

# Quarterly financial report

Second quarter, 2014



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***Disclaimer***

Banco Sabadell cautions that this presentation may contain forward-looking statements or estimates relating to the business performance and results of the Banco Sabadell Group. While these forward-looking statements or estimates represent our judgment and future expectations concerning the development of our business, a certain number of risks, uncertainties and other important factors may cause actual results to materially differ from our expectations or estimates. This document may contain unaudited or summarized information; accordingly, recipients are invited to consult the public information held with the Spanish Securities and Exchange Commission (CNMV).

## Key figures

		(7) 30.06.13	(7) 31.12.13	30.06.14	Change (%) YoY
<b>Balance sheet (€'000)</b>					
Total assets		170,751,307	163,441,470	161,557,118	-5.4
Gross loans and advances to customers, excluding repos		125,893,181	124,614,933	122,837,619	-2.4
Gross loans and advances to customers		126,382,212	125,302,943	123,314,424	-2.4
On-balance sheet funds		122,447,097	123,753,008	124,591,233	1.8
Of which: Customer-based funding on balance sheet	(1)	92,950,513	94,497,187	95,043,236	2.3
Mutual funds		9,692,948	11,018,570	13,704,818	41.4
Pension funds and third-party insurance products		11,005,951	12,423,646	12,291,374	11.7
Funds under management		144,536,656	149,122,858	153,187,977	6.0
Shareholders' equity		9,066,111	10,226,534	10,231,035	12.8
<b>Profit and loss account (€'000)</b>					
Net interest income		865,828	1,814,694	1,075,987	24.3
Gross operating income		2,197,194	3,976,794	2,598,054	18.2
Net income before provisions		1,281,607	2,062,286	1,558,978	21.6
Attributable net profit		123,418	247,832	167,686	35.9
<b>Ratios (%)</b>					
ROA		0.17	0.16	0.21	
ROE		2.79	2.68	3.47	
ROTE		3.07	2.96	3.86	
Cost / income (ex amortisation)	(2)	60.04	59.58	55.57	
Cost / income ratio excluding non-recurrent expenses	(2)	59.64	59.08	53.30	
Core capital / Common equity	(3)	9.6	12.0	11.4	
Tier I	(3)	9.6	12.0	11.4	
BIS ratio	(3)	10.3	12.8	12.4	
<b>Risk management</b>					
Non-performing loans (€'000)	(4)	12,591,051	16,021,491	15,488,081	
NPLs / Gross loans (%)	(4)	10.62	13.63	13.35	
Reserves for NPLs and real estate (€000)		18,107,763	18,341,298	18,457,194	
Overall coverage ratio (%)	(5)	13.4	13.6	13.8	
<b>Share data (period end)</b>					
Number of shareholders		242,647	262,589	232,799	
Number of shares		2,959,555,017	4,011,481,581	4,012,262,708	
Share price (€)		1.275	1.896	2.492	
Market capitalisation (€'000)		3,773,433	7,605,769	9,998,559	
Earnings per share (EPS) (€)	(6)	0.08	0.06	0.08	
Book value per share (€)		3.06	2.55	2.55	
Price /Book value (times)		0.42	0.74	0.98	
Price /earnings ratio (P/E) (times)		15.16	30.69	29.57	
Including conversion of convertible bond:					
Fully diluted number of shares including conversion of convertible bond		3,183,840,590	4,298,634,476	4,283,285,994	
Earnings per share (EPS) (€)	(6)	0.08	0.06	0.08	
Book value per share (€)		2.85	2.38	2.39	
Price /Book value (times)		0.45	0.80	1.04	
<b>Other data</b>					
Branches		2,382	2,418	2,336	
Employees		17,253	18,077	17,698	

- (1) Includes customer deposits (ex-repos) and other liabilities placed via the branch network: mandatory convertible bonds and non-convertible bonds issued by Banco Sabadell, as well as commercial paper, etc.
- (2) Personnel and other general administrative expenses / gross operating income. To calculate these ratios, gross operating income was adjusted considering only trading income and recurrent exchange differences. The historical series was restated on this basis.
- (3) 2013 ratios in accordance with Basel II. June 2014, according to Basel III and applying the modifications envisioned in Bank of Spain Circular 2/2014.
- (4) Figures and percentages do not include assets covered by the Asset Protection Scheme (APS). Figures as of 31.12.13 include the effect of revising the classification of refinanced risks.
- (5) Expressed with respect to total exposure to loans and real estate.
- (6) Earnings YTD annualised on a linear basis.
- (7) Businesses added to the consolidation scope in 2013: BMN-Penedès (as from 1 June), Sabadell Solbank (as from 30 June) and Banco Gallego (as from 31 October).

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## Introduction

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### Key developments in 2Q14

- In general: the year-on-year comparison of P&L and balance sheet figures of Banco Sabadell and its group were affected by the consolidation, at different dates in 2013, of BMN-Penedès (as from 1 June), Sabadell Solbank (as from 30 June), and Banco Gallego (as from 31 October).
- Net interest income: €1,076.0 million. This item increased by 24.3% in year-on-year terms, primarily due to the lower cost of funding and expansion of the consolidation scope. In the second quarter of 2014, net interest income increased for the fourth consecutive quarter, to €545.9 million (€530.0 million in 1Q 2014), and the customer spread was 2.22% (+16bp compared with 1Q 2014).
- Net fees and commissions: €414.5 million. In year-on-year terms, net fees and commissions in the first half of 2014 expanded by 16.2%, due to positive business performance, favoured particularly by off-balance sheet funds, the focus on selling more profitable products, and the consolidation of the above-mentioned businesses. In 2Q14, net fees and commissions totalled €213.5 million, i.e. 6.2% more than in 1Q14.
- Profit/(loss) on financial operations: €1,132.9 million. Income from financial transactions included €1,083.5 million on the sale of available-for-sale fixed-income financial assets and €31.0 million from transactions in the trading portfolio. In the first half of 2013, income from financial transactions amounted to €1,013.0 million, including €536.3 million in gains on the sale of available-for-sale fixed-income assets and €476.7 million on the sale of held-to-maturity investments.
- Administrative expenses (personnel and general): -€903.1 million. The technological integration of Banco Gallego and Sabadell Solbank was completed in 1Q14. Recurrent costs declined in 2Q14, falling by 5.6% in 1H14 at constant exchange rates in comparison with 1H13. Specifically, personnel expenses decreased by 2.6% and general expenses by 11.0%.
- Income before provisions: €1,559.0 million, compared with €1,281.6 million in 1H13, i.e. a 21.6% year-on-year increase.
- Provisions for NPLs and other impairments: -€1,415.3 million, compared with -€1,073.3 million in 1H13, due to additional provisions in both years in connection with non-recurrent results in the same period.
- Capital gains on asset disposals: this year this item includes an extraordinary gain of €80 million from the signature of a reinsurance agreement with SCOR Global Life for Mediterráneo Vida's individual death benefit portfolio.
- Attributable profit: €167.7 million, compared with €123.4 million in 1H13 (+35.9%).
- Customer loans and funds: loan performance reflects a recovery in demand for credit, mainly in the business segment, while the performance of customer funds was driven by the sharp increase in mutual funds.
- On 30 June 2014, Banco Sabadell group's ratio of non-performing loans (NPLs) to total computable loans, excluding assets protected under the Asset Protection Scheme (APS), was 13.35%, i.e. 22 basis points lower than at the end of 1Q14 and 28 basis points lower than at the beginning of the year. The balance of NPLs and problematic assets maintained the downward trend seen in previous quarters. The NPL coverage ratio, expressed with respect to total exposure to loans and real estate, is 13.8%, or 9.7% excluding the APS.
- Core capital at 30.06.14: 11.4% (according to Basel III and applying the modifications envisioned in Bank of Spain Circular 2/2014).

