

## **BANCO SABADELL GROUP**

Independent auditor's report, condensed consolidated half-yearly financial statements for the six months period ended June 30, 2015 and consolidated directors' report for the first six months of the 2015 financial year



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

## **INDEPENDENT AUDITORS' REPORT ON CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS**

To the shareholders of Banco de Sabadell, S.A. by Directors' request:

### **Report on the condensed consolidated half-yearly financial statements**

We have audited the accompanying condensed consolidated half-yearly financial statements of Banco de Sabadell, S.A. (hereinafter, "the parent company") and its subsidiaries (hereinafter, "the group"), which comprise the balance sheet as at June 30, 2015, the income statement, the statement of recognized income and expense, the statement of changes in total equity, the cash flow statement and the related notes, all condensed and consolidated, for the six months period then ended.

#### *Directors' responsibility for the condensed consolidated half-yearly financial statements*

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

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these condensed consolidated half-yearly financial statements based on our audit. We conducted our audit in accordance with legislation governing the audit practice in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the condensed consolidated half-yearly financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed consolidated half-yearly financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the condensed consolidated half-yearly financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the parent company's directors' preparation of the condensed consolidated half-yearly financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the condensed consolidated half-yearly financial statements taken as a whole.

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



### *Opinion*

In our opinion, the accompanying condensed consolidated half-yearly financial statements for the six months period ended June 30, 2015 have been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, as provided in Article 12 of Royal Decree 1362/2007, for the preparation of condensed interim financial statements.

### *Emphasis of Matter*

We draw attention to Note 1, in which it is mentioned that these condensed consolidated half-yearly financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union, therefore the accompanying condensed consolidated half-yearly financial statements should be read together with the consolidated annual accounts of the group for the year ended December 31, 2014. This matter does not modify our opinion.

### **Report on other legal and regulatory requirements**

The accompanying consolidated directors' report for the six months period ended June 30, 2015 contains the explanations which the parent company's directors consider appropriate regarding the principal events of this period and their impact on the condensed consolidated half-yearly financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this directors' report is in agreement with that of the condensed consolidated half-yearly financial statements for the six months period ended June 30, 2015. Our work as auditors is limited to checking the consolidated directors' report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Banco de Sabadell, S.A. and its subsidiaries' accounting records.

PricewaterhouseCoopers Auditores, S.L.

**PRICEWATERHOUSECOOPERS AUDITORES, S.L.**

Original in Spanish signed by  
Alejandro Esnal Elorrieta

July 30, 2015

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

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**Condensed consolidated balance sheets of the Banco Sabadell Group**  
At 30 June 2015 and 31 December 2014

Thousand euro

<b>Assets</b>	<b>30/06/2015</b>	<b>31/12/2014 (*)</b>
<b>Cash and balances with central banks</b>	<b>7,227,177</b>	<b>1,189,787</b>
<b>Financial assets held for trading</b> (note 4)	<b>2,254,739</b>	<b>2,206,035</b>
<b>Financial assets at fair value through profit or loss</b> (note 4)	<b>125,960</b>	<b>137,148</b>
<b>Available-for-sale financial assets</b> (note 4)	<b>23,570,418</b>	<b>21,095,619</b>
<b>Loans and receivables</b> (note 4)	<b>148,417,967</b>	<b>117,895,179</b>
<b>Held-to-maturity investments</b>	<b>-</b>	<b>-</b>
<b>Changes in the fair value of hedged items in portfolio hedges of interest rate risk</b>	<b>6,182</b>	<b>-</b>
<b>Hedging derivatives</b>	<b>673,158</b>	<b>910,173</b>
<b>Non-current assets held for sale</b> (note 12)	<b>2,491,428</b>	<b>2,249,935</b>
<b>Investments in:</b>	<b>595,550</b>	<b>513,227</b>
Associates	595,550	513,227
<b>Insurance contracts linked to pensions</b>	<b>160,381</b>	<b>162,713</b>
<b>Reinsurance assets</b>	<b>20,665</b>	<b>11,827</b>
<b>Tangible assets</b> (note 7)	<b>4,155,856</b>	<b>3,982,866</b>
Property, plant and equipment	1,794,154	1,613,287
Investment property	2,361,702	2,369,579
<b>Intangible assets</b> (note 8)	<b>2,010,976</b>	<b>1,591,296</b>
Goodwill	1,090,216	1,084,146
Other intangible assets	920,760	507,150
<b>Tax assets</b>	<b>7,203,394</b>	<b>7,127,981</b>
Current	639,407	983,818
Deferred (Note 19)	6,563,987	6,144,163
<b>Other assets</b> (note 9)	<b>5,045,587</b>	<b>4,271,887</b>
<b>Total assets</b>	<b>203,959,438</b>	<b>163,345,673</b>

(\*) Presented for comparative purposes only.

**Condensed consolidated balance sheets of the Banco Sabadell Group**  
At 30 June 2015 and 31 December 2014

Thousand euro		
<b>Liabilities</b>	<b>30/06/2015</b>	<b>31/12/2014 (*)</b>
<b>Financial liabilities held for trading</b> (note 11)	<b>1,686,877</b>	<b>1,726,143</b>
<b>Other financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities at amortized cost</b> (note 11)	<b>185,201,924</b>	<b>145,580,114</b>
<b>Changes in the fair value of hedged items in portfolio hedges of interest rate risk</b>	<b>19,615</b>	<b>68,020</b>
<b>Hedging derivatives</b>	<b>586,022</b>	<b>460,296</b>
<b>Liabilities associated with non current assets held for sale</b>	<b>-</b>	<b>-</b>
<b>Liabilities under insurance contracts</b> (note 13)	<b>2,266,196</b>	<b>2,389,571</b>
<b>Provisions</b>	<b>401,763</b>	<b>395,215</b>
<b>Tax liabilities</b>	<b>483,079</b>	<b>879,855</b>
Current	79,746	66,094
Deferred (Note 19)	403,333	813,761
<b>Other liabilities</b>	<b>1,237,075</b>	<b>630,507</b>
<b>Total liabilities</b>	<b>191,882,551</b>	<b>152,129,721</b>

(\*) Presented for comparative purposes only.

**Condensed consolidated balance sheets of the Banco Sabadell Group**  
At 30 June 2015 and 31 December 2014

Thousand euro		
<b>Equity</b>	<b>30/06/2015</b>	<b>31/12/2014 (*)</b>
<b>Shareholders' equity</b> (note 14)	<b>12,062,061</b>	<b>10,223,743</b>
Share capital	648,420	503,058
Registered	648,420	503,058
<i>Less: Uncalled capital</i>	-	-
Share premium	7,181,355	5,710,626
Reserves	3,218,717	2,991,627
Other equity instruments	735,671	734,131
<i>Less: Treasury shares</i>	(74,348)	(87,376)
Profit for the period attributed to the parent company	352,246	371,677
<i>Less: Dividends and remuneration</i>	-	-
<b>Valuation adjustments</b>	<b>(22,137)</b>	<b>937,416</b>
Available-for-sale financial assets	136,046	844,641
Cash flow hedges	(74,011)	237,552
Hedges of net investments in foreign operations	-	-
Exchange differences	28,782	2,005
Non-current assets held for sale	-	-
Entities accounted for using the equity method	11,362	17,964
Other valuation adjustments	(124,316)	(164,746)
<b>Total equity attributed to the parent company</b>	<b>12,039,924</b>	<b>11,161,159</b>
<b>Non-controlling interests</b>	<b>36,963</b>	<b>54,793</b>
Valuation adjustments	(404)	1,517
Other	37,367	53,276
<b>Total equity and liabilities</b>	<b>203,959,438</b>	<b>163,345,673</b>
<b>Memorandum item</b>		
<b>Contingent liabilities</b> (note 15)	<b>8,529,600</b>	<b>9,132,560</b>
<b>Contingent commitments</b> (note 16)	<b>20,215,939</b>	<b>14,769,638</b>

(\*) Presented for comparative purposes only.

**Condensed consolidated income statements of the Banco Sabadell Group**  
For the six-month periods ended 30 June 2015 and 2014

Thousand euro	30/06/2015	30/06/2014 (*)
<b>Interest and similar income</b> (note 17.a)	<b>2,127,586</b>	<b>2,297,520</b>
<b>Interest expense and similar charges</b> (note 17.a)	<b>(828,608)</b>	<b>(1,221,533)</b>
<b>Remuneration of capital repayable on demand</b>	<b>-</b>	<b>-</b>
<b>Net interest income</b>	<b>1,298,978</b>	<b>1,075,987</b>
<b>Income from equity instruments</b>	<b>2,223</b>	<b>6,993</b>
<b>Share of profit/loss of equity-accounted entities</b>	<b>25,077</b>	<b>1,493</b>
<b>Fee and commission income</b> (note 17.b)	<b>498,021</b>	<b>474,479</b>
<b>Fee and commission expense</b> (note 17.b)	<b>(43,974)</b>	<b>(60,000)</b>
<b>Net gains/(losses) on financial assets and liabilities</b> (note 17.c)	<b>1,114,268</b>	<b>1,132,894</b>
<b>Exchange differences (net)</b>	<b>82,281</b>	<b>38,338</b>
<b>Other operating income</b> (note 17.d)	<b>175,186</b>	<b>254,219</b>
<b>Other operating expenses</b> (note 17.e)	<b>(192,041)</b>	<b>(241,959)</b>
<b>Gross income</b>	<b>2,960,019</b>	<b>2,682,444</b>
<b>Administrative expenses</b> (Note 17.f)	<b>(907,998)</b>	<b>(903,142)</b>
Staff expenses	(615,505)	(609,695)
Other general administrative expenses	(292,493)	(293,447)
<b>Depreciation and amortization charge</b>	<b>(143,450)</b>	<b>(135,934)</b>
<b>Provisions (net)</b>	<b>(1,516)</b>	<b>83,211</b>
<b>Impairment losses on financial assets (net)</b> (Note 17.g)	<b>(1,180,332)</b>	<b>(1,167,542)</b>
<b>Operating profit/(loss)</b>	<b>726,723</b>	<b>559,037</b>
<b>Impairment losses on other assets (net)</b> (Note 17.h)	<b>(415,986)</b>	<b>(147,276)</b>
<b>Gains/(losses) on disposals of assets not classified as non-current assets held for sale</b> (Note 17.i)	<b>(3,315)</b>	<b>82,105</b>
<b>Badwill on business combinations</b> (note 17.j)	<b>207,371</b>	<b>-</b>
<b>Gains/(losses) on non-current assets held for sale not classified as discontinued operations</b> (note 17.k)	<b>(151,287)</b>	<b>(183,711)</b>
<b>Profit/(loss) before taxes</b>	<b>363,506</b>	<b>310,155</b>
<b>Income tax</b>	<b>(9,576)</b>	<b>(78,887)</b>
<b>Profit (loss) for the period from continuing operations</b>	<b>353,930</b>	<b>231,268</b>
<b>Profit/(loss) from discontinued operations (net)</b>	<b>-</b>	<b>-</b>
<b>Consolidated profit/(loss) for the period</b>	<b>353,930</b>	<b>231,268</b>
<b>Profit/(loss) attributed to the parent company</b>	<b>352,246</b>	<b>226,759</b>
<b>Profit/(loss) attributed to non-controlling interests</b>	<b>1,684</b>	<b>4,509</b>
Earnings per share (in euros)	0.08	0.06
Basic earnings per share after adjusting for conversion of mandatorily convertible bonds (in euros)	0.07	0.05
Diluted earnings per share (in euros)	0.07	0.05

(\*) Presented for comparison purposes only; has been restated (see Note 1, Comparability).

**Condensed consolidated statement of changes in equity for the Banco Sabadell Group**  
Condensed consolidated statements of recognised income and expense for Banco Sabadell Group  
For the six-month periods ended 30 June 2015 and 2014

Thousand euro	30/06/2015	30/06/2014 (*)
<b>Consolidated profit/(loss) for the period</b>	<b>353,930</b>	<b>231,268</b>
<b>Other recognized income and expenses</b>	<b>(961,474)</b>	<b>417,137</b>
<b>Items that will not be reclassified to income statement</b>	<b>-</b>	<b>154</b>
Actuarial gains / (losses) on defined benefit pension plans	-	220
Non-current assets held for sale	-	-
Entities accounted for using the equity method	-	-
Income tax related to items that will not be reclassified to the income statement	-	(66)
<b>Items that may be reclassified subsequently to income statement</b>	<b>(961,474)</b>	<b>416,983</b>
Available-for-sale financial assets:	(1,012,407)	604,520
Valuation gains/ (losses)	5,802	1,697,744
Amounts transferred to income statement	(1,018,209)	(1,093,224)
Other reclassifications	-	-
Cash flow hedges:	(445,090)	76,096
Valuation gains/ (losses)	(509,557)	74,588
Amounts transferred to income statement	64,467	1,508
Amounts transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Hedges of net investments in foreign operations:	-	-
Valuation gains/ (losses)	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Exchange differences:	35,638	4,168
Valuation gains/ (losses)	35,638	4,168
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Non-current assets held for sale:	-	-
Valuation gains/ (losses)	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Entities accounted for using the equity method	(6,602)	7,002
Valuation gains/ (losses)	(6,602)	7,002
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Other recognized income and expenses	57,758	(99,097)
Income tax	409,229	(175,706)
<b>Total recognized income and expenses</b>	<b>(607,544)</b>	<b>648,405</b>
<b>Attributed to the parent company</b>	<b>(607,307)</b>	<b>642,764</b>
<b>Attributed to non-controlling interests</b>	<b>(237)</b>	<b>5,641</b>

(\*) Presented for comparison purposes only; has been restated (see Note 1, Comparability).  
The consolidated statement of recognized income and expenses together with the consolidated statements of changes in total equity of the Banco Sabadell Group make up the statement of changes in equity.



**Condensed interim consolidated statement of changes in equity for the Banco Sabadell Group**  
For the six-month periods ended 30 June 2015 and 2014

Thousand euro

	Equity attributed to the parent company							Non-controlling interests	Total equity
	Shareholders' equity					Valuation adjustments			
	Share Capital	Share premium and reserves	Other equity instruments	Less: treasury shares	Profit for the period attributed to the parent company				
<b>Closing balance at 31/12/2014</b>	503,058	8,702,253	734,131	(87,376)	371,677	937,416	54,793	11,215,952	
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	
Adjustments due to errors	-	-	-	-	-	-	-	-	
<b>Adjusted opening balance</b>	503,058	8,702,253	734,131	(87,376)	371,677	937,416	54,793	11,215,952	
<b>Total recognized income and expense</b>	-	-	-	-	352,246	(959,553)	(237)	(607,544)	
<b>Other changes in equity</b>	145,362	1,697,819	1,540	13,028	(371,677)	-	(17,593)	1,468,479	
Increases/(Reductions) in capital	145,362	1,463,892	(2,698)	-	-	-	-	1,606,556	
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	
Increase in other equity instruments	-	-	-	-	-	-	-	-	
Reclassification from/to financial liabilities	-	-	-	-	-	-	-	-	
Dividend payment	-	-	-	-	-	-	-	-	
Transactions involving own equity instruments (net)	-	3,408	-	(37,650)	-	-	-	(34,242)	
Transfers between equity items	-	320,999	-	50,678	(371,677)	-	-	-	
Increases/(reductions) due to business combinations	-	-	-	-	-	-	-	-	
Equity settled payments	-	-	4,238	-	-	-	-	4,238	
Other increases/(decreases) in equity	-	(90,480)	-	-	-	-	(17,593)	(108,073)	
<b>Closing balance at 30/06/2015</b>	648,420	10,400,072	735,671	(74,348)	352,246	(22,137)	36,963	12,076,887	

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

**Condensed consolidated statement of changes in equity for the Banco Sabadell Group**  
For the six-month periods ended 30 June 2015 and 2014

Thousand euro

	Equity attributed to the parent company							Non-controlling interests	Total equity
	Shareholders' equity					Valuation adjustments			
	Share Capital	Share premium and reserves	Other equity instruments	Less: treasury shares	Profit for the period attributed to the parent company				
<b>Closing balance at 31/12/2013</b>	501,435	8,708,984	738,476	(57,442)	145,915	120,814	58,243	10,216,425	
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	
Adjustments due to errors	-	-	-	-	-	-	-	-	
<b>Adjusted opening balance</b>	501,435	8,708,984	738,476	(57,442)	145,915	120,814	58,243	10,216,425	
<b>Total recognized income and expenses (*)</b>	-	-	-	-	226,759	416,005	5,641	648,405	
<b>Other changes in equity</b>	98	(3,902)	(6,613)	(6,853)	(145,915)	-	6,169	(157,016)	
Increases/(Reductions) in capital	-	-	-	-	-	-	-	-	
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	
Increase in other equity instruments	-	-	-	-	-	-	-	-	
Reclassification from/to financial liabilities	-	-	-	-	-	-	-	-	
Dividend payment	-	(78,891)	-	78,891	(40,115)	-	-	(40,115)	
Transactions involving own equity instruments (net)	-	11,795	-	(85,744)	-	-	-	(73,949)	
Transfers between equity items	98	108,376	(2,674)	-	(105,800)	-	-	-	
Increases/(reductions) due to business combinations	-	-	-	-	-	-	-	-	
Equity settled payments	-	-	-	-	-	-	-	-	
Other increases/(decreases) in equity	-	(45,182)	(3,939)	-	-	-	6,169	(42,952)	
<b>Closing balance at 30/06/2014</b>	501,533	8,705,082	731,863	(64,295)	226,759	536,819	70,053	10,707,814	

Presented for comparative purposes only.

(\*) Restated due to the effect of IFRIC 21 (Note 1 – Comparability).

**Condensed consolidated statements of cash flows of the Banco Sabadell Group**  
For the six-month periods ended 30 June 2015 and 2014

Thousand euro

	30/06/2015	30/06/2014 (*)
<b>Cash flows from operating activities</b>	<b>5,691,309</b>	<b>(927,953)</b>
Consolidated profit/(loss) for the period	353,930	231,268
Adjustments for operating cash flows:	479,709	369,672
(+) Depreciation and amortization charges	143,450	135,934
(+/-) Other adjustments	336,259	233,738
Increase/(decrease) of operating assets and liabilities (net):	5,014,481	(1,501,689)
(+/-) Operating assets	(570,412)	802,636
(+/-) Operating liabilities (**)	5,584,893	(2,304,325)
Income tax received/(paid)	(156,811)	(27,204)
<b>Cash flows from investing activities</b>	<b>(1,089,552)</b>	<b>(457,155)</b>
Payments made:	(1,494,810)	(990,918)
(-) Tangible assets	(235,907)	(227,214)
(-) Intangible assets	(63,835)	(60,876)
(-) Investments	(378,629)	(35,527)
(-) Subsidiaries and other business units	-	-
(-) Non-current assets held for sale and associated liabilities	(816,439)	(667,301)
(-) Held-to-maturity investments	-	-
(-) Other payments related to investing activities	-	-
Payments received:	405,258	533,763
(+) Tangible assets	73,572	327,102
(+) Intangible assets	-	-
(+) Equity holdings	36,253	13,023
(+) Subsidiaries and other business units	-	-
(+) Non-current assets held for sale and associated liabilities	295,433	193,638
(+) Held-to-maturity investments	-	-
(+) Other payments related to investing activities	-	-
<b>Cash flows from financing activities</b>	<b>1,418,343</b>	<b>(150,061)</b>
Payments made:	(380,319)	(325,471)
(-) Dividends	-	(40,115)
(-) Subordinated liabilities	(83,689)	(17,603)
(-) Redemption of own equity instruments	-	-
(-) Acquisition of own equity instruments	(226,346)	(249,359)
(-) Other payments related to financing activities	(70,284)	(18,394)
Payments received:	1,798,662	175,410
(+) Subordinated liabilities	-	-
(+) Issuance of own equity instruments	1,606,556	-
(+) Disposal of own equity instruments	192,106	175,410
(+) Other payments related to financing activities	-	-
<b>Effect of exchange rate fluctuations</b>	<b>17,290</b>	<b>2,078</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>6,037,390</b>	<b>(1,533,091)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>1,189,787</b>	<b>3,201,898</b>
<b>Cash and equivalents at end of the period</b>	<b>7,227,177</b>	<b>1,668,807</b>
<b>Components of cash and cash equivalents at end of the period</b>	<b>30/06/2015</b>	<b>30/06/2014</b>
(+) Cash and banks	512,935	436,559
(+) Cash equivalent balances in central banks	6,714,242	1,232,248
(+) Other financial assets	-	-
(-) Less: Bank overdrafts repayable on demand	-	-
<b>Total cash and cash equivalents at end of the period</b>	<b>7,227,177</b>	<b>1,668,807</b>

(\*) Presented for comparison purposes only; has been restated (see Note 1, Comparability).

(\*\*) Includes the effect of integrating TSB.

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

For the six-month period ended 30 June 2015.

## NOTE 1 – ACTIVITY, ACCOUNTING POLICIES AND PRACTICES

### Activity

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

The bank is the parent company of a corporate group (see Schedule I of the 2014 consolidated financial statements and Note 2) whose activity it controls directly or indirectly and which compose, together with the Bank, the Banco Sabadell Group ("the Group").

### Basis of presentation

The Group's consolidated financial statements for 2014 were prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union applicable at the end of 2014, taking into account Bank of Spain Circular 4/2004 of 22 December 2004 and amendments thereto and other financial reporting regulations applicable to the Group, in order to fairly present the Group's equity and consolidated financial situation as at 31 December 2014 and the results of its consolidated operations, changes in equity and cash flows in 2014.

Note 1 to the 2014 consolidated financial statements summarises the most significant accounting principles and policies and measurement methods applied by the Group. Those consolidated financial statements were authorised by the directors of Banco Sabadell at a meeting of the Board on 29 January 2015 and were approved by the shareholders at the Annual General Meeting on 28 May 2015.

These condensed interim consolidated financial statements for the six months to 30 June 2015 have been prepared and are presented in accordance with IAS 34 "Interim Financial Reporting", as set out in the IFRS, and they were authorised by the Directors on 23 July 2015, together with the disclosures required by the Spanish National Securities Market Commission (CNMV) Circular 1/2008, of 30 January, and in accordance with the provisions of Article 12 of Royal Decree 1362/2007.

In accordance with IAS 34, condensed interim financial information is prepared exclusively for the purpose of describing material events and variations that occurred during the half-year and is not intended to duplicate the information published previously in the latest authorised consolidated financial statements. For a proper comprehension of the information included in these condensed consolidated financial statements for the six months to 30 June 2015, they should be read together with the Group's consolidated financial statements for the year ended 31 December 2014.

Except as otherwise indicated, these condensed interim consolidated annual accounts are expressed in thousands of euros.

*Standards and interpretations issued by the International Accounting Standards Board (IASB) coming into effect in the first half of 2015*

No material new standard adopted by the European Union came into force in the first half of 2015. Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) was adopted for application in Europe from the opening date of the first annual period commencing on or after 1 February 2015.

### IASB-issued standards and interpretations not yet in effect

At the date of authorization of these condensed interim consolidated financial statements, the most significant standards and interpretations that had been published by the IASB but which had not yet come into force because they had not yet been adopted by the European Union are the same as set out in Note 1 to the 2014 consolidated financial statements.

The Group has decided not to exercise the option of early adoption, where this is possible. Additionally, management estimates that their adoption would not have a material impact on the Group except for the future application of IFRS 9 "Financial instruments", which may have a material impact on the currently reported values of financial assets and liabilities.

Although the Group has commenced a specific project for the implementation of IFRS 9, particularly with respect to the development of a methodology for calculating the expected losses, at the present time the Group has not been able to quantify its potential impact due to its high degree of complexity (higher than IAS 39 "Financial Instruments: Recognition and Measurement") and the fact that the project is still at a preliminary stage.

### **Accounting principles and policies applied**

The accounting principles and policies used in preparing these condensed interim consolidated financial statements are consistent with those used in drawing up the Group's consolidated financial statements as of 31 December 2014.

#### a) Use of judgement and estimates in preparing the financial statements

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

- Income tax expense, in accordance with IAS 34, is recognised in interim periods on the basis of the best estimate of the weighted average tax rate that the Group expects for the annual period.
- Impairment losses on certain financial assets.
- Assumptions used in actuarial estimates of liabilities and commitments in respect of post-employment benefits, and in estimates of liabilities under insurance contracts.
- Useful lives of tangible and intangible assets.
- The measurement of goodwill arising on consolidation.
- Fair value of unquoted financial assets.
- Fair value of real estate assets held on the balance sheet.

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

#### b) Comparability

The information presented in the condensed interim consolidated financial statements in connection with 2014 is provided solely and exclusively for purposes of comparison with the information for the period ended 30 June 2015 (except for the balance sheet, which is presented as of 31 December 2014).

The profit and loss account for the six-month period ended 30 June 2014 has been restated for comparison purposes as a result of the early application in 2014 of IFRIC 21, particularly in connection

with the developments in the fourth quarter of that year regarding how IFRIC 21 should be applied to the recognition and accrual of contributions to the Deposit Guarantee Fund (FGD). The change in accounting policies adopted in 2014 (see the sections on Basis of presentation and Comparability in the 2014 consolidated notes to financial statements) results in an increase of €59.073 million (after taxes) in net income attributable to the Group for the six-month period ended June 2014.

The Group acquired control of TSB Banking Group PLC on 30 June 2015 (see Note 2). As a result of consolidating the latter, the balance sheet figures are not comparable with those of the preceding period.

c) Seasonal nature of the Group's transactions

Given the activities in which the Group companies are engaged, its operations are not cyclical or seasonal in nature. Consequently, these notes to the condensed interim consolidated financial statements for the six months ended 30 June 2015 do not contain specific disclosures in this connection.

d) Materiality

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

**Condensed interim financial statements of Banco de Sabadell, S.A.**

Below are presented the condensed separate balance sheets at 30 June 2015 and 31 December 2014, the condensed separate income statements, the condensed separate statements of recognised revenues and expenses, the condensed separate statements of changes in total equity and the condensed separate cash flow statements of the bank for the six months ended 30 June 2015 and 2014, prepared in accordance with the same accounting principles and policies and measurement methods applied to these condensed interim consolidated financial statements for the Group.

**Condensed separate financial statements of Banco de Sabadell, S.A.**

At 30 June 2015 and 31 December 2014

Thousand euro

<b>Assets</b>	<b>30/06/2015</b>	<b>31/12/2014 (*)</b>
<b>Cash and balances with central banks</b>	<b>1,638,410</b>	<b>1,021,880</b>
<b>Financial assets held for trading</b>	<b>2,157,988</b>	<b>2,119,408</b>
<b>Financial assets at fair value through profit or loss</b>	-	-
<b>Available-for-sale financial assets</b>	<b>18,511,429</b>	<b>17,849,635</b>
<b>Loans and receivables</b>	<b>120,554,666</b>	<b>121,922,811</b>
<b>Held-to-maturity investments</b>	-	-
<b>Changes in the fair value of hedged items in portfolio hedges of interest rate risk</b>	-	-
<b>Hedging derivatives</b>	<b>467,765</b>	<b>747,873</b>
<b>Non-current assets held for sale</b>	<b>2,257,594</b>	<b>1,982,590</b>
<b>Investments</b>	<b>6,288,552</b>	<b>3,813,340</b>
Associates	443,354	350,336
Group entities	5,845,198	3,463,004
<b>Insurance contracts linked to pensions</b>	<b>160,381</b>	<b>162,713</b>
<b>Tangible assets</b>	<b>1,948,042</b>	<b>2,012,640</b>
Property, plant and equipment	1,335,034	1,383,814
Investment property	613,008	628,826
<b>Intangible assets</b>	<b>1,122,373</b>	<b>1,136,057</b>
Goodwill	1,005,530	1,005,530
Other intangible assets	116,843	130,527
<b>Tax assets</b>	<b>6,772,870</b>	<b>7,004,509</b>
Current	376,322	783,096
Deferred	6,396,548	6,221,413
<b>Other assets</b>	<b>221,710</b>	<b>169,985</b>
<b>Total assets</b>	<b>162,101,780</b>	<b>159,943,441</b>

(\*) Presented for comparative purposes only.

