Banco Sabadell Group financial information

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

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

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

Consolidated data for 2014, the Bank's 133rd year of existence, reflects a sound balance sheet and confirms that the Banco Sabadell Group is growing steadily, based on consistent improvements in ordinary banking revenues and rigorous containment of operating costs (T1).

Thousand euro

T1

	2014	% of ATA (**)	2013 (*)	% of ATA (**)	14/13
Interest and similar income	4,513,497	2.76	4,863,170	2.92	(7.2)
Interest and similar charges	(2,253,791)	(1.38)	(3,048,476)	(1.83)	(26.1)
Net interest income	**2,259,706**	**1.38**	**1,814,694**	**1.09**	**24.5**
Return on equity instruments	8,628	0.01	7,329	—	17.7
Share of profit/(loss) of equity-accounted undertakings	101	—	11,107	0.01	(99.1)
Net fees	860,891	0.53	759,670	0.46	13.3
Income from trading (net)	1,763,604	1,08	1,479,185	0.89	19.2
Exchange differences (net)	99,556	0.06	67,871	0.04	46.7
Other operating income and expense	(191,960)	(0.12)	(308,658)	(0.19)	(37.8)
Gross income	**4,800,526**	**2,94**	**3,831,198**	**2.30**	**25.3**
Personnel expenses	(1,202,604)	(0.74)	(1,135,175)	(0.68)	5.9
Other general administrative expenses	(570,714)	(0.35)	(587,886)	(0.35)	(2.9)
Depreciation and amortization	(278,104)	(0.17)	(228,447)	(0.14)	21.7
Profit before impairment and other provisions	**2,749,104**	**1.68**	**1,879,690**	**1.13**	**46.3**
Loan loss and other provisions	(2,499,659)	(1.53)	(1,768,998)	(1.06)	41.3
Profit on disposal of assets	236,948	0.15	43,893	0.03	439.8
Goodwill	—	—	30,295	0.02	(100.0)
Income before tax	**486,393**	**0.30**	**184,880**	**0.11**	**163.1**
Corporate income tax	(109,748)	(0.07)	(17,962)	(0.01)	—
Consolidated profit/(loss) for the year	**376,645**	**0.23**	**166,918**	**0.10**	**125.6**
Profit/(loss) attributable to non-controlling interests	4,968		21,003		(76.3)
Profit/(loss) attributable to the Group	**371,677**		**145,915**		**154.7**

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

Net interest income

Steady improvement in customer spreads in a context of low interest rates.

Net interest income totalled €2,259.7 million in 2014, rising by 24.5% on the previous year's figure, with the ratio of net interest income to average total assets and the customer spread both increasing significantly. This upward trend was already observable in the second quarter of 2013 and resulted mainly from the reduction in funding costs (T2).

Thousand euro

T2

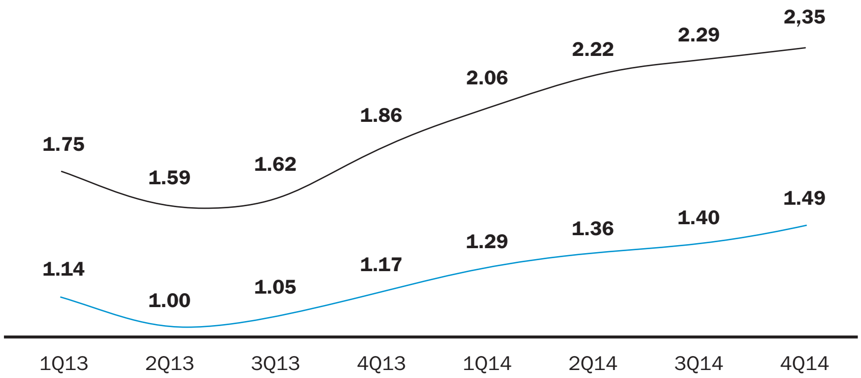
	Average amount	2014 rate	Income/ Expense	Average amount	2013 rate	Income/ Expense
Cash, central banks and other credit institutions	4,259,117	0.94	40,099	4,529,883	0.90	40,794
Loans and advances to customers	106,441,489	3.42	3,640,970	105,997,323	3.64	3,859,745
Fixed-income portfolio	22,703,810	3.55	806,852	28,629,589	3.28	938,309
Equities portfolio	1,325,403	—	0	1,961,883	—	0
Tangible and intangible fixed assets	3,761,914	—	0	3,246,609	—	0
Other assets	24,881,079	0.10	25,576	22,206,175	0.11	24,322
Total investment	**163,372,812**	**2.76**	**4,513,497**	**166,571,462**	**2.92**	**4,863,170**
Credit institutions	13,234,024	(1.47)	(194,307)	25,838,912	(1.15)	(298,066)
Customer deposits	93,079,509	(1.19)	(1,107,189)	84,303,805	(1.93)	(1,627,350)
Capital market	26,901,563	(3.38)	(908,505)	29,654,453	(3.50)	(1,038,410)
Repurchase agreements	8,597,642	(0.57)	(49,179)	6,732,891	(1.05)	(70,657)
Other liabilities	10,785,387	0.05	5,389	10,855,651	(0.13)	(13,993)
Own funds	10,774,687	—		9,185,750	—	
Total funds	**163,372,812**	**(1.38)**	**(2,253,791)**	**166,571,462**	**(1.83)**	**(3,048,476)**
Net interest income		**1.38**	**2,259,706**		**1.09**	**1,814,694**

