

# Extraordinary profits have been offset by additional provisions.

or badwill (net of tax) in 2015. During the PPA (Purchase Price Allocation) exercise, the expected loss in the loans and advances to customers portfolio has been estimated in order to adjust it to its estimated fair value, and intangible assets have been identified which amount to the value of contractual rights derived from relations with customers from TSB for core deposits and the value of the TSB brand.

## Profit attributed to the group

The effective tax rate at 2015 year-end is mainly impacted by the badwill resulting from the acquisition of TSB, and by changes in the tax regulations of the United Kingdom regarding the applied tax rate.

After deducting income tax and the share of profit attributed to non-controlling interests, the year-end net profit attributed to the group for 2015 was €708.4 million, a 90.6% increase compared with the previous year. Excluding TSB, the group's net attributable profit amounts to €586.4 million at 2015 year-end, an increase of 57.8% compared with the previous year.

## Loan loss coverage

**53.64%**

## Net attributed profit

**708.4M€**

## ROTE

**7.6%**

## Balance sheet management

Increased commercial activity throughout the year, together with the incorporation of TSB, is reflected in the growth of credit volumes and funds.

# Significant decline in balance of doubtful loans and problem assets.

32% of the loan book is located outside of Spain, ahead of the targets laid out in the business plan.

€ million

	2014	2015	% 15/14
Cash, central banks and other credit institutions	1,189.8	6,139.5	416.0
Trading portfolio, derivatives and other financial assets	3,253.4	3,098.0	(4.8)
Financial assets available for sale	21,095.6	23,460.4	11.2
Loans and advances	117,895.2	154,754.3	31.3
Loans and advances to credit institutions	4,623.2	6,206.1	34.2
Loans and advances to customers (net)	110,835.7	146,815.7	32.5
Debt securities	2,436.3	1,732.5	(28.9)
Investments	513.2	341.0	(33.6)
Tangible assets	3,982.9	4,188.5	5.2
Intangible assets	1,591.3	2,080.6	30.7
Other assets	13,824.3	14,565.6	5.4
<b>Total assets</b>	<b>163,345.7</b>	<b>208,627.8</b>	<b>27.7</b>
Trading portfolio and derivatives	2,254.5	2,334.6	3.6
Financial liabilities at amortised cost	145,580.1	189,468.7	30.1
Deposits from central banks	7,201.5	11,566.1	60.6
Deposits from credit institutions	16,288.2	14,724.7	(9.6)
Customer deposits	98,208.4	132,876.3	35.3
Capital market	20,196.3	26,406.6	30.7
Subordinated liabilities	1,012.4	1,472.8	45.5
Other financial liabilities	2,673.3	2,422.2	(9.4)
Liabilities under insurance contracts	2,389.6	2,218.3	(7.2)
Provisions	395.2	346.2	(12.4)
Other liabilities	1,510.4	1,492.3	(1.2)
<b>Total liabilities</b>	<b>152,129.7</b>	<b>195,860.1</b>	<b>28.7</b>
Shareholders' funds	10,223.7	12,274.9	20.1
Value adjustments	937.4	455.6	(51.4)
Non-controlling interests	54.8	37.1	(32.3)
<b>Equity</b>	<b>11,216.0</b>	<b>12,767.7</b>	<b>13.8</b>
<b>Total equity and liabilities</b>	<b>163,345.7</b>	<b>208,627.8</b>	<b>27.7</b>
Contingent exposures	9,132.6	8,356.2	(8.5)
Contingent commitments	14,769.6	21,130.6	43.1
<b>Total memorandum accounts</b>	<b>23,902.2</b>	<b>29,486.8</b>	<b>23.4</b>

T6 Balance sheet

The EUR/GBP Exchange rate applied in the balance sheet is 0.7340 at 31.12.2015.

Note: On 30 June 2015, the group took over control of TSB. Therefore, the balance sheet figures cannot be compared with previous years.

## Assets

At the end of 2015, the total assets of Banco Sabadell and its group amounted to €208,627.8 million (€165,249.6 million excluding TSB), a balance that greatly exceeds the balance of 2014 year-end (€163,345.7 million) due mainly to the acquisition of TSB.

