

Quarterly financial report

Fourth quarter of 2015



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Basis of presentation

The consolidated profit and loss accounts and balance sheets as of the end of the fourth quarter of 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 2015.

The profit and loss account for 2014 has been restated for comparison purposes as a result of the early application in 2014 of IFRIC 21, particularly in connection with how IFRIC 21 should be applied to the recognition and accrual of contributions to the Deposit Guarantee Fund. The group acquired control of TSB Banking Group PLC on 30 June 2015. As a result of consolidating the latter, the balance sheet and income statement figures are not comparable with those of the preceding period.

Key figures

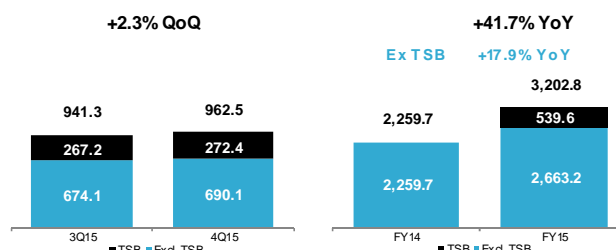
	Excl. TSB			Total group	
	31.12.14	31.12.15	Change (%) 31.12.14	(7) 31.12.15	Change (%) 31.12.14
Profit and loss account (€million)					
Net interest income	2,260	2,663	17.9	3,203	41.7
Gross operating income	4,801	4,861	1.3	5,478	14.1
Pre-provisions income	2,749	2,764	0.5	2,863	4.1
Provisions for NPLs	-1,541	-1,372	11.0	-1,372	11.0
Profit before tax	486	646	32.7	745	53.1
Attributable net profit	372	586	57.8	708	90.6
Balance sheet (€million)					
Total assets	163,346	165,250	1.2	208,628	27.7
Gross loans to customers, excluding repos and accrual adjustments	102,380	104,537	2.1	140,368	37.1
Gross loans to customers, excluding repos	117,964	116,635	-1.1	152,697	29.4
Gross loans to customers	118,552	117,363	-1.0	153,425	29.4
On-balance sheet funds	121,807	123,224	1.2	162,974	33.8
Of which: Customer funds	(1) 94,461	96,227	1.9	131,489	39.2
Mutual funds	15,706	21,427	36.4	21,427	36.4
Pension funds and third-party insurance products	11,755	11,952	1.7	11,952	1.7
Funds under management	152,185	160,605	5.5	200,355	31.7
Equity	11,216	--	--	12,768	13.8
Shareholders' equity	10,224	--	--	12,275	20.1
Profitability and cost-to-income ratios (%)					
ROA	0.23	--	--	0.38	--
RORWA	0.50	--	--	0.80	--
ROE	3.70	--	--	6.34	--
ROTE	4.36	--	--	7.58	--
Cost / income (ex amortisation)	(2) 53.14	46.16	--	50.45	--
Risk management					
Non-performing loans (€million)	15,910	12,344	--	12,561	--
NPL ratio (%)	12.74	9.86	--	7.79	--
NPL coverage ratio (%)	49.4	53.1	--	53.6	--
Capital management					
Risk weighted assets (RWA)	74,418	--	--	88,769	--
Common Equity Tier 1	11.7	--	--	11.5	--
Tier I	11.7	--	--	11.5	--
Total capital ratio	12.8	--	--	12.9	--
Leverage ratio (%)	5.2	--	--	4.8	--
Liquidity management					
Loan-to-deposits ratio (%)	(3) 108.4	108.2	--	106.5	--
Share data (period end)					
Number of shareholders	231,481	--	--	265,935	--
Number of shares (million)	(4) 4,024	--	--	5,439	--
Share price (€)	(5) 2.205	--	--	1.635	--
Market capitalisation (€million)	8,874	--	--	8,893	--
Earnings per share (EPS) (€)	(6) 0.09	--	--	0.13	--
Book value per share (€)	(6) 2.54	--	--	2.26	--
Price / Book value (times)	(6) 0.87	--	--	0.72	--
Price / Earnings ratio (P/E) (times)	23.88	--	--	12.55	--
Other data					
Branches	2,320	2,259	--	2,873	--
Employees	17,529	17,866	--	26,090	--

- (1) Includes customer deposits (ex-repos) and other liabilities placed via the branch network: Banco Sabadell non-convertible bonds, commercial paper, and others.
- (2) Personnel and other general administrative expenses / gross income. To calculate these ratios, gross operating income was adjusted considering only trading income and recurrent exchange differences.
- (3) The LID ratio is defined as Gross loans and advances to customers/Retail funding. It is calculated by subtracting provisions and brokered loans from the numerator.
- (4) The number of shares, assuming conversion of mandatory convertible bonds, was 4,290 as of 31.12.2014 and 5,472 as of 31.12.2015.
- (5) Without adjusting historical values.
- (6) Assuming conversion of mandatory convertible bonds, EPS amounted to 0.09 as of 31.12.2014 and 0.13 as of 31.12.2015; the book value per share was 2.38 as of 31.12.2014 and 2.24 as of 31.12.2015; the price/book value ratio was 0.93 as of 31.12.2014 and 0.73 as of 31.12.2015.
- (7) The EURGBP exchange rate used for the income statement in 2015 is 0.7201. The rate used for the balance sheet is 0.7340 as of 31.12.2015.

Key aspects

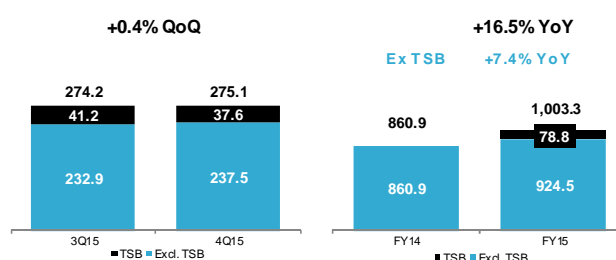
→ Good earnings performance:

- ✓ **Net interest income** continued to rise on a quarter-on-quarter basis in a low interest rate environment, driven by lower funding costs (both customer deposits and capital markets), and amounted to €3,202.8 million as of year-end (+41.7% year-on-year and +2.3% quarter-on-quarter). Excluding TSB, net interest income increased by +17.9% year-on-year and +2.4% quarter-on-quarter.

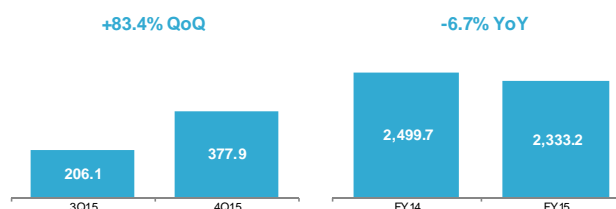


- ✓ **Customer spread** amounted to 2.75% as of 2015 year-end (2.59% excluding TSB), compared with 2.35% the previous year.

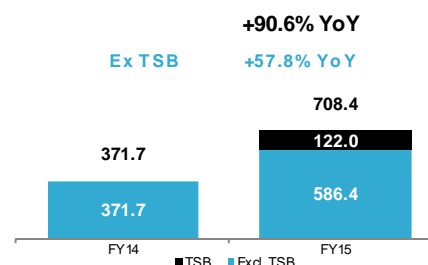
- ✓ **Net fees and commissions** continued to rise quarter-on-quarter, driven mainly by mutual funds, pension funds and insurance; they amounted to €1,003.3 million as of 2015 year-end, an increase of 16.5% year-on-year and 0.4% quarter-on-quarter. Excluding TSB, net fees and commissions amounted to €924.5 million in 2015, an increase of 7.4% year-on-year and 2.0% quarter-on-quarter.



- ✓ Extraordinary gains in 2015 arising from management of the ALCO portfolio and the badwill on the TSB acquisition was neutralised by additional impairments.



- ✓ The **group's attributable net profit** in 2015 amounted to €708.4 million, an increase of 90.6% year-on-year. Excluding TSB, attributable net profit amounted to €586.4 million, a 57.8% increase versus previous year.

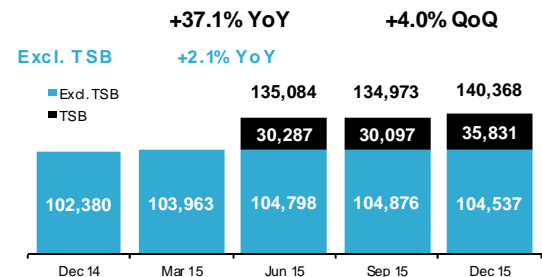


→ Growth in volumes and continued downward trend in problematic assets

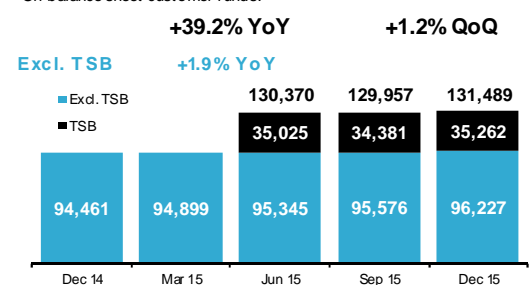
- ✓ Increased customer activity translated into positive growth for customer funds and loans.
- ✓ Performing **loans** increased by 37.1% year-on-year in 2015 (2.1% excluding TSB), mainly due to the TSB acquisition. They increased by 4.0% in the fourth quarter of 2015 due to the addition of the UKAR portfolio⁽¹⁾ and to the expansion of TSB's mortgage book, boosted by the brokerage platform launched early in 2015.
- ✓ **On-balance sheet customer funds** increased by 39.2% in 2015 (1.9% excluding TSB) and by 1.2% in the fourth quarter.

(1) On 7 December 2015, TSB acquired a portfolio of loan assets (mostly mortgages) amounting to €3,006 million which had formerly been managed by UK Asset Resolution (UKAR).