## Condensed separate financial statements of Banco de Sabadell, S.A.

At 30 June 2015 and 31 December 2014

Thousand euro

<b>Liabilities</b>	<b>30/06/2015</b>	<b>31/12/2014 (*)</b>
<b>Financial liabilities held for trading</b>	<b>1,638,905</b>	<b>1,726,143</b>
<b>Other financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities at amortized cost</b>	<b>146,754,550</b>	<b>144,563,593</b>
<b>Changes in the fair value of hedged items in portfolio hedges of interest rate</b>	<b>(26,496)</b>	<b>68,020</b>
<b>Hedging derivatives</b>	<b>166,286</b>	<b>287,891</b>
<b>Liabilities associated with non-current assets held for sale</b>	<b>-</b>	<b>-</b>
<b>Provisions</b>	<b>343,257</b>	<b>358,167</b>
<b>Tax liabilities</b>	<b>336,847</b>	<b>727,413</b>
Current	18,835	29,995
Deferred	318,012	697,418
<b>Other liabilities</b>	<b>492,314</b>	<b>542,913</b>
<b>Total liabilities</b>	<b>149,705,663</b>	<b>148,274,140</b>

(\*) Presented for comparative purposes only.

## Condensed separate financial statements of Banco de Sabadell, S.A.

At 30 June 2015 and 31 December 2014

Thousand euro

<b>Equity</b>	<b>30/06/2015</b>	<b>31/12/2014 (*)</b>
<b>Shareholders' equity</b>	<b>12,535,900</b>	<b>10,839,143</b>
Share Capital	648,420	503,058
Registered	648,420	503,058
<i>Less: Uncalled capital</i>	-	-
Share premium	7,181,354	5,710,626
Reserves	3,847,725	3,121,949
Other equity instruments	742,388	740,848
<i>Less: Treasury shares</i>	(74,348)	(87,376)
Profit for the period	190,361	850,038
<i>Less: Dividends and remuneration</i>	-	-
<b>Valuation adjustments</b>	<b>(139,783)</b>	<b>830,158</b>
Available-for-sale financial assets	(109,692)	559,966
Cash flow hedges	(67,399)	239,607
Hedges of net investments in foreign operations	-	-
Exchange differences	14,779	8,056
Non-current assets held for sale	-	-
Other valuation adjustments	22,529	22,529
<b>Total equity</b>	<b>12,396,117</b>	<b>11,669,301</b>
<b>Total equity and liabilities</b>	<b>162,101,780</b>	<b>159,943,441</b>
<b>Memorandum item</b>		
<b>Contingent liabilities</b>	<b>8,634,971</b>	<b>9,256,780</b>
<b>Contingent commitments</b>	<b>14,156,704</b>	<b>15,447,510</b>

(\*) Presented for comparative purposes only.

**Condensed separate income statement of Banco de Sabadell, S.A.**

For the six-month periods ended 30 June 2015 and 2014

Thousand euro

	30/06/2015	30/06/2014 (*)
<b>Interest and similar income</b>	<b>2,019,143</b>	<b>2,227,701</b>
<b>Interest expense and similar charges</b>	<b>(890,185)</b>	<b>(1,326,928)</b>
<b>Remuneration of capital repayable on demand</b>	<b>-</b>	<b>-</b>
<b>Net interest income</b>	<b>1,128,958</b>	<b>900,773</b>
<b>Income from equity instruments</b>	<b>38,351</b>	<b>298,767</b>
<b>Fee and commission income</b>	<b>453,294</b>	<b>436,683</b>
<b>Fee and commission expense</b>	<b>(37,582)</b>	<b>(58,777)</b>
<b>Profit/(loss) on financial operations (net)</b>	<b>1,146,325</b>	<b>1,200,536</b>
<b>Exchange differences (net)</b>	<b>82,467</b>	<b>38,787</b>
<b>Other operating income</b>	<b>34,725</b>	<b>50,888</b>
<b>Other operating expenses</b>	<b>(51,925)</b>	<b>(20,284)</b>
<b>Gross income</b>	<b>2,794,613</b>	<b>2,847,373</b>
<b>Administrative expenses</b>	<b>(881,247)</b>	<b>(866,939)</b>
<b>Depreciation and amortization charges</b>	<b>(70,801)</b>	<b>(76,492)</b>
<b>Provisions (net)</b>	<b>(1,083)</b>	<b>76,478</b>
<b>Impairment losses on financial assets (net)</b>	<b>(1,361,206)</b>	<b>(1,196,107)</b>
<b>Operating profit/(loss)</b>	<b>480,276</b>	<b>784,313</b>
<b>Impairment losses on other assets (net)</b>	<b>(72,189)</b>	<b>10,782</b>
<b>Gains/(losses) on disposals of assets not classified as non-current assets held for sale</b>	<b>(9,153)</b>	<b>(72,814)</b>
<b>Badwill on business combinations</b>	<b>-</b>	<b>-</b>
<b>Gains/(losses) on non-current assets held for sale not classified as discontinued operations</b>	<b>(145,469)</b>	<b>(155,466)</b>
<b>Profit/(loss) before taxes</b>	<b>253,465</b>	<b>566,815</b>
<b>Income tax</b>	<b>(63,104)</b>	<b>(77,635)</b>
<b>Profit/(loss) for the period from continuing operations</b>	<b>190,361</b>	<b>489,180</b>
<b>Profit/(loss) from discontinued operations (net)</b>	<b>-</b>	<b>-</b>
<b>Profit/(loss) for the period</b>	<b>190,361</b>	<b>489,180</b>
Earnings per share (in euros)	0.04	0.12
Basic earnings per share adjusted for effect of mandatorily convertible bonds (in euros)	0.04	0.11
Diluted earnings per share (in euros)	0.04	0.11

(\*) Presented for comparative purposes only; has been restated (see Note 1, Comparability).



**Condensed separate statements of recognized income and expenses of Banco de Sabadell, S.A.**

For the six-month periods ended 30 June 2015 and 2014

Thousand euro

	30/06/2015	30/06/2014 (*)
<b>Profit/(loss) for the period</b>	<b>190,361</b>	<b>489,180</b>
<b>Other recognised revenues/(expenses)</b>	<b>(969,941)</b>	<b>379,582</b>
<b>Items that will not be reclassified to income statement</b>	<b>-</b>	<b>155</b>
Actuarial gains/(losses) - defined benefit pension plans	-	221
Non-current assets held for sale	-	-
Entities accounted for using the equity method	-	-
Income tax related to items not to be reclassified to the income statement	-	(66)
<b>Items that may be reclassified subsequently to income statement</b>	<b>(969,941)</b>	<b>379,427</b>
Available-for-sale financial assets:	(955,450)	473,325
Valuation gains/(losses)	82,083	1,627,725
Amounts transferred to income statement	(1,037,533)	(1,154,400)
Other reclassifications	-	-
Cash flow hedges	(440,050)	67,962
Valuation gains/(losses)	(504,517)	68,975
Amounts transferred to income statement	64,467	(1,013)
Amounts transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Hedges of net investments in foreign operations	-	-
Valuation gains/(losses)	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Exchange differences:	9,605	1,009
Valuation gains/(losses)	9,605	1,009
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Non-current assets held for sale:	-	-
Valuation gains/(losses)	-	-
Amounts transferred to income statement	-	-
Other reclassifications	-	-
Other recognized revenues and expenses	-	-
Income tax	415,954	(162,869)
<b>Total recognised revenues/(expenses)</b>	<b>(779,580)</b>	<b>868,762</b>

(\*) Presented for comparative purposes only; has been restated (see Note 1, Comparability).

**Condensed separate total statements of changes in net equity of Banco de Sabadell, S.A.**

For the six-month periods ended 30 June 2015 and 2014

Thousand euro	Shareholders' equity					Valuation adjustments	Total equity
	Share Capital	Share premium and reserves	Other equity instruments	Less: treasury shares	Profit/(loss) for the period		
<b>Closing balance at 31/12/2014</b>	503,058	8,832,575	740,848	(87,376)	850,038	830,158	11,669,301
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-	-	-
<b>Adjusted opening balance</b>	503,058	8,832,575	740,848	(87,376)	850,038	830,158	11,669,301
<b>Total recognized revenues and expenses</b>	-	-	-	-	190,361	(969,941)	(779,580)
<b>Other changes in equity</b>	145,362	2,196,504	1,540	13,028	(850,038)	-	1,506,396
Increases/(Reductions) in capital	145,362	1,463,892	(2,698)	-	-	-	1,606,556
Conversion of financial liabilities into capital	-	-	-	-	-	-	-
Increase in other equity instruments	-	-	-	-	-	-	-
Reclassification from/to financial liabilities	-	-	-	-	-	-	-
Dividend payment	-	-	-	-	-	-	-
Transactions involving own equity instruments (net)	-	3,408	-	(37,650)	-	-	(34,242)
Transfers between equity items	-	799,360	-	50,678	(850,038)	-	-
Increases/(reductions) due to business combinations	-	-	-	-	-	-	-
Equity settled payments	-	-	4,238	-	-	-	4,238
Other increases/(decreases) in equity	-	(70,156)	-	-	-	-	(70,156)
<b>Closing balance at 30/06/2015</b>	648,420	11,029,079	742,388	(74,348)	190,361	(139,783)	12,396,117

The statement of recognized revenues and expenses together with the statement of changes in total equity of Banco de Sabadell, S.A. make up the statement of changes in equity of Banco de Sabadell, S.A.

**Condensed separate total statements of changes in net equity of Banco de Sabadell, S.A.**

For the six-month periods ended 30 June 2015 and 2014

Thousand euro	Shareholders' equity					Valuation adjustments	Total equity
	Share Capital	Share premium and reserves	Other equity instruments	Less: treasury shares	Profit/(loss) for the period		
<b>Closing balance at 31/12/2013</b>	501,435	8,722,114	741,254	(57,442)	220,465	63,162	10,190,988
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-	-	-
<b>Adjusted opening balance</b>	501,435	8,722,114	741,254	(57,442)	220,465	63,162	10,190,988
<b>Total recognized revenues and expenses (*)</b>	-	-	-	-	489,180	379,582	868,762
<b>Other changes in equity</b>	98	204,563	(2,674)	(6,853)	(322,382)	-	(127,248)
Increases/(Reductions) in capital	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-
Increase in other equity instruments	-	-	-	-	-	-	-
Reclassification from/to financial liabilities	-	-	-	-	-	-	-
Dividend payment	-	(78,891)	-	78,891	(40,115)	-	(40,115)
Transactions involving own equity instruments (net)	-	11,795	-	(85,744)	-	-	(73,949)
Transfers between equity items	98	284,843	(2,674)	-	(282,267)	-	-
Increases/(reductions) due to business combinations	-	-	-	-	-	-	-
Equity settled payments	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	(13,184)	-	-	-	-	(13,184)
<b>Closing balance at 30/06/2014</b>	501,533	8,926,677	738,580	(64,295)	387,263	442,744	10,932,502

Presented for comparative purposes only.

(\*) Restated due to the effect of IFRIC 21 (Note 1 - Comparability).

**Condensed separate cash flow statements of Banco de Sabadell, S.A.**

For the six-month periods ended 30 June 2015 and 2014

Thousand euro

	<b>30/06/2015</b>	<b>30/06/2014 (*)</b>
<b>Cash flows from operating activities</b>	<b>181,084</b>	<b>(210,604)</b>
Profit/(loss) for the period	190,361	489,180
Adjustments to obtain cash flows from operating activities	278,453	325,596
(+) Depreciation and amortization charges	70,801	76,492
(+/-) Other adjustments	207,652	249,104
Net increase/(decrease) of operating assets and liabilities:	(130,919)	(998,176)
(+/-) Operating assets	485,201	2,351,321
(+/-) Operating liabilities	(616,120)	(3,349,497)
Income tax received/(paid)	(156,811)	(27,204)
<b>Cash flows from investing activities</b>	<b>(977,504)</b>	<b>(682,375)</b>
Payments made:	(1,266,635)	(855,256)
(-) Tangible assets	(112,675)	(90,589)
(-) Intangible assets	(460)	(7,457)
(-) Investments	(378,629)	(62,091)
(-) Other business units	-	-
(-) Non-current assets held for sale and associated liabilities	(774,871)	(695,119)
(-) Held-to-maturity investments	-	-
(-) Other payments related to investing activities	-	-
Payments received:	289,131	172,881
(+) Tangible assets	7,889	54,155
(+) Intangible assets	-	-
(+) Investments	38,124	9,056
(+) Other business units	-	-
(+) Non-current assets held for sale and associated liabilities	243,118	109,670
(+) Held-to-maturity investments	-	-
(+) Other payments related to investing activities	-	-
<b>Cash flows from financing activities</b>	<b>1,408,460</b>	<b>(207,753)</b>
Payments made:	(390,202)	(383,163)
(-) Dividends	-	(40,115)
(-) Subordinated liabilities	(93,698)	(75,295)
(-) Redemption of own equity instruments	-	-
(-) Acquisition of own equity instruments	(226,348)	(249,359)
(-) Other payments related to financing activities	(70,156)	(18,394)
Payments received:	1,798,662	175,410
(+) Subordinated liabilities	-	-
(+) Issuance of own equity instruments	1,606,556	-
(+) Disposal of own equity instruments	192,106	175,410
(+) Other payments related to financing activities	-	-
<b>Effect of exchange rate fluctuations</b>	<b>4,490</b>	<b>706</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>616,530</b>	<b>(1,100,026)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>1,021,880</b>	<b>2,369,504</b>
<b>Cash and equivalents at end of the year</b>	<b>1,638,410</b>	<b>1,269,478</b>
<b>Components of cash and cash equivalents at end of the year</b>	<b>30/06/2015</b>	<b>30/06/2014</b>
(+) Cash and banks	405,410	410,174
(+) Cash equivalent balances in central banks	1,233,000	859,304
(+) Other financial assets	-	-
(-) <i>Less: Bank overdrafts reimbursable on demand</i>	-	-
<b>Total cash and cash equivalents at end of the year</b>	<b>1,638,410</b>	<b>1,269,478</b>

(\*) Presented for comparative purposes only; has been restated (see Note 1, Comparability).

## NOTE 2 – BANCO SABADELL GROUP

Schedule I to the consolidated financial statements for the year ended 31 December 2014 contains material disclosures about the Group companies that were consolidated as of that date and those recognised by the equity method.

### Changes in Group composition

Set out below are the details of the most significant business combinations, acquisitions and sales of shareholdings in other entities (subsidiaries and/or investments in associates) performed by the Group in the six-month period ended 30 June 2015.

### Changes in the scope of consolidation

Additions to the consolidation scope in the first half of 2015:

Name of entity (or line of business) acquired or merged		Category	Effective date of the transaction	Acquisition cost	Cost of combination	Fair value of equity instruments issued for the acquisition	% voting rights acquired	% total voting rights	Kind of holding	Method
Desarrollos Corporativos Sabadell, S.A. de C.V.		Subsidiary	29/01/2015	27,800	-	-	100.00%	100.00%	Direct	Full consolidation
Solvia Actividades y Servicios Inmobiliarios, S.A		Subsidiary	19/05/2015	60	-	-	100.00%	100.00%	Direct	Full consolidation
TSB Banking Group PLC		Subsidiary	30/06/2015	2,363,079	-	-	100.00%	100.00%	Direct	Full consolidation
TSB Bank PLC		Subsidiary	30/06/2015	-	-	-	100.00%	100.00%	Indirect	Full consolidation

### Business combination with TSB Banking Group PLC

#### Acquisition process

On 19 March 2015, the Board of Directors of Banco Sabadell approved the presentation of a tender offer for 100% of the shares of TSB Banking Group PLC ('TSB') at 340 pence per share in cash, addressed to all the shareholders of TSB. Within the framework of the offer, on 24 March 2015 Banco Sabadell acquired shares representing approximately 9.99% of TSB from Lloyds Banking Group PLC ('Lloyds'), which made an irrevocable commitment to accept the aforementioned offer in respect of the other shares of TSB that it owned, up to a 50.01% total stake in TSB.

The terms and conditions of the tender offer and the procedures for acceptance were contained in the offer document published and made available to TSB shareholders on 17 April 2015.

The offer, which was supported by the Board of Directors of TSB and its recommendation to the then shareholders, was subject to a minimum acceptance by 75% of the shares and voting rights of TSB, which percentage included the shares already acquired from Lloyds and its irrevocable commitment. The acquisition of TSB was also subject to obtaining various approvals and consents from the Prudential Regulation Authority (PRA) of the Bank of England and other regulators, including the competition authorities.

The last condition precedent attached to the acquisition of TSB was fulfilled on 30 June 2015, which is the date considered by the Group as the date on which it attained control of TSB's assets and assumed the acquiree's liabilities (acquisition date), by declaring the tender offer to be unconditional for all purposes.

Since the degree of acceptance of the bid exceeded 90% of the shares of TSB to which the bid was addressed, the Group exercised its compulsory acquisition (squeeze out) right, in accordance with UK company law, in respect of those shares of TSB whose owners had not accepted the offer, under the same conditions as the other shareholders who did accept. As a result, the Group consolidated 100% of the investment in TSB in its condensed interim consolidated financial statements for the period ended 30 June 2015, and recognised the related liability *vis-à-vis* those shareholders in respect of the amounts outstanding.

On 10 and 15 July 2015, two separate payments were made which fully discharged the consideration payable to the TSB shareholders who had accepted the tender offer, whose shares represent approximately 87.1% of the shares of TSB. The settlement period for the other shareholders, including those subject to squeeze out, concludes on 20 August 2015.

TSB is a bank serving retail customers and small businesses with a market share in the UK of approximately 7% in terms of bank branches, having a Common Equity Tier 1 capital ratio of 19.5% and a strong financial position, with a franchise loan to deposit ratio of 76.6%.

The acquisition of TSB will enable the Group to access the UK banking market, which is attractive because of its well-defined, stable regulatory framework, consistent levels of profitability and good prospects for future growth. The Group anticipates that, under its ownership, TSB will be able to further enhance its growth and efficiency strategy, benefiting from the Group's resources and from its experience in financing SMEs and that acquired in the Spanish banking market.

The condensed consolidated balance sheet of TSB at the date of acquisition is as follows:

<small>Thousand euro</small>			
<b>Assets</b>		<b>Equity and liabilities</b>	
<b>Cash and balances with central banks</b>	<b>5,421,408</b>	<b>Liabilities</b>	
<b>Financial assets held for trading</b>	<b>52,801</b>	<b>Financial liabilities held for trading</b>	<b>47,852</b>
Trading derivatives	52,801	Trading derivatives	47,852
<b>Available-for-sale financial assets</b>	<b>1,418,035</b>	<b>Financial liabilities at amortized cost</b>	<b>36,092,913</b>
Debt securities	1,418,035	Deposits from credit institutions	111
<b>Loans and receivables</b>	<b>31,377,312</b>	Customer deposits	35,517,525
Loans and advances to credit institutions	936,800	Marketable debt securities	14,077
Loans and advances to customers	30,440,512	Subordinated liabilities	561,200
<b>Changes in the fair value of hedged items in portfolio hedges of interest rate risk</b>	<b>6,182</b>	<b>Changes in the fair value of hedged items in portfolio hedges of interest rate risk</b>	<b>46,111</b>
Hedging derivatives	62,441	Hedging derivatives	266,174
<b>Tangible assets</b>	<b>211,762</b>	<b>Provisions</b>	<b>47,090</b>
Property, plant and equipment	211,762	Other provisions	47,090
For own use	211,762	<b>Other liabilities</b>	<b>613,451</b>
<b>Tax assets</b>	<b>148,914</b>	<b>Equity</b>	
Deferred	148,914	<b>Shareholders' equity</b>	<b>2,323,852</b>
<b>Other assets</b>	<b>738,225</b>	Share capital	7,028
Other	738,225	Registered	7,028
		Share premium	1,356,621
		Reserves	947,023
		Accumulated reserves (losses)	947,023
		<i>Less: Treasury shares</i>	<i>(14,523)</i>
		Profit for the period attributed to the parent company	27,703
		<b>Valuation adjustments</b>	<b>(362)</b>
		Available-for-sale financial assets	1,042
		Cash flow hedges	(1,403)
<b>Total assets</b>	<b>39,437,080</b>	<b>Total equity and liabilities</b>	<b>39,437,080</b>
		<b>Memorandum item:</b>	
		<b>Contingent commitments</b>	<b>6,186,296</b>

### **Accounting for the business combination**

These condensed interim consolidated financial statements recognise the provisional measurement and recognition of this business combination based on Management's estimates of the fair values of the assets and liabilities and assigning the cost of the transaction to specific assets, liabilities and contingent liabilities ("Purchase Price Allocation" or PPA).

In accordance with the regulatory financial reporting framework, the measurement and recognition of business combinations does not become definitive until one year has elapsed.

At the date of acquisition of control, TSB's equity amounted to €2,324 million.

The total price to be paid by Banco Sabadell for the acquisition of 100% of the shares representing the capital of TSB is €2,363 million.

Within the preliminary PPA, the following assets, liabilities and contingent liabilities of the acquired entity were measured:

1. On the basis of the analyses performed by the Group, an expected loss in the customer loan book was estimated for the purposes of adjusting it to estimated fair value. The amount allocated to additional provisions was €155 million.
2. Intangible assets were estimated in respect of the value of the contractual rights arising from the relations with the customers from TSB for core deposits in the amount of €399 million. The fair value was mainly determined by estimating the net present value of the cash flows generated by the lower cost of core deposits compared with alternative funding sources.
3. Finally, in deferred tax assets the tax effect (20% rate) of the adjustments detailed in point 1 was adjusted, which total €31 million.

After adjusting the assets and liabilities from TSB, the resulting negative consolidation difference is €237 million, which is presented in the consolidated income statement, net of expenses associated with the acquisition, for the amount of €207 million (Note 17.j).

Had the acquisition been carried out effective 1 January 2015, the ordinary revenues and income after taxes that TSB would have contributed to the Group would have amounted to approximately €421 million and €28 million, respectively.

Removals from the consolidation scope in the first half of 2015:

Thousand euro

Name of entity (or line of business) sold, spun off or otherwise disposed of	Category	Effective date of the transaction	% voting rights disposed of	% Total voting rights following disposal	Profit/(loss) generated	Kind of holding	Method
Balam Overseas BV (a)	Associate	13/03/2015	40.00%	0.00%	1,320	Indirect	Equity method
Eólica Mirasierra, S.L. (a)	Associate	27/03/2015	50.00%	0.00%	1,012	Indirect	Equity method
Pemapro, S.L. (a)	Associate	31/03/2015	49.00%	0.00%	0	Indirect	Equity method
B2B Salud, S.L. (c)	Associate	15/04/2015	50.00%	0.00%	0	Indirect	Equity method
Elche-Crevillente Salud S.A. (c)	Associate	15/04/2015	30.00%	0.00%	0	Indirect	Equity method
Marina Salud, S.A. (c)	Associate	15/04/2015	17.50%	0.00%	0	Indirect	Equity method
Ribera Salud Infraestructuras, S.L.U. (c)	Associate	15/04/2015	50.00%	0.00%	0	Indirect	Equity method
Ribera Salud Proyectos, S.L.U. (c)	Associate	15/04/2015	50.00%	0.00%	0	Indirect	Equity method
Ribera Salud Tecnologías, S.L.U. (c)	Associate	15/04/2015	50.00%	0.00%	0	Indirect	Equity method
Torre vieja Salud, S.L.U. (c)	Associate	15/04/2015	50.00%	0.00%	0	Indirect	Equity method
Inversiones Ahorro 2000 (a)	Associate	28/04/2015	20.00%	0.00%	3,922	Direct	Equity method
Sercacin, S.A. (a)	Associate	04/05/2015	20.00%	0.00%	19	Direct	Equity method
Villacarrilla FV (a)	Subsidiary	05/05/2015	100.00%	0.00%	61	Direct	Full consolidation
Casiopea Energía 1, S.L.U. (a)	Subsidiary	05/05/2015	100.00%	0.00%	0	Direct	Full consolidation
Casiopea Energía 10, S.L.U. (a)	Subsidiary	05/05/2015	100.00%	0.00%	0	Direct	Full consolidation
Casiopea Energía 11, S.L.U. (a)	Subsidiary	05/05/2015	100.00%	0.00%	0	Direct	Full consolidation
Casiopea Energía 12, S.L.U. (a)	Subsidiary	05/05/2015	100.00%	0.00%	0	Direct	Full consolidation
Casiopea Energía 13, S.L.U. (a)	Subsidiary	05/05/2015	100.00%	0.00%	0	Direct	Full consolidation
Casiopea Energía 14, S.L.U. (a)	Subsidiary	05/05/2015	100.00%	0.00%	0	Direct	Full consolidation
Casiopea Energía 15, S.L.U. (a)	Subsidiary	05/05/2015	100.00%	0.00%	0	Direct	Full consolidation
Casiopea Energía 16, S.L.U. (a)	Subsidiary	05/05/2015	100.00%	0.00%	0	Direct	Full consolidation
Casiopea Energía 17, S.L.U. (a)	Subsidiary	05/05/2015	100.00%	0.00%	0	Direct	Full consolidation
Casiopea Energía 18, S.L.U. (a)	Subsidiary	05/05/2015	100.00%	0.00%	0	Direct	Full consolidation
Casiopea Energía 19, S.L.U. (a)	Subsidiary	05/05/2015	100.00%	0.00%	0	Direct	Full consolidation
Casiopea Energía 2, S.L.U. (a)	Subsidiary	05/05/2015	100.00%	0.00%	0	Direct	Full consolidation
Casiopea Energía 3, S.L.U. (a)	Subsidiary	05/05/2015	100.00%	0.00%	0	Direct	Full consolidation
Casiopea Energía 4, S.L.U. (a)	Subsidiary	05/05/2015	100.00%	0.00%	0	Direct	Full consolidation
Casiopea Energía 5, S.L.U. (a)	Subsidiary	05/05/2015	100.00%	0.00%	0	Direct	Full consolidation
Casiopea Energía 6, S.L.U. (a)	Subsidiary	05/05/2015	100.00%	0.00%	0	Direct	Full consolidation
Casiopea Energía 7, S.L.U. (a)	Subsidiary	05/05/2015	100.00%	0.00%	0	Direct	Full consolidation
Casiopea Energía 8, S.L.U. (a)	Subsidiary	05/05/2015	100.00%	0.00%	0	Direct	Full consolidation
Casiopea Energía 9, S.L.U. (a)	Subsidiary	05/05/2015	100.00%	0.00%	0	Direct	Full consolidation
Promociones y Desarrollos Ribera Mujeres S.A. de Rocabella, S.L. (a)	Associate	01/06/2015	100.00%	0.00%	(3,179)	Direct	Full consolidation
Queenford, S.L. (b)	Associate	26/06/2015	36.09%	0.00%	(47)	Indirect	Equity method
Hansa Mexico S.A. de C.V. (b)	Associate	26/06/2015	31.54%	0.00%	0	Indirect	Equity method
Hansa Cabo, S.A. de C.V. (b)	Subsidiary	30/06/2015	57.15%	0.00%	(5,526)	Indirect	Full consolidation
Operadora Cabo de Cortes S.R.L. de C.V. (b)	Subsidiary	30/06/2015	39.42%	0.00%	5,736	Indirect	Full consolidation
Other	Subsidiary	30/06/2015	48.47%	0.00%	205	Indirect	Full consolidation
					(291)		
<b>Total</b>					<b>3,232</b>		

(a) No longer consolidated due to sale of investment.  
(b) No longer consolidated due to dissolution and/or liquidation.  
(c) Derecognition of non current assets held for sale due to reclassification.

## Other disclosures

### Asset protection scheme

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

The portfolio of assets protected by the APS on the date it entered into force, i.e. 31 July 2011, breaks down as follows:

€million	<b>Balance</b>	<b>Impairment allowances</b>
Loans and advances to customers	19,117	2,263
<i>Of which risk drawn down</i>	<i>18,460</i>	-
<i>Of which guarantees and contingent liabilities</i>	<i>657</i>	-
Real-estate assets (*)	4,663	1,096
Shareholdings	504	163
Assets written off	360	360
<b>Total</b>	<b>24,644</b>	<b>3,882</b>

(\*) Real-estate assets including non-current assets held for sale, investment properties and inventories.

