Banco Sabadell
Annual Report 2014
133rd Year

Sabadell

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Contents

Key figures in 2014

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Financial key figures

Thousand euro

Key data	2014	2013 (*)	% 14/13
Shareholders' equity	10,223,743	10,037,368	1.9
Total assets	163,345,673	163,522,541	(0.1)
Gross loans and advances to customers, excluding repos	121,140,838	124,614,933	(2.8)
Loans and advances to customers - gross	121,728,435	125,302,943	(2.9)
On-balance sheet funds	121,806,632	123,753,008	(1.6)
Customer deposits on balance sheet	94,460,668	94,497,187	(0.0)
Mutual funds	15,705,612	11,018,570	42.5
Pension funds and third-party insurance products	11,755,126	12,423,646	(5.4)
Funds under management	152,185,441	149,122,858	2.1

Thousand euro

Income statement	2014	2013 (*)	% 14/13
Net interest income	2,259,706	1,814,694	24.5
Gross income	4,800,526	3,831,198	25.3
Profit pre provisions	2,749,104	1,879,690	46.3
Net attributable profit	371,677	145,915	154.7

Resources	2014	2013
Number of branches	2,320	2,418
Number of employees	17,529	18,077

%

Ratios	2014	2013 (*)
Profitability and efficiency		
ROA (net profit / average total assets)	0.23	0.10
ROE (profit attributable to group / average shareholders' equity)	3.70	1.58
ROTE (profit attributable to group / average shareholders' equity less goodwill)	4.14	1.75
Cost:income ratio (**)	53.14	64.19
Cost:income ratio excluding non-recurring expenses (**)	51.93	62.28
Capital ratios (BIS) (***)		
Core capital	11.7	11.7
Tier I	11.7	11.7
BIS Ratio	12.8	12.5
Risk management		
Non-performing loans (€'000) (***)	14,192,150	16,021,491
Loan loss ratio (****)	12.17	13.63
Reserves for NPLs and real estate (€'000)	17,441,989	18,341,298
Overall coverage ratio (*****)	13.1	13.6

Shares	2014	2013 (*)
Number of shares	4,024,460,614	4,011,481,581
Number of shareholders	231,481	262,589
Share price (€)	2.205	1.896
Attributable earnings per share (€)	0.092	0.036
Attributable earnings per share adjusted for effect of mandatory convertible bonds (€)	0.087	0.034

(*) Restated as a result of early application of IFRIC 21.
(**) To calculate these ratios, gross operating income was adjusted considering only trading income and recurrent exchange differences. The historical series was restated on this basis.
(***) 2013 ratios in accordance with Basel II. Data at December 2014, in accordance with Basel III criteria and applying the modifications envisioned in Bank of Spain Circular 2/2014, which was approved in July 2014.
(****) The figures and percentages shown do not include assets covered by the Asset Protection Scheme (APS).
(*****) Shows provision as a percentage of total exposure to loan and real estate portfolios.

Non-financial key figures

Non-financial key figures: main sustainability indicators	2014	2013	% 14/13
Banco Sabadell customer service quality index (*)	7.16	6.89	3.9
Banco Sabadell staff satisfaction index (%) (**)	—	66	—
Gender diversity of the staff (women/total staff) (%)	50.1	50.0	0.2
Employees with indefinite contract (%)	99.8	98.5	1.2
Hours of training per employee	33.62	25.55	31.6

(*) Source: STIGA, EQUOS *Análisis de Calidad Objetiva en Redes Comerciales Bancarias* (4Q 2014). The industry average rating was 6.29 in 2014 and 6.03 in 2013.

(**) 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.


MEXICO: PESO
NICARAGUA: CÓRDOBA
PANAMA: BALBOA
PARAGUAY: GUARANÍ
PERU: NUEVO SOL
SAINT KITTS AND NEVIS: EAST CARIBBEAN DOLLAR
SAINT LUCIA: EAST CARIBBEAN DOLLAR
ST. VINCENT AND THE GRENADINES: EAST CAR. DOLLAR
SURINAME: SURINAMESE DOLLAR
TRINIDAD AND TOBAGO: TRINIDAD AND TOBAGO DOLLAR
UNITED STATES: UNITED STATES DOLLAR
URUGUAY: URUGUAYAN PESO
VENEZUELA: BOLÍVAR FUERTE
TAIWAN: NEW TAIWAN DOLLAR
TAJIKISTAN: SOMONI
THAILAND: BAHT
TIMOR: LESTE, UNITED STATES DOLLAR
TURMEKISTAN: TURKMEN NEW MANAT
UNITED ARAB EMIRATES: UAE DIRHAM
UZBEKISTAN: UZBEKISTAN SOM
VIETNAM: DONG
YEMEN: YEMENI RIAL
AFGHANISTAN: AFGHANI
ARMENIA: DRAM
AZERBAIJAN: MANAT
BAHRAIN: BAHRAINI DINAR
BANGLADESH: TAKA
BHUTAN: BHUTANESE NGULTRUM
BRUNEI: BRUNEI DOLLAR
CAMBODIA: RIEL
CHINA: YUAN
GEORGIA: LARI
INDIA: INDIAN RUPEE
INDONESIA: RUPIAH
IRAN: RIAL
IRAQ: IRAQI DINAR
ISRAEL: ISRAELI NEW SHEKEL
JAPAN: YEN
JORDAN: JORDANIAN DINAR
KAZAKHSTAN: TENGE
NORTH COREA: NORTH COREAN WON
SOUTH COREA: SOUTH COREAN WON
ALGERIA: ALGERIAN DINAR
ANGOLA: KWANZA
BENIN: CFA FRANC
BOTSWANA: PULA
BURKINA FASO: CFA FRANC
BURUNDI: BURUNDI FRANC
CAMEROON: CFA FRANC
CAPE VERDE: CAPE VERDEAN ESCUDO
CENTRAL AFRICAN REPUBLIC: CFA FRANC
CHAD: CFA FRANC
COMOROS: COMORIAN FRANC
CÔTE D'IVOIRE: CFA FRANC
DEMOCRATIC REP. OF CONGO: CONGOLESE F
DJIBOUTI: DJIBOUTIAN FRANC
EGYPT: EGYPTIAN POUND
ECUATORIAL GUINEA: CFA FRANC
ERITREA: NAKFA
ETHIOPIA: ETHIOPIAN BIRR
GABON: CFA FRANC
GAMBIA: DALASI
GHANA: GHANAIAN CEDI
GUINEA: GUINEAN FRANC
GUINEA BISSAU: CFA FRANC
KENYA: KENYA SHILLING

Chairman's message

Dear shareholder,

Banco Sabadell ended 2014, the first year of the 2014-2016 Triple Business Plan, with growth in profits, driven by an improvement in net interest income coupled with cost containment.

The macroeconomic and financial context was more favourable in 2014, as the European Central Bank took on a new role in its mission to safeguard financial stability, by announcing monetary expansion policies which have materialized this year, and with the entry into operation of the new European System of Financial Supervision. Together with Basel III, the European Banking Authority and the Single Resolution Mechanism, it comprises the new regulatory and institutional framework of the Euro area's financial system. The implementation of the Single Supervisory Mechanism and monetary expansion measures, consisting of massive purchases of Euro area government bonds plus funding to banking institutions as a function of their lending availability, have eased financial conditions in the market and led to a steady decline of interest rates to hitherto unseen levels. This also contributed to a decline in country risk premia, substantially reducing the market fragmentation of previous years.

In addition to these internal conditions in the Euro area, there was also a positive exogenous impact of lower energy prices and the strong dollar, favouring exports. The recovery is visible, and there is every indication that it will pick up momentum in 2015 and 2016, creating a context of positive expectations, marred only by Greek debt risks in Europe and geopolitical risk factors, which are becoming increasingly serious, such as the conflict in Ukraine and wars related to radical Islamism.

In Spain, the economic recovery is gaining traction, driven by more favourable funding conditions and the resolution of the financial sector's most pressing problems.

Banco Sabadell worked especially hard in 2014, resulting in a notable improvement in profitability, with net profit amounting to €371.7 million, while progress was made in restoring balance sheet health and in selling properties acquired as a result of the real estate crisis.

Banco Sabadell also performed well in the European stress tests prior to the implementation of the new European supervisory system. The first portion of the tests — the Asset Quality Review — consisted of an analysis of banks' financial statements. Of all of the European banks analysed, just 15 did not require any adjustments. Banco Sabadell was among them and, moreover, was the only Spanish bank in that group. The second part of the tests sought to confirm that the Bank had sufficient capital to weather various distressed scenarios, which included very adverse conditions. Indubitably, the capital increase in September 2013 provided the necessary support to sustain the new size acquired by the Bank during banking consolidation in the crisis, and also strengthened the ratios required by regulators and the market.

The stress tests confirmed the soundness of Banco Sabadell's active approach to managing capital and liquidity, validating it to address the challenges of the future. Banco Sabadell's core capital (CE Tier 1) ratio was 11.7% at the end of 2014.

It was the first year in which the Bank evidenced the earnings trend during the Triple business plan; that performance is based on growth in business volumes and improvements in margins, with a view to returning to normal levels of earnings in the current context of interest rates and risk appetite. Due to active management of customer spreads, net interest income increased steadily during the year to €2,259.7 million, 24.5% more than in 2013.

The policies applied to contain personnel and administrative costs while generating synergies in absorbing the acquisitions enabled the Bank to reduce operating costs by 4.4% year-on-year, in like-for-like terms.

Although gross loans and advances to customers, excluding repos, fell 2.8% in year-on-year terms, to €122,140.8 million, there were signs of a revival in demand for credit, especially in the fourth quarter of 2014. New loan production, the good pace of deposit-taking, and sales of value-added products reflect notable growth among both individuals and companies.

Intensive risk management and property sales — which exceeded the target for the first year of the Triple plan by 10.3% — supported the ongoing reduction of problematic assets. For the first time since the crisis began, the volume of assets reclassified as problematic declined, quarter on quarter, for the entire year, accelerating the improvement in the NPL ratio. The NPL coverage ratio remained above 50%.

2014 was the first year of a three-year plan aimed at changing the institution's profile, by implementing strategies that constitute the essence of the Bank's development in the medium term, following the consolidation process and the resolution of financial institutions in Spain: development of our business model based on relationship banking and closeness, underpinned by new technology and internationalization.

The internal transformation of work systems and customer relations, together with preparing the Bank to address the challenge of digital competition, is one of the central pillars of the Triple plan, leveraging the information in our databases to provide better service and meet the needs of our customers at different points in their professional and business lives.

In recent years, sizeable technical resources have been devoted to integration processes, and also to developing talent at the Bank, which will enable it to expand by seizing opportunities while acquiring the necessary skills to address the challenges arising from changes in customers' habits in a world of digitized information.

Internationalization is the other key factor driving the Bank's future under the Triple Plan. Turning the institution into an international bank is a strategic decision to better offset risks, while also establishing parallel projects where our management capacity can add value. The integration of banks in recent years puts Banco Sabadell in a position to leverage the newly-acquired size in Spain, and also offers a competitive advantage as a result of the technological experience acquired by our teams, who are capable of contributing value to projects in other countries. The integrations in the US prove this.

In 2014, the Bank launched a new finance venture in Mexico, focused on corporate banking and structured finance. It is a market with growth potential, in which the Bank has had a presence since 1991 through a branch in Mexico City. At this time, Mexico is an additional focus of the internationalization strategy, as Banco Sabadell diversifies and expands into Latin American countries with which it is already familiar.

In April 2015, Banco Sabadell presented a tender offer for all of the shares of TSB Banking Group plc (TSB), one of the largest challenger banks in the UK. The TSB operation is an important milestone in the Bank's history. It's a European bank, outside of the Euro area, whose focus on retail investors and small businesses is aligned with Banco Sabadell's expertise and experience. The bid has the support of the Board of Directors of TSB, which has recommended that its shareholders accept it. The takeover is ongoing, pending authorisation by the authorities.

Banco Sabadell's actions will continue to be guided by the principles of transparency and integrity, which form the basis of our reputational capital, are an essential part of our Group's business culture and represent distinctive values for business development. Underpinned by our values and ethical principles, Banco Sabadell will continue working to build a future which guarantees a positive impact on society.

The Annual Report contains financial information and details of how our business performed, as well as the Group's business model, risk management and strategy. The day-to-day contribution, dedication and professionalism of all Banco Sabadell employees have been vital for building what is today one of Spain's leading financial institutions, and they are a priority for continuing to advance towards achieving our goals.

In 2015, Banco Sabadell is focused on executing the 2014-2016 Triple Plan, while maintaining the high levels of service quality for which it is renowned.

Josep Oliu Creus
Chairman

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Bankers since 1881, Banco Sabadell has remained faithful to its origins.

Who we are

Established in 1881, Banco Sabadell is, today one of the main entities of the finacial system, Spain's fifth largest banking group, and holds an important position in the personal and business banking market.

With a young, well qualified staff and equipped with the most up-to-date technology and business systems, Banco Sabadell's operating model is focused on its dual aim of being its customers' main bank and building relationships based on quality and commitment. With a strong focus on lasting and profitable relationships, Banco Sabadell supports its customers through every phase of their financial lives by following a multi-brand, multi-channel and multi-product strategy, providing options and channels that meet their needs and offering a full range of products and services favourable to long-term customer retention.

The Bank's development objectives are focused on profitable growth and the creation of shareholder value through a strategy of business diversification that is subject to periodic review based on quality of service, quality of risk, efficiency and profitability while maintaining high standards of ethics and professional conduct combined with sensitivity to stakeholders' interests.

Historical background and recent acquisitions

Since 1996, Banco Sabadell has embarked on a policy of rapid expansion which was particularly notable in recent years, during which it experienced a very major increase in scale.

G1 Landmark developments

1881 A group of 127 businessmen and traders set up the Bank in the town of Sabadell to provide funding for local industry.

1965 Steady expansion of branch network begins.

1996 Acquisition of NatWest Spain Group and Banco de Asturias.

2001 Banco Sabadell is listed on the stock exchange. The Bank acquires Banco Herrero.

2003 Successful bid for Banco Atlántico.

2004 A capital increase puts the Bank in the IBEX-35 league. Integration of Banco Atlántico IT and business systems.

2006 Acquisition of Banco Urquijo.

2007 Acquisition of TransAtlantic Bank (Miami).

2008 The Bank acquires BBVA's private banking business in Miami, USA. Sells 50% of its insurance interests.

2009 Acquisition of Mellon United National Bank.

2010 The Bank launches a takeover bid for 100% of Banco Guipuzcoano.

2011 The Bank acquires the assets and liabilities of Lydian Private Bank (Florida) and announces the takeover of Banco CAM.

2012 Acquisition of Banco CAM and creation of Sabadell Urquijo BP.

2013 Acquisition of Caixa Penedès and Banco Gallego branches and Lloyds Banking Group's Spanish operations.

2014 The Bank begins operations in Mexico.

G2 Banco Sabadell - foreign market presence

Branches
- United Kingdom
- USA
- France
- Morocco

Representative offices
- Algiers (Algeria)
- Sao Paulo (Brazil)
- Beijing (China)
- Shanghai (China)
- New York (USA)
- Dubai (UAE)
- New Delhi (India)
- Mexico City (Mexico)
- Warsaw (Poland)
- Singapore
- Istanbul (Turkey)
- Caracas (Venezuela)
- Santo Domingo (Dominican Republic)

Foreign subsidiaries and key equity investments
- Andorra
- USA
- Portugal
- Mexico

Banco Sabadell has always been seen by customers as a vital partner in cross-border transactions and foreign trade. The Bank's current 3-year plan ("Triple" — see the section on "Strategy" below) includes international expansion as a key theme. The Bank commenced operations in Mexico in June 2014, with the result that it had a presence in 17 countries through branches, representative offices, subsidiaries and equity holdings at the end of 2014.

Banco Sabadell achieved a significant increase in scale in recent years.

T1 Banco Sabadell - changes in key numbers (€Mn.)

	2007	2010	2014	2014/2007
Assets	76,776	97,099	163,346	**X 2.1**
Loans and advances (*)	63,165	73,058	121,141	**X 1.9**
Deposits (**)	34,717	49,374	94,461	**X 2.7**
Branches in Spain	1,225	1,428	2,267	**X 1.9**
Employees	10.234	10,777	17,529	**X 1.7**

(*) Gross loans and advances excluding repos.
(**) On-balance sheet customer funds.

Mission and values

Banco Sabadell's mission is to "develop its business as a full-service bank with a focus on specialization based on a programme of selective growth and a customer-centred approach".

Banco Sabadell believes in long-term relationships centred on values such as trust, authenticity and communication. This means that the Bank manages its affairs at all times according to a series of corporate values, namely:

The desire to serve: The Bank's professional approach is based on understanding the problems and needs of customers and offering them the full range of its individual and collective abilities in the form of rapid, simple and effective solutions.

Closeness: Closeness means taking all the necessary steps to establish strong relationships and deliver a good service. Customers should see the Bank as an equal partner which is sensitive to diversity, removes physical barriers, and uses new technology to facilitate communication and reduce the distance with customers.

Adaptability: Banco Sabadell is agile in adapting to customer needs by providing flexible, efficient solutions.

Business approach: Being proactive, knowing the customer and his or her needs, anticipating those needs, and making mutually beneficial transactions are the basis of a sustainable relationship; these are the key principles that guide all the Group's actions.

Innovation: Anticipating customers' needs by developing products and services which are surprisingly advanced yet simple to use. Carefully evaluating the potential offered by new technologies with a view to developing innovative value propositions. Being able to imagine how the future might be.

Professionalism: Rigour, neatness, punctuality, accuracy, clear and truthful communication, commitment, responsibility, making the right decisions, and lifelong learning are the characteristics that define professionalism.

Ethics and social responsibility: Professional and personal life at Banco Sabadell is based on fairness, honesty, transparency and taking responsibility for the consequences of employees' actions. The Bank contributes to sustainable social development through sponsorship, caring for the environment and rejecting all forms of discrimination and exploitation against other human beings.

Austerity: Austerity means using the company's resources sensibly and avoiding ostentation and unnecessary expense. Sabadell applies this principle by distinguishing what is necessary from what is inessential and seeking to provide a distinctive level of quality.

Prudence: Banco Sabadell undertakes business risks in a responsible way thanks to appropriate specialist training and by making decisions based on information which is sufficient and verified.

Working together: Working together is key to the progress of mankind. We work as a team and bring people and ideas together in the pursuit of a common goal which generates enthusiasm and helps to retain talent, in which common objectives are more important than individual interests and information is shared openly and transparently. We respect diversity among individual members of the Group, for it is this very diversity that enriches the whole.

Corporate governance and General Management

The Board of Directors is the highest decision-making body in the Company and its consolidated group and is responsible under the law and the Articles of Association for the management and representation of the Company. The Board of Directors acts mainly as an instrument of supervision and control, and delegates the management of ordinary business matters of the Company to the executive organs and management team.

The Board of Directors is regulated by clear, transparent rules of governance, specifically the Articles of Association and the Board's Rules of Procedure, which conform to corporate governance standards.

The Bank's Articles of Association, the Board's Rules of Procedure and the Annual Report on Corporate Governance can be viewed on the Bank's web site (www.grupobancosabadell.com).

Composition of the Board and Board committees

The members of the Board and Board committees at 2014 year-end were as follows:

Board of Directors

Chairman and CEO
Josep Oliu Creus
Deputy Chairmen
José Manuel Lara Bosch
José Javier Echenique Landiribar
Managing Director
(Consejero Delegado)
Jaime Guardiola Romojaro
Directors
Héctor María Colonques Moreno
Joaquín Folch-Rusiñol Corachán
M. Teresa García-Milà Lloveras
Joan Llonch Andreu
David Martínez Guzmán
José Manuel Martínez Martínez
José Ramón Martínez Sufrategui
Antonio Vítor Martins Monteiro
José Permanyer Cunillera
Director-General Manager
José Luis Negro Rodríguez
Secretary
Miquel Roca i Junyent
Deputy Secretary to the Board
María José García Beato

T2 Board Committees - Membership

Position	Executive	Audit and Control	Appointments and Remuneration	Risk Control	Strategy
Chairman	Josep Oliu Creus	Joan Llonch Andreu	Héctor María Colonques Moreno	José Manuel Martínez Martínez	Josep Oliu Creus
Deputy Chairman	—	—	—	José Permanyer Cunillera	—
Member	José Javier Echenique Landiribar	María Teresa Garcia-Milà Lloveras	José Manuel Lara Bosch	María Teresa Garcia-Milà Lloveras	José Manuel Lara Bosch
Member	Jaime Guardiola Romojaro	José Ramón Martínez Sufrategui	José Javier Echenique Landiribar	Joan Llonch Andreu	José Javier Echenique Landiribar
Member	José Luis Negro Rodríguez	—	Joaquín Folch-Rusiñol Corachán	—	Jaime Guardiola Romojaro
Member	José Permanyer Cunillera	—	—	—	Joaquín Folch-Rusiñol Corachán
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

General Management

Management Committee

Chairman and CEO
Josep Oliu Creus
Managing Director
(Consejero Delegado)
Jaime Guardiola Romojaro
Director-General Manager
José Luis Negro Rodríguez
Secretary–General
María José García Beato
General Manager (CFO)
Tomás Varela Muiña
General Manager (COO)
Miguel Montes Güell
Deputy General Manager
Carlos Ventura Santamans
Deputy General Manager
Fernando Pérez-Hickman

Operating Divisions

Commercial Banking
Carlos Ventura Santamans
Deputy General Manager
Eduardo Currás de Don Pablos
Manuel Tresánchez Montaner
Silvia Ávila Rivero
Assistant General Managers
Markets and Private Banking
Ramón de la Riva Reina
Deputy General Manager
Cirus Andreu Cabot
Alfonso Ayuso Calle
Assistant General Managers
Sabadell America
Fernando Pérez-Hickman
Deputy General Manager
Corporate Banking and Global Businesses
Enric Rovira Masachs
Assistant General Manager
Asset Transformation and Solvia
Miguel Montes Güell
General Manager (COO)

Regional Divisions

Catalonia Region
Luis Buil Vall
Assistant General Manager
Central Region
Blanca Montero Corominas
Assistant General Manager
Eastern Region
Jaime Matas Vallverdú
Assistant General Manager
Northeast Region
Pablo Junceda Moreno
Assistant General Manager
Northern Region
Pedro E. Sánchez Sologaistua
Assistant General Manager
Southern Region
Juan Krauel Alonso
Assistant General Manager

Central Service Divisions

Risks
José Luis Negro Rodríguez
Director-General Manager (CRO)
Rafael José García Nauffal
Assistant General Manager
General Secretary
María José García Beato
Secretary–General
Gonzalo Barettino Coloma
Assistant General Manager
Chief Financial Officer
Tomás Varela Muiña
General Manager (CFO)
Sergio Palavecino Tomé
Assistant General Manager
Operations and Corporate Development
Miguel Montes Güell
General Manager (COO)
Federico Rodríguez Castillo
Assistant General Manager
Corporate Operations
Joan M. Grumé Sierra
Assistant General Manager
Equity investments
Ignacio Camí Casellas
Assistant General Manager
Communication and Institutional Relations
Ramon Rovira Pol
Assistant General Manager
Human Resources
Javier Vela Hernández
Assistant General Manager
Internal Audit
Nuria Lázaro Rubio
Assistant General Manager

Economic, business and regulatory environment

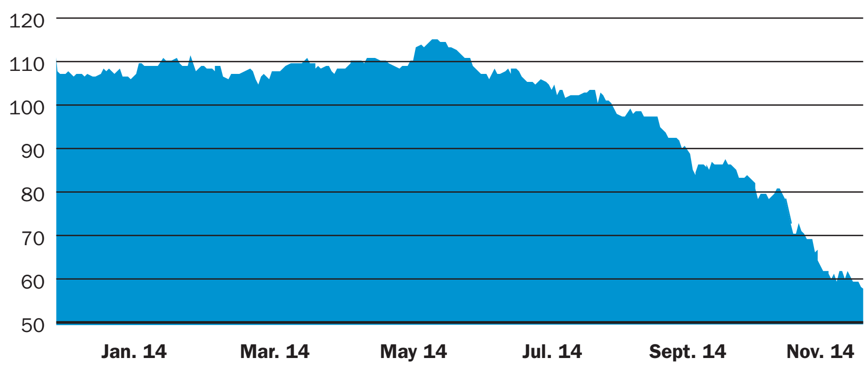
Global economic and financial environment

World economic situation

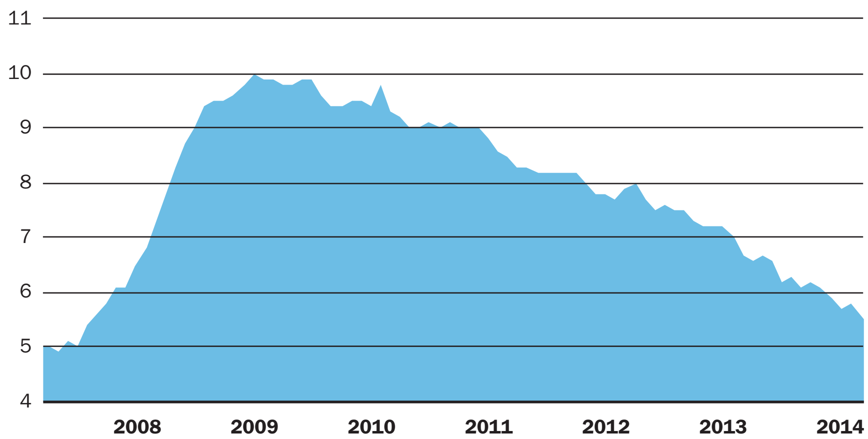
In 2014 the world economy was characterized by modest growth, with inflation remaining muted. The sharp fall in the price of oil (G3) in the latter months of the year increased the downward pressure on inflation. Oil prices, affected by demand as well as supply factors, fell by nearly 50% and now stand 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 the global arena political and geopolitical developments were a major focus of attention. Geopolitical tensions flared in the Middle East and, 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.

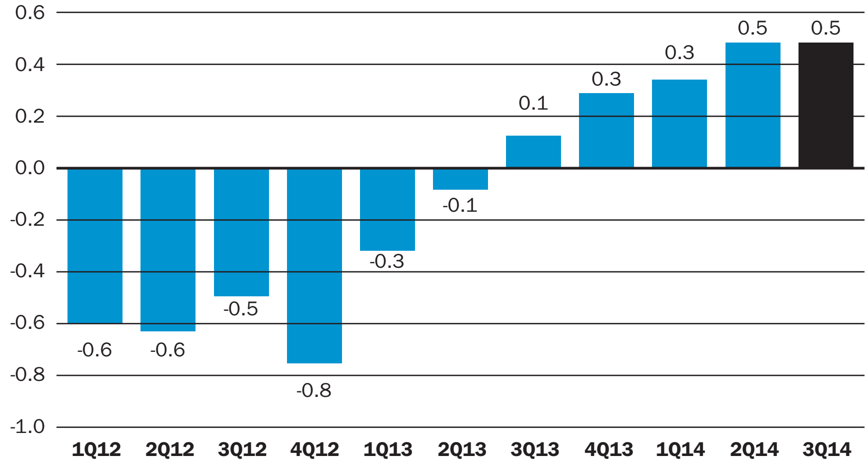
In terms of economic activity, the global slowdown in growth masked divergent growth paths in different countries. In the US the economy staged a gradual recovery and the labour market surprised on the upside. The Eurozone barely showed any increase in activity as investment remained weak. Investor and 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 (G4). 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.



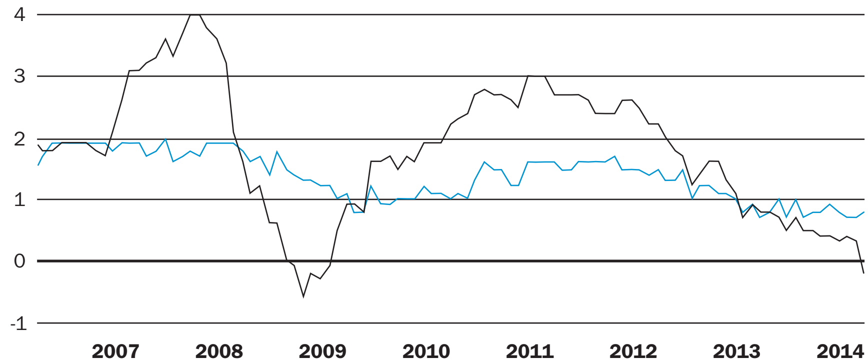
G3 Oil price
(Brent, US dollars per barrel)
Source: Bloomberg



G4 US unemployment
(% of working population)
Source: Bloomberg



G5 Spain GDP (q.o.q. change %)
Source: INE



G6 Eurozone headline inflation (HICP) (change %)
Source: Bloomberg

The Spanish economy

The Spanish economy stood out as a success story within the Eurozone (G5). 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. the goal being to reduce the tax rate and restrict certain deductions.

Financial system

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 (G6). 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.

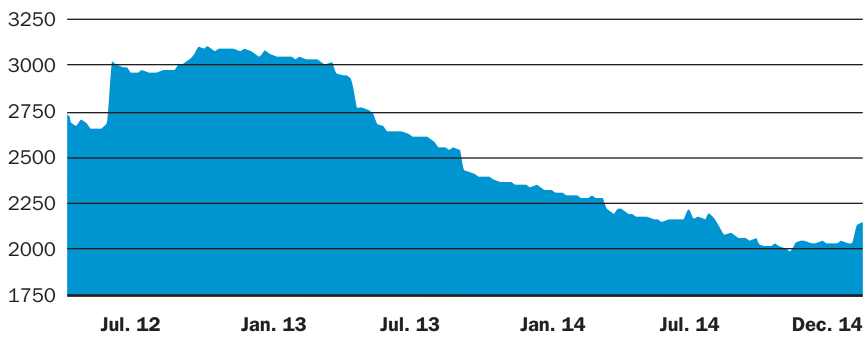
The monetary policies pursued by the principal central banks remained accommodative, albeit with regional variations. The ECB again resorted to stimulus measures to counteract the low level of inflation. Policy rates of interest were set at historically low levels (0.05%) and the deposit facility rate 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 (G7). In such conditions, given the persistent low level of inflation, it has left the door open for further stimulus measures. 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 (G8). 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 premia 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 (G9). 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.

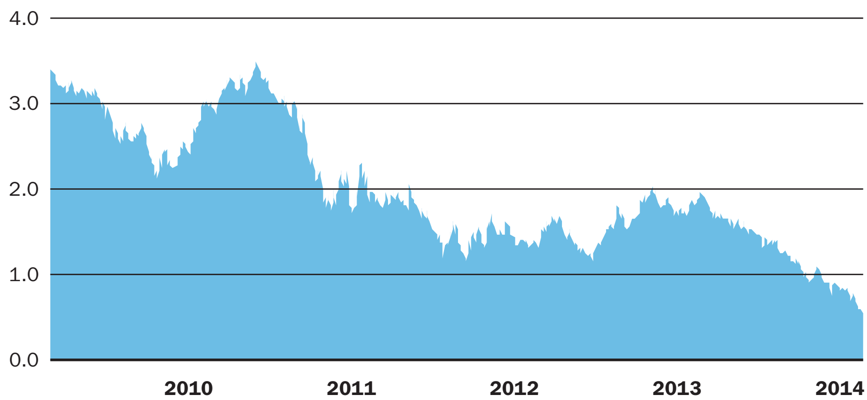
In the currency markets the euro weakened against the dollar and sterling (G10). The divergence between the monetary policies pursued by the ECB and the two other central banks were the main factor behind these movements. The weak economic performance of the Eurozone compared with the US and the UK contributed 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 global equity markets, key US stock indices ended the year in positive territory. 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 did not show any clear 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.

Equity markets in the emerging markets were affected by high degrees of volatility and sharp currency

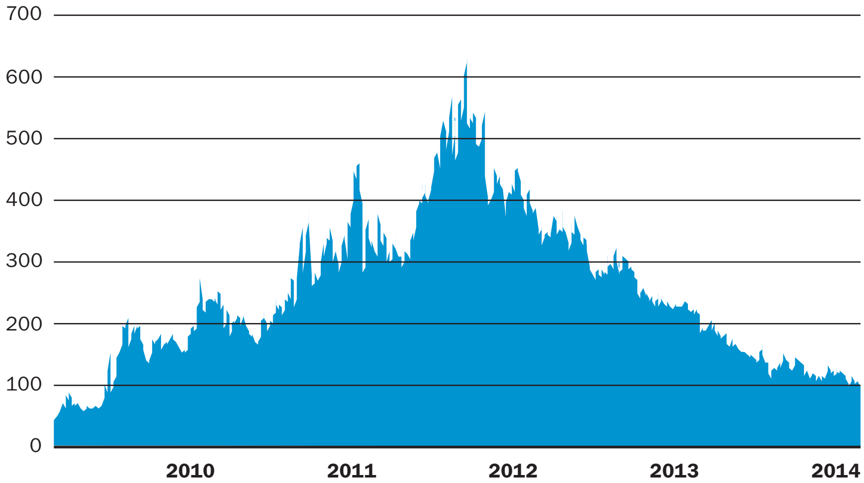


G7 ECB balance sheet (€Bn.)
Source: Bloomberg

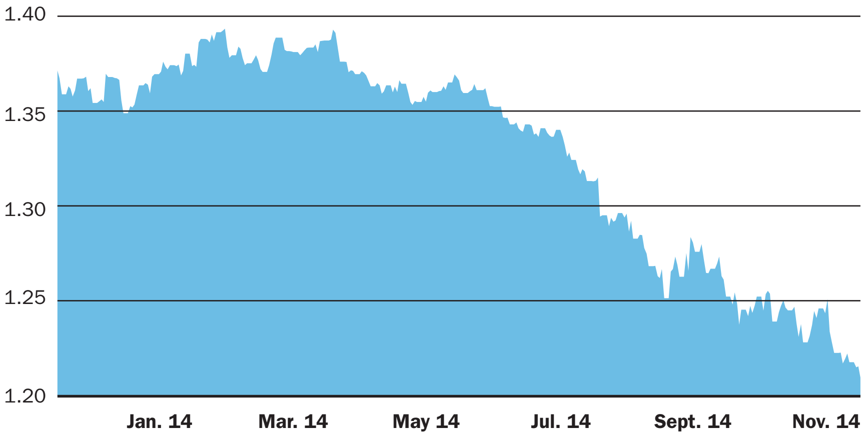


G8 Yields on German 10-year government bonds (%)
Source: Bloomberg

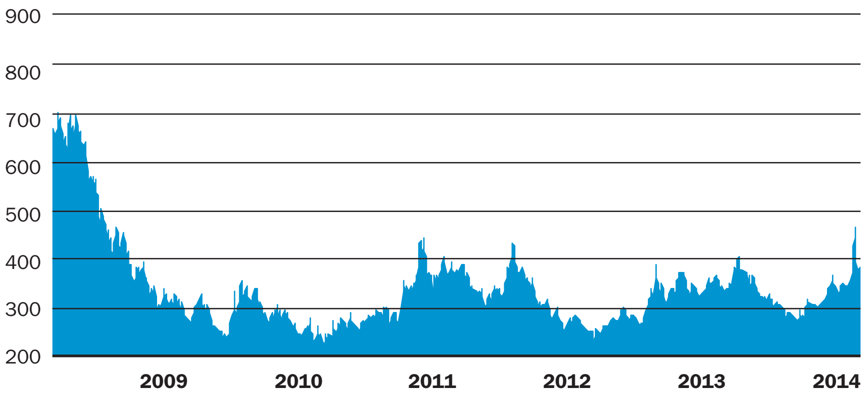
depreciation (G11). This was fuelled by uncertainty over the extent of the economic slowdown in China. Further causes of weakness were political instability and worries over the possible start of interest rate hikes by the Fed. Dramatic falls in the oil price also stoked financial turmoil in countries 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.



G9 Risk premium on Spanish 10-year government bonds (basis points)
Source: Bloomberg



G10 Dollar/euro rate
Source: Bloomberg



G11 Risk premium on emerging market debt (JPMorgan EMBI+; basis points)
Source: Bloomberg

Banking industry

The main event in the sector in Europe was the Comprehensive Review of banks' balance sheets by the European Banking Authority and the ECB. In the wake of the review, the ECB took on the role of single banking supervisor in the Eurozone. This process was a major challenge for both the financial institutions themselves and for the regulators. The banks strengthened their balance sheets substantially ahead of the process. The review was extremely thorough, covering a large number of institutions in a short time.

In October, the results of the assessment of 128 banks, representing more than 80% of bank assets in the Eurozone, were published. The review included a detailed classification, valuation and provisioning of the main portfolios of each bank. The banks' capacity to maintain a minimum regulatory capital in an adverse macroeconomic scenario was also tested.

The results indicated that banks would comply with the minimum regulatory capital requirements an adverse scenario, but that such a scenario would entail a sizeable reduction in that capital. The review also evidenced that Spanish banks are more robust than their peers in the Eurozone as a whole. The results of this exercise and the strengthening of banks' balance sheets helped normalise funding in the sector in 2014. In particular, the cost of wholesale funding and the gap between banks from various countries has diminished (G12).

Details of the comprehensive assessment of Banco Sabadell are available in the Risk Management chapter of this Annual Report.

In 2014, other essential progress was made to build the European Banking Union; this is set out in detail below, in the Regulatory Environment section.

Outlook for 2015

The global economy will foreseeably continue to feel the after-effects of the financial crisis and grow at a modest pace.

The geopolitical landscape will remain a source of concern and uncertainty fuelled by political developments will persist in Europe.

Core inflation (ex food and energy) will continue at a low level in the world's main regions and especially in the Eurozone.

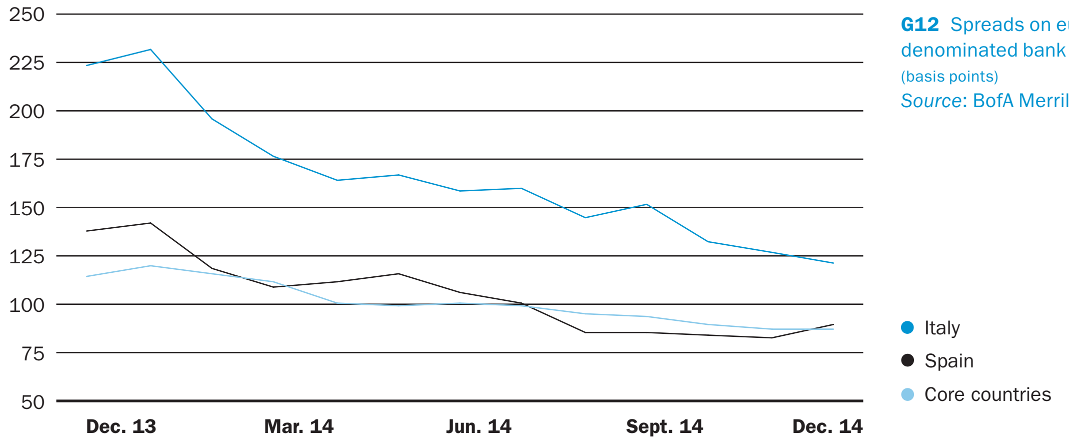
Recovery is likely to be fragile and uneven across the euro area. The Spanish economy is set to remain one of the region's few success stories. In the USA the growth of the economy is expected to stay close to its potential rate.

