

ALBANIA: LEK
 ANDORRA: EURO
 AUSTRIA: EURO
 BELARUS: BELARUSIAN RUBLE
 BELGIUM: EURO
 BOSNIA AND HERZEGOVINA: CONVERT. MARK
 BULGARIA: LEV
 CROATIA: KUNA
 CYPRUS: EURO
 CZECH REPUBLIC: CZECH KORUNA
 DENMARK: DANISH KRONE
 ESTONIA: EURO
 FINLAND: EURO
 FRANCE: EURO
 GERMANY: EURO
 GREECE: EURO
 HUNGARY: FORINT
 ICELAND: ICELANDIC KRÓNA
 IRELAND: EURO
 ITALY: EURO
 LIECHTENSTEIN: SWISS FRANC
 LITHUANIA: LITAS
 LUXEMBOURG: EURO
 MACEDONIA: MACEDONIAN DENAR
 MALTA: EURO
 MOLDOVA: MOLDOVAN LEU
 MONACO: EURO
 MONTENEGRO: EURO
 NETHERLANDS: EURO
 NORWAY: NORWEGIAN KRONE
 POLAND: ZLOTY
 PORTUGAL: EURO
 ROMANIA: ROMANIAN LEU
 RUSSIA: RUSSIAN RUBLE
 SAN MARINO: EURO
 SERBIA: SERBIAN DINAR
 SLOVAKIA: EURO
 SLOVENIA: EURO
 SPAIN: EURO
 SWEDEN: SWEDISH KRONA
 SWITZERLAND: SWISS FRANC
 TURKEY: TURKISH LIRA
 UKRAINE: UKRAINIAN HRYVNYA
 UNITED KINGDOM: POUND STERLING
 VATICAN CITY: EURO

ANTIGUA AND BARBUDA: EAST CAR. DOLLAR
 ARGENTINA: PESO
 BAHAMAS: BAHAMIAN DOLLAR
 BARBADOS: BARBADIAN DOLLAR
 BELIZE: BELIZE DOLLAR

BOLIVIA: BOLIVIANO
 BRAZIL: REAL
 CANADA: CANADIAN DOLLAR
 CHILE: PESO
 COLOMBIA: PESO
 COSTA RICA: COSTA RICAN COLÓN
 CUBA: CUBAN PESO
 DOMINICA: EAST CARIBBEAN DOLLAR
 DOMINICAN REPUBLIC: PESO
 ECUADOR: UNITED STATES DOLLAR
 EL SALVADOR: UNITED STATES DOLLAR
 GRENADA: EAST CARIBBEAN DOLLAR
 GUATEMALA: QUETZAL
 GUYANA: GUYANESE DOLLAR
 HAITI: GOURDE
 HONDURAS: LEMPIRA
 JAMAICA: JAMAICAN DOLLAR
 MEXICO: PESO
 NICARAGUA: CÓRDOBA
 PANAMA: BALBOA
 PARAGUAY: GUARANÍ
 PERU: NUEVO SOL
 SAINT KITT'S AND NEVIS: EAST CARIBBEAN DOLLAR
 SAINT LUCIA: EAST CARIBBEAN DOLLAR
 ST. VINCENT AND THE GRENADINES: EAST CAR. DOLLAR
 SURINAME: SURINAMESE DOLLAR
 TRINIDAD AND TOBAGO: TRINIDAD AND TOBAGO DOLLAR
 UNITED STATES: UNITED STATES DOLLAR
 URUGUAY: URUGUAYAN PESO
 VENEZUELA: BOLIVAR FUERTE

AFGHANISTAN: AFGHANI
 ARMENIA: DRAM
 AZERBAIJAN: MANAT
 BAHRAIN: BAHRAINI DINAR
 BANGLADESH: TAKA
 BHUTAN: BHUTANESE NGULTRUM
 BRUNEI: BRUNEI DOLLAR
 CAMBODIA: RIEL
 CHINA: YUAN
 GEORGIA: LARI
 INDIA: INDIAN RUPEE
 INDONESIA: RUPIAH
 IRAN: RIAL
 IRAQ: IRAQI DINAR
 ISRAEL: ISRAELI NEW SHEKEL
 JAPAN: YEN
 JORDAN: JORDANIAN DINAR
 KAZAKHSTAN: TENGE
 NORTH COREA: NORTH COREAN WON
 SOUTH COREA: SOUTH COREAN WON

KUWAIT: KUWAITI DINAR
 KYRGYZSTAN: SOM
 LAOS: KIP
 LEBANON: LEBANESE POUND
 MALAYSIA: RINGGIT
 MALDIVES: MALDIVIAN RUFUYAA
 MONGOLIA: TÖGRÖG
 MYANMAR: KYAT
 NEPAL: NEPALESE RUPEE
 OMAN: RIAL
 PAKISTAN: PAKISTANI RUPEE
 PHILIPPINES: PESO
 QATAR: RIYAL
 SAUDI ARABIA: SAUDI RIYAL
 SINGAPORE: SINGAPORE DOLLAR
 SRI LANKA: SRI LANKAN RUPEE
 SYRIA: SYRIAN POUND
 TAIWAN: NEW TAIWAN DOLLAR
 TAJIKISTAN: SOMONI
 THAILAND: BAHT
 TIMOR: LESTE, UNITED STATES DOLLAR
 TURMEKISTAN: TURKMEN NEW MANAT
 UNITED ARAB EMIRATES: UAE DIRHAM
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 VIETNAM: DONG
 YEMEN: YEMENI RIAL

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 GABON: CFA FRANC
 GAMBIA: DALASI
 GHANA: GHANAIAI CEDI
 GUINEA: GUINEAN FRANC
 GUINEA BISSAU: CFA FRANC
 KENYA: KENYAN SHILLING

LESOTHO: LOTI
 LIBERIA: LIBERIAN DOLLAR
 LIBYA: LIBYAN DINAR
 MADAGASCAR: MALAGASY ARIARY
 MALAWI: MALAWIAN KWACHA
 MALI: CFA FRANC
 MAURITANIA: MAURITANIAN OUGUIYA
 MAURITIUS: MAURITIAN RUPEE
 MOROCCO: MOROCCAN DIRHAM
 MOZAMBIQUE: MOZAMBICAN METICAL
 NAMIBIA: NAMIBIAN DOLLAR
 NIGER: CFA FRANC
 NIGERIA: NIGERIAN NAIRA
 REPUBLIC OF CONGO: CFA FRANC
 RWANDA: RWANDAN FRANC
 SÃO TOMÉ AND PRÍNCIPE: DOBRA
 SENEGAL: CFA FRANC
 SEYCHELLES: SEYCHELLOIS RUPEE
 SIERRA LEONE: LEONE
 SOMALIA: SOMALI SHILLING
 SOUTH AFRICA: SOUTH AFRICAN RAND
 SOUTH SUDAN: SOUTH SUDANESE POUND
 SUDAN: SUDANESE POUND
 SWAZILAND: LILANGENI
 TANZANIA: TANZANIAN SHILLING
 TÔGO: CFA FRANC
 TUNISIA: TUNISIAN DINAR
 UGANDA: UGANDAN SHILLING
 ZAMBIA: ZAMBIAN KWACHA
 ZIMBABWE: UNITED STATES DOLLAR

AUSTRALIA: AUSTRALIAN DOLLAR
 FIJI: FIJIAN DOLLAR
 KIRIBATI: AUSTRALIAN DOLLAR
 MARSHALL ISLANDS: UNITED STATES DOLLAR
 FEDERATES STATES OF MICRONESIA: U. S. DOLLAR
 NAURU: AUSTRALIAN DOLLAR
 NEW ZEALAND: NEW ZEALAND DOLLAR
 PALAU: UNITED STATES DOLLAR
 PAPUA NEW GUINEA: PAPUA NEW GUINEAN KINA
 SAMOA: TALA
 SOLOMON ISLANDS: SOLOMON ISLANDS DOLLAR
 TONGA: PA'ANGA
 TUVALU: AUSTRALIAN DOLLAR
 VANUATU: VANUATU VATU

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Key figures in 2014

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Financial key figures

€'000

Key data	2014	2013 (*)	% 14/13
Shareholders' equity	10,223,743	10,037,368	1.9
Total assets	163,345,673	163,522,541	(0.1)
Gross loans and advances to customers, excluding repos	121,140,838	124,614,933	(2.8)
Loans and advances to customers - gross	121,728,435	125,302,943	(2.9)
On-balance sheet funds	121,806,632	123,753,008	(1.6)
Customer deposits on balance sheet	94,460,668	94,497,187	(0.0)
Mutual funds	15,705,612	11,018,570	42.5
Pension funds and third-party insurance products	11,755,126	12,423,646	(5.4)
Funds under management	152,185,441	149,122,858	2.1

€'000

Income statement	2014	2013 (*)	% 14/13
Net interest income	2,259,706	1,814,694	24.5
Gross income	4,800,526	3,831,198	25.3
Profit pre provisions	2,749,104	1,879,690	46.3
Net attributable profit	371,677	145,915	154.7

Resources	2014	2013
Number of branches	2,320	2,418
Number of employees	17,529	18,077

%

Ratios	2014	2013 (*)
Profitability and efficiency		
ROA (net profit / average total assets)	0.23	0.10
ROE (profit attributable to group / average shareholders' equity)	3.70	1.58
ROTE (profit attributable to group / average shareholders' equity less goodwill)	4.14	1.75
Cost:income (**)	53.14	64.19
Cost:income ratio excluding non-recurring expenses (**)	51.93	62.28
Capital ratios (BIS) (***)		
Core capital	11.7	11.7
Tier I	11.7	11.7
BIS Ratio	12.8	12.5
Risk management		
Non-performing loans (€'000) (***)	14,192,150	16,021,491
Loan loss ratio (****)	12.17	13.63
Reserves for NPLs and real estate (€'000)	17,441,989	18,341,298
Overall coverage ratio (*****)	13.1	13.6

Shares	2014	2013 (*)
Number of shares	4,024,460,614	4,011,481,581
Number of shareholders	231,481	262,589
Share price (€)	2.205	1.896
Attributable earnings per share (€)	0.092	0.036
Attributable earnings per share adjusted for effect of mandatory convertible bonds (€)	0.087	0.034

(*) Restated as a result of early application of IFRIC 21.

(**) 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.

(***) 2013 ratios in accordance with Basel II. Data at 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.

(****) The figures and percentages shown do not include assets covered by the Asset Protection Scheme (APS).

(*****) Shows provision as a percentage of total exposure to loan and real estate portfolios.

Non-financial key figures

Non-financial key figures: main sustainability indicators	2014	2013	% 14/13
Banco Sabadell customer service quality index (*)	7.16	6.89	3.9
Banco Sabadell staff satisfaction index (%) (**)	—	66	—
Gender diversity of the staff (women/total staff) (%)	50.1	50.0	0.2
Employees with indefinite contract (*)	99.8	98.5	1.2
Hours of training per employee	33.62	25.55	31.6

(*) Source: STIGA, EQUOS *Análisis de Calidad Objetiva en Redes Comerciales Bancarias* (4Q 2014). The industry average rating was 6.29 in 2014 and 6.03 in 2013.

(**) 66% of employees responded to the final question in the 2013 employee satisfaction survey that "All things considered, I would say it is an excellent place to work". No employee satisfaction survey was conducted in 2014. A survey will be conducted in 2015.

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GAMBIA: DALASI
GHANA: GHANAIAN CEDI
GUINEA: GUINEAN FRANC
GUINEA BISSAU: CFA FRANC
KENYA: KENYA SHILLING



Chairman's message

Dear shareholder,

Banco Sabadell ended 2014, the first year of the 2014-2016 Triple Business Plan, with growth in profits, driven by an improvement in net interest income coupled with cost containment.

The macroeconomic and financial context was more favourable in 2014, as the European Central Bank took on a new role in its mission to safeguard financial stability, by announcing monetary expansion policies which have materialized this year, and with the entry into operation of the new European System of Financial Supervision. Together with Basel III, the European Banking Authority and the Single Resolution Mechanism, it comprises the new regulatory and institutional framework of the Euro area's financial system. The implementation of the Single Supervisory Mechanism and monetary expansion measures, consisting of massive purchases of Euro area government bonds plus funding to banking institutions as a function of their lending availability, have eased financial conditions in the market and led to a steady decline of interest rates to hitherto unseen levels. This also contributed to a decline in country risk premia, substantially reducing the market fragmentation of previous years.

In addition to these internal conditions in the Euro area, there was also a positive exogenous impact of lower energy prices and the strong dollar, favouring exports. The recovery is visible, and there is every indication that it will pick up momentum in 2015 and 2016, creating a context of positive expectations, marred only by Greek debt risks in Europe and geopolitical risk factors, which are becoming increasingly serious, such as the conflict in Ukraine and wars related to radical Islamism.

In Spain, the economic recovery is gaining traction, driven by more favourable funding conditions and the resolution of the financial sector's most pressing problems.

Banco Sabadell worked especially hard in 2014, resulting in a notable improvement in profitability, with net profit amounting to €371.7 million, while progress was made in restoring balance sheet health and in selling properties acquired as a result of the real estate crisis.

Banco Sabadell also performed well in the European stress tests prior to the implementation of the new European supervisory system. The first portion of the tests — the Asset Quality Review — consisted of an analysis of banks' financial statements. Of all of the European banks analysed, just 15 did not require any adjustments. Banco Sabadell was among them and, moreover, was the only Spanish bank in that group. The second part of the tests sought to confirm that the Bank had sufficient capital to weather various distressed scenarios, which included very adverse conditions. Indubitably, the capital increase in September 2013 provided the necessary support to sustain the new size acquired by the Bank during banking consolidation in the crisis, and also strengthened the ratios required by regulators and the market.

The stress tests confirmed the soundness of Banco Sabadell's active approach to managing capital and liquidity, validating it to address the challenges of the future. Banco Sabadell's core capital (CE Tier 1) ratio was 11.7% at the end of 2014.

It was the first year in which the Bank evidenced the earnings trend during the Triple business plan; that performance is based on growth in business volumes and improvements in margins, with a view to returning to normal levels of earnings in the current context of interest rates and risk appetite. Due to active management of customer spreads, net interest income increased steadily during the year to €2,259.7 million, 24.5% more than in 2013.

The policies applied to contain personnel and administrative costs while generating synergies in absorbing the acquisitions enabled the Bank to reduce operating costs by 4.4% year-on-year, in like-for-like terms.

Although gross loans and advances to customers, excluding repos, fell 2.8% in year-on-year terms, to €122,140.8 million, there were signs of a revival in demand for credit, especially in the fourth quarter of 2014. New loan production, the good pace of deposit-taking, and sales of value-added products reflect notable growth among both individuals and companies.

Intensive risk management and property sales — which exceeded the target for the first year of the Triple plan by 10.3% — supported the ongoing reduction of problematic assets. For the first time since the crisis began, the volume of assets reclassified as problematic declined, quarter on quarter, for the entire year, accelerating the improvement in the NPL ratio. The NPL coverage ratio remained above 50%.

2014 was the first year of a three-year plan aimed at changing the institution's profile, by implementing strategies that constitute the essence of the Bank's development in the medium term, following the consolidation process and the resolution of financial institutions in Spain: development of our business model based on relationship banking and closeness, underpinned by new technology and internationalization.

The internal transformation of work systems and customer relations, together with preparing the Bank to address the challenge of digital competition, is one of the central pillars of the Triple plan, leveraging the information in our databases to provide better service and meet the needs of our customers at different points in their professional and business lives.

In recent years, sizeable technical resources have been devoted to integration processes, and also to developing talent at the Bank, which will enable it to expand by seizing opportunities while acquiring the necessary skills to address the challenges arising from changes in customers' habits in a world of digitized information.

Internationalization is the other key factor driving the Bank's future under the Triple Plan. Turning the institution into an international bank is a strategic decision to better offset risks, while also establishing parallel projects where our management capacity can add value. The integration of banks in recent years puts Banco Sabadell in a position to leverage the newly-acquired size in Spain, and also offers a competitive advantage as a result of the technological experience acquired by our teams, who are capable of contributing value to projects in other countries. The integrations in the US prove this.

In 2014, the Bank launched a new finance venture in Mexico, focused on corporate banking and structured finance. It is a market with growth potential, in which the Bank has had a presence since 1991 through a branch in Mexico City. At this time, Mexico is an additional focus of the internationalization strategy, as Banco Sabadell diversifies and expands into Latin American countries with which it is already familiar.

In April 2015, Banco Sabadell presented a tender offer for all of the shares of TSB Banking Group plc (TSB), one of the largest challenger banks in the UK. The TSB operation is an important milestone in the Bank's history. It's a European bank, outside of the Euro area, whose focus on retail investors and small businesses is aligned with Banco Sabadell's expertise and experience. The bid has the support of the Board of Directors of TSB, which has recommended that its shareholders accept it. The takeover is ongoing, pending authorisation by the authorities.

Banco Sabadell's actions will continue to be guided by the principles of transparency and integrity, which form the basis of our reputational capital, are an essential part of our Group's business culture and represent distinctive values for business development. Underpinned by our values and ethical principles, Banco Sabadell will continue working to build a future which guarantees a positive impact on society.

The Annual Report contains financial information and details of how our business performed, as well as the Group's business model, risk management and strategy. The day-to-day contribution, dedication and professionalism of all Banco Sabadell employees have been vital for building what is today one of Spain's leading financial institutions, and they are a priority for continuing to advance towards achieving our goals.

In 2015, Banco Sabadell is focused on executing the 2014-2016 Triple Plan, while maintaining the high levels of service quality for which it is renowned.

Josep Oliu Creus

Chairman

Banco Sabadell Group



Bankers since 1881, Banco Sabadell has remained faithful to its origins.

Who we are

Established in 1881, Banco Sabadell is, today one of the main entities of the financial system, Spain's fifth largest banking group, and holds an important position in the personal and business banking market.

With a young, well qualified staff and equipped with the most up-to-date technology and business systems, Banco Sabadell's operating model is focused on its dual aim of being its customers' main bank and building relationships based on quality and commitment. With a strong focus on lasting and profitable relationships, Banco Sabadell supports its customers through every phase of their financial lives by following a multi-brand, multi-channel and multi-product strategy, providing options and channels that meet their needs and offering a full range of products and services favourable to long-term customer retention.

The Bank's development objectives are focused on profitable growth and the creation of shareholder value through a strategy of business diversification that is subject to periodic review based on quality of service, quality of risk, efficiency and profitability while maintaining high standards of ethics and professional conduct combined with sensitivity to stakeholders' interests.

Historical background and recent acquisitions

Since 1996, Banco Sabadell has embarked on a policy of rapid expansion which was particularly notable in recent years, during which it experienced a very major increase in scale.

G1 Landmark developments

A group of 127 businessmen and traders set up the Bank in the town of Sabadell to provide funding for local industry.	Acquisition of NatWest Spain Group and Banco de Asturias.	Successful bid for Banco Atlántico.	Acquisition of Banco Urquijo.	The Bank acquires BBVA's private banking business in Miami, USA. Sells 50% of its insurance interests.	The Bank launches a takeover bid for 100% of Banco Guipuzcoano.	Acquisition of Banco CAM and creation of Sabadell Urquijo BP.	The Bank begins operations in Mexico.
1881	1996	2003	2006	2008	2010	2012	2014
1965	2001	2004	2007	2009	2011	2013	
Steady expansion of branch network begins.	Banco Sabadell is listed on the stock exchange. The Bank acquires Banco Herrero.	A capital increase puts the Bank in the IBEX-35 league. Integration of Banco Atlántico IT and business systems.	Acquisition of TransAtlantic Bank (Miami).	Acquisition of Mellon United National Bank.	The Bank acquires the assets and liabilities of Lydian Private Bank (Florida) and announces the takeover of Banco CAM.	Acquisition of Caixa Penedès and Banco Gallego branches and Lloyds Banking Group's Spanish operations.	

G2 Banco Sabadell - foreign market presence



● Branches

United Kingdom
USA
France
Morocco

● Representative offices

Algiers (Algeria)
Sao Paulo (Brazil)
Beijing (China)
Shanghai (China)
New York (USA)
Dubai (UAE)
New Delhi (India)
Mexico City (Mexico)
Warsaw (Poland)
Singapore

● Foreign subsidiaries and key equity investments

Andorra
USA
Portugal
Mexico

Banco Sabadell achieved a significant increase in scale in recent years.

	2007	2010	2014	2014/2007
Assets	76,776	97,099	163,346	X 2.1
Loans and advances (*)	63,165	73,058	121,141	X 1.9
Deposits (**)	34,717	49,374	94,461	X 2.7
Branches in Spain	1,225	1,428	2,267	X 1.9
Employees	10,234	10,777	17,529	X 1.7

T1 Banco Sabadell - changes
in key numbers (€Mn.)

(*) Gross loans and advances excluding repos.

(**) On-balance sheet customer funds.

Banco Sabadell has always been seen by customers as a vital partner in cross-border transactions and foreign trade. The Bank's current 3-year plan (Triple — see the section on "Strategy" below) includes international expansion as a key theme. The Bank commenced operations in Mexico in June 2014, with the result that it had a presence in 17 countries through branches, representative offices, subsidiaries and equity holdings at the end of 2014.

Mission and values

Banco Sabadell's mission is to develop its business as a full-service bank with a focus on specialization based on a programme of selective growth and a customer-centred approach.

Banco Sabadell believes in long-term relationships centred on values such as trust, authenticity and communication. This means that it manages its affairs at all times according to a series of corporate values, namely: a desire to serve, closeness, flexibility, business focus, innovation, professionalism, ethical conduct and social responsibility, austerity, prudence and teamwork.

Corporate governance and General Management

The Board of Directors is the highest decision-making body in the Company and its consolidated group and is responsible under the law and the Articles of Association for the management and representation of the Company. The Board of Directors acts mainly as an instrument of supervision and control, and delegates the management of ordinary business matters of the Company to the executive organs and management team.

The Board of Directors is regulated by clear, transparent rules of governance, specifically the Articles of Association and the Board's Rules of Procedure, which conform to corporate governance standards.

The Bank's Articles of Association, the Board's Rules of Procedure and the Annual Report on Corporate Governance can be viewed on the Bank's web site (www.grupobancosabadell.com).