## Macroeconomic environment

### *Global economic and financial background*

In the Euro area, inflation remained very low (0.5% year-on-year in June 2014), especially in non-core countries. This was influenced by the performance of services and unprocessed food prices. The economy continued to recover, albeit moderately and unequally between countries: GDP expanded by just 0.2% quarter-on-quarter in the first quarter. In terms of quarterly growth, Germany (0.8%) and Spain (0.4%) stood out. Elections to the European Parliament concluded with gains by Eurosceptic parties and by parties at the extremes of the political spectrum. Nevertheless, pro-European parties maintained a clear majority. Juncker has been chosen as the new President of the European Commission, despite the UK's objections. The Spanish government presented a tax reform, focused mainly on personal income and corporate income tax, the goal being to reduce the tax rate and restrict certain deductions. In 1Q14, US GDP registered its greatest contraction since 1Q09 (-0.7% quarter-on-quarter), due to adverse weather conditions and the entry into force of the new health insurance system. The economy has recovered gradually since then, and the labour market continues to improve. Inflation rebounded in the last quarter, although it remains below the Fed's target. In the UK, the economy performed positively, following GDP growth of 0.8% in 1Q14. In this context, the real estate market is proving to be very dynamic, especially in London. In Japan, growth in 2Q was impacted by the sales tax hike on 1 April (from 5% to 8%). Accordingly, the economy showed signs of greater weakness, after growing by 1.5% quarter-on-quarter in 1Q, its fastest pace since 3Q11. Inflation continued to increase in Japan. Geopolitics remained in the spotlight. Although tensions have declined in Ukraine, there were new episodes of instability in Iraq.

### *Fixed income markets*

As regards the main central banks, the Fed continued to reduce the pace of monthly purchases of government bonds and MBS, to \$35 billion. There is also an ongoing debate about normalising monetary policy, although that would not mean a change in the accommodative tone. At its June meeting, the Fed revised the forecast for long-term economic variables and interest rates downward, although it maintains its plans to raise the base rate in 2015. In June, the ECB announced a battery of measures to combat the risk of very low inflation and to support private sector

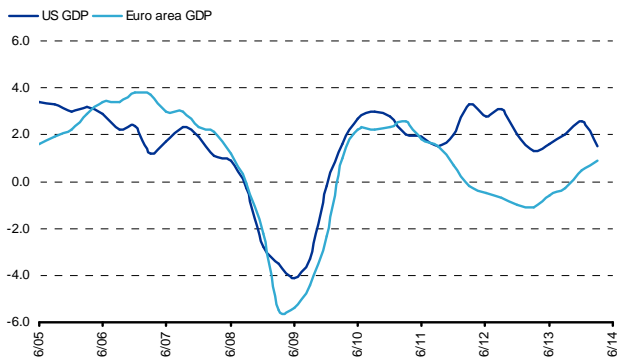
lending. Along those lines, it reduced the base rate to 0.15% (a record low) and made the marginal deposit rate negative. It also announced the implementation of liquidity operations conditional upon granting loans, as well as plans to commence an ABS purchasing programme. It also left the door open to the adoption of additional measures, if necessary. The Bank of Japan announced changes in its asset purchasing programme to give it more flexibility in purchases and enable it to take account of market conditions. The Bank of England started to prepare the market for the possibility of a base rate hike and announced the implementation of macroprudential measures to try to cool down the real estate market.

With respect to long-term fixed-income markets, the yield on German and US government bonds declined in the quarter, to levels not seen since mid-2013 in the case of Germany. This movement was influenced by the low inflation in the Euro area, the negative GDP surprise in the US in 1Q14, and the accommodative message from the Fed at its June meeting. In non-core Europe, country-risk premia declined, supported by the ECB's lax monetary policy, widespread rating upgrades, and the search for yield by investors. In this more benign financial context, Greece and Cyprus were able to issue long-term debt for the first time since their bailouts, and the yield on Spanish and Italian government bonds dipped to their lowest levels since the creation of Monetary Union. Portugal and Ireland (both of which have emerged from their international bailouts) continued to gradually normalise access to international capital markets.

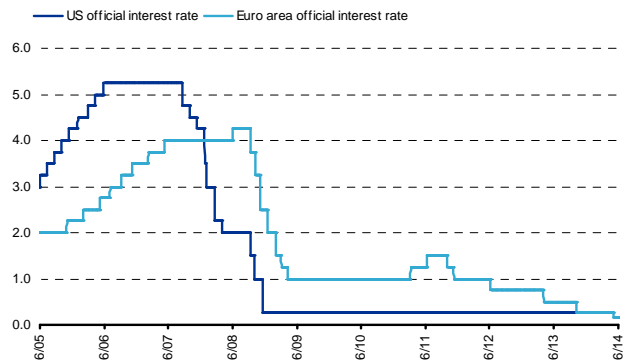
### *Equity markets*

In the second quarter of 2014, the financial markets were supported by the gradual cyclical recovery by the main developed economies and by the containment of geopolitical risks in Ukraine. In the US, the S&P500 performed very well, gaining +5.32% in euro terms and reaching levels not seen since 2001. Equity markets in Asia also performed positively. The Nikkei 225 added +4.67% in euro terms during the quarter. The indices in Europe registered mixed performance. The DAX in Germany increased by +2.90%, while Spain's IBEX gained +5.64%, supported by measures announced by the ECB. In Portugal, the PSI (-10.59%) was dragged down by uncertainty revolving around one of the country's main banks.

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



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



## Financial review

### Basis of presentation

The consolidated profit and loss account and balance sheet as of 30 June 2014 and 2013, together with the disclosures shown in this Financial Report, are presented in accordance with the accounting standards, principles and criteria defined in Note 1 to the Group's consolidated financial statements as of 31 December 2013. The most significant changes in consolidation scope in the last year were as follows:

- BMN-Penedès (acquisition of BMN's banking business in Catalonia and Aragón): consolidated as from 1 June 2013.
- Sabadell Solbank (acquisition from Lloyds TSB Bank of 100% of Lloyds Bank International and Lloyds Investment España): consolidated as from 30 June 2013. Subsequently, Sabadell Solbank merged with Banco Sabadell in March 2014.
- Banco Gallego: consolidated as from 31 October 2013. Subsequently, Banco Gallego merged with Banco Sabadell in March 2014.

### Balance sheet and bottom line

#### Balance sheet

At 30 June 2014, the total assets of Banco Sabadell and its group amounted to €161,557.1 million, having maintained a stable trend in the preceding three months.

Gross loans and advances to customers, excluding repos, amounted to €122,837.6, -2.4% in year-on-year terms, although demand for loans showed signs of rebounding in recent quarters, mainly in the business segment.

Mortgage loans are the largest single component of gross lending (45%), amounting €55,425.9 million at 30 June 2014.

Excluding Banco CAM assets covered by the Asset Protection Scheme, Banco Sabadell group had a 13.35% ratio of non-performing loans (NPLs) to total computable loans at the end of the second quarter of 2014 (-22bp compared with the end of 1Q14). The NPL coverage ratio expressed with respect to total exposure to loans and real estate is 13.8% (9.7% excluding the APS), compared with 13.4% in June 2013 and 13.6% in December 2013.

As of 30 June 2014, customer funds on the balance sheet amounted to €95,043.2 million, a 2.3% increase year-on-year. Demand accounts performed well, increasing by 14.1% in the last twelve months to €39,418.1 million as of 30 June 2014. Term deposits amounted to €58,903.3 million, i.e. slightly lower (-3.4%) than in the same period last year, in line with market performance.

The *loan-to-deposit* ratio continued to improve steadily, reaching 103.6% (from 111.0% in June 2013, 107.3% in December 2013, and 104.6% in March 2014).

Liabilities in the form of tradeable securities amounted to €19,714.9 million at the end of June 2014, compared with €21,452.4 million as of 30 June 2013. This decline is due principally to the net reduction in the balance of asset-

backed securities, mortgage covered bonds, and other bonds.

Assets in collective investment vehicles maintained the growth trend that began in 2013, expanding more intensely in 2014, to total €13,704.8 million as of 30 June 2014, an increase of 41.4% year-on-year and of 24.4% since 31 December.

Assets in pension funds marketed by the Group also continued to rise, amounting to €4,375.1 million as of 30 June 2014 (+17.7% in year-on-year terms).

