

Quarterly financial report

Third 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) 30.09.13	(7) 31.12.13	30.09.14	Change (%) YoY
Balance sheet (€'000)				
Total assets	168,525,293	163,441,470	162,785,068	-3.4
Gross loans and advances to customers, excluding repos	122,839,145	124,614,933	121,611,868	-1.0
Gross loans and advances to customers	122,999,553	125,302,943	122,425,524	-0.5
On-balance sheet funds	120,718,473	123,753,008	125,149,936	3.7
Of which: Customer-based funding on balance sheet	(1) 91,854,912	94,497,187	97,374,679	6.0
Mutual funds	10,051,903	11,018,570	14,665,263	45.9
Pension funds and third-party insurance products	11,176,952	12,423,646	12,191,212	9.1
Funds under management	143,496,854	149,122,858	154,813,671	7.9
Shareholders' equity	10,247,498	10,226,534	10,297,854	0.5
Profit and loss account (€'000)				
Net interest income	1,317,014	1,814,694	1,650,047	25.3
Gross operating income	3,012,385	3,976,794	3,535,704	17.4
Net income before provisions	1,610,881	2,062,286	1,991,873	23.7
Attributable net profit	186,107	247,832	265,250	42.5
Ratios (%)				
ROA	0.16	0.16	0.22	
ROE	2.76	2.68	3.54	
ROTE	3.04	2.96	3.95	
Cost / income (ex amortisation)	(2) 60.95	59.58	54.71	
Cost / income ratio excluding non-recurrent expenses	(2) 60.67	59.08	53.13	
Core capital / Common equity	(3) 11.4	12.0	11.8	
Tier I	(3) 11.4	12.0	11.8	
BIS ratio	(3) 12.1	12.8	13.0	
Risk management				
Non-performing loans (€'000)	(4) 14,593,970	16,021,491	14,948,260	
NPLs / Gross loans (%)	(4) 12.61	13.63	12.92	
Provisions for NPLs and foreclosed properties available for sale (€'000)	17,718,603	18,341,298	17,925,668	
NPL coverage ratio (%)	52.9	51.6	51.5	
Overall coverage ratio (%)	(5) 13.3	13.6	13.5	
Share data (period end)				
Number of shareholders	265,247	262,589	232,411	
Number of shares	3,998,333,266	4,011,481,581	4,013,205,919	
Share price (€)	1.861	1.896	2.344	
Market capitalisation (€'000)	7,440,898	7,605,769	9,406,955	
Earnings per share (EPS) (€)	(6) 0.06	0.06	0.09	
Book value per share (€)	2.56	2.55	2.57	
Price /Book value (times)	0.73	0.74	0.91	
Price /earnings ratio (P/E) (times)	29.90	30.69	26.53	
Including conversion of convertible bond:				
Fully diluted number of shares including conversion of convertible bond	4,234,465,487	4,298,634,476	4,286,241,467	
Earnings per share (EPS) (€)	(6) 0.06	0.06	0.08	
Book value per share (€)	2.42	2.38	2.40	
Price /Book value (times)	0.77	0.80	0.98	
Other data				
Branches	2,382	2,418	2,337	
Employees	17,233	18,077	17,662	

- (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. The September 2013 figure includes the entire capital increase amount. September 2014, in accordance with Basel III criteria and applying the modifications envisioned in Bank of Spain Circular 2/2014, which was approved in July.
- (4) Figures and percentages do not include assets covered by the Asset Protection Scheme (APS).
- (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).

Introduction

Key developments in 3Q14

- 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: €1,650.0 million. This item increased by 25.3% in year-on-year terms, primarily due to the lower cost of funding and to expansion of the consolidation scope. In the third quarter of 2014, net interest income increased for the fifth consecutive quarter (up 5.1% q/q), to €574.1 million (€545.9 million in the preceding quarter), and the customer spread was 2.29% (+7 basis points compared with 2Q 2014).
- Net fees and commissions: €629.6 million. Once again, this item increased quarter-on-quarter to €215.1 million in 3Q 2014 (€213.5 million in 2Q 2014). In the first nine months of 2014, net fees and commissions expanded by 14.5% year-on-year, due to positive performance by off-balance sheet funds, the focus on selling more profitable products, and the consolidation of the above-mentioned businesses.
- Profit/(loss) on financial operations: €1,299.0 million. Income from financial transactions included €1,262.5 million on the sale of available-for-sale fixed-income financial assets and €33.6 million from transactions in the trading portfolio. In the same period of 2013, income from financial transactions amounted to €1,227.6 million, including €723.6 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.
- Administrative expenses (personnel and general): -€1,337.9 million. In like-for-like terms, recurrent administrative expenses declined by 4.9%; specifically, personnel expenses declined by 1.8% and general administrative expenses by a notable 10.8%. In the third quarter of 2014, administrative expenses totalled -€434.7 million, down from -€452.5 million in the second quarter.
- Income before provisions: €1,991.9 million, compared with €1,610.9 million in 3Q 2013, i.e. a 23.7% year-on-year increase.
- Provisions for NPLs and other impairments: -€1,725.0 million, compared with -€1,334.3 million at the end of September 2013. Both years include additional provisions charged to non-recurrent income for the year.
- 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: €265.3 million, compared with €186.1 million in 9M 2013 (+42.5%).
- Customer loans and funds: the demand for loans, mainly from businesses, confirms the recovery observed in the previous quarter. This item maintained its upward trend, in terms of both funds on the balance sheet and mutual funds. The balance of mutual funds has increased by 33.1% since the beginning of the year.
- On 30 September 2014, Banco Sabadell group's ratio of non-performing loans (NPLs) to total computable loans, excluding assets covered by the Asset Protection Scheme (APS), was 12.92%, i.e. 43 basis points lower than at the end of 2Q 2014 and 71 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 13.5%, or 9.3% excluding the APS.
- Core capital at 30 September 2014: 11.8%.
- The AQR and Stress Test revealed that Banco Sabadell does not need to adjust its capital ratio. In the most adverse scenario considered, it would have a CET1 ratio of 8.33%. Including mandatory convertible bonds, that ratio would be 9.38% (8.8% fully loaded) in the same scenario.