Movements in the balance of the loans and receivables portfolio protected by the APS from its entry into force through 30 June 2015 are as follows:

€ million	<b>Balance at 31 July 2011</b>	<b>18,460</b>
Acquisition of real-estate assets		(5,158)
Receipts and subrogation		(2,951)
Increase in written-off assets		(643)
Credit draw-downs		30
<b>Balance at 30 June 2015</b>		<b>9,738</b>

Movements in the balance of the real estate asset portfolio protected by the APS from its entry into force through 30 June 2015 are as follows:

€million	<b>Balance at 31 July 2011</b>	<b>4,663</b>
Acquisition of real-estate assets		4,038
Sales of real-estate assets		(2,701)
Changes in value		-
<b>Balance at 30 June 2015</b>		<b>6,000</b>

In order to recognise the accounting effects of the credit protection granted through the APS, the Group divides the customers classified as doubtful and the real estate assets arising from the impairment of creditors covered by the protocol into the 20% of credit risk that is retained and the 80% which is transferred to the FGD. That is, for each covered asset, the Group considers what part of flows would be obtained from the borrowers or third parties and what part would be obtained from the FGD as a result of the credit guarantee. In respect of the part covered by the APS, on 30 June 2015 the Group had an account receivable amounting to approximately five billion euros which is recognised under loans and receivables. Recognition of this claim on the FGD entails derecognising the provision for impairment against the cost of the doubtful assets or real estate covered by the FGD so as to avoid the duplication that would arise in the balance sheet (before provisions) from maintaining the balance receivable from the FGD and the doubtful exposure and covered real estate. For the purposes of these condensed interim consolidated financial statements, the Group's doubtful balances include the 20% of doubtful exposure retained since it is not guaranteed by the FGD. Consequently, the disclosures in 2014 affected by this new presentation approach have been amended to ensure that the numbers are comparable (notes 4, 7, 10 and 12).

## NOTE 3 – DIVIDENDS PAID

The dividends paid by the bank in the six month periods ended 30 June 2015 and 2014 are detailed below:

	30/06/2015		
	% of par	Euro per share	Amount
Ordinary shares	0%	0	0
Other shares (non-voting, redeemable, etc.)	0	0	0
<b>Total dividends paid</b>			<b>0</b>
a) Dividends charged to profit or loss	0%	0	0
b) Dividends charged to reserves or issue premium	0	0	0
c) Dividends in kind	0	0	0

On 28 May 2015, the General Meeting of Shareholders approved a flexible payment to shareholders arranged in the form of a bonus issue charged to reserves in the amount of €0.04 per share, offering the shareholders the opportunity to receive that amount in cash and/or in new shares.

When the capital increase was carried out, each Bank shareholder received 59 rights to free assignment for every share of the Bank that they owned.

As a result, on 25 June 2015, the capital increase was executed against reserves in the amount of €9.568 million through the issuance of 76,543,124 new shares with a par value of €0.125 each, since 88.36% of the owners of the rights to free assignment elected to receive new shares. The other 10.62% of holders of rights to free assignment accepted the Bank's irrevocable commitment to purchase the rights, with the result that the bank acquired 542,878,835 rights for a total gross amount of €21.172 million, which is presented under other reductions in the statement of changes in equity.

Additionally, the General Meeting of Shareholders approved the payment of shareholder remuneration, in addition to the dividend, of €0.01 per share, consisting of the delivery of shares from the Bank's treasury shares for an equivalent amount, which was recognised against the share premium for the amount of €50.678 million, which is presented under transfers between equity items in the statement of changes in equity.

	30/06/2014		
	% of par	Euro per share	Amount
Ordinary shares	8%	0.01	40,115
Other shares (non-voting, redeemable, etc.)	0	0	0
<b>Total dividends paid</b>			<b>40,115</b>
a) Dividends charged to profit or loss	8%	0.01	40,115
b) Dividends charged to reserves or issue premium	0	0	0
c) Dividends in kind	0	0	0

At the Annual General Meeting of shareholders held on 27 March 2014, the payment of a gross dividend per share for 2013 of €0.01 was approved together with a supplementary distribution of €0.02 per share to be paid to shareholders in the form of a distribution of shares of an equivalent value out of the Bank's holding of treasury shares, charged to the share premium.

### Earnings per share

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



Earnings per share calculations are shown in the following table:

Thousand euro	30/06/2015	30/06/2014
Net profit attributable to Group (€'000)	352,246	226,759
Profit/(loss) on discontinued operations (€'000)	-	-
Weighted average number of ordinary shares outstanding (*)	4,538,794,671	3,970,402,388
Adjusted weighted average number of ordinary shares outstanding x correction factor (**)	4,936,484,041	4,365,561,233
Assuming conversion of convertible bonds	286,236,956	271,023,286
Adjusted weighted average number of ordinary shares outstanding	5,222,720,997	4,636,584,519
Earnings per share (€)	0.08	0.06
Basic earnings per share adjusted for effect of mandatorily convertible bonds (€)	0.07	0.05
Diluted earnings per share (€)	0.07	0.05

(\*) Average number of shares outstanding (million), less average number of own shares in treasury stock in the period.

(\*\*) Factor to correct for the effect of rights issues and the scrip dividend in prior years.

The bank increased capital several times in the first half of 2015 (Note 14). Under IAS 33, in the event of a capital increase, basic and diluted earnings per share of preceding periods must be recalculated. To that end, a correction factor must be applied to the denominator (weighted average number of shares outstanding). This correction factor is found by dividing the fair value per share immediately before exercise of the pre-emptive subscription right by the theoretical fair value of the share ex-rights. The proportional value in the preceding period was also adjusted for the scrip dividend. To this end, basic and diluted earnings per share in the first half of 2014 were recalculated.

As of 30 June 2015 and 2014, there were no other share-based financial instruments or commitments to employees with a material impact on the calculation of diluted earnings per shares for the periods presented. For this reason, basic earnings per share coincide with diluted earnings per share.

## NOTE 4 – FINANCIAL ASSETS

The group's financial assets other than the balances of "Cash and balances with central banks" and "Hedging derivatives" at 30 June 2015 and 31 December 2014, presented by nature and categories for measurement purposes, are shown below.

Thousand euro	30/06/2015			
Financial assets: Nature / Category	Held for trading	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables
Loans and advances to credit institutions	-	-	-	4,414,148
Loans to customers	-	-	-	141,890,377
Debt instruments	696,863	-	22,930,463	2,113,442
Equity instruments	12,452	125,960	639,955	-
Trading derivatives	1,545,424	-	-	-
<b>Total (consolidated)</b>	<b>2,254,739</b>	<b>125,960</b>	<b>23,570,418</b>	<b>148,417,967</b>

Thousand euro	31/12/2014			
Financial assets: Nature / Category	Held for trading	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables
Loans and advances to credit institutions	-	-	-	4,623,197
Loans to customers	-	-	-	110,835,723
Debt instruments	578,797	-	20,393,061	2,436,259
Equity instruments	45,068	137,148	702,558	-
Trading derivatives	1,582,170	-	-	-
<b>Total (consolidated)</b>	<b>2,206,035</b>	<b>137,148</b>	<b>21,095,619</b>	<b>117,895,179</b>

The figures in the separate financial statements of Banco de Sabadell, S.A. are also presented with the same level of detail:

Thousand euro				
<b>30/06/2015</b>				
<b>Financial assets: Nature / Category</b>	<b>Trading portfolio</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Available-for-sale financial assets</b>	<b>Loans and receivables</b>
Loans and advances to credit institutions	-	-	-	3,518,393
Loans to customers	-	-	-	114,952,805
Debt instruments	687,835	-	18,239,675	2,083,468
Equity instruments	-	-	271,754	-
Trading derivatives	1,470,153	-	-	-
<b>Total (separate)</b>	<b>2,157,988</b>	<b>-</b>	<b>18,511,429</b>	<b>120,554,666</b>

Thousand euro				
<b>31/12/2014</b>				
<b>Financial assets: Nature / Category</b>	<b>Trading portfolio</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Available-for-sale financial assets</b>	<b>Loans and receivables</b>
Loans and advances to credit institutions	-	-	-	3,773,529
Loans to customers	-	-	-	115,743,517
Debt instruments	576,468	-	17,463,679	2,405,765
Equity instruments	-	-	385,956	-
Trading derivatives	1,542,940	-	-	-
<b>Total (separate)</b>	<b>2,119,408</b>	<b>-</b>	<b>17,849,635</b>	<b>121,922,811</b>

#### 4.1 Loans and advances to financial institutions

Loans and advances to financial institutions recognized in the condensed consolidated balance sheets at 30 June 2015 and 31 December 2014 are analysed below:

Thousand euro		
	<b>30/06/2015</b>	<b>31/12/2014</b>
<b>By heading:</b>		
Loans and receivables	4,414,148	4,623,197
<b>Total</b>	<b>4,414,148</b>	<b>4,623,197</b>
<b>By nature:</b>		
Fixed-term deposits	1,208,460	959,826
Hybrid financial assets	11,354	10,887
Reverse repurchase agreements	900,060	1,420,461
Other accounts	2,000,136	1,596,831
Doubtful assets	509	659
Deposits securing market transactions	123,171	476,312
Other financial assets	165,700	154,755
Impairment allowances	(1,961)	(2,347)
Other valuation adjustments	6,719	5,813
<b>Total</b>	<b>4,414,148</b>	<b>4,623,197</b>

## 4.2 Debt instruments

Debt instruments reported in the consolidated balance sheet at 30 June 2015 and 31 December 2014 are analysed below:

Thousand euro	30/06/2015	31/12/2014
<b>By heading:</b>		
Financial liabilities held for trading	696,863	578,797
Available-for-sale financial assets	22,930,463	20,393,061
Loans and receivables	2,113,442	2,436,259
<b>Total</b>	<b>25,740,768</b>	<b>23,408,117</b>
<b>By nature:</b>		
Sovereign	21,165,880	18,247,410
Treasury bills	235,439	57,303
Other book entry debt	8,145,415	6,667,192
Rest	12,785,026	11,522,915
Issued by financial institutions and others	4,579,875	5,164,988
Doubtful assets	11,214	11,215
Impairment allowances	(16,201)	(15,496)
<b>Total</b>	<b>25,740,768</b>	<b>23,408,117</b>

## 4.3 Loans and advances to customers

Loans and advances to customers on the balance sheet at 30 June 2015 and 31 December 2014 are analysed as follows:

Thousand euro	30/06/2015	31/12/2014
<b>By heading:</b>		
Loans and receivables	141,890,377	110,835,723
<b>Total</b>	<b>141,890,377</b>	<b>110,835,723</b>
<b>By nature:</b>		
Assets acquired under repurchase agreements through central counterparties	409,748	587,597
Commercial credit	2,662,725	2,269,941
Secured loans	85,444,808	59,267,611
Other term loans	32,628,560	28,382,718
Receivable on demand and other	9,696,209	7,738,268
Finance leases	2,070,326	2,124,317
Factoring and <i>reverse factoring</i>	2,581,797	2,597,331
Doubtful assets	14,087,414	15,714,213
Impairment allowances	(7,481,970)	(7,715,826)
Other valuation adjustments	(209,240)	(130,447)
<b>Total</b>	<b>141,890,377</b>	<b>110,835,723</b>
<b>By sector:</b>		
Sovereign	5,888,953	6,006,814
Resident	87,046,926	86,528,957
Non-resident	42,558,294	10,432,012
Doubtful assets	14,087,414	15,714,213
Impairment allowances	(7,481,970)	(7,715,826)
Other valuation adjustments	(209,240)	(130,447)
<b>Total</b>	<b>141,890,377</b>	<b>110,835,723</b>

## Doubtful assets

Assets recognized as doubtful in the various asset accounts in the condensed consolidated balance sheets at 30 June 2015 and 31 December 2014 were as follows:

Thousand euro		
	30/06/2015	31/12/2014
Loans and advances to credit institutions	509	659
Debt instruments	11,214	11,215
Loans and advances to customers	14,087,414	15,714,213
<b>Total</b>	<b>14,099,137</b>	<b>15,726,087</b>

## Value adjustments for impairment of financial assets

Allowances for impairment losses on the various asset accounts in the condensed consolidated balance sheets at 30 June 2015 and 31 December 2014 were as follows:

Thousand euro		
	30/06/2015	31/12/2014
Loans and advances to credit institutions	1,961	2,347
Debt instruments	16,201	15,496
Loans and advances to customers	7,481,970	7,715,826
<b>Total</b>	<b>7,500,132</b>	<b>7,733,669</b>

The changes in the balance of the allowances for impairment losses on the previous assets in the six-month period enden 30 June 2015 were as follows:

Thousand euro					
	Determined individually	Determined collectively	IBNR coverage (***)	Country risk	Total
<b>Balance at 31 December 2014</b>	<b>1,399,617</b>	<b>5,194,281</b>	<b>1,136,010</b>	<b>3,761</b>	<b>7,733,669</b>
<b>Addition of TSB</b>	<b>1,873</b>	<b>76,755</b>	<b>183,053</b>	-	<b>261,681</b>
<b>Movements reflected in the income statement (*)</b>	<b>(153,874)</b>	<b>971,704</b>	<b>91,225</b>	<b>371</b>	<b>909,426</b>
<b>Movements not reflected in the income statement</b>	<b>(2,812)</b>	<b>(1,431,886)</b>	<b>23,524</b>	-	<b>(1,411,174)</b>
Utilization of provisions	(2,812)	(1,202,805)	(54,419)	-	(1,260,036)
Other movements (**)	-	(229,081)	77,943	-	(151,138)
<b>Adjustments for exchange differences</b>	-	<b>1,145</b>	<b>5,288</b>	<b>97</b>	<b>6,530</b>
<b>Balance at 30 June 2015</b>	<b>1,244,804</b>	<b>4,811,999</b>	<b>1,439,100</b>	<b>4,229</b>	<b>7,500,132</b>

(\*) The sum of this amount, the depreciation and amortisation charged to income of impaired financial assets that have been written off and the recovery of write-offs is reflected in the section on impairment losses from financial assets.

(\*\*) Includes €146.893 million relating to the transfer of value adjustments recognized for credit risk to non-current assets available for sale (Note 12) and €9.508 million to investment properties (Note 7).

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

The impaired assets ratio, broken down by financing segment, is set out below:

%			
	4 Q 14	Pro forma 2 Q 15 (*)	2 Q 15
Real-estate development and construction	52.17	47.21	47.07
Non-real-estate construction	8.08	8.74	8.74
Corporates	6.46	6.14	6.14
SM Es and own-account workers	12.60	11.96	11.88
Retail costumers/Households with 1st mortgage guarantee	9.25	8.76	5.52
Banco Sabadell Group impaired assets ratio	12.74	10.98	9.01

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

## Other disclosures

The amount of refinanced and restructured balances at 30 June 2015 and 31 December 2014 is as follows:

Thousand euro					
<b>30/06/2015</b>					
	<b>Public authorities</b>	<b>Other corporate borrowers and entrepreneurs</b>	<b>Of which: Finance for construction and real estate development</b>	<b>Other individual borrowers</b>	<b>Total</b>
<b>STANDARD RISKS</b>					
<b>Fully secured by real-estate mortgage</b>					
Number of operations	45	7,276	1,140	32,539	<b>39,860</b>
Gross amount	152,846	2,866,683	731,524	3,239,374	<b>6,258,903</b>
<b>Other real-estate security</b>					
Number of operations	1	1,207	96	2,861	<b>4,069</b>
Gross amount	981	775,601	166,237	244,409	<b>1,020,991</b>
<b>Unsecured</b>					
Number of operations	-	10,671	265	46,489	<b>57,160</b>
Gross amount	-	1,388,938	37,079	185,493	<b>1,574,431</b>
<b>Of which SUBSTANDARD RISK</b>					
<b>Fully secured by real-estate mortgage</b>					
Number of operations	6	2,587	562	7,619	<b>10,212</b>
Gross amount	10,458	1,702,990	520,710	1,094,717	<b>2,808,165</b>
<b>Other real-estate security</b>					
Number of operations	-	297	41	824	<b>1,121</b>
Gross amount	-	483,519	74,925	109,359	<b>592,878</b>
<b>Unsecured</b>					
Number of operations	-	1,593	61	3,174	<b>4,767</b>
Gross amount	-	697,294	18,254	15,651	<b>712,945</b>
<b>IBNR coverage (*)</b>	1,569	473,052	116,175	169,560	<b>644,181</b>
<b>DOUBTFUL RISKS</b>					
<b>Fully secured by real-estate mortgage</b>					
Number of operations	12	11,523	7,209	17,867	<b>29,402</b>
Gross amount	1,147	3,151,576	1,968,074	1,485,422	<b>4,638,145</b>
<b>Other real-estate security</b>					
Number of operations	-	1,929	1,068	2,894	<b>4,823</b>
Gross amount	-	1,074,112	330,258	250,635	<b>1,324,747</b>
<b>Unsecured</b>					
Number of operations	-	4,208	621	12,563	<b>16,771</b>
Gross amount	-	770,281	203,373	84,866	<b>855,147</b>
<b>Specific coverage</b>	5	2,320,374	1,286,863	426,470	<b>2,746,849</b>
<b>TOTAL</b>					
Number of operations	58	36,814	10,399	115,213	<b>152,085</b>
Gross amount	154,974	10,027,191	3,436,545	5,490,199	<b>15,672,364</b>
Coverage	1,574	2,793,426	1,403,038	596,030	<b>3,391,030</b>

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

31/12/2014

	Public authorities	Other individual entrepreneurs	Of which: Finance for corporate borrowers and construction and real estate development	Other individual borrowers	Total
<b>STANDARD RISKS</b>					
<b>Fully secured by real-estate mortgage</b>					
Number of operations	45	7,479	1,400	28,352	35,876
Gross amount	155,995	2,824,604	755,702	2,732,571	5,713,170
<b>Other real-estate security</b>					
Number of operations	2	1,178	105	2,683	3,863
Gross amount	4,408	792,509	141,034	221,959	1,018,876
<b>Unsecured</b>					
Number of operations	-	9,683	281	28,792	38,475
Gross amount	-	1,487,335	30,894	163,491	1,650,826
<b>Of which SUBSTANDARD RISK</b>					
<b>Fully secured by real-estate mortgage</b>					
Number of operations	8	2,279	769	3,689	5,976
Gross amount	17,628	1,601,440	579,182	536,939	2,156,007
<b>Other real-estate security</b>					
Number of operations	-	260	46	445	705
Gross amount	-	565,701	114,270	54,559	620,260
<b>Unsecured</b>					
Number of operations	-	1,286	39	374	1,660
Gross amount	-	749,965	10,415	3,901	753,866
<b>IBNR coverage (*)</b>	2,644	548,176	157,235	89,600	640,420
<b>DOUBTFUL RISKS</b>					
<b>Fully secured by real-estate mortgage</b>					
Number of operations	1	11,741	7,564	17,521	29,263
Gross amount	463	3,724,974	2,545,979	1,464,080	5,189,517
<b>Other real-estate security</b>					
Number of operations	-	1,982	1,187	2,988	4,970
Gross amount	-	1,140,267	488,277	231,479	1,371,746
<b>Unsecured</b>					
Number of operations	-	4,347	852	4,352	8,699
Gross amount	-	978,013	359,967	39,274	1,017,287
<b>Specific coverage</b>	-	2,499,989	1,535,922	420,134	2,920,123
<b>TOTAL</b>					
Number of operations	48	36,410	11,389	84,688	121,146
Gross amount	160,866	10,947,702	4,321,853	4,852,854	15,961,422
Coverage	2,644	3,048,165	1,693,157	509,734	3,560,543

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

Movements in refinancings and restructurings, as well as in the related impairment allowances, during the first half of 2015 are as follows:

Thousand euro							
	Standard			Doubtful		Total	
	Risk	of which Substandard	coverage (**)	Risk	Coverage	Risk	Coverage
<b>Balance at 31/12/2014</b>	<b>8,382,872</b>	<b>3,530,133</b>	<b>640,420</b>	<b>7,578,550</b>	<b>2,920,123</b>	<b>15,961,422</b>	<b>3,560,543</b>
<b>Addition of TSB (*)</b>	457,484	-	1,400	138,516	28,271	<b>596,000</b>	<b>29,671</b>
<b>Reclassifications and changes in coverage</b>	(208,731)	412,051	24,512	208,731	254,244	-	<b>278,756</b>
<b>Additions</b>	1,335,472	658,409	95,787	293,659	94,619	<b>1,629,131</b>	<b>190,406</b>
<b>Disposals</b>	(970,569)	(461,997)	(104,087)	(1,228,169)	(618,353)	<b>(2,198,738)</b>	<b>(722,440)</b>
<b>Changes in balance</b>	(142,203)	(24,608)	(13,851)	(173,248)	67,945	<b>(315,451)</b>	<b>54,094</b>
<b>Balance at 30/06/2015</b>	<b>8,854,325</b>	<b>4,113,988</b>	<b>644,181</b>	<b>6,818,039</b>	<b>2,746,849</b>	<b>15,672,364</b>	<b>3,391,030</b>

(\*) See Note 2.

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

The values of transactions classified as doubtful in the period after refinancing or restructuring are as follows:

Thousand euro		
	30/06/2015	31/12/2014
<b>Public authorities</b>	<b>1,143</b>	<b>463</b>
<b>Other corporate borrowers and individual entrepreneurs</b>	<b>379,957</b>	<b>1,693,549</b>
<i>Of which: Finance for construction and real estate development</i>	<i>98,789</i>	<i>550,926</i>
<b>Other individual borrowers</b>	<b>196,610</b>	<b>501,535</b>
<b>Total</b>	<b>577,710</b>	<b>2,195,547</b>

The total balance reclassified as doubtful after refinancing or restructuring during the first half of 2015 (€577.710 million) does not exactly match the reclassifications and recognition of refinanced operations as doubtful according to the movement in refinanced operations in the same period (€502.390 million) due to an improvement in the variation in balances of transactions reclassified as doubtful during the year and the reclassifications of doubtful risks to standard status as a result of an improvement in recovery expectations.

Average probabilities of default on outstanding refinanced and restructured loans, analysed by borrower category, were as follows:

%		
	30/06/2015	31/12/2014
<b>Public Administrations (*)</b>	-	-
<b>Other corporate borrowers and individual entrepreneurs</b>	<b>10</b>	<b>10</b>
<i>Of which: Finance for construction and real estate development</i>	<i>13</i>	<i>13</i>
<b>Other individual borrowers</b>	<b>12</b>	<b>9</b>
<b>Total</b>	<b>10</b>	<b>10</b>

(\*) Authorisation has not been granted to use internal models to calculate capital requirements for this item. Not including the effect of TSB.

## 4.4 Exposure to sovereign risk

The breakdown, by type of financial instrument, of exposure to sovereign risk in accordance with the criteria required by European Banking Authority (EBA) as 30 June 2015 and 31 December 2014 is as follows:

Thousand euro

30/06/2015										
Sovereign risk exposure, by country (*)	Sovereign debt securities				Loans and advances to customers (**)	Derivatives		Total	Other exposures (***)	%
	Trading portfolio	Short positions	Available-for-sale portfolio	Loan book		Direct exposure	Indirect exposure			
Spain	312,056	(130,788)	6,868,587	1,283,188	6,626,042	-	884	14,959,969	(4,605)	55.8%
Italy	210,796	(10,737)	5,208,093	-	-	-	23,083	5,431,235	742,323	23.0%
USA	-	-	2,641,156	-	58,927	-	-	2,700,083	-	10.1%
United Kingdom	-	-	1,418,036	-	16	-	-	1,418,052	-	5.3%
Portugal	-	-	796,740	-	-	-	-	796,740	-	3.0%
Mexico	-	-	557,473	-	-	-	-	557,473	-	2.1%
Rest of the world	-	-	176,391	-	42,156	-	-	218,547	-	0.8%
<b>Total</b>	<b>522,852</b>	<b>(141,525)</b>	<b>17,666,476</b>	<b>1,283,188</b>	<b>6,727,141</b>	<b>-</b>	<b>23,967</b>	<b>26,082,099</b>	<b>737,718</b>	<b>100.0%</b>

(\*) Sovereign exposure positions shown in accordance with EBA criteria. Mainly excludes sovereign risk of Group insurance undertakings (€1,218 million as at 30 June 2015).  
(\*\*) Includes amounts not drawn under credit transactions and other contingent exposures (€838 million as at 30 June 2015).  
(\*\*\*) Relates to commitments for cash purchases and sales of financial assets.

Thousand euro

31/12/2014										
Sovereign risk exposure, by country (*)	Sovereign debt securities				Loans and advances to customers (**)	Derivatives		Total	Other exposures (***)	%
	Trading portfolio	Short positions	Available-for-sale portfolio	Loan book		Direct exposure	Indirect exposure			
Spain	294,238	(153,191)	6,734,635	1,604,349	6,461,355	-	110,518	15,051,904	(16,411)	64.3%
Italy	176,958	(22,979)	4,686,898	-	4	-	230,406	5,071,287	(10,040)	21.6%
USA	-	-	1,618,813	-	138,422	-	131	1,757,366	-	7.5%
Portugal	-	-	741,442	-	-	-	5,386	746,828	-	3.2%
Mexico	-	-	588,506	-	-	-	-	588,506	-	2.5%
Rest of the world	-	-	168,254	-	39,475	-	-	207,729	-	0.9%
<b>Total</b>	<b>471,196</b>	<b>(176,170)</b>	<b>14,538,548</b>	<b>1,604,349</b>	<b>6,639,256</b>	<b>-</b>	<b>346,441</b>	<b>23,423,620</b>	<b>(26,451)</b>	<b>100.0%</b>

(\*) Sovereign exposure positions shown in accordance with EBA criteria. Mainly excludes sovereign risk of Group insurance undertakings (€1,180 million as at 31 December 2014).  
(\*\*) Includes amounts not drawn under credit transactions and other contingent exposures (€632 million as at 31 December 2014).  
(\*\*\*) Relates to commitments for cash purchases and sales of financial assets.