Insurance sales amounted to €7,916.2 million in 1H14, compared with €7,289.5 million in 1H13 (+8.6% year-on-year).

Total funds under management amounted to €153,188.0 million as of 30 June 2014, compared with €144,536.7 million as of 30 June 2013 (+6.0%).

#### Income and profit performance

Banco Sabadell and its group ended the first half of 2014 with €167.7 million in net attributable profit, after booking €1,415.3 million in provisions for bad debts, securities and real estate. In the same period of 2013, net attributable profit amounted to €123.4 million and provisions to €1,073.3 million.

Net interest income amounted to €1,076.0 million in the first half of 2014, 24.3% more than in the same period of 2013, primarily due to the lower cost of funding and expansion of the consolidation scope.

Net interest income in the second quarter amounted to €545.9 million, compared with €530.0 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 16bp and 7bp, respectively, compared with 1Q14.

Dividends received and results from equity-accounted affiliates together amounted to €8.5 million in 1H14, compared with €3.4 million in 1H13.

Net fees and commissions in the first half amounted to €414.5 million, up 16.2% with respect to the same period of 2013. This growth was observed across the board in all types of fees and commissions (risk operations, services, mutual funds, insurance and pension sales) and is attributable both to good performance by the Bank's own business (favoured in particular by the good performance of off-balance sheet funds and the focus on selling more profitable products) and to the consolidation of the businesses mentioned above.

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. In the first half of 2013, income from financial transactions amounted to €1,013.0 million, including €536.3 million in gains on the sale of available-for-sale fixed-income assets and €437.3 million on the sale of held-to-maturity investments.

Net exchange gains amounted to €38.3 million, 15.0% more than in 1H13.

Other operating income and expenses amounted to -€72.1 million, in line with the 1H13 figure of -€74.9 million. This item includes -€85.5 million in contributions to the Deposit Guarantee Fund.

Operating expenses (personnel and general) amounted to €903.1 million in 2014, of which €36.9 million are non-recurrent items (mainly personnel indemnities and general expenses in connection with the acquisition of the new businesses consolidated in 2013). In like-for-like terms, operating costs declined by 5.6% year-on-year in the first half of 2014.

The increase in gross income in 1H14 (18.2% year-on-year) coupled with the operating cost containment policy provided a notably better efficiency (cost/income) ratio of 55.57% at the end of the June 2014 (excluding non-recurrent income from financial transactions), compared with the end of March 2014 (56.33%), December 2013 (58.58%) and June 2013 (60.04%).

Consequently, net income before provisions amounted to €1,559.0 million in 1H14, 21.6% higher than in the same period of 2013.

Provisions for loan losses and other impairments (primarily real estate and financial assets) amounted to 1,415.3 million, compared with €1,073.3 million in 1H13, after additional provisions had been booked in both years in connection with non-recurrent results obtained in the same period.

Capital gains on asset disposals include 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.

After deducting income tax and minority interests, net income attributed to the group amounted to €167.7 million as of 30 June 2014, i.e. 35.9% higher than in the same period of 2013 (€123.4 million).

As of 30 June 2014, the core capital ratio was 11.4% (according to Basel III and applying the modifications envisioned in Circular 2/2014).

### Other key developments in 2Q14

#### Agreement with Zurich insurance company

On 20 May 2014, Banco Sabadell signed an agreement with Zurich (Zurich Insurance Company, Ltd. and Zurich Vida, Compañía de Seguros y Reaseguros, S.A.) to convert the companies in the Banco Sabadell-Zurich joint venture—namely BanSabadell Vida, Sociedad Anónima de Seguros y Reaseguros (BanSabadell Vida), BanSabadell Pensiones, Entidad Gestora de Fondos de Pensiones, S.A. (BanSabadell Pensiones) and BanSabadell Seguros Generales, Sociedad Anónima de Seguros y Reaseguros (BanSabadell Seguros Generales)—into the exclusive providers of life insurance, pension plans and general insurance for Banco Sabadell's entire branch network in Spain.

This agreement culminated the process of reorganising the group's insurance business, after integrating the insurance businesses and companies acquired in the concentration

process of recent years, which included the acquisition of Banco CAM, the BMN business in Catalonia and Aragón (Caixa Penedès), Lloyd's Bank España and Banco Gallego.

The agreement comprises the following transactions:

- The transfer to BanSabadell Vida of the exclusive rights of Mediterráneo Vida, S.A., Compañía de Seguros y Reaseguros (Mediterráneo Vida), a 100% Banco Sabadell subsidiary resulting from the integration of Banco CAM, to life insurance products (except for collective savings products for large companies).
- The transfer to BanSabadell Pensiones of Mediterráneo Vida's exclusive rights to distribute pension plans (except for company pension plans) and of the portfolio of personal pension plans.
- The sale of 100% of Mediterráneo Seguros Diversos, S.A. (Mediterráneo Seguros Diversos), a company acquired in the integration of Banco CAM, to BanSabadell Seguros Generales by Gestión Financiera del Mediterráneo, S.A. (a 100%-owned Banco Sabadell subsidiary) and Banco Sabadell, following acquisition by Banco Sabadell of 50% of Mediterráneo Seguros Diversos from Caja de Seguros Reunidos, S.A., by exercising the call option it held on that stake. As a result of this transaction, BanSabadell Seguros Generales acquired the exclusive right to distribute general insurance products produced by Mediterráneo Seguros Diversos.

The transaction amounted to €214 million; as a 50% partner in the joint venture, Zurich covered €107 million. The agreement also includes the payment of a variable amount linked to fulfilment of a business plan.

Completion of various transactions in the agreement is conditional upon the obtainment of regulatory authorisations.

#### Sale of the stake in Fluidra

On 4 July 2014, Bansabadell Inversió Desenvolupament, S.A., a wholly-owned subsidiary of Banco Sabadell, sold 5,259,599 shares of Fluidra, S.A., representing 4.67% of its capital stock, by means of an accelerated bookbuilding operation among qualified investors which commenced that same day, after market close, via Fidentiis Equities, Sociedad de Valores, S.A.

The sale price was €3.15 per share, with the result that the total sale amount was €16.6 million, providing Banco Sabadell an after-tax gain of approximately €1.8 million at consolidated level.

#### Acquisition of JGB Bank

On 11 July 2014, once the pertinent authorisations had been obtained, Banco Sabadell's Miami subsidiary, Sabadell United Bank, N.A. (Sabadell United), acquired JGB Bank, N.A. for \$49.6 million (approximately €36.4 million) and immediately absorbed the acquiree.

This transaction strengthened Sabadell United's position in Florida, where it has a network of 27 branches, managing a business volume of approximately \$8 billion and serving 40,000 clients.



## Profit & loss account

### Profit & loss account

(€000)	1H13	1H14	Change (%) YoY
Interest and related income	2,462,214	2,297,520	-6.7
Interest and related charges	-1,596,386	-1,221,533	-23.5
<b>Net interest income</b>	<b>865,828</b>	<b>1,075,987</b>	<b>24.3</b>
Income from equity method and dividend	3,350	8,486	153.3
Net fees and commissions	356,646	414,479	16.2
Results from financial transactions (net)	1,012,974	1,132,894	11.8
Foreign exchange (net)	33,332	38,338	15.0
Other operating income/expense	-74,936	-72,130	-3.7
<b>Gross operating income</b>	<b>2,197,194</b>	<b>2,598,054</b>	<b>18.2</b>
Personnel expenses	-524,895	-609,695	16.2
Recurrent	(1) -519,490	-578,785	11.4
Non-recurrent	-5,405	-30,910	471.9
Other general expenses	-285,221	-293,447	2.9
Recurrent	(2) -285,221	-287,460	0.8
Non-recurrent	0	-5,987	--
Amortization & depreciation	-105,471	-135,934	28.9
<b>Net income before provisions</b>	<b>1,281,607</b>	<b>1,558,978</b>	<b>21.6</b>
Provisions for NPLs and other impairments	-1,073,250	-1,415,318	31.9
Gains on sale of assets	-6,162	82,105	--
Badwill	0	0	--
<b>Profit before tax</b>	<b>202,195</b>	<b>225,765</b>	<b>11.7</b>
Income tax	-63,107	-53,570	-15.1
<b>Consolidated net profit</b>	<b>139,088</b>	<b>172,195</b>	<b>23.8</b>
Minority interest	15,670	4,509	-71.2
<b>Attributable net profit</b>	<b>123,418</b>	<b>167,686</b>	<b>35.9</b>
Pro memoria:			
Average total assets	163,297,167	164,138,133	
Earnings per share (€)	0.04	0.04	

(1) Assuming no change in consolidation scope, recurrent personnel expenses decreased by 2.6% year-on-year.

