

Statutory information



The undersigned, MIQUEL ROCA I JUNYENT, Secretary to the Board of Directors of BANCO DE SABADELL, S.A., with registered offices in Sabadell, Plaça de Sant Roc, 20, and VAT number A08000143

DOES HEREBY CERTIFY THAT

In the Board of Directors' meeting held today, duly called in writing on January 22nd 2015 and with the personal attendance of Mr. José Oliu Creus, Mr. Jaime Guardiola Romojaro, Mr. Joan Llonch Andreu, Mr. Joaquín Folch-Rusiñol Corachán, Mr. Héctor María Colonques Moreno, Mr. José Permanyer Cunillera, Ms. María Teresa García-Milá Lloveras, Mr. José Ramón Martínez Sufrategui, Mr. José Luis Negro Rodríguez, Mr. Antonio Vitor Martins Monteiro, Mr. José Manuel Martínez Martínez and Mr. David Martínez Guzmán, with justified absence of Mr. José Manuel Lara Bosch and Mr. José Javier Echenique Landiribar, who have delegated their vote to the Directors Mr. Héctor María Colonques Moreno and Mr. José Manuel Martínez Martínez, respectively, under the chairmanship of Mr. Oliu, and the undersigned acting as Secretary and as Vice Secretary Ms. María José García Beato, after due deliberation and amongst other items that do not contradict them, the following was unanimously resolved:

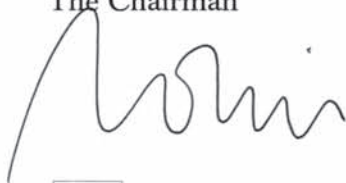
The members of the Board of Directors hereby declare that, to the best of their knowledge, the individual and consolidated annual accounts for the year 2014, approved by them today and drawn up in accordance with the applicable accounting principles, give a true and fair view of the assets, liabilities, financial position and profit or loss of Banco de Sabadell, S.A. and the enterprises included in the consolidation taken as a whole, and that the management reports respectively approved by them include a fair review of the development and performance of the business and the position of Banco Sabadell, S.A. and the enterprises included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Express mention is hereby made of the reading of the minutes of the aforesaid meeting of the Board in which the above resolutions were unanimously agreed upon and the approval of such minutes when the meeting was adjourned by both the Secretary's signature and Chairman's approval.

In witness whereof, I hereby issue this certificate with the approval of the Chairman and the signature of the Secretary of Banco de Sabadell, SA, in Barcelona on this day, January 29th in the year two thousand and fifteen.

APPROVED BY

The Chairman





This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

To the shareholders of Banco de Sabadell, S.A.:

Report on the consolidated annual accounts

We have audited the accompanying consolidated annual accounts of Banco de Sabadell, S.A. (herein after the parent company) and its subsidiaries (herein after the Group), which comprise the consolidated balance sheet as at December 31, 2014, the consolidated income statement, the consolidated statement of recognised income and expenses, the consolidated statement of changes in total equity, the consolidated cash flow statement and related notes to the consolidated annual accounts for the year then ended.

Directors' responsibility for the consolidated annual accounts

The parent company's directors are responsible for the preparation of these consolidated annual accounts, so that they present fairly the consolidated equity, financial position and financial performance of Banco de Sabadell, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable to the Group in Spain and for such internal control as directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with legislation governing the audit practice in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the parent company's directors' preparation of the consolidated annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated annual accounts taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and financial position of Banco de Sabadell, S.A. and its subsidiaries as at December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable in Spain.

Report on other legal and regulatory requirements

The accompanying consolidated directors' Report for 2014 contains the explanations which the parent company's directors consider appropriate regarding Banco de Sabadell, S.A. and its subsidiaries' situation, the development of their business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the directors' Report is in agreement with that of the consolidated annual accounts for 2014. Our work as auditors is limited to checking the directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Banco de Sabadell, S.A. and its subsidiaries' accounting records.

PricewaterhouseCoopers Auditores, S.L.

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Fco. Javier Astiz Fernández

January 30, 2015

BANCO DE SABADELL, S.A. AND COMPANIES FORMING THE BANCO SABADELL GROUP

Consolidated annual accounts
for the year ended
31 December 2014

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Consolidated balance sheets of the Banco Sabadell Group

At 31 December 2014 and 31 December 2013

Thousand euro

| Assets | 2014 | 2013 (*) |
|--|--------------------|--------------------|
| Cash and balances with central banks | 1,189,787 | 3,201,898 |
| Financial assets held for trading | 2,206,035 | 1,889,624 |
| Loans and advances to credit institutions | - | - |
| Loans and advances to customers | - | - |
| Debt securities (Note 5) | 578,797 | 557,741 |
| Equity instruments (Note 6) | 45,068 | 43,269 |
| Trading derivatives (Note 7) | 1,582,170 | 1,288,614 |
| <i>Memorandum item: loaned or pledged</i> | - | - |
| Other financial assets at fair value through profit or loss | 137,148 | 140,534 |
| Loans and advances to credit institutions | - | - |
| Loans and advances to customers | - | - |
| Debt securities | - | - |
| Equity instruments (Note 6) | 137,148 | 140,534 |
| <i>Memorandum item: loaned or pledged</i> | - | - |
| Available-for-sale financial assets | 21,095,619 | 19,277,672 |
| Debt securities (Note 5) | 20,393,061 | 18,650,535 |
| Equity instruments (Note 6) | 702,558 | 627,137 |
| <i>Memorandum item: loaned or pledged</i> | 6,393,792 | 5,443,460 |
| Loans and receivables | 117,895,179 | 118,989,126 |
| Loans and advances to credit institutions (Note 4) | 4,623,197 | 3,525,521 |
| Loans and advances to customers (Note 8) | 110,835,723 | 112,928,890 |
| Debt securities (Note 5) | 2,436,259 | 2,534,715 |
| <i>Memorandum item: loaned or pledged</i> | 772,211 | 210,884 |
| Held to maturity investments (Note 5) | - | - |
| <i>Memorandum item: loaned or pledged</i> | - | - |
| Adjustments to financial assets and liabilities due to macro-hedges (Note | - | - |
| Hedging derivatives (Note 12) | 910,173 | 593,327 |
| Non-current assets held for sale (Note 13) | 2,249,935 | 2,270,348 |
| Investments (Note 14) | 513,227 | 640,842 |
| Associates | 513,227 | 640,842 |
| Insurance contracts linked to pensions (Note 25) | 162,713 | 156,083 |
| Reinsurance assets | 11,827 | - |
| Tangible assets (Note 15) | 3,982,866 | 3,935,322 |
| Property, plant and equipment | 1,613,287 | 1,657,327 |
| For own use | 1,532,917 | 1,586,619 |
| Leased out under operating leases | 80,370 | 70,708 |
| Investment property | 2,369,579 | 2,277,995 |
| <i>Memorandum item: Acquired under finance leases</i> | - | - |
| Intangible assets (Note 16) | 1,591,296 | 1,501,737 |
| Goodwill | 1,084,146 | 1,073,209 |
| Other intangible assets | 507,150 | 428,528 |
| Tax assets | 7,127,981 | 6,958,228 |
| Current | 983,818 | 741,767 |
| Deferred (Note 35) | 6,144,163 | 6,216,461 |
| Other assets (Nota 17) | 4,271,887 | 3,967,800 |
| Inventories | 4,021,357 | 3,746,977 |
| Other | 250,530 | 220,823 |
| Total assets | 163,345,673 | 163,522,541 |

(*) Presented for comparative purposes only; has been restated (see Note 1, Comparability).

Consolidated balance sheets of the Banco Sabadell Group

At 31 December 2014 and 31 December 2013

Thousand euro

| Liabilities | 2014 | 2013 (*) |
|--|--------------------|--------------------|
| Financial liabilities held for trading | 1,726,143 | 1,445,545 |
| Deposits from central banks | - | - |
| Deposits from credit institutions | - | - |
| Customer deposits | - | - |
| Marketable debt securities | - | - |
| Trading derivatives (Note 7) | 1,549,973 | 1,298,735 |
| Short positions | 176,170 | 146,810 |
| Other financial liabilities | - | - |
| Other financial liabilities at fair value through profit or loss | - | - |
| Deposits from central banks | - | - |
| Deposits from credit institutions | - | - |
| Customer deposits | - | - |
| Marketable debt securities | - | - |
| Subordinated liabilities | - | - |
| Other financial liabilities | - | - |
| Financial liabilities at amortised cost | 145,580,114 | 147,269,474 |
| Deposits from central banks | 7,201,546 | 9,227,492 |
| Deposits from credit institutions (Note 19) | 16,288,193 | 13,857,264 |
| Customer deposits (Note 20) | 98,208,370 | 99,362,908 |
| Marketable debt securities (Note 21) | 20,196,329 | 21,166,915 |
| Subordinated liabilities (Note 22) | 1,012,362 | 1,089,046 |
| Other financial liabilities (Note 23) | 2,673,314 | 2,565,849 |
| Adjustments to financial assets and liabilities due to macro-hedges (Note 11) | 68,020 | 211,406 |
| Hedging derivatives (Note 12) | 460,296 | 315,239 |
| Liabilities associated with non-current assets held for sale (Note 13) | - | - |
| Liabilities under insurance contracts (Note 24) | 2,389,571 | 2,134,139 |
| Provisions (Note 25) | 395,215 | 664,246 |
| Provisions for pensions and similar obligations | 122,441 | 147,657 |
| Provisions for taxes and other legal contingencies | 51,821 | 53,745 |
| Provisions for contingent exposures and commitments | 131,861 | 304,349 |
| Other provisions | 89,092 | 158,495 |
| Tax liabilities | 879,855 | 612,413 |
| Current | 66,094 | 77,494 |
| Deferred (Note 35) | 813,761 | 534,919 |
| Other liabilities | 630,507 | 653,654 |
| Total liabilities | 152,129,721 | 153,306,116 |

(*) Presented for comparative purposes only; has been restated (see Note 1, Comparability).

Consolidated balance sheets of the Banco Sabadell Group

At 31 December 2014 and 31 December 2013

Thousand euro

| Equity | 2014 | 2013 (*) |
|---|--------------------|--------------------|
| Shareholders' funds (Note 28) | 10,223,743 | 10,037,368 |
| Capital | 503,058 | 501,435 |
| Issued | 503,058 | 501,435 |
| Less: <i>Uncalled capital</i> | - | - |
| Share premium | 5,710,626 | 5,760,506 |
| Reserves | 2,991,627 | 2,948,478 |
| Accumulated reserves (losses) | 2,890,915 | 2,794,955 |
| Reserves (losses) in companies accounted for by the equity method | 100,712 | 153,523 |
| Other equity instruments | 734,131 | 738,476 |
| Equity component of compound financial instruments | 727,567 | 738,476 |
| Other equity instruments | 6,564 | - |
| Less: <i>Treasury shares</i> | (87,376) | (57,442) |
| Profit for the year attributed to the parent company | 371,677 | 145,915 |
| Less: <i>Dividends and remuneration</i> | - | - |
| Valuation adjustments (Note 29) | 937,416 | 120,814 |
| Available-for-sale financial assets | 844,641 | 229,080 |
| Cash flow hedging | 237,552 | (31,620) |
| Hedging of net investment in foreign transactions | - | - |
| Exchange differences | 2,005 | (14,542) |
| Non-current assets held for sale | - | - |
| Entities accounted for by the equity method | 17,964 | 2,360 |
| Other valuation adjustments | (164,746) | (64,464) |
| Non-controlling interests (Note 30) | 54,793 | 58,243 |
| Valuation adjustments | 1,517 | (11) |
| Rest | 53,276 | 58,254 |
| Total equity | 11,215,952 | 10,216,425 |
| Total liabilities and equity | 163,345,673 | 163,522,541 |
| Memorandum item | | |
| Contingent risks (Note 31) | 9,132,560 | 8,663,950 |
| Contingent commitments (Note 32) | 14,769,638 | 12,026,000 |

(*) Presented for comparative purposes only; has been restated (see Note 1, Comparability).

Consolidated income statements of the Banco Sabadell Group
for the years ended 31 December 2014 and 2013

Thousand euro

| | 2014 | 2013 (*) |
|--|--------------------|--------------------|
| Interest and similar income (Note 34.a) | 4,513,497 | 4,863,170 |
| Interest and similar expenses (Note 34.a) | (2,253,791) | (3,048,476) |
| Net interest income | 2,259,706 | 1,814,694 |
| Return on equity instruments | 8,628 | 7,329 |
| Share of profit/(loss) of companies accounted for by the equity method | 101 | 11,107 |
| Fee and commission income (Note 34.b) | 970,588 | 873,061 |
| Fee and commission expenses (Note 34.b) | (109,697) | (113,391) |
| Net gains/(losses) on financial assets and liabilities (Note 34.c) | 1,763,604 | 1,479,185 |
| Financial instruments held for trading | 42,968 | 53,565 |
| Other financial instruments at fair value through profit or loss | 476 | 216 |
| Financial instruments not measured at fair value through profit or loss | 1,721,229 | 1,426,808 |
| Other | (1,069) | (1,404) |
| Exchange differences (net) | 99,556 | 67,871 |
| Other operating income (Note 34.d) | 437,711 | 548,004 |
| Income from insurance and reinsurance contracts | 256,332 | 391,589 |
| Sales and income from non-financial services | 30,910 | 34,710 |
| Rest of other operating income | 150,469 | 121,705 |
| Other operating expenses (Note 34.e) | (629,671) | (856,662) |
| Expenses on insurance and reinsurance contracts | (306,699) | (417,787) |
| Difference between opening and closing inventories | (4,186) | (1,279) |
| Rest of other operating expenses | (318,786) | (437,596) |
| Gross income | 4,800,526 | 3,831,198 |
| Administration costs (Note 34.f) | (1,773,318) | (1,723,061) |
| Personnel expenses | (1,202,604) | (1,135,175) |
| Other general administrative expenses | (570,714) | (587,886) |
| Depreciation and amortization | (278,104) | (228,447) |
| Provisions (net) | 170,094 | (59,657) |
| Impairment losses on financial assets (net) (Note 34.g) | (1,779,558) | (1,080,233) |
| Loans and receivables | (1,763,848) | (1,038,836) |
| Other financial instruments not measured at fair value through profit or loss (Note 6) | (15,710) | (41,397) |
| Operating profit/(loss) | 1,139,640 | 739,800 |

(*) Presented for comparative purposes only; has been restated (see Note 1, Comparability).

Consolidated income statements of the Banco Sabadell Group

for the years ended 31 December 2014 and 2013

Thousand euro

| | 2014 | 2013 (*) |
|--|------------------|------------------|
| Impairment losses on other assets (net) (Note 34.h) | (451,562) | (361,788) |
| Goodwill and other intangible assets (Note 16) | - | (848) |
| Other assets | (451,562) | (360,940) |
| Gains/(losses) from disposals of assets not classified as non-current assets held for sale (Note 34.i) | 236,948 | 43,893 |
| Negative goodwill on business combinations (Note 34.k) | - | 30,295 |
| Gains/(losses) from non-current assets held for sale not classified as discontinued operations (Note 34.j) | (438,633) | (267,320) |
| Profit/(loss) before discontinued operations and taxes | 486,393 | 184,880 |
| Income tax (Note 35) | (109,748) | (17,962) |
| Profit/(loss) for the year before discontinued operations | 376,645 | 166,918 |
| Profit/(loss) from discontinued operations (net) | - | - |
| Consolidated profit/(loss) for the year | 376,645 | 166,918 |
| Profit/(loss) attributed to the parent company | 371,677 | 145,915 |
| Profit/(loss) attributed to non-controlling interests (Note 30) | 4,968 | 21,003 |
| <i>Earnings per share (€)</i> | <i>0.09</i> | <i>0.04</i> |
| <i>Basic earnings per share adjusted for effect of mandatorily convertible bonds and other equity instruments (€)</i> | <i>0.09</i> | <i>0.03</i> |
| <i>Diluted earnings per share (€)</i> | <i>0.09</i> | <i>0.03</i> |

(*) Presented for comparative purposes only; has been restated (see Note 1, Comparability).

Statements of changes in equity of the Banco Sabadell Group

Consolidated statements of recognized income and expenses
for the years ended 31 December 2014 and 2013

Thousand euro

| | 2014 | 2013 (*) |
|--|------------------|----------------|
| Consolidated profit/(loss) for the year | 376,645 | 166,918 |
| Other recognized income and expenses | 818,130 | 434,066 |
| Items not to be reclassified to income statement | 16,323 | 6,205 |
| Actuarial gains / (losses) - defined benefit pension plans | 23,319 | 8,865 |
| Non-current assets held for sale | - | - |
| Companies accounted for by the equity method | - | - |
| Income tax related to items not to be reclassified to the income statement | (6,996) | (2,660) |
| Items that may be reclassified to income statement | 801,807 | 427,861 |
| Available-for-sale financial assets: | 880,790 | 655,970 |
| Valuation gains/(losses) | 2,157,190 | 1,709,472 |
| Amounts transferred to income statement | (1,276,400) | (1,053,502) |
| Other reclassifications | - | - |
| Cash flow hedging | 384,531 | 8,728 |
| Valuation gains/(losses) | 380,340 | 7,715 |
| Amounts transferred to income statement | 4,191 | 1,013 |
| Amounts transferred to initial carrying amount of hedged items | - | - |
| Other reclassifications | - | - |
| Hedging of net investment in foreign transactions | - | - |
| Valuation gains/(losses) | - | - |
| Amounts transferred to income statement | - | - |
| Other reclassifications | - | - |
| Exchange differences: | 24,405 | 5,499 |
| Valuation gains/(losses) | 24,405 | 5,611 |
| Amounts transferred to income statement | - | (112) |
| Other reclassifications | - | - |
| Non-current assets held for sale: | - | 2,634 |
| Valuation gains/(losses) | - | 2,634 |
| Amounts transferred to income statement | - | - |
| Other reclassifications | - | - |
| Companies accounted for by the equity method | 15,604 | 22,332 |
| Valuation gains/(losses) | 15,604 | 22,332 |
| Amounts transferred to income statement | - | - |
| Other reclassifications | - | - |
| Other recognized income and expenses | (166,579) | (93,505) |
| Income tax related to items that may be reclassified to the income statement | (336,944) | (173,797) |
| Total recognized income and expenses | 1,194,775 | 600,984 |
| Attributed to the parent company | 1,188,279 | 584,674 |
| Attributed to non-controlling interests | 6,496 | 16,310 |

(*) Presented for comparative purposes only; has been restated (see Note 1, Comparability).

The consolidated statement of recognized income and expenses together with the consolidated statements of changes in total equity of the Banco Sabadell Group make the statement of changes in equity

Statements of changes in equity of the Banco Sabadell Group

Consolidated statements of changes in total equity
for the years ended 31 December 2014 and 2013

Thousand euro

thousand euro

| | Equity attributed to the parent company | | | | | | | | | | | Non-controlling interests | Total equity |
|---|---|---------------|-------------------------------|---|--------------------------|-----------------------|--|----------------------------------|----------------------------|------------------------|------------|---------------------------|--------------|
| | Shareholders' funds | | | | | | | | | Valuation adjustment s | Total | | |
| | Capital/ Assigned capital | Share premium | Accumulated reserves (losses) | Reserves (losses) in companies accounted for by the equity method | Other equity instruments | Less: treasury shares | Profit for the year attributed to the parent company | Less: Dividends and remuneration | Total shareholders ' funds | | | | |
| Closing balance at 31/12/2013 (*) | 501,435 | 5,760,506 | 2,794,955 | 153,523 | 738,476 | (57,442) | 145,915 | - | 10,037,368 | 120,814 | 10,158,182 | 58,243 | 10,216,425 |
| Adjustments due to changes in accounting standards | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Adjustments due to errors | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Adjusted opening balance | 501,435 | 5,760,506 | 2,794,955 | 153,523 | 738,476 | (57,442) | 145,915 | - | 10,037,368 | 120,814 | 10,158,182 | 58,243 | 10,216,425 |
| Total recognized income and expenses | - | - | - | - | - | - | 371,677 | - | 371,677 | 816,602 | 1,188,279 | 6,496 | 1,194,775 |
| Other changes in equity | 1,623 | (49,880) | 95,960 | (52,811) | (4,345) | (29,934) | (145,915) | - | (185,302) | - | (185,302) | (9,946) | (195,248) |
| Increases in share capital/assigned capital | 247 | 6,905 | (182) | - | (6,970) | - | - | - | - | - | - | - | - |
| Capital reductions | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Conversion of financial liabilities into capital | 1,376 | 23,002 | - | - | - | - | - | - | 24,378 | - | 24,378 | - | 24,378 |
| Increase in other equity instruments | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Reclassification of financial liabilities to other equity instruments | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividend distribution/shareholder remuneration | - | (78,891) | - | - | - | 78,891 | (40,115) | - | (40,115) | - | (40,115) | - | (40,115) |
| Transactions involving own equity instruments (net) | - | - | 17,272 | - | - | (108,825) | - | - | (91,553) | - | (91,553) | - | (91,553) |
| Transfers between equity items | - | - | 158,611 | (52,811) | - | - | (105,800) | - | - | - | - | - | - |
| Increases /(reductions) due to business combinations | - | - | (36,363) | - | - | - | - | - | (36,363) | - | (36,363) | - | (36,363) |
| Discretionary appropriation to community projects and social funds | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Equity settled payments | - | - | - | - | 6,564 | - | - | - | 6,564 | - | 6,564 | - | 6,564 |
| Other increases /(decreases) in equity | - | (896) | (43,378) | - | (3,939) | - | - | - | (48,213) | - | (48,213) | (9,946) | (58,159) |
| Closing balance at 31/12/2014 | 503,058 | 5,710,626 | 2,890,915 | 100,712 | 734,131 | (87,376) | 371,677 | - | 10,223,743 | 937,416 | 11,161,159 | 54,793 | 11,215,952 |

The consolidated statement of recognized income and expenses together with the consolidated statements of changes in total equity of the Banco Sabadell Group make up the statement of changes in equity.

(*) Presented for comparative purposes only; has been restated (see Note 1, Comparability).

(**) See Note 3

Statements of changes in equity of the Banco Sabadell Group

Consolidated statements of changes in total equity
for the years ended 31 December 2014 and 2013

Thousand euro

| | Equity attributed to the parent company | | | | | | | | | | | Non-controlling interests | Total equity |
|---|---|---------------|-------------------------------|---|--------------------------|-----------------------|--|----------------------------------|---------------------------|-----------------------|------------|---------------------------|--------------|
| | Shareholders' funds | | | | | | | | | Valuation adjustments | Total | | |
| | Capital/ Assigned capital | Share premium | Accumulated reserves (losses) | Reserves (losses) in companies accounted for by the equity method | Other equity instruments | Less: treasury shares | Profit for the year attributed to the parent company | Less: Dividends and remuneration | Total shareholders' funds | | | | |
| Balance at 31/12/2012 | 369,944 | 4,560,923 | 3,156,862 | 206,059 | 798,089 | (25,694) | 81,891 | - | 9,148,074 | (317,945) | 8,830,129 | 459,175 | 9,289,304 |
| Adjustments due to changes in accounting standards (*) | - | - | (87,249) | - | - | - | - | - | (87,249) | - | (87,249) | - | (87,249) |
| Adjustments due to errors | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Adjusted balance | 369,944 | 4,560,923 | 3,069,613 | 206,059 | 798,089 | (25,694) | 81,891 | - | 9,060,825 | (317,945) | 8,742,880 | 459,175 | 9,202,055 |
| Total recognized income and expenses (*) | - | - | - | - | - | - | 145,915 | - | 145,915 | 438,759 | 584,674 | 16,310 | 600,984 |
| Other changes in equity | 131,491 | 1,199,583 | (274,658) | (52,536) | (59,613) | (31,748) | (81,891) | - | 830,628 | - | 830,628 | (417,242) | 413,386 |
| Increases in share capital/ assigned capital | 131,491 | 1,278,950 | - | - | - | - | - | - | 1,410,441 | - | 1,410,441 | - | 1,410,441 |
| Capital reductions | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Conversion of financial liabilities into capital | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Increase in other equity instruments | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Reclassification of financial liabilities to other equity instruments | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividend distribution/ shareholder remuneration | - | (57,720) | - | - | - | 57,720 | (29,596) | - | (29,596) | - | (29,596) | - | (29,596) |
| Transactions involving own equity instruments (net) | - | - | (15,349) | - | (61,893) | (89,468) | - | - | (166,710) | - | (166,710) | - | (166,710) |
| Transfers between equity items | - | - | 104,831 | (52,536) | - | - | (52,295) | - | - | - | - | - | - |
| Increases /(reductions) due to business combinations | - | - | (321,654) | - | - | - | - | - | (321,654) | - | (321,654) | - | (321,654) |
| Discretionary appropriation to community projects and social funds | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Equity settled payments | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other increases /(decreases) in equity | - | (21,647) | (42,486) | - | 2,280 | - | - | - | (61,853) | - | (61,853) | (417,242) | (479,095) |
| Closing balance at 31/12/2013 | 501,435 | 5,760,506 | 2,794,955 | 153,523 | 738,476 | (57,442) | 145,915 | - | 10,037,368 | 120,814 | 10,158,182 | 58,243 | 10,216,425 |

Presented for comparative purposes only; has been restated (see Note 1, Comparability).

(*) Adjustments due to effect of IFRIC 21 (Note 1).

Consolidated cash flow statements of the Banco Sabadell Group

for the years ended 31 December 2014 and 2013

Thousand euro

| | 2014 | 2013 (*) |
|---|--------------------|---------------------|
| Cash flows from operating activities | (663,949) | (3,702,593) |
| Consolidated profit/(loss) for the year | 376,645 | 166,918 |
| Adjustments to obtain cash flows from operating activities | 1,159,721 | 197,086 |
| Depreciation and amortization | 278,104 | 228,447 |
| Other adjustments | 881,617 | (31,361) |
| Net increase/decrease in operating assets | 1,253,782 | (6,593,158) |
| Financial assets held for trading | 316,411 | (617,018) |
| Other financial assets at fair value through profit or loss | (3,386) | 1,004,731 |
| Available-for-sale financial assets | 1,205,071 | (752,367) |
| Loans and receivables | (1,535,054) | (1,875,510) |
| Other operating assets | 1,270,740 | (4,352,994) |
| Net increase/decrease in operating liabilities | (771,106) | (10,121,755) |
| Financial liabilities held for trading | 280,598 | (254,230) |
| Other financial liabilities at fair value through profit or loss | - | - |
| Financial liabilities at amortized cost | (1,702,215) | (8,264,304) |
| Other operating liabilities | 650,511 | (1,603,221) |
| Income tax collections/payments | (175,427) | (538,000) |
| Cash flows from investing activities | (1,137,467) | 3,735,717 |
| Payments made | 2,267,971 | 1,359,816 |
| (-) Tangible assets | 634,313 | 702,970 |
| (-) Intangible assets | 176,376 | 161,857 |
| (-) Investments | 75,795 | 28,221 |
| (-) Subsidiaries and other business units | - | - |
| (-) Non-current assets held for sale and associated liabilities | 1,381,487 | 466,768 |
| (-) Held-to-maturity investments | - | - |
| (-) Other payments made related to investing activities | - | - |
| Payments received | 1,130,504 | 5,095,533 |
| (+) Tangible assets | 488,115 | 6,173 |
| (+) Intangible assets | - | 768 |
| (+) Investments | 206,468 | 135,907 |
| (+) Subsidiaries and other business units | - | - |
| (+) Non-current assets held for sale and associated liabilities | 435,921 | 13,293 |
| (+) Held-to-maturity investments | - | 4,939,392 |
| (+) Other payments received related to investing activities | - | - |

(*) Presented for comparative purposes only; has been restated (see Note 1, Comparability).

Consolidated cash flow statements of the Banco Sabadell Group

for the years ended 31 December 2014 and 2013

Thousand euro

| | 2014 | 2013 (*) |
|--|--------------------|------------------|
| Cash flows from financing activities | (227,242) | 685,993 |
| Payments made | 596,800 | 971,233 |
| (-) Dividends | 40,115 | 29,596 |
| (-) Subordinated liabilities | 52,306 | 77,661 |
| (-) Redemption of own equity instruments | - | - |
| (-) Acquisition of own equity instruments | 461,112 | 487,462 |
| (-) Other payments related to financing activities | 43,267 | 376,514 |
| Payments received | 369,558 | 1,657,226 |
| (+) Subordinated liabilities | - | - |
| (+) Issuance of own equity instruments | - | 1,326,494 |
| (+) Disposal of own equity instruments | 369,558 | 330,732 |
| (+) Other payments received related to financing activities | - | - |
| Effect of exchange rate fluctuations | 16,547 | (809) |
| Net increase/(decrease) in cash and cash equivalents | (2,012,111) | 718,308 |
| Cash and cash equivalents at the beginning of the year | 3,201,898 | 2,483,590 |
| Cash and equivalents at the end of the year | 1,189,787 | 3,201,898 |
| Memorandum item | | |
| Components of cash and cash equivalents at the end of the year | | |
| (+) Cash and banks | 512,935 | 482,673 |
| (+) Cash equivalent balances in central banks | 676,852 | 2,719,225 |
| (+) Other financial assets | - | - |
| (-) <i>Less: Bank overdrafts reimbursable on demand</i> | - | - |
| Total cash and cash equivalents at end of the year | 1,189,787 | 3,201,898 |
| Of which: held by consolidated subsidiaries but not available to the group | - | - |

(*) Presented for comparative purposes only; has been restated (see Note 1, Comparability).

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS OF THE BANCO SABADELL GROUP

For the years ended 31 December 2014 and 2013.

NOTE 1 – BUSINESS ACTIVITY, ACCOUNTING POLICIES AND PRACTICES

Activity

Banco de Sabadell, S.A. (also referred to as "Banco Sabadell" or "the Bank"), with registered office in Sabadell, Plaza de Sant Roc, 20, engages in the banking business and is subject to the standards and regulations governing banking institutions operating in Spain.

The Bank is the parent company of a corporate group (see Schedule I) whose activity it controls directly or indirectly and which make up, together with the Bank, the Banco Sabadell Group (hereafter "the Group").

Basis of presentation

The Group's consolidated annual accounts for 2014 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union applicable at the end of 2014, considering the Bank of Spain Circular 4/2004 of 22 December 2004 (and as amended thereafter) and with any other legislation governing financial reporting applicable to the Group, in order to fairly present the Group's consolidated equity and financial situation as at 31 December 2014 and the consolidated results of its operations, changes in equity and cash flows taking place in 2014.

The consolidated annual accounts have been prepared based on the accounting records kept by the Bank and each of the other entities in the Group, and include adjustments and reclassifications necessary to ensure the harmonization to the accounting principles and policies and the measurement criteria applied by the Group, which are described below.

The information provided in these consolidated annual accounts is the responsibility of the directors of the Group's parent company. The consolidated annual accounts for 2014 were signed off by the directors of Banco Sabadell at a meeting of the Board on 29 January 2015 and will be submitted to the shareholders at the Annual General Meeting for approval. It is expected that the shareholders will approve the accounts without significant changes.

Unless otherwise stated, these consolidated annual accounts are presented in thousand euro.

Standards and interpretations issued by the International Accounting Standards Board (IASB) that came into effect in 2014

The most significant standards and interpretations adopted by the European Union, together with amendments to them, which have been applied by the Group during 2014 due to their coming into force or early application, are the following:

| Standards | Title |
|---|--|
| IFRS 10 | Consolidated financial statements |
| IFRS 11 | Joint arrangements |
| IFRS 12 | Disclosure of interests in other entities |
| Amendments to IFRS 10, IFRS 12 and IAS 27 | Investment entities |
| Amendment to IAS 32 | Financial instruments: presentation |
| Amendment to IAS 36 | Recoverable amount disclosures for non-financial assets |
| Amendment to IAS 39 | Novation of derivatives and continuation of hedge accounting |
| Interpretation IFRIC 21 | Levies |

The adoption of the above standards and interpretations has not had a material effect on these consolidated annual accounts.

IFRS 10 "Consolidated financial statements"

IFRS 10 provides a single consolidation model applicable to all types of entities, based on a new definition of control. In particular, one entity is regarded as controlling another when the following three conditions are met: power over the investee, exposure or rights to variable returns of the investment, and the ability to use its power to affect the amount of these returns.

The new standard amends IAS 27 - "Consolidated and Separate Financial Statements", which is now applicable only to separate financial statements, and replaces SIC 12 - "Consolidation - special purpose entities".

The Group has revised its dependent entities and possible control over investment and pension funds and other vehicles managed by it, and has not identified any changes in the definition of the consolidation scope under IFRS 10.

IFRS 11 "Joint arrangements"

IFRS 11 defines joint arrangements and provides that they are to be classified as either joint operations or joint ventures depending on the rights and obligations arising from the arrangement. It is a joint operation when the parties having joint control have rights to the assets and obligations for the liabilities relating to the arrangement, while it will be a joint venture when the parties with joint control have rights to the net assets of the arrangement.

Joint operations are recorded by including in the financial statements the assets, liabilities, income and expenses pertaining to it under the arrangement. Joint ventures are accounted for by the equity method. The possibility of accounting for them by the proportionate method no longer exists.

The new rule amends IAS 28 - "Investments in Associates and Joint Ventures", which now only applies to investments in associates, and replaces IAS 31 - "Joint Ventures" and SIC 13 - "Jointly controlled entities".

The application of this standard has not had any impact on the Group.

IFRS 12 "Disclosure of interests in other entities"

IFRS 12 brings together under a single standard, while expanding, all the disclosure requirements relating to interests in subsidiaries, associates and joint ventures, as well as unconsolidated structured entities.

The Group has included the new information required in the present consolidated annual accounts (Notes 14, 30, and Schedule I).

Amendment to IFRS 10, IFRS 12 and IAS 27 "Consolidated financial statements, joint arrangements and separate financial statements: investment entities"

The amendments to these standards define investment entities and establish that they are exempt from the requirement to consolidate their investments, which will be recorded at fair value through profit or loss under IFRS 9 "Financial Instruments".

However, the parent of an investment entity must consolidate all the entities it controls, including those controlled through an investment entity, unless that parent is also an investment entity, this being the reason why this amendment has not had any impact on the Group's consolidated annual accounts.

Amendment to IAS 32 "Financial instruments: presentation"

The amendments made to IAS 32 clarify the implementation guidelines for this standard regarding the requirements to be able to offset a financial asset and a financial liability in their disclosure in the balance sheet.

The amendments (i) clarify that the right to offset should not depend on future events and should be legally enforceable in all circumstances, and (ii) accept as equivalents to settlements for the net amount, those settlements in which all or almost all of the credit and liquidity risk is eliminated, and the settlement of the asset and the liability is performed in a single process.

The application of this amendment has not given rise to any material impact on the presentation of the Group's consolidated annual accounts.

Amendment to IAS 36 "Recoverable amount disclosures for non-financials "

The amendments made to IAS 36 restrict the disclosure of the recoverable amount of each cash generating unit whose goodwill or intangible assets with indefinite useful lives have a significant carrying value relative to the total value of the goodwill or intangible assets, to those periods in which an impairment has been recognized or reversed.

It also introduces new disclosures applicable to any individual asset (including goodwill) or cash generating units when an impairment or a reversal has been recognized, including the recoverable amount and the hierarchy level under IFRS 13 of the fair value under which the measurement is classified, when the recoverable amount is the fair value less related selling costs, and a description of the measurement technique used and the assumptions employed in the event of measurements classified on levels 2 and 3.

The Group has included the new information required in the present consolidated annual accounts (Notes 34h, 34j and 26).

Amendment to IAS 39 "Novation of derivatives and continuation of hedge accounting"

The amendment to IAS 39 introduces an exception to the application of the discontinuation of hedge accounting for those novations in which, as a result of a law or regulation, the original counterparty of the hedging instrument is replaced by one or more central counterparties, such as clearing houses, and provided that no other change is made to the hedging instrument beyond those strictly necessary to change the counterparty.

During 2014 most of the novations made by the Group relate to derivatives that do not form part of any hedging arrangement, therefore this amendment has not had a material impact.

Interpretation IFRIC 21 "Levies"

This interpretation clarifies that for those levies accounted for under IAS 37 "Provisions, contingent liabilities and contingent assets" and for those tax obligations for which the amount and payment date are certain, the obligation must be recognized when the activity that triggers the payment of the levy in the terms of the relevant legislation takes place.

The payment obligation will therefore be recognized when a current obligation to pay the levy exists. In cases where the payment obligation accrues over a period of time, it will be recognized progressively over this period, and when the payment obligation is triggered upon reaching a certain level, for example, of income, the obligation will be recognized when this level is attained.

The European Union endorsed IFRIC 21 effective for annual periods beginning after 17 June 2014. Early adoption is permitted.

The impact of the early implementation of this interpretation on these consolidated annual accounts, which does not affect taxes that are under the scope of other IFRS such as corporate income tax, is explained below under Comparability.

IASB-issued standards and interpretations not yet in effect

At the date of preparation of these consolidated annual accounts, the most significant standards and interpretations for the Group that had been published by the IASB but which had not yet come into force, either because their effective date is subsequent to the date of the consolidated annual accounts or because they had not yet been endorsed by the European Union, are as follows:

| Standards and interpretations | Title | Mandatory for years commencing: |
|---|---|--|
| <i>Approved for application in EU</i> | | |
| Amendment of IAS 19 | Defined Benefit Plans: employee contributions | 1 July 2014 |
| <i>Not approved for application in EU</i> | | |
| Amendment to IAS 1 | Disclosure initiative | 1 January 2016 |
| IFRS 9 | Financial instruments | 1 January 2018 |
| IFRS 15 | Revenue from contracts with customers | 1 January 2017 |
| Amendments to IAS 16 and IAS 38 | Clarification of acceptable methods of depreciation and amortization | 1 January 2016 |
| Amendment to IFRS 11 | Accounting for acquisitions of interests in joint operations | 1 January 2016 |
| Amendments to IFRS 10 and IAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | 1 January 2016 |

The Group carried out an assessment of the impacts resulting from these standards and decided not to exercise its option to adopt early, where possible. In addition, unless otherwise indicated below, Management considers that their adoption will not have a significant impact for the Group.

Amendment to IAS 19 "Defined Benefit Plans: employee contributions"

These amendments to IAS 19 clarify and amend the accounting requirements for employee or third-party contributions to a defined benefit plan.

In particular, if the amount of the contributions is independent of the number of years of service (for example, when contributions are a fixed percentage of employee wages), it allows an entity to recognize these contributions as a reduction in the cost of the service during the period in which the related service is rendered, instead of allocating the contributions to service periods.

If the amount of the contributions depends on the number of years of service, the amendments require an entity to allocate these contributions to service periods using the same allocation method required in IAS 19 for gross profits.

The above amendment will not affect the Group since the collective covered by the defined benefit plans does not make contributions to them.

Amendment to IAS 1 "Disclosure Initiative"

The amendments to IAS 1 arise from the IASB initiative for the improvement of information reported by entities, entailing changes in the current wording of IAS 1 for the purpose of facilitating the use of professional judgement in the preparation of said information. The amendments involve very specific changes to IAS 1 and affect items such as relative importance, the structure of the notes and information to be disclosed on accounting policies, among others.

Although this amendment has still not been endorsed for application in the EU, when preparing these consolidated annual accounts the Group has taken into account the nature of its operations and the policies that users of the financial statements would expect to be disclosed, taking into consideration both the sector and the businesses in which it operates, consistent with the recommendations of the ESMA.

IFRS 9 "Financial Instruments"

The IASB published the full version of IFRS 9 in July 2014, the date of first application being 1 January 2018. This standard, which will replace the current IAS 39 "Financial instruments: recognition and measurement", lays down a comprehensive set of accounting requirements for recognising and measuring financial assets and liabilities.

Regarding the classification and measurement of financial assets, the approach of IFRS 9 is based on considering, jointly, both the characteristics of the cash flows derived from the instruments and the business model under which they are managed. In practice, this reduces the number of portfolios and impairment models currently envisaged in IAS 39, among them, the classifications of "available-for-sale financial assets" and "investments held to maturity". Financial assets with cash flows that represent only principal and interest payments and which are held under a business model with the objective of receive those flows are to be measured at amortized cost. In contrast, if the objectives of the business model are both to receive cash flows and sell the assets, the assets should be measured at fair value and the measurement changes should be recorded in Other recognized income and expense. The remaining financial assets, including those containing implicit derivatives, are to be measured in full at fair value through profit or loss. This new approach will affect instruments that may be reported under IFRS 9 at amortized cost and at fair value through other comprehensive income.

With respect to all assets not measured at fair value through profit or loss, the entities must recognize the expected credit losses differentiating between assets whose credit risk has not significantly increased since initial recognition, for which the 12-month expected credit losses should be estimated and recorded, and those assets whose credit risk has significantly increased, with respect to which the lifetime expected credit losses will be recognized. In the case of impaired financial assets, interest will accrue on the net carrying amount.

In relation to financial liabilities, the categories envisaged in IFRS 9 are similar to those currently contained in IAS 39 and their measurement will not be altered except for the requirement to record the changes in fair value related to own credit risk as a component of equity in the event of financial liabilities to which the fair value option has been applied, have been recorded.

For hedge accounting (excluding the part relating to macro-hedges) the granularity of the current requirements under IAS 39 has been replaced by a new model that better reflects internal risk management activities in the financial statements. Changes have been made in a number of areas with respect to IAS 39, such as hedged items, hedging instruments, accounting for the time value of options and effectiveness measurement. However,

the greatest improvements refer to the possibility of hedging non-financial risks, and therefore they will be particularly applicable to non-financial institutions.

While the IASB continues to allow early application of IFRS 9, the European Commission has not yet endorsed this Standard and for this reason European enterprises are unable to apply this standard or any of its phases in advance.

Management estimates that the future application of IFRS 9 might have a significant impact on the value of currently reported financial assets and liabilities. Although the Group has commenced preparatory work for the implementation of this standard, particularly with respect to the development of a methodology for calculating the expected credit losses, at the present time the Group has not been able to quantify its potential impact due to its high degree of complexity (higher than IAS 39) and to the fact that said work is still at a preliminary stage.

IFRS 15 "Revenue from contracts with customers"

IFRS 15 lays down new income recognition requirements based on the principle that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

This principle is reflected in a model for revenue recognition comprising five steps, in which entities must identify the separate performance obligations in contracts with customers, allocate the transaction price to the performance obligations identified and recognize revenue when, or as, the entity satisfies the performance obligation. This standard is therefore expected to have a greater impact on companies selling products and services on a combined basis or those that take part in long term projects, such as telecommunications, software, engineering, construction and property companies.

In view of the Group's core activities and the fact that the standard is not applicable to financial instruments and other contractual rights and obligations under the scope of IFRS 9, the Group does not expect any significant impact from the future application of this standard.

Amendments to IAS 36 and 38 "Clarification of acceptable methods of depreciation and amortization"

The amendments to IAS 36 and 38 aim to clarify the use of revenue-based depreciation methods. Both standards establish that the depreciation method used must reflect the pattern of consumption by the entity of the asset's future economic benefits. The IASB has clarified that, except in certain cases, a depreciation method based on revenues generated by an activity that includes the use of the asset is not an appropriate method. This is because it would depict the pattern of the economic benefits generated by operating the business (of which the asset forms part) instead of the economic benefits that are being consumed through the use of the asset.

The Group does not expect these amendments to affect the depreciation/amortization methods currently in use as in most cases revenue-based methods are not used.

Amendment to IFRS 11 "Accounting for acquisitions of interests in joint operations"

The amendments to IFRS 11 provide guidance for accounting for the acquisition of an interest in a joint venture whose activities constitute a business. In particular, the amendments provide that all the principles contained in IFRS 3 and other IFRS concerning the accounting treatment of business combinations should be applied except those that conflict with the guidance of IFRS 11 (as amended).

During 2014 the Group has not acquired any interests that could come under the scope of these amendments (Note 2).

Amendments to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"

The amendments to IFRS 10 and IAS 28 provide a solution to the existing inconsistencies between the requirements of these standards when applied in accounting for the loss of control over certain businesses. While IFRS 10 requires the full recognition of the gain or loss at the time of the loss of control over a subsidiary, IAS 28 provides that the gain or loss from the contribution of a non-monetary asset to an associate or joint venture in exchange for an interest in them is limited to the percentage interest attributable to the investors not related to the contributor.

The amendments provide that the requirements of IAS 28 should only apply to the gain or loss from the sale or contribution of assets that do not constitute a business, while amends IFRS 10 so that a partial gain or loss is recognized when accounting for the loss of control over a subsidiary that is not a business as a result of a transaction between the investor and its associate or joint venture.

As detailed in Note 2, during 2014 the Group has reorganized its insurance business as a result of the acquisitions made in previous years. This reorganization has entailed, among other issues, the transfer of the exclusive rights to the life insurance products and pension plan distribution and the sale of a subsidiary which

was a business by the Group to a number of associates. The accounting policies applied by the Group in recording these transactions were consistent with the amendments to IFRS 10 and IAS 28.

Use of judgement and estimates in the preparation of the consolidated annual accounts

The preparation of the consolidated annual accounts requires that certain estimates to be made. It also requires that Management exercise judgement in the process of applying the Group's accounting policies. Such estimates may affect the carrying value of assets and liabilities and the classification of contingent assets and liabilities at the date of the consolidated annual accounts, as well as income and expenses in the period covered by them. Key estimates relate to the following:

- Impairment losses on certain financial assets (Notes 1.d, 4, 5, 6, and 8).
- Assumptions used in actuarial estimates of liabilities and commitments in respect of post-employment benefits, and in estimates of liabilities arising from insurance contracts (Notes 1.p, 1.r, 24 and 25).
- The useful lives of tangible and intangible assets (Notes 1.j, 1.l, 15 and 16).
- The measurement of goodwill on consolidation (Notes 1.l and 16.)
- The fair value of unlisted financial assets (Note 26).
- The fair values of real estate assets held on the balance sheet (Notes 1i, 1j, 1m and 26).

Although estimates are based on the best information available to Management about the present and foreseeable circumstances, final outcomes may be at variance with these estimates.

Accounting principles and policies, and measurement criteria

The most significant principles, accounting standards and measurement criteria that have been applied in preparing these consolidated annual accounts are as follows:

a) Consolidation principles

In the consolidation process a distinction is drawn between subsidiaries, joint ventures, associates and structured entities.

Subsidiaries

Subsidiaries are entities over which the Group has control. This occurs when the Group is exposed to or is entitled to variable returns derived from its involvement in the subsidiary and it has the ability to influence those returns through its power over the subsidiary.

For control to exist, the following must be present:

- Power: An investor has power over an investee when it holds rights which provide it with the capacity to direct the relevant activities, i.e. those that significantly affect the investee's results;
- Results: An investor is exposed, or has rights, to variable returns from its involvement in the investee when the returns it obtains from such involvement may vary depending on the investee's business performance. The returns may be only positive, only negative or both positive and negative.
- Relationship between power and results: An investor controls an investee if the investor not only has power over the investee and is exposed, or has rights, to variable returns due to its involvement with the investee, but also the ability to use its power to affect the returns from its involvement with the investee.

Additionally, the Group takes into account any facts or circumstances which may affect the assessment of whether or not control exists and the analyses described in the application guidance for the implementation of the relevant legislation (for example, whether the Group holds a direct or indirect interest of more than 50% of the voting power of the entity being evaluated).

At the time of acquisition of control over a subsidiary, the Group applies the acquisition method provided for in the regulatory framework (see Note 1.b) except in the case of acquisitions of an asset or group of assets.

The subsidiaries' financial statements are consolidated with the Bank's financial statements using the full consolidation method.

Third parties' interests in the Group's consolidated equity are disclosed in the balance sheet under the heading non-controlling interests, and the portion of the profit or loss for the year attributable to these shareholders is reflected in the income statement under profit or loss attributable to non-controlling interests.

Joint ventures

These are entities covered by joint control arrangements whereby decisions on the relevant activities are taken unanimously by the entities which share control, and a right is held to its net assets.

Interests in joint ventures are accounted for by the equity method, that is, according to the fraction of equity represented by each entity's shareholding in them, after taking account of any dividends received from them and other eliminations.

The Group has no investments in joint ventures.

Associates

Associates are entities over which the Group exercises a significant influence which generally, but not exclusively, takes the form of a direct or indirect interest representing 20% or more of the investee's voting rights.

The Group holds an interest in Metrovacesa. Even though the Group holds less than 20% of its voting rights, it has been treated as an associate since 2012 as the Group has the capacity to exercise a significant influence over said company. This capacity is evidenced by (i) its presence on the Board of Directors (one representative out of the total eight directors, who is also a member of the Executive Committee), (ii) its involvement in the investee's policy decisions, including its participation in the taking of relevant decisions such as debt restructuring, and (iii) relatively important transactions between the investor and the investee. At 31 December 2014 the Group's percentage interest is 13.05% (no change compared with 2013).

Associates are accounted for using the equity method in the consolidated annual accounts.

Structured entities

In cases in which the Group holds an interest in or sets up entities to transfer risks or for other purposes, or to allow access by customers to certain investments, the existence of control, and hence whether or not an entity needs to be consolidated, is determined on the basis of the relevant regulations, as mentioned above. In particular, whether the Group obtains success fees and the possibility of terminating relations with the managers of the underlying assets are taken into consideration. These entities include asset securitization funds, which are consolidated when it is determined that the Group has control over them on the basis of the above criteria.

At 31 December 2014 the contractual agreements for financial support to consolidated structured entities relate to the support mechanisms which are commonly used in the securitization market. There are no significant financial support agreements other than those covered by the relevant contracts. Note 10 to the consolidated annual accounts provides information on the balances related to unconsolidated structured entities.

Investment companies and funds and pension funds managed by the Group (in most cases, retail funds without a legal personality in which investors acquire aliquot units providing them with ownership of the managed assets) are not regarded as meeting the requirements of the regulatory framework to be considered as structured entities, so they are analysed using the same criteria as other dependent entities.

These companies and funds are self-sufficient as far as their activities are concerned and do not depend on a capital structure that could make them unable to carry on their activities without additional financial support. The fees accrued in the year for the services provided to these companies and funds by the Group (basically asset and portfolio management services) are recorded under fees received on the consolidated income statement together with fees generated by the management of other assets owned by third parties.

In all cases, the profits or losses generated by companies acquired by the Group during the year are consolidated solely on the basis of the profits or losses generated in the period between the date of acquisition and the year end. Similarly, profits or losses generated by companies disposed of during the year are consolidated solely on the basis of the profits or losses generated between the beginning of the year and the date of disposal.

In the consolidation process all significant balances and transactions between Group companies have been eliminated in the appropriate proportion, based on the consolidation method applied.

The Group's financial institutions and insurance companies - both subsidiaries and associates and irrespectively of the country in which they are located - are subject to the supervision and regulation by various bodies. The laws in force in the different jurisdictions together with the need to meet minimum capital requirements and supervisory activities are matters that could affect these institutions' capacity to transfer funds in the form of cash, dividends, loans or advances.

Note 2 includes information on the most significant acquisitions and disposals taking place during the year, while Schedule I provides significant information on Group companies.

b) Business combinations

A business combination is a transaction, or any other event, whereby the Group obtains control over one or more businesses. Business combinations are accounted for using the acquisition method.

Under this method, the acquiring entity recognizes the assets and liabilities acquired in its financial statements, including those which were not recognized for accounting purposes by the acquired entity. This method also requires the measurement of the consideration paid in the business combination and the assignment of that consideration, at the acquisition date, to the assets and liabilities, together with the acquired entity's contingent liabilities, at fair value.

The Group recognises goodwill in the consolidated annual accounts if at the acquisition date there is a positive difference between:

- the sum of the consideration paid and the amount of all minority interests and the fair value of prior shareholdings in the business acquired, and
- the fair value of the financial assets and liabilities recognized.

If the difference is negative, it is recognized on the income statement.

In cases where the amount of the consideration depends on future events, any contingent consideration is recognized as part of the consideration paid and is measured at fair value on the acquisition date. The costs associated with the transaction do not form part of the cost of the business combination for these purposes.

If the cost of the business combination or fair value assigned to the acquirer's assets, liabilities or contingent liabilities cannot be definitively determined, the initial accounting of the business combination is considered provisional. In any event, the process should be completed within a maximum of one year from the acquisition date and takes effect on that date.

Minority interests in the acquired entity are measured on the basis of the proportional percentage of the acquirer's identified net assets. Any purchase or disposal of these minority interests is accounted for as an equity transaction when they do not result in a change of control. No gain or loss is recognized in the consolidated income statement and the initially recognized goodwill is not remeasured. Any difference between the consideration paid or received and the decrease or increase in minority interests, respectively, is recognized in reserves.

With regard to non-monetary contributions of businesses to associates or jointly controlled entities in which control is lost over said businesses, the Group's accounting policy is to record the full gain or loss on the consolidated income statement, recognising any remaining interest at fair value (if any).

c) Measurement of financial instruments and recognition of variations arising in their subsequent measurement

All financial instruments are initially recorded at fair value (see definition in Note 26) which, unless evidence to the contrary is available, coincides with the transaction price. In general, conventional sales and purchases of financial assets are recognized in the Group's balance sheet using the settlement date.

Changes in the value of financial instruments originating from the accrual of interest and similar items are recorded under Interest on the income statement, except for trading derivatives. Dividends received from other companies are recognized on the income statement for the year in which the right to receive them is originated.

Changes in valuations arising after initial recognition due to reasons other than those mentioned in the preceding paragraph are accounted for on the basis of the classification of financial assets and liabilities.

Financial assets and liabilities held for trading

Financial assets/liabilities are classified as held for trading if they have been acquired or issued to be sold or repurchased in the short term, or form part of a portfolio of financial instruments that are identified and managed together and in which there has been recent action to achieve short-term profits. Short positions in securities arising from sales of assets acquired under non-optional repurchase agreements or loans of securities, as well as derivative instruments that do not comply with the definition of a financial guarantee contract and have not been designated as hedging instruments for accounting purposes are treated as belonging to the held-for-trading portfolio.

Derivatives embedded in other financial instruments or other primary contracts are recorded separately as derivatives where the risk and other characteristics of the derivative are not closely related to those of the

primary contract and the primary contract is not classified as held for trading or as other financial assets or liabilities at fair value through profit or loss.

Changes in fair value are recorded directly on the income statement.

Other financial assets and liabilities at fair value through profit or loss

This category includes financial instruments that, designated on initial recognition, are regarded as hybrid financial instruments and are measured entirely on a fair value basis. It also includes financial assets which are managed together with liabilities under insurance contracts measured at fair value or which are managed in combination with financial liabilities and derivatives for the purpose of significantly reducing overall exposure to interest rate risk.

Changes in fair value are recorded directly on the income statement.

Available-for-sale financial assets

This category includes debt securities and equity instruments which are not shareholdings in subsidiaries, associates or joint ventures and which have not been classified under any other portfolio.

Changes in fair value are temporarily recorded, net of taxes, under Valuation adjustments in consolidated equity, unless they are due to foreign exchange differences arising on monetary financial assets that are recognized in the income statement.

Amounts recorded as valuation adjustments continue to be included in consolidated equity until the asset from which they have originated is derecognized on the balance sheet, time at which they are written off against the income statement, or until an impairment in the value of the financial instrument is determined.

Loans and receivables

Loans and receivables include financial assets which, while not traded on an active market or needing to be recognized as at fair value, generate cash flows of a fixed or determinable amount in which the Group's disbursement will be recovered in full, except for reasons related to the borrower's solvency. This category comprises investments associated with normal the Groups's lending activities and includes amounts loaned to customers and not yet repaid; deposits placed with other entities, regardless of the legal arrangements under which the funds were provided; unquoted debt securities; and any debts incurred by purchasers of goods or services forming part of the Group's business.

Following initial recognition they are stated at amortized cost, which consists of the acquisition cost adjusted for principal repayments and the portion allocated in the income statement using the effective interest rate method of the difference between the initial cost and the repayment value at maturity. In addition, the amortized cost is decreased by any reduction in value due to impairment recognized directly as a decrease in the value of the asset or through an allowance or compensatory item.

The effective interest rate is the discount rate that equals the value of a financial instrument exactly to the estimated cash flows over the instrument's expected life, on the basis of the contractual conditions, such as early repayment options, but without taking into account future credit risk losses. For fixed rate financial instruments, the effective interest rate agrees with the contractual interest rate set at the time of their acquisition, plus, where appropriate, the fees which, because of their nature, may be likened to an interest rate. In the case of a variable-rate instrument the effective interest rate is the same as the rate of return in respect of interest and fees on the instrument, until the first date on which the base rate is reviewed.

Interest accrued calculated using the effective interest rate method is recorded under Interest and similar income on the consolidated income statement.

Financial liabilities at amortised cost

This category comprises those financial liabilities that cannot be classified under any other balance sheet heading and are associated with the normal deposit-taking activity of a financial institution, irrespective of the term or the arrangement involved.

In particular, this category includes capital having the nature of a financial liability. These financial instruments are issued by the Group and, although they are treated as capital for legal purposes, do not qualify for classification as equity for accounting purposes. They consist mainly of issued shares that do not carry voting rights and on which a dividend is paid based on a fixed or variable rate of interest.

Following initial recognition they are stated at amortized cost applying criteria analogous to loans and receivables. Interest accrued calculated using the effective interest rate method is recorded under Interest and similar charges on the consolidated income statement. However, if the Group has discretionary powers concerning payment of the interest associated with the financial instruments issued and classified as financial liabilities, the Group's accounting policy is based on recognising them by charging the reserves.

For financial instruments the fair value measurements are detailed in Note 26.

d) Impairment of financial assets

A financial asset is deemed to be impaired and therefore its carrying value is adjusted to reflect the effect of such impairment when there is objective evidence that an event, or the combined effect of various events, has occurred which gives rise to:

- For debt instruments, including loans and debt securities, a negative impact on future cash flows estimated when the transaction was formalized
- For equity instruments, a situation in which their carrying values will not be recovered.

In general, adjustments to the carrying value of financial instruments due to impairment are made by charge to the consolidated income statement for the year in which the impairment arises. Recoveries of any previously recorded losses are also recognized on the consolidated income statement for the year in which the impairment ceases to exist or is reduced. However, the recovery of previously recorded impairment losses relating to equity instruments classified as available-for-sale financial assets is recognized under the heading Valuation adjustments in consolidated equity.

Financial asset impairment is calculated based on the kind of instrument involved and other circumstances that could affect them after taking into account any guarantees received. The Group recognizes both allowances when bad-debt provisions are recorded to cover estimated losses, and direct write-downs against the asset concerned when recovery is deemed to be remote.

Financial assets carried at amortised cost

General

In order to determine impairment losses the Group monitors debtors on an individualized basis, in the case of significant debtors, and on a collective basis for groups of financial assets that have similar credit risk characteristics which evidence the debtors' capacity to make outstanding payments. When an instrument cannot be included in any group of assets with similar risk features, it is analysed solely on an individual basis to determine whether it is impaired and, if so, to estimate the impairment loss.

The Group has policies, methods and procedures to estimate losses that may be incurred as a result of credit risk with regard both to the insolvency attributable to counterparties and to country risk. These policies, methods and procedures are applied in the granting, analysis and formal documentation of debt instruments and off-balance-sheet exposures, and in the identification of possible impairment and, if appropriate, in the calculation of the amounts required to cover estimated losses.

The Group measures impairment losses as follows:

- Specific allowances due to credit risk (for individually or collectively assessed financial assets)

The Group must comply with Bank of Spain requirements, which provide that, until internal models for calculating credit risk losses are authorized, credit institutions must calculate impairment losses for doubtful assets as follows:

- Assets classified as doubtful due to counterparty arrears: The allowances for debt instruments, whoever the obligor and whatever the guarantee, with amounts which are more than 90 days past-due are estimated taking into account the age of the past-due amounts, the guarantees provided and the economic situation of the counterparty and the guarantors. Contingent risks in which the debtor has impaired are also taken into consideration.
- Assets classified as doubtful due to reasons other than counterparty arrears: The allowances for those debt instruments which do not qualify as doubtful due to arrears but for which there are reasonable doubts as to their repayment under the contractual terms are estimated on the basis of the difference between the amount recorded these assets and the present value of the cash flows expected to be received.

Evidence of impairment of an asset or group of assets includes observable data on matters such as (i) significant financial difficulties for the debtor, (ii) repeated delays in payment of interest or principal, (iii) probable insolvency or liquidation, and (iv) other observable data or domestic economic conditions indicating a reduction in the future cash flows following initial recognition (unemployment, property prices, etc.).

- Assets classified as doubtful assets due to materialization of country risk: Country risk is considered to be the risk that arises with counterparties resident in a given country due to circumstances other than normal commercial risk (sovereign risk, transfer risk or risks arising from international financial activities). The Group classifies transactions with third parties into different groups based on the countries' economic

performance, its political situation, regulatory and institutional framework, payment capacity and track record, assigning to each group the provision percentages that result from the analysis.

Doubtful assets due to the materialization of country risk are deemed to be operations with final obligors resident in countries with lasting debt-service difficulties in which recovery is deemed doubtful, and off-balance-sheet exposures the recovery of which is regarded as remote due to circumstances attributable to the country concerned. The allowances recognised for this risk are not significant in relation to the total allowances provisions for bad debts.

Operations classed as doubtful are reclassified as ordinary risks when the reasons that gave rise to their classification as doubtful cease to exist due to the full or partial receipt of the past-due amounts, unless other reasons remain which make it advisable to maintain them under this category.

- Collective allowances for losses incurred but not reported (IBNR) (collectively estimated):

For debt instruments and contingent risks that are not individually impaired, the Group estimates the loss incurred yet to be allocated to specific transactions on the basis of historical loss experience for assets with similar credit risk characteristics. To this end statistical procedures are used to obtain amounts similar to the difference between the figure recorded for these instruments and the present value of cash flows that are expected to be received, discounted at the average contractual interest rate.

Historical loss experience is adjusted on the basis of observable data, in order to reflect the effect of current conditions and to suppress the effects of conditions in the historical period which no longer exist. Estimates of changes in future cash flows reflect the evidence for change arising in observable data occurring from one period to the next (e.g. in unemployment rates and property prices).

For groups of instruments for which sufficient information to be able to estimate the IBNR allowances is not available, the Group uses the ranges of necessary provisions determined by the Bank of Spain on the basis of its experience and the information available in the Spanish banking industry. To do this, percentages are applied which vary depending on the classification of those debt instruments among the various subcategories.

Interest recorded at contractual rates ceases to be recognized in the income statement for all debt instruments that have been individually classified as impaired or for which impairment losses have been collectively calculated as a result of having past-due amounts with more than 90 days. Interest pending payment in these operations (irrespective of whether or not they form part of a renegotiation process) are recognized in memorandum items as "suspense interest". If the interest is subsequently recovered, the amount collected is recognized in the income statement.

Transactions which are regarded as highly difficult to recover after an individual analysis are derecognized from the balance sheet. This category of write-offs includes risks for customers involved in insolvency proceedings in which their liquidation has been applied for and transactions classified as doubtful that have been outstanding for more than four years, except for balances covered by sufficient enforceable guarantees. Operations which, though not coming under the above criteria, undergo a major and irreversible impairment are also included.

In the above situations the Group derecognizes any amounts recorded together with the relevant allowance notwithstanding the actions that may be taken to try to collect payment until all rights to receive payment have been extinguished due to a statute of limitations, remission or some other reason.

Refinancing and restructuring operations

Credit risk management procedures applied by the Group guarantee detailed monitoring of borrowers, indicating that impairment allowances need to be recorded when there is evidence of a decline in a borrower's solvency (see Note 37). The Group records any impairment allowances that may be necessary in transactions in which the borrower's situation thus requires, before restructuring or refinancing operations are formally approved, which should be understood as:

- Refinancing operation: granted or used for economic or legal reasons relating to current or foreseeable financial difficulties of the debtor in settling one or more transactions arranged with the Group, or through which payments on said transactions are fully or partly brought up to date, in order to facilitate payment by debtors of the outstanding amounts (principal and interest) because they are, or are expected to be, unable to meet repayment conditions in due time and form.
- Restructured operation: the financial terms of a transaction are amended for economic or legal reasons related to the current or foreseeable difficulties of the party concerned, in order to facilitate payment of the debt (principal and interest) because said party is, or is expected to be, unable to meet repayment conditions in due time and form, even when such amendment was provided for in the contract. In any event, operations are considered to be restructured where conditions are amended to extend their duration, change the repayment schedule to reduce instalments in the short term or reduce the frequency of repayments, or establish or lengthen the grace period for principal and/or interest repayments, unless it can

be proven that the conditions are changed for reasons other than the debtor's financial difficulties and they are analogous to those that other entities would apply in the market for similar risks.

The formalization of a change in contractual conditions does not entail a significant additional impairment of the borrower's situation that requires the creation of additional impairment allowances.

If an operation is classified in a given category of risk, the refinancing operation does not entail an automatic improvement in risk classification of that operation. A classification in a lower risk category will only be considered if there is a quantitative and qualitative increase in the guarantees that back the operation and a significant improvement has been evidenced in the recovery of the operation over time, so there are no immediate improvements due simply to the refinancing.

Concerning refinanced or restructured loans classified as ordinary risks, the operations' typology is analysed so that, if necessary, they can be reclassified to a higher risk category using the same categories as those described in the previous section (i.e. assets which are doubtful due to counterparty arrears, with amounts which are more than 90 days past-due, or due to reasons other than counterparty arrears, when there is reasonable uncertainty as to their recovery).

Credit impairment losses estimates, which are consistent with the risk accounting classification, are accounted for when they identified. The methodology for estimating losses on these portfolios in general is similar to that of the remaining financial assets described above but takes into account that any operation which has needed to be restructured in order for payment obligations to be met must have a loss estimate which is higher than other operations which have never undergone default problems (unless sufficient additional guarantees can be provided to justify the opposite approach).

After the initial classification of the operation, the application of a lower risk category will be supported by significant evidence of improvement in the expectation of recovery for the operation, either because the borrower has been meeting its payment obligations over a long and sustained period of time or because a significant portion of the initial debt has been repaid. In particular, the Group takes into account that the debtor has paid principal and accrued interest since the date on which the restructuring/refinancing operation was formalized and at least two years have elapsed since that date, and the principal of the operation has been reduced by at least 20% and all unpaid principal and interest that was outstanding at the time of the restructuring or financing operation has been paid. However, the operation concerned will continue to be identified as a restructuring or refinancing operation.

Verification of provisions for credit risk

At each reporting date the Group checks the impairment allowances calculated as described above with those estimated using internal models for the calculation of the coverage of credit risk losses in order to confirm that there are no material differences.

For these purposes, the Group has used the data provided by internal credit risk management models to construct a methodology for calculating the loss incurred on the basis of the probability of default (PD) parameters referring to the period concerned in the non-doubtful portfolio, which will determine the new entries in the doubtful status, the severity of the new entries (LGD – loss given default) and the severity of the existing doubtful loan portfolio, with the following specifications:

- Probability of default: When determining the loss incurred, the Group estimates the probability of default on the basis of internal historical data in order to reflect the current situation (loss incurred) of both the status of borrowers' repayments in each segment and the local or national economic conditions which are correlated to defaults in that segment. To this end, the "Point-in-time" PD at each reporting date are estimated since they represent the present time in the economic cycle and use default frequencies observed in the most recent periods. In the case of refinancing and restructuring operations, the PD is higher than in other transactions in ordinary situations. The PD increase is greater or lower depending on the characteristics of the refinancing operation.
- Severity: This is estimated to closely reflect the present situation (loss incurred) as regards the capacity to recover the assets' future cash flows.

These risk parameters have been estimated by segmenting the portfolio on the basis of the characteristics of the assets making it up. These characteristics include the type of asset and borrower, guarantees associated with the asset and the impairment situation. The relevant historic loss data is assigned to each segment.

At the same time, risk parameters are estimated based on historical internal data adjusted on the basis of observable data in order to reflect the effect of current conditions which might not have affected the period from which the historical experience has been extracted and also to suppress the effects of conditions in the historical period which no longer exist. Any macroeconomic event or adverse change in the status of the borrower's payments expected after the date of the analysis is excluded.

At 31 December 2014 the estimate of the losses incurred on the basis of these internal models, which calculate impairment losses on debt securities measured at amortised cost and contingent risks, do not reflect significant differences compared with the provisions determined in accordance with Bank of Spain requirements.

Available-for-sale financial assets

Impairment losses on debt securities and equity instruments classified as available-for-sale financial assets are equal to the positive difference between their acquisition cost net of any repayment of principal, and their fair value less any impairment loss previously recognized in the consolidated income statement.

Where there is objective evidence that a decrease in the fair value of an asset is due to impairment, the temporary losses recognized directly in equity under Valuation adjustments are recorded immediately in the income statement.

To conclude as to the existence of objective evidence of impairment, the Group analyses events that might potentially cause the losses, as explained below:

- Debt instruments: In addition to the events analysed for the items measured at amortized cost, the Group considers (i) the increase in the probability that the issuer enters into a financial reorganization situation, (ii) the disappearance of any active market for the financial asset in question, and (iii) a downgrade in the credit rating.

In case of impairments in sovereign debt instruments are assessed by analysing market price fluctuations caused mainly by changes in risk premiums and by an ongoing evaluation of the solvency of each country.

- Equity instruments: the Group assesses whether there has been any prolonged or significant decrease in the fair value of the investment below its cost. Specifically, the Group treats these investments as impaired in the event of decreases, separately determined, in excess of 18 months or a percentage fall in fair value of 40%, taking into account the number of instruments recorded for each individualized investment and the unitary listed price.

In the exceptional event of there being objective reasons to consider that a security's price does not reflect its fair value (for instance, when the free float is very low), the Group measures the instrument based on the discounted cash flows using variables and data directly observable in the market, such as published net asset value or comparable data and industry multipliers for similar issuers in order to determine the relevant impairment allowances. The Group also applies this criterion for unlisted equity instruments and for those equity instruments measured at acquisition cost, which are not significant with respect to the Group's consolidated annual accounts.

If all or part of the losses are recovered after being recognized as impaired, they are recorded, in the case of debt securities, in the income statement for the period in which the recovery occurs; and in the case of equity instruments, the recovery is recognized in equity under Valuation adjustments.

Other equity instruments

In the case of investments in associates, the Group estimates impairment losses for each of them by comparing the amount recoverable with the carrying value of the investments. The impairment recognized results from an individualized analysis of each investee which are measured on a net asset value basis or based on their projected results, grouping them together according to areas of activity (real estate, renewables, industry, finance, etc.) and evaluating the macroeconomic and industry-specific issues that could affect their activities, thereby estimating their value in use.

In particular, insurance investee companies are valued applying the market consistent embedded value method, real-estate investees based on net asset value, and financial investees based on multipliers over the carrying value and/or the profits of comparable listed companies.

Impairment losses are recognized in the income statement for the period in which they occur; subsequent reversals of previously recognized impairment losses are recognized in the income statement for the period in which recovery takes place.

e) Hedging operations

The Group uses financial derivatives (i) to supply them to customers when they so require, (ii) to manage risks associated with the Group's own exposures (hedging derivatives), or (iii) to realize gains as a result of price movements. The Group uses both derivatives traded on organized markets and those traded bilaterally with counterparties on the over-the-counter (OTC) market.

Financial derivatives that do not qualify for designation as hedging instruments are classified as trading derivatives. To be designated as a hedging instrument, a financial derivative must satisfy the following conditions:

- It must cover exposure to changes in the values of assets and liabilities caused by interest rate and/or exchange rate movements (fair value hedge); exposure to changes in the estimated cash flows from financial assets and liabilities and from commitments and highly probable forecast transactions (cash flow hedge); or the exposure associated with net investments in foreign operations (hedge of net investments in foreign operations).
- The derivative must effectively eliminate a risk that is inherent in the hedged item or position over the expected term of the hedge, in terms of both prospective and retrospective efficiency. To this end, the Group analyses whether, at the time the hedge is arranged, it is expected in ordinary conditions to operate with a high degree of effectiveness and verifies over the life of the hedge using effectiveness tests that the results of the hedge vary in a range of 80% to 125% with respect to the result of the item covered.
- Suitable documentation must be available to show that the financial derivative has been entered into specifically to provide a hedge for certain balances or transactions and to show how effective coverage is to be achieved and measured, provided that this agrees with the Group's risk management.

Hedges may be associated with individual items or balances (micro-hedges) or with portfolios of financial assets and liabilities (macro-hedges). In the latter case, all financial assets and liabilities being collectively hedged involve the same types of risk; this requirement is considered to be satisfied when the interest rate sensitivities of the individual hedged items are similar.

Subsequent changes to the designation of the hedge, in the measurement of the financial instruments designated as hedged items and in the financial instruments designated as hedging instruments are recorded as follows:

- In fair value hedges, differences arising in the fair value of the derivative and the hedged item attributable to the risk being hedged are recognized directly in the consolidated income statement; the balancing entries consist of the balance sheet headings in which the hedged item is recorded or the heading hedging derivatives, as appropriate.

In fair value hedges of interest rate risk in a portfolio of financial instruments, gains or losses arising when the hedging instrument is measured are recognized directly in the consolidated income statement while losses and gains arising from changes in the fair value of the hedged item attributable to the risk hedged are recognized in the consolidated income statement and a balancing entry is recorded under Changes in the fair value of hedged items in portfolio hedges on interest rate risk. In this case, effectiveness is assessed by comparing the overall net amount of assets and liabilities in each time period with the hedged amount designated for each one of them, and the ineffective part is immediately recorded in the consolidated income statement.

- In cash flow hedging, measurement differences in the effective portion of hedging instruments are recorded in equity under Valuation adjustments - cash flow hedges. These differences are recognized in the consolidated income statement when the gains or losses on the hedged item are recognized, when the envisaged transactions are performed or on the date of maturity of the hedged item.
- In hedges of net investments in foreign operations, measurement differences in the effective portion of hedging instruments are recorded temporarily in equity under Valuation adjustments - hedges of net investments in foreign operations. These differences are recognized on the consolidated income statement when the investment in a foreign operation is disposed of or derecognized.
- Measurement differences in hedging instruments relating to the ineffective portion of cash flow hedging instruments and net investments in foreign operations are recognized directly in the consolidated income statement.

If a derivative which is treated as a hedging derivative does not meet the above requirements due to its termination, ineffectiveness or for any other reason, it will be treated as a trading derivative for accounting purposes.

When a fair value hedge is discontinued any previous adjustments made to the hedged item are taken to the income statement using the effective interest rate method, recalculated as of the date on which the item ceased to be hedged. The previous adjustments must be fully amortized by the maturity of the item that was previously hedged.

Where a cash flow hedge is discontinued, the cumulative gain or loss on the hedging instrument recognized in equity under Valuation adjustments (while the hedge was in effect) continues to be recognized under that heading until the hedged transaction takes place, at which time the gain or loss will be recognized in the income statement, unless the hedged transaction is not expected to take place, in which case it is recognized

in the income statement immediately.

f) Financial guarantees

Financial guarantees are contracts by which the Group undertakes to make specified payments for a third party in the event of the third party failing to do so. They may take a variety of legal forms such as bonds, bank guarantees, insurance contracts or credit derivatives.

The Group recognizes financial guarantee agreements under Other financial liabilities at their fair value which, at inception and unless otherwise evidenced, will be the present value of the expected cash flows to be received. At the same time, the Group recognizes as a credit under assets the fees and similar income received at the commencement of the operations and the accounts receivable for the present value of future cash flows yet to be received.

The Group recognizes financial guarantee agreements under Other financial liabilities at their fair value which, at inception and unless otherwise evidenced, will be the present value of the expected cash flows to be received. At the same time, the Group recognizes a credit for the fees and similar income received at the commencement of the operations and the accounts receivable for the present value of future cash flows yet to be received.

Financial guarantees are classified according to the credit risk attributable to the customer or the transaction and in appropriate cases an assessment will be made of the need to provide for the risk by following similar procedures for debt instruments carried at amortised cost.

Income from guarantee instruments are recorded under fees received on the income statements and are calculated applying the rate laid down in the related contract to the nominal amount of the guarantee. Interest from long-term guarantees given in cash to third parties is recognized under Interest and similar income.

g) Transfer and derecognition of financial instruments

Financial assets are only derecognized from the balance sheet when the cash flows generated by the assets have ceased or when substantially all of their risks and rewards have been transferred to third parties. Similarly, financial liabilities are derecognized only when the obligations generated by the liabilities have expired or are acquired for settlement or resale.

Note 10 provides details of asset transfers in effect at the end of 2014 and 2013, indicating those that did not involve the derecognition of the asset, while Note 2 contains an analysis of the transfer of risks and rewards in the sale of the Group's debt recovery management business, the arrangement of a reinsurance contract and the reorganization of its insurance business.

h) Offset of financial instruments

Financial assets and liabilities are offset, i.e. reported in the consolidated balance sheet at their net amount, only when the Group has a legally enforceable right to offset the amounts recognized in such instruments and intends to settle them at their net amounts or to realize the asset and settle the liability simultaneously.

i) Non-current assets held for sale and liabilities associated with non-current assets held for sale and discontinued operations

The Non-current assets held for sale heading on the balance sheet comprises the carrying values of assets – stated individually or combined in a disposal group, or as part of a business unit that the Group intends to sell (discontinued operations) – which are very likely to be sold in their current condition within one year of the date of the consolidated annual accounts.

It can therefore be assumed that the carrying value of an asset of this kind, which may be of a financial or non-financial nature, will be recovered through the disposal of the item concerned rather than from its continued use.

Specifically, real estate or other non-current assets received by the Group in full or partial settlement of borrowers' payment obligations are treated as non-current assets held for sale, unless the Group has decided to make use of the assets on a continuous basis or include them in its rental operations. Investments in joint ventures or associates that meet these criteria also qualify as non-current assets held for sale. For all these assets, the Group has specific units focused on real-estate management and sale.

The heading Liabilities associated with non-current assets held for sale includes amounts payable that are associated with disposal groups or assets, or with discontinued operations.

Non-current assets held for sale are measured, on the acquisition date and thereafter, at the lower of their carrying value and the net fair value of the selling costs estimated in relation to them. The carrying value at the

date of acquisition of non-current assets held for sale derived from foreclosure or recovery is defined as the balance pending collection on the loans or credit facilities that give rise to these purchases (net of any associated impairment allowances). Tangible and intangible assets that would otherwise be subject to depreciation and amortization are not depreciated or amortized while they remain in the category of non-current assets held for sale.

These asset appraisals have been conducted by independent experts registered into the Bank of Spain's special register of valuation firms according to criteria established in Order ECO/805/2003 on the valuation of real estate and associated rights for specified financial purposes. At minimum, these assets are valued (i) when recognized initially through the purchase, award or payment in kind of the property, (ii) when the asset changes status (the construction is finished or the asset is leased), or (iii) when the available appraisal is over three years old.

The main valuation companies and agencies used to obtain market value appraisals are listed in Note 26. In order to calculate the fair value less costs to sell, the Group takes into account both these appraisals and the length of time that each asset remains on the balance sheet. In addition, depending on the age of the appraisals, they are updated by the Group using statistical methods based on reports published by independent experts and the Group's own experience and market knowledge.

Profits and losses arising from the sale of assets and liabilities classified as non-current held for sale, and impairment losses and their reversal, if applicable, are recognized under profit/(loss) on non-current assets held for sale on the consolidated income statement. The remaining income and expenses relating to these assets and liabilities are disclosed based on their nature.

Discontinued operations are components of the entity that have been disposed of or classified as held for sale and which: (i) represent a line of business or geographical area which is significant and separate from the rest or is part of a single coordinated plan to dispose of said business or geographical area, or (ii) are subsidiaries acquired solely in order to be resold. Income and expenses of any kind generated by discontinued operations during the year, including those generated before they were classified as discontinued operations, are presented net of the tax effect as a single amount under gains and losses on discontinued operations in the consolidated income statement, both when the business has been derecognized and when it continues to be recorded under assets at the year end. This heading also includes results from sale or disposal.

j) Tangible assets

Tangible assets include (i) property, plant and equipment held by the Group for current or future use which is expected to be used for over one year, (ii) property, plant and equipment transferred to customers under operating leases, and (iii) land, buildings and other constructions held in order to be leased out or to obtain a capital gain on their sale. These categories also include tangible assets received as payment of debts classified on the basis of their end utilization.

As a general rule these assets are valued at cost less accumulated depreciation and less any impairment losses identified from a comparison of the carrying value of each item with its recoverable amount.

Depreciation is calculated using the straight-line method, on the basis of the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand is considered to have an indefinite life and is therefore not depreciated

The annual depreciation charge on property, plant and equipment is reflected against the income statement and calculated over the remaining estimated useful lives, on average, of the different asset groups:

| | Useful life (years) |
|---|---------------------|
| Land and buildings | 20 to 50 |
| Fixtures and fittings | 4.2 to 12.5 |
| Furniture and office equipment | 3.3 to 10 |
| Vehicles | 3.1 to 6.25 |
| Cash dispensers, computers and computer equipment | 4 |

The estimated useful life of tangible assets is reviewed at least at the end of each year in order to detect any major changes in them which, if they arise, are adjusted through the relevant adjustment in the income statement in future years to the depreciation charge based on the new estimated useful life.

At each reporting date, the Group analyses whether there are internal or external indications that a tangible asset might be impaired. If there is evidence of impairment, the Group analyses if such impairment has actually taken place by comparing the asset's carrying value with its recoverable value (higher of fair value less selling costs and its value in use). When the asset's carrying value exceeds the recoverable value, its carrying value is reduced to its recoverable value and future depreciation charges are adjusted in proportion to the adjusted carrying value and new remaining useful life, if this needs to be re-estimated. Where there are indications that the value of an asset has been recovered, the Group records the reversal of the impairment loss recognized in previous periods and adjusts future depreciation charges accordingly. The reversal of an impairment loss on an asset will in no circumstances result in an increase in its carrying value above the value that the asset would have had if impairment losses had not been recognized in previous periods.

In particular, certain tangible assets are assigned to cash generating units in the banking business. Impairment tests are conducted on these units to verify whether sufficient cash flows are generated to support the assets' value. To this end, the Group (i) calculates recurring net cash flow at each branch based on the accumulated contribution margin less an allocated recurring risk cost, and (ii) this recurring net cash flow is regarded as a perpetual flow and a valuation is effected using the discounted cash flow method applying a cost of capital of 10% and a zero growth rate in perpetuity.

For real-estate investments the Group uses third-party appraisals performed in compliance with ECO/805/2003. When tangible assets have been received due to debt settlements, whatever their use, the Group applies criteria which are analogous to those described above with respect to non-current assets held for sale and liabilities associated with non-current assets held for sale.

Maintenance and repair costs for tangible assets are recorded in the income statement for the year in which they are incurred.

k) Leases

Finance leases

A lease is treated as a finance lease if substantially all of the risks and rewards of ownership of the asset are transferred.

Where the Group is the lessor of an asset, the sum of the present values of payments receivable from the lessee is recorded as financing provided to a third party and is therefore included in the consolidated balance sheet under loans and receivables. This financing includes the exercise price of the purchase option available to the lessee upon the termination of the contract in cases where the exercise price is sufficiently lower than the fair value of the asset at the date of maturity of the option, such that it will reasonably likely to be exercised.

When the Group acts as lessee, the cost of the leased assets is recorded in the balance sheet according to the nature of the leased asset, and at the same time a liability is reflected for the same amount which will be the lower of the fair value of the leased asset and the sum of the present values of the amounts payable to the lessor, plus, if appropriate, the exercise price of the purchase option. These assets are depreciated using procedures similar to those applicable to tangible assets for the Group's own use.

Finance income and expense arising from leasing agreements are credited or charged to the consolidated income statement such that the return remains constant throughout the term of the lease.

Operating leases

In operating leases, ownership of the leased asset and substantially all the risks and rewards of ownership of the asset remain with the lessor.

When the Group is the lessor of the asset, the acquisition cost of the leased item is recorded in tangible assets. These assets are depreciated by the same procedure as for own-use property of a similar type and the revenues from the leases are recognized in the consolidated income statement on a straight-line basis.

Where the Group is the lessee, the expenses arising from the lease, including any incentives offered by the lessor, are recorded in the consolidated income statement on a straight-line basis. When contracts provide for the possibility of revising the instalments, the revision takes place in general annually on the basis of fluctuations in the consumer price index in Spain or the country in which the asset is located, without any mark-up being added to the figure obtained thereby.

Sale and lease back

In the case of sale at fair value and subsequent lease-back under an operating lease, any profit or loss is recorded at the time of the sale. In the event of a subsequent financial lease, the income generated is apportioned over the term of the lease.

When determining whether a sale with lease back operation results in an operating lease the Group analyses, among other points, whether at the inception of the lease there are purchase options which, due to their terms, are reasonably likely to be exercised, and which party will receive the losses or gains derived from fluctuations in the fair value of the residual amount of the relevant asset.

k) Intangible assets

Intangible assets are identifiable, non-physical, non-monetary assets that arise as a result of an acquisition from third parties or which are developed internally by the Group. An intangible asset will be recognized when it meets this criterion and the Group considers it likely that economic benefits will flow from the asset and its cost can be reliably measured.

Intangible assets are initially recognized at acquisition or production cost and are subsequently measured at cost less, if appropriate, accumulated depreciation and any impairment loss.

Goodwill

A positive difference between the cost of a business combination and the acquired portion of the net fair value of the assets, liabilities and contingent liabilities of the acquired entity is recognized on the balance sheet as goodwill. This difference represents an advance payment made by the Group of the future economic benefits derived from the entities acquired that are not individually and separately identifiable and recognizable. Goodwill is not amortized and is recognized only when acquired for valuable consideration in a business combination.

Goodwill is assigned to one or more cash generating units (CGU) which are expected to benefit from the synergies derived from the business combinations. These CGU are the smallest identifiable groups of assets which, as a result of their continuous functioning, generate cash flow for the Group irrespective of other assets or groups of assets.

The CGUs to which goodwill has been assigned are tested annually for impairment, or whenever there is evidence that impairment might have arisen. In this respect, the Group calculates the recoverable amount mainly using the distributed profit discount method in which the following parameters are taken into account:

- Key business assumptions. These assumptions are used as a basis for cash flow projections as part of the valuation. For businesses engaging in financial operations, projections are made for variables such as: changes in lending volumes, default rates, customer deposits and interest rates under a forecast economic scenario, and capital requirements.
- Estimates of macroeconomic variables and other financial parameters.
- The period covered by the projections. This is usually five years, after which a recurring level is attained in terms of both income and profitability. These projections take account of the economic outlook at the time of the valuation.
- The discount rate. The present value of future dividends, from which a value in use is derived, is calculated using a discount rate that portrays the capital cost of the entity (K_e) from the standpoint of a market participant. To determine the capital cost the CAPM method is used in accordance with the formula: " $K_e = R_f + \beta (R_m) + \alpha$ ", where: K_e = Required return or cost of capital; R_f = Risk-free rate; β = Company's systemic risk coefficient; R_m = Expected return of the market and α = Non-systemic risk premium.
- The rate of growth used to extrapolate cash flow projections beyond the end of the period covered by the most recent projections. Based on long-term estimates for the main macroeconomic figures and key business variables, and bearing in mind the current financial market outlook at all times, an estimate of a nil rate of growth in perpetuity can be arrived at.

If the carrying value of a CGU is higher than its recoverable amount, the Group recognizes an impairment loss which is allocated firstly by reducing the goodwill attributed to that CGU and secondly, if any losses remain to be allocated, by reducing the carrying value of the remaining assigned assets on a proportional basis. Impairment losses recognized for goodwill cannot subsequently be reversed.

Other intangible assets

This heading basically includes intangible assets identified in business combinations such as brands and contractual rights arising from relations with customers derived from acquired businesses, as well as computer software.

These intangible assets have finite useful lives and are amortised on the basis of their useful lives according to criteria similar to those used for tangible assets. The useful lives of brands and contractual rights arising from customer relations in acquired businesses vary between five and 15 years, while for computer software the average useful life is seven years.

The criteria for recognising impairment losses in intangible assets and any recoveries of impairment losses recorded in earlier periods are similar to those applied to tangible assets. In this respect, the Group determines whether there is evidence of impairment comparing actual trends with assumptions applied in the parameters used when they were initially recognized. These include possible loss of customers, average customers' balances, average ordinary margin and the efficiency ratio assigned.

m) Inventories

Inventories are non-financial assets that are held for sale or for use by the Group in the normal course of business, or are in the process of production, construction or development for such sale, or are to be consumed in the production process or in the rendering of services.

In general, inventories are valued at the lower of their cost value, including all purchase and conversion costs and other direct and indirect costs incurred in bringing the inventories to their present condition and location, and their net realizable value.

Net realizable value means the estimated sale price net of the estimated production and marketing costs to carry out the sale. This figure is revised and recalculated on the basis of actual losses incurred on the sale of the assets.

Any value adjustments to inventories, whether caused by impairment due to damage, obsolescence or a fall in sale prices, to reflect their net realizable value, or arising from other losses, are recognized as expense in the year in which the impairment or other loss occurred. Any subsequent recoveries in value are recognized in the consolidated income statement in the year in which they occur.

Impairments in the value of inventories comprising land and buildings are calculated on the basis of appraisals by independent professional valuation companies on the Bank of Spain's Special Register. Such appraisals are carried out according to the rules for the valuation of real estate and associated rights for specified financial purposes, set out in the Order ECO/805/2003.

When inventories have been received due to debt settlements, the Group applies valuation criteria which are analogous to those described above with respect to non-current assets held for sale and liabilities associated with non-current assets held for sale.

The carrying value of inventories is derecognized from the balance sheet and recorded as an expense in the period in which the revenues from the sale of the inventories are recognized.

n) Own equity instruments

An own equity instrument is defined as an equity instrument that:

- does not involve any contractual obligation to the issuer which entails: delivering cash or another financial asset to a third party, or exchanging financial assets or liabilities with a third party on terms potentially unfavourable to the issuer.
- will or may be settled in the issuer's own equity instruments: when it is a non-derivative instrument, the issuer is or may not be obliged to deliver a variable number of its own equity instruments, when it is a derivative instrument, it will or may be settled for a fixed amount of cash or another financial asset, for a fixed number of the issuer's own equity instruments.

All transactions in the Group's own equity instruments, including their issuance or redemption, are recognized directly against equity.

Changes in the value of instruments classified as own equity instruments are not recognized in the financial statements. Any consideration paid or received for such instruments is added to or deducted directly from equity and the associated transaction costs are deducted from equity.

Equity instruments issued in full or partial settlement of a financial liability are recognized at fair value unless this cannot be reliably determined. In this case, the difference between the carrying value of a financial liability (or any part thereof) that has been settled and the fair value of the equity instruments issued is recognized in the income statement for the period.

o) Payments based on equity instruments

The delivery to employees of the Group's own equity instruments in payment for their services, where the instruments are delivered on completion of a specified period of service, is recognized as an expense for services over the period during which the services are being provided, with a balancing entry under the heading Other equity instruments in equity. On the grant date the services received are measured at fair value, unless this cannot be reliably estimated in which case they are measured by reference to the fair value of the

committed equity instruments, bearing in mind the time-periods and other conditions envisaged in the commitments.

The amounts recognized in equity are not subsequently reversed, even when employees do not exercise their right to receive the equity instruments.

For transactions involving payments based on shares which are paid in cash, the Group records an expense for services as the employees provide the services, with a balancing entry under Other provisions for the fair value of the liability incurred. The Group recognizes said liability at fair value until it is settled. Value fluctuations are recognized in profit/loss for the period.

p) Insurance contracts

Insurance premiums under insurance contracts issued by the consolidated insurance companies are taken to the income statement when the relevant receipts are issued. The estimated cost of claims to be paid is charged into the consolidated income statement based on the amounts that will be necessary to settle the claim. At year end the amounts collected and not accrued and the costs incurred and not paid at that date are apportioned to the appropriate periods.

Direct insurance technical reserves recorded by the consolidated insurance companies to cover the obligations undertaken arising from the insurance contracts that are in force at the year end are recorded in Liabilities under insurance contracts.

The most significant technical reserves are as follows:

- Unearned premium reserves: Records the fraction of premiums accruing during the year that must be allocated to the period between the year end date and the termination of the relevant insurance coverage.
- Unexpired risk reserves: This complements the unearned premium reserve with respect to the amount in which this reserve is not sufficient to reflect the valuation of risks and expenses to be covered which pertain to the coverage period still to run at the year-end date.
- Claims reserves: This reflects estimated values of outstanding obligations derived from claims arising before the year end, for both claims pending settlement and payment and claims yet to be recognized, after deducting payments in advance made and taking into consideration the internal and external settlement expenses.
- Mathematical reserves: Includes the year-end value of the insurance company's obligations net of the obligations pertaining to the policyholder under life insurance policies.
- Reserves for life insurance in which the investment risk is borne by the policyholders: The amount of the reserve is based on the valuation of the assets linked to the policies.
- Provisions for returned premiums and profit-sharing: Includes benefits accruing in favour of policyholders as a whole and premiums to be returned to them, provided these amounts have not been allocated on an individual basis.

The heading Reinsurance assets on the consolidated balance sheet recognizes the amounts that the consolidated companies are entitled to receive under reinsurance contracts between them and third parties and, specifically, the share of the reinsurance in the technical reserves.

To reduce any accounting asymmetries, the Group records changes in the fair value of the financial assets that back up insurance contracts and are classified as available for sale under Liabilities under insurance contracts on the consolidated balance sheet under the heading Shadow accounting adjustments for accounting asymmetries.

Group insurance companies utilize the following assumptions for pricing and calculating insurance contract reserves:

- The biometric tables allowed by the Regulations on the arrangement and supervision of private insurance are utilized for guarantees in the life insurance (death) business.
- Mortality tables published by reinsurers or rates supplied by the Company's reinsurers are used for guarantees in the casualty insurance business and in areas complementary to the life insurance business. These rates are recharged after adding the relevant mark-ups to avoid potential variances due to claims during the term of the product.
- Technical interest on the products with a high savings component is calculated taking into account whether or not there are investments assigned to the product. In insurance products with assigned investments, technical interest is set based on the yield from the investments assigned after deducting the relevant mark-up to comply at all times with current regulations governing the matching of flows and the

corresponding profit margin for the insurance companies. In insurance products without assigned investments, a minimum technical interest rate is applied, which is revised on a half-yearly or annual basis. Additionally, there are products in which customers are provided with a share in profits in addition to the minimal technical interest rate based on the yield obtained by the insurance companies on the investment of the technical reserves which are recorded by increasing the technical provisions as it is attributed to the customers concerned.

The following tables sets out the main technical bases for the insurance companies' products:

| Product | Mortality table | Technical interest rate |
|--------------------------------|--|-------------------------|
| Individual risk life insurance | GKM/F 80 / GKM/F 95 – GKM-5 95 / PASEM 2010 unisex | 0.5 % - 2% |
| Individual savings insurance | PERM/F 2000 P – PERM/F 2000 C /PER 2000 unisex | 0.5 % - 6% |

At each reporting date the Group evaluates the adequacy of the liabilities recognized under insurance contracts by comparing the value recognized on the consolidated balance sheet against the current estimates of future cash flows resulting from the contracts in force. If these estimates are higher than the recognized value, the Group records the difference on the income statement for the period.

q) Provisions and contingent assets and liabilities

Provisions are current obligations of the Group which have arisen from past events and whose nature at the balance sheet date is clearly specified, but which are of uncertain timing and amount; when such obligations mature or become due for settlement, the Group expects to settle them through an outflow of resources embodying economic benefits.

In general, the Group's consolidated annual accounts include all significant provisions with respect to which it is estimated that the likelihood of having to meet the obligation is higher than the opposite. Specifically, the Group recognizes:

- Provisions for restructuring are recognized only when the Group has a detailed, formal plan identifying fundamental changes to be made and where the Group has started to implement the plan or has publicly announced its main features, or where there is objective evidence of its implementation.
- Provisions for contributions to the deposit guarantee scheme in force, whether annual or extraordinary, taking into account the period in which the payment obligation is generated, so that ordinary contributions relating to deposits in effect at each reporting date are recorded as an expense for that period under Other operating charges.

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that lie outside the Group's control. Contingent liabilities include present obligations of the Group the settlement of which is not likely to result in an outflow of resources embodying economic benefits or whose amount, in extremely rare instances, cannot be measured with sufficient reliability. Contingent liabilities should not be recognized in the consolidated annual accounts but should be disclosed in the consolidated notes to the accounts.

Contingent assets are potential assets arising out of past events the existence of which is conditional and must be confirmed when events that are out with the Group's control occur or do not occur. These contingent assets are not recognized on the balance sheet or consolidated income statement, but are disclosed in the consolidated notes to the accounts provided that an increase in resources that embody profits for this reason is likely.

r) Provisions for pensions

The Group's pension commitments to its employees are as follows:

Defined contribution plans

These are predetermined contributions made to a separate entity under the agreements reached with each group of employees in particular, without any legal or effective obligation to make additional contributions were the separate entity is unable to pay benefits to the employees for the services rendered in the current year and in prior years.

These contributions are recorded each year in the consolidated income statement.

Defined benefit plans

Defined benefit plans provide for all current commitments agreed under Articles 35, 36 and 37 of the 22nd Collective Agreement for the banking industry which do not meet the conditions to be regarded as defined benefits.

These commitments are financed through the following vehicles: the pension scheme, the voluntary benefit entity "E.P.S.V.", insurance contracts and internal funds.

The Banco Sabadell's employee pension scheme covers benefits payable under the before mentioned Collective Agreement with the employees belonging to regulated collectives, with the following exceptions:

1. Additional commitments on early retirement as provided for by article 36 of the Collective Agreement.
2. Disability occurring in certain circumstances.
3. Benefits for widowhood and orphanhood payable on the death of retired employees recognized as having entered the Bank's service after 8 March 1980

The Banco Sabadell employee pension scheme is regarded for all purposes as an asset of the plan for the obligations insured in non-Group entities (National-Nederlanden Vida, VidaCaixa and Generali Seguros). Those pension scheme obligations which are insured in Group companies are not regarded as scheme assets.

The insurance policies provide general cover for specified commitments under Articles 36 and 37 of the 22nd Collective Agreement for the banking industry, including:

1. Commitments that are expressly excluded from the Banco Sabadell employee pension scheme (1, 2 and 3 above).
2. Serving employees covered by a collective agreement with the former Banco Atlántico.
3. Pension commitments in respect of some serving employees, not provided for under the collective agreement.
4. Commitments towards employees on leave of absence who are not entitled to benefits under the Banco Sabadell employee pension scheme.
5. Commitments towards early retirees. These may be partly financed out of pension rights under the Banco Sabadell employee pension scheme.

These insurance policies have been arranged with insurers outside the Group, principally for commitments to former Banco Atlántico employees (FIATC and VidaCaixa), and also with BanSabadell Vida, S.A. de Seguros y Reaseguros.

The internal funds cover obligations to early retirees up to their legal retirement age for employees previously working for Banco Sabadell, Banco Guipuzcoano and Banco CAM.

The acquisition of Banco Guipuzcoano resulted in the takeover of Gertakizun E.P.S.V., which covers defined benefit commitments in respect of the bank's serving and former employees and are insured by policies (National-Nederlanden Vida, Plus Ultra Seguros and CNP Vida). This entity was set up by Banco Guipuzcoano in 1991 as a legally separate entity governed by Law 25/83 of 27 October of the Basque Parliament, Decree 87/84 of 20 February and Decree 92/2007 of 29 May. Pension commitments to serving and former employees are fully covered by entities independent of the Group.

The acquisitions of Lloyds (now Sabadell Solbank) and Banco Gallego entailed the inclusion in the Group of their defined benefit commitments with serving, pre-retired and retired personnel.