## NOTE 5 – INFORMATION REQUIRED TO BE KEPT BY ISSUERS OF MORTGAGE MARKET SECURITIES AND THE SPECIAL MORTGAGE REGISTER

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

### A) Lending

Details of the aggregate nominal values of mortgage loans and credit at 30 June 2015 and 31 December 2014 backing issues of asset-backed securities, their eligibility and the extent to which they qualify as such for mortgage market purposes, are presented in the following table:

Thousand euro

Analysis of overall mortgage loan & credit portfolio; eligibility and qualifying amounts (Nominal Values)		
	30/06/2015	31/12/2014
<b>Total mortgage loan and credit portfolio</b>	<b>69,053,455</b>	<b>71,832,792</b>
<b>Mortgage securities issued</b>	<b>5,883,125</b>	<b>6,558,293</b>
<i>Of which: Loans held on balance sheet</i>	<i>5,486,407</i>	<i>6,129,962</i>
<b>Mortgage transfer certificates</b>	<b>4,843,067</b>	<b>5,790,050</b>
<i>Of which: Loans held on balance sheet</i>	<i>4,644,219</i>	<i>5,609,226</i>
<b>Mortgage loans pledged as security for financing received</b>	-	-
<b>Loans backing issues of mortgage bonds and mortgage covered bonds</b>	<b>58,327,263</b>	<b>59,484,449</b>
Ineligible loans	20,062,173	20,497,568
Fulfil eligibility requirements except for limit under Article 5.1 of Royal Decree 716/2009	14,878,036	15,204,177
Rest	5,184,137	5,293,391
Eligible loans	38,265,090	38,986,881
Non-qualifying portions	27,200	40,963
Qualifying portions	38,237,890	38,945,918
Loans covering mortgage bond issues	-	-
Loans eligible as cover for mortgage covered bond issues	38,237,890	38,945,918
<b>Substitute assets related to mortgage covered bond issues</b>	-	-

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

Thousand euro				
<b>Analysis of total mortgage loan &amp; credit portfolio backing mortgage market issuances</b>				
	<b>30/06/2015</b>		<b>31/12/2014</b>	
	<b>Total</b>	<b>Of which: Eligible loans</b>	<b>Total</b>	<b>Of which: Eligible loans</b>
<b>Total mortgage loan and credit portfolio</b>	<b>58,327,263</b>	<b>38,265,090</b>	<b>59,484,449</b>	<b>38,986,881</b>
<b>Origin of operations</b>	<b>58,327,263</b>	<b>38,265,090</b>	<b>59,484,449</b>	<b>38,986,881</b>
Originated by the Bank	57,423,842	37,704,325	58,561,095	38,462,992
Subrogated from other entities	276,564	238,418	256,634	219,618
Rest	626,857	322,347	666,720	304,271
<b>Currency</b>	<b>58,327,263</b>	<b>38,265,090</b>	<b>59,484,449</b>	<b>38,986,881</b>
Euro	57,617,570	38,184,961	58,834,666	38,882,014
Other currencies	709,693	80,129	649,783	104,867
<b>Payment status</b>	<b>58,327,263</b>	<b>38,265,090</b>	<b>59,484,449</b>	<b>38,986,881</b>
Performing	44,499,715	32,787,777	44,168,736	32,926,382
Other situations	13,827,548	5,477,313	15,315,713	6,060,499
<b>Average residual period to maturity</b>	<b>58,327,263</b>	<b>38,265,090</b>	<b>59,484,449</b>	<b>38,986,881</b>
Up to 10 years	17,734,710	9,361,648	18,069,516	9,060,808
10 to 20 years	18,089,358	13,134,701	17,469,051	12,912,010
20 to 30 years	16,065,431	11,758,395	16,810,567	12,513,851
More than 30 years	6,437,764	4,010,346	7,135,315	4,500,212
<b>Interest rate</b>	<b>58,327,263</b>	<b>38,265,090</b>	<b>59,484,449</b>	<b>38,986,881</b>
Fixed	2,956,473	914,332	2,861,904	771,908
Variable	55,370,790	37,350,758	56,622,545	38,214,973
Mixed	-	-	-	-
<b>Holdings</b>	<b>58,327,263</b>	<b>38,265,090</b>	<b>59,484,449</b>	<b>38,986,881</b>
Legal entities and individual entrepreneurs	26,320,971	13,152,942	27,054,006	13,153,963
<i>Of which: Real estate developments</i>	<i>8,984,993</i>	<i>3,831,107</i>	<i>10,384,237</i>	<i>4,394,653</i>
Other individuals and NPISH	32,006,292	25,112,148	32,430,443	25,832,918
<b>Type of guarantee</b>	<b>58,327,263</b>	<b>38,265,090</b>	<b>59,484,449</b>	<b>38,986,881</b>
Assets / finished buildings	51,223,312	35,958,700	51,447,440	36,429,553
<i>Residential</i>	<i>40,341,093</i>	<i>29,085,670</i>	<i>40,557,558</i>	<i>29,743,456</i>
<i>Of which: Official housing</i>	<i>1,218,924</i>	<i>847,189</i>	<i>1,088,202</i>	<i>837,474</i>
<i>Purchased for resale</i>	<i>10,798,971</i>	<i>6,810,925</i>	<i>10,779,455</i>	<i>6,600,249</i>
<i>Other</i>	<i>83,248</i>	<i>62,105</i>	<i>110,427</i>	<i>85,848</i>
Assets/ buildings under construction	929,037	700,483	1,051,102	729,759
<i>Residential</i>	<i>779,337</i>	<i>621,578</i>	<i>898,991</i>	<i>651,265</i>
<i>Of which: Official housing</i>	<i>11,886</i>	<i>11,819</i>	<i>30,517</i>	<i>20,274</i>
<i>Purchased for resale</i>	<i>145,977</i>	<i>75,184</i>	<i>148,044</i>	<i>74,432</i>
<i>Other</i>	<i>3,723</i>	<i>3,721</i>	<i>4,067</i>	<i>4,062</i>
Land	6,174,914	1,605,907	6,985,907	1,827,569
<i>Developed</i>	<i>4,152,514</i>	<i>1,036,331</i>	<i>4,939,628</i>	<i>1,229,088</i>
<i>Rest</i>	<i>2,022,400</i>	<i>569,576</i>	<i>2,046,279</i>	<i>598,481</i>

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

Thousand euro

<b>Available balances (nominal value). Total mortgage loans and credits backing the issue of covered bonds and mortgage bonds</b>		
	<b>30/06/2015</b>	<b>31/12/2014</b>
Potentially eligible	1,066,795	1,098,713
Ineligible	681,999	540,989

The following table shows a breakdown of nominal amounts of loans and advances in terms of loan-to-value (LTV) ratio (loan exposure as a percentage of the most recent appraised value) for mortgage loans and credit eligible as collateral for issues of mortgage bonds (*bonos hipotecarios*) and mortgage covered bonds (*cédulas hipotecarias*):

Thousand euro

<b>LTV ratio by type of security. Eligible loans for the issue of mortgage bonds and mortgage covered bonds</b>		
	<b>30/06/2015</b>	<b>31/12/2014</b>
<b>Secured on residential property</b>	<b>29,671,959</b>	<b>30,331,068</b>
<i>LTV &lt;= 40%</i>	8,776,611	8,628,942
<i>LTV 40%-60%</i>	11,169,459	11,145,070
<i>LTV 60%-80%</i>	9,725,889	10,557,056
<i>LTV &gt; 80%</i>	-	-
<b>Secured on other properties</b>	<b>8,593,131</b>	<b>8,655,813</b>
<i>LTV &lt;= 40%</i>	4,781,120	4,661,352
<i>LTV 40%-60%</i>	3,812,011	3,994,461
<i>LTV &gt; 60%</i>	-	-

Changes during the first half of 2015 in the nominal values of mortgage loans that collateralize issues of mortgage bonds and mortgage covered bonds (eligible and non-eligible) are as follows:

Thousand euro

<b>Movements in nominal values of mortgage loans</b>		
	<b>Eligible</b>	<b>Ineligible</b>
<b>Balance at 31 December 2014</b>	<b>38,986,881</b>	<b>20,497,568</b>
<b>Derecognized during the year</b>	<b>(3,352,534)</b>	<b>(2,064,860)</b>
Repayment at maturity	(1,312,212)	(334,787)
Early repayment	(582,554)	(186,174)
Subrogations by other entities	(13,075)	(4,304)
Rest	(1,444,693)	(1,539,595)
<b>Additions in the year</b>	<b>2,630,743</b>	<b>1,629,465</b>
Originated by the Bank	1,126,161	800,297
Subrogations from other entities	22,369	3,443
Rest	1,482,213	825,725
<b>Balance at 30 June 2015</b>	<b>38,265,090</b>	<b>20,062,173</b>

## B) Funding

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

Thousand euro

Nominal value	30/06/2015	31/12/2014
<b>Mortgage covered bonds in issue</b>	<b>20,182,359</b>	<b>21,980,115</b>
<i>Of which: Not reflected under liabilities on the balance sheet</i>	<i>6,783,200</i>	<i>6,352,600</i>
<b>Debt securities Issued through public offering</b>	<b>6,250,000</b>	<b>8,200,000</b>
Time to maturity up to one year	1,750,000	2,700,000
Time to maturity from one to two years	1,500,000	1,750,000
Time to maturity from two to three years	1,000,000	1,500,000
Time to maturity from three to five years	750,000	1,000,000
Time to maturity from five to ten years	1,250,000	1,250,000
Time to maturity more than ten years	-	-
<b>Debt securities Other issues</b>	<b>9,233,000</b>	<b>8,233,000</b>
Time to maturity up to one year	1,320,000	4,400,000
Time to maturity from one to two years	300,000	420,000
Time to maturity from two to three years	200,000	500,000
Time to maturity from three to five years	5,800,000	1,550,000
Time to maturity from five to ten years	1,613,000	1,363,000
Time to maturity more than ten years	-	-
<b>Deposits</b>	<b>4,699,359</b>	<b>5,547,115</b>
Time to maturity up to one year	1,654,815	1,327,756
Time to maturity from one to two years	30,000	1,174,815
Time to maturity from two to three years	455,000	330,000
Time to maturity from three to five years	1,108,689	1,117,856
Time to maturity from five to ten years	1,174,444	1,240,278
Time to maturity more than ten years	276,410	356,410

	30/06/2015		31/12/2014	
	Value nominal (€000)	Maturity average residual (years)	Value nominal (€000)	Maturity average residual (years)
<b>Mortgage transfer certificates</b>	<b>4,843,067</b>	<b>17</b>	<b>5,790,050</b>	<b>17</b>
Issued through public offering	-	-	-	-
Other issues	4,843,067	17	5,790,050	17
<b>Mortgage securities</b>	<b>5,883,125</b>	<b>17</b>	<b>6,558,293</b>	<b>17</b>
Issued through public offering	-	-	-	-
Other issues	5,883,125	17	6,558,293	17

Banco de Sabadell, S.A.'s over-collateralization ratio (the nominal value of all the mortgage loans and advances backing the issuance of mortgage bonds and mortgage covered bonds, divided by the nominal value of outstanding mortgage covered bonds) stood at 289% at 30 June 2015.

As required by Royal Decree 716/2009, which developed certain aspects of Law 2/1981 of 25 March on the regulation of the mortgage market and other matters relating to mortgage lending, the Board of Directors represents that it is responsible for ensuring that the Bank has a set of policies and procedures in place to assure compliance with mortgage market regulations.

In line with these policies and procedures for managing the group's mortgage market activities, the Board of Directors is responsible for ensuring compliance with the mortgage market regulations and for implementing the group's risk management and control procedures (see Note 37, Financial Risk Management, to the 2014 consolidated financial statements). In the area of credit risk, in particular, the Board of Directors delegates powers and discretions to its Executive Committee, which then sub-delegates authority at each level of decision-taking. The internal procedures set up to handle the origination and monitoring of the assets that make up the Group's lending and particularly those secured by mortgage, which serve as cover for the Group's mortgage covered bond issues, are described in detail below for each type of loan applicant.

## **Individuals**

Analysis and decisions on rating the risk of individuals are based on the scoring tools described in the Directors' Report for 2014. Where necessary, these tools are complemented with the work of a risk analyst, who carries out more in-depth studies of supplementary materials and reports. There will, in addition, be a whole range of other details and parameters to be considered, such as the consistency of the customer's application and how well it matches his possibilities; the customer's ability to pay based on his current and future position; the value of the property provided as security for the loan (as determined by an appraisal carried out by a Bank of Spain-authorized valuation firm which Banco Sabadell's own internal approval processes will, additionally, have shown to be free of any association with the Group); the availability of any additional security; examinations of internal and external databases of defaulters, etc.

One aspect of the decision-making process is to establish the maximum amount of the loan, based on the assessed value of the security (the loan-to-value ratio, or LTV). As a general rule, under internal Group procedures the maximum LTV is applicable to purchases by individuals of properties for use as their normal residence and is fixed at 80%. This provides an upper limit below which a range of other maximum LTV ratios of less than 80% are set, having regard to the purpose of the loan.

A further step that must be taken before an application can be decided upon is to review all charges associated with the property on which the loan is to be secured and also any insurance taken out to cover the security. Once a loan application has been approved, the mortgage must be registered with the Property Registry as part of the formalities for arranging the loan.

Concerning approval autonomy levels, the scoring tools are the main reference for determining the feasibility of the operation. Where the loan being sought is above a certain amount, or where factors are present that are not readily captured by a scoring procedure, a risk analyst will be involved. The limit for each autonomy level is based on credit scores, with additional conditions being specified at each level to determine when special intervention is required. A list of exceptions has been drawn up, based on the particular circumstances of the borrower and the operation, and these exceptions are covered in the Group's internal rules and procedures.

As mentioned in the 2014 Directors' Report, the Group has an integrated monitoring system which uses early alert tools that enable the early detection of borrowers that could have compliance issues. A key part of this process consists of well-established procedures to review and validate the security provided.

## **Businesses (other than construction/real estate development)**

Analyses and decisions concerning the risk acceptance are based on rating tools and the "basic risk management teams", both of which are described in the 2014 Directors' Report. Where necessary, these tools are complemented with the work of a risk analyst, who carries out more in-depth studies of supplementary materials and reports. A range of other data and parameters are also taken into account, such as the consistency of the application, ability to pay and the nature of the security provided (as determined by an appraisal carried out by a Bank of Spain-authorized valuation firm which Banco Sabadell's own approval processes will, additionally, have shown to be free of any association with the Group) and considering any supplementary guarantees, the "fit" between the company's working capital and its total sales; the appropriateness of the total amount borrowed from the Group based on the business's capital strength; examinations of internal and external databases of defaulters, and so on.

Business loans are likewise subject to processes to evaluate any charges associated with the security provided and to have any mortgage registered with the Property Registry.

An autonomy level is assigned on the basis of the expected loss associated with a transaction. There are several levels at which decisions may be taken. Each of these levels involves the "basic risk management team", one member of which will be on the business side and one on the risk management side. All loan approvals must be the result of a joint decision. As with individual customers, a set of exceptional circumstances has been specified for borrowers or sectors, and these are provided for in the Group's internal procedures.

As in the case of individuals, operations are monitored using early alert tools. There are also procedures to ensure that the borrower's security or guarantees are constantly being reviewed and validated.

### **Businesses (construction/real estate development)**

Real estate assets and real estate developer loans are handled by the Bank's Asset Transformation and Industrial and Real Estate Holdings department. The division is organizationally structured to focus on the specialized management of assets of this type based on knowledge of the status and development of the real-estate market. Managing the risks in these real estate and loan assets is the responsibility of the Bank's Asset Risk unit, part of the Risk Management division.

Risk analysis is carried out by specialist management teams who operate in conjunction with the real estate lending units to ensure that a risk management perspective is combined with a view based on direct contact with the customer.

Factors influencing the decision will include the borrower's credit rating assessment together with a series of other considerations such as the financial position and net worth of the business, revenue and cash flow projections, any business plans and, most particularly, an in-depth study of current credit risks whether related to completed developments, land holdings or other assets.

There is a scale of maximum LTV ratios defined internally by the Group based on the purpose of the financing, quality of the developer and an internal appraisal of the development.

Decision-taking powers and discretions are assigned according to the specific types of asset portfolio handled within this business segment. which may be related to new projects, sales, purchases or action plans. All these different circumstances are provided for in the Bank's rules and procedures.

Loans are subject to the kind of continuous monitoring that asset management necessarily implies. For completed developments, monitoring will focus on sales or rental figures; for developments under construction, the state of progress of the work. Constant checks are made that commitments are being adhered to and, as with non-real estate businesses, procedures are in place for the continuous review and validation of the loan security provided.

### **Other matters**

The Banco Sabadell group is an active participant in the capital markets and has a number of funding programmes in operation (see Note 37 to the 2014 consolidated financial statements). As one element of its funding strategy, Banco de Sabadell, S.A. is an issuer of mortgage covered bonds. Mortgage covered bond issues are backed by the Bank's portfolio of loans secured by real estate mortgages that meet the eligibility criteria applicable under Royal Decree 716/2009, which provides rules on the mortgage market and mortgage finance in Spain. The Group has reviewed procedures in place to monitor its entire portfolio of loans and credit lines secured by mortgages. These include maintaining special accounting records of all mortgage assets — and any assets that replace them — used to back issues of mortgage covered bonds and mortgage bonds, and of any financial derivatives associated with them; verifying that all loans and other assets meet the eligibility criteria for use as collateral in issues of mortgage covered bonds; and ensuring that bond issues are at all times kept to within their maximum limits, as required by the applicable mortgage market legislation.

## NOTE 6 – TRANSFER OF FINANCIAL ASSETS

In recent years the Banco Sabadell group has undertaken a number of securitization programmes, either alone or in partnership with other domestic and foreign banks. Financial assets securitized by the group under these programmes at 30 June 2015 and 31 December 2014 are summarized below. Assets on which the associated risks and rewards were transferred are shown separately in the table.

Thousand euro	30/06/2015	31/12/2014
<b>Derecognized in full from the balance sheet</b>	<b>1,460,592</b>	<b>1,482,749</b>
Securitized mortgage assets	595,566	609,155
Other securitized assets	20,653	45,247
Other financial assets transferred	844,373	828,347
<b>Retained in full on the balance sheet</b>	<b>14,365,826</b>	<b>12,284,506</b>
Securitized mortgage assets	14,162,245	11,739,188
Other securitized assets	203,581	545,318
<b>Total</b>	<b>15,826,418</b>	<b>13,767,255</b>

Assets and liabilities corresponding to securitization trusts of assets originated after 1 January 2004 and whose associated risks and rewards have not been transferred to third parties have been retained in the consolidated financial statements.

The amount of bonds associated with assets not retired from the balance sheet, classified in the group's marketable debt securities (see Note 11.3), was €3,092.597 million at 30 June 2015 and €3,621.063 million at 31 December 2014.

No securitization programme was implemented in the first half of 2015. The increase in the first half of 2015 is due to the consolidation of assets from TSB (see Note 2).

## NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

The composition of this item in the condensed consolidated balance sheets at 30 June 2015 and 31 December 2014 was as follows:

Thousand euro	30/06/2015				31/12/2014			
	Depreciation and				Depreciation and			
	Cost	amortization	Impairment	Net value	Cost	amortization	Impairment	Net value
<b>Property, plant and equipment:</b>	<b>3,397,226</b>	<b>(1,582,842)</b>	<b>(20,230)</b>	<b>1,794,154</b>	<b>2,799,090</b>	<b>(1,163,189)</b>	<b>(22,614)</b>	<b>1,613,287</b>
For own use:	3,266,716	(1,552,798)	(20,230)	1,693,688	2,687,355	(1,131,824)	(22,614)	1,532,917
Computer equipment and related facilities	462,101	(333,921)	-	128,180	467,597	(328,021)	-	139,576
Furniture, vehicles and other facilities	1,312,539	(788,980)	(1,681)	521,878	1,091,149	(605,390)	(1,128)	484,631
Buildings	1,462,423	(428,709)	(18,549)	1,015,165	1,099,242	(196,817)	(21,454)	880,971
Work in progress	62	-	-	62	76	-	-	76
Other	29,591	(1,188)	-	28,403	29,291	(1,596)	(32)	27,663
Leased out under operating leases	130,510	(30,044)	-	100,466	111,735	(31,365)	-	80,370
<b>Investment property:</b>	<b>2,892,723</b>	<b>(133,066)</b>	<b>(397,955)</b>	<b>2,361,702</b>	<b>2,838,359</b>	<b>(114,576)</b>	<b>(354,204)</b>	<b>2,369,579</b>
Buildings	2,864,677	(131,290)	(385,305)	2,348,082	2,805,129	(112,915)	(342,100)	2,350,114
Rural property, plots and sites	28,046	(1,776)	(12,650)	13,620	33,230	(1,661)	(12,104)	19,465
<b>Total</b>	<b>6,289,949</b>	<b>(1,715,908)</b>	<b>(418,185)</b>	<b>4,155,856</b>	<b>5,637,449</b>	<b>(1,277,765)</b>	<b>(376,818)</b>	<b>3,982,866</b>

Movements in tangible assets in the first half of 2015 are shown in the following table:

Thousand euro					
	Land and buildings	Furnishings and equipment	Investment property	Leased under operating	Total
<b>Cost:</b>					
<b>Balances at 31 December 2014</b>	<b>1,128,609</b>	<b>1,558,746</b>	<b>2,838,359</b>	<b>111,735</b>	<b>5,637,449</b>
Addition of TSB (*)	388,152	238,165	-	-	626,317
Additions	2,341	33,561	159,306	40,701	235,909
Disposals	(25,779)	(59,332)	(173,273)	(21,926)	(280,310)
Other transfers	(1,247)	3,500	77,839	-	80,092
NPL transfers (note 4.3)	-	-	(9,508)	-	(9,508)
<b>Balance at 30 June 2015</b>	<b>1,492,076</b>	<b>1,774,640</b>	<b>2,892,723</b>	<b>130,510</b>	<b>6,289,949</b>
<b>Accumulated depreciation:</b>					
<b>Balances at 31 December 2014</b>	<b>198,413</b>	<b>933,411</b>	<b>114,576</b>	<b>31,365</b>	<b>1,277,765</b>
Addition of TSB (*)	231,212	183,343	-	-	414,555
Additions	4,792	46,881	26,424	8,204	86,301
Disposals	(3,968)	(43,509)	(5,705)	(9,525)	(62,707)
Other transfers	(552)	2,775	(2,229)	-	(6)
<b>Balance at 30 June 2015</b>	<b>429,897</b>	<b>1,122,901</b>	<b>133,066</b>	<b>30,044</b>	<b>1,715,908</b>
<b>Impairment losses:</b>					
<b>Balances at 31 December 2014</b>	<b>21,486</b>	<b>1,128</b>	<b>354,204</b>	<b>-</b>	<b>376,818</b>
Net provision with impact on income (Note 17.h)	(1,438)	(50)	107,402	-	105,914
Utilizations	(896)	-	(86,089)	-	(86,985)
Transfers	(603)	603	22,438	-	22,438
<b>Balance at 30 June 2015</b>	<b>18,549</b>	<b>1,681</b>	<b>397,955</b>	<b>-</b>	<b>418,185</b>
<b>Net balances at 31 December 2014</b>	<b>908,710</b>	<b>624,207</b>	<b>2,369,579</b>	<b>80,370</b>	<b>3,982,866</b>
<b>Net balance at 30 June 2015</b>	<b>1,043,630</b>	<b>650,058</b>	<b>2,361,702</b>	<b>100,466</b>	<b>4,155,856</b>

(\*) see Note 2.

The origin of the net carrying amount of transfers to tangible assets in the first half of 2015 is detailed below:

Thousand euro		30/06/2015
Inventories (Note 9)		32,097
Non-current assets held for sale (Note 12)		25,562
Impaired loans		(9,508)
<b>Total</b>		<b>48,151</b>



## NOTE 8 - INTANGIBLE ASSETS

The composition of this item at 30 June 2015 and 31 December 2014 was as follows:

Thousand euro	30/06/2015	31/12/2014
<b>Goodwill:</b>	<b>1,090,216</b>	<b>1,084,146</b>
From acquisition of Banco BMN-Penedès assets	245,364	245,364
Banco Urquijo Sabadell Banca Privada, S.A.	473,837	473,837
Grupo Banco Guipuzcoano	285,345	285,345
Sabadell United Bank, N.A.	68,767	62,697
Rest	16,903	16,903
<b>Other intangible assets</b>	<b>920,760</b>	<b>507,150</b>
With a finite useful life:	920,760	507,150
Contractual relations with customers (Banco Guipuzcoano)	29,726	32,448
Contractual relations with customers and brand (Banco Urquijo)	8,494	9,860
Private Banking business, Miami	26,718	26,127
Contractual relations with customers (Sabadell United Bank)	17,205	17,559
Contractual relations with customers (TSB)	399,453	-
Computer applications	424,291	405,417
Other deferred expenses	14,873	15,739
<b>Total</b>	<b>2,010,976</b>	<b>1,591,296</b>

In 2015, intangible assets were estimated at a value that reflects the value of the contractual rights arising from relations with TSB customers for core deposits, in the amount of €399 million (Note 2). The fair value was mainly determined, by estimating the net present value of the cash flows generated by the lower cost of core deposits compared with alternative funding sources.

The cost of this alternative funding was estimated based on the current situation in the capital markets and the measurement period was set at eight years (estimated useful life for this type of deposit). The discount rate used was 11%, consisting of a capital cost of 10% plus a premium of 1% to reflect the additional risk associated with estimating depositors' behaviour.

Changes in goodwill in the first half of 2015 were as follows:

Thousand euro	Goodwill	Impairment	Total
<b>Balance at 31 December 2014</b>	<b>1,084,146</b>	-	<b>1,084,146</b>
Additions	-	-	-
Disposals	-	-	-
Exchange differences	6,070	-	6,070
<b>Balance at 30 June 2015</b>	<b>1,090,216</b>	-	<b>1,090,216</b>

## NOTE 9 - OTHER ASSETS

The composition of other assets at 30 June 2015 and 31 December 2014 was as follows:

Thousand euro	30/06/2015	31/12/2014
Inventories	3,889,474	4,021,357
Other	1,156,113	250,530
<b>Total</b>	<b>5,045,587</b>	<b>4,271,887</b>

Changes in inventories in the first half of 2015 were as follows:

Thousand euro				
	Land	Buildings under construction	Finished buildings	Total
<b>Balance at 31 December 2014</b>	<b>2,207,879</b>	<b>405,304</b>	<b>1,408,174</b>	<b>4,021,357</b>
Additions	169,240	57,797	281,920	508,957
Disposals	(85,369)	(25,499)	(190,758)	(301,626)
Impairment charged to income statement (Note 17.h)	(119,236)	(35,264)	(152,617)	(307,117)
Other transfers (Note 7)	(19,173)	4,782	(17,706)	(32,097)
<b>Balance at 30 June 2015</b>	<b>2,153,341</b>	<b>407,120</b>	<b>1,329,013</b>	<b>3,889,474</b>

## NOTE 10 - FINANCING FOR CONSTRUCTION AND REAL ESTATE DEVELOPMENT AND ASSESSMENT OF MARKET FINANCING REQUIREMENTS

### Financing for construction and real estate development

Details of finance for construction and real estate development, along with associated impairment allowances, are given in the following table:

€million			
30/06/2015			
	Gross amount	Excess value of guarantee	Coverage
<b>Finance for construction and real-estate development recognized by Group credit institutions (businesses in Spain) (*)</b>	<b>8,789</b>	<b>1,384</b>	<b>2,372</b>
<i>Of which: doubtful</i>	<i>4,345</i>	<i>756</i>	<i>2,182</i>
<i>Of which: substandard</i>	<i>861</i>	<i>156</i>	<i>190</i>

(\*) Loans are classified according to their purpose and not the debtor's CNAE. This implies, for example, that if the debtor relates to: (a) a real estate company but the financing is dedicated to a purpose other than construction or real estate development, it is not included in this table, and (b) a company whose core business is not construction but the loan is used to finance properties for real estate development, it is included in this table.

€million			
31/12/2014			
	Gross amount	Excess value of guarantee	Coverage
<b>Finance for construction and real-estate development recognized by Group credit institutions (businesses in Spain) (*)</b>	<b>10,572</b>	<b>1,708</b>	<b>2,809</b>
<i>Of which: doubtful</i>	<i>5,723</i>	<i>1,056</i>	<i>2,599</i>
<i>Of which: substandard</i>	<i>985</i>	<i>208</i>	<i>210</i>

(\*) Loans are classified according to their purpose and not the debtor's CNAE. This implies, for example, that if the debtor relates to: (a) a real estate company but the financing is dedicated to a purpose other than construction or real estate development, it is not included in this table, and (b) a company whose core business is not construction but the loan is used to finance properties for real estate development, it is included in this table.

Considering the accumulated impairment allowances for troubled assets and the exposures guaranteed by the FGD, the effective coverage of financing for construction and real estate amounted to 47% in June 2015 (45% in December 2014).

€million

Memorandum item	Gross amount	
	30/06/2015	31/12/2014
Assets written off	22	180

€million

Memorandum item:	Carrying amount	Carrying amount
	30/06/2015	31/12/2014
Total customer loans, excluding Public Administrations (businesses in Spain)	107,453	107,769
Total assets (total businesses)	203,959	163,346
Adjustments due to asset impairment not allocated to specific operations	451	226

Details of financing provided for construction and real estate development in transactions recognized by credit institutions are as follows (businesses in Spain):

€million

	Loans: gross amount	Loans: gross amount
	30/06/2015	31/12/2014
<b>Unsecured</b>	<b>847</b>	<b>1,173</b>
<b>Mortgage security</b>	<b>7,942</b>	<b>9,399</b>
Finished buildings	5,175	5,990
Housing	2,798	3,532
Rest	2,377	2,458
Buildings under construction	518	613
Housing	362	445
Rest	156	168
Land	2,249	2,796
Building land	1,930	2,504
Other land	319	292
<b>Total</b>	<b>8,789</b>	<b>10,572</b>

Home purchase loans to households for transactions recognized by credit institutions (businesses in Spain) are analysed below:

€million

	30/06/2015	
	Gross amount	Of which: doubtful
<b>Home loans</b>	<b>35,722</b>	<b>2,637</b>
Unsecured	116	4
Mortgage security	35,606	2,633

€million

	31/12/2014	
	Gross amount	Of which: doubtful
<b>Home loans</b>	<b>36,646</b>	<b>2,912</b>
Unsecured	131	18
Mortgage security	36,515	2,894

A breakdown of home loans secured by mortgages, showing the Group's total exposure as a proportion of the most recent available valuation of the mortgaged property, is set out below (businesses in Spain):

	30/06/2015	
	Gross amount	Of which: doubtful
<b>LTV ranges</b>	<b>35,606</b>	<b>2,633</b>
LTV <= 40%	8,075	406
40% < LTV <= 60%	11,573	573
60% < LTV <= 80%	11,659	978
80% < LTV <= 100%	3,076	443
LTV > 100%	1,223	233

	31/12/2014	
	Gross amount	Of which: doubtful
<b>LTV ranges</b>	<b>36,515</b>	<b>2,894</b>
LTV <= 40%	8,093	476
40% < LTV <= 60%	11,699	605
60% < LTV <= 80%	12,384	1,078
80% < LTV <= 100%	3,287	512
LTV > 100%	1,052	223

Finally, details of foreclosed asset by Group companies in connection with loans granted by credit institutions in Spain are given in the following table:

	30/06/2015	
	Carrying value (net) (*)	Of which: Coverage
<b>Real estate assets deriving from financing of construction and real estate development</b>	<b>5,663</b>	<b>2,734</b>
Finished buildings	2,766	745
Housing	1,570	381
Rest	1,196	364
Buildings under construction	451	146
Housing	338	103
Rest	113	43
Land	2,446	1,843
Building land	1,033	687
Other land	1,413	1,156
<b>Real estate assets deriving from home loan mortgages</b>	<b>1,681</b>	<b>404</b>
<b>Real estate assets acquired in discharge of debts</b>	-	-
<b>Equity instruments, equity interests and financing to companies holding such assets</b>	<b>308</b>	<b>422</b>
<b>Total real-estate portfolio</b>	<b>7,652</b>	<b>3,560</b>

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

	<b>31/12/2014</b>	
	<b>Carrying value (net) (*)</b>	<b>Of which: Coverage</b>
<b>Real estate assets deriving from financing of construction and real estate development</b>	<b>5,690</b>	<b>2,794</b>
Finished buildings	<b>2,784</b>	<b>714</b>
Housing	1,586	348
Rest	1,198	366
Buildings under construction	<b>429</b>	<b>155</b>
Housing	306	103
Rest	123	52
Land	<b>2,477</b>	<b>1,925</b>
Building land	1,092	745
Other land	1,385	1,180
<b>Real estate assets deriving from home loan mortgages</b>	<b>1,485</b>	<b>415</b>
<b>Real estate assets acquired in discharge of debts</b>	-	-
<b>Equity instruments, equity interests and financing to companies holding such assets</b>	<b>210</b>	<b>405</b>
<b>Total real-estate portfolio</b>	<b>7,385</b>	<b>3,614</b>

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

The balance of the group's foreclosed asset portfolio for operations recognized inside and outside Spain, considering the guarantee provided by the FGD, amount to €9,227 million at 30 June 2015 (€8,850 million at 31 December 2014).