(2) Recurrent general expenses fell 11.0% year-on-year in like-for-like terms.

## Profit & loss account - quarterly

(€000)	2Q13	3Q13	4Q13	1Q14	2Q14	Change (%) YoY
Interest and related income	1,210,815	1,225,822	1,175,134	1,156,686	1,140,834	-5.8
Interest and related charges	-796,217	-774,636	-677,454	-626,644	-594,889	-25.3
<b>Net interest income</b>	<b>414,598</b>	<b>451,186</b>	<b>497,680</b>	<b>530,042</b>	<b>545,945</b>	<b>31.7</b>
Income from equity method and dividend	9,648	9,771	5,315	22	8,464	-12.3
Net fees and commissions	188,241	193,236	209,788	200,971	213,508	13.4
Results from financial transactions (net)	738,035	214,661	251,550	930,660	202,234	-72.6
Foreign exchange (net)	15,496	15,219	19,320	16,015	22,323	44.1
Other operating income/expense	-48,598	-68,882	-19,244	-29,713	-42,417	-12.7
<b>Gross operating income</b>	<b>1,317,420</b>	<b>815,191</b>	<b>964,409</b>	<b>1,647,997</b>	<b>950,057</b>	<b>-27.9</b>
Personnel expenses	-264,573	-283,744	-289,536	-298,766	-310,929	17.5
Recurrent	-261,080	-283,472	-287,658	-292,790	-285,995	9.5
Non-recurrent	-3,493	-272	-1,878	-5,976	-24,934	--
Other general expenses	-138,122	-146,626	-156,039	-151,871	-141,576	2.5
Recurrent	-138,122	-146,626	-149,239	-148,083	-139,377	0.9
Non-recurrent	0	0	-6,800	-3,788	-2,199	--
Amortization & depreciation	-55,115	-55,547	-67,429	-67,951	-67,983	23.3
<b>Net income before provisions</b>	<b>859,610</b>	<b>329,274</b>	<b>451,405</b>	<b>1,129,409</b>	<b>429,569</b>	<b>-50.0</b>
Provisions for NPLs and other impairments	-748,305	-261,008	-429,382	-1,096,497	-318,821	-57.4
Gains on sale of assets	-3,668	21,488	28,567	69,927	12,178	--
Badwill	0	0	644	0	0	--
<b>Profit before tax</b>	<b>107,637</b>	<b>89,754</b>	<b>51,234</b>	<b>102,839</b>	<b>122,926</b>	<b>14.2</b>
Income tax	-29,045	-25,539	14,298	-18,654	-34,916	20.2
<b>Consolidated net profit</b>	<b>78,592</b>	<b>64,215</b>	<b>65,532</b>	<b>84,185</b>	<b>88,010</b>	<b>12.0</b>
Minority interest	6,289	1,526	3,807	3,033	1,476	-76.5
<b>Attributable net profit</b>	<b>72,303</b>	<b>62,689</b>	<b>61,725</b>	<b>81,152</b>	<b>86,534</b>	<b>19.7</b>
Pro memoria:						
Average total assets	165,546,434	170,410,546	169,174,201	167,190,254	161,119,552	
Earnings per share (€)	(1) 0.04	0.06	0.06	0.02	0.02	

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

## Net interest income

Below is a breakdown of net interest income by quarter since 2013, showing the average yields and costs of the various components of total lending and funding. This

includes the consolidated balances of BMN-Penedès from June 2013, Sabadell Solbank from July 2013 and Banco Gallego from November 2013.

### Average yield

2013 (€'000)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income
Cash and balance with central banks & financial	4,494,342	0.92	10,217	4,306,328	0.96	10,291	4,799,574	0.80	9,646	4,516,088	0.93	10,642
Loans to customers (net)	101,522,722	3.94	985,570	103,503,916	3.66	943,348	109,433,309	3.49	963,485	109,404,970	3.51	967,340
Fixed-income securities	28,212,967	3.46	240,923	30,794,911	3.20	245,663	29,035,957	3.27	239,337	26,488,998	3.18	212,386
<b>Subtotal</b>	<b>134,230,031</b>	<b>3.74</b>	<b>1,236,710</b>	<b>138,605,155</b>	<b>3.47</b>	<b>1,199,302</b>	<b>143,268,840</b>	<b>3.36</b>	<b>1,212,468</b>	<b>140,410,056</b>	<b>3.36</b>	<b>1,190,368</b>
Equity securities	2,119,497	--	--	1,929,436	--	--	2,024,289	--	--	1,777,382	--	--
Tang. & intang. assets	3,119,175	--	--	3,091,693	--	--	3,359,906	--	--	3,411,207	--	--
Other assets	21,554,204	0.28	14,689	21,920,150	0.21	11,513	21,757,511	0.24	13,354	23,575,556	-0.26	-15,234
<b>Total</b>	<b>161,022,907</b>	<b>3.16</b>	<b>1,251,399</b>	<b>165,546,434</b>	<b>2.93</b>	<b>1,210,815</b>	<b>170,410,546</b>	<b>2.85</b>	<b>1,225,822</b>	<b>169,174,201</b>	<b>2.76</b>	<b>1,175,134</b>

2014 (€'000)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income
Cash and balance with central banks & financial	4,277,014	1.10	11,605	3,998,214	1.06	10,539						
Loans to customers (net)	108,442,873	3.50	936,272	106,316,927	3.47	920,825						
Fixed-income securities	24,136,993	3.41	202,734	21,208,649	3.84	203,235						
<b>Subtotal</b>	<b>136,856,880</b>	<b>3.41</b>	<b>1,150,611</b>	<b>131,523,790</b>	<b>3.46</b>	<b>1,134,599</b>						
Equity securities	834,668	--	--	1,395,773	--	--						
Tang. & intang. assets	3,904,974	--	--	3,922,139	--	--						
Other assets	25,593,732	0.10	6,075	24,277,850	0.10	6,235						
<b>Total</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>						