The balance sheet heading Provisions for pensions and similar obligations includes the actuarial present value of pension commitments, calculated individually using the projected unit credit method on the basis of financial and actuarial assumptions which are set out below.

From the obligations so calculated, the scheme assets at their fair value have been deducted. These assets, including insurance policies, are those from which pension obligations are to be settled since they meet the following requirements:

1. They are not owned by the Bank but by a legally separate, non-related third party.
2. They are available only to pay or fund employee benefits and are not available to creditors of the Bank, even in the event of the Bank becoming insolvent.
3. They cannot be returned to the Bank unless the assets remaining in the scheme are sufficient to meet all obligations of the scheme and of the Bank relating to employee benefits, or unless assets are to be returned to the Bank to reimburse it for employee benefits previously paid.

4. They are not non-transferable financial instruments issued by the Bank.

The assets that back pension commitments shown in the individual balance sheet of BanSabadell Vida, S.A. de Seguros y Reaseguros, a Group insurance subsidiary, are not scheme assets as the company is a related party of the Bank.

Pension commitments are recognized as follows:

- On the consolidated income statement: net interest on the net defined benefit liability (asset) arising from pension commitments and the cost of the services, including this cost i) cost of current year services, II) cost of past services arising from changes made to existing commitments or from the introduction of new benefits, and iii) any gain or loss arising from a plan settlement.
- Under valuation adjustments in equity: the re-evaluation of the net defined benefit liability (asset) which includes i) actuarial gains and losses generated in the year arising from differences between the prior actuarial assumptions and the real situation and from changes in the actuarial assumptions made, ii) the performance of the plan assets, and iii) any change in the effects of the asset limit, excluding, for the last two items, the amounts included in net interest on the net defined benefit liability (asset).

The amounts recorded in equity are not reclassified to the income statement in subsequent years but are reclassified to reserves.

The most relevant actuarial assumptions used in the valuation of pension commitments are as follows:

| | 2014 | 2013 |
|---|--------------------------|--------------------------|
| Tables | PERM/F 2000 new business | PERM/F 2000 new business |
| Technical interest rate, pension scheme | 1.75% annual | 2.89% annual |
| Technical interest rate, internal fund | 1.75% annual | 2.89% annual |
| Technical interest rate, related-party policies | 1.75% annual | 2.89% annual |
| Technical interest rate, unrelated-party policies | 1.75% annual | 2.89% annual |
| Inflation | 2.00% annual | 2.00% annual |
| Salary growth | 3.00% annual | 3.00% annual |
| Retirements due to disability | SS90-Absolute | SS90-Absolute |
| Staff turnover | None assumed | None assumed |
| Early retirement | Allowed for | Allowed for |
| Ordinary retirement | 65 or 67 years | 65 or 67 years |

The technical interest rate on all commitments has been determined by reference to the yield on AA-rated 12.44 year corporate bonds (iBoxx € Corporates AA 10+).

The age of early retirement is assumed to be the earliest retirement date after which pension entitlements cannot be revoked by the employer for all employees.

The yield on long-term assets related to scheme assets and insurance policies linked to pensions has been determined by applying the same technical interest rate (1.75% in 2014).

s) Transactions in foreign currency and currency translation differences

The Group's functional and presentation currency is the euro. All balances and transactions denominated in currencies other than the euro are therefore treated as denominated in a foreign currency.

On initial recognition, debit and credit balances denominated in foreign currency are translated to the functional currency at the spot exchange rate, defined as the exchange rate for immediate delivery, on the recognition date. Subsequent to initial recognition, the following procedures are used to translate foreign currency balances to the functional currency:

- Monetary assets and liabilities are translated at the closing exchange rate, defined as the average spot exchange rate at the reporting date.
- Non-monetary items measured at historical cost are translated at the exchange rate ruling on the date of acquisition.
- Non-monetary items stated at fair value are translated at the exchange rate ruling on the date on which the fair value was determined.
- Income and expenses are translated at the exchange rates ruling at the transaction date.

In general, foreign exchange differences arising on the translation of debit and credit balances denominated in foreign currency are recorded in the income statement. However, for foreign exchange differences arising on non-monetary items measured at fair value where the fair value adjustment is made and recognized under valuation adjustments in equity, the exchange rate component is recorded separately from the revaluation of the non-monetary item.

Balances in the financial statements of consolidated companies whose functional currency is not the euro are translated to euros as follows:

- Asset and liabilities are translated applying the year-end exchange rate,
- Income and expenses and cash flows by applying the exchange rate at the date of the operation or the average annual rate unless there have been significant fluctuations,
- Equity, at historical exchange rates.

Differences arising on the translation of the financial statements of consolidated companies whose functional currency is not the euro are recorded in Valuation adjustments under consolidated equity.

The exchange rates applied in the translation of foreign currency balances to euro are those published by the European Central Bank at 31 December each year.

t) Recognition of income and expense

Interest income and expense and items that may be likened to them are generally accounted for over the period in which they accrue using the effective interest rate method. The dividends received from other entities are recognized as income at the time the right to receive them originates.

Generally, fee and commission income and expense and similar items are recorded in the income statement in accordance with the following criteria:

- Those linked to financial assets and liabilities carried at fair value through profit or loss are reflected at the time of collection.
- Those related to transactions or services performed over a period of time are reflected over the period of such transactions or services.
- Those relating to a transaction or service that is performed in a single act are recorded when the originating act takes place.

Financial fees and commissions forming an integral part of the effective cost or yield of a financial transaction have been deferred net of associated direct costs and recognized in the income statement over the expected average life of the transaction.

Non-financial income and expense is accounted for on an accruals basis. Deferred payments and collections are accounted for at the amount obtained by discounting expected cash flows at market rates.

u) Corporate income tax

Corporate income tax applicable to the Spanish companies in the Banco Sabadell Group and similar taxes applicable to foreign subsidiaries are treated as expenses and are recorded in the consolidated income statement under corporate income tax unless the tax has arisen on a transaction accounted for directly in equity, in which case it is also recognized directly in equity.

The total corporate income tax expense is equivalent to the sum of current tax calculated by applying the relevant rate to taxable income for the year (after legally admissible deductions and credits) and the variation in deferred tax assets and liabilities recognized in the consolidated income statement.

Taxable income for the year may be at variance with the profit for the year as shown in the income consolidated statement, as it excludes items of income or expenditure that are taxable or deductible in other years as well as items which are non-taxable or non-deductible.

Deferred tax asset and liabilities relate to taxes expected to be payable or recoverable arising from differences between the carrying value of the assets and liabilities figuring in the financial statements and the related tax bases ("tax value"), as well as tax losses carried forward and unused tax credits that might be offset or applied in the future. They are calculated by applying to the relevant temporary differences or tax credits the tax rate at which they are expected to be recovered or settled (note 35).

A deferred tax asset such as a tax prepayment or a credit in respect of a tax deduction or allowance, tax loss or other benefit is always recognized provided that the Group is likely to obtain sufficient future taxable profits against which the tax asset can be realised. A deferred tax liability will, in general, always be recognized.

"Tax assets" figuring on the consolidated balance sheet include all tax assets, differentiating between current (to be recovered in the coming 12 months) and deferred (to be recovered in future years).

"Tax liabilities" figuring on the consolidated balance sheet include all tax liabilities, except tax provisions, differentiating between current (taxes payable in the coming 12 months) and deferred (tax payable in future years).

Deferred tax liabilities arising from temporary differences associated with investments in subsidiaries and associates are recognized in the accounts unless the Group is capable of determining when the temporary difference will reverse and, in addition, such a reversal is unlikely.

In addition deferred tax assets are only recognized if it is considered probable that the consolidated companies will make sufficient tax profits in the future against which they can be realised and they do not derive from the initial recognition (except in a business combination) of other assets and liabilities in an operation which does not affect profits for tax purpose or for accounting purposes.

All recognized deferred tax assets and liabilities are reviewed in each accounting period to verify that they still apply and are adjusted as necessary.

Income or expenses recognized directly in equity that do not effect profits for tax purposes are recorded as temporary differences.

Banco Sabadell Group companies included in consolidation for corporate income tax purposes are listed in Schedule I. **Their tax charges for the year have been calculated on this basis and will be paid to Banco de Sabadell, S.A. as the parent company of the consolidated Group, which is responsible for paying the tax to the Spanish tax authorities.**

v) Consolidated cash flow statement

The consolidated cash flow statement includes certain items which are defined as follows:

- Cash flows: inflows and outflows of cash and cash equivalents, where "cash equivalents" are short-term, highly liquid investments with a low risk of changes in value.
- Operating activities: the typical activities of the Group as well as other activities that cannot be classified as investment or financing activities.
- Investing activities: the acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and of liabilities that do not form part of operating activities.

Comparability

The information presented in these annual accounts for 2013 is provided solely and exclusively for purposes of comparison with the information for the year ended 31 December 2014 and therefore does not constitute the Group's consolidated annual accounts for 2013.

Information for 2013 has been restated for comparative purposes as a result of the early application at 31 December 2014 of IFRIC 21 (see Basis of Presentation above). The retroactive application of this interpretation, accompanied by the release of the final schedule relating to certain outstanding payments by the Management Committee of the Deposit Guarantee Fund for Financial Institutions, has resulted in the Group changing its accounting policies for the recognition and accrual of contributions to the deposit guarantee fund, leading to a reduction in net profits attributed to the Group in 2013 of €101,917,000 (after tax) and a decrease of €87,249,000 (after tax) in consolidated reserves at 1 January 2013.

NOTE 2 – BANCO SABADELL GROUP

The companies comprising the Group as at 31 December 2014 and 2013 are listed in Schedule I along with their registered offices, principal activities, the Bank's proportional holding in each, key financial data and the consolidation method used (full consolidation or equity method) in each case.

Changes in consolidation scope in 2014

Set out below are the details of the most significant business combinations, acquisitions and sales of businesses and shareholdings in other entities (subsidiaries, jointly controlled entities and/or investments in associates) performed by the Group in 2014.

Subsidiaries consolidated for the first time

| | | Cost of combination | | | | | | |
|---|------------|-----------------------------------|----------------------|--|--------------------------|-----------------------|----------------------|--------------------|
| Name of entity (or line of business) acquired or merged | Category | Effective date of the transaction | Fair value of equity | | % Voting rights acquired | % Total voting rights | Type of shareholding | Method |
| | | | Amount paid | instruments issued for the acquisition | | | | |
| Placements Immobiliers France, S.A.S. | Subsidiary | 01/01/2014 | - | - | 99.62% | 99.62% | Indirect | Full consolidation |
| Sabadell Capital S.A. de C.V. SOFOM E.N.R. | Subsidiary | 22/04/2014 | 2,772 | - | 100.00% | 100.00% | Direct | Full consolidation |
| Manston Invest S.L.U. | Subsidiary | 23/09/2014 | 33,357 | - | 100.00% | 100.00% | Direct | Full consolidation |
| Stonington Spain S.L.U. | Subsidiary | 23/09/2014 | 60,729 | - | 100.00% | 100.00% | Direct | Full consolidation |

Formation of Sabadell Capital, Sociedad Anónima de Capital Variable (SOFOM)

On 22 April 2014, in Mexico City, Sabadell Capital, Sociedad Anónima de Capital Variable, Sociedad Financiera de Objeto Múltiple (SOFOM), Entidad No Regulada (hereinafter "Sabadell Capital") was incorporated. Its shares are 100% owned by the Banco Sabadell Group. Its main activity centres on corporate banking and structured financing in Mexican pesos and US dollars of energy projects, infrastructures and other sectors such as tourism, foreign trade and public administration. The formation of the new SOFOM also entails the first step in an internationalization project for the creation of a multiple banking institution in Mexico in the medium term.

Sabadell Capital has a team of 21 persons and is located in Mexico DF. It also has an office in Monterrey (Nuevo León). These are the cities in which the potential market on which Sabadell Capital seeks to focus is concentrated.

Once the requisite permits have been obtained from the Spanish supervisory authorities and the Mexican regulators and its operations have commenced, the aim of Sabadell Capital is to achieve an investment of €1,500 million in 2016. To this end, it enjoys the resources and international backing of Banco Sabadell which has considerable experience in financing projects of this kind, as well as specialized local, regional and global teams which will provide the necessary support to consolidate this new business in Mexico.

Acquisition of Banco Gallego Vida y Pensiones

On 12 November 2013 Banco Sabadell entered into an agreement with Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. ("Caser") for the acquisition of Caser's 75% holding in Banco Gallego Vida y Pensiones, S.A. de Seguros y Reaseguros ("Banco Gallego Vida y Pensiones"), of which Banco Sabadell is an indirect shareholder through the remaining shares. The acquisition of this holding was finalized on 20 February 2014 and therefore Banco Sabadell achieved a 100% holding in the capital of Banco Gallego Vida y Pensiones following a net disbursement of €28,200,000.

This transaction forms part of the process for reorganizing Banco Sabadell's insurance subsidiaries and associates.

Agreement for the acquisition of JGB Bank, N.A.

On 4 December 2013 Banco Sabadell, through its branch in Miami Sabadell United Bank, N.A. ("Sabadell United Bank"), concluded an agreement with GNB Holdings Trust for the acquisition of the banking institution JGB Bank, N.A. ("JGB Bank"). The transaction was structured through the acquisition from GNB Holdings Trust of JGB Financial Holding Company, which owned JGB Bank.

JGB Bank manages assets worth USD 530 million (approx. €390 million) and loans valued at USD 173 million (approx. €127 million).

GNB Holdings Trust's main shareholder is Jaime Gilinski Bacal, who is also a major shareholder in Banco

Sabadell.

On 14 July 2014, once obtained the required authorizations, Sabadell United Bank, N.A. (Sabadell United) carried out the acquisition of and immediate merger (by absorption) with JGB Bank, N.A. for USD 49.6 million (approximately €36.4 million), with effect from 11 July 2014. The transaction generated goodwill of USD 9.8 million.

Thanks to this operation Sabadell United has strengthened its business in Florida, where it manages a business volume of approximately USD 8,000 million and has a network of 27 branches serving 40,000 customers.

Subsidiaries no longer consolidated

| Thousand euro | | % | | | | | | |
|--|--------------------|-----------------------------------|-----------------------------|--|-------------------------|----------------------|--------------------|--|
| Name of entity (or line of business) sold, spun off or otherwise disposed of | Category | Effective date of the transaction | % Voting rights disposed of | Total voting rights following disposal | Profit/(loss) generated | Type of shareholding | Method | |
| | | | | | | | | |
| New Premier Inversiones,SICAV, S.A. (a) | Subsidiary | 12/02/2014 | 99.97% | 0.00% | 2,855 | Direct | Full consolidation | |
| Gaviel, S.A. (b) | Associate | 24/02/2014 | 50.00% | 0.00% | - | Direct | Equity method | |
| NF Desarrollos, S.L. (b) | Associate | 25/02/2014 | 40.00% | 0.00% | - | Indirect | Equity method | |
| Saprosin Promociones, S.L. (a) | Associate | 25/02/2014 | 45.00% | 0.00% | - | Indirect | Equity method | |
| Galeban Gestión de Riesgos, S.A.U. (c) | Subsidiary | 01/03/2014 | 100.00% | 0.00% | - | Direct | Full consolidation | |
| Sabadell Solbank Mediación Operador de Banca (c) | Subsidiary | 01/03/2014 | 100.00% | 0.00% | - | Direct | Full consolidation | |
| Costa Marina Mediterraneo (b) | Associate | 03/03/2014 | 33.33% | 0.00% | - | Indirect | Equity method | |
| Datolita Inversiones 2010, S.L. (b) | Subsidiary | 10/03/2014 | 100.00% | 0.00% | - | Direct | Full consolidation | |
| Banco Gallego, S.A.U. (c) | Subsidiary | 11/03/2014 | 100.00% | 0.00% | - | Direct | Full consolidation | |
| Sabadell Solbank, S.A. Sociedad Unipersonal (c) | Subsidiary | 11/03/2014 | 100.00% | 0.00% | - | Direct | Full consolidation | |
| E.B.N Banco de Negocios,S.A. (a) | Associate | 24/03/2014 | 15.62% | 0.00% | 214 | Direct | Equity method | |
| Loalsa Inversiones Castilla la Mancha, S.L. (a) | Associate | 31/03/2014 | 20.00% | 0.00% | - | Indirect | Equity method | |
| Anara Guipúzcoa (d) | Associate | 21/05/2014 | 40.00% | 0.00% | - | Indirect | Equity method | |
| Liquidambar Inversiones Financieras (b) | Jointly-controlled | 22/05/2014 | 13.33% | 0.00% | - | Direct | Equity method | |
| Berilia Grupo Inmobiliario, S.L. (a) | Associate | 28/05/2014 | 40.00% | 0.00% | - | Indirect | Equity method | |
| Leva Yorma, S.L. (a) | Associate | 28/05/2014 | 39.14% | 0.00% | - | Indirect | Equity method | |
| Ribera Casares Golf, S.L. (a) | Associate | 28/05/2014 | 47.07% | 0.00% | - | Indirect | Equity method | |
| Promociones y Desarrollos Urbanos Oncineda, S.L. (a) | Associate | 30/05/2014 | 50.00% | 0.00% | (58) | Indirect | Equity method | |
| Decovama 21, S.L. (d) | Associate | 30/05/2014 | 22.03% | 22.03% | - | Indirect | Equity method | |
| Inmobiliaria Valdebebas 21, S.L. (d) | Associate | 30/05/2014 | 40.92% | 0.00% | - | Direct | Equity method | |
| Fegaunión, S.A. (d) | Associate | 30/05/2014 | 48.00% | 48.00% | - | Indirect | Equity method | |
| Casas del Mar levante, S.L. (d) | Associate | 30/05/2014 | 33.33% | 33.33% | - | Indirect | Equity method | |
| Desarrollos Inmobiliarios Pronegui, S.L. (d) | Associate | 30/05/2014 | 40.00% | 40.00% | - | Indirect | Equity method | |
| Espacios Murcia, S.L. (d) | Associate | 30/05/2014 | 45.00% | 45.00% | - | Indirect | Equity method | |
| Key Vil I, S.L. (d) | Associate | 30/05/2014 | 40.00% | 40.00% | - | Indirect | Equity method | |
| Kosta Bareño, S.A. (d) | Associate | 30/05/2014 | 20.00% | 20.00% | - | Indirect | Equity method | |
| Lizarre Promociones, A.I.E. (d) | Associate | 30/05/2014 | 40.00% | 40.00% | - | Indirect | Equity method | |
| Naguisa Promociones, S.L. (d) | Associate | 30/05/2014 | 45.00% | 45.00% | - | Indirect | Equity method | |
| Parque del Seguro, S.L. (d) | Associate | 30/05/2014 | 32.20% | 32.20% | - | Indirect | Equity method | |
| Probur BG XXI, S.L. (d) | Associate | 30/05/2014 | 25.00% | 25.00% | - | Indirect | Equity method | |
| Promociones Abaco Costa Almería, S.L. (d) | Associate | 30/05/2014 | 40.00% | 40.00% | - | Indirect | Equity method | |
| Promociones Aguiver, S.L. (d) | Associate | 30/05/2014 | 43.39% | 43.39% | - | Indirect | Equity method | |
| Promociones Florida Casas, S.L. (d) | Associate | 30/05/2014 | 40.00% | 40.00% | - | Indirect | Equity method | |
| Residencial Haygon, S.L. (d) | Associate | 30/05/2014 | 25.00% | 25.00% | - | Indirect | Equity method | |
| Txonta Egizastu Promozioak, S.L. (d) | Associate | 30/05/2014 | 35.00% | 35.00% | - | Indirect | Equity method | |
| Urtago Promozioak, A.I.E. (d) | Associate | 30/05/2014 | 30.00% | 30.00% | - | Indirect | Equity method | |
| Dreamview, S.L. (d) | Jointly-controlled | 30/05/2014 | 49.00% | 49.00% | - | Indirect | Equity method | |
| Fbex del Mediterráneo, S.L. (d) | Jointly-controlled | 30/05/2014 | 25.00% | 25.00% | - | Indirect | Equity method | |
| Inmobiliaria Ricam 2005, S.L. (d) | Jointly-controlled | 30/05/2014 | 40.00% | 40.00% | - | Indirect | Equity method | |
| La Ermita Resort, S.L. (d) | Jointly-controlled | 30/05/2014 | 29.49% | 29.49% | - | Indirect | Equity method | |
| Mercado Inmobiliario de Futuro, S.L. (d) | Jointly-controlled | 30/05/2014 | 49.14% | 49.14% | - | Indirect | Equity method | |
| Dime Habitat, S.L. (d) | Associate | 30/05/2014 | 40.00% | 40.00% | - | Indirect | Equity method | |
| Gradiente Entrópico, S.L. (d) | Associate | 30/05/2014 | 49.00% | 49.00% | - | Indirect | Equity method | |
| Hansa Urbana S.A. (d) | Associate | 30/05/2014 | 30.61% | 0.00% | - | Direct | Equity method | |
| Altavista Hotelera,S.L. (a) | Associate | 26/06/2014 | 40.00% | 0.00% | - | Indirect | Equity method | |
| General de Biocarburantes, S.A. (a) | Associate | 26/06/2014 | 25.00% | 0.00% | 43 | Indirect | Equity method | |
| Puerto Mujeres, S.A. de C.V. (a) | Subsidiary | 30/06/2014 | 100.00% | 0.00% | (3,970) | Indirect | Full consolidation | |
| BanSabadell Correduría de Seguros, S.A.U. (c) | Subsidiary | 29/08/2014 | 100.00% | 0.00% | - | Direct | Full consolidation | |
| Boreal Renovables 15 S.L.U. (b) | Subsidiary | 17/09/2014 | 100.00% | 0.00% | - | Direct | Full consolidation | |
| Boreal Renovables 16, S.L.U. (b) | Subsidiary | 17/09/2014 | 100.00% | 0.00% | - | Direct | Full consolidation | |
| Erbisia Renovables, S.L. (b) | Jointly-controlled | 18/09/2014 | 49.00% | 0.00% | - | Indirect | Equity method | |

| thousand euro | | | | % | | | | |
|--|--------------------|-----------------------------------|-----------------------------|--|-------------------------|----------------------|--------------------|--|
| Name of entity (or line of business) sold, spun off or otherwise disposed of | Category | Effective date of the transaction | % Voting rights disposed of | Total voting rights following disposal | Profit/(loss) generated | Type of shareholding | Method | |
| | | | | | | | | |
| Emporio Mediterráneo, S.L. (b) | Jointly-controlled | 25/09/2014 | 50.00% | 0.00% | - | Indirect | Equity method | |
| Gallego Preferentes, S.A.U., En Liquidación (b) | Subsidiary | 30/10/2014 | 100.00% | 0.00% | - | Direct | Full consolidation | |
| Mediterráneo Seguros Diversos, Compañía de Seguros y Reaseguros, S.A. (a) | Subsidiary | 31/10/2014 | 100.00% | 0.00% | 883 | Direct | Full consolidation | |
| Parc Eòlic Veciana-Cabaro, S.L. (a) | Associate | 31/10/2014 | 40.00% | 0.00% | 897 | Indirect | Equity method | |
| Inversiones Valdeapa 21, S.L. (d) | Associate | 31/10/2014 | 16.03% | 0.00% | - | Indirect | Equity method | |
| Norfin 21, S.L. (a) | Associate | 14/11/2014 | 49.99% | 0.00% | (6) | Indirect | Equity method | |
| Cartera de Participaciones Empresariales, C.V., S.L. (b) | Jointly-controlled | 18/11/2014 | 50.00% | 0.00% | - | Direct | Equity method | |
| Espais Catalunya Mediterráneo, S.A. (a) | Jointly-controlled | 25/11/2014 | 49.72% | 0.00% | 805 | Indirect | Equity method | |
| Alma Gestión de Hoteles, S.L.U. (a) | Jointly-controlled | 25/11/2014 | 49.72% | 0.00% | - | Indirect | Equity method | |
| Alma Hotelmanagement GMBH (a) | Jointly-controlled | 25/11/2014 | 49.72% | 0.00% | - | Indirect | Equity method | |
| Ecamed Barcelona, S.L.U. (a) | Jointly-controlled | 25/11/2014 | 49.72% | 0.00% | - | Indirect | Equity method | |
| Ecamed Pamplona, S.L.U. (a) | Jointly-controlled | 25/11/2014 | 49.72% | 0.00% | - | Indirect | Equity method | |
| Mankel System, S.L.U. (a) | Jointly-controlled | 25/11/2014 | 49.72% | 0.00% | - | Indirect | Equity method | |
| Solvía Atlantic, L.L.C (b) | Subsidiary | 31/11/2014 | 100.00% | 0.00% | - | Indirect | Full consolidation | |
| 6350 Industries, S.L. (b) | Associate | 02/12/2014 | 37.50% | 0.00% | - | Indirect | Equity method | |
| IFOS, S.A. (a) | Associate | 05/12/2014 | 20.00% | 0.00% | (20) | Indirect | Equity method | |
| Servicios Reunidos, S.A. (b) | Subsidiary | 09/12/2014 | 100.00% | 0.00% | - | Direct | Full consolidation | |
| Adelanta Corporación, S.A. (a) | Associate | 15/12/2014 | 25.00% | 0.00% | 996 | Indirect | Equity method | |
| Atalanta Catalunya 2011, S.L. (a) | Associate | 15/12/2014 | 25.00% | 0.00% | 1 | Indirect | Equity method | |
| Prat Spolka, Z.O.O. (b) | Associate | 18/12/2014 | 35.00% | 0.00% | - | Indirect | Equity method | |
| Administración y Proyectos MDT, S.A. P.I. de C.V. (a) | Subsidiary | 19/12/2014 | 100.00% | 0.00% | - | Direct | Full consolidation | |
| Eurofragrance, S.L (a) | Associate | 29/12/2014 | 25.00% | 0.00% | 9,473 | Indirect | Equity method | |
| Explotaciones Energéticas SINIA XXI, S.L. (c) | Subsidiary | 29/12/2014 | 100.00% | 0.00% | - | Indirect | Full consolidation | |
| Tinser Cartera, S.L. (c) | Subsidiary | 29/12/2014 | 100.00% | 0.00% | - | Direct | Full consolidation | |
| G.I. Cartera, S.A. (c) | Subsidiary | 29/12/2014 | 100.00% | 0.00% | - | Direct | Full consolidation | |

(a) No longer consolidated due to sale of investment

(b) No longer consolidated due to dissolution and/or liquidation

(c) No longer consolidated due to merger

(d) No longer consolidated due to loss of significant influence.

Merger, by absorption, of Banco de Sabadell S.A., with Banco Gallego, S.A.U. and Sabadell Solbank, S.A.U.

On 21 November 2013, the Bank's Board of Directors adopted a resolution approving the merger, by absorption, by Banco Sabadell of Banco Gallego S.A. Sociedad Unipersonal ("Banco Gallego") and the merger, by absorption, by Banco Sabadell of Sabadell Solbank S.A. Sociedad Unipersonal ("Sabadell Solbank"), subject to the obtention of the relevant authorizations in both cases.

These mergers were carried out under Articles 49.1 and 51 of Law 3/2009 on structural changes in trading companies, since they consisted in the absorption of wholly-owned subsidiaries.

The Boards of Directors of Banco Sabadell, Banco Gallego and Sabadell Solbank signed the relevant merger plan at the meetings held on the above mentioned date.

Other disposals

On 14 March 2014 the public deeds recording the absorption of Banco Gallego, S.A.U. and Sabadell Solbank, S.A.U. by Banco Sabadell, effective for accounting purposes from 1 January 2014, were entered in the Barcelona Mercantile Register.

On 12 December 2014, Aurica XXI, S.C.R. de régimen simplificado S.A.U., a company 100% owned by Banco Sabadell, S.A., sold 25% of its shareholding in Eurofragrance, S.L. generating a profit of €9,473,000.

Other corporate operations and relevant contracts in force in 2014

Reinsurance of Mediterráneo Vida individual life-risk insurance portfolio

In March 2014 Mediterráneo Vida, Sociedad Anónima de Seguros y Reaseguros entered into a reinsurance contract that covers its individual life-risk insurance portfolio as at 31 December 2013 with the reinsurance company SCOR Global Life Reinsurance Ireland, Plc (Scor).

Under this contract, the Group transferred the main insurance technical risks associated with the individual life-risk business (i.e. variances in mortality, absolute disability and portfolio loss rates) to Scor, without there being any conditions under which the Group retains significant risks relating to the insurance activity associated with the policies concerned.

The Group also verified compliance with the remaining requirements laid down in IAS 18 "Ordinary Income" for the purposes of determining whether, at the date on which the contract was signed, the risks and rewards related to the portfolio had been transferred and therefore it could be treated, from an economic viewpoint, as being equivalent to the sale or transfer of an insurance portfolio. It should be noted in particular that Scor is responsible for the amounts payable to insured parties for any reported claims and no guarantee of any kind

has been furnished by the Group with respect to a minimum volume of business in the future. Although the Group continues to manage the portfolio and is remunerated for this in accordance with market standards, its management is conducted in line with Scor's policies and instructions and therefore the Group lacks autonomy in this respect.

The contract provides for certain early termination events for both parties but these are basically safeguards relating to breach of contract due to non-payment, credit quality or service levels, the occurrence of which is regarded as unlikely by the Group. In connection with early termination, the contract provides for compensation based on market conditions which includes penalties based on the reasons for termination, as well as the granting to Scor by the Group of collateral which diminishes over time.

In the light of the above, the Group concluded that the relevant risks and rewards had been transferred and therefore recognized a non-recurring income item. Accordingly, the total cash premium received by the Group upon the conclusion of the contract, amounting to €82,153,000, has been recorded in full on the consolidated income statement for 2014 under the heading Gains/(losses) from disposals of assets not classified as non-current available for sale. In addition, since the contract came into effect the Group has recorded the agreed fee for the management of the reinsured portfolio on an accruals basis.

The contract also provides for an incentive whereby the Group may share in the favourable behaviour of the portfolio after 2025. No amounts have been recognized in this respect in these consolidated annual accounts as the collection of any revenue is regarded as a contingent asset.

Sale of the debt recovery management business

In December 2014, after obtaining the relevant authorizations, Banco Sabadell and Lindorff España S.L.U. (Lindorff) concluded a contract for the sale of the Group's debt collection management business and an agreement for the provision of services related to the management and recovery of overdue debts for an initial period of ten years.

The sale contract of sale includes the transfer from Banco Sabadell to Lindorff of the assets and liabilities used in the business, including furnishings and computer equipment used to provide the services, contracts with suppliers covered by the business and employees working in this area with their know-how, experience and skills. All these activities and net assets, which in themselves allowed the recovery management of the Group's overdue debts, make up the business unit transferred to Lindorff, who on the basis of its experience and technical capacity now runs the business independently with the aim of gaining a return on its investment.

In other terms, Banco Sabadell concluded a service contract with Lindorff relating to the recovery of certain overdue debts owed to Banco Sabadell and its subsidiaries under which Banco Sabadell undertakes to assign, with certain exceptions, the overdue receivables held by it or its subsidiaries which will be managed by Lindorff in return for a variable fee. The contract provides that the volume of receivables assigned to Lindorff will comply with certain minimum levels over a transitional period. Subsequently, the volume assigned will depend on the volume of overdue debtors and the evolution of the business. Said contract envisages the measurement of Lindorff's degree of compliance based on various performance indicators applicable to the agreed services, establishing a scale of penalties for inadequate or insufficient performance, as well as advance termination events under certain circumstances (e.g. serious breach of contractual obligations or utilization of practices that involve reputational risk).

From an analysis of the nature of the rights retained by the Group over its former debt collection business, it may be concluded that they involve (i) safeguards, the purpose of which is to protect the underlying assets, protecting the Group against inefficient management but without retaining management powers, or (ii) rights that do not violate the transfer of risks and rewards as the likelihood of them being exercised is regarded as remote. The rights do not restrict Lindorff in its management of the debt recovery business and therefore Lindorff has power over the relevant activities and is exposed to fluctuations in results as it assumes the operational risks typical of the business acquired, market risks due to the volume of overdue loans and the execution time for the enforcement of guarantees on the assigned debt as well as risks derived from its own performance if it does not achieve the levels agreed with Banco Sabadell.

The conclusion of this operation as a whole allows the Group to maximize the profitability of recovery management through the expected increase in success fees and the speeding-up of the rate of recovery, while separating management of this business from its core banking business.

For accounting purposes, the Group sold its recovery management business in full to a third party without retaining any interest in it since control over the assets and the main related risks and rewards were transferred to Lindorff. Accordingly, the resulting profit should be recognized in the consolidated income statement in accordance with IFRS 3 "Business Combinations" and IAS 18 "Ordinary Income". The price for the

transfer received by the Group under the contract was €162 million, generating a gross gain for that amount under the heading Gains/(losses) from disposals of assets not classified as non-current available for sale.

Award of asset management contract by SAREB

In November 2014, Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (SAREB) awarded to the Group the management of a portfolio of 42,900 assets through its subsidiary Solvia Servicios Inmobiliarios, S.L. (Solvia) for an initial term of seven years, commencing as from 1 July 2015.

The services include the migration of data to the Solvia platform, asset administration and management and legal advice on properties derived from Bankia and loans and properties which SAREB acquired from Banco Gallego and Banco Ceiss.

Of the total assets to be managed, over 33,000 are properties, the remainder comprising loans and credit facilities with some kind of real estate guarantee. All these assets continue to be owned by SAREB which annually sets the budget allocated for their management, on the basis of which Solvia is required to render its services.

To ensure a specific level and volume of performance in the provision of the services to SAREB, and under the rules of the tender called for this purpose, when the contract was awarded Solvia set up a performance guarantee (in cash) which will be returned by SAREB to Solvia as the economic rights agreed by the parties accrue and are paid.

This contract provides for the measurement of the degree of compliance by Solvia based on a number of performance indicators applicable to the agreed services. A scale of penalties is provided for which would be applied to the economic rights under the contract on the basis of the degree of compliance, in addition to advance termination events under certain circumstances (for instance, in the event of non-compliance by Solvia for a period of 12 months with the highest materiality level and degree of variance from the targets laid down in the contract). The contract also envisages the possibility of advance termination by SAREB at any time after providing at least three (3) months' notice and paying compensation to Solvia which would be calculated in accordance with the terms of the contract.

From the analysis of the nature of the early termination events which could partially affect the recovery of the guarantee provided, it may be concluded that they are basically safeguards for SAREB which the Group regards as unlikely within the framework of the agreed and expected provision of services.

The conclusion of this operation will enable the Group to gain maximum returns from the current asset management business by obtaining regular ordinary income from the services rendered to SAREB, and increase its competitive advantage by taking advantage of synergies with the current business.

Although the contract between the parties came into force on 7 November 2014, the day it was signed, no revenues have yet been recognized from the provision of the services as the parties are currently in the process of preparing the migration of the assets to be managed.

Exclusivity agreement with Zurich for life insurance, pension plan and general insurance products.

On 20 May 2014, Banco Sabadell entered into an agreement with the insurance company Zurich (Zurich Insurance Company, Ltd. and Zurich Vida, Compañía de Seguros y Reaseguros, S.A.) to convert the companies of the joint venture Banco Sabadell-Zurich, BanSabadell Vida, Sociedad Anónima de Seguros y Reaseguros ("BanSabadell Vida"), BanSabadell Pensiones, Entidad Gestora de Fondos de Pensiones, S.A. ("BanSabadell Pensiones") and BanSabadell Seguros Generales, Sociedad Anónima de Seguros y Reaseguros ("BanSabadell Seguros Generales") into exclusive suppliers of life insurance, pension plans and general insurance for the entire Banco Sabadell branch network in Spain.

Thanks to this agreement, Banco Sabadell has culminated the reorganization of its insurance business, after completing the incorporation of the business and the insurance companies acquired in the bank consolidation process taking place in recent years through the acquisitions of Banco CAM, the business of BMN in Catalonia and Aragón (Caixa Penedès), Lloyd's Bank España and Banco Gallego.

This reorganization has led to the rescission of agreements between Banco CAM and Banco Gallego with an insurance company. The compensation paid for the above rescission reflects the value of the assignment of exclusivity rights to the sale of certain insurance products.

The agreement with Zurich essentially covers the following transactions:

(i) the assignment of the exclusivity rights of Mediterráneo Vida, S. A., Compañía de Seguros y Reaseguros ("Mediterráneo Vida") to life insurance products (except for group savings products for large companies) in favour of BanSabadell Vida.

(ii) The assignment of the exclusivity rights of Mediterráneo Vida for the distribution of pension plans (except for employment pension plans) and the assignment of the individual pension plan portfolio in favour of BanSabadell Pensiones.

(iii) The sale of 100% of the share capital of Mediterráneo Seguros Diversos, S. A. ("Mediterráneo Seguros Diversos"), an entity derived from the merger with Banco CAM, to BanSabadell Seguros Generales by Gestión Financiera del Mediterráneo, S. A. (100% owned subsidiary of Banco Sabadell) and Banco Sabadell, following the acquisition by Banco Sabadell of 50% of Mediterráneo Seguros Diversos a Caja de Seguros Reunidos, S.A., through the exercise of a purchase option it holds to said shareholding. Through this operation, BanSabadell Seguros Generales has acquired exclusive rights to the distribution of general insurance products owned by Mediterráneo Seguros Diversos.

The assignment of the exclusive pension plan distribution rights and the assignment of the individual pension plan portfolio have been treated for accounting purposes as the transfer of a business as all the main risks and rewards have been transferred to the Group as regards both the current portfolio and future production. The resulting profit has been recognized on the consolidated income statement.

The assignment of exclusivity rights to the future production of life products has been treated for accounting purposes as the sale of an asset which meets the requirements of IAS 18 for the recognition of the income in the income statement, deducting the percentage held by the Group in the purchasing company.

The assignment of both the life insurance exclusivity rights and the pension plan distribution rights took place in June 2014, while the sale of 100% of the capital of Mediterráneo Seguros Diversos was completed in October 2014.

The operation initially totalled €214 million, of which Zurich, as the 50% shareholder in the joint venture companies, has paid €107 million. This amount also covers the compensation paid by the Group for the rescission of the above-mentioned contracts. The net positive impact of the entire reorganization on the consolidated income statement amounts to €13 million.

The agreement also provides for the payment of a variable amount linked to the fulfilment of a business plan. The Group has not recorded any income in the consolidated income statement as said payment has been treated as a contingent asset.

Asset protection scheme

As a result of the acquisition of Banco CAM on 1 June 2012, the Asset Protection Scheme (APS) came into force with retroactive effect as from 31 July 2011, in accordance with the protocol on financial assistance for the restructuring of Banco CAM. Under this scheme, which covers a specified portfolio of assets with a gross value of €24,644 million at 31 July 2011, the Deposit Guarantee Fund (DGF) assumes 80% of all losses on the portfolio for a period of ten years, once provisions made in respect of those assets have been fully applied, which at said date amounted to €3,882 million.

The portfolio of assets protected by the APS at 31 July 2011, the effective date, breaks down as follows:

| € million | | | | |
|--|-----------------------------|--------------|------------------------|--------------|
| | On individual balance sheet | | On group balance sheet | |
| | Balance | Provision | Balance | Provision |
| Loans and advances to customers | 21,711 | 2,912 | 19,117 | 2,263 |
| Of which risk drawn down | 21,091 | - | 18,460 | - |
| Of which guarantees and contingent liabilities | 620 | - | 657 | - |
| Real-estate assets (*) | 2,380 | 558 | 4,663 | 1,096 |
| Shareholdings | 193 | 52 | 504 | 163 |
| Written-off assets | 360 | 360 | 360 | 360 |
| Total | 24,644 | 3,882 | 24,644 | 3,882 |

(*) Real-estate assets including non-current assets held for sale, investment properties and inventories.

Movements in the drawn-down balance in the loan portfolio protected by the APS since it entered into force to 31 December 2014 are as follows:

| | |
|------------------------------------|---------------|
| € million | |
| Balance at 31 July 2011 | 18,460 |
| Acquisition of real-estate assets | (4,653) |
| Receipts and subrogation | (2,427) |
| Increase in written-off assets | (233) |
| Credit draw-downs | 30 |
| Balance at 31 December 2014 | 11,177 |

Movements in the balance in the real-estate asset portfolio protected by the APS since it entered into force until 31 December 2014 are as follows:

| | |
|------------------------------------|--------------|
| € million | |
| Balance at 31 July 2011 | 4,663 |
| Acquisition of real-estate assets | 3,547 |
| Sales of real-estate assets | (2,350) |
| Balance at 31 December 2014 | 5,860 |

The current allowances for the APS portfolio already recorded and related to customer loans and real-estate assets amount to €7,167 million at 31 December 2014. The portion of those allowances guaranteed by the Scheme is 80% of those that exceed the initial threshold of €3,882 million. The capital losses incurred with respect to the APS assets derived from the above tables are also guaranteed by the same percentage. At the end of 2014 the estimated figure to be covered by the APS for these items as a whole was around five thousand million, which was recorded under Loans and receivables.

The current allowances provide 42% coverage of the associated exposure. However, if it is taken into account that 80% of any loss from this portfolio is guaranteed, the effective coverage increases to 88.4%.

This means that the coverage guaranteed by the APS over and above the current level of allowances in the event that greater coverage were needed is up to €7,896 million of additional allowances which, as they are covered by the APS, would not have any impact on the Group's results.

Changes in consolidation scope in 2013

Set out below are the details of the most significant business combinations, acquisitions and sales of businesses and shareholdings in other entities (subsidiaries, jointly controlled entities and/or investments in associates) performed by the Group in 2013.

Subsidiaries consolidated for the first time

Thousand euro

| Name of entity (or line of business) acquired or merged | Category | Effective date of the transaction | Cost of combination | | % Voting rights acquired | % Total voting rights | Kind of holding | Method |
|---|------------|-----------------------------------|---------------------|---|--------------------------|-----------------------|-----------------|--------------------|
| | | | Amount paid | Fair value of equity instruments issued for the acquisition | | | | |
| Delta Swing, S.A.U. | Subsidiary | 01/02/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| BanSabadell Operaciones y Servicios, S.A.U. | Subsidiary | 25/04/2013 | 60 | - | 100.00% | 100.00% | Direct | Full consolidation |
| Solvía Activos, S.A.U. (1) | Subsidiary | 22/05/2013 | 500,622 | - | 100.00% | 100.00% | Direct | Full consolidation |
| Lloyds Bank International, S.A.U. | Subsidiary | 30/06/2013 | 62,129 | - | 100.00% | 100.00% | Direct | Full consolidation |
| Lloydesa Operador de Banca Seguros Vinculado (Grupo Lloyds TSB), S.A.U. | Subsidiary | 30/06/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| LBI Sociedad de Gestión de Activos Adjudicados, S.A.U. | Subsidiary | 30/06/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Lloyds Investment España, S.G.I.I.C., S.A.U. | Subsidiary | 30/06/2013 | 4,846 | - | 100.00% | 100.00% | Direct | Full consolidation |
| Solvía Pacific, S.A. de C.V. | Subsidiary | 26/07/2013 | 31,795 | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Adara Renovables, S.L. (2) | Associate | 28/10/2013 | - | - | 34.00% | 34.00% | Indirect | Equity method |
| Bajo Almazora Desarrollos Inmobiliarios S.L. (2) | Associate | 28/10/2013 | - | - | 39.14% | 39.14% | Indirect | Equity method |
| Banco Gallego Vida y Pensiones, S.A. de Seguros y Reaseguros (2) | Associate | 28/10/2013 | - | - | 25.00% | 25.00% | Indirect | Equity method |
| Banco Gallego, S.A.U. | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Direct | Full consolidation |
| Berilía Grupo Inmobiliario, S.L. (2) | Associate | 28/10/2013 | - | - | 40.00% | 40.00% | Indirect | Equity method |
| Boreal Renovables 14 S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Boreal Renovables 15 S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Boreal Renovables 16, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Cantabria Generación S.L. (2) | Associate | 28/10/2013 | - | - | 50.00% | 50.00% | Indirect | Equity method |
| Casiopea Energía 1, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Casiopea Energía 2, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Casiopea Energía 3, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Casiopea Energía 4, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Casiopea Energía 5, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Casiopea Energía 6, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Casiopea Energía 7, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Casiopea Energía 8, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Casiopea Energía 9, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Casiopea Energía 10, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Casiopea Energía 11, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Casiopea Energía 12, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Casiopea Energía 13, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Casiopea Energía 14, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Casiopea Energía 15, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Casiopea Energía 16, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Casiopea Energía 17, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Casiopea Energía 18, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Casiopea Energía 19, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |

| Name of entity (or line of business) acquired or merged | Category | Effective date of the transaction | Cost of combination | | % Voting rights acquired | % Total voting rights | Type of shareholding | Method |
|---|--------------------|-----------------------------------|---------------------|---|--------------------------|-----------------------|----------------------|-----------------------------|
| | | | Amount paid | Fair value of equity instruments issued for the acquisition | | | | |
| Decovama 21, S.L. (2) | Associate | 28/10/2013 | - | - | 22.03% | 22.03% | Indirect | Equity method |
| Eólica de Cuesta Roya, S.L. (2) | Subsidiary | 28/10/2013 | - | - | 50.97% | 50.97% | Indirect | Full consolidation |
| Eólica de Valdejalón, S.L. (2) | Subsidiary | 28/10/2013 | - | - | 50.97% | 50.97% | Indirect | Full consolidation |
| Epila Renovables, S.L. (2) | Subsidiary | 28/10/2013 | - | - | 51.00% | 51.00% | Indirect | Full consolidation |
| Fegaunion, S.A. (2) | Associate | 28/10/2013 | - | - | 48.00% | 48.00% | Indirect | Equity method |
| Fomento de la Coruña, S.A. (2) | Subsidiary | 28/10/2013 | - | - | 50.00% | 50.00% | Indirect | Full consolidation |
| Fotovoltaica de la Hoya de los Vicentes 106, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Fotovoltaica de la Hoya de los Vicentes 113, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Fotovoltaica de la Hoya de los Vicentes 119, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Fotovoltaica de la Hoya de los Vicentes 121, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Fotovoltaica de la Hoya de los Vicentes 127, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Fotovoltaica de la Hoya de los Vicentes 130, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Fotovoltaica de la Hoya de los Vicentes 131, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Fotovoltaica de la Hoya de los Vicentes 144, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Fotovoltaica de la Hoya de los Vicentes 162, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Fotovoltaica de la Hoya de los Vicentes 163, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Fotovoltaica de la Hoya de los Vicentes 164, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Fotovoltaica de la Hoya de los Vicentes 165, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Fotovoltaica de la Hoya de los Vicentes 166, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Fotovoltaica de la Hoya de los Vicentes 167, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Fotovoltaica de la Hoya de los Vicentes 168, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Fotovoltaica de la Hoya de los Vicentes 169, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Fotovoltaica de la Hoya de los Vicentes 170, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Fotovoltaica de la Hoya de los Vicentes 171, S.L. (2) | Associate | 28/10/2013 | - | - | 50.00% | 50.00% | Indirect | Equity method |
| Fotovoltaica de la Hoya de los Vicentes 189, S.L. (2) | Associate | 28/10/2013 | - | - | 25.00% | 25.00% | Indirect | Equity method |
| Fotovoltaica de la Hoya de los Vicentes 195, S.L. (2) | Subsidiary | 28/10/2013 | - | - | 75.00% | 75.00% | Indirect | Full consolidation |
| Fotovoltaica de la Hoya de los Vicentes 200, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Gala Domus, S.A. (2) | Subsidiary | 28/10/2013 | - | - | 50.00% | 50.00% | Indirect | Full consolidation |
| Galeban 21 Comercial S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Galeban Control y Asesoramiento S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Galeban Gestión de Riesgos S.A.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Galenova Sanitaria S.L. (2) | Jointly-controlled | 28/10/2013 | - | - | 50.00% | 50.00% | Indirect | Proportionate consolidation |
| Gallego Preferentes, S.A.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| GEST 21 Inmobiliaria, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Gest Galinver, S.L. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Gest Madrigal, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Inmobiliaria Valdebebas 21, S.L. (2) | Associate | 28/10/2013 | - | - | 27.27% | 27.27% | Indirect | Equity method |
| Inverán Gestión, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Inversiones Valdeapa 21, S.L. (2) | Associate | 28/10/2013 | - | - | 16.03% | 16.03% | Indirect | Equity method |
| Leva Yorma, S.L. (2) | Associate | 28/10/2013 | - | - | 49.08% | 49.08% | Indirect | Equity method |
| Luzentia Fotovoltaica S.L. (2) | Associate | 28/10/2013 | - | - | 25.92% | 25.92% | Indirect | Equity method |
| Metalplast C.F.E S.L. (2) | Associate | 28/10/2013 | - | - | 20.00% | 20.00% | Indirect | Equity method |
| New Premier Inversiones, SICAV, S.A. (2) | Subsidiary | 28/10/2013 | - | - | 91.00% | 91.00% | Indirect | Full consolidation |
| Pemapro, S.L. (2) | Associate | 28/10/2013 | - | - | 49.00% | 49.00% | Indirect | Equity method |
| Ribera Casares Golf, S.L. (2) | Associate | 28/10/2013 | - | - | 47.07% | 47.07% | Indirect | Equity method |
| Verum Inmobiliaria, S.A. (2) | Subsidiary | 28/10/2013 | - | - | 97.20% | 97.20% | Indirect | Full consolidation |
| Villacarilla FV, S.L.U. (2) | Subsidiary | 28/10/2013 | - | - | 100.00% | 100.00% | Indirect | Full consolidation |
| Visualmark Internacional S.L. (2) | Associate | 28/10/2013 | - | - | 20.00% | 20.00% | Indirect | Equity method |
| Sabadell Inmobiliario, F.I.I. | Subsidiary | 01/11/2013 | 939,334 | - | 99.62% | 99.62% | Direct | Full consolidation |
| Queenford, S.L. | Associate | 01/11/2013 | 1,198 | - | 31.54% | 31.54% | Indirect | Equity method |
| BSTARTUP 10, S.L.U. | Subsidiary | 30/12/2013 | 1,000 | - | 100.00% | 100.00% | Indirect | Full consolidation |

(1) Company incorporated in compliance with Law 8/2012 to which the bank has transferred all the properties repossessed or received as debt settlements, through the cash contribution of €60,000 in capital and €500,562,000 as a non-cash contribution.

(2) First-time consolidation due to acquisition of Banco Gallego, S.A.U.

Acquisition of assets from BMN-Penedès

On 18 December 2012, Banco Sabadell entered into an asset and liability assignment agreement with Banco Mare Nostrum, S.A. (BMN) under which certain assets and liabilities of the banking business of BMN's Regional Head Office for Catalonia and Aragón (hereinafter referred to as BMN-Penedès) were transferred to Banco Sabadell. On 31 May 2013, having obtained the relevant regulatory authorizations, the deed of assignment was formalized and Banco Sabadell took control on 1 June 2013.

The Assignment deed was based on the balance sheet relating to the assets and liabilities to be transferred to Banco Sabadell as at 28 February 2013 (reference date for the transaction). According to this balance sheet, the assets to be transferred totalled €9,950 million and the liabilities to be transferred totalled €9,613 million. The consideration received for the assignment by BMN amounted to €337 million, consisting of the difference between the assets and liabilities within the scope of the assignment on the reference date.

The above notwithstanding, the scope of assets and liabilities finally transferred to Banco Sabadell was that existing at 31 May 2013 in which the assets and liabilities totalled, respectively, €9,779 million and €9,625 million, according to the following breakdown:

| Thousand euro | | | |
|--------------------------------------|------------------|---|------------------|
| Assets | | Liabilities | |
| Cash and balances with central banks | 60,181 | Held for trading | 545 |
| Held for trading | 14,239 | Financial liabilities at amortised cost | 9,289,951 |
| Loans and receivables | 9,432,787 | Provisions | 418 |
| Tangible assets | 265,207 | Other liabilities | 334,786 |
| Other | 6,839 | | |
| Total assets | 9,779,253 | Total liabilities | 9,625,700 |

Therefore, the consideration for the assignment to be received by BMN amounted to €154 million, which entailed a regularization in Banco Sabadell's favour of €183 million that was paid by BMN at 31 October 2013.

As part of the assignment of the cost of the transaction to the assets, liabilities and contingent liabilities obtained in the business combination, the following adjustments were made to the carrying values of the assets and liabilities received:

- on the basis of the analyses performed by the Group, it was decided that the loan portfolios be adjusted to their estimated fair values. The adjustment consisted of a negative figure of €334 million. To determine the fair value of the loan portfolio certain estimated forecast loss percentages were applied to it, in line with market standards and basically determined on the basis of the characteristics of the financing granted and the loan collateral.

- With respect to the portfolio of property for own use, the fair values of these assets were revised, essentially on the basis of their location, and it has been judged necessary to record additional negative adjustments amounting to €16 million.

- Finally, in Deferred tax assets the tax effect (30% rate) of the adjustments explained in the above paragraphs was adjusted, which total €105 million.

The allocation of the above price generated goodwill of €245 million.

The scope included 462 branches, 2,020 employees and a base of approximately 900,000 customers.

The inclusion of the new branches enabled the Banco Sabadell Group to double its network in Catalonia, attaining a branch market share of 12%.

Following this transaction Banco Sabadell's commercial structure in Catalonia was reorganized and a new regional division was created, comprising both the Banco Sabadell and the BMN branches. In Aragón, the new branches were included within the current Northern Division. This new arrangement brings the advantages of centralized territory management and local specialization capacities to meet the needs of each region.

Acquisition of Lloyds

On 29 April 2013 Banco Sabadell concluded an agreement with Lloyds TSB BANK PLC ("Lloyds Bank") for the acquisition of 100% of the shares in Lloyds Bank International, S.A.U. ("LBI") and Lloyds Investment España, S.G.I.I.C., S.A.U. (Lloyds Investment), the Spanish subsidiaries of Lloyds Bank. Banco Sabadell took control of the above-mentioned entities on 30 June 2013.

Following the acquisition the business name of LBI was changed to Sabadell Solbank, S.A.U. In addition, the business name of Lloyds Investment was changed to Sabadell Solbank Inversión, S.G.I.I.C., S.A.U., the name of Lloydessa Operador de Bancaseguros Vinculado, S.A.U. (Lloyds Operador de Bancaseguros) was changed to Sabadell Solbank Seguros Operador de Bancaseguros Vinculado, and the name of LBI Sociedad de Gestión de Activos Adjudicados, S.A.U. (LBI Gestión de Activos) was changed to Sabadell Solbank Sociedad de Gestión de Activos Adjudicados, S.A.U.

The abridged consolidated balance sheet of LBI at the date of taking control, including the companies Lloyds Operador de Bancaseguros and LBI Gestión de Activos, was as follows.

| Thousand euro | | | |
|--------------------------------------|------------------|---|------------------|
| Assets | | Equity and liabilities | |
| Cash and balances with central banks | 49,306 | Liabilities | |
| Loans and receivables | 1,597,885 | Financial liabilities at amortised cost | 1,336,888 |
| Non-current assets held for sale | 23,227 | Other | 14,926 |
| Other | 34,586 | Equity | |
| | | Shareholders' funds | 352,958 |
| | | Valuation adjustments | 232 |
| Total assets | 1,705,004 | Total liabilities and equity | 1,705,004 |

Lloyds Investment's equity and assets totalled €5 million between them.

The business consolidated by LBI essentially consists of mortgage loans (97% of total gross lending activity) and deposits of non-resident individuals.

The consideration for the acquisition of 100% of the shares in both Spanish companies consisted of the delivery of 53,749,680 shares in Banco Sabadell derived from the Bank's treasury shares, the fair value of which at the date of the taking of control amounted to €68.5 million (€84 million on the date on which the purchase agreement was signed by Banco de Sabadell and Lloyds Bank), as well as the receipt of cash by Banco Sabadell amounting to €1.5 million as a price adjustment. With respect to the consideration agreed on the date on which the purchase agreement was signed, it was agreed with Lloyds Bank that LBI's shareholders' funds should be increased by €295 million, entailing a capital increase prior to the definitive conclusion of the transaction. This holding afforded Lloyds Bank the status of stable shareholder since it has undertaken not to transfer the shares received until 30 April 2015.

This transaction did not affect Banco Sabadell's capital ratios since the holding acquired by Lloyds Bank absorbed the capital consumed due to the requirements of the assets acquired.

In addition, the parties agreed a possible compensation for the coming four years, up to a maximum of €20 million, as a profitability adjustment, which Banco Sabadell will pay to Lloyds Bank depending on variations in the 12-month interest rate.

As part of the assignment of the cost of the transaction to the assets, liabilities and contingent liabilities obtained in the business combination, the following adjustments were made to the carrying values of the assets and liabilities received:

- On the basis of the analyses performed by the Group, it was decided that negative adjustments should be made to the loan portfolio to adjust it to its estimated fair value. The amount allocated to additional allowances was €411 million. To determine the fair value of the loan portfolio certain estimated forecast loss percentages were applied to it, in line with market standards and basically determined on the basis of the characteristics of the financing granted and the loan collateral.
- With respect to the portfolio of repossessed properties, the fair values of these assets were revised, essentially on the basis of their location, use and degree of maturity, and it was judged necessary to record additional negative adjustments amounting to €16 million.
- In addition, tax credits for tax losses recorded in LBI's balance sheet totalling €16 million were impaired since these cannot be utilized by Banco Sabadell's tax group. Conversely, deferred tax assets amounting to €26 million were recorded which did not figure on LBI's balance sheet.
- Finally, the tax effect (applying a 30% rate) of the adjustments related to the fair-value recognition of the loan and receivables portfolio and the repossessed properties mentioned in the first two points above was adjusted in the heading Deferred tax assets. The adjustment amounted to €128 million.

The allocation of the price described did not entail the emergence of any goodwill or negative consolidation difference.

Thanks to this acquisition, Banco Sabadell strengthened even further its significant franchise in the non-resident retail banking segment and became the partner in Spain of Lloyds Bank. In addition, it established a long-term strategic alliance with this institution in the areas of commercial, corporate and private banking.

The branch network consisted of 28 branches located in Valencia, Murcia, Andalusia, Madrid, Barcelona, Basque Country and Navarre, 343 employees and a base of approximately 53,000 customers.

Ordinary income and profit/(loss) before tax of the Banco Lloyds group since the acquisition date included in the consolidated income statement and consolidated statement of recognized income and expenses amounted to €18,351,000 and €10,696,000.

Other income and expenses figuring in the consolidated statement of recognized income and expenses of the Lloyds group since the date of acquisition included in consolidation amounted to €44,000.

Had the acquisition been carried out with effective date 1 January 2013, the ordinary income and pre-tax profit/(loss) that the Lloyds group would have contributed to the Group would have amounted to €84,786,000 and a loss of €4,104,000.

Acquisition of Banco Gallego

On 17 April 2013, Banco Sabadell submitted a bid in the process for the adjudication and sale of Banco Gallego, S.A. and negotiated the terms of a potential purchase agreement with the Bank Restructuring Fund (FROB), contingent on compliance with the relevant legal requirements. On 19 April 2013, Banco Sabadell was informed that its bid had been successful.

On the same date Banco Sabadell concluded the purchase agreement for all the shares in Banco Gallego, S.A. for a price of one euro, on the condition that closure would take place once a prior capital increase has been carried out in Banco Gallego, S.A., under the responsibility of the FROB, of €245,000,000 and after completion of the management actions related to the hybrid instruments of Banco Gallego, S.A. under the entity's discontinuance plan. The completion of the operation was also subject to the obtainment of the relevant regulatory authorizations.

On 28 October 2013, having obtained the necessary regulatory authorizations and having taken the required management actions in relation to the Banco Gallego hybrid instruments, and after the FROB had increased capital by € 245 million in Banco Gallego, S.A., the operation was brought to a close.

The condensed consolidated balance sheet of Banco Gallego, S.A. at the date of acquisition is as follows:

| Thousand euro | | | |
|--|------------------|---|------------------|
| Assets | | Equity and liabilities | |
| Cash and balances with central banks and credit institutions | 324,556 | Liabilities | |
| Loans and advances to customers | 1,789,711 | Loans and advances to credit institutions | 89,624 |
| Debt securities | 723,628 | Customer deposits | 2,837,434 |
| Tangible assets | 62,886 | Other financial liabilities | 96,634 |
| Tax assets | 234,836 | Other | 67,415 |
| Other | 92,135 | Equity | |
| | - | Shareholders' funds | 136,339 |
| | | Valuation adjustments | 306 |
| Total assets | 3,227,752 | Total liabilities and equity | 3,227,752 |

As part of the assignment of the cost of the transaction to the assets, liabilities and contingent liabilities obtained in the business combination, the following adjustments were made to the carrying values of the assets and liabilities received:

- On the basis of the analyses performed by the Group, it was decided that negative adjustments should be made to the loan portfolio to adjust it to its estimated fair value. The amount allocated to additional allowances was €108 million. To determine the fair value of the loan portfolio certain estimated forecast loss percentages were applied to it, in line with market standards and basically determined on the basis of the characteristics of the financing granted and the loan collateral.
- With respect to the portfolios of repossessed properties and properties for own use, the fair values of these assets was revised, essentially on the basis of their location, use and degree of maturity, and it was judged necessary to record additional negative adjustments amounting to €15 million.
- The equity interests in various entities held by Banco Gallego, S.A. were measured using generally accepted valuation techniques. On the basis of the valuation, the values of these holdings needed to be adjusted by a total of €37 million.

- Concerning the debt securities issued by Banco Gallego, S.A. on the wholesale market, these were measured and latent capital gains associated with them were estimated at €15 million
- A provision was calculated in relation to contingent liabilities for the coverage of unprovisioned litigation amounting to €8 million.
- Finally, in Deferred tax assets the tax effect (30% rate) of the adjustments explained in the above paragraphs was adjusted, which amounted to €46 million.

The allocation of the price detailed above led to the emergence of a negative consolidation difference of €30 million. The initial capital allocated included the estimated restructuring costs that were recorded by Banco Gallego, S.A. after the purchase by Banco Sabadell, offsetting the amount of the negative difference on consolidation.

This operation was an opportunity for the Banco Sabadell Group to strengthen its positioning in SMEs and personal banking customers, particularly in the Galicia region.

Ordinary income and profit/(loss) before tax of the Banco Gallego group since the acquisition date included in the consolidated income statement and consolidated statement of recognized income and expenses amounted to €12,962,000 and losses of €98,184,000.

Other income and expenses figuring in the consolidated statement of recognized income and expenses of the Banco Gallego group since the date of acquisition included in consolidation amounted to €-576,000.

Had the acquisition been carried out with effective date 1 January 2013, the ordinary income and pre-tax profit/(loss) that the Banco Gallego group would have contributed to the Group would have amounted to €217,352,000 and a loss of €101,716,000.

Acquisition of the private banking business of Lloyds Bank in Miami

On 29 May 2013, Banco Sabadell concluded a purchase agreement with Lloyds TSB Bank Plc ("Lloyds Bank") for the acquisition of the assets and liabilities making up the private banking business of Lloyds Bank in Miami.

The transaction covered managed resources totalling approximately USD 1,200 million (€926 million approx.) and loans of USD 60 million (€46 million approx.). The final consideration paid was USD 8.3 million (€6.3 million).

The transaction, which was completed on 1 November 2013, formed part of the negotiations between Banco Sabadell and Lloyds Bank which gave rise to agreements for Banco Sabadell to acquire the business of Lloyds Bank in Spain and the acquisition by Lloyds Bank of shareholdings in the Banco Sabadell Group, thereby strengthening Banco Sabadell's private banking business in Miami.

Other acquisitions

On 19 July 2013, having obtained the relevant regulatory authorizations that were laid down in the purchase agreement concluded on 3 May 2013, Banco Sabadell acquired from Aegon International, B.V. and Aegon Levensverzekering, N.V. ("Aegon") the 49.99% interest held indirectly by Aegon through CAM-Aegon Holding Financiero, S.L., in the company Mediterraneo Vida, S.A de seguros y reaseguros ("Mediterráneo Vida"), the rest of whose shares were owned by Banco Sabadell.

Thanks to this operation Banco Sabadell obtained a 100% interest in Mediterraneo Vida with a net payment of €449.5 million. The impact on equity entailed a €372 million decrease in reserves.

This transaction allowed Banco Sabadell to continue with the process of reorganizing its subsidiaries and investees in the insurance sector which have become part of the Group through acquisitions.

As at 31 October 2013, following the acquisition of part of Sabadell Inmobiliario F.I.I., Banco de Sabadell, S.A. increased its holding to 99.62%. As a result of this operation, said company was removed from the Financial assets available for sale portfolio and was treated as a Group company. All the company's assets and liabilities were included in the consolidated balance sheet (mainly under Real-estate investments under the Group's consolidated assets) for a net sum of €939,334,000. As a result, when the business combination took place the valuation adjustments related to the holding recorded under financial assets held for sale were recognized against the Group's income statement in the amount of € -12,112,000.

Subsidiaries no longer consolidated

Thousand euro

| Name of entity (or line of business) sold, spun off or otherwise disposed of | Category | Effective date of the transaction | % % voting rights disposed of | | Profit/(loss) generated | Type of shareholding | Method |
|--|--------------------|-----------------------------------|----------------------------------|--|-------------------------|----------------------|-----------------------------|
| | | | % voting rights disposed of | Total voting rights following disposal | | | |
| Grafos, S.A. Artes sobre Papel (a) | Associate | 07/02/2013 | 45.00% | 0.00% | 12 | Indirect | Equity method |
| Hantinsol Resorts, S.A. (b) | Jointly-controlled | 15/02/2013 | 33.33% | 0.00% | (1) | Indirect | Proportionate consolidation |
| Biodiesel Aragón, S.L. (a) | Associate | 27/03/2013 | 49.78% | 0.00% | - | Indirect | Equity method |
| Harugui Promocion y Gestión Inmobiliaria, S.L. (b) | Associate | 29/04/2013 | 50.00% | 0.00% | - | Indirect | Equity method |
| C-Cuspide 6, S.A. (b) | Associate | 13/05/2013 | 33.00% | 0.00% | - | Indirect | Equity method |
| Gestora de Fondos del Mediterráneo, S.A., S.G.I.I.C. (b) | Subsidiary | 17/06/2013 | 100.00% | 0.00% | (77) | Indirect | Full consolidation |
| Servicio de Recuperación de Créditos, S.A. (a) | Associate | 25/06/2013 | 20.00% | 0.00% | - | Direct | Equity method |
| Air Miles España, S.A. (a) | Associate | 28/06/2013 | 25.00% | 0.00% | (1,480) | Direct | Equity method |
| Improbol Norte, S.L. (a) | Associate | 14/06/2013 | 35.00% | 0.00% | - | Indirect | Equity method |
| Alquezar Patrimonial, S.L. (b) | Associate | 02/07/2013 | 33.33% | 0.00% | - | Indirect | Equity method |
| Meserco, S.L.U. (a) | Subsidiary | 30/07/2013 | 50.00% | 0.00% | (18) | Indirect | Full consolidation |
| Banco Atlántico Mónaco, S.A.M. (b) | Subsidiary | 31/07/2013 | 100.00% | 0.00% | 57 | Direct | Full consolidation |
| CAM Global Finance Ltd. (b) | Subsidiary | 12/08/2013 | 100.00% | 0.00% | (7) | Direct | Full consolidation |
| Valfensal, S.L. (a) | Associate | 12/09/2013 | 30.00% | 0.00% | 24,229 | Indirect | Equity method |
| Compañía de Cogeneración del Caribe, S.L. | Subsidiary | 06/09/2013 | 100.00% | 0.00% | 2 | Indirect | Full consolidation |
| Tinser Gestora de Inversiones, S.L. | Subsidiary | 22/08/2013 | 100.00% | 0.00% | (2) | Indirect | Full consolidation |
| Parque Boulevard Finestrat, S.L. (a) | Associate | 17/09/2013 | 33.00% | 0.00% | (80) | Indirect | Equity method |
| Haygón la Almazara, S.L. (b) | Subsidiary | 18/11/2013 | 20.00% | 0.00% | (91) | Indirect | Full consolidation |
| La Rivera Desarrollos BCS, S. DE R.L. DE C.V. (a) | Subsidiary | 28/07/2013 | 48.46% | 0.00% | 2,219 | Indirect | Full consolidation |
| Amci Habitat Mediterráneo, S.L. (b) | Associate | 22/11/2013 | 40.00% | 0.00% | 0 | Indirect | Equity method |
| CAM US Finance, S.A.U. (b) | Subsidiary | 04/12/2013 | 100.00% | 0.00% | (22) | Direct | Full consolidation |
| Mar Adentro Golf, S.L. (b) | Subsidiary | 17/12/2013 | 66.66% | 0.00% | (249) | Indirect | Full consolidation |
| Inversiones Hoteleras La Jaquita, S.A. (a) | Associate | 18/12/2013 | 45.00% | 0.00% | - | Indirect | Equity method |
| Can Parellada Parc, S.L. (b) | Associate | 20/12/2013 | 25.00% | 0.00% | - | Indirect | Equity method |
| Centro Financiero B.H.D., S.A. (a) | Associate | 20/12/2013 | 20.00% | 0.00% | 25,511 | Direct | Equity method |

(a) No longer consolidated due to sale of investment

(b) No longer consolidating due to dissolution and/or liquidation

On 20 December 2013, Banco Sabadell sold its interest in Centro Financiero BHD, S.A. for USD156,140,000 (equivalent to approximately €114,300,000), generating a net capital gain of approximately €25.5 million for Banco Sabadell. The operation was completed on said date, as it was not subject to any suspensive conditions.

On 12 September 2013, Tenedora de Inversiones y Participaciones, S.L., a company 100% owned by Banco de Sabadell, S.A., sold 30% of its shareholding in Valfensal, S.L., generating a profit of €24,229,000.

NOTE 3 – PROPOSED DISTRIBUTION OF PROFITS AND EARNINGS PER SHARE

Set out below is the distribution of 2014 profits which the Board of Directors will propose to the shareholders at the Annual General Meeting for their approval, together with the proposed distribution of Banco de Sabadell, S.A.'s 2013 profits approved by the shareholders on 27 March 2014:

Thousand euro

| | 2014 | 2013 |
|---|----------------|--------------------|
| To dividends | (a) | 40,115 |
| To statutory reserve | 29,077 | 32,238 |
| To Canary Island investment reserve | 169 | 425 |
| To voluntary reserves | 820,792 | 249,604 |
| Profit for the year of Banco de Sabadell, S.A. | 850,038 | 322,382 (*) |

(*) 2013 profit has been restated (see Note 1, Comparability).

Proposed distributions of the profits of subsidiaries are subject to approval by shareholders at their respective Annual General Meetings.

The Board of Directors will propose to the shareholders at the Annual General Meeting that they agree to transfer the entire net profit for 2014 to legal and voluntary reserves.

(a) The Board of Directors will propose the following shareholder remuneration, charged to reserves, at the Annual General Meeting:

- Approve an equity instrument issued against reserves in order to arrange a flexible payment to shareholders for an amount estimated at around €0.04 per share, offering the shareholders the opportunity to opt to receive said amount in cash and/or in new shares.

When the capital increase is carried out, each Bank shareholder will receive one free allotment right for each Bank share held by them. These free allotment rights will be negotiated on securities markets in which the Bank's shares are listed.

Depending on the alternative chosen by each shareholder in the capital increase, the Bank's shareholders may either receive fully paid new Bank shares (which will be the default option if shareholders do not indicate any other preference to the institution where their shares are deposited within the relevant deadline) or an amount in cash resulting from the sale of the free allotment rights to the Bank by virtue of the purchase commitment that will be assumed by the Bank, at an estimated price of around €0.04 (gross) for each free allotment right..

Shareholders may also decide to sell their free allotment rights on the market, in which case the selling price will be based on the share price at the time of the sale, which could be higher or lower than the fixed purchase price offered by the Bank.

- A complementary payment to shareholders of €0.01 per share in the form of a distribution of shares of an equivalent value out of the Bank's holding of treasury shares and charged to the share premium account.

At the Annual General Meeting of shareholders held on 27 March 2014, the payment of a gross dividend per share for 2013 of €0.01 was approved, together with a complementary distribution of €0.02 per share payable to shareholders in the form of a distribution of shares of an equivalent value out of the Bank's holding of treasury shares and charged to the share premium account.

Under this proposal, retribution to shareholders this year compared with the previous year would be as follows:

| In euro | | |
|--------------------------------------|-------------|-------------|
| | 2014 | 2013 |
| Cash payments | - | 0.01 |
| Flexible remuneration | 0.04 | - |
| Complementary remuneration in shares | 0.01 | 0.02 |
| Total remuneration | 0.05 | 0.03 |

Earnings per share

Basic earnings per share are obtained by dividing the net profit or loss attributable to the Group by the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares purchased by the Group. Diluted earnings per share are calculated by adjusting the attributable profit or loss, and the weighted average number of shares outstanding, for the estimated effect of all conversions to ordinary shares.

Earnings per share calculations are shown in the following table:

| | 2014 | 2013 |
|--|---------------|---------------|
| Net profit attributable to Group (€'000) | 371,677 | 247,832 |
| Net profit attributable to Group (€'000) for 2013, restated (see Note 1: Comparability) | - | 145,915 |
| Profit/(loss) on discontinued operations (€'000) | - | - |
| Weighted average number of ordinary shares outstanding | 3,973,221,458 | 3,198,848,576 |
| Conversion undertaken of convertible debt and other equity instruments | 304,513,772 | 287,152,895 |
| Adjusted weighted average number of outstanding ordinary shares | 4,277,735,230 | 3,486,001,471 |
| Earnings per share (€) | 0.09 | 0.08 |
| Basic earnings per share adjusted for effect of mandatorily convertible bonds (€) | 0.09 | 0.07 |
| Diluted earnings per share (€) | 0.09 | 0.07 |
| Earnings per share (€) for 2013 adjusting restated figures (see Note 1: Comparability) | | 0.04 |
| Diluted earnings per share (€) for 2013 adjusting restated figures (see Note 1: Comparability) | | 0.03 |

NOTE 4 – LOANS AND ADVANCES TO CREDIT INSTITUTIONS

Loans and advances to credit institutions recorded in the consolidated balance sheet at 31 December 2014 and 2013 are disclosed in the following table:

| Thousand euro | 2014 | 2013 |
|---|------------------|------------------|
| By heading: | | |
| Loans and receivables | 4,623,197 | 3,525,521 |
| Total | 4,623,197 | 3,525,521 |
| By nature: | | |
| Fixed-term deposits | 959,826 | 1,060,181 |
| Hybrid financial assets | 10,887 | 13,752 |
| Assets acquired under repurchase agreements | 1,420,461 | 135,094 |
| Other accounts | 1,596,831 | 937,136 |
| Doubtful assets | 659 | 459 |
| Deposits secured due to market transactions | 476,312 | 1,266,686 |
| Other financial assets | 154,755 | 107,499 |
| Impairment adjustments | (2,347) | (407) |
| Other valuation adjustments | 5,813 | 5,121 |
| Total | 4,623,197 | 3,525,521 |
| By currency: | | |
| In euro | 4,115,236 | 3,042,253 |
| In foreign currency | 507,961 | 483,268 |
| Total | 4,623,197 | 3,525,521 |

Average annual interest rates on loans and advances to credit institutions for 2014 and 2013 were 0.94% and 0.90% respectively.

NOTE 5 – DEBT SECURITIES

Debt securities reported in the consolidated balance sheet at 31 December 2014 and 2013 are disclosed as follows:

| Thousand euro | 2014 | 2013 |
|---|-------------------|-------------------|
| By heading: | | |
| Held for trading | 578,797 | 557,741 |
| Available-for-sale financial assets | 20,393,061 | 18,650,535 |
| Loans and receivables | 2,436,259 | 2,534,715 |
| Held-to-maturity investments | - | - |
| Total | 23,408,117 | 21,742,991 |
| By nature: | | |
| Government securities | 18,247,410 | 16,327,067 |
| Treasury bills | 57,303 | 40,966 |
| Other book entry debt | 6,667,192 | 12,753,602 |
| Rest | 11,522,915 | 3,532,499 |
| Issued by financial institutions and others | 5,164,988 | 5,576,577 |
| Doubtful assets | 11,215 | 3,031 |
| Impairment adjustments | (15,496) | (167,800) |
| Other valuation adjustments | - | 4,116 |
| Total | 23,408,117 | 21,742,991 |
| By currency: | | |
| In euro | 20,404,883 | 21,236,455 |
| In foreign currency | 3,003,234 | 506,536 |
| Total | 23,408,117 | 21,742,991 |

Average annual rates of interest on debt securities in 2014 and 2013 were 3.55% and 3.28% respectively.

Of the debt securities comprising government securities, at 31 December 2014 a total of €10,167,620,000 were Spanish government securities while €8,079,790,000 were securities issued by foreign governments. Of these latter securities, the Group's main positions were in Italian, US, Portuguese and Mexican government debt, amounting respectively to €4,874,742,000, €1,618,813,000, €750,185,000 and €588,506,000.

Of the debt securities comprising government securities, at 31 December 2013 a total of €15,974,595,000 were Spanish government securities while €352,472,000 were securities issued by foreign governments. Of these latter securities, the Group's main positions were in Portuguese, Dutch, Austrian and US government debt, amounting respectively to €104,932,000, €68,860,000, €61,114,000 and €32,373,000.

Details of debt instruments recorded under Available-for-sale financial assets are as follows:

| Thousand euro | 2014 | 2013 |
|---|------------|------------|
| Amortised cost (*) | 19,211,868 | 18,432,502 |
| Fair value | 20,393,061 | 18,650,535 |
| Accumulated losses recognised in equity at year end | (110,489) | (133,637) |
| Accumulated gains recognised in equity at year end | 1,291,682 | 351,669 |

(*) Of which: recoveries from impairment in the 2014 income statement: income of €5,556,000.

The breakdown of the Group's government debt exposures is as follows:

| Thousand euro | | |
|---|------------|------------|
| | 2014 | 2013 |
| Amortised cost | 15,236,688 | 13,751,741 |
| Fair value | 16,153,163 | 13,907,284 |
| Accumulated losses recognised in equity at year end | (69,172) | (25,124) |
| Accumulated gains recognised in equity at year end | 985,647 | 180,667 |

NOTE 6 – EQUITY INSTRUMENTS

The balance in Equity instruments on the consolidated balance sheets at 31 December 2014 and 2013 is disclosed as follows:

| Thousand euro | | |
|---|----------------|----------------|
| | 2014 | 2013 |
| By heading: | | |
| Held for trading | 45,068 | 43,269 |
| Other financial assets at fair value through profit or loss | 137,148 | 140,534 |
| Available-for-sale financial assets | 702,558 | 627,137 |
| Total | 884,774 | 810,940 |
| By nature: | | |
| Resident sector | 311,370 | 295,171 |
| Credit institutions | 18,098 | 22,346 |
| Other | 293,272 | 272,825 |
| Non-resident sector | 280,749 | 242,925 |
| Credit institutions | 232,232 | 164,333 |
| Other | 48,517 | 78,592 |
| Shares in investment funds and companies | 292,655 | 272,844 |
| Total | 884,774 | 810,940 |
| By currency: | | |
| In euro | 829,483 | 773,747 |
| In foreign currency | 55,291 | 37,193 |
| Total | 884,774 | 810,940 |

Financial assets at fair value through profit or loss consisted of investments associated with unit-linked life policies sold through two Group subsidiaries: Assegurances Segur Vida, S.A. and Mediterráneo Vida Sociedad Anónima de Seguros y Reaseguros.

On 4 July 2014 Bansabadell Inversió i Desenvolupament, S.A.S.U. (BIDSA), a company 100% owned by Banco de Sabadell, sold 5,259,599 shares in Fluidra, which represented a 4.67% interest. Following the sale, BIDSA maintains a 5% holding in this company. The sale totalled €15,980,000, earning a profit for the Group of €1,738,000.

Details of equity instruments comprised within the "available-for-sale financial assets" category are as follows:

| Thousand euro | | |
|--|----------|----------|
| | 2014 | 2013 |
| Cost | 670,436 | 513,454 |
| Fair value | 702,558 | 627,137 |
| Accumulated losses recognised in equity at year end | (42,684) | (24,846) |
| Accumulated gains recognised in equity at year end | 74,806 | 138,529 |
| Losses recognised as impairment in the income statement for the year (Note 34.g) | (21,266) | (44,082) |

Banco de Sabadell and its wholly owned subsidiary Bansabadell Holding, S.L., S.U. subscribed 222,867,253 shares and 1,924,409,397 shares, respectively, in the capital increase of Banco Comercial Português, S.A. (BCP) in July 2014. Following this operation, the Group holds a 5.53% interest in said bank.

At the year end, the carrying value of the Group's holding in BCP amounts to €196,765,000 (€140,074, thousand at 31 December 2013). The carrying value includes capital losses of €20,901,000 due to valuation adjustments in equity (€89,356,000 in capital gains in 2013).

NOTE 7 – TRADING DERIVATIVES (ASSETS AND LIABILITIES)

The breakdown by transaction types of the trading derivatives balances on the asset and liability sides of the consolidated balance sheet at 31 December 2014 and 2013 is as follows:

| Thousand euro | | | | |
|---------------------|------------------|------------------|------------------|------------------|
| | 2014 | | 2013 | |
| | Assets | Liabilities | Assets | Liabilities |
| Securities risk | 218,109 | 187,548 | 148,598 | 198,487 |
| Interest rate risk | 929,329 | 1,004,159 | 921,465 | 895,601 |
| Currency risk | 416,612 | 340,175 | 205,781 | 192,090 |
| Other kinds of risk | 18,120 | 18,091 | 12,770 | 12,558 |
| Total | 1,582,170 | 1,549,973 | 1,288,614 | 1,298,735 |
| By currency: | | | | |
| In euro | 1,489,476 | 1,448,137 | 1,189,337 | 1,203,477 |
| In foreign currency | 92,694 | 101,836 | 99,277 | 95,258 |
| Total | 1,582,170 | 1,549,973 | 1,288,614 | 1,298,735 |

Fair values of derivatives at 31 December 2014 and 2013 are disclosed below:

Thousand euro

| | 2014 | 2013 |
|---|------------------|------------------|
| Assets | | |
| <i>Trading derivatives:</i> | 1,582,170 | 1,288,614 |
| Swaps, CCIRS, Call Money Swap | 899,744 | 894,273 |
| Exchange-rate options | 40,966 | 13,627 |
| Interest-rate options | 81,760 | 99,969 |
| Index and securities options | 235,858 | 160,853 |
| Currency forwards | 323,842 | 119,892 |
| Total assets held for trading | 1,582,170 | 1,288,614 |
| Liabilities | | |
| <i>Trading derivatives:</i> | 1,549,973 | 1,298,735 |
| Swaps, CCIRS, Call Money Swap | 906,701 | 876,941 |
| Exchange-rate options | 40,456 | 11,937 |
| Interest-rate options | 149,527 | 98,148 |
| Index and securities options | 205,376 | 203,285 |
| Currency forwards | 247,913 | 108,424 |
| Total liabilities held for trading | 1,549,973 | 1,298,735 |

NOTE 8 – LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers on the balance sheet at 31 December 2014 and 2013 are detailed as follows:

Thousand euro

| | 2014 | 2013 |
|--|--------------------|--------------------|
| By heading: | | |
| Loans and receivables | 110,835,723 | 112,928,890 |
| Total | 110,835,723 | 112,928,890 |
| By nature: | | |
| Assets acquired under repurchase agreements through central counterparties | 587,597 | 688,010 |
| Trade credit | 2,269,941 | 2,283,894 |
| Secured loans | 56,415,509 | 59,938,349 |
| Other term loans | 28,382,718 | 25,537,113 |
| On-demand loans and other | 7,738,268 | 7,867,591 |
| Finance leases | 2,124,317 | 2,169,953 |
| Factoring and confirming | 2,597,331 | 2,472,687 |
| Doubtful assets | 21,743,200 | 24,432,151 |
| Impairment adjustments | (10,892,711) | (12,374,053) |
| Other valuation adjustments | (130,447) | (86,805) |
| Total | 110,835,723 | 112,928,890 |
| By sector: | | |
| Government debt securities | 6,006,814 | 3,633,037 |
| Resident | 83,676,855 | 88,798,262 |
| Non-resident | 10,432,012 | 8,526,298 |
| Doubtful assets | 21,743,200 | 24,432,151 |
| Impairment adjustments | (10,892,711) | (12,374,053) |
| Other valuation adjustments | (130,447) | (86,805) |
| Total | 110,835,723 | 112,928,890 |
| By currency: | | |
| In euro | 103,726,734 | 108,196,328 |
| In foreign currency | 7,108,989 | 4,732,562 |
| Total | 110,835,723 | 112,928,890 |

Of the €121,869 million recorded under loans and advances to customers before valuation adjustments and asset impairment adjustments, €11,177 million are covered by the asset protection scheme described in Note 2.

Average annual rates of interest on loans and advances to customers in 2014 and 2013 were 3.42% and 3.64% respectively.

Details of finance leases for the year are as follows:

- at 31 December 2014 the total gross value of finance leases amounted to €2,151,998,000 (€2,235,612,000 in 2013);
- at 31 December 2014 the present value of future minimum lease payments receivable by the Bank during the non-cancellable part of the lease period (assuming that any existing rights to extend the lease or purchase options are not exercised) was €439,606,000 within one year, €1,154,320,000 in one to five years and €668,687,000 after more than five years;
- contingent payments recognized in income for 2014 amount to €98,496,000;
- unaccrued financial income totals €310,407,000 (€298,519,000 in 2013);
- the non-guaranteed residual values of the leases totalled €166,446,000 (€161,645,000 in 2013); and
- the value adjustments due to impairment of finance leases amounted to €85,114,000 (€74,024,000 in 2013).

Lease agreements with the public authorities comprised €5,841,220,000 with respect to the Spanish administration (€3,493,943,000 at 31 December 2013) and €165,593,000 with respect to non-resident administrations (€139,094,000 at 31 December 2013). Within the latter category, €138,417,000 consisted of leases to US government agencies (€111,887,000 at 31 December 2013).

All the Bank's sovereign debt positions relate to debt securities and loans and receivables. Of this total exposure, €24,332 million -98.86%- is broken down by country in Notes 5 and 8. The remaining 1.14% has not been disclosed as it is regarded as immaterial.

The distribution of loans and advances to customers by geographical region at 31 December 2014 and 2013 is as follows:

| Thousand euro | | |
|------------------------|--------------------|--------------------|
| | 2014 | 2013 |
| Spain | 111,484,152 | 115,631,631 |
| Rest of European Union | 4,373,260 | 4,546,477 |
| Latin America | 1,112,574 | 885,125 |
| North America | 4,223,940 | 3,615,073 |
| Rest of OECD | 118,648 | 128,440 |
| Rest of the world | 415,860 | 496,197 |
| Impairment adjustments | (10,892,711) | (12,374,053) |
| Total | 110,835,723 | 112,928,890 |

Loans and advances to other debtors due for repayment but not classified as doubtful assets at 31 December 2014 amounted to € 222,857,000 (€372,855,000 at 31 December 2013). At 31 December 2014 more than 71% of this total was not more than one month overdue (31 December 2013: 63% of the total).

Loans and advances to customers break down as follows by area of activity at 31 December 2014 and 2013:

| | 2014 | | | | | | | |
|---|--------------------|--|----------------------------------|-----------------------------|--|--|---|------------------|
| | TOTAL | Of which: Secured on real estate | Of which: Other guarantees | Secured loans Loan to value | | | | |
| | | | | 40% or less | Over 40% and less than or equal to 60% | Over 60% and less than or equal to 80% | Over 80% and less than or equal to 100% | Over 100% |
| Public administrations | 5,924,375 | 85,633 | 12,514 | 22,485 | 22,836 | 42,869 | - | 9,957 |
| Other financial institutions | 3,452,869 | 57,168 | 374 | 18,358 | 30,248 | 8,371 | 565 | - |
| Non-financial companies and individual entrepreneurs | 59,149,045 | 24,521,920 | 1,221,067 | 7,923,897 | 7,902,140 | 5,658,846 | 2,186,032 | 2,072,072 |
| Real estate construction and development | 8,008,343 | 7,444,045 | 119,896 | 1,736,037 | 1,816,375 | 2,166,673 | 987,898 | 856,958 |
| Civil engineering construction | 844,350 | 141,565 | 7,163 | 46,191 | 53,964 | 28,050 | 9,697 | 10,826 |
| Other purposes | 50,296,352 | 16,936,310 | 1,094,008 | 6,141,669 | 6,031,801 | 3,464,123 | 1,188,437 | 1,204,288 |
| Large companies | 22,715,803 | 3,784,077 | 269,993 | 1,177,434 | 1,153,560 | 896,736 | 332,935 | 493,405 |
| SMEs and individual entrepreneurs | 27,580,549 | 13,152,233 | 824,015 | 4,964,235 | 4,878,241 | 2,567,387 | 855,502 | 710,883 |
| Non-profit institutions serving households (NPISH) | 42,534,938 | 35,285,124 | 252,989 | 7,832,637 | 10,942,279 | 11,953,421 | 3,726,379 | 1,083,398 |
| Home loans | 32,239,051 | 29,342,994 | 19,142 | 5,759,181 | 9,124,548 | 10,576,676 | 3,147,995 | 753,737 |
| Consumer loans | 5,753,708 | 4,388,490 | 68,058 | 1,476,757 | 1,348,650 | 1,001,988 | 415,270 | 213,883 |
| Other purposes | 4,542,179 | 1,553,640 | 165,789 | 596,699 | 469,081 | 374,757 | 163,114 | 115,778 |
| Less: Adjustments due to asset impairment not allocated to specific operations | 225,504 | | | | | | | |
| TOTAL | 110,835,723 | 59,949,845 | 1,486,944 | 15,797,377 | 18,897,503 | 17,663,507 | 5,912,976 | 3,165,427 |
| MEDORANDUM ITEM | | | | | | | | |
| Refinancing, refinanced and restructured loans | 13,385,129 | 9,683,341 | 3,701,788 | 3,508,998 | 3,162,897 | 3,259,410 | 1,411,834 | 2,041,990 |

| | 2013 | | | | | | | |
|---|--------------------|--|----------------------------------|------------------------------------|--|--|---|------------------|
| | TOTAL | Of which: Secured on real estate | Of which: Other guarantees | Secured loans <i>Loan to value</i> | | | | |
| | | | | 40% or less | Over 40% and less than or equal to 60% | Over 60% and less than or equal to 80% | Over 80% and less than or equal to 100% | Over 100% |
| Public administrations | 3,536,400 | 53,668 | 15,575 | 15,969 | 15,002 | 32,031 | - | 6,241 |
| Other financial institutions | 3,143,533 | 194,847 | 23,385 | 62,160 | 102,370 | 28,348 | 24,274 | 1,080 |
| Non-financial companies and individual entrepreneurs | 59,535,162 | 27,312,705 | 1,612,989 | 8,825,141 | 8,684,178 | 6,471,065 | 2,590,863 | 2,354,446 |
| Real estate construction and development | 11,377,018 | 10,251,881 | 132,666 | 2,397,679 | 2,485,064 | 2,976,087 | 1,360,204 | 1,165,512 |
| Civil engineering construction | 1,155,485 | 167,676 | 20,410 | 54,050 | 69,807 | 34,572 | 15,154 | 14,503 |
| Other purposes | 47,002,659 | 16,893,148 | 1,459,913 | 6,373,412 | 6,129,307 | 3,460,406 | 1,215,505 | 1,174,431 |
| Large companies | 17,787,522 | 2,602,553 | 431,742 | 951,128 | 812,632 | 647,161 | 252,324 | 371,050 |
| SMEs and individual entrepreneurs | 29,215,137 | 14,290,595 | 1,028,171 | 5,422,284 | 5,316,675 | 2,813,245 | 963,181 | 803,381 |
| Non-profit institutions serving households (NPISH) | 47,017,142 | 43,336,475 | 289,876 | 9,414,316 | 13,380,764 | 14,628,422 | 4,784,772 | 1,418,077 |
| Home loans | 37,516,177 | 37,171,586 | 26,058 | 7,323,815 | 11,484,362 | 13,182,805 | 4,151,851 | 1,054,811 |
| Consumer loans | 6,799,391 | 5,520,234 | 68,955 | 1,853,890 | 1,695,132 | 1,256,147 | 516,856 | 267,164 |
| Other purposes | 2,701,575 | 644,655 | 194,863 | 236,611 | 201,270 | 189,470 | 116,065 | 96,102 |
| Less: Adjustments due to asset impairment not allocated to specific operations | 303,347 | | | | | | | |
| TOTAL | 112,928,890 | 70,897,695 | 1,941,825 | 18,317,586 | 22,182,314 | 21,159,866 | 7,399,909 | 3,779,844 |
| MEDORANDUM ITEM | | | | | | | | |
| Refinancing, refinanced and restructured loans | 13,284,067 | 10,332,325 | 251,249 | 2,812,398 | 2,401,903 | 2,586,810 | 1,082,107 | 1,700,357 |

Doubtful assets

Assets recognized as doubtful under the different balance sheet headings at 31 December 2014 and 2013 were as follows:

Thousand euro

| | 2014 | 2013 |
|---|-------------------|-------------------|
| Loans and advances to credit institutions | 659 | 459 |
| Debt securities | 11,215 | 3,031 |
| Loans and advances to customers | 21,743,200 | 24,432,151 |
| Total | 21,755,074 | 24,435,641 |

Movements in doubtful assets are as follows:

Thousand euro

| | |
|------------------------------------|-------------------|
| Balance at 31 December 2012 | 19,633,921 |
| Scope additions/exclusions (*) | 1,656,034 |
| Additions | 7,585,104 |
| Disposals | (3,698,214) |
| Written off | (741,204) |
| Balance at 31 December 2013 | 24,435,641 |
| Additions | 3,455,153 |
| Disposals | (5,238,617) |
| Written off | (897,103) |
| Balance at 31 December 2014 | 21,755,074 |

(*) See Note 2.

The distribution of doubtful assets at 31 December 2014 and 2013 according to the type of security provided is as follows:

Thousand euro

| | 2014 | Of which APS-protected | 2013 | Of which APS-protected |
|---------------------------------|-------------------|------------------------|-------------------|------------------------|
| Mortgage security (*) | 14,530,325 | 5,009,950 | 16,397,991 | 5,892,638 |
| Other real-estate security (**) | 3,641,658 | 1,766,083 | 3,851,084 | 2,154,449 |
| Rest | 3,583,091 | 755,305 | 4,186,566 | 606,638 |
| Total | 21,755,074 | 7,531,338 | 24,435,641 | 8,653,725 |

(*) Mortgaged assets with outstanding risk under 100% of appraised value.

(**) Includes rest of real-estate secured assets.

The distribution of doubtful assets by geographical region at 31 December 2014 and 2013 was:

Thousand euro

| | 2014 | 2013 |
|------------------------|-------------------|-------------------|
| Spain | 21,027,065 | 23,916,669 |
| Rest of European Union | 430,238 | 343,834 |
| Latin America | 161,649 | 59,215 |
| North America | 54,581 | 43,376 |
| Rest of OECD | 11,966 | 9,904 |
| Rest of the world | 69,575 | 62,643 |
| Total | 21,755,074 | 24,435,641 |

The loan-loss ratio for exposures not covered by the APS broken down by financing segment is set out below:

%

| | Q413 | Q214 | Q414 |
|---|-------|-------|-------|
| Real-estate development and construction | 62.98 | 62.19 | 62.01 |
| Non-real-estate construction | 8.26 | 8.25 | 7.99 |
| Companies | 6.05 | 6.01 | 6.34 |
| SMEs and independent contractors | 13.33 | 13.31 | 12.80 |
| Private individuals with 1st mortgage guarantee | 9.86 | 9.73 | 9.21 |
| BS group loan-loss ratio | 13.63 | 13.35 | 12.17 |

Value adjustments

Allowances for value adjustments due to impairment of assets under the different balance sheet headings at 31 December 2014 and 2013 are as follows:

Thousand euro

| | 2014 | 2013 |
|---|-------------------|-------------------|
| Loans and advances to credit institutions | 2,347 | 407 |
| Debt securities | 15,496 | 167,800 |
| Loans and advances to customers | 10,892,711 | 12,374,053 |
| Total | 10,910,554 | 12,542,260 |

Detailed movements in value adjustments made for credit risk coverage and the balance at the beginning and end of the year are as follows:

Thousand euro

| | Specific coverage determined individually | Specific coverage determined collectively | IBNR coverage (***) | Country risk | Total |
|--|---|---|---------------------|----------------|--------------------|
| Balance at 31 December 2012 | 709.331 | 5.633.262 | 6.218.495 | 3.484 | 12.564.572 |
| Scope additions/exclusions (*) | 35.522 | 565.145 | 588.599 | 2.142 | 1.191.408 |
| Movements reflected in impairment losses (**) | 51.105 | 366.902 | (120.388) | (7.622) | 289.997 |
| Movements not reflected in impairment losses | 893.999 | 3.150.478 | (5.548.899) | 2.200 | (1.502.222) |
| Utilization of allowances | (26.776) | (680.736) | - | - | (707.512) |
| Other movements | 920.775 | 3.831.214 | (5.548.899) | 2.200 | (794.710) |
| Adjustments for exchange differences | - | (1.836) | 3.429 | (3.088) | (1.495) |
| Balance at 31 December 2013 | 1.689.957 | 9.713.951 | 1.141.236 | (2.884) | 12.542.260 |
| Movements reflected in impairment losses (**) | 538.462 | 412.315 | 47.907 | 762 | 999.446 |
| Movements not reflected in impairment losses | (258.625) | (2.316.241) | (54.228) | 5.768 | (2.623.326) |
| Utilization of allowances | (253.377) | (1.882.616) | (46.226) | - | (2.182.219) |
| Other movements (***) | (5.248) | (433.625) | (8.002) | 5.768 | (441.107) |
| Adjustments for exchange differences | - | (9.036) | 1.095 | 115 | (7.826) |
| Balance at 31 December 2014 | 1.969.794 | 7.800.989 | 1.136.010 | 3.761 | 10.910.554 |

(*) See Note 2.

(**) The sum of this figure, impaired financial assets written off against income and bad-debt recoveries are reflected under the heading Impairment losses on financial assets.

(***) Collective value adjustments for losses incurred but not reported (see Note 1d).

(****) Includes € 428,895,000 relating to the transfer of value adjustments recorded for the coverage of credit risk to non-current assets available for sale (Note 13) and €12,212,000 to investment properties (Note 15).

The distribution of asset impairment adjustments by geographical region at 31 December 2014 and 2013 is as follows:

Thousand euro

| | 2014 | 2013 |
|------------------------|-------------------|-------------------|
| Spain | 10,581,353 | 12,276,445 |
| Rest of European Union | 233,650 | 175,402 |
| Latin America | 71,402 | 48,379 |
| North America | 2,156 | 13,612 |
| Rest of OECD | 3,252 | 3,110 |
| Rest of the world | 18,741 | 25,312 |
| Total | 10,910,554 | 12,542,260 |

Allowances have been recorded to cover credit and real-estate asset exposures in the amount of €17,266 million at 31 December 2014. The coverage provided by these allowances with respect to said exposure is as follows:

%

| | BS Group ex APS | APS (*) | Total Group |
|--|-----------------|-------------|-------------|
| Land and buildings | 41.1 | 52.3 | 46.0 |
| Real-estate development and construction | 31.6 | 49.3 | 39.9 |
| Subtotal real-estate | 36.7 | 50.8 | 43.0 |
| Non-real-estate construction | 12.0 | 35.0 | 13.0 |
| Companies | 5.6 | 47.0 | 7.0 |
| SMEs and independent contractors | 7.6 | 22.5 | 8.9 |
| Individuals | 2.9 | 14.3 | 3.4 |
| Subtotal non real-estate | 4.7 | 22.6 | 5.6 |
| Total | 8.7 | 41.9 | 13.1 |

(*) See Note 2.