A total of 7,056 units were sold in the first half of 2015, of which 2,712 were foreclosed properties.

As part of its ongoing risk management and, in particular, its policy on the construction and real estate industries, the Bank has a number of specific policies for mitigating risk.

The main policy is current on going monitoring of risks and reappraisal of borrowers' continued financial viability in the new economic environment. If the position is satisfactory, the existing arrangements continue on the basis agreed, with fresh commitments being required where appropriate in the light of changed circumstances.

The policy to be applied depends in each case on the type of asset being financed. In terminated developments, sale support actions are carried out through the Group's distribution channels, setting a competitive price which enables the transactions to be activated and allowing final purchasers access to financing, provided they comply with risk requirements. In developments in progress, the basic objective is to finalize them provided that short- or medium-term market expectations are sufficient to absorb the resulting supply of dwellings.

For land-related loans, the saleability of properties to be built on the site is the key consideration in deciding on the provision of finance for construction.

Where monitoring and scrutiny of a borrower's position do not indicate a reasonable degree of viability, the solution may take the form of a surrender of assets in settlement of the debt and/or the purchase of assets.

Where a solution of this kind is not practicable, legal proceedings will be taken, leading to foreclosure of the assets.

All assets taken into the possession of the Group, whether by surrender in settlement of debt or by purchase, or as a result of legal proceedings, are managed actively by the Bank's Asset Transformation Department, the primary objective being disposal. Depending on the maturity of the real estate assets, three different strategies may be adopted:

#### 1. Offer for sale

A number of mechanisms designed to put finished properties (residential, commercial, industrial, parking facilities, etc.) on the market have been implemented using a variety of distribution channels and commercial agents depending on the type, location and state of repair of each property and its status from the land/planning viewpoint. A key factor in this strategy is the real-estate portal [www.solvia.es](http://www.solvia.es).

## 2. Mobilization

Given the very difficult conditions surrounding the sale of building plots and buildings under construction, a mobilization strategy has been adopted whose aim is to generate liquidity from building plots. A number of mobilization schemes have been launched:

- Collaboration with real estate developers: this seeks to make building land available in areas of high housing demand and allow developers to develop and sell properties.
- Investor programme: the aim of this is to develop sites for office, commercial and industrial use with capital inputs from investors.
- Social housing programme: this involves developing social housing units to be leased out and subsequently sold.

## 3. Urban planning management

Land that is not yet ready for development must be managed to secure development rights. This is vital as a means of leveraging the value of the sites and is key to any subsequent development and sale.

### Assessment of liquidity requirements and financial policy

Banco Sabadell's liquidity management seeks to ensure funding for its commercial activity at an appropriate cost and term while minimising liquidity risk. The bank's funding policy is focused on gradually generating a liquidity surplus in the commercial business, maintaining a balanced funding position in wholesale markets and increasing the Group's liquidity position.

In this respect, in the first half of 2015, Banco Sabadell's maturities on the wholesale market amounted to €2,796.7 million and it issued €1,283.8 million in the capital markets.

In the second half of 2015, Banco Sabadell has maturing medium- and long-term wholesale market debt of €476 million.

For more information, see note 11.5 and in the 2014 consolidated financial statements of Banco Sabadell, where the policies and procedures used by the group to manage liquidity risk are described in Note 37 (Financial risk management).

At 30 June 2015, the drawn-down balance on the facility held with the Bank of Spain for monetary policy transactions with the European Central Bank stood at €11,000 million (€7,200 million at 31 December 2014).

## NOTE 11 - FINANCIAL LIABILITIES

The Group's financial liabilities other than hedging derivatives at 30 June 2015 and 31 December 2014, presented by nature and measurement category, are analyzed below:

Financial liabilities: Nature / Category	30/06/2015		
	Trading portfolio	Other financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost
Deposits from central banks	-	-	11,008,029
Deposits from credit institutions	111	-	14,566,803
Customer deposits	-	-	132,330,144
Marketable debt securities	-	-	20,102,923
Trading derivatives	1,545,241	-	-
Subordinated liabilities	-	-	1,489,873
Short securities positions	141,525	-	-
Other financial liabilities	-	-	5,704,152
<b>Total (consolidated)</b>	<b>1,686,877</b>	<b>-</b>	<b>185,201,924</b>

Thousand euro

Financial liabilities: Nature / Category	31/12/2014		
	Trading portfolio	Other financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost
Deposits from central banks	-	-	7,201,546
Deposits from credit institutions	-	-	16,288,193
Customer deposits	-	-	98,208,370
Marketable debt securities	-	-	20,196,329
Trading derivatives	1,549,973	-	-
Subordinated liabilities	-	-	1,012,362
Short securities positions	176,170	-	-
Other financial liabilities	-	-	2,673,314
<b>Total (consolidated)</b>	<b>1,726,143</b>	<b>-</b>	<b>145,580,114</b>

The same breakdown is presented of the figures from the condensed separate financial statements of Banco de Sabadell, S.A.:

Thousand euro

Financial liabilities: Nature / Category	30/06/2015		
	Trading portfolio	Other financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost
Deposits from central banks	-	-	11,004,798
Deposits from credit institutions	-	-	13,642,627
Customer deposits	-	-	96,976,162
Marketable debt securities	-	-	18,864,951
Trading derivatives	1,497,380	-	-
Subordinated liabilities	-	-	966,099
Short positions	141,525	-	-
Other financial liabilities	-	-	5,299,913
<b>Total (separate)</b>	<b>1,638,905</b>	<b>-</b>	<b>146,754,550</b>

Thousand euro

Financial liabilities: Nature / Category	31/12/2014		
	Trading portfolio	Other financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost
Deposits from central banks	-	-	7,200,348
Deposits from credit institutions	-	-	16,068,639
Customer deposits	-	-	99,321,757
Marketable debt securities	-	-	18,575,595
Trading derivatives	1,549,973	-	-
Subordinated liabilities	-	-	1,059,797
Short positions	176,170	-	-
Other financial liabilities	-	-	2,337,457
<b>Total (separate)</b>	<b>1,726,143</b>	<b>-</b>	<b>144,563,593</b>

## 11.1 Deposits from other credit institutions

Deposits from credit institutions, a liability item on the condensed consolidated balance sheets at 30 June 2015 and 31 December 2014, are analyzed as follows:

Thousand euro

	30/06/2015	31/12/2014
<b>By heading:</b>		
Financial liabilities at amortized cost	14,566,803	16,288,193
<b>Total</b>	<b>14,566,803</b>	<b>16,288,193</b>
<b>By nature:</b>		
Fixed-term deposits	8,347,301	8,270,198
Assets ceded under repurchase agreements	5,616,020	7,428,793
Other accounts	657,004	645,434
Valuation adjustments	(53,522)	(56,232)
<b>Total</b>	<b>14,566,803</b>	<b>16,288,193</b>

## 11.2 Customer deposits

The deposits from customers reported on the condensed consolidated balance sheets at 30 June 2015 and 31 December 2014 can be analyzed as follows:

Thousand euro	30/06/2015	31/12/2014
<b>By heading:</b>		
Financial liabilities at amortized cost	132,330,144	98,208,370
<b>Total</b>	<b>132,330,144</b>	<b>98,208,370</b>
<b>By nature:</b>		
Demand deposits	80,786,025	43,274,963
Current accounts	48,097,577	31,098,745
Savings accounts	32,688,448	12,176,218
Fixed term	49,789,180	53,395,928
Repurchase agreements	1,594,213	1,291,799
Valuation adjustments	160,726	245,680
<b>Total</b>	<b>132,330,144</b>	<b>98,208,370</b>
<b>By sector:</b>		
Public authorities	3,274,619	2,804,065
Resident	83,809,236	86,449,217
Non-resident	45,085,563	8,709,408
Valuation adjustments	160,726	245,680
<b>Total</b>	<b>132,330,144</b>	<b>98,208,370</b>

## 11.3 Liabilities in the form of tradable securities

Details of issues, buybacks and redemptions of debt securities by the group from 31 December 2014 to 30 June 2015 are set out below together with comparative information for the previous year.

Thousand euro	Outstanding opening balance 31/12/2014	(+/-) Adjustments due to exchange rate and other	Outstanding closing balance 30/6/2015			
	(+/-)	(+/-)	(+/-)			
	(+ Scope additions/ exclusions (*)	(-) Buybacks or reimbursements	(+ Issues			
Debt securities issued in an EU Member State requiring filing of a prospectus	20,032,274	14,077	9,610,791	(9,639,799)	(130,520)	19,886,823
Debt securities issued in an EU Member State not requiring filing of a prospectus	164,055	-	210,699	(158,455)	(199)	216,100
Other debt securities issued outside an EU Member State	-	-	-	-	-	-
<b>Total</b>	<b>20,196,329</b>	<b>14,077</b>	<b>9,821,490</b>	<b>(9,798,254)</b>	<b>(130,719)</b>	<b>20,102,923</b>

(\*) see Note 2.

Thousand euro	Outstanding opening balance 31/12/2013	(+/-) Adjustments due to exchange rate and other	Outstanding closing balance 30/6/2014			
	(+/-)	(+/-)	(+/-)			
	(+ Scope additions	(-) Buybacks or reimbursements	(+ Issues			
Debt securities issued in an EU Member State requiring filing of a prospectus	21,096,546	-	2,596,732	(3,981,465)	(70,360)	19,641,453
Debt securities issued in an EU Member State not requiring filing of a prospectus	70,369	-	50,962	(49,044)	1,143	73,430
Other debt securities issued outside an EU Member State	-	-	-	-	-	-
<b>Total</b>	<b>21,166,915</b>	<b>-</b>	<b>2,647,694</b>	<b>(4,030,509)</b>	<b>(69,217)</b>	<b>19,714,883</b>



Details of marketable debt securities issued by the Group, by type of issue, on the condensed interim consolidated balance sheets at 30 June 2015 and 31 December 2014 are as follows:

Thousand euro		30/06/2015	31/12/2014
Straight bonds		3,344,331	2,170,855
Structured bonds		213,334	198,141
Government guaranteed straight bonds		1,059,050	1,059,050
Promissory notes		3,670,505	2,909,852
Mortgage covered bonds		8,699,800	10,080,400
Territorial covered bonds		-	-
Securitization trust (Note 6)		3,092,597	3,621,063
Valuation and other adjustments		23,306	156,968
<b>Total</b>		<b>20,102,923</b>	<b>20,196,329</b>

Thousand euro		Amount		Interest rate ruling at	Maturity	Issue	Target of
Issuing entity	Date of issue	30/06/2015	31/12/2014	30/06/2015	date	currency	offering
Banco CAM, S.A. (*)	30/06/2005	48,350	48,350	EURIBOR 3M + 0.10	15/08/2015	Euro	Retail
Banco CAM, S.A. (*)	15/02/2006	100,000	100,000	EURIBOR 3M + 0.10	15/08/2015	Euro	Retail
Banco CAM, S.A. (*)	08/03/2006	50,000	50,000	EURIBOR 3M + 0.10	15/08/2015	Euro	Retail
Banco de Sabadell, S.A.	04/10/2006	50,000	50,000	EURIBOR 3M + 0.14	04/10/2016	Euro	Institutional
CAM Global Finance S.A.U.	05/12/2006	107,000	107,000	EURIBOR 3M + 0.225	05/12/2016	Euro	Institutional
Banco Guipuzcoano, S.A. (*)	18/04/2007	25,000	25,000	1.70%	18/04/2022	Euro	Institutional
Banco de Sabadell, S.A.	05/12/2013	600,000	600,000	2.50%	05/12/2016	Euro	Institutional
Banco Gallego, S.A. (*)	28/10/2013	186	186	2.00%	29/12/2019	Euro	Retail
Banco de Sabadell, S.A.	18/03/2014	5,000	5,000	EURIBOR 3M + 0.95	18/03/2019	Euro	Institutional
Banco de Sabadell, S.A.	18/03/2014	11,500	11,500	EURIBOR 3M + 1.25	18/03/2019	Euro	Institutional
Banco de Sabadell, S.A.	13/05/2014	20,000	20,000	EURIBOR 3M + 0.70	13/05/2019	Euro	Institutional
Banco de Sabadell, S.A.	27/06/2014	20,000	20,000	EURIBOR 3M + 0.65	27/06/2019	Euro	Institutional
Banco de Sabadell, S.A.	10/03/2014	2,030	3,022	3.00%	10/03/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/03/2014	2,677	3,985	2.99%	10/03/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/03/2014	3,155	5,226	EURIBOR 6M + 2.30	10/03/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/03/2014	3,938	4,624	EURIBOR 6M + 3.50	10/03/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/03/2014	5,872	6,669	EURIBOR 6M + 3.50	10/03/2020	Euro	Institutional
Banco de Sabadell, S.A.	10/04/2014	7,050	10,499	2.89%	10/04/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/04/2014	4,922	7,329	2.98%	10/04/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/04/2014	2,098	4,079	2.92%	10/04/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/04/2014	1,748	2,928	3.02%	10/04/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/04/2014	7,339	11,588	EURIBOR 6M + 2.30	10/04/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/04/2014	2,195	2,851	4.30%	10/04/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/04/2014	11,269	13,147	EURIBOR 6M + 3.50	10/04/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/05/2014	5,742	8,553	2.82%	10/05/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/05/2014	5,172	7,704	2.84%	10/05/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/05/2014	3,170	4,721	2.91%	10/05/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/05/2014	1,610	2,398	2.87%	10/05/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/05/2014	13,388	20,081	EURIBOR 6M + 2.30	10/05/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/05/2014	3,087	6,077	4.18%	10/05/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/05/2014	2,583	2,983	4.22%	10/05/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/05/2014	9,236	11,595	EURIBOR 6M + 3.50	10/05/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/05/2014	9,468	10,305	4.42%	10/05/2020	Euro	Institutional
Banco de Sabadell, S.A.	10/05/2014	10,625	11,688	EURIBOR 6M + 3.50	10/05/2020	Euro	Institutional
Banco de Sabadell, S.A.	10/06/2014	5,045	7,524	2.31%	10/06/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/06/2014	1,374	2,640	2.33%	10/06/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/06/2014	5,684	8,472	2.58%	10/06/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/06/2014	1,735	2,585	2.60%	10/06/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/06/2014	4,465	6,750	EURIBOR 6M + 1.85	10/06/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/06/2014	3,911	5,867	EURIBOR 6M + 2.10	10/06/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/06/2014	2,554	2,955	3.39%	10/06/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/06/2014	5,019	5,804	3.63%	10/06/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/06/2014	2,569	2,997	EURIBOR 6M + 2.75	10/06/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/06/2014	3,944	4,944	EURIBOR 6M + 3.00	10/06/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/06/2014	3,591	3,951	EURIBOR 6M + 2.75	10/06/2020	Euro	Institutional
Banco de Sabadell, S.A.	10/06/2014	5,207	8,296	EURIBOR 6M + 3.00	10/06/2020	Euro	Institutional
Banco de Sabadell, S.A.	10/07/2014	6,791	9,000	2.47%	10/07/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/07/2014	7,431	9,850	2.40%	10/07/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/07/2014	4,225	5,600	2.44%	10/07/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/07/2014	13,725	18,300	EURIBOR 6M + 1.85	10/07/2016	Euro	Institutional

Thousand euro

Issuing entity	Date of issue	Amount		Interest rate ruling at 30/6/2015	Maturity date	Issue currency	Target of offering
		30/06/2015	31/12/2014				
Banco de Sabadell, S.A.	10/07/2014	2,802	3,175	3.52%	10/07/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/07/2014	6,223	7,050	3.61%	10/07/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/07/2014	9,341	10,675	EURIBOR 6M + 2.75	10/07/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/07/2014	8,222	9,675	EURIBOR 6M + 2.75	10/07/2020	Euro	Institutional
Banco de Sabadell, S.A.	10/08/2014	6,207	8,225	2.50%	10/08/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/08/2014	2,547	3,375	2.54%	10/08/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/08/2014	5,264	6,975	2.55%	10/08/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/08/2014	8,755	24,600	EURIBOR 6M + 1.85	10/08/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/08/2014	5,694	6,450	3.64%	10/08/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/08/2014	3,097	4,050	3.73%	10/08/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/08/2014	9,800	11,200	EURIBOR 6M + 2.75	10/08/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/08/2014	8,151	11,200	EURIBOR 6M + 2.75	10/08/2020	Euro	Institutional
Banco de Sabadell, S.A.	10/09/2014	3,811	5,050	2.53%	10/09/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/09/2014	3,677	7,300	EURIBOR 6M + 1.85	10/09/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/09/2014	3,156	3,575	3.71%	10/09/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/09/2014	4,222	4,825	EURIBOR 6M + 2.75	10/09/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/10/2014	2,923	3,875	2.27%	10/10/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/10/2014	3,190	4,225	2.67%	10/10/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/10/2014	2,072	3,575	EURIBOR 6M + 1.55	10/10/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/10/2014	4,238	5,650	EURIBOR 6M + 1.85	10/10/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/10/2014	3,025	3,300	EURIBOR 6M + 2.35	10/10/2020	Euro	Institutional
Banco de Sabadell, S.A.	04/11/2014	360,000	360,000	1.10%	04/05/2016	Euro	Retail
Banco de Sabadell, S.A.	10/11/2014	3,545	4,700	2.26%	10/11/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/11/2014	6,655	8,825	2.24%	10/11/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/11/2014	6,319	8,425	EURIBOR 6M + 1.55	10/11/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/11/2014	2,911	3,300	3.34%	10/11/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/11/2014	9,852	13,975	EURIBOR 6M + 2.35	10/11/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/11/2014	7,664	8,850	EURIBOR 6M + 2.35	10/11/2020	Euro	Institutional
Banco de Sabadell, S.A.	10/12/2014	11,483	20,100	EURIBOR 6M + 1.55	10/12/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/12/2014	8,312	11,025	2.13%	10/12/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/12/2014	4,996	6,625	2.19%	10/12/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/12/2014	10,677	13,475	EURIBOR 6M + 2.35	10/12/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/12/2014	3,307	3,750	3.19%	10/12/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/12/2014	12,776	15,075	EURIBOR 6M + 2.35	10/12/2020	Euro	Institutional
Banco de Sabadell, S.A.	30/12/2014	500,000	500,000	1.00%	30/06/2016	Euro	Retail
Banco de Sabadell, S.A.	02/02/2015	200,000	-	- 0.90%	02/08/2016	Euro	Institutional
Banco de Sabadell, S.A.	26/02/2015	500,000	-	- 1.00%	26/08/2016	Euro	Retail
Banco de Sabadell, S.A.	13/04/2015	250,000	-	- 1.00%	13/10/2016	Euro	Retail
Banco de Sabadell, S.A.	12/05/2015	200,000	-	- 0.80%	12/08/2016	Euro	Retail
Banco de Sabadell, S.A.	29/06/2015	250,000	-	- 0.75%	29/12/2016	Euro	Institutional
Subscribed by Group companies		(343,263)	(259,918)				
<b>Total straight bonds</b>		<b>3,344,331</b>	<b>2,170,855</b>				

(\*) Companies merged with Banco Sabadell

Thousand euro

Issuing entity	Date of issue	Amount		Interest rate ruling at 30/6/2015	Maturity date	Issue currency	Target of offering
		30/06/2015	31/12/2014				
CAM Global Finance, S.A.U.	04/06/2008	100,000	100,000	ref. underlying assets	04/06/2018	Euro	Institutional
Banco de Sabadell, S.A.	24/05/2012	-	4,900	ref. underlying assets	19/06/2015	Euro	Retail
Banco de Sabadell, S.A.	02/07/2012	1,150	1,300	ref. underlying assets	27/07/2015	Euro	Retail
Banco de Sabadell, S.A.	25/07/2012	3,000	3,000	ref. underlying assets	25/07/2022	Euro	Retail
Banco de Sabadell, S.A.	27/07/2012	2,200	2,200	ref. underlying assets	27/07/2015	Euro	Retail
Banco de Sabadell, S.A.	01/08/2012	2,000	2,000	ref. underlying assets	03/08/2015	Euro	Retail
Banco de Sabadell, S.A.	10/10/2012	1,600	1,600	ref. underlying assets	10/10/2016	Euro	Retail
Banco de Sabadell, S.A.	10/10/2012	1,425	1,525	ref. underlying assets	10/10/2017	Euro	Retail
Banco de Sabadell, S.A.	20/12/2012	3,000	3,000	ref. underlying assets	20/12/2019	Euro	Retail
Banco de Sabadell, S.A.	02/04/2013	4,000	4,000	ref. underlying assets	02/06/2016	Euro	Retail
Banco de Sabadell, S.A.	16/04/2013	1,290	1,440	ref. underlying assets	18/04/2016	Euro	Retail
Banco de Sabadell, S.A.	16/05/2013	5,000	5,000	ref. underlying assets	16/05/2018	Euro	Retail
Banco de Sabadell, S.A.	31/10/2013	2,040	2,040	ref. underlying assets	02/11/2015	Euro	Retail
Banco de Sabadell, S.A.	10/01/2014	-	3,500	ref. underlying assets	10/01/2019	Euro	Retail
Banco de Sabadell, S.A.	10/01/2014	-	3,500	ref. underlying assets	10/01/2019	Euro	Retail
Banco de Sabadell, S.A.	14/03/2014	-	5,000	ref. underlying assets	14/03/2019	Euro	Retail
Banco de Sabadell, S.A.	27/05/2014	5,000	5,000	ref. underlying assets	27/05/2019	Euro	Retail
Banco de Sabadell, S.A.	16/06/2014	-	5,000	ref. underlying assets	17/06/2019	Euro	Retail
Banco de Sabadell, S.A.	14/07/2014	10,000	10,000	ref. underlying assets	15/07/2024	Euro	Retail
Banco de Sabadell, S.A.	14/07/2014	3,000	3,000	ref. underlying assets	14/07/2021	Euro	Retail
Banco de Sabadell, S.A.	16/07/2014	5,000	5,000	ref. underlying assets	16/07/2019	Euro	Retail
Banco de Sabadell, S.A.	24/07/2014	4,000	4,000	ref. underlying assets	24/07/2019	Euro	Retail
Banco de Sabadell, S.A.	10/09/2014	5,000	5,000	ref. underlying assets	10/09/2019	Euro	Retail
Banco de Sabadell, S.A.	10/10/2014	6,000	6,000	ref. underlying assets	10/11/2016	Euro	Retail
Banco de Sabadell, S.A.	10/12/2014	8,000	8,000	ref. underlying assets	10/12/2019	Euro	Retail
Banco de Sabadell, S.A.	18/12/2014	5,000	5,000	ref. underlying assets	18/12/2019	Euro	Retail
Banco de Sabadell, S.A.	03/02/2015	7,000	-	ref. underlying assets	03/02/2020	Euro	Retail
Banco de Sabadell, S.A.	15/04/2015	4,000	-	ref. underlying assets	15/04/2020	Euro	Retail
Banco de Sabadell, S.A.	15/04/2015	8,500	-	ref. underlying assets	15/04/2020	Euro	Retail
Banco de Sabadell, S.A.	15/04/2015	8,000	-	ref. underlying assets	15/04/2020	Euro	Retail
Banco de Sabadell, S.A.	22/05/2015	10,000	-	ref. underlying assets	22/05/2020	Euro	Retail
Subscribed by Group companies		(1,871)	(1,864)				
<b>Total structured bonds</b>		<b>213,334</b>	<b>198,141</b>				

Thousand euro

Issuing entity	Date of issue	Amount		Interest rate ruling at 30/6/2015	Maturity date	Issue currency	Target of offering
		30/06/2015	31/12/2014				
Banco CAM, S.A. (*)	09/03/2012	1,059,050	1,059,050	4.50%	09/03/2017	Euro	Institutional
Subscribed by Group companies		-	-				
<b>Total ordinary government guarantee bond</b>		<b>1,059,050</b>	<b>1,059,050</b>				

(\*) Companies merged with Banco Sabadell

Thousand euro

Issuing entity	Date of issue	Amount		Interest rate ruling at 30/6/2015	Maturity date	Issue currency	Target of offering
		30/06/2015	31/12/2014				
Banco de Sabadell, S.A.	25/06/2008	235,548	184,236	0.485% to 1.50%	Various	Euro	Institutional
Banco de Sabadell, S.A. (**)	05/03/2015	5,269,988	4,975,686	0.20% to 4.50%	Various	Euro	Institutional
Subscribed by Group companies		(1,835,031)	(2,250,070)				
<b>Total promissory notes</b>		<b>3,670,505</b>	<b>2,909,852</b>				

(\*\*) Prospectus for €5,000 million filed with CNM V.

