asset transactions	28,829	30,367	28,781	-0.2	-5.2
Guarantees	25,558	26,846	25,694	0.5	-4.3
Transferred to other entities	-944	-259	-280	-70.3	8.1
Risk transaction fees	53,443	56,954	54,195	1.4	-4.8
Cards	32,397	39,689	36,465	12.6	-8.1
Payment orders	10,967	12,006	11,362	3.6	-5.4
Securities	25,109	20,500	20,160	-19.7	-1.7
Demand accounts	19,269	22,184	20,480	6.3	-7.7
Other transactions	20,090	26,931	27,523	37.0	2.2
Commissions for services	107,832	121,310	115,990	7.6	-4.4
Mutual funds	25,223	35,659	36,792	45.9	3.2
Pension funds and insurance brokerage	14,473	17,360	18,857	30.3	8.6
Mutual and pension fund and insurance commissions	39,696	53,019	55,649	40.2	5.0
Total	200,971	231,283	225,834	12.4	-2.4

In particular, mutual fund management and marketing fees and pension fund and insurance marketing fees together increased by 40.2% year-on-year. Assets in collective investment institutions continued to expand steadily, amounting to €18,673.6 million as of 31 March 2015, i.e. a 51.6% increase year-on-year.

Net fees declined overall by 2.4% compared with 4Q14, in line with the performance in 1Q14 with respect to 4Q13.

Income from financial transactions amounted to €736.2 million, including principally gains on the disposal of available-for-sale fixed-income financial assets. In the first

quarter of 2014, income from financial transactions amounted to €930.7 million, including mainly €868.9 million in gains on the disposal of available-for-sale fixed-income assets and €36.6 million in trading income.

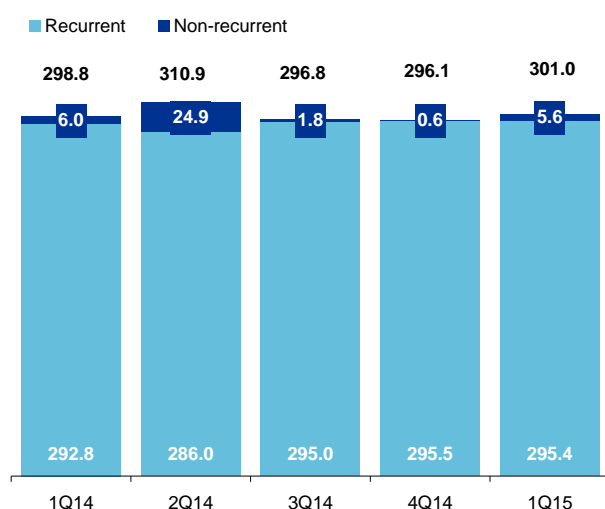
Net exchange gains amounted to €65.4 million, an increase with respect to the same quarter of 2014.

Operating expenses (personnel and general) amounted to €447.4 million in the first quarter of 2015, with personnel expenses remaining stable while administration expenses declined by 3.6% y/y.

