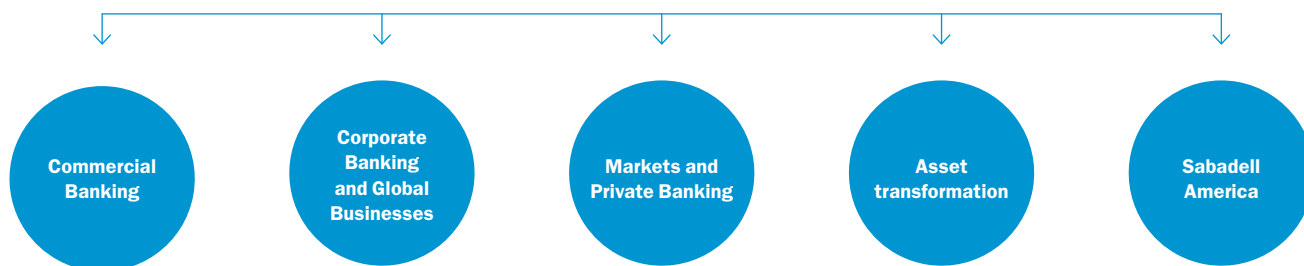


Group Businesses

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.



Banco Sabadell is at the head of Spain's fifth largest banking group by total assets. The Group offers a full range of banking and financial services through its different financial institutions, brands, subsidiaries and associates.

The Group's development objectives are focused on profitable growth and the generation of shareholder value through a strategy of business diversification based on high returns, efficiency and quality of service together with a conservative risk profile, while maintaining high standards of ethics and professional conduct combined with sensitivity to stakeholders' interests.

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

Overview

SabadellAtlántico, the Group's flagship brand, operates in most of the country's regions except for those served by other Group brands. These are Asturias and León, an area served by the Group's SabadellHerrero brand; the Basque Country, Navarre and La Rioja, where the Group is represented by its SabadellGuipuzcoano network; and the Valencia and Murcia regions, where it operates under the SabadellCAM brand. Last year saw the SabadellGallego name being incorporated into the Group's multi-brand strategy to identify its branches in the Galicia region, following the recent acquisition of Banco Gallego by Banco Sabadell. The Group's SabadellSolbank branches have the primary aim of meeting the needs of resident expatriates from other European countries. It does this through a chain of specialist branches operating only in the Canary Islands, the Balearic Islands and the country's southern and south-eastern mainland coastal areas. Finally, ActivoBank is there to serve customers who prefer to do their banking exclusively by telephone or online.

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.

Key developments in 2014

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 (now rebranded as SabadellSolbank).

	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. On all these fronts a good performance was achieved in the business and individual customer segments.

The business customer market saw increases in both customer numbers and market shares in all segments; market-leading positions were secured in the ICO-sponsored lending and energy-efficient fleet rental businesses. Other improvements included an enlarged product offering, among which were new facilities for cross-border operations such as online tools and training sessions organized at the request of customers interested in the possibilities offered by foreign trade. The Bank earned accolades as an acknowledged leader in serving the franchising industry; it also set up two new business units specializing in the agricultural and tourist sectors.

The personal or individual customer segment saw a steady rise in customer enrolments which was reflected in increased market shares, especially in the middle-income and resident expatriate sub-segments. Increases were

also significant, in both relative and absolute terms, in the inflow of savings into mutual funds from the personal customer segment. An enhanced product offering geared to this customer group included Sabadell e-Bolsa, which is designed to increase investment in securities by retail customers.

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. Whether targeting business or individual customers, the focus was on increasing customer loyalty and transaction volumes and this resulted in steadily rising margins throughout the year. 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. One milestone in achieving this goal was the full implementation of the Business Development Programme, key aspects of which are promoting teamwork and productivity and driving up service quality by promoting the idea that "giving customers what they need helps us to be more profitable".

Of particular importance in boosting the Bank's public image as a totally trustworthy institution 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. The purpose of

“Believe”, which took place in 2014, was to make and successfully deliver on a promise to customers which no bank had ever made and extended to all aspects of business finance. Local area campaigns during the year included one targeted on 36 Spanish municipalities with the slogan “We believe in...”. This was not only well received by the media but served as a stimulus to local business and won new individual and business customers for the Bank. In addition, a special initiative aimed at foreign customers was designed and implemented with the aim of boosting the Bank’s position as a market-leading national player for the full range of financial services, with the strapline “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. In June 2014 a dedicated customer-winning team was set up and is operating under a new “active management” model. The account manager, and the special personal relationship built up between account manager and customer, are central to this new approach. This model maintains and strengthens the Bank’s values: trustworthiness, authenticity, communication, desire to serve, professionalism, innovation and modernity.

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 market segments such as ICO-sponsored credit schemes. All these brands saw increases in customer numbers thanks to proactive efforts to win new customers by entering into agreements with key public bodies and private-sector organizations. In addition, 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.

Objectives for 2015

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, whose key features are commitment to good service and the use of remote channels. In specific regions the intention is to continue narrowing the profitability gap of newly acquired branches in Catalonia and Valencia/Murcia, to attract new customers and to increase profitability in other regions of Spain.

Finally, as part of the “Opportunity Madrid” plan a flagship branch will be opened in Madrid to address the need for a new approach in the way the Bank manages customer relationships. The flagship branch will be located on a new, centrally located site designed to raise the Bank’s profile and bolster its reputation for innovation and quality of service, in surroundings that visitors will find pleasant and comfortable. It will work to strengthen and add value to relationships with particular customers and provide a state-of-the-art office environment in which the Bank can pilot new approaches to customer care and service.

Customer segments

This section describes the Bank’s activities in the corporate, business, central and local government, and individual customer segments.

Companies, businesses, government and local authorities

In line with its current 3-year business plan, 2014 was another “more businesses” year for Banco Sabadell. In the course of the year 95,432 businesses were enrolled as Banco Sabadell customers, an increase of 4.1% over the previous year. Market shares surged in the small and midsize business and large corporate segments, having risen by 7.6% and 3.3% respectively by the third quarter. Significantly, large corporates accounted for 69.7% of the division’s business and public sector customers. This was due in large measure to the added value afforded by our network of dedicated branches serving large corporate clients. At the end of the year there were 69 of these specialist branches covering every part the country.

A key priority for the Bank in 2014 was to make it easier for businesses to obtain credit. It was this that led to the “Believe” campaign, which grew out of a desire to make credit more readily available to businesses and contained a promise by the Bank to respond to applications for credit within six days. A commitment to give prompt answers to enquiries that has more than been fulfilled: response times are averaging just 3.2 days. The “Believe” campaign, along with a major promotional effort, resulted in some €34,000 million in new finance being agreed. The Bank remains committed to increasing its lending to customers, subject always to having full knowledge of customers and their needs and after carrying out the careful, rigorous scrutiny that characterizes its risk acceptance policy and the Group generally.

The unit maintained its focus on broadening its range of financing products, especially to meet working capital requirements. Despite a backdrop of declining credit availability in the Spanish market, a satisfactory performance was achieved. Specialist financing such as factoring (11.7% market share) and reverse factoring (10.1% market share) increased over the year, especially

in cross-border finance, ensuring that for another year customers had a solution to their payment and collection control requirements anywhere in the world. At the same time, as envisaged in the Triple business plan, the unit worked hard to develop and extend its product range by being innovative and leading the way in growing transaction volumes and making it easier for customers to move into markets where the Bank has a presence.

Another key loan product for businesses and sole proprietors that received much attention during the year was finance provided under Official Credit Institute (“ICO”) schemes, in which the Bank’s share rose to 17.5%, putting it in third place in the league table of lenders of ICO finance. The most successful of the ICO-backed schemes were ICO Business and Entrepreneur and ICO Exporter, with totalling €3,009.8 million and €603.2 million respectively. The Bank was the biggest provider of finance under the “ICO International” and “ICO Guarantee SGR” schemes, having arranged 26.3% and 30% of the funding disbursed under these two schemes.

The Bank also entered into partnership agreements with mutual guarantee societies represented by the Spanish Confederation of Mutual Guarantee Societies (CESGAR) and with the Spanish Refinancing Company (CERSA), an agency of the Spanish Ministry for Industry, Energy and Tourism. The purpose of the agreement was to facilitate the provision of €400 million in funding for small and midsize companies (SMEs) and sole proprietors. An increased funding agreement with the European Investment Bank to fund loans to customers enabled the Bank to offer business customers €700 million in additional finance.

In the foreign trade arena, an international business website was set up with a far stronger focus on services to business, particularly in foreign trade and markets likely to be attractive to Spanish companies. The “Export to Grow” programme was continued and exporting meetings were organized, mainly for firms in the fruit and vegetable and wine industries, obtaining high approval ratings. A programme of seminars was started, focusing on markets covered by the Export to Grow programme. “Next Step Mexico”, an 8-session course that was attended by more than 1,000 companies.