Thousand euro

Issuing entity	Date of issue	Amount		Interest rate ruling at 30/6/2015	Maturity date	Issue currency	Target of offering
		30/06/2015	31/12/2014				
Banco de Sabadell, S.A.	15/06/2005	-	1,500,000	3.25%	15/06/2015	Euro	Institutional
Banco de Sabadell, S.A.	19/01/2006	1,750,000	1,750,000	3.50%	19/01/2016	Euro	Institutional
Banco de Sabadell, S.A.	10/05/2006	300,000	300,000	4.13%	10/05/2016	Euro	Institutional
Banco de Sabadell, S.A.	16/05/2006	120,000	120,000	4.25%	16/05/2016	Euro	Institutional
Banco de Sabadell, S.A.	24/01/2007	1,500,000	1,500,000	4.25%	24/01/2017	Euro	Institutional
Banco de Sabadell, S.A.	20/06/2007	300,000	300,000	EURIBOR 3M + 0.045	20/06/2017	Euro	Institutional
Banco de Sabadell, S.A.	08/05/2009	100,000	100,000	EURIBOR 3M + 1	08/05/2021	Euro	Institutional
Banco de Sabadell, S.A.	31/07/2009	200,000	200,000	EURIBOR 3M + 1.30	31/07/2017	Euro	Institutional
Banco de Sabadell, S.A.	18/09/2009	150,000	150,000	EURIBOR 3M + 0.90	18/09/2018	Euro	Institutional
Banco de Sabadell, S.A.	10/12/2010	150,000	150,000	EURIBOR 3M + 2.35	10/12/2020	Euro	Institutional
Banco de Sabadell, S.A.	11/01/2011	100,000	100,000	EURIBOR 3M + 2.60	11/01/2019	Euro	Institutional
Banco de Sabadell, S.A.	07/06/2011	200,000	200,000	EURIBOR 3M + 2.25	07/06/2019	Euro	Institutional
Banco de Sabadell, S.A.	13/07/2011	50,000	50,000	EURIBOR 3M + 2.60	13/07/2021	Euro	Institutional
Banco de Sabadell, S.A.	12/12/2011	150,000	150,000	EURIBOR 3M + 3.10	12/12/2021	Euro	Institutional
Banco de Sabadell, S.A.	16/02/2012	-	1,200,000	3.625%	16/02/2015	Euro	Institutional
Banco de Sabadell, S.A.	05/10/2012	95,000	95,000	EURIBOR 3M + 4.80	05/10/2022	Euro	Institutional
Banco de Sabadell, S.A.	28/12/2012	200,000	200,000	EURIBOR 3M + 4.15	28/12/2020	Euro	Institutional
Banco Guipuzcoano, S.A. (*)	19/01/2011	100,000	100,000	EURIBOR 3M + 2.75	19/01/2019	Euro	Institutional
Banco CAM, S.A. (*)	27/04/2010	30,000	30,000	4.60%	31/07/2020	Euro	Institutional
Banco CAM, S.A. (*)	19/01/2012	-	1,000,000	EURIBOR 3M + 3.5	19/01/2015	Euro	Institutional
Banco CAM, S.A. (*)	16/02/2012	500,000	500,000	EURIBOR 3M + 3.5	17/08/2015	Euro	Institutional
Banco CAM, S.A. (*)	10/08/2012	400,000	400,000	EURIBOR 3M + 4	10/08/2015	Euro	Institutional
Banco de Sabadell, S.A.	23/01/2013	1,000,000	1,000,000	3.375%	23/01/2018	Euro	Institutional
Banco de Sabadell, S.A.	29/04/2013	-	1,500,000	EURIBOR 12M + 2.10	29/04/2015	Euro	Institutional
Banco de Sabadell, S.A.	19/06/2013	-	1,000,000	EURIBOR 12M + 1.65	19/06/2015	Euro	Institutional
Banco de Sabadell, S.A.	09/12/2013	200,000	200,000	EURIBOR 3M + 1.60	09/12/2021	Euro	Institutional
Banco de Sabadell, S.A.	26/09/2014	250,000	250,000	EURIBOR 3M + 0.70	26/09/2022	Euro	Institutional
Banco de Sabadell, S.A.	03/10/2014	38,000	38,000	EURIBOR 3M + 0.68	03/10/2023	Euro	Institutional
Banco de Sabadell, S.A.	12/11/2014	1,250,000	1,250,000	0.00875	12/11/2021	Euro	Institutional
Banco de Sabadell, S.A.	26/11/2014	1,000,000	1,000,000	EURIBOR 12M + 0.055	26/11/2018	Euro	Institutional
Banco de Sabadell, S.A.	05/12/2014	100,000	100,000	EURIBOR 3M + 0.40	05/12/2022	Euro	Institutional
Banco de Sabadell, S.A.	29/01/2015	1,250,000	-	EURIBOR 12M + 0.232	29/01/2019	Euro	Institutional
Banco de Sabadell, S.A.	23/04/2015	1,500,000	-	EURIBOR 12M + 0.08	23/04/2019	Euro	Institutional
Banco de Sabadell, S.A.	04/05/2015	250,000	-	EURIBOR 3M + 0.13	04/05/2023	Euro	Institutional
Banco de Sabadell, S.A.	10/06/2015	750,000	-	0.00375	10/06/2020	Euro	Institutional
Banco de Sabadell, S.A.	18/06/2015	1,500,000	-	EURIBOR 12M + 0.05	18/06/2020	Euro	Institutional
Subscribed by Group companies		(6,783,200)	(6,352,600)				
<b>Total mortgage covered bonds</b>		<b>8,699,800</b>	<b>10,080,400</b>				

(\*) Companies merged with Banco Sabadell

Thousand euro

Issuing entity	Date of issue	Amount		Interest rate ruling at 30/6/2015	Maturity date	Issue currency	Target of offering
		30/06/2015	31/12/2014				
Banco CAM, S.A. (*)	16/02/2012	450,000	450,000	EURIBOR 3M + 3.5	17/08/2015	Euro	Institutional
Banco CAM, S.A. (*)	30/04/2012	-	500,000	EURIBOR 3M + 3.5	30/04/2015	Euro	Institutional
Banco de Sabadell, S.A.	23/04/2015	500,000	-	EURIBOR 12M + 0.13	23/04/2019	Euro	Institutional
Subscribed by Group companies		(950,000)	(950,000)				
<b>Total territorial covered bonds</b>		<b>-</b>	<b>-</b>				

(\*) Companies merged with Banco Sabadell

## 11.4 Subordinated liabilities

Details of subordinated liabilities issued by the group and recognized on the condensed consolidated balance sheets at 30 June 2015 and 31 December 2014 are as follows:

	Amount	
	30/06/2015	31/12/2014
Total subordinated bonds	1,466,808	911,553
Total preference shares	18,400	88,817
Valuation and other adjustments	4,665	11,992
<b>Total</b>	<b>1,489,873</b>	<b>1,012,362</b>

Issuing entity	Date of issue	Amount		Interest rate ruling at 30/6/2015	Maturity/cancellation date	Issue currency	Target of offering
		30/06/2015	31/12/2014				
Banco CAM, S.A. (*)	15/09/1988	-	618	1.900%	-	Euro	Retail
Banco CAM, S.A. (*)	25/11/1988	-	101	1.900%	-	Euro	Retail
Banco CAM, S.A. (*)	01/06/1992	15,025	15,025	0.000%	-	Euro	Institutional
Banco CAM, S.A. (*)	16/02/2004	-	6,130	0.228%	-	Euro	Retail
Banco Guipuzcoano, S.A. (*)	21/03/2006	12,600	12,600	0.886%	21/03/2016	Euro	Institutional
Banco de Sabadell, S.A.	25/05/2006	206,600	206,600	0.788%	25/05/2016	Euro	Institutional
CAM International Issues, S.A.U.	29/09/2006	80,250	80,250	0.885%	29/09/2016	Euro	Institutional
CAM International Issues, S.A.U.	26/04/2007	66,050	66,050	0.798%	26/04/2017	Euro	Institutional
Banco de Sabadell, S.A.	26/04/2010	424,600	424,600	6.250%	26/04/2020	Euro	Institutional
Banco de Sabadell, S.A.	25/02/2011	40,400	40,400	3.988%	25/02/2021	Euro	Institutional
Banco de Sabadell, S.A. (**)	28/10/2013	44,256	44,256	5.000%	28/10/2016	Euro	Retail
Banco de Sabadell, S.A. (**)	28/10/2013	53,040	53,040	5.000%	28/10/2017	Euro	Institutional
TSB Banking Group Plc subscribed by Group companies	01/05/2014	561,200	(38,117)	5.750%	06/05/2021	Pound sterling	Institutional
<b>Total subordinated bonds</b>		<b>1,466,808</b>	<b>911,553</b>				

(\*) Currently merged with Banco de Sabadell, S.A.

(\*\*) Convertible subordinated bonds

Issuing entity	Date of issue	Amount		Interest rate ruling at 30/6/2015	Maturity/cancellation date	Issue currency	Target of offering
		30/06/2015	31/12/2014				
Banco de Sabadell, S.A.	20/09/2006	18,400	18,400	5.234%	20/09/2016	Euro	Institutional
Banco de Sabadell, S.A.	24/02/2009	-	10,840	4.500%	-	Euro	Retail
Sabadell International Equity Ltd.	30/03/1999	-	18,793	0.775%	-	Euro	Retail
Guipuzcoano Capital, S.A.	27/02/2004	-	1,160	0.331%	-	Euro	Retail
Guipuzcoano Capital, S.A.	19/11/2009	-	17,734	6.430%	-	Euro	Retail
CAM Capital, S.A.U.	16/08/2001	-	6,071	0.328%	-	Euro	Retail
CAM Capital, S.A.U.	16/08/2002	-	3,455	0.278%	-	Euro	Retail
CAM Capital, S.A.U.	29/09/2009	-	20,398	6.800%	-	Euro	Retail
subscribed by Group companies			(8,034)				
<b>Total preference shares</b>		<b>18,400</b>	<b>88,817</b>				

On 22 December 2014, under the powers granted by the Board of Directors at a meeting held on 18 December 2014, the Executive Committee of Banco de Sabadell, S.A. and the competent governing bodies of Sabadell International Equity Ltd., Guipuzcoano Capital S.A.U. and CAM Capital S.A.U. respectively resolved, following authorization by the Bank of Spain, to redeem the outstanding nominal balance of the following preference share issues and subordinated bond issues:

Name	Issuing entity	Redemption date	Outstanding nominal balance
Series I/2009 Preference Shares	Banco de Sabadell, S.A.	24/02/2015	10.84
Special Subordinated Debt Issue	Banco de Sabadell, S.A. (originally issued by CAM)	24/02/2015	6.13
Subordinated Bonds November 1988 Issue	Banco de Sabadell, S.A. (originally issued by Caja de Ahorros de	24/02/2015	0.1
First Issue Subordinated Bonds September 1988	Banco de Sabadell, S.A. (originally issued by CAM)	24/02/2015	0.62
Series A Preference Shares	Sabadell International Equity LTD.	24/02/2015	18.79
Series I Preference Shares	Guipuzcoano Capital, S.A.U.	24/02/2015	1.16
Series III Preference Shares	Guipuzcoano Capital, S.A.U.	19/02/2015	17.73
Series A Preference Shares	CAM Capital, S.A.U.	24/02/2015	6.07
Series B Preference Shares	CAM Capital, S.A.U.	24/02/2015	3.45
Series C Preference Shares	CAM Capital, S.A.U.	24/02/2015	20.4

The issues were redeemed through the payment in cash on the redemption date of 100% of the nominal value plus any accrued unpaid remuneration, in accordance with the issuer's powers as provided in the terms and conditions of the relevant prospectuses approved and entered in the official register of the National Securities Market Commission. The entire redemption was carried out in February 2015.

## 11.5 Liquidity management

Regarding liquidity management by the group, the maturity matrix for the first half of 2015 and the year 2014 is shown below:

Thousand euro									
30.06.2015	Demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Subtotal	No defined maturity	Total
Loans and receivables	-	6,260,201	4,924,649	13,417,678	36,183,151	65,028,398	125,814,077	15,043,283	140,857,360
Of which public institutions	-	145,265	112,332	1,010,035	1,384,102	3,220,266	5,872,000	74,186	5,946,186
Money market	-	1,371,444	44,917	422,499	119,585	34,307	1,992,753	-	1,992,753
Of which public institutions	-	296	30,013	282,598	119,585	-	432,492	-	432,492
Capital market	-	510,005	281,697	2,149,663	4,457,361	18,796,555	26,195,282	28,528	26,223,810
Of which public institutions	-	15,825	1,949	127,137	794,824	16,467,228	17,406,962	-	17,406,962
Other assets	-	-	-	-	-	-	-	34,885,515	34,885,515
<b>Total assets</b>	-	<b>8,141,651</b>	<b>5,251,264</b>	<b>15,989,840</b>	<b>40,760,098</b>	<b>83,859,259</b>	<b>154,002,111</b>	<b>49,957,327</b>	<b>203,959,438</b>
Customer funds	54,580,686	12,752,848	8,528,197	33,051,647	19,796,685	1,147,794	129,857,856	-	129,857,856
Money market	-	4,983,975	729,504	1,674,539	11,153,076	119,015	18,660,110	-	18,660,110
Capital market	-	245,570	289,410	5,567,300	10,566,684	6,164,085	22,833,049	-	22,833,049
Other liabilities	-	266,495	372,274	1,426,005	3,046,452	658,397	5,769,623	26,838,800	32,608,423
<b>Total liabilities</b>	<b>54,580,686</b>	<b>18,248,888</b>	<b>9,919,385</b>	<b>41,719,492</b>	<b>44,562,897</b>	<b>8,089,290</b>	<b>177,120,638</b>	<b>26,838,800</b>	<b>203,959,438</b>
<b>Liquidity gap</b>	<b>(54,580,686)</b>	<b>(10,107,237)</b>	<b>(4,668,121)</b>	<b>(25,729,652)</b>	<b>(3,802,800)</b>	<b>75,769,970</b>	<b>(23,118,527)</b>	<b>23,118,527</b>	<b>-</b>

Thousand euro									
31.12.2014	Demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Subtotal	No defined maturity	Total
Loans and receivables	-	3,844,598	5,309,306	10,933,610	28,643,038	44,177,905	92,908,457	16,472,485	109,380,941
Of which public institutions	-	87,012	785,744	513,467	1,455,922	3,064,804	5,906,947	177,936	6,084,883
Money market	-	808,869	174,953	177,595	118,815	20,240	1,300,471	-	1,300,471
Of which public institutions	-	400	32,950	38,933	102,091	-	174,374	-	174,374
Capital market	-	1,483,546	142,609	2,420,034	4,737,522	14,752,962	23,536,673	27,260	23,563,934
Of which public institutions	-	7,281	12,119	816,789	2,749,990	12,942,483	16,528,662	-	16,528,662
Other assets	-	17,115	-	-	-	-	17,115	29,083,211	29,100,327
<b>Total assets</b>	-	<b>6,154,128</b>	<b>5,626,869</b>	<b>13,531,238</b>	<b>33,499,375</b>	<b>58,951,107</b>	<b>117,762,717</b>	<b>45,582,956</b>	<b>163,345,673</b>
Customer funds	17,209,228	15,040,669	7,156,170	33,474,900	20,790,736	1,033,298	94,705,001	-	94,705,001
Money market	-	7,800,863	885,016	641,572	7,088,625	264,091	16,680,167	-	16,680,167
Capital market	-	248,266	1,382,027	2,999,554	13,249,134	6,287,227	24,166,207	-	24,166,207
Other liabilities	-	260,221	404,763	1,847,013	3,449,288	694,566	6,655,852	21,138,446	27,794,298
<b>Total liabilities</b>	<b>17,209,228</b>	<b>23,350,019</b>	<b>9,827,975</b>	<b>38,963,039</b>	<b>44,577,784</b>	<b>8,279,183</b>	<b>142,207,227</b>	<b>21,138,446</b>	<b>163,345,673</b>
<b>Liquidity gap</b>	<b>(17,209,228)</b>	<b>(17,195,891)</b>	<b>(4,201,106)</b>	<b>(25,431,801)</b>	<b>(11,078,408)</b>	<b>50,671,924</b>	<b>(24,444,510)</b>	<b>24,444,510</b>	<b>-</b>

Banco Sabadell maintains a liquidity buffer in the form of liquid assets to meet liquidity needs. This buffer mainly comprises eligible assets available for discounting in ECB financing operations. At 30 June 2015, available liquid assets totalled €14,442 million (market value after applying the ECB haircut in the case of ECB eligible assets and the haircut for the Liquidity Coverage Ratio (LCR) in all other cases).

Additionally, at 30 June 2015, TSB had €904 million in available assets that qualify as eligible under the definition contained in the European Capital Requirements Directive (CRD IV) and are suitable for discounting with the Bank of England (BoE).

At the end of the first half of 2015, Banco Sabadell had assets eligible as collateral for the ECB totalling €23,667 million (at market value, including haircuts applied by the ECB for monetary policy transactions). The composition of this portfolio by liquidity category in accordance with Bank of Spain Technical Application 9/2014 is as follows:

€million						
I	II	III	IV	V	Non-marketable securities	Total
6,720	1,618	8,485	51	3,039	3,754	<b>23,667</b>

At 30 June 2015, the drawn-down balance on the facility held with the Bank of Spain for monetary policy transactions with the European Central Bank stood at €11,000 million, relating to the ECB's Targeted Longer Term Refinancing Operation (TLTRO) auctions on 17 December 2014, 25 March 2015 and 24 June 2015. As at 30 June 2015, assets pledged as collateral (at market value after applying the ECB haircut for monetary policy transactions) amounted to €14,597 million.

Maturities of institutional issuances aimed at institutional investors, by product type, at 30 June 2015 are analyzed below:

€million									
	3Q15	4Q15	2016	2017	2018	2019	2020	>2021	Outstanding balance
Mortgage bonds and mortgage covered	-	476	2,876	2,022	1,561	924	1,122	3,826	12,807
Guaranteed issues	-	-	-	1,059	-	-	-	-	1,059
Senior debt	-	-	1,183	-	100	-	-	25	1,308
Subordinated debt and preference shares	-	-	318	66	-	-	425	597	1,405
Other medium/long-term financial instruments	-	-	-	-	18	-	-	17	35
<b>Total</b>	<b>-</b>	<b>476</b>	<b>4,377</b>	<b>3,147</b>	<b>1,679</b>	<b>924</b>	<b>1,547</b>	<b>4,465</b>	<b>16,614</b>

## NOTE 12 – NON-CURRENT ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE

The components of this item of the condensed consolidated balance sheets at 30 June 2015 and 31 December 2014 were as follows:

Thousand euro		
	30/06/2015	31/12/2014
<b>Assets</b>	<b>2,793,014</b>	<b>2,628,919</b>
Property, plant and equipment for own use	109,138	134,559
Repossessed assets	2,662,186	2,493,215
Equity instruments	20,095	-
Other assets leased out under operating leases	1,595	1,145
<b>Impairment allowances</b>	<b>(301,586)</b>	<b>(378,984)</b>
<b>Total non-current assets held for sale</b>	<b>2,491,428</b>	<b>2,249,935</b>
<b>Liabilities</b>	<b>-</b>	<b>-</b>
<b>Total liabilities associated with non-current assets held for sale</b>	<b>-</b>	<b>-</b>

The balances in this heading are made up of non-current assets and liabilities whose carrying amounts are expected to be recoverable through disposal within one year from the balance sheet date.

Changes in non-current assets available for sale in the first half of 2015 were as follows:

Thousand euro	
Non-current assets held for sale	
<b>Cost:</b>	
<b>Balances at 31 December 2014</b>	<b>2,628,919</b>
Additions	816,439
Disposals	(453,894)
Other transfers (Note 7)	(51,557)
Impaired assets (note 4.3)	(146,893)
<b>Balance at 30 June 2015</b>	<b>2,793,014</b>
<b>Impairment adjustment:</b>	
<b>Balances at 31 December 2014</b>	<b>(378,984)</b>
Net provision with impact on income (Note 17.k)	(107,058)
Utilizations	158,461
Transfers	25,995
<b>Balance at 30 June 2015</b>	<b>(301,586)</b>
<b>Net balances at 31 December 2014</b>	<b>2,249,935</b>
<b>Net balance at 30 June 2015</b>	<b>2,491,428</b>

## NOTE 13 - INSURANCE CONTRACTS LIABILITIES

The balances of insurance contracts liabilities at 30 June 2015 and 31 December 2014 were:

Thousand euro	30/06/2015	31/12/2014
<b>Unearned premiums and unexpired risks</b>	<b>7,939</b>	<b>2,281</b>
<b>Non-life insurance:</b>		
Benefits	239	259
<b>Life insurance:</b>		
Mathematical reserves	2,000,460	1,923,161
Benefits	22,726	21,427
With-profits insurance and returned premiums	5,884	6,274
Life insurance in which the investment risk is borne by the policyholders	18,503	164,784
Implicit adjustments due to accounting mismatches	210,445	271,385
<b>Total</b>	<b>2,266,196</b>	<b>2,389,571</b>

Insurance contracts liabilities mainly contain the balances related to Mediterráneo Vida, S.A.U. de Seguros y Reaseguros.

## NOTE 14 – EQUITY

### Share capital at the end of the first half of 2015

The Bank's capital was €648,419,535.375, represented by 5,187,356,283 registered shares with a par value of €0.125 each, all of which are fully subscribed and paid.

### Changes in share capital in the first half of 2015

Thousand euro	Number of shares	Capital
<b>Balances at 31 December 2014</b>	<b>4,024,460,614</b>	<b>503,058</b>
Conversion of Mandatorily Convertible Bonds I/2013_February 2015	438,043	55
Rights issue_April 2015	1,085,510,925	135,689
Conversion of Mandatorily Convertible Bonds II/ 2013_May 2015	403,577	50
Capital increase due to scrip dividend_June 2015	76,543,124	9,568
<b>Balance at 30 June 2015</b>	<b>5,187,356,283</b>	<b>648,420</b>

### *Due to capital increase*

- Making use of the authorisation granted by the Ordinary General Meeting of Shareholders on 27 March 2014, under item seven of the agenda, to remunerate share capital, on 19 March 2015 the Board of Directors of Banco Sabadell resolved to perform a rights issue of not more than 1,085,510,925 shares at a unit issue price of €1.480 per share, equivalent to the sum of the par value of €0.125 and a unit issue premium of €1.355, to be paid for by means of monetary contributions.

On 23 April 2015, the Board of Directors declared the rights to have been fully subscribed, with the issuance of 1,085,510,925 new shares at a cash price of €1.480 per share, including par value and issue premium. Upon conclusion of the pre-emptive subscription period, the total amount of the rights issue was €1,606,556,169, i.e. €135,688,865.625 par value and €1,470,867,303.375 issue premium.

The public instrument of the rights issue was registered with the Barcelona Mercantile Register on 27 April 2015, and the 1,085,510,925 ordinary shares with €0.125 par value each that had been issued and placed in circulation were listed on the Barcelona, Bilbao, Madrid and Valencia stock exchanges and on Spain's electronic market (Mercado Continuo) on 27 April 2015.

- At a meeting on 28 May 2015, the Board of Directors of Banco Sabadell resolved to execute the resolution to increase capital with a charge to reserves that was approved by the Ordinary General Meeting of Shareholders on 28 May 2015 under item two of the agenda, in order to pay flexible remuneration to shareholders (scrip dividend) for an amount of approximately €0.04 per share, the par

value of the capital increase being €10,827,993.88, by issuing and placing in circulation 86,623,951 new shares with a par value of €0.125 each.

After the period for trading the rights to free allocation under the capital increase had concluded on 17 June, the Board of Directors, at a meeting on 25 June 2015, executed the capital increase in the amount of €9,567,890.50 by issuing and placing in circulation 76,543,124 new ordinary shares with a par value of €0.125 each, without an issue premium, annulling the amount that was not subscribed or paid for, i.e. €1,260,103.375.

The final number of ordinary shares of €0.125 par value that were issued in the capital increase was 76,543,124 and the amount of the capital increase was €9,567,890.50.

The public instrument of the rights issue was registered with the Barcelona Mercantile Register on 26 June 2015, and the 76,543,124 ordinary shares of €0.125 par value each that had been issued and placed in circulation were listed on the Barcelona, Bilbao, Madrid and Valencia stock exchanges and on Spain's electronic market (Mercado Continuo) on 30 June 2015.

The expenses associated with the capital increases performed in the period amounted to €28.296 million and are recognised in the Other reductions item in the statement of changes in equity.

#### ***Due to maturities and voluntary conversions of mandatorily convertible subordinated bonds***

The capital increases carried out as a result of maturities and voluntary conversions of mandatorily convertible subordinated bonds in the first half of 2015 are as follows (see Other equity instruments below):

##### **Mandatorily convertible subordinated bonds**

<b>Issuance</b>	<b>Maturity/ conversion date</b>	<b>Reason for conversion</b>	<b>Bonds converted</b>	<b>Shares issued</b>	<b>Capital increase at par value (€'000)</b>	<b>Date of listing</b>
OSNC I/2013	21/01/2015	Voluntary conversion	1,691	438,043	55	19/02/2015
OSNC II/2013	11/05/2015	Voluntary conversion	289,335	403,577	50	27/05/2015
<b>Total</b>					<b>105</b>	

#### **Other equity instruments**

- After the fourth voluntary conversion period for holders of the mandatorily convertible subordinated bonds issue I/2013 concluded on 20 January 2015, at a meeting on 22 January 2015, the Board partially implemented, for a nominal amount of €54,755.375, the resolution to increase capital adopted by the Board on 20 December 2012 in order to cater for the voluntary conversion of 1,691 bonds under that issue. The capital increase, which was registered with the Barcelona Mercantile Register on 16 February 2015, led to the issuance and placing in circulation of 438,043 ordinary shares with €0.125 par value each which were listed on the Barcelona, Madrid and Valencia stock exchanges and on Spain's electronic market (Mercado Continuo) on 19 February 2015.

- After the fourth voluntary conversion period for holders of the mandatorily convertible subordinated bonds issue II/2013 concluded on 8 May 2015, at a meeting on 14 May 2015, the Board partially implemented, for a nominal amount of €50,447.125, the resolution to increase capital adopted by the Board on 20 December 2012 in order to cater for the voluntary conversion of 289,335 bonds under that issue. The capital increase, which was registered with the Barcelona Mercantile Register on 25 May 2015, led to the issuance of 403,577 ordinary shares with €0.125 par value each which were listed on the Barcelona, Bilbao, Madrid and Valencia stock exchanges and on Spain's electronic market (Mercado Continuo) on 27 May 2015.



The maturity dates, yields and carrying amounts associated with the mandatorily convertible subordinated bonds and payments based on equity instruments accounted for as capital instruments in effect at 30 June 2015 are as follows:

Thousand euro			<b>30/06/2015</b>
<b>Issuance</b>	<b>Maturity date</b>	<b>Remuneration</b>	<b>Carrying amount</b>
OSNC I/2013 (*)	21/07/2015	EUR 3M + 5%	460,164
OSNC II/2013	11/11/2015	10.20%	271,422
Subscribed by Group companies			(6,717)
<b>Total mandatorily convertible subordinated bonds</b>			<b>724,869</b>
<b>Payments based on equity instruments (2014 incentive)</b>			<b>10,802</b>
<b>Total other equity instruments</b>			<b>735,671</b>

(\*) This issue matured on 21 July 2015, when all the outstanding bonds were converted.

The payments for mandatorily convertible bonds in the period amounted to €20,816 million and are recognised under Other reductions in the statement of changes in equity.

### Capital management

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

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

At 30 June 2015, the Group's eligible capital amounted to €11,444.836 million, representing a surplus of €4,420.014 million, as shown below:

Thousand euro			<b>30/06/2015</b>	<b>31/12/2014</b>
Share Capital			648,420	503,058
Reserves			10,539,682	8,855,717
Convertible bonds			-	-
Non-controlling interests			24,241	28,919
Deductions			(1,130,547)	(684,483)
<b>Funds core capital</b>			<b>10,081,796</b>	<b>8,703,211</b>
Core capital (%)			11.5	11.7
Preference shares, convertible bonds and deductions			-	-
<b>Tier one resources</b>			<b>10,081,796</b>	<b>8,703,211</b>
Tier I (%)			11.5	11.7
<b>Tier two resources</b>			<b>1,363,040</b>	<b>838,681</b>
Tier II (%)			1.5	1.1
<b>Capital base</b>			<b>11,444,836</b>	<b>9,541,892</b>
Minimum capital requirement			7,024,822	5,953,425
<b>Capital surplus</b>			<b>4,420,014</b>	<b>3,588,467</b>
<b>BIS Ratio (%)</b>			<b>13.0</b>	<b>12.8</b>
<b>Risk Weighted Assets (RWA)</b>			<b>87,810,275</b>	<b>74,417,813</b>

Core capital accounted for 88.1% of qualifying capital resources.

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

Secondary or Tier II capital provided a further 11.9% of the BIS ratio and was made up very largely of subordinated debt and generic provisions (subject to regulatory limits as to eligibility), less other required deductions.

## NOTE 15 - CONTINGENT LIABILITIES

The breakdown of this item is as follows:

Thousand euro	30/06/2015	31/12/2014
Financial guarantees	8,529,600	9,132,560
Other contingent risks	-	-
<b>Total</b>	<b>8,529,600</b>	<b>9,132,560</b>

### Doubtful contingent exposures

The balance of doubtful contingent exposures was €126.950 million at 30 June 2015 (€195.073 million at 31 December 2014).

Allowances for credit risk arising from doubtful contingent exposures were as follows:

Thousand euro	30/06/2015	31/12/2014
<b>Coverage determined individually:</b>	<b>12,145</b>	<b>22,179</b>
Hedging of insolvency risk	12,145	22,179
<b>Coverage determined collectively:</b>	<b>45,107</b>	<b>44,003</b>
Hedging of insolvency risk	44,551	43,304
Allowance for country risk	556	699
<b>IBNR coverage (*)</b>	<b>69,286</b>	<b>65,679</b>
<b>Total</b>	<b>126,538</b>	<b>131,861</b>

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

This coverage is recognized under provisions on the liability side of the balance sheet.