Gross loans and advances (excluding repos), the balance of doubtful assets and accrual adjustments ended 2015 with a balance of €140,367.8 million. This represents a year-on-year increase of 37.1%, largely due to the acquisition of TSB and the growth of mortgage loans from TSB, driven by the success of the intermediation platform launched at the beginning of 2015. Excluding TSB, gross loans and advances (excluding repos), the balance of doubtful assets and accrual adjustments showed a balance amounting to €104,536.6 million at 31 December 2015, a 2.1% increase compared with the previous year (T7).

The item with the most weight in gross loans and advances corresponded to mortgage-secured loans, which at 31 December 2015 amounted to €90,538.6 million and represented 65% of total loans and advances to customers (G5 and G6).

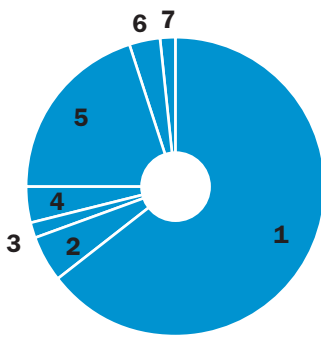
The group's ratio of non-performing loans (G7) continues with its sharply decreasing trend throughout the year due to the significant reduction in doubtful loans. NPL coverage has increased to comfortable levels (T8).

At 2015 year-end, the balance of doubtful risks of the Banco Sabadell group amounted to €12,344.2 million, decreasing by an aggregate €3,565.7 million during the year.

€ million

T7

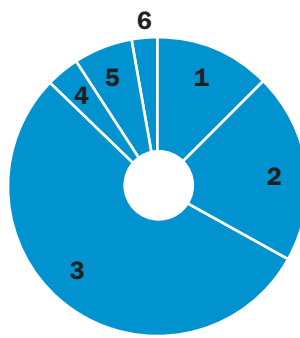
	2014	Ex TSB 2015	% 15/14	Total group 2015	% 15/14
Mortgage-secured loans and advances	57,112.3	57,835.9	1.3	90,538.6	58.5
Loans and advances secured with other collateral	2,155.3	2,201.3	2.1	2,201.3	2.1
Trade credit	4,867.3	5,410.5	11.2	5,665.1	16.4
Rest of loans	24,194.6	26,303.8	8.7	28,092.4	16.1
Rest of advances	4,188.1	4,593.4	9.7	4,593.4	9.7
Financial leasing	2,124.3	2,070.0	(2.6)	2,070.0	(2.6)
Demand debtors and miscellaneous	7,738.3	6,121.7	(20.9)	7,206.9	(6.9)
<b>Gross loans and advances to customers excluding repos (without doubtful assets or adjustments due to accruals and deferrals)</b>	<b>102,380.2</b>	<b>104,536.6</b>	<b>2.1</b>	<b>140,367.8</b>	<b>37.1</b>
Doubtful assets	15,714.2	12,253.8	(22.0)	12,470.4	(20.6)
Adjustments due to accruals and deferrals	(130.4)	(155.7)	19.4	(141.4)	8.4
<b>Gross loans and advances to customers, excluding repos</b>	<b>117,964.0</b>	<b>116,634.8</b>	<b>(1.1)</b>	<b>152,696.8</b>	<b>29.4</b>
Repos	587.6	728.5	24.0	728.5	24.0
<b>Gross loans and advances to customers</b>	<b>118,551.6</b>	<b>117,363.2</b>	<b>(1.0)</b>	<b>153,425.3</b>	<b>29.4</b>
Provisions for insolvency and country risk	(7,715.8)	(6,426.0)	(16.7)	(6,609.6)	(14.3)
<b>Loans and advances to customers (net)</b>	<b>110,835.7</b>	<b>110,937.3</b>	<b>0.1</b>	<b>146,815.7</b>	<b>32.5</b>



**G5**  
Loans and advances to customers  
by product type 31.12.2015 (%) (\*)

<b>1</b>	Mortgage-secured loans and advances	64.5%
<b>2</b>	Demand debtors and miscellaneous	5.1%
<b>3</b>	Loans and advances secured with other collateral	1.6%
<b>4</b>	Trade credit	4.0%
<b>5</b>	Rest of loans	20.0%
<b>6</b>	Rest of advances	3.3%
<b>7</b>	Financial leasing	1.5%

(\*) Excludes doubtful assets and adjustments for accruals.