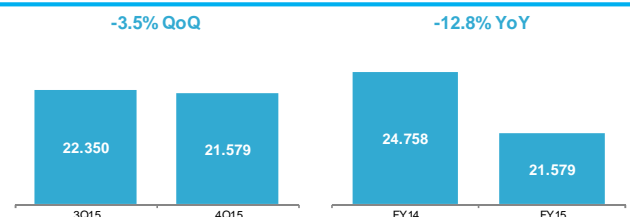
Performing gross loans to customers (excluding repos and accrual adjustments):



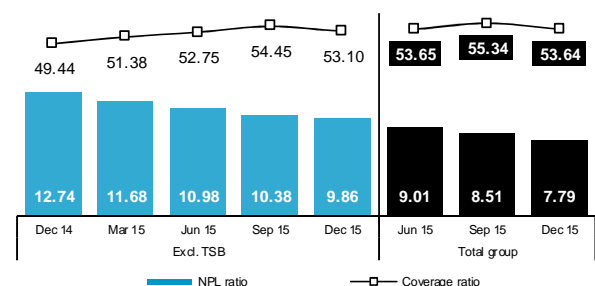
On-balance sheet customer funds:



- ✓ The volume of **problematic assets** declined by €3,180 million in 2015 and by €771 million in the fourth quarter.

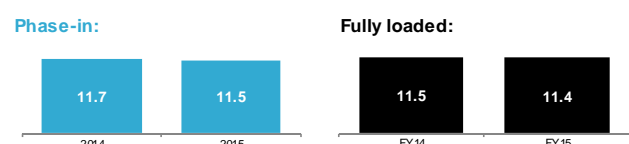


- ✓ The group's **NPL ratio** was reduced by 495bp in 2015 and by 72bp in the fourth quarter, positing the NPL ratio at year end at 7.79% (9.86% excluding TSB).
- ✓ **NPL coverage ratio** reached at 53.64% (53.10% excluding TSB).
- ✓ **Coverage of foreclosed real estate assets** stood at 43.8%.



→ Capital strength:

- ✓ The fully-loaded Common Equity Tier 1 (CET1) ratio was 11.4% as of 31 December 2015.
- ✓ The phase-in Common Equity Tier 1 (CET1) ratio was 11.5% as of 31 December 2015.



Performance review

Macroeconomic environment

Global economic and financial background

Commodities were among the main factors of concern to international investors in the fourth quarter of 2015. Oil prices reached their lowest point in over a decade, weighed mainly by the lack of adjustment in the supply, the impending arrival of Iranian exports in the global markets after the lifting of Western sanctions, and a number of seasonal factors that depressed demand in the northern hemisphere.

The euro area economy continued to slow in the third quarter, to 0.3% quarter-on-quarter (0.4% in 2Q15), impacted by the foreign sector. Economic indicators in the fourth quarter point to a growth pattern in line with that of the previous quarter. To date, Greece has been fulfilling the conditions attached to the third bailout and Europe has continued providing financial support. Meanwhile, the arrival of refugees en masse has proved to be a serious problem for the European Union (EU). In the US, economic indicators revealed weakness after GDP slowed in the third quarter (0.5% quarter-on-quarter, vs. 1.0% in 2Q), affected by the foreign sector and inventories. Inflation remained low, and far from the targets of the Federal Reserve and ECB, though core inflation did rise somewhat in the US.

Macroeconomic situation in Spain

The economy performed well in the fourth quarter. The Bank of Spain estimated that GDP increased by 0.8% in the quarter, the same rate as in the preceding quarter. The labour market also continued to improve, with job creation slightly over 3% year-on-year. Inflation rose slightly, and core inflation reached its highest level since August 2013. On the fiscal front, the latest figures on budget execution suggest there is a risk of failing to meet the deficit target agreed upon for 2015 (4.2% of GDP). On the political front, the general election on December 20th produced a more fragmented Parliament, posing problems of governability.

Macroeconomic situation in the UK

In the fourth quarter, the economy performed in line with the previous quarter, when growth slowed to 0.4% (quarter-on-quarter), influenced by slack external demand. The labour market continued to perform well. Unemployment continued to fall, reaching levels not seen since early 2006. Despite this improvement, wage growth has been easing for several months. House prices surged towards the end of the year, while mortgage lending increased. Though inflation returned to positive territory, it remained low. UK premier David Cameron presented his proposals to reform the EU, which must be negotiated before a referendum on the UK remaining within the EU. The reforms seek to reduce migration of EU citizens to the UK and strengthen the common market, competitiveness and national sovereignty.

Macroeconomic situation in Latin America

Economic performance in the region was slack, and growth

projections continued to be revised downwards. Nevertheless, there were still major differences between countries; in particular, Brazil continued to underperform (Fitch withdrew its investment grade rating, following in the footsteps of Standard & Poor's). Despite the weak economy, some of Latin America's central banks (Colombia, Peru and Chile) were forced to raise their benchmark rates again in a context of currency depreciation and rising inflationary pressure. Mexico's central bank followed the lead of the Federal Reserve and raised its benchmark rate for the first time since the international financial crisis began. This all took place in a context of sliding oil prices and uncertainty about China's economic and financial performance.

Fixed-income markets

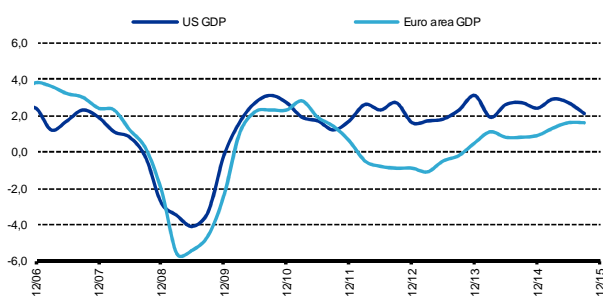
At its December meeting, the Fed raised its benchmark rate for the first time in nine years, to 0.25-0.50%. This unanimous decision was supported by the improvement in the labour market. The Fed stated that subsequent rate increases would be gradual and would be driven by economic indicators. In December, the ECB adopted additional measures to loosen monetary policy. It cut the marginal rate on deposits by 10 bp to -0.30% (another record low), extended the asset purchase programme to March 2017 (it was previously set to expire in September 2016, and increased the range of eligible assets to include regional government debt. However, these measures fell short of market expectations.

As regards long-term fixed income markets, the yield on German public debt remained low, influenced by low inflation and persisting doubts about world economic growth. In contrast, disappointment with the ECB led to upward pressure on German bond yields. US government bond yields also experienced upward pressure due to the ECB's tone, the improvement in the US labour market and, towards year-end, the growing expectation in the market that the Fed would raise rates in December. As a result, yields as of year-end were higher than in the previous year. In non-core Europe, Spain's and Italy's risk premia tightened. In contrast, Portugal's risk premium rose slightly due to the political uncertainty there.

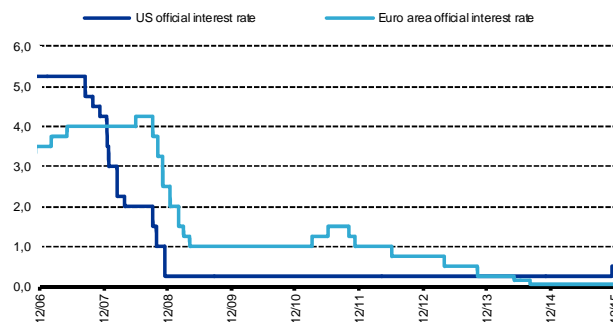
Equity markets

The equity indices in the main advanced economies generally did well in the fourth quarter, following the financial turbulence experienced in the Summer. As a result, the indices corrected part of their poor performance in the previous three months. The DAX rose +11.2%, with Volkswagen gaining +33.2%, after losing half its value in the third quarter because of the emissions scandal, while the Euro STOXX 50 gained +5.4%. In contrast, the IBEX 35 lost -0.2%, affected by political uncertainty. In the US, the S&P500 gained +9.6% (in euro terms) while Japan's Nikkei 225 appreciated by +11.3% (in euro terms), boosted by gains in the Chinese index.

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



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



Exchange rates: parity vs. euro

Fx	31.12.14	31.03.15	30.06.15	30.09.15	31.12.15
USD	1.2141	1.0759	1.1189	1.1203	1.0887
GBP	0.7789	0.7273	0.7114	0.7385	0.7340
MXN	17.8679	16.5124	17.5332	18.9768	18.9145

Income statement

Highlights:

- The group acquired control of TSB on 30 June 2015. As a result, the profit and loss account numbers are not comparable with those of previous periods.
- The group's attributable net profit amounted to €708.4 million (+90.6% year-on-year). Excluding TSB, it amounted to €586.4 million (+57.8% year-on-year).
- Net interest income continue to rise, driven mainly by lower funding costs of both customer deposits and capital markets.
- On-balance sheet customer funds increased both year-on-year and quarter-on-quarter.
- Extraordinary gains in 2015 arising from management of the ALCO portfolio and the badwill on the TSB acquisition were neutralised by additional impairments.

Income statement

(€'000)	Excl. TSB			Total group	
	FY14	FY15	Change (%) YoY	⁽¹⁾ FY15	Change (%) YoY
Net interest income	2,259,706	2,663,210	17.9	3,202,830	41.7
Income from equity method and dividends	8,729	51,707	492.4	51,707	492.4
Net fees and commissions	860,891	924,515	7.4	1,003,344	16.5
Results from financial transactions (net)	1,763,604	1,207,108	-31.6	1,208,161	-31.5
Foreign exchange (net)	99,556	137,926	38.5	137,926	38.5
Other operating income/expense	-191,960	-123,377	-35.7	-125,598	-34.6
Gross operating income	4,800,526	4,861,089	1.3	5,478,370	14.1
Personnel expenses	-1,202,604	-1,219,305	1.4	-1,457,341	21.2
Non-recurrent	-33,309	-35,528	6.7	-39,848	19.6
Recurrent	-1,169,295	-1,183,777	1.2	-1,417,493	21.2
Other general expenses	-570,714	-588,418	3.1	-829,174	45.3
Non-recurrent	-6,865	-8,773	27.8	-23,973	249.2
Recurrent	-563,849	-579,645	2.8	-805,201	42.8
Amortization & depreciation	-278,104	-289,588	4.1	-328,862	18.3
Pre-provisions income	2,749,104	2,763,778	0.5	2,862,993	4.1
Provisions for NPLs	-1,541,051	-1,371,827	-11.0	-1,371,827	-11.0
Other impairments	-958,608	-961,336	0.3	-961,336	0.3
Gains on sale of assets	236,948	-16,960	--	-16,960	--
Badwill	0	231,891	--	231,891	--
Profit before tax	486,393	645,546	32.7	744,761	53.1
Income tax	-109,748	-55,318	-49.6	-32,516	-70.4
Consolidated net profit	376,645	590,228	56.7	712,245	89.1
Minority interest	4,968	3,804	-23.4	3,804	-23.4
Attributable net profit	371,677	586,424	57.8	708,441	90.6
Pro memoria:					
Average total assets (€ million)	163,373	165,827		186,538	
Earnings per share (€)	0.09	0.11		0.13	

(1) The EURGBP exchange rate used for the income statement is 0.7201.

