

# Quarterly financial report

Fourth quarter, 2014



---

Key figures	3
Introduction	4
Profit & loss account	10
Balance sheet	16
Results by business units	22
Share price performance	23

---

**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

	Restated 31.12.13 (6)	31.12.13 (7)	31.12.14	Change (%) YoY
<b>Balance sheet (€ '000)</b>				
Total assets	163,522,541	163,441,470	163,345,673	-0.1
Gross loans and advances to customers, excluding repos		124,614,933	121,140,837	-2.8
Gross loans and advances to customers		125,302,943	121,728,434	-2.9
On-balance sheet funds		123,753,008	121,806,632	-1.6
Of which: Customer-based funding on balance sheet	(1)	94,497,187	94,460,668	0.0
Mutual funds		11,018,570	15,705,612	42.5
Pension funds and third-party insurance products		12,423,646	11,755,126	-5.4
Funds under management		149,122,858	152,185,441	2.1
Shareholders' equity	10,037,368	10,226,534	10,223,743	0.0
<b>Profit and loss account (€ '000)</b>				
Net interest income		1,814,694	2,259,706	24.5
Gross operating income	3,831,198	3,976,794	4,800,526	20.7
Net income before provisions	1,916,690	2,062,286	2,749,104	33.3
Attributable net profit	145,915	247,832	371,677	50.0
<b>Ratios (%)</b>				
ROA	0.10	0.16	0.23	
ROE	1.58	2.68	3.70	
ROTE	1.75	2.96	4.14	
Cost / income (ex amortisation)	(2)	64.19	59.58	53.14
Cost / income ratio excluding non-recurrent expenses	(2)	62.28	59.08	51.93
Core capital / Common equity	(3)	11.7	12.0	11.7
Tier I	(3)	11.7	12.0	11.7
BIS ratio	(3)	12.5	12.8	12.8
<b>Risk management</b>				
Non-performing loans (€ '000)	(4)	16,021,491	14,192,150	
NPLs / Gross loans (%)	(4)	13.63	12.17	
Provisions for NPLs and foreclosed properties available for sale (€ '000)		18,341,298	17,441,989	
NPL coverage ratio (%)		51.6	50.3	
Overall coverage ratio (%)	(5)	13.6	13.1	
<b>Share data (period end)</b>				
Number of shareholders		262,589	231,481	
Number of shares		4,011,481,581	4,024,460,614	
Share price (€)		1.896	2.205	
Market capitalisation (€ '000)		7,605,769	8,873,936	
Earnings per share (EPS) (€)	0.04	0.06	0.09	
Book value per share (€)	2.50	2.55	2.54	
Price /Book value (times)	0.76	0.74	0.87	
Price /earnings ratio (P/E) (times)	52.12	30.69	23.88	
Including conversion of convertible bond:				
Fully diluted number of shares including conversion of convertible bond		4,298,634,476	4,289,732,386	
Earnings per share (EPS) (€)	0.03	0.06	0.09	
Book value per share (€)	2.34	2.38	2.38	
Price /Book value (times)	0.81	0.80	0.93	
<b>Other data</b>				
Branches		2,418	2,320	
Employees		18,077	17,529	

- (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. December 2014, in accordance with Basel III criteria and applying the modifications envisioned in Bank of Spain Circular 2/2014, which was approved in July 2014.
- (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) Restated as a result of early application of IFRIC 21. For information purposes, only the figures or indicators that vary with respect to the 2013 reported figures are shown. See Basis of Presentation for greater detail.
- (7) 2013 reported figures.

---

## Introduction

---

### Key developments in 4Q14

- In general: the year-on-year comparison of P&L figures of Banco Sabadell and its group was 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). Additionally, in July 2014, JGB Bank was consolidated for accounting purposes after it was acquired by, and immediately merged into, Sabadell United Bank, a subsidiary of Banco Sabadell in Miami.
- Net interest income: €2,259.7 million. This item increased by 24.5% in year-on-year terms, due primarily to the lower cost of funding and, secondarily, to expansion of the consolidation scope. In the fourth quarter of 2014, net interest income increased for the sixth consecutive quarter (up 6.2% q/q), to €609.1 million (€574.1 million in the preceding quarter), and the customer spread was 2.35% (+6 basis points compared with 3Q 2014).
- Net fees and commissions: €860.9 million. This item increased quarter-on-quarter once again, to €231.3 million in the fourth quarter (from €215.1 million in the preceding quarter). In 2014 as a whole, net fees and commissions increased by 13.3% 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.
- Net income from financial transactions: €1,763.6 million, basically due to €1,860.7 million in capital gains on the sale of available-for-sale fixed-income financial assets. In 2013, income from financial transactions amounted to €1,479.2 million, including €927.8 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): €-1,773.3 million (+5.2% year-on-year). In like-for-like terms, recurrent administrative expenses declined by 4.4%; specifically, personnel expenses declined by 1.2% and general administrative expenses by a notable 10.5%. In the fourth quarter of 2014, administrative expenses totalled -€435.5 million, very similar to the figure registered in the preceding quarter and 2.3% lower than in the fourth quarter of 2013.
- Profit before provisions: €2,749.1 million, compared with €2,062.3 million in 2013 (+33.3%).
- Provisions for NPLs and other impairments: €-2,499.7 million, compared with €-1,763.6 million in 2013. Both years include additional provisions charged to non-recurrent income for the year (primarily from financial transactions).
- Capital gains on asset disposals: in 2014, this item included €162 million from the sale of the debt collection business and an extraordinary gain of €80 million from the signature of a reinsurance agreement for Mediterráneo Vida's individual death benefit portfolio. In 2013, this item included a net capital gain of €25.6 million obtained in December of that year on the disposal of Banco Sabadell's stake in Centro Financiero BHD.
- Attributable profit: €371.7 million, compared with €247.8 million in 2013 (+50.0%). Considering the impact of early application of IFRIC 21, the 2013 profit and loss account reveals €145.9 million of attributable profit in that year.
- Customer loans and funds: demand for loans maintained the upward trend observed in previous quarters. In the fourth quarter of 2014, gross loans and advances, excluding repos and doubtful assets, increased by €773.1 million. Total customer funds continued to increase, particularly in the balance of mutual funds managed and marketed by the group, which expanded by 42.5% year-on-year.
- On 31 December 2014, Banco Sabadell group's ratio of non-performing loans (NPLs) to total computable exposures, excluding assets covered by the Asset Protection Scheme (APS), was 12.17%, i.e. 75 basis points lower than at the end of the preceding quarter and 146 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 13.1%, or 8.8% excluding the APS.
- Common equity Tier 1 phase-in at 31 December 2014: 11.7%.

## Macroeconomic environment

### Global economic and financial background

Market attention has been focused on the notable decline in oil prices over the course of the quarter. This performance was driven by weaker global demand and a change in OPEC's stance to be more tolerant of lower oil prices. In this context, inflation in the main developed economies has been under downward pressure. In the Euro area, prices slipped in December in year-on-year terms, a situation not seen in five years. Inflation eased in the US, although consumer expectations remain in the range of the last few months. Inflation in the UK reached levels not seen since 2000. In Japan, prices increased by barely 0.4% year-on-year in November (excluding the effect of the consumption tax hike), far below the central bank's target (2.0%).

The market also had its eye on the political noise in the Euro area. In particular, the Greek Parliament proved incapable of electing a new prime minister, with the result that early elections will be held on 25 January. According to the polls, the winning party will be Syriza, although it won't have an absolute majority, which may make it difficult to form a new government<sup>1</sup>. The European authorities presented the details of the Juncker Plan, which aims to channel 315 billion euro in key investments (e.g. infrastructure) between 2015 and 2017.