Macroeconomic environment

Global economic and financial background

In Europe, the markets were focused on political noise, especially towards the end of the quarter. In the UK, the Scottish independence referendum concluded with a 55% "no" vote. The Catalan self-determination referendum planned for 9 November was suspended as a precautionary measure by Spain's Constitutional Court. In Italy, the labour reform that Premier Renzi is planning to present (more flexible lay-offs and a simpler labour code) caused a controversy among various members of his own party and the unions. The government crisis in France intensified, after Hollande and his coalition lost support in the National Assembly and the main opposition party took control of the Senate. As for economic data, inflation remained very low in the Euro area, influenced by energy and services, while economic activity stagnated. The UK economy continued to perform favourably, while the real estate boom appears to be easing. In the US, economic indicators were broadly positive, with GDP expanding by 1.1% in the second quarter, its fastest growth since 4Q11. In this context, the labour market continued to normalise. In the second quarter, the Japanese economy registered its greatest contraction in five years (-1.8% q/q), dragged down by the entry into force of the higher sales tax in April. The economy remained weak in the third quarter. In this context, Japan's prime minister Shinzō Abe reshuffled his cabinet and appointed a new Health Minister to expedite the public pension reform (GPIF) so as to diversify the investment portfolio and reduce exposure to Japanese government debt in a context of low returns. Inflation eased in Japan and in the US, where it dipped below the Fed's target.

Fixed income markets

The Fed revealed a less accommodative tone in its monetary policy in September. In particular, it increased the estimate for the benchmark rate for the coming years and released information about the future normalisation of its monetary policy. In a context of declining long-term inflation expectations, the ECB reduced the benchmark rate and the marginal deposit rate by 10 basis points, to 0.05% and -0.20%, respectively. It also expanded the ABS purchasing programme to include covered bonds (the third time it will

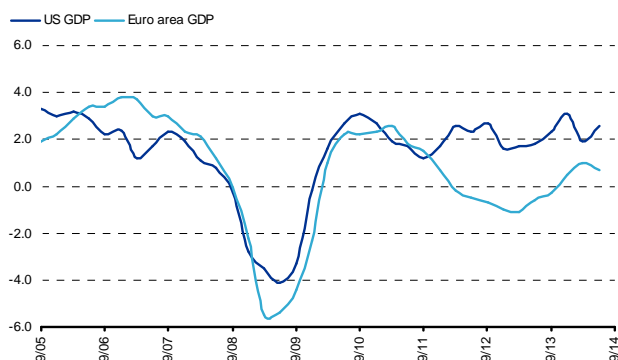
acquire this type of asset since the crisis began). The ECB aims to use these purchasing programmes, together with the TLTROs, to expand its balance sheet to early 2012 levels. The Bank held its first TLTRO, through which it injected almost €83 billion (less than expected by the market). At the end of August, Draghi changed his discourse completely, defending a relaxation of the region's aggregate fiscal position, taking advantage of the flexibility offered by current rules; he expressed the opinion that this should be accompanied by structural reforms. The Bank of England maintained the benchmark rate at 0.50%, even though two members voted to raise it in the last two meetings. The Bank of Japan maintained the accommodative monetary policies in force and recognised that weak economic growth was the result of the sales tax hike.

With respect to long-term fixed-income markets, the yield on German and US government bonds declined, to record low levels in the case of Germany. This movement was influenced by geopolitical conflict, particularly the situation in Ukraine. In Germany, the poor tone of economic data and reduced inflation in the Euro area drove the decline. In peripheral Europe, country-risk premia declined, especially at the end of the quarter, supported by measures announced by the ECB and the rapid resolution of problems in Portugal's financial system.

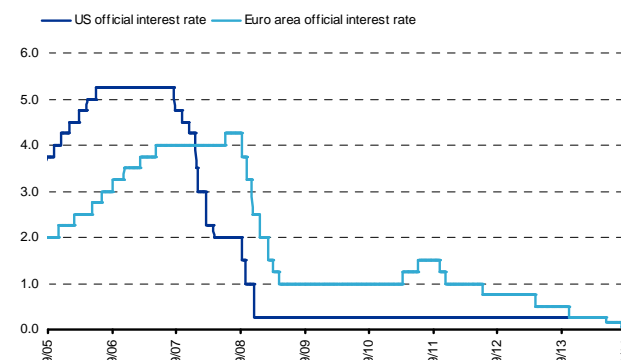
Equity markets

Equity markets in the Euro area registered negative performance in the third quarter of 2014, dragged down by heightened tensions between Russia and Ukraine in early August and by weak economic data in the region. These slides were offset by the monetary policies announced by the ECB. In Germany, the euro area country with the greatest exposure to Russia, the DAX index shed -3.65%; in contrast, Spain's IBEX slipped by -0.90%. In the US, the S&P500 gained +9.07% in euro terms (the notable increase in euro is due to the sharp appreciation by the dollar during the quarter), reaching levels not seen since 2000. In Asia, equity markets also registered positive performance, and the Nikkei 225 index gained +6.81% in euro terms.

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 September 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 since the beginning of 2013 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 September 2014, the total assets of Banco Sabadell and its Group amounted to €162,785.1 million, having declined by 3.4% year-on-year. However, compared with 30 June 2014, total assets increased by 0.8%.

Gross loans and advances to customers (excluding repos) amounted to €121,611.9 million, a year-on-year decline of 1.0%. However, demand for loans, especially from companies, has recovered over the last few quarters.

Mortgage loans are the largest single component of gross lending (45%), amounting €55,169.9 million at 30 September 2014.

Excluding Banco CAM assets covered by the Asset Protection Scheme, Banco Sabadell group had a 12.92% ratio of non-performing loans (NPLs) to total computable loans at the end of the third quarter of 2014 (-43 basis points compared with the end of 2Q 2014 and -71 basis points since the beginning of the year). The NPL coverage ratio expressed with respect to total exposure to loans and real estate is 13.5% (9.3% excluding the APS), compared with 13.3% in September 2013 and 13.6% in December 2013. The NPL coverage ratio was 51.5% at 30 September 2014.

As of 30 September 2014, customer funds on the balance sheet amounted to €97,374.7 million, a 6.0% increase year-on-year. Demand accounts performed well, increasing by 28.8% in the last twelve months to €43,669.7 million as of 30 September 2014.

The loan-to-deposit ratio reached 100.4% (from 109.2% in September 2013, 107.3% in December 2013, and 103.6% in June 2014).