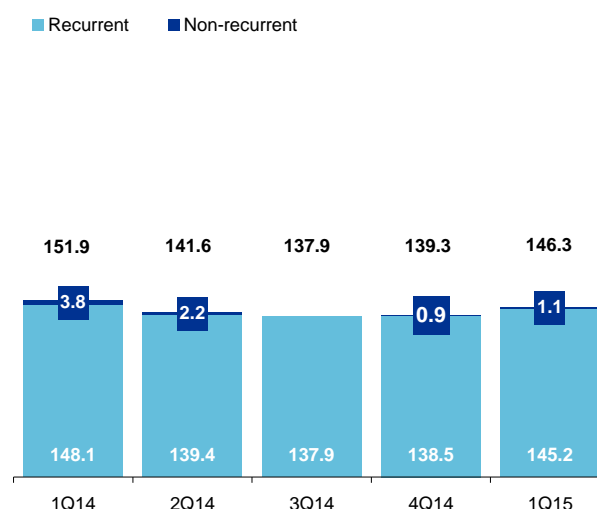
Administrative expenses

(€000)	1Q14	4Q14	1Q15	Change (%) 1Q14	Change (%) 4Q14
Recurrent	-292,790	-295,529	-295,475	0.9	0.0
Non-recurrent	-5,976	-592	-5,572	-6.8	--
Personnel expenses	-298,766	-296,121	-301,047	0.8	1.7
IT and communications	-36,074	-28,627	-35,207	-2.4	23.0
Advertising	-9,667	-10,853	-7,187	-25.7	-33.8
Premises and office supplies	-43,846	-33,558	-39,042	-11.0	16.3
Taxes other than income tax	-23,716	-28,910	-25,012	5.5	-13.5
Others	-38,568	-37,393	-39,891	3.4	6.7
Other general expenses	-151,871	-139,341	-146,339	-3.6	5.0
Total	-450,637	-435,462	-447,386	-0.7	2.7

Personnel expenses (€mn)



Other general expenses (€mn)



Once again, the cost:income ratio improved, to 48.8% at the end of the first quarter of 2015 (vs. 56.3% at the end of 1Q14). For this calculation, trading income and net non-recurring exchange differences were excluded from both years, and the contribution to the FGD was assumed to be accrued on a straight-line basis.

Consequently, **net profit before provisions** amounted to €1,142.4 million euro in the first quarter of 2015, 1.2% higher than in the same quarter of 2014. If the contribution to the Deposit Guarantee Fund were accrued for on a straight-line basis in 2015, net interest income would be 3.0% lower (€1,096.0 million).

Provisions for loan losses and other impairments (mainly real estate and financial assets) amounted to €906.5 million (€1,096.5 million in the first three months of 2014); both

periods reflect the additional provisions as a result of neutralisation of the higher trading income from the ALCO portfolio.

Gains on asset disposals amounted to €9.6 million, down from €69.9 million in the first quarter of 2014. The latter item included an extraordinary gain of €80 million from the signature of a reinsurance agreement for Mediterráneo Vida's individual death benefit portfolio.

After income tax and non-controlling interests, **net income attributed to the group** amounted to €174.6 million in the first quarter of 2015, i.e. 115.2% more than in the same quarter of 2014 (€81.2 million). Including in 2015 the accrual for the contribution to the Deposit Guarantee Fund, profit in the first quarter of 2015 amounted to €142.1 million (+75.2%).

Balance sheet

Balance sheet

(€000)	31.03.14	31.12.14	31.03.15	Change (%) YoY
Cash and balance with Central Banks	1,396,229	1,189,787	1,606,401	15.1
Trading and derivatives portfolios and other financial assets	2,438,346	3,253,356	3,785,270	55.2
Available-for-sale financial assets	17,743,629	21,095,619	24,426,914	37.7
Loans and advances	120,070,424	117,895,179	117,789,267	-1.9
Balances with financial institutions (1)	4,612,247	4,623,197	4,237,050	-8.1
Loans to customers (net)	112,377,279	110,835,723	111,116,500	-1.1
Debt securities	3,080,898	2,436,259	2,435,717	-20.9
Investments in associated companies	610,950	513,227	767,641	25.6
Property, plant and equipment	3,782,049	3,982,866	3,975,703	5.1
Intangible assets	1,524,053	1,591,296	1,599,937	5.0
Other assets	13,528,247	13,824,343	13,528,830	0.0
Total assets	161,093,927	163,345,673	167,479,963	4.0
Trading and derivatives portfolios	1,829,520	2,254,459	2,619,466	43.2
Financial liabilities at amortised cost	144,438,009	145,580,114	148,860,370	3.1
Central banks (2)	5,544,807	7,201,546	8,904,883	60.6
Credit institutions (2)	15,320,552	16,288,193	17,694,575	15.5
Customer deposits	100,173,946	98,208,370	98,176,249	-2.0
Capital markets	19,777,779	20,196,329	20,378,168	3.0
Subordinated liabilities	1,090,257	1,012,362	945,838	-13.2
Other financial liabilities	2,530,668	2,673,314	2,760,657	9.1
Liabilities under insurance contracts	2,292,832	2,389,571	2,413,485	5.3
Provisions	705,108	395,215	362,054	-48.7
Other liabilities	1,263,218	1,510,362	1,645,155	30.2
Subtotal liabilities	150,528,687	152,129,721	155,900,530	3.6
Shareholders' equity (3)	10,185,877	10,223,743	10,408,746	2.2
Valuation adjustments	314,087	937,416	1,115,919	255.3
Minority interest	65,276	54,793	54,768	-16.1
Equity	10,565,240	11,215,952	11,579,433	9.6
Total liabilities and equity	161,093,927	163,345,673	167,479,963	4.0

(1) Balances with financial institutions include the following amounts of repos: Euros 1,472 million at 31.03.14, Euros 1,420 million at 31.12.14 and Euros 1,194 million at 31.03.15.