Euro area growth remained weak, just as in the third quarter, when GDP expanded by 0.2%. However, the most recent economic sentiment indicators reflect a slight improvement. The US economy performed positively in the final leg of the year. Moreover, GDP increased by 1.2% in the third quarter, the greatest rise since 4Q11, supported by consumer spending. In this context, strong job creation reduced the unemployment rate to 5.6%, its lowest since 2008. The UK economy continues to perform favourably. GDP grew by 0.7% in the third quarter. The Japanese economy shrank in the third quarter (-0.4% q/q) which, together with the slide in activity in the second quarter, led it to slip into a technical recession. In view of the weak economy, the government decided to delay the second consumption tax increase until April 2017 and to call early elections. This led to a victory for the government's party, which was interpreted as a mandate for Abenomics. Following the elections, the third stimulus plan since 2013 was approved.

### Fixed income markets

The Fed decided to end its asset purchasing programme at its meeting in October due to the improved labour market. The bank later changed its communication policy with a view to laying the groundwork for the first rate hike in the coming months. The ECB commenced the covered bond and ABS purchasing programmes it had announced previously. It also held its second TLTRO, through which it injected almost 130 billion euro, falling slightly short of market expectations. The ECB maintained an accommodative tone, noting that it would not tolerate prolonged deviations from its price target and leaving the door open to the adoption of new measures in early 2015. The measures being considered include the possible adoption of a government debt purchasing programme<sup>2</sup>. Two members of the Bank of England continued to vote to raise the benchmark rate, which currently stands at 0.50%. The Bank of Japan expanded its accommodative monetary policy measures to support growth and an upswing in inflation expectations.

With respect to long-term fixed-income markets, US and German government bond yields declined, the latter reaching record lows. In both cases, their consideration as safe haven assets weighed on their yields, in a context of greater global financial instability and geopolitical noise. In Germany, the decline was driven by reduced inflation, fragile growth and political uncertainty in Greece. The latter had a limited effect on other peripherals' country-risk premia, which actually declined slightly in the quarter. Fitch downgraded France, and Standard & Poor's downgraded Italy.

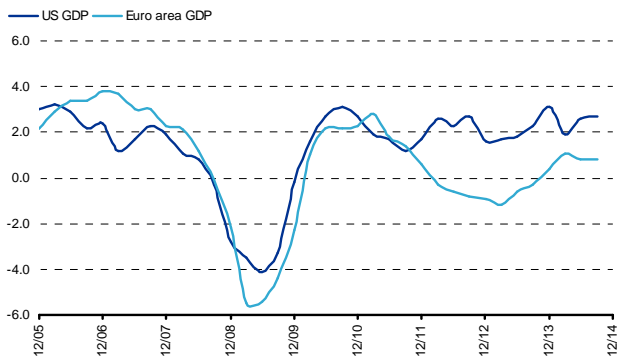
### Equity markets

During the fourth quarter of 2014, equity markets in the Euro area registered volatile performance in general. Germany's DAX outperformed, gaining 3.5%. Indices in peripheral countries performed poorly. Portugal's PSI 20 declined notably (-16.4%), while Italy's FTSE MIB (-9.0%) and Spain's Ibex 35 (-5.0%) lost ground, though to a lesser extent. In the US, the S&P500 gained almost 9.0% in euro terms, supported by positive performance and depreciation of the euro. Japan's NIKKEI 225 added almost 3.0% in euro terms, impacted by the Bank of Japan's decisions.

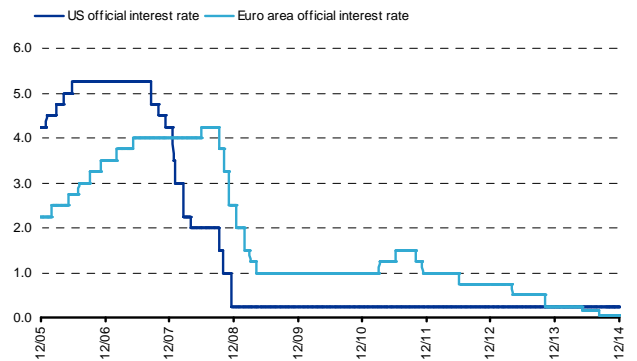
1. SYRIZA won the early elections in Greece on 25 January. The coalition came close to obtaining an absolute majority. SYRIZA has reached an agreement with another party (Independent Greeks) to form a coalition government.

2. At a meeting on 22 January, the ECB announced an extension of its asset purchasing programme. The ECB stated that it will buy €60 billion in assets each month until September 2016, at least. The assets to be purchased include government bonds.

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 31 December 2013 and 2014, together with the disclosures shown in this Financial Report, are presented in accordance with the accounting standards, principles and criteria defined in Note 1 to the Group's consolidated financial statements as of 31 December 2014. For the purposes of this financial report, however, balance sheet and income statement figures for 2013 restated by early application of IFRIC 21 are shown for information purposes only. Comparisons between the 2014 and 2013 figures (specifically, to calculate year-on-year changes) use the reported 2013 figures and not the restated figures.

In the last two completed financial years, the main changes in the consolidation scope of the Banco Sabadell group 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.
- Acquisition of JGB Bank: on 11 July 2014, Banco Sabadell's subsidiary in Miami, Sabadell United Bank N.A., acquired and immediately absorbed JGB Bank, N.A.

### Balance sheet and bottom line

#### Balance sheet

At the end of 2014, the total assets of Banco Sabadell and its Group amounted to €163,345.7 million, i.e. very similar to the figure at the end of 2013 (€163,441.5 million).

Gross loans and advances to customers (excluding repos) accounted for 75% of the group's total consolidated assets and amounted to €121,140.8 million at year-end. This item declined by 2.8% year-on-year (mainly as a result of the lower volume of doubtful balances), although demand for credit showed signs of recovering in the final months of the year. For example, in the fourth quarter, gross loans and advances (excluding repos and NPLs) increased by €773.1 million, and it was the first quarter since the crisis began in which this variable increased. Lending to SMEs and new mortgage production also accelerated.

Mortgage loans are the largest single component of gross lending (close to 45%), amounting €54,260.2 million at 31 December 2014.

Excluding Banco CAM assets covered by the Asset Protection Scheme, Banco Sabadell group had a 12.17% ratio of non-performing loans (NPLs) to total computable exposure at the end of 4Q14, compared with 12.92% at the end of 3Q 14 (-75 basis points) and 13.63% at the end of

2013 (-146 basis points). The NPL coverage ratio was 50.3% at 31 December 2014, compared with 51.6% at the end of 2013.

As of 31 December 2014, customer funds on the balance sheet amounted to €94,460.7 million, very similar to the figure at the end of 2013 (€94,497.2 million). The balance in demand accounts amounted to €43,275.0 million (+17.4% year-on-year) and time deposits to €53,395.8 million, a 12.2% decline year-on-year in line with the downward trend in interest rates in the financial markets, which drove investors to switch to more attractive investments in search of better returns.

Total off-balance sheet customer funds amounted to €30,378.8 million, a 19.7% increase year-on-year. Within this item, the balance of assets in collective investment institutions rose steadily, to reach €15,705.6 million as of 31 December 2014, i.e. a 42.5% increase year-on-year, while the balance of assets under management amounted to €2,918.1 million (€1,927.6 million at 2013 year-end).

Liabilities in the form of tradeable securities amounted to €20,196.3 million at 2014 year-end, compared with €21,166.9 million as of 31 December 2013. This decline is due mainly to the net reduction in the balance of asset-backed securities and mortgage covered bonds.

Total funds under management amounted to €152,185.4 million as of 31 December 2014, an increase of 2.1% with respect to the balance of €149,122.9 million as of 31 December 2013.