A significant highlight in the area of medium and long-term finance was the growth in the Group’s fleet rental and contract equipment leasing operations (“Sabadell Renting”) with business increasing by 9.5% and 52.15% respectively. This is a further boost to the Group’s leading position as a provider of energy-efficient solutions for

customers as well as support for technological change in such areas as lighting, building envelopes, sanitary water heating, climate control and renewable energy sources (geothermal, solar, photovoltaic) as required by the EU’s energy efficiency Directives 2010/31 and 2012/27. It is also a provider of finance to end users, energy services companies and suppliers of different forms of energy. A steady rise in sales to major fleet operators during the year led to the creation of a new dedicated unit to serve this business sector. A project was also launched to take the Group’s contract leasing business into foreign markets by making agreements with other operators to serve customers expanding outside their home market.

As required by the Triple business plan, the leasing business is looking to develop the potential of sales channels such as sales introducers/agents, which enable customers to obtain extra income by offering finance along with their products. Channels used by individual customers proved to be a key instrument in raising the profile of the rent-a-car operation, with attractive offers designed to appeal to the youth market. These younger users tend to prefer pay-as-you-go options and are ever more demanding in relation to both service and tools for online access, such as apps and websites, in their interaction with Sabadell Renting, the Group’s specialist vehicle leasing subsidiary. Tools like these are seen as vital not only to keep track of the services being provided but also to give maximum service flexibility to customers while on the move.

The business customer segment saw a steady increase in sales in line with the growth seen in the preceding years. The “Cuenta Expansión Negocios” account was once again the key product in the campaign to win and retain new customers. It was also a key tool for customers in their day-to-day banking operations and this was helped by a user support plan launched in 2012. The plan was designed to maximize the business opportunities provided by the large number of business customers and ensure a high quality service, as well as to forge links with customers at an early stage in the relationship through centrally planned initiatives. Another important aspect in the management of business customers during the year was a review of agreed overdraft limits to help meet the financing needs of sole proprietors, small retailers and other small businesses. Overdraft facilities amounting to €2,500 million were offered to 178,000 customers; the resulting increases in overdraft finance and in customers benefiting from them were 230% and 250%, respectively, compared with 2013. Since the new policy came

**Banco Sabadell is the
“more businesses” bank.**

	2014	2013	% 14/13
Net interest income	892,582	683,779	30.5
Fees and commissions (net)	239,011	217,905	9.7
Other profits/(losses)	(3,508)	6,811	—
Gross income	1,128,085	908,495	24.2
Business volumes (€Mn.)			
Loans and advances	43,327	43,644	(0.7)
Customer funds	37,715	35,221	7.1
Securities	4,579	4,276	7.1
Loan loss ratio (%)	10.3	11.9	—

into effect in 2012, the Bank has granted credit totalling almost €4,000 million to more than 270,000 Spanish businesses.

In 2014 a series of coordinated actions focusing on retail establishments was launched as part of the “We believe in...” campaign in 36 towns and cities all over Spain, with more than 36,000 outlets being visited. The aim of the campaign was to encourage people to visit shops in their neighbourhood, spend some money and thus give a boost to business activity in Spain’s towns and cities. The message was clear: to believe in a local neighbourhood is to believe in its local traders. Key to the campaign’s success was the involvement of branch managers, who personally visited each shop in their neighbourhood to present the campaign, thus creating opportunities for winning and strengthening relationships with customers in the local retailer community. In each local area the campaign was supported by press, radio and billboard advertisements, giving it widespread diffusion and a resounding media impact.

Another significant development during the year was an intensified effort to target the franchising industry. This resulted in a number of industry partnership agreements which were instrumental in generating more than €200 million in new lending — a 35% increase on the previous year — to over 1,000 franchisees. The Bank also increased its attendance at franchising industry meetings and conferences, thus consolidating its position as a leading provider of financial services to the industry.

In the Bank’s approach to the government and local authority sector, the year saw continued efforts and successes in meeting the aims set out in the Triple business plan. A major promotional effort was successful in securing public sector contracts with impacts on large sections of the public, thus increasing the number and diversity of transactions and preventing the build-up of business over-concentrations. Public sector contracts of this kind resulted in increases of 30.1% in transactions and 20.4% in revenues, placing the Bank among the leading providers of financial services to central and local government. Banco Sabadell remains, in any case, a leading financial industry player for the public sector

thanks to its innovative offering of products and services for public bodies.

In its business with institutional clients, the Bank maintained and built on its success in attracting deposits. Bringing down funding costs remains a priority for the Bank and the inflow of deposits is helping to increase margins for the unit. In accordance with the Triple business plan, this has helped in winning customers who wish to use the Bank to invest or safekeep their assets. Improvements to the Bank’s offering of products to attract more funds from institutional clients were followed by the launch of the first hedge fund by Banco Sabadell open to third parties (Aurica III).

Another key development in 2014 was the setting up of two new business units, Sabadell Negocio Agrario and Sabadell Negocio Turístico. This will underpin the growth of a high-value, comprehensive service to firms and individuals working in the agriculture and tourist industries, with both units coordinated by teams of expert managers whose aim will be to position the Bank as a leader in serving these two industries.

Individuals

In 2014 the integration of Banco Gallego and Lloyds International Bank (renamed Sabadell Solbank) was brought to completion. This inorganic growth brought in more than 150,000 customers, over and above a net increase of 347,424 individual customers.

The Bank’s performance in 2014 was made possible by the success of a strategy based on two key aims: first, having a competitive product offering and continuously developing its capabilities so as to become our customers’ main bank; and second, making renewed efforts to raise its profile.

Key to the first of these aims was developing ways of doing business that were aligned with the needs of each customer. For middle-income customers the emphasis was on products and efficiency, while for personal banking customers it was on personalization and differentiation. This realignment was accompanied by a major

effort and shift of focus at branch level and the progressive roll-out of self-service facilities to meet customers' requirements.

With regard to the second aim, profile raising, a big impact on the individual customer segment was scored by the "Creer" (Believing), "Cerca" (Closeness) and "Creemos" (We believe) promotional campaigns. To promote the Bank's real estate business to the private customer, a high-intensity campaign was launched to raise awareness of Solvia, the Bank's real estate brand specializing in property sales and related services, including finance.

As for the personal banking customer segment, actions directed at this group were affected by lower risk premia and continual reductions in interest rates by central banks. Even so, there was a substantial inflow of customer savings into mutual funds, which grew by €3,595.8 million and raised the Bank's share of the market from 4.1% to 5.1%. A new addition to products targeted on the personal customer group was Sabadell eBolsa, a securities service launched in October. The aims behind the new service are to increase market trading for retail investors, position the Bank as a leading player in this segment of the securities industry and grow its securities management and custodian services business as one of the strategic growth drivers envisaged by the Triple business plan. In setting up Sabadell eBolsa, the intention was to leverage the Bank's sizeable share of the Spanish securities brokerage market (at 10%, the second largest according to the stock exchange management company, Bolsas y Mercados Españolas) and its dealing capabilities to double the number of contracts per branch and win new customers.

For the middle-income sub-segment, which now accounts for 82.8% of the individual customer base, one of the main priorities was to "be our customers' main bank". Our success in achieving this aim was reflected in a marked increase in customer account activity (regular income payments, credit/debit cards and utility bills); this was possible thanks to a competitive product offering that included the "Cuenta Expansión", a major policy realignment at branches, a series of centrally managed initiatives and continuing service excellence.

New housing loans increased 69.3% by value (53.8% by number of loans), bringing the Bank's share of new housing loans up to 7.4% by value and 7.0% by number of loans in the year to September 2014. The corresponding figures for the year to September 2013 were 4.9% and 4.8% respectively. This growth consisted very largely of

loans for non-subsidized housing and the number of loans to owner/occupiers was down on the year before. Loans for unsubsidized housing accounted for 61.5% of the total in 2014, compared with 39.8% in 2013.

In personal loans, loan approvals were up 69.5% by value compared with the previous year. This result was achieved thanks to intensified business development activity by branches, greater promotional use of remote distribution channels, the success of "Linea Expansión", a low-value credit product for households, and a higher uptake of study loans available under agreements with business schools and universities.

Our payment media business continued to expand at the excellent pace observed in recent years. The number of debit and credit cards in use increased to 4.4 million, a rise of 8.8%. Card billing was up by 24%. The EFTPOS business also showed substantial increases on the previous year, with billing up by 26% and the number of EFTPOS users rising by 16%. During the year the platform was upgraded to support new mobile payment technologies and a number of projects were put in hand to provide international payment solutions for retailers and other businesses. The Bank was able to position itself as a market leader in handling payments for online sales, which saw a year-on-year increase of 131%. Banco Sabadell was named Best eCommerce Payment Provider at Spain's leading industry event for e-commerce practitioners.