In terms of overall annual averages, the net interest margin for the year was 1.4%, 29 basis points higher than the figure for the previous year (1.1%). The increase in average returns on average total assets was due to a number of factors, mainly higher customer spreads (due to the lower cost of customer deposits), the lower cost of capital market funding, the reduction in the volume of problem assets, and the improvement in the profitability of the acquired businesses.

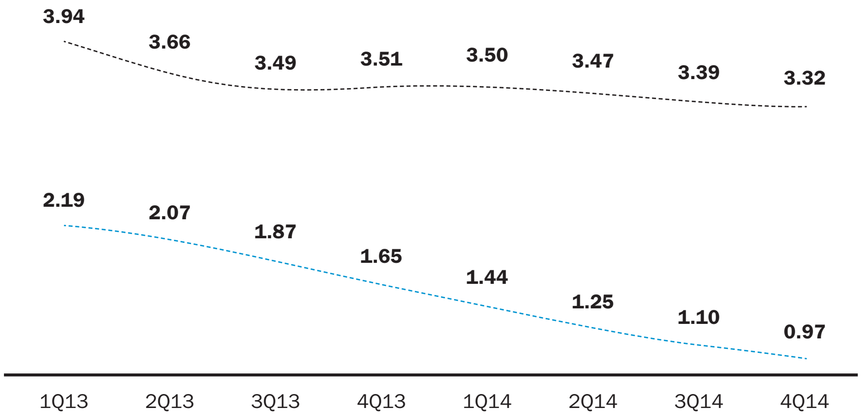
Deposit repricing was the main driver and this trend is expected to continue in 2015 and 2016.

On a quarterly basis, net interest income has been increasing since the second quarter of 2013. That improvement continued in subsequent quarters in both absolute and relative terms (G1 & G2).

G1 Margin performance (%)



G2 Credit yields and cost of customer funds (%)



Gross income

Dividends received and income from equity-accounted undertakings together amounted to €8.7 million, compared with €18.4 million in 2013, a decline of €9.7 million. The reduction was due to the fact that the number for 2013 included a €14.6 million contribution from Centro Financiero BHD, which was sold in December 2013.

The branch network's focus on selling managed investment products and services boosted net fees and commissions to €860.9 million at year-end, an increase of 13.3% year-on-year. This growth was observed across the board in all types of fees and commissions (risk operations, services, mutual funds, insurance and pension sales) (T3).

Thousand euro

T3

	2014	2013	% 14/13
Lending-related fees	115,982	113,177	2.5
Guarantees	105,124	103,757	1.3
Paid to other banks	(1,856)	(4,702)	(60.5)
Fees derived from risk operations	**219,250**	**212,232**	**3.3**
Cards	146,273	132,080	10.7
Payment orders	45,992	45,167	1.8
Securities	79,795	52,786	51.2
Current account charges	85,875	72,488	18.5
Other fees	93,508	121,497	(23.0)
Fees charged on services	**451,443**	**424,018**	**6.5**
Mutual funds	123,163	77,948	58.0
Marketing of pension funds and insurance	67,035	45,472	47.4
Commissions on sales of mutual funds, pension funds and insurance	**190,198**	**123,420**	**54.1**
Total fees and commissions (net)	**860,891**	**759,670**	**13.3**

Income from financial transactions totalled €1,763.6 million. In particular, capital gains on the disposal of available-for-sale financial assets amounted to €1,860.7 million in 2014. In 2013 net income from trading was €1,479.2 million, including gains of €927.8 million on the sale of available-for-sale fixed-income assets, €437.3 million on the sale of held-to-maturity investments, €58.8 million on the sale of equity securities, and €53.6 million in income from the trading portfolio.