The ECB will take further measures to counteract deflation risks. In contrast, the Fed is expected to embark on a round of very gradual interest rate increases.

In the field of banking union, efforts will be focused on the implementation of the single resolution mechanism. In 2015 the ECB will complete its first round of banking supervision.

Many emerging economies will have to steel themselves for the onset of a process of deleveraging (especially by companies) in an increasingly complex environment.

In China potential GDP growth is expected to continue its downward trend.



G12 Spreads on euro-denominated bank debt
(basis points)
Source: BofA Merrill Lynch

Regulatory environment

European Banking Union

Banking Union is a critical stage in the process of moving towards fuller economic and monetary union in Europe. The establishment of a Single Supervision Mechanism (SSM) and the assumption by the ECB of its mandate as a prudential supervisor are key milestones in the process of establishing a banking union, which is to be supplemented by a Single Resolution Mechanism (SRM) and the implementation of a harmonized deposit guarantee system. The SSM is responsible for the supervision of all credit institutions in member states of the Economic and Monetary Union (EMU) and in those countries of the European Union which do not have the euro as their currency but choose voluntarily to participate in the system.

The ECB took on its new role as Europe's banking supervisor in November 2014, more than two years after the European sovereign debt crisis reached its peak and the European authorities agreed to work towards greater financial integration in the EU. The ECB is to carry out its new functions through the SSM, part of a new regulatory and operating regime approved in April 2014.

Pillar 1

The SSM is the first fundamental pillar of Banking Union, the goals of which include (i) guaranteeing the security and solidity of the Eurozone banking system, (ii) boosting integration and financial stability in the region, and (iii) ensuring the application of standard supervision. Accordingly, the SSM seeks to ensure prudential compliance with the single European capital regulation and the technical standards developed by the European Banking Authority and approved by the European Commission. Nevertheless, the SSM also has significant executive powers, such as the authorization of bank acquisitions and licences, powers to intervene in banks that are at risk, and on-site inspections. From an operating standpoint, the SSM is backed by the collaboration and integration of banking supervisors of the national competent authorities (NCAs) for the Supervisory Review and Evaluation Process (SREP). The main regular supervisory tool consists in the joint supervisory teams assigned to each significant bank (including Banco Sabadell) which, led by a coordinator appointed by the ECB, are responsible for day-to-day oversight.

The joint supervisory teams apply a harmonized supervisory process based on the assessment of each bank's risks, governance and capital and liquidity situation (see table T3).

For the SSM to be able to efficiently discharge its duties there must be a single rulebook in the European Union (EU), particularly in connection with regulatory capital requirements. In this regard, it is worth highlighting the transposition of Basel III into European regulations, via Directive 2013/36/EU of the European Parliament and of the Council (CRD IV) and Regulation (EU) 575/2013 of the European Parliament and of the Council (CRR) on prudential requirements for credit institutions and investment firms, that establish new capital and liquidity rules. This single rulebook is still being developed, using the European Commission's technical standards and the guidelines and recommendations of the European Banking Authority.

In accordance with the aforementioned requirements, credit institutions must comply with a total capital ratio of 8% at all times. However, CRD IV grants the SSM certain powers at Pillar II level, such as the countercyclical buffer, the systemic risk buffer, and specific macro-prudential elements, in order to prevent future credit bubbles and mitigate the effects of credit crunches in the future. Accordingly, a number of corrective measures may be derived from the supervisory process that, in the event, would be subject to the approval of the SSM Supervisory Board.

The focus of the SSM in the short and medium term will be on harmonizing supervisory practices and requirements; in particular, the differences between the models for risk-weighting assets and the national discretionality in defining banking capital will be examined.

Integrated approach

T3 Harmonized supervision process

	Process phases		Results
1	Risk Appetite Statement (RAS)	A quantitative assessment of each material risk and of the robustness of the institution's control and risk governance system	Assessment of the institution's risk profile
2	Quantification of capital and liquidity during SREP	Quantification of capital and liquidity requirements (ICAAP/ILAAP) and assessment of the RAS	Calculation of SREP Capital and Liquidity Ratios
3	Top-down stress tests	Top-down stress tests on capital planning	Definition of corrective measures
4	Definition of supervisory oversight programmes	Design of supervision plans, identifying priorities for review and resource assignment	

Pillar 2

With regard to Pillar 2 of the Banking Union, Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism (SRM) and a Single Resolution Fund (SRF), was published in July 2014.

The SRM will ensure that, when a bank supervised by the SSM finds itself in difficulties, the resolution policy will be (i) efficient, (ii) independent of the bank's location, and (iii) at a minimum cost to taxpayers. This is an integrated system of national resolution authorities headed by the Single Resolution Board as the common resolution authority. This new agency will be in charge of the uniform application of the EU's common resolution rules as set out in the new directive on banking restructuring and resolution. This directive enters into force in 2015, when the Board must become operational. Furthermore, a Single Resolution Fund will be set up, under the Board's control, which in the medium term will act as funder of last resort when resolution entities are unable to cover the needs, provided that shareholders and creditors have assumed losses. This Fund will be created in 2016 and, accordingly, although the SRM's start date is January 2015, it will not be fully operational until 2016.

Operation of the Fund is governed by an intergovernmental agreement which countries belonging to the Banking Union signed in May 2014. The banking industry will contribute to the Fund over an eight-year period. National contributions to the fund will gradually be merged until, after eight years, the financial support it provides will no longer be national. Although, if necessary, the Fund may receive public funds—national funds, during the first ten years—these must be subsequently replenished using contributions from the banking industry, so as to guarantee the scheme's fiscal neutrality in the medium term.

In relation to the SRM, the European Central Bank has published a large number of technical standards, guidelines and recommendations, some of which are in the consultation phase.

Pillar 3

The final pillar of the Banking Union is the harmonized deposit guarantee system. Although EU countries have not yet been able to reach an agreement regarding a single European deposit guarantee scheme, due mainly to the potential budget implications, a first step towards achieving such a fund was the publication in April 2014 of Directive 2014/49/EU of the Parliament and of the Council, concerning the deposit guarantee systems that member states must incorporate into their statute books by 3 July 2015 at the latest.

In accordance with this Directive, by 3 July 2024, each member country must have set up a fund containing 0.8% of insured deposits. Contributions to the deposit guarantee schemes must be based on the volume of guaranteed deposits and on the risk assumed by each participating bank. The contributions must be calculated proportionately and must take into account the risks of banks' business models. Accordingly, the contributions of each member bank must reflect i) likelihood of default, and ii) the potential losses to be incurred by the DGS in the event of a bailout.

Based on all the above measures, Banking Union is a very significant step forward which should make a decisive contribution to breaking the links between each country's national banking sector and its sovereign risk.

Other European Union initiatives

In January 2014 the European Commission submitted a proposal for structural reform of the banking system. The aim of the proposal is to reduce the likelihood of retail banking being affected by contagion from the risks of banks' financial market operations. In particular, it is suggested that the proprietary trading business of banks be transferred to entities that would be separate from them both legally and financially. The proposal would include all EU banks that were of a globally systemic nature or whose proprietary trading was significant. At the present time the proposal is under negotiation in the European Parliament.

In another development, negotiations are in progress among a group of 11 EU countries (including Spain, Germany and Italy) on the introduction of a financial transaction tax. The negotiations relate to a proposal made by the Commission in February 2013 which would impose a tax on transactions in the main financial instruments linked to participating countries.

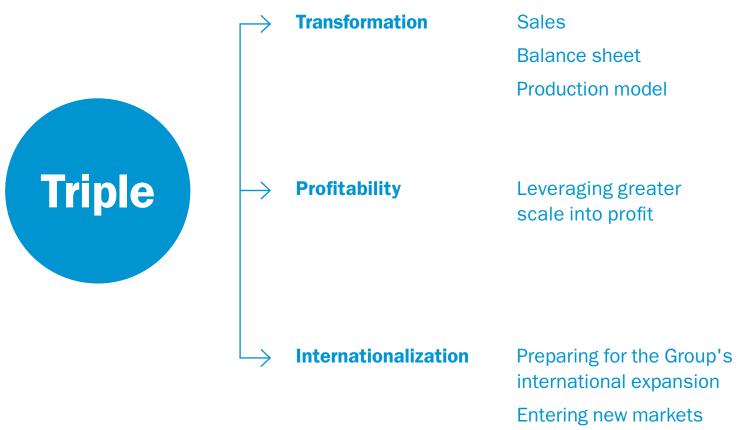
Finally, the European authorities have indicated that they will increase the supervision of risks of non-bank financial institutions. In particular, they have highlighted the significant growth in the corporate bond market and the exposure of mutual funds to this market as a potential threat to financial stability. However, this regulation is still at an early stage and initiatives are being spearheaded by the Financial Stability Board. In the EU proposals have focused on the liquidity of money market mutual funds and on a reform of the securitization market. Progress has also been made in the regulation of collateral-based funding operations.

Strategy

Banco Sabadell initiated the Triple plan in 2014.

In 2014 Banco Sabadell launched a new business plan for the period 2014- 2016, known as “Plan Triple”. The plan is designed to enable the Bank to leverage the strength of its balance sheet, its strong sales platform and its nationwide footprint to lead a recovery in lending in the medium and long term.

G13 Plan Triple - key themes

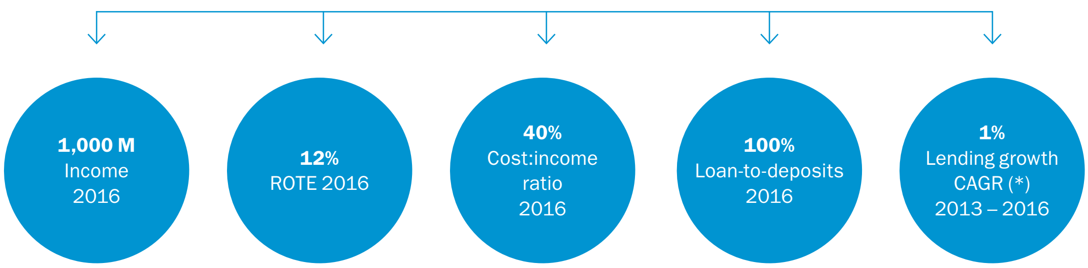


The first priority of the new business plan is to increase profitability by working towards a target return on adjusted equity (ROTE) of 12% for 2016.

Having made a huge leap in scale, Banco Sabadell’s focus is now on consolidating its domestic business and increasing the profitability of its newly acquired businesses. To do this, it has set out two strategies for different regions according to its market position in each one. In the Catalonia and Southeast (Valencia and Murcia) regions, the Bank has now reached a suitable scale and its business focus will therefore be on profitability, product offer and closing the performance gap in its recently acquired businesses. In the rest of the country the focus is on growing customer numbers and market share. The Bank also intends to continue improving customer relationships so as to become the customer’s banker of choice and to grow its market shares in mutual funds and insurance.

The second key action area for Banco Sabadell has to do with transformation: of the sales, the balance sheet and the production model. In the case of the balance sheet, transformation was based on reducing loan losses and divesting property. To reduce loan losses the Bank has put in hand management programmes combining pre-emptive actions (to anticipate new loan defaults) with recovery (faster debt recoveries).

G14 Main targets set by Triple business plan



(*) Compound Annual Growth Rate (CAGR)

To reduce its holdings of real estate assets the Bank will continue to leverage the expertise of its asset transformation division and the market-leading position of its property sales business, Solvia, while benefiting from an improving real estate market.

The goal of transforming the production and sales system is to increase productivity, but without any loss in the quality of service for which the Bank has always been renowned. For example, a new "instant banking" system has been created which will initially be rolled out in key growth areas such as the Madrid region.

Along with these two action areas, the new business plan also focuses on internationalization, to prepare the ground for future expansion into new markets. The Triple Plan also addresses talent and human resources management.

Key milestones in 2014

In the area of profitability, the primary focus of the Plan, good performance was shown by all the main indicators (G15).

In the area of business development transformation, the Bank has launched major initiatives focused on the customer experience, including a new customer-oriented, centrally managed sales and marketing system and a customer relationship model to realize our aim of being our customers' main bank and building more lasting and profitable relationships.

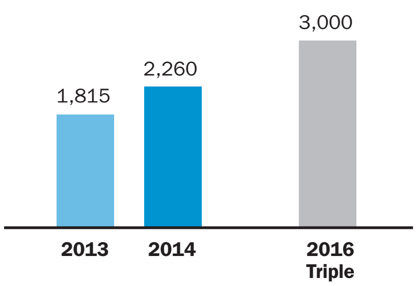
Once again this year, the ratings obtained by the Bank in the STIGA organization's “Equos-RCB” independent survey of bank branch service quality confirmed Banco Sabadell's position as one of Spain’s market-leading banks, with a score of 7.16 compared with an industry average of 6.29.

With regard to balance sheet transformation, doubtful assets (other than those covered by the asset protection scheme) fell by €1,829 million in the course of 2014.

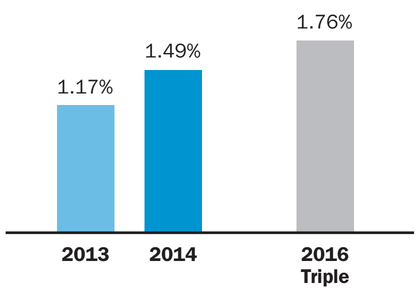
The next section on the operating and organization model provides more information about transforming the operational model and organization during the year.

As for the internationalization part of the plan, once the necessary permissions had been obtained from the Spanish supervisory authorities and Mexican regulators, Banco Sabadell started operations in Mexico via a new subsidiary, Sabadell Capital, a Mexican multi-purpose financial company ("SOFOM") which will provide specialized financing in Mexican pesos and US dollars for projects in energy, infrastructure and other areas such as tourism, foreign trade and public administration.

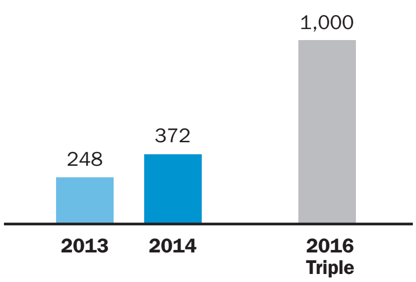
G15 Triple business plan - key income and profit highlights



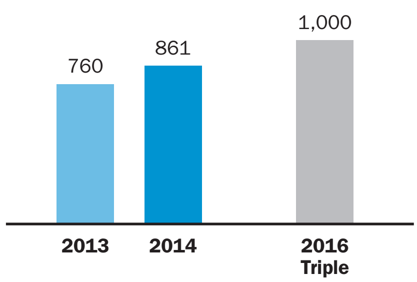
Net interest income
(€Mn.)



Net interest income/
Average total assets
(%)



Net profit
(€Mn.)



Fees and commissions
(net) (€Mn.)

Quality of service levels have improved.

Business model

Banco Sabadell has a relationship-driven business model and a widely recognized business franchise.

It is a customer-based model that features a personalized, differentiated management style based on value creation. Sales processes are based on the provision of advice and on high quality sales support systems. The relationship-driven approach is supplemented by product-specific customer-focused campaigns.

In line with our aim to be our customers' main bank, our relationship-driven model places particular emphasis on quality, commitment and the role of the account manager, which is to support customers through every stage of their financial lives, thus ensuring lasting and profitable relationships.

BS strengths

- **Organization by business type**
- **Focus on companies and personal banking**
- **A leader in cross-border transactions**
- **Multi-brand, multichannel strategy**
- **State-of-the-art technology**
- **Disciplined capital and risk management**
- **Quality of service**
- **Clarity and transparency in corporate governance**

Commercial Banking
The largest of the Group's business lines, Commercial Banking focuses on providing financial products and services to large and medium-sized businesses, SMEs, retailers and sole proprietors, occupational Groupings, entrepreneurs and private individuals.

Corporate Banking and Global Businesses
Offers products and services to large companies and financial institutions, both domestic and foreign.

Markets and Private Banking
Provides savings and investment management services ranging from research into alternative investment products to securities market trading, and include active wealth management and custodian services.

Asset Transformation
The division's tasks are to take an integrated approach to the Group's real estate assets, develop and implement its asset transformation strategy and to carry on the business of a high-quality provider of real estate finance.

Real Estate Group (Solvia) Division
The division specializes in the integrated management of a full range of real estate services —property sales and servicing, land management, preparation and development — and is driving forward the process of leveraging Solvia's servicing capabilities.

As a result of the rapid inorganic growth undergone in the last few years, Banco Sabadell now has a footprint covering the whole of Spain and a 7.6% share of the market (G16).

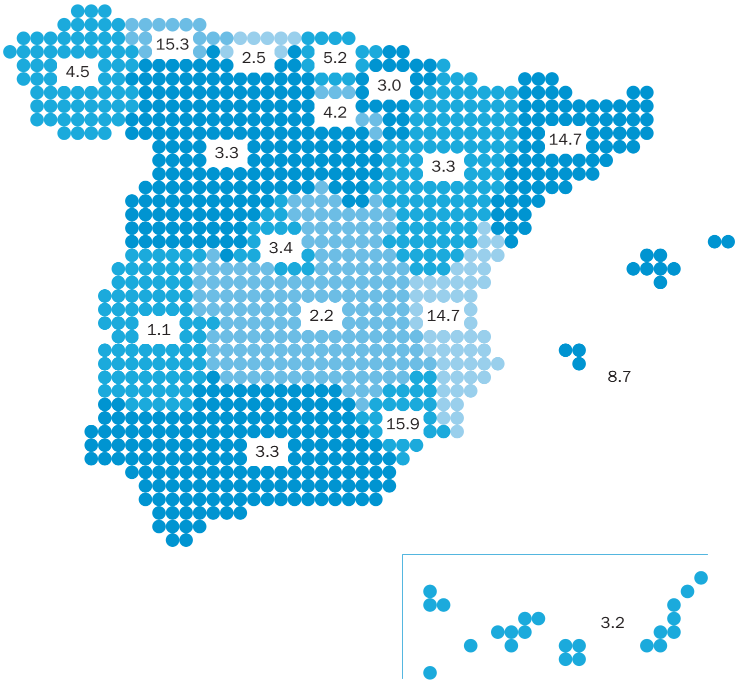
Within the domestic market the Bank uses a number of brands, all of them under the Banco Sabadell umbrella (G17).

Banco Sabadell is, in addition, a leading provider of foreign trade services. With a specialized product offering and a powerful value proposition, Banco Sabadell is present in strategic business and financial centres and partners with trade promotion bodies to provide support to customers in developing and growing their business in foreign markets.

G16 Market share by autonomous region

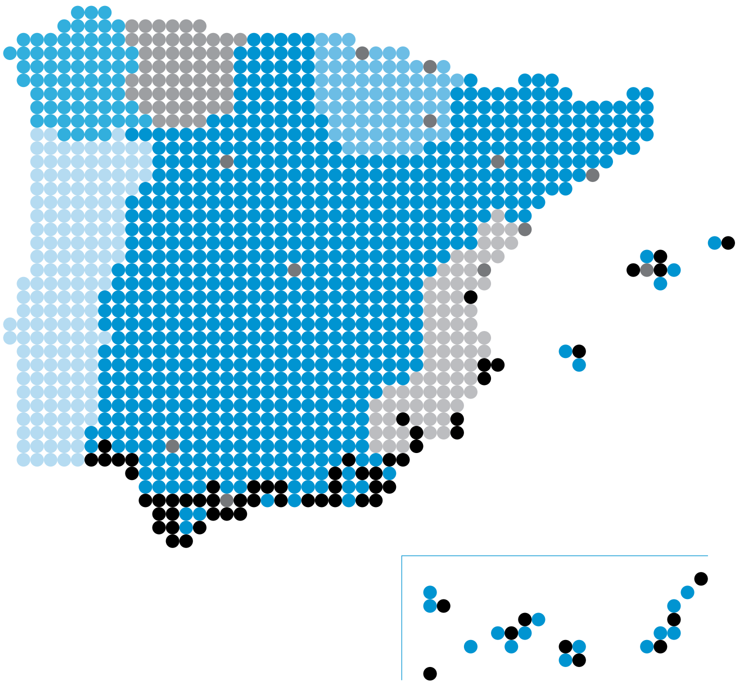
7.6%

BS Market share in Spain



G17 Geographic distribution of brands

Distribution of the Spanish network at 2014 year-end



- **Sabadell**Atlántico
- **Sabadell**CAM
- **Sabadell**Gallego
- **Sabadell**Guipuzcoano
- **Sabadell**Herrero
- **Sabadell**Solbank
- **Sabadell**Urquijo

The Bank continues to assure highest standards in quality of service.

For Banco Sabadell, quality is not just a strategic option; rather, it is a whole approach to doing business, whether in the delivery of value to stakeholders or in the execution of each and every process forming part of that business. This natural affinity with excellence helps to enhance the Bank's capabilities in all areas, transforming threats into strengths and challenges into opportunities for the future.

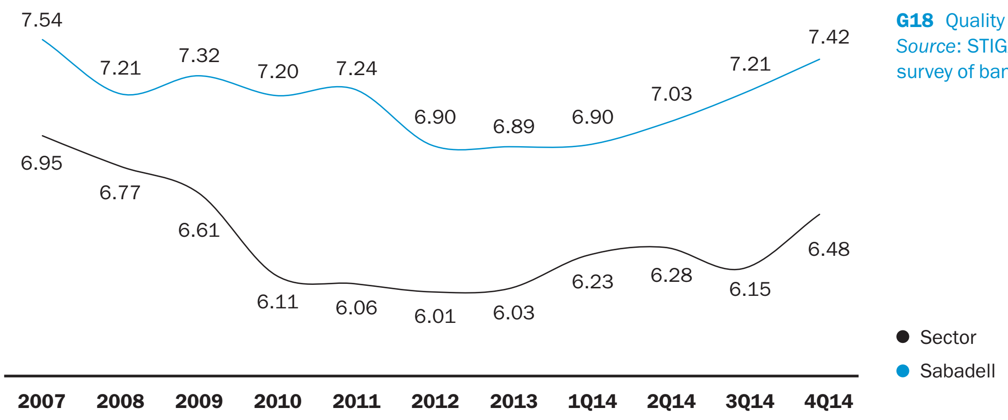
Consequently, the Bank makes use of existing standards and benchmarks to judge its own actions and satisfy itself that its way of doing business is the right one, and sets itself new goals based on continual self-criticism.

A key benchmark against which to measure and improve management practices is the European Foundation for Quality Management (EFQM) excellence model, against which the Bank is independently assessed every two years. The November 2014 assessment resulted in the Bank's EFQM Gold Seal (+500 points) being renewed and a score of over 700 points being awarded according to EFQM's very demanding standard. This was 100 points higher than the number awarded in 2012, a truly extraordinary result that few organizations would be capable of achieving.

Banco Sabadell remains the only Spanish credit institution with 100% of its financial operations certified to the ISO 9001 standard, providing further proof of its customer-centred approach and diligent process management. In 2014 Banco Sabadell renewed its ISO 9001 certification for another three years.

The Bank had its "Madrid Excelente" quality mark renewed in 2012. Keeping this accreditation current requires an annual assessment, which Banco Sabadell came through satisfactorily.

The various initiatives carried out as part of the sales and promotion plan have borne fruit and customer ratings reflect the improvements in the quality of our service, both in relation to the industry average and in absolute terms. Quality surveys show Banco Sabadell to be the bank most highly rated by customers (G18).



G18 Quality of service
Source: STIGA "Equos RCB" objective quality survey of bank branches (4Q 2014)

Note: figures for individual quarters.

Operational and organization change

Operational model

The Bank's operational model consists mainly of transferring the entire administrative workload of branches and central service departments to operational factories. Releasing branches from administrative tasks in this way increases the time available for sales-related work, improves customer service and boosts business generation. Concentrating the workload in factories allows average operating times (AOT) to be reduced as more tasks are industrialized; this leads to more efficient processes and/or automation, speeds up response times and provides greater transaction traceability.

These improvements help to bring greater operating efficiency along with a better customer experience, simpler, more responsive processes and a branch network that is more committed to and focused on giving advice and assistance to customers.

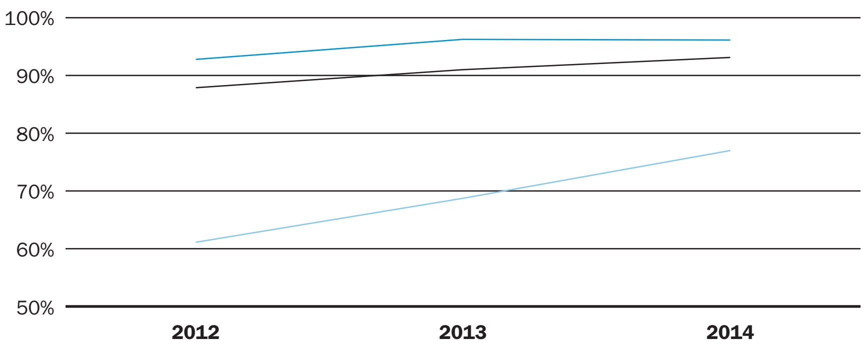
In 2014 the work of transforming the production model was directed mainly at making improvements to the centralized handling of banking transactions at factories. Work also continued on transferring tasks from branches and central services divisions to central processing units, increasing centralized processing rates and bringing them ever closer to the target set by the transformation plan. The task of integrating the IT and business systems at Banco Gallego and Lloyds Bank was also completed.

Expenditure management and cost control

The Bank's new optimized control system allows in-depth monitoring of costs and expenses, a vital requirement if cost reduction targets and capacity increases needed for business growth are to be kept in alignment.

In 2014 average transaction costs (ATCs) were down by 3% for lending-related products and remained unchanged for service-related products.

Simple, agile processes enhance operating efficiency and make for a better customer experience.



G19 Proportion of transactions processed at Central Processing Centres (2012-2014)

- Service product transactions
- Asset product transactions
- Risk analysis

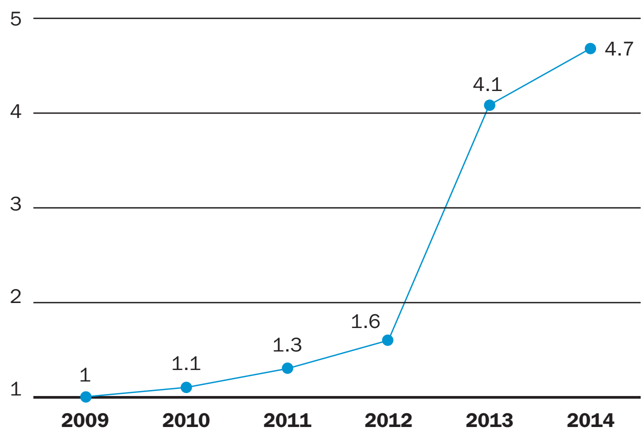
The BS brand

Brand perception indicators

In 2014 the Bank successfully continued its policy of raising awareness of its brand, as it was obliged to do in order to increase its capacity for growth in the Spanish retail market and reach a level of brand recognition that was on a par with its key competitors.

In the course of the last five years "top of mind" awareness of the Sabadell brand has increased from 1% to 4.7%, and total brand awareness from 4.7% to 17.3%, putting the brand in fifth place among Spanish financial institutions according to data from the FRS Inmark annual survey, a key industry benchmarking tool (G20 & G21).

G20 Top of mind brand awareness



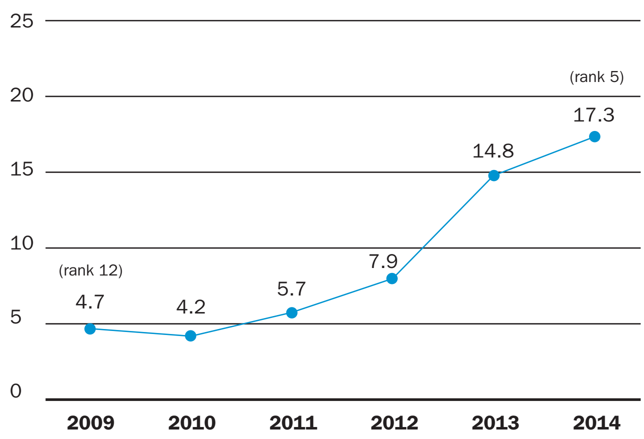
Advertising and promotional campaigns in 2014

In 2014 the Bank's advertising and promotional campaigns continued to show a strong personal stamp that set them apart from those of other banking sector advertisers and sought to highlight its professionalism, reliability, innovative customer service and entrepreneurial flair.

The first quarter of the year saw the launch of the "believing in business" campaign, whose aim was to boost lending to small and midsize firms under the slogan "Believing in businesses means giving them credit", with the added promotional "hook" of a promise to respond to loan applications within a maximum of seven days. The level of awareness generated by the campaign in its target market was very high, with a recognition rate of over 70% of respondents being achieved.

The main communication breakthrough, however, came in the third quarter with the appearance, for the first time in the Bank's advertising history, of Rafael Nadal in a campaign under the slogan "Closeness: a private conversation between Rafa Nadal and John Carlin". The agreement with the tennis star to act as a global ambassador for the Sabadell brand was reached in 2014 and can be seen as another big step forward in the Bank's drive to raise awareness of its brand, supported by one of the world's most admired sports personalities, who not only has enormous appeal in Spain but is associated with values that are very close to those that the Bank is seeking to communicate.

G21 Total brand awareness



“I don't think that things change by themselves — you have to change them”

Sabadell

Banco Sabadell passed the stress test of Europe's banks.

BS share performance and shareholders

Share performance

In 2014 the macroeconomic environment, the European Central Bank's decisions on monetary policy and the stress tests carried out on Euro-pean banks by the ECB prior to taking on the role of sole banking supervisor were dominant themes in the financial markets.

In the first half of the year improving sentiment on economic recovery in Spain, the positive reaction to the Group's trading results and the announcement of its new Triple business plan for 2014-2016 helped Banco Sabadell's share price to outperform the rest of the banking industry.

In the second half-year, uncertainty over the economic situation in Europe and the Comprehensive Assessment impacted on stock markets generally and affected the performance of Banco Sabadell's share price.

After the publication by the ECB in late October of stress test results confirming the strength of Banco Sabadell's capital position, an improvement was seen in the performance of the Bank's share price compared with its domestic peers. In its published test results the ECB concluded that the valuations of Banco Sabadell's assets and collateral, as well as its provisions, were appropriate and that, under any of the test scenarios, the Bank would not have any requirement for additional capital (for further details of the test results see the chapter on Risk management).

With the share price standing at €2.205 at 2014 year-end, Banco Sabadell's market capitalization at 31 December was €8,874 million, making it Spain's fifth largest banking group by market value and on most other financial measures. At 31 December 2014, the price-to-book ratio at 0.87.

Throughout 2014 Banco Sabadell's management sought to engage ever more actively with institutional investors. This included attendance at 20 international conferences and holding meetings with 646 investors. These increased interactions boosted the visibility of the stock.

The proportion of Banco Sabadell's shareholder base represented by institutional investors increased over the year from 38.5% in December 2013 to 48% in December 2014.

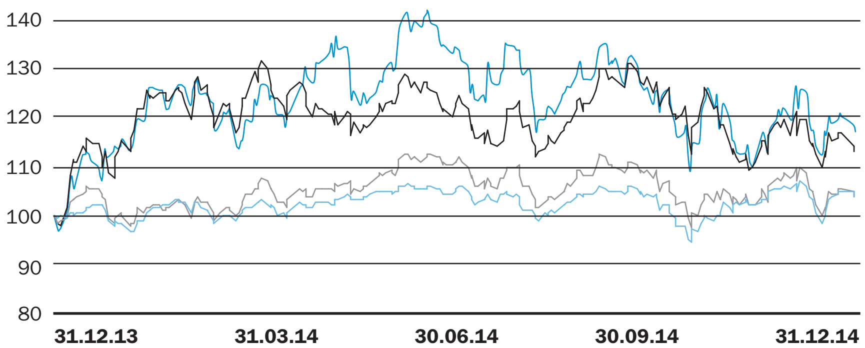
In 2014 the way our shares were perceived by analysts tracking Banco Sabadell showed significant variations, with 70% of them recommending overweight or neutral positions in the stock.

Dividend payments to shareholders in 2014 comprised an interim dividend of €0.01 per share for the year 2013 and a final dividend equivalent to €0.02 per share, paid in the form of shares from the Bank's holding of treasury shares.

A proposal will be made to the Annual General Meeting for the payment of a dividend for 2014 as follows:

— Flexible shareholders remuneration amounting to an estimated €0.04 per share, in the form of a bonus issue charged to reserves, which shareholders may elect to receive in cash and/or in new shares.
— An additional shareholder payment of €0.01 per share in the form of an allotment of shares of an equivalent value out of the Bank's holding of treasury shares and charged to the share premium account.

Following the capital-raising actions carried out in 2014 —conversions of mandatorily convertible bonds into shares (for details see the chapter on Capital management in the notes to the accounts)— the number of ordinary shares of the Bank totalled 4,024 million.



G22 Banco Sabadell share performance

T4 Monthly share price movements 2014

	In euro	In euro	In euro	Shares
2014	**Closing price**	**Maximum price**	**Minimum price**	**Average daily trading volume**
January	2.193	2.198	1.820	38,817,451
February	2.394	2.437	2.139	28,683,423
March	2.242	2.429	2.126	27,360,620
April	2.450	2.474	2.181	31,943,575
May	2.424	2.588	2.214	25,182,099
June	2.492	2.713	2.404	22,433,254
July	2.434	2.570	2.238	20,337,269
August	2.396	2.479	2.150	27,708,202
September	2.344	2.538	2.294	23,562,633
October	2.300	2.404	1.958	27,559,637
November	2.281	2.310	2.016	30,103,889
December	2.205	2.377	2.056	24,259,056

T5 Earnings per share and book value per share 2012-2014

	in million	€Mn.	In euro	€Mn.	€
	Number of shares	**Income attributed to the Group**	**Income per share attributed to the Group**	**Shareholders' equity**	**Book value per share**
2012	2,960	82	0.028	9,120	3.08
2012 (*)	3,184	82	0.026	9,120	2.86
2013	4,011	146	0.036	10,227	2.55
2013 (**)	4,299	146	0.034	10,227	2.38
2014	4,024	372	0.092	10,224	2.54
2014 (***)	4,290	372	0.087	10,224	2.38

Figures for 2013 restated as a result of early application of IFRIC 21.
(*) Includes the dilution effect of 224.28 million additional shares resulting from issues of convertible bonds.
(**) Includes the dilution effect of 287.13 million additional shares resulting from issues of convertible bonds.
(***) Includes the dilution effect of 265.27 million additional shares resulting from issues of convertible bonds.

T6 Analysis of shareholdings at 31 December 2014

Number of shares	Shareholders	Shares in tranche	% of capital
from 1 to 12,000	196,380	507,853,029	12.62%
12,001 to 120,000	33,095	974,338,672	24.21%
120,001 to 240,000	1,172	191,390,723	4.76%
240,001 to 1,200,000	701	312,497,888	7.76%
1,200,001 to 15,000,000	108	336,901,273	8.37%
More than 15,000,000	25	1,701,479,029	42.28%
TOTAL	**231,481**	**4,024,460,614**	**100.00%**

T7 Analysis of shareholdings at 31 December 2013

Number of shares	Shareholders	Shares in tranche	% of capital
from 1 to 12,000	220,038	606,504,305	15.12%
12,001 to 120,000	40,339	1,173,220,164	29.25%
120,001 to 240,000	1,331	218,181,418	5.44%
240,001 to 1,200,000	756	340,786,387	8.50%
1,200,001 to 15,000,000	105	303,994,156	7.58%
More than 15,000,000	20	1,368,795,151	34.12%
TOTAL	**262,589**	**4,011,481,581**	**100.00%**

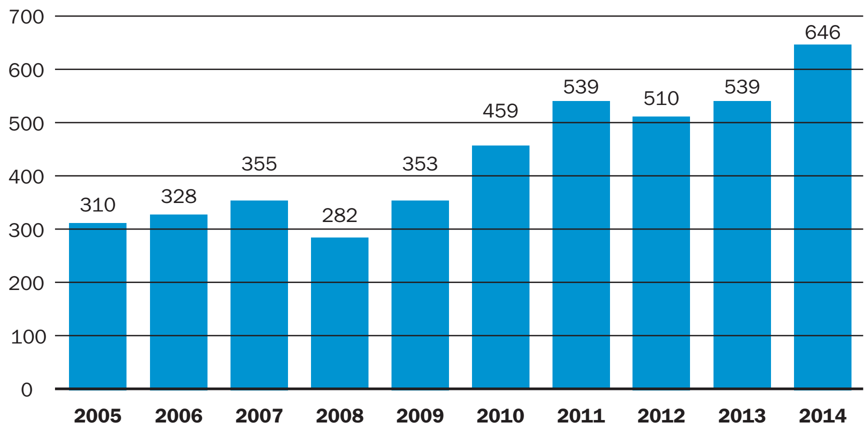
Shareholders

Banco Sabadell seeks to reward its shareholders' confidence by assuring them of reasonable returns, a balanced, transparent corporate governance system and careful management of the risks arising from its operations.

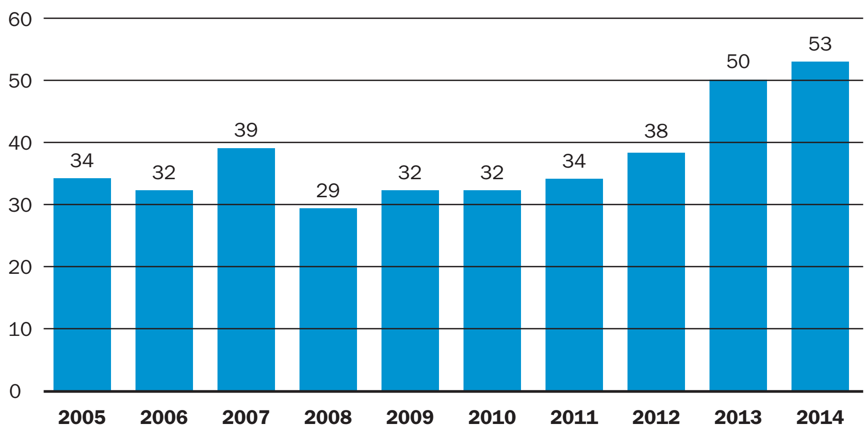
As part of its continuing efforts to be transparent and to communicate with the markets, in February Banco Sabadell presented its "Plan Triple" business plan for 2014-2016 to the international investor community in London, which gave a very positive reception to the main points of the plan.