## NOTE 16 - CONTINGENT COMMITMENTS

The composition of this item at 30 June 2015 and 31 December 2014 was as follows:

Thousand euro	30/06/2015	31/12/2014
Drawable by third parties	17,715,634	10,903,374
Credit institutions	1,613	631
Public institutions	797,454	635,693
Other resident sectors	9,578,198	9,388,563
Non-residents	7,338,369	878,487
Financial asset forward purchase commitments	433,842	2,950,723
Conventional financial asset purchase contracts	1,224,204	77,001
Other contingent commitments	842,259	838,540
<b>Total</b>	<b>20,215,939</b>	<b>14,769,638</b>

## NOTE 17 – INCOME STATEMENT

Some relevant aspects of the Group's income statement for the period ended 30 June 2015 and 2014 are presented below.

### a) Interest and similar income/charges

The quarterly interest income since 2014 and the average income and costs of the various components that make up the total loans and advances and customer funds are broken down as follows:

	2015												TOTAL				
	1st quarter			2nd quarter			3rd quarter			4th quarter							
	Average balance	Rate %	Profit/(loss)	Average balance	Rate %	Profit/(loss)	Average balance	Rate %	Profit/(loss)	Average balance	Rate %	Profit/(loss)					
<b>Average yield of the investment</b>	<b>166,113,468</b>		<b>2.63</b>	<b>1,077,248</b>	<b>165,959,873</b>	<b>2.54</b>	<b>1,050,338</b>										<b>2,127,586</b>
Cash, central banks and credit institutions	4,506,907	0.69	7,620	4,239,111	0.72	7,608											<b>15,228</b>
Loans and advances to custom	105,699,264	3.32	866,029	106,085,332	3.20	845,109											<b>1,711,138</b>
Fixed-income portfolio (*)	26,659,263	2.94	193,159	26,000,341	2.87	186,025											<b>379,184</b>
Variable income portfolio	1,466,208			1,765,119													--
Tangible and intangible fixed a	3,712,828			3,486,113													--
Other assets	24,068,998	0.18	10,440	24,383,857	0.19	11,596											<b>22,036</b>
<b>Average cost of resources</b>	<b>166,113,468</b>	<b>(1.06)</b>	<b>(434,171)</b>	<b>165,959,873</b>	<b>(0.95)</b>	<b>(394,437)</b>											<b>(828,608)</b>
Credit institutions	15,819,325	(1.06)	(41,192)	16,682,943	(0.91)	(37,966)											<b>(79,158)</b>
Customer deposits	92,350,893	(0.88)	(200,352)	93,214,329	(0.73)	(169,704)											<b>(370,056)</b>
Capital market	25,895,734	(2.71)	(173,287)	25,814,242	(2.56)	(164,870)											<b>(338,157)</b>
Assignments fixed-income por	10,118,263	(0.42)	(10,564)	8,425,452	(0.43)	(9,016)											<b>(19,580)</b>
Other liabilities	10,323,239	(0.34)	(8,776)	9,485,553	(0.54)	(12,881)											<b>(21,657)</b>
Own funds	11,806,014			12,337,354													--
<b>Net interest income</b>			<b>643,077</b>			<b>655,901</b>											<b>1,298,978</b>
<b>Total ATAs</b>			<b>166,113,468</b>			<b>165,959,873</b>											--
<b>Ratio (margin/ATA)</b>			<b>1.57</b>			<b>1.59</b>											--

(\*) Includes €801410 million of fixed-income portfolio at amortized cost for the first half of 2015.

	2014												TOTAL				
	1st quarter			2nd quarter			3rd quarter			4th quarter							
	Average balance	Rate %	Profit/(loss)	Average balance	Rate %	Profit/(loss)	Average balance	Rate %	Profit/(loss)	Average balance	Rate %	Profit/(loss)					
<b>Average yield of the investment</b>	<b>167,190,254</b>		<b>2.81</b>	<b>1,156,686</b>	<b>161,119,552</b>	<b>2.84</b>	<b>1,140,834</b>	<b>162,499,242</b>	<b>2.75</b>	<b>1,125,732</b>	<b>162,740,694</b>	<b>2.66</b>	<b>1,090,245</b>				<b>4,513,497</b>
Cash, central banks and credit institutions	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					<b>40,099</b>
Loans and advances to custom	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					<b>3,640,970</b>
Fixed-income portfolio (*)	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					<b>806,852</b>
Variable income portfolio	834,668	--	--	1,395,773	--	--	1,401,733	--	--	1,659,535	--	--					--
Tangible and intangible fixed a	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					<b>25,576</b>
<b>Average cost of resources</b>	<b>167,190,254</b>	<b>(1.52)</b>	<b>(626,644)</b>	<b>161,119,552</b>	<b>(1.48)</b>	<b>(594,889)</b>	<b>162,499,242</b>	<b>(1.35)</b>	<b>(551,672)</b>	<b>162,740,694</b>	<b>(1.17)</b>	<b>(480,586)</b>					<b>(2,253,791)</b>
Credit 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)					<b>(194,307)</b>
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)					<b>(1,107,189)</b>
Capital market	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)					<b>(908,505)</b>
Assignments fixed income por	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)					<b>(49,179)</b>
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					<b>5,389</b>
Own funds	10,196,498	--	--	10,861,001	--	--	11,039,737	--	--	10,989,879	--	--					--
<b>Net interest income</b>			<b>530,042</b>			<b>545,945</b>			<b>574,060</b>			<b>609,659</b>					<b>2,259,706</b>
<b>Total ATAs</b>			<b>167,190,254</b>			<b>161,119,552</b>			<b>162,499,242</b>			<b>162,740,694</b>					--
<b>Ratio (margin/ATA)</b>			<b>1.29</b>			<b>1.36</b>			<b>1.40</b>			<b>1.49</b>					--

(\*) Includes €801417 million from fixed-income portfolio at amortized cost for 2014.

Good interest income performance in the first half of 2015 was a continuation of a rising trend, attributable mainly to the steady reduction in the cost of deposits and wholesale market funding, which offset the decline in investment yields. As a result, the spread on average total assets was 1.59% in the second quarter of 2015 (1.36% in the second quarter of 2014).

The following table shows, for loans and deposits in the branch network in Spain (not including operations at foreign subsidiaries or branches), the contractual spread on transactions arranged each quarter in 2014 and 2015 (new business) and the resulting final portfolio (stock) at the end of each period:

Basis point spread	Additions (quarterly average)						Stock					
	2014				2015		2014				2015	
	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Q3	Q4	Q1	Q2
Credit	353	379	347	284	243	275	386	362	353	320	293	276
Loans	349	287	253	266	236	247	277	270	264	255	245	239
Home mortgage loans	241	225	217	211	197	179	91	92	93	96	97	99
Leasing	343	312	352	324	322	304	168	178	184	191	198	203
Contract-hire	738	726	711	563	557	514	552	581	599	588	598	570
Discounting	438	410	412	383	364	332	464	437	442	405	386	349
Confirming	378	360	355	341	332	296	374	366	358	335	331	296
Forfeiting	531	545	499	514	579	573	590	585	584	566	609	588
<b>Loans and receivables</b>	<b>377</b>	<b>349</b>	<b>335</b>	<b>314</b>	<b>293</b>	<b>282</b>	<b>186</b>	<b>187</b>	<b>186</b>	<b>184</b>	<b>181</b>	<b>178</b>
1-month time deposit	80	57	50	37	33	32	80	59	44	34	34	30
3-month time deposit	79	57	43	42	38	39	80	57	42	42	38	37
6-month time deposit	75	69	64	48	26	19	105	71	67	54	41	24
12-month time deposit	70	64	58	45	45	40	121	91	72	59	54	47
>12-month time deposit	99	73	61	41	36	30	172	145	134	126	118	106
<b>Time deposits</b>	<b>90</b>	<b>67</b>	<b>57</b>	<b>43</b>	<b>37</b>	<b>34</b>	<b>158</b>	<b>128</b>	<b>114</b>	<b>103</b>	<b>93</b>	<b>79</b>

With respect to the existing home mortgages portfolio at 30 June 2015, the breakdown on the basis of when the interest rate on the transaction is to be reviewed is as follows:

Thousand euro					
Mortgage repricing schedule	Q3 15	Q4 15	Q1 16	Q2 16	Total
Home mortgages	8,964,235	10,128,925	8,104,782	8,843,351	<b>36,041,293</b>

New deposits through 30 June 2015 and 2014, broken down by contractual maturity, are as follows:

€million							
Deposits by maturity	Additions in the quarter						
	2014				2015		
	Q1	Q2	Q3	Q4	Q1	Q2	
Up to 3 months	4,187	4,374	3,651	3,046	2,866	3,013	
from 3 to 6 months	1,032	2,255	1,754	2,005	951	917	
from 6 to 12 months	968	3,006	3,227	3,804	3,212	4,612	
from 12 to 18 months	2,845	1,820	1,406	829	844	1,008	
more than 18 months	5,582	4,345	3,114	2,494	2,401	2,122	
<b>Total deposits</b>	<b>14,614</b>	<b>15,800</b>	<b>13,152</b>	<b>12,178</b>	<b>10,274</b>	<b>11,672</b>	
%							
Up to 3 months	28.7	27.7	27.8	25.0	27.9	25.8	
from 3 to 6 months	7.1	14.3	13.3	16.5	9.3	7.9	
from 6 to 12 months	6.6	19.0	24.5	31.2	31.3	39.5	
from 12 to 18 months	19.5	11.5	10.7	6.8	8.2	8.6	
more than 18 months	38.2	27.5	23.7	20.5	23.4	18.2	
<b>Total deposits</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	

## b) Fees and commissions

Fees and commission income and expense on financial operations and the provision of services are as follows:

Thousand euro	30/06/2015	30/06/2014
<b>Fees derived from risk operations</b>	<b>108,099</b>	<b>108,718</b>
Lending	57,183	57,658
Guarantees	51,523	52,380
Assigned to other entities	(607)	(1,320)
<b>Service fees</b>	<b>232,421</b>	<b>217,458</b>
Cards	75,372	67,404
Payment orders	23,452	22,259
Securities	40,815	42,830
Demand deposits	40,744	41,734
Rest	52,038	43,231
<b>Investment fund, pension and insurance management fees</b>	<b>113,527</b>	<b>88,303</b>
Investment funds	76,532	55,261
Marketing of pension funds and insurance	36,995	33,042
<b>Total</b>	<b>454,047</b>	<b>414,479</b>
<b>Memorandum item</b>		
Fees and commission income	498,021	474,479
Fees and commission expense	(43,974)	(60,000)
<b>Net fees</b>	<b>454,047</b>	<b>414,479</b>

## c) Net gains/(losses) on financial assets and liabilities

The composition of this item of the consolidated income statement at 30 June 2015 and 2014 is as follows:

Thousand euro	30/06/2015	30/06/2014
<b>By heading:</b>		
Financial liabilities held for trading	105,014	30,975
Financial instruments not measured at fair value through profit or loss	1,009,116	1,101,876
Other	138	43
<b>Total</b>	<b>1,114,268</b>	<b>1,132,894</b>
<b>By type of financial instrument:</b>		
Net gain/(loss) on debt securities	1,021,878	1,094,814
Net gain/(loss) other equity instruments	20,124	9,277
Net gain/(loss) on financial derivatives	49,472	12,162
Net gain/(loss) other items	22,794	16,641
<b>Total</b>	<b>1,114,268</b>	<b>1,132,894</b>

## d) Other operating income

The composition of this item of the consolidated income statement at 30 June 2015 and 2014 is as follows:

Thousand euro	30/06/2015	30/06/2014
Income from insurance and reinsurance contracts issued	84,022	149,641
Sales and income from non-financial services	14,067	19,072
Rest of other operating income	77,097	85,506
Revenues from rentals of investment property	45,995	36,799
Other	31,102	48,707
<b>Total</b>	<b>175,186</b>	<b>254,219</b>

## e) Other operating expenses

The composition of this item of the consolidated income statement at 30 June 2015 and 2014 is as follows:

Thousand euro		
	30/06/2015	30/06/2014 (*)
Expenses on insurance and reinsurance contracts issued	(105,797)	(176,658)
Difference between opening and closing inventories	(2,954)	(877)
Rest of other operating expenses	(83,290)	(64,424)
Contribution to deposit guarantee funds	(1,459)	(1,149)
Other items	(81,831)	(63,275)
<b>Total</b>	<b>(192,041)</b>	<b>(241,959)</b>

(\*) See Note 1, Comparability

The net balance of income and expenses from insurance and reinsurance issued is negative because it does not include net financial income associated with the insurance business, which is recorded under Interest and similar income in the income statement for the year.

## f) Administrative costs

This heading in the consolidated income statement includes expenses incurred by the group in respect of personnel and other general administrative costs.

### Staff expenses

The staff expenses charged to the consolidated income statement for the periods ended 30 June 2015 and 2014 are as follows:

Thousand euro		
	30/06/2015	30/06/2014
Salaries and bonuses, serving employees	(447,107)	(424,819)
Social Security contributions	(100,955)	(102,620)
Contributions to pension schemes	(16,447)	(16,194)
Other personnel expenses	(50,996)	(66,062)
<b>Total</b>	<b>(615,505)</b>	<b>(609,695)</b>

The average workforce of the bank and group in the six-month periods to 30 June 2015 and 2014 is detailed below:

	Banco de Sabadell, S.A.		Banco Sabadell group	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
<b>Average workforce</b>	<b>16,053</b>	<b>16,412</b>	<b>17,633</b>	<b>17,870</b>
Men	8,109	8,318	8,799	8,942
Women	7,944	8,094	8,834	8,928

At 30 June 2015 and 2014, the distribution of employees by category and gender is as follows:

	30/06/2015			30/06/2014		
	Men	Women	Total	Men	Women	Total
Management personnel	496	129	<b>625</b>	362	68	<b>430</b>
Technical personnel	9,332	9,360	<b>18,692</b>	7,365	6,844	<b>14,209</b>
Administrative personnel	1,806	5,053	<b>6,859</b>	1,101	1,958	<b>3,059</b>
<b>Total</b>	<b>11,634</b>	<b>14,542</b>	<b>26,176</b>	<b>8,828</b>	<b>8,870</b>	<b>17,698</b>

The increase in the Group workforce is due to the inclusion of the employees from TSB (June 2015).

Non-recurring personnel expenses amounted to €24.741 million in the period ended 30 June 2015 (€30.907 million in the period ended 30 June 2014).

## Other administrative expenses

This includes all other administrative expenses incurred during the year:

Thousand euro	30/06/2015	30/06/2014
Property, plant and equipment	(75,898)	(81,520)
IT equipment	(50,393)	(50,265)
Communications	(17,836)	(17,306)
Advertising and publicity	(21,332)	(20,344)
Levies and taxes	(51,877)	(47,248)
Other expenses	(75,157)	(76,764)
<i>of which:</i>		
<i>Vigilance and fund transport services</i>	(8,398)	(8,406)
<i>Technical reports</i>	(8,229)	(6,507)
<i>Outsourced services</i>	(25,254)	(25,791)
<b>Total</b>	<b>(292,493)</b>	<b>(293,447)</b>

At 30 June 2015, non-recurring general administrative expenses amounted to €2.312 million, compared with €5.987 million at 30 June 2014.

The costs:income ratio (personnel expenses and other general administrative expenses/gross income) was 48.58% at 30 June 2015, 53.14% at 31 December 2014, and 55.57% at 30 June 2014. To calculate this ratio, gross income in both years was adjusted to consider only income from financial operations and recurrent exchange differences (€400 million per year, linearized as a function of the number of days in each month), and accruing for the contribution to the Deposit Guarantee Fund (FGD).

At 30 June 2015, Banco Sabadell had 2,919 branches (2,336 at 30 June 2014). The increase was due to incorporating TSB's branches.

## g) Financial asset impairment losses (net)

The composition of this item of the condensed consolidated income statement for the periods ended 30 June 2015 and 2014 is as follows:

Thousand euro	30/06/2015	30/06/2014
Loans and receivables (*)	(1,160,968)	(1,172,330)
Other financial instruments at fair value through profit or loss	-	-
Available-for-sale financial assets	(19,364)	4,788
Debt instruments (*)	(223)	4,158
Other equity instruments	(19,141)	630
<b>Total</b>	<b>(1,180,332)</b>	<b>(1,167,542)</b>

(\*) The sum of these figures equals the sum of the provisions/reversals charged or credited to the income statement in respect of value adjustments made to cover credit risk and the write-offs/recoveries charged or credited to the income statement in relation to impaired financial assets written off.

## h) Impairment losses on other assets (net)

Impairment losses for other assets (net) for the periods ended 30 June 2015 and 2014 break down as follows:

Thousand euro	30/06/2015	30/06/2014
Tangible assets (Note 7)	(105,914)	(18,592)
For own use	1,488	133
Investment property	(107,402)	(18,725)
Investments	(2,955)	(31,096)
Inventories (Note 9)	(307,117)	(97,588)
<b>Total</b>	<b>(415,986)</b>	<b>(147,276)</b>

The impairment losses on other assets heading in the accompanying condensed consolidated income statement consists mainly of value adjustments in respect of properties for the group's own use and inventories and investment property.

## i) Gains/(losses) from disposals of assets not classified as non-current available for sale

The composition of this item of the condensed consolidated income statement for the periods ended 30 June 2015 and 2014 is as follows:

Thousand euro	30/06/2015	30/06/2014
<b>Gains</b>	<b>26,167</b>	<b>108,955</b>
On sales of tangible assets	7,635	6,591
On sales of equity investments	12,333	7,049
Other	6,199	95,315
<b>Losses</b>	<b>(29,482)</b>	<b>(26,850)</b>
On sales of tangible assets	(20,381)	(3,444)
On sales of equity investments	(9,101)	(8,245)
Other	-	(15,161)
<b>Total</b>	<b>(3,315)</b>	<b>82,105</b>

## j) Negative difference in consolidation

The negative difference in consolidation recognised in June 2015 corresponding to the business combination with TSB is detailed in Note 2 to these condensed interim consolidated financial statements.

## k) Gains/(losses) from non-current assets held for sale not classified as discontinued operations

The breakdown of this heading in the first half of 2015 and 2014 is as follows:

Thousand euro	30/06/2015	30/06/2014
Net gains on property sales	(44,297)	(77,809)
Impairment of non-current assets held for sale (Note 12)	(107,058)	(105,902)
sale	68	-
<b>Total</b>	<b>(151,287)</b>	<b>(183,711)</b>

There have been no gains due to an increase in fair value less selling costs.



## NOTE 18 – FAIR VALUE OF ASSETS AND LIABILITIES

The methodology and classification of fair value by level is explained in detail in the group's 2014 consolidated financial statements.

### Determination of the fair value of financial instruments

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

Thousand euro	30/06/2015		31/12/2014	
	Accounting balance	Fair value	Accounting balance	Fair value
<b>Assets:</b>				
Cash and balances with central banks	7,227,177	7,227,177	1,189,787	1,189,787
Trading portfolio (Note 4)	2,254,739	2,254,739	2,206,035	2,206,035
Financial assets at fair value through profit or loss (Note 4)	125,960	125,960	137,148	137,148
Available-for-sale financial assets (Note 4)	23,570,418	23,570,418	21,095,619	21,095,619
Credit investments (Note 4)	148,417,967	157,999,481	117,895,179	128,834,406
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	6,182	6,182	-	-
Hedging derivatives	673,158	673,158	910,173	910,173
<b>Total assets</b>	<b>182,275,601</b>	<b>191,857,115</b>	<b>143,433,941</b>	<b>154,373,168</b>

Thousand euro	30/06/2015		31/12/2014	
	Accounting balance	Fair value	Accounting balance	Fair value
<b>Liabilities</b>				
Trading portfolio (Note 11)	1,686,877	1,686,877	1,726,143	1,726,143
Financial liabilities at amortised cost (Note 11)	185,201,924	185,588,212	145,580,114	147,009,131
Adjustments to financial liabilities due to macro hedges	19,615	19,615	68,020	68,020
Hedging derivatives	586,022	586,022	460,296	460,296
<b>Total liabilities</b>	<b>187,494,438</b>	<b>187,880,726</b>	<b>147,834,573</b>	<b>149,263,590</b>

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

- The fair value of "Cash and balances with central banks" has been considered to be the carrying amount, as these are mainly short-term balances.
- The fair value of "Loans and receivables" and "Financial liabilities at amortized cost" has been estimated by the discounted cash flow method, using market interest rates at the end of each year.
- The heading "Changes in the fair value of hedged items in portfolio hedges of interest rate risk" on the accompanying condensed consolidated balance sheets records the difference between the carrying amount of the deposits covered (recorded in "Loans and receivables") and the fair value calculated using internal models and observable market variables.

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

Thousand euro				
<b>30 / 06 / 2015</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>				
Financial liabilities held for trading	<b>700,280</b>	<b>887,314</b>	<b>667,145</b>	<b>2,254,739</b>
Debt instruments (Note 4)	687,828	897	8,138	696,863
Equity instruments (Note 4)	12,452	-	-	12,452
Trading derivatives (Note 4)	-	886,417	659,007	1,545,424
Financial assets at fair value through profit or loss	-	<b>125,960</b>	-	<b>125,960</b>
Equity instruments (Note 4)	-	125,960	-	125,960
Available-for-sale financial assets	<b>22,075,184</b>	<b>1,347,659</b>	<b>21,264</b>	<b>23,444,107</b>
Debt instruments (Note 4)	21,781,731	1,127,468	21,264	22,930,463
Equity instruments	293,453	220,191	-	513,644
Hedging derivatives	<b>3,432</b>	<b>526,707</b>	<b>143,019</b>	<b>673,158</b>
<b>Total assets</b>	<b>22,778,896</b>	<b>2,887,640</b>	<b>831,428</b>	<b>26,497,964</b>

Thousand euro				
<b>30/06/2015</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Liabilities</b>				
Financial liabilities held for trading	<b>168,923</b>	<b>1,279,543</b>	<b>238,411</b>	<b>1,686,877</b>
Loans and advances to credit institutions	-	111	-	111
Trading derivatives (Note 11)	27,398	1,279,432	238,411	1,545,241
Short positions	141,525	-	-	141,525
Hedging derivatives	-	<b>405,954</b>	<b>180,068</b>	<b>586,022</b>
<b>Total liabilities</b>	<b>168,923</b>	<b>1,685,497</b>	<b>418,479</b>	<b>2,272,899</b>

Thousand euro				
<b>31 / 12 / 2014</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>				
Financial liabilities held for trading	<b>637,996</b>	<b>865,016</b>	<b>703,023</b>	<b>2,206,035</b>
Debt instruments (Note 4)	575,486	1,013	2,298	578,797
Equity instruments (Note 4)	45,068	-	-	45,068
Trading derivatives (Note 4)	17,442	864,003	700,725	1,582,170
Financial assets at fair value through profit or loss	-	<b>137,148</b>	-	<b>137,148</b>
Equity instruments (Note 4)	-	137,148	-	137,148
Available-for-sale financial assets	<b>19,720,544</b>	<b>1,231,828</b>	<b>15,315</b>	<b>20,967,687</b>
Debt instruments (Note 4)	19,370,236	1,007,510	15,315	20,393,061
Equity instruments	350,308	224,318	-	574,626
Hedging derivatives	<b>346,441</b>	<b>401,357</b>	<b>162,375</b>	<b>910,173</b>
<b>Total assets</b>	<b>20,704,981</b>	<b>2,635,349</b>	<b>880,713</b>	<b>24,221,043</b>

Thousand euro				
<b>31/12/2014</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Liabilities</b>				
Financial liabilities held for trading	<b>176,170</b>	<b>1,356,253</b>	<b>193,720</b>	<b>1,726,143</b>
Trading derivatives (Note 11)	-	1,356,253	193,720	1,549,973
Short positions	176,170	-	-	176,170
Hedging derivatives	-	<b>244,754</b>	<b>215,542</b>	<b>460,296</b>
<b>Total liabilities</b>	<b>176,170</b>	<b>1,601,007</b>	<b>409,262</b>	<b>2,186,439</b>

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

Thousand euro		
	<b>Assets</b>	<b>Liabilities</b>
<b>Balance at 31 December 2014</b>	<b>880,713</b>	<b>409,262</b>
Valuation adjustments recognized on income statement (*)	68,895	82,624
Valuation adjustments not recognized on income statement	8	817
Purchases, sales, write-offs	(120,647)	(76,074)
Net additions/(exits) on Level 3	1,721	1,561
Exchange differences and other	738	289
<b>Balance at 30 June 2015</b>	<b>831,428</b>	<b>418,479</b>

(\*) Relates to securities kept on the balance sheet at 30 June 2015 and 31 December 2014.

At 30 June 2015, income from sales of financial instruments classified as Level 3, recognized in the accompanying income statement, was not material.

The detail of financial instruments that were transferred between valuation levels in the first six months of 2015 and during 2014 is as follows:

Thousand euro						
<b>30/06/2015</b>						
From:	Level 1		Level 2		Level 3	
To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
<b>Assets:</b>						
Financial liabilities held for trading	-	-	-	8,527	-	6,806
Financial assets at fair value through profit or loss	-	-	161	-	-	-
<b>Liabilities</b>						
Financial liabilities held for trading	-	-	-	1,561	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>161</b>	<b>10,088</b>	<b>-</b>	<b>6,806</b>

Thousand euro						
<b>31/12/2014</b>						
From:	Level 1		Level 2		Level 3	
To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
<b>Assets:</b>						
Financial liabilities held for trading	-	-	-	54,543	4,487	16,922
Available-for-sale financial assets	-	-	45,253	-	-	-
<b>Liabilities</b>						
Financial liabilities held for trading	-	-	-	88	-	302
<b>Total</b>	<b>-</b>	<b>-</b>	<b>45,253</b>	<b>54,631</b>	<b>4,487</b>	<b>17,224</b>

At 30 June 2015, the effect of replacing the main assumptions used in the valuation of Level 3 financial instruments with other reasonably possible assumptions, taking the highest value (most favourable assumption) or lowest value (least favourable assumption) in the range that is considered likely, is as follows, indicating solely the effect on profit or loss since there were no Level 3 instruments with changes through equity at 30 June 2015.

30/06/2015

**Potential impact on consolidated income statement**

	Best case	Worst case
<b>Assets:</b>		
Held for trading (*)	6,495	(38,928)
Financial assets at fair value through profit or loss (**)	-	-
Available for sale financial assets (**)	-	-
Hedging derivatives	-	-
<b>Liabilities</b>		
Held for trading (*)	-	-
Other financial liabilities at fair value through profit or loss (**)	-	-
Hedging derivatives	130	(310)
<b>Total liabilities</b>	<b>6,625</b>	<b>(39,238)</b>

other:

(\*\*) Potential impact is not material.

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

At 30 June 2015 and 31 December 2014, there were no loans or other financial liabilities at fair value other than those recognized under "Trading portfolio-Loans and advances to customers", "Other assets at fair value through profit or loss" and "Other liabilities at fair value through profit or loss" in the accompanying condensed consolidated balance sheets.

### Financial instruments at cost

At 30 June 2015 and 31 December 2014 there were equity instruments, derivatives with equity instruments as the underlying asset and shares in the discretionary profits in certain companies which were recorded at cost in the consolidated balance sheets because their fair value could not be estimated in a sufficiently reliable manner. This was because they pertained to holdings in companies that are not quoted on organized markets and, therefore, involve a significant level of non-observable inputs. At those dates, the balance of these financial instruments, which were recognized under "Financial assets available for sale", amounted to €126 and €128 million, respectively.

There were no sales of financial instruments recognized at cost in the period from 31 December 2014 to 30 June 2015.

### Non-financial assets

#### *Real-estate assets*

The methodology used by the group to determine the fair value of real estate assets is described in detail in the Group's 2014 consolidated financial statements.

Below are summarized the methods used to measure the Group's portfolio on the basis of asset class:

- *Completed buildings*: measured by comparison, discounting rents, or using a statistical model (level 2).
- *Buildings under construction*: measured using the cost method, taking the sum of the land value and work performed (level 3).
- *Land*: measured using the residual method (level 3).

Significant non-observable variables used in valuations classed on Level 3 were developed not by the Group but by the independent valuation companies that performed the appraisals.

At 30 June 2015, these assets' net carrying amounts do not differ materially from their fair values (Note 10).

The Group determines the fair value of own-use tangible assets for the purpose of detecting evidence of impairment based on the higher of appraised value and value in use. At 30 June 2015, these assets' net carrying amounts do not differ materially from their fair values (Note 7).