Net gains due to foreign exchange differences totalled €99.6 million, a considerable increase with respect to 2013 (€67.9 million). This 46.7% year-on-year increase was due mainly to a higher volume of transactions in 2014 and to a number of currency deals that provided positive results.

Other operating income and expenses amounted to €192.0 million. A major component of this item consisted of contributions to the bank deposit guarantee fund amounting to €158.4 million.

Profit before impairment and other provisions

Operating expenses (personnel and general) amounted to €1,773.3 million in 2014, of which €40.2 million are non-recurrent items (mainly personnel indemnities); Operating expenses amounted to €1,723.1 million in 2013, including €51.4 million in non-recurrent items (basically non-interest expenses related to the acquisition of Banco Gallego). On a strictly comparable basis, however, operating expenses for 2014 shrank by 4.4% overall compared with 2013 (personnel expenses fell by 1.2% and general expenses were reduced by 10.5%) (T4).

Thousand euro

T4

	2014	2013	% 14/13
Wages and salaries	(865,697)	(814,712)	6.3
Social welfare costs	(203,686)	(179,597)	13.4
Other personnel expenses	(133,221)	(140,866)	(5.4)
Personnel expenses	**(1,202,604)**	**(1,135,175)**	**5.9**
IT and systems	(92,263)	(84,980)	8.6
Communications	(35,190)	(27,892)	26.2
Advertising	(38,765)	(54,269)	(28.6)
Property, plant and equipment	(145,180)	(155,419)	(6.6)
Printed material and office supplies	(7,646)	(8,004)	(4.5)
Taxes	(99,383)	(98,619)	0.8
Other expenses	(152,287)	(158,703)	(4.0)
Other admistration expenses	**(570,714)**	**(587,886)**	**(2.9)**
Total administration expenses	**(1,773,318)**	**(1,723,061)**	**2.9**

The increase in gross income in 2014 combined with the policies to hold down operating expenses resulted in an improved cost:income ratio which at the end of the year stood at 53.1%, down from 64.2% at the end of 2013 (the figures for both years excluded non-recurrent income from trading and net foreign exchange gains, in accordance with the revised procedure introduced in 2014 and applied also to 2013).

The profit and loss developments outlined above resulted in a profit before impairment and other provisions of €2,749.1 million.

Provisions for loan losses and other impairments (mainly real estate and financial assets) amounted to €2,499.7 million (€1,769.0 million in 2013) (T5).

Thousand euro

T5

	2014	2013	% 14/13
Loan impairment provisions	(1,541,051)	(1,147,132)	34.3
Land and buildings	(853,952)	(591,158)	44.5
Impairment of investments in associated undertakings	(57,876)	(33,287)	73.9
Other net provisions and impairment charges	(46,780)	2,579	—
Total net provisions and impairment charges	**(2,499,659)**	**(1,768,998)**	**41.3**

Capital gains on asset disposals amounted to €236.9 million and were made up largely of a €162 million gross capital gain on the sale of the group's debt management and recovery business and an exceptional payment of €80 million (net of arrangement expenses) on the signature of a reinsurance treaty with SCOR Global Life in respect of the Mediterráneo Vida portfolio of individual life and permanent disability policies. In 2013, capital gains on asset disposals amounted to €43.9 million, including net gains of €25.6 million in December 2013 from the sale of Banco Sabadell's stake in Centro Financiero BHD.

Net attributable profit

The group's income statement for 2013 included a credit item of €30.3 million under negative goodwill, mainly attributable to the acquisition of Banco Gallego.

After deducting income tax and the share of profit attributed to non-controlling interests, the year-end profit attributed to the Group for 2014 was €371.7 million, compared with €247.8 million in 2013. Considering the impact of early application of IFRIC 21, the 2013 profit and loss account reveals €145.9 million of attributable profit in that year.