Moreover, again as part of a commitment to transparency and communication appropriate to the increased size of the Group, Banco Sabadell's management redoubled its efforts to engage with institutional investors through increased attendance at international conferences and more frequent meetings with investors.

The Bank is also meeting the need for greater communication and transparency by making continual improvements to the reports and information it provides to investors on a regular basis.



G23 Number of investors visited



G24 Days spent on visits to investors

Customers

The Bank's aim is to build lasting and profitable relationships with customers and to support them through all stages of their financial lives; for this reason it emphasizes values such as trust, commitment, communication, closeness and desire to serve (see the section on Mission and values in "About Banco Sabadell").

Both in its day-to-day operations and when taking decisions for the medium term (e.g. business plans), Banco Sabadell is guided by those values and by its customer-centred business model.

In 2014, for example, the Bank met businesses' need for credit through its "believing in business" campaign. In the campaign the Bank made a promise to answer businesses' loan applications within not more than seven days, thus showing support for them and giving them the prompt attention they needed. The Bank's promise of a speedy reply was more than fulfilled, with customers' loan applications being answered within 3.2 days on average.


Banco Sabadell presents:
Believing.
Believing in a business
is giving it credit.
Enrique Tomás
Enrique Tomás
Gemma Nierga
Journalist
Félix Tena
Imaginarium
Manuel Teruel
Economist
Clemente Cebrián
El Ganso
Marta Seco
Ten con Ten

Quality in customer service

Banco Sabadell is a Spanish market leader in quality of service and satisfaction ratings from both business and individual customers.

Professionalism, care and attention to detail, and insistence on best practice are the Group's most characteristic values. Once again this year, the ratings obtained by the Stiga organization in its "Equos-RCB" independent survey of service quality at bank branches confirmed Banco Sabadell as one of Spain's market-leading banks. The survey measures the quality of the service provided by banks in the course of visits to more than 3,500 bank branches. Expert quality assessors appear at branches unannounced, acting like ordinary customers, and rate each branch on a set of 200 variables. Stiga, as an independent research organization, guarantees that its measurements are fair and transparent.

To make this possible, the Bank carries out regular studies that enable it to identify areas for improvement as they develop, both throughout the organization and at each individual branch. These include branch quality audits and customer satisfaction surveys.

Banco Sabadell believes in long-term relationships centred on values such as trust and authenticity. Banco Sabadell seeks to protect the interests of its customers and has control mechanisms in place to supervise the products and services it offers. Prior to offering any financial product on the market, the Bank assesses the product for suitability. Branches are provided with customer information sheets and, where more complex products are involved, an appropriateness or suitability test is carried out as required by the EU Markets in Financial Instruments Directive (MiFID).

G25 Customer satisfaction

(*) The surveys did not extend to the brands most recently added to the Group (Banco CAM, BMN-Penedès, Banco Gallego and SabadellSolbank).

Service channels

The Bank maintains a number of channels for communications with customers, both physical (network of branches in Spain and other countries, and network of ATMs) and digital (BS Online, BS movil, Branch Direct and social media), in response to its customers current demands.

In 2014, Banco Sabadell stepped up its determination to move steadily into digital by combining the best of its classic banking approach, based on personal relations, with the best of digital in order to offer great convenience coupled with ubiquity: customers need something right now, regardless of where they may be; and they can ask for it or we can offer it to them.

The digital transformation entails using the advantages of technology to leverage our knowledge of the customer. Using any channel, in a simple, transparent, immediate way, in processes that are simple end to end, regardless of time or place.

The initiatives conducted under the Triple business plan through the Instant Banking programme were:

— Deployment of remote transaction and contracting capabilities (Instant Selling programme)
— Promoting the mobile channel as the primary relationship and service channel (with BS Móvil version 3.0 and the virtual code card)
— Constantly pursuing the latest trends in digital in order to steadily enhance the customer experience (push notifications).

The Bank views the knowledge of the digital world available among entrepreneurs and universities to be very enriching. In 2014, it worked on a web environment for external developers in order to develop a production version of an API to enable new apps to be integrated.

Branch network

Bank's Spanish branches are shown in Table T8 below. For details of our foreign branches and affiliates see figure G2 in the section About BS.

ATM network

A total of 94.7 million ATM transactions were performed in 2014 (3.7% more than in 2013), of which 65% were with cards and 35% with passbooks.

At the end of 2014, the Banco Sabadell Group's network of self-service tills totalled 3,295 ATMs and 374 passbook updating machines. That was a year-on-year increase of 73 ATMs and 16 updaters.

During the year, the Bank continued with its ATM upgrade programme; 664 machines were upgraded (355 were replaced, and 309 were expanded).

The Bank also continued making improvements to maximise availability of the ATM network, by adjusting monitoring processes, consolidating cash management and expanding support and maintenance crews.

In May 2014, the styling of the application's on-screen content was modernized to enhance usability and accessibility to customers and users.

New features were added during the year, including transactions with pre-paid cards (reloading, withdrawals, queries) and credit/debit card activation via ATMs. Changes were also made to optimize the machines' ability to present commercial proposals and offers.

T8 Distribution of branches by region

Region	Branches	Region	Branches
Andalusia	142	Valencia	392
Aragon	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 Country	107
Catalonia	723	Ceuta and Melilla	2

Digital initiatives enable the Bank to provide a better service at a lower cost.

BS Online
At the end of 2014, more than 2,751,000 individual customers and 597,000 businesses had signed up for the group's online banking service, an 11% increase on the previous year. A total of 1.335 million transactions were performed online, a significant 27% annual increase.

The EFT ratio (the number of transactions done on line as a proportion of the total) at year-end was 91.1%, a 0.5-point increase on the previous year's figure. BS Online continued the pattern of improving efficiency in the Bank's service to customers.

At the end of 2014, BS Online was the Spanish online banking service for individual customers with the third-highest rating for web service availability, according to metrics produced by EUROBITS, a specialist online banking benchmarking organization. BS Online Empresa, the Bank's online banking service for businesses, finished the year in fourth place.

During the year, a number of projects were performed to incorporate transactions and promotions related to new products and services, and to adapt to the Single Euro Payments Area (SEPA).

Banking on the move – BS Móvil
The number of active users of BS Móvil at 2014 year-end was 970,825, 40% more than in the previous year.
During the year the Bank maintained its policy on SMS messages with the aim of increasing efficiency and saving costs. To this end, it engaged in push messaging campaigns with the aim of significantly reducing the existing costs of SMS messaging to customers.
In order to enhance the service, the app for mobiles and tablets was upgraded with a new design in which navigation is more intuitive. The new app highlights the client's overall balance as the starting point for navigation to products and services. The information on cards was reformatted to make it more visual and simple.

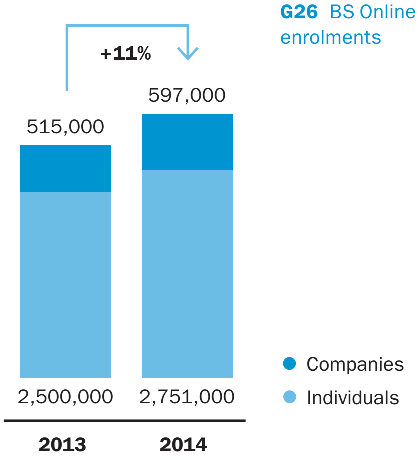
The BS Móvil application on the various platforms (Android, iPhone/iPad, Windows Phone and BlackBerry) has been undergoing a process of constant updating with the result that it ranked among the top six downloads in Spain for all 12 months of 2014.

Branch Direct
In 2014, Branch Direct focused on improving technology and developing new features, the aim being always to enhance the customer experience. This was achieved while also successfully integrating Lloyds International Bank and Banco Gallego.

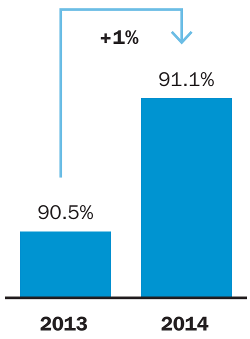
Service levels were maintained or exceeded in all remote channels. The telephone helpline handled over 2,400,000 calls and achieved a service level (calls answered as a proportion of calls received) of 97.8%, up from 96.27% in 2013. The service level in the e-mail channel was 92.3% of the over 300,000 e-mails received. The online chat handled over 16,000 conversations, and there were over 75,000 mentions in social media, 15,000 cases were handled, and the Bank ended the year with 133,000 fans.

New features were implemented, such as "click to call" (which enables website visitors to enter their phone number and receive a call back immediately); the Sabadell Chat channel, which provides a conversation format like WhatsApp but with additional features enabling users

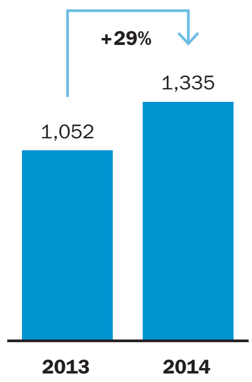
G26 BS Online enrolments



G27 Internet usage ratio (online transactions as % of total)



G28 Transaction volume (in thousands)



to operate with their accounts at any time and to arrange for consumer loans in less than 48 hours (over 10,000 applications were handled). Adaptation to SEPA (Single Euro Payments Area) generated a significant volume of customer service traffic, particularly with companies in the early months of the year.

The overall quality index was 91.57%, nearly 2 percentage points above target. The rating by customers, on a scale of 1 to 5, averaged 4.46 in the year, almost 0.1 points more than in 2013.

Social networking sites

In 2014, the Bank attained nearly 140,000 followers, up 25% on the previous year, combining all social media in which it has a presence: Twitter, Facebook, YouTube, LinkedIn and Google+.

The Bank published 516 blog posts and produced 80 videos. For the first time, it arranged a webcast from another country: the press conference to present the Triple business plan at the Bank's offices in London.

The Press Room on the website was redesigned and linked with the Group's social media.

New technologies and social networking sites were used to publicize major events. One such case as the Barcelona Open Banc Sabadell Tennis Grand Slam. Gamification enabled the #bcnopenbs hashtag to garner 88 million hits, whereas Banco Sabadell's monthly average is 10 million. The hashtag was used in nearly 20,000 tweets by approximately 6,000 users.

Another such event was Instant Banking Hack Day, a technology encounter with developers of financial apps. This generated 7,671 tweets and attained over 7 million impressions (the average weekly impact of @BancoSabadell is 2.5 million) and 2,000 tweets in a single weekend (1,200 in a single day).

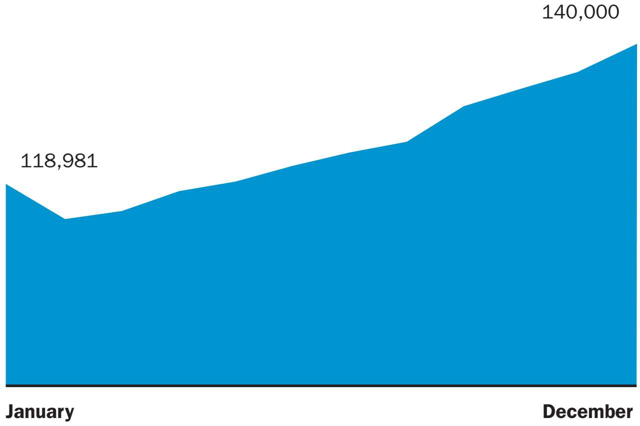
Work continued in developing a strategy based on distinctive value-added content, building on the success of previous years in designing campaigns that lend themselves to multiple channels. The "Believe" slogan centred the campaign on branded content that exemplifies the brand using videos focused on entrepreneurs.

The "Close" project was kicked off with a new type of campaign involving Rafa Nadal. As a result of the presence of this world-class celebrity, it was among the most viewed commercials on YouTube (2,110,555 views).

In particular, the "Som Sabadell" flashmob doubled the number of views attained in 2013, to 60 million, without requiring expenditure on its distribution.

One of the most important content areas during the year was entrepreneurship and innovation. The @BStartup profile was used to publicise webcasts of events under this programme, such as the "Conversations on the future", and live events on the corporate blog, such as the Alumni Entrepreneurship Day. As regards innovation, the Bank's participation in 4YFN and Imagine Express was webcast live.

As a result, Banco Sabadell was chosen by the Open University of Catalonia (UOC) to cooperate in a Digital Empowerment programme as a paradigm of a large organization that is in full transition towards a digital culture and is in a position to present successes in this field.



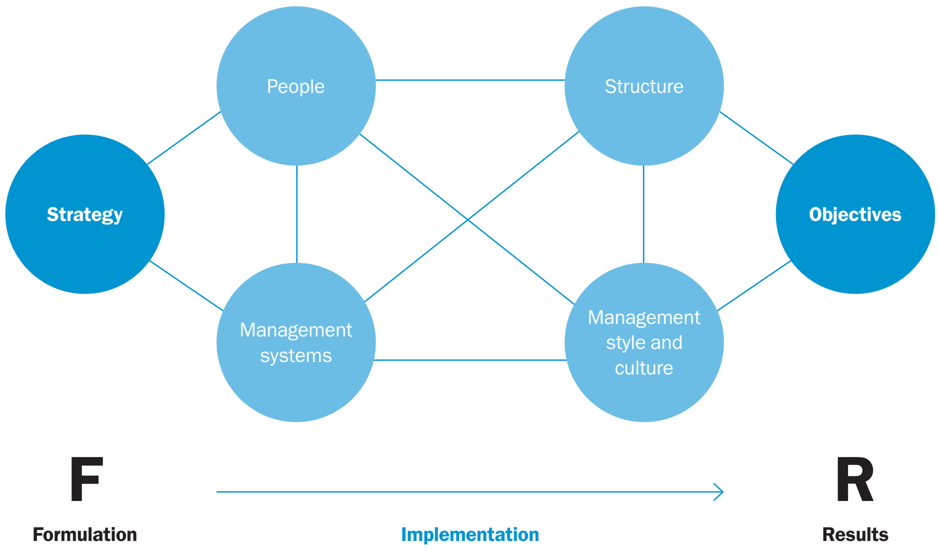
G29 Followers in 2014

Human resources

Human resources management model

The human resources model is based on a scheme that leads from strategy design to results, using four key levels.

G30



This is based on four premises that govern Group human capital management at all times:

— Human resources policies and rules do not rank below other corporate guidelines, either in definition or in application.
— People are a distinctive asset and a critical success factor for Banco Sabadell.
— The employees belong to the entire organization and form part of a single team: Banco Sabadell.

It is necessary to constantly reinforce the emotional contract between the Bank and its people.

Human resources management strategy under the Triple plan and lines of action in 2014

Talent and human capital management forms an essential component of the Triple strategic business plan along with other key action areas of the plan. It encompasses 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: organization-wide talent management to meet the needs of the enlarged Group, raising the bar on employee performance across the organization and securing employee involvement in and engagement with the Group's future development.

Five core initiatives were defined in order to undertake this transformation:

1. Integrated talent management
Strengthening leadership and developing a culture of talent planning and development to assist with the Group's expansion. An integrated talent management model that is, universal (for all employees) and corporate, in order to harness the talent of the Group wherever it is, focusing investment in key groups.

2. New performance management system
An updated common model that facilitates a culture of active performance management. This will be achieved by enhancing the performance appraisal process, increasing its validity and reliability, as the cornerstone of the Group's approach to managing people.

3. Segmented people management
Developing a human resources management model inspired by sales models, which provides more and better information about employees to support decisions in managing people and teams, drive performance and professional development, discover hidden talent, and leverage human resources products and services.

4. The brand as employer and commitment manager
The goal is for all employees to become involved with and make a commitment to the Group's future. This will be implemented by developing and leveraging the advantages of working for BS, developing an "employee experience", and offering an image of the brand as an employer that is commensurate with our commercial image. It will also provide metrics of commitment in order to define specific action and continuous improvement levers.

5. Transforming training
An innovative, comprehensive approach to training and development that is embedded in the organization, incorporates new pedagogy models and new learning paths by extending training solutions to other business areas, with a core set for central services staff, while also including internal knowledge management practices. This is implemented via the "corporate school", whose implementation will begin with the Commercial Banking School.

These initiatives answer the question "how?", but it is just as important to focus on "who?". To this end, four additional initiatives were designed to enhance the capabilities of the organization's key human resources.

1. Executive quality
The human resources master plan entails major changes in the way in which executives and managers manage people and teams; this initiative seeks to delimit those changes and provide the necessary means to implement them.

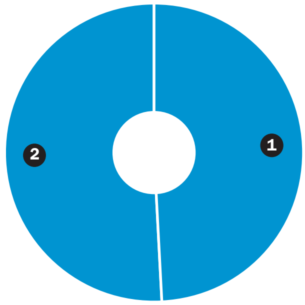
2. Policies for work-life balance and extension of the working life
The goal of this area is to provide the organization with the tools and solutions to facilitate work-life balance that the organization needs to enhance productivity and competitiveness.

3. Change management office
Its mission is to respond to needs arising from the transformation processes under the Triple plan that have an impact on people.

4. International human resources model
The human resources model and policies call for a significant increase in international mobility. Work continues on developing a pool of professionals to drive future expansion and to include international experience in the executive career path.

Composition of Group workforce

At the end of 2014 the Banco Sabadell Group was employing a total of 17,529 people, a decrease of 548 compared with the previous year. The average age of employees was 43.1 years and the average length of service was 17.2 years. The gender split was 49.9% men and 50.1% women (G31)



G31 Employee breakdown by gender

1	Men	49.9%
2	Women	50.1%

Corporate projects under way in 2014 as part of the Triple business plan

In-service and leadership training
In parallel with the implementation of the initiatives under the Master Plan, active talent management practices and projects are being developed, including notably:

Training in sales and in managing sales teams
The implementation of the new model of sales and referrals in the branch network as a whole required training to be delivered in cascade to the entire sales network, from territorial management functions down to customer-facing functions. The process is related to the Bank's growth in recent years as a result of integrating acquisitions (increased number of employees, branches, customers and profiles).

Integration training
This training is linked to the integration of the acquisitions in 2014 (Banco Gallego and Lloyds), totalling 46,165 contact hours at Banco Gallego and 11,526 hours in the case of Lloyds (over 80 hours per employee in both cases). A vital role was also played by the Branch Support Tutors, experts in branch banking operations who were brought into branches to provide support during the two weeks following integration. A total of 144 professionals participated in this process as tutors.

The training plans at Banco Gallego and Lloyd's concluded in 2014.

In both integration processes, over 90% of employees rated the training as Very good or Good.

Training plans. University certification of BS internal training
Further progress was made in establishing in-service training across the entire branch network (training in products, regulations, sales, finance and tax, etc.), with more than 73% of branch network employees taking part. This included the "Laude" scheme, an arrangement with the University of Barcelona under which group employees taking in-service training can have their achievement recognized by the award of a university qualification. In 2014 the scheme was repeated for the eight and ninth times for the GCO/GCS, DPYME and GBP functions, as well as a second round for the DO function, resulting in the award of 184 qualifications. A total of 531 employees have obtained qualifications in this way to date.

Senior management training
In the area of training at senior management level, fresh progress was made in 2014 in the Group's approach to developing management skills. A further round of 360-degree assessments took place as part of the ongoing Manager Leadership Programme. The programme aims to provide managers with their own personal solutions to help them develop their strengths and explore more fully their areas for improvement. An improvement in management performance was observed in all areas in this second wave.

Management quality training
To meet the group's current and future challenges the full cooperation of all management personnel will be vital. For that reason, we will continue to work to instil a performance-driven culture. A number of workshops were held to equip executives to handle Annual Performance Assessment interviews, and a set of tools and resources was provided to help and support them in carrying out staff assessments. Over 500 managers participated in 2013 and 2014.

In the same line, during 2014 a fourth round of the Corporate Management Programme (CMP) was carried out during the year. This is aimed at newly appointed middle-management employees and equips them with the new management and leadership skills expected of a Banco Sabadell executive. The four CMPs held so far have given training to a total of 131 managers.

Compliance training
The compliance training offer was redesigned and expanded to adapt to new needs and requirements by regulators.

Training linked to the new models in the banking business
Training is being given that is attuned to new customer relationship formulas and branch models.

Mobility
A total of 18 international assignments were arranged in 2014:

— Short-term international assignments (under 1 year): 9 (6 to Uruguay; 3 to Mexico).
— Long-term international assignments (1-3 years): 9 (6 to Mexico; 1 to Morocco; 2 to the USA).

A total of 100 interviews were conducted with internationally mobile employees from the total of 347 employees from across the Banco Sabadell Group who in 2014 showed an interest in taking up appointments in foreign countries.

Employee engagement and volunteer programme
Social and volunteer programmes and initiatives are publicized on the employee portal under the "Solidaris" label. The success of these programmes year after year caused the number of participants to increase substantially and led to a rise in the number of activities in 2014, many of them as a result of suggestions from employees.

Some of the main activities in 2014 are described below:

— Oxfam-Intermon Trailwalker. 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.
— Sant Jordi Solidari at the CBS and 901-SC buildings. This event enabled the animal protection societies of Mataró (SPAM) and Sabadell to raise over €4,000 net. Employees were also able to acquire products from writers and associations, the entire proceeds being donated to charity. An employee played the leading role in each of these activities.
— Employee participation in health activities promoted by Unicef.
— Over 300 surplus items of furniture (desks, chairs, shelving units, etc.) were donated to associations and NGOs.
— In cooperation with the Blood and Tissue Bank, Banco Sabadell arranged its regular blood donation campaign, in which participation rise considerably year after year.
— 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 result of a partnership agreement with Catalonia's regional government and the Financial Study Institute, the programme covers 20% of secondary schools in Catalonia.

— A number of corporate volunteer programmes were arranged in 2014 in connection with entrepreneurship and in cooperation with seniors and with the involvement of foundations that are particularly relevant and have a notable impact in society: Fundación Emprèn, Fundación Príncep de Girona, Proyecto Cecrem and Fundación Novia Salcedo.
— This year, through the Magone Foundation, 309 letters were sponsored under which Banco Sabadell employees made Christmas wishes come true for children at risk of social exclusion.
— For another year, 102 volunteers participated in the TV3 telethon to raise funds for research into cardiovascular diseases.
— COACH Foundation: a corporate volunteer initiative that uses coaching and mentoring to enhance the employability of young people at risk of social exclusion. Six young people benefited from the programme in 2014.

Achievements and awards

Talent Mobility Award

Banco Sabadell was named Best Spanish Company in the first Talent Mobility Awards, which are given in recognition of best practice in talent mobility, an integrated management process that concerns itself with an organization's ability to identify, develop and deploy talent effectively.

The award pays tribute to Banco Sabadell's success in managing talent, as demonstrated in a succession of integrations following the eight corporate mergers of the last few years.

Consistency, innovation and an emphasis on in-house talent were among the qualities cited by the jury in awarding the first prize of its kind to our organization.

Randstad Award

An independent global study rated Banco Sabadell, for the first time, as one of three most attractive employers in the Spanish financial services industry.

Each year the Randstad Award identifies the most attractive companies to work for in different countries. The winner is chosen based on the findings of the most extensive study of employer branding anywhere in the world. Moreover, unlike other studies, it looks at the perceptions of employees only and takes a large sample of 7,000 people in each country between the ages of 18 and 65 who are asked about their impressions of the 150 biggest employers in their country. Companies cannot ask to take part in the study and winners are selected on the basis of their attractiveness as employers once the respondents' answers have been collated. This method ensures that the study is totally objective.

Oxfam-Intermon Trailwalker

Banco Sabadell won the prize for the largest number of volunteers, which is given for success in mobilizing people (26 teams) and also for the communication skills deployed in the promotion of this fundraising event.

Qualis Awards for Excellence

Established by the Bank in 2002, the Qualis Prizes are awarded to people and groups of people who have been particularly noted for the excellence of their work during the year.

In 2014 the Qualis prizes, now in their 12th year, were awarded for performance in 2013. This year the arrangements were changed in keeping with the increase in the size of the Group since 2003 when the prizes were instituted.

The Bank felt that it was time to change the structure of the prizes for best branch so as to move from a prize for overall excellence to a system that gave recognition to the best branches in each Regional Division.

An independent global study described the Bank as one of three most attractive employers in the Spanish financial services industry.

Consequently, the awards for the Bank's best branches are particularly noteworthy because they recognise collective merit:

Catalonia Region
Vilana-Bonanova branch (377) in Barcelona City
Vielha branch (5127) in Catalonia West
El Masnou branch (67) in Catalonia East
(#1 branch overall)

Eastern Region
Orihuela Cabo Roig (621), in the Alicante Region
Caravaca de la Cruz O.P. (5247), in the Murcia region
Benicassim branch (4325) in the Valencia Region
Jesús branch (1407) in the Balearic Islands

Central Region
Madrid-General Perón branch (5276) in Madrid
Torrijos branch (5377) in Castille

Northeast Region
Astorga branch (5037) in Asturias & León
A Coruña-Pza. de los Caídos branch (505) in Galicia

Southern Region
Ceuta branch (1291)

Northern Region
Zaragoza–Sagasta branch (5583)

Awards were also granted in the categories of "Best Company Banking branch", "Best Zone", "Best Head Office Unit" and "Best Improvement Plan".

The Gold Qualis award for an entire career was granted to Lluis Buil Vall, Deputy General Manager and Head of the Catalonia Region.

Employee participation for improvement and innovation

To encourage employee engagement a Web 2.0-based collaborative platform, BS Idea, has been set up on the corporate Intranet.

The platform provides an easy, amicable way for employees to use their creativity and put forward suggestions for improvements in working methods or additions to the range of products and services.

A major advantage of this system is its transparency: employees' ideas are immediately visible to all other employees and can be voted on, improved upon or enriched with further opinions and ideas. This helps to establish priorities for implementation, since the number of votes in favour of an idea gives an excellent indication of the benefits that it could bring to the organization.

In 2014 a total of 5,179 employees were active participants on the site and 3,024 ideas were put forward.

To supplement the quarterly competition a "Challenge Week" was introduced in which, for a single week, all employees are asked to produce ideas on a strategic theme. To orient disruptive ideas in connection with the Challenge theme, a group of experts drew up a goals document which was released to the organization on the same day as the "Evento BS Idea Forum", a lecture/dialogue broadcast live on BancSabadell TV to all employees from the Auditorium of the CBS building.As part of the event, the BS person in charge of the Challenge sets out the objectives, and an influencer with acknowledged prestige in the field stimulates employees to adopt a new perspective; the event concludes with a question and answer session open to the entire Community. The event takes place a few days before the Challenge Week, to give employees time to meditate on the issue.

Not only the ideas produced by employees are welcomed:, any customer or other person can make comments, suggestions or requests to Banco Sabadell via its pages on Facebook or Twitter or make use of the feedback platform at www.feedback.bancsabadell.com. Customers can use the platform to put forward suggested improvements or new ideas on remote banking channels, mobile phone services, operating processes, product features, accounts, credit and debit cards and so on.

Customer and user protection

Any customer or user of the Group can contact the Customer Service Department (CSD) for the resolution of any complaint or claim that has not been settled with the branch in the normal way.

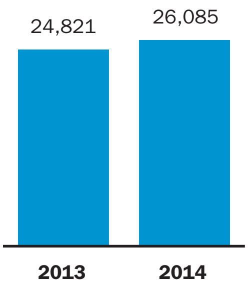
The CSD is independent from the business and operational side of the Group and is governed by the Group's own rules and procedures for the protection of customers and users of its financial services.

Customers and users may also avail themselves of the Customer Ombudsman, a forum that is independent of the Group and is competent to decide on claims made to it either directly or on appeal from a prior procedure (G32 & G33).

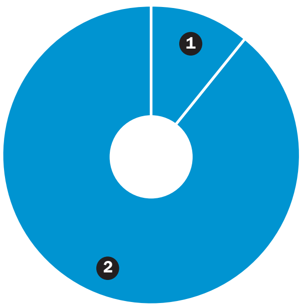
Decisions of the CSD or the Ombudsman are binding on all Bank units or departments.

Of the total complaints and claims examined by the Customer Service Department, 39.2% resulted in a decision favourable for the Bank, 8.4% were settled by agreement with the customer or user and 0.8% were resolved partly in favour of the customer or user. In 0.9% of cases customers withdrew the claim (0.3% in 2013), and 42.1% were resolved in favour of the customer or user.

At 31 December, 6.0% of cases had yet to be ruled on by the regulatory bodies and the Customer and Investor Ombudsman. Finally, the Bank declared itself not to be competent in 2.6% of the cases.



G32 Complaints and claims handled



G33 Complaints and claims - breakdown

1	Complaints	11.1%
2	Claims	88.9%

Banco Sabadell Group
financial information

F

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

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

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

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

Thousand euro

T1

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

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

Net interest income

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

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

Thousand euro

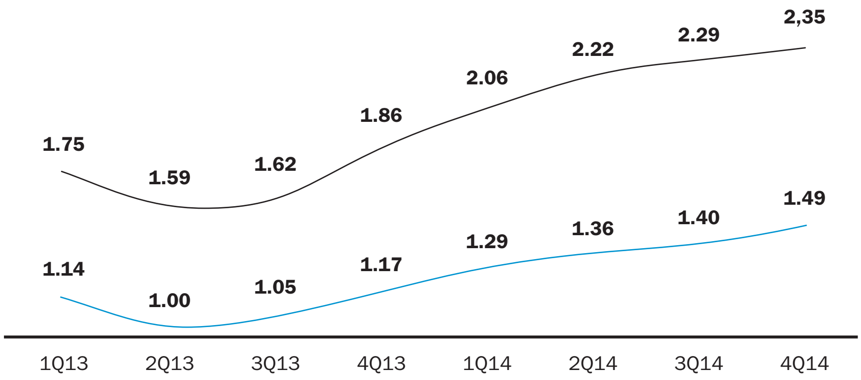
T2

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

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

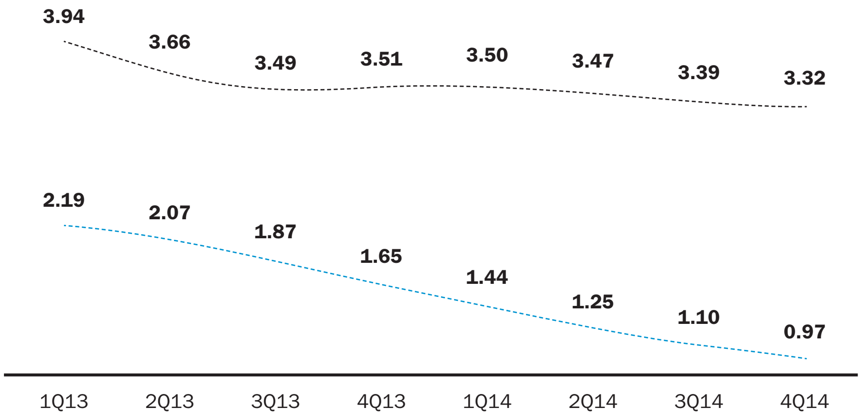
Deposit repricing was the main driver and this trend is expected to continue in 2015 and 2016.

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



G1 Margin performance (%)

● Customer spread
● Net interest income/ Average total assets



G2 Credit yields and cost of customer funds (%)

● Yield on custom loans
● Cost of customer funds

Gross income

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

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

Thousand euro

T3

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

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

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

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

Profit before impairment and other provisions

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

Thousand euro

T4

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

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

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

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

Thousand euro

T5

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

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

Net attributable profit

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

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

Balance sheet management

Demand for credit is reviving.

The balance of doubtful loans and problem assets is declining.

Off-balance sheet funds grew steadily throughout the year.

Thousand euro

T6

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

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

Equity	2014	2013 (*)	% 14/13
Shareholders' funds	10,223,743	10,037,368	1.9
Valuation adjustments	937,416	120,814	—
Non-controlling interests	54,793	58,243	(5.9)
Total equity	**11,215,952**	**10,216,425**	**9.8**
Total liabilities and equity	**163,345,673**	**163,522,541**	**(0.1)**

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

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

Lending to companies, of all sizes, is rising.

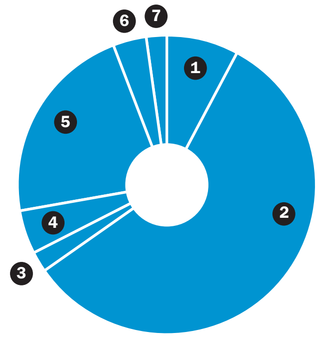
At the end of 2014, the total assets of Banco Sabadell and its Group amounted to €163,345.7 million, i.e. very similar to the figure at the end of 2013 (€163,522.5 million).

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

T7 Loans and advances

Thousand euro

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

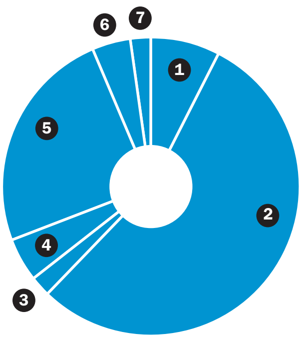


G3

Loans and advances to customers

31.12.2013

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



G4

Loans and advances to customers

31.12.2014

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

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

Thousand euro

T8

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

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

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

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

Amount (€m)

T9

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

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

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

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

Thousand euro

T10

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

Real estate sales
were 10.3% above target.

Liabilities

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

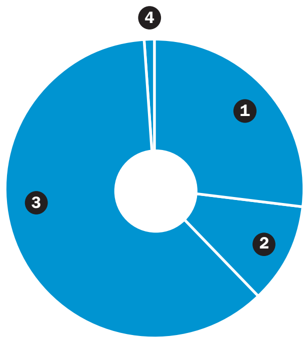
Liabilities in the form of tradeable securities amounted to €20,196.3 million at 2014 year-end, compared with €21,166.9 million at 31 December 2013. This decline was due mainly to a net reduction in balances of asset-backed securities and mortgage covered bonds because of maturity (T11, G5 & G6).

Thousand euro

T11

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

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

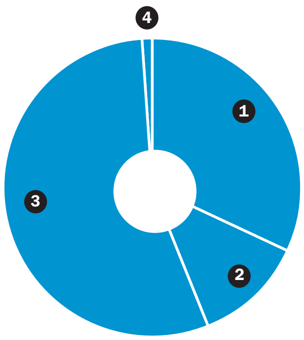


G5

Customer deposits (*)

31.12.2013

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



G6

Customer deposits (*)

31.12.2014

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

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

A sharp increase in market share in mutual funds.

Thousand euro

T12

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

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

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

Thousand euro

T13

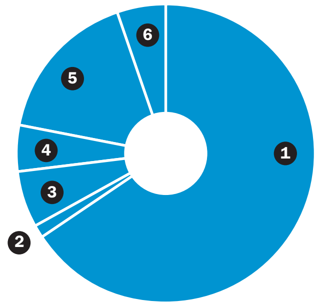
	2014	2013	% 14/13
Creditors - general government	2,804,065	3,197,859	(12.3)
Creditors - resident sector	86,449,217	88,788,617	(2.6)
Creditors - non-resident sector	8,709,408	7,021,876	24.0
Time-period adjustments	447,697	611,168	(26.7)
Adjustments due to hedging derivatives	(202,017)	(256,612)	(21.3)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

Liquidity management and funding policy

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

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

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



G7

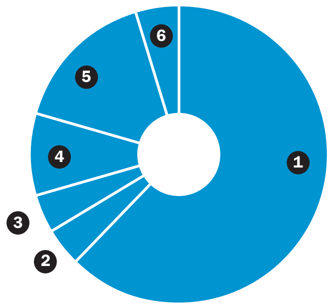
Funding sources

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

Liquidity management in 2014

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

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



G8

Wholesale market funding

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

The funding structure is balanced.

Customer deposits on balance sheet

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

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

Capital market

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

Short-term funding

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

Long-term funding

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

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

Liquidity buffers

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

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

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

Agency ratings

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

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

T14 Capital ratio
(BIS)

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

Capital management

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

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

T15 Capital Actions

€Mn

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

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

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

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

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

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

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

Thousand euro

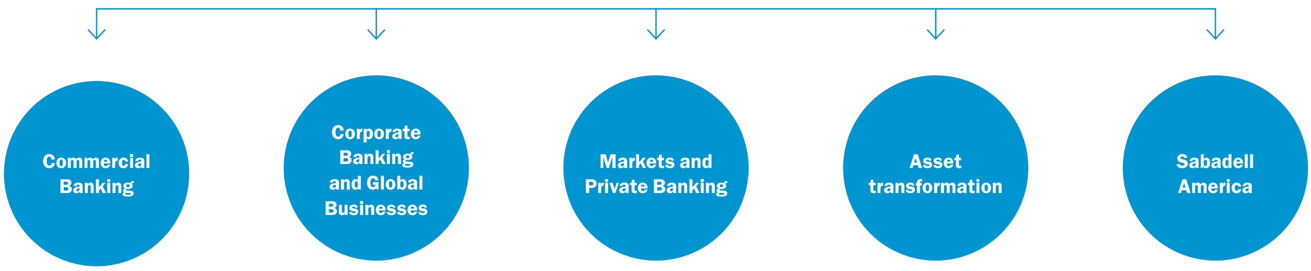
T16 BIS capital ratios

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

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

B

The Group is organized into a number of business areas which are shown below. It also has five regional divisions with full responsibility for their local areas and several business-focused support teams.



Banco Sabadell is at the head of Spain's fifth largest banking group by total assets. The Group offers a full range of banking and financial services through its different financial institutions, brands, subsidiaries and associates.

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.

Commercial Banking

Commercial Banking is the largest of the Group's business lines. It focuses on providing financial products and services to large and medium-sized businesses, SMEs, retailers and sole proprietors, professional groupings, entrepreneurs and personal customers. Its high degree of market specialization ensures that customers receive a top-quality, personalized service that is totally oriented to meeting customers' needs, whether from expert staff throughout its extensive, multi-brand branch network or via other channels that support the customer relationship and give access to remote banking services.

Corporate Banking and Global Businesses

The unit offers products and services to large corporates and financial institutions, both Spanish and international. Its activities embrace corporate banking, structured finance, corporate finance, development capital, international trade and consumer finance.