Liabilities in the form of tradeable securities amounted to €19,592.9 million at the end of September 2014, compared with €20,928.2 million as of 30 September 2013. This

decline is due principally to the net reduction in the balance of mortgage covered bonds, asset-backed securities and commercial paper.

Assets in collective investment vehicles maintained the significant growth trend that began in 2013, to total €14,665.3 million as of 30 September 2014, an increase of 45.9% year-on-year and of 33.1% since 31 December.

Assets in pension funds marketed by the Group increased by 12.5% year-on-year to €4,366.9 million at 30 September 2014.

Insurance sales amounted to €7,824.3 million in the first nine months of 2014, compared with €7,294.2 million in the same period of 2013 (+7.3%).

Total funds under management amounted to €154,813.7 million as of 30 September 2014, compared with €143,496.9 million as of 30 September 2013 (+7.9%).

Income and profit performance

Banco Sabadell and its group ended the third quarter of 2014 with €265.3 million in net attributable profit, after booking €1,725.0 million in provisions for loan losses, securities and real estate. In the same period of 2013, net attributable profit amounted to €186.1 million, while provisions were €1,334.3 million.

Net interest income amounted to €1,650.0 million in the first nine months of 2014, i.e. 25.3% 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 has expanded steadily in the last few quarters, in both absolute and relative terms. As a result, the customer spread was 2.29% in 3Q 2014 (+7 basis points and +23 basis points compared with 2Q 2014 and 1Q 2014, respectively) and net interest income as a percentage of average total assets was 1.40% (+4 basis points and +11 basis points compared with 2Q 2014 and 1Q 2014, respectively).

Net fees and commissions in the first nine months amounted to €629.6 million, up 14.5% 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 mainly attributable to good performance by the on-balance sheet funds, the focus on selling more profitable products and the consolidation of the businesses acquired in 2013.

Income from financial transactions amounted to €1,299.0 million, including €1,262.5 million in gains on the sale of available-for-sale fixed-income financial assets and €33.6 million in trading income. In 9M 2013, income from financial transactions amounted to €1,227.6 million, including €723.6 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 income from exchange differences increased by 86.3% year-on-year, to €90.4 million.

Other operating income and expenses amounted to -€133.1 million, compared with -€143.8 million in the first nine

months of 2013. This item includes -€129.3 million in contributions to the Deposit Guarantee Fund.

Administrative expenses (personnel and general) amounted to €1,337.9 million in 2014, of which €38.7 million are non-recurrent items (mainly personnel indemnities and general expenses in connection with the acquisition of the businesses acquired in 2013). In like-for-like terms, administrative costs declined by 4.9% year-on-year in the first nine months of 2014.

The positive performance of gross income in 9M 2014 (+17.4% year-on-year) coupled with the operating cost containment policy provided a notably better efficiency (cost/income) ratio of 54.71% at the end of the September 2014 (excluding non-recurrent income from financial transactions), compared with the end of June 2014 (55.57%), December 2013 (59.58%) and September 2013 (60.95%).

Consequently, net income before provisions for Banco Sabadell and its group amounted to €1,991.9 million in 9M 2014, 23.7% higher than in the same period of 2013.

Provisions for loan losses and other impairments (primarily real estate and financial assets) amounted to €1,725.0 million, compared with €1,334.3 million in the same period of 2013, after additional provisions were charged to non-recurrent income in both periods.

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 €265.3 million as of 30 September 2014, i.e. 42.5% higher than in the same period of 2013 (€186.1 million).

As of 30 September 2014, the core capital ratio was 11.8% (according to Basel III and applying the modifications envisioned in Circular 2/2014, which was approved in July).

Other key developments in 3Q14

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 book building 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 with a pre-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.

Capital increase at BCP

On 23 July 2014, Banco Sabadell subscribed for the rights issue performed by Banco Comercial Português, S.A., of which it owns 4.30%; it subscribed 2,147,276,650 new shares, increasing its stake to 5.53%.

Sale of the debt management and recovery unit

On 28 July 2014, Banco Sabadell reached an agreement to sell its debt management and recovery business to Lindorff España, S.L.U.

The transaction included an agreement to acquire debt management and recovery services for an initial period of 10 years.

The sale price was €162 million and will be paid when the transaction is completed, once the corresponding administrative authorisations are obtained.

Sale of loan books

On 4 August 2014, Banco Sabadell signed a contract to sell Aiqon Capital (Lux), S.a.r.l. a fully provisioned loan book totalling €554 million for €23.3 million.

Results of the ECB comprehensive assessment

On 26 October 2014, it was announced that Banco Sabadell had passed the comprehensive assessment conducted by the European Central Bank (ECB) in the framework of the Single Supervisory Mechanism, which examined the 128 largest banks in the euro area in cooperation with the national authorities; the stress tests were conducted in close collaboration with the European Banking Authority (EBA). According to the assessment, the carrying values of Banco Sabadell's assets, collateral and reserves are appropriate and the bank does not require additional capital in any of the scenarios considered.

The comprehensive assessment comprised two closely-related components which were executed on an individual basis at each bank under review:

- An Asset Quality Review (AQR), which pursued greater transparency vis-à-vis banks' exposure, and
- A stress test to analyse the bank balance sheets' ability to withstand stressed scenarios.

Specifically, the Asset Quality Review (AQR) did not lead to any adjustment in the valuations presented by Banco Sabadell as of 31 December 2013, while the stress test, which examined the balance sheet's ability to withstand stressed scenarios, revealed that Banco Sabadell would have surplus capital amounting to over 1.7 billion euro in the baseline scenario and over 2.2 billion euro in the most adverse scenario.

