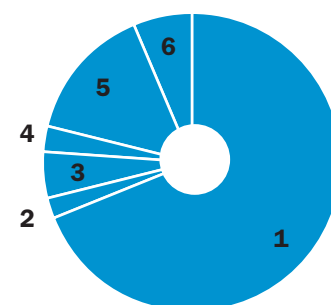


The adjusted loan to deposit ratio is maintained at 106.5% at 31 December 2015 (108.2% excluding TSB), with a balanced retail funding structure.

The key aspects of the changes in liquidity during 2015 at group-level are as follows:

- The target of the last few years to generate a liquidity gap in commercial business, reduce total financing of wholesale markets and increase the bank's liquidity position has been maintained.
- On-balance sheet customer funds have increased by 39.2% compared with 2014 year-end, mainly due to the acquisition of TSB.
- During 2015, the generation of a commercial gap has stabilised, continuing with its positive trend observed during the last few years, although at a more moderate rate. The loan to deposit (LTD) ratio of the group at year-end stands at 106.5% (108.2% excluding TSB) (T12).
- The bank has slightly reduced (ex TSB) its percentage of financing in wholesale markets. Throughout the year, maturities in the capital markets have amounted to €3,277 million. Conversely, Banco Sabadell made two public five-year issuances of mortgage-covered bonds in May and October 2015, totalling €750 million and €1,000 million respectively. In November 2015, TSB launched a securitisation transaction on the market amounting to £535 million. Details of the main sources of funding at 2015 year-end, by type of instrument and counterparty, are shown in figure G10 and G11.
- Banco Sabadell has taken part in the liquidity auctions of the ECB's four-year targeted longer-term refinancing operations (TLTRO) for an amount totalling €11,000 million at year-end (€5,000 million corresponding to the TLTRO on 17 December 2014).

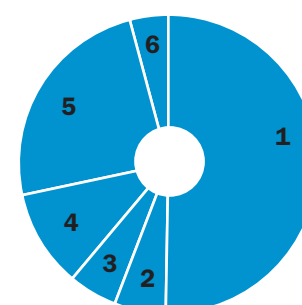


G10

Funding structure

31.12.2015 (%)

1	Deposits	69.1%
2	Retail issuances	2.2%
3	Repos	5.0%
4	ICO Funding	2.8%
5	Wholesale market	14.7%
6	ECB	6.2%



G11

Wholesale funding breakdown

31.12.2015 (%)

1	Covered bonds	50.3%
2	Senior debt	5.7%
3	Prefs + subordinated	5.3%
4	ECP + institutional commercial paper	10.4%
5	Securitisations	24.4%
6	GGB	3.9%

T12

€ million

	2014	Ex TSB 2015	Total group 2015
Gross loans and advances to customers excluding repos	117,964	116,635	152,697
Provisions for insolvencies and country risk	(7,716)	(6,426)	(6,610)
Credit mediation	(7,869)	(6,069)	(6,069)
Adjusted net loans and advances	102,379	104,140	140,018
On-balance sheet customer funds	94,461	96,227	131,489
Adjusted loan to deposit ratio (%)	108.4	108.2	106.5

The applied EUR/GBP exchange rate is 0.7340 at 31.12.2015 and 0.7789 at 31.12.2014.

- The group has maintained a liquidity buffer in the form of liquid assets to meet any eventual liquidity needs. The acquisition of TSB has had a positive impact on the first line of liquidity of the bank in approximately €3,000 million, with a high-quality liquid asset portfolio consisting mainly of cash and gilts.
- The Liquidity Coverage Ratio (LCR) entered into force on 1 October 2015, with a minimum regulatory amount of 60%. All the Liquidity Management Units (LMUs) of the bank have comfortably surpassed the required minimum. At the group level, the bank's LCR has been stable and consistently above 100% throughout the year. With regards to the Net Stable Funding Ratio (NSFR), whose implementation date is expected to be in January 2018, the group has maintained stable levels above 100%.

For more details regarding the group's liquidity management, the liquidity strategy and changes in liquidity, see the chapter on Risk Management_Liquidity Risk.

Agency ratings

In 2015, the three agencies that were rating Banco Sabadell's credit quality were Standard & Poor's, Moody's and DBRS. In June, the credit rating agency Moody's, as a result of the publication of its new methodology and the review of government aid, upgraded its rating of Banco Sabadell's long-term deposits by +2 notches to Baa3 (from Ba2) and that of long-term senior debt by +1 notch to Ba1 (from Ba2). The rating of short-term deposits was upgraded to P3 (from not-prime) and the rating of short-term senior debt was maintained at not-prime. Similarly, the rating of mortgage covered bonds and territorial bonds was upgraded by +4 notches to Aa2 (from A3).

In September, DBRS Ratings Limited downgraded its long-term rating of Banco Sabadell to BBB high (from A low) and confirmed its short-term rating at R1 low, reflecting the agency's outlook on the changes in European regulations and legislation, where the likelihood of receiving systemic support is less certain.

In December, Standard & Poor's Ratings Services improved its outlook for Banco Sabadell to stable (from negative) and confirmed its long-term rating at BB+, as well as the short-term rating at B. The agency has upgraded the bank's stand-alone credit profile (SACP) by +1 notch to bb+ (from bb) due to the bank's improved risk profile, thereby offsetting the removal of the notch for government aid that Banco Sabadell's rating had maintained up to that date. Table T13 gives details of the current ratings and the last date on which information has been published reiterating this rating.

T13

Agency	Date	Long Term	Short Term	Outlook
DBRS	29.09.2015	BBB (high)	R-1 (low)	Stable
Standard & Poor's (*)	02.12.2015	BB+	B	Stable
Moody's	17.06.2015	Ba1	NP	Stable

(*) Copyright by Standard & Poor's, A division of the McGraw-Hill Companies, Inc. Reproduced with permission of Standard & Poor's.