Income statement for the quarter

(€000)	Excl. TSB						Total group		
	4 Q14	1 Q15	2 Q15	3 Q15	Change		3 Q15	Change	
					(1)	(%)		(1) (2)	(%)
					4 Q15	3 Q15		4 Q15	3 Q15
Net interest income	609,659	643,077	655,901	674,125	690,107	2.4	941,315	962,537	2.3
Income from equity method and dividends	9,077	10,352	16,948	13,227	11,180	-15.5	13,227	11,180	-15.5
Net fees and commissions	231,283	225,834	228,213	232,945	237,523	2.0	274,160	275,137	0.4
Results from financial transactions (net)	464,574	736,249	378,019	39,844	52,996	33.0	38,075	55,818	46.6
Foreign exchange (net)	9,111	65,415	16,866	20,196	35,449	75.5	20,196	35,449	75.5
Other operating income/expense	-199,731	-15,074	-1,781	12,806	-119,328	--	11,813	-120,556	--
Gross operating income	1,123,973	1,665,853	1,294,166	993,143	907,927	-8.6	1,298,786	1,219,565	-6.1
Personnel expenses	-296,121	-301,047	-314,458	-303,970	-299,830	-1.4	-416,802	-425,034	2.0
Non-recurrent	-592	-5,572	-19,168	-7,533	-3,255	-56.8	-9,183	-5,925	-35.5
Recurrent	-295,529	-295,475	-295,290	-296,437	-296,575	0.0	-407,619	-419,109	2.8
Other general expenses	-139,341	-146,339	-146,154	-144,781	-151,144	4.4	-265,184	-271,497	2.4
Non-recurrent	-878	-1,124	-1,187	-990	-5,472	452.7	-990	-20,672	--
Recurrent	-138,463	-145,215	-144,967	-143,791	-145,672	1.3	-264,194	-250,825	-5.1
Amortization & depreciation	-72,129	-76,060	-67,390	-72,686	-73,452	1.1	-91,190	-94,222	3.3
Pre-provisions income	616,382	1,142,407	766,164	471,706	383,501	-18.7	525,610	428,812	-18.4
Provisions for NPLs	-410,629	-520,087	-630,449	-109,071	-112,220	2.9	-109,071	-112,220	2.9
Other impairments	-364,043	-386,394	-212,191	-97,026	-265,725	173.9	-97,026	-265,725	173.9
Gains on sale of assets	151,648	9,580	-12,895	-14,170	525	--	-14,170	525	--
Badwill	0	0	207,371	0	24,520	--	0	24,520	--
Profit before tax	-6,642	245,506	118,000	251,439	30,601	-87.8	305,343	75,912	-75.1
Income tax	14,694	-69,757	60,181	-62,842	17,100	--	-77,180	54,240	--
Consolidated net profit	8,052	175,749	178,181	188,597	47,701	-74.7	228,163	130,152	-43.0
Minority interest	219	1,111	573	604	1,516	151.0	604	1,516	151.0
Attributable net profit	7,833	174,638	177,608	187,993	46,185	-75.4	227,559	128,636	-43.5
Promemoria:									
Average total assets (€million)	162,741	166,113	165,960	164,817	166,425		204,223	209,189	
Earnings per share (€)	(3) 0.09	0.04	0.06	0.08	0.11		0.09	0.13	

- (1) In 2015, following the application of IFRIC 21 on accounting for levies, the contributions to the Deposit Guarantee Fund was recognized in profit and loss as a single payment as of year-end instead of being accrued during the year.
- (2) The EURGBP exchange rate used for the income statement is 0.7201.
- (3) YTD at the end of each quarter (not annualised).

Net interest income:

- ➔ Net interest income amounted to €3,202.8 million in 2015, a 41.7% increase year-on-year.
- ➔ Excluding TSB, net interest income amounted to €2,663.2 million in 2015, a 17.9% year-on-year increase, due to lower funding costs (both customer deposits and capital markets).

Customer spread

- ➔ The customer spread stood at 2.75% in the fourth quarter of 2015 (2.67% in 3Q15) while the net interest margin as a percentage of average total assets was 1.83% (1.83% in 3Q15).
- ➔ Excluding TSB, the customer spread was 2.59% in the fourth quarter of 2015 (2.47% in 3Q15) the net interest margin as a percentage of average total assets was 1.65% (1.62% in 3Q15).

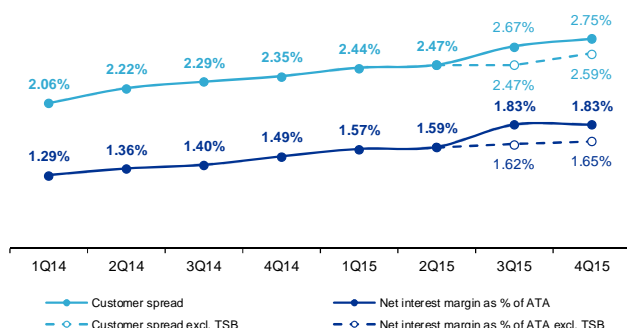
Gains and charges in the quarter

2014 (€million)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter (1)		
	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results
Cash and balance with central banks & fin. inst.	4,277	1.10	12	3,998	1.06	11	4,279	0.91	10	4,480	0.72	8
Loans to customers (net)	108,443	3.50	936	106,317	3.47	921	105,962	3.39	904	105,086	3.32	880
Fixed-income securities	24,137	3.41	203	21,209	3.84	203	22,277	3.65	205	23,208	3.35	196
Equity securities	835	--	--	1,396	--	--	1,402	--	--	1,660	--	--
Tang. & intang. assets	3,905	--	--	3,922	--	--	3,802	--	--	3,423	--	--
Other assets	25,594	0.10	6	24,278	0.10	6	24,777	0.11	7	24,884	0.10	6
Total assets	167,190	2.81	1,157	161,120	2.84	1,141	162,499	2.75	1,126	162,741	2.66	1,090
Financial institutions	16,165	-1.40	-56	13,552	-1.52	-51	10,566	-1.71	-46	12,720	-1.29	-41
Customer deposits	92,164	-1.44	-328	92,504	-1.25	-289	94,121	-1.10	-262	93,502	-0.97	-228
Sight Accounts	30,508	-0.37	-28	32,959	-0.35	-29	35,794	-0.32	-29	36,599	-0.30	-27
Term accounts / Fix term deposits	48,486	-2.26	-270	48,810	-1.98	-241	46,424	-1.71	-201	44,732	-1.56	-176
Ofex inv. / Foreign S.	4,701	-0.76	-9	4,792	-0.89	-11	5,173	-0.24	-3	5,693	-0.60	-9
Others	8,470	-1.04	-22	5,943	-0.61	-9	6,731	-1.70	-29	6,478	-0.98	-16
Capital markets	27,506	-3.54	-240	27,239	-3.51	-238	26,563	-3.41	-228	26,315	-3.05	-202
Repos	9,320	-0.68	-16	6,667	-0.71	-12	9,825	-0.47	-12	8,574	-0.47	-10
Other liabilities	11,838	0.43	13	10,296	-0.15	-4	10,385	-0.17	-5	10,640	0.05	1
Shareholders' equity	10,196	--	--	10,861	--	--	11,040	--	--	10,990	--	--
Total funds	167,190	-1.52	-627	161,120	-1.48	-595	162,499	-1.35	-552	162,741	-1.17	-481
Net interest income			530			546			574			610
Customer spread		2.06			2.22			2.29			2.35	
Net interest margin as % of ATA		1.29			1.36			1.40			1.49	