(2) Deposits with central banks and credit institutions include the following amounts of repos: Euros 6,375 million at 31.03.14, Euros 7,429 million at 31.12.14 and Euros 8,903 million at 31.03.15.

(3) Includes mandatory convertible bonds (Euros 733 million at 31.03.14, Euros 734 million at 31.12.14 and Euros 739 million at 31.03.15).

At the end of the first quarter of 2015, Banco Sabadell and its group had €167,480.0 million in total assets, i.e. 4.0% more than a year earlier.

Gross loans and advances to customers (excluding repos) accounted for almost 71% of the group's total consolidated assets and amounted to €118,526.8 million. That represents a 1.4% reduction in year-on-year terms, mainly due to the lower volume of doubtful receivables;

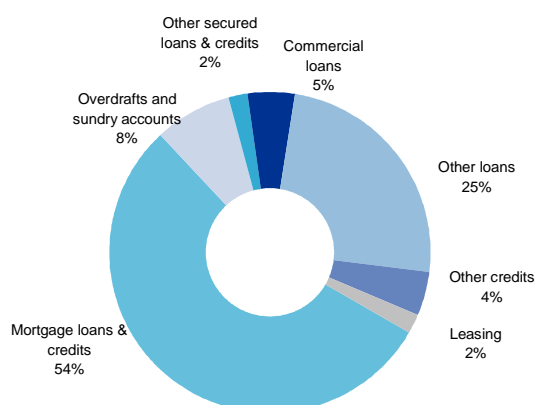
excluding the latter, gross lending increased by 0.8%. In particular, gross loans and advances excluding doubtful assets increased by €1,516.1 million with respect to 31 December 2014, continuing the revival observed in preceding quarters. Lending to SMEs and new mortgage production also accelerated.

Loans to customers

(€000)	31.03.14	31.12.14	31.03.15	Change (%) YoY
Mortgage loans & credits	59,848,658	57,112,332	56,948,114	-4.8
Other secured loans & credits	1,959,387	2,155,279	2,157,355	10.1
Commercial loans	4,132,717	4,867,272	4,763,188	15.3
Other loans	23,066,430	24,194,643	25,539,018	10.7
Other credits	3,898,367	4,188,075	4,427,126	13.6
Leasing	2,134,530	2,124,317	2,092,196	-2.0
Overdrafts and sundry accounts	7,936,881	7,738,268	8,036,423	1.3
Non-performing loans	(1) 17,254,246	15,714,213	14,715,970	-14.7
Accruals	-39,348	-130,446	-152,568	287.7
Gross loans and advances to customers, excluding repos	120,191,868	117,963,953	118,526,822	-1.4
Reverse repos	1,324,814	587,597	65,891	-95.0
Gross loans and advances to customers	121,516,682	118,551,550	118,592,713	-2.4
NPL and country-risk provisions	-9,139,403	-7,715,827	-7,476,213	-18.2
Loans to customers (net)	112,377,279	110,835,723	111,116,500	-1.1

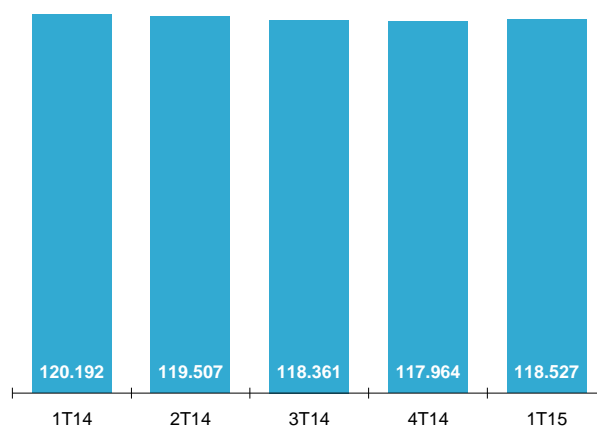
(1) Scope excluding APS plus 20% of the APS.