With regard to the resident expatriate customer segment, in 2014 the Bank's market position was boosted by a business relaunch campaign with the slogan "Specialists in serving you here as you'd expect to be served there". The campaign emphasized the Bank's experience and know-how in supporting customers from foreign countries and gave credence to the idea that with Banco Sabadell, customers are guaranteed the same degree of solvency, reliability and good practice as they would get from a financial institution in their own country. The campaign coincided with a series of improvements in the approach used in serving foreign customers and in its specially targeted value offering. The combination of all these measures and changing market conditions helped the Bank to see improved business metrics in all areas related to the expatriate segment: customer numbers increased by 28.8% and new mortgage loans by 58.2%. Moreover, it became increasingly clear that 2014 was the turning point in Spain's attractiveness to foreigners as a country in which to place their assets, as confidence in the country returned. The volume of funds under the Bank's management increased

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

	2014	2013	% 14/13
Net interest income	885,887	669,900	32.2
Fees and commissions (net)	397,259	358,506	10.8
Other profits/(losses)	(73,462)	(58,543)	25.5
Gross income	1,209,684	969,863	24.7
Business volumes (€Mn.)			
Loans and advances	36,526	38,312	(4.7)
Customer funds	53,070	52,909	0.3
Securities	4,099	4,148	(1.2)
Loan loss ratio (%)	10.3	11.0	—

by 8.3%, reversing the trend of the last few years. At the close of the year the Bank's foreign customer base totalled 430,000 resident expatriates accounting for a total of 8,469.1 million in assets under management.

Finally, ActivoBank concentrated on wealth management for its 56,000 customers and recorded a total of €1,327.1 million in assets under management at the end of the year. Key highlights were increases in off-balance sheet funds of 9.6% and, especially, in mutual fund assets, which were up 22.1% and reached a total of €113.7 million.

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 Group brands in 2014 were as follows:

SabadellHerrero

The year 2014 was a turning point in the demand for credit from households and businesses. In these circumstances SabadellHerrero worked hard to increase its lending and improve its share of loans granted in Asturias and León. Lending showed a year-on-year increase of 3.5%, well above the figure for the banking industry as a whole within the area served by the brand.

A clear indication of this growth was that, for another year, SabadellHerrero captured the largest share —30%— of ICO-sponsored finance in Asturias, and the second largest in León, with 23%. To the Herrero brand's tradition of serving the business community was added the commitment to meet the demand for credit from

customers, a key priority of the Bank. This commitment was embodied in a promise to respond to loan applications within a maximum of seven days. The reality was, in fact, better than the promise, and answers to applications were being received from SabadellHerrero within Commercial Banking's average time of 3.2 days.

The ability to meet customers' expectations in this way was a major factor in justifying SabadellHerrero's reputation for quality of service.

According to independent survey data from STIGA/EQUOS, SabadellHerrero scores well above the average for quality of service within the market it serves.

One consequence of constantly striving to meet customers' needs and maintaining high quality standards was a steady increase in its customer base over the year, with a gain of 17,866 individual customers and 2,905 business customers. Its tireless efforts to forge partnership agreements with business, trade and professional associations were key to securing this growth in customer numbers. Chief among these partnerships were: an agreement with the Asturias Federation of Metalworkers, the region's most important trade association and one that combines the traditions of a regional industry with a strong focus on exporting; and a multi-party agreement aimed at increasing the supply of credit to entrepreneurs and businesses within the province of León. The latter agreement was achieved thanks to the combined efforts of the provincial government, the León Enterprise Federation, and the León and Astorga Chambers of Commerce and SabadellHerrero.

These efforts in support of business were recognized by the León Enterprise Federation, which named Pablo Junceda, the Bank's Assistant General Manager and Head of its North-eastern Region, León's Businessman of the Year for 2014. This was the first time in the award's 23-year history that a financial institution had been so honoured.

Another award with strong business associations, which entered its fourth edition in 2014, is the Álvarez-Margaride prize, which is given, on the recommendation of SabadellHerrero and the APQ (Asturias Patria Querida) Association, for outstanding achievement in business. This year the prize went to an Asturian businessman,

Francisco Rodríguez, president of ILAS (Industrias Lácteas Asturianas) who has made Asturian milk products well known all over the world through dedication, innovation and talent.

And it is talent, precisely, that the Bank promotes and supports through the Banco Sabadell Foundation. This support takes the form of agreements with the universities of Oviedo and León for the provision of grants to enable students to apply their training in the practical day-to-day business of a bank. The Foundation also funds grants to undertake work experience at the Inter-American Development Bank. These grants enable top-performing students from the University of Oviedo to obtain training of the highest order at the Bank's headquarters in Washington DC. As part of its work to promote talent and excellence the Banco Sabadell Foundation, in the 20th year of the SabadellHerrero Prize for Research in Economics, awarded its prize for Best Young Economist to Natalia Fabra, a lecturer at the University of Carlos III, Madrid and a specialist in regulation and competition policy.

Notable examples of support provided by the Bank in the cultural sphere could be seen in events organized by the SabadellHerrero exhibition hall in Oviedo in partnership with the Asturias Regional Government's department of Culture and sponsored by the Bank, and an agreement with the Oviedo Opera Foundation to sponsor a work in the Oviedo Opera's forthcoming season. The Bank's support was also visible in its sponsorship of Oviedo Opera cards for Members and Friends. Scientific research was another beneficiary of SabadellHerrero support through the new Asturias Foundation for Biosanitary Research ("FINBA"), of which the Bank is a major sponsor.

SabadellGallego

SabadellGallego, the regional brand created when Banco Sabadell's existing branches in the Galicia region and those of Banco Gallego were brought together under a single umbrella, began the year 2014 with the challenge of integrating the operations of both networks. A time-saving, rapid integration that would enable all branches to operate with the new business and IT systems without affecting the service to customers was critical to ensure a successful merger.

The speed and precision of the work was such as to make the SabadellGallego integration the fastest of any integration carried out to date, being completed in just four months without hitches or delays of any significance. The exercise was conducted with the help of support teams from all over the organization and was accompanied by refurbishments to branches and cash machine upgrades. Increases were made in staffing at branches in rural areas to enable them to remain open for a full working day and not only on certain days or at certain hours.

The highly efficient operational integration was completed without any impairment to customer service

or to the conduct of business. Quality of service improved considerably from March 2014 when integration was completed and by the latter part of the year was not only above the average for banks serving the Galician market but was probably up to the standards of the top Spanish banks and coming close to Banco Sabadell's own standards of excellence.

The growth in SabadellGallego's customer base can thus be seen as the result of new, more powerful information and business systems and continual improvements in quality of service. A total of 16,057 individuals and 5,176 businesses were added to the Bank's customer base in Galicia, far exceeding the growth numbers recorded in previous years. Agreements were entered into with the Confederation of Galician Businessmen ("CEG") and other provincial and industry organizations and a number of chambers of commerce. As a result of these agreements the Bank was able to increase its share of loans granted within Galicia, which was up by 7.5% on the previous year.

Another key customer group for the Bank was primary and food and agriculture industries, with agreements being reached with agriculture and livestock cooperatives and fishery associations. By the end of 2014 the Bank was in partnerships with 85% of Galicia's largest food, agriculture and fishery businesses and cooperatives (firms with sales of more than €10 million) and had made solid progress in its dealings with the sector and increased its revenues twofold.

In the social and cultural domains, the Banco Sabadell Foundation began a collaboration with universities in Galicia and signed an agreement with the Galician Business Universities Foundation ("FEUGA") for 40 graduates to undertake work experience, 30 of them with the Bank itself and another ten with the Galicia Association of Nonprofit Workplaces for Persons with Disabilities ("CEGASAL"). In the specifically cultural sphere the Foundation sponsored an exhibition entitled "Fresh Water" organized by the Galician Regional Government's Department of Culture, Education and Universities in Santiago de Compostela's Culture City. The exhibition was seen by 40,000 people and featured 700 artworks in a variety of disciplines.

SabadellGuipuzcoano

Following the guidelines set out in the Triple business plan, business objectives at SabadellGuipuzcoano in 2014 were centred on profitability. Notwithstanding the price war being waged in the banking sector, SabadellGuipuzcoano was able to increase its income by actively managing its extensive customer base, which had grown significantly thanks to its efforts to win new customers in the last few years. With its enlarged customer base SabadellGuipuzcoano was able to claim substantial shares of the local business customer market (32.1% of SMEs and 71.1% of large corporates). This made it possible for the Bank give a major boost to its lending which resulted

in a rise of 3.1% in the outstanding balance of loans and advances, while maintaining a loan loss ratio of just 6.1%, well below the average for other Group brands and for the industry as a whole.

New business generation was also at a high level in the individual customer and retailer segments, with the Bank increasing its share of this market by 7.5% to reach 5.7%, above its 5.4% share of the region's bank branches. The branch network successfully absorbed the new branches in its region that were added as a result of the integration of Banco Gallego and Lloyds International Bank (renamed SabadellSolbank). It was further enlarged by the opening of a new urban branch in Logroño, making a total of 131 branches well distributed throughout the Basque Country, Navarre and La Rioja.

SabadellGuipuzcoano has made itself one of the best-known financial services brands within its geographical area and has achieved high levels of brand recognition based on an exceptionally high degree of affinity with the local community. This has been helped by a continuing high level of locally-focused activity.

One of its most notable successes was in the area of business collaboration agreements. These included agreements with the local development agency for practically every district in the region and with the main business federations in Bizkaia (CEBEK) and Gipuzkoa (ADEGI).

SabadellGuipuzcoano also continued its very active programme of external promotion and event sponsorship. In the social and business domains, this included sponsorship of the Basque Enterprise Evening in Bilbao and the Guipuzcoan Industry Prizes, as well as organizing the ninth International Business Day held, on this occasion, at the Kursaal Palace in San Sebastián.