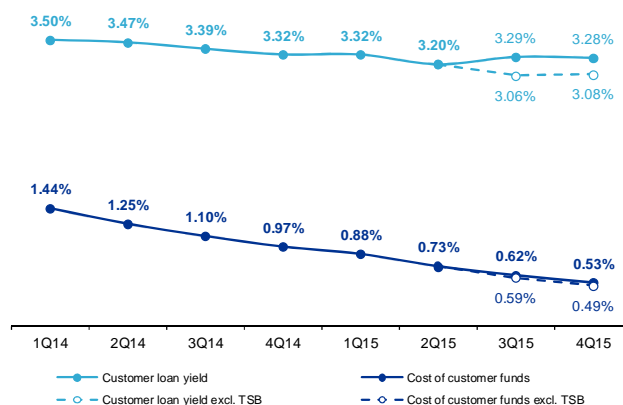
2015 (€million)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter (1)		
	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results	Avg.balance	Rate %	Results
Cash and balance with central banks & fin. inst.	4,507	0.69	8	4,239	0.72	8	10,017	0.58	15	10,594	0.46	12
Loans to customers (net)	105,699	3.32	866	106,085	3.20	845	135,423	3.29	1,122	137,816	3.28	1,140
Fixed-income securities	26,659	2.94	193	26,000	2.87	186	28,003	2.73	193	28,860	2.64	192
Equity securities	1,466	--	--	1,765	--	--	1,292	--	--	1,207	--	--
Tang. & intang. assets	3,713	--	--	3,486	--	--	4,795	--	--	4,900	--	--
Other assets	24,069	0.18	10	24,384	0.19	12	24,693	0.37	23	25,812	0.27	18
Total assets	166,113	2.63	1,077	165,960	2.54	1,050	204,223	2.63	1,353	209,189	2.58	1,362
Financial institutions	15,819	-1.06	-41	16,683	-0.91	-38	18,933	-0.74	-35	18,554	-0.56	-26
Customer deposits	92,351	-0.88	-200	93,214	-0.73	-170	126,975	-0.62	-198	127,756	-0.53	-171
Sight Accounts	37,643	-0.27	-25	41,172	-0.24	-25	43,545	-0.19	-21	45,572	-0.20	-23
Term accounts / Fix term deposits	42,176	-1.47	-153	39,332	-1.27	-125	36,054	-1.06	-96	33,338	-0.86	-72
Ofex inv. / Foreign S.	6,442	-0.52	-8	6,765	-0.47	-8	42,023	-0.65	-69	43,203	-0.61	-67
Others	6,090	-0.88	-13	5,945	-0.81	-12	5,354	-0.82	-11	5,643	-0.64	-9
Capital markets	25,896	-2.71	-173	25,814	-2.56	-165	25,989	-2.35	-154	29,439	-2.27	-169
Repos	10,118	-0.42	-11	8,425	-0.43	-9	9,768	-0.28	-7	10,179	-0.59	-15
Other liabilities	10,323	-0.34	-9	9,486	-0.54	-13	10,313	-0.67	-17	10,468	-0.72	-19
Shareholders' equity	11,606	--	--	12,337	--	--	12,246	--	--	12,793	--	--
Total funds	166,113	-1.06	-434	165,960	-0.95	-394	204,223	-0.80	-411	209,189	-0.75	-400
Net interest income			643			656			941			963
Customer spread		2.44			2.47			2.67			2.75	
Net interest margin as % of ATA		1.57			1.59			1.83			1.83	

(1) The EURGBP exchange rate used for the income statement is 0.7201, while that used for the balance sheet is 0.7340 (position as of 31.12.15).

Net interest income (%)



Customer spread (%)



Income from equity method and dividends:

→ This item amounted to €51.7 million in 2015, compared with €8.7 million in 2014. Those revenues are due mainly to the insurance and pension fund business.

Net fees and commissions:

→ Net fees and commissions amounted to €1,003.3 million in 2015 (+16.5% year-on-year).

→ Excluding TSB, this item amounted to €924.5 million in 2015 (+7.4% year-on-year).

→ In particular, mutual fund, pension fund and insurance fees together increased by 30.8% with respect to 2014, due to sustained growth in mutual fund assets, which stood at €21,427.3 million as of 31 December 2015, a 36.4% increase year-on-year.

Net fees and commissions

	Excl. TSB			Total group			Excl. TSB			Total group		
	3 Q15	4 Q15	Change (%)	(1)	(1)	Change (%)	FY 14	FY 15	Change (%)	FY 15	2014	Change (%)
(€000)												
Lending fees	27,812	28,102	1.0	56,314	56,212	-0.2	115,982	113,097	-2.5	169,709	169,709	46.3
Guarantees commissions	26,636	25,858	-2.9	26,636	25,858	-2.9	105,124	104,017	-1.1	104,017	104,017	-1.1
Transferred to other entities	-247	-237	-4.0	-247	-237	-4.0	-1,896	-1,091	-4.12	-1,091	-1,091	-4.12
Risk transaction fees	54,201	53,723	-0.9	82,703	81,833	-1.1	219,250	216,023	-1.5	272,635	272,635	24.3
Cards	39,960	37,294	-6.7	60,344	56,157	-6.9	146,273	152,626	4.3	191,873	191,873	31.2
Payment orders	12,201	12,634	3.5	12,201	12,634	3.5	45,992	48,287	5.0	48,287	48,287	5.0
Securities	18,297	25,757	40.8	18,297	25,757	40.8	79,795	84,869	6.4	84,869	84,869	6.4
Sight accounts	19,993	20,106	0.6	22,337	28,617	28.1	85,875	80,843	-5.9	91,698	91,698	6.8
Other transactions	23,149	17,871	-22.8	13,134	1	-100.0	93,508	93,058	-0.5	65,173	65,173	-30.3
Commissions for services	113,600	113,662	0.1	126,313	123,166	-2.5	451,443	459,683	1.8	481,900	481,900	6.7
Mutual funds	39,857	39,244	-1.5	39,857	39,244	-1.5	123,163	155,633	26.4	155,633	155,633	26.4
Pension funds and insurance brokerage	25,287	30,894	22.2	25,287	30,894	22.2	67,035	93,176	39.0	93,176	93,176	39.0
Mutual and pension fund and insurance commissions	65,144	70,138	7.7	65,144	70,138	7.7	190,198	248,809	30.8	248,809	248,809	30.8
Total	232,945	237,523	2.0	274,160	275,137	0.4	860,891	924,515	7.4	1,003,344	1,003,344	16.5

(1) The EURGBP exchange rate used for the income statement is 0.7201.

Results from financial transactions (net):

- This item amounted to €1,208.2 million in 2015 (€1,207.1 million excluding TSB), including €1,045.5 million in gains on the sale of available-for-sale fixed-income financial assets and €150.4 million in trading income.
- In 2014, income from financial transactions amounted to €1,763.6 million, including €1,860.7 million in gains on the sale of available-for-sale fixed-income financial assets and €43.0 million in trading income.

Foreign exchange (net):

- This item amounted to €137.9 million in 2015, an increase of 38.5% year-on-year.

Operating expenses

(€000)	Excl. TSB			Total group			Excl. TSB			Total group		
	3 Q15	4 Q15	Change (%)	3 Q15	4 Q15	Change (%)	FY 14	FY 15	Change (%)	FY 15	Change (%)	
Recurrent	-296,437	-296,575	0.0	-407,619	-419,109	2.8	-1,169,295	-1,183,777	1.2	-1,417,493	21.2	
Non-recurrent	-7,533	-3,255	-56.8	-9,183	-5,925	-35.5	-33,309	-35,528	6.7	-39,848	19.6	
Personnel expenses	-303,970	-299,830	-1.4	-416,802	-425,034	2.0	-1,202,604	-1,219,305	1.4	-1,457,341	21.2	
IT and communications	-34,304	-33,958	-1.0	-49,545	-48,057	-3.0	-127,453	-136,491	7.1	-165,831	30.1	
Advertising	-9,863	-13,772	39.6	-33,853	-32,312	-4.6	-38,765	-44,967	16.0	-87,497	125.7	
Premises and office supplies	-38,627	-36,361	-5.9	-69,351	-65,771	-5.2	-152,826	-150,886	-1.3	-211,020	38.1	
Taxes other than income tax	-24,595	-24,534	-0.2	-24,649	-24,608	-0.2	-99,385	-101,006	1.6	-101,134	1.8	
Others	-37,392	-42,519	13.7	-87,786	-100,749	14.8	-152,285	-155,068	1.8	-263,692	73.2	
Other general expenses	-144,781	-151,144	4.4	-265,184	-271,497	2.4	-570,714	-588,418	3.1	-829,174	45.3	
Total	-448,751	-450,974	0.5	-681,986	-696,531	2.1	-1,773,318	-1,807,723	1.9	-2,286,515	28.9	

(1) The EURGBP exchange rate used for the income statement is 0.7201.

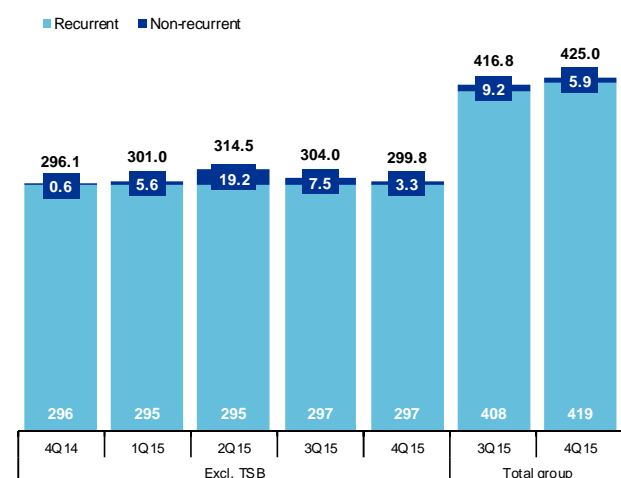
Other operating income/expenses:

- Other operating income/expenses amounted to -€125.6 million in 2015 (-€123.4 million excluding TSB), including mainly a contribution of -€86.0 million to the Deposit Guarantee Fund and a contribution of -€43.5 million to the national resolution fund.
- In 2014, other operating income/expenses amounted to -€192.0 million, including notably a -€158.4 million contribution to the Deposit Guarantee Fund.

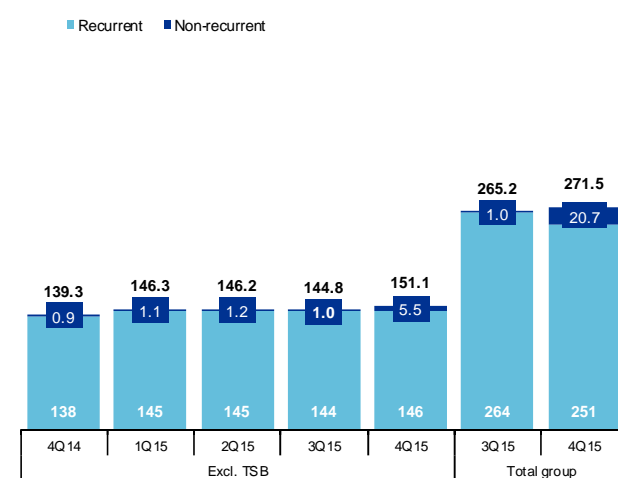
Operating expenses:

- Operating expenses amounted to €2,286.5 million in 2015, including €63.8 million in non-recurrent expenses.
- Excluding TSB, operating expenses amounted to €1,807.7 million, including €44.3 million in non-recurrent expenses.