Loans and advances, 31.03.15 (%) (*)



(*) Excluding doubtful assets and accrual adjustments.

Gross loans and advances to customers, excluding repos (€mn)



At the end of the first quarter of 2015, **customer funds on the balance sheet** amounted to €94,899.0, a slight (+0.2%) increase in year-on-year terms. The balance in demand accounts amounted to €45,479.8 million (+22.6% year-on-year) and time deposits to €50,560.6 million, a 16.7% decline year-on-year in line with the downward trend in interest rates in the financial markets, which drove savers to more investments that offer the prospect of better returns.

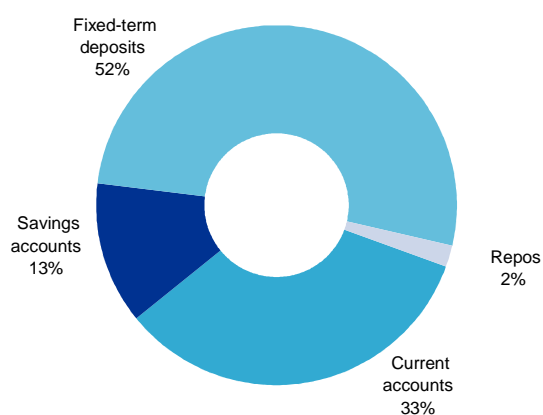
Off-balance sheet customer funds amounted to €34,214.6 million, a 27.4% increase year-on-year. Within this item, the balance of assets in collective investment institutions continued to rise, to reach €18,673.6 million as of 31 March 2015, i.e. an increase of 51.6% year-on-year and of 18.9% with respect to the beginning of the year. The balances of assets under management also increased considerably, to €3,791.3 million (+67.7% y/y).

Funds under management

(€000)	31.03.14	31.12.14	31.03.15	Change (%) YoY
Customer-based funding on balance sheet (1)	94,690,048	94,460,668	94,899,036	0.2
Customer deposits	100,173,946	98,208,370	98,176,249	-2.0
Current accounts	26,289,122	31,098,746	32,800,259	24.8
Savings accounts	10,793,046	12,176,217	12,679,534	17.5
Fixed-term deposits	60,674,818	53,395,928	50,560,555	-16.7
Repos	2,063,300	1,291,799	1,902,605	-7.8
Accruals	607,669	447,697	419,050	-31.0
Derivative hedging adjustments	-254,009	-202,017	-185,754	-26.9
Debt and other tradable securities	19,777,779	20,196,329	20,378,168	3.0
Subordinated liabilities	1,090,257	1,012,362	945,838	-13.2
Liabilities under insurance contracts	2,292,832	2,389,571	2,413,485	5.3
On-balance sheet funds	123,334,814	121,806,632	121,913,740	-1.2
Mutual funds	12,318,076	15,705,612	18,673,572	51.6
Equity funds	789,846	953,518	1,215,123	53.8
Balanced funds	1,246,967	1,695,488	2,859,706	129.3
Fixed-income funds	2,760,456	3,829,651	4,104,617	48.7
Guaranteed return funds	3,080,550	3,793,940	3,673,169	19.2
Real estate funds	9,286	9,225	15,670	68.7
Dedicated investment companies	1,523,512	1,725,078	1,890,406	24.1
Third-party funds	2,907,459	3,698,712	4,914,881	69.0
Managed accounts	2,260,898	2,918,071	3,791,345	67.7
Pension funds	4,313,797	4,334,615	4,529,315	5.0
Individual	2,832,098	2,861,552	2,988,946	5.5
Company	1,462,000	1,456,994	1,523,845	4.2
Group	19,699	16,069	16,524	-16.1
Third-party insurance products	7,972,882	7,420,511	7,220,404	-9.4
Funds under management	150,200,467	152,185,441	156,128,376	3.9