#### Income and profit performance

Banco Sabadell and its group ended 2014 with €371.7 million in net attributable profit (+50.0% year-on-year), after booking €2,499.7 million in provisions for bad debts, securities and real estate.

Net interest income amounted to €2,259.7 million in 2014, 24.5% more than in 2013, due principally to the lower cost of funding and, secondarily, to expansion of the consolidation scope. Net interest income has grown constantly, quarter after quarter, since mid-2013, in both absolute and relative terms. For example, the customer spread was 2.35% in the fourth quarter of 2014, 6 basis points more than in the preceding quarter and 49 basis points more than in the fourth quarter of 2013.

Dividends received and results from equity-accounted affiliates together amounted to €8.7 million, compared with €18.4 million in 2013 (a decline of €9.7 million). That reduction is due to the fact that Centro Financiero BHD, which was sold in December 2013, contributed €14.6 million in that year.

Net fees and commissions amounted to €860.9 million, a 13.3% increase year-on-year. This growth was observed generally in all types of fees and commissions (risk operations, services, mutual funds, insurance and pension sales) and is mainly attributable to good performance by the off-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 €1,763.6 million, including €1,860.7 million in gains on the sale of available-for-sale fixed-income financial assets. During 2013, income from financial transactions amounted to €1,479.2 million, including €927.8 million in gains on the sale of available-for-sale fixed-income assets, €437.3 million on the sale of held-to-maturity investments, €58.8 million on the sale of equity securities, and €53.6 million in trading income.

Net exchange gains amounted to €99.6 million, a considerable increase with respect to 2013 (€67.9 million). This 46.7% year-on-year increase is due mainly to the greater volume of transactions in 2014.

Other operating income and expenses amounted to €-192.0 million, compared with €-163.1 million in 2013. This item includes €-158.4 million in contributions to the Deposit Guarantee Fund.

Operating expenses (personnel and general) amounted to €1,773.3 million in 2014, of which €40.2 million are non-recurrent items (mainly personnel indemnities); operating expenses amounted to €1,686.1 million in 2013, including €14.4 million in non-recurrent items (basically non-interest expenses related to the acquisition of Banco Gallego). In like-for-like terms, however, operating expenses declined by 4.4% overall in 2014 with respect to 2013 (specifically, personnel expenses declined by 1.2% and general expenses by 10.5%).

The increase in gross income in 2014 (20.7%) and the application of policies to contain operating expenses led to an improvement in the efficiency (costs/revenues) ratio, which stood at 53.14% in 2014, compared with 59.58% in 2013 (excluding income from financial transactions and net non-recurrent exchange differences in both years, based on an approach revised in 2014 and applied retroactively to 2013).

As a result, net profit before provisions amounted to €2,749.1 million euro in 2014, 33.3% more than in 2013.

Provisions for loan losses and other impairments (mainly real estate and financial assets) amounted to €2,499.7 million (€1,763.6 million in 2013).

Capital gains on asset disposals amounted to €236.9 million, including mainly €162 million from the sale of the debt collection business and an extraordinary gain of €80 million (net of arrangement expenses) from the signature of a reinsurance agreement for Mediterráneo Vida's individual death benefit portfolio. In 2013, capital gains on asset disposals amounted to €43.9 million, including net gains of €25.6 million in December 2013 from the sale of Banco Sabadell's stake in Centro Financiero BHD.

After deducting income tax and minority interests, net income attributed to the group amounted to €371.7 million in 2014, a 50.0% increase over 2013 (€247.8 million). Considering the impact of early application of IFRIC 21, the 2013 profit and loss account reveals €145.9 million of attributable profit in that year.

## Other key developments in 4Q14

### Results of the ECB comprehensive assessment

In October 2014, the European Central Bank (ECB) conducted a comprehensive assessment of the 128 largest banks in the euro area in cooperation with the national authorities and in close collaboration, for the stress test, with the European Banking Authority (EBA). The published results concluded that the values of Banco Sabadell's assets, collateral and reserves are appropriate and that the bank would not require additional capital in any of the scenarios considered.

Banco Sabadell was the only Spanish bank whose initial capital ratio was not adjusted as a result of the Asset Quality Review (AQR). Only 15 European banks did not have to make any adjustments.

The stress test concluded that Banco Sabadell has a common equity tier 1 (CET1) ratio of 10.26% and that, in the most adverse scenario considered, that ratio would be 8.33%, well above the required minimum of 5.5%. With these ratios, it was estimated that Banco Sabadell had surplus capital amounting to over 1.7 billion euro in the baseline scenario and over 2.2 billion euro in the most adverse scenario.

These results did not consider the effect of the mandatory convertible bonds (not included in the stress test even though they mature in 2015) or all of the deductions envisaged under Basel III. If those items had been considered, the CET1 ratio would have been 9.38% (including convertibles) and 8.8% (fully loaded) in the adverse scenario.

### Sareb adjudicated the management of a portfolio of 42,900 assets to Solvia

On 3 November 2014, Sareb adjudicated to Solvia by competitive tender a portfolio comprising 42,900 assets. The agreement entered into force in January 2015 and has a term of 7 years.

This is the first portfolio that Sareb has adjudicated under the Ibero project, which it launched some months ago to choose managers to take charge of Sareb's balance sheet as from 31 December 2014, when the contracts with the nine companies that contributed the contents of its balance sheet expired.

The assets were valued at the time at approximately €7,000 million using the methodology established by the Bank of Spain.

Sareb chose Solvia's bid on the basis of a broad number of criteria, basically focused on its business performance and technology capabilities. In particular, it valued the company's cumulative experience in migrating portfolios of real estate, which ensures that the planning and execution of the migration of Sareb's assets will be performed optimally.

The portfolio adjudicated to Solvia consist primarily of real estate. Of the almost 43,000 assets, more than 33,000 properties and the remainder are loans with some form of real estate collateral. The properties are concentrated in Catalonia, Valencia, Andalusia and Madrid, the areas of



influence of Bankia, the bank that contributed the bulk of this portfolio.

As for financial assets, the packet adjudicated to Solvia contains loans originated by Banco CEISS and Banco Gallego, with a somewhat different geographical distribution, since they are concentrated in Castilla & León, Galicia and Madrid.

Once this portfolio has been resolved, Sareb will continue to consider bids presented for the other portfolios pending adjudication, which comprise financial assets and properties from Liberbank, Novagalicia Banco, BMN, Catalunya Bank, Caja 3 and Banco de Valencia as well as loans originated by Bankia.

#### *Sale of the debt management and recovery unit*

On 22 December 2014, once the pertinent authorisations had been obtained, Banco Sabadell signed an agreement to sell its debt collection business to Lindorff España, S.L.U. and a 10-year agreement for the provision of debt collection services.

The price of the transfer was €162 million.

#### *Early redemption of preference shares and subordinated bonds*

On 23 December 2014, Banco Sabadell, Sabadell International Equity LTD, Guipuzcoano Capital, S.A.U. and CAM Capital, S.A.U. resolved, following approval by the Bank of Spain, to redeem the outstanding nominal amount (totalling €85.3 million) of ten issues of preference shares and subordinated bonds.

Those issues will be amortised in full in accordance with the terms and conditions of their prospectuses, which were filed

with the official registry of the Spanish National Securities Market Commission, including, in particular, the following:

- i. Amortisation date: the amortisation date of the issues will be 24 February 2015, with the exception of the "Emisión de Participaciones Preferentes Serie III" issued by Guipuzcoano Capital, S.A.U., which will be amortised on 19 February 2015.
- ii. Amortisation price: the securities will be amortised by payment in cash on the amortisation dates of 100% of the nominal value of each reference share and subordinated bond to be amortised plus any unpaid remuneration that has accrued between the previous remuneration date and the amortisation date, net of applicable tax withholding.
- iii. Payment of the amortisation price: the amortisation price will be paid by Banco Sabadell, in its capacity as issuer or payment agent, either directly or through other member entities of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear), into the cash account associated with the securities account of the holders of the securities in which the respective preference shares or subordinated bonds are deposited without the need for any instruction or action on their part.
- iv. Fees and commissions: the aforementioned issuers will not charge any fees or commissions, without prejudice to any expenses, brokerage fees or commissions that they be charged to the securities holders by securities depositaries that are not part of the Banco Sabadell group.