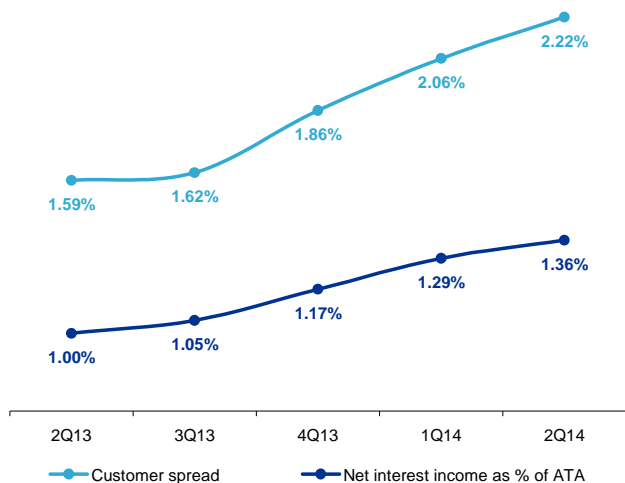
### Average cost of funds

2013 (€'000)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income
Financial institutions	28,981,056	-1.22	-87,097	27,032,018	-1.24	-83,467	25,581,009	-1.11	-71,390	21,842,842	-1.02	-56,112
Customer deposits	76,214,463	-2.19	-410,852	81,769,358	-2.07	-422,708	88,912,922	-1.87	-418,031	90,115,075	-1.65	-375,759
Capital markets	31,882,481	-3.50	-275,484	29,210,692	-3.59	-261,331	28,940,355	-3.45	-251,805	28,627,894	-3.46	-249,790
Repos	3,885,129	-1.62	-15,546	7,721,463	-0.96	-18,518	8,037,440	-1.07	-21,698	7,236,368	-0.82	-14,895
<b>Subtotal</b>	<b>140,963,129</b>	<b>-2.27</b>	<b>-788,979</b>	<b>145,733,531</b>	<b>-2.16</b>	<b>-786,024</b>	<b>151,471,726</b>	<b>-2.00</b>	<b>-762,924</b>	<b>147,822,179</b>	<b>-1.87</b>	<b>-696,556</b>
Other liabilities	11,028,863	-0.41	-11,190	10,787,873	-0.38	-10,193	10,164,431	-0.46	-11,712	11,444,469	0.66	19,102
Shareholders' equity	9,030,915	--	--	9,025,030	--	--	8,774,389	--	--	9,907,553	--	--
<b>Total</b>	<b>161,022,907</b>	<b>-2.02</b>	<b>-800,169</b>	<b>165,546,434</b>	<b>-1.93</b>	<b>-796,217</b>	<b>170,410,546</b>	<b>-1.80</b>	<b>-774,636</b>	<b>169,174,201</b>	<b>-1.59</b>	<b>-677,454</b>

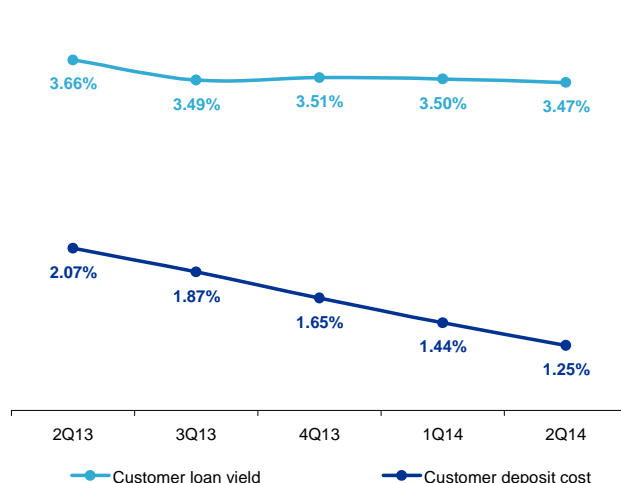
2014 (€'000)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income
Financial institutions	16,165,139	-1.40	-55,769	13,552,136	-1.52	-51,463						
Customer deposits	92,164,157	-1.44	-327,850	92,504,475	-1.25	-289,269						
Capital markets	27,506,366	-3.54	-239,842	27,238,731	-3.51	-238,425						
Repos	9,319,950	-0.68	-15,732	6,666,753	-0.71	-11,863						
<b>Subtotal</b>	<b>145,155,612</b>	<b>-1.79</b>	<b>-639,193</b>	<b>139,962,095</b>	<b>-1.69</b>	<b>-591,020</b>						
Other liabilities	11,838,144	0.43	12,549	10,296,456	-0.15	-3,869						
Shareholders' equity	10,196,498	--	--	10,861,001	--	--						
<b>Total</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>						

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

Net interest income (%)



Customer spread (%)



## Net fees and commissions

(€000)	2Q13	1Q14	2Q14	Change (%) 2Q13	Change (%) 1Q14
Asset transactions	28,866	28,829	28,829	-0.1	0.0
Guarantees	26,119	25,558	26,822	2.7	4.9
Transferred to other entities	-1,186	-944	-376	-68.3	-60.2
<b>Risk transaction fees</b>	<b>53,799</b>	<b>53,443</b>	<b>55,275</b>	<b>2.7</b>	<b>3.4</b>
Cards	32,915	32,397	35,007	6.4	8.1
Payment orders	11,123	10,967	11,292	1.5	3.0
Securities	12,500	25,109	17,721	41.8	-29.4
Demand accounts	17,547	19,269	22,465	28.0	16.6
Other transactions	31,803	20,090	23,141	-27.2	15.2
<b>Commissions for services</b>	<b>105,888</b>	<b>107,832</b>	<b>109,626</b>	<b>3.5</b>	<b>1.7</b>
Mutual funds	18,533	25,223	30,038	62.1	19.1
Pension funds and insurance brokerage	10,021	14,473	18,569	85.3	28.3
<b>Mutual and pension fund and insurance commissions</b>	<b>28,554</b>	<b>39,696</b>	<b>48,607</b>	<b>70.2</b>	<b>22.4</b>
<b>Total</b>	<b>188,241</b>	<b>200,971</b>	<b>213,508</b>	<b>13.4</b>	<b>6.2</b>

Net fees and commissions in the second quarter of 2014 totalled €213.5 million, up 13.4% with respect to the same quarter of 2013. This increase is broadly due to positive performance by the Bank's own business, favoured by the good performance of off-balance sheet funds, sales efforts focused on more profitable products, and the inclusion of new businesses within the consolidation scope during 2013 (BMN-Penedès, Sabadell Solbank and Banco Gallego).

Fees and commissions on mutual funds and on marketing of pension funds and insurance registered the largest increase in relative terms (70.2%), due mainly to the greater volume of assets managed and sold and to expansion of the consolidation scope.

Commissions for services in general also increased notably in year-on-year terms (+3.5%), with growth in most components, particularly fees on securities and demand accounts. Commissions from risk transactions increased by 2.7%, attributable to the positive performance of fees for cheques, direct debits, loan commitment fees and guarantees.

Net fees and commissions in 2Q14 increased by 6.2% compared with 1Q14. There was a very significant increase in commissions on mutual funds, pension funds and insurance, syndicated loans, demand accounts and cards. These increases are due broadly to the higher volume of transactions and to growth in off-balance sheet funds.

## Administrative expenses

(€000)	2Q13	1Q14	2Q14	Change (%) 2Q13	Change (%) 1Q14
Recurrent	-261,080	-292,790	-285,995	9.5	-2.3
Non-recurrent	-3,493	-5,976	-24,934	--	317.2
<b>Personnel expenses</b>	<b>-264,573</b>	<b>-298,766</b>	<b>-310,929</b>	<b>17.5</b>	<b>4.1</b>
IT and communications	-26,737	-36,074	-31,497	17.8	-12.7
Advertising	-11,562	-9,667	-10,677	-7.7	10.4
Premises and office supplies	-41,786	-43,846	-37,674	-9.8	-14.1
Taxes other than income tax	-23,603	-23,716	-23,531	-0.3	-0.8
Others	-34,434	-38,568	-38,197	10.9	-1.0
<b>Other general expenses</b>	<b>-138,122</b>	<b>-151,871</b>	<b>-141,576</b>	<b>2.5</b>	<b>-6.8</b>
<b>Total</b>	<b>-402,695</b>	<b>-450,637</b>	<b>-452,505</b>	<b>12.4</b>	<b>0.4</b>

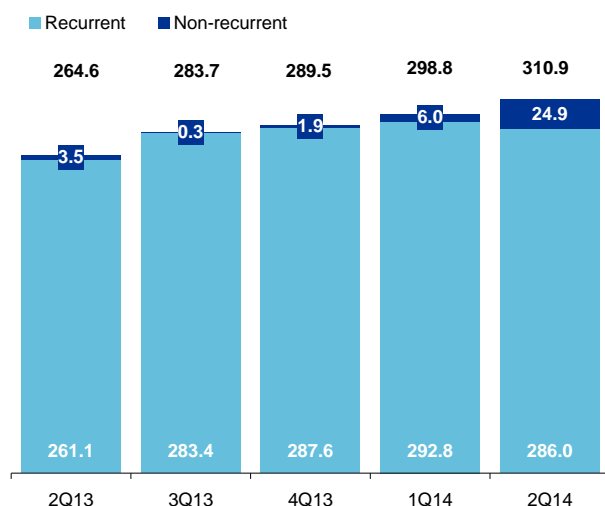
Recurrent personnel and other general administrative expenses declined in 2Q14 with respect to the preceding quarter. In like-for-like terms (including BMN-Penedès, Sabadell Solbank and Banco Gallego in 1H13), underlying administrative expenses declined by 5.6% in 1H14 with respect to the same period of 2013.