Profit & loss account

Profit & loss account

(€000)		9M13	9M14	Change (%) YoY
Interest and related income		3,688,036	3,423,252	-7.2
Interest and related charges		-2,371,022	-1,773,205	-25.2
Net interest income		1,317,014	1,650,047	25.3
Income from equity method and dividend		13,121	-348	--
Net fees and commissions		549,882	629,608	14.5
Results from financial transactions (net)		1,227,635	1,299,030	5.8
Foreign exchange (net)		48,551	90,445	86.3
Other operating income/expense		-143,818	-133,078	-7.5
Gross operating income		3,012,385	3,535,704	17.4
Personnel expenses		-808,639	-906,483	12.1
Recurrent	(1)	-802,962	-873,766	8.8
Non-recurrent		-5,677	-32,717	476.3
Other general expenses		-431,847	-431,373	-0.1
Recurrent	(2)	-431,847	-425,386	-1.5
Non-recurrent		0	-5,987	--
Amortization & depreciation		-161,018	-205,975	27.9
Net income before provisions		1,610,881	1,991,873	23.7
Provisions for NPLs and other impairments		-1,334,258	-1,724,987	29.3
Gains on sale of assets		15,326	85,300	456.6
Badwill		0	0	--
Profit before tax		291,949	352,186	20.6
Income tax		-88,646	-82,187	-7.3
Consolidated net profit		203,303	269,999	32.8
Minority interest		17,196	4,749	-72.4
Attributable net profit		186,107	265,250	42.5
Pro memoria:				
Average total assets		165,694,349	163,585,833	
Earnings per share (€)		0.06	0.07	

(1) Assuming no change in consolidation scope, recurrent personnel expenses decreased by 1.8% year-on-year.

(2) Recurrent general expenses fell 10.8% year-on-year in like-for-like terms.

Profit & loss account - quarterly

(€000)	3Q13	4Q13	1Q14	2Q14	3Q14	Change (%) YoY
Interest and related income	1,225,822	1,175,134	1,156,686	1,140,834	1,125,732	-8.2
Interest and related charges	-774,636	-677,454	-626,644	-594,889	-551,672	-28.8
Net interest income	451,186	497,680	530,042	545,945	574,060	27.2
Income from equity method and dividend	9,771	5,315	22	8,464	-8,834	--
Net fees and commissions	193,236	209,788	200,971	213,508	215,129	11.3
Results from financial transactions (net)	214,661	251,550	930,660	202,234	166,136	-22.6
Foreign exchange (net)	15,219	19,320	16,015	22,323	52,107	242.4
Other operating income/expense	-68,882	-19,244	-29,713	-42,417	-60,948	-11.5
Gross operating income	815,191	964,409	1,647,997	950,057	937,650	15.0
Personnel expenses	-283,744	-289,536	-298,766	-310,929	-296,788	4.6
Recurrent	-283,472	-287,658	-292,790	-285,995	-294,981	4.1
Non-recurrent	-272	-1,878	-5,976	-24,934	-1,807	--
Other general expenses	-146,626	-156,039	-151,871	-141,576	-137,926	-5.9
Recurrent	-146,626	-149,239	-148,083	-139,377	-137,926	-5.9
Non-recurrent	0	-6,800	-3,788	-2,199	0	--
Amortization & depreciation	-55,547	-67,429	-67,951	-67,983	-70,041	26.1
Net income before provisions	329,274	451,405	1,129,409	429,569	432,895	31.5
Provisions for NPLs and other impairments	-261,008	-429,382	-1,096,497	-318,821	-309,669	18.6
Gains on sale of assets	21,488	28,567	69,927	12,178	3,195	-85.1
Badwill	0	644	0	0	0	--
Profit before tax	89,754	51,234	102,839	122,926	126,421	40.9
Income tax	-25,539	14,298	-18,654	-34,916	-28,617	12.1
Consolidated net profit	64,215	65,532	84,185	88,010	97,804	52.3
Minority interest	1,526	3,807	3,033	1,476	240	-84.3
Attributable net profit	62,689	61,725	81,152	86,534	97,564	55.6
Pro memoria:						
Average total assets	170,410,546	169,174,201	167,190,254	161,119,552	162,499,242	
Earnings per share (€)	(1) 0.06	0.06	0.02	0.04	0.07	

(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

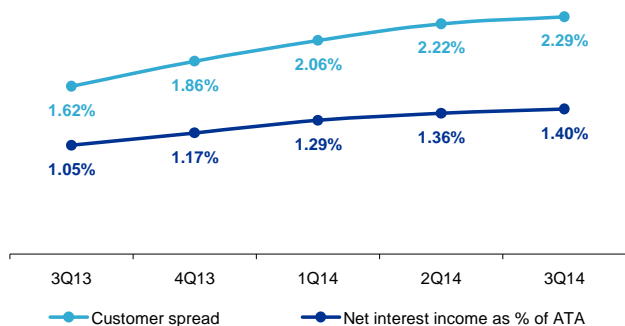
includes the consolidated balances of BMN-Penedès from June 2013, Sabadell Solbank from July 2013 and Banco Gallego from November 2013.

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
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
Total assets	161,022,907	3.16	1,251,399	165,546,434	2.93	1,210,815	170,410,546	2.85	1,225,822	169,174,201	2.76	1,175,134
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
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	--	--
Total funds	161,022,907	-2.02	-800,169	165,546,434	-1.93	-796,217	170,410,546	-1.80	-774,636	169,174,201	-1.59	-677,454
Net interest income			451,230			414,598			451,186			497,680
Customer spread		1.75			1.59			1.62			1.86	
Net interest income as % of ATA		1.14			1.00			1.05			1.17	

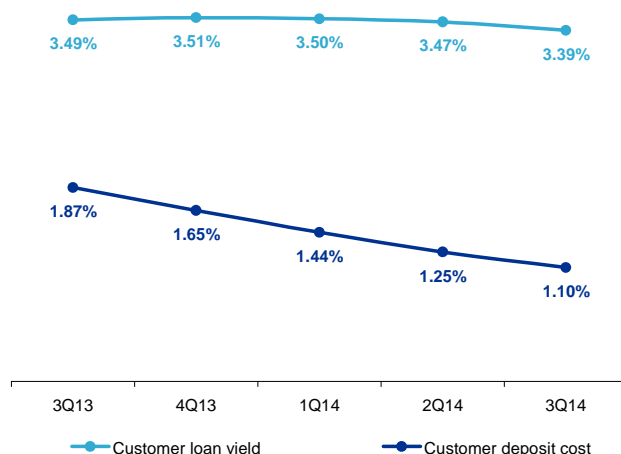
2014 (€'000)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income
Cash and balance with central banks & financial	4,277,014	1.10	11,605	3,998,214	1.06	10,539	4,278,672	0.91	9,791			
Loans to customers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