Composition of the Board and Board committees

The members of the Board and Board committees at 2014 year-end were as follows:

Board of Directors

Chairman and CEO

Josep Oliu Creus

Deputy Chairmen

José Manuel Lara Bosch

José Javier Echenique Landiribar

Managing Director

(Consejero delegado)

Jaime Guardiola Romojaro

Directors

Héctor María Colonques Moreno

Joaquín Folch-Rusiñol Corachán

M. Teresa García-Milà Lloveras

Joan Llonch Andreu

David Martínez Guzmán

José Manuel Martínez Martínez

José Ramón Martínez Sufrategui

Antonio Vitor Martins Monteiro

José Permanyer Cunillera

Director-General Manager

José Luis Negro Rodríguez

Secretary

Miquel Roca i Junyent

Deputy Secretary to the Board

María José García Beato

T2 Board Committees - Membership

Position	Executive	Audit and Control	Appointments and Remuneration	Risk Control	Strategy
Chairman	Josep Oliu Creus	Joan Llonch Andreu	Héctor María Colonques Moreno	José Manuel Martínez Martínez	Josep Oliu Creus
Deputy Chairman	—	—	—	José Permanyer Cunillera	—
Member	José Javier Echenique Landiribar	María Teresa García-Milà Lloveras	José Manuel Lara Bosch	María Teresa García-Milà Lloveras	José Manuel Lara Bosch
Member	Jaime Guardiola Romojaro	José Ramón Martínez Sufrategui	José Javier Echenique Landiribar	Joan Llonch Andreu	José Javier Echenique Landiribar
Member	José Luis Negro Rodríguez	—	Joaquín Folch-Rusiñol Corachán	—	Jaime Guardiola Romojaro
Member	José Permanyer Cunillera	—	—	—	Joaquín Folch-Rusiñol Corachán
Member	—	—	—	—	José Manuel Martínez Martínez
Secretary	María José García Beato	Miquel Roca i Junyent	Miquel Roca i Junyent	María José García Beato	Miquel Roca i Junyent

General Management

Management Committee

Chairman and CEO

Josep Oliu Creus

Managing Director

(Consejero delegado)

Jaime Guardiola Romojaro

Director-General Manager

José Luis Negro Rodríguez

Secretary-General

María José García Beato

General Manager (CFO)

Tomás Varela Muiña

General Manager (COO)

Miguel Montes Güell

Deputy General Manager

Carlos Ventura Santamans

Deputy General Manager

Fernando Pérez-Hickman

Operating Divisions

Commercial Banking

Carlos Ventura Santamans

Deputy General Manager

Eduardo Currás de Don Pablos

Manuel Tresánchez Montaner

Silvia Ávila Rivero

Assistant General Managers

Markets and Private Banking

Ramón de la Riva Reina

Deputy General Manager

Cirus Andreu Cabot

Alfonso Ayuso Calle

Assistant General Managers

Sabadell America

Fernando Pérez-Hickman

Deputy General Manager

Corporate Banking and Global

Businesses

Enric Rovira Masachs

Assistant General Manager

Asset Transformation and Solvia

Miguel Montes Güell

General Manager (COO)

Regional Divisions

Catalonia Region

Luis Buil Vall

Assistant General Manager

Central Region

Blanca Montero Corominas

Assistant General Manager

Eastern Region

Jaime Matas Vallverdú

Assistant General Manager

Northeast Region

Pablo Junceda Moreno

Assistant General Manager

Northern Region

Pedro E. Sánchez Sologaistua

Assistant General Manager

Southern Region

Juan Krauel Alonso

Assistant General Manager

Central Service Divisions

Risks

José Luis Negro Rodríguez

Director-General Manager (CRO)

Rafael José García Nauffal

Assistant General Manager

General Secretary

María José García Beato

Secretary-General

Gonzalo Baretino Coloma

Assistant General Manager

Chief Financial Officer

Tomás Varela Muiña

General Manager (CFO)

Sergio Palavecino Tomé

Assistant General Manager

Operations and Corporate

Development

Miguel Montes Güell

General Manager (COO)

Federico Rodríguez Castillo

Assistant General Manager

Corporate Operations

Joan M. Grumé Sierra

Assistant General Manager

Equity investments

Ignacio Camí Casellas

Assistant General Manager

Communication and Institutional

Relations

Ramon Rovira Pol

Assistant General Manager

Human Resources

Javier Vela Hernández

Assistant General Manager

Internal Audit

Nuria Lázaro Rubio

Assistant General Manager

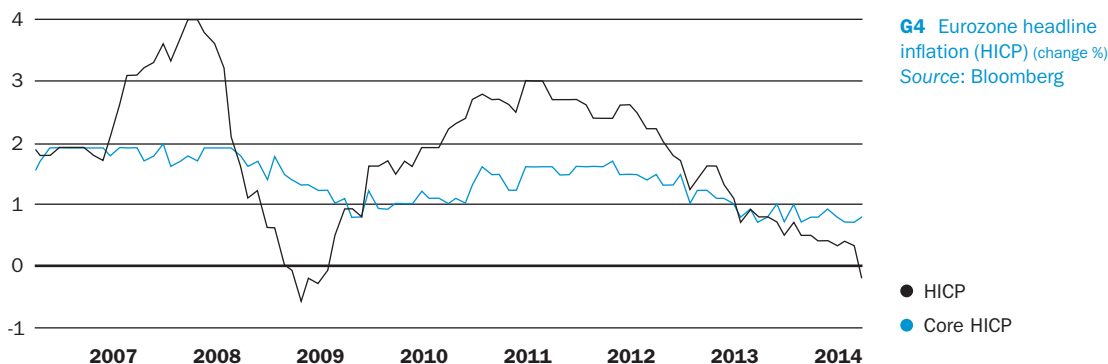
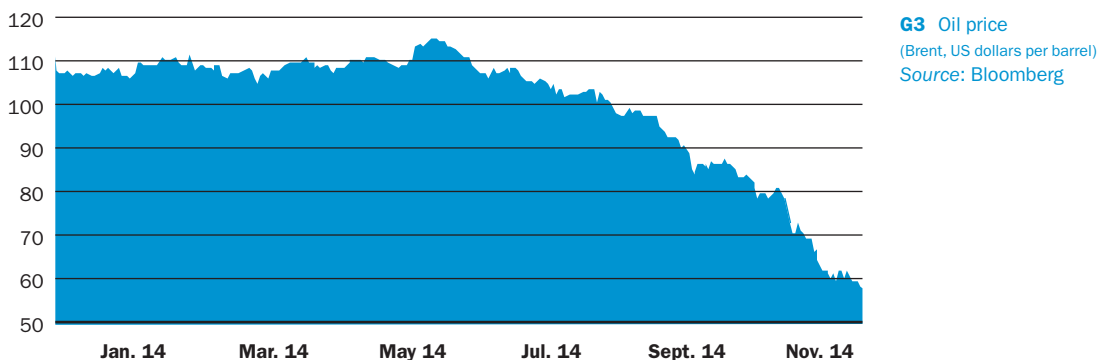
In 2014 the Spanish economy did well compared with other European economies. Activity recovered and employment was created for the first time since 2008.

The establishment of a Single Supervision Mechanism (SSM) and the assumption by the ECB of its mandate as a single bank supervisor in 2014 are key milestones in the process of establishing a banking union.

Europe took decisive steps towards banking union after reaching agreement on setting up a single bank resolution mechanism and fund. The ECB assumed its new banking supervisory responsibilities after carrying out a comprehensive assessment of the European banking system.

Political and geopolitical developments were a major focus of attention. Geopolitical tensions flared in the Middle East and, especially, in Ukraine.

The world economy was characterized by modest growth, with inflation remaining at a low level.



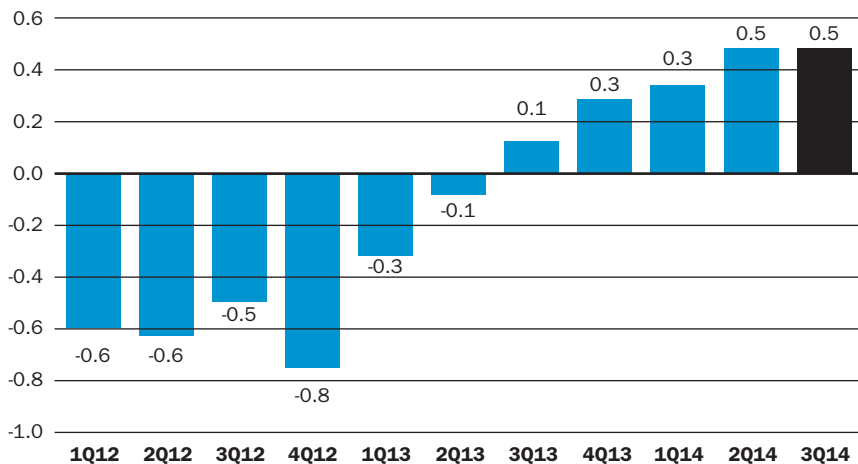
Oil prices fell by nearly 50% over the year under the impact of demand as well as supply factors (G3).

The Eurozone barely showed any increase in activity and inflation remained at very low levels throughout the year (G4).

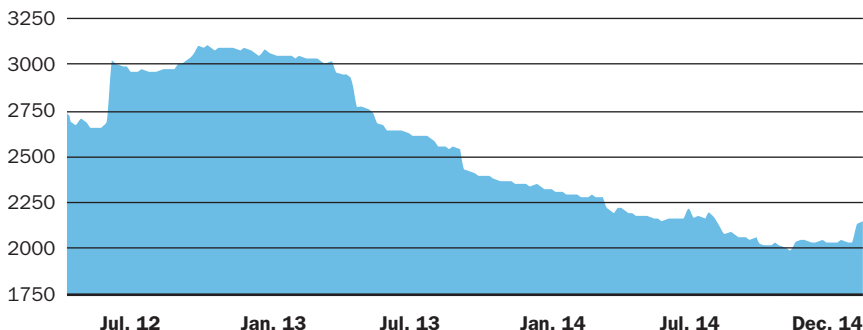
The Spanish economy saw a recovery and performed strongly compared with other Eurozone economies (G5). Rising levels of activity were supported by a more benign financial climate, less aggressive budgetary consolidation and a stabilizing construction industry.

The ECB took further stimulus measures to counteract the low level of inflation. Policy rates of interest were set at historically low levels and the deposit facility rate was taken into negative territory. The ECB also set up long-term liquidity-boosting operations to encourage banks to increase their lending and launched programmes of private asset purchases (G6).

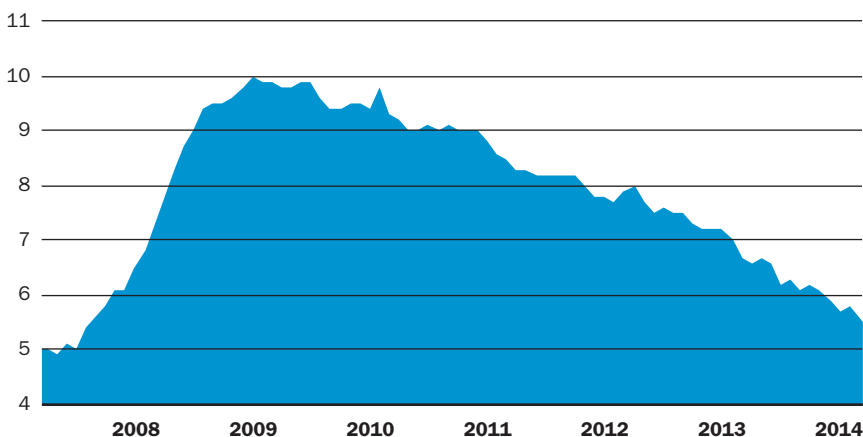
In the USA the Fed made a change in the direction of its monetary policy, supported by an improving labour market (G7). This resulted in the Fed's programme of US bond and MBS purchases being brought to an end.



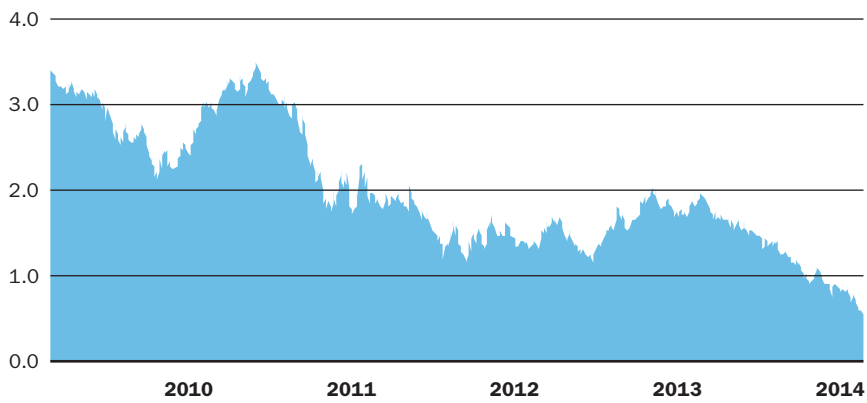
G5 Spain GDP (q.o.q. change %)
Source: INE



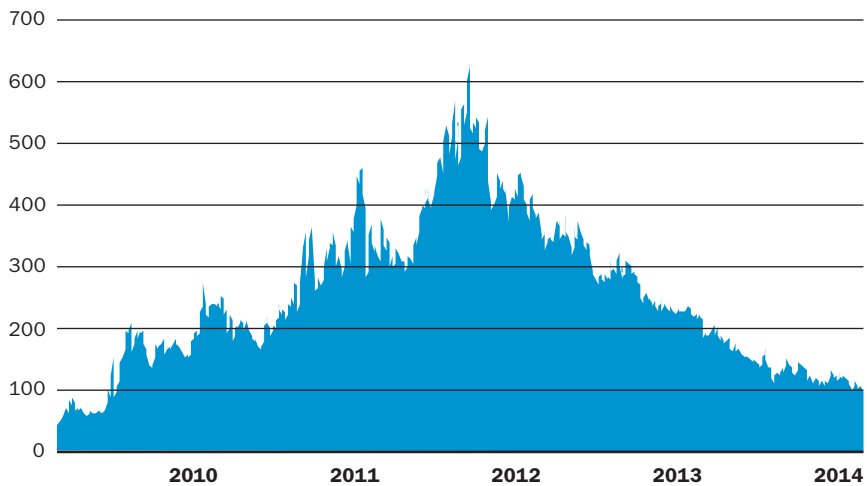
G6 ECB balance sheet (€Bn.)
Source: Bloomberg



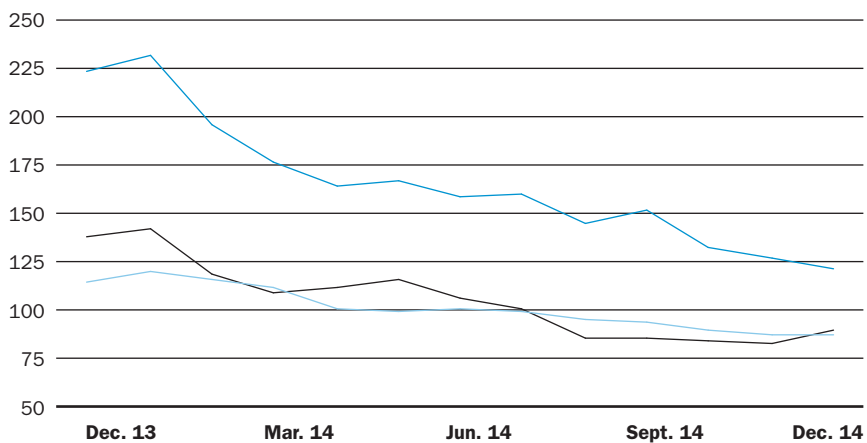
G7 US unemployment (% of working population)
Source: Bloomberg



G8 Yields on German 10-year government bonds (%)
Source: Bloomberg



G9 Risk premium on Spanish 10-year government bonds (basis points)
Source: Bloomberg



G10 Spreads on euro-denominated bank debt (basis points)
Source: BofA Merrill Lynch

- Italy
- Spain
- Core countries

Yields on German long-dated bonds sank to all-time lows (G8). The German long bond was boosted by falling inflation, Eurozone economic weakness, the ECB's accommodative policy stance and a more uncertain geopolitical climate.

In Spain, yields on 10-year government bonds also reached all-time lows (G9). Risk premiums on Spanish debt narrowed sharply, supported by the ECB's lax policy stance.

Progress towards European banking union helped to further reduce fragmentation in Europe's capital markets (G10).

The euro suffered heavy falls against the dollar (G11). This was caused by the diverging monetary policies pursued by the ECB and the Fed, and by strengthening economic activity in the US.

In the emerging economies, financial markets saw high levels of volatility and substantial currency depreciation (G12). This was fuelled by structural weaknesses in certain major economies and fears over the pace of the economic slowdown in China. Political and geopolitical instability in some countries was also a contributory factor.

Outlook for 2015

The global economy will foreseeably continue to feel the after-effects of the financial crisis and grow at a modest pace.

The geopolitical landscape will remain a source of concern and uncertainty fuelled by political developments will persist in Europe.

Core inflation (ex food and energy) will continue at a low level in the world's main regions and especially in the Eurozone.

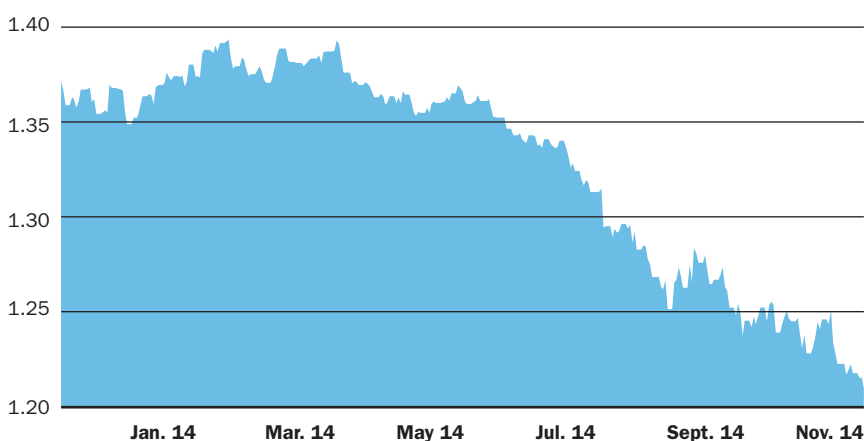
Recovery is likely to be fragile and uneven across the euro area. The Spanish economy is set to remain one of the region's few success stories. In the USA the growth of the economy is expected to stay close to its potential rate.

The ECB will take further measures to counteract deflation risks. In contrast, the Fed is expected to embark on a round of very gradual interest rate increases.

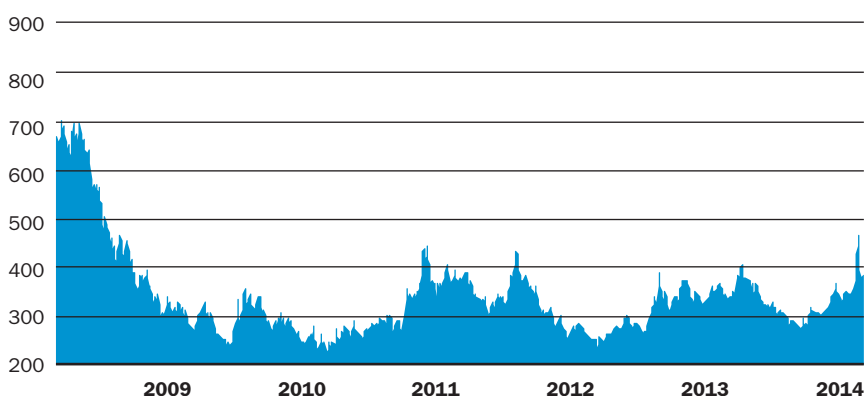
In the field of banking union, efforts will be focused on the implementation of the single resolution mechanism. In 2015 the ECB will complete its first round of banking supervision.

Many emerging economies will have to steel themselves for the onset of a process of deleveraging (especially by companies) in an increasingly complex environment.

In China potential GDP growth is expected to continue its downward trend.



G11 Dollar/euro rate
Source: Bloomberg



G12 Risk premium on emerging market debt (JPMorgan EMBI+; basis points)
Source: Bloomberg

Regulatory environment

European Banking Union

Banking union is a critical stage in the process of moving towards fuller economic and monetary union in Europe. The establishment of a Single Supervision Mechanism (SSM) and the assumption by the ECB of its mandate as a prudential supervisor are key milestones in the process of establishing a banking union, which is to be supplemented by a Single Resolution Mechanism (SRM) and the implementation of a harmonized deposit guarantee system. The SSM is responsible for the supervision of all credit institutions in member states of the Economic and Monetary Union (EMU) and in those countries of the European Union which do not have the euro as their currency but choose voluntarily to participate in the system.

The ECB took on its new role as Europe's banking supervisor in November 2014, more than two years after the European sovereign debt crisis reached its peak and the European authorities agreed to work towards greater financial integration in the European Union. The ECB is to carry out its new functions through the SSM, part of a new regulatory and operating regime approved in April 2014.

Other European Union initiatives

In January 2014 the European Commission submitted a proposal for structural reform of the banking system. The aim of the proposal is to reduce the likelihood of retail banking being affected by contagion from the risks of banks' financial market operations. In particular, it is suggested that the proprietary trading business of banks be transferred to entities that would be separate from them both legally and financially. The proposal would include all EU banks that were of a globally systemic nature or whose proprietary trading was significant. At the present time the proposal is under negotiation in the European Parliament.

In another development, negotiations are in progress among a group of 11 EU countries (including Spain, Germany and Italy) on the introduction of a financial transaction tax. The negotiations relate to a proposal made by the Commission in February 2013 which would impose a tax on transactions in the main financial instruments linked to participating countries. The initiative is intended to harmonize a tax already operating at the national level in certain countries, raise revenue and act as a disincentive to speculative trading in financial markets.

Finally, the European authorities have indicated that they will increase the supervision of risks of non-bank financial institutions. In particular, they have highlighted the significant growth in the corporate bond market and the exposure of mutual funds to this market as a potential threat to financial stability. Regulation of the non-bank sector is, however, at an early stage and initiatives are being conducted at a global level by the Financial Stability Board. In the EU proposals have focused on the liquidity of money market mutual funds and on a reform of the securitization market. Progress has also been made in the regulation of collateral-based funding operations.

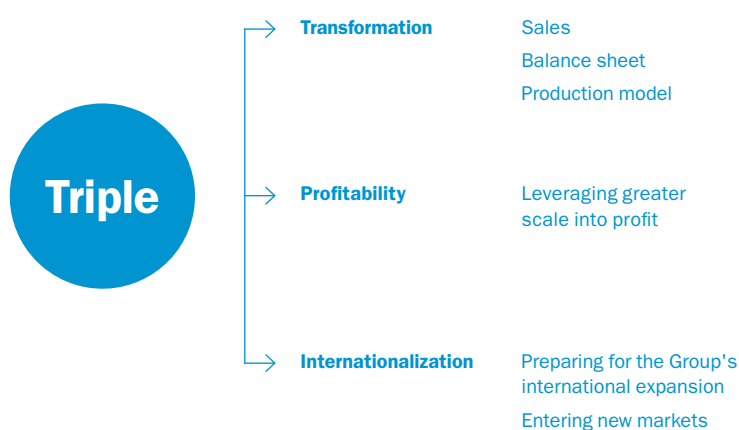
Strategy

Banco Sabadell initiated the Triple plan in 2014.

In 2014 Banco Sabadell launched a new business plan for the period 2014- 2016, known as “Plan Triple”. The plan is designed to enable the Bank to leverage the strength of its

balance sheet, its strong sales platform and its nationwide footprint to lead a recovery in lending in the medium and long term.