The decline in administrative expenses, in like-for-like terms, is attributable to a strict cost containment policy and

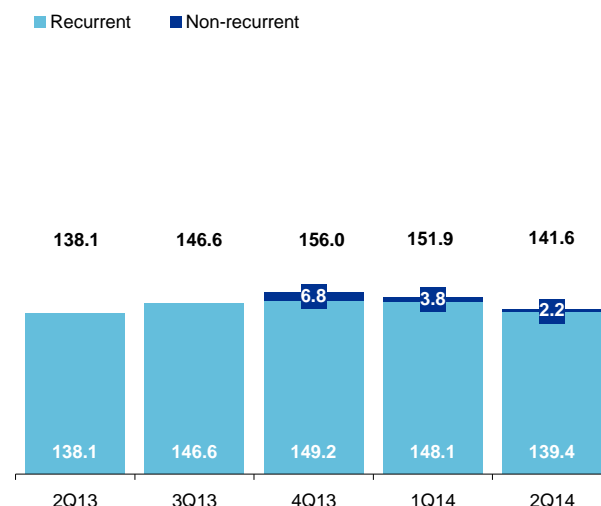
was achieved in both recurrent personnel expenses (-2.6%) and other general administration expenses (-11.0%).

The figures show the quarterly trend in administrative expenses, distinguishing between recurrent and non-recurrent amounts.

Personnel expenses (€mn)



Other general expenses (€mn)



## Balance sheet

(€000)	30.06.13	31.12.13	30.06.14	Change (%) YoY
Cash and balance with Central Banks	2,256,949	3,201,898	1,668,807	-26.1
Trading and derivatives portfolios and other financial assets	2,536,554	2,623,485	2,801,142	10.4
Available-for-sale financial assets	27,496,436	19,277,672	18,701,745	-32.0
Loans and advances	121,128,054	118,989,126	118,738,871	-2.0
Balances with financial institutions (1)	4,571,318	3,525,521	4,599,495	0.6
Loans to customers (net)	114,229,391	112,928,890	111,062,398	-2.8
Debt securities	2,327,345	2,534,715	3,076,978	32.2
Investments in associated companies	746,224	640,842	494,348	-33.8
Property, plant and equipment	2,725,630	3,935,322	3,798,923	39.4
Intangible assets	1,264,831	1,501,737	1,512,404	19.6
Other assets	12,596,629	13,271,388	13,840,878	9.9
<b>Total assets</b>	<b>170,751,307</b>	<b>163,441,470</b>	<b>161,557,118</b>	<b>-5.4</b>
Trading and derivatives portfolios	2,214,775	1,972,190	1,956,979	-11.6
Financial liabilities at amortised cost	155,221,558	147,269,474	144,602,210	-6.8
Central banks (2)	18,201,890	9,227,492	5,543,772	-69.5
Credit institutions (2)	14,403,804	13,857,264	13,574,731	-5.8
Customer deposits	97,973,510	99,362,908	101,476,823	3.6
Capital markets	21,452,420	21,166,915	19,714,883	-8.1
Subordinated liabilities	968,873	1,089,046	1,071,443	10.6
Other financial liabilities	2,221,061	2,565,849	3,220,558	45.0
Liabilities under insurance contracts	2,052,294	2,134,139	2,328,084	13.4
Provisions	919,304	664,246	518,524	-43.6
Other liabilities	1,152,075	995,830	1,313,414	14.0
<b>Subtotal liabilities</b>	<b>161,560,006</b>	<b>153,035,879</b>	<b>150,719,211</b>	<b>-6.7</b>
Shareholders' equity (3)	9,066,111	10,226,534	10,231,035	12.8
Valuation adjustments	-354,191	120,814	536,819	--
Minority interest	479,381	58,243	70,053	-85.4
<b>Equity</b>	<b>9,191,301</b>	<b>10,405,591</b>	<b>10,837,907</b>	<b>17.9</b>
<b>Total liabilities and equity</b>	<b>170,751,307</b>	<b>163,441,470</b>	<b>161,557,118</b>	<b>-5.4</b>
Contingent risks	8,913,947	8,663,950	8,432,128	-5.4
Contingent liabilities	11,704,010	12,026,000	15,069,629	28.8
<b>Total memorandum accounts</b>	<b>20,617,957</b>	<b>20,689,950</b>	<b>23,501,757</b>	<b>14.0</b>

(1) Balances with financial institutions include the following amounts of repos: Euros 425 million at 30.06.13, Euros 135 million at 31.12.13 and Euros 1,109 million at 30.06.14.

(2) Deposits with central banks and credit institutions include the following amounts of repos: Euros 4,172 million at 30.06.13, Euros 5,183 million at 31.12.13 and Euros 4,885 million at 30.06.14.

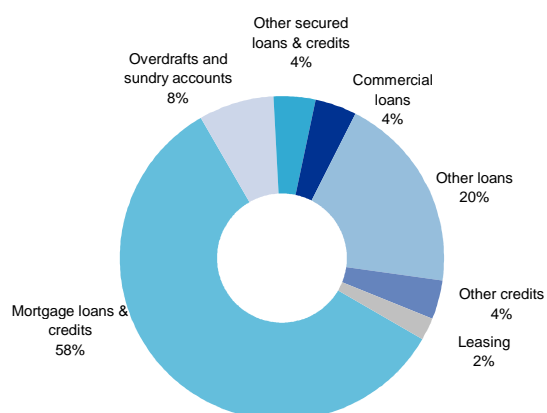
(3) Includes mandatory convertible bonds (Euros 797 million at 30.06.13, Euros 738 million at 31.12.13 and Euros 732 million at 30.06.14).

## Loans to customers

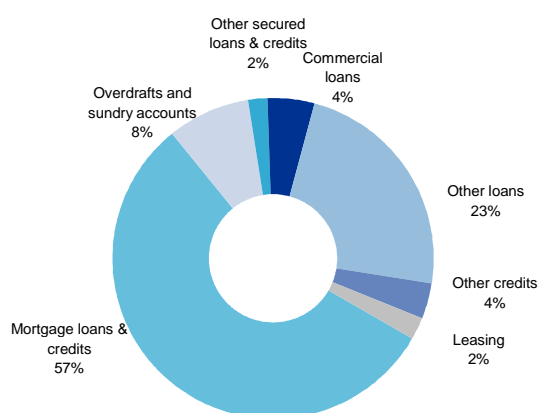
(€000)	30.06.13	31.12.13	30.06.14	Change (%) YoY
Mortgage loans & credits	61,273,817	57,580,035	55,425,899	-9.5
Other secured loans & credits	4,230,583	2,358,314	2,053,105	-51.5
Commercial loans	4,482,654	4,756,581	4,429,593	-1.2
Other loans	20,749,319	21,852,593	23,181,023	11.7
Other credits	4,136,470	3,684,520	3,717,326	-10.1
Leasing	2,229,785	2,169,953	2,148,339	-3.7
Overdrafts and sundry accounts	7,949,809	7,867,591	8,191,890	3.0
Non-performing loans	20,948,123	24,432,151	23,747,680	13.4
Accruals	-107,379	-86,805	-57,236	-46.7
<b>Gross loans and advances to customers, excluding repos</b>	<b>(1) 125,893,181</b>	<b>124,614,933</b>	<b>122,837,619</b>	<b>-2.4</b>
Reverse repos	489,031	688,010	476,805	-2.5
<b>Gross loans and advances to customers</b>	<b>126,382,212</b>	<b>125,302,943</b>	<b>123,314,424</b>	<b>-2.4</b>
NPL and country-risk provisions	-12,152,821	-12,374,053	-12,252,026	0.8
<b>Loans to customers (net)</b>	<b>114,229,391</b>	<b>112,928,890</b>	<b>111,062,398</b>	<b>-2.8</b>
Pro memoria: total securitisation	19,619,257	17,349,918	14,190,116	-27.7
Mortgage backed	17,236,182	16,372,319	13,382,587	-22.4
Other securitised assets	2,383,075	977,599	807,529	-66.1
Of which: securitised after 01.01.04	18,783,979	15,672,353	13,446,974	-28.4
Mortgage backed	16,458,555	14,751,681	12,696,027	-22.9
Other securitised assets	2,325,424	920,672	750,947	-67.7

(1) The balances of Banco Gallego (€1,981 million) were consolidated for the first time in October 2013.