Personnel expenses (€mn)



Other general expenses (€mn)



Cost/income ratio:

- The cost/income ratio performed well in 2015, ending the year at 50.45% (46.16% excluding TSB), compared with 53.15% in 2014 (considering only recurrent trading income and exchange differences in both years).

Pre-provision income:

- Pre-provision income amounted to €2,863.0 million in 2015 (€2,763.8 million excluding TSB), a 4.1% increase year-on-year (0.5% excluding TSB).

Provisions for NPLs and other impairments:

- Provisions for NPLs and other impairments amounted to €2,333.2 million in 2015 (€2,499.7 million in 2014); in both years, higher trading income from the ALCO portfolio and the badwill on the TSB acquisition were neutralised by additional impairments. In the fourth quarter, highlight the provisions amounting to -€71.2 million booked for impairment of the stake in BCP and the coverage of Sareb exposure increases above 15%.

Gains on sale of assets:

- Gains on sale of assets amounted to -€17.0 million in 2015 (€236.9 million in 2014). Capital losses on asset disposals in 2015 include mainly losses on the sale of real estate used by the bank.
- Capital gains from asset disposals in 2014 included mainly €162 million in capital gains from the sale of the debt collection business and an extraordinary

revenue of €80 million (net of arrangement expenses) from the signature of a reinsurance agreement with SCOR Global Life for Mediterraneo Vida's individual death benefit portfolio.

Badwill:

- The TSB acquisition generated €231.9 million in badwill (net of taxes) in 2015. As part of the Purchase Price Allocation exercise, the expected loss on the customer loan book was estimated in order to adjust it to its estimated fair value, and intangible assets were identified at a value that reflects the value of the contractual rights arising from relations with TSB customers for core deposits, plus a value for the TSB brand.

Income tax:

- The effective tax rate at 2015 year-end was affected mainly by recognition of the badwill on the TSB acquisition and the change in tax regulations in the UK in connection with the applied tax rate.

Net profit:

- Net profit attributable to the group amounted to €708.4 million in 2015, 90.6% more than in 2014 (€371.7 million).
- Excluding TSB, net profit attributable to the group amounted to €586.4 million in 2015, 57.8% more than in 2014.

Balance sheet

Highlights:

- ➔ The group acquired control of TSB on 30 June 2015. As a result, the balance sheet numbers are not comparable with those of previous periods.
- ➔ Gross loans and advances to customers increased in 2015 due to adding TSB. Growth in the fourth quarter was due mainly to addition of the UKAR portfolio.
- ➔ On-balance sheet customer funds increased slightly both year-on-year and quarter-on-quarter.
- ➔ The position with the ECB (TLTRO) amounted to €11,000 million as of 31 December 2015.

Balance sheet

(€million)	31.12.14	(4)		Change (%)	
		30.09.15	31.12.15	31.12.14	30.09.15
Cash and balance with Central Banks	1,190	7,590	6,139	46.0	-19.1
Trading and derivatives portfolios and other financial assets	3,253	3,258	3,098	-4.8	-4.9
Available-for-sale financial assets	21,096	25,750	23,460	11.2	-8.9
Loans and advances	117,895	147,339	154,754	31.3	5.0
Balances with financial institutions	4,623	3,847	6,206	34.2	61.3
Loans to customers (net)	110,836	141,379	146,816	32.5	3.8
Debt securities	2,436	2,114	1,732	-28.9	-18.0
Investments in associated companies	513	297	341	-33.6	14.7
Property, plant and equipment	3,983	4,245	4,189	5.2	-1.3
Intangible assets	1,591	2,021	2,081	30.7	3.0
Other assets	13,824	14,640	14,566	5.4	-0.5
Total assets	163,346	205,141	208,628	27.7	1.7
Trading and derivatives portfolios	2,254	2,308	2,335	3.6	1.2
Financial liabilities at amortised cost	145,580	186,014	189,469	30.1	1.9
Central banks	7,202	11,460	11,566	60.6	0.9
Credit institutions	16,288	18,331	14,725	-9.6	-19.7
Customer deposits	98,208	131,573	132,876	35.3	1.0
Debt and other tradable securities	20,196	20,508	26,407	30.7	28.8
Subordinated liabilities	1,012	1,494	1,473	45.5	-1.5
Other financial liabilities	2,673	2,649	2,422	-9.4	-8.5
Liabilities under insurance contracts	2,390	2,261	2,218	-7.2	-1.9
Provisions	395	387	346	-12.4	-10.6
Other liabilities	1,510	1,804	1,492	-1.2	-17.3
Subtotal liabilities	152,130	192,775	195,860	28.7	1.6
Shareholders' equity	10,224	12,080	12,275	20.1	1.6
Valuation adjustments	937	249	456	-51.4	82.8
Minority interest	55	38	37	-32.3	-1.3
Equity	11,216	12,366	12,768	13.8	3.2
Total liabilities and equity	163,346	205,141	208,628	27.7	1.7
Contingent risks	9,133	8,435	8,356	-8.5	-0.9
Contingent liabilities	14,770	20,771	21,131	43.1	1.7

- (1) Balances with financial institutions include the following amounts of repos: €1,420 million as of 31.12.14, €1,223 million as of 30.09.15 and €3,102 million as of 31.12.15
(2) Deposits with central banks and credit institutions include the following amounts of repos: €7,429 million as of 31.12.14, €9,925 million as of 30.09.15 and €7,181 million as of 31.12.2015
(3) Includes other capital instruments (€734 million as of 31.12.14, €277 million as of 30.09.14 and €14 million as of 31.12.15), mainly mandatory convertible bonds.
(4) The EURGBP exchange rate used for the balance sheet is 0.7385 as of 30.09.15 and 0.7340 as of 31.12.15.

Assets:

- ➔ The Banco Sabadell group's total assets increased by 27.7% year-on-year to €208,627.8 million. Excluding TSB, the increase was 1.2% year-on-year (to €164,249.6 million).

Loans to customers:

→ Gross loans to customers, excluding repos, non-performing loans and accrual adjustments amounted to €140,367.8 million as of 2015 year-end. This balance increased by 37.1% year-on-year, mainly due to the acquisition of TSB. The balance increased by 4.0% quarter-on-quarter due to the addition of the UKAR portfolio and to growth in mortgage lending at TSB, driven by the success of the brokerage platform launched early in 2015.

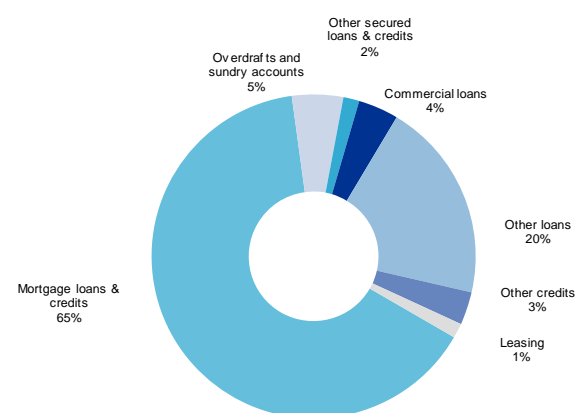
→ Without considering TSB, gross loans and advances to customers, excluding repos, non-performing loans and accrual adjustments, amounted to €104,536.6 million as of 31 December 2015, a 2.1% increase year-on-year.

Loans to customers

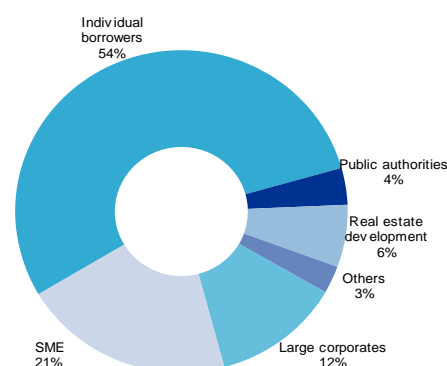
(€million)	Excl. TSB					Total group				
	31.12.14		30.09.15		31.12.15	Change (%)		(1)	Change (%)	
	31.12.14	30.09.15	31.12.14	30.09.15		31.12.14	30.09.15		31.12.14	30.09.15
Mortgage loans & credits	57,112	55,998	57,836	1.3	3.3	83,094	90,539	58.5	9.0	
Other secured loans & credits	2,155	2,350	2,201	2.1	-6.3	2,350	2,201	2.1	-6.3	
Commercial loans	4,867	4,732	5,411	11.2	14.3	4,994	5,665	16.4	13.4	
Other loans	24,195	26,184	26,304	8.7	0.5	27,865	28,092	16.1	0.8	
Other credits	4,188	4,937	4,593	9.7	-7.0	4,937	4,593	9.7	-7.0	
Leasing	2,124	2,038	2,070	-2.6	1.6	2,038	2,070	-2.6	1.6	
Overdrafts and sundry accounts	7,738	8,638	6,122	-20.9	-29.1	9,695	7,207	-6.9	-25.7	
Performing gross loans to customers (excluding repos and accrual adjustments)	102,380	104,876	104,537	2.1	-0.3	134,973	140,368	37.1	4.0	
Non-performing loans	15,714	13,025	12,254	-22.0	-5.9	13,248	12,470	-20.6	-5.9	
Accruals	-130	-133	-156	19.4	16.9	-126	-141	8.4	12.4	
Performing gross loans to customers (excluding repos)	117,964	117,768	116,635	-1.1	-1.0	148,095	152,697	29.4	3.1	
Reverse repos	588	531	728	24.0	37.2	531	728	24.0	37.2	
Gross loans to customers	118,552	118,299	117,363	-1.0	-0.8	148,625	153,425	29.4	3.2	
NPL and country-risk provisions	-7,716	-7,007	-6,426	-16.7	-8.3	-7,247	-6,610	-14.3	-8.8	
Loans to customers (net)	110,836	111,292	110,937	0.1	-0.3	141,379	146,816	32.5	3.8	

(1) The EURGBP exchange rate used for the balance sheet is 0.7385 as of 30.09.15 and 0.7340 as of 31.12.15.