Markets and Private Banking

Banco Sabadell has a comprehensive range of products and services to offer customers wishing to place their savings and investments under its management. These range from researching investment alternatives to trading in securities, active wealth management and custodian services. The unit's operations embrace SabadellUrquijo Private Banking; Investment, Products and Research; Treasury and Capital Markets; and Securities Trading and Custodian 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 transformation process; and Solvia, which provides services for real estate asset portfolios for both the Group and third parties with a focus on business and adding value.

Sabadell America

The Sabadell America operation comprises an international full branch, Sabadell United Bank, Sabadell Securities USA, Inc., and other business units, affiliates and representative offices (New York since 2012) which together provide financial services in the corporate banking, private banking and commercial banking fields in the US.

Commercial Banking

Overview

SabadellAtlántico, the Group's flagship brand, operates in most of the country's regions except for those served by other Group brands. These are Asturias and León, an area served by the Group's SabadellHerrero brand; the Basque Country, Navarre and La Rioja, where the Group is represented by its SabadellGuipuzcoano network; and the Valencia and Murcia regions, where it operates under the SabadellCAM brand. Last year saw the SabadellGallego name being incorporated into the Group's multi-brand strategy to identify its branches in the Galicia region, following the recent acquisition of Banco Gallego by Banco Sabadell. The Group's SabadellSolbank branches have the primary aim of meeting the needs of resident expatriates from other European countries. It does this through a chain of specialist branches operating only in the Canary Islands, the Balearic Islands and the country's southern and south-eastern mainland coastal areas. Finally, ActivoBank is there to serve customers who prefer to do their banking exclusively by telephone or online.

A key development in 2014 was a major initiative by the Group's newly formed Enterprise Department to reach out to the entrepreneur segment in Spain, chiefly through its "BStartup" programme. The programme has the aim of positioning Banco Sabadell as the bank most supportive of start-ups, and places special emphasis on those working in the digital/IT sphere, where scalability is greatest.

Key developments in 2014

In an operating environment showing early signs of economic recovery, the year 2014 saw improvements in net interest income, strengthened customer relationships, substantial growth in the insurance business and a major increase in mutual fund assets.

The year also saw the completion of work to integrate the branches acquired from Banco Gallego and from Lloyds Bank International in Spain (now rebranded as SabadellSolbank).

Thousand euro

T1 Commercial Banking

	2014	2013	% 14/13
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 expenses	(1,345,734)	(1,258,142)	7.0
Operating profit/(loss)	**992,035**	**620,216**	**59.9**
Losses due to asset impairment	(644,154)	(325,014)	98.2
Profit/(loss) before taxes	**347,881**	**295,202**	**17.8**
Ratios (%)			
ROE (profit / average shareholders' equity)	8.0	7.0	
Cost:income (general administrative expenses / gross income)	57.6	67.0	
Loan loss ratio	10.3	11.4	
Loan-loss coverage ratio	52.4	52.5	
Business volumes (€Mn.)			
Loans and receivables	79,853	81,956	(2.6)
Customer accounts	90,785	88,130	3.0
Securities	8,678	8,424	3.0
Other data			
Employees	12,562	13,225	(5.0)
Spanish branches	2,253	2,356	(4.4)

Particularly encouraging was a drop in the loan loss ratio in the Commercial Banking business from 11.4% in 2013 to 10.3% in 2014.

Key business objectives for 2014 under the Group's current 3-year plan ("Triple") were to increase profitability and offer in its newly acquired businesses in the Catalonia and Valencia/Murcia regions, and to grow market shares in other parts of Spain A start was made in preparing the ground for development of the Bank's business in foreign markets. On all these fronts a good performance was achieved in the business and individual customer segments.

The business customer market saw increases in both customer numbers and market shares in all segments; market-leading positions were secured in the ICO-sponsored lending and energy-efficient fleet rental businesses. Other improvements included an enlarged product offering, among which were new facilities for cross-border operations such as online tools and training sessions organized at the request of customers interested in the possibilities offered by foreign trade. The Bank earned accolades as an acknowledged leader in serving the franchising industry; it also set up two new business units specializing in the agricultural and tourist sectors.

The personal or individual customer segment saw a steady rise in customer enrolments which was reflected in increased market shares, especially in the middle-income and resident expatriate sub-segments. Increases were also significant, in both relative and absolute terms, in the inflow of savings into mutual funds from the personal customer segment. An enhanced product offering geared to this customer group included Sabadell e-Bolsa, which is designed to increase investment in securities by retail customers.

Within the Bank's product range, the "Cuenta Expansión" and "Cuenta Expansión Negocios" accounts were once again the key instruments in meeting the Bank's targets for profitability and product offer. Whether targeting business or individual customers, the focus was on increasing customer loyalty and transaction volumes and this resulted in steadily rising margins throughout the year. This was reflected in continued progress in meeting a key goal of the current Triple 3-year business plan: being the main bank for the largest number of customers. One milestone in achieving this goal was the full implementation of the Business Development Programme, key aspects of which are promoting teamwork and productivity and driving up service quality by promoting the idea that "giving customers what they need helps us to be more profitable".

Of particular importance in boosting the Bank's public image as a totally trustworthy institution was a campaign launched in late 2014 with Rafael Nadal as its main protagonist. The aim of the campaign, themed on the idea of "closeness", was to continue the strategy behind the earlier "Believe" campaign. The purpose of

"Believe", which took place in 2014, was to make and successfully deliver on a promise to customers which no bank had ever made and extended to all aspects of business finance. Local area campaigns during the year included one targeted on 36 Spanish municipalities with the slogan "We believe in…". This was not only well received by the media but served as a stimulus to local business and won new individual and business customers for the Bank. In addition, a special initiative aimed at foreign customers was designed and implemented with the aim of boosting the Bank's position as a market-leading national player for the full range of financial services, with the strapline "Specialists in serving you here as you'd expect to be served there".

As part of the Bank's "Opportunity Madrid" plan, designed to promote continued growth in the number of corporate, business and high- and middle-income individual customers within the Madrid region, the year saw account management capabilities being strengthened at all branches where there was potential for growth. In June 2014 a dedicated customer-winning team was set up and is operating under a new "active management" model. The account manager, and the special personal relationship built up between account manager and customer, are central to this new approach. This model maintains and strengthens the Bank's values: trustworthiness, authenticity, communication, desire to serve, professionalism, innovation and modernity.

The Bank's regionally-based brands, which have been retained out of respect for the long-established presence and good standing of local banks acquired in the last few years, continued to show an improved performance in terms of business margins, new customers (individuals and businesses) and market shares, and to gain leading positions in market segments such as ICO-sponsored credit schemes. All these brands saw increases in customer numbers thanks to proactive efforts to win new customers by entering into agreements with key public bodies and private-sector organizations. In addition, all brands performed a highly significant role in the social and cultural life of their regions thanks to their sponsorship and other socially responsible activities in their local communities.

Objectives for 2015

Key action areas for the coming year are industrialization of the sales/promotion area supported by multi-channel marketing, and the new personal banking model, the aim in both cases being continued improvements in profitability. For the corporate segment, the Bank's aim will be to further strengthen its market-leading position with the "Promise to Businesses" plan, whose key features are commitment to good service and the use of remote channels. In specific regions the intention is to continue narrowing the profitability gap of newly acquired branches in Catalonia and Valencia/Murcia, to attract new customers and to increase profitability in other regions of Spain.

Finally, as part of the "Opportunity Madrid" plan a flagship branch will be opened in Madrid to address the need for a new approach in the way the Bank manages customer relationships. The flagship branch will be located on a new, centrally located site designed to raise the Bank's profile and bolster its reputation for innovation and quality of service, in surroundings that visitors will find pleasant and comfortable. It will work to strengthen and add value to relationships with particular customers and provide a state-of-the-art office environment in which the Bank can pilot new approaches to customer care and service.

Customer segments

This section describes the Bank's activities in the corporate, business, central and local government, and individual customer segments.

Companies, businesses, government and local authorities

In line with its current 3-year business plan, 2014 was another "more businesses" year for Banco Sabadell. In the course of the year 95,432 businesses were enrolled as Banco Sabadell customers, an increase of 4.1% over the previous year. Market shares surged in the small and midsize business and large corporate segments, having risen by 7.6% and 3.3% respectively by the third quarter. Significantly, large corporates accounted for 69.7% of the division's business and public sector customers. This was due in large measure to the added value afforded by our network of dedicated branches serving large corporate clients. At the end of the year there were 69 of these specialist branches covering every part the country.

A key priority for the Bank in 2014 was to make it easier for businesses to obtain credit. It was this that led to the "Believe" campaign, which grew out of a desire to make credit more readily available to businesses and contained a promise by the Bank to respond to applications for credit within six days. A commitment to give prompt answers to enquiries that has more than been fulfilled: response times are averaging just 3.2 days. The "Believe" campaign, along with a major promotional effort, resulted in some €34,000 million in new finance being agreed. The Bank remains committed to increasing its lending to customers, subject always to having full knowledge of customers and their needs and after carrying out the careful, rigorous scrutiny that characterizes its risk acceptance policy and the Group generally.

The unit maintained its focus on broadening its range of financing products, especially to meet working capital requirements. Despite a backdrop of declining credit availability in the Spanish market, a satisfactory performance was achieved. Specialist financing such as factoring (11.7% market share) and reverse factoring (10.1% market share) increased over the year, especially in cross-border finance, ensuring that for another year customers had a solution to their payment and collection control requirements anywhere in the world. At the same time, as envisaged in the Triple business plan, the unit worked hard to develop and extend its product range by being innovative and leading the way in growing transaction volumes and making it easier for customers to move into markets where the Bank has a presence.

Another key loan product for businesses and sole proprietors that received much attention during the year was finance provided under Official Credit Institute ("ICO") schemes, in which the Bank´s share rose to 17.5%, putting it in third place in the league table of lenders of ICO finance. The most successful of the ICO-backed schemes were ICO Business and Entrepreneur and ICO Exporter, with totalling €3,009.8 million and €603.2 million respectively. The Bank was the biggest provider of finance under the "ICO International" and "ICO Guarantee SGR" schemes, having arranged 26.3% and 30% of the funding disbursed under these two schemes.

The Bank also entered into partnership agreements with mutual guarantee societies represented by the Spanish Confederation of Mutual Guarantee Societies (CESGAR) and with the Spanish Refinancing Company (CERSA), an agency of the Spanish Ministry for Industry, Energy and Tourism. The purpose of the agreement was to facilitate the provision of €400 million in funding for small and midsize companies (SMEs) and sole proprietors. An increased funding agreement with the European Investment Bank to fund loans to customers enabled the Bank to offer business customers €700 million in additional finance.

In the foreign trade arena, an international business website was set up with a far stronger focus on services to business, particularly in foreign trade and markets likely to be attractive to Spanish companies. The "Export to Grow" programme was continued and exporting meetings were organized, mainly for firms in the fruit and vegetable and wine industries, obtaining high approval ratings. A programme of seminars was started, focusing on markets covered by the Export to Grow programme. "Next Step Mexico", an 8-session course that was attended by more than 1,000 companies.

A significant highlight in the area of medium and long-term finance was the growth in the Group's fleet rental and contract equipment leasing operations ("Sabadell Renting") with business increasing by 9.5% and 52.15% respectively. This is a further boost to the Group's leading position as a provider of energy-efficient solutions for customers as well as support for technological change in such areas as lighting, building envelopes, sanitary water heating, climate control and renewable energy sources (geothermal, solar, photovoltaic) as required by the EU's energy efficiency Directives 2010/31 and 2012/27. It is also a provider of finance to end users, energy services companies and suppliers of different forms of energy. A steady rise in sales to major fleet operators during the year led to the creation of a new dedicated unit to serve this business sector. A project was also launched to take the Group's contract leasing business into foreign markets by making agreements with other operators to serve customers expanding outside their home market.

As required by the Triple business plan, the leasing business is looking to develop the potential of sales channels such as sales introducers/agents, which enable customers to obtain extra income by offering finance along with their products. Channels used by individual customers proved to be a key instrument in raising the profile of the rent-a-car operation, with attractive offers designed to appeal to the youth market. These younger users tend to prefer pay-as-you-go options and are ever more demanding in relation to both service and tools for online access, such as apps and websites, in their interaction with Sabadell Renting, the Group's specialist vehicle leasing subsidiary. Tools like these are seen as vital not only to keep track of the services being provided but also to give maximum service flexibility to customers while on the move.

The business customer segment saw a steady increase in sales in line with the growth seen in the preceding years. The "Cuenta Expansión Negocios" account was once again the key product in the campaign to win and retain new customers. It was also a key tool for customers in their day-to-day banking operations and this was helped by a user support plan launched in 2012. The plan was designed to maximize the business opportunities provided by the large number of business customers and ensure a high quality service, as well as to forge links with customers at an early stage in the relationship through centrally planned initiatives. Another important aspect in the management of business customers during the year was a review of agreed overdraft limits to help meet the financing needs of sole proprietors, small retailers and other small businesses. Overdraft facilities amounting to €2,500 million were offered to 178,000 customers; the resulting increases in overdraft finance and in customers benefiting from them were 230% and 250%, respectively, compared with 2013. Since the new policy came

Banco Sabadell is the "more businesses" bank.

Thousand euro

T2 Companies, businesses, government and local authorities

	2014	2013	% 14/13
Net interest income	**892,582**	**683,779**	**30.5**
Fees and commissions (net)	239,011	217,905	9.7
Other profits/(losses)	(3,508)	6,811	—
Gross income	**1,128,085**	**908,495**	**24.2**
Business volumes (€Mn.)			
Loans and advances	43,327	43,644	(0.7)
Customer funds	37,715	35,221	7.1
Securities	4,579	4,276	7.1
Loan loss ratio (%)	**10.3**	**11.9**	**—**

into effect in 2012, the Bank has granted credit totalling almost €4,000 million to more than 270,000 Spanish businesses.

In 2014 a series of coordinated actions focusing on retail establishments was launched as part of the “We believe in...” campaign in 36 towns and cities all over Spain, with more than 36,000 outlets being visited. The aim of the campaign was to encourage people to visit shops in their neighbourhood, spend some money and thus give a boost to business activity in Spain’s towns and cities. The message was clear: to believe in a local neighbourhood is to believe in its local traders. Key to the campaign’s success was the involvement of branch managers, who personally visited each shop in their neighbourhood to present the campaign, thus creating opportunities for winning and strengthening relationships with customers in the local retailer community. In each local area the campaign was supported by press, radio and billboard advertisements, giving it widespread diffusion and a resounding media impact.

Another significant development during the year was an intensified effort to target the franchising industry. This resulted in a number of industry partnership agreements which were instrumental in generating more than €200 million in new lending —a 35% increase on the previous year— to over 1,000 franchisees. The Bank also increased its attendance at franchising industry meetings and conferences, thus consolidating its position as a leading provider of financial services to the industry.

In the Bank’s approach to the government and local authority sector, the year saw continued efforts and successes in meeting the aims set out in the Triple business plan. A major promotional effort was successful in securing public sector contracts with impacts on large sections of the public, thus increasing the number and diversity of transactions and preventing the build-up of business over-concentrations. Public sector contracts of this kind resulted in increases of 30.1% in transactions and 20.4% in revenues, placing the Bank among the leading providers of financial services to central and local government. Banco Sabadell remains, in any case, a leading financial industry player for the public sector thanks to its innovative offering of products and services for public bodies.

In its business with institutional clients, the Bank maintained and built on its success in attracting deposits. Bringing down funding costs remains a priority for the Bank and the inflow of deposits is helping to increase margins for the unit. In accordance with the Triple business plan, this has helped in winning customers who wish to use the Bank to invest or safekeep their assets. Improvements to the Bank’s offering of products to attract more funds from institutional clients were followed by the launch of the first hedge fund by Banco Sabadell open to third parties (Aurica III).

Another key development in 2014 was the setting up of two new business units, Sabadell Negocio Agrario and Sabadell Negocio Turístico. This will underpin the growth of a high-value, comprehensive service to firms and individuals working in the agriculture and tourist industries, with both units coordinated by teams of expert managers whose aim will be to position the Bank as a leader in serving these two industries.

Individuals

In 2014 the integration of Banco Gallego and Lloyds International Bank (renamed Sabadell Solbank) was brought to completion. This inorganic growth brought in more than 150,000 customers, over and above a net increase of 347,424 individual customers.

The Bank’s performance in 2014 was made possible by the success of a strategy based on two key aims: first, having a competitive product offering and continuously developing its capabilities so as to become our customers’ main bank; and second, making renewed efforts to raise its profile.

Key to the first of these aims was developing ways of doing business that were aligned with the needs of each customer. For middle-income customers the emphasis was on products and efficiency, while for personal banking customers it was on personalization and differentiation. This realignment was accompanied by a major effort and shift of focus at branch level and the progressive roll-out of self-service facilities to meet customers' requirements.

With regard to the second aim, profile raising, a big impact on the individual customer segment was scored by the "Creer" (Believing), "Cerca" (Closeness) and "Creemos" (We believe) promotional campaigns. To promote the Bank's real estate business to the private customer, a high-intensity campaign was launched to raise awareness of Solvia, the Bank's real estate brand specializing in property sales and related services, including finance.

As for the personal banking customer segment, actions directed at this group were affected by lower risk premia and continual reductions in interest rates by central banks. Even so, there was a substantial inflow of customer savings into mutual funds, which grew by €3,595.8 million and raised the Bank's share of the market from 4.1% to 5.1%. A new addition to products targeted on the personal customer group was Sabadell eBolsa, a securities service launched in October. The aims behind the new service are to increase market trading for retail investors, position the Bank as a leading player in this segment of the securities industry and grow its securities management and custodian services business as one of the strategic growth drivers envisaged by the Triple business plan. In setting up Sabadell eBolsa, the intention was to leverage the Bank's sizeable share of the Spanish securities brokerage market (at 10%, the second largest according to the stock exchange management company, Bolsas y Mercados Españolas) and its dealing capabilities to double the number of contracts per branch and win new customers.

For the middle-income sub-segment, which now accounts for 82.8% of the individual customer base, one of the main priorities was to "be our customers' main bank". Our success in achieving this aim was reflected in a marked increase in customer account activity (regular income payments, credit/debit cards and utility bills); this was possible thanks to a competitive product offering that included the "Cuenta Expansión", a major policy realignment at branches, a series of centrally managed initiatives and continuing service excellence.

New housing loans increased 69.3% by value (53.8% by number of loans), bringing the Bank's share of new housing loans up to 7.4% by value and 7.0% by number of loans in the year to September 2014. The corresponding figures for the year to September 2013 were 4.9% and 4.8% respectively. This growth consisted very largely of loans for non-subsidized housing and the number of loans to owner/occupiers was down on the year before. Loans for unsubsidized housing accounted for 61.5% of the total in 2014, compared with 39.8% in 2013.

In personal loans, loan approvals were up 69.5% by value compared with the previous year. This result was achieved thanks to intensified business development activity by branches, greater promotional use of remote distribution channels, the success of "Linea Expansión", a low-value credit product for households, and a higher uptake of study loans available under agreements with business schools and universities.

Our payment media business continued to expand at the excellent pace observed in recent years. The number of debit and credit cards in use increased to 4.4 million, a rise of 8.8%. Card billing was up by 24%. The EFTPOS business also showed substantial increases on the previous year, with billing up by 26% and the number of EFTPOS users rising by 16%. During the year the platform was upgraded to support new mobile payment technologies and a number of projects were put in hand to provide international payment solutions for retailers and other businesses. The Bank was able to position itself as a market leader in handling payments for online sales, which saw a year-on-year increase of 131%. Banco Sabadell was named Best eCommerce Payment Provider at Spain's leading industry event for e-commerce practitioners.

With regard to the resident expatriate customer segment, in 2014 the Bank's market position was boosted by a business relaunch campaign with the slogan "Specialists in serving you here as you'd expect to be served there". The campaign emphasized the Bank's experience and know-how in supporting customers from foreign countries and gave credence to the idea that with Banco Sabadell, customers are guaranteed the same degree of solvency, reliability and good practice as they would get from a financial institution in their own country. The campaign coincided with a series of improvements in the approach used in serving foreign customers and in its specially targeted value offering. The combination of all these measures and changing market conditions helped the Bank to see improved business metrics in all areas related to the expatriate segment: customer numbers increased by 28.8% and new mortgage loans by 58.2%. Moreover, it became increasingly clear that 2014 was the turning point in Spain's attractiveness to foreigners as a country in which to place their assets, as confidence in the country returned. The volume of funds under the Bank's management increased

Strong performance in 2014 was possible thanks to our competitive products, expanding capabilities and investment in profile-raising.

Thousand euro

T3 Individuals

	2014	2013	% 14/13
Net interest income	**885,887**	**669,900**	**32.2**
Fees and commissions (net)	397,259	358,506	10.8
Other profits/(losses)	(73,462)	(58,543)	25.5
Gross income	**1,209,684**	**969,863**	**24.7**
Business volumes (€Mn.)			
Loans and advances	36,526	38,312	(4.7)
Customer funds	53,070	52,909	0.3
Securities	4,099	4,148	(1.2)
Loan loss ratio (%)	**10.3**	**11.0**	—

by 8.3%, reversing the trend of the last few years. At the close of the year the Bank's foreign customer base totalled 430,000 resident expatriates accounting for a total of 8,469.1 million in assets under management.

Finally, ActivoBank concentrated on wealth management for its 56,000 customers and recorded a total of €1,327.1 million in assets under management at the end of the year. Key highlights were increases in off-balance sheet funds of 9.6% and, especially, in mutual fund assets, which were up 22.1% and reached a total of €113.7 million.

Trading brands

The Bank's regionally-based brands, which have been retained out of respect for the long-established presence and good standing of local banks acquired in the last few years, continued to show an improved performance in terms of business margins, new customers (individuals and businesses) and market shares, and to gain leading positions in a variety of market segments. All brands performed a highly significant role in the social and cultural life of their regions thanks to their sponsorship and other socially responsible activities in their local communities.

Some of the more notable successes scored by Group brands in 2014 were as follows:

SabadellHerrero

The year 2014 was a turning point in the demand for credit from households and businesses. In these circumstances SabadellHerrero worked hard to increase its lending and improve its share of loans granted in Asturias and León. Lending showed a year-on-year increase of 3.5%, well above the figure for the banking industry as a whole within the area served by the brand.

A clear indication of this growth was that, for another year, SabadellHerrero captured the largest share —30%— of ICO-sponsored finance in Asturias, and the second largest in León, with 23%. To the Herrero brand's tradition of serving the business community was added the commitment to meet the demand for credit from customers, a key priority of the Bank. This commitment was embodied in a promise to respond to loan applications within a maximum of seven days. The reality was, in fact, better than the promise, and answers to applications were being received from SabadellHerrero within Commercial Banking's average time of 3.2 days.

The ability to meet customers' expectations in this way was a major factor in justifying SabadellHerrero's reputation for quality of service.

According to independent survey data from STIGA/EQUOS, SabadellHerrero scores well above the average for quality of service within the market it serves.

One consequence of constantly striving to meet customers' needs and maintaining high quality standards was a steady increase in its customer base over the year, with a gain of 17,866 individual customers and 2,905 business customers. Its tireless efforts to forge partnership agreements with business, trade and professional associations were key to securing this growth in customer numbers.Chief among these partnerships were: an agreement with the Asturias Federation of Metalworkers, the region's most important trade association and one that combines the traditions of a regional industry with a strong focus on exporting; and a multi-party agreement aimed at increasing the supply of credit to entrepreneurs and businesses within the province of León. The latter agreement was achieved thanks to the combined efforts of the provincial government, the León Enterprise Federation, and the León and Astorga Chambers of Commerce and SabadellHerrero.

These efforts in support of business were recognized by the León Enterprise Federation, which named Pablo Junceda, the Bank's Assistant General Manager and Head of its North-eastern Region, León's Businessman of the Year for 2014. This was the first time in the award's 23-year history that a financial institution had been so honoured.

Another award with strong business associations, which entered its fourth edition in 2014, is the Álvarez-Margaride prize, which is given, on the recommendation of SabadellHerrero and the APQ (Asturias Patria Querida) Association, for outstanding achievement in business. This year the prize went to an Asturian businessman, Francisco Rodríguez, president of ILAS (Industrias Lácteas Asturianas) who has made Asturian milk products well known all over the world through dedication, innovation and talent.

And it is talent, precisely, that the Bank promotes and supports through the Banco Sabadell Foundation. This support takes the form of agreements with the universities of Oviedo and León for the provision of grants to enable students to apply their training in the practical day-to-day business of a bank. The Foundation also funds grants to undertake work experience at the Inter-American Development Bank. These grants enable top-performing students from the University of Oviedo to obtain training of the highest order at the Bank's headquarters in Washington DC. As part of its work to promote talent and excellence the Banco Sabadell Foundation, in the 20th year of the SabadellHerrero Prize for Research in Economics, awarded its prize for Best Young Economist to Natalia Fabra, a lecturer at the University of Carlos III, Madrid and a specialist in regulation and competition policy.

Notable examples of support provided by the Bank in the cultural sphere could be seen in events organized by the SabadellHerrero exhibition hall in Oviedo in partnership with the Asturias Regional Government's department of Culture and sponsored by the Bank, and an agreement with the Oviedo Opera Foundation to sponsor a work in the Oviedo Opera's forthcoming season. The Bank's support was also visible in its sponsorship of Oviedo Opera cards for Members and Friends. Scientific research was another beneficiary of SabadellHerrero support through the new Asturias Foundation for Biosanitary Research ("FINBA"), of which the Bank is a major sponsor.

SabadellGallego

SabadellGallego, the regional brand created when Banco Sabadell's existing branches in the Galicia region and those of Banco Gallego were brought together under a single umbrella, began the year 2014 with the challenge of integrating the operations of both networks. A time-saving, rapid integration that would enable all branches to operate with the new business and IT systems without affecting the service to customers was critical to ensure a successful merger.

The speed and precision of the work was such as to make the SabadellGallego integration the fastest of any integration carried out to date, being completed in just four months without hitches or delays of any significance. The exercise was conducted with the help of support teams from all over the organization and was accompanied by refurbishments to branches and cash machine upgrades. Increases were made in staffing at branches in rural areas to enable them to remain open for a full working day and not only on certain days or at certain hours.

The highly efficient operational integration was completed without any impairment to customer service or to the conduct of business. Quality of service improved considerably from March 2014 when integration was completed and by the latter part of the year was not only above the average for banks serving the Galician market but was probably up to the standards of the top Spanish banks and coming close to Banco Sabadell's own standards of excellence.

The growth in SabadellGallego's customer base can thus be seen as the result of new, more powerful information and business systems and continual improvements in quality of service. A total of 16,057 individuals and 5,176 businesses were added to the Bank's customer base in Galicia, far exceeding the growth numbers recorded in previous years. Agreements were entered into with the Confederation of Galician Businessmen ("CEG") and other provincial and industry organizations and a number of chambers of commerce. As a result of these agreements the Bank was able to increase its share of loans granted within Galicia, which was up by 7.5% on the previous year.

Another key customer group for the Bank was primary and food and agriculture industries, with agreements being reached with agriculture and livestock cooperatives and fishery associations. By the end of 2014 the Bank was in partnerships with 85% of Galicia's largest food, agriculture and fishery businesses and cooperatives (firms with sales of more than €10 million) and had made solid progress in its dealings with the sector and increased its revenues twofold.

In the social and cultural domains, the Banco Sabadell Foundation began a collaboration with universities in Galicia and signed an agreement with the Galician Business Universities Foundation ("FEUGA") for 40 graduates to undertake work experience, 30 of them with the Bank itself and another ten with the Galicia Association of Nonprofit Workplaces for Persons with Disabilities ("CEGASAL"). In the specifically cultural sphere the Foundation sponsored an exhibition entitled "Fresh Water" organized by the Galician Regional Government's Department of Culture, Education and Universities in Santiago de Compostela's Culture City. The exhibition was seen by 40,000 people and featured 700 artworks in a variety of disciplines.

SabadellGuipuzcoano

Following the guidelines set out in the Triple business plan, business objectives at SabadellGuipuzcoano in 2014 were centred on profitability. Notwithstanding the price war being waged in the banking sector, SabadellGuipuzcoano was able to increase its income by actively managing its extensive customer base, which had grown significantly thanks to its efforts to win new customers in the last few years. With its enlarged customer base SabadellGuipuzcoano was able to claim substantial shares of the local business customer market (32.1% of SMEs and 71.1% of large corporates). This made it possible for the Bank give a major boost to its lending which resulted in a rise of 3.1% in the outstanding balance of loans and advances, while maintaining a loan loss ratio of just 6.1%, well below the average for other Group brands and for the industry as a whole.

New business generation was also at a high level in the individual customer and retailer segments, with the Bank increasing its share of this market by 7.5% to reach 5.7%, above its 5.4% share of the region's bank branches. The branch network successfully absorbed the new branches in its region that were added as a result of the integration of Banco Gallego and Lloyds International Bank (renamed SabadellSolbank). It was further enlarged by the opening of a new urban branch in Logroño, making a total of 131 branches well distributed throughout the Basque Country, Navarre and La Rioja.

SabadellGuipuzcoano has made itself one of the best-known financial services brands within its geographical area and has achieved high levels of brand recognition based on an exceptionally high degree of affinity with the local community. This has been helped by a continuing high level of locally-focused activity.

One of its most notable successes was in the area of business collaboration agreements. These included agreements with the local development agency for practically every district in the region and with the main business federations in Bizkaia (CEBEK) and Gipuzkoa (ADEGI).

SabadellGuipuzcoano also continued its very active programme of external promotion and event sponsorship. In the social and business domains, this included sponsorship of the Basque Enterprise Evening in Bilbao and the Guipuzcoan Industry Prizes, as well as organizing the ninth International Business Day held, on this occasion, at the Kursaal Palace in San Sebastián.

In the sporting arena, the Bank's support programme included sponsoring the Tour of the Basque Country cycle race; in the cultural sphere it sponsored the widely admired San Sebastián Gastronomika food fair and funded a research grant to BioDonostia through the Banco Sabadell Foundation.

SabadellCAM

The main action areas for SabadellCAM in 2014 were focused on achieving the target rate of return set by the Triple business plan. A key priority was to bring about improvements in service quality, customer care and closeness to the customer and strategies were drawn up to increase new business development, leading to almost 3.5 million commercially useful contacts between account managers and customers.

Shareholders and customers are aware of the advantages in being one of the country's best capitalized banks with a solid liquidity position and well regarded by markets and investors. After a transitional phase in which branch networks were being integrated, efforts were focused on boosting profitability ratios. This was the right time to extract value from the newly-acquired capacity, further enlarged in 2014 by the addition of branches from Banco Gallego and Lloyds International Bank (SabadellSolbank).

The hard work done to meet this goal and the trust placed in us by business people and the general public helped us to win more than 94,000 customers. Moreover, customer quality surveys show that quality standards are now back where they were before the mergers and are in line with those generally applicable throughout Commercial Banking.

SabadellCAM launched a pioneering initiative in setting up new-style "dual" and "quick service" branches in Novelda and Elda respectively. The aim here was to offer customers a greater variety of self-service facilities such as ATMs and change dispensers with a wider range of features to make it quicker and easier for customers to do their banking. This enabled the Bank to improve its efficiency without any loss of personalized attention or professionalism in dealing with customers.

The year 2014 saw the value of personal loans and credit facilities granted to customers increase to €1,704 million, 17% up on the figure for 2013. Mortgage loans to individual borrowers doubled both in value and in number with respect to 2013 as residential property prices stabilized and the real estate and financial services industries returned to normal, with high inflows of non-resident visitors from abroad providing an added boost. These non-resident foreigners accounted for one fourth of the total volume of mortgages granted by SabadellCAM and 25% of real estate purchases from the Bank's real estate subsidiary, Solvia. This last number is an indication of the valuable synergies between introductions from the branch network and the Solvia sales team. There can be no doubt of the importance of SabadellCAM for Solvia's property sales, given that as much as 41% of the total number of sales by Solvia in the Spanish market —almost 6,523 units with an overall value close to €879 million— were made within the region served by SabadellCAM.

The resident expatriate sector was one of the main targets of sales initiatives and awareness-raising campaigns. SabadellSolbank, strengthened by the merger with Lloyds International Bank, enjoys a privileged position as a leading brand serving the expatriate community, which has a significant presence in the regions of Valencia and Murcia and the Balearic Islands.

With regard to business customers, for the second year in succession SabadellCAM secured a leading position among financial institutions in channelling business loans under ICO schemes, a clear indication of its ongoing support for small and midsize businesses in the three Spanish regions served by the brand. In addition, a large number of meetings were held in the five provinces to promote international trade, and this led to an increase in income from cross-border operations fuelled by rising exports and companies taking the "export to grow" route. SabadellCAM was involved in more than 1.7 million cross-border transactions with an overall value of more than €9,200 million.

Other important events in 2014 included the signature of numerous collaboration agreements with public sector bodies, business federations, local authorities and regional governments, as well as the publicizing of Banco Sabadell's new entrepreneur programme, BStartup.

A key priority was for the SabadellCAM brand to become yet more closely associated with the social and cultural life of the region. Actions to achieve this aim included organizing and sponsoring exhibitions and concerts and designing programmes for the Principal Theatre in Alicante, of which the Bank is a shareholding partner. Another act of sponsorship by the bank was to loan to the University of Alicante, for an initial ten-year period, a landmark building in the Calle San Fernando with the aim of strengthening its links with one of the most representative institutions in the province of Alicante. All these actions were of necessity carried out with the involvement of the Banco Sabadell Foundation.

The assistance programme put in hand by the Bank to help former employees enrolled in the programme to re-enter the world of work and a number of initiatives to create employment were wound up during the year. Both programmes brought substantial benefits to the social and economic life of the regions of Valencia and Murcia. One of these programmes, when it came to an end, had helped 70% of those who had enrolled to find work. Another was a project to revitalize the economies of the Valencia and Murcia regions by offering incentives for the creation of employment. The final outcome was that 705 jobs were created, 50% more than the 500 expected at the start of the project. The plan will continue to benefit the region of Murcia, as the agreement between Banco Sabadell and C-Tracción remains in effect and is expected to generate more than 1,000 jobs.

BStartup

Most of the key initiatives launched in 2014 by the Bank's Enterprise Department, set up in late 2013, were undertaken in the context of the BStartup programme. The programme has the aim of positioning Banco Sabadell as the bank most supportive of start-up businesses, and places special emphasis on firms working in the digital/technology sphere where the potential for scalability is greatest.

Some key elements of the programme were, first, designating 71 specialist branches and setting up a special risk analysis procedure that would serve business start-ups more effectively; and second, working closely with the Bank's Open Innovation programmes and taking part is a variety of events designed to publicize the initiative.

One such event was the BStartup10 initiative, in which the Bank is investing €1 million a year in ten firms at the seed capital stage of development. The ten businesses are offered a highly intensive programme with the seed accelerator Inspirit to help them become established in the marketplace and gain access to further injections of capital to continue their growth. In the first two calls for applications for BStartup10 made in 2014, projects were presented by 749 firms, from which 10 projects were selected and funding was finally granted for nine. The third call for applications closed on 21 December 2014 and 490 businesses applied, from which another five companies were selected during the early months of 2015. In its first year the programme generated enormous publicity, with numerous media appearances and a big social media impact; it also involved participation in 66 events.

By the end of the year collaboration agreements had been signed with 15 companies that support entrepreneurs all over Spain and are in a position to recommend the Bank's products and services.

With regard to direct lending to business start-ups, a total of 626 loan applications were received amounting to almost €40 million; 528 of these applications, for amounts totalling €32.4 million (81.1% of the total), were approved.

Occupational groups and agent partners

In the Bank's work with professional associations, occupational groups and agent partners, the key aim in 2014 continued to be the winning of new customers in the individual and retailer categories and among professional partnerships and firms. At the end of the year 2,285 collaboration agreements with professional associations and occupational groupings were in existence covering a total of 2,248,669 individual members, of whom 568,478 were customers of the Bank and accounted for more than €18,350 million in deposits and other funds.

Banco Sabadell is an industry leader in doing business with professional/occupational groupings throughout the country. The special nature of its service is based on keeping in close and frequent touch with the association or other grouping, thus enabling it to be aware at all times of each grouping's specific needs and to provide the most effective solutions.

The Bank's agent partner network is seen as an efficient channel for capturing new business; in 2014, 29,000 new customers were recruited in this way. New customer deposits generated by this business amounted to more than €6,000 million.

Bancassurance - a key part of the Triple business plan.

At 31 December 2014, the total volume of funds under management in insurance and pension plans was €11,840.9 million. Issued premiums on life and non-life policies totalled €256.3 million. The Group's insurance and pensions business generated an overall net profit of €241.5 million.

The Bank extended its offering of insurance products to customers of the recently acquired Banco Gallego and Sabadell Solbank on the day on which they were merged into the Bank in March 2014.

In March the Group's life insurance subsidiary Mediterráneo Vida, Sociedad Anónima de Seguros y Reaseguros concluded a reinsurance treaty with reinsurers SCOR Global Life Reinsurance Ireland Plc, for its individual life and permanent disability portfolio at 31 December 2013. Total premiums for reinsurance credited to the income statement of Mediterráneo Vida, and therefore the Group, were €82.1 million.

In 2014 the Bank continued its reorganization of Bancassurance arrangements inherited from recently merged organizations.

In February the Bank acquired the 75% stake in Banco Gallego Vida y Pensiones held by Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A., thus becoming the owner of 100% of the share capital of the company.

In May 2014 the Bank concluded an agreement with Zurich, the insurers, under which exclusive distribution rights for the insurance and pensions products of the following joint venture partners would be extended to all Banco Sabadell branches in Spain: BanSabadell Vida, Sociedad Anónima de Seguros y Reaseguros; BanSabadell Pensiones, Entidad Gestora de Fondos de Pensiones, S.A., and BanSabadell Seguros Generales, Sociedad Anónima de Seguros y Reaseguros. The agreement, in essence, was to effect three transactions:

First, exclusive distribution rights in respect of life insurance products (except for group savings products for large companies) were transferred from Mediterráneo Vida, S.A., Compañía de Seguros y Reaseguros to BanSabadell Vida, with effect from June 2014.

Second, exclusive distribution rights in respect of pension plans (except for employment-related pension schemes) were transferred from Mediterráneo Vida, S.A., Compañía de Seguros y Reaseguros, along with its portfolio of individual pension plans, to BanSabadell Pensiones, with effect from June 2014.

Third, the whole of the share capital of Mediterráneo Seguros Diversos, S.A., a company acquired as part of the takeover of Banco CAM, was sold to BanSabadell Seguros Generales by Gestión Financiera del Mediterráneo, S.A. (a wholly-owned Banco Sabadell subsidiary) and Banco Sabadell, following Banco Sabadell's purchase of a 50% holding in Mediterráneo Seguros Diversos from Caja de Seguros Reunidos, S.A., by exercising the purchase option it held on that holding. As a result of these transactions BanSabadell Seguros Generales acquired exclusive distribution rights in respect of general insurance written by Mediterráneo Seguros Diversos.