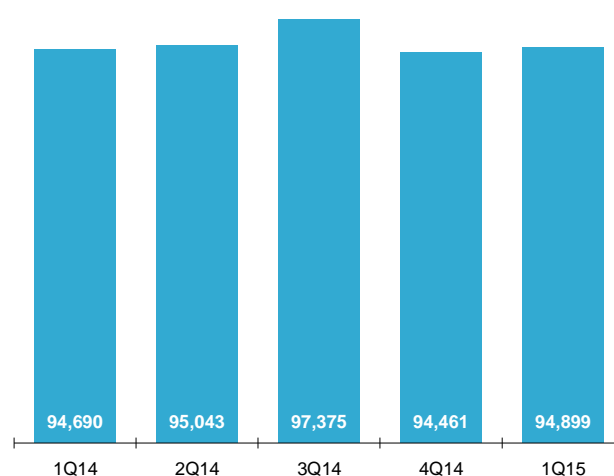
(1) Includes customer deposits (ex-repos) and other liabilities placed via the branch network: mandatory convertible bonds, non-convertible bonds issued by Banco Sabadell, commercial paper and others.

Customer deposits, 31.03.15 (%) (*)



(*) Excluding adjustments for accruals and hedges with derivatives.

Customer-based funding on balance sheet (€mn)



Liabilities in the form of tradeable securities amounted to €20,378.2 million at the end of March 2015, compared with €19,777.8 million as of 31 March 2014. Growth in the balance of commercial paper and bonds offset the reduction in the balance of ABSs and mortgage covered bonds.

Total funds under management amounted to €156,128.4 million as of 31 March 2015, i.e. 3.9% more than the balance of €150,200.5 million as of 31 March 2014.

At the end of the first quarter, **net equity** amounted to €11,579.4 million. Including the funds from the capital increase, which was completed successfully in April, net equity would be approximately €1,600 million higher.

Shareholder's equity

(€000)	31.03.14	31.12.14	31.03.15	Change (%) YoY
Shareholders' equity	10,185,877	10,223,743	10,408,746	2.2
Issued capital	501,497	503,058	503,112	0.3
Reserves	8,999,119	8,702,253	9,072,669	0.8
Other equity instruments	(1) 732,697	734,131	739,165	0.9
Less: treasury shares	-128,588	-87,376	-80,838	-37.1
Attributable net profit	81,152	371,677	174,638	115.2
Less: dividends and payments	0	0	0	--
Valuation adjustments	314,087	937,416	1,115,919	255.3
Minority interest	65,276	54,793	54,768	-16.1
Equity	10,565,240	11,215,952	11,579,433	9.6

(1) Mandatory convertible bonds.

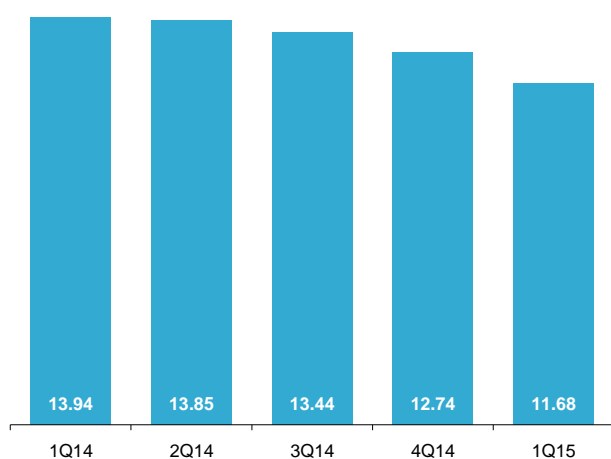
Risk and capital management

At the end of the first quarter of 2015, Banco Sabadell €14,862.9 million in doubtful risks, and this balance had declined sequentially by more than in the preceding quarters in both absolute and relative terms. As of 31 March 2015, the non-performing loans (NPLs) ratio had declined to 11.68%, i.e. 106 basis points less than at 2014 year-end (12.74%) and 226 basis points less than at 31 March 2014 (13.94%).