Balance sheet management

Demand for credit is reviving.

The balance of doubtful loans and problem assets is declining.

Off-balance sheet funds grew steadily throughout the year.

Thousand euro

T6

Assets	2014	2013 (*)	% 14/13
Cash and balances with central banks	1,189,787	3,201,898	(62.8)
Assets held for trading. derivatives and other financial assets	3,253,356	2,623,485	24.0
Available-for-sale financial assets	21,095,619	19,277,672	9.4
Loans and receivables	117,895,179	118,989,126	(0.9)
Loans and advances to credit institutions	*4,623,197*	*3,525,521*	*31.1*
Loans and advances to customers (net)	*110,835,723*	*112,928,890*	*(1.9)*
Debt securities	*2,436,259*	*2,534,715*	*(3.9)*
Investments	513,227	640,842	(19.9)
Tangible assets	3,982,866	3,935,322	1.2
Intangible assets	1,591,296	1,501,737	6.0
Other assets	13,824,343	13,352,459	3.5
Total assets	**163,345,673**	**163,522,541**	**(0.1)**

Liabilities	2014	2013 (*)	% 14/13
Liabilities held for trading and derivatives	2,254,459	1,972,190	14.3
Financial liabilities at amortized cost	145,580,114	147,269,474	(1.1)
Deposits from central banks	*7,201,546*	*9,227,492*	*(22.0)*
Deposits from credit institutions	*16,288,193*	*13,857,264*	*17.5*
Customer deposits	*98,208,370*	*99,362,908*	*(1.2)*
Marketable debt securities	*20,196,329*	*21,166,915*	*(4.6)*
Subordinated liabilities	*1,012,362*	*1,089,046*	*(7.0)*
Other financial liabilities	*2,673,314*	*2,565,849*	*4.2*
Liabilities under insurance contracts	2,389,571	2,134,139	12.0
Provisions	395,215	664,246	(40.5)
Other liabilities	1,510,362	1,266,067	19.3
Total liabilities	**152,129,721**	**153,306,116**	**(0.8)**

Equity	2014	2013 (*)	% 14/13
Shareholders' funds	10,223,743	10,037,368	1.9
Valuation adjustments	937,416	120,814	—
Non-controlling interests	54,793	58,243	(5.9)
Total equity	**11,215,952**	**10,216,425**	**9.8**

Total liabilities and equity	**163,345,673**	**163,522,541**	**(0.1)**

Memorandum accounts	2014	2013 (*)	% 14/13
Contingent exposures	9,132,560	8,663,950	5.4
Contingent commitments	14,769,638	12,026,000	22.8
Total memorandum accounts	**23,902,198**	**20,689,950**	**15.5**

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

Lending to companies, of all sizes, is rising.

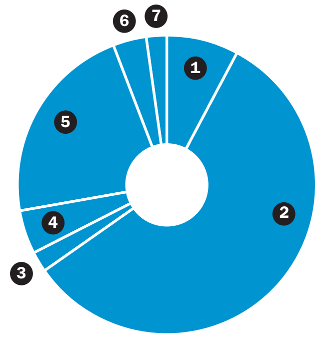
At the end of 2014, the total assets of Banco Sabadell and its Group amounted to €163,345.7 million, i.e. very similar to the figure at the end of 2013 (€163,522.5 million).

Gross loans and advances to customers (excluding repos) accounted for 75% of the group's total consolidated assets and amounted to €121,140.8 million at year-end. Although this item declined by 2.8% year-on-year (mainly as a result of the lower volume of doubtful balances), demand for credit showed signs of recovering in the final months of the year. Gross loans and advances (excluding repos and NPLs) increased by €773.1 million in the fourth quarter (T7, G3 & G4).