## Profit & loss account

### Profit & loss account

(€000)	Restated FY13 (3)	FY13 (4)	FY14	Change (%) YoY
<b>Net interest income</b>	<b>1,814,694</b>	<b>1,814,694</b>	<b>2,259,706</b>	<b>24.5</b>
Income from equity method and dividend	18,436	18,436	8,729	-52.7
Net fees and commissions	759,670	759,670	860,891	13.3
Results from financial transactions (net)	1,479,185	1,479,185	1,763,604	19.2
Foreign exchange (net)	67,871	67,871	99,556	46.7
Other operating income/expense	-308,658	-163,062	-191,960	17.7
<b>Gross operating income</b>	<b>3,831,198</b>	<b>3,976,794</b>	<b>4,800,526</b>	<b>20.7</b>
Personnel expenses	-1,098,175	-1,098,175	-1,202,604	9.5
Non-recurrent	-7,555	-7,555	-33,309	340.9
Recurrent (1)	-1,090,620	-1,090,620	-1,169,295	7.2
Other general expenses	-587,886	-587,886	-570,714	-2.9
Non-recurrent	-6,800	-6,800	-6,865	1.0
Recurrent (2)	-581,086	-581,086	-563,849	-3.0
Amortization & depreciation	-228,447	-228,447	-278,104	21.7
<b>Net income before provisions</b>	<b>1,916,690</b>	<b>2,062,286</b>	<b>2,749,104</b>	<b>33.3</b>
Provisions for NPLs and other impairments	-1,763,640	-1,763,640	-2,499,659	41.7
Gains on sale of assets	43,893	43,893	236,948	439.8
Badwill	644	644	0	-100.0
<b>Profit before tax</b>	<b>197,587</b>	<b>343,183</b>	<b>486,393</b>	<b>41.7</b>
Income tax	-30,669	-74,348	-109,748	47.6
<b>Consolidated net profit</b>	<b>166,918</b>	<b>268,835</b>	<b>376,645</b>	<b>40.1</b>
Minority interest	21,003	21,003	4,968	-76.3
<b>Attributable net profit</b>	<b>145,915</b>	<b>247,832</b>	<b>371,677</b>	<b>50.0</b>
Pro memoria:				
Average total assets	166,571,462	166,571,462	163,372,812	
Earnings per share (€)	0.04	0.06	0.09	

- (1) Assuming no change in consolidation scope, recurrent personnel expenses decreased by 1.2% year-on-year.  
(2) Recurrent general expenses fell 10.5% year-on-year in like-for-like terms.  
(3) Restated as a result of early application of IFRIC 21. Shown only for information purposes.  
(4) 2013 reported figures.

## Profit & loss account - quarterly

(€000)	4Q13 (2)	1Q14	2Q14	3Q14	4Q14	Change (%) YoY
<b>Net interest income</b>	<b>497,680</b>	<b>530,042</b>	<b>545,945</b>	<b>574,060</b>	<b>609,659</b>	<b>22.5</b>
Income from equity method and dividend	5,315	22	8,464	-8,834	9,077	70.8
Net fees and commissions	209,788	200,971	213,508	215,129	231,283	10.2
Results from financial transactions (net)	251,550	930,660	202,234	166,136	464,574	84.7
Foreign exchange (net)	19,320	16,015	22,323	52,107	9,111	-52.8
Other operating income/expense	-19,244	-29,713	-42,417	-60,948	-58,882	206.0
<b>Gross operating income</b>	<b>964,409</b>	<b>1,647,997</b>	<b>950,057</b>	<b>937,650</b>	<b>1,264,822</b>	<b>31.1</b>
Personnel expenses	-289,536	-298,766	-310,929	-296,788	-296,121	2.3
Non-recurrent	-1,878	-5,976	-24,934	-1,807	-592	-68.5
Recurrent	-287,658	-292,790	-285,995	-294,981	-295,529	2.7
Other general expenses	-156,039	-151,871	-141,576	-137,926	-139,341	-10.7
Non-recurrent	-6,800	-3,788	-2,199	0	-878	-87.1
Recurrent	-149,239	-148,083	-139,377	-137,926	-138,463	-7.2
Amortization & depreciation	-67,429	-67,951	-67,983	-70,041	-72,129	7.0
<b>Net income before provisions</b>	<b>451,405</b>	<b>1,129,409</b>	<b>429,569</b>	<b>432,895</b>	<b>757,231</b>	<b>67.7</b>
Provisions for NPLs and other impairments	-429,382	-1,096,497	-318,821	-309,669	-774,672	80.4
Gains on sale of assets	28,567	69,927	12,178	3,195	151,648	430.9
Badwill	644	0	0	0	0	-100.0
<b>Profit before tax</b>	<b>51,234</b>	<b>102,839</b>	<b>122,926</b>	<b>126,421</b>	<b>134,207</b>	<b>161.9</b>
Income tax	14,298	-18,654	-34,916	-28,617	-27,561	--
<b>Consolidated net profit</b>	<b>65,532</b>	<b>84,185</b>	<b>88,010</b>	<b>97,804</b>	<b>106,646</b>	<b>62.7</b>
Minority interest	3,807	3,033	1,476	240	219	-94.2
<b>Attributable net profit</b>	<b>61,725</b>	<b>81,152</b>	<b>86,534</b>	<b>97,564</b>	<b>106,427</b>	<b>72.4</b>
Pro memoria:						
Average total assets	169,174,201	167,190,254	161,119,552	162,499,242	162,740,694	
Earnings per share (€)	(1) 0.06	0.02	0.04	0.07	0.09	

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

(2) 4Q13 reported figures.

## 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

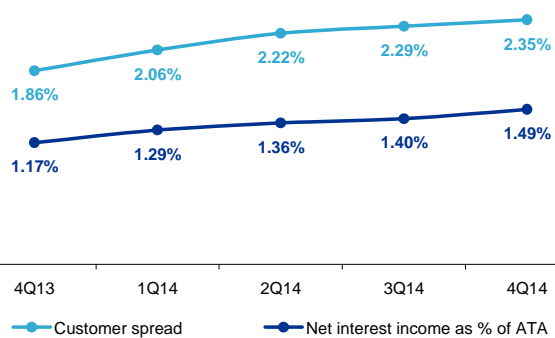
includes the consolidated balances of BMN-Penedès from June 2013, Sabadell Solbank from July 2013 and Banco Gallego from November 2013.