G17 Plan Triple - key themes



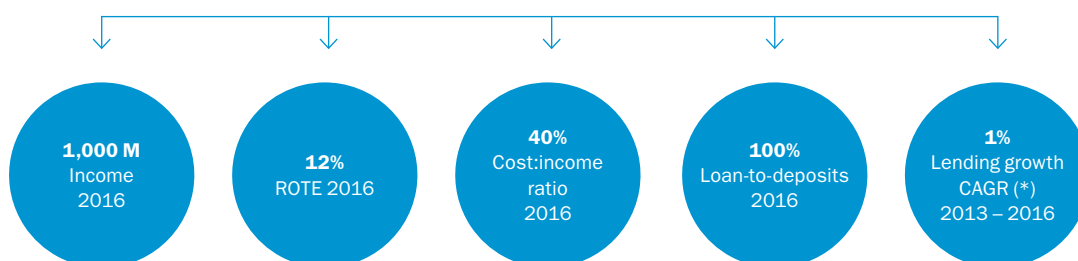
The first priority of the new business plan is to increase profitability by working towards a target return on adjusted equity (ROTE) of 12% for 2016.

Having made a huge leap in scale, Banco Sabadell’s focus is now on consolidating its domestic business and increasing the profitability of its newly acquired businesses. To do this, it has set out two strategies for different regions according to its market position in each one. In the Catalonia and Southeast (Valencia and Murcia) regions, the Bank has now reached a suitable scale and its business focus will therefore be on profitability, product offer and closing the performance gap in its recently acquired businesses.

In the rest of the country the focus is on growing customer numbers and market share. The Bank also intends to continue improving customer relationships so as to become the customer’s banker of choice and to grow its market shares in mutual funds and insurance.

The second key action area for Banco Sabadell has to do with transformation: of the sales, the balance sheet and the production model. In the case of the balance sheet, transformation was based on reducing loan losses and divesting property. To reduce loan losses the Bank has put in hand management programmes combining pre-emptive actions (to anticipate new loan defaults) with recovery (faster debt recoveries).

G18 Main targets set by Triple business plan



(*) Compound Annual Growth Rate (CAGR)

To reduce its holdings of real estate assets the Bank will continue to leverage the expertise of its asset transformation division and the market-leading position of its property sales business, Solvia, while benefiting from an improving real estate market.

The goal of transforming the production and sales system is to increase productivity, but without any loss in the quality of service for which the Bank has always been renowned. For example, a new "instant banking" system has been created which will initially be rolled out in key growth areas such as the Madrid region.

Along with these two action areas, the new business plan also focuses on internationalization, to prepare the ground for future expansion into new markets. The Triple Plan also addresses talent and human resources management.

Key milestones in 2014

In the area of profitability, the primary focus of the Plan, good performance was shown by all the main indicators (G19).

In the area of business development transformation, the Bank has launched major initiatives focused on the customer experience, including a new customer-oriented,

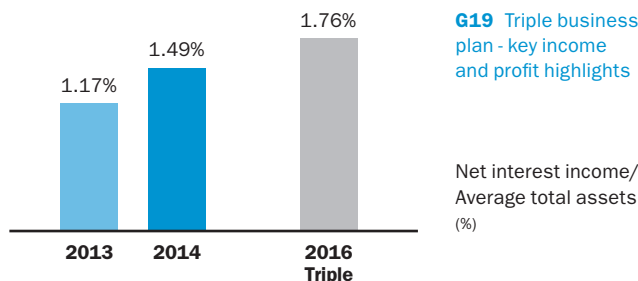
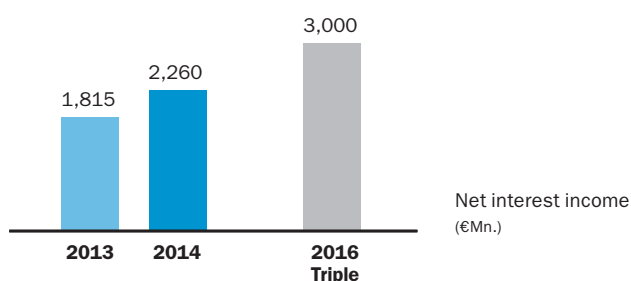
centrally managed sales and marketing system and a customer relationship model to realize our aim of being our customers' main bank and building more lasting and profitable relationships.

Once again this year, the ratings obtained by the Bank in the STIGA organization's "Equos-RCB" independent survey of bank branch service quality confirmed Banco Sabadell's position as one of Spain's market-leading banks, with a score of 7.16 compared with an industry average of 6.29.

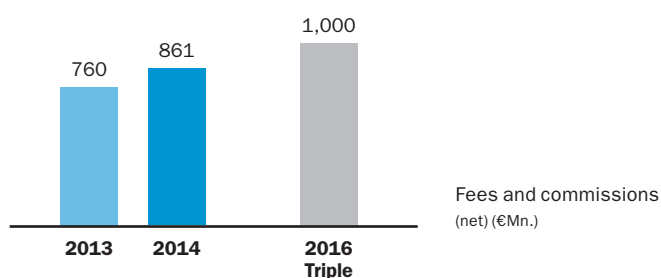
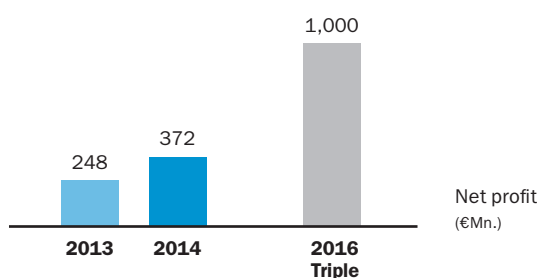
With regard to balance sheet transformation, doubtful assets (other than those covered by the asset protection scheme) fell by €1,829 million in the course of 2014.

The next section on the operating and organization model provides more information about transforming the operational model and organization during the year.

As for the internationalization part of the plan, once the necessary permissions had been obtained from the Spanish supervisory authorities and Mexican regulators, Banco Sabadell started operations in Mexico via a new subsidiary, Sabadell Capital, a Mexican multi-purpose financial company ("SOFOM") which will provide specialized financing in Mexican pesos and US dollars for projects in energy, infrastructure and other areas such as tourism, foreign trade and public administration.



G19 Triple business plan - key income and profit highlights



Quality of service levels have improved.

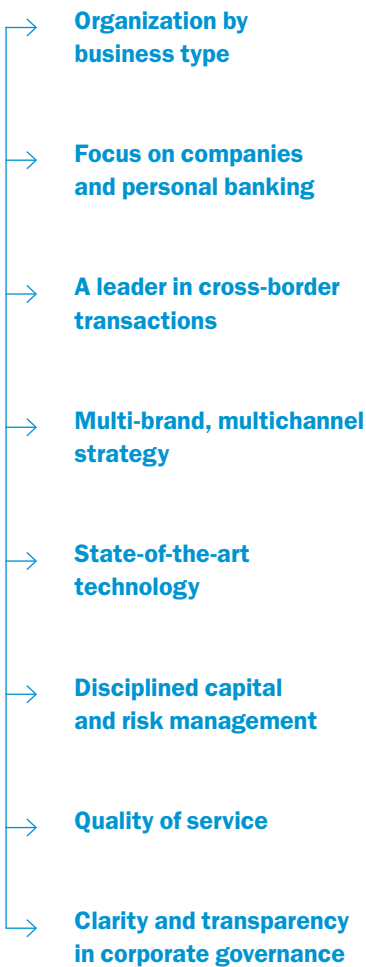
Business model

Banco Sabadell has a relationship-driven business model and a widely recognized business franchise.

It is a customer-based model that features a personalized, differentiated management style based on value creation. Sales processes are based on the provision of advice and on high quality sales support systems. The relationship-driven approach is supplemented by product-specific customer-focused campaigns.

In line with our aim to be our customers' main bank, our relationship-driven model places particular emphasis on quality, commitment and the role of the account manager, which is to support customers through every stage of their financial lives, thus ensuring lasting and profitable relationships.

BS strengths

- 
- **Organization by business type**
 - **Focus on companies and personal banking**
 - **A leader in cross-border transactions**
 - **Multi-brand, multichannel strategy**
 - **State-of-the-art technology**
 - **Disciplined capital and risk management**
 - **Quality of service**
 - **Clarity and transparency in corporate governance**

Commercial Banking

The largest of the Group's business lines, Commercial Banking focuses on providing financial products and services to large and medium-sized businesses, SMEs, retailers and sole proprietors, occupational Groupings, entrepreneurs and private individuals.

Corporate Banking and Global Businesses

Offers products and services to large companies and financial institutions, both domestic and foreign.

Markets and Private Banking

Provides savings and investment management services ranging from research into alternative investment products to securities market trading, and include active wealth management and custodian services.

Asset Transformation

The division's tasks are to take an integrated approach to the Group's real estate assets, develop and implement its asset transformation strategy and to carry on the business of a high-quality provider of real estate finance.

Real Estate Group (Solvia) Division

The division specializes in the integrated management of a full range of real estate services —property sales and servicing, land management, preparation and development— and is driving forward the process of leveraging Solvia's servicing capabilities.

As a result of the rapid inorganic growth undergone in the last few years, Banco Sabadell now has a footprint covering the whole of Spain and a 7.6% share of the market (G13).

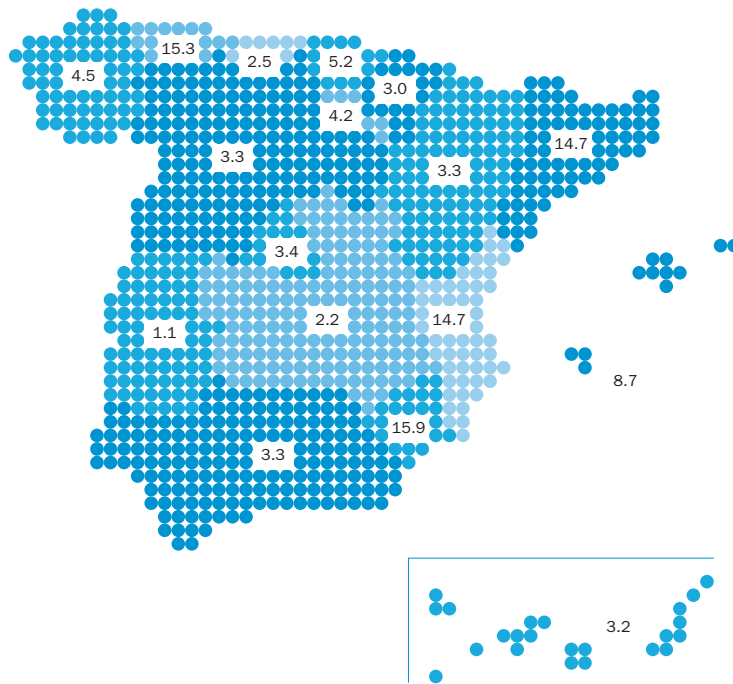
Within the domestic market the Bank uses a number of brands, all of them under the Banco Sabadell umbrella (G14).

Banco Sabadell is, in addition, a leading provider of foreign trade services. With a specialized product offering and a powerful value proposition, Banco Sabadell is present in strategic business and financial centres and partners with trade promotion bodies to provide support to customers in developing and growing their business in foreign markets.

G13 Market share by autonomous region



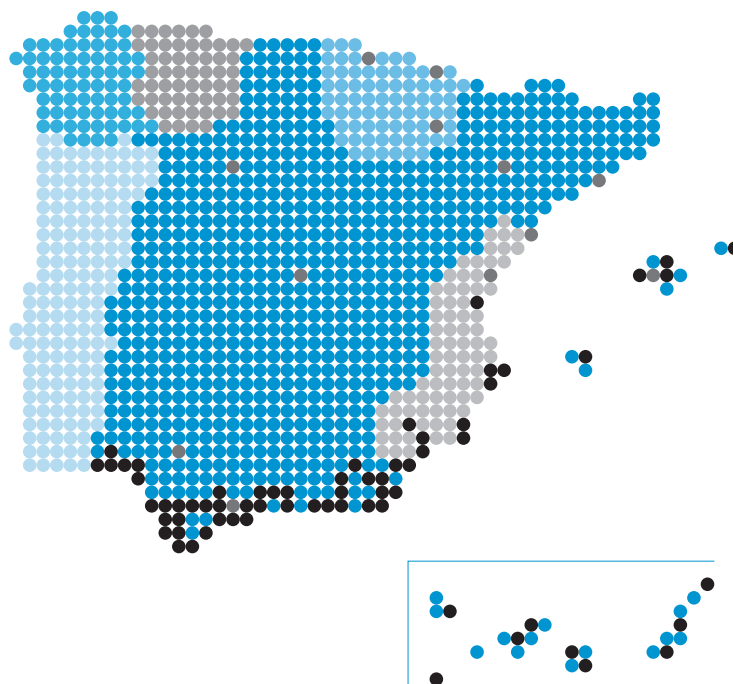
BS Market share in Spain



G14 Geographic distribution of brands

Distribution of the Spanish network at 2014 year-end

- SabadellAtlántico
- SabadellCAM
- SabadellGallego
- SabadellGuipuzcoano
- SabadellHerrero
- SabadellSolbank
- SabadellUrquijo



The Bank continues to assure highest standards in quality of service.

For Banco Sabadell, quality is not just a strategic option; rather, it is a whole approach to doing business, whether in the delivery of value to stakeholders or in the execution of each and every process forming part of that business. This natural affinity with excellence helps to enhance the Bank's capabilities in all areas, transforming threats into strengths and challenges into opportunities for the future.

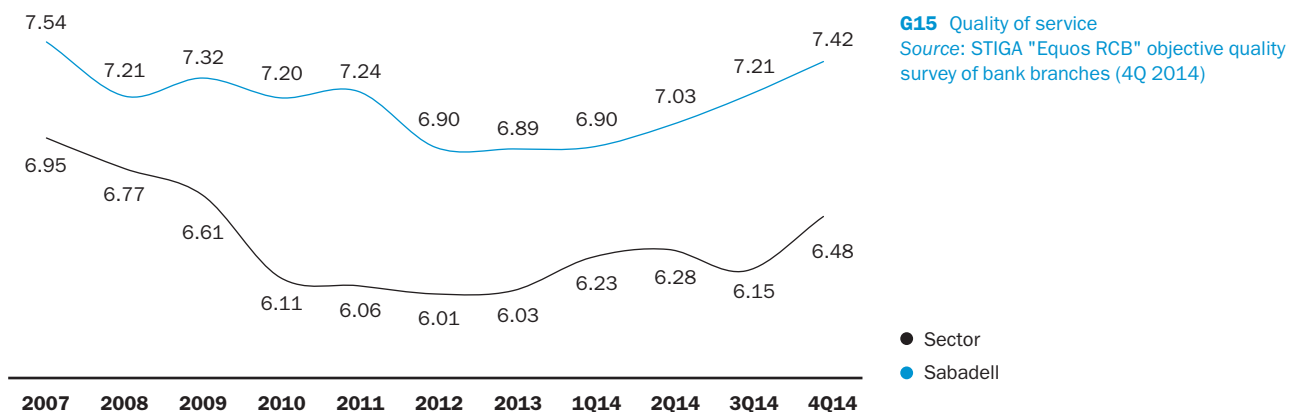
Consequently, the Bank makes use of existing standards and benchmarks to judge its own actions and satisfy itself that its way of doing business is the right one, and sets itself new goals based on continual self-criticism.

A key benchmark against which to measure and improve management practices is the European Foundation for Quality Management (EFQM) excellence model, against which the Bank is independently assessed every two years. The November 2014 assessment resulted in the Bank's EFQM Gold Seal (+500 points) being renewed and a score of over 700 points being awarded according to EFQM's very demanding standard. This was 100 points higher than the number awarded in 2012, a truly extraordinary result that few organizations would be capable of achieving.

Banco Sabadell remains the only Spanish credit institution with 100% of its financial operations certified to the ISO 9001 standard, providing further proof of its customer-centred approach and diligent process management. In 2014 Banco Sabadell renewed its ISO 9001 certification for another three years.

The Bank had its "Madrid Excelente" quality mark renewed in 2012. Keeping this accreditation current requires an annual assessment, which Banco Sabadell came through satisfactorily.

The various initiatives carried out as part of the sales and promotion plan have borne fruit and customer ratings reflect the improvements in the quality of our service, both in relation to the industry average and in absolute terms. Quality surveys show Banco Sabadell to be the bank most highly rated by customers (G15).



Note: figures for individual quarters.

Operational model

The Bank's operational model consists mainly of transferring the entire administrative workload of branches and central service departments to operational factories. Releasing branches from administrative tasks in this way increases the time available for sales-related work, improves customer service and boosts business generation. Concentrating the workload in factories allows average operating times (AOT) to be reduced as more tasks are industrialized; this leads to more efficient processes and/or automation, speeds up response times and provides greater transaction traceability.

These improvements help to bring greater operating efficiency along with a better customer experience, simpler, more responsive processes and a branch network that is more committed to and focused on giving advice and assistance to customers.

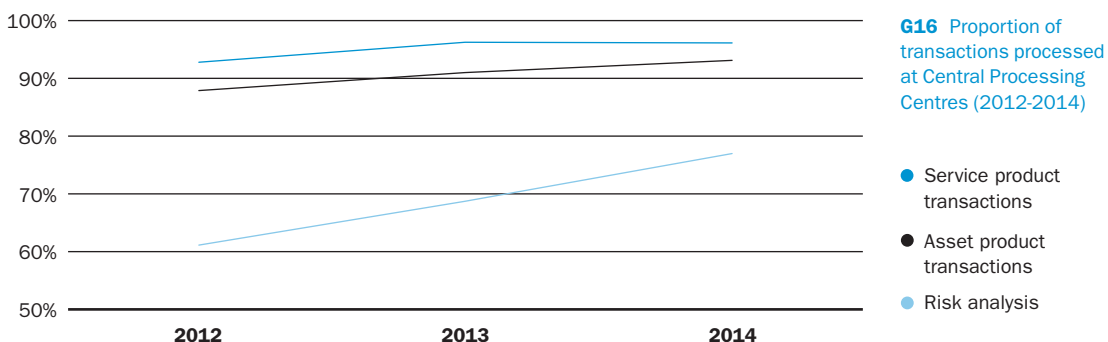
In 2014 the work of transforming the production model was directed mainly at making improvements to the centralized handling of banking transactions at factories. Work also continued on transferring tasks from branches and central services divisions to central processing units, increasing centralized processing rates and bringing them ever closer to the target set by the transformation plan. The task of integrating the IT and business systems at Banco Gallego and Lloyds Bank was also completed.

Expenditure management and cost control

The Bank's new optimized control system allows in-depth monitoring of costs and expenses, a vital requirement if cost reduction targets and capacity increases needed for business growth are to be kept in alignment.

In 2014 average transaction costs (ATCs) were down by 3% for asset products and remained unchanged for service products.

Simple, agile processes enhance operating efficiency and make for a better customer experience.



The BS brand

Brand perception indicators

In 2014 the Bank successfully continued its policy of raising awareness of its brand, as it was obliged to do in order to increase its capacity for growth in the Spanish retail market and reach a level of brand recognition that was on a par with its key competitors.

In the course of the last five years "top of mind" awareness of the Sabadell brand has increased from 1% to 4.7%, and total brand awareness from 4.7% to 17.3%, putting the brand in fifth place among Spanish financial institutions according to data from the FRS Inmark annual survey, a key industry benchmarking tool (G20 & G21).

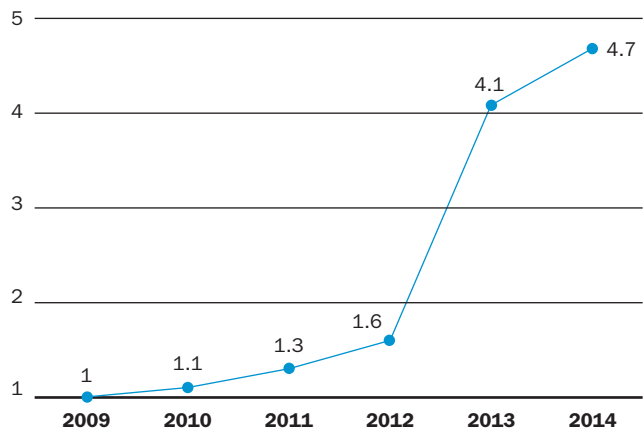
Advertising and promotional campaigns in 2014

In 2014 the Bank's advertising and promotional campaigns continued to show a strong personal stamp that set them apart from those of other banking sector advertisers and sought to highlight its professionalism, reliability, innovative customer service and entrepreneurial flair.

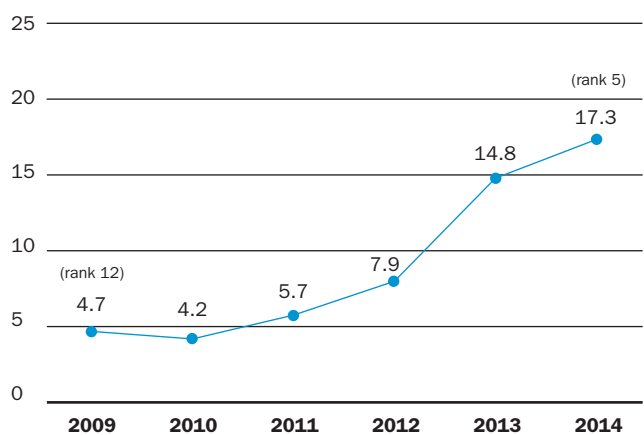
The first quarter of the year saw the launch of the "Believing in business" campaign, whose aim was to boost lending to small and midsize firms under the slogan "Believing in businesses means giving them credit", with the added promotional "hook" of a promise to respond to loan applications within a maximum of seven days. The level of awareness generated by the campaign in its target market was very high, with a recognition rate of over 70% of respondents being achieved.

The main communication breakthrough, however, came in the third quarter with the appearance, for the first time in the Bank's advertising history, of Rafael Nadal in a campaign under the slogan "Closeness: a private conversation between Rafa Nadal and John Carlin". The agreement with the tennis star to act as a global ambassador for the Sabadell brand was reached in 2014 and can be seen as another big step forward in the Bank's drive to raise awareness of its brand, supported by one of the world's most admired sports personalities, who not only has enormous appeal in Spain but is associated with values that are very close to those that the Bank is seeking to communicate.

G20 Top of mind brand awareness



G21 Total brand awareness





“I don't think that things change by themselves — you have to change them”

 Sabadell

Banco Sabadell passed the stress test of Europe's banks.

BS share performance and shareholders

Share performance

In 2014 the macroeconomic environment, the European Central Bank's decisions on monetary policy and the stress tests carried out on Euro-pean banks by the ECB prior to taking on the role of sole banking supervisor were dominant themes in the financial markets.

In the first half of the year improving sentiment on economic recovery in Spain, the positive reaction to the Group's trading results and the announcement of its new Triple business plan for 2014-2016 helped Banco Sabadell's share price to outperform the rest of the banking industry.

