Banco Sabadell
Annual Report 2013
132nd year

Sabadell

Index

Key financial highlights for the Banco Sabadell group in 2013

H

Thousand euro

Key financial data	2013	2012	% 13/12
Shareholders' equity	10,226,534	9,148,074	11.8
Total assets	163,441,470	161,547,085	1.2
Gross loans and advances to customers, excluding reverse repos	124,614,933	119,638,113	4.2
Loans and advances to customers – gross	125,302,943	121,528,997	3.1
On-balance sheet funds	123,753,008	110,996,102	11.5
Customer deposits on balance sheet	94,497,187	80,179,388	17.9
Mutual funds	11,018,570	8,584,848	28.3
Pension funds and insurance sold	12,423,646	11,022,021	12.7
Funds under management	149,122,858	131,654,630	13.3

Thousand euro

Income statement	2013	2012	% 13/12
Net interest income	1,814,694	1,867,988	(2.9)
Gross income	3,976,794	2,958,446	34.4
Profit before impairment and other provisions	2,062,286	1,289,896	59.9
Profit attributable to the group	247,832	81,891	202.6

Resources	2013	2012
Number of branches	2,418	1,898
Number of employees	18,077	15,596

%

Ratios	2013	2012
Profitability and efficiency		
ROA (net profit / average total assets)	0.16	0.07
ROE (profit attributable to group / average shareholders' equity)	2.68	1.01
ROTE (profit attributable to group / average shareholders' equity less goodwill)	2.96	1.12
Cost:income ratio (general expenses / gross income[1])	47.64	51.10
Cost:income ratio excluding non-recurring expenses (recurring general expenses / gross income[1])	47.23	50.34
BIS ratio		
Core capital	12.0	10.5
Tier I	12.0	10.5
BIS Ratio	12.8	11.4
Risk management		
Non-performing loans (€'000[2])	16,021,491	10,286,332
Loan loss ratio[2]	13.63	9.33
Loan loss ratio excluding losses due to reclassification[2]	11.13	
Loan loss and real estate impairment provisions (€'000)	18,341,298	17,589,940
Loan loss and real estate coverage ratio[3]	13.61	13.88

1 The ratio for 2013 includes a -€437.3 million adjustment to gross income for non-recurrent capital gains on the disposal of the held-to-maturity portfolio in the second half of the year.
2 These totals and ratios do not include assets covered by the asset protection scheme (APS).
3 This shows impairment provision coverage for the loan and real estate portfolios combined.

Share data	2013	2012
Number of shares	4,011,481,581	2,959,555,017
Number of shareholders	262,589	236,774
Share price (€)	1.896	1.975
Attributable earnings per share (€)	0.062	0.028
Attributable earnings per share adjusted for effect of mandatory convertible bonds (€)	0.058	0.026

Chairman's letter

Dear shareholder,

At the end of 2013, our 132nd year of trading, Banco Sabadell could show a set of results that reflected a recovery in margins and a return to profitable growth, a strengthened balance sheet supported by one of the best capital ratios in the Spanish financial industry, and proven financial solidity. 2013 was also the last year of our 'CREA' Plan, launched in 2011 with business transformation and productivity as its main themes. Strong growth in business volumes and customer numbers were key developments during a complex 3-year period which saw substantial growth in market shares in line with the group's increase in scale, in a challenging economic and financial environment.

The gradual return of the financial markets to normality and the easing of capital market fragmentation in the eurozone from mid-2012 onwards continued all through 2013, punctuated by limited, short-term bouts of market instability such as those caused by the Cyprus bail-out or political tensions in Italy and Portugal. The eurozone began to free itself from the sovereign debt crisis as the headwinds facing the region abated and became less systemic. Ireland and Spain recently announced the cessation of their international assistance programmes, while agreements on a European banking union provided further support for market normalization.

This improvement in the financial markets was reflected in better funding conditions for the countries on the European periphery as country risk premiums dropped and inflows of foreign capital to the periphery recovered; it was also good for economic stability.

The global economy grew at a moderate rate in 2013, with growth in the developed countries gathering pace as the year progressed. The eurozone economy showed signs of reaching a turning point in the second half of the year: Spain, in particular, achieved positive growth in the third quarter for the first time in more than two years, while its labour market appeared to be stabilizing. Activity was also supported by the country's strong export performance as financing conditions became more benign and the European Commission allowed some relaxation of fiscal discipline. Moreover, structural reforms and rapid progress in correcting the imbalances that had built up during the previous boom helped to bring about an improvement in how Spain was seen in other countries and prepared the ground for faster, more balanced economic growth.

The restructuring of the banking system in Spain resulted in a consolidation of the industry and made banks more solvent. Banco Sabadell extended its geographical reach and increased its share of the Spanish market, having during the past year completed the acquisition of Banco Mare Nostrum's branches and business in Catalonia and Aragón, and the business of Banco Gallego and Lloyds España; these acquisitions have strengthened our position in some of Spain's most promising regions. Banco Sabadell ended the year with total assets of €163,441.5 million and a core capital ratio of 12%.

In 2013 Banco Sabadell increased its capital base by more than €1,500 million. In September it carried out a €1,383 million capital-raising in two separate share offerings. The first of these, a €650 million accelerated bookbuild offering, was aimed at institutional investors. The second was a €733 million rights issue for existing shareholders.

In October 2013 a capital management exercise was carried out in which the holders of Banco Gallego preferred and subordinated debt securities were invited to exchange their securities for subordinated notes mandatorily convertible to Banco Sabadell shares. The exercise resulted in a further capital increase of €122 million.

These transactions enabled Banco Sabadell to strengthen its capital position and to place itself alongside Europe's best-capitalized banks, meet the stricter capital requirements being imposed on the banking industry and bring its capital structure into line with the increased size of its consolidated balance sheet following the acquisitions of the last few years.

The Bank's funding policy was focused on attracting deposits and other customer accounts and thus reducing its reliance on the wholesale market; this ensured that in 2013 it was once again able to generate a substantial funding gap — €10,123 million — and significantly increase its liquidity position.

Actively managed interest spreads and the contributions of the newly-acquired businesses brought our net interest income to a year-end total of €1,814.7 million. This was a 2.9% fall compared with 2012 — a result, mainly, of the negative effects of a falling yield curve in the first half of the year. An improved performance in the second half, however, confirmed the shift to an upward trend.

Higher net profits from the fixed-income portfolio, coupled with a firm grip on costs that reduced like-for-like personnel and general expenses by 13.2% and 11.4% respectively, helped our profit before provisions to rise by 59.9% on the figure for 2012 to reach a total of €2,062.3 million.

Banco Sabadell posted a net profit for 2013 of €247.8 million, three times the figure for 2012. This confirms our ability to maintain solid progress and to generate consistently positive results after impairment charges and other provisions amounting to €1,763.6 million. Provision coverage of credit and real estate exposures, at 13.6%, was above the average for the industry as a whole.

A high rate of new customer acquisition with customer enrolments averaging 8,900 a week, rising market shares, and good progress in restoring health to the new businesses added to the group; these were the dominant themes of an extremely busy year which saw customers increasing to a total of 6.5 million while top-quality service being maintained at all times.

Gross loans and advances to customers (excluding repos) increased strongly in 2013, rising by more than 4.2% on the previous year to a total of €124,614.9 million. Specific provision coverage for assets classified as doubtful due to loan arrears was 50.1%, and here too there were signs of a change: non-performing loans dropped by €64 million in the fourth quarter and there was a slowing in the pace of balance sheet asset writedowns.

The year 2013 saw the successful completion of the integration of Banco Mare Nostrum's Catalonia and Aragón branch network and business, making Banco Sabadell the fourth largest bank in Catalonia with 12% of bank branches in the region. The merger and systems integration of the business acquired from Lloyds España and Banco Gallego are due to be completed in the first quarter of 2014. The integration of Lloyds will strengthen Banco Sabadell's franchise among Spain's non-resident community, while the addition of Banco Gallego will bring the group's share of bank branches in the Galicia region up to 7%.

In the US, Banco Sabadell continued to grow its capacity to serve customers in the State of Florida and Latin America, having completed the acquisition and integration of Lloyds' private banking business in Miami and, in December, entered into an agreement to acquire JGB Bank. The JGB agreement is expected to complete in the course of 2014.

This Annual Report contains detailed information on how our business performed in 2013 and the acquisitions we made in the course of the year. The data it provides clearly show how our margins have improved in the current economic climate and the group's success in getting profits back onto a rising path after the huge efforts it has made to rebuild its financial strength. The report testifies to a fortified, well-structured balance sheet, a strong capital underpinning and a high level of provisioning against balance sheet exposures.

Our achievements in 2013 are manifold, so the group has marked out a new position for itself on the Spanish financial services map, despite the complex environment in which it has been operating as a result of the economic situation in our country. That this has been possible is thanks to the professionalism and hard work of all the people who make up the Banco Sabadell group and the expertise they have shown in weathering the crisis of the last few years.

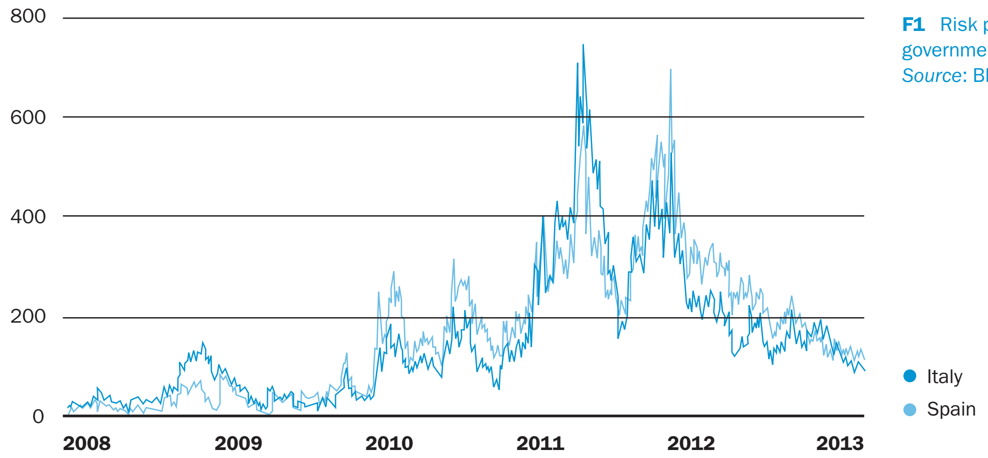
Banco Sabadell enters 2014 with a new business plan focused on improving profitability. The plan's basic aims are to consolidate our domestic business by extracting value from our customer base and leveraging our newly-acquired scale to gain margin, restructure our balance sheet, and transform our production system to win further increases in productivity, but without any loss in quality of service, key to maintaining our competitive edge. Our challenge now is to continue the task of making our business more efficient, more profitable and more evenly distributed throughout Spain, while preparing the ground for the next stage of our international expansion.

Josep Oliu Creus
Chairman

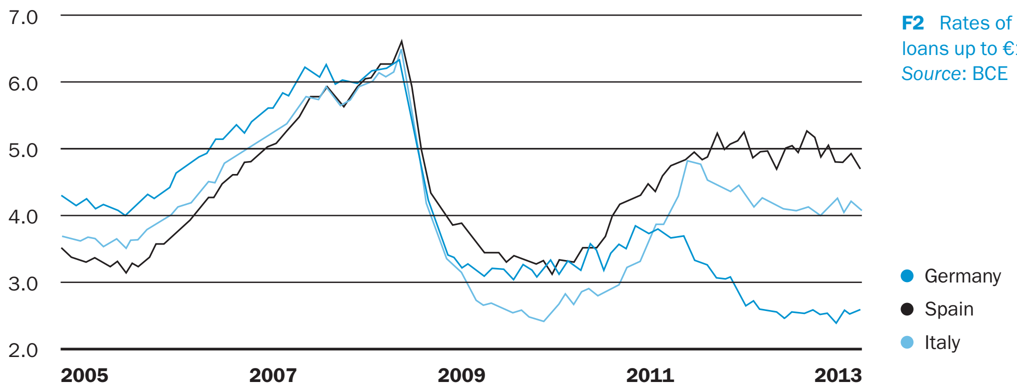
Financial and share performance information

In 2013 the Spanish economy reached a turning point and the first signs were seen of stabilization in the labour market. The financial industry continued to make progress in restructuring and Spain confirmed that it would exit from the international assistance programme in January 2014.

The return of the financial markets to normality and the gradual easing of capital market fragmentation in the eurozone continued throughout 2013 despite certain occurrences (e.g. the Cyprus bail-out and political tensions in Italy and Portugal) that triggered bouts of market instability (F1). Healthier financial market conditions were reflected in lower borrowing costs for sovereign issuers on the European periphery, a lower level of ECB recourse by banks, and the fact that Ireland and Portugal were able to return to the long- and medium-term debt markets. Spain confirmed that the European aid programme for its financial sector would end in January 2014 and Ireland became the first bail-out country to exit from a comprehensive aid package, and without asking for further support. Despite these developments, bank credit markets remained weak and fragmented, with different countries showing wide variations in interest rates on loans to small and medium-sized businesses (F2).



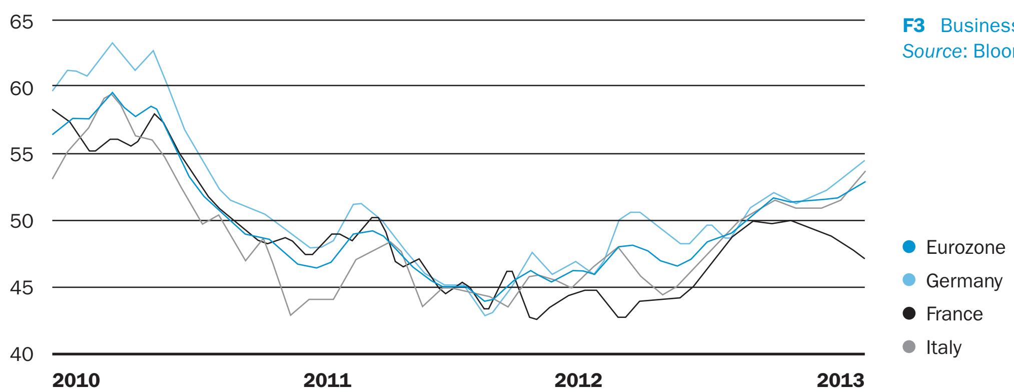
F1 Risk premium on 2–year government bonds (basis points)
Source: Bloomberg



F2 Rates of interest on business loans up to €1 million (%)
Source: BCE

Progress towards European integration provided an additional boost to market normalization. The main developments in this area were related to the establishment of a European banking union. Chief among them were the incorporation of Basel III into European law; the decision to establish the ECB as the single banking supervisor for the eurozone at the end of 2014; and the agreement under which the European Stability Mechanism (ESM) will be able to recapitalize banks directly in certain circumstances. Also, late in 2013, the European authorities reached agreement on the Bank Recovery and Resolution Directive and the Deposit Guarantee Schemes Directive.

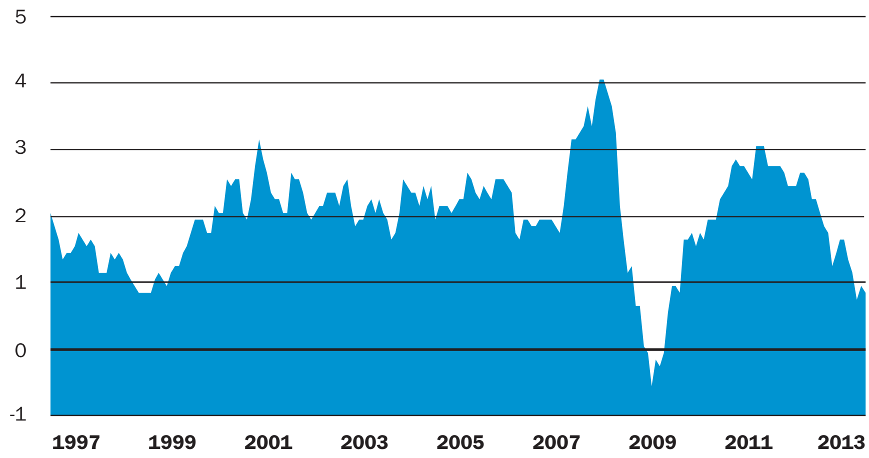
On the economic activity front, the global economy showed modest growth in 2013, with the developed world gathering pace as the year progressed. (ver F3). The eurozone reached a turning point in the second half of the year thanks to a more benign financial environment. The improvement was felt both in the core economies and on the periphery. US growth in 2013 was moderate, constrained by restrictive fiscal policy. Nevertheless, the steady revival of business activity during the year generated a substantial improvement in the US labour market. On the other hand, the tense political stand-off between Democrats and Republicans led to a temporary partial shutdown of the Federal administration, although its impact on the economy was negligible. The UK economy performed very well, driven by a buoyant labour market and a dynamic property market. In Japan, the new government produced a plan (dubbed "Abenomics") to put an end to deflation in the country and stimulate economic growth. In emerging markets, growth was below the average for the past decade as current growth models became obsolete and major structural challenges emerged. China's new government introduced a reform plan to change the growth model and to make it more sustainable in the long term.



F3 Business confidence (level)
Source: Bloomberg

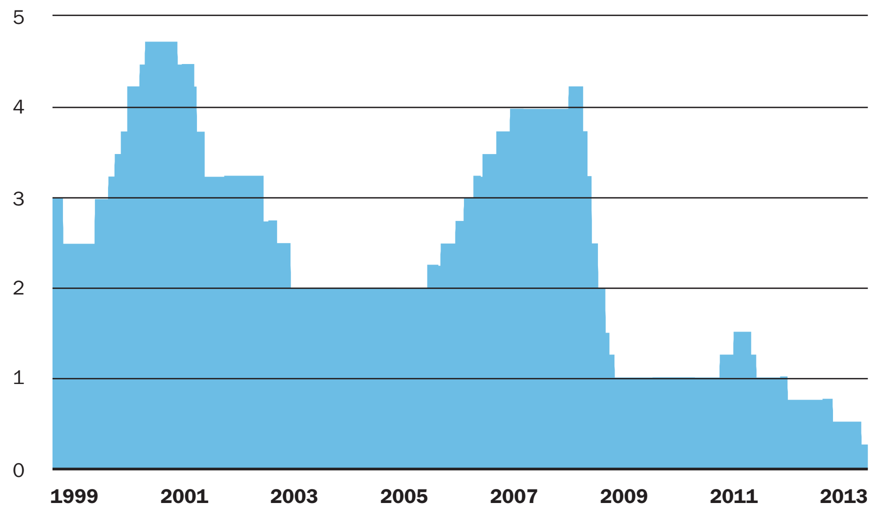
In the third quarter the Spanish economy achieved positive growth for the first time in more than two years. Activity was boosted by a strong export performance and was less constrained by sluggish domestic demand thanks to more benign financial conditions and a more relaxed fiscal policy. In May, the European Commission mapped out a path of fiscal consolidation for Spain over the next few years that was significantly less demanding. Moreover, further progress was made in correcting the imbalances that had built up through the previous boom phase. In particular, Spain achieved a positive current account balance for the first time since the launch of the single currency, while home purchases as a proportion of GDP remained at all-time lows. Considerable headway was also made in the process of reducing private sector over-indebtedness. In the area of structural reform, steps were taken to increase transparency, sustainability and efficiency in public administration. These included changes to the pension system. In the latter part of the year, the three leading rating agencies upgraded their outlook for Spanish government debt from negative to stable.

Inflation fell in all the main developed economies with the exception of Japan. This was especially true in the eurozone, with inflation in some peripheral countries close to zero or even negative by the end of the year. Low eurozone inflation was associated with economic fragility, a strengthening euro, and the effect of internal devaluation processes in some peripheral economies.



F4 Eurozone headline inflation
(CPI y.o.y. change in %)
Source: Eurostat

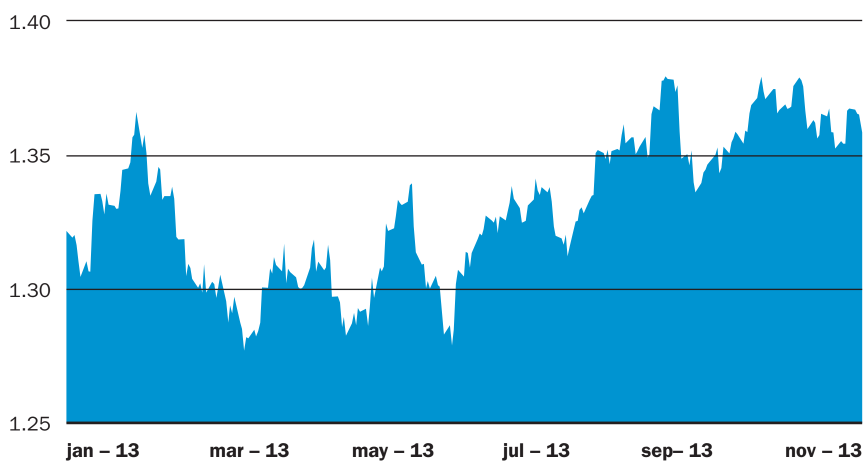
In these conditions, the monetary policy pursued by the main central banks in 2013 remained accommodative, albeit with some variations among them. In the US, the Federal Reserve announced a change in the direction of its monetary policy that set it apart from other central banks. The Fed announced that it would shortly be reducing the level of asset purchases while reiterating its commitment to keeping benchmark rates low for a prolonged period, particularly if inflation was low and the labour market remained weak. The European Central Bank reduced its benchmark interest rate to an unprecedented 0.25% and committed itself to keeping benchmark rates low for a long period of time. It also assured the financial markets that it would provide unlimited liquidity until the summer of 2015. In the UK, the Bank of England linked its monetary policy to labour market indicators and said that it would not increase base rates or reduce the size of its asset purchasing programme until the unemployment rate improved. Finally, the Bank of Japan laid the foundations for a new period of loose monetary policy, abandoning base rates as a tool and turning its attention to expanding the money supply. The BOJ's aim is to put an end to deflation and to stabilize price rises around a target level of 2.0% within the next two years.



F5 ECB benchmark rate (%)
Source: Bloomberg

In the long-term debt markets, US bond yields ended 2013 considerably higher than where they had been at the beginning of the year, abandoning the historically low levels seen in 2012. The Fed's change of direction and improving economic indicators were the main drivers of this upward movement. In Germany long-term yields, although still low, also ticked higher. The pull of US bond yields, the turning point reached by the European economy and an easing of tension in sovereign debt markets all contributed to this rise. On the European periphery, Spanish and Italian public debt improved gradually throughout the year. The improvement was more pronounced in the case of Spain, where yields and risk premia were starting from a higher level. Ten-year benchmark rates in both countries ended the year at similar levels, slightly over 4.0%. Yields in other non-core countries closed well below where they had been at the beginning of 2013.

In the currency markets, the euro strengthened against the dollar during the year. This rise was particularly marked in the second half of the year thanks to improving economic data in the eurozone and the Fed's decision to delay tapering of its asset purchase programme. The fact that the eurozone was becoming a surplus region thanks to Germany's persistent current account surpluses and the correction of deficits on the periphery provided further support for the euro. Elsewhere, the yen weakened against all the major international currencies, reflecting the Japanese authorities' move towards strongly expansive policies to combat deflation under the Abenomics programme.



F6 Euro exchange rate (USD/euro)
Source: Bloomberg

Once again, equity markets ended the year with gains in the US, the eurozone and Japan. In the US, stock indices rose gradually as the year progressed, while in the eurozone most of the gains were seen in the second half of the year. In 2013 as a whole, the Euro Stoxx 50 index rose by 18%, while the Spanish IBEX showed a gain of 21%. In the USA, the S&P 500 index managed to end the year with a 24% rise in euro terms. Equity markets in the emerging countries were adversely affected by the change in direction of the Fed's monetary policy, domestic vulnerabilities that had built up over the past few years, and fears over the extent of the slowdown in the Chinese economy.

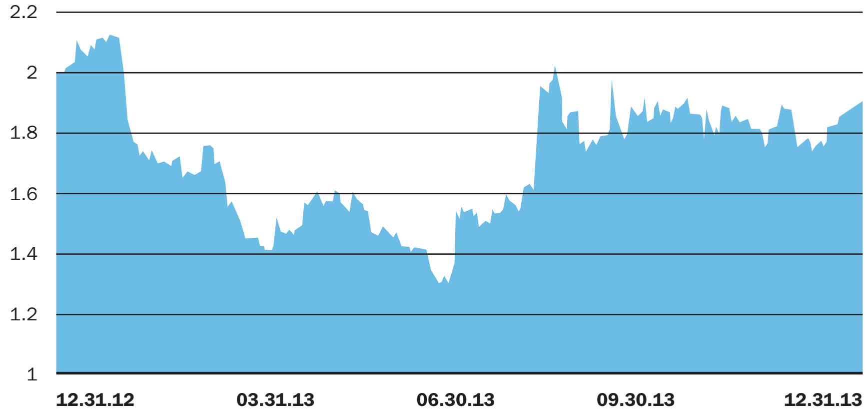
Share performance

Banco Sabadell completed a successful capital–raising, increasing its share capital by €1,383 million in two separate share offerings. This enabled it to strengthen its capital base and allowed the position as one of Europe's most solidly capitalized banks.

In 2013 Banco Sabadell's share price was dragged down by the weak economic environment and fears over the state of Spain's financial sector, especially in the first half of the year. From the low point reached in June, however, a number of factors helped the share price to perform relatively well compared with the industry as a whole. Improved sentiment over economic recovery, combined with market expectations of a change in the treatment of deferred tax assets in Spain, helped to trigger a change in direction for the share price in the second half of the year.

Banco Sabadell's September capital increase was very well received by a section of the market, which was favourably impressed by the group's medium-term prospects and its new business plan, as it was by the results of a stress test carried out by Oliver Wyman that were set out in the share prospectus and provided further proof of the Bank's solid capital position. The acquisitions made by Banco Sabadell in 2013 and the healthy performance of the business resulting from the Banco CAM takeover helped further to underpin its position as Spain's fourth largest privately-owned bank, expand its market share and give it a more evenly-balanced domestic footprint.

In the latter part of the year the continuing improvement in sentiment towards the Spanish economy, Banco Sabadell's successful capital-raising exercise and the announcement of new rules on deferred tax assets provided support to a share price performance that was above that of its domestic market peers.



F7 Banco Sabadell share price movements

With the share price standing at €1.896 at the close of the year Banco Sabadell's market capitalization at 31 December was €7,605.8 million, making it Spain's fourth largest privately-owned banking group by market value.

T1 Monthly share price movements 2013

	€	€	€	Shares
Month	**Closing price**	**Maximun price**	**Minimun price**	**Average daily trading volume**
January	1.973	2.160	1.966	6,418,232
February	1.667	1.900	1.630	11,372,103
March	1.432	1.778	1.410	15,570,977
April	1.579	1.611	1.380	10,917,137
May	1.455	1.605	1.428	8,973,144
June	1.275	1.463	1.260	11,175,009
July	1.538	1.600	1.274	12,705,780
August	1.744	2.050	1.537	14,305,888
September	1.861	2.100	1.734	45,706,606
October	1.890	1.940	1.764	21,894,587
November	1.897	1.940	1.718	17,106,973
December	1.896	1.910	1.722	13,954,115

Dividend payments to shareholders in 2013 comprised an interim dividend of €0.01 per share for the year 2012 and a complementary remuneration to the dividend of to €0.02 per share, paid in the form of shares from the Bank's holding of treasury shares.

The Bank will be asking the Annual General Meeting to approve the payment of a dividend for the year 2013 of €0.01 per share plus an additional dividend of €0.02 per share, payable in shares of an equivalent value from the Bank's holding of treasury shares.

T2 Earnings per share and book value per share 2011–2013

	Million	Million euro	euro	Million euro	euro
	Number of shares	**Net attributable profit**	**Attributable earnings per share**	**Shareholder's equity**	**Book value per share**
2011	1,391	232	0.174	6,276	4.51
2011[1]	1,584	232	0.152	6,276	3.96
2012	2,960	82	0.028	9,120	3.08
2012[2]	3,184	82	0.026	9,120	2.86
2013	4,011	248	0.062	10,227	2.55
2013[3]	4,299	248	0.058	10,227	2.38

1 Includes the dilution effect of 192.56 million additional shares resulting from issues of convertible bonds.
2 Includes the dilution effect of 224.28 million additional shares resulting from issues of convertible bonds.
3 Includes the dilution effect of 287.13 million additional shares resulting from issues of convertible bonds.

At 31 December 2013 the share price stood at €1.896 and the price-to-book ratio at 0.74.

As part of the Bank's capital-raising actions in 2013, in September and October Banco Sabadell increased its equity capital in two stages.

The capital increase was for a total amount of €1,383 million and was approved by the Board of Directors on 9 September 2013. The successful operation was carried out in two separate share offerings.

The first stage of the capital increase took place on 10 September as an accelerated bookbuild offering of a total of 396,341,464 shares (366,341,464 newly issued shares and 30 million shares from the Bank's treasury share holding). Preferential subscription rights did not apply. The offering was priced at €1.64 per share, resulting in a total value of €650 million. The second stage of the capital increase was completed on 3 October and took the form of a offering of new shares in which shareholders' preferential rights were recognized. The offering comprised 666,099,503 new shares with an overall value of €733 million. The newly issued shares were offered at their nominal value of €0.125 each plus an issue premium of €0.975 on each new share, that is, a total issue price of €1.10. Five preferential subscription rights were required in order to subscribe for a single new share. The capital increase had the primary purpose of strengthening Banco Sabadell's balance sheet to enable it both to benefit from business opportunities in the context of a Spanish economy that was starting to recover, and to meet anticipated rising demand for credit from firms and individuals providing opportunities for profitable business growth.

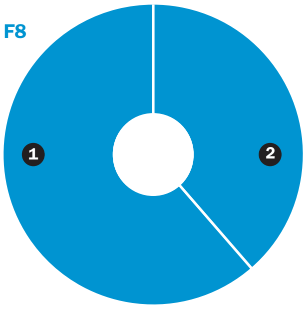
At the same time, it ensured that the Bank's capital was bolstered so as to be fully compliant with the strictest capital adequacy requirements, position Banco Sabadell as one of the most strongly capitalized banks in the industry and bring its capital structure into line with a consolidated balance sheet that had increased in size following the group's recent acquisitions.

On the conclusion, on 19 July 2013, of the first period for the voluntary conversion of mandatory convertible subordinated notes issue I/2013, on 25 July 2013 the Board of Directors took a decision to increase the capital of the Bank by issuing 381,065 new shares for the voluntary conversion of 1,593 subordinated notes from issue I/2013. The new shares were admitted to trading on the Spanish electronic trading system on 3 September 2013. On 21 July 2013 mandatory convertible subordinated notes issue I/2009 reached maturity and all notes then outstanding from the issue became mandatorily convertible to shares. On 25 July 2013 the Board of Directors approved a further capital increase to cover the mandatory conversion of the 24,899 notes in that issue by issuing a total of 5,956,217 new shares. The shares were admitted to trading on the electronic trading platform on 3 September 2013.

On the conclusion, on 8 November 2013, of the first period for the voluntary conversion of mandatory convertible subordinated notes issue II/2013, on 14 November 2013 the Executive Committee took a decision to increase the capital of the Bank by issuing 526,915 new shares for the voluntary conversion of 407,447 subordinated notes from issue I/2013. The new shares were admitted to trading on the Spanish electronic trading system on 20 December 2013.

Finally, on 11 November 2013 mandatory convertible subordinated notes Issue I/2010 reached maturity and all notes then outstanding from the issue became mandatorily convertible to shares. Accordingly, on 14 November 2013 the Executive Committee decided to increase the capital of the Bank to cover the mandatory conversion of 10,525 notes from the said issue by issuing a total of 12,621,400 new shares. The shares were admitted to trading on the electronic trading platform on 20 December 2013. As a result of these capital-raising operations, the number of Banco Sabadell ordinary shares outstanding at the end of 2013 reached a total of 4,011 million. Of these shares 61.5% were held by the group's private investor base, with institutional investors holding the remaining 38.5% (F8).

F8



Distribution of shareholders 12.31.2013

1 Private shareholders 61.5%
2 Institutional investors 38.5%

T3 Analysis of shareholdings at 31 December 2013

Number of shares	Shareholders	Number of shares	% of total share capital
From 1 to 12.000	220,038	606,504,305	15.12
From 12.001 to 120.000	40,339	1,173,220,164	29.25
From 120.001 to 240.000	1,331	218,181,418	5.44
From 240.001 to 1.200.000	756	340,786,387	8.50
From 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**

T4 Analysis of shareholdings at 31 December 2012

Number of shares	Shareholders	Number of shares	% of total share capital
From 1 to 12.000	200,148	540,817,671	18.27
From 12.001 to 120.000	34,816	986,021,040	33.32
From 120.001 to 240.000	1,103	182,409,015	6.16
From 240.001 to 1.200.000	599	274,803,312	9.29
From 1.200.001 to 15.000.000	98	311,609,916	10.53
More than 15.000.000	10	663,894,063	22.43
Total	**236,774**	**2,959,555,017**	**100.00**

Banco Sabadell has a Shareholder Relations Desk and an Investor Relations Department whose functions are to provide detailed information on the performance of the group and respond to enquiries, suggestions and views of existing or potential shareholders, on any aspect related to the Bank and its performance.

Financial report

In the last five years Banco Sabadell has achieved a huge leap in scale and scored some milestone successes.

In a highly complex and challenging operating environment, strong business growth and a major effort to win new customers have produced sizeable increases in our market shares.

All this without any loss in perceived quality of service levels to customers.

Triple

Banco Sabadell has now launched its new three-year business plan, known as "Plan Triple". The overall aim of the plan is for the Bank to leverage its improved capital position and market share to lead a recovery in lending in the short, medium and long term.

The focus of the new business plan is on increasing profitability as reflected in a target ROTE (return on equity less goodwill) of 12% for 2016. Within this general aim, the plan's main action areas are a strengthened domestic business, a transformation of the balance sheet and a revamped production system. Having taken 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, cross-selling and closing the performance gap in the newly acquired businesses.

In the rest of the country the focus is on "filling our branches with customers" and increasing market share. Banco Sabadell 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 balance sheet transformation: bringing down loan losses and selling off real estate assets. To reduce real estate losses the Bank has put in hand management programmes combining timely action (to reduce new loan defaults) with recovery (faster debt recoveries). To reduce its holdings of real estate assets the Bank will continue to leverage the expertise of its asset management division and the leadership of its property sales business, Solvia, while benefiting from an improving real estate market.

The third key action area under the Triple plan is to transform its production system so as 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. Alongside these three action areas the new business plan sets additional objectives focused on preparing the ground for future expansion into foreign markets and on talent and human resources management.

The principal targets of the Triple plan, with it's focused on increasing profitability, reducing troubled assets and driving up efficiency, are as follows:

Transformation

- Business
- Production
- Balance sheet

Returns (ROTE)

Internacionalization

- Prepare the ground for the group's internationalization (organization, people, etc.)
- Enter new markets

Profitability

Consolidate domestic business

- Improve per-customer returns
- Increase customer numbers
- Leverage international franchise to grow SME business
- Enhance value proposition in private banking

Normalize balance sheet

- Change management style and manage down loan defaults
- Reduce real estate exposure

Develop new drivers of productivity increases

- Instant Banking
- Transformation of production

€ 1,000 Mn. PROFIT 2016

12% ROTE 2016

40% COST:INCOME RATIO 2016

100% LOAN–TO–DEPOSIT RATIO 2016

1% LENDING GROWTH CARG (2013–2016)

Thousand euro

Assets	2013	2012	% 13/12
Cash and deposits with central banks	3,201,898	2,483,590	28.9
Assets held for trading. derivatives and other financial assets	2,623,485	2,937,273	(10.7)
Available-for-sale financial assets	19,277,672	24,060,464	(19.9)
Loans and receivables	118,989,126	114,978,239	3.5
Loans and advances to credit institutions	3,525,521	5,233,243	(32.6)
Loans and advances to customers (net)	112,928,890	109,348,083	3.3
Debt securities	2,534,715	396,913	–
Investments	640,842	746,336	(14.1)
Tangible assets	3,935,322	2,635,038	49.3
Intangible assets	1,501,737	1,165,072	28.9
Other assets	13,271,388	12,541,073	5.8
Total assets	**163,441,470**	**161,547,085**	**1.2**

Liabilities	2013	2012	% 13/12
Liabilities held for trading and derivatives	1,972,190	2,473,447	(20.3)
Financial liabilities at amortized cost	147,269,474	144,984,600	1.6
Deposits from central banks	9,227,492	23,888,640	(61.4)
Deposits from credit institutions	13,857,264	9,779,956	41.7
Deposits from other creditors	99,362,908	82,464,410	20.5
Marketable debt securities	21,166,915	25,326,170	(16.4)
Subordinated liabilities	1,089,046	1,166,707	(6.7)
Other financial liabilities	2,565,849	2,358,717	8.8
Liabilities under insurance contracts	2,134,139	2,038,815	4.7
Provisions	664,246	1,329,565	(50.0)
Other liabilities	995,830	1,431,354	(30.4)
Total liabilities	**153,035,879**	**152,257,781**	**0.5**

Equity	2013	2012	% 13/12
Shareholders’ equity	10,226,534	9,148,074	11.8
Valuation adjustments	120,814	(317,945)	—
Non-controlling interests	58,243	459,175	(87.3)
Total equity	**10,405,591**	**9,289,304**	**12.0**
Total liabilities and equity	**163,441,470**	**161,547,085**	**1.2**

Off-balance sheet items	2013	2012	% 13/12
Contingent exposures	8,663,950	9,015,469	(3.9)
Contingent commitments	12,026,000	13,523,884	(11.1)
Total	**20,689,950**	**22,539,353**	**(8.2)**

Core capital ratio rises to 12.0% following €1,505 million in capital increases over the year.

In 2013 Banco Sabadell continued to pursue the vigorous capital management policy it had been following for the last few years, with major implications for its future growth. In the three years to 2013 the Bank increased its capital by issuing equity and other securities qualifying as core capital; as a result its capital resources grew by more than €5,000 million over the 3-year period and solvency reached highly satisfactory levels, as our year-end capital ratios confirm.

T6 BIS capital ratios

Thousand euro

	2013	2012	% 13/12
Capital	501,435	369,944	35.5
Reserves	8,869,879	7,866,709	12.8
Convertible bonds	860,150	798,089	7.8
Non-controlling interests	37,191	51,078	(27.2)
Deductions	(1,552,651)	(1,206,783)	28.7
Core capital	**8,716,004**	**7,879,037**	**10.6**
Core capital (%)	**12.0**	**10.5**	
Preference shares and deductions	(2,529)	(5,413)	(53.3)
Tier I capital	**8,713,475**	**7,873,624**	**10.7**
Tier I (%)	**12.0**	**10.5**	
Tier II capital	**587,864**	**731,549**	**(19.6)**
Tier II (%)	**0.8**	**1.0**	
Capital base	**9,301,339**	**8,605,173**	**8.1**
BIS Ratio (%)	**12.8**	**11.4**	
Minimum capital requirement	5,830,103	6,025,145	(3.2)
Capital surplus	**3,471,236**	**2,580,028**	**34.5**
Risk Weighted Assets (RWA)	**72,876,287**	**75,314,313**	**(3.2)**

Key actions taken in the course of 2013 to boost our capital strength included the following:

- In January, the exchange of subordinated bonds, mandatorily convertible to Banco Sabadell shares, for cash and simultaneous subscription for new mandatory convertible subordinated bonds (Series I/2013 and II/2013) that would qualify as *core capital* under Europe-wide (EBA) rules. The nominal value of the new convertible bonds was €779.3 million.
- The two equity capital increases carried out in September: the first by means of a €650 million accelerated bookbuild offering that resulted in the entry of two new strategic investors who subscribed for most of the offering; the second by way of a €733 million rights issue.
- In October, the exchange of Banco Gallego preferred securities and subordinated debt for subordinated notes mandatorily convertible to Banco Sabadell shares. The exchange offer was taken up in respect of 93.7% of the securities and generated €121.7 million in new capital.

Balance sheet management

A healthy €10,123 million funding gap and substantial increases in customer funds, with mutual funds and demand deposits growing at an accelerating pace.

Following the takeover of assets from BMN–Penedès, Lloyds España and Banco Gallego, Banco Sabadell's customer base now stands at 6.5 million.

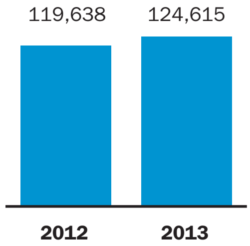
Loan loss provisions were further increased to cover credit exposures in the loan portfolio and there were signs of a turning point in NPLs.

Year-on-year comparisons of balance sheet figures were affected by the incorporation into the consolidated accounts of the branch banking business acquired from Banco Mare Nostrum in Catalonia and Aragon ("BMN-Penedès"), from 1 June 2013 onwards; of Lloyds Bank International and Lloyds Investment España ("SabadellSolbank"), from 30 June onwards; and of Banco Gallego, from 31 October onwards.

At the end of 2013, the total assets of Banco Sabadell and its group amounted to €163,441.5 million, having increased by €1,894.4 million compared with the total at the end of 2012. The 1.2% increase year-on-year was due in large measure to the newly acquired businesses.

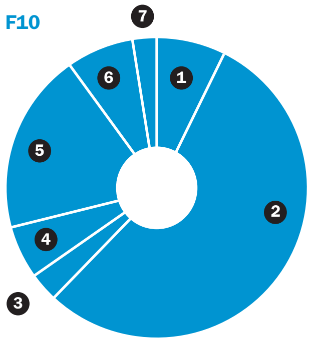
Of particular significance among the items on the consolidated balance sheet were gross loans and advances to customers (excluding reverse repos), which increased from €119,638.1 million at 2012 year-end to €124,614.9 million at the end of 2013. In relative terms this represented a 4.2% increase year-on-year (F9).

Mortgage loans, the single largest component of gross lending, amounted to approximately 57% of total loans and advances at 31 December 2013 excluding doubtful loans and time period adjustments (F10 and F11).



F9 Gross loans and advances to customers ex reverse repos
(Million euro)

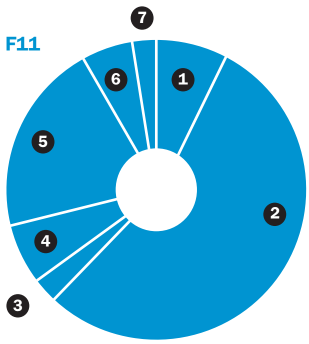
F10



Loans and advances to customers 12.31.2012

1	Receivable on demand and other accounts	7%
2	Mortgage loans and credit	56%
3	Other secured loans and credit	3%
4	Trade credit	4%
5	Other loans	23%
6	Other credit lines	5%
7	Finance leases	2%

F11



Loans and advances to customers 12.31.2013

1	Receivable on demand and other accounts	8%
2	Mortgage loans and credit	57%
3	Other secured loans and credit	2%
4	Trade credit	5%
5	Other loans	22%
6	Other credit lines	4%
7	Finance leases	2%

T7 Inversión crediticia

Thousand euro

	2013	2012	% 13/12
Secured loans and credit	59,938,349	58,776,532	2.0
Trade credit	4,756,581	4,424,246	7.5
Other loans and credit	25,537,113	27,091,766	(5.7)
Other receivables	34,382,890	29,345,569	17.2
Gross loans and advances to customers ex assets acquired under repo agreements	**124,614,933**	**119,638,113**	**4.2**
Assets acquired under repo agreements	688,010	1,890,884	(63.6)
Loans and advances to customers - gross	**125,302,943**	**121,528,997**	**3.1**
Provisions for bad and doubtful debts and country risk	(12,374,053)	(12,180,914)	1.6
Loans and advances to customers - net	**112,928,890**	**109,348,083**	**3.3**
Memorandum item: total securitized assets	***17,349,918***	***20,176,753***	***(14.0)***
Securitized mortgage assets	16,372,319	17,222,663	(4.9)
Other securitized assets	977,599	2,954,090	(66.9)
Of which: Securitization issues after 01.01.2004	15,672,353	19,338,123	(19.0)
Securitized mortgage assets	14,751,681	16,442,337	(10.3)
Other securitized assets	920,672	2,895,786	(68.2)

Reclassifications of loan refinancings and additions to the consolidated group were factors that caused the ratio of non-performing loans (NPLs) to total qualifying loans and advances to rise to 13.63% (11.13% with reclassifications excluded), excluding former Banco CAM assets covered by the Asset Protection Scheme. In the last quarter of 2013 NPLs fell by €64 million; this, and a slowing rate of additions to the inventory of troubled assets, suggested that a turning point had been reached.

In 2013 sales of real estate assets increased by 40% over the previous year, totalling €3,120 million and exceeding forecasts by 20%. A total of 18,501 residential properties were sold, 16% more than forecast. Provisions as a proportion of the group's overall loan and real estate exposure were also increased and reached a year-end figure of 13.61%, one the highest ratios in the Spanish financial industry.

Thousand euro

T8

	2013	2012	% 13/12
Total non-performing exposures [1]	16,021,491	10,286,332	55.8
Total credit risk exposure [1,2]	117,584,592	110,278,647	6.6
Loan loss ratio (%) [1]	**13.63**	**9.33**	
Loan and real estate impairment provisions	18,341,298	17,589,940	4.3
Loan loss and real estate coverage ratio (%) [3]	**13.61**	**13.88**	

1 The figures and percentages shown do not include assets covered by the Asset Protection Scheme (APS).
2 Includes contingent liabilities.
3 Shows impairment provision coverage for the loan and real estate portfolios combined.

In 2013 the value of Banco Sabadell's investment portfolio declined by 12.3% from the figure for 2012 to a year-end total of €22,554 million. Banco Sabadell's portfolio of fixed-income investments is held, first, as part of its arrangements for macro-hedging the group's on-balance sheet interest rate risk; second, as a source of interest returns to boost net interest income, subject always to complying strictly with the established limits for interest rate risk; and third, as part of a treasury management strategy of investing cash surpluses in the securities markets. The Bank ensures that the credit quality of overall asset positions held in its fixed-income portfolio is of the highest order and that it invests in assets with the highest ratings awarded by rating agencies.

Thousand euro

T9

	2013	2012	% 13/12
Government securities	16,327,014	14,586,324	11.9
Treasury bills	40,966	819,444	(95.0)
Other government securities	16,286,048	13,766,880	18.3
Fixed-income securities	5,415,881	8,940,341	(39.4)
Doubtful assets	96	9,389	(99.0)
Total fixed-income securities	**21,742,991**	**23,536,054**	**(7.6)**
Shares and equity investments			
Credit institutions	213,103	78,397	171.8
Other private sector issuers	314,425	1,352,963	(76.8)
Equity investments in associated undertakings	283,412	746,336	(62.0)
Total shares and equity investments	**810,940**	**2,177,696**	**(62.8)**
Total investment portfolio	**22,553,931**	**25,713,750**	**(12.3)**

On-balance sheet customer funds at 31 December 2013 stood at €94,497.2 million, up from €17.9 million at the end of 2012. Demand deposits performed particularly well in 2013, growing by 36.1% to €36,862.5 million at 31 December 2013. Time deposits also rose significantly in 2013, increasing by 13.6% to reach a year-end total of €60,798.7 million.

Liabilities in the form of marketable securities amounted to €21,166.9 million at 2013 year-end compared with €25,326.2 million at 31 December 2012. This decline was due principally to a net reduction in outstanding bonds, mortgage covered bonds, asset-backed securities and commercial papers.

Thousand euro

T10

	2013	2012	% 13/12
Current accounts	26,260,652	19,251,171	36.4
Savings accounts	10,601,835	7,833,472	35.3
Time deposits	60,798,681	53,526,063	13.6
Repurchase agreements	1,347,184	1,466,003	(8.1)
Time-period adjustments	611,168	564,214	8.3
Adjustments due to hedging derivatives	(256,612)	(176,513)	45.4
Customer deposits	**99,362,908**	**82,464,410**	**20.5**
Debt securities and other negotiable instruments	**21,166,915**	**25,326,170**	**(16.4)**
Subordinated liabilities	**1,089,046**	**1,166,707**	**(6.7)**
Liabilities under insurance contracts	**2,134,139**	**2,038,815**	**4.7**
Total on-balance sheet deposits and issued securities	**123,753,008**	**110,996,102**	**11.5**

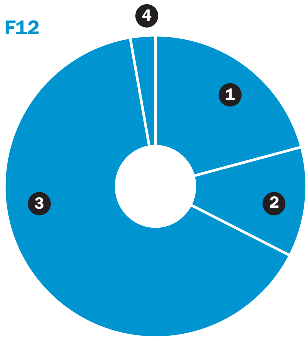
Gross customer acquisitions continued at a good pace (8,900 per week), with customers increasing by 93,795 individuals and 23,054 businesses in the last three months of the year. At 31 December 2013 the Bank had 6.5 million customers, including those from businesses acquired during the year. This growth, together with increased cross-selling of products and services, caused the group's market shares to increase in both the individual and the business customer segments.

At 31 December the group's share of banking transactions by private individuals (cheques, transfers, direct debits and bills of exchange) had increased by 145 basis points year-on-year to 7.96% of the market. In the arrangement of business loans under ICO-sponsored credit schemes (special financing schemes for businesses, entrepreneurs, internationalization, exports, etc.), Banco Sabadell ended the year with a market share of 20.50% compared with 12.24% in 2012.

In 2013 as the growth in customer funds on the balance sheet outpaced the increase in lending, a positive funding gap of €10,123.0 million was generated (rising by 74% over the three years covered by the "CREA" plan); meanwhile, the loan-to-deposit (LTD) ratio fell to 107,3%, down from 121,9% in December 2012 (and from 135,0% at 2010 year-end, when the CREA Plan was launched).

Assets in collective investment vehicles totalled €11,018.16 million at 31 December 2013, a 28.3% increase with respect to 2012 year-end.

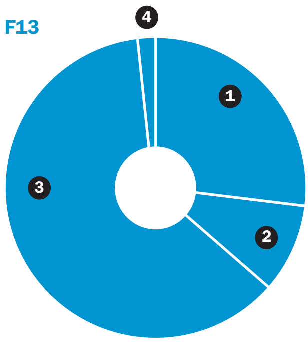
F12



Customer deposits 12.31.2012

1	Current accounts	23%
2	Savings accounts	10%
3	Term deposits	65%
4	Repurchase agreements	2%

F13



Customer deposits 12.31.2013

1	Current accounts	27%
2	Savings accounts	11%
3	Term deposits	61%
4	Repurchase agreements	1%

* Without adjustments due to accruals and hedging derivatives.

Thousand euro

T11

	2013	2012	% 13/12
Managed collective investment schemes (CIS's)	8,178,584	6,997,311	16.9
Equity funds	584,740	327,388	78.6
Balanced funds	866,585	425,964	103.4
Fixed-income portfolio	2,474,177	1,613,871	53.3
Guaranteed funds	2,788,376	2,376,623	17.3
Real estate funds	44,364	990,610	(95.5)
Open-end investment companies (OEICs)	1,420,342	1,262,855	12.5
Mutual funds and OEICs distributed by the group	2,839,986	1,587,537	78.9
Collective investment schemes	**11,018,570**	**8,584,848**	**28.3**
Individual	2,857,495	2,250,102	27.0
Company	1,478,333	1,435,039	3.0
Group	20,463	23,727	(13.8)
Pension funds	**4,356,291**	**3,708,868**	**17.5**
Total CIS's and pension funds	**15,374,861**	**12,293,716**	**25.1**

Assets in pension funds distributed by the group amounted to €4,356.3 million at 2013 year-end, having increased by €647.4 million over the year.

Total funds under the group's management amounted to €149,122.9 million at 31 December 2013, a rise of 13.3% on the balance of €131,654.6 million at 31 December 2012.

Thousand euro

T12

	2013	2012	% 13/12
Creditors - general government	3,197,859	2,102,538	52.1
Creditors - resident sector	88,788,617	73,058,219	21.5
Creditors - non-resident sector	7,021,876	6,915,952	1.5
Time-period adjustments	611,168	564,214	8.3
Adjustments due to hedging derivatives	(256,612)	(176,513)	45.4
Debt securities and other negotiable instruments	21,166,915	25,326,170	(16.4)
Subordinated liabilities	1,089,046	1,166,707	(6.7)
Collective investment schemes	11,018,570	8,584,848	28.3
Pension funds	4,356,291	3,708,868	17.5
Insurance policies sold and liabilities under insurance contracts	10,201,494	9,351,968	9.1
Wealth management	1,927,634	1,051,659	83.3
Total customer deposits and assets under management	**149,122,858**	**131,654,630**	**13.3**

T13

Thousand euro

	2013	2012	% 13/12
Capital	501,435	369,944	35.5
Reserves	8,796,233	7,923,844	11.0
Other equity instruments	738,476	798,089	(7.5)
Less: treasury shares	(57,442)	(25,694)	123.6
Net profit attributable to the group	247,832	81,891	202.6
Less: Dividends and remuneration	0	0	—
Shareholders' equity	**10,226,534**	**9,148,074**	**11.8**
Valuation adjustments	**120,814**	**(317,945)**	**—**
Non-controlling interests	**58,243**	**459,175**	**(87.3)**
Total equity	**10,405,591**	**9,289,304**	**12.0**

Liquidity management and funding policy

Since the onset of the financial crisis in 2007 Banco Sabadell's funding policy has focused on attracting deposits and other customer funds through its branches, reducing the total amount of funds raised on the wholesale markets and increasing the Bank's liquidity position.

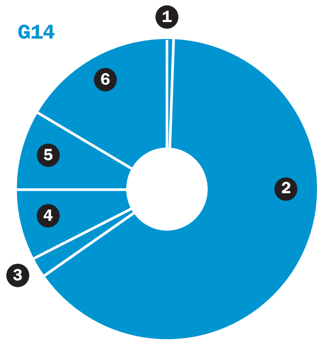
The primary source of the group's funding is its customer deposit base (mainly current accounts and time deposits distributed through the branch network). This is supplemented by funds raised on the interbank and capital markets where the Bank has a number of short- and long-term funding programmes in place, giving it a suitable diversity of funding sources and of products, maturities and investors. The group's main sources of funding at the close of 2013 are further analysed in graphs F14 and F15 below.

Its short-term funding arrangements included a Spanish commercial paper (*pagaré*) issuance programme with an upper limit of €5,000 million and a Euro Commercial Paper (ECP) programme with a nominal value of up to €3,500 million. The amount of outstanding commercial paper issues directed mainly at the domestic market decreased during the year; this was due primarily to the fact that the reduction in the outstanding amount of commercial paper placements with unqualified investors was not wholly offset by an increase in placements with institutional investors.

The amount outstanding at 31 December was €2,793 million. The group's ECP programme, aimed at global qualified investors, saw a modest increase over December 2012, when there was €37 million outstanding under the programme. By the end of 2013 this had increased to €98.6 million.

As part of the group's longer-term funding, on 23 April 2013 an issuance programme of non-participating fixed-income securities with an upper limit of €10,000 million was registered with Spain's National Securities Market commission (CNMV). During the year Banco Sabadell issued bonds totalling €3,400.3 million under the programme, both for sale on the market and for retention by the group. In the course of 2013 the group tapped the bond market on a number of occasions. These included a €1,000 million public offering of 5-year covered bonds, a €200 million issue of 8-year mortgage covered bonds underwritten in its entirety by the European Investment Bank (EIB), a €600 million 3-year senior debt issue and 15 issues of structured bonds totalling €131.9 million with maturities of between one and 11 years. As an additional source of funding, the group has since 1998 participated in 63 issues of asset-backed securities (including issues by Banco Guipuzcoano, Banco CAM, BMN and Banco Gallego), although a portion of this issuance was retained by the group as liquid assets for use as eligible collateral in funding transactions with

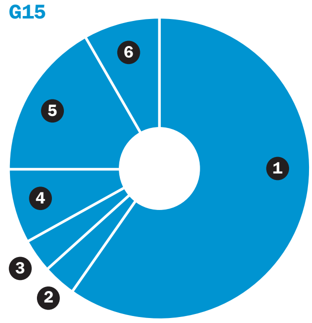
G14



Funding sources

1	Preference shares	0.1%
2	Deposits	69.3%
3	Retail investment products	1.2%
4	Repos	4.7%
5	ICO finance	5.0%
6	Wholesale market	19.7%

G15



Wholesale market funding

1	Mortgage covered bonds	62.0%
2	Senior debt	3.5%
3	Preference share & subordinated debt	3.6%
4	Euro and Institutional CP	6.6%
5	Asset-backed securities	16.4%
6	Guaranteed debt	7.9%

the European Central bank. The remaining bonds were sold on the capital markets. At the end of 2013 the value of the group's asset-backed securities sold on the market was €4,280 million. As far as its wholesale market funding activities were concerned Banco Sabadell, like the rest of the banking sector, saw its ratings being downgraded by the major rating agencies in response to lower sovereign credit ratings for Spain.

In 2013 the three agencies that were rating Banco Sabadell's credit quality were Standard & Poor's, Moody's and DBRS. Their current ratings, and the last dates on which confirmation of the ratings was published, are as follows:

T14

	Long-term debt	Short-term debt	Outlook	Date last reviewed
Standard & Poor´s	BB	B	Negative	10/15/13
Moody´s	Ba2	NP	Negative	01/14/14
DBRS	A (low)	R1 (low)	Negative	03/19/13

Following Moody's recent ratings downgrades of a number of Spanish banks in the second half of 2013, and as a result of the agency's rating decision after placing Banco Sabadell on review in July, on 14 January 2014 the agency downgraded Banco Sabadell's long-term rating by one notch from Ba1 to Ba2 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". All the agencies have highlighted the improvement in Banco Sabadell's solvency position since the capital increases carried out in September.

In the course of 2013 the Bank held meetings with all three rating agencies. At the meetings topics such as the Bank's strategy, recent acquisitions, profit performance, capital, liquidity, risk and credit quality were discussed, as well as its management of troubled assets.

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 the Bank has continued to reinforce this cushion as a first line of defence, and to do so at an increasing rate. At the end of 2010 the size of the group's "first line" liquidity — i.e. the effective amount (market value) of liquid assets, adjusted for the ECB valuation haircut in monetary policy operations — was €10,577 million. This amount of first-line liquid assets had increased to €11,399 million by the close of 2011. During the year 2012 the Bank continued to strengthen its liquid asset base by generating a positive funding gap through the branch network, bringing its first-line buffer up to €17,396 million by the end of that year. The buffer was maintained throughout the year 2013, at the end of which the group's first-line reserve amounted to €19,009 million.

In addition to its first line liquidity the group maintains a cushion of mortgage loans and public sector loans that are eligible as collateral for mortgage covered bonds and public sector covered bonds, respectively. At the end of 2013 these loans provided €7,960 million of additional capacity for the issue of covered bonds eligible to be discounted as collateral with the ECB. By the close of the year the group's available liquidity reserve had reached an effective amount of €26,969 million, composed of the group's first-line liquidity plus its year-end capacity to issue mortgage and public sector covered bonds. Banco Sabadell participated in the ECB's 3-year liquidity auctions of 22 December 2011 and 1 March 2012, receiving a total of €23,650 million of which €13,650 million was from the former Banco CAM. Over the year 2013 a part of these borrowings was repaid in stages by the group and at 31 December Banco Sabadell's net position with the ECB had fallen to a total of €8,800 million.

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. Its standard liquidity management procedures are as follows:

— Each year a funding plan is drawn up based on the funding needs identified for each business unit and the amount to be raised on the capital markets, spread over a range of long- and short-term funding programmes.
— Regular checks are made to see that the funding plan is being adhered to and any deviations from the plan are identified for each business unit and the funding plan updated accordingly.
— The Bank's short-term commitments, treasury position and future projections are reviewed periodically to ensure that the Bank has sufficient liquidity to meet its financing needs in the long and short term.
— Banco Sabadell regularly updates its liquidity contingency plan to ensure that it has sufficient liquid assets available to respond effectively to any liquidity stress scenario that could arise. At the same time it assesses the quality of its portfolio of liquid assets by studying the sensitivity of these assets to different ratings downgrade and market movement scenarios.

Profit performance

Banco Sabadell's net profit, at €247.8 million, is a threefold increase on 2012.

The year–end figure for net interest income showed a rising trend, reflecting a fall in the cost of deposits and active management of interest spreads that helped to improve the net interest margin.

Personnel and administration expenses, on a like–for–like basis, were successfully held down and this, combined with branch network restructuring, resulted in a significantly improved cost:income ratio.

By the end of 2013 the impacts on the consolidated income statement of adverse shifts in the yield curve and reduced interest margins in the first part of the year had been very largely offset by income contributed by the Banco CAM business and the businesses acquired by the Bank during the year, efficient management of interest spreads and improved returns from the group's fixed-income investments.

Banco Sabadell and its group ended 2013 with a net attributable profit of €247.8 million after booking €1,763.6 million in provisions for bad debts, securities and real estate. The net profit attributable to the group for 2012 was €81.9 million.

Net interest income amounted to €1,814.7 million in 2013, 2.9% less than in 2012. The contributions from Banco CAM from June 2012 onwards and the new businesses acquired in 2013 (BMN-Penedès, SabadellSolbank and Banco Gallego), combined with judicious management of interest spreads, improved returns from the fixed-income portfolio and other factors, broadly offset the effects of the falling yield curve, narrowing interest spreads and a range of other factors in the first half of the year. In the second half of the year interest spreads began to improve, mainly due to the lower cost of deposits and the diminishing effect of the yield curve on loan repricing.

Dividends received and profits from equity-accounted undertakings together amounted to €18.4 million, compared with a small loss of €1.9 million in 2012. The insurance and pensions business also made a useful contribution to earnings.

Net fees and commissions totalled €759.7 million, a 20.8% increase year-on-year. This growth was observed across all categories of fee and commission income (avals, services, mutual funds, insurance and pension sales) and was attributable to a more profit-driven business focus, cross-selling, and the narrowing of the income generation gap between Banco CAM and the rest of the group, as well as the integration of the new businesses mentioned above.

Net income from trading amounted to €1,479.2 million and included €927.8 million in profits 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 sales of equity securities, and €53.6 million in profits on the trading portfolio. In 2012 net income from trading was €546.2 million, including €270.3 million from the disposal of available-for-sale fixed-income investments, €166.3 million on the redemption of asset-backed securities and own securities, and €132.2 million in trading profits.

Other operating income and expense showed a net loss of €163.1 million, compared with a net loss of €142.5 million in 2012. This item included contributions of €135.4 million to the bank deposit insurance scheme.

Operating expenses (personnel and general) amounted to €1,686.1 million in 2013, of which €14.3 million were non-recurring (mainly restructuring costs related to the acquisition of Banco Gallego). Recurring operating expenses in 2013, on a like-for-like basis, were 12.5% down on the previous year.

A sizeable increase in gross income for 2013 (34.4%) coupled with policies to hold down operating costs were reflected in a significantly improved cost:income ratio of 47.64% in 2013 (down from 51.10% in 2012), excluding a one-off capital gain on the sale of the held-to-maturity portfolio.

The performance of the profit and loss items discussed above resulted in a net profit before provisions of €2,062.3 million in 2013, an increase of 59.9% on the figure for 2012. Provisions for loan losses and other impairments (primarily in real estate and financial assets) amounted to €1,736.6 million, including extraordinary provisions to meet additional provisioning requirements following a review of the classification of loan refinancings. Provisions for 2012 totalled €2,540.6 million. A considerable part of this amount consisted of advance charges for loan and real estate losses as required by Royal Decree-Laws 2/2012 and 18/2012. Provisions amounted to 13.61% of total loan and real estate exposure at 2013 year-end and the Bank's specific coverage of assets classified as doubtful due to delinquency was 50.1%.

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. Capital gains on asset disposals in 2012 totalled €15.4 million, the principal disposal in that year being the Bank's shareholding in Banco del Bajío.

The income statement for 2012 included a credit of €933.3 million in negative goodwill recognized on the consolidation of Banco CAM.

After deducting corporate income tax and the share of profit attributable to non-controlling interests, the net profit attributable to the group for the year was €247.8 million, well above the figure for the previous year (€81.9 million).

Thousand euro

T15

	2013	% of av. total assets	2012	% of av. total assets	% 13/12
Interest and similar income	4,863,170	2.92	4,735,621	3.43	2.7
Interest and similar charges	(3,048,476)	(1.83)	(2,867,633)	(2.07)	6.3
Net interest income	**1,814,694**	**1.09**	**1,867,988**	**1.35**	**(2.9)**
Yield of equity instruments	7,329	0.00	9,865	0.01	(25.7)
Share of profit/(loss) of equity-accounted entities	11,107	0.01	(11,735)	(0.01)	—
Fees and commissions (net)	759,670	0.46	628,689	0.45	20.8
Income from trading (net)	1,479,185	0.89	546,236	0.40	170.8
Exchange differences (net)	67,871	0.04	59,881	0.04	13.3
Other operating income and expense	(163,062)	(0.10)	(142,478)	(0.10)	14.4
Gross income	**3,976,794**	**2.39**	**2,958,446**	**2.14**	**34.4**
Personnel expenses	(1,098,175)	(0.66)	(996,546)	(0.72)	10.2
Other administration expenses	(587,886)	(0.35)	(515,079)	(0.37)	14.1
Depreciation and amortization	(228,447)	(0.14)	(156,925)	(0.11)	45.6
Profit before impairment and other provisions	**2,062,286**	**1.24**	**1,289,896**	**0.93**	**59.9**
Loan loss and other provisions	(1,763,640)	(1.06)	(2,540,629)	(1.84)	(30.6)
Profit on disposal of assets	43,893	0.03	15,407	0.01	184.9
Goodwill	644	0.00	933,306	0.68	(99.9)
Profit/(loss) from discontinued operations (net of taxes)	0	0.00	0	0.00	—
Corporate income tax	(74,348)	(0.04)	398,055	0.29	—
Consolidated profit/(loss) for the year	**268,835**	**0.16**	**96,035**	**0.07**	**179.9**
Profit/(loss) attributable to non-controlling interests	21,003		14,144		48.5
Profit/(loss) attributable to the group	**247,832**		**81,891**		**202.6**

Net interest income

Net interest income amounted to €1,814.7 million in 2013, 2.9% less than in 2012. Average loans and advances to customers were up 16.6% while average customer deposits also grew, rising by 37.8%. A good part of the increase in lending was due to the inclusion of Banco CAM in the consolidated accounts from June 2012 onwards and the acquisitions made at different times during the year (BMN-Penedès, SabadellSolbank and Banco Gallego).

Returns and margins were initially lower in 2013 than in 2012; however, there was a turning point in the second quarter of the year after which they improved considerably, mainly due to the lower cost of deposits and the reduced effect of the yield curve on loan repricing.

In terms of overall annual averages, the net interest margin was 1.09% of average total assets (1.35% in 2012). The decline in the average return on average total assets was due to several factors, including the reduction in interest spreads (due mainly to the effect of the falling yield curve on loan repricing and the higher average cost of deposits taken in the last quarter of 2012), the increase in problem assets compared with 2012, lower average returns from recent acquisitions, and lower returns on the fixed-income portfolio.

Thousand euro

T16

	Average amount	2013 Rate	Income/ expense	Average amount	2012 Rate	Income/ expense
Cash. central banks and other credit institutions	4,529,883	0.90	40,794	4,568,908	1.20	54,773
Loans and advances to customers	105,997,323	3.64	3,859,745	90,942,333	4.11	3,736,363
Fixed-income portfolio	28,629,589	3.28	938,310	21,293,577	3.55	755,683
Variable-income portfolio	1,961,883	—	0	2,093,708	—	0
Tangible and intangible assets	3,246,609	—	0	2,803,977	—	0
Other assets	22,206,176	0.11	24,321	16,532,236	1.14	188,802
Total capital employed	**166,571,463**	**2.92**	**4,863,170**	**138,234,739**	**3.43**	**4,735,621**
Credit institutions	25,838,912	(1.15)	(298,067)	24,986,726	(1.44)	(359,055)
Deposits from other creditors	84,303,805	(1.93)	(1,627,349)	61,200,950	(2.06)	(1,260,409)
Capital market	29,654,453	(3.50)	(1,038,410)	29,724,584	(3.73)	(1,108,684)
Repurchase agreements	6,732,891	(1.05)	(70,657)	5,261,783	(1.13)	(59,380)
Other liabilities	10,855,652	(0.13)	(13,993)	9,797,288	(0.82)	(80,105)
Shareholders' equity	9,185,750	—	0	7,263,408	—	0
Total funds	**166,571,463**	**(1.83)**	**(3,048,476)**	**138,234,739**	**(2.07)**	**(2,867,633)**
Net interest income		**1.09**	**1,814,694**		**1.35**	**1,867,988**

Fees and commissions (net)

Net fees and commissions totalled €759.7 million, a 20.8% increase on the previous year.

Fees for aval and other guarantees increased overall by €5.9 million, mainly as a result of higher fees for avals and documentary credits. Fees for services increased by €104.2 million, due mainly to revenues from cards, demand accounts and other services increasing in line with the growth in business volumes and the businesses included in the consolidated accounts for the first time. Fees and commissions on mutual and pension funds and insurance products increased by €20.8 million year-on-year due mainly to the greater volume of assets under management and the sale of new pension and retirement plans.

Thousand euro

T17

	2013	2012	% 13/12
Lending-related fees	113,177	114,301	(1.0)
Avals and other guarantees	103,757	96,582	7.4
Paid to other banks	(4,702)	(4,592)	2.4
Fees charged on loans and guarantees	**212,232**	**206,291**	**2.9**
Cards	132,080	96,925	36.3
Payment orders	45,167	44,109	2.4
Securities	52,786	56,491	(6.6)
Current account charges	72,488	49,417	46.7
Other fees	121,497	72,838	66.8
Fees charged on services	**424,018**	**319,780**	**32.6**
Mutual funds	77,948	66,414	17.4
Marketing of pension funds and insurance	45,472	36,204	25.6
Commissions on sales of mutual funds, pension funds and insurance	**123,420**	**102,618**	**20.3**
Total fees and commissions (net)	**759,670**	**628,689**	**20.8**

Administrative expenses

Operating expenses (personnel and general) amounted to €1,686.1 million in 2013, of which €14.3 million were non-recurring (mainly restructuring costs related to the acquisition of Banco Gallego). Recurring operating expenses in 2013, on a like-for-like basis, were 12.5% lower than in the previous year. Like-for-like personnel expenses, in particular, fell by 13.2% as a result of the various measures taken as part of the group's drive to boost operating efficiency in branch-level administrative processes and other areas. Other recurring administration expenses, again on a like-for-like basis, also moved in a positive direction, falling by 11.4% compared with the figure for 2012.

Thousand euro

T18

	2013	2012	% 13/12
Wages and salaries	(814,712)	(748,944)	8.8
Social welfare costs	(179,597)	(156,349)	14.9
Other personnel expenses	(103,866)	(91,253)	13.8
Personnel expenses	**(1,098,175)**	**(996,546)**	**10.2**
IT and systems	(84,980)	(66,875)	27.1
Communications	(27,892)	(27,323)	2.1
Advertising	(54,269)	(48,261)	12.4
Property, plant and equipment	(155,419)	(152,873)	1.7
Printed material and office supplies	(8,004)	(6,862)	16.6
Taxes	(98,619)	(73,212)	34.7
Other expenses	(158,703)	(139,673)	13.6
Other administration expenses	**(587,886)**	**(515,079)**	**14.1**
Total administration expenses	**(1,686,061)**	**(1,511,625)**	**11.5**

Net provisions and impairment charges

During the year the group allocated €1,763.6 million against profits to strengthen the loan and other impairment provisions on its balance sheet.

Thousand euro

T19

	2013	2012	% 13/12
Loan impairment provisions	(1,147,131)	(1,405,685)	(18.4)
Land and buildings	(591,158)	(821,080)	(28.0)
Deterioros de participaciones	(33,287)	(235,233)	(85.8)
Impairment of investments in associated undertakings financial assets	(44,065)	(50,565)	(12.9)
Other net provisions and impairment charges	52,001	(28,066)	—
Total net provisions and impairment charges	**(1,763,640)**	**(2,540,629)**	**(30.6)**

Acquisitions in 2013

A

Banco Sabadell's acquisitions in 2013 are a further step in consolidating its position as a major player on the national banking scene and a leader in solvency and quality of service.

Business integrations		Total (Million euro)
2008	BBVA Miami	80
2009	BNY Mellon	83
2010	**Banco Guipuzcoano**	**97**
2011	Lydian	**100**
2012	**CAM**	**162**
2013	**Caixa Penedès**	
	Banco Gallego	**163**
	Lloyds Bank	

Acquisition of assets from BMN–Penedès

The recent purchase of the BMN–Penedès business will enable the Bank to expand its retail banking operations in its home territory of Catalonia, where it is now the fourth largest bank with a 12% share of bank branches.

€9,779 MILLION IN ASSETS

462 BRANCHES

2,020 EMPLOYEES

+ 900,000 CUSTOMERS

On 18 December 2012 Banco Sabadell and Banco Mare Nostrum, S.A. (BMN) reached an agreement for the transfer to Banco Sabadell of assets and liabilities forming the branch banking business of BMN in the regions of Catalonia and Aragon ("BMN-Penedès"). On 31 May 2013 the deal completed and Banco Sabadell took control of the business on 1 June. Under the agreement Banco Sabadell acquired asset and liabilities totalling €9,779 million and €9,625 million respectively, including €9,433 million in loans and advances and some €9,200 million in deposits. The €154 million difference between the net assets and the liabilities was the purchase consideration payable to BMN. The transaction spurred a reorganization of the Banco Sabadell's branch network in Catalonia, leading to the creation of a new Catalonia Regional Division to which the Banco Sabadell and BMN-Penedès branches were transferred. The former BMN branches in Aragon were assigned to the Bank's existing Northern Regional division. These arrangements combine the advantages of centralized management at regional level with local specialization to meet the needs of both regions.

Acquisition of Lloyds Banking Group España

This acquisition provides us with an opportunity to strengthen our franchise in the non–resident community in Spain and, at the same time, secure an internationally renowned partner as a shareholder.

€1,705 MILLION IN ASSETS

28 BRANCHES

343 EMPLOYEES

+ 53,000 CUSTOMERS

On 29 April 2013 the Bank concluded an agreement with Lloyds TSB Bank Plc to acquire the entire share capital of its Spanish subsidiaries Lloyds Bank International, S.A.U. ("LBI") and Lloyds Investment España, S.G.I.I.C., S.A.U. ("Lloyds Investment"). On 30 June Banco Sabadell took control of the two companies involved in the transaction. After the acquisition the name of LBI was changed to Sabadell Solbank, S.A.U. The names of subsidiary companies in the LBI group were also changed. Under the terms of the deal, Banco Sabadell acquired assets and liabilities totalling €1,705 million. The acquired business consisted almost entirely of mortgage loans (97% of all gross loans and advances, amounting to €1,598 million) and deposits of individual non-resident account holders.

The purchase consideration for 100% of the shares in the two Spanish companies was the delivery of 53,749,680 shares in Banco Sabadell from the Bank's holding of treasury shares, the fair value of which at the time of taking 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), and the payment to Banco Sabadell of a cash sum of €1.5 million by way of a price adjustment.

This shareholding has resulted in Lloyds TSB becoming a stable shareholder: not only has it undertaken not to transfer the shares received until 30 April 2015, but a long-term strategic alliance in the commercial, corporate and private banking areas has been agreed between the Bank and Lloyds TSB.

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

The takeover of Banco Gallego has enabled us strengthen our position among SMEs customers and personal banking clients in Galicia with 7% of the region's bank branches operating under the SabadellGallego banner.

€3,228
MILLION
IN ASSETS

183
BRANCHES

737
EMPLOYEES

+ 125,000
CUSTOMERS

On 17 April 2013 Banco Sabadell made a bid for Banco Gallego, S.A. in a competitive auction to sell off the business. It then went into negotiations with Spain's Fund for Orderly Bank Restructuring (FROB) on the possible terms of a purchase deal. On 19 April 2013 Banco Sabadell's bid for Banco Gallego was accepted and a contract was concluded for the purchase of 100% of the shares in Banco Gallego, S.A. for a consideration of one euro. The purchase was subject to the condition that completion would take place once the FROB had paid in €245 million of new capital to Banco Gallego and once action had been taken to buy back Banco Gallego preference shares as part of the arrangements for the resolution of that undertaking. On 28 October the Bank took control of the business.

The intention is that Banco Gallego, S.A. and Sabadell-Solbank will be merged into Banco Sabadell and that both businesses will be integrated into the Bank during the first quarter of 2014.

Group Businesses

Banco Sabadell is at the head of Spain's fourth largest privately owned banking group. 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 strongly focused on profitable growth and delivering 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 and 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. The group has four main areas of business: Commercial Banking; Corporate Banking and Global Businesses; Markets and Private Banking, and BS America. It has six regional divisions with full responsibility for their local areas, and several business-focused support teams.

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 and individual customers, and bancassurance. Its high degree of market specialization ensures that customers receive a personalized service of the highest quality tailored to their needs, whether from expert staff throughout its extensive branch network or via other channels that support the customer relationship and give access to remote banking services.

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 chiefly through its SabadellGuipuzcoano network; and the Valencia and Murcia regions, where the Bank 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 non-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.

Corporate Banking and Global Businesses

Corporate Banking and Global Businesses offers a range of products and services to large corporates and financial institutions, both domestic and foreign. Its activities embrace corporate banking, structured finance, corporate finance, development capital, international trade and consumer finance.

The Bank's large corporate clients are served by a team of expert managers working from its offices in Madrid, Barcelona, London, Paris and Miami. The group's business model in serving these clients is based on a comprehensive offering of specialized financing services and solutions, ranging from cash management to more sophisticated, tailor-made solutions in such areas as finance (whether bank loans/credit or bond origination), hedging products, international trade services and the like.

In the area of structured finance Banco Sabadell has a team that operates from offices in Madrid, Barcelona, Alicante, Bilbao, Miami and New York and has more than 20 years' experience in originating and structuring deals in the areas of corporate finance and project finance.

Sabadell Corporate Finance is a group subsidiary that specializes in advising on mergers and acquisitions. It advises corporate transactions such as company sales and acquisitions and assists companies in finding new or replacement partners and providing independent value appraisals.

Banco Sabadell's development capital business focuses on taking temporary equity positions in non-financial companies and/or projects.

In its international business the Bank aims to be present in markets that are of most interest to companies actively engaging in foreign trade. It does this by having a 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, thus providing customers with a further assurance of genuinely global coverage.

Sabadell Fincom is a group subsidiary specializing in consumer finance. Its principal business is providing point-of-sale finance for the purchase of cars, computer equipment, domestic appliances, health care and other products.

Markets and Private Banking

Banco Sabadell offers a comprehensive offering of products and services for customers wishing to leave the management of their savings and investments to the Bank. These range from researching investment alternatives to trading in securities, and include active management of assets and custodian services. These activities are carried on, in a fully integrated way, by the following divisions: SabadellUrquijo Private Banking, the group's private banking arm; Investment, Products and Research; Treasury and Capital Markets; and Securities and Custodian Services.

Markets and Private Banking is thus well equipped to offer high value products and services designed to deliver the best possible returns for customers, thanks to optimized investment and investment management processes that depend on expert analysis and professionalism of a high order.

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. Continually reviewed procedures and practices for identifying customers' risk profiles ensure that products are offered and investments are managed with those risk 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 has enabled the Bank to strengthen and enhance its position as an intermediary and a provider of access to new markets, offer customers new services, create new opportunities in collective investment and give a new prominence to the SabadellUrquijo Private Banking brand.

Asset Management

In 2012 the division to took a fresh approach to the management of its real estate and non-performing assets and restructured its real estate organization. Solvia, the company now tasked with managing the group's real estate assets, boasts a wealth of expertise in every phase of the property development cycle. In 2013 it set up a dedicated unit to handle resolutions of mortgage loans to individual borrowers by taking early action when borrowers fell into arrears.

BS América

The Banco Sabadell America operation comprises a number of business units, associated undertakings 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. In 2012 Sabadell opened a branch in New York which handles a large part of the group's structured finance business.

During the year 2013 Banco Sabadell 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 December it entered into an agreement to purchase JGB Bank, and in November it acquired the international private banking business of Lloyds TSB Bank in Miami, which will be merged into the balance sheet of the International Full Branch. This was Banco Sabadell's sixth corporate action in Florida in the last five 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, and purchase of the assets and liabilities of Lydian Private Bank in 2011 and of the Miami branch of Caja de Ahorros del Mediterráneo in 2012. To assist customers in the Americas region Banco Sabadell has representative offices in Mexico, Venezuela, Brazil and the Dominican Republic.