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
<b>Total assets</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>
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	--	--
<b>Total funds</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>
<b>Net interest income</b>			<b>451,230</b>			<b>414,598</b>			<b>451,186</b>			<b>497,680</b>
<b>Customer spread</b>		<b>1.75</b>			<b>1.59</b>			<b>1.62</b>			<b>1.86</b>	
<b>Net interest income as % of ATA</b>		<b>1.14</b>			<b>1.00</b>			<b>1.05</b>			<b>1.17</b>	

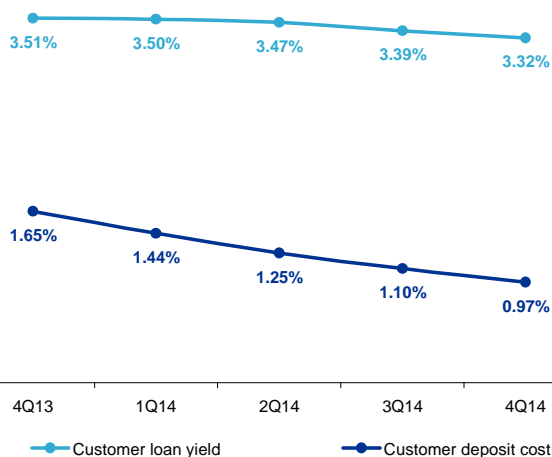
2014 (€'000)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income
Cash and balance with central banks & financial	4,277,014	1.10	11,605	3,998,214	1.06	10,539	4,278,672	0.91	9,791	4,480,122	0.72	8,164
Loans to customers (net)	108,442,873	3.50	936,272	106,316,927	3.47	920,825	105,962,409	3.39	904,230	105,085,900	3.32	879,643
Fixed-income securities	24,136,993	3.41	202,734	21,208,649	3.84	203,235	22,276,597	3.65	204,884	23,207,907	3.35	195,999
Equity securities	834,668	--	--	1,395,773	--	--	1,401,733	--	--	1,659,535	--	--
Tang. & intang. assets	3,904,974	--	--	3,922,139	--	--	3,802,468	--	--	3,422,926	--	--
Other assets	25,593,732	0.10	6,075	24,277,850	0.10	6,235	24,777,363	0.11	6,827	24,884,304	0.10	6,439
<b>Total assets</b>	<b>167,190,254</b>	<b>2.81</b>	<b>1,156,686</b>	<b>161,119,552</b>	<b>2.84</b>	<b>1,140,834</b>	<b>162,499,242</b>	<b>2.75</b>	<b>1,125,732</b>	<b>162,740,694</b>	<b>2.66</b>	<b>1,090,245</b>
Financial institutions	16,165,139	-1.40	-55,769	13,552,136	-1.52	-51,463	10,565,998	-1.71	-45,646	12,720,001	-1.29	-41,429
Customer deposits	92,164,157	-1.44	-327,850	92,504,475	-1.25	-289,269	94,121,172	-1.10	-261,851	93,502,083	-0.97	-228,219
Capital markets	27,506,366	-3.54	-239,842	27,238,731	-3.51	-238,425	26,563,127	-3.41	-228,133	26,314,842	-3.05	-202,105
Repos	9,319,950	-0.68	-15,732	6,666,753	-0.71	-11,863	9,824,642	-0.47	-11,525	8,573,936	-0.47	-10,059
Other liabilities	11,838,144	0.43	12,549	10,296,456	-0.15	-3,869	10,384,566	-0.17	-4,517	10,639,953	0.05	1,226
Shareholders' equity	10,196,498	--	--	10,861,001	--	--	11,039,737	--	--	10,989,879	--	--
<b>Total funds</b>	<b>167,190,254</b>	<b>-1.52</b>	<b>-626,644</b>	<b>161,119,552</b>	<b>-1.48</b>	<b>-594,889</b>	<b>162,499,242</b>	<b>-1.35</b>	<b>-551,672</b>	<b>162,740,694</b>	<b>-1.17</b>	<b>-480,586</b>
<b>Net interest income</b>			<b>530,042</b>			<b>545,945</b>			<b>574,060</b>			<b>609,659</b>
<b>Customer spread</b>		<b>2.06</b>			<b>2.22</b>			<b>2.29</b>			<b>2.35</b>	
<b>Net interest income as % of ATA</b>		<b>1.29</b>			<b>1.36</b>			<b>1.40</b>			<b>1.49</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)	4Q13	3Q14	4Q14	Change (%) 4Q13	Change (%) 3Q14
Asset transactions	28,143	27,957	30,367	7.9	8.6
Guarantees	25,801	25,898	26,846	4.1	3.7
Transferred to other entities	-1,179	-277	-259	-78.0	-6.5
<b>Risk transaction fees</b>	<b>52,765</b>	<b>53,578</b>	<b>56,954</b>	<b>7.9</b>	<b>6.3</b>
Cards	33,556	39,180	39,689	18.3	1.3
Payment orders	12,273	11,727	12,006	-2.2	2.4
Securities	15,024	16,465	20,500	36.4	24.5
Demand accounts	20,174	21,957	22,184	10.0	1.0
Other transactions	38,503	23,346	26,931	-30.1	15.4
<b>Commissions for services</b>	<b>119,530</b>	<b>112,675</b>	<b>121,310</b>	<b>1.5</b>	<b>7.7</b>
Mutual funds	22,476	32,243	35,659	58.7	10.6
Pension funds and insurance brokerage	15,017	16,633	17,360	15.6	4.4
<b>Mutual and pension fund and insurance commissions</b>	<b>37,493</b>	<b>48,876</b>	<b>53,019</b>	<b>41.4</b>	<b>8.5</b>
<b>Total</b>	<b>209,788</b>	<b>215,129</b>	<b>231,283</b>	<b>10.2</b>	<b>7.5</b>

Net fees and commissions in 4Q 2014 totalled €231.3 million, a 10.2% increase with respect to 2013. This good year-on-year performance is due to positive performance by off-balance sheet funds, the focus on selling more profitable products, and growth in operating volumes in general.

In particular, mutual fund management and marketing fees and pension fund and insurance marketing fees together increased by 41.4% with respect to 4Q 2013. Assets in collective investment institutions continued to expand,

amounting to €15,705.6 million as of 31 December 2014, i.e. a 42.5% increase year-on-year. Securities fees also expanded notably in the quarter (+36.4%) due to a higher volume of securities trading and a larger amount of success fees.

Net fees and commissions in 4Q 2014 increased by 7.5% compared with 3Q 2014. Securities fees also increased significantly (+24.5%) as did mutual fund management and marketing fees (+10.6% quarter-on-quarter), for the aforementioned reasons in both cases.

## Administrative expenses

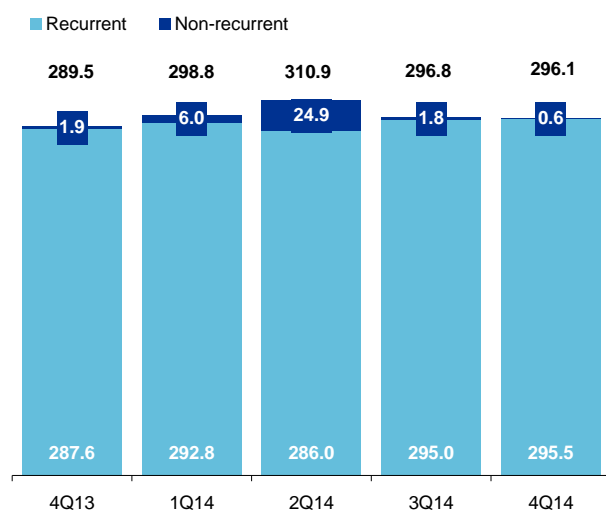
(€000)	4Q13	3Q14	4Q14	Change (%) 4Q13	Change (%) 3Q14
Recurrent	-287,658	-294,981	-295,529	2.7	0.2
Non-recurrent	-1,878	-1,807	-592	-68.5	-67.2
<b>Personnel expenses</b>	<b>-289,536</b>	<b>-296,788</b>	<b>-296,121</b>	<b>2.3</b>	<b>-0.2</b>
IT and communications	-30,633	-31,255	-28,627	-6.5	-8.4
Advertising	-18,287	-7,568	-10,853	-40.7	43.4
Premises and office supplies	-36,413	-37,748	-33,558	-7.8	-11.1
Taxes other than income tax	-26,220	-23,228	-28,910	10.3	24.5
Others	-44,486	-38,127	-37,393	-15.9	-1.9
<b>Other general expenses</b>	<b>-156,039</b>	<b>-137,926</b>	<b>-139,341</b>	<b>-10.7</b>	<b>1.0</b>
<b>Total</b>	<b>-445,575</b>	<b>-434,714</b>	<b>-435,462</b>	<b>-2.3</b>	<b>0.2</b>