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)	3Q13	2Q14	3Q14	Change (%) 3Q13	Change (%) 2Q14
Asset transactions	28,279	28,829	27,957	-1.1	-3.0
Guarantees	26,251	26,822	25,898	-1.3	-3.4
Transferred to other entities	-1,192	-376	-277	-76.8	-26.3
Risk transaction fees	53,338	55,275	53,578	0.4	-3.1
Cards	37,964	35,007	39,180	3.2	11.9
Payment orders	11,794	11,292	11,727	-0.6	3.9
Securities	13,194	17,721	16,465	24.8	-7.1
Demand accounts	17,637	22,465	21,957	24.5	-2.3
Other transactions	27,873	23,141	23,346	-16.2	0.9
Commissions for services	108,462	109,626	112,675	3.9	2.8
Mutual funds	20,137	30,038	32,243	60.1	7.3
Pension funds and insurance brokerage	11,299	18,569	16,633	47.2	-10.4
Mutual and pension fund and insurance commissions	31,436	48,607	48,876	55.5	0.6
Total	193,236	213,508	215,129	11.3	0.8

Net fees and commissions in the third quarter of 2014 totalled €215.1 million, up 11.3% with respect to the same quarter of 2013. This favourable year-on-year performance is due to positive performance by the bank's own business, favoured particularly by off-balance sheet funds, the focus on selling more profitable products, and growth in operating volumes in general.

Fees and commissions increased notably from mutual funds and the sale of pensions and insurance products, which together increased by 55.5% compared with 3Q 2013 due to the larger volume managed and sold. Assets

in collective investment vehicles totalled €14,665.3 million at 30 September 2014, i.e. a year-on-year variation of 45.9% (33.1% since the beginning of the year).

Net fees and commissions in 2Q 2014 increased by 0.8% compared with 2Q 2013. In particular, fees from mutual funds increased as a result of sustained growth in the volume of assets under management, as did revenues from credit cards and payment orders, in both cases due to growth in volume during the third quarter.

Administrative expenses

(€000)	3Q13	2Q14	3Q14	Change (%) 3Q13	Change (%) 2Q14
Recurrent	-283,472	-285,995	-294,981	4.1	3.1
Non-recurrent	-272	-24,934	-1,807	--	-92.8
Personnel expenses	-283,744	-310,929	-296,788	4.6	-4.5
IT and communications	-25,138	-31,497	-31,255	24.3	-0.8
Advertising	-10,607	-10,677	-7,568	-28.7	-29.1
Premises and office supplies	-43,794	-37,674	-37,748	-13.8	0.2
Taxes other than income tax	-25,800	-23,531	-23,228	-10.0	-1.3
Others	-41,287	-38,197	-38,127	-7.7	-0.2
Other general expenses	-146,626	-141,576	-137,926	-5.9	-2.6
Total	-430,370	-452,505	-434,714	1.0	-3.9

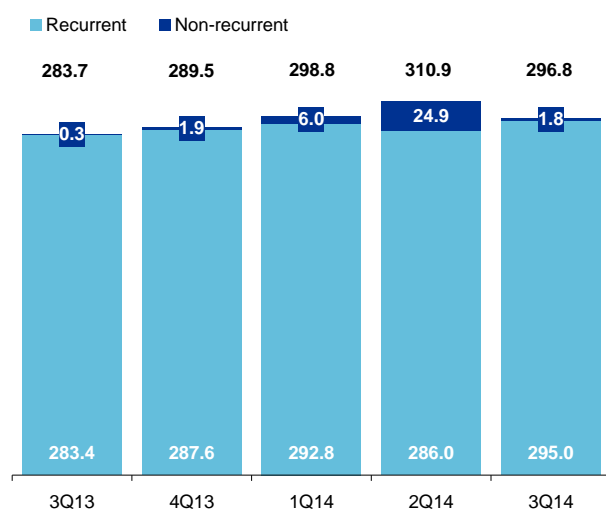
Administrative expenses declined overall by 3.9% in 3Q14 with respect to 2Q14, and personnel expenses declined by 4.5%, while other administrative expenses fell by 2.6%.

In like-for-like terms, recurrent administrative expenses in 9M14 declined by 4.9% compared with 9M13 as a result of strict cost containment policies. Specifically, recurrent

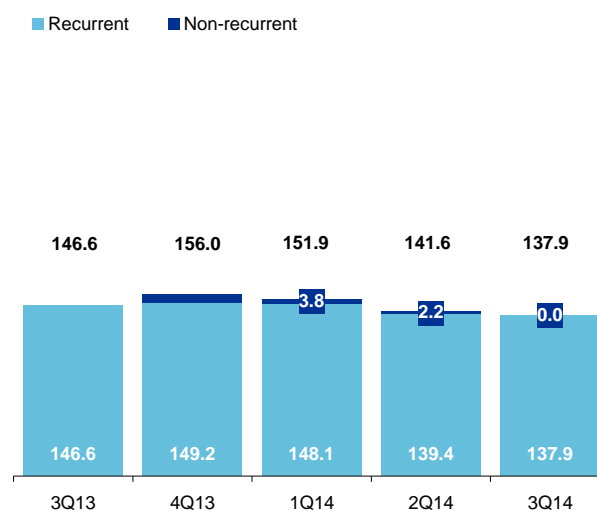
personnel expenses decreased by 1.8% and general administrative expenses by 10.8%.