Commercial Banking in 2013

In a highly complex operating environment, Commercial Banking worked hard all through the year to develop its business and particularly to increase lending, win customers and increase deposit-taking. This was helped by a branch network that had increased in size due to recent acquisitions and the results were more than satisfactory, particularly so given that business development had to be combined with the additional task of integrating the new additions to the branch network. The major achievement under this heading was the full integration of the former branches of the BMN group in Catalonia and Aragon as well as the former branches of Banco Gallego in Galicia. The latter have been operating under the supervision of Commercial Banking since the last quarter of 2013 and will be operationally integrated in the first quarter of 2014 along with the Spanish branches of Lloyds Bank International.

Thousand euro

T1 Commercial Banking

	2013	2012*	% 13/12
Net interest income	**1,321,702**	**1,278,303**	**3.4**
Fees and commissions (net)	590,438	488,774	20.8
Other income	(48,835)	(79,921)	(38.9)
Gross income	**1,863,305**	**1,687,156**	**10.4**
Operating expenses	(1,255,472)	(1,124,270)	11.7
Operating profit/(loss)	**607,833**	**562,886**	**8.0**
Impairment losses	(353,013)	(398,995)	(11.5)
Profit/(loss) before tax	**254,820**	**163,891**	**55.5**
Ratios (%):			
ROE (profit / average shareholders' equity)	5.6%	4.6%	
Cost:income (general administrative expenses / gross income)	67.4%	66.6%	
Loan loss ratio	11.4%	9.0%	
Loan loss coverage ratio	57.4%	76.1%	
Business volumes (€Mn.)			
Loans and advances	83,255	73,752	12.9
Customer accounts	89,657	70,669	26.9
Securities	7,556	8,022	(5.8)
Other information			
Employees	12,180	10,924	11.5
Branches in Spain	2,356	1,839	28.1

* Figures for 2012 include performance data for Banco CAM from 1 June onwards.

In 2013, 67% of the division's customers were large corporates.

Customer segments

Companies, businesses, government and local authorities

Once again a key aspect of the work done by the Bank's chain of dedicated business branches, as envisaged in the group's strategic plan for the years 2011 to 2013, was the campaign to win new business customers. During the year 91,695 companies were added as new customers of Banco Sabadell, 25.4% more than in the previous year. Large corporate clients increased by 15.6%. Especially noteworthy was the 67.0% of the total formed by large corporates. This is a clear sign of the added value afforded by the possession of a chain of dedicated business branches specializing in serving large corporate clients. At the end of the year the group had 70 business branches covering every part the country. To support the work of winning customers in the SME and large corporate segments, a new "Cuenta Expansión Empresas" business account was launched in the second quarter of the year. This completed the competitive offering of products designed specially for this market segment. The new account makes banking easier for any business, whether domestic or international, and offers value- added services such as free online banking software that provides an excellent tool for cash management and control. Timed to coincide with the launch of the "Cuenta Expansión Empresas" account, a support scheme for businesses was set up with the aim of helping to familiarize new customers with the group's range of products and services. Thanks to its success in capturing new customers, the Bank's share of the business banking market saw substantial growth during the year, increasing by 13.4% over 2012. "Cuenta Expansión Negocios" continued to be the main tool in winning and keeping customers and in helping users to manage their day-to-day banking operations. By the end of the year a total of 96,848 new accounts of this type had been opened. A year after the start of the business support programme in 2012, the programme was successfully expanded to maximize the business opportunities provided by the large number of new business customers and assure them of a quality service, thereby forging links with these customers at an early stage in the relationship through centrally planned initiatives. Action was taken throughout the year to strengthen procedures for setting and reviewing agreed overdraft limits to help meet the financing needs of sole proprietors, retail outlets and other small businesses. The Bank continued to play a vital role as a lender to the franchise industry, financing for which saw a considerable increase thanks to the rapid growth in franchisee start-ups.

With regard to public sector clients, in 2013 satisfactory results were achieved in every area of the business and especially in treasury management contracts for public sector bodies awarded in competitive bidding procedures, with customer numbers and customer deposits rising by 11.6% and 28.0% respectively compared with the previous year. Banco Sabadell was again actively involved in the Regional Liquidity Funds and Supplier Payment Funds set up by the Spanish Government to provide liquidity to the country's regional governments and to help them manage payments to their suppliers.

Making it easier for businesses to obtain credit was once again a key priority for Banco Sabadell throughout the year. This aim was reflected in a major sales effort focused on lending to sole proprietors and businesses, and was realized through the group's "Plan Crecimiento" "scheme. The Bank has set itself the aim of increasing lending to customers, subject always to knowing the customer and their needs and to using its customary care and diligence when approving a loan — a differentiating factor for which the group has long been recognized. New medium- and long-term loans to business customers reached €5,292,000 by the end of the year. In working capital finance the group decided to anticipate new SEPA regulations due to come into effect in 2014 by introducing two new products, B2B and Core direct debits, which provide further safeguards for customers in their business transactions. For another year more specialized forms of financing such as factoring and "confirming" (discounted payments of invoices presented by a customer's named suppliers), usually in cross-border transactions, provided customers with additional solutions for their global payments and collections. Financing schemes organized by Spain's Official Credit Institute (ICO) were, for another year, a key vehicle for the provision of business finance. Much effort was put into offering financing solutions to businesses and sole proprietors, with Banco Sabadell taking second place among participating banks with a 20.5% share of the total amount disbursed. The amount of lending by the Bank under ICO schemes and its proportional share of the total increased by 108.8% and 67.5% respectively, compared with the previous year. The ICO schemes for which take-up was highest were the "Business and Entrepreneur" schemes with a total of €2,434 million, and the "Exporter" scheme with €335 million. In the last-named scheme Banco Sabadell ranked in first place with a 23.9% share of the total, as it did in the "International" and "SGR Guarantee" schemes, with shares of 19.9% and 30.0% respectively.

In international trade the Bank maintained its firm commitment to supporting Spanish companies in their business ventures outside the country by providing them with tools to obtain finance, services and training. Banco Sabadell's "Export to Grow" programme is there to help exporters and importers find solutions to practically every need, financial and non-financial, with a full range of utilities to obtain information and practical help. With the increase in cross-border banking operations in Spain, Banco Sabadell showed a strong performance in the export and import documentary credits market, where its market shares at the end of the year stood at 24.0% and 14.8% respectively.

In 2013 Banco Sabadell was once again a leading provider of medium and long-term finance in the areas of leasing, non-property finance and finance for additional and replacement plant and equipment. One indication of this was the group's growing shares of the vehicle and plant leasing markets which were up by 40.1% and 36.4% respectively. It was also a key player in the market for energy-efficient solutions. A noteworthy development was the creation of a special leasing product for the tourist industry. This comprised a financing solution specially designed for the industry featuring a fixed rental payment throughout the term of the lease, on any goods and services specified by the customer.

The year 2013 also saw significant progress being made in the group's approach to, and pricing policy for, institutional clients. Key developments from the commercial viewpoint were the acquisition and winning back of some major clients (which make the largest contributions to funding), and the use of sales levers such as cash and securities management, Banco Sabadell fund management, custodian and depositary services and other services calculated to increase business and strengthen relationships with institutional clients.

The last month of the year saw a fresh development in the group's policy of differentiated approaches to particular market segments: the creation of a special section to cater for the needs of firms operating in agriculture-related businesses.

Thousand euro

T2 Businesses

	2013	2012	% 13/12
Net interest income	700,767	732,406	(4.3)
Fees and commissions (net)	221,664	207,099	7.0
Other profits/(losses)	55,779	49,868	11.9
Gross income	**978,210**	**989,373**	**(1.1)**
Business volumes (€Mn.)			
Loans and advances	44,983	41,428	8.6
Customer funds	40,443	32,226	25.5
Securities	4,897	5,053	(3.1)
Loan loss ratio	**12.49%**	**10.06%**	**—**

Individuals

Record growth figures for individual customers were achieved for the third year in succession.

Thousand euro

T3 Individuals

	2013	2012	% 13/12
Net interest income	620,927	545,896	13.7
Fees and commissions (net)	368,773	281,676	30.9
Other profits/(losses)	14,446	10,008	44.3
Gross income	**1,004,146**	**837,580**	**19.9**
Business volumes (€Mn.)			
Loans and advances	38,271	32,301	18.5
Customer funds	49,214	38,397	28.2
Securities	2,659	2,969	(10.5)
Loan loss ratio	**10.44%**	**8.32%**	**—**

2013, the final year of the "CREA" strategic 3-year plan, was of particular significance in terms of meeting growth targets set at the beginning of the plan for the individual customer segment. It was a year that saw the bedding in of Banco CAM, integrated in December 2012; the completion of the integration of the Catalonia and Aragon branches of BMN-Penedès in October 2013, bringing in over a million new customers; and the acquisition of Banco Gallego and of SabadellSolbank (formerly the Spanish operations of Lloyds Bank International). In addition to the inorganic growth resulting from these acquisitions, the group's continuing efforts to capture new business were rewarded with the enrolment of more than 372,430 new individual customers — a rise of 9.9% on the previous year — breaking Banco Sabadell's own record in customer acquisition for the third year in succession.

This extraordinary performance in 2013 can be attributed to three basic factors: a high level of brand recognition, a competitive product offering and a high quality service, and the sharply focused orientation of our branch network that more than met the challenge posed by the coexistence of two different business models: one directed at middle-income customers and focusing on products and efficiency; and one targeted on "personal banking" customers and emphasizing customization and differentiation.

The strategy to increase brand recognition was the same as that used in previous years and comprised three broad brand awareness campaigns. Two of these were themed on attitudes and responses to change and entitled "Change for those who think the time has come for a change" and "Talking to Julia Otero about change". The third, product-focused campaign was entitled "Personal plans for the future" and introduced a range of pension and retirement plans. These campaigns were reinforced by promotional initiatives run in particular areas or regions, such as the "Crecemos" (We're growing) campaign coinciding with the launch of the new SabadellGallego brand in Galicia, or a campaign themed on the Catalan word "seny" (shrewd good sense) conducted a year earlier in Catalonia. Finally, numerous local campaigns in major towns and cities were effective in increasing visits to branches and raising the profile of the brand.

Once again this year the "Cuenta Expansión" account proved to be an excellent "visiting card" for the Bank and an effective instrument for winning and retaining new customers. Offered on highly competitive terms that make it a clear market leader, the Cuenta Expansión is now well established at branch level and among customers.

The Bank remained committed to offering its customers a service of the highest quality, a key feature in the Banco Sabadell value proposition. This is confirmed by objective ratings of service quality at bank branches in 2013 as set out in an independent survey by the Stiga organization, which named Banco Sabadell as a market-leading bank — a fact that is particularly significant in a year of consolidation after the integration of branches transferred from Banco CAM.

A key development in the group's activities directed at the personal customer segment was the roll-out of its differentiation-based approach across all SabadellCAM branches, which had hitherto focused on the middle-income segment targeted by Banco CAM. Its product offering to attract and retain customers continued to be based on the "Cuenta Expansión Premium", an account designed for customers with high incomes or owning substantial assets. At the same time the Bank continued its campaign to attract deposits and in 2013 efforts were also directed at bringing in off-balance sheet funds through the distribution of investment products. This resulted in a 16.7% rise in the value of assets under management in mutual funds compared with the previous year.

For middle-income customers the main focus was on offering a product, the "Cuenta Expansión", that would be both competitive and an effective management tool. The hard work done by branches to generate new business resulted in 234,928 enrolments, 35.1% more than in 2012. This in turn produced a very substantial inflow of recurring payments (a contractual requirement to open a "Cuenta Expansión" account), as well as direct debit payments, which were up by 23.0% on 2012. The increase in customer numbers was reflected in a rising volume of on- and off-balance sheet customer funds, which reached a total of €27,426.0 million, up 10.3% on the previous year.

In mortgage loans the main effort was directed at home loans for owner-occupiers, which accounted for 43.4% of all residential property loans. The group's share of new housing loans in the year to September 2013 stood at 5.0% by volume and 4.8 % by number of transactions. The corresponding figures for the year to September 2012 were 5.2% and 3.7% respectively.

In a context of slowly recovering demand, consumer loans arranged during the year 2013 showed a very positive trend. Factors responsible for this were intensified promotional efforts at branch level; the impact of the widespread use of remote-access channels in facilitating the use of agreed overdraft limits; the facilities offered by the Expansión account to enable families to obtain cash for everyday purchases; and fresh agreements to finance courses of study at universities and business schools, an area in which Banco Sabadell was once again an industry leader.

The group's credit and debit card business continued to see the healthy growth of the last few years, with the number of cards in issue reaching a total of 4.1 million and accounting for 6.1% of total card billing. EFTPOS billing increased by 17.9% on the previous year, bringing the group's share of the total to 12.3% at the end of 2013. During the year a number of pilot tests were run for payments by smartphone and a standardized system for the distribution of contactless cards was introduced. Another novelty was the development of new payment collection solutions using mobile devices ("TPV móvil" and "Instant TPV"), in which the Bank showed itself to be a leading innovator.

With regard to the group's non-resident expatriate customers, most of whom are served through its Sabadell-Solbank branches, Banco Sabadell strengthened its position with the takeover of Banco CAM in December 2012 and the purchase of Lloyds Bank International's Spanish operation in July 2013. These acquisitions confirm Banco Sabadell as the leading provider of financial services to Spain's non-resident expatriate community. The purchase of Lloyds Bank International's Spanish operation included an agreement for the introduction of, and giving preferential treatment to, customers of Lloyds Banking Group in the UK (which has a 25% share of the UK market) looking to open an account in Spain. The agreement should prove to be a reliable source of new UK customers for the Bank. The number of customers in the expatriate customer segment reached a year-end total of 411,700, a 82.5% increase over 2012. Assets under management for this segment stood at €6,822.0 million.

Finally ActivoBank, with more than 56,340 customers at the close of the year, continued to focus on wealth management, generating business volumes of more than €1,411.3 million. Off-balance sheet funds were up 11.1% on the previous year.

SabadellHerrero

The year started with the launch of "SabadellHerrero" as the new brand for the Bank's branches in the Asturias and León region. The new brand follows the naming pattern of other group brands: the first half of the name conveys the notions of solid strength, professionalism and scale associated with the Sabadell brand; the second half, Herrero, retains the qualities of closeness and familiarity of a bank with over 100 years of trading and a strong local affinities. The reaction to the new name was magnificent. Customers and local media were appreciative of the Bank's timely action and its expressed wish that its connections and engagement with the Asturias and León region should continue.

The key priority for 2013 was to increase market share in deposits and customers. Lending growth followed the trend of the last few years, constrained by the weak economic climate; it nonetheless performed better than the market as a whole as some competitors reduce their level of activity as a result of restructuring. As part of its intensified efforts to boost lending, SabadellHerrero was once again a leader in arranging finance under ICO-sponsored schemes, taking shares of 39.30% in Asturias and 22.22% in León. These numbers are a good indication of its vital role in channelling credit to businesses in both provinces, where the ICO schemes are highly prized by business borrowers for their versatility and affordability. These efforts to promote lending did not mean any less care or attention in the selection and monitoring of borrowers and the loan loss ratio at the end of the year, at 5.45%, was one of the industry's lowest. SabadellHerrero maintains partnership agreements with employers' federations in Asturias and León and with Chambers of Commerce and a large number of trade and industry associations in both provinces. These agreements, as well as the special terms offered on financing products, were a good basis for the holding of seminars at which the Bank could talk to business people about innovative financing solutions and offer them support in their efforts to become more international.

On the deposit taking side, SabadellHerrero was able to report a €303 million increase, a year-on-year rise of 3.53%. A change in the pattern of the last few years was a new interest in mutual funds, which increased by 16.7% on 2012 — the first sign of a switch to investing in these products driven by prospects of an upturn in the economy and low returns on time deposits.

One reason for the growth in business at SabadellHerrero has been the steady inflow of new customers year after year thanks to the strength of the brand, its pioneering range of products and its impressive sales capability. During the year its customer base was boosted by the addition of 25,000 new individual customers and 3,700 business customers, further enlarging the SabadellHerrero franchise in its home territory.

Early in 2013 SabadellHerrero's Consultative Board appointed Francisco Vallejo as its new Chairman on the retirement of Juan Manuel Desvalls, who had held the post since 2002 and performed brilliantly in the role. SabadellHerrero received yet more accolades confirming the high degree of brand acceptance it enjoys within Asturias and León; these included the Distinction of Honour award from the Gijón Chamber of Commerce, which cited the support given to local businesses in line with the policy of its predecessor, the former Banco Herrero. Another milestone in 2013 was the award of the Álvarez-Margaride prize, a joint initiative by SabadellHerrero and the APQ (Asturias Patria Querida) Association. The prize is awarded to people, firms and organizations for business success. In this third year of the prize, the award went to Juan Cueto Sierra, a native of Asturias who built one of the world's biggest airline groups, Latam, following a merger of the Chilean airline Lan with Brazil's Tam.

Other activities in the cultural and social spheres included exhibitions at the Banco Herrero Hall in Oviedo, organized as part of an agreement between the bank and the Asturian Government's Department of Culture, and an agreement with the Oviedo Opera Foundation in which SabadellHerrero sponsored one of the season's productions. Each year the Banco Herrero Foundation awards a prize to an economist below the age of 40 judged to have done outstanding work in the economic, business or social arenas. This year's prize was won by Gerard Padró i Miquel for his research work in the field of Political Economy. Gerard Padró i Miquel holds a degree in Economics from Pompeu Fabra University and a PhD in Economics from the Massachusetts Institute of Technology (MIT). The Banco Herrero Foundation continued to support the Príncipe de Asturias Foundation and increased its sponsorship of the Príncipe de Asturias Awards for the second year running

SabadellGallego

On the completion in October 2013 of arrangements for the acquisition of Banco Gallego by Banco Sabadell, the new SabadellGallego brand was launched in the Galicia region. The new brand reflects the group's commitment to preserving the link with Galicia and the region's long tradition of sound banking by becoming a premier local bank under the Sabadell umbrella. Simultaneously with the launch of the SabadellGallego brand, the staffs of the former Banco Gallego and SabadellAtlántico branches were merged pending a full operational integration planned for March 2014. The organization of the new brand consists of a regional directorate covering seven areas with a total of 145 branches making up 8% of bank branches in Galicia.

SabadellGuipuzcoano

If 2012 was the year of branch integration and rationalization for SabadellGuipuzcoano, 2013 was the year of consolidation. The 129 retail and business banking branches spread across the Basque Country, Navarre and La Rioja regions, after rising to the challenge of a rapid and well-coordinated integration, in 2013 successfully completed the full consolidation of their business operations and thus prepared the way for increasingly vibrant growth both as part of the group and in the wider market. Following an efficiently conducted implementation of the group's operating procedures, the branches increased their intake of new customers by 8.9% compared with the previous year, adopting a particularly proactive stance with business customers in a highly uncertain economic climate which saw severe damage being done to the region's traditionally solid industrial base. Their successful campaign to win customers, allied to a superb effort to increase lending and attract deposits, enabled them to increase their contribution margin by 14.6%, supported by a further initiative to bring down costs, which fell by 3.2%.

It is especially significant that while all this hard work was being done, loan delinquency was being held at 5.02% of the loan portfolio and was not affected by a number of major insolvencies that afflicted the region in the second half of the year.

Meanwhile SabadellGuipuzcoano, having consolidated its operations, continued to grow and become ever more widely recognized. It is now one the best-known financial services franchises in the market, thanks not only to the promotional campaigns being run from group head office but also to the constant promotional efforts being made and the links with other organizations being developed at local level.

There was a major increase in the number of local agreements and alliances, including 24 agreements with public bodies, reciprocal guarantee societies and business associations including those made with the Bizkaia Business Confederation (CEBEK) and the Guipúzcoa Entrepreneurs' Association (AEG) on international trade. One of the promotional factors that most clearly established the historical link with and commitment to the region was, without a doubt, the deployment of initiatives in external communication, sponsorship and event organization. These activities involved the cultural, social, economic and sporting life of the region and brought public recognition and awareness of SabadellGuipuzcoano to hitherto unprecedented levels.

Noteworthy actions in the social and business spheres included its sponsorship of Basque Enterprise Evening, the Guipuzcoan Industry Awards, a USA Week in Bilbao's Guggenheim Museum and the award of a Scientific Research Grant to the BioDonostia Health Research Institute. In the area of sports sponsorship, for the second consecutive year it supported the Basque Country Tour cycle race that made such an impact the previous year, and also the Guipúzcoa Sports Gala. Other event and cultural sponsorship highlights included support for books on such subjects as the "Tamborrada Donostiarra" drumming festival in San Sebastián or Our Lady of Begoña, patron saint of Vizcaya province; and sponsoring musical events such as the all-Basque Country Bertsolaris Championship and the San Sebastián Music Festival.

SabadellCAM

December 2013 marked the end of the first year since the Banco Sabadell and Banco CAM branch networks were merged. The main challenge in that first year was to relaunch the business after integration, raising questions on how best to transmit the group's culture and values, help employees joining the Bank to integrate into their new working environment and give them the right training to help them perform their tasks with complete assurance.

Once the IT and operational integration had been completed, it was time to merge work groups and to start using exclusively Banco Sabadell group channels, tools, systems and procedures. To facilitate the changeover, a programme of in-branch employee tutoring and support was put in hand. This required employees to show the utmost flexibility so as to arrive at a situation where employees from both organizations would be working side-by-side in as many branches as possible to bring about a rapid transfer of knowledge on procedures, and with as little impact as possible on employees in customer-facing roles. The most important of the training programmes carried out in 2013 were those centred on roles post-integration, the new business development programme, improved training on risk and training in sales, marketing and incentives.

The merger was the start of a complete rationalization and overhaul of the SabadellCAM branch network which came to an end in December and met all the conditions agreed with and imposed by Brussels. An organizational structure was created with four regional divisions subdivided into 33 area offices, with an additional 25 branches forming part of the business branch network. A total of 632 branches now made up the group's network in the Valencia and Murcia regions and the Balearic Islands. The regional division's entire management team was brought together for a convention held on 14 January 2013 in Alicante. Some 800 managers attended the event and were given coherent guidance on the most crucial parts of the business plan for the year. In July another meeting for more than 150 senior regional and area managers took place in Alicante. The meeting reviewed performance in the first half-year and established basic guidelines to meet the division's end-of-year business targets.

Especially important from the standpoint of customer perceptions of branch service quality was an extensive post-merger programme to realign and reequip branches, resulting in some 1,700 separate alterations. These included installing or replacing cash dispensers, ATMs, passbook updating machines, waste classifiers, queue management systems, digital tablets and numerous other technological and self-service enhancements. The focus throughout was on a gradual alignment of branch services with customer requirements. Other improvements included changes of layout at some 70 branches and more than 165 direct workplace improvements for branch personnel. All this was in addition to the innumerable changes directly affecting customers and users, such as the provision of replacement passbooks and debit and credit cards.

The SabadellCAM brand undoubtedly gained in prominence during 2013 both in its home territory and elsewhere, thanks partly to campaigns promoting the Sabadell brand generally and more narrowly focused campaigns to raise awareness of the SabadellCAM brand as a new regional force. This was accompanied by a significant increase in its sponsorship and support activities, funding for prizes and participation in forums, conventions and other business, artistic, cultural, social and sporting events.

Numerous partnership agreements were signed with universities, professional associations, chambers of commerce, and business, trade and entrepreneur associations. All these activities were highly effective in getting the new brand better known, winning media attention, attracting customers and building long-term customer relationships.

2013's crowning achievement was to have moulded a team of highly professional, enthusiastic and committed people working together as part of the Sabadell group, united in their determination to continue to advance in standards of service and quality, product offering and closeness to the customer.

Bancassurance

Bancassurance, a major contributor to group performance.

At 31 December 2013, the total volume of funds under management in insurance and pension plans was €12,430.8 million. Issued premiums on life and non-life policies totalled €319.2 million.

In 2013 the group's Bancassurance business generated an overall net profit of €82.6 million and €64.6 million in commissions. This went hand-in-hand with a year-long exercise to reorganize its insurance undertakings.

The reorganization led to a merger of several insurance operators. On 14 December the group's distribution organization was restructured and Sabadell Mediación (previously known as Mediterráneo Mediación), became its tied bancassurance operator. The intention is that the company will be merged with the tied operators that were acquired along with Banco Gallego and SabadellSolbank (formerly Lloyds), so that the group ends up with a single tied bancassurance operator. This should happen in the first quarter of 2014.

On 19 July the Bank acquired Aegon's 49.99% shareholding in Mediterráneo Vida, of which the Bank already held the remaining shares. As a result Banco Sabadell became the sole shareholder of Mediterráneo Vida for a net outlay of €450.0 million.

On 12 November Banco Sabadell entered into an agreement with Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. ("CASER") to buy its 75% shareholding in Banco Gallego Vida y Pensiones, a life and pensions operation. The transaction resulted in Banco Sabadell becoming the sole shareholder in the business for a net outlay of €28.2 million. As of December 2013 completion of the transaction was subject to regulatory consents being obtained.

As a consequence of the acquisition of the Catalonia and Aragon branches of the former Caixa Penedès and under the terms of the agreement for the transfer of assets and liabilities from BMN-Penedès to Banco Sabadell, BanSabadell Mediación took over the life and pension contracts brokered by Caixa Penedès Vida, Caixa Penedès Pensiones, Caixa Penedès Assegurances Generals and CASER and sold to customers of the acquired branches. A total of 311,016 contracts were transferred. The premium income generated by the business was €27.0 million from general insurance and €19.5 million from life policies. Total savings and pension fund assets were €595.2 million and €288.3 million respectively.

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

- Sabadell Vida, Sabadell Pensiones and Sabadell Seguros Generales, in a joint venture with the Zurich insurance group since 2008.
- Mediterráneo Seguros Diversos, in a joint venture with CASER since 2011.
- Mediterráneo Vida, Sabadell Mediación and Banco Gallego Vida y Pensiones, wholly-owned subsidiaries of Banco Sabadell.

Sabadell Vida

Total premium income in life insurance for the year 2013 was €497.3 million, with Sabadell Vida ranking 13th among Spanish life offices according to recent data published by ICEA, a research organization for the insurance and pension industries.

In life insurance (including personal accident) premium income totalled €104.2 million, up 9% on the year-end figure for 2012. Freestanding life policies sold well, with the Life Care product generating €44.4 million in premium income, a 15% increase.

In life-with-savings policies, savings under management reached a year-end total of €5,447.5 million. This ranked Sabadell Vida in ninth place among its Spanish life industry peers according to most recent data from ICEA.

Sabadell Vida posted a profit of €64.7 million. Sale commissions paid totalled €33.6 million.

Sabadell Pensiones

Funds under management by Sabadell Pensiones reached an end-2013 total of €2,946.1 million. Of this total, €1,909.8 million related to individual and group pension plans —up by 14% on 2012— and €1,036.3 million originated from company schemes, a rise of 4%.

On these measures Sabadell Pensiones ranked 11th in the industry as a whole according to recent data from Inverco.

Sabadell Pensiones posted a net profit for the year of €4.2 million, with sale commissions paid totalling €13.2 million.

Sabadell Seguros Generales

Premium income for the group's general insurance provider in 2013 was €81.6 million. Sales of company policies did especially well, with premium income increasing by 10%.

Sabadell Seguros Generales reported a net profit for the year of €5.6 million with sale commissions paid totalling €11.7 million.

On 14 December a newly created subsidiary of Sabadell Seguros Generales, Sabadell Servicios Auxiliares de Seguros (BSAS), started trading. The company is operating as a distributor and third-party manager of insurance policies for other insurers.

The company's two weeks of trading in 2013 brought in revenues of €77,000.

Sabadell Previsión, EPSV

Sabadell Previsión, a voluntary social insurance society, distributes pension/retirement plans within the Basque Country.

In 2013 the society held €323.5 million in savings under management, a volume increase of 6%.

Mediterráneo Vida

The company's insurance operations in 2013 generated premiums and contributions of €356.7 million, of which €30.5 million were life and disability policies.

In the life-with-savings business the company ended the year with provisions totalling €1,887.6 million.

Mediterráneo Vida posted a profit of €35.1 million. Sale commissions paid totalled €11.8 million.

Its pension fund management business had a total of €730.6 million under management at the end of the year. Of this amount €289.1 million related to individual and group pension plans and €441.5 million to employment-related schemes.

Mediterráneo Seguros Diversos

The company's total issued premiums for 2013 amounted to €30.8 million. Its net profit was €4.1 million and sale commission payments were €5.7 million.

Banco Gallego Vida y Pensiones

At 31 December 2013, the total volume of funds under management by Banco Gallego Vida y Pensiones was €184.5 million. The company made a net profit of €1.7 million and paid out €0.5 million in commissions.

Sabadell Mediación

The company operates as Banco Sabadell's tied bancassurance operator for insurance sold through the Banco Sabadell branch network, whether written by Banco Sabadell group insurance undertakings or by insurers outside the group.

The company reported brokered premium income for 2013 of €425.9 million. The net profit for the year was €5.7 million. It is expected that SabadellSolbank Mediación (formerly Lloydesa) and Galebán, both tied insurance operators, will be merged with Sabadell Mediación in the first quarter of 2014. The net profits of the two tied operators for 2013 were €0,5 million and €0,004 million respectively.

Service channels

Banco Sabadell is an industry leader in harnessing technology to deliver innovative services that can be accessed via any channel. Our customers can connect to the Bank from anywhere, at any time, on any day of the week using BS Online, e-banking, mobile banking, the telephone, email, chat, help video clips, Twitter, Facebook, GooglePlus and via our large and very extensive ATM network.

They can easily navigate from one channel to another as all channels, including the branch network, interact with each other and will always provide a coordinated response to their needs. At Banco Sabadell we are committed to continuously improving our interaction with customers and broadening our range of multi-channel services by adding personalized financial solutions while preserving the essence of our value proposition: quality of service.

Banco Sabadell is also working day by day to enhance the customer experience on the new channels and to make these channels work in ever greater harmony with the more traditional ones. More and more customers are talking about the Bank in blogs and on social networking sites or contacting the Bank on mobile devices. Our ambition is to make branches into a multi-channel network so that our employees and customers can interact in different ways; at the same time, we are making an easier and simpler type of banking where service is what really makes the difference.

Branch network

At the end of the year Banco Sabadell had a total of 2,418 branches operating under different brands and serving different areas as follows:

T4 Branch network

Brand	Branches	Region/area of operation
SabadellAtlántico	1230	
SabadellCAM	508	Valencia & Murcia
SabadellHerrero	178	Asturias & León
SabadellGuipuzcoano	128	Basque Country, Navarre & La Rioja
SabadellGallego	117	Galicia
SabadellSolbank	101	
SabadellUrquijo	12	
Banco Gallego	66	Outside Galicia
SabadellSolbank (Lloyd's)	28	
Activo Bank	2	

Occupational groups and agent partners

The group's activities in relation to professional and occupational groupings and agent partners and associates continued to focus on winning new customers in 2013, whether individuals, retail establishments or professional practices. At the close of the year a total of 1,983 partnership agreements were in existence with professional associations and colleges with a combined membership of over 1,969,901, of whom 473,247 were already customers of the Bank. These partnerships brought in business worth more than €16,400 million. Banco Sabadell is an industry leader in the partnering of professional associations and other groupings all over the country. It achieves this by keeping in close touch with each association, becoming familiar with its special needs and thus being able to offer the most satisfactory solutions.

Banco Sabadell's network of agent partners once again proved to be an efficient channel for winning new business, with more than 28,000 new customers being added during the year. The business volumes generated by the end of 2013 amounted to over €4,700 million.

One action especially worthy of mention was the setting up of an Enterprise Department and the launch of the BStartup programme in the last four months of the year. The aim is to position Banco Sabadell as the bank that caters for individual entrepreneurs and new business ventures with a special focus on the kind of innovative, high-technology startups that offer the highest growth potential. The programme offers a full package of targeted products and services, with some branches taking on specialized functions to provide a better service to customers in this category. This includes "BStartup 10", a scheme under which the Bank will invest €1 million in ten selected high-tech, high potential start-ups all over Spain, as well as provide support for their growth through a business performance programme designed by leading experts.

International network

At 31 December 2013 Banco Sabadell's branches and offices outside Spain were as follows:

T5 International network

Country	Branch	Representative office	Subsidiary/associate
Europe			
Andorra			●
France	●		
Poland		●	
Portugal			●
Turkey		●	
United Kingdom	●		
Americas			
Brazil		●	
Dominican Republic		●	
Mexico		●	
USA	●	●	●
Venezuela		●	
Asia			
China		●	
Emiratos Árabes Unidos		●	
Singapore		●	
United Arab Emirates		●	
Africa			
Algeria		●	
Morocco	●		

ATM network

During the year a total of 91.2 million transactions were performed, of which 61% were card transactions and the remaining 39% were passbook transactions. At the close of 2013 Banco Sabadell's network of self-service tills totalled 3,222 ATMs and 358 passbook updating machines. There were 44 more ATMs and 21 more passbook updaters in service than in the previous year, after all branch mergers resulting from the Banco CAM and BMN-Penedès acquisitions had been completed. In 2013 the group continued its ATM upgrade programme by taking action to upgrade or replace 1,168 ATMs (79 replacements and 1,089 processing capacity upgrades).

Action was also taken to ensure maximum operational availability of ATMs, including improvements to monitoring systems to trigger warning signals and remedial actions in the event of a communication failure. Cash availability was improved and support and maintenance teams were strengthened.

Banco Sabadell's cash machines now offer a choice of 15 languages and improved navigation for frequent transactions (cash withdrawals, passbook updates, account balance enquiries), thus ensuring a better customer/user experience. New or enhanced features on ATMs included "Instant Money" cardless withdrawals ordered by mobile phone. ATMs were also given increased capacity to handle product advertisements and personalized offers based on customer profiles.

Remote-access channels

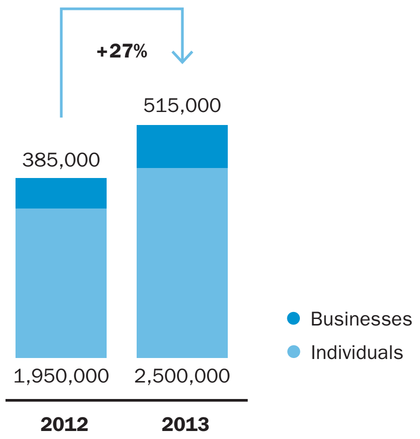
BS Online

At the end of 2013 more than 2,500,000 individual customers and 515,000 businesses had signed up for the group's online banking service. The overall figure (including customers of the former BMN) was more than 27% up on the year before (F1). A total of 1,052 million transactions were performed online, a spectacular 118% annual increase.

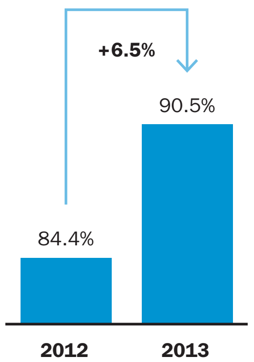
The EFT ratio (the number of transactions done on line as a proportion of the total) at year-end was 90.5%, a 6.5% improvement on the previous year's figure. BS Online continued the pattern of improving efficiency in the Bank's service to customers (F2).

At the end of the year BS Online was the highest-scoring online banking service for web service availability to individual customers of Spanish banks, 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 second place in business online services.

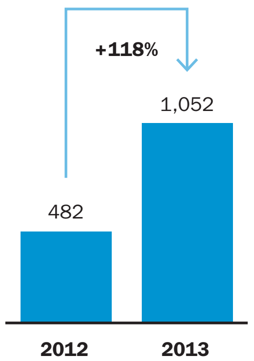
Projects carried out during the year included an "Explorer Plan" of enhancements to international online transfers and other changes to accommodate forthcoming SEPA rules and new functions such as transactions by individuals on joint accounts and debit card enquiries.



F1 BS Online enrolments



F2 Ratio Internet
(online transactions as % of the total)



F3 Transaction volume
('000 transactions)

Banking on the move – BS Móvil

The number of active users of BS Móvil at 2013 year-end was 691,867, a rise of 91% on the previous year.

During the year the Bank reviewed its policy on SMS messages with the aim of increasing efficiency and saving costs. This resulted in the start of a campaign using push messages in the second half of the year. The campaign was aimed at bringing about a very significant reduction in the cost of sending SMS messages to customers.

To improve customer service on the .mobi platform, towards the end of the year action was taken to adapt the application for use with the HTML5 language and make it possible for users to benefit from the full range of BS Móvil capabilities on a web application. Doing this placed full interaction with the Bank within reach of the many customers with more limited digital capabilities.

The BS Móvil application on its different platforms (Android, iPhone/iPad, Windows Phone and BlackBerry) has been undergoing a process of constant updating that has placed it firmly among the top eight most commonly downloaded applications in the Spanish market (F4).

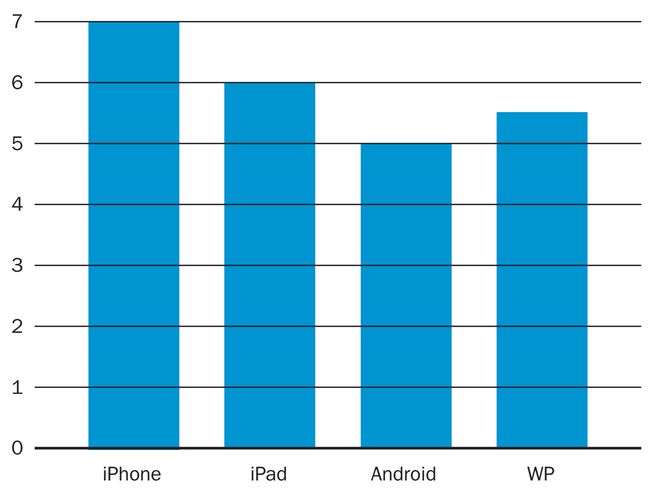
Branch Direct

Branch Direct continued its transformation to undertake a more commercial role. Its focus on winning new customers and selling consumer finance products led to a total of 13,000 customers being signed up and more than 6,100 new loans being arranged.

Its services also included dealing with customer enquiries and help requests, loyalty schemes and sales of tickets for events over a variety of channels (phone, email, social networking and chat sites). During the year Branch Direct received and handled more than 2,601,000 enquiries, 61% more than in the previous year. The telephone helpline achieved a service level (calls answered as a proportion of calls received) of 96.27% and a response rate (calls answered in less than 20 seconds) of 80%. The first-contact problem resolution rate was 94.48%. Users rated the service at 4.39 on a scale from 1 to 5, based on the more than 308,649 questionnaires sent.

Another innovation was the launch, contemporaneous with the integration of Banco CAM, of the Branch Direct service model (24/7 availability, one-number access, proactive customer contacts, etc.). Other developments were the fixing of employment terms for the newly acquired Alicante customer care centre, the integration of BMN-Penedès, new share offerings, the change to a new Banco Sabadell card and ATM servicing supplier, and across-the-board replacements of credit/debit cards for customers of BMN-Penedès, Banco CAM, SabadellSolbank (formerly Lloyds Bank) and Banco Gallego.

F4 Downloads to mobile devices 2013 (averages)



Banco Sabadell became the first Spanish bank to be the subject of a case study on Facebook.

In 2013 Banco Sabadell continued to see its presence on social networking sites grow and develop. The investment it has made in social networking and technological innovation has been a key success area for Banco Sabadell. The group also continued to invest in customer assistance, efficiency, and quality of service; this led to its being nominated on Twitter for best service in the Tweet Awards.

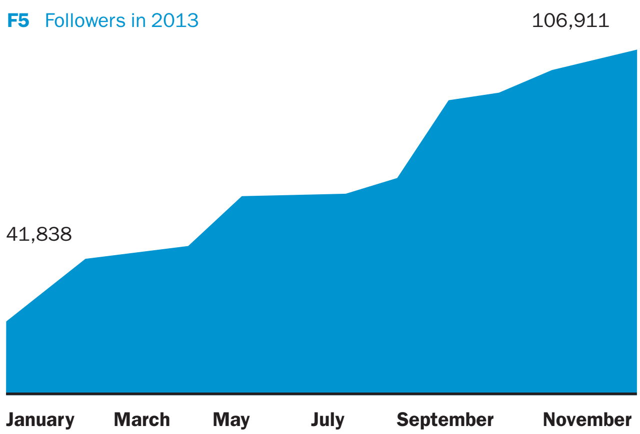
The number of channels on which Banco Sabadell is present increased further with the launch of the new customer assistance and relationship accounts. In May the @SabadellBank account was launched on Twitter and the SabadellBank page was launched on Facebook. The BStartup programme for young entrepreneurs was announced in the autumn. To coincide with the launch, @BStartup was activated as a new Twitter user. This has helped to develop relationships with the enterprise ecosystem, adding value and focus to the support for business that Banco Sabadell has been providing since its earliest days.

In 2013 Banco Sabadell began to use social networking sites as an additional marketing channel on which to give information and sell products. Banco Sabadell became the first Spanish bank to be the subject of a case study on Facebook. Marketing actions during the year included “Find your place”, in which three of our followers realized their dream of making a journey and reporting it on a blog as they went along. Another promotional first was an Instagram campaign consisting of a feature on local shops in Cartagena in the Murcia region. The “Som Sabadell” flashmob, an improvised outdoor concert to honour the Bank’s 130th anniversary, went viral with over 31 million viewings, making it one of the top 20 most viewed ads anywhere in the world.

In 2013 Banco Sabadell showed its increased ability to produce its own content by publishing 360 articles on its blog and making 70 videos. Having its own TV channel (bancsabadellTV) enabled it to transmit live events such as video demos and lectures.

Social networking sites were also brought in as tools of corporate communication. For example, the group’s more important press briefings and its shareholders’ meetings are broadcast in their entirety on Twitter using @bspress. Press releases to the media are redistributed on social networks on a regular basis, making it easy to access them instantly and in full. Thanks to these social media initiatives and the synergies that flowed from them, Banco Sabadell continued to grow its presence and expand its services on networking sites. Hardly surprising, then, that in 2013 it passed the 100,000 follower mark and reached 106,911 by the end of the year (F5).

F5 Followers in 2013



Corporate Banking and Global Businesses in 2013

Corporate Banking

2013 was a year of transformation for Corporate Banking, which saw changes both in its strategic focus and in its organizational structure. At the heart of the new approach is an aspiration to offer an unrivalled banking experience to large corporate clients. To meet this aim we are enhancing our ability to deliver an excellent service in an environment of increasing customer globalization enriched, in each case, with the specialist industry/market knowledge of our customer service teams, thus ensuring our value contribution is tailored to suit the particular needs of each client and business sector.

With regard to business performance, Banco Sabadell was able to keep margin growth before provisions in positive territory (up 0.8%), helped by a good contribution from fee income (up 2.2%), despite loans and advances shrinking by 5.2% over the period as a result of Spanish market deleveraging. Loan defaults remained at a very low level (2.6%) thanks to large corporates' lower exposure to the performance of the Spanish economy, since exports make up a large proportion of their turnover.

T6 Corporate Banking

Thousand euro

	2013	2012*	% 13/12
Net interest income	**175,749**	**177,683**	**(1.1)**
Fees and commissions (net)	33,789	33,049	2.2
Other income	5,233	1,415	269.9
Gross income	**214,771**	**212,147**	**1.2**
Operating expenses	(27,170)	(26,116)	4.0
Operating profit/(loss)	**187,601**	**186,031**	**0.8**
Impairment losses	(108,479)	(38,131)	184.5
Other profits/(losses)	0	0	—
Profit/(loss) before tax	**79,122**	**147,900**	**(46.5)**
Ratios (%)			
ROE (profit / average shareholders' equity)	7.7%	13.9%	
Cost: income (general administrative expenses / gross income)	12.7%	12.3%	
Loan loss ratio	2.6%	1.2%	
Loan loss coverage ratio	98.9%	128.4%	
Business volumes (€Mn.)			
Loans and advances	10,920	11,519	(5.2)
Customer accounts	4,025	4,016	0.2
Securities	585	519	12.8
Other information			
Employees	96	95	1.1
Branches in Spain	2	2	0.0
Branches abroad	2	2	0.0

(*) Figures for 2012 include performance data for Banco CAM from 1 June onwards.

Structured Finance

Banco Sabadell, once again, a Spanish market leader in Structured Finance.

Banco Sabadell continued to be a Spanish market leader in structured finance and was again one of the leading banks providing support to their customers through the origination and structuring of financial packages in project finance, corporate finance and acquisitions. During the year it continued to pursue its policy of supporting customers and responding to their changing needs in Spain's difficult economic environment.

In terms of international presence it strengthened its position in the US market where it increased its lending in terms of both transactions and amount, and embarked on a project to become a participant in loan syndications in Mexico, thus furthering the group's new strategic aim of expansion on a global level.

To supplement more traditional, loan-and-credit forms of finance, in a joint initiative with our Treasury department we successfully launched a new business of raising finance on the bond market, enabling us to position ourselves as a leading player on the Alternative Fixed-Income Market (Spanish initials: MARF). This new business has increased our ability to offer our customers a wide range of options in long-term finance.

Corporate Finance

The Bank won awards from the British specialist corporate finance magazine *Acquisition International*

(being named "M&A Advisory Firm of the Year - Spain" and "Corporate Finance Firm of the Year - Spain").

In the area of advising mergers and acquisitions, 2013 was a very busy year for Banco Sabadell, which successfully completed four transactions in the aeronautical engineering, civil/harbour engineering, underground parking lot and real estate sectors. The group holds corporate finance mandates in the fields of logistics, health care, fluid handling mechanisms, sports complexes, mining, distance learning, motorway concessions and wineries, all at an advanced stage of execution. During the year the Bank received accolades for its corporate finance operations from the specialist publication *Acquisition International* — "M&A Advisory Firm of the Year - Spain" and "Corporate Finance Firm of the Year - Spain").

Development capital

Aurica XXI, S.C.R. de Régimen Simplificado S.A.

Aurica XXI (a company subject to the "simplified regime" for share issues by venture capital companies) is the vehicle through which Banco Sabadell 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 key theme in 2013 was active management of the company's investment portfolio. No further acquisitions were made in the period.

Sinia Renovables, S.C.R. de Régimen Simplificado S.A.

Through its subsidiary Sinia Renovables (a company subject to the "simplified regime" for share issues by venture capital companies), Banco Sabadell acquires, manages and divests temporary shareholdings in companies in the renewable energy sector, with an emphasis on wind power and, to a lesser degree, photovoltaic and mini-hydraulic power generation. The main event in 2013 was an in-depth review 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.

International trade

For the Bank's international trade business 2013 was another very busy year, thanks partly to the growth in Spanish exports. Transactions were directly arranged with more than 425 correspondent banks in five continents. The group secured cross-border business amounting to some €1,275 million, gaining healthy market shares in documentary credits received from correspondent banks (24.0% in export documentary credits based on data for transactions handled by SWIFT). The Bank's foreign branches continued to focus on, and adapt their services for, markets of special interest to Spanish companies engaging in foreign trade, whether as importers and exporters or as part of their projects or investment and implementation activities in foreign markets.

Banco Sabadell has long been a pioneer in building a presence in foreign markets. This is especially true of such key markets as China where it has two offices (in Shanghai and Beijing), India, Singapore, Turkey, the United Arab Emirates and Algeria. Its foreign branches and offices continue to bring significant added value to the international operations of Spanish businesses.

The Bank's Casablanca branch, the first to be opened by a Spanish bank in Morocco, met all the targets set for it and continued to make solid progress. It is ideally positioned to assist Moroccan businesses with share-owning interests or trading links in Spain by providing them with transaction banking and financial solutions of the first order.

Consumer Finance: Sabadell Fincom

The prolonged contraction of the private consumption sector did nothing to prevent SabadellFincom from increasing its business on the previous year or from growing its market share. Business activity continued to expand in 2013, with increases over previous years in both net revenue and operating income.

Further efficiency improvements were made in debt recovery, leading to a further reduction (4.99%) in loan delinquencies and with provision coverage totalling 105% of doubtful debts. During the year a total of 72,510 new loans were arranged through 4,000 points of sale in all parts of the country. This new business resulted in top-line revenues for 2013 of €277.8 million.

The company continued its programme of operational enhancements and technology upgrades with the aim of continuing to drive down its cost:income ratio, which stood at 33.71% at the end of the year.

Markets and Private Banking in 2013

SabadellUrquijo Private Banking

SabadellUrquijo Private Banking is the division of Banco Sabadell that specialized in serving the group's private banking clients.

The division comprises a team of 178 private bankers working from 12 specialized 360-degree service branches and 23 customer service centres covering seven of Spain's regions. The division can also count on the support and assistance of expert product, tax planning and wealth management consultants.

In 2013, SabadellUrquijo Private Banking focused on strengthening its leading position in the high net worth individual segment, focusing on customers requiring a personalized service, providing products and services adapted to their risk profiles and constantly seeking to optimize clients' investment returns.

The division's sales team worked tirelessly during the year to boost personal contact with clients, increasing the frequency of personal visits and follow-up phone calls to ensure that clients felt that their needs were being fully met. These contacts were pursued even more diligently with new customers gained from recent acquisitions (BMN-Penedès, Banco Gallego and SabadellSolbank).

The private banking team concentrated on offering value-added investment alternatives and structuring personalized solutions in line with customers' requirements and risk profiles, mainly using mutual funds, discretionary portfolio management and SICAVs. As of December 2013 the unit could point to a total of 1,323 new discretionary portfolio management mandates with an overall value of €367 million, bringing the number of agreements to some 2,500 with an aggregate value of over €800 million. Mutual fund and OEIC investments under management increased by over €940 million, 25.3% more than at the end of 2012. The number of OEICs was 166 with investments totalling €1,422 million, up 14.3% on the year-end figure for 2012. As a result the unit saw its revenues increase by 4.7% over the year to reach a total of €23,963 million as of December 2013. Its customer base rose to over 28,700.

The integration of assets from BMN-Penedès enabled the unit to extend its business approach even further within the regions of Catalonia and Aragon and to add 543 new private banking customers whose business was worth an additional €351 million. As a result of the integration the team was strengthened during the year by the addition of seven new private banking executives.

In 2013 Banco Sabadell mutual funds earned outstanding accolades. Sabadell Inversión was the only Spanish-domiciled fund manager to be awarded a high qualitative grading by Standard & Poor's Capital IQ Fund Research.

Banco Sabadell continued to focus on financial market analysis and research to identify the right asset allocation strategies to guide investment and product planning. This last activity proved to be particularly important and beneficial in 2013 when we started to see the upturn in prospects for economic growth on the European periphery that had been anticipated and factored into our investment recommendations.

High global levels of liquidity and the easing of financial market conditions helped to boost business confidence in the eurozone and especially in the peripheral countries. These conditions were supportive of a rise in risk assets especially those, such as equities, that showed the most attractive valuations. To benefit from these investment opportunities Private Banking designed a new offering of investment products, including structured products with capital guarantees linked to equity market returns. Equity positions in mutual funds and portfolios under the unit's management were increased and the general advice given to investors was to gain more exposure to equity markets.

During the year the investment analysis unit continued to ratchet up its production of reports on equity market investments and corporate bonds. In its analysis of issuers in both the equity and bond markets, it increased its in-depth coverage of corporate and government issuers in Spain and the main European markets. It also extended its coverage of reports on strategy for different markets, sectors and regions and bond issues by corporate issuers, Spanish regional governments, sovereign issuers and other agencies.

In 2013 Banco Sabadell's research department earned a number of accolades and distinctions. The Thomson Reuters agency's investment research arm, Starmine, in a survey of all Spanish investment analysis firms, ranked Banco Sabadell's research team in second place for the soundness of its recommendations. This appraisal of Sabadell came as an endorsement to earlier awards which had ranked it among the best research teams in Spain, where it has earned wide recognition for the individual quality of its analysts.

The group's Investment Management business is carried on by the units responsible for managing collective investment schemes (CIS's), and combines management of financial investments with the distribution and operation of CIS's. It also manages investments on behalf of other Banco Sabadell businesses that hold portfolios of assets.

At the close of 2013 total assets under management by the Spanish-domiciled mutual fund industry as a whole totalled €153,833.6 million, 25.8% higher than the previous year.

Assets held in Spanish-domiciled mutual funds under management by the Banco Sabadell group amounted to €6,255.5 million at the end of the year. This was 40.8% above the figure for the previous year and included the mutual funds added as a result of the integration of BMN-Penedès.

T7 SabadellUrquijo Private Banking

Thousand euro

	2013	2012	% 13/12
Net interest income	**10,145**	**12,814**	**(20.8)**
Fees and commissions (net)	36,609	32,990	11.0
Other income	3,253	3,557	(8.6)
Gross income	**50,007**	**49,361**	**1.3**
Operating expenses	(38,319)	(39,715)	(3.5)
Operating profit/(loss)	**11,688**	**9,646**	**21.2**
Provisioning expense (net)	0	0	—
Impairment losses	(2,566)	(3,509)	(26.9)
Other profits/(losses)	0	0	—
Profit/(loss) before tax	**9,122**	**6,137**	**48.6**
Ratios (%)			
ROE (profit / average shareholders' equity)	20.7%	11.4%	
Cost: income (general administrative expenses / gross income)	76.6%	80.5%	
Loan loss ratio	4.5%	3.0%	
Loan loss coverage ratio	80.1%	91.5%	
Business volumes (€Mn.)			
Loans and advances	1,047	1,170	(10.5)
Customer accounts	14,285	13,899	2.8
Securities	7,464	6,985	6.9
Other information			
Number of employees	269	268	0.4
Branches in Spain	12	12	0.0

T8 Investment, Products and Research

Thousand euro

	2013	2012	% 13/12
Gross income	**45,397**	**31,243**	**45.3**
Operating expenses	(20,046)	(18,548)	8.1
Operating profit/(loss)	**25,351**	**12,695**	**99.7**
Other profits/(losses)	(13)	(6)	97.3
Profit/(loss) before tax	**25,338**	**12,689**	**99.7**
Ratios (%)			
ROE (profit / average shareholders' equity)	80.5%	29.9%	
Cost: income (general administrative expenses / gross income)	44.2%	59.4%	
Business volumes (millones de euros)			
Assets under management in CIS's	8,069	6,997	15.3
Total assets in CIS's including schemes sold but not managed	11,019	8,585	28.3
Other information			
Number of employees	147	148	(0.7)
Branches in Spain	—	—	—

In the latter part of the year investments in balanced funds showed a sharp increase as investor preferences shifted, with assets rising by a factor of 2.4. The group's offering of guaranteed-return funds continued to be promoted during the year, with return guarantees being issued in respect of four guaranteed funds totalling €452.8 million at 31 December 2013. Guaranteed funds as a whole accounted for €2,775.0 million worth of assets at the close of the year. The proportion of assets held in guaranteed funds with respect to the total value of financial assets under management in funds subject to Spanish jurisdiction decreased from 53.4% in 2012 to 44.4% in 2013.

In 2013 Banco Sabadell mutual funds earned a number of accolades and distinctions. Standard and Poor's Capital IQ Fund Research, a mutual fund grading and analysis agency, reviewed and confirmed its Silver qualitative grading for three funds managed by Sabadell Inversión. A fourth fund had its rating upgraded to Gold. The agency awarded its 5-year long-term grading to all the funds for consistent results over the last five years. Sabadell Inversión is the only fund manager subject to Spanish jurisdiction that can boast a high quality grading from Standard & Poor's Capital IQ Fund Research. The British publishing group Citywire paid tribute to the performance of six fixed-income and equity fund managers at Sabadell Inversión, following a study of fund returns over the last three years. The fixed-income managers were awarded AA ratings and the equity fund managers were given A ratings.

In 2013 ten fund mergers were carried out in which 16 mutual funds were absorbed into others with the same investment objectives, having regard always to investors' best interests. Twenty-two funds were taken over by the group as a result of the acquisition of the BMN-Penedès branch banking business in the Catalonia and Aragon regions. Finally, two guaranteed equity funds, one euro fixed-income fund and one hedge fund were set up and registered with the CNMV during the year. By the end of the year the number of Spanish-jurisdiction collective investment schemes stood at 278 with management split between BanSabadell Inversión, S.A., S.G.I.I.C. Sociedad Unipersonal (112 mutual funds, one REIC and one OEIC) and Urquijo Gestión, S.A., S.G.I.I.C. Sociedad Unipersonal (164 OEICs [SICAVs]).

Treasury and Capital Markets

In 2013 despite the continued weakness of the economy and a financial environment characterized by interest rates falling to all-time lows, Treasury and Capital Markets was able to meets its targets thanks to persistent sales efforts and an increase in business activity by customers in foreign markets leading to a corresponding increase income from foreign exchange products.

Banco Sabadell was again an active player in the capital markets and received support from foreign and domestic institutional clients. The levels of demand from investors was a reflection of more buoyant markets generally and of Banco Sabadell's recognized financial solvency.

Banco Sabadell was the first bank to be entered as a member and a registered advisor on Spain's newly established Alternative Fixed-Income Market (Spanish initials: MARF). This enables us to offer an additional, alternative source of finance to companies that require it and also an added-value service providing comprehensive coverage of every stage of the financing process. In 2013 Banco Sabadell also became the first Spanish bank to join Eurex, the German clearing house and Europe's foremost derivatives market. In practice, this meant becoming a member of EurexOTC IRS Clear, a clearing service for interest rate derivatives. By taking this step, the Bank anticipated the coming into effect of a regulation approved by the European Parliament in 2012 making it obligatory for all over-the-counter (OTC) derivative contracts to be registered with clearing houses in the course of the coming year. Activities in the Trading area were focused mainly on liquidity management and ongoing active management of the fixed-income portfolio, as well as FX trading as part of our service to customers.

Securities trading and custodian services

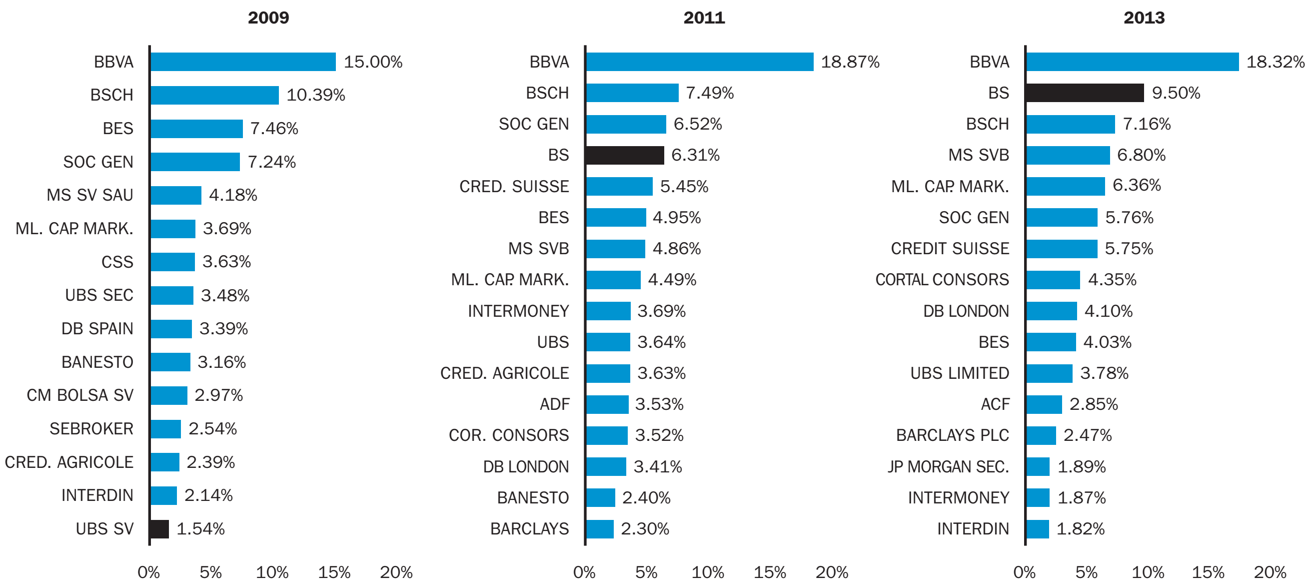
Banco Sabadell confirmed its position as a market leader by trading volume, taking second position among Spanish market members with a share of more than 9.5%.

After five years of continual decline both in trading volumes and in asset values, 2013 was characterized by a first half in which the downward trend continued and a second half in which both indicators rallied strongly.

Confidence also showed some signs of recovery and this brought with it a return of institutional end clients and retail investors to higher-risk equity investments.

Banco Sabadell continued to see its share of the securities business follow the upward path that began in 2009, bringing its share of the market up from 1.5% in 2009 to 9.5% in 2013. In 2012 Banco Sabadell ended the year with a 6.31% share; consequently, the increase in its market share in 2013 was more than 50%. It also moved up from fourth to second position on the list of banking members of the Spanish securities market (F6), confirming its role as a leading player in the market. In its custodian business it achieved results that were, again, above those for the preceding year.

F6 Ranking of market members by share of turnover



Asset Management in 2013

Commercial sales of real estate more than met their targets in 2013 and continued to outpace the market.

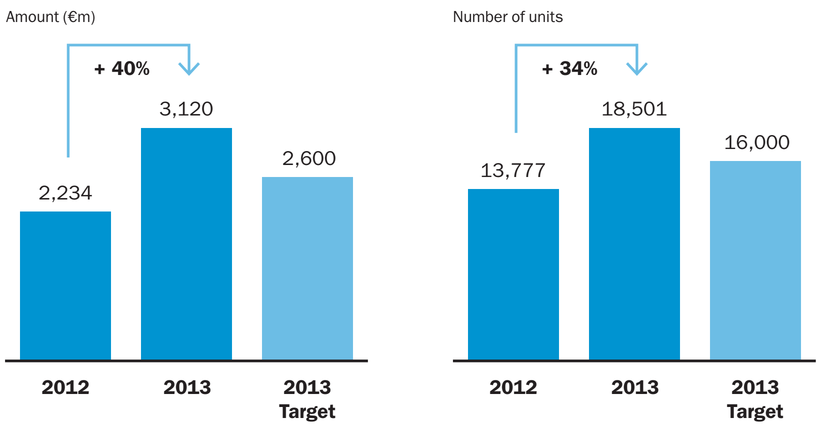
Banco Sabadell sought from the outset to ensure a high degree of scalability in its approach to the management of real estate and non-performing assets and thus obtain a holistic view of asset portfolios and their associated costs from a real estate, financial and risk management perspective. This resulted in real estate assets being separated off from the rest of the asset management business and given their own dedicated customer relationship, portfolio and risk management structures. In 2013 the Bank set up a dedicated unit for the resolution of mortgage loans to individual borrowers. The unit's aim is to forestall defaults by taking early action, adopting an amicable approach (including giving consideration to "datio in solutum" settlements) and being mindful of the problems that can arise in default situations.

The group has specialist real estate management and marketing units. These include a sales unit for the retail market, and sales teams specializing in the selling of portfolios of assets to institutional buyers and in disposing of properties with special or unique features. Sales of real estate assets in 2013 were up by 40% on the previous year. Banco Sabadell has a multi-channel retail sales model which operates through both tied and third-party agents, including an international channel launched in 2013 that specializes in sales of property to persons resident outside Spain. The Bank recently set up an “open sales platform” to enable a single property to be marketed by more than one agent and thus maximize sales efficiency.

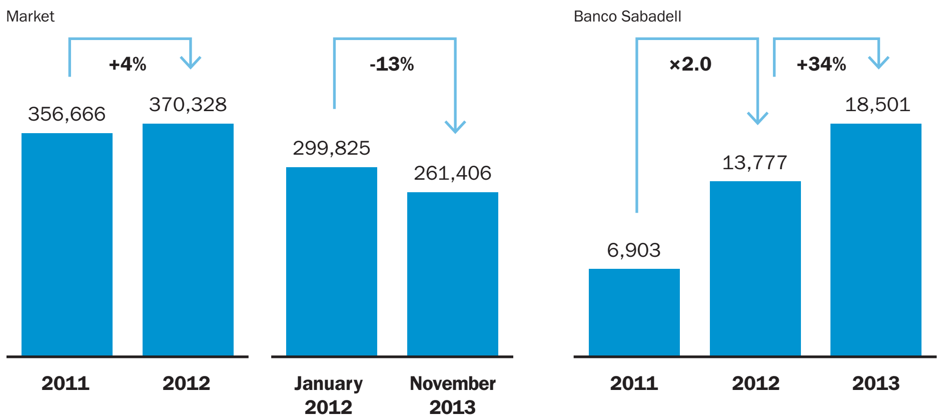
Solvia Inmobiliaria is currently Spain’s second largest bank-operated real estate portal and the ninth largest real estate web site. It is also the country’s second most widely recognized brand in the residential property and construction sectors, with a 40% brand awareness rate among potential purchasers. Recent marketing campaigns have taken a new approach to the way properties are marketed, focusing more on customer service and market opportunities and less on price. A number of measures were taken to add value to the properties being offered for sale and this made it possible to raise prices for the first time since 2007. For properties included in new construction projects, stock turnover targets were successfully used to secure higher sale prices in 19 projects. For individual properties an auction procedure was introduced where there was more than one buyer interested in the property. After this system was introduced in April, 11% of retail sales were by auction and average sale prices rose to 16% above the advertised selling price. In 2013 there was an upturn in investment in the wholesale real estate market. Banco Sabadell completed a number of transactions for the disposal of real estate portfolios as part of a strategy of removing non-core assets from its balance sheet. These disposals evidenced its ability to get deals done and position itself in the institutional market. Completed real estate deals included the sale of a portfolio of some 1,000 residential properties, sales of portfolios of assets previously written off, sales of building plots and the development and sale of office buildings.

Advertising campaigns, as well as the group’s marketing strategy, were crucial in boosting property sales in the current state of the market. Property sales totalled 18,501 units worth €3,120 million, well above the sales targets set for 2013.

In 2013 a number of real estate transformation projects were put in hand as part of a programme to develop and add value to land and building plots with market potential. During the year Banco Sabadell started development work on 48 new projects on sites that showed potential, involving a total outlay of some €120 million over the life of the projects. An all-round approach to reducing real estate exposure and generating liquidity is essential from a property market, financial and risk perspective. Banco Sabadell can rely on some highly skilled experts with extensive experience of the banking and real estate sectors. At the same time it has mobilized every part of its organization, including the branch network and its sales/marketing teams, to ensure these aims are achieved.



F7 Sales of real estate by the group (by value and number of sales)



F8 Number of transactions (units)

Thousand euro

T9 Asset Management – Real estate assets

	2013	2012	% 13/12
Net interest income	**67,835**	**121,389**	**(44.1)**
Fees and commissions (net)	(2,763)	(4,988)	(44.6)
Other income	(6,970)	(11,632)	(40.1)
Gross income	**58,102**	**104,769**	**(44.5)**
Operating expenses	(191,664)	(130,035)	47.4
Operating profit/(loss)	**(133,562)**	**(25,266)**	**428.6**
Provisioning expense (net)	(301)	(625)	(51.9)
Impairment losses	(362,216)	(345,490)	4.8
Other profits/(losses)	(520,861)	(429,794)	21.2
Profit/(loss) before tax	**(1,016,940)**	**(801,175)**	**26.9**
Ratios (%)			
ROE (profit / average shareholders' equity)	(44.7%)	(39.8%)	
Cost: income (general administrative expenses / gross income)	329.9%	124.1%	
Loan loss ratio	55.4%	48.7%	
Loan loss coverage ratio	44.9%	57.3%	
Business volumes (€Mn.)			
Loans and advances	18,623	21,892	(14.9)
Customer accounts	359	621	(42.2)
Securities	13,587	11,376	19.4
Other information			
Number of employees	807	795	1.5
Branches in Spain	—	—	

Sabadell America in 2013

In 2013 Sabadell United Bank won another 5-star rating from Bauer Financial, the highest grade awarded by the independent US bank rating organization.

Banco Sabadell's business in the US amounts to more than USD 8,000 million. With total assets of USD 6,200 million, it is Florida's seventh largest local bank by that measure. It 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.

Banco Sabadell Miami Branch

At the close of the year Banco Sabadell's operating branch in Miami had some USD 5,500 million in deposits and funds under management. The value of securities under management for clients was up 45%. Loans and advances were up 10% and reached USD 1,413 million as the bank met the needs of international corporations by arranging loan or credit facilities to provide medium- and long-term working capital finance. In 2013 Banco Sabadell Miami branch continued to provide finance for projects in the energy and tourism sectors, mainly in the US and Mexico.

In November it acquired certain assets and liabilities of the Lloyds TSB Bank's Miami branch, which accounted for a substantial part of the business growth seen during the year.

In December it signed an agreement to purchase Miami-based JGB Bank, whose total assets amount to some USD 500 million. It is expected that the transaction will complete and that JGB Bank will be merged with Sabadell United Bank and integrated on its systems in the course of 2014, once regulatory approval has been granted.

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 and developing alternative sales and service channels. At the time of writing Sabadell United Bank had a total of 23 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 seventh largest local bank by deposits. During the year 2013 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.

As 2013 drew to a close, Sabadell United Bank was managing assets of some USD 3,866 million, with deposits close to USD 3,200 million and loans and advances approaching USD 2,900 million. It was serving more than 45,000 customers. Sabadell United Bank reported a net profit for 2013 of USD 45 million.

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 BS 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, custody and administrative services.

Other businesses in 2013

BancSabadell d'Andorra

BancSabadell d'Andorra is a financial institution operating in the Principality of Andorra. Incorporated in the year 2000, the company's principal shareholder is Banco Sabadell which holds a majority shareholding of 51%. Ownership of the remaining shares is spread across a broad base of Andorran shareholders.

The bank's principal target market consists of Andorran middle-to-high income individuals and businesses. Its mission is to support Andorra's economic development and recent initiatives to open up the country's economy based on its excellent potential as an international business centre. BancSabadell d'Andorra has a staff of highly qualified people committed to offering high value-added services and delivering a quality service to customers.

BancSabadell d'Andorra is today the bank of choice for private middle-to-high income individuals and businesses and the Andorran bank that has performed best since the onset of the financial crisis in 2008. Profits showed a steady upward trend and reached €6,900. The ROE was 11.5% and deposits increased (up 10.4%), while lending remained at a good level.

Excellence

E

The integration of branches acquired from BMN–Penedès was successfully accomplished, as operating and IT systems were merged and the change of brand was completed.

2013 was the final year of the "CREA" plan to bring about a transformation of the group's operating processes and business model. The plan has given the Bank the tools and resources it needs to increase productivity and accommodate the anticipated growth in customer numbers while maintaining the high-quality service that is the group's hallmark. This has meant giving greater visibility to profit performance and paying more attention to managing down costs and bad debts while continuing to see the anticipated growth in our customer base and improvement in service quality. Meanwhile, the main planks of our 2014-2016 master plan were being put in place.

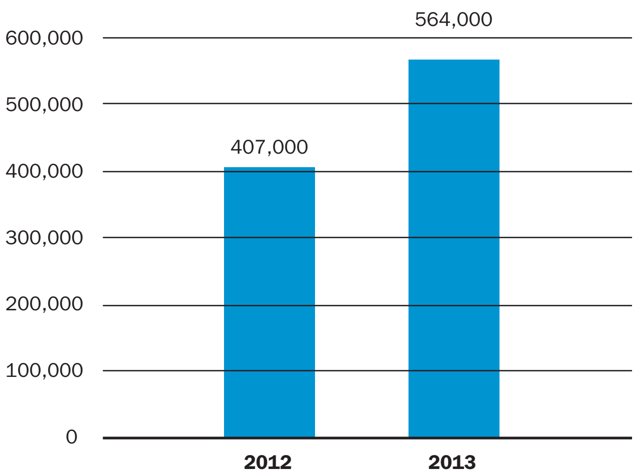
As the programme of group transformation was being implemented, the integration of assets acquired from BMN-Penedès was completed in the third quarter of the year.

Operational and organization change

The year saw a number of changes being made to reduce the workload at branches by concentrating administrative tasks at dedicated central units, thus leaving branches free to concentrate on purely business-related tasks. In 2013 the Bank continued to implement its "operations factory" programme, designed to reduce administrative work at branches. Its Regional Administrative Centre (RAC) in Alicante came fully on stream and was soon achieving the same standards of quality and service as the other RACs. The Catalonia RAC absorbed the growth in transaction numbers caused by the integration of the branches acquired as a result of the asset purchase agreement with BMN-Penedès.

During the year the group's RACs were processing 96% of its service-related transactions and 91% of its loan-related transactions, improving their performance by 2% and 3% respectively compared with the previous year. Central processing of loan applications at RACs was in operation for 98% of the group's branches and it is expected that the move to centralized processing will be completed during the first half of 2014. Work continued during the year to release branches from administrative tasks and thus enable them to give more time to business development activities. An example of this ongoing operation is the transfer to "factories" of the processing of avals for cross-border transactions, due to take place in January 2014.

In aggregate the RACs, together with the Superdex centres responsible for processing international payments and the Global Service Centre which handles more specialized transactions, are processing more than 564,000 transactions every month. These processing centres are facilitating future expansion by providing a platform with the capacity to accommodate the group's strategies for growth (F1).



F1 Transactions processed each month at Central Processing Centres

The business transformation programme included a number of other initiatives to increase sales efficiency and sharpen the focus on sales throughout the organization, while ensuring that the Bank retained its leadership in service quality.

The group's system of sales incentives was another area that saw further development with the aim of promoting an ever sharper business focus across the group.

Specifically in relation to business development, in 2013 training programmes were conducted to improve sales and business skills. These emphasize personal development and building an organization committed to and motivated by change.

Technology

The year 2013 was notable for mergers of banking operations driven by consolidation in the Spanish banking industry. In the first quarter of the year Banco Sabadell started the process of migrating customers and products of the former BMN-Penedès branches in Catalonia and Aragon — acquired by the group under the asset purchase deal with that organization — to its own information systems. The migration process was completed In October.

At the same time work on the integration of Banco Gallego and Lloyds Bank International was underway and will be continued into the early months of 2014.

Meanwhile a systems plan was put into effect that was more intensive than the previous year's plan and was aligned with the basic aims of the 2011-2013 "CREA" strategic plan: growth, profitability, efficiency and ambition.

Some key aspects of the systems plan are worth highlighting. First, the integration of assets acquired from BMN-Penedès in 2013 and the increase in customers and business resulting from the takeover of Banco CAM in December 2012 made it necessary to adapt Banco Sabadell's IT systems to increase their processing capacity. Modifications were required to the banking IT system to accommodate a twofold increase in activity and also in the IT systems running the BS Online and BS Móvil banking services, which saw increased usage of 44% and 75% respectively (F2, F3 and F4).

Next, the group carried out an IT systems plan that would meet new regulatory demands of the Spanish securities market regulator (CNMV), EU law (MiFID) and the Bank of Spain; it would also provide support to the monitoring and oversight of the Asset Protection Scheme (APS) set up as part of the arrangements for the takeover of Banco CAM. Another of the plan's objectives was to boost IT capacity in every operational area related to new products and new services to customers. This included the completion of work to upgrade the group's fixed-income back office system and the addition of new functionality to the BS Online and BS Móvil online and mobile banking services. An example of the latter was the option, now available to Banco Sabadell customers, to sign up for the Virtual Mobile Point of Sale service to collect payments by smartphone, or the "Instant Money" service to make cash withdrawals from ATMs using only a mobile phone. There was also time for technological innovation during the year, including such state-of-the art projects as an e-banking application for Google Glass that is without equal in Spain.

In the field of services to third parties, BanSabadell Information Systems, a Banco Sabadell group IT company, successfully brought to completion such noteworthy projects as the launch of a life and pensions platform for Zurich's Spanish insurance operation, and the initiation of business continuity services at its Data Processing Centre in Alicante for the Office for Harmonization in the Internal Market (OHIM), the EU's trade mark registration agency.

Cost management

During the year the group's cost approval and management system continued in operation and resulted in overhead costs being reduced by 11.4% on a like-for-like basis compared with the previous year.

Integration processes

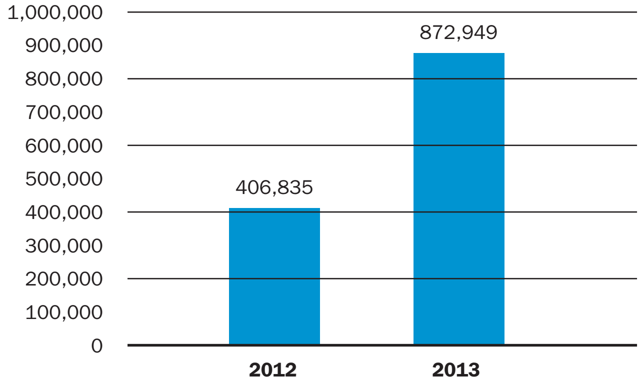
Achievements in 2013 included the successful integration of the former Caixa Penedès branches along with the merging of its operating and IT systems and the change of brand. Once again Banco Sabadell's experience of success garnered in the course of numerous integration exercises over the last three years and its proven technological capability ensured that the whole process was brought to a conclusion in the record time of five months.

The integration resulted in an increase in assets of more than €10,000 million and over 745,000 new customers.

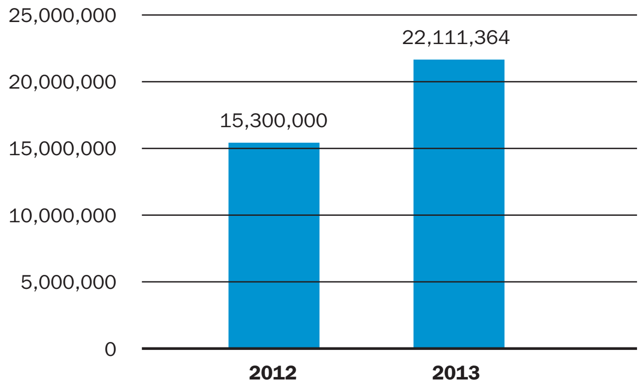
Human Resources

Composition of group employees

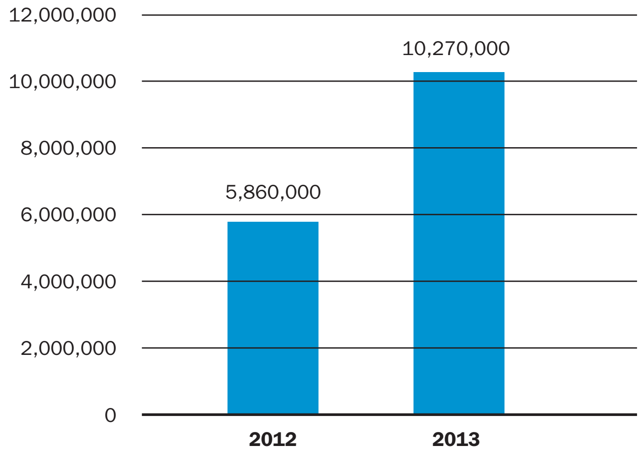
At the end of the 2013 the Banco Sabadell group was employing a total of 18,077 people, an increase of 2,481 on the year before. The average age of employees was 42.4 years and the average length of service was 16.5 years. The gender split was 50.2% men and 49.8% women (F5).



F2 Bank IT platform:
Monthly transaction volume

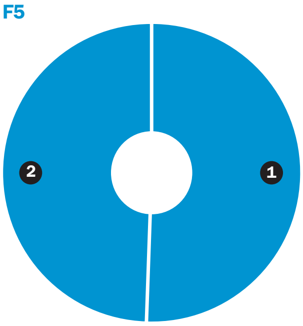


F3 BS Online:
Monthly transaction volume



F4 BS Móvil:
Monthly transaction volume

F5



Gender split

1	Men	50.2%
2	Women	49.8%

Employee training

The Bank continued its policy of providing training for all group employees, achieving high levels of participation — with 88% of employees undertaking some form of training — and dedication. A total of 399,394 training hours were provided, an average of 26 hours per employee.

Of particular importance were the hours dedicated to the training of staff joining the group as a result of the integrations carried out in recent years. A total of 364,007 hours' training was provided as part of the Banco CAM integration and 207,227 hours as part of the integration of branches acquired from BMN-Penedès. A key contributor to the success of these training programmes was the large number of existing employees who gave support to their new colleagues and thus assured a smooth transfer of knowledge during the integration process. 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 457 staff members were transferred to former Banco CAM branches and 304 to former BMN branches, with 109 staying on to take up a permanent post at the branch to which they had been assigned.

At the time of writing, training programmes are in place for employees acquired as a result of the takeover of Banco Gallego and Lloyds Bank's Spanish business (now SabadellSolbank).