Administrative expenses in the fourth quarter of 2014 were practically the same as in the preceding quarter (+0.2%), although they were 2.3% lower than in 4Q 2013; specifically, personnel expenses rose by 2.3% but other general administrative expenses fell proportionately more (-10.7%). In like-for-like terms, recurrent administrative expenses declined by 4.4% in 2014 compared with 2013 as

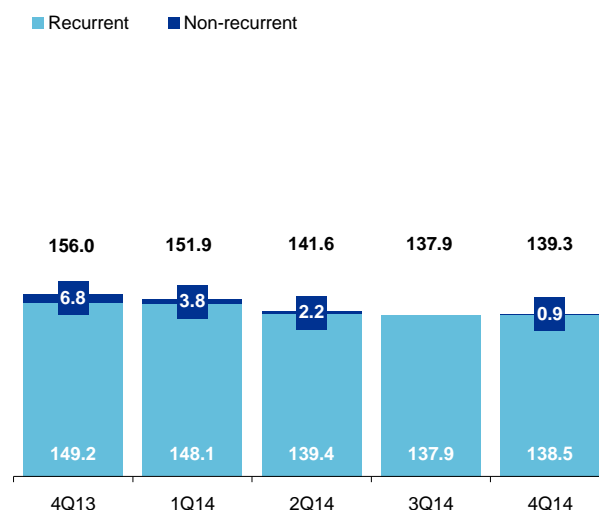
a result of strict cost containment policies. Specifically, recurrent personnel expenses decreased by 1.2% and general administrative expenses by 10.5%.

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)	Restated 31.12.13	31.12.13	31.12.14	Change (%) YoY
	(4)	(5)		
Cash and balance with Central Banks	3,201,898	3,201,898	1,189,787	-62.8
Trading and derivatives portfolios and other financial assets	2,623,485	2,623,485	3,253,356	24.0
Available-for-sale financial assets	19,277,672	19,277,672	21,095,619	9.4
Loans and advances	118,989,126	118,989,126	117,895,179	-0.9
Balances with financial institutions	(1) 3,525,521	3,525,521	4,623,197	31.1
Loans to customers (net)	112,928,890	112,928,890	110,835,723	-1.9
Debt securities	2,534,715	2,534,715	2,436,259	-3.9
Investments in associated companies	640,842	640,842	513,227	-19.9
Property, plant and equipment	3,935,322	3,935,322	3,982,866	1.2
Intangible assets	1,501,737	1,501,737	1,591,296	6.0
Other assets	13,352,459	13,271,388	13,824,343	4.2
<b>Total assets</b>	<b>163,522,541</b>	<b>163,441,470</b>	<b>163,345,673</b>	<b>-0.1</b>
Trading and derivatives portfolios	1,972,190	1,972,190	2,254,459	14.3
Financial liabilities at amortised cost	147,269,474	147,269,474	145,580,114	-1.1
Central banks	(2) 9,227,492	9,227,492	7,201,546	-22.0
Credit institutions	(2) 13,857,264	13,857,264	16,288,193	17.5
Customer deposits	99,362,908	99,362,908	98,208,370	-1.2
Capital markets	21,166,915	21,166,915	20,196,329	-4.6
Subordinated liabilities	1,089,046	1,089,046	1,012,362	-7.0
Other financial liabilities	2,565,849	2,565,849	2,673,314	4.2
Liabilities under insurance contracts	2,134,139	2,134,139	2,389,571	12.0
Provisions	664,246	664,246	395,215	-40.5
Other liabilities	1,266,067	995,830	1,510,362	51.7
<b>Subtotal liabilities</b>	<b>153,306,116</b>	<b>153,035,879</b>	<b>152,129,721</b>	<b>-0.6</b>
Shareholders' equity	(3) 10,037,368	10,226,534	10,223,743	0.0
Valuation adjustments	120,814	120,814	937,416	--
Minority interest	58,243	58,243	54,793	-5.9
<b>Equity</b>	<b>10,216,425</b>	<b>10,405,591</b>	<b>11,215,952</b>	<b>7.8</b>
<b>Total liabilities and equity</b>	<b>163,522,541</b>	<b>163,441,470</b>	<b>163,345,673</b>	<b>-0.1</b>

(1) Balances with financial institutions include the following amounts of repos: Euros 135 million at 31.12.13 and Euros 1,420 million at 31.12.14.

(2) Deposits with central banks and credit institutions include the following amounts of repos: Euros 5,183 million at 31.12.13 and Euros 7,429 million at 31.12.14.

(3) Includes mandatory convertible bonds (Euros 738 million at 31.12.13 and Euros 734 million at 31.12.14).

(4) Restated as a result of early application of IFRIC 21. Shown only for information purposes.

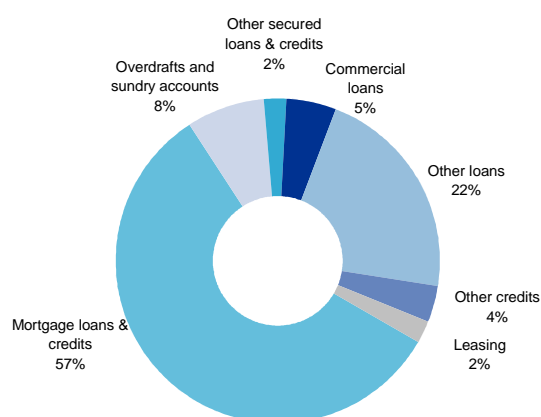
(5) 2013 reported figures.



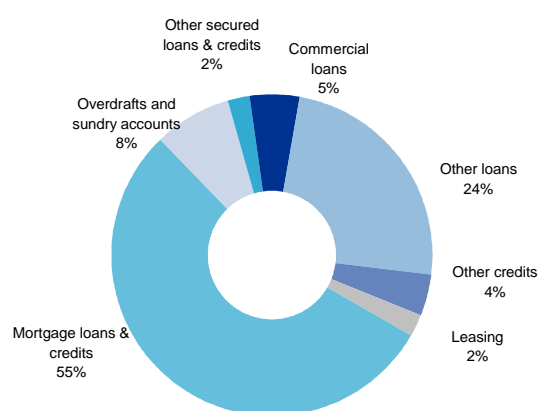
## Loans to customers

(€'000)	31.12.13	31.12.14	Change (%) YoY
Mortgage loans & credits	57,580,035	54,260,230	-5.8
Other secured loans & credits	2,358,314	2,155,279	-8.6
Commercial loans	4,756,581	4,867,272	2.3
Other loans	21,852,593	24,194,643	10.7
Other credits	3,684,520	4,188,075	13.7
Leasing	2,169,953	2,124,317	-2.1
Overdrafts and sundry accounts	7,867,591	7,738,268	-1.6
Non-performing loans	24,432,151	21,743,200	-11.0
Accruals	-86,805	-130,447	50.3
<b>Gross loans and advances to customers, excluding repos</b>	<b>124,614,933</b>	<b>121,140,837</b>	<b>-2.8</b>
Reverse repos	688,010	587,597	-14.6
<b>Gross loans and advances to customers</b>	<b>125,302,943</b>	<b>121,728,434</b>	<b>-2.9</b>
NPL and country-risk provisions	-12,374,053	-10,892,711	-12.0
<b>Loans to customers (net)</b>	<b>112,928,890</b>	<b>110,835,723</b>	<b>-1.9</b>
Pro memoria: total securitisation	17,349,918	12,938,909	-25.4
Mortgage backed	16,372,319	12,348,343	-24.6
Other securitised assets	977,599	590,566	-39.6
Of which: securitised after 01.01.04	15,672,353	12,284,506	-21.6
Mortgage backed	14,751,681	11,739,188	-20.4
Other securitised assets	920,672	545,318	-40.8