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)	30.09.13	31.12.13	30.09.14	Change (%) YoY
Cash and balance with Central Banks	2,180,058	3,201,898	1,309,684	-39.9
Trading and derivatives portfolios and other financial assets	2,671,731	2,623,485	3,113,457	16.5
Available-for-sale financial assets	26,889,460	19,277,672	21,190,022	-21.2
Loans and advances	119,319,901	118,989,126	117,443,555	-1.6
Balances with financial institutions (1)	5,880,108	3,525,521	3,695,763	-37.1
Loans to customers (net)	111,132,944	112,928,890	110,776,386	-0.3
Debt securities	2,306,849	2,534,715	2,971,406	28.8
Investments in associated companies	726,229	640,842	494,635	-31.9
Property, plant and equipment	2,927,035	3,935,322	3,811,054	30.2
Intangible assets	1,267,707	1,501,737	1,539,820	21.5
Other assets	12,543,172	13,271,388	13,882,841	10.7
Total assets	168,525,293	163,441,470	162,785,068	-3.4
Trading and derivatives portfolios	2,126,516	1,972,190	2,203,416	3.6
Financial liabilities at amortised cost	152,550,440	147,269,474	144,920,088	-5.0
Central banks (2)	17,218,580	9,227,492	4,003,195	-76.8
Credit institutions (2)	14,629,201	13,857,264	15,534,119	6.2
Customer deposits	96,739,482	99,362,908	102,111,649	5.6
Capital markets	20,928,210	21,166,915	19,592,881	-6.4
Subordinated liabilities	968,100	1,089,046	1,082,128	11.8
Other financial liabilities	2,066,867	2,565,849	2,596,116	25.6
Liabilities under insurance contracts	2,082,681	2,134,139	2,363,278	13.5
Provisions	860,582	664,246	443,225	-48.5
Other liabilities	1,370,481	995,830	1,524,727	11.3
Subtotal liabilities	158,990,700	153,035,879	151,454,734	-4.7
Shareholders' equity (3)	9,514,788	10,226,534	10,297,854	8.2
Valuation adjustments	-48,493	120,814	980,619	--
Minority interest	68,298	58,243	51,861	-24.1
Equity	9,534,593	10,405,591	11,330,334	18.8
Total liabilities and equity	168,525,293	163,441,470	162,785,068	-3.4
Contingent risks	8,620,962	8,663,950	8,659,344	0.4
Contingent liabilities	12,535,512	12,026,000	15,621,839	24.6
Total memorandum accounts	21,156,474	20,689,950	24,281,183	14.8

(1) Balances with financial institutions include the following amounts of repos: Euros 1,560 million at 30.09.13, Euros 135 million at 31.12.13 and Euros 269 million at 30.09.14.

(2) Deposits with central banks and credit institutions include the following amounts of repos: Euros 5,360 million at 30.09.13, Euros 5,183 million at 31.12.13 and Euros 6,282 million at 30.09.14.

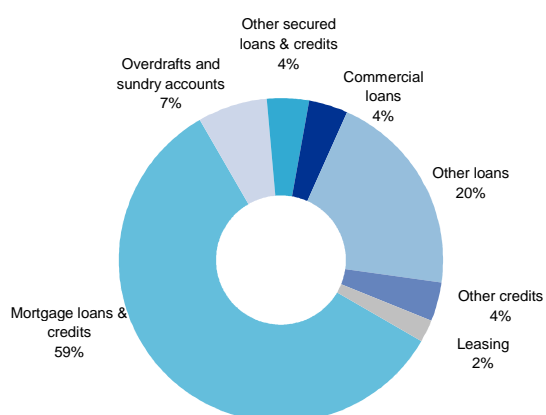
(3) Includes mandatory convertible bonds (Euros 774 million at 30.09.13, Euros 738 million at 31.12.13 and Euros 728 million at 30.09.14).

Loans to customers

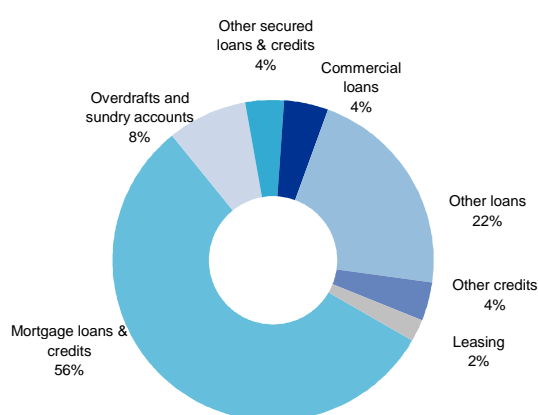
(€000)	30.09.13	31.12.13	30.09.14	Change (%) YoY
Mortgage loans & credits	58,298,857	57,580,035	55,169,904	-5.4
Other secured loans & credits	4,172,445	2,358,314	4,009,501	-3.9
Commercial loans	3,970,289	4,756,581	4,406,694	11.0
Other loans	20,508,427	21,852,593	21,367,571	4.2
Other credits	3,927,453	3,684,520	3,862,526	-1.7
Leasing	2,174,010	2,169,953	2,121,752	-2.4
Overdrafts and sundry accounts	7,025,058	7,867,591	7,772,934	10.6
Non-performing loans	22,810,356	24,432,151	22,987,291	0.8
Accruals	-47,750	-86,805	-86,305	80.7
Gross loans and advances to customers, excluding repos	(1) 122,839,145	124,614,933	121,611,868	-1.0
Reverse repos	160,408	688,010	813,656	407.2
Gross loans and advances to customers	122,999,553	125,302,943	122,425,524	-0.5
NPL and country-risk provisions	-11,866,609	-12,374,053	-11,649,138	-1.8
Loans to customers (net)	111,132,944	112,928,890	110,776,386	-0.3
Pro memoria: total securitisation	18,783,992	17,349,918	13,524,926	-28.0
Mortgage backed	16,665,918	16,372,319	12,814,038	-23.1
Other securitised assets	2,118,074	977,599	710,888	-66.4
Of which: securitised after 01.01.04	17,987,543	15,672,353	12,829,179	-28.7
Mortgage backed	15,927,120	14,751,681	12,163,535	-23.6
Other securitised assets	2,060,423	920,672	665,644	-67.7

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

Loans and advances, 30.09.13 (%) (*)

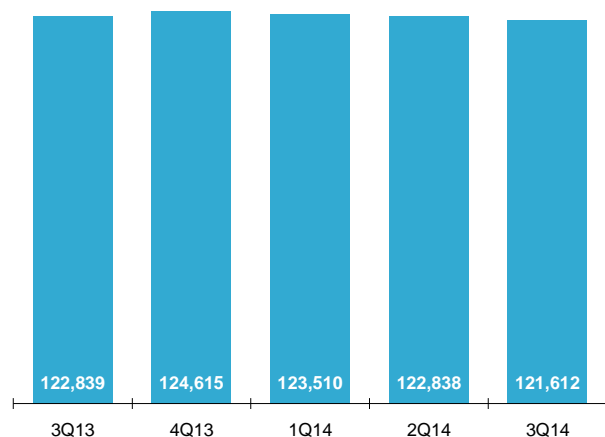


Loans and advances, 30.09.14 (%) (*)

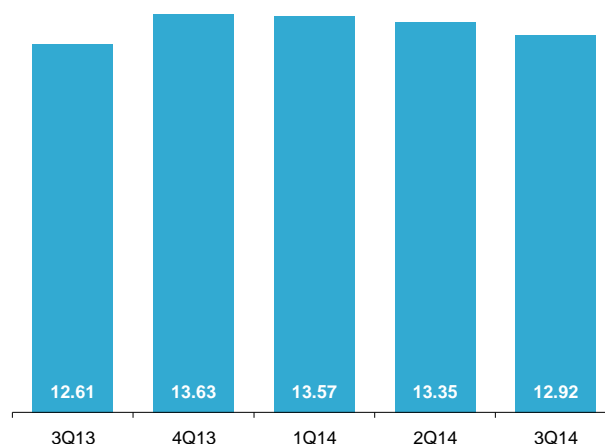


(*) Excluding doubtful assets and accrual adjustments.