The reorganized Banco Sabadell insurance and pensions business that resulted from these arrangements was as follows:

— Sabadell Vida, Sabadell Pensiones and Sabadell Seguros Generales, operating as a joint venture with the Zurich insurance group since 2008.
— Mediterráneo Vida and Banco Gallego Vida y Pensiones, wholly-owned subsidiaries of Banco Sabadell Group.
— Sabadell Mediación, a bancassurance tied agent, as a bank tied broker.

Sabadell Vida

Total premium income in life insurance for the year 2014 was €1,297.3 million, with Sabadell Vida ranking in eighth place among Spanish life offices according to recent data published by ICEA, a research organization for the insurance and pension industries.

In death benefit insurance (including personal accident), premium income totalled €144.1 million, up 38% on the year-end figure for 2013. Free-standing life policies sold well, with the Life Care product generating €58.5 million in premium income, a 32% increase. In life-with-savings products, savings under management reached a year-end total of €5,021.8 million. This ranked Sabadell Vida in ninth place among its Spanish life industry peers according to recent data from ICEA. Sabadell Vida made a net contribution to Group earnings of €38.3 million.

Sabadell Pensiones

Funds under management by Sabadell Pensiones reached an end-2014 total of €3,473.8 million. Of this total, €2,070.6 million related to individual and group pension plans —up by 8% on 2013— and €1,403.2 million originated from company schemes, up 35% on the 2013 figure. On these measures, Sabadell Pensiones ranked 10th in the industry as a whole according to recent data from Inverco. Sabadell Pensiones made a net contribution to Group earnings of €1.4 million.

The company is a signatory of the United Nations Principles for Responsible Investment in the "investment manager" category: The principles cover social, environmental and governance criteria in investment policies and practices. Sabadell Pensiones sells a socially responsible investment product with a humanitarian bias and donates a portion of its management fees to humanitarian aid and development projects. This product is the "Ethical and Solidarity" pension plan, which has €16.3 million in assets and 1,256 planholders. 50% of its management fees are donated to Intermon Oxfam.

Sabadell Seguros Generales

Premium income for the Group's general insurance provider in 2014 was €108.5 million. Sales of company policies did especially well, with premium income increasing by 46%. Sabadell Seguros Generales made a net contribution of €2.4 million to Group earnings.

Sabadell Previsión, EPSV

Sabadell Previsión, a voluntary social insurance society, distributes pension/retirement plans within the Basque Country. In 2014 the society held €341.4 million in savings under management, a volume increase of 6%.

Mediterráneo Vida

The company's insurance operations in 2014 generated premiums and contributions of €259.1 million, of which €35.4 million were death benefit (including personal accident) policies. In the life-with-savings business the company ended the year with provisions totalling €1,916.8 million. Mediterráneo Vida contributed a net profit of €176.4 million to Group earnings. This includes exceptional income received on the signature of a reinsurance treaty with SCOR and on the transfer of exclusive distribution rights in respect of life insurance and pension plans under an agreement with Zurich as described above.

The company's pension fund management business had a total of €336.4 million under management at the end of the year. Of this amount €281.0 million related to individual and group pension plans and €55.3 million to employment-related schemes.

Mediterráneo Seguros Diversos

The company's total issued premiums for 2014 amounted to €36.9 million. The net profit for the year was €5.0 million. As from 31 October the company came under the ownership of Sabadell Seguros Generales and ceased to write any further insurance.

Banco Gallego Vida y Pensiones

Issued premiums on the company's death benefit policies at 31 December 2014 totalled €1.4 million. Provisions on life-with-savings policies stood at €47 million and pension plan assets at €46.8 million. A net profit was posted of €2.2 million. The company is in run-off and is not writing new business.

Sabadell Mediación

Sabadell Mediación is the Bank's insurance brokerage subsidiary. It operates as a tied agent for bancassurance products and is the company through which distribution of insurance by branches is handled.

The processes of reorganization and bedding in of mergers of bancassurance operators in the insurance industry continued throughout 2014 as the financial services industry consolidated. In line with this trend, the mergers of Galebán Gestión Riesgos S.A. and Lloydesa Operador de Bancaseguros Vinculado, S.A.U. into Sabadell Mediación were completed in March 2014. These two companies were the bancassurance operators for Banco Gallego and Lloyds Bank (now Sabadell Solbank).

As a result of these mergers Sabadell Mediación became the sole bancassurance operator for the Bank's branch network. This meant that Bank was compliant with Spanish legislation, under which credit institutions may only make their distribution networks available to a single bancassurance operator.

Sales commission income totalled €51.1 million and brokered premium income was €1,783.8 million. The net contribution to Group earnings from Sabadell Mediación in 2014 was €20.8 million.

Corporate Banking and Global Businesses

Teams of global bankers specialized in individual business sectors, combined with a direct presence in large corporations' target markets.

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 embrace corporate banking, structured finance, corporate finance, development capital, international trade and consumer finance.

The year 2014 was critical for the Corporate Banking and Global Businesses unit: a time for finalizing and setting in motion plans that would lead to fulfilment of the goals set out in the Triple business plan. Significant progress was made in areas such as internationalization (including a "priority action markets" plan), finalizing a new relationship model for large corporate customers, a start on establishing a corporate banking and structured finance business in Mexico, launching the "Fincom 1000" plan and the design of a new and innovative investment process for BS Capital.

In 2015 the focus will continue to be on transforming and internationalizing our global businesses. Meanwhile it is vital that the action plans laid in 2014 are implemented in the specified time and manner and with the same key priority always in mind: the customer. In addition, this year we will continue to leverage one of our key assets: the ability of all the highly trained people at Corporate Banking and Global Businesses to work together and continue striving to bring to completion a major project that will deliver value for the community and returns for our shareholders.

Corporate Banking

Overview

Corporate Banking is the unit responsible for managing our business with large corporations. The business is handled by a team of global bankers specializing in particular sectors or industries and working from offices in Madrid, Barcelona, London, Paris, Miami, Mexico City and Casablanca.

The team's business model is based on close, strategic relationships with customers. Customers are offered comprehensive solutions to suit their requirements for financial services, ranging from cash management to highly complex solutions to their needs in such areas as finance, risk management or cross-border operations.

Key developments in 2014

During 2014 the Group completed a restructuring of its Corporate Banking organization that began in 2013. 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 Banco Sabadell's large corporate customers benefit from the best possible banking experience. The model is based on close, long-term relationships with customers and aims to provide comprehensive solutions to meet the operational needs of each company and market.

The unit's competence in such areas as advisory services, closeness to the customer or breadth of coverage is supported by the excellence of our middle office team and its ability to ensure that customers' day-to-day transactions are conducted smoothly and swiftly.

The year 2014 saw notable improvements in our "closeness to the customer" business (cash management, payments and collections, etc.), with revenue increasing by 15%. A key policy aim in relation to foreign trade was to have the full resources of the Bank available for this activity. This helped to increase both income (up 32%) and the volume of transactions handled (up 69%).

Profit and loss data for the unit show gross income to be broadly in line with the previous year and this, when set against the unit's costs, shows a very low cost:income ratio of just 13.4%. Loan defaults remained at a level (2.5%) that was very low by industry standards, thanks to large corporates' lower exposure to the performance of the Spanish economy, since exports make up a large proportion of their turnover. For all these reasons we were able to report a profit after provisions of €70 million, down 14% on the previous year as a consequence of an increase in provisions. The unit's contribution to Group profitability (return on equity) for the year was 7.1%.

T4 Corporate Banking

Thousand euro

	2014	2013	% 14/13
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 expenses	(26,596)	(26,274)	1.2
Operating profit/(loss)	**172,284**	**172,639**	**(0.2)**
Losses due to asset impairment	(102,236)	(90,784)	12.6
Other profit/(loss)			—
Profit/(loss) before taxes	**70,048**	**81,855**	**(14.4)**
Ratios (%)			
ROE (profit / average shareholders' equity)	7.1	8.0	
Cost:income (general administrative expenses / gross income)	13.4	13.2	
Loan loss ratio	2.5	2.5	
Loan-loss coverage ratio	58.0	58.0	
Business volumes (€Mn.)			
Loans and receivables	10,820	11,455	(5.5)
Customer accounts	5,177	4,366	18.6
Securities	662	593	11.6
Other data			
Employees	113	110	2.7
Spanish branches	2	2	—
Branches abroad	3	3	—

Structured Finance

Overview

The Bank's structured finance business consists of origination and structuring of corporate and acquisition finance and project finance deals. In addition to traditional forms of bank lending, it has specialized in corporate bond issuance, enabling it to cover the full range of options in long-term business finance. Banco Sabadell's structured finance team operates from offices in Madrid, Barcelona, Alicante, Bilbao, Miami, New York and Mexico City, and has more than 20 years' experience.

Key developments in 2014

The Bank completed another year as an industry leader in structured financing. It is one of the principal banks engaged in the origination and structuring of financing deals for customers, including project finance and corporate and acquisition finance.

During the year Banco Sabadell continued its policy of supporting customers and adapting to meet their new needs as the economic environment in Spain improved, having regard to changing conditions in the credit markets. A key indicator of the strength of business activity in the year was the volume of origination activity which was in excess of €4,300 million, spread over a total of 193 deals.

A notable success on the international front, in accordance with the Triple business plan, was the Bank's launch of a new Mexican subsidiary, Sabadell Capital, through which it participated in numerous syndicated loan deals with Mexican companies. The Bank's structured finance business in the US also did well, with increases being seen both in the number of deals and in direct lending thanks to the work done by the Miami and New York branches. Fee income in these and other foreign markets where the unit operates increased by 71.2%. 31.6% of the fees earned by Structured Financing in 2014 was generated in foreign markets.

Another area of business, aside from more traditional, loan-and-credit forms of finance, was given a boost by a joint initiative with the Bank's Treasury department to raise finance for customers on the bond market, enabling the Bank to position itself as a leading player on Spain's Alternative Fixed-Income Market (Spanish initials: MARF). This new business has increased the Bank's ability to offer customers a wide range of options in long-term finance packages.

Corporate Finance

Overview

Sabadell Corporate Finance is the Bank's subsidiary that advises on mergers and acquisitions, whether in relation to corporate operations such as company sales and acquisitions, or in searches for new or replacement partners or independent value appraisals.

Key developments in 2014

The year 2014 was a busy time for the Group's merger and acquisition advisory business. Seven transactions were brought to a successful conclusion in the sports complex, automotive engineering, logistics, mining, fluid handling, renewable energy and funeral services industries.

The Group holds corporate finance mandates in the specialist retail, homes for the elderly, distance learning, renewable energy, facility services, sports complex and secondary school sectors, all at an advanced stage of execution. Among the year's other milestones were an increase in the number of cross-border mandates thanks to the Terra group with its global network of contacts and its presence in 20 countries, and the launch of a new corporate finance business in Mexico through the forging of links with three local M&A companies.

Finally, in 2014, for the second year in succession the Bank received the accolade of Best Corporate Finance Firm - Spain and M&A Firm of the Year - Spain from the British specialist publication *Acquisition International*.

Driving business in new international markets.

Development capital

Overview

BS Capital is the Bank's development capital unit through which it conducts its business of taking short-term equity positions in non-financial companies and/or projects.

BS Capital channels and manages its investments through three investment vehicles: Aurica XXI for Development Capital, Sinia Renovables SCR for renewable energy projects and BIDSA for investments of a more institutional nature.

Aurica XXI, SCR de Régimen Simplificado, S.A.

Venture capital firm Aurica XXI is the vehicle through which the Bank supports the growth of well-managed non-financial companies with strong, industry-leading positions and a good presence in foreign markets, by providing temporary capital and active assistance.

The keynote to 2014 was active management of the company's investment portfolio. No further acquisitions were made in the period.

Aurica XXI sold its 25% equity interest in Eurofragance, S.L., generating a profit of €9.5 million for the Group.

Sinia Renovables, SCR de Régimen Simplificado, S.A.

Through venture capital firm Sinia Renovables, the Bank acquires, manages and divests short-term shareholdings in companies in the renewable energy sector, with an emphasis on wind power and, to a lesser degree, photovoltaic and small hydroelectric power generation.

During the year the company continued its careful monitoring of the portfolio of renewable energy projects and firms (which together produce an output of over 160 MW) in which Sinia Renovables has direct shareholdings. The Spanish government took steps to provide a stable regulatory framework in Royal Decree-Law 413/2014, thus encouraging investors to return to the Spanish renewable energy sector. Sinia Renovables took the opportunity offered to it and divested its 25% shareholdings in Adelanta Corporación, S.A., generating a net capital gain of €0.9 million, and Parque Eólico Veciana-Cabaro, S.A. (29.27 MW), for a net profit of €0.8 million.

Following these disposals, the renewable energy portfolio managed by Sinia Renovables totalled 127 MW.

International trade

Overview

In its International Operations business the Bank aims to be present in markets that are of most interest to companies actively engaging in foreign trade, and has a large network of foreign branches, subsidiaries and associates to support its customers' operations in other countries. It also maintains working arrangements with more than 2,800 correspondent banks all over the world, thereby providing customers with a further assurance of genuinely global coverage.

For the second year in succession, the Bank won an accolade from the publication Acquisition International.

Key developments in 2014

In 2014 International Operations met all the business development targets that had been set for it in the first year of the Triple business plan in relation to markets, customers and products.

A key event was the Sabadell Banking Conference, the first of its kind to be organized by the Bank's International Operations Division. The event brought together close to 100 financial services firms from 32 countries and provided the Bank with an opportunity to showcase its business strategy, raise its profile, and build closer ties of cooperation and trust with other leading banks and institutions. Direct approaches were made to more than 360 correspondent banks in five continents, enabling the Bank to capture business worth some €1,340 million in cross-border transactions. The Bank also gained healthy market shares in documentary credits received from correspondent banks, winning a 29.8% share of export documentary credits — 5% more than in 2013 — based on SWIFT traffic data.

The International Division underwent a reorganization designed to increase its capabilities and make it a leader in foreign market specialization, in line with the policy set out in the Group's business plan. The intention was also to seize new business opportunities in markets that were of special interest to Spanish companies, whether in connection with their commercial endeavours or with their investment and implementation plans in foreign markets. The Bank has long been a pioneer in building a presence in foreign markets, including such key markets as China where it has two representative offices (in Shanghai and Beijing), India, Singapore, Turkey, the United Arab Emirates and Algeria. This continues to bring significant added value to the international operations of Spanish businesses.

Consumer Finance: Sabadell Fincom

Overview

Sabadell Fincom is a Group subsidiary specializing in point-of-sale consumer finance. It operates through variety of channels and enters into partnership agreements with retail establishments such as auto dealers, shops, dental clinics, hearing aid centres, beauty parlours, home equipment suppliers, etc.

Key developments in 2014

The fist signs of an upturn in private consumption and consumer lending helped Sabadell Fincom to see an increase in the number of loans compared with the previous year, as well as an increase in market share. Business volumes continued to improve during the year compared with previous years, with significant improvements in interest spreads and operating income.

Efficient debt recovery processes led to a further reduction (3.9%) in loan delinquencies.

During the year a total of 185,000 new loans were arranged through 6,000 points of sale all over the country. The amount of new lending arranged in 2014 totalled €340.9 million. To support business growth Sabadell Fincom continued to roll out a programme of operational and technological improvements. The latter included the introduction of electronic signatures to loan agreements on mobile devices or tablets. All these improvements helped to bring down the cost:income ratio to 32% by the end of the year.

The Sabadell Banking Conference – a first for Banco Sabadell.

Markets and Private Banking

Markets and Private Banking showed once again that it was well equipped to create and supply high added-value products and services to deliver good returns to customers, increase and diversify the customer base and ensure that investment processes remained consistent and were based on disciplined analysis and proven quality. There was a also move towards a multi-channel approach to customer relationship management. Markets and Private Banking comprises the following units: SabadellUrquijo Private Banking; Investment, Products and Research; Treasury and Capital Markets, and Securities Trading and Custodian Services.

The Bank has a design and approval process for products and services which ensures that the full range of offerings available to customers more than meets their requirements in terms of quality, returns and ability to meet the needs of the market. Constantly reviewed identification and "know your customer" procedures and practices ensure that products are offered and investments are selected and managed with customers' profiles firmly in mind and that all investor protection measures are complied with as required by the Markets in Financial Instruments Directive (MiFID) and its provisions as transposed into domestic law.

The effort put into designing a range of products and services to meet the needs of each customer continued to strengthen and enhance the Bank's position as an intermediary and a provider of access to new markets and its ability to offer customers new services, create new opportunities in collective investment and raise the profile of the brand under which we operate in this business: SabadellUrquijo Banca Privada.

SabadellUrquijo Private Banking

Overview

SabadellUrquijo Private Banking is the department of Banco Sabadell that concentrates on offering integrated solutions to customers requiring a specialized service tailored to their particular requirements.

The unit comprises a team of 185 private bankers working from 12 specialist branches and 19 customer service centres. It can also count on the support and assistance of expert product, tax planning and wealth management advisors.

The year saw continued efforts to secure proper 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 constantly striving to maximize their investment returns.

The year saw continued progress in the induction of new employees from banks and businesses recently acquired and incorporated into the Group. This process was conducted in a natural and unhurried way by the Bank's regional divisions and business units, with talent management and a focus on human capital being prime considerations.

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 notable development that reflected the aims of the Triple business plan and the business transformation drive was a change in the "customer funds under management" heading of the balance sheet, with mutual funds, discretionary portfolio management services and SICAVs gaining in importance at the expense of more liquid assets with less attractive returns such as time deposits, demand 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.

Quality, productivity and efficiency were key themes in the day-to-day operation of the business. By constantly striving for quality the unit sought to maximize customer satisfaction and operational efficiency while assuring regulatory compliance. This meant that documents to be signed by customers, customer profiling tests and investment recommendations/suitability assessments came to be seen as essential in dealing with customers and safeguarding their interests. A such, they became a vital element in, and driver of, the Bank's day-to-day operations.

Thousand euro

T5 SabadellUrquijo Private Banking

	2014	2013	% 14/13
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 expenses	(36,626)	(36,034)	1.6
Operating profit/(loss)	**28,679**	**15,804**	**81.5**
Provisions (net)	0	0	—
Losses due to asset impairment	995	(1,926)	—
Other profit/(loss)	0	0	—
Profit/(loss) before taxes	**29,674**	**13,878**	**113.8**
Ratios (%)			
ROE (profit / average shareholders' equity)	59.3	29.1	
Cost:income (general administrative expenses / gross income)	56.1	69.5	
Loan loss ratio	3.4	3.9	
Loan-loss coverage ratio	58.7	56.7	
Business volumes (€Mn.)			
Loans and receivables	1,029	1,053	(2.3)
Customer accounts	16,896	15,513	8.9
Securities	7,326	7,007	4.6
Other data			
Employees	271	269	0.7
Spanish branches	12	12	0.0

In the year to December 2014 the unit secured a total of 1,897 new mandates for discretionary portfolio management with an overall value of €639 million, bringing the number of mandate agreements to some 4,700 with an aggregate value of over €1,500 million. Mutual fund and SICAV investments under management increased by over €1,618 million, 32% higher than the corresponding figure for 2013.

An indication of the growing strength of the business was a 5.4% share in SICAVs , which reached 183 in number and held investments worth €1,702 million, an increase of 19.7% over the figure as of December 2013. This allowed the Bank to claim an industry-leading position in terms of the increase in the assets and number of SICAVs, a clear indicator of the strong position held by SabadellUrquijo Banca Privada in investments of this type.

The unit saw its business volumes increase by 7.1% over the year to reach a total of €25,251 million as of December 2014. Its customer base rose to over 30,900.

Objectives for 2015

In 2015 the focus will remain firmly on offering a quality advisory service to meet specific needs, supported by appropriate tools that will be made available to customers. In the area of regulatory compliance, the unit will continue to ensure that products and services are totally suited to the needs of each risk profile; in the area of technology, every effort will be made to make communication with customers easier and more fluid, and to channel that communication in faster and more advanced ways while guaranteeing the same high standards of security and protection.

Investment, Products and Research

Overview

Investment, Products and Research is part of the Markets and Private Banking Division and is a separate area of the Bank tasked with providing investment advice and managing the investment portfolios of private customers, companies and institutional investors. Within the department are other separate, more specialized areas: Sabadell Inversión, the parent of a number of management companies that manage the Bank's collective investment schemes (CIS's), and its Investment Research Department.

The Investment, Products and Research department is therefore responsible for deciding on all information and content that is published by the Investment Research Department. It is also responsible for the range of investment products offered by the Bank and for deciding how these should develop based on the investment opportunities that arise. The Department formulates asset allocation recommendations to achieve the optimum balance of risk and return in the interest of customers and provides investment advice that is different from and superior to the advice given by our competitors. Part of its mission is to oversee the investment management business conducted by the management companies of the Group's collective investment schemes.

Key developments in 2014

Thousand euro

T6 Investment, products and research

	2014	2013	% 14/13
Gross income	**42,448**	**29,015**	**46.3**
Operating expenses	(20,546)	(20,191)	1.8
Operating profit/(loss)	**21,902**	**8,824**	**148.2**
Other profit/(loss)	0	(13)	(100.0)
Profit/(loss) before taxes	**21,902**	**8,811**	**148.6**
Ratios (%)			
ROE (profit / average shareholders' equity)	59.9	29.0	
Cost:income (general administrative expenses /gross income)	48.4	69.6	
Business volumes (€Mn.)			
Assets under management in CIS's	12,007	8,070	48.8
Total assets including CIS's sold but not managed	15,706	10,193	54.1
Other data			
Employees	145	147	(1.4)
Spanish branches	—	—	

Research

In 2014 the Investment Research Department continued to increase its output of reports on the equity and corporate bond markets. Greater emphasis was placed on the analysis and coverage of reports on corporate issuers of high-yield, non-investment grade debt. In-depth studies were carried out on European listed companies and more detailed comparisons were made of global investment options. The Department's catalogue of equity and bond market strategy reports was broadened to include research into Spanish regional governments issuing debt securities on the capital markets.

In 2013 Banco Sabadell's research department earned a number of accolades and distinctions.In a survey of Spanish investment analysis firms in 2014, Thomson Reuters' investment analysis arm, StarMine, named Banco Sabadell's research team Best Industry Earnings Estimator in the materials category. This corroborates the Spanish industry rankings given to the Bank's research department (placed second in 2013 and third in 2010) for the accuracy of its recommendations.

Product

The year 2014 was marked by low economic growth and return forecasts were inevitably very modest ; for this reason, expert management and careful risk control were of vital importance. Against this background, the Investment Product and Customer Strategy department followed its asset allocation strategy as a conceptual framework to shape its investment approach, the planning of its investment product offering, and the work done to analyse and research markets and investment opportunities. In this way market trends were anticipated and the most favourable selections were made in terms of expected risk and return.

Slow economic growth in Europe caused an already lax Eurozone monetary policy to resort to ever more aggressive stimulus measures. This acted as a support factor for all types of investment asset, but especially for equities. Good market performance puts the Bank at a more advanced stage in the investment cycle, causing return forecasts to show a gradual decline. Despite this, the Bank made use of market opportunities to launch capital guarantee products with the support of powerful themes such as the positive outlook for European equities or the likely appreciation of the dollar. The dollar appreciation scenario was based on a more positive growth forecast for the US economy and expectations that the US Federal Reserve would be the first central bank to embark on a cycle of interest rate increases to bring rates back to more normal levels. For more sophisticated investors, we continued to search for value in assets that were less well known or more difficult to invest in, and we began to design products based on relative share price performance.

Despite the challenging investment environment, in 2014 approval was given to 330 proposals for new investment products as part of a product process involving 31 heads of functional areas. Among the more important products were families of guaranteed funds and structured deposits with return of capital; all of these products were without risk of capital loss and accounted for some 62% of forecast product sales. The average maturity of investment products approved in 2014 was 3.5 years.

Major improvements were made by the Bank in providing information to its customers on its investment approach, with personalized mass mailings being sent out via new communication channels. This included sending numerous alerts and investor information notes to customers and shareholders, as well as market news and reports of unexpected events, with more than one million messages being sent to customers during the year. The drive for better communication culminated in the distribution of a video on asset allocation strategy to more than 150,000 customers per mailing. The video was also published on the Bank's website for anyone who might be interested.

The Bank offers socially responsible investment products that exclude investments in companies whose activities are harmful to human rights, social justice or the environment, but are weighted in favour of companies in the FTSE4Good sustainability index. During the year the Bank began to market two socially responsible investment products: Fondo Sabadell Inversión Ética y Solidaria, FI (€37.5 million in assets; 432 shareholders; 0.35% of fund assets donated to Cáritas Española); and UrquijoCooperación, SICAV (€4.4 million in assets; 136 shareholders; 50% of management fee donated to NGOs).

Investment

The Group's Investment Management business encompasses collective investment management companies, including investment management and the distribution and administration of collective investment schemes (CIS's); its activities also include selecting, offering and recommending third-party funds and managing investments for other Banco Sabadell Group businesses.

Following the mergers 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 in assets under management in Spanish-domiciled mutual funds, 59.1% more than at 2013 year-end and far in excess of the 26.7% growth rate of the industry as a whole. This volume of assets under management brought the Group's share of mutual fund assets to over 5%, with its management company, Sabadell Inversión, being ranked fourth largest manager of Spanish-domiciled mutual funds.

In 2014 the strongest growth in mutual fund subscriptions was seen in the balanced fund category, which continued to be the preferred option for investors with assets under management increasing by a factor of 2.4 to €1,573.6 million. The Bank's offering of guaranteed funds remained unchanged in 2014, with return guarantees being issued for eight guaranteed funds amounting to €1,492.8 million at 31 December 2014. Guaranteed funds as a whole accounted for €3,765.7 million worth of assets at the close of the year. Assets in variable-return guaranteed funds increased in 2014 and accounted for 23% of the Bank's Spanish-domiciled funds overall, up from 17.8% in 2013. However, guaranteed funds of all types declined as a proportion of the total, falling from 44.4% in 2013 to 37.8% in 2014.

Banco Sabadell mutual funds earned some outstanding accolades. Sabadell Rendimiento, FI was honoured with the award for Best Fund in the Fixed Income category – Money market by the Spanish business daily Expansión. The British publishing group Citywire paid tribute to the performance of six fixed-income and equity fund managers at Sabadell Inversión, based on a study of fund returns over the last three years. Three fixed-income managers were awarded AA ratings and three equity

Spanish-domiciled mutual funds had a market share of over 5%.

fund managers were given A+ ratings. Finally, in the 2014 mutual fund portfolio performance rankings organized each year by Expansión, Sabadell Inversión won a distinguished position with its portfolios being given first place in the aggressive category, having produced an annual return of 14.5% over the year 2014, and second place in the conservative category, with an annual return of 6.6%. A total of 16 fund management companies participated in the rankings, which included some of the best Spanish fund managers as well as some outstanding international firms.

The enlargement of the Group through acquisitions made it necessary to simplify the mutual fund catalogue by carrying out ten merger processes in which 23 mutual funds were absorbed into other funds with the same investment objectives, having regard always to investors' best interests. At the end of the year the number of Spanish-jurisdiction collective investment schemes stood at 282 with management split between BanSabadell Inversión, S.A., S.G.I.I.C., Sociedad Unipersonal (99 mutual funds, one REIC and one SICAV) and Urquijo Gestión, S.A., S.G.I.I.C., Sociedad Unipersonal (181 SICAVs).

The Investment Management business also operates as a portfolio manager for customers of the Bank requiring comprehensive investment solutions, that is, packages of services that give an integrated response to the needs of existing and potential customers. Requirements of this type are catered for by BS Fondos Gran Selección, a business with 14,336 contracts and assets of €1,236 million in 2014, up from 5,724 contracts and €419 million in assets in 2013.

Another business worth mentioning is the management and administration of institutional portfolios, a business carried on by the Institutional Services unit. The unit is responsible for managing the investment portfolios of other Group businesses, assets in which totalled €6,859 million at the end of 2014.

Objectives for 2015

For the Investment, Products and Research department, the primary objective is to maintain the high success rate achieved in its research-based recommendations on equity shares of European listed companies and on government and corporate debt. The Department's customer strategy and its management of the Bank's offering of investment products are spearheading a Group-wide initiative, as set out in the Triple business plan, to build a multi-product, segmented approach in its policy on customers' investments. The Investment Management business aims to encourage investment in mutual funds, not only by more frequent and experienced investors but also by savers looking for winning solutions in a zero interest rate environment and willing to accept a degree of risk and a certain maturity horizon in their investments. Winning new subscribers will require an improvement in the marketing of mutual funds, greater transparency and more help and support. The development of investment asset allocation products and solutions will add value to our customers' positions in mutual funds. The introduction of shares classes into managed investment funds should attract more large investors to our investor base. Ultimately, the aim is to grow, and to outpace the market in so doing.

Treasury and Capital Markets

Overview

The Treasury and Capital Markets Division is responsible for marketing Treasury Products to Group customers through the units to which that task has been assigned, be they bank branches or specialist distributors. The Division is also responsible for the activities of the Capital Markets unit, which operates the business of placing corporate debt, either for third party issuers or for the Group.

In addition, it manages the Bank's short-term liquidity position and manages and oversees compliance with regulatory numbers and ratios. Another of its functions is to monitor risk from proprietary trading, interest rate risk, currency risk and the risks generated in the course of business on a variety different accounts, mainly from transactions with internal and external customers, by the Bank's own distribution units, by the Finance Division, or by the branch network.

T7 Spanish-domiciled mutual funds

	2014	2013	2012	2011	2010	2009	2008	2007
Assets under management (€Mn.)	9,952.6	6,356.7	4,443.2	4,203.3	4,312.4	5,609.6	5,844.5	9.102,4
Market share (%)	5.11	4.13	3.63	3.29	3.12	3.44	3.49	3.81

Key developments in 2014

In 2014 the European Central Bank reduced official interest rates to lowest-ever levels and this impacted and imposed limits on large areas of the operating environment, business opportunities and the functioning of the financial markets.

Despite this, the stirrings of economic recovery, helped by strong exports, and the focus on implementation of business development actions and campaigns for Treasury and Capital Markets envisaged in the Triple business plan, enabled us to achieve the targets set for this year.

The implementation of the proposed improvements contained in the plan was conducted against a background of activities and processes coming to fruition in the Treasury department, which were in harmony with the design, the resources and the enhanced capabilities and initiatives proposed for Treasury under the plan.

In its programme of developing and expanding its Capital Market activities, the Bank earned and repaid the trust of issuing companies and firms and received help and support from institutional clients, both domestic and foreign, that channelled their investment requirements through the Bank and created levels of demand that won the Bank recognition for its competence and market-leading position.

This led the Bank to increase its market presence through active participation in new issues by Spanish regional governments. It acted as lead manager of a €1,600 million issue of 10-year debt by the Community of Madrid and, at the high-yield end of the market, participated in issues by Isolux, Grupo Antolín, Kaufman & Broad and Aldesa, with an overall nominal value of €1,620 million.

In Spain's Alternative Fixed-Income Market (Spanish initials: MARF), of which Banco Sabadell is a member and a registered advisor, the Bank fulfilled its aim of providing firms requiring an additional, alternative source of finance with an added-value service that includes comprehensive coverage of every stage of the capital-raising process. The Bank's operations on MARF included the origination and coordination of two new bond issues for Tecnocom and Grupo Ortíz with nominal values of €35 million and €50 million respectively, and participating in a €20 million commercial paper issuance programme for Copasa.

In the area of sales and marketing, the Bank ran a campaign directed at some 4,000 customers with the aim of increasing foreign exchange transaction activity. In structured investments, a strong focus on marketing and a series of new product launches for distribution at branch level resulted in an unprecedented 78% increase in the product inventory.

In the campaign to expand the international customer base, international distribution targets were more than met through planned actions that gained more than 200 new customers in 17 countries.

In the Bank's trading and related processes, the aim was to meet liquidity management requirements and also to take a proactive approach to the management of the fixed-income portfolio and the sizeable currency trading business generated by orders from customers. During the year projects were put in hand in the area of liquidity and collateral management and to develop models for managing returns associated with risk.

Objectives for 2015

Key action areas for 2015, all of them within the aims of the Triple business plan, will be to complete the roll-out and implementation of current initiatives to increase product sales, product rotation and transaction volumes. These aims will be achieved through the introduction of new selling platforms, the development of corporate finance products and issuance vehicles usable as collateral in capital markets, and ongoing sales and marketing actions focused on a more international end customer, as they come to fruition and produce returns.

Securities trading and custodian services

Overview

The Securities Trading and Custodian Services Department performs the functions of broker for the Bank as a member of the Spanish stock markets. These functions are to handle and execute sale and purchase orders directly via its trading desk. As a product manager, it is responsible for all equity securities at Group level. It also designs and manages the Bank's offering of custodian and depository services.

The Banco Sabadell Group maintained its position as the market's second largest broker by volume.

Key developments in 2014

2014 was a year of volume growth in equity trading, which affected all sectors of the market and saw a recovery, to some degree, in trading and custodian services for non-resident institutional clients, which had fallen to very low levels in recent years. This meant increased business for global, rather than local, brokers.

The Bank was able to retain its position as the second largest broker in the market (according to the market management company's report on trading volumes per member) with its share of market trading increasing to 10%, slightly higher than in 2013 (T8).

During the year the Bank carried out a number of actions to boost its position in the retail market; these included the launch of Sabadell eBolsa with the aim of having the Bank commissioned to provide a complete investment management service to new and existing customers by capturing investment portfolios and thus being able to offer customers a high standard of service and support throughout the life of the investment at the best price available in the marketplace.

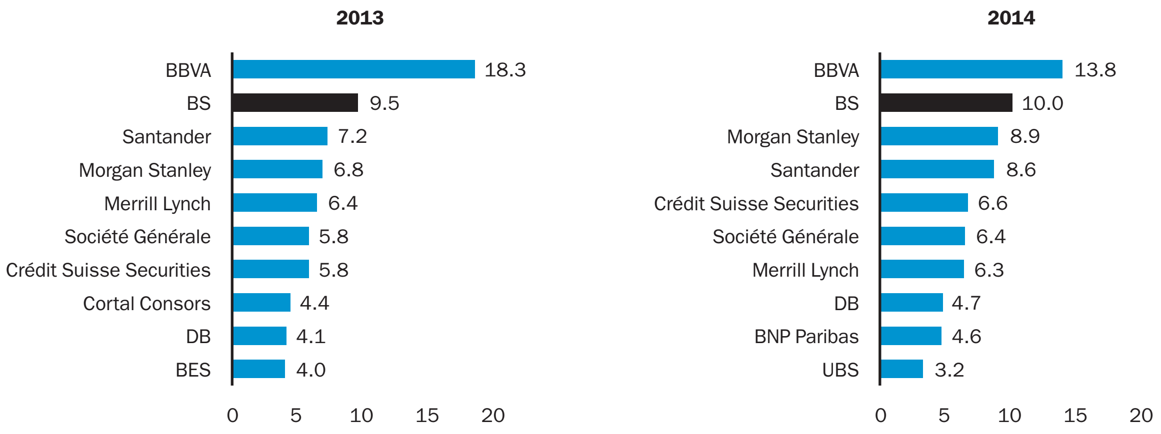
To further this aim, it is intended that the initiatives set out in the Triple business plan should be brought forward, especially those related to new product launches.

T8 Securities trading
(market volumes)

€ million

	2014	2013	2012
Trading volume - market total	1,767,740	1,406,526	1,397,358
Trading volume - BS	352,596	267,266	176,538
Share (%)	10.0	9.5	6.3

G1 Trading volumes
(% market shares)



Non-performing assets continue to decline, while real estate inventories are increasing more slowly.

Thousand euro

T9 Asset transformation

	2014	2013	% 14/13
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 expenses	(135,824)	(193,726)	(29.9)
Operating profit/(loss)	**(132,447)**	**(161,439)**	**(18.0)**
Provisions (net)	(1,469)	(301)	388.0
Losses due to asset impairment	(143,512)	(362,215)	(60.4)
Other profit/(loss)	(720,044)	(520,861)	38.2
Profit/(loss) before taxes	**(997,472)**	**(1,044,816)**	**(4.5)**
Ratios (%)			
ROE (profit / average shareholders' equity)	(39.3)	(39.9)	
Cost:income (general administrative expenses / gross income)	—	—	
Loan loss ratio	61.9	56.0	
Loan-loss coverage ratio	49.8	50.8	
Business volumes (€Mn.)			
Loans and receivables	14,989	18,894	(20.7)
Customer accounts	484	466	3.9
Real estate assets (gross)	14,601	12,361	18.1
Other data			
Employees	668	807	(17.2)
Spanish branches	—	—	—

Overview

The Group continued to perfect its approach to managing its real estate and non-performing assets. In 2012 it introduced a pioneering new management system and set up a new asset transformation structure. Solvia, the company that services the Group's real estate assets, has been gaining in skill and expertise in every area of the real estate servicing cycle, from land development through to property sales.

In late 2013 Solvia introduced a new approach to managing bad and doubtful loans and set up a dedicated unit for resolving mortgage debts of individual borrowers by taking early action when borrowers fell into arrears.

In late 2014 the Group split its asset management operation into two areas: Banco Sabadell Asset Transformation, and Solvia. Asset Transformation has the primary task of taking an integrated approach to the Group's real estate assets and designing and carrying out its asset transformation strategy. Solvia, a real estate business, focuses on real estate services through all stages of the product cycle — property sales and servicing, land management, preparation and development. It manages real estate portfolios both for the Group and for third parties, and has positioned itself as a key player in Spain's real estate market.

Key developments in 2014

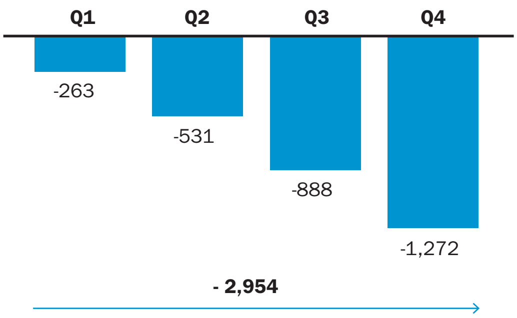
In 2014 Solvia reaped the benefits of its new preventive approach to managing loan defaults by individual and business borrowers, developed in earlier years, and was thus able to achieve a faster rate of reduction in non-performing loans, speed up the pace of debt clearance and reduce new loan defaults quarter by quarter.