Loans and advances, 30.06.13 (%) (\*)



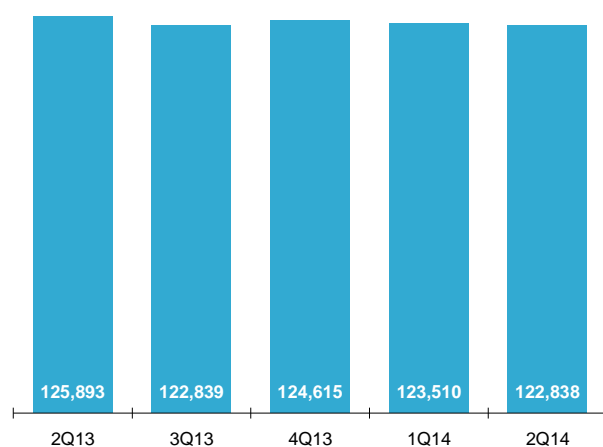
Loans and advances, 30.06.14 (%) (\*)



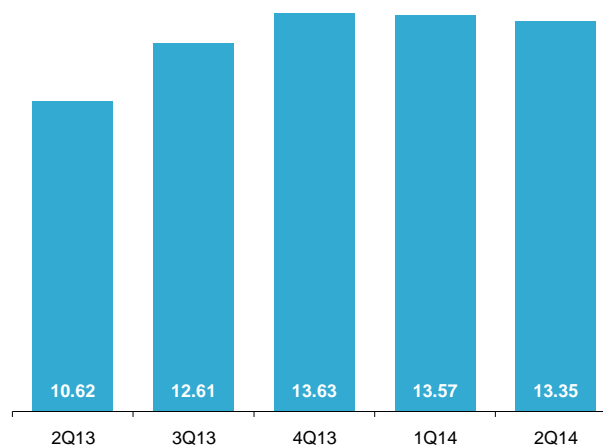
(\*) Excluding doubtful assets and accrual adjustments.



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



NPLs/Gross loans ratio excluding APS (%)



## Credit risk management

At the end of the first half of 2014, Banco Sabadell group's non-performing loans, excluding assets covered by the Asset Protection Scheme arranged in the Banco CAM acquisition but including the impact of refinanced risks, amounted to €15,488.1 million, a decline of €300.3 million with respect to 31 March 2014 and of €533.4 million with respect to 31 December 2013. As of 30 June 2014, the NPL

ratio (excluding the APS) was 13.35%, i.e. 22 basis points lower than as of 31 March 2014 and 28 basis points lower than as of 31 December 2013. Expressed with respect to the total exposure to loans and real estate, the coverage ratio was 13.8% as 30 September 2014 (9.7% excluding the APS).

### Doubtful loans and real estate (excluding reclassified loans and changes in consolidation scope through 1Q14)

BS group excl. APS

(€ million)	2Q13	3Q13	4Q13	1Q14	2Q14
Ordinary net increase	760	365	-12	-83	-203
Change in real estate	1	218	400	64	148
<b>Net increase plus real estate</b>	<b>761</b>	<b>583</b>	<b>388</b>	<b>-19</b>	<b>-55</b>
Defaults	305	105	51	265	97
<b>Quarterly change in doubtful balances and real estate</b>	<b>456</b>	<b>478</b>	<b>337</b>	<b>-284</b>	<b>-152</b>

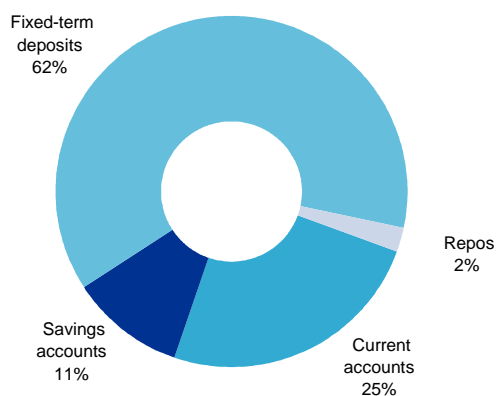
## Funds under management

(€000)		30.06.13	31.12.13	30.06.14	Change (%) YoY
<b>Customer-based funding on balance sheet</b>	(1)	<b>92,950,513</b>	<b>94,497,187</b>	<b>95,043,236</b>	<b>2.3</b>
Customer deposits		97,973,510	99,362,908	101,476,823	3.6
Current accounts		24,165,262	26,260,652	27,946,918	15.6
Savings accounts		10,377,479	10,601,835	11,471,223	10.5
Fixed-term deposits		60,969,284	60,798,681	58,903,321	-3.4
Repos		2,055,838	1,347,184	2,911,676	41.6
Accruals		687,440	611,168	484,701	-29.5
Derivative hedging adjustments		-281,793	-256,612	-241,016	-14.5
Debt and other tradable securities		21,452,420	21,166,915	19,714,883	-8.1
Subordinated liabilities		968,873	1,089,046	1,071,443	10.6
Liabilities under insurance contracts		2,052,294	2,134,139	2,328,084	13.4
<b>On-balance sheet funds</b>		<b>122,447,097</b>	<b>123,753,008</b>	<b>124,591,233</b>	<b>1.8</b>
Mutual funds		9,692,948	11,018,570	13,704,818	41.4
Equity funds		365,357	584,740	901,101	146.6
Balanced funds		508,718	866,585	1,531,059	201.0
Fixed-income funds		1,996,627	2,474,177	2,953,297	47.9
Guaranteed return funds		2,528,924	2,788,376	3,417,133	35.1
Real estate funds		973,201	44,364	9,254	-99.0
Dedicated investment companies		1,293,741	1,420,342	1,681,138	29.9
Third-party funds		2,026,380	2,839,986	3,211,836	58.5
Managed accounts		1,390,660	1,927,634	2,600,552	87.0
Pension funds		3,716,454	4,356,291	4,375,142	17.7
Individual		2,333,120	2,857,495	2,866,262	22.9
Company		1,362,610	1,478,333	1,489,029	9.3
Group		20,724	20,463	19,851	-4.2
Third-party insurance products		7,289,497	8,067,355	7,916,232	8.6
<b>Funds under management</b>	(2)	<b>144,536,656</b>	<b>149,122,858</b>	<b>153,187,977</b>	<b>6.0</b>

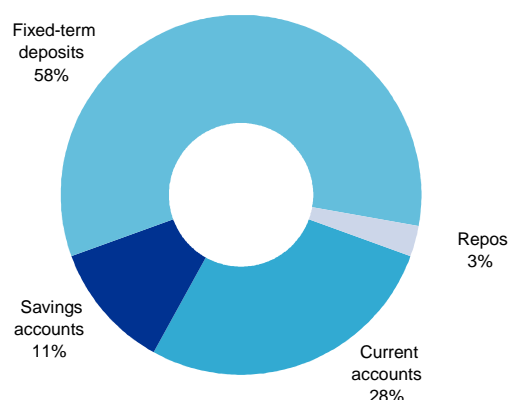
(1) Includes customer deposits (ex-repos) and other liabilities placed via the branch network: mandatory convertible bonds, non-convertible bonds issued by Banco Sabadell, commercial paper and others.

(2) The balances of Banco Gallego (€3,590 million) were consolidated for the first time in October 2013.