Other information

Financial income accrued on impaired financial assets but not recognized in the consolidated income statement at 31 December 2014 amounts to €811,088,000 and to €1,058,500,000 at 31 December 2013.

The outstanding values of loans subject to refinancing or restructuring at 31 December 2014 and 2013 are shown in the table below:

Thousand euro

| | 31/ 12/ 2014 | | | | |
|--|---------------------------|---|---|----------------------------------|-------------------|
| | Public administrations | Other corporate borrowers and individual entrepreneurs | Of which: Finance for construction and real estate development | Other individual borrowers | Total |
| STANDARD RISKS | | | | | |
| Fully secured by real-estate mortgage | | | | | |
| Number of operations | 45 | 7,479 | 1,400 | 28,352 | 35,876 |
| Gross amount | 155,995 | 2,824,604 | 755,702 | 2,732,571 | 5,713,170 |
| Other guarantees | | | | | |
| Number of operations | 2 | 1,178 | 105 | 2,683 | 3,863 |
| Gross amount | 4,408 | 792,509 | 141,034 | 221,959 | 1,018,876 |
| Unsecured | | | | | |
| Number of operations | - | 9,683 | 281 | 28,792 | 38,475 |
| Gross amount | - | 1,487,335 | 30,894 | 163,491 | 1,650,826 |
| Of which SUBSTANDARD RISKS | | | | | |
| Fully secured by real-estate mortgage | | | | | |
| Number of operations | 8 | 2,279 | 769 | 3,689 | 5,976 |
| Gross amount | 17,628 | 1,601,440 | 579,182 | 536,939 | 2,156,007 |
| Other guarantees | | | | | |
| Number of operations | - | 260 | 46 | 445 | 705 |
| Gross amount | - | 565,701 | 114,270 | 54,559 | 620,260 |
| Unsecured | | | | | |
| Number of operations | - | 1,286 | 39 | 374 | 1,660 |
| Gross amount | - | 749,965 | 10,415 | 3,901 | 753,866 |
| IBNR coverage (*) | 2,644 | 548,176 | 157,235 | 89,600 | 640,420 |
| DOUBTFUL RISKS | | | | | |
| Fully secured by real-estate mortgage | | | | | |
| Number of operations | 1 | 11,741 | 7,564 | 17,521 | 29,263 |
| Gross amount | 463 | 4,720,993 | 3,350,351 | 1,827,345 | 6,548,801 |
| Other guarantees | | | | | |
| Number of operations | - | 1,982 | 1,187 | 2,988 | 4,970 |
| Gross amount | - | 1,483,467 | 774,630 | 309,118 | 1,792,585 |
| Unsecured | | | | | |
| Number of operations | - | 4,347 | 852 | 4,352 | 8,699 |
| Gross amount | - | 1,094,768 | 457,940 | 41,229 | 1,135,997 |
| Specific coverage | - | 3,292,274 | 2,204,624 | 542,432 | 3,834,706 |
| TOTAL | | | | | |
| Number of operations | 48 | 36,410 | 11,389 | 84,688 | 121,146 |
| Gross amount | 160,866 | 12,403,676 | 5,510,551 | 5,295,713 | 17,860,255 |
| Coverage | 2,644 | 3,840,450 | 2,361,859 | 632,032 | 4,475,126 |

(*) Collective value adjustments for losses incurred but not reported (see Note 1d).

| | Public administrations | Other corporate borrowers and individual entrepreneurs | Of which: Finance for construction and real estate development | Other individual borrowers | Total |
|--|---------------------------|---|---|----------------------------------|-------------------|
| STANDARD RISKS | | | | | |
| Fully secured by real-estate mortgage | | | | | |
| Number of operations | - | 6,581 | 1,455 | 19,159 | 25,740 |
| Gross amount | - | 3,029,072 | 964,984 | 1,851,953 | 4,881,025 |
| Other guarantees | | | | | |
| Number of operations | 1 | 897 | 106 | 1,734 | 2,632 |
| Gross amount | 1,000 | 933,730 | 133,975 | 138,242 | 1,072,972 |
| Unsecured | | | | | |
| Number of operations | 15 | 6,039 | 246 | 11,785 | 17,839 |
| Gross amount | 62,397 | 2,203,695 | 48,909 | 98,109 | 2,364,201 |
| Of which SUBSTANDARD RISK | | | | | |
| Fully secured by real-estate mortgage | | | | | |
| Number of operations | - | 1,582 | 898 | 2,091 | 3,673 |
| Gross amount | - | 1,445,213 | 766,797 | 230,208 | 1,675,421 |
| Other guarantees | | | | | |
| Number of operations | - | 162 | 48 | 303 | 465 |
| Gross amount | - | 565,401 | 107,050 | 32,674 | 598,075 |
| Unsecured | | | | | |
| Number of operations | - | 559 | 41 | 475 | 1,034 |
| Gross amount | - | 1,137,312 | 14,212 | 7,233 | 1,144,545 |
| IBNR coverage (*) | - | 668,107 | 292,215 | 40,436 | 708,543 |
| DOUBTFUL RISKS | | | | | |
| Fully secured by real-estate mortgage | | | | | |
| Number of operations | - | 12,633 | 7,276 | 16,146 | 28,779 |
| Gross amount | - | 5,308,901 | 3,857,065 | 1,602,392 | 6,911,293 |
| Other guarantees | | | | | |
| Number of operations | - | 2,245 | 1,205 | 3,229 | 5,474 |
| Gross amount | - | 1,252,438 | 901,019 | 310,108 | 1,562,546 |
| Unsecured | | | | | |
| Number of operations | 1 | 4,039 | 959 | 3,254 | 7,294 |
| Gross amount | 85 | 1,272,275 | 564,766 | 31,675 | 1,304,035 |
| Specific coverage | - | 3,528,997 | 2,592,127 | 564,493 | 4,093,490 |
| TOTAL | | | | | |
| Number of operations | 17 | 32,434 | 11,247 | 55,307 | 87,758 |
| Gross amount | 63,482 | 14,000,111 | 6,470,718 | 4,032,479 | 18,096,072 |
| Coverage | - | 4,197,104 | 2,884,342 | 604,929 | 4,802,033 |

(*) Collective value adjustments for losses incurred but not reported (see Note 1d).

Movements in refinancings and restructurings, as well as in the related allowances, during 2014 are as follows:

| Thousand euro | | | | | | | |
|--|------------------|----------------------|-------------------|------------------|------------------|-------------------|------------------|
| | Standard | | | Doubtful | | Total | |
| | Risk | of which Substandard | IBNR coverage (*) | Risk | Coverage | Risk | Coverage |
| Balance at 31/12/2013 | 8,318,198 | 3,418,041 | 708,543 | 9,777,874 | 4,093,490 | 18,096,072 | 4,802,033 |
| Reclassifications and change in coverage | (1,221,398) | (58,848) | (58,959) | 1,221,398 | 568,957 | - | 509,998 |
| Additions | 3,705,366 | 1,202,118 | 193,272 | 1,362,735 | 404,568 | 5,068,101 | 597,840 |
| Disposals | (1,982,013) | (829,269) | (178,090) | (2,609,735) | (1,208,288) | (4,591,748) | (1,386,378) |
| Change in balance | (437,281) | (201,909) | (24,346) | (274,889) | (24,021) | (712,170) | (48,367) |
| Balance at 31/12/2014 | 8,382,872 | 3,530,133 | 640,420 | 9,477,383 | 3,834,706 | 17,860,255 | 4,475,126 |

(*) Collective value adjustments for losses incurred but not reported (see Note 1d).

The values of transactions classified as doubtful in 2014 and 2013 after refinancing or restructuring are as follows:

| Thousand euro | | |
|--|------------------|------------------|
| | 2014 | 2013 |
| Public administrations | 463 | 85 |
| Other corporate borrowers and individual entrepreneurs | 1,987,583 | 2,556,224 |
| Of which: Finance for construction and real estate development | 742,890 | 1,661,133 |
| Other individual borrowers | 519,490 | 903,572 |
| Total | 2,507,536 | 3,459,881 |

The total balance reclassified as doubtful after refinancing or restructuring during 2014 (€2,507,536,000) does not exactly match the reclassifications and recognition of refinancing operations as doubtful according to the movement in refinancing operations in 2014 (€2,584,133,000) due to the variation in balances of operations reclassified as doubtful during the year and the reclassifications of doubtful risks to normal status as a result of an improvement in recovery expectations.

Average probabilities of default on loans subject to refinancing or restructuring, analysed by loan and borrower category, at 31 December 2014 and 2013 is as follows:

| % | | |
|--|-----------|-----------|
| | 2014 | 2013 |
| Public administrations (*) | | |
| Other corporate borrowers and individual entrepreneurs | 10 | 16 |
| Of which: Finance for construction and real estate development | 13 | 25 |
| Other individual borrowers | 9 | 11 |
| Total | 10 | 15 |

(*) Authorisation has not been granted to use internal models to calculate capital requirements for this item.

The movements in impaired financial assets written off because their recovery is regarded as unlikely are as follows:

Thousand euro

| | |
|--|------------------|
| Balance at 31 December 2012 | 5,754,108 |
| Scope additions/exclusions (*) | 160,323 |
| Additions | 866,039 |
| Charged to impairment adjustments | 707,512 |
| Charged directly to the income statement: | - |
| Overdue unpaid items | 158,471 |
| Other items | 56 |
| Disposals | (894,741) |
| Recovery of principal in cash | (135,323) |
| Recovery of overdue unpaid items in cash | (29,528) |
| Acquisitions of tangible assets and debt remission | (93,250) |
| Due to bad-debt write off | (636,640) |
| Exchange differences | |
| Balance at 31 December 2013 | 5,885,729 |
| Additions | 1,024,390 |
| Charged to impairment adjustments | 897,103 |
| Charged directly to the income statement: | - |
| Overdue unpaid items | 127,287 |
| Other items | - |
| Disposals | (832,466) |
| Recovery of principal in cash | (133,878) |
| Recovery of overdue unpaid items in cash | (4,558) |
| Acquisitions of tangible assets and debt remission | (25,307) |
| Due to bad-debt write off | (668,723) |
| Exchange differences | - |
| Balance at 31 December 2014 | 6,077,653 |

(*) see Note 2.

Following a competitive tender, on 27 November 2013 Banco Sabadell concluded contracts with Aktiv Kapital Portfolio As, Oslo, Zug Branch and with Orado Investments, S.a.r.l. (a company managed by Elliot Advisors) for the sale of two fully provisioned loan portfolios totalling €632 million for a price of €41.2 million. This profit was recorded in profits from financial operations.

On 4 August 2014 a contract of sale was concluded with Aiqon Capital (Lux), S.a.r.l., for a fully provisioned loan portfolio totalling €554.7 million, for a price of €23.3 million. The profit was recorded under profits from financial operations.

NOTE 9 – INFORMATION REQUIRED TO BE KEPT BY ISSUERS OF MORTGAGE MARKET SECURITIES AND THE SPECIAL MORTGAGE REGISTER

Information concerning the data kept in the special accounting register of the issuer Banco Sabadell referred to in Article 21 of Royal Decree 716/2009 required by Bank of Spain Circular 5/2011 is as follows.

A) Assets operation

Details of the aggregate nominal values of mortgage loans and credit at 31 December 2014 and 31 December 2013 covering issues of asset-backed securities, their eligibility and the extent to which they qualify as such for mortgage market purposes are presented in the following table:

Thousand euro

Analysis of overall mortgage loan & credit portfolio; eligibility and qualifying amounts (nominal values)

| | 2014 | 2013 |
|---|-------------------|-------------------|
| Total mortgage loan and credit portfolio | 71,832,792 | 78,620,696 |
| Mortgage securities issued | 6,558,293 | 7,817,974 |
| <i>Of which : Loans held on balance sheet</i> | 6,129,962 | 7,296,225 |
| Mortgage transfer certificates | 5,790,050 | 7,661,473 |
| <i>Of which: Loans held on balance sheet</i> | 5,609,226 | 7,446,095 |
| Mortgage loans pledged as security for financing received | - | - |
| Loans backing issues of mortgage bonds and mortgage covered bonds | 59,484,449 | 63,141,249 |
| Ineligible loans | 20,497,568 | 23,056,298 |
| Fulfil eligibility requirements except for limit under Article 5.1 of Royal Decree 716/2009 | 15,204,177 | 17,871,295 |
| Rest | 5,293,391 | 5,185,003 |
| Eligible loans | 38,986,881 | 40,084,951 |
| Non-qualifying portions | 40,963 | 25,980 |
| Qualifying portions | 38,945,918 | 40,058,971 |
| Loans covering mortgage bond issues | - | - |
| Loans eligible as coverage for mortgage covered bond issues | 38,945,918 | 40,058,971 |
| Substitution assets related to mortgage covered bond issues | - | - |

A breakdown of these nominal values according to different classifications is given below:

Thousand euro

Analysis of total mortgage loan & credit portfolio backing mortgage market issuances

| | 2014 | | 2013 | |
|---|-------------------|--------------------------|-------------------|--------------------------|
| | Total | Of which: Eligible loans | Total | Of which: Eligible loans |
| Total mortgage loan and credit portfolio | 59,484,449 | 38,986,881 | 63,141,249 | 40,084,951 |
| Origin of operations | 59,484,449 | 38,986,881 | 63,141,249 | 40,084,951 |
| Originated by the Bank | 58,561,095 | 38,462,992 | 61,991,239 | 39,531,475 |
| Subrogated from other entities | 256,634 | 219,618 | 335,921 | 287,822 |
| Rest | 666,720 | 304,271 | 814,089 | 265,654 |
| Currency | 59,484,449 | 38,986,881 | 63,141,249 | 40,084,951 |
| Euro | 58,834,666 | 38,882,014 | 62,576,603 | 39,983,157 |
| Other currencies | 649,783 | 104,867 | 564,646 | 101,794 |
| Payment status | 59,484,449 | 38,986,881 | 63,141,249 | 40,084,951 |
| Satisfactory payment | 44,168,736 | 32,926,382 | 45,090,286 | 33,146,735 |
| Other situations (*) | 15,315,713 | 6,060,499 | 18,050,963 | 6,938,216 |
| Average residual period to maturity | 59,484,449 | 38,986,881 | 63,141,249 | 40,084,951 |
| Up to 10 years | 18,069,516 | 9,060,808 | 18,876,417 | 9,010,688 |
| 10 to 20 years | 17,469,051 | 12,912,010 | 17,564,406 | 12,691,997 |
| 20 to 30 years | 16,810,567 | 12,513,851 | 18,572,484 | 13,207,342 |
| More than 30 years | 7,135,315 | 4,500,212 | 8,127,942 | 5,174,924 |
| Interest rate | 59,484,449 | 38,986,881 | 63,141,249 | 40,084,951 |
| Fixed | 2,861,904 | 771,908 | 2,731,783 | 786,745 |
| Variable | 56,622,545 | 38,214,973 | 60,409,466 | 39,298,206 |
| Mixed | - | - | - | - |
| Holders | 59,484,449 | 38,986,881 | 63,141,249 | 40,084,951 |
| Legal entities and individual entrepreneurs | 27,054,006 | 13,153,963 | 30,419,130 | 14,646,928 |
| Of which: Real estate developments | 10,384,237 | 4,394,653 | 13,609,558 | 5,610,358 |
| Other individuals and NPISHs | 32,430,443 | 25,832,918 | 32,722,119 | 25,438,023 |
| Type of guarantee | 59,484,449 | 38,986,881 | 63,141,249 | 40,084,951 |
| Assets / finished buildings | 51,447,440 | 36,429,553 | 54,333,255 | 37,200,389 |
| Residential | 40,557,558 | 29,743,456 | 42,801,186 | 30,510,683 |
| Of which: Official housing | 1,088,202 | 837,474 | 1,086,713 | 862,044 |
| Purchased for resale | 10,779,455 | 6,600,249 | 11,407,240 | 6,639,280 |
| Other | 110,427 | 85,848 | 124,829 | 50,426 |
| Assets/ buildings under construction | 1,051,102 | 729,759 | 1,491,512 | 972,371 |
| Residential | 898,991 | 651,265 | 1,273,495 | 880,272 |
| Of which: Official housing | 30,517 | 20,274 | 14,388 | 14,014 |
| Purchased for resale | 148,044 | 74,432 | 213,821 | 87,909 |
| Other | 4,067 | 4,062 | 4,196 | 4,190 |
| Land | 6,985,907 | 1,827,569 | 7,316,482 | 1,912,191 |
| Developed | 4,939,628 | 1,229,088 | 4,951,484 | 1,291,732 |
| Rest | 2,046,279 | 598,481 | 2,364,998 | 620,459 |

(*) For 2014, subject to APS protection: €5,934,918,000 (including €2,051,303,000 in eligible loans) and for 2013, subject to APS protection: €7,704,718,000 (including €2,244,662,000 in eligible loans).

The nominal values of drawable funds (i.e. undrawn loan commitments) within the total mortgage loan and credit portfolio were as follows:

Thousand euro

Available balances (nominal value). Total mortgage loans and credits backing the issue of mortgage bonds and mortgage covered bonds

| | 2014 | 2013 |
|----------------------|-----------|-----------|
| Potentially eligible | 1,098,713 | 1,052,687 |
| Ineligible | 540,989 | 596,659 |

The following table shows a breakdown of nominal values of loans and credit by loan-to-value (LTV) ratio (loan exposure as a percentage of the most recent appraised value) for mortgage loans and credit eligible for issues of mortgage bonds (*bonos hipotecarios*) and mortgage covered bonds (*cédulas hipotecarias*):

Thousand euro

LTV ratio by type of security. Eligible loans for the issue of mortgage bonds and mortgage covered bonds

| | 2014 | 2013 |
|--|-------------------|-------------------|
| Secured on residential property | 30,331,068 | 31,018,793 |
| LTV < 40% | 8,628,942 | 8,556,535 |
| LTV 40%-60% | 11,145,070 | 11,058,456 |
| LTV 60%-80% | 10,557,056 | 11,339,680 |
| LTV > 80% | - | 64,122 |
| Secured on other properties | 8,655,813 | 9,066,158 |
| LTV < 40% | 4,661,352 | 4,565,544 |
| LTV 40%-60% | 3,994,461 | 4,500,614 |
| LTV > 60% | - | - |

Changes during 2014 and 2013 in the nominal values of mortgage loans covering issues of mortgage bonds and mortgage covered bonds (eligible and non-eligible) are as follows:

Thousand euro

Movements in nominal values of mortgage loans

| | Eligible | Ineligible |
|---------------------------------------|--------------------|--------------------|
| Balance at 31 December 2012 | 36,101,936 | 22,202,888 |
| Scope additions/exclusions (*) | 6,482,057 | 2,437,416 |
| Derecognised during the year | (6,104,453) | (4,588,392) |
| Repayment at maturity | 2,715,397 | 696,083 |
| Early repayment | 1,070,654 | 780,547 |
| Subrogations by other entities | 6,003 | 1,505 |
| Rest | 2,312,399 | 3,110,257 |
| Additions during the year | 3,605,411 | 3,004,386 |
| Originated by the Bank | 1,375,191 | 1,142,120 |
| Subrogations from other entities | 71 | 338 |
| Rest | 2,230,149 | 1,861,928 |
| Balance at 31 December 2013 | 40,084,951 | 23,056,298 |
| Derecognised during the year | (7,442,971) | (5,267,317) |
| Repayment at maturity | 2,672,320 | 636,421 |
| Early repayment | 1,021,303 | 646,794 |
| Subrogations by other entities | 6,537 | 2,419 |
| Rest | 3,742,811 | 3,981,683 |
| Additions during the year | 6,344,901 | 2,708,587 |
| Originated by the Bank | 2,064,559 | 1,475,074 |
| Subrogations from other entities | 5,007 | 6,743 |
| Rest | 4,275,335 | 1,226,770 |
| Balance at 31 December 2014 | 38,986,881 | 20,497,568 |

(*) See Note 2.

B) Liabilities operation

Information on issues of collateralized securities backed by Banco Sabadell mortgage loan and credit portfolios is provided in the following table, disclosed by unexpired term and according to whether the sale was by public offering or otherwise.

Thousand euro

| Nominal value | 2014 | 2013 |
|--|-------------------|-------------------|
| Mortgage covered bonds in issue | 21,980,115 | 24,612,969 |
| Of which: Not reflected under liabilities on the balance sheet | 6,352,600 | 7,232,950 |
| Debt securities Issued through public offering | 8,200,000 | 9,650,000 |
| Time to maturity up to one year | 2,700,000 | 2,500,000 |
| Time to maturity from one to two years | 1,750,000 | 2,700,000 |
| Time to maturity from two to three years | 1,500,000 | 1,750,000 |
| Time to maturity from three to five years | 1,000,000 | 2,500,000 |
| Time to maturity from five to ten years | 1,250,000 | 200,000 |
| Time to maturity more than ten years | - | - |
| Debt securities Other issues | 8,233,000 | 8,145,000 |
| Time to maturity up to one year | 4,400,000 | 1,500,000 |
| Time to maturity from one to two years | 420,000 | 4,400,000 |
| Time to maturity from two to three years | 500,000 | 420,000 |
| Time to maturity from three to five years | 1,550,000 | 650,000 |
| Time to maturity from five to ten years | 1,363,000 | 1,175,000 |
| Time to maturity more than ten years | - | - |
| Deposits | 5,547,115 | 6,817,969 |
| Time to maturity up to one year | 1,327,756 | 1,270,854 |
| Time to maturity from one to two years | 1,174,815 | 1,327,756 |
| Time to maturity from two to three years | 330,000 | 1,174,815 |
| Time to maturity from three to five years | 1,117,856 | 923,710 |
| Time to maturity from five to ten years | 1,240,278 | 1,764,424 |
| Time to maturity more than ten years | 356,410 | 356,410 |

| | 2014 | | 2013 | |
|---------------------------------------|------------------|-----------------------|------------------|-----------------------|
| | Nominal value | Average residual term | Nominal value | Average residual term |
| | (thousand euro) | (years) | (thousand euro) | (years) |
| Mortgage transfer certificates | 5,790,050 | 17 | 7,661,473 | 17 |
| Issued through public offering | - | - | - | - |
| Other issues | 5,790,050 | 17 | 7,661,473 | 17 |
| Mortgage securities | 6,558,293 | 17 | 7,817,974 | 18 |
| Issued through public offering | - | - | - | - |
| Other issues | 6,558,293 | 17 | 7,817,974 | 18 |

At 31 December 2014 the over-collateralization ratio (the nominal value of the total mortgage loan portfolio backing the issue of mortgage bonds and mortgage covered bonds divided by the nominal value of mortgage covered bonds in issue) for Banco de Sabadell, S.A. stood at 271%.

As required by Royal Decree 716/2009, which developed certain aspects of Law 2/1981 on the regulation of the mortgage market and other matters relating to mortgage lending, the Board of Directors represents that it is responsible for ensuring that the Bank has a set of policies and procedures in place to assure compliance with mortgage market regulations.

In line with these policies and procedures for managing the Group's mortgage market activities, the Board of Directors is responsible for ensuring compliance with all mortgage market regulations and for implementing the Group's risk management and control procedures (see Note 37, Financial Risk Management). In the area of credit risk, in particular, the Board of Directors delegates powers and discretions to its Executive Committee, which then sub-delegates authority at each level of decision-taking. The internal procedures set up to handle the origination and monitoring of the assets that make up the Group's lending and particularly those secured by mortgage, which serve as coverage for the Group's mortgage covered bond issues, are described in detail below for each type of loan applicant.

Individuals

Analysis and decisions concerning the risk rating of individuals are based on the scoring tools described in the Directors' Report. Where necessary, these tools are complemented with the work of a risk analyst, who carries out more in-depth studies of supplementary materials and reports. There are, in addition, a whole range of other details and parameters to be considered, such as the consistency of the customer's application and how well it matches his possibilities; the customer's ability to pay based on his current and future position; the value of the property provided as security for the loan (as determined by an appraisal carried out by a Bank of Spain-authorized valuation firm which Banco Sabadell's own internal approval processes will, additionally, have shown to be free of any association with the Group); the availability of any additional security; examinations of internal and external databases of defaulters, etc.

One aspect of the decision-making process is to establish the maximum amount of the loan, based on the assessed value of the security (the loan-to-value ratio, or LTV). As a general rule, under internal Group procedures the maximum LTV is applicable to purchases by individuals of properties for use as their normal residence and is fixed at 80%. This provides an upper limit below which a range of other maximum LTV ratios of less than 80% are set, having regard to the purpose of the loan.

A further step that must be taken before an application can be decided upon is to review all charges associated with the property on which the loan is to be secured and also any insurance taken out to cover the security. Once a loan application has been approved, the mortgage must be registered with the Property Registry as part of the formalities for arranging the loan.

Concerning approval autonomy levels, the scoring tools are the main reference for determining the feasibility of the operation. Where the loan being sought is above a certain amount, or where factors are present that are not readily captured by a scoring procedure, a risk analyst will be involved. The limit for each autonomy level is based on credit scores, with additional conditions being specified at each level to determine when special intervention is required. A list of exceptions has been drawn up, based on the particular circumstances of the borrower and the operation, and these exceptions are covered in the Group's internal rules and procedures.

As mentioned in the Directors' Report, the Group has an integrated monitoring system which uses early alert tools that enable the early detection of borrowers that could have compliance issues. A key part of this process consists of well-established procedures to review and validate the security provided.

Businesses (other than construction/real estate development)

Analysis and decisions concerning the risk rating are based on rating tools and the "basic management teams", both of which are described in the Directors' Report. Where necessary, these tools are complemented with the work of a risk analyst, who carries out more in-depth studies of supplementary materials and reports. A range of other data and parameters are also taken into account, such as the consistency of the application, ability to pay and the nature of the security provided (as determined by an appraisal carried out by a Bank of Spain-authorized valuation firm which Banco Sabadell's own approval processes will, additionally, have shown to be free of any association with the Group) and considering any supplementary guarantees, the "fit" between the company's working capital and its total sales; the appropriateness of the total amount borrowed from the Group based on the business's capital strength; examinations of internal and external databases of defaulters, and so on.

Business loans are likewise subject to processes to evaluate any charges associated with the security provided and to have any mortgage registered with the Property Registry.

An autonomy level is assigned on the basis of the expected loss associated with a transaction. There are several levels at which decisions may be taken. Each of these levels involves the "key management team", one member of which will be on the business side and one on the risk management side. All loan approvals must be the result of a joint decision. As with individual customers, a set of exceptional circumstances has been specified for borrowers or sectors, and these are provided for in the Group's internal procedures.

As in the case of individuals, operations are monitored using early alert tools. There are also procedures to ensure that the borrower's security or guarantees are constantly being reviewed and validated.

Businesses (construction/real estate development)

Real estate assets and property development loans are handled by the Bank's Operations Management and Corporate Development division. The division is organizationally structured to focus on the specialized management of assets of this type based on knowledge of the status and development of the real-estate market.

Managing the risks in these real estate and loan assets is the responsibility of the Bank's Asset Risk unit, part of the Risk Management division.

Risk analysis is carried out by specialist management teams who operate in conjunction with the real estate lending units to ensure that a risk management perspective is combined with a view based on direct contact with the customer.

Factors influencing the decision will include the borrower's credit rating assessment together with a series of other considerations such as the financial position and net worth of the business, revenue and cash flow projections, any business plans and, most particularly, an in-depth study of current credit risks whether related to completed developments, land holdings or other assets.

There is a scale of maximum LTV ratios defined internally by the Group based on the purpose of the financing, quality of the developer and an internal appraisal of the development.

Decision-taking powers and discretions are assigned according to the specific types of asset portfolio handled within this business segment, which may be related to new projects, sales, purchases or action plans. All these different circumstances are provided for in the Bank's rules and procedures.

Loans are subject to the kind of continuous monitoring that asset management necessarily implies. For completed developments, monitoring will focus on sales or rental figures; for developments under construction, the state of progress of the work. Constant checks are made that commitments are being adhered to and, as with non-real estate businesses, procedures are in place for the continuous review and validation of the loan security provided.

Other matters

The Banco Sabadell Group is an active participant in the capital markets and has a number of funding programmes in operation (see Note 37). As one element of its funding strategy Banco de Sabadell, S.A. is an issuer of mortgage covered bonds. Mortgage covered bond issues are backed by the Bank's portfolio of loans secured by real estate mortgages that meet the eligibility criteria applicable under Royal Decree 716/2009 which provides rules on the mortgage market and mortgage finance in Spain. The Group has review procedures in place to monitor its entire portfolio of loans and credit lines secured by mortgages. These include maintaining special accounting records of all mortgage assets – and any assets that replace them – used to back issues of mortgage covered bonds and mortgage bonds, and of any financial derivatives associated with them; verifying that all loans and other assets meet the eligibility criteria for use as collateral in issues of mortgage covered bonds; and ensuring that bond issues are at all times kept to within their maximum limits, as required by the applicable mortgage market legislation.

NOTE 10 – FINANCIAL ASSETS TRANSFERS

In recent years the Banco Sabadell Group has undertaken a number of securitization programmes, either alone or in partnership with other domestic and foreign banks. Financial assets securitized by the Group under these programmes at the end of 2014 and 2013 are summarized below. Assets on which the associated risks and rewards were transferred are shown separately in the table:

| Thousand euro | | |
|--|-------------------|-------------------|
| | 2014 | 2013 |
| Derecognised in full from the balance sheet | 1,482,749 | 1,692,585 |
| Securitised mortgage assets | 609,155 | 716,252 |
| Other securitised assets | 45,247 | 56,927 |
| Other financial assets transferred | 828,347 | 919,406 |
| Retained in full on the balance sheet | 12,284,506 | 15,672,353 |
| Securitised mortgage assets | 11,739,188 | 14,751,681 |
| Other securitised assets | 545,318 | 920,672 |
| Other transfers to credit institutions | - | - |
| Total | 13,767,255 | 17,364,938 |

Other financial assets transferred and derecognized in full included the assets transferred to SAREB by Banco Gallego as they are still managed by the entity. The total value of these assets amounts to €839,465,000.

Assets and liabilities held in securitization funds set up after 1 January 2004 and whose associated risks and rewards were not transferred to third parties have been retained in the consolidated financial statements. For the assets listed there was no transfer of risk but some form of subordinate financing or other credit enhancement for the securitization funds was arranged.

The securitization programmes retained in full on the balance sheet and the bonds associated with assets classified under the Group's Marketable debt securities are detailed below (Note 21):

Thousand euro

| Year | Type of assets securitized | Issue | | Liability outstanding | | Yield |
|-----------------|---|----------------------|-----------|-----------------------|------------------|--|
| | | Number of securities | Amount | 2014 | 2013 | |
| 2004 | TDA CAM 3, FTA (*) | 12,000 | 1,200,000 | 179,708 | 220,702 | JRIBOR 3M + (between 0.23% and 0.70%) |
| 2004 | GC SABADELL 1, F.T.H. | 12,000 | 1,200,000 | 184,571 | 213,442 | JRIBOR 3M + (between 0.06% and 0.78%) |
| 2004 | FTPME TDA CAM 2 F.T.A (*) | 1,968 | 196,800 | 22,808 | 23,173 | EURIBOR 3M + (between 0% and 0.70%) |
| 2005 | TDA CAM 4, FTA (*) | 20,000 | 2,000,000 | 376,937 | 441,363 | JRIBOR 3M + (between 0.09% and 0.24%) |
| 2005 | TDA CAM 5, FTA (*) | 20,000 | 2,000,000 | 458,727 | 516,554 | JRIBOR 3M + (between 0.12% and 0.35%) |
| 2005 | GC FTPME SABADELL 4, F.T.A. | 7,500 | 750,000 | 16,117 | 34,632 | JRIBOR 3M + (between 0.00% and 0.70%) |
| 2005 | GC FTGENCAT SABADELL 1, F.T.A. | 5,000 | 500,000 | - | 22,378 | IRIBOR 3M + (between -0.04% and 0.78%) |
| 2005 | TDA 23, FTA (**) | 8,557 | 289,500 | 37,350 | 43,828 | JRIBOR 3M + (between 0.09% and 0.75%) |
| 2005 | FTPME TDA 6, FTA (**) | 420 | 42,000 | - | 8,279 | EURIBOR 3M + (between 0% and 0.65%) |
| 2006 | TDA CAM 6 F.T.A (*) | 13,000 | 1,300,000 | 286,888 | 336,045 | JRIBOR 3M + (between 0.13% and 0.27%) |
| 2006 | IM FTGENCAT SABADELL 2, F.T.A. | 5,000 | 500,000 | - | 106,587 | RIBOR 3M + (between 0.045% and 0.70%) |
| 2006 | EMPRESAS HIPO TDA CAM 3 F.T.A (*) | 5,750 | 575,000 | 71,652 | 97,871 | JRIBOR 3M + (between 0.18% and 0.80%) |
| 2006 | TDA CAM 7 F.T.A (*) | 15,000 | 1,500,000 | 413,343 | 462,464 | JRIBOR 3M + (between 0.14% and 0.30%) |
| 2006 | CAIXA PENEDES 1 TDA, FTA (***) | 10,000 | 1,000,000 | 105,207 | 119,529 | JRIBOR 3M + (between 0.14% and 0.55%) |
| 2006 | GC FTPME SABADELL 5, F.T.A. | 12,500 | 1,250,000 | 26,327 | 50,250 | JRIBOR 3M + (between 0.01% and 0.58%) |
| 2006 | TDA 26-MIXTO, FTA (**) | 6,783 | 435,500 | 7,239 | 7,466 | JRIBOR 3M + (between 0.14% and 3.50%) |
| 2006 | FTPME TDA CAM 4 F.T.A (*) | 11,918 | 1,191,800 | 175,848 | 198,525 | EURIBOR 3M + (between 0.02% and 4%) |
| 2007 | TDA CAM 8 F.T.A (*) | 17,128 | 1,712,800 | 510,113 | 574,155 | JRIBOR 3M + (between 0.13% and 3.50%) |
| 2007 | CAIXA PENEDES PYMES 1 TDA, FTA (***) | 7,900 | 790,000 | 43,418 | 68,842 | JRIBOR 3M + (between 0.19% and 0.80%) |
| 2007 | GC FTPME SABADELL 6, F.T.A. | 10,000 | 1,000,000 | 54,118 | 79,871 | RIBOR 3M + (between -0.005% and 0.75%) |
| 2007 | TDA CAM 9 F.T.A (*) | 15,150 | 1,515,000 | 422,668 | 470,971 | JRIBOR 3M + (between 0.12% and 3.50%) |
| 2007 | TDA 29, FTA (**) | 8,128 | 452,173 | 151,835 | 171,369 | JRIBOR 3M + (between 0.20% and 3.50%) |
| 2007 | CAIXA PENEDES 2 TDA, FTA (***) | 7,500 | 750,000 | - | - | JRIBOR 3M + (between 0.30% and 1.75%) |
| 2007 | EMPRESAS HIPO TDA CAM 5 F.T.A (*) | 12,308 | 1,230,800 | - | - | EURIBOR 3M + (between 0.25% and 4%) |
| 2007 | TDA CAM 10 F.T.A (*) | 12,369 | 1,236,900 | - | - | JRIBOR 3M + (between 0.10% and 3.50%) |
| 2007 | FTPME TDA 7, FTA (**) | 2,904 | 290,400 | 1,271 | - | EURIBOR 3M + (between 0.10% and 4%) |
| 2008 | IM SABADELL RMBS 2, F.T.A. | 14,000 | 1,400,000 | - | - | JRIBOR 3M + (between 0.45% and 1.75%) |
| 2008 | FTPME TDA CAM 7 F.T.A (*) | 10,000 | 1,000,000 | - | - | JRIBOR 3M + (between 0.30% and 1.50%) |
| 2008 | CAIXA PENEDES FTGENCAT 1 TDA, FTA (***) | 5,700 | 570,000 | 74,918 | 11,747 | JRIBOR 3M + (between 0.35% and 1.75%) |
| 2008 | IM FTPME SABADELL 7, F.T.A. | 10,000 | 1,000,000 | - | - | JRIBOR 3M + (between 0.50% and 1.75%) |
| 2008 | TDA CAM 11 F.T.A (*) | 13,812 | 1,381,200 | - | - | JRIBOR 3M + (between 0.40% and 3.50%) |
| 2008 | IM SABADELL RMBS 3, F.T.A. | 14,400 | 1,440,000 | - | - | JRIBOR 3M + (between 0.40% and 1.25%) |
| 2008 | TDA 31, FTA (**) | 3,000 | 300,000 | - | - | JRIBOR 3M + (between 0.30% and 1.20%) |
| 2009 | TDA CAM 12 F.T.A (*) | 15,960 | 1,596,000 | - | - | JRIBOR 3M + (between 0.40% and 3.50%) |
| 2010 | GC FTPME SABADELL 8, F.T.A. | 10,000 | 1,000,000 | - | - | JRIBOR 3M + (between 1.40% and 1.50%) |
| 2010 | FTPME TDA CAM 9 F.T.A (*) | 4,160 | 416,000 | - | - | EURIBOR 3M + 0.35% |
| 2011 | IM FTPME SABADELL 9, F.T.A. | 15,000 | 1,500,000 | - | - | EURIBOR 3M + (between 0.30% and 1%) |
| Subtotal | | | | 3,621,063 | 4,280,043 | |

(*) Banco CAM securitization funds in effect

(**) Banco Guipuzcoano securitization funds in effect

(***) Securitization funds in effect derived from acquisition of assets from BMN-Penedés.

NOTE 11 – ADJUSTMENTS OF FINANCIAL ASSETS AND LIABILITIES DUE TO MACRO-HEDGES

At 31 December 2014 the balances under this heading on the asset and liability sides of the consolidated balance sheet were made up of gains and losses on items covered by fair value hedges of the interest rate risk on portfolios of financial instruments. The net adjustment relating to hedged items generated losses of €68,020,000 at 31 December 2014 (€211,406,000 at 31 December 2013). These losses were almost entirely offset by gains on their associated hedging derivatives.

NOTE 12 – HEDGING DERIVATIVES (ASSETS AND LIABILITIES)

The fair values of these items of the consolidated balance sheet at 31 December 2014 and 2013 are disclosed as follows:

| Thousand euro | | | | |
|----------------------|----------------|----------------|----------------|----------------|
| | 2014 | | 2013 | |
| | Assets | Liabilities | Assets | Liabilities |
| Micro-hedges: | | | | |
| Fair value hedges | 148,824 | 62,544 | 122,039 | 77,578 |
| Cash flow hedges | 663,715 | 233,620 | 162,180 | 176,910 |
| Macro-hedges: | | | | |
| Fair value hedges | 97,634 | 81,869 | 306,921 | 24,936 |
| Cash flow hedges | - | 82,263 | 2,187 | 35,815 |
| Total | 910,173 | 460,296 | 593,327 | 315,239 |
| By currency: | | | | |
| In euro | 892,046 | 456,719 | 593,327 | 314,718 |
| In foreign currency | 18,127 | 3,577 | - | 521 |
| Total | 910,173 | 460,296 | 593,327 | 315,239 |

The Group enters into interest rate hedging contracts as part of its policy for managing interest rate risk (see Note 37 on financial risk management). The main types of hedging instrument used are described below:

a) Fair value hedges

The hedged items are as follows:

- Capital market funding operations by the Bank, resulting in debt issues at fixed rates of interest. At 31 December 2014 and 2013 the fair values of swaps covering said items reflected a net loss of €15,765,000 and €283,346,000, respectively.
- Deposit products offered through the Bank's branch network at fixed rates of interest. At 31 December 2014 and 2013 the fair values of swaps covering these items reflected a net gain of €48,517,000 and €35,145,000, respectively.
- Loans by the Bank at fixed rates of interest. At 31 December 2014 and 2013 the fair values of swaps covering said items reflected a net loss of €134,797,000 and €82,933,000, respectively.

Most of the Group's hedging operations were carried out by Banco de Sabadell, S.A.

Gains and losses recognized during the year on hedging instruments and on hedged items are shown in the following table:

| Thousand euro | | | | |
|---|---------------------|-----------------|---------------------|---------------|
| | 2014 | | 2013 | |
| | Hedging instruments | Hedged items | Hedging instruments | Hedged items |
| Micro-hedges | 48,738 | (49,807) | (10,928) | 9,523 |
| Fixed-rate assets | 47,419 | (48,373) | 1,674 | (2,333) |
| Capital market | 5,356 | (4,300) | (758) | 988 |
| Fixed-rate liabilities | (4,037) | 2,866 | (11,844) | 10,868 |
| Macro-hedges | (201,620) | 201,620 | (28,852) | 28,853 |
| Capital markets and fixed-asset liabilities | (129,302) | 129,302 | (7,028) | 7,028 |
| Fixed-rate assets | (72,318) | 72,318 | (21,824) | 21,825 |
| Total | (152,882) | 151,813 | (39,780) | 38,376 |

b) Cash flow hedges

Amounts recognized in equity during the year and the amounts derecognized from equity and taken to the income statement for the year are reported in the statement of changes in total equity.

In the case of interest rate micro-hedges, the expected cash flows are considered likely to occur in the near term.

The bank enters into cash flow macro-hedges to reduce net interest income volatility caused by fluctuations in interest rates over a one-year time horizon. The macro-hedge is thus a hedge of future cash flows related to the net exposure of a portfolio made up of highly probable liabilities with exposures similar to interest rate risk. At the present time the hedging instruments used for this purpose are interest rate swaps.

Hedging ineffectiveness has been practically irrelevant.

NOTE 13 – NON-CURRENT ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE

The components of this item on the consolidated balance sheet at 31 December 2014 and 2013 are as follows:

| Thousand euro | 2014 | 2013 |
|---|------------------|------------------|
| Assets | 3,246,097 | 3,185,121 |
| Property, plant and equipment for own use | 134,559 | 192,335 |
| Reposessed assets | 3,110,393 | 2,962,458 |
| Investment property | - | 17,714 |
| Equity instruments | - | 824 |
| Other assets leased out under operating leases | 1,145 | 1,009 |
| Other assets | - | 10,781 |
| Impairment adjustment | (996,162) | (914,773) |
| Total non-current assets held for sale | 2,249,935 | 2,270,348 |
| Total liabilities associated with non-current assets held for sale | - | - |

Reposessed assets comprise assets received from borrowers or others debtors of the Bank in full or part settlement of financial assets representing claims against those borrowers or debtors.

Total tangible assets for own use relate to residential property (offices).

Concerning reposessed properties, 90% pertain to residential assets, 8% to industrial assets and 2% to rural properties.

The average length of time that assets remained within the category of non-current assets held for sale - reposessed properties was 30 months in 2014 (34 months in 2013). Policies for disposal of these assets are described in Note 18.

The percentage of reposessed properties sold with financing by the Bank in 2014 was 42.7% (33% in 2013).

Movements in the Group's non-current assets held for sale in 2014 and 2013 are as follows:

Thousand euro

| Non-current assets held for sale | |
|---|------------------|
| Cost: | |
| Balances at 31 December 2012 | 3,241,006 |
| Scope additions/exclusions (*) | 53,392 |
| Additions | 840,800 |
| Disposals | (1,046,117) |
| Other transfers | 96,040 |
| Balances at 31 December 2013 | 3,185,121 |
| Additions | 1,381,487 |
| Disposals | (749,876) |
| Other transfers (Note 15) | (141,740) |
| NPL transfers (**) | (428,895) |
| Balances at 31 December 2014 | 3,246,097 |
| Impairment adjustment: | |
| Balances at 31 December 2012 | 1,184,752 |
| Scope additions/exclusions (*) | 34,181 |
| Net transfer impacting results | 258,592 |
| Utilizations | (1,032,824) |
| NPL transfers (**) | 470,071 |
| Balances at 31 December 2013 | 914,773 |
| Net transfer impacting results | 264,260 |
| Utilizations | (145,888) |
| Other transfers (Note 15) | (36,983) |
| Balances at 31 December 2014 | 996,162 |
| Net balances at 31 December 2013 | 2,270,348 |
| Net balances at 31 December 2014 | 2,249,935 |

(*) See Note 2.

(**) Fund derived from value adjustments made in relation to credit risk hedging

NOTE 14 – INVESTMENTS

Movements in this item at 31 December 2014 and 2013 were as follows:

| Thousand euro | |
|---|----------------|
| Balance at 31 December 2012 | 746,336 |
| Scope additions/exclusions (*) | 2,407 |
| Profit/(loss) for the year | 11,707 |
| Capital increase or acquisition | 28,221 |
| Sale or dissolution | (83,572) |
| Dividends | (52,581) |
| Transfer | (9,517) |
| Impairment, valuation adjustments, translation differences and other (**) | (2,159) |
| Balance at 31 December 2013 | 640,842 |
| Scope additions/exclusions (*) | (1,255) |
| Profit/(loss) for the year | 101 |
| Capital increase or acquisition | 75,795 |
| Sale or dissolution | (125,995) |
| Dividends | (69,062) |
| Transfer | 52,486 |
| Impairment, valuation adjustments, translation differences and other (**) | (59,685) |
| Balance at 31 December 2014 | 513,227 |

(*) see Note 2.

(**) Includes €36,821,000 with respect to investment impairment (€23,834,000 in 2013). (Note 34h)

The goodwill associated with investments at 31 December 2014 was €17,244,000.

At 31 December 2014 no support agreements or other kind of significant contractual commitment had been provided by the Bank or its subsidiaries to associates.

The reconciliation between the Group's investment in investee companies and the balance recorded under the heading Investments is as follows:

| Thousand euro | | |
|---|----------------|----------------|
| | 2014 | 2013 |
| Group investment in investees (Schedule I) | 763,473 | 838,892 |
| Contributions due to accumulated profits | 119,844 | 148,036 |
| Valuation adjustments (impairment and exchange differences) | (370,090) | (346,086) |
| Total | 513,227 | 640,842 |

The main financial figures of Bansabadell Vida at 31 December 2014 and 2013 are as follows:

| Thousand euro | | |
|---|-----------------------------|-------------|
| | BanSabadell Vida (*) | |
| | 2014 | 2013 |
| Total assets | 5,958,746 | 6,172,455 |
| Of which financial investments | 5,767,607 | 6,062,205 |
| Total liabilities | 5,605,302 | 5,807,572 |
| Of which technical provisions | 5,271,816 | 5,664,491 |
| Result of the technical life account | 95,424 | 82,960 |
| Of which premiums allocated to the year | 1,278,336 | 486,927 |
| Of which claims ratio for the year | (1,345,198) | (684,848) |
| Of which technical financial yield | 210,801 | 322,939 |

(*) Figures taken from BanSabadell Vida accounts without taking into consideration consolidation adjustments nor the Group's percentage holding

NOTE 15 – TANGIBLE ASSETS

The composition of this item on the consolidated balance sheet at 31 December 2014 and 2013 was as follows:

| Thousand euro | | | | | | | | |
|---|------------------|--------------------|------------------|------------------|------------------|--------------------|------------------|------------------|
| | 2014 | | | | 2013 | | | |
| | Cost | Depreciation | Impairment | Net value | Cost | Depreciation | Impairment | Net value |
| Property, plant and equipment | 2,799,090 | (1,163,189) | (22,614) | 1,613,287 | 3,314,317 | (1,528,339) | (128,651) | 1,657,327 |
| For own use: | 2,687,355 | (1,131,824) | (22,614) | 1,532,917 | 3,205,866 | (1,490,596) | (128,651) | 1,586,619 |
| Computer equipment and related facilities | 467,597 | (328,021) | - | 139,576 | 595,983 | (488,930) | (5,139) | 101,914 |
| Furniture, vehicles and other facilities | 1,091,149 | (605,390) | (1,128) | 484,631 | 1,426,248 | (815,659) | (3,301) | 607,288 |
| Buildings | 1,099,242 | (196,817) | (21,454) | 880,971 | 1,121,669 | (182,746) | (110,300) | 828,623 |
| Work in progress | 76 | - | - | 76 | 14,595 | - | - | 14,595 |
| Other | 29,291 | (1,596) | (32) | 27,663 | 47,371 | (3,261) | (9,911) | 34,199 |
| Leased out under operating leases | 111,735 | (31,365) | - | 80,370 | 108,451 | (37,743) | - | 70,708 |
| Investment property | 3,156,086 | (114,576) | (671,931) | 2,369,579 | 2,936,918 | (75,407) | (583,516) | 2,277,995 |
| Buildings | 3,122,856 | (112,915) | (659,827) | 2,350,114 | 2,915,780 | (74,326) | (581,086) | 2,260,368 |
| Rural property, plots and sites | 33,230 | (1,661) | (12,104) | 19,465 | 21,138 | (1,081) | (2,430) | 17,627 |
| Total | 5,955,176 | (1,277,765) | (694,545) | 3,982,866 | 6,251,235 | (1,603,746) | (712,167) | 3,935,322 |

Movements in tangible assets for 2014 and 2013 are shown in the following table:

Thousand euro

| | Land and buildings | Furnishings and equipment | Investment property | Leased under operating lease | Total |
|---|-----------------------|------------------------------|------------------------|---------------------------------|------------------|
| Cost: | | | | | |
| Balances at 31 December 2012 | 1,035,172 | 1,595,965 | 1,514,915 | 111,543 | 4,257,595 |
| Scope additions/exclusions (*) | 257,616 | 307,405 | 1,073,477 | - | 1,638,498 |
| Additions | 3,198 | 112,977 | 290,595 | 31,941 | 438,711 |
| Disposals | (12,058) | (33,769) | (247,993) | (35,498) | (329,318) |
| Changes in consolidation scope | - | - | - | - | - |
| Other transfers | (100,293) | 39,653 | 305,924 | 465 | 245,749 |
| Balances at 31 December 2013 | 1,183,635 | 2,022,231 | 2,936,918 | 108,451 | 6,251,235 |
| Additions | 45,987 | 106,345 | 444,343 | 37,638 | 634,313 |
| Disposals | (101,013) | (569,830) | (481,398) | (34,354) | (1,186,595) |
| Changes in consolidation scope | - | - | - | - | - |
| Other transfers | - | - | 268,435 | - | 268,435 |
| NPL transfers (**) | - | - | (12,212) | - | (12,212) |
| Balances at 31 December 2014 | 1,128,609 | 1,558,746 | 3,156,086 | 111,735 | 5,955,176 |
| Accumulated depreciation: | | | | | |
| Balances at 31 December 2012 | 152,474 | 1,006,154 | 66,819 | 39,621 | 1,265,068 |
| Scope additions/exclusions (*) | 30,335 | 215,207 | 3,000 | - | 248,542 |
| Additions | 15,070 | 98,319 | 28,177 | 16,503 | 158,069 |
| Disposals | (1,214) | (19,447) | (7,279) | (18,780) | (46,720) |
| Changes in consolidation scope | - | - | - | - | - |
| Other transfers | (10,658) | 4,356 | (15,310) | 399 | (21,213) |
| Balances at 31 December 2013 | 186,007 | 1,304,589 | 75,407 | 37,743 | 1,603,746 |
| Additions | 15,998 | 107,382 | 47,916 | 15,361 | 186,657 |
| Disposals | (3,592) | (478,560) | (8,628) | (21,739) | (512,519) |
| Changes in consolidation scope | - | - | - | - | - |
| Other transfers | - | - | (119) | - | (119) |
| Balances at 31 December 2014 | 198,413 | 933,411 | 114,576 | 31,365 | 1,277,765 |
| Impairment losses: | | | | | |
| Balances at 31 December 2012 | 93,946 | - | 263,543 | - | 357,489 |
| Scope additions/exclusions (*) | 17,540 | - | 5,023 | - | 22,563 |
| Net transfer impacting results | 3,519 | - | 133,582 | - | 137,101 |
| Utilizations | (9,674) | - | (245,537) | - | (255,211) |
| NPL transfers (**) | 14,880 | 8,440 | 426,905 | - | 450,225 |
| Balances at 31 December 2013 | 120,211 | 8,440 | 583,516 | - | 712,167 |
| Net transfer impacting results | (14,593) | 3,175 | 99,579 | - | 88,161 |
| Utilizations | (84,132) | (10,487) | (90,105) | - | (184,724) |
| Other transfers | - | - | 78,941 | - | 78,941 |
| Balances at 31 December 2014 | 21,486 | 1,128 | 671,931 | - | 694,545 |
| Net balances at 31 December 2013 | 877,417 | 709,202 | 2,277,995 | 70,708 | 3,935,322 |
| Net balances at 31 December 2014 | 908,710 | 624,207 | 2,369,579 | 80,370 | 3,982,866 |

(*) see Note 2.

(**) Fund derived from value adjustments made in relation to credit risk hedging

The origin of the amortised cost of transfers to tangible assets during 2014 is detailed below:

| Thousand euro | |
|--|----------------|
| | 2014 |
| Inventories (see Note 17) | 84,854 |
| Non-current assets held for sale (Note 13) | 104,757 |
| Doubtful loans | (12,212) |
| Total | 177,399 |

The gross value of own-use tangible assets that were fully depreciated and remained in use at 31 December 2014 and 2013 amounted to €361,201,000 and €695,234,000, respectively.

The carrying amount of tangible assets relating to foreign operations was €53,580,000 at 31 December 2014 (€59,285,000 at 31 December 2013).

The Group has concluded property sales in which operating leases (maintenance, insurance and taxes are borne by the Bank) relating to those properties are simultaneously signed with the purchasers. The main characteristics of the most significant lease contracts in force at the end of 2014 are as follows:

| 31/ 12/ 2014 | | | | |
|----------------------------|---------------------|------------------------------------|---------------------------------------|----------------|
| Operating lease contracts | No. properties sold | No. contracts with purchase option | No. contracts without purchase option | Mandatory term |
| 2010 | 379 | 379 | - | 10 years |
| 2012 | 4 | 4 | - | 15 years |
| 2012 (inclusion Banco CAM) | 20 | 20 | - | 10 to 12 years |

For the batch of 379 properties sold in 2010 for which an operating lease was arranged at the time of the sale, the income for the mandatory term of the lease, initially set at €37,500 per month, is updated annually based on the Spanish CPI with a minimum rise of 2.75% per year until April 2018. Rentals on other properties are updated annually in line with the CPI.

In relation to this group of operating leases:

- Lease expenses for all lease contracts in force in 2014 and 2013 totalled €49,272,000 and €53,167,000, respectively, recognized in other general administration expenses for property, plant and equipment under Administration expenses (Note 34.e).

- The present values of minimum future rental payments to be incurred by the Bank during the minimum term of the leases (assuming that none of the available options to renew the lease or purchase the asset are likely to be exercised) at 31 December 2014 stood at €50,196,000 for leases with terms of one year (2013: 48,489,000), €173,645,000 for one to five years (2013: €155,767,000) and €262,427,000 for more than five years (2013: €178,715,000).

With regard to the "Leased out under operating leases" column of the table, the bulk of the Group's operating lease business is carried out by BanSabadell Renting, S.A. and consists in vehicle leasing.

Neither the rental income from these investment properties nor the associated direct costs, whether the properties were producing rental income during the year or not, were significant in relation to the consolidated annual accounts.

In compliance with accounting requirements under Article 93.1.a) and c) of the revised Corporate Income Tax Act, with respect to the mergers taking place to date between Banco de Sabadell, S.A. and Solbank SBD, S.A., Banco Herrero, S.A., Banco de Asturias, S.A., BanSabadell Leasing EFC, S.A., Solbank Leasing EFC, S.A., BanAsturias Leasing EFC, S.A., Banco Atlántico, S.A., Banco Urquijo, S.A., Europea de Inversiones y Rentas S.L., Banco CAM, S.A., Banco Guipuzcoano, S.A., BS Profesional, Axel Group, Sabadell Solbank S.A.U. (formerly

Lloyds Bank) and Banco Gallego, S.A., data are available showing the years in which depreciable assets were acquired by the companies being merged. Also available are detailed lists of acquired assets that have been recorded in the accounting records of Banco Sabadell, S.A. at values that were at variance with those figuring for the transferring entities prior to their being merged and showing the two values, the depreciation charges and the impairment adjustments entered in the accounting records of the acquirer and the acquires.

NOTE 16 – INTANGIBLE ASSETS

The composition of this item at 31 December 2014 and 2013 is as follows:

| Thousand euro | 2014 | 2013 |
|--|------------------|------------------|
| Goodwill | 1,084,146 | 1,073,209 |
| Banco Urquijo Sabadell Banca Privada, S.A. | 473,837 | 473,837 |
| Grupo Banco Guipuzcoano | 285,345 | 285,345 |
| Sabadell United Bank, N.A. | 62,697 | 48,722 |
| From acquisition of Banco BMN Penedès assets (*) | 245,364 | 245,364 |
| Rest | 16,903 | 19,941 |
| Other intangible assets | 507,150 | 428,528 |
| With a finite useful life: | 507,150 | 428,528 |
| Contractual relations with customers and brand (Banco Urquijo) | 9,860 | 12,613 |
| Contractual relations with customers (Banco Guipuzcoano) | 32,448 | 37,936 |
| Private Banking business, Miami | 26,127 | 25,655 |
| Contractual relations with customers (Sabadell United Bank) | 17,559 | 16,512 |
| Computer applications | 405,417 | 316,714 |
| Other deferred expenses | 15,739 | 19,098 |
| Total | 1,591,296 | 1,501,737 |

See Note 2

Goodwill

As stipulated in the applicable regulatory framework, Banco Sabadell has performed an analysis to assess the existence of any impairment to goodwill.

The valuation method used in the analysis has been to estimate the present value of future distributable net profits associated with the business carried out by the Bank over a projection period of 5 years (up to 2019). It is expected that by 2019 the Bank will have generated recurring profits and therefore, taking that year as a reference, the terminal value is estimated using a zero growth rate in perpetuity, in line with a conservative approach.

The discount rate applied was 10%, determined using the CAPM (*Capital Asset Pricing Model*) method. This rate comprises a risk free rate of 3% equivalent to the 2014 average yield on 10-year bonds plus a market premium of 5.5%, a 1.1 beta and an additional premium of 1%.

The key variables on which the financial projections were built were: growth in net interest income (determined on the basis of forecast business volumes and rates of interest), changes in other income and expense items, and capital ratios.

Recoverable values, both on an overall level and on the level of the CGUs, are higher than the respective carrying values and therefore no impairment has been recognized.

In addition, a sensitivity analysis was conducted and some key valuation variables were subjected to stress; again, there was no indication of any impairment. The variables on which the analysis was based include the cost of capital, the minimum capital requirement, revenues, cost growth and recurring cost of risk.

Macroeconomic assumptions used in the evaluation of goodwill impairment are as follows:

The economic recovery will continue in 2015 and domestic demand will remain the mainstay of growth. Business activity will be supported by the tax reductions announced as part of the government's tax reform, the stabilization of the construction industry after the adjustments that have taken place, the improving financial situation and revenues in the private sector, relatively benign financing conditions, the progressive improvement in credit terms and the positive impact of the structural reforms already adopted. The lower oil prices further boost the Group's activity.

The fragile economic situation in the Euro Zone, however, will make it difficult in Spain to improve on the growth dynamics observed in 2014 by limiting the strong performance in the export sector. Conversely, Spanish exports, which are increasingly diversified, will benefit from the gains in competitiveness arising from a weaker euro and containment of labour costs.

Regarding the labour market, the unemployment rate will continue to decline, with positive figures in terms of net job creation. The labour market will be supported not only by the recovery in business activity but also by continued wage moderation and the effects of the measures taken in this area, as reflected in the capacity to create jobs with lower growth rates than those required in the past.

Inflation will remain at very low levels but will not hamper economic activity. Inflation will remain below the Euro Zone average in a context in which the process of convergence of consumer prices will continue.

Evaluation of the existence of any evidence of impairment in significant goodwill:**Banco Urquijo**

Banco Urquijo's goodwill is allocated to the cash-generating units (CGUs) thought likely to benefit from the synergies identified. The CGUs and their relative importance with respect to the total goodwill are as follows: Private Banking CGU (12.7%), Commercial Banking CGU (21.2%), Corporate Banking CGU (1.9%) and Remainder CGU (2.3%). Synergies that could not be allocated to any one CGU because of limitations in the historical data available for the acquired undertaking were assigned to all CGUs (61.9%).

Banco Guipuzcoano

Banco Guipuzcoano's goodwill was assigned to the Commercial Banking CGU and reflects the future income generation potential of the acquired assets and liabilities, the value of the potential cost and income synergies identified and the costs associated with the transaction.

Sabadell United Bank

The valuation method used for the goodwill of Sabadell United Bank was to estimate the present value of future distributable net profits associated with the business carried on by Banco Urquijo over a projection period of 4 years (up to 2018) and to calculate a terminal value based on a nil growth rate in perpetuity. The discount rate used was 13.50%. The impairment test on the associated goodwill was validated by an independent expert.

BMN-Penedès

Concerning the goodwill assigned to the Commercial Banking CGU resulting from the business combination consisting of the acquisition of assets from BMN-Penedès explained in Note 2, at the close of 2014 the Bank carried out an assessment of whether there were any indications of impairment to that goodwill and estimated the recoverable value.

At the end of 2014, on the basis of the above goodwill, the Bank has assessed whether there is any evidence of impairment and has estimated the recoverable value. According to the results of this assessment, there has been no impairment of said goodwill.

Under the Spanish Corporate Income Tax Act, this goodwill is not tax deductible.

Other intangible assets

Banco Urquijo

Under the “other intangible assets” heading, the main intangibles associated with the purchase of Banco Urquijo were the values of contractual rights under agreements with customers taken over from Banco Urquijo in relation to certain products and services (SICAVs, investment and pension funds, credit/debit cards, short-term loans, brokerage and custody services), the values of deposits, and the value of the Banco Urquijo brand. These intangible items have finite useful lives of 12 years for Private Banking customers, seven years for Commercial Banking customers and five years for other categories. They are being amortised over these lives on a straight-line basis in a way similar to that used for tangible assets.

Private Banking business, Miami

The intangibles associated with the 2008 acquisition of the Miami private banking business include the value of contractual arrangements arising from customer relationships transferred along with the business and consisting mainly of short-term loans and deposits. These assets are being amortised over a period of 15 years as from their creation.

Caja de Ahorros del Mediterráneo, Miami branch

The intangible assets associated with the 2012 acquisition of the business of the Miami branch of Caja de Ahorros del Mediterráneo included contractual rights arising from customer relationships, relating mainly to deposits, handled by the branch. These assets are being amortised over a period of 10 years as from their creation.

Private banking business of Lloyds Bank in Miami

The intangibles associated with the 2013 acquisition of the Lloyds Bank Miami private banking business include the value of contractual arrangements arising from customer relationships transferred along with the business, mainly deposits and business relations with certain customers. These assets are being amortised over a period of 10 years as from their initial recognition.

Banco Guipuzcoano

The intangible assets associated with the acquisition of Banco Guipuzcoano are made up largely of the value of rights under contracts with customers from Banco Guipuzcoano for core (demand) deposits and mutual funds. The core deposits were valued according to the income approach, using the cost saving method. The fair value was determined, in most cases, by estimating the net present value of the cash flows generated by the lower cost of core deposits compared with alternative funding sources. The mutual fund management was valued by the income approach using the excess earnings method. The fair value was determined, in most cases, by estimating the net present value of the cash flows in the form of commissions from the distribution of mutual funds. These assets are to be amortised over a period of 10 years from the date of acquisition of Banco Guipuzcoano.

Sabadell United Bank

Sabadell United Bank encompasses a number of acquisitions made in the United States (Mellon United Bank, Lydian and JGB) in which intangible assets amounting to USD 40,496,000 were recognized relating mainly to core deposits and contractual relations with certain customers. These are intangibles with finite lives since it can be assumed that customer accounts will be closed over time due to changes in address, decease or changes in bank preferences.

The assets are being amortised over a period of 7 to 10 years from initial recognition and were valued at USD 21,318,000 and USD 22,771,000 as at 31 December 2014 and 2013, respectively.

To measure the evidence of impairment of other intangible assets the value in use is calculated using the income (discounted cash flow) method, with the multi-period excess earnings technique being used for income from contractual relations and deposits, and the price premium technique to measure the brand value. These intangible assets have not suffered any decline in value.

Software purchase costs comprise mainly the capitalized costs associated with subcontracted IT work and the purchase of software licences.

Movements in goodwill for 2014 and 2013 have been as follows:

| En miles de euros | | | |
|------------------------------------|------------------|----------------|------------------|
| | Goodwill | Impairment | Total |
| Balance at 31 Decembre 2012 | 829,534 | (1,603) | 827,931 |
| Additions | 247,498 | - | 247,498 |
| Disposals | - | - | - |
| Other | (2,204) | (16) | (2,220) |
| Balance at 31 Decembre 2013 | 1,074,828 | (1,619) | 1,073,209 |
| Additions | 7,143 | - | 7,143 |
| Disposals | - | - | - |
| Other | 2,175 | 1,619 | 3,794 |
| Balance at 31 Decembre 2014 | 1,084,146 | - | 1,084,146 |

Movements in other intangible assets in 2014 and 2013 are as follows:

| Thousand euro | | | | |
|------------------------------------|------------------|------------------|-----------------|----------------|
| | Cost | Depreciation | Impairment | Total |
| Balance at 31 December 2012 | 1,076,846 | (734,823) | (4,882) | 337,141 |
| Scope additions/ exclusions (*) | 63,844 | (56,515) | (6,461) | 868 |
| Additions | 169,731 | (66,575) | (3,031) | 100,125 |
| Disposals | (10,396) | 2,717 | 2,797 | (4,882) |
| Other | (8,168) | 4,114 | (670) | (4,724) |
| Balance at 31 December 2013 | 1,291,857 | (851,082) | (12,247) | 428,528 |
| Additions | 176,376 | (91,447) | - | 84,929 |
| Disposals | (80,581) | 67,569 | 6,705 | (6,307) |
| Other | - | - | - | - |
| Balance at 31 December 2014 | 1,387,652 | (874,960) | (5,542) | 507,150 |

(*) See Note 2.

The gross value of other intangible assets that were still in use and had been fully amortised at 31 December 2014 and 2013 totalled €574,214,000 and €580,742,000 respectively.

NOTE 17 – OTHER ASSETS

The composition of other assets at 31 December 2014 and 2013 is as follows:

| Thousand euro | | |
|---------------|------------------|------------------|
| | 2014 | 2013 |
| Inventories | 4,021,357 | 3,746,977 |
| Other | 250,530 | 220,823 |
| Total | 4,271,887 | 3,967,800 |

Movements in inventories in 2014 and 2013 have been as follows:

| Thousand euro | | | | |
|--|------------------|--------------------------|--------------|------------------|
| | Land | Real estate developments | Other | Total |
| Balance at 31 December 2012 | 2,082,470 | 1,619,174 | 7,841 | 3,709,485 |
| Scope additions/ exclusions (*) | 33,785 | 119,609 | 3,672 | 157,066 |
| Additions | 541,518 | 954,124 | 39 | 1,495,681 |
| Disposals | (420,214) | (649,771) | (47) | (1,070,032) |
| Impairment charged to income statement | (122,750) | (73,148) | (4,107) | (200,005) |
| Other transfers | - | (341,789) | - | (341,789) |
| Other | - | - | (3,429) | (3,429) |
| Balance at 31 December 2013 | 2,114,809 | 1,628,199 | 3,969 | 3,746,977 |
| Additions | 579,958 | 954,035 | - | 1,533,993 |
| Disposals | (247,664) | (596,546) | (3,969) | (848,179) |
| Impairment charged to income statement | (171,811) | (154,769) | - | (326,580) |
| Other transfers (Note 15) | (1,212,110) | 1,127,256 | - | (84,854) |
| Other | - | - | - | - |
| Balance at 31 December 2014 | 1,063,182 | 2,958,175 | - | 4,021,357 |

At 31 December 2014, there are no inventories associated with mortgage loans.

NOTE 18 - FINANCING FOR CONSTRUCTION AND REAL ESTATE DEVELOPMENT AND APPRAISAL OF MARKET FINANCING REQUIREMENTS

Financing for construction and real estate development

Details of finance for construction and real estate development, along with associated allowances, are given in the following table:

€ million

| | 31/ 12/ 2014 | | | | | |
|---|---------------|-------------------------|--------------------------|-------------------------|--------------|-------------------------|
| | Gross amount | Of which: APS-protected | Excess value of security | Of which: APS-protected | Coverage | Of which: APS-protected |
| Finance for construction and real-estate development recorded by Group credit institutions (operations in Spain) (*) | 12,843 | 5,774 | 3,370 | 1,858 | 5,079 | 2,871 |
| <i>Of which: doubtful</i> | 9,862 | 5,174 | 2,728 | 1,799 | 4,869 | 2,838 |
| <i>of which: substandard</i> | 985 | 174 | 208 | 31 | 210 | 33 |

(*) Loans are classified according to their purpose and not the debtor's CNAE. This implies, for example, that if the debtor relates to: (a) a real estate company but the financing is dedicated to a purpose other than construction or real estate development, it is not included in this table and (b) a company whose core business is not construction but the loan is used to finance properties for real estate development, it is included in this table.

€ million

| | 31/ 12/ 2013 | | | | | |
|---|---------------|-------------------------|-------------------------------|-------------------------|--------------|-------------------------|
| | Gross amount | Of which: APS-protected | Excess over value of security | Of which: APS-protected | Coverage | Of which: APS-protected |
| Finance for construction and real-estate development recorded by Group credit institutions (operations in Spain) (*) | 16,180 | 7,138 | 4,498 | 2,319 | 6,322 | 3,219 |
| <i>Of which: doubtful</i> | 12,071 | 6,253 | 3,567 | 2,167 | 5,985 | 3,169 |
| <i>of which: substandard</i> | 1,299 | 218 | 235 | 45 | 392 | 50 |

(*) Loans are classified according to their purpose and not the debtor's CNAE. This implies, for example, that if the debtor relates to: (a) a real estate company but the financing is dedicated to a purpose other than construction or real estate development, it is not included in this table and (b) a company whose core business is not construction but the loan is used to finance properties for real estate development, it is included in this table.

€ million

| Memorandum item | Gross amount | |
|--------------------|--------------|--------------|
| | 31/ 12/ 2014 | 31/ 12/ 2013 |
| Written off assets | 180 | 143 |

€ million

| Memorandum item: | Carrying amount | Carrying amount |
|--|-----------------|------------------|
| | 31/ 12/ 2014 | 31/ 12/ 2013 (*) |
| Total customer loans, excluding Public Administrations (operations in Spain) | 107,769 | 116,043 |
| Total assets (total businesses) | 163,346 | 163,523 |
| Adjustments due to asset impairment not allocated to specific operations | 226 | 303 |

(*) See Note 1, Comparability

The bank has recorded allowances totalling €11,348 million to cover exposures derived from financing granted for construction and real-estate development, as well as the real-estate assets derived from said financing, giving a coverage of those assets of 43%.

Details of financing provided for construction and real estate development in transactions recorded by credit institutions are as follows (businesses in Spain):

€ million

| | Loans: gross 31/ 12/ 2014 | Of which: APS-protected | Loans: gross amount 31/ 12/ 2013 | Of which: APS-protected |
|------------------------------|------------------------------|----------------------------|--|----------------------------|
| Unsecured | 1,448 | 427 | 1,899 | 488 |
| Mortgage security | 11,395 | 5,347 | 14,281 | 6,650 |
| Finished buildings | 6,887 | 3,134 | 7,873 | 3,837 |
| Housing | 4,035 | 1,885 | 5,155 | 2,621 |
| Rest | 2,852 | 1,249 | 2,718 | 1,216 |
| Buildings under construction | 801 | 492 | 1,215 | 580 |
| Housing | 611 | 418 | 958 | 495 |
| Rest | 190 | 74 | 257 | 85 |
| Land | 3,707 | 1,721 | 5,193 | 2,233 |
| Building land | 3,254 | 1,444 | 4,384 | 1,863 |
| Other land | 453 | 277 | 809 | 370 |
| Total | 12,843 | 5,774 | 16,180 | 7,138 |

Home purchase loans to households for transactions recorded by credit institutions (businesses in Spain) are disclosed below:

€ million

| | 31/ 12/ 2014 | | | |
|-------------------|---------------|-----------------------------|-----------------------|-----------------------------|
| | Gross amount | Of which: APS- protected | Of which: doubtful | Of which: APS- protected |
| Home loans | 36,733 | 1,101 | 3,198 | 357 |
| Unsecured | 139 | 12 | 26 | 10 |
| With mortgage | 36,594 | 1,089 | 3,172 | 347 |

€ million

| | 31/ 12/ 2013 | | | |
|-------------------|---------------|-----------------------------|-----------------------|-----------------------------|
| | Gross amount | Of which: APS- protected | Of which: doubtful | Of which: APS- protected |
| Home loans | 38,792 | 1,225 | 3,605 | 408 |
| Unsecured | 164 | 2 | 10 | - |
| With mortgage | 38,628 | 1,223 | 3,595 | 408 |

A breakdown of home loans secured by mortgages, showing the Group's total exposure as a proportion of the most recent available valuation of mortgaged property, is set out below (businesses in Spain):

€ million

| | 31/12/2014 | | | |
|-------------------|---------------|-------------------------|--------------------|-------------------------|
| | Gross amount | Of which: APS-protected | Of which: doubtful | Of which: APS-protected |
| LTV ranges | 36,594 | 1,089 | 3,172 | 347 |
| LTV ≤ 40% | 8,108 | 243 | 559 | 103 |
| 40% < LTV ≤ 60% | 11,723 | 362 | 692 | 108 |
| 60% < LTV ≤ 80% | 12,403 | 348 | 1,140 | 78 |
| 80% < LTV ≤ 100% | 3,300 | 98 | 543 | 39 |
| LTV > 100% | 1,060 | 38 | 238 | 19 |

€ million

| | 31/12/2013 | | | |
|-------------------|---------------|-------------------------|--------------------|-------------------------|
| | Gross amount | Of which: APS-protected | Of which: doubtful | Of which: APS-protected |
| LTV ranges | 38,628 | 1,223 | 3,595 | 408 |
| LTV ≤ 40% | 8,080 | 261 | 603 | 120 |
| 40% < LTV ≤ 60% | 11,673 | 395 | 798 | 135 |
| 60% < LTV ≤ 80% | 13,553 | 403 | 1,263 | 92 |
| 80% < LTV ≤ 100% | 4,114 | 115 | 631 | 38 |
| LTV > 100% | 1,208 | 49 | 300 | 23 |

Finally, details of asset repossessions by Group companies in connection with loans granted by credit institutions in Spain are given in the following table:

€ million

| | 31/12/2014 | | | |
|---|-------------------------------|----------------------|-----------------|-------------------------|
| | Carrying value (gross) (*) | Coverage (amount) | Coverage (%) | Carrying value (net) |
| Real estate assets deriving from financing of construction and real estate development | 10,726 | 5,138 | 48% | 5,588 |
| Finished buildings | 4,281 | 1,557 | 36% | 2,724 |
| Housing | 2,459 | 902 | 37% | 1,557 |
| Rest | 1,822 | 655 | 36% | 1,167 |
| Buildings under construction | 779 | 368 | 47% | 411 |
| Housing | 584 | 293 | 50% | 291 |
| Rest | 195 | 75 | 38% | 120 |
| Land | 5,666 | 3,213 | 57% | 2,453 |
| Building land | 2,807 | 1,723 | 61% | 1,084 |
| Other land | 2,859 | 1,490 | 52% | 1,369 |
| Real estate assets deriving from home loan mortgages | 2,608 | 1,021 | 39% | 1,587 |
| Real estate assets acquired in payment of debts | - | - | 0% | - |
| Equity instruments, interests and financing companies holding such assets | 615 | 405 | 66% | 210 |
| Total real-estate portfolio | 13,949 | 6,564 | 47% | 7,385 |

Financing to non-consolidating investees is included in the first table in this Note.

(*) Of which €5,860 million is subject to APS protection (Note 2).

| | 31/12/2013 | | | |
|---|-------------------------------|----------------------|-----------------|-------------------------|
| | Carrying value (gross) (*) | Coverage (amount) | Coverage (%) | Carrying value (net) |
| Real estate assets deriving from financing of construction and real estate development | 9,780 | 4,556 | 47% | 5,224 |
| Finished buildings | 4,045 | 1,405 | 35% | 2,640 |
| Housing | 2,268 | 779 | 34% | 1,489 |
| Rest | 1,777 | 626 | 35% | 1,151 |
| Buildings under construction | 538 | 230 | 43% | 308 |
| Housing | 430 | 190 | 44% | 240 |
| Rest | 108 | 40 | 37% | 67 |
| Land | 5,197 | 2,920 | 56% | 2,277 |
| Building land | 2,511 | 1,599 | 64% | 912 |
| Other land | 2,686 | 1,322 | 49% | 1,365 |
| Real estate assets deriving from home loan mortgages | 2,432 | 829 | 34% | 1,603 |
| Real estate assets acquired in payment of debts | 4 | 2 | 0% | 2 |
| Equity instruments, interests and financing companies holding such assets | 619 | 340 | 55% | 279 |
| Total real-estate portfolio | 12,835 | 5,727 | 45% | 7,108 |

Financing to non-consolidating investees is included in the first table in this Note.

(*) Of which €5,506 million is subject to APS protection (Note 2).

Movements in the Group's repossessed asset portfolio for operations recorded inside and outside Spain and sales made by the Group are disclosed below:

€ million

| | |
|------------------------------------|---------------|
| Balance at 31 December 2012 | 11,376 |
| Purchases, swaps, capitalizations | 3,059 |
| Sales | (1,883) |
| Rest | (72) |
| Balance at 31 December 2013 | 12,479 |
| Purchases, swaps, capitalizations | 3,133 |
| Sales | (1,827) |
| Rest | (249) |
| Balance at 31 December 2014 | 13,536 |

(*) See Note 2.

Sales of 16,172 units were made in 2014, of which 6,063 relate to units of repossessed properties.

As part of its ongoing risk management and, in particular, its policy on the construction and real estate industries, the Bank has a number of specific policies for mitigating risk.

The main policy is a constant monitoring of risks and reappraisal of borrowers' continued financial viability in the new economic environment. If the position is satisfactory the existing arrangements continue on the basis agreed, with fresh commitments being required where appropriate in the light of changed circumstances.

The policy to be applied depends in each case on the type of asset being financed. In terminated developments sale support actions are carried out through the Group's distribution channels, setting a competitive price which enables the transactions to be activated and allowing final purchases access to financing, provided they comply with risk requirements. With regard to real estate developments under construction, the key objective is to bring projects to completion where it is expected that the new properties can be absorbed by the market in the short

to medium term.

When providing financing for land development the feasibility of projects is analysed before financing is granted and only land with favourable expectations is developed.

If the land cannot be developed refinancing is sought provided that the developer can ensure that debt will be serviced or solid additional guarantees are obtained.

When neither development nor refinancing are feasible, the option of purchasing the assets is studied or legal action is taken for subsequent repossession.

All assets taken into the possession of the Group, whether by surrender in settlement of debt or by purchase, or as a result of legal proceedings, are managed actively by the Bank's Asset Transformation Department with a view to early disposal. Depending on the maturity of the real estate assets, three different strategies may be adopted:

1. Offer for sale

A number of mechanisms designed to put finished properties (residential, commercial, industrial, parking facilities, etc.) on the market have been implemented using a variety of distribution channels and commercial agents depending on the type, location and state of repair of each property and its status from the land/planning viewpoint. A key factor in this strategy is the real-estate portal www.solvía.es.

2. Mobilization

Given the very difficult conditions surrounding the sale of building plots and buildings under construction, a mobilization strategy has been adopted whose aim is to generate liquidity from building plots. A number of mobilization schemes have been launched:

- Collaboration programmes with real estate developers: this seeks to make building land available in areas of high housing demand and allow developers to develop and sell properties.
- An investor programme: the aim of this is to develop "tertiary" sites for office, commercial and industrial use with capital inputs from investors.
- A social housing programme: this involves developing social housing units to be let out and subsequently sold off.

3. Urban planning management

Land that is not yet ready for development must be managed to secure development rights. This is vital as a means of leveraging the value of the sites and is key to any subsequent development and sale.

Assessment of liquidity requirements and financial policy

Since the onset of the financial crisis in 2007 Banco Sabadell's funding policy has focused on generating a liquidity gap from its trading operations, reducing the total amount of funds raised on the wholesale markets and increasing the Bank's liquidity position. At 31 December 2014 the effective value of the Group's liquid assets stood at €18,827 million (€18,468 million at 31 December 2013).

In this respect, in 2014 maturities on the wholesale market for Banco Sabadell amounted to €4,578 million, which was refinanced mainly through the €3,333 million liquidity gap generated in 2014 and issuances on the capital markets totalling €1,695 million.

In 2015 Banco Sabadell will see maturing medium- and long-term wholesale market debt of €3,064 million. In line with the funding strategy pursued by the Bank since 2007, it is intended that the maturing debt will be refinanced mainly from liquid funds generated by the Bank and, to a lesser extent, by capital-raising issues on the wholesale debt markets. Even if Banco Sabadell does not issue any debt on the capital markets, it has sufficient reserves of liquid assets to cover its maturing debt.

Additional information on the Group's policies and strategies for issuing mortgage market securities and the keeping of a special mortgage register is provided in Note 37 on financial risk management and in Note 9 on the information required to be kept by issuers of mortgage-backed securities.

At 31 December 2014 the drawn-down balance on the facility held with the Bank of Spain for monetary policy transactions with the European Central Bank stands at €7,200 million (€8,800 million at 31 December 2013), of which €5,500 million relates to the ECB liquidity auction (TLTRO) held on 17 December 2014.

NOTE 19 – CREDIT INSTITUTIONS DEPOSITS

Deposits from credit institutions included under liabilities on the consolidated balance sheet are detailed as follows at 31 December 2014 and 2013:

| Thousand euro | 2014 | 2013 |
|--|-------------------|-------------------|
| By heading: | | |
| Financial liabilities at amortised cost | 16,288,193 | 13,857,264 |
| Total | 16,288,193 | 13,857,264 |
| By nature: | | |
| Fixed-term deposits | 8,270,198 | 8,768,254 |
| Assets ceded under repurchase agreements | 7,428,793 | 4,503,818 |
| Other accounts | 645,434 | 638,977 |
| Valuation adjustments | (56,232) | (53,785) |
| Total | 16,288,193 | 13,857,264 |
| By currency: | | |
| In euro | 14,715,786 | 13,661,310 |
| In foreign currency | 1,572,407 | 195,954 |
| Total | 16,288,193 | 13,857,264 |

Average annual rates of interest payable on deposits from credit institutions for 2014 and 2013 were 1.47% and 1.15% respectively. The higher average rate for 2014 is due to the lower level of average financing from the European Central Bank compared with 2013.

NOTE 20 – CUSTOMER DEPOSITS

The deposits from customers reported on the consolidated balance sheet at 31 December 2014 and 2013 can be analysed as follows:

| Thousand euro | 2014 | 2013 |
|--|-------------------|-------------------|
| By heading: | | |
| Financial liabilities at amortised cost | 98,208,370 | 99,362,908 |
| Total | 98,208,370 | 99,362,908 |
| By nature: | | |
| Demand deposits | 43,274,963 | 36,862,487 |
| Term deposits | 53,395,928 | 60,798,681 |
| Assets ceded under repurchase agreements | 1,291,799 | 1,347,184 |
| Valuation adjustments | 245,680 | 354,556 |
| Total | 98,208,370 | 99,362,908 |
| By sector: | | |
| Public administrations | 2,804,065 | 3,197,859 |
| Resident | 86,449,217 | 88,788,617 |
| Non-resident | 8,709,408 | 7,021,876 |
| Valuation adjustments | 245,680 | 354,556 |
| Total | 98,208,370 | 99,362,908 |
| By currency: | | |
| In euro | 91,364,670 | 93,809,849 |
| In foreign currency | 6,843,700 | 5,553,059 |
| Total | 98,208,370 | 99,362,908 |

Average annual rates of interest payable on customer deposits for 2014 and 2013 were 1.19% and 1.93% respectively.

NOTE 21 – MARKETABLE DEBT SECURITIES

Details of issues, buybacks and redemptions of debt securities by the Group from 31 December 2013 to 31 December 2014 are set out in the table below together with comparative information for the previous year.

Thousand euro

| | 31/12/2014 | | | | | |
|---|---|---------------------------------------|------------------|-----------------------------------|---|---|
| | Outstanding opening balance 31/12/2013 | Scope additions/ exclusions (*) | (+) Issues | (-) Buybacks or reimbursements | (+/-) Adjustments due to exchange rate and other | Outstanding closing balance 31/12/2014 |
| Debt securities issued in an EU Member State requiring filing of a prospectus | 21,096,546 | - | 6,628,200 | (7,722,800) | 30,328 | 20,032,274 |
| Debt securities issued in an EU Member State not requiring filing of a prospectus | 70,369 | - | 183,506 | (90,945) | 1,125 | 164,055 |
| Other debt securities issued outside an EU Member State | - | - | - | - | - | - |
| Total | 21,166,915 | - | 6,811,706 | (7,813,745) | 31,453 | 20,196,329 |

Thousand euro

| | 31/12/2013 | | | | | |
|---|---|---------------------------------------|------------------|-----------------------------------|---|---|
| | Outstanding opening balance 31/12/2012 | Scope additions/ exclusions (*) | (+) Issues | (-) Buybacks or reimbursements | (+/-) Adjustments due to exchange rate and other | Outstanding closing balance 31/12/2013 |
| Debt securities issued in an EU Member State requiring filing of a prospectus | 25,290,207 | 200,363 | 7,033,343 | (12,079,239) | 651,872 | 21,096,546 |
| Debt securities issued in an EU Member State not requiring filing of a prospectus | 35,963 | - | 156,918 | (121,626) | (886) | 70,369 |
| Other debt securities issued outside an EU Member State | - | - | - | - | - | - |
| Total | 25,326,170 | 200,363 | 7,190,261 | (12,200,865) | 650,986 | 21,166,915 |

(*) See Note 2.

Details of marketable debt securities issued by the Group and recorded on the balance sheet at 31 December 2014 and 2013 are given in the table below, by type of issue:

Thousand euro

| | 31/12/2014 | 31/12/2013 |
|--------------------------------------|-------------------|-------------------|
| Straight bonds | 2,170,855 | 1,171,669 |
| Structured bonds | 198,141 | 225,288 |
| Government guaranteed ordinary bonds | 1,059,050 | 2,062,696 |
| Promissory notes | 2,909,852 | 2,796,384 |
| Mortgage covered bonds | 10,080,400 | 10,510,050 |
| Territorial Bonds | - | - |
| Securitization fund (Note 10) | 3,621,063 | 4,280,043 |
| Valuation and other adjustments | 156,968 | 120,785 |
| Total | 20,196,329 | 21,166,915 |

Thousand euro

| Issuing entity | Date of issue | Amount | | Interest rate ruling at 31/12/2014 | Maturity date | Issue currency | Target of offering |
|-----------------------------|---------------|------------|------------|------------------------------------|---------------|----------------|--------------------|
| | | 31/12/2014 | 31/12/2013 | | | | |
| Banco CAM, S.A. (*) | 30/06/2005 | 48,350 | 48,350 | EURIBOR 3M + 0.10 | 15/08/2015 | Euro | Retail |
| Banco CAM, S.A. (*) | 15/02/2006 | 100,000 | 100,000 | EURIBOR 3M + 0.10 | 15/08/2015 | Euro | Retail |
| Banco CAM, S.A. (*) | 08/03/2006 | 50,000 | 50,000 | EURIBOR 3M + 0.10 | 15/08/2015 | Euro | Retail |
| Banco de Sabadell, S.A. | 04/10/2006 | 50,000 | 50,000 | EURIBOR 3M + 0.14 | 04/10/2016 | Euro | Institutional |
| CAM Global Finance S.A.U. | 05/12/2006 | 107,000 | 107,000 | EURIBOR 3M + 0.225 | 05/12/2016 | Euro | Institutional |
| Banco Guipuzcoano, S.A. (*) | 18/04/2007 | 25,000 | 25,000 | 1.70% | 18/04/2022 | Euro | Institutional |
| Banco de Sabadell, S.A. | 04/05/2012 | - | 250,000 | 4.25% | 04/05/2014 | Euro | Retail |
| Banco de Sabadell, S.A. | 05/12/2013 | 600,000 | 600,000 | 2.50% | 05/12/2016 | Euro | Institutional |
| Banco Gallego, S.A. (*) | 28/10/2013 | 186 | 186 | 2.00% | 29/12/2019 | Euro | Retail |
| Banco de Sabadell, S.A. | 18/03/2014 | 5,000 | - | EURIBOR 3M + 0.70 | 18/03/2019 | Euro | Institutional |
| Banco de Sabadell, S.A. | 18/03/2014 | 11,500 | - | EURIBOR 3M + 1 | 18/03/2019 | Euro | Institutional |
| Banco de Sabadell, S.A. | 13/05/2014 | 20,000 | - | EURIBOR 3M + 0.60 | 13/05/2019 | Euro | Institutional |
| Banco de Sabadell, S.A. | 27/06/2014 | 20,000 | - | EURIBOR 3M + 0.55 | 27/06/2019 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/03/2014 | 3,022 | - | 3.00% | 10/03/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/03/2014 | 3,985 | - | 2.99% | 10/03/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/03/2014 | 5,226 | - | EURIBOR 6M + 2.30 | 10/03/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/03/2014 | 4,624 | - | EURIBOR 6M + 3.50 | 10/03/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/03/2014 | 6,669 | - | EURIBOR 6M + 3.50 | 10/03/2020 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/04/2014 | 10,499 | - | 2.89% | 10/04/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/04/2014 | 7,329 | - | 2.98% | 10/04/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/04/2014 | 4,079 | - | 2.92% | 10/04/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/04/2014 | 2,928 | - | 3.02% | 10/04/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/04/2014 | 11,588 | - | EURIBOR 6M + 2.30 | 10/04/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/04/2014 | 2,851 | - | 4.30% | 10/04/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/04/2014 | 13,147 | - | EURIBOR 6M + 3.50 | 10/04/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/05/2014 | 8,553 | - | 2.82% | 10/05/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/05/2014 | 7,704 | - | 2.84% | 10/05/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/05/2014 | 4,721 | - | 2.91% | 10/05/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/05/2014 | 2,398 | - | 2.87% | 10/05/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/05/2014 | 20,081 | - | EURIBOR 6M + 2.30 | 10/05/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/05/2014 | 6,077 | - | 4.18% | 10/05/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/05/2014 | 2,983 | - | 4.22% | 10/05/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/05/2014 | 11,595 | - | EURIBOR 6M + 3.50 | 10/05/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/05/2014 | 10,305 | - | 4.42% | 10/05/2020 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/05/2014 | 11,688 | - | EURIBOR 6M + 3.50 | 10/05/2020 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/06/2014 | 7,524 | - | 2.31% | 10/06/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/06/2014 | 2,640 | - | 2.33% | 10/06/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/06/2014 | 8,472 | - | 2.58% | 10/06/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/06/2014 | 2,585 | - | 2.60% | 10/06/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/06/2014 | 6,750 | - | EURIBOR 6M + 1.85 | 10/06/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/06/2014 | 5,867 | - | EURIBOR 6M + 2.10 | 10/06/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/06/2014 | 2,955 | - | 3.39% | 10/06/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/06/2014 | 5,804 | - | 3.63% | 10/06/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/06/2014 | 2,997 | - | EURIBOR 6M + 2.75 | 10/06/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/06/2014 | 4,944 | - | EURIBOR 6M + 3.00 | 10/06/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/06/2014 | 3,951 | - | EURIBOR 6M + 2.75 | 10/06/2020 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/06/2014 | 8,296 | - | EURIBOR 6M + 3.00 | 10/06/2020 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/07/2014 | 9,000 | - | 2.47% | 10/07/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/07/2014 | 9,850 | - | 2.40% | 10/07/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/07/2014 | 5,600 | - | 2.44% | 10/07/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/07/2014 | 18,300 | - | EURIBOR 6M + 1.85 | 10/07/2016 | Euro | Institutional |

Thousand euro

| Issuing entity | Date of issue | Amount | | Interest rate ruling at 31/12/2014 | Maturity date | Issue currency | Target of offering |
|-------------------------------|---------------|------------------|------------------|---------------------------------------|---------------|-------------------|-----------------------|
| | | 31/12/2014 | 31/12/2013 | | | | |
| Banco de Sabadell, S.A. | 10/07/2014 | 3,175 | - | 3.52% | 10/07/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/07/2014 | 7,050 | - | 3.61% | 10/07/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/07/2014 | 10,675 | - | EURIBOR 6M + 2.75 | 10/07/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/07/2014 | 9,675 | - | EURIBOR 6M + 2.75 | 10/07/2020 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/08/2014 | 8,225 | - | 2.50% | 10/08/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/08/2014 | 3,375 | - | 2.54% | 10/08/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/08/2014 | 6,975 | - | 2.55% | 10/08/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/08/2014 | 24,600 | - | EURIBOR 6M + 1.85 | 10/08/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/08/2014 | 6,450 | - | 3.64% | 10/08/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/08/2014 | 4,050 | - | 3.73% | 10/08/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/08/2014 | 11,200 | - | EURIBOR 6M + 2.75 | 10/08/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/08/2014 | 11,200 | - | EURIBOR 6M + 2.75 | 10/08/2020 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/09/2014 | 5,050 | - | 2.53% | 10/09/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/09/2014 | 7,300 | - | EURIBOR 6M + 1.85 | 10/09/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/09/2014 | 3,575 | - | 3.71% | 10/09/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/09/2014 | 4,825 | - | EURIBOR 6M + 2.75 | 10/09/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/10/2014 | 3,875 | - | 2.27% | 10/10/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/10/2014 | 4,225 | - | 2.67% | 10/10/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/10/2014 | 3,575 | - | EURIBOR 6M + 1.55 | 10/10/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/10/2014 | 5,650 | - | EURIBOR 6M + 1.85 | 10/10/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/10/2014 | 3,300 | - | EURIBOR 6M + 2.35 | 10/10/2020 | Euro | Institutional |
| Banco de Sabadell, S.A. | 04/11/2014 | 360,000 | - | 1.10% | 04/05/2016 | Euro | Retail |
| Banco de Sabadell, S.A. | 10/11/2014 | 4,700 | - | 2.26% | 10/11/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/11/2014 | 8,825 | - | 2.24% | 10/11/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/11/2014 | 8,425 | - | EURIBOR 6M + 1.55 | 10/11/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/11/2014 | 3,300 | - | 3.34% | 10/11/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/11/2014 | 13,975 | - | EURIBOR 6M + 2.35 | 10/11/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/11/2014 | 8,850 | - | EURIBOR 6M + 2.35 | 10/11/2020 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/12/2014 | 20,100 | - | EURIBOR 6M + 1.55 | 10/12/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/12/2014 | 11,025 | - | 2.13% | 10/12/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/12/2014 | 6,625 | - | 2.19% | 10/12/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/12/2014 | 13,475 | - | EURIBOR 6M + 2.35 | 10/12/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/12/2014 | 3,750 | - | 3.19% | 10/12/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/12/2014 | 15,075 | - | EURIBOR 6M + 2.35 | 10/12/2020 | Euro | Institutional |
| Banco de Sabadell, S.A. | 30/12/2014 | 500,000 | - | 1.00% | 30/06/2016 | Euro | Retail |
| subscribed by group companies | | (259,918) | (58,867) | | | | |
| Total Straight bonds | | 2,170,855 | 1,171,669 | | | | |

(*) Companies merged with Banco Sabadell.

Thousand euro

| Issuing entity | Date of issue | Amount | | Interest rate ruling at 31/12/2014 | Maturity date | Issue currency | Target of offering |
|-------------------------------|---------------|----------------|----------------|---------------------------------------|---------------|-------------------|-----------------------|
| | | 31/12/2014 | 31/12/2013 | | | | |
| CAM Global Finance, S.A.U. | 04/06/2008 | 100,000 | 100,000 | ref. underlying assets | 04/06/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 24/05/2012 | 4,900 | 5,850 | ref. underlying assets | 19/06/2015 | Euro | Retail |
| Banco de Sabadell, S.A. | 02/07/2012 | 1,300 | 1,400 | ref. underlying assets | 27/07/2015 | Euro | Retail |
| Banco de Sabadell, S.A. | 25/07/2012 | 3,000 | 3,000 | ref. underlying assets | 25/07/2022 | Euro | Retail |
| Banco de Sabadell, S.A. | 27/07/2012 | 2,200 | 2,200 | ref. underlying assets | 27/07/2015 | Euro | Retail |
| Banco de Sabadell, S.A. | 01/08/2012 | 2,000 | 2,000 | ref. underlying assets | 03/08/2015 | Euro | Retail |
| Banco de Sabadell, S.A. | 10/10/2012 | 1,600 | 1,600 | ref. underlying assets | 10/10/2016 | Euro | Retail |
| Banco de Sabadell, S.A. | 10/10/2012 | 1,525 | 1,525 | ref. underlying assets | 10/10/2017 | Euro | Retail |
| Banco de Sabadell, S.A. | 20/12/2012 | 3,000 | 3,000 | ref. underlying assets | 20/12/2019 | Euro | Retail |
| Banco de Sabadell, S.A. | 06/02/2013 | - | 5,000 | ref. underlying assets | 06/02/2014 | Euro | Retail |
| Banco de Sabadell, S.A. | 14/03/2013 | - | 3,920 | ref. underlying assets | 14/03/2014 | Euro | Retail |
| Banco de Sabadell, S.A. | 02/04/2013 | 4,000 | 4,000 | ref. underlying assets | 02/06/2016 | Euro | Retail |
| Banco de Sabadell, S.A. | 16/04/2013 | 1,440 | 1,470 | ref. underlying assets | 18/04/2016 | Euro | Retail |
| Banco de Sabadell, S.A. | 16/05/2013 | 5,000 | 4,900 | ref. underlying assets | 16/05/2018 | Euro | Retail |
| Banco de Sabadell, S.A. | 07/06/2013 | - | 12,100 | ref. underlying assets | 09/06/2014 | Euro | Retail |
| Banco de Sabadell, S.A. | 14/06/2013 | - | 5,000 | ref. underlying assets | 17/06/2014 | Euro | Retail |
| Banco de Sabadell, S.A. | 05/07/2013 | - | 16,400 | ref. underlying assets | 07/07/2014 | Euro | Retail |
| Banco de Sabadell, S.A. | 09/08/2013 | - | 16,600 | ref. underlying assets | 09/08/2018 | Euro | Retail |
| Banco de Sabadell, S.A. | 30/09/2013 | - | 12,000 | ref. underlying assets | 01/10/2018 | Euro | Retail |
| Banco de Sabadell, S.A. | 02/10/2013 | - | 5,500 | ref. underlying assets | 02/10/2015 | Euro | Retail |
| Banco de Sabadell, S.A. | 31/10/2013 | 2,040 | 20,400 | ref. underlying assets | 02/11/2015 | Euro | Retail |
| Banco de Sabadell, S.A. | 10/01/2014 | 3,500 | - | ref. underlying assets | 10/01/2019 | Euro | Retail |
| Banco de Sabadell, S.A. | 10/01/2014 | 3,500 | - | ref. underlying assets | 10/01/2019 | Euro | Retail |
| Banco de Sabadell, S.A. | 14/03/2014 | 5,000 | - | ref. underlying assets | 14/03/2019 | Euro | Retail |
| Banco de Sabadell, S.A. | 27/05/2014 | 5,000 | - | ref. underlying assets | 27/05/2019 | Euro | Retail |
| Banco de Sabadell, S.A. | 16/06/2014 | 5,000 | - | ref. underlying assets | 17/06/2019 | Euro | Retail |
| Banco de Sabadell, S.A. | 14/07/2014 | 10,000 | - | ref. underlying assets | 15/07/2024 | Euro | Retail |
| Banco de Sabadell, S.A. | 14/07/2014 | 3,000 | - | ref. underlying assets | 14/07/2021 | Euro | Retail |
| Banco de Sabadell, S.A. | 16/07/2014 | 5,000 | - | ref. underlying assets | 16/07/2019 | Euro | Retail |
| Banco de Sabadell, S.A. | 24/07/2014 | 4,000 | - | ref. underlying assets | 24/07/2019 | Euro | Retail |
| Banco de Sabadell, S.A. | 10/09/2014 | 5,000 | - | ref. underlying assets | 10/09/2019 | Euro | Retail |
| Banco de Sabadell, S.A. | 10/10/2014 | 6,000 | - | ref. underlying assets | 10/11/2016 | Euro | Retail |
| Banco de Sabadell, S.A. | 10/12/2014 | 8,000 | - | ref. underlying assets | 10/12/2019 | Euro | Retail |
| Banco de Sabadell, S.A. | 18/12/2014 | 5,000 | - | ref. underlying assets | 18/12/2019 | Euro | Retail |
| subscribed by group companies | | (1,864) | (2,577) | | | | |
| Total structured bonds | | 198,141 | 225,288 | | | | |

Thousand euro

| Issuing entity | Date of issue | Amount | | Interest rate ruling at 31/12/2014 | Maturity date | Issue currency | Target of offering |
|--|---------------|------------------|------------------|------------------------------------|---------------|----------------|--------------------|
| | | 31/12/2014 | 31/12/2013 | | | | |
| Banco CAM, S.A. (*) | 12/11/2009 | - | 1,000,000 | 3.00% | 12/11/2014 | Euro | Institutional |
| Banco CAM, S.A. (*) | 01/12/2009 | - | 5,000 | EURIBOR 6M + 0.33 | 01/12/2014 | Euro | Institutional |
| Banco CAM, S.A. (*) | 23/06/2010 | - | 65,000 | 3.00% | 12/11/2014 | Euro | Institutional |
| Banco CAM, S.A. (*) | 09/03/2012 | 1,059,050 | 1,065,800 | 4.50% | 09/03/2017 | Euro | Institutional |
| subscribed by group companies | | - | (73,104) | | | | |
| Total ordinary government guarantee bonds | | 1,059,050 | 2,062,696 | | | | |

(*) Companies merged with Banco Sabadell.