Loans to customers by product type, 31.12.15 (%) (*)



Loans to customers by customers type, 31.12.15 (%)



(*) Excluding NPLs and accrual adjustments.

Liabilities:

Customer funds:

- ➔ At the end of 2015, on-balance sheet customer funds amounted to €131,489.2 million (€96,227.0 million excluding TSB), a 39.2% increase year-on-year (1.9% excluding TSB).
- ➔ Sight accounts amounted to €84,536.1 million (€53,849.5 million excluding TSB), i.e. a 95.3% increase year-on-year (24.4% excluding TSB).
- ➔ Term deposits amounted to €46,376.3 million (€41,800.8 million excluding TSB), i.e. 13.1% less than at 2014 year-end (21.7% less excluding TSB). Changes in interest rates in the financial markets led to a change in the composition of customer balances (between term deposits and sight accounts) and a transfer of customer funds off the balance sheet.
- ➔ Off-balance sheet customer funds amounted to €37,381.1 million, a 23.0% increase year-on-year.

Within this item, assets in mutual funds increased steadily to €21,427.3 million as of 31 December 2015, a 36.4% increase year-on-year.

- ➔ The balance of assets under management also increased significantly, to €4,001.9 million (+37.1% year-on-year).

Debt and other tradable securities:

- ➔ As of 31 December 2015, this item amounted to €26,406.6 million (€22,455.9 million excluding TSB), compared with €20,196.3 million as of 2014 year-end.
- ➔ This 30.7% increase year-on-year is due mainly to the net increase in the balance of bonds issued by TSB's securitisation funds.

Funds under management:

- ➔ Funds under management amounted to €200,355.1 million (€160,605.2 million excluding TSB), compared with €152,185.4 million in 2014, a 31.7% increase year-on-year (5.5% excluding TSB).

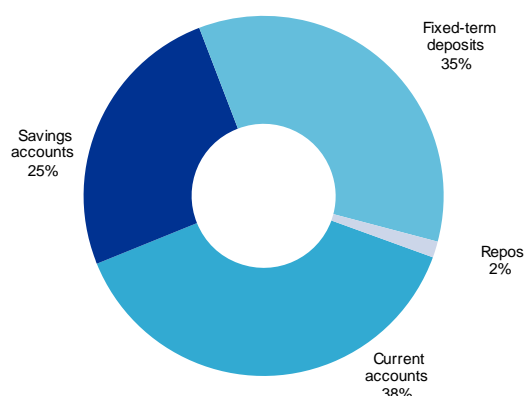
Customer funds

(€million)			Excl. TSB		Change (%)		Total group		Change (%)	
	31.12.14	30.09.15	31.12.15	31.12.14	30.09.15	(2)	(2)	31.12.15	31.12.14	30.09.15
On-balance sheet customer funds	(1) 94,461	95,576	96,227	1.9	0.7	129,957	131,489	39.2	1.2	
Customer deposits	98,208	96,627	97,625	-0.6	1.0	131,573	132,876	35.3	1.0	
Current accounts	31,099	39,101	39,405	26.7	0.8	50,321	50,889	63.6	1.1	
Savings accounts	12,176	13,644	14,445	18.6	5.9	32,405	33,647	176.3	3.8	
Fixed-term deposits	53,396	42,965	41,801	-21.7	-2.7	47,365	46,376	-13.1	-2.1	
Repos	1,292	757	1,951	51.0	157.8	1,334	1,951	51.0	46.2	
Accruals	448	336	227	-49.4	-32.5	336	227	-49.4	-32.5	
Derivative hedging adjustments	-202	-175	-202	0.2	15.8	-188	-213	5.6	13.8	
Debt and other tradable securities	20,196	20,494	22,456	11.2	9.6	20,508	26,407	30.7	28.8	
Subordinated liabilities	1,012	938	925	-8.6	-1.4	1,494	1,473	45.5	-1.5	
Liabilities under insurance contracts	2,390	2,261	2,218	-7.2	-1.9	2,261	2,218	-7.2	-1.9	
On-balance sheet funds	121,807	120,320	123,224	1.2	2.4	155,837	162,974	33.8	4.6	
Mutual funds	15,706	20,390	21,427	36.4	5.1	20,390	21,427	36.4	5.1	
Equity funds	954	1,251	1,418	48.7	13.4	1,251	1,418	48.7	13.4	
Balanced funds	1,695	3,906	4,272	152.0	9.4	3,906	4,272	152.0	9.4	
Fixed-income funds	3,830	4,372	4,328	13.0	-1.0	4,372	4,328	13.0	-1.0	
Guaranteed return funds	3,794	3,370	3,380	-10.9	0.3	3,370	3,380	-10.9	0.3	
Real estate funds	9	39	67	--	74.0	39	67	--	74.0	
Dedicated investment companies	1,725	1,919	1,994	15.6	3.9	1,919	1,994	15.6	3.9	
Third-party funds	3,699	5,532	5,968	61.4	7.9	5,532	5,968	61.4	7.9	
Managed accounts	2,918	3,770	4,002	37.1	6.1	3,770	4,002	37.1	6.1	
Pension funds	4,335	4,242	4,305	-0.7	1.5	4,242	4,305	-0.7	1.5	
Individual	2,862	2,774	2,760	-3.6	-0.5	2,774	2,760	-3.6	-0.5	
Company	1,457	1,452	1,530	5.0	5.3	1,452	1,530	5.0	5.3	
Group	16	16	16	-1.8	-0.6	16	16	-1.8	-0.6	
Third-party insurance products	7,421	7,314	7,647	3.0	4.5	7,314	7,647	3.0	4.5	
Off-balance sheet customer funds	30,379	35,716	37,381	23.0	4.7	35,716	37,381	23.0	4.7	
Funds under management	152,185	156,036	160,605	5.5	2.9	191,553	200,355	31.7	4.6	

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

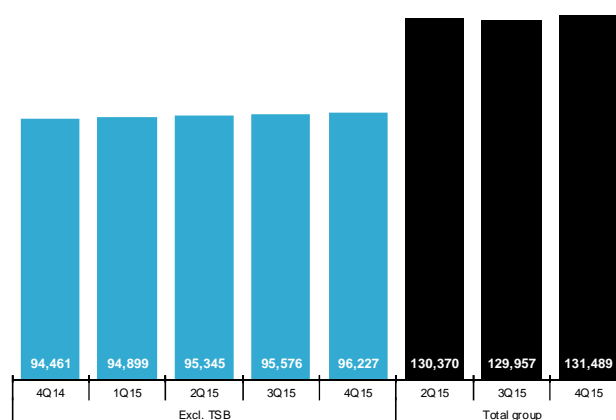
(2) The EURGBP exchange rate used for the balance sheet is 0.7385 as of 30.09.15 and 0.7340 as of 31.12.15.

Customer deposits, 31.12.15 (%) (*)



(*) Excluding adjustments for accruals and hedging derivatives.

Customer-based funding on balance sheet (€mn)



Shareholder's equity:

→ As of 2015 year-end, shareholders' equity amounted to €12,767.7 million. In 2015, capital increase was concluded in April by €1,607 million and €783.9

million of mandatory subordinated convertible bonds were converted to shares.

Shareholder's equity

(€million)	31.12.14	30.09.15	31.12.15	Change	
				31.12.14	30.09.15
Shareholders' equity	10,224	12,080	12,275	2,051	195
Issued capital	503	665	680	177	15
Reserves	8,702	10,838	11,111	2,408	273
Other equity instruments	734	278	14	-720	-263
Less: treasury shares	(1)	-87	-238	-151	42
Attributable net profit	372	580	708	337	129
Less: dividends and payments	0	0	0	0	0
Valuation adjustments	937	249	456	-482	206
Minority interest	55	38	37	-18	-1
Equity	11,216	12,366	12,768	1,552	401

(1) Relates mainly to the issuance of mandatory convertible bonds.

Risk management

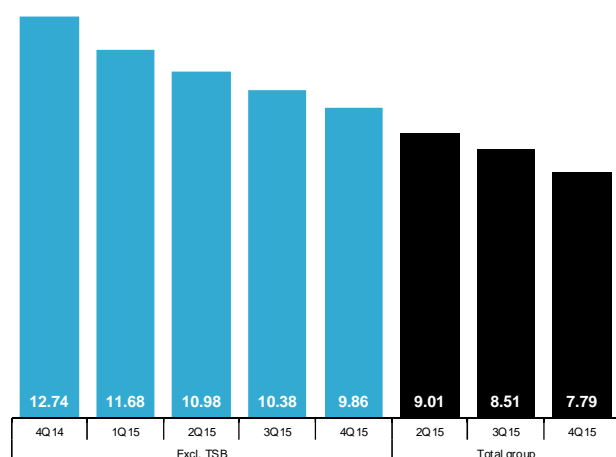
Highlights:

- The NPL ratio was reduced to 7.79% as of 2015 year-end (-495bp year-on-year and -72bp quarter-on-quarter). Excluding TSB, the NPL ratio was 9.86% (-288bp year-on-year and -52bp quarter-on-quarter).
- NPL coverage ratio improved to 53.64% as of 2015 year-end (53.10% excluding TSB), compared with 49.44% as of 2014 year-end.
- Problematic assets continued to decline in the quarter (€771 million excluding TSB).
- Coverage of foreclosed real estate assets stood at 43.8%.

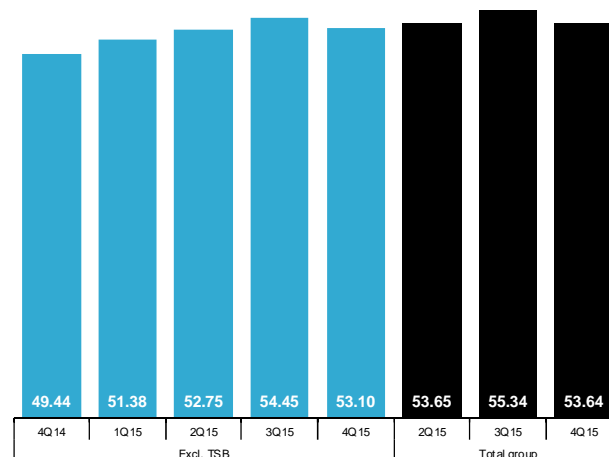
Loan-loss ratio and coverage:

- The group's NPL ratio continued to decline in the quarter due to the sharp reduction in doubtful balances, while reserves for problem assets increased to comfortable levels.
- Non-performing loans declined by €778.0 million quarter-on-quarter and €3,565.7 million year-on-year. As of 2015 year-end, the Banco Sabadell group had €12,344.2 million in doubtful exposures.
- Problematic assets declined by €771.3 million quarter-on-quarter and €3,179.7 million year-on-year. As of 2015 year-end, the Banco Sabadell group had €21,578.6 million in problematic assets.