In 2014 Banco Sabadell's Restructuring and Recovery and Mortgage Resolution departments were able to reduce doubtful assets (G2) and to continue the improvement that began in the third quarter of 2013. The reduction in doubtful assets was particularly significant in the real estate developer segment and was helped by an improving real estate market. There was, in fact, an increase in sales from developers' own inventories (G3).

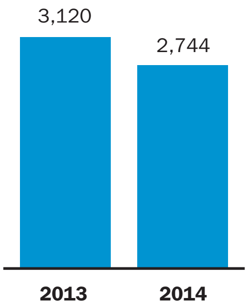
The Bank took active steps to tackle housing security issues by engaging with occupiers at risk of social exclusion and acting according to social responsibility guidelines. In 2014 it added 140 homes to the 260 it had already contributed to the Social Housing Fund set up by the Spanish government in the previous year and other homes were made available to housing charities.

In 2014 the Group's exposure to the real estate sector increased by less than it had the year before (foreclosed real estate assets rose by €1,368 million in 2013, while in 2014 the increase was €1,117 million, a fall of 18%) (G4). Sales to the retail market as well as sales of property portfolios to institutional clients contributed to the reduction. In 2014 sales of real estate assets increased to €2,744 million, exceeding sales targets. This was achieved thanks

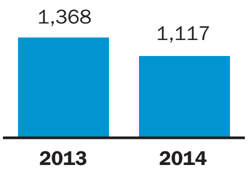
G2 Reductions in doubtful assets in 2014
(€Mn.)



G3 Real estate sales
(€Mn.)



G4 Foreclosures
(€Mn.)



to a change of strategy to reduce discounting and to sell higher-value properties, thereby helping to slow down the increase in the Group's real estate exposure.

The Bank has not only a sales unit for the retail market (within Solvia) but also sales teams specializing in the sale of portfolios of assets to institutional buyers and in disposing of properties with special or unusual features.

In 2014 the demand from institutional buyers was a factor specific to the Spanish real estate market, and one which helped to revitalize it. The Bank completed a number of portfolio sale transactions which demonstrated its ability to generate sales and position itself vis-à-vis the institutional buyer. These transactions included the sale of the Vodafone head office building in Madrid, the sale of a building with 300,000 sq. ft. of space in Castellón, the sale of a portfolio of fully provisioned loans and an increase in sales of sites ready for development.

The Group continued to be very active in property development and returned to selling properties off-plan in developments in Madrid, Barcelona, Alicante and other towns and cities. By the end of 2014, 25 development schemes and 729 homes had been completed; at the start of 2015 another 17 development projects were under way.

For sales to the retail market, the Group can boast one of the best real estate servicing companies in the industry: Solvia Servicios Inmobiliarios. Solvia is currently Spain's second largest bank-operated real estate web site and the country's second most widely-recognized brand in the residential property and construction sector, with a brand recognition factor of over 76% (according to the Spanish Public Opinion Institute [IOPE] list for housing and construction) among potential property purchasers at the end of 2014. This year Solvia continued the marketing strategy, introduced in 2013, of focusing on market opportunities and customer service rather than on price.

In addition to being a widely recognized brand, Solvia has an effective multi-channel retail sales model which operates through both tied and third-party agents, including an international channel launched in 2013 that specializes in property sales to persons resident outside Spain. The Bank recently set up an "open sales platform" to enable a single property to be marketed simultaneously by more than one agent and thus maximize sales efficiency.

Solvia has a segmented pricing model which makes systematic price adjustments based on demand and marketing velocity. This has led to increases in the values of properties offered for sale and made it possible to raise prices for the first time since 2007. For properties in new construction projects, stock rotation targets have been successfully used to secure higher sale prices in 16 projects. For individual properties an auction procedure was introduced where there was more than one buyer interested in the property. In 2014 11% of retail sales were at auction and average sale prices increased to 12% above the advertised selling price.

Capabilities like these are highly prized in the marketplace, where large holders of real estate assets and new foreign investors are in need of services of this kind. Solvia is therefore increasing its capacity to offer services to third parties. In November 2014 Solvia won a contract to provide services to a portfolio held by Sareb (Spain's "bad bank" for non-performing assets), which will double the size of its managed portfolio and provide it with an additional source of income. Solvia was chosen by Sareb for its proven capability in servicing (administration, marketing, real estate development and preparation of properties for sale) portfolios owned by the Bank and by third parties, for the competence of its personnel and for its well-designed, scalable platform. Solvia Inmobiliaria is now well positioned as a leading servicer in the Spanish market covering all stages of the property cycle (from asset transformation through to distribution and sale), with 50,000 properties sold since 2011, nationwide coverage, a strong presence in Catalonia, Valencia and Murcia, and with the capability to offer services to third parties.

Sabadell America

Overview

The Banco Sabadell America operation comprises business units, a bank, a stock market and investment broker and several affiliates and representative offices which together provide financial services in the corporate banking, private banking and commercial banking fields. The business is managed from Miami, where Banco Sabadell has a full-service international branch which has been in operation since 1993. It also has a commercial banking operation, Sabadell United Bank, serving the south of Florida. In 2012 the Bank opened a representative office in New York where a large part of the Sabadell America structured finance business is handled.

Sabadell United Bank works in tandem with representative offices in Mexico, the Dominican Republic and Venezuela to offer service and support to our customers.

Key developments in 2014

During the year 2014 the Bank continued to pursue its aim of growing its domestic banking operation in the state of Florida through its subsidiary Sabadell United Bank, mainly through its developing associate network and improvements in operating efficiency.

In July the acquisition of the Miami-based JGB Bank was brought to completion and the company was merged into Sabadell United Bank and integrated onto its business systems. This completed the Bank's seventh corporate action in Florida within a period of six years, and followed the acquisition of TransAtlantic Bank in 2007, the absorption of BBVA's private banking business in 2008, the purchase of Mellon United National Bank in 2010, the purchase of assets and liabilities of Lydian Private Bank in 2011 and of the Miami branch of Caja de Ahorros del Mediterráneo in 2012, and the acquisition of the private banking business of Lloyds TSB Bank's Miami branch in 2013.

Another of the year's milestones was the launch of Sabadell Capital in Mexico — the first small step towards what will become the Group's banking business in that country as soon as official approval has been obtained. Sabadell Capital is a multi-object financial company ('SOFOM") which will aim to build a loan portfolio concentrating on the infrastructure, energy and tourism industries.

Banco Sabadell's activities in the US are generating business volumes amounting to over USD 14,400 million in loans, customer deposits and off-balance sheet customer assets; total assets stand at USD 7,500 million, making it Florida's fifth largest local bank by total assets (Sabadell Miami branch and Sabadell United Bank combined). Banco Sabadell is one of the few financial institutions in the area with the capability and experience to provide a full range of banking and financial services, ranging from highly complex and sophisticated products for large corporate clients, including project finance, to products for individual customers and an extensive offering of products and services commonly required by business and professional people and by companies of all sizes.

Objectives for 2015

In keeping with the strategy laid down in the Triple business plan, in 2015 the Bank's aim is to continue growing in the region in all areas of its current operations and to introduce additional products and services to bring added value to customers.

As part of this aim, in 2015 the Bank intends to apply for a banking licence in Mexico to enable it to operate as a bank in that country, to begin taking deposits and to meet customers' financing needs by broadening the range of products currently being offered by Sabadell Capital.

It is also intended that, in line with the Bank's internationalization plan, representation offices should be opened in Colombia and Peru to support the Bank's growing business in those countries.

Banco Sabadell Miami Branch

At the close of the year Banco Sabadell's operating branch in Miami was holding nearly USD 4,500 million in customer deposits and funds under management. Investment management services saw a 10% rise. Loans and advances were up 51% and reached USD 2,100 million as the bank met the needs of international corporations by arranging loan or credit facilities to provide working capital and medium- and long-term finance. The branch also continued to build up its portfolio of private banking clients, enlarged by additional clients as a result of the acquisition of Lloyds TSB Bank's Miami branch in late 2013.

In 2014 Banco Sabadell Miami branch continued to provide finance for projects in the energy and tourism sectors, mainly in the US and Mexico.

Sabadell United Bank

During the year Sabadell United Bank made further progress in implementing its operating and sales efficiency drive, with particular emphasis on promoting its mortgage plan to its customer base, boosting sales activity at branches and developing alternative sales and service channels.

At the time of writing Sabadell United Bank had a total of 27 branches offering services within the state of Florida, mainly in Miami-Dade, Broward and Palm Beach counties but also in the west coast counties of Tampa, Sarasota and Naples. It is the eighth largest local bank by deposits.

During the year 2014 Sabadell United Bank continued its programme to promote brand awareness among the market segments it serves. The campaign was specifically targeted on professional people and entrepreneurs, as well as high net worth individuals, to whom it provides private banking and wealth management services through its Wealth Management division, Sabadell Bank & Trust.

In the area of Corporate Banking, Sabadell United Bank expanded its business during the year by increasing syndicated loans to large corporate clients and project finance deals in the energy and infrastructure sectors, thus furthering its aim of diversifying its loan portfolio and capturing valuable new business for the bank.

At the end of 2014, Sabadell United Bank was managing assets of some USD 4,600 million, with deposits of approximately USD 3,600 million and loans and advances approaching USD 3,500 million. The value of its managed investment portfolios was close to USD 700 million. It was serving more than 45,000 customers. In 2014 Sabadell United Bank contributed a net profit of USD 18 million to the Group.

Sabadell Securities

Sabadell Securities USA Inc., an SEC-registered investment consultancy, operates as a stockbroker and advisor to securities market investors. The business is both a complement to and a strengthening factor in the Sabadell America strategy.

Sabadell Securities provides investment and wealth management services to commercial banking customers as well as to personal banking, corporate banking and private banking clients. Its business strategy is based on meeting customers' financial needs by providing advice on capital market investments.

Sabadell Securities is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). It uses the services of Pershing LLC, a Bank of New York Mellon subsidiary, for clearing, custodian and administrative services.

Banco Sabadell continued with its plan to expand in the United States.

Other businesses

Banco Sabadell has a 51% stake in BancSabadell d'Andorra, a financial institution incorporated in 2000. Ownership of the remaining shares is spread across a broad base of Andorran shareholders.

At the close of 2014, the company's contribution to Group earnings was a net profit of €7.1 million, with deposits growing at a steady 10% per annum and an ROE of 11%.

Risk management

R

Milestones in 2014

Banco Sabadell passed the comprehensive assessment conducted by the European Central Bank (ECB) in the framework of the Single Supervisory Mechanism, which examined the 128 largest banks in the euro area in cooperation with the national authorities and 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.

In 2014, the Banco Sabadell Group continued to strengthen its risk management framework and to make improvements in line with best practices in the financial sector.

The main milestones this year were the development of a new risk appetite framework which ensures control and proactive management of all Group risks and strengthens the governance framework as a function of risks. In 2014, the Group also integrated the businesses acquired from Banco Gallego and Lloyds Banking Group Spain (the latter renamed SabadellSolbank) into its systems by standardizing risk management and control.

European Central Bank's 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 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.

Phases of the comprehensive assessment

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), provisions 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 provisions, 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 entailed a review of 905 borrowers (including the 210 largest customers) and remeasurement 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.

Profit performance

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, in the baseline scenario, Banco Sabadell had a common equity Tier 1 (CET1) ratio of 10.26% and that, in the most adverse scenario, 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.

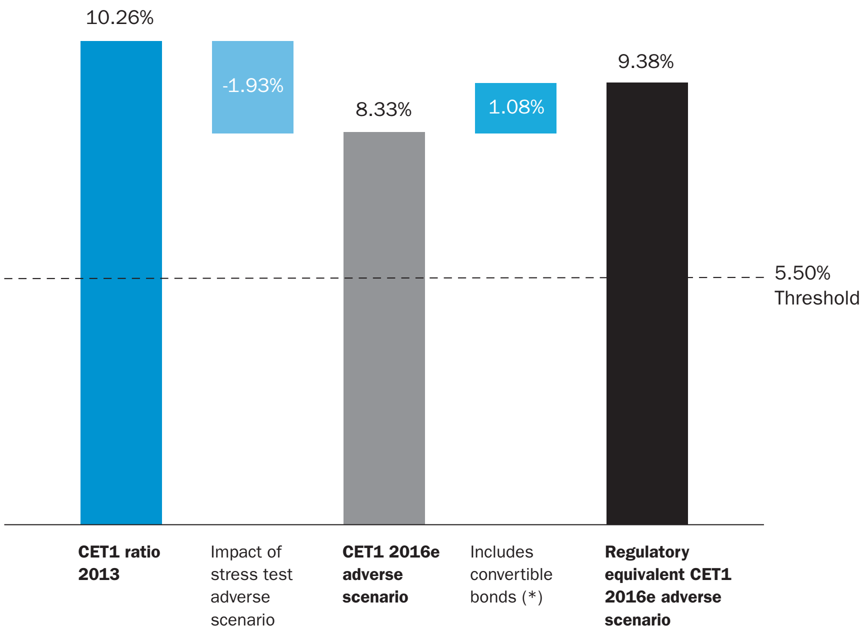
These results did not take account of the effect of mandatory convertible bonds (not included in the stress test even though they are due to convert in 2015); neither did they include all of the deductions envisaged under Basel III. If those items had been considered, the CET1 ratio would have been 9.38% (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.

Technological and functional integration of Banco Gallego and Lloyds Banking Group Spain

The successful 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.

G1 Stress tests - adjustment factors



(*) Since convertibles were not included in the stress tests, they are included here for illustrative purposes.

Total balance of mandatory convertible bonds amounting to €860 million euro at 2013 year-end, of which €17.6 million mature in 2014, €755.6 million in 2015, €68.6 million in 2016 and €17.6 million in 2017.

Banco Sabadell has a risk appetite framework in line with best practices in the financial sector.

The risk appetite framework ensures control and proactive management of risks under an enhanced corporate governance 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.

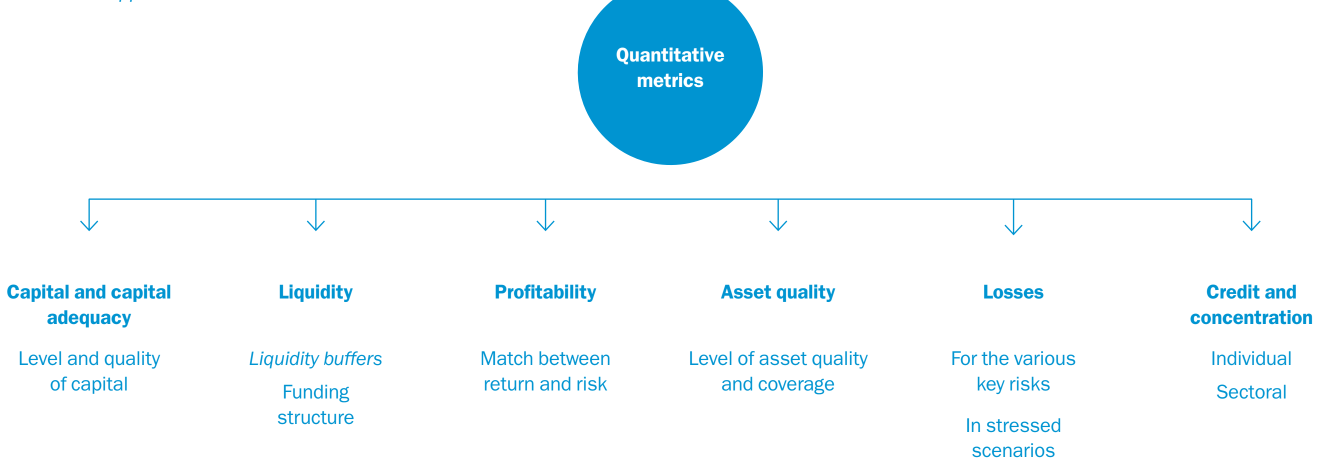
The risk appetite statement is applied to the entire organisation through the risk appetite framework, using various instruments.

The risk appetite statement comprises quantitative metrics which allow the group to monitor the risk management objectives and related qualitative aspects, organised into six basic management sections (G2).

In addition to the quantitative metrics of the risk appetite framework, there are also qualitative metrics, such as:

— The entity'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.
— 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.

G2 *Risk appetite statement*



— Risk management is underpinned by solid, ongoing procedures for checking that risks conform to pre-set limits.
— 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 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.

The principles, policies, procedures and methodologies framework is reflected in the document entitled "*Banco Sabadell Group Risk Management Policies*," which is revised at least once per year. The Board of Directors is responsible for its approval. The document was last updated in January 2015.

For each of the Group's relevant risks, 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.

Advanced internal credit rating models

The Banco Sabadell Group complies with guidelines drawn up under the Basel Capital Accord, a fundamental principle of which is that a bank's capital requirements should be more closely related to risks actually incurred, based on internal risk measurement models which have been independently validated.

The Bank has supervisory authorization to use its internal models for enterprises, property 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 metrics provided by these new methodologies, Banco Sabadell has a consolidated system in place for measuring risk.

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).

The Board of Directors is the body responsible for establishing the general guidelines on the organizational distribution of the 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.

Within the Board of Directors, there are four committees involved in risk management and control (Risk, Executive, Audit and Control and Appointments and Remuneration). The bank also has several other committees which participate in this function.

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 includes monitoring and assessing the most significant risks, which ensures that all of the risks identified are effectively supervised by the various business units and are monitored on an ongoing basis so that the bank's risk profile aligns with 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.

Most significant risks in the risk appetite framework

The significant risks managed by the bank are shown in diagram G3.

Of all types of risk, credit is the most significant in Banco Sabadell's portfolio (G4).

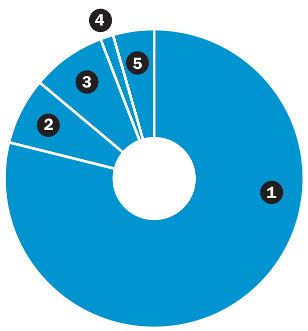
Below are some of the main characteristics of managing each of these risks. More comprehensive information can be found in the Directors' Report and the financial statements, which are available on the Bank's website (www.grupobancosabadell.com).

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.

The policies for these risks are established in terms of the management framework and in the form of caps on exposure and mitigation/eligible collateral techniques. Both are enshrined in regulations and specific training programmes with a view to applying them throughout the organisation.

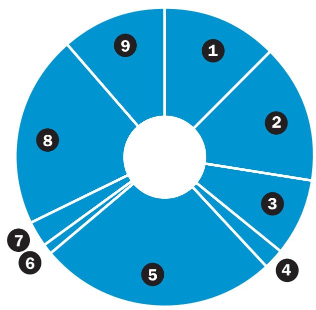
Diagram G5 illustrates the breakdown of credit risk among the group's various segments and portfolios.



G4

Capital allocation by type of risk

1	Credit risk	79.1%
2	Structural risk	7.0%
3	Operational risk	8.1%
4	Market risk	1.3%
5	Other risks	4.4%



G5

Overall risk profile by customer category (distribution of credit risk exposures) %EAD (Exposure at default)

1	Large corporates	12.6%
2	Midsize businesses	15.2%
3	Small businesses	8.3%
4	Retailers and sole proprietors	2.1%
5	Mortgage loans	25.9%
6	Consumer loans	1.1%
7	Banks	2.7%
8	Sovereigns	20.9%
9	Other risks	11.4%

G3 Main risks

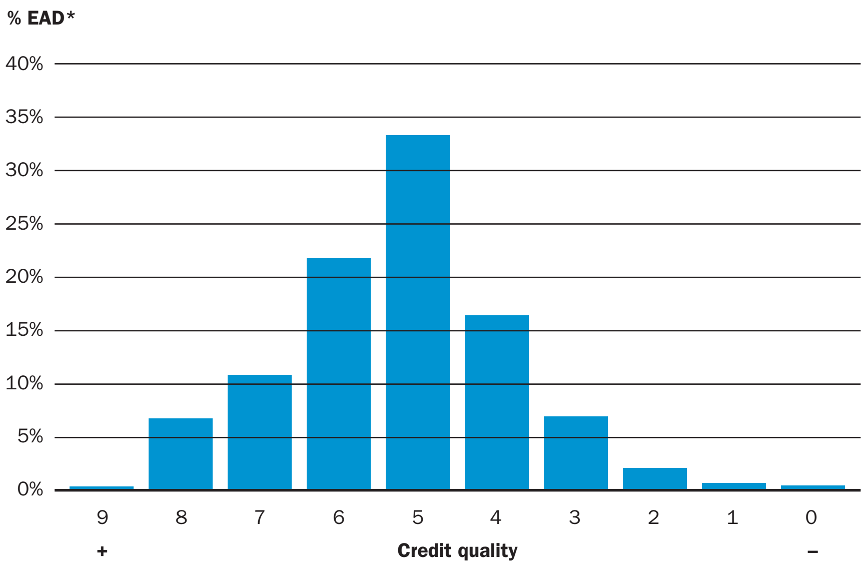
To maximize the business opportunities provided by each customer and to guarantee an appropriate degree of security, responsibility for approving and monitoring risks is shared between the relationship manager and the risk analyst, who are thus able to obtain a comprehensive view of each customer's individual circumstances.

Of special note are the advanced internal credit rating models for clients and operations:

— 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 (Diagram G6 reflects the breakdown of companies as a function of their rating).
— 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 (Diagram G7 reflects the breakdown of individuals as a function of their scoring).
— Early alert tool: there are early alert tools for both companies and individuals. With an early warning system, the quality of a risk can be monitored in an integrated way and risks transferred to recovery specialists who are best equipped to determine the most suitable type of recovery procedure in each case.

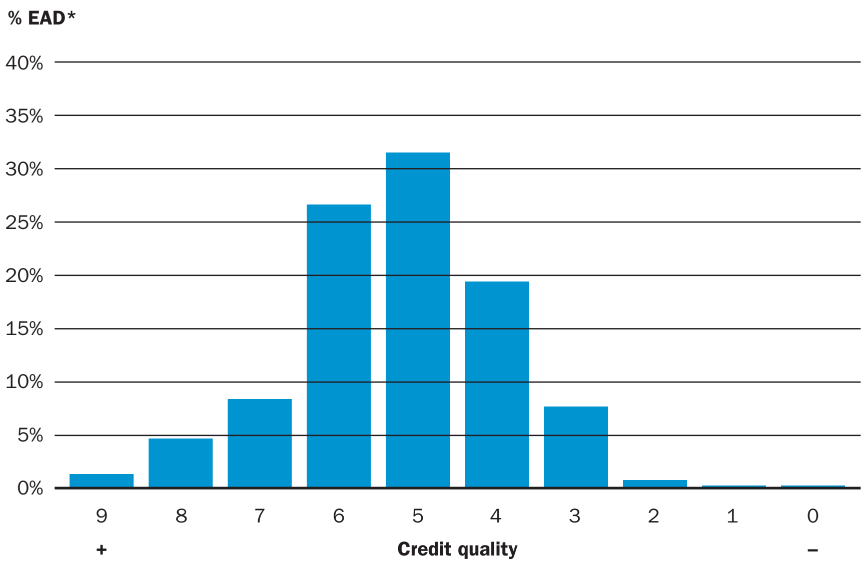
By analysing indicators and early warning alerts in addition to credit rating reviews, the quality of a risk can be constantly monitored in an integrated way. The establishment of efficient processes for managing existing risk exposures also benefits the process of managing past-due and irregular accounts, since the early identification of probable default cases ensures that measures can be taken proactively.

In accordance with responsible banking, the entire branch network has access to documents to help analysts



G6 Individual customer loan portfolio credit rating profile

* EAD (exposure at default)



G7 Individual customer loan portfolio credit score profile

* EAD (exposure at default)

assess the environmental risk associated with an industry or business activity. All risks, including environmental risks, are set out in the risk assessment and are considered when a decision on a loan application is taken.

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, and therefore unrelated to normal business risks. Country risk includes sovereign risk, transfer risk and other risks inherent in global financial operations (war, expropriation, nationalization, etc.).

Diagram G8 illustrates the geographic distribution of credit risk.

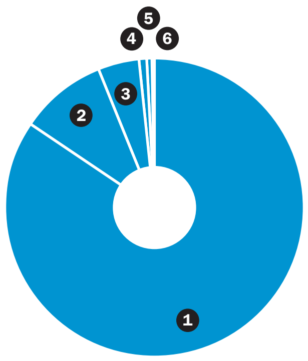
Counterparty risk

Arises from trading in financial instruments with financial counterparties and in the fixed-income portfolio. In the particular case of derivatives and repos, risk exposure is generally substantially below the nominal amount of the contract (counterparty risk).

Banco Sabadell has a system in place for assessing and managing these risks which allows compliance with approved limits to be monitored and controlled 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.

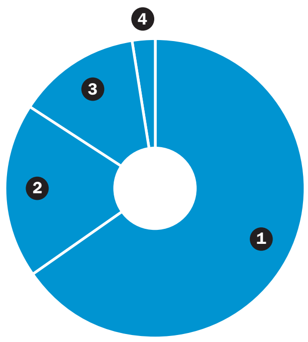
Diagrams G9 and G10 illustrate the breakdown of counterparty risk by geographic area and credit quality.



G8

Geographic distribution of credit risk

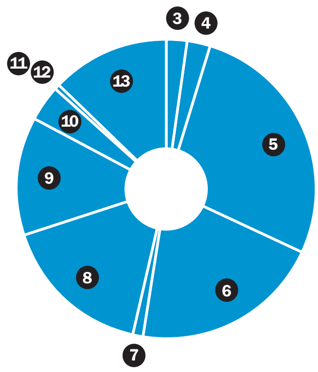
1	Spain	84.8%
2	Rest of European Union	9.3%
3	North America	4.4%
4	Rest of the world	0.9%
5	Latin America	0.5%
6	Rest of OECD	0.2%



G9

Breakdown of counterparty risk by geographic area

1	Eurozone	65.4%
2	Rest of Europe	19.0%
3	USA and Canada	13.1%
4	Rest of the world	2.5%



G10

Breakdown of counterparty risk by rating

1	AAA / Aaa	0.0%
2	AA+ / Aa1	0.0%
3	AA / Aa2	2.3%
4	AA- / Aa3	2.4%
5	A+ / A1	27.4%
6	A / A2	20.4%
7	A- / A3	1.2%
8	BBB+ / Baa1	16.4%
9	BBB / Baa2	12.8%
10	BBB- / Baa3	3.8%
11	BB+ / Ba1	0.1%
12	BB / Ba2	0.6%
13	Other	12.6%

Concentration risk

Concentration risk refers to exposures that can potentially generate losses large enough to threaten the financial health of an institution or the viability of its ordinary business activity.

Concentration risk is organised into two subtypes:

— Individual concentration risk: imperfect diversification of idiosyncratic risk in portfolio due to its small size or to large exposure by specific clients.
— Sectoral concentration risk: imperfect diversification of systematic risk components in the portfolio. Such concentrations may occur in particular sectors or geographical regions, for example.

Concentration risk is controlled and managed on the basis of the definition in the risk appetite statement, which establishes limits in terms of exposure to concentration, at both individual and sector level.

Liquidity risk

Liquidity risk is due to the possibility of losses being incurred as a result of the Bank's being unable, albeit temporarily, to honour 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 Bank have, at all times, liquidity at least sufficient to comply 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 in connection with 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 assess interest rate risk, with the ability to perform simulations.
— Information on the maturities of funding obtained in the wholesale markets.
— Period stress tests. Banco Sabadell regularly carries out a stress test centred on the Bank's position in the institutional market. 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.
— General market information: issues, spreads, external rating agency reports, etc.

As regards the new short-term liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR), Banco Sabadell is reporting the required information to the regulator using the ECB's new monthly and quarterly liquidity templates, 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.

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, equity 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:

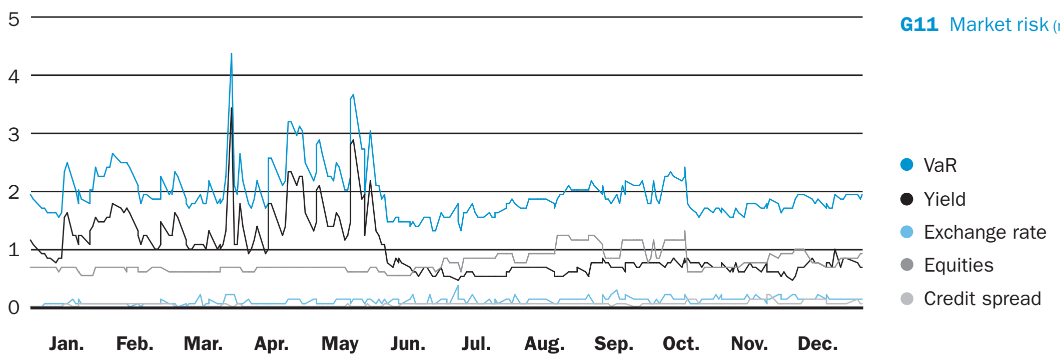
— Risk arising from proprietary trading as part of the strategy of focusing on customer business. Risk that is primarily attributable to Treasury and Capital Market operations using currency instruments, equities and fixed-income, in both the cash and derivatives markets.
— Risks arising from the Group's 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. This risk is defined as arising from the possibility of loss in the market value of financial asset positions due to variations in risk factors with an impact on their market prices, volatility or correlation between then (e.g. stock prices, interest rates, exchange rates).

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, though normal, movement in any of the 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 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 track changes in exposure levels and measure the contribution of each risk factor.
The VaR methodology used to assess potential losses is the historical simulation for a time horizon of one day and a confidence interval of 99%. Risk incurred in terms of VaR in 2014 from trading is illustrated in diagram G11. Risk control of this kind is supplemented by special simulation exercises and extreme market scenarios (stress testing), which provide the positions' risk profile. Therefore, 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.

The T1 table shows a stress analysis for trading.



G11 Market risk (million euro)

T1 Stress test results at 2014 year-end (million euro)

Scenario	Result
2008 bank crisis	(1.38)
Stressed sovereign debt scenario	(7.74)
Parallel curve decline scenario	(9.69)
Curve flattening scenario	(11.58)
Parallel curve increase scenario	9.15
Curve steepening scenario	11.63

Interest rate risk

Interest rate risk is caused by changes, as reflected in the position or the slope of the yield curve, in the interest rates to which asset, liability and off-balance sheet positions are linked. Gaps or mismatches arise between these items because of differences in repricing and maturity dates so that rate changes affect them at different times; this in turn affects the robustness and stability of results.

Management of interest rate risk focuses on overall financial exposure for the Group as a whole and involves proposing alternative business or hedging strategies that will meet business objectives and are appropriate to market conditions and within the exposure limits that apply across 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.

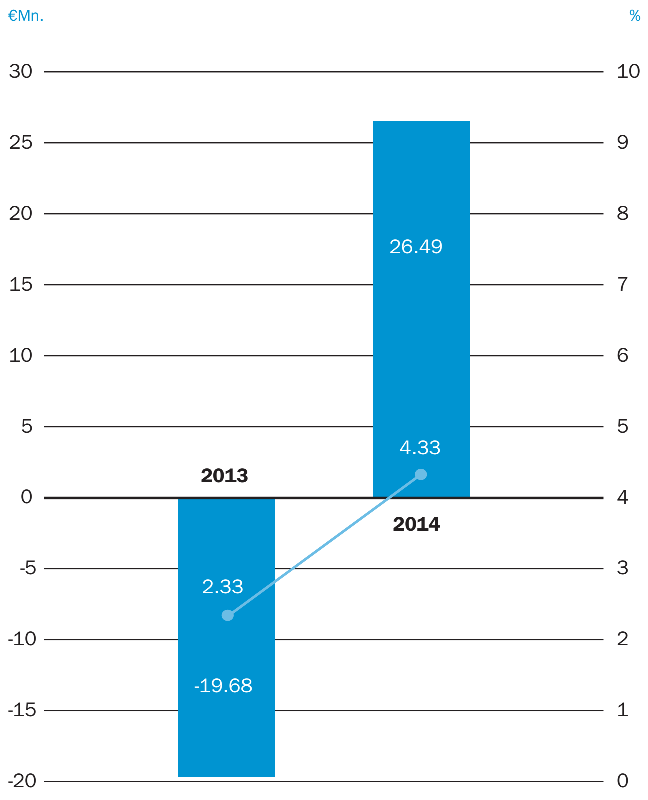
The sensitivity of net interest income and shareholders' equity to a 100 basis point change in interest rates is illustrated in diagram G12.

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 offices 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 bodies.

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.



G12 Structural interest rate risk
(sensitivity to interest rates)

Operational and fiscal risk

Operational risk is defined as the risk of loss resulting from failures or inadequacies in people, processes, and systems or from unforeseen external events. This definition includes model, technology and reputational risk (the latter includes behavioural risk).

Management of operational risk is decentralized and devolved to process managers throughout the organization. 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 the Banco Sabadell Group's process-based approach.

Senior managers and the Board of Directors play a direct, hands-on role in managing operational risk by approving the management framework and its implementation as proposed by an Operational Risk Committee made up of senior managers from different functional areas of the group. 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.

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 (G13 & G14).

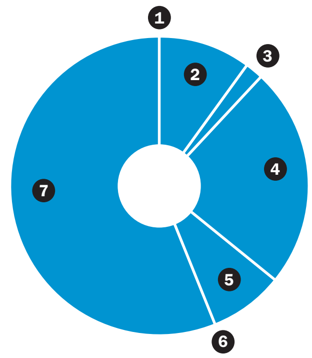
Operational risk includes management and control of the following main risks:

— 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: the possibility of losses arising from decision-making based on the use of inadequate models

Banco Sabadell'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.

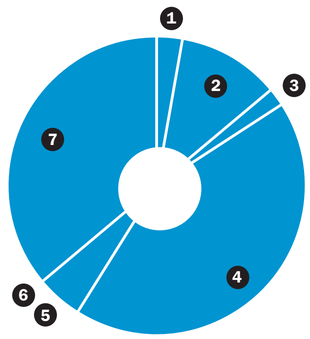
The Tax Advisory Area provides an independent review of the Bank's operations to ensure that they conform to the tax legislation in force.



G13

Distribution of operational risk events by amount (12 months)

1	Internal fraud	0.4%
2	External fraud	9.6%
3	Staff relations and job security issues	1.9%
4	Customers, products and business practices	24.0%
5	Property damage	8.0%
6	Business disruption/ systems failure	0.2%
7	Process execution, delivery and management	55.9%



G14

Distribution of operational risk events by amount (last 5 years)

1	Internal fraud	3.0%
2	External fraud	10.8%
3	Staff relations and job security issues	1.6%
4	Customers, products and business practices	43.0%
5	Property damage	5.0%
6	Business disruption/ systems failure	0.3%
7	Process execution, delivery and management	36.2%

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 the Bank's 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.

With this aim in view, the group has a compliance policy that handles the setting of policies, procedures and controls centrally at head office and delegates implementation to its subsidiaries and branches in other countries.

This is a flexible risk-focused approach that can adapt with agility to the Group's strategy at any given time and which takes advantage of synergy, particularly in areas with complex far-reaching impacts that require technology to be developed. The main challenge is standardisation of the level of compliance oversight within the Group by establishing obligatory minimum standards regardless of the activity or the country where the group operates.

The policy has six main components: technology, training, procedures, communication channels, verification and control programmes, and approval procedure for products and regulations.

The Banco Sabadell Group has installed a more robust and effective control infrastructure in all areas where a compliance risk may be present, such as prevention of money laundering and the financing of terrorism, market abuse, internal codes of conduct and investor protection (MiFID).

Key actions implemented in 2014 included the following:

— Constantly updated anti-money laundering monitoring systems and Know-your-Customer and Customer Acceptance procedures.
— Progress in complying with Spanish anti-money laundering legislation on the keeping and updating of customer documents and due diligence procedures.
— Expanded and more rigorous measures to bring greater transparency to all dealings with customers, particularly in the marketing of products and the terms of contracts; making available to the public all fees, commissions, costs and expenses actually charged on the more common banking products and services.
— Improving investor protection by implementing new procedures to evaluate the timeliness and suitability of investments.
— Strengthening the group's resources for the detection of possible market abuse by incorporating additional risk parameters; this will make alerts systems more sensitive and extend the range of possible suspicious behaviour patterns.
— Strengthening the mechanisms for overseeing compliance with the group's Internal Code of Conduct for trading on the securities market.
— Promoting and monitoring implementation of the Foreign Account Tax Compliance Act (FATCA).
— Implementing these compliance systems at branches taken over following the acquisition of assets from Banco Gallego Group and SabadellSolbank (formerly Lloyds Bank España).

Report of the Audit and Control Committee

A

Introduction

This report on the work of the Audit and Control Committee for 2014, addressed to the shareholders of Banco de Sabadell S.A., was authorized by the Committee at its meeting of 28 January 2015 and will be submitted to the Board of Directors of Banco de Sabadell S.A. for approval at its meeting on 29 January 2015.

The Committee is regulated by Article 59 bis of the Articles of Association and Article 13 of the Regulations of the Board of Directors of Banco de Sabadell S.A.; it also has its own rules of organization and procedure which are published on the group website (www.grupobancosabadell.com).

This regulatory structure ensures that the Audit and Control Committee is compliant with the reporting requirements laid down by Law 44/2002 of 22 November on Measures to Reform the Financial System, as amended.

As required by the Bank's articles and other regulations, the Committee consists of a maximum of five directors appointed by the Board, one of whom is appointed by the Board to chair the Committee. The chairperson may hold office for a maximum of four years and cannot be re-appointed for at least one year after the end of their four-year term. Additional directors may be appointed to attend meetings without the right to vote in order to fill a vacancy on the Committee or replace a member who is indisposed.

The Board also appoints a secretary to the Committee, who cannot be a Director. The secretary takes minutes of every meeting and these are approved at the end of the meeting itself or at the next meeting. A report of each meeting of the Committee is read out at the immediately following meeting of the Board of Directors.

As of 31 December 2014, the members of the Audit and Control Committee were as follows:

Chairman
Joan Llonch Andreu

Committee members
Mª Teresa García-Milà Lloveras
José Ramón Martínez Sufrategui

Secretary
Miquel Roca i Junyent

The Audit and Control Committee underwent the following changes in 2014:

As a result of José Manuel Martínez Martínez's resignation as a member of the committee, and following a favourable report by the Appointments and Remuneration Committee, on 24 July 2014 the Board of Directors appointed the director José Ramón Martínez Sufrategui as a member of the Audit and Control Committee.

On 20 November 2014, Sol Daurella Comadrán resigned as a director of Banco de Sabadell, S.A., with the result that she also stepped down as a member of the committee.

Accordingly, all directors on the Audit and Control Committee are non-proprietary, independent directors and have the knowledge and experience required to perform the duties assigned to the Committee by the Board of Directors.

