

The group obtained €708.4 million in net attributed profit (+90.6% year-on-year). Excluding TSB, €586.4 million (+57.8% year-on-year).

Net interest income continues its upward trend in a low interest rate environment.

Notable growth in fees and commissions from mutual funds, trading of pension funds and insurance products and management of securities.

	2014	Ex TSB 2015	% 15/14	Total group 2015	% 15/14
Interest and similar income	4,513.5	4,158.1	(7.9)	4,842.4	7.3
Interest and similar expenses	(2,253.8)	(1,494.9)	(33.7)	(1,639.5)	(27.3)
Net interest income	2,259.7	2,663.2	17.9	3,202.9	41.7
Return on equity instruments	8.6	2.9	(66.3)	2.9	(66.3)
Share of profit/loss of companies accounted for by the equity method	0.1	48.8	—	48.8	—
Net fees and commissions	860.9	924.5	7.4	1,003.3	16.5
Net gains/(losses) on financial assets and liabilities	1,763.6	1,207.1	(31.6)	1,208.2	(31.5)
Exchange differences (net)	99.6	137.9	38.5	137.9	38.5
Other operating income and expenses	(192.0)	(123.4)	(35.7)	(125.6)	(34.6)
Gross income	4,800.5	4,861.0	1.3	5,478.4	14.1
Personnel expenses	(1,202.6)	(1,219.3)	1.4	(1,457.3)	21.2
Recurring	(1,169.3)	(1,183.8)	1.2	(1,417.5)	21.2
Non-recurring	(33.3)	(35.5)	6.6	(39.8)	19.5
Other general administrative expenses	(570.7)	(588.4)	3.1	(829.2)	45.3
Recurring	(563.8)	(579.6)	2.8	(805.2)	42.8
Non-recurring	(6.9)	(8.8)	27.5	(24.0)	247.8
Depreciation and amortisation	(278.1)	(289.6)	4.1	(328.9)	18.3
Profit before impairment and other provisions	2,749.1	2,763.7	0.5	2,863.0	4.1
Loan loss and other provisions	(2,499.7)	(2,333.2)	(6.7)	(2,333.2)	(6.7)
Profit on disposal of assets	236.9	(17.0)	—	(17.0)	—
Negative goodwill	—	231.9	—	231.9	—
Profit/(loss) from discontinued operations	—	—	—	—	—
Income before tax	486.3	645.4	32.7	744.7	53.1
Corporate income tax	(109.7)	(55.3)	(49.6)	(32.5)	(70.4)
Consolidated profit/(loss) for the year	376.6	590.1	56.7	712.2	89.1
Profit/(loss) attributable to non-controlling interests	5.0	3.8	(24.0)	3.8	(24.0)
Profit/(loss) attributable to the group	371.6	586.3	57.8	708.4	90.6
Memorandum item					
Average total assets	163,372.8	165,824.1	1.5	186,535.6	14.2
Earnings per share (€)	0.09	0.11		0.13	

The EUR/GBP exchange rate applied in the profit and loss account at 31.12.2015 is 0.7201.

Note: On 30 June 2015, the group took over control of TSB. Therefore, figures in the profit and loss account profit and loss 2015 include six months with TSB and they are not comparable with previous data.

Net interest income

Net interest income totalled €3,202.8 million in 2015, rising by 41.7% on the previous year's figure, with the ratio of net interest income to average total assets and the customer spread both increasing significantly. This upward trend has resulted from a reduction in funding costs, together with the acquisition of TSB. Excluding TSB, net interest income amounts to €2,663.2 million at 2015 year-end, an increase of 17.9% compared with the previous year (T3 and G1).

In terms of overall annual averages, the net interest income of average total assets for the year was 1.72%, 34 basis points higher than the figure for the previous year (1.38% in 2014). The increase in average returns on average total assets was due to a number of factors, mainly higher customer spreads (due to the lower cost of customer deposits), the lower cost of capital market funding, the reduction in the volume of problem assets and the improvement in the profitability of the acquired businesses (G2 and G3).