NPL ratio (%)



NPL coverage ratio (%)



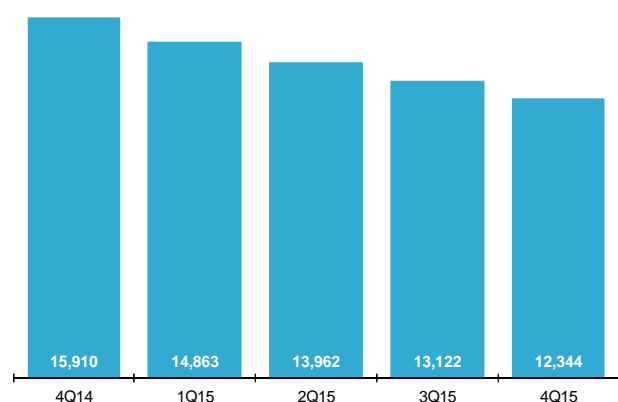
NPL ratios by segment (*)

Excl. TSB	4Q14	1Q15	2Q15	3Q15	4Q15
Real estate development and/or construction purposes	52.17%	49.21%	47.21%	47.84%	38.81%
Construction purposes non-related to real estate dev.	8.08%	9.03%	8.74%	8.58%	14.36% (1)
Large corporates	6.46%	6.55%	6.14%	5.41%	4.62%
SM E and small retailers and self-employed	12.60%	12.20%	11.96%	11.38%	10.83%
Individuals with 1st mortgage guarantee assets	9.25%	9.12%	8.76%	8.27%	7.83%
NPL ratio	12.74%	11.68%	10.98%	10.38%	9.86%

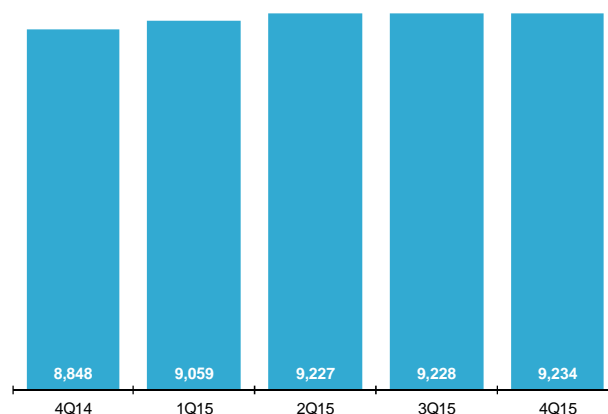
(*) NPL ratio is calculated including contingent risk and 20% of the APS.

(1) Impacted by a very specific new entry.

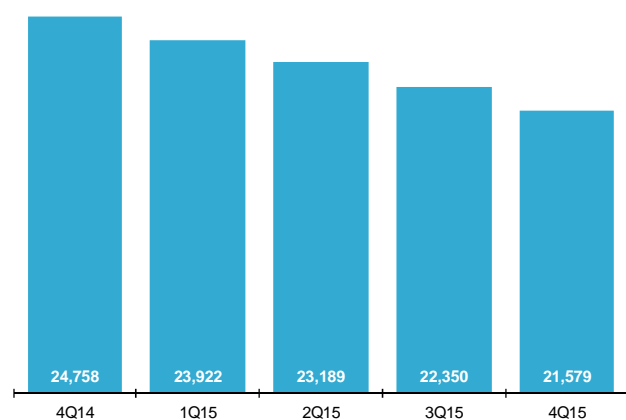
NPL exposures excl. TSB (€mn)



Real estate assets excl. TSB (€mn)



Problematic assets excl. TSB (€mn)



The table below shows the performance of the group's problematic assets, whose decline has accelerated in recent quarters.

Evolution of NPLs and RE assets ex. TSB (*)

(€million)	4 Q 14	1 Q 15	2 Q 15	3 Q 15	4 Q 15
Entries	1,091	755	740	735	729
Recoveries	-1,660	-1,557	-1,471	-1,275	-1,273
Ordinary net entries	-569	-802	-731	-540	-544
Change in real estate assets	279	211	167	1	7
Net entries plus change in real estate assets	-290	-591	-563	-539	-537
Write-offs	298	245	170	300	234
Real estate assets and NPL quarterly change	-588	-836	-733	-839	-771

(*) NPL ratio is calculated including contingent risk and 20% of the APS.

Refinanced and restructured loans

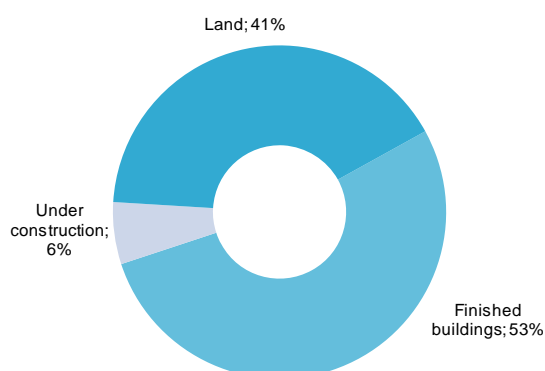
The outstanding balance of refinanced and restructured loans as of 31 December 2015 is as follows:

(€million)	Standard risks	Substandard risks	Doubtful risks	Total
Public authorities	83	0	6	90
Corporate and entrepreneurs	2,210	2,603	4,562	9,375
Of which: Financing for construction and real estate development	243	407	2,227	2,877
Individual borrowers	1,898	1,728	1,726	5,352
Total	4,191	4,331	6,294	14,816
Provisions	0	668	2,492	3,160

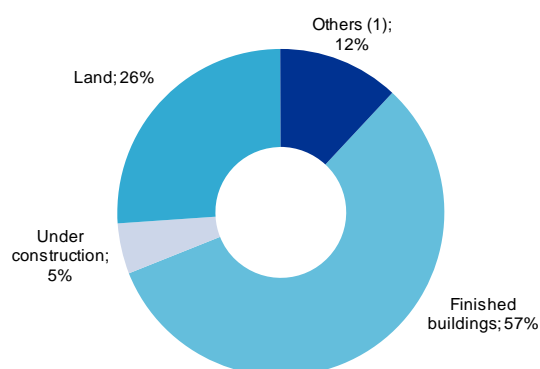
Real Estate portfolio breakdown by asset class:

The breakdown, as of 31 December 2015, by asset class of the real estate portfolio and developer loans, is as follows:

Foreclosed assets, 31.12.15



Developer loans, 31.12.15



(1) Includes other guarantees.

Capital management and credit ratings

Highlights:

- The phase-in Common Equity Tier 1 (CET 1) ratio was 11.5% as of 2015 year-end.
- The fully-loaded Common Equity Tier 1 (CET1) ratio was 11.4% as of 31 December 2015.
- The capital increase that concluded in April increased CET1 by €1,607 million.
- A total of €783.9 million of mandatory convertible subordinated bonds were converted to shares in 2015 (€323.9 million in the fourth quarter), which increased the balance of capital and reserves; this effect is not reflected in the ratio, as this conversion has reduced the Lower Tier 1 balance which offsets the excess of deductions, thereby neutralising their effect.
- Risk-weighted assets (RWA) amounted to €88,769,713 thousand euro, an increase of 19.28% year-on-year, mainly as a result of the TSB acquisition.
- The minimum CET1 ratio required by the regulator is 9.25%.
- In the fourth quarter of 2015, Standard & Poor's Ratings Services improved the outlook on Banco Sabadell to stable (from negative) and affirmed the long-term rating at BB+ and the short-term rating at B.

Capital ratios

(€million)	31.12.14	31.12.15
Issued capital	503	680
Reserves	8,856	11,429
Minority interest	29	24
Deductions	-684	-1,924
Common Equity Tier 1	8,703	10,209
Common Equity Tier 1	11.7%	11.5%
Preferred Shares and convertible bonds	825	78
Deductions	-825	-78
Primary capital	8,703	10,209
Tier I	11.7%	11.5%
Secondary capital	839	1,208
Tier II	1.1%	1.4%
Total capital	9,542	11,417
Minimum capital requirement	5,953	7,101
Capital surplus	3,588	4,316
Total capital ratio	12.8%	12.9%
Risk weighted assets (RWA)	74,418	88,769

Credit ratings:

On 2 December 2015, Standard & Poor's Ratings Services improved the outlook on Banco Sabadell to stable (from negative) and affirmed the long-term rating at BB+ and the short-term rating at B. The agency also raised the bank's

Stand Alone Credit Profile (SACP) by one notch to bb+ (from bb) due to the improvement in the bank's risk profile, offsetting the elimination of one notch for government support which Banco Sabadell had enjoyed up to that date.

Agency	Date	Long term	Short term	Outlook
DBRS	29.09.2015	BBB (high)	R-1 (low)	Stable
Standard & Poor's ⁽¹⁾	2.12.2015	BB+	B	Stable
Moody's	17.06.2015	Ba1	NP	Stable

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Liquidity management

Other key developments:

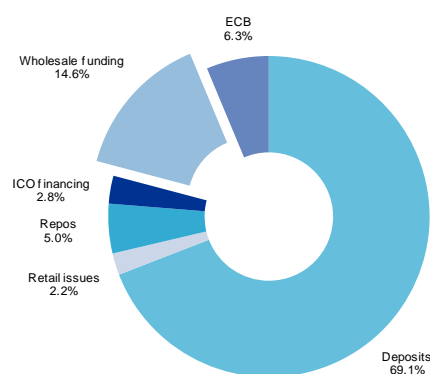
→ The adjusted loan-to-deposits ratio was 106.5% as of 31 December 2015 (108.2% excluding TSB), with a balanced retail funding structure.