The Audit and Control Committee meets as often as necessary and, in any event, not less than once every three months. The Committee may request the attendance at its meetings of such executives, including executive directors, as it sees fit. It may also seek assistance from independent advisors in carrying out its duties.

This report summarizes the range of activities carried out by the Audit and Control Committee in the course of the six meetings that it held during the year 2014, from which it can be seen that the Committee discharged the duties assigned to it in its rules of procedure by the Board of Directors of Banco de Sabadell, S.A. within its main areas of responsibility.

Together with the publication of an annual report on corporate governance and the information available on the group's website, the distribution of this report at the Annual General Meeting underlines once again Banco Sabadell's commitment to providing shareholders and investors with the tools and resources they need to keep themselves fully informed of the Company's performance and to ensure that it is transparent in everything that it does.

Terms of reference

The Audit and Control Committee has the following responsibilities:

1. Reporting to the General Meeting on all issues raised by shareholders that are within its remit.
2. Supervising the effectiveness of the company's internal control system, any internal audits, and risk management systems, and discussing with the auditors any material weaknesses in the internal control system that are detected during the audit.
3. Overseeing the preparation and presentation of statutory financial information.
4. 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 the 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.
5. Advising on the annual, quarterly and half-yearly financial statements and the prospectuses that must be submitted to the regulatory or supervisory bodies, exercising vigilance to ensure compliance with the requirements of the law and the proper application of generally accepted accounting principles, and advising on proposals to amend those principles.
6. Maintaining working relations with external auditors to receive information on, and enquire into, any issues that might compromise their independence and keeping itself informed of any other matters related to the audit process and to auditing standards.
7. Reporting on any issues referred to the Committee by the Board of Directors that are within its terms of reference.
8. 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.

Regulatory structure

As required by the Law on Measures to Reform the Financial System, on 9 July 2003 the regulations of the Board of Directors were amended by notarial instrument to incorporate new rules on the composition and working of the Audit Committee. These changes were made having regard to amendments to certain articles of the Bank's Articles of Association that had been adopted by a resolution of the Annual General Meeting on 24 April 2003.

By another instrument executed on that same date, the Audit and Control Committee was set up to replace the former Audit and Budget Control committees, whose respective remits had been merged following amendments to the Bank's Articles of Association and to the Regulations of the Board of Directors.

On 20 October 2003 the Committee adopted new rules setting out the principles that would govern the work of the Audit and Control Committee of Banco de Sabadell S.A. and basic rules on organization and procedure, within the framework of the Articles of Association and the Regulations of the Board of Directors. The rules were approved and confirmed by the Board of Directors at a meeting on 30 October 2003 and were executed on 18 November 2003 before a notary in Sabadell, Javier Micó Giner.

On 28 April 2009, the committee reviewed and reported favourably on a proposed amendment to article 13.1 of the Regulations of the Board of Directors to provide for the appointment of alternate members of the Committee. It also resolved to amend article 7.1 of the rules of procedure of the Audit and Control Committee accordingly. The amendments to article 13.1 of the Regulations of the Board of Directors and to article 7.1 of the rules of procedure of the Audit and Control Committee were approved and confirmed by the Board of Directors at a meeting on 27 May 2009 and executed in a public instrument on 11 June 2009 before the notary in Sabadell, Javier Micó Giner.

In 2010, article 59 bis of the Articles of Association and article 13.1 of the Regulations of the Board of Directors of Banco de Sabadell, S.A.were amended to fix the number of members of the Audit and Control Committee at a maximum of five in order to keep the number of members of the Committee in the same proportion with respect to the number of members of the Board. The committee also resolved to amend article 7.1 of its rules of procedure so as to incorporate that amendment concerning the number of members.

In 2012, the committee made amendments to a number of articles of its rules of procedure to bring them into line with the amended Articles of Association of Banco de Sabadell, S.A. and at the same time make those articles compliant with changes in the Spanish legislation on public limited companies [Ley de Sociedades de Capital], and with Law 12/2010, of 30 June, amended Spanish legislation on auditing (Law 19/1988) and the stock market (Law 24/1988) and to the consolidated text of the Companies Act, approved by Legislative Royal Decree 1564/1989, of 22 December, to make them compliant with EU law.

Activities

Six meetings were held by the Audit and Control Committee in 2014 in accordance with the regulatory structure described above. Meetings were attended regularly, at the Committee's request, by the Director-General Manager and the head of Internal Audit.Meetings were also attended by the Chief Financial Officer when the business on the agenda included pre-publication reviews of quarterly and half-yearly trading and financial reports, and by other Group senior executives when the nature of the business on the agenda made their attendance desirable.

The committee also maintained regular contacts with the external auditors to keep itself informed of progress in the auditing of the accounts.

These contacts and attendances ensured that the Committee was able to obtain all the information it required to perform the tasks delegated to it by the Board of Directors within its main areas of responsibility, as follows:

Functions related to financial reporting, risk management and internal control systems

The committee carried out a review to verify that banking or accounting best practice was being applied at all levels of the organization. On the basis of reports from the external auditor, Internal Audit or the Director-General Manager, the Committee satisfied itself that suitable steps were being taken at General Manager level and by other senior executive functions to ensure that the Group's main risks were being appropriately identified, measured and controlled.

Risk management and control systems

During the year the Committee reviewed the Group's risk management systems as described in reports prepared by the Risk, Finance and Internal Audit departments.

To meet the group's market disclosure obligations and other requirements set out in the Bank of Spain's Circular CBE 3/2008 (the "Solvency Circular") and subsequent amendments (CBE 9/2010 and CBE 4/2011), at its meeting on 24 March 2014 the Committee reviewed the contents of the document entitled "Basel II – Pillar III Disclosures" dated 31 December 2013. At that meeting it examined information concerning the Group's qualifying capital resources and its capital adequacy position, and discussed their compliance with the Solvency Circular and the objectives set out in the Group's risk management policies. The Committee also carried out a detailed review of all financial data to be relied on as a basis for the Group's conservative risk profile in the different categories of risk for which disclosure was required, including: credit and dilution risk, market risk in the trading book, operational risk, specific data on equity investments and equity instruments not included in the trading book, interest rate risk on non-trading positions, and disclosures on remuneration.

With regard to the Group-wide implementation of internal ratings-based (IRB) credit risk assessment models, the Committee reviewed the findings of internal audits carried out on these models at the request of the Bank of Spain's Supervision Department. These audits enabled the Committee to keep itself informed of the action being taken to comply with requirements specified by the Bank of Spain in its approval notices for the use of Basel II risk assessment models.

From reports provided to it by Internal Audit during the year, the Committee was able to observe the significant progress being made by the Group in developing and deploying advanced systems for the management and measurement of operational risk.

During the course of 2014, the committee monitored the progress and results of the Comprehensive Assessment, conducted by the European Central Bank within the framework of the Single Supervisory Mechanism on 128 Euro area banks, together with the national authorities and, with respect to the stress test, in close cooperation with the European Banking Authority (EBA). The results confirmed that the values of Banco Sabadell's assets, collateral and reserves are appropriate and that Banco Sabadell would not require additional capital in any of the scenarios considered.

Specifically, the Asset Quality Review (AQR) did not lead to any adjustment in the valuations presented by Banco Sabadell as of 31 December 2013, while the stress test revealed that Banco Sabadell would have surplus capital amounting to over 1.7 billion euro in the baseline scenario and over 2.2 billion euro in the most adverse scenario.

At its 28 January 2015 meeting, the Committee reviewed a report presented by the Risk Department on governance and risk management and control systems for the year 2014, and reached the conclusion that these systems were appropriate to the group's risk profile.

Internal controls over the preparation and presentation of regulated financial information

In 2014, the Audit and Control Committee approved Internal Audit's strategic plan for 2014-2016 setting out a detailed programme for the supervision of the group's system of internal control over financial reporting (ICFR). The plan provides for tests on areas considered to be of key importance within the group over the three-year period to which the plan refers, with the exception of certain areas or processes considered to be of especial significance; these include critical controls of period-end closing procedures, reviews of judgements and estimates and general controls on reporting systems subject to evaluation on an annual basis.

In the course of 2014, the reports provided by Internal Audit on the ICFR evaluation tests were presented and were reviewed by members of the Audit and Control Committee; any weaknesses identified in the reports were evaluated and the action plans proposed for correcting them were approved.

A favourable opinion on the ICFR was also expressed by the external auditor (PricewaterhouseCoopers) in a report dated 23 January 2014 with reference to the accounts for the year to 31 December 2013.

Supervision of internal controls on the Group's offshore operations

The Committee paid particular attention to overseeing the system of internal controls over the group's offshore operations. This was in response to the recommendations set out in the Bank of Spain's "Banking Supervision Memorandum" for 2003 with regard to the policies of banks and other lenders on the use of offshore establishments to expand their offshore operations.In carrying out this responsibility, the Committee reviewed the findings of audits carried out by official regulators, audit reports prepared by the Group's Internal Audit department, the results of audits carried out by units with local internal audit functions and auditors' reports prepared during the year 2013 on the accounts of subsidiaries with offshore operations.

As a result of its review, the Committee was able to conclude that Group operations conducted through offshore establishments were being reduced and that adequate systems were in place to ensure that offshore establishments were subject to internal control by the parent company, as required by the Group's policy on discontinuing any operations likely to give rise to legal or reputational risks. A report on this area of the Committee's supervisory duties was submitted to the Board of Directors on 24 March 2014.

Functions related to auditing

The Committee's functions in relation to auditing include making recommendations to the Board regarding the appointment of auditors and reviewing their terms of engagement. At its meeting on 21 January 2014, the Committee reviewed group policy on engagement and, as a result, recommended to the Board that the firm of PricewaterhouseCoopers Auditores, S.L. be re-appointed as auditors of the Bank's separate and consolidated accounts for the year 2014.The Board of Directors resolved to submit the Committee's recommendation to the Annual General Meeting, which approved it on 27 March 2014.

The Committee reviewed and approved the auditor's fees for 2014. Details of fees paid to auditors can be found in the annual accounts.

As regards compliance with independence requirements, the Audit and Control Committee reviewed the main non-audit services provided by PriceWaterhouseCoopers in 2014, which were mainly to advisory services on real estate investment portfolios and non-performing debt and non-performing asset management platforms, and to advisory services in treasury and capital market projects. All these tasks were undertaken in conformity with the independence requirements contained in the consolidated text of the Law on Auditing, enacted by Legislative Royal Decree 1/2011, of 1 July, and in the Audit Technical Standards issued by Spain's Institute of Accounting and Auditing.

To verify the Group's compliance with statutory limits on concentrations of auditing business, the Committee reviewed the proportion which the fees paid to PricewaterhouseCoopers by the group represent in the firm's total annual revenue. The share was less than 0.02% of the total for the PricewaterhouseCoopers worldwide organization, and 0.83% of the total for its Spanish organization. From information provided by the auditors, the Committee also reviewed the procedures and tools used by the firm to ensure compliance with the auditor independence requirements. Written confirmation of the firm's independence with respect to the Banco Sabadell Group was received by the Committee on 28 January 2015. Based on the results of its enquiries, the Committee submitted a report to the Board of Directors, before the Auditor's report on the accounts had been issued, giving a favourable opinion on compliance with the auditor independence requirement and concluding that all work for which auditors had been engaged satisfied the independence requirements of the Consolidated Text of the Audit Law, enacted by Legislative Royal Decree 1/2011, of 1 July.

The Committee remained in contact with the Auditor constantly throughout the year to ensure that it was kept informed of any significant accounting or financial reporting issues arising in the course of the auditor's work.

In the area of external supervision and regulation, the external auditors reported to the Committee, at its meetings on 22 April, 22 July and 17 December 2014, on the new structure and content of the audit report, in accordance with the new Audit Technical Standards, on the content of the new accounting framework for reserves, the status of the Draft Law on Auditing and the main impacts of the introduction of the Single Supervisory Mechanism, in force since 4 November 2014, and specifically on the key areas subject to evaluation: the governance framework, roles and responsibilities, the capital, liquidity and funding plan, the risk appetite framework, internal models and the recovery plan.

As part of the Committee's oversight of the auditors' performance of their terms of engagement, at its meeting on 22 July 2014 the auditors reported on the results of their review of the summary consolidated accounts for the first half of 2014, giving an unqualified opinion.

At a meeting on 28 January 2015, the auditor presented the results of its review of the separate and consolidated accounts for the year 2014 and expressed the opinion that, as in previous years, the accounts presented a true and fair view, in all material respects, of the consolidated equity of the Bank and the group and of the results of their operations and their consolidated cash flows for the year as required by applicable financial reporting standards and regulations and, in particular, the accounting principles and practices embodied therein.

Functions related to trading and financial reports

In the course of the year, the Committee paid particular attention to reviewing the Company's accounts and its quarterly and half-yearly trading and financial reports as well as other information disclosed to the market, including the share registration document, before they were released for publication.

At a meeting on 24 March 2014, the Committee reviewed and reported favourably on the Share Registration Document of Banco de Sabadell S.A. to be filed with the National Securities Market Commission (CNMV) in accordance with Commission Regulation (EC) 809/2004 of 29 April 2004, which came into effect on 18 July 2005, implementing Directive 2003/71/EC as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

At meetings on 22 April, 22 July and 29 October 2014 and 28 January 2015, the Committee reported favourably on the quarterly financial statements for the periods ending on 31 March, 30 June, 30 September and 31 December 2014, respectively, prior to their being approved by the Board of Directors and released to the markets.

At its 22 July meeting, the Committee reported favourably on the summary consolidated first half-year financial statements of the Banco Sabadell Group for filing with the National Securities Market Commission (CNMV), finding them to have been prepared and presented in conformity with IAS 34 on Interim Financial Reporting as incorporated into IFRS-EU, with the detailed disclosure requirements specified by the CNMV in its Circular 1/2008 of 30 January, and article 12 of Royal Decree 1362/2007.

To undertake this work, the Committee received documents and held meetings with the Director-General Manager, the Chief Financial Officer and the Auditor to satisfy itself that the applicable accounting standards had been properly applied.

Functions related to Internal Audit

One of the Committee's tasks is to approve the plans and methodologies of the Internal Audit department and assess the extent to which the department's plans are being followed and its recommendations are being implemented. This responsibility was met largely through the approval and oversight of the Internal Audit Plan for the year.

This year, the Internal Audit Department presented the Internal Audit Strategic Plan for 2014-2016 to the Audit and Control Committee on 21 January 2014, the goal of which is to be uses as the basis for supervising the Group's risk management and internal control during the next three years. This plan was based on an evaluation of the Group's strategic objectives established in the 2014-2016 Triple Master Plan, of the business risks arising from the current economic context and the systems for analysis, measuring and control adopted by the Group, together with the supervisor's requirements and regulatory requirements. The Audit and Control Committee approved the strategic plan as the basis for supervising the Group's risks and internal control during the next three years, and the annual internal audit plan for 2014, which itemizes the tasks to be completed during the year.

In 2014, the internal audit activities were focused on reviewing internal control systems to mitigate financial, credit, operational, accounting and regulatory risks to which the Group's activities are exposed. Specifically, special attention was paid to certain strategic aspects with a material impact on the Bank in 2014: monitoring the comprehensive assessment process resulting from the entry into force of the Single Supervisory Mechanism, audits of the new management model and the decline in delinquency and the reduction in real estate exposure, review of the asset protection scheme, technology and fraud prevention audits, and a review of the technological-operational integration projects completed during the year and projects to implement international platforms.

The implementation of that audit plan resulted in the production of over 500 audit reports whose main findings, along with replies from management to the recommendations contained in them, were evaluated by the Committee.

All meetings held by the Committee were attended by the head of Internal Audit. The following reports were presented:

— A report on the main internal auditing results for the fourth quarter of 2013, at the meeting on 21 January 2014.
— A summary of Internal Audit's annual report on its activities in 2013, the 2014-2016 strategic plan and the plan of activities for 2014, at the meeting on 21 January 2014.
— A report on the main internal auditing results for the first quarter of 2014, at the meeting on 22 April 2014.
— A report on the main internal auditing results for the second quarter of 2014, at the meeting on 22 July 2014.
— A report on the main internal auditing results for the third quarter of 2014, at the meeting on 29 October 2014.

The Committee kept itself fully informed of progress in implementing the recommendations of previous audit reports and each meeting included the presentation of a specific report on the Audit Department's monitoring of the Group scorecard of key quality indicators.

At its meeting on 17 December 2014, the Committee approved the update to the basic rules on internal audits, which includes changes in the reporting hierarchy of the internal audit function, in accordance with the changes in the organization chart since the previous update and other aspects of internal organization with a view to adapting to the regulatory frameworks and best practices in the profession.

Functions related to compliance with legal and regulatory requirements on Corporate Governance

One aspect of the Committee's work in the area of corporate governance was to review reports prepared by the Director-General Manager and Internal Audit on compliance with applicable laws, internal rules and regulatory requirements.

To meet the requirement of Royal Decree 217/2008 for regular reviews of compliance with the EU Directive on Markets in Financial Instruments (MiFID) by investment firms, the Audit and Control Committee received information specifically related to the implementation of MiFID rules by the Banco Sabadell Group, based on an internal audit report prepared for the purpose.

As required by CNMV Circular 5/2009 of 25 November, the Committee also reviewed the Auditor's annual report on the protection of customer assets held or managed by Banco de Sabadell, S.A., Sabadell Solbank, S.A.U. and Banco Gallego, S.A. from the point of view of the measures adopted by those undertakings to comply with customer asset protection requirements. The report's conclusions were satisfactory and no material weaknesses were detected in relation to the existence or suitability of internal asset protection systems in any of the undertakings.

Corporate Governance

At its meeting on 21 January 2014, the Committee decided to recommend that the Board of Directors give its approval to a report on the corporate governance structure and practices at Banco Sabadell in 2013 that had been submitted by the Executive Committee.

The Committee also examined half-yearly reports from the Group's Corporate Ethics Committee on action taken to ensure compliance with the Banco Sabadell Group Code of Conduct in relation to the securities market, the Group's general Code of Conduct, initiatives undertaken in the area of Corporate Social Responsibility and other key aspects.

Additionally, and in view of best practices in corporate governance, the transactions performed by the bank with directors, significant shareholders or shareholders with Board representation, or their related parties were reviewed and, as appropriate, a favourable report was submitted to the Board of Directors.

Treasury shares

In conformity with the recommendations contained in a document published by the CNMV on 18 July 2013 setting out recommended principles and practices to be observed by issuers of securities and by financial intermediaries acting for issuers engaging in discretionary trading in their own shares, the Audit and Control Committee received regular briefings from the Director-General Manager and the head of treasury share management on any trading activity involving the Bank's own shares and on its conformity to the regulator's recommendations.

Self-assessment

In line with corporate governance standards, the members of the Audit and Control Committee carried out a self-assessment and submitted a report on the Committee's performance to the Board of Directors for consideration at its meeting on 17 December. The report found that the Committee had fully and properly discharged the responsibilities entrusted to it in its rules of procedure by the Board of Directors of the Bank.

Reports from supervisory authorities

In 2014, the committee received information about the conclusions of the reports issued by the supervisory authorities. From the information provided, the Committee was able to satisfy itself that the improvements recommended by the supervisory authorities were being fully implemented.

Conclusion

The activities described in this report ensured that the Audit and Control Committee was able fully to discharge the duties assigned to it in its rules of procedure by the Board of Directors of Banco de Sabadell, S.A., within its main areas of responsibility.

As a result of its review and oversight of reports received during the year from the Director-General Manager, the Chief Financial Officer, the head of Internal Audit and the external auditor, the Committee was able to conclude that the Annual Accounts to be authorized by the Board of Directors provide a true and fair view of the equity and financial position and the results of operations, and contain necessary and sufficient information for their comprehension.

The Committee was, in addition, able to verify that all business, financial and legal risks to which Banco de Sabadell S.A. and its subsidiary undertakings may be exposed are clearly and straightforwardly explained in the annual accounts and the report of the Directors. Finally, it reviewed the contents of the auditor's report to ensure that the opinion on the annual accounts and the main findings of the auditor's report are expressed in a clear and precise way.

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Corporate Social Responsibility (CSR)

Banco Sabadell operates in a transparent and ethical manner. In the current climate, the Group seeks to address the concerns of the community by accepting its role as a driver of the economy and ensuring an appropriate impact on society and the environment. Each and every person in the organization has a part to play in the process of transforming the business and helping, in a disciplined and professional way, to make it ever more competitive while respecting the principles and policies of corporate social responsibility.

CSR Master Plan

In 2013, the Bank approved a Corporate Social Responsibility (CSR) Master Plan reaffirming the values and ethical principles that govern its actions, at a time when there was a need to demonstrate its commitment to maintaining the trust and reliance placed on it by stakeholders. The Plan comprises five main action areas: responsible banking, a healthy organization, environmental sustainability, a CSR-supportive culture and value sharing.

During 2014 the Bank started work on drawing up programmes for the different action areas of its CSR Master Plan. The healthy company line of action is detailed in the section on human resources under Banco Sabadell's key stakeholders.

Responsible banking

Commitment to business ethics

For Banco Sabadell it is of vital importance to ensure the strictest compliance with the law and with the policies, internal procedures and codes of conduct that guarantee ethical and responsible conduct at all levels of the organization, using a range of tools throughout the organisation and in all Group activities.

- Code of conduct: applies generally to all persons directly involved with the Group, whether as employees or as members of its governing bodies.
- The Internal Code of Conduct in connection with the securities market.
- The Suppliers' Code of Conduct.
- Policy on ethics and human rights.
- Policy on corporate social responsibility.
- Policies related to stakeholders (shareholders and investors, customers, suppliers, employees, the environment and the community).
- A plan to foster genuine equality between women and men at Banco Sabadell.
- A code of conduct governing the use of social networks.
- Membership of Autocontrol, a self-regulatory body on business communication.
- Adopting the Code of Good Banking Practice.

The Bank has a standing Corporate Ethics Committee whose chairman and five other members are appointed by the Board of Directors to advise the Board on the adoption of CSR-related policies. Any employee may contact the Corporate Ethics Committee, in complete confidence via a special email address, to raise any issue relating to ethical business practices in the organization.

Social commitment

Banco Sabadell plays a responsible role in society, both as a creator of employment and a provider of finance to people and business projects. This contributes to the creation of wealth in the Spanish economy in a context of sustainable growth. In 2014 Banco Sabadell was directly employing 17,529 people and disbursed more than €1,202 million in wages and social welfare contributions. It spent €2,037 million on procurement of goods and services (T8).

Assistance in cases of mortgage default

In 2014, the Bank confirmed its support for the Code of Good Banking Practice to mitigate the effects of indebtedness and facilitate the rehabilitation of debtors at risk from social exclusion. In this framework, the Bank also accepted proposed amendments to the Social Housing Fund ("FSV") that would relax the eligibility requirements for FSV housing and allow the reduced rents payable by occupants of repossessed homes to be included in FSV provisions.

Additionally, measures were established to ensure that persons at risk of social exclusion do not lose their habitual abode.

Where a customer is unable to pay their mortgage, the Bank works with the customer to look for solutions that will help them to overcome any temporary difficulty and avoid foreclosure. Wherever possible, the Bank proposes changes to the terms of the mortgage based on the borrower's ability to pay. This may mean lengthening the payment period, granting a grace period or reviewing the rate of interest. The Bank may also agree to take possession of the property and release the customer from his debt; this has happened in 2,706 cases involving loans totalling €460 million.

Where a mortgage is foreclosed, the Bank does not take forcible eviction proceedings. In 84% of repossessions, the property involved was already unoccupied. In the remaining cases, where a family is at risk of social exclusion, the Bank enters into discussions with the occupants to look for the best way of avoiding eviction. The Bank may offer a customer the option of remaining in their property or moving to another one and paying a subsidized rent.

It reaffirmed its support for the FSV's mandate by increasing from 260 to 400 the number of repossessed homes let to their former owners in 286 different municipalities all over Spain; at the close of the year arrangements of this kind were in place in 84% of these properties.

The Bank also transferred 92 properties to 49 charitable and not-for-profit organizations with a mandate to assist and support the underprivileged and the needy.

The Banco Sabadell Group has 3,494 homes let at reduced rents to customers facing financial hardship as a result of mortgage foreclosure, repossession in lieu of payment, or living in substandard or unsuitable accommodation.

	2014	2013
Direct economic value generated(€'000)	**5,037,474**	**4,020.687**
Net sales plus revenues from financial investments and sales of assets (includes gross income and capital gains on asset sales)	5,037,474	4,020.687
Direct economic value distributed(€'000)	**3,448,361**	**2,567,217**
Payments to suppliers	2,036,626	1,267,452
Personnel expenses (includes social welfare costs)	1,202,604	1,135,175
Corporate income and other taxes (*)	209,131	160,260
Investment in community and cultural programmes	5,492	4,330
Economic value retained(€'000)	**1,589,113**	**1,453,470**
Other information		
Customers(million)	6.4	6.5
Shareholders	231,481	262,589
Branches in Spain	2,267	2,418
Employees	17,529	18,077

T8

(*) Figures for 2013 were restated due to early application of IFRIC 21.

Banco Sabadell is in regular contact with charities and other organizations (Caritas, ICAV, Ofideute, local social services, etc.), as well as Plataformas de Afectados por la Hipoteca (an organization that supports people with mortgage difficulties), central government and local authorities. The Bank is a member of an evictions panel set up by the Catalan Government at the request of the Catalan Parliament.

Transparency towards customers

One of the responsible banking programmes is transparency vis-à-vis customers.

Since 2010, the Bank has been a member of Autocontrol, an organization that promotes responsible advertising, thus making a commitment to responsible advertising and to ensuring that all information, contract terms and operating features conform to current legislation.

Financial education

Another responsible banking programme is Financial Education. In 2011, Banco Sabadell became party to an agreement with the Spanish Banking Association (AEB), the CNMV and the Bank of Spain to carry out a programme of activities as part of the National Financial Education Plan, with the aim of encouraging greater financial awareness among the general public.

The Bank has taken other initiatives related to financial education: for the very young (at http://paraquesirveeldinero.com); for school-age children (current and retired employees of the Group are working as volunteers on a scheme entitled "Financial Education for Schools in Catalonia", a pioneering project in Spain led by the Financial Studies Institute); to help manage a household economy (the "Personal Finance" tool available on BS Online); and for SME's (the "Exporting for Growth" programme offers businesses a range of tools and resources to assist them with foreign trade).

To set people thinking, in 2013 the Bank launched a campaign entitled "How long are we going to live?" The campaign was organized around four full-length talks (which can be viewed on www.bancosabadell.com/futuro) in which four well-known scientists give their answers to the question that defined the campaign. The scientists set out reasons why life expectancy in the Spanish population is set to increase significantly in the future. Given this foreseeable trend, the Bank invites viewers to think about the need to set up a plan to save for their retirement.

Environmental sustainability

We care about the future and about sustainability. This is why Banco Sabadell has an environmental policy in place and promotes commitment to the environment globally. The Bank's environmental policy is to minimize the potential impacts of processes, facilities and services; to manage effectively the environmental threats and opportunities inherent in its business, and to promote a global commitment to the environment. The Bank adheres to a number of global initiatives, including the Equator Principles and the Carbon Disclosure Project (CDP).

Banco Sabadell promotes the development of a more sustainable energy model by investing directly in, and providing funding for, renewable energy projects (lending €141 million in 2014), investing in power generation projects using renewable energy and advising on this type of project. It has also participated as a speaker at the main fora in Spain: these included events organized by the

Spanish Wind Energy Association and the Association of Renewable Energy Producers.

The Bank has an environmental management system (EMS) which was set up in 2006 in accordance with the ISO 14001:2004 standard and has been certified for six Central Services buildings. With regard to environmental training and awareness-raising, all Group employees have access to an on-line training course which is obligatory for staff at Central Service facilities certified to ISO 14001. Employees also have an online guide, *"Connect with the Environment"* which gives them ready access to information about the Bank's environmental footprint, resource consumption and waste management at branches or Central Services buildings.

The Bank also informs all suppliers of the Group's environmental policy and uses a range of mechanisms to incorporate environmental and social responsibility into its supply chain. 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.

Shared value

Creation of shared value and Social and cultural action

Banco Sabadell nurtures and gives recognition to people's talent and transformative potential. It does this through such awards as the UPFemprèn Prize for entrepreneurial initiative by students, Imagine Cultura Barcelona and the ESADE Alumni-Banco Sabadell Prize for Best Business Start-up.

It also supports and works to channel the capacity for innovation shown by employees, customers and consumers and add value to society as a whole. Examples include the BStartup 10 high-performance scheme for 10 young Spanish business start-ups showing high potential, in each of which it has invested €100,000 to help them grow and internationalize; organizing the first "hackathon" on digital banking, in which the winning project, Wallabe, introduced a new concept in banking that included "socialbanking" and "socialcash"; and keeping channels open for customers and employees to put forward their ideas.

Banco Sabadell's policy of support for the community and for cultural activities is part of its commitment to society and to value creation. Its activities in these areas are conducted in cooperation with Banco Sabadell Foundation. The Foundation presents several distinctions, such as the SabadellHerrero Award for Economic Research and the Banco Sabadell Award for Biomedical Research.

Adoption of national and international initiatives

In recent years, the implementation of social responsibility policies at Banco Sabadell has resulted in the Bank joining or associating itself with a number of initiatives and receiving awards and distinctions.

- Adoption of the ten principles of the United Nations Global Compact in the areas of human rights, labour, the environment and the fight against corruption.
- Signing the Equator Principles, which requires it to take account of social and environmental issues in financing major projects and in loans to large corporates.
- Integration of CSR policies into business practice in accordance with ISO 26000 guidance.
- A signatory of the United Nations Principles for Responsible Investment in the "investment manager" category.
- Party to an agreement between the Spanish Banking Association (AEB), the CNMV and the Bank of Spain to carry out a programme of activities as part of the National Financial Education Plan.
- Banco Sabadell is among the stocks included in the FTSE4Good, FTSE4Good IBEX, Euronext Vigeo Europe 120 and Euronext Vigeo Eurozone 120 sustainable stock market indices.
- Awarded the European Foundation for Quality Management (EFQM) Gold Seal of Excellence.
- ISO 9001 certification for 100% of processes and operations of the group's financial undertakings in Spain.
- A signatory of the Carbon Disclosure Project (CDP) for action against climate change and its Water Disclosure programme. Banco Sabadell has been disclosing its CO_2 emissions since 2009.

For more details of the Group's CSR policies, see the CSR section of the Bank's website (www.grupobancosabadell.com).

Statutory information

Sabadell

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

M-13899 II-12 Banco de Sabadell, S.A. - Pl. de Sant Roc, 20 (Sabadell) - Ins. R.M. Barcelona, Tomo 20093, Folio 1, Hoja B-1561 - CIF A08000143 pwc

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.

PricewaterhouseCoopers Auditores, S.L., Avda. Diagonal, 640, 08017 Barcelona, España
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R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

pwc

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

Translation of the Consolidate Annual Accounts originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union. In the event of a discrepancy the Spanish-language version prevails.

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

Consolidated annual accounts
for the year ended
31 December 2014

Contents: Banco Sabadell Group consolidated annual accounts for 2014

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Directors' Report

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
Memorandum item: loaned or pledged	-	-
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
Memorandum item: loaned or pledged	-	-
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
Memorandum item: loaned or pledged	*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
Memorandum item: loaned or pledged	*772,211*	*210,884*
Held to maturity investments (Note 5)	-	-
Memorandum item: loaned or pledged	-	-
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
Memorandum item: Acquired under finance leases	-	-
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: Uncalled capital	-	-
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: Treasury shares	*(87,376)*	*(57,442)*
Profit for the year attributed to the parent company	371,677	145,915
Less: Dividends and remuneration	-	-
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**
Earnings per share (€)	*0.09*	*0.04*
Basic earnings per share adjusted for effect of mandatorily convertible bonds and other equity instruments (€)	*0.09*	*0.03*
Diluted earnings per share (€)	*0.09*	*0.03*

(*) 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 mak 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

	Equity attributed to the parent company												
	Shareholders' funds												
	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	Valuation adjustments	Total	Non-controlling interests	Total equity
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												
	Shareholders' funds												
	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	Valuation adjustments	Total	Non-controlling interests	Total equity
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	-	-
(-) Less: Bank overdrafts reimbursable on demand	-	-
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:
Approved for application in EU		
Amendment of IAS 19	Defined Benefit Plans: employee contributions	1 July 2014
Not approved for application in EU		
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 discretional 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 calculated 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.

<u>Refinancing and restructuring operations</u>

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 is 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 (Ke) from the standpoint of a market participant. To determine the capital cost the CAPM method is used in accordance with the formula: “$Ke = Rf + \beta (Rm) + \alpha$”, where: Ke = Required return or cost of capital; Rf = Risk-free rate; β = Company's systemic risk coefficient; Rm = 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 incudes 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 in 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

Thousand euro

			Cost of combination					
Name of entity (or line of business) acquired or merged	**Category**	**Effective date of the transaction**	**Amound paid**	**Fair value of equity instruments issued for the acquisition**	**% Voting rights acquired**	**% Total voting rights**	**Type of shareholding**	**Method**
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
Fegaunion, 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
Espazios 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 Segura, 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 Almeria, 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
Erbisinia 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
Solvia 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
Eurofragance, 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 Eurofragance, 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 contact 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

			Cost of combination					
Name of entity (or line of business) acquired or merged	Category	Effective date of the transaction	Amound paid	Fair value of equity instruments issued for the acquisition	% Voting rights acquired	% Total voting rights	Kind of holding	Method
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
Solvia 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
Solvia 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 Almanzora 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
Berilia 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 Energia 1, S.L.U. (2)	Subsidiary	28/10/2013	-	-	100.00%	100.00%	Indirect	Full consolidation
Casiopea Energia 2, S.L.U. (2)	Subsidiary	28/10/2013	-	-	100.00%	100.00%	Indirect	Full consolidation
Casiopea Energia 3, S.L.U. (2)	Subsidiary	28/10/2013	-	-	100.00%	100.00%	Indirect	Full consolidation
Casiopea Energia 4, S.L.U. (2)	Subsidiary	28/10/2013	-	-	100.00%	100.00%	Indirect	Full consolidation
Casiopea Energia 5, S.L.U. (2)	Subsidiary	28/10/2013	-	-	100.00%	100.00%	Indirect	Full consolidation
Casiopea Energia 6, S.L.U. (2)	Subsidiary	28/10/2013	-	-	100.00%	100.00%	Indirect	Full consolidation
Casiopea Energia 7, S.L.U. (2)	Subsidiary	28/10/2013	-	-	100.00%	100.00%	Indirect	Full consolidation
Casiopea Energia 8, S.L.U. (2)	Subsidiary	28/10/2013	-	-	100.00%	100.00%	Indirect	Full consolidation
Casiopea Energia 9, S.L.U. (2)	Subsidiary	28/10/2013	-	-	100.00%	100.00%	Indirect	Full consolidation
Casiopea Energia 10, S.L.U. (2)	Subsidiary	28/10/2013	-	-	100.00%	100.00%	Indirect	Full consolidation
Casiopea Energia 11, S.L.U. (2)	Subsidiary	28/10/2013	-	-	100.00%	100.00%	Indirect	Full consolidation
Casiopea Energia 12, S.L.U. (2)	Subsidiary	28/10/2013	-	-	100.00%	100.00%	Indirect	Full consolidation
Casiopea Energia 13, S.L.U. (2)	Subsidiary	28/10/2013	-	-	100.00%	100.00%	Indirect	Full consolidation
Casiopea Energia 14, S.L.U. (2)	Subsidiary	28/10/2013	-	-	100.00%	100.00%	Indirect	Full consolidation
Casiopea Energia 15, S.L.U. (2)	Subsidiary	28/10/2013	-	-	100.00%	100.00%	Indirect	Full consolidation
Casiopea Energia 16, S.L.U. (2)	Subsidiary	28/10/2013	-	-	100.00%	100.00%	Indirect	Full consolidation
Casiopea Energia 17, S.L.U. (2)	Subsidiary	28/10/2013	-	-	100.00%	100.00%	Indirect	Full consolidation
Casiopea Energia 18, S.L.U. (2)	Subsidiary	28/10/2013	-	-	100.00%	100.00%	Indirect	Full consolidation
Casiopea Energia 19, S.L.U. (2)	Subsidiary	28/10/2013	-	-	100.00%	100.00%	Indirect	Full consolidation

Thousand euro

Name of entity (or line of business) acquired or merged	Category	Effective date of the transaction	Cost of combination: Amound paid	Cost of combination: Fair value of equity instruments issued for the acquisition	% Voting rights acquired	% Total voting rights	Type of shareholding	Method
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) (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 Lloydesa 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	324,556	**Liabilities**	
institutions	1,789,711	Loans and advances to credit institutions	89,624
Loans and advances to customers	723,628	Customer deposits	2,837,434
Debt securities	62,886	Other financial liabilities	96,634
Tangible assets	234,836	Other	67,415
Tax assets	92,135	**Equity**	
Other	-	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 Levensverzering, 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 Mediterráneo 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	% Total voting rights following disposal	Profit/(loss) generated	Type of shareholding	Method
Grafos, S.A. Arte 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
Improbal 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 amounted 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 impaiment 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		
Trading derivatives:	*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		
Trading derivatives:	*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:

Thousand euro

	2014							
				Secured loans *Loan to value*				
	TOTAL	Of which: Secured on real estate	Of which: Other guarantees	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

Thousand euro

	2013							
				Secured loans *Loan to value*				
	TOTAL	Of which: Secured on real estate	Of which: Other guarantees	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).

Thousand euro

	31/12/2013				
	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**
Of which : Loans held on balance sheet	6,129,962	7,296,225
Mortgage transfer certificates	**5,790,050**	**7,661,473**
Of which: Loans held on balance sheet	5,609,226	7,446,095
Mortgage loans pledged as security for financing received	-	-
Loans backing issues of morgage 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 morgage 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 morgage 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 (thousand euro)	Average residual term (years)	Nominal value (thousand euro)	Average residual term (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
Derecongnised 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

		Issue		Liability outstanding		
Year	Type of assets securitized	Number of securities	Amount	2014	2013	Yield
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	FTPYME 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 FTPYME 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	FTPYME 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 FTPYME 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	FTPYME 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 FTPYME SABADELL 6, F.T.A.	10,000	1,000,000	54,118	79,871	IBOR 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	FTPYME 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	FTPYME 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 FTPYME 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 FTPYME SABADELL 8, F.T.A.	10,000	1,000,000	-	-	JRIBOR 3M + (between 1.40% and 1.50%)
2010	FTPYME TDA CAM 9 F.T.A (*)	4,160	416,000	-	-	EURIBOR 3M + 0.35%
2011	IM FTPYME 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
Repossessed 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	**-**	**-**

Repossessed 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 repossessed 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 - repossessed properties was 30 months in 2014 (34 months in 2013). Policies for disposal of these assets are described in Note 18.