Customer deposits, 30.06.13 (%) (\*)

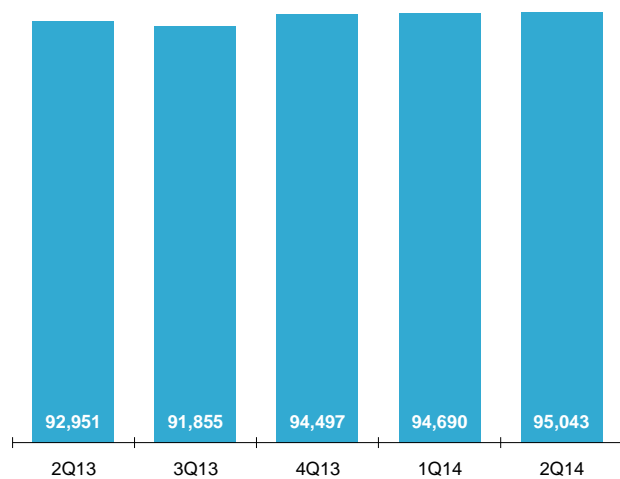


Customer deposits, 30.06.14 (%) (\*)

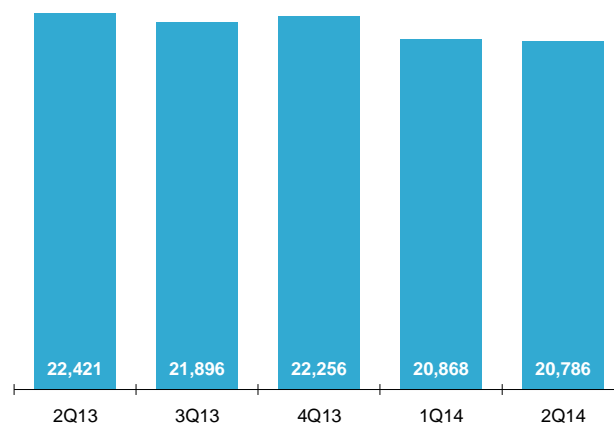


(\*) Excluding adjustments for accruals and hedges with derivatives.

Customer-based funding on balance sheet (€mn)



Bonds, subordinated liabilities and other tradeable securities (€mn)



## Shareholder's equity

(€000)	30.06.13	31.12.13	30.06.14	Change (%) YoY
Shareholders' equity	9,066,111	10,226,534	10,231,035	12.8
Issued capital	369,944	501,435	501,533	35.6
Reserves	7,895,833	8,796,233	8,894,248	12.6
Other equity instruments	(1) 797,291	738,476	731,863	-8.2
Less: treasury shares	-120,375	-57,442	-64,295	-46.6
Attributable net profit	123,418	247,832	167,686	35.9
Less: dividends and payments	0	0	0	--
Valuation adjustments	-354,191	120,814	536,819	--
Minority interest	479,381	58,243	70,053	-85.4
<b>Equity</b>	<b>9,191,301</b>	<b>10,405,591</b>	<b>10,837,907</b>	<b>17.9</b>

(1) Mandatory convertible bonds.

## Capital ratios

(€000)	30.06.13	31.12.13	(*) Basilea III 30.06.14
Issued capital	369,944	501,435	501,533
Reserves	7,785,251	8,869,879	8,901,619
Mandatory convertible bonds	797,291	860,150	0
Minority interest	65,718	37,191	43,427
Deductions	-1,322,300	-1,552,651	-591,419
<b>Core capital / Common equity</b>	<b>7,695,904</b>	<b>8,716,004</b>	<b>8,855,160</b>
<b>Core capital / Common equity</b>	<b>9.6%</b>	<b>12.0%</b>	<b>11.4%</b>
Mandatory convertible bonds	(1) 0	0	853,538
Preference shares and deductions	-3,678	-2,529	-853,538
<b>Primary capital</b>	<b>7,692,226</b>	<b>8,713,475</b>	<b>8,855,160</b>
<b>Tier I</b>	<b>9.6%</b>	<b>12.0%</b>	<b>11.4%</b>
<b>Secondary capital</b>	<b>578,805</b>	<b>587,864</b>	<b>844,443</b>
<b>Tier II</b>	<b>0.7%</b>	<b>0.8%</b>	<b>1.1%</b>
Total capital	8,271,031	9,301,339	9,699,603
Minimum capital requirement	6,407,409	5,830,103	6,238,428
Capital surplus	1,863,622	3,471,236	3,461,175
<b>BIS ratio</b>	<b>10.3%</b>	<b>12.8%</b>	<b>12.4%</b>
<b>Risk weighted assets (RWA)</b>	<b>80,092,613</b>	<b>72,876,287</b>	<b>77,980,350</b>

(\*) Applying the modifications envisioned in Bank of Spain Circular 2/2014.

(1) They will be mandatorily converted into shares in accordance with the following schedule: €17.6 million in 2014, €749.7 million in 2015, €68.6 million in 2016 and €17.6 million in 2017. The proforma common equity ratio, assuming conversion, will be 11.5% in 2015.

## Credit ratings

Agency	Date	Long term	Short term	Outlook	Strength
DBRS	19.03.2013	A (low)	R-1 (low)	Negative	
Standard & Poor's <sup>(1)</sup>	04.06.2014	BB	B	Positive	
Moody's	15.01.2014	Ba2	NP	Negative	D-

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On 4 June 2014, Standard & Poor's improved the outlook on Banco Sabadell's long-term rating from negative to positive.

It also confirmed the long-term and short-term ratings at BB and B, respectively.

The rating of the subordinated debt was changed to B- (from B) and that of the preference shares to CCC+ (from CCC).

## Results by business units

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

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

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

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

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

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

30.06.2013	Gross operating income (€'000)	Profit before tax (€'000)	Average total assets (€'000)	ROE	Cost / income ratio	Employees	Domestic branches
Commercial banking	863,079	85,047	73,538,985	4.2%	69.2%	12,575	2,325
Corporate banking	101,851	46,732	11,023,029	9.2%	12.7%	111	2
Banca Privada	22,000	3,890	1,088,952	16.1%	80.4%	263	12
Investment management	15,906	5,418	9,692,948 (**)	40.5%	65.9%	149	--
Management of real estate assets	46,141	-421,616	27,320,676	-35.7%	186.8%	824	--
<b>Total</b>		<b>-280,529 (*)</b>					

30.06.2014	Gross operating income (€'000)	Profit before tax (€'000)	Average total assets (€'000)	ROE	Cost / income ratio	Employees	Domestic branches
Commercial banking	1,122,385	151,223	80,829,093	7.0%	61.2%	12,612	2,274
Corporate banking	102,529	37,878	10,559,044	7.7%	12.9%	111	2
Banca Privada	27,541	8,829	1,018,760	37.7%	67.9%	274	12
Investment management	19,796	9,288	13,704,818 (**)	52.2%	53.1%	149	--
Management of real estate assets	-11,423	-271,249	25,203,281	-24.4%	--	754	--
<b>Total</b>		<b>-64,031 (*)</b>					

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

(\*\*) These figures reflect the mutual fund assets managed and/or marketed at the end of the period.

## Share price performance

	30.06.13	31.12.13	30.06.14	Change (%) YoY
<b>Shareholders and trading</b>				
Number of shareholders	242,647	262,589	232,799	-4.1
Number of shares	2,959,555,017	4,011,481,581	4,012,262,708	35.6
Average daily trading volume (number of shares)	9,975,413	15,512,282	29,128,154	192.0
<b>Share price (€)</b>				
Opening session (of the year)	1.975	1.975	1.896	
High (of the year)	2.160	2.160	2.713	
Low (of the year)	1.260	1.260	1.820	
Closing session (end of quarter)	1.275	1.896	2.492	
Market capitalisation (€ '000)	3,773,433	7,605,769	9,998,559	
<b>Stock market multiples</b>				
Earnings per share (EPS) (€)	(1) 0.08	0.06	0.08	
Book value per share (€)	3.06	2.55	2.55	
Price /Book value (times)	0.42	0.74	0.98	
Price /earnings ratio (P/E) (times)	15.16	30.69	29.57	
Including conversion of convertible bond:				
Fully diluted number of shares including conversion of convertible bond	3,183,840,590	4,298,634,476	4,283,285,994	
Earnings per share (EPS) (€)	(1) 0.08	0.06	0.08	
Book value per share (€)	2.85	2.38	2.39	
Price /Book value (times)	0.45	0.80	1.04	

(1) Earnings YTD annualised on a linear basis.