Thousand euro

| Issuing entity | Date of issue | Amount | | Interest rate ruling at 31/12/2014 | Maturity date | Issue currency | Target of offering |
|--|---------------|------------------|------------------|------------------------------------|---------------|----------------|--------------------|
| | | 31/12/2014 | 31/12/2013 | | | | |
| Banco de Sabadell, S.A. (London branch) (*) | 25/06/2008 | 184,236 | 98,248 | 0.485% to 1.50% | Various | Euro | Institutional |
| Banco de Sabadell, S.A. (**) | 06/03/2014 | 4,975,686 | 2,793,262 | 0.20% to 4.50% | Various | Euro | Institutional |
| subscribed by group companies | | (2,250,070) | (95,126) | | | | |
| Total promissory notes | | 2,909,852 | 2,796,384 | | | | |

(*) Promissory notes (ECP).

(**) Prospectus for €5,000,000,000 filed with CNMV.

Thousand euro

| Issuing entity | Date of issue | Amount | | Interest rate ruling at 31/12/2014 | Maturity date | Issue currency | Target of offering |
|-------------------------------------|---------------|-------------------|-------------------|------------------------------------|---------------|----------------|--------------------|
| | | 31/12/2014 | 31/12/2013 | | | | |
| Banco de Sabadell, S.A. | 15/06/2005 | 1,500,000 | 1,500,000 | 3.25% | 15/06/2015 | Euro | Institutional |
| Banco de Sabadell, S.A. | 19/01/2006 | 1,750,000 | 1,750,000 | 3.50% | 19/01/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/05/2006 | 300,000 | 300,000 | 4.13% | 10/05/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 16/05/2006 | 120,000 | 120,000 | 4.25% | 16/05/2016 | Euro | Institutional |
| Banco de Sabadell, S.A. | 24/01/2007 | 1,500,000 | 1,500,000 | 4.25% | 24/01/2017 | Euro | Institutional |
| Banco de Sabadell, S.A. | 20/06/2007 | 300,000 | 300,000 | EURIBOR 3M + 0.045 | 20/06/2017 | Euro | Institutional |
| Banco de Sabadell, S.A. | 08/05/2009 | 100,000 | 100,000 | EURIBOR 3M + 1 | 08/05/2021 | Euro | Institutional |
| Banco de Sabadell, S.A. | 31/07/2009 | 200,000 | 200,000 | EURIBOR 3M + 1.30 | 31/07/2017 | Euro | Institutional |
| Banco de Sabadell, S.A. | 18/09/2009 | 150,000 | 150,000 | EURIBOR 3M + 0.90 | 18/09/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 20/01/2010 | - | 1,000,000 | 3.13% | 20/01/2014 | Euro | Institutional |
| Banco de Sabadell, S.A. | 10/12/2010 | 150,000 | 150,000 | EURIBOR 3M + 2.35 | 10/12/2020 | Euro | Institutional |
| Banco de Sabadell, S.A. | 11/01/2011 | 100,000 | 100,000 | EURIBOR 3M + 2.60 | 11/01/2019 | Euro | Institutional |
| Banco de Sabadell, S.A. | 07/06/2011 | 200,000 | 200,000 | EURIBOR 3M + 2.25 | 07/06/2019 | Euro | Institutional |
| Banco de Sabadell, S.A. | 13/07/2011 | 50,000 | 50,000 | EURIBOR 3M + 2.60 | 13/07/2021 | Euro | Institutional |
| Banco de Sabadell, S.A. | 12/12/2011 | 150,000 | 150,000 | EURIBOR 3M + 3.10 | 12/12/2021 | Euro | Institutional |
| Banco de Sabadell, S.A. | 16/02/2012 | 1,200,000 | 1,200,000 | 3.625% | 16/02/2015 | Euro | Institutional |
| Banco de Sabadell, S.A. | 19/09/2012 | - | 500,000 | 4.25% | 19/09/2014 | Euro | Institutional |
| Banco de Sabadell, S.A. | 05/10/2012 | 95,000 | 95,000 | EURIBOR 3M + 4.80 | 05/10/2022 | Euro | Institutional |
| Banco de Sabadell, S.A. | 28/12/2012 | 200,000 | 200,000 | EURIBOR 3M + 4.15 | 28/12/2020 | Euro | Institutional |
| Banco Guipuzcoano, S.A. (*) | 19/01/2011 | 100,000 | 100,000 | EURIBOR 3M + 2.75 | 19/01/2019 | Euro | Institutional |
| Banco CAM, S.A. (*) | 22/10/2009 | - | 1,000,000 | 3.375% | 22/10/2014 | Euro | Institutional |
| Banco CAM, S.A. (*) | 27/04/2010 | 30,000 | 30,000 | 4.60% | 31/07/2020 | Euro | Institutional |
| Banco CAM, S.A. (*) | 14/04/2011 | - | 1,500,000 | 4.875% | 14/04/2014 | Euro | Institutional |
| Banco CAM, S.A. (*) | 19/01/2012 | 1,000,000 | 1,000,000 | EURIBOR 3M + 3.5 | 19/01/2015 | Euro | Institutional |
| Banco CAM, S.A. (*) | 16/02/2012 | 500,000 | 500,000 | EURIBOR 3M + 3.5 | 17/08/2015 | Euro | Institutional |
| Banco CAM, S.A. (*) | 10/08/2012 | 400,000 | 400,000 | EURIBOR 3M + 4 | 10/08/2015 | Euro | Institutional |
| Banco de Sabadell, S.A. | 23/01/2013 | 1,000,000 | 1,000,000 | 3.375% | 23/01/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 29/04/2013 | 1,500,000 | 1,500,000 | EURIBOR 12M + 2.10 | 29/04/2015 | Euro | Institutional |
| Banco de Sabadell, S.A. | 19/06/2013 | 1,000,000 | 1,000,000 | EURIBOR 12M + 1.65 | 19/06/2015 | Euro | Institutional |
| Banco de Sabadell, S.A. | 09/12/2013 | 200,000 | 200,000 | EURIBOR 3M + 1.60 | 09/12/2021 | Euro | Institutional |
| Banco de Sabadell, S.A. | 26/09/2014 | 250,000 | - | EURIBOR 3M + 0.70 | 26/09/2022 | Euro | Institutional |
| Banco de Sabadell, S.A. | 03/10/2014 | 38,000 | - | EURIBOR 3M + 0.68 | 03/10/2023 | Euro | Institutional |
| Banco de Sabadell, S.A. | 12/11/2014 | 1,250,000 | - | 0.00875 | 12/11/2021 | Euro | Institutional |
| Banco de Sabadell, S.A. | 26/11/2014 | 1,000,000 | - | EURIBOR 12M + 0.055 | 26/11/2018 | Euro | Institutional |
| Banco de Sabadell, S.A. | 05/12/2014 | 100,000 | - | EURIBOR 3M + 0.40 | 05/12/2022 | Euro | Institutional |
| subscribed by group companies | | (6,352,600) | (7,284,950) | | | | |
| Total mortgage covered bonds | | 10,080,400 | 10,510,050 | | | | |

(*) companies merged with Banco Sabadell

Thousand euro

| Issuing entity | Date of issue | Amount | | Interest rate ruling at 31/12/2014 | Maturity date | Issue currency | Target of offering |
|--------------------------------|---------------|------------|-------------|------------------------------------|---------------|----------------|--------------------|
| | | 31/12/2014 | 31/12/2013 | | | | |
| Banco de Sabadell, S.A. | 29/12/2011 | - | 500,000 | 4.50% | 29/12/2014 | Euro | Institutional |
| Banco CAM, S.A. (*) | 16/02/2012 | 450,000 | 450,000 | EURIBOR 3M + 3.5 | 17/08/2015 | Euro | Institutional |
| Banco CAM, S.A. (*) | 30/04/2012 | 500,000 | 500,000 | EURIBOR 3M + 3.5 | 30/04/2015 | Euro | Institutional |
| subscribed by group companies | | (950,000) | (1,450,000) | | | | |
| Total Territorial Bonds | | - | - | | | | |

(*) companies merged with Banco Sabadell

NOTE 22 – SUBORDINATED LIABILITIES

Details of subordinated liabilities issued by the Group and recorded on the consolidated balance sheet at 31 December 2014 and 2013 are as follows:

| Thousand euro | | |
|---------------------------------|------------------|------------------|
| | Amount | |
| | 31/12/2014 | 31/12/2013 |
| Total subordinated bonds | 911,553 | 1,019,552 |
| Total preference shares | 88,817 | 96,968 |
| Valuation and other adjustments | 11,992 | (27,474) |
| Total | 1,012,362 | 1,089,046 |

| Thousand euro | | | | | | |
|----------------------------------|---------------|----------------|------------------|------------------------------------|-----------------------------|--------------------|
| Issuing entity | Date of issue | Amount | | Interest rate ruling at 31/12/2014 | Maturity/derecognition date | Target of offering |
| | | 31/12/2014 | 31/12/2013 | | | |
| Banco CAM, S.A. (*) | 15/09/1988 | 618 | 618 | 1.900% | - | Retail |
| Banco CAM, S.A. (*) | 25/11/1988 | 101 | 101 | 1.900% | - | Retail |
| Banco CAM, S.A. (*) | 01/06/1992 | 15,025 | 15,025 | 0.000% | - | Institutional |
| Banco CAM, S.A. (*) | 16/02/2004 | 6,130 | 9,410 | 0.228% | - | Retail |
| Banco Guipuzcoano, S.A. (*) | 15/10/2004 | - | 50,000 | 4.200% | 15/10/2014 | Retail |
| Banco Guipuzcoano, S.A. (*) | 21/03/2006 | 12,600 | 79,400 | 0.979% | 21/03/2016 | Institutional |
| Banco de Sabadell, S.A. | 25/05/2006 | 206,600 | 217,300 | 0.881% | 25/05/2016 | Institutional |
| CAM International Issues, S.A.U. | 29/09/2006 | 80,250 | 94,950 | 0.979% | 29/09/2016 | Institutional |
| CAM International Issues, S.A.U. | 26/04/2007 | 66,050 | 92,150 | 0.885% | 26/04/2017 | Institutional |
| Banco de Sabadell, S.A. | 26/04/2010 | 424,600 | 424,600 | 6.250% | 26/04/2020 | Institutional |
| Banco de Sabadell, S.A. | 25/02/2011 | 40,400 | 40,400 | 4.081% | 25/02/2021 | Institutional |
| Banco de Sabadell, S.A. (**) | 28/10/2013 | 44,256 | 50,954 | 5.000% | 28/10/2016 | Retail |
| Banco de Sabadell, S.A. (**) | 28/10/2013 | 53,040 | 70,720 | 5.000% | 28/10/2017 | Institutional |
| subscribed by group companies | | (38,117) | (126,076) | | | |
| Total subordinated bonds | | 911,553 | 1,019,552 | | | |

(*) currently merged with Banco de Sabadell, S.A.

(**) Convertible subordinated bonds

| Thousand euro | | | | | | |
|------------------------------------|---------------|---------------|---------------|------------------------------------|-----------------------------|--------------------|
| Issuing entity | Date of issue | Amount | | Interest rate ruling at 31/12/2014 | Maturity/derecognition date | Target of offering |
| | | 31/12/2014 | 31/12/2013 | | | |
| Banco de Sabadell, S.A. | 20/09/2006 | 18,400 | 23,800 | 5.234% | 20/09/2016 | Institutional |
| Banco de Sabadell, S.A. | 24/02/2009 | 10,840 | 11,007 | 4.500% | - | Retail |
| Sabadell International Equity Ltd. | 30/03/1999 | 18,793 | 21,432 | 0.775% | - | Retail |
| Guipuzcoano Capital, S.A. | 27/02/2004 | 1,160 | 1,279 | 0.331% | - | Retail |
| Guipuzcoano Capital, S.A. | 19/11/2009 | 17,734 | 17,734 | 6.430% | - | Retail |
| CAM Capital, S.A.U. | 16/08/2001 | 6,071 | 9,942 | 0.328% | - | Retail |
| CAM Capital, S.A.U. | 16/08/2002 | 3,455 | 5,458 | 0.278% | - | Retail |
| CAM Capital, S.A.U. | 29/09/2009 | 20,398 | 34,773 | 6.800% | - | Retail |
| subscribed by group companies | | (8,034) | (28,457) | | | |
| Total preference shares | | 88,817 | 96,968 | | | |

Subordinated liabilities rank below the claims of all other unsecured creditors of the Group. All issuances are denominated in euros.

On 22 December 2014, under the powers granted by the Board of Directors at a meeting held on 18 December 2014, the Executive Committee of Banco de Sabadell, S.A. and the competent governing bodies of Sabadell International Equity Ltd., Guipuzcoano Capital S.A.U. and CAM Capital S.A.U. respectively agreed, following authorization by the Bank of Spain, to redeem the outstanding nominal balance of the following preference share issues and subordinated bond issues:

| € million | | | |
|---|---|-----------------|-----------------------------|
| Name | Issuing entity | Redemption date | Outstanding nominal balance |
| Series I/2009 Preference Shares | Banco de Sabadell, S.A. | 24/02/2015 | 10.84 |
| Special Subordinated Debt Issue | Banco de Sabadell, S.A. (originally issued by CAM) | 24/02/2015 | 6.13 |
| Subordinated Bonds November 1988 Issue | Banco de Sabadell, S.A. (originally issued by Caja de Ahorros de Torrent) | 24/02/2015 | 0.1 |
| First Issue Subordinated Bonds September 1988 | Banco de Sabadell, S.A. (originally issued by CAM) | 24/02/2015 | 0.62 |
| Series A Preference Shares | Sabadell International Equity LTD. | 24/02/2015 | 18.79 |
| Series I Preference Shares | Guipuzcoano Capital, S.A.U. | 24/02/2015 | 1.16 |
| Series III Preference Shares | Guipuzcoano Capital, S.A.U. | 19/02/2015 | 17.73 |
| Series A Preference Shares | CAM Capital, S.A.U. | 24/02/2015 | 6.07 |
| Series B Preference Shares | CAM Capital, S.A.U. | 24/02/2015 | 3.45 |
| Series C Preference Shares | CAM Capital, S.A.U. | 24/02/2015 | 20.4 |

The issues will be redeemed through the payment in cash on the redemption date of 100% of the nominal value plus any accrued unpaid remuneration, in accordance with the issuer's powers as provided in the terms and conditions of the relevant prospectuses approved and entered in the official register of the National Securities Market Commission. The entire redemption will be carried out in February 2015.

At a meeting held on 30 September 2013, the Board of Directors of Banco de Sabadell, S.A. agreed to the involvement of Banco Sabadell in the management of the subordinated debt and preference shares of Banco Gallego, S.A. within the liquidation plan for NCG Banco Gallego. The management of Banco Gallego's hybrid instruments consisted of a forced reduction in their valuation. This reduction took the form of:

- For the subordinated debt, an obligatory amendment to certain characteristics of those instruments and their reconfiguration as senior fixed income securities of Banco Gallego;
- For the preference shares, the mandatory repurchase in cash by Banco Gallego, with the repurchase price including the above-mentioned reduction in the valuation of the instrument and with the holder of the securities being obliged to reinvest the repurchase price in the subscription of senior fixed income securities of Banco Gallego.

By means of its involvement in the management of hybrid instruments, Banco Sabadell offered investors the possible alternative of subscribing new Banco Sabadell mandatorily convertible subordinated bonds in series III/2013 ("III/2013 Bonds") or series IV/2013 ("IV/2013 Bonds"), depending on the kind of Banco Gallego securities that they held.

Once the period was concluded during which hybrid instrument holders could choose to subscribe the III/2013 Bonds and IV/2013 Bonds issued by Banco Sabadell, applications were received for 50,954,400 III/2013 Bonds and 70,720,450 IV/2013 Bonds. The nominal values at which they were issued are as follows:

| Thousand euro | |
|----------------------|---------------|
| New issue securities | Total nominal |
| Bonds III/2013 | 50,954 |
| Bonds IV/2013 | 70,720 |

The maturity date for III/2013 Bonds is 28 October 2016. The IV/2013 Bonds mature on 28 October 2017. 25% of the initial nominal value must be converted annually. The nominal interest rate pertaining to the III/2013 and IV/2013 Bonds is 5% p.a..

The repurchase by Banco Gallego of Banco Gallego's hybrid instruments and the issuance of the III/2013 and IV/2013 Bonds of Banco Sabadell took place on 28 October 2013.

On 27 October 2014, at the end of the first voluntary conversion period for holders of mandatorily convertible subordinated bonds issue III/2013, at a meeting of the Board of Directors on 30 October 2014, the Board partially implemented, for a nominal amount of €379,425.5, the resolution to increase capital adopted by the Board on 30 September 2013 in order to meet the voluntary conversion of 6,698,074 bonds under said issue. The increase in capital was filed with the Barcelona Mercantile Registry on 12 November 2014, and resulted in

the issue and allotment of a total of 3,035,404 new ordinary shares with a nominal value of €0.125 each; the new shares were admitted to trading on the Barcelona, Madrid and Valencia Stock Exchanges via the electronic trading system (*Mercado Continuo*) on 21 November 2014.

On 28 October 2014 the necessary partial conversion event took place in relation to the IV/2013 Series Banco Sabadell Mandatorily Convertible Subordinated Bond issue, and accordingly 25% of the nominal amount of the 70,720,450 IV/2013 Bonds were converted through a reduction of 25% in their initial nominal value, equivalent to a total of 7,975,857 Banco Sabadell shares, for a nominal amount of €996,982.125. To complete the necessary partial conversion of the IV/2013 Bonds, on 30 October 2014 the capital increase resolution adopted by the Board of Directors on 30 September 2013 was partially implemented, for a nominal amount of €996,982.125. The capital increase was filed with the Barcelona Mercantile Registry on 12 November 2014, and resulted in the issue and allotment of a total of 7,975,857 new ordinary shares with a nominal value of €0.125 each; the new shares were admitted to trading on the Barcelona, Madrid and Valencia Stock Exchanges via the electronic trading system (*Mercado Continuo*) on 21 November 2014.

Conversions performed during the year are summarized below:

| Issuance | Conversion/ maturity date | Reason for conversion | Bonds converted (*) | Shares issued | Capital increase at par value (€'000) | Date of admission to quotation |
|-------------------|---------------------------|------------------------------|---------------------|---------------|---------------------------------------|--------------------------------|
| OSNC III/ 2013 | 28/ 10/ 2014 | Voluntary conversion | 6,698,074 | 3,035,404 | 379 | 21/ 11/ 2014 |
| OSNC IV/ 2013 | 28/ 10/ 2014 | mandatory partial conversion | - | 7,975,857 | 997 | 21/ 11/ 2014 |
| Total (**) | | | | | 1,376 | |

(*) In the OSNC IV/ 2013 issue 25% of the nominal value of the 70,720,450 bonds was converted through a 25% reduction in their nominal value.

(**) See Statement of changes in equity for 2014.

NOTE 23 – OTHER FINANCIAL LIABILITIES

The balance in Other financial liabilities on the consolidated balance sheet at 31 December 2014 and 2013 is analysed below.

Thousand euro

| | 2014 | 2013 |
|---|------------------|------------------|
| By heading: | | |
| Financial liabilities at amortised cost | 2,673,314 | 2,565,849 |
| Total | 2,673,314 | 2,565,849 |
| By nature: | | |
| Debentures payable | 619,846 | 635,493 |
| Guarantee deposits received | 268,330 | 260,452 |
| Clearing houses | 313,046 | 82,701 |
| Collection accounts | 201,799 | 197,341 |
| Other financial liabilities (*) | 1,270,293 | 1,389,862 |
| Total | 2,673,314 | 2,565,849 |
| By currency: | | |
| In euro | 2,554,923 | 2,488,545 |
| In foreign currency | 118,391 | 77,304 |
| Total | 2,673,314 | 2,565,849 |

(*) Includes trade payables

Set out below is the information concerning the average payment period for suppliers required under Additional Provision Three of Law 15/2010, taking into account the amendments introduced by Law 31/2014 which amended the Spanish Companies Act 2010 in order to improve corporate governance:

Thousand euro

| | 2014 | | 2013 | |
|--|------------------|------------|------------------|------------|
| | Amount | % | Amount | % |
| Within statutory limit | 1,905,393 | 94 | 1,186,977 | 94 |
| Rest (*) | 131,233 | 6 | 80,475 | 6 |
| Total payments during the year | 2,036,626 | 100 | 1,267,452 | 100 |
| Weighted average number of days past due (**) | 72 | - | 55 | - |
| Deferrals in excess of statutory limit (number of cases) (***) | 1,504 | - | 1,100 | - |
| Weighted average number of days past due (****) | 19 | - | - | - |

(*) If statutory limit is exceeded, the delay in payment can be justified on a number of grounds

(**) number of days' delay over statutory time limit for each late payment weighted by the amount of the payment concerned.

(***) The legal payment periods are 60 days for 2014 and for 2013.

(****) Based on reporting requirements of Law 31/2014 which amended the Spanish Companies Act.

NOTE 24 – LIABILITIES UNDER INSURANCE CONTRACTS

The main products offered by the group insurance companies are life insurance (risk of death), as well as life insurance (savings) and casualty insurance.

Within life insurance (risk), it is necessary to differentiate between unrestricted policies and those life policies offered to customers with a mortgage or consumer loan, in order to fully or partially cover the amount of the loan in the event that the contingency covered by the policy arises.

The purpose of the recurring life savings products is to guarantee a sum at the date indicated by customers in the policy, with an additional benefit in the event of death or disability in certain products over the period during which premiums are paid.

In unit-linked savings products, the amount receivable by the customer at the date set in the policy consists of the fund accumulating at that date, without said sum being guaranteed.

Casualty insurance products are aimed at private customers in which the principal risk is death or absolute disability due to an accident.

The balances for liabilities under insurance contracts at 31 December 2014 and 2013 are:

Thousand euro

| | 2014 | 2013 |
|---|------------------|------------------|
| Unearned premiums and unexpired risks | 2,281 | 1,742 |
| Non-life insurance | | |
| Benefits | 259 | 201 |
| Life insurance: | | |
| Mathematical reserves | 1,923,161 | 1,842,599 |
| Benefits | 21,427 | 16,988 |
| With-profits insurance and returned premiums | 6,274 | 6,959 |
| Life insurance in which the investment risk is borne by the policyholders | 164,784 | 172,075 |
| Implicit adjustments due to accounting mismatches | 271,385 | 93,575 |
| Total | 2,389,571 | 2,134,139 |

The results generated by the Group's insurance companies by type of product sold are as follows:

| Thousand euro | 2014 | 2013 |
|-----------------------|---------------|---------------|
| Life insurance | 22,576 | 39,119 |
| Life Risk | 2,278 | 19,497 |
| Life Saving | 20,214 | 19,728 |
| Unit Linked | 84 | (107) |
| Casualty Insurance | 380 | 375 |
| Non-technical account | 12,871 | 10,920 |
| Total | 35,827 | 50,414 |

Given the volume that the insurance companies represent within the parameters of the Group and the high concentration of business development on life savings products, sensitivity towards insurance risk and the concentrations of insurer risk are not significant for the Group. In this respect, for the death and disability business an increase of 25% in claims would have an impact on results of €2 million.

Concerning objectives, policies and processes for managing risk associated with the insurance business:

- On a monthly basis, the Group analyses the proper matching of flows of assets and liabilities from individual and group life products, as well as compliance with the requirements as to the limits set by current legislation and internal management policies relating to the quality, type and volume of financial investments.
- Most Group insurance companies' investments relate to debt securities with a weighted average rating of BBB, the level of which is expected to be maintained in the future in accordance with the maximum credit quality policy established internally. Regarding liquidity, 91% of total investments is positioned in liquid assets, this amount being considered sufficient to cover payment obligations in the short term.
- In relation to market risk, the Group's insurance companies monitor on a monthly basis the performance of the market prices of their financial assets and any latent capital gains/losses in the investments managed.
- The Group uses reinsurers to cede risks that exceed the limits established by the Group's internal policies.

NOTE 25 – PROVISIONS

The composition of this item on the consolidated balance sheet at 31 December 2014 and 2013 was as follows:

| Thousand euro | 2014 | 2013 |
|---|----------------|----------------|
| Provisions for pensions and similar obligations | 122,441 | 147,657 |
| Provisions for contingent exposures and commitments | 131,861 | 304,349 |
| Other provisions | 140,913 | 212,240 |
| Total | 395,215 | 664,246 |

Details of changes in provisions during the years 2014 and 2013 are given in the following table:

Thousand euro

| | Pensions and similar commitments | Risks and contingent commitments | Other provisions | Total |
|--|----------------------------------|----------------------------------|------------------|------------------|
| Balance at 31 December 2012 | 201,593 | 277,162 | 850,810 | 1,329,565 |
| Scope additions/exclusions (*) | 357 | 10,063 | 29,292 | 39,712 |
| Provisions charged to income statement: | 12,413 | 117,182 | 39,570 | 169,165 |
| Personnel expenses | 3,932 | - | - | 3,932 |
| Interest and similar charges | 5,370 | - | - | 5,370 |
| Net transfers to provisions | 3,111 | 117,182 | 39,570 | 159,863 |
| Actuarial gains/(losses) | (3,729) | - | - | (3,729) |
| Exchange differences | - | - | (2) | (2) |
| Applications: | (67,981) | - | (702,602) | (770,583) |
| Contributions of the promoter | (21,594) | - | - | (21,594) |
| Pension payments | (37,522) | - | - | (37,522) |
| Other | (8,865) | - | (702,602) | (711,467) |
| Other movements | 5,004 | (100,058) | (4,828) | (99,882) |
| Balance at 31 December 2013 | 147,657 | 304,349 | 212,240 | 664,246 |
| Provisions charged to income statement: | 20,760 | (165,164) | (15,030) | (159,434) |
| Personnel expenses | 5,246 | - | - | 5,246 |
| Interest and similar charges | 3,732 | - | - | 3,732 |
| Net transfers to provisions | 11,782 | (165,164) | (15,030) | (168,412) |
| Actuarial gains/(losses) | (3,476) | - | - | (3,476) |
| Exchange differences | - | 2,380 | 10 | 2,390 |
| Applications: | (59,339) | (1,771) | (46,792) | (107,902) |
| Contributions of the promoter | (935) | - | - | (935) |
| Pension payments | (35,305) | - | - | (35,305) |
| Other | (23,099) | (1,771) | (46,792) | (71,662) |
| Other movements | 16,839 | (7,933) | (9,515) | (609) |
| Balance at 31 December 2014 | 122,441 | 131,861 | 140,913 | 395,215 |

(*) See Note 2.

The main provision components are as follows:

- Provisions for pensions and similar obligations: includes provisions to cover post-employment benefits, including pension commitments in respect of employees taking early retirement and similar obligations.
- Provisions for contingent exposures: includes all provisions to cover contingent exposures associated with financial guarantees or other contractual commitments.
- Other provisions: basically includes reserves recorded by the Bank to cover certain risks incurred in the course of its business, including those mentioned in Note 35.
- Most provisions are long-term in character.

Other provisions

Utilizations of other provisions in 2013 reflect the application of the provision for restructuring costs created by Banco CAM to cover its restructuring commitment, the deadline for which was 31 December 2013. Additionally the provision related to that entity's contingent liabilities which were set up during the business combination was utilized in 2013.

Pensions and similar commitments

The items giving rise to defined benefit pension liabilities recognized in the Group balance sheet are as follows:

| Thousand euro | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|----------------|----------------|----------------|----------------|----------------|
| Pension commitments | 1,044,326 | 1,036,360 | 950,952 | 765,700 | 781,660 |
| Assets recognised on balance sheet | - | 696 | - | - | - |
| Fair value of scheme assets | (922,165) | (889,575) | (752,281) | (602,190) | (605,402) |
| Net liability recognised on balance sheet | 122,161 | 147,481 | 198,671 | 163,510 | 176,258 |

The yield on the Banco Sabadell pension scheme was 8.36% and the yield on the E.P.S.V. was -0.01% for 2014.

Movements in 2014 and 2013 in obligations due to pension commitments and the fair value of the scheme assets are as follows:

| Thousand euro | Pension commitments | Fair value of scheme assets |
|--|---------------------|-----------------------------|
| Balance at 31 December 2012 | 950,952 | 752,281 |
| Scope additions/exclusions (*) | 78,182 | 77,908 |
| Interest costs | 32,806 | - |
| Interest income | - | 27,455 |
| Normal cost in year | 4,525 | - |
| Past service cost | 2,838 | - |
| Benefit payments | (73,486) | (36,008) |
| Settlements, reductions and terminations | (28,351) | (27,850) |
| Contributions made by the institution | - | 19,022 |
| Actuarial gains and losses due to changes in demographic assumptions | - | - |
| Actuarial gains and losses due to changes in financial assumptions | 77,323 | - |
| Actuarial gains and losses due to changes in experience assumptions | (5,722) | - |
| Yield on plan assets excluding interest income | - | 79,708 |
| Other movements | (2,707) | (2,941) |
| Balance at 31 December 2013 | 1,036,360 | 889,575 |
| Interest costs | 28,423 | - |
| Interest income | - | 24,691 |
| Normal cost in year | 5,246 | - |
| Past service cost | 11,748 | - |
| Benefit payments | (75,038) | (39,733) |
| Settlements, reductions and terminations | (86,421) | (86,501) |
| Contributions made by the institution | - | 935 |
| Actuarial gains and losses due to changes in demographic assumptions | (12,370) | - |
| Actuarial gains and losses due to changes in financial assumptions | 137,975 | - |
| Actuarial gains and losses due to changes in experience assumptions | 1,264 | - |
| Yield on plan assets excluding interest income | - | 136,058 |
| Other movements | (2,861) | (2,860) |
| Balance at 31 December 2014 | 1,044,326 | 922,165 |

(*) see Note 2

The Group's pension commitments at 31 December 2014 and 2013 based on financing vehicle, coverage and interest rate applied in their calculation, are set out below:

| Thousand euro | | | |
|---|---------------|------------------|---------------|
| 2014 | | | |
| Financing vehicle | Coverage | Amount | Interest rate |
| Pension plans | | | |
| Insurance policies with related parties | Matched | 616,178 | |
| Insurance policies with unrelated parties | Matched | 55,007 | 1.75 % |
| Insurance policies | | 561,171 | 1.75 % |
| Insurance policies with related parties | Matched | 388,570 | |
| Insurance policies with unrelated parties | Matched | 102,458 | 1.75 % |
| Internal funds | Without cover | 286,112 | 1.75 % |
| Total commitments | | 39,578 | 1.75 % |
| | | 1,044,326 | |

| Thousand euro | | | |
|---|---------------|------------------|---------------|
| 2013 | | | |
| Financing vehicle | Coverage | Amount | Interest rate |
| Pension plans | | | |
| Insurance policies with related parties | Matched | 581,039 | |
| Insurance policies with unrelated parties | Matched | 52,031 | 2.89 % |
| Insurance policies | | 529,008 | 2.89 % |
| Insurance policies with related parties | Matched | 404,171 | |
| Insurance policies with unrelated parties | Matched | 103,402 | 2.89 % |
| Internal funds | Without cover | 300,769 | 2.89 % |
| Total commitments | | 51,150 | 2.89 % |
| | | 1,036,360 | |

The amount of the commitments covered by matched insurance policies at 31 December 2014 stands at €1,004,748,000 (€985,210,000 at 31 December 2013) and therefore in 96.21 % of its commitments (95.06% at 31 December 2013) there is no risk of survival (tables) nor profitability (interest rate) for the Group.

Obligations covered by specific assets totalled €1,004,748,000 (including €4,724,000 in commitments to early retirees) at 31 December 2014, and €985,210,000 (of which €16,163,000 relates to commitments to early retirees) at 31 December 2013.

The sensitivity analysis for each main actuarial assumption at 31 December 2014 and 2013 shows how the commitment and cost of the services in the current year would have been affected by reasonably possible changes at that date.

| % | 2014 | 2013 |
|--|-----------------|---------|
| Sensitivity analysis | % change | |
| Discount rate | | |
| Discount rate -50 basis points: | | |
| Assumption | 1.25% | 2.39% |
| Change in obligation | 6.87% | 5.98% |
| Change in cost of services in current year | 9.72% | 8.57% |
| Discount rate +50 basis points: | | |
| Assumption | 2.25% | 3.39% |
| Change in obligation | (6.18%) | (5.62%) |
| Change in cost of services in current year | (8.57%) | (8.49%) |
| Salary increase rate | | |
| Salary increase rate -50 basis points: | | |
| Assumption | 2.50% | 2.50% |
| Change in obligation | (0.78%) | (0.76%) |
| Change in cost of services in current year | (3.51%) | (3.85%) |
| Salary increase rate +50 basis points: | | |
| Assumption | 3.50% | 3.50% |
| Change in obligation | 0.82% | 0.79% |
| Change in cost of services in current year | 3.75% | 4.02% |

Estimates of probability-weighted present values at 31 December 2014 of benefits payable over the next ten years are shown below:

| Thousand euro | | | | | | | | | | | |
|--------------------------|--------|--------|--------|--------|--------|-------|-------|-------|-------|-------|----------------|
| Years | | | | | | | | | | | |
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Total |
| Probable pensions | 25,222 | 21,737 | 18,339 | 14,647 | 11,158 | 8,943 | 8,473 | 8,119 | 7,802 | 7,547 | 131,987 |

The fair value of pension-linked assets reported in the Group balance sheet stood at €162,713,000 at 31 December 2014 and €156,083,000 at 31 December 2013.

The main categories of scheme assets as a proportion of total scheme assets were as follows:

| % | 2014 | 2013 |
|---|----------------|----------------|
| Own equity instruments | 0.02% | 0.02% |
| Other equity instruments | 0.00% | 0.00% |
| Debt instruments | 0.97% | 0.65% |
| Investment funds | 0.03% | 0.02% |
| Deposits and current accounts | 0.13% | 0.36% |
| Other (insurance policies with unrelated parties) | 98.85% | 98.95% |
| Total | 100.00% | 100.00% |

The fair value of scheme assets includes the following financial instruments issued by the Bank:

| Thousand euro | | |
|-------------------------------|--------------|------------|
| | 2014 | 2013 |
| Equity instruments | 167 | 142 |
| Debt instruments | - | - |
| Deposits and current accounts | 1,184 | - |
| Total | 1,351 | 142 |

NOTE 26 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities

The fair value of a financial asset or liability at a given date is understood to be the amount at which it could be delivered or settled, respectively, at that date, between independent and knowledgeable parties acting prudently and without coercion in open market conditions. The most objective and commonly used reference for fair value of a financial asset or liability is the price that would be paid on an organized, transparent and deep market (quoted price or market price).

Where there is no market price for a particular financial asset or liability, the fair value can be estimated from the values established for similar assets in recent transactions or, failing that, by using mathematical valuation models suitably tested by the international financial community. When utilizing these models, the peculiarities specific to the financial asset or liability being valued are taken into account, particularly the different types of risk that may be associated with them. However, the limitations inherent in the valuation models that have been developed and possible inaccuracies in the assumptions and parameters required by these models may result in the estimated fair value of a financial asset or liability not precisely matching the price at which the asset could be delivered or settled as of the valuation date.

The fair value of financial derivatives quoted on an active market is the daily market price.

In the case of instruments for which quoted prices cannot be determined, prices are estimated using internal models developed by the Bank, most of which take data based on observable market parameters as significant inputs. Otherwise, the models make use of other inputs which rely on internal assumptions based on generally accepted practice within the financial services community.

For financial instruments the fair value measurements disclosed in the financial statements are classified according to the following fair value levels:

- Level I: Fair values are obtained from the (unadjusted) prices quoted on active markets for the same instrument.
- Level II: Fair values are obtained from the prices being quoted on active markets for similar instruments, the prices of recent transactions, expected flows or other measurement techniques for which all significant inputs are based on directly or indirectly observable market data.
- Level III: Fair values are obtained by measurement techniques for which some significant inputs are not based on observable market data.

Set out below are the main valuation methods, assumptions and inputs used when estimating the fair value of the financial instruments classified in Levels 2 and 3, according to the type of instrument concerned:

| Level 2 financial instruments | Valuation methods | Main assumptions | Main inputs used |
|-------------------------------|---|--|---|
| Debt securities | Present value method | <p>Calculation of the present value of financial instruments as the present value of future cash flows (discounted at market interest rates), taking into account:</p> <ul style="list-style-type: none"> - An estimate of pre-payment rates - Issuers' credit risk - Current market interest rates | <ul style="list-style-type: none"> - Issuer credit spreads - Observable market interest rates |
| Equity instruments | | | |
| Derivatives | Black-Scholes model (analytic/semi-analytic formulae) | <p>For equity derivatives, inflation, currencies or commodities:</p> <ul style="list-style-type: none"> - Black-Scholes assumes a lognormal process of forward rates taking into account potential convexity adjustments | <p>For equity derivatives, inflation, currencies or commodities:</p> <ul style="list-style-type: none"> - Forward structure of the underlying asset, given by market data (dividends, swaps points, etc.) - Option volatility surfaces <p>For interest rate derivatives:</p> <ul style="list-style-type: none"> - Interest rate time structure - Underlying asset volatility surfaces <p>For credit derivatives:</p> <ul style="list-style-type: none"> - Credit Default Swaps (CDS) values - Historic credit spread volatility |
| | For equity derivatives, currencies or commodities: - Monte Carlo simulations - SABR | <p>Black-Scholes model: a lognormal distribution is assumed for the underlying asset with volatility depending on the term.</p> <ul style="list-style-type: none"> - SABR: stochastic volatility model. | |
| | For interest-rate derivatives: - Libor Market Model | <p>This model assumes that:</p> <ul style="list-style-type: none"> - The forward rates in the term structure of the interest rate curve are perfectly correlated | |
| | For credit derivatives: - Intensity models | <p>These models assume a default probability structure resulting from term-based default intensity rates.</p> | |

| Level 3 financial instruments | Valuation methods | Main assumptions | Main non-observable inputs |
|-------------------------------|---|--|---|
| Debt securities | Present value method | Calculation of the present value of financial instruments as the present value of future cash flows (discounted at market interest rates), taking into account: - An estimate of pre-payment rates - Issuers' credit risk - Current market interest rates | - Estimated credit spreads of issuer or a similar issuer. |
| Equity instruments | | | |
| Derivatives | For equity derivatives, currencies or commodities: - Monte Carlo simulations | Black-Scholes model: a lognormal distribution is assumed for the underlying asset with volatility depending on the term. - SABR: stochastic volatility model. | For equity derivatives, inflation, currencies or commodities: - Historical volatilities - Historical correlations - PD for calculation CVA and DVA (a) |
| | For credit derivatives: - Intensity models | These models assume a default probability structure resulting from term-based default intensity rates. | For credit derivatives: - Estimated credit spreads of issuer or a similar issuer. - Historical volatility of credit spreads |
| | For interest-rate derivatives: - Libor Market Model | This model assumes that: - The forward rates in the term structure of the interest rate curve are perfectly correlated - Issuers' credit risk | For interest-rate derivatives: - PD for calculation CVA and DVA (a) |

(A) For the calculation of CVA and DVA fixed severities at 60% have been used which corresponds to the market standard for senior debt. The positive and negative future average exposures were estimated using market models, libor for rates and Black for currencies, using market inputs. Default probabilities for customers without quoted debt securities or CDS were obtained from the internal rating model and for Banco Sabadell those obtained from the CDS quotation have been used.

Determination of the fair value of financial instruments

A comparison between the value at which the Group's financial assets and liabilities are recorded on the accompanying consolidated balance sheets and the related fair value is as follows:

| | 2014 | | 2013 | |
|---|--------------------|--------------------|--------------------|--------------------|
| | Accounting balance | Fair value | Accounting balance | Fair value |
| Assets: | | | | |
| Cash and balances with central banks | 1,189,787 | 1,189,787 | 3,201,898 | 3,201,898 |
| Trading portfolio (Notes 5, 6 and 7) | 2,206,035 | 2,206,035 | 1,889,624 | 1,889,624 |
| Other financial assets at fair value through profit or loss (Note 6) | 137,148 | 137,148 | 140,534 | 140,534 |
| Available-for-sale financial assets (Notes 5 and 6) | 21,095,619 | 21,095,619 | 19,277,672 | 19,277,672 |
| Loans and receivables (Notes 4, 5 and 8) | 117,895,179 | 128,834,406 | 118,989,126 | 127,659,425 |
| Changes in the fair value of hedged items in portfolio hedges of interest rate risk (Note 11) | - | - | - | - |
| Hedging derivatives (Notes 2 and 12) | 910,173 | 910,173 | 593,327 | 593,327 |
| Total assets | 143,433,941 | 154,373,168 | 144,092,181 | 152,762,480 |

| | 2014 | | 2013 | |
|---|--------------------|--------------------|--------------------|--------------------|
| | Accounting balance | Fair value | Accounting balance | Fair value |
| Liabilities | | | | |
| Trading portfolio (Note 7) | 1,726,143 | 1,726,143 | 1,445,545 | 1,445,545 |
| Other financial liabilities at fair value through profit or loss | - | - | - | - |
| Financial liabilities at amortized cost (Notes 19, 20, 21, 22 and 23) | 145,580,114 | 147,009,131 | 147,269,474 | 147,937,282 |
| Changes in the fair value of hedged items in portfolio | | | | |
| hedges of interest rate risk (Note 11) | 68,020 | 68,020 | 211,406 | 211,406 |
| Hedging derivatives (Note 12) | 460,296 | 460,296 | 315,239 | 315,239 |
| Total liabilities | 147,834,573 | 149,263,590 | 149,241,664 | 149,909,472 |

In relation to financial instruments whose carrying amount differs from fair value, the latter has been calculated as follows:

- The fair value of Cash and balances with central banks is in line with their book value, as these are mainly short-term balances.
- The fair value of Loans and receivables and Financial liabilities at amortised cost has been estimated using the discounted cash flow method, using market interest rates at the end of each year.
- The heading Fair value changes of the hedged items in portfolio hedges of interest rate risk on the accompanying consolidated balance sheets records the difference between the carrying value of the deposits covered (recorded in Loans and receivables) and the fair value calculated using internal models and observable market data variables.

The following table presents the main financial instruments recognized at fair value in the accompanying consolidated balance sheets, broken down according to the valuation method used when estimating their fair value:

| | 2014 | | | |
|---|-------------------|------------------|----------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Activos: | | | | |
| Held for trading | 637,996 | 865,016 | 703,023 | 2,206,035 |
| Loans and advances to customers | - | - | - | - |
| Debt securities (Note 5) | 575,486 | 1,013 | 2,298 | 578,797 |
| Equity instruments (Note 6) | 45,068 | - | - | 45,068 |
| Trading derivatives (Note 7) | 17,442 | 864,003 | 700,725 | 1,582,170 |
| Other financial assets at fair value through profit or loss | - | 137,148 | - | 137,148 |
| Loans and advances to credit institutions | - | - | - | - |
| Debt securities | - | - | - | - |
| Equity instruments (Note 6) | - | 137,148 | - | 137,148 |
| Available-for-sale financial assets | 19,720,544 | 1,231,828 | 15,315 | 20,967,687 |
| Debt securities (Note 5) | 19,370,236 | 1,007,510 | 15,315 | 20,393,061 |
| Equity instruments (Note 6) | 350,308 | 224,318 | - | 574,626 |
| Hedging derivatives (Note 12) | 346,441 | 401,357 | 162,375 | 910,173 |
| Total assets | 20,704,981 | 2,635,349 | 880,713 | 24,221,043 |

| 2014 | | | | |
|--|----------------|------------------|----------------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Liabilities | | | | |
| Held for trading | 176,170 | 1,356,253 | 193,720 | 1,726,143 |
| Trading derivatives (Note 7) | - | 1,356,253 | 193,720 | 1,549,973 |
| Short securities positions | 176,170 | - | - | 176,170 |
| Other financial liabilities at fair value through profit or loss | - | - | - | - |
| Hedging derivatives (Note 12) | - | 244,754 | 215,542 | 460,296 |
| Total liabilities | 176,170 | 1,601,007 | 409,262 | 2,186,439 |

| 2013 | | | | |
|---|-------------------|------------------|----------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Held for trading | 631,326 | 685,261 | 573,037 | 1,889,624 |
| Loans and advances to customers | - | - | - | - |
| Debt securities (Note 5) | 550,254 | 3,000 | 4,487 | 557,741 |
| Equity instruments (Note 6) | 43,269 | - | - | 43,269 |
| Trading derivatives (Note 7) | 37,803 | 682,261 | 568,550 | 1,288,614 |
| Other financial assets at fair value through profit or loss | - | 140,534 | - | 140,534 |
| Loans and advances to credit institutions | - | - | - | - |
| Debt securities | - | - | - | - |
| Equity instruments (Note 6) | - | 140,534 | - | 140,534 |
| Available-for-sale financial assets | 17,856,023 | 1,346,678 | 15,496 | 19,218,197 |
| Debt securities (Note 5) | 17,616,429 | 1,018,610 | 15,496 | 18,650,535 |
| Equity instruments (Note 6) | 239,594 | 328,068 | - | 567,662 |
| Hedging derivatives (Note 12) | - | 429,738 | 163,589 | 593,327 |
| Total assets | 18,487,349 | 2,602,211 | 752,122 | 21,841,682 |

| 2013 | | | | |
|--|----------------|------------------|----------------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Liabilities | | | | |
| Held for trading | 147,350 | 1,083,175 | 215,020 | 1,445,545 |
| Trading derivatives (Note 7) | 540 | 1,083,175 | 215,020 | 1,298,735 |
| Short securities positions | 146,810 | - | - | 146,810 |
| Other financial liabilities at fair value through profit or loss | - | - | - | - |
| Hedging derivatives (Note 12) | 31 | 106,936 | 208,272 | 315,239 |
| Total liabilities | 147,381 | 1,190,111 | 423,292 | 1,760,784 |

The movements in the balances of the financial assets and liabilities classified on Level 3 figuring in the accompanying consolidated balance sheets are as follows:

Thousand euro

| | Assets | Liabilities |
|---|----------------|----------------|
| Balance at 31 December 2012 | 326,102 | 388,116 |
| Due to acquisitions (*) | 760 | 1,257 |
| Valuation adjustments recorded on income statement (**) | (9,832) | (3,202) |
| Valuation adjustments not recorded on income statement | - | (74) |
| Purchases, sales, write-offs | 18,471 | 33,214 |
| Net additions/(exits) on Level 3 | 414,761 | 2,116 |
| Exchange differences and other | 1,860 | 1,865 |
| Balance at 31 December 2013 | 752,122 | 423,292 |
| Due to acquisitions (*) | 1,948 | 325 |
| Valuation adjustments recorded on income statement (**) | 195,650 | 7,947 |
| Valuation adjustments not recorded on income statement | - | 253 |
| Purchases, sales, write-offs | (102,501) | (21,821) |
| Net additions/(exits) on Level 3 | 33,134 | (214) |
| Exchange differences and other | 360 | (520) |
| Balance at 31 December 2014 | 880,713 | 409,262 |

(*) See Note 2.

(**) Relates to securities kept on the balance sheet at 31 December 2014 and 2013.

At 31 December 2014, income from sales of financial instruments classified on Level 3, recorded in the accompanying income statement was not material.

Financial instruments that were transferred between valuation levels during 2014 present the following balances in the accompanying consolidated balance sheet at 31 December 2014:

Thousand euro

| | 2014 | | | | | |
|--|---------|---------|---------------|---------------|--------------|---------------|
| | Level 1 | | Level 2 | | Level 3 | |
| | Level 2 | Level 3 | Level 1 | Level 3 | Level 1 | Level 2 |
| Assets: | | | | | | |
| Held for trading | - | - | - | 54,543 | 4,487 | 16,922 |
| Other financial assets at fair value through profit or loss | - | - | - | - | - | - |
| Available-for-sale financial assets | - | - | 45,253 | - | - | - |
| Hedging derivatives (Note 12) | - | - | - | - | - | - |
| Liabilities | | | | | | |
| Held for trading | - | - | - | 88 | - | 302 |
| Other financial liabilities at fair value through profit or loss | - | - | - | - | - | - |
| Hedging derivatives (Note 12) | - | - | - | - | - | - |
| Total | - | - | 45,253 | 54,631 | 4,487 | 17,224 |

| | 2013 | | | | | |
|--|------------|----------|----------|----------------|----------|----------|
| | Level 1 | | Level 2 | | Level 3 | |
| | Level 2 | Level 3 | Level 1 | Level 3 | Level 1 | Level 2 |
| Assets: | | | | | | |
| Held for trading | - | - | - | 414,761 | - | - |
| Other financial assets at fair value through profit or loss | - | - | - | - | - | - |
| Available-for-sale financial assets | 148 | - | - | - | - | - |
| Hedging derivatives (Note 12) | - | - | - | - | - | - |
| Liabilities | | | | | | |
| Held for trading | - | - | - | 2,116 | - | - |
| Other financial liabilities at fair value through profit or loss | - | - | - | - | - | - |
| Hedging derivatives (Note 12) | - | - | - | - | - | - |
| Total | 148 | - | - | 416,877 | - | - |

At 31 December 2014, the effect resulting from replacing the main assumptions used in the valuation of financial instruments on Level 3 by other reasonably possible assumptions, taking the highest value (most favourable assumption) or lowest value (least favourable assumption) in the range that is considered likely, is as follows, solely indicating the effect on the income statement because at 31 December there are no Level 3 instruments measured in equity.

| | 2014 | | 2013 | |
|------------------------------------|---|-----------------------------|---|-----------------------------|
| | Potential impact on consolidated income statement | | Potential impact on consolidated income statement | |
| | Most favourable assumption | Least favourable assumption | Most favourable assumption | Least favourable assumption |
| Assets: | | | | |
| Held for trading (*) | 8,932 | (50,679) | 102 | (484) |
| Hedging derivatives (Note 11) (**) | - | - | - | - |
| Liabilities | | | | |
| Held for trading (*) | - | - | 1,715 | (1,717) |
| Hedging derivatives (Note 11) | 355 | (87) | 179 | (275) |
| Total liabilities | 9,287 | (50,766) | 1,996 | (2,476) |

(*) Calculation does not include closed positions as they do not have any potential impact on profit and loss because any changes in valuation of the financial instruments offset each other

(**) Potential impact is not material

Loans and financial liabilities at fair value through profit or loss

At 31 December 2014 and 31 December 2013 no loans or other financial liabilities at fair value existed other than those recorded under Trading portfolio-Customer loans, Other assets at fair value through profit or loss and Other liabilities at fair value through profit or loss on the accompanying consolidated balance sheets.

Financial instruments at cost

At 31 December 2014 and 2013 there were equity instruments, derivatives with equity instruments as the underlying asset and discretionary profit sharing in certain companies which were recorded at cost in the consolidated balance sheets because their fair value could not be estimated in a sufficiently reliable manner. This was because they pertained to holdings in companies that are not quoted on organized markets and therefore involve a significant level of non-observable inputs. At these dates, the balance of these financial instruments, which were recorded in the Financial assets available for sale portfolio, amounted to €128 and €143 million, respectively.

A breakdown of sales of financial instruments carried at cost in 2014 and 2013 is set out below:

| Thousand euro | 2014 | 2013 |
|-------------------------------------|------|-------|
| Sale of instruments at cost: | | |
| Amount of sale | - | 5,702 |
| Carrying value at time of sale | - | 1,975 |
| Profit/(loss) | - | 3,723 |

Non-financial assets

Real-estate assets

Information concerning the valuation of the Group properties classified under Tangible assets - investment properties, non-current assets held for sale and inventories is as follows:

| Thousand euro | 2014 | |
|--|--------------------|-------------------|
| | Accounting balance | Fair value |
| Investment property (Note 15) | 2,369,579 | 2,614,854 |
| Non-current assets held for sale (Note 13) | 2,249,935 | 3,221,956 |
| Inventories (Note 17) | 4,021,357 | 4,269,242 |
| Total assets | 8,640,871 | 10,106,052 |

The Group measures real-estate assets at the lower of carrying value and fair value.

The fair value of the Group's real-estate assets is estimated on the basis of appraisals by independent valuation companies on the Bank of Spain's Special Register, in accordance with the criteria included in Order ECO/805/2003 of 27 March 2003.

In the valuation techniques used, the valuation companies maximize the use of observable market data and other factors which are taken into account by market operators when setting prices. The use of subjective considerations and non-observable or non-verifiable data is restricted to the extent possible.

The Group determines the fair value of own-use tangible assets for the purpose of detecting evidence of impairment based on the higher of appraised value and value in use (Note 1). At 31 December 2014, these assets' carrying values do not differ significant from their fair values.

The following measurement hierarchy levels would correspond to the main valuation methods applied:

Level 2

- comparison method - applicable to all kinds of properties provided that there is a representative market of comparable properties and sufficient data is available on transactions that reflect the current market situation.
- rental update method - applicable when the property generates or may generate rentals and there is a representative market of comparable data.
- statistical model - This model adjusts the value of the assets based on the date of acquisition and the location, updating the value in accordance with price trends in the area concerned as from the date of purchase. To this end, it includes statistical information on price behaviour in all provinces provided by external valuation companies and demographic data from the official National Statistics Institute to calculate sensitivity on a municipality level. At the same time, the figure calculated is adjusted based on the degree of maturity (finished product, development in progress, plots under management) and use (residential, industrial, etc.) of the asset.

Level 3

- cost method – applicable to determine the value of buildings at the project, construction or refurbishment phase.
- residual method – in the present macroeconomic climate, the dynamic calculation procedure is being used preferentially in new land valuations to the detriment of the statistical procedure, which is reserved for specific cases in which the envisaged time limits for project execution are in line with the relevant regulations.

Depending on the type of asset, the methods used in the valuation of the Group's portfolio are the following:

- *Finished work*: measured using the comparison, rental update or statistical methods.
- *Work in progress*: measured using the cost method taking the sum of the land value and work performed.
- *Land*: measured using the residual method.

Fair value calculation

The following table presents the main real-estate assets, broken down according to the valuation method used when estimating their fair value:

Thousand euro

| | Fair value | | | Total |
|--|------------|------------------|------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | |
| Housing | - | 4,486,376 | - | 4,486,376 |
| Offices, retail outlets and other properties | - | 2,494,336 | - | 2,494,336 |
| Land and building plots | - | - | 2,501,785 | 2,501,785 |
| Work in progress | - | - | 623,555 | 623,555 |
| Total assets | - | 6,980,712 | 3,125,340 | 10,106,052 |

Significant non-observable variables used in valuations classed on Level 3 were not developed by the Group but by the independent valuation companies that performed the appraisals.

Movements in balances in 2014 classed on Level 3 were as follows:

Thousand euro

| | Housing | Offices, retail outlets and other properties | Land, building plots and work in progress |
|--|---------|--|---|
| Balance at 31 December 2013 | - | - | 2,696,627 |
| Due to acquisitions | - | - | - |
| Valuation adjustments recorded on income statement (*) | - | - | (314,508) |
| Valuation adjustments not recorded on income statement | - | - | - |
| Purchases, sales, write-offs | - | - | 661,022 |
| Net additions/(exits) on Level 3 | - | - | (90,720) |
| Exchange differences and other | - | - | - |
| Balance at 31 December 2014 | - | - | 2,952,421 |

(*) Relates to securities kept on the balance sheet at 31 December 2013 and 2012

At 31 December 2014, income from sales of real-estate assets classified on Level 3, recorded in the accompanying income statement, was not material.

Real-estate assets that were transferred between valuation levels during 2014 present the following balances at 31 December 2014:

Thousand euro

| | 2014 | | | | | |
|------------------|---------|---------|---------|---------|---------|---------------|
| | Level 1 | | Level 2 | | Level 3 | |
| | Level 2 | Level 3 | Level 1 | Level 3 | Level 1 | Level 2 |
| Work in progress | - | - | - | - | - | 90,720 |
| Total | - | - | - | - | - | 90,720 |

The fair value of real-estate assets appraised by valuation companies, portfolios of repossessed assets and own-use assets classified in Non-current assets held for sale, real-estate investment and inventories in 2014 is as follows:

Thousand euro

| Appraisal company | Non-current assets held for sale | | | |
|--|----------------------------------|------------------|---------------------|------------------|
| | Own use | Repossessed | Investment property | Inventories |
| Afes Técnicas de Tasación, S.A. | 29,552 | 37,474 | 56,972 | 26,246 |
| Alia Tasaciones, S.A. | 2,925 | 86,046 | 44,096 | 62,194 |
| Arco Valoraciones S.A. | 5,037 | 12,211 | 13,731 | 7,351 |
| Cohispania, S.A. | - | 6,495 | - | - |
| Col.lectiu D'arquitectes Taxadors, S.A. | 765 | 55,528 | 21,287 | 55,455 |
| Eurovaloraciones, S.A. | 35,958 | 1,989 | - | 4,137 |
| Gestión de Valoraciones y Tasaciones, S.A. | 9,065 | 282,119 | 1,038,314 | 433,921 |
| Iberica de Tasaciones, S.A. | - | 21,523 | 8,616 | - |
| Ibertasa, S.A. | 5,208 | 201,136 | 147,680 | 574,713 |
| Krata, S.A. | 9,954 | 188,195 | 81,527 | 232,406 |
| Servatas S.A. | - | 3,044 | 1,255 | 87 |
| Sociedad de Tasación, S.A. | 4,249 | 682,641 | 500,853 | 1,663,532 |
| Tasaciones Hipotecarias | 369 | 16,842 | 17,479 | 16,823 |
| Tasaciones Inmobiliarias, S.A. | - | 14,680 | 2,754 | 40,434 |
| Tecglen Tasaciones Tasaciones, S.A. | 1,056 | - | - | - |
| Técnicos en Tasación, S.A. | 13,066 | - | - | - |
| Tecnitasa Técnicos en Tasación S.A. | - | 127,765 | 33,619 | 255,805 |
| Tinsa Tasaciones Inmobiliarias, S.A. | 8,540 | 94 | - | - |
| Valtecnic, S.A. | - | 5,898 | 165 | 9,250 |
| Rest (*) | 1,407 | 1,351,125 | 646,506 | 886,888 |
| Total | 127,151 | 3,094,805 | 2,614,854 | 4,269,242 |

(*) Includes restated valuations using statistical methods (Note 1).

NOTE 27 – FOREIGN CURRENCY TRANSACTIONS

The euro equivalent value of assets and liabilities denominated in foreign currency, classified by nature, held by the Group at 31 December 2014 and 2013 is as follows:

| Thousand euro | 2014 | 2013 |
|---|-------------------|------------------|
| Assets denominated in foreign currency: | | |
| Cash and balances with central banks | 421,496 | 412,067 |
| Loans and advances to credit institutions | 507,961 | 483,268 |
| Debt securities | 3,003,234 | 506,536 |
| Loans and advances to customers | 7,108,989 | 4,732,562 |
| Other assets | 494,173 | 363,970 |
| Total | 11,535,853 | 6,498,403 |
| Liabilities denominated in foreign currency: | | |
| Deposits from central banks | 1 | 163 |
| Deposits from credit institutions | 1,572,407 | 195,954 |
| Customer deposits | 6,843,700 | 5,553,059 |
| Other liabilities | 346,337 | 178,051 |
| Total | 8,762,445 | 5,927,227 |

The net asset and liability position in foreign currency includes the entity's structural position valued at the historical exchange rate at €371.52 million and the fixing rate at €2,140.54 million. This position is covered by forward currency operations following the Group's risk management policy (Note 37). The total net open position at 31 December 2014 stands at €267 million.

NOTE 28 – SHAREHOLDERS' FUNDS

Equity may be analysed as follows on the consolidated balance sheets at 31 December 2014 and 2013:

| Thousand euro | 2014 | 2013 (*) |
|--|-------------------|-------------------|
| Capital | 503,058 | 501,435 |
| Share premium | 5,710,626 | 5,760,506 |
| Reserves | 2,991,627 | 2,948,478 |
| Other equity instruments | 734,131 | 738,476 |
| Less: Treasury shares | (87,376) | (57,442) |
| Profit for the year attributed to the parent company | 371,677 | 145,915 |
| Less: Dividends and remuneration | - | - |
| Total | 10,223,743 | 10,037,368 |

(*) See Note 1, Comparability.

Capital

Share capital at the year end

The Bank's issued share capital at 31 December 2014 stood at €503,057,576.75 divided into 4,024,460,614 registered shares with a par value of €0.125 each (€501,435,197.625, divided into 4,011,481,581 registered shares with the same par value at 31 December 2013). All shares are fully paid and are numbered 1 through 4,024,460,614.

The Bank's shares are quoted on the Madrid, Barcelona and Valencia stock exchanges via the automatic quotation system managed by Sociedad de Bolsas, S.A. Banco Sabadell was admitted as a member of the Bilbao Stock Exchange in December 2013.

None of the other companies included in the consolidation group is quoted on a stock exchange.

The rights attaching to the equity instruments are those regulated by the Spanish Companies Act. At a General Meeting shareholders may cast votes in a number that reflects their proportional holding in the share capital.

Changes in share capital in 2014 and 2013

Due to capital increase

At a meeting held on 9 September 2013, the Board of Directors of Banco Sabadell agreed to a capital increase of a gross minimum total of €1,300 million and a maximum of €1,400 million through an operation that was fully insured from inception, consisting of two successive placements of Bank shares. The first was addressed solely to qualified investors through the accelerated private placement procedure known as *Accelerated Bookbuilt Offering* (the "Accelerated Placement") and the second was effected through a capital increase in which shareholders' preferential subscription rights were recognized (the "Rights Increase").

The Accelerated Placement concluded on 10 September 2013. In the Accelerated Placement, 396,341,464 shares were involved of which 30 million were Banco Sabadell treasury shares and 366,341,464 were newly issued ordinary shares in the same class and series as currently issued ordinary shares, at an effective price of €1.64 per share, including both the par value and share premium. The actual amount of the Accelerated Placement stands at €650,000,000.96. The total actual amount of the capital increase is €600,800,000.96 (consisting of €45,792,683 as the nominal amount of the capital increase and a share premium of €555,007,317.96). The remaining €49,200,000 related to the sale of treasury shares.

The deed recording the capital increase relating to the Accelerated Placement was entered in the Barcelona Mercantile Register on 10 September 2013 and the 366,341,464 ordinary shares with a par value of €0.125 each issued were accepted for quotation on the same date.

The Rights Increase concluded on 3 October 2013 and entailed the issuance of 666,099,503 new shares at an effective price of €1.10 per share, including the nominal value and share premium. Therefore, the total amount of the Rights Increase was €732,709,453.30, comprising a par value of €83,262,437.875 and a share premium of €649,447,015.425.

The deed recording the capital increase relating to the Rights Increase was entered in the Barcelona Mercantile Register on 4 October 2013 and the 666,099,503 ordinary shares with a par value of €0.125 each issued were accepted for quotation on 7 October 2013.

Following the completion of the Rights Increase, the capital increase approved by the Board of Directors on 9 September consisting of two successive share placements amounted to a total actual figure of €1,382,709,454.26.

Due to maturities and voluntary conversions of mandatorily convertible subordinated bonds

The capital increases carried out as a result of maturities and voluntary conversions of mandatorily convertible subordinated bonds in 2014 and 2013 are as follows (see Other equity instruments below):

Mandatorily convertible subordinated bonds

| Issuance | Conversion/maturity date | Reason for conversion | Bonds converted (*) | Shares issued | Capital increase at par value (€000) | Date of admission to quotation |
|-------------------|--------------------------|-----------------------|---------------------|---------------|--------------------------------------|--------------------------------|
| OSNC I/2013 | 21/01/2014 | Voluntary conversion | 1,892 | 490,123 | 61 | 19/02/2014 |
| OSNC II/2013 | 11/05/2014 | Voluntary conversion | 225,038 | 291,004 | 36 | 10/06/2014 |
| OSNC I/2013 | 21/07/2014 | Voluntary conversion | 3,641 | 943,211 | 118 | 08/08/2014 |
| OSNC II/2013 | 11/11/2014 | Voluntary conversion | 188,324 | 243,434 | 31 | 04/12/2014 |
| Total (**) | | | | | 247 | |
| OSNC I/2009 | 21/07/2013 | maturity | 24,899 | 5,956,217 | 745 | 03/09/2013 |
| OSNC I/2013 | 21/07/2013 | Voluntary conversion | 1,593 | 381,065 | 48 | 03/09/2013 |
| OSNC I/2010 | 11/11/2013 | maturity | 9,773,065 | 12,621,400 | 1,578 | 20/12/2013 |
| OSNC II/2013 | 11/11/2013 | Voluntary conversion | 407,447 | 526,915 | 66 | 20/12/2013 |
| Total | | | | | 2,437 | |

(*) In the OSNCIV/2013 issue 25% of the nominal value of the 70,720,450 bonds was converted through a 25% reduction in their nominal value.

(**) See Statement of changes in equity for 2014

Significant shareholdings in the Bank's capital

As required by article 23 of Royal Decree 1362/2007 of 19 October, implementing the Securities Market Law (Law 24/1988 of 28 July), the following table gives details of significant shareholdings in Banco Sabadell (i.e. holdings amounting to 3% or more of the share capital or voting rights) at 31 December 2014:

| Company | Direct holding | Number of shares | Indirect holding |
|------------------------|----------------|------------------|--------------------------|
| Itos Holding S.À.R.L. | 7.493% | 301,560,958 | Jaime Gilinsky Bacal |
| Fintech Investment Ltd | 4.909% | 197,560,975 | Winthrop Securities Ltd. |

Share premium account

The balance in the share premium account at 31 December 2014 was €5,710,626,000 (€5,760,506,000 at 31 December 2013).

Movements in 2014 and 2013 were as follows:

| | |
|------------------------------------|------------------|
| Thousand euro | |
| Balance at 31 December 2012 | 4,560,923 |
| Capital increase | 1,204,454 |
| Conversion of subordinated bonds | 74,496 |
| Dividend payment | (57,720) |
| Capital increase expenses | (21,647) |
| Balance at 31 December 2013 | 5,760,506 |
| Capital increase | - |
| Conversion of subordinated bonds | 29,905 |
| Dividend payment | (78,891) |
| Capital increase expenses | (894) |
| Balance at 31 December 2014 | 5,710,626 |

Reserves

The balance in Reserves breaks down as follows on the consolidated balance sheets at 31 December 2014 and 2013:

| | | |
|---|------------------|------------------|
| Thousand euro | | |
| | 2014 | 2013 (*) |
| Restricted reserves: | 325.761 | 278.850 |
| Statutory legal | 71.375 | 39.297 |
| Reserves for treasury shares pledged as security | 243.399 | 228.991 |
| Canary Island investment reserve | 7.872 | 7.447 |
| Reserve for capital redenomination in euro | 113 | 113 |
| Capital redemption reserve | 3.002 | 3.002 |
| Unrestricted reserves | 2.565.154 | 2.516.105 |
| Reserves in companies accounted for by the equity method | 100.712 | 153.523 |
| Total | 2.991.627 | 2.948.478 |

(*) See Note 1, Comparability

The contributions of consolidated companies to Group reserves are shown in Schedule I.

Other equity instruments

On 20 December 2012 the Board of Directors of Banco Sabadell took the decision to make a buyback offer to holders of mandatorily convertible subordinated bonds in Series I/2009 and Series I/2010 whereby their entire holdings would be repurchased for cash and the said cash simultaneously applied by those accepting the

buyback offer to subscribe for newly issued mandatorily convertible subordinated bonds Series I/2013 and Series II/2013 respectively.

On 31 January 2013 the acceptance period concluded, resulting in buyback applications for 94.96% of outstanding Series I/2009 Bonds for a nominal value of €468,981,000 and 89.01% of the outstanding Series I/2010 Bonds for a nominal value of €310,334,259.76. Having carried out the buyback operation, on 7 February 2013 Banco de Sabadell, S.A. redeemed them, with 24,899 Series I/2009 Bonds and 9,773,065 Series I/2010 Bonds still issued, entailing a balances on the issuances of €24,899,000 and €48,865,325, respectively.

On 7 February 2013, 468,981 bonds in Series I/2013 were subscribed and paid for a total nominal of €468,981,000 (for holders of bond Series I/2009) and 79,166,903 bonds in Series II/2013 were subscribed and paid for a total nominal value of €310,334,259.76 (for the holders of bond Series I/2010 that took up the buyback offer).

On 21 July 2013 the 1/2009 Bond issue matured resulting in the mandatory conversion of all the bonds outstanding at that time (24,899 bonds). On 11 November 2013 the 1/2010 Bond issue matured resulting in the mandatory conversion of all the bonds outstanding at that time (9,773,065 bonds).

On 20 January 2014, at the end of the first voluntary conversion period for holders of mandatorily convertible subordinated bonds issue I/2013, at a meeting of the Board of Directors on 23 January 2014, the Board partially implemented, for a nominal amount of €61,265.375, the resolution to increase capital adopted by the Board on 20 December 2012 in order to meet the voluntary conversion of 1,892 bonds under said issue. The increase in capital was filed with the Barcelona Mercantile Registry on 13 February 2014, and resulted in the issue and allotment of a total of 490,123 new ordinary shares with a nominal value of €0.125 each; the new shares were admitted to trading on the Barcelona, Madrid and Valencia Stock Exchanges via the electronic trading system (*Mercado Continuo*) on 19 February 2014.

On 9 May 2014, at the end of the first voluntary conversion period for holders of mandatorily convertible subordinated bonds issue II/2013, at a meeting of the Executive Committee of Banco Sabadell on 15 May 2014, the Board partially implemented, for a nominal amount of €36,375.50, the resolution to increase capital adopted by the Board on 20 December 2012 in order to meet the voluntary conversion of 225,038 bonds under said issue. The increase in capital was filed with the Barcelona Mercantile Registry on 05 June 2014, and resulted in the issue and allotment of a total of 291,004 new ordinary shares with a nominal value of €0.125 each; the new shares were admitted to trading on the Barcelona, Madrid and Valencia Stock Exchanges via the electronic trading system (*Mercado Continuo*) on 10 June 2014.

On 18 July 2014, at the end of the first voluntary conversion period for holders of mandatorily convertible subordinated bonds issue I/2013, at a meeting of the Board of Directors on 24 July 2014, the Board partially implemented, for a nominal amount of €117,901.375, the resolution to increase capital adopted by the Board on 20 December 2012 in order to meet the voluntary conversion of 3,641 bonds under said issue. The increase in capital was filed with the Barcelona Mercantile Registry on 01 August 2014, and resulted in the issue and allotment of a total of 943,211 new ordinary shares with a nominal value of €0.125 each; the new shares were admitted to trading on the Barcelona, Madrid and Valencia Stock Exchanges via the electronic trading system (*Mercado Continuo*) on 08 August 2014.

On 10 November 2014, at the end of the first voluntary conversion period for holders of mandatorily convertible subordinated bonds issue II/2013, at a meeting of the Board of Directors on 13 November 2014, the Board partially implemented, for a nominal amount of €30,429.25, the resolution to increase capital adopted by the Board on 20 December 2012 in order to meet the voluntary conversion of 188,234 bonds under said issue. The increase in capital was filed with the Barcelona Mercantile Registry on 28 November 2014, and resulted in the issue and allotment of a total of 243,434 new ordinary shares with a nominal value of €0.125 each; the new shares were admitted to trading on the Barcelona, Madrid and Valencia Stock Exchanges via the electronic trading system (*Mercado Continuo*) on 04 December 2014.

The maturity dates, yields and carrying amounts associated with the mandatorily convertible subordinated bonds and payments based on equity instruments accounted for as capital instruments in effect at 31 December 2014 are as follows:

| Thousand euro | | | 2014 |
|---|---------------|--------------|-----------------|
| Issuance | Maturity date | Remuneration | Carrying amount |
| OSNC I/2013 | 21/07/2015 | EUR 3M + 5% | 461,855 |
| OSNC II/2013 | 11/11/2015 | 10.20% | 272,429 |
| subscribed by Group companies | | | (6,717) |
| Total mandatorily convertible subordinated bonds | | | 727,567 |
| Payments based on equity instruments (2014 Incentive, see Note 34.f) | | | 6,564 |
| Total other equity instruments | | | 734,131 |

The mandatorily convertible subordinated bonds are traded on the continuous fixed interest market. The bonds were intended primarily for retail investors resident in Spain although they are also available to qualified investors, whether resident or non-resident.

Interest paid on these mandatorily convertible bonds in 2014 totalled €62,022,000 (€59,694,000 in 2013).

Transactions in own equity instruments

The Bank's holdings of shares in the parent company showed the following evolution during the year:

| | No. of shares | Nominal value (in thousand euro) | Average price (in euro) | % interest |
|------------------------------------|-------------------|-------------------------------------|----------------------------|-------------|
| Balance at 31 December 2012 | 8,995,302 | 1,124.41 | 1.97 | 0.30 |
| Purchases | 306,273,512 | 38,284.19 | 1.59 | 7.63 |
| Sales | 284,660,916 | 35,582.61 | 1.60 | 7.10 |
| Balance at 31 December 2013 | 30,607,898 | 3,825.99 | 1.88 | 0.76 |
| Purchases | 204,387,083 | 25,548.38 | 2.26 | 5.08 |
| Sales | 194,164,641 | 24,270.58 | 2.31 | 4.82 |
| Balance at 31 December 2014 | 40,830,340 | 5,103.79 | 2.14 | 1.01 |

Net gains and losses arising on transactions in the Bank's own equity instruments have been included in Reserves under Equity on the consolidated balance sheet.

At 31 December 2014 a total of 110,385,204 shares of the Bank with a nominal value of €13,798,000 were pledged as security (120,775,632 shares with a nominal value of €15,097,000 at 31 December 2013).

The number of Banco de Sabadell, S.A. own equity instruments held by third parties but under management by Group companies at 31 December 2014 and 2013 was 10,695,490 and 12,377,441 securities at 31 December 2014 and 2013, with nominal values of €4,849,000 and €5,441,000, respectively. Of these amounts, 10,691,977 and 12,360,745 were Banco Sabadell shares; the rest were mandatorily convertible subordinated bonds.

Minimum capital requirement and capital management

On 1 January 2014 the new regulatory framework based on Directive 2013/36 /EU (generally known as CRD-IV) and Regulation (EU) 575/2013 (CRR) came into force, which regulates the minimum capital to be held by credit institutions, how this is to be determined and the various internal capital adequacy assessment processes to be undertaken, as well as information to be publicly disclosed on the markets.

Through Directive CRD-IV the European Union has implemented the capital adequacy rules under the Basel III accords of the Basel Committee on Banking Supervision (BCBS) under a phased introduction model (*phase-in*) until 1 January 2019. Directive CRD-IV has been partially implemented in Spain through (i) RD-Law 14/2013 on urgent measures for the adaptation to Spanish law of EU regulations on supervision and solvency in financial institutions, and (ii) Law 10/2014 on the management, supervision and solvency of credit institutions.

Regulation CRR implements the requirements of Directive CRD-IV but leaves the utilization of certain options up to the national authorities. In this respect, the Bank of Spain issued Circulars 2/2014 and 3/2014 which include the relevant rules applicable to the transitional capital requirement arrangements and to the treatment of deductions.

Under the requirements set out in Regulation CRR, credit institutions must comply with a total capital ratio of 8% at all times. However, it should be noted that the regulators may exercise their powers under the new regulatory framework and require institutions to maintain additional capital levels.

At 31 December 2014, the Group's eligible capital amounted to €9,541,892,000, representing a surplus of €3,588,467,000, as shown below:

Capital management

Thousand euro

| | 2014 | 2013 (*) | 2013 (**) | Year-on-year change (%) |
|---|-------------------|-------------------|-------------------|-------------------------|
| Capital | 503,058 | 501,435 | 501,435 | 0.32 |
| Reserves | 8,855,717 | 8,891,722 | 8,869,879 | (0.40) |
| Convertible bonds | - | - | 860,150 | - |
| Non-controlling interests | 28,919 | 40,845 | 37,191 | (29.20) |
| Deductions | (684,483) | (599,027) | (1,552,651) | 14.27 |
| Core capital resources | 8,703,211 | 8,834,975 | 8,716,004 | (1.49) |
| Core capital (%) | 11.7 | 11.0 | 12.0 | |
| Preference shares, convertible bonds and deductions | - | - | (2,529) | - |
| Tier one resources | 8,703,211 | 8,834,975 | 8,713,475 | (1.49) |
| Tier I (%) | 11.7 | 11.0 | 12.0 | |
| Tier two resources | 838,681 | 885,874 | 587,864 | (5.33) |
| Tier II (%) | 1.1 | 1.1 | 0.8 | |
| Capital base | 9,541,892 | 9,720,849 | 9,301,339 | (1.84) |
| Minimum capital requirement | 5,953,425 | 5,830,103 | 5,830,103 | 2.12 |
| Capital surplus | 3,588,467 | 3,890,746 | 3,471,236 | (7.77) |
| BIS Ratio (%) | 12.8 | 12.1 | 12.8 | 5.77 |
| Risk Weighted Assets (RWA) | 74,417,813 | 80,189,579 | 72,876,287 | (7.20) |

2013 figures do not include the restatement explained in Note 1: Comparability

(*) For comparative purposes, the 2013 information has been calculated based on Basel III requirements. (**) Capital ratios reported in December 2013 under Basel II.

Core capital accounted for 91.21% of qualifying capital resources.

Basel III Tier 1 consists of convertible bonds and the deduction of intangible assets by the same amount.

Secondary or Tier II capital provided a further 1.1% of the BIS ratio and was made up very largely of subordinated debt and generic provisions (subject to regulatory limits as to eligibility), less other required deductions.

Results of the overall evaluation

In October 2014 the European Central Bank (ECB) completed an overall assessment of the 128 largest banks in the euro area, together with national authorities and in close cooperation with the European Banking Authority (EBA) with regard to the stress tests. The published results reflect that the valuations of Banco Sabadell assets and collateral, as well as its provisions, are suitable and that the Bank has no additional capital needs in any of the scenarios.

Banco Sabadell was the only Spanish bank whose initial capital ratio was not adjusted following the Asset Quality Review (AQR). At European level, only 15 institutions did not require any ratio adjustment.

In the stress test Banco Sabadell's capital ratio (CET1) was 10.26% and in the most adverse scenario analysed this ratio was above the required minimum of 5.5%, standing at 8.33%. Based on these capital ratios surplus capital of over €1,700 million was calculated in the base scenario and more than €2,200 million in the most adverse scenario.

The above results do not take into account the effect of the mandatorily convertible bonds, which were not included in the stress test despite being converted in 2015, nor all the deductions envisaged under the new Basel III regulatory framework. Had these items been taken into consideration, the CET1 ratio in the adverse scenario would have been 9.38% (including convertibles) and 8.8% (including all deductions, known as the *fully loaded* ratio) respectively.

Section 5 of the accompanying Directors' Report provides more detailed information on these matters.

NOTE 29 – VALUATION ADJUSTMENTS

Valuation adjustments for the Group at 31 December 2014 and 2013 are analysed below:

| Thousand euro | | |
|---|----------------|----------------|
| | 2014 | 2013 |
| Available-for-sale financial assets | 844,641 | 229,080 |
| Debt securities | 825,883 | 153,491 |
| Other equity instruments | 18,758 | 75,589 |
| Cash flow hedging | 237,552 | (31,620) |
| Exchange differences | 2,005 | (14,542) |
| Entities accounted for by the equity method | 17,964 | 2,360 |
| Other valuation adjustments | (164,746) | (64,464) |
| Total | 937,416 | 120,814 |

Other valuation adjustments mainly records the adjustment made by the Group's insurance companies in order to correct the accounting asymmetries resulting from the different valuation of financial assets and the associated insurance commitments.

The income tax effects of valuation adjustments for the different items of recognized income and expense at 31 December 2014 and 2013 were:

| | 2014 | | | 2013 | | |
|---|------------------|------------------|----------------|----------------|------------------|----------------|
| | Gross amount | Tax effect | Net | Gross amount | Tax effect | Net |
| Available-for-sale financial assets | 880,790 | (264,237) | 616,553 | 655,970 | (196,791) | 459,179 |
| Debt securities | 961,886 | (288,566) | 673,320 | 597,066 | (179,120) | 417,946 |
| Other equity instruments | (81,096) | 24,329 | (56,767) | 58,904 | (17,671) | 41,233 |
| Cash flow hedging | 384,531 | (115,359) | 269,172 | 8,728 | (2,618) | 6,110 |
| Exchange differences | 24,405 | (7,321) | 17,084 | 5,499 | (1,650) | 3,849 |
| Entities accounted for by the equity method | 15,604 | - | 15,604 | 22,332 | - | 22,332 |
| Other recognized income and expenses | (143,260) | 42,977 | (100,283) | (82,006) | 24,602 | (57,404) |
| Total | 1,162,070 | (343,940) | 818,130 | 610,523 | (176,457) | 434,066 |

NOTE 30– NON-CONTROLLING INTERESTS

The companies included under this heading are as follows:

| Thousand euro | | | | | | |
|------------------------------------|---------------------------|---------------|--|----------|---------------|--|
| | 2014 | | | 2013 | | |
| | % | Amount | Of which: Profit/(loss) attributed | % | Amount | Of which: Profit/(loss) attributed |
| | Non-controlling interests | | trolling interests | | | |
| BancSabadell d'Andorra, S.A. | 49.03% | 33,998 | 5,168 | 49.03% | 29,065 | 3,974 |
| CAM AEGON Holding Financiero, S.L. | 0.00% | - | - | 0.00% | - | 10,488 |
| Hansa México S.A. de C.V. | 42.85% | 3,303 | (12) | 44.89% | 2,925 | 3,730 |
| Sabadell BS Select Fund of | | | | | | |
| Hedge Funds SICAV (Luxemburgo) | 47.89% | 17,474 | 154 | 40.84% | 13,316 | 1,056 |
| Sabadell United Bank, N.A. | 0.00% | - | - | 5.62% | 12,781 | 1,833 |
| Rest | 0.00% | 18 | (342) | 0.00% | 156 | (78) |
| Total | - | 54,793 | 4,968 | - | 58,243 | 21,003 |

Movements in non-controlling interests in 2014 and 2013 were as follows:

| Thousand euro | |
|-------------------------------------|----------------|
| Balances at 31 December 2012 | 459,175 |
| Valuation adjustments | (4,693) |
| Rest | (396,239) |
| Scope additions/exclusions (*) | (415,636) |
| Percentage holding and other | (1,606) |
| Profit/(loss) for the year | 21,003 |
| Balances at 31 December 2013 | 58,243 |
| Valuation adjustments | 1,528 |
| Rest | (4,978) |
| Percentage holding and other | (9,946) |
| Profit/(loss) for the year | 4,968 |
| Balances at 31 December 2014 | 54,793 |
| (*) see Note 2 | |

Dividends paid to the minority shareholders of the following Group companies in 2014 totalled €1,165,000 (BancSabadell d'Andorra, S.A.), €294,000 (Sabadell d'Andorra Inversions SGOIC, S.A.U) and €74,000 (Assegurances Segur Vida, S.A).

Hansa México S.A. de C.V. is assigned to the Real-Estate Asset Transformation business area and Hedge Funds SICAV (Luxembourg) is assigned to the Investment Management business area (Note 36). BancSabadell d'Andorra, S.A is assigned to a non-reported business segment, due to its materiality.

NOTE 31 – CONTINGENT EXPOSURES

The breakdown of this item is as follows:

| Thousand euro | | |
|------------------------|------------------|------------------|
| | 2014 | 2013 |
| Financial guarantees | 9,132,560 | 8,653,611 |
| Other contingent risks | - | 10,339 |
| Total | 9,132,560 | 8,663,950 |

Doubtful contingent exposures

The movement in the doubtful contingent exposures account was as follows:

| | |
|-------------------------------------|----------------|
| Thousand euro | |
| Balances at 31 December 2012 | 385,376 |
| Scope additions/exclusions (*) | 14,346 |
| Additions | 193,798 |
| Disposals | (132,296) |
| Balances at 31 December 2013 | 461,224 |
| Additions | 63,564 |
| Disposals | (329,715) |
| Balances at 31 December 2014 | 195,073 |
| (*) see Note 2 | |

The distribution of contingent exposures by geographical region at 31 December 2014 and 2013 was as follows:

| | | |
|------------------------|----------------|----------------|
| Thousand euro | | |
| | 2014 | 2013 |
| Spain | 194,652 | 459,871 |
| Rest of European Union | 396 | 1,015 |
| Latin America | 20 | 7 |
| Rest of OECD | 5 | 331 |
| Rest of the world | - | - |
| Total | 195,073 | 461,224 |

Allowances for credit risk arising from doubtful contingent exposures were as follows:

| | | |
|--|----------------|----------------|
| Thousand euro | | |
| | 2014 | 2013 |
| Coverage determined individually: | 22,179 | 28,950 |
| Hedging of insolvency risk | 22,179 | 28,950 |
| Coverage determined collectively: | 44,003 | 229,203 |
| Hedging of insolvency risk | 43,304 | 228,786 |
| Allowances for country risk | 699 | 417 |
| IBNR coverage (*) | 65,679 | 46,196 |
| Total | 131,861 | 304,349 |

(*) Collective value adjustments for losses incurred but not reported (see Note 1d).

Changes in these allowances, which are reported in provisions on the liability side of the balance sheet, are shown in Note 25.

NOTE 32 – CONTINGENT COMMITMENTS

The composition of this item at 31 December 2014 and 2013 was as follows:

| Thousand euro | 2014 | 2013 |
|---|-------------------|-------------------|
| Drawable by third parties | 10,903,374 | 9,803,103 |
| Credit institutions | 631 | 2,800 |
| Public institutions | 635,693 | 395,332 |
| Other resident sectors | 9,388,563 | 8,552,048 |
| Non-residents | 878,487 | 852,923 |
| Financial asset forward purchase commitments | 2,950,723 | 21,632 |
| Conventional financial asset purchase contracts | 77,001 | 186,824 |
| Other contingent commitments | 838,540 | 2,014,441 |
| Total | 14,769,638 | 12,026,000 |

At 31 December 2014 the "drawable by third parties" item included mortgage-secured credit commitments amounting to €1,528,595,000 (€1,438,876,000 at 31 December 2013). Other commitments under this heading were secured in most cases by other types of guarantee in line with the Group's risk management policy.

The balance in Financial asset forward purchase commitments includes forward purchases of debt securities classified as available for sale. The time remaining to maturity in these operations at both 31 December 2014 and 31 December 2013 was less than 12 months.

NOTE 33 – OFF-BALANCE SHEET CUSTOMER FUNDS

Off-balance sheet customer funds under the Group's management and funds sold but not managed by the Group were of the following types:

| Thousand euro | 2014 | 2013 |
|---|-------------------|-------------------|
| Under group management: | 14,924,971 | 10,106,218 |
| Investment funds and companies | 12,006,900 | 8,178,584 |
| Asset management | 2,918,071 | 1,927,634 |
| Investment funds sold but not managed | 3,698,712 | 2,839,986 |
| Pension funds (*) | 4,334,615 | 4,356,291 |
| Insurance (*) | 7,420,511 | 8,067,355 |
| Financial instruments deposited by third parties | 49,276,451 | 43,582,747 |
| Total | 79,655,260 | 68,952,597 |

(1) The balance in pension funds and insurance relates to those marketed by the group.

Net fees and commissions on these products are reported in the income statement under fee and commission income and amounted to €217,641,000 in 2014 (€137,305,000 in 2013).

NOTE 34 – INCOME STATEMENT

Some salient aspects of the Group's consolidated income statement for the years 2014 and 2013 are presented in the following tables.

a) Interest and similar income/expenses

The quarterly net interest income since 2013 and the average income and costs from the various components that make up the total investment and resources break down as follows:

| 2014 | | | | | | | | | | | | | |
|---|--------------------|---------------|--------------------|--------------------|---------------|--------------------|--------------------|---------------|--------------------|--------------------|---------------|--------------------|--------------------|
| | 1st quarter | | | 2nd quarter | | | 3rd quarter | | | 4th quarter | | | TOTAL |
| | Average balance | Rate % | Profit/(loss) | Average balance | Rate % | Profit/(loss) | Average balance | Rate % | Profit/(loss) | Average balance | Rate % | Profit/(loss) | |
| Average yield of the investment | 167,190,254 | 2.81 | 1,156,686 | 161,119,552 | 2.84 | 1,140,834 | 162,499,242 | 2.75 | 1,125,732 | 162,740,694 | 2.66 | 1,090,245 | 4,513,497 |
| Cash, central banks and credit institutions | 4,277,014 | 1.10 | 11,605 | 3,998,214 | 1.06 | 10,539 | 4,278,672 | 0.91 | 9,791 | 4,480,122 | 0.72 | 8,164 | 40,099 |
| Loans and advances to customer | 108,442,873 | 3.50 | 936,272 | 106,316,927 | 3.47 | 920,825 | 105,962,409 | 3.39 | 904,230 | 105,085,900 | 3.32 | 879,643 | 3,640,970 |
| Fixed-income portfolio (*) | 24,136,993 | 3.41 | 202,734 | 21,208,649 | 3.84 | 203,235 | 22,276,597 | 3.65 | 204,884 | 23,207,907 | 3.35 | 195,999 | 806,852 |
| Variable income portfolio | 834,668 | - | - | 1,395,773 | - | - | 1,401,733 | - | - | 1,659,535 | - | - | - |
| Tangible and intangible fixed ass | 3,904,974 | - | - | 3,922,139 | - | - | 3,802,468 | - | - | 3,422,926 | - | - | - |
| Other assets | 25,593,732 | 0.10 | 6,075 | 24,277,850 | 0.10 | 6,235 | 24,777,363 | 0.11 | 6,827 | 24,884,304 | 0.10 | 6,439 | 25,576 |
| Average cost of resources | 167,190,254 | (1.52) | (626,644) | 161,119,552 | (1.48) | (594,889) | 162,499,242 | (1.35) | (551,672) | 162,740,694 | (1.17) | (480,586) | (2,253,791) |
| Credit institutions | 16,165,139 | (1.40) | (55,769) | 13,552,136 | (1.52) | (51,463) | 10,565,998 | (1.71) | (45,646) | 12,720,001 | (1.29) | (41,429) | (194,307) |
| Customer deposits | 92,164,157 | (1.44) | (327,850) | 92,504,475 | (1.25) | (289,269) | 94,121,172 | (1.10) | (261,851) | 93,502,083 | (0.97) | (228,219) | (1,107,189) |
| Capital market | 27,506,366 | (3.54) | (239,842) | 27,238,731 | (3.51) | (238,425) | 26,563,127 | (3.41) | (228,133) | 26,314,842 | (3.05) | (202,105) | (908,505) |
| Assignments fixed income portfo | 9,319,950 | (0.68) | (15,732) | 6,666,753 | (0.71) | (11,863) | 9,824,642 | (0.47) | (11,525) | 8,573,936 | (0.47) | (10,059) | (49,179) |
| Other liabilities | 11,838,144 | 0.43 | 12,549 | 10,296,456 | (0.15) | (3,869) | 10,384,566 | (0.17) | (4,517) | 10,639,953 | 0.05 | 1,226 | 5,389 |
| Own funds | 10,196,498 | - | - | 10,861,001 | - | - | 11,039,737 | - | - | 10,989,879 | - | - | - |
| Net interest income | | | 530,042 | | | 545,945 | | | 574,060 | | | 609,659 | 2,259,706 |
| Total ATAs | | | 167,190,254 | | | 161,119,552 | | | 162,499,242 | | | 162,740,694 | |
| Ratio (margin/ATA) | | | 1.29 | | | 1.36 | | | 1.40 | | | 1.49 | |

(*) Includes €80,417,000 from fixed income portfolio at amortized cost for 2014.

| 2013 | | | | | | | | | | | | | |
|---|--------------------|---------------|--------------------|--------------------|---------------|--------------------|--------------------|---------------|--------------------|--------------------|---------------|--------------------|--------------------|
| | 1st quarter | | | 2nd quarter | | | 3rd quarter | | | 4th quarter | | | TOTAL |
| | Average balance | Rate % | Profit/(loss) | Average balance | Rate % | Profit/(loss) | Average balance | Rate % | Profit/(loss) | Average balance | Rate % | Profit/(loss) | |
| Average yield of the investment | 161,022,907 | 3.16 | 1,251,399 | 165,546,434 | 2.93 | 1,210,815 | 170,410,546 | 2.85 | 1,225,822 | 169,174,201 | 2.76 | 1,175,134 | 4,863,170 |
| Cash, central banks and credit institutions | 4,494,342 | 0.92 | 10,217 | 4,306,328 | 0.96 | 10,291 | 4,799,574 | 0.80 | 9,646 | 4,516,088 | 0.93 | 10,642 | 40,794 |
| Loans and advances to customer | 101,522,722 | 3.94 | 985,570 | 103,503,916 | 3.66 | 943,348 | 109,433,309 | 3.49 | 963,485 | 109,404,970 | 3.51 | 967,340 | 3,859,745 |
| Fixed-income portfolio (*) | 28,212,967 | 3.46 | 240,923 | 30,794,911 | 3.20 | 245,663 | 29,035,957 | 3.27 | 239,337 | 26,488,998 | 3.18 | 212,386 | 938,309 |
| Variable income portfolio | 2,119,497 | - | - | 1,929,436 | - | - | 2,024,289 | - | - | 1,777,382 | - | - | - |
| Tangible and intangible fixed ass | 3,119,175 | - | - | 3,091,693 | - | - | 3,359,906 | - | - | 3,411,207 | - | - | - |
| Other assets | 21,554,204 | 0.28 | 14,689 | 21,920,150 | 0.21 | 11,513 | 21,757,511 | 0.24 | 13,354 | 23,575,556 | (0.26) | (15,234) | 24,322 |
| Average cost of resources | 161,022,907 | (2.02) | (800,169) | 165,546,434 | (1.93) | (796,217) | 170,410,546 | (1.80) | (774,636) | 169,174,201 | (1.59) | (677,454) | (3,048,476) |
| Credit institutions | 28,981,056 | (1.22) | (87,097) | 27,032,018 | (1.24) | (83,467) | 25,581,009 | (1.11) | (71,390) | 21,842,842 | (1.02) | (56,112) | (298,066) |
| Customer deposits | 76,214,463 | (2.19) | (410,852) | 81,769,358 | (2.07) | (422,708) | 88,912,922 | (1.87) | (418,031) | 90,115,075 | (1.65) | (375,759) | (1,627,350) |
| Capital market | 31,882,481 | (3.50) | (275,484) | 29,210,692 | (3.59) | (261,331) | 28,940,355 | (3.45) | (251,805) | 28,627,894 | (3.46) | (249,790) | (1,038,410) |
| Assignments fixed income portfo | 3,885,129 | (1.62) | (15,546) | 7,721,463 | (0.96) | (18,518) | 8,037,440 | (1.07) | (21,698) | 7,236,368 | (0.82) | (14,895) | (70,657) |
| Other liabilities | 11,028,863 | (0.41) | (11,190) | 10,787,873 | (0.38) | (10,193) | 10,164,431 | (0.46) | (11,712) | 11,444,469 | 0.66 | 19,102 | (13,993) |
| Own funds | 9,030,915 | - | - | 9,025,030 | - | - | 8,774,389 | - | - | 9,907,553 | - | - | - |
| Net interest income | | | 451,230 | | | 414,598 | | | 451,186 | | | 497,680 | 1,814,694 |
| Total ATAs | | | 161,022,907 | | | 165,546,434 | | | 170,410,546 | | | 169,174,201 | |
| Ratio (margin/ATA) | | | 1.14 | | | 1.00 | | | 1.05 | | | 1.17 | |

(*) Includes €597,741,000 from fixed income portfolio at amortized cost for 2013.

2014 was characterized by an increase in net interest income per average total assets and in income from customers which had already been observed in the second half of 2013, mainly as a result of the decrease in financing costs.

In cumulative average terms, net interest income as a proportion of average total assets stood at 1.38%, an improvement of 29 basis points compared with the previous year (1.09% in 2013). The increase in the average yield on average total assets is due to various factors, including the increase in income from customers (due mainly to the lower cost of financing for customer deposits), the reduction in capital market costs, the reduction in the level of problem assets and the improvement in yields on acquisitions.

On a quarterly basis, net interest income has increased as from the second quarter of 2013 and this improvement has continued in successive quarters.. The ratio of net interest income to average total assets, therefore, was 1.49% during the first quarter of 2014 (1.17% in the fourth quarter of 2013).