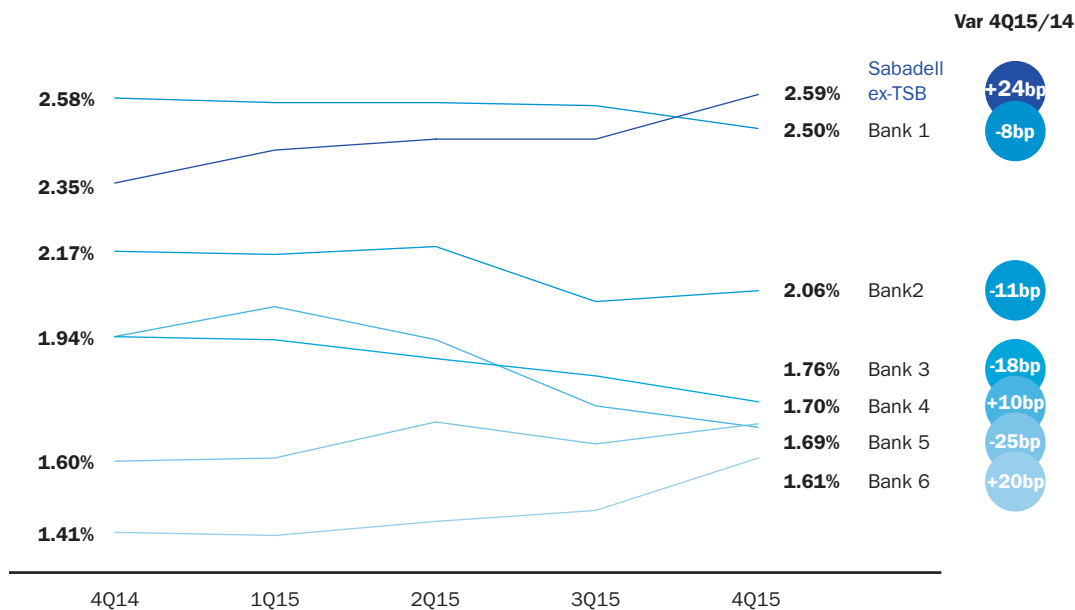
Sabadell (ex TSB)

+17.9%

Group

+41.7%

G1 Banco Sabadell customer spread compared with other banks



Source: Publicly available information. Two of these banks only disclosed their customer spread in Spain, excluding their international business.

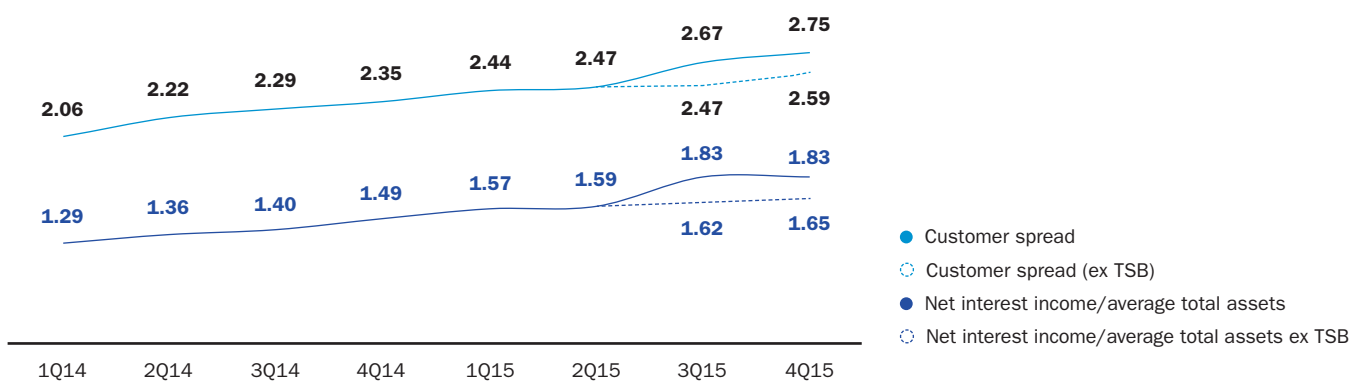
Customer spread ex TSB is 2.59% in the fourth quarter of 2015.