In the sporting arena, the Bank's support programme included sponsoring the Tour of the Basque Country cycle race; in the cultural sphere it sponsored the widely admired San Sebastián Gastronomika food fair and funded a research grant to BioDonostia through the Banco Sabadell Foundation.

SabadellCAM

The main action areas for SabadellCAM in 2014 were focused on achieving the target rate of return set by the Triple business plan. A key priority was to bring about improvements in service quality, customer care and closeness to the customer and strategies were drawn up to increase new business development, leading to almost 3.5 million commercially useful contacts between account managers and customers.

Shareholders and customers are aware of the advantages in being one of the country's best capitalized banks with a solid liquidity position and well regarded by markets and investors. After a transitional phase in which branch networks were being integrated, efforts were focused on boosting profitability ratios. This was the right time to extract value from the newly-acquired capacity, further enlarged in 2014 by the addition of branches

from Banco Gallego and Lloyds International Bank (SabadellSolbank).

The hard work done to meet this goal and the trust placed in us by business people and the general public helped us to win more than 94,000 customers. Moreover, customer quality surveys show that quality standards are now back where they were before the mergers and are in line with those generally applicable throughout Commercial Banking.

SabadellCAM launched a pioneering initiative in setting up new-style "dual" and "quick service" branches in Novelda and Elda respectively. The aim here was to offer customers a greater variety of self-service facilities such as ATMs and change dispensers with a wider range of features to make it quicker and easier for customers to do their banking. This enabled the Bank to improve its efficiency without any loss of personalized attention or professionalism in dealing with customers.

The year 2014 saw the value of personal loans and credit facilities granted to customers increase to €1,704 million, 17% up on the figure for 2013. Mortgage loans to individual borrowers doubled both in value and in number with respect to 2013 as residential property prices stabilized and the real estate and financial services industries returned to normal, with high inflows of non-resident visitors from abroad providing an added boost. These non-resident foreigners accounted for one fourth of the total volume of mortgages granted by SabadellCAM and 25% of real estate purchases from the Bank's real estate subsidiary, Solvia. This last number is an indication of the valuable synergies between introductions from the branch network and the Solvia sales team. There can be no doubt of the importance of SabadellCAM for Solvia's property sales, given that as much as 41% of the total number of sales by Solvia in the Spanish market —almost 6,523 units with an overall value close to €879 million— were made within the region served by SabadellCAM.

The resident expatriate sector was one of the main targets of sales initiatives and awareness-raising campaigns. SabadellSolbank, strengthened by the merger with Lloyds International Bank, enjoys a privileged position as a leading brand serving the expatriate community, which has a significant presence in the regions of Valencia and Murcia and the Balearic Islands.

With regard to business customers, for the second year in succession SabadellCAM secured a leading position among financial institutions in channelling business loans under ICO schemes, a clear indication of its ongoing support for small and midsize businesses in the three Spanish regions served by the brand. In addition, a large number of meetings were held in the five provinces to promote international trade, and this led to an increase in income from cross-border operations fuelled by rising exports and companies taking the "export to grow" route. SabadellCAM was involved in more than 1.7 million cross-border transactions with an overall value of more than €9,200 million.

Other important events in 2014 included the signature of numerous collaboration agreements with public

sector bodies, business federations, local authorities and regional governments, as well as the publicizing of Banco Sabadell's new entrepreneur programme, BStartup.

A key priority was for the SabadellCAM brand to become yet more closely associated with the social and cultural life of the region. Actions to achieve this aim included organizing and sponsoring exhibitions and concerts and designing programmes for the Principal Theatre in Alicante, of which the Bank is a shareholding partner. Another act of sponsorship by the bank was to loan to the University of Alicante, for an initial ten-year period, a landmark building in the Calle San Fernando with the aim of strengthening its links with one of the most representative institutions in the province of Alicante. All these actions were of necessity carried out with the involvement of the Banco Sabadell Foundation.

The assistance programme put in hand by the Bank to help former employees enrolled in the programme to re-enter the world of work and a number of initiatives to create employment were wound up during the year. Both programmes brought substantial benefits to the social and economic life of the regions of Valencia and Murcia. One of these programmes, when it came to an end, had helped 70% of those who had enrolled to find work. Another was a project to revitalize the economies of the Valencia and Murcia regions by offering incentives for the creation of employment. The final outcome was that 705 jobs were created, 50% more than the 500 expected at the start of the project. The plan will continue to benefit the region of Murcia, as the agreement between Banco Sabadell and C-Tracción remains in effect and is expected to generate more than 1,000 jobs.

BStartup

Most of the key initiatives launched in 2014 by the Bank's Enterprise Department, set up in late 2013, were undertaken in the context of the BStartup programme. The programme has the aim of positioning Banco Sabadell as the bank most supportive of start-up businesses, and places special emphasis on firms working in the digital/technology sphere where the potential for scalability is greatest.

Some key elements of the programme were, first, designating 71 specialist branches and setting up a special risk analysis procedure that would serve business start-ups more effectively; and second, working closely with the Bank's Open Innovation programmes and taking part in a variety of events designed to publicize the initiative.

One such event was the BStartup10 initiative, in which the Bank is investing €1 million a year in ten firms at the seed capital stage of development. The ten businesses are offered a highly intensive programme with the seed accelerator Inspirit to help them become established in the marketplace and gain access to further injections of capital to continue their growth. In the first two calls for applications for BStartup10 made in 2014, projects were presented by 749 firms, from which 10 projects were

selected and funding was finally granted for nine. The third call for applications closed on 21 December 2014 and 490 businesses applied, from which another five companies were selected during the early months of 2015. In its first year the programme generated enormous publicity, with numerous media appearances and a big social media impact; it also involved participation in 66 events.

By the end of the year collaboration agreements had been signed with 15 companies that support entrepreneurs all over Spain and are in a position to recommend the Bank's products and services.

With regard to direct lending to business start-ups, a total of 626 loan applications were received amounting to almost €40 million; 528 of these applications, for amounts totalling €32.4 million (81.1% of the total), were approved.

Occupational groups and agent partners

In the Bank's work with professional associations, occupational groups and agent partners, the key aim in 2014 continued to be the winning of new customers in the individual and retailer categories and among professional partnerships and firms. At the end of the year 2,285 collaboration agreements with professional associations and occupational groupings were in existence covering a total of 2,248,669 individual members, of whom 568,478 were customers of the Bank and accounted for more than €18,350 million in deposits and other funds.

Banco Sabadell is an industry leader in doing business with professional/occupational groupings throughout the country. The special nature of its service is based on keeping in close and frequent touch with the association or other grouping, thus enabling it to be aware at all times of each grouping's specific needs and to provide the most effective solutions.

The Bank's agent partner network is seen as an efficient channel for capturing new business; in 2014, 29,000 new customers were recruited in this way. New customer deposits generated by this business amounted to more than €6,000 million.

Bancassurance - a key part of the Triple business plan.

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.

The Bank extended its offering of insurance products to customers of the recently acquired Banco Gallego and Sabadell Solbank on the day on which they were merged into the Bank in March 2014.

In March the Group's life insurance subsidiary Mediterráneo Vida, Sociedad Anónima de Seguros y Reaseguros concluded a reinsurance treaty with reinsurers SCOR Global Life Reinsurance Ireland Plc, for its individual life and permanent disability portfolio at 31 December 2013. Total premiums for reinsurance credited to the income statement of Mediterráneo Vida, and therefore the Group, were €82.1 million.

In 2014 the Bank continued its reorganization of Bancassurance arrangements inherited from recently merged organizations.

In February the Bank acquired the 75% stake in Banco Gallego Vida y Pensiones held by Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A., thus becoming the owner of 100% of the share capital of the company.

In May 2014 the Bank concluded an agreement with Zurich, the insurers, under which exclusive distribution rights for the insurance and pensions products of the following joint venture partners would be extended to all Banco Sabadell branches in Spain: BanSabadell Vida, Sociedad Anónima de Seguros y Reaseguros; BanSabadell Pensiones, Entidad Gestora de Fondos de Pensiones, S.A., and BanSabadell Seguros Generales, Sociedad Anónima de Seguros y Reaseguros. The agreement, in essence, was to effect three transactions:

First, exclusive distribution rights in respect of life insurance products (except for group savings products for large companies) were transferred from Mediterráneo Vida, S.A., Compañía de Seguros y Reaseguros to BanSabadell Vida, with effect from June 2014.

Second, exclusive distribution rights in respect of pension plans (except for employment-related pension schemes) were transferred from Mediterráneo Vida, S.A., Compañía de Seguros y Reaseguros, along with its portfolio of individual pension plans, to BanSabadell Pensiones, with effect from June 2014.

Third, the whole of the share capital of Mediterráneo Seguros Diversos, S.A., a company acquired as part of the

takeover of Banco CAM, was sold to BanSabadell Seguros Generales by Gestión Financiera del Mediterráneo, S.A. (a wholly-owned Banco Sabadell subsidiary) and Banco Sabadell, following Banco Sabadell's purchase of a 50% holding in Mediterráneo Seguros Diversos from Caja de Seguros Reunidos, S.A., by exercising the purchase option it held on that holding. As a result of these transactions BanSabadell Seguros Generales acquired exclusive distribution rights in respect of general insurance written by Mediterráneo Seguros Diversos.