In the second half-year, uncertainty over the economic situation in Europe and the Comprehensive Assessment impacted on stock markets generally and affected the performance of Banco Sabadell's share price.

After the publication by the ECB in late October of stress test results confirming the strength of Banco Sabadell's capital position, an improvement was seen in the performance of the Bank's share price compared with its domestic peers. In its published test results the ECB concluded that the valuations of Banco Sabadell's assets and collateral, as well as its provisions, were appropriate and that, under any of the test scenarios, the Bank would not have any requirement for additional capital (for further details of the test results see the chapter on Risk management).

With the share price standing at €2.205 at 2014 year-end, Banco Sabadell's market capitalization at 31 December was €8,874 million, making it Spain's fifth largest banking group by market value and on most other financial measures. At 31 December 2014, the price-to-book ratio at 0.87.

Throughout 2014 Banco Sabadell's management sought to engage ever more actively with institutional

investors. This included attendance at 20 international conferences and holding meetings with 646 investors. These increased interactions boosted the visibility of the stock.

The proportion of Banco Sabadell's shareholder base represented by institutional investors increased over the year from 38.5% in December 2013 to 48% in December 2014.

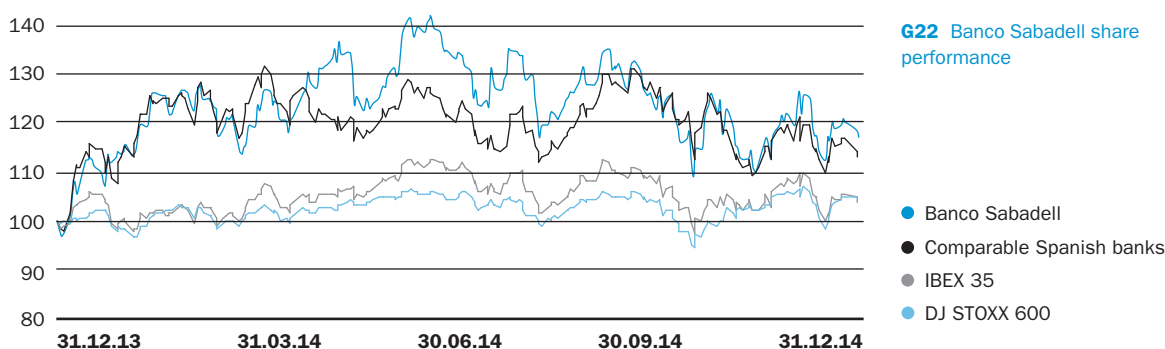
In 2014 the way our shares were perceived by analysts tracking Banco Sabadell showed significant variations, with 70% of them recommending overweight or neutral positions in the stock.

Dividend payments to shareholders in 2014 comprised an interim dividend of €0.01 per share for the year 2013 and a final dividend equivalent to €0.02 per share, paid in the form of shares from the Bank's holding of treasury shares.

A proposal will be made to the Annual General Meeting for the payment of a dividend for 2014 as follows:

- Flexible shareholders remuneration amounting to an estimated €0.04 per share, in the form of a bonus issue charged to reserves, which shareholders may elect to receive in cash and/or in new shares.
- An additional shareholder payment of €0.01 per share in the form of an allotment of shares of an equivalent value out of the Bank's holding of treasury shares and charged to the share premium account.

Following the capital-raising actions carried out in 2014 — conversions of mandatorily convertible bonds into shares (for details see the chapter on Capital management in the notes to the accounts)— the number of ordinary shares of the Bank totalled 4,024 million.



	In euro	In euro	In euro	Shares
2014	Closing price	Maximum price	Minimum price	Average daily trading volume
January	2.193	2.198	1.820	38,817,451
February	2.394	2.437	2.139	28,683,423
March	2.242	2.429	2.126	27,360,620
April	2.450	2.474	2.181	31,943,575
May	2.424	2.588	2.214	25,182,099
June	2.492	2.713	2.404	22,433,254
July	2.434	2.570	2.238	20,337,269
August	2.396	2.479	2.150	27,708,202
September	2.344	2.538	2.294	23,562,633
October	2.300	2.404	1.958	27,559,637
November	2.281	2.310	2.016	30,103,889
December	2.205	2.377	2.056	24,259,056

T3 Monthly share price movements 2014

	in million	€Mn.	In euro	€Mn.	€
	Number of shares	Income attributed to the Group	Income per share attributed to the Group	Shareholders' equity	Book value per share
2012	2,960	82	0.028	9,120	3.08
2012 (*)	3,184	82	0.026	9,120	2.86
2013	4,011	146	0.036	10,227	2.55
2013 (**)	4,299	146	0.034	10,227	2.38
2014	4,024	372	0.092	10,224	2.54
2014 (***)	4,290	372	0.087	10,224	2.38

T4 Earnings per share and book value per share 2012-2014

Figures for 2013 restated as a result of early application of IFRIC 21.

(*) Includes the dilution effect of 224.28 million additional shares resulting from issues of convertible bonds.

(**) Includes the dilution effect of 287.13 million additional shares resulting from issues of convertible bonds.

(***) Includes the dilution effect of 265.27 million additional shares resulting from issues of convertible bonds.

Number of shares	Shareholders	Shares in tranche	% of capital
from 1 to 12,000	196,380	507,853,029	12.62%
12,001 to 120,000	33,095	974,338,672	24.21%
120,001 to 240,000	1,172	191,390,723	4.76%
240,001 to 1,200,000	701	312,497,888	7.76%
1,200,001 to 15,000,000	108	336,901,273	8.37%
More than 15,000,000	25	1,701,479,029	42.28%
TOTAL	231,481	4,024,460,614	100.00%

T5 Analysis of shareholdings at 31 December 2014

Number of shares	Shareholders	Shares in tranche	% of capital
from 1 to 12,000	220,038	606,504,305	15.12%
12,001 to 120,000	40,339	1,173,220,164	29.25%
120,001 to 240,000	1,331	218,181,418	5.44%
240,001 to 1,200,000	756	340,786,387	8.50%
1,200,001 to 15,000,000	105	303,994,156	7.58%
More than 15,000,000	20	1,368,795,151	34.12%
TOTAL	262,589	4,011,481,581	100.00%

T6 Analysis of shareholdings at 31 December 2013

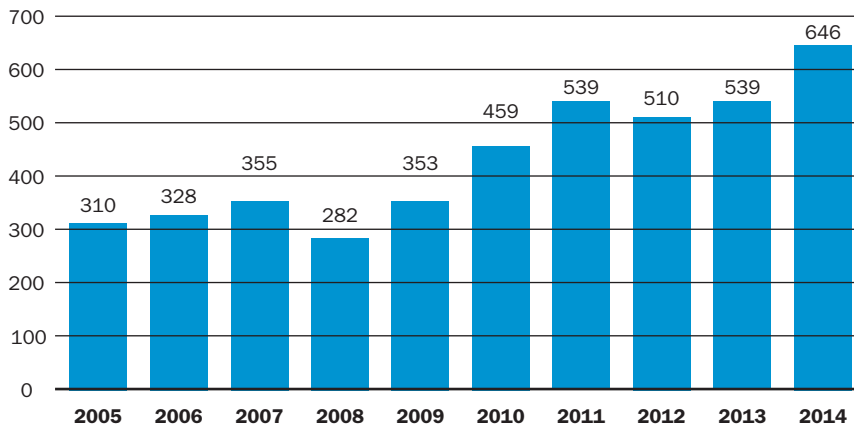
Shareholders

Banco Sabadell seeks to reward its shareholders' confidence by assuring them of reasonable returns, a balanced, transparent corporate governance system and careful management of the risks arising from its operations.

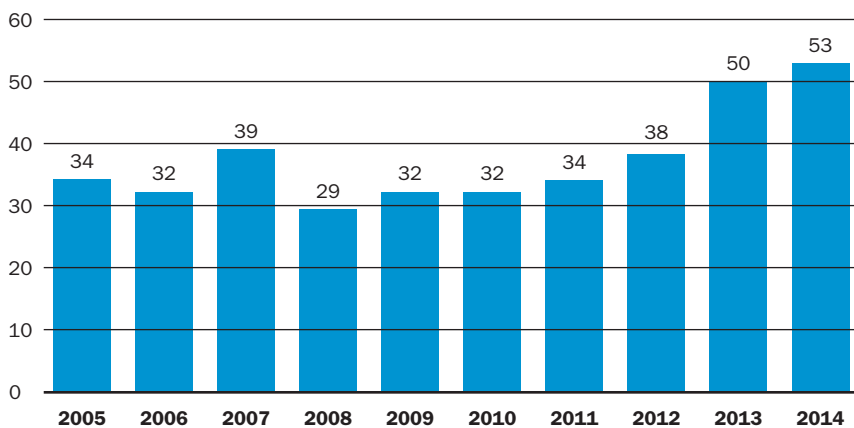
As part of its continuing efforts to be transparent and to communicate with the markets, in February Banco Sabadell presented its "Plan Triple" business plan for 2014-2016 to the international investor community in London, which gave a very positive reception to the main points of the plan.

Moreover, again as part of a commitment to transparency and communication appropriate to the increased size of the Group, Banco Sabadell's management redoubled its efforts to engage with institutional investors through increased attendance at international conferences and more frequent meetings with investors.

The Bank is also meeting the need for greater communication and transparency by making continual improvements to the reports and information it provides to investors on a regular basis.



G23 Number of investors visited



G24 Days spent on visits to investors

Customers

The Bank's aim is to build lasting and profitable relationships with customers and to support them through all stages of their financial lives; for this reason it emphasizes values such as trust, commitment, communication, closeness and desire to serve (see the section on Mission and values in "About Banco Sabadell").

Both in its day-to-day operations and when taking decisions for the medium term (e.g. business plans), Banco Sabadell is guided by those values and by its customer-centred business model.

In 2014, for example, the Bank met businesses' need for credit through its "believing in business" campaign. In the campaign the Bank made a promise to answer businesses' loan applications within not more than seven days, thus showing support for them and giving them the prompt attention they needed. The Bank's promise of a speedy reply was more than fulfilled, with customers' loan applications being answered within 3.2 days on average.



Banco Sabadell presents:

Believing.

Believing in a business
is giving it credit.

Enrique Tomás
Enrique Tomás

Gemma Nierga
Journalist

Félix Tena
Imaginarium

Manuel Teruel
Economist

Clemente Cebrián
El Ganso

Marta Seco
Ten con Ten



Quality in customer service

Banco Sabadell is a Spanish market leader in quality of service and satisfaction ratings from both business and individual customers.

Professionalism, care and attention to detail, and insistence on best practice are the Group's most characteristic values. Once again this year, the ratings obtained by the STIGA organization in its "Equos-RCB" independent survey of service quality at bank branches confirmed Banco Sabadell as one of Spain's market-leading banks. The survey measures the quality of the service provided by banks in the course of visits to more than 3,500 bank branches. Expert quality assessors appear at branches unannounced, acting like ordinary customers, and rate each branch on a set of 200 variables. STIGA, as an independent research organization, guarantees that its measurements are fair and transparent.

To make this possible, the Bank carries out regular studies that enable it to identify areas for improvement as they develop, both throughout the organization and at each individual branch. These include branch quality audits and customer satisfaction surveys.

Banco Sabadell believes in long-term relationships centred on values such as trust and authenticity. Banco Sabadell seeks to protect the interests of its customers and has control mechanisms in place to supervise the products and services it offers. Prior to offering any financial product on the market, the Bank assesses the product for suitability. Branches are provided with customer information sheets and, where more complex products are involved, an appropriateness or suitability test is carried out as required by the EU Markets in Financial Instruments Directive (MiFID).



(*) The surveys did not extend to the brands most recently added to the Group (Banco CAM, BMN-Penedès, Banco Gallego and SabadellSolbank).

Service channels

The digital revolution makes it possible to combine what is best in traditional banking, such as personal contacts, with the best of the digital world by using technology to extract value from the knowledge we have about customers in any process and via any channel in a simple, transparent way, instantly, in simple end-to-end processes and unrestricted by time or location. These channels enable customers to have their bank close by to use whenever they need it.

Region	Branches	Region	Branches
Andalusia	142	Valencia	392
Aragon	39	Extremadura	6
Asturias	146	Galicia	129
Balearic Islands	65	La Rioja	8
Canary Islands	31	Madrid	216
Cantabria	6	Murcia	149
Castilla-La Mancha	23	Navarra	19
Castilla y León	64	Basque Country	107
Catalonia	723	Ceuta and Melilla	2

T7 Distribution of branches by region

Branch network

Bank's Spanish branches are shown in Table T7 below. For details of the Bank's foreign branches and affiliates, see figure G2 in the section "About BS".

ATM network

A total of 94.7 million transactions, 65% of them card transactions and 35% using a savings book, were done on the Bank's 3,295 ATMs and 374 savings book updating machines, with a total of 644 ATM upgrades (more than 50% of them machine replacements, the rest capacity upgrades) being carried out.

Remote-access channels

Digital initiatives enable
the Bank to provide a better
service at a lower cost.

BS Online

At the end of 2014, BS Online was the Spanish online banking service for individual customers with the third-highest rating for web service availability, according to metrics produced by EUROBITS, a specialist online banking benchmarking organization. BS Online Empresa, the Bank's online banking service for businesses, finished the year in fourth place.

Banking on the move – BS Móvil

BS Móvil, Banco Sabadell's smartphone banking application, held its position as one of the top six most downloaded apps on the Spanish market, with active users increasing by 40% on the previous year and approaching the one-million mark.

Branch Direct

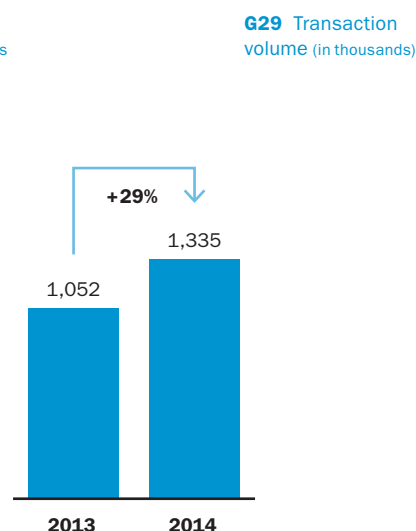
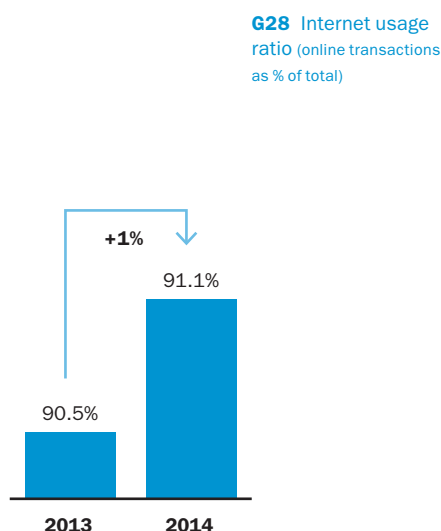
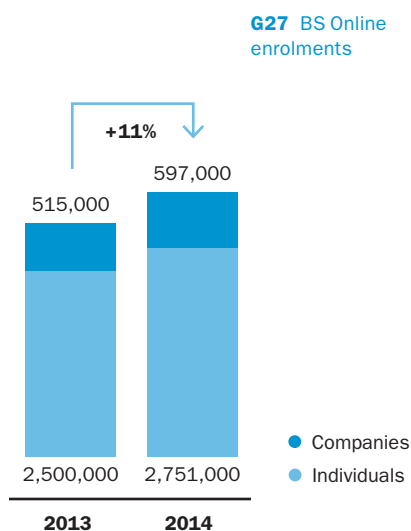
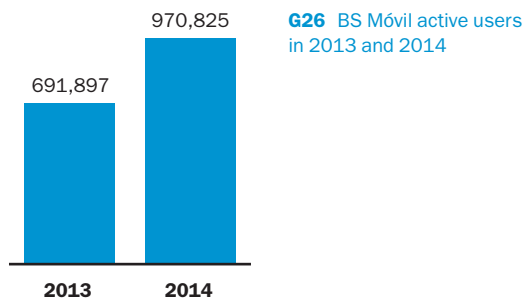
In 2014, Branch Direct continued its transformation to a more commercial orientation. It was instrumental in more than 7,000 loans being agreed and paid to borrowers within 48 hours of the application being made, and achieved a 35% sign-up rate for products and services on a total of 68,000 offers.

It handled a total of 2,800,000 calls, exceeding its target by 2.5% and earning a quality rating from customers of 4.46 points on a scale of 1 to 5.

Social networking sites

The Bank's followers reached an overall total of nearly 140,000, up 25% on the previous year.

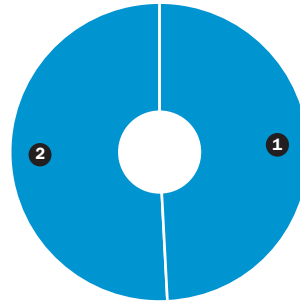
Social networking sites were used to publicize major events such as Instant Banking Hack Day (7,671 tweets generating more than 7 million impressions, compared with the Bank's weekly average of 2.5 million) and the Barcelona Open Banc Sabadell tennis tournament (88 million impacts on hashtag benopenbs compared with an average monthly impact of 10 million), as well as 32 branded content videos, 516 blog articles and one of the most viewed advertisements on YouTube (Rafa Nadal, 2,110,555 views). One consequence of this was the selection of the Bank by the Open University of Catalonia ("UOC") to work with the University on its Master's Degree course in Digital Empowerment, as a paradigmatic example of a large organization undergoing a radical transition to a digital culture, and now in a position to share its experience of success in the field.



Human resources

Talent and human capital management forms an essential component of the Triple strategic business plan along with other key action areas of the plan. It encompasses drivers of organizational change and development as well as a wide-ranging and completely updated view of the Human Resources function.

In the area of organizational change and development, three strategic priorities have been identified: organization-wide talent management to meet the needs of the enlarged Group, raising the bar on employee performance across the organization and securing employee involvement in and engagement with the Group's future development.



G30 Employee breakdown by gender

1	Men	49.9%
2	Women	50.1%

Composition of Group employees

At the end of 2014 the Banco Sabadell Group was employing a total of 17,529 people, an decrease of 548 compared with the previous year. The average age of employees was 43.1 years and the average length of service was 17.2 years. The gender split was 49.9% men and 50.1% women (G30).

Projects in 2014

In-service and leadership training

Along with the various initiatives being pursued under the Master Plan, training programmes and projects are being carried out as part of the Group's policy of active talent management. This covers sales and sales management training for business development teams, training for integration, university certification of the Bank's in-house training schemes, Senior Management and management quality training, training in compliance and training in new banking business models.

An independent global study has described the Bank, for the first time, as one of three most attractive employers in the Spanish financial services industry.

Mobility

A total of 18 foreign placements were made in 2014 and 100 interviews were conducted with internationally mobile employees from the total of 347 employees from across the Banco Sabadell Group who in 2014 showed an interest in taking up appointments in foreign countries.

Employee engagement and volunteer programme

Social and volunteer programmes and initiatives are publicized on the employee portal under the "Solidaris" label. The success of these programmes year after year caused the number of participants to increase substantially and led to a rise in the number of activities in 2014, many of them as a result of suggestions from employees.

Achievements and awards

Talent Mobility Award

Banco Sabadell was named Best Spanish Company in the first Talent Mobility Awards, which are given in recognition of best practice in talent mobility, an integrated management process that concerns itself with an organization's ability to identify, develop and deploy talent effectively.

The award pays tribute to Banco Sabadell's success in managing talent, as demonstrated in a succession of integrations following the eight corporate mergers of the last few years. Consistency, innovation and an emphasis on in-house talent were among the qualities cited by the jury in awarding the first prize of its kind to our organization.

Randstad Award

Each year the Randstad Award identifies the most attractive companies to work for in different countries. The winner is chosen based on the findings of the most extensive study of employer branding anywhere in the world. Moreover, unlike other studies, it looks at the perceptions of employees only and takes a large sample of 7,000 people in each country between the ages of 18 and 65 who are asked about their impressions of the 150 biggest employers in their country. Companies cannot ask to take part in the study and winners are selected on the basis of their attractiveness as employers once the respondents' answers have been collated. This method ensures that the study is totally objective.

Oxfam-Intermon Trailwalker

Banco Sabadell won the prize for the largest number of volunteers, which is given for success in mobilizing people (26 teams) and also for the communication skills deployed in the promotion of this fundraising event.

Qualis Awards for Excellence

Established by the Bank in 2002, the Qualis Prizes are awarded to people and groups of people who have been particularly noted for the excellence of their work during the year.

In 2014 the Qualis prizes, now in their 12th year, were awarded for performance in 2013. This year the arrangements were changed in keeping with the increase in the size of the Group since 2003 when the prizes were instituted.

The Bank felt that it was time to change the structure of the prizes for best branch so as to move from a prize for overall excellence to a system that gave recognition to the best branches in each Regional Division.

Employee participation for improvement and innovation

To encourage employee engagement a Web 2.0-based collaborative platform, BS Idea, has been set up on the corporate Intranet. The platform provides an easy, amicable way for employees to use their creativity and put forward suggestions for improvements in working methods or additions to the range of products and services.

In 2014 a total of 5,179 employees were active participants on the site and 3,024 ideas were put forward.

To supplement the quarterly competition a "Challenge Week" was introduced in which, for a single week, all employees are asked to produce ideas on a strategic theme.

Not only the ideas produced by employees are welcomed, any customer or other person can make comments, suggestions or requests to Banco Sabadell via its pages on Facebook or Twitter or make use of the feedback platform at www.feedback.bancosabadell.com. Customers can use the platform to put forward suggested improvements or new ideas on remote banking channels, mobile phone services, operating processes, product features, accounts, credit and debit cards and so on.

Customer and user protection

Any customer or user of the Group can contact the Customer Service Department (CSD) for the resolution of any complaint or claim that has not been settled with the branch in the normal way.

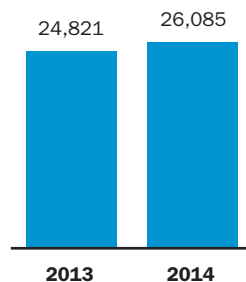
The CSD is independent from the business and operational side of the Group and is governed by the Group's own rules and procedures for the protection of customers and users of its financial services.

Customers and users may also avail themselves of the Customer Ombudsman, a forum that is independent of the Group and is competent to decide on claims made to it either directly or on appeal from a prior procedure (G31 & G32).

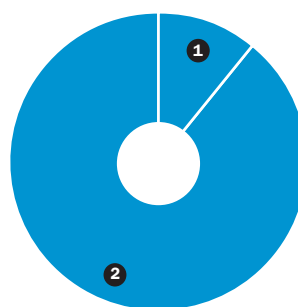
Decisions of the CSD or the Ombudsman are binding on all Bank units or departments.