The following table shows, for investment and deposit positions relating to network operations (not including subsidiary operations), the contractual spread on transactions arranged by quarter in 2013 and 2014 (new business) and the resulting final portfolio at the end of each year (stock):

| Basis point spread | Additions | | | | Stock | | | |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2014 | | | | 2014 | | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Credit | 353 | 379 | 347 | 284 | 386 | 362 | 353 | 320 |
| Loans | 349 | 287 | 253 | 266 | 277 | 270 | 264 | 255 |
| Home mortgage loans | 241 | 225 | 217 | 211 | 91 | 92 | 93 | 96 |
| Leasing | 343 | 312 | 352 | 324 | 168 | 178 | 184 | 191 |
| Contract-hire | 738 | 726 | 711 | 563 | 552 | 581 | 599 | 588 |
| Discounting | 438 | 410 | 412 | 383 | 464 | 437 | 442 | 405 |
| Confirming | 378 | 360 | 355 | 341 | 374 | 366 | 358 | 335 |
| Forfaiting | 531 | 545 | 499 | 514 | 590 | 585 | 584 | 566 |
| Loans and receivables | 377 | 349 | 335 | 314 | 186 | 187 | 186 | 184 |
| 1-month time deposit | 80 | 57 | 50 | 37 | 80 | 59 | 44 | 34 |
| 3-month time deposit | 79 | 57 | 43 | 42 | 80 | 57 | 42 | 42 |
| 6-month time deposit | 75 | 69 | 64 | 48 | 105 | 71 | 67 | 54 |
| 12-month time deposit | 70 | 64 | 58 | 45 | 121 | 91 | 72 | 59 |
| +12-month time deposit | 99 | 73 | 61 | 41 | 172 | 145 | 134 | 126 |
| Time deposits | 90 | 67 | 57 | 43 | 158 | 128 | 114 | 103 |

| Basis point spread | Additions | | | | Stock | | | |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2013 | | | | 2013 | | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Credit | 428 | 411 | 412 | 408 | 396 | 401 | 410 | 399 |
| Loans | 389 | 388 | 371 | 386 | 235 | 246 | 253 | 260 |
| Home mortgage loans | 249 | 239 | 254 | 244 | 86 | 87 | 89 | 92 |
| Leasing | 379 | 412 | 388 | 352 | 144 | 153 | 158 | 163 |
| Contract-hire | 745 | 651 | 764 | 703 | 447 | 483 | 507 | 520 |
| Discounting | 469 | 448 | 446 | 436 | 491 | 470 | 480 | 458 |
| Confirming | 394 | 405 | 379 | 381 | 398 | 396 | 386 | 379 |
| Forfaiting | 574 | 584 | 498 | 543 | 567 | 587 | 568 | 569 |
| Loans and receivables | 411 | 405 | 396 | 389 | 182 | 188 | 188 | 185 |
| 1-month time deposit | 121 | 118 | 108 | 99 | 113 | 105 | 101 | 83 |
| 3-month time deposit | 137 | 123 | 108 | 103 | 138 | 124 | 110 | 103 |
| 6-month time deposit | 119 | 114 | 115 | 119 | 231 | 126 | 119 | 121 |
| 12-month time deposit | 147 | 130 | 99 | 82 | 266 | 275 | 262 | 133 |
| +12-month time deposit | 222 | 198 | 155 | 129 | 268 | 249 | 226 | 195 |
| Time deposits | 183 | 166 | 132 | 115 | 258 | 247 | 225 | 178 |

With respect to the existing home mortgages portfolio at 31 December 2014, the breakdown by period in which the interest rate applied in each transaction will be revised is as follows:

| Thousand euro | | | | | |
|-----------------------------|-----------|------------|-----------|-----------|------------|
| Mortgage repricing schedule | Q1 15 | Q2 15 | Q3 15 | Q4 15 | Total |
| Home mortgages | 9,915,436 | 10,014,093 | 7,450,594 | 9,272,778 | 36,652,901 |

New deposits to 31 December 2014 and 2013 and a breakdown by maturity are as follows:

€ million

| Deposits by maturity | Additions | | | |
|-----------------------|---------------|---------------|---------------|---------------|
| | 2014 | | | |
| | Q1 | Q2 | Q3 | Q4 |
| To 3M | 4,187 | 4,374 | 3,651 | 3,046 |
| 3 to 6M | 1,032 | 2,255 | 1,754 | 2,005 |
| 6 to 12M | 968 | 3,006 | 3,227 | 3,804 |
| 12 to 18M | 2,845 | 1,820 | 1,406 | 829 |
| More than 18M | 5,582 | 4,345 | 3,114 | 2,494 |
| Total deposits | 14,615 | 15,800 | 13,152 | 12,178 |

%

| | | | | |
|-----------------------|------------|------------|------------|------------|
| To 3M | 28.7 | 27.7 | 27.8 | 25.0 |
| 3 to 6M | 7.1 | 14.3 | 13.3 | 16.5 |
| 6 to 12M | 6.6 | 19.0 | 24.5 | 31.2 |
| 12 to 18M | 19.5 | 11.5 | 10.7 | 6.8 |
| More than 18M | 38.2 | 27.5 | 23.7 | 20.5 |
| Total deposits | 100 | 100 | 100 | 100 |

€ million

| Deposits by maturity | Additions | | | |
|-----------------------|---------------|---------------|---------------|---------------|
| | 2013 | | | |
| | Q1 | Q2 | Q3 | Q4 |
| To 3M | 1,977 | 2,014 | 2,165 | 2,793 |
| 3 to 6M | 1,436 | 1,346 | 1,501 | 1,806 |
| 6 to 12M | 1,106 | 1,213 | 1,220 | 1,422 |
| 12 to 18M | 1,748 | 1,374 | 1,799 | 2,432 |
| More than 18M | 8,280 | 8,362 | 7,508 | 9,757 |
| Total deposits | 14,546 | 14,308 | 14,194 | 18,210 |

%

| | | | | |
|-----------------------|------------|------------|------------|------------|
| To 3M | 13.6 | 14.1 | 15.3 | 15.3 |
| 3 to 6M | 9.9 | 9.4 | 10.6 | 9.9 |
| 6 to 12M | 7.6 | 8.5 | 8.6 | 7.8 |
| 12 to 18M | 12.0 | 9.6 | 12.7 | 13.4 |
| More than 18M | 56.9 | 58.4 | 52.9 | 53.6 |
| Total deposits | 100 | 100 | 100 | 100 |

b) Fee and commission income/expenses

Fees received and paid on financial operations and the provisions of services are as follows:

| Thousand euro | 2014 | 2013 |
|---|----------------|----------------|
| Fees derived from risk operations | 219,250 | 212,232 |
| Asset operations | 115,982 | 113,177 |
| Guarantees | 105,124 | 103,757 |
| Assigned to other entities | (1,856) | (4,702) |
| Service fees | 451,443 | 424,018 |
| Cards | 146,273 | 132,080 |
| Payment orders | 45,992 | 45,167 |
| Securities | 79,795 | 52,786 |
| Current accounts | 85,875 | 72,488 |
| Rest | 93,508 | 121,497 |
| Investment fund, pension and insurance management fees | 190,198 | 123,420 |
| Investment funds | 123,163 | 77,948 |
| Marketing of pension funds and insurance | 67,035 | 45,472 |
| Total | 860,891 | 759,670 |
| Memorandum item | | |
| Fees received | 970,588 | 873,061 |
| Fees paid | (109,697) | (113,391) |
| Net fees | 860,891 | 759,670 |

c) Net gains/(losses) on financial assets and liabilities

The composition of this item of the consolidated income statement for the years to 31 December 2014 and 2013 is as follows:

| Thousand euro | 2014 | 2013 |
|---|------------------|------------------|
| By heading: | | |
| Held for trading | 42,968 | 53,565 |
| Financial instruments not measured at fair value through profit or loss | 1,721,229 | 1,426,808 |
| Other | (593) | (1,188) |
| Total | 1,763,604 | 1,479,185 |
| By type of financial instrument: | | |
| Net gain/(loss) on debt securities | 1,749,823 | 1,356,043 |
| Net gain/(loss) other equity instruments (Note 6) | 25,657 | 61,528 |
| Net gain/(loss) on financial derivatives | 3,435 | 77,117 |
| Net gain/(loss) other items | (15,311) | (15,503) |
| Total | 1,763,604 | 1,479,185 |

During the year the Group sold certain debt securities from its portfolio of available-for-sale financial assets, generating profits of €1,860,724,000 at 31 December 2014 (€927,764,000 at 31 December 2013). This included profits of €1,842,384,000 on disposals of public sector debt securities.

In 2013 the Group sold certain debt securities from its portfolio of available-for-sale financial assets, generating profits of €927,764,000 at 31 December 2013 (€270,335,000 at 31 December 2012). This included profits of €684,269,000 on disposals of public sector debt securities.

d) Other operating income

The composition of this item of the consolidated income statement for the years to 31 December 2014 and 2013 is as follows:

| Thousand euro | 2014 | 2013 |
|--|----------------|----------------|
| Income from insurance and reinsurance contracts issued | 256,332 | 391,589 |
| Sales and income from non-financial services | 30,910 | 34,710 |
| Rest of other operating income | 150,469 | 121,705 |
| Revenues from rentals of property investments | 80,347 | 42,485 |
| Other | 70,122 | 79,220 |
| Total | 437,711 | 548,004 |

Income from insurance and reinsurance contracts written include the amount of accrued premiums relating to the insurance companies Mediterráneo Vida, S.A.U. de Seguros y Reaseguros (in which the Group holds an indirect interest through CAM Mediterráneo Sabadell, S.L.) and Assegurances Segur Vida, S.A. (in which the Group holds an indirect interest through BancSabadell d'Andorra, S.A.) and Banco Gallego Vida y Pensiones, S.A. de Seguros y Reaseguros (owned by Banco Sabadell). The accrued expenses are set out in Note 34.e).

Sales and income from non-financial services consisted, for the most part, of income generated by Group companies operating in the hospitality and renewable energy industries.

The figure for Other income consisted basically of income received by Group companies engaging in non-financial activities.

e) Other operating expenses

The composition of this item of the consolidated income statement for the years to 31 December 2014 and 2013 is as follows:

| Thousand euro | 2014 | 2013 (*) |
|--|------------------|------------------|
| Expenses on insurance and reinsurance contracts issued | (306,699) | (417,787) |
| Difference between opening and closing inventories | (4,186) | (1,279) |
| Rest of other operating expenses | (318,786) | (437,596) |
| Contribution to deposit guarantee funds | (158,354) | (280,983) |
| Other items | (160,432) | (156,613) |
| Total | (629,671) | (856,662) |

(*) See Note 1: Comparability

Expenses under insurance and reinsurance contracts written include the amount of accrued premiums relating to the insurance companies Mediterráneo Vida, S.A.U. de Seguros y Reaseguros (in which the Group holds an indirect interest through CAM Mediterráneo Sabadell, S.L.) and Assegurances Segur Vida, S.A. (in which the Group holds an indirect interest through BancSabadell d'Andorra, S.A.) and Banco Gallego Vida y Pensiones, S.A. de Seguros y Reaseguros (owned by Banco Sabadell). The accrued income is set out in Note 34.d).

The net balance of income and expenses from insurance and reinsurance issued is negative because it does not include net financial income associated with the insurance business which is recorded under Interest and similar income in the income statement for the year, in the amount of €93,948,000 (€93,489,000 in 2013). Note 24 on liabilities under insurance contracts sets out the profits generated by the insurance business, broken down by product type.

The expense figuring under the heading Contribution to deposit guarantee funds in 2014 relates to the expenses recorded by Sabadell United Bank, N.A of €2,607,000 and Banco de Sabadell, S.A. of €155,747,000 for the contributions relating to that year, while the expense recorded under the same heading in 2013 included the extraordinary contribution required under Royal Decree Law 6/2013 of €124,185,000, as explained in Note 1 on comparability.

The Other expenses heading basically relates to expenses for non-financial activities.

f) Administration costs

This heading on the consolidated income statement includes expenses incurred by the Bank in respect of personnel and other general administrative expenses.

Personnel expenses

The personnel expenses charged to the consolidated income statement for the years ended 31 December 2014 and 2013 are as follows:

| Thousand euro | 2014 | 2013 |
|---|--------------------|--------------------|
| Salaries and bonuses, serving employees | (864,788) | (814,893) |
| Social Security contributions | (203,686) | (179,597) |
| Appropriations to pension schemes | (31,750) | (28,399) |
| Other personnel expenses | (102,380) | (112,286) |
| Total | (1,202,604) | (1,135,175) |

(*) Of which €26,504,000 relates to defined contributions (€24,247,000 in 2013)

The average number of employees of all Group companies in 2014 was 17,760, of whom 8,874 were men and 8,886 were women (2013: 16,427 employees, of whom 8,134 were men and 8,293 were women).

At 31 December 2014 and 2013 the distribution of employees by gender and category is as follows:

| Number of employees | 2014 | | | 2013 | | |
|--------------------------|--------------|--------------|---------------|--------------|--------------|---------------|
| | Men | Women | Total | Men | Women | Total |
| Management personnel | 387 | 78 | 465 | 334 | 59 | 393 |
| Technical personnel | 7,390 | 7,009 | 14,399 | 7,401 | 6,564 | 13,965 |
| Administrative personnel | 971 | 1,694 | 2,665 | 1,345 | 2,374 | 3,719 |
| Total | 8,748 | 8,781 | 17,529 | 9,080 | 8,997 | 18,077 |

Of the total number of people employed at 31 December 2014, 156 were recognized as having some form of disability (170 at 31 December 2013).

The increase in the year-on-year average workforce results from the incorporation in 2013 of employees due to the acquisition of assets from BMN-Penedès (June 2013), Lloyds (July 2013) and Banco Gallego (November 2013).

The restructuring processes derived from these acquisitions are the reason for the decrease in the workforce between 31 December 2013 and 31 December 2014.

Non-recurring personnel expenses at 31 December 2014 amount to €33,309,000 (€44,555,000 at 31 December 2013).

- On 11 June 2013 the share-based incentive scheme for Group directors approved at the Annual General Meeting of Banco de Sabadell, S.A. shareholders on 25 March 2010 terminated. The scheme consisted of granting a certain number of stock appreciation rights (SAR) which granted holders the possibility of receiving, at the end of the scheme and in Bank shares, the rise in value of BS shares over that period. At the expiry of the plan the listed share price was below the exercise price (€3.36 per shares) and therefore no settlement was made for the difference.

- At the General Meeting held on 26 March 2013, the shareholders approved the payment system for the variable remuneration accruing during 2012 to the Executive Directors and a group of 24 additional directors, whose remuneration is supervised by the Bank's Appointments and Remuneration Committee, through the delivery of stock options in Banco de Sabadell, S.A. ("SREO 2012"). The Executive Directors may choose to receive up to 100% of their variable remuneration in options, and the remainder up to 50%.

Each option grants the holder the right to receive, in cash, after a maximum of three years, the difference between the Final Value of the Banco Sabadell shares at that date and the Exercise price of the option. The exercise date is 29 March 2016.

The SARs have an exercise price of €1.712, with the settlement amount being the positive difference, if any, between the quoted share price at the end of the scheme and the exercise price. The options sold have been recognized in Trading derivatives.

The hedging arrangement for SREO 2012 was determined through the conclusion of the relevant counterparty agreement, based on general market rules. The premium paid when arranging the hedge was €3.2 million and did not entail any cost increase for the Bank with respect to the option to receive the variable remuneration in effect up to the date of implementation of SREO 2012. This premium was recorded as a trading derivative.

At the General Meeting held on 27 March 2014, the shareholders approved the payment system for the approved amounts of variable remuneration accruing during 2013 to the Bank's Executive Directors through the delivery the equivalent value in stock options in Banco de Sabadell, S.A. ("the System").

Each option grants the holder the right to receive, in cash, after a maximum of three years, the difference between the Final Value of the Banco Sabadell shares at the end of said period and the Exercise Price of the option under the System. The exercise date is 29 March 2017.

The SARs have an exercise price of €2,183, with the settlement amount being the positive difference, if any, between the quoted share price at the end of the scheme and the exercise price. The options sold were recognized in Trading derivatives.

The hedging arrangement for the System was determined through the conclusion of the relevant counterparty agreement, based on general market rules. The premium paid when arranging the hedge was €2.4 million and did not entail any cost increase for the Bank with respect to the option to receive the variable remuneration in effect up to the date of implementation of SREO 2012. This premium was recorded as a trading derivative.

- At the General Meeting held on 27 March 2014, the shareholders approved a long-term complementary incentive based on the increase in value of Banco de Sabadell, S.A. shares for executive directors, five members of senior management and 419 Group managers ("the Incentive").

The Incentive consists of the allotment of a certain number of rights to the beneficiaries which include a right to receive the value increment of the same number of Banco de Sabadell, S.A. shares over a three-year period, taking as a reference the share price, to be paid in the form of Bank shares. The termination date is 31 March 2017. The exercise price is €1,896 and the maximum number of rights to shares covered by the Incentive will be 39,242,000.

A necessary condition for executing the rights will be that the beneficiary exceeds the minimum compliance level for the personal target called "Professional Efficiency Appraisal" set by the Bank's Appointments and Remuneration Committee.

Rights

| | |
|------------------------------------|-------------------|
| Balance at 28 March 2014 | - |
| Granted | 37,837,000 |
| Cancelled | (308,000) |
| Balance at 31 December 2014 | 37,529,000 |

Personnel expenses totalling €6.5 million and €3.5 million associated with the share-based incentive schemes were recognized in 2014 and 2013, respectively (Note 1.o.). The change from 2013 to 2014 results from the expiration of the 2010 scheme in June 2013 and the inclusion of the new 2014 Incentive scheme (the balancing entry figures under Other equity instruments in Equity - see Note 28).

Other general administrative expenses

This includes all other administrative expenses incurred during the year:

| Thousand euro | 2014 | 2013 |
|-------------------------------|------------------|------------------|
| Property, plant and equipment | (152,826) | (163,423) |
| IT equipment | (92,263) | (84,980) |
| Communications | (35,190) | (27,892) |
| Advertising and publicity | (38,765) | (54,269) |
| Contributions and taxes | (99,383) | (98,619) |
| Other expenses | (152,287) | (158,703) |
| Total | (570,714) | (587,886) |

The fees received by PricewaterhouseCoopers Auditores, S.L. in 2014 for auditing services and other audit-related services rendered in Spain amount to €1,438,000 and €944,000, respectively (€1,532,000 and €489,000 in 2013). Auditing services rendered by other companies in the PwC network in relation to foreign branches and subsidiaries totalled €1,101,000 in 2014 (€969,000 in 2013).

Fees received by other auditors in 2014 for auditing and other audit-related services rendered in Spain amounted to €130,000 and €0, respectively (2013: €367,000 and €74,000). Fees for the audit of branches and subsidiaries abroad amounted to €22,000 in 2014 (2013: €29,000).

Fees received by other companies in the PwC network for tax advisory services and other services provided in 2014 amount to €170,000 and €981,000. Fees for these services in 2013 totalled €471,000 and €1,272,000, respectively.

Among the most significant items under Other expenses were the costs of security and cash transit services amounting to €17,510,000 in 2014 (€16,453,000 in 2013), technical reports costing a total of €14,173,000 in 2014 (€12,299,000 in 2013) and subcontracted services totalling €50,335,000 in 2014 (€37,248,000 in 2013).

Non-recurring general expenses at 31 December 2014 amount to €6,865,000 (€6,800,000 at 31 December 2013).

The efficiency ratio (personnel and general expenses/gross income) at end-2014 stood at 53.14%, a notable improvement over the efficiency ratio at the end of 2013 (restated: see Note 1, Comparability) which stood at 64.19%. When calculating these ratios the results of financial operations and non-recurring net exchange differences were excluded from both years, in accordance with policy revised in 2014 and also applied in 2013.

g) Impairment losses on financial assets (net)

The composition of this item of the consolidated income statement for the years to 31 December 2014 and 2013 is as follows:

| Thousand euro | 2014 | 2013 |
|---|--------------------|--------------------|
| Loans and receivables (*) | (1,763,848) | (1,038,836) |
| Other financial instruments not measured at fair value through profit or loss | (15,710) | (41,397) |
| Available-for-sale financial assets | (15,710) | (41,397) |
| Debt securities (*) | 5,556 | 2,685 |
| Other equity instruments (Note 6) | (21,266) | (44,082) |
| Total | (1,779,558) | (1,080,233) |

(*) The sum of these figures equals the sum of the allowances/reversals charged or credited to the income statement in respect of value adjustments made to cover credit risk and the write-offs/recoveries charged or credited to the income statement in relation to impaired financial assets written off (Note 8).

h) Impairment losses on other assets (net)

Impairment losses for remaining assets (net) for the years to 31 December 2014 and 2013 break down as follows:

| Thousand euro | 2014 | 2013 |
|--------------------------------|------------------|------------------|
| Goodwill and other intangibles | - | (848) |
| Tangible assets (Note 15) | (88,161) | (137,101) |
| For own use | 11,418 | (3,519) |
| Investment property | (99,579) | (133,582) |
| Investments (Note 14) | (36,821) | (23,834) |
| Inventories (Note 17) | (326,580) | (200,005) |
| Total | (451,562) | (361,788) |

Of the total investment property impairment provision for 2014, €88,925,000 was calculated based on Level 2 valuations and €10,654,000 based on Level 3 valuations (Note 26). The fair value of impaired assets amounts to €142,466,000.

Total impairments in Shareholdings for 2014 have been calculated based on Level 3 valuations (Note 1.d). The fair value of impaired assets amounts to €213,717,000.

Of the total inventory impairment provision for 2014, €95,745,000 was calculated based on Level 2 valuations and €230,835,000 based on Level 3 valuations (Note 26). The fair value of impaired assets amounts to €536,905,000.

i) Gains/(losses) from disposals of assets not classified as non-current assets held for sale

The composition of this item on the consolidated income statement for the years ended 31 December 2014 and 2013 is as follows:

| Thousand euro | 2014 | 2013 |
|--------------------------------|-----------------|-----------------|
| Gains | 267,909 | 58,012 |
| On sales of tangible assets | 8,410 | 2,771 |
| On sales of equity investments | 21,387 | 55,227 |
| Other | 238,112 | 14 |
| Losses | (30,961) | (14,119) |
| On sales of tangible assets | (9,646) | (11,200) |
| On investment properties | - | - |
| On sales of equity investments | (9,976) | (2,892) |
| Other | (11,339) | (27) |
| Total | 236,948 | 43,893 |

Gains/(losses) for 2014 include principally the arrangement by Mediterráneo Vida, Sociedad Anónima de Seguros y Reaseguros of a reinsurance contract on its individual life insurance (risk) portfolio and the sale by Banco Sabadell of its debt collection management business (in 2013, noteworthy items were the sales of Financiero BHD and Valfensal). (See Note 2)

j) Gains/(losses) from non-current assets held for sale not classified as discontinued operations

This heading breaks down as follows at 31 December 2014 and 2013:

| Thousand euro | 2014 | 2013 |
|--|------------------|------------------|
| Net gains on property sales | (174,373) | (10,751) |
| Impairment of non-current assets held for sale (Note 13) | (264,260) | (258,592) |
| Gain/(loss) on sale of equity instruments classified as non-current assets held for sale | - | 2,023 |
| Total | (438,633) | (267,320) |

There have been no gains due to an increase in fair value less costs to sell.

Of the total non-current assets held for sale impairment provision for 2014, €191,242,000 was calculated based on Level 2 valuations and €73,018,000 based on Level 3 valuations (Note 26). The fair value of impaired assets amounts to €303,583,000.

k) Negative goodwill on business combinations

The negative consolidation difference for 2013 was mainly generated by the acquisition of Banco Gallego, described in Note 2 to these consolidated annual accounts.

NOTE 35 – TAX SITUATION

Consolidated tax group

Banco de Sabadell, S.A. is the parent company of a tax consolidation group for corporate income tax purposes, comprising all the Spanish companies in which Banco de Sabadell, S.A. holds an interest that meets the requirements of the Spanish Corporate Income Tax Act (see Schedule I).

The remaining Spanish companies in the accounting group pay income tax individually.

Companies in the accounting group that are not resident in Spain for tax purposes are taxed in accordance with the tax regulations applicable to them.

Reconciliation

The reconciliation of the difference between consolidated accounting results and taxable income is as follows:

| Thousand euro | 2014 | 2013 (*) |
|--|----------------|----------------|
| Profit/(loss) before taxes | 486,393 | 330,476 |
| Increases in tax base | 1,128,325 | 3,440,691 |
| From profits | 1,128,325 | 3,399,930 |
| From equity | - | 40,761 |
| Decreases in tax base | (1,335,133) | (2,986,828) |
| From profits | (1,001,810) | (2,895,397) |
| From equity | (333,322) | (91,431) |
| Taxable base | 279,586 | 784,339 |
| Tax payable (30%) | 83,876 | 235,302 |
| Deductions for double taxation, training and other | (21,855) | (6,449) |
| Tax payable | 62,021 | 228,853 |
| Due to temporary differences (net) | 51,347 | (145,674) |
| Adjustments for tax credits | (11,222) | - |
| Other adjustments (net) | 7,602 | (21,538) |
| Corporate income tax | 109,748 | 61,641 |

(*) Profit before taxes and the corporate income tax expense have not been restated for the purposes of this Note.

(*) See Note 1: Comparability

The reconciliation between the Group corporate income tax expense calculated by applying the general tax rate and the expense recorded for corporate income tax on the consolidated income statements is as follows

| Thousand euro | 2014 | 2013 |
|---|----------------|-------------------|
| Profit/(loss) before taxes | 486,393 | 330,476 (*) |
| Domestic tax rate (30%) | 145,918 | 99,143 |
| Non-deductible expenses | 3,276 | 1,492 |
| Income subject to lower tax rates (dividends and international source income) | (14,506) | (25,791) |
| Effect of different tax rates (foreign companies) | 4,570 | (4,640) |
| Income associates and jointly-controlled entities | (30) | (3,332) |
| Rest | (29,480) | (5,231) |
| Corporate income tax expense | 109,748 | 61,641 (*) |
| <i>Effective tax rate</i> | 23% | 19% |

(*) Profit before taxes and the corporate income tax expense have not been restated for the purposes of this Note.

(*) See Note 1: Comparability.

Estimated tax payable is reflected under the heading Current tax assets.

Taxable income - increases and reductions

The increases and reductions in taxable income are analysed in the following table on the basis of whether they arose from temporary or permanent differences.

| Thousand euro | 2014 | 2013 |
|--|--------------------|--------------------|
| Permanent difference | 34,151 | 63,018 |
| Temporary difference arising during the year | 836,263 | 3,093,707 |
| Temporary difference arising in prior years | 257,911 | 283,966 |
| Increases | 1,128,325 | 3,440,691 |
| Permanent difference | (69,801) | (94,736) |
| Temporary difference arising during the year | (2,590) | (8,266) |
| Temporary difference arising in prior years | (1,262,741) | (2,883,826) |
| Decreases | (1,335,133) | (2,986,828) |

Deferred tax assets and liabilities

Under current tax and accounting regulations certain temporary differences can be taken into account when quantifying the relevant corporate income tax expense.

Royal Decree-Law 14/2013 on urgent measures to adapt Spanish legislation to the European Union regulations on bank supervision and solvency has caused an amendment to the Spanish Corporate Income Tax Act in the following terms:

- Effective for tax periods beginning on or after 1 January 2011, allowances for impairment of loans and other assets arising from the possible insolvency of debtors not related to the taxpayer and those pertaining to apportionments or contributions to social welfare systems and, where appropriate, early retirement ("monetizable deferred tax assets") which might have generated deferred tax assets are to be included in the tax base in accordance with the provisions of the corporate income tax act, subject to the limit of the positive taxable base prior to their inclusion and the offsetting of tax losses. The application of this rule meant, for the Group, a decrease in tax credits for tax loss carryforwards as well as an increase in deferred tax assets related to loan impairment, real estate asset impairment and expenses related to pension obligations recorded at 31 December 2012.

- The monetizable deferred tax assets will become an enforceable claim against the tax authorities in cases where the taxpayer incurs accounting losses or the entity is liquidated or judicially declared insolvent.

Subsequently, on 28 November 2014, Law 27/2014 on Corporate Income Tax was enacted and is effective for tax periods beginning on or after 1 January 2015, except for final provisions four to seven, which entered into force on 29 November 2014.

The main amendments to Law 27/2014 with potential impacts on the year-end closing at 31 December 2014 are as follows:

- tax-loss carryforwards pending offset at 1 January 2015 may be offset in the following tax periods without any time limit.
- The general tax rate has been reduced from 30% to 25%. However, the Law provides that the 30% tax rate is to be maintained for financial institutions and their tax consolidation groups. At 31 December 2014, the Banco Sabadell Group considers that no significant impact will derive from the change in the tax rate on companies not included in the tax consolidation group.
- limitation on the inclusion of monetizable deferred tax assets in the tax base and offsetting of tax losses at 25% for 2014 and 2015, 60% for 2016 and 70% for 2017 and subsequent periods.

The origins of the deferred tax assets and liabilities recorded on the balance sheet at 31 December 2014 and 2013 are as follows:

| Thousand euro | | |
|---|------------------|------------------|
| Deferred tax assets | 2014 | 2013 |
| Monetizable | 5,283,682 | 4,790,669 |
| Due to credit impairment | 3,676,767 | 3,839,585 |
| Due to real-estate asset impairment | 1,478,592 | 829,391 |
| Due to pension schemes | 128,323 | 121,693 |
| Non-monetizable | 313,712 | 617,289 |
| Due to merger funds | 144,549 | 153,101 |
| Due to other non-deductible provisions | 27,269 | 80,092 |
| Due to impairment of equity and debt instruments | 63,161 | 324,426 |
| Other | 78,733 | 59,670 |
| Tax credits for losses carried forward | 530,601 | 781,001 |
| Deductions not applied | 16,168 | 27,502 |
| Total | 6,144,163 | 6,216,461 |
| Deferred tax liabilities | 2,014 | 2,013 |
| Property restatements | 91,701 | 93,172 |
| Adjustments to value of wholesale debt issuances arising on business combinations | 141,737 | 223,878 |
| Other financial asset value adjustments | 434,698 | 85,434 |
| Other | 145,625 | 132,435 |
| Total | 813,761 | 534,919 |

On the basis of the projections included in the Group's business plan ("Plan Triple") for 2014 to 2016 and future projections beyond that date made using parameters which are similar to those applied in the plan, the Group expects to recover the monetizable deferred assets derived from tax credits and tax credits for loss carryforwards (no longer subject to any time limit) within a maximum of 5 years.

An allocation of €425,000 to the Reserve for investment in the Canary Islands (explained in Note 3 to these annual accounts) was approved by the shareholders at the Annual General Meeting of Banco Sabadell on 27 March 2014. The reserve was fully utilized in 2014 as a result of a number of investments during the year in fixed assets classifiable as property, plant and equipment.

The Banco Sabadell Group obtained income qualifying for the reinvestment deduction regulated by Article 42 of the revised Corporate Income Tax Act, which was invested in the years indicated below:

| Thousand euro | | |
|--|-------------------------|-----------------------------|
| Year in which qualifying income was generated | Amount of income | Year of reinvestment |
| 2007 to 2010 | 536,260 | 2010 |
| 2011 | 5,667 | 2011 |
| 2013 | 5,640 | 2012 |
| 2013 | 37,585 | 2013 |
| 2014 | 43,417 | 2014 |

Information on mergers carried out in previous years has been included in the consolidated annual accounts at 31 December 2013. Set out below is information that Banco de Sabadell, S.A. is required to disclose in compliance with certain requirements relating to the following tax benefits enjoyed by Banco Gallego prior to its absorption by Banco de Sabadell, S.A.

Thousand euro

| Reinvestment deduction Banco Gallego | | |
|---|------------------|----------------------|
| Year in which qualifying income was generated | Amount of income | Year of reinvestment |
| 2006 | 4,971 | 2006 |
| 2011 | 8,132 | 2011 |

| Type of deduction | Year | Amount of deduction |
|-------------------|------|---------------------|
| R&D&I | 2007 | 467 |
| R&D&I | 2008 | 264 |
| R&D&I | 2009 | 361 |
| R&D&I | 2010 | 297 |
| R&D&I | 2011 | 179 |
| R&D&I | 2012 | 167 |

Years open to inspection

During 2014 the inspection proceedings undertaken by the Spanish Tax Administration against Banco de Sabadell, S.A. in relation to corporate income tax from 2006 to 2010, value added tax from 07/2008 to 12/2010, withholdings and payments on account of tax on investment income from 07/2008 to 12/2010 and withholdings and payments on account of tax on earned income from employment or professional activities from 07/2008 to 12/2010 were completed, as were the inspection proceedings by the Gipúzcoa Regional Tax Inspectorate against Banco de Sabadell, S.A. as the successor entity of Banco Guipuzcoano, S.A. The results of these inspections have not caused any significant impact on the income statement of Banco de Sabadell, S.A. at 31 December 2014.

The inspections by the Tax Administration led to assessments being raised for a total tax liability of €33,091,000, which were contested in their entirety by the Bank and the acquired and subsequently merged entities. The Group has, in any event, made suitable provision for any contingencies that could arise in relation to these tax assessments.

Tax liabilities of a contingent nature could arise as a result of different possible interpretations of the tax rules applicable to certain types of transaction within the banking industry. However, the possibility of such liabilities arising is remote, and if they did arise the resulting tax charge would not be such as to have any significant impact on the annual accounts.

NOTE 36 – SEGMENT REPORTING

Segmentation criteria

Segment reporting is organized primarily according to business units, and secondarily according to geography.

The business units described below are based on the Group's organizational structure as it was at the end of the year 2014. For customer-facing businesses (Commercial Banking, Corporate Banking, Sabadell Urquijo Private Banking and Asset Transformation), segmentation is based on the types of customer addressed by those units. Investment Management is a cross selling business that offers specialized products which are sold through the Group's branch network. The new Asset Transformation business unit handles the real-estate portfolio for both developer credit and repossessed assets, and the recovery of other kinds of loans.

Segmentation by business unit

Concerning the presentation principles and methods, information for each business unit is based on the individual accounting records of each Group undertaking, after all consolidation eliminations and adjustments have been made, and on analytical accounting for income and expense where particular business lines are allocated to one or more legal entities. The income and expense for each customer can thus be assigned according to the business to which they have been allocated.

Each business division is treated as a free-standing operation. Where services are provided by one division to another (distribution, services, systems, etc.) inter-unit commissioning applies. The impact of this on the Group's income statement is nil.

Each business pays the direct costs allocated to it through generic and analytical accounting, as well as the indirect costs attributable to Central Services divisions.

Capital is allocated in such a way that each business has the equivalent of the minimum regulatory capital requirement to cover its risk exposure. This minimum regulatory requirements depends on the body responsible for supervising each business area.

Key data for each business division are shown in the tables that follow:

a) By business unit

Details of profit before tax and other financial data for each business unit for the year 2014 are shown in the table below, along with a reconciliation of the totals shown in the table with those shown in the consolidated Group accounts.

| | 2014 | | | | |
|---|-----------------------|----------------------|---|--------------------------|-------------------------|
| | Commercial Banking | Corporate Banking | Sabadell Urquijo Private Banking | Investment Management | Asset Transformation |
| Thousand euro | | | | | |
| Net interest income | 1,778,469 | 162,499 | 16,601 | 225 | (11,192) |
| Net fees and commissions | 636,270 | 24,942 | 45,456 | 41,401 | (659) |
| Other income | (76,970) | 11,439 | 3,248 | 822 | 15,228 |
| Gross income | 2,337,769 | 198,880 | 65,305 | 42,448 | 3,377 |
| Operating expenses | (1,345,734) | (26,596) | (36,626) | (20,546) | (135,824) |
| Of which: personnel expenses | (718,397) | (7,992) | (22,659) | (12,722) | (38,319) |
| Provisions (net) | - | - | - | - | (1,469) |
| losses due to asset impairment | (644,154) | (102,236) | 995 | - | (143,512) |
| Other profit/(loss) | - | - | - | - | (720,044) |
| Operating profit/(loss) | 347,881 | 70,048 | 29,674 | 21,902 | (997,472) |
| Profit/(loss) before taxes by segment | 347,881 | 70,048 | 29,674 | 21,902 | (997,472) |
| Ratios (%) | | | | | |
| ROE | 8.0% | 7.1% | 59.3% | 59.9% | (39.3%) |
| Cost/income ratio | 57.6% | 13.4% | 56.1% | 48.4% | - |
| Other data | | | | | |
| Personnel | 12,562 | 113 | 271 | 145 | 668 |
| Spanish branches | 2,253 | 2 | 12 | - | - |
| Reconciliation of profit/(loss) before taxes | Consolidated | | | | |
| Total business units | (527,967) | | | | |
| (+/-) Profits not assigned (*) | 737,625 | | | | |
| (+/-) Other results (**) | 276,735 | | | | |
| Profit/(loss) before taxes | 486,393 | | | | |

(*) In 2014 includes results from financial operations generated by sales of financial assets.

(**) Relates to results from undisclosed segments.

| | 2013 | | | | |
|--|-----------------------|----------------------|---|--------------------------|-------------------------|
| | Commercial Banking | Corporate Banking | Sabadell Urquijo Private Banking | Investment Management | Asset Transformation |
| Thousand euro | | | | | |
| Net interest income | 1.353.679 | 161.797 | 10.549 | 653 | 42.085 |
| Net fees and commissions | 576.411 | 27.962 | 37.971 | 25.077 | (2.826) |
| Other income | (51.732) | 9.154 | 3.318 | 3.285 | (6.972) |
| Gross income | 1.878.358 | 198.913 | 51.838 | 29.015 | 32.287 |
| Operating expenses | (1.258.142) | (26.274) | (36.034) | (20.191) | (193.726) |
| Of which: personnel expenses | (659.775) | (7.739) | (24.961) | (12.551) | (52.985) |
| Provisions (net) | - | - | - | - | (301) |
| losses due to asset impairment | (325.014) | (90.784) | (1.926) | - | (362.215) |
| Other profit/ (loss) | - | - | - | (13) | (520.861) |
| Operating profit/ (loss) | 295.202 | 81.855 | 13.878 | 8.811 | (1.044.816) |
| Profit/ (loss) before taxes by segment | 295.202 | 81.855 | 13.878 | 8.811 | (1.044.816) |
| Ratios (%) | | | | | |
| ROE | 7,0% | 8,0% | 29,1% | 29,0% | (39,9%) |
| Cost/ income ratio | 67,0% | 13,2% | 69,5% | 69,6% | - |
| Other data | | | | | |
| Personnel | 13.225 | 110 | 269 | 147 | 807 |
| Spanish branches | 2.356 | 2 | 12 | - | - |
| Reconciliation of profit/ (loss) before taxes | Consolidated | | | | |
| Total business units | (645.070) | | | | |
| (+/-) Profits not assigned (*) | 554.825 | | | | |
| (+/-) Other results (**) | 275.125 | | | | |
| Profit/ (loss) before taxes | 184.880 | | | | |

(*) In 2013 includes results from financial operations generated by sales of financial assets and the impact of the restatement of the financial statements indicated in Note 1.

(**) Relates to results from undisclosed segments.

Average total assets for the Group as a whole at 31 December 2014 were €163,372,812,000 compared with €166,571,462,000 in 2013.

The types of products and services from which ordinary income is derived are described below for each business unit:

- Commercial Banking offers products for both investors and savers. Products for investment include mortgage loans and credit facilities. The product range for savers includes demand and term deposit accounts, mutual funds and pension plans.

Other key business areas are insurance products and payment media such as credit cards and transfers.

- Corporate Banking has a comprehensive offering of specialized financing services and solutions, ranging from transaction banking to more sophisticated, tailor-made solutions in such areas as financing, treasury services and corporate finance.

- Private Banking services are provided by a business-focused team of 185 private bankers working from 12 specialist branches and 19 customer service centres covering 7 of Spain's regions.

- The Investment Management business is integrated within the area responsible for managing the Group's collective investment undertakings (CIU) and combines asset management with the selling and operation of CIUs; it also manages investments for other Banco Sabadell businesses that hold portfolios of assets.

- The Asset Transformation division manages the Group's real-estate exposure and non-performing exposures on a transversal basis. It also markets the Bank's own real-estate portfolio and its customers' real estate assets through various specialized channels (retail, foreign, institutional, singular assets, etc.).

The ordinary income generated by each business unit in 2014 and 2013 was as follows:

Thousand euro

| SEGMENTS | Consolidated | | | | | |
|--|--------------------------------|------------------|----------------------------------|----------------|-----------------------|------------------|
| | Ordinary income from customers | | Ordinary income between segments | | Total ordinary income | |
| | 31/12/2014 | 31/12/2013 | 31/12/2014 | 31/12/2013 | 31/12/2014 | 31/12/2013 |
| Commercial Banking | 3,239,053 | 3,239,958 | 189,153 | 132,795 | 3,428,206 | 3,372,753 |
| Corporate Banking | 424,565 | 437,467 | 939 | 1,073 | 425,504 | 438,540 |
| Sabadell Urquijo Private Banking | 27,058 | 28,528 | 43,155 | 36,162 | 70,213 | 64,690 |
| Investment Management | 125,114 | 77,532 | - | - | 125,112 | 77,532 |
| Asset Transformation | 317,079 | 467,161 | 319 | 494 | 317,398 | 467,655 |
| (-) Adjustments and eliminations of ordinary income between segments | - | - | (111,914) | (56,545) | (111,914) | (56,545) |
| Total | 4,132,869 | 4,250,646 | 121,652 | 113,979 | 4,254,519 | 4,364,625 |

The following table shows the proportion of net interest income, net fees and commissions and income from services generated by each business unit in 2014 and 2013:

| SEGMENTS | 2014 | | | | |
|----------------------------------|--|------------------|----------------------|--------------------|--------------------------|
| | Segmentation of interest margin and net fees | | | | |
| | Loans and advances to customers | | Customer deposits | | Income from services (*) |
| | % of average balance | % yield to total | % of average balance | % of cost to total | % of total balance |
| Commercial Banking | 74.8% | 79.5% | 86.1% | 83.5% | 85.1% |
| Corporate Banking | 10.1% | 10.4% | 4.4% | 3.0% | 3.3% |
| Sabadell Urquijo Private Banking | 1.0% | 0.6% | 9.1% | 1.0% | 6.1% |
| Investment Management | 0.0% | 0.0% | 0.0% | 0.0% | 5.5% |
| Asset Transformation | 14.0% | 9.4% | 0.5% | 12.4% | (0.1%) |
| Total | 100% | 100% | 100% | 100% | 100% |

(*) % per segment of total fees.

| SEGMENTS | 2013 | | | | |
|----------------------------------|---------------------------------|------------------|----------------------|--------------------|--------------------------|
| | Loans and advances to customers | | Customer deposits | | Income from services (*) |
| | % of average balance | % yield to total | % of average balance | % of cost to total | % of total balance |
| | % of average balance | % yield to total | % of average balance | % of cost to total | % of total balance |
| Commercial Banking | 72.3% | 76.3% | 86.3% | 85.5% | 86.7% |
| Corporate Banking | 10.1% | 10.2% | 3.7% | 3.5% | 4.2% |
| Sabadell Urquijo Private Banking | 0.9% | 0.6% | 9.5% | 1.1% | 5.7% |
| Investment Management | 0.0% | 0.0% | 0.0% | 0.0% | 3.8% |
| Asset Transformation | 16.7% | 12.8% | 0.5% | 9.8% | (0.4%) |
| Total | 100% | 100% | 100% | 100% | 100% |

(*) % per segment of total fees.

Section 2 of the Directors' Report contains a more detailed analysis of each of these lines of business.

b) Segmentation by geographical area

The distribution of interest and similar income by geographical area for the years 2014 and 2013 was as follows:

| | Geographical distribution of interest and similar income | | | |
|-----------------|--|------------------|------------------|------------------|
| | Individual | | Consolidated | |
| | 31/12/2014 | 31/12/2013 | 31/12/2014 | 31/12/2013 |
| Domestic market | 4,262,198 | 4,653,956 | 4,285,419 | 4,683,709 |
| Exports: | | | | |
| European Union | 36,427 | 26,056 | 49,224 | 26,056 |
| OECD countries | 50,685 | 31,979 | 178,817 | 136,072 |
| Other countries | - | - | 38 | 17,333 |
| Total | 4,349,311 | 4,711,991 | 4,513,497 | 4,863,170 |

NOTE 37 – FINANCIAL RISK MANAGEMENT

During 2014 the Banco Sabadell Group has continued to strengthen its risk management framework, incorporating improvements which align it with the best practices in the financial sector.

The Banco Sabadell Group has implemented a new Strategic Risk Framework aimed at ensuring control over and proactive management of all the Group's risks. This new Framework includes a *Risk Appetite Statement* which defines the amount and diversity of risks that the Group seeks and tolerates to achieve its business objectives, keeping a balance between profitability and risk.

The Risk Appetite Statement is made up of quantitative metrics which enable an objective monitoring of risk management, and qualitative aspects that complement them.

Risk management and control has been embodied in a broad framework of principles, policies, procedures and advanced valuation methods, forming an efficient decision-taking structure within a risk function governance framework which is in line with Spanish and European regulations.

The principles, policies, procedures and methodologies framework is reflected in the document titled "Banco Sabadell Group Risk Management Policies", which is revised at least once a year. The Board of Directors is responsible for its approval. The document was last updated in January 2015.

For each relevant Group risk, the main parties involved and their functions, policies, methods and procedures, as well as the relevant monitoring and control mechanisms, are explained in detail. Details are also given of Risk Function Organization, indicating the roles and responsibilities of managers and committees with regard to risks and risk control systems, adapted to the business units' activities, including loan and credit granting functions.

Detailed information on the risk corporate culture, strategic risk framework and overall risk function management is given in Section 4 of the Directors' Report.

The main financial risks faced by Banco Sabadell Group companies in the course of their operations involving the use of financial instruments are credit risk, liquidity risk and market risk.

Credit risk

Credit risk arises from the possibility of losses being caused by the non-fulfilment of payment conditions by customers, and a reduction in value due to the deterioration in their credit quality.

Credit risk exposure is subjected to rigorous monitoring and control through regular reviews of borrowers' creditworthiness and their ability to meet their obligations to the Group, with exposure limits for each counterparty being adjusted to levels that are deemed to be acceptable. It is also normal practice to mitigate exposure to credit risk by requiring borrowers to provide collateral or other security to the Bank.

The Group makes allowances to cover against credit risk, both in respect of specific losses actually incurred at the balance sheet date and for losses considered likely in the light of past experience. This is done in such a

way as to ensure that losses could not exceed loss allowances even in the event of a major change in economic conditions or in borrower quality.

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

The relationship manager monitors the business aspect through direct contact with customers and by handling their day-to-day banking, while the risk analyst takes a more system-based approach making use of his specialized knowledge.

The Board of Directors delegates powers and discretions to the Executive Committee, which then sub-delegates authority at each level. The implementation of authority thresholds on credit approval management systems ensures that powers delegated at each level are linked to the expected loss calculated for each business loan or other transaction that is requested.

The implementation of advanced methodologies for managing risk exposures — in line with the New Basel Capital Accord (NBCA) and industry best practice — also benefits the process in ensuring that proactive measures can be taken once a risk has been identified. Of vital importance in this process are risk assessment tools such as credit rating for corporate borrowers and credit scoring for retail customers, as well as indicators that serve as advance alerts in monitoring risk.

Refinancing and restructuring processes are generally more relevant during the weaker stages of the economic cycle. The Bank's objective, when faced by debtors or borrowers that have, or are expected to have, financial difficulties when meeting their payment obligations in the agreed contractual terms, is to facilitate the repayment of the debt by reducing the likelihood of non-payment to the minimum possible level. A number of specific policies to achieve this are in place across the Group, including procedures for the approval, monitoring and control of debt refinancing and restructuring processes. These include the following:

- Having a sufficiently detailed compliance record for the borrower and a clear intention to repay the loan, assessing the time-frame of the financial difficulties being undergone by the customer.
- Refinancing or restructuring conditions based on a realistic payment scheme which is in line with the borrower's current and predicted payment capacity, preventing issues being put off until a later date.
- If new guarantees are provided, these may be regarded as a secondary and exceptional source for recovering the debt, avoiding any prejudicial effects on existing sources. All ordinary interest must always be paid up to the refinancing date.
- Restriction of lengthy grace periods.

The Group continually monitors compliance with current terms and conditions and with the above policies.

Banco Sabadell has an advanced non-performing exposure management model to handle the impaired asset portfolio. The objective of non-performing exposure management is to find the best solution for customers faced by the first symptoms of impairment, helping customers with difficulties to avoid defaulting on their repayments, ensuring intensive management and preventing down-time between the different phases.

Year-end carrying values of financial assets involving credit risk exposures, analysed by asset type, counterparty type and instrument type, and for domestic and foreign operations, are set out in the table that follows. These values give a good indication of maximum exposure to credit risk since they are based on the maximum indebtedness for each borrower at the date to which they refer.

Thousand euro

| Credit risk exposure | 2014 | | | 2013 | | |
|---|--------------------|------------------|--------------------|--------------------|------------------|--------------------|
| | Business in Spain | Business abroad | Total | Business in Spain | Business abroad | Total |
| Cash and central banks | 787,941 | 401,846 | 1,189,787 | 2,805,393 | 396,505 | 3,201,898 |
| Loans and advances to credit insti | 3,449,227 | 539,437 | 3,988,664 | 1,583,110 | 563,512 | 2,146,622 |
| Of which: doubtful assets | 361 | 298 | 659 | 161 | 298 | 459 |
| Loans and advances to customers | 113,623,667 | 6,780,452 | 120,404,119 | 119,558,829 | 4,479,622 | 124,038,451 |
| Public administrations | 5,854,985 | 168,648 | 6,023,633 | 3,516,052 | 143,963 | 3,660,015 |
| Of which: doubtful assets | 13,764 | 3,055 | 16,819 | 22,111 | 4,867 | 26,978 |
| Other private sectors | 107,768,682 | 6,611,804 | 114,380,486 | 116,042,777 | 4,335,659 | 120,378,436 |
| Of which: doubtful assets | 21,665,841 | 60,540 | 21,726,381 | 24,354,900 | 50,273 | 24,405,173 |
| Debt securities | 22,587,891 | 835,722 | 23,423,613 | 21,334,646 | 572,029 | 21,906,675 |
| Public administrations | 18,094,845 | 152,565 | 18,247,410 | 16,279,469 | 47,598 | 16,327,067 |
| Credit institutions | 1,462,359 | 129,690 | 1,592,049 | 1,938,591 | 145,186 | 2,083,777 |
| Other private sectors | 3,019,472 | 553,467 | 3,572,939 | 3,113,555 | 379,245 | 3,492,800 |
| Doubtful assets | 11,215 | - | 11,215 | 3,031 | - | 3,031 |
| Trading derivatives | 1,554,706 | 27,464 | 1,582,170 | 1,274,120 | 14,494 | 1,288,614 |
| Hedging derivatives | 910,173 | - | 910,173 | 593,327 | - | 593,327 |
| Contingent exposures | 8,907,954 | 224,606 | 9,132,560 | 8,449,533 | 214,417 | 8,663,950 |
| Contingent commitments | 13,941,499 | 828,139 | 14,769,638 | 11,235,709 | 790,291 | 12,026,000 |
| Total | 165,763,058 | 9,637,666 | 175,400,724 | 166,834,667 | 7,030,870 | 173,865,537 |

The Group also has exposures and commitments to borrowers of a contingent nature. These generally arise from guarantees given by the Group or commitments under credit facilities extended to customers for up to a given limit so that they have access to funds when required. These facilities also involve credit exposure and are subject to the same processes of approval, monitoring and control as described above.

The global distribution of the Group's credit risk by region and borrower type at 31 December 2014 and 2013 was as follows:

| Thousand euro | | | | | |
|---|--------------------|--------------------|------------------------|------------------|-------------------|
| 31/ 12/ 2014 | | | | | |
| | TOTAL | Spain | Rest of European Union | America | Rest of the world |
| Credit institutions | 7,517,218 | 2,522,993 | 3,250,450 | 1,395,244 | 348,531 |
| Public administrations | 23,490,831 | 15,448,688 | 5,737,216 | 2,293,362 | 11,565 |
| Central government | 18,160,322 | 10,118,179 | 5,737,216 | 2,293,362 | 11,565 |
| Rest | 5,330,509 | 5,330,509 | - | - | - |
| Other financial institutions | 7,215,190 | 6,634,317 | 102,336 | 476,902 | 1,635 |
| Non-financial companies and individual entrepreneurs | 64,659,763 | 57,848,937 | 2,286,520 | 4,337,066 | 187,240 |
| Real estate construction and development | 8,538,076 | 7,649,686 | 23,938 | 864,150 | 302 |
| Civil engineering construction | 1,798,884 | 1,741,427 | 16,503 | 34,387 | 6,567 |
| Other purposes | 54,322,803 | 48,457,824 | 2,246,079 | 3,438,529 | 180,371 |
| Large companies | 25,485,364 | 20,854,679 | 1,778,868 | 2,718,842 | 132,975 |
| SMEs and individual entrepreneurs | 28,837,439 | 27,603,145 | 467,211 | 719,687 | 47,396 |
| Non-profit institutions serving households (I) | 49,232,445 | 45,174,532 | 2,196,210 | 1,204,973 | 656,730 |
| Housing | 38,763,486 | 34,897,064 | 2,074,162 | 1,162,555 | 629,705 |
| Consumer loans | 5,753,708 | 5,661,541 | 57,480 | 19,226 | 15,461 |
| Other purposes | 4,715,251 | 4,615,927 | 64,568 | 23,192 | 11,564 |
| Less: Adjustments due to asset impairment not allocated to specific operations | 225,504 | - | - | - | - |
| TOTAL | 151,889,944 | 127,629,467 | 13,572,732 | 9,707,548 | 1,205,701 |

| Thousand euro | | | | | |
|---|--------------------|--------------------|------------------------|------------------|-------------------|
| 31/ 12/ 2013 | | | | | |
| | TOTAL | Spain | Rest of European Union | America | Rest of the world |
| Credit institutions | 7,217,516 | 4,475,705 | 1,942,595 | 522,951 | 276,265 |
| Public administrations | 23,396,819 | 23,080,825 | 242,974 | 62,400 | 10,620 |
| Central government | 19,440,447 | 19,124,453 | 242,974 | 62,400 | 10,620 |
| Rest | 3,956,372 | 3,956,372 | - | - | - |
| Other financial institutions | 10,924,701 | 9,845,870 | 566,778 | 512,053 | - |
| Non-financial companies and individual entrepreneurs | 64,706,760 | 60,555,538 | 1,467,131 | 2,541,739 | 142,352 |
| Real estate construction and development | 9,505,777 | 8,794,299 | 20,571 | 690,458 | 449 |
| Civil engineering construction | 1,573,521 | 1,544,913 | 4,853 | 23,755 | - |
| Other purposes | 53,627,462 | 50,216,327 | 1,441,707 | 1,827,525 | 141,903 |
| Large companies | 39,386,766 | 36,856,854 | 1,102,902 | 1,308,534 | 118,476 |
| SMEs and individual entrepreneurs | 14,240,696 | 13,359,473 | 338,805 | 518,991 | 23,427 |
| Non-profit institutions serving households (I) | 48,556,566 | 44,971,726 | 2,019,056 | 959,050 | 606,734 |
| Housing | 38,686,578 | 35,326,299 | 1,873,653 | 906,004 | 580,622 |
| Consumer loans | 6,566,291 | 6,457,071 | 73,676 | 16,548 | 18,996 |
| Other purposes | 3,303,697 | 3,188,356 | 71,727 | 36,498 | 7,116 |
| Less: Adjustments due to asset impairment not allocated to specific operations | 303,347 | - | - | - | - |
| TOTAL | 154,499,015 | 142,929,665 | 6,238,534 | 4,598,192 | 1,035,971 |

The distribution of the Group's credit risk by Spanish Autonomous Region and borrower type at 31 December 2014 and 2013 was as follows:

Thousand euro

| | 31/12/2014 | | | | | | | | | |
|---|--------------------|------------------|------------------|------------------|------------------|------------------|----------------|--------------------|------------------|-------------------|
| | AUTONOMOUS REGIONS | | | | | | | | | |
| | TOTAL | Andalusia | Aragón | Asturias | Balearic Isles | Canary Islands | Cantabria | Castilla-La Mancha | Castilla y León | Catalonia |
| Credit institutions | 2,522,993 | 10,321 | 369 | 3,327 | 1,438 | 529 | 80 | 1,479 | 267 | 1,595,657 |
| Public administrations | 15,448,688 | 319,706 | 56,558 | 188,503 | 110,745 | 86,392 | 31,621 | 51,087 | 188,220 | 878,058 |
| Central government | 10,118,179 | - | - | - | - | - | - | - | - | - |
| Rest | 5,330,509 | 319,706 | 56,558 | 188,503 | 110,745 | 86,392 | 31,621 | 51,087 | 188,220 | 878,058 |
| Other financial institutions | 6,634,317 | 4,188 | 374 | 1,279 | 504 | 78 | 27 | 155 | 7,766 | 2,108,767 |
| Non-financial companies and individual entrepreneurs | 57,848,937 | 2,672,876 | 922,563 | 1,937,885 | 1,499,131 | 657,814 | 235,094 | 372,995 | 1,025,289 | 16,519,093 |
| Real estate construction and development | 7,649,686 | 694,438 | 163,582 | 233,813 | 186,234 | 115,322 | 21,610 | 41,270 | 88,537 | 1,667,861 |
| Civil engineering construction | 1,741,427 | 37,472 | 7,399 | 72,102 | 9,600 | 4,232 | 5,795 | 9,264 | 30,598 | 255,721 |
| Other purposes | 48,457,824 | 1,940,966 | 751,582 | 1,631,970 | 1,303,297 | 538,260 | 207,689 | 322,461 | 906,154 | 14,595,511 |
| Large companies | 20,854,679 | 483,035 | 213,597 | 474,986 | 431,831 | 138,478 | 55,541 | 38,062 | 193,451 | 4,296,579 |
| SMEs and individual entrepreneurs | 27,603,145 | 1,457,931 | 537,985 | 1,156,984 | 871,466 | 399,782 | 152,148 | 284,399 | 712,703 | 10,298,932 |
| Non-profit institutions serving households (NPIS) | 45,174,532 | 2,580,673 | 468,022 | 1,209,429 | 1,625,323 | 564,403 | 90,283 | 465,008 | 611,347 | 18,845,796 |
| Housing | 34,897,064 | 2,101,997 | 366,002 | 952,520 | 1,316,141 | 443,444 | 69,709 | 387,071 | 500,860 | 13,930,412 |
| Consumer loans | 5,661,541 | 339,923 | 77,447 | 196,953 | 196,253 | 89,817 | 17,969 | 56,326 | 82,564 | 2,171,596 |
| Other purposes | 4,615,927 | 138,753 | 24,573 | 59,956 | 112,929 | 31,142 | 2,605 | 21,611 | 27,923 | 2,743,788 |
| Less: Adjustments due to asset impairment not allocated to specific operations | - | - | - | - | - | - | - | - | - | - |
| TOTAL | 127,629,467 | 5,587,764 | 1,447,886 | 3,340,423 | 3,237,141 | 1,309,216 | 357,105 | 890,724 | 1,832,889 | 39,947,371 |

Thousand euro

| | 31/12/2014 | | | | | | | | | |
|---|--------------------|------------------|-------------------|------------------|----------------|-------------------|------------------|----------------|-----------------|--|
| | AUTONOMOUS REGIONS | | | | | | | | | |
| | Extremadura | Galicia | Madrid | Murcia | Navarre | Valencia | Basque Country | La Rioja | Ceuta & Melilla | |
| Credit institutions | 47 | 562 | 40,971 | 15,625 | 4,488 | 704,470 | 3,781 | 139,560 | 22 | |
| Public administrations | 86,302 | 473,631 | 1,072,128 | 68,232 | 145,847 | 1,151,876 | 338,205 | 83,398 | - | |
| Central government | - | - | - | - | - | - | - | - | - | |
| Rest | 86,302 | 473,631 | 1,072,128 | 68,232 | 145,847 | 1,151,876 | 338,205 | 83,398 | - | |
| Other financial institutions | 33 | 678 | 166,697 | 7,716 | 119 | 4,306,647 | 29,123 | 10 | 156 | |
| Non-financial companies and individual entrepreneurs | 61,280 | 1,494,539 | 13,271,937 | 1,663,551 | 575,673 | 11,703,667 | 2,983,081 | 240,329 | 12,140 | |
| Real estate construction and development | 7,040 | 106,428 | 1,187,463 | 633,314 | 32,126 | 2,119,521 | 309,326 | 41,183 | 618 | |
| Civil engineering construction | 1,171 | 110,372 | 983,991 | 13,911 | 13,839 | 55,012 | 129,408 | 1,540 | - | |
| Other purposes | 53,069 | 1,277,739 | 11,100,483 | 1,016,326 | 529,708 | 9,529,134 | 2,544,347 | 197,606 | 11,522 | |
| Large companies | 7,378 | 422,850 | 6,399,578 | 138,548 | 210,616 | 6,308,413 | 987,976 | 51,852 | 1,908 | |
| SMEs and individual entrepreneurs | 45,691 | 854,889 | 4,700,905 | 877,778 | 319,092 | 3,220,721 | 1,556,371 | 145,754 | 9,614 | |
| Non-profit institutions serving households (NPIS) | 101,140 | 659,826 | 4,722,029 | 3,000,736 | 132,493 | 9,198,536 | 828,531 | 70,791 | 166 | |
| Housing | 82,385 | 498,205 | 3,911,051 | 2,239,504 | 102,860 | 7,274,288 | 665,229 | 55,386 | - | |
| Consumer loans | 12,486 | 134,460 | 501,038 | 461,429 | 21,887 | 1,178,808 | 110,177 | 12,242 | 166 | |
| Other purposes | 6,269 | 27,161 | 309,940 | 299,803 | 7,746 | 745,440 | 53,125 | 3,163 | - | |
| Less: Adjustments due to asset impairment not allocated to specific operations | - | - | - | - | - | - | - | - | - | |
| TOTAL | 248,802 | 2,629,236 | 19,273,762 | 4,755,860 | 858,620 | 27,065,196 | 4,182,721 | 534,088 | 12,484 | |

Thousand euro

| | 31/12/2013 | | | | | | | | | |
|---|--------------------|------------------|------------------|------------------|------------------|------------------|----------------|--------------------|------------------|-------------------|
| | AUTONOMOUS REGIONS | | | | | | | | | |
| | TOTAL | Andalusia | Aragón | Asturias | Balearic Isles | Canary Islands | Cantabria | Castilla-La Mancha | Castilla y León | Catalonia |
| Credit institutions | 4,475,705 | 7,530 | 2,676 | 5,460 | 1,206 | 2,449 | 2,342 | 1,397 | 565 | 1,962,470 |
| Public administrations | 23,080,826 | 250,589 | 5,852 | 100,766 | 63,338 | 61,374 | 9,433 | 48,115 | 37,101 | 815,371 |
| Central government | 19,124,455 | - | - | - | - | - | - | - | - | - |
| Rest | 3,956,371 | 250,589 | 5,852 | 100,766 | 63,338 | 61,374 | 9,433 | 48,115 | 37,101 | 815,371 |
| Other financial institutions | 9,845,870 | 3,155 | 6,278 | 1,104 | 2,037 | 94 | 2 | 296 | 3,928 | 3,782,192 |
| Non-financial companies and individual entrepreneurs | 60,555,539 | 3,042,525 | 967,270 | 2,030,305 | 1,623,149 | 703,288 | 261,950 | 424,909 | 1,112,455 | 14,802,530 |
| Real estate construction and development | 8,794,296 | 931,151 | 215,278 | 293,388 | 221,278 | 115,770 | 21,286 | 53,189 | 108,228 | 1,748,248 |
| Civil engineering construction | 1,544,912 | 39,500 | 2,376 | 34,937 | 6,696 | 2,904 | 7,305 | 3,651 | 25,394 | 151,437 |
| Other purposes | 50,216,331 | 2,071,874 | 749,616 | 1,701,980 | 1,395,174 | 584,614 | 233,360 | 368,069 | 978,833 | 12,902,845 |
| Large companies | 36,856,855 | 1,028,042 | 485,564 | 930,920 | 767,456 | 369,861 | 106,314 | 147,433 | 498,141 | 9,453,304 |
| SMEs and individual entrepreneurs | 13,359,476 | 1,043,832 | 264,052 | 771,060 | 627,718 | 214,753 | 127,046 | 220,636 | 480,692 | 3,449,541 |
| Non-profit institutions serving households (NPIS) | 44,971,725 | 2,679,698 | 486,609 | 1,238,759 | 1,699,790 | 588,846 | 95,764 | 487,257 | 624,236 | 17,502,072 |
| Housing | 35,326,297 | 2,195,266 | 370,887 | 981,672 | 1,401,894 | 471,049 | 73,528 | 405,078 | 512,501 | 13,180,034 |
| Consumer loans | 6,457,073 | 367,484 | 85,167 | 187,122 | 249,861 | 105,034 | 19,643 | 62,917 | 82,678 | 2,440,402 |
| Other purposes | 3,188,355 | 116,948 | 30,555 | 69,965 | 48,036 | 12,763 | 2,592 | 19,262 | 29,057 | 1,881,636 |
| Less: Adjustments due to asset impairment not allocated to specific operations | - | - | - | - | - | - | - | - | - | - |
| TOTAL | 142,929,665 | 5,983,497 | 1,468,685 | 3,376,394 | 3,389,520 | 1,356,051 | 369,491 | 961,974 | 1,778,285 | 38,864,635 |

| | 31/12/2013 | | | | | | | | |
|---|--------------------|------------------|-------------------|------------------|----------------|-------------------|------------------|----------------|-----------------|
| | AUTONOMOUS REGIONS | | | | | | | | |
| | Extremadura | Galicia | Madrid | Murcia | Navarre | Valencia | Islas Baleares | La Rioja | Ceuta & Melilla |
| Credit institutions | 51 | 12,501 | 25,287 | 10,956 | 1,829 | 2,354,921 | 35,773 | 48,265 | 28 |
| Public administrations | 40,815 | 348,118 | 606,619 | 76,337 | 141,550 | 1,007,724 | 305,962 | 37,307 | - |
| Central government | | | | | | | | | |
| Rest | 40,815 | 348,118 | 606,619 | 76,337 | 141,550 | 1,007,724 | 305,962 | 37,307 | - |
| Other financial institutions | 16 | 21,410 | 1,036,670 | 11,457 | 165 | 4,962,246 | 14,818 | 3 | - |
| Non-financial companies and individual entrepreneurs | 53,722 | 1,381,089 | 16,300,310 | 2,116,934 | 639,687 | 11,844,438 | 2,988,393 | 251,438 | 11,152 |
| Real estate construction and development | 7,489 | 118,660 | 1,414,170 | 779,148 | 51,691 | 2,349,827 | 313,746 | 50,983 | 766 |
| Civil engineering construction | 93 | 62,651 | 1,058,904 | 15,406 | 4,479 | 46,134 | 81,667 | 1,378 | - |
| Other purposes | 46,140 | 1,199,778 | 13,827,236 | 1,322,380 | 583,517 | 9,448,477 | 2,592,980 | 199,077 | 10,386 |
| Large companies | 17,983 | 852,287 | 10,706,247 | 615,575 | 427,561 | 8,639,186 | 1,680,551 | 127,154 | 3,281 |
| SMEs and individual entrepreneurs | 28,157 | 347,491 | 3,120,989 | 706,805 | 155,956 | 809,291 | 912,429 | 71,923 | 7,105 |
| Non-profit institutions serving households (NPIS) | 100,378 | 686,228 | 4,958,365 | 3,101,642 | 135,829 | 9,695,118 | 814,613 | 76,233 | 283 |
| Housing | 83,610 | 517,520 | 4,057,987 | 2,397,423 | 104,547 | 7,855,721 | 657,890 | 59,688 | - |
| Consumer loans | 14,409 | 68,702 | 508,270 | 611,135 | 20,763 | 1,515,164 | 107,453 | 10,727 | 139 |
| Other purposes | 2,359 | 100,006 | 392,108 | 93,084 | 10,519 | 324,233 | 49,270 | 5,818 | 144 |
| Less: Adjustments due to asset impairment not allocated to specific operations | - | - | - | - | - | - | - | - | - |
| TOTAL | 194,982 | 2,449,346 | 22,927,251 | 5,317,326 | 919,060 | 29,864,447 | 4,159,559 | 413,246 | 11,463 |

The value of the credit risk exposure described above has not been reduced by the value of any collateral or other credit enhancement that may have been accepted as security. Such guarantees are in everyday use with the types of financial instrument dealt in by the Group.

Guarantees normally consist of charges on property, and will in most cases be mortgages on buildings for residential use, either completed or under construction. To a lesser degree, the Bank will also accept other types of security such as mortgages on business premises, industrial buildings and the like, or deposits of securities. Another type of security commonly used by the Bank to mitigate credit risk is the avail or third-party guarantee, provided that it is fully satisfied as to the solvency of the guarantor.

All these risk mitigation techniques are expressed in a form that affords full legal certainty, that is, by framing them in contracts that are legally binding on all parties and can be enforced in all relevant jurisdictions, thus ensuring that the security can be realised at any time. The whole contract process is subject to internal review for legal soundness and legal opinions may be sought from international experts where contracts are drawn up under the laws of a foreign country.

Guarantees involving a charge on property are drawn up as public instruments and executed before a notary to be fully valid and effective as against third parties. A public instrument, in the case of a real property mortgage, will then be registered in the appropriate land registry to make its effectiveness in law and vis-à-vis third parties complete. In the case of a chattel mortgage or pledge, the pledged items are generally deposited with the Bank. Contracts are not open to unilateral termination by borrowers and the security remains in effect until the loan has been repaid in full.

Personal guarantees or suretyships in the Bank's favour may be arranged and will again, in all but exceptional cases, be in the form of a notarially authorized public instrument to ensure that the contract is drawn up to give maximum legal security and that legal proceedings can be taken to enforce it in the event of default. Such guarantees are irrevocable and give the Bank a direct, first demand claim against the guarantor.

In addition to the risk mitigation provided by guarantees formally agreed between borrowers and the Bank, since the acquisition of Banco CAM the Group has had the additional guarantee offered by the Asset Protection Scheme which covers a specified set of assets with retroactive effect from 31 July 2011, for a period of 10 years (more details can be found in Note 2).

In its market trading operations the Banco Sabadell Group, in line with current industry practice, enters into agreements to set up netting arrangements with most of the institutional counterparties with which it trades in derivative instruments and has agreed a number of Credit Support Annexes (CSAs). Both these measures are designed to mitigate the Group's exposure to, and prevent excessive concentrations of, credit risk.

The total figure reflected on the balance sheet with respect to financial instruments subject to netting arrangements and CSAs is as follows:

31/12/2014

Amounts disclosed not netted in the
statement of financial position

| | Gross amounts of recognised financial assets | Gross amounts of recognised financial liabilities netted in the statement of financial position | Net amount of financial liabilities presented in the statement of financial position | Financial instruments | Cash collateral received | Net amount |
|--|--|---|--|-----------------------|-----------------------------|----------------|
| Derivatives | 2,492,343 | - | 2,492,343 | (1,286,181) | (377,960) | 828,202 |
| Assets acquired under repurchase agreements | 2,008,147 | - | 2,008,147 | (1,959,746) | (48,401) | - |
| Total | 4,500,490 | - | 4,500,490 | (3,245,927) | (426,361) | 828,202 |

Thousand euro

31/12/2014

Amounts disclosed not netted in the
statement of financial position

| | Gross amounts of recognised financial liabilities | Gross amounts of recognised financial assets netted in the statement of financial position | Net amount of financial liabilities presented in the statement of financial position | Financial instruments | Cash collateral given | Net amount |
|---|---|--|--|-----------------------|-----------------------|-----------------|
| Derivatives | 2,010,269 | - | 2,010,269 | (1,286,181) | (747,706) | (23,618) |
| Assets ceded under repurchase agreements | 8,606,349 | - | 8,606,349 | (8,278,818) | (327,531) | - |
| Total | 10,616,618 | - | 10,616,618 | (9,564,999) | (1,075,237) | (23,618) |

Security deposits held by Banco Sabadell by way of collateral at the end of 2014 totalled €426 million (€246 million at the end of 2013).

Most of the Group's credit risk exposures covered by one or other type of guarantee or credit enhancement are those covered by mortgages to mitigate exposures arising from loans to finance home purchases or the development of residential or other types of real estate. Loans secured by mortgages currently account for 47% of all Group loans and advances.

The loan-loss ratio and the loan-loss coverage for the Banco Sabadell Group are as follows:

| % | 2014 | 2013 | 2012 |
|----------------------------|-------|-------|------|
| Loan-loss ratio (*) | 12.17 | 13.63 | 9.33 |
| Loan-loss coverage ratio | 50.3 | 51.6 | 64.6 |
| Global coverage ratio (**) | 13.1 | 13.6 | 13.9 |

(*) Excludes assets subject to the asset protection scheme relating to the acquisition of Banco CAM

(**) Relates to coverage of insolvencies and real-estate in proportion to overall exposure.

As mentioned earlier, the Group uses internally generated models to rate most of the borrowers (or transactions) with whom it incurs credit exposure. These models have been designed in accordance with best practice as proposed by the NBCA. However, not all asset portfolios giving rise to credit risk are subject to these models, partly because the design of such models demands a certain degree of experience of actual cases of default. To give a clear view of the overall quality of the portfolio, the following table uses risk categories defined by the Bank of Spain to analyse credit risks to which the Group is exposed and to estimate provisioning requirements to cover against impairment losses in portfolios of debt instruments.

%

| Credit quality of financial assets | 2014 | 2013 |
|---|-------------|-------------|
| No appreciable risk | 27 | 20 |
| Low risk | 29 | 28 |
| Medium-low risk | 12 | 12 |
| Medium risk | 28 | 22 |
| Medium-high risk | 3 | 17 |
| High risk | 1 | 1 |
| Total | 100 | 100 |

63.97% of the Bank's credit risk is internally rated. The distribution of these exposures, rated on an internal rating scale based on the available information, is as follows:

%

| Distribution of exposure by | | Risk assigned rating /scoring | |
|------------------------------------|--|--------------------------------------|-------------|
| Rating | | 2014 | 2013 |
| AAA/AA | | 2 | 5 |
| A | | 10 | 12 |
| BBB | | 53 | 51 |
| BB | | 24 | 21 |
| B | | 9 | 8 |
| Rest | | 1 | 3 |
| Total | | 100 | 100 |

Does not include private individuals' operations derived from Banco Cam, BMN-Penedès, Banco Gallego and Sabadell Solbank (formerly Lloydbank) for which information is not available.

At 31 December 2014 there were no borrowers whose individual risk exceeded 10% of the Group's equity.

Liquidity risk

Liquidity risk results from the possibility of incurring losses due to the entity's incapacity to meet its payment commitments, even temporarily, due to a lack of available liquid assets or its inability to access markets to obtain refunding at a reasonable price. This risk may arise due to systemic or entity-specific reasons.

The Group is exposed to daily demands on its available cash resources to meet contractual obligations related to financial instruments, such as maturing deposits, drawdowns of credit facilities, settlements on derivatives and so on. Experience shows, however, that only a minimum amount is ever actually required and this can be predicted with a high degree of confidence.

As a basic policy, the Group must have a liquidity capacity which, at minimum, complies with the minimum thresholds established for the following relevant variables:

- Collateral guarantees under agreement with the Bank of Spain: a minimum figure is set which may be achieved through discountable assets within the national central banks of the European Central Bank System as a whole.
- Cash ratio coverage: the cumulative position in coverage of minimum reserves in all Group banks on any day shall be between the following upper and lower limits:
 - Minimum balance in Bank of Spain account.
 - Monitoring indicator for maximum cumulative daily balance.
 - Lower limit of cumulative daily balance.
- Sensitivity matrix by term and product: A certain interest rate risk could arise in operative liquidity management which is limited for each term and product through a maximum sensitivity matrix.
- Maximum level of financing needs on the trading balance sheet.
- Unutilized commitments indicator: a maximum figure is established for loan agreements, credit card facilities, discount facilities and personal mortgage loans as a whole which represent a commitment towards third parties and which have yet to be utilized. This indicator is to be checked on a monthly basis.
- Available Liquid Assets: High quality assets must be available at all times as defined by the regulatory LCR (Liquidity Coverage Ratio), in accordance with regulatory requirements plus a management buffer on net outflows in 30 days provided for by said ratio.

As an additional policy, the COAP has established that the Bank sets a reserve margin to cover liquidity needs in the form of liquid assets considered as eligible collateral by the European Central Bank to provide funding for maturing debt issued on the capital markets for a 12-month period.

The basic tools for managing and measuring liquidity risk are:

- Information on daily asset and liability balances and the financial market situation.
- Information on the status of liquid assets and second lines of liquidity based on discountable assets at the ECB.
- Liquidity gap using the measurement framework of the tool for measuring interest rate risk, with the capacity to perform simulations.
- Information on maturities of funding on the wholesale financial markets.
- Regular stress tests. Banco Sabadell regularly carries out a stress test centred on the Bank's position in the institutional market. The purpose of the test is to guarantee that the Bank holds a buffer of liquid assets which is sufficient to cover the net balance of inflows and outflows in a stress situation lasting for one year.
- General market information: issues, spreads, rating agency reports, etc.

Information on the liquidity gap is provided in the following table: To arrive at the liquidity gap, times to maturity have been based on contract maturity/repayment dates not discounted to present value; for assets and liabilities on which payments are made over a period of time, the time to maturity has been taken as the time between 31 December 2014 and the due date of each payment.

Thousand euro

| 31.12.2014 | Demand | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | More than 5 years | Subtotal | No defined maturity | Total |
|------------------------------|---------------------|---------------------|--------------------|---------------------|---------------------|-------------------|---------------------|---------------------|--------------------|
| Loans and receivables | - | 3,844,598 | 5,309,306 | 10,933,610 | 28,643,038 | 44,177,905 | 92,908,457 | 16,472,485 | 109,380,941 |
| Of which public institutions | - | 87,012 | 785,744 | 513,467 | 1,455,922 | 3,064,804 | 5,906,947 | 177,936 | 6,084,883 |
| Money market | - | 808,869 | 174,953 | 177,595 | 118,815 | 20,240 | 1,300,471 | - | 1,300,471 |
| Of which public institutions | - | 400 | 32,950 | 38,933 | 102,091 | - | 174,374 | - | 174,374 |
| Capital market | - | 1,483,546 | 142,609 | 2,420,084 | 4,737,522 | 14,752,962 | 23,536,673 | 27,260 | 23,563,934 |
| Of which public institutions | - | 7,281 | 12,119 | 816,789 | 2,749,990 | 12,942,483 | 16,528,662 | - | 16,528,662 |
| Other assets | - | 17,115 | - | - | - | - | 17,115 | 29,083,211 | 29,100,327 |
| Total assets | - | 6,154,128 | 5,626,869 | 13,531,238 | 33,499,375 | 58,951,107 | 117,762,717 | 45,582,956 | 163,345,673 |
| Customer funds | 17,209,228 | 15,040,669 | 7,156,170 | 33,474,900 | 20,790,736 | 1,033,298 | 94,705,001 | - | 94,705,001 |
| Money market | - | 7,800,863 | 885,016 | 641,572 | 7,088,625 | 264,091 | 16,680,167 | - | 16,680,167 |
| Capital market | - | 248,266 | 1,382,027 | 2,999,554 | 13,249,134 | 6,287,227 | 24,166,207 | - | 24,166,207 |
| Other liabilities | - | 260,221 | 404,763 | 1,847,013 | 3,449,288 | 694,566 | 6,655,852 | 21,138,446 | 27,794,298 |
| Total liabilities | 17,209,228 | 23,350,019 | 9,827,975 | 38,963,039 | 44,577,784 | 8,279,183 | 142,207,227 | 21,138,446 | 163,345,673 |
| Liquidity gap | (17,209,228) | (17,195,891) | (4,201,106) | (25,431,801) | (11,078,408) | 50,671,924 | (24,444,510) | 24,444,510 | - |

Thousand euro

| 31.12.2013 | Demand | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | More than 5 years | Subtotal | No defined maturity | Total |
|------------------------------|---------------------|---------------------|--------------------|---------------------|---------------------|-------------------|---------------------|---------------------|--------------------|
| Loans and receivables | - | 4,183,484 | 5,156,858 | 10,652,793 | 29,083,923 | 45,534,374 | 94,611,431 | 16,966,172 | 111,577,603 |
| Of which public institutions | - | 181,487 | 584,934 | 726,343 | 1,002,878 | 1,035,487 | 3,531,129 | 139,787 | 3,670,916 |
| Money market | - | 1,126,400 | 204,066 | 617,166 | 22,099 | 26,216 | 1,995,947 | - | 1,995,947 |
| Of which public institutions | - | - | 548 | 40,427 | - | - | 40,974 | - | 40,974 |
| Capital market | - | 844,266 | 24,223 | 993,754 | 5,815,670 | 12,492,536 | 20,170,450 | 28,098 | 20,198,547 |
| Of which public institutions | - | 18,546 | 1,807 | 442,824 | 3,599,884 | 10,785,648 | 14,848,709 | 92 | 14,848,801 |
| Other assets | - | 2,834,934 | 8,749 | - | - | - | 2,843,683 | 26,906,761 | 29,750,444 |
| Total assets | - | 8,989,084 | 5,393,896 | 12,263,713 | 34,921,692 | 58,053,126 | 119,621,511 | 43,901,030 | 163,522,541 |
| Customer funds | 17,201,261 | 11,637,845 | 6,645,606 | 27,319,598 | 29,352,668 | 222,404 | 92,379,382 | - | 92,379,382 |
| Money market | - | 5,362,142 | 1,109,533 | 540,230 | 9,348,098 | 276,165 | 16,636,169 | - | 16,636,169 |
| Capital market | - | 1,998,927 | 1,189,494 | 7,740,797 | 19,631,950 | 5,657,375 | 36,218,544 | - | 36,218,544 |
| Other liabilities | - | 12,016 | 1,002 | 4,327 | 26,892 | 7,128 | 51,365 | 18,237,083 | 18,288,447 |
| Total liabilities | 17,201,261 | 19,010,930 | 8,945,635 | 35,604,953 | 58,359,608 | 6,163,072 | 145,285,458 | 18,237,083 | 163,522,541 |
| Liquidity gap | (17,201,261) | (10,021,846) | (3,551,739) | (23,341,240) | (23,437,915) | 51,890,054 | (25,663,947) | 25,663,947 | - |

In this analysis the very short-term end of the range is typically where refinancing is most required. This is due to continually maturing short-term liabilities which, in banking, tend to have a higher turnover than assets. In practice, however, these short-term liabilities are continually being rolled over and therefore their funding requirements, even where debt volumes are increasing, can be accommodated.

The Group has commitments of a contingent nature which may also affect its cash requirements. Most of these relate to credit facilities with agreed limits which were undrawn at the close of the reporting year. Limits on these commitments are also set by the Board of Directors and are constantly monitored.

Systematic checks are made to verify that the Group's ability to raise funds on the capital markets is sufficient to satisfy its requirements in the short, medium and long term. The Banco Sabadell Group meets its cash needs in a number of ways and has programmes in place to raise finance on the capital markets to ensure diversified sources of funds. Some of these funding programmes are described below.

- **Nonparticipating Securities Issuance Programme:** the programme has been filed with Spain's stock market regulator, the CNMV, and covers issuance of straight and subordinated bonds and mortgage and public sector covered bonds subject to Spanish law through CNMV supervision. These are offered to investors on the domestic and global markets. The available limit for issues under the Banco Sabadell 2014 non-participating securities issuance programme at 31 December 2014 was €5,912.7 million (at 31 December 2013 the outstanding balance under the 2013 programme was €6,599.7 million).
- **Corporate Notes Issuance Programme:** this covers the issuance of corporate promissory notes (*pagarés*) and is directed at both institutional and retail investors. On 06 March 2014 the Banco Sabadell 2014 corporate note issuance programme was filed with the CNMV with an upper limit of €5,000 million. At 31 December 2014 the value of notes in circulation under the Banco Sabadell programme was €2,745 million (€2,793 million at 31 December 2013). In addition, Banco Sabadell operates a Euro Commercial Paper (ECP) programme for up to a nominal amount of €3,500 million. The programme is directed at institutional investors and provides for issues of short-term securities in a variety of currencies: euros, US dollars and sterling.

Other funding measures to improve the Group's liquidity position include:

- **Medium- and long-term bilateral loans** with financial and other institutions.
- **Issues of asset-backed securities:** Since 1993 the Group has participated in a number of securitization funds, on some occasions in partnership with other highly creditworthy institutions, for the transfer of mortgage loans, SME business finance loans, personal loans and finance lease receivables. A portion of the bonds issued by the securitization funds have been sold on the capital markets and the remainder are held by Banco Sabadell. Most of the mortgage bonds held by Banco Sabadell are pledged as security on a credit facility held by the Bank with the Bank of Spain for the management of short-term liquidity.

Banco Sabadell maintains a liquidity buffer in the form of liquid assets to meet liquidity needs. This buffer mainly comprises eligible assets available for discounting in ECB financing operations. At 31 December 2014, available liquid assets totalled €18,827 million (market value after applying the ECB reduction in the case of ECB eligible assets and the reduction for the Liquidity Coverage Ratio (LCR) in all other cases).

At 31 December 2014 Banco Sabadell recorded assets eligible as collateral for the ECB totalling €24,666 million (at market value, including reductions applied by the ECB for monetary policy transactions). The composition of this portfolio by liquidity category under Bank of Spain Technical Application 8/2014 is as follows:

| € million | | | | | | |
|-----------|-------|-------|----|-------|---------------------------|---------------|
| I | II | III | IV | V | Non-marketable securities | Total |
| 8,075 | 1,388 | 9,110 | 84 | 2,770 | 3,239 | 24,666 |

At 31 December 2014 the drawn-down balance on the facility held with the Bank of Spain for monetary policy transactions with the European Central Bank stands at €7,200 million, of which €5,500 million relates to the ECB liquidity auction (targeted longer-term refinancing operations or TLTRO) held on 17 December 2014. At the year end, assets pledged as collateral (at market value after applying the ECB reduction for monetary policy transactions) amounted to €14,112 million.

Maturities of institutional issuances aimed at institutional investors by product type at 31 December 2014 are analysed below:

| € million | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | >2021 | Outstanding balance |
|--|--------------|--------------|--------------|--------------|------------|------------|--------------|---------------------|
| Mortgage bonds and mortgage covered bonds | 3,064 | 2,874 | 1,937 | 1,561 | 924 | 476 | 3,570 | 14,406 |
| Guaranteed issues | - | - | 1,059 | - | - | - | - | 1,059 |
| Senior debt | - | 701 | - | 100 | 57 | - | 25 | 883 |
| Subordinated debt and preference shares | - | 318 | 66 | - | - | 425 | 55 | 864 |
| Other medium/long term financial instruments | - | - | - | 18 | - | - | 17 | 35 |
| Total | 3,064 | 3,893 | 3,062 | 1,679 | 981 | 901 | 3,667 | 17,247 |

Market risk

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

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

- Risk generated by the Bank's own trading activities within the strategy of focusing activities on customer business. It arises primarily from treasury and capital markets transactions involving currency instruments, equities and fixed income securities in cash or through derivatives.
- Risks arising from the Group's customer-focused commercial banking and corporate banking businesses, known as balance sheet structural risk. This can be sub-classified into interest rate risk and currency risk.

Trading activity

The main indicator used to measure market risk is the VaR (Value at Risk) method, which allows the risks on different types of financial market transaction to be analysed as a single class. The VaR method provides an estimate of the potential maximum loss on a position that would result from an adverse, but normal, movement in any of the above risk factors. This estimate is expressed in monetary terms and is calculated at a specified date, to a specified confidence level and over a specified time horizon. This is done by taking into account the different levels of risk factors (interest rate, exchange rate, equity and credit spread) to which the operation is exposed.

Market risk is monitored on a daily basis and reports on current risk levels and on compliance with the limits assigned to each unit are sent to the risk control functions. Limits are assigned by the relevant decision-making bodies for each risk monitoring unit (based on nominal amounts, VaR or sensitivity limits, as applicable). This makes it possible to keep track of changes in exposure levels and measure the contribution of each risk factor.

Risk control of this kind is supplemented by special simulation exercises and extreme market scenarios (stress testing) which provide a position's risk profile. The reliability of the VaR methodology is validated by back testing techniques which are used to verify that VaR estimates are consistent with the specified confidence level.

Market risk for the trading activity incurred in terms of the VaR at 1 day with 99 % confidence for 2014 and 2013 is as follows:

| € million | 2014 | | | 2013 | | |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Medium | Maximum | Minimum | Medium | Maximum | Minimum |
| Interest rate risk | 0.98 | 3.36 | 0.47 | 2.47 | 4.88 | 0.81 |
| Currency risk - trading | 0.12 | 0.40 | 0.02 | 0.17 | 0.60 | 0.01 |
| Equity risk | 0.78 | 1.32 | 0.55 | 0.68 | 1.05 | 0.46 |
| Credit spread | 0.07 | 0.20 | 0.03 | 0.06 | 0.13 | 0.02 |
| Aggregate VaR | 1.95 | 5.28 | 1.07 | 3.38 | 6.66 | 1.30 |

Structural risks

Interest rate risk

Interest rate risk arises from changes in market rates of interest that impact on different balance sheet assets and liabilities. The Group is exposed to this risk in the event of unexpected interest rate movements, which may ultimately feed through into unforeseen changes in interest margins and economic value if, as is common in banking, there are temporary mismatches in the maturity or repricing dates of asset, liability or off-balance sheet exposures.

Interest rate risk is managed on a consolidated basis for the whole Group. This task is performed by the Asset and Liability Committee. This means actively managing the balance sheet by means of transactions (micro- and macro-hedges) designed to optimize the level of risk exposure in relation to expected returns. For risk management and accounting purposes the Group maintains two distinct types of macro-hedge of the interest rate risk from portfolios of financial instruments:

- Cash flow macro-hedges of interest rate risk: the purpose of the cash flow macro-hedge is to reduce the volatility of net interest income due to changes in interest rates over a one-year time horizon. The macro-hedge is thus a hedge of future cash flows related to the net exposure of a portfolio made up of highly probable assets and liabilities with exposures similar to interest rate risk. At the present time the hedging instruments used for this purpose are interest rate swaps.
- Fair value macro-hedges of interest rate risk: the purpose of this kind of accounting hedge is to cover the economic value of the hedged portfolios, the components of which are fixed-rate assets and liabilities. At the present time the hedging instruments used for this purpose are interest rate swaps.

The results of hedging operations are reviewed on a regular basis and tests carried out to measure their effectiveness.

A number of methodologies are used to measure interest rate risk, allowing a more flexible approach to be taken. One of these methodologies is to measure the sensitivity of net interest income to changes in interest rates over a one-year horizon on a maturity and repricing matrix. In this technique the carrying values of financial assets and liabilities are grouped according to their maturity dates or the dates on which their rates of interest are reviewed, whichever arises earlier. For the purposes of this analysis the remaining maturity is assumed to be the time from 31 December 2014 to the due date of each payment. In addition, for demand deposits, expected maturities have been estimated in line with the Bank's past experience. The analysis allows an estimate to be made of the effect that a change in interest rates would have on net interest income, assuming that all rates change by the same amount and in a sustained manner.

An analysis of interest rate sensitivity at 31 December 2014 and 2013 is presented in the following table:

Thousand euro

| 31.12.2014 | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | More than 5 years | Not sensitive | Total |
|------------------------------|----------------------|----------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|--------------------------|----------------------|--------------------|
| Loans and receivables | 11,528,140 | 22,891,921 | 48,959,463 | 2,479,640 | 1,401,185 | 849,145 | 596,088 | 4,127,012 | 16,548,348 | 109,380,941 |
| Of which public institutions | 506,580 | 2,266,114 | 653,240 | 50,985 | 108,388 | 32,150 | 46,828 | 2,242,663 | 177,936 | 6,084,883 |
| Money market | 814,403 | 183,190 | 166,645 | 115,994 | - | - | - | - | 20,240 | 1,300,471 |
| Of which public institutions | 400 | 32,950 | 38,933 | 102,091 | - | - | - | - | - | 174,374 |
| Capital market | 1,833,214 | 2,798,609 | 1,344,891 | 853,023 | 599,209 | 726,129 | 960,116 | 14,433,853 | 14,890 | 23,563,934 |
| Of which public institutions | 6,139 | 1,609,631 | 178,041 | 338,954 | 273,850 | 464,665 | 710,781 | 12,946,601 | - | 16,528,662 |
| Other assets | 16,095 | 8,045 | 7,695 | - | - | - | - | - | 29,068,491 | 29,100,327 |
| Total assets | 14,191,852 | 25,881,765 | 50,478,694 | 3,448,657 | 2,000,394 | 1,575,274 | 1,556,204 | 18,560,864 | 45,651,969 | 163,345,673 |
| Customer funds | 16,057,252 | 21,257,134 | 31,118,455 | 11,122,673 | 2,779,913 | 814,642 | 1,203,493 | 9,549,665 | 801,774 | 94,705,001 |
| Money market | 7,421,193 | 1,264,686 | 641,572 | 1,588,625 | - | 5,500,000 | - | 264,091 | - | 16,680,167 |
| Capital market | 3,344,965 | 6,406,668 | 2,107,138 | 4,466,811 | 2,550,515 | 1,379,830 | 576,262 | 3,334,019 | - | 24,166,207 |
| Other liabilities | 749,522 | 1,122,402 | 3,454,968 | 515,143 | 359,733 | 160,595 | 116,302 | 177,187 | 21,138,446 | 27,794,298 |
| Total liabilities | 27,572,932 | 30,050,889 | 37,322,133 | 17,693,252 | 5,690,161 | 7,855,067 | 1,896,057 | 13,324,962 | 21,940,220 | 163,345,673 |
| Hedging derivatives | 1,078,277 | (274,496) | (7,012) | 50,247 | (45,710) | (187,607) | 34,537 | (648,236) | - | - |
| Interest rate gap | (12,302,803) | (4,443,621) | 13,149,550 | (14,194,348) | (3,735,477) | (6,467,400) | (305,316) | 4,587,667 | 23,711,749 | - |

Thousand euro

| 31.12.2013 | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | More than 5 years | Not sensitive | Total |
|------------------------------|---------------------|-------------------|-------------------|---------------------|---------------------|--------------------|--------------------|--------------------|-------------------|--------------------|
| Loans and receivables | 13,370,199 | 23,179,359 | 51,752,784 | 2,172,129 | 931,963 | 686,623 | 395,210 | 1,861,646 | 17,227,690 | 111,577,603 |
| Of which public institutions | 420,930 | 1,379,848 | 723,304 | 90,719 | 45,136 | 87,830 | 27,151 | 756,211 | 139,787 | 3,670,916 |
| Money market | 1,300,400 | 204,066 | 443,166 | 19,297 | 2,802 | - | - | - | 26,216 | 1,995,947 |
| Of which public institutions | - | 548 | 40,427 | - | - | - | - | - | - | 40,974 |
| Capital market | 1,532,662 | 3,140,139 | 291,576 | 384,927 | 957,630 | 908,625 | 1,225,021 | 11,757,875 | 92 | 20,198,547 |
| Of which public institutions | 18,546 | 1,917,865 | 123,481 | (12,321) | 387,765 | 545,599 | 1,082,126 | 10,785,648 | 92 | 14,848,801 |
| Other assets | 2,811,919 | 8,749 | - | - | - | - | - | - | 26,929,776 | 29,750,444 |
| Total assets | 19,015,180 | 26,532,314 | 52,487,526 | 2,576,353 | 1,892,395 | 1,595,249 | 1,620,231 | 13,619,520 | 44,183,774 | 163,522,541 |
| Customer funds | 11,929,362 | 17,568,712 | 25,447,354 | 16,226,349 | 7,514,237 | 881,036 | 1,121,890 | 11,088,877 | 602,654 | 92,380,469 |
| Money market | 14,147,026 | 1,109,533 | 485,847 | 69,208 | 447,877 | 22,608 | 4,766 | 276,165 | - | 16,563,029 |
| Capital market | 7,172,949 | 7,515,005 | 7,013,719 | 3,679,228 | 3,898,507 | 2,718,847 | 1,539,477 | 2,752,863 | - | 36,290,595 |
| Other liabilities | 1,796 | 951 | 48 | - | - | - | - | - | 18,285,653 | 18,288,448 |
| Total liabilities | 33,251,132 | 26,194,201 | 32,946,968 | 19,974,785 | 11,860,620 | 3,622,490 | 2,666,133 | 14,117,905 | 18,888,307 | 163,522,541 |
| Hedging derivatives | 1,072,572 | (290,843) | (8,290) | 71,876 | (44,008) | (187,607) | 34,537 | (648,236) | - | - |
| Interest rate gap | (13,163,380) | 47,269 | 19,532,267 | (17,326,557) | (10,012,233) | (2,214,848) | (1,011,365) | (1,146,620) | 25,295,467 | - |

The term structure shown in the table is typical for a bank with commercial banking as its main activity, with gaps or mismatches that are negative in the very short term, positive for terms of up to one year (reflecting the loan components of the portfolio) and negative for longer-term or not sensitive instruments. The matrix also shows the effects that hedging instruments have in altering the term profile of the Group's exposure to interest rate risk.

This kind of analysis is supplemented by simulations which measure the effects of different interest rate movements at different maturities, for example, due to changes in the slope of the yield curve. These simulations assign probabilities to each scenario so as to arrive at a more precise estimate of the effect that interest rate movements might have. Another technique that is used is to measure the sensitivity of equity to changes in interest rates by duration gap analysis, which measures the effect of interest rate changes over a longer time horizon.

The sensitivity of net interest income and net asset values, in relative terms in the latter case, to a change of 100 basis points (1%) in euro interest rates would be €26.5 million (- €19.7 million in 2013) and 4.33% respectively (2.33% in 2013). The main assumption used in making this estimate is to take the estimated average term for demand deposits as roughly two and a half years even though, contractually speaking, balances in demand deposits can be withdrawn at any time. This assumption is consistent with the observation that balances in demand deposits can normally be expected to remain stable. Another assumption that is made is to exclude all possible maturities other than those fixed by contract, that is, such scenarios as early repayment or requests for early redemption are not taken into account. Finally, it is assumed that the 100 basis point change in interest rates is immediate and sustained throughout the time horizon. A change of this kind is itself hypothetical as there is nothing to indicate that this particular change should be expected. It has been used for illustrative purposes only.

Contractual maturity dates of balances of financial guarantee contracts issued and loan commitments in force at 31 December 2014 and 2013 are as follows, in nominal values:

Thousand euro

| | <1 month | 1-3 months | 3-12 months | 1-5 years | >5 years | Total |
|---------------------------|-----------|------------|-------------|-----------|-----------|------------|
| Contingent exposures | 423,610 | 416,816 | 963,977 | 834,427 | 6,493,729 | 9,132,559 |
| Drawable by third parties | 2,883,481 | 448,760 | 2,345,004 | 3,169,276 | 2,056,853 | 10,903,374 |

Exchange rate risk

This risk arises from changes in the exchange rate between currencies, including positions in permanent investments in offices and subsidiaries abroad.

Exchange rate risk is monitored on a daily basis and reports on current risk levels and on compliance with the limits assigned to each unit are sent to the risk control functions. Limits are assigned by the Risk Committees.

At year end 2014 the asset exposure sensitivity to a 1% depreciation in exchange rates against the euro of the main currencies to which exposure exists amounted to €6.5 million, of which 52% pertains to the US dollar and 39% to the Mexican peso.

The Group manages other risks that, although not strictly financial, are closely related to its business activities, primarily operational risk, tax risk and compliance risk. Section 6 of the Directors' Report provides more detailed information on the management policies for these risks.

Capital management

The Group's general policy on capital management is to ensure that its available capital is sufficient to cover the overall levels of risk being incurred.

The bank follows the guidelines defined by the Basel Capital Accord as a basic principle that most closely relates institutions' capital requirements with the risks actually incurred, based on internal risk measurement models that have been previously validated by independent parties.

The bank has supervisory authorization to use its internal models for enterprises, developers, specialized financing projects, financial institutions, retail businesses and the self-employed, mortgage and consumer loans, and individual credit cards for calculating regulatory capital requirements .

Based on the risk measurements provided by these new methodologies, the Group has a comprehensive risk measurement model under one internal measurement unit, in terms of assigned capital.

The appraisal of risk in terms of necessary allocated capital enables it to be linked to the yield obtained from a customer and operational level to a business unit level. The Group has implemented a risk adjusted return on capital (RaRoC) system which provides this valuation, enabling uniform comparisons to be made and their inclusion in the transaction pricing process.