The percentage of repossessed 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 considerationconsolidation 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 wtih 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**
Of which: doubtful	*9,862*	*5,174*	*2,728*	*1,799*	*4,869*	*2,838*
of which: substandard	*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**
Of which: doubtful	*12,071*	*6,253*	*3,567*	*2,167*	*5,985*	*3,169*
of which: substandard	*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

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

€ million

Memorandum item:	**Carrying amount 31/12/2014**	**Carrying amount 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).

€ million

	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.solvia.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
Goverment 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 31/12/2014	Amount 31/12/2013	Interest rate ruling at 31/12/2014	Maturity date	Issue currency	Target of offering
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 31/12/2014	Amount 31/12/2013	Interest rate ruling at 31/12/2014	Maturity date	Issue currency	Target of offering
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 31/12/2014	Amount 31/12/2013	Interest rate ruling at 31/12/2014	Maturity date	Issue currency	Target of offering
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 31/12/2014	Amount 31/12/2013	Interest rate ruling at 31/12/2014	Maturity date	Issue currency	Target of offering
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 goverment guarantee bonds		**1,059,050**	**2,062,696**				

(*) Companies merged with Banco Sabadell.

Thousand euro

Issuing entity	Date of issue	Amount 31/12/2014	Amount 31/12/2013	Interest rate ruling at 31/12/2014	Maturity date	Issue currency	Target of offering
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 31/12/2014	Amount 31/12/2013	Interest rate ruling at 31/12/2014	Maturity date	Issue currency	Target of offering
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 31/12/2014	Amount 31/12/2013	Interest rate ruling at 31/12/2014	Maturity date	Issue currency	Target of offering
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 31/12/2014	Amount 31/12/2013	Interest rate ruling at 31/12/2014	Maturity/derecognition date	Target of offering
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 31/12/2014	Amount 31/12/2013	Interest rate ruling at 31/12/2014	Maturity/derecognition date	Target of offering
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 September1988	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/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		**616,178**	
Insurance policies with related parties	Matched	55,007	1.75%
Insurance policies with unrelated parties	Matched	561,171	1.75%
Insurance policies		**388,570**	
Insurance policies with related parties	Matched	102,458	1.75%
Insurance policies with unrelated parties	Matched	286,112	1.75%
Internal funds	Without cover	**39,578**	1.75%
Total commitments		**1,044,326**	

Thousand euro

		2013	
Financing vehicle	**Coverage**	**Amount**	**Interest rate**
Pension plans		**581,039**	
Insurance policies with related parties	Matched	52,031	2.89%
Insurance policies with unrelated parties	Matched	529,008	2.89%
Insurance policies		**404,171**	
Insurance policies with related parties	Matched	103,402	2.89%
Insurance policies with unrelated parties	Matched	300,769	2.89%
Internal funds	Without cover	**51,150**	2.89%
Total commitments		**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:

<table>
<tr><th>Level 2 financial instruments</th><th>Valuation methods</th><th>Main assumptions</th><th>Main inputs used</th></tr>
<tr><td>Debt securities</td><td rowspan="2">Present value method</td><td rowspan="2">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</td><td rowspan="2">- Issuer credit spreads
- Observable market interest rates</td></tr>
<tr><td>Equity instruments</td></tr>
<tr><td rowspan="4">Derivatives</td><td>Black-Scholes model (analytic/semi-analytic formulae)</td><td>For equity derivatives, inflation, currencies or commodities:
- Black-Scholes assumes a lognormal process of forward rates taking into account potential convexity adjustments</td><td rowspan="4">For equity derivatives, inflation, currencies or commodities:
- Forward structure of the underlying asset, given by market data (dividends, swaps points, etc.)
- Option volatility surfaces

For interest rate derivatives:
- Interest rate time structure
- Underlying asset volatility surfaces

For credit derivatives:
- Credit Default Swaps (CDS) values
- Historic credit spread volatility</td></tr>
<tr><td>For equity derivatives, currencies or commodities:
- Monte Carlo simulations
- SABR</td><td>Black-Scholes model: a lognormal distribution is assumed for the underlying asset with volatility depending on the term.
- SABR: stochastic volatility model.</td></tr>
<tr><td>For interest-rate derivatives:
- Libor Market Model</td><td>This model assumes that:
- The forward rates in the term structure of the interest rate curve are perfectly correlated</td></tr>
<tr><td>For credit derivatives:
- Intensity models</td><td>These models assume a default probability structure resulting from term-based default intensity rates.</td></tr>
</table>

Level 3 financial instruments	Valuation methods	Main assumptions	Main non-observable inputs
Debt securities Equity instruments	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.
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 corelations - 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:

Thousand euro

	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**

Thousand euro

	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:

Thousand euro

	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**

Thousand euro

	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**

Thousand euro

	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**

Thousand euro

	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					
From:	Level 1		Level 2		Level 3	
To:	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**

Thousand euro

	2013					
From:	Level 1		Level 2		Level 3	
To:	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.

Thousand euro

	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			
	Level 1	Level 2	Level 3	Total
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					
From:	Level 1		Level 2		Level 3	
To:	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

	Non-current assets held for sale			
Appraisal company	**Own use**	**Repossessed**	**Investment property**	**Inventories**
Afes Tecnicas de Tasacion, 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
Gestion 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 Tasacion, 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	-	-	-
Tecnicos 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 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

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:

Thousand euro

	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		
	% Non-controlling interests	Amount	*Of which: Profit/(loss) attributed*	% trolling interests	Amount	*Of which: Profit/(loss) attributed*
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:

Thousand euro

	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 custome	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 €801,417,000 from fixed income portfolio at amortized cost for 2014.

Thousand euro

	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 custome	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 €557,741,000 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 opreations	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)
Avertising 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 (*)**
Effective tax rate	*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				
Thousand euro	Commercial Banking	Corporate Banking	Sabadell Urquijo Private Banking	Investment Management	Asset Transformation
Net interest income	1,778,469	162,499	16,601	225	(11,192)
Net fees and comissions	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	--	--

Reconcilation 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.

Thousand euro	2013				
	Commercial Banking	Corporate Banking	Sabadell Urquijo Private Banking	Investment Management	Asset Transformation
Net interest income	1.353.679	161.797	10.549	653	42.085
Net fees and comissions	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

	Consolidated					
	Ordinary income from customers		Ordinary income between segments		Total ordinary income	
SEGMENTS	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
(-) Ajustments 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:

%

	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
SEGMENTS					
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.

%

	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
SEGMENTS					
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:

Thousand euro

	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, it 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

	2014			2013		
Credit risk exposure	**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

Thousand euro

	31/12/2013								
	AUTONOMOUS REGIONS								
	Extremadura	**Galicia**	**Madrid**	**Murcia**	**Navarre**	**Valencia**	**Basque Country**	**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:

Thousand euro

	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 availa

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	2,420,034	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 Oliu 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 Garcia-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 Direct	Percentage shareholding Indirect	Consolidated taxation
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 Energia 1, S.L.U	Services	Madrid	100.00	-	Yes
Casiopea Energia 10, S.L.U	Services	Madrid	100.00	-	Yes
Casiopea Energia 11, S.L.U	Services	Madrid	100.00	-	Yes
Casiopea Energia 12, S.L.U	Services	Madrid	100.00	-	Yes
Casiopea Energia 13, S.L.U	Services	Madrid	100.00	-	Yes
Casiopea Energia 14, S.L.U	Services	Madrid	100.00	-	Yes
Casiopea Energia 15, S.L.U	Services	Madrid	100.00	-	Yes
Casiopea Energia 16, S.L.U	Services	Madrid	100.00	-	Yes
Casiopea Energia 17, S.L.U	Services	Madrid	100.00	-	Yes
Casiopea Energia 18, S.L.U	Services	Madrid	100.00	-	Yes
Casiopea Energia 19, S.L.U	Services	Madrid	100.00	-	Yes
Casiopea Energia 2, S.L.U	Services	Madrid	100.00	-	Yes
Casiopea Energia 3, S.L.U	Services	Madrid	100.00	-	Yes
Casiopea Energia 4, S.L.U	Services	Madrid	100.00	-	Yes
Casiopea Energia 5, S.L.U	Services	Madrid	100.00	-	Yes
Casiopea Energia 6, S.L.U	Services	Madrid	100.00	-	Yes
Casiopea Energia 7, S.L.U	Services	Madrid	100.00	-	Yes
Casiopea Energia 8, S.L.U	Services	Madrid	100.00	-	Yes
Casiopea Energia 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 Direct	Percentage shareholding Indirect	Consolidated taxation
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
Hondarriberri, 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 Direct	Indirect	Consolidated taxation
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 Creaziona 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
Solvia Activos, S.A.U.	Real estate	Sant Cugat del Vallès	100.00	-	Yes
Solvia Development, S.L.	Real estate	Sant Cugat del Vallès	100.00	-	Yes
Solvia Hotels, S.L.	Real estate	Sant Cugat del Vallès	100.00	-	Yes
Solvia Housing, S.L.	Real estate	Sant Cugat del Vallès	100.00	-	Yes
Solvia 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	Capital	Reserves	Results (2)	Dividends paid (3)	Total assets	Net investment by group	Contribution to reserves or losses in consolidated companies	Contribution to consolidated group results	Balance sheet date
	Company data (1)								
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 Bahamas 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 Energia 1, S.L.U	3	(2)	-	-	46	6	(6)	-	12/14
Casiopea Energia 2, S.L.U	3	(1)	-	-	54	14	(16)	-	12/14
Casiopea Energia 3, S.L.U	3	(1)	-	-	56	15	(17)	-	12/14
Casiopea Energia 4, S.L.U	3	(1)	-	-	54	14	(16)	-	12/14
Casiopea Energia 5, S.L.U	3	(1)	-	-	54	14	(17)	-	12/14
Casiopea Energia 6, S.L.U	3	(1)	-	-	52	13	(15)	-	12/14
Casiopea Energia 7, S.L.U	3	(1)	-	-	53	20	(27)	-	12/14
Casiopea Energia 8, S.L.U	3	(1)	-	-	46	10	(9)	-	12/14
Casiopea Energia 9, S.L.U	3	(1)	-	-	47	11	(12)	-	12/14
Casiopea Energia 10, S.L.U	3	(1)	-	-	49	11	(12)	-	12/14
Casiopea Energia 11, S.L.U	3	(1)	-	-	46	10	(10)	-	12/14
Casiopea Energia 12, S.L.U	3	(1)	-	-	47	10	(11)	-	12/14
Casiopea Energia 13, S.L.U	3	(1)	-	-	47	11	(11)	-	12/14
Casiopea Energia 14, S.L.U	3	(1)	-	-	55	14	(16)	-	12/14
Casiopea Energia 15, S.L.U	3	(1)	-	-	57	16	(19)	-	12/14
Casiopea Energia 16, S.L.U	3	(1)	-	-	56	19	(25)	-	12/14
Casiopea Energia 17, S.L.U	3	1	-	-	37	3	3	-	12/14
Casiopea Energia 18, S.L.U	3	(1)	-	-	72	27	(52)	-	12/14
Casiopea Energia 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 data (1)								
Company name	Capital	Reserves	Results (2)	Dividends paid (3)	Total assets	Net investment by group	Contribution to reserves or losses in consolidated companies	Contribution to consolidated group results	Balance sheet date
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 Roya, 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
Fotovotaica de la Hoya de los Vicentes 106, S.L.U.	74	(11)	(22)	-	677	84	(75)	-	11/14
Fotovotaica de la Hoya de los Vicentes 113, S.L.U.	74	(11)	(14)	-	685	108	(78)	-	11/14
Fotovotaica de la Hoya de los Vicentes 119, S.L.U.	74	(11)	(17)	-	683	87	(79)	-	11/14
Fotovotaica de la Hoya de los Vicentes 121, S.L.U	74	(11)	(16)	-	683	89	(81)	-	11/14
Fotovotaica de la Hoya de los Vicentes 127, S.L.U	74	(11)	(14)	-	685	87	(79)	-	11/14
Fotovotaica de la Hoya de los Vicentes 130, S.L.U	74	(11)	(13)	-	686	85	(73)	-	11/14
Fotovotaica de la Hoya de los Vicentes 131, S.L.U	74	(11)	(16)	-	684	85	(77)	-	11/14
Fotovotaica de la Hoya de los Vicentes 144, S.L.U	74	(11)	(16)	-	685	99	(77)	-	11/14
Fotovotaica de la Hoya de los Vicentes 162, S.L.U	74	(11)	(14)	-	681	87	(79)	-	11/14
Fotovotaica de la Hoya de los Vicentes 163, S.L.U	74	(11)	(14)	-	683	86	(79)	-	11/14
Fotovotaica de la Hoya de los Vicentes 164, S.L.U	74	(11)	(15)	-	684	87	(79)	-	11/14
Fotovotaica de la Hoya de los Vicentes 165, S.L.U	74	(11)	(15)	-	692	86	(85)	-	11/14
Fotovotaica de la Hoya de los Vicentes 166, S.L.U	74	(11)	(14)	-	690	86	(77)	-	11/14
Fotovotaica de la Hoya de los Vicentes 167, S.L.U	74	(11)	(14)	-	686	86	(78)	-	11/14
Fotovotaica de la Hoya de los Vicentes 168, S.L.U	74	(11)	(14)	-	686	87	(80)	-	11/14
Fotovotaica de la Hoya de los Vicentes 169, S.L.U	74	(11)	(14)	-	686	87	(80)	-	11/14
Fotovotaica de la Hoya de los Vicentes 170, S.L.U	74	(11)	(14)	-	686	86	(77)	-	11/14
Fotovotaica de la Hoya de los Vicentes 195, S.L.	74	(9)	(13)	-	694	74	(65)	-	11/14
Fotovotaica 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
Hondarriberri, S.P.E., S.L.	41	(9,937)	(32,499)	-	27,022	74,631	(11,339)	(32,499)	12/14
Hotelera H.M., S.A. de C.V.	17,451	(14,995)	(3,406)	-	24,319	30,596	(2,231)	(3,406)	12/14
Hotelera 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

Banco Sabadell Group companies at 31 December 2014

Thousand euro

Company name	Capital	Reserves	Results (2)	Dividends paid (3)	Total assets	Net investment by group	Contribution to reserves or losses in consolidated companies	Contribution to consolidated group results	Balance sheet date
	Company data (1)								
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
Mariñamendi 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 Creaziona 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.I.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
Solvia Activos, S.A.U.	100,060	336,905	(39,983)	-	399,008	500,622	(63,657)	(39,983)	12/14
Solvia Development, S.L.	15,807	(364,302)	(399,935)	-	4,354,541	1,647,442	(1,985,323)	(399,935)	12/14
Solvia Hotels, S.L.	500	(14,280)	(6,281)	-	59,459	500	(14,280)	(6,281)	12/14
Solvia Housing, S.L.	2,073	896	264	-	29,864	14,292	(11,323)	264	12/14
Solvia Pacific, S.A. de C.V.	30,188	(1,599)	(5,599)	-	23,262	32,012	(1,580)	(5,599)	12/14
Solvia 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
Tabimed 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 Direct	Indirect	Consolidated taxation
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 Cántabra, 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 171, 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 Alicante, 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 Direct	Indirect	Consolidated taxation
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
Torrevieja 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	Capital	Reserves	Results (2)	Dividends paid (3)	Total assets	Net for the by group	Contribution to reserves or losses in consolidated companies	Contribution to consolidated group results	lance sheet Date
	Company data (1)								
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 Cántabra, 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 Cabriel 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	Capital	Reserves	Results (2)	Dividends paid (3)	Total assets	Investment by group	Contribution to reserves or losses in consolidated companies	Contribution to consolidated group results	Balance sheet Date
	Company data (1)								
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	8	11/14
Inerzia Mediterráneo, S.L.	1,453	(10,134)	(11)	-	7	581	-	(2,221)	09/14
Intermas Nets, S.A.	846	35,478	1,967	313	115,428	22,213	1,650	(3,000)	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	(636)	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)	(17,439)	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)	(10)	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)	(126)	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)	(1)	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	-	(3)	12/13
Ribera Salud Infraestructuras, S.L.U	3	(2)	-	-	2	3	-	-	11/14
Ribera Salud Proyectos, S.L.U.	3	(32)	(102)	-	293	3	-	-	11/14
Ribera Salud Tecnologías, S.L.U.	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)	(266)	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	363	11/14
Societat d'Inversió dels Enginyers, S.L.	1,690	(533)	(58)	-	1,105	716	(153)	(26)	09/14
Torre Sureste, S.L.	300	373	(595)	-	12,611	120	(88)	(260)	11/14
Torrevieja 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 Direct	Indirect	Consolidated taxation
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 Atlantico 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

Company name		Registered office	Percentage shareholding Direct	Percentage shareholding Indirect	Consolidated taxation
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	
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
Hondarriberri, 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 Direct	Percentage shareholding Indirect	Consolidated taxation
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	-	
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 Creaziona 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
Solvia Activos, S.A.U.	Real estate	Sant Cugat del Vallès	100.00	-	Yes
Solvia Atlantic, L.L.C.	Real estate	Miami	-	100.00	No
Solvia Development, S.L	Real estate	Sant Cugat del Vallès	100.00	-	Yes
Solvia Hotels, S.L.	Real estate	Sant Cugat del Vallès	100.00	-	Yes
Solvia Housing, S.L.	Real estate	Sant Cugat del Vallès	100.00	-	Yes
Solvia 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.	Poperty 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.
(e) 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): Capital	Company data (1): Reserves	Company data (1): Results (2)	Company data (1): Dividends paid (3)	Company data (1): Total assets	Net investment by group	Contribution to reserves or losses in consolidated companies	Contribution to consolidated group results
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) Capital	Reserves	Results (2)	Dividends paid (3)	Total assets	Net investment by group	Contribution to reserves or losses in consolidated companies	Contribution to consolidated group results
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 Roya, 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, S.A	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 name	Capital	Reserves	Results (2)	Dividends paid (3)	Total assets	Net investment by group	Contribution to reserves or losses in consolidated companies	Contribution to consolidated group results
	Company data (1)							
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
Hondarriberri, S.P.E., S.L.	41	19,350	(29,288)	-	45,067	74,631	(17,013)	(29,288)
Hotelera H.M., S.A. de C.V.	17,451	(16,101)	593	-	27,211	30,596	(1,483)	287
Hotelera 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 Creaziona 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 data (1)						Contribution to reserves	Contribution
				Dividends	Total	Net investment	or losses in consolidated	to consolidated group
Company name	**Capital**	**Reserves**	**Results (2)**	**paid (3)**	**assets**	**by group**	**companies**	**results**
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)
Solvia Activos, S.A.U.	100,060	400,547	(63,406)	-	441,646	500,622	(15)	(63,406)
Solvia Atlantic, L.L.C.	9,554	(1,424)	(78)	-	8,058	9,638	(1,493)	(78)
Solvia Development, S.L	19,071	(780,071)	(637,496)	-	3,770,602	597,442	(1,354,428)	(637,496)
Solvia Hotels, S.L.	500	(8,117)	(6,163)	-	60,866	500	(8,117)	(6,163)
Solvia Housing, S.L.	2,073	(10,091)	988	-	28,951	4,292	(12,310)	988
Solvia 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)
Tabimed 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

			Percentage		
			shareholding		Consolidated
Company name			**Direct**	**Indirect**	**taxation**
Companies consolidated by proportionate method (*)					
Alma Gestión de Hoteles, S.L.U.	Hotel trade	Barcelona	-	49.72	No
Alma Hotelmanagement GMBH	Hotel trade	Berlín	-	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
Erbisinia 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
Torrevieja Salud, S.L.U.	Health care services	Torrevieja	-	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)						Contribution to reserves or losses in	Contribution to consolidated
				Dividends	Total	Investment	consolidated	group
Company name	**Capital**	**Reserves**	**Results (2)**	**paid (3)**	**assets**	**by group**	**companies**	**results**
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
Erbisinia 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

Company name			Percentage shareholding Direct	Percentage shareholding Indirect	Consolidated taxation
Companies consolidated by the equity method (**)					
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 Cántabra, 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
Energias Renovables Sierra Sesnández, S.L. (b)	Special purpose entity	Valladolid	-	40.00	No
Espazios 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	Llinars 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 Vil 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

Company name			Percentage shareholding Direct	Indirect	Consolidated 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 Oncineda, 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 Inmobiliers 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 Coruña	-	20.00	No

Banco Sabadell Group companies at 31 December 2013

Thousand euro

Company name	Capital	Reserves	Results (2)	Dividends paid (3)	Total assets	Investment by group	Contribution to reserves or losses in consolidated companies	Contribution to consolidated group results
	Company data (1)							
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 Cántabra, 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)
Espazios 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	111,900	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 Vil 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	(1,045)	(229)	-	3,867	487	-	-

Banco Sabadell Group companies at 31 December 2013

Thousand euro

Company name	Capital	Reserves	Results (2)	Dividends paid (3)	Total assets	Investment by group	Contribution to reserves or losses in consolidated companies	Contribution to consolidated group results
	Company data (1)							
Companies consolidated by the equity method (**)								
Lizarre 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
Metalplast 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 Almeria, 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 Oncineda, 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)
Sercacín, 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)
Tremon Maroc Services Inmobiliers 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.

CONTENTS

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 Oliu 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
Joaquin 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-directo

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 Garcia-Milà Lloveras	José Javier Echenique Landiribar	María Teresa Garcia-Milà Lloveras	José Javier Echenique Landiribar
Member	Jaime Guardiola Romojaro	José Ramón Martínez Sufrategui	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:

a) reporting to the General Meeting on all issues raised by shareholders that are within its remit;

b) 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;

c) overseeing the preparation and presentation of statutory financial information;

d) 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 rent. 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 assets	3,253,356	2,623,485	24.0
Available-for-sale financial assets	21,095,619	19,277,672	9.4
Loans and receivables	117,895,179	118,989,126	(0.9)
Loans and advances to credit institutions	4,623,197	3,525,521	31.1
Loans and advances to customers (net)	110,835,723	112,928,890	(1.9)
Debt securities	2,436,259	2,534,715	(3.9)
Investments	513,227	640,842	(19.9)
Tangible assets	3,982,866	3,935,322	1.2
Intangible assets	1,591,296	1,501,737	6.0
Other assets	13,824,343	13,352,459	3.5
Total assets	**163,345,673**	**163,522,541**	**(0.1)**
Liabilities 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**	**(2,259,180)**	**(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 CO_2 emissions*: In 2009 the Bank compiled an independently verified inventory of corporate CO_2 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 considerd, 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.

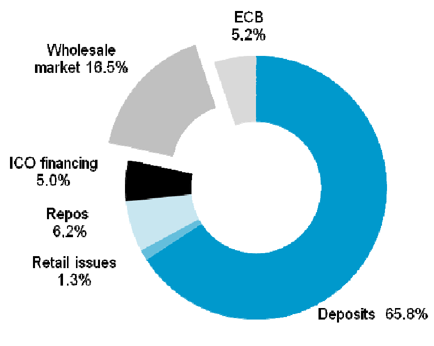
The Group's principal sources of funding at the end of the years 2014 and 2013 are shown in the following table according to the accounting item under which they are recorded:

€million

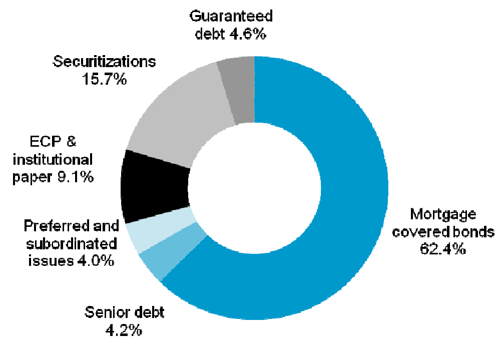
	2014	2013
Deposits from other creditors	98,208	99,363
Deposits with central banks and credit institutions	23,490	23,085
Marketable debt securities and subordinated liabilities	21,209	22,256
Total	**142,907**	**144,704**

The composition of the Group's funding in 2014 according to the type of instrument and counterparty, is further analysed below:

Funding structure



Wholesale market



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:

	LIQUIDITY CATEGORY *(In €Mn. at effective value (market value + BCE haircut))*					
RATING (*) (DBRS/ Fitch/Moody's/ S&P's)	**I**	**II**	**III**	**IV**	**V**	**Non-negotiable securities**
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**

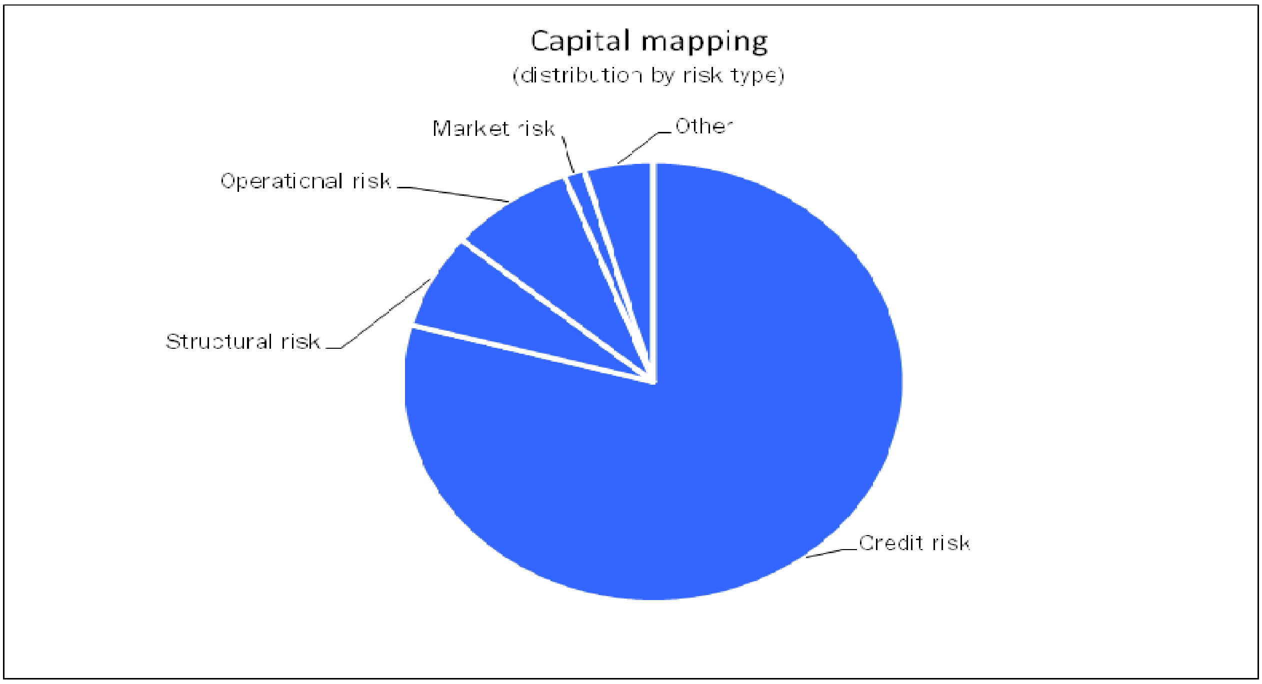
Considering that risk-weighted assets amounted to €74,417,813,000 in 2014 and €72,876,287,000 in 2013, the Bank's year-end capital ratios were as follows:

%

	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.

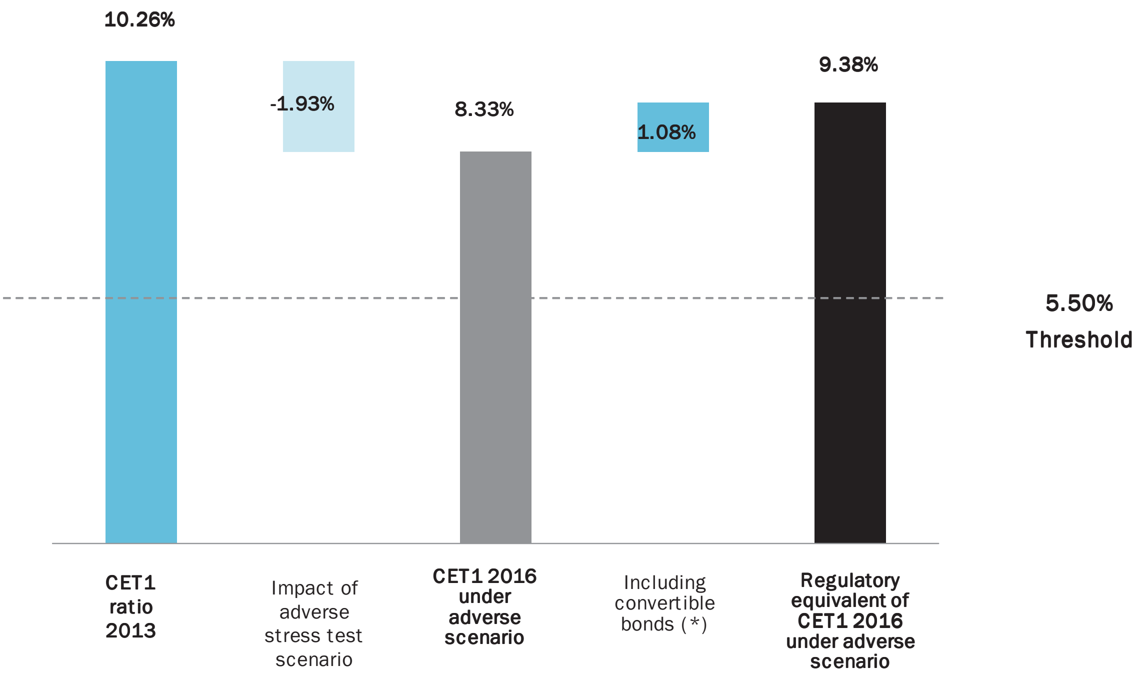
Banco Sabadell was the only Spanish bank whose initial capital ratio was not adjusted as a result of the Asset Quality Review (AQR). Only 15 European banks were not required to make any adjustments.

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

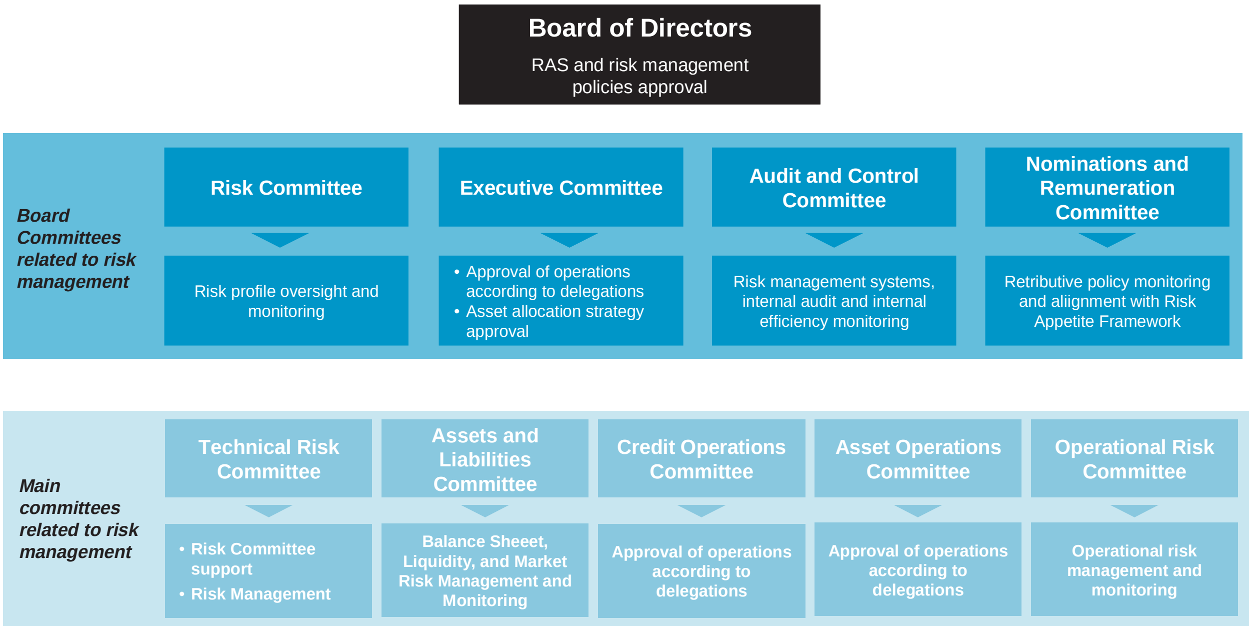
In addition to quantitative metrics, the Risk Appetite Framework includes the following qualitative elements:

- 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.

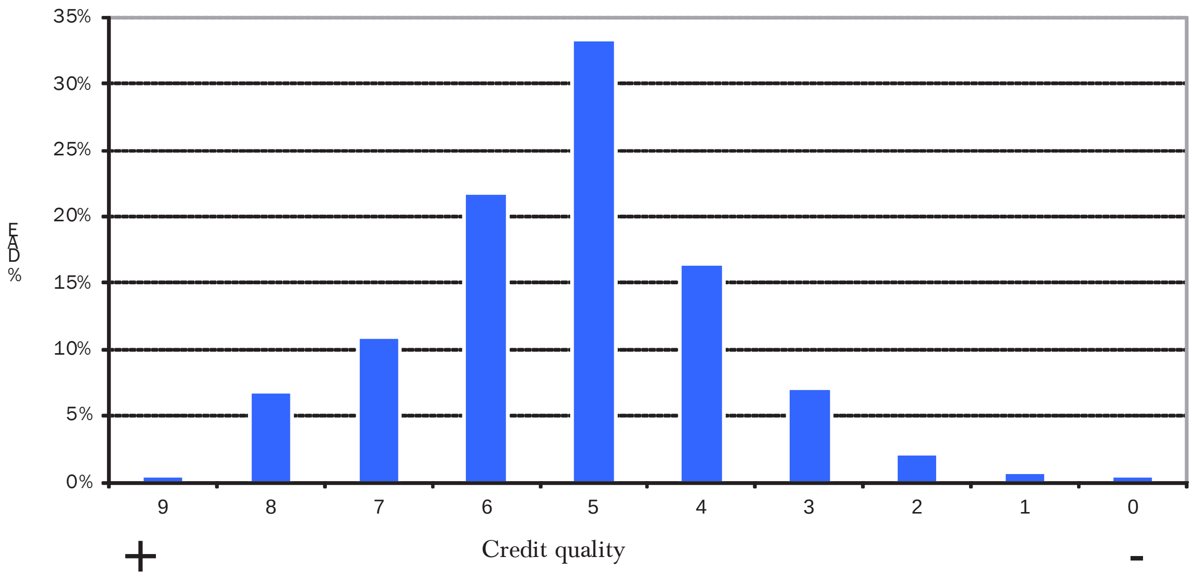
Risk management models

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.

BS business loan portfolio - credit rating profile



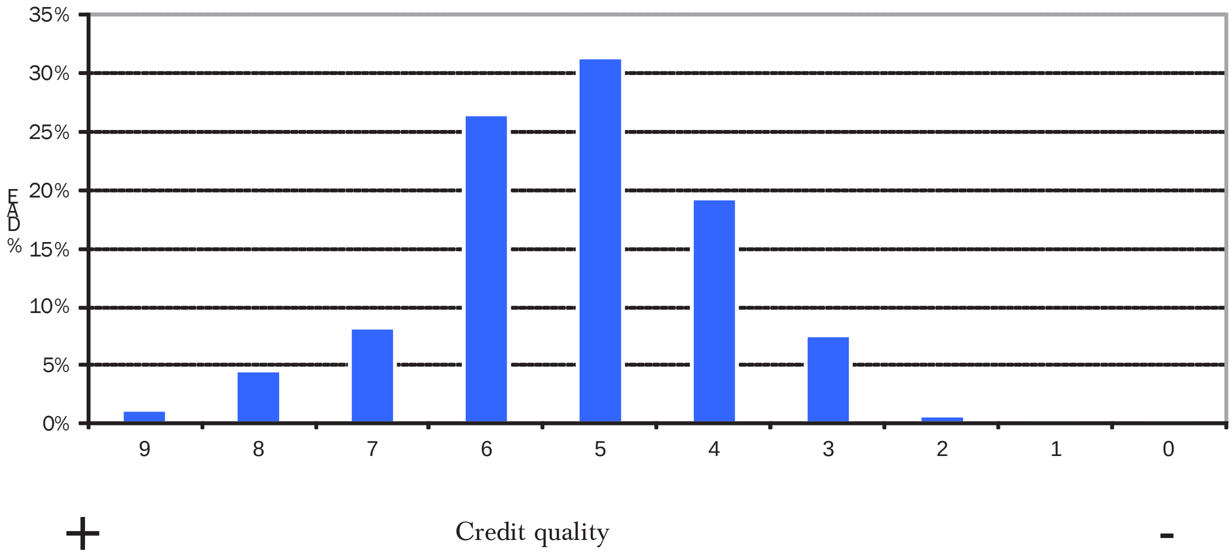
Scoring

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.

Individual customer loan portfolio - credit rating profile



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 on 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 require 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 Count	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).

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This Annual Report is available on the Group's website (www.grupobancosabadell.com), along with executive version, statutory information, the annual corporate governance report, and information on corporate social responsibility. If you have a smartphone or tablet, you can access those reports on your device using the QR code.

The legal name of the issuer is Banco de Sabadell, S.A., and its commercial name is Banco Sabadell. Banco Sabadell was incorporated for an indefinite period on 31 December 1881 by a public instrument granted before the notary Antonio Capdevila Gomá. It is registered in the Mercantile Registry of Barcelona, tome 20.093, folio 1, sheet B-1561, and in the Bank of Spain Register of Banks and Bankers with number 0081.Banco de Sabadell, S.A. is domiciled in Sabadell, Plaza de Sant Roc, 20, with Tax ID no. A-08000143. Banco Sabadell has the legal form of a corporation and is governed by the Capital Companies Act, the Securities Market Act and their implementing regulations. Its activity is governed to the specific legislation governing credit institutions, and it is subject to supervision and oversight by the Bank of Spain.

Credits

Creative Director
Mario Eskenazi

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Gemma Villegas
Marta Claverol

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Elena Claverol

This document is printed on FSC-certified paper and produced using environmentally-friendly processes.

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Cover

Ignasi Aballí
Inventory
(World Coins 2014)
2014
Vinyl on wall
730 x 670 cm
Collection Banc Sabadell