T7 Loans and advances

Thousand euro

	2014	2013	% 14/13
Secured loans and credit	56,415,509	59,938,349	(5.9)
Trade credit	4,867,272	4,756,581	2.3
Other loans and credit	28,382,718	25,537,113	11.1
Other loans and credit	31,475,338	34,382,890	(8.5)
Gross loans and advances to customers, excluding repos	**121,140,837**	**124,614,933**	**(2.8)**
Assets acquired under repo agreements	587,597	688,010	(14.6)
Loans and advances to customers - gross	**121,728,434**	**125,302,943**	**(2.9)**
Provisions for bad and doubtful debts and country risk	(10,892,711)	(12,374,053)	(12.0)
Loans and advances to customers - net	**110,835,723**	**112,928,890**	**(1.9)**
Memorandum item: total securitized assets	***12,938,909***	***17,349,918***	***(25.4)***
Securitized mortgage assets	*12,348,343*	*16,372,319*	*(24.6)*
Other securitized assets	*590,566*	*977,599*	*(39.6)*
Of which: securitization issues after 01.01.2004	*12,284,506*	*15,672,353*	*(21.6)*
Securitized mortgage assets	*11,739,188*	*14,751,681*	*(20.4)*
Other securitized assets	*545,318*	*920,672*	*(40.8)*

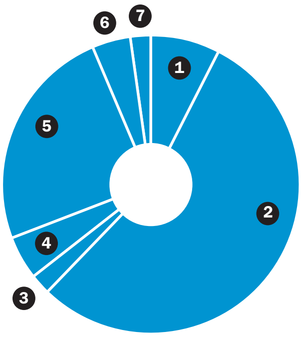


G3

Loans and advances to customers

31.12.2013

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



G4

Loans and advances to customers

31.12.2014

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

The problem asset situation improved in 2014; excluding the assets covered by the Asset Protection Scheme (APS) for Banco CAM, the NPL ratio was 12.2% at 2014 year-end, down from 13.6% a year earlier. The coverage ratio, expressed with respect to total exposure to loans and real estate, was 13.1% at the end of 2014 (T8).

Thousand euro

T8

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

(*) The figures and percentages shown do not include assets covered by the Asset Protection Scheme (APS).
(**) Includes contingent liabilities.
(***) Expressed with respect to total exposure to loans and real estate.

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

Table T9 shows the trend in doubtful assets and real estate, excluding the APS (not including reclassified loans and changes prior to the first quarter of 2014).

Amount (€m)

T9

	2014				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Ordinary net increase	(83)	(203)	(316)	(457)	388	760	365	(12) (*)
Change in real estate	64	148	202	263	394	1	218	400 (*)
Net increase plus real estate	**(19)**	**(55)**	**(114)**	**(194)**	**782**	**761**	**583**	**388 (*)**
Defaults	265	97	224	298	247	305	105	51
Quarterly change in doubtful balances and real estate	**(284)**	**(152)**	**(338)**	**(492)**	**535**	**456**	**478**	**337**

(*) Assets newly classified as doubtful, not considering the acquisitions in 2013. The ordinary net increase does not include assets reclassified as doubtful in 2013 as a result of the change in approach to classifying refinanced loans.

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

In 2014, the value of Banco Sabadell's securities portfolio increased by 7.7% year-on-year to a year-end total of €24,293 million. The Bank's fixed-income holdings lend stability to net interest income (T10).

Thousand euro

T10

	2014	2013	%14/13
Government securities	18,247,358	16,327,014	11.8
Treasury bills	57,303	40,966	39.9
Other government securities	18,190,055	16,286,048	11.7
Fixed-income securities	5,159,807	5,415,881	(4.7)
Doubtful assets	952	96	891.7
Total fixed-income securities	**23,408,117**	**21,742,991**	**7.7**
Shares and equity investments			
Credit institutions	250,330	186,679	34.1
Other private sector issuers	341,789	351,417	(2.7)
Equity investments in associated undertakings	292,655	272,844	7.3
Total shares and equity investments	**884,774**	**810,940**	**9.1**
Total investment portfolio	**24,292,891**	**22,553,931**	**7.7**

Real estate sales
were 10.3% above target.

Liabilities

Within on-balance sheet liabilities, demand account balances (current and savings accounts) totalled €43,275.0 million, a 17.4% increase year-on-year. Balances in time deposits amounted to €53,395.9 million, a 12.2% decline year-on-year that reflected the downward trend in interest rates in the financial markets, which drove investors to switch to more attractive investments in search of better returns.