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.

Sabadell Vida

Total premium income in life insurance for the year 2014 was €1,297.3 million, with Sabadell Vida ranking in eighth place among Spanish life offices according to recent data published by ICEA, a research organization for the insurance and pension industries.

In death benefit insurance (including personal accident), premium income totalled €144.1 million, up 38% on the year-end figure for 2013. Free-standing life policies sold well, with the Life Care product generating €58.5 million in premium income, a 32% increase. In life-with-savings products, savings under management reached a year-end total of €5,021.8 million. This ranked Sabadell Vida in ninth place among its Spanish life industry peers according to recent data from ICEA. Sabadell Vida made a net contribution to Group earnings of €38.3 million.

Sabadell Pensiones

Funds under management by Sabadell Pensiones reached an end-2014 total of €3,473.8 million. Of this total, €2,070.6 million related to individual and group pension plans —up by 8% on 2013— and €1,403.2 million originated from company schemes, up 35% on the 2013 figure. On these measures, Sabadell Pensiones ranked 10th in the industry as a whole according to recent data from Inverco. Sabadell Pensiones made a net contribution to Group earnings of €1.4 million.

The company is a signatory of the United Nations Principles for Responsible Investment in the “investment manager” category: The principles cover social, environmental and governance criteria in investment policies and practices. Sabadell Pensiones sells a socially responsible investment product with a humanitarian bias and donates a portion of its management fees to humanitarian aid and development projects. This product is the “Ethical and Solidarity” pension plan, which has €16.3 million in assets and 1,256 planholders. 50% of its management fees are donated to Intermon Oxfam.

Sabadell Seguros Generales

Premium income for the Group’s general insurance provider in 2014 was €108.5 million. Sales of company policies did especially well, with premium income increasing by 46%. Sabadell Seguros Generales made a net contribution of €2.4 million to Group earnings.

Sabadell Previsión, EPSV

Sabadell Previsión, a voluntary social insurance society, distributes pension/retirement plans within the Basque Country. In 2014 the society held €341.4 million in savings under management, a volume increase of 6%.

Mediterráneo Vida

The company’s insurance operations in 2014 generated premiums and contributions of €259.1 million, of which €35.4 million were death benefit (including personal accident) policies. In the life-with-savings business the company ended the year with provisions totalling €1,916.8 million. Mediterráneo Vida contributed a net profit of €176.4 million to Group earnings. This includes exceptional income received on the signature of a reinsurance treaty with SCOR and on the transfer of exclusive distribution rights in respect of life insurance and pension plans under an agreement with Zurich as described above.

The company’s pension fund management business had a total of €336.4 million under management at the end of the year. Of this amount €281.0 million related to individual and group pension plans and €55.3 million to employment-related schemes.

Mediterráneo Seguros Diversos

The company’s total issued premiums for 2014 amounted to €36.9 million. The net profit for the year was €5.0 million. As from 31 October the company came under the ownership of Sabadell Seguros Generales and ceased to write any further insurance.

Banco Gallego Vida y Pensiones

Issued premiums on the company’s death benefit policies at 31 December 2014 totalled €1.4 million. Provisions on life-with-savings policies stood at €47 million and pension plan assets at €46.8 million. A net profit was posted of €2.2 million. The company is in run-off and is not writing new business.

Sabadell Mediación

Sabadell Mediación is the Bank’s insurance brokerage subsidiary. It operates as a tied agent for bancassurance products and is the company through which distribution of insurance by branches is handled.

The processes of reorganization and bedding in of mergers of bancassurance operators in the insurance industry continued throughout 2014 as the financial services industry consolidated. In line with this trend, the mergers of Galebán Gestión Riesgos S.A. and Lloydesa Operador de Bancaseguros Vinculado, S.A.U. into Sabadell Mediación were completed in March 2014. These two companies were the bancassurance operators for Banco Gallego and Lloyds Bank (now Sabadell Solbank).

As a result of these mergers Sabadell Mediación became the sole bancassurance operator for the Bank's branch network. This meant that Bank was compliant with Spanish legislation, under which credit institutions may only make their distribution networks available to a single bancassurance operator.

Sales commission income totalled €51.1 million and brokered premium income was €1,783.8 million. The net contribution to Group earnings from Sabadell Mediación in 2014 was €20.8 million.

Corporate Banking and Global Businesses

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

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

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 the focus will continue to be on transforming and internationalizing our global businesses. Meanwhile it is vital that the action plans laid in 2014 are implemented in the specified time and manner and with the same key priority always in mind: the customer. In addition, this year we will continue to leverage one of our key assets: the ability of all the highly trained people at Corporate Banking and Global Businesses to work together and continue striving to bring to completion a major project that will deliver value for the community and returns for our shareholders.

Corporate Banking

Overview

Corporate Banking is the unit responsible for managing our business with large corporations. The business is handled by a team of global bankers specializing in particular sectors or industries and working from offices in Madrid, Barcelona, London, Paris, Miami, Mexico City and Casablanca.

The team's business model is based on close, strategic relationships with customers. Customers are offered comprehensive solutions to suit their requirements for financial services, ranging from cash management to highly complex solutions to their needs in such areas as finance, risk management or cross-border operations.

Key developments in 2014

During 2014 the Group completed a restructuring of its Corporate Banking organization that began in 2013. A key feature of the new organizational model is the creation of teams of "global bankers" specializing in individual business sectors and establishing a direct presence in customers' target markets, thus ensuring that Banco Sabadell's large corporate customers benefit from the best possible banking experience. The model is based on close, long-term relationships with customers and aims to provide comprehensive solutions to meet the operational needs of each company and market.

The unit's competence in such areas as advisory services, closeness to the customer or breadth of coverage is supported by the excellence of our middle office team and its ability to ensure that customers' day-to-day transactions are conducted smoothly and swiftly.

The year 2014 saw 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 foreign trade 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%).

Profit and loss data for the unit show gross income to be broadly in line with the previous year and this, when set against the unit's costs, shows a very low cost:income ratio of just 13.4%. Loan defaults remained at a level (2.5%) that was very low by industry standards, thanks to large corporates' lower exposure to the performance of the Spanish economy, since exports make up a large proportion of their turnover. For all these reasons we were able to report a profit after provisions of €70 million, down 14% on the previous year as a consequence of an increase in provisions. The unit's contribution to Group profitability (return on equity) for the year was 7.1%.

Thousand euro

	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	—

T4 Corporate Banking

Structured Finance

Overview

The Bank's structured finance business consists of origination and structuring of corporate and acquisition finance and project finance deals. In addition to traditional forms of bank lending, it has specialized in corporate bond issuance, enabling it to cover the full range of options in long-term business finance. Banco Sabadell's structured finance team operates from offices in Madrid, Barcelona, Alicante, Bilbao, Miami, New York and Mexico City, and has more than 20 years' experience.

Key developments in 2014

The Bank completed another year as an industry leader in structured financing. 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.

During the year Banco Sabadell continued its policy of supporting customers and adapting to meet their new needs as the economic environment in Spain improved, having regard to changing conditions in the credit markets. A key indicator of the strength of business activity in the year was the volume of origination activity which was in excess of €4,300 million, spread over a total of 193 deals.

A notable success on the international front, in accordance with the Triple business plan, was the Bank's launch of a new Mexican subsidiary, Sabadell Capital, through which it participated in numerous syndicated loan deals with Mexican companies. The Bank's structured finance business in the US also did well, with increases being seen both in the number of deals and in direct lending thanks to the work done by the Miami and New York branches. 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, aside from more traditional,

loan-and-credit forms of finance, was given a boost by a joint initiative with the Bank's Treasury department to raise finance for customers on the bond market, enabling the Bank to position itself as a leading player on Spain's Alternative Fixed-Income Market (Spanish initials: MARF). This new business has increased the Bank's ability to offer customers a wide range of options in long-term finance packages.

Corporate Finance

Overview

Sabadell Corporate Finance is the Bank's subsidiary that advises on mergers and acquisitions, whether in relation to corporate operations such as company sales and acquisitions, or in searches for new or replacement partners or independent value appraisals.

Key developments in 2014

The year 2014 was a busy time for the Group'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.

The Group holds corporate finance mandates in the specialist retail, homes for the elderly, distance learning, renewable energy, facility services, sports complex and secondary school sectors, all at an advanced stage of execution. 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.

Finally, in 2014, for the second year in succession the Bank received the accolade of Best Corporate Finance Firm - Spain and M&A Firm of the Year - Spain from the British specialist publication *Acquisition International*.

Driving business in new international markets.

Development capital

Overview

BS Capital is the Bank's development capital unit through which it conducts its business of taking short-term equity positions in non-financial companies and/or projects.

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, SCR de Régimen Simplificado, S.A.

Venture capital firm Aurica XXI is the vehicle through which the Bank supports the growth of well-managed non-financial companies with strong, industry-leading positions and a good presence in foreign markets, by providing temporary capital and active assistance.