Further progress was made in establishing in-service training across the entire branch network, with more than 6,207 employees — 72.2% of the total — 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 2013 the scheme was repeated for the sixth and seventh times and resulted in 124 newly qualified employees. Ten of the trainees who gained a qualification under the scheme did so with a "cum laude" distinction.

Human resources development

In the area of training at senior management level, fresh progress was made in the group's approach to developing management skills. A further round of 360-degree assessments took place as part of the continuing Manager Leadership Programme, with 254 senior executives taking part. 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.

Senior management training included Management Audits and Assessments, a training exercise to draw up management structures for the new Catalonia and Northwest Regions. Key areas highlighted in the exercise were merit, past contributions and future potential.

To meet the group's current and future challenges the full cooperation of all management personnel will be vital. We will continue to work to instil a performance-driven culture.

Some key actions we have undertaken to realize this aim are:

— Online training: for former Banco CAM and newly recruited employees (708 trainees at management level and 4,109 at other levels).
— Attendance-based training: 15 workshops were held to equip executives to handle Annual Performance Assessment interviews and were attended by 400 managers from Central Services divisions. A set of tools and resources was provided to help and support them in carrying out staff assessments.

The performance culture was also brought into the Business Development Programme to help branch employees meet new challenges due to changes in our approach to customer relationship management and business development. A third 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 three CMPs so far held have given training to a total of 94 managers.

Executive remuneration

As permitted by the regulations on remuneration enacted by the European authorities and the legislation implementing these in Spain, and with the authority of a resolution of the General Meeting, the group has approved the use of options on Banco Sabadell shares as a form of payment of variable compensation accruing in the year 2012, to which directors and employees subject to regulatory oversight have voluntarily agreed.

Banco CAM Assistance Programme

The assistance plan linked to the redundancy procedure applicable to employees of the former Banco CAM comprised two simultaneous initiatives.

First, a revitalization plan for the Levant regions which, as of 30 November 2013, had provided incentives for the creation of 629 new jobs. Second, an outplacement scheme that has enabled 316 ex-employees — 33% of the total number of people enrolled in the scheme — to find other jobs. The outplacement scheme remains in operation and applies to employees voluntarily agreeing to accept redundancy terms and also to the spouses of employees transferring to new jobs. Support in the search for employment under the scheme is due to end in March 2014.

Quality Management

For Banco Sabadell, quality is not just a strategic option; rather, it is a whole approach to doing business, whether in delivering value to stakeholders or in the execution of each and every process forming a 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 most recent assessment, carried out in October 2012, resulted in the Bank's EFQM Gold Seal (+500 points) being renewed and a score of over 600 points being awarded according to EFQM's very demanding standard.

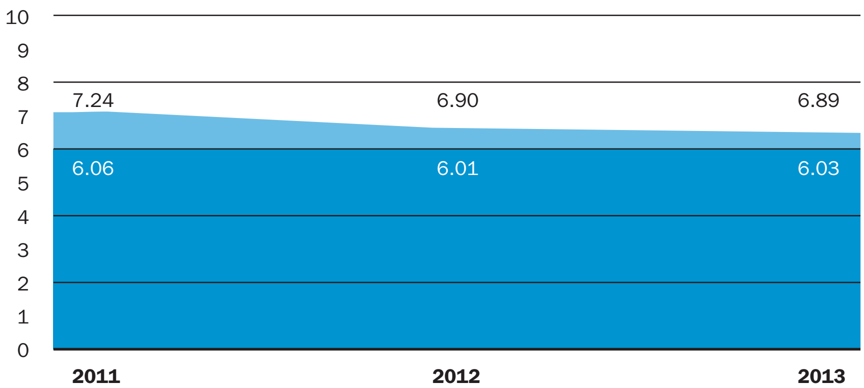
Banco Sabadell continues to be the only Spanish credit institution with 100% of its Spanish financial operations certified to the ISO 9001 standard, providing further proof of its customer-centred philosophy and diligent approach to process management. In 2013 it successfully passed the annual audit required for the renewal of its certificate.

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.

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 3,800 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 (F6).



F6 Quality rating of service at bank branches (on a scale from 0 to 10). *Source:* Equos report

* BMN-Penedès, Banco Gallego and SabadellSolbank branches were not included in the 2013 survey.

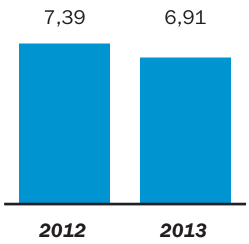
Between April and July 2013 the specialist consultancy FRS Inmark carried out its annual survey into the financial behaviour of private individuals in Spain, based on a sample of 12,000 people aged 18 or over living in towns or cities of more than 2,000 inhabitants. The survey showed that Banco Sabadell was once again the bank with the highest satisfaction ratings among Spain's ten largest banks by number of customers. The group's most recent acquisitions — Banco CAM, BMN-Penedès, Banco Gallego and SabadellSolbank (formerly Lloyd's Bank) — were not included in the survey. The latest 2-yearly study by FRS Inmark on the financial behaviour of businesses with sales of between €1 million and €6 million found that, of the top ten Spanish banks, Banco Sabadell was the second most frequently recommended by small and medium-sized firms.

To make this possible, the Bank carries out regular surveys that enable it to identify areas for improvement as they develop, both for the organization generally and for each individual branch:

— Branch quality audits. At present these are being carried out for Banco Sabadell every year by MDK, an independent consultancy, using the mystery shopper technique. The surveys are rotated so as to cover all group branches. Branches are visited without warning by an expert quality auditor pretending to be a customer. After their visit the auditor or mystery shopper rates the branch on such aspects as staff courtesy, product knowledge, understanding of customers' needs, ability to give clear explanations and the quality of information provided. Audits are also conducted by telephone using the same methodology (F7).
— Customer satisfaction surveys. Banco Sabadell is particularly concerned to know customers' opinions and levels of satisfaction. For this reason, the consultancy Stiga works continuously throughout the year to carry out telephone surveys for the Bank. In these surveys it asks customers about the professionalism of account managers, the attention and courtesy shown to them by branch personnel, the speed with which disputes are resolved and so on. The large number of responses collected means that the results are statistically relevant for every one of the Bank's branches.
  The surveys are of two types:
  — General surveys conducted on random customer samples. These provide data for each region where the Bank operates and for each customer segment.
  — Special surveys carried out directly on customers with recent experience of contact with a branch, providing the Bank with feedback on customers' satisfaction with the business or transaction actually conducted, as well as with their overall assessment of the Bank (F8).

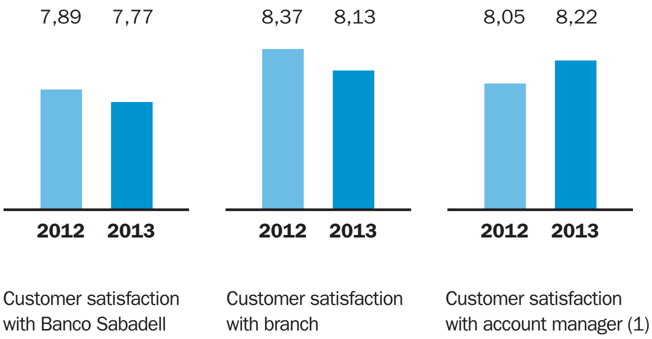
2013 was an abnormal year in terms of our findings on quality delivery and perceptions, mainly on account of the addition of Banco CAM to the group:

— Quality audits on branches, where former Banco CAM branches showed worse results than the group has normally had in the past. This was to be expected, bearing in mind employees' need for time to become familiar with Banco Sabadell's operating and business procedures.
— Customer complaints. There was a massive inflow of written complaints over Banco CAM's selling of preference shares; there were also complaints about pricing policies that were not those to which Banco CAM users had become accustomed.



F7 Quality rating of service at bank branches (on a scale from 0 to 10)

* Banco Gallego and SabadellSolbank branches were not included in the 2013 surveys.



F8 Customer satisfaction with Banco Sabadell (on a scale from 0 to 10). *Source:* Stiga

(1) The surveys did not include customers of the group's most recent acquisitions (Banco CAM, BMN-Penedès, Banco Gallego and SabadellSolbank).

Customer and user protection

Any customer or user of the group’s services can contact the Customer Service Department (CSD) if they have a complaint or a claim that cannot be 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 on customer and user protection. Customers can submit their claims or complaints to the CSD at the registered office of any group company or at any branch, using the complaint forms available at branches and also on the group web site, or in any other way that provides proof of the complainant’s identity.

The Customer Ombudsman deals with claims or complaints referred to him by Banco Sabadell group customers or users, either directly or on appeal from a prior procedure. Decisions of the CSD or the Ombudsman are binding on all group units or departments.

To support good customer relations the Ombudsman draws up recommendations and proposals to promote good banking practice and nurture the relationship of trust that should exist between the Bank and its customers. In addition the CSD produces an annual report for the Board of Directors which includes sections on good practice and recommendations for employees and division or unit heads with the aim of helping to improve customer service.

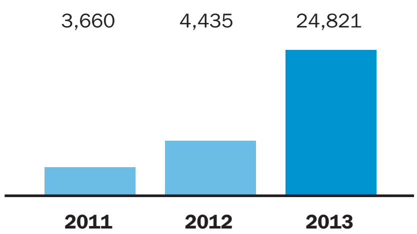
Most frequent causes of claims or complaints

33%	Dissatisfaction with interest paid
22%	Dissatisfaction with bank fees or charges
14%	Account entry or entries disputed
5%	Dissatisfaction with product functionality
5%	Accessibility of service
4%	Delay in service delivery
3%	Quality of information supplied
3%	Attitude shown by staff
1%	Authority to act on behalf of third party
1%	Decision on application for loan, etc.
1%	Bank processing errors

Products/services most likely to be a cause of claims or complaints

38%	Mortgage loans
19%	Demand deposits
8%	Cashier services
7%	Credit and debit cards
5%	Securities/financial assets
3%	Loans and credit other than mortgage
3%	Property insurance
2%	Cash machines
2%	Life insurance
2%	Direct debits
1%	Information supplied
1%	Transfers

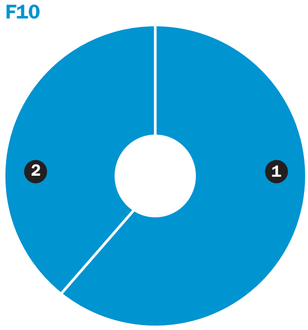
* Data for branches acquired from BMN–Penedès were included from June 2013 onwards. Claim and complaint data do not include Banco Gallego and SabadellSolbank.



F9 Claims and complaints examined

* Data for branches acquired from BMN–Penedès were included from June 2013 onwards. Data for claims and complaints do not include Banco Gallego and SabadellSolbank.

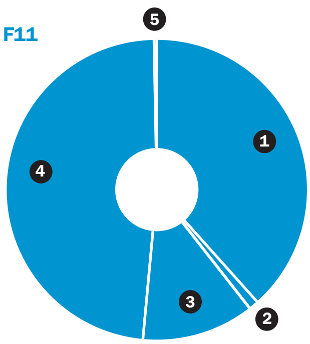
F10



Claims and complaints - distribution

1	Complaints	83%
2	Claims	17%

F11



Decisions by Customer Service Department and Customer Ombudsman

1	In customer’s favour	35.33%
2	Partly favourable to customer	0.97%
3	Settlement reached with customer	11.08%
4	In Banco Sabadell’s favour	44.38%
5	Claim dropped by customer	0.28%

Promptness in responding to complaints is a key aspect of customer care. For this reason, bearing in mind the official 60-day maximum response time, Banco Sabadell's average response times for customer claims or complaints for the year 2013 were as follows:

T1 Average response time

Number of days

	2013	2012	2011
Cases of low complexity	17.79	2.62	2.37
Cases of medium complexity	32.41	8.02	11.51
Cases of high complexity	46.65	31.52	23.68

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. These prizes — now in their 11th year — were awarded for performance in 2012. Of particular significance are the prizes for best bank branch as a reward for successful teamwork, and the Qualis Gold Prize, which is given to an individual employee in recognition of their overall track record. Branches selected for best branch awards were: La Jonquera; Illescas; Alhaurín el Grande, Segorbe and the Elche - Parque Empresarial and Palma de Mallorca business branches. The Qualis Gold prize was awarded to Luciano Méndez Sánchez, head of Caribbean Operations.

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 2013 a total of 4,129 employees were active participants on the site and 2,656 ideas were put forward. Any customer or other person can send 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.

Risk management

In anticipation of tests of balance-sheet resilience under different stress scenarios which the European Central Bank is to carry out on European banks in 2014 in coordination with the European Banking Authority, Banco Sabadell engaged consultancy Oliver Wyman to conduct its own internal stress test. On 9 September 2013 Banco Sabadell filed a regulatory disclosure with Spain's stock market regulator (CNMV) that included the results of the Oliver Wyman stress test. The test measured the resilience of Banco Sabadell's balance sheet in the period June 2013 to December 2016 under two specified macroeconomic scenarios: one baseline or central scenario and one adverse scenario. The central scenario was based on the most recent macroeconomic data and the market consensus view (Bloomberg, the IMF, etc.). The more pessimistic scenario was similar to the adverse scenario defined in the bottom-up asset quality review and stress test exercise of 2012, adjusted for the differences in timeframes. On this basis, estimates were made for:

— Projected write-downs in the loan and foreclosed asset portfolios.
— Loss absorption capacity, including profit generation.
— The resulting capital surplus or shortfall.

The results, in summary, were that for the period June 2013 to December 2016, under both the central and the pessimistic scenario, loss absorption capacity and capital were estimated to be sufficient to cover any possible losses in the credit book and the foreclosed asset portfolio:

— Under the central scenario, cumulative losses in the credit book and foreclosed asset portfolio amounted to €11,600 million and €7,400 million respectively, while the loss absorption capacity was estimated at €24,800 million.
— Under the pessimistic scenario, losses amounted to €23,000 million (€14,300 million for the credit book and €8,700 million for foreclosed assets) against a loss absorption capacity of €25,300 million.

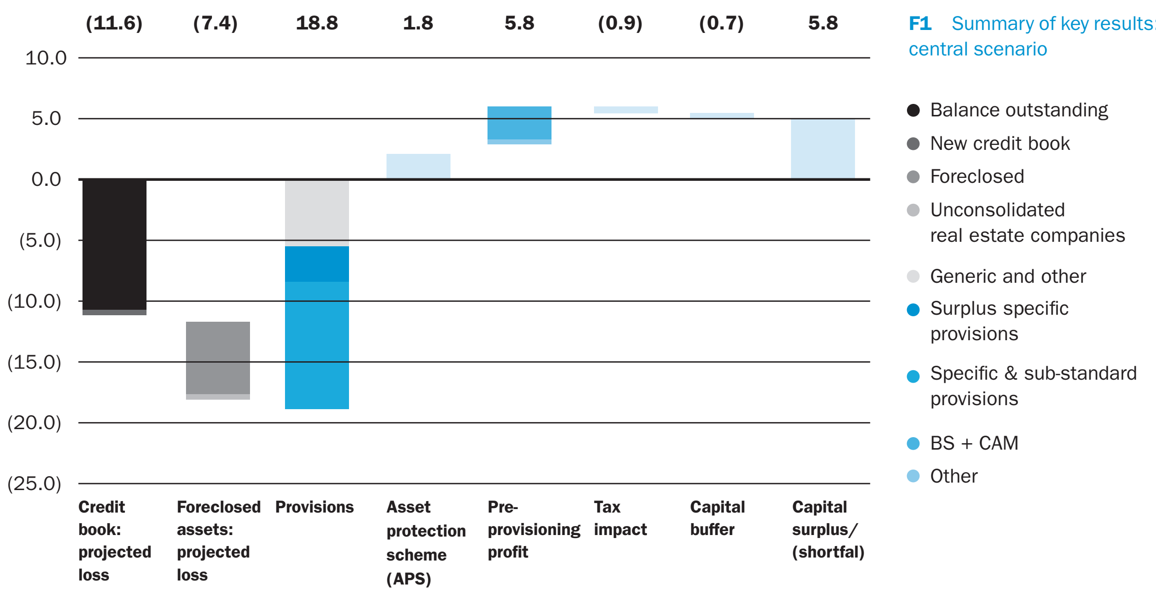
This implied that Banco Sabadell group would have surplus capital of 5.8 billion euro in the core scenario and around 2.4 billion euro in the adverse scenario (F1 and F2).

The chief categories of risk inherent in the business of Banco Sabadell and its group are credit risk, market risk and operational risk.

The accurate and efficient management and control of risk is critical to realizing the aim of maximizing shareholder value while ensuring an appropriate degree of financial strength. The management and control of risk comprises a broad framework of principles, policies, procedures and advanced evaluation methodologies, integrated within an efficient decision-making structure. These are fully and clearly set out in the Annual Accounts, the Report of the Directors, the Report on Corporate Governance and the Basel Pillar 3 Disclosure document, all of which can be found on the group's web site.

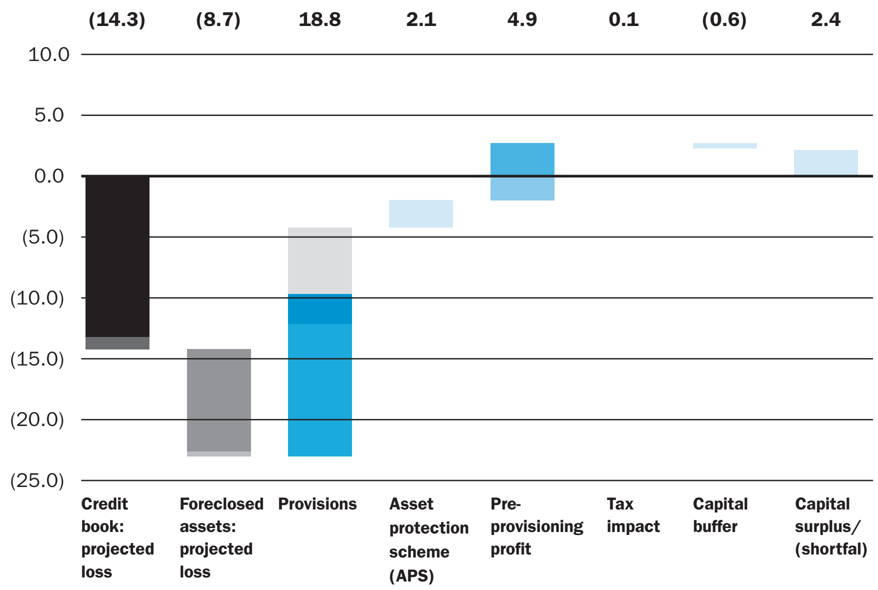
New advances were made in risk approval and monitoring systems, recovery processes and asset management. At the same time, the Catalonia and Aragon business and bank branches acquired from BMN-Penedès were fully integrated on our systems, resulting in unified risk management and control procedures across the group. Banco Sabadell 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.

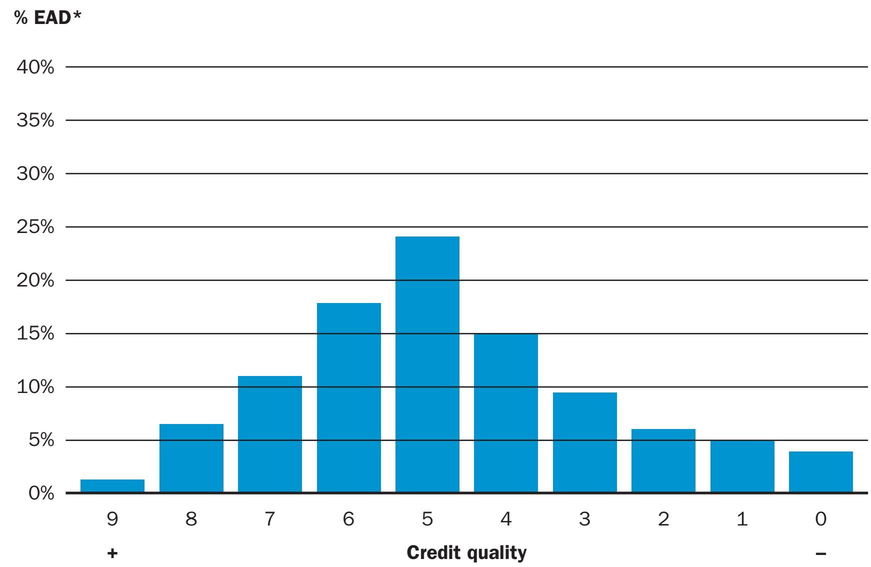
Banco Sabadell has supervisory approval for the use of its own internal models for companies, real estate developers, specialized finance, financial institutions, retail outlets and sole proprietors, mortgage loans, personal loans, personal credit and credit cards, in estimating its regulatory capital requirements.



F1 Summary of key results: central scenario

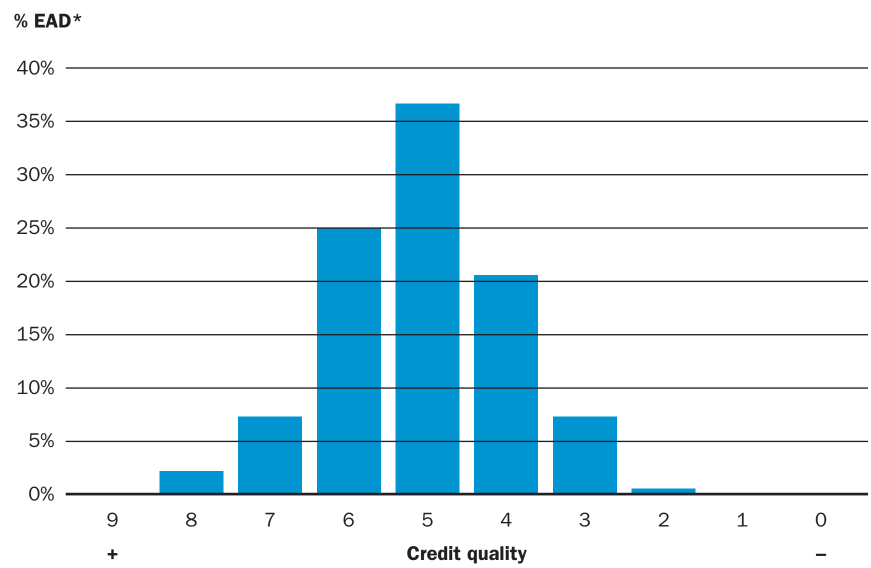
F2 Summary of key results: adverse scenario





F5 Business loan portfolio
Credit rating profile

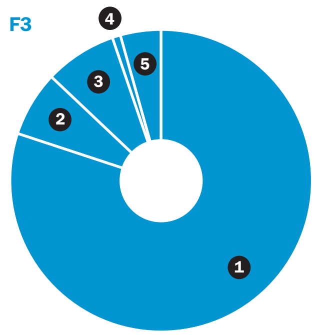
* EAD (exposure at default)



F6 Individual customer loan portfolio
Credit rating profile

* EAD (exposure at default)

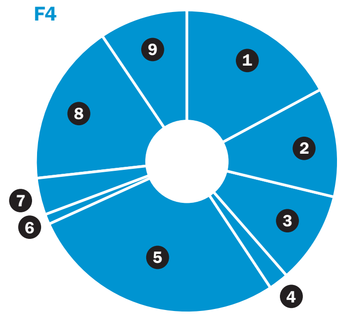
F3



Capital allocation (by type of risk)

1	Credit risk	80%
2	Structural risk	7%
3	Operational risk	8%
4	Market risk	1%
5	Other risks	4%

F4



Overall risk profile by customer category (distribution of credit risk exposures) %EAD*

1	Large corporates	17.14%
2	Midsize businesses	11.63%
3	Small businesses	9.80%
4	Retailers and sole proprietors	2.12%
5	Mortgage loans	27.52%
6	Consumer loans	1.08%
7	Banks	3.93%
8	Sovereigns	17.32%
9	Other	9.45%

Based on the risk metrics provided by these new methodologies, Banco Sabadell has a consolidated system in place for measuring risk (F3).
The assessment of risk in terms of an allocated capital requirement means that risk can be related to return, from individual customer up to business unit level. The group has an analytical "risk-adjusted return on capital" system in place which provides this assessment and includes it as part of the transaction pricing process (F4).

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.

Loan approval, monitoring and recovery

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.

The Board of Directors delegates powers and discretions to the Risk Control Committee, which then sub-delegates authority at each level. The implementation of controls on these authority limits as part of the group's loan approval system ensures that the powers delegated at each level are appropriate to the expected loss estimates for all loan applications by business customers.

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 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. 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. Risks above a certain limit are grouped into categories according to their expected loss ratios, so that they can be treated in the most suitable way. These alerts are co-managed by the relationship manager and the risk analyst, helped by the feedback obtained as a result of direct contact with customers.

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 rating score is assigned an anticipated default rate which allows consistent comparisons to be made across segments and with the ratings of independent rating agencies, according to a master scale (F5).

Credit 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: a system in which all customers are automatically classified according to their transaction histories and data for each product taken. It is used primarily for: granting loans, setting limits on authorized overdrafts, targeting sales campaigns, and for tracking and segmenting in claim and/or recovery procedures.
— Application 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 (F6).

Country risk

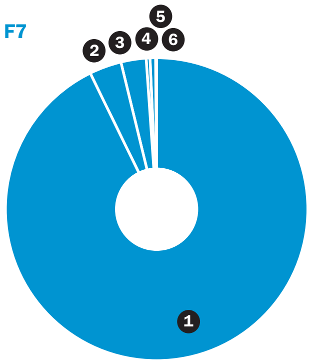
This is the risk of incurring loss from exposures to sovereign borrowers or to persons domiciled in a particular country for reasons connected with national sovereignty or the economic situation of the country, and therefore unrelated to normal business risks. Country risk includes sovereign risk, transfer risk and other risks inherent in global financial operations (war, expropriation, nationalization, etc.).

An overall exposure limit is set for each country and this applies across the whole group. Country limits are approved by the Risk Control Committee 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. These include: credit ratings, CDS's, economic indicators and the like (F7).

Credit risk in market trading

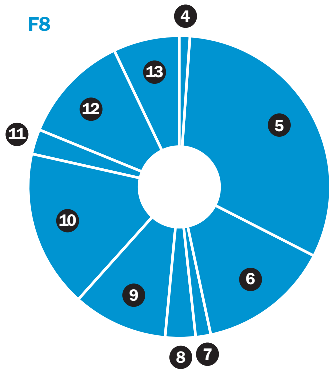
Credit risk associated with market trading arises from trading in financial instruments in market transactions with financial counterparties and in the fixed-income portfolio. In the particular case of derivatives and repos, F7



Credit risk
Distribution by geography

1	Spain	92.76%
2	Other European Union	3.44%
3	USA & Canada	2.69%
4	Rest of world	0.41%
5	Latin America	0.59%
6	Other OECD	0.11%

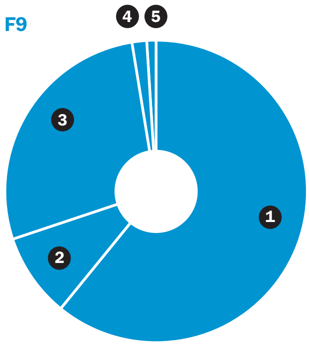
F8



Counterparty risk
Distribution by credit rating

1	AAA / Aaa	0.00%
2	AA+ / Aa1	0.00%
3	AA / Aa2	0.00%
4	AA- / Aa3	1.12%
5	A+ / A1	31.40%
6	A / A2	14.12%
7	A- / A3	1.62%
8	BBB+ / Baa1	3.24%
9	BBB / Baa2	10.14%
10	BBB-/Baa3	16.86%
11	BB+ / Ba1	2.66%
12	BB / Ba2	11.74%
13	Other ratings	7.09%

F9



Counterparty risk
Distribution by geogrphy

1	E.M.M.	60.88%
2	Rest of Europe	9.00%
3	Other USA & Canada	27.55%
4	US Investment banks	1.57%
5	Rest of world	1.00%

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.

In addition, to mitigate exposure to counterparty risk Banco Sabadell maintains netting agreements — Credit Support Annexes (CSAs) or Global Master Repurchase Agreements (GMRAs) — negotiated with the majority of its counterparties. The collateral provisions of these agreements ensure that exposure to such counterparties is significantly reduced (F8 and F9).

Market risk

Discretionary market risk

Discretionary market risk arises from the possibility of loss in the value of financial asset positions due to changes in any of the factors affecting market risk (stock prices, interest rates, exchange rates or credit spreads). It arises primarily from treasury and capital market positions and can be managed through the holding of other financial instruments.

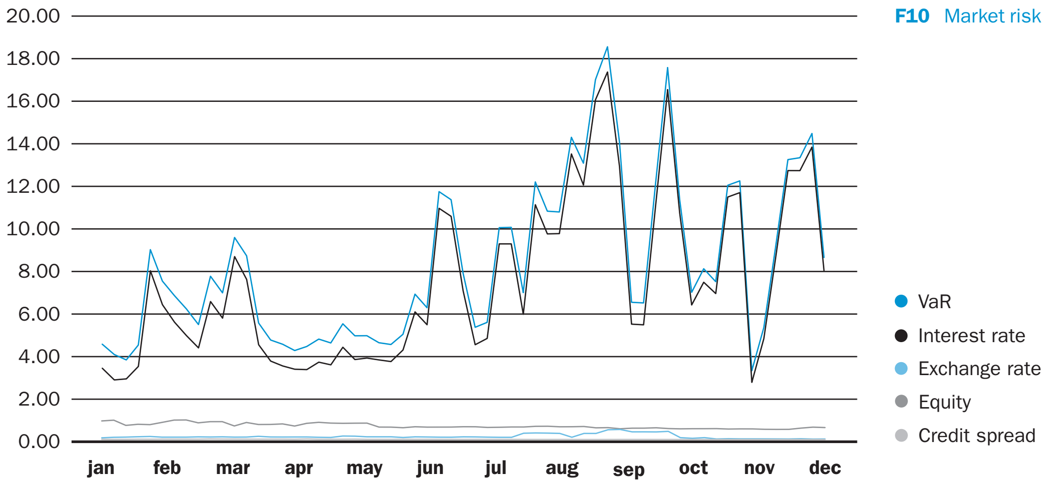
Discretionary market risk is measured, in most cases, by the VaR (Value at Risk) method, which allows the risks on different types of financial market transaction to be analysed as a single class. VaR provides an estimate of the anticipated potential maximum loss on a position that would result from an adverse, but possible, movement in any of the market risk factors that have been identified. 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 different levels of market risk factors. VaR limits are approved by the Risk Control Committee and are assigned on a top-down basis, with the overall limit being divided into sub-limits for different business units and risk factors down to individual portfolio level.

In addition to VaR limits other types of limit are applied, such as sensitivity, nominal value and stop-loss limits; these, along with VaR, ensure that a complete assessment of market risk exposure can be obtained. 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 relevant control functions. This makes it possible to track changes in exposure levels resulting from changes in the market prices and volatilities of financial instruments. The reliability of the VaR methodology is validated by backtesting techniques which are used to verify that the VaR estimates are within a specified confidence level.

The F10 graph shows the movement of the 1-day VaR for market trading operations in the year 2013 at a 99% confidence level.

Risk control techniques of this kind are supplemented by special simulation exercises under extreme market scenarios ("stress testing"), the purpose of which is to analyse different scenarios, historical as well as hypothetical, and their possible impacts on the trading portfolio.

The T1 table shows a stress analysis of this kind for the treasury portfolio:



F10 Market risk (€Mn.)

T1 Stress test results (late 2013) (€Mn.)

Scenario	Result
2008 banking crisis scenario	(0.60)
Sovereign debt stress scenario	(7.09)
Downward parallel shift in yield curve scenario	(0.59)
Flattening yield curve scenario	(1.35)
Upward parallel shift in yield curve scenario	(1.18)
Steepening yield curve scenario	(0.20)

Structural interest rate and liquidity risk

Structural risk arises from ongoing customer-based commercial and corporate banking operations and is divided into interest rate risk and liquidity risk. Management of structural risk seeks to ensure stability at the margin by maintaining appropriate levels of liquidity and capital strength.

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.

The 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) or dynamic (simulation) tests based, in the latter case, on different assumptions of balance sheet growth and changes in the slope of the yield curve. 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 shareholders' equity to a 100 basis point change in interest rates for the years 2012 and 2013 is illustrated in the following diagram F11.

Liquidity risk

This can be defined as the possibility of the Bank's being unable to meet payment commitments, even if only temporarily, due to a lack of liquid assets or of its being unable to access the markets to refinance debts at a reasonable cost. Liquidity risk may be caused by external factors such as a financial market downturn, a systemic crisis or reputational issues, or internally, by an excessive concentration of maturing liabilities.

Banco Sabadell keeps a close watch on day-to-day changes in its liquid asset position and holds a diversified portfolio of such assets. The Bank analyses the quality of its holdings of liquid assets as measured by their sensitivity to different scenarios involving ratings downgrades and changes in market conditions. It also carries out projections to anticipate future needs and periodically assesses its ability to create assets eligible as collateral in ECB operations.

In addition, liquidity gap analysis is used to manage foreseeable mismatches between cash inflows and outflows over a medium-term horizon. 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 medium and long term.

For this purpose the group has programmes in place to raise finance on the medium-and long-term capital markets, including mortgage covered bond and senior debt issuances. The group also has programmes set up for the issuance of short-term commercial paper, both domestic and foreign, which further diversify its funding sources. Finally, it promotes and develops new sources of finance such as long-term repo trades in asset-backed securities, thus providing additional instruments for the management of liquidity risk.

The Bank carries out regular liquidity stress testing exercises to enable it to assess inflows and outflows of funds and the impact of these flows on its cash position under different scenarios.

Based on this analytical framework, the Bank has a contingency plan to respond to unexpected scenarios that could cause an immediate funding requirement. Another type of liquidity stress test that is carried out is to analyse the impacts that changes in market prices could have on the assets deposited as collateral, whether in the futures and options markets or under collateral agreements (CSAs and GMRAs). A range of different market risk scenarios is studied and the effects of these on liquidity, individually and in combination, are analysed.

The contingency plan is constantly being updated and identifies the Bank's assets that are most readily convertible to cash in the short term; it also sets out action plans should it become necessary to raise additional cash.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from unforeseen external events. Banco Sabadell pays particular attention to operational risk and has implemented a management, measurement and oversight framework that fulfils the conditions necessary to opt for the use of an advanced model for calculating regulatory capital charges for operational risk.

Management of operational risk is decentralized and devolved to process managers throughout the organization. The full range of group processes is identified on a corporate process map, thus facilitating the compiling 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 drive forward the identification, assessment and management of risks by process managers in line with Banco Sabadell'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. Management of operational risk is divided into two action areas:

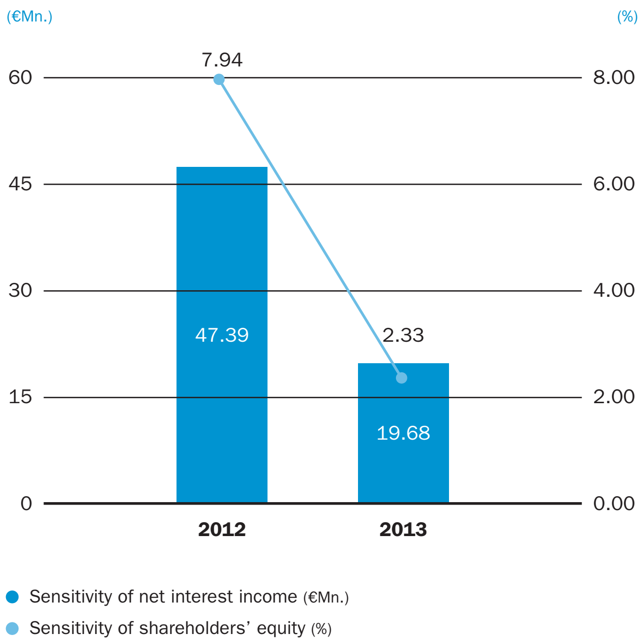
— The first action area is based on an analysis in which all processes and any associated risks that involve potential losses are identified, leading to a qualitative evaluation of the risks and their associated control mechanisms. This is done by process managers in conjunction with the central operational 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 in an informed way. 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 in place and any improvements that are made.

  Care is taken to ensure that all processes identified as critical are protected by specific business continuity plans in the event of a service failure. The operational risks identified are also qualitatively assessed from the point of view of their reputational implications, should an incident occur.

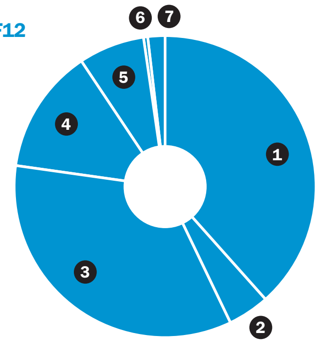
— The second action area is based on experience. It consists of maintaining a database of all losses that occur in the organization. This provides a store of information of actual operational risk events for each business line and the causes of those events, so that risks can be acted upon and minimized. This loss information is also of use in measuring the extent to which estimates of potential loss are consistent with reality, both in terms of 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 also on recoveries, whether resulting from the Bank's own efforts or from insurance provision (F12 and F13).

F11 Structural interest rate risk
(interest rate sensitivity)



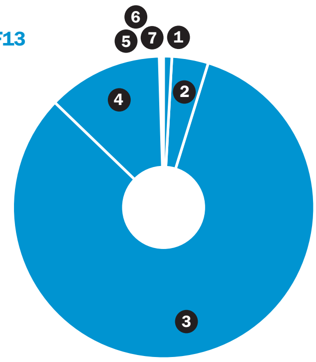
F12



Distribution of loss events due to operational risk (by amount)

1	Customers, products and business practices	38.41%
2	Property damage	4.46%
3	Process execution, delivery and management	34.36%
4	External fraud	13.40%
5	Internal fraud	7.07%
6	Business disruption/ systems failure	0.45%
7	Staff relations and workplace security issues	1.85%

F13



Distribution of loss events due to operational risk (by number)

1	Customers, products and business practices	0.88%
2	Property damage	3.90%
3	Process execution, delivery and management	82.41%
4	External fraud	12.34%
5	Internal fraud	0.06%
6	Business disruption/ systems failure	0.28%
7	Staff relations and workplace security issues	0.12%

Compliance risk

The direct impact that breaches of regulations would have on the Bank's image vis-à-vis customers, the market, employees and regulators makes it necessary to deal with compliance risk, that is, the risk of incurring legal or administrative sanctions, significant financial loss or reputational damage as a result of an infringement of laws, regulations, internal procedures and banking industry codes of conduct.

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 which can be adapted to changes in group strategy as they occur; it also makes use of synergies, especially in cases involving complex global impacts requiring technology solutions. The main challenge with this approach is to achieve a uniform system of controls for regulatory compliance across the group by laying down standards that must be observed regardless of the type of business or the country where the business is located.

The policy has six main components:

— Technology: regulatory compliance and its associated control mechanisms must be incorporated into the group's IT operating systems and procedures to reduce the degree of discretionality in the observance of applicable rules and regulations.
— Employee training: process executors' knowledge of and sensitivity to risk are being extended through training in the areas that are most sensitive or involve particularly high risks.
— Procedures: clear instructions on how to act are issued for each process or product.
— Communication channels: special channels have been set up to ensure the efficacy of any information flow from any part of the organization to the Compliance team.
— Verification and control programmes: to ensure compliance with legal and regulatory requirements.
— Approval procedure for products and regulations: the Compliance department is involved in the process of approving new regulations, products and procedures and its permission must be obtained before any of them can be launched or implemented. In this way the conformity of group operations with laws and regulations can be assured.

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 2013 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 legislatino 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 the BMN-Penedès network in Catalonia and Aragon, and making a start on integrating the operations of Banco Gallego and SabadellSolbank (formerly Lloyds Bank España).

Board of Directors and Senior Management

M

Board of Directors

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

Executive Committee

Chairman
Josep Oliu Creus
Deputy Chairman
José Javier Echenique Landiribar
Managing Director
Jaime Guardiola Romojaro
Director–General Manager
José Luis Negro Rodríguez
Non-executive Director
José Permanyer Cunillera
Secretary–General and Deputy Secretary of the Board
María José García Beato

Management Committee

Chairman
Josep Oliu Creus
Managing Director
Jaime Guardiola Romojaro
Director–General Manager
José Luis Negro Rodríguez
Secretary–General
María José García Beato
General Manager
Tomás Varela Muiña
General Manager
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
Assistant General Manager
Manuel Tresánchez Montaner
Assistant General Manager
Silvia Ávila Rivero
Assistant General Manager
Markets and Private Banking
Ramón de la Riva Reina
Deputy General Manager
Cirus Andreu Cabot
Assistant General Manager
Alfonso Ayuso Calle
Assistant General Manager
BS America
Fernando Pérez-Hickman
Deputy General Manager
Corporate Banking and Global Businesses
Enric Rovira Masachs
Assistant General Manager
Asset Management
Miguel Montes Güell
General Manager
Catalonia Region
Luis Buil Vall
Assistant General Manager
Central Region
Blanca Montero Corominas
Assistant General Manager
Southern Region
Juan Krauel Alonso
Assistant General Manager
Northwest Region
Pablo Junceda Moreno
Assistant General Manager
Northern Region
Pedro E. Sánchez Sologaistua
Assistant General Manager
Eastern Region
Jaime Matas Vallverdú
Assistant General Manager

Central Service Divisions

Finance
Tomás Varela Muiña
General Manager
Organization and Corporate Development
Miguel Montes Güell
General Manager
Operations and Technology
Federico Rodríguez Castillo
Assistant General Manager
Human Resources
Javier Vela Hernández
Assistant General Manager
Risk Management
Rafael José García Nauffal
Assistant General Manager
Equity investments
Ignacio Camí Casellas
Assistant General Manager
Communication and Institutional Relations
Ramon Rovira Pol
Assistant General Manager
Corporate Operations
Joan M. Grumé Sierra
Assistant General Manager
Internal Audit
Nuria Lázaro Rubio
Assistant General Manager
Legal Department
Gonzalo Barettino Coloma
Assistant General Manager

Report of the Audit and Control Committee

A

Introduction

This report on the work of the Audit and Control Committee for 2013 is addressed to shareholders of Banco de Sabadell S.A. It was signed off by the Committee at its meeting of 21 January 2014 and will be submitted to the Board of Directors of Banco de Sabadell S.A. for approval at its meeting on 23 January 2014.

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 and later amendments.

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 continue to perform that 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 following 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 2013 the members of the Audit and Control Committee were as follows:

During 2013 the Audit and Control Committee underwent changes in its membership as a result of the resignation of Francesc Casas Selvas as a director, his term of office having come to an end. The resignation took effect from the date of the Annual General Meeting on 26 March 2013.

At a meeting of the Board of Directors on 26 March 2013 the Board, on the basis of a recommendation from the Appointment and Remuneration Committee, decided to appoint José Manuel Martínez Martínez to the Committee.

As prescribed by its rules of procedure, all directors on the Audit and Control Committee are non-shareholder, 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 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 seven meetings that it held during the year 2013, 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.

Chairman
Joan Llonch i Andreu

Committee members
Maria Teresa Garcia-Milà Lloveras
Sol Daurella Comadrán
José Manuel Martínez Martínez

Secretary
Miquel Roca i Junyent

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 Monitoring the effectiveness of the company's internal controls, its internal audit function, if any, and its risk management systems and discussing with its auditors or firm of auditors any significant weaknesses in its internal control system identified in the course of the audit.
3 Supervising 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 Reporting 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.
6 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.
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 deed 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 deed executed on 9 July 2003 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 agreed 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 filed with the public registry following the execution of a deed 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 rules of procedure 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 rules of procedure 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 filed with the public registry following the execution of a deed 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 rules of procedure 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 the said 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 which made changes to Spanish legislation on auditing (Law 19/1988) and the stock market (Law 24/1988) and to the 1989 Companies Act [*Texto Refundido de la Ley de Sociedades Anónimas*] to make them compliant with EU law.

Activities

Seven meetings were held by the Audit and Control Committee in 2013 in accordance with the regulatory structure described above. Meetings were regularly attended, 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

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 25 March 2013 the Committee reviewed the contents of the document entitled "Basel II – Pillar III Disclosures" dated 31 December 2012, based on an Internal Audit report provided for the purpose. 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 organization-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.

In accordance with Bank of Spain requirements, at its meeting of 25 March 2013 the Committee, on the basis of an internal audit report provided for the purpose, reviewed the strategies, policies and procedures for managing troubled loans resulting from the group's operations in the Spanish market. The report came to a favourable view of the organizational and other resources being applied to the management of these loans and the robustness and effectiveness of the strategies, policies and procedures put in place to manage the group's troubled assets.

At its 21 January 2014 meeting the Committee reviewed a report presented by the Risk Department on risk governance, management and control systems for the year 2013, 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 2011 the Audit and Control Committee had approved Internal Audit's strategic plan for 2011-2013 setting out a detailed programme for the supervision of the group's system of internal control over financial reporting (ICFR). The plan provides for the carrying out of tests on areas considered to be of key importance within the group and the completion of tests in all areas within the three years covered by the plan, 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 2013 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 1 February 2013 on the accounts for the year to 31 December 2012.

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 Bank of Spain's "Banking Supervision Memorandum" for 2003 setting out recommendations on the policies of banks and other lenders on the use of offshore locations to expand their overseas 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 2012 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 25 March 2013.

Functions related to auditing

The Committee's functions in relation to the auditing of accounts include making recommendations to the Board regarding the appointment of auditors and reviewing their terms of engagement. At its meeting of 23 January 2013 the Committee reviewed group policy on the engagement of auditors and, on the basis of its review, recommended to the Board that the firm of PricewaterhouseCoopers Auditores, S.L. be re-appointed as auditors of the Bank's individual and consolidated accounts for the year 2013. The Board of Directors resolved to submit the Committee's recommendation to the Annual General Meeting of 26 March 2013 and the appointment was duly approved by the General Meeting.

With regard to auditor remuneration, the Committee reviewed and approved the auditor's fees for 2013. Details of fees paid to auditors can be found in the annual accounts for the year. To comply with auditor independence requirements, the Audit and Control Committee reviewed the main non-auditing services provided by PricewaterhouseCoopers in 2013. These services consisted primarily of advising on issues related to corporate actions (disposals from the doubtful debt portfolio and giving tax advice in relation to real estate transactions acquired as a result of corporate actions in the US) and supporting the introduction and improvement of processes in the Bank's real estate department. All these tasks were undertaken in conformity with the independence requirements contained in the consolidated text of the Law on the Auditing of Accounts issued by Royal Legislative Decree 1/2011 and in the Auditing Technical Rules 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 proportional share of fees paid to PricewaterhouseCoopers by the group in the firm's total annual revenue. The share was less than 0.02% of the total for the PricewaterhouseCoopers worldwide organization, and less than 0.89% 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 21 January 2014. 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 redrafted Law on the Auditing of Accounts issued by Royal Legislative Decree 1/2011.

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 meeting of 17 December 2013, on guidelines received from the Bank of Spain in 2013 on the classification of debt refinancing and restructuring transactions for accounting purposes. The Committee briefed itself on the provisions of Royal Decree-Law 14/2013 which include arrangements to enable certain deferred tax assets to continue to be treated as capital, in line with the rules in other EU countries, so that Spanish credit institutions can compete on a level playing-field. It also took note of the contents of IFRS 13 which came into effect this year, making it necessary to review the impact of credit risk on the fair values of financial instruments.

As part of the Committee's oversight of the auditors' performance of their terms of engagement, at its meeting of 23 July 2013 the auditors reported on the results of their review of the summary consolidated accounts for the first half of 2013, giving the accounts a clean bill of health.

At the Committee's meeting of 21 January 2014, the auditor presented the results of its review of the consolidated and individual accounts for the year 2013 and expressed the opinion that, as in previous years, the accounts presented a true and fair view, in all material respects, of the consolidated financial position of the Bank and the group and of the results of their operations and their 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 its meeting of 25 March 2012, the Committee reviewed and reported favourably on the Share Registration Document of Banco de Sabadell S.A. to be filed with the National Stock Market Commission (CNMV) in accordance with EU Commission Regulation (EC) 809/2004 of 29 April 2004, which came into effect on 18 July 2005, on the implementation of 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 its meetings of 23 April, 23 July and 22 October 2013 and 21 January 2014, the Committee reported favourably on the quarterly financial statements for the periods ending on 31 March, 30 June, 30 September and 31 December 2013 respectively, prior to their being approved by the Board of Directors and released to the markets.

At its 23 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 Stock 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 with 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 the work of 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 Year Plan.

The work of Internal Audit in 2013 consisted mainly of conducting a review, according to the principles underlying the strategic internal auditing plan for 2011-2013, of the group's internal control systems to mitigate any financial risk, credit risk, operational risk or accounting or regulatory risk to which its operations are exposed.

The implementation of the Internal Audit Year Plan resulted in the production of over 500 audit reports and the main findings of these reports, along with replies from senior 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 2012, at the meeting of 23 January 2013.
- A summary of Internal Audit's annual report on its activities in 2012 and its proposed plan of activities for 2013, at the meeting of 23 January 2013.
- A report on the main internal auditing results for the first quarter of 2013, at the meeting of 23 April 2013.
- A report on the main internal auditing results for the second quarter of 2013, at the meeting of 23 July 2013.
- A report on the main internal auditing results for the third quarter of 2013, at the meeting of 22 October 2013.

The Committee kept itself fully informed of progress in implementing the recommendations of previous audit reports and each meeting included the presentation of a report on the Audit Department's monitoring of the group "instrument panel" of key quality indicators. In conformity with the International Professional Practices Framework (IPPF) for Internal Auditing and the Basel Committee guidance for assessing the effectiveness of the internal audit function, in 2013 the Spanish Institute of Internal Auditors carried out a quality assessment of internal auditing across the Banco Sabadell group. The main aims of the assessment were: a) to assess the degree of conformity of the internal audit function with international standards on professional practice in internal auditing; b) to give an opinion on the effectiveness of the internal audit function in performing its role in accordance with its charter and with the expectations expressed by the Audit and Control Committee and the Chairman of the group and companies in the group; and c) to identify possible opportunities for improvement in its management and working practices and in the added value it brings to the organization.

The Committee reviewed the findings of the assessment at its 17 December 2013 meeting on the basis of a report produced by the Institute, which concluded that the practice of internal audit within the Banco Sabadell Group was "generally compliant" with the definition of the profession and with the standards and code of ethics issued by the Institute of Internal Auditors. This assessment is the Institute's highest level of grading and is awarded when the internal auditing work being assessed has a charter, aims, policies and procedures that are in line with international standards and practices. The assessment report highlighted the level of professionalism displayed by the Internal Audit department, the high degree of satisfaction with its work and its contribution to strengthening corporate governance, risk management and internal control in the organization.

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 Company rules and regulatory requirements.

To meet the requirements of Royal Decree 217/2008 for regular reviews of compliance with the EU Directive on Markets in Financial Instruments (MiFID) by investment services undertakings, 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 the CNMV in its 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 from the point of view of the effectiveness of arrangements made by group undertakings to comply with customer asset protection requirements. The report's conclusions were satisfactory and no gaps or significant weaknesses were identified in relation to the existence or effectiveness of internal asset protection systems in any group undertaking.

Corporate Governance

At its meeting of 23 January 2013 the Committee decided to recommend that the Board of Directors give its approval to a report on the structure and practice of corporate governance at Banco Sabadell that had been submitted by the Executive Committee in 2012.

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.

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 alignment with the regulator's recommendations.

Self-assessment

Following Corporate Governance guidelines, 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 of 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

During the year 2013 the Committee was briefed on the main points of reports put out by supervisory authorities in Spain and other countries in which the group operates. 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 signed off by the Board of Directors provide a true and fair view of the assets and financial position of Banco Sabadell and the results of its operations, and contain all information necessary 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.

This report on the activities of the Audit and Control Committee for the year 2013 was signed by the members of the Committee on 21 January 2014 for submission to the General Meeting.

S

For Banco Sabadell, being socially responsible means bringing transparency and ethical principles to the way we do business. In the current climate, the group is addressing the concerns of the community by accepting its role as a driver of the economy and minimizing any impacts on society or the environment caused by its banking operations.

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. The Bank has created social innovation platforms to encourage talent and creativity, not only on the part if its employees but also of its customers and suppliers and in this way to create the conditions for value sharing.

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:

1 **Responsible banking:** Strengthening the ethical dimension to all our activities in a transparent way. Minimizing the impacts of our operations and contributing to the development of the community.
2 **A healthy organization:** Encouraging a sense of pride and of belonging on the part of employees.
3 **Environmental sustainability:** Minimizing the environmental impacts of our facilities and our business.
4 **A culture of social responsibility:** Raising the profile of professional ethics through accurate and transparent reporting.
5 **Shared value:** Building alliances with our stakeholders.

Commitment to business ethics

For Banco Sabadell it is of vital importance to ensure the strictest compliance with legal requirements and with the policies, internal procedures and codes of conduct that guarantee ethical and responsible conduct at all levels of the organization. The Bank has since 2003 had codes of conduct and stakeholder policies operating throughout the organization and extending to all group activities:

— The Code of Conduct: applies generally to all persons directly involved with the Group, whether as employees or as members of its governing bodies. In late 2013 a Code of Ethics and Rules of Conduct for the Asset Management Division governing operations related to real estate were added as an appendix to the group's Code of Conduct.
— 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 social action).
— A plan to foster genuine equality between women and men.
— 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 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 to raise any issue regarding the application of ethical business practices in the organization, using a confidential email address.

All the codes, rules and commitments listed above are set out in the CSR section of the group's web site: www.grupobancosabadell.com

Social responsibility initiatives

In recent years Banco Sabadell has joined or associated itself with a number of international initiatives and has received awards and distinctions. These include:

— Adopted the 10 principles of the United Nations Global Compact in the areas of human rights, labour, the environment and the fight against corruption.
— Signatory of the Equator Principles, a set of standards developed to ensure that social and environmental matters receive full attention in the funding of large projects.
— Integration of CSR policies into business practice in accordance with ISO 26000 guidance.
— Signatory of the United Nations Principles for Responsible Investment (UNPRI) in the “asset owner” and "investment manager" categories.
— A signatory to the Carbon Disclosure Project and the CDP on Water Disclosure.
— 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 included in the FTSE4Good and FTSE4Good IBEX sustainable stock market indices. A member of the Ethibel Investment Register.
— 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.
— Environmental management systems at six corporate headquarters certified to the ISO 14001 standard.

- LEED-NC (New Construction) sustainable building certification for the new Banco Sabadell Central Services building.
- A Partner in the European Greenbuilding Programme for sustainable construction. Certification of Polinyà logistics centre.

The Bank is also a member of a number of CSR-related committees and working groups:

- Committee Member, Chair of Applied Ethics, Ethos Foundation, Ramon Llull University.
- A Member of the advisory board of *Responsabilidad Social Corporativa* journal, published by the Luis Vives Foundation.
- A *corporate friend* to a CSR-education initiative for small businesses sponsored by Official Credit Organization and the Global Compact's Spanish Network.
- A Member of the Council of Experts of the Madrid Excelente Foundation.

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. It contributes to the creation of wealth in the Spanish economy in a context of sustainable growth. In 2013 Banco Sabadell was directly employing 18,077 people and disbursed more than €1,135 million in pay and social welfare contributions. It spent more than €1,267 million on procurement of goods and services.

In a context of economic recession the Bank strives time to provide solutions to areas of social concern such as unemployment, socio-economic ills and corruption. At the same it seeks to minimize any impacts caused by its own activities.

Promoting economic development

Banco Sabadell has kept its lending to private and business customers at the same level to provide finance for consumer and investment needs. In 2013 more than €5,000 million was provided in new medium- and long-term finance for sole proprietors and companies A very substantial part of this new finance was provided in the form of ICO-sponsored finance. The Bank was the second largest provider of finance under ICO schemes, with a 20.5% share of the total amount disbursed.

Banco Sabadell launched BStartup, an entrepreneurship support package, and expanded its "Export to Grow" programme which encourages SME and other businesses to expand into foreign markets. Both programmes are designed to support business and thus contribute to the growth of the Spanish economy.

Minimizing the impact on people of banking industry consolidation

Since 2012 Banco Sabadell has been working on an assistance scheme to mitigate the effects of redundancies resulting from the workforce restructuring that followed the integration of Banco CAM. The scheme provides outplacement support for 1,250 redundant workers and will continue until March 2014. It includes relocation advice to both redundant workers and their spouses. 33% of the 316 employees enrolled in the scheme have already found alternative employment.

In addition, a revitalization plan is in operation to restore employment levels, as far as possible, by supporting entrepreneurship and job creation in the areas most affected by restructuring. This has led to the creation of 660 new jobs in the Levant regions. The plan includes measures such as grants for each new job created and the availability of finance on favourable terms.

T1 Contribution to society

		2013	2012
Direct economic value generated			
Net sales plus revenues from financial investments and sales of assets (includes gross income and capital gains on sales of assets)	€'000	4,020,687	2,973,853
Economic value distributed			
Payments to suppliers	€'000	1,267,452	2.864,180
Personnel expenses (includes social welfare costs)	€'000	1,135,175	996,546
Corporate income and other taxes	€'000	160,260	-324,843
Community investments	€'000	4,330	3,842
Economic value retained			
Calculated as Economic value generated less Economic value distributed	€'000	1,453,470	1,206,755
Other information			
Customers	million	6.5	3.1
Shareholders	number	262,589	236,774
Branches	number	2,418	1,898
Employees	number	18,077	15,596
Key suppliers (billing more than €250,000)	number	76	68
Total suppliers	number	316	268
CO_2 emissions per employee in Spain	kg CO_2 /e	321.5	402.5
Electricity consumption per employee in Spain	MWh/e	6.0	6.8

Avoiding social exclusion

Banco Sabadell has set up a programme of special assistance for customers at risk from social exclusion. For borrowers unable to meet their mortgage payments, the Bank looks for solutions to avoid repossession such as extensions of repayment terms, grace periods and interest rate reviews. The Bank does not carry out forced evictions.

Banco Sabadell has signed up to the Spanish government-sponsored Code of Good Banking Practice and Agreement for the Creation of a Housing Fund ("Fondo Social de Viviendas"). Since 2013 the Bank has contributed 260 residential units to the Housing Fund and has provided 186 residential units free of charge for the use of charitable organizations helping people in difficulty.

Fighting corruption

Banco Sabadell works actively to fight corruption in all its forms. Since February 2005 the Bank has been a signatory to the 10 principles of the United Nations Global Compact, one of which is to fight against corruption.

For a financial institution it is of critical importance to avoid being used for money laundering or to finance terrorism. For this reason the Bank and its subsidiaries have taken a number of measures and established due diligence rules and procedures to guard against risk when accepting customers and in the constant monitoring of customer relationships. These rules and procedures are based on anti-money laundering legislation as well as the United Nations convention against corruption and the recommendations of the International Financial Action Group (IFAG). The Bank also takes great care to supervise loan applications and accounts held by political parties, and applies rigorous customer acceptance procedures. The Bank does not contribute to any political party or to any persons holding public office or to related institutions.

To ensure transparency, all donations to NGOs and charitable organizations are assessed by the Sponsorship Committee or the Board of Trustees of the Banco Sabadell Foundation on the basis of the principles laid down in the Bank's community support policy. The accounts of the Banco Sabadell and Banco Herrero Foundations are audited by external auditors.

On the acceptance of gifts, group policy is that employees must refuse all gifts, rewards or personal favours offered by customers or suppliers that could place limits or conditions on their discretion when taking a decision.

Responsible banking

Banco Sabadell provides customers with knowledge and tools to manage their finances and offers a transparent range of financial solutions that are best adapted to their needs.

Transparency

Banco Sabadell seeks to protect the interests of its customers and has control mechanisms in place to supervise the products and services it offers.

Any product or service to be offered on the market is submitted to the group Compliance Officer for prior evaluation before being released.

Bank branches have leaflets and brochures providing information and guidance to any potential customers for products and services. To be able to provide customers with information more specific to their requirements, business managers ask for details of their financing needs, financial situation and preferences. This ensures that customers are given full details of products and the risks and implications they entail so that they can take an informed decision.

Prior to offering any complex financial product the Bank acts in accordance with the EU Markets in Financial Instruments Directive (MiFID) and carries out a suitability test to assess the customer's knowledge and experience so as to determine the customer's ability to understand the nature and risks of the financial product being requested.

When giving customers investment advice or offering them discretionary portfolio management services, the Bank performs an appropriateness test to satisfy itself that the financial product or service is appropriate to the customer's investment objectives and financial situation.

Since 2010 the Bank has been a member of Autocontrol, an organization that promotes responsible advertising. This includes working to ensure that all information, contracts and operating features conform to current legislation.

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. The aim of the Plan is to help the general public become better educated in financial matters by providing people with the basic skills and tools to manage their financial affairs in a well-informed, responsible way. The plan conforms to the recommendations and principles of the Organization for Economic Co-operation and Development (OECD).

A direct link to the "Finance for everyone" pages http://www.finanzasparatodos.es can be found on the group's web site. Visitors to the site will find a set of information sheets providing basic advice on household management, investment, and so on.

The Bank also provides customers with a guide on mortgages prepared by the Bank of Spain, setting out detailed information on the process of obtaining mortgage finance.

The Bank has prepared financial education material of its own specially to meet the needs of individual and business customers. Each year the Bank holds a drawing competition for children with the title "What's money for?", providing learning materials and games to teach children the value of money and the importance of saving. The materials come with a teachers' guide written with the help of educators and teaching experts. The guide can be used to turn the questions that young children have about money into opportunities for learning and talking to parents. As an aid to household management, the Bank offers customers a "Personal Finance" tool which allows users of BS Online to view full details of their income and expenditure organized into headings and sub-headings.

The Bank has also designed a programme of financial education for small businesses. The "Export to Grow" programme launched in 2012 offers a variety of help screens and tools on foreign trade, seminars, training videos and practical case studies of SMEs expanding their business in foreign markets.

Banco Sabadell is supporting the two main activity areas established by the Financial Education plan for 2013-2017: promoting financial education as part of the education system and raising public awareness of the need to save and make provision for retirement. In the first of these areas, 37 volunteers from Banco Sabadell took part in a Financial Education Programme in schools all over Catalonia. The initiative covers 10% of all schools in Catalonia and aims to help schoolchildren learn how to handle money and understand the basics of financial management. The programme will be repeated in 2014, with 111 current and 15 retired group employees giving workshops for 4th year secondary school children. Within the second activity area the Bank has launched an advertising campaign entitled "How long are we going to live?" The campaign is organized around four full-length talks (which can be viewed on www.bancosabadell.com/futuro) in which four highly regarded scientists give answers to the question "how long are we going to live?". The scientists set out reasons why the life expectancy of the Spanish population will be significantly higher in the future. In these circumstances the Bank invites the viewer to think about the need to set up a plan to save for their retirement.

Financial solutions to meet the customer's needs

Solutions for people

Banco Sabadell has financial solutions to meet customers' needs at every stage of their lives. It offers special products for children and young people to get them used to the idea of saving, and for families to enable them to manage their household economies and make provision for their retirement.

Banco Sabadell has responded to the difficulties being experienced by some customers and has taken measures to ensure that customers most affected by the crisis are not at risk from social exclusion. 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 will propose adjustments to the terms of the mortgage according to what the borrower would be able to pay. This may mean lengthening the payment period, agreeing 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 2,229 cases involving loans totalling almost €400 million.

Where a mortgage is foreclosed, the Bank does not take forcible eviction proceedings. In 89% of repossession proceedings the property involved was already unoccupied. In the remaining cases, and where a family has been at risk of social exclusion, the Bank has entered into discussions with the occupants to look for the best way of avoiding eviction. The Bank may offer the customer the option of remaining in their property or moving to another one and paying a subsidized rent of less than €400 a month.

In 2013 a total of 338 mortgage foreclosure proceedings were halted under the provisions of Royal Decree 27/12 and Law 1/2013. Repossession proceedings were also halted on the Bank's own initiative on 189 occasions, of which 133 were resolved by the signature of a letting agreement at a subsidized rent; in the other 56 cases agreements are in the process of being reached.

In June 2013 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. Banco Sabadell is a signatory to the Agreement on the Creation of a Social Housing Fund and its July 2013 amended version. The Fund was set up to provide affordable rented accommodation for customers who satisfied certain conditions and had lost their permanent residence as a result of a foreclosure procedure any time after 2008. Within the terms of the Agreement, the Bank has contributed 260 homes to the Fund. It has received 69 applications and signed 28 letting agreements; 22 applications were dropped by the applicants and 19 were rejected as the applicants did not qualify for assistance under the Agreement.

The Bank has also made 162 properties available to the Rose Foundation to be used in helping people at risk of social exclusion. It made premises available for use by the Trampoli Foundation, an organization that assists disabled people. At present the Bank is in the process of providing 20 properties to the Diocese of Barcelona's Caritas organization for use in ministering to the needs of socially deprived families.

The Banco Sabadell group has 3,400 homes let at subsidized rents (a maximum of €400 a month) to customers finding themselves in financial difficulty as a result of a mortgage foreclosure, repossession or living in substandard or otherwise unsuitable accommodation.

Banco Sabadell maintains regular contacts with charities and other organizations (Caritas, ICAV, Ofideute, local social services, etc.), and with 47 local branches of the PAH, an organization that supports people with mortgage difficulties.

The Bank is a member of an evictions unit set up by the Catalan Government at the request of the Catalan Parliament.

Solutions for people starting in business

For people who are setting up their own businesses, in 2013 Banco Sabadell launched a business help scheme, BStartup. The scheme is designed to ensure that fledgling entrepreneurs have the best possible chance of success, and is run from a network of 67 specialized branches. For technology start-ups the Bank set up the BStartup 10 scheme, to which 414 new businesses in Spain have submitted business plans. A selection process will choose ten winners whose businesses will be eligible to benefit from an investment of up to €1 million, as well as a programme of specialized training from expert business advisers.

Solutions for SMEs and larger businesses

Banco Sabadell has always taken a special interest in the needs of businesses and can offer a range of specialized financial services to meet the needs of businesses of all kinds. In present state of the economy, the Bank provides access to affordable finance to SMEs and businesses where this is likely to create employment. In 2013 more than €5,000 million was provided in new medium- and long-term financing for sole proprietors and companies. A very significant portion of this new funding was in the form of Official Credit Institute-sponsored loan facilities, of which Banco Sabadell took a 20.5% share, the second largest in the banking industry. The main types of ICO finance arranged by the Bank were provided under special schemes for businesses and entrepreneurs, exporters, foreign trade and mutual guarantee schemes.

The year 2013 saw further development of the 'Export to Grow' programme in which Banco Sabadell, along with seven other leading providers of foreign trade services, assists Spanish companies in gaining access to foreign markets as a way of helping them to weather the crisis.

T2

	Sabadell Inversión Ética y Solidaria, FI	**Urquijo Cooperación SICAV**	**Plan de Pensiones Ético y Solidario**
Investment philosophy	Ethical/humanitarian	Ethical/humanitarian	Ethical/humanitarian
Supervision of stock selection criteria	Ethics Committee	Ethics Committee	Ethics oversight committee
Assets	€25,840,024	€5,650,011	€8,120,271
Number of investors/shareholders	387	144	817
Fees donated to NGOs	0.35% of asset value	50% of management fee	0.50% of management fee
Donation in 2013 (for year 2012)	€14,834	€42,858	€15,497
Beneficiary organizations	Caritas Española	Fundación Social San Ignacio de Loyola, CES Proyecto Hombre Madrid, Fundación para la Defensa de la Vida, Fundación Rais, Misión América, Asociación para la Solidaridad, Fundación Pablo Horstmann, Hermanas de la Virgen María del Monte Carmelo and Asociación PROYDE	Intermón Oxfam

Socially responsible investing

Our pension fund BanSabadell 25 FP and pension fund manager BanSabadell Pensiones EGFP SA are signatories to the United Nations Principles for Responsible Investment (UNPRI) in the "asset owner" and "investment manager" category respectively. The principles cover social, environmental and governance criteria in investment policies and practices. The group offers three socially responsible investment products:

— Sabadell Inversión Ética y Solidaria FI, a mutual fund.
— Urquijo Cooperación SICAV, an OEIC.
— Plan de Pensiones Ético y Solidario, a pension plan.

Socially responsible investment products exclude investments in companies whose activities are harmful to human rights, social justice or the environment. On the other hand, they take a positive view and give preference to companies in the FTSE4Good sustainability index. These products have a humanitarian bias and a part of their management fees is donated to humanitarian aid and development projects.

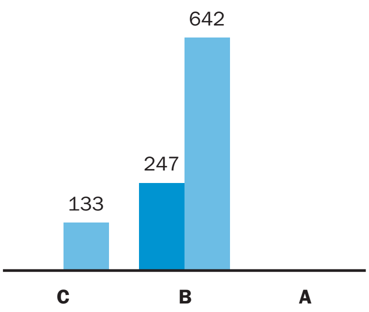
Banco Sabadell is also a distributor of the life-with-savings insurance product BS Ahorro Futuro which donates 0.70% of profits to Manos Unidas.

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 are a set of standards developed to ensure that social and environmental matters receive full attention in the funding of large projects. Since then, the Bank has applied the Equator Principles in all new project finance deals amounting to USD 10 million or more. Projects are classified as A, B or C in accordance with the IFC standard; all category A and B projects include a social and environmental assessment that has been reviewed by an independent expert. During the year eight project finance deals, assessed according to the Equator Principles, were concluded. 76% of these were renewable energy projects.

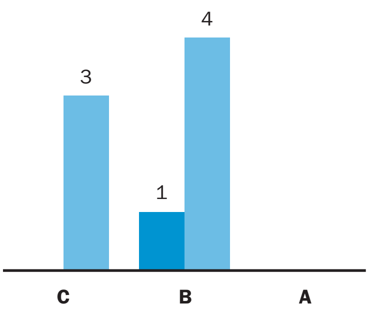
In accordance with the latest version of the Equator Principles (EP III), environmental and social impact assessments are to be extended to decisions on corporate loans in 2014.

The Bank has documents available to help analysts 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.



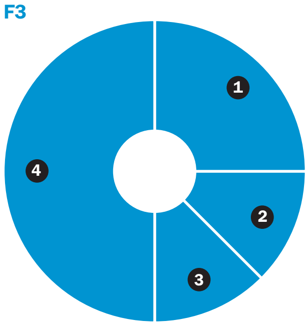
F1 Project finance by sector and category
Total project value (€Mn.)

Category C: Minimal or no social or environmental impacts.
Category B: Limited adverse environmental and social impacts, site-specific and reversible.
Category A: Significant, diverse social and environmental impacts.



F2 Number of projects by sector

F3



Distribution of projects by country

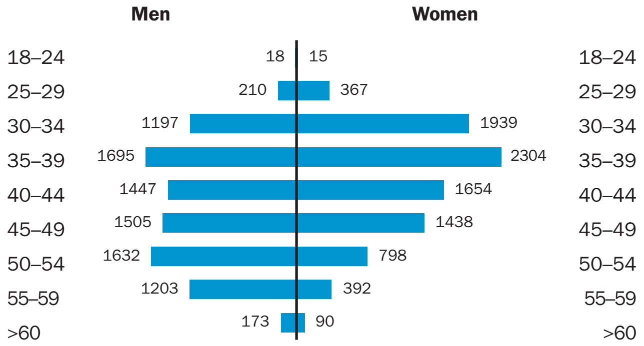
1	Spain	25%
2	France	13%
3	Mexico	13%
4	USA	49%

Human resources

In line with its human resources policy, Banco Sabadell has a personnel selection process which ensures that objective criteria based on qualifications and experience are applied when selecting people for each position having regard to their potential for personal development. The group seeks to ensure optimal professional development and a non-discriminatory working environment 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.

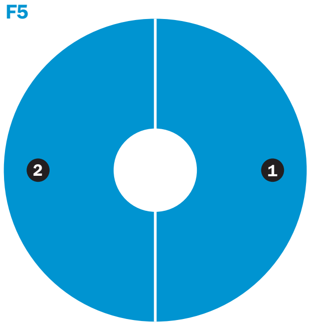
Human resources policy–key principles:

— Respecting people's dignity
— Fair and competitive remuneration
— Reporting transparency
— Long-term relationships



F4 Workforce

F5



Workforce breakdown by gender

1	Men	50%
2	Women	50%

T3 Number of employees

	2013	2012	2011
Average no. of employees (FTE)	16,427	13,933	10,670
Employees in Spain at year-end	17,171	14,866	9,937
Group employees at year-end	18,077	15,596	10,675

Average FTE employees are based on average numbers of persons employed at the end of each month.

T4 Workforce profile

	Men	Women	Total
Average age*	44	40	42
Average length of service*	19	14	17
Employees in Spain	8,728	8,443	17,171
Employees abroad	352	544	906

* Figures are based on the total number of group employees.
* 96.32% of employees abroad are hired locally.

T5 Distribution by job category

	Men	Women	Total
Clerical staff	1,675	2,782	4,457
Middle management	4,017	4,907	8,924
Management	2,917	1,256	4,173
Senior management	471	52	523
Total	**9,080**	**8,997**	**18,077**

Figures are based on the total number of group employees.

Leadership management

The Bank has a special Executive Management unit focused on developing senior management's leadership skills. Group executives undertake a corporate development program, which includes a psychometric evaluation and a 360º assessment or assessment feedback from direct superiors, colleagues and subordinates. They also receive specific strategic leadership training designed to enhance their leadership and team management skills.

Future heads of department and newly appointed Central Services managers with people reporting to them are put through a corporate management programme to support them in their new roles. The programme consists both of theoretical training and a management project that not only contributes value to the group but develops initiative and management skills. The management project is done in work groups of trainees from different parts of the organization.

Once a year department heads conduct an interview with each person in their team to discuss their performance and how they might move on to positions of greater responsibility. A joint assessment is completed by evaluator and evaluee in ten areas of competence: customer focus, results orientation, team management and teamwork, initiative, negotiation, openness to change, communication, information management, knowledge and experience, and ethics and commitment. The Human Resources department also conducts development interviews to gain a fuller picture of each employee's professional profile, motivations, concerns and interests in connection with their career.

Banco Sabadell provides employees with function-based training, i.e. continuous, progressive training appropriate to each individual's function.

Under the "Laude" programme, credits obtained in the Bank's in-house training courses are recognized for the award of degree qualifications by the University of Barcelona's Institute of Lifelong Learning (IL3) in line with the framework of the new European Education Space. Depending on the employee's role, there are three possible ways to obtain a qualification. The following were awarded in 2013: 90 Diplomas in Banking Products and Services, 18 postgraduate qualifications in Commercial Banking, 9 postgraduate qualifications in Investment Advisory Services, and 7 postgraduate qualifications in Bank Branch Management. A total of 341 people have gained qualifications under the programme since its inception in 2009. The Bank has reached agreements with several universities for employee training programmes and internships at the Bank.

Remuneration

Banco Sabadell's remuneration system is based on the principles of internal fairness, external competitiveness, transparency, differentiation, flexibility, simplicity, confidentiality and communication, as established in its human resources policy. The group's remuneration policy is based on the level of responsibility of the position and the career development of its holder. Policies on increases in fixed and variable remuneration are established on that basis.

Employee training

T6 Training in figures

	2013	2012	2011
Training actions	199,924	203,591	68,563
Employees who received training (%)	88%	98%	95%
Number of courses per employee	14	15	7
Hours of training per employee	26	35	22
Investment in training per employee (1)	€247.25	€257.31	€306.97
Investment in training as a % of personnel expenses) (1)	0.39%	0.40%	0.42%

Figures refer to employees in Spain. Data for 2013 include BMN from 1 June 2013 onwards.
Banco Gallego and SabadellSolbank, S.A.U. (formerly Lloyds Bank International) are not included.
(1) Data for investment in training for 2013 are correct as at 30 November 2013

T7 Average remuneration by type of post and gender (€)

	Men	Women	Total
Senior management	105,798	95,581	104,836
Management	54,957	48,883	53,118
Middle management	38,660	35,242	36,755
Clerical staff	32,614	28,951	30,333

Figures include BMN from 1 June 2013 onwards.
Banco Gallego and SabadellSolbank, S.A.U. (formerly Lloyds Bank International) are not included.

(%)

T8 Benefits

	2013	2012	2011
Employees benefiting from interest-free loans	25.62%	28.84%	43.15%
Employees who have received training grants	1.25%	1.36%	2.41%
Employees who have received children's schooling assistance	58.70%	56.50%	55.90%

Data for 2013 include BMN from 1 June 2013 onwards.
Banco Gallego and SabadellSolbank, S.A.U. (formerly Lloyds Bank International) are not included.
Data for 2012 do not include Banco CAM.
The figures for interest-free loans for 2012 have been revised.

Labour/management relations

Banco Sabadell respects and guarantees employees' basic rights, including freedom of association and collective bargaining, as required by Spanish law. These principles are set out in the group's Code of Conduct and human resources policy.

Union representatives represent the entire workforce, not just their own members; accordingly, labour agreements apply to all employees within their scope (industry, group, company, etc.). All employees are given one month's notice of significant organizational changes. Union elections are held every four years. Banco Sabadell management meets periodically with the general secretaries of the various trade union representative bodies, who normally sit on such committees as the National Health and Safety Committee, the Equal Opportunity Committee, the Training Committee and the Pension Scheme Oversight Committee. All workplaces with more than 50 employees have a Works Council. Workplaces with between 6 and 10 employees may elect a union representative.

Since 2012, following its acquisition of Banco CAM, 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 plan will continue until March 2014 and consists of two main action areas. First, an outplacement scheme to relocate the 1,250 employees laid off as a result of the redundancy procedure and second, a plan to revitalize business activity in the areas where most of the Banco CAM lay-offs occurred.

— The relocation scheme includes employment counselling for redundant employees and their spouses with a view to enhancing their employability. A total of 316 employees enrolled in the scheme in 2013, 33% of whom have found another job.
— The revitalization plan aims 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 free professional advice. As of 31 December, the revitalization plan had helped to create 660 new jobs in the Levant regions.

T9 Staff turnover

	Total turnover	% of average workforce
Disciplinary action	77	0.47%
Early retirement and superannuation	7	0.04%
End of contract	46	0.28%
Resignation	45	0.27%
Redundancy	414	2.52%

Figures are based on the average number of group employees.

Workplace satisfaction survey

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. The survey consists of 58 questions on credibility, respect, fairness, pride and camaraderie, plus 24 questions specifically about Banco Sabadell. The survey is a standard benchmark in workplace satisfaction, and enables companies to measure themselves against employers considered to be excellent places to work. The most recent survey, involving 780 employees from all parts of the group, was completed in 2013. 66% of the 780 respondents thought that "all things considered, Banco Sabadell is a great place to work".

Employee engagement and volunteer programme

Banco Sabadell has several communication channels between different levels of the organization to enhance internal communication and encourage employee engagement with the Bank's aims and aspirations.

The "BS Idea" platform enables employees to make suggestions for improvement in any area of the organization. The platform is an excellent communication channel on which employees can post queries and share experiences on products and processes. The ideas that get the most votes and those that generate most value for the Bank are studied, and a decision on adoption is then taken by the persons responsible for the processes concerned and by the BS Idea Decision Committee. The ideas that get the most votes also receive a cash prize.

The group intranet publicizes charitable and community support actions and corporate volunteer initiatives in which employees can participate. Examples of past initiatives include support for Unicef, the Food Bank, and TV3's fundraising telethon La Maratón.

As part of the 2013 Financial Education programme, volunteers from the Bank took part in financial education workshops for secondary school children in Catalonia. The result of a partnership agreement with Catalonia's regional government and the Financial Study Institute, the programme covers 10% of secondary schools in Catalonia.

Equality, work-life balance and social integration

Banco Sabadell guarantees equality of opportunity in all areas of employee relations: recruitment, training, promotion, working conditions, etc. These principles are also set out in the group's equality plan, human resources policy and Code of Conduct.

Equality

The group's equality plan was launched in 2010 with the aim of preventing all types of workplace discrimination between women and men, as required by Spain's Organic Law 3/2007. A number of action areas, along with effective monitoring and evaluation procedures, were established under the plan in the areas of training, promotion/career development, remuneration, work-life balance, gender violence and sexual harassment. The equality plan's Steering Committee consists of employee and Bank representatives and meets twice per year to oversee compliance with the equality plan.