→ The Liquidity Coverage Ratio (LCR) was above 100% as of 31 December 2015.

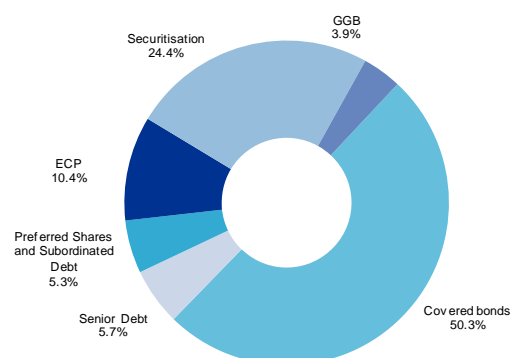
(€ million)	31.12.14	31.12.15 (1)
Gross loans to customers, excluding repos	117,964	152,697
NPL and country-risk provisions	-7,716	-6,610
Brokered loans	-7,869	-6,069
Adjusted net loans and advances	102,380	140,018
On-balance sheet customer funds	94,461	131,489
Loan-to-deposits ratio (%)	108.4	106.5

(1) The EURGBP exchange rate used for the balance sheet is 0.7340 as of 31.12.15.

Funding structure, 31.12.15



Wholesale funding breakdown, 31.12.15



Wholesale maturity calendar

(€million)	2016	2017	2018	2019	2020	2021	2022	>2022	Outstanding balance
Covered bonds (CH)	2,876	2,022	1,561	1,124	2,172	2,013	1,119	739	13,628
GGB	0	1,058	0	0	0	0	0	0	1,058
Senior Debt	1,412	0	100	0	0	0	25	0	1,537
Preferred Shares and Subordinated Debt	300	66	0	0	425	565	0	33	1,388
Other mid- and long-term financial instruments	0	0	18	0	0	10	0	6	34
Total	4,587	3,146	1,679	1,124	2,597	2,589	1,144	779	17,645

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 separate financial statements of each group company, on consolidation eliminations and adjustments, and on 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 aggregate 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 risk assets.

31.12.2014	Gross operating income (€'000)	Profit before tax (€'000)	ROE	Cost / income ratio	Employees	Domestic branches
Banking business Spain	4,588,408	1,422,080	13.1%	63.9%	16,046	2,285
Real Estate asset transformation	3,377	-997,472	-39.3%	--	668	0
Banking business UK (*)	0	0	--	--	0	0
Banking business America (**)	176,983	48,633	10.8%	58.0%	692	28
		473,241 (***)				

31.12.2015	Gross operating income (€'000)	Profit before tax (€'000)	ROE	Cost / income ratio	Employees	Domestic branches
Banking business Spain	4,519,120	1,427,296	14.1%	52.8%	16,260	2,224
Real Estate asset transformation	61,497	-844,207	-20.0%	--	712	0
Banking business UK (*)	614,728	61,662	5.3%	77.9%	8,224	614
Banking business America (**)	244,765	80,982	14.5%	54.1%	764	28
		725,733 (***)				

(*) TSB (6 months' earnings). The exchange rate used for the balance sheet is GBP 0.7340 and that for the income statement is GBP 0.7201. Accounting own funds used for ROE purposes.

(**) The exchange rate used is USD 1.0887 in 2015 and USD 1.2141 in 2014.

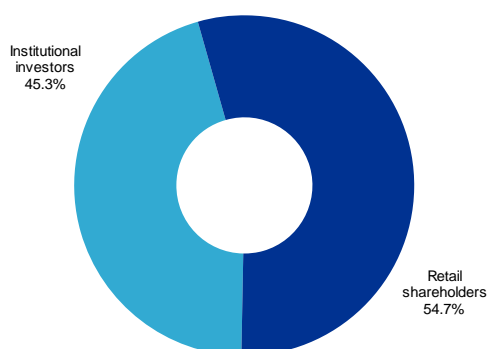
(***) The reconciliation with total group results must include other geographies not shown here, and the tax effect.

Share price performance

	31.12.14	31.12.15	Change (%) YoY
Shareholders and trading			
Number of shareholders	231,481	265,935	14.9
Number of shares	4,024,460,614	5,439,244,992	35.2
Average daily trading volume (number of shares)	27,272,221	32,155,802	17.9
Share price (€) (1)			
Opening session (of the year)	1.896	2.205	
High (of the year)	2.713	2.499	
Low (of the year)	1.820	1.577	
Closing session (end of quarter)	2.205	1.635	
Market capitalisation (€ '000)	8,873,936	8,893,166	
Stock market multiples			
Earnings per share (EPS) (€)	0.09	0.13	
Book value per share (€)	2.54	2.26	
Price / Book value (times)	0.87	0.72	
Price / Earnings ratio (P/E) (times)	23.88	12.55	
Including conversion of convertible bonds:			
Fully diluted number of shares including conversion of convertible bonds	4,289,732,386	5,472,251,402	
Earnings per share (EPS) (€)	0.09	0.13	
Book value per share (€)	2.38	2.24	
Price / Book value (times)	0.93	0.73	

(1) Without adjusting historical values.

Ownership structure



Source: GEM, as of 31 December 2015

Other key developments in the quarter

ECB notification of minimum prudential requirements

Following the Supervisory Review and Evaluation Process (SREP), the European Central Bank notified Banco Sabadell of its decision regarding the minimum prudential requirements that apply to the bank.

It requires Banco Sabadell to maintain a *Common Equity Tier 1* (CET1) ratio of 9.25% on a consolidated basis, measured in terms of phased-in regulatory capital.

This 9.25% requirement includes: the Pillar 1 minimum requirement (4.50%) and the Pillar 2 requirement including the capital conservation buffer (4.5%).

Banco Sabadell is classified by the Bank of Spain under Other Systemically Important Institutions (O-SII). Consequently, Banco Sabadell does not have any additional capital buffer requirements.

Notice of shareholder remuneration

On 28 January, the Board of Directors of Banco Sabadell resolved to propose the following to the next Ordinary Shareholders' Meeting:

- The payment of flexible shareholder remuneration (*scrip dividend*) amounting to €0.05 per share, implemented in the form of a bonus issue of shares charged to voluntary reserves, offering shareholders the possibility of receiving that amount in new shares and/or in cash, by selling their rights to free assignment to the Bank by virtue of the purchase commitment to be made by the Bank.
- A supplementary dividend amounting to €0.02 per share, paid in the form of shares out of the Bank's treasury stock.

The aforementioned remuneration will be paid following the Shareholders' Meeting, once the enabling resolutions are adopted.

Annex: TSB

The performance of TSB's income statement, customer deposits and customer loans is presented below (in thousand GBP):

Profit & loss account

	3Q15	4Q15	% QoQ	2014	2015	% YoY
Franchise ¹	177.7	180.4	1.5%	707.3	704.3	-0.4%
Mortgage enhancement ²	18.0	16.7	-7.2%	79.8	73.7	-7.6%
Portfolio UKAR ³	---	3.3	---	---	3.3	---
Net Interest Income	195.7	200.3	2.4%	787.1	781.3	-0.7%
Franchise ¹	32.6	30.9	-5.2%	147.8	129.7	-12.2%
Mortgage enhancement ²	-2.6	-2.4	-7.7%	-7.5	-10.4	38.7%
Portfolio UKAR ³	---	-1.1	---	---	-1.1	---
Other operating income	30.0	27.4	-8.7%	140.3	118.2	-15.8%
Total income	225.7	227.8	0.9%	927.4	899.5	-3.0%
Total operating expenses (excl. one-offs)	-172.5	-176.5	2.3%	-696.1	-711.5	2.2%
Franchise ¹	-20.8	-21.9	5.3%	-97.0	-82.2	-15.3%
Mortgage enhancement ²	0.0	-0.1	---	-0.6	-0.1	---
Portfolio UKAR ³	---	---	---	---	---	---
Impairment on loans & advances	-20.8	-22.0	5.8%	-97.6	-82.3	-15.7%
Management profit (excl. one-offs)	32.3	29.3	-9.3%	133.7	105.7	-20.9%

1 Franchise comprises the retail banking business carried out in the UK which offers a broad range of retail financial services.

2 Mortgage Enhancement is a separate portfolio of mortgage assets which was assigned to Total TSB with effect from 28 February 2014. This segment was established in response to a review by the Office of Fair Trading of the effect on competition of the divestment of TSB and is designed to enhance TSB's profitability.

3 Acquired UKAR Assets is a £3.0 billion portfolio of former UKAR mortgages and unsecured loans for which beneficial interest was acquired from Cerberus Capital Management group with effect from 7 December 2015

Balance sheet:

	Dec-14	Sep-15	Dec-15	% YoY	%QoQ
Core mortgages	16,561	17,678	18,909	14.2%	7.0%
Mortgage enhancement	2,802	2,420	2,272	-18.9%	-6.1%
Portfolio UKAR	---	---	3,006	---	---
Other net customer lending	2,278	2,227	2,215	-2.7%	-0.5%
Total Customer lending (Net)	21,641	22,325	26,402	22.0%	18.3%
Savings deposits	16,917	16,815	17,025	0.6%	1.2%
Current account deposits	6,748	7,608	7,872	16.7%	3.5%
Business banking deposits	890	958	975	---	---
Total customer deposits	24,555	25,381	25,873	5.4%	1.9%
	Dec-14	Sep-15	Dec-15	YoY	QoQ
Loan to deposit (Franchise)	76.5%	78.4%	81.5%	+ 5.0 pp	+ 3.1 pp
Common Equity Tier 1 Capital ratio	23.00%	20.20%	17.80%	- 5.2 pp	- 2.4 pp
AQR	0.44%	0.37%	0.37%	- 0.07 pp	- 0.0 pp

Investor Relations

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