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



NPLs/Gross loans ratio excluding APS (%)



Credit risk management

At the end of the first nine months 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 €14,948.3 million, a decline of €539.8 million with respect to the previous quarter and of €1,073.2 million with respect to 31 December 2013. As of 30 September

2014, the NPL ratio (excluding the APS) was 12.92%, i.e. 43 basis points lower than as of 30 June 2014 and 71 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 13.5% as 30 September 2014 (9.3% excluding the APS).

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

BS group excl. APS

(€ million)	3Q13	4Q13	1Q14	2Q14	3Q14
Ordinary net increase	365	-12	-83	-203	-316
Change in real estate	218	400	64	148	202
Net increase plus real estate	583	388	-19	-55	-114
Defaults	105	51	265	97	224
Quarterly change in doubtful balances and real estate	478	337	-284	-152	-338

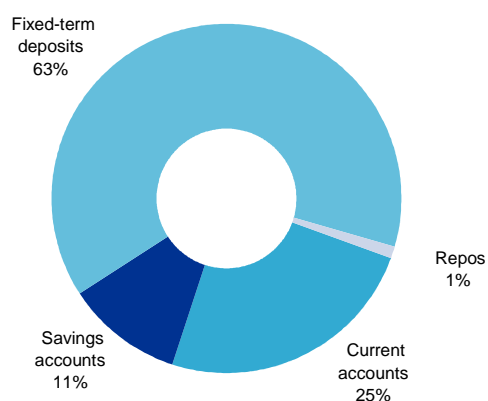
Funds under management

(€000)		30.09.13	31.12.13	30.09.14	Change (%) YoY
Customer-based funding on balance sheet	(1)	91,854,912	94,497,187	97,374,679	6.0
Customer deposits		96,739,482	99,362,908	102,111,649	5.6
Current accounts		23,600,652	26,260,652	32,006,567	35.6
Savings accounts		10,301,441	10,601,835	11,663,179	13.2
Fixed-term deposits		61,344,785	60,798,681	57,019,523	-7.1
Repos		1,027,963	1,347,184	1,130,433	10.0
Accruals		735,942	611,168	508,294	-30.9
Derivative hedging adjustments		-271,301	-256,612	-216,347	-20.3
Debt and other tradable securities		20,928,210	21,166,915	19,592,881	-6.4
Subordinated liabilities		968,100	1,089,046	1,082,128	11.8
Liabilities under insurance contracts		2,082,681	2,134,139	2,363,278	13.5
On-balance sheet funds		120,718,473	123,753,008	125,149,936	3.7
Mutual funds		10,051,903	11,018,570	14,665,263	45.9
Equity funds		417,811	584,740	1,012,682	142.4
Balanced funds		562,024	866,585	1,678,480	198.6
Fixed-income funds		2,140,287	2,474,177	3,254,078	52.0
Guaranteed return funds		2,558,012	2,788,376	3,542,135	38.5
Real estate funds		960,732	44,364	9,158	-99.0
Dedicated investment companies		1,365,881	1,420,342	1,711,115	25.3
Third-party funds		2,047,156	2,839,986	3,457,615	68.9
Managed accounts		1,549,526	1,927,634	2,807,260	81.2
Pension funds		3,882,753	4,356,291	4,366,919	12.5
Individual		2,400,844	2,857,495	2,893,315	20.5
Company		1,461,067	1,478,333	1,453,420	-0.5
Group		20,842	20,463	20,184	-3.2
Third-party insurance products		7,294,199	8,067,355	7,824,293	7.3
Funds under management	(2)	143,496,854	149,122,858	154,813,671	7.9

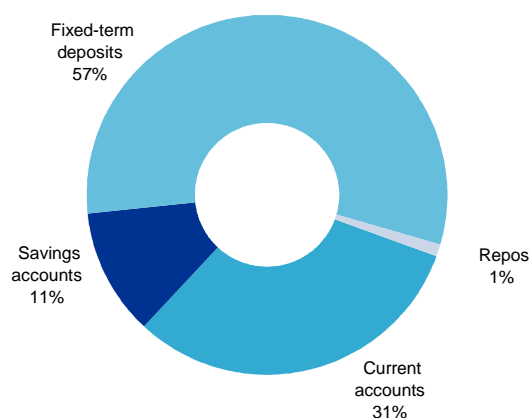
(1) Includes customer deposits (ex-repos) and other liabilities placed via the branch network: mandatory convertible bonds, non-convertible bonds issued by Banco Sabadell, commercial paper and others.

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

Customer deposits, 30.09.13 (%) (*)

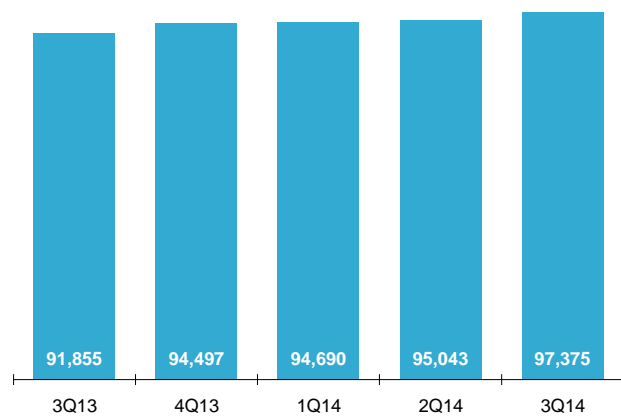


Customer deposits, 30.09.14 (%) (*)

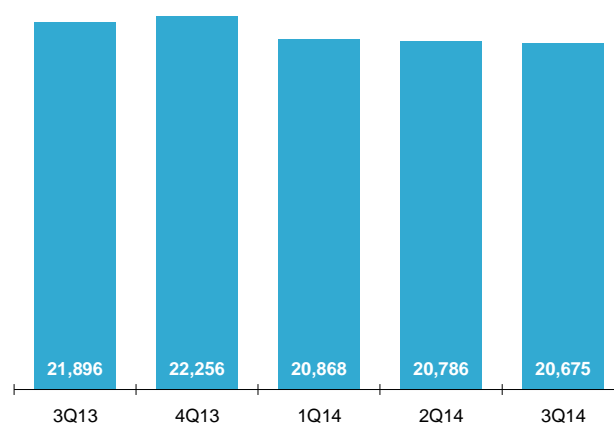


(*) Excluding adjustments for accruals and hedges with derivatives.