T10 Equality

	2013	2012	2011
% of employees who are women(1)	50%	29%	43%
% of employees promoted who are women(2)	55%	56%	63%
% of women in managerial roles(1)	28%	29%	29%
No. of members of the Board of Directors who are women(1)	2	2	2
No. of nationalities of employees in Spain(2)	34	36	30

(1) Figures are based on the total number of group employees.
(2) Data for 2013 include BMN from 1 June 2013 onwards.
Banco Gallego and SabadellSolbank, S.A.U. (formerly Lloyds Bank International) are not included.

Integration and disability

Banco Sabadell promotes employee diversity and integration in the workplace and non-discriminatory recruitment policies. Workplaces are adapted when required, in line with the special sensitivity protocols established by the industrial medicine unit. The Bank also assists employees in any applications or other arrangements with the municipal, regional or national authorities to help improve employee welfare in areas outside the strictly professional sphere. In compliance with Spain's Integration of People with Disabilities Act ("LISMI"), the Bank pursues other avenues such as procuring services and supplies from special employment centres for the disabled.

Work-life balance

All employees are entitled to benefits agreed by Banco Sabadell and union representatives under the terms of an agreement on ways to achieve a healthy balance of family life and work. These benefits have been made known to all employees and are set out in the group intranet.
They include:

- Shorter working hours (paid or unpaid, or for breastfeeding)
- Unpaid leave (maternity, or to care for a relative)
- Special leave
- Paternity leave
- Flexitime working

T11 Integration

	2013	2012	2011
No. of disabled people in the organization	170	135	69

T12 Work-life balance

	2013	2012	2011
Employees with shorter working hours	337	268	210
Employees on paternity leave	321	316	203
Employees entitled to breastfeeding leave	435	251	180

Data for 2013 include BMN from 1 June 2013 onwards.
Banco Gallego and SabadellSolbank, S.A.U. (formerly Lloyds Bank International) are not included.

Health and safety

Banco Sabadell takes a preventive approach to safety, constantly improving group employees' working conditions and health. As required by current legislation, the Bank has a safety plan and publishes an annual report on Workplace Hazard Prevention setting out the safety measures that have been implemented across the organization. The report is available on the intranet and the corporate website.

An initial risk assessment is performed on each new workplace and also on workplaces that have undergone refurbishment or alteration. After a suitable time has elapsed a follow-up assessment is performed at all workplaces to evaluate individual workstations, common areas and facilities as well as aspects such as temperature, lighting, etc. In 2013, 4,009 psychosocial risk survey forms were distributed; the response rate was 70%.

All Banco Sabadell personnel and new employees receive information on workplace hazard prevention and are required to take a course on health and safety at work in the form of an on-line learning module lasting approximately two hours. In addition to training sessions, employees have access to publications, leaflets on ergonomics and work equipment manuals covering workplace hazards associated with the Bank.

T13 Absenteeism rate

	2013 BS	2012 BS	2012 CAM	2011 BS
Periodic prevalence rate				
(No. of employees suffering a workplace accident/total employees) x 100	3.69%	3.11%	4.35%	3.81%
Severity rate				
(days lost/total working days) x 100	2.11%	1.71%	3.57%	2.36%

Data for 2013 refer to employees in Spain. Data for 2013 include BMN from 1 June 2013 onwards.
Banco Gallego and SabadellSolbank, S.A.U. (formerly Lloyds Bank International) are not included.
In 2012 Banco Sabadell and Banco CAM's hazard prevention units remained separate until 7 December (the integration date). Banco CAM figures refer to 2012 as a whole.

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

- Minimizing the potential environmental impacts of processes, facilities and services.
- Efficient management of the environmental risks and opportunities inherent in our business.
- Promoting a global commitment to the environment.

Global covenants and alliances

A signatory to the United Nations Global Compact.
- Supporting a precautionary approach to environmental challenges.
- Fostering initiatives to promote greater environmental responsibility.
- Encouraging the development and dissemination of environmentally-friendly technologies.

A signatory to the Carbon Disclosure Project (CDP) and CDP Water Disclosure
Combating climate change: as a signatory of the Carbon Disclosure Project and disclosing CO_2 emissions.

A signatory of the Equator Principles
Taking account of social and environmental risks in structured financed projects.

A signatory of the United Nations Principles for Responsible Investment in the "asset owner" and "investment manager" categories
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
Providing finance to, and directly investing in, renewable energy generation projects.

Environmental management certified to ISO 14001
15% of our employees in Spain work in one of our six certified Central Service office buildings. Our environmental management system is adapted for the rest of the group.

Gold certified under LEED NC for sustainable buildings
The new Central Services building at the group's main headquarters has Gold certification for sustainable building.

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.

Financing and investing in renewable energy

Banco Sabadell promotes the development of a more sustainable energy model by investing directly in and providing funding 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, including events organized by the Spanish Wind Energy Association and the Association of Renewable Energy Producers.

In 2013 Banco Sabadell provided €162 million in finance for renewable energy generation projects, mainly in the US. Renewable energy facilities financed by the Bank provide a total installed capacity of 17,626 MW. This capacity consists mainly of wind farm installations. In addition to finance, Banco Sabadell provides advisory services for renewable energy projects.

Banco Sabadell adopted the Equator Principles in September 2011. Based on the policies, standards and guidelines of the International Finance Corporation (IFC), the Principles currently apply to structured projects of more than USD 10 million. According to the latest version of the Equator Principles (EP III), environmental and social impact assessments (ESIAs) will be extended to decisions on corporate loans in 2014.

Energy source	Spain	Americas	Europe	Total
Wind	8,887	4,330	788	14,005
Solar thermal	894	0	0	894
Small-scale hydro power	116	0	0	116
Photovoltaic	149	891	0	1,040
Biomass	131	0	0	131
Other sources	591	849	0	1,440
Total				**17,626**

T14 Installed capacity of funded projects (Current MW)

Through its wholly-owned subsidiary Sinia Renovables SCR de Régimen Simplificado, S.A., the Bank makes direct investments in power generation projects that use renewable energy sources. At the time of writing the Bank is involved in 13 renewable energy undertakings, including shareholdings in Adelanta Corporación, S.A. (25.0%), Eolia Renovables, S.A. (5.6%), Fersa Energías Renovables (3.8%) and Espírito Santo Infrastructure Fund - I, S.C.R. (10.5%). At 2013 year-end, these investee companies represented 1,149 MW of installed capacity, of which 164 MW were directly attributable to the group.

Environmental management and climate change

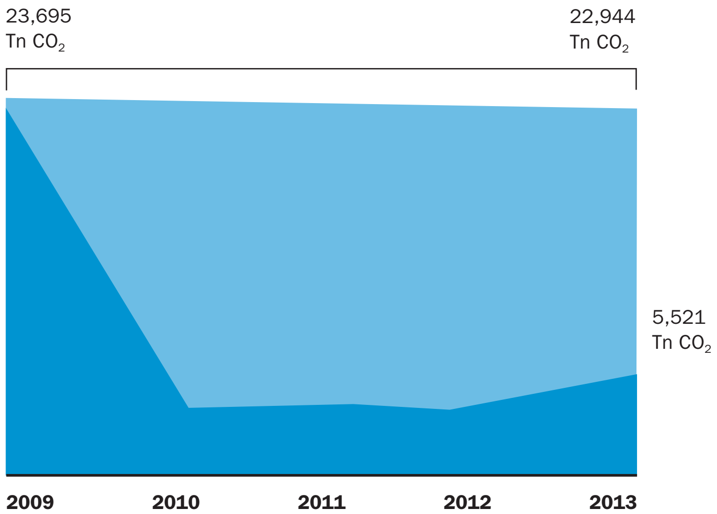
The group's Environment Committee is responsible for overseeing compliance with group policy on the environment and supervising environmental performance by the organization. The Bank has an environmental management system (EMS) that was set up in 2006 in accordance with the ISO 14001:2004 standard and has been certified for six Central Services buildings. The EMS has been progressively adapted to the Bank's other workplaces in Spain. Currently 15% of its employees in Spain work in a certified facility.

Year after year Banco Sabadell works to improve the eco-efficiency of its facilities and reduce the environmental impact of its services. Efficiency ratios per employee have improved even though total usages have increased as a result of the integration of Banco CAM into the organization.

Inventory of CO_2 emissions

An inventory of CO_2 emissions was drawn up in 2009 and verified by DNV taking 2009 as the base year for a reduction target of 3% over five years.

F6 Banco Sabadell CO_2 emission performance
Base year: 2009



Emission target for period 2009 – 2014 (3% reduction)

Banco Sabadell emission performance (77% reduction achieved)

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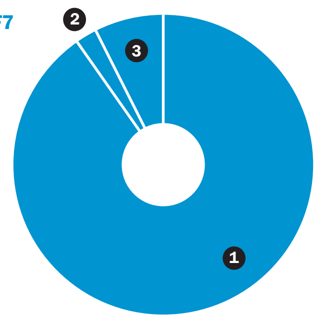

Generation capacity attributable to the group

1	Wind	90.3%
2	Smallscale hydro	2.32%
3	Photovoltaic	7.4%

T15 Corporate emissions Inventory (Tn CO_2)

	2013
Scope I emissions (direct: emissions caused by company facilities and vehicles)	**560.4**
Fuel oil consumption (generators and fire prevention equipment)	21.4
Propane gas consumption (boilers)	3.9
Natural gas consumption (boilers, cafeterias and humidifier equipment)	383.2
Vehicles, company-owned and leased	151.9
Scope 2 emissions (indirect: emissions due to electricity consumption in Spain)	**2,189.1**
Power supplied by Nexus Renovables	961.0
Power supplied by Iberdrola Generación	1,097.4
Power supplied by other suppliers	130.8
Scope 3 (other indirect activities: emissions attributable to business travel)	**2,771.7**
Travel by air	1,278,2
Travel by train	122.7
Travel by road (except in company cars)	1,370.8
Total CO_2 emissions	**5,521.2**

Emissions inventory drawn up according to the standard "The GHG Protocol. A Corporate Accounting and Reporting Standard - Revised edition", using the operational control and centralized consolidation approach.
Data refer to group activities in Spain only. Figures for the last quarter of the year are estimates.
BMN figures are included as from the integration date (12.10.2013).
Banco Gallego and SabadellSolbank, S.A.U. (formerly Lloyds Bank International) are not included.

Eco-efficiency measures taken by the group to reduce its environmental footprint include the following:

Power consumption

— 95% of the group's electricity is purchased from Nexus Renovables, which guarantees that 99% of its energy is sourced from renewables.
— 74% of branches are equipped with centralized lighting and climate control systems.
— Low power usage lamps and billboard lighting systems with daylight switching systems.
— Lighting systems fitted with LED lamps and presence detectors in Central Service buildings.
— Energy recovery climate control systems are fitted in Central Service buildings and larger branches.
— Branches use Thin Client hardware which consumes 90% less energy than conventional PCs. PCs at Central Services buildings have an automatic shutdown function.

Materials consumption

— Visitors to the group's web sites are asked to make use of email instead of paper for their correspondence.
— Customers can access 100% of their correspondence with the Bank electronically.
— The branch network has digital tablets for customer signatures. In 2013, the use of tablets made it possible to eliminate over 22 million pre-printed forms. There are plans to process more transactions via tablets in the future and progressively eliminate the use of paper. Even so, each year some 65,000 boxes of customer records on paper are moved to the general archive, where they remain in storage for the legally-required period.
— Conventional paper is FSC-certified chlorine free and produced to ISO 9001 and ISO 14001 standards. All the group's printers are configured for duplex printing by default.
— 89% of the paper consumed at Banco Sabadell Central Service buildings is recycled.

T16 Energy consumption

		2013	2012	2011
Fuel oil consumption	MWh	83	60	43
Propane gas consumption	MWh	17	20	14
Natural gas consumption	MWh	1,891	1,805	907
Electricity consumption	MWh	101,001	63,751	61,269
Total energy consumption	**MWh**	**102,991**	**65,636**	**62,233**
Total energy consumption per employee	MWh/e	6.0	6.8	6.3
Power consumption – by supplier				
Nexus Renovables	%	95.1%	94.7%	88.0%
Iberdrola Generación	%	4.5%	5.0%	10.0%
Other suppliers	%	0.3%	0.3%	2.0%

Data refer to group operations in Spain. BMN figures are included as from the integration date (12 October 2013). Banco Gallego and SabadellSolbank, S.A.U. (formerly Lloyds Bank International) are not included. Figures for the last quarter of 2013 are estimates. Nexus Renovables supplies electricity that is 99% from renewable sources, Iberdrola Generación, 48%, based on the Report on electricity guarantees of origin and labelling for 2012 published by Spain's National Energy Commission. Per-employee data for the years 2013 and 2011 are based on the total number of employees in Spain at the end of each year.Data for the year 2012, when Banco CAM was merged into the Bank, are based on average employee numbers for the year to 30 November 2012.

T17 Paper consumption

		2013	2012	2011
Paper consumption	tonnes	939	566	526
Paper consumption per employee	kg/e	55	59	53
Use of recycled paper	%	14%	19%	19%
Use of recycled paper in Central Services buildings	%	89%	84%	78%

Data refer to consumption of DIN A4 paper in Spain. For commercial reasons recycled paper is not used in documentation provided to customers. Data for 2013 include BMN as from the integration date (12 October 2013). Data for Banco Gallego and SabadellSolbank, S.A.U. (formerly Lloyds Bank International) are not included. Per-employee data for the years 2013 and 2011 are based on the total number of employees in Spain at the end of each year. Data for the year 2012, when Banco CAM was merged into the Bank, are based on average employee numbers for the year to 30 November 2012.

Water consumption

- Water consumption is limited to sanitary use and watering gardens. With regard to waste water management, all our facilities and workplaces are connected to the public sewage network.
- All WCs and taps are fitted with water-saving mechanisms.
- The new CBS building has a cistern for collecting rainwater and greywater for watering plants. The garden is planted with autochthonous drought-resistant plants.

Business travel

- Business travel is subject to considerations of environmental protection and cost rationalization. Video- or tele-conferencing is used for meetings as much as possible; where a trip is necessary, the policy is to reduce the number of people travelling to a bare minimum.
- Deployment of the Office Communicator messaging tool has made personal videoconferencing and instant messaging available to all branches and offices.
- The creation of virtual learning communities is encouraged to enhance distance learning and eliminate the need to travel.
- Employees have the option of using the group's car sharing platform. Employees who would like to share a car for commuting can use the platform to make contact and save on transportation costs, while also helping to reduce CO_2 emissions.

Waste management

All Central Service buildings have facilities for separate waste collection (paper, packaging, organic matter, used toner cartridges, computer waste and batteries).

- Banco Sabadell participates in the HP Planet Partners toner cartridge collection and reuse programme and disposes of its technology waste through authorized waste managers.
- In all group premises, used paper is treated as confidential waste for shredding and is 100% recycled through authorized waste managers. Archived material destroyed in 2013 accounted for approximately 60% of waste paper produced by the group in the year.
- Where offices are being closed or merged with others, furniture and other equipment cannot always be reused. Computer equipment and office furniture that is in good condition is given away to local charities and the rest that cannot be reused is treated as waste and is disposed of by an authorized waste manager.

T18 Water consumption

		2013	2012	2011
Water consumption	euros	855,688	495,446	424,881
Water consumption(1)	m^3	566,681	328,110	281,378
Water consumption in Spain, per employee(2)	euros/e	50	51	43

Data refer to water consumption by group companies in Spain.
The water consumed by the group comes from the public mains and no rainwater harvesting takes place.
Data for 2013 include BMN as from the integration date (12 October 2013). Data for Banco Gallego and SabadellSolbank, S.A.U. (formerly Lloyds Bank International) are not included.
(1) Estimate based on water costs in Spain (National Statistical Institute, 2010).
(2) Data for the years 2013 and 2011 are based on the total number of employees in Spain at the end of each year. Data for the year 2012, when Banco CAM was merged into the Bank, are based on average employee numbers for the year to 30 November 2012.

T19 Transport

		2013	2012	2011
Business travel	Mn. Km.	27.0	22.0	20.0
Business travel	'000 Km/e	1.6	2.3	2.0

Data for business travel do not include travel between home and work.
Distances include travel by air, rail and private or company car.
Data for 2013 include BMN as from the integration date (12 October 2013). Data for Banco Gallego and SabadellSolbank, S.A.U. (formerly Lloyds Bank International) are not included.
Distances include data for the 11 company-owned cars and for air and rail journeys in December.
Per-employee data for the years 2013 and 2011 are based on the total number of employees in Spain at the end of each year. Data for the year 2012, when Banco CAM was merged into the Bank, are based on average employee numbers for the year to 30 November 2012.

T20 Waste

	2013	2012	2011
Paper and cardboard waste	594.0	672.0	768.0
Paper and cardboard waste, per employee	35.0	70.0	77.0
Toner waste	17.0	14.0	19.0
Toner waste per employee	0.8	1.1	1.5

Data refer to waste produced by the group in Spain.
Data for 2013 include BMN as from the integration date (12 October 2013). Data for Banco Gallego and SabadellSolbank, S.A.U. (formerly Lloyds Bank International) are not included.
Per-employee data for the years 2013 and 2011 are based on the total number of employees in Spain at the end of each year. Data for the year 2012, when Banco CAM was merged into the Bank, are based on average employee numbers for the year to 30 November 2012.

Environmental training and awareness

All group employees have access to an on-line training course which is obligatory for staff at Central Service facilities certified to ISO 14001. Additionally, an on-line guide, "Connect with the Environment", gives employees ready access to information about the Bank's environmental footprint, resource consumption and waste management for the branch or Central Services facility. Articles concerning the environment are published in the in-house magazine and on the corporate intranet.

Banco Sabadell also informs all suppliers of the group's environmental policy and incorporates environmental and social responsibility into its supply chain in a number of ways. In the case of suppliers that provide services with an environmental impact at certified premises, the organization provides all supplier personnel working on-site with training in the Environmental Management System and the ISO 14001 standard.

In the procurement process, tenders or offers from suppliers with ISO 9001, ISO 14001/EMAS or EFQM certification, or using special employment centres for the disabled, are looked on favourably. The environmental features of products (recycled, ecological or reusable) are also taken into account. Such environmental features will be included in the specifications for products and services that have a significant environmental impact. 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

Social innovation

Banco Sabadell nurtures and gives recognition to people's talent and transformative potential. It does this through such awards as the Banco Herrero Foundation Prize for Research in the Social Sciences, the Banco Sabadell Prize for Biomedical Research, the UPFemprèn Prize for entrepreneurial initiative by students, and the ESADE Alumni-Banco Sabadell Prize for Best Business Start-up. In 2013 the Bank launched BStartup 10, a high-impact scheme to encourage enterprise in the digital and hi-tech industries, in which it will invest a total of €1 million.

It also supports the use of collaborative platforms to channel the capacity for innovation shown by employees, customers and consumers and add value to society as a whole.

Employees

Any group employee can share their ideas or suggestions for improvement on BSIdea, the group's social networking site. To encourage employee participation, the Bank uses this platform to challenge everyone in the organization to produce specific niche innovation ideas. This includes lectures with guest speakers from outside the organization to talk about market trends. Environment awareness is the thinking behind Banco Sabadell's BS Carpooling, a car sharing platform for employees.

Customers and consumers

The group's website feedback.bancsabadell.com and its suggestions page on Facebook are places for customers and consumers to get involved in promoting service innovations. The site receives more than 7,000 visits a day and 5,000 users have commented on suggestions posted on the site. Suggestions that get 25 or more "like" votes are considered by the Bank for possible implementation. Every two weeks the ideas posted by employees and customers are reviewed by a committee of people representing different areas of the group.

Microdonations and social fundraising

The Bank is a financial partner to Teaming.net, a crowdfunding platform which generates large numbers of small contributions to worthwhile causes. In 2013 Banco Sabadell put all its digital channels to use to support UNICEF's appeal for help for disaster victims in the Philippines. Employees, customers and the Bank itself together raised a total of €80,000 in two months.

Strategic alliances

In 2013 a first series of lectures on innovation and creativity was organized for employees, featuring guest speakers provided by strategic partners of the Bank. These included the Bank's advertising agency SCPF, Teléfonica I+D and Apple. The theme of the lectures was how to identify and stimulate new ideas, how mobile devices are transforming bank services and how to successfully implement and build on innovative projects.

Banco Sabadell has forged strategic partnerships with its principal IT suppliers: HP, IBM and Telefónica. With these and other partners it participates in forums that enable all parties to maximize their technological and innovation capabilities, leading ultimately to the development of hi-tech solutions in the banking sector.

Social and cultural action

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 through the Banco Sabadell Foundation and the group's Sponsorship Committee. In 2013 the Banco Sabadell and Banco Herrero Foundations were merged and now constitute a single body, the Banco Sabadell Foundation, which carries out programmes all over the country.

The Sponsorship Committee is the body that coordinates Banco Sabadell's sponsorship programme; some initiatives are also generated by committees or departments within the organization. Chief among these iniatives are the corporate volunteer programme headed by the Human Resources Department and donations of management fees by managers of ethical investment funds, coordinated by their steering or ethics committees.

The Foundation's annual budgets are funded from the income produced by its assets and the grants it receives from the Bank. The Foundation is governed and managed by a Board of Trustees which is fully empowered to undertake the activities for which it was set up.

Banco Sabadell is responsible for ensuring transparency in the use of all funds set aside to fund community and cultural activities. The group accounts for and reports on its use of resources according to a number of international standards (LBG, SAM, etc.). In 2013, the social and cultural action of Banco Sabadell and its foundation amounted to 4,330,759 euro.

T21 Type of contribution

Monetary Value of monetary contribution	87.4%
Time Value of employees' time	12.6%

T22 Purpose of investment

Community projects Strategic, long-term commitment to work in the community	59.6%
One-off actions One-off actions to support a wide range of causes in response to the needs of, and requests from, charitable and community organizations	13.3%
Business-aligned initiatives Initiatives of social interest that directly benefit the group's business	27.2%

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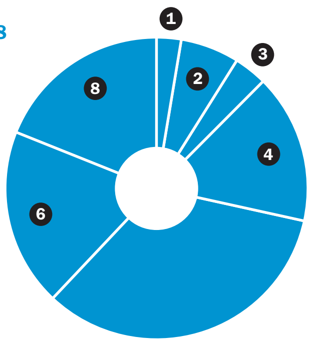

Action areas

1 Aid and solidarity	2.6%
2 Social integration	6.3%
3 Medical research and healthcare	3.5%
4 Training and education	16.0%
5 Culture	33.6%
6 Economic development	19.0%
7 Other	18.9%

Total spending

On social and cultural action: €4.3 million

Full information on the Banco Sabadell Foundation and its annual award sponsorships can be found in the "Society" section of the group website. The group's blog provides information on the initiatives being supported in the different areas of social and cultural action.

www.grupobancosabadell.com
blog.bancosabadell.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 16th 2014 and with the personal attendance of Mr. José Oliu Creus, Mr. José Manuel Lara Bosch, Mr. José Javier Echenique Landiribar, Mr. Jaime Guardiola Romojaro, Mr. Joan Llonch Andreu, Mr. Héctor María Colonques Moreno, Mr. José Permanyer Cunillera, Ms. María Teresa García-Milá LLoveras, Mr. José Ramón Martínez Sufrategui, Ms. Sol Daurella Comadrán, Mr. José Luis Negro Rodríguez and Mr. José Manuel Martínez Martínez, with justified absence of Mr. Joaquín Folch-Rusiñol Corachán and Mr. Antonio Vitor Martins Monteiro, who delegates his vote in the Chairman, 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 2013, 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 23rd in the year two thousand and fourteen.

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

EXCELENCIA EUROPEA

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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.

AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

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

We have audited the consolidated annual accounts of Banco de Sabadell, S.A. (parent company) and its subsidiaries (the group), consisting of the consolidated balance sheet at 31 December 2013, 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. As explained in Note 1, the directors of the company are responsible for the preparation of these consolidated annual accounts in accordance with International Financial Reporting Standards as endorsed by the European Union, and other provisions of the financial reporting framework applicable to the group. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work performed in accordance with legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the consolidated annual accounts and an evaluation of whether their overall presentation, the accounting principles and the criteria applied and the estimates made are in accordance with the applicable financial reporting framework.

In our opinion, the accompanying consolidated annual accounts for 2013 present fairly, in all material respects, the consolidated financial position of Banco de Sabadell, S.A. and its subsidiaries at 31 December 2013 and the consolidated results of its operations and the consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union, and other provisions of the applicable financial reporting framework.

The accompanying consolidated directors' Report for 2013 contains the explanations which the parent company's directors consider appropriate regarding the group's situation, the development of its 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 consolidated directors' Report is in agreement with that of the consolidated annual accounts for 2013. Our work as auditors is limited to checking the consolidated directors' Report with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the accounting records of Banco de Sabadell, S.A. and its subsidiaries.

PricewaterhouseCoopers Auditores, S.L.

Fco. Javier Astiz Fernández
Partner

31 January, 2014

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

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

Consolidated annual accounts
for the year ended
31 December 2013

Contents: Banco Sabadell Group consolidated annual accounts for 2013

Contents: Banco Sabadell Group consolidated annual accounts for 2013

Consolidated balance sheets of the Banco Sabadell Group

At 31 December 2013 and 31 December 2012

Thousand euro

Assets	2013	2012 (*)
Cash and deposits with central banks	**3,201,898**	**2,483,590**
Financial assets held for trading	**1,889,624**	**2,042,177**
Loans and advances to credit institutions	0	0
Loans and advances to customers	0	0
Debt securities (Note 5)	557,741	297,752
Equity instruments (Note 6)	43,269	41,390
Trading derivatives (Note 7)	1,288,614	1,703,035
Memorandum item: loaned or pledged	*0*	*0*
Other financial assets at fair value through profit or loss	**140,534**	**170,895**
Loans and advances to credit institutions	0	0
Loans and advances to customers	0	0
Debt securities	0	0
Equity instruments (Note 6)	140,534	170,895
Memorandum item: loaned or pledged	*0*	*0*
Available-for-sale financial assets	**19,277,672**	**16,412,630**
Debt securities (Note 5)	18,650,535	15,193,555
Equity instruments (Note 6)	627,137	1,219,075
Memorandum item: loaned or pledged	*5,443,460*	*1,052,921*
Loans and receivables	**118,989,126**	**114,978,239**
Loans and advances to credit institutions (Note 4)	3,525,521	5,233,243
Loans and advances to customers (Note 8)	112,928,890	109,348,083
Debt securities (Note 5)	2,534,715	396,913
Memorandum item: loaned or pledged	*210,884*	*765,261*
Held to maturity investments (Note 5)	**0**	**7,647,834**
Memorandum item: loaned or pledged	*0*	*871,089*
Adjustments to financial assets due to macro-hedges (Note 11)	**0**	**36,917**
Hedging derivatives (Notes 2 and 12)	**593,327**	**687,284**
Non-current assets held for sale (Note 13)	**2,270,348**	**2,056,254**
Investments (Note 14)	**640,842**	**746,336**
Associates	638,828	744,356
Jointly-controlled entities	2,014	1,980
Insurance contracts linked to pensions (Note 25)	**156,083**	**165,092**
Reinsurance assets	**0**	**0**
Tangible assets (Note 15)	**3,935,322**	**2,635,038**
Property, plant and equipment	1,657,327	1,450,485
For own use	1,586,619	1,378,563
Leased out under operating leases	70,708	71,922
Investment property	2,277,995	1,184,553
Memorandum item: Acquired under finance leases	*0*	*0*
Intangible assets (Note 16)	**1,501,737**	**1,165,072**
Goodwill	1,073,209	827,931
Other intangible assets	428,528	337,141
Tax assets	**6,877,157**	**6,279,864**
Current	660,696	670,556
Deferred (Note 35)	6,216,461	5,609,308
Other assets (Note 17)	**3,967,800**	**4,039,863**
Inventories	3,746,977	3,709,485
Other	220,823	330,378
Total assets	**163,441,470**	**161,547,085**

(*) Presented for comparative purposes only.

Consolidated balance sheets of the Banco Sabadell Group

At 31 December 2013 and 31 December 2012

Thousand euro

Liabilities	2013	2012 (*)
Financial liabilities held for trading	**1,445,545**	**1,699,230**
Deposits from central banks	0	0
Deposits from credit institutions	0	0
Customer deposits	0	0
Marketable debt securities	0	0
Trading derivatives (Note 7)	1,298,735	1,678,818
Short positions	146,810	20,412
Other financial liabilities	0	0
Other financial liabilities at fair value through profit or loss	**0**	**0**
Deposits from central banks	0	0
Deposits from credit institutions	0	0
Customer deposits	0	0
Marketable debt securities	0	0
Subordinated liabilities	0	0
Other financial liabilities	0	0
Financial liabilities at amortised cost	**147,269,474**	**144,984,600**
Deposits from central banks	9,227,492	23,888,640
Deposits from credit institutions (Note 19)	13,857,264	9,779,956
Customer deposits (Note 20)	99,362,908	82,464,410
Marketable debt securities (Note 21)	21,166,915	25,326,170
Subordinated liabilities (Note 22)	1,089,046	1,166,707
Other financial liabilities (Note 23)	2,565,849	2,358,717
Adjustments to financial liabilities due to macro-hedges (Note 11)	**211,406**	**337,992**
Hedging derivatives (Note 12)	**315,239**	**436,225**
Liabilities associated with non-current assets held for sale (Note 13)	**0**	**0**
Liabilities under insurance contracts (Note 24)	**2,134,139**	**2,038,815**
Provisions (Note 25)	**664,246**	**1,329,565**
Provisions for pensions and similar obligations	147,657	201,593
Provisions for taxes and other legal contingencies	53,745	52,284
Provisions for contingent exposures and commitments	304,349	277,162
Other provisions	158,495	798,526
Tax liabilities	**612,413**	**911,306**
Current	77,494	166,509
Deferred (Note 35)	534,919	744,797
Other liabilities	**383,417**	**520,048**
Total liabilities	153,035,879	152,257,781

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

Consolidated balance sheets of the Banco Sabadell Group

At 31 December 2013 and 31 December 2012

Thousand euro

Equity	2013	2012 (*)
Shareholders' funds (Note 28)	**10,226,534**	**9,148,074**
Capital	501,435	369,944
Issued	501,435	369,944
Less: Uncalled capital	*0*	*0*
Share premium account	5,760,506	4,560,923
Reserves	3,035,727	3,362,921
Accumulated reserves (losses)	2,882,204	3,156,862
Reserves (losses) in companies accounted for using the equity method	153,523	206,059
Other equity instruments	738,476	798,089
Equity component of compound financial instruments	738,476	798,089
Other equity instruments	0	0
Less: Treasury shares	*(57,442)*	*(25,694)*
Profit for the year attributed to the parent company	247,832	81,891
Less: Dividends and remuneration	*0*	*0*
Valuation adjustments (Note 29)	**120,814**	**(317,945)**
Available-for-sale financial assets	229,080	(241,661)
Cash flow hedging	(31,620)	(37,363)
Hedges of net investment in foreign operations	0	0
Exchange differences	(14,542)	(13,733)
Non-current assets held for sale	0	0
Entities accounted for using the equity method	2,360	(19,972)
Other valuation adjustments	(64,464)	(5,216)
Non-controlling interests (Note 30)	**58,243**	**459,175**
Measurement adjustments	(11)	4,682
Rest	58,254	454,493
Total equity	**10,405,591**	**9,289,304**
Total equity and liabilities	**163,441,470**	**161,547,085**

Memorandum item		
Contingent risks (Note 31)	**8,663,950**	**9,015,469**
Contingent commitments (Note 32)	**12,026,000**	**13,523,884**

(*) 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 2013 and 2012

Thousand euro

	2013	2012 (*)
Interest and similar income (Note 34.a)	**4,863,170**	**4,735,621**
Interest and similar expenses (Note 34.a)	**(3,048,476)**	**(2,867,633)**
Net interest income	**1,814,694**	**1,867,988**
Return on equity instruments	**7,329**	**9,865**
Share of profit/(loss) of equity-accounted entities	**11,107**	**(11,735)**
Fee and commission income (Note 34.b)	**873,061**	**725,766**
Fee and commission expense (Note 34.b)	**(113,391)**	**(97,077)**
Net gains/(losses) on financial assets and liabilities (Note 34.c)	**1,479,185**	**546,236**
Financial instruments held for trading	53,565	132,205
Other financial instruments at fair value through profit or loss	216	(177)
Financial instruments not measured at fair value through profit or loss	1,426,808	395,270
Other	(1,404)	18,938
Exchange differences (net)	**67,871**	**59,881**
Other operating income (Note 34.d)	**548,004**	**392,751**
Income from insurance and reinsurance contracts	391,589	176,847
Sales and income from non-financial services	34,710	117,124
Rest of other operating income	121,705	98,780
Other operating expenses (Note 34.e)	**(711,066)**	**(535,229)**
Expenses on insurance and reinsurance contracts	(417,787)	(189,931)
Difference between opening and closing inventories	(1,279)	(5,466)
Rest of other operating expenses	(292,000)	(339,832)
Gross income	**3,976,794**	**2,958,446**
Administrative costs (Note 34.f)	**(1,723,061)**	**(1,511,625)**
Personnel expenses	(1,135,175)	(996,546)
Other general administrative expenses	(587,886)	(515,079)
Depreciation and amortisation	**(228,447)**	**(156,925)**
Provisions (net)	**(59,657)**	**(62,561)**
Impairment losses on financial assets (net) (Note 34.g)	**(1,080,233)**	**(1,408,967)**
Loans and receivables	(1,038,836)	(1,329,691)
Other financial instruments not measured at fair value through profit or loss (Note 6)	(41,397)	(79,276)
Operating profit/(loss)	**885,396**	**(181,632)**

(*) Presented for comparative purposes only.

Consolidated income statements of the Banco Sabadell Group

for the years ended 31 December 2013 and 2012

Thousand euro

	2013	2012 (*)
Impairment losses on other assets (net) (Note 34.h)	**(361,788)**	**(896,538)**
Goodwill and other intangible assets (Note 16)	(848)	(175)
Other assets	(360,940)	(896,363)
Gains/(losses) from disposals of assets not classified as non-current assets held for sale (Note 34.i)	**43,893**	**15,407**
Negative goodwill on business combinations (Note 34.j)	**30,295**	**933,306**
Gains/(losses) from non-current assets held for sale not classified as discontinued operations	**(267,320)**	**(172,563)**
Profit/(loss) before discontinued operations and taxes	**330,476**	**(302,020)**
Income tax (Note 35)	**(61,641)**	**398,055**
Profit/(loss) for the year before discontinued operations	**268,835**	**96,035**
Profit/(loss) from discontinued operations (net)	**0**	**0**
Consolidated profit/(loss) for the period	**268,835**	**96,035**
Profit/(loss) attributed to the parent company	**247,832**	**81,891**
Profit/(loss) attributed to non-controlling interests (Note 30)	**21,003**	**14,144**
Earnings per share (€)	*0.08*	*0.03*
Basic earnings per share after adjusting for conversion of mandatorily convertible bonds (€)	*0.07*	*0.03*
Diluted earnings per share (€)	*0.07*	*0.03*

(*) Presented for comparative purposes only.

Statements of changes in total equity for the Banco Sabadell Group

Consolidated statement of recognised income and expenses

for the years ended 31 December 2013 and 2012

Thousand euro

	2013	2012 (*)
Consolidated profit/(loss) for the year	**268,835**	**96,035**
Other recognised income and expenses	**434,066**	**82,115**
Items not to be reclassified to income statement	**6,205**	**0**
Actuarial gains /(losses) - defined benefit pension plans	8,865	0
Non-current assets held for sale	0	0
Entities accounted for using the equity method	0	0
Income tax related to items not to be reclassified to the income statement	(2,660)	0
Items that may be reclassified to income statement	**427,861**	**82,115**
Available-for-sale financial assets:	655,970	75,673
Valuation gains/(losses)	1,709,472	273,986
Amounts transferred to income statement	(1,053,502)	(198,313)
Other reclassifications	0	0
Cash flow hedging	8,728	(10,508)
Valuation gains/(losses)	7,715	(11,959)
Amounts transferred to income statement	1,013	1,451
Amounts transferred to initial carrying amount of hedged items	0	0
Other reclassifications	0	0
Hedging of net investment in foreign transactions	0	0
Valuation gains/(losses)	0	0
Amounts transferred to income statement	0	0
Other reclassifications	0	0
Exchange differences:	5,499	(29,344)
Valuation gains/(losses)	5,611	(29,344)
Amounts transferred to income statement	(112)	0
Other reclassifications	0	0
Non-current assets held for sale:	2,634	(2,634)
Valuation gains/(losses)	2,634	(2,634)
Amounts transferred to income statement	0	0
Other reclassifications	0	0
Entities accounted for using the equity method	22,332	65,090
Valuation gains/(losses)	22,332	51,447
Amounts transferred to income statement	0	13,643
Other reclassifications	0	0
Other recognised income and expense	(93,505)	(8,867)
Income tax related to items that may be reclassified to the income statement	(173,797)	(7,295)
Total recognised income and expenses	**702,901**	**178,150**
Attributed to the parent company	**686,591**	**153,174**
Attributed to non-controlling interests	**16,310**	**24,976**

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

The consolidated statement of recognised income and expenses together with the consolidated total statements of changes in equity of the Banco Sabadell group mal the statement of changes in equity

Statements of changes in total equity of the Banco Sabadell Group

Consolidated Statement of changes in total equity

for the years ended 31 December 2013 and 2012

Thousand euro

	Equity attributed to the parent company												
	Shareholders' funds												
	Capital	Share premium account	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 31/12/2012	**369,944**	**4,560,923**	**3,115,310**	**206,059**	**798,089**	**(25,694)**	**81,891**	**0**	**9,106,522**	**(317,945)**	**8,788,577**	**459,175**	**9,247,752**
Adjustments due to changes in accounting standards	0	0	41,552	0	0	0	0	0	41,552	0	41,552	0	41,552
Adjustments due to errors	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted opening balance	**369,944**	**4,560,923**	**3,156,862**	**206,059**	**798,089**	**(25,694)**	**81,891**	**0**	**9,148,074**	**(317,945)**	**8,830,129**	**459,175**	**9,289,304**
Total recognised income and expenses	**0**	**0**	**0**	**0**	**0**	**0**	**247,832**	**0**	**247,832**	**438,759**	**686,591**	**16,310**	**702,901**
Other changes in equity	**131,491**	**1,199,583**	**(274,658)**	**(52,536)**	**(59,613)**	**(31,748)**	**(81,891)**	**0**	**830,628**	**0**	**830,628**	**(417,242)**	**413,386**
Increase in share capital/assigned capital	131,491	1,278,950	0	0	0	0	0	0	1,410,441	0	1,410,441	0	1,410,441
Capital reductions	0	0	0	0	0	0	0	0	0	0	0	0	0
Conversion of financial liabilities into capital	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase in other equity instruments	0	0	0	0	0	0	0	0	0	0	0	0	0
Reclassification of financial liabilities to other equity instruments	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends distribution	0	(57,720)	0	0	0	57,720	(29,596)	0	(29,596)	0	(29,596)	0	(29,596)
Transactions involving own equity instruments (net)	0	0	(15,349)	0	(61,893)	(89,468)	0	0	(166,710)	0	(166,710)	0	(166,710)
Transfers between equity items	0	0	104,831	(52,536)	0	0	(52,295)	0	0	0	0	0	0
Increases /(reductions) due to business combinations	0	0	(321,654)	0	0	0	0	0	(321,654)	0	(321,654)	0	(321,654)
Discretionary appropriation to community projects and social funds	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity settled payments	0	0	0	0	0	0	0	0	0	0	0	0	0
Other increases /(decreases) in equity	0	(21,647)	(42,486)	0	2,280	0	0	0	(61,853)	0	(61,853)	(417,242)	(479,095)
Closing balance at 31/12/2013	**501,435**	**5,760,506**	**2,882,204**	**153,523**	**738,476**	**(57,442)**	**247,832**	**0**	**10,226,534**	**120,814**	**10,347,348**	**58,243**	**10,405,591**

Has been restated (see Note 1, Comparability).

Statements of changes in total equity for the Banco Sabadell Group

Consolidated Statement of changes in total equity

for the years ended 31 December 2012 and 2011

Thousand euro

	Equity attributed to the parent company												
	Shareholders' funds												
	Capital	Share premium account	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 31/12/2011	**173,881**	**1,861,702**	**3,213,527**	**224,483**	**814,620**	**(174,439)**	**231,902**	**(69,516)**	**6,276,160**	**(389,228)**	**5,886,932**	**47,212**	**5,934,144**
Adjustments due to changes in accounting standards	0	0	(13,020)	0	0	0	0	0	(13,020)	0	(13,020)	0	(13,020)
Adjustments due to errors	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted opening balance	**173,881**	**1,861,702**	**3,200,507**	**224,483**	**814,620**	**(174,439)**	**231,902**	**(69,516)**	**6,263,140**	**(389,228)**	**5,873,912**	**47,212**	**5,921,124**
Total recognised income and expenses	**0**	**0**	**0**	**0**	**0**	**0**	**81,891**	**0**	**81,891**	**71,283**	**153,174**	**24,976**	**178,150**
Other changes in equity	**196,063**	**2,699,221**	**(85,197)**	**(18,424)**	**(16,531)**	**148,745**	**(231,902)**	**69,516**	**2,761,491**	**0**	**2,761,491**	**386,987**	**3,148,478**
Increase in share capital / assigned capital	196,063	2,828,820	0	0	0	0	0	0	3,024,883	0	3,024,883	0	3,024,883
Capital reductions	0	0	0	0	0	0	0	0	0	0	0	0	0
Conversion of financial liabilities into capital	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase in other equity instruments	0	0	0	0	0	0	0	0	0	0	0	0	0
Reclassification of financial liabilities to other equity instruments	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends distribution	0	(110,425)	0	0	0	0	(69,516)	69,516	(110,425)	0	(110,425)	0	(110,425)
Transactions involving own equity instruments (net)	0	0	(40,145)	0	(16,548)	148,745	0	0	92,052	0	92,052	0	92,052
Transfers between equity items	0	0	180,810	(18,424)	0	0	(162,386)	0	0	0	0	0	0
Increases /(reductions) due to business combinations	0	0	0	0	0	0	0	0	0	0	0	0	0
Discretionary appropriation to community projects and social funds	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity settled payments	0	0	0	0	0	0	0	0	0	0	0	0	0
Other increases /(decreases) in equity	0	(19,174)	(225,862)	0	17	0	0	0	(245,019)	0	(245,019)	386,987	141,968
Closing balance at 31/12/2012	**369,944**	**4,560,923**	**3,115,310**	**206,059**	**798,089**	**(25,694)**	**81,891**	**0**	**9,106,522**	**(317,945)**	**8,788,577**	**459,175**	**9,247,752**

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

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

Consolidated cash flow statements of the Banco Sabadell Group

for the years ended 31 December 2013 and 2012

Thousand euro

	2013	2012 (*)
Cash flows from operating activities	(3,702,593)	1,685,871
Consolidated profit/(loss) for the year	**268,835**	**96,035**
Adjustments to obtain cash flows from operating activities	**95,169**	**(59,439)**
Depreciation and amortisation	228,447	156,925
Other adjustments	(133,278)	(216,364)
Net increase/decrease in operating assets	**(6,593,158)**	**(4,535,286)**
Financial assets held for trading	(617,018)	211,731
Other financial assets at fair value through profit or loss	1,004,731	(23,957)
Available-for-sale financial assets	(752,367)	716,415
Loans and receivables	(1,875,510)	(6,245,824)
Other operating assets	(4,352,994)	806,349
Net increase/decrease in operating liabilities	**(10,121,755)**	**(2,881,202)**
Financial liabilities held for trading	(254,230)	75,158
Other financial liabilities at fair value through profit or loss	0	0
Financial liabilities at amortised cost	(8,264,304)	(3,980,128)
Other operating liabilities	(1,603,221)	1,023,768
Income tax collections/payments	**(538,000)**	**(4,809)**
Cash flows from investing activities	3,735,717	(317,613)
Payments made	**1,359,816**	**554,713**
(-) Tangible assets	702,970	235,163
(-) Intangible assets	161,857	110,382
(-) Investments	28,221	209,168
(-) Subsidiaries and other business units	0	0
(-) Non-current assets and associated liabilities held for sale	466,768	0
(-) Held-to-maturity investments	0	0
(-) Other payments related to investing activities	0	0
Payments received	**5,095,533**	**237,100**
(+) Tangible assets	6,173	0
(+) Intangible assets	768	733
(+) Investments	135,907	236,367
(+) Subsidiaries and other business units	0	0
(+) Non-current assets and associated liabilities held for sale	13,293	0
(+) Held-to-maturity investments	4,939,392	0
(+) Other payments related to investing activities	0	0

(*) Presented for comparative purposes only.

Consolidated cash flow statements of the Banco Sabadell Group

for the years ended 31 December 2013 and 2012

Thousand euro

	2013	2012 (*)
Cash flows from financing activities	**685,993**	**(158,823)**
Payments made	**971,233**	**1,392,750**
(-) Dividends	29,596	0
(-) Subordinated liabilities	77,661	489,918
(-) Redemption of own equity instruments	0	0
(-) Acquisition of own equity instruments	487,462	510,808
(-) Other payments related to financing activities	376,514	392,024
Payments received	**1,657,226**	**1,233,927**
(+) Subordinated liabilities	0	0
(+) Issuance of own equity instruments	1,326,494	902,556
(+) Disposal of own equity instruments	330,732	331,371
(+) Other payments related to financing activities		0
Effect of exchange rate fluctuations	**(809)**	**(16,523)**
Net increase/(decrease) in cash and cash equivalents	**718,308**	**1,192,912**
Cash and cash equivalents at beginning of the year	**2,483,590**	**1,290,678**
Cash and equivalents at end of the year	**3,201,898**	**2,483,590**

Memorandum item		
Components of cash and cash equivalents at end of the year		
(+) Cash and banks	482,673	455,956
(+) Cash equivalent balances in central banks	2,719,225	2,027,634
(+) Other financial assets	0	0
(-) Less: Bank overdrafts reimbursable on demand	*0*	*0*
Total cash and cash equivalents at end of the year		
Of which: held by consolidated subsidiaries but not available to the group	**0**	**0**

(*) Presented for comparative purposes only.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS OF THE BANCO SABADELL GROUP

For the years ended 31 December 2013 and 2012

NOTE 1 - 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, Plaça 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 (Schedule I) whose activity it controls directly or indirectly and which make up, together with the Bank, the Banco Sabadell Group ("the group").

Basis of presentation

On 1 January 2005, under European Parliament and Council Regulation 1606/2002 of 19 July 2002, it became mandatory for companies to prepare their consolidated annual accounts in accordance with the International Financial Reporting Standards adopted by the European Union ("EU-IFRS") if, at their balance sheet date, their securities were admitted to trading on a regulated market of any Member State.

This was followed by the publication of the Bank of Spain's Circular 4/2004 “Credit Institutions - Public and Confidential Financial Reporting Rules and Formats”. The circular, which subsequently appeared in a number of revised versions, changed the accounting rules applicable to banks to bring them into line with EU-IFRS.

The group's consolidated annual accounts for 2013 have been prepared in accordance with EU-IFRS to present fairly the group's consolidated equity and financial position, the consolidated results of its operations, recognized income and expense, changes in consolidated equity and consolidated cash flows. The consolidated annual accounts do not contain significant differences with respect to the accounts that would be obtained if prepared in accordance with Bank of Spain Circular 4/2004. There is no obligatory accounting principle, standard or valuation policy having a material effect that has not been applied in preparing the accounts. A summary of the most significant accounting principles, standards and valuation procedures that have been applied in these consolidated annual accounts is provided in this note.

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 2013 were signed off by the directors of Banco Sabadell at a meeting of the Board on 23 January 2014 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 2013

In 2013 the most significant International Financial Reporting Standards (IFRSs), and amendments thereto that came into force were as follows:

Standards	Title
Amendment of IAS 1	Presentation of financial statements
Amendment of IAS 19	Employee benefits
IFRS 13	Fair value measurement
Amendment to IFRS 7	Financial instruments: disclosure

The adoption of the above standards by the group has not had a relevant impact on these consolidated annual accounts except for the entry into force of the amendment to IAS 19 "Employee Benefits", the main accounting impacts of which are explained in point b) of the accounting principles and policies applied, and the additional disclosures provided.

Amendment to IAS 1 - "Presentation of financial statements":

This amendment has led to a change in the presentation of "other recognized income and expenses" in the group statement of recognized income and expenses, as now separate totals must be disclosed for the items that will be recycled to the income statement in future years (for instance, gains or losses on valuations of financial assets available for sale) and those that will not.

Amendment to IAS 19 - “Employee benefits”

The amendments made to IAS 19 have changed certain aspects of the accounting treatment of defined benefit plans, it being necessary to record all actuarial gains and losses immediately in "other recognized income and expense" in the group statement of recognized income and expenses. Since the amended standard no longer allows the recognition of shortfalls or surpluses pending on such plans to be deferred, they must be recognized under reserves on the consolidated balance sheet at the date of first application.

In addition, interest costs and the expected return on assets of defined benefit plans are replaced in the amended standard by a net amount of interest calculated by applying the discount rate at the beginning of the year to the liability (or asset) related to the commitment. It has also led to changes in the presentation of cost items in the consolidated income statement, which groups and presents them separately.

IFRS 13 - "Fair value measurement"

This new standard was issued to provide guidance on the fair value measurement of assets and liabilities, both financial and non-financial, when this is the valuation method required by other IFRS, and to group together the breakdowns of information regarding this measurement.

While the current measurement criteria established by other IFRSs are not changed, the standard introduces new nuances to the definition of fair value based on the price that would be received on the sale of an asset or paid in the transfer of a liability in an ordinary transaction between market players taking place on the date of measurement.

See Note 26 for disclosures required by IFRS 13.

Amendment to IFRS 7, “Financial instruments: Disclosures”.

The changes to IFRS 7 introduce new information breakdowns concerning the offsetting of financial assets and liabilities. Companies must include disclosures concerning the gross and net amounts of financial assets that have been offset, and all financial instruments recognized that are included in any enforceable net offset agreement or similar, whether they have been offset or not.

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 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 financial statements or because they had not yet been adopted by the European Union, are as follows:

Standards and interpretations	Title	Mandatory for years commencing:
Approved for application in EU		
IFRS 10	Consolidated financial statements	1 January 2014 (*)
IFRS 11	Joint arrangements	1 January 2014 (*)
IFRS 12	Disclosure of interests in other entities	1 January 2014 (*)
Amendment of IAS 27	Separate financial statements	1 January 2014 (*)
Amendment of IAS 28	Investments in associates	1 January 2014 (*)
Amendments IFRS 10, IFRS 12 and IAS 27	Investment entities	1 January 2014
Amendment of IAS 32	Financial instruments: presentation	1 January 2014
Amendment of IAS 36	Disclosure of the recoverable amount of non-financial assets	1 January 2014
Amendment of IAS 39	Novation of derivatives and continuation of hedge accounting	1 January 2014
Not approved for application in EU		
IFRS 9	Financial instruments (and subsequent amendments thereto)	-
Amendment of IAS 19	Defined Benefit Plans: employee contributions	1 July 2014
Interpretation IFRIC 21	Levies	1 January 2014

(*) These standards and amendments are applicable to periods commencing as from 1 January 2013. However, their adoption by the European Union means that they will enter force, at the latest, on the date of commencement of the first financial year beginning as from 1 January 2014. In the event of early application, they must all be applied together.

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

IFRS 10 - "Consolidated financial statements”

IFRS 10 provides a single consolidation model applicable to entities of all kinds, 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, right to the variable results of the investment, and the capacity to use said power to influence the amount of these results.

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 Bank has revised all of its investments and has not identified any that should be included within the scope of consolidation 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 agreement. It is a "joint operation" when the parties having joint control have rights to the agreement assets and obligations derived from the agreement liabilities, while it will be a joint venture when the parties with joint control have rights to the net assets of the agreement.

Joint operations are recorded by including in the consolidated financial statements of the controlling entities the assets, liabilities, income and expenses pertaining to them under the agreement. Joint ventures are accounted for using 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 impact this standard will have on the Bank is that companies currently consolidated using the proportionate method (see Schedule I) will be consolidated by the equity method. This has no impact on the group's equity and there is no relevant impact on the presentation of the balance sheet and income statement.

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, joint ventures or other holdings. One of the main novelties is the introduction of the obligation to provide information about unconsolidated structured entities.

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

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.

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.

Additionally, the amendments introduce new disclosures that enable users to evaluate the nature and financial effects of the investments made by investment companies.

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. In accordance with IAS 32, a financial asset and a financial liability may be offset only when the entity has at present a legally enforceable right to offset the recognized amounts and intends to make payment of the net amount, or to realize the asset and settle the liability simultaneously.

The amendments (i) clarify that the right to offset should not depend on future events and should be legally enforceable in all circumstances, including cases of default or insolvency of either party, 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.

Amendment to IAS 36 - "Disclosure of the recoverable amount of non-financial assets"

The amendments made to IAS 36 restrict the current 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 goodwill or intangible assets to those periods in which an impairment has been recognized or reversed.

Additionally, it introduces new disclosures concerning any individual asset (including goodwill) or cash generating unit when their recoverable amount is fair value less costs to sell and an impairment or reversal has been recognized, including the level of the hierarchy according to IFRS 13 of the fair value within which the measurement is classified and a description of the valuation technique used and the assumptions employed in the case of measurements classified within Level 2 and Level 3.

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.

IFRS 9 - Financial instruments

The replacement of the current IAS 39 is being addressed by the IASB in various phases.

In November 2009, the first phase concerning the classification and measurement of financial assets was issued. While this phase brings in major differences with respect to IAS 39, such as the elimination of the current classifications of “financial assets available for sale” and “held to maturity investments”, the new requirements are being reviewed by the IASB, which may affect the financial assets that can finally be reported at amortized cost and at fair value recorded in other recognized income and expenses.

In relation to financial liabilities, the classification and measurement requirements were completed in October 2010. The categories of financial liabilities under IFRS 9 are similar to those currently contained in IAS 39, except for the requirement to record the changes in fair value related to own credit risk as a component of equity in the case of financial liabilities to which the fair value option has been applied.

In November 2013, the new standards for hedge accounting were issued (excluding the part relating to macro-hedges). The objective of this phase was to replace the granularity of the current requirements under IAS 39 with a new model that would better reflect internal risk management activities in the financial statements. The greatest improvements refer to the possibility of covering non-financial risks, and therefore they will be particularly applicable to non-financial institutions.

The last phase refers to the impairment of financial assets. After proposing different models, in March 2013 the latest proposals based on the recognition of expected loan losses were published. While the amount of such losses to be recognized will depend on the change in the credit quality of the financial assets since initial recognition, the IASB has not yet issued the final requirements.

It must also be borne in mind that the IASB decided to eliminate 1 January 2015 as the date of mandatory application of the standard, because it did not allow companies sufficient preparation time to implement the new impairment standard which has not yet been completed. The IASB therefore determined that a new mandatory application date will be decided on when IFRS 9 is nearing completion in its entirety.

While the IASB continues to allow early application of those phases of IFRS 9 that are completed, the European Commission has not yet endorsed any of them. This is the reason why European enterprises are unable to apply this standard or any of its phases in advance.

Management believes that the future application of IFRS 9 may have a significant impact on financial assets and liabilities currently reported, although these will depend on the requirements that are finally approved by the IASB.As this standard is still being developed, and bearing in mind that to calculate its impact a very complex methodology is required, the bank has not been able to quantify the potential impact at the present time.

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 employees included in the defined benefit plans do not contribute to them.

IFRIC Interpretation 21 - "Levies"

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

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 said level is attained.

This interpretation does not affect taxes that come under the scope of other IFRS (e.g. income tax) or fines or penalties for legal infractions.

Accounting principles and policies applied

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

a) Consolidation principles

In the consolidation process three types of entity are distinguished: subsidiaries, jointly controlled entities and associates.

Subsidiaries are entities over which the Bank is able to exercise control and which therefore constitute, together with the Bank, a decision-making unit. The ability to exercise control is generally, but not exclusively, evidenced by a direct or indirect interest providing the shareholder with more than 50% of the voting rights in the subsidiary. Control means the power to direct the financial and operating policies of the subsidiary so as to profit from its activities, and may be exercised even when a majority interest is not held.

The group therefore includes all subsidiary companies that constitute a decision-making unit together with the Bank. These companies have been consolidated by the full consolidation method. Third parties interests in group equity are disclosed in the balance sheet under 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.

Profits or losses generated by entities 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 entities disposed of by the group 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.

Jointly controlled entities are those which are controlled together by the group and one or more entities not related to the group. Entities of this kind undertake operations and maintain assets in such a way that any strategic decision of a financial or operational nature concerning the entity requires the unanimous consent of all interest holders. Jointly controlled entities have been consolidated by the proportionate consolidation method.

Associates are entities over which the group is able to exercise a significant influence which generally, but not exclusively, takes the form of a direct or indirect interest representing 20% or more of the voting rights. In the consolidated accounts associates are accounted for using the equity method, that is, according to the fraction of equity represented by the group's shareholding in them, after taking account of any dividends received from associates and other eliminations.

In the consolidation process all significant balances and transactions between group companies have been eliminated in such proportion as may be appropriate, depending on the consolidation method being applied.

Details of the most significant acquisitions and disposals made by the group during the year are provided in Note 2.

b) Accruals principle

These annual accounts (with the exception of certain items in the consolidated cash flow statements) have been prepared based on actual movements of goods and services, irrespective of the date on which payment was made or received.

c) Use of judgement and estimates in drawing up the financial statements

The preparation of the consolidated annual accounts requires that certain estimates 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 annual accounts, as well as income and expenses in the period covered by the accounts. Key estimates relate to the following:

- Impairment losses on certain financial assets (Notes 1.e, 4, 5, 6, 8 and 13).
- Assumptions used in actuarial estimates of liabilities and commitments in respect of post-employment benefits, and in estimates of liabilities under insurance contracts (Notes 1.q, 1.s, 24 and 25).
- The useful lives of tangible and intangible assets (Notes 1.j, 1.m, 15 and 16).
- The valuation of goodwill on consolidation (Notes 1.m and 16.)
- The fair value of unlisted financial assets (Notes 1.d, 5, 6 and 26).
- The fair values of real estate assets held on the balance sheet (Notes 1.h, 1.j, 1.n, 13, 15 and 17).
- Estimation of liabilities under insurance contracts (Note 24)

Macroeconomic developments in FY 2012 and the first half-year of 2013 in Europe, with a considerable effect on Spain, have impacted the value of real estate assets and guarantees due to a lack of liquidity, over-supply and low volume of transactions in the Spanish property sector. For this reason, the estimates related to losses on loans secured by assets in the property and construction sectors and on real-estate assets recorded on the consolidated balance sheet have been revised on the basis of industry evaluations performed in this respect during those periods.

The prolongation of this economic situation has also entailed that, in some cases, the economic difficulties undergone by corporations and individuals that were regarded as transitory could end up acquiring a structural character. An analysis has therefore been carried out based on the refinancing credit portfolio to identify these situations and re-estimate the losses concerned.

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.

d) Valuation and recording of financial instruments

As a rule, conventional sales and purchases of financial assets are recognized in the group's balance sheet using the settlement date.

Financial instruments are classified under the following categories:

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, or are instruments that do not fit the definition of a financial guarantee contract and have not been designated as hedging instruments for accounting purposes.

Financial instruments of this type are measured at fair value. The fair value of a financial asset on a given date is defined as the amount for which the asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The best evidence of fair value of an asset is the price being quoted for the asset on an active market where the market is organized, transparent and of reasonable depth.

Where there is no market price for a particular financial asset, the fair value can be estimated from the values established for similar assets in recent transactions or, failing that, by using suitably tested valuation models. Any peculiarities specific to the financial asset being valued are also taken into account, particularly the different types of risk that may be associated with it. However, the limitations inherent in the valuation models that have been developed and possible inaccuracies in the assumptions required by these models may result in the estimated fair value of a financial asset not precisely matching the price at which the asset could be bought or sold as of the valuation date.

Changes in fair value are taken directly to the income statement. For non-derivative instruments, the gain or loss attributable to the returns accruing on the instrument are treated differently from the other gains or losses, with the former being recorded as interest or dividends as appropriate, and the latter as gains or losses on financial operations.

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

This category includes financial instruments which on original recognition are designated 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 with financial derivatives which have the purpose and effect of significantly reducing exposure to changes in 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. These are valued and recorded in the same way as for financial assets/liabilities held for trading. The category does not include equity instruments whose fair value cannot be reliably estimated.

Available-for-sale financial assets

This category includes debt securities and equity instruments that are not classified as held-to-maturity investments, other financial assets at fair value through profit or loss, loans and receivables, or financial assets held for trading or of entities that are not subsidiaries, associates or jointly controlled entities.

Available-for-sale financial assets are measured at fair value. Changes in value are temporarily recorded, net of tax, under valuation adjustments in consolidated equity, unless they are due to foreign exchange differences arising on monetary financial assets. Amounts recorded as valuation adjustments keep on included in consolidated equity until the asset from which they have originated is derecognized on the balance sheet, when they are written off and included into the income statement.

Loans and receivables

Loans and receivables include financial assets which, while not traded on an active market or needed to be recognized as at fair value, generate cash flows of a fixed or determinable amount in which the group's expenditure will be recovered in full, except for reasons related to borrower solvency. This category comprises investments associated with normal bank lending and includes amounts loaned to customers and not yet repaid; deposits placed into other financial institutions, 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.

Loans and receivables are recorded at their amortized cost, this being understood as the acquisition cost of a financial asset less any repayments of principal and the accumulated amortization (as shown in the income statement using the effective interest rate method) of the difference between the initial cost and the repayment amount at maturity, less any reduction in value due to impairment, whether recognized directly as a write-down of the asset or through a value adjustment account. Where loans and receivables are covered by fair value hedges, any change in their fair value is recorded where the change is associated with the risk or risks covered by the hedge.

The effective interest rate is the discount rate that brings the value of a financial instrument exactly into line with 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 losses due to credit exposure. 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 comes up for review.

Interest accrued is recognized using the effective interest rate method in the income statement under Interest and similar income.

Financial liabilities at amortized 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.

Also included in this category is capital having the nature of a financial liability. This reflects the value of financial instruments issued by the group which, although treated as capital for legal purposes, do not qualify for classification as equity. These instruments 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.

For financial instruments the fair value measurements disclosed in the financial statements are explained in Note 26.

e) Impairment of financial assets

In general, adjustments to the carrying value of financial assets are recognized in the income statement where there is objective evidence that an impairment loss has occurred. In the case of debt instruments, that is, loans and debt securities, an impairment loss is considered to have occurred when, after initial recognition of the instrument, a single event or a combination of events causes a negative impact on its future cash flows. In the case of equity instruments, an impairment loss is deemed to have occurred when, after initial recognition, a single event or a combination of events makes it likely that the carrying value of the instrument will not be recovered.

Financial assets carried at amortized cost

Portfolios of debt instruments, contingent exposures and contingent commitments, regardless of the obligor, the contractual arrangements or the security/collateral, are analyzed to determine the credit risk to which the group is exposed and to estimate the impairment provision required. In preparing the consolidated financial statements the group classifies its lending transactions on the basis of credit risk, with customer insolvency risk being analyzed separately from any country risk to which transactions may be exposed.

Objective evidence of impairment is determined individually for all debt instruments that are individually significant, and individually or collectively for groups of debt instruments that are not individually significant. When an instrument cannot be included in any group of assets with similar risk features, it is analyzed solely on an individual basis to determine whether it is impaired and, if so, to estimate the impairment loss.
Such instruments are classified into the following categories, on the basis of the insolvency risk attributable to the customer or to the transaction: standard, sub-standard, doubtful due to customer arrears, doubtful for reasons other than customer arrears, and write-off. For debt instruments not classified as standard risks, the required provisions for impairment are estimated having regard to the age of past-due accounts, the type and value of any collateral or other security provided and the financial situation of the customer and any guarantors. These estimates are made on the basis of a default schedule drawn up by the Bank of Spain from its knowledge and experience of the Spanish banking industry in accordance with the Bank of Spain's Circular 4/2004.

Similar estimates are also made to determine the credit risk on these instruments that is attributable to country risk. Country risk means the risk associated with customers resident in a specific country that arises from circumstances other than normal commercial risk.

Credit risk management procedures applied by the group guarantee detailed monitoring of borrowers, indicating that provisions need to be recorded when there is evidence of deterioration in a borrower's solvency. The group records any bad-debt provisions that may be necessary in transactions in which the borrower's situation thus requires, before restructuring or refinancing operations are formally approved. 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 provisions.

If an operation is classified within a specific risk category, a refinancing operation does not entail an automatic improvement in the operation's risk rating since in accordance with the prudence principle, 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. As a result, there are no immediate improvements due simply to the refinancing.

Interest pending payment in operations classified as doubtful (irrespective of whether or not they form part of a renegotiation process) are not recognized in the income statement and are recorded in memorandum accounts as "suspense interest". If the interest is subsequently recovered, the amount collected is recognized in the income statement.

With regard to the accounting treatment of renegotiated loans, the different characteristics of the operations are analyzed and, if appropriate, they are reclassified as performing, sub-standard, non-performing due to customer arrears, non-performing for other specific reasons or objectively non-performing in the event of arrears exceeding 90 days.

Credit impairment losses estimated which are consistent with this risk accounting classification get covered when they identified. The methodology for estimating losses on these portfolios in general is similar to that of the remaining financial assets but takes into account that any operation which has needed to be restructured in order for payment obligations to be met must, for reasons of prudence, have a loss estimate which is higher than other operations which have never undergone default problems (unless sufficient guarantees can be furnished to justify the opposite approach). For this reason, in internal models for monitoring risk, refinancing and restructuring operations are assigned a possibility of default (PD) which is higher than that applied to ordinary operations. The PD increase is greater or lower depending on the characteristics of the refinancing operation.

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. However, the operation concerned will continue to be classified as a restructuring or refinancing operation.

In addition to these specific provisions, the group makes provision for latent losses on debt instruments classified as standard risks by providing for impairment loss on a portfolio-wide basis. The collective provision is made from historical impairment experience and other circumstances known at the time of the risk assessment, and covers latent losses incurred at the balance sheet date, calculated using statistical procedures, but not yet identified with specific transactions.

Since the group's own historical and statistical data are not sufficient for this purpose, when making these provisions it relies on parameters set by the Bank of Spain. This method of determining provisions for latent loss due to impairment of debt instruments involves the use of percentages which vary according to how debt instruments classified as standard risk are assessed. The sub-categories into which standard risk instruments are classified are: negligible risk, low risk, medium-low risk, medium risk, medium-high risk and high risk.

Transactions classified as sub-standard are analyzed to determine the provision coverage required. This will of necessity be greater than the general coverage that would apply if the risk was classified as standard. Furthermore, net impairment charges made in the period in which a transaction is classified as sub-standard will be greater than the charges that would have been made if the transaction had continued to be classified as a standard risk.

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 there being accounts more than three months in arrears.

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 diminution in the fair value of an asset is due to impairment, the latent capital losses recognized directly in equity under Valuation adjustments are recorded immediately in the income statement. If all or part of the impairment losses are subsequently recovered, the amount is recognized, in the case of debt securities, in the income statement for the period in which the recovery occurs; in the case of equity instruments, the recovery is recognized in equity under Valuation adjustments.

In reaching a conclusion on whether there is objective evidence of impairment in debt instruments, whether quoted or unquoted, the group considers any potential loss events that have occurred. In particular, it analyses any significant financial difficulty being faced by the issuer or obligor; any breaches of contract terms, such as a default or delinquency in interest or principal payments; whether the holder of the debt instrument, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the holder would not otherwise consider; any increased probability that the borrower will enter bankruptcy or other financial reorganization; or the disappearance of an active market for the financial asset in question as a result of financial difficulties and a downgrading of its credit rating that would be indicative of impairment when considered in conjunction with other available information.

Possible impairments in sovereign debt exposures are assessed by analyzing market price fluctuations caused mainly by changes in risk premiums and by an ongoing evaluation of the solvency of issuing countries.

In the case of quoted equity instruments, an analysis is made of whether a prolonged or significant decline in the fair value of the investment below its cost is objective evidence of impairment. In estimating valuation adjustments in equity, the quoted price is generally used as fair value. When determining whether there is objective evidence that a decrease in the quoted price is due to impairment, where there are manifestly exceptional circumstances in the markets on which prices are set, the effects of wider market movements on the quoted price are analyzed separately from those movements that reflect factors specific to the issuer of the instrument under consideration. Where there are no exceptional market circumstances but there have been decreases in the quoted price of the instrument, an assessment is made of whether the period for which the quoted price has remained below the carrying value of the instrument by a significant percentage should be considered as objective evidence of impairment. If there is no principle that is more specifically applicable, the approach is to take a standard reference period (18 months) and percentage (40%). An analysis is also made, even where no exceptional market circumstances are present, of whether there are objective reasons to consider that the quoted price of the instrument does not reflect its fair value and is therefore not a valid quantity from which to assess any potential impairment. Such objective reasons may be related to a free float that is very limited, prolonged speculative activity on the share value and other circumstances, any of which may distort the price of the instrument.

Another method used to value this type of instrument, where there are exceptional market conditions of the kind referred to above, is based on the use of directly observable market variables and/or data such as a published net asset value.

For unquoted instruments the analysis undertaken to reach a conclusion on the need to adjust for impairment is based on the use of comparable data and sector multiples for similar issuers operating in the market.

Other equity instruments

Impairment losses on equity instruments carried at acquisition cost are accounted for as the difference between the carrying amount and the present value of the expected future cash flows discounted at the market rate of return for similar securities. These impairment losses are recognized in the income statement for the period in which they occur, as a direct write-down in the value of the instrument; this cannot be subsequently reversed other than through the sale of the asset.

In the case of investments in jointly controlled entities and associates, the group estimates impairment loss by comparing the amount recoverable with the carrying value of the investments. The impairment recognized for investee companies results from an analysis of said companies and their projected results, grouping them together based on areas of activity (real estate, renewables, industry, finance, etc.) and an evaluation of the macroeconomic and industry-specific issues that could affect their activities, thereby estimating their value in use. Specifically, the valuation methods used to determine the existence of impairment are as follows:

- For financial subsidiaries: based on the application of multiples to carrying amount and/or profits when there are comparable listed entities in the same country.

- For insurance subsidiaries: applying the *market consistent embedded value(MCEV)* methodology.

- For venture capital subsidiaries the same valuation models as those used to take the investment decision in each of the different businesses are utilized, based in numerous cases on the present value of future profit projections.

- For real-estate subsidiaries, methods based on Net Asset Value are used.

Following the application of these methodologies, the resulting valuations for the various types of investee companies involved are located within a valuation range of between 0.5 and 3 times the carrying value of each of them in 2013 (0.5 and 2.91 times in 2012).

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.

f) Transfer and derecognition of financial instruments

Financial assets are only derecognized on 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.

Details of asset transfers that were in effect at the close of 2013 and 2012, including those that did not result in assets being written off the balance sheet, are given in Note 10.

g) Derivatives

Derivatives are instruments which, in addition to providing a gain or a loss, may under certain conditions offset all or part of the credit and/or market risk associated with balances or transactions. The underlying instruments used in derivatives may be interest rates, specified indices, the prices of specified securities, cross-currency exchange rates or other similar benchmarks. The group uses derivatives traded on organized markets or traded bilaterally with counterparties on the over-the-counter (OTC) market.

Derivatives may be used as part of the service to customers when they so require, or to manage risks associated with the group's own exposures (hedging derivatives), or to realize gains as a result of price movements. 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 transactions forecast as highly probable (cash flow hedge); or the exposure associated with net investments in foreign operations (hedge of the net investment in a foreign operation).

- It must effectively eliminate a risk that is inherent in the hedged item or position over the expected term of the hedge. This means that the derivative must be effective both prospectively, at the date on which it is entered into under normal circumstances, and retrospectively, based on reasonable evidence that the hedge will remain effective throughout the life of the item or position to be hedged.

- 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 measure, provided that this agrees with the group's management of its own exposures).

The effectiveness of the coverage provided by derivatives designated as hedging instruments is documented by effectiveness testing. This is used to verify that divergences due to changes in the fair value of the hedged item and the hedging instrument remain within reasonable limits over the life of the transaction and that the intended effect of the derivative contract at inception has been fulfilled. If at any time this condition is not met, all associated transactions in the hedging group are reclassified as held-for-trading and measured accordingly in the balance sheet.

A micro-hedge is considered to be highly effective if, at inception of the hedge and during its life, it is anticipated prospectively that any changes in the fair value or cash flows of the hedged item that are attributable to the hedged risk are almost entirely offset by changes in the fair value or cash flows of the hedging instrument. The micro-hedge is deemed retrospectively to have been highly effective if the gains or losses on the hedging instrument are within a range of 80% to 125% of the gains or losses on the hedged item.

In the case of a portfolio hedge or macro-hedge, 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. The hedge will only be ineffective where it is found, on examination, that the net amount of assets and liabilities is less than the hedged amount, in which case the ineffective portion must be recognized immediately in the income statement.

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 will 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.

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.

Measurement

See Note 26 for an explanation of the fair value measurement of financial derivatives.

Accounting treatment of micro-hedges

For financial instruments designated as hedged items or as hedging instruments, valuation differences are accounted for according to the following criteria:

- For fair value hedges, the differences in both hedges and the items hedged, with respect to the type of risk hedged, are recognized directly in the income statement.

- Gains or losses in value on the ineffective portion of cash flow hedging instruments are recognized directly in the income statement.

- In cash flow hedging, valuation differences in the effective portion of hedging instruments are temporarily recorded in equity under Valuation adjustments. Valuation differences are not recognized as profits or losses until the gains or losses from the hedged item have been taken to the income statement or until the hedged item reaches maturity.

- Hedges of net investments in foreign operations are accounted for as follows:

    1. Any gain or loss attributable to that part of the hedging instrument that qualifies as an effective hedge is recognized directly in a valuation adjustment account in equity via the statement of changes in equity. Any other portion of the gain or loss on the instrument is taken immediately to the income statement.

    2. Gains or losses on hedging instruments recognized directly in the valuation adjustment account under equity remain in the account until the instruments are sold or otherwise removed from the balance sheet, at which time they are taken to the income statement.

Accounting treatment of macro-hedges

Macro-hedges at fair value covering exchange rate risk in a given portfolio which are highly efficient are accounted for as follows:

a) Hedging instruments: gains or losses that arise from measuring derivatives at fair value are recognized immediately in the income statement.
b) Hedged amount: gains or losses arising from changes in the fair value of the hedged amount that are attributable to the hedged risk are recognized directly in the income statement with changes in the fair value of hedged assets or liabilities in portfolio hedges of interest rate risk as balancing items if the hedged amount relates to financial assets or financial liabilities.

In the case of cash flow macro-hedges, changes in the value of hedging instruments are recognized temporarily in a valuation adjustment account in equity until the period in which the expected transactions occur, at which time those changes are recognized in the income statement.

In the case of both micro-hedges and macro-hedges, the group discontinues hedge accounting treatment when the hedging instrument expires or is sold, when the hedging operation ceases to meet the conditions for being treated as a hedge, or when the classification of the operation as hedging is withdrawn.

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 item concerned must be fully amortized at maturity.

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 not expected to take place, in which case it is recognized in the income statement immediately.

h) Non-current assets held for sale and liabilities associated with non-current assets held for sale

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. Investments in jointly controlled entities or associates that meet these criteria also qualify as non-current assets held for sale.

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.

Accordingly, 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.

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

Assets classified as non-current assets held for sale are generally measured at the lower of their carrying value at the time they are so classified and their fair value net of their estimated costs to sell. 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.

If the carrying value of an asset exceeds the fair value net of its estimated costs to sell, the group adjusts the carrying value of the asset by the amount of such excess, with a corresponding adjustment being made to gains (losses) on non-current assets held for sale in the consolidated income statement. In the event of one or more subsequent increases in the fair value of the asset any previously recorded losses will be reversed and the carrying value will be increased, subject to its not exceeding the carrying value prior to the loss, and a corresponding adjustment made to gains (losses) on non-current assets held for sale in the consolidated income statement.

These asset valuations have been conducted by independent experts from 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. The main valuation companies and agencies used to obtain market value appraisals are listed in Note 13.

Depending on the age of valuations, 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.

i) Discontinued operations

Gains or losses arising in the year on group operations classified as discontinued operations are recognized net of tax under Profit/(loss) on discontinued operations (net) in the consolidated income statement, whether the operation has been derecognized or remains on the balance sheet at the end of the year.

A discontinued operation or activity is a component of the institution that has been sold or otherwise disposed of or is classified as a non-current asset held for sale and, in addition, meets any of the following conditions:

1. It represents a separate major line of business or geographical area of operations.

2. It is part of a single coordinated plan to sell or otherwise dispose of a separate major line of business or geographical area of operations.

3. It is a subsidiary acquired exclusively with a view to resale.

A component of an entity is defined as activities or cash flows, such as a subsidiary, business segment or geographical area of operations, that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.

j) Tangible assets

Tangible assets comprise property, plant and equipment considered likely to be in continuous use by the group, the net values of land, buildings and other structures held to be leased out or for the realization of capital gains on disposal, and assets to be leased to customers under operating leases. As a general rule these assets are valued at cost less accumulated depreciation and less any impairment loss identified from a comparison of the net 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

At each reporting date, the group analyses whether there are internal or external indications that the carrying amount of any tangible asset might exceed its recoverable amount. When such is the case, the asset's carrying amount is written down to the recoverable amount, that is, the greater of its fair value (based on valuations of independent third parties) and its value in use, 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.

The estimated useful life of tangible assets for own use 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.

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

Tangible assets classified as investment property are composed of the net values of land, buildings and other structures held by the group to be leased out or for the realization of capital gains on disposal as a result of future increases in market prices.

For real estate assets received in settlement of debts that have been let out and are therefore classified as investment property under Tangible assets, the policy applied is similar to that set out in section (h) above for non-current assets held for sale and liabilities associated with non-current assets held for sale.

For other real estate assets, fair value is calculated using valuations based on rent.

Where assets have been leased out under operating leases the procedure followed by the group for the recognition of acquisition costs and in accounting for depreciation, estimating remaining useful lives and recording impairment losses, are the same as those described above for tangible assets for own use.

k) Leases

Leases are presented on the basis of the economic substance of the transaction irrespective of its legal form and are classified at inception as finance or operating 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.

When the group is the lessor of an asset, the sum of the present values of payments receivable from the lessee plus the guaranteed residual value — normally the price of the purchase option exercisable by the lessee at the end of the lease — is recorded as financing provided to a third party and is therefore included in the balance sheet under loans and receivables according to the type of lessee.

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 or 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 income statement such that the return remains constant throughout the term of the lease.

Operating leases

Leases that are not considered finance leases are classified as operating leases.

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 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 income statement on a straight-line basis.

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.

For a transaction to be treated as a sale and lease-back under an operating lease, the following conditions must be met:

- The asset must have been sold and all risks and rewards associated with the asset transferred to the purchaser.
- The purchaser (lessor) cannot unilaterally transfer the leased asset to the vendor (lessee).
- The lessee has no option to repurchase at below market value and the lessor is exposed to the risk of a fall in the market price of the asset.
- The lessee has no option to extend the lease on terms significantly more favourable than those available in the marketplace.
- The fair value of the assets sold and leased back is substantially greater than the current value of the lease instalments.
- The lessor is more than a mere lender: the lessor's income and exposure to gain or loss is linked to property market conditions (rental prices and asset values, for example) and not only to interest rates.
- The lease does not cover the greater part of the economic life of the asset.
- The leased asset can be used by third parties without significant alteration.

l) Business combinations

A business combination is the union of two or more separate entities or economic units into one single entity or group of entities, where the acquirer obtains control of the other entity or entities.

On the date of acquisition the acquirer incorporates into its financial statements the assets, liabilities and contingent liabilities of the acquiree, including any intangible assets not recognized by the acquiree.

Positive differences between the cost of shareholdings in subsidiaries, jointly controlled entities or associates and the relevant attributable potion of equity adjusted on the date of first consolidation, are accounted for as follows:

1. If the differences can be assigned to specific assets of the acquired entities, they are accounted for by increasing the value of any assets or reducing the value of any liabilities whose market values are above or below, respectively, the fair values at which they were recorded on the acquiree's balance sheet, provided that their accounting treatment has been similar to the treatment that would be afforded to those same assets or liabilities by the group.
2. If they are assignable to specific intangible assets they are accounted for by explicit recognition in the consolidated balance sheet provided that their fair value at the acquisition date can be reliably determined.
3. Any remaining differences that cannot be specifically recognized are recorded as goodwill and assigned to one or more specific cash-generating units.

