MEXICO: PESO
NICARAGUA: CÓRDOBA
PANAMA: BALBOA
PARAGUAY: GUARANÍ
PERU: NUEVO SOL
SAINT KITTS AND NEVIS: EAST CARIBBEAN DOLLAR
SAINT LUCIA: EAST CARIBBEAN DOLLAR
ST. VINCENT AND THE GRENADINES: EAST CAR. DOLLAR
SURINAME: SURINAMESE DOLLAR
TRINIDAD AND TOBAGO: TRINIDAD AND TOBAGO DOLLAR
UNITED STATES: UNITED STATES DOLLAR
URUGUAY: URUGUAYAN PESO
VENEZUELA: BOLÍVAR FUERTE
TAIWAN: NEW TAIWAN DOLLAR
TAJIKISTAN: SOMONI
THAILAND: BAHT
TIMOR: LESTE, UNITED STATES DOLLAR
TURMEKISTAN: TURKMEN NEW MANAT
UNITED ARAB EMIRATES: UAE DIRHAM
UZBEKISTAN: UZBEKISTAN SOM
VIETNAM: DONG
YEMEN: YEMENI RIAL
AFGHANISTAN: AFGHANI
ARMENIA: DRAM
AZERBAIJAN: MANAT
BAHRAIN: BAHRAINI DINAR
BANGLADESH: TAKA
BHUTAN: BHUTANESE NGULTRUM
BRUNEI: BRUNEI DOLLAR
CAMBODIA: RIEL
CHINA: YUAN
GEORGIA: LARI
INDIA: INDIAN RUPEE
INDONESIA: RUPIAH
IRAN: RIAL
IRAQ: IRAQI DINAR
ISRAEL: ISRAELI NEW SHEKEL
JAPAN: YEN
JORDAN: JORDANIAN DINAR
KAZAKHSTAN: TENGE
NORTH COREA: NORTH COREAN WON
SOUTH COREA: SOUTH COREAN WON
ALGERIA: ALGERIAN DINAR
ANGOLA: KWANZA
BENIN: CFA FRANC
BOTSWANA: PULA
BURKINA FASO: CFA FRANC
BURUNDI: BURUNDI FRANC
CAMEROON: CFA FRANC
CAPE VERDE: CAPE VERDEAN ESCUDO
CENTRAL AFRICAN REPUBLIC: CFA FRANC
CHAD: CFA FRANC
COMOROS: COMORIAN FRANC
CÔTE D'IVOIRE: CFA FRANC
DEMOCRATIC REP. OF CONGO: CONGOLESE
DJIBOUTI: DJIBOUTIAN FRANC
EGYPT: EGYPTIAN POUND
ECUATORIAL GUINEA: CFA FRANC
ERITREA: NAKFA
ETHIOPIA: ETHIOPIAN BIRR
GABON: CFA FRANC
GAMBIA: DALASI
GHANA: GHANAIAN CEDI
GUINEA: GUINEAN FRANC
GUINEA BISSAU: CFA FRANC
KENYA: KENYA SHILLING

Chairman's message

Dear shareholder,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Josep Oliu Creus
Chairman