The Group has sophisticated systems to measure each type of risk incurred and methodologies capable of integrating all of them. Such an approach requires a broad perspective of risk that takes account of possible stress scenarios and suitable financial planning in each case. The risk assessment systems used are in line with current best practice.

Each year the Group carries out its own capital assessment process as prescribed by the new Basel Capital Accord and, in greater detail, by the Bank of Spain's capital adequacy regulations, and reports the results to the supervisory authority.

The process starts from a broad spectrum of previously identified risks and a qualitative internal evaluation of policies, procedures and systems for originating, measuring and controlling each type of risk and appropriate mitigation techniques.

The next stage is to carry out a comprehensive quantitative assessment of the Group's capital requirement. This is based on internal parameters and uses the Group's own models (such as borrower credit rating or scoring systems) and other internal estimates appropriate to each type of risk. The assessments for each type of risk are then integrated and a figure is set under an indicator in terms of assigned capital. In addition, the Group's business and financial objectives and stress testing exercises are reviewed to reach a final determination as to whether certain business developments or extreme scenarios could pose a threat to the Bank's solvency, having regard to its available capital resources.

NOTE 38 – ENVIRONMENTAL DISCLOSURES

All Group operations are subject to legal requirements on environmental protection and health and safety at work. The Group considers that it substantially complies with these legal requirements and has procedures in place to ensure such compliance.

The Group has taken appropriate action on environmental protection and improvement and to minimize possible environmental impacts, as required by law. A number of Group-wide waste treatment, consumable recycling and energy saving schemes were continued during the year. Given the absence of any environment-related contingencies, it was not thought necessary to make any provision for liabilities or charges of this nature.

Section 2 of the Directors' Report provides more details of the Bank's environmental policies and actions.

NOTE 39 – RELATED PARTY TRANSACTIONS

No significant transaction took place with any major shareholder during the years 2014 and 2013, except as described below; those transactions that did take place were in the normal course of business and on an arm's length basis.

As reported to the National Securities Market Commission on 4 December 2013, Banco Sabadell, through its branch in Miami Sabadell United Bank, N.A. ("Sabadell United Bank"), concluded an agreement with GNB Holdings Trust for the acquisition of the banking institution JGB Bank, N.A. ("JGB Bank"). The transaction was structured through the acquisition from GNB Holdings Trust of JGB Financial Holding Company, which owned JGB Bank. GNB Holdings Trust's main shareholder is Mr. Jaime Gilinski Bacal, who is also a major shareholder in Banco Sabadell.

No transactions that could be described as significant were entered into with directors or senior managers of the Bank. Those that did take place were in the normal course of the Group's business or were conducted at market prices or on the terms normally applicable to employees.

The Group is not aware of any transaction, other than on an arm's length basis, involving any person or entity connected in any way to a director or senior manager.

The most significant balances recorded by the Group in its dealings with related parties, and the effect on the income statement of transactions entered into with them, are shown in the following table:

| Thousand euro | | | | | 2013 |
|--|------------|---------------|---------------------------|------------------|------------------|
| | Associates | Key personnel | Other related parties (*) | TOTAL | TOTAL |
| Assets: | | | | | |
| Loans and advances to customers and other financial assets | 303.618 | 24.488 | 1.512.232 | 1.840.338 | 1.566.916 |
| Liabilities: | | | | | |
| Customer deposits and other financial assets | 1.788.192 | 9.883 | 353.250 | 2.151.325 | 3.732.092 |
| Memorandum accounts: | | | | | |
| Contingent exposures | 22.685 | 23 | 278.810 | 301.518 | 430.394 |
| Contingent commitments | 9.316 | 3.945 | 179.490 | 192.751 | 256.922 |
| Income statement: | | | | | |
| Interest and similar income | 13.741 | 215 | 43.718 | 57.674 | 68.640 |
| Interest and similar charges | (75.286) | (179) | (2.891) | (78.356) | (80.393) |
| Return on equity instruments | 3.688 | - | - | 3.688 | - |
| Net fees | 42.291 | 26 | 3.778 | 46.095 | 45.320 |
| Other operating income | 1.783 | - | 2 | 1.785 | 1.967 |

(*) Includes employee pension schemes.

NOTE 40 – AGENTS

For the purposes of Article 22 of Royal Decree 1245/1995 of the Finance Ministry, the Group has not entered into or continued any agency agreements authorizing agents to deal with customers on a regular basis on behalf of the Bank, for the purpose of arranging or formally agreeing business transactions of the type normally engaged in by a bank.

NOTE 41 – CUSTOMER SERVICE DEPARTMENT

The Customer Service Department is located on the control line of the organizational structure of Banco Sabadell, and its director, who is appointed by the Board of Directors, reports to the General Secretary of the Bank. Its functions are to handle and resolve complaints and claims by customers and users of the Group's financial services which relate to their interests and legally recognized rights arising from contracts, transparency and customer protection rules or good banking practices.

Cases handled

During 2014, the Customer Service Department received 25,156 complaints and claims (27,347 in 2013), of which 24,061 were accepted (26,727 in 2013), in accordance with the provisions of Finance Ministry Order 734/2004, of 11 March 2004. The number of cases handled, however, was 26,085 (24,821 in 2013), due to the resolution of issues pending from the previous year (2,584 cases, against 560 in 2014). By type, 11.1% were complaints (16.7% in 2013) and 88.9% were claims (83.3% in 2013).

Of the total complaints and claims examined by the Customer Service Department, 42.1% resulted in a decision favourable for the customer or user (35.3% in 2013), 8.4% were settled by agreement with the customer or user (11.1% in 2013) and 0.8% were resolved on partly in favour of the customer or user (1.0% in 2013). In 0.9% of cases customers withdrew the claim (0.3% in 2013) and 39.2% were resolved in favour of the institution (44.4% in 2013). At 31 December 6% of cases had yet to be ruled on by the regulatory bodies and the Customer and Stakeholder Ombudsman. Finally, the Bank declared itself not to be competent in 2.6% of the cases.

The average response time to complaints and claims in cases of high complexity was 19.9 days (46.7 in 2013); in cases of medium complexity, 13.3 days (32.4 in 2013); and in cases of low complexity, 8 days (17.8 in 2013). This compares with the maximum 60-day response time stipulated by the Finance Ministry Order and the Bank's Regulations for the Protection of Customers and Financial Users.

In addition to its main activity, the Customer Service Department also provides assistance and information to customers and users on matters that do not take the form of complaints or claims, in accordance with Finance Ministry Order 734/2004, of 11 March 2004, and the Regulations for the Protection of Customers and Financial Users of the Banco Sabadell Group. In this respect, the Department has handled 769 requests for assistance and information during 2014 compared to 979 during 2013.

Customer and Stakeholder Ombudsman

In the Group, the role of Customer and Stakeholder Ombudsman is assumed by Mr. José Luís Gómez-Dégano y Ceballos-Zúñiga. The Ombudsman is responsible for resolving the complaints brought by the customers and users of the Banco Sabadell Group, both in the first and second instances, and for settling issues that are passed on to him by the Customer Service Department.

The Customer and Stakeholder Ombudsman received 1,651 complaints and claims in 2014 (2,124 in 2013), of which 1,647 were accepted. During the year the Ombudsman has processed and resolved upon 1,752 claims (1,430 in 2013), as certain matters had remained unresolved from the previous year. At 31 December 2014, 140 claims remained to be resolved by the Ombudsman (290 in 2013). In 45 cases, the Customer Service Department had yet to present the relevant allegations.

Of the total complaints handled by the Ombudsman, 41.7% were resolved in favour of the Bank (29.6% in 2013) and 22.7% in favour of the customer (20.8% in 2013). Of the remaining cases processed and resolved on, the Bank agreed to customer petitions in 10.7% of the cases (13.7% in 2013). In 0.2% of cases the decision was partly favourable to the Bank (0.7% in 2013), in 16.8% of cases (7.3% in 2013) the Ombudsman did not act due to a lack of competence (without prejudice to the claimants' option to pursue their claims elsewhere), 7.4% of cases were settled by agreement with the client or user (1.2% in 2013) and in 0.5% of cases the customer withdrew the complaint (0.6% in 2013).

Bank of Spain, CNMV and Directorate General for Insurance and Pension Plans

Under current legislation, customers and users can submit their grievances and complaints to the Market Conduct and Complaints Department of the Bank of Spain, the CNMV and the Directorate General for Insurance and Pension Plans. In any event, it is a prerequisite that the parties concerned first address their complaints to the banking institution concerned in order to resolve the conflict.

NOTE 42 – REMUNERATION PAID TO DIRECTORS AND SENIOR MANAGEMENT

The following table shows, for the years ended 31 December 2014 and 2013, the amounts paid to directors in fees and in contributions to meet directors' pension commitments for services rendered by them in that capacity:

Thousand euro

| | Remuneration | | Pension commitments | | Total | |
|--------------------------------------|--------------|--------------|---------------------|------------|--------------|--------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| José Olliu Creus (*) | 214 | 214 | 32 | 32 | 246 | 246 |
| Isak Andic Ermay (1) | - | 91 | - | - | - | 91 |
| José Manuel Lara Bosch (2) | 131 | 138 | - | - | 131 | 138 |
| José Javier Echenique Landiribar (3) | 137 | 126 | - | - | 137 | 126 |
| Jaime Guardiola Romojaro (*) | 92 | 92 | - | - | 92 | 92 |
| Francesc Casas Selvas (4) | - | 28 | - | - | - | 28 |
| Héctor María Colonques Moreno | 123 | 122 | 16 | 16 | 139 | 139 |
| Sol Daurella Comadrán (5) | 75 | 99 | - | - | 75 | 99 |
| Joaquín Folch-Rusiñol Corachán | 100 | 112 | 16 | 16 | 116 | 128 |
| M. Teresa García-Milà Lloveras | 105 | 107 | - | - | 105 | 107 |
| Joan Llonch Andreu | 138 | 138 | 16 | 16 | 154 | 154 |
| David Martínez Guzmán (6) | 59 | - | - | - | 59 | - |
| José Manuel Martínez Martínez (7) | 127 | 77 | - | - | 127 | 77 |
| José Ramón Martínez Sufrategui | 96 | 92 | - | - | 96 | 92 |
| Antonio Vitor Martins Monteiro (8) | 83 | 88 | - | - | 83 | 88 |
| José Luis Negro Rodríguez (*) | 92 | 92 | 16 | 16 | 108 | 108 |
| José Permanyer Cunillera | 107 | 122 | 16 | 16 | 123 | 139 |
| Total | 1,679 | 1,737 | 112 | 113 | 1,791 | 1,850 |

(*) Executive directors.

(1) Resigned from position of director with effect from 30 September 2013.

(2) Appointed First Deputy Chairman by the Board of Directors on 30 September 2013.

(3) Appointed Second Deputy Chairman by the Board of Directors on 30 September 2013.

(4) Resigned from position of director on 21 February 2013 with effect from 26 March 2013.

(5) Resigned from position of director with effect from the end of the Board meeting on 20 November 2014.

(6) Appointed to the Board during Annual General Meeting held on 27 March 2014.

(7) Appointed to the Board during Annual General Meeting held on 26 March 2013.

(8) Appointed to the Board by the Board of Directors on 20 September 2012 as nominee director. Ratified as member of the Board of Directors by co-option during the Annual General Meeting held on 26 March 2013.

Other than the items mentioned above, the members of the Board of Directors have received €148,000 as fixed remuneration in 2014 (€144,000 in 2013) by reason of their belonging to boards of directors in Banco Sabadell Group companies or to advisory boards (these amounts are included in the annual report on directors' remuneration).

Contributions for life assurance premiums covering contingent pension commitments in respect of pension rights accruing in 2014 amounted to €3,362,000 (€3,413,000 in 2013), of which €112,000 is detailed in the above table and €3,250,000 pertains to directors for the performance of executive functions.

Emoluments paid to directors for performing executive functions during 2014 totalled €5,847,000 (€5,607,000 in 2013).

Loan and guarantee risks undertaken by the Bank and consolidated companies for the senior management group (other than executive directors, for whom details are provided above) totalled €13,358,000 at 31 December 2014. Of this amount €10,715,000 comprised loans and €2,643,000 related to guarantees and documentary credit (2013: 14,428,000, consisting of €12,489,000 in loans and €1,939,000 in guarantees and documentary credit). The average rate of interest charged was 1.13% (2013: 1.29%). Deposits held by directors in 2014 totalled €9,436,000 (2013: €8,270,000).

Senior Management remuneration accrued during 2014 amounted to €5,005,000 (€4,472,000 in 2013). This includes joint contributions to pension schemes arranged through insurance policies made in 2014. Under the applicable regulations, said amount includes the remuneration of the five members of Executive Management plus the Internal Audit Director.

Loan and guarantee risks undertaken by the Bank and consolidated companies for the senior management group (other than executive directors, for whom details are provided above) totalled €15,102,000 at 31 December 2014 (€7,477,000 in 2013), comprising €13,776,000 in loans and €1,326,000 in guarantees and documentary credit (and in 2013, of which €6,864,000 relates to loans and €613,000 to guarantees and documentary credit). Deposits held by directors in 2013 totalled €494,000 (2013: €757,000).

Share appreciation rights granted to Executive Directors and the Internal Audit Director under the new 2014 remunerations plan (see Note 34.f.) resulted in personnel expenses of €1.7 million during the year (2013: €1.1 million).

Details of existing agreements between the company and members of the Board and senior managers with regard to compensation on severance of contract are set out in the Annual Report on Corporate Governance, which forms part of the Directors' Report.

The directors and managers mentioned above are specified below with their positions in the Bank at 31 December 2014:

Executive Directors

| | |
|---------------------------|------------------------------|
| José Oliu Creus | Chairman |
| Jaime Guardiola Romojaro | Managing Director |
| José Luis Negro Rodríguez | Director and General Manager |

Senior Management (*)

| | |
|--------------------------|--|
| María José García Beato | Deputy Secretary to the Board - General Secretary |
| Tomás Varela Muiña | General Manager |
| Miquel Montes Güell | General Manager |
| Carlos Ventura Santamans | Assistant General Manager |
| Ramón de la Riva Reina | Assistant General Manager |
| Nuria Lázaro Rubio | Deputy General Manager - Director of Internal Audit Department |

(*) As required by the applicable regulations, the 5 members of Senior Management are included, plus the Internal Audit Director.

NOTE 43 – DIRECTORS' DUTY OF LOYALTY

In accordance with Article 229 of Law 31/2014 which amended the Spanish Companies Act 2010 in order to improve corporate governance and strengthen transparency in business corporations, the directors have notified the entity that, during 2014, they and persons related to them, as defined in Article 231 of the Spanish Companies Act 2010:

- a. Have not carried out transactions with the entity, without taking into account ordinary operations performed in standard conditions for customers and of little relevance, these being understood as those the reporting of which is not necessary to express a true and fair view of the entity's equity, financial situation and results.
- b. Have not used the entity's name or invoked their status as director to unduly influence the course of private transactions.
- c. Have not used corporate assets, including the entity's confidential information, for private purposes.
- d. Have not taken advantage of the entity's business opportunities.
- e. Have not obtained benefits or remuneration from third parties other than the entity and its group associated with the fulfilment of their positions, except in cases of items in which mere courtesy is involved.
- f. Have not carried out activities for their own or a third party's account involving effective competition with the Company, whether on an occasional or potential basis, or which might otherwise place them in permanent conflict with the Company's interests.

NOTE 44 – POST-BALANCE SHEET EVENTS

Since 31 December 2014 there have been no events worthy of mention.

SCHEDULE I – BANCO SABADELL GROUP COMPANIES

Banco Sabadell Group companies at 31 December 2014

| Company name | | Registered office | Percentage shareholding | | Consolidated taxation |
|--|---|-----------------------|-------------------------|----------|-----------------------|
| | | | Direct | Indirect | |
| Fully consolidated companies | | | | | |
| Activos Valencia I, S.A.U. | Real estate | Valencia | - | 100.00 | No |
| Alfonso XII, 16 Inversiones, S.L. | Real estate | Sant Cugat del Vallès | - | 100.00 | No |
| Arrendamiento de Bienes Inmobiliarios del Mediterráneo, S.L. | Real estate | Alicante | 100.00 | - | Yes |
| Artemus Capital, S.L. | SPE | Alicante | - | 100.00 | No |
| Assegurances Segur Vida, S.A. | Other regulated companies | Andorra | - | 50.97 | No |
| Aurica XXI, S.C.R., S.A.U. | Other regulated companies | Barcelona | 100.00 | - | Yes |
| Ballerton Servicios, S.L. | Other investees with their own business | Sant Cugat del Vallès | - | 100.00 | Yes |
| Banco Atlantico Bahamas Bank & Trust, Ltd. | Credit institution | The Bahamas | 99.99 | - | No |
| Banco de Sabadell, S.A. | Credit institution | Sabadell | 100.00 | - | Yes |
| Banco Gallego Vida y Pensiones, S.A. de Seguros y Reaseguros | Other regulated companies | Madrid | 100.00 | - | No |
| BancSabadell d'Andorra, S.A. | Credit institution | Andorra | 50.97 | - | No |
| BanSabadell Consulting, S.L. | Other investees with their own business | Sant Cugat del Vallès | 100.00 | - | Yes |
| BanSabadell Factura, S.L. | Other investees with their own business | Sant Cugat del Vallès | 100.00 | - | Yes |
| BanSabadell Financiación, E.F.C., S.A. | Credit institution | Sabadell | 100.00 | - | Yes |
| BanSabadell Fincom, E.F.C., S.A.U. | Credit institution | Sant Cugat del Vallès | 100.00 | - | Yes |
| BanSabadell Holding, S.L. | SPE | Sant Cugat del Vallès | 100.00 | - | Yes |
| BanSabadell Inversió Desenvolupament, S.A. | SPE | Barcelona | 100.00 | - | Yes |
| BanSabadell Inversión, S.A.U., S.G.I.I.C | Other regulated companies | Sant Cugat del Vallès | 100.00 | - | Yes |
| Bansabadell Mediación, Operador de Banca-Seguros Related to Grupo Banco Sabadell, S.A. | Other regulated companies | Barcelona | - | 99.80 | Yes |
| BanSabadell Renting, S.L. | Other investees with their own business | Sant Cugat del Vallès | 100.00 | - | Yes |
| Bansabadell Securities Services, S.L. | Other investees with their own business | Sabadell | 100.00 | - | Yes |
| Bitarte S.A. | Other investees with their own business | San Sebastian | 99.99 | - | No |
| BlueSky Property Development, S.L. | Real estate | Sant Cugat del Vallès | - | 100.00 | No |
| Boreal Renovables 14 S.L.U. | Services | Madrid | 100.00 | - | Yes |
| Bstartup 10, S.L.U. | SPE | Barcelona | - | 100.00 | Yes |
| Business Services for Information Systems, S.A. | Other investees with their own business | Sabadell | 81.00 | - | Yes |
| Business Services for Operational Support, SAU | Services | Sant Cugat del Vallès | 100.00 | - | Yes |
| CAM Capital, S.A.U. | Other regulated companies | Alicante | 100.00 | - | Yes |
| CAM Global Finance, S.A.U. | Other regulated companies | Alicante | 100.00 | - | Yes |
| CAM International Issues, S.A.U. | Other regulated companies | Alicante | 100.00 | - | Yes |
| Caminsa Urbanismo, S.A. | Real estate | Valencia | - | 100.00 | Yes |
| Casiopea Energía 1, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Casiopea Energía 10, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Casiopea Energía 11, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Casiopea Energía 12, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Casiopea Energía 13, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Casiopea Energía 14, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Casiopea Energía 15, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Casiopea Energía 16, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Casiopea Energía 17, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Casiopea Energía 18, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Casiopea Energía 19, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Casiopea Energía 2, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Casiopea Energía 3, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Casiopea Energía 4, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Casiopea Energía 5, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Casiopea Energía 6, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Casiopea Energía 7, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Casiopea Energía 8, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Casiopea Energía 9, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Compañía de Cogeneración del Caribe Dominicana, S.A. | Services | Dominican Republic | - | 100.00 | No |
| Costa Mujeres Investment BV | SPE | Amsterdam | - | 100.00 | No |
| Delta Swing, S.A.U. | Services | Barcelona | - | 100.00 | Yes |

Banco Sabadell Group companies at 31 December 2014

| Company name | | Registered office | Percentage shareholding | | Consolidated taxation |
|--|---|------------------------|-------------------------|----------|-----------------------|
| | | | Direct | Indirect | |
| Fully consolidated companies | | | | | |
| Desarrollo y Ejecución Urbanística del Mediterráneo, S.L. | Real estate | Madrid | - | 100.00 | Yes |
| Desarrollos y Participaciones Inmobiliarias 2006, S.L. | Real estate | Alicante | - | 100.00 | Yes |
| Easo Bolsa, S.A. | Other investees with their own business | San Sebastian | 100.00 | - | No |
| Eco Resort San Blas, S.L. | Services | Santa Cruz de Tenerife | - | 100.00 | Yes |
| Ederra, S.A. | Real estate | San Sebastian | 97.85 | - | No |
| Eólica de Cuesta Roya, SL | Services | Zaragoza | 50.97 | - | No |
| Eólica de Valdejalón, S.L. | Services | Zaragoza | 50.97 | - | No |
| Epila Renovables, SL | Services | Zaragoza | 51.00 | - | No |
| Espais Arco Mediterráneo S.L. | Real estate | Alicante | - | 100.00 | Yes |
| Europa Invest, S.A. | Other regulated companies | Luxembourg | 22.00 | 78.00 | No |
| Europea Pall Mall Ltd. | Real estate | London | 100.00 | - | No |
| Exel Broker Seguros, S.A. | Other regulated companies | San Sebastian | 99.40 | - | No |
| Fomento de la Coruña, S.A. | Real estate | La Coruña | - | 100.00 | No |
| Fonomed Gestión Telefónica Mediterráneo, S.A. | Other investees with their own business | Alicante | 99.97 | - | Yes |
| Fotovoltaica de la Hoya de los Vicentes 106, S.L.U. | Services | Madrid | 100.00 | - | Yes |
| Fotovoltaica de la Hoya de los Vicentes 113, S.L.U. | Services | Madrid | 100.00 | - | Yes |
| Fotovoltaica de la Hoya de los Vicentes 119, S.L.U. | Services | Madrid | 100.00 | - | Yes |
| Fotovoltaica de la Hoya de los Vicentes 121, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Fotovoltaica de la Hoya de los Vicentes 127, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Fotovoltaica de la Hoya de los Vicentes 130, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Fotovoltaica de la Hoya de los Vicentes 131, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Fotovoltaica de la Hoya de los Vicentes 144, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Fotovoltaica de la Hoya de los Vicentes 162, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Fotovoltaica de la Hoya de los Vicentes 163, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Fotovoltaica de la Hoya de los Vicentes 164, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Fotovoltaica de la Hoya de los Vicentes 165, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Fotovoltaica de la Hoya de los Vicentes 166, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Fotovoltaica de la Hoya de los Vicentes 167, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Fotovoltaica de la Hoya de los Vicentes 168, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Fotovoltaica de la Hoya de los Vicentes 169, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Fotovoltaica de la Hoya de los Vicentes 170, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Fotovoltaica de la Hoya de los Vicentes 195, S.L. | Services | Madrid | 75.00 | - | Yes |
| Fotovoltaica de la Hoya de los Vicentes 200, S.L.U | Services | Madrid | 100.00 | - | Yes |
| Gala Domus, S.A. | Real estate | La Coruña | - | 100.00 | No |
| Galeban 21 Comercial S.L.U | SPE | La Coruña | 100.00 | - | Yes |
| Galeban Control y Asesoramiento S.L.U | Services | La Coruña | 100.00 | - | Yes |
| Gazteluberri Gestión S.L. | Real estate | Sant Cugat del Vallès | - | 100.00 | No |
| Gazteluberri S.L. | Real estate | San Sebastian | - | 99.97 | No |
| Gest 21 Inmobiliaria, S.L.U | SPE | La Coruña | 100.00 | - | Yes |
| Gest Galinver, S.L. | Real estate | Madrid | - | 100.00 | Yes |
| Gest Madrigal, S.L.U. | Real estate | La Coruña | - | 100.00 | Yes |
| Gestión de Proyectos Urbanísticos del Mediterráneo, S.L. | Real estate | Madrid | - | 100.00 | Yes |
| Gestión Financiera del Mediterráneo, S.A.U. | SPE | Alicante | 100.00 | - | Yes |
| Gestión Mediterránea del Medio Ambiente, S.A. en Liquidación | Other investees with their own business | Alicante | 99.00 | - | No |
| Grao Castalia S.L. | Real estate | Sant Cugat del Vallès | - | 100.00 | No |
| Guipuzcoano Capital, S.A. Unipersonal | Other regulated companies | San Sebastian | 100.00 | - | No |
| Guipuzcoano Promoción Empresarial, S.L. | SPE | San Sebastian | - | 99.97 | No |
| Guipuzcoano Valores, S.A. | Real estate | San Sebastian | 99.99 | - | No |
| Hansa Cabo, S.A. de C.V. | Real estate | Mexico | - | 39.42 | No |
| Hansa México S.A. de C.V. | Real estate | Mexico | - | 57.15 | No |
| Herrero Internacional Gestión, S.L. | Other investees with their own business | Sant Cugat del Vallès | - | 100.00 | Yes |
| Hobalear, S.A. | Real estate | Barcelona | - | 100.00 | Yes |
| Hondarriberrí, S.P.E., S.L | SPE | San Sebastian | 99.99 | - | No |
| Hotelera H.M., S.A. de C.V. | Real estate | Mexico | - | 86.67 | No |
| Hotelera Marina, S.A, de C.V. | Real estate | Mexico | - | 100.00 | No |
| Interstate Property Holdings, LLC. | SPE | Miami | 100.00 | - | No |
| Inverán Gestión, S.L. | Real estate | Madrid | 44.83 | 55.17 | Yes |

Banco Sabadell Group companies at 31 December 2014

| Company name | | Registered office | Percentage shareholding | | Consolidated taxation |
|---|---|-----------------------|-------------------------|----------|-----------------------|
| | | | Direct | Indirect | |
| Fully consolidated companies | | | | | |
| Inversiones Cotizadas del Mediterráneo, S.L. | SPE | Alicante | 100.00 | - | Yes |
| Manston Invest S.L.U. | Real estate | Madrid | 100.00 | - | No |
| Mariñamendi S.L. | Real estate | Sant Cugat del Vallès | - | 99.97 | No |
| Mediterráneo Sabadell, S.L. | SPE | Alicante | 50.00 | 50.00 | Yes |
| Mediterráneo Vida, S.A.U. de Seguros y Reaseguros | Other regulated companies | Alicante | - | 100.00 | Yes |
| Mirador del Segura 21, S.L. | Real estate | Sant Cugat del Vallès | - | 99.57 | No |
| Operadora Cabo de Cortes S. DE R.L. DE C.V. | Services | Mexico | - | 48.46 | No |
| Parque Eólico Loma del Capón, S.L. | Services | Granada | - | 100.00 | Yes |
| Placements Immobiliers France, S.A.S. | Real estate | Paris | - | 100.00 | No |
| Playa Caribe Holding IV B.V. | SPE | Amsterdam | - | 100.00 | No |
| Playa Caribe Holding V B.V. | SPE | Amsterdam | - | 100.00 | No |
| Playa Caribe Holding VI B.V. | SPE | Amsterdam | - | 100.00 | No |
| Playa Marina, S.A. de C.V. | Real estate | Mexico | - | 100.00 | No |
| Procom Residencial Rivas, S.A.U. | Real estate | Alicante | - | 100.00 | No |
| Promociones e Inmuebles Blauverd Mediterráneo, S.L. | Real estate | Alicante | - | 100.00 | Yes |
| Promociones y Desarrollos Creazona Levante S.L. | Real estate | Sant Cugat del Vallès | - | 100.00 | No |
| Promociones y Desarrollos Ribera Mujeres S.A. de C.V. | Real estate | Isla Mujeres | - | 100.00 | No |
| Promociones y Financiaciones Herrero, S.A. | Other investees with their own business | Oviedo | 100.00 | - | Yes |
| Proteo Banking Software, S.L. | Other investees with their own business | Sant Cugat del Vallès | 100.00 | - | Yes |
| Residencial Kataoria S.L. | Real estate | Sant Cugat del Vallès | - | 100.00 | No |
| Sabadell Asia Trade Services, Ltd. | Other investees with their own business | Hong Kong | 100.00 | - | No |
| Sabadell Brasil Trade Services - Ass. Cial Ltda. | Credit institution | Brazil | 99.99 | - | No |
| Sabadell BS Select Fund of Hedge Funds, S.I.C.A.V., S.A. | Other investees | Luxembourg | 52.11 | - | No |
| Sabadell Capital S.A de C.V. SOFOM E.N.R. | Credit institution | Mexico | 99.99 | - | No |
| Sabadell Corporate Finance, S.L. | Other investees with their own business | Madrid | 100.00 | - | Yes |
| Sabadell d'Andorra Inversions SGOIC, S.A.U. | Other regulated companies | Andorra | - | 50.97 | No |
| Sabadell International Equity, Ltd. | Other regulated companies | Cayman Islands | 100.00 | - | No |
| Sabadell Patrimonio Inmobiliario, SOCIMI, S.A.U. | Real estate | Sant Cugat del Vallès | 100.00 | - | No |
| Sabadell Securities USA, Inc. | Other investees with their own business | Miami | 100.00 | - | No |
| Sabadell Solbank Inversión, S.G.I.I.C., S.A.U. | Other regulated companies | Madrid | 100.00 | - | Yes |
| | | | | | |
| Sabadell Solbank Sociedad de Gestión de Activos Adjudicados, S.A.U. | Real estate | Madrid | 100.00 | - | Yes |
| Sabadell United Bank, N.A. | Credit institution | Miami | 100.00 | - | No |
| Serveis d'assessorament BSA S.A.U. | Other investees with their own business | Andorra | - | 50.97 | No |
| Servicio de Administración de Inversiones, S.A. | Other investees with their own business | Madrid | 100.00 | - | Yes |
| Simat Banol, S.L. | Real estate | Alicante | - | 100.00 | Yes |
| Sinia Renovables, S.C.R. de R.S., S.A.U | Other regulated companies | Barcelona | 100.00 | - | Yes |
| Solvía Activos, S.A.U. | Real estate | Sant Cugat del Vallès | 100.00 | - | Yes |
| Solvía Development, S.L. | Real estate | Sant Cugat del Vallès | 100.00 | - | Yes |
| Solvía Hotels, S.L. | Real estate | Sant Cugat del Vallès | 100.00 | - | Yes |
| Solvía Housing, S.L. | Real estate | Sant Cugat del Vallès | 100.00 | - | Yes |
| Solvía Pacific, S.A. de C.V. | Real estate | Mexico | - | 100.00 | No |
| SOLVIA SERVICIOS INMOBILIARIOS, S.L. | Real estate | Alicante | 100.00 | - | Yes |
| Son Blanc Caleta S.L. | Real estate | Sant Cugat del Vallès | - | 100.00 | No |
| Stonington Spain S.L.U. | Real estate | Madrid | 100.00 | - | No |
| Tabimed Gestión de Proyectos, S.L. | Other investees with their own business | Alicante | - | 99.67 | Yes |
| Tasaciones de Bienes Mediterráneo, S.A. (En Liquidación) | Other investees with their own business | Alicante | 99.88 | - | Yes |
| Tenedora de Inversiones y Participaciones, S.L. | SPE | Alicante | 100.00 | - | Yes |
| Tierras Vega Alta del Segura S.L. | Real estate | Sant Cugat del Vallès | - | 100.00 | No |
| Tratamientos y Aplicaciones, S.L. | Services | Alicante | 100.00 | - | Yes |
| Urdin Oria, S.A. | Dormant | San Sebastian | 99.98 | - | No |
| Dormant | Other regulated companies | Madrid | - | 100.00 | Yes |
| Urumea Gestión, S.L. | Other investees with their own business | San Sebastian | - | 99.97 | No |
| Verum Inmob. Urbanismo y Promoción, S.A. | Real estate | Madrid | - | 97.20 | Yes |
| Villacarrilla FV, S.L.U. | Services | Madrid | 100.00 | - | Yes |
| Vistas del Parque 21, S.L. | Real estate | Sant Cugat del Vallès | - | 99.57 | No |

Banco Sabadell Group companies at 31 December 2014

Thousand euro

| Company name | Company data (1) | | | | | Net investment by group | Contribution to reserves or losses in consolidated companies | Contribution to consolidated | |
|--|------------------|-----------|-------------|--------------------|--------------|-------------------------|--|------------------------------|------------|
| | Capital | Reserves | Results (2) | Dividends paid (3) | Total assets | | | group balance sheet results | sheet date |
| | | | | | | | | | |
| Fully consolidated companies | | | | | | | | | |
| Activos Valencia I, S.A.U. | 10,000 | (108,932) | (31,330) | - | 84,657 | 8,704 | - | (31,330) | 12/14 |
| Alfonso XII, 16 Inversiones, S.L. | 11,400 | (24,248) | (364) | - | 9,186 | 15,939 | (15,585) | (364) | 12/14 |
| Arrendamiento de Bienes Inmobiliarios del Mediterráneo, S.L. | 100 | 12,987 | (528) | - | 12,611 | 20,038 | (8,140) | (528) | 12/14 |
| Artemus Capital, S.L. | 29,026 | (40,756) | (21,244) | - | - | 29,574 | 18 | (21,244) | 12/14 |
| Assegurances Segur Vida, S.A. | 602 | 338 | 184 | 150 | 131,124 | 602 | 172 | 184 | 12/14 |
| Aurica XXI, S.C.R., S.A.U. | 14,200 | 19,029 | 17,151 | - | 109,351 | 17,492 | 16,437 | 17,151 | 12/14 |
| Ballerton Servicios, S.L. | 50 | 24,326 | 8 | - | 24,387 | 3,140 | (119) | 8 | 12/14 |
| Banco Atlantico Baham as Bank & Trust, Ltd. | 1,647 | 786 | 3 | - | 3,107 | 2,439 | 701 | 3 | 12/14 |
| Banco de Sabadell, S.A. | 503,058 | 8,832,575 | 850,038 | - | 159,854,131 | - | 7,587,576 | 850,038 | 12/14 |
| Banco Gallego Vida y Pensiones, S.A. de Seguros y Reaseguros | 5,109 | 4,209 | 2,254 | - | 64,293 | 30,674 | (177) | 2,254 | 12/14 |
| BancSabadell d'Andorra, S.A. | 30,069 | 30,779 | 7,128 | 1,211 | 658,005 | 15,326 | 13,667 | 7,128 | 12/14 |
| BanSabadell Consulting, S.L. | 3 | 25 | 102 | - | 494 | 3 | 25 | 102 | 12/14 |
| BanSabadell Factura, S.L. | 100 | (3,165) | 196 | - | 771 | 299 | (3,364) | 196 | 12/14 |
| BanSabadell Financiación, E.F.C., S.A. | 24,040 | 26,713 | (497) | - | 665,403 | 24,040 | 26,713 | (497) | 12/14 |
| BanSabadell Fincom, E.F.C., S.A.U. | 35,520 | 14,977 | 11,615 | - | 583,429 | 72,232 | (16,814) | 11,615 | 12/14 |
| BanSabadell Holding, S.L. | 330,340 | (385,888) | (2,430) | - | 271,244 | 239,544 | (326,279) | (2,430) | 12/14 |
| BanSabadell Inversió Desenvolupament, S.A. | 15,025 | 17,038 | 2,244 | - | 68,482 | 100,376 | (13,891) | 5,674 | 12/14 |
| BanSabadell Inversión, S.A.U., S.G.I.I.C | 601 | 99,303 | 22,970 | - | 185,521 | 607 | 99,293 | 22,970 | 12/14 |
| Bansabadell Mediación, Operador de Banca-Seguros related to | | | | | | | | | |
| Banco Sabadell, S.A. Group | 301 | 11,973 | 20,770 | - | 51,708 | 524 | 39 | 20,770 | 12/14 |
| BanSabadell Renting, S.L. | 2,000 | 8,732 | 7,742 | 4,186 | 219,693 | 3,861 | 6,605 | 7,742 | 12/14 |
| Bansabadell Securities Services, S.L. | 2,500 | 6,438 | 7,399 | 4,076 | 17,790 | 2,500 | 6,438 | 7,399 | 12/14 |
| Bitarte S.A. | 6,506 | 4,160 | (958) | - | 9,838 | 9,272 | (2,535) | (958) | 12/14 |
| BlueSky Property Development, S.L. | 2,500 | (11,246) | (4,144) | - | 1,786 | 2,492 | (9,554) | (4,144) | 12/14 |
| BOREAL RENOVABLES 14 S.L.U. | 508 | (8) | (1,429) | - | 613 | 508 | (2,002) | (1,429) | 12/14 |
| BSTARTUP 10, S.L.U. | 1,000 | (1) | (481) | - | 538 | 1,000 | (1) | (481) | 12/14 |
| BUSINESS SERVICES FOR INFORMATION SYSTEMS, S.A. | 240 | 27,519 | 6,890 | - | 353,518 | 3,687 | 23,833 | 6,890 | 12/14 |
| Business Services for Operational Support, SAU | 60 | 331 | 1,461 | - | 13,946 | 60 | 326 | 1,461 | 12/14 |
| CAM Capital, S.A.U. | 61 | 297 | 264 | - | 30,595 | 1,217 | 278 | 264 | 12/14 |
| CAM Global Finance, S.A.U. | 61 | 67 | (3) | - | 207,768 | 2,059 | 55 | (3) | 12/14 |
| CAM International Issues, S.A.U. | 61 | 337 | 156 | - | 146,976 | 114,079 | (24,045) | 156 | 12/14 |
| Caminsa Urbanismo, S.A. | 2,000 | (1,415) | (175) | - | 415 | 800 | - | (175) | 12/14 |
| Casiopea Energía 1, S.L.U | 3 | (2) | - | - | 46 | 6 | (6) | - | 12/14 |
| Casiopea Energía 2, S.L.U | 3 | (1) | - | - | 54 | 14 | (16) | - | 12/14 |
| Casiopea Energía 3, S.L.U | 3 | (1) | - | - | 56 | 15 | (17) | - | 12/14 |
| Casiopea Energía 4, S.L.U | 3 | (1) | - | - | 54 | 14 | (16) | - | 12/14 |
| Casiopea Energía 5, S.L.U | 3 | (1) | - | - | 54 | 14 | (17) | - | 12/14 |
| Casiopea Energía 6, S.L.U | 3 | (1) | - | - | 52 | 13 | (15) | - | 12/14 |
| Casiopea Energía 7, S.L.U | 3 | (1) | - | - | 53 | 20 | (27) | - | 12/14 |
| Casiopea Energía 8, S.L.U | 3 | (1) | - | - | 46 | 10 | (9) | - | 12/14 |
| Casiopea Energía 9, S.L.U | 3 | (1) | - | - | 47 | 11 | (12) | - | 12/14 |
| Casiopea Energía 10, S.L.U | 3 | (1) | - | - | 49 | 11 | (12) | - | 12/14 |
| Casiopea Energía 11, S.L.U | 3 | (1) | - | - | 46 | 10 | (10) | - | 12/14 |
| Casiopea Energía 12, S.L.U | 3 | (1) | - | - | 47 | 10 | (11) | - | 12/14 |
| Casiopea Energía 13, S.L.U | 3 | (1) | - | - | 47 | 11 | (11) | - | 12/14 |
| Casiopea Energía 14, S.L.U | 3 | (1) | - | - | 55 | 14 | (16) | - | 12/14 |
| Casiopea Energía 15, S.L.U | 3 | (1) | - | - | 57 | 16 | (19) | - | 12/14 |
| Casiopea Energía 16, S.L.U | 3 | (1) | - | - | 56 | 19 | (25) | - | 12/14 |
| Casiopea Energía 17, S.L.U | 3 | 1 | - | - | 37 | 3 | 3 | - | 12/14 |
| Casiopea Energía 18, S.L.U | 3 | (1) | - | - | 72 | 27 | (52) | - | 12/14 |
| Casiopea Energía 19, S.L.U | 3 | 2 | - | - | 52 | 15 | (18) | - | 12/14 |
| Compañía de Cogeneración del Caribe Dominicana, S.A. | 6,589 | (5,903) | - | - | 702 | - | 112 | - | 12/14 |
| Costa Mujeres Investment BV | 18 | (19,784) | (1,079) | - | 27,924 | 9,474 | - | (1,079) | 12/14 |
| Delta Swing, S.A.U. | 981 | (368) | (2,445) | - | 39 | - | - | (2,445) | 12/14 |

Banco Sabadell Group companies at 31 December 2014

Thousand euro

| Company name | Company data (1) | | | | | Net investment by group | Contribution to reserves or losses in consolidated companies | Contribution to consolidated group balance sheet results | date |
|--|------------------|-----------|-------------|--------------------|--------------|-------------------------|--|--|-------|
| | Capital | Reserves | Results (2) | Dividends paid (3) | Total assets | | | | |
| | | | | | | | | | |
| Fully consolidated companies | | | | | | | | | |
| Desarrollo y Ejecución Urbanística del Mediterráneo, S.L. | 15,533 | (9,412) | 101 | - | 9,616 | 15,279 | - | 101 | 12/14 |
| Desarrollos y Participaciones Inmobiliarias 2006, S.L. | 1,942 | (54,140) | (4,218) | - | 47,856 | 1,919 | - | (4,218) | 12/14 |
| Easo Bolsa, S.A. | 15,150 | 24,055 | 1,015 | - | 40,221 | 38,317 | 2,943 | 1,015 | 12/14 |
| Eco Resort San Blas, S.L. | 7,801 | (3,218) | 1,028 | - | 72,040 | 8,101 | - | 1,028 | 12/14 |
| Ederra, S.A. | 2,036 | 26,082 | (2,045) | - | 27,564 | 36,062 | (8,549) | (2,045) | 12/14 |
| Eólica de Cuesta Roja, SL | 3 | (14) | (1) | - | 2 | 2 | (1) | - | 12/14 |
| Eólica de Valdejalón, SL | 3 | (18) | (1) | - | 2 | 2 | - | - | 12/14 |
| Epila de Renovables, SL | 78 | (37) | (15) | - | 242 | 74 | (26) | - | 12/14 |
| Espais Arco Mediterráneo S.L. | 5,953 | (25,548) | (1,336) | - | 3,894 | 3,834 | 1,312 | (1,336) | 12/14 |
| Europa Invest, S.A. | 125 | 233 | 107 | - | 501 | 336 | 14 | 107 | 12/14 |
| Europea Pall Mall Ltd. | 19,870 | (3,306) | 33 | - | 16,929 | 20,843 | (1,649) | 33 | 12/14 |
| Exel Broker Seguros, S.A. | 100 | 748 | 973 | 771 | 3,440 | 3,940 | (1,192) | 973 | 12/14 |
| Fomento de la Coruña, S.A. | 100 | (78) | (24) | - | 25 | 9,606 | (78) | (24) | 12/14 |
| Fonomed Gestión Telefónica Mediterráneo, S.A. | 180 | 57 | 87 | 12 | 480 | 240 | - | 87 | 12/14 |
| Fotovoltaica de la Hoya de los Vicentes 106, S.L.U. | 74 | (11) | (22) | - | 677 | 84 | (75) | - | 11/14 |
| Fotovoltaica de la Hoya de los Vicentes 113, S.L.U. | 74 | (11) | (14) | - | 685 | 108 | (78) | - | 11/14 |
| Fotovoltaica de la Hoya de los Vicentes 119, S.L.U. | 74 | (11) | (17) | - | 683 | 87 | (79) | - | 11/14 |
| Fotovoltaica de la Hoya de los Vicentes 121, S.L.U. | 74 | (11) | (16) | - | 683 | 89 | (81) | - | 11/14 |
| Fotovoltaica de la Hoya de los Vicentes 127, S.L.U. | 74 | (11) | (14) | - | 685 | 87 | (79) | - | 11/14 |
| Fotovoltaica de la Hoya de los Vicentes 130, S.L.U. | 74 | (11) | (13) | - | 686 | 85 | (73) | - | 11/14 |
| Fotovoltaica de la Hoya de los Vicentes 131, S.L.U. | 74 | (11) | (16) | - | 684 | 85 | (77) | - | 11/14 |
| Fotovoltaica de la Hoya de los Vicentes 144, S.L.U. | 74 | (11) | (16) | - | 685 | 99 | (77) | - | 11/14 |
| Fotovoltaica de la Hoya de los Vicentes 162, S.L.U. | 74 | (11) | (14) | - | 681 | 87 | (79) | - | 11/14 |
| Fotovoltaica de la Hoya de los Vicentes 163, S.L.U. | 74 | (11) | (14) | - | 683 | 86 | (79) | - | 11/14 |
| Fotovoltaica de la Hoya de los Vicentes 164, S.L.U. | 74 | (11) | (15) | - | 684 | 87 | (79) | - | 11/14 |
| Fotovoltaica de la Hoya de los Vicentes 165, S.L.U. | 74 | (11) | (15) | - | 692 | 86 | (85) | - | 11/14 |
| Fotovoltaica de la Hoya de los Vicentes 166, S.L.U. | 74 | (11) | (14) | - | 690 | 86 | (77) | - | 11/14 |
| Fotovoltaica de la Hoya de los Vicentes 167, S.L.U. | 74 | (11) | (14) | - | 686 | 86 | (78) | - | 11/14 |
| Fotovoltaica de la Hoya de los Vicentes 168, S.L.U. | 74 | (11) | (14) | - | 686 | 87 | (80) | - | 11/14 |
| Fotovoltaica de la Hoya de los Vicentes 169, S.L.U. | 74 | (11) | (14) | - | 686 | 87 | (80) | - | 11/14 |
| Fotovoltaica de la Hoya de los Vicentes 170, S.L.U. | 74 | (11) | (14) | - | 686 | 86 | (77) | - | 11/14 |
| Fotovoltaica de la Hoya de los Vicentes 195, S.L. | 74 | (9) | (13) | - | 694 | 74 | (65) | - | 11/14 |
| Fotovoltaica de la Hoya de los Vicentes 200, S.L.U. | 74 | (9) | (18) | - | 682 | 99 | (90) | - | 11/14 |
| Gala Domus, S.A. | 4,000 | (25,868) | (1,929) | - | 10,552 | 4,000 | (18,256) | (1,929) | 12/14 |
| Galeban 21 Comercial S.L.U. | 10,000 | (4,374) | (206) | - | 5,523 | 14,477 | (8,895) | (206) | 12/14 |
| Galeban Control y Asesoramiento S.L.U. | 8 | 30 | (2) | - | 40 | 80 | (86) | - | 12/14 |
| Gazteluberri Gestión S.L. | 1,460 | (20,425) | (1,046) | - | 10,813 | 1,769 | (14,133) | (1,046) | 12/14 |
| Gazteluberri S.L. | - | - | - | - | 19,526 | 68,153 | (53,741) | (3,221) | 12/14 |
| GEST 21 Inmobiliaria, S.L.U. | 80,516 | (4,619) | (68,117) | - | 19,183 | 80,516 | (66,132) | (68,117) | 12/14 |
| Gest Galinver, S.L. | 6,580 | (2,826) | (244) | - | 3,529 | 7,155 | (462) | (244) | 12/14 |
| Gest Madrigal, S.L.U. | 1,230 | (4,749) | (3) | - | 1,155 | 1,230 | (7) | (3) | 12/14 |
| Gestión de Proyectos Urbanísticos del Mediterráneo, S.L. | 33,850 | (15,594) | 253 | - | 25,933 | 32,832 | - | 253 | 12/14 |
| Gestión Financiera del Mediterráneo, S.A.U. | 13,000 | 114,560 | 247,809 | 173,514 | 202,306 | 400,865 | 83,710 | 247,809 | 12/14 |
| Gestión Mediterránea del Medio Ambiente, S.A. en Liquidación | 60 | (1) | (3) | - | 61 | 1,351 | (1,292) | (3) | 12/14 |
| Grao Castalia S.L. | 700 | (2,470) | (373) | - | 970 | 863 | (897) | (373) | 12/14 |
| Guipuzcoano Capital, S.A. Unipersonal | 60 | 11 | 15 | - | 19,180 | 59 | 12 | 15 | 12/14 |
| Guipuzcoano Promoción Empresarial, S.L. | 32,314 | (101,255) | (9,431) | - | 10,955 | 32,314 | (64,759) | (9,431) | 12/14 |
| Guipuzcoano Valores, S.A. | 4,514 | 4,301 | (352) | - | 8,561 | 10,833 | (2,014) | (352) | 12/14 |
| Hansa Cabo, S.A. de C.V. | 3,620 | (15,757) | (428) | - | 149 | 8,173 | 1,322 | (428) | 12/14 |
| Hansa México S.A. de C.V. | 16,892 | (16,887) | (126) | - | 2,631 | 20,243 | 862 | (126) | 12/14 |
| Herrero Internacional Gestión, S.L. | 354 | 3,760 | (0) | - | 4,114 | 1,139 | 63 | - | 12/14 |
| Hobalear, S.A. | 60 | 610 | 12 | - | 683 | 414 | 610 | 12 | 12/14 |
| Hondarriberrí, S.P.E., S.L. | 41 | (9,937) | (32,499) | - | 27,022 | 74,631 | (11,339) | (32,499) | 12/14 |
| Hotelería H.M., S.A. de C.V. | 17,451 | (14,995) | (3,406) | - | 24,319 | 30,596 | (2,231) | (3,406) | 12/14 |
| Hotelería Marina, S.A. de C.V. | 67,191 | (31,761) | 4,387 | - | 39,968 | 71,346 | - | 4,387 | 12/14 |
| Interstate Property Holdings, LLC. | 6,589 | (17,684) | 4,590 | - | 35,730 | 3,414 | (20,594) | 4,590 | 12/14 |
| Inverán Gestión, S.L. | 45,090 | (49,243) | (4,159) | - | 17,285 | 45,090 | (32,909) | (4,159) | 12/14 |

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Thousand euro

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|---|------------------|-----------|-------------|--------------------|--------------|-------------------------|--|------------------------------|--------------------------|
| | Capital | Reserves | Results (2) | Dividends paid (3) | Total assets | | | group balance sheet results | group balance sheet date |
| | | | | | | | | | |
| Fully consolidated companies | | | | | | | | | |
| Inversiones Cotizadas del Mediterráneo, S.L. | 308,000 | 192,284 | 151 | - | 500,439 | 589,523 | (92,075) | 151 | 12/14 |
| Manston Invest S.L.U. | 33,357 | 6,903 | (9,588) | - | 31,080 | 33,357 | - | (9,588) | 12/14 |
| Marinamendi S.L. | - | - | - | - | 71,520 | 55,013 | (84,526) | (7,069) | 12/14 |
| Mediterráneo Sabadell, S.L. | 85,000 | 104,641 | 179,046 | 429,104 | 191,315 | 624,116 | (438,602) | 179,046 | 12/14 |
| Mediterráneo Vida, S.A.U. de Seguros y Reaseguros | 102,044 | 20,479 | 176,393 | 177,600 | 2,517,431 | 127,827 | - | 176,393 | 12/14 |
| Mirador del Segura 21, S.L. | 4,637 | (70) | - | - | 1,223 | 4,526 | (4,724) | (70) | 12/14 |
| Operadora Cabo de Cortes S. DE R.L DE C.V. | 0 | (209) | (152) | - | 106 | 2,408 | - | (152) | 12/14 |
| Parque Eólico Loma del Capón, S.L. | 3,124 | (432) | 35 | - | 55,038 | 2,904 | (1,225) | 35 | 12/14 |
| Placements Immobiliers France, S.A.S. | 30,002 | 59,694 | 1,452 | - | 92,722 | 101,343 | - | 1,452 | 12/14 |
| Playa Caribe Holding IV B.V. | 27 | (13,856) | 7,242 | - | 40,531 | 37,977 | - | 7,242 | 12/14 |
| Playa Caribe Holding V B.V. | 27 | (988) | 52 | - | 1,907 | 1,182 | - | 52 | 12/14 |
| Playa Caribe Holding VI B.V. | 27 | (14,948) | (4,458) | - | 464 | 4,092 | - | (4,458) | 12/14 |
| Playa Marina, S.A. de C.V. | 2,904 | (1,000) | (88) | - | 1,705 | 3,034 | - | (88) | 12/14 |
| Procom Residencial Rivas, S.A.U. | 12,500 | (93,359) | (7,363) | - | 22,596 | 5,625 | 10,565 | (7,363) | 12/14 |
| Promociones e Inmuebles Blauverd Mediterráneo, S.L. | 17,666 | (72,536) | (3,862) | - | 32,057 | 10,684 | 14,327 | (3,862) | 12/14 |
| Promociones y Desarrollos Creazona Levante S.L. | 8,740 | (10,063) | (159) | - | 4,641 | 14,497 | (7,955) | (159) | 12/14 |
| Promociones y Desarrollos Ribera Mujeres S.A. de C.V. | 45,181 | (15,852) | (2,999) | - | 24,477 | 50,898 | - | (2,999) | 12/14 |
| Promociones y Financiaciones Herrero, S.A. | 3,456 | 269 | - | - | 3,725 | 24,185 | 8 | - | 12/14 |
| Proteo Banking Software, S.L. | 3 | - | - | - | 3 | 5 | (2) | - | 12/14 |
| Residencial Kataoria S.L. | 3,250 | (4,779) | (152) | - | 3,314 | 8,233 | (8,215) | (152) | 12/14 |
| Sabadell Asia Trade Services, Ltd. | - | - | - | - | 7 | - | - | - | 12/14 |
| Sabadell Brasil Trade Services - Ass. Cial Ltda. | 1,062 | (945) | - | - | 135 | 250 | (155) | - | 12/14 |
| Sabadell BS Select Fund of Hedge Funds, S.I.C.A.V., S.A. | 31,474 | 5,163 | 322 | - | 41,666 | 16,400 | 2,918 | 322 | 12/14 |
| Sabadell Capital S.A de C.V. SOFOM E.N.R. | 5,597 | - | (518) | - | 386,870 | 5,566 | - | (518) | 12/14 |
| Sabadell Corporate Finance, S.L. | 70 | 1,510 | 215 | - | 2,074 | 9,373 | 67 | 215 | 12/14 |
| Sabadell d'Andorra Inversions SGOIC, S.A.U. | 300 | 1,000 | 704 | 600 | 2,679 | 300 | 509 | 704 | 12/14 |
| Sabadell Patrimonio Inmobiliario, SOCIMI, S.A.U. | 30,116 | 895,146 | (27,062) | - | 1,004,860 | 939,333 | (4,108) | (27,062) | 12/14 |
| Sabadell International Equity, Ltd. | 1 | 117 | 30 | - | 18,960 | 1 | - | 30 | 12/14 |
| Sabadell Securities USA, Inc. | 659 | 1,270 | 321 | - | 2,326 | 551 | 1,102 | 321 | 12/14 |
| Sabadell Solbank Inversión, S.G.I.L.C., S.A.U. | 601 | 712 | (380) | - | 933 | 1,446 | (133) | (380) | 12/14 |
| Sabadell Solbank Sociedad de Gestión de Activos Adjudicados, S.A.U. | 60 | 2,867 | (454) | - | 2,482 | 3,074 | (147) | (454) | 12/14 |
| Sabadell United Bank, N.A. | 2,965 | 421,163 | 18,341 | - | 3,799,592 | 347,935 | 55,414 | 18,345 | 12/14 |
| Serveis d'assessorament BSA S.A.U. | 60 | 43 | 30 | - | 873 | 60 | 12 | 30 | 12/14 |
| Servicio de Administración de Inversiones, S.A. | 6,010 | 752 | - | - | 6,763 | 16,690 | (6,104) | - | 12/14 |
| Simat Banol, S.L. | 1,482 | (5,867) | (160) | - | 1,394 | 667 | 433 | (160) | 12/14 |
| Sinia Renovables, S.C.R. de R.S., S.A.U | 15,000 | (20,141) | 327 | - | 31,260 | 15,000 | (3,807) | 327 | 12/14 |
| Solvía Activos, S.A.U. | 100,060 | 336,905 | (39,983) | - | 399,008 | 500,622 | (63,657) | (39,983) | 12/14 |
| Solvía Development, S.L. | 15,807 | (364,302) | (399,935) | - | 4,354,541 | 1,647,442 | (1,985,323) | (399,935) | 12/14 |
| Solvía Hotels, S.L. | 500 | (14,280) | (6,281) | - | 59,459 | 500 | (14,280) | (6,281) | 12/14 |
| Solvía Housing, S.L. | 2,073 | 896 | 264 | - | 29,864 | 14,292 | (11,323) | 264 | 12/14 |
| Solvía Pacific, S.A. de C.V. | 30,188 | (1,599) | (5,599) | - | 23,262 | 32,012 | (1,580) | (5,599) | 12/14 |
| Solvía Servicios Inmobiliarios, S.L | 660 | (4,039) | (1,031) | - | 98,399 | 5,023 | 920 | (1,031) | 12/14 |
| Son Blanc Caleta S.L. | 4,000 | (11,186) | (107) | - | 2,195 | 6,288 | (9,349) | (107) | 12/14 |
| Stonington Spain S.L.U. | 60,729 | 10,492 | (11,744) | - | 60,007 | 60,729 | - | (11,744) | 12/14 |
| Tablmed Gestión de Proyectos, S.L. | 3 | (74) | (6) | - | 323 | 3 | - | (6) | 12/14 |
| Tasaciones de Bienes Mediterráneo, S.A. (En liquidación) | 1,000 | 1,931 | 13 | - | 3,365 | 5,266 | 137 | 13 | 12/14 |
| Tenedora de Inversiones y Participaciones, S.L. | 296,092 | (950,321) | (109,928) | - | 2,637,902 | 1,309,153 | (1,552,731) | (109,928) | 12/14 |
| Tierras Vega Alta del Segura S.L. | 4,550 | (18,592) | (8,983) | - | 2,608 | 5,123 | (12,895) | (8,983) | 12/14 |
| Tratamientos y Aplicaciones, S.L. | 3,003 | (190) | (122) | - | 2,693 | 4,654 | 2,450 | (122) | 12/14 |
| Urdin Oria, S.A. | 60 | 2 | - | - | 62 | 63 | (1) | - | 12/14 |
| Dormant | 3,606 | 4,079 | 2,877 | - | 17,140 | 5,286 | 2,200 | 2,877 | 12/14 |
| Urumea Gestión, S.L. | 9 | 5 | (3) | - | 11 | 9 | (2) | (3) | 12/14 |
| Verum Inmob. Urbanismo y Promocion, S.A. | 12,000 | (39,951) | 1,702 | - | 35,382 | 11,664 | (32,192) | 1,702 | 12/14 |
| Villacarrilla FV, S.L.U. | 3 | 8 | (22) | - | 1,059 | 3 | 1 | - | 12/14 |
| Vistas del Parque 21, S.L. | 4,646 | (41) | - | - | 1,258 | 4,535 | (4,631) | (41) | 12/14 |
| Total | | | | 791,225 | | 8,455,330 | 2,890,915 | 763,366 | |

Banco Sabadell Group companies at 31 December 2014

| Company name | | | Percentage shareholding | | Consolidated taxation |
|---|---------------------------|-----------------------|-------------------------|----------|-----------------------|
| | | | Direct | Indirect | |
| Companies consolidated by the equity method (*) | | | | | |
| Adara Renovables, S.L. | Services | La Coruña | 34.00 | 0.00 | No |
| Alze Mediterráneo, S. L. | Real estate | Girona | 0.00 | 45.00 | No |
| Aviación Regional Cantabria, A.I.E. | Services | Madrid | 26.42 | 0.00 | No |
| Aviones Alfambra CRJ-900, A.I.E. | Services | Madrid | 25.00 | 0.00 | No |
| Aviones Cabriel CRJ-900, A.I.E. | Services | Madrid | 25.00 | 0.00 | No |
| Aviones Carraixet CRJ-200 II A.I.E. | Services | Madrid | 25.00 | 0.00 | No |
| Aviones Gorgos CRJ-900, A.I.E. | Services | Madrid | 25.00 | 0.00 | No |
| Aviones Portacoli CRJ-200 III A.I.E. | Services | Madrid | 25.00 | 0.00 | No |
| Aviones Sella CRJ-900, A.I.E. | Services | Madrid | 25.00 | 0.00 | No |
| Aviones Turia CRJ-200 I, A.I.E. | Services | Madrid | 25.00 | 0.00 | No |
| B2B Salud, S.L. | Services | Alicante | 0.00 | 50.00 | No |
| Bajo Almanzora Desarrollos Inmobiliarios S.L. | Real estate | Almeria | 0.00 | 39.14 | No |
| Balam Overseas BV | Real estate | Netherlands | 0.00 | 40.00 | No |
| BanSabadell Pensiones, E.G.F.P., S.A | Other regulated companies | Sant Cugat del Vallès | 50.00 | 0.00 | No |
| BanSabadell Seguros Generales, S.A. de Seg. y Reas. | Other regulated companies | Sant Cugat del Vallès | 50.00 | 0.00 | No |
| BanSabadell Vida, S.A. de Seguros y Reaseguros | Other regulated companies | Sant Cugat del Vallès | 50.00 | 0.00 | No |
| Blue-Lor, S.L. | Real estate | Barcelona | 0.00 | 27.62 | No |
| Cantabria Generación S.L. | Services | Santander | 50.00 | 0.00 | No |
| Dexia Sabadell, S.A. | Credit institution | Madrid | 20.99 | 0.00 | No |
| Diana Capital S.G.E.C.R. S.A. | Other regulated companies | Madrid | 20.66 | 0.00 | No |
| Elche-Crevillente Salud S.A. | Services | Valencia | 0.00 | 30.00 | No |
| Emte Renovables Consolidado, S.L. | SPE | Barcelona | 0.00 | 62.11 | No |
| Energías Renovables Sierra Sesnández, S.L. | Services | Valladolid | 0.00 | 40.00 | No |
| Eólica Mirasierra, S.L. | Services | Palencia | 0.00 | 50.00 | No |
| ESUS Energía Renovable, S.L. | Services | Vigo | 0.00 | 45.00 | No |
| Financiera Iberoamericana, S.A | Credit institution | Havana | 50.00 | 0.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 17 1, S.L. | Services | Madrid | 50.00 | 0.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 189, S.L. | Services | Madrid | 25.00 | 0.00 | No |
| Galenova Sanitaria S.L. | Services | Madrid | 0.00 | 50.00 | No |
| Gate Solar, S.L. | Services | Vitoria | 50.00 | 0.00 | No |
| GDSUR Ali cante, S.L. | Real estate | Alicante | 0.00 | 27.75 | No |
| Gesta Aparcamientos, S.L. | Real estate | Alicante | 0.00 | 40.00 | No |
| Gestora de Aparcamientos del Mediterráneo, S.L. | Services | Alicante | 0.00 | 40.00 | No |
| Grupo Luxiona S.L. | Other investees | Canovelles | 0.00 | 20.00 | No |

Banco Sabadell Group companies at 31 December 2014

| Company name | Percentage shareholding | | Consolidated taxation | | |
|--|--|-----------------------|-----------------------|-------|-----|
| | Direct | Indirect | | | |
| Companies consolidated by the equity method (*) | | | | | |
| Guisain, S.L. | Real estate | Vizcaya | 0.00 | 40.00 | No |
| Hydrophytic, S.L. | Real estate | Vitoria | 0.00 | 50.00 | No |
| Inerzia Mediterráneo, S.L. | Real estate | Alicante | 0.00 | 40.00 | No |
| Intermas Nets, S.A. | Services | Llinars del Vallès | 0.00 | 20.00 | No |
| Inversiones Ahorro 2000, S.A. | Other regulated companies | Vigo | 20.00 | 0.00 | No |
| Luzentia Fotovoltaica, SL | Services | Madrid | 25.93 | 0.00 | No |
| Marina Salud, S.A. | Services | Denia | 0.00 | 17.50 | No |
| Mercurio Alicante Sociedad de Arrendamientos 1, S.L. | Real estate | Alicante | 75.00 | 0.00 | Yes |
| Metalplast C.F.E. S.L. (En liquidación) | Services | La Coruña | 0.00 | 20.00 | No |
| Metrovacesa, S.A. | Real estate | Madrid | 13.04 | 0.00 | No |
| Murcia Emprende, S.C.R., S.A. | Other regulated companies | Murcia | 32.50 | 0.00 | No |
| Mursiya Golf, S.L. | Real estate | Murcia | 0.00 | 49.70 | No |
| Parque Eólico Magaz, S.L. | Services | Palencia | 0.00 | 49.00 | No |
| Parque Tecnológico Fuente Álamo, S.A. | Services | Murcia | 22.54 | 0.00 | No |
| Pemapro, S.L. | Real estate | La Coruña | 0.00 | 49.00 | No |
| Planificación TGN 2004, S.L. | Real estate | Tarragona | 0.00 | 25.00 | No |
| Plaxic Estelar, S.L. | Real estate | Barcelona | 0.00 | 45.01 | No |
| Queenford, S.L. | Real estate | Barcelona | 0.00 | 31.54 | No |
| Rocabella, S.L. | Real estate | Ibiza | 0.00 | 36.09 | No |
| Ribera Salud Infraestructuras, S.L.U | Services | Valencia | 0.00 | 50.00 | No |
| Ribera Salud Proyectos, S.L.U. | Services | Valencia | 0.00 | 50.00 | No |
| Ribera Salud Tecnologías, S.L.U. | Services | Valencia | 0.00 | 50.00 | No |
| Ribera Salud, S.A. | Services | Valencia | 0.00 | 50.00 | No |
| SBD Creixent, S.A. | Real estate | Sabadell | 23.05 | 0.00 | No |
| Sercacín, S.A. | Other associates with their own business | Alicante | 20.00 | 0.00 | No |
| Servicios Inmobiliarios Trecam, S.L | Real estate | Madrid | 0.00 | 30.01 | No |
| Sistema Eléctrico de Conexión Valcaire, S.L. | Services | Granada | 0.00 | 46.88 | No |
| Sociedad de Cartera del Vallés, S.I.C.A.V., S.A. | Other associates | Sant Cugat del Vallès | 47.73 | 0.00 | No |
| Societat d'Inversió dels Enginyers, S.L | SPE | Barcelona | 0.00 | 35.54 | No |
| Torre Sureste, S.L. | Real estate | Alicante | 0.00 | 40.00 | No |
| Torreveja Salud, S.L.U. | Services | Alicante | 0.00 | 50.00 | No |
| Tremon Maroc Mediterraneo Services Immobiliers S.A.R.L | Real estate | Morocco | 0.00 | 40.00 | No |
| Visualmark Internacional S.L. | Services | La Coruña | 0.00 | 20.00 | No |

Banco Sabadell Group companies at 31 December 2014

Thousand euro

| Company name | Company data (1) | | | | | Net for the by group | Contribution to reserves or losses in consolidated companies | Contribution to consolidated group | Balance sheet Date |
|---|------------------|----------|-------------|-----------------------|-----------------|----------------------------|--|--|-----------------------|
| | Capital | Reserves | Results (2) | Dividends paid (3) | Total assets | | | | |
| | | | | | | | | | |
| Companies consolidated by the equity method (*) | | | | | | | | | |
| Adara Renovables, S.L. | 1,200 | (435) | (18) | - | 3,160 | 358 | (263) | - | 10/14 |
| Alze Mediterráneo, S. L. | 2,102 | (13,900) | 9,323 | - | 425 | 946 | - | - | 12/14 |
| Aviación Regional Cantabria, A.I.E. | 29,606 | 4,260 | 3,008 | 40 | 77,240 | 7,824 | 1,233 | - | 11/14 |
| Aviones Alfambra CRJ-900, A.I.E. | 1 | 3,010 | (95) | - | 14,174 | 1,060 | (269) | - | 11/14 |
| Aviones Gabriel CRJ-900, A.I.E. | 1 | 3,012 | (178) | - | 14,061 | 1,060 | (269) | - | 11/14 |
| Aviones Carraixet CRJ-200 II A.I.E. | 1 | 4,377 | (330) | - | 11,291 | 894 | - | - | 12/13 |
| Aviones Gorgos CRJ-900, A.I.E. | 1 | 3,012 | (254) | - | 13,946 | 1,060 | (270) | - | 11/14 |
| Aviones Portacoli CRJ-200 III A.I.E. | 1 | 4,392 | (196) | - | 11,482 | 897 | - | - | 12/13 |
| Aviones Sella CRJ-900, A.I.E. | 1 | 3,013 | (338) | - | 13,824 | 1,060 | (270) | - | 11/14 |
| Aviones Turia CRJ-200 I, A.I.E. | 1 | 4,385 | (260) | - | 11,395 | 896 | - | - | 12/13 |
| B2B Salud, S.L. | 30 | 1,703 | 544 | - | 3,226 | 1,330 | - | - | 11/14 |
| Bajo Almanzora Desarrollos Inmobiliarios S.L. | 1,450 | (4,595) | (14) | - | 5,840 | 176 | (3,425) | - | 10/14 |
| Balam Overseas BV | 20,084 | 1,032 | (21) | - | 21,111 | 8,516 | - | - | 12/13 |
| BanSabadell Pensiones, E.G.F.P., S.A | 7,813 | 64,486 | 2,857 | 5,149 | 80,911 | 40,378 | (3,437) | 1,429 | 12/14 |
| BanSabadell Seguros Generales, S.A. de Seg. y Reas. | 10,000 | 86,454 | 4,722 | 2,038 | 160,416 | 45,000 | 3,365 | 2,361 | 12/14 |
| BanSabadell Vida, S.A. de Seguros y Reaseguros | 43,858 | 198,134 | 76,566 | 60,313 | 5,958,746 | 27,106 | 95,306 | 38,283 | 12/14 |
| Blue-Lor, S.L. | 1,858 | (27,357) | (674) | - | 28,391 | 4,138 | - | - | 07/14 |
| Cantabria Generación S.L. | 60 | (820) | (73) | - | 2,352 | 30 | 2,415 | - | 10/14 |
| Dexia Sabadell , S.A. | 484 | 81 | - | - | 15,963 | 108,026 | 64,554 | - | 08/14 |
| Diana Capital S.G.E.C.R. S.A. | 606 | 2,109 | 800 | - | 4,888 | 521 | 173 | - | 09/14 |
| Elche-Crevillente Salud S.A. | 4,050 | 6,061 | 2,867 | - | 177,942 | 4,050 | - | - | 11/14 |
| Emte Renovables Consolidado, S.L | 7,050 | (7,362) | (1,016) | - | 45,387 | 4,379 | (1,350) | - | 10/14 |
| Energías Renovables Sierra Sesnández, S.L. | 1,903 | (48) | (14) | - | 8,961 | 761 | (38) | (11) | 10/14 |
| Eólica Mirasierra, S.L. | 64 | 5,393 | 154 | - | 69,810 | 2,709 | (72) | - | 10/14 |
| ESUS Energía Renovable, S.L | 50 | (271) | (23) | - | 1,659 | 23 | (23) | - | 11/14 |
| Financiera Iberoamericana, S.A | 34,720 | 1,122 | 6,563 | 1,499 | 86,191 | 12,644 | 426 | 1,972 | 12/14 |
| Fotovoltaica de la Hoya de los Vicentes 171, S.L | 74 | (11) | (11) | - | 690 | 45 | (45) | - | 11/14 |
| Fotovoltaica de la Hoya de los Vicentes 189, S.L | 74 | (9) | (11) | - | 689 | 22 | (22) | - | 11/14 |
| Galenova Sanitaria S.L. | 6 | (2,684) | (1) | - | 1,181 | 3 | 1,921 | - | 10/14 |
| Gate Solar, S.L. | 3,005 | 816 | 20 | - | 3,841 | 1,860 | 36 | - | 08/14 |
| GDSUR Alicante, S.L | 16,609 | (32,463) | (664) | - | 2,036 | 4,609 | - | - | 11/14 |
| Gesta Aparcamientos, S.L. | 3,007 | (2,687) | (66) | - | 1,128 | 120 | - | (157) | 10/14 |
| Gestora de Aparcamientos del Mediterráneo, S.L | 10,368 | (9,437) | (4,854) | - | 29,597 | 7,675 | - | (1,128) | 12/13 |
| Grupo Luxiona S.L. | 2,561 | 11,930 | (783) | - | 64,939 | 10,835 | (3,236) | - | 09/14 |

Banco Sabadell Group companies at 31 December 2014

Thousand euro

| Company name | Company data (1) | | | | Investment by group | Contribution to reserves or losses in consolidated companies | Contribution to consolidated group income sheet results | Date |
|--|------------------|----------|-------------|-----------------------|------------------------|--|--|-----------|
| | Capital | Reserves | Results (2) | Dividends paid (3) | | | | |
| Companies consolidated by the equity method (*) | | | | | | | | |
| Guisain, S.L. | 4,200 | (6,130) | (185) | - | 6,848 | 1,680 | (173) | 11/14 |
| Hydrophytic, S.L. | 186 | 64 | 14 | - | 453 | 93 | 20 | 11/14 |
| Inerzia Mediterráneo, S.L. | 1,453 | (10,134) | (11) | - | 7 | 581 | - | 09/14 |
| Intermas Nets, S.A | 846 | 35,478 | 1,967 | 313 | 115,428 | 22,213 | 1,650 | 12/13 |
| Inversiones Ahorro 2000, S.A. | 11,055 | 119 | 5 | - | 11,182 | 11,328 | (2,358) | 09/14 |
| Luzentia Fotovoltaica, SL | 513 | 2,879 | 424 | - | 6,584 | 3,620 | (3,620) | 11/14 |
| Marina Salud, S.A. | 4,000 | 7,045 | 2,588 | - | 140,084 | 2,450 | - | 11/14 |
| Mercurio Alicante Sociedad de Arrendamientos 1, S.L | 795 | 372 | (848) | - | 7,722 | 796 | 274 | 12/14 |
| Metalplast C.F.E. S.L. (En liquidación) | 31 | 1,088 | - | - | 1,119 | 3,798 | (3,798) | 12/09 |
| Metrovacesa, S.A. | 405 | 932 | (101) | - | 5,203 | 364,665 | (35,531) | 09/14 |
| Murcia Emprende, S.C.R., S.A. | 6,000 | (1,219) | (163) | - | 4,639 | 2,026 | (534) | 11/14 |
| Mursiya Golf, S.L | 300 | (705) | (351) | - | 8,310 | 264 | (36) | 12/14 |
| Parque Eólico Magaz, S.L. | 1,500 | (203) | 260 | - | 40,080 | 6,200 | (309) | 09/14 |
| Parque Tecnológico Fuente Álamo, S.A. | 4,128 | (1,370) | (393) | - | 5,336 | 918 | (259) | 11/14 |
| Pemapro, S.L. | 1,483 | (7,901) | (60) | - | 4,134 | 727 | (5,347) | 10/14 |
| Planificación TGN 2004, S.L. | 3,309 | (2,126) | (7,837) | - | 28,692 | 827 | - | 12/13 |
| Plaxic Estelar, S.L. | 3 | (14,099) | (3) | - | 33,093 | 2,683 | (6,595) | 11/14 |
| Queenford, S.L. | 3,800 | (25,808) | (3,434) | - | 97,232 | 1,199 | - | 12/14 |
| Rocabella, S.L. | 40 | 111 | (2) | - | 200 | 7 | - | 12/13 |
| Ribera Salud Infraestructuras, S.LU | 3 | (2) | - | - | 2 | 3 | - | 11/14 |
| Ribera Salud Proyectos, S.LU. | 3 | (32) | (102) | - | 293 | 3 | - | 11/14 |
| Ribera Salud Tecnologías, S.LU. | 3 | (1) | - | - | 2 | 3 | - | 11/14 |
| Ribera Salud, S.A. | 9,518 | 71,602 | (766) | - | 328,268 | 30,203 | - | 11/14 |
| SBD Creixent, S.A. | 15,284 | (8,251) | (1,056) | - | 16,622 | 3,524 | (854) | 11/14 |
| Sercacín, S.A. | 236 | (45) | - | - | 218 | 70 | (23) | 12/13 |
| Servicios Inmobiliarios Trecam, S.L | 4,128 | (1,280) | 349 | - | 15,037 | 1,053 | - | 12/13 |
| Sistema Eléctrico de Conexión Valcaire, S.L. | 175 | (344) | 520 | - | 6,819 | 82 | - | 11/14 |
| Sociedad de Cartera del Vallés, S.I.C.A.V., S.A. | 4,818 | 47 | 874 | 42 | 5,862 | 422 | 2,008 | 11/14 |
| Societat d'Inversió dels Enginyers, S.L | 1,690 | (533) | (58) | - | 1,105 | 716 | (153) | 09/14 |
| Torre Sureste, S.L. | 300 | 373 | (595) | - | 12,611 | 120 | (88) | 11/14 |
| Torre Vieja Salud, S.L.U. | 3 | (1) | (0) | - | 4 | 3 | - | 11/14 |
| Tremon Maroc Mediterraneo Services Immobiliers S.A.R.L | 5,000 | (4,317) | (113) | - | 105,118 | 183 | - | 12/13 |
| Visualmark Internacional S.L | 11 | (5) | - | - | 6 | 2 | (2) | 06/08 |
| Total | | | | 69,394 | | 763,473 | 100,712 | 19,132 |
| Consolidation adjustments | | | | | | | | (410,821) |
| Total | | | | 69,394 | | 768,739 | 96,081 | (391,730) |

(*) Consolidated by the equity method due to the absence of management control.

(1) Foreign company figures are translated into euro at the exchange rate ruling on 31 December 2013.

(2) Results pending approval by shareholders.

(3) Includes supplementary dividends for previous year and interim dividends paid to the group.

The total ordinary income balance of associates consolidated by the equity method amounted to €494,681,000 at 31 December 2014. The liabilities balance of associates at the end of 2014 totalled €7,236,526,000.

Banco Sabadell Group companies at 31 December 2013

| Company name | | Registered office | Percentage shareholding | | Consolidated taxation |
|--|-----------------------------|------------------------|-------------------------|----------|-----------------------|
| | | | Direct | Indirect | |
| Fully consolidated companies | | | | | |
| Activos Valencia I, S.A.U. (a) | Real estate development | Valencia | - | 100.00 | No |
| Administración y Proyectos MDT, S.A. P.I. de C.V. | Other financial serv. | D.F. (México) | 99.99 | - | No |
| Alfonso XII, 16 Inversiones, S.L. | Real estate | Sant Cugat del Vallès | - | 100.00 | No |
| Arrendamiento de Bienes Inmobiliarios del Mediterráneo, S.L. | Residential leases | Alicante | 100.00 | - | Yes |
| Artemus Capital, S.L. | Holding company | Elche | - | 100.00 | Yes |
| Assegurances Segur Vida, S.A. | Insurance | Andorra la Vella | - | 50.97 | No |
| Aurica XXI, S.C.R., S.A.U. | Venture capital company | Barcelona | 100.00 | - | Yes |
| Ballerton Servicios, S.L. | Holding company | Sant Cugat del Vallès | - | 100.00 | Yes |
| Banco Atlántico Bahamas Bank & Trust, Ltd. | Banking | Nassau | 99.99 | 0.01 | No |
| Banco de Sabadell, S.A. | Banking | Sabadell | 100.00 | - | Yes |
| Banco Gallego, S.A.U. | Banking | Santiago de Compostela | 100.00 | - | No |
| BancSabadell d'Andorra , S.A. | Banking | Andorra la Vella | 50.97 | - | No |
| BanSabadell Consulting, S.L. | Services | Sant Cugat del Vallès | 100.00 | - | Yes |
| BanSabadell Correduría de Seguros, S.A. | Insurance brokers | Sant Cugat del Vallès | 100.00 | - | Yes |
| Bansabadell Factura, S.L. | Electronic billing services | Sant Cugat del Vallès | 100.00 | - | Yes |
| BanSabadell Financiación, E.F.C., S/A | Finance company | Sabadell | 100.00 | - | Yes |
| Bansabadell Fincom, E.F.C., S.A.U. | Finance company | Sant Cugat del Vallès | 100.00 | - | Yes |
| BanSabadell Holding, S.L. | Holding company | Sant Cugat del Vallès | 100.00 | - | Yes |
| BanSabadell Information System S.A. | IT services | Sabadell | 81.00 | - | Yes |
| BanSabadell Inversió Desenvolupament, S.A. | Holding company | Barcelona | 100.00 | - | Yes |
| BanSabadell Inversión, S.A.U., S.G.I.I.C. | Investment fund managers | Sant Cugat del Vallès | 100.00 | - | Yes |
| Vinculado del Grupo Banco Sabadell, S.A. (b) | Insurance | Barcelona | - | 100.00 | Yes |
| BanSabadell Operaciones y Servicios, S.A.U. | Services | Sant Cugat del Vallès | 100.00 | - | Yes |
| BanSabadell Renting, S.L. | Contract-hire | Sant Cugat del Vallès | 100.00 | - | Yes |
| BanSabadell Securities Services, S/L | Services | Sabadell | 100.00 | - | Yes |
| Bitarte S.A. | Holding company | San Sebastian | 99.99 | 0.01 | No |
| BlueSky Property Development, S.L. | Real estate | Sant Cugat del Vallès | - | 100.00 | No |
| Boreal Renovables 14, S.L | Solar power plant | Madrid | - | 100.00 | No |
| Boreal Renovables 15, S.L | Solar power plant | Madrid | - | 100.00 | No |
| Boreal Renovables 16, S.L | Solar power plant | Madrid | - | 100.00 | No |
| BSTARTUP 10, S.L.U. | Holding company | Barcelona | - | 100.00 | Yes |
| CAM Capital, S.A.U. | Issuance preference shares | Alicante | 100.00 | - | Yes |
| CAM Global Finance, S.A.U. | Issuance ordinary bonds | Alicante | 100.00 | - | Yes |
| CAM International Issues, S.A.U. | Issuance subordinate bonds | Alicante | 100.00 | - | Yes |
| Caminsa Urbanismo, S.A. | Real estate development | Valencia | - | 100.00 | Yes |
| Casiopea Energía 1, S.L | Solar power plant | Madrid | - | 100.00 | No |
| Casiopea Energía 10, S.L | Solar power plant | Madrid | - | 100.00 | No |
| Casiopea Energía 11, S.L | Solar power plant | Madrid | - | 100.00 | No |
| Casiopea Energía 12, S.L | Solar power plant | Madrid | - | 100.00 | No |
| Casiopea Energía 13, S.L | Solar power plant | Madrid | - | 100.00 | No |
| Casiopea Energía 14, S.L | Solar power plant | Madrid | - | 100.00 | No |
| Casiopea Energía 15, S.L | Solar power plant | Madrid | - | 100.00 | No |
| Casiopea Energía 16, S.L | Solar power plant | Madrid | - | 100.00 | No |
| Casiopea Energía 17, S.L | Solar power plant | Madrid | - | 100.00 | No |
| Casiopea Energía 18, S.L | Solar power plant | Madrid | - | 100.00 | No |
| Casiopea Energía 19, S.L | Solar power plant | Madrid | - | 100.00 | No |
| Casiopea Energía 2, S.L | Solar power plant | Madrid | - | 100.00 | No |
| Casiopea Energía 3, S.L | Solar power plant | Madrid | - | 100.00 | No |
| Casiopea Energía 4, S.L | Solar power plant | Madrid | - | 100.00 | No |
| Casiopea Energía 5, S.L | Solar power plant | Madrid | - | 100.00 | No |
| Casiopea Energía 6, S.L | Solar power plant | Madrid | - | 100.00 | No |
| Casiopea Energía 7, S.L | Solar power plant | Madrid | - | 100.00 | No |
| Casiopea Energía 8, S.L | Solar power plant | Madrid | - | 100.00 | No |
| Casiopea Energía 9, S.L | Solar power plant | Madrid | - | 100.00 | No |
| Compañía de Cogeneración del Caribe Dominicana, S.A. | Electricity | Santo Domingo | - | 99.99 | No |
| Costa Mujeres Investment BV | Portfolio management | Amsterdam | - | 100.00 | No |
| Datolita Inversiones 2010, S.L. (a) | Business consulting | Alicante | 100.00 | - | No |
| Delta Swing, S.A.U. | Services | Barcelona | - | 100.00 | No |

Banco Sabadell Group companies at 31 December 2013

| | | | Percentage shareholding | | Consolidated taxation |
|---|-------------------------------|------------------------|-------------------------|----------|-----------------------|
| Company name | | Registered office | Direct | Indirect | |
| Fully consolidated companies | | | | | |
| Desarrollo y Ejecución Urbanística del Mediterráneo, S.L. | Real estate | Madrid | - | 95.00 | Yes |
| Desarrollos y Participaciones Inmobiliarias 2006, S.L. | Real estate development | Elche | - | 100.00 | Yes |
| Easo Bolsa, S.A. | Holding company | San Sebastian | 99.99 | 0.01 | No |
| Eco Resort San Blas, S.L. (c) | Services | Santa Cruz de Tenerife | - | 100.00 | No |
| Ederra, S.A. | Real estate | San Sebastian | 97.85 | - | No |
| Eólica Cuesta Roya, S.L. | Wind power promotion | Zaragoza | - | 50.97 | No |
| Eólica de Valdejón, S.L. | Wind power promotion | Zaragoza | - | 50.97 | No |
| Epila Renovables, S.L. | Wind power promotion | Zaragoza | - | 51.00 | No |
| Espais Arco Mediterráneo S.L. | Real estate development | Elche | - | 100.00 | No |
| Europa Invest, S.A. | Investment fund managers | Luxembourg | 22.00 | 78.00 | No |
| Europea Pall Mall Ltd. | Real estate | London | 100.00 | - | No |
| Explotaciones Energéticas SINIA XXI, S.L. | Holding company | Barcelona | - | 100.00 | Yes |
| Fomento de la Coruña, S.A | Real estate development | La Coruña | - | 50.00 | No |
| Fonomed Gestión Telefónica Mediterráneo, S.A. | Telephony management services | Alicante | 99.97 | 0.03 | Yes |
| Fotovoltaica de la Hoya de los Vicentes 106, S.L. | Solar power plant | Madrid | - | 100.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 113, S.L. | Solar power plant | Madrid | - | 100.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 119, S.L. | Solar power plant | Madrid | - | 100.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 121, S.L. | Solar power plant | Madrid | - | 100.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 127, S.L. | Solar power plant | Madrid | - | 100.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 130, S.L. | Solar power plant | Madrid | - | 100.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 131, S.L. | Solar power plant | Madrid | - | 100.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 144, S.L. | Solar power plant | Madrid | - | 100.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 162, S.L. | Solar power plant | Madrid | - | 100.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 163, S.L. | Solar power plant | Madrid | - | 100.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 164, S.L. | Solar power plant | Madrid | - | 100.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 165, S.L. | Solar power plant | Madrid | - | 100.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 166, S.L. | Solar power plant | Madrid | - | 100.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 167, S.L. | Solar power plant | Madrid | - | 100.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 168, S.L. | Solar power plant | Madrid | - | 100.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 169, S.L. | Solar power plant | Madrid | - | 100.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 170, S.L. | Solar power plant | Madrid | - | 100.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 195, S.L. | Solar power plant | Madrid | - | 75.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 200, S.L. | Solar power plant | Madrid | - | 100.00 | No |
| G.I. Cartera, S.A. | Venture capital management | Alicante | 100.00 | - | Yes |
| Gala Domus, S.A. | Real estate development | La Coruña | - | 50.00 | No |
| Galeban 21 Comercial, S.L.U. | Holding company | La Coruña | - | 100.00 | No |
| Galeban Control y Asesoramiento, S.L.U | Management | La Coruña | - | 100.00 | No |
| Galeban Gestión de Riesgos, S.A.U. | Insurance brokerage | La Coruña | - | 100.00 | No |
| Galego Preferentes, S.A.U. | subordinated securities | Madrid | - | 100.00 | No |
| Gazteluberri Gestión S.L. | Real estate | Sant Cugat del Vallès | - | 100.00 | No |
| Gazteluberri S.L. | Real estate | San Sebastian | - | 100.00 | No |
| Gest 21 Inmobiliaria, S.L.U. | Holding company | La Coruña | - | 100.00 | No |
| Gest Galinver, S.L. | Real estate development | Madrid | - | 100.00 | No |
| Gest Madrigal, S.L. | Real estate development | La Coruña | - | 100.00 | No |
| Gestión de Proyectos Urbanísticos del Mediterráneo, S.L. | Real estate | Madrid | - | 95.00 | Yes |
| Gestión Financiera del Mediterráneo, S.A.U. | Holding company | Alicante | 100.00 | - | Yes |
| Gestión Mediterránea del Medioambiente, S.A | Environmental projects | Alicante | 99.00 | 1.00 | No |
| Grao Castalia S.L. | Real estate | Sant Cugat del Vallès | - | 100.00 | No |
| Guipuzcoano Capital, S.A. Unipersonal | Issuance preference shares | San Sebastian | 100.00 | - | No |
| Guipuzcoano Promoción Empresarial, S.L. | Holding company | San Sebastian | - | 100.00 | No |
| Guipuzcoano Valores, S.A. | Real estate | San Sebastian | 99.99 | 0.01 | No |
| Guipuzcoano, S.A. | Insurance | San Sebastian | 99.40 | 0.60 | No |
| Hansa Cabo, S.A. de C.V. | Real estate development | D.F. (México) | - | 39.42 | No |
| Hansa México S.A. DE C.V. | Real estate development | Cancun | - | 55.11 | No |
| Herrero Internacional Gestión, S.L. | Holding company | Sant Cugat del Vallès | - | 100.00 | Yes |
| Hobalear, S.A. | Real estate | Barcelona | - | 100.00 | Yes |
| Hondarriberrí, S.P.E., S.L. | Business start-ups | San Sebastian | 99.99 | 0.01 | No |

Banco Sabadell Group companies at 31 December 2013

| Company name | | Registered office | Percentage shareholding | | Consolidated taxation |
|---|--------------------------------|-----------------------|-------------------------|----------|-----------------------|
| | | | Direct | Indirect | |
| Fully consolidated companies | | | | | |
| Hotelera H.M., S.A. de C.V. | Real estate development | Cancun | - | 86.67 | No |
| Hotelera Marina, S.A, de C.V. | Real estate development | Cancun | - | 100.00 | No |
| Interstate Property Holdings, LLC | Special purpose entity | Miami | 100.00 | - | No |
| Inverán Gestión, S.L.U. | Real estate development | Madrid | - | 100.00 | No |
| Inversiones Cotizadas del Mediterráneo, S.L. | Holding company | Alicante | 100.00 | - | Yes |
| Mariñamendi S.L. | Real estate | Sant Cugat del Vallès | - | 100.00 | No |
| Mediterranean CAM International Homes, S.L | Estate agents | Alicante | 100.00 | - | No |
| Mediterráneo Sabadell, S.L. (d) | Finance company | Alicante | 50.00 | 50.00 | No |
| Mediterráneo Vida, S.A.U. de Seguros y Reaseguros | Life insurance | Alicante | - | 100.00 | No |
| Mirador del Segura 21, S.L. (e) | Real estate development | Sant Cugat del Vallès | - | 97.78 | No |
| New Premier Inversiones, SICAV, S.A. | SICAV | Madrid | - | 91.00 | No |
| Operadora Cabo De Cortes S. de R.L. de C.V. | Administrative services | Baja California Sur | - | 48.46 | No |
| Parque Eólico Loma del Capón, S.L. | Electricity | Churriana de la Vega | - | 100.00 | Yes |
| Playa Caribe Holding IV B.V. | Holding company | Amsterdam | - | 100.00 | No |
| Playa Caribe Holding V B.V. | Holding company | Amsterdam | - | 100.00 | No |
| Playa Caribe Holding VI B.V. | Holding company | Amsterdam | - | 100.00 | No |
| Playa Marina, S.A, de C.V. | Real estate development | Cancun | - | 100.00 | No |
| Procom Residencial Rivas, S.A | Real estate development | Elche | - | 100.00 | No |
| Promociones e Inmuebles Blauverd Mediterráneo, S.L. | Real estate development | Elche | - | 100.00 | No |
| Promociones y Desarrollos Creazona Levante S.L. | Real estate | Sant Cugat del Vallès | - | 100.00 | No |
| Promociones y Desarrollos Ribera Mujeres S.A, de C.V. | Construction | Isla Mujeres | - | 100.00 | No |
| Promociones y Financiaciones Herrero, S.A. | Holding company | Oviedo | 100.00 | - | Yes |
| Proteo Banking Software, S.L. | IT services | Sant Cugat del Vallès | 100.00 | - | Yes |
| Puerto Mujeres, S.A, de C.V. | Real estate development | Cancun | - | 100.00 | No |
| Residencial Kataoria S.L | Real estate | Sant Cugat del Vallès | - | 100.00 | No |
| Sabadell Asia Trade Services, Ltd. | Services | Hong Kong | 100.00 | - | No |
| Sabadell Brasil Trade Services - Ass.Cial Ltda. | Representative office | Sao Paulo | 99.99 | 0.01 | No |
| Sabadell BS Select Fund of Hedge Funds, S.I.C.A.V S.A. | Holding company | Luxembourg | 59.16 | - | No |
| Sabadell Corporate Finance, S.L. | Financial consulting | Madrid | 100.00 | - | Yes |
| Sabadell d'Andorra Inversions S.G.O.I.C., S.A.U. | Investment fund managers | Andorra la Vella | - | 50.97 | No |
| Sabadell International Equity, Ltd. | Finance company | George Town | 100.00 | - | No |
| Sabadell Inmobiliario, F.I.I. | Real-estate investment fund | Sant Cugat del Vallès | 99.62 | - | No |
| Sabadell Securities USA, Inc. | Services | Miami | 100.00 | - | No |
| Sabadell Solbank Inversión, S.G.I.I.C., S.A.U. | CIU manager | Madrid | 100.00 | - | No |
| Sabadell Solbank Seguros Operador de Banca - Seguros vinculado (Grupo BancSabadell), S.A.U. | Insurance | Madrid | - | 100.00 | No |
| Sabadell Solbank Sociedad de Gestión de Activos Adjudicados, S.A.U. | Real-estate purchase and sale | Madrid | - | 100.00 | No |
| Sabadell Solbank, S.A. Sociedad Unipersonal | Banking | Madrid | 100.00 | - | No |
| Sabadell United Bank, N.A | Banking | Miami | 94.38 | - | No |
| Serveis d'Assessorament BSA, S.A.U. | Services | Andorra la Vella | - | 50.97 | No |
| Servicio de Administración de Inversiones, S.A. | Holding company | Madrid | 100.00 | - | Yes |
| Servicios Reunidos, S.A. | Services | Sabadell | 100.00 | - | Yes |
| Simat Banol, S.L | Real estate development | Elche | - | 100.00 | No |
| Sinia Renovables, S.C.R. de R.S., S.A.U. | Venture capital company | Barcelona | 100.00 | - | Yes |
| Solvía Activos, S.A.U. | Real estate | Sant Cugat del Vallès | 100.00 | - | Yes |
| Solvía Atlantic, L.L.C. | Real estate | Miami | - | 100.00 | No |
| Solvía Development, S.L | Real estate | Sant Cugat del Vallès | 100.00 | - | Yes |
| Solvía Hotels, S.L. | Real estate | Sant Cugat del Vallès | 100.00 | - | Yes |
| Solvía Housing, S.L. | Real estate | Sant Cugat del Vallès | 100.00 | - | Yes |
| Solvía Pacific, S.A. de C.V. | Real estate | D.F. (México) | - | 99.99 | No |
| Son Blanc Caleta S.L. | Real estate | Sant Cugat del Vallès | - | 100.00 | No |
| Tabimed Gestión de Proyectos, S.L. | Real estate project management | Alicante | - | 100.00 | No |
| Tasaciones de Bienes Mediterráneo, S.A. | Property appraisals | Alicante | 99.88 | 0.12 | No |
| Tenedora de Inversiones y Participaciones, S.L | Holding company | Alicante | 100.00 | - | Yes |
| Tierras Vega Alta del Segura S.L. | Real estate | Sant Cugat del Vallès | - | 100.00 | No |
| Tinser Cartera, S.L. | Holding company | Alicante | 100.00 | - | Yes |
| Tratamientos y Aplicaciones, S.L | Administrative services | Alicante | 100.00 | - | Yes |
| Urdin Oria, S.A. | Dormant | San Sebastian | 99.98 | 0.02 | No |
| Dormant | Investment fund managers | Madrid | - | 100.00 | Yes |
| Urumea Gestión, S.L. | Holding company | San Sebastian | - | 100.00 | No |
| Verum Inmobiliaria Urbanismo y Promoción, S.A. | Real estate development | Madrid | - | 97.20 | No |
| Villacarrilla F.V., S.L. | Solar power plant | Madrid | - | 100.00 | No |
| Vistas del Parque 21, S.L. (f) | Real estate development | Sant Cugat del Vallès | - | 97.83 | No |

(a) On 11 July 2013, Ros Casares Espacios, S.A. changed its name to Activos Valencia I, S.A.U. and switched to the full consolidation method.

(b) On 26 March 2013, Mediterráneo Mediación, S.A., a bank-insurance operator from the Caja de Ahorros del Mediterráneo group, changed its name to BanSabadell Mediación, Operador de Banca-Seguros Vinculado del Grupo Banco Sabadell, S.A. It also moved its registered office to Barcelona.

(c) In September 2013, Eco Resort San Blas, S.L., switched to the full consolidation method.

(d) On 24 September 2013, CAM AEGON Holding Financiero, S.L., changed its name to Mediterráneo Sabadell, S.L.

(e) On 29 July 2013, Mirador del Segura 21, S.L. moved its registered office to Sant Cugat del Vallès and switched to the full consolidation method.

(f) On 29 July 2013, Vistas del Parque 21, S.L., moved its registered office to Sant Cugat del Vallès and switched to the full consolidation method.