Negative differences, once they have been quantified, are recognized in the income statement.

Any purchases of non-controlling interests after control of an entity has been taken are recognized as increases in the cost of the business combination.

Insofar as the cost of the business combination or fair values assigned to the acquiree's identifiable assets, liabilities or contingent liabilities cannot be definitively determined, the initial accounting treatment of the business combination is considered provisional. In any event, the process should be completed within a maximum of one year of the acquisition date and take effect on that date.

<u>m) Intangible assets</u>

Intangible assets are identifiable non-monetary assets with no physical appearance. Intangible assets are deemed to be identifiable when they are separable from other assets because they can be sold, leased or otherwise disposed of individually, or when they arise from a contract or other legal transaction. 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 cost, either 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. Goodwill represents a payment made by the group in anticipation of the future economic benefits from assets of an acquired entity that are not capable of being individually or separately identified and recognized. Goodwill is recognized only if it has been purchased for valuable consideration through a business combination. Goodwill is not amortized, but at the end of each accounting period it is subjected to analysis for any possible impairment that would reduce its recoverable value to below its stated net cost and, if found to be impaired, is written down against the consolidated income statement.

To detect possible indications of goodwill impairment value appraisals are undertaken, generally on a present value of future distributable earnings basis, having regard to the following parameters:

- 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 from a discount rate taken as the capital cost of the entity (Ke) from the standpoint of a market participant. To determine this present value 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 numbers 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.

Impairment losses recognized for goodwill cannot subsequently be reversed.

Other intangible assets

This item is made up largely of intangible assets identified in business combinations and includes such assets as contractual relations with customers, deposits or trade-marks and computer applications.

Other intangible assets have defined or indefinite useful lives. Intangible assets with finite useful lives are amortized on the basis of their useful lives according to criteria similar to those used for tangible assets. The average useful life of intangible assets (other intangible asset) is seven years for computer applications.

Any loss in the stated value of an intangible asset due to impairment will, in any event, be recognized by the group and a corresponding adjustment made to the consolidated income statement. The criteria for recognizing impairment losses in intangible assets and any recoveries of impairment losses recorded in earlier periods are similar to those applied to tangible assets.

n) Inventories

Inventories are non-financial assets that are being 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.

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.

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 Finance Ministry's Order ECO/805/2003.

In addition, the net realizable value is revised and recalculated in the light of actual losses incurred on the sale of assets.

For inventories received in settlement of debts the criteria followed are similar to those set out in section (h) above in relation to non-current assets held for sale and liabilities associated with non-current assets held for sale.

o) Own equity instruments

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

- does not involve any contractual obligation to the issuer: to deliver cash or another financial asset to a third party, or to exchange 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 and is: a non-derivative instrument for which the issuer is or may be obliged to deliver a variable number of its own equity instruments, or a derivative instrument that 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, whether on issue or cancellation or otherwise, 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 by the Bank to a creditor in full or partial settlement of a financial liability are treated as a paid consideration.

Equity instruments issued in full or partial settlement of a financial liability are recognized at fair value unless this cannot be reliably determined.

Any difference between the carrying value of a financial liability (or any part thereof) that has been settled and the consideration paid is recognized in the income statement for the period. Equity instruments issued are first recognized and measured at the date on which the financial liability (or part thereof) is settled.

p) Payments based on equity instruments

The delivery to employees of the group's own equity instruments in payment for their services, when 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. An increase in equity or a liability is recognized as a balancing entry, according to whether they are classified as equity instrument-based compensation, amounts owed to employees based on the value of the entity's own equity instruments, or transactions with employees paid in cash or equity instruments.

Where the liability is discharged by means of a transfer of commitments to financial institutions outside the group, that is, through derivatives contracts that precisely mirror the terms and economic conditions on which the equity instruments were issued, the group charges the anticipated costs associated with the derivatives contracts to the income statement according to the specific period in which the services are provided, but does not recognize any increase in equity or in the associated liability.

Rights to the appreciation of shares granted to certain senior executives in the Banco Sabadell group on 26 March 2010 entitled such employees to receive, upon termination of the scheme (11 June 2013), the difference between the value of the Banco Sabadell shares at the date of finalization of the scheme and the initial reference share value, this being €3.8935. This difference was to be paid in Group shares. For hedging purposes the Group arranged an option whereby, on the date of expiration of said option (11 June 2013), the difference was received between the Banco Sabadell share price at the date of termination and the option exercise price (€3.8935).

Therefore, considering that this option precisely replicates the economic terms and conditions of the instruments issued, the group understands that this commitment was terminated/externalized when the option was initially arranged. The Group has paid a premium for the termination/externalization of said commitment, consisting of the cost of the option arranged on the market. This premium accrues in the group's income statement over the duration of the share appreciation rights scheme, reflecting a personnel expense in the income statement for the year (Note 34 f).

The tax treatment is based on the application of true and fair view principle described in the conceptual framework for financial reporting. The application of the conceptual framework and the true and fair view principle are determined by the fact that a single instrument - the share appreciation right (regulated by IFRS 2) and the option arranged on the market to cover it (regulated by IAS 32) - have different accounting treatments, generating accounting mismatches that hamper both the comprehension and the recognition of the true and fair view of the operations.

This asymmetrical treatment of the above instruments is referred to in the Basis for the conclusions of IFRS 2 (paragraphs FC106 and FC110).

Due to this inconsistency, which appears in the basis for the conclusions of IFRS 2, the group has developed the accounting policy described in the foregoing paragraphs. Had IAS 32 and IFRS 2 been applied, the impact would not have been material for either financial or presentation purposes.

g) Insurance contracts

In accordance with accounting standards specific to the insurance sector, group insurance companies record a revenue for the amount of premiums issued during the year and an expense for the cost of claims arising during the same period. For this reason, insurance companies must reflect on their balance sheets, by means of technical reserves, the amount of the obligations undertaken as a result of insurance and reinsurance contracts in force.

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 on account made and taking into consideration the internal and external settlement expenses and, if appropriate, additional provisions required to cover variances in valuations of long-lasting claims.

- Life-insurance 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 policy.

- 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.

Technical reserves relating to accepted reinsurance are determined based on criteria similar to those applied in direct insurance.

Direct insurance and accepted reinsurance technical reserves are disclosed on the consolidated balance sheet under Liabilities under insurance contracts (Note 24).

Technical reserves relating to risks ceded to reinsurers are calculated on the basis of the relevant reinsurance contracts, applying criteria similar to those used in direct insurance. The relevant amount is presented under Reinsurance assets on the consolidated balance sheet (Note 24).

Group insurance companies utilize the following assumptions for rating 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 product is calculated taking into account whether or not there are investments assigned to the product. In 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 productions without assigned investments, a minimum technical interest rate is applied, which is revised on a half-yearly basis. However, the insurance companies have 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.

The insurance companies market unit-linked products in which the value of the relevant holding varies based on the market value of the linked assets, after deducting the relevant charge for technical management expenses.

The following table 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	GRM/F 95 – PERM/F 2000 P – PER 2000 P unisex	0.5% - 6%

Concerning liabilities relating to insurance policies accounted for at 31 December 2013, there have been no changes in assumptions for calculating the insurance companies' mathematical reserves with respect to the assumptions set out in the products' technical bases at 31 December 2013. Therefore, there have been no changes in assumptions in relation to those applied in the valuation of technical reserves at 31 December 2012.

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 risk policy established internally. Regarding liquidity, 2.7% 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.

r) Provisions and contingent 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.

Provisions for restructuring will be 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.

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.

s) Provisions for pensions

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

Defined contribution plans

These are predetermined contributions paid into a separate entity in accordance with agreements reached with particular groups of employees.

Contributions to defined contribution plans in 2013 totalled €26,020 thousand (€20,214,000 in 2012).

Defined benefit plans

Defined benefit plans provide for all current pension commitments agreed under Articles 35, 36 and 37 of the 22nd Collective Agreement for the banking industry.

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 employee pension scheme covers benefits payable under collective agreements with members of regulated employee organizations as described above, 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 investee companies are not regarded as plan 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 (FIATC and VidaCaixa) employees, 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 Banco CAM, Lloyds (now Sabadell Solbank) and Banco Gallego have 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 by 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, unrelated 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 to fund 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.

The amendment to IAS 19 during 2013 has affected post-employment benefits of employees and has forced the group to cease applying the fluctuations corridor to actuarial gains and losses generated in the year, requiring it to recognize them when they arise. Those arising due to variances in actuarial assumptions will be recorded against equity and may not be reclassified to the income statement in subsequent years.

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

	2013	2012
Tables	PERM/F 2000 new business	PERM/F 2000 new business
Technical interest rate, pension scheme	2.89% annual	4.00% annual
Technical interest rate, internal fund	2.89% annual	4.00% annual
Technical interest rate, related-party policies	2.89% annual	2.86% annual
Technical interest rate, unrelated-party policies	2.89% annual	2.86% 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 – 67 years	65 – 67 years

The technical interest rate on all commitments has been determined by reference to the yield on AA-rated 15-year corporate bonds (Bloomberg €AA composite).

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 (2.89% in 2013).

t) Foreign currency transactions

The group's functional currency is the euro. All balances and transactions denominated in currencies other than the euro are therefore treated as denominated in a foreign currency. Euro equivalent values (in thousands of euros) for the aggregate balances of asset and liability accounts in foreign currency held by the group at 31 December 2013 and 2012 are given in Note 27.

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 ruling 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.

u) 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.

v) Income tax

Spanish income tax and similar taxes applicable to foreign subsidiaries are treated as expenses and are recorded in the income statement under income tax unless the tax has arisen on a transaction accounted for directly in equity, in which case the tax is also recognized directly in equity, or unless it relates to a business combination, in which case the deferred tax is recognized as an asset or liability of the business combination.

The tax expense shown under the income tax heading is the tax charge assessed on the taxable income for the year, after taking account of applicable tax deductions and allowances and any tax losses. The taxable income for the year may be at variance with the profit for the year as shown in the income 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 assets and liabilities refer to the tax that is expected to be payable or recoverable on differences between the carrying values of assets and liabilities in the financial statements, on the one hand, and the tax bases of those assets and liabilities, on the other. They are calculated by applying to such temporary differences or tax credits the tax rate at which they are expected to be recovered or settled.

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 realized. A deferred tax liability will, in general, always be recognized.

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

Banco Sabadell group companies included in consolidation for 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.

w) 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. The present value of the future cash flows receivable is simultaneously recorded as an asset.

Subsequent to initial recognition, guarantee agreements are treated as follows:

- The value of all fees, commissions or premiums receivable is discounted by recording the differences in the income statement as interest income.
- The value of a guarantee agreement is the amount initially recognized as a liability item less the amount credited to the consolidated income statement on a straight-line basis over the expected term of the agreement.

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 procedures similar to those described in Note 1.e for debt instruments carried at amortized cost.

x) Assets managed

Third party assets managed by the group are not included in the consolidated balance sheet. Management fees are shown in the income statement under fee income.

y) 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 shifts 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.

z) Netting

Where credit and debit balances arising from transactions are permitted, whether by contract or by law, to be set off against each other and the group intends to settle them on a net basis or to realize the asset and settle the liability simultaneously, they are reported in the balance sheet at their net values.

Comparability

The information presented in the annual accounts for 2012 is provided solely and exclusively for purposes of comparison with information for the year to 31 December 2013.

International Financial Reporting Standards require the information disclosed in the two periods to be consistent. In 2013, IAS 19 - Employee Benefits came into effect, implying the retroactive amendment of the financial statements at 31 December 2011 and 2012 for comparability purposes.

This retroactive application has been reflected in the balance sheet and statement of changes in equity under Adjustments due to changes in accounting policies. However, the comparative income statement has not been changed since the impact of the retroactive application is insignificant.

Impacts for accounting purposes have been:

- At 31 December 2011, this entailed crediting €18,600,000 to Provisions on the liabilities side of the balance sheet and debiting €13,020,000 to Reserves under Equity, as well as recognizing tax assets amounting to €5,580,000.

- In the financial statements at 31 December 2012, it was necessary to charge €40,761,000 to Provisions on the liabilities side of the balance sheet and credit €28,532,000 to Reserves under Equity, as well as recognizing tax liabilities amounting to €12,229,000. As a result, the balance sheet and statement of changes in equity at 31 December 2012 were amended.

In addition and also for comparability purposes, it should be noted that on 1 June 2012 Banco Sabadell took control of the Banco CAM group (Note 2) and as a result of the inclusion of this group in the scope of consolidation, the figures on the income statement are not comparable with those for the previous period.

In relation to the above business combination, the asset recorded in the context of the assignment of the price paid which reflects 80% of the expected loss for the portfolio covered by the Asset Protection Scheme was reclassified in 2013 (Note 2). Since this asset takes the form of a contractual right to receive a payment from the Deposits Guarantee Fund, at 31 December 2013 the balance in said asset is disclosed under the heading Loans and receivables together with other receivables of the same kind. The balances for 2012 were also restated. This reclassification has not affected the results for 2013 or equity.

In 2012, the asset initially recognized as a hedging derivative and which has been reclassified to Loans and receivables amounted to €4,246 million.

NOTE 2 - BANCO SABADELL GROUP

The companies comprising the group as at 31 December 2013 and 2012 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, proportionate consolidation or equity method) in each case.

2013

Changes in Group composition

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

Acquisitions

Acquisition of assets from BMN-Penedés

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 were transferred to Banco Sabadell (hereinafter referred to as BMN-Penedés). On 31 May 2012, 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 is 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 deposits 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 BNM amounted to €154 million, which entailed a regularization in Banco Sabadell's favour of €183 million that was paid by BMN in 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 have been made to the carrying values of the assets and liabilities received:

- on the basis of the analyses performed by the group, it has been 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 have been 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.

- Relatec to the portfolio of property for own use, the fair values of these assets have been 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 has been adjusted, which total €105 million.

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

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

The inclusion of the new branches enables 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 has been reorganized and a new regional division has been created, comprising both the Banco Sabadell and the BMN branches. In Aragón, the new branches are 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 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, is as follows.

Thousand euro

Assets		Liabilities and Equity	
Cash and deposits 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 liabilities	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 total €5 million.

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 has not affected Banco Sabadell's capital ratios since the holding acquired by Lloyds Bank absorbs the capital consumed due to the requirements of the assets acquired.

In addition, the parties have 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 have been made to the carrying values of the assets and liabilities received:

- on the basis of the analyses performed by the group, it has been decided that negative adjustments should be made to the loan portfolio to adjust it to its estimated fair value. The amount allocated to additional provisions is €411 million. To determine the fair value of the loan portfolio certain estimated forecast loss percentages have been 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 have been revised, essentially on the basis of their location, use and degree of maturity, and it has been 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 have been impaired since these cannot be utilized by Banco Sabadell's tax group. Conversely, deferred tax assets amounting to €26 million have been 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 has been adjusted in the heading Deferred tax assets. The adjustment amounted to €128 million.

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

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

the branch network consists 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 amounts 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 amounts 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		**Liabilities and Equity**	
Cash and deposits with central banks and		**Liabilities**	
credit institutions	324,556	Loans and advances to credit institutions	89,624
Loans and advances to customers	1,789,711	Customer deposits	2,837,434
Debt securities	723,628	Other financial liabilities	96,634
Tangible assets	62,886	Other	67,415
Tax assets	234,836	**Equity**	
Other	92,135	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 have been made to the carrying values of the assets and liabilities received:

- On the basis of the analyses performed by the group, it has been decided that negative adjustments should be made to the loan portfolio to adjust it to its estimated fair value. The amount allocated to additional provisions is €108 million. To determine the fair value of the loan portfolio certain estimated forecast loss percentages have been 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 have been revised, essentially on the basis of their location, use and degree of maturity, and it has been judged necessary to record additional negative adjustments amounting to €15 million.

- The equity interests in various entities held by Banco Gallego, S.A. have been measured using generally accepted valuation techniques. On the basis of the valuation, the values of these holdings need to be adjusted by a total of €37 million.

- Concerning the debt securities issued by Banco Gallego, S.A. on the wholesale market, these have been measured and latent capital gains associated with them have been estimated at €15 million

- A provision has also been 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 has been adjusted, which total €46 million.

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

This operation is 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 €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 amounts 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 €4,104,000.

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 covers managed resources totalling approximately USD 1,200 million (€926 million approx.) and loans of USD 60 million (€46 million approx.). The initial price agreed has been estimated at USD 6 million (€4.6 million approx.) which will be increased by 0.5% calculated on the same transferred resources maintained by Banco Sabadell one year after the completion of the transaction. The maximum price may not exceed USD 12 million (€9.3 million approx.).

The transaction, which was completed on 1 November 2013, is part of the negotiations between Banco Sabadell and Lloyds Bank which have given 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.

Changes in consolidation scope

The changes in the consolidation scope are described below.

For FY 2013:

Subsidiaries consolidated for first time

Thousand euro

Name of entity (or line of business) acquired or merged	Category	Effective date of the transaction	Cost of combination: Amount paid and other attributable costs	Cost of combination: Fair value equity instruments issued for the acquisition	% Voting rights acquired	% Voting rights total	Type of shareholding	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

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)	tly-controlled	28/10/2013		-	50.00%	50.00%	Indirect	ortionate 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

non-cash contribution.

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

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 are owned by Banco Sabadell.

Through this transaction, Banco Sabadell has obtained 100% of the capital of Mediterráneo Vida for a net payment of €449.5 million.

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 the acquisitions that have been carried out.

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 in the group's consolidated assets) for a net sum of €939,334,000. As a result, when the business combination took place the value adjustments related to the holding recorded under financial assets held for sale were recognized in 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 the 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-contrlled	15/02/2013	33.33%	0.00%	(1)	Indirect	Proportionate consolidation
Biodiesel Aragón, S.L. (a)	Associate	27/03/2013	49.78%	0.00%	0	Indirect	Equity method
Harugui Promocion y Gestión Inmobiliaria, S.L. (b)	Associate	29/04/2013	50.00%	0.00%	0	Indirect	Equity method
C-Cuspide 6, S.A. (b)	Associate	13/05/2013	33.00%	0.00%	0	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%	0	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%	0	Indirect	Equity method
Alquezar Patrimonial, S.L. (b)	Associate	02/07/2013	33.33%	0.00%	0	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%	0	Indirect	Equity method
Can Parellada Parc, S.L. (b)	Associate	20/12/2013	25.00%	0.00%	0	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,thousand), generating a net capital gain of approximately €25.6 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.

2012

Acquisition agreements

Acquisition of Banco CAM, S.A.U.

Acquisition process

On 7 December 2011 Banco Sabadell took control of Banco CAM, S.A. ("Banco CAM") following a competitive bidding procedure organized by Spain's Orderly Bank Restructuring Fund (FROB).

Banco CAM was a Spanish-registered SA company with its principal centre of operations and place of business in Alicante. Its corporate object was to engage in ordinary banking operations and services and other activities directly or indirectly related thereto.

As part of the takeover arrangements an agreement was entered into by the FROB, the Bank Deposit Guarantee Fund (FGD) and Banco Sabadell under which Banco Sabadell agreed to a purchase of Banco CAM shares. At the same time a protocol of financial assistance was signed by Banco CAM, Banco Sabadell, the FROB and the FGD for the provision of assistance for the restructuring of Banco CAM.

Once all necessary permissions and consents had been received and the Banco CAM restructuring plan had been approved by the European Commission on 30 May 2012, on 1 June the FGD increased the Banco CAM's share capital by €2,449 million in addition to the €2,800 million it had previously paid out on 15 December 2011. Banco Sabadell then purchased the shares of Banco CAM for a price of one euro.

As a result of this purchase 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 the scheme, which covers a specified portfolio of assets with a gross value of €24,660 million, the FGD will absorb 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.

Subsequently, as part of the approval process, Banco Sabadell undertook to carry out an integration plan drawn up by FROB officials. This included the closure of 450 branches of the combined entity and staff reductions of approximately 2,200 employees by 31 December 2013.

On 5 December 2012 a notarial deed was registered with the Barcelona Mercantile Registry for the merger by absorption of Banco CAM, S.A.U. into Banco de Sabadell, S.A. Banco CAM was then dissolved without being liquidated and its entire assets were transferred en bloc to Banco de Sabadell S.A. by universal succession. Banco de Sabadell was substituted in all rights and obligations of the absorbed companies generally and without any reservation or limitation whatsoever.

From 1 June 2012 onwards all operations of the absorbed companies were treated for accounting purposes as operations of Banco de Sabadell, S.A.

Immediately prior to the merger of Banco CAM with Banco Sabadell, the two companies CAMGE Financiera, Establecimiento Financiero de Crédito S.A. and CAMGE Holdco S.L. were simultaneously merged by absorption into Banco CAM. All operations of the two merged companies were treated for accounting purposes as operations of Banco CAM from 1 January 2012 onwards.

Accounting treatment of the business combination

The consolidated annual accounts provided valuation and accounting data for the business combination by allocation of the transaction cost to specific assets, liabilities and contingent liabilities (Purchase Price Allocation or PPA).

The fair values of assets and liabilities were determined on the basis of management estimates of the fair values of assets and liabilities, having regard to the most recent stress testing exercises carried out across the Spanish financial system and the assessments made by the European Union's Directorate-General for Competition in the course of approving the transaction. These estimates were reviewed by an independent expert.

As of the date on which control was taken, Banco CAM shareholders' equity stood at €3,500 million with negative valuation adjustments, arising mainly from capital losses on portfolios of debt and equity instruments, amounting to €274 million. Banco CAM's equity at the date of its takeover by Banco Sabadell already included the following items:

- Restructuring provisions of €809 million.
- Asset impairment provisions of €2,986 million.

- A credit (hedging) derivative for 80% of net provisions and impairments to the portfolio of assets subject to protection under the Asset Protection Scheme and recognized between 31 July 2011 and the date of acquisition, amounting to €3,766 million.

The full price paid by Banco Sabadell to acquire 100% of the ordinary shares of Banco CAM was one euro. Therefore the acquisition cost of the shareholding, when compared with Banco CAM's net worth at 1 June 2012, showed an initial shortfall of €3,226 million.

As part of the PPA exercise, valuations were made of the following assets, liabilities and contingent liabilities of the acquired undertaking:

1. 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. In addition, a review has been carried out of the fair values of the real estate portfolio based on such parameters as the type of use, maturity and location of the assets.
   On the basis of the analyses performed by the group, it was decided that negative adjustments should be made in the loan and real-estate investment portfolios to adjust them to their estimated fair values. The amount allocated to additional provisions was €3,967 million; of this amount, under the protocol on financial assistance for Banco CAM restructuring, a total of €518 million would be underwritten by the APS and was recognized as a debit balance under Loans and receivables on the balance sheet. The provision requirement to cover fair value impairments and expected unsecured losses should therefore be €3,449 million (€2,414 million net of tax).

2. The application of the Group's own valuation criteria to portfolios of unquoted equity instruments recorded as financial assets available for sale, held-to-maturity debt instruments, and equity investments in associates resulted in unrealized capital losses being recognized totalling €345 million (€241 million net of tax).

3. Debt securities issued by Banco CAM and its subsidiaries and sold on the wholesale market were likewise measured and latent capital losses associates with them were estimated at €827 million (€579 million net of tax).

4. A provision requirement of €311 million was estimated for contingent liabilities; the tax impact of this is calculated at €218 million. The purpose of the provision was to cover a range of events, such as arbitration rulings, claims, appearance of litigation, identification of unrecorded liabilities, etc. For each of them the probability of occurrence was estimated, rating them as probable, possible or remote, and an estimate was made based on the available information, taking into account the company's particular circumstances at the date of its incorporation into the Sabadell group. The probability of all of these events taking place was regarded as low.
   During 2013 a number of events took place leading to the materialization of said contingent liabilities, and accordingly the entire provision recorded within the framework of the business combination was applied.

5. Finally, in Deferred tax assets the tax effect (30% rate) was adjusted for all the adjustments explained in the points 1 to 4 above, which total € 984 million.

After adjustments to the values of all former assets and liabilities of Banco CAM, the resulting negative goodwill on consolidation was €933 million (see Note 34.k.).

The fair value adjustments described in the previous points made to the assets and liabilities of Banco CAM received in the business combination reflect their definitive accounting treatment.

Ordinary income and profit/(loss) before tax of the Banco CAM group since the acquisition date included in the consolidated income statement and consolidated statement of recognized income and expenses amounts to €414 million and €69 million.

Other income and expenses figuring in the consolidated statement of recognized income and expenses of the Banco CAM group since the date of acquisition included in consolidation is practically zero.Given the unusual situation of the entity before it was acquired, i.e. it was being administered by the Bank Restructuring Fund (FROB), it has been considered that recording the ordinary income and results of the combined entity for FY 2012 as if the acquisition date of the business combination had been 1 January 2012 would distort the true and fair view of the group and therefore a breakdown of that information has not been included.

Changes in consolidation scope

Subsidiaries consolidated for first time

Thousand euro

Name of entity (or line of business) acquired or merged	Category	Effective date of the transaction	Cost of combination Amound paid/ Consideration	% Voting rights acquired	% Voting rights total	Type of shareholding	Method
Metrovacesa, S.A.	Associate	01/01/2012	349,078	12.35%	12.35%	Direct	Equity method
Administración y Proyectos MDT, S.A. P.I. de C.V.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Alma Gestión de Hoteles, S.L.U.	Jointly-controlled	01/06/2012	-	49.72%	49.72%	Indirect	Proportionate consolidation
Alma Hotelmanagement GMBH	Jointly-controlled	01/06/2012	-	49.72%	49.72%	Indirect	Proportionate consolidation
Alquezar Patrimonial, S.L.	Associate	01/06/2012	-	33.33%	33.33%	Indirect	Equity method
Altavista Hotelera, S.L.	Associate	01/06/2012	-	40.00%	40.00%	Indirect	Equity method
Alze Mediterráneo, S. L.	Associate	01/06/2012	-	45.00%	45.00%	Indirect	Equity method
Amci Habitat Mediterráneo, S.L.	Associate	01/06/2012	-	40.00%	40.00%	Indirect	Equity method
Arrendamiento de Bienes Inmobiliarios del Mediterráneo, S.L.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Artemus Capital, S.L.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
B2B Salud, S.L.U.	Jointly-controlled	01/06/2012	-	50.00%	50.00%	Indirect	Proportionate consolidation
Balam Overseas BV	Associate	01/06/2012	-	40.00%	40.00%	Indirect	Equity method
Banco CAM S.A.U	Subsidiary	01/06/2012	-	100.00%	100.00%	Direct	Full consolidation
Beren Mediterráneo, S.L.	Jointly-controlled	01/06/2012	-	40.00%	40.00%	Indirect	Proportionate consolidation
Blue-Lor, S.L.	Associate	01/06/2012	-	27.62%	27.62%	Indirect	Equity method
CAM AEGON Holding Financiero, S.L.	Subsidiary	01/06/2012	-	50.00%	50.00%	Indirect	Full consolidation
CAM Capital, S.A.U.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
CAM Global Finance	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
CAM Global Finance, S.A.U.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
CAM International Issues, S.A.U.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
CAM US FINANCE, S.A.U.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
CAMGE Financiera, E.F.C., S.A.	Subsidiary	01/06/2012	-	50.00%	50.00%	Indirect	Full consolidation
CAMGE Holdco, S.L.	Subsidiary	01/06/2012	-	50.00%	50.00%	Indirect	Full consolidation
Caminsa Urbanismo, S.A.	Associate	01/06/2012	-	40.00%	40.00%	Indirect	Equity method
Can Parellada Parc, S.L.	Jointly-controlled	01/06/2012	-	25.00%	25.00%	Indirect	Proportionate consolidation
Cap Eval, S.A.	Associate	01/06/2012	-	49.00%	49.00%	Indirect	Equity method
Cartera de Participaciones Empresariales, C.V., S.L.	Jointly-controlled	01/06/2012	-	50.00%	50.00%	Indirect	Proportionate consolidation
Compañía Trasmediterránea, S.A.	Associate	01/06/2012	-	0.00%	12.86%	Indirect	Equity method
Congost Residencial, S.L.	Jointly-controlled	01/06/2012	-	50.00%	50.00%	Indirect	Proportionate consolidation
Costa Marina Mediterráneo, S.A.	Associate	01/06/2012	-	33.33%	33.33%	Indirect	Equity method
Costa Mujeres Investment BV	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Crédito Inmobiliario, S. A. de C. V., Sociedad Financiera de Objeto Múltiple, E. N. R.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Datolita Inversiones 2010, S.L.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Delta Swing, S.A.	Jointly-controlled	01/06/2012	-	50.00%	50.00%	Indirect	Proportionate consolidation
Desarrollo y Ejecución Urbanística del Mediterráneo, S.L.	Subsidiary	01/06/2012	-	95.00%	95.00%	Indirect	Full consolidation
Desarrollos y Participaciones Inmobiliarias 2006, S.L.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Deurmed, S.L.	Jointly-controlled	01/06/2012	-	30.00%	30.00%	Indirect	Proportionate consolidation
Dime Habitat, S.L.	Associate	01/06/2012	-	40.00%	40.00%	Indirect	Equity method
Dreamview, S.L.	Jointly-controlled	01/06/2012	-	49.00%	49.00%	Indirect	Proportionate consolidation
E.B.N. Banco de Negocios, S.A.	Associate	01/06/2012	-	20.00%	20.00%	Indirect	Equity method
Ecamed Barcelona, S.L.U	Jointly-controlled	01/06/2012	-	49.72%	49.72%	Indirect	Proportionate consolidation
Ecamed Pamplona, S.L.U	Jointly-controlled	01/06/2012	-	49.72%	49.72%	Indirect	Proportionate consolidation
Eco Resort San Blas, S.L.	Jointly-controlled	01/06/2012	-	43.86%	43.86%	Indirect	Proportionate consolidation
El Mirador del Delta, S.L.	Jointly-controlled	01/06/2012	-	50.00%	50.00%	Indirect	Proportionate consolidation
Elche-Crevillente Salud S.A.	Jointly-controlled	01/06/2012	-	50.00%	50.00%	Indirect	Proportionate consolidation
Emporio Mediterráneo, S.L.	Associate	01/06/2012	-	45.00%	45.00%	Indirect	Equity method
Espais Arco Mediterráneo S.L.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Espais Catalunya Mediterráneo, S.A.	Jointly-controlled	01/06/2012	-	49.72%	49.72%	Indirect	Proportionate consolidation
Especializada y Primaria L' Horta-Manises, S.A.	Associate	01/06/2012	-	20.00%	20.00%	Indirect	Equity method
Fbex del Mediterráneo, S.L.	Jointly-controlled	01/06/2012	-	25.00%	25.00%	Indirect	Proportionate consolidation
Financiaciones Turísticas del Caribe, S.L.	Associate	01/06/2012	-	39.94%	39.94%	Indirect	Equity method
Fonomed Gestión Telefónica Mediterráneo, S.A.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
G.I. Cartera, S.A.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
GDSUR Alicante, S.L.	Associate	01/06/2012	-	20.00%	20.00%	Indirect	Equity method
Gesta Aparcamientos, S.L.	Associate	01/06/2012	-	40.00%	40.00%	Indirect	Equity method

Thousand euro

Name of entity (or line of business) acquired or merged	Category	Effective date of the transaction	Cost of combination Amound paid/ Consideration	% Voting rights acquired	% Voting rights total	Type of shareholding	Method
Gestión de Activos del Mediterráneo, S.V., S.A.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Gestión de Proyectos Urbanísticos del Mediterráneo, S.L.	Subsidiary	01/06/2012	-	95.00%	95.00%	Indirect	Full consolidation
Gestión Financiera del Mediterráneo, S.A.U.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Gestión Mediterránea del Medioambiente, S.A.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Gestora de Aparcamientos del Mediterráneo, S.L.	Associate	01/06/2012	-	40.00%	40.00%	Indirect	Equity method
Gestora de Fondos del Mediterráneo, S.A., S.G.I.I.C.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Gradiente Entrópico, S.L.	Associate	01/06/2012	-	49.00%	49.00%	Indirect	Equity method
Grupo Azul Caribe, S.A. de C.V.	Associate	01/06/2012	-	40.00%	40.00%	Indirect	Equity method
Grupo Inversiones y Promociones el Almendro, S.R.L.	Associate	01/06/2012	-	40.00%	40.00%	Indirect	Equity method
Hansa Baja Investments, S de R.L. de C.V.	Subsidiary	01/06/2012	-	38.18%	38.18%	Indirect	Full consolidation
Hansa Cabo, S.A. de C.V.	Subsidiary	01/06/2012	-	27.81%	27.81%	Indirect	Full consolidation
Hansa México S.A. DE C.V.	Subsidiary	01/06/2012	-	48.15%	48.15%	Indirect	Full consolidation
Hansa Urbana S.A.	Associate	01/06/2012	-	30.61%	30.61%	Indirect	Equity method
Hantinsol Resorts, S.A.	Jointly-controlled	01/06/2012	-	33.33%	33.33%	Indirect	Proportionate consolidation
Hotelera H.M., S.A. de C.V.	Subsidiary	01/06/2012	-	86.67%	86.67%	Indirect	Full consolidation
Hotelera Marina, S.A, de C.V.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Inerzia Mediterráneo, S.L.	Jointly-controlled	01/06/2012	-	40.00%	40.00%	Indirect	Proportionate consolidation
Inmobiliaria Ricam 2005, S.L.	Jointly-controlled	01/06/2012	-	40.00%	40.00%	Indirect	Proportionate consolidation
Inversiones Ahorro 2000, S.A.	Associate	01/06/2012	-	20.00%	20.00%	Indirect	Equity method
Inversiones Cotizadas del Mediterráneo, S.L.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Inversiones Hoteleras La Jaquita, S.A.	Associate	01/06/2012	-	45.00%	45.00%	Indirect	Equity method
La Ermita Resort, S.L.	Jointly-controlled	01/06/2012	-	29.49%	29.49%	Indirect	Proportionate consolidation
Liquidambar Inversiones Financieras, S.L.	Jointly-controlled	01/06/2012	-	13.33%	13.33%	Indirect	Proportionate consolidation
Mankel System, S.L.U.	Jointly-controlled	01/06/2012	-	49.72%	49.72%	Indirect	Proportionate consolidation
Mar Adentro Golf, S.L.	Subsidiary	01/06/2012	-	66.66%	66.66%	Indirect	Full consolidation
Marina Salud, S.A.	Associate	01/06/2012	-	17.50%	17.50%	Indirect	Equity method
Medes Residencial, S.L.	Jointly-controlled	01/06/2012	-	50.00%	50.00%	Indirect	Proportionate consolidation
Mediterranean CAM International Homes, S.L.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Mediterráneo Mediación, S.A., Operador de Banca-Seguros Vinculado del Grupo Caja de Ahorros del Mediterráneo	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Mediterráneo Seguros Diversos, Compañía de Seguros y Reaseguros, S.A.	Associate	01/06/2012	-	50.00%	50.00%	Indirect	Equity method
Mediterráneo Vida, S.A.U. de Seguros y Reaseguros	Subsidiary	01/06/2012	-	50.00%	50.00%	Indirect	Full consolidation
Mercado Inmobiliario de Futuro, S.L.	Jointly-controlled	01/06/2012	-	49.14%	49.14%	Indirect	Proportionate consolidation
Mercurio Alicante Sociedd de Arrendamientos 1, S.L.U.	Associate	01/06/2012	-	75.00%	75.00%	Indirect	Equity method
Meserco, S.L.U.	Subsidiary	01/06/2012	-	50.00%	50.00%	Indirect	Full consolidation
Murcia Emprende, S.C.R., S.A.	Associate	01/06/2012	-	32.50%	32.50%	Indirect	Equity method
Parque Tecnológico Fuente Álamo, S.A.	Associate	01/06/2012	-	22.54%	22.54%	Indirect	Equity method
Planificación TGN 2004, S.L.	Associate	01/06/2012	-	25.00%	25.00%	Indirect	Equity method
Playa Caribe Holding IV B.V.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Playa Caribe Holding V B.V.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Playa Caribe Holding VI B.V.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Playa Marina, S.A, de C.V.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Prat Spolka, Z.O.O.	Associate	01/06/2012	-	35.00%	35.00%	Indirect	Equity method
Procom Residencial Rivas, S.A.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Promociones e Inmuebles Blauverd Mediterráneo, S.L.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Promociones y Desarrollos Ribera Mujeres S.A, de C.V.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Puerto Mujeres, S.A, de C.V.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Ribera Salud Infraestructuras, S.L.U	Jointly-controlled	01/06/2012	-	50.00%	50.00%	Indirect	Proportionate consolidation
Ribera Salud Proyectos, S.L.U.	Jointly-controlled	01/06/2012	-	50.00%	50.00%	Indirect	Proportionate consolidation
Ribera Salud Tecnologías, S.L.U.	Jointly-controlled	01/06/2012	-	50.00%	50.00%	Indirect	Proportionate consolidation
Ribera Salud, S.A.	Jointly-controlled	01/06/2012	-	50.00%	50.00%	Indirect	Proportionate consolidation
Rigolisa Residencial, S.L.	Jointly-controlled	01/06/2012	-	50.00%	50.00%	Indirect	Proportionate consolidation
Rocabella, S.L.	Associate	01/06/2012	-	36.09%	36.09%	Indirect	Equity method
Ros Casares Espacios, S.A.	Associate	01/06/2012	-	20.00%	20.00%	Indirect	Equity method

Thousand euro

Name of entity (or line of business) acquired or merged	Category	Effective date of the transaction	Cost of combination Amound paid/ Consideration	% Voting rights acquired	% Voting rights total	Type of shareholding	Method
Sercacín, S.A.	Associate	01/06/2012	-	20.00%	20.00%	Indirect	Equity method
Servicio de Recuperación de Créditos, S.A.	Associate	01/06/2012	-	20.00%	20.00%	Indirect	Equity method
Servicios Inmobiliarios Trecam, S.L.	Associate	01/06/2012	-	30.01%	30.01%	Indirect	Equity method
Simat Banol, S.L.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Tabimed Gestión de Proyectos, S.L.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Tasaciones de Bienes Mediterráneo, S.A.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Tasaciones y Avalúos, S.A. de C.V.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Técnicas Valencianas del Agua, S.A.	Associate	01/06/2012	-	20.05%	20.05%	Indirect	Equity method
Tenedora de Inversiones y Participaciones, S.L.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Terra Mítica, Parque Temático de Benidorm, S.A.	Associate	01/06/2012	-	24.23%	24.23%	Indirect	Equity method
Tinser Cartera, S.L.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Tinser Gestora de Inversiones, S.L.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Torrejón Salud, S.A.	Jointly-controlled	01/06/2012	-	50.00%	50.00%	Indirect	Proportionate consolidation
Torrevieja Salud, S.L.U.	Jointly-controlled	01/06/2012	-	50.00%	50.00%	Indirect	Proportionate consolidation
Tratamientos y Aplicaciones, S.L.	Subsidiary	01/06/2012	-	100.00%	100.00%	Indirect	Full consolidation
Tremon Maroc Services Inmobiliers S.A.R.L.	Associate	01/06/2012	-	40.00%	40.00%	Indirect	Equity method
Valfensal, S.L.	Associate	01/06/2012	-	30.00%	30.00%	Indirect	Equity method
Caminsa Urbanismo, S.A.	Subsidiary	11/06/2012	-	60.00%	100.00%	Indirect	Full consolidation
Emporio Mediterráneo, S.L.	Jointly-controlled	29/06/2012	2,975	5.00%	50.00%	Indirect	Proportionate consolidation
Operadora Cabo de Cortes S. DE R.L. DE C.V.	Subsidiary	25/09/2012	-	38.18%	38.18%	Indirect	Full consolidation
Aviones Carraixet CRJ-200 II A.I.E.	Associate	30/11/2012	-	0.00%	25.00%	Direct	Equity method
Aviones Turia CRJ-200 I A.I.E	Associate	30/11/2012	-	0.00%	25.00%	Direct	Equity method
Aviones Portacoli CRJ-200 III A.I.E	Associate	30/11/2012	-	0.00%	25.00%	Direct	Equity method

(*) All entities consolidating for the firest time, excepting Metrovacesa, S.A., result from the inclusion of Banco CAM, S.A.U.

During 2009 the Banco Sabadell group acquired a 10.9% holding in Metrovacesa, S.A. derived from the transaction between the Cresa-Sacresa group and creditors as part of the debt restructuring agreement.

In 2011, Metrovacesa carried out a capital increase in which Banco Sabadell and other financial institutions took part by means of the capitalization of their loans. The capital increase process was completed on 4 August 2011 and resulted in the banks that were shareholders of the company controlling 96% of its capital. Banco Sabadell received 12.35% of Metrovacesa, S.A.'s capital and a Bank representative was included in the company's Board of Directors and Executive Committee.

In 2012, following the pertinent analysis, Banco Sabadell confirmed that there was sufficient evidence over time of the existence of a significant influence over Metrovacesa, S.A. despite the fact that its holding in that company was less than 20%. The Bank's main arguments in this respect are as follows.

• The banks that are shareholders of Metrovacesa, S.A. achieved a joint interest in the share capital of Metrovacesa, S.A. increasing their holding from 65% to 96% after the capital increase carried out by the Company in August 2011. Banco Sabadell's holding is 12.35%.

• Banco Sabadell's holding is less than 20%, this being the threshold for the possible existence of a significant influence. However, the existence of such influence can be proven by various means, including the following:

- Representation on the Board of Directors.
- Participation in policy-setting processes.
- Relatively important transactions between the investor and the investee.

• In this respect, Banco Sabadell has a representative on the Board of Directors of Metrovacesa, S.A., who is also a member of the Executive Committee.

• Banco Sabadell took part in the capital increase carried out by Metrovacesa, S.A. in August 2011, which constitutes a significant transaction between the parties mainly from the company's viewpoint, since the capital increase formed part of a debt restructuring process and was critical for its financial stability.

The group analyzed its involvement through its representative in the management of Metrovacesa, S.A. on the basis, among other matters, of an analysis of the minutes of meetings of the Board of Directors and the Executive Committee, and found evidence, following a reasonable term of at least six months following the capital increase, of significant influence. It therefore considered that Metrovacesa, S.A. had acquired the status of an associate in the Banco Sabadell group and decided to treat this investment as a shareholding in an associate entity.

Recognizing the interest in Metrovacesa, S.A. as an associate had the following principal effects on the consolidated financial statements of the Banco Sabadell group:

• Reclassification of the investment from Available for sale assets to Investments in associates in the amount of €310 million, applying the "cost of each investment" approach referred to in IAS 28. This reclassification did not have any impact on the income statement because in previous years the investment had been impaired against income.

• Recognition under Profit/(loss) from companies consolidated by the equity method in the income statement of the losses incurred by Metrovacesa in FY 2012 (€19 million in losses).

• Pursuant to IAS 36, an impairment analysis will be carried out based on the recoverable value of the investment and if applicable impairment adjustments will be recorded with regard to the company's identifiable assets to adjust it to the recoverable value of the equity of Metrovacesa, S.A.

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	% of total rights following the disposal	Profit/ (Loss) generated	Type of shareholding	Method
Eólica Sierra Sesnández, S.L. (c)	Subsidiary	31/01/2012	62.10%	40.00%	0	Indirect	Full consolidation
FS Colaboración y Asistencia, S.A.	Associate	21/02/2012	35.00%	0.00%	48	Indirect	Equity method
M.P. Costablanca, S.L.	Associate	07/03/2012	45.00%	0.00%	0	Indirect	Equity method
Banco del Bajío, S.A.	Associate	30/03/2012	20.00%	0.00%	28,038	Direct	Equity method
Banco Guipuzcoano, S.A. (a)	Subsidiary	21/05/2012	100.00%	0.00%	0	Direct	Full consolidation
Banco Urquijo Sabadell Banca Privada, S.A. (a)	Subsidiary	21/05/2012	100.00%	0.00%	0	Direct	Full consolidation
Bansabadell Professional, S.A. (a)	Subsidiary	21/05/2012	100.00%	0.00%	0	Direct	Full consolidation
Axel Group, S.L. (a)	Subsidiary	21/05/2012	100.00%	0.00%	0	Direct	Full consolidation
Guipuzcoano, S.G.I.I.C., S.A. (b)	Subsidiary	24/05/2012	100.00%	0.00%	0	Direct	Full consolidation
Compañía Trasmediterránea, S.A. (c)	Associate	06/06/2012	12.86%	12.86%	(10,654)	Indirect	Equity method
Beren Mediterráneo, S.L.	Jointly-controlled	15/06/2012	40.00%	0.00%	(243)	Indirect	Proportionate consolidation
Terra Mítica, Parque Temático de Benidorm, S.A.	Associate	27/06/2012	24.23%	0.00%	2,832	Indirect	Equity method
Técnicas Valencianas del Agua, S.A. (c)	Associate	28/06/2012	20.05%	15.22%	0	Indirect	Equity method
Cap Eval, S.A.	Associate	14/06/2012	49.00%	0.00%	30	Indirect	Equity method
Financiaciones Turísticas del Caribe, S.L. (b)	Associate	18/06/2012	39.94%	0.00%	(2)	Indirect	Equity method
Grupo Azul Caribe, S.A. de C.V.	Associate	13/07/2012	40.00%	0.00%	1,043	Indirect	Equity method
Grupo Inversiones y Promociones el Almendro, S.R.L.	Associate	13/07/2012	40.00%	0.00%	3,117	Indirect	Equity method
Deurmed, S.L. (b)	Jointly-controlled	06/09/2012	30.00%	0.00%	(49)	Indirect	Proportionate consolidation
Egumar Gestion, S.L.	Associate	24/09/2012	30.00%	0.00%	0	Indirect	Equity method
Inerban Proyectos, S.L.	Jointly-controlled	25/09/2012	50.00%	0.00%	0	Indirect	Proportionate consolidation
Desarrollos Inmobiliarios La Serreta, S.L.	Associate	25/09/2012	25.00%	0.00%	0	Indirect	Equity method
Garnova, S.L. (c)	Associate	28/09/2012	25.00%	0.00%	(40)	Indirect	Equity method
Ceprio-Imobiliária, LDA. (b)	Associate	01/10/2012	45.00%	0.00%	0	Indirect	Equity method
Harinera Ilundain, S.A. (b)	Associate	03/10/2012	45.00%	0.00%	0	Indirect	Equity method
Vera Muniain, S.L. (b)	Associate	03/10/2012	45.00%	0.00%	0	Indirect	Equity method
Solvia Estate, S.L. (d)	Subsidiary	15/10/2012	100.00%	0.00%	0	Direct	Full consolidation
Solvia Gestió Immobiliària, S.L. (d)	Subsidiary	15/10/2012	100.00%	0.00%	0	Direct	Full consolidation
Solvia Properties, S.L. (d)	Subsidiary	15/10/2012	100.00%	0.00%	0	Direct	Full consolidation
Lagar de Tasara, S.L. (b)	Associate	26/10/2012	33.78%	0.00%	0	Indirect	Equity method
Medes Residencial, S.L.	Jointly-controlled	26/10/2012	50.00%	0.00%	948	Indirect	Proportionate consolidation
Rigolisa Residencial, S.L.	Jointly-controlled	26/10/2012	50.00%	0.00%	(8)	Indirect	Proportionate consolidation
Promociones y Desarrollos Creaziona Castilla La Mancha, S.L. (b)	Associate	29/10/2012	20.00%	0.00%	0	Indirect	Equity method
Tasaciones y Avalúos, S.A. de C.V.	Subsidiary	13/11/2012	100.00%	0.00%	(258)	Indirect	Full consolidation
Aldoluz, S.L. (b)	Associate	16/11/2012	30.06%	0.00%	0	Indirect	Equity method
CAMGE Financiera, E.F.C., S.A. (a)	Subsidiary	03/12/2012	100.00%	0.00%	0	Indirect	Full consolidation
CAMGE Holdco, S.L. (a)	Subsidiary	03/12/2012	100.00%	0.00%	0	Indirect	Full consolidation
Banco CAM S.A.U (a)	Subsidiary	03/12/2012	100.00%	0.00%	0	Direct	Full consolidation
Especializada y Primaria L' Horta-Manises, S.A.	Associate	05/12/2012	20.00%	0.00%	4,315	Indirect	Equity method
Torrejón Salud, S.A.	Jointly-controlled	05/12/2012	25.00%	0.00%	832	Indirect	Proportionate consolidation
Sociedad de Inversiones y Participaciones COMSA EMTE, S.L.	Associate	07/12/2012	20.00%	0.00%	(15,161)	Indirect	Equity method
Congost Residencial, S.L.	Jointly-controlled	13/12/2012	50.00%	0.00%	(2,677)	Indirect	Proportionate consolidation
Crédito Inmobiliario, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, E. N. R.	Subsidiary	14/12/2012	100.00%	0.00%	10,489	Indirect	Full consolidation
Gestión de Activos del Mediterráneo, S.V., S.A. (b)	Subsidiary	17/12/2012	100.00%	0.00%	(726)	Indirect	Full consolidation
Delta Swing S.A.	Jointly-controlled	21/12/2012	50.00%	0.00%	(70)	Indirect	Proportionate consolidation
El Mirador del Delta, S.L.	Jointly-controlled	21/12/2012	50.00%	0.00%	(4,474)	Indirect	Proportionate consolidation
Hidrodata, S.A.	Associate	31/12/2012	45.75%	0.00%	0	Indirect	Equity method

(a) Companies no longer consolidating due to merger with Banco Sabadell.
(b) No longer consolidating due to dissolution and/or liquidation
(c) No longer consolidating due to loss of significant influence.
(d) Merger with Solvia Development, S.L.

Merger by absorption of Banco Guipuzcoano, S.A., Banco Urquijo Sabadell Banca Privada, S.A., BanSabadell Profesional, S.A. and Axel Group, S.L. into Banco de Sabadell, S.A.

On 21 May 2012 Banco Guipuzcoano, S.A., Banco Urquijo Sabadell Banca Privada, S.A., Bansabadell Profesional, S.A. and Axel Group, S.L. were absorbed by Banco de Sabadell, S.A. All these businesses were dissolved but not liquidated, with their entire share capital being transferred en bloc to Banco de Sabadell, S.A. by universal succession. The acquiring company was subrogated to all the rights and obligations of the absorbed companies generally and without any reservation or limitation whatsoever.

From 1 January 2012 onwards all operations of the absorbed companies were treated for accounting purposes as operations of the acquiring company.

Sale of holding in Banco del Bajío, S.A.

On 30 March 2012 Banco de Sabadell, S.A. sold its 20% shareholding in Banco del Bajío, S.A. 13.3% was acquired by a subsidiary of Temasek Holdings (Private) Limited, with the remaining 6.7% being acquired by a group of the Mexican entity's shareholders. The total amount received for the sale of this 20% holding in Banco del Bajío was 2,645,528,000 Mexican pesos, generating a profit of €28,038,000.

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 the scheme, which covers a specified portfolio of assets with a gross value of €24,644 million at 31 July 2011, the FGD guarantees coverage of 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 (first loss threshold).

The portfolio of assets protected by the EPA at 31 July 2011 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 (1)	2,380	558	4,663	1,096
Shareholdings	193	52	504	163
Write-off assets	360	360	360	360
Total	24,644	3,882	24,644	3,882

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

Movements in the drawn-down balance in the loans and receivables portfolio protected by the EPA since it entered into force on 31 December 2013 are as follows (million euro):

€ million

Balance at 31 July 2011	**18,460**
Acquisition of intangible assets	(3,449)
Receipts and subrogation	(1,816)
Increase in non-performing loans	(252)
Credit draw-downs	30
Balance at 31 December 2013	**12,973**

Movements in the drawn-down balance in the real-estate asset portfolio protected by the EPA since it entered into force on 31 December 2013 are as follows (million euro):

€ million

Balance at 31 July 2011	**4,663**
Acquisition of intangible assets	2,500
Financial asset sales	(1,619)
Value fluctuations	(38)
Balance at 31 December 2013	**5,506**

The current provisions for the EPA portfolio recognized to date amount to €6,953 million at 31 December 2013 and cover 38% of the related exposure. However, if it is taken into account that 80% of any loss from this portfolio will be borne by the Deposit Guarantee Fund, the effective coverage increases to 87.5%.

This means that the coverage guaranteed by the EPA over and above the current level of provisions in the event that greater cover were needed is up to €9,221 million in additional provisions which, as they are covered by the EPA, would not have any impact on the group's results.

The receivable from the Deposit Guarantee Fund that covers the losses in the EPA portfolio is recorded under Loans and receivables. In view of the fact that under the applicable regulations, when carrying out the business combination it was necessary to estimate the expected losses on the assets, the receivable was first recorded at that time, while subsequent fluctuations due to the recognition of losses actually incurred were also to be recognized under the same heading.

Additional information

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 ofthe 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).
The price of the transaction will be determined definitively when the operation is completed. This is expected to be in the first half of 2014 after the relevant administrative authorizations have been obtained, and has been estimated at approximately USD 56 million (approx. €41 million).
GNB Holdings Trust's main shareholder is Mr. Jaime Gilinski Bacal, who is also a major shareholder in Banco Sabadell.

Merger agreements.

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 will be carried out under Articles 49.1 and 51 of Law 3/2009 on structural changes in trading companies, since they consist of the absorption of wholly-owned subsidiaries.
The Boards of Directors of Banco Sabadell, Banco Gallego Sabadell Solbank signed the relevant merger plan at meetings held on the above date.

Banco Gallego Vida y Pensiones acquisition agreement.

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.
By means of this transaction Banco Sabadell obtained 100% of the capital of Banco Gallego Vida y Pensiones for a net payment of €28,200,000. The completion of the operation is subject to the obtainment of the relevant regulatory authorizations.
This transaction forms part of the process for reorganizing Banco Sabadell's insurance subsidiaries and associates.

Other significant data.

On 6 July 2012 Banco Sabadell gave proper and timely notice of its intention to exercise a contractually agreed option to sell its entire shareholding in Dexia Sabadell, S.A., comprising 10,162,440 shares representing 40% of the share capital of the company, to Dexia Credit Local S.A., which holds 60% of the share capital of Dexia Sabadell, S.A. The exercise price of the sale option was set at the equity value according to the procedure for determining the selling price of the shares. The calculation of the selling price of the shares in Dexia Sabadell, S.A. is subject to a pre-established procedure and therefore the shares will not be transferred until the price has been definitively set. Once the price has been determined, the sale will remain subject to the relevant regulatory approval.

Dexia Sabadell, S.A. subsequently carried out a capital increase in which the Bank did not take part, its holding decreasing to 21%.

NOTE 3 - PROPOSED DISTRIBUTION OF PROFITS AND EARNINGS PER SHARE

Set out below is the distribution of 2013 profits which the Board of Directors will propose to the shareholders at the Annual General Meeting for their approval, together with the distribution of 2012 profits approved by the shareholders on 26 March 2013.

Thousand euro

	2013	2012
To dividends	40,115	29,596
To statutory reserve	32,238	4,520
To Canary Island investment reserve	425	58
To voluntary reserves	249,604	11,030
Profit for the year Banco de Sabadell, S.A.	**322,382**	**45,204**

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

The Board of Directors will recommend to the General Meeting that it pass the following resolutions:

- that a gross dividend for the year be paid of €0.01 per share; and
- that in addition to the cash dividend, a final dividend of €0.02 per share be paid 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.

At the Annual General Meeting of shareholders held on 26 March 2013, the payment of a gross dividend per share for 2012 of €0.01 was approved together with a complementary distribution of €0.02 per share be paid 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.

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 in 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 being exercised.

Earnings per share calculations are shown in the following table:

	2013	2012
Net profit attributable to group (€'000)	247,832	81,891
Profit/(loss) on discontinued operations (€'000)	0	0
Weighted average number of ordinary shares outstanding	3,198,848,576	2,387,443,232
Assumed conversion of convertible bonds	287,152,895	224,286,723
Adjusted weighted average number of outstanding ordinary shares	3,486,001,471	2,611,729,955
Earnings per share (€)	0.08	0.03
Basic earnings per share adjusted for effect of mandatorily convertible bonds (€)	0.07	0.03
Diluted earnings per share (€)	0.07	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 2013 and 2012 are analyzed in the following table:

Thousand euro

	2013	2012
By heading:		
Loans and receivables	3,525,521	5,233,243
Total	**3,525,521**	**5,233,243**
By nature:		
Fixed-term deposits	1,060,181	927,436
Hybrid financial assets	13,752	0
Assets acquired under repo agreements	135,094	1,503,508
Other accounts	937,136	1,057,283
Doubtful assets	459	480
Deposits secured due to market transactions	1,266,686	1,624,337
Other financial assets	107,499	116,879
Impairment adjustments	(407)	(995)
Other valuation adjustments	5,121	4,316
Total	**3,525,521**	**5,233,243**
By currency:		
In euro	3,042,253	4,937,292
In foreign currency	483,268	295,951
Total	**3,525,521**	**5,233,243**

Average annual interest rates on loans and advances to credit institutions for 2013 and 2012 were 0.90% and 1.20% respectively.

NOTE 5 - DEBT SECURITIES

Debt securities reported in the consolidated balance sheet at 31 December 2013 and 2012 are analyzed as follows:

Thousand euro

	2013	2012
By heading:		
Held for trading	557,741	297,752
Available-for-sale financial assets	18,650,535	15,193,555
Loans and receivables	2,534,715	396,913
Held-to-maturity investments	0	7,647,834
Total	**21,742,991**	**23,536,054**
By nature:		
Government securities	16,327,067	14,721,134
Treasury bills	40,966	819,444
Other book entry debt	12,753,602	11,154,434
Public institutions	3,532,499	2,747,256
Issued by financial institutions and others	5,576,577	9,153,213
Doubtful assets	3,031	44,370
Impairment adjustments	(167,800)	(382,663)
Other valuation adjustments	4,116	0
Total	**21,742,991**	**23,536,054**
By currency:		
In euro	21,236,455	23,039,823
In foreign currency	506,536	496,231
Total	**21,742,991**	**23,536,054**

Average annual interest rates on debt securities in 2013 and 2012 were 3.28% and 3.55% respectively.

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

	2013	2012
Amortised cost (*)	18,432,502	15,297,465
Fair value	18,650,535	15,193,555
Accumulated losses recognised in equity at year end	(133,637)	(290,775)
Accumulated gains recognised in equity at year end	351,669	186,865

(*) Of which: recoveries from impairment in the 2013 income statement: income of € 2,685,000.

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

Thousand euro

	2013	2012
Amortised cost	13,751,741	8,703,110
Fair value	13,907,284	8,761,479
Accumulated losses recognised in equity at year end	(25,124)	(36,159)
Accumulated gains recognised in equity at year end	180,667	94,528

In the case of the securities held to maturity portfolio, the breakdown was as follows:

Thousand euro

	2013	2012
Debt securities		
Public institutions (*)	0	5,600,694
Credit institutions	0	1,311,092
Other private sectors	0	846,087
Valuation adjustments		
Impairment adjustments	0	(110,039)
Total	**0**	**7,647,834**

(*) Of which €5,689,855,000 corresponds to the Spanish authorities in 2012.

The nominal value of the held-to-maturity portfolio at 30 April 2013 amounted to €6,759 million. In May 2013 certain assets were sold generating a capital gain of €437.3 million (Note 34.c). The unsold assets, with a nominal value of €2,097 million, were classified under available-for-sale financial assets.

The assets comprising the held-to-maturity portfolio, showing the location of risk by geography, are distributed as follows:

Thousand euro

	2013	2012
Spain	0	6,812,789
Other EUM countries	0	630,193
Other countries	0	204,852
	0	**7,647,834**

NOTE 6 - EQUITY INSTRUMENTS

The balance in Equity instruments on the consolidated balance sheets at 31 December 2013 and 2012 can be analyzed as follows:

Thousand euro

	2013	2012
By heading:		
Held for trading	43,269	41,390
Other financial assets at fair value through profit or loss	140,534	170,895
Available-for-sale financial assets	627,137	1,219,075
Total	**810,940**	**1,431,360**
By nature:		
Resident sector	438,384	478,709
Credit institutions	125,525	10,407
Other	312,859	468,302
Non-resident sector	678,749	656,802
Credit institutions	597,357	567,066
Other	81,392	89,736
Shares in investment funds and companies	295,416	838,591
Impairment adjustments	(601,609)	(542,742)
Total	**810,940**	**1,431,360**
By currency:		
In euro	773,747	1,395,660
In foreign currency	37,193	35,700
Total	**810,940**	**1,431,360**

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 14 May 2013 the Bank sold its entire interest in Meliá Hotels International, S.A., (6.007% through Inversiones Cotizadas del Mediterráneo, S.L., 100% owned by the Bank). The sale totalled €61,050,000, earning a profit for the bank of approximately €17,700,000 euros.

On 5 November 2013 Banco Sabadell sold the 23,870,328 shares owned by it in Banco Inversis S.A., representing 15.15% of its share capital, for a price of €34,279,000, generating a net capital gain of approximately €20,355,000 for the Bank.

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 transaction, said company was removed from the Available-for-sale financial assets portfolio and included in the portfolio of companies consolidated by the full consolidation method, for an amount of €939,334,000.

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

Thousand euro

	2013	2012
Acquisition cost	513,454	1,171,150
Fair value	627,137	1,219,075
Accumulated losses recognised in equity at year end	(61,839)	(20,682)
Accumulated gains recognised in equity at year end	175,521	68,607
Losses recognised as impairment in the income statement for the year	(44,082)	(35,434)

Impairments in 2013 are not significant when considered on an individual basis.

During the year an impairment was recognized in the group's shareholding in Banco Comercial Português, S.A. (BCP) amounting to €10,868,000. During 2013 capital gains of €89,356,000 have been recorded under valuation adjustments in equity.

NOTE 7 - TRADING DERIVATIVES (ASSETS AND LIABILITIES)

The breakdown by transaction types for the trading derivatives balances on the asset and liability sides of the consolidated balance sheet at 31 December 2013 and 2012 is as follows:

Thousand euro

	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Securities risk	148,598	198,487	165,144	212,211
Interest rate risk	921,465	895,601	1,319,131	1,301,610
Currency risk	205,781	192,090	204,617	150,906
Other kinds of risk	12,770	12,558	14,143	14,091
Total	**1,288,614**	**1,298,735**	**1,703,035**	**1,678,818**
By currency:				
In euro	1,189,337	1,203,477	1,568,866	1,549,760
In foreign currency	99,277	95,258	134,169	129,058
Total	**1,288,614**	**1,298,735**	**1,703,035**	**1,678,818**

Fair values of derivatives at 31 December 2013 and 2012 are analyzed below:

Thousand euro

	2013	2012
Assets		
Trading derivatives	*1,288,614*	*1,703,035*
Swaps, CCIRS, Call Money Swap	894,273	1,310,355
Exchange-rate options	13,627	7,256
Interest-rate options	99,969	129,922
Index and securities options	160,853	173,096
Currency forwards	119,892	82,406
Total assets held for trading	**1,288,614**	**1,703,035**
Liabilities		
Trading derivatives:	*1,298,735*	*1,678,818*
Swaps, CCIRS, Call Money Swap	876,941	1,280,913
Exchange-rate options	11,937	7,241
Interest-rate options	98,148	114,570
Index and securities options	203,285	215,473
Currency forwards	108,424	60,621
Total liabilities held for trading	**1,298,735**	**1,678,818**

NOTE 8 - LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers on the balance sheet at 31 December 2013 and 2012 are analyzed as follows:

Thousand euro

	2013	2012
By heading:		
Loans and receivables	112,928,890	109,348,083
Total	**112,928,890**	**109,348,083**
By nature:		
Assets acquired under repo agreements through central counterparties	688,010	1,890,884
Trade credit	2,283,894	2,179,432
Secured loans	59,938,349	58,776,532
Other term loans	25,537,113	27,091,766
Demand loans and other	7,867,591	7,505,550
Finance leases	2,169,953	2,316,459
Factoring and confirming	2,472,687	2,244,814
Doubtful assets	24,432,151	19,589,071
Impairment adjustments	(12,374,053)	(12,180,914)
Other valuation adjustments	(86,805)	(65,511)
Total	**112,928,890**	**109,348,083**
By sector:		
Public institutions	3,633,037	5,276,900
Resident	88,798,262	89,273,529
Non-resident	8,526,298	7,455,008
Doubtful assets	24,432,151	19,589,071
Impairment adjustments	(12,374,053)	(12,180,914)
Other valuation adjustments	(86,805)	(65,511)
Total	**112,928,890**	**109,348,083**
By currency:		
In euro	108,196,328	104,553,821
In foreign currency	4,732,562	4,794,262
Total	**112,928,890**	**109,348,083**

Of the €125,390 million recorded under loans and advances to customers before measurement adjustments and asset impairment adjustments, €12,973 million is covered by the asset protection scheme described in Note 2.

Average annual rates of interest on loans and advances to customers in 2013 and 2012 were 3.64% and 4.11% respectively.

Details of finance leases for the year are as follows:

- at 31 December 2013 the total gross value of finance leases amounted to €2,235,612,000 (€2,534,834,000 in 2012);
- at 31 December 2013 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 €,450,476,000 within one year, €1,167,457,000 in one to five years and €606,099,000 after more than five years;
- contingent payments recognized in income for 2013 amount to €142,220,000;
- unaccrued financial income totals €298,519,000 (€334,764,000 in 2012);
- the non-guaranteed residual values of the leases totalled €161,645,000 (€163,933,000 in 2012); and

- the value adjustments due to impairment of finance leases amounted to €74,024,000 (€82,662,000 in 2012).

Lease agreements with the public authorities comprised €3,493,943,000 with respect to the Spanish administration (€5,120,935,000 at 31 December 2012) and €139,094,000 with respect to non-resident administrations. (€155,963,000 at 31 December 2012). Within the latter category, €111,887,000 consisted of leases to US government agencies (€115,615,000 at 31 December 2012).

All the Bank's sovereign debt positions relate to debt securities and loans and receivables. Of this total exposure, €19,960 million - 99.44% - is broken down by country in Notes 5 and 8. The remaining 0.56% has not been disclosed as it is regarded as immaterial.

The distribution of loans and advances to customers by geographical region at 31 December 2013 and 2012 was as follows:

Thousand euro

	2013	2012
Spain	115,631,631	113,529,951
Rest of European Union	4,546,477	3,318,744
Latin America	885,125	727,718
North America	3,615,073	3,424,547
Rest of OECD	128,440	112,215
Rest of the world	496,197	415,822
Impairment adjustments	(12,374,053)	(12,180,914)
Total	**112,928,890**	**109,348,083**

Loans and advances to other debtors due for repayment but not classified as doubtful assets at 31 December 2013 amounted to € 372,855,000 (€756,920,000 at 31 December 2012). At 31 December 2013 more than 63% of this total was not more than one month overdue (31 December 2012: 49% of the total).

Loans and advances to customers break down as follows by area of activity 31 December 2013 and 2012:

Thousand euro

	2013							
				Secured loans *Loan to value*				
	TOTAL	Of which: Secured on real estate	Of which: Other guarantees	40% or less	More than 40% and less than or equal to 60%	More than 60% and less than or equal to 80%	More than 80% and less than or equal to 100%	More than 100%
Public authorities	**3,536,400**	**53,668**	**15,575**	**13,982**	**16,963**	**31,142**	**108**	**7,048**
Other financial institutions	**7,431,745**	**194,847**	**23,385**	**53,731**	**104,640**	**32,560**	**26,221**	**1,080**
Non-financial companies and individual entrepreneurs	**55,218,235**	**27,499,315**	**1,600,284**	**8,656,812**	**8,502,394**	**6,733,710**	**2,569,178**	**2,637,504**
Real estate construction and development	9,371,784	8,547,064	126,956	1,980,017	2,124,402	2,574,019	975,659	1,019,922
Civil engineering construction	1,038,137	125,362	19,367	48,455	58,743	19,977	7,888	9,666
Other purposes	44,808,314	18,826,889	1,453,961	6,628,340	6,319,249	4,139,714	1,585,631	1,607,916
Large companies	26,508,320	8,611,870	707,661	2,921,365	2,683,408	1,876,779	792,457	1,045,522
SMEs and individual entrepreneurs	18,299,994	10,215,019	746,300	3,706,975	3,635,841	2,262,935	793,174	562,394
Other residential property and housing associations (ISFLSH)	**47,045,857**	**43,149,867**	**302,580**	**8,998,893**	**13,185,167**	**14,911,902**	**4,848,116**	**1,508,369**
Home loans	37,443,996	37,125,093	24,275	7,010,579	11,302,402	13,488,073	4,270,865	1,077,449
Personal loans	6,566,291	5,198,710	72,477	1,700,541	1,612,510	1,199,537	484,050	274,549
Other loans	3,035,571	826,064	205,828	287,773	270,255	224,292	93,201	156,371
Less: Adjustments due to asset impairment not allocated to specific operations	303,347							
TOTAL	**112,928,890**	**70,897,697**	**1,941,824**	**17,723,418**	**21,809,164**	**21,709,314**	**7,443,623**	**4,154,001**
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

Thousand euro

	2012							
				Secured loans. *Loan to value*				
	TOTAL	Of which: Secured on real estate	Of which: Other guarantees	40% or less	More than 40% and less than or equal to 60%	More than 60% and less than or equal to 80%	More than 80% and less than or equal to 100%	More than 100%
Public authorities	**5,055,763**	**51,126**	**21,795**	**8,584**	**15,438**	**26,398**	**15,172**	**7,328**
Other financial institutions	**8,107,790**	**156,907**	**13,535**	**51,890**	**49,753**	**62,690**	**6,109**	**0**
Non-financial companies and individual entrepreneurs	**58,632,822**	**30,252,314**	**2,457,580**	**9,392,403**	**9,633,881**	**7,687,145**	**3,138,564**	**2,857,900**
Real estate construction and development	13,284,685	11,759,509	79,117	2,647,424	2,859,812	3,685,716	1,358,063	1,287,611
Civil engineering construction	1,194,316	156,657	63,478	58,908	92,679	26,881	13,226	28,440
Other purposes	44,153,821	18,336,149	2,314,985	6,686,072	6,681,390	3,974,548	1,767,275	1,541,849
Large companies	22,359,383	6,230,309	1,544,614	2,519,655	2,367,984	1,281,763	787,123	818,398
SMEs and individual entrepreneurs	21,794,438	12,105,840	770,371	4,166,416	4,313,406	2,692,785	980,152	723,451
Other residential property and housing associations (ISFLSH)	**41,740,513**	**37,079,036**	**336,641**	**7,405,765**	**11,077,355**	**13,326,043**	**4,281,602**	**1,324,912**
Home loans	33,603,624	32,265,709	24,547	5,831,988	9,550,854	12,166,138	3,837,322	903,954
Personal loans	5,766,622	4,471,815	58,476	1,447,911	1,401,279	1,050,164	402,550	228,387
Other loans	2,370,267	341,512	253,617	125,866	125,222	109,741	41,729	192,572
Less: Adjustments due to asset impairment not allocated to specific operations	4,188,806							
TOTAL	**109,348,083**	**67,539,383**	**2,829,551**	**16,858,643**	**20,776,427**	**21,102,276**	**7,441,447**	**4,190,141**
MEDORANDUM ITEM								
Refinancing, refinanced and restructured loans	11,419,428	9,737,209	136,312	2,220,098	2,391,400	2,825,420	1,027,258	1,409,345

Doubtful assets

Assets recognized as doubtful under different balance sheet headings at 31 December 2013 and 2012 were as follows:

Thousand euro

	2013	2012
Loans and advances to credit institutions	459	480
Debt securities	3,031	44,370
Loans and advances to customers	24,432,151	19,589,071
Total	**24,435,641**	**19,633,921**

Movements in doubtful assets were as follows:

Thousand euro

Balance at 31 December 2011	**4,768,420**
Inclusion of Banco CAM	12,984,109
Additions	8,750,241
Disposals	(5,916,080)
Written off	(952,769)
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**

(*) see Note 2

The distribution of doubtful assets at 31 December 2013 and 2012 according to the type of security provided was as follows:

Thousand euro

	2013	Of which APS-protected	2012	Of which APS-protected
Mortgage security (1)	16,397,991	5,892,638	13,133,542	6,290,322
Other real-estate security (2)	3,851,084	2,154,449	3,691,050	2,615,656
Rest	4,186,566	606,638	2,809,329	662,356
Total	**24,435,641**	**8,653,725**	**19,633,921**	**9,568,334**

(1) Mortgaged assets with outstanding risk under 100% of appraised value.
(2) Includes rest of real-estate secured assets.

The distribution of doubtful assets by geographical region at 31 December 2013 and 2012 was:

Thousand euro

	2013	2012
Spain	23,956,575	19,017,470
Rest of European Union	343,834	248,136
Latin America	59,215	303,476
North America	3,470	2,642
Rest of OECD	9,904	8,020
Rest of the world	62,643	54,177
Total	**24,435,641**	**19,633,921**

Value adjustments

Provisions for value adjustments due to impairment of assets under different balance sheet headings at 31 December 2013 and 2012 were as follows:

Thousand euro

	2013	2012
Loans and advances to credit institutions	407	995
Debt securities	167,800	382,663
Loans and advances to customers	12,374,053	12,180,914
Total	**12,542,260**	**12,564,572**

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

	Determined individually	Determined collectively	Country risk	Total
Balance at 31 December 2011	1,460,302	815,959	4,693	2,280,954
Inclusion of Banco CAM	6,001,525	5,831,757	147	11,833,429
Movements reflected in the income statement	364,907	671,700	(1,323)	1,035,284
Movements not reflected in the income statement	(739,237)	(1,845,824)	(32)	(2,585,094)
Utilisations	(1,263,508)	(21,519)	(32)	(1,285,059)
Other movements	524,271	(1,824,306)		(1,300,035)
Adjustments for exchange differences	0	0	(1)	(1)
Balance at 31 December 2012	7,087,496	5,473,592	3,484	12,564,572
Scope additions/departures (*)	601,847	587,419	2,142	1,191,408
Movements reflected in the income statement	509,812	(212,193)	(7,622)	289,997
Movements not reflected in the income statement	4,044,476	(5,548,899)	2,201	(1,502,221)
Utilisations	(707,512)	0	0	(707,512)
Other movements	4,751,988	(5,548,899)	2,201	(794,710)
Adjustments for exchange differences	(1,836)	3,429	(3,088)	(1,495)
Balance at 31 December 2013	12,241,796	303,348	(2,884)	12,542,260

(*) see Note 2

Other movements not reflected in results relating to 2013 relate, among other things, to the reassignment of collectively determined provisions relating to the developer credit portfolio to individually determined provisions.

Appropriations determined individually and charged to income include €321 million in provisions recorded as part of the review of the classification of the portfolio of refinanced loans and credit facilities explained in Note 1.

The distribution of asset impairment adjustments by geographical region at 31 December 2013 and 2012 was as follows:

Thousand euro

	2013	2012
Spain	12,276,445	12,359,160
Rest of European Union	175,402	86,180
Latin America	48,379	98,328
North America	13,612	1,085
Rest of OECD	3,110	1,948
Rest of the world	25,312	17,871
Total	**12,542,260**	**12,564,572**

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

%

	4T12	2T13	2T13 Proforma (*)	4T13
Real-estate development and construction	32.50	42.99	58.01	62.98
Non-real-estate construction	5.53	7.94	8.30	8.26
Companies	7.10	7.48	4.39	6.05
SMEs and independent contractors	9.00	9.81	13.71	13.33
Private individuals with 1st mortgage guarantee	7.61	8.17	9.63	9.86
BS group loan-loss ratio	9.33	10.62	13.20	13.63

(*) Loan-loss ratio taking into account the inclusion of assets from BMN-Penedés, Lloyds and Gallego, as well as reclassifications made as part of the review explained in Note 1.

Provisions have been recorded to cover credit and real-estate asset exposures in the amount of €18,341 million at 31 December 2013. The coverage provided by these provisions with respect to said exposure is as follows:

%

	Grupo BS ex EPA	EPA (*)	Total group with BMN-Penedés and Lloyds
Land and buildings	39.6	49.7	44.0
Real-estate development and construction	36.4	45.9	40.6
Subtotal real-estate	**37.8**	**47.6**	**42.1**
Non-real-estate construction	9.7	28.7	10.7
Companies	5.1	40.8	6.7
SMEs and independent contractors	7.5	18.8	8.6
Individuals	4.3	10.8	4.6
Subtotal non real-estate	**5.3**	**16.2**	**5.9**
Total	**9.8**	**37.3**	**13.6**

(*) see Note 2.

Other disclosures

Financial income accruing on impaired financial assets but not recognized in the consolidated income statement at 31 December 2013 amounts to €1,058,500,000 and to €604,493,000 at 31 December 2012.

The outstanding values of loans subject to refinancing or restructuring at 31 December 2013 and 2012 are shown in the table below:

Thousand euro

	31/12/2013				
	Public authorities	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 state mortgage					
Number of operations	0	4,996	*557*	17,048	**22,044**
Gross amount	0	1,583,131	*198,187*	1,620,076	**3,203,207**
Other real-estate guarantees					
Number of operations	1	735	*58*	1,429	**2,165**
Gross amount	1,000	368,329	*26,925*	105,452	**474,782**
Unsecured					
Number of operations	15	5,379	*205*	10,488	**15,882**
Gross amount	62,397	1,065,658	*34,697*	85,794	**1,213,849**
Specific cover	0	0	*0*	0	**0**
SUB-STANDARD RISKS					
Fully secured by real state mortgage					
Number of operations	0	1,582	*898*	2,091	**3,673**
Gross amount	0	1,445,213	*766,797*	230,208	**1,675,421**
Other real-estate guarantees					
Number of operations	0	162	*48*	303	**465**
Gross amount	0	565,401	*107,050*	32,675	**598,076**
Unsecured					
Number of operations	0	512	*41*	254	**766**
Gross amount	0	1,136,965	*14,212*	5,637	**1,142,602**
Specific cover	0	668,056	*292,215*	40,197	**708,253**
DOUBTFUL RISKS					
Fully secured by real state mortgage					
Number of operations	0	12,633	*7,276*	16,146	**28,779**
Gross amount	0	5,308,902	*3,857,065*	1,602,390	**6,911,291**
Other real-estate guarantees					
Number of operations	0	2,245	*1,205*	3,229	**5,474**
Gross amount	0	1,252,438	*901,019*	310,109	**1,562,547**
Unsecured					
Number of operations	1	3,945	*959*	2,874	**6,820**
Gross amount	85	1,271,371	*564,766*	28,782	**1,300,239**
Specific cover	0	3,528,094	*2,592,127*	561,601	**4,089,694**
TOTAL					
Number of operations	17	32,189	11,247	53,862	**86,068**
Gross amount	63,482	13,997,408	6,470,718	4,021,123	**18,082,014**
Specific cover	0	4,196,149	2,884,342	601,798	**4,797,947**

Thousand euro

	31/12/2012				
	Public authorities	Other corporate borrowers and individual entrepreneurs	*Of which: Finance for construction and real estate development (*)*	Other individuals	Total
STANDARD RISKS					
Fully secured by real state mortgage					
Number of operations	0	9,806	*2,928*	15,387	**25,193**
Gross amount	0	3,945,590	*1,945,668*	1,086,336	**5,031,926**
Other real-estate guarantees					
Number of operations	1	1,217	*354*	1,881	**3,099**
Gross amount	1,006	754,377	*258,358*	73,892	**829,275**
Unsecured					
Number of operations	31	7,996	*751*	9,572	**17,599**
Gross amount	26,037	1,211,212	*147,391*	76,673	**1,313,922**
SUB-STANDARD RISKS					
Fully secured by real state mortgage					
Number of operations	0	1,349	*269*	4,093	**5,442**
Gross amount	0	888,595	*715,678*	293,112	**1,181,706**
Other real-estate guarantees					
Number of operations	0	201	*35*	878	**1,079**
Gross amount	0	166,296	*117,391*	70,155	**236,451**
Unsecured					
Number of operations	0	99	*39*	37	**136**
Gross amount	0	200,980	*52,104*	531	**201,512**
Specific cover	0	317,460	*267,106*	37,826	**355,286**
DOUBTFUL RISKS					
Fully secured by real state mortgage					
Number of operations	0	10,197	*5,752*	9,684	**19,881**
Gross amount	0	3,315,263	*2,131,973*	810,469	**4,125,732**
Other real-estate guarantees					
Number of operations	0	1,847	*1,146*	1,325	**3,172**
Gross amount	0	1,007,108	*737,380*	114,992	**1,122,100**
Unsecured					
Number of operations	0	3,774	*959*	4,959	**8,733**
Gross amount	0	437,718	*166,807*	34,939	**472,657**
Specific cover	0	1,853,638	*1,358,833*	213,550	**2,067,189**
TOTAL					
Number of operations	32	36,486	12,233	47,816	**84,334**
Gross amount	27,043	11,927,138	6,272,751	2,561,100	**14,515,282**
Specific cover	0	2,171,098	1,625,938	251,376	**2,422,475**

The outstanding values of loans subject to refinancing or restructuring and classified as doubtful in 2013 and 2012 were as follows:

Thousand euro

	2013	2012
Public institutions	**85**	**0**
Other corporate borrowers and individual entrepreneurs	**2,556,224**	**1,319,667**
Of which: Finance for construction and real estate development	1,661,133	782,897
Other individual borrowers	**903,572**	**151,181**
Total	**3,459,881**	**1,470,848**

Average probabilities of default on loans subject to refinancing or restructuring, analyzed by loan and borrower category, at 31 December 2013 and 2012 were as follows:

(%)	2013	2012
Public institutions (*)		
Other corporate borrowers and individual entrepreneurs	16	17
Of which: Finance for construction and real estate development	*25*	*20*
Other individual borrowers	11	15
Total	**15**	**17**

(*) 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 2011	**2,218,032**
Inclusion of Banco CAM	**2,601,986**
Additions	**1,969,618**
Charged to impairment adjustments	1,285,059
Charged directly to the income statement:	372,290
Overdue unpaid items	33,512
Other items	278,757
Reductions	**(1,035,527)**
Recovery of principal in cash	(49,023)
Recovery of overdue unpaid items in cash	(3,744)
Acquisitions of tangible assets and debt remission	(977,714)
Lapsed	0
Other asset repossessions	0
Debt financing or restructuring	0
Due to bad-debt write off	(5,046)
Exchange differences	**0**
Balance at 31 December 2012	**5,754,108**
Scope additions/departures (*)	**160,323**
Additions	**1,770,842**
Impairment adjustments	707,512
Charged directly to the income statement:	904,803
Overdue unpaid items	158,471
Other items	56
Reductions	**(1,799,545)**
Recovery of principal in cash	(135,323)
Recovery of overdue unpaid items in cash	(29,528)
Acquisitions of tangible assets and debt remission	(998,054)
Lapsed	0
Other asset repossessions	0
Debt financing or restructuring	0
Due to bad-debt write off	(636,640)
Exchange differences	
Balance at 31 December 2013	**5,885,729**

(*) see Note 2

Following a tender, on 27 November 2013 Banco Sabadell concluded the requisite agreements with the investment funds Aktiv Kapital Portfolio As, Oslo, Zug Branch and Orado Investments, S.à.r.l. (a company managed by Elliot Advisors) for the sale of two portfolios of fully provisioned loans totalling €632 million, for a price of €41.2 million. This profit has been recorded under profits on financial operations.