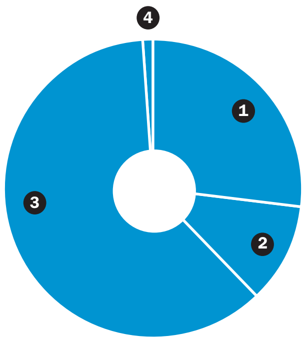
Liabilities in the form of tradeable securities amounted to €20,196.3 million at 2014 year-end, compared with €21,166.9 million at 31 December 2013. This decline was due mainly to a net reduction in balances of asset-backed securities and mortgage covered bonds because of maturity (T11, G5 & G6).

Thousand euro

T11

	2014	2013	% 14/13
Current accounts	31,098,746	26,260,652	18.4
Savings accounts	12,176,217	10,601,835	14.9
Time deposits	53,395,928	60,798,681	(12.2)
Repurchase agreements	1,291,799	1,347,184	(4.1)
Time-period adjustments	447,697	611,168	(26.7)
Adjustments due to hedging derivatives	(202,017)	(256,612)	(21.3)
Customer deposits	**98,208,370**	**99,362,908**	**(1.2)**
Debt securities and other negotiable instruments	**20,196,329**	**21,166,915**	**(4.6)**
Subordinated liabilities	**1,012,362**	**1,089,046**	**(7.0)**
Liabilities under insurance contracts	**2,389,571**	**2,134,139**	**12.0**
Total on-balance sheet deposits and issued securities	**121,806,632**	**123,753,008**	**(1.6)**

With regard to off-balance sheet customer funds, assets in collective investment schemes expanded steadily, to €15,705.6 million at 31 December 2014, a 42.5% increase with respect to the end of 2013 (T12).

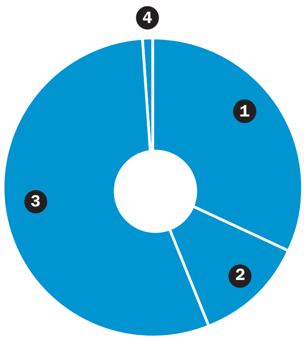


G5

Customer deposits (*)

31.12.2013

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



G6

Customer deposits (*)

31.12.2014

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

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

A sharp increase in market share in mutual funds.

Thousand euro

T12

	2014	2013	% 14/13
Managed collective investment schemes	12,006,900	8,178,584	46.8
Equity funds	953,518	584,740	63.1
Balanced funds	1,695,488	866,585	95.7
Fixed-income funds	3,829,651	2,474,177	54.8
Guaranteed funds	3,793,940	2,788,376	36.1
Real estate funds	9,225	44,364	(79.2)
Open-end investment companies (OEICs)	1,725,078	1,420,342	21.5
Mutual funds and OEICs distributed by the Group	3,698,712	2,839,986	30.2
Collective investment schemes	**15,705,612**	**11,018,570**	**42.5**
Individual	2,861,552	2,857,495	0.1
Company	1,456,994	1,478,333	(1.4)
Group	16,069	20,463	(21.5)
Pension funds	**4,334,615**	**4,356,291**	**(0.5)**
Total funds	**20,040,227**	**15,374,861**	**30.3**

Assets in pension funds marketed by the Group amounted to €4,334.6 million at 2014 year-end, a very similar balance to the end of the previous year (€4,356.3 million).

Total funds under management amounted to €152,185.4 million at 31 December 2014, an increase of 2.1% with respect to the balance of €149,122.9 million at 31 December 2013 (T13).

Thousand euro

T13

	2014	2013	% 14/13
Creditors - general government	2,804,065	3,197,859	(12.3)
Creditors - resident sector	86,449,217	88,788,617	(2.6)
Creditors - non-resident sector	8,709,408	7,021,876	24.0
Time-period adjustments	447,697	611,168	(26.7)
Adjustments due to hedging derivatives	(202,017)	(256,612)	(21.3)
Debt securities and other negotiable instruments	20,196,329	21,166,915	(4.6)
Subordinated liabilities	1,012,362	1,089,046	(7.0)
Collective investment schemes	15,705,612	11,018,570	42.5
Pension funds	4,334,615	4,356,291	(0.5)
Insurance policies sold and liabilities under insurance contracts	9,810,082	10,201,494	(3.8)
Wealth management	2,918,071	1,927,634	51.4
Total customer deposits and assets under agement	**152,185,441**	**149,122,858**	**2.1**

Liquidity management and funding policy

In recent years, the Bank's funding policy has focused on generating a positive liquidity gap in the banking business by reducing the total amount of funding obtained from the wholesale markets and increasing the Group's liquidity position.