**G6**  
Loans and advances to customers  
by customer profile 31.12.2015 (%) (\*)

<b>1</b>	Corporates	12.5%
<b>2</b>	SMEs	20.6%
<b>3</b>	Sole proprietors	54.2%
<b>4</b>	Public sector institutions	3.7%
<b>5</b>	Real estate development	6.2%
<b>6</b>	Others	2.8%

(\*) Excludes doubtful assets and adjustments for accruals.

**Reduction of NPL ratio to 7.79%  
at 2015 year-end. Excluding TSB,  
the NPL ratio is 9.86%  
(12.74% at 2014 year-end).**

%

<b>Ex TSB</b>	<b>4Q14</b>	<b>1Q15</b>	<b>2Q15</b>	<b>3Q15</b>	<b>4Q15</b>
Real estate development and construction	52.17	49.21	47.21	47.84	38.81
Non-real estate construction	8.08	9.03	8.74	8.58	(*) 14.36
Corporates	6.46	6.55	6.14	5.41	4.62
SMEs and sole proprietors	12.60	12.20	11.96	11.38	10.83
Individuals with first mortgage guarantee	9.25	9.12	8.76	8.27	7.83
<b>NPL Ratio</b>	<b>12.74</b>	<b>11.68</b>	<b>10.98</b>	<b>10.38</b>	<b>9.86</b>

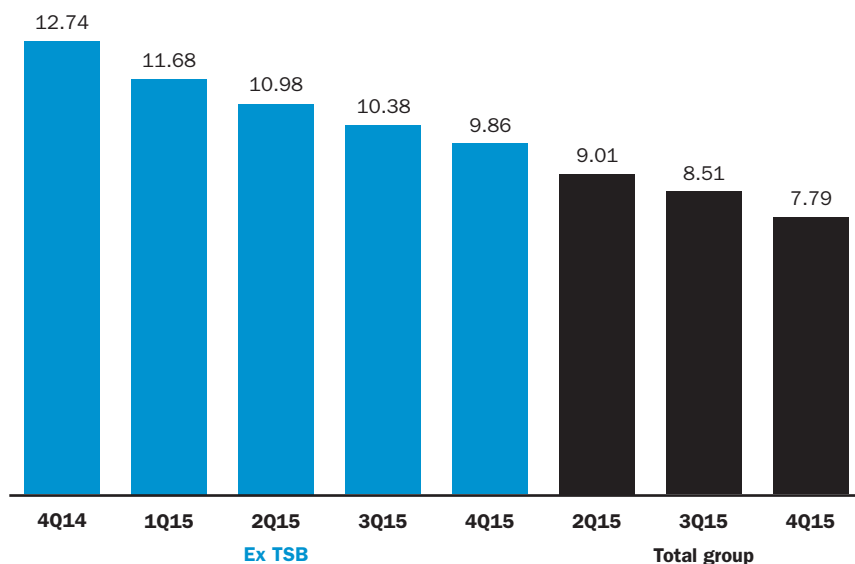
**T8** NPL ratio per segment

Calculated including contingent risks and 20% of the APS balance.

(\*) Impact of a specific item.

The reduction of problem assets should also be highlighted (including doubtful assets and real estate assets) by an aggregate €3,179.7 million during the year. At 2015 year-end, the balance of problem assets of the Banco Sabadell group amounted to €21,578.6 million.

The quarterly evolution of these assets excluding TSB (doubtful loans plus real estate assets not covered by the asset protection scheme) can be seen in table T9.