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

This section provides information from the Special Mortgage Register kept by Banco Sabadell and Banco Gallego as issuing banks as required by Royal Decree 716/2009, article 21 and the Bank of Spain's Circular 5/2011 to credit institutions (amending the earlier Circular 4/2004 of 22 December on public and confidential financial reporting and model financial statements of credit institutions), which deal with certain aspects of the mortgage market.

A) Active Operations

Details of the aggregate nominal values of mortgage loans and credit at 31 December 2013 and 31 December 2012 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)

	2013	2012
Total mortgage loan and credit portfolio	**78,617,358**	**75,524,154**
Mortgage securities issued	**7,817,974**	**7,970,256**
Of which: Loans held on balance sheet	7,296,225	7,421,461
Mortgage transfer certificates	**7,661,473**	**9,249,074**
Of which: Loans held on balance sheet	7,446,095	9,021,076
Mortgage loans pledged as security for financing received	**0**	**0**
Loans backing issues secured bonds and mortgage bonds	**63,137,911**	**58,304,824**
Ineligible loans	23,052,960	22,202,888
Fulfil eligibility requirements except for limit under Article 5.1 of Royal Decree 716/2009	17,871,295	18,166,789
Rest	5,181,665	4,036,099
Eligible loans	40,084,951	36,101,936
Non-qualifying portions	25,980	51,944
Qualifying portions	40,058,971	36,049,992
Loans covering mortgage bond issues	0	0
Loans eligible as cover for secured bond issues	40,058,971	36,049,992
Substitute assets related to covered bonds	**0**	**0**

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	2013		2012	
	Total	Of which : Eligible loans	Total	Of which : Eligible loans
Total mortgage loan and credit portfolio ☐	**63,137,911**	**40,084,951**	**58,304,824**	**36,101,936**
Origin of operations	**63,137,911**	**40,084,951**	**58,304,824**	**36,101,936**
Arranged by the entity	61,987,981	39,531,475	57,153,488	35,557,214
Subrogated other entities	335,862	287,822	300,423	257,654
Rest	814,068	265,654	850,913	287,068
Currency	**63,137,911**	**40,084,951**	**58,304,824**	**36,101,936**
Euro	62,573,265	39,983,157	57,553,236	35,990,038
Other currencies	564,646	101,794	751,588	111,898
Payment status	**63,137,911**	**40,084,951**	**58,304,824**	**36,101,936**
Satisfactory payment	45,090,286	33,146,735	43,374,673	30,117,784
Other situations (*)	18,047,625	6,938,216	14,930,151	5,984,152
Average residual period to maturity	**63,137,911**	**40,084,951**	**58,304,824**	**36,101,936**
Up to 10 year	18,875,025	9,010,688	18,960,685	8,140,712
10 to 20 years	17,563,216	12,691,997	15,377,983	11,065,920
20 to 30 years	18,571,751	13,207,342	16,347,148	11,818,877
More than 30 years	8,127,919	5,174,924	7,619,008	5,076,427
Interest rate	**63,137,911**	**40,084,951**	**58,304,824**	**36,101,936**
Fixed	2,731,740	786,745	2,634,807	704,969
Variable	60,406,171	39,298,206	55,670,017	35,396,967
Mixed	0	0	0	0
Holders	**63,137,911**	**40,084,951**	**58,304,824**	**36,101,936**
Entities and individual entrepreneurs	30,417,232	14,646,928	32,195,572	15,376,897
Of which: Real estate developments	*13,609,553*	*5,610,358*	*15,904,869*	*7,135,328*
Other individuals and ISFLSH	32,720,679	25,438,023	26,109,252	20,725,039
Type of guarantee	**63,137,911**	**40,084,951**	**58,304,824**	**36,101,936**
Assets /finished buildings	54,330,043	37,200,389	46,552,234	32,195,323
Residential	*42,799,556*	*30,510,683*	*36,405,984*	*26,419,033*
Of which: Official housing	*1,086,688*	*862,044*	*963,400*	*776,397*
Purchased for resale	*11,406,267*	*6,639,280*	*10,121,629*	*5,762,504*
Other	*124,220*	*50,426*	*24,621*	*13,786*
Assets/ buildings under construction	1,491,469	972,371	1,814,150	1,226,910
Residential	*1,273,452*	*880,272*	*1,576,883*	*1,128,899*
Of which: Official housing	*14,388*	*14,014*	*21,990*	*18,586*
Purchased for resale	*213,821*	*87,909*	*233,101*	*93,858*
Other	*4,196*	*4,190*	*4,166*	*4,153*
Land	7,316,399	1,912,191	9,938,440	2,679,703
Developed	*4,951,424*	*1,291,732*	*7,093,964*	*2,001,674*
Rest	*2,364,975*	*620,459*	*2,844,476*	*678,029*

(*) For 2013, subject to APS protection: €7,704,718 (including €2,244,662 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 covered bonds and mortgage bonds

	2013	2012
Potentially eligible	1,052,687	1,017,200
Ineligible	596,659	591,174

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 as cover assets for issues of mortgage bonds (*bonos hipotecarios*) and covered bonds (*cédulas hipotecarias*):

Thousand euro

LTV ratio by type of security. Eligible loans for the issue of covered bonds and mortgage bonds	2013	2012
Secured on residential property	**31,018,793**	**27,461,704**
LTV < 40%	*8,556,535*	*7,464,929*
LTV 40%-60%	*11,058,456*	*9,562,864*
LTV 60%-80%	*11,339,680*	*10,362,601*
LTV > 80%	*64,122*	*71310*
Secured on other properties	**9,066,158**	**8,640,232**
LTV < 40%	*4,565,544*	*4,071,270*
LTV 40%-60%	*4,500,614*	*4,568,962*
LTV > 60%	*0*	*0*

Changes during 2013 and 2012 in the nominal values of mortgage loans covering issues of mortgage bonds and covered bonds (eligible and non-eligible) are as follows:

Thousand euro

Movements in nominal values of mortgage loans	Eligible	Ineligible
Balance at 31 December 2011	**20,066,399**	**10,336,263**
Inclusion of Banco CAM	**17,494,667**	**13,047,486**
Derecognised during the year	**(8,592,487)**	**(6,440,819)**
Repayment at maturity	1,842,714	733,589
Early repayment	1,100,425	899,354
Subrogation other entities	0	0
Rest	5,649,348	4,807,876
Additions in the year	**7,133,357**	**5,259,958**
Originated by the Bank	1,852,096	1,289,711
Subrogation other entities	7,860	1,397
Rest	5,273,401	3,968,850
Balance at 31 December 2012	**36,101,936**	**22,202,888**
Scope additions/departures (*)	**6,482,057**	**2,434,078**
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
Subrogation other entities	6,003	1,505
Rest	2,312,399	3,110,257
Additions in the year	**3,605,411**	**3,004,386**
Originated by the Bank	1,375,191	1,142,120
Subrogation other entities	71	338
Rest	2,230,149	1,861,928
Balance at 31 December 2013	**40,084,951**	**23,052,960**

(*) see Note 2

B) Liability Operations

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

Thousand euro

Nominal value	2013	2012
Mortgage securities in issue	**24,612,969**	**26,307,222**
- Of which: Not reflected under liabilities on the balance sheet	7,232,950	7,816,250
Debt securities Issued through public offering	**9,650,000**	**11,150,000**
Time to maturity up to one year	2,500,000	2,700,000
Time to maturity more than one year and up to two years	2,700,000	2,500,000
Time to maturity more than two years and up to three years	1,750,000	2,700,000
Time to maturity more than three years and up to five years	2,500,000	3,250,000
Time to maturity more than five years and up to ten years	200,000	0
Time to maturity more than ten years	0	0
Debt securities Other issues	**8,145,000**	**8,645,000**
Time to maturity up to one year	1,500,000	3,000,000
Time to maturity more than one year and up to two years	4,400,000	1,500,000
Time to maturity more than two years and up to three years	420,000	1,900,000
Time to maturity more than three years and up to five years	650,000	920,000
Time to maturity more than five years and up to ten years	1,175,000	1,325,000
Time to maturity more than ten years	0	0
Deposits	**6,817,969**	**6,512,222**
Time to maturity up to one year	1,270,854	1,056,774
Time to maturity more than one year and up to two years	1,327,756	895,854
Time to maturity more than two years and up to three years	1,174,815	1,072,756
Time to maturity more than three years and up to five years	923,710	1,177,778
Time to maturity more than five years and up to ten years	1,764,424	1,932,650
Time to maturity more than ten years	356,410	376,410

	2013		2012	
	Nominal value (€'000)	Average residual term (years)	Nominal Value (€'000)	Average residual term (years)
Mortgage transfer certificates	**7,661,473**	**17**	**9,249,074**	**17**
Issued through public offering	0	0	0	0
Other issues	7,661,473	17	9,249,074	17
Mortgage participations	**7,817,974**	**18**	**7,970,256**	**19**
Issued through public offering	0	0	0	0
Other issues	7,817,974	18	7,970,256	19

At 31 December 2013 the over-collateralization ratio (the nominal value of all the loans backing the issue of mortgage bonds and covered bonds divided by the nominal value of covered bonds in issue) for Banco de Sabadell, S.A. stood at 256.52%.

As required by Royal Decree 716/2009, which developed certain aspects of Law 2/1981 of 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, at 31 December 2013, 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 Risk Control 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 cover for the group's covered bond issues, are described in detail below for each type of loan applicant.

Individuals

- **Analysis.** Applications are analyzed with the help of scoring tools that measure the risk involved in a transaction by evaluating such customer profile aspects as the likely return and the nature of the property on which the loan is to be secured. There will be some circumstances that require the intervention of a risk analyst, who will examine the case in more detail and whose opinion will be required before any decision can be made on the application, favourable or otherwise.

- **Decision**. A decision will be based on the result of the credit scoring procedure supplemented, where necessary, by the opinion of an analyst. There will, in addition, be 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.

- **Autonomy levels**. The scoring of an application is the key stage in determining the viability of a loan. 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 a borrower or sector, and these exceptions are covered in the group's internal rules and procedures.

- **Monitoring**. The group has a wide-ranging monitoring system in place to identify customers that may be showing early signs of default, ensuring that prompt action can be taken to initiate a timely response procedure in every case. 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**. This is carried out by key management teams made up of staff members from both the commercial and the risk management areas, thus ensuring a suitable separation of functions. This is supported by a credit rating tool that takes account of the following parameters:
  - Management skill and effectiveness
  - Market competitiveness
  - Economic/financial aspects
  - Track record
  - Guarantees

- **Decision**. A decision will be based on the credit rating assessment together with a range of other data and parameters 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 taking account of 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.

- **Autonomy levels.** 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.

- **Monitoring.** An integrate monitoring system ensures that any customer showing signs of deteriorating creditworthiness will be identified. Loan monitoring is triggered by certain events such as the expiry of a credit rating, a change in the nature of the business or risk and other aspects identified by the group's system of early warning alerts. Again, this includes 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 Asset 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.

- **Analysis.** This 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.

- **Decision.** 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.

  With companies the decision process followed is similar to that used with individuals, with a scale of maximum LTV ratios being defined internally by the group having regard to the intended purpose of the loan. In this case and as a general rule, the maximum LTV ratio arises in mortgage loans to developers with subsequent subrogation for home purchases, set at 80%.

  Other considerations are the existence of any outstanding encumbrances on the assets to be pledged as security, as well as the results of any value appraisal, as in the case of non-real estate businesses.

- **Autonomy levels.** 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 sales, purchases or action plans. All these different circumstances are provided for in the Bank’s rules and procedures.

- **Monitoring.** 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 adhere to and, as with non-real estate businesses, procedures are in place for the continuous review and validation of the loan security provided.

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 covered bonds. 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 covered 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 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 ASSET 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 2013 and 2012 are summarized below. Assets on which the associated risks and rewards were transferred are shown separately in the table.

Thousand euro

	2013	2012
Derecognised in full on the balance sheet	**1,692,585**	**855,877**
Securitised mortgage assets	1,620,638	780,327
Other securitised assets	56,927	58,304
Other financial assets transferred	15,020	17,246
Retained in full on the balance sheet	**15,672,353**	**19,351,643**
Securitised mortgage assets	14,751,681	16,442,337
Other securitised assets	920,672	2,895,786
Other transfers to credit institutions	0	13,520
Total	**17,364,938**	**20,207,520**

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.

Details of current securitization programmes in which Banco de Sabadell, S.A. has participated are given in the table below:

Thousand euro

Year	Type of asset securitised	Issuance		Liability outstanding		Yield
		Number of securities	Amount	2013	2012	
2000	TDA 12, FTA (**)	564	56,323	4,056	5,325	EURIBOR 3M + (between 0.28% and 0.50%)
2001	TDA 14-MIXTO, FTA (**)	614	61,362	50,654	11,378	EURIBOR 3M + (between 0.27% and 0.65%)
2002	TDA 15-MIXTO, FTA (**)	1,279	127,798	21,625	24,836	EURIBOR 3M + (between 0.23% and 0.65%)
2003	TDA 17-MIXTO, FTA (**)	4,480	248,327	38,396	44,598	EURIBOR 3M + (between 0.24% and 0.65%)
2004	TDA CAM 3,FTA (*)	12,000	1,200,000	243,256	288,777	EURIBOR 3M + (between 0.23% and 0.70%)
2004	GC SABADELL 1, F.T.H.	12,000	1,200,000	308,191	356,918	EURIBOR 3M + (between 0.06% and 0.78%)
2004	FTPYME TDA CAM 2 F.T.A(*)	1,968	196,800	53,500	77,481	EURIBOR 3M + (between 0.33% and 0.70%)
2004	IM FTPYME SABADELL 3, F.T.A.	6,000	600,000	0	61,805	EURIBOR 3M + (between -0.01% and 0.80%)
2005	TDA CAM 4,FTA (*)	20,000	2,000,000	586,634	678,351	EURIBOR 3M + (between 0.09% and 0.24%)
2005	TDA CAM 5,FTA (*)	20,000	2,000,000	814,501	918,679	EURIBOR 3M + (between 0.12% and 0.35%)
2005	GC FTPYME SABADELL 4, F.T.A.	7,500	750,000	82,804	111,257	EURIBOR 3M + (between 0.00% and 0.70%)
2005	GC FTGENCAT SABADELL 1, F.T.A.	5,000	500,000	65,039	97,690	EURIBOR 3M + (between -0.04% and 0.78%)
2005	TDA 23, FTA (**)	8,557	289,500	72,207	84,068	EURIBOR 3M + (between 0.09% and 0.75%)
2005	FTPYME TDA 6, FTA (**)	420	42,000	14,848	19,790	EURIBOR 3M + (between 0.45% and 0.65%)
2006	TDA CAM 6 F.T.A (*)	13,000	1,300,000	542,327	610,794	EURIBOR 3M + (between 0.09% and 0.27%)
2006	IM FTGENCAT SABADELL 2, F.T.A.	5,000	500,000	132,087	176,069	EURIBOR 3M + (between 0.045% and 0.70%)
2006	EMPRESAS HIPO TDA CAM 3 F.T.A (*)	5,750	575,000	156,365	210,233	EURIBOR 3M + (between 0.05% and 0.80%)
2006	TDA CAM 7 F.T.A (*)	15,000	1,500,000	809,974	907,759	EURIBOR 3M + (between 0.10% and 0.30%)
2006	CAIXA PENEDES 1 TDA, FTA (***)	10,000	1,000,000	455,850	0	EURIBOR 3M + (between 0.14% and 0.55%)
2006	GC FTPYME SABADELL 5, F.T.A.	12,500	1,250,000	162,622	230,836	EURIBOR 3M + (between 0.01% and 0.58%)
2006	TDA 26-MIXTO, FTA (**)	6,783	435,500	181,417	206,015	EURIBOR 3M + (between 0.14% and 3.50%)
2006	FTPYME TDA CAM 4 F.T.A (*)	11,918	1,191,800	317,760	374,865	EURIBOR 3M + (between 0.02% and 4%)
2007	TDA CAM 8 F.T.A(*)	17,128	1,712,800	835,729	931,776	EURIBOR 3M + (between 0.13% and 3.50%)
2007	CAIXA PENEDES PYMES 1 TDA, FTA (***)	7,900	790,000	171,476	0	EURIBOR 3M + (between 0.19% and 0.80%)
2007	GC FTPYME SABADELL 6, F.T.A.	10,000	1,000,000	192,758	258,679	EURIBOR 3M + (between 0.005% and 0.75%)
2007	TDA CAM 9 F.T.A (*)	15,150	1,515,000	774,471	853,703	EURIBOR 3M + (between 0.12% and 3.50%)
2007	CAIXA PENEDES 2 TDA, FTA (***)	7,500	750,000	374,896	0	EURIBOR 3M + (between 0.30% and 1.75%)
2007	EMPRESAS HIPO TDA CAM 5 F.T.A (*)	12,308	1,230,800	481,207	601,900	EURIBOR 3M + (between 0.10% and 4%)
Subtotal				**7,944,652**	**8,143,583**	

Thousand euro

Year	Type of asset securitised	Issuance: Number of securities	Issuance: Amount	Liability outstanding: 2013	Liability outstanding: 2012	Yield
2007	IM SABADELL EMPRESAS 1, F.T.A.	10,000	1,000,000	0	188,186	EURIBOR 3M + (between 0.25% and 2.50%
2007	IM FTGENCAT SABADELL 3, F.T.A.	3,500	350,000	0	86,778	EURIBOR 3M + (between 0.21% and 2.50%
2007	TDA 29, FTA (**)	8,128	452,173	205,907	230,318	EURIBOR 3M + (between 0.14% and 3.50%
2007	TDA CAM 10 F.T.A (*)	12,369	1,236,900	625,471	728,469	EURIBOR 3M + (between 0.10% and 3.50%
2007	FTPYME TDA 7, FTA (**)	2,904	290,400	65,102	85,538	EURIBOR 3M + (between 0.10% and 4%)
2008	GC SABADELL EMPRESAS 2, F.T.A.	10,000	1,000,000	0	254,499	EURIBOR 3M + (between 0.35% and 1.75%
2008	IM SABADELL RMBS 2, F.T.A.	14,000	1,400,000	760,057	854,645	EURIBOR 3M + (between 0.45% and 1.75%
2008	FTPYME TDA CAM 7 F.T.A (*)	10,000	1,000,000	392,052	501,337	EURIBOR 3M + (between 0.30% and 1.50%
2008	CAIXA PENEDES FTGENCAT 1 TDA, FTA (*	5,700	570,000	191,341	0	EURIBOR 3M + (between 0.35% and 1.75%
2008	IM FTPYME SABADELL 7, F.T.A.	10,000	1,000,000	254,975	330,419	EURIBOR 3M + (between 0.45% and 1.75%
2008	TDA CAM 11 F.T.A (*)	13,812	1,381,200	1,103,491	1,227,873	EURIBOR 3M + (between 0.30% and 3.50%
2008	IMFTGENCAT SABADELL 4, F.T.A.	5,000	500,000	0	163,645	EURIBOR 3M + (between 0.30% and 1.75%
2008	IM SABADELL RMBS 3, F.T.A.	14,400	1,440,000	842,173	936,367	EURIBOR 3M + (between 0.40% and 1.25%
2008	IM SABADELL EMPRESAS 3, F.T.A.	17,400	1,740,000	0	613,797	EURIBOR 3M + (between 0.35% and 1.50%
2008	TDA 31, FTA (**)	3,000	300,000	155,295	176,651	EURIBOR 3M + (between 0.30% and 1.20%
2009	TDA CAM 12 F.T.A (*)	15,960	1,596,000	1,308,242	1,452,550	EURIBOR 3M + (between 0.30% and 3.50%
2009	AYT COLATERALES GLOBAL EMPRESAS (	1,350	135,000	35,690	0	EURIBOR 6M + (between 0.30% and 2.50%
2009	GC SABADELL EMPRESAS 4, F.T.A.	6,200	620,000	0	236,243	EURIBOR 3M + (between 0.55% and 1.75%
2009	GAT ICO-FTVPO 1, F.T.H (***)	3,374	337,400	25,740	0	EURIBOR 3M + (between 0.50% and 5%)
2009	IM SABADELL EMPRESAS 5, F.T.A.	9,000	900,000	0	234,520	EURIBOR 3M + (between 0.40% and 1.50%
2009	TDA EMPRESAS 1, FTA (**)	2,750	275,000	0	52,124	EURIBOR 3M + (between 0.30% and 1.50%
2010	GC FTPYME SABADELL 8, F.T.A.	10,000	1,000,000	383,469	555,786	EURIBOR 3M + (between 1.30% and 1.50%
2010	TDA EMPRESAS 2, FTA (**)	2,000	200,000	0	64,485	EURIBOR 3M + (between 0.30% and 1.50%
2010	FTPYME TDA CAM 9 F.T.A (*)	4,160	416,000	101,425	199,060	EURIBOR 3M + (between 0.30% and 0.35%
2011	IM FTPYME SABADELL 9, F.T.A.	15,000	1,500,000	842,127	1,176,154	EURIBOR 3M + (between 0.30% and 1%)
2011	EMPRESAS TDA CAM 10 (*)	7,500	750,000	0	530,281	EURIBOR 3M + (between 0.90% and 1.10%
Total				**15,237,209**	**19,023,310**	

(*) Banco CAM securization funds in effect
(**) Banco Guipuzcoano securitization funds in effect
(***) Securization funds in effect derived from the acquisition of assets from BMN-Penedés.
(****) Banco Gallego securitization fund in effect.
(a) Backed by Spanish government.
(b) Backed by Catalonian government.
(c) Backed by the Official Credit Institute.

All these issuances are listed on the AIAF market.

Of the total outstanding liability, in 2013 a total of €4,280,043,000 (2012: €5,292,960,000) was accounted for by bonds associated with assets not removed from the balance sheet (reported in the balance sheet under group marketable debt securities (see Note 21).

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

At 31 December 2013 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. At the end of the year losses on hedged items amounted to €211,406,000 (€301,075,000 at 31 December 2012) but 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 2013 and 2012 are analyzed as follows:

Thousand euro

	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Micro-hedges:				
Fair value hedges	122,039	77,578	169,962	97,701
Cash flow hedges	162,180	176,910	145,184	178,502
Macro-hedges:				
Fair value hedges	306,921	24,936	372,138	81,790
Cash flow hedges	2,187	35,815	0	78,232
Total	**593,327**	**315,239**	**687,284**	**436,225**
By currency:				
In euro	593,327	314,718	687,284	435,930
In foreign currency	0	521	0	295
Total	**593,327**	**315,239**	**687,284**	**436,225**

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 items covered are as follows:

- Capital market funding operations by the group, resulting in debt issues at fixed rates of interest. At 31 December 2013 and 2012 the fair values of swaps covering these items showed a net loss of €283,346,000 and €293,830,000, respectively.

- Deposit products offered through the group's branch network at fixed rates of interest. At 31 December 2013 and 2012 the fair values of these swaps showed a net gain of €35,145,000 and €11,487,000 respectively.

- Individual loans by the group at fixed rates of interest. At 31 December 2013 and 2012 the fair value of swaps covering these items showed a net loss of €78,562,000 and a net gain of €80,266,000 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

	2013		2012	
	Hedging instruments	Hedged items	Hedging instruments	Hedged items
Micro-hedges	**(11,655)**	**9,523**	**(61,098)**	**59,951**
Fixed-rate assets	947	(2,333)	(44,045)	43,046
Exchange rate hedging	0	0	0	0
Capital market	(758)	988	(8,961)	8,579
Fixed-rate liabilities	(11,844)	10,868	(8,092)	8,326
Macro-hedges	**(28,125)**	**28,853**	**(36,152)**	**55,693**
Capital markets and fixed-asset liabilities	(28,125)	28,853	(36,152)	55,693
Total	**(39,780)**	**38,376**	**(97,250)**	**115,644**

b) Cash flow hedges

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

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 inefficiency 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 of the consolidated balance sheet at 31 December 2013 and 2012 are as follows:

Thousand euro

	2013	2012
Assets	**3,185,121**	**3,241,006**
Property, plant and equipment for own use	192,335	143,383
Repossessed assets	2,962,458	3,087,629
Investment property	17,714	0
Equity instruments	824	8,831
Other assets assigned under operating lease	1,009	1,163
Other assets	10,781	0
Impairment adjustment	**(914,773)**	**(1,184,752)**
Total non-current assets held for sale	**2,270,348**	**2,056,254**
Total liabilities associated with non-current assets held for sale	**0**	**0**

The above totals are made up of non-current assets and liabilities whose book values are expected to be recoverable on disposal within one year of the balance sheet date.

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.

The fair values of repossessed properties classified as non-current assets held for sale at 31 December 2013 totalled €3,030,999,000. Policies for disposing of these assets are described in Note 18.

The fair value of non-current assets held for sale appraised by a valuation company in 2013 may be analyzed as follows:

Thousand euro

Appraisal company	OWN USE	REPOSSESSED
Afes Tecnicas De Tasacion, S A	43,141	346,136
Alia Tasaciones, S A	4,240	30,252
Arco Valoraciones S.A.	7,007	54,627
Banco Sabadell, S.A.	0	32,130
Calidad Total En Construccion, S.A. De C.V.	0	16,260
Col.Lectiu D'Arquitectes Taxadors,	1,657	18,882
Egara	0	3,122
Eurovaloraciones, S A	45,394	44,237
General De Valoraciones, S.A.	0	159
Gestion De Valoraciones Y Tasaciones, S.A.	19,401	227,667
Grupo Tasvalor, S.A.	0	382
Iberica De Tasaciones, S A	0	9,167
Ibertasa, S A	10,814	231,755
Internacional De Transacciones Y Servicios, S.A.	0	2,635
Krata, S.A.	10,426	302,034
Nasai Urban, S.L.	0	4,780
Servatas S.A.	0	1,199
Servatas, S.A.	0	1,983
Sociedad De Tasacion S.A.	12,236	412,890
Tabimed Gestion De Proyectos S.L.	0	206,433
Tasaciones An/Daluzas, S A	224	1,639
Tasaciones De Bienes Mediterraneo, S A	0	33,434
Tasaciones Hipotecarias	0	253
Tasaciones Inmobiliarias, S A	0	3,892
Tasaciones Madrid, S A	0	402
Tecglen Tasaciones Sa	1,056	0
Tecnicos En Tasacion, S.A.	16,199	0
Tecnitasa	0	24,814
Tecnitasa Gestion Hipotecaria, Sa	0	2,969
Tecnitasa Técnicos En Tasación S.A.	0	87,488
Tgp	0	72
Tinsa Tasaciones Inmobiliarias, S.A	22,157	0
Unidad Tecnica De Tasaciones S.L.P	0	113
Valoraciones Mediterraneo, S A	0	940
Valoraciones Y Tasaciones Hipotecarias, Sa	0	142
Valtecnic, S.A.	0	245
Rest	2,669	927,865
Total	**196,623**	**3,030,999**

Total tangible assets for own use relate to residential property (offices).
Concerning repossessed properties, 93% pertain to residential assets, 6% to industrial assets and 1% to rural properties. The expected realization time for sales is 12 months.

The average length of time that assets remain within the category of non-current assets held for sale - repossessed properties was 34 months in 2013 (31 months in 2012).

The percentage of repossessed properties sold with financing by the Bank in 2012 was 33% (39.6% in 2012).

Movements in the group's non-current assets held for sale in 2013 and 2012 were as follows:

Thousand euro

	Non-current assets held for sale
Cost:	
Balances at 31 December 2011	**594,880**
Inclusion of Banco CAM	2,053,763
Additions/exclusions from consolidation scope	0
Additions	1,727,733
Disposals	(1,106,548)
Other transfers	(28,822)
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**
Impairment adjustment:	
Balances at 31 December 2011	**63,999**
Inclusion of Banco CAM	1,134,168
Additions/exclusions from consolidation scope	0
Net transfer impacting results	133,340
Utilizations	(143,420)
Other transfers	(3,335)
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 balance at 31 December 2012	**2,056,254**
Net balance at 31 December 2013	**2,270,348**

(*) see Note 2
(**) Fund derived from value adjustments made in relation to credit risk hedging

NOTE 14 - INVESTMENTS

The following table shows the composition of, and changes in, this item at 31 December 2013 and 2012.

Thousand euro

Balance at 31 December 2011	**696,934**
Inclusion of Banco CAM	200,196
Profit/(loss) for the year	(20,706)
Capital increase or acquisition	8,972
Sale or dissolution	(233,796)
Dividends	(41,527)
Transfer	309,759
Impairment, valuation adjustments, translation differences and other	(173,496)
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**

(*) see Note 2

(**) Includes an investment impairment amount of €23,834,000

The goodwill associated with investments at 31 December 2013 was €51,642,000.

The reconciliation between the group's investment in investee companies (Schedule I) and the balance in the heading Shareholdings is set out below:

Thousand euro

Group investment in investees (Schedule I)	838,892
Contributions due to accumulated profits	148,036
Measurement adjustments (impairment and exchange differences)	(346,086)
Balance at 31 December 2013	**640,842**

NOTE 15 - TANGIBLE ASSETS

The composition of this item of the consolidated balance sheet at 31 December 2013 and 2012 are as follows:

Thousand euro

	2013				2012			
	Cost	Depreciation	Impairment	Net value	Cost	Depreciation	Impairment	Net value
Property, plant and equipment	**3,314,317**	**(1,528,339)**	**(128,651)**	**1,657,327**	**2,742,680**	**(1,198,249)**	**(93,946)**	**1,450,485**
For own use:	3,205,866	(1,490,596)	(128,651)	1,586,619	2,631,137	(1,158,628)	(93,946)	1,378,563
Computer equipment and related facilities	595,983	(488,930)	(5,139)	101,914	481,999	(376,898)	0	105,101
Furniture, vehicles and other facilities	1,426,248	(815,659)	(3,301)	607,288	1,113,966	(629,256)	0	484,710
Buildings	1,121,669	(182,746)	(110,300)	828,623	953,950	(151,431)	(93,946)	708,573
Work in progress	14,595	0	0	14,595	50,490	(253)	0	50,237
Other	47,371	(3,261)	(9,911)	34,199	30,732	(790)	0	29,942
Leased out under operating leases	108,451	(37,743)	0	70,708	111,543	(39,621)	0	71,922
Investment property	**2,936,918**	**(75,407)**	**(583,516)**	**2,277,995**	**1,514,915**	**(66,819)**	**(263,543)**	**1,184,553**
Buildings	2,915,780	(74,326)	(581,086)	2,260,368	1,504,883	(66,139)	(263,475)	1,175,269
Rural property, plots and sites	21,138	(1,081)	(2,430)	17,627	10,032	(680)	(68)	9,284
Total	**6,251,235**	**(1,603,746)**	**(712,167)**	**3,935,322**	**4,257,595**	**(1,265,068)**	**(357,489)**	**2,635,038**

Movements in tangible assets for 2013 and 2012 are shown in the following table:

Thousand euro

	Land and buildings	Furnishings and equipment	Investment property	Leased out under operat. lease	Total
Cost:					
Balances at 31 December 2011	**523,733**	**931,493**	**291,015**	**128,080**	**1,874,321**
Inclusion of Banco CAM	542,544	594,298	969,216	0	2,106,058
Additions	51,013	94,088	230,145	22,664	397,910
Disposals	(7,034)	(50,687)	(17,013)	(40,758)	(115,492)
Change in consolidation scope	(774)	(214)	2,986	0	1,998
Other	(74,310)	26,987	38,566	1,557	(7,200)
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	0	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)
Change in consolidation scope		0	0	0	0
Other	(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**
Accumulated depreciation:					
Balances at 31 December 2011	**84,889**	**571,808**	**12,640**	**42,839**	**712,176**
Inclusion of Banco CAM	65,185	393,584	36,996	0	495,765
Additions	11,056	77,022	15,676	19,142	122,896
Disposals	(4,319)	(38,527)	(1,882)	(23,155)	(67,883)
Change in consolidation scope	(21)	460	1,082	0	1,521
Other	(4,316)	1,807	2,307	795	593
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	0	248,542
Additions	15,070	98,319	28,177	16,503	158,069
Disposals	(1,214)	(19,447)	(7,279)	(18,780)	(46,720)
Change in consolidation scope	0	0	0	0	0
Other	(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**
Impairment losses:					
Balances at 31 December 2011	**5,835**	**0**	**49,429**	**0**	**55,264**
Due to acquisition of Banco CAM group	93,970	0	194,594	0	288,564
Movements reflected in the income statement	(1,182)	(6)	19,802	0	18,614
Utilisations	(12,987)	0	(45,489)	0	(58,476)
Change in basis of consolidation	12,977	0	45,488	0	58,465
Other	(4,667)	6	(281)	0	(4,942)
Balances at 31 December 2012	**93,946**	**0**	**263,543**	**0**	**357,489**
Additions/exclusions in basis of consolidation (*)	17,540	0	5,023	0	22,563
Movements reflected in the income statement	3,519	0	133,582	0	137,101
Utilisations	(9,674)	0	(245,537)	0	(255,211)
Other (**)	14,880	8,440	426,905	0	450,225
Balances at 31 December 2013	**120,211**	**8,440**	**583,516**	**0**	**712,167**
Net balance at 31 December 2012	**788,752**	**589,811**	**1,184,553**	**71,922**	**2,635,038**
Net balance at 31 December 2013	**877,417**	**709,202**	**2,277,995**	**70,708**	**3,935,322**

(*) see Note 2
(**) Funds from value adjustments made for credit risk coverage.

The fair value of properties for own use at 31 December 2013 is €1,191,980,000 (€1,301,947,000 in 2012). Fair values of properties have been estimated on the basis of appraisals by valuation companies on the Bank of Spain's special register of valuation firms according to criteria set out in the Economy Ministry's Order ECO/805/2003 on the valuation of real estate and associated rights for specified financial purposes.

The gross value of own-use tangible assets that was fully depreciated and remained in use at 31 December 2013 and 2012 amounted to €695,234,000 and €503,996,000, respectively.

The net book cost of tangible assets relating to foreign operations was €59,285,000 at 31 December 2013 (€60,768,000 at the 31 December 2012).

In 2010 the group completed arrangements for the sale of 379 properties for a total of €410 million, for a net profit of €252,737,000. As part of the same transaction the Bank leased back the properties from the purchaser under operating leases (with the Bank being responsible for maintenance, insurance and taxes) for a non-cancellable term of 10 years, during which time the rent (initially fixed at €37,500 per month) will be reviewed annually. A purchase option exercisable by the group was included in 396 of the leases in 2010; in another 14 leases no purchase option is provided.

Rental costs recognized by the group for the year 2013 totalled €53,167,000 (€51,883,000 in 2012) and have been recorded under Other administrative expenses in the income statement (Note 34.f.).

In 2012 Banco Sabadell signed four operating leases on properties sold for a consideration of €5,105,000. The leases on these properties have obligatory 15 year terms and all carry a purchase option.

The year also saw the addition of 20 operating leases from Banco CAM (which were taken over by Banco Sabadell, S.A. when Banco CAM was merged into the Bank in December 2012). These leased properties have obligatory terms of between 10 and 12 years and all include purchase options.

The present values of minimum future rental payments to be incurred by the Bank under all these operating leases, that is, 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 2013 stood at € 48,489,000 for leases with terms of one year (2012:47,073,000), € 155,767,000 for one to five years (2012: €149,558,000) and € 178,715,000 for more than five years (2012: €178,445,000).

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

The fair values of assets shown in the "Investment properties" column amounted to € 2,709,786,000 at the end of 2013. 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 of significance in relation to the consolidated annual accounts.

In compliance with accounting requirements under Article 93.1.a) and c) of the revised 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 and the Axel Group, 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 amortization charges, and the impairment adjustments entered in the accounting records of the acquirer and the acquirees.

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 these operations are as follows:

Operating lease contracts	31/12/2013			
	No. properties sold	No. contracts with purchase option	No. contracts without purchase option	Mandatory term
FY 2010 (1)	379	396	14	10 years
FY 2012 (2)	4	4	0	15 years
FY 2012 (inclusion Banco CAM)	20	20	0	10 to 12 years

(1) Total selling price of €410 million and net profit of €252,737,000. Income set for mandatory term (initially set at €37.5000 per month) is updated annually. Lease expenses for the contracts in 2013 and 2012 totalled €53,167,000 and €46,159,000, respectively, recognised in Other general administrative expenses for property, plant and equipment under Administrative expenses (Note 31.e).
(2) Selling price €5,105,000.

NOTE 16 - INTANGIBLE ASSETS

The composition of this item at 31 December 2013 and 2012 was as follows:

Thousand euro

	2013	2012
Goodwill:	**1,073,209**	**827,931**
From acquisition of Banco BMN Penedés assets (1)	245,364	0
Banco Urquijo Sabadell Banca Privada, S.A.	473,837	473,837
Grupo Banco Guipuzcoano	285,345	285,345
Sabadell United Bank, N.A.	48,722	50,926
Rest	19,941	17,823
Other intangible assets	**428,528**	**337,141**
With a finite useful life:	428,528	337,141
Contractual relations with customers (Banco Guipuzcoano)	37,936	44,819
Contractual relations with customers and Banco Urquijo brand (Banco Urquijo)	12,613	17,705
Private Banking business, Miami	25,655	22,122
Contractual relations with customers (Sabadell United Bank)	16,512	20,304
Computer applications	316,714	207,547
Other deferred expenses	19,098	24,644
Total	**1,501,737**	**1,165,072**

(1) See Note 2.

Goodwill

Macroeconomic assumptions and interest rates used in the evaluation of goodwill impairment are as follows.

A modest economic recovery for the Spanish economy in 2014 is expected, following the commencement of a turn-around in 2013. The Bank's business may be expected to find support in a more benign financial environment, in the loosening of fiscal adjustments, the favourable performance of the export sector, the less negative contribution by the construction industry and the first positive effects of Spain's structural reforms. In any event, the recovery, given its nascent character, remains vulnerable to potential shocks.

In addition, the acute correction stage of imbalances accumulated during Spain's period of growth now seems to be behind us. Henceforth, the following may be expected: (i) the process of deleveraging in the private sector will be supported by the cyclical improvement, (ii) the developments in the current account balance will continue to be positive and will allow foreign debt to be reduced, and (iii) the negative dynamics of nominal property prices will diminish as the year progresses. The adjustment of these imbalances should contribute to laying the foundations for more sustainable economic growth over time.

Regarding the labour market, the unemployment rate is expected to be lower than in 2013 and job creation will pick up to a certain extent. Concerning prices, inflation should stay low.

In the fiscal area, the government's deficit goals for 2014 are considered to be feasible, although public debt will continue to increase and will be around 100% of GDP. Finally, with regard to structural reforms, the reform of the tax system will be the most relevant of those undertaken in 2014.

Concerning the interest-rate curve, the ECB is expected to maintain a clearly accommodating monetary policy in 2014 to bolster the nascent economic recovery and pave the way for the tests to be applied to the financial system. Throughout the year, the ECB is expected to maintain a bearish bias through its *forward guidance,* with interest rates at historic lows. Towards the end of the year, the consolidation of business activity could allow a change in bias.

BMN-Penedés

Concerning the goodwill assigned to the Commercial Banking CGU resulting from the business combination consisting of the acquisition of assets from BMN-Penedés explained in Note 2, at the close of 2012 the Bank carried out an assessment of whether there were any indications of impairment to that goodwill and estimated the recoverable value.

The valuation method used 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 5 years (up to 2018) and to calculate a terminal value based on a nil growth rate in perpetuity. 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.

The present value of future distributable income flows used to measure value in use was calculated taking the discount rate as the cost of Banco Sabadell's capital (Ke) from the standpoint of a market participant. To do this the Capital Asset Pricing Model (CAPM) was used.

In applying this method a discount rate of 10.0% was employed.

The annualized growth rates (CAGRs) used for lending and deposit-taking in the projection period were between 0% and 2.6%.

A sensitivity analysis was conducted for key valuation variables; again, there was no indication of any impairment. The variables on which the analysis was performed were: cost of capital (up by more than 1%), regulatory core capital, perpetuity growth rate, changes in net interest income, variations in the interest-rate curve and increases in the recurring cost of risk.

At 31 December 2013 this goodwill was not tax deductible under the applicable tax legislation.~~,~~

Banco Urquijo

Banco Urquijo’s goodwill was allocated to the cash-generating units (CGUs) thought likely to benefit from the synergies identified. These were: UGE Banca Privada, UGE Banca Comercial, UGE Banca de Empresas and UGE Resto. 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. In 2009 the goodwill for the Business Banking CGU was assigned to the Commercial Banking CGU and the newly created Corporate Banking CGU, in line with the group's current business model.

At the end of 2013 the Bank made an assessment of whether there were any indications of impairment in the goodwill associated with Banco Urquijo.

The valuation method, discount rate calculation and sensitivity analyses used are the same as those described above for BMN – Penedès. The assessment showed there had been no impairment in the value of the goodwill.

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

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.

At the end of 2013 the Bank assessed whether there were indications of impairment in the goodwill associated with Banco Guipuzcoano and estimated the recoverable amount.

The valuation methods used were the same as those described above for Banco Urquijo. The assessment showed there had been no impairment in the value of the goodwill.

The impairment test on the associated goodwill was validated by an independent expert.

At 31 December 2013 this goodwill was not tax deductible under the applicable tax legislation.

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 5 years (up to 2018) and to calculate a terminal value based on a nil growth rate in perpetuity.

The present value of future distributable income flows used to measure value in use was calculated taking the discount rate as the cost of capital to the bank from the standpoint of a market participant. To do this the Capital Asset Pricing Model (CAPM) was used. The discount rate established according to this method was 13.30%.

The impairment test on the associated goodwill was validated by an independent expert.

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 (OEICs, 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 assets were valued by 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 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 amortized 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 also of deposits. As required by applicable legislation, the business combination was accounted for on a definitive basis during 2009. This entailed the identification and recognition of intangible assets totalling €29,495,000. The assets are being amortized over a period of 15 years from creation and were valued at USD 25,880,000 and USD 28,558,000 as at 31 December 2013 and 2012, respectively.

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. As required by applicable legislation, the business acquisition was accounted for on a definitive basis during 2012. This entailed the identification and recognition of intangible assets totalling USD 620,000. The assets are being amortized over a period of 10 years from creation and were valued at USD 527,000 and USD 589,000 as at 31 December 2013 and 2012, respectively.

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 profit 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 amortized over a period of 10 years from the date of acquisition of Banco Guipuzcoano.

Sabadell United Bank

Intangible assets amounting to USD 35,051,000 (€25,600,000) have been identified. These consist of core deposits and conceptually their value derives from the fact that existing customers are enabling the bank to obtain funding at below market rates. 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. To determine their value, therefore, a customer loss rate was set which would vary, according to the type of deposit, from 9% to 20% per annum. The benefit of the existing deposit base is equal to the present value of the cash flows calculated as the difference between maintaining the existing deposits and replacing them with alternative sources of funds.
The assets are being amortized over a period of 10 years from creation and were valued at USD 21,177,000 and USD 24,682,000 as at 31 December 2013 and 2012, respectively.

For all the intangible assets described above indications of impairment were found to exist, and a comparison of actual performance with initial valuation assumptions was made for the variables most likely to cause impairment. These variables are: possible loss of customers, average balance per customer, average gross income, assigned cost:income ratio, etc. At 31 December 2013 there was no need to recognize any impairment.

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

Changes in goodwill for 2013 and 2012 were as follows:

Thousand euro

	Goodwill	Impairment	Total
Balance at 31 December 2011	**825,475**	**(1,660)**	**823,815**
Additions	5,063	0	5,063
Disposals	0	0	0
Other	(1,004)	57	(947)
Balance at 31 December 2012	**829,534**	**(1,603)**	**827,931**
Additions	247,498	0	247,498
Disposals	0	0	0
Other	(2,204)	(16)	(2,220)
Balance at 31 December 2013	**1,074,828**	**(1,619)**	**1,073,209**

Changes in other intangible assets in 2013 and 2012 were as follows:

Thousand euro

	Cost	Depreciation	Impairment	Total
Balance at 31 December 2011	**457,830**	**(254,549)**	**(4,935)**	**198,346**
Inclusion of Banco CAM group	348,636	(334,888)	0	13,748
Additions/exclusions from consolidation scope	(343)	343	0	0
Additions	139,346	(34,027)	0	105,319
Disposals	(10,519)	9,753	33	(733)
Other	141,896	(121,455)	20	20,461
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**

(*) see Note 2

The gross value of other intangible assets that were still in use and had been fully amortized at 31 December 2013 and 2012 totalled €580,742,000 and €297,788,000 respectively.

NOTE 17 - OTHER ASSETS

The composition of other assets at 31 December 2013 and 2012 was as follows:

Thousand euro

	2013	2012
Inventories	3,746,977	3,709,485
Other	220,823	330,378
Total	**3,967,800**	**4,039,863**

Movements in inventories in 2013 and 2012 have been as follows:

Thousand euro

	Land	developments	Other	Total
Balance at 31 December 2011	**1,329,217**	**908,451**	**1,116**	**2,238,784**
Inclusion of Banco CAM	453,644	640,920	4,876	1,099,440
Additions	948,702	797,133	22	1,745,857
Disposals	(70,174)	(722,934)	(128)	(793,236)
Transfers	(112,141)	2,936	(1,427)	(110,632)
Impairment charged to income statement	(466,778)	(7,332)	3,382	(470,728)
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)
Transfers	0	(341,789)	0	(341,789)
Impairment charged to income statement	(122,750)	(73,148)	(4,107)	(200,005)
Others	0	(0)	(3,429)	(3,429)
Balance at 31 December 2013	**2,114,809**	**1,628,199**	**3,969**	**3,746,977**

(*) see Note 2

The fair value of inventories stood at €5,631 million at 31 December 2013 (€4,753 million at 31 December 2012); 65.75% of this amount was based on appraisals more than 12 months old.

At 31 December 2013 the total value of inventories subject to a mortgage or other charge was €9,561,000.

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 provisions, are given in the following table:

€ million

	31/12/2013					
	Gross amount	*Of which: APS-protected*	Excess value of security	*Of which: APS-protected*	Coverage determined individually	*Of which: APS-protected*
Finance for construction and real-estate development recorded by Group credit institutions (operations in Spain) (1)	**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: sub-standard	*1,299*	218	*235*	45	*392*	50

(1) 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

	31/12/2012					
	Gross amount	*Of which: APS-protected*	Excess over value of security	*Of which: APS-protected*	Coverage determined individually	Of which: APS-protected
Finance for construction and real-estate development recorded by Group credit institutions (operations in Spain) (1)	**17,908**	**8,812**	**5,338**	**2,754**	**6,190**	**4,457**
Of which: doubtful	*10,069*	*7,135*	*3,463*	*2,575*	*4,673*	*3,607*
Of which: sub-standard	*1,561*	*351*	*313*	*121*	*696*	*233*

(1) 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	**31/12/2013**	**31/12/2012**
Write-off assets	143	150

€ million

Memorandum item:	**Book value 31/12/2013**	**Book value 31/12/2012**
Total customer loans, excluding Public Administrations (operations in Spain)	116,043	109,761
Total assets (total businesses)	163,441	161,547
Value adjustments and provisions for credit risk. General total cover (total businesses)	303	5,474

The bank has recorded provisions totalling €12,071 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 42%.

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 31/12/2013	*Of which: APS-protected*	Loans: gross 31/12/2012	*Of which: APS-protected*
Unsecured	**1,899**	**488**	**1,764**	**630**
With mortgage	**14,281**	**6,650**	**16,145**	**8,182**
Finished buildings	7,873	3,837	8,147	4,306
Housing	5,155	2,621	5,842	3,074
Rest	2,718	1,216	2,305	1,232
Buildings under construction	1,215	580	1,476	765
Housing	958	495	1,151	654
Rest	257	85	325	111
Land	5,193	2,233	6,521	3,112
Developed land	4,384	1,863	5,588	2,620
Other land	809	370	934	491
Total	**16,180**	**7,138**	**17,908**	**8,812**

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

€ 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*	*0*
With mortgage	*38,628*	*1,223*	*3,595*	*408*

€ million

	31/12/2012			
	Gross amount	*Of which: APS-protected*	*Of which: doubtful*	*Of which: APS-protected*
Home loans	**32,655**	**1,385**	**2,500**	**386**
Unsecured	0	0	0	*0*
With mortgage	32,655	1,385	2,500	*386*

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

	31/12/2013			
	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*

€ million

	31/12/2012			
	Gross amount	*Of which: APS-protected*	*Of which: doubtful*	*Of which: APS-protected*
LTV ranges	**32,655**	**1,385**	**2,500**	**386**
LTV <= 40%	6,337	261	*385*	*89*
40% < LTV <= 60%	9,704	431	*606*	*132*
60% < LTV <= 80%	12,072	504	*940*	*102*
80% < LTV <= 100%	3,640	147	*413*	*41*
LTV > 100%	902	42	*156*	*22*

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

	31/12/2013			
	Book value (gross) (*)	Coverage (amount)	Coverage (%)	Book 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
Developed 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 (Note 2).

€ million

	31/12/2012			
	Book value (gross) (*)	Coverage (amount)	Coverage (%)	Book value (net)
Real estate assets deriving from financing of construction and real estate development	**7,254**	**3,217**	**44%**	**4,036**
Finished buildings	2,379	626	26%	1,752
Housing	1,403	380	27%	1,022
Rest	976	246	25%	730
Buildings under construction	428	142	33%	286
Housing	150	51	34%	99
Rest	278	91	33%	188
Land	4,447	2,449	55%	1,998
Developed land	2,747	1,521	55%	1,226
Other land	1,699	927	55%	772
Real estate assets deriving from home loan mortgages	**3,594**	**1,197**	**33%**	**2,397**
Real estate assets acquired in payment of debts	**0**	**0**	**0%**	**0**
Equity instruments, interests and financing companies holding such assets	**600**	**321**	**54%**	**278**
Total real-estate portfolio	**11,447**	**4,735**	**41%**	**6,711**

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

(*) Of which €5,219 million is subject to APS (Note 2).

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

€ million

Opening balance at 31 December 2011	**4,006**
Purchases, swaps, capitalizations	3,006
Sales	(1,163)
Rest	(218)
Inclusion Banco CAM (*) in closing	5,744
Closing balance at 31 December 2012	**11,376**
Purchases, swaps, capitalizations	3,059
Sales	(1,883)
Rest	(72)
Closing balance at 31 December 2013	**12,479**

(*) see Note 2

Sales comprise 8,209 units sold of repossessed assets and 6,329 units sold of stock.

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. In developments in progress, the basic objective is to finalize them provided that short or medium term market expectations are sufficient to absorb the supply of the resulting dwellings.

For land-related loans, again, the saleability of properties to be built on the site is the key consideration in deciding on the provision of finance for construction.

Where monitoring and scrutiny of a borrower's position do not indicate a reasonable degree of viability, the solution may take the form of a surrender of assets in settlement of the debt and/or the purchase of assets.

Where a solution of this kind is not practicable legal proceedings will be taken, leading to repossession of the assets.

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 Management 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 set up 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 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 2013 the effective value of the group's liquid assets stood at €18,468 million (€17,585 million at 31 December 2012).

In this respect, in 2013 maturities on the wholesale market for Banco Sabadell amounted to €3,685 million, which was refinanced through the €10,123 million liquidity gap generated in 2013 and issuances on the capital markets totalling €1,932 million, while also increasing the volume of the bank's liquid assets.

In 2014 Banco Sabadell will see maturing medium- and long-term wholesale market debt of €4,397 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 2013 the drawn-down balance on the on the facility held with the Bank of Spain for monetary policy transactions with the European Central Bank stands at €8,800 million (€23,650 million at 31 December 2012).

NOTE 19 - DEPOSITS FROM CREDIT INSTITUTIONS

Deposits from credit institutions, a liability item on the consolidated balance sheet, are analyzed as follows for 2013 and 2012:

Thousand euro

	2013	2012
By heading:		
Financial liabilities at amortised cost	13,857,264	9,779,956
Total	**13,857,264**	**9,779,956**
By nature:		
Fixed-term deposits	8,768,254	7,724,907
Temporary assignment of assets	4,503,818	1,718,984
Other accounts	638,977	270,097
Valuation adjustments	(53,785)	65,968
Total	**13,857,264**	**9,779,956**
By currency:		
In euro	13,661,310	9,342,645
In foreign currency	195,954	437,311
Total	**13,857,264**	**9,779,956**

Average annual rates of interest payable on deposits from credit institutions for the years 2013 and 2012 were 1.15% and 1.44% respectively.

NOTE 20 - CUSTOMER DEPOSITS

The deposits from customers reported on the consolidated balance sheet at 31 December 2013 and 2012 can be analyzed as follows:

Thousand euro

	2013	2012
By heading:		
Financial liabilities at amortised cost	99,362,908	82,464,410
Total	**99,362,908**	**82,464,410**
By nature:		
Demand deposits	36,862,487	27,084,643
Time deposits	60,798,681	53,526,063
Repo agreements	1,347,184	1,466,003
Valuation adjustments	354,556	387,701
Total	**99,362,908**	**82,464,410**
By sector:		
Public institutions	3,197,859	2,102,538
Resident	88,788,617	73,058,219
Non-resident	7,021,876	6,915,952
Valuation adjustments	354,556	387,701
Total	**99,362,908**	**82,464,410**
By currency:		
In euro	93,809,849	77,653,798
In foreign currency	5,553,059	4,810,612
Total	**99,362,908**	**82,464,410**

Average annual rates of interest payable on customer deposits for the years 2013 and 2012 were 1.93% and 2.06% respectively.

NOTE 21 - MARKETABLE DEBT SECURITIES

Details of issues, buybacks or redemptions of debt securities by the group from 31 December 2012 to 31 December 2013 are set out in the table below together with comparative information for the previous year.

Thousand euro

	31/12/2013					
	Outstanding opening balance 31/12/2012	**Scope addition / 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	0	156,918	(121,626)	(886)	70,369
Other debt securities issued outside an EU Member State	0	0	0	0	0	0
Total	**25,326,170**	**200,363**	**7,190,261**	**(12,200,865)**	**650,986**	**21,166,915**

(*) see Note 2.

Thousand euro

	31/12/2012					
	Outstanding opening balance 31/12/2011	Scope addition / exclusions (*)	(+) Issues	(-) Buybacks or reimbursements	(+/-) Adjustments due to exchange rate and other	Outstanding closing balance 31/12/2012
Debt securities issued in an EU Member State requiring filing of a prospectus	17,508,185	6,787,334	3,736,612	(2,755,266)	13,342	25,290,207
Debt securities issued in an EU Member State not requiring filing of a prospectus	0	0	265,944	(228,570)	(1,411)	35,963
Other debt securities issued outside an EU Member State	134,910	0	0	0	(134,910)	0
Total	**17,643,095**	**6,787,334**	**4,002,556**	**(2,983,836)**	**(122,979)**	**25,326,170**

Details of marketable debt securities issued by the group and recorded on the balance sheet at 31 December 2013 and 2012 are given in the table below:

Thousand euro

Issuing entity	31/12/2013	31/12/2012
Straight bonds	1,171,669	3,195,848
Structured bonds	225,288	121,925
Government ordinary bonds	2,062,696	2,071,850
Promissory notes	2,796,384	3,154,978
Mortgage bonds	10,510,050	11,896,750
Territorial Bonds	0	150,000
Securitisation funds	4,280,043	5,292,960
Valuation and other adjustments	120,785	(558,141)
Total	**21,166,915**	**25,326,170**

Thousand euro

Issuing entity	Date of issue	Type of issue	31/12/2013	31/12/2012	Interest rate in force at 31/12/2012	Date of maturity	Currency of issue	Target of offering
Banco CAM, S.A. (*)	30.06.2005	Straight bonds	48,350	48,350	EURIBOR3M +0.10	15.08.2015	Euro	Retail
Banco CAM, S.A. (*)	15.02.2006	Straight bonds	100,000	100,000	EURIBOR3M +0.10	15.08.2015	Euro	Retail
Banco CAM, S.A. (*)	08.03.2006	Straight bonds	50,000	50,000	EURIBOR3M +0.10	15.08.2015	Euro	Retail
Banco de Sabadell, S.A.	04.10.2006	Straight bonds	50,000	50,000	EURIBOR3M +0.14	04.10.2016	Euro	Institutional
CAM Global Finance SAU	05.12.2006	Straight bonds	107,000	107,000	EURIBOR3M +0.225	05.12.2016	Euro	Institutional
Banco Guipuzcoano, S.A. (*)	18.04.2007	Straight bonds	25,000	25,000	0.015	18.04.2022	Euro	Institutional
CAM Global Finance SAU	14.06.2007	Straight bonds	0	500,000	EURIBOR3M +0.15	14.01.2013	Euro	Institutional
Banco de Sabadell, S.A.	29.09.2011	Straight bonds	0	300,000	4.25%	29.03.2013	Euro	Retail
Banco de Sabadell, S.A.	29.12.2011	Straight bonds	0	300,000	4.25%	29.03.2013	Euro	Retail
Banco de Sabadell, S.A.	27.02.2012	Straight bonds	0	500,000	4.20%	27.08.2013	Euro	Retail
Banco de Sabadell, S.A.	04.05.2012	Straight bonds	0	500,000	4.00%	04.05.2013	Euro	Retail
Banco de Sabadell, S.A.	04.05.2012	Straight bonds	250,000	250,000	4.25%	04.05.2014	Euro	Retail
Banco de Sabadell, S.A.	29.06.2012	Straight bonds	0	300,000	4.00%	27.06.2013	Euro	Retail
Banco de Sabadell, S.A.	29.06.2012	Straight bonds	0	300,000	4.20%	27.12.2013	Euro	Retail
Banco de Sabadell, S.A.	05.12.2013	Straight bonds	600,000	0	2.50%	05.12.2016	Euro	Institutional
Banco Gallego, S.A.	28.10.2013	Straight bonds	186	0	2.00%	29.12.2019	Euro	Retail
Subscribed by group companies			(58,867)	(134,502)				
Total Straight bonds			**1,171,669**	**3,195,848**				

(*) merged with Banco Sabadell

Thousand euro

Issuing entity	Date of issue	Type of issue	31/12/2013	31/12/2012	Interest rate in force at 31/12/2012	Date of maturity	Currency of issue	Target of offering
CAM Global Finance, S.A.U.	04.06.2008	Structured bonds	100,000	100,000	ref. underlying assets	04.06.2018	Euro	Institutional
Banco de Sabadell, S.A.	24.05.2012	Structured bonds	5,850	7,050	ref. underlying assets	19.06.2015	Euro	Retail
Banco de Sabadell, S.A.	02.07.2012	Structured bonds	1,400	1,550	ref. underlying assets	27.07.2015	Euro	Retail
Banco de Sabadell, S.A.	25.07.2012	Structured bonds	3,000	3,000	ref. underlying assets	25.07.2022	Euro	Retail
Banco de Sabadell, S.A.	27.07.2012	Structured bonds	2,200	2,200	ref. underlying assets	27.07.2015	Euro	Retail
Banco de Sabadell, S.A.	01.08.2012	Structured bonds	2,000	2,000	ref. underlying assets	03.08.2015	Euro	Retail
Banco de Sabadell, S.A.	10.10.2012	Structured bonds	1,600	1,600	ref. underlying assets	10.10.2016	Euro	Retail
Banco de Sabadell, S.A.	10.10.2012	Structured bonds	1,525	1,525	ref. underlying assets	10.10.2017	Euro	Retail
Banco de Sabadell, S.A.	20.12.2012	Structured bonds	3,000	3,000	ref. underlying assets	20.12.2019	Euro	Retail
Banco de Sabadell, S.A.	06.02.2013	Structured bonds	5,000	0	ref. underlying assets	08.02.2016	Euro	Retail
Banco de Sabadell, S.A.	14.03.2013	Structured bonds	3,920	0	ref. underlying assets	07.02.2024	Euro	Retail
Banco de Sabadell, S.A.	02.04.2013	Structured bonds	4,000	0	ref. underlying assets	14.03.2016	Euro	Retail
Banco de Sabadell, S.A.	16.04.2013	Structured bonds	1,470	0	ref. underlying assets	02.06.2016	Euro	Retail
Banco de Sabadell, S.A.	16.05.2013	Structured bonds	4,900	0	ref. underlying assets	18.04.2016	Euro	Retail
Banco de Sabadell, S.A.	07.06.2013	Structured bonds	12,100	0	ref. underlying assets	16.05.2018	Euro	Retail
Banco de Sabadell, S.A.	14.06.2013	Structured bonds	5,000	0	ref. underlying assets	07.06.2016	Euro	Retail
Banco de Sabadell, S.A.	05.07.2013	Structured bonds	16,400	0	ref. underlying assets	18.06.2018	Euro	Retail
Banco de Sabadell, S.A.	09.08.2013	Structured bonds	16,600	0	ref. underlying assets	05.07.2018	Euro	Retail
Banco de Sabadell, S.A.	30.09.2013	Structured bonds	12,000	0	ref. underlying assets	09.08.2018	Euro	Retail
Banco de Sabadell, S.A.	02.10.2013	Structured bonds	5,500	0	ref. underlying assets	01.10.2018	Euro	Retail
Banco de Sabadell, S.A.	31.10.2013	Structured bonds	20,400	0	ref. underlying assets	02.10.2015	Euro	Retail
Subscribed by group companies			(2,577)					
Total structured bonds			**225,288**	**121,925**				

Thousand euro

Issuing entity	Date of issue	Type of issue	31/12/2013	31/12/2012	Interest rate in force at 31/12/2012	Date of maturity	Currency of issue	Target of offering
Banco CAM, S.A. (*)	12.11.2009	Government ordinary bonds	1,000,000	1,000,000	3.00%	12.11.2014	Euro	Institutional
Banco CAM, S.A. (*)	01.12.2009	Government ordinary bonds	5,000	500,000	EURIBOR 6M + 0.33	01.12.2014	Euro	Institutional
Banco CAM, S.A. (*)	23.06.2010	Government ordinary bonds	65,000	357,000	3.00%	12.11.2014	Euro	Institutional
Banco de Sabadell, S.A.	22.12.2011	Government ordinary bonds	0	1,500,000	5.44%	22.12.2014	Euro	Institutional
Banco CAM, S.A. (*)	21.02.2012	Government ordinary bonds	0	1,400,000	4.00%	21.02.2015	Euro	Institutional
Banco CAM, S.A. (*)	21.02.2012	Government ordinary bonds	0	1,400,000	4.80%	21.07.2016	Euro	Institutional
Banco CAM, S.A. (*)	09.03.2012	Government ordinary bonds	1,065,800	1,200,000	4.50%	09.03.2017	Euro	Institutional
Subscribed by group companies			(73,104)	(5,285,150)				
Total government ordinary bonds			**2,062,696**	**2,071,850**				

(*) merged with Banco Sabadell

Thousand euro

Issuing entity	Date of issue	Type of issue	31/12/2013	31/12/2012	Interest rate in force at 31/12/2012	Date of maturity	Currency of issue	Target of offering
Banco de Sabadell, S.A. (London branch)	25.06.2008	Promissory notes (ECP)	98,248	37,374	0.94% to 3.60%	Various	Euro	Institutional
Banco Guipuzcoano, S.A.	07.06.2011	Promissory notes	0	16,263	-	Various	Euro	Institutional
Banco de Sabadell, S.A. (*)	07.03.2013	Promissory notes	2,793,262	3,205,413	0.16% to 5.12%	Various	Euro	Institutional
Subscribed by group companies			(95,126)	(104,072)				
Total promissory notes			**2,796,384**	**3,154,978**				

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

Thousand euro

Issuing entity	Date of issue	Type of issue	31/12/2013	31/12/2012	Interest rate in force at 31/12/2012	Date of maturity	Currency of issue	Target of offering
Banco de Sabadell, S.A.	29.04.2003	Mortgage bonds	0	1,500,000	4.50%	29.04.2013	Euro	Institutional
Banco de Sabadell, S.A.	15.06.2005	Mortgage bonds	1,500,000	1,500,000	3.25%	15.06.2015	Euro	Institutional
Banco de Sabadell, S.A.	19.01.2006	Mortgage bonds	1,750,000	1,750,000	3.50%	19.01.2016	Euro	Institutional
Banco de Sabadell, S.A.	10.05.2006	Mortgage bonds	300,000	300,000	4.13%	10.05.2016	Euro	Institutional
Banco de Sabadell, S.A.	16.05.2006	Mortgage bonds	120,000	120,000	4.25%	16.05.2016	Euro	Institutional
Banco de Sabadell, S.A.	24.01.2007	Mortgage bonds	1,500,000	1,500,000	4.25%	24.01.2017	Euro	Institutional
Banco de Sabadell, S.A.	20.06.2007	Mortgage bonds	300,000	300,000	EURIBOR 3M + 0.05	20.06.2017	Euro	Institutional
Banco de Sabadell, S.A.	08.05.2009	Mortgage bonds	100,000	100,000	EURIBOR 3M + 1	08.05.2021	Euro	Institutional
Banco de Sabadell, S.A.	31.07.2009	Mortgage bonds	200,000	200,000	EURIBOR 3M + 1.30	31.07.2017	Euro	Institutional
Banco de Sabadell, S.A.	18.09.2009	Mortgage bonds	150,000	150,000	EURIBOR 3M + 0.90	18.09.2018	Euro	Institutional
Banco de Sabadell, S.A.	20.01.2010	Mortgage bonds	1,000,000	1,000,000	3.13%	20.01.2014	Euro	Institutional
Banco de Sabadell, S.A.	30.06.2010	Mortgage bonds	0	500,000	EURIBOR 1M + 2,00	30.06.2013	Euro	Institutional
Banco de Sabadell, S.A.	10.12.2010	Mortgage bonds	150,000	150,000	EURIBOR 3M + 2.35	10.12.2020	Euro	Institutional
Banco de Sabadell, S.A.	11.01.2011	Mortgage bonds	100,000	100,000	EURIBOR 3M + 2.60	11.01.2019	Euro	Institutional
Banco de Sabadell, S.A.	11.02.2011	Mortgage bonds	0	1,200,000	4.50%	11.02.2013	Euro	Institutional
Banco de Sabadell, S.A.	07.06.2011	Mortgage bonds	200,000	200,000	EURIBOR 3M + 2.25	07.06.2019	Euro	Institutional
Banco de Sabadell, S.A.	13.07.2011	Mortgage bonds	50,000	50,000	EURIBOR 3M + 2.60	13.07.2021	Euro	Institutional
Banco de Sabadell, S.A.	12.12.2011	Mortgage bonds	150,000	150,000	EURIBOR 3M + 3.10	12.12.2021	Euro	Institutional
Banco de Sabadell, S.A.	16.02.2012	Mortgage bonds	1,200,000	1,200,000	3.625%	16.02.2015	Euro	Institutional
Banco de Sabadell, S.A.	19.09.2012	Mortgage bonds	500,000	500,000	4.25%	19.09.2014	Euro	Institutional
Banco de Sabadell, S.A.	05.10.2012	Mortgage bonds	95,000	95,000	EURIBOR 3M + 4.80	05.10.2022	Euro	Institutional
Banco de Sabadell, S.A.	28.12.2012	Mortgage bonds	200,000	200,000	EURIBOR 3M + 4.15	28.12.2020	Euro	Institutional
Banco Guipuzcoano, S.A. (*)	19.01.2011	Mortgage bonds	100,000	100,000	EURIBOR 3M + 2.75	19.01.2019	Euro	Institutional
Banco CAM, S.A. (*)	22.10.2009	Mortgage bonds	1,000,000	1,000,000	3.375%	22.10.2014	Euro	Institutional
Banco CAM, S.A. (*)	27.04.2010	Mortgage bonds	30,000	30,000	4.60%	31.07.2020	Euro	Institutional
Banco CAM, S.A. (*)	14.04.2011	Mortgage bonds	1,500,000	1,500,000	4.875%	14.04.2014	Euro	Institutional
Banco CAM, S.A. (*)	03.05.2011	Mortgage bonds	0	1,500,000	4.63%	03.05.2013	Euro	Institutional
Banco CAM, S.A. (*)	06.05.2011	Mortgage bonds	0	1,000,000	4.75%	06.11.2013	Euro	Institutional
Banco CAM, S.A. (*)	19.01.2012	Mortgage bonds	1,000,000	1,000,000	EURIBOR 3M + 3.5	19.01.2015	Euro	Institutional
Banco CAM, S.A. (*)	16.02.2012	Mortgage bonds	500,000	500,000	EURIBOR 3M + 3.5	17.08.2015	Euro	Institutional
Banco CAM, S.A. (*)	10.08.2012	Mortgage bonds	400,000	400,000	EURIBOR 3M + 4	10.08.2015	Euro	Institutional
Banco de Sabadell, S.A.	23.01.2013	Mortgage bonds	1,000,000	0	3.375%	23.01.2018	Euro	Institutional
Banco de Sabadell, S.A.	29.04.2013	Mortgage bonds	1,500,000	0	EURIBOR 12M + 2,10	29.04.2015	Euro	Institutional
Banco de Sabadell, S.A.	19.06.2013	Mortgage bonds	1,000,000	0	EURIBOR 12M + 1,65	19.06.2015	Euro	Institutional
Banco de Sabadell, S.A.	09.12.2013	Mortgage bonds	200,000	0	EURIBOR 3M + 1.60	09.12.2021	Euro	Institutional
Subscribed by group companies			(7,284,950)	(7,898,250)				
Total Mortgage Bonds			**10,510,050**	**11,896,750**				

(*) merged with Banco Sabadell

Thousand euro

Issuing entity	Date of issue	Type of issue	31/12/2013	31/12/2012	Interest rate in force at 31/12/2012	Date of maturity	Currency of issue	Target of offering
Banco CAM, S.A. (*)	23.01.2008	Territorial Bonds	0	150,000	EURIBOR 3M + 0.14	23.01.2013	Euro	Institutional
Banco de Sabadell, S.A.	29.12.2011	Territorial Bonds	500,000	500,000	4.50%	29.12.2014	Euro	Institutional
Banco CAM, S.A. (*)	16.02.2012	Territorial Bonds	450,000	450,000	EURIBOR 3M + 3.5	17.08.2015	Euro	Institutional
Banco CAM, S.A. (*)	30.04.2012	Territorial Bonds	500,000	500,000	EURIBOR 3M + 3.5	30.04.2015	Euro	Institutional
Subscribed by group companies			(1,450,000)	(1,450,000)				
Total Territorial Bonds			**0**	**150,000**				

(*) 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 2013 and 2012 are as follows:

Thousand euro

Issuing entity	Amount 31/12/2013	Amount 31/12/2012
Total subordinated bonds	1,019,552	1,006,099
Total preference shares	96,968	210,316
Valuation and other adjustments	(27,474)	(49,708)
Total	**1,089,046**	**1,166,707**

Thousand euro

Issuing entity	Date of issue	Amount 31/12/2013	Amount 31/12/2012	Interest rate in force at 30/06/2013	Date of maturity/ derecognition	Target of the offer	Type of issue
Banco CAM, S.A. (*)	15.09.1988	618	618	2.500%	-	Retail	Subordinated bonds
Banco CAM, S.A. (*)	25.11.1988	101	101	2.500%	-	Retail	Subordinated bonds
Banco CAM, S.A. (*)	01.06.1992	15,025	15,025	0.000%	-	Institutional	Subordinated bonds
Banco CAM, S.A. (*)	16.02.2004	9,410	9,410	0.368%	-	Retail	Subordinated bonds
Banco Guipuzcoano, S.A. (*)	15.10.2004	50,000	50,000	4.200%	15.10.2014	Retail	Subordinated bonds
Banco Guipuzcoano, S.A. (*)	21.03.2006	79,400	79,400	1.193%	21.03.2016	Institutional	Subordinated bonds
Banco de Sabadell, S.A.	25.05.2006	217,300	217,300	1.017%	25.05.2016	Institutional	Subordinated bonds
CAM International Issues, S.A.U	29.09.2006	94,950	94,950	1.194%	29.09.2016	Institutional	Subordinated bonds
CAM International Issues, S.A.U	26.04.2007	92,150	92,150	1.025%	26.04.2017	Institutional	Subordinated bonds
Banco de Sabadell, S.A.	26.04.2010	424,600	424,600	6.250%	26.04.2020	Institutional	Subordinated bonds
Banco de Sabadell, S.A.	25.02.2011	40,400	40,400	4.217%	25.02.2021	Institutional	Subordinated bonds
Banco de Sabadell, S.A.	28.10.2013	50,954	0	5.000%	28.10.2016	Retail	Convertible subordinated bonds
Banco de Sabadell, S.A.	28.10.2013	70,720	0	5.000%	28.10.2017	Institutional	Convertible subordinated bonds
subscribed by group companies		(126,076)	(17,855)				
Total subordinated bonds		**1,019,552**	**1,006,099**				

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

Thousand euro

Issuing entity	Date of issue	Amount 31/12/2013	Amount 31/12/2012	Interest rate in force at 30/06/2013	Date of maturity/ derecognition	Target of the offer	Type of issue
Banco de Sabadell, S.A.	20.09.2006	23,800	23,800	5.234%	20.09.2016	Institutional	Preference shares
Banco de Sabadell, S.A.	24.02.2009	11,007	11,007	4.500%	-	Retail	Preference shares
Sabadell International Equity Ltd.	30.03.1999	21,432	21,432	0.745%	-	Retail	Preference shares
Guipuzcoano Capital, S.A.	27.04.2004	1,279	1,279	0.449%	-	Retail	Preference shares
Guipuzcoano Capital, S.A.	19.11.2009	17,734	17,734	6.552%	-	Retail	Preference shares
CAM Capital, S.A.U.	16.08.2001	9,942	9,942	0.453%	-	Retail	Preference shares
CAM Capital, S.A.U.	16.08.2002	5,458	5,458	0.403%	-	Retail	Preference shares
CAM Capital, S.A.U.	29.09.2009	34,773	34,773	6.800%	-	Retail	Preference shares
CAMGE Financiera E.F.C.,S.A. (*)	02.05.2005	0	88,500	-	14.05.2013	Institutional	Preference shares
Subscribed by group companies		(28,457)	(3,609)				
Total preference shares		**96,968**	**210,316**				

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

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

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–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 hybrid management, Banco Sabadell offered investors the possible alternative of subscribing new Banco Sabadell mandatorily convertible 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 for 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.

At a meeting of the Board of Directors of Banco de Sabadell, S.A. on 13 June 2012, under powers granted to it by a resolution of the Annual General Meeting of 31 May 2012, the decision was taken to make an offer to holders of preferred and subordinated debt securities issued by the Banco CAM group whereby all preferred and subordinated debt securities would be purchased for cash and the said cash automatically applied by those accepting the purchase offer to the purchase of and/or subscription for Banco de Sabadell shares to be offered in a simultaneous public offer for subscription/sale of newly issued shares and existing shares from the Bank's holding of treasury shares. In addition, those accepting the offer would be entitled to a further cash payment of up to 24% of the nominal value of the existing shares that were purchased by way of a deferred payment. The initial fair value of the deferred payment was estimated at €176,760,000 and was accounted for in the balance sheet under the heading Financial liabilities at amortised cost – other financial liabilities.

At the end of the acceptance period for the Banco de Sabadell Public Offer for sale of/subscription for Banco Sabadell shares addressed exclusively to holders of preferred and subordinated debt securities issued by the Banco CAM group, the debt securities to be exchanged and their nominal values on acceptance of the Offer were as follows:

Thousand euro

Existing securities	Nominal value on acceptance
CAM Capital, S.A.U. preference shares series A	288,074
CAM Capital, S.A.Sociedad Unipersonal preference shares series B	151,607
CAM Capital, S.A.Sociedad Unipersonal preference shares series C	814,525
Caja de Ahorros del Mediterráneo ("CAM") subordinated bonds 09/1988	17,403
Caja de Ahorros de Torrent subordinated bonds 11/1988	2,904
Special subordinated debt 02/2004 CAM	285,439

In September 2012 Banco de Sabadell, S.A. made an offer to repurchase preferred securities and subordinated bonds issued by various companies in the group. The total nominal value of the securities in respect of which the offer was accepted was €109,250,000.

NOTE 23 - OTHER FINANCIAL LIABILITIES

The balance in Other financial liabilities on the consolidated balance sheet at 31 December 2013 and 2012 is analyzed below.

Thousand euro

	2013	2012
By heading:		
Financial liabilities at amortised cost	2,565,849	2,358,717
Total	**2,565,849**	**2,358,717**
By nature:		
Debentures payable	635,493	908,627
Guarantee deposits received	260,452	300,977
Clearing houses	82,701	45,836
Collection accounts	197,341	187,703
Other financial liabilities (*)	1,389,862	915,574
Total	**2,565,849**	**2,358,717**
By currency:		
In euro	2,488,545	2,285,940
In foreign currency	77,304	72,777
Total	**2,565,849**	**2,358,717**

(*) Includes trade payables

In fulfilment of the Bank's duty of disclosure under Law 15/2010 amending Law 3/2004 on measures to combat late payment in commercial transactions, information for the group for 2013 and 2012 is set out in the following table:

Thousand euro

	2013		2012	
	Amount	%	Amount	%
Within the maximum legal limit	1,186,977	94	2,724,198	95
Rest(1)	80,475	6	139,982	5
Total payments during the year	**1,267,452**	**100**	**2,864,180**	**100**
Weighted average number of days past due (*)	55	-	69	-
Deferrals in excess of statutory limit (**)	1,100	-	26,910	-
Total				

(*) number of days delay over statutory time limit for each late payment weighted by the amount of the payment concerned.

(**) The statutory payment periods are 60 days for 2013 and 75 days for 2012.