Of the total complaints and claims examined by the Customer Service Department, 39.2% resulted in a decision favourable for the Bank, 8.4% were settled by agreement with the customer or user and 0.8% were resolved partly in favour of the customer or user. In 0.9% of cases customers withdrew the claim, and 42.1% were resolved in favour of the customer or user.

At 31 December, 6.0% of cases had yet to be ruled on by the regulatory bodies and the Customer and Investor Ombudsman. Finally, the Bank declared itself not to be competent in 2.6% of the cases.



G31 Complaints and claims handled



G32 Complaints and claims - breakdown

1	Complaints	11.1%
2	Claims	88.9%

**Banco Sabadell Group
financial information**



Banco Sabadell obtained
€371.7 million in net
attributable profit in 2014.

This result exceeds the
targets set for the first year
of the Triple plan.

Containment of personnel and
administration expenses, on a like-for-like
basis, combined with branch network
restructuring resulted in a significantly
improved cost:income ratio.

Consolidated data for 2014, the Bank's 133rd year of existence, reflects a sound balance sheet and confirms that the Banco Sabadell Group is growing steadily, based on consistent improvements in ordinary banking revenues and rigorous containment of operating costs.

The increase in average returns on average total assets was due to a number of factors, mainly higher customer spreads (due to the lower cost of customer deposits), the lower cost of capital market funding, the reduction in the volume of problem assets, and the improvement in the profitability of the acquired businesses.

	2014	% of ATA (**)	2013 (*)	% of ATA (**)	14/13
Interest and similar income	4,513,497	2.76	4,863,170	2.92	(7.2)
Interest and similar charges	(2,253,791)	(1.38)	(3,048,476)	(1.83)	(26.1)
Net interest income	2,259,706	1.38	1,814,694	1.09	24.5
Return on equity instruments	8,628	0.01	7,329	—	17.7
Share of profit/(loss) of equity-accounted undertakings	101	—	11,107	0.01	(99.1)
Net fees	860,891	0.53	759,670	0.46	13.3
Income from trading (net)	1,763,604	1.08	1,479,185	0.89	19.2
Exchange differences (net)	99,556	0.06	67,871	0.04	46.7
Other operating income and expense	(191,960)	(0.12)	(308,658)	(0.19)	(37.8)
Gross income	4,800,526	2.94	3,831,198	2.30	25.3
Personnel expenses	(1,202,604)	(0.74)	(1,135,175)	(0.68)	5.9
Other general administrative expenses	(570,714)	(0.35)	(587,886)	(0.35)	(2.9)
Depreciation and amortization	(278,104)	(0.17)	(228,447)	(0.14)	21.7
Profit before impairment and other provisions	2,749,104	1.68	1,879,690	1.13	46.3
Loan loss and other provisions	(2,499,659)	(1.53)	(1,768,998)	(1.06)	41.3
Profit on disposal of assets	236,948	0.15	43,893	0.03	439.8
Goodwill	—	—	30,295	0.02	(100.0)
Income before tax	486,393	0.30	184,880	0.11	163.1
Corporate income tax	(109,748)	(0.07)	(17,962)	(0.01)	—
Consolidated profit/(loss) for the year	376,645	0.23	166,918	0.10	125.6
Profit/(loss) attributable to non-controlling interests	4,968		21,003		(76.3)
Profit/(loss) attributable to the Group	371,677		145,915		154.7

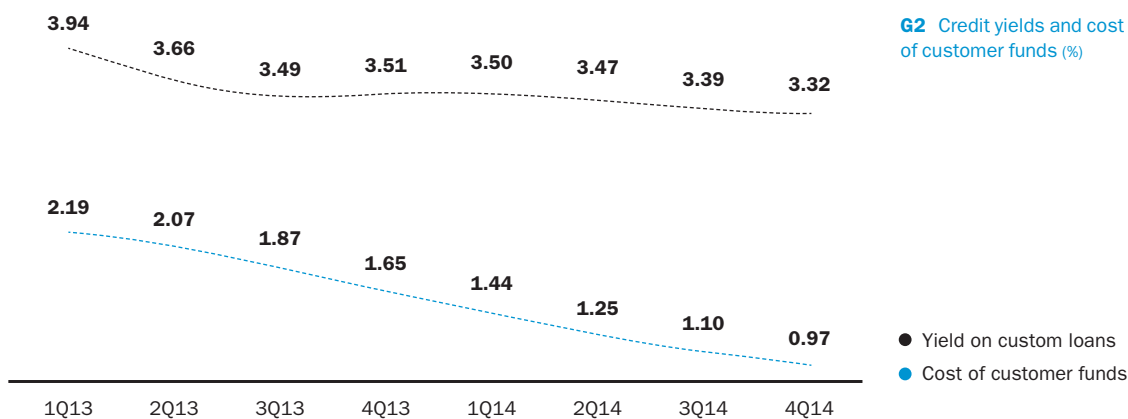
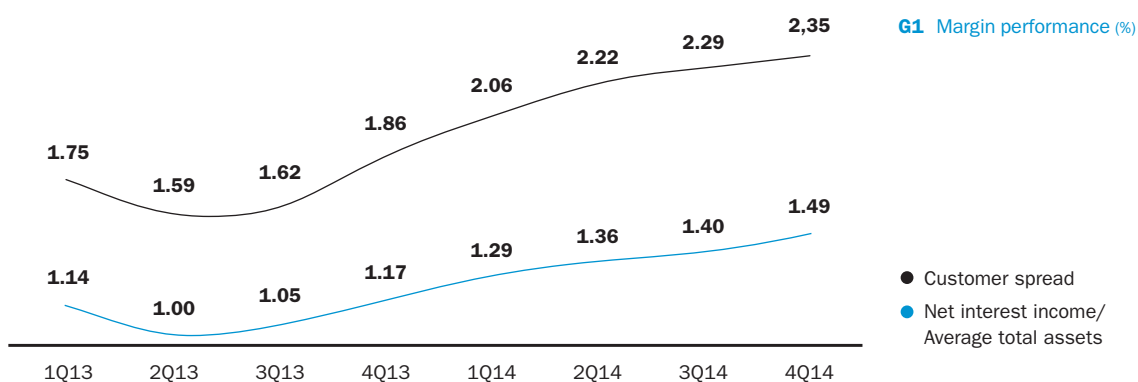
(*) Restated as a result of early application of IFRIC 21.

(**) Average total assets

- 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 to include the businesses acquired in 2013. Deposit repricing was the main driver and this trend is expected to continue in 2015 and 2016 (G1 & G2).
- The branch network's focus on selling managed investment products and services boosted net fees and commissions to €860.9 million at year-end, an increase of 13.3% year-on-year. This growth was observed across the board in all types of fees and commissions (risk operations, services, mutual funds, insurance and pension sales).
- Income from financial transactions and exchange differences amounted to €1,863.2 million, a 20.4% increase year-on-year. In particular, capital gains on the disposal of available-for-sale fixed-income financial assets amounted to €1,860.7 million in 2014.

Gross operating income amounted to €4,800.5 million.

- Operating expenses (personnel and general) amounted to €1,773.3 million in 2014, of which €40.2 million are non-recurrent items. In like-for-like terms (assuming that BMN-Penedès, SabadellSolbank and Banco Gallego were consolidated in 2013), recurring operating expenses declined by 4.4% year-on-year in 2014.
- The significant increase in gross income for 2014 coupled with policies to contain operating costs resulted in a significantly improved cost:income ratio of 53.14% in 2014 (a notable improvement on 2013), excluding a one-off gains on financial transactions.



The Banco Sabadell Group ended 2014 with profit pre-provisions of €2,749.1 million, considerably higher than the 2013 figure.

- Provisions for loan losses and other impairments (mainly real estate and financial assets) amounted to €2,499.7 million (€1,769.0 million in 2013).
- Capital gains on asset disposals amounted to €236.9 million in 2014, including mainly €162 million in gross capital gains from the sale of the debt collection business and extraordinary revenue of €80 million from the signature of a reinsurance agreement for Mediterráneo Vida's individual death benefit portfolio.
- The income statement for 2013 included of €30.3 million in negative goodwill, most of which was recognized on the acquisition of Banco Gallego.

After deducting income tax and non-controlling interests, net income attributed to the Group amounted to €371.7 million in 2014, i.e. notably higher than in 2013.

Balance sheet management

Demand for credit is reviving.

The balance of doubtful loans and problem assets is declining.

Off-balance sheet funds grew steadily throughout the year.

Assets	2014	2013 (*)	% 14/13
Cash and balances with central banks	1,189,787	3,201,898	(62.8)
Assets held for trading, derivatives and other financial assets	3,253,356	2,623,485	24.0
Available-for-sale financial assets	21,095,619	19,277,672	9.4
Loans and receivables	117,895,179	118,989,126	(0.9)
<i>Loans and advances to credit institutions</i>	4,623,197	3,525,521	31.1
<i>Loans and advances to customers (net)</i>	110,835,723	112,928,890	(1.9)
<i>Debt securities</i>	2,436,259	2,534,715	(3.9)
Investments	513,227	640,842	(19.9)
Tangible assets	3,982,866	3,935,322	1.2
Intangible assets	1,591,296	1,501,737	6.0
Other assets	13,824,343	13,352,459	3.5
Total assets	163,345,673	163,522,541	(0.1)
Liabilities	2014	2013 (*)	% 14/13
Liabilities held for trading and derivatives	2,254,459	1,972,190	14.3
Financial liabilities at amortized cost	145,580,114	147,269,474	(1.1)
<i>Deposits from central banks</i>	7,201,546	9,227,492	(22.0)
<i>Deposits from credit institutions</i>	16,288,193	13,857,264	17.5
<i>Customer deposits</i>	98,208,370	99,362,908	(1.2)
<i>Marketable debt securities</i>	20,196,329	21,166,915	(4.6)
<i>Subordinated liabilities</i>	1,012,362	1,089,046	(7.0)
<i>Other financial liabilities</i>	2,673,314	2,565,849	4.2
Liabilities under insurance contracts	2,389,571	2,134,139	12.0
Provisions	395,215	664,246	(40.5)
Other liabilities	1,510,362	1,266,067	19.3
Total liabilities	152,129,721	153,306,116	(0.8)
Equity	2014	2013 (*)	% 14/13
Shareholders' funds	10,223,743	10,037,368	1.9
Valuation adjustments	937,416	120,814	—
Non-controlling interests	54,793	58,243	(5.9)
Total equity	11,215,952	10,216,425	9.8
Total liabilities and equity	163,345,673	163,522,541	(0.1)
Memorandum accounts	2014	2013 (*)	% 14/13
Contingent exposures	9,132,560	8,663,950	5.4
Contingent commitments	14,769,638	12,026,000	22.8
Total memorandum accounts	23,902,198	20,689,950	15.5

(*) Restated as a result of early application of IFRIC 21. Presented solely for the purposes of comparison.

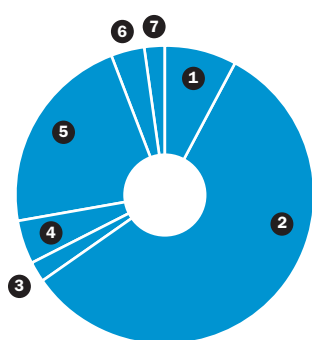
At the end of 2014, the total assets of Banco Sabadell and its Group amounted to €163,345.7 million, i.e. very similar to the figure at the end of 2013 (€163,522.5 million).

Lending to companies, of all sizes, is rising.

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. Although this item declined by 2.8% year-on-year (mainly as a result of the lower volume of doubtful balances), demand for credit showed signs of recovering in the final months of the year. For example, gross loans and advances (excluding repos and NPLs) increased by €773.1 million in the fourth quarter.

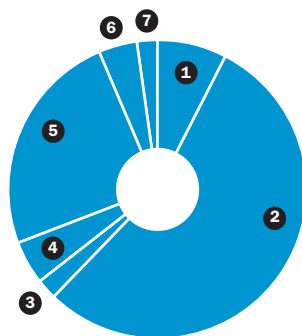
Mortgage loans are the largest single component of gross lending, amounting around 55% of the total as of 31 December 2014 (G3 & G4).

The problem asset situation improved in 2014; excluding the assets covered by the Asset Protection Scheme (APS) for Banco CAM, the NPL ratio was 12.2% at 2014 year-end, down from 13.6% a year earlier. The coverage ratio, expressed with respect to total exposure to loans and real estate, was 13.1% at the end of 2014 (T3).



G3
Loans and advances to customers
31.12.2013

1	Demand loans and other	7.8%
2	Mortgage loans & credit	57.4%
3	Other secured loans & credit	2.4%
4	Trade credit	4.7%
5	Other loans	21.8%
6	Other credit	3.7%
7	Leasing	2.2%



G4
Loans and advances to customers
31.12.2014

1	Demand loans and other	7.8%
2	Mortgage loans & credit	54.5%
3	Other secured loans & credit	2.2%
4	Trade credit	4.9%
5	Other loans	24.3%
6	Other credit	4.2%
7	Leasing	2.1%

The ratio of non-performing loans improved and NPL coverage remained high.

Real estate sales were 10.3% above target.

Thousand euro

	2014	2013	% 14/13
Non-performing loans (*)	14,192,150	16,021,491	(11.4)
Total risks (*) (**)	116,607,540	117,584,592	(0.8)
Loan loss ratio (%) (*)	12.17	13.63	
Reserves for NPLs and real estate	17,441,989	18,341,298	(4.9)
Overall coverage ratio (%) (***)	13.1	13.6	

T3

(*) The figures and percentages shown do not include assets covered by the Asset Protection Scheme (APS).

(**) Includes contingent liabilities.

(***) Expressed with respect to total exposure to loans and real estate.

€Mn.

	2014	2013	% 14/13
Total liabilities	152,130	153,306	(0.8)
Customer deposits on balance sheet	94,461	94,497	(0.0)
Other term funds on the balance sheet (*)	51,186	57,635	(11.2)
Demand deposits	43,275	36,862	17.4
Capital market	20,196	21,167	(4.6)
Wholesale funding	23,085	26,063	(11.4)
ECB	7,200	8,800	(18.2)
Off-balance sheet funds	30,379	25,370	19.7
Investment funds	15,706	11,019	42.5
Pension funds	4,335	4,356	(0.5)
Third-party insurance products	7,421	8,067	(8.0)
Wealth management	2,918	1,927	51.4
Total customer funds	124,839	119,867	4.1

T4

(*) Includes term deposits and other liabilities placed by the branch network: preference shares, mandatory convertible bonds, non-convertible bonds, commercial paper and others. Excluding repos.

In 2014, Solvia sold 16,172 units of real estate on the balance sheet for €2,744 million.

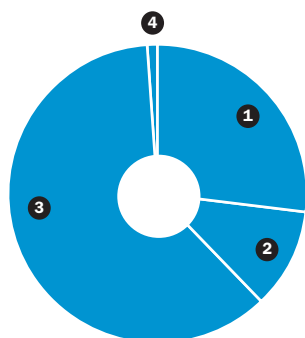
In 2014, the value of Banco Sabadell Group's securities portfolio increased by 7.7% year-on-year to a year-end total of €24,293 million. The Bank's fixed-income holdings, which account for 96% of the securities portfolio, lend stability to net interest income.

The Group's total liabilities as of 31 December 2014 amounted to €152,130 million, a reduction of 0.8% year-on-year (T4).

Customer funds (on and off the balance sheet) expanded by 4.1% year-on-year to €124,839 million.

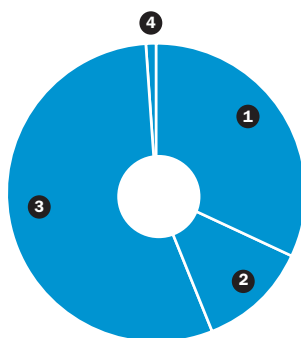
Total funds on the balance sheet remained stable: €94,461 million at year-end. Within customer deposits, demand accounts (current and savings) expanded by 17.4% year-on-year. Time deposits decreased by 12.2% compared with 2013, in line with the downward trend in interest rates and savers' pursuit of other forms of investment that offered higher returns. Diagrams G5 and G6 present the composition of customer deposits at the end of 2014 and 2013.

Off-balance sheet customer funds increased by 19.7% year-on-year. Funds under management in mutual funds and investment companies increased by 42.5% to €15,706 million, and customer assets under management expanded by 51.4% to €2,918.1 million. In 2014, Banco Sabadell was one of the Spanish banks with the fastest growth in funds under management in mutual funds and investment companies, with a market share of 5.1% (4.1% in 2013).



G5
Customer deposits (*)
31.12.2013

1	Current accounts	26.5%
2	Savings accounts	10.7%
3	Time deposits	61.4%
4	Assets ceded under repurchase agreements	1.4%



G6
Customer deposits (*)
31.12.2014

1	Current accounts	31.8%
2	Savings accounts	12.4%
3	Time deposits	54.5%
4	Assets ceded under repurchase agreements	1.3%

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

A sharp increase in market share in mutual funds.

The funding structure is balanced.

The Group's primary source of funding is its customer deposit base (mainly current accounts and time deposits acquired through the branch network). This is supplemented by funds raised on the interbank and capital markets where the Bank has a number of short- and long-term funding programmes in place, giving it a suitable diversity of funding sources and of products, maturities and investors. In addition to these sources of funding, Banco Sabadell holds a buffer of liquid assets to cover any liquidity requirement that may arise. At the end of 2014, first-line liquid assets amounted to €18,758 million.

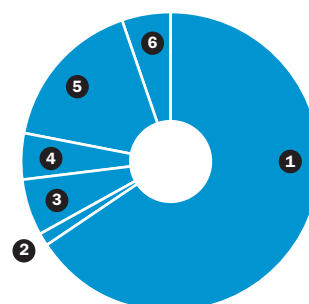
The deposit base has grown in recent years, displacing capital market funding, with a positive impact on the Group's bottom line while also reducing the loan-to-deposits (LTD) ratio (calculated as net loans and advances adjusted for subsidised funding/retail funding) from 122% at 2012 year-end to 104% at the end of 2014.

The group's main sources of funding at the close of 2014 are further analysed in graphs G7 and G8.

At the end of 2014, the Group had €23,085 million in outstanding capital instruments, compared with €26,063 million a year earlier.

The Bank's funding structure is balanced: 16.5% is from the wholesale market (of which 62.4% are covered bonds), and it has a comfortable maturity schedule, with €3,064 million falling due in 2015. In 2014, the amount of customer funds on the balance sheet remained stable, and a shift was observed from time deposits to demand deposits as a result of the prevailing low interest rates. The Bank also participated in the ECB's targeted longer-term refinancing operations (TLTRO), obtaining €5,500 million, although it reduced its position with the ECB by €1,600 million during the year (from €8,800 million in 2013 to €7,200 million at 2014 year-end) due to efficient liquidity management.

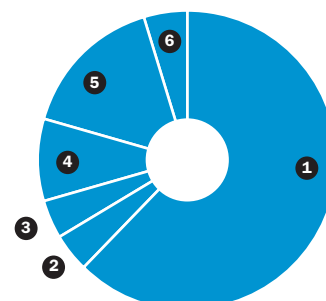
As far as wholesale market funding is concerned, like the rest of the banking sector, Banco Sabadell experienced rating downgrades by the major rating agencies in response to the reduction of Spain's sovereign credit ratings. In 2014, the three agencies that were rating Banco Sabadell's credit quality were Standard & Poor's, Moody's and DBRS. In November, 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, following a review of Spain's economic risk.



G7

Funding sources

1	Deposits	65.8%
2	Retail investment products	1.3%
3	Repos	6.2%
4	ICO finance	5.0%
5	Wholesale market	16.5%
6	ECB	5.2%



G8

Wholesale market funding

1	Mortgage covered bonds	62.4%
2	Senior debt	4.2%
3	Preference shares & subordinated debt	4.0%
4	European and Institutional commercial paper	9.1%
5	Asset-backed securities	15.7%
6	Guaranteed debt	4.6%

At 2014 year-end, Banco Sabadell had a core capital (CETier 1) ratio of 11.7%.

In 2014, Banco Sabadell continued to pursue the active capital management policy it had been following for the last few years, with major implications for its future growth. In the last four years, the Bank increased its capital base by issuing securities qualifying as first-tier capital; as a result its capital resources grew by more than €5,000 million (T5):

€Mn.

		Amount	Impact on capital
September 2010	Equity issue	196	+11bp Core Tier I
February 2011	Debt-for-equity swap (equity via book-building and redemption of preference shares and subordinated debt)	411	+68bp Core Tier I
February 2012	Exchange of preference for common shares	785	+131bp Core Tier I
March 2012	Equity issue	903	+161bp Core Tier I
July 2012	Exchange of Banco CAM preference shares and subordinated debt for shares	1,404	+186bp Core Tier I
September 2013	Accelerated placement of shares and rights issue	1,383	+178bp Core Tier I

T5 Capital actions

Note: The impact on capital (in basis points) is calculated using year-end data, which have varied significantly as the Group has expanded in recent years.

The result is that the Bank has been able to maintain a sound capital position, as evidenced by the year-end capital ratios (T6).

Capital management is the result of an ongoing capital planning process. This process considers expected economic, regulatory and industry performance as well as adverse scenarios. It factors in projected capital consumption in the various businesses under a number of scenarios as well as market conditions that may determine the efficacy of measures that may be taken. The process is conducted in line with the Bank's strategic goals and the pursuit of attractive returns for shareholders, while always ensuring that own funds are sufficient to attend to the risks inherent in the business.

As a result of these actions and events, Banco Sabadell increased its core equity Tier 1 ratio at 2014 year-end to 11.7%, or 11.5% if the Basel III standards required in 2018 were applied (i.e. "fully loaded"). The BIS ratio was 12.8%.

The capital requirements regulation and directive (CRD IV/CRR), which govern minimum capital requirements for Spanish credit institutions, on an

individual and consolidated basis, and the way in which own funds are determined, came into force on 1 January 2014; they also regulate the various processes by which banks must evaluate their own capital and the disclosures to the market.

Under CRR, credit institutions must have a capital ratio of at least 8% at all times. Nevertheless, under the new framework, regulators may require banks to have additional capital.