Loans and advances, 31.12.13 (%) (\*)

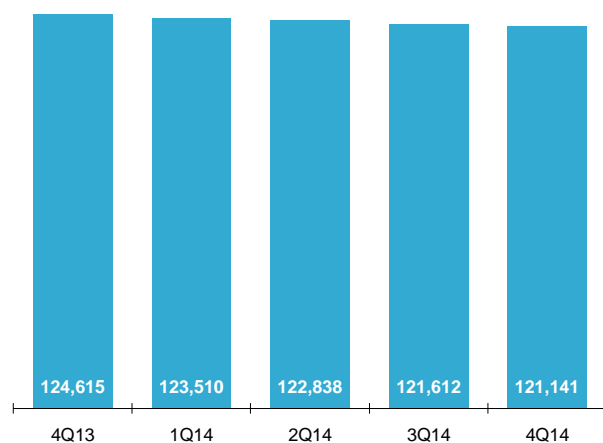


Loans and advances, 31.12.14 (%) (\*)

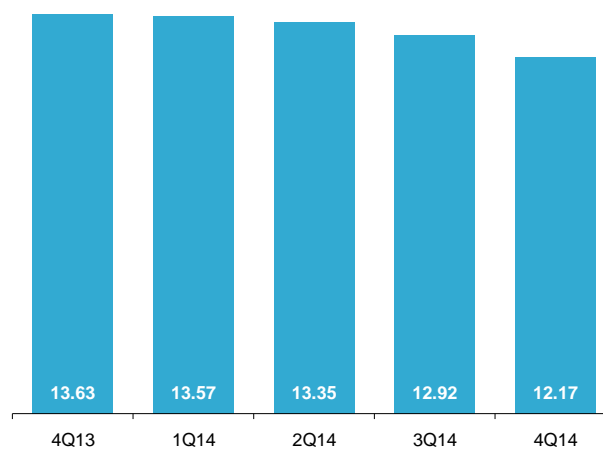


(\*) Excluding doubtful assets and accrual adjustments.

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



NPLs/Gross loans ratio excluding APS (%)



## Credit risk management

At the end of 2014, Banco Sabadell group's doubtful exposures, excluding assets covered by the Asset Protection Scheme (APS) arranged in the Banco CAM acquisition, amounted to €14,192.2 million, a decline of €756.3 million with respect to 30 September 2014 and of €1,829.3 million with respect to 31 December 2013. As of

31 December 2014, the NPL ratio (excluding the APS) was 12.17%, i.e. 75 basis points lower than as of 30 September 2014 and 146 basis points lower than as of 31 December 2013. The coverage ratio, expressed with respect to total exposure to loans and real estate, was 13.1% at the end of 2014 (8.8% excluding the APS).

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

BS group excl. APS

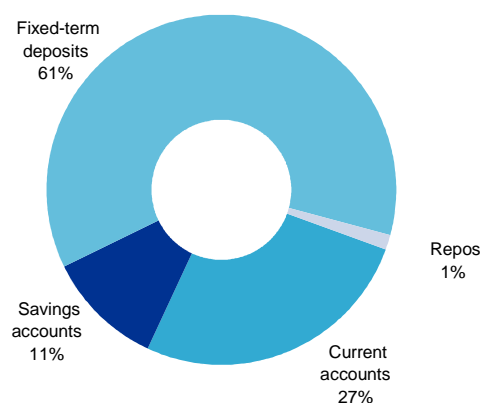
(€ million)	4Q13	1Q14	2Q14	3Q14	4Q14
Ordinary net increase	-12	-83	-203	-316	-457
Change in real estate	400	64	148	202	263
<b>Net increase plus real estate</b>	<b>388</b>	<b>-19</b>	<b>-55</b>	<b>-114</b>	<b>-194</b>
Defaults	51	265	97	224	298
<b>Quarterly change in doubtful balances and real estate</b>	<b>337</b>	<b>-284</b>	<b>-152</b>	<b>-338</b>	<b>-492</b>

## Funds under management

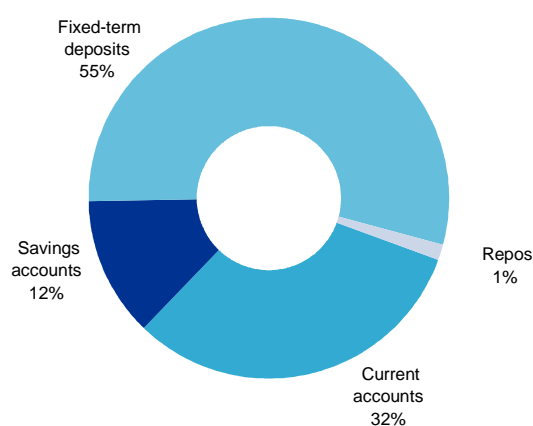
(€'000)		31.12.13	31.12.14	Change (%) YoY
<b>Customer-based funding on balance sheet</b>	(1)	<b>94,497,187</b>	<b>94,460,668</b>	<b>0.0</b>
Customer deposits		99,362,908	98,208,370	-1.2
Current accounts		26,260,652	31,098,746	18.4
Savings accounts		10,601,835	12,176,217	14.9
Fixed-term deposits		60,798,681	53,395,928	-12.2
Repos		1,347,184	1,291,799	-4.1
Accruals		611,168	447,697	-26.7
Derivative hedging adjustments		-256,612	-202,017	-21.3
Debt and other tradable securities		21,166,915	20,196,329	-4.6
Subordinated liabilities		1,089,046	1,012,362	-7.0
Liabilities under insurance contracts		2,134,139	2,389,571	12.0
<b>On-balance sheet funds</b>		<b>123,753,008</b>	<b>121,806,632</b>	<b>-1.6</b>
Mutual funds		11,018,570	15,705,612	42.5
Equity funds		584,740	953,518	63.1
Balanced funds		866,585	1,695,488	95.7
Fixed-income funds		2,474,177	3,829,651	54.8
Guaranteed return funds		2,788,376	3,793,940	36.1
Real estate funds		44,364	9,225	-79.2
Dedicated investment companies		1,420,342	1,725,078	21.5
Third-party funds		2,839,986	3,698,712	30.2
Managed accounts		1,927,634	2,918,071	51.4
Pension funds		4,356,291	4,334,615	-0.5
Individual		2,857,495	2,861,552	0.1
Company		1,478,333	1,456,994	-1.4
Group		20,463	16,069	-21.5
Third-party insurance products		8,067,355	7,420,511	-8.0
<b>Funds under management</b>		<b>149,122,858</b>	<b>152,185,441</b>	<b>2.1</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.