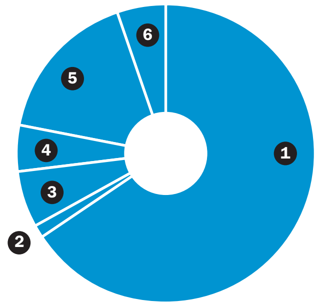
The Bank's standard practices in liquidity management are as follows:

— Each year, it draws up a funding plan taking account of each business unit's funding needs and the amount to be raised on the capital markets, diversifying between the various short- and long-term funding programmes.
— Compliance with the funding plan is checked at regular intervals, deviations by individual business units are identified, and the plan is updated accordingly.
— At regular intervals, the Bank checks the level of short-term commitments it has assumed, its treasury position and future projections, in order to ensure that it has sufficient liquidity to cover its funding needs in the short and long term.
— Banco Sabadell also regularly updates its liquidity contingency plan to ensure that it has sufficient liquidity assets to address a number of liquidity stress scenarios; in parallel, it assesses the quality of its portfolio of liquid assets by analysing those assets' sensitivity to a number of scenarios regarding rating downgrades and market movements.

Liquidity management in 2014

The Group's main source of funding is the customer deposit base (mainly demand deposits and time deposits captured through the branch network), together with funding from the interbank and capital markets, where the Bank has a number of short- and long-term funding programmes in place to assure it of a suitable diversity of products, maturities and investors.

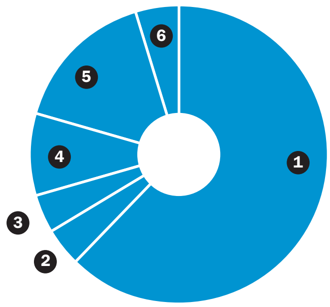
The group's main sources of funding at the close of 2014 are further analysed in diagrams G7 and G8.



G7

Funding sources

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



G8

Wholesale market funding

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

The funding structure is balanced.

Customer deposits on balance sheet

At 31 December 2014, customer funds on the balance sheet amounted to €94,461 million, compared with €94,497 million at 2013 year-end and €80,179 million at 2012 year-end. The sharp 17.9% increase in 2013 over 2012 was due mainly to acquisitions. There was a shift from time deposits to demand deposits in 2014 due to lower interest rates. At 31 December 2014, demand deposits (which include current and savings accounts) had increased to €43,275 million (up 17.4%) at the expense of time deposits, which shrank by 12.2%.

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

Capital market

As a result of deleveraging by the Group and its successful campaign to attract deposits, the proportion of funding raised on the wholesale markets has declined steadily in recent years. At the end of 2014 the outstanding balance of capital market funding was €23,085 million, compared with €26.063 million at the end of 2013.

Short-term funding

Short-term funding arrangements include a Spanish commercial paper programme whose outstanding amount cannot exceed €5,000 million and a Euro Commercial Paper (ECP) programme for a nominal value of up to €3,500 million. The outstanding balance of the commercial paper programme, which is placed mainly in Spain, remained stable throughout the year. At 31 December, the outstanding balance was €2,745 million (net of commercial paper purchased by Group companies). The balance of the ECP programme, aimed at qualified international investors, expanded slightly from €98.6 million at the end of 2013 to €165.2 million at 31 December 2014.

Long-term funding

As part of the Group's longer-term funding, on 29 April 2014 an issuance programme of non-equity fixed-income securities with an upper limit of €10,000 million was registered with the CNMV. During 2014, Banco Sabadell issued bonds totalling €4,087 million under the programme, both for placement on the market and for retention by the Group. During the year, the Group tapped the markets on a number of occasions. Banco Sabadell made a public offering of 7-year mortgage covered bonds totalling €1,250 million; three issues of 8- and 9-year mortgage covered bonds totalling €388 million, underwritten in their entirety by the European Investment Bank (EIB); six issues of senior debt between 1.5 and 5 years totalling €916.5 million; and 13 issues of structured bonds amounting to €68 million with maturities of between one and 10 years. Additionally, as part of funding arrangements agreed between the ICO and Banco Sabadell, the Bank carried out 71 issues of straight bonds with maturities of between two and six years, all of which were fully subscribed by the ICO for a total of €588.9 million.