Thousand euro

	2014	2013 (*)	Year-on-year change (%)
Capital	503,058	501,435	0.32
Reserves	8,855,717	8,891,722	(0.40)
Convertible bonds	—	—	—
Non-controlling interests	28,919	40,845	(29.20)
Deductions	(684,483)	(599,027)	14.27
Core capital resources	8,703,211	8,834,975	(1.49)
Core capital (%)	11.7	11.0	
Preference shares, convertible bonds and deductions	—	—	—
Tier one resources	8,703,211	8,834,975	(1.49)
Tier I (%)	11.7	11.0	
Tier two resources	838,681	885,874	(5.33)
Tier II (%)	1.1	1.1	
Capital base	9,541,892	9,720,849	(1.84)
Minimum capital requirement	5,953,425	5,830,103	2.12
Capital surplus	3,588,467	3,890,746	(7.77)
BIS Ratio (%)	12.8	12.1	5.77
Risk Weighted Assets (RWA)	74,417,813	80,189,579	(7.20)

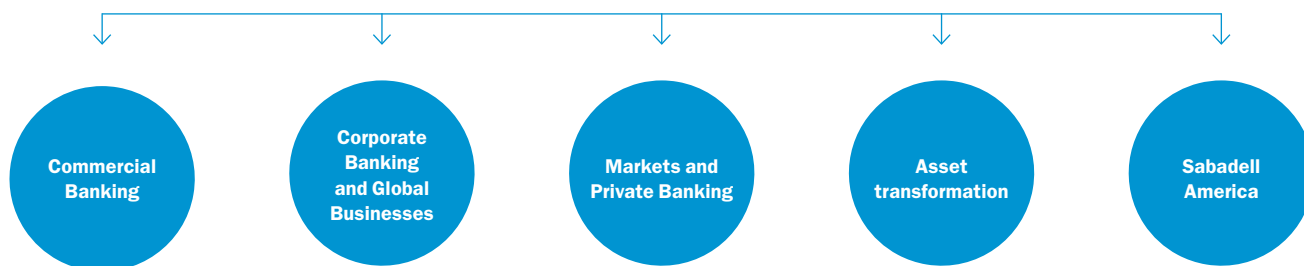
T6 BIS capital ratios

(*) For comparison purposes, the 2013 information has been calculated based on Basel III requirements and not restated to take account of early application of IFRIC 21.

Group Businesses

B

The Group is organized into a number of business areas which are shown below. It also has five regional divisions with full responsibility for their local areas and several business-focused support teams.



Commercial Banking

Commercial Banking is the largest of the Group's business lines. It focuses on providing financial products and services to large and medium-sized businesses, SMEs, retailers and sole proprietors, professional groupings, entrepreneurs and personal customers. Its high degree of market specialization ensures that customers receive a top-quality, personalized service that is totally oriented to meeting customers' needs, whether from expert staff throughout its extensive, multi-brand branch network or via other channels that support the customer relationship and give access to remote banking services.

Corporate Banking and Global Businesses

The unit offers products and services to large corporates and financial institutions, both Spanish and international. Its activities embrace corporate banking, structured finance, corporate finance, development capital, international trade and consumer finance.

Markets and Private Banking

Banco Sabadell has a comprehensive range of products and services to offer customers wishing to place their savings and investments under its management. These range from researching investment alternatives to trading in securities, active wealth management and custodian services. The unit's operations embrace SabadellUrquijo Private Banking; Investment, Products and Research; Treasury and Capital Markets; and Securities Trading and Custodian Services.

Asset transformation

In late 2014, in view of changing market trends and the high regard in which the Group's Solvia unit is held in the property market, the asset management business was split into two areas: Banco Sabadell Asset Transformation, which handles the overall management of the Bank's real estate assets taking an integrated view of the whole transformation process; and Solvia, which provides services for real estate asset portfolios for both the Group and third parties with a focus on business and adding value.

Sabadell America

The Sabadell America operation comprises an international full branch, Sabadell United Bank, Sabadell Securities USA, Inc., and other business units, affiliates and representative offices (New York since 2012) which together provide financial services in the corporate banking, private banking and commercial banking fields in the US.

Commercial Banking

In an operating environment showing early signs of economic recovery, the year 2014 saw improvements in net interest income, strengthened customer relationships, substantial growth in the insurance business and a major increase in mutual fund assets. The year also saw the completion of work to integrate the branches acquired from Banco Gallego and from Lloyds Bank International in Spain.

Thousand euro

T1 Commercial Banking

	2014	2013	% 14/13
Net interest income	1,778,469	1,353,679	31.4
Net fees	636,270	576,411	10.4
Other income	(76,970)	(51,732)	48.8
Gross income	2,337,769	1,878,358	24.5
Operating expenses	(1,345,734)	(1,258,142)	7.0
Operating profit/(loss)	992,035	620,216	59.9
Losses due to asset impairment	(644,154)	(325,014)	98.2
Profit/(loss) before taxes	347,881	295,202	17.8
Ratios (%)			
ROE (profit / average shareholders' equity)	8.0	7.0	
Cost:income (general administrative expenses / gross income)	57.6	67.0	
Loan loss ratio	10.3	11.4	
Loan-loss coverage ratio	52.4	52.5	
Business volumes (€Mn.)			
Loans and receivables	79,853	81,956	(2.6)
Customer accounts	90,785	88,130	3.0
Securities	8,678	8,424	3.0
Other data			
Employees	12,562	13,225	(5.0)
Spanish branches	2,253	2,356	(4.4)

Particularly encouraging was a drop in the loan loss ratio in the Commercial Banking business from 11.4% in 2013 to 10.3% in 2014.

Key business objectives for 2014 under the Group's current 3-year plan (Triple) were to increase profitability and offer in its newly acquired businesses in the Catalonia and Valencia/Murcia regions, and to grow market shares in other parts of Spain. A start was made in preparing the ground for development of the Bank's business in foreign markets.

Whether targeting business or individual customers, the focus was on increasing customer loyalty and transaction volumes and this resulted in steadily rising margins throughout 2014. This was reflected in continued progress in meeting a key goal of the current Triple 3-year business plan: being the main bank for the largest number of customers. On all these fronts a good performance was achieved in the business and individual customer segments.

Within the Bank's product range, the "Cuenta Expansión" and "Cuenta Expansión Negocios" accounts were once again the key instruments in meeting the Bank's targets for profitability and product offer.

Additionally, a number of positioning and brand recognition campaigns, both broad-based and focused, enabled the Bank to expand customer numbers in all segments. Of particular note was a campaign launched in late 2014 with Rafael Nadal as its main protagonist. The aim of the campaign, themed on the idea of "Closeness", was to continue the strategy behind the earlier "Believe" campaign, which expanded business with local retailers,

and the campaign aimed at expatriates under the slogan "Specialists in serving you here as you'd expect to be served there".

As part of the Bank's "Opportunity Madrid" plan, designed to promote continued growth in the number of corporate, business and high- and middle-income individual customers within the Madrid region, the year saw account management capabilities being strengthened at all branches where there was potential for growth. Additionally, the new active management approach, which revolves around the account manager and his/her special personal relationship with the customer, maintains and strengthens the bank's values: trustworthiness, authenticity, communication, desire to serve, professionalism, innovation and modernity.

Key action areas for the coming year are industrialization of the sales/promotion area supported by multi-channel marketing, and the new personal banking model, the aim in both cases being continued improvements in profitability. For the corporate segment, the Bank's aim will be to further strengthen its market-leading position with the "Promise to Businesses" plan. In specific regions the intention is to continue narrowing the profitability gap of customers in the newly acquired branch networks. The "Opportunity Madrid" plan includes opening a flagship branch in Madrid. It will be located at a new, centrally located site designed to raise the Bank's profile and enhance its reputation for innovation and quality of service, in surroundings that visitors will find pleasant and comfortable.

Companies, businesses and local authorities

Banco Sabadell is the "more businesses" bank.

The business customer market saw increases in both customer numbers (+4.1%) and market shares in all segments; market-leading positions were secured in ICO-sponsored lending—26.3% of ICO Internacional funding and 30% of ICO Garantía SGR funding—and energy-efficient operating leases for businesses. Additionally, there was a notable increase year-on-year in vehicle leasing (9.5%), other equipment leasing (52.1%), lending to public administrations (20.4%) and franchises (35%), the latter being an area in which Sabadell is an acknowledged leader. The Bank expanded its product catalogue, particularly in connection with international business, and set up two new business units specializing in the agricultural and tourist sectors.

Strong performance in 2014 was possible thanks to our competitive products, expanding capabilities and investment in profile-raising.

The customer base expanded for the fourth consecutive year, adding 347,424 new customers, with the result that 82.8% of the customer base consisted of middle-income people. The Bank experienced strong growth in home purchase loans (69.3%), credit card spending (24%), consumer lending (69.5%) and balance and market share of mutual funds (€3,595.8 million and 5.1%, respectively). The number of foreign customers expanded by 32%. Through campaigns and specific actions, the Bank has established itself as a leading banker to shops and private individuals and created Sabadell eBolsa, a product designed for retail investors.

Trading brands

The Bank's regionally-based brands, which have been retained out of respect for the long-established presence and good standing of local banks acquired in the last few years, continued to show an improved performance in terms of business margins, new customers (individuals and businesses) and market shares, and to gain leading positions in a variety of market segments. All brands performed a highly significant role in the social and cultural life of their regions thanks to their sponsorship and other socially responsible activities in their local communities.

Some of the more notable successes scored by the Group's other brands in 2014 were as follows:

SabadellHerrero

- Lending increased by 3.5% year-on-year, while the customer base was expanded by 2,905 companies and 17,866 individuals.
- It strengthened its position as a provider of ICO finance in Asturias and León and as the bank with the highest service quality in its territory.

SabadellGallego

- Integration of the pre-existing Banco Sabadell and Banco Gallego branches and systems was completed successfully, resulting in the addition of 5,176 business customers and 16,057 individuals, an increase in lending in year-on-year terms and an improvement in service quality indicators.

SabadellGuipuzcoano

- Once again, the loan-loss ratio was exceptionally low: 6.1%.
- The base of individual customers was expanded by 7.5% while the bank maintained solid market shares in the business segment (32.1% of SMEs and 71.1% of large companies).
- Lending increased by 3.1% with respect to 2013.

SabadellICAM

- A total of 94,000 new customers were added, and mortgage lending expanded by 17%.
- SabadellICAM accounted for 43% of sales by the real estate subsidiary in Spain and strengthened its leading position in ICO finance to SMEs.

BStartup

A key development in 2014 was a major initiative by the Group's newly formed Enterprise Department to reach out to the entrepreneur segment in Spain, chiefly through its "BStartup" programme. The programme has the aim of positioning Banco Sabadell as the bank most supportive of start-ups, and places special emphasis on those working in the digital/IT sphere, where scalability is greatest. In the framework of the BStartup programme, the Bank's Enterprise Department invested in nine companies and achieved a considerable news impact in the sector, enabling it to generate €28.5 million in direct business.

Occupational groups and agent partners

In 2014, 2,285 blanket agreements were signed which contributed €18.350 billion. The network of agents processed business amounting to €6 billion.

Bancassurance

At 31 December 2014, the total volume of funds under management in insurance and pension plans was €11,840.9 million. Issued premiums on life and non-life policies totalled €256.3 million. The Group's insurance and pensions business generated an overall net profit of €241.5 million.

As a result of legacy bancassurance agreements signed by the acquired banks, the Bank continued to restructure its insurance business in 2014 through a number of transactions (acquisition of control of Banco Gallego Vida

y Pensiones and signature of an agreement with insurer Zurich to extend the exclusive joint venture in insurance and pensions to all the branches in Spain) and significant operations (reinsurance contract with SCOR to cover Mediterráneo Vida's death benefit portfolio).

The reorganized Banco Sabadell insurance and pensions business that resulted from these arrangements was as follows:

- Sabadell Vida, Sabadell Pensiones and Sabadell Seguros Generales, operating as a joint venture with the Zurich insurance group since 2008.
- Mediterráneo Vida and Banco Gallego Vida y Pensiones, wholly-owned subsidiaries of Banco Sabadell Group.
- Sabadell Mediación, a bancassurance tied agent, as a bank tied broker.

Bancassurance - a key part of the Triple business plan.

Corporate Banking and Global Businesses

The year 2014 was critical for the Corporate Banking and Global Businesses unit: a time for finalizing and setting in motion plans that would lead to fulfilment of the goals set out in the Triple business plan. Significant progress was made in areas such as internationalization (including a "priority action markets" plan), finalizing a new relationship model for large corporate customers, a

start on establishing a corporate banking and structured finance business in Mexico, launching the "Fincom 1000" plan and the design of a new and innovative investment process for BS Capital. In 2015, efforts will continue to be focused on transforming and internationalizing the global business through tighter cooperation between teams to bring to completion a major project that will deliver value for the community and returns for our shareholders.

Corporate Banking

Teams of global bankers specialized in individual business sectors, combined with a direct presence in large corporations' target markets.

The implementation of a new Corporate Banking business model that commenced in 2013 came to fruition in 2014, achieving notable improvements in our "closeness to the customer" business (cash management, payments and collections, etc.), with revenue increasing by 15%. A key policy aim in relation to international business was to have the full resources of the Bank available for this activity. This helped to increase both income (up 32%) and

the volume of transactions handled (up 69%). The gross margin (13.4%) was in line with the previous year, and the cost:income ratio was very low (2.5%), with the result that profit after provisions amounted to €70 million.

Thousand euro

T2 Corporate Banking

	2014	2013	% 14/13
Net interest income	162,499	161,797	0.4
Net fees	24,942	27,962	(10.8)
Other income	11,439	9,154	25.0
Gross income	198,880	198,913	(0.0)
Operating expenses	(26,596)	(26,274)	1.2
Operating profit/(loss)	172,284	172,639	(0.2)
Losses due to asset impairment	(102,236)	(90,784)	12.6
Other profit/(loss)			—
Profit/(loss) before taxes	70,048	81,855	(14.4)
Ratios (%)			
ROE (profit / average shareholders' equity)	7.1	8.0	
Cost:income (general administrative expenses / gross income)	13.4	13.2	
Loan loss ratio	2.5	2.5	
Loan-loss coverage ratio	58.0	58.0	
Business volumes (€Mn.)			
Loans and receivables	10,820	11,455	(5.5)
Customer accounts	5,177	4,366	18.6
Securities	662	593	11.6
Other data			
Employees	113	110	2.7
Spanish branches	2	2	—
Branches abroad	3	3	—

Structured finance

Driving business in new international markets.

The Bank completed another year as a leader in structured financing in Spain. It is one of the principal banks engaged in the origination and structuring of financing deals for customers, including project finance and corporate and acquisition finance. In 2014, origination amounted to over €4,300 million, spread over a total of 193 deals.

A notable success on the international front was the successful entry into the Mexican market through subsidiary Sabadell Capital, through which it participated in numerous syndicated loan deals with Mexican companies; operations in the United States were also strengthened. Fee income in these and other foreign markets where the unit operates increased by 71.2%. 31.6% of the fees earned by Structured financing in 2014 was generated in foreign markets.

Another area of business that makes it possible to offer alternatives to customers and which gained in strength in 2014 is bond origination for customers, a joint initiative with the Treasury department, enabling the Bank to position itself as a leading player on Spain's Alternative fixed-Income Market (Spanish initials: MARF).

Corporate finance

The year 2014 was a busy time for the Bank's merger and acquisition advisory business. Seven transactions were brought to a successful conclusion in the sports complex, automotive engineering, logistics, mining, fluid handling, renewable energy and funeral services industries. Among the year's other milestones were an increase in the number of cross-border mandates thanks to the Terra group with its global network of contacts and its presence in 20 countries, and the launch of a new corporate finance business in Mexico through the forging of links with three local M&A companies.

In 2014, the Bank was named Best Corporate finance firm - Spain and M&A firm of the Year - Spain.

Development capital

BS Capital channels and manages its investments through three investment vehicles: Aurica XXI for development capital, Sinia Renovables SCR for renewable energy projects and BIDA for investments of a more institutional nature.

Aurica XXI actively managed the subsidiaries portfolio in 2014. There were no acquisitions in the period, and Aurica XXI sold its 25% equity interest in Eurofragance, S.L., generating a profit of €9.5 million for the Group.

During the year, Sinia Renovables continued its careful monitoring of the portfolio of renewable energy projects and firms. In 2014, the Spanish government enacted Royal Decree-Law 413/2014 to provide a stable legal framework, thus encouraging investors to return to the Spanish renewable energy sector. Sinia Renovables took the opportunity to divest certain holdings (Adelanta Corporación, S.A. and Parque Eólico Veciana-Cabaro, S.A., generating a capital gain of €1.7 million). Following these disposals, the renewable energy portfolio managed by Sinia Renovables totalled 127MW.

For the second year in succession,
the Bank won an accolade from the
publication Acquisition International.

International Operations

In 2014, International Operations met all the business development targets that had been set for it in the first year of the Triple business plan in relation to markets, customers and products, and it underwent a reorganization designed to increase its capabilities and make it a leader in foreign market specialization.

The Bank's International Operations Division organized the first Sabadell Banking Conference, which brought together close to 100 financial institutions from 32 countries and provided Banco Sabadell with an opportunity to showcase its business strategy, raise its profile, and build closer ties of cooperation and trust with other leading banks and institutions. Direct approaches were made to more than 360 correspondent banks in five continents, enabling the Bank to capture business worth some €1,340 million.

The Bank also gained healthy market shares in documentary credits received from correspondent banks, winning a 29.8% share of export documentary credits — 5% more than in 2013 — based on SWIFT traffic data.

Consumer finance: Sabadell fincom

The first signs of an upturn in private consumption and consumer lending helped Sabadell fincom to see an increase in the number of loans compared with the previous year, as well as an increase in market share. Business volumes continued to improve during the year compared with previous years, with significant improvements in interest spreads and operating income, while loan delinquency was reduced to 3.9%.

During the year, a total of 185,000 new loans were arranged through 6,000 points of sale all over Spain. The amount of new lending arranged in 2014 totalled €340.9 million. The Bank also continued its programme of operational enhancements and technology upgrades with the aim of supporting business growth, with the result that the cost:income ratio was reduced to 32% at year-end.

The Sabadell Banking Conference – a first for Banco Sabadell.

Markets and Private Banking

Markets and Private Banking showed once again that it was well equipped to create and supply high added-value products and services to deliver good returns to customers, increase and diversify the customer base and ensure that investment processes remained consistent and were based on disciplined analysis and proven quality. There was also a move towards a multi-channel approach to customer relationship management.

SabadellUrquijo Private Banking

A notable development that reflected the aims of the Triple business plan and the business transformation drive was a change in the balance sheet structure: mutual funds, discretionary portfolio management services and SICAVs gained in importance at the expense of more liquid assets with less attractive returns such as time deposits, demand deposits and commercial papers. This change in the composition of clients' investment portfolios resulted in an increase in profitability for Private Banking.

As of December 2014, 1,897 new discretionary portfolio management mandates had been signed for an overall value of €639 million, bringing the total volume under management to €1.5 billion. Mutual fund and SICAV investments under management increased by over €1,618 million, 32% with respect to 2013.

An indication of the growing strength of the business was a 5.4% share in SICAVs, which reached 183 in number and held investments worth €1,702 million. That was a 19.7% increase with respect to 2013 year-end. The unit saw its business volumes increase by 7.1% over the year to reach a total of €25,251 million, while its customer base exceeded 30,900.

Quality, productivity and efficiency were key themes in the day-to-day operation of the business.

In 2015 the focus will remain firmly on offering a quality advisory service to meet specific needs, supported by appropriate tools that will be made available to customers.

Thousand euro

	2014	2013	% 14/13
Net interest income	16,601	10,549	57.4
Net fees	45,456	37,971	19.7
Other income	3,248	3,318	(2.1)
Gross income	65,305	51,838	26.0
Operating expenses	(36,626)	(36,034)	1.6
Operating profit/(loss)	28,679	15,804	81.5
Provisions (net)	0	0	—
Losses due to asset impairment	995	(1,926)	—
Other profit/(loss)	0	0	—
Profit/(loss) before taxes	29,674	13,878	113.8
Ratios (%)			
ROE (profit / average shareholders' equity)	59.3	29.1	
Cost:income (general administrative expenses / gross income)	56.1	69.5	
Loan loss ratio	3.4	3.9	
Loan-loss coverage ratio	58.7	56.7	
Business volumes (€Mn.)			
Loans and receivables	1,029	1,053	(2.3)
Customer accounts	16,896	15,513	8.9
Securities	7,326	7,007	4.6
Other data			
Employees	271	269	0.7
Spanish branches	12	12	0.0

T3 SabadellUrquijo Private Banking

Investment, Products and Research

Thousand euro

T4 Investment, products and research

	2014	2013	% 14/13
Gross income	42,448	29,015	46.3
Operating expenses	(20,546)	(20,191)	1.8
Operating profit/(loss)	21,902	8,824	148.2
Other profit/(loss)	0	(13)	(100.0)
Profit/(loss) before taxes	21,902	8,811	148.6
Ratios (%)			
ROE (profit / average shareholders' equity)	59.9	29.0	
Cost:income (general administrative expenses / gross income)	48.4	69.6	
Business volumes (€Mn.)			
Assets under management in CIS's	12,007	8,070	48.8
Total assets including CIS's sold but not managed	15,706	10,193	54.1
Other data			
Employees	145	147	(1.4)
Spanish branches	—	—	

Research

During the year the research unit continued to ratchet up its production of reports on equity market investments and corporate bonds. Greater emphasis was placed on the analysis and coverage of reports on corporate issuers of high-yield, non-investment grade debt. In-depth studies were carried out on European listed companies and more detailed comparisons were made of global investment options. The catalogue of equity and bond market strategy reports was broadened to include research into Spanish regional governments issuing debt securities on the capital markets.

The Bank's research unit earned a number of accolades and distinctions. In a survey of Spanish investment research firms in 2014, Thomson Reuters' investment analysis arm, StarMine, named Banco Sabadell's research team Best Industry Earnings Estimator in the materials category. This corroborates the Spanish industry rankings given to the Bank's research department (placed second in 2013 and third in 2010) for the accuracy of its recommendations.

Product

The year 2014 was marked by low economic growth and return forecasts were inevitably very modest; for this reason, expert management and careful risk control were of vital importance. Against this background, the Investment Product and Customer Strategy department followed its asset allocation strategy as a conceptual framework to

shape its investment approach, the planning of its investment product offering, and the work done to analyse and research markets and investment opportunities contributed to anticipating market trends and making the most favourable selections in terms of expected risk and return.

Investment Management

Following the mergers of Banco Gallego and Lloyds España in the first quarter of 2014, the Banco Sabadell Group's investment management companies ended the year with €9,952.6 million in assets under management in Spanish-domiciled mutual funds, 59.1% more than at 2013 year-end and far in excess of the 26.7% growth rate of the industry as a whole. With this volume of assets under management, the Group's fund manager, Sabadell Inversión, ranked fourth among Spanish-domiciled fund managers.

Banco Sabadell mutual funds earned some outstanding accolades. Sabadell Rendimiento, fi was honoured with the award for Best Fund in the fixed Income category – Money market by the Spanish business daily *Expansión*. The British publishing group Citywire paid tribute to the performance of six fixed-income and equity fund managers at Sabadell Inversión, based on a study of fund returns over the last three years. Three fixed-income managers were awarded AA ratings and three equity fund managers were given A+ ratings. Finally, in the 2014 mutual fund portfolio performance rankings organized each year by *Expansión*, Sabadell Inversión won a distinguished

Spanish-domiciled mutual funds had a market share of over 5%.

position with its portfolios being given first place in the aggressive category, having produced an annual return of 14.5% over the year 2014, and second place in the conservative category, with an annual return of 6.6%. A total of 16 fund management companies participated in the rankings, which included some of the best Spanish fund managers as well as some outstanding international firms.