Customer-based funding on balance sheet (€mn)



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



Shareholder's equity

(€000)	30.09.13	31.12.13	30.09.14	Change (%) YoY
Shareholders' equity	10,247,498	10,226,534	10,297,854	0.5
Issued capital	499,792	501,435	501,651	0.4
Reserves	8,793,584	8,796,233	8,881,194	1.0
Other equity instruments	(1) 773,880	738,476	728,222	-5.9
Less: treasury shares	-5,865	-57,442	-78,463	--
Attributable net profit	186,107	247,832	265,250	42.5
Less: dividends and payments	0	0	0	--
Valuation adjustments	-48,493	120,814	980,619	--
Minority interest	68,298	58,243	51,861	-24.1
Equity	10,267,303	10,405,591	11,330,334	10.4

(1) Mandatory convertible bonds.

Capital ratios

(€'000)	(*)	31.12.13	Basilea III 30.09.14
Issued capital	499,761	501,435	501,651
Reserves	8,871,109	8,869,879	8,951,281
Mandatory convertible bonds	773,880	860,150	0
Minority interest	63,878	37,191	43,696
Deductions	-1,334,084	-1,552,651	-616,368
Core capital / Common equity	8,874,544	8,716,004	8,880,260
Core capital / Common equity	11.4%	12.0%	11.8%
Mandatory convertible bonds	(1) 0	0	849,897
Preference shares and deductions	-28,441	-2,529	-849,897
Primary capital	8,846,103	8,713,475	8,880,260
Tier I	11.4%	12.0%	11.8%
Secondary capital	559,731	587,864	914,416
Tier II	0.7%	0.8%	1.2%
Total capital	9,405,834	9,301,339	9,794,676
Minimum capital requirement	6,227,019	5,830,103	6,028,286
Capital surplus	3,178,815	3,471,236	3,766,390
BIS ratio	12.1%	12.8%	13.0%
Risk weighted assets (RWA)	77,837,738	72,876,287	75,353,575

(*) The September 2013 figure includes the entire capital increase amount.

(1) They will be mandatorily converted into shares in accordance with the following schedule: €14.0 million in 2014, €749.7 million in 2015, €68.6 million in 2016 and €17.6 million in 2017.

Credit ratings

Agency	Date	Long term	Short term	Outlook	Strength
DBRS	19.03.2013	A (low)	R-1 (low)	Negative	
Standard & Poor's ⁽¹⁾	23.10.2014	BB	B	Positive	
Moody's	23.10.2014	Ba2	NP	Negative	D-

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On 30 September 2014, Standard & Poor's Ratings Services downgraded Banco Sabadell's subordinated debt rating from B to B- and its preference shares from CCC+ to CCC as a result of the new methodology for rating hybrids.

These actions are in line with those applied to other European banks. Banco Sabadell's other ratings remained unchanged.

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.

30.09.2013	Gross operating income (€'000)	Profit before tax (€'000)	Average total assets (€'000)	ROE	Cost / income ratio	Employees	Domestic branches
Commercial banking	1,360,587	85,441	76,231,315	2.8%	67.6%	12,532	2,325
Corporate banking	135,538	46,776	11,056,730	6.1%	14.3%	110	2
Banca Privada	38,222	10,834	1,078,248	30.1%	66.8%	263	12
Investment management	21,344	5,767	10,051,903 (**)	26.7%	73.0%	147	--
Management of real estate assets	1,586	-739,262	27,078,134	-37.7%	322.5%	808	--
Total		-590,444 (*)					

30.09.2014	Gross operating income (€'000)	Profit before tax (€'000)	Average total assets (€'000)	ROE	Cost / income ratio	Employees	Domestic branches
Commercial banking	1,724,025	264,011	80,721,937	8.1%	59.1%	12,567	2,270
Corporate banking	148,411	56,389	10,479,352	7.6%	13.3%	114	2
Banca Privada	45,365	16,218	1,010,243	44.8%	60.5%	276	12
Investment management	28,757	13,009	14,665,263 (**)	47.9%	54.8%	149	--
Management of real estate assets	-28,930	-654,451	24,665,769	-35.7%	--	754	--
Total		-304,824 (*)					

(*)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

	(*)			Change (%)
	30.09.13	31.12.13	30.09.14	YoY
Shareholders and trading				
Number of shareholders	265,247	262,589	232,411	-12.4
Number of shares	3,998,333,266	4,011,481,581	4,013,205,919	0.4
Average daily trading volume (number of shares)	14,731,559	15,512,282	27,272,391	85.1
Share price (€)				
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)	1.861	1.896	2.344	
Market capitalisation (€ '000)	7,440,898	7,605,769	9,406,955	
Stock market multiples				
Earnings per share (EPS) (€)	(1) 0.06	0.06	0.09	
Book value per share (€)	2.56	2.55	2.57	
Price /Book value (times)	0.73	0.74	0.91	
Price /earnings ratio (P/E) (times)	29.90	30.69	26.53	
Including conversion of convertible bond:				
Fully diluted number of shares including conversion of convertible bond	4,234,465,487	4,298,634,476	4,286,241,467	
Earnings per share (EPS) (€)	(1) 0.06	0.06	0.08	
Book value per share (€)	2.42	2.38	2.40	
Price /Book value (times)	0.77	0.80	0.98	

(1) Earnings YTD annualised on a linear basis.

(*) The September 2013 figure includes the entire capital increase amount.