Historically the Group has been very active in originating asset-backed securities. It currently has 40 such issues outstanding (including issues by Banco Guipuzcoano, Banco CAM, BMN and Banco Gallego); a portion was retained by the Group as liquid assets available for use as eligible collateral in funding arrangements with the European Central Bank, and the remaining bonds were sold on the capital markets. At the end of 2014 the Group had €4,062.3 million outstanding in asset-backed securities. For reasons of efficiency, six asset-backed issues with relatively small outstanding balances were redeemed early in 2014.

Liquidity buffers

In addition to these sources of funding, Banco Sabadell holds a buffer of liquid assets to cover any liquidity requirement that may arise. Since the start of the crisis, Banco Sabadell has accelerated the process of building up this liquidity buffer as a first line of defence. At the end of 2011 the size of the Group's first-line liquidity buffer was €11,399 million, i.e. market value less the haircut applied by the ECB in its monetary policy operations to eligible assets, and with the reduction in the Liquidity Coverage Ratio (LCR) in other cases. During 2012, Banco Sabadell continued to strengthen its liquid asset base by generating a positive funding gap through the branch network, bringing its first-line liquidity buffer up to €17,396 million by the end of that year. The amount of first-line liquid assets increased to €19,009 million by the close of 2013. The liquidity buffer was maintained throughout 2014, at the end of which the Group's first-line reserve amounted to €18,758 million.

In addition to its first-line liquidity buffer, the Group maintains a buffer of mortgage assets and public sector loans that are eligible as collateral for mortgage and public sector covered bonds, respectively. At the end of 2014, these provided an additional capability for the issuance of covered bonds — eligible to be discounted as collateral with the ECB — in the amount of €9,941 million. By the close of the year, the Group's available liquidity reserve had reached an effective amount of €28,699 million, composed of the Group's first-line liquidity reserve plus its year-end capacity to issue mortgage and public sector covered bonds.

Banco Sabadell participated in the ECB's 3-year liquidity auctions on 22 December 2011 and 1 March 2012, receiving an overall total of €23,650 million. Part of these borrowings were repaid gradually in 2013 and the balance stood at €8,800 million at 31 December 2013; this was repaid in full in July 2014. The Bank also participated in the ECB's 4-year TLTRO liquidity auction on 17 December 2014, obtaining €5,500 million, approximately the maximum amount permitted by the Bank's balance sheet position. At 31 December 2014, Banco Sabadell held €7,200 million in borrowings from the ECB.

Agency ratings

In recent years, like the rest of the banking sector, Banco Sabadell experienced rating downgrades by the major agencies in response to the reduction of Spain's sovereign credit ratings. In 2014, the three agencies that were rating Banco Sabadell's credit quality were Standard & Poor's, Moody's and DBRS. Table T14 shows the current ratings, and the last dates on which they were affirmed.

In the context of the latest review of Spain's economic risk, Standard & Poor's performed a number of rating actions with respect to Spanish banks in November. Specifically, on 27 November, the agency upgraded Banco Sabadell's long-term rating by one notch to BB+ (from BB) and affirmed its short-term rating at B. The negative outlook reflects the possible reduction in government support for European banks when the bank resolution framework is introduced.

T14 Capital ratio
(BIS)

	Long term	Short term	Outlook	Last review
Standard & Poor´s	BB+	B	Negative	27.11.2014
Moody's	Ba2	NP	Negative	23.10.2014
DBRS	A (low)	R1 (low)	Negative	09.01.2015

Capital management

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

In 2014, Banco Sabadell continued to pursue the active capital management policy it had been following for the last few years, with major implications for its future growth. In the last four years, the Bank increased its capital base by issuing securities qualifying as first-tier capital; as a result its capital resources grew by more than €5,000 million (T15):

€Mn

T15 Capital Actions

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

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

Consequently, the Bank has been able to maintain a sound capital position, as evidenced by the year-end capital ratios (T16).

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

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

The capital requirements regulation and directive (CRD IV/CRR), which govern minimum capital requirements for Spanish credit institutions, on an individual and consolidated basis, and the way in which own funds are determined, came into force on 1 January 2014; they also regulate the various processes by which banks must evaluate their own capital and the disclosures to the market.

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

Thousand euro

T16 BIS capital ratios

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

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