For the Investment, Products and Research department, the primary objective is to maintain the high success rate achieved in its research-based recommendations on equity shares of European listed companies and on government and corporate debt.

	2014	2013	2012	2011	2010	2009	2008	2007
Assets under management (€Mn.)	9,952.6	6,356.7	4,443.2	4,203.3	4,312.4	5,609.6	5,844.5	9,102.4
Market share (%)	5.11	4.13	3.63	3.29	3.12	3.44	3.49	3.81

T5 Spanish-domiciled mutual funds

Treasury and Capital Markets

In 2014, the European Central Bank reduced official interest rates to lowest-ever levels, where they remain, and this impacted and shaped large areas of the operating environment, business opportunities and the functioning of the financial markets.

Despite this, the stirrings of economic recovery, helped by strong exports, and the focus on implementation of business development actions and campaigns for Treasury and Capital Markets envisaged in the Triple business plan, made it possible to achieve the targets set for this year.

The Bank reaffirmed its presence in the capital markets, with levels of demand that are a tribute to its capacity and position in the market. The Bank participated actively in a €1.6 billion issue of 10-year debt by the Community of Madrid and also in high-yield issues for a total nominal value of €1.62 billion.

The Bank is a member and registered advisor of Spain's Alternative fixed-Income Market (Spanish initials: MARF), where it originated and coordinated two new bond issues, by Tecnocom and Grupo Ortiz, with nominal values of €35 million and €50 million respectively, and participated in a €20 million commercial paper programme for Copasa.

In the area of sales and marketing, the Bank ran a campaign directed at some 4,000 customers with the aim of increasing foreign exchange transaction activity, which resulted in a 78% increase in the inventory of structured

products to reach a record high. In the campaign to expand the international customer base, planned actions gained more than 200 new customers in 17 countries. In the Bank's trading and related processes, the aim was to meet liquidity management requirements and also to take a proactive approach to the management of the fixed-income portfolio and the sizeable currency trading business generated by orders from customers.

Key action areas for 2015 will be to complete the roll-out and implementation of current initiatives to increase product sales, product rotation and transaction volumes.

The Banco Sabadell Group maintained its position as the market's second largest broker by volume.

2014 was a year of volume growth in equity trading, which affected all sectors of the market and saw a recovery, to some degree, in trading and custodian services for non-resident institutional clients, which had fallen to very low levels in recent years. This meant increased business for global, rather than local, brokers.

The Bank was able to retain its position as the second-largest broker in the market (according to the market management company's report on trading volumes per member) with its share of market trading increasing to 10%, slightly higher than in 2013.

During the year the Bank carried out a number of actions to boost its position in the retail market; these included the launch of Sabadell eBolsa with the aim of obtaining full portfolio management mandates from new and existing customers, capturing investment portfolios and thus being able to offer customers a high standard of service and support throughout the life of the investment at the best price available in the marketplace.

To further this aim, it is intended that the initiatives set out in the "Triple" business plan should be brought forward, especially those related to new product launches.

€ million

	2014	2013	2012
Trading volume - market total	1,767,740	1,406,526	1,397,358
Trading volume - BS	352,596	267,266	176,538
Share (%)	10.0	9.5	6.3

T6 Securities trading
(market volumes)

Non-performing assets continue to decline, while real estate inventories are increasing more slowly.

Thousand euro

	2014	2013	% 14/13
Net interest income	(11,192)	42,085	(126.6)
Net fees	(659)	(2,826)	(76.7)
Other income	15,228	(6,972)	(318.4)
Gross income	3,377	32,287	(89.5)
Operating expenses	(135,824)	(193,726)	(29.9)
Operating profit/(loss)	(132,447)	(161,439)	(18.0)
Provisions (net)	(1,469)	(301)	388.0
Losses due to asset impairment	(143,512)	(362,215)	(60.4)
Other profit/(loss)	(720,044)	(520,861)	38.2
Profit/(loss) before taxes	(997,472)	(1,044,816)	(4.5)
Ratios (%)			
ROE (profit / average shareholders' equity)	(39.3)	(39.9)	
Cost:income (general administrative expenses / gross income)	—	—	
Loan loss ratio	61.9	56.0	
Loan-loss coverage ratio	49.8	50.8	
Business volumes (€Mn.)			
Loans and receivables	14,989	18,894	(20.7)
Customer accounts	484	466	3.9
Real estate assets (gross)	14,601	12,361	18.1
Other data			
Employees	668	807	(17.2)
Spanish branches	—	—	—

T7 Asset transformation

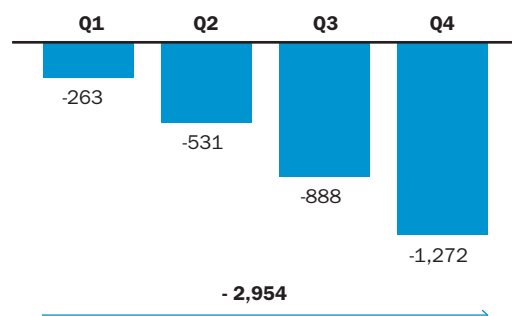
The Group has steadily fine-tuned its approach to managing its real estate and non-performing assets since 2012. In late 2014, the Group split its asset management operation into two areas: Banco Sabadell Asset Transformation and Solvia. Asset Transformation has the primary task of taking an integrated approach to the Group's real estate assets and designing and carrying out its asset transformation strategy. Solvia, the real estate business, focuses on real estate services through all stages of the product cycle — property sales and servicing, land management, preparation and development. It manages real estate portfolios both for the Group and for third parties, and has positioned itself as a key player in Spain's real estate market.

The balance of doubtful assets was reduced and the volume of non-performing loans continued to decline (G1). The Group's real estate exposure increased by less than it had the year before (foreclosed real estate assets rose by €1,368 million in 2013, while in 2014 the increase was €1,117 million, i.e. 18% less). Sales to the retail market as well as sales of property portfolios to institutional clients contributed to the reduction. Sales of real estate assets in 2014 amounted to €2.744 billion in 2014 (G2), exceeding the target. This was achieved thanks to a change of strategy to reduce discounting and to sell higher-value properties, thereby helping to slow the increase in the Group's real estate exposure.

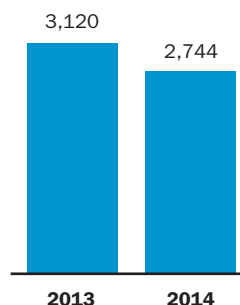
The Bank took active steps to tackle housing security issues by engaging with occupiers at risk of social exclusion and acting according to social responsibility guidelines. In 2014 it added 140 homes to the 260 it had already contributed to the Social Housing Fund set up by the Spanish government in the previous year and other homes were made available to housing charities.

For sales to the retail market, the Group can boast one of the best real estate servicing companies in the industry: Solvia Servicios Inmobiliarios. Solvia is currently Spain's second largest bank-operated real estate web site and the country's second most widely-recognized brand in the residential property and construction sector, with a brand recognition factor of over 76% (according to the Spanish Public Opinion Institute [IOPE] list for housing and construction) among potential property purchasers at the end of 2014. In November 2014, Solvia won a contract to provide services to a portfolio held by Sareb (Spain's "bad bank" for non-performing assets); the award was based on its proven real estate servicing capacity (asset administration, sales and development), which will double the size of its managed portfolio and provide it with an additional source of revenues.

G1 Reductions in doubtful assets in 2014 (€Mn.)



G2 Real estate sales (€Mn.)



Sabadell America

During the year 2014, the Bank continued to pursue its aim of growing its domestic banking operation in the state of Florida through its subsidiary Sabadell United Bank, by developing its associate network, enhancing sales through the branch network, developing alternative sales and services channels, and improving operating efficiency.

In July the acquisition of the Miami-based JGB Bank was brought to completion and the company was merged into Sabadell United Bank and integrated onto its business systems. This completed the Bank's seventh corporate action in Florida within a period of six years, and followed the acquisition of TransAtlantic Bank in 2007, the absorption of BBVA's private banking business in 2008, the purchase of Mellon United National Bank in 2010, the purchase of assets and liabilities of Lydian Private Bank in 2011 and of the Miami branch of Caja de Ahorros del Mediterráneo in 2012, and the acquisition of the private banking business of Lloyds TSB Bank's Miami branch in 2013.

Another of the year's milestones was the launch of Sabadell Capital in Mexico — the first small step towards what will become the Group's banking business in that country as soon as official approval has been obtained. Sabadell Capital is a multi-object financial company ("SOFOM") which will aim to build a loan portfolio concentrating on the infrastructure, energy and tourism industries.

Banco Sabadell's activities in the US are generating business volumes amounting to over USD 14,400 million in loans, customer deposits and off-balance sheet customer assets; total assets stand at USD 7,500 million, making it Florida's fifth largest local bank by total assets (Sabadell Miami branch and Sabadell United Bank combined). It is one of the few financial institutions in the area with the capability and experience to provide a full range of banking and financial services, ranging from highly complex and sophisticated products for large corporate clients, including project finance, to products for individual customers and an extensive offering of products and services commonly required by business and professional people and by companies of all sizes.

In 2015, the Bank's aim is to continue growing in the region in all areas of its current operations and to introduce additional products and services to bring added value to customers. It plans to obtain a bank charter in Mexico so as to begin operating as a bank there. It is also intended, within the Bank's internationalization plan, to open representative offices in Colombia and Peru to support the Bank's growing business in those countries.

Banco Sabadell continued with its plan to expand in the United States.

Other businesses

Banco Sabadell has a 51% stake in BancSabadell d'Andorra, a financial institution incorporated in 2000. Ownership of the remaining shares is spread across a broad base of Andorran shareholders.

At the close of 2014, the company's contribution to Group earnings was a net profit of €7.1 million, with deposits growing at a steady 10% per annum and an ROE of 11%.

Risk management



Banco Sabadell has a risk appetite framework in line with best practices in the financial sector.

The risk appetite framework ensures control and proactive management of risks under an enhanced corporate governance framework.

Milestones in 2014

European Central Bank's 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, for the stress test, in close collaboration with the European Banking Authority (EBA).

The Comprehensive Assessment (CA) began in November 2013 and was a prerequisite for the ECB to undertake its new supervisory functions, which it assumed one year later. The CA covered a very significant part of the processes and procedures of the banks that were analysed.

According to the published results, 25 institutions failed the test with a capital shortfall totalling €25,000 million. However, corrective actions implemented in 2014

had reduced the shortfall to €9,500 million, distributed among 13 banks. All Spanish banks passed the stress test and the AQR, with the exception of one minor institution (as defined by the ECB), whose capital shortfall was duly covered as a result of actions implemented in the first half of 2014.

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 were not required to make any adjustments.

In the stress test, Banco Sabadell attained a capital ratio (CET1) of 10.26% in the baseline scenario. In the adverse scenario, the ratio was 8.33%, i.e. above the required minimum of 5.5%. With these ratios, it was estimated that Banco Sabadell had surplus capital amounting to over €1,700 million in the baseline scenario and over €2,200 million in the adverse scenario.

These results did not take account of the effect of mandatory convertible bonds (not included in the stress

test even though they mature in 2015); neither did they include 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.

The Group's directors believe that these results vindicate the capital-raising actions performed by Banco Sabadell in the last three years, while also strengthening its competitive position in Spain, and that they reflect the quality of its financial asset management.

Technological and functional integration of Banco Gallego and Lloyds Banking Group Spain

The successful integration, in terms of technology and risk management, of the two absorbed banks (Banco Gallego and Lloyds Banking Group Spain) was concluded in 2014. The loan portfolio acquired from these banks, and also their branches, are now covered by the Group's risk management framework, in terms of both acceptance and monitoring.

Risk appetite framework and enhanced governance of the risk function

In 2014, the Banco Sabadell Group continued to strengthen its risk management framework and to make improvements in line with best practices in the financial sector.

The main milestones this year were the development of a new risk appetite framework which ensures control and proactive management of all group risks and strengthens the governance framework as a function of risks.

The new risk appetite framework, whose function is to ensure oversight and pro-active management of all the Group's risks, includes a risk appetite statement, which establishes the amount and diversity of risks that the Group seeks and tolerates in order to achieve its business goals while maintaining a balance between risk and return.

The risk appetite framework is covered by an updated risk governance framework in accordance with European and national regulations (specifically, CRR and CRD IV and their transposition to Spanish law through Law 10/2014 on the organization, supervision and solvency of credit institutions). Accordingly, the Bank has strengthened the supervisory role of the Risk Committee, made up of non-executive Board members, whose main function is to ensure that the risks undertaken by the Group conform to the risk appetite statement approved by the Board of Directors.

Banco Sabadell Group complies with guidelines drawn up under the Basel Capital Accord, a fundamental principle of which is that a bank's capital requirements should be more closely related to risks actually incurred, based on internal risk measurement models which have been independently validated. The bank has supervisory authorization to use its internal models for enterprises, property developers, specialized financing projects, financial institutions, retail businesses and the self-employed, mortgage and consumer loans, and individual credit cards for calculating regulatory capital requirements.

Most significant risks in the risk appetite framework

The significant risks to Banco Sabadell are reflected in graph G1.

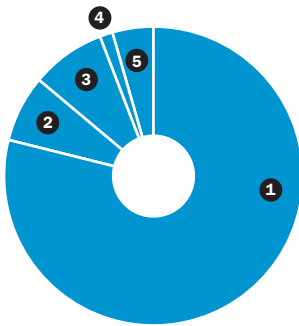
Of all types of risk, credit is the most significant in Banco Sabadell's portfolio (G2).

Below are some of the main characteristics of managing each of these risks. More comprehensive information with respect to the Directors' Report and the financial statements are available on the Bank's website (www.grupobancosabadell.com).

Credit risk

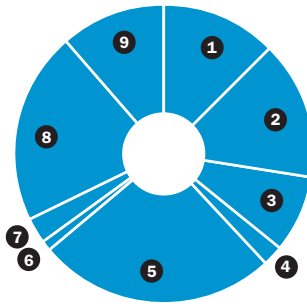
Credit risk is the possibility that losses may be incurred as a result of borrowers failing to meet their obligations or through losses in value due simply to deterioration in borrower quality.

Diagram G3 illustrates the breakdown of credit risk among the Group's various segments and portfolios.



G2
Capital allocation by type of risk

1 Credit risk	79.1%
2 Structural risk	7.0%
3 Operational risk	8.1%
4 Market risk	1.3%
5 Other risks	4.4%



G3
Overall risk profile by customer category (distribution of credit risk exposures) %EAD (Exposure at default)

1 Large corporates	12.6%
2 Midsize businesses	15.2%
3 Small businesses	8.3%
4 Retailers and sole proprietors	2.1%
5 Mortgage loans	25.9%
6 Consumer loans	1.1%
7 Banks	2.7%
8 Sovereigns	20.9%
9 Other risks	11.4%

G1 Main risks

1

Credit and concentration risk

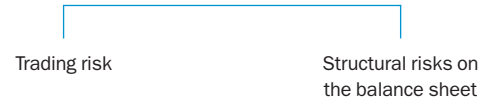


2

Liquidity risk

3

Market risk



4

Operational risk



5

Fiscal risk

6

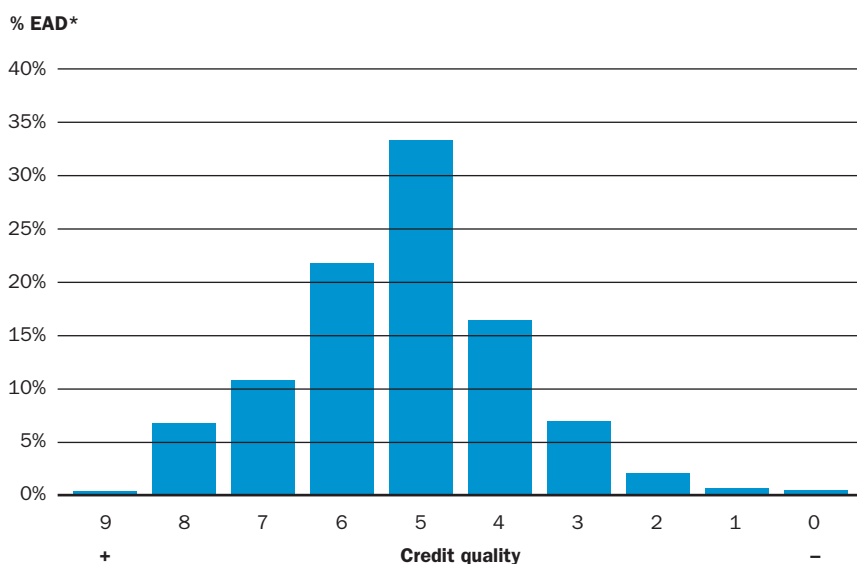
Compliance risk

To maximize the business opportunities provided by each customer and to guarantee an appropriate degree of security, responsibility for approving and monitoring risks is shared between the relationship manager and the risk analyst, who are thus able to obtain a comprehensive view of each customer's individual circumstances.

Of special note are the advanced internal credit rating models for clients and operations:

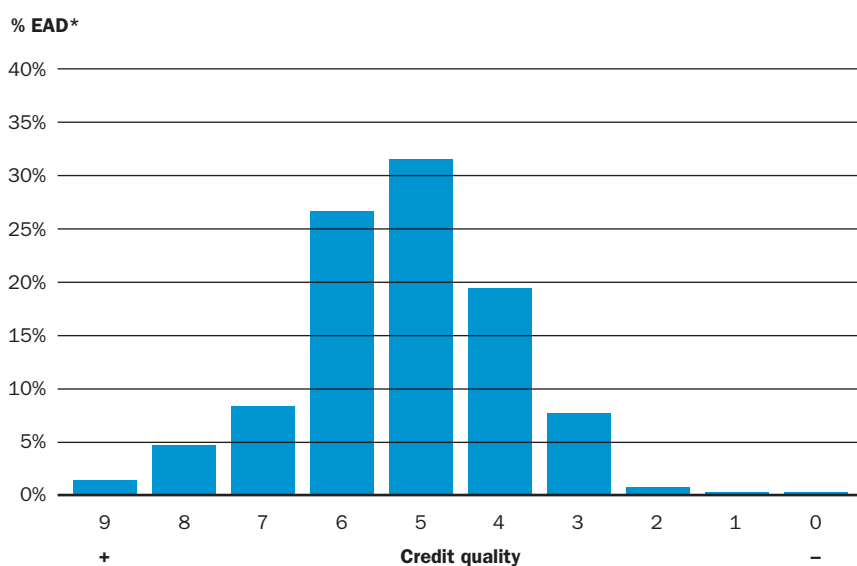
- Rating: credit risk exposures to corporate customers, real estate developers, specialized financing projects, retailers and sole proprietors, financial institutions and countries are assessed according to a system of credit ratings based on predictive factors and internal estimates of the probability of default (Diagram G4 reflects the breakdown of companies as a function of their rating).

- Scoring: credit risk exposures to individual customers are classified by means of scoring systems which make use of quantitative modelling based on historical data to identify key predictive factors (Diagram G5 reflects the breakdown of individuals as a function of their scoring).
- Early alert tool: there are early alert tools for both companies and individuals. With an early warning system, the quality of a risk can be monitored in an integrated way and risks transferred to recovery specialists who are best equipped to determine the most suitable type of recovery procedure in each case.



G4 Individual customer loan portfolio credit rating profile

* EAD (exposure at default)



G5 Individual customer loan portfolio credit score profile

* EAD (exposure at default)

Country risk

Country risk is defined as the risk of a country's debts taken as a whole due to factors other than credit risk. It is manifested in the possible inability of a borrower to meet its payment obligations in different currencies to foreign creditors as a result of not being allowed access to the currency, of not being allowed to transfer it, or of legal action being unenforceable against the borrower for reasons of sovereignty. Breakdown by country risk (G6).

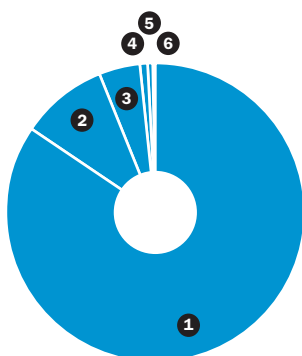
Counterparty risk

This also includes credit risk on financial market transactions that is borne with other financial institutions. It arises from financial trades, both cash (where the risk amount is comparable to the transaction's nominal amount) and that arising from derivatives not traded in organised markets (whose amount is less than the notional value, in the vast majority of cases). Breakdown of counterparty risk by rating (G7 & G8).

Concentration risk

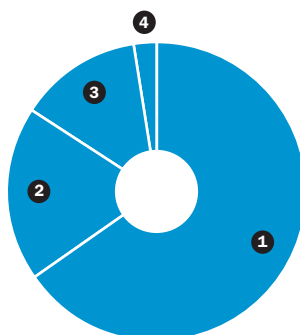
In addition to credit risk, concentration risk refers to exposures that can potentially generate losses large enough to threaten the financial health of an institution or the viability of its ordinary business activity.

Concentration risk is controlled and managed on the basis of the definition in the risk appetite statement, which establishes limits in terms of exposure to concentration, at both individual and sector level.



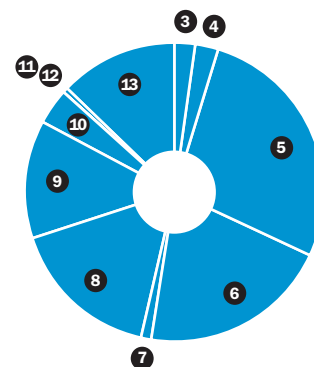
G6
Geographic distribution
of credit risk

1	Spain	84.8%
2	Rest of European Union	9.3%
3	North America	4.4%
4	Rest of the world	0.9%
5	Latin America	0.5%
6	Rest of OECD	0.2%



G7
Breakdown of counterparty risk
by geographic area

1	Eurozone	65.4%
2	Rest of Europe	19.0%
3	USA and Canada	13.1%
4	Rest of the world	2.5%



G8
Breakdown of counterparty risk
by rating

1	AAA / Aaa	0.0%
2	AA+ / Aa1	0.0%
3	AA / Aa2	2.3%
4	AA- / Aa3	2.4%
5	A+ / A1	27.4%
6	A / A2	20.4%
7	A- / A3	1.2%
8	BBB+ / Baa1	16.4%
9	BBB / Baa2	12.8%
10	BBB- / Baa3	3.8%
11	BB+ / Ba1	0.1%
12	BB / Ba2	0.6%
13	Other	12.6%

Liquidity risk

Liquidity risk is due to the possibility of losses being incurred as a result of the Bank's being unable, albeit temporarily, to honour payment commitments due to a lack of liquid assets, or of its being unable to access the markets to refinance debts at a reasonable cost. This may be associated with factors of a systemic nature or specific to the Bank itself.

Liquidity risk management is established around the basic requirement that the Group have, at all times, liquidity at least sufficient to comply with the levels established by regulation and by the Bank's internal risk management policies.