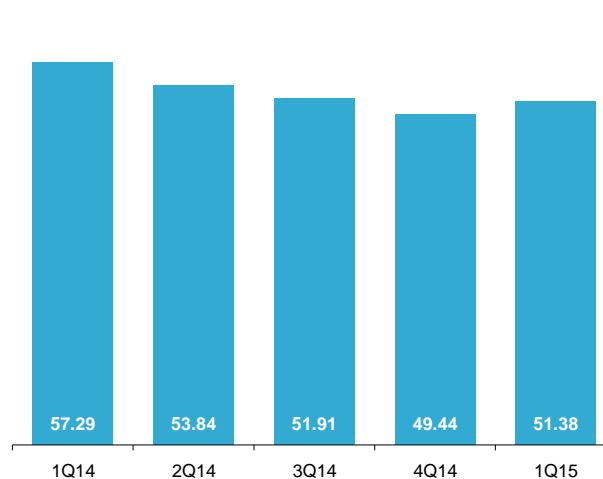
The group's NPL ratio continued to decline in the quarter due to the sharp reduction in doubtful balances, while maintaining comfortable reserves for problem assets.

The following figures and table refer to the scope excluding the APS plus 20% of the APS.

NPLs/Gross loans ratio (%)



NPL coverage ratio (%)



The table below reflects the performance of the Group's problem assets, reflecting an acceleration in their reduction in recent quarters:

Doubtful loans and real estate

(€ million)	1Q14	2Q14	3Q14	4Q14	1Q15
Ordinary net increase	25	-244	-385	-569	-802
Change in real estate	77	323	96	279	211
Net increase plus real estate	102	79	-289	-290	-591
Defaults	265	97	224	298	245
Quarterly change in doubtful balances and real estate	-163	-18	-513	-588	-836

Capital ratios

(€000)	Basilea III 31.03.14 (1)	Basilea III 31.12.14	Basilea III 31.03.15
Issued capital	501,497	503,058	503,112
Reserves	8,877,661	8,855,717	8,993,007
Mandatory convertible bonds	0	0	0
Minority interest	54,719	28,919	23,613
Deductions	-608,738	-684,483	-673,099
Common equity Tier 1 (CET1 BIS III)	8,825,139	8,703,211	8,846,633
Common equity Tier 1 (CET1 BIS III) (2)	11.1%	11.7%	11.8%
Primary capital	8,825,139	8,703,211	8,846,633
Tier I	11.1%	11.7%	11.8%
Secondary capital	835,994	838,681	777,228
Tier II	1.1%	1.1%	1.0%
Total capital	9,661,133	9,541,892	9,623,861
Minimum capital requirement	6,369,993	5,953,425	5,995,609
Capital surplus	3,291,140	3,588,467	3,628,252
Total capital ratio	12.1%	12.8%	12.8%
Risk weighted assets (RWA)	79,624,913	74,417,813	74,945,113

(1) Applying the amendments provided in Bank of Spain Circular 2/2014, approved in July 2014.
(2) The fully loaded Common Equity Tier 1 ratio was 11.7% at the end of the quarter.

Credit ratings

Agency	Date	Long term	Short term	Outlook	Strength
DBRS	27.03.2015	A (low)	R-1 (low)	Negative	
Standard & Poor's ⁽¹⁾	19.03.2015	BB+	B	Negative	
Moody's	24.03.2015	Ba2	NP	RuR Up*	D-

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

On 17 March 2015, Moody's Investor Service placed the ratings of the Bank's senior debt and long-term deposits under review for an upgrade (currently Ba2), as well as Banco Sabadell's short-term deposit rating and outlook, following publication of the agency's new methodology for banks on 16 March 2015.

On 24 March 2015, Moody's Investor Services confirmed the long-term rating of Banco Sabadell at Ba2 and the short-term rating at NP, both under review for an upgrade, as a result of the announcement of the tender offer for 100% of TSB Banking Group. The rating affirmation was based on the conclusion that the Bank's credit profile will remain robust after integrating TSB Banking Group.

On 19 March 2015, Standard & Poor's Ratings Services affirmed the long-term rating of Banco Sabadell at BB+ and the short-term rating at B, following the announcement of

the possibility of a tender offer for 100% of TSB Banking Group. The rating confirmation was based on the conclusion that the transactions would have a neutral impact on capital. The negative outlook was maintained to reflect the agency's opinion that notching for government support may be eliminated when the bank resolution framework is implemented.

On 27 March 2015, DBRS Ratings Limited confirmed the long-term rating of Banco Sabadell at A (low) and the short-term rating at R1 (low) following the announcement of the tender offer for 100% of TSB Banking Group. The rating confirmation was attributed to the group's strong capacity to manage the acquisition and to TSB's conservative risk profile. The outlook was kept negative.