(1) If statutory limit is exceeded, the delay in payment can be justified on a number of grounds

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 this item at 31 December 2013 and 2012 were:

Thousand euro

	2013	2012
Unearned premium reserve	1,742	1,187
Non-life insurance		
Benefits	201	243
Life insurance:		
Mathematical reserves	1,842,599	1,792,578
Benefits	16,988	14,492
With-profits insurance and returned premiums	6,959	8,493
Life insurance in which the investment risk is borne by the policyholders	172,075	216,412
Implied adjustments due to accounting mismatches	93,575	5410
Total	**2,134,139**	**2,038,815**

The results generated by the group's insurance companies by type of product sold are as follows:

Thousand euro

	2013
Life insurance	**39,491**
Life Risk	19,497
Life Savings	19,728
Unit Linked	265
Casualty Insurance	375
Non-technical account	10,920
Total	**50,786**

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.

NOTE 25 - PROVISIONS

The composition of this item on the consolidated balance sheet at 31 December 2013 and 2012 was as follows:

Thousand euro

	2013	2012 (*)
Provisions for pensions and similar obligations	147,657	201,593
Provisions for contingent exposures and commitments	304,349	277,162
Other provisions	212,240	850,810
Total	**664,246**	**1,329,565**

(*) See Note 1, Comparability

Details of changes in provisions during the years 2013 and 2012 are given in the following table:

Thousand euro

	Pensions and obligations of a similar nature	Risks and contingent commitments	Other provisions	Total
Balance at 31 December 2011	**163,510**	**89,611**	**97,082**	**350,203**
Inclusion of Banco CAM	**119,329**	**107,762**	**1,015,918**	**1,243,009**
Provisions charged to income statement:	**13,058**	**79,318**	**(54,442)**	**37,934**
Personnel expenses	5,604	0	0	5,604
Interest and similar charges	11,418	0	0	11,418
Net transfers to provisions	(3,964)	79,318	(54,442)	20,912
Actuarial gains/(losses)	**(26,957)**	**0**	**0**	**(26,957)**
Recognised actuarial gains (IAS19M) (*)	**(40,761)**	**0**	**0**	**(40,761)**
Exchange differences	**0**	**0**	**(27)**	**(27)**
Applications:	**(25,388)**	**0**	**0**	**(25,388)**
Contributions of the promoter	0	0	0	0
Pension payments	(25,388)	0	0	(25,388)
Other	0	0	0	0
Other movements	**(1,198)**	**471**	**(207,721)**	**(208,448)**
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**	**247,395**	**39,570**	**299,378**
Personnel expenses	3,932	0	0	3,932
Interest and similar charges	5,370	0	0	5,370
Net transfers to provisions	3,111	247,395	39,570	290,076
Actuarial gains/(losses)	**(3,729)**	**(130,213)**	**0**	**(133,942)**
Exchange differences	**0**	**0**	**(2)**	**(2)**
Applications:	**(67,981)**	**0**	**(702,602)**	**(770,583)**
Contributions of the promoter	(21,594)	0	0	(21,594)
Pension payments	(37,522)	0	0	(37,522)
Other	(8,865)	0	(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**

(*) See Note 1, Comparability

(**) 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 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 was set up during the business combination has been utilized.

Other movements in 2012 relate entirely to the impairment of software from Banco CAM which was included in the restructuring provision. The transfer reflects the reclassification of such impairment to Intangible assets.

Pensions and similar commitments

The items giving rise to defined benefit pension liabilities recognized in the group balance sheet are as follows:

Thousand euro

	2013	2012 (*)	2011	2010	2009
Pension commitments	1,036,360	950,952	765,700	781,660	656,430
not recognised in the income statement:	696	0	0	0	0
Fair value of scheme assets	(889,575)	(752,281)	(602,190)	(605,402)	(466,847)
Net liability not recognised on balance sheet	**147,481**	**198,671**	**163,510**	**176,258**	**189,583**

(*) See Note 1, Comparability

The return on the Banco Sabadell pension scheme in 2013 was 6.18% and the return of the group's voluntary social insurance society (EPSV) was -1.21%. The return on the Banco CAM pension scheme for the year was 1.18%

Movements in 2013 and 2012 in obligations due to pension commitments and the fair value of the scheme assets are as follows:

Thousand euro

	Obligations due to pension commitments	Fair value of scheme assets
Balance at 31 December 2011	**765,700**	**583,590**
Inclusion of Banco CAM	247,858	126,033
Interest costs	40,628	0
Interest income	0	29,032
Normal cost in year	5,604	0
Past service cost	1,096	0
Benefit payments	(90,658)	(32,720)
Settlements, reductions and terminations	(86,108)	(57,664)
Contributions made by the institution	0	(3,174)
Actuarial gains and losses due to changes in demographic assumptions	0	0
Actuarial gains and losses due to changes in financial assumptions	0	0
Actuarial gains and losses due to changes in experience assumptions	66,832	0
Yield on plan assets excluding interest income	0	107,184
Other movements	0	0
Balance at 31 December 2012	**950,952**	**752,281**
Scope additions/exclusions (*)	78,182	77,908
Interest costs	32,806	0
Interest income	0	27,455
Normal cost in year	4,525	0
Past service cost	2,838	0
Benefit payments	(73,486)	(36,008)
Settlements, reductions and terminations	(28,351)	(27,850)
Contributions made by the institution	0	19,022
Actuarial gains and losses due to changes in demographic assumptions	0	0
Actuarial gains and losses due to changes in financial assumptions	77,323	0
Actuarial gains and losses due to changes in experience assumptions	(5,722)	0
Yield on plan assets excluding interest income	0	79,708
Other movements	(2,707)	(2,941)
Balance at 31 December 2013	**1,036,360**	**889,575**

(*) see Note 6

The group's pension commitments at 31 December 2013 and 2012 based on financing vehicle, coverage and interest rate applied in their calculation, are set out below:

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**	

Thousand euro

		2012	
Financing vehicle	Coverage	Amount	Interest rate
Pension plans		**496,997**	
Insurance policies with related parties	Matched	49,701	4.00%
Insurance policies with unrelated parties	Matched	447,296	4.00%
Insurance policies		**367,084**	
Insurance policies with related parties	Matched	114,890	2.86%
Insurance policies with unrelated parties	Matched	252,194	2.86%
Internal funds	Without cover	**86,871**	4.00%
Total commitments		**950,952**	

The amount of the commitments covered by matched insurance policies at 31 December 2013 stands at €985,210,000 (€864,081,000 at 31 December 2012) and therefore in 95.06% of its commitments (2012: 90.86%) there is no risk of survival (tables) nor profitability (interest rate) for the Bank.

Obligations covered by specific assets totalled €985,210,000 (including €16,163,000 in commitments to early retirees) at 31 December 2013, and €864,081,000 (of which €14,995,000 relates to commitments to early retirees) at 31 December 2012.

The fair value of pension-linked assets reported in the group balance sheet stood at €156,083,000 at 31 December 2013 and €165,092,000 at 31 December 2012.

The sensitivity analysis for each main actuarial assumption at 31 December 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.

Rates	2013
Sensitivity analysis	**% change**
Discount rate	
Discount rate -50 base points:	
Assumption	2.39%
Change in obligation	5.98%
Change in cost of services for the current year	8.57%
Discount rate +50 base points:	
Assumption	3.39%
Change in obligation	(5.62%)
Change in cost of services for the current year	(8.49%)
Salary increase rate	
Salary increase rate -50 base points:	
Assumption	2.50%
Change in obligation	(0.76%)
Change in cost of services for the current year	(3.85%)
Salary increase rate +50 base points:	
Assumption	3.50%
Change in obligation	0.79%
Change in cost of services for the current year	4.02%

The main categories of scheme assets as a proportion of total scheme assets were as follows:

%	2013	2012
Own equity instruments	0.02%	0.02%
Other equity instruments	0.00%	0.00%
Debt instruments	0.65%	0.49%
Investment funds	0.02%	0.04%
Deposits and current accounts	0.36%	0.00%
Other (insurance policies with unrelated parties)	98.95%	99.45%
Total	**100.00%**	**100.00%**

The fair value of scheme assets includes the following financial instruments issued by the Bank:

Thousand euro	2013	2012
Equity instruments	142	122
Debt instruments	0	0
Deposits and current accounts	0	0
Total	**142**	**122**

Estimates of probability-weighted present values at 31 December 2013 of benefits payable over the next ten years are shown below:

Thousand euro

	years										Total
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Pensiones probables	32,316	25,194	20,913	17,222	13,594	10,497	8,792	8,567	8,352	8,128	**153,575**

NOTE 26 - FAIR VALUE OF 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).

When 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. - Observable market interest rates
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: - Forward structure of the underlying asset, given by market data (dividends, swaps points, etc.) - Historical volatilities - Historical correlations - 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: - Interest rate time structure - Underlying asset volatility surfaces - Estimate 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

	2013		2012	
	Accounting balance	Fair value	Accounting balance	Fair value
Assets:				
Cash and deposits with central banks	3,201,898	3,201,898	2,483,590	2,483,590
Trading portfolio (Notes 5, 6 and 7)	1,889,624	1,889,624	2,042,177	2,042,177
Other financial assets at fair value through profit or loss (Note 6)	140,534	140,534	170,895	170,895
Available-for-sale financial assets (Notes 5 and 6)	19,277,672	19,277,672	16,412,630	16,412,630
Credit investments (Notes 4, 5 and 8)	118,989,126	127,659,425	114,978,239	124,382,339
Held to maturity investments (Note 5)	0	0	7,647,834	7,772,633
Adjustments to financial assets due to macro-hedges (Note 11)	0	0	36,917	36,917
Hedging derivatives (Notes 2 and 12)	593,327	593,327	687,284	687,284
Total assets	**144,092,181**	**152,762,480**	**144,459,566**	**153,988,465**

Thousand euro

	2013		2012	
	Accounting balance	Fair value	Accounting balance	Fair value
Liabilities:				
Trading portfolio (Note 7)	1,445,545	1,445,545	1,699,230	1,699,230
Other financial liabilities at fair value through profit or loss	0	0	0	0
Financial liabilities at amortized cost (Notes 19, 20, 21, 22 and 23)	147,269,474	147,937,282	144,984,600	147,249,281
Adjustments to financial liabilities due to macro-hedges (Note 11)	211,406	211,406	337,992	337,992
Hedging derivatives (Note 12)	315,239	315,239	436,225	436,225
Total liabilities	**149,241,664**	**149,909,472**	**147,458,047**	**149,722,728**

In relation to financial instruments whose booked amount differs from fair value, the latter has been calculated as follows:
- The fair value of Cash and deposits with central banks has been assimilated to their book value, as these are mainly short-term balances.
- The fair value of Held to maturity investments has been regarded as equivalent to their quoted price in active markets.
- The fair value of Loans and receivables and Financial liabilities at amortized cost has been estimated using the discounted cash flow method, using market interest rates at the end of each year.
- The heading Adjustments to financial assets/liabilities due to macro-hedges on the accompanying consolidated balance sheets records the difference between the book 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

	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	0	0	0	0
Debt securities (Note 5)	550,254	3,000	4,487	557,741
Equity instruments (Note 6)	43,269	0	0	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	0	140,534	0	140,534
Loans and advances to credit institutions	0	0	0	0
Debt securities	0	0	0	0
Equity instruments (Note 6)	0	140,534	0	140,534
Available-for-sale financial assets	17,856,023	1,346,678	74,971	19,277,672
Debt securities (Note 5)	17,616,429	1,018,610	15,496	18,650,535
Equity instruments (Note 6)	239,594	328,068	59,475	627,137
Hedging derivatives (Note 12)	0	429,738	163,589	593,327
Total assets	**18,487,349**	**2,602,211**	**811,597**	**21,901,157**

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	0	0	146,810
Other financial liabilities at fair value through profit or loss	0	0	0	0
Hedging derivatives (Note 12)	31	106,936	208,272	315,239
Total liabilities	**147,381**	**1,190,111**	**423,292**	**1,760,784**

Thousand euro

	2012			
	Level 1	Level 2	Level 3	Total
Assets:				
Held for trading	351,978	1,515,051	175,148	2,042,177
Loans and advances to customers	0	0	0	0
Debt securities (Note 5)	289,710	0	8,042	297,752
Equity instruments (Note 6)	41,390	0	0	41,390
Trading derivatives (Note 7)	20,878	1,515,051	167,106	1,703,035
Other financial assets at fair value through profit or loss	0	170,895	0	170,895
Loans and advances to credit institutions	0	0	0	0
Debt securities	0	0	0	0
Equity instruments (Note 6)	0	170,895	0	170,895
Available-for-sale financial assets	14,608,305	1,721,256	83,069	16,412,630
Debt securities (Note 5)	14,376,666	802,628	14,261	15,193,555
Equity instruments (Note 6)	231,639	918,628	68,808	1,219,075
Hedging derivatives (Note 12)	0	550,220	137,064	687,284
Total assets	**14,960,283**	**3,957,422**	**395,281**	**19,312,986**

Thousand euro

	2012			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Held for trading	26,243	1,458,321	214,666	1,699,230
Trading derivatives (Note 7)	5,831	1,458,321	214,666	1,678,818
Short securities positions	20,412	0	0	20,412
Other financial liabilities at fair value through profit or loss	0	0	0	0
Hedging derivatives (Note 12)	19	262,756	173,450	436,225
Total liabilities	**26,262**	**1,721,077**	**388,116**	**2,135,455**

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 2011	**338,878**	**221,320**
Due to inclusion of Banco CAM	324	75,600
Valuation adjustments recorded on income statement (*)	(21,850)	(31,814)
Valuation adjustments not recorded on income statement	(2,150)	0
Purchases, sales, write-offs	108,192	121,952
Net additions/(exits) on Level 3	(29,190)	0
Exchange differences and other	1,077	1,058
Balance at 31 December 2012	**395,281**	**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	(2,319)	(74)
Purchases, sales, write-offs	12,410	33,214
Net additions/(exits) on Level 3	414,760	2,116
Exchange differences and other	537	1,865
Balance at 31 December 2013	**811,597**	**423,292**

(*) Relates to securities kept on the balance sheet at 31 December 2013 and 2012

At 31 December 2013, 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 2013 present the following balances in the accompanying consolidated balance sheet at 31 December 2013:

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	0	0	0	414,761	0	0
Other financial assets at fair value through profit or loss	0	0	0	0	0	0
Available-for-sale financial assets	148	0	0	0	0	0
Hedging derivatives (Note 12)	0	0	0	0	0	0
Liabilities:						
Held for trading	0	0	0	2,116	0	0
Other financial liabilities at fair value through profit or loss	0	0	0	0	0	0
Hedging derivatives (Note 12)	0	0	0	0	0	0
Total	**148**	**0**	**0**	**416,877**	**0**	**0**

Thousand euro

	2012					
From:	Level 1		Level 2		Level 3	
To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
Assets:						
Held for trading	0	0	0	0	0	0
Other financial assets at fair value through profit or loss	0	0	0	0	0	0
Available-for-sale financial assets	10,069	0	23,684	0	1,440	0
Hedging derivatives (Note 12)	0	0	0	0	0	0
Liabilities:						
Held for trading	0	0	0	0	0	0
Other financial liabilities at fair value through profit or loss	0	0	0	0	0	0
Hedging derivatives (Note 12)	0	0	0	0	0	0
Total	**10,069**	**0**	**23,684**	**0**	**1,440**	**0**

At 31 December 2013, 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 as at 31 December there are no Level 3 instruments measured in equity.

Thousand euro

	2013	
	Potential impact on consolidated income statement	
	Most favourable assumption	Least favourable assumption
Assets:		
Held for trading [(a)]	102	(484)
Other financial assets at fair value through profit or loss [(b)]	N/A	N/A
Available-for-sale financial assets [(b)]	N/A	N/A
Hedging derivatives (Note 12)	N/A	N/A
Liabilities:		
Held for trading [(a)]	1,715	(1,717)
Other financial liabilities at fair value through profit or loss [(b)]	N/A	N/A
Hedging derivatives (Note 12)	179	(275)
Total liabilities	**1,996**	**(2,476)**

(a) 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

(b) Potential impact is not material

Loans and financial liabilities at fair value through profit or loss

At 31 December 2013 and 31 December 2012 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 2013 and 2012 there were equity instruments, derivatives with equity instruments and 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 €125 and €152 million, respectively.

A breakdown of sales of financial instruments carried at cost in 2013 and 2012 is set out below:

Thousand euro

	2013	2012
Sale of instruments at cost:		
Amount of sale	5,702	0
Carrying value at time of sale	1,975	0
Profit/(loss)	3,723	0

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 2013 and 2012 is as follows:

Thousand euro

	2013	2012
Assets denominated in foreign currency:		
Cash and deposits with central banks	412,067	612,017
Credit institutions deposits	483,268	295,951
Debt securities	506,536	496,231
Customers deposits	4,732,562	4,794,262
Other assets	363,970	726,959
Total	**6,498,403**	**6,925,420**
Liabilities denominated in foreign currency:		
Deposits from central banks	163	241
Deposits from credit institutions	195,954	437,311
Customer deposits	5,553,059	4,810,612
Other liabilities	178,051	277,583
Total	**5,927,227**	**5,525,747**

The group's net position in foreign currency assets and liabilities is covered by transactions consisting of spot and forward currency trades and exchange rate swaps in line with the group's risk management policy (see Note 37).

NOTE 28 - EQUITY

Minimum capital requirement and capital management

At 31 December 2013 and 2012, the group's qualifying capital resources were above the required levels both under Bank of Spain rules and under the requirements of the Bank of International Settlements in Basel (BIS).

Ongoing active management of the group's capital base ensured that funding was available to finance growth in conformity with minimum regulatory capital requirements.

At 31 December 2013, the group's qualifying resources under the BIS revised criteria (known as Basel II) amount to €9,301,339,000, entailing a surplus of €3,471,236,000, as follows:

Capital management

Thousand euro

	2013	2012 (*)	Change (%) Year-on-year
Capital	501,435	369,944	35.54
Reserves	8,869,879	7,866,709	12.75
Convertible bonds	860,150	798,089	7.78
Non-controlling interests	37,191	51,078	(27.19)
Deductions	(1,552,651)	(1,206,783)	28.66
Core capital	**8,716,004**	**7,879,037**	**10.62**
Core capital ratio (%)	12.0	10.5	
Preference shares and deductions	(2,529)	(5,413)	(53.28)
Primary capital	**8,713,475**	**7,873,624**	**10.67**
Tier I (%)	12.0	10.5	
Secondary capital	**587,864**	**731,549**	**(19.64)**
Tier II (%)	0.8	1.0	
Capital base	**9,301,339**	**8,605,173**	**8.09**
Minimum capital requirement	5,830,103	6,025,145	(3.24)
Capital surplus	**3,471,236**	**2,580,028**	**34.54**
BIS Ratio (%)	**12.8**	**11.4**	**11.66**
Risk Weighted Assets (RWA)	**72,876,287**	**75,314,313**	**(3.24)**

(*) See Note 1, Comparability

Core capital contributed 12.0% towards the BIS ratio and accounted for 93.7% of qualifying capital resources.

Secondary or Tier II capital provided a further 0.8% of the BIS ratio and was made up very largely of subordinated debt, valuation adjustments and generic provisions (subject to regulatory limits as to eligibility), less other required deductions.

The primary or Tier I capital ratio, calculated according to guidelines provided in the Bank of Spain's Circular 7/2012 which came into effect on 1 January 2013, was 11.7%

On 1 January 2014, Regulation No 575/2013 of 26 June 2013 (CRR) of the European Parliament and Council on prudence requirements for credit institutions and investment companies, which introduces more stringent capital requirements for these entities, will come into force. In the respect, at 31 December 2013 the group's capital levels enable it to meet those requirements.

Capital

Changes in share capital in 2013 and 2012

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 actual 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.

An Extraordinary General Meeting of the Company was called by the Board of Directors of Banco de Sabadell, S.A. to take place on 23 February 2012. The shareholders approved an increase in capital to be paid in cash in a nominal amount of €86,476,525,625, by the issue and allotment of 691,812,205 ordinary shares with a nominal value of €0.125 each, subject to a right of preferential subscription and to the possibility of the issue not being fully subscribed, with powers being granted to the Board of Directors, including the power of substitution, to carry out the increase in capital and to decide on the terms thereof except as specifically determined by the shareholders. The Board of Directors was also granted powers to increase share capital on one or more occasions and, if thought fit, to exclude any right of preferential subscription.

The subscription period for shares offered as a result of the increase in capital came to an end on 21 March 2012. The overall nominal amount of the increase was €85,469,329,125 and the overall effective amount was €902,556,115.56. The increase resulted in the issue and allotment of 683,754,633 ordinary shares, each with a nominal value of €0.125 and of the same class and series as those then in issue.

On 22 March 2012 the notarial deed recording the increase in share capital of Banco Sabadell by 683,754,633 new shares was filed with the Barcelona Mercantile Registry; on 26 March 2012 the new shares were admitted to trading.

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 2013 and 2012 are as follows:

Issuance	Conversion/maturity date	Reason for conversion	Bonds converted	Shares issued	Capital increase at par value	Date of admission to quotation
OSNC I/2009	21/07/2013	maturity	24,899	5,956,217	744,527	03/09/2013
OSNC I/2013	19/07/2013	Voluntary conversion	1,593	381,065	47,633	03/09/2013
OSNC I/2010	11/11/2013	maturity	9,773,065	12,621,400	1,577,675	20/12/2013
OSNC II/2013	08/11/2013	Voluntary conversion	407,447	526,915	65,864	20/12/2013
OSNC I/2009	21/07/2012	Voluntary conversion	2,898	693,247	86,656	13/08/2012
OSNC I/2010	11/11/2012	Voluntary conversion	3,925,686	4,684,169	585,521	14/08/2012

Due to offers to exchange other financial instruments

As a result of the exchange offers made by the group with respect to preference shares and certain subordinated debt issued by Banco Sabadell and the Banco CAM group (Note 2) during 2012, the capital increases and deliveries of treasury shares took place that are described below:

Swapped securities (Note 22)	Shares issued	Treasury shares delivered	Capital increase at par value	Date of admission to quotation
Banco Sabadell group preference shares and subordinated debt	223,179,763	48,000,000	27,897,470	12/01/2012
Banco CAM group preference shares and subordinated debt	656,194,488	22,000,000	82,024,311	13/08/2012

Share capital at the year end

Following the movements described above, the Bank’s issued share capital at 31 December 2013 stood at €501,435,197.625 divided into 4,011,481,581 registered shares with a par value of €0.125 each (€369,944,377.125, divided into 2,959,555.017 registered shares with the same par value at 31 December 2012). All shares are fully paid and are numbered 1 through 4.011.481.581.

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 2010. At a General Meeting shareholders may cast votes in a number that reflects their proportional holding in the share 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 2013:

Entity	Direct holding	Number of shares	Indirect holding
Itos Holding S.À.R.L. (*)	5.032%	167,682,297	Jaime Gilinsky Bacal
Fintech Investment Ltd (**)	4.941%	164,634,146	Winthrop Securities Ltd.
BlackRock Inc. (***)	3.014%	100,432,800	BlackRock Inc.

(*) According to information published on 13 September 2013 on the CNMV webpage, owns an indirect holding of 5.032% in capital of Banco Sabadell From said notification to the CNMV until 31 December 2013, it has not reached, exceeded or reduced the thresholds indicated in Article 23 of Royal Decree 1362/2007.

(**) According to information published on 18 September 2013 on the CNMV webpage, owns an indirect holding of 4.941% in capital of Banco Sabadell From said notification to the CNMV until 31 December 2013, it has not reached, exceeded or reduced the thresholds indicated in Article 23 of Royal Decree 1362/2007.

(***) According to information published on 20 September 2013 on the CNMV webpage, owns an indirect holding of 3.014% in capital of Banco Sabadell From said notification to the CNMV until 31 December 2013, it has not reached, exceeded or reduced the thresholds indicated in Article 23 of Royal Decree 1362/2007.

Share premium account

The balance in the share premium account at 31 December 2013 was €5,760,506,000 (€4,560,923,000 at 31 December 2012).

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 I/2009 Bonds reached maturity and a result it was necessary to convert all the Bonds outstanding at that time (24,899 Bonds). Likewise, on 11 November 2013 the I/2010 Bonds matured and as a result it was necessary to convert all the Bonds outstanding at that time (9,773,065 Bonds).

The maturity dates, yields and carrying amounts associated with the mandatorily convertible subordinated bonds accounted for as capital instruments in effect at 31 December 2013 are as follows:

Issuance	Maturity date	Remuneration	Carrying value
OSNC I/2013	21/07/2015	EUR 3M + 5%	
OSNC II/2013	11/11/2015	10.2% (*)	

(*) Interest calculated on a nominal value of €3.92 per bond, equivalent to 8% on a nominal value of €5 per bond (nominal value of mandatorily convertible subordinated bond issue I/2010)

The mandatorily convertible subordinated bonds are listed on the Madrid, Barcelona y Valencia securities markets. The bonds are 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 2013 totalled €59,694,000 (€63,757,000 in 2012).

Reserves

Thousand euro

	2013	2012 (*)
Restricted reserves:	**278,850**	**287,015**
Statutory reserve	39,297	34,776
Reserves for treasury shares pledged as security	228,991	241,734
Canary Island investment reserve	7,447	7,390
Reserve for capital redenomination in euro	113	113
Capital redemption reserve	3,002	3,002
Unrestricted reserves	**2,603,354**	**2,869,847**
Reserves in companies measured by the equity method	**153,523**	**206,059**
Total	**3,035,727**	**3,362,921**

(*) See Note 1, Comparability

The contributions of consolidated companies to group reserves are shown in Schedule I.

The decrease in reserves for the year in mainly due to the acquisition of the non-controlling holding in CAM Aegon Holding Financiero, S.L. (now Mediterráneo Sabadell).

The acquisition of 49.99% indirectly held by Aegon through Cam Aegon Holding Financiero, S.L. in Mediterráneo Vida (Note 2) resulted in the withdrawal by the non-controlling shareholder of a fixed interest security portfolio which, under the original agreements signed by Banco CAM and Aegon, was contributed by Aegon for the subscription of a series (series C) of shares issued by CAM Aegon Holding Financiero, S.L. which entailed a holding of 2.94% in this entity. At the time of the acquisition, the value of said bond portfolio stood at €372 million. Its withdrawal by the non-controlling shareholder resulted in a decrease in the equity value of CAM Aegon Holding Financiero, S.L. and therefore a reduction in group reserves, considering its tax effect.

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 2011	**57,948,027**	**7,243.50**	**2.93**	**4.17**
Purchases	271,334,096	33,916.76	1.88	9.17
Sales	320,286,821	40,035.85	1.94	10.82
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**

(*) In 2012, does not include 3,272,945 shares which relate to loan transactions under the liquidity contract concluded with CaixaBank, S.A., in accordance with the prospectus concerning the issuance of mandatorily convertible subordinated bonds I/2009 filed with the National Securities Market Commission on 25 June 2009. This operation finalised in 2013.

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 2013 a total of 120,775,632 shares of the Bank with a nominal value of €15,097,000 miles were pledged as security (122,397,274 shares with a nominal value of €15,300,000 at 31 December 2012).

The number of Banco de Sabadell, S.A. own equity instruments held by third parties but under management by group companies at 31 December 2013 and 2012 was 12,377,441 and 9,518,766 securities, with nominal values of €5,441,000 and €5,453,000, respectively. Of these amounts, 12,360,745 and 9,462,008 were Banco Sabadell shares; the rest were mandatorily convertible subordinated bonds.

NOTE 29 - VALUATION ADJUSTMENTS

Valuation adjustments for the group at 31 December 2013 and 2012 are analyzed below:

Thousand euro

	2013	2012
Available-for-sale financial assets	229,080	(241,661)
Debt securities	153,491	(275,990)
Other equity instruments	75,589	34,329
Cash flow hedges	(31,620)	(37,363)
Exchange differences	(14,542)	(13,733)
Entities accounted for using the equity method	2,360	(19,972)
Other valuation adjustments	(64,464)	(5,216)
Total	**120,814**	**(317,945)**

The income tax effects of valuation adjustments for the different items of recognized income and expense at 31 December 2013 and 2012 were:

Thousand euro

	2013			2012		
	Gross amount	Tax effect	Net	Gross amount	Tax effect	amount
Available-for-sale financial assets	655,970	(196,791)	459,179	75,673	(22,702)	52,971
Debt securities	597,066	(179,120)	417,946	(26,960)	8,088	(18,872)
Other equity instruments	58,904	(17,671)	41,233	102,633	(30,790)	71,843
Cash flow hedges	8,728	(2,618)	6,110	(10,508)	3,152	(7,356)
Exchange differences	5,499	(1,650)	3,849	(29,344)	8,803	(20,541)
Entities measured under equity method	22,332	0	22,332	65,090	0	65,090
Other recognised income and expense	(82,006)	24,602	(57,404)	(11,501)	3,452	(8,049)
Total	**610,523**	**(176,457)**	**434,066**	**89,410**	**(7,295)**	**82,115**

NOTE 30 – NON-CONTROLLING INTERESTS

The companies included under this heading are as follows:

Thousand euro

	2013			2012		
	% Non-controlling interests	Amount	Profit/(loss) attributed	% ntrolling interests	Amount	Profit/(loss) attributed
BancSabadell d'Andorra, S.A.	49.03%	29,065	3,974	49.03%	24,951	2,951
CAM AEGON Holding Financiero, S.L.	0.00%	0	10,488	50.00%	400,251	19,183
Elche-Crevillente Salud S.A.	0.00%	0	0	70.00%	(315)	(2,154)
Hansa México S.A. de C.V.	44.89%	2,925	3,730	51.85%	10,309	912
La Rivera Desarrollos BCS, S. DE R.L. DE C.V.	0.00%	0	0	61.82%	(5,056)	(8,483)
Sabadell BS Select Fund of Hedge Funds SICAV (Luxemburgo)	40.84%	13,316	1,056	54.26%	15,455	650
Sabadell United Bank, N.A.	5.62%	12,781	1,833	5.22%	10,934	1,191
Rest	0.00%	156	(78)	0.00%	2,646	(106)
Total	**-**	**58,243**	**21,003**	**-**	**459,175**	**14,144**

Movements in non-controlling interests in 2013 and 2012 were as follows:

Thousand euro

Balances at 31 December 2011	**47,212**
Valuation adjustments	10,832
Rest	401,131
Scope additions/exclusions (*)	379,118
Percentage holding and other	7,869
Profit/(loss) for the year	14,144
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**

(*) see Note 2

NOTE 31 - CONTINGENT EXPOSURES

The breakdown of this item is as follows:

Thousand euro

	2013	2012
Financial guarantees	8,653,611	9,014,869
Other contingent risks	10,339	600
Total	**8,663,950**	**9,015,469**

Doubtful contingent exposures

The movement in the doubtful contingent exposures account was as follows:

Thousand euro

Balances at 31 December 2011	**108,135**
Inclusion of Banco CAM	270,372
Additions	58,116
Disposals	(51,247)
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**

(*) see Note 2

The distribution of contingent exposures by geographical region at 31 December 2013 and 2012 was as follows:

Thousand euro

	2013	2012
Spain	459,871	384,341
Other European Union	1,015	1,020
Latin America	7	7
Rest of OECD	331	5
Rest of the world	0	3
Total	**461,224**	**385,376**

Provisions for credit risk arising from doubtful contingent exposures were as follows:

Thousand euro

	2013	2012
Coverage determined individually:	**290,454**	**244,243**
Provision for insolvency risk	290,037	243,812
Provision for country risk	417	431
Coverage determined collectively:	**13,895**	**32,919**
Total	**304,349**	**277,162**

Changes in these provisions, 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 2013 and 2012 was as follows:

Thousand euro

	2013	2012
Drawable by third parties	9,803,103	9,647,747
Credit institutions	2,800	9,133
Public institutions	395,332	306,513
Other resident sectors	8,552,048	8,711,724
Non-residents	852,923	620,377
Financial asset forward purchase commitments	21,632	166,332
Conventional financial asset purchase contracts	186,824	1,907,594
Other contingent commitments	2,014,441	1,802,211
Total	**12,026,000**	**13,523,884**

At 31 December 2013 the "drawable by third parties" item included mortgage-secured credit commitments amounting to €1,438,876,000 (€1,241,007,000 at 31 December 2012). Other commitments under this heading were secured in most cases by other types of guarantee in line with the group's risk management policy.

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

	2013	2012
Under group management:	**10,106,218**	**8,048,970**
Investment funds and companies	8,178,584	6,997,311
Asset management	1,927,634	1,051,659
Investment funds sold but not managed	**2,839,986**	**1,587,537**
Pension funds (1)	**4,356,291**	**3,708,868**
Insurance (1)	**8,067,355**	**7,313,153**
Financial instruments deposited by third parties	**43,582,747**	**39,646,946**
Total	**68,952,597**	**60,305,474**

(1) The balance in pension funds and insurance relates to funds 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 €137,305,000 in 2013 (€117,145,000 in 2012).

NOTE 34 - INCOME STATEMENT

Some salient aspects of the Group's consolidated income statement for the years 2013 and 2012 are presented in the following tables.

a) Interest and similar income/expense

The quarterly interest margin since 2012 and the average income and costs from the various components that make up the total investment and resources break down as follows:

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	10.640	**40.794**
Loans and advances to customers (net)	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	967.342	**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	**938.310**
Variable income portfolio	2.119.497	–	--	1.929.436	–	–	2.024.289	--	–	1.777.382	--	–	--
Tangible and intangible fixed assets	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	23.575.555	(0,26)	(15.234)	**24.321**
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)	(418.030)	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 portfolio (**)	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 ATMs			**161.022.907**			**165.546.434**	–		**170.410.546**	–		**169.174.201**	–
Ratio (margin/ATM)			**1,14**			**1,00**			**1,05**			**1,17**	–

(*) Includes €557,741000 from fixed income portfolio at amortized cost for 2013.

Thousand euro

2012	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	**101,603,835**	**3.58**	**903,631**	**125,978,808**	**3.39**	**1,063,210**	**163,895,076**	**3.40**	**1,398,963**	**160,495,875**	**3.40**	**1,369,817**	**4,735,621**
Cash, central banks and credit institutions	3,631,914	1.48	13,381	5,028,502	1.20	15,005	5,013,784	0.95	11,922	4,596,244	1.25	14,464	**54,772**
Loans and advances to custome	71,086,168	4.28	756,617	84,002,357	4.16	867,972	106,041,648	4.05	1,078,199	102,347,897	4.02	1,033,576	**3,736,364**
Fixed-income portfolio (*)	14,763,270	3.22	118,137	19,939,783	3.08	152,547	25,193,867	3.93	248,808	25,191,689	3.73	236,191	**755,683**
Variable income portfolio	2,108,839	–	--	2,406,793	–	–	2,335,549	--	–	2,093,708	--	–	–
Tangible and intangible fixed ass	2,168,944	–	--	2,399,176	–	–	2,980,964	--	–	3,914,580	--	–	–
Other assets	7,844,700	0.79	15,496	12,202,197	0.91	27,686	22,329,264	1.07	60,034	22,351,757	1.52	85,586	**188,802**
Average cost of resources	**101,603,835**	**(1.97)**	**(496,380)**	**125,978,808**	**(1.97)**	**(616,209)**	**163,895,076**	**(2.12)**	**(872,556)**	**160,495,875**	**(2.19)**	**(882,488)**	**(2,867,633)**
Credit institutions	12,613,694	(1.97)	(61,803)	22,090,545	(1.58)	(86,746)	33,272,929	(1.41)	(117,688)	31,803,768	(1.16)	(92,817)	**(359,054)**
Customer deposits	49,692,254	(2.12)	(261,712)	55,664,030	(2.00)	(277,326)	67,800,499	(2.03)	(345,128)	71,461,738	(2.09)	(376,244)	**(1,260,410)**
Capital market	21,190,335	(2.80)	(147,286)	27,442,565	(3.35)	(228,879)	36,207,591	(4.14)	(376,444)	33,940,276	(4.17)	(356,075)	**(1,108,684)**
Assignments fixed income portfo	4,897,683	(1.03)	(12,516)	5,679,725	(0.70)	(9,925)	6,472,894	(1.17)	(18,998)	3,997,414	(1.79)	(17,941)	**(59,380)**
Other liabilities	6,240,002	(0.84)	(13,063)	7,544,994	(0.71)	(13,333)	11,428,310	(0.50)	(14,298)	10,579,826	(1.48)	(39,411)	**(80,105)**
Own funds	6,969,867	–	--	7,556,949	–	–	8,712,853	--	–	8,712,853	--	–	–
Net interest income			**407,251**			**447,001**			**526,407**			**487,329**	**1,867,988**
Total ATMs			**101,603,835**			**125,978,808**			**163,895,076**			**160,495,875**	–
Ratio (margin/ATM)			**1.61**			**1.43**			**1.28**			**1.21**	–

(*) Includes € 297,751,000 from fixed income portfolio at amortized cost for 2012.

Yields and margins in 2013 were lower than in 2012. This trend started to turn in the second quarter of the year, since when there has been a considerable improvement due mainly to the reduction in deposit costs and the lower impact of the curve effect on investment revaluations.

In cumulative average annual terms, the margin over average total assets stood at 1.09% (1.35% in 2012). The decrease in average yields over total average assets is due to various factors, including the reduction in customer margins (due mainly to the curve effect on investment repricing and the rise in the average cost of deposits gained during the last quarter of 2012) and the increase in problematic assets compared with the previous year, the lower average revenue on acquisitions made during the year and the decline in the yield on the fixed interest portfolio.

With regard to trends in quarterly margins, an increase can be observed after the second quarter. This improvement is most notable in the last quarter of the year, thanks to the almost complete rotation of deposits gained at the end of 2012 and the repriced investments.

The following table shows, for investment and deposit positions relating to network operations in Spain (not including subsidiary operations or offices abroad), the contractual spread on transactions arranged by quarter in 2012 and 2013 (new business) and the resulting final portfolio at the end of each year (stock):

Base 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 term deposit	121	118	108	99	113	105	101	83
3-month term deposit	137	123	108	103	138	124	110	103
6-month term deposit	119	114	115	119	231	126	119	121
12-month term deposit	147	130	99	82	266	275	262	133
+12-month term deposit	222	198	155	129	268	249	226	195
Term deposits	**183**	**166**	**132**	**115**	**258**	**247**	**225**	**178**

Base point spread	Additions				Stock			
	2012				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Credit	310	345	405	410	279	298	334	366
Loans	266	340	376	385	216	219	227	225
Home mortgage loans	144	151	172	187	83	85	87	86
Leasing	219	236	262	249	125	129	132	139
Contract-hire	517	551	649	692	345	368	396	417
Discounting	360	402	462	483	404	430	482	502
Confirming	280	291	329	387	280	293	317	375
Forfaiting	349	467	627	496	382	532	491	526
Loans and receivables	**291**	**326**	**374**	**391**	**182**	**188**	**196**	**177**
1-month term deposit	62	80	131	177	70	87	137	131
3-month term deposit	111	126	183	247	106	127	183	163
6-month term deposit	135	150	219	277	125	147	192	253
12-month term deposit	145	153	252	316	134	142	191	255
+12-month term deposit	173	197	225	331	187	182	192	278
Term deposits	**121**	**133**	**221**	**295**	**148**	**152**	**189**	**259**

With respect to the existing home mortgages portfolio at 31 December 2013, the breakdown by period in which the interest rate applied in each transaction will be revised is as follows:

Thousand euro

Mortgage re-pricing schedule (*)	Q1 14	Q2 14	Q3 14	Q4 14	Total
Mortgages	9,640,794	8,973,379	7,756,192	9,441,858	**35,812,224**

(*) Not including mortgages from Lloyds or Banco Gallego

New deposits to 31 December 2013 and 2012 and a breakdown by maturity are as follows:

€ 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**

€ million

Deposits by maturity	Additions 2012			
	Q1	Q2	Q3	Q4
To 3M	1,880	1,974	1,536	1,847
3 to 6M	1,425	1,030	913	1,110
6 to 12M	1,253	1,500	1,627	1,932
12 to 18M	3,750	2,839	5,605	8,888
More than 18M	353	487	317	3,176
Total deposits	**8,661**	**7,830**	**9,998**	**16,953**

%

To 3M	21.7	25.2	15.4	10.9
3 to 6M	16.5	13.2	9.1	6.5
6 to 12M	14.5	19.2	16.3	11.4
12 to 18M	43.3	36.3	56.1	52.4
More than 18M	4.1	6.2	3.2	18.7
Total deposits	**100**	**100**	**100**	**100**

b) Fees

Fees received and paid on financial operations and the provision of services are as follows:

Thousand euro

	2013	2012
Fees derived from risk operations	**212,232**	**206,291**
Asset operations	113,177	114,301
Guarantees	103,757	96,582
Assigned to other entities	(4,702)	(4,592)
Service fees	**424,018**	**319,780**
Cards	132,080	96,925
Payment orders	45,167	44,109
Securities	52,786	56,491
Sight current accounts	72,488	49,417
Rest	121,497	72,838
Investment fund, pension and insurance management fees	**123,420**	**102,618**
Investment funds	77,948	66,414
Marketing of pension funds and insurance	45,472	36,204
Total	**759,670**	**628,689**
Memorandum item		
Fees received	873,061	725,766
Fees paid	(113,391)	(97,077)
Net fees	**759,670**	**628,689**

c) Profit/(loss) on financial assets and liabilities operations (net)

The composition of this item of the consolidated income statement for the years to 31 December 2013 and 2012 is as follows:

Thousand euro

	2013	2012
Held for trading	53,565	132,205
Financial instruments not measured at fair value through profit or loss	1,426,808	395,270
Other	(1,188)	18,761
Total	**1,479,185**	**546,236**
By type of financial instrument:		
Net gain/(loss) on debt securities	1,356,043	277,804
Net gain/(loss) other equity instruments	61,528	(14,550)
Net gain/(loss) on financial derivatives	77,117	136,500
Net gain/(loss) other items (Note 22)	(15,503)	146,482
Total	**1,479,185**	**546,236**

During the year 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. In addition, the sale of the held-to-maturity portfolio mentioned in Note 5 generated a capital gain of €437.3 million (Note 34.e).

Net profits for other items from 2012 include the profit on buy-backs of subordinated liabilities described in Note 22.

d) Other operating income

The composition of this item of the consolidated income statement for the years to 31 December 2013 and 2012 is as follows:

Thousand euro

	2013	2012
Income from insurance and reinsurance contracts issued	391,589	176,847
Sales and income from non-financial services	34,710	117,124
Rest of other operating income	121,705	98,780
Income from rentals of property investments	42,485	24,537
Other products	79,220	74,243
Total	**548,004**	**392,751**

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.). The accrued expenses are set out in Note 34.d).

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 2013 and 2012 is as follows:

Thousand euro

	2013	2012
Expenses on insurance and reinsurance contracts issued	(417,787)	(189,931)
Difference between opening and closing inventories	(1,279)	(5,466)
Rest of other operating expenses	(292,000)	(339,832)
Contribution to deposit guarantee funds	(135,387)	(220,258)
Other items	(156,613)	(119,574)
Total	**(711,066)**	**(535,229)**

Expenses on 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.). The accrued revenues are set out in Note 34.e).

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 €93,489,000. Note 24 on liabilities under insurance contracts sets out the profits generated by the insurance business, broken down by product type.

The expense recorded under Contribution to deposit guarantee funds in 2013 comprises the expense recorded by Sabadell United Bank, N.A. in the amount of €1,838,000, Sabadell Solbank, S.A.U in the amount of €815,000, Banco Gallego, S.A. in the amount of €569,000 and Banco de Sabadell, S.A., in the amount of €132,165,000 in 2013.

The Other expenses heading basically relates to expenses for non-financial activities.

f) Administrative expenses

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 2013 and 2012 are as follows:

Thousand euro

	2013	2012
Salaries and bonuses, serving employees	(814,893)	(749,824)
Social Security contributions	(179,597)	(156,349)
Appropriations to pension schemes	(28,399)	(24,784)
Other personnel expenses	(112,286)	(65,589)
Total	**(1,135,175)**	**(996,546)**

The average number of employees of all group companies in 2013 was 16,427, of whom 8,134 were men and 8,293 were women (2012: 13,933 employees, of whom 7,132 were men and 6,801 were women).

At 31 December 2013 and 2012 the distribution of employees by gender and category is as follows:

Number of employees

	2013		2012	
	Men	Women	Men	Women
Technical personnel	7,735	6,623	6,434	5,404
Administrative personnel	1,345	2,374	1,290	2,468
Total	**9,080**	**8,997**	**7,724**	**7,872**

Of the total number of people employed at 31 December 2013, 159 were recognized as having some form of disability (135 at 31 December 2012).

On a group level, the increase in both the average workforce and the workforce at 31 December 2013 results from the incorporation of the employees due to the acquisition of assets from BMN-Penedés (June 2013), Lloyds (July 2013) and Banco Gallego (November 2013).

In addition, on 30 June 2013 the Banco CAM integration process designed by the directors of the FROB and which Banco Sabadell undertook to implement was completed. This process led to a reduction in personnel of 2,231 persons between 2012 and 2013.

Non-recurring personnel expenses at 31 December 2013 amount to €44,555,000 (€19,478,000 at 31 December 2012).

A new share-based incentive scheme for senior group executives was approved by the Annual General Meeting of Banco de Sabadell, S.A. on 25 March 2010.

The scheme was set up to foster high degrees of motivation and loyalty among senior executives. Under its terms, a certain number of stock appreciation rights (SARs) were given to employees who, when the rights vested, would become entitled to receive shares in the Bank equal in value to the amount by which Banco Sabadell shares had appreciated over a maximum period of three years and three months, with an end date of 11 June 2013.

At the inception of the SAR scheme, to meet the resulting commitment the Bank entered into hedging arrangements with financial institutions outside the group. These contracts have economic effects that act to offset the commitment undertaken by the Bank The premium paid for the hedge (€21.8 million) was considered as the fair value of services received during the 3-year duration of the scheme.

The changes in the value of SARs awarded under the share-based incentive scheme during 2013 and 2012 are as follows:

Thousand	
Balance at 31 December 2011	**24,474**
Granted	0
Cancelled	(634)
Balance at 31 December 2012	**23,840**
Granted	0
Cancelled	(264)
Balance at 31 December 2013	**23,576**

The exercise price in all cases was 3.36 euro/share. At the expiry of the plan the listed share price was below the exercise price 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.

Personnel expenses totalling €3.5 million and €6.9 million associated with the share-based incentive schemes were recognized in 2013 and 2012, respectively (Note 1.p.). The lower expense in 2013 is due to the termination of the plan in June 2013.

Other general administrative expenses

This includes all other administrative expenses incurred during the year:

Thousand euro	2013	2012
Property, plant and equipment	(163,423)	(159,735)
IT equipment	(84,980)	(66,875)
Communications	(27,892)	(27,323)
Advertising and publicity	(54,269)	(48,261)
Contributions and taxes	(98,619)	(73,212)
Other expenses	(158,703)	(139,673)
Total	**(587,886)**	**(515,079)**

The fees received by PricewaterhouseCoopers Auditores, S.L. in 2013 for auditing services and other assurance services rendered in Spain amount to €1,532,000 and €489,000, respectively (€1,762,000 and €495,000 in 2012). Auditing services rendered by other companies in the PwC network in relation to foreign branches and subsidiaries totalled €969,000 in 2013 (€1,074,000 in 2012).

Fees received by other auditors in 2013 for auditing and other assurance services rendered in Spain amounted to €367,000 and €74,000, respectively (2012: €105,000 and zero). Fees for the audit of branches and subsidiaries abroad amounted to €29,000 in 2013 (2012: €37,000).

Fees received by other companies in the PwC network for tax advisory services and other services provided in 2013 amount to €471,000 and €1,272,000. Fees for these services in 2012 totalled €85,000 and €942,000, respectively.

Among the most significant items under Other expenses were the costs of security and cash transit services amounting to €16,453,000 in 2013 (€15,056,000 in 2012), technical reports costing a total of €12,299,000 in 2013 (€11,710,000 in 2012) and subcontracted services totalling €37,248,000 in 2013 (€32,868,000 in 2012).

Non-recurring general expenses at 31 December 2013 amount to €6,800,000 (€2,759,000 at 31 December 2012).

The efficiency ratio at end-2013 (personnel expenses and other general administrative expenses/gross margin) is 48.68%, a significant improvement compared with the ratio for 2012 (51.10%). When calculating the efficiency ratio at end-2013 the profit made in the second quarter on the sale of the held-to-maturing investment portfolio (€437.3 million) has not been taken into account. Excluding non-recurring expenses, the efficiency ratio for 2013 is 47.23%, compared with a ratio of 50.34% at the end of the preceding year.

At end-2013, Banco Sabadell has a network of 2,418 branches (1,898 at 31 December 2012), of which 183 originate from the Banco Gallego network and 28 from Sabadell Solbank, S.A.U. During 2013, the merger plan for Banco CAM was completed and the commitments were met with regard to the branch network and closures. In addition, 128 branches in the Caixa Penedès network were closed, as envisaged in the integration plan for the business acquired from BMN in Catalonia and Aragón.

g) Financial asset impairment losses (net)

The composition of this item of the consolidated income statement for the years to 31 December 2013 and 2012 is as follows:

Thousand euro

	2013	2012
Loans and receivables (*)	(1,038,836)	(1,329,691)
Other financial instruments not carried at fair value through profit or loss	(41,397)	(79,276)
Available-for-sale financial assets	(41,397)	(79,276)
Debt securities (*)	2,685	(28,677)
Other equity instruments (Note 6)	(44,082)	(50,599)
Total	**(1,080,233)**	**(1,408,967)**

(*) The sum of these figures equals the sum of the provisions/reversals charged or credited to the income statement in respect of value adjustments made to cover credit risk plus the write-offs/recoveries charged or credited to the income statement in relation to impaired financial assets written off (Note 8).

The increase in loan impairment charges was mainly due to the fair value estimates explained in Note 1.c.

h) Impairment losses on other assets

Impairment losses for remaining assets (net) for the years to 31 December 2013 and 2012 break down as follows:

Thousand euro

	2013	2012
Goodwill and other intangibles	(848)	(175)
Property, plant and equipment	(137,101)	(18,614)
For own use	(3,519)	1,188
Investment property	(133,582)	(19,802)
Shareholdings	(23,834)	(235,234)
Inventories	(200,005)	(642,515)
Total	**(361,788)**	**(896,538)**

The Impairment losses on other assets heading on the consolidated income statement consists mainly of value adjustments in respect of properties for the group's own use and inventories of investment and other real estate. These impairment adjustments were made on the basis of updated value appraisals by independent experts and the revised estimates referred to in Note 1.

i) Gains/(losses) from disposals of assets not classified as non-current available for sale

The composition of this item of the consolidated income statement for the years to 31 December 2013 and 2012 is as follows:

Thousand euro

	2013	2012
Gains	**58,012**	**48,459**
On sales of tangible assets	2,771	18,367
On sales of equity investments	55,227	30,092
Other	14	0
Losses	**(14,119)**	**(33,052)**
On sales of tangible assets	(11,200)	(5,531)
On investment properties	0	0
On sales of equity investments	(2,892)	(27,521)
Other	(27)	0
Total	**43,893**	**15,407**

Major contributors to the heading gains/losses on disposals of equity investments in 2012 were the disposal of Centro Financiero BHD and Valfensal (in 2012, the sale of Banco del Bajío, S.A., Institución de Banca Múltiple and its subsidiaries, and of Sociedad de Inversiones y Participaciones COMSA EMTE, S.L., were the most significant operations)(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 2012 and 2012:

Thousand euro

	2013	2012
Net gains on property sales	(10,751)	(39,276)
Impairment of non-current assets held for sale (Note 13)	(258,592)	(133,340)
Gain/(loss) on sale of equity instruments classified as non-current assets held for sale	2,023	53
Total	**(267,320)**	**(172,563)**

There have been no gains due to an increase in fair value less costs to sell.

k) Negative goodwill on business combinations

The negative consolidation difference in 2013 is mainly due to the acquisition of Banco Gallego while the negative goodwill on consolidation reported for 2012 reflects the business combination resulting from the takeover of Banco CAM explained in Note 2 of these annual accounts.

l) Other

The negative goodwill referred to above has not been included in the group's assessed income for income tax purposes and does not involve the recognition of any deferred tax liability. It has not therefore resulted in any income tax charge for the period.

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 35 – TAX SITUATION

Consolidated tax group

Banco de Sabadell, S.A. is the parent company of a group treated as consolidated for tax purposes which includes all Spanish-domiciled group companies that qualify as dependent companies under the Spanish income tax regulations for consolidated groups.

Companies treated as part of the group for tax purposes are shown in Schedule I.

All other group companies submit individual tax returns in accordance with the applicable tax regulations.

Reconciliation

The reconciliation of the difference between the accounting results for the years 2013 and 2012 and the assessed income for income tax purposes is as follows:

Thousand euro

	2013	2012
Profit/(loss) before taxes	330,476	(302,020)
Increases in tax base	3,440,691	1,274,496
From profits	3,399,930	1,274,496
From equity	40,761	0
Decreases in tax base	(2,986,828)	(3,262,005)
From profits	(2,895,397)	(3,171,586)
From equity	(91,431)	(90,419)
Taxable base	**784,339**	**(2,289,529)**
Tax payable (30%)	**235,302**	**(686,859)**
Deductions for double taxation, training and other	(6,449)	(2,451)
Tax payable	**228,853**	**(689,310)**
Due to temporary differences (net)	(145,674)	248,986
Adjustment due to recognition of reinvestment deduction pending application		0
Other adjustments (net)	(21,538)	42,269
Income tax	**61,641**	**(398,055)**

An allocation of €58,000 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 26 March 2013. The reserve was fully utilized in 2013 as a result of a number of investments during the year in fixed assets classifiable as property, plant and equipment.

Taxable income - increases and reductions

The increases and reductions in taxable income shown in the above table are analyzed in the following table on the basis of whether they arose from temporary or permanent differences.

Thousand euro

	2013	2012
Permanent difference	63,018	50,705
Temporary difference arising during the year	3,093,707	1,132,526
Temporary difference arising in prior years	283,966	91,265
Increases	**3,440,691**	**1,274,496**
Permanent difference	(94,736)	(1,208,262)
Temporary difference arising during the year	(8,266)	(16)
Temporary difference arising in prior years	(2,883,826)	(2,053,727)
Decreases	**(2,986,828)**	**(3,262,005)**

Deferred tax assets and liabilities

Under current tax regulations certain temporary differences can be taken into account when quantifying the relevant 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 Income Tax Act during the year, in the following terms:

- Effective for tax periods beginning on or after 1 January 2011, provisions 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, which might have generated deferred tax assets, are to be included in the tax base in accordance with the provisions of the 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 has 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.

- The deferred tax assets relating to provisions for the impairment of loans and other assets arising from possible debtor insolvency not related to the taxpayer, as well as those derived from appropriations or contributions to social welfare systems and, if applicable, early retirement, will become an enforceable claim against the tax authorities (and can be monetized) in cases where the taxpayer incurs accounting losses or the entity is liquidated or is judicially declared insolvent.

The origins of the deferred tax assets and liabilities recorded on the balance sheet at 31 December 2013 and 2012 are as follows:

Thousand euro

Deferred tax assets	2013	2012
Monetizable	**4,790,669**	**3,343,800**
Due to credit impairment	3,839,585	2,721,590
Due to real-estate asset impairment	829,391	535,307
Pension schemes	121,693	86,903
Non-monetizable	**617,289**	**920,890**
Due to merger funds	153,101	176,824
Due to other non-deductible provisions	80,092	227,437
Due to impairment of equity and debt instruments	324,426	500,063
Other	59,669	16,566
Tax credits for losses carried forward	**781,001**	**1,344,617**
Deductions not applied	**27,502**	**0**
Total	**6,216,461**	**5,609,308**

Deferred tax liabilities	2013	2012
Property restatements	93,172	98,275
Adjustments to value of wholesale debt issuances arising on business combinations	223,878	280,862
Other financial asset value adjustments	85,434	103,279
Other	132,436	262,381
Total	**534,919**	**744,797**

On the basis of the projections included in the group's business plan ("Plan Triple") for FY 2014–2016 and future projections beyond that date made using parameters which are similar to those applied in the plan, the group expects to recover all deferred financial assets and tax credits for loss carryforwards within a maximum of 11 years.

Tax payable is reflected under the heading Current tax liabilities.

During 2013 the Banco Sabadell group obtained income qualify for the reinvestment deduction regulated by Article 42 of the revised Income Tax Act. As in previous years the Bank will take advantage of this deduction, estimated at €4,849,000.

In the course of 2013 the Banco Sabadell group transferred certain assets on which tax deductions had been claimed in respect of reinvested profits in earlier years before the end of the period in which investment had to be maintained, for an estimated sum of €4,469,000. At the end of 2013 the Banco Sabadell group estimates that it has complied with all its reinvestment commitments originating in prior-year sales and well as those originating in 2013

In 2012 the Banco Sabadell obtained income qualifying for the reinvestment deduction totalling €6,143,000.

In the course of 2012 the Banco Sabadell group transferred certain assets on which tax deductions had been claimed in respect of reinvested profits in earlier years, before the end of the period in which investment had to be maintained. The amounts transferred totalled €483,554,000, of which an estimated €154,567,000 had not yet been reinvested.

In 2011 the Banco Sabadell group made investments amounting to approximately €124,652,000, allowing it to claim deductions on the reinvestment of exceptional profits as permitted by article 42 as mentioned above. These deductions amounted to €359,000 and were applicable to income of €2,990,000 generated during the year. The deductions were not, however, applied at group level but can be claimed in future years.

Income to which tax deductions for reinvestment were applied in the years 2007, 2008, 2009, and 2010 were €173,641,000, €392,358,000, €388,968,000 and €536,250,000 respectively.

With regard to the obligatory disclosures to be made in annual accounts under the Income Tax Act referred to above, article 12.3, final paragraph, information for 2012 has been reported in the individual accounts of the group companies concerned.

In addition, as a result of its absorption of Banco Guipuzcoano, S.A. and Banco CAM, S.A. in 2012, Banco de Sabadell, S.A. is required to fulfil certain requirements in relation to the following tax benefits claimed by Banco Guipuzcoano, S.A. and Banco CAM, S.A. prior to their being absorbed by Banco de Sabadell, S.A.

Concerning tax benefits of Banco Guipuzcoano, S.A.:

Exemption for reinvestment of extraordinary profits. In 2007, 2008, 2009, 2010 and 2011, Banco Guipuzcoano, S.A. claimed exemption from income tax in respect of taxable income of €1,826,000, €20,159,000, €28,552 000, €24,324,000 and €1,028,000, respectively, subject to a commitment to reinvest €1,892,000, €23,757,000, €34,430,000, €30,364,000 and €1,158,000 in each of those years.

Tax deduction for new property, plant and equipment In each of the years 2009 and 2010 tax deductions on new investment in property, plant and equipment were generated amounting to €119,000 and €116,000 respectively.

Tax deduction on cash contributions to Economic Interest Groupings. In 2007 a tax deduction accrued in respect of a cash payment of €134,000 to an Economic Interest Grouping.

Tax deductions on cash contributions to private equity funds and companies. In each of the years 2007, 2008 and 2011 tax deductions accrued in respect of cash contributions to private equity funds and companies amounting to €20,000, €13,000 and €29,000, respectively.

Tax deduction on cash contributions to Business Promotion Companies for the last five years. In each of the years 2007, 2008, 2009 and 2010 tax deductions accrued on cash payments into companies of this type totalling €1,430,000, €15,645,000, €11,295,000 and €5,267,000, respectively.

At 31 December 2011, prior to the absorption of Banco Guipuzcoano, S.A. by Banco de Sabadell, S.A., there were deductions of the kind described above pending application totalling €26,513,000.

Concerning tax benefits of Banco CAM, S.A.:

Tax deduction in respect of research, development and technological innovation costs. During 2010 a deduction for research and development and technological innovation expenses was generated amounting to €159,000 , which has yet to be applied.

Years open to inspection

On 27 June 2012 the Spanish Tax Inspectorate commenced tax audits of Banco de Sabadell, S.A. in respect of income tax for 2007 to 2010, value added tax from July 2008 to December 2010, withholding and payment on account of the tax on investment income from July 2008 to December 2010 and withholding and payment on account of the tax on earned income (from employment or professional activity) from July 2008 to December 2010.

On 8 February 2013, the tax audit on income tax for FY 2006 was extended and is still under way.

Given the position of Banco de Sabadell, S.A. as parent company of a consolidated group of companies, the commencement of the audit had the effect of interrupting the time period within which payment of the income tax for 2006 to 2010 could be enforced for all companies which were, in those years, being treated as part of the consolidated group for tax purposes.

Likewise, in view of the Bank's position as parent company of a consolidated group assessed as a unit for VAT purposes, the time period within which payment of Value Added Tax for 2007 to 2010 could be enforced ceased to run for all companies which were, in those years, being treated as part of the consolidated group for VAT purposes.

In a separate development, on 12 July 2012 the Inspectorate of Taxes for the province of Guipúzcoa commenced a partial audit of Banco Guipuzcoano, S.A., (now Banco de Sabadell, S.A.), whose scope was limited to verifying that the Bank had satisfied the conditions to be fulfilled in order to claim tax deductions against income tax for the years 2007 and 2008 in respect of contributions to business promotion companies (*sociedades de promoción de empresas*).

As a result of earlier inspections by the tax authorities, assessments had been issued and were contested and were the subject of appeals both by the group and by the acquired and subsequently merged companies. The liability assessed was €25,411,000 of which €13,259,000 was due to timing differences in the assessment for income tax. The Bank 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.

All companies treated as part of the consolidated group for tax purposes are liable to be inspected for any tax which has not subject to an audit and for which the statutory time limit has not expired.

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 2013. For customer-facing businesses (Commercial Banking, Corporate Banking, Sabadell Urquijo Banca Privada y Gestión de Activos Inmobiliarios), segmentation is based on the types of customer addressed by them. Investment Management is a cross selling business that offers specialized products which are sold through the group's branch network. The new Real Estate Asset Management 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 an analytical accounting for income and expense where particular business lines are allocated to one or more corporate entities. The income and expense for each customer can thus be assigned according to the business to which they have been allocated. The comparative data for 2012 has been restated in order to present the new business unit and reflect the figures incorporated from Banco CAM.

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 capital requirement is allocated by reference to the supervisory authority for each business (the Bank of Spain for customer-facing businesses and the National Stock Market Commission (CNMV) for Investment Management).

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 2013 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.

Thousand euro	2013 Commercial banking	Corporate banking	Private banking	Investment management	Financial asset management
Net interest income	1,321,702	175,749	10,145	652	67,835
Net fees and commissions	590,438	33,789	36,609	41,460	(2,763)
Other income	(48,835)	5,233	3,253	3,285	(6,970)
Gross income	1,863,305	214,771	50,007	45,397	58,102
Operating expenses	(1,255,472)	(27,170)	(38,319)	(20,046)	(191,664)
Of which: personnel expenses	(659,824)	(7,031)	(24,961)	(12,551)	(52,985)
Provisions (net)	0	0	0	0	(301)
losses due to asset impairment	(353,013)	(108,479)	(2,566)	0	(362,216)
Other profit/(loss)	0	0	0	(13)	(520,861)
Operating profit/(loss)	254,820	79,122	9,122	25,338	(1,016,940)
Profit/(loss) before taxes by segment	254,820	79,122	9,122	25,338	(1,016,940)
Ratios (%)					
ROE	5.6%	7.7%	20.7%	80.5%	(44.7%)
Cost/income ratio	67.4%	12.7%	76.6%	44.2%	329.9%
Other data					
Employees	12,180	96	269	147	807
Spanish branches	2,356	2	12	–	–

Reconcilation of profit/(loss) before taxes	**Consolidated**
Total business units	**(648,538)**
(+/-) Profits not assigned (1)	723,845
(+/-) Elimination of internal results (intersegment)	0
(+/-) Other results (2)	255,169
(+/-) Income tax and/or results from discontinued operations	0
Profit/(loss) before taxes	**330,476**

(1) In 2013 includes results from financial operations generated by sales of financial assets.
(2) Relates to results from undisclosed segments.

Thousand euro	Commercial banking	Corporate banking	Private banking	Investment management	Financial asset management
	2012				
Net interest income	1,278,303	177,683	12,814	347	121,389
Net fees and commissions	488,774	33,049	32,990	29,105	(4,988)
Other income	(79,921)	1,415	3,557	1,791	(11,632)
Gross income	1,687,156	212,147	49,361	31,243	104,769
Operating expenses	(1,124,270)	(26,116)	(39,715)	(18,548)	(130,035)
Of which: personnel expenses	(549,316)	(6,916)	(24,261)	(11,457)	(44,600)
Provisions (net)	0	0	0	0	(625)
losses due to asset impairment	(398,995)	(38,131)	(3,509)	0	(345,490)
Other profit/(loss)	0	0	0	(6)	(429,794)
Operating profit/(loss)	163,891	147,900	6,137	12,689	(801,175)
Profit/(loss) before taxes by segment	163,891	147,900	6,137	12,689	(801,175)
Ratios (%)					
ROE	4.6%	13.9%	11.4%	29.9%	(39.8%)
Cost/income ratio	66.6%	12.3%	80.5%	59.4%	124.1%
Other data					
Employees	10,924	95	268	148	795
Spanish branches	1,839	2	12	–	–

Reconciliation of profit/(loss) before taxes	Consolidated
Total business units	**(470,558)**
(+/-) Profits not assigned (1)	5,655
(+/-) Elimination of internal results (intersegment)	0
(+/-) Other results (2)	162,883
(+/-) Income tax and/or results from discontinued operations	0
Profit/(loss) before taxes	(302,020)

(1) In 2012 includes results from financial operations generated by sales of financial assets. In 2012 includes appropriations related to the review of loss estimates and the negative consolidation goodwill (Note 34.k).
(2) Relates to results from undisclosed segments.

Average total assets for the group as a whole at 31 December 2013 were €166,571,462,000 compared with €138,234,738,000 in 2012.

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 178 private bankers working from 12 specialist branches and 23 customer service centres covering 7 of Spain's regions.

- The group's Investment, Products and Research business is integrated within the area responsible for managing the group's collective investment schemes (CIS's), and combines asset management with the selling and operation of CIS's; it also manages investments for other Banco Sabadell businesses that hold portfolios of assets.

- The Real-Estate Management business offers services to customers in the real-estate sector. 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 2013 and 2012 was as follows:

Thousand euro

	Consolidated					
	Ordinary income from customers		Ordinary income between segments		Total ordinary income	
SEGMENTS	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Commercial banking	3,033,402	2,993,167	154,167	121,898	3,187,569	3,115,065
Corporate banking	435,003	474,744	966	1,002	435,969	475,746
Private banking	28,207	34,706	35,098	30,203	63,305	64,909
Investment management	69,346	59,778	8,299	4,534	77,645	64,312
Financial asset management	455,487	477,901	859	457	456,346	478,358
(-) Adjustments and elimination of revenue between segments	0	0	(56,030)	(56,820)	(56,030)	(56,820)
Total	**4,021,445**	**4,040,296**	**143,359**	**101,274**	**4,164,804**	**4,141,570**

The following table shows the proportion of net interest income, net fees and commissions and income from services generated by each business unit in 2013 and 2012:

%

	2013				
	Segmentation of interest margin and net fees				
	Loans and advances to customers		Deposits by customers		Revenues from (*) services
	% of balance average	% yield of total	% of balance average	% yield of total	% of balance total
SEGMENTS					
Commercial banking	73.1%	75.2%	85.4%	86.4%	80.4%
Corporate banking	9.6%	10.8%	4.1%	4.0%	4.6%
Private banking	0.9%	0.7%	10.0%	9.2%	5.0%
Investment management	0.0%	0.0%	0.0%	0.0%	8.5%
Financial asset management	16.4%	13.3%	0.5%	0.4%	1.5%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

(*) % per segment of total fees.

%

	2012				
	Loans and advances to customers		Deposits by customers		Revenues from (*) received
	% of balance average	% yield of total	% of balance average	% yield of total	% of balance total
SEGMENTS					
Commercial banking	68.1%	73.6%	82.6%	86.3%	78.0%
Corporate banking	10.6%	11.8%	4.6%	3.9%	5.3%
Private banking	1.1%	0.8%	12.0%	9.2%	5.3%
Investment management	0.0%	0.0%	0.0%	0.0%	9.9%
Financial asset management	20.2%	13.8%	0.8%	0.6%	1.5%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

(*) % per segment of total fees.

b) Segmentation by geographical area

The distribution of interest and similar income by geography for the years 2013 and 2012 was as follows:

Thousand euro

	Geographical distribution of interest and similar income			
	Individual		Consolidated	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Domestic market	4,653,956	4,590,655	4,683,709	4,541,673
Exports:				
European Union	26,056	26,659	26,056	26,671
OECD countries	31,979	33,997	136,072	145,200
Other countries	0	0	17,333	22,077
Total	**4,711,991**	**4,651,311**	**4,863,170**	**4,735,621**

NOTE 37 - FINANCIAL RISK MANAGEMENT

Risk management and risk policy are conducted centrally on a group-wide basis to realize synergies and ensure overall control. For this reason, most of the information provided in this note relates to the group as a whole, except in a number of cases where the data relates almost entirely to the Bank.

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, market risk and liquidity risk.

The group is aware that the accurate and efficient management and control of risk ensures that shareholder value is maximized and that an appropriate degree of solvency is maintained in a context of sustainable growth.

With this in view, the management and control of risk has been embodied in a broad framework of principles, policies, procedures and advanced valuation methods, forming an efficient decision-taking structure whose aim is to achieve an optimum balance of return and risk.

Underlying principles

The Banco Sabadell group has laid down the following basic principles for the management and control of risk:

- **Solvency.** Banco Sabadell has opted for a prudent and balanced policy on risk to ensure sustained and profitable business growth in line with the strategic targets set by the group for maximum value creation. It is vital that the structure of limits and thresholds should be able to prevent concentrations of risk from building up in such a way as to compromise a significant proportion of the Bank's capital resources. For this reason, the risk variable is taken into account in decisions at every level, quantified according to a common measure in terms of assigned capital.

- **Responsibility.** The Board of Directors is committed to maintaining processes for the management and control of risk: deciding on policy, setting limits, assigning powers and discretions at different levels of the organization, and approving management models, procedures and techniques of measurement, supervision and control. At the executive level there is a clear separation of functions between risk-originating business units and the functions responsible for managing and controlling risk.

- **Monitoring and control.** The ongoing management of risk is supported by robust control procedures to ensure compliance with specified limits, clearly defined responsibilities for monitoring indicators and predictive alerts, and the use of an advanced risk assessment methodology.

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 provisions 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 provisions 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 Risk Control 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 by 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.

Recovery of past-due accounts is the responsibility of a specialized function which coordinates initial out-of-court negotiations and, where necessary, legal proceedings conducted by the group's legal department or by independent legal advisors, depending on the nature and size of the debt. The outcomes of the recovery process are evaluated to measure the effectiveness of the loss mitigation procedures that are in place.

Year-end carrying values of financial assets involving credit risk exposures, analyzed 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 close of each year.

Thousand euro

	2013			2012		
Credit risk exposure	**Business in Spain**	**Business abroad**	**Total**	**Business in Spain**	**Business abroad**	**Total**
Cash and deposits with central banks	**2,805,393**	**396,505**	**3,201,898**	**1,885,387**	**598,203**	**2,483,590**
Loans and advances to credit institutions	**1,583,110**	**563,512**	**2,146,622**	**3,116,034**	**372,673**	**3,488,707**
Of which: doubtful assets	*161*	*298*	*459*	*182*	*298*	*480*
Loans and advances to customers	**119,558,829**	**4,479,622**	**124,038,451**	**114,912,136**	**4,261,637**	**119,173,773**
Public institutions	3,516,052	143,963	3,660,015	5,151,055	156,182	5,307,237
Of which: doubtful assets	*22,111*	*4,867*	*26,978*	*30,120*	*217*	*30,337*
Other private sectors	116,042,777	4,335,659	120,378,436	109,761,083	4,105,454	113,866,537
Of which: doubtful assets	*24,354,900*	*50,273*	*24,405,173*	*19,495,338*	*63,396*	*19,558,734*
Debt securities	**21,334,646**	**572,029**	**21,906,675**	**23,343,958**	**574,759**	**23,918,717**
Public institutions	16,279,469	47,598	16,327,067	14,685,239	35,895	14,721,134
Credit institutions	1,938,591	145,186	2,083,777	4,921,966	108,364	5,030,330
Other private sectors	3,113,555	379,245	3,492,800	3,692,384	430,499	4,122,883
Doubtful assets	3,031	0	3,031	44,370	0	44,370
Derivatives held for trading	**1,274,120**	**14,494**	**1,288,614**	**1,673,862**	**29,173**	**1,703,035**
Hedging derivatives	**593,327**	**0**	**593,327**	**687,284**	**0**	**687,284**
Contingent exposures	**8,449,533**	**214,417**	**8,663,950**	**8,666,283**	**349,186**	**9,015,469**
Contingent commitments	**11,235,709**	**790,291**	**12,026,000**	**12,921,981**	**601,903**	**13,523,884**
Total	166,834,667	7,030,870	173,865,537	167,206,925	6,787,534	173,994,459

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 2013 and 2012 was as follows:

Thousand euro

	31/12/2013				
	TOTAL	Spain	Rest of European Union	America	Rest of the world
Credit institutions	**7,217,516**	**4,572,159**	**1,942,595**	**426,497**	**276,265**
Public authorities	**23,396,819**	**23,143,051**	**242,974**	**174**	**10,620**
Central government	19,440,447	19,186,679	242,974	174	10,620
Rest	3,956,372	3,956,372	0	0	0
Other financial institutions	**10,924,701**	**10,065,687**	**566,778**	**292,236**	**0**
Non-financial companies and individual entrepreneurs	**64,706,760**	**62,039,672**	**1,467,131**	**1,057,605**	**142,352**
Real estate construction and development	9,505,777	9,477,428	20,571	7,329	449
Civil engineering construction	1,573,521	1,566,552	4,853	2,116	0
Other purposes	53,627,462	50,995,692	1,441,707	1,048,160	141,903
Large companies	39,386,766	37,474,102	1,102,902	691,286	118,476
SMEs and individual entrepreneurs	14,240,696	13,521,590	338,805	356,874	23,427
Other residential property and housing associations (ISFLSH)	**48,556,566**	**45,860,322**	**2,019,056**	**70,454**	**606,734**
Home loans	38,686,578	36,193,833	1,873,653	38,470	580,622
Personal loans	6,566,291	6,467,098	73,676	6,521	18,996
Other loans	3,303,697	3,199,391	71,727	25,463	7,116
Less: Adjustments due to asset impairment not allocated to specific operations	**303,347**				
TOTAL	**154,499,015**	**145,680,891**	**6,238,534**	**1,846,966**	**1,035,971**

As at 31 December 2013, segmentation is based on the new criteria following the 2003/361/EC recomendation.

Thousand euro

	31/12/2012				
	TOTAL	Spain	Rest of European Union	America	Rest of the world
Credit institutions	**10,250,273**	**9,280,963**	**581,764**	**319,331**	**68,215**
Public authorities	**18,782,077**	**18,325,072**	**436,926**	**5,572**	**14,507**
Central government	13,585,147	13,544,809	40,337	0	0
Rest	5,196,930	4,780,263	396,589	5,572	14,507
Other financial institutions	**9,823,398**	**9,290,959**	**168,550**	**363,888**	**0**
Non-financial companies and individual entrepreneurs	**78,688,051**	**72,678,030**	**3,202,233**	**2,410,012**	**397,778**
Real estate construction and development	13,986,024	13,835,015	14,374	136,096	538
Civil engineering construction	2,427,707	2,416,559	6,339	4,809	0
Other purposes	62,274,320	56,426,455	3,181,519	2,269,106	397,239
Large companies	37,526,418	32,739,278	2,589,580	1,848,279	349,281
SMEs and individual entrepreneurs	24,747,902	23,687,177	591,940	420,827	47,958
Other residential property and housing associations (ISFLSH)	**41,937,897**	**39,634,165**	**1,661,703**	**75,054**	**566,975**
Home loans	33,603,624	31,456,331	1,557,478	52,789	537,026
Personal loans	5,766,622	5,653,084	83,840	7,529	22,168
Other loans	2,567,651	2,524,750	20,385	14,735	7,781
Less: Adjustments due to asset impairment not allocated to specific operations	**4,188,806**				
TOTAL	**155,292,890**	**149,209,189**	**6,051,176**	**3,173,857**	**1,047,474**

The distribution of the group's credit risk by Spanish autonomous region at 31 December 2013 was as follows:

Thousand euro

	TOTAL	31/12/2013 AUTONOMOUS REGIONS								
		Andalusia	Aragon	Asturias	Balearic Isles	Canary Islands	Cantabria	La Mancha	León	Catalonia
Credit institutions	**4,572,159**	**7,692**	**2,734**	**5,578**	**1,232**	**2,502**	**2,392**	**1,427**	**577**	**2,004,762**
Public authorities	**23,143,052**	**250,589**	**5,852**	**100,766**	**63,338**	**61,374**	**9,433**	**48,115**	**37,101**	**815,371**
Central government	19,186,681									
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	**10,065,687**	**3,225**	**6,418**	**1,129**	**2,082**	**96**	**2**	**303**	**4,016**	**3,866,632**
Non-financial companies and individual entrepreneurs	**62,039,672**	**3,145,293**	**995,361**	**2,078,531**	**1,660,901**	**721,122**	**267,028**	**434,238**	**1,135,393**	**15,140,629**
Real estate construction and development	9,477,425	1,003,482	232,000	316,178	238,467	124,763	22,939	57,321	116,635	1,884,050
Civil engineering construction	1,566,551	40,053	2,409	35,426	6,790	2,945	7,407	3,702	25,750	153,558
Other purposes	50,995,696	2,101,758	760,952	1,726,927	1,415,644	593,414	236,682	373,215	993,008	13,103,021
Large companies	37,474,103	1,045,259	493,696	946,510	780,309	376,055	108,094	149,902	506,483	9,611,620
SMEs and individual entrepreneurs	13,521,593	1,056,499	267,256	780,417	635,335	217,359	128,588	223,313	486,525	3,491,401
Other residential property and housing associations (ISFLSH)	**45,860,321**	**2,734,585**	**495,955**	**1,263,400**	**1,734,772**	**600,621**	**97,609**	**497,370**	**637,051**	**17,836,046**
Home loans	36,193,831	2,249,177	379,995	1,005,780	1,436,321	482,617	75,334	415,026	525,087	13,503,706
Personal loans	6,467,100	368,055	85,299	187,413	250,249	105,197	19,674	63,015	82,806	2,444,192
Other loans	3,199,390	117,353	30,661	70,207	48,202	12,807	2,601	19,329	29,158	1,888,148
Less: Adjustments due to asset impairment not allocated to specific operations										
TOTAL	**145,680,891**	**6,141,384**	**1,506,320**	**3,449,404**	**3,462,325**	**1,385,715**	**376,464**	**981,453**	**1,814,138**	**39,663,440**

As at 31 December 2013, segmentation is based on the new criteria following the 2003/361/EC recomendation.

Thousand euro

	31/12/2013 AUTONOMOUS REGIONS								
	Extremadura	Galicia	Madrid	Murcia	Navarre	Valencia	Basque Country	La Rioja	Melilla
Credit institutions	**52**	**12,770**	**25,832**	**11,192**	**1,868**	**2,405,671**	**36,544**	**49,305**	**29**
Public authorities	**40,815**	**348,118**	**606,619**	**76,337**	**141,550**	**1,007,724**	**305,962**	**37,307**	**0**
Central government									
Rest	40,815	348,118	606,619	76,337	141,550	1,007,724	305,962	37,307	0
Other financial institutions	**16**	**21,888**	**1,059,814**	**11,713**	**169**	**5,073,032**	**15,149**	**3**	**0**
Non-financial companies and individual entrepreneurs	**54,948**	**1,409,674**	**16,642,163**	**2,196,559**	**652,818**	**12,182,118**	**3,053,124**	**258,419**	**11,353**
Real estate construction and development	8,071	127,877	1,524,021	839,671	55,706	2,532,358	338,117	54,943	826
Civil engineering construction	94	63,529	1,073,736	15,622	4,542	46,780	82,811	1,397	0
Other purposes	46,783	1,218,268	14,044,406	1,341,266	592,570	9,602,980	2,632,196	202,079	10,527
Large companies	18,284	866,560	10,885,544	625,884	434,721	8,783,868	1,708,695	129,283	3,336
SMEs and individual entrepreneurs	28,499	351,708	3,158,862	715,382	157,849	819,112	923,501	72,796	7,191
Other residential property and housing associations (ISFLSH)	**102,462**	**699,390**	**5,060,170**	**3,161,789**	**138,465**	**9,891,511**	**831,106**	**77,736**	**283**
Home loans	85,664	530,229	4,157,644	2,456,298	107,115	8,048,639	674,045	61,154	0
Personal loans	14,431	68,809	509,061	612,085	20,795	1,517,517	107,620	10,744	138
Other loans	2,367	100,352	393,465	93,406	10,555	325,355	49,441	5,838	145
Less: Adjustments due to asset impairment not allocated to specific operations									
TOTAL	**198,293**	**2,491,840**	**23,394,598**	**5,457,590**	**934,870**	**30,560,056**	**4,241,885**	**422,770**	**11,665**

As at 31 December 2013, segmentation is based on the new criteria following the 2003/361/EC recomendation.