The keynote to 2014 was active management of the company's investment portfolio. No further acquisitions were made in the period.

Aurica XXI sold its 25% equity interest in Eurofrance, S.L., generating a profit of €9.5 million for the Group.

Sinia Renovables, SCR de Régimen Simplificado, S.A.

Through venture capital firm Sinia Renovables, the Bank acquires, manages and divests short-term shareholdings in companies in the renewable energy sector, with an emphasis on wind power and, to a lesser degree, photovoltaic and small hydroelectric power generation.

During the year the company continued its careful monitoring of the portfolio of renewable energy projects and firms (which together produce an output of over 160 MW) in which Sinia Renovables has direct shareholdings. The Spanish government took steps to provide a stable regulatory framework in Royal Decree-Law 413/2014, thus encouraging investors to return to the Spanish renewable

energy sector. Sinia Renovables took the opportunity offered to it and divested its 25% shareholdings in Adelanta Corporación, S.A., generating a net capital gain of €0.9 million, and Parque Eólico Veciana-Cabaro, S.A. (29.27 MW), for a net profit of €0.8 million.

Following these disposals, the renewable energy portfolio managed by Sinia Renovables totalled 127 MW.

International trade

Overview

In its International Operations business the Bank aims to be present in markets that are of most interest to companies actively engaging in foreign trade, and has a large network of foreign branches, subsidiaries and associates to support its customers' operations in other countries. It also maintains working arrangements with more than 2,800 correspondent banks all over the world, thereby providing customers with a further assurance of genuinely global coverage.

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

Key developments in 2014

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.

A key event was the Sabadell Banking Conference, the first of its kind to be organized by the Bank's International Operations Division. The event brought together close to 100 financial services firms from 32 countries and provided the Bank 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 in cross-border transactions. 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.

The International Division underwent a reorganization designed to increase its capabilities and make it a leader in foreign market specialization, in line with the policy set out in the Group's business plan. The intention was also to seize new business opportunities in markets that were of special interest to Spanish companies, whether in connection with their commercial endeavours or with their investment and implementation plans in foreign markets. The Bank has long been a pioneer in building a presence in foreign markets, including such key markets as China where it has two representative offices (in Shanghai and Beijing), India, Singapore, Turkey, the United Arab Emirates and Algeria. This continues to bring significant added value to the international operations of Spanish businesses.

Consumer Finance: Sabadell Fincom

Overview

Sabadell Fincom is a Group subsidiary specializing in point-of-sale consumer finance. It operates through variety of channels and enters into partnership agreements with retail establishments such as auto dealers, shops, dental clinics, hearing aid centres, beauty parlours, home equipment suppliers, etc.

Key developments in 2014

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.

Efficient debt recovery processes led to a further reduction (3.9%) in loan delinquencies.

During the year a total of 185,000 new loans were arranged through 6,000 points of sale all over the country. The amount of new lending arranged in 2014 totalled €340.9 million. To support business growth Sabadell Fincom continued to roll out a programme of operational and technological improvements. The latter included the introduction of electronic signatures to loan agreements on mobile devices or tablets. All these improvements helped to bring down the cost:income ratio to 32% by the end of the year.

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. Markets and Private Banking comprises the following units: SabadellUrquijo Private Banking; Investment, Products and Research; Treasury and Capital Markets, and Securities Trading and Custodian Services.

The Bank has a design and approval process for products and services which ensures that the full range of offerings available to customers more than meets their requirements in terms of quality, returns and ability to meet the needs of the market. Constantly reviewed identification and “know your customer” procedures and practices ensure that products are offered and investments are selected and managed with customers’ profiles firmly in mind and that all investor protection measures are complied with as required by the Markets in Financial Instruments Directive (MiFID) and its provisions as transposed into domestic law.

The effort put into designing a range of products and services to meet the needs of each customer continued to strengthen and enhance the Bank’s position as an intermediary and a provider of access to new markets and its ability to offer customers new services, create new opportunities in collective investment and raise the profile of the brand under which we operate in this business: SabadellUrquijo Banca Privada.

SabadellUrquijo Private Banking

Overview

SabadellUrquijo Private Banking is the department of Banco Sabadell that concentrates on offering integrated solutions to customers requiring a specialized service tailored to their particular requirements.

The unit comprises a team of 185 private bankers working from 12 specialist branches and 19 customer service centres. It can also count on the support and assistance of expert product, tax planning and wealth management advisors.

The year saw continued efforts to secure proper recognition of SabadellUrquijo Private Banking as a leading banker to high net worth individuals, addressing the needs of customers who demand products and services to suit their risk profiles and constantly striving to maximize their investment returns.

The year saw continued progress in the induction of new employees from banks and businesses recently acquired and incorporated into the Group. This process was conducted in a natural and unhurried way by the Bank’s regional divisions and business units, with talent management and a focus on human capital being prime considerations.

The sales team worked diligently to increase personal contact with customers by making more frequent visits and follow-up calls to ensure that customers felt well served. Even greater efforts were directed at new customers acquired as a result of recent acquisitions.

A notable development that reflected the aims of the Triple business plan and the business transformation drive was a change in the “customer funds under management” heading of the balance sheet, with mutual funds, discretionary portfolio management services and SICAVs gaining in importance at the expense of more liquid assets with less attractive returns such as time deposits, demand deposits and commercial papers, for which there was less demand from investors. This change in the composition of clients’ investment portfolios resulted in an increase in profitability for Private Banking.

Quality, productivity and efficiency were key themes in the day-to-day operation of the business. By constantly striving for quality the unit sought to maximize customer satisfaction and operational efficiency while assuring regulatory compliance. This meant that documents to be signed by customers, customer profiling tests and investment recommendations/suitability assessments came to be seen as essential in dealing with customers and safeguarding their interests. As such, they became a vital element in, and driver of, the Bank’s day-to-day operations.

Key developments in 2014

Thousand euro

T5 SabadellUrquijo Private Banking

	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

In the year to December 2014 the unit secured a total of 1,897 new mandates for discretionary portfolio management with an overall value of €639 million, bringing the number of mandate agreements to some 4,700 with an aggregate value of over €1,500 million. Mutual fund and SICAV investments under management increased by over €1,618 million, 32% higher than the corresponding figure for 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, an increase of 19.7% over the figure as of December 2013. This allowed the Bank to claim an industry-leading position in terms of the increase in the assets and number of SICAVs, a clear indicator of the strong position held by SabadellUrquijo Banca Privada in investments of this type.

The unit saw its business volumes increase by 7.1% over the year to reach a total of €25,251 million as of December 2014. Its customer base rose to over 30,900.

Objectives for 2015

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. In the area of regulatory compliance, the unit will continue to ensure that products and services are totally suited to the needs of each risk profile; in the area of technology, every effort will be made to make communication with customers easier and more fluid, and to channel that communication in faster and more advanced ways while guaranteeing the same high standards of security and protection.

Investment, Products and Research

Overview

Investment, Products and Research is part of the Markets and Private Banking Division and is a separate area of the Bank tasked with providing investment advice and managing the investment portfolios of private customers, companies and institutional investors. Within the department are other separate, more specialized areas: Sabadell Inversión, the parent of a number of management companies that manage the Bank's collective investment schemes (CIS's), and its Investment Research Department.

The Investment, Products and Research department is therefore responsible for deciding on all information and content that is published by the Investment Research Department. It is also responsible for the range of investment products offered by the Bank and for deciding how these should develop based on the investment opportunities that arise. The Department formulates asset allocation recommendations to achieve the optimum balance of risk and return in the interest of customers and provides investment advice that is different from and superior to the advice given by our competitors. Part of its mission is to oversee the investment management business conducted by the management companies of the Group's collective investment schemes.

Key developments in 2014

Thousand euro

	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	—	—	

T6 Investment, products and research

Research

In 2014 the Investment Research Department continued to increase its output of reports on the equity and corporate bond markets. 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 Department's catalogue of equity and bond market strategy reports was broadened to include research into Spanish regional governments issuing debt securities on the capital markets.

In 2013 Banco Sabadell's research department earned a number of accolades and distinctions. In a survey of Spanish investment analysis 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. In this way market trends were anticipated and the most favourable selections were made in terms of expected risk and return.

Slow economic growth in Europe caused an already lax Eurozone monetary policy to resort to ever more aggressive stimulus measures. This acted as a support factor for all types of investment asset, but especially for equities. Good market performance puts the Bank at a more advanced stage in the investment cycle, causing return forecasts to show a gradual decline. Despite this, the Bank made use of market opportunities to launch capital guarantee products with the support of powerful themes such as the positive outlook for European equities or the likely appreciation of the dollar. The dollar appreciation scenario was based on a more positive growth forecast for the US economy and expectations that the US Federal Reserve would be the first central bank to embark on a cycle of interest rate increases to bring rates back to more normal levels. For more sophisticated investors, we continued to search for value in assets that were less well known or more difficult to invest in, and we began to design products based on relative share price performance.