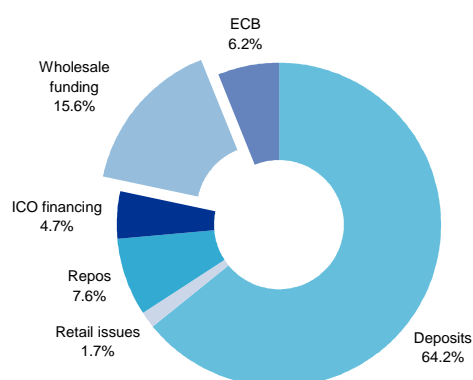
Liquidity management

(€ million)	31.03.14	30.06.14	30.09.14	31.12.14	31.03.15
Gross loans and advances to customers, excluding repos	120,192	119,507	118,361	117,964	118,527
NPL and country-risk provisions	-9,139	-8,921	-8,399	-7,716	-7,476
Brokered loans	-7,758	-7,827	-7,939	-7,869	-7,546
Adjusted net loans and advances	103,295	102,758	102,024	102,380	103,505
Customer-based funding on balance sheet	94,690	95,043	97,375	94,461	94,899
Adjusted loans to deposits ratio (%)	109.1	108.1	104.8	108.4	109.1

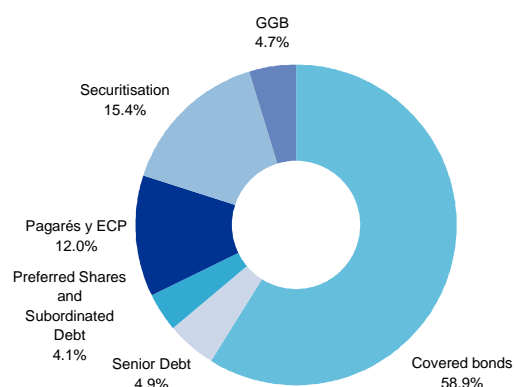
Sabadell maintains a balanced retail funding structure, with an adjusted loan-to-deposit ratio of 109% as of 31 March 2015, which is stable compared with previous quarters.

The group's funding structure, wholesale market breakdown and maturity calendar are detailed below.

Funding structure, 31.03.15



Wholesale market breakdown, 31.03.15



Maturity calendar

(€ million)	2T15	3T15	4T15	2016	2017	2018	2019	2020	2021	2022	Outstanding >2022	balance
Covered bonds (CH)	1,550	0	255	2,874	1,937	1,563	924	476	2,014	1,119	439	13,152
GGB	0	0	0	0	1,059	0	0	0	0	0	0	1,059
Senior Debt	0	0	0	890	0	100	57	0	0	25	0	1,071
Preferred Shares and Subordinated Debt	0	0	0	318	66	0	0	425	40	0	15	864
Other mid- and long-term financial instruments	0	0	0	0	0	18	0	0	10	0	7	35
Total	1,550	0	255	4,082	3,062	1,681	981	900	2,065	1,144	461	16,181

The LCR (Liquidity Coverage Ratio) was over 100% as of 31 March 2015.

Results by business units

The tables below summarise earnings and other indicators of the group's business units.

The information presented here is based on the individual financial statements of each Group company, after the corresponding consolidation eliminations and adjustments and with analytical accounting of revenues and expenses in cases in which a business is spread over more than one legal entity, to enable customer revenues and costs to be assigned to specific units.

Each business unit is treated as an independent business and transactions between them for product distribution or

the provision of services and systems are priced on an arm's-length basis. The ultimate impact on the Group profit and loss account is zero.

Each business bears its own direct costs, on the basis of general and analytical accounting, as well as the indirect costs of the corporate units.

Moreover, capital is assigned such that each business has capital equivalent to the regulatory amount required to reach the Group's target ratios on the basis of its assets at risk.