Banco Sabadell Group companies at 31 December 2013

Thousand euro

| Company name | Company data (1) | | | | | Net investment by group | Contribution to reserves or losses in consolidated companies | Contribution to consolidated group results |
|--|------------------|-----------|-------------|--------------------|--------------|-------------------------|--|--|
| | Capital | Reserves | Results (2) | Dividends paid (3) | Total assets | | | |
| Fully consolidated companies | | | | | | | | |
| Activos Valencia I, S.A.U. | 10,000 | (86,541) | (29,094) | - | 108,248 | 2,000 | - | (29,094) |
| Administración y Proyectos MDT, S.A P.I. de C.V. | 3,129 | (49,832) | (7,040) | - | 48,981 | - | (451) | (7,040) |
| Alfonso XII, 16 Inversiones, S.L. | 11,400 | (25,850) | 1,948 | - | 2,094 | 15,939 | (17,533) | 1,948 |
| Mediterráneo, S.L | 100 | 13,976 | (989) | - | 13,210 | 21,227 | (2,451) | (989) |
| Artemus Capital, S.L. | 29,026 | (25,590) | (15,166) | - | 19,583 | 29,574 | (680) | (15,166) |
| Assegurances Segur Vida, S.A. | 602 | 3 | 335 | 300 | 134,035 | 602 | 154 | 335 |
| Aurica XXI, S.C.R., S.A.U. | 14,200 | 19,611 | (786) | - | 117,775 | 17,492 | 15,839 | (786) |
| Ballerton Servicios, S.L. | 50 | 24,326 | - | - | 24,376 | 3,140 | (119) | - |
| Banco Atlantico Bahamas Bank & Trust, Ltd. | 1,450 | 712 | (20) | - | 2,771 | 2,439 | 686 | (20) |
| Banco de Sabadell, S.A. | 501,435 | 8,722,114 | 220,465 | - | 157,825,341 | - | 11,226,375 | 220,465 |
| Banco Gallego, S.A.U. | 325,042 | (87,697) | (137,219) | - | 3,129,892 | - | - | (118,565) |
| BancSabadell d'Andorra , S.A. | 30,069 | 26,698 | 7,267 | 1,148 | 689,426 | 15,326 | 10,999 | 7,267 |
| BanSabadell Consulting, S.L. | 3 | 22 | 3 | - | 406 | 3 | 22 | 3 |
| BanSabadell Correduría de Seguros, S.A. | 60 | 18 | 33 | 71 | 373 | 588 | (621) | 33 |
| Bansabadell Factura, S.L | 100 | (3,269) | 104 | - | 590 | 299 | (3,468) | 104 |
| BanSabadell Financiación, E.F.C., S.A | 24,040 | 26,993 | (280) | 551 | 658,805 | 24,040 | 26,993 | (280) |
| Bansabadell Fincom, E.F.C., S.A.U. | 35,520 | 5,452 | 9,525 | 8,119 | 536,460 | 72,232 | (26,338) | 9,525 |
| BanSabadell Holding, S.L | 330,340 | (389,401) | 3,934 | - | 321,674 | 239,544 | (330,214) | 3,934 |
| BanSabadell Information System S.A. | 240 | 22,896 | 4,623 | - | 257,632 | 3,687 | 19,210 | 4,623 |
| BanSabadell Inversió Desenvolupament, S.A. | 15,025 | 15,696 | 1,519 | - | 64,273 | 19,368 | 23,171 | 1,519 |
| BanSabadell Inversión, S.A.U., S.G.I.I.C. | 601 | 88,357 | 10,946 | - | 135,798 | 607 | 88,347 | 10,946 |
| related to Banco Sabadell, S.A. Group | 301 | 4,664 | 5,994 | - | 36,143 | 524 | (26,907) | 5,994 |
| BanSabadell Operaciones y Servicios, S.A.U. | 60 | - | 326 | - | 1,906 | 60 | - | 326 |
| BanSabadell Renting, S.L. | 2,000 | 8,732 | 4,186 | 4,050 | 183,090 | 3,861 | 6,364 | 4,186 |
| BanSabadell Securities Services, S.L | 2,500 | 6,438 | 4,076 | 3,970 | 13,770 | 2,500 | 6,136 | 4,076 |
| Bitarte S.A. | 6,506 | 4,618 | (457) | - | 11,753 | 9,272 | (1,988) | (457) |
| BlueSky Property Development, S.L. | 2,500 | (11,673) | 427 | - | 5,920 | 2,492 | (9,980) | 427 |
| Boreal Renovables 14, S.L | 508 | (3) | (5) | - | 2,004 | - | - | (5) |
| Boreal Renovables 15, S.L | 8 | (2) | - | - | 6 | - | - | - |
| Boreal Renovables 16, S.L | 8 | (2) | - | - | 6 | - | - | - |
| BSTARTUP 10, S.L.U. | 1,000 | - | - | - | 1,000 | 1,000 | - | - |
| CAM Capital, S.A.U. | 61 | 135 | 162 | 1,625 | 50,595 | 222 | 605 | 162 |
| CAM Global Finance, S.A.U. | 61 | 68 | (1) | 120 | 207,645 | 218 | 64 | (1) |
| CAM International Issues, S.A.U. | 61 | 174 | 163 | 38,357 | 187,683 | 48,377 | 4,333 | 163 |
| Caminsa Urbanismo, S.A. | 2,000 | (1,376) | (39) | - | 613 | 800 | (422) | (39) |
| Casiopea Energía 1, S.L | 3 | - | (1) | - | 68 | - | - | (1) |
| Casiopea Energía 10, S.L | 3 | 1 | (2) | - | 72 | - | - | (2) |
| Casiopea Energía 11, S.L | 3 | - | (1) | - | 71 | - | - | (1) |
| Casiopea Energía 12, S.L | 3 | 1 | (2) | - | 72 | - | - | (2) |
| Casiopea Energía 13, S.L | 3 | 1 | (2) | - | 72 | - | - | (2) |
| Casiopea Energía 14, S.L | 3 | 4 | (5) | - | 79 | - | - | (6) |
| Casiopea Energía 15, S.L | 3 | 6 | (7) | - | 81 | - | - | (7) |
| Casiopea Energía 16, S.L | 3 | 10 | (11) | - | 79 | - | - | (12) |
| Casiopea Energía 17, S.L | 3 | (7) | 9 | - | 57 | - | - | 9 |
| Casiopea Energía 18, S.L | 3 | 18 | (20) | - | 89 | - | - | (7) |

Banco Sabadell Group companies at 31 December 2013

Thousand euro

| Company name | Company data (1) | | | | | Net investment by group | Contribution to reserves or losses in consolidated companies | Contribution to consolidated group results |
|---|------------------|----------|-------------|--------------------|--------------|-------------------------|--|--|
| | Capital | Reserves | Results (2) | Dividends paid (3) | Total assets | | | |
| Fully consolidated companies | | | | | | | | |
| Casiopea Energía 19, S.L | 3 | 6 | (3) | - | 76 | - | - | (4) |
| Casiopea Energía 2, S.L | 3 | 4 | (5) | - | 67 | - | - | (6) |
| Casiopea Energía 3, S.L | 3 | 4 | (5) | - | 80 | - | - | (5) |
| Casiopea Energía 4, S.L | 3 | 4 | (5) | - | 78 | - | - | (5) |
| Casiopea Energía 5, S.L | 3 | 4 | (5) | - | 78 | - | - | (5) |
| Casiopea Energía 6, S.L | 3 | 3 | (4) | - | 75 | - | - | (4) |
| Casiopea Energía 7, S.L | 3 | 10 | (12) | - | 79 | - | - | (12) |
| Casiopea Energía 8, S.L | 3 | - | (1) | - | 70 | - | - | (1) |
| Casiopea Energía 9, S.L | 3 | 1 | (2) | - | 72 | - | - | (2) |
| Compañía de Cogeneración del Caribe Dominicana, S.A. | 5,801 | (5,197) | - | - | 618 | - | 92 | - |
| Costa Mujeres Investment BV | 18 | (18,444) | (2,457) | - | 25,755 | 8,357 | (853) | (2,457) |
| Datolita Inversiones 2010, S.L | 3 | 250 | (226) | - | 36 | 3 | (120) | (226) |
| Delta Swing, S.L. | 981 | 42 | (410) | - | 2,212 | - | - | (410) |
| Desarrollo y Ejecución Urbanística del Mediterráneo, | 15,533 | (9,294) | (119) | - | 9,354 | 14,503 | (4,812) | (115) |
| Desarrollos y Participaciones Inmobiliarias 2006, S.L | 1,942 | (45,867) | (8,273) | - | 61,921 | 1,919 | (12,910) | (8,273) |
| Easo Bolsa, S.A. | 15,150 | 23,611 | (258) | - | 38,506 | 38,311 | 1,255 | (258) |
| Eco Resort San Blas, S.L | 7,801 | (1,399) | (142) | - | 74,159 | 8,101 | (2) | (142) |
| Ederra, S.A. | 2,036 | 24,857 | 1,225 | - | 30,134 | 42,387 | (8,642) | 1,225 |
| Eólica Cuesta Roja, S.L. | 3 | (13) | - | - | 2 | - | - | - |
| Eólica de Valdejón, S.L. | 3 | (17) | (1) | - | 3 | - | - | (1) |
| Epila Renovables, S.L. | 8 | 42 | (9) | - | 229 | - | - | (6) |
| Espais Arco Mediterráneo S.L. | 5,953 | (24,880) | (2,784) | - | 3,028 | 3,834 | (3,005) | (2,784) |
| Europa Invest, S.A. | 125 | 149 | 84 | - | 395 | 336 | (70) | 84 |
| Europea Pall Mall Ltd. | 18,564 | (3,185) | (67) | - | 15,600 | 20,843 | (1,598) | (67) |
| Explotaciones Energéticas SINIA XXI, S.L. | 1,352 | (14,995) | 11,536 | - | 32,217 | 4,672 | (16,202) | 11,536 |
| Fomento de la Coruña, SA | 100 | (88) | - | - | 37 | 9,595 | - | (7,826) |
| Fonomed Gestión Telefónica Mediterráneo, S.A. | 180 | 57 | 13 | 21 | 414 | 398 | 18 | 13 |
| Fotovoltaica de la Hoya de los Vicentes 106, S.L | 74 | - | (12) | - | 732 | - | - | (21) |
| Fotovoltaica de la Hoya de los Vicentes 113, S.L | 74 | - | (9) | - | 736 | - | - | (18) |
| Fotovoltaica de la Hoya de los Vicentes 119, S.L | 74 | - | (9) | - | 736 | - | - | (17) |
| Fotovoltaica de la Hoya de los Vicentes 121, S.L | 74 | - | (6) | - | 738 | - | - | (15) |
| Fotovoltaica de la Hoya de los Vicentes 127, S.L | 74 | - | (9) | - | 736 | - | - | (17) |
| Fotovoltaica de la Hoya de los Vicentes 130, S.L | 74 | - | (8) | - | 737 | - | - | (20) |
| Fotovoltaica de la Hoya de los Vicentes 131, S.L | 74 | - | (11) | - | 733 | - | - | (20) |
| Fotovoltaica de la Hoya de los Vicentes 144, S.L | 74 | - | (11) | - | 735 | - | - | (20) |
| Fotovoltaica de la Hoya de los Vicentes 162, S.L | 74 | - | (9) | - | 734 | - | - | (17) |
| Fotovoltaica de la Hoya de los Vicentes 163, S.L | 74 | - | (7) | - | 737 | - | - | (14) |
| Fotovoltaica de la Hoya de los Vicentes 164, S.L | 74 | - | (5) | - | 740 | - | - | (13) |
| Fotovoltaica de la Hoya de los Vicentes 165, S.L | 74 | - | (8) | - | 744 | - | - | (10) |
| Fotovoltaica de la Hoya de los Vicentes 166, S.L | 74 | - | (6) | - | 743 | - | - | (15) |
| Fotovoltaica de la Hoya de los Vicentes 167, S.L | 74 | - | (11) | - | 734 | - | - | (19) |
| Fotovoltaica de la Hoya de los Vicentes 168, S.L | 74 | - | (8) | - | 737 | - | - | (15) |
| Fotovoltaica de la Hoya de los Vicentes 169, S.L | 74 | - | (5) | - | 740 | - | - | (12) |
| Fotovoltaica de la Hoya de los Vicentes 170, S.L | 74 | - | (11) | - | 733 | - | - | (20) |
| Fotovoltaica de la Hoya de los Vicentes 195, S.L | 74 | 2 | (2) | - | 748 | - | - | (7) |

Banco Sabadell Group companies at 31 December 2013

Thousand euro

| | Company data (1) | | | | | Net investment by group | Contribution to reserves or losses in consolidated companies | Contribution to consolidated group results |
|--|------------------|----------|-------------|--------------------|--------------|-------------------------|--|--|
| Company name | Capital | Reserves | Results (2) | Dividends paid (3) | Total assets | | | |
| Fully consolidated companies | | | | | | | | |
| Fotovoltaica de la Hoya de los Vicentes 200, S.L. | 74 | 2 | (1) | - | 745 | - | - | (9) |
| G.I. Cartera, S.A. | 13,523 | 9,440 | (7,007) | - | 40,806 | 19,119 | (1,462) | (7,006) |
| Gala Domus, S.A. | 4,000 | (5,529) | (841) | - | 30,205 | 2,000 | - | (13,616) |
| Galeban 21 Comercial, S.L.U. | 10,000 | (140) | (576) | - | 5,731 | - | - | (8) |
| Galeban Control y Asesoramiento, S.L.U | 8 | 29 | 2 | - | 40 | - | - | (11) |
| Galeban Gestión de Riesgos, S.A.U. | 300 | 121 | 7 | 8 | 835 | 300 | - | (530) |
| Galego Preferentes, S.A.U. | 61 | 24 | (9) | - | 99 | 61 | - | (9) |
| Gazteluberri Gestión S.L. | 1,460 | (20,473) | (38) | - | 11,297 | 1,769 | (14,095) | (38) |
| Gazteluberri S.L. | 44,315 | (49,410) | (6,943) | - | 32,379 | 68,153 | (46,748) | (6,943) |
| Gest 21 Inmobiliaria, S.L.U. | 80,516 | (3,777) | (843) | - | 86,662 | - | - | (465) |
| Gest Galinver, S.L. | 6,580 | (1,049) | (1,777) | - | 3,781 | 7,155 | - | (352) |
| Gest Madrigal, S.L. | 1,230 | (4,791) | (21) | - | 1,165 | 1,230 | - | (33) |
| Gestión de Proyectos Urbanísticos del Mediterráneo, S.L. | 33,850 | (15,604) | 10 | - | 25,310 | 31,139 | (6,189) | 10 |
| Gestión Financiera del Mediterráneo, S.A.U. | 13,000 | 43,859 | 75,462 | - | 219,537 | 361,553 | (3,518) | 75,462 |
| Gestión Mediterránea del Medioambiente, S.A | 60 | 776 | (777) | - | 64 | 64 | (94) | (777) |
| Grao Castalia S.L. | 700 | (2,500) | 30 | - | 1,344 | 863 | (927) | 30 |
| Guipuzcoano Capital, S.A. Unipersonal | 60 | 2 | 9 | 6 | 19,287 | 59 | 3 | 9 |
| Guipuzcoano Promoción Empresarial, S.L. | 32,314 | (74,019) | (27,236) | - | 17,538 | 32,314 | (34,114) | (27,236) |
| Guipuzcoano Valores, S.A. | 4,514 | 4,450 | (149) | - | 8,923 | 10,833 | (1,866) | (149) |
| Guipuzcoano, S.A. | 100 | 670 | 771 | 361 | 3,115 | 3,351 | (295) | 771 |
| Hansa Cabo, S.A. de C.V. | 3,745 | (65,835) | 47,322 | - | 93 | 10,789 | (23,650) | 18,655 |
| Hansa México S.A. DE C.V. | 17,080 | (68,576) | 50,343 | - | 2,758 | 20,243 | (22,401) | 28,772 |
| Herrero Internacional Gestión, S.L. | 354 | 3,761 | - | - | 4,114 | 1,139 | 63 | - |
| Hobalear, S.A. | 60 | 610 | 12 | - | 683 | 414 | 610 | 12 |
| Hondarriberrí, S.P.E., S.L. | 41 | 19,350 | (29,288) | - | 45,067 | 74,631 | (17,013) | (29,288) |
| Hotelería H.M., S.A. de C.V. | 17,451 | (16,101) | 593 | - | 27,211 | 30,596 | (1,483) | 287 |
| Hotelería Marina, S.A. de C.V. | 67,820 | (29,213) | (2,840) | - | 35,146 | 71,975 | (632) | (2,840) |
| Interstate Property Holdings, LLC | 5,801 | (16,343) | 773 | - | 37,176 | 3,006 | (21,368) | 773 |
| Inverán Gestión, S.L.U. | 45,090 | (44,576) | (4,677) | - | 18,576 | 24,877 | - | (4,857) |
| Inversiones Cotizadas del Mediterráneo, S.L. | 308,000 | 185,199 | 11,017 | - | 508,944 | 625,000 | 731 | 11,017 |
| Mariñamendi S.L. | 55,013 | (88,482) | (32) | - | 48,003 | 55,013 | (84,494) | (32) |
| Mediterranean CAM International Homes, S.L | 660 | 2,112 | (251) | 1,670 | 38,449 | 4,241 | 1,454 | (251) |
| Mediterráneo Sabadell, S.L. | 85,000 | 157,277 | 198,868 | 109,317 | 449,090 | 624,116 | (319,247) | 198,868 |
| Mediterráneo Vida, S.A.U. de Seguros y Reaseguros | 102,044 | 28,983 | 35,096 | 160,000 | 2,379,470 | 127,827 | 59,567 | 35,096 |
| Mirador del Segura 21, S.L. | 4,637 | (2) | (4,827) | - | 1,253 | 4,526 | - | (4,827) |
| New Premier Inversiones, SICAV, S.A. | 2,169 | 258 | 58 | - | 2,715 | - | - | (2,981) |
| Operadora Cabo De Cortes S. de R.L. de C.V. | - | (193) | (16) | - | 205 | - | (73) | (8) |
| Parque Eólico Loma del Capón, S.L. (a) | 3,124 | (178) | (32) | - | 59,073 | 2,904 | (1,089) | (32) |
| Playa Caribe Holding IV B.V. | 27 | (7,886) | (7,104) | - | 33,284 | 36,843 | (1,471) | (7,104) |
| Playa Caribe Holding V B.V. | 27 | (204) | (946) | - | 1,547 | 1,020 | (86) | (946) |
| Playa Caribe Holding VI B.V. | 27 | (12,840) | (2,777) | - | 5,504 | 3,423 | (175) | (2,777) |
| Playa Marina, S.A. de C.V. | 2,776 | (863) | (204) | - | 1,649 | 2,906 | (92) | (204) |
| Procom Residencial Rivas, S.A | 12,500 | (78,838) | (14,521) | - | 29,341 | 5,625 | (4,709) | (14,521) |
| Promociones e Inmuebles Blauverd Mediterráneo, S.L. | 17,666 | (75,185) | (10,229) | - | 22,371 | 10,684 | (14,281) | (10,229) |
| Promociones y Desarrollos Creazona Levante S.L. | 8,740 | (10,160) | 97 | - | 4,784 | 14,497 | (8,027) | 97 |

Banco Sabadell Group companies at 31 December 2013

Thousand euro

| Company name | Company data (1) | | | | Net investment by group | Contribution to reserves or losses in consolidated companies | Contribution to consolidated group results | |
|---|------------------|-----------|-------------|--------------------|-------------------------|--|--|--------------|
| | Capital | Reserves | Results (2) | Dividends paid (3) | | | | Total assets |
| Fully consolidated companies | | | | | | | | |
| Promociones y Desarrollos Ribera Mujeres S.A. de C.V. | 44,208 | (15,745) | (287) | - | 26,295 | 49,925 | (2,433) | (287) |
| Promociones y Financiaciones Herrero, S.A. | 3,456 | 269 | - | - | 3,725 | 24,185 | 8 | |
| Proteo Banking Software, S.L. | 3 | (1) | - | - | 1 | 3 | (1) | |
| Puerto Mujeres, S.A, de C.V. | 18,990 | (11,893) | (727) | - | 5,795 | 20,162 | (1,550) | (727) |
| Residencial Kataoria S.L | 3,250 | (5,890) | 1,111 | - | 3,855 | 8,233 | (9,253) | 1,111 |
| Sabadell Asia Trade Services, Ltd. | - | (35) | 35 | - | - | - | 1 | 35 |
| Sabadell Brasil Trade Services - Ass.Cial Ltda. | 1,050 | (934) | (1) | - | 131 | 250 | (154) | (1) |
| BS Select Fund of Hedge Funds, S.I.C.A.V., S.A. | 27,724 | 2,325 | 2,585 | - | 34,277 | 16,400 | 1,388 | 2,585 |
| Sabadell Corporate Finance, S.L. | 70 | 1,404 | 106 | - | 1,888 | 9,373 | (40) | 106 |
| Sabadell d'Andorra Inversions S.G.O.I.C., S.A.U | 300 | (504) | 1,504 | 1,350 | 3,625 | 300 | 431 | 1,504 |
| Sabadell International Equity, Ltd. | 1 | 96 | 22 | - | 21,555 | 1 | 13 | 22 |
| Sabadell Inmobiliario, F.I.I. | 891,780 | 90,835 | (24,905) | - | 1,035,259 | 939,334 | - | (24,905) |
| Sabadell Securities USA, Inc. | 580 | 810 | 238 | - | 1,725 | 551 | 921 | 238 |
| Sabadell Solbank Inversión, S.G.I.I.C., S.A.U. | 601 | 4,396 | (284) | - | 4,809 | 4,846 | - | (284) |
| Sabadell Solbank Seguros Operador de Banca - Seguros related party (Grupo BancSabadell), S.A.U. | 120 | 357 | 586 | - | 1,371 | 698 | - | 586 |
| Sabadell Solbank Sociedad de Gestión de Activos Adjudicados, S.A.U. | 60 | 3,147 | (280) | - | 2,938 | 3,273 | - | (280) |
| Sabadell Solbank, S.A. Sociedad Unipersonal | 366,611 | 865 | (14,537) | - | 1,645,082 | 65,001 | 220 | (14,537) |
| Sabadell United Bank, N.A | 2,610 | 338,806 | 32,553 | - | 2,804,791 | 307,710 | 34,067 | 32,553 |
| Serveis d'Assessorament BSA, S.A.U. | 60 | 25 | 11 | - | 815 | 60 | 15 | 11 |
| Servicio de Administración de Inversiones, S.A. | 6,010 | 754 | (1) | - | 6,762 | 16,690 | (6,102) | (1) |
| Servicios Reunidos, S.A. | 60 | 18 | - | - | 78 | 67 | 12 | - |
| Simat Banol, S.L. | 1,482 | (5,664) | (723) | - | 853 | 667 | (932) | (723) |
| Sinia Renovables, S.C.R. de R.S., S.A.U. | 15,000 | 2,542 | (7,371) | - | 59,294 | 15,000 | 2,542 | (7,371) |
| Solvía Activos, S.A.U. | 100,060 | 400,547 | (63,406) | - | 441,646 | 500,622 | (15) | (63,406) |
| Solvía Atlantic, L.L.C. | 9,554 | (1,424) | (78) | - | 8,058 | 9,638 | (1,493) | (78) |
| Solvía Development, S.L | 19,071 | (780,071) | (637,496) | - | 3,770,602 | 597,442 | (1,354,428) | (637,496) |
| Solvía Hotels, S.L. | 500 | (8,117) | (6,163) | - | 60,866 | 500 | (8,117) | (6,163) |
| Solvía Housing, S.L. | 2,073 | (10,091) | 988 | - | 28,951 | 4,292 | (12,310) | 988 |
| Solvía Pacific, S.A. de C.V. | 29,845 | - | (1,580) | - | 29,753 | 31,795 | - | (1,580) |
| Son Blanc Caleta S.L. | 4,000 | (10,998) | (188) | - | 2,563 | 6,288 | (9,123) | (188) |
| Tabi med Gestión de Proyectos, S.L. | 3 | 86 | (160) | - | 328 | 3 | (185) | (160) |
| Tasaciones de Bienes Mediterráneo, S.A., en liquidación | 1,000 | 2,043 | (112) | - | 3,580 | 3,940 | (137) | (112) |
| Tenedora de Inversiones y Participaciones, S.L | 296,092 | (800,450) | (162,585) | - | 2,997,092 | 1,302,449 | (392,671) | (162,585) |
| Tierras Vega Alta del Segura S.L. | 4,550 | (20,210) | 1,617 | - | 11,270 | 5,123 | (14,512) | 1,617 |
| Tinser Cartera, S.L. | 29,111 | 1,823 | (10,269) | - | 54,487 | 60,314 | (3,663) | (10,269) |
| Tratamientos y Aplicaciones, S.L. | 3,003 | 45 | (234) | - | 2,825 | 3,821 | 56 | (234) |
| Urdin Oria, S.A. | 60 | 2 | - | - | 62 | 63 | (1) | - |
| Dormant | 3,606 | 2,543 | 1,422 | - | 12,606 | 5,286 | 778 | 1,422 |
| Urumea Gestión, S.L. | 9 | 7 | (3) | - | 15 | 9 | - | (3) |
| Verum Inmobiliaria Urbanismo y Promoción, S.A. | 12,000 | (43,785) | 6,556 | - | 6,178 | 11,664 | - | 4,575 |
| Villacarrilla F.V., S.L. | 3 | 13 | 4 | - | 693 | - | - | (6) |
| Vistas del Parque 21, S.L. | 4,646 | (6) | (4,744) | - | 1,262 | 4,535 | (2) | (4,744) |
| Total | | | | 331,044 | | 7,017,462 | 8,617,436 | (563,484) |

Banco Sabadell Group companies at 31 December 2013

| Company name | Percentage shareholding | | Consolidated taxation | | |
|--|-------------------------|-----------------|-----------------------|-------|----|
| | Direct | Indirect | | | |
| Companies consolidated by proportionate method (*) | | | | | |
| Alma Gestión de Hoteles, S.L.U. | Hotel trade | Barcelona | - | 49.72 | No |
| Alma Hotelmanagement GMBH | Hotel trade | Berlin | - | 49.72 | No |
| B2B Salud, S.L.U. | products | Alicante | - | 50.00 | No |
| Cartera de Participaciones Empresariales, C.V., S.L. | Holding company | Valencia | 50.00 | - | No |
| Dreamview, S.L. | Real estate development | Alicante | - | 49.00 | No |
| Ecamed Barcelona, S.L.U | Hotel trade | Barcelona | - | 49.72 | No |
| Ecamed Pamplona, S.L.U | Hotel trade | Pamplona | - | 49.72 | No |
| Elche-Crevillente Salud S.A. | Health care services | Valencia | - | 30.00 | No |
| Emporio Mediterráneo, S.L | Real estate development | Alicante | - | 50.00 | No |
| Emte Renovables, S.L. | Holding company | Barcelona | - | 62.11 | No |
| Eólica Mirasierra, S.L. | Electricity | Palencia | - | 50.00 | No |
| Erbisnia Renovables, S.L. | Holding company | Leon | - | 49.00 | No |
| Espais Catalunya Mediterráneo, S.A. | Holding company | Barcelona | - | 49.72 | No |
| Fbex del Mediterráneo, S.L. | Real estate development | Barcelona | - | 25.00 | No |
| Financiera Iberoamericana, S.A | Finance company | Havana | 50.00 | - | No |
| Galenova Sanitaria, S.L | Health | Madrid | - | 50.00 | No |
| Inerzia Mediterráneo, S.L | Real estate development | Alicante | - | 40.00 | No |
| Inmobiliaria Ricam 2005, S.L. | Real estate development | Tarragona | - | 40.00 | No |
| Jerez Solar, S.L. | Electricity | Sant Joan Despí | - | 62.11 | No |
| La Ermita Resort, S.L. | Real estate development | San Javier | - | 29.49 | No |
| Liquidambar Inversiones Financieras, S.L | Financial management | Madrid | 13.33 | - | No |
| Mankel System, S.L.U. | Property rental | Barcelona | - | 49.72 | No |
| Mercado Inmobiliario de Futuro, S.L. | Real estate development | Valencia | - | 49.14 | No |
| Plaxic Estelar, S.L. | Real estate | Barcelona | - | 45.01 | No |
| Ribera Salud Infraestructuras, S.L.U | Health care | Valencia | - | 50.00 | No |
| Ribera Salud Proyectos, S.L.U. | Health care | Valencia | - | 50.00 | No |
| Ribera Salud Tecnologías, S.L.U. | Health care | Valencia | - | 50.00 | No |
| Ribera Salud, S.A. | Health care management | Valencia | - | 50.00 | No |
| Torre vieja Salud, S.L.U. | Health care services | Torre vieja | - | 50.00 | No |

(*) Reclassified as equity method in 2014. See Note 1

Banco Sabadell Group companies at 31 December 2013

Thousand euro

| | Company data (1) | | | | | Investment by group | Contribution to reserves or losses in consolidated companies | Contribution to consolidated group results |
|--|------------------|----------|-------------|--------------------|--------------|---------------------|--|--|
| Company name | Capital | Reserves | Results (2) | Dividends paid (3) | Total assets | | | |
| Companies consolidated by proportionate method (*) | | | | | | | | |
| Alma Gestión de Hoteles, S.L.U. (a) | 4,073 | (12,212) | (2,042) | - | 3,326 | 2,025 | (230) | (1,015) |
| Alma Hotelmanagement GMBH (a) | 25 | 359 | (379) | - | 1,477 | 3,544 | (249) | (188) |
| B2B Salud, S.L.U. (a) | 30 | 1,407 | 776 | - | 2,485 | 665 | 134 | - |
| Cartera de Participaciones Empresariales, C.V., S.L. | 52,000 | 8,964 | (33,415) | - | 27,555 | 27,111 | 381 | (16,708) |
| Dreamview, S.L. (a) | 2,499 | (9,596) | 3,834 | - | 292 | 1,225 | (568) | 1,879 |
| Ecamed Barcelona, S.L.U (a) | 12,003 | (22,566) | 8 | - | 55,472 | 3,805 | (895) | 4 |
| Ecamed Pamplona, S.L.U (a) | 4,503 | (6,414) | (1,428) | - | 19,759 | 2,239 | (843) | (710) |
| Elche-Crevillente Salud S.A. (a) | 4,050 | 9,779 | 2,901 | - | 250,887 | 4,050 | (3,173) | - |
| Emporio Mediterráneo, S.L. (c) | 16,383 | (14,471) | (295) | - | 9,619 | 6,242 | (2,330) | (148) |
| Emte Renovables, S.L. (a) | 7,050 | (426) | (38) | - | 6,905 | 4,379 | - | - |
| Eólica Mirasierra, S.L. | 64 | 5,359 | 167 | - | 71,855 | 2,709 | 38 | 84 |
| Erbisnia Renovables, S.L. | 3 | - | - | - | 1 | 1 | - | - |
| Espais Catalunya Mediterráneo, S.A. (a) | 26,551 | (47) | (26,517) | - | 3,040 | 12,448 | (8) | (13,184) |
| Fbex del Mediterráneo, S.L. (k) | 18,096 | (4,729) | - | - | 13,537 | 4,524 | (1) | - |
| Financiera Iberoamericana, S.A | 25,176 | 1,349 | 3,485 | 699 | 54,121 | 12,644 | 193 | 1,743 |
| Galenova Sanitaria, S.L | 6 | (10) | - | - | 3,857 | - | - | - |
| Inerzia Mediterráneo, S.L. (k) | 1,453 | (2,477) | - | - | 7,395 | 581 | (8) | - |
| Inmobiliaria Ricam 2005, S.L. (h) | 5,735 | (12,729) | (1,020) | - | 19,253 | 2,294 | (1,073) | (408) |
| Jerez Solar, S.L. (a) | 3,050 | (2,241) | (304) | - | 69,697 | 1,894 | (1,074) | (276) |
| La Ermita Resort, S.L. (c) | 32,664 | (30,838) | (209) | - | 6,936 | 9,634 | (641) | (62) |
| Liquidambar Inversiones Financieras, S.L (c) | 67,050 | (118) | (26,556) | - | 40,133 | 14,810 | (1,495) | (3,540) |
| Mankel System, S.L.U. (a) | 9,003 | (6,881) | (2,460) | - | 16,518 | 4,476 | (32) | (1,223) |
| Mercado Inmobiliario de Futuro, S.L. (i) | 6,382 | 9,636 | - | - | 16,043 | 8,474 | (416) | - |
| Plaxic Estelar, S.L. | 3 | (9,127) | (172) | - | 37,904 | 2,561 | (6,517) | (78) |
| Ribera Salud Infraestructuras, S.L.U (a) | 3 | 0 | - | - | 3 | 2 | (1) | - |
| Ribera Salud Proyectos, S.L.U. (a) | 816 | - | (36) | - | 4,790 | 208 | (1) | - |
| Ribera Salud Tecnologías, S.L.U. (a) | 3 | - | - | - | 3 | 2 | (1) | - |
| Ribera Salud, S.A. (a) | 9,518 | 71,815 | (72) | - | 352,424 | 25,423 | (16,387) | - |
| Torrevieja Salud, S.L.U. (k) | 3 | - | (1) | - | 6 | 2 | (1) | - |
| Total | | | | 699 | | 157,972 | (35,198) | (33,830) |

(*) Reclassified as equity method in 2014. See Note 1

Banco Sabadell Group companies at 31 December 2013

| | | | | Percentage | |
|--|-------------------------|-----------------------|-------|--------------|--------------|
| | | | | shareholding | |
| | | | | Direct | Indirect |
| Company name | | | | | Consolidated |
| Companies consolidated by the equity method (**) | | | | | taxation |
| 6350 Industries, S.L. | Real estate | Barcelona | - | 37.50 | No |
| Adara Renovables, S.L | Biofuel | La Coruña | - | 34.00 | No |
| Adelanta Corporación, S.A | Services | Orense | - | 25.00 | No |
| Altavista Hotelera,S.L. | Hotel trade | Barcelona | - | 40.00 | No |
| Alze Mediterráneo, S. L. | Real estate development | Girona | - | 45.00 | No |
| Anara Guipuzcoa, S.L | Real estate | Alicante | - | 40.00 | No |
| Atalanta Catalunya 2011, S.L. | Wind power | Orense | - | 25.00 | No |
| Aviación Regional Cantabria, A.I.E. | Services | Boadilla del Monte | 26.42 | - | No |
| Aviones Alfambra CRJ-900, A.I.E. | Services | Madrid | 25.00 | - | No |
| Aviones Cabriel CRJ-900, A.I.E. | Services | Madrid | 25.00 | - | No |
| Aviones Carraixet CRJ-200 II A.I.E. | Aircraft | Madrid | 25.00 | - | No |
| Aviones Gorgos CRJ-900, A.I.E. | Services | Madrid | 25.00 | - | No |
| Aviones Portacoli CRJ-200 III A.I.E. | Aircraft | Madrid | 25.00 | - | No |
| Aviones Sella CRJ-900, A.I.E. | Services | Madrid | 25.00 | - | No |
| Aviones Turia CRJ-200 I, A.I.E. | Aircraft | Madrid | 25.00 | - | No |
| Bajo Almanzora Desarrollos Inmobiliarios, S.L. | Real estate development | Almeria | - | 39.14 | No |
| Balam Overseas BV | Real estate development | Amsterdam | - | 40.00 | No |
| Banco Gallego Vida y Pensiones, S.A. de Seguros y Reaseguros | Insurance | Madrid | - | 25.00 | No |
| BanSabadell Pensiones, E.G.F.P., S.A | pension fund managers | Sant Cugat del Vallès | 50.00 | - | No |
| Reaseguros | Insurance | Sant Cugat del Vallès | 50.00 | - | No |
| BanSabadell Vida, S.A. de Seguros y Reaseguros | Insurance | Sant Cugat del Vallès | 50.00 | - | No |
| Berilia Grupo Inmobiliario, S.L. | Real estate development | Madrid | - | 40.00 | No |
| Blue-Lor, S.L. | Real estate development | Barcelona | - | 27.62 | No |
| Cantabria Generación, S.L. | Wind power promotion | Santander | - | 50.00 | No |
| Casas del Mar levante, S.L. | Real estate | Alicante | - | 33.33 | No |
| Costa Marina Mediterráneo, S.A. | Real estate development | Alicante | - | 33.33 | No |
| Decovama 21, S.L. | Real estate development | Madrid | - | 22.03 | No |
| Desarrollos Inmobiliarios Pronegui, S.L. | Real estate | Madrid | - | 40.00 | No |
| Dexia Sabadell, S.A. | Banking | Madrid | 20.99 | - | No |
| Diana Capital S.G.E.C.R., S.A. | Venture capital | Madrid | 20.66 | - | No |
| Dime Habitat, S.L. | Real estate development | Barcelona | - | 40.00 | No |
| E.B.N. Banco de Negocios, S.A. | Financial intermediary | Madrid | 15.62 | - | No |
| Energías Renovables Sierra Sesnández, S.L. (b) | Special purpose entity | Valladolid | - | 40.00 | No |
| Espacios Murcia, S.L. | Real estate | Murcia | - | 45.00 | No |
| ESUS Energía Renovable, S.L. | Electricity | Vigo | - | 45.00 | No |
| Eurofragance, S.L. | cosméticos | Rubí | - | 25.00 | No |
| Fega Unión, S.L. | Real estate development | Madrid | - | 48.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 171, S.L. | Solar power plant | Madrid | - | 50.00 | No |
| Fotovoltaica de la Hoya de los Vicentes 189, S.L. | Solar power plant | Madrid | - | 25.00 | No |
| Gate Solar, S.L. SPE | Solar power | Vitoria | 50.00 | - | No |
| Gaviel, S.A. | Real-estate investment | Barcelona | 50.00 | - | No |
| GDSUR Alicante, S.L. | Real estate development | Elda | - | 27.75 | No |
| General de Biocarburantes, S.A. | Chemicals | Marina de Cudeyo | - | 25.00 | No |
| Gesta Aparcamientos, S.L. | Real estate development | Elche | - | 40.00 | No |
| Gestora de Aparcamientos del Mediterráneo, S.L. | Car-park management | Alicante | - | 40.00 | No |
| Gradiente Entrópico, S.L. | Real estate development | Cartagena | - | 49.00 | No |
| Grupo Luxiona S.L. (c) | Lighting products | Canovelles | - | 20.00 | No |
| Guisain, S.L | Real estate | Abanto y Zierbena | - | 40.00 | No |
| Hansa Urbana S.A | Real estate development | Alicante | 22.65 | 7.96 | No |
| Hidrophytic, S.L. | Real estate | Vitoria | - | 50.00 | No |
| IFOS, S.A. | Services | Buenos Aires | - | 20.00 | No |
| Inmobiliaria Valdebebas 21, S.L. | Real estate development | Madrid | - | 27.27 | No |
| Intermas Nets, S.A | Chemicals | Utiel del Vallès | - | 20.00 | No |
| Inversiones Ahorro 2000, S.A. | Securities management | Vigo | 20.00 | - | No |
| Inversiones Valdeapa 21, S.L. | Real estate development | Madrid | - | 16.03 | No |
| Key VII I, S.L. | Real estate | Banos y Mendigo | - | 40.00 | No |
| Kosta Bareño, S.A | Real estate | Abanto y Zierbena | - | 20.00 | No |
| Leva-Yorma, S.L. | Real estate development | Madrid | - | 49.08 | No |

Banco Sabadell Group companies at 31 December 2013

| | | | | Percentage | | |
|---|-------------------------------|-------------------------|-------|--------------|----------|----------|
| | | | | shareholding | | |
| | | | | Consolidated | | |
| Company name | | | | Direct | Indirect | taxation |
| Companies consolidated by the equity method (**) | | | | | | |
| Lizarre Promociones, A.I.E. | Real estate | Abanto y Zierbena | - | | 40.00 | No |
| Loalsa Inversiones Castilla la Mancha, S.L. | Real estate | Madrid | - | | 20.00 | No |
| Luzentia Fotovoltaica, S.L. | Solar power farm management | Madrid | - | | 25.92 | No |
| Marina Salud, S.A. | Health care services | Denia | - | | 17.50 | No |
| Reaseguros, S.A. | Non-life insurance | Alicante | - | | 50.00 | No |
| Mercurio Alicante Sociedd de Arrendamientos 1, S.L.U. | Residential leases | Alicante | 75.00 | - | | Yes |
| | | | | | | |
| Metalplast C.F.E., S.L. | Lighting | La Coruña | - | | 20.00 | No |
| Metrovacesa, S.A. | Real estate development | Madrid | 13.04 | | - | No |
| Murcia Emprende, S.C.R., S.A. | Venture capital | Murcia | 32.50 | | - | No |
| Mursiya Golf, S.L. | Real estate | Murcia | - | | 49.70 | No |
| Naguisa Promociones, S.L. | Real estate | Pamplona | - | | 45.00 | No |
| NF Desarrollos, S.L. | Real estate | Murcia | - | | 40.00 | No |
| Norfin 21, S.L. | Real estate | Benalmadena | - | | 49.99 | No |
| Parc Eòlic Veciana-Cabaro, S.L. | Electricity | Barcelona | - | | 40.00 | No |
| Parque del Segura, S.L. | Real estate | Benalmadena | - | | 32.20 | No |
| Parque Eólico Magaz, S.L. | Electricity | Magaz de Pisuerga | - | | 49.00 | No |
| Parque Tecnológico Fuente Álamo, S.A. | Desarrollo parque tecnológico | Fuente Álamo | 22.54 | | - | No |
| Pemapro, S.L. | Real estate development | La Coruña | - | | 49.00 | No |
| Planificación TGN 2004, S.L. | Real estate development | Catllar | - | | 25.00 | No |
| Prat Spolka, Z.O.O. | Real estate development | Warsaw | - | | 35.00 | No |
| Proburg BG XXI, S.L. | Real estate | Burgos | - | | 25.00 | No |
| Promociones Abaco Costa Almeria, S.L. | Real estate | Granada | - | | 40.00 | No |
| Promociones Aguiver, S.L. | Real estate | Murcia | - | | 40.00 | No |
| Promociones Florida Casas, S.L. | Real estate | Alicante | - | | 40.00 | No |
| Promociones y Desarrollos Urbanos Oncinada, S.L. | Real estate | Pamplona | - | | 50.00 | No |
| Queenford, S.L. | Real estate | Barcelona | - | | 31.54 | No |
| Residencial Haygon, S.L. | Real estate | San Vicente del Raspeig | - | | 25.00 | No |
| Ribera Casares Golf, S.L. | Real estate development | Madrid | - | | 47.07 | No |
| Rocabella, S.L. | Real estate development | Ibiza | - | | 36.09 | No |
| Saprosin Promociones, S.L. | Real estate | Elda | - | | 45.00 | No |
| SBD Creixent, S.A. | Real estate | Sabadell | 23.01 | | - | No |
| Sercacín, S.A. | Business services | Alicante | 20.00 | | - | No |
| Servicios Inmobiliarios Trecam, S.L. | Real estate development | Madrid | - | | 30.01 | No |
| Sistema Eléctrico de Conexión Valcaire, S.L. | Electricity | Granada | - | | 46.88 | No |
| Sociedad de Cartera del Vallés, S.I.C.A.V., S.A. | Investment company | Sant Cugat del Vallès | 44.13 | | - | No |
| Societat d'Inversió dels Enginyers, S.L. | Holding company | Barcelona | - | | 33.25 | No |
| Torre Sureste, S.L. | Real estate | San Vicente del Raspeig | - | | 40.00 | No |
| Tremon Maroc Services Immobiliers S.A.R.L. | Real estate development | Tangiers | - | | 40.00 | No |
| Txonta Egizastu Promozioak, S.L. | Real estate | Zarautz | - | | 35.00 | No |
| Urtago Promozioak, A.I.E. | Real estate | Zarautz | - | | 30.00 | No |
| Visualmark Internacional, S.L. | Lighting | La Coruna | - | | 20.00 | No |

Banco Sabadell Group companies at 31 December 2013

Thousand euro

| Company name | Company data (1) | | | | Total assets | Investment by group | Contribution to reserves or losses in consolidated companies | Contribution to consolidated group results |
|--|------------------|----------|-------------|--------------------|--------------|---------------------|--|--|
| | Capital | Reserves | Results (2) | Dividends paid (3) | | | | |
| Companies consolidated by the equity method (**) | | | | | | | | |
| 6350 Industries, S.L. (a) | 230 | 531 | (65) | - | 2,696 | 86 | (44) | (27) |
| Adara Renovables, S.L. | 1,200 | (417) | (24) | - | 3,154 | - | - | (267) |
| Adelanta Corporación, S.A. (c) | 301 | 44,812 | 3,081 | 72 | 134,145 | 29,014 | - | - |
| Altavista Hotelera,S.L. (g) | 35,990 | (24,177) | (2,504) | - | 106,052 | 15,636 | (1,138) | (1,002) |
| Alze Mediterráneo, S. L. (k) | 2,102 | (13,777) | - | - | 11,844 | 946 | - | - |
| Anara Guipuzcoa, S.L. (a) | 150 | 2,343 | 215 | - | 13,961 | 60 | (35) | 94 |
| Atalanta Catalunya 2011, S.L. (g) | 40 | (5) | (2) | - | 221 | 10 | (1) | (3) |
| Aviación Regional Cántbra, A.I.E. (b) | 29,606 | 1,893 | 2,062 | 28 | 86,618 | 7,824 | 1,301 | - |
| Aviones Alfambra CRJ-900, A.I.E. (d) | 1 | 3,121 | 131 | - | 17,616 | 1,060 | (270) | - |
| Aviones Cabriel CRJ-900, A.I.E. (d) | 1 | 3,122 | 130 | - | 17,596 | 1,060 | (270) | - |
| Aviones Carraixet CRJ-200 II A.I.E. (f) | 1 | 4,377 | 227 | - | 12,345 | 894 | 90 | 57 |
| Aviones Gorgos CRJ-900, A.I.E. (d) | 1 | 3,122 | 129 | - | 17,565 | 1,060 | (271) | - |
| Aviones Portacoli CRJ-200 III A.I.E. (f) | 1 | 4,392 | 228 | - | 12,406 | 897 | 91 | 57 |
| Aviones Sella CRJ-900, A.I.E. (d) | 1 | 3,122 | 129 | - | 17,540 | 1,060 | (271) | - |
| Aviones Turia CRJ-200 I, A.I.E. (f) | 1 | 4,386 | 227 | - | 12,377 | 896 | 91 | 57 |
| Bajo Almanzora Desarrollos Inmobiliarios, S.L. | 1,450 | (2,400) | (118) | - | 7,446 | 556 | - | - |
| Balam Overseas BV (f) | 20,084 | 1,032 | - | - | 21,130 | 8,516 | (828) | - |
| Banco Gallego Vida y Pensiones, S.A. de Seguros y Reaseguros | 5,109 | 2,507 | 1,573 | - | 117,139 | 1,352 | - | (117) |
| BanSabadell Pensiones, E.G.F.P., S.A | 7,813 | 8,566 | 4,217 | 2,000 | 26,257 | 9,378 | (397) | 2,109 |
| de Seguros y Reaseguros | 10,000 | 4,895 | 5,635 | 2,038 | 62,628 | 5,000 | 2,586 | 2,817 |
| BanSabadell Vida, S.A. de Seguros y Reaseguros | 43,858 | 254,071 | 64,689 | 30,000 | 6,158,974 | 26,851 | 123,274 | 32,345 |
| Berilia Grupo Inmobiliario, S.L. | 1,067 | - | (28) | - | 3,180 | 427 | - | (513) |
| Blue-Lor, S.L. (m) | 1,858 | (4,173) | - | - | 42,586 | 4,138 | - | - |
| Cantabria Generación, S.L. | 60 | (532) | (266) | - | 2,313 | - | - | - |
| Casas del Mar levante, S.L. (d) | 892 | (11,988) | (591) | - | 6,553 | 297 | - | - |
| Costa Marina Mediterráneo, S.A. (c) | 5,130 | (713) | 33 | - | 10,357 | 1,710 | (724) | 11 |
| Decovama 21, S.L. | 30,159 | (28,157) | (3,025) | - | 125,125 | 6,643 | - | (4,634) |
| Desarrollos Inmobiliarios Pronegui, S.L. (b) | 1,756 | 383 | (776) | - | 1,419 | 1,362 | 133 | (339) |
| Dexia Sabadell, S.A. (a) | 484,061 | 125,750 | (53,939) | - | 17,234,594 | 102,003 | 64,554 | - |
| Diana Capital S.G.E.C.R. S.A. (k) | 606 | 1,649 | 244 | - | 3,327 | 521 | 105 | - |
| Dime Habitat, S.L. (b) | 400 | (15,915) | (77) | - | 20,340 | 2,740 | - | (31) |
| E.B.N. Banco de Negocios, S.A. (c) | 50,281 | 2,885 | (1,590) | - | 1,027,040 | 14,313 | (9,698) | (795) |
| Energías Renovables Sierra Sesnández, S.L. (c) | 1,903 | (14) | (6) | - | 8,508 | 761 | (18) | (19) |
| Espazos Murcia, S.L. (a) | 4,500 | (316) | (4,567) | - | 401 | 2,025 | (82) | (148) |
| ESUS Energía Renovable, S.L. (b) | 50 | (244) | (23) | - | 1,323 | 23 | (23) | - |
| Eurofragance, S.L. (a) | 667 | 12,694 | 5,610 | 650 | 34,422 | 9,050 | 1,003 | 1,300 |
| Fega Unión, S.L. | 10,965 | (5,240) | (87) | - | 82,245 | 5,263 | - | - |
| Fotovoltaica de la Hoya de los Vicentes 171, S.L. | 74 | - | (5) | - | 741 | - | - | (41) |
| Fotovoltaica de la Hoya de los Vicentes 189, S.L. | 74 | 2 | (10) | - | 735 | - | - | (20) |
| Gate Solar, S.L. SPE (a) | 3,005 | 789 | 24 | - | 3,859 | 1,895 | 10 | - |
| Gaviel, S.A. (a) | 1,203 | 71 | - | - | 1,277 | 630 | 34 | - |
| GDSUR Alicante, S.L. (k) | 15,000 | (38,161) | - | - | 32,215 | 4,609 | - | - |
| General de Biocarburantes, S.A. (b) | 6,000 | (10,203) | (13) | - | 2,840 | 2,250 | (130) | - |
| Gesta Aparcamientos, S.L. (d) | 3,007 | (704) | (191) | - | 7,843 | 1,203 | - | (76) |
| Gestora de Aparcamientos del Mediterráneo, S.L. (l) | 10,368 | (5,642) | - | - | 36,964 | 7,675 | 353 | - |
| Gradiente Entrópico, S.L. (a) | 4 | - | (1) | - | 35 | 2 | - | - |
| Grupo Luxiona, S.L. (g) | 851 | 9,220 | (3,338) | - | 56,744 | 5,608 | (3,236) | - |
| Guisain, S.L. (d) | 4,200 | (2,722) | (144) | - | 10,061 | 1,680 | (172) | - |
| Hansa Urbana S.A. (m) | 44,889 | 235,101 | - | - | 607,229 | 103,037 | (24,835) | - |
| Hydrophytic, S.L. (a) | 186 | 47 | 15 | - | 453 | 119 | 12 | 8 |
| IFOS, S.A. (a) | 2 | 240 | (393) | - | 263 | 1 | 59 | (48) |
| Inmobiliaria Valdebebas 21, S.L. | 22,000 | (19,690) | (4) | - | 34,541 | 315 | - | (4,337) |
| Intermas Nets, S.A. (a) | 846 | 36,076 | 2,332 | 459 | 11,900 | 22,213 | 1,650 | - |
| Inversiones Ahorro 2000, S.A. (b) | 20,134 | (9,194) | 235 | - | 11,261 | 11,443 | (2,242) | 47 |
| Inversiones Valdeapa 21, S.L. | 5,114 | (516) | (14) | - | 4,709 | 820 | - | (730) |
| Key VII I, S.L. (c) | 3,574 | 2,827 | (519) | - | 38,911 | 3,125 | (332) | (373) |
| Kosta Bareño, S.A. (d) | 1,500 | 28 | (946) | - | 28,035 | 300 | 123 | (123) |
| Leva-Yorma, S.L. | 992 | (10,45) | (229) | - | 3,867 | 487 | - | - |

Banco Sabadell Group companies at 31 December 2013

Thousand euro

| Company name | Company data (1) | | | | Investment by group | Contribution to reserves or losses in consolidated companies | Contribution to consolidated group results | |
|---|------------------|----------|-------------|-----------------------|------------------------|--|---|-----------------|
| | Capital | Reserves | Results (2) | Dividends paid (3) | | | | Total assets |
| Companies consolidated by the equity method (**) | | | | | | | | |
| Lizarte Promociones, A.I.E. (d) | 835 | (16) | (201) | - | 619 | 334 | 9 | (121) |
| Loalsa Inversiones Castilla la Mancha, S.L. (a) | 180 | (1,819) | (1,989) | - | 6,582 | 36 | (78) | - |
| Luzentia Fotovoltaica, S.L. | 513 | 2,133 | 791 | 399 | 5,957 | - | - | (3,803) |
| Marina Salud, S.A. | 4,000 | 8,527 | (1,766) | - | 150,862 | 2,450 | (1,417) | - |
| Mediterráneo Seguros Diversos, Compañía de Seguros y Reaseguros, S.A. (a) | 11,600 | 8,715 | 6,347 | 850 | 53,384 | 5,800 | 1,771 | 3,681 |
| Mercurio Alicante Sociedad de Arrendamientos 1, S.L.U. | 795 | 236 | 136 | - | 8,566 | 643 | (30) | 102 |
| Metaplast C.F.E., S.L. | 31 | 1,088 | - | - | 1,119 | - | - | - |
| Metrovacesa, S.A. (f) | 1,482,241 | 207,980 | (17,391) | - | 7,297,854 | 364,665 | (18,684) | (2,268) |
| Murcia Emprende, S.C.R., S.A. (c) | 6,000 | (790) | 249 | - | 5,464 | 1,903 | (623) | 81 |
| Mursiya Golf, S.L. (d) | 300 | (323) | (13) | - | 8,355 | 263 | (35) | (1) |
| Naguisa Promociones, S.L. (a) | 300 | 300 | (224) | - | 4,576 | 270 | (3) | (6) |
| NF Desarrollos, S.L. (d) | 160 | 1,085 | (3) | - | 2,573 | 64 | (4) | (2) |
| Norfin 21, S.L. (a) | 710 | (4) | (1) | - | 5,211 | 355 | (2) | - |
| Parc Eòlic Veciana-Cabaro, S.L. (a) | 6,847 | (3,308) | (288) | - | 42,043 | 2,739 | (1,204) | - |
| Parque del Segura, S.L. (c) | 1,752 | (5,624) | (21) | - | 22,781 | 881 | 9 | (469) |
| Parque Eólico Magaz, S.L. (a) | 1,500 | (464) | 377 | - | 42,728 | 6,582 | (309) | - |
| Parque Tecnológico Fuente Álamo, S.A. (e) | 4,128 | (1,002) | (200) | - | 3,090 | 918 | (15) | (45) |
| Pemapro, S.L. | 1,483 | (1,973) | (36) | - | 10,016 | 727 | - | - |
| Planificación TGN 2004, S.L. (k) | 3,309 | (2,125) | - | - | 28,636 | 1,794 | 32 | - |
| Prat Spolka, Z.O.O. (b) | 1,072 | (1,181) | (342) | - | 8,734 | 1,162 | - | (120) |
| Proburg BG XXI, S.L. (a) | 4,000 | (2,291) | (270) | - | 10,562 | 1,000 | (13) | (42) |
| Promociones Abaco Costa Almería, S.L. (a) | 5,000 | (14,737) | (1,540) | - | 5,861 | 2,000 | (1,379) | (10) |
| Promociones Aguiver, S.L. (c) | 5,000 | (484) | (33) | - | 26,765 | 2,000 | (1) | (111) |
| Promociones Florida Casas, S.L. (a) | 120 | (29) | (41) | - | 4,096 | 48 | (205) | (23) |
| Promociones y Desarrollos Urbanos Oncinada, S.L. (d) | 300 | (7) | - | - | 8,806 | 150 | - | - |
| Queenford, S.L. (a) | 3,800 | (18,975) | (3,073) | - | 100,563 | 1,198 | - | (969) |
| Residencial Haygon, S.L. (g) | 541 | (543) | 180 | - | 7,445 | 135 | 77 | - |
| Ribera Casares Golf, S.L. | 2,603 | (3,481) | (130) | - | 17,585 | 1,225 | - | - |
| Rocabella, S.L. (a) | 40 | 116 | - | - | 199 | 7 | - | - |
| Saprosin Promociones, S.L. (a) | 2,604 | (40,790) | (813) | - | 12,586 | 2,329 | (2,143) | - |
| SBD Creixent, S.A. (a) | 15,284 | (3,316) | (115) | - | 21,174 | 3,524 | (1,080) | (29) |
| Sercacih, S.A. (d) | 236 | (45) | (4) | - | 211 | 70 | (23) | (1) |
| Servicios Inmobiliarios Trecam, S.L. (k) | 3,503 | (1,280) | - | - | 30,951 | 1,053 | - | - |
| Sistema Eléctrico de Conexión Valcaire, S.L. (k) | 175 | (17) | (23) | - | 9,407 | 82 | - | - |
| Sociedad de Cartera del Vallés, S.I.C.A.V., S.A. (a) | 4,818 | (75) | 741 | - | 5,519 | 422 | 1,756 | 292 |
| Societat d'Inversió dels Enginyers, S.L. (a) | 1,340 | (425) | (103) | - | 827 | 467 | (141) | (33) |
| Torre Sureste, S.L. (d) | 300 | 1,063 | (99) | - | 15,190 | 120 | 60 | (59) |
| Tremor Maroc Services Immobilières S.A.R.L. (k) | 444 | (384) | - | - | 9,331 | 183 | (32) | - |
| Txonta Egizastu Promozioak, S.L. (a) | 600 | 567 | (373) | - | 16,163 | 420 | - | (11) |
| Urtago Promozioak, A.I.E. (a) | 100 | - | (2) | - | 62 | 30 | 2 | - |
| Visualmark Internacional, S.L. | 11 | (5) | - | - | 6 | - | - | (2) |
| Total | | | | 36,496 | | 838,892 | 126,746 | 21,291 |
| Consolidation adjustments | | | | | | | | 721,939 |
| Total | | | | 367,540 | | 7,856,356 | 8,744,180 | 179,746 |

(**) Consolidated by the equity method due to the absence of management control

(1) Foreign company figures are translated into euro at the fixing exchange rate ruling on 31 December 2013.

(2) Results pending approval by shareholders.

(3) Includes supplementary dividends for previous year and interim dividends paid to the group.
Data on the companies listed below relate to dates other than 31 December as more recent information is not available.

(a) Figures for these companies under "Company data" (2) are valid as at 30 November 2013.

(b) Figures for these companies under "Company data" (2) are valid as at 31 October 2013.

(c) Figures for these companies under "Company data" (2) are valid as at 30 September 2013.

(d) Figures for these companies under "Company data" (2) are valid as at 31 August 2013.

(e) Figures for these companies under "Company data" (2) are valid as at 31 July 2013.

(f) Figures for these companies under "Company data" (2) are valid as at 30 June 2013.

(g) Figures for these companies under "Company data" (2) are valid as at 31 May 2013.

(h) Figures for these companies under "Company data" (2) are valid as at 30 April 2013.

(i) Figures for these companies under "Company data" (2) are valid as at 31 March 2013.

(j) Figures for these companies under "Company data" (2) are valid as at 28 February 2013.

(k) Figures for these companies under "Company data" (2) are valid as at 31 December 2012.

(l) Figures for these companies under "Company data" (2) are valid as at 31 May 2012.

(m) Figures for these companies under "Company data" (2) are valid as at 31 December 2011.

The total ordinary income balance of associates consolidated by the equity method amounted to €1,031,441,000 at 31 December 2013. The liabilities balance of associates at the end of 2013 totalled €32,298,136,000.

SCHEDULE II – ANNUAL BANKING REPORT

INFORMATION REQUIRED UNDER ARTICLE 89 OF EUROPEAN PARLIAMENT AND COUNCIL DIRECTIVE 2013/36/EU OF 26 JUNE 2013

This information has been prepared in compliance with Article 89 of Directive 2013/36/EU of the European Parliament and Council of 26 June 2013 relating to access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/ EC and repealing Directive 2006/48/ EC and Directive 2006/49/EC, and the transposition thereof into Spanish national legislation in accordance with Article 87 and Transitional Provision 12 of Law 10/2014 of 26 June 2014 on the arrangement, supervision and solvency of credit institutions published in the Official State Gazette on 27 June 2014.

In accordance with the above regulations the following information is presented on a consolidated basis for financial year 2014:

| | Business volume (€'000) | No. equivalent full time employees | Gross income before taxes | Corporate income tax |
|--------------|----------------------------|---------------------------------------|------------------------------|----------------------|
| Spain | 4,650,676 | 16,521 | 450,814 | (98,282) |
| USA | 122,954 | 688 | 35,770 | (10,831) |
| Rest | 26,896 | 248 | (191) | (635) |
| Total | 4,800,526 | 17,457 | 486,393 | (109,748) |

This information is available in Schedule I to these consolidated annual accounts for the year ended 31 December 2014, in which the companies operating in each jurisdiction are listed, including among other details their names, geographical location and area of activity.

As may be observed in Schedule I, the Group's main activity in the jurisdictions in which it operates is banking, essentially commercial banking, through a broad range of products and services offered to large and medium-sized companies, small companies, retailers and the self-employed, professional groups, other private individuals and bank-assurance.

For the purposes of this information, business volume is regarded as the gross income reflected on the consolidated income statement for December 2014. Data on full-time equivalent employees have been obtained from the template of each company/country at the end of 2014.

The amount of public grants or aid received is not significant.

CONSOLIDATED REPORT OF THE DIRECTORS FOR 2014

This report has been prepared in line with the recommendations contained in the *Guide for the preparation of directors' reports by listed companies*, published by the Spanish National Securities Commission (CNMV) in July 2013.

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1. GOVERNANCE STRUCTURE AND STRATEGY OVERVIEW

1.1. Organizational structure

Banco Sabadell is one of Spain's leading banks, with assets totalling €163,346 million at 31 December 2014.

It offers a broad range of banking products and financial services, including deposits, personal banking, personal loans, mortgage loans, short- and medium-term funding, insurance, brokerage services, electronic payment services, and credit and debit cards. Our main customers are small- and medium-sized enterprises (SMEs) and individuals in Spain. At the close of 2014 Banco Sabadell had a total of 6.4 million customers, compared with 6.5 million in 2013. At the end of the year we had 2,267 operating branches in Spain. Retail banking services are primarily provided through the branch network. The group's largest business line is Commercial Banking, with 2,253 branches having this as their main activity at 2014 year-end. We operate in Spain through a set of brands, each of which is focused on a specific customer base and/or geographical region.

The group is organized into the following business units:

- **Commercial Banking:** is the group's largest single business line; it focuses on offering financial products and services (including bancassurance products) to large and medium-sized enterprises, SMEs, small retailers, sole proprietors, individuals, and professional and other associations.

In most parts of Spain, the Commercial Banking line operates under the group's flagship brand, SabadellAtlántico.

It also operates under the following brands:

- SabadellHerrero, in Asturias and León.
- SabadellGuipuzcoano, in the Basque Country, Navarra and La Rioja.
- SabadellCAM, in Valencia and Murcia.
- SabadellSolbank, in the Canary Islands, the Balearic Islands and the southern and south-eastern coastal areas of mainland Spain, meeting the needs of European residents in Spain.
- ActivoBank serves customers who prefer to do their banking exclusively by telephone or on line.
- SabadellGallego, for the Bank's branches in Galicia.

- **Corporate Banking and Global Businesses:** this unit offers products and services to large corporations and financial institutions, both Spanish and international. Its activities encompass corporate banking, structured finance, corporate finance, development capital, international trade and consumer finance.
- **Markets and Private Banking:** this unit offers savings and investment management services to Banco Sabadell customers, including the analysis of investment options, market trading, active wealth management and custody services. Markets and Private Banking comprises the following businesses, which are managed on an integrated basis: SabadellUrquijo Banca Privada, the Investment, Products and Analysis unit, Treasury and Capital Markets, and Securities Trading and Custody 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 process; and Solvia, which will provide services for real estate asset portfolios for both the group and third parties with a focus on business and leveraging value. Asset Transformation has the prime task of taking an integrated approach to the group's real estate assets and designing and carrying out its asset transformation strategy. Solvia, the group's real estate business, focuses on real estate services through all stages of the product cycle — property sales and servicing, land management, preparation and development — and has positioned itself as a key player in Spain's real estate market.

Banco Sabadell is also developing its business in foreign countries, where it currently has a total of 53 branches and representative offices within its different areas of business.

- BS America: this area is made up of a number of business units, affiliates and representative offices that engage in corporate banking, private banking and commercial banking. The Bank has the capacity and experience to provide all types of banking services, from the most complex and specialized for large corporations, including structured project finance operations, to products for individuals. The business is carried on through the Banco Sabadell Miami Branch, Sabadell United Bank and Sabadell Securities.
- BancSabadell d'Andorra: incorporated in the Principality of Andorra, BancSabadell d'Andorra is owned 50.97% by Banco Sabadell. Its customers consist of medium-to-high earners and leading companies in the Principality of Andorra.

Banco Sabadell is the parent of a corporate group which at 31 December 2014 comprised 232 companies of which 165 were treated as group undertakings and 67 were associated undertakings; at 31 December 2013, the group consisted of 305 companies of which 177 were group undertakings and 128 were associates.

As regards the Bank's governance structure, the Board of Directors is the highest decision-making body in the Company and its consolidated group, as it is responsible under the law and the Articles of Association for managing and representing the institution in all aspects related to the banking business, supervision and oversight as set out in the Articles of Association and based on the powers granted by the General Meeting.

Its responsibilities include:

- a) approving decisions on business and financial transactions of particular importance to the Company and the Bank's general strategies;
- b) appointing and, as necessary, removing senior executives of the Company and other undertakings in the consolidated group;
- c) identifying the main risks facing the Company and the consolidated group and implementing and monitoring the operation of appropriate internal control and reporting systems;
- d) setting policy on the reporting and disclosure of information to shareholders, the markets and the general public;
- e) setting policy on treasury shares in accordance with any guidelines laid down by the General Meeting;
- f) authorizing transactions between the Company and directors or significant shareholders that could lead to conflicts of interest; and
- g) any other responsibilities set out in the Articles of Association.

The members of the Board of Directors at 31 December 2014 were as follows:

| Members of the Board of Directors | Position |
|--|--|
| José Olliu Creus | Chairman |
| José Manuel Lara Bosch | First Deputy Chairman |
| José Javier Echenique Landiribar | Second Deputy Chairman |
| Jaime Guardiola Romojaro | Managing Director |
| Héctor María Colonques Moreno | Director |
| Joaquín Folch-Rusiñol Corachán | Director |
| María Teresa García-Milá Lloveras | Director |
| Joan Llonch Andreu | Director |
| David Martínez Guzmán | Director |
| José Manuel Martínez Martínez | Director |
| José Ramón Martínez Sufrategui | Director |
| Antonio Vitor Martins Monteiro | Director |
| José Luis Negro Rodríguez | Director - General Manager |
| José Permanyer Cunillera | Director |
| Miquel Roca i Junyent | Secretary to the Board (non-director) |
| Maria José García Beato | Deputy Secretary to the Board (non-director) |

The Board of Directors has implemented a set of clear and transparent rules and regulations on corporate governance as required by Spanish law. Eleven of the 14 members of the Board are non-executive directors and include eight independent directors.

At present, there are five committees to which the Board of Directors delegates functions by making use of the powers conferred on it in the Articles of Association; meetings of the committees are attended by members of senior management.

These committees are:

The Executive Committee

The Audit and Control Committee

The Appointment and Remuneration Committee

The Risk Control Committee

The Strategy Committee

The composition of these committees at 31 December 2014 is shown in the table below:

Board Committees - membership

| Position | Executive | Audit and Control | Appointment and Remuneration | Risk Control | Strategy |
|---------------------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| Chairman | José Oliu Creus | Joan Llonch Andreu | Héctor María Colonques Moreno | José Manuel Martínez Martínez | José Oliu Creus |
| Deputy Chairman | - | - | - | José Permanyer Cunillera | - |
| Member | José Javier Echenique Landiribar | María Teresa García-Milà Lloveras | José Javier Echenique Landiribar | María Teresa García-Milà Lloveras | José Javier Echenique Landiribar |
| Member | Jaime Guardiola Romojaro | José Ramón Martínez Sufregui | Joaquín Folch-Rusiñol Corachán | Joan Llonch Andreu | Joaquín Folch-Rusiñol Corachán |
| Member | José Luis Negro Rodríguez | - | José Manuel Lara Bosch | - | Jaime Guardiola Romojaro |
| Member | José Permanyer Cunillera | - | - | - | José Manuel Lara Bosch |
| Member | - | - | - | - | José Manuel Martínez Martínez |
| Secretary | María José García Beato | Miquel Roca i Junyent | Miquel Roca i Junyent | María José García Beato | Miquel Roca i Junyent |
| Number of meetings held in 2014 | 33 | 6 | 11 | 7 | 6 |

Executive Committee

The Executive Committee is responsible for the coordination of the Bank's executive management, adopting to this end any resolutions and decisions within the scope of the powers vested in it by the Board of Directors; decisions adopted by the Committee are reported to the Board of Directors.

Audit and Control Committee

The purpose of the Audit and Control Committee is to review reports from the Internal Audit Department or the Comptroller General to verify that good banking and accounting practices are being followed in all parts of the organization, as well as to ensure that general management and other executive functions take suitable measures to address improper conduct or practices by persons in the organization. It is also a watchdog, ensuring that the measures, policies and strategies defined by the Board are duly implemented; the committee meets not less than once a quarter.

Without prejudice to any other tasks being assigned to it by the Board of Directors, the Committee's basic responsibilities are:

- reporting to the General Meeting on all issues raised by shareholders that are within its remit;
- monitoring the effectiveness of the company's internal controls, any internal audit carried out and the risk management systems in place, and discussing with auditors or auditing firms any significant internal control weaknesses identified in the course of the audit;
- overseeing the preparation and presentation of statutory financial information;
- making recommendations to the Board of Directors, for submission to the General Meeting, on the appointment of external auditors and their terms of engagement, the scope of their professional mandate and, if applicable, the termination or non-renewal of their engagement; reviewing performance of the auditing agreement and ensuring that the opinion on the annual accounts and the main findings of the Auditor's report are expressed in a clear and precise way;

e) advising on the annual accounts and the quarterly and half-yearly financial statements and any prospectuses required to be filed with the regulatory or supervisory authorities; monitoring regulatory compliance; ensuring that generally accepted accounting principles have been correctly applied, and reporting on any proposed amendments to those principles;

f) maintaining working relations with external auditors to receive information on, and enquire into, any issues that could compromise their independence and keeping itself informed of any other matters related to the audit process and to auditing standards;

g) advising on any issues referred to the Committee by the Board of Directors that are within its terms of reference; and

h) any other matters for which the Committee is responsible by law or under the Articles of Association or any regulations made in accordance therewith, or under any generally applicable rules on corporate governance.

The Committee also has the following tasks in connection with compliance with regulatory provisions, legal requirements and the precepts of corporate governance codes:

1. Overseeing compliance with the law, internal codes and regulatory provisions governing Company activities;
2. Assessing the effectiveness of, and compliance with, the Regulations of the General Meeting, the rules of procedure of the Board of Directors, the Code of Conduct and, particularly, the Internal Code of Conduct for trading on the stock markets;
3. Reviewing compliance with the rules on corporate governance and submitting recommendations for improvement to the Board as it sees fit; and
4. Supervising the corporate governance report to the Board for approval and inclusion in the annual report.

Appointment and Remuneration Committee

The Appointment and Remuneration Committee is responsible for evaluating the profiles of the persons judged most suitable for membership of the different committees and for taking these proposals to the Board. It meets not less than once a year.

Without prejudice to any other tasks assigned to it by the Board of Directors, the Committee's basic responsibilities are:

- a) drafting and reviewing the criteria to be followed with regard to the composition of the Board of Directors and the selection of candidates;
- b) presenting proposals for appointing members to the Board so that it may directly appoint them (co-optation) or present these proposals for consideration by the General Meeting;
- c) proposing to the Board of Directors the system and amount of annual remuneration for the Chairman of the Board of Directors, the executive directors and the Bank's senior managers, and the systems under which the Board shares in the company's profits; and advising on director remuneration policy;
- d) periodically reviewing the general principles of the group's remuneration policy and ensuring that remuneration programmes are in line with those principles for all employees;
- e) ensuring that remuneration is transparent; and
- f) fostering gender diversity as far as possible.

Risk Control Committee

The Risk Control Committee is responsible for:

- a) determining and making recommendations to the full Board on overall levels of exposure to particular countries, business sectors and risk categories, for approval by the Board;
- b) determining and proposing to the full Board the application of maximum levels of risk for specific transactions with credit institutions and customers, and setting maximum risk levels for portfolios or individual investments in government bonds, shares, bonds, options, swaps and generally all types of instruments or securities that represent a default, investment, interest rate or liquidity risk for the Group;
- c) determining and making recommendations to the full Board on annual limits for investment in the real estate market and on the principles and volumes applicable to different types of real estate investment;
- d) determining and making recommendations to the full Board on any delegations of authority considered appropriate for the approval and acceptance of individual risks, within the limits established as described above;
- e) deciding on any individual risks for the approval of which the Risk Control Committee is responsible by virtue of the delegation of authority referred to above;
- f) monitoring and overseeing the proper implementation of any delegation of authority under d) above;
- g) reporting on a monthly basis to the full Board regarding the performance of its functions under this article or any other applicable provisions of law or the Articles of Association;
- h) providing quarterly reports to the full Board on the levels of risk incurred, the investments made and the performance of those investments, and on any impacts that could be caused to group revenues by changes in interest rates; also on whether risk levels are appropriate to the VaRs approved by the Board;
- i) submitting for the Board's approval any change in the limits referred to in a) and b) that exceed authorized levels by more than 10% and 20%, respectively; and
- j) advising the Appointment and Remuneration Committee on whether employee compensation schemes are consistent with the Bank's risk, capital and liquidity levels.

Strategy Committee

The committee's brief is to report on any matter of a general nature or of particular significance in relation to strategy. It meets not less than once every six months.

1.2. Operating review: objectives achieved and actions implemented

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.

The Bank has a business model that fosters long-term customer relationships through constant efforts to promote customer loyalty by adopting an initiative-based, proactive approach. The Bank offers a comprehensive range of products and services, competent, highly qualified personnel, an IT platform with ample capacity to support future growth and a relentless focus on quality.

Since the onset of the financial crisis, Spain's banking sector has been going through an unprecedented process of consolidation. Higher levels of capital, stricter provisioning requirements, the economic recession and pressure from the capital markets are some of the factors that have driven Spanish banks to merge and gain in scale, maximize efficiency and strengthen their balance sheets.

During the last decade, Banco Sabadell has expanded its geographic presence and increased its market share in Spain through several acquisitions, the largest of which was Banco CAM in 2012, which enabled it to notably expand its balance sheet. In 2013 Banco Sabadell was able to undertake further corporate actions on

economically acceptable terms in a context of banking sector restructuring. Following the acquisition of the Penedès branch network, Banco Gallego and Lloyds España in 2013, Banco Sabadell is well positioned to grow organically and to benefit from the economic recovery in Spain.

Synergies from the Banco CAM merger exceeded expectations, with the systems and operational integration of the Penedès branch network into that of Banco Sabadell being successfully completed in 2013, followed by the integration of Banco Gallego and Lloyds España in 2014.

Acquisitions and organic growth in recent years have enabled Banco Sabadell to reinforce its position in some of Spain's most prosperous regions (e.g. Catalonia, Valencia and the Balearic Islands) and to increase its market share in other key areas. As of September 2014 Banco Sabadell had shares of 15.1%, 14.2% and 9.2%, respectively, of the credit markets in these regions, which in 2013 together accounted for 31% of Spanish GDP. At national level, Banco Sabadell has market shares of 7.4% in lending and 7.2% in deposits according to the most recent information available (October 2014). Banco Sabadell also has a strong position in other products such as ICO funding, with a market share of 17.5% (December 2014); commercial loans, with a share of 12.3% (October 2014); direct salary payments, with 5.7% (November 2014) and POS terminal transactions, with 15.5% (September 2014).

Banco Sabadell remains a leader in cross-border operations through its presence in strategic markets and by serving companies as they expand abroad; as of November 2014 it had market shares of 25.6% for documentary credits for exports and 16.9% for imports

In 2014 Banco Sabadell experienced growth in deposit-taking driven by the flight to quality and further supported by marketing campaigns. As of October 2014 the Bank held an 8.3% share of time deposits by households and a 13.9% of time deposits by non-financial companies. It was particularly successful in attracting off-balance sheet funds, which increased as a proportion of the overall balance sheet. Its share of assets in mutual funds increased from 4.1% to 5.1% during the year.

Since 2007 deposits have been the Bank's primary source of funding, thereby reducing its dependence on capital markets. Other developments during the year were the successful completion of a €1,250 million public offering of covered bonds on the wholesale market in November and two senior debt issues for €360 and €500 million for small investors in November and December respectively, which aroused great interest.

Another aim for 2014 that Banco Sabadell more than accomplished was to reduce the gap between customers of the former Banco CAM and Banco Sabadell customers in terms of funding margin and customer loyalty. This was achieved by using a customer-centric business model, personalized customer management standards based on value creation, and sales processes which included top-flight advisory and sales support, backed by product-specific sales campaigns.

In 2014, Banco Sabadell also surpassed the service quality level attained in 2011, which had declined due to the integration of Banco CAM in 2012, and its commercial banking brands were among the first 11 in the Top 50 brands at 2014 year-end according to a survey by Stiga-Equos.

The global financial crisis has led to stricter regulatory requirements as to capital and reserves; Banco Sabadell has made notable efforts to improve its position in both respects.

The bank booked €2,500 million in allowances in 2014, enabling it to increase its reserves and attain an overall coverage ratio (loans and real estate) of 13.1%.

On 26 October 2014, the ECB published the results of its Comprehensive Assessment of European banks, including the Asset Quality Review (AQR) and the stress test, which underlined Banco Sabadell's sound capital position.

Banco Sabadell is the only Spanish bank whose initial capital ratio was not adjusted as a result of the AQR, which is the best proof of the rigour and transparency of our provisioning policy. This clearly evidenced the bank's solvency, beyond any stress test, an aspect which positively surprised the market.

The stress test concluded that Banco Sabadell has a common equity tier 1 (CET1) ratio of 10.26% and that, in the most adverse scenario considered, that ratio would be 8.33%, well above the required minimum of 5.5%. With these ratios, it was estimated that Banco Sabadell had surplus capital amounting to over €1,700 million under the baseline scenario and over €2,200 million under the most adverse scenario.

These results did not consider the effect of the mandatory convertible bonds (not included in the stress test even though they mature in 2015) or all of the deductions envisaged under Basel III. If those items had been

considered, the CET1 ratio in the adverse scenario would have been 9.38% (including convertibles) or 8.8% (fully loaded).

This assessment was a condition precedent for the ECB to undertake its new functions as supervisor of the Euro area's principal banks in November 2014. Far from being a limited, straightforward exercise, the comprehensive assessment took almost a year and covered a very significant portion of the Bank's processes and procedures, requiring a team of some 250 Bank employees to be wholly or partly occupied on the project.

2. BUSINESS PERFORMANCE AND RESULTS

2.1. Global economic and financial environment

In the course of 2014 Europe took decisive steps towards banking union and this helped to maintain continuity in the normalization of financial conditions in the region. In particular, agreement was reached on establishing a bank resolution mechanism and single resolution fund. The European Central Bank (ECB) began to perform its functions as a single banking supervisor. Prior to this it carried out a comprehensive assessment of the European banking system.

In the global arena political and geopolitical developments were a major focus of attention. Geopolitical tensions flared in the Middle East and, more especially, in Ukraine. In Europe political events were the prime cause of uncertainty. The fragmentation revealed by national voting intention surveys has raised questions over the future governability of certain countries. One example of this is Greece, where an early election was held at the beginning of 2015. At the time this report went to press the left-leaning Syriza coalition had just emerged victorious from the 25 January election. The coalition came close to obtaining an absolute majority. In the end Syriza made an agreement with another party (Independent Greeks) to form a coalition government.

In 2014 the world economy was characterized by modest growth, with inflation remaining muted. The sharp fall in the price of oil in the latter months of the year increased the downward pressure on inflation. Oil prices, affected by demand as well as supply factors, fell by nearly 50% and now stand at the levels they were at in 2009. The financial markets continued to be supported by accommodative monetary policies although there were occasional bouts of instability.

In terms of economic activity, the global slowdown in growth masked divergent growth paths in different countries. In the US the economy staged a gradual recovery and the labour market surprised on the upside. The Eurozone barely showed any increase in activity as investment remained weak. Investor and business confidence was weighed down by geopolitical uncertainty over the conflict in Ukraine. The United Kingdom continued to show robust growth and steadily falling unemployment. In Europe the European Commission presented a programme, the Juncker plan, whose aim is to mobilize €315 billion for investment over the period 2015-2017. In Japan an increased tax on consumer spending put a brake on economic activity in the middle of the year. The emerging markets continued to see a slowdown in their economic growth. China saw a continuation of the structural deceleration of its economy, which was constrained by a weak real estate market. In Latin America the dominant theme was economic fragility and political uncertainty in Brazil. In Mexico, meanwhile, activity saw an upturn albeit at a pace that was slower than anticipated. The country continued to make progress in implementing structural reforms. The Russian economy suffered damage from geopolitical instability and falling oil prices. This fall was a factor affecting oil exporting countries generally.

The Spanish economy stood out as a success story within the Eurozone. Activity recovered after bottoming out in 2013 and began to create employment for the first time since 2008. Domestic demand was the main driver behind growth. Rising levels of activity were supported by a more benign financial climate and a slackening in the pace of budgetary consolidation. At the same time, the construction industry steadied itself after the dramatic correction it had gone through in the preceding years. Meanwhile, the process of private sector deleveraging continued throughout the year. The most significant reform was to make changes in the tax legislation, mainly affecting the Personal Income Tax ("IRPF") and corporation tax. These changes resulted in lower rates of tax and greater restrictions on certain deductions. In the financial arena, the European Union's financial assistance programme came to an end in January.

Inflation fell back in all the main developed economies. In the Eurozone, inflation was one of the most keenly scrutinized variables. Inflation indices consistently surprised on the downside and sank to very low levels, especially on the European periphery. Surplus capacity, lower commodity prices and the sluggish growth in bank lending all contributed to the decline. Against this backdrop, forecasts for long-term inflation in the Eurozone slipped lower. In the US the lack of pressure for pay increases helped inflation to remain firmly below the Federal Reserve's target. In the UK inflation plunged to levels not seen since the year 2000. Finally, in

Japan inflation rose after the increase in the tax on consumer spending before falling back into a gradual decline.

The monetary policies pursued by the principal central banks remained accommodative, albeit with regional variations. The ECB again resorted to stimulus measures to counteract the low level of inflation. Policy rates of interest were set at historically low levels (0.05%) and the deposit facility rate was taken into negative territory (-0.20%). The ECB also set up a programme of long-term liquidity-boosting operations (TLTROs) to encourage banks to increase lending. It also launched programmes for the purchase of asset-backed securities (ABS's) and covered bonds. The ECB has indicated its general aim of increasing the size of its balance sheet to levels last seen in early 2012. In such conditions, given the persistent low level of inflation, it has left the door open for further stimulus measures. As this report went to press, the ECB was announcing an extension of its asset purchase programme following its meeting of 22 January 2015. The institution also said that it would buy €60,000 million worth of assets per month and that it would do so at least until September 2016. The assets to be purchased will include government bonds. In the US, the Fed brought its asset purchasing programme (US bonds and mortgage-backed securities) to an end. Despite keeping its key rate at historically low levels, the Fed thus marked a change of direction in its monetary policy. In the UK, the Bank of England kept base rates unchanged at 0.50% although some members were in favour of an increase. The BoE also announced a number of macroprudential measures to cool the property market. In Japan, the central bank moved aggressively to pull the country out of deflation, including a substantial increase in government bond purchases. These purchases will absorb virtually the whole of the government's borrowing requirement for 2015.

In the long-dated bond markets, yields fell sharply in the main developed economies. US bonds found support in fears over global economic growth and a more uncertain geopolitical environment. German bond yields sank to all-time lows. The German long bond was boosted by falling inflation, Eurozone economic weakness and the ECB's accommodative policy stance. On the European periphery, with the exception of Greece, risk premium continued to tighten significantly. This was spurred by the ECB's accommodative approach and expectations that it would finally adopt a broad programme of bond purchases. In Spain bond yields fell to historic lows – lower, even, than in the US. During the year the three main credit rating agencies upgraded their ratings for Spanish sovereign debt. And Greece was able to issue long-term debt for the first time since the country was bailed out. Both Portugal and Ireland gradually regained normal access to global debt markets. In May Portugal exited from its assistance plan without making any request for further support. In Japan too, yields on government bonds fell, reaching their lowest-ever level. Massive bond purchases by the Bank of Japan gave rise to distortions, causing the market to become illiquid at times.

In the currency markets the euro weakened against the dollar and sterling. The divergence between the monetary policies pursued by the ECB and the two other central banks were the main factor behind these movements. The weak economic performance of the Eurozone compared with the US and the UK contributed to the decline. The yen showed a significant depreciation against the dollar in the second half of the year, sinking to the levels of 2007. The Bank of Japan's policy of monetary easing and the deterioration of the country's economy after the tax increase drove the yen lower.

In the equity markets, key US stock indices showed gains over the period. The S&P 500, in particular, rose by 26.9% in euro terms. Some of this improvement in euro terms is explained by the strength of the dollar. In Europe the Euro Stoxx 50 closed the year without a well-defined trend. The index barely managed a rise of 1.2%. In Spain the IBEX index was up by 3.7%, in sharp contrast to the 21.4% gain it had made in 2013.

Financial markets in the emerging markets were affected by high degrees of volatility and sharp currency-related falls. This was fuelled by uncertainty over the extent of the economic slowdown in China. Further causes of weakness were political instability and worries over the possible start of interest rate hikes by the Fed. Dramatic falls in the oil price also stoked financial turmoil in countries such as Russia and Venezuela. In the case of Venezuela, this even aroused market fears that the country might have to seek a restructuring of its external debt.

2.2. Key financial and non-financial indicators

Some key numbers and ratios for the Bank, including financial and non-financial data of critical importance to the running of the organization, are set out below:

| | | 2014 | 2013 | Change YoY (%) |
|---|------|-------------|-------------|-------------------|
| Balance sheet (Thousand euro) | | (A) | | |
| Total assets | | 163,345,673 | 163,522,541 | (0.1) |
| Gross loans and advances to customers, excluding reverse repos | | 121,140,838 | 124,614,933 | (2.8) |
| Gross loans and advances to customers | | 121,728,435 | 125,302,943 | (2.9) |
| On-balance sheet funds | (1) | 121,806,632 | 123,753,008 | (1.6) |
| Of which: On-balance sheet customer funds | (2) | 94,460,668 | 94,497,187 | (0.0) |
| Mutual funds | | 15,705,612 | 11,018,570 | 42.5 |
| Marketing of pension funds and insurance | | 11,755,126 | 12,423,646 | (5.4) |
| Funds under management | (3) | 152,185,441 | 149,122,858 | 2.1 |
| Shareholders' funds | | 10,223,743 | 10,037,368 | 1.9 |
| Income Statement (Thousand euro) | | (B) | | |
| Net interest income | | 2,259,706 | 1,814,694 | 24.5 |
| Gross income | | 4,800,526 | 3,831,198 | 25.3 |
| Profit before impairment and other provisions | | 2,749,104 | 1,879,690 | 46.3 |
| Profit attributed to the parent company | | 371,677 | 145,915 | 154.7 |
| Ratios (%) | | (C) | | |
| ROA | (4) | 0.23% | 0.10% | |
| ROE | (5) | 3.70% | 1.58% | |
| ROTE | (6) | 4.14% | 1.75% | |
| Cost/ income ratio | (7) | 53.14% | 64.19% | |
| Cost/ income ratio excluding non-recurring expenses | (8) | 51.93% | 62.28% | |
| Core capital / Common Equity | (9) | 11.7% | 11.7% | |
| Tier I | (10) | 11.7% | 11.7% | |
| BIS ratio | (11) | 12.8% | 12.5% | |

| Risk management | | (D) | |
|--|------|---------------|---------------|
| Doubtful loans (€'000) | (12) | 14,192,150 | 16,021,491 |
| Loan loss ratio (%) | (12) | 12.17 | 13.63 |
| Loan loss and real estate impairment allowances (€'000) | | 17,441,989 | 18,341,298 |
| Loan loss coverage ratio (%) | (13) | 50.3 | 52 |
| Loan loss and real estate coverage ratio (%) | (14) | 13.14 | 13.61 |
| Share data (period end) | | (E) | |
| No. of shareholders | | 231,481 | 262,589 |
| Number of shares | | 4,024,460,614 | 4,011,481,581 |
| Share price (€) | | 2.205 | 1.896 |
| Market capitalization (€'000) | (15) | 8,873,936 | 7,605,769 |
| Earnings per share (EPS) (€) | | 0.09 | 0.04 |
| Book value per share (€) | (16) | 2.54 | 2.50 |
| Price/Book value (times) | | 0.87 | 0.76 |
| Price/earnings ratio (P/E) (times) | | 23.88 | 52.12 |
| Adjusted for effect of mandatory convertible bonds: | | | |
| Total number of shares including shares resulting from conversion of bonds | | 4,289,732,386 | 4,298,634,476 |
| Earnings per share (EPS) (€) | | 0.09 | 0.03 |
| Book value per share (€) | | 2.38 | 2.34 |
| Price/Book value (times) | | 0.93 | 0.81 |
| Other data | | | |
| Branches | | 2,320 | 2,418 |
| Employees | | 17,529 | 18,077 |

- (A) This section of the table provides an overview of changes in the main items on the group's consolidated balance sheet, focusing especially on data related to customer loans and customer funds.
- (B) This section sets out key components of the income statement for the last two years.
- (C) The ratios in this section of the table have been included to give a meaningful indication of profitability, efficiency and capital adequacy in the last two years.
- (D) This section gives some key numbers and ratios related to risk and risk management within the group.
- (E) This section provides data on the share price and other stock market ratios and indicators.
- (1) Includes customer deposits, debts represented by marketable securities, subordinated liabilities and liabilities under insurance contracts.
- (2) Includes customer deposits (ex repos) and other liabilities placed via the branch network: mandatory convertible bonds, non-convertible bonds issued by Banco Sabadell, commercial paper and others.
- (3) Includes on-balance sheet funds, mutual funds, pension funds, asset management and insurance contracts distributed by the Group..
- (4) Consolidated profit (loss) for the year / average total assets.
- (5) Income attributable to the group / average shareholders' equity (not treating income attributable to the group as part of shareholders' equity).
- (6) Income attributable to the group / average shareholders' equity (not treating income attributable to the group as part of shareholders' equity, and deducting goodwill).
- (7) Personnel and other general administrative expenses / gross income. To calculate these ratios, gross income was adjusted considering only net trading income and recurring exchange differences. The ratio for 2013 has been adjusted on this basis.
- (8) Personnel and other general administrative expenses (less non-recurring expenses) / gross income. To calculate these ratios, gross income was adjusted considering only trading income and recurring exchange differences. The ratio for 2013 has been adjusted on this basis.
- (9) Core capital / risk-weighted assets (RWA). The ratio for 2013 was calculated in accordance with Basel II. The December 2014 ratio was calculated according to Basel III with the modifications provided in Bank of Spain Circular 2/2014 (approved in July 2014).
- (10) Tier 1 capital / risk-weighted assets (RWA). The ratio for 2013 was calculated in accordance with Basel II. The December 2014 ratio was calculated according to Basel III with the modifications provided in Bank of Spain Circular 2/2014 (approved in July 2014).
- (11) Total capital / risk-weighted assets (RWA). The ratio for 2013 was calculated in accordance with Basel II. The December 2014 ratio was calculated according to Basel III criteria with the modifications provided in Bank of Spain Circular 2/2014 (approved in July 2014).
- (12) The figures and percentages shown do not include assets covered by the Asset Protection Scheme (APS).
- (13) The ratio of allowances to doubtful assets.
- (14) Shows the allowances covering the group's overall credit risk and real estate exposure.
- (15) The number of shares outstanding multiplied by the share price at year end.
- (16) Shareholders' equity / Number of shares outstanding.

2.3. Financial review

Balance sheet and income statement

Notarial documents formalizing the merger of Banco Gallego and Sabadell Solbank into Banco Sabadell were registered with the Barcelona Mercantile Register on 14 March 2014. The IT integration of the business of both undertakings was completed during the first quarter of the year.

This was the culmination of a series of major changes in the structure of the Banco Sabadell group in the years 2013 and 2014 which can be summarized as follows:

- BMN-Penedès (acquisition of BMN's banking business in Catalonia and Aragón): included in the consolidated accounts as from 1 June 2013.
- Sabadell Solbank (acquisition from Lloyds TSB Bank of 100% of Lloyds Bank International and Lloyds Investment España): included in the consolidated accounts as from 30 June 2013. Sabadell Solbank was subsequently merged with Banco Sabadell in March 2014.
- Banco Gallego: included in the consolidated accounts as from 31 October 2013. Banco Gallego was subsequently merged into Banco Sabadell in March 2014.
- Acquisition of JGB Bank: on 11 July 2014, Banco Sabadell's subsidiary in Miami, Sabadell United Bank N.A., acquired and immediately absorbed JGB Bank, N.A.

Only the incorporation of JGB Bank into the group in 2014 had any effect on the inter-year differences in balance sheet items attributable to changes in the composition of the consolidated group, since all the other undertakings referred to above (BMN-Penedès, Sabadell Solbank and Banco Gallego) had already been integrated into the consolidated accounts by 31 December 2013. In the case of the income statement, however, inter-year comparisons of profit and loss data for 2014 with those of the preceding year were affected, albeit not to any significant degree, by the successive additions of the four undertakings, since the first of them was not incorporated into the consolidated accounts until 1 June 2013.

It should be noted that the balance sheet and income statement for 2013 as presented in this financial review section of the Report of the Directors have been restated to show the impact that the early adoption of IFRIC 21 would have had in that year.

The consolidated income statement of the Banco Sabadell Group for 2014 showed solid progress over the year, driven by increasing business volumes in the group's ordinary operations and rising ordinary margins from those operations. Particularly noteworthy were the good pace of inflows of customer funds, the strong growth in higher added-value products and, particularly in the second half of the year, the revival in the demand for credit, especially among small and medium-sized businesses.

Banco Sabadell's solvency was confirmed by the publication of the results of the European Central Bank's comprehensive assessment of the 130 largest banks in the Eurozone in October 2014. The ECB report made it clear that Banco Sabadell's capital ratio does not need to be adjusted and that under the most adverse scenario it would have a CET1 capital ratio of 8.33%, well above the minimum of 5.5%. Under this adverse scenario, the Bank's CET1 ratio would be 9.38% if mandatory convertible bonds, which were not taken into account in the assessment (and most of which are due for conversion in 2015) were included; and 8.8% on a fully loaded basis.

Balance sheet

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

Thousand euro

| | 2014 | 2013 | Change YoY (%) |
|---|--------------------|--------------------|-------------------|
| Cash and balances with central banks | 1,189,787 | 3,201,898 | (62.8) |
| Assets held for trading, derivatives and other financial asset: | 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 held for trading and derivatives | 2,254,459 | 1,972,190 | 14.3 |
| Financial liabilities at amortised 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) |
| 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) |
| Contingent risks | 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 |

Gross loans and advances to customers (excluding repos) were 75% of the group's total consolidated assets and amounted to €121,140.8 million at year-end. This item declined by 2.8% year-on-year (mainly as a result of a reduction in doubtful balances), although demand for credit showed signs of recovering in the latter months of the year. In the fourth quarter, for example, gross loans and advances (excluding repos and doubtful loans) increased by €773.1 million.

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

Thousand euro

| | 2014 | 2013 | Change (%) YoY (%) |
|---|--------------------|--------------------|-----------------------|
| Mortgage loans & credit | 54,260,230 | 57,580,035 | (5.8) |
| Other secured loans & credit | 2,155,279 | 2,358,314 | (8.6) |
| Commercial loans | 4,867,272 | 4,756,581 | 2.3 |
| Other loans | 24,194,643 | 21,852,593 | 10.7 |
| Other credit | 4,188,075 | 3,684,520 | 13.7 |
| Finance leases | 2,124,317 | 2,169,953 | (2.1) |
| Overdrafts and sundry accounts | 7,738,268 | 7,867,591 | (1.6) |
| Doubtful loans | 21,743,200 | 24,432,151 | (11.0) |
| Accruals | (130,447) | (86,805) | 50.3 |
| Gross loans and advances to customers, excluding reverse repos | 121,140,837 | 124,614,933 | (2.8) |
| Reverse repos | 587,597 | 688,010 | (14.6) |
| Gross loans and advances to customers | 121,728,434 | 125,302,943 | (2.9) |
| Credit and country risk allowances | (10,892,711) | (12,374,053) | (12.0) |
| Loans and advances to customers (net) | 110,835,723 | 112,928,890 | (1.9) |

The evolution of the Group's portfolio of problem assets improved in 2014. Quarter-on-quarter changes in these loans (doubtful assets plus real estate assets not covered by the Asset Protection Scheme) were as follows:

€ million

| | 2014 | | | | 2013 | | | |
|--|--------------|--------------|--------------|--------------|------------|------------|------------|----------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Net increase in ordinary doubtful exposure | (83) | (203) | (316) | (457) | 388 | 760 | 365 | (12) (*) |
| Change in real estate | 64 | 148 | 202 | 263 | 394 | 1 | 218 | 400 (*) |
| Net increase in ordinary doubtful exposure and real estate | (19) | (55) | (114) | (194) | 782 | 761 | 583 | 388 (*) |
| Assets written off | 265 | 97 | 224 | 298 | 247 | 305 | 105 | 51 |
| Quarter-on-quarter movements in doubtful exposure and real estate | (284) | (152) | (338) | (492) | 535 | 456 | 478 | 337 |

(*) These items relate to assets newly classified as doubtful/substandard, excluding businesses acquired in 2013. The net increase in ordinary exposure does not include exposure reclassified as doubtful during 2013 following the review of the criteria for reclassification of refinanced loans.

The decrease in doubtful assets was reflected in a loan loss ratio (not including assets covered by the Banco CAM Asset Protection Scheme) of 12.17% at the close of 2014, compared to 13.63% at the end of 2013 — a fall of 146 basis points. The provision coverage ratio for doubtful assets at 31 December 2014 was 50.3%, compared with 51.6% a year earlier.

The Bank's portfolio of fixed-income assets available for sale is held mainly to stabilise the net interest income at a stable level. The size of the portfolio was reduced in 2013 but remained largely stable in 2014. The composition of the portfolio according to asset class was as follows:

€million

| Asset type | Fair value |
|--|---------------|
| Treasury bills | 39 |
| Government bonds | 6,305 |
| Bonds guaranteed by the State | 975 |
| Bonds issued by regional governments | 1,492 |
| Government securities of other countries | 7,714 |
| Securities issued by banks | 702 |
| Covered bonds | 1,953 |
| Asset-backed securities | 31 |
| Other debt instruments | 1,183 |
| Total | 20,393 |

The breakdown of the available-for-sale portfolio by maturity was:

€million

| Maturity | Fair value |
|---------------|---------------|
| 1 year | 843 |
| 5 years | 3,642 |
| 10 years | 10,017 |
| Covered bonds | 5,891 |
| Total | 20,393 |

The amortized cost of the portfolio was €18,853 million and it showed €1,259 million in net unrealized capital gains. Returns on the different types of asset ranged from 0.81% to 5.01% and the portfolio showed an average internal rate of return of 3.10%.

Customer funds increased overall by 4.1% year-on-year in 2014, mainly due to the steady rise in off-balance sheet funds, particularly in mutual funds managed and distributed by the group.

As of 31 December 2014, customer funds on the balance sheet amounted to €94,460.7 million, very similar to the figure at the end of 2013 (€94,497.2 million). Balances held in demand deposit accounts amounted to €43,275.0 million (up 17.4% year-on-year) while 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 a search for better returns.

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

Debts represented by marketable securities amounted to €20,196.3 million at 2014 year-end, compared with €21,166.9 million as of 31 December 2013. This decline was due mainly to a net reduction in balances of asset-backed securities and mortgage covered bonds.