Despite the challenging investment environment, in 2014 approval was given to 330 proposals for new investment products as part of a product process involving 31 heads of functional areas. Among the more important products were families of guaranteed funds and structured deposits with return of capital; all of these products were without risk of capital loss and accounted for some 62% of forecast product sales. The average maturity of investment products approved in 2014 was 3.5 years.

Major improvements were made by the Bank in providing information to its customers on its investment approach, with personalized mass mailings being sent out via new communication channels. This included sending numerous alerts and investor information notes to customers and shareholders, as well as market news and reports of unexpected events, with more than one million messages being sent to customers during the year. The drive for better communication culminated in the distribution of a video on asset allocation strategy to more than 150,000 customers per mailing. The video was also published on the Bank's website for anyone who might be interested.

The Bank offers socially responsible investment products that exclude investments in companies whose activities are harmful to human rights, social justice or the environment, but are weighted in favour of companies in the FTSE4Good sustainability index. During the year the Bank began to market two socially responsible

investment products: Fondo Sabadell Inversión Ética y Solidaria, FI (€37.5 million in assets; 432 shareholders; 0.35% of fund assets donated to Cáritas Española); and Urquijo Cooperación, SICAV (€4.4 million in assets; 136 shareholders; 50% of management fee donated to NGOs).

Investment

The Group's Investment Management business encompasses collective investment management companies, including investment management and the distribution and administration of collective investment schemes (CIS's); its activities also include selecting, offering and recommending third-party funds and managing investments for other Banco Sabadell Group businesses.

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. This volume of assets under management brought the Group's share of mutual fund assets to over 5%, with its management company, Sabadell Inversión, being ranked fourth largest manager of Spanish-domiciled mutual funds.

In 2014 the strongest growth in mutual fund subscriptions was seen in the balanced fund category, which continued to be the preferred option for investors with assets under management increasing by a factor of 2.4 to €1,573.6 million. The Bank's offering of guaranteed funds remained unchanged in 2014, with return guarantees being issued for eight guaranteed funds amounting to €1,492.8 million at 31 December 2014. Guaranteed funds as a whole accounted for €3,765.7 million worth of assets at the close of the year. Assets in variable-return guaranteed funds increased in 2014 and accounted for 23% of the Bank's Spanish-domiciled funds overall, up from 17.8% in 2013. However, guaranteed funds of all types declined as a proportion of the total, falling from 44.4% in 2013 to 37.8% in 2014.

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

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

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 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.

The enlargement of the Group through acquisitions made it necessary to simplify the mutual fund catalogue by carrying out ten merger processes in which 23 mutual funds were absorbed into other funds with the same investment objectives, having regard always to investors' best interests. At the end of the year the number of Spanish-jurisdiction collective investment schemes stood at 282 with management split between BanSabadell Inversión, S.A., S.G.I.I.C., Sociedad Unipersonal (99 mutual funds, one REIC and one SICAV) and Urquijo Gestión, S.A., S.G.I.I.C., Sociedad Unipersonal (181 SICAVs).

The Investment Management business also operates as a portfolio manager for customers of the Bank requiring comprehensive investment solutions, that is, packages of services that give an integrated response to the needs of existing and potential customers. Requirements of this type are catered for by BS Fondos Gran Selección, a business with 14,336 contracts and assets of €1,236 million in 2014, up from 5,724 contracts and €419 million in assets in 2013.

Another business worth mentioning is the management and administration of institutional portfolios, a business carried on by the Institutional Services unit. The unit is responsible for managing the investment portfolios of other Group businesses, assets in which totalled €6,859 million at the end of 2014.

Objectives for 2015

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. The Department's customer strategy and its management of the Bank's offering of investment products are spearheading a Group-wide initiative, as set out in the Triple business plan, to build a multi-product, segmented approach in its policy on customers' investments. The Investment Management

business aims to encourage investment in mutual funds, not only by more frequent and experienced investors but also by savers looking for winning solutions in a zero interest rate environment and willing to accept a degree of risk and a certain maturity horizon in their investments. Winning new subscribers will require an improvement in the marketing of mutual funds, greater transparency and more help and support. The development of investment asset allocation products and solutions will add value to our customers' positions in mutual funds. The introduction of shares classes into managed investment funds should attract more large investors to our investor base. Ultimately, the aim is to grow, and to outpace the market in so doing.

Treasury and Capital Markets

Overview

The Treasury and Capital Markets Division is responsible for marketing Treasury Products to Group customers through the units to which that task has been assigned, be they bank branches or specialist distributors. The Division is also responsible for the activities of the Capital Markets unit, which operates the business of placing corporate debt, either for third party issuers or for the Group.

In addition, it manages the Bank's short-term liquidity position and manages and oversees compliance with regulatory numbers and ratios. Another of its functions is to monitor risk from proprietary trading, interest rate risk, currency risk and the risks generated in the course of business on a variety different accounts, mainly from transactions with internal and external customers, by the Bank's own distribution units, by the Finance Division, or by the branch network.

	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

T7 Spanish-domiciled mutual funds

Key developments in 2014

In 2014 the European Central Bank reduced official interest rates to lowest-ever levels and this impacted and imposed limits on 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, enabled us to achieve the targets set for this year.

The implementation of the proposed improvements contained in the plan was conducted against a background of activities and processes coming to fruition in the Treasury department, which were in harmony with the design, the resources and the enhanced capabilities and initiatives proposed for Treasury under the plan.

In its programme of developing and expanding its Capital Market activities, the Bank earned and repaid the trust of issuing companies and firms and received help and support from institutional clients, both domestic and foreign, that channelled their investment requirements through the Bank and created levels of demand that won the Bank recognition for its competence and market-leading position.

This led the Bank to increase its market presence through active participation in new issues by Spanish regional governments. It acted as lead manager of a €1,600 million issue of 10-year debt by the Community of Madrid and, at the high-yield end of the market, participated in issues by Isolux, Grupo Antolín, Kaufman & Broad and Aldesa, with an overall nominal value of €1,620 million.

In Spain's Alternative Fixed-Income Market (Spanish initials: MARF), of which Banco Sabadell is a member and a registered advisor, the Bank fulfilled its aim of providing firms requiring an additional, alternative source of finance with an added-value service that includes comprehensive coverage of every stage of the capital-raising process. The Bank's operations on MARF included the origination and coordination of two new bond issues for Tecnocom and Grupo Ortíz with nominal values of €35 million and €50 million respectively, and participating in a €20 million commercial paper issuance 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. In structured investments, a strong focus on marketing and a series of new product launches for distribution at branch level resulted in an unprecedented 78% increase in the product inventory.

In the campaign to expand the international customer base, international distribution targets were more than met through planned actions that 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. During the year projects were put in hand in the area of liquidity and collateral management and to develop models for managing returns associated with risk.

Objectives for 2015

Key action areas for 2015, all of them within the aims of the Triple business plan, will be to complete the roll-out and implementation of current initiatives to increase product sales, product rotation and transaction volumes. These aims will be achieved through the introduction of new selling platforms, the development of corporate finance products and issuance vehicles usable as collateral in capital markets, and ongoing sales and marketing actions focused on a more international end customer, as they come to fruition and produce returns.

Securities trading and custodian services

Overview

The Securities Trading and Custodian Services Department performs the functions of broker for the Bank as a member of the Spanish stock markets. These functions are to handle and execute sale and purchase orders directly via its trading desk. As a product manager, it is responsible for all equity securities at Group level. It also designs and manages the Bank's offering of custodian and depository services.

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

Key developments in 2014

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 (T8).

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 having the Bank commissioned to provide a complete investment management service to new and existing customers by 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.

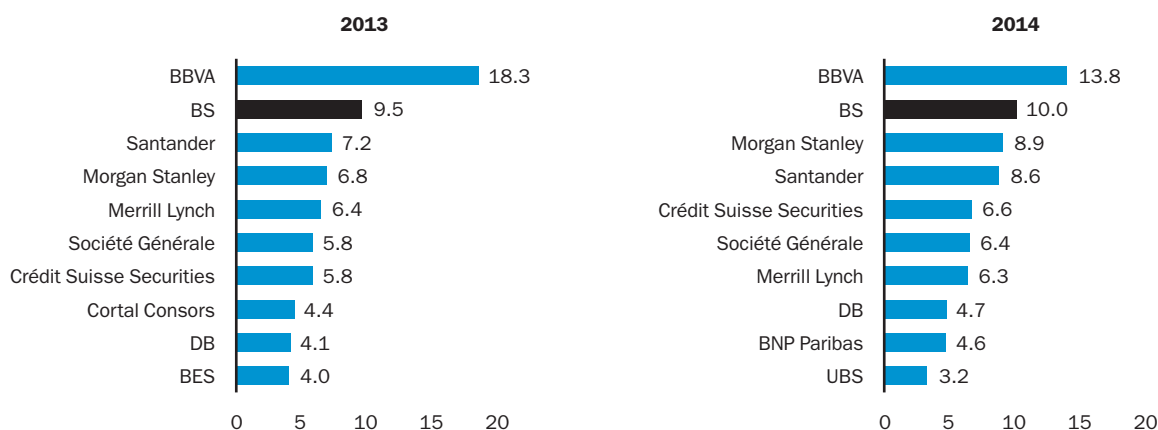
€ million

	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

T8 Securities trading
(market volumes)

G1 Trading volumes

(% market shares)



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

Thousand euro

T9 Asset transformation

	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	—	—	—

Overview

The Group continued to perfect its approach to managing its real estate and non-performing assets. In 2012 it introduced a pioneering new management system and set up a new asset transformation structure. Solvia, the company that services the Group's real estate assets, has been gaining in skill and expertise in every area of the real estate servicing cycle, from land development through to property sales.