31.03.2014	Gross operating income (€'000)	Profit before tax (€'000)	ROE	Cost / income ratio	Employees	Domestic branches
Commercial banking	574,236	82,498	7.7%	61.3%	12,681	2,281
Corporate banking	51,098	19,197	7.7%	13.0%	108	2
Banca Privada	15,450	5,550	45.8%	66.0%	273	12
Investment management	11,953	6,528	82.2%	45.4%	150	--
Asset Transformation	-6,255	-160,486	-28.8%	--	809	--
Total		-46,713 (*)				

31.03.2015	Gross operating income (€'000)	Profit before tax (€'000)	ROE	Cost / income ratio	Employees	Domestic branches
Commercial banking	682,188	172,072	15.7%	50.8%	12,397	2,238
Corporate banking	52,729	35,221	14.1%	14.7%	116	2
Banca Privada	20,547	7,247	56.0%	54.8%	313	12
Investment management	9,341	4,099	54.0%	56.1%	146	--
Asset Transformation	-10,187	-149,598	-22.1%	--	659	--
Total		69,041 (*)				

(*)The reconciliation with total group results must include amounts not assigned to the business units shown and the tax effect.

Share Price performance

	31.03.14	31.12.14	31.03.15	Change (%) YoY
Shareholders and trading				
Number of shareholders	237,830	231,481	229,181	-3.6
Number of shares	4,011,971,704	4,024,460,614	4,024,898,657	0.3
Average daily trading volume (number of shares)	31,781,356	27,272,221	33,465,316	5.3
Share price (€)				
Opening session (of the year)	1.896	1.896	2.205	
High (of the year)	2.437	2.713	2.499	
Low (of the year)	1.820	1.820	2.053	
Closing session (end of quarter)	2.242	2.205	2.279	
Market capitalisation (€ '000)	8,994,841	8,873,936	9,172,744	
Stock market multiples				
Earnings per share (EPS) (€)	(1) 0.08	0.09	0.18	
Book value per share (€)	2.54	2.54	2.59	
Price /Book value (times)	0.88	0.87	0.88	
Price /earnings ratio (P/E) (times)	27.33	23.88	12.95	
Including conversion of convertible bond:				
Fully diluted number of shares including conversion of convertible bond	4,288,730,619	4,289,732,386	4,289,705,145	
Earnings per share (EPS) (€)	(1) 0.08	0.09	0.17	
Book value per share (€)	2.38	2.38	2.43	
Price /Book value (times)	0.94	0.93	0.94	

(1) Annualising YTD earnings on a straight-line basis.

Other key developments in the quarter

Tender offer for TSB Banking Group

On 19 March 2015, the Board of Directors of Banco Sabadell approved unanimously the presentation of a tender offer for 100% of the shares of TSB Banking Group plc at 340 pence per share in cash. That price entails valuing the entire capital of TSB at approximately £1,700 million.

The bid has the support of the Board of Directors of TSB, which has recommended that its shareholders accept it. Also, as part of the bid, Banco Sabadell and Lloyds Banking Group PLC (Lloyds) have reached an agreement whereby: (i) Banco Sabadell acquires a total of 49,999,999 shares of TSB, representing approximately 9.99% of its share capital; and (ii) Lloyds has given an irrevocable undertaking to accept the offer for the rest of TSB shares that it owns (currently approximately 40.01%). Additionally, Lloyds granted Banco Sabadell a call option on up to 100,000,000 shares of TSB which it owns, representing 20% of the share capital of TSB.

The terms and conditions of the bid were published in the London Stock Exchange in accordance with UK law.

On 17 April 2015, Banco Sabadell formally signed the offer and the period for acceptance by TSB shareholders commenced.

Rights issue

On 19 March 2015, in the framework of the bid to acquire UK credit institution TSB Banking Group plc but not conditional upon that transaction, the Board of Directors of Banco Sabadell approved a rights issue for a total gross effective amount of at most €1,606,556.169.

The rights issue has been almost fully subscribed at this date.

The rights issue was performed by issuing new shares with a unit issue price of €1.480 per share, giving Banco Sabadell shareholders the preemptive right to subscribe for 3 new shares for every 11 shares they already own.

The issue is addressed to existing shareholders of Banco Sabadell and to investors who purchased warrants during the preemptive subscription period.

The rights issue is not conditional upon the performance or success of the tender offer for the shares of TSB Banking Group plc and the proceeds from the issue may be used for any other corporate transaction or for other general corporate purposes of Banco Sabadell.