Customer deposits, 31.12.13 (%) (\*)

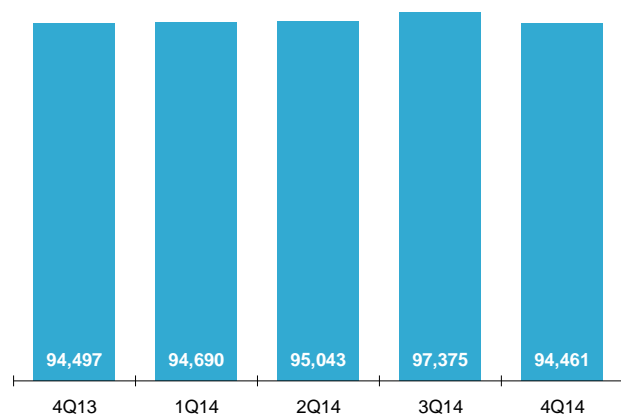


Customer deposits, 31.12.14 (%) (\*)

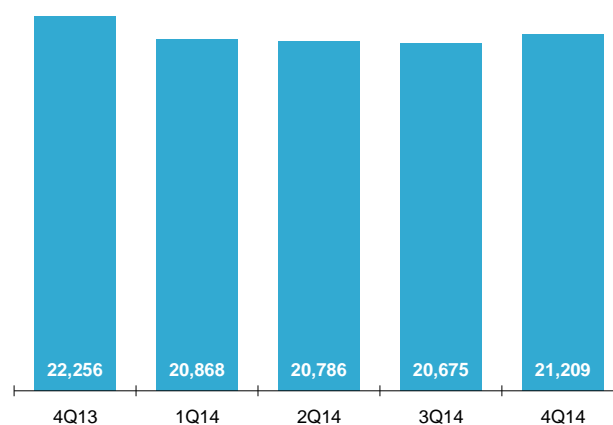


(\*) Excluding adjustments for accruals and hedges with derivatives.

Customer-based funding on balance sheet (€mn)



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



## Shareholder's equity

(€'000)	31.12.13	31.12.14	Change (%) YoY
	(2)		
Shareholders' equity	10,226,534	10,223,743	0.0
Issued capital	501,435	503,058	0.3
Reserves	8,796,233	8,702,253	-1.1
Other equity instruments	738,476	734,131	-0.6
Less: treasury shares	-57,442	-87,376	52.1
Attributable net profit	247,832	371,677	50.0
Less: dividends and payments	0	0	--
Valuation adjustments	120,814	937,416	--
Minority interest	58,243	54,793	-5.9
<b>Equity</b>	<b>10,405,591</b>	<b>11,215,952</b>	<b>7.8</b>

(1) Mandatory convertible bonds.  
 (2) 2013 reported figures.

## Capital ratios

(€000)	Basilea II 31.12.13 (2)	Basilea III 31.12.13	Basilea III 31.12.14
Issued capital	501,435	501,435	503,058
Reserves	8,869,879	8,891,722	8,855,717
Mandatory convertible bonds	860,150	0	0
Minority interest	37,191	40,845	28,919
Deductions	-1,552,651	-599,027	-684,483
<b>Core capital / Common equity</b>	<b>8,716,004</b>	<b>8,834,975</b>	<b>8,703,211</b>
<b>Core capital / Common equity</b>	<b>12.0%</b>	<b>11.0%</b>	<b>11.7%</b>
Mandatory convertible bonds (1)	0	957,117	824,864
Preference shares and deductions	-2,529	-957,117	-824,864
<b>Primary capital</b>	<b>8,713,475</b>	<b>8,834,975</b>	<b>8,703,211</b>
<b>Tier I</b>	<b>12.0%</b>	<b>11.0%</b>	<b>11.7%</b>
<b>Secondary capital</b>	<b>587,864</b>	<b>885,874</b>	<b>838,681</b>
<b>Tier II</b>	<b>0.8%</b>	<b>1.1%</b>	<b>1.1%</b>
Total capital	9,301,339	9,720,849	9,541,892
Minimum capital requirement	5,830,103	5,830,103	5,953,425
Capital surplus	3,471,236	3,890,746	3,588,467
<b>BIS ratio</b>	<b>12.8%</b>	<b>12.1%</b>	<b>12.8%</b>
<b>Risk weighted assets (RWA)</b>	<b>72,876,287</b>	<b>80,189,579</b>	<b>74,417,813</b>

(1) They will be mandatorily converted into shares in accordance with the following schedule: €738.7 million in 2015, €68.6 million in 2016 and €17.6 million in 2017.

(2) 2013 reported figures.

## Credit ratings

Agency	Date	Long term	Short term	Outlook	Strength
DBRS	09.01.2015	A (low)	R-1 (low)	Negative	
Standard & Poor's <sup>(1)</sup>	27.01.2015	BB+	B	Negative	
Moody's	23.10.2014	Ba2	NP	Negative	D-

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

On 27 November 2014, Standard & Poor's Rating Services upgraded Banco Sabadell's long-term rating by +1 notch to BB+ (from BB) and affirmed its short-term rating at B.

The agency assigned a negative outlook due to the possible reduction in government support for European banks when the bank resolution framework is introduced.

The rating upgrade was based on the agency's view that Banco Sabadell's credit quality has improved in the context of lower economic risk for the Spanish banking system, which S&P expect will continue to increase capital ratios as a result of the steady improvement in returns in the banking business.

As for hybrid instruments, the subordinated debt rating was upgraded by +1 notch to B (from B-) while the CCC rating of the preference shares was affirmed.

On 18 December 2014, DBRS Rating Limited upgraded Banco Sabadell's mortgage covered bonds by +2 notches to AA (low), from A.

This rating action was the result of implementing the new DBRS methodology, Rating European Covered Bonds, and of the high level of overcollateralisation, the capacity to generate sufficient payment flows for the mortgage covered bonds, and higher recovery prospects.

## Results by business units

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

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

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

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

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

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

31.12.2013	Gross operating income (€'000)	Profit before tax (€'000)	Average total assets (€'000)	ROE	Cost / income ratio	Employees	Domestic branches
Commercial banking	1,878,358	295,202	77,135,522	7.0%	67.0%	13,225	2,356
Corporate banking	198,913	81,855	11,059,193	8.0%	13.2%	110	2
Banca Privada	51,838	13,878	1,085,899	29.1%	69.5%	269	12
Investment management	29,015	8,811	11,018,570 (**)	29.0%	69.6%	147	--
Asset Transformation	32,287	-1,044,816	26,741,824	-39.9%	--	807	--
<b>Total</b>		<b>-645,070 (*)</b>					

31.12.2014	Gross operating income (€'000)	Profit before tax (€'000)	Average total assets (€'000)	ROE	Cost / income ratio	Employees	Domestic branches
Commercial banking	2,337,769	347,881	80,102,844	8.0%	57.6%	12,562	2,253
Corporate banking	198,880	70,048	10,377,485	7.1%	13.4%	113	2
Banca Privada	65,305	29,674	1,012,720	59.3%	56.1%	271	12
Investment management	42,448	21,902	15,705,612 (**)	59.9%	48.4%	145	--
Asset Transformation	3,377	-997,472	20,767,369	-39.3%	--	668	--
<b>Total</b>		<b>-527,967 (*)</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

	31.12.13	31.12.14	Change (%) YoY
	(1)		
<b>Shareholders and trading</b>			
Number of shareholders	262,589	231,481	-11.8
Number of shares	4,011,481,581	4,024,460,614	0.3
Average daily trading volume (number of shares)	15,512,282	27,272,221	75.8
<b>Share price (€)</b>			
Opening session (of the year)	1.975	1.896	
High (of the year)	2.160	2.713	
Low (of the year)	1.260	1.820	
Closing session (end of quarter)	1.896	2.205	
Market capitalisation (€ '000)	7,605,769	8,873,936	
<b>Stock market multiples</b>			
Earnings per share (EPS) (€)	0.06	0.09	
Book value per share (€)	2.55	2.54	
Price /Book value (times)	0.74	0.87	
Price /earnings ratio (P/E) (times)	30.69	23.88	
Including conversion of convertible bond:			
Fully diluted number of shares including conversion of convertible bond	4,298,634,476	4,289,732,386	
Earnings per share (EPS) (€)	0.06	0.09	
Book value per share (€)	2.38	2.38	
Price /Book value (times)	0.80	0.93	

(1) 2013 reported figures.