T3 Performance and yields

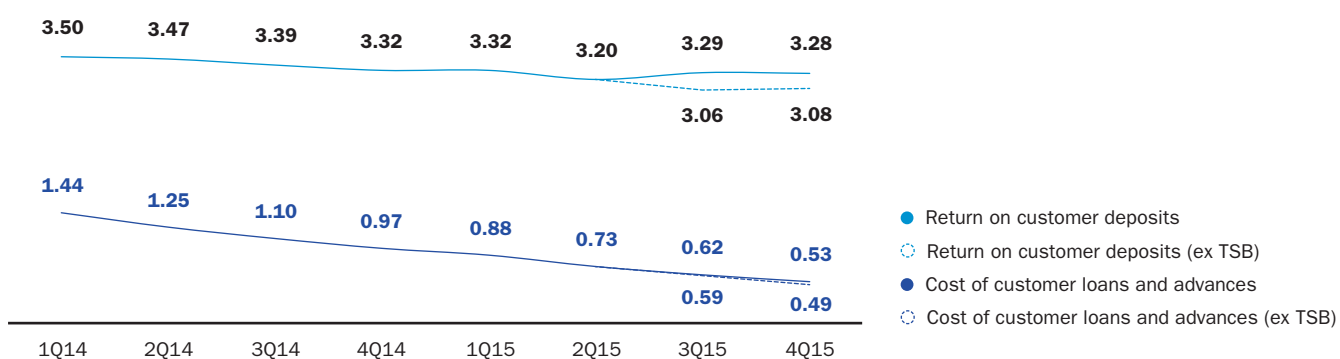
€ million

	2014			2015			Change		Effect	
	Average balance	Income / (expense)	Rate %	Average balance	Income / (expense)	Rate %	Average balance	Income / (expense)	Rate	Volume
Cash, central banks and other credit institutions	4,259.1	40.1	0.94	7,363.3	42.2	0.57	3,104.2	2.1	4.9	(2.8)
Loans and advances to customers	106,441.5	3,641.0	3.42	121,382.9	3,973.8	3.27	14,941.4	332.8	(364.5)	697.4
Fixed-income portfolio	22,703.8	806.9	3.55	27,388.3	763.5	2.79	4,684.5	(43.4)	(181.9)	138.6
Subtotal	133,404.4	4,488.0	3.36	156,134.5	4,779.5	3.06	22,730.1	291.5	(541.5)	833.2
Equities portfolio	1,325.4	—	—	1,431.5	—	—	106.1	—	—	—
Tangible and intangible fixed assets	3,761.9	—	—	4,228.3	—	—	466.4	—	—	—
Other assets	24,881.1	25.6	0.10	24,744.1	62.8	0.25	(137.0)	37.2	37.2	—
Total capital employed	163,372.8	4,513.6	2.76	186,538.4	4,842.3	2.60	23,165.6	328.7	(504.3)	833.2
Credit institutions	13,234.0	(194.3)	(1.47)	17,508.8	(140.6)	(0.80)	4,274.8	53.7	56.1	(2.4)
Customer deposits	93,079.5	(1,107.2)	(1.19)	110,217.2	(739.0)	(0.67)	17,137.7	368.2	949.7	(581.5)
Capital market	26,901.6	(908.5)	(3.38)	26,792.2	(660.4)	(2.46)	(109.4)	248.1	233.5	14.6
Repurchase agreements	8,597.6	(49.2)	(0.57)	9,623.2	(41.6)	(0.43)	1,025.6	7.6	12.8	(5.1)
Subtotal	141,812.7	(2,259.2)	(1.59)	164,141.4	(1,581.6)	(0.96)	22,328.7	677.6	1,252.1	(574.4)
Other liabilities	10,785.4	5.4	0.05	10,148.3	(58.0)	(0.57)	(637.1)	(63.4)	(63.3)	—
Shareholders' equity	10,774.7	—	—	12,248.6	—	—	1,473.9	—	—	—
Total funds	163,372.8	(2,253.8)	(1.38)	186,538.3	(1,639.6)	(0.88)	23,165.5	614.2	1,188.8	(574.4)
Total ATAs	163,372.8	2,259.8	1.38	186,538.3	3,202.7	1.72	23,165.5	942.9	684.5	258.8

G2 Evolution of net interest income (%)



G3 Evolution of customer spread (%)



Gross income

Dividends received and income from equity-accounted undertakings together amounted to €51.7 million, compared with €8.7 million in 2014 (an increase of €43.0 million). This increase includes the best income from insurance and pensions, which has grown significantly since the previous year.

Net fees and commissions amounted to €1,003.3 million (€924.5 million excluding TSB), and increased by 16.5% (7.4% excluding TSB) year-on-year (T4). This increase occurred mainly as a consequence of the positive evolution of mutual funds, pensions and insurance products which, together, increased by 30.8% compared with the end of the previous year, and due to restructuring and insurance operations (syndicated), and the inclusion of TSB in the scope of consolidation.

Fees & Commissions

Sabadell (ex TSB)

+7.4%

Group

+16.5%

	2014	Ex TSB 2015	% 15/14	Total group 2015	% 15/14
Lending-related fees	116.0	113.1	(2.5)	169.7	46.3
Guarantees	105.1	104.0	(1.0)	104.0	(1.0)
Paid to other banks	(1.9)	(1.1)	(42.1)	(1.1)	(42.1)
Fees derived from risk operations	219.2	216.0	(1.5)	272.6	24.4
Cards	146.3	152.6	4.3	191.9	31.2
Payment orders	46.0	48.3	5.0	48.3	5.0
Securities	79.8	84.9	6.4	84.9	6.4
Current account charges	85.9	80.8	(5.9)	91.7	6.8
Other fees	93.5	93.1	(0.4)	65.2	(30.3)
Service fees and commissions	451.5	459.7	1.8	482.0	6.8
Management and marketing of mutual funds	123.2	155.6	26.3	155.6	26.3
Marketing of pension funds and insurance	67.0	93.2	39.1	93.2	39.1
Commissions on sales of mutual funds, pensions and insurance	190.2	248.8	30.8	248.8	30.8
Total	860.9	924.5	7.4	1,003.4	16.6

Income from financial transactions totalled €1,208.2 million (€1,207.1 million excluding TSB). In particular, capital gains on the disposal of available-for-sale fixed-income financial assets amounted to €1,045.5 million and income from the trading portfolio amounted to €150.4 million. In 2014, income from financial transactions totalled €1,763.6 million. In particular, capital gains on the disposal of available-for-sale fixed-income assets amounted to €1,860.7 million and income from the trading portfolio amounted to €43.0 million.