As an additional policy, it has been decided that the Bank must have a cushion to cover liquidity needs. This cushion materialised in the form of liquid assets classified as eligible collateral by the European Central Bank that are sufficient to fund debt issued on the capital markets that matures in the next 12 months.

Market risk

Market risk arises from possible fluctuations in the fair value or future cash flows of a financial instrument as a result of changes in market risk factors. Several types of market risk factors can be distinguished, the main types being interest rate risk, exchange rate risk, equity price risk and credit spread risk.

Different approaches are taken to manage this risk, depending on which of the Group's main business lines has given rise to it:

- Risk arising from proprietary trading as part of the strategy of focusing on customer business. Risk that is primarily attributable to Treasury and Capital Market operations using currency instruments, equities and fixed-income, in both the cash and derivatives markets.
- Risks arising from the Group's commercial banking with customers and its corporate banking businesses,

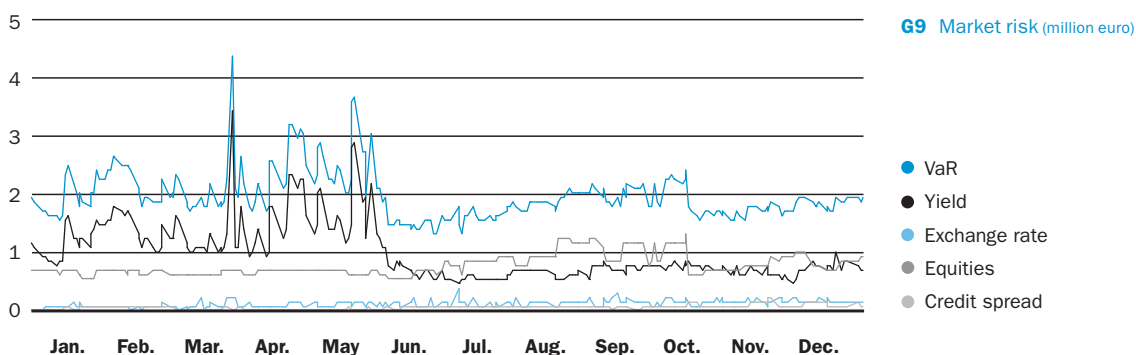
known as structural balance sheet risk. These risks can be sub-classified into interest rate risk and currency risk. This risk is defined as arising from the possibility of loss in the market value of financial asset positions due to variations in risk factors with an impact on their market prices, volatility or correlation between them (e.g. stock prices, interest rates, exchange rates).

Trading

A number of tools are used to measure market risk, including notably:

- VaR (Value at Risk), which allows the risks on different types of financial market transaction to be analysed as a single class. The VaR method provides an estimate of the potential maximum loss on a position that would result from an adverse, though plausible, movement in any of the factors that affect market risk.
- Specific simulations of extreme market situations (stress testing) which analyse a range of historical and theoretical extreme scenarios and their potential impact on the trading portfolio.

The G9 graph shows the movement of the 1-day VaR for market trading operations in the year 2014 at a 99% confidence level. The T1 table shows a stress analysis of this kind for the treasury portfolio.



Structural risks

Interest rate risk

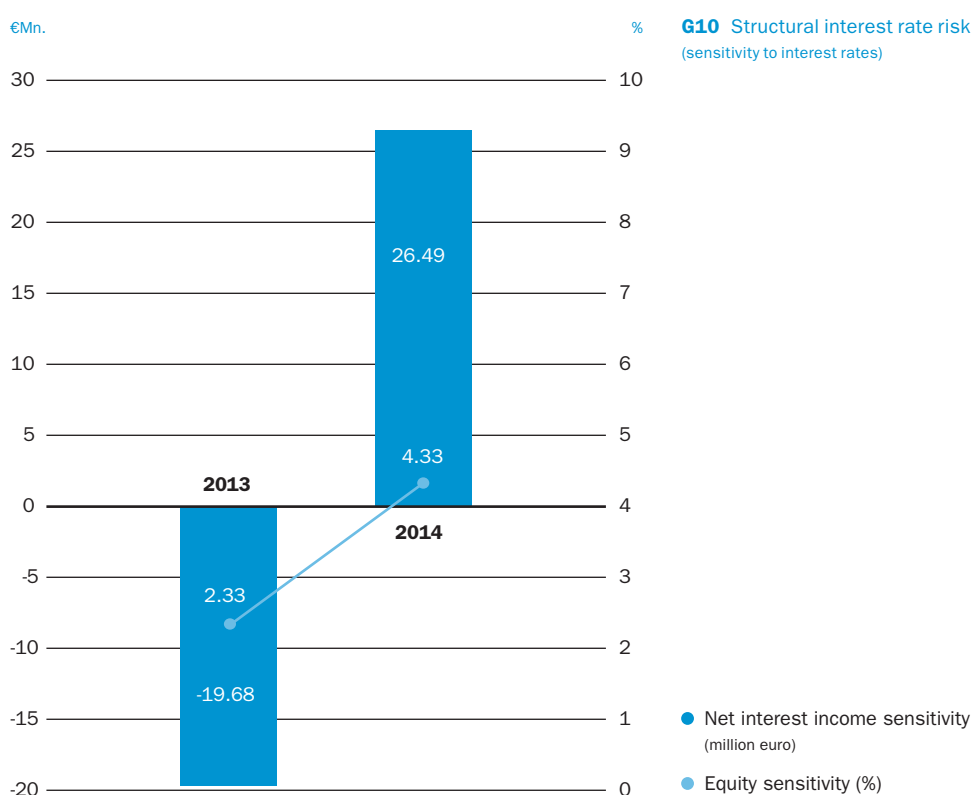
Interest rate risk is caused by changes, as reflected in the position or the slope of the yield curve, in the interest rates to which asset, liability and off-balance sheet positions are linked. Gaps or mismatches arise between these items because of differences in repricing and maturity dates so that rate changes affect them at different times; this in turn affects the robustness and stability of results.

The sensitivity of net interest income and shareholders' equity to a 100 basis point change in interest rates is illustrated in diagram G10.

Exchange rate risk

Structural exchange rate risk arises as a result of changes in the exchange rates between different currencies and the possibility that these movements may result in losses on financial investments and on permanent investments in foreign offices and subsidiaries.

This risk is managed on a centralised basis by the Treasury and Capital Markets Department and the finance Department by delegation from ALC, to which the Board of Directors has delegated. The financial, Country and Bank Risk Department tracks this risk and the established limits.



Scenario	Result
2008 bank crisis	(1.38)
Stressed sovereign debt scenario	(7.74)
Parallel curve decline scenario	(9.69)
Curve flattening scenario	(11.58)
Parallel curve increase scenario	9.15
Curve steepening scenario	11.63

T1 Stress test results at 2014 year-end (million euro)

Operational and fiscal risk

Operational risk is defined as the risk of loss resulting from failures or inadequacies in people, processes, and systems or from unforeseen external events. This definition includes model, technology and reputational risk (the latter includes behavioural risk).

Senior managers and the Board of Directors play a direct, hands-on role in managing operational risk by approving the management framework and its implementation as proposed by an Operational Risk Committee made up of senior managers from different functional areas of the Group. They also ensure that regular audits are carried out on the management strategy being applied, the reliability of the information being reported, and the internal validation tests required by the operational risk model.

Operational risk includes management and control of the following main risks:

- Reputational risk: the possibility of losses arising from negative publicity related to the Bank's practices and activities, potentially leading to a loss of trust in the institution with an impact on its solvency.
- Technology risk: possibility of losses due to the inability of the systems infrastructure to fully support the continuation of ordinary business activity.
- Model risk: the possibility of losses arising from decision-making based on the use of inadequate models

The Banco Sabadell Group's objective in this area is to ensure compliance with tax obligations while guaranteeing adequate returns for our shareholders.

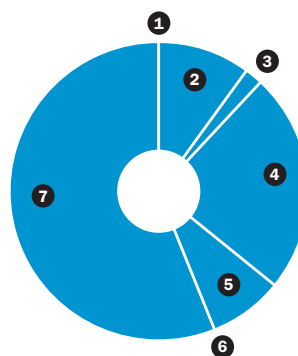
Compliance risk

Compliance risk is defined as the risk of incurring legal or administrative penalties, significant financial loss or an impairment of reputation due to a breach of laws, regulations, internal rules and codes of conduct applicable to the banking industry.

One of the essential aspects of the Banco Sabadell Group's policy, and the basis of its organizational culture, is rigorous compliance with all legal provisions. The pursuit of our business objectives must be compliant at all times with the current legislation and with best practice.

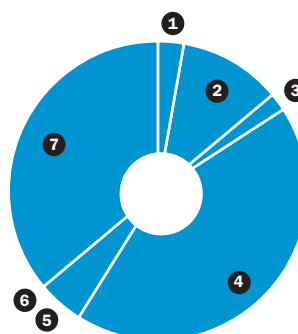
With this aim in view, the Group has a compliance policy that handles the setting of policies, procedures and controls centrally at head office and delegates implementation to its subsidiaries and branches in other countries. This is a flexible risk-focused approach that can adapt with agility to the Group's strategy at any given time and which takes advantage of synergy.

In particular, in the area of money laundering and terrorist financing, the Group has implemented strict control measures that cover both customer identification and the know-your-customer (KYC) process at the time of initiating commercial relations as well as ongoing



G11
Distribution of operational risk events by amount (12 months)

1 Internal fraud	0.4%
2 External fraud	9.6%
3 Staff relations and job security issues	1.9%
4 Customers, products and business practices	24.0%
5 Property damage	8.0%
6 Business disruption/ systems failure	0.2%
7 Process execution, delivery and management	55.9%



G12
Distribution of operational risk events by amount (last 5 years)

1 Internal fraud	3.0%
2 External fraud	10.8%
3 Staff relations and job security issues	1.6%
4 Customers, products and business practices	43.0%
5 Property damage	5.0%
6 Business disruption/ systems failure	0.3%
7 Process execution, delivery and management	36.2%

monitoring of activity using systems for tracking suspicious transactions, checking block lists, analysing deviations and operational profiles and constantly keeping KYC documents up to date.

Key actions implemented in 2014 included the following:

- Constantly updated anti-money laundering monitoring systems and Know-your-Customer and Customer Acceptance procedures.
- Progress in complying with Spanish anti-money laundering legislation on the keeping and updating of customer documents and due diligence procedures.

In connection with the other compliance functions, the following actions were taken in 2014:

- Expanded and more rigorous measures to bring greater transparency to all dealings with customers, particularly in the marketing of products and the terms of contracts; making available to the public all fees, commissions, costs and expenses actually charged on the more common banking products and services.
- Improving investor protection by implementing new procedures to evaluate the timeliness and suitability of investments.
- Strengthening the Group's resources for the detection of possible market abuse by incorporating additional risk parameters; this will make alerts systems more sensitive and extend the range of possible suspicious behaviour patterns.
- Strengthening the mechanisms for overseeing compliance with the Group's Internal Code of Conduct for trading on the securities market.
- Promoting and monitoring implementation of the Foreign Account Tax Compliance Act (FATCA).
- Implementing these compliance systems at branches taken over following the acquisition of assets from Banco Gallego and SabadellSolbank (formerly Lloyds Bank España).

Corporate Social Responsibility

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Corporate Social Responsibility (CSR)

Banco Sabadell operates in a transparent and ethical manner. In the current climate, the Group seeks to address the concerns of the community by accepting its role as a driver of the economy and ensuring an appropriate impact on society and the environment. Each and every person in the organization has a part to play in the process of transforming the business and helping, in a disciplined and professional way, to make it ever more competitive while respecting the principles and policies of corporate social responsibility.

CSR Master Plan

In 2013, the Bank approved a Corporate Social Responsibility (CSR) Master Plan reaffirming the values and ethical principles that govern its actions, at a time when there was a need to demonstrate its commitment to maintaining the trust and reliance placed on it by stakeholders. The Plan comprises five main action areas: responsible banking, a healthy organization, environmental sustainability, a CSR-supportive culture and value sharing.

During 2014 the Bank started work on drawing up programmes for the different action areas of its CSR Master Plan. The healthy company line of action is detailed in the section on human resources under Banco Sabadell's key stakeholders.

Responsible banking

Commitment to business ethics

For Banco Sabadell it is of vital importance to ensure the strictest compliance with the law and with the policies, internal procedures and codes of conduct that guarantee ethical and responsible conduct at all levels of the organization, using a range of tools throughout the organisation and in all Group activities.

- Code of conduct: applies generally to all persons directly involved with the Group, whether as employees or as members of its governing bodies.
- The Internal Code of Conduct in connection with the securities market.
- The Suppliers' Code of Conduct.
- Policy on ethics and human rights.
- Policy on corporate social responsibility.
- Policies related to stakeholders (shareholders and investors, customers, suppliers, employees, the environment and the community).
- A plan to foster genuine equality between women and men at Banco Sabadell.
- A code of conduct governing the use of social networks.
- Membership of Autocontrol, a self-regulatory body on business communication.
- Adopting the Code of Good Banking Practice.

The Bank has a standing Corporate Ethics Committee whose chairman and five other members are appointed by the Board of Directors to advise the Board on the adoption of CSR-related policies. Any employee may contact the

Corporate Ethics Committee, in complete confidence via a special email address, to raise any issue relating to ethical business practices in the organization.

Social commitment

Banco Sabadell plays a responsible role in society, both as a creator of employment and a provider of finance to people and business projects. This contributes to the creation of wealth in the Spanish economy in a context of sustainable growth. In 2014 Banco Sabadell was directly employing 17,529 people and disbursed more than €1,202 million in wages and social welfare contributions. It spent €2,037 million on procurement of goods and services (T8).

Assistance in cases of mortgage default

In 2014, the Bank confirmed its support for the Code of Good Banking Practice to mitigate the effects of indebtedness and facilitate the rehabilitation of debtors at risk from social exclusion. In this framework, the Bank also accepted proposed amendments to the Social Housing Fund ("FSV") that would relax the eligibility requirements for FSV housing and allow the reduced rents payable by occupants of repossessed homes to be included in FSV provisions.

Additionally, measures were established to ensure that persons at risk of social exclusion do not lose their habitual abode.

Where a customer is unable to pay their mortgage, the Bank works with the customer to look for solutions that will help them to overcome any temporary difficulty and avoid foreclosure. Wherever possible, the Bank proposes changes to the terms of the mortgage based on the borrower's ability to pay. This may mean lengthening the payment period, granting a grace period or reviewing the rate of interest. The Bank may also agree to take possession of the property and release the customer from his debt; this has happened in 2,706 cases involving loans totalling €460 million.

Where a mortgage is foreclosed, the Bank does not take forcible eviction proceedings. In 84% of repossessions, the property involved was already unoccupied. In the remaining cases, where a family is at risk of social exclusion, the Bank enters into discussions with the occupants to look for the best way of avoiding eviction. The Bank may offer a customer the option of remaining in their property or moving to another one and paying a subsidized rent.

It reaffirmed its support for the FSV's mandate by increasing from 260 to 400 the number of repossessed homes let to their former owners in 286 different municipalities all over Spain; at the close of the year arrangements of this kind were in place in 84% of these properties.

The Bank also transferred 92 properties to 49 charitable and not-for-profit organizations with a mandate to assist and support the underprivileged and the needy.

The Banco Sabadell Group has 3,494 homes let at reduced rents to customers facing financial hardship as a result of mortgage foreclosure, repossession in lieu of payment, or living in substandard or unsuitable accommodation.

	2014	2013
Direct economic value generated (€'000)	5,037,474	4,020.687
Net sales plus revenues from financial investments and sales of assets (includes gross income and capital gains on asset sales)	5,037,474	4,020.687
Direct economic value distributed (€'000)	3,448,361	2,567,217
Payments to suppliers	2,036,626	1,267,452
Personnel expenses (includes social welfare costs)	1,202,604	1,135,175
Corporate income and other taxes (*)	209,131	160,260
Investment in community and cultural programmes	5,492	4,330
Economic value retained (€'000)	1,589,113	1,453,470
Other information		
Customers(million)	6.4	6.5
Shareholders	231,481	262,589
Branches in Spain	2,267	2,418
Employees	17,529	18,077

(*) Figures for 2013 were restated due to early application of IFRIC 21.

Banco Sabadell is in regular contact with charities and other organizations (Caritas, ICAV, Ofideute, local social services, etc.), as well as Plataformas de Afectados por la Hipoteca (an organization that supports people with mortgage difficulties), central government and local authorities. The Bank is a member of an evictions panel set up by the Catalan Government at the request of the Catalan Parliament.

Transparency towards customers

One of the responsible banking programmes is transparency vis-à-vis customers.

Since 2010, the Bank has been a member of Autocontrol, an organization that promotes responsible advertising, thus making a commitment to responsible advertising and to ensuring that all information, contract terms and operating features conform to current legislation.

Financial education

Another responsible banking programme is Financial Education. In 2011, Banco Sabadell became party to an agreement with the Spanish Banking Association (AEB), the CNMV and the Bank of Spain to carry out a programme of activities as part of the National Financial Education Plan, with the aim of encouraging greater financial awareness among the general public.

The Bank has taken other initiatives related to financial education: for the very young (at <http://paraquesirveeldinero.com>); for school-age children (current and retired employees of the Group are working as volunteers on a scheme entitled “Financial Education for Schools in Catalonia”, a pioneering project in Spain led by the Financial Studies Institute); to help manage a

household economy (the “Personal Finance” tool available on BS Online); and for SME’s (the “Exporting for Growth” programme offers businesses a range of tools and resources to assist them with foreign trade).

To set people thinking, in 2013 the Bank launched a campaign entitled “How long are we going to live?” The campaign was organized around four full-length talks (which can be viewed on www.bancosabadell.com/futuro) in which four well-known scientists give their answers to the question that defined the campaign. The scientists set out reasons why life expectancy in the Spanish population is set to increase significantly in the future. Given this foreseeable trend, the Bank invites viewers to think about the need to set up a plan to save for their retirement.

Environmental sustainability

We care about the future and about sustainability. This is why Banco Sabadell has an environmental policy in place and promotes commitment to the environment globally. The Bank’s environmental policy is to minimize the potential impacts of processes, facilities and services; to manage effectively the environmental threats and opportunities inherent in its business, and to promote a global commitment to the environment. The Bank adheres to a number of global initiatives, including the Equator Principles and the Carbon Disclosure Project (CDP).

Banco Sabadell promotes the development of a more sustainable energy model by investing directly in, and providing funding for, renewable energy projects (lending €141 million in 2014), investing in power generation projects using renewable energy and advising on this type of project. It has also participated as a speaker at the main fora in Spain: these included events organized by the

Spanish Wind Energy Association and the Association of Renewable Energy Producers.

The Bank has an environmental management system (EMS) which was set up in 2006 in accordance with the ISO 14001:2004 standard and has been certified for six Central Services buildings. With regard to environmental training and awareness-raising, all Group employees have access to an on-line training course which is obligatory for staff at Central Service facilities certified to ISO 14001. Employees also have an online guide, “*Connect with the Environment*” which gives them ready access to information about the Bank’s environmental footprint, resource consumption and waste management at branches or Central Services buildings.

The Bank also informs all suppliers of the Group’s environmental policy and uses a range of mechanisms to incorporate environmental and social responsibility into its supply chain. Banco Sabadell’s basic contract with suppliers includes specific clauses on compliance with environmental criteria, human rights and the Ten Principles of the United Nations Global Compact, as well as acceptance of the Supplier Code of Conduct.

Shared value

Creation of shared value and Social and cultural action

Banco Sabadell nurtures and gives recognition to people’s talent and transformative potential. It does this through such awards as the UPFemprèn Prize for entrepreneurial initiative by students, Imagine Cultura Barcelona and the ESADE Alumni-Banco Sabadell Prize for Best Business Start-up.

It also supports and works to channel the capacity for innovation shown by employees, customers and consumers and add value to society as a whole. Examples include the BStartup 10 high-performance scheme for 10 young Spanish business start-ups showing high potential, in each of which it has invested €100,000 to help them grow and internationalize; organizing the first “hackathon” on digital banking, in which the winning project, Wallabe, introduced a new concept in banking that included “socialbanking” and “socialcash”; and keeping channels open for customers and employees to put forward their ideas.

Banco Sabadell’s policy of support for the community and for cultural activities is part of its commitment to society and to value creation. Its activities in these areas are conducted in cooperation with Banco Sabadell Foundation. The Foundation presents several distinctions, such as the SabadellHerrero Award for Economic Research and the Banco Sabadell Award for Biomedical Research.

Adoption of national and international initiatives

In recent years, the implementation of social responsibility policies at Banco Sabadell has resulted in the Bank joining or associating itself with a number of initiatives and receiving awards and distinctions.

- Adoption of the ten principles of the United Nations Global Compact in the areas of human rights, labour, the environment and the fight against corruption.
- Signing the Equator Principles, which requires it to take account of social and environmental issues in financing major projects and in loans to large corporates.
- Integration of CSR policies into business practice in accordance with ISO 26000 guidance.
- A signatory of the United Nations Principles for Responsible Investment in the “investment manager” category.
- Party to an agreement between the Spanish Banking Association (AEB), the CNMV and the Bank of Spain to carry out a programme of activities as part of the National Financial Education Plan.
- Banco Sabadell is among the stocks included in the FTSE4Good, FTSE4Good IBEX, Euronext Vigeo Europe 120 and Euronext Vigeo Eurozone 120 sustainable stock market indices.
- Awarded the European Foundation for Quality Management (EFQM) Gold Seal of Excellence.
- ISO 9001 certification for 100% of processes and operations of the group’s financial undertakings in Spain.
- A signatory of the Carbon Disclosure Project (CDP) for action against climate change and its Water Disclosure programme. Banco Sabadell has been disclosing its CO2 emissions since 2009.

For more details of the Group’s CSR policies, see the CSR section of the Bank’s website (www.grupobancosabadell.com).

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This Annual Report is available on the Group's website (www.grupobancosabadell.com), along with the full version, statutory information, the annual corporate governance report, the Audit and Control Committee report, and information on corporate social responsibility. If you have a smartphone or tablet, you can access those reports on your device using the QR code.

The legal name of the issuer is Banco de Sabadell, S.A., and its commercial name is Banco Sabadell. Banco Sabadell was incorporated for an indefinite period on 31 December 1881 by a public instrument granted before the notary Antonio Capdevila Gomá. It is registered in the Mercantile Registry of

Barcelona, tome 20.093, folio 1, sheet B-1561, and in the Bank of Spain Register of Banks and Bankers with number 0081. Banco de Sabadell, S.A. is domiciled in Sabadell, Plaza de Sant Roc, 20, with Tax ID no. A-08000143. Banco Sabadell has the legal form of a corporation and is governed by the Capital

Companies Act, the Securities Market Act and their implementing regulations. Its activity is governed to the specific legislation governing credit institutions, and it is subject to supervision and oversight by the Bank of Spain.

Credits

Creative Director

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Collection Banc Sabadell

 **Sabadell**