€ million

	2014				2015			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Ordinary net increase	(83)	(203)	(316)	(457)	(802)	(731)	(540)	(544)
Change in real estate	64	148	202	263	211	167	1	7
<b>Net increase + real estate</b>	<b>(19)</b>	<b>(55)</b>	<b>(114)</b>	<b>(194)</b>	<b>(591)</b>	<b>(564)</b>	<b>(539)</b>	<b>(537)</b>
Defaults	265	97	224	298	245	170	300	234
<b>Quarterly increase in doubtful balances and real estate</b>	<b>(284)</b>	<b>(152)</b>	<b>(338)</b>	<b>(492)</b>	<b>(836)</b>	<b>(734)</b>	<b>(839)</b>	<b>(771)</b>

T9 Evolution of doubtful loans and real estate assets ex TSB

## Liabilities

At 2015 year-end, on-balance sheet customer funds totalled €131,489.2 million (€96,227.0 million excluding TSB) and showed a year-on-year increase of 39.2% (1.9% excluding TSB) (T10).

The demand account balances totalled €84,536.1 million (€53,849.5 million excluding TSB), a 95.3% increase year-on-year (24.4% excluding TSB). Time deposits from customers amounted to €46,376.3 million (€41,800.8 million excluding TSB), a 13.1% decline compared with the previous year (a 21.7% decline excluding TSB). The downward trend in interest rates in the financial markets has caused a change in the composition of on-balance sheet customer funds (between time deposits and demand accounts) and their transfer to off-balance sheet customer funds.

Total off-balance sheet customer funds amounted to €37,381.1 million, an increase of 23.0% compared with the previous year. In this chapter, the continued increase in equity in mutual funds is particularly notable, and stood at €21,427.3 million at 31 December 2015, which represents a 36.4% year-on-year increase.

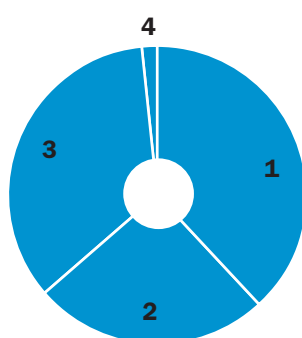
Balances in asset management have also experienced a significant upwards trend, amounting to €4,001.9 million, which represents a 37.1% increase year-on-year.

Liabilities in the form of marketable securities (loans and other marketable securities) totalled €26,406.6 million at 2015 year-end, compared with €20,196.3 million at 31 December 2014. This increase was due mainly to a net increase in balances of debentures and bonds issued by TSB securitisation funds.

Funds under management at 2015 year-end totalled €200,355.1 million (€160,605.2 million excluding TSB), compared with €152,185.4 million one year previously, a 31.7% increase year-on-year (5.5% excluding TSB) (G8 and G9).

	2014	Ex TSB 2015	% 15/14	Total group 2015	% 15/14
<b>On-balance sheet customer funds</b>	<b>94,460.7</b>	<b>96,227.0</b>	<b>1.9</b>	<b>131,489.2</b>	<b>39.2</b>
Customer deposits	98,208.4	97,625.1	(0.6)	132,876.3	35.3
Current accounts	31,098.7	39,404.8	26.7	50,889.1	63.6
Savings accounts	12,176.2	14,444.7	18.6	33,647.0	176.3
Time deposits	53,395.9	41,800.8	(21.7)	46,376.3	(13.1)
Repurchase agreements	1,291.8	1,950.6	51.0	1,950.6	51.0
Adjustments due to accrual and deferral	447.7	226.6	(49.4)	226.6	(49.4)
Hedging adjustments with derivatives	(202.0)	(202.4)	0.2	(213.4)	5.6
Debentures and other marketable securities	20,196.3	22,455.9	11.2	26,406.6	30.7
Subordinated liabilities	1,012.4	924.9	(8.6)	1,472.8	45.5
Liabilities under insurance contracts	2,389.6	2,218.3	(7.2)	2,218.3	(7.2)
<b>On-balance sheet funds</b>	<b>121,806.6</b>	<b>123,224.2</b>	<b>1.2</b>	<b>162,974.0</b>	<b>33.8</b>
Mutual funds	15,705.6	21,427.3	36.4	21,427.3	36.4
Variable income	953.5	1,417.6	48.7	1,417.6	48.7
Mixed	1,695.5	4,271.9	152.0	4,271.9	152.0
Fixed income	3,829.7	4,327.7	13.0	4,327.7	13.0
Guaranteed	3,793.9	3,380.2	(10.9)	3,380.2	(10.9)
Real Estate	9.2	67.4	—	67.4	—
Investment firms	1,725.1	1,994.2	15.6	1,994.2	15.6
Traded ICS not under management	3,698.7	5,968.3	61.4	5,968.3	61.4
Assets under management	2,918.1	4,001.9	37.1	4,001.9	37.1
Pension funds	4,334.6	4,305.1	(0.7)	4,305.1	(0.7)
Individuals	2,861.6	2,759.8	(3.6)	2,759.8	(3.6)
Corporates	1,457.0	1,529.6	5.0	1,529.6	5.0
Associates	16.1	15.8	(1.8)	15.8	(1.8)
Third-party insurance products	7,420.5	7,646.8	3.0	7,646.8	3.0
<b>Total off-balance sheet funds</b>	<b>30,378.8</b>	<b>37,381.1</b>	<b>23.0</b>	<b>37,381.1</b>	<b>23.0</b>
<b>Funds under management</b>	<b>152,185.4</b>	<b>160,605.2</b>	<b>5.5</b>	<b>200,355.1</b>	<b>31.7</b>