In late 2013 Solvia introduced a new approach to managing bad and doubtful loans and set up a dedicated unit for resolving mortgage debts of individual borrowers by taking early action when borrowers fell into arrears.

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, a 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.

Key developments in 2014

In 2014 Solvia reaped the benefits of its new preventive approach to managing loan defaults by individual and business borrowers, developed in earlier years, and was thus able to achieve a faster rate of reduction in non-performing loans, speed up the pace of debt clearance and reduce new loan defaults quarter by quarter.

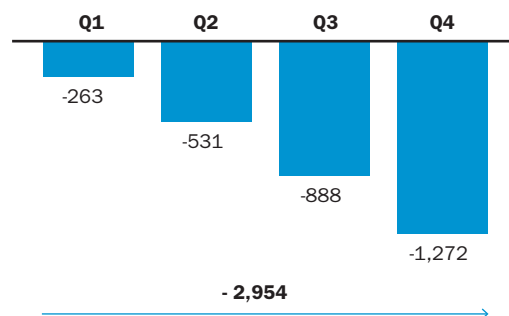
In 2014 Banco Sabadell's Restructuring and Recovery and Mortgage Resolution departments were able to reduce doubtful assets (G2) and to continue the improvement that began in the third quarter of 2013. The reduction in doubtful assets was particularly significant in the real estate developer segment and was helped by an improving real estate market. There was, in fact, an increase in sales from developers' own inventories (G3).

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.

In 2014 the Group's exposure to the real estate sector 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, a fall of 18%) (G4). Sales to the retail market as well as sales of property portfolios to institutional clients contributed to the reduction. In 2014 sales of real estate assets increased to €2,744 million, exceeding sales targets. This was achieved thanks

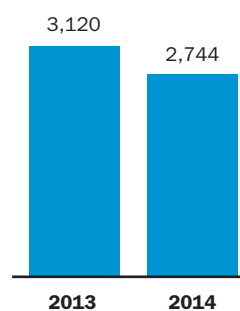
G2 Reductions in doubtful assets in 2014

(€Mn.)



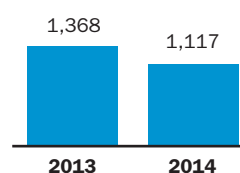
G3 Real estate sales

(€Mn.)



G4 Foreclosures

(€Mn.)



to a change of strategy to reduce discounting and to sell higher-value properties, thereby helping to slow down the increase in the Group's real estate exposure.

The Bank has not only a sales unit for the retail market (within Solvia) but also sales teams specializing in the sale of portfolios of assets to institutional buyers and in disposing of properties with special or unusual features.

In 2014 the demand from institutional buyers was a factor specific to the Spanish real estate market, and one which helped to revitalize it. The Bank completed a number of portfolio sale transactions which demonstrated its ability to generate sales and position itself vis-à-vis the institutional buyer. These transactions included the sale of the Vodafone head office building in Madrid, the sale of a building with 300,000 sq. ft. of space in Castellón, the sale of a portfolio of fully provisioned loans and an increase in sales of sites ready for development.

The Group continued to be very active in property development and returned to selling properties off-plan in developments in Madrid, Barcelona, Alicante and other towns and cities. By the end of 2014, 25 development schemes and 729 homes had been completed; at the start of 2015 another 17 development projects were under way.

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. This year Solvia continued the marketing strategy, introduced in 2013, of focusing on market opportunities and customer service rather than on price.

In addition to being a widely recognized brand, Solvia has an effective multi-channel retail sales model which operates through both tied and third-party agents, including an international channel launched in 2013 that specializes in property sales to persons resident outside Spain. The Bank recently set up an "open sales platform" to enable a single property to be marketed simultaneously by more than one agent and thus maximize sales efficiency.

Solvia has a segmented pricing model which makes systematic price adjustments based on demand and marketing velocity. This has led to increases in the values of properties offered for sale and made it possible to raise prices for the first time since 2007. For properties in new construction projects, stock rotation targets have been successfully used to secure higher sale prices in 16 projects. For individual properties an auction procedure was introduced where there was more than one buyer interested in the property. In 2014 11% of retail sales were at auction and average sale prices increased to 12% above the advertised selling price.

Capabilities like these are highly prized in the marketplace, where large holders of real estate assets and new foreign investors are in need of services of this kind.

Solvia is therefore increasing its capacity to offer services to third parties. In November 2014 Solvia won a contract to provide services to a portfolio held by Sareb (Spain's "bad bank" for non-performing assets), which will double the size of its managed portfolio and provide it with an additional source of income. Solvia was chosen by Sareb for its proven capability in servicing (administration, marketing, real estate development and preparation of properties for sale) portfolios owned by the Bank and by third parties, for the competence of its personnel and for its well-designed, scalable platform. Solvia Inmobiliaria is now well positioned as a leading servicer in the Spanish market covering all stages of the property cycle (from asset transformation through to distribution and sale), with 50,000 properties sold since 2011, nationwide coverage, a strong presence in Catalonia, Valencia and Murcia, and with the capability to offer services to third parties.

Sabadell America

Overview

The Banco Sabadell America operation comprises business units, a bank, a stock market and investment broker and several affiliates and representative offices which together provide financial services in the corporate banking, private banking and commercial banking fields. The business is managed from Miami, where Banco Sabadell has a full-service international branch which has been in operation since 1993. It also has a commercial banking operation, Sabadell United Bank, serving the south of Florida. In 2012 the Bank opened a representative office in New York where a large part of the Sabadell America structured finance business is handled.

Sabadell United Bank works in tandem with representative offices in Mexico, the Dominican Republic and Venezuela to offer service and support to our customers.

Key developments in 2014

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, mainly through its developing associate network and improvements in 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 ("SO-FOM") 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). Banco Sabadell 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.

Objectives for 2015

In keeping with the strategy laid down in the Triple business plan, 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.

As part of this aim, in 2015 the Bank intends to apply for a banking licence in Mexico to enable it to operate as a bank in that country, to begin taking deposits and to meet customers' financing needs by broadening the range of products currently being offered by Sabadell Capital.

It is also intended that, in line with the Bank's internationalization plan, representation offices should be opened in Colombia and Peru to support the Bank's growing business in those countries.

Banco Sabadell Miami Branch

At the close of the year Banco Sabadell's operating branch in Miami was holding nearly USD 4,500 million in customer deposits and funds under management. Investment management services saw a 10% rise. Loans and advances were up 51% and reached USD 2,100 million as the bank met the needs of international corporations by arranging loan or credit facilities to provide working capital and medium- and long-term finance. The branch also continued to build up its portfolio of private banking clients, enlarged by additional clients as a result of the acquisition of Lloyds TSB Bank's Miami branch in late 2013.

In 2014 Banco Sabadell Miami branch continued to provide finance for projects in the energy and tourism sectors, mainly in the US and Mexico.

Sabadell United Bank

During the year Sabadell United Bank made further progress in implementing its operating and sales efficiency drive, with particular emphasis on promoting its mortgage plan to its customer base, boosting sales activity at branches and developing alternative sales and service channels.

At the time of writing Sabadell United Bank had a total of 27 branches offering services within the state of Florida, mainly in Miami-Dade, Broward and Palm Beach counties but also in the west coast counties of Tampa, Sarasota and Naples. It is the eighth largest local bank by deposits.

During the year 2014 Sabadell United Bank continued its programme to promote brand awareness among the market segments it serves. The campaign was specifically

targeted on professional people and entrepreneurs, as well as high net worth individuals, to whom it provides private banking and wealth management services through its Wealth Management division, Sabadell Bank & Trust.

In the area of Corporate Banking, Sabadell United Bank expanded its business during the year by increasing syndicated loans to large corporate clients and project finance deals in the energy and infrastructure sectors, thus furthering its aim of diversifying its loan portfolio and capturing valuable new business for the bank.

At the end of 2014, Sabadell United Bank was managing assets of some USD 4,600 million, with deposits of approximately USD 3,600 million and loans and advances approaching USD 3,500 million. The value of its managed investment portfolios was close to USD 700 million. It was serving more than 45,000 customers. In 2014 Sabadell United Bank contributed a net profit of USD 18 million to the Group.

Sabadell Securities

Sabadell Securities USA Inc., an SEC-registered investment consultancy, operates as a stockbroker and advisor to securities market investors. The business is both a complement to and a strengthening factor in the Sabadell America strategy.

Sabadell Securities provides investment and wealth management services to commercial banking customers as well as to personal banking, corporate banking and private banking clients. Its business strategy is based on meeting customers' financial needs by providing advice on capital market investments.

Sabadell Securities is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). It uses the services of Pershing LLC, a Bank of New York Mellon subsidiary, for clearing, custodian and administrative services.

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%.