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

Thousand euro

| | 2014 | 2013 | Change YoY (%) |
|---|--------------------|--------------------|-------------------|
| On-balance sheet customer funds | 94,460,668 | 94,497,187 | (0.0) |
| Customer deposits | 98,208,370 | 99,362,908 | (1.2) |
| 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) |
| Accruals | 447,697 | 611,168 | (26.7) |
| Adjustments due to hedging derivatives | (202,017) | (256,612) | (21.3) |
| Debt represented by marketable securities | 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 |
| On-balance sheet funds | 121,806,632 | 123,753,008 | (1.6) |
| Mutual funds | 15,705,612 | 11,018,570 | 42.5 |
| 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 return funds | 3,793,940 | 2,788,376 | 36.1 |
| Real estate funds | 9,225 | 44,364 | (79.2) |
| Investment entities (SICAVs) | 1,725,078 | 1,420,342 | 21.5 |
| Mutual funds | 3,698,712 | 2,839,986 | 30.2 |
| Wealth management | 2,918,071 | 1,927,634 | 51.4 |
| Pension funds | 4,334,615 | 4,356,291 | (0.5) |
| 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) |
| Third-party insurance products | 7,420,511 | 8,067,355 | (8.0) |
| Funds under management | 152,185,441 | 149,122,858 | 2.1 |

Income and profit performance

Thousand euro

| | 2014 | 2013 (***) | Change YoY (%) |
|---|------------------|------------------|-------------------|
| Interest and similar income | 4,513,497 | 4,863,170 | (7.2) |
| Interest and similar charges | (2,253,791) | (3,048,476) | (26.1) |
| Net interest income | 2,259,706 | 1,814,694 | 24.5 |
| Returns on equity instruments | 8,628 | 7,329 | 17.7 |
| Share of profit/(loss) of equity-accounted entities | 101 | 11,107 | (99.1) |
| Net fees and commissions | 860,891 | 759,670 | 13.3 |
| Income from trading (net) | 1,763,604 | 1,479,185 | 19.2 |
| Exchange differences (net) | 99,556 | 67,871 | 46.7 |
| Other operating income/expense | (191,960) | (308,658) | (37.8) |
| Gross income | 4,800,526 | 3,831,198 | 25.3 |
| Personnel expenses | (1,202,604) | (1,135,175) | 5.9 |
| Recurring (*) | (1,169,295) | (1,090,620) | 7.2 |
| Non-recurring | (33,309) | (44,555) | (25.2) |
| Other general administrative expenses | (570,714) | (587,886) | (2.9) |
| Recurring (* *) | (563,849) | (581,086) | (3.0) |
| Non-recurring | (6,865) | (6,800) | 1.0 |
| Depreciation and amortization | (278,104) | (228,447) | 21.7 |
| Profit before impairment and other provisions | 2,749,104 | 1,879,690 | 46.3 |
| Provisions for loan loss and other impairments | (2,499,659) | (1,768,998) | 41.3 |
| Profit on disposal of assets | 236,948 | 43,893 | 439.8 |
| Negative goodwill | - | 30,295 | (100.0) |
| Profit/(loss) from discontinued operations | - | - | - |
| Profit/(loss) before tax | 486,393 | 184,880 | 163.1 |
| Corporate income tax | (109,748) | (17,962) | - |
| Consolidated profit/(loss) for the year | 376,645 | 166,918 | 125.6 |
| Profit/(loss) attributed to non-controlling interests | 4,968 | 21,003 | (76.3) |
| Income attributed to the group | 371,677 | 145,915 | 154.7 |
| Memorandum item: | | | |
| Average total assets | 163,372,812 | 166,571,462 | (1.9) |
| Earnings per share (€) | 0.09 | 0.04 | 153.9 |

(*) Recurring personnel expenses, on a like-for-like basis, were 1.2% lower than in the previous year.

(**) Recurring administrative expenses, on a like-for-like basis, were down 10.5% on the previous year.

(***) Restated to show the impact of early adoption of IFRIC21. These adjusted data are presented solely for comparative purposes.

Banco Sabadell and its group ended 2014 with a net attributable profit of €371.7 million after booking €2,499.7 million in allowances for bad debts, securities and real estate assets.

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 interest margin both increasing significantly. This upward trend was already observable in the second quarter of 2013 and resulted mainly from the reduction in funding costs.

In terms of overall annual averages, the net interest margin for the year was 1.38%, 29 basis points higher than the figure for the previous year (1.09%). The higher average return on average total assets was the result of several factors, including the rise in interest spreads (due mainly to the lower cost of customer deposits), lower capital market funding costs, the reduction in problem assets and the improved profitability of recent acquisitions.

Thousand euro

| | 2014 | | | 2013 | | | Change | | Effect | |
|---|--------------------|--------------------|---------------|--------------------|--------------------|---------------|--------------------|------------------|------------------|------------------|
| | Average balance | Income/(expense) | Rate (%) | Average balance | Income/(expense) | Rate (%) | Average balance | Income/(expense) | Volume | Rate |
| Cash, central banks and other credit institutions | 4,259,117 | 40,099 | 0.94 | 4,529,883 | 40,794 | 0.90 | (270,766) | (695) | (2,438) | 1,743 |
| Loans and advances to customers | 106,441,489 | 3,640,970 | 3.42 | 105,997,323 | 3,859,745 | 3.64 | 444,166 | (218,775) | 16,174 | (234,950) |
| Fixed-income portfolio | 22,703,810 | 806,852 | 3.55 | 28,629,589 | 938,309 | 3.28 | (5,925,779) | (131,457) | (194,212) | 62,755 |
| Subtotal | 133,404,416 | 4,487,921 | 3.36 | 139,156,795 | 4,838,849 | 3.48 | (5,752,379) | (350,928) | (180,476) | (170,452) |
| Equity portfolio | 1,325,403 | - | - | 1,961,883 | - | - | (636,480) | - | - | - |
| Tangible and intangible assets | 3,761,914 | - | - | 3,246,609 | - | - | 515,305 | - | - | - |
| Other assets | 24,881,079 | 25,576 | 0.10 | 22,206,175 | 24,322 | 0.11 | 2,674,904 | 1,254 | - | 1,255 |
| Total capital employed | 163,372,812 | 4,513,497 | 2.76 | 166,571,462 | 4,863,170 | 2.92 | (3,198,650) | (349,673) | (180,476) | (169,197) |
| Credit institutions | 13,234,024 | (194,307) | (1.47) | 25,838,912 | (298,066) | (1.15) | (12,604,888) | 103,759 | 145,405 | (41,645) |
| Deposits from other creditors | 93,079,509 | (1,107,189) | (1.19) | 84,303,805 | (1,627,350) | (1.93) | 8,775,704 | 520,161 | (169,401) | 689,560 |
| Capital markets | 26,901,563 | (908,505) | (3.38) | 29,654,453 | (1,038,410) | (3.50) | (2,752,890) | 129,905 | 96,398 | 33,507 |
| Repurchase agreements | 8,597,642 | (49,179) | (0.57) | 6,732,891 | (70,657) | (1.05) | 1,864,751 | 21,478 | (19,569) | 41,047 |
| Subtotal | 141,812,738 | (2,253,180) | (1.59) | 146,530,061 | (3,034,483) | (2.07) | (4,717,323) | 775,303 | 52,833 | 722,469 |
| Other liabilities | 10,785,387 | 5,389 | 0.05 | 10,855,651 | (13,993) | (0.13) | (70,264) | 19,382 | - | 19,384 |
| Shareholders' equity | 10,774,687 | - | - | 9,185,750 | - | - | 1,588,937 | - | - | - |
| Total funds | 163,372,812 | (2,253,791) | (1.38) | 166,571,462 | (3,048,476) | (1.83) | (3,198,650) | 794,685 | 52,833 | 741,853 |
| Average Total Assets | 163,372,812 | 2,259,706 | 1.38 | 166,571,462 | 1,814,694 | 1.09 | (3,198,650) | 445,012 | (127,643) | 572,656 |

Net interest margins began to widen in the second quarter of 2013 and this rising trend continued to be seen in each of the following quarters, in both absolute and relative terms. Net interest income rose to 1.49% of average total assets in the fourth quarter of 2014 (compared with 1.17% in the fourth quarter of 2013).

Dividends received and income from equity-accounted undertakings together amounted to €8.7 million against €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.

Net fees and commissions totalled €860.9 million, a 13.3% increase year-on-year. Increases were recorded across all categories of fee and commission income (generated on loan and guarantee risks, services, mutual funds, and the distribution of insurance and pension products) and were mainly attributable to a good performance by off-balance sheet funds, promotional actions to increase profitability and the incorporation into the group of businesses acquired in 2013.

Fees and commissions chargeable on loans and guarantees increased by €7.0 million overall, largely thanks to increased business volumes. Fees for services increased by €34.4 million, with a strong performance being shown in the securities, credit/debit card and current and demand deposit account categories, again driven by the growth in business volumes and the inclusion of new businesses in the consolidated group accounts. Fees and commissions related to mutual funds, insurance and pensions showed an increase of €66.8 million on the previous year, attributable primarily to the growth of assets held in collective investment schemes (CIS's) sold by the group or under its management.

Net income from trading totalled €1,763.6 million, including €1,860.7 million in capital gains on the sale of available-for-sale fixed-income assets. 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 resulted in positive gains.

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

Operating expenses (personnel and general) for 2014 totalled €1,773.3 million, of which €40.2 million were non-recurring in character (consisting essentially of redundancy payments to employees); in 2013, operating expenses amounted to €1,723.1 million and included €51.4 million in non-recurring expenses (comprising mainly restructuring costs on 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%).

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 53.14%, down from 64.19% 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 account explained before resulted in a profit before impairment and other allowances of €2,749.1 million. Allowances for impairment and other losses (on real estate and financial assets, for the most part) were €2,499.7 million. 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 formalization expenses) on the signature of a reinsurance treaty 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.

The group's income statement for 2013 included a badwil of €30.3 million, 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.

2.4. Business review

The main financial highlights associated with the group's main business units are set out below, in accordance with the segment reporting procedures described in note 36 to these consolidated annual accounts.

Commercial Banking

Thousand euro

| | 2014 | 2013 | YoY change (%) |
|---|------------------|------------------|----------------|
| 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 expense | (1,345,734) | (1,258,142) | 7.0 |
| Net operating income | 992,035 | 620,216 | 59.9 |
| Impairment losses | (644,154) | (325,014) | 98.2 |
| Profit/(loss) before taxes | 347,881 | 295,202 | 17.8 |
| Ratios (%): | | | |
| ROE | 8.0% | 7.0% | |
| Cost/income ratio | 57.6% | 67.0% | |
| Loan loss ratio | 10.3% | 11.4% | |
| Coverage ratio | 52.4% | 52.5% | |
| Customer balances (million euro) | | | |
| Loans and receivables | 79,853 | 81,956 | (2.6) |
| Deposits | 90,785 | 88,130 | 3.0 |
| Securities deposited | 8,678 | 8,424 | 3.0 |
| Other data | | | |
| Employees | 12,562 | 13,225 | (5.0) |
| Domestic branches | 2,253 | 2,356 | (4.4) |

The group's largest business line is Commercial Banking, which provides a range of financial products and services for large and medium-sized companies, SMEs, businesses and individuals (including private banking, personal banking and mass market customers), non-residents and professional groups, with a degree of specialization that provides customers with personalized attention depending on their needs, whether from

experts throughout its multi-brand branch network or via other channels to support the customer relationship and give access to remote banking services.

The operating environment showed signs of recovery in 2014 and the Bank's sales initiatives helped to reduce loan defaults, drive up net interest income, build stronger customer relationships, give a major boost to the insurance business and achieve strong growth in mutual funds. From this perspective, business performance was positive in both the business and individual customer segments.

The integration of the Spanish branch networks of Banco Gallego and Lloyds International Bank was completed in the first quarter of 2014, significantly expanding Banco Sabadell's presence in Galicia and in the foreign resident customer segment.

Net interest income attributable to Commercial Banking amounted to €1,778.4 million in 2014, while profit before tax totalled €347.8 million. The ROE was 8.0% and the cost/income ratio was 57.6%. Loans and advances to customers amounted to €79,853 million and assets under management were €90,785 million.

Corporate Banking and Global Businesses

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 encompass corporate banking, structured finance, corporate finance, development capital, international trade and consumer finance.

Corporate Banking

During 2014 the group completed a strengthening of its Corporate Banking organization that began in 2013.

Thousand euro

| | 2014 | 2013 | YoY change (%) |
|---|----------------|----------------|----------------|
| 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 expense | (26,596) | (26,274) | 1.2 |
| Net operating income | 172,284 | 172,639 | (0.2) |
| Impairment losses | (102,236) | (90,784) | 12.6 |
| Other results | - | - | - |
| Profit/(loss) before taxes | 70,048 | 81,855 | (14.4) |
| Ratios (%): | | | |
| ROE | 7.1% | 8.0% | |
| Cost/income ratio | 13.4% | 13.2% | |
| Loan loss ratio | 2.5% | 2.5% | |
| Coverage ratio | 58.0% | 58.0% | |
| Customer balances (million euro) | | | |
| Loans and receivables | 10,820 | 11,455 | (5.5) |
| Deposits | 5,177 | 4,366 | 18.6 |
| Securities deposited | 662 | 593 | 11.6 |
| Other data | | | |
| Employees | 113 | 110 | 2.7 |
| Domestic branches | 2 | 2 | 0.0 |
| Foreign branches | 3 | 3 | 0.0 |

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 Corporate Banking's large corporate customers will benefit from the best possible banking experience. The model is based on a strategic relationship of closeness to its customers so as to offer comprehensive solutions tailored to the operational needs of each company and market. Standards of efficiency and service of the highest order and speedier day-to-day middle office processes are other key elements of the model.

From a strictly business standpoint, the focus remains on strengthening relations with customers in Spain and other countries and promoting fee-earning businesses that consume less capital, while maintaining a rigorous approach to the granting and renewing of loans.

Net interest income attributable to Corporate Banking in 2014 amounted to €162.5 million while profit before tax totalled €70 million. The ROE ratio was 7.1% and the cost/income ratio was 13.4%.

Private Banking

Thousand euro

| | 2014 | 2013 | YoY change (%) |
|---|---------------|---------------|----------------|
| 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 expense | (36,626) | (36,034) | 1.6 |
| Net operating income | 28,679 | 15,804 | 81.5 |
| Provisions (net) | 0 | 0 | - |
| Impairment losses | 995 | (1,926) | (151.7) |
| Other results | 0 | 0 | - |
| Profit/(loss) before taxes | 29,674 | 13,878 | 113.8 |
| Ratios (%): | | | |
| ROE | 59.3% | 29.1% | |
| Cost/income ratio | 56.1% | 69.5% | |
| Loan loss ratio | 3.4% | 3.9% | |
| Coverage ratio | 58.7% | 56.7% | |
| Customer balances (million euro) | | | |
| Loans and receivables | 1,029 | 1,053 | (2.3) |
| Deposits | 16,896 | 15,513 | 8.9 |
| Securities deposited | 7,326 | 7,007 | 4.6 |
| Other data | | | |
| Employees | 271 | 269 | 0.7 |
| Domestic branches | 12 | 12 | 0.0 |

In 2014 efforts continued to enhance 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 ceaselessly striving to maximize their investment returns.

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 significant change in the balance sheet was seen in the composition of customer funds under management, where mutual funds, discretionary portfolio management services and SICAVs gained prominence at the expense of more liquid assets with less attractive returns, such as term 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.

Net interest income amounted to €65.3 million in 2014, while the profit before tax was €29.6 million. The ROE was 59.3%, and the cost/income ratio was 56.1%. Total customer funds under management amounted to €24,222 million.

Investment Management

Thousand euro

| | 2014 | 2013 | YoY change (%) |
|--|---------------|---------------|----------------|
| Gross income | 42,448 | 29,015 | 46 |
| Operating expense | (20,546) | (20,191) | 2 |
| Net operating income | 21,902 | 8,824 | 148 |
| Other results | - | (13) | (100) |
| Profit/(loss) before taxes | 21,902 | 8,811 | 149 |
| Ratios (%): | | | |
| ROE | 59.9% | 29.0% | |
| Cost/income ratio | 48.4% | 69.6% | |
| Customer balances (million euro) | | | |
| Assets under management in CISs | 12,007 | 8,070 | 48.8 |
| Total assets including mutual funds sold but not managed | 15,706 | 10,193 | 54.1 |
| Other data | | | |
| Employees | 145 | 147 | (1.4) |
| Domestic branches | - | - | |

Banco Sabadell's team of highly qualified experts specializes in financial market research and analysis and in drawing up asset allocation strategies to guide investment decisions; this includes the planning and development of investment products and a mandate to research any of the various types of asset in which customers might wish to invest.

The group's Investment Management business encompasses collective investment management companies, including investment management and the distribution and administration of collective investment vehicles (UCITS), as well as selecting, offering and recommending third-party funds and managing the investments of the Banco Sabadell group's other businesses.

Following the integration 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 of assets under management in Spanish-domiciled mutual funds, 59.1% more than at 2013 year-end, a growth rate far in excess of that registered by the industry as a whole. This volume of assets under management brought the group's share of the mutual fund market to over 5%, with its management company, Sabadell Inversión, being ranked fourth largest manager of Spanish-domiciled mutual funds.

Investors continued to prefer balanced funds in 2014 and assets in this category increased by a factor of 2.4 to €1,573.6 million. Guaranteed funds continued to be offered throughout the year, with return guarantees being issued for eight guaranteed funds amounting to €1,492.8 million at 31 December 2014. Assets in guaranteed funds totalled €3,765.7 million. Variable-yield guaranteed funds expanded to account for 23.0% of total Spanish-domiciled funds under management in 2014, compared with 17.8% in 2013. However, guaranteed funds declined as a proportion of the total, from 44.4% in 2013 to 37.8% in 2014.

Real Estate Asset Transformation

Thousand euro

| | 2014 | 2013 | YoY change (%) |
|---|------------------|--------------------|----------------|
| 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 expense | (135,824) | (193,726) | (29.9) |
| Net operating income | (132,447) | (161,439) | (18.0) |
| Provisions (net) | (1,469) | (301) | 388.0 |
| Impairment losses | (143,512) | (362,215) | (60.4) |
| Other results | (720,044) | (520,861) | 38.2 |
| Profit/(loss) before taxes | (997,472) | (1,044,816) | (4.5) |
| Ratios (%): | | | |
| ROE | (39.3)% | (39.9)% | |
| Cost/income ratio | – | – | |
| Loan loss ratio | 61.9 % | 56.0 % | |
| Coverage ratio | 49.8 % | 50.8 % | |
| Customer balances (million euro) | | | |
| Loans and receivables | 14,989 | 18,894 | (20.7) |
| Deposits | 484 | 466 | 3.9 |
| Real-estate assets (gross) | 14,601 | 12,361 | 18.1 |
| Other data | | | |
| Employees | 668 | 807 | (17.2) |
| Domestic branches | – | – | |

The Asset Transformation Department manages the group's real estate exposure and non-performing exposures; specifically, it is charged with transforming and maximizing the value of these exposures. The department's structure and organization ensure that it has a broad view of management processes and can design and implement a transformation strategy to maximize the values of assets and/or remove them from the balance sheet as soon as possible.

With regard to non-performing exposures, early warning mechanisms have been established and business tools and solutions have been implemented to manage loan delinquency. Real estate exposures have been brought within a single comprehensive management process covering all stages from analysis and preventive action on loans secured on real estate through to direct action on foreclosed assets. This end-to-end approach has enabled us to work with our customers to find solutions that meet their real estate needs.

The Group's real estate unit Solvia, which was spun off in 2014, provides a range of real estate management services for the Group and third parties, from land and property development through to asset servicing and property sales, thus providing a unified service covering all aspects of the real estate business. In the provision of real estate services for portfolios of real estate assets (Bank's own-use or acquired through foreclosures, and third party-owned), personnel and processes were strengthened and Solvia now has one of the best real estate platforms in the marketplace, as was clearly seen when Sareb awarded it the contract for the management of a portfolio of 42,900 properties, citing Solvia's real estate expertise and management capabilities.

3. THE ENVIRONMENT

Environmental sustainability

We care about the future and about sustainability. This is why Banco Sabadell has an environmental policy in place, is a signatory to the main international covenants on the environment and promotes a commitment to the environment globally.

Environmental policy

- Minimize the potential environmental impacts of processes, facilities and services.
- Effectively manage the environmental risks and opportunities inherent in the business.
- Promote a global commitment to the environment

Global covenants and alliances

- A signatory of the United Nations Global Compact: in taking this step we are committing ourselves to adopting a preventive approach to environmental protection, promoting initiatives to foster environmental responsibility and supporting the development of technologies that do not harm the environment.
- A signatory of the Carbon Disclosure Project (CDP) and CDP Water Disclosure: a commitment to actively combat climate change and publish an annual inventory of corporate emissions.
- A signatory of the Equator Principles: to ensure that social and environmental risks are taken account of in the funding of large projects.
- A signatory of the United Nations Principles for Responsible Investment in the "investment manager" category: inclusion of environmental, social and governance criteria in investment policies and practices.
- A collaborating partner of the Spanish Association of Renewable Energy Producers and a member of the Spanish Wind Energy Association.
- Environmental management system certified to ISO 14001: 15% of our employees in Spain work in one of our six certified Central Service buildings. Our environmental management system has been adapted for the rest of the group.
- Certified to Gold level under LEED New Construction for sustainable buildings: certification was obtained for the service area of the group's main Central Service building in Sant Cugat del Vallès.
- A member of the European Commission's GreenBuilding Programme: Banco Sabadell is a partner in the GreenBuilding Programme for the sustainable construction of the group's logistics centre and general archive in Polinyà.

All departments of the organization have the financial resources they need to meet the group's aims and commitments on the environment. Due to the structure of the group and the nature of its business, these funds are not recognized under a specific line item to provide an overview of environment-related costs and investment.

No significant fines or other penalties were imposed on the group for non-compliance with environmental laws and regulations in 2014.

Key environmental action areas:

Renewable energy - finance and investment

Banco Sabadell promotes the development of sustainable energy through direct investment and as a provider of finance for renewable energy projects. As in previous years, the Bank shared its experience in the renewables sector and provided speakers at leading forums in Spain. These included events organized by the Spanish Wind Energy Association and the Association of Renewable Energy Producers.

In 2014 Banco Sabadell provided €141 million in finance for renewable energy generation projects, mainly in the US. Renewable energy installations financed by the Bank under project finance deals amount to a total attributable capacity of 161 MW, mostly wind farms.

In addition to finance, Banco Sabadell provides advisory and brokerage services for renewable energy projects.

The Bank makes direct investments in the equity capital of renewable energy generation projects. Most of this business is carried on through Sinia Renovables, a wholly-owned subsidiary.

The Equator Principles

Banco Sabadell adopted the Equator Principles in September 2011. Based on the policies, standards and guidelines of the International Finance Corporation (IFC), the Principles apply to structured finance projects and corporate loans. Under the latest version of the Equator Principles (EPIII), in 2014 the requirement to carry out environmental and social impact assessments was extended to decisions on corporate loans.

Environmental management and climate change

The Bank's Environment Committee is charged with overseeing compliance with group environmental policy and reviewing group performance in environmental matters. The group has an environmental management system which was set up in 2006 according to the ISO 14001:2004 standard. Currently 15% of the group's employees in Spain work in one of the six office buildings that have been certified to that standard. The environmental management system has been adapted for use at all other group facilities in Spain.

Year after year Banco Sabadell works to improve the eco-efficiency of its facilities and reduce the environmental impacts of the services it provides to customers. Some of the measures it has taken to reduce consumption and emissions are as follows:

- *Inventory of CO₂ emissions:* In 2009 the Bank compiled an independently verified inventory of corporate CO₂ emissions and set a reduction target of 3% for the period 2009-2013. During this period a reduction in emissions of 77% has been achieved, mainly by purchasing electrical power generated from renewable sources.
- *Power consumption:* overall consumption of electrical power in Spain in 2014 increased to 104,419 MWh from 102,991 MWh in 2013. Despite new undertakings being integrated into the group during the year 2014, the increase in power consumption was not significant (1%) owing to the energy efficiency measures being implemented. These measures to reduce power consumption included the following:
 - 79% of group branches are equipped with centralized lighting and climate control systems. Lighting systems fitted with LED lamps and presence detectors in some areas of Central Service buildings.
 - Widespread use of low-energy lamps and billboard lighting systems fitted with daylight switching systems.
 - Energy recovery climate control systems are installed in Central Service buildings and larger branches.
 - Branches are using Thin Client hardware which consumes 90% less energy than conventional PCs. In 2014 a pilot programme was launched to install Thin Client technology at Central Service buildings.
- *Paper consumption:* Reduce, reuse and recycle. Paper consumption by the group in Spain in 2014 was 1,039 tons (up from 939 tons in 2013). The increase was due to the addition of new businesses to the group and the rise in customer numbers. At the same time, the main actions put in hand to reduce paper consumption were as follows:
 - Banking services are available to customers 24 hours a day via remote access channels, ATMs, telephone banking, email or social media. Customers can access 100% of their correspondence with the Bank electronically.
 - Branches are equipped with digital tablets for customers' signatures. In 2014 this made it possible for 29 million printed forms to be eliminated. There are plans to process more transactions via tablets in the future and progressively eliminate the use of paper.
 - Conventional paper is chlorine-free, certified by the FSC and produced to ISO 9001 and ISO 14001 standards; all of the group's printers are configured for duplex printing by default.
- *Water usage:* Water consumption is limited to sanitary uses and to some watering of gardens. In 2014 the group's water consumption resulted in costs of €1.1 million (€0.9 million in 2013). With regard to waste water management, all our facilities and offices are connected to the public sewage network. Toilet cisterns and taps are fitted with water-saving mechanisms. The main group Central Service building has a cistern for collecting rainwater and greywater for watering plants. Landscaped areas have been planted with autochthonous drought-resistant plants.
- *Waste management:* In 2014 the group generated 883 tons of waste paper and card, up from 594 tons in

2013. In all group premises, used paper is treated as confidential waste for shredding and 100% is recycled through authorized waste managers. All Central Service buildings have facilities for the separation and collection of packaging, organic matter and batteries). Banco Sabadell works with Ricoh and the HP Planet Partners programme to manage the collection and reuse of toner cartridges and disposes of computer waste through authorized waste managers. There are specific oversight mechanisms for managing waste at branches that are in the process of closing or being merged.

Environmental training and awareness

All group employees have access to an on-line training course which is obligatory for staff at Central Service facilities. Additionally, an on-line guide, "Connect with the Environment", gives employees ready access to information about the corporate environmental footprint, resource consumption and waste management at their branch or Central Services facility. The Bank's employees have the use of a car sharing platform, "BS Carpooling", which gives them the option of sharing a car to get to and from work. Employees at the main group Central Service building who make use of the platform are entitled to a reserved parking space. Features and articles about the environment are published in the staff newsletter, which is now available in digital format.

Banco Sabadell also keeps all its suppliers informed on the group's environmental policy and incorporates environmental and social responsibility into its supply chain in a number of ways. In the group-level procurement process, tenders or offers from suppliers with ISO 9001, ISO 14001/EMAS or EFQM certification are looked on favourably. Consideration is given to the environmental qualities (recycled, ecological, good for the environment, etc.) of the products offered. Banco Sabadell's basic contract with suppliers includes specific clauses on compliance with environmental criteria, human rights and the Ten Principles of the United Nations Global Compact, as well as acceptance of the Supplier Code of Conduct. In particular, environmental requirements are included in specifications for products and services that have significant environmental impacts.

4. HUMAN RESOURCES

Human Resources aims to support the transformation of the organization through a people agenda that is an integral part of its day-to-day business operations and its growth. Its key objective is to maximize the value-creating potential of Banco Sabadell's highly skilled workforce by developing their talent, managing their expectations and fully leveraging their capabilities.

Talent management and human capital form an essential component of the new "Triple" strategic business plan along with other key action areas of the plan.

The people agenda developed as part of the Triple plan includes drivers of organizational change and development as well as a wide-ranging and completely updated view of the Human Resources function.

In the area of organizational change and development, three strategic priorities have been identified: comprehensive talent management (strengthening leadership and fostering a culture in which talent is planned for and nurtured) to meet the needs generated by growth; raising the bar on employee performance (a universal model for today's businesses that allows people performance to be actively managed); and involving and engaging all employees in the Group's development.

Key human resources data

| No. of employees | 2014 | 2013 |
|---------------------------------------|--------|--------|
| Equivalent average workforce | 17,760 | 16,427 |
| Domestic workforce at year-end | 16,593 | 17,171 |
| Workforce at year-end | 17,529 | 18,077 |
| Turnover (%) (*) | 0.60% | 0.27% |
| Absenteeism (%) (**) | 2.17% | 2.11% |
| Employee satisfaction index (%) (***) | – | 66% |
| Hours of training per employee | 33.62 | 25.55 |

The average number of employees has been calculated from the average number of employees at the end of each month.

(*) Undesired turnover: number of cases of sick leave and voluntary leaves of absence/total workforce x 100.

(**) Seriousness index (days lost/total working days x 100).

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

| No. of employees | | | |
|-------------------------------|-------|-------|--------|
| | Men | Women | Total |
| Spanish workforce | 8,373 | 8,220 | 16,593 |
| International workforce | 375 | 561 | 936 |
| Breakdown by gender (%) (*) | 49.9% | 50.1% | 100% |
| Average age (*) | 44.88 | 41.26 | 43.1 |
| Average length of service (*) | 19.22 | 15.21 | 17.21 |

(*) Figures calculated for the group's total workforce.

| No. of employees | | | |
|------------------|--------------|--------------|---------------|
| | Men | Women | Total |
| Clerical staff | 971 | 1,694 | 2,665 |
| Technical staff | 7,390 | 7,009 | 14,399 |
| Management | 387 | 78 | 465 |
| Total | 8,748 | 8,781 | 17,529 |

Figures calculated for the group's total workforce.

At 2014 year-end, the categories have been changed to Clerical staff, Technical staff and Management.

Human resources management - policies and principles

Human resources policy is grounded in respect for human dignity, fair and competitive remuneration, transparency and truthfulness in reporting, and lasting cooperation.

Recruitment policy

In line with its human resources policy, Banco Sabadell has a personnel selection process which ensures that objective criteria are applied in finding the right person for each job and career path. The group seeks to ensure optimal professional development for its employees by encouraging them to excel and rewarding hard work. This mutual commitment is set out in the Banco Sabadell Group Code of Conduct.

In 2014 the Bank worked on a number of initiatives to strengthen and adapt its procedures for recruiting and attracting talent.

Banco Sabadell is not only competing in an ever more global, dynamic and competitive environment, but is also currently undergoing a major programme of transformation, expansion and internationalization, for whose success having the best talent is critical.

Attracting, selecting and recruiting staff are a part of this new environment: a higher intake of new employees, new job profiles, and geographic dispersion are making it necessary to redesign and update the procedures, skills, technologies and capabilities used to attract the best candidates and provide them with a professionally rewarding experience.

To meet this need the Group launched its Talent Graduate Programme, a scheme designed for recent graduates to give employment to well-qualified young people with high potential, both locally and internationally, and prepare them to perform roles in the Bank's functional and business areas.

The Programme, in alignment with the Group's corporate social responsibility policy, aims to create jobs in an age bracket that has suffered particularly severely from unemployment in Spain, and many of whose members are still searching for their first job.

Equality, work-life balance and integration

Banco Sabadell guarantees equal opportunities in all aspects of its relations with employees — recruitment, training, promotion, working conditions, remuneration, etc. These principles are also set out in the Group's Equality Plan, human resources policy and Code of Conduct.

Equality

In 2010, Banco Sabadell adopted an Equality Plan aimed at avoiding all types of employment discrimination between women and men in the company, as required by Organic Law 3/2007. Certain lines of action were established for this purpose, including effective tracking and goal evaluation systems covering training, promotion and career development, remuneration, work-life balance, gender violence and sexual harassment. The Equality Plan's steering committee, which consists of employee and Bank representatives, meets twice per year to monitor progress and compliance with the Plan.

| | 2014 | 2013 |
|---|------|------|
| % of promoted employees who are women | 56% | 55% |
| % of managerial positions held by women (*) | 17% | 15% |

Figures calculated for the group's total workforce.

(*) At 2014 year-end, the categories have been changed to Clerical staff, Technical staff and Management.

Diversity and integration

Banco Sabadell promotes employee diversity and integration in the workplace and non-discriminatory recruitment processes. The Group takes action to adapt workplaces wherever necessary according to special sensitivity protocols established by the industrial medicine unit. The Bank also assists employees with paperwork in their dealings with municipal, regional and national governments, thus helping to improve employees' well-being outside the strictly professional sphere. In compliance with Spain's Integration of People with Disabilities Act ("LISMI"), the Bank pursues other measures such as buying services and supplies from special employment centres. In 2014 the Group had 156 employees with some form of disability (170 at the end of 2013).

Disability is not the only diversity issue that the Bank handles in a special way. Talent in women employees receives special attention given the important contribution it can make to the Bank's current and future development. In recognition of this, Banco Sabadell signed an agreement with the Ministry of Health, Social Services and Equality in 2014 to actively ensure equality and to recognize and value women's merits and capabilities in its internal training, hiring and promotion processes.

The Group's aim of making the best use of multigenerational talent is an increasingly important policy area, given the changing age structure of its workforce.

Work-life balance

Group employees enjoy a series of benefits thanks to an agreement between the Bank and union representatives on ways of striking the right balance between work and personal and family life. All employees have been properly informed of these benefits and full details are available on the intranet and on the Bank's website.

Benefits include time off from work, paid or unpaid (e.g. to nurse an infant); unpaid leave (for maternity or to care for a relative); leave in special circumstances; paternity leave; and flexitime arrangements.

Compensation policy

Banco Sabadell's compensation policy is based on the principles of internal fairness, external competitiveness, transparency, differentiation, flexibility, simplicity, confidentiality and communication, as prescribed by the Group's human resources policy.

Compensation policy is based on the degree of responsibility attaching to the position and on each employee's professional development. This determines Group practice with regard to increases in both fixed and variable remuneration. In total, 74.2% of the workforce in Spain qualified for variable remuneration in 2014 (75.3% in 2013).

Other types of benefit are available to employees, including interest-free loans and grants to help with training or children's schooling.

Workplace hazards

Banco Sabadell has a policy of constantly striving to improve employees' health and working conditions.

As required by law, the Bank has a health and safety plan setting out policy measures in this area. Each year it publishes a report on health and safety initiatives which is available on the employee portal and the Group website.

An initial risk assessment is performed on each new workplace and also on workplaces that have undergone refurbishment or alterations. A follow-up assessment is performed at a later date to evaluate both individual workstations and common areas, as well as aspects such as temperature, relative humidity, lighting, etc. In 2014, 1,624 questionnaires on psycho-social risk were sent out, producing a 70% response rate.

All Banco Sabadell personnel and new employees receive information on workplace hazard prevention and are required to take an online course in health and safety at work. The training is supplemented by publications, such as ergonomics factsheets and equipment manuals, related to the specific hazards affecting bank employees.

Employee development

Training

Banco Sabadell provides employees with function-based training: continuous, progressive training adapted to each individual's position.

| | 2014 | 2013 |
|--|-------|-------|
| Employees who received training (%) | 98% | 88% |
| Investment in training per employee (euro) | 365.7 | 247.3 |

Figures for Spain.

The "Laude" programme, initiated in 2009, allows employees who undertake Bank in-house training schemes to be awarded academic qualifications by the University of Barcelona's Institute of Lifelong Learning (IL3), under the framework of the new European Educational Space. Four different qualifications may be obtained, depending on the employee's role. Qualifications awarded under the programme in 2014 were as follows: 145 Higher Diplomas in Banking Products and Services, 25 "Expert in Commercial Banking", 7 "Expert in Investment Advisory Services" and 7 "Expert in Bank Branch Management" qualifications. A total of 531 people have gained qualifications under the programme since its inception in 2009. The Bank has also reached agreements with a number of universities to provide places for student interns.

Leadership development

The Bank has a special Executive Management unit focused on developing senior management's leadership skills. Bank executives participating in the corporate development program underwent a psychometric evaluation and a 360° assessment which collected feedback from direct superiors, colleagues and subordinates. They also received specific strategic leadership training designed to enhance their leadership and team management skills.

In 2014, management appraisals were performed for all Group Central Services managers, the goal being to support them in their development in managerial roles and to have a better understanding of the aspirations, strengths and areas for improvement of each and every Central Services manager. A total of 1,275 interviews were conducted as part of the appraisal.

One of the main outcomes of this exercise has been the Corporate Management Programme, which is designed for new department heads and Central Services directors with subordinates working under them. The Programme is based on developing management and team-building skills, promoting joined-up management at Central Services divisions and improving familiarity with human resources policies as a way of managing professional development and promoting success-driven behaviours appropriate to each role. A total of 131 employees took this training in 2014, its fourth year.

One of the organization's main tools in managing people and focusing on results is the annual performance review and interview, where managers hold a mandatory one-to-one meeting with their direct reports, the goal being also to foster professional growth and build trust. During the interview the employee's performance during the year and their performance assessment, occupational goals and geographic mobility are discussed. To provide managers with leadership and coaching skills and tools, two key initiatives were launched last year by the professional development unit: workshops to develop the skills required to carry out these interviews, and online knowledge pills on the performance management process for employees joining the Bank as a result of recent mergers.

The Human Resources department also conducts development interviews to assess employees whose performance is outstanding or who may be underperforming and ascertain their motivations, concerns and interests in relation to professional development.

Communication, participation and the volunteer programme

Communication

Banco Sabadell has numerous channels of communication between the different levels of the organization to enhance internal communication and involve employees in the Bank's goals.

The "BS Idea" platform allows employees to propose improvements in any area of the organization. The platform is also an excellent communication channel by which employees can make queries and share experiences on products and processes. The ideas with the most votes and those which add the greatest value to the Bank are considered by the persons in charge of the processes concerned and by members of a Decision Committee, who together reach a decision on their implementation. The ideas with the most votes also receive a cash prize.

Participation

Banco Sabadell respects and guarantees employees' basic rights, including freedom of association and collective bargaining, enshrined in Spanish law. These principles are set out in its Code of Conduct and human resources policy.

Union representatives represent the entire workforce, not just union members; accordingly, labour agreements apply to all employees at the level at which the negotiation was conducted (industry, group, company, etc.). All employees are given one month's notice of significant changes. Union elections are held every four years. Banco Sabadell management meets periodically with the general secretaries of the various trade unions and the latter participate regularly in committees (National Health and Safety Committee, Equal Opportunities Committee, Training Committee and the Pension Plan Oversight Committee). Workplaces with more than 50 workers have a works council. Workplaces with between 6 and 10 workers may elect a union representative.

Since 2012 Banco Sabadell has been working on an assistance plan to offset redundancies resulting from the workforce restructuring that followed the integration of Banco CAM. The assistance plan concluded in 2014; it was based on two main programmes: helping the 1,250 employees who were made redundant to find other jobs, and revitalizing business activity in the areas most severely affected by the Banco CAM lay-offs.

The re-employment plan includes career counselling for affected employees and their spouses with a view to enhancing their employability. At the end of the plan, 70% of participants (317) had found a new employment opportunity.

The aim of the business revitalization plan was to restore employment levels, as far as possible, by supporting entrepreneurship and job creation in the areas most affected by restructuring. It includes an aid programme based on monetary contributions for newly-created jobs, finance on preferential terms, one year's rent-free use of office accommodation or business premises, and professional advice.

At the end of the revitalization plan, 705 new jobs had been created in the Levante region.

The outplacement programme organized by Banco Gallego (acquired by the Group in 2013), which was taken up by 37 former employees, resulted in a solution in 20 cases and continues to work on the other 17.

Volunteer programme

Social action and corporate volunteer programme initiatives are publicized on the employee portal under the Solidaris label. The successes achieved year after year led to a substantial increase in the number of volunteers and in the activities organized in 2014, all of which were aligned with Banco Sabadell's corporate social responsibility policy and many of which were proposed by the employees themselves.

The participation of 26 teams from the Bank in Oxfam Intermon's Trailwalker event is a perfect example. A total of 144 people represented Banco Sabadell in the 2014 event, making us the company with the largest number of employees taking part and raising more than €40,000 to be used for Oxfam's water management projects in the Sahara.

For the second year in a row, 105 volunteers from the Bank participated in workshops for fourth grade pupils as part of the Schools Financial Education Programme in Catalonia (EFEC). The collaboration agreement with Catalonia's regional government and the *Instituto de Estudios Financieros* covered 20% of schools in Catalonia in 2014.

Surveys

The Bank participates in the "Best workplaces" survey conducted by the Great Place to Work Institute, which covers over 5,000 employers and 1,500,000 employees in 32 countries around the globe. It is considered the leading survey for measuring employee satisfaction, and will be conducted again in 2015. In 2014 new initiatives were launched to listen to employees and enable them make their voices heard. A survey to measure the degree of employee commitment to the Bank's current and future business goals was conducted for the first time. This new form of participation was implemented in view of the high correlation between employee engagement and business performance.

International expansion

One of the key objectives of the "Triple" business plan is to prepare the Group's organizational structures for future international expansion. In 2014 Human Resources completed its proposed arrangements for International HR management, including functional and governance requirements and roles and responsibilities for HR at corporate, regional and local level.

New international mobility policies were also defined, based on market benchmarks, with six distinct programmes being identified according to the purpose and duration of the secondment and the value provided by the employee.

A talent map of employees with potential for secondment abroad was completed and a roster of 347 employees willing to change locations was compiled.

5. LIQUIDITY AND CAPITAL RESOURCES

5.1 Liquidity

Banco Sabadell's liquidity management policy seeks to ensure that its lending can be financed at a reasonable cost and within a reasonable time so that liquidity risk is kept to a minimum. In recent years the Bank's funding policy has focused on generating a positive liquidity gap in the commercial business, reducing the total amount of funding obtained from the wholesale markets (€23,106 million at 2014 year-end) and increasing the Bank's liquidity position.

Principal sources of funding:

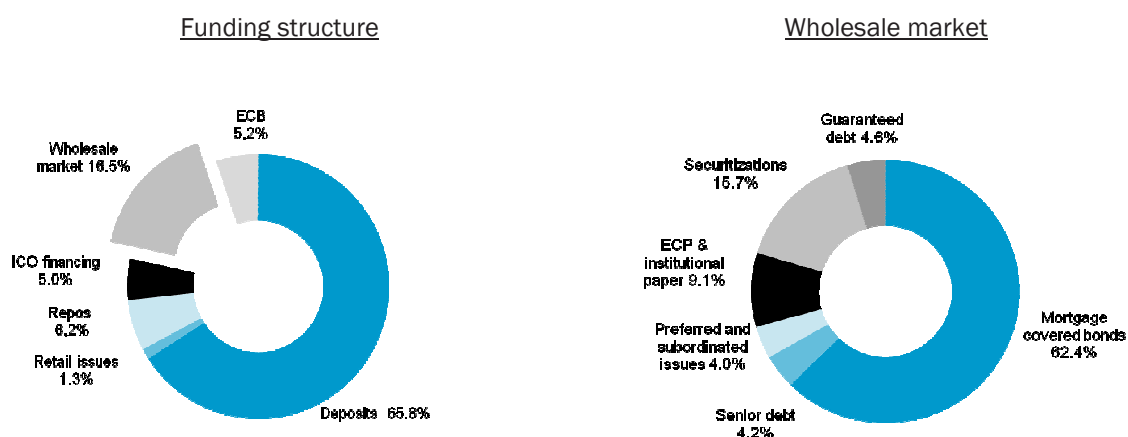
The Group's main source of funding is the customer deposit base (mainly demand deposits and time deposits captured through the branch network), together with funding from the interbank and capital markets, where the Bank has a number of short- and long-term funding programmes in place to assure a suitable diversity of products, maturities and investors. The Bank also holds a diversified portfolio of liquid assets, most of which are eligible as collateral in funding operations with the European Central Bank (ECB). At 31 December 2014, the effective value of the Group's liquid assets stood at €18,827 million (€18,468 million at 31 December 2013). 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. These borrowings were gradually repaid 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, close to 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.

The Group's principal sources of funding at the end of the years 2014 and 2013 are shown in the following table according to the accounting item under which they are recorded:

| €million | 2014 | 2013 |
|---|----------------|----------------|
| Deposits from other creditors | 98,208 | 99,363 |
| Deposits with central banks and credit institutions | 23,490 | 23,085 |
| Marketable debt securities and subordinated liabilities | 21,209 | 22,256 |
| Total | 142,907 | 144,704 |

The composition of the Group's funding in 2014 according to the type of instrument and counterparty, is further analysed below:



On-balance sheet customer funds

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. There was a sharp 17.9% increase in 2013 over 2012, due mainly to acquisitions: that of Banco Gallego in October 2013, and those of Lloyds Bank's Spanish subsidiary and Banco Mare Nostrum's branch network in Catalonia and Aragón in June. There was a shift from time deposits to demand deposits in 2014 due to lower interest rates. At 31 December 2014 demand deposits (which includes current and savings accounts) had increased to €43,275 million (up 17.4%) at the expense of time deposits, which shrank by 12.2%.

Customer funds by maturity:

| €million | 2014 | 3 months | 6 months | 12 months | More than 12 | No fixed maturity |
|-----------------------------|---------------|--------------|--------------|--------------|--------------|-------------------|
| Total customer funds | 94,461 | 10.7% | 11.6% | 19.0% | 12.7% | 46.0% |
| Time deposits | 48,639 | 20.0% | 22.3% | 34.5% | 23.2% | |
| Demand deposits | 43,275 | | | | | 100.0% |
| Issues for retail investors | 2,547 | 16.6% | 6.0% | 46.3% | 28.1% | 3.0% |

The Group's deposit products are distributed through its Commercial Banking and Corporate Banking and Global Businesses units and its private banking arm, Sabadell Urquijo Banca Privada. Key financial data for these business units can be found in section 2.4 above.

The upward trend in the Group's deposit base in recent years has made it possible to replace capital market funding with customer deposits. This has not only helped to boost the Group's earnings but has also driven down its loan-to-deposit (LTD) ratio from 147% at the end of 2010 to 104% at the close of 2014. The loan-to-deposit ratio is obtained by dividing net lending (adjusted for subsidized finance) by retail deposits.

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 €23,106 million, compared with €26,063 million at the end of 2013. In terms of product type, €14,406 million of the total sourced from capital markets was raised from mortgage covered bonds, €1,941 million from senior debt (of which €1,059 million consisted of Spanish government-backed bond issues resulting from the takeover of Banco CAM), €917 million from subordinated debt issues (including Mandatory Convertible Subordinated Debentures IV/2013 issued as part of the buyback arrangements for Banco Gallego hybrids) and preference shares, and €4,062 million from preference shares and asset-backed securities sold on the open market. The maturities of institutional issues by product type at 2014 year-end are shown in note 37 to the financial statements.

Short-term funding arrangements included 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 amount of outstanding commercial paper issues directed mainly at the domestic market remained stable over the year, with a slight reduction in the outstanding amount of commercial paper placements with non-qualified investors, which was offset by an increase in the amount placed with institutional investors. 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.

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 bond market 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. In current market conditions the Group would have the ability to carry out debt issues in a variety of formats and maturities.

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.

The capital markets remained upbeat in 2014 and in the market as a whole there was no large-scale refinancing of maturing debt. This, together with the ECB's economic stimulus measures in the fourth quarter, resulted in a surplus of liquidity. This situation, together with low interest rates, boosted the repo market, where counterparty risk-related concerns abated considerably. The net amount of repo funding at 31 December 2014 was €1,730 million higher in nominal terms than at 2013 year-end.

In addition to these funding sources, Banco Sabadell has a liquidity buffer consisting of liquid assets to cover possible liquidity needs. 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 (that is, market value less the haircut applied by the ECB in its monetary policy operations to assets with ECB eligibility, 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. At the close of 2014, 93% of the Group's liquidity buffer consisted of eligible assets available for discounting in ECB funding operations. The rest was made up of such assets as the balance of liquid assets classified as of

very high liquidity for LCR purposes but not eligible for discounting with the ECB; the Group's portfolio of listed equities; and investments in mutual funds and open-end investment companies (SIMCAVs), plus its net position in the interbank market.

The Group's holdings of assets eligible as collateral to the ECB are shown below, classified by rating and liquidity class as defined by the Bank of Spain in its Technical Application 1/2013:

| RATING (*) (DBRS/ Fitch/ Moody's/ S&P's) | LIQUIDITY CATEGORY (In €Mn. at effective value (market value + BCE haircut)) | | | | | Non-negotiable securities |
|--|---|--------------|--------------|-----------|--------------|------------------------------|
| | I | II | III | IV | V | |
| Up to AAL/ AA-/ Aa3/ AA- or R-1H/ F1+/ A-1+ | 52 | 0 | 6,369 | 0 | 210 | |
| Up to AL/ A-/ A3/ A- or R-2H/ F1/ P-1/ A-1 | 7,450 | 455 | 2,304 | 18 | 2,219 | 3,239 |
| Up to BBB/ BBB-/ Baa3/ BBB- or R-2M/ F2/ P-2/ A-2 | 573 | 933 | 437 | 66 | 341 | |
| TOTAL | 8,075 | 1,388 | 9,110 | 84 | 2,770 | 3,239 |

(*) Where more than one rating has been assigned the highest rating has been shown except in the case of category V, where the second highest rating is shown.

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 an 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.

5.2. Capital resources

The way in which the Group's capital resources are managed is the result of an ongoing capital planning process. This planning takes account of expected future changes in the economic, regulatory and business environment, as well as more adverse scenarios. It considers the likely capital consumption of different areas of activity under different scenarios, and market conditions that are likely to have a bearing on any actions that are proposed. Capital management is framed within the context of the Bank's strategic objectives and the search for attractive shareholder returns, subject always to ensuring a level of own funds sufficient to cover the risks inherent in the business.

The new regulatory framework on the minimum own funds that Spanish credit institutions must hold, both individually and on a consolidated basis, the way in which those resources are determined, the various capital self-assessment processes they must perform and the information they must disclose to the market entered into force on 1 January 2014. The regulatory framework comprises:

- Directive 2013/36/EU, of the European Parliament and of the Council, of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (generally referred to as CRD IV).
- Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (generally referred to as CRR).

As a Spanish credit institution, the Group is subject to CRD IV, through which the European Union is implementing the Basel III capital rules issued by the Basel Committee on Banking Supervision (BCBS) under phase-in allowances until 1 January 2019. CRD IV has been partially implemented in Spain through (i) Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt Spanish legislation to European Union regulations on bank supervision and solvency, and (ii) Law 10/2014 of 26 June on the organization, supervision and solvency of credit institutions.

The CRR, which is directly applicable to Spanish credit institutions, implements the CRD IV requirements while leaving certain options to national authorities. Under the authorization granted by Royal Decree-Law 14/2013, the Bank of Spain issued Circulars 2/2014 and 3/2014 on 31 January and 30 July respectively, using certain permanent regulatory options envisaged in the CRR, including those applicable to the transitory regime on capital requirements and to the treatment of deductions.

According to the requirements established in the CRR, credit institutions must have a total capital ratio of 8% at all times. However, regulators may exercise their powers under the new regulatory framework and require that banks maintain additional capital levels.

As required by this new regulatory framework, all allowances of the Bank of Spain's Circular 3/2008 that would be in conflict with the above-mentioned European regulation were repealed as of 1 January 2014.

Capital resources are grouped into categories according to their capacity to absorb losses, their long- or short-term nature, and their seniority. The categories of capital, ranked in descending order of permanence, loss absorption capacity and seniority, are common equity and other first-level capital instruments, which together form primary (Tier 1) and secondary (Tier 2) capital instruments. The overall capital base is obtained by adding Tier 1 capital to Tier 2 capital.

In the last four years the Bank has increased its capital base by issuing securities qualifying as primary capital, which have enabled it to increase its capital by more than €5,000 million.

Mandatory Convertible Subordinated Bonds were converted to shares for €31.35 million in 2014.

All these transactions and events enabled Banco Sabadell to increase its core capital/common equity to 11.7% in December 2014.

With regard to risk-weighted assets, in 2008 Banco Sabadell was one of the seven Spanish financial institutions to obtain Bank of Spain approval to use internal credit risk models for the calculation of regulatory capital under the (then) new capital framework known as Basel II.

Central bank approval meant recognition and endorsement of the risk management and control systems that Banco Sabadell had begun to develop in the mid-1990s and which have since enabled it to maintain an excellent credit quality.

Since then, through constant attention to its balance sheet and its capital, and thanks to Regulator-approved changes in the development of its internal risk models, Banco Sabadell has been able, by a process that is still ongoing, to respond to increases in capital requirements arising from its acquisitions: Banco Guipuzcoano, Banco CAM, Banco Gallego, BMN-Penedès, and Sabadell Solbank (formerly Lloyds Bank).

Even so, risk-weighted assets (RWA) increased by 2.12% in 2014. This was due to the effect of applying the new rules described above, which introduced new areas of capital consumption connected with deferred tax assets and significant holdings in financial sector entities, among other aspects.

A reconciliation between net worth and regulatory capital is shown in the following table:

| €million | 2014 | 2013 |
|--|----------------|----------------|
| Shareholders' equity | 10,224 | 10,227 |
| Measurement adjustments | 937 | 121 |
| Non-controlling interests | 55 | 58 |
| Total equity | 11,216 | 10,406 |
| Goodwill and other intangible assets | (684) | (1,539) |
| Other adjustments | (1,829) | (150) |
| Regulatory accounting adjustments | (2,513) | (1,689) |
| Common equity Tier I capital | 8,703 | 8,717 |
| Additional Tier I capital | 0 | (4) |
| Tier II capital | 839 | 588 |
| Total regulatory capital | 9,542 | 9,301 |

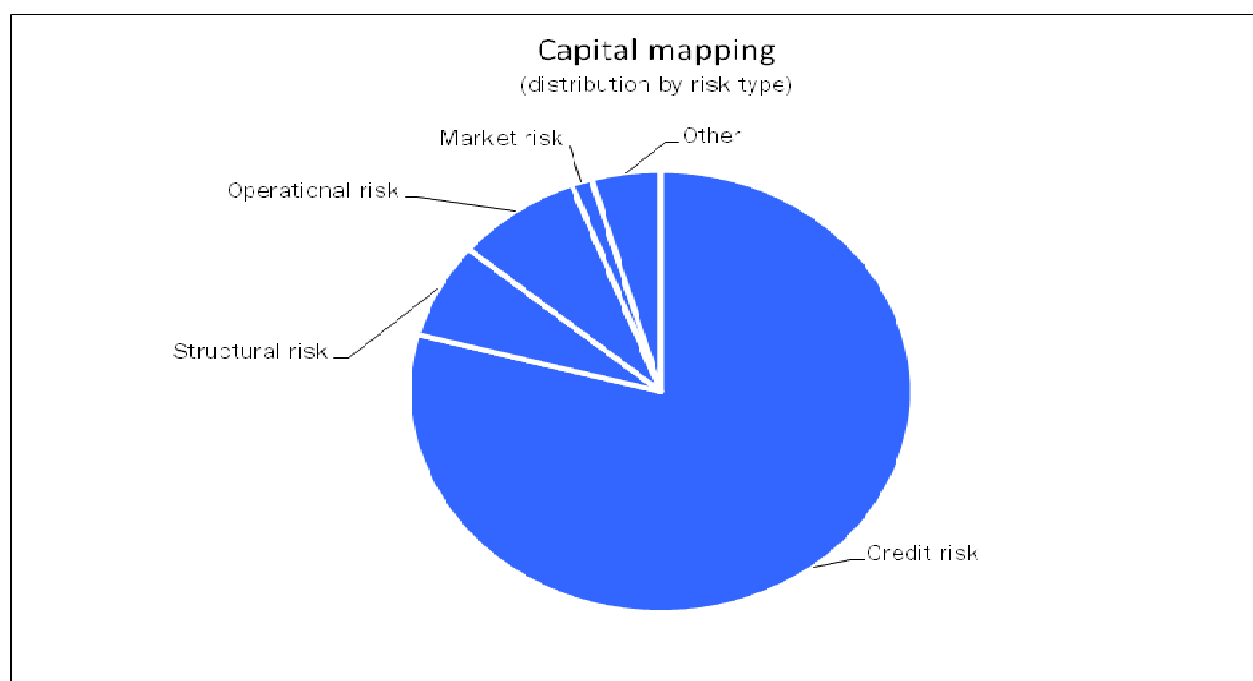
Considering that risk-weighted assets amounted to €74,417,813,000 in 2014 and €72,876,287,000 in 2013, the Bank's year-end capital ratios were as follows:

%

| | 2014 | 2013 | Minimum requirement (*) |
|---|------|------|-------------------------|
| Core capital | 11,7 | 12,0 | |
| Principal capital (Bank of Spain Circular 7/2012) | n/a | 11,7 | 9 |
| Tier I | 11,7 | 12,0 | |
| Tier II | 1,1 | 0,8 | |
| BIS ratio | 12,8 | 12,8 | 8 |

(*) When the 2013 ratios were calculated the Basel II rules were applicable, whereas the 2014 ratios were arrived at in accordance with Basel III.

The breakdown of capital requirements by type of risk is as follows:



Results of the comprehensive assessment

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

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

The CA comprised the following phases:

1. Asset Quality Review (AQR)

The objective of the first phase was to perform a detailed review of bank balance sheets to determine, inter alia, whether their loan classifications (performing/doubtful), allowances and valuations of specific assets were appropriate.

The ECB started by reviewing the Bank's main accounting policies, processes and criteria, covering areas related to funding activities (treatment of refinanced loans, the accounting system for allowances, and the definition of "doubtful"), and other areas such as consolidation and measurement of financial instruments, including derivatives.

Next, after selecting the portfolios that represented the highest levels of risk and exposure, the ECB reviewed a sample of borrowers (based mainly on loan applications). In the case of Banco Sabadell, the entire loan book was considered, which involved a review of 905 borrowers (including the 210 largest customers) and re-measurement of more than 1,500 property appraisals.

This phase, which was assisted by leading audit firms and was subject to quality control by the ECB and the Bank of Spain, had the potential to trigger adjustments to the level of CET1 to be used as the starting level for the stress test.

2. Stress test

This second phase sought to analyse the ability of banks' balance sheets to withstand two hypothetical scenarios: a baseline, or more probable, scenario (macroeconomic scenario approved by the European Commission) and an adverse or more severe one (established by the European Systemic Risk Board) for 2014-2016.

The test was based on consolidated balance sheets at 2013 year-end and used a bottom-up approach, applying the methodology defined by the EBA at the lowest level of granularity in the Bank's portfolio, including in this case all of its lending and all of its exposure to sovereign and corporate debt, investees and real estate. As a result, all the main credit, market, counterparty and real estate risks were analysed.

Detailed templates were used to ensure that the exercise was unbiased; as with the previous phase, the ECB and the Bank of Spain oversaw quality.

The minimum capital threshold was fixed at 8% in the baseline scenario and 5.5% in the adverse scenario.

Results of the Comprehensive Assessment

According to the published results of the Comprehensive Assessment for each of Europe's 128 largest banks, 25 institutions failed the test with a capital shortfall totalling €25,000 million. However, corrective actions implemented in 2014 had reduced the shortfall to €9,500 million, distributed among 13 banks. All Spanish banks passed the stress test and the AQR, with the exception of one minor institution (as defined by the ECB), whose capital shortfall was duly covered as a result of actions implemented in the first half of 2014.

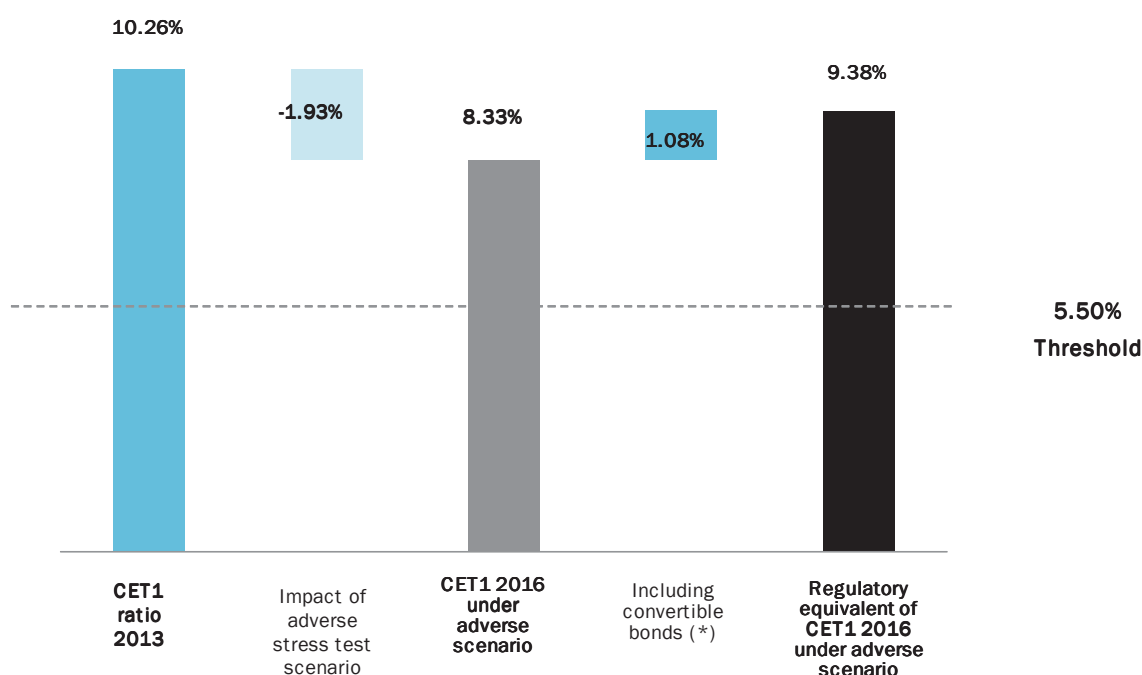
Banco Sabadell was the only Spanish bank whose initial capital ratio was not adjusted as a result of the Asset Quality Review (AQR). Only 15 European banks were not required to make any adjustments.

The stress test concluded that Banco Sabadell had a common equity Tier 1 (CET1) ratio of 10.26% and that in the most adverse scenario considered the ratio would be 8.33%, well above the required minimum of 5.5%. With these ratios, it was estimated that Banco Sabadell had surplus capital amounting to over €1,700 million in the baseline scenario and over €2,200 million in the adverse scenario.

These results did not take account of the effect of mandatory convertible bonds (not included in the stress test even though they mature in 2015); neither did they include all of the deductions envisaged under Basel III. If those items had been considered, the CET1 ratio would have been 9.38% (including convertibles) and 8.8% (fully loaded) in the adverse scenario.

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

Banco Sabadell. Stress test – adjusting factors
Common Equity Tier 1 ratio 2016 in the adverse scenario
 In percentage



(*) Given that mandatory convertible bonds are not included in the scope of the stress test, they have been added back for illustrative purposes.

Total mandatory convertible bonds of €860M (105bps) as of December 2013, of which the maturity calendar is: €17.6M in 2014, €755.6M in 2015, €68.6M in 2016 and €17.6M in 2017.

6. RISKS

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

The main challenges this year were developing a new Risk Appetite Framework that ensures control and proactive management of all the Group's risks, and strengthening the governance framework for risks.

In 2014, the Group also integrated the business from the Banco Gallego and Lloyds Banking Group Spain acquisitions into its systems by standardizing risk management and control.

Below are the main aspects, which are detailed later in this report.

Risk Appetite Framework

The Banco Sabadell Group has a new Risk Appetite Framework, which aims to ensure control and proactive management of all Group risks. This new framework includes a Risk Appetite Statement, which establishes the amount and diversity of risks that the Group seeks and tolerates in order to achieve its business goals while maintaining a balance between risk and return.

The Risk Appetite Statement comprises quantitative metrics which allow for objective monitoring of risk management, as well as complementary qualitative aspects. It is implemented throughout the organization by means of the Risk Appetite Framework, using various instruments, including:

- Risk management policies
- Models
- Tools
- Regulations
- Strategic planning
- Incentives
- Monitoring and reporting
- Pricing
- Communication
- Adequacy protocol

Strengthening risk function governance

The Risk Appetite Framework is covered by an updated risk governance framework in accordance with European and national regulations (specifically, CRR and CRD IV and their transposition to Spanish law through Law 10/2014 on the organization, supervision and solvency of credit institutions).

Accordingly, the Bank has strengthened the supervisory role of the Risk Committee, made up of non-executive Board members, whose main function is to ensure that the risks undertaken by the Group conform to the Risk Appetite Statement approved by the Board of Directors.

The Group has state-of-the-art risk control systems that is well suited to the activities of its business units and to the risk profile it pursues. These control systems are built into the Bank's principal risk acceptance, monitoring, mitigation and recovery procedures.

The Bank's risk control function is responsible for monitoring and evaluating the main risks, ensuring that all risks identified are supervised effectively by the various business units and always ensuring that the Bank's risk profile is attuned to the Risk Appetite Statement.

Reviewing compliance with the established control framework and its application to management is the responsibility of the Internal Audit Department, which advises the Board of Directors and Senior Management on the effectiveness and adequacy of established processes and controls.

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

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

6.1. General risk management principles

6.1.1 Corporate risk culture

Banco Sabadell's risk culture is one of its distinguishing features and is well established throughout the organization as a result of continuous development over the decades. Aspects of this strong risk culture include:

- A high level of involvement by the Board of Directors in risk management and control. The Bank has had a Risk Control Committee since before 1994, whose main function is to supervise the management of all significant risks and ensure that they are in alignment with the profile defined by the Bank.
- The Basic Management Team, a key part of the risk acceptance and monitoring process. The team structure, which has been in place for more than 20 years, comprises an account manager and a risk analyst. Each of them contributes their individual view to the management process; decisions must always be discussed and agreed upon by the parties. This involves the team in the decision and results in a fuller discussion and a more reliable outcome.
- A high degree of specialization: specific management teams for each segment (Real Estate, Corporate, Companies, SMEs, Retail Investors, Banks and Countries, etc.), allowing for specialized risk management in each area.
- Advanced internal credit rating models, which have been a basic component of decision-making for more than 15 years (since 1999 for individuals and 2000 for companies). The Bank, in accordance with best practice, relies on these models to improve the general efficiency of the risk management process.
- The delegation of loan approval authority at various levels, based on expected losses.
- Rigorous monitoring of credit risk supported by an advanced system of early alerts for companies and individuals. Risk monitoring at customer or risk group level can be organized into three types: operational, systematic and integral. One of the basic tools for monitoring is an early alert system for companies and individuals (implemented in 2008 and 2011, respectively) which provides advance warning of credit risk. These alerts are based on both internal data (e.g. the number of days an instalment is past-due, limits exceeded on discounted bills, guarantees or international credit lines), and external data (e.g. customers classified as delinquent elsewhere in the financial system, and credit bureau reports).
- An advanced model for managing non-performing exposures which enhances early detection and specialized management. An end-to-end model for managing non-performing exposures which enables risk management to focus those situations closer to default (early warnings, refinancing, collection). This comprehensive system has specific tools (simulators to seek the best solution in each case) and dedicated managers who specialize in specific customer segments.
- Risk-adjusted pricing. Commercial pricing policy is dynamic, adapting constantly to changing business and financial market conditions (liquidity premium, difficulty in accessing credit, interest rate volatility,

etc.). Funding and risk costs are taken into consideration (expected loss and cost of capital). Risk models play a vital role in determining prices and profitability targets.

- The risk management model is fully integrated into the Bank's technology platform, with the result that policies are applied immediately in everyday processes: the policies, procedures, methodologies and models that make up Banco Sabadell's risk management approach are built into the Bank's operating platform. This means that policies are applied immediately in everyday processes. This proved particularly important when integrating the Bank's recent acquisitions.
- Use of stress testing as a management tool: Banco Sabadell has for some years been using a powerful calculation tool to perform stress tests, supported by in-house teams with extensive experience in its development. Considerable progress has also been made in the last year, including: upgrading the tool (greater granularity, calculation power, etc.), defining potential uses of the tool and establishing a governance framework.

6.1.2 Risk Appetite Framework

In 2014, the Banco Sabadell Group developed a new Risk Appetite Framework which broadens and reinforces the existing management framework.

This Framework includes the Risk Appetite Statement, defined as the amount and range of risk that Banco Sabadell Group seeks and tolerates in order to achieve its business goals while maintaining a balance between risk and return.

The Risk Appetite Statement (RAS) comprises quantitative metrics, which allow for objective monitoring of compliance with established targets and limits, and qualitative elements, which complement the metrics and guide the Group's risk management and control policy.

Quantitative elements

The quantitative metrics in the RAS are organized into six broad sections:

- Capital and Solvency: amount and quality of capital
- Liquidity: liquidity buffers and funding structure
- Profitability: the right balance of risk and return
- Asset Quality: for the various types of relevant risk, and in stressed scenarios
- Losses: for the various key risks and in stressed scenarios
- Credit and Concentration: individual and sector

Qualitative aspects

In addition to quantitative metrics, the Risk Appetite Framework includes the following qualitative elements:

- The Institution's general position with regard to risk-taking seeks a medium-low risk profile through a prudent, balanced risk policy that ensures steadily rising profitability and is aligned with the Group's strategic objectives so as to maximize value creation while guaranteeing an appropriate level of capital.
- The Banco Sabadell Group's risk management and control approach consists of a broad framework of advanced measurement principles, policies, procedures and methodologies integrated into an efficient decision-making structure. The risk variable is factored into decisions in all areas and quantified using a common metric in terms of allocated capital.
- Risk management is underpinned by solid, ongoing procedures for checking that risks conform to pre-set limits, with clearly defined responsibilities for identifying and tracking indicators and early warnings, and an advanced risk measurement methodology.
- Capital and liquidity levels must enable the Bank to cover the risks it has assumed, even in adverse economic situations.
- Risks should not be concentrated in such a way as to significantly compromise own funds.
- The assumption of market trading risk seeks to cover the flow of transactions arising from customer business and to seize market opportunities while maintaining a position that is commensurate with the Bank's market share, risk appetite, capacity and profile.
- The risk function is independent and has strong senior management involvement, ensuring a strong risk culture focused on protecting capital and ensuring an adequate return on same.
- The Board of Directors is committed to the risk management and control processes: approval of policies, limits, management model and procedures, and the measurement, tracking and control methodology.
- The Group has a risk culture that pervades the entire organization and has units specialized in managing specific types of risk. The Risk Department transmits this culture by setting policies and implementing internal models and ensuring that they conform to the risk management processes.
- Risk Management policies and procedures should be oriented to adapting the risk profile to the Risk Appetite Framework while maintaining and pursuing a balance between expected returns and risk.
- The institution will have sufficient human and technological resources to track, control and manage all the risks that may materialize in the course of its business.
- The Group's compensation systems should align individual interests with compliance with the Risk Appetite Framework.

6.1.3. Overall organization of the risk function

The Board of Directors is the body responsible for setting general guidelines as to the organizational distribution of risk management and control functions and for determining the main lines of strategy in this respect. It is the body responsible for approving the Risk Appetite Framework (developed in cooperation with the Managing Director, the Director of Risk and the Chief Financial Officer) and ensuring that it is aligned with the Bank's short- and long-term objectives, as well as with the business plan, capital planning, risk capacity and compensation programmes.

The Board of Directors has four committees which play a role in the management and control of risk. The Bank also has several other Committees which participate in this function.



6.2. Managing and monitoring the main risks

6.2.1. Credit risk

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

Credit risk management framework

Acceptance and monitoring

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

The Board of Directors delegates powers to the Executive Committee, which then sub-delegates authority at each level. The implementation of authority thresholds in the credit acceptance systems ensures that powers delegated at each level are linked to the expected loss calculated for each loan.

The analysis of indicators and advanced alerts as well as rating reviews allow for risk quality to be continuously measured in an integrated way. The establishment of effective processes for managing existing risk exposures also benefits the process of managing past-due accounts, since the early identification of probable default cases ensures that measures can be taken proactively.

The Bank's early warning alert system means that the quality of a risk can be assessed in an integrated way and ensures a timely referral of the risk to recovery specialists, who determine the most appropriate approach. When risks exceed a certain limit or loss ratio, groups or categories are established to address them.

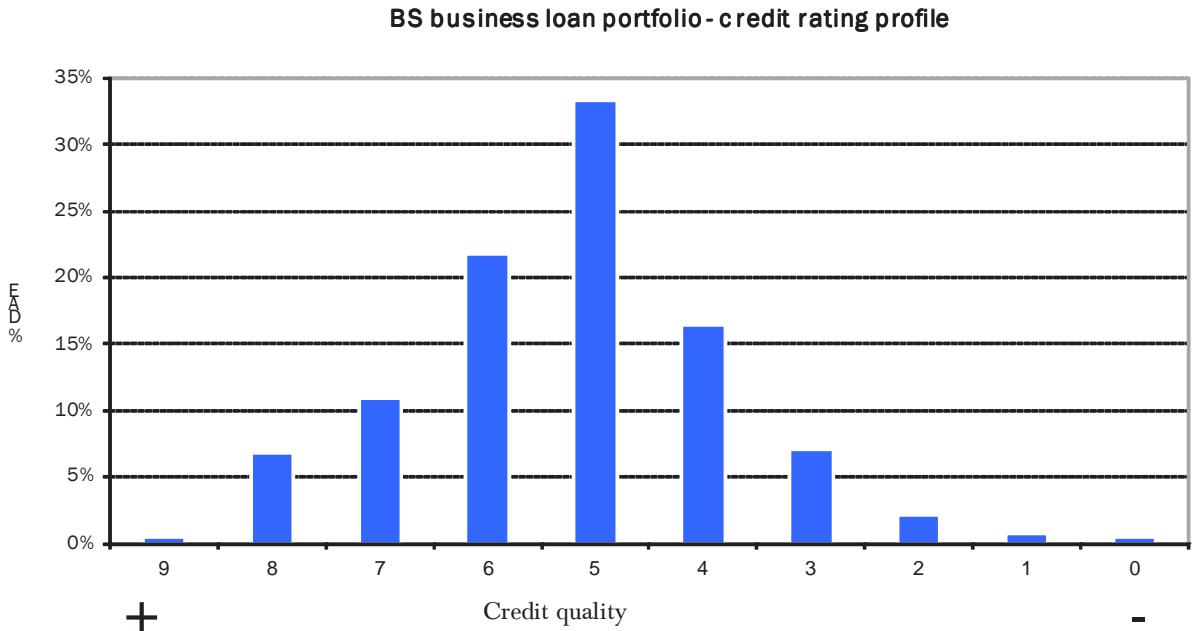
These alerts are managed jointly by the relationship manager and the risk analyst, helped by the feedback obtained as a result of direct contact with the customer.

Risk management models

Credit rating

Credit risk exposures to corporate customers, real estate developers, specialized financing projects, retailers and sole proprietors, financial institutions and countries are assessed according to a system of credit ratings based on predictive factors and internal estimates of the probability of default.

The rating model is reviewed each year on the basis of an analysis of actual default data. Each internal rating score is assigned an anticipated default rate which allows consistent comparisons to be made across segments and with the ratings produced by independent rating agencies, according to a master scale.

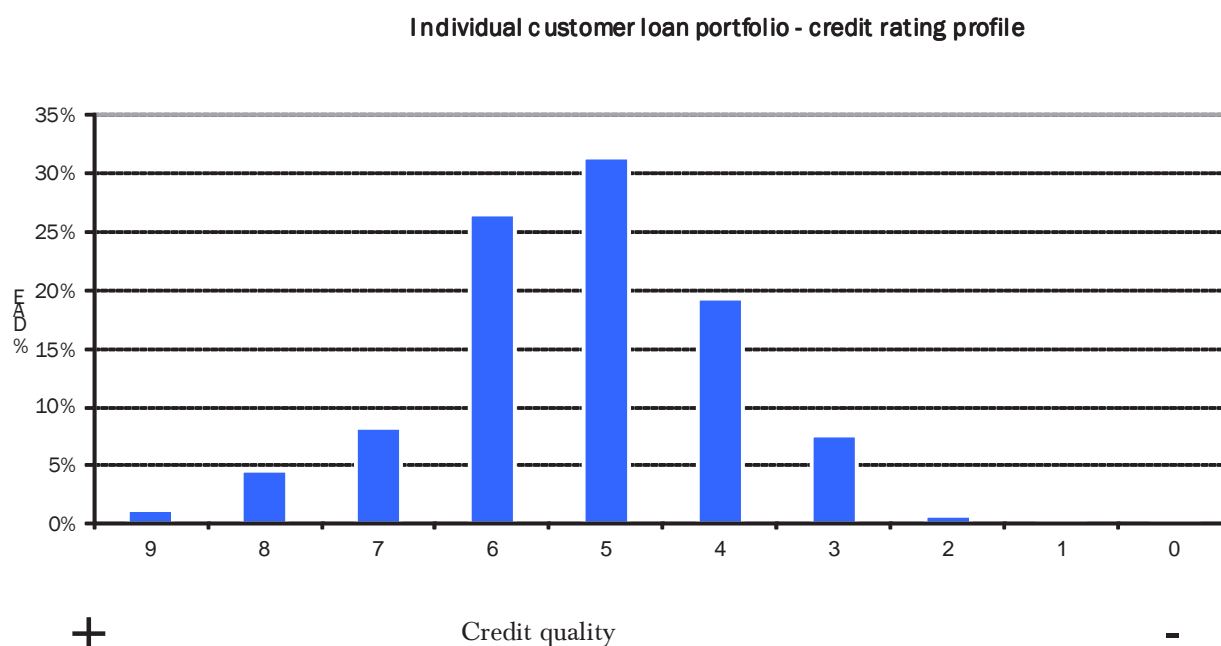


Scoring

Credit risk exposures to individual customers are classified by means of scoring systems which make use of quantitative modelling based on historical data to identify key predictive factors. Two types of scoring are used:

Behavioural scoring: The system in which all customers are automatically classified according to their transaction histories and data for each product acquired. It is used primarily for such purposes as granting loans, setting overdraft limits, targeting sales campaigns, and for tracking and segmenting in claim and/or recovery procedures.

Reactive scoring: This is used to evaluate applications for personal loans, mortgage loans and credit cards. When full details of the application have been entered, the system generates a result based on the estimated borrowing capacity and financial position of the applicant and the quality of any security or collateral.



Early alert tool

For both Companies and Individuals, Banco Sabadell has a system of early alerts which, based on available information sources (rating or scoring, customer file, balance sheets, the Bank of Spain's CIRBE risk information system, industry information, transaction data, etc.), models the customer's short-term risk (anticipating delinquency) and achieves a high level of predictability in detecting potential non-performing exposures. The score, which is produced automatically, is included in the monitoring process as one of the basic inputs in tracking the risk posed by individuals and companies.

This alert system allows for

- Improvements in efficiency by focusing attention on customers with lower credit scores (different groups are assigned different thresholds).
- Early action in view of a customer's worsening situation (change of score, new serious alerts, etc.).
- Periodic oversight of customers who remain in the same situation and have been analysed by the Basic Management Team.

Non-performing risks

Banco Sabadell has an advanced non-performing risk management model for impaired asset portfolios.

The objective of managing non-performing exposures is to find the best solution for the customer at the first sign of impairment so as to reduce the number of customers in difficulties who enter default. This should be done through intensive management with no dead times between the various phases of the process.

Country risk

This is the risk of incurring loss from exposures to sovereign borrowers or to persons domiciled in a particular country for reasons connected with national sovereignty or the economic situation of the country, i.e. for reasons other than the usual commercial risk. Country risk includes sovereign risk, transfer risk and other risks inherent in global financial operations (war, expropriation, nationalization, etc.).

An overall exposure limit is set for each country and this applies across the whole Banco Sabadell group. These limits are approved by the Executive Committee and the corresponding decision-making organ, depending on the level of delegation, and are constantly monitored to ensure that any deterioration in the political, economic or social situation in a country can be detected in good time.

A range of different tools and indicators are used to manage country risk. credit ratings, CDS, macroeconomic indicators, etc.

Counterparty risk

The counterparty risk management philosophy is aligned with the business strategy, which pursues value creation through the efficient use of capital allocated to the business units. Strict criteria have been established for managing counterparty risk deriving from the financial markets, to guarantee the integrity of Banco Sabadell Group's capital.

Banco Sabadell has a system for evaluating and managing those risks, which allows it to monitor and control compliance with approved limits on a daily basis.

Additionally, to mitigate exposure to counterparty risk, Banco Sabadell has Credit Support Annexes (CSA) and Global Master Repurchase Agreements (GMRA) with most counterparties, which notably reduces the risks incurred through the provision of collateral.

Concentration risk

Concentration risk refers to exposures that can potentially generate enough losses to threaten the financial health of an institution or the viability of its ordinary business activity. This type of risk is divided into two basic subtypes:

- Individual concentration risk: imperfect diversification of idiosyncratic risk in the portfolio, due either to its small size or to very large exposures to specific customers.
- Sectorial concentration risk: imperfect diversification of systematic risk components in the portfolio. Such concentrations may occur in particular sectors or geographical regions, for example.

In order to ensure an efficient management of concentration risk, Banco Sabadell has a series of specific tools and policies:

- Quantitative metrics in the Risk Appetite Statement and their subsequent monitoring as top-level metrics
- Individual limits for risks and customers considered to be significant, which are established by the Executive Committee
- A structure of delegation which requires that relevant customer transactions be approved by the Credit Operations Committee, or even by the Executive Committee

Greater information on credit risk, both qualitative and quantitative, can be found in the Notes to the Accounts (especially Notes 8, 9, 18, and 37).

6.2.2. Liquidity Risk

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

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

As an additional policy, the Bank requires a reserve margin to cover liquidity needs arising from maintaining liquid assets classified as eligible collateral by the European Central Bank that is sufficient to fund debt issued on the capital markets that matures in the next 12 months.

A number of methodologies and information systems are used to evaluate this risk:

- Information related to the daily balance of assets and liabilities and the financial market situation.
- Information on liquid assets and second-line liquidity reserves based on assets eligible for discounting with the ECB.
- Liquidity gap using the tool's measurement framework to measure out interest rate risk, with the ability to perform simulations.
- Information on the maturities of funding obtained in the wholesale markets.
- Periodic stress tests.
- General market information: issues, spreads, external rating agency reports, etc.

The Bank periodically carries out a stress test exercise focused on its position in the institutional market. The stress test measures the effects of a prolonged shutdown of the capital and interbank markets combined with a one level fall in the Bank's credit rating and a flight of deposits held by institutions and companies with professional treasury management functions. The result of this exercise is to ensure that the Bank continues to hold a cushion of liquid assets sufficient to cover the net balance of inflows and outflows in a stress situation lasting for up to a year.

In addition, the Bank carries out a further stress exercise which, unlike the one described above, assumes the complete drawdown of all available funds from the Bank within a period of one month, the withdrawal of 7.5% of its retail customer deposit base (households and SMEs) and of 15% of its corporate and public sector deposit base within one month, and the non-renewal of all securities sold to retail customers.

The Bank also analyses the robustness of its holdings of liquid assets such as ECB-discountable assets by conducting a study of the sensitivity of its eligible asset base to different scenarios combining credit rating downgrades and impacts on the market prices of the assets. The purpose of this exercise is to establish that the Bank's eligible asset base is sufficiently robust to ensure that it is holding available eligible assets that are sufficient in terms of its current position *vis-à-vis* the ECB.

As part of its stress test exercises, each month Banco Sabadell draws up a contingency plan for responding to two different stress liquidity situations: a systemic crisis and a crisis specifically affecting Banco Sabadell. The contingency plan examines the Group's ability to issue securities on the capital market under each of the scenarios and all balance sheet assets that would be capable of generating liquidity. It determines, for each asset class and under each crisis scenario, the proportion that could be made liquid within one week and one month. This establishes the Group's contingent liquidity in a liquidity crisis situation.

As regards the new Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), Banco Sabadell is providing the Regulator with the information required under the EBA's new liquidity templates on a monthly and quarterly basis, respectively. The Group amply exceeds the LCR requirement. At the end of 2014, its LCR was over 100%, compared with the minimum requirement of 60% in 2015. The NSFR is still in the final phases of being analysed and defined. The NSFR is expected to be implemented in January 2018, with a phase-in period, like the LCR.

6.2.3. Market risk

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

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

Risk arising from proprietary trading as part of the strategy of focusing on customer business. Risk that is primarily attributable to Treasury and Capital Market positions using currency instruments, equities and fixed-income, in both the treasury and derivatives markets.

Risks arising from the Group's commercial banking with customers and its corporate banking businesses, known as structural balance sheet risk. These risks can be sub-classified into interest rate risk and currency risk.

The system for acceptance, management and control of market risk is based on establishing limits for expressly assigned positions and approval of transactions for each business unit, with the result that the various management units must always keep their positions within the established limits and obtain approval for transactions from the risk management function.

Trading

The main indicator used to measure market risk is VaR (Value at Risk), which allows the risks on different types of financial market transaction to be analysed as a single class. The VaR method provides an estimate of the potential maximum loss on a position that would result from an adverse, but possible, movement in any of the market risk factors. This estimate is expressed in money terms and is calculated at a specified date, to a specified confidence level and over a specified time horizon. The estimate takes account of the different levels of market risk factors (interest rate, currency rate, equities and credit spread) to which the transaction is exposed.

Market risk is monitored on a daily basis and reports on current risk levels and on compliance with the limits assigned to each unit are referred to the risk control functions. Limits are assigned by the Risk Control Committee for each management unit (based on nominal values, VaR or sensitivity, as applicable). This makes it possible to track changes in exposure levels and measure the contribution of each risk factor.

Risk control of this kind is supplemented by special simulation exercises and extreme market scenarios (stress testing), which provide the positions' risk profile. However, the VaR methodology does not rule out the possibility

that losses will exceed the set limits, as significant market movements may occur that exceed the confidence levels being applied. The reliability of the VaR methodology is validated by back-testing techniques which are used to verify that VaR estimates are consistent with the specified confidence level.

Structural interest and exchange rate risk

Structural interest rate risk:

Interest rate risk is caused by changes in interest rates or in the levels or slope of the yield curve to which asset, liability and off-balance sheet positions are fixed. Gaps arise between these items because of differences in repricing and maturity schedules may affect the robustness and stability of results.

The management of interest rate risk focuses on overall financial exposure for the Group as a whole and involves proposing alternative commercial or hedging strategies that will meet business objectives and are appropriate to market conditions within the exposure limits established for the Group. A number of methodologies are used to measure interest rate risk. These include measuring the sensitivity of net interest income to changes in interest rates over a one-year horizon. This is done by means of static (gap analysis) and dynamic (simulation) techniques based, in the latter case, on different assumptions of balance sheet growth and changes in the slope of the yield curve.

Another technique is to measure the sensitivity of equity to changes in interest rates using duration gap analysis. This measures the effect of interest rate changes over a longer time horizon.

Structural exchange rate risk

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

Exchange rate risk is monitored on a daily basis and reports on current risk levels and on compliance with the limits assigned to each unit are sent to the decision-making authority.

6.2.4 Operational risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from unforeseen external events. This definition includes reputational risk (which includes behavioural risk), technology risk and model risk.

Management of operational risk is decentralized and devolved to the people in charge of organization-wide processes. All of those processes are identified on a corporate process map, thus facilitating the compilation of information in a way that reflects the structure of the organization. The group has a specialized central unit to manage operational risk, whose main functions are to coordinate, supervise and promote the identification, assessment and management of risks by process managers in line with Banco Sabadell's process-based approach.

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

- The first action area is based on an analysis in which all processes and any associated risks that involve potential losses are identified, leading to a qualitative evaluation of the risks and their associated control mechanisms. This is done by process managers in conjunction with the central operational risk unit. The result is an assessment that allows future exposures to be recognized as expected and unexpected losses, tendencies to be anticipated and mitigating action to be taken.

This is supplemented by a system for identifying, monitoring and actively managing risk through the use of key risk indicators. These can be used to trigger alerts in response to increases in exposure, identify the causes of that exposure and measure the effectiveness of the controls put in place and of any improvements made.

Care is taken to ensure that all processes identified as critical are protected by specific business continuity plans for the event of a service failure. The operational risks identified are also assessed qualitatively from the point of view of their reputational implications should the risk materialize.

- The second action area is based on experience. It consists of maintaining a database of all losses that occur in the organization, which provides a store of information of actual operational risk events for each business line and the causes of those events, so that risks can be acted upon and their causes minimized. This loss information is also of use in measuring the extent to which estimates of potential loss are consistent with reality, in terms of both severity and frequency, so that loss exposure estimates are constantly being updated and improved in this way.

The database contains historical records of actual losses resulting from operational risk going back to 2002. It is constantly being updated as information is received on losses and recoveries, whether resulting from the Bank's own efforts or from insurance provision.

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

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

6.2.5 Tax risk

Tax risk reflects the possibility of a breach, or of uncertainty over the interpretation, of tax legislation in any of the jurisdictions where the Bank operates.

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

The Board of Directors determines the tax risk control and management policies, as well as the tax strategy, with the double objective of ensuring that legal obligations are met and ensuring greater returns for shareholders.

The Tax Advisory Area provides an independent review of the Bank's operations to ensure that they conform to the tax legislation in force. Its functions can be divided into two areas, depending on Banco Sabadell's purpose in each case:

- As a taxpayer: with a view to ensuring that Banco Sabadell meets its tax obligations accurately and on time, the Tax Advisory Area performs regular checks that the Bank's general situation complies with the tax legislation, and sporadic checks, as required, that specific operations are compliant.
- As a developer of new products: the Bank's ordinary activity involves creating new products to be offered to our customers. The development of these products must include an analysis of their tax situation with a view to describing their characteristics in a transparent way.

6.2.6 Compliance risk

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

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

The Group has a Compliance Department with the mission to promote and attain the highest levels of compliance with regulations and ethical standards within the Group, manage compliance risk so as to minimize the possibility of non-compliance, and ensure that any non-compliance that occurs is identified, reported and resolved diligently and that appropriate preventive measures are implemented, where they do not already exist.

The compliance model centralizes the definition of policies, procedures and controls on the parent company, together with the execution of Banco Sabadell control programmes, and decentralizes the execution of programmes to subsidiaries and branches outside Spain, while maintaining functional responsibility.

It is a flexible risk-focused model which can be adapted to the Group's strategy at all times and leverages synergies, maintaining an overall approach to those aspects that are general in scope and/or which require major technological developments, but also adapting to the specific features and legislation affecting each business or country.

The main challenge is standardizing the levels of compliance oversight across the Group and establishing minimum standards for mandatory compliance, regardless of the activity or country.

This model is based on two pillars:

(i) A central unit which serves the entire Group and is focused on overall management of Compliance Risk. Its main activity is the analysis, distribution and oversight of the implementation of all new regulations with an impact on the Group, as well as risk-focused control of proper compliance with pre-existing regulations.

It is directly responsible for executing processes considered to be high risk as they require direct, comprehensive oversight: prevention of money laundering and terrorist financing; controlling market abuse; controlling compliance with internal codes of conduct; and monitoring investor protection (MiFID).

(ii) A network of compliance officers in each subsidiary and foreign branch (functionally dependent on the Central Compliance Unit and hierarchically dependent on the head of the subsidiary/foreign branch) who execute their own control programmes and report periodically to the Central Unit, ensuring compliance with the internal rules and the legislation in force in all countries and activities in which the Group operates.

For greater efficiency, this model is implemented and enhanced through six catalysts (technology, training, procedures, communication channels, control and monitoring programmes, and a process for approving products and rules).

7 – POST-BALANCE SHEET EVENTS

Since 31 December 2014, there have been no significant events worthy of mention.

8- EXPECTED FUTURE DEVELOPMENTS

Banco Sabadell adopts three-year strategic plans designed in accordance with macroeconomic and regulatory conditions. The success it has had in implementing each of its previous strategic plans allowed Banco Sabadell to be ready for the new one and to have a high level of confidence in its successful outcome.

The “Óptima 2010” plan had the aim of preparing the Bank to become an efficient platform for growth. Once that had been achieved, the CREA plan focused on organic and inorganic growth, which enabled the Bank to reach critical mass so as to compete effectively in the Spanish financial system while the whole sector was undergoing a process of concentration.

During the implementation phase of the “CREA” plan, Banco Sabadell was able to transform itself commercially, growing its customer base by a factor of three, increasing market shares and optimizing its resources.

In the current macroeconomic context, having completed the restructuring and integration of Banco CAM and several acquisitions in 2013 in order to continue strengthening its franchise, Banco Sabadell started a new business plan that aims to extract value from the customer base by leveraging its new size and margin-generating capability. The main goal of the 2014-2016 Triple Plan is profitability. Key themes of the new plan are transformation (transformation of the business, transformation of the production process and transformation of the balance sheet) and internationalization (laying the foundations for becoming more international in terms of structure, resources, etc. and entering new markets).

The Triple plan proposes a series of financial objectives for the medium term. These include (i) bringing the cost/income or efficiency ratio (personnel and other administrative expenses as a proportion of gross income) down to 40%; (ii) a double digit return on capital (consolidated profit attributable to the Bank divided by average monthly own funds over the 3-year period); (iii) a loan-to-deposit ratio of over 100%; and, finally (iv) a core Tier 1 ratio of more than 10% (with full application of the standards laid down in the Basel III accords and CRD IV/CRR IV).

The Group met the intermediate objectives set in the Triple plan for the first year, and is therefore on track to achieve the plan's goals.

9 –RESEARCH, DEVELOPMENT AND INNOVATION

The Bank completed the integration of Banco Gallego and Lloyds Bank International in 2014, a process which began at the end of 2013.

Meanwhile, a Systems Plan was being put into effect that was more intensive than the previous year's plan and was aligned with the key aims of the 2014-2016 Triple Business Plan.

Initiatives were launched to strengthen multi-channel commercial management and marketing campaigns by implementing new tools. Projects for further improvements to branch operations and performance continued to be put in place, with initiatives such as the implementation of biometric signature input and a multi-channel document signing system. A document scanner and manager has been incorporated into the new Proteo front-end application, and the previous distributed OCR system has been replaced by a centralized OCR system that can be used from any kind of front-end application, including mobile devices.

As regards corporate mobility, the first functional versions of Proteo Mobile (the front-end application for mobile devices) have been developed.

In the field of active risk management, further work was done to develop the risk model for individual customers, and work on process automation continued.

In the Treasury, Markets and Asset Management area, efforts were made in 2014 to adapt the systems to handle negative rates and to implement a new customer risk control system for Treasury operations involving foreign exchange (TGR).

As regards Corporate Administration Systems, the main actions in the year were focused on improving processes to comply with new regulatory requirements (e.g. those related to the new CIRBE 2 statements). In the area of human resources, the Bank began implementing solutions for internal talent management.

10 –TREASURY SHARE SALES AND BUYBACKS

For information on treasury share sales and buybacks see Note 28 to the Annual Accounts.

11 – ADDITIONAL INFORMATION

a) Shares and share price information

Some indicators of the Bank's share performance are shown in the following table:

| | 2014 | 2013 | YoY change (%) |
|--|---------------|---------------|-------------------|
| Shareholders and trading | | | |
| No. of shareholders | 231,481 | 262,589 | (11.8) |
| Number of shares | 4,024,460,614 | 4,011,481,581 | 0.3 |
| Average daily trading volume (number of shares) | 27,272,221 | 15,512,282 | 75.8 |
| Share price (€) | | | |
| Opening session | 1.896 | 1.975 | |
| High | 2.713 | 2.160 | |
| Low | 1.820 | 1.260 | |
| Closing | 2.205 | 1.896 | |
| Market capitalization (€'000) | 8,873,936 | 7,605,769 | |
| Market multiples | | | |
| Earnings per share (EPS) (€) | 0.09 | 0.04 | |
| Book value per share (€) | 2.54 | 2.50 | |
| Price/ Book value | 0.87 | 0.76 | |
| Price/ earnings ratio (P/ E) | 23.88 | 52.12 | |
| Assuming conversion of mandatory convertible bonds | | | |
| Total number of shares including those arising from conversion | 4,289,732,386 | 4,298,634,476 | |
| Earnings per share (EPS) (€) | 0.09 | 0.03 | |
| Book value per share (€) | 2.38 | 2.34 | |
| Price/ Book value | 0.93 | 0.81 | |

The Bank's share price appreciated by 16.3% in 2014, the IBEX-35 by 3.66% and the average for all listed banks by 6.27%.

b) Dividend policy

Historically the Bank had applied a dividend policy in which the payout was in the region of 50% of the profit for the year. On some occasions in the last few years, the distribution of profit in the form of a dividend has been supplemented by a distribution out of the share premium account.

In recent years, given the sector's need to strengthen its capital, the Supervisor recommended that credit institutions limit cash dividend payments to 25% of 2013 attributable profit. The Bank has a comfortable level of capital, as can be seen in the results of the ECB's comprehensive assessment in 2014. In view of this, and as the above-mentioned circumstances return to normal, the Bank can resume its previous policy of distributing approximately 50% of its profit.

c) Managing the credit rating

Banco Sabadell's credit rating and actions by credit rating agencies during the year:

In 2014, the three agencies rating Banco Sabadell's credit quality were Standard & Poor's, Moody's and DBRS. The current ratings, and the last dates on which they were affirmed, are as follows:

| | 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 |

After Moody's downgraded the ratings of a number of Spanish banks in the second half of 2013, and as a result of its review of Banco Sabadell that commenced in July 2013, on 14 January 2014 the agency downgraded Banco Sabadell's long-term rating by one notch to Ba2 (from Ba1), with a negative outlook. In spite of the downgrade, Moody's did acknowledge Banco Sabadell's "recurring earnings power", which it said "compared favourably with those of its domestic peers".

On 27 November 2014, Standard & Poor's Rating Services 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. The rating upgrade was based on the agency's view that Banco Sabadell's credit quality has improved in the context of lower economic risk for the Spanish banking system, which S&P expect will continue to increase capital ratios as a result of the steady improvement in returns in the banking business.

On 18 December 2014, DBRS upgraded Banco Sabadell's mortgage covered bonds by two notches to AA (low), from A. This rating action was the result of implementing DBRS's new methodology, Rating European Covered Bonds, and of the Bank's high level of overcollateralization, its capacity to generate sufficient payment flows for the mortgage covered bonds, and higher recovery prospects.

All the agencies highlighted the improvement in Banco Sabadell's capital position and took a positive view of the stress test results.

In the course of 2014, Banco Sabadell held meetings with the three agencies. Among the topics discussed at the meetings and in conference calls were the Bank's strategy, stress tests, profit performance, capital, liquidity, risk and credit quality, as well as its management of troubled assets.

d) Branch network

At the end of 2014, Banco Sabadell was operating 2,320 branches, 98 less than at the end of 2013, due to the optimization of the branch network following the integration of BMN-Penedès, Banco Gallego and Lloyds Bank.

Of the total number of Banco Sabadell group branches and offices, 1,204 were operating under the SabadellAtlántico brand (including 36 specialist business banking and 2 specialist corporate banking branches); 503 were operating as SabadellCAM (including 11 business banking branches); 178 formed the Banco Herrero network in Asturias and León (including 5 business banking branches); 131 were under the SabadellGuipuzcoano brand (including 5 business banking branches); 12 were operating under the SabadellUrquijo name; 108 were Solbank branches, and the remaining 53 made up the Group's international network, including the 27 operated by Sabadell United Bank and 7 by BancSabadell d'Andorra. Additionally, ActivoBank has two customer service centres. The distribution of the Group's Spanish branches by region was as follows:

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

| Country | Branch | Representative office | Subsidiaries and associates |
|--------------------|--------|-----------------------|-----------------------------|
| Europe | | | |
| Andorra | | | • |
| France | • | | |
| Poland | | • | |
| Portugal | | | • |
| UK | • | | |
| Turkey | | • | |
| America | | | |
| Brazil | | • | |
| USA | • | • | • |
| Mexico | | • | • |
| Dominican Republic | | • | |
| Venezuela | | • | |
| Asia | | | |
| China | | • | |
| UAE | | • | |
| India | | • | |
| Singapore | | • | |
| Africa | | | |
| Algeria | | • | |
| Morocco | • | | |

Corporate Governance

As required by Article 540 of the Capital Companies Act, the Banco Sabadell group has prepared an Annual Report on Corporate Governance for the year 2014 which, in accordance with article 49 of the Code of Commerce, forms part of this Report of the Directors and is attached as a separate document. It includes a section on the extent to which the Bank is following the recommendations on corporate governance that currently exist in Spain.

Information on Corporate Governance can be accessed via the “Shareholder and investor information” tab on the home page of the group website (www.bancosabadell.com).