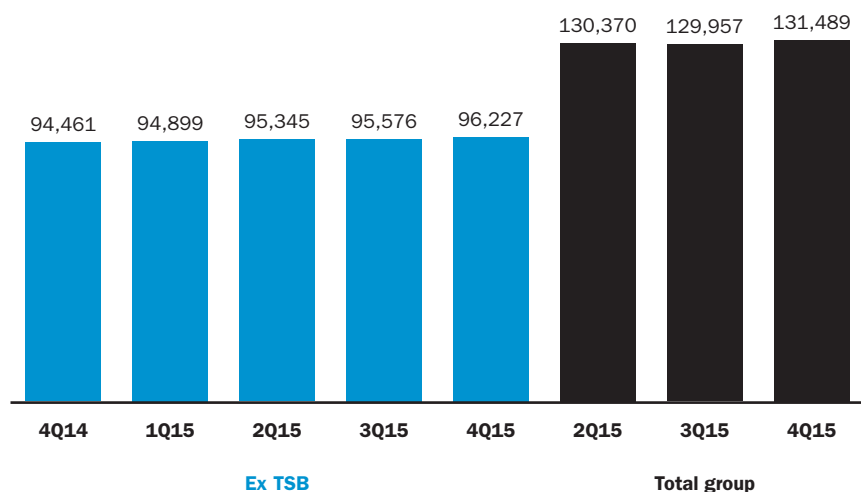
Includes customer deposits (ex-repos) and other liabilities placed via the branch network: Banco Sabadell simple bonds, promissory notes and others.  
The EUR/GBP exchange rate used for the balance sheet is 0.7385 until 30.09.2015 and 0.7340 until 31.12.2015.



#### G8 Customer deposits 31.12.2015 (%) (\*)

1	Current accounts	38.3%
2	Savings accounts	25.3%
3	Time deposits	34.9%
4	Repurchase agreements	1.5%

(\*) Excludes adjustments for accruals and hedges with derivatives.



**G9** On-balance sheet customer funds (millions of euros)

## Equity

At 2015 year-end, the group's equity totalled €12,767.7 million. A capital increase of €1,607 million took place in 2015, and €783.9 million in mandatorily convertible bonds were converted into shares (T11).

€ million

	2014	2015	% 15/14
Own funds	10,223.7	12,274.9	20.1
Capital	503.1	679.9	35.2
Reserves	8,702.3	11,110.7	27.7
Other capital instruments (*)	734.1	14.3	(98.0)
Less: treasury securities	(87.4)	(238.5)	172.9
Profit attributed to the group	371.7	708.4	90.6
Less: dividends and remuneration	0.0	0.0	—
Value adjustments	937.4	455.6	(51.4)
Non-controlling interests	54.8	37.1	(32.3)
<b>Net equity</b>	<b>11,216.0</b>	<b>12,767.7</b>	<b>13.8</b>

T11

(\*) Mainly corresponds to issuances of mandatorily convertible bonds.