Net gains due to foreign exchange differences totalled €137.9 million, a considerable increase with respect to 2014 (€99.6 million), which represents a year-on-year increase of 38.5%.

Other operating income and expenses amounted to €-125.6 million (€-123.4 million excluding TSB), compared with €-192.0 million in 2014. This item includes contributions to the Bank Deposit Guarantee Fund and to the National Resolution Fund.

Profit before impairment and other provisions

Operating expenses (personnel and general) in 2015 amounted to €2,286.5 million (€1,807.7 million excluding TSB), of which €63.8 million are non-recurrent items. In 2014, operating expenses amounted to €1,773.3 million, including €40.2 million in non-recurrent items (G4).

Recurrent operating expenses in 2015 (T5) increased by 28.2% overall (1.7% excluding TSB) compared with 2014 (specifically, personnel expenses increased by 21.2% (1.2% excluding TSB) and general expenses increased by 42.8% (2.8% excluding TSB).

The increase in gross income in 2015 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 50.45% (46.16% excluding TSB), down from 53.14% in 2014 (the figures for both years include income from financial transactions and net recurrent exchange differences, €400 million per year, aligned in terms of the number of days in each month).

As a result of the aforementioned, 2015 ended with a profit before

Cost / income ratio (Ex TSB)

46.16%

Personnel expenses

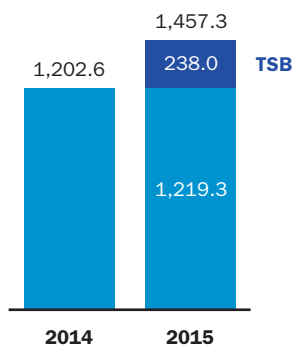
€ million

Group

+21.2%

Comparable bases

+1.4%



Administrative expenses

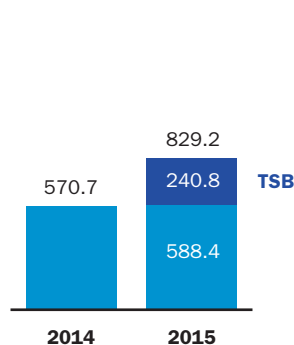
€ million

Group

+45.3%

Comparable bases

+3.1%



G4

€ million

	2014	Ex TSB 2015	% 15/14	Total group 2015	% 15/14
Recurring	(1,169.3)	(1,183.8)	1.2	(1,417.5)	21.2
Non-recurring	(33.3)	(35.5)	6.6	(39.8)	19.5
Personnel expenses	(1,202.6)	(1,219.3)	1.4	(1,457.3)	21.2
Technology and communications	(127.5)	(136.5)	7.1	(165.8)	30.0
Advertising	(38.8)	(45.0)	16.0	(87.5)	125.5
Property, plant and office supplies	(152.8)	(150.9)	(1.2)	(211.0)	38.1
Taxes	(99.4)	(101.0)	1.6	(101.1)	1.7
Others	(152.3)	(155.1)	1.8	(263.7)	73.1
Other general administrative expenses	(570.8)	(588.5)	3.1	(829.1)	45.3
Total	(1,773.4)	(1,807.8)	1.9	(2,286.4)	28.9

T5 Operating expenses

impairment and other provisions of €2,863.0 million. Excluding TSB, profit before impairment and other provisions stands at €2,763.8 million compared with €2,749.1 million in 2014, representing a year-on-year increase of 4.1% (0.5% excluding TSB).

Loan-loss provisions and other impairments totalled €2,333.2 million at 2015 year-end (€2,499.7 million in 2014) and both years reflected the additional provisions introduced which have offset the higher income from financial transactions derived from the management of the ALCO portfolio and the badwill generated by the acquisition of TSB.

Capital gains on asset disposals amounted to €-17.0 million and were made up largely of results from sales and losses from the sales of property, plant and equipment for own use. In 2014, capital gains on the sales of assets amounted to €236.9 million and were made up largely of a €162 gross capital gain on the sale of the group's debt management and recovery business and an exceptional payment of €80 million (net of arrangement expenses) on the signature of a reinsurance treaty from the Mediterráneo Vida portfolio of individual life and permanent disability policies.

The acquisition of TSB has generated a €231.9 million a negative goodwill

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.