## NOTE 19 - DEFERRED TAX ASSETS AND LIABILITIES

Under current tax regulations, certain timing differences must be taken into account when quantifying the income tax expense. The origins of the deferred tax assets and liabilities recognized in the balance sheet at 30 June 2015 and 31 December 2014 are as follows:

<small>Thousand euro</small>	<b>30/06/2015</b>	<b>31/12/2014</b>
<b>Deferred tax assets</b>		
<b>Monetizable</b>	<b>5,428,205</b>	<b>5,283,682</b>
Due to loans impairment	3,718,005	3,676,767
Due to real estate asset impairment	1,582,352	1,478,592
Due to pension funds	127,848	128,323
<b>Non-monetizable</b>	<b>638,124</b>	<b>313,712</b>
Due to merger funds	143,191	144,549
Due to foreign credit impairment	96,287	-
Due to other non-deductible provisions	27,712	27,269
Due to impairment of equity and debt instruments	71,823	63,161
Adjustments to the value of financial assets	65,906	-
Other	233,205	78,733
<b>Tax credits for losses carried forward</b>	<b>481,489</b>	<b>530,601</b>
<b>Deductions not applied</b>	<b>16,169</b>	<b>16,168</b>
<b>Total</b>	<b>6,563,987</b>	<b>6,144,163</b>
<b>Deferred tax liabilities</b>		
Property appreciation	89,531	91,701
Adjustments to value of wholesale debt issuances arising on business combinations	119,797	141,737
Other financial asset value adjustments	139,546	434,698
Other	54,459	145,625
<b>Total</b>	<b>403,333</b>	<b>813,761</b>

## NOTE 20 - SEGMENT INFORMATION

Segment reporting is organized primarily according to business units, and secondarily according to geography.

The business units described below are based on the group's organizational structure in force during the first half of 2015. For customer-facing businesses (Commercial Banking, Corporate and Global Banking, Sabadell Urquijo Banca Privada, and Real Estate Asset Management), segmentation is based on the types of customer addressed. Investment Management is a horizontal business that offers specialized products which are sold through the group's branch network. The new Real Estate Asset Management business unit handles the real estate portfolio—both developer loans and repossessed assets—and the recovery of other loan categories.

The organisation structure of the business divisions was modified in July 2015.

Key data for each business division are shown in the tables that follow:

### a) Segmentation by geographical area

The distribution of interest and similar income by geography for the period between 1 January 2014 and 30 June 2015, and the comparison with the same period of the preceding year, is as follows:

Thousand euro				
Geographical area	Geographical distribution of interest and similar income			
	Individual		Consolidated	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
Domestic market	1,959,777	2,193,192	1,977,665	2,200,396
Exports:				
a) European Union	23,154	14,524	29,025	15,546
b) OECD countries	36,212	19,985	120,896	74,976
c) Other countries	-	-	-	6,602
<b>Total</b>	<b>2,019,143</b>	<b>2,227,701</b>	<b>2,127,586</b>	<b>2,297,520</b>

### b) By business unit

The information about the group's business units is detailed below.

Thousand euro						
SEGMENTS	Consolidated					
	Ordinary income (*) from customers		Ordinary income (*) between segments		Total ordinary income	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014	30/06/2015	30/06/2014
Commercial Banking	1,540,968	1,632,109	109,753	89,771	1,650,721	1,721,880
Corporate Banking	191,883	215,521	384	512	192,267	216,033
Sabadell Urquijo Private Banking	11,200	15,253	29,824	16,383	41,024	31,636
Investment Management	68,985	49,935	2,994	6,793	71,979	56,728
Transformation of real estate assets	126,881	159,930	69	197	126,950	160,127
(-) Adjustments and eliminations of ordinary income between segments	-	-	(69,470)	(60,920)	(69,470)	(60,920)
<b>Total</b>	<b>1,939,917</b>	<b>2,072,748</b>	<b>73,554</b>	<b>52,736</b>	<b>2,013,471</b>	<b>2,125,484</b>

(\*) For these segments, ordinary revenues reflect interest income and similar, income from equity instruments, commissions received, the result of financial transactions (net), exchange differences and other operating income.

Thousand euro		
SEGMENTS	Consolidated	
	30/06/2015	30/06/2014
Commercial Banking	275,486	232,256
Corporate Banking	60,609	40,835
Sabadell Urquijo Private Banking	10,307	8,829
Investment Management	10,935	9,288
Transformation of real estate assets	(345,490)	(270,849)
<b>Total profit/(loss) of reported segments</b>	<b>11,847</b>	<b>20,359</b>
(+/-) Profits not assigned (*)	164,247	170,522
(+/-) Elimination of internal results (intersegment)	-	-
(+/-) Other results (**)	187,412	119,274
(+/-) Tax on income and/or results from discontinued operations	-	-
<b>Profit/(loss) before taxes</b>	<b>363,506</b>	<b>310,155</b>

(\*) Includes results from financial operations generated by sales of financial assets and goodwill from TSB.

(\*\*) Relates to results from unreported segments.

## NOTE 21 - FINANCIAL RISK MANAGEMENT

For information on risk management, see note 37 to the 2014 consolidated financial statements. Particularly with regard to the refinancing policy:

Debt refinancing and restructuring are the main risk management techniques during an economic downturn. The Bank's objective, when faced with debtors or borrowers that have, or are expected to have, financial difficulties in meeting their payment obligations in the agreed contractual terms is to facilitate the repayment of the debt by reducing the likelihood of non-payment to the lowest possible level. A number of specific policies to achieve this are in place across the group, including procedures for the approval, monitoring and control of debt refinancing and restructuring processes. These include most notably:

- The possession of a borrower's repayment history over a reasonable period and a stated intention to repay, with an assessment of the likelihood of the borrower's financial difficulties being only temporary.
- Refinancing or restructuring conditions based on a repayment schedule that is realistic and appropriate to the borrower's present and likely future payment capabilities, thus ensuring that problems are not simply deferred.
- Where additional security is provided, this will be treated as a secondary and exceptional means of debt recovery so as to avoid any weakening of existing guarantees. All ordinary interest accrued up to the refinancing date must be paid.
- Limits on lengthy grace periods.

The group monitors on an on-going basis compliance with the established terms and with the above policies.

## NOTE 22 - RELATED-PARTY TRANSACTIONS

During the first half of 2015, no material transactions took place with related parties as defined in Order EHA/3050/2004. Those that did take place were in the normal course of the company's business and were performed at market prices.

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

	30/06/2015				31/12/2014
	Associates	Key personnel	Other related parties (*)	TOTAL	TOTAL
<b>Assets:</b>					
Loans and advances to customers and other financial assets	136,354	20,065	1,078,620	1,235,039	1,840,338
<b>Liabilities:</b>					
Customer deposits and other financial assets	1,084,363	10,187	69,438	1,163,988	2,151,325
<b>Memorandum accounts:</b>					
Contingent exposures	18,884	-	6,830	25,714	301,518
Contingent commitments	1,191	2,947	32,676	36,814	192,751
<b>Income statement:</b>					
Interest and similar income	3,485	72	7,803	11,360	57,674
Interest and similar charges	(18,696)	(63)	(277)	(19,036)	(78,356)
Income on equity instruments	49	-	-	49	3,688
Net fees	20,120	26	696	20,842	46,095
Other operating income	186	-	3,569	3,755	1,785

(\*) Includes employee pension schemes.

## NOTE 23 - REMUNERATION OF AND BALANCES WITH MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration collected by, and balances with, members of the Board of Directors, and the remuneration collected by members of senior management in the six-month periods ended 30 June 2015 and 2014 are shown below:

Thousand euro		
Directors	30/06/2015	30/06/2014
<b>Remuneration item:</b>		
Fixed remuneration	1,820	1,388
Variable remuneration	1,318	1,194
Articles of Association-mandated	909	899
Other	19	421
<b>Total</b>	<b>4,066</b>	<b>3,902</b>

Thousand euro		
	30/06/2015	30/06/2014
<b>Other benefits:</b>		
Loans	11,898	10,758
Pension funds and plans: Contributions	1	1
Guarantees provided for directors	2,332	2,737

Thousand euro		
Senior executives	30/06/2015	30/06/2014
<b>Total remuneration</b>	<b>2,029</b>	<b>1,642</b>

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

The theoretical amounts of variable remuneration at 30 June 2015 are 50% of the variable remuneration earned in 2014, but this does not entail any vested right claimable under this heading, and it is possible that such remuneration may not materialise.

## NOTE 24 - SUBSEQUENT EVENTS

Since 30 June 2015, there have been no events worthy of mention.



## CONSOLIDATED DIRECTORS' REPORT FOR THE FIRST SIX MONTHS OF 2015

The interim consolidated report of the directors is drafted with the sole purpose of describing the significant events and changes that occurred in the six-month period but not to duplicate information already published in the most recently adopted consolidated financial statements. Consequently, for proper comprehension of the information contained in this interim report of the directors, it should be read in conjunction with that contained in the group's 2014 consolidated financial statements, which were prepared in accordance with the recommendations of the "Guide for the preparation of directors' reports of listed companies", published by the CNMV in July 2013.

### Macroeconomic environment

Greece was the main centre of attention during the first half of the year. Syriza, a party opposed to the austerity measures imposed by the international creditors, formed a government following the early elections in January. There followed a period of tough renegotiations of the terms of the bailout in order to release the pending disbursements under the programme. Negotiations broke off in June and the Greek government held a referendum (5 July) to ask the Greek people whether it accepted the proposal made by the international creditors. The executive expressed its preference for a "no" vote (see below). Since February, the ECB had been providing liquidity to the Greek banking system through its emergency liquidity assistance. The acceleration of the run on bank deposits forced the Greek government to impose capital controls and declare a bank holiday towards the end of June. Greece also defaulted on €1,600 million owed to the IMF, thereby becoming the first developed country to default on its financial obligations to the Fund. The other members of the euro area expressed their willingness to use all available instruments to preserve the region's integrity and stability. Despite the uncertainties surrounding Greece, the euro area economy performed positively, supported by the depreciation of the euro, lower oil prices and the improvement in funding conditions. Inflation moved away from the lows registered at the beginning of the year and back into positive territory. In the UK, the Conservative Party obtained an absolute majority in parliament, which should lead to a referendum on whether or not the country should remain in the EU. The US economy was stagnant in the first quarter due to adverse weather conditions, the strike at the ports on the West coast, the dollar's appreciation, and the negative impact of lower oil prices on capital expenditure. The economy then improved. After easing considerably early in the year, inflation has remained stable at a low level.

Note: In the Greek referendum, 61.3% voted "no", while 38.7% voted "yes". Following the referendum, Greece resumed negotiations with its international creditors. In the end, agreement was reached on the reforms that Greece must adopt in order to begin negotiations on a third bailout. This agreement must be ratified by the Greek Parliament, which also approved the first set of measures in areas such as taxation and the pension system. The EU also granted Greece a bridge loan, which it has used to fulfil its repayment commitments to the ECB in July and to pay outstanding amounts to the IMF.

### Fixed-income markets

The Fed introduced greater flexibility in its communication policy, maintaining a cautious tone and reiterating that its benchmark rate will depend on how the economy performs. Despite the improvement in the economy in the second quarter, members of the Federal Open Market Committee consider that the weak readings in the first quarter will hurt growth and the unemployment rate in the full year. As a result, the Fed expects the pace of rate increases to be more gradual and to begin later than initially projected. Meanwhile, in March the ECB commenced the programme to purchase government bonds that it had announced at the beginning of the year. This programme 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 intends to buy about €60 billion per month through this programme and purchases of covered bonds and ABSs; it has achieved that target to date.

With respect to long-term fixed-income markets, the yield on German government bonds continued to decline until mid-April, reaching record lows as a result of the ECB purchasing programme. Yields then rebounded sharply, amply offsetting the previous decline. This was due principally to the surprise upswing in inflation in May, aspects of the workings of the government bond market, the strong supply of paper and the fact that the ECB has not expressed concern about the high market volatility. The yield on US government bonds declined in the first quarter due to concerns about the economy and inflation. This was followed by an increase in yields, supported by an improvement in US economic indicators and rising German government bond yields. Non-core country risk premiums declined early in the year,

supported by the ECB's purchasing programme. However, the uncertainties about Greece led to an increase in yields in the second quarter, offsetting the trend in the first quarter.

### **Currency market**

The announcement of the ECB's asset purchasing programme contributed to continued depreciation of the euro against the main currencies in the early months of the year. The euro stabilised thereafter. In the first half overall, the Euro depreciated 8% against the dollar (to 1.11 USD/EUR) and 9% against sterling (to 0.71 GBP/EUR). Sterling was very volatile around the time of the elections in the UK. Depreciation by the yen towards the end of 2014 slowed in 2015, though this trend was hampered by better economic indicators in the US (to 123 JPY/USD).

### **Emerging markets**

Emerging markets were very volatile in the early months of the year, affected by global instability caused by lower oil prices, the dollar's appreciation, fears about future moves by the Fed, and domestic weakness. Subsequently, the markets responded more favourably to the Fed's accommodative tone, the stabilisation of oil prices and a less negative newsflow in connection with the emerging economies. The latest figures show a degree of stabilisation in China after the authorities reacted to weak economic performance by reducing reserve requirements and cutting the 1-year benchmark interest rate. In particular, GDP increased by 7.0% year-on-year in the first quarter, the lowest growth since 2009. In Latin America, Brazil's economy continued to deteriorate in a context of uncertainty about the Petrobras corruption case and the risk of energy rationing because of the drought. On the political front, there was greater consensus in the governing coalition about the implementation of fiscal adjustment policies, although the measures finally approved were less ambitious than those proposed initially. The latest economic indicators for Mexico show a degree of improvement after the slowdown in the first quarter (2.5% year-on-year), which coincided with weak performance in the US. Mexico's central bank announced it would be particularly alert to moves by the Fed when executing domestic monetary policy. As for Eastern Europe, Standard & Poor's and Moody's withdrew the investment grade rating from Russian government debt early in the year because of the deterioration of the economy and the extension of economic sanctions on the country because of its alleged support for the rebels in eastern Ukraine. Following the Minsk agreements, clashes became less intense. In March, the IMF approved a new programme of financial aid for Ukraine and maintained it even though the country missed the deadline for reaching an agreement with private creditors to restructure its debt. Other countries such as Poland and Hungary continued to perform well, registering growth rates of over 3% year-on-year in the first quarter. Finally, political uncertainty has increased recently in such countries as Poland and Turkey. The Turkish government lost its absolute majority for the first time since 2002 and the prospects for governability have worsened.

### **Business performance**

On 30 June 2015, within the framework of the takeover bid for all of the shares of TSB announced on 20 March 2015, Banco Sabadell disclosed that it had obtained approval from the Prudential Regulatory Authority and, therefore, all conditions to which the bid was subject having been fulfilled, the bid was made unconditional to all intents and purposes.

It is Banco Sabadell's intention for TSB to apply for delisting from the London Stock Exchange and the Official List of the Financial Conduct Authority.

The last condition precedent for the acquisition of TSB was fulfilled on 30 June 2015, which is the date considered by the Group as the date on which it obtained control over TSB's assets and assumed the acquiree's liabilities (acquisition date), since it was the date on which the tender offer was declared to be unconditional to all intents and purposes.

Consequently, the variations in the balance sheet amounts between 2014 year-end and the end of June 2015 have been affected by the inclusion of TSB, which has been consolidated for accounting purposes since 30 June 2015. In contrast, the year-on-year comparison of the profit and loss account (first half of 2015 versus first half of 2014) was unaffected by this factor.

Banco Sabadell and its group ended the first half of 2015 with €352.2 million in net attributable profit, after booking €1,749.1 million in impairment allowances for loan losses, securities and real estate. In

the same period of 2014, net attributable profit amounted to €226.8 million and impairment allowances to €1,415.3 million.

Positive performance by the ordinary business, strict control of recurring operating costs, judicious management of customer spreads and rigorous control of lending quality were the main factors underlying Banco Sabadell's business performance in the first half of 2015.

### **Balance sheet**

At 30 June 2015, the total assets of Banco Sabadell and its group amounted to €203,959.4 million, a 24.9% increase with respect to 2014 year-end.

Gross loans and advances to customers, excluding repos, amounted to €148,962.6 million, 26.3% more than at 2014 year-end. Without considering TSB, gross loans and advances to customers (net of repos) amounted to €118,415.9 million at 30 June 2015.

Mortgage loans are the largest single component of gross lending (56%), amounting to €83,197.7 million at 30 June 2015.

Banco Sabadell Group had a 9.01% impaired assets ratio to total computable loans at 30 June 2015 (373 basis points lower than at 2014 year-end). Excluding the TSB acquisition, at 30 June 2015, the impaired assets ratio, expressed in terms of the Banco Sabadell group's total computable risks, was 10.98% (176 basis points less than at 2014 year-end).

At 30 June 2015, customer funds on the balance sheet amounted to €130,369.6 million, a 38% increase with respect to 2014 year-end. Demand accounts performed particularly well in the first half, having expanded by 86.7% to €80,786.0 million at 30 June 2015.

Term deposits amounted to €49,789.2 million, i.e. 6.8% lower than at 2014 year-end, in line with market performance. Excluding TSB, customer funds on the balance sheet amounted to €95,344.5 million at 30 June 2015.

The loan-to-deposit ratio reached 103.4% at the end of June 2015 (from 108.4% at 31 December 2014). Excluding the acquisition of TSB Banking Group, the ratio would be 109.7%.

Debts represented by marketable securities amounted to €20,102.9 million at the end of June 2015, i.e. similar the level at 2014 year-end (€20,196.3 million).

Assets in collective investment vehicles maintained the steady growth trend observed over the last year, reaching €20,230.2 million at 30 June 2015, an increase of 28.8% with respect to 31 December 2014.

Assets in pension funds marketed by the group amounted to €4,361.6 million at 30 June 2015, in line with the balance at 2014 year-end (€4,334.6 million).

Insurance sales amounted to €7,083.2 million at 30 June 2015, compared with €7,420.5 million at 2014 year-end.

Total funds under management amounted to €191,598.8 million at 30 June 2015, a 25.9% increase on the balance at 31 December 2014 (€152,185.4 million).

### **Income and profit performance**

Net interest income amounted to €1,298.9 million in the first half of 2015, 20.7% more than in the same period of 2014. This performance, which resulted in the aforementioned improvement in net interest income year-on-year, was due mainly to lower funding costs (both deposits and wholesale).

Net interest income amounted to €655.9 million in the second quarter, compared with €643.0 million in the first quarter. Both the customer spread and net interest income as a percentage of average total assets maintained their upward trend, increasing by 12 and 10 basis points, respectively, with respect to 4Q14.

Dividends received and results from equity-accounted affiliates together amounted to €27.3 million in 1H15, compared with €8.5 million in 1H14. Those revenues are due mainly to the insurance and pension fund business.

Net fees and commissions in the first half amounted to €454.0 million, up 9.5% with respect to the same period of 2014. 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 of products and services.

Income from financial transactions amounted to €1,114.3 million, including €1,019.9 million in gains on the sale of available-for-sale fixed-income financial assets and €105.0 million in trading income. In the first half of 2014, income from financial transactions amounted to €1,132.9 million, including €1,083.5 million in gains on the sale of available-for-sale fixed-income financial assets and €31.0 million in trading income.

Net exchange gains amounted to €82.3 million, 114.6% more than in 1H14.

Other operating income and expenses amounted to -€16.9 million, compared with €12.3 million in the first half of 2014.

Operating expenses (personnel and general) amounted to €908.0 million in the first half of 2015, of which €27.1 million are attributable to non-recurrent items (mainly personnel indemnities).

The increase in gross income in the first half of 2015 (10.3% year-on-year) coupled with the operating cost containment policy provided a notably better efficiency (costs:income) ratio of 48.58% at the end of the June 2015 (excluding non-recurrent income from financial transactions and exchange differences, while accruing the FGD contribution), an improvement on the 53.14% ratio registered at 2014 year-end.

Consequently, net income before provisions amounted to €1,908.6 million in the first half of 2015, 16.1% higher than in the same period of 2014.

Impaired allowances for loan losses and other impairments (primarily real estate and financial assets) amounted to €1,749.1 million, compared with €1,415.3 million in the first half of 2014, due to additional allowances booked in connection with non-recurring results obtained in the first half, which increased coverage.

Capital gains on asset disposals in the first half of 2015 included mainly those from the sale of real estate for own use. In the first half of 2014, capital gains on asset disposals included extraordinary income of €80 million (net of arrangement expenses) from signing a reinsurance contract with SCOR Global Life for Mediterráneo Vida's individual death benefit insurance portfolio.

The goodwill disclosed in the first half of 2015 relates entirely to the goodwill (net of taxes) disclosed as a result of the TSB acquisition.

After deducting income tax and non-controlling interests, net income attributed to the group amounted to €352.2 million at 30 June 2015, i.e. 55.3% higher than in the same period of 2014 (€226.8 million). If the FGD contribution were accrued in both years, net income attributed to the group would have been €287.3 million in the first half of 2015, compared with €167.7 million in the same period of 2014, i.e. a 71.3% increase year-on-year.

The Basel III ratio at 30 June 2015 was 13.0%, compared with 12.8% at 31 March 2015.

## Branches

At the end of June 2015, Banco Sabadell had 2,919 branches (of which 631 were TSB), i.e. 599 more than at 31 December 2014.

Of the total number of Banco Sabadell group branches and offices, 1,181 were operating under the SabadellAtlántico brand (including 36 specialist business banking and 2 specialist corporate banking branches); 497 were operating as SabadellICAM (including 11 business banking branches); 178 formed the SabadellHerrero network in Asturias and León (including 5 business banking branches); 131 were SabadellGuipuzcoano branches (including 5 business branches); 129 were SabadellGallego branches (including 3 business branches); 12 were operating under the SabadellUrquijo name; 105 were Solbank branches, and there were 53 international branches, including 27 operated by Sabadell United Bank and 7 by BancSabadell d'Andorra. Additionally, ActivoBank has two "Activo Centres" open to the public.

## Business review

### Commercial Banking

The group's largest business line is Commercial Banking, which provides a range of financial products and services for large and medium-sized companies, SMEs, shops and individuals (including private banking, personal banking and mass market customers), non-residents and professional groups, with a degree of specialization that provides customers with personalized attention depending on their needs, whether from experts throughout its multi-brand branch network or via other channels to support the customer relationship and give access to remote banking services.

Thousand euro			
	30/06/2015	30/06/2014	Change (%) YoY
<b>Net interest income</b>	<b>1,057,850</b>	<b>846,660</b>	<b>24.9</b>
<b>Gross income</b>	<b>1,429,780</b>	<b>1,203,418</b>	<b>18.8</b>
<b>Net operating income</b>	<b>275,486</b>	<b>232,256</b>	<b>18.6</b>
<b>Profit/(loss) before taxes</b>	<b>275,486</b>	<b>232,256</b>	<b>18.6</b>
<b>Ratios (%)</b>			
ROE	12.5%	10.7%	-
Costs:income ratio	49.4%	57.1%	-
<b>Other data</b>			
Personnel	12,484	12,612	(1.0)
Spanish branches	2,221	2,274	(2.3)
Gross loans and advances (€ million)	78,435	79,776	(1.7)
Funds (€ million)	89,118	90,057	(1.0)

### Corporate Banking and Global Businesses

Corporate Banking and Global Businesses offers financial solutions and advisory services to large companies and financial institutions, both Spanish and foreign, with branches throughout Spain and in 14 other countries. Its activities encompass corporate banking, structured finance, corporate finance, development capital, international trade and consumer finance.

### Corporate Banking

Corporate banking customers have at their disposal a group of experts distributed between the teams in Madrid, Barcelona, Paris, London, Miami and Casablanca. The business model is based on offering a broad range of highly adaptable specialist financial services and a wide variety of financial solutions, ranging from transactional banking services, advisory services and international business operations to more sophisticated services such as structured finance, complex and customized derivatives products or M&A advisory services.

Thousand euro

	30/06/2015	30/06/2014	Change (%) YoY
<b>Net interest income</b>	<b>110,961</b>	<b>83,394</b>	<b>33.1</b>
<b>Gross income</b>	<b>129,043</b>	<b>105,486</b>	<b>22.3</b>
<b>Net operating income</b>	<b>60,609</b>	<b>40,835</b>	<b>48.4</b>
<b>Profit/(loss) before taxes</b>	<b>60,609</b>	<b>40,835</b>	<b>48.4</b>
<b>Ratios (%)</b>			
ROE	11.9%	8.3%	-
Costs:income ratio	11.8%	12.5%	-
<b>Other data</b>			
Personnel	116	111	4.5
Spanish branches	2	2	0.0
Foreign branches	3	3	0.0
Gross loans and advances (€ million)	11,790	10,845	8.7
Funds (€ million)	6,696	5,458	22.7

### ***SabadellUrquijo Private Banking***

The SabadellUrquijo Banca Privada business focuses on private banking and is defined by its customer-centred approach and its specialist capability in providing advisory services and comprehensive wealth management.

Its mission is to be the benchmark bank for persons and family groups that need customized solutions for their specific needs.

Thousand euro

	30/06/2015	30/06/2014	Change (%) YoY
<b>Net interest income</b>	<b>9,001</b>	<b>7,317</b>	<b>23.0</b>
<b>Gross income</b>	<b>41,793</b>	<b>27,541</b>	<b>51.7</b>
<b>Net operating income</b>	<b>10,307</b>	<b>8,829</b>	<b>16.7</b>
<b>Profit/(loss) before taxes</b>	<b>10,307</b>	<b>8,829</b>	<b>16.7</b>
<b>Ratios (%)</b>			
ROE	38.5%	37.7%	-
Costs:income ratio	50.9%	67.9%	-
<b>Other data</b>			
Personnel	311	274	13.5
Spanish branches	12	12	0.0
Gross loans and advances (€ million)	1,776	1,023	73.6
Funds (€ million)	16,653	16,348	1.9
Securities (€ million)	6,691	6,455	3.7

## Investment Management

The group's Investment Management business encompasses collective investment management companies, including investment management and the distribution and administration of collective investment vehicles (UCITS), as well as selecting, offering and recommending third-party funds and managing the investments of the Banco Sabadell group's other businesses.

Thousand euro

	30/06/2015	30/06/2014	Change (%) YoY
<b>Gross income</b>	<b>21,511</b>	<b>19,796</b>	<b>8.7</b>
<b>Net operating income</b>	<b>10,935</b>	<b>9,288</b>	<b>17.7</b>
<b>Profit/(loss) before taxes</b>	<b>10,935</b>	<b>9,288</b>	<b>17.7</b>
<b>Ratios (%)</b>			
ROE	77.3%	52.2%	-
Costs:income ratio	49.2%	53.1%	-
<b>Other data</b>			
Personnel	148	149	(0.7)
Spanish branches	-	-	-
Assets under management in UCITS (€ million)	14,741	10,493	40.5
Total assets in UCITS including schemes sold but not managed (€ million)	20,230	13,705	47.6

## Real estate asset transformation

The Asset Transformation Department manages the group's real estate exposure and troubled exposures; specifically, it is charged with transforming and maximizing the value of these exposures. The department's structure and organization ensure that it has a broad view of management processes and can design and implement a transformation strategy to maximize the values of assets and/or remove them from the balance sheet as soon as possible.

Thousand euro

	30/06/2015	30/06/2014	Change (%) YoY
<b>Gross income</b>	<b>(9,181)</b>	<b>(11,023)</b>	<b>16.7</b>
<b>Net operating income</b>	<b>31,711</b>	<b>19,588</b>	<b>61.9</b>
<b>Profit/(loss) before taxes</b>	<b>(345,490)</b>	<b>(270,849)</b>	<b>(27.6)</b>
<b>Ratios (%)</b>			
ROE	(65.2)%	(24.4)%	-
Costs:income ratio	-	-	-
<b>Other data</b>			
Personnel	666	754	(11.7)
Spanish branches	-	-	-
Gross loans and advances (€ million)	9,043	14,339	(36.9)
Real estate portfolio (€ million)	10,482	9,923	5.6
Funds (€ million)	302	548	(44.9)

## Corporate Governance

As required by Article 61 bis of the Securities Market Act, the Banco Sabadell group prepared an Annual Report on Corporate Governance for the year 2014, which forms part of the Report of the Directors and has the content established by Order ECC/461/2013, of 20 March, and Spanish National Securities Market Commission Circular 5/2013, of 12 June, including a section on the extent to which the Bank is following the recommendations on corporate governance that currently exist in Spain.

That information is available on the Banco Sabadell website at [www.grupobancosabadell.com](http://www.grupobancosabadell.com) in the Corporate Governance section.