Thousand euro

	31/12/2012									
	TOTAL	AUTONOMOUS REGIONS								
		Andalusia	Aragon	Asturias	Balearic Isles	Canary Islands	Cantabria	La Mancha	León	Catalonia
Credit institutions	**9,280,963**	**320,283**	**81,832**	**182**	**15**	**37,250**	**0**	**0**	**0**	**1,644,098**
Public authorities	**18,325,072**	**238,277**	**5,021**	**95,355**	**65,667**	**40,808**	**11,716**	**35,667**	**107,261**	**834,576**
Central government	13,544,809									
Rest	4,780,263	238,277	5,021	95,355	65,667	40,808	11,716	35,667	107,261	834,576
Other financial institutions	**9,290,959**	**1,085**	**42**	**1,775**	**853**	**105**	**10,929**	**186**	**2,317**	**4,592,146**
Non-financial companies and individual entrepreneurs	**72,678,030**	**3,940,545**	**1,256,826**	**2,273,395**	**1,803,039**	**899,899**	**336,618**	**472,368**	**1,222,214**	**25,285,473**
Real estate construction and development	13,835,015	1,714,275	500,275	532,756	336,688	174,287	27,112	102,394	198,272	3,947,865
Civil engineering construction	2,416,559	63,626	9,036	83,778	12,399	5,373	17,809	5,772	31,298	520,332
Other purposes	56,426,455	2,162,644	747,516	1,656,860	1,453,952	720,239	291,696	364,202	992,645	20,817,276
Large companies	32,739,280	906,765	387,618	743,695	699,312	404,619	144,524	129,865	407,353	11,933,844
SMEs and individual entrepreneurs	23,687,175	1,255,878	359,898	913,165	754,640	315,619	147,173	234,337	585,291	8,883,432
Other residential property and housing associations (ISFLSH)	**39,634,165**	**2,574,032**	**311,636**	**1,306,456**	**1,785,456**	**637,730**	**100,593**	**491,744**	**619,371**	**11,072,816**
Home loans	31,456,331	2,085,145	244,303	1,048,666	1,469,648	510,058	75,348	416,208	515,131	8,509,189
Personal loans	5,653,083	390,076	48,639	191,007	268,288	114,792	21,972	65,701	77,997	1,450,758
Other loans	2,524,751	98,810	18,694	66,782	47,520	12,881	3,274	9,835	26,243	1,112,870
Less: Adjustments due to asset impairment not allocated to specific operations										
TOTAL	**149,209,189**	**7,074,222**	**1,655,358**	**3,677,163**	**3,655,029**	**1,615,792**	**459,857**	**999,965**	**1,951,162**	**43,429,109**

Thousand euro

	31/12/2012								
	AUTONOMOUS REGIONS								
	Extremadura	Galicia	Madrid	Murcia	Navarre	Valencia	Basque Country	La Rioja	Melilla
Credit institutions	**0**	**39,547**	**6,304,872**	**0**	**0**	**310,362**	**542,521**	**0**	**0**
Public authorities	**38,142**	**28,899**	**1,795,405**	**93,733**	**58,105**	**979,868**	**337,409**	**14,354**	**0**
Central government	0	0	0	0	0	0	0	0	0
Rest	38,142	28,899	1,795,405	93,733	58,105	979,868	337,409	14,354	0
Other financial institutions	**2**	**926**	**4,598,934**	**4,945**	**175**	**19,377**	**57,157**	**6**	**0**
Non-financial companies and individual entrepreneurs	**87,439**	**1,173,863**	**18,310,447**	**2,870,432**	**731,822**	**8,296,495**	**3,268,083**	**310,339**	**138,732**
Real estate construction and development	17,672	185,184	2,354,937	1,431,524	93,494	1,682,185	432,390	103,706	0
Civil engineering construction	1,341	97,427	1,293,695	18,781	14,135	85,516	152,889	3,352	0
Other purposes	68,426	891,252	14,661,816	1,420,127	624,193	6,528,794	2,682,803	203,282	138,732
Large companies	33,673	623,817	11,643,270	481,529	422,525	1,999,213	1,525,236	113,692	138,729
SMEs and individual entrepreneurs	34,753	267,435	3,018,546	938,598	201,668	4,529,580	1,157,568	89,590	3
Other residential property and housing associations (ISFLSH)	**106,112**	**335,408**	**5,189,071**	**3,398,515**	**129,930**	**10,661,800**	**837,051**	**76,281**	**161**
Home loans	90,272	265,539	4,047,364	2,645,675	102,150	8,689,090	683,064	59,480	0
Personal loans	13,839	56,973	515,056	649,819	20,871	1,647,876	108,393	10,865	161
Other loans	2,001	12,895	626,651	103,021	6,910	324,834	45,594	5,935	0
Less: Adjustments due to asset impairment not allocated to specific operations									
TOTAL	231,695	1,578,643	36,198,730	6,367,626	920,032	20,267,902	5,042,221	400,980	138,893

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 *aval* 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 realized 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.

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. Security deposits held by Banco Sabadell by way of collateral at the end of 2013 totalled € 246 million (€275 million at the end of 2012).

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 67% of all group loans and advances.

The loan loss ratios and loan loss coverage ratios for the Banco Sabadell group are as follows:

%	2013	2012	2011
Loan-loss ratio (*)	13.63	9.33	5.95
Loan-loss coverage ratio (**)	13.6	13.9	4.5

(*) 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 in the financial reporting standards laid down by the Bank of Spain's Circular 4/2004. These categories are used to analyze 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**	**2013**	**2012**
With no appreciable risk	20	21
Low risk	28	29
Medium – low risk	12	16
Medium risk	22	26
Medium-high risk	17	7
High risk	1	1
Total	**100**	**100**

51% 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	**2013**
AAA/AA	5
A	12
BBB	51
BB	21
B	8
Rest	3
Total	**100**

Does no include operations derived from Banco CAM as that data is not available

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:

- Risks arising from the group's customer-focused commercial banking and corporate banking businesses, known as structural risk. This can be sub-classified into interest rate risk, currency risk and liquidity risk. These categories of risk are discussed separately below.

- Risks generated through proprietary trading or market making activities by group companies, including trading in foreign exchange instruments, equities and bonds, whether on the spot or the derivatives markets. Trading of this kind will often be undertaken as part of treasury and capital market operations, with which this section is specifically concerned.

Market risk is measured by the VaR (Value at Risk) method, which allows the risks on different types of financial market transaction to be analyzed 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 money terms and is calculated at a specified date, to a specified confidence level and over a specified time horizon. To this end, the different levels of the risk factors are taken into account.

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 Board of Directors 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). 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. Using the VaR methodology does not, however, rule out the possibility that losses will be above the set limits, as significant market movements may occur that exceed the confidence levels being applied.

Risk levels as measured by the 1-day VaR at a 99% confidence level were as follows:

€ million

	2013			2012		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest rate risk	7.40	17.41	2.68	3.06	5.72	1.58
Currency risk - trading	0.17	0.60	0.01	0.55	1.96	0.09
Equity risk	0.68	1.05	0.46	0.88	1.68	0.39
Credit spread	0.05	0.12	0.02	0.08	0.15	0.01
Aggregate VaR	**8.30**	**19.17**	**3.17**	**4.57**	**9.50**	**2.07**
Currency risk - structural	**4.34**	**5.22**	**2.08**	**4.53**	**5.59**	**2.47**

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 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 hedge as an accounting tool is to cover the economic value of the hedged portfolios, the components of which are fixed-rate assets and liabilities, options that are embedded in or linked to balance sheet items (caps and floors, for example), and derivatives sold to customers through the Treasury Desk. 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 2013 to the due date of each payment. In addition, for current accounts, it is assumed that expected maturities will exceed contractually agreed terms, 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 2013 and 2012 is presented in the following table:

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	0	0	0	26,216	1,995,947
Of which public institutions	*0*	*548*	*40,427*	*0*	*0*	*0*	*0*	*0*	*0*	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	0	0	0	0	0	0	26,848,705	29,669,373
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**	**44,102,703**	**163,441,470**
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	0	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	0	36,290,595
Other liabilities	1,796	951	48	0	0	0	0	0	18,204,582	18,207,377
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**	**18,807,236**	**163,441,470**
Hedging derivatives	**1,072,572**	**(290,843)**	**(8,290)**	**71,876**	**(44,008)**	**(187,607)**	**34,537**	**(648,236)**	**0**	**0**
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**	**0**

Thousand euro

31.12.2012	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	14,577,133	30,068,072	50,418,196	1,452,764	1,251,744	592,704	392,676	2,360,365	5,813,502	106,927,156
Of which public institutions	*1,051,295*	*3,160,774*	*716,561*	*33,251*	*91,975*	*47,741*	*90,935*	*128,782*	*0*	*5,321,314*
Money market	1,967,294	227,121	427,723	196,408	0	0	0	0	34,613	2,853,159
Of which public institutions	*245,488*	*90,530*	*427,461*	*196,408*	*0*	*0*	*0*	*0*	*0*	*959,887*
Capital market	3,694,450	137,927	2,064,165	1,965,389	4,281,268	2,149,542	2,506,855	7,525,577	16,701	24,341,874
Of which public institutions	*270,075*	*0*	*766,287*	*381,389*	*1,861,839*	*1,071,432*	*1,339,708*	*5,409,049*	*0*	*11,099,779*
Other assets	1,616,045	0	0	0	0	0	0	0	25,808,851	27,424,896
Total assets	**21,854,922**	**30,433,120**	**52,910,084**	**3,614,561**	**5,533,012**	**2,742,246**	**2,899,531**	**9,885,942**	**31,673,667**	**161,547,085**
Customer funds	15,185,055	11,820,860	28,342,208	9,312,172	2,199,989	791,140	657,165	8,386,471	0	76,695,060
Money market	25,954,266	1,403,900	428,256	320,182	11,804	0	0	0	0	28,118,408
Capital market	6,936,443	9,637,548	8,041,663	4,406,117	3,159,321	2,752,549	2,560,084	2,819,837	0	40,313,562
Other liabilities	0	0	0	0	0	0	0	0	16,420,055	16,420,055
Total liabilities	**48,075,764**	**22,862,308**	**36,812,127**	**14,038,471**	**5,371,114**	**3,543,689**	**3,217,249**	**11,206,308**	**16,420,055**	**161,547,085**
Hedging derivatives	**277,939**	**1,135,412**	**1,393,088**	**(1,510,956)**	**(620,433)**	**(546,580)**	**13,521**	**(141,991)**	**0**	**0**
Interest rate gap	**(25,942,903)**	**8,706,224**	**17,491,045**	**(11,934,866)**	**(458,535)**	**(1,348,023)**	**(304,197)**	**(1,462,357)**	**15,253,612**	**0**

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 - €19.7 million and 2.33 % respectively (7.94% in 2012). The main assumption used in making this estimate is to take the estimated average term for current accounts as roughly two and a half years even though, contractually speaking, balances in current accounts can be withdrawn at any time. This assumption is consistent with the observation that balances in current accounts 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.

Exchange rate risk

Currency risk arises from possible changes in exchange rates between different currencies. The group's structural foreign currency exposure remained stable throughout 2013 and was associated with long-term investments in foreign branches and subsidiaries.

Foreign currency exposure is not significant and is generally associated with facilitating customer operations.

Exchange risk is managed in the same terms as market risk, as explained in the above section. 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 Board of Directors.

Liquidity risk

This is the risk that a bank may have difficulty in meeting obligations associated with financial liabilities that are settled by the delivery of cash or another financial asset.

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.

Limits are set by the Board of Directors for the maintenance of minimum cash levels and for levels of structural borrowing. The group monitors changes in its liquid asset position on a daily basis and holds a diversified portfolio of such assets. It also carries out yearly projections to anticipate future needs.

In addition, a review is carried out of gaps or mismatches between cash inflows and outflows over a short, medium and long time horizon using a maturity matrix based on the time remaining between the date to which the financial statements were made up and the contract maturity dates of assets and liabilities.

In the matrix presented below, 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 2013 and the due date of each payment.

The maturity matrix at 31 December 2013 and 2012 is as follows:

Thousand euro

31.12.2013	On 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	0	1,995,947
Of which public institutions		*0*	*548*	*40,427*	*0*	*0*	*40,974*	*0*	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	0	0	0	2,843,683	26,825,690	29,669,373
Total assets	**0**	**8,989,084**	**5,393,896**	**12,263,713**	**34,921,692**	**58,053,126**	**119,621,511**	**43,819,959**	**163,441,470**
Customer funds	17,201,261	11,637,845	6,645,606	27,319,598	29,352,668	222,404	92,379,382	0	92,379,382
Money market	0	5,362,142	1,109,533	540,230	9,348,098	276,165	16,636,169	0	16,636,169
Capital market	0	1,998,927	1,189,494	7,740,797	19,631,950	5,657,375	36,218,544	0	36,218,544
Other liabilities	0	12,016	1,002	4,327	26,892	7,128	51,365	18,156,012	18,207,376
Total liabilities	**17,201,261**	**19,010,930**	**8,945,635**	**35,604,953**	**58,359,608**	**6,163,072**	**145,285,458**	**18,156,012**	**163,441,470**
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**	**0**

Thousand euro

31.12.2012	On 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	0	4,682,671	8,299,494	15,022,142	30,519,001	42,590,346	101,113,654	5,813,502	106,927,156
Of which public institutions	*0*	*457,500*	*829,193*	*402,821*	*3,208,774*	*423,026*	*5,321,314*	*0*	*5,321,314*
Money market	0	1,967,294	227,121	427,723	196,408	0	2,818,546	34,613	2,853,159
Of which public institutions	*0*	*245,488*	*90,530*	*427,461*	*196,408*	*0*	*959,887*	*0*	*959,887*
Capital market	0	3,698,420	55,215	2,085,892	10,953,177	7,532,469	24,325,173	16,701	24,341,874
Of which public institutions	*0*	*270,075*	*0*	*766,287*	*4,654,368*	*5,409,049*	*11,099,779*	*0*	*11,099,779*
Other assets	0	1,616,045	0	0	0	0	1,616,045	25,808,851	27,424,896
Total assets	**0**	**11,964,430**	**8,581,830**	**17,535,757**	**41,668,586**	**50,122,815**	**129,873,418**	**31,673,667**	**161,547,085**
Customer funds	13,530,930	9,415,280	7,051,724	30,049,949	16,452,031	195,146	76,695,060	0	76,695,060
Money market	0	2,304,266	1,403,900	432,060	23,978,182	0	28,118,408	0	28,118,408
Capital market	0	1,827,776	3,235,628	7,122,870	21,604,703	6,522,585	40,313,562	0	40,313,562
Other liabilities	0	0	0	0	0	0	0	16,420,055	16,420,055
Total liabilities	**13,530,930**	**13,547,322**	**11,691,252**	**37,604,879**	**62,034,916**	**6,717,731**	**145,127,030**	**16,420,055**	**161,547,085**
Liquidity gap	**(13,530,930)**	**(1,582,892)**	**(3,109,422)**	**(20,069,122)**	**(20,366,330)**	**43,405,084**	**(15,253,612)**	**15,253,612**	**0**

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.

Even so, group policy is to maintain a safety margin to cover financing needs in any circumstances. This means, inter alia, maintaining a reserve of liquid assets considered as eligible collateral by the European Central Bank that is sufficient to provide funding for maturing debt issued on the capital markets for a 12-month period.

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 2013 non-participating securities issuance programme at 31 December 2013 was €6,599.7 million (€8,575.95 million at 31 December 2012).

- Commercial Paper Issuance Programme: this covers the issuance of corporate promissory notes (*pagarés*) and is directed at both institutional and retail investors. On 7 March 2013 the Banco Sabadell 2013 corporate note issuance programme was filed with the CNMV with an upper limit of €5,000 million. At 31 December 2013 the value of notes in circulation under the Banco Sabadell programme was €2,793 million (€3,259 million at 31 December 2011). 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.

At 31 December 2013 Banco Sabadell held assets qualifying as collateral for the ECB at market value, including reductions in the valuation applied by the ECB, amounting to €26,474 million. Their liquidity class under Technical Application 1/2013 of the Bank of Spain is as follows:

€ million

I	II	III	IV	V	Non-marketable securities	**Total**
7,393	1,003	11,799	83	3,861	2,335	**26,474**

At 31 December 2013 the drawn-down balance on the on the facility held with the Bank of Spain for monetary policy transactions with the European Central Bank stands at €8,800 million, in addition to assets pledged as security amounting to €17,476 million.

Maturities of institutional issuances aimed at institutional investors by product type at 31 December 2013 are analyzed below:

€ million

	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**>2020**	**Outstanding balance**
Bonds and mortgage bonds	3,322	3,060	2,870	1,937	1,563	886	2,512	16,149
Guaranteed issues	1,005	0	0	1,066	0	0	0	2,071
Senior debt	0	0	681	0	100	0	25	806
Subordinated debt and preference shares	0	0	299	66	0	0	498	864
Other medium/long term financial instrument	70	0	0	0	18	0	18	105
Total	**4,397**	**3,060**	**3,850**	**3,069**	**1,681**	**886**	**3,053**	**19,995**

Risk concentrations

Credit risk is undoubtedly the main business risk faced by the Banco Sabadell group. As an active player in the global banking industry the group has a sizeable concentration of exposures to other financial institutions. Managing these exposures involves the setting of limits by the Board of Directors and the monitoring of these limits on a day-to-day basis. As mentioned earlier, specific measures are also in place to mitigate risk, including netting agreements with the majority of counterparties with which derivatives are traded.

At 31 December 2013, there were no borrowers whose assigned risk on an individual basis exceeded 10% of the group's capital resources (2 borrowers at 31 December 2012, neither of which exceeded 15% of capital resources, for an amount of €2,024,421,000).

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.

This involves setting up sophisticated systems to measure each type of risk incurred by the group 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 will be based on internal parameters and use 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 but nevertheless possible 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.

NOTE 39 - RELATED PARTY TRANSACTIONS

No significant transaction took place with any major shareholder during the years 2013 and 2012, 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.The price of the transaction will be determined definitively when the operation is completed. This is expected to be in the first half of 2014 after the relevant administrative authorizations have been obtained, and has been estimated at approximately USD 56 million (approx. €41 million).

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 done 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						2012
	Entities jointly controlled or subject to significant influence	Associates	Joint ventures	Key personnel	Other related parties (1)	TOTAL	TOTAL
Assets:							
Loans and advances to customers	0	524,495	40,685	19,353	640,488	**1,225,021**	**1,963,267**
Liabilities:							
Customer deposits	0	3,111,747	9,299	8,985	599,377	**3,729,408**	**3,533,796**
Memorandum accounts:							
Contingent exposures	0	40,862	2,063	12	387,457	**430,394**	**409,194**
Contingent commitments	0	16,355	3	2,540	238,024	**256,922**	**293,098**
Income statement:							
Interest and similar income	0	18,994	2,707	176	46,763	**68,640**	**56,681**
Interest and similar charges	0	(72,513)	(10)	(237)	(7,633)	**(80,393)**	**(84,523)**
Return on equity instruments	0	0	0	0	0	**0**	**0**
Net fees and commissions	0	41,112	286	23	3,899	**45,320**	**37,870**
Other operating income	0	1,963	0	0	4	**1,967**	**2,642**

(1) 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.

In addition to its main activity, the Customer Service Department also provides assistance and information to customers and users 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 979 requests for assistance and information during 2013 compared to 756 handled during 2012.

The average response time to complaints and claims in cases of high complexity has been 46.65 days (31.52 in 2012); in cases of medium complexity, 32.41 days (8.02 in 2012); and in cases of low complexity, 17.79 days (2.62 in 2012). 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.

Cases handled

During 2013, the Customer Service Department received 27,347 cases (5,901 in 2012), of which 26,727 were accepted (5,794 in 2012), in accordance with the provisions of Finance Ministry Order 734/2004, of 11 March 2004. It handled 24,821 cases (4,435 in 2012), of which 16.70% were complaints (40% in 2012) and 83.30% were claims (60% in 2012). At 31 December 2013, 2,526 cases had yet to be resolved (1,521 in 2012).

Of the total complains and claims examined by the Customer Service Department, 35.33% resulted in a decision favourable for the customer or user (22% in 2012), 11.08% were settled by agreement with the customer or user (4% in 2012) and 0.97% were resolved on partly in favour of the customer or user (7% in 2012). In 0.28% of cases customers withdrew the claim (zero in 2012) and the remaining 44.38% were resolved in favour of the institution (67% in 2012). At 31 December 5.45% of cases had yet to be ruled on by the regulatory bodies and the Customer and Stakeholder Ombudsman.

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 has received 2,124 complaints (704 in 2012), of which 2,110 were accepted. Of the 2,124 complaints received, the Ombudsman has examined and resolved 1,430 complaints (604 in 2012). At 31 December, 488 claims were pending resolution by the Ombudsman and 192 claims were awaiting the presentation of allegations by the Customer Service Department.

Of the total complaints handled by the Ombudsman, 29.56% were resolved in favour of the group (49% in 2012) and 20.80% in favour of the customer (16% in 2012). Of the remaining cases processed and resolved on, the Bank agreed to customer petitions in 13.71% of the cases (20% in 2012). In 0.73% of cases the decision was partly favourable to the Bank (10% in 2012), in 7.25% of cases (2% in 2012) the Ombudsman did not act due to a lack of competence (without prejudice to the claimants' option to pursue their claims elsewhere), 1.20% of cases were settled by agreement with the client or user (3% in 2012) and in 0.57% of cases the customer withdrew the complaint (no recorded cases in 2012).

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 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 2013 and 2012, 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	
	2013	2012	2013	2012	2013	2012
José Oliu Creus *	214.2	252.0	32.1	37.8	246.3	289.8
Isak Andic Ermay (1)	91.3	162.0	-	-	91.3	162.0
José Manuel Lara Bosch (2)	137.7	162.0	-	-	137.7	162.0
José Javier Echenique Landiribar (3)	126.2	144.0	-	-	126.2	144.0
Jaime Guardiola Romojaro *	91.8	108.0	-	-	91.8	108.0
Francesc Casas Selvas (4)	27.8	126.0	-	18.9	27.8	144.9
Héctor María Colonques Moreno	122.4	144.0	16.1	18.9	138.5	162.9
Sol Daurella Comadrán	98.8	126.0	-	-	98.8	126.0
Joaquín Folch-Rusiñol Corachán	111.5	144.0	16.1	18.9	127.6	162.9
M. Teresa Garcia-Milà Lloveras	107.1	135.0	-	-	107.1	135.0
Joan Llonch Andreu	137.7	162.0	16.1	18.9	153.8	180.9
José Manuel Martínez Martínez (5)	77.0	-	-	-	77.0	-
José Ramón Martínez Sufrategui	91.8	108.0	-	-	91.8	108.0
Antonio Vitor Martins Monteiro (6)	87.6	38.0	-	-	87.6	38.0
José Luis Negro Rodríguez *	91.8	61.0	16.1	-	107.9	61.0
José Permanyer Cunillera	122.4	144.0	16.1	18.9	138.5	162.9
Total	**1,737.2**	**2,016.0**	**112.6**	**132.3**	**1,849.8**	**2,148.3**

*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) Appointed to the Board during Annual General Meeting held on 26 March 2013.

(6) Appointed to the Board by the Board of Directors on 20 September 2012 as an independent external director. At a general meeting held on 26 March 2013, the shareholders ratified the appointment by co-option as a member of the Board.

Other than the items mentioned above, the members of the Board of Directors have received €144,000 as fixed remuneration in 2013 by reason of their belonging to boards of directors in Banco Sabadell group companies or to advisory boards.

Contributions for life assurance premiums covering contingent pension commitments in respect of pension rights accruing in 2013 amounted to €3,413,000, of which €112,000 is detailed in the above table and €3,301,000 pertains to directors for the performance of executive functions.

Remuneration pertaining to directors for their executive duties accrued during 2013 amounts to €5,607,000 and is calculated based on the accruals principle and not the amounts actually received, as was the case in previous years.

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 14,428,000 at 31 December 2013. Of this amount €12,489,000 comprised loans and €1,939,000 related to guarantees and documentary credit (2012: 14,666,000, consisting of €11,953,000 in loans and €2,713,000 in guarantees and documentary credit). The average rate of interest charged was 1.29% (2012: 1.26%). Deposits held by directors in 2013 totalled €8,270,000 (2012: €9,134,000).

Senior management remuneration accrued during 2013 totals €4,472,000. This includes joint contributions to pension plans arranged in insurance policies made during 2013 and is calculated on an accruals basis and not on the basis of the amounts actually received which was applied in previous years. In accordance with applicable legislation, the above amount includes the remuneration pertaining to the five members of senior management and the internal auditor.

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 €7,477,000 at 31 December 2013, comprising €6,864,000 in loans and €613,000 in guarantees and documentary credit. Deposits amounted to €757,000.

Share appreciation rights granted to members of the senior management group, including executive directors, under the new "Plan 2010" incentive scheme (see Note 34.f.) resulted in personnel expenses of €1.1 million during the year (2012: €2.2 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 that follows these annual accounts.

The directors and managers mentioned above are specified below with their executive positions in the Bank at 31 December 2013:

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	Finance Director
Miquel Montes Güell	Asset Management and Corporate Development Director
Carlos Ventura Santamans	Commercial Banking Director
Ramón de la Riva Reina	Markets and Private Banking Director

NOTE 43 - DIRECTORS' DUTY OF LOYALTY

Pursuant to article 229 of the revised Spanish Companies Act enacted by Royal Legislative Decree I/2010, the Directors, in the interests of corporate transparency, have made the following statement to the Company:

a. No Director is in a situation that would give rise to a direct or indirect conflict of interest vis-à-vis the Company.

b. No Director or any related person within the meaning of article 231 of the revised text of the Companies Act holds equity interests in any company whose objects are identical, similar or complementary to those of the Company, with the following exceptions:

Director	Company	% interest
Héctor María Colonques Moreno	Banco Santander, S.A.	0.00009
Maria Teresa Garcia-Milà Lloveras	Banco Santander, S.A.	0.000006
Jaime Guardiola Romojaro	Banco Bilbao Vizcaya Argentaria, S.A.	0.00101
Jaime Guardiola Romojaro	Banco Santander,S.A.	0.00013
José Oliu Creus	Banco Comercial Português, S.A.	0.0002
José Permanyer Cunillera	Banco Santander, S.A.	0.00041
José Permanyer Cunillera	Caixabank	0.00086
José Permanyer Cunillera	Banco Bilbao Vizcaya Argentaria, S.A.	0.00017

c. The Directors have also confirmed that none of them or any party related to them holds any office or position of responsibility or performs any services, either for their own account or for the account of any other person, in any company whose objects are identical, similar or complementary to those of the Company, with the following exceptions:

Director	Company	Position held
José Oliu Creus	BanSabadell Holding, S.L., Sociedad Unipersonal	Chairman
José Oliu Creus	Banco Gallego, S.A.	Chairman (since 28/10/2013)
Joan Llonch Andreu	BancSabadell d'Andorra, S.A.	Director
Joan Llonch Andreu	BanSabadell Holding, S.L., Sociedad Unipersonal	Director
Joan Llonch Andreu	Sociedad de Cartera del Vallés, S.I.C.A.V., S.A.	Deputy Chairman
Jaime Guardiola Romojaro	Banco Gallego, S.A.	Director (since 28/10/2013)
Antonio Vitor Martins Monteiro	Banco Comercial Português, S.A.	Chairman
Antonio Vitor Martins Monteiro	Banco Privado Atlántico, S.A.	Director
Antonio Vitor Martins Monteiro	Soco International. PLC	Director
José Permanyer Cunillera	BancSabadell d'Andorra, S.A.	Director
José Permanyer Cunillera	Aurica XXI, S.C.R., S.A.	Chairman
José Permanyer Cunillera	BanSabadell Inversió Desenvolupament, S.A., Sociedad Unipersonal	Chairman
José Permanyer Cunillera	Sinia Renovables, S.C.R. de Régimen Simplificado	Chairman
José Luis Negro Rodríguez	BanSabadell Holding, S.L., Sociedad Unipersonal	Director
José Luis Negro Rodríguez	BanSabadell Financiación, E.F.C., S.A.	Chairman
José Luis Negro Rodríguez	Sociedad Rectora de la Bolsa de Valores de Barcelona	Director
José Luis Negro Rodríguez	Banco Gallego, S.A.	Director (since 28/10/2013)

NOTE 44 –EVENTS AFTER THE BALANCE-SHEET DATE

Since 31 December 2013 there have been no events worthy of mention.

Schedule I: Banco Sabadell Group companies at 31 December 2013

Company name		Registered office	Percentage shareholding Direct	Indirect
Fully consolidated companies				
Activos Valencia I, S.A.U. (a)	Real estate development	Valencia	-	100,0000
Administración y Proyectos MDT, S.A. P.I. de C.V.	Other financial serv.	D.F. (México)	99,9998	-
Alfonso XII, 16 Inversiones, S.L.	Real estate	Sant Cugat del Vallès	-	100,0000
Arrendamiento de Bienes Inmobiliarios del Mediterráneo, S.L.	Residential leases	Alicante	100,0000	-
Artemus Capital, S.L.	Holding company	Elche	-	100,0000
Assegurances Segur Vida, S.A.	Insurance	Andorra la Vella	-	50,9700
Aurica XXI, S.C.R., S.A.U.	Venture capital company	Barcelona	100,0000	-
Ballerton Servicios, S.L.	Holding company	Sant Cugat del Vallès	-	100,0000
Banco Atlantico Bahamas Bank & Trust, Ltd.	Banking	Nassau	99,9900	0,0100
Banco de Sabadell, S.A.	Banking	Sabadell	100,0000	-
Banco Gallego, S.A.U.	Banking	Santiago de Compostela	100,0000	-
BancSabadell d'Andorra , S.A.	Banking	Andorra la Vella	50,9700	-
BanSabadell Consulting, S.L.	Services	Sant Cugat del Vallès	100,0000	-
BanSabadell Correduría de Seguros, S.A.	Insurance brokers	Sant Cugat del Vallès	100,0000	-
Bansabadell Factura, S.L.	Electronic billing services	Sant Cugat del Vallès	100,0000	-
BanSabadell Financiación, E.F.C., S.A	Finance company	Sabadell	100,0000	-
Bansabadell Fincom, E.F.C., S.A.U.	Finance company	Sant Cugat del Vallès	100,0000	-
BanSabadell Holding, S.L.	Holding company	Sant Cugat del Vallès	100,0000	-
BanSabadell Information System S.A.	IT services	Sabadell	81,0000	-
BanSabadell Inversió Desenvolupament, S.A.	Holding company	Barcelona	100,0000	-
BanSabadell Inversión, S.A.U., S.G.I.I.C.	Investment fund managers	Sant Cugat del Vallès	100,0000	-
BanSabadell Mediación, Operador de Banca-Seguros Vinculado del Grupo Banco Sabadell, S.A. (b)	Insurance	Barcelona	-	100,0000
BanSabadell Operaciones y Servicios, S.A.U.	Services	Sant Cugat del Vallès	100,0000	-
BanSabadell Renting, S.L.	Leasing	Sant Cugat del Vallès	100,0000	-
BanSabadell Securities Services, S.L	Services	Sabadell	100,0000	-
Bitarte S.A.	Holding company	San Sebastian	99,9900	0,0100
BlueSky Property Development, S.L.	Real estate	Sant Cugat del Vallès	-	100,0000
Boreal Renovables 14, S.L.	Solar power plant	Madrid	-	100,0000
Boreal Renovables 15, S.L.	Solar power plant	Madrid	-	100,0000
Boreal Renovables 16, S.L.	Solar power plant	Madrid	-	100,0000
BSTARTUP 10, S.L.U.	Holding company	Barcelona	-	100,0000
CAM Capital, S.A.U.	Issuance preference shares	Alicante	100,0000	-
CAM Global Finance, S.A.U.	Issuance ordinary bonds	Alicante	100,0000	-
CAM International Issues, S.A.U.	Issuance subordinate bonds	Alicante	100,0000	-
Caminsa Urbanismo, S.A.	Real estate development	Valencia	-	100,0000
Casiopea Energía 1, S.L	Solar power plant	Madrid	-	100,0000
Casiopea Energía 10, S.L	Solar power plant	Madrid	-	100,0000
Casiopea Energía 11, S.L	Solar power plant	Madrid	-	100,0000
Casiopea Energía 12, S.L	Solar power plant	Madrid	-	100,0000
Casiopea Energía 13, S.L	Solar power plant	Madrid	-	100,0000
Casiopea Energía 14, S.L	Solar power plant	Madrid	-	100,0000
Casiopea Energía 15, S.L	Solar power plant	Madrid	-	100,0000
Casiopea Energía 16, S.L	Solar power plant	Madrid	-	100,0000
Casiopea Energía 17, S.L	Solar power plant	Madrid	-	100,0000
Casiopea Energía 18, S.L	Solar power plant	Madrid	-	100,0000
Casiopea Energía 19, S.L	Solar power plant	Madrid	-	100,0000
Casiopea Energía 2, S.L	Solar power plant	Madrid	-	100,0000
Casiopea Energía 3, S.L	Solar power plant	Madrid	-	100,0000
Casiopea Energía 4, S.L	Solar power plant	Madrid	-	100,0000
Casiopea Energía 5, S.L	Solar power plant	Madrid	-	100,0000
Casiopea Energía 6, S.L	Solar power plant	Madrid	-	100,0000
Casiopea Energía 7, S.L	Solar power plant	Madrid	-	100,0000
Casiopea Energía 8, S.L	Solar power plant	Madrid	-	100,0000
Casiopea Energía 9, S.L	Solar power plant	Madrid	-	100,0000
Compañía de Cogeneración del Caribe Dominicana, S.A.	Electricity	Santo Domingo	-	99,9999
Costa Mujeres Investment BV	Portfolio management	Amsterdam	-	100,0000
Datolita Inversiones 2010, S.L. (a)	Business consulting	Alicante	100,0000	-
Delta Swing, S.A.U.	Services	Barcelona	-	100,0000
Desarrollo y Ejecución Urbanística del Mediterráneo, S.L.	Real estate	Madrid	-	95,0000
Desarrollos y Participaciones Inmobiliarias 2006, S.L.	Real estate development	Elche	-	100,0000
Easo Bolsa, S.A.	Holding company	San Sebastian	99,9900	0,0100
Eco Resort San Blas, S.L. (c)	Services	Santa Cruz de Tenerife	-	100,0000
Ederra, S.A.	Real estate	San Sebastian	97,8500	-
Eólica Cuesta Roya, S.L.	Wind power promotion	Zaragoza	-	50,9700
Eólica de Valdejón, S.L.	Wind power promotion	Zaragoza	-	50,9700
Epila Renovables, S.L.	Wind power promotion	Zaragoza	-	51,0000
Espais Arco Mediterráneo S.L.	Real estate development	Elche	-	100,0000
Europa Invest, S.A.	Investment fund managers	Luxembourg	22,0000	78,0000
Europea Pall Mall Ltd.	Real estate	London	100,0000	-
Explotaciones Energéticas SINIA XXI, S.L.	Holding company	Barcelona	-	100,0000
Fomento de la Coruña, S.A	Real estate development	La Coruña	-	50,0000
Fonomed Gestión Telefónica Mediterráneo, S.A.	Telephony management services	Alicante	99,9700	0,0300
Fotovoltaica de la Hoya de los Vicentes 106, S.L.	Solar power plant	Madrid	-	100,0000
Fotovoltaica de la Hoya de los Vicentes 113, S.L.	Solar power plant	Madrid	-	100,0000
Fotovoltaica de la Hoya de los Vicentes 119, S.L.	Solar power plant	Madrid	-	100,0000
Fotovoltaica de la Hoya de los Vicentes 121, S.L.	Solar power plant	Madrid	-	100,0000
Fotovoltaica de la Hoya de los Vicentes 127, S.L.	Solar power plant	Madrid	-	100,0000
Fotovoltaica de la Hoya de los Vicentes 130, S.L.	Solar power plant	Madrid	-	100,0000
Fotovoltaica de la Hoya de los Vicentes 131, S.L.	Solar power plant	Madrid	-	100,0000
Fotovoltaica de la Hoya de los Vicentes 144, S.L.	Solar power plant	Madrid	-	100,0000
Fotovoltaica de la Hoya de los Vicentes 162, S.L.	Solar power plant	Madrid	-	100,0000
Fotovoltaica de la Hoya de los Vicentes 163, S.L.	Solar power plant	Madrid	-	100,0000
Fotovoltaica de la Hoya de los Vicentes 164, S.L.	Solar power plant	Madrid	-	100,0000
Fotovoltaica de la Hoya de los Vicentes 165, S.L.	Solar power plant	Madrid	-	100,0000
Fotovoltaica de la Hoya de los Vicentes 166, S.L.	Solar power plant	Madrid	-	100,0000
Fotovoltaica de la Hoya de los Vicentes 167, S.L.	Solar power plant	Madrid	-	100,0000
Fotovoltaica de la Hoya de los Vicentes 168, S.L.	Solar power plant	Madrid	-	100,0000
Fotovoltaica de la Hoya de los Vicentes 169, S.L.	Solar power plant	Madrid	-	100,0000
Fotovoltaica de la Hoya de los Vicentes 170, S.L.	Solar power plant	Madrid	-	100,0000
Fotovoltaica de la Hoya de los Vicentes 195, S.L.	Solar power plant	Madrid	-	75,0000
Fotovoltaica de la Hoya de los Vicentes 200, S.L.	Solar power plant	Madrid	-	100,0000
G.I. Cartera, S.A.	Venture capital management	Alicante	100,0000	-
Gala Domus, S.A.	Real estate development	La Coruña	-	50,0000
Galeban 21 Comercial, S.L.U.	Holding company	La Coruña	-	100,0000

Company name		Registered office	Percentage shareholding	
			Direct	Indirect
Fully consolidated companies				
Galeban Control y Asesoramiento, S.L.U	Management	La Coruña	-	100,0000
Galeban Gestión de Riesgos, S.A.U.	Insurance brokerage	La Coruña	-	100,0000
Galego Preferentes, S.A.U.	Issuance of preference and subordinated securities	Madrid	-	100,0000
Gaztelu berri Gestión S.L.	Real estate	Sant Cugat del Vallès	-	100,0000
Gazteluberri S.L.	Real estate	San Sebastian	-	100,0000
Gest 21 Inmobiliaria, S.L.U.	Holding company	La Coruña	-	100,0000
Gest Galinver, S.L.	Real estate development	Madrid	-	100,0000
Gest Madrigal, S.L.	Real estate development	La Coruña	-	100,0000
Gestión de Proyectos Urbanísticos del Mediterráneo, S.L.	Real estate	Madrid	-	95,0000
Gestión Financiera del Mediterráneo, S.A.U.	Holding company	Alicante	100,0000	-
Gestión Mediterránea del Medioambiente, S.A.	Environmental projects	Alicante	99,0000	1,0000
Grao Castalia S.L.	Real estate	Sant Cugat del Vallès	-	100,0000
Guipuzcoano Capital, S.A. Unipersonal	Issuance preference shares	San Sebastian	100,0000	-
Guipuzcoano Promoción Empresarial, S.L.	Holding company	San Sebastian	-	100,0000
Guipuzcoano Valores, S.A.	Real estate	San Sebastian	99,9900	0,0100
Guipuzcoano, Correduría de Seguros del Grupo Banco Guipuzcoano, S.A.	Insurance	San Sebastian	99,4000	0,6000
Hansa Cabo, S.A. de C.V.	Real estate development	D.F. (México)	-	39,4187
Hansa México S.A. DE C.V.	Real estate development	Cancun	-	55,1100
Herrero Internacional Gestión, S.L.	Holding company	Sant Cugat del Vallès	-	100,0000
Hobalear, S.A.	Real estate	Barcelona	-	100,0000
Hondarriberri, S.P.E., S.L.	Business start-ups	San Sebastian	99,9900	0,0100
Hotelera H.M., S.A. de C.V.	Real estate development	Cancun	-	86,6700
Hotelera Marina, S.A, de C.V.	Real estate development	Cancun	-	100,0000
Interstate Property Holdings, LLC	Special purpose entity	Miami	100,0000	-
Inverán Gestión, S.L.U.	Real estate development	Madrid	-	100,0000
Inversiones Cotizadas del Mediterráneo, S.L.	Holding company	Alicante	100,0000	-
Mariñamendi S.L.	Real estate	Sant Cugat del Vallès	-	100,0000
Mediterranean CAM International Homes, S.L	Estate agents	Alicante	100,0000	-
Mediterráneo Sabadell, S.L. (d)	Finance company	Alicante	50,0000	50,0000
Mediterráneo Vida, S.A.U. de Seguros y Reaseguros	Life insurance:	Alicante	-	100,0000
Mirador del Segura 21, S.L. (e)	Real estate development	Sant Cugat del Vallès	-	97,7773
New Premier Inversiones, SICAV, S.A.	SICAV	Madrid	-	91,0000
Operadora Cabo De Cortes S. de R.L. de C.V.	Administrative services	Baja California Sur	-	48,4617
Parque Eólico Loma del Capón, S.L.	Electricity	Churriana de la Vega	-	100,0000
Playa Caribe Holding IV B.V.	Holding company	Amsterdam	-	100,0000
Playa Caribe Holding V B.V.	Holding company	Amsterdam	-	100,0000
Playa Caribe Holding VI B.V.	Holding company	Amsterdam	-	100,0000
Playa Marina, S.A, de C.V.	Real estate development	Cancun	-	100,0000
Procom Residencial Rivas, S.A.	Real estate development	Elche	-	100,0000
Promociones e Inmuebles Blauverd Mediterráneo, S.L.	Real estate development	Elche	-	100,0000
Promociones y Desarrollos Creaziona Levante S.L.	Real estate	Sant Cugat del Vallès	-	100,0000
Promociones y Desarrollos Ribera Mujeres S.A, de C.V.	Construction	Isla Mujeres	-	100,0000
Promociones y Financiaciones Herrero, S.A.	Holding company	Oviedo	100,0000	-
Proteo Banking Software, S.L.	IT services	Sant Cugat del Vallès	100,0000	-
Puerto Mujeres, S.A, de C.V.	Real estate development	Cancun	-	100,0000
Residencial Kataoria S.L.	Real estate	Sant Cugat del Vallès	-	100,0000
Sabadell Asia Trade Services, Ltd.	Services	Hong Kong	100,0000	-
Sabadell Brasil Trade Services - Ass.Cial Ltda.	Representative office	Sao Paulo	99,9900	0,0100
Sabadell BS Select Fund of Hedge Funds, S.I.C.A.V S.A.	Holding company	Luxembourg	59,1554	-
Sabadell Corporate Finance, S.L.	Financial consulting	Madrid	100,0000	-
Sabadell d'Andorra Inversions S.G.O.I.C., S.A.U.	Investment fund managers	Andorra la Vella	-	50,9700
Sabadell International Equity, Ltd.	Finance company	George Town	100,0000	-
Sabadell Inmobiliario, F.I.I.	Real-estate investment fund	Sant Cugat del Vallès	99,6200	-
Sabadell Securities USA, Inc.	Services	Miami	100,0000	-
Sabadell Solbank Inversión, S.G.I.I.C., S.A.U.	UCITS manager	Madrid	100,0000	
Sabadell Solbank Seguros Operador de Banca - Seguros vinculado (Grupo BancSabadell), S.A.U.	Insurance	Madrid		100,0000
Sabadell Solbank Sociedad de Gestión de Activos Adjudicados, S.A.U.	Real-estate purchase and sale	Madrid		100,0000
Sabadell Solbank, S.A. Sociedad Unipersonal	Banking	Madrid	100,0000	
Sabadell United Bank, N.A.	Banking	Miami	94,3800	-
Serveis d'Assessorament BSA, S.A.U.	Services	Andorra la Vella	-	50,9700
Servicio de Administración de Inversiones, S.A.	Holding company	Madrid	100,0000	-
Servicios Reunidos, S.A.	Services	Sabadell	100,0000	-
Simat Banol, S.L.	Real estate development	Elche	-	100,0000
Sinia Renovables, S.C.R. de R.S., S.A.U.	Venture capital company	Barcelona	100,0000	-
Solvia Activos, S.A.U.	Real estate	Sant Cugat del Vallès	100,0000	-
Solvia Atlantic, L.L.C.	Real estate	Miami	-	100,0000
Solvia Development, S.L	Real estate	Sant Cugat del Vallès	100,0000	-
Solvia Hotels, S.L.	Real estate	Sant Cugat del Vallès	100,0000	-
Solvia Housing, S.L.	Real estate	Sant Cugat del Vallès	100,0000	-
Solvia Pacific, S.A. de C.V.	Real estate	D.F. (México)	-	99,9998
Son Blanc Caleta S.L.	Real estate	Sant Cugat del Vallès	-	100,0000
Tabimed Gestión de Proyectos, S.L.	Real estate project management	Alicante	-	100,0000
Tasaciones de Bienes Mediterráneo, S.A.	Poperty appraisals	Alicante	99,8800	0,1200
Tenedora de Inversiones y Participaciones, S.L.	Holding company	Alicante	100,0000	-
Tierras Vega Alta del Segura S.L.	Real estate	Sant Cugat del Vallès	-	100,0000
Tinser Cartera, S.L.	Holding company	Alicante	100,0000	-
Tratamientos y Aplicaciones, S.L.	Administrative services	Alicante	100,0000	-
Urdin Oria, S.A.	Dormant	San Sebastian	99,9800	0,0200
Urquijo Gestión, SAU, SGIIC	Investment fund managers	Madrid	-	100,0000
Urumea Gestión, S.L.	Holding company	San Sebastian	-	100,0000
Verum Inmobiliaria Urbanismo y Promoción, S.A.	Real estate development	Madrid	-	97,2000
Villacarrilla F.V., S.L.	Solar power plant	Madrid	-	100,0000
Vistas del Parque 21, S.L. (f)	Real estate development	Sant Cugat del Vallès	-	97,8285

(a) On 11 July 2013, Ros Casares Espacios, S.A. changed its business 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 business 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 business name to Mediterráneo Sabadell, S.L.

(e) On 29 July 2013, Mirador del Segura 21, S.L. moved its registered office to Sant Cugat del Vallès and switched to the full consolidation method.

(f) On 29 July 2013, Vistas del Parque 21, S.L.. moved its registered office to Sant Cugat del Vallès and switched to the full consolidation method.

Schedule I: 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	Consolidated taxation
Fully consolidated companies									
Activos Valencia I, S.A.U.	10,000	(86,541)	(29,094)	0	108,248	2,000	0	(29,094)	No
Administración y Proyectos MDT, S.A. P.I. de C.V.	3,129	(49,832)	(7,040)	0	48,981	0	(451)	(7,040)	No
Alfonso XII, 16 Inversiones, S.L.	11,400	(25,850)	1,948	0	2,094	15,939	(17,533)	1,948	No
Arrendamiento de Bienes Inmobiliarios del Mediterráneo, S.L.	100	13,976	(989)	0	13,210	21,227	(2,451)	(989)	Yes
Artemus Capital, S.L.	29,026	(25,590)	(15,166)	0	19,583	29,574	(680)	(15,166)	Yes
Assegurances Segur Vida, S.A.	602	3	335	300	134,035	602	154	335	No
Aurica XXI, S.C.R., S.A.U.	14,200	19,611	(786)	0	117,775	17,492	15,839	(786)	Yes
Ballerton Servicios, S.L.	50	24,326	0	0	24,376	3,140	(119)	0	Yes
Banco Atlantico Bahamas Bank & Trust, Ltd.	1,450	712	(20)	0	2,771	2,439	686	(20)	No
Banco de Sabadell, S.A.	501,435	9,493,176	322,382	0	157,760,533	0	11,313,624	322,382	Yes
Banco Gallego, S.A.U.	325,042	(87,697)	(137,219)	0	3,129,892	0	0	(118,565)	No
BancSabadell d'Andorra , S.A.	30,069	26,698	7,267	1,148	689,426	15,326	10,999	7,267	No
BanSabadell Consulting, S.L.	3	22	3	0	406	3	22	3	Yes
BanSabadell Correduría de Seguros, S.A.	60	18	33	71	373	588	(621)	33	Yes
Bansabadell Factura, S.L.	100	(3,269)	104	0	590	299	(3,468)	104	Yes
BanSabadell Financiación, E.F.C., S.A	24,040	26,993	(280)	551	658,805	24,040	26,993	(280)	Yes
Bansabadell Fincom, E.F.C., S.A.U.	35,520	5,452	9,525	8,119	536,460	72,232	(26,338)	9,525	Yes
BanSabadell Holding, S.L.	330,340	(389,401)	3,934	0	321,674	239,544	(330,214)	3,934	Yes
BanSabadell Information System S.A.	240	22,896	4,623	0	257,632	3,687	19,210	4,623	Yes
BanSabadell Inversió Desenvolupament, S.A.	15,025	15,696	1,519	0	64,273	19,368	23,171	1,519	Yes
BanSabadell Inversión, S.A.U., S.G.I.I.C.	601	88,357	10,946	0	135,798	607	88,347	10,946	Yes
Bansabadell Mediación, operador de Banca-Seguros vinculado del grupo Banco Sabadell, S.A.	301	4,664	5,994	0	36,143	524	(26,907)	5,994	Yes
BanSabadell Operaciones y Servicios, S.A.U.	60	0	326	0	1,906	60	0	326	Yes
BanSabadell Renting, S.L.	2,000	8,732	4,186	4,050	183,090	3,861	6,364	4,186	Yes
BanSabadell Securities Services, S.L	2,500	6,438	4,076	3,970	13,770	2,500	6,136	4,076	Yes
Bitarte S.A.	6,506	4,618	(457)	0	11,753	9,272	(1,988)	(457)	No
BlueSky Property Development, S.L.	2,500	(11,673)	427	0	5,920	2,492	(9,980)	427	No
Boreal Renovables 14, S.L.	508	(3)	(5)	0	2,004	0	0	(5)	No
Boreal Renovables 15, S.L.	8	(2)	0	0	6	0	0	0	No
Boreal Renovables 16, S.L.	8	(2)	0	0	6	0	0	0	No
BSTARTUP 10, S.L.U.	1,000	0	0	0	1,000	1,000	0	0	Yes
CAM Capital, S.A.U.	61	135	162	1,625	50,595	222	605	162	Yes
CAM Global Finance, S.A.U.	61	68	(1)	120	207,645	218	64	(1)	Yes
CAM International Issues, S.A.U.	61	174	163	38,357	187,683	48,377	4,333	163	Yes
Caminsa Urbanismo, S.A.	2,000	(1,376)	(39)	0	613	800	(422)	(39)	Yes
Casiopea Energía 1, S.L	3	0	(1)	0	68	0	0	(1)	No
Casiopea Energía 10, S.L	3	1	(2)	0	72	0	0	(2)	No
Casiopea Energía 11, S.L	3	0	(1)	0	71	0	0	(1)	No
Casiopea Energía 12, S.L	3	1	(2)	0	72	0	0	(2)	No
Casiopea Energía 13, S.L	3	1	(2)	0	72	0	0	(2)	No
Casiopea Energía 14, S.L	3	4	(5)	0	79	0	0	(6)	No
Casiopea Energía 15, S.L	3	6	(7)	0	81	0	0	(7)	No
Casiopea Energía 16, S.L	3	10	(11)	0	79	0	0	(12)	No
Casiopea Energía 17, S.L	3	(7)	9	0	57	0	0	9	No
Casiopea Energía 18, S.L	3	18	(20)	0	89	0	0	(7)	No
Casiopea Energía 19, S.L	3	6	(3)	0	76	0	0	(4)	No
Casiopea Energía 2, S.L	3	4	(5)	0	67	0	0	(6)	No
Casiopea Energía 3, S.L	3	4	(5)	0	80	0	0	(5)	No
Casiopea Energía 4, S.L	3	4	(5)	0	78	0	0	(5)	No
Casiopea Energía 5, S.L	3	4	(5)	0	78	0	0	(5)	No
Casiopea Energía 6, S.L	3	3	(4)	0	75	0	0	(4)	No
Casiopea Energía 7, S.L	3	10	(12)	0	79	0	0	(12)	No
Casiopea Energía 8, S.L	3	0	(1)	0	70	0	0	(1)	No
Casiopea Energía 9, S.L	3	1	(2)	0	72	0	0	(2)	No
Compañía de Cogeneración del Caribe Dominicana, S.A.	5,801	(5,197)	0	0	618	0	92	0	No
Costa Mujeres Investment BV	18	(18,444)	(2,457)	0	25,755	8,357	(853)	(2,457)	No
Datolita Inversiones 2010, S.L.	3	250	(226)	0	36	3	(120)	(226)	No
Delta Swing, S.L.	981	42	(410)	0	2,212	0	0	(410)	No
Desarrollo y Ejecución Urbanística del Mediterráneo, S.L.	15,533	(9,294)	(119)	0	9,354	14,503	(4,812)	(115)	Yes
Desarrollos y Participaciones Inmobiliarias 2006, S.L.	1,942	(45,867)	(8,273)	0	61,921	1,919	(12,910)	(8,273)	Yes
Easo Bolsa, S.A.	15,150	23,611	(258)	0	38,506	38,311	1,255	(258)	No
Eco Resort San Blas, S.L.	7,801	(1,399)	(142)	0	74,159	8,101	(2)	(142)	No
Ederra, S.A.	2,036	24,857	1,225	0	30,134	42,387	(8,642)	1,225	No
Eólica Cuesta Roya, S.L.	3	(13)	0	0	2	0	0	0	No
Eólica de Valdejón, S.L.	3	(17)	(1)	0	3	0	0	(1)	No
Epila Renovables, S.L.	8	42	(9)	0	229	0	0	(6)	No
Espais Arco Mediterráneo S.L.	5,953	(24,880)	(2,784)	0	3,028	3,834	(3,005)	(2,784)	No
Europa Invest, S.A.	125	149	84	0	395	336	(70)	84	No
Europea Pall Mall Ltd.	18,564	(3,185)	(67)	0	15,600	20,843	(1,598)	(67)	No
Explotaciones Energéticas SINIA XXI, S.L.	1,352	(14,995)	11,536	0	32,217	4,672	(16,202)	11,536	Yes
Fomento de la Coruña, S.A	100	(88)	0	0	37	9,595	0	(7,826)	No
Fonomed Gestión Telefónica Mediterráneo, S.A.	180	57	13	21	414	398	18	13	Yes
Fotovoltaica de la Hoya de los Vicentes 106, S.L.	74	0	(12)	0	732	0	0	(21)	No
Fotovoltaica de la Hoya de los Vicentes 113, S.L.	74	0	(9)	0	736	0	0	(18)	No
Fotovoltaica de la Hoya de los Vicentes 119, S.L.	74	0	(9)	0	736	0	0	(17)	No
Fotovoltaica de la Hoya de los Vicentes 121, S.L.	74	0	(6)	0	738	0	0	(15)	No
Fotovoltaica de la Hoya de los Vicentes 127, S.L.	74	0	(9)	0	736	0	0	(17)	No
Fotovoltaica de la Hoya de los Vicentes 130, S.L.	74	0	(8)	0	737	0	0	(20)	No
Fotovoltaica de la Hoya de los Vicentes 131, S.L.	74	0	(11)	0	733	0	0	(20)	No
Fotovoltaica de la Hoya de los Vicentes 144, S.L.	74	0	(11)	0	735	0	0	(20)	No
Fotovoltaica de la Hoya de los Vicentes 162, S.L.	74	0	(9)	0	734	0	0	(17)	No
Fotovoltaica de la Hoya de los Vicentes 163, S.L.	74	0	(7)	0	737	0	0	(14)	No
Fotovoltaica de la Hoya de los Vicentes 164, S.L.	74	0	(5)	0	740	0	0	(13)	No
Fotovoltaica de la Hoya de los Vicentes 165, S.L.	74	0	(8)	0	744	0	0	(10)	No
Fotovoltaica de la Hoya de los Vicentes 166, S.L.	74	0	(6)	0	743	0	0	(15)	No
Fotovoltaica de la Hoya de los Vicentes 167, S.L.	74	0	(11)	0	734	0	0	(19)	No
Fotovoltaica de la Hoya de los Vicentes 168, S.L.	74	0	(8)	0	737	0	0	(15)	No
Fotovoltaica de la Hoya de los Vicentes 169, S.L.	74	0	(5)	0	740	0	0	(12)	No
Fotovoltaica de la Hoya de los Vicentes 170, S.L.	74	0	(11)	0	733	0	0	(20)	No
Fotovoltaica de la Hoya de los Vicentes 195, S.L.	74	2	(2)	0	748	0	0	(7)	No
Fotovoltaica de la Hoya de los Vicentes 200, S.L.	74	2	(1)	0	745	0	0	(9)	No
G.I. Cartera, S.A.	13,523	9,440	(7,007)	0	40,806	19,119	(1,462)	(7,006)	Yes
Gala Domus, S.A.	4,000	(5,529)	(841)	0	30,205	2,000	0	(13,616)	No
Galeban 21 Comercial, S.L.U.	10,000	(140)	(576)	0	5,731	0	0	(8)	No

Schedule I: 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	Consolidated taxation
Fully consolidated companies									
Galeban Control y Asesoramiento, S.L.U	8	29	2	0	40	0	0	(11)	No
Galeban Gestión de Riesgos, S.A.U.	300	121	7	8	835	300	0	(530)	No
Galego Preferentes, S.A.U.	61	24	(9)	0	99	61	0	(9)	No
Gazteluberri Gestión S.L.	1,460	(20,473)	(38)	0	11,297	1,769	(14,095)	(38)	No
Gazteluberri S.L.	44,315	(49,410)	(6,943)	0	32,379	68,153	(46,748)	(6,943)	No
Gest 21 Inmobiliaria, S.L.U.	80,516	(3,777)	(843)	0	86,662	0	0	(465)	No
Gest Galinver, S.L.	6,580	(1,049)	(1,777)	0	3,781	7,155	0	(352)	No
Gest Madrigal, S.L.	1,230	(4,791)	(21)	0	1,165	1,230	0	(33)	No
Gestión de Proyectos Urbanísticos del Mediterráneo, S.L.	33,850	(15,604)	10	0	25,310	31,139	(6,189)	10	Yes
Gestión Financiera del Mediterráneo, S.A.U.	13,000	43,859	75,462	0	219,537	361,553	(3,518)	75,462	Yes
Gestión Mediterránea del Medioambiente, S.A.	60	776	(777)	0	64	64	(94)	(777)	No
Grao Castalia S.L.	700	(2,500)	30	0	1,344	863	(927)	30	No
Guipuzcoano Capital, S.A. Unipersonal	60	2	9	6	19,287	59	3	9	No
Guipuzcoano Promoción Empresarial, S.L.	32,314	(74,019)	(27,236)	0	17,538	32,314	(34,114)	(27,236)	No
Guipuzcoano Valores, S.A.	4,514	4,450	(149)	0	8,923	10,833	(1,866)	(149)	No
Guipuzcoano, Correduría de Seguros del Grupo Banco Guipuzcoano, S.A.	100	670	771	361	3,115	3,351	(295)	771	No
Hansa Cabo, S.A. de C.V.	3,745	(65,835)	47,322	0	93	10,789	(23,650)	18,655	No
Hansa México S.A. DE C.V.	17,080	(68,576)	50,343	0	2,758	20,243	(22,401)	28,772	No
Herrero Internacional Gestión, S.L.	354	3,761	0	0	4,114	1,139	63	0	Yes
Hobalear, S.A.	60	610	12	0	683	414	610	12	Yes
Hondarriberri, S.P.E., S.L.	41	19,350	(29,288)	0	45,067	74,631	(17,013)	(29,288)	No
Hotelera H.M., S.A. de C.V.	17,451	(16,101)	593	0	27,211	30,596	(1,483)	287	No
Hotelera Marina, S.A, de C.V.	67,820	(29,213)	(2,840)	0	35,146	71,975	(632)	(2,840)	No
Interstate Property Holdings, LLC	5,801	(16,343)	773	0	37,176	3,006	(21,368)	773	No
Inverán Gestión, S.L.U.	45,090	(44,576)	(4,677)	0	18,576	24,877	0	(4,857)	No
Inversiones Cotizadas del Mediterráneo, S.L.	308,000	185,199	11,017	0	508,944	625,000	731	11,017	Yes
Mariñamendi S.L.	55,013	(88,482)	(32)	0	48,003	55,013	(84,494)	(32)	No
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	No
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	No
Mirador del Segura 21, S.L.	4,637	(2)	(4,827)	0	1,253	4,526	0	(4,827)	No
New Premier Inversiones, SICAV, S.A.	2,169	258	58	0	2,715	0	0	(2,981)	No
Operadora Cabo De Cortes S. de R.L. de C.V.	0	(193)	(16)	0	205	0	(73)	(8)	No
Parque Eólico Loma del Capón, S.L. (a)	3,124	(178)	(32)	0	59,073	2,904	(1,089)	(32)	Yes
Playa Caribe Holding IV B.V.	27	(7,886)	(7,104)	0	33,284	36,843	(1,471)	(7,104)	No
Playa Caribe Holding V B.V.	27	(204)	(946)	0	1,547	1,020	(86)	(946)	No
Playa Caribe Holding VI B.V.	27	(12,840)	(2,777)	0	5,504	3,423	(175)	(2,777)	No
Playa Marina, S.A, de C.V.	2,776	(863)	(204)	0	1,649	2,906	(92)	(204)	No
Procom Residencial Rivas, S.A.	12,500	(78,838)	(14,521)	0	29,341	5,625	(4,709)	(14,521)	No
Promociones e Inmuebles Blauverd Mediterráneo, S.L.	17,666	(75,185)	(10,229)	0	22,371	10,684	(14,281)	(10,229)	No
Promociones y Desarrollos Creaziona Levante S.L.	8,740	(10,160)	97	0	4,784	14,497	(8,027)	97	No
Promociones y Desarrollos Ribera Mujeres S.A, de C.V.	44,208	(15,745)	(287)	0	26,295	49,925	(2,433)	(287)	No
Promociones y Financiaciones Herrero, S.A.	3,456	269	0	0	3,725	24,185	8	0	Yes
Proteo Banking Software, S.L.	3	(1)	0	0	1	3	(1)	0	Yes
Puerto Mujeres, S.A, de C.V.	18,990	(11,893)	(727)	0	5,795	20,162	(1,550)	(727)	No
Residencial Kataoria S.L.	3,250	(5,890)	1,111	0	3,855	8,233	(9,253)	1,111	No
Sabadell Asia Trade Services, Ltd.	0	(35)	35	0	0	0	1	35	No
Sabadell Brasil Trade Services - Ass.Cial Ltda.	1,050	(934)	(1)	0	131	250	(154)	(1)	No
BS Select Fund of Hedge Funds, S.I.C.A.V., S.A.	27,724	2,325	2,585	0	34,277	16,400	1,388	2,585	No
Sabadell Corporate Finance, S.L.	70	1,404	106	0	1,888	9,373	(40)	106	Yes
Sabadell d'Andorra Inversions S.G.O.I.C., S.A.U	300	(504)	1,504	1,350	3,625	300	431	1,504	No
Sabadell International Equity, Ltd.	1	96	22	0	21,555	1	13	22	No
Sabadell Inmobiliario, F.I.I.	891,780	90,835	(24,905)	0	1,035,259	939,334	0	(24,905)	No
Sabadell Securities USA, Inc.	580	810	238	0	1,725	551	921	238	No
Sabadell Solbank Inversión, S.G.I.I.C., S.A.U.	601	4,396	(284)	0	4,809	4,846	0	(284)	No
Sabadell Solbank Seguros Operador de Banca - Seguros vinculado (Grupo BancSabadell), S.A.U.	120	357	586	0	1,371	698	0	586	No
Sabadell Solbank Sociedad de Gestión de Activos Adjudicados, S.A.U.	60	3,147	(280)	0	2,938	3,273	0	(280)	No
Sabadell Solbank, S.A. Sociedad Unipersonal	366,611	865	(14,537)	0	1,645,082	65,001	220	(14,537)	No
Sabadell United Bank, N.A.	2,610	338,806	32,553	0	2,804,791	307,710	34,067	32,553	No
Serveis d'Assessorament BSA, S.A.U.	60	25	11	0	815	60	15	11	No
Servicio de Administración de Inversiones, S.A.	6,010	754	(1)	0	6,762	16,690	(6,102)	(1)	Yes
Servicios Reunidos, S.A.	60	18	0	0	78	67	12	0	Yes
Simat Banol, S.L.	1,482	(5,664)	(723)	0	853	667	(932)	(723)	No
Sinia Renovables, S.C.R. de R.S., S.A.U.	15,000	2,542	(7,371)	0	59,294	15,000	2,542	(7,371)	Yes
Solvia Activos, S.A.U.	100,060	400,547	(63,406)	0	441,646	500,622	(15)	(63,406)	Yes
Solvia Atlantic, L.L.C.	9,554	(1,424)	(78)	0	8,058	9,638	(1,493)	(78)	No
Solvia Development, S.L	19,071	(780,071)	(637,496)	0	3,770,602	597,442	(1,354,428)	(637,496)	Yes
Solvia Hotels, S.L.	500	(8,117)	(6,163)	0	60,866	500	(8,117)	(6,163)	Yes
Solvia Housing, S.L.	2,073	(10,091)	988	0	28,951	4,292	(12,310)	988	Yes
Solvia Pacific, S.A. de C.V.	29,845	0	-1580	0	29753	31,795	0	-1580	No
Son Blanc Caleta S.L.	4,000	(10,998)	(188)	0	2,563	6,288	(9,123)	(188)	No
Tabimed Gestión de Proyectos, S.L.	3	86	(160)	0	328	3	(185)	(160)	No
Tasaciones de Bienes Mediterráneo, S.A., en liquidación	1,000	2,043	(112)	0	3,580	3,940	(137)	(112)	No
Tenedora de Inversiones y Participaciones, S.L.	296,092	(800,450)	(162,585)	0	2,997,092	1,302,449	(392,671)	(162,585)	Yes
Tierras Vega Alta del Segura S.L.	4,550	(20,210)	1,617	0	11,270	5,123	(14,512)	1,617	No
Tinser Cartera, S.L.	29,111	1,823	(10,269)	0	54,487	60,314	(3,663)	(10,269)	Yes
Tratamientos y Aplicaciones, S.L.	3,003	45	(234)	0	2,825	3,821	56	(234)	Yes
Urdin Oria, S.A.	60	2	0	0	62	63	(1)	0	No
Urquijo Gestión, SAU, SGIIC	3,606	2,543	1,422	0	12,606	5,286	778	1,422	Yes
Urumea Gestión, S.L.	9	7	(3)	0	15	9	0	(3)	No
Verum Inmobiliaria Urbanismo y Promoción, S.A.	12,000	(43,785)	6,556	0	6,178	11,664	0	4,575	No
Villacarrilla F.V., S.L.	3	13	4	0	693	0	0	(6)	No
Vistas del Parque 21, S.L.	4,646	(6)	(4,744)	0	1,262	4,535	(2)	(4,744)	No
Total				**331,044**		**7,036,581**	**8,703,223**	**(468,573)**	

Schedule I: Banco Sabadell Group companies at 31 December 2013

Company name			Percentage shareholding Direct	Indirect
Companies consolidated by the proportional method				
Alma Gestión de Hoteles, S.L.U.	Hotel trade	Barcelona	-	49.72
Alma Hotelmanagement GMBH	Hotel trade	Berlín	-	49.72
B2B Salud, S.L.U.	Purchase and sale of sanitary products	Alicante	-	50.00
Cartera de Participaciones Empresariales, C.V., S.L.	Holding company	Valencia	50.00	-
Dreamview, S.L.	Real estate development	Alicante	-	49.00
Ecamed Barcelona, S.L.U	Hotel trade	Barcelona	-	49.72
Ecamed Pamplona, S.L.U	Hotel trade	Pamplona	-	49.72
Elche-Crevillente Salud S.A.	Health care services	Valencia	-	30.00
Emporio Mediterráneo, S.L.	Real estate development	Alicante	-	50.00
Emte Renovables, S.L.	Holding company	Barcelona	-	62.11
Eólica Mirasierra, S.L.	Electricity	Palencia	-	50.00
Erbisinia Renovables, S.L.	Holding company	Leon	-	49.00
Espais Catalunya Mediterráneo, S.A.	Holding company	Barcelona	-	49.72
Fbex del Mediterráneo, S.L.	Real estate development	Barcelona	-	25.00
Financiera Iberoamericana, S.A.	Finance company	Havana	50.00	-
Galenova Sanitaria, S.L.	Health	Madrid	-	50.00
Inerzia Mediterráneo, S.L.	Real estate development	Alicante	-	40.00
Inmobiliaria Ricam 2005, S.L.	Real estate development	Tarragona	-	40.00
Jerez Solar, S.L.	Electricity	Sant Joan Despí	-	62.11
La Ermita Resort, S.L.	Real estate development	San Javier	-	29.49
Liquidambar Inversiones Financieras, S.L.	Financial management	Madrid	13.33	-
Mankel System, S.L.U.	Property rental	Barcelona	-	49.72
Mercado Inmobiliario de Futuro, S.L.	Real estate development	Valencia	-	49.14
Plaxic Estelar, S.L.	Real estate	Barcelona	-	45.01
Ribera Salud Infraestructuras, S.L.U	Health care	Valencia	-	50.00
Ribera Salud Proyectos, S.L.U.	Health care	Valencia	-	50.00
Ribera Salud Tecnologías, S.L.U.	Health care	Valencia	-	50.00
Ribera Salud, S.A.	Health care management	Valencia	-	50.00
Torrevieja Salud, S.L.U.	Health care services	Torrevieja	-	50.00
Companies consolidated by the equity method (1)				
6350 Industries, S.L.	Real estate	Barcelona	-	37.50
Adara Renovables, S.L.	Biofuel	La Coruña	-	34.00
Adelanta Corporación, S.A.	Services	Orense	-	25.00
Altavista Hotelera,S.L.	Hotel trade	Barcelona	-	40.00
Alze Mediterráneo, S. L.	Real estate development	Girona	-	45.00
Anara Guipuzcoa, S.L.	Real estate	Alicante	-	40.00
Atalanta Catalunya 2011, S.L.	Wind power	Orense	-	25.00
Aviación Regional Cántabra, A.I.E.	Services	Boadilla del Monte	26.42	-
Aviones Alfambra CRJ-900, A.I.E.	Services	Madrid	25.00	-
Aviones Cabriel CRJ-900, A.I.E.	Services	Madrid	25.00	-
Aviones Carraixet CRJ-200 II A.I.E.	Aircraft	Madrid	25.00	-
Aviones Gorgos CRJ-900, A.I.E.	Services	Madrid	25.00	-
Aviones Portacoli CRJ-200 III A.I.E.	Aircraft	Madrid	25.00	-
Aviones Sella CRJ-900, A.I.E.	Services	Madrid	25.00	-
Aviones Turia CRJ-200 I, A.I.E.	Aircraft	Madrid	25.00	-
Bajo Almanzora Desarrollos Inmobiliarios, S.L.	Real estate development	Almeria	-	39.14
Balam Overseas BV	Real estate development	Amsterdam	-	40.00
Banco Gallego Vida y Pensiones, S.A. de Seguros y Reaseguros	Insurance	Madrid	-	25.00
BanSabadell Pensiones, E.G.F.P., S.A.	pension fund managers	Sant Cugat del Vallès	50.00	-
BanSabadell Seguros Generales, S.A. de Seguros y Reaseguros	Insurance	Sant Cugat del Vallès	50.00	-
BanSabadell Vida, S.A. de Seguros y Reaseguros	Insurance	Sant Cugat del Vallès	50.00	-
Berilia Grupo Inmobiliario, S.L.	Real estate development	Madrid	-	40.00
Blue-Lor, S.L.	Real estate development	Barcelona	-	27.62
Cantabria Generación, S.L.	Wind power promotion	Santander	-	50.00
Casas del Mar levante, S.L.	Real estate	Alicante	-	33.33
Costa Marina Mediterráneo, S.A.	Real estate development	Alicante	-	33.33
Decovama 21, S.L.	Real estate development	Madrid	-	22.03
Desarrollos Inmobiliarios Pronegui, S.L.	Real estate	Madrid	-	40.00
Dexia Sabadell, S.A.	Banking	Madrid	20.99	-
Diana Capital S.G.E.C.R., S.A.	Venture capital	Madrid	20.66	-
Dime Habitat, S.L.	Real estate development	Barcelona	-	40.00
E.B.N. Banco de Negocios, S.A.	Financial intermediary	Madrid	15.62	-
Energias Renovables Sierra Sesnández, S.L. (b)	Special purpose entity	Valladolid	-	40.00
Espazios Murcia, S.L.	Real estate	Murcia	-	45.00
ESUS Energía Renovable, S.L.	Electricity	Vigo	-	45.00
Eurofragance, S.L.	Perfume manufacture	Rubí	-	25.00
Fega Unión, S.L.	Real estate development	Madrid	-	48.00
Fotovoltaica de la Hoya de los Vicentes 171, S.L.	Solar power plant	Madrid	-	50.00
Fotovoltaica de la Hoya de los Vicentes 189, S.L.	Solar power plant	Madrid	-	25.00
Gate Solar, S.L. SPE	Solar power	Vitoria	50.00	-
Gaviel, S.A.	Real-estate investment	Barcelona	50.00	-
GDSUR Alicante, S.L.	Real estate development	Elda	-	27.75
General de Biocarburantes, S.A.	Chemicals	Marina de Cudeyo	-	25.00
Gesta Aparcamientos, S.L.	Real estate development	Elche	-	40.00

Company name			Percentage shareholding Direct	Indirect
Companies consolidated by the equity method (1)				
Gestora de Aparcamientos del Mediterráneo, S.L.	Car-park management	Alicante	-	40.00
Gradiente Entrópico, S.L.	Real estate development	Cartagena	-	49.00
Grupo Luxiona S.L. (c)	Lighting products	Canovelles	-	20.00
Guisain, S.L.	Real estate	Abanto y Zierbena	-	40.00
Hansa Urbana S.A.	Real estate development	Alicante	22.65	7.96
Hidrophytic, S.L.	Real estate	Vitoria	-	50.00
IFOS, S.A.	Services	Buenos Aires	-	20.00
Inmobiliaria Valdebebas 21, S.L.	Real estate development	Madrid	-	27.27
Intermas Nets, S.A.	Chemicals	Llinars del Vallès	-	20.00
Inversiones Ahorro 2000, S.A.	Securities management	Vigo	20.00	-
Inversiones Valdeapa 21, S.L.	Real estate development	Madrid	-	16.03
Key Vil I, S.L.	Real estate	Banos y Mendigo	-	40.00
Kosta Bareño, S.A.	Real estate	Abanto y Zierbena	-	20.00
Leva-Yorma, S.L.	Real estate development	Madrid	-	49.08
Lizarre Promociones, A.I.E.	Real estate	Abanto y Zierbena	-	40.00
Loalsa Inversiones Castilla la Mancha, S.L.	Real estate	Madrid	-	20.00
Luzentia Fotovoltaica, S.L.	Solar power farm management	Madrid	-	25.92
Marina Salud, S.A.	Health care services	Denia	-	17.50
Mediterráneo Seguros Diversos, Compañía de Seguros y Reaseguros, S.A.	Non-life insurance:	Alicante	-	50.00
Mercurio Alicante Sociedd de Arrendamientos 1, S.L.U.	Residential leases	Alicante	75.00	-
Metalplast C.F.E., S.L.	Lighting	La Coruña	-	20.00
Metrovacesa, S.A.	Real estate development	Madrid	13.04	-
Murcia Emprende, S.C.R., S.A.	Venture capital	Murcia	32.50	-
Mursiya Golf, S.L.	Real estate	Murcia	-	49.70
Naguisa Promociones, S.L.	Real estate	Pamplona	-	45.00
NF Desarrollos, S.L.	Real estate	Murcia	-	40.00
Norfin 21, S.L.	Real estate	Benalmadena	-	49.99
Parc Eòlic Veciana-Cabaro, S.L.	Electricity	Barcelona	-	40.00
Parque del Segura, S.L.	Real estate	Benalmadena	-	32.20
Parque Eólico Magaz, S.L.	Electricity	Magaz de Pisuerga	-	49.00
Parque Tecnológico Fuente Álamo, S.A.	Desarrollo parque tecnológico	Fuente Álamo	22.54	-
Pemapro, S.L.	Real estate development	La Coruña	-	49.00
Planificación TGN 2004, S.L.	Real estate development	Catllar	-	25.00
Prat Spolka, Z.O.O.	Real estate development	Warsaw	-	35.00
Proburg BG XXI, S.L.	Real estate	Burgos	-	25.00
Promociones Abaco Costa Almeria, S.L.	Real estate	Granada	-	40.00
Promociones Aguiver, S.L.	Real estate	Murcia	-	40.00
Promociones Florida Casas, S.L.	Real estate	Alicante	-	40.00
Promociones y Desarrollos Urbanos Oncineda, S.L.	Real estate	Pamplona	-	50.00
Queenford, S.L.	Real estate	Barcelona	-	31.54
Residencial Haygon, S.L.	Real estate	San Vicente del Raspeig	-	25.00
Ribera Casares Golf, S.L.	Real estate development	Madrid	-	47.07
Rocabella, S.L.	Real estate development	Ibiza	-	36.09
Saprosin Promociones, S.L.	Real estate	Elda	-	45.00
SBD Creixent, S.A.	Real estate	Sabadell	23.01	-
Sercacín, S.A.	Business services	Alicante	20.00	-
Servicios Inmobiliarios Trecam, S.L.	Real estate development	Madrid	-	30.01
Sistema Eléctrico de Conexión Valcaire, S.L.	Electricity	Granada	-	46.88
Sociedad de Cartera del Vallés, S.I.C.A.V., S.A.	Investment company	Sant Cugat del Vallès	44.13	-
Societat d'Inversió dels Enginyers, S.L.	Holding company	Barcelona	-	33.25
Torre Sureste, S.L.	Real estate	San Vicente del Raspeig	-	40.00
Tremon Maroc Services Inmobiliers S.A.R.L.	Real estate development	Tangiers	-	40.00
Txonta Egizastu Promozioak, S.L.	Real estate	Zarautz	-	35.00
Urtago Promozioak, A.I.E.	Real estate	Zarautz	-	30.00
Visualmark Internacional, S.L.	Lighting	La Coruña	-	20.00

(1) Consolidated by the equity method due to the absence of management control.

Schedule I: Banco Sabadell Group companies at 31 December 2013

Thousand euro

Company name	Capital	Company data (2) Reserves	Results (3)	Dividends paid (4)	Total assets	Investment by group	Contribution to reserves or losses in consolidated companies	Contribution consolidated group results	Consolidated taxation
Companies consolidated by proportional method									
Alma Gestión de Hoteles, S.L.U. (a)	4,073	(12,212)	(2,042)	0	3,326	2,025	(230)	(1,015)	No
Alma Hotelmanagement GMBH (a)	25	359	(379)	0	1,477	3,544	(249)	(188)	No
B2B Salud, S.L.U. (a)	30	1,407	776	0	2,485	665	134	0	No
Cartera de Participaciones Empresariales, C.V., S.L.	52,000	8,964	(33,415)	0	27,555	27,111	381	(16,708)	No
Dreamview, S.L. (a)	2,499	(9,596)	3,834	0	292	1,225	(568)	1,879	No
Ecamed Barcelona, S.L.U (a)	12,003	(22,566)	8	0	55,472	3,805	(895)	4	No
Ecamed Pamplona, S.L.U (a)	4,503	(6,414)	(1,428)	0	19,759	2,239	(843)	(710)	No
Elche-Crevillente Salud S.A. (a)	4,050	9,779	2,901	0	250,887	4,050	(3,173)	0	No
Emporio Mediterráneo, S.L. (c)	16,383	(14,471)	(295)	0	9,619	6,242	(2,330)	(148)	No
Emte Renovables, S.L. (a)	7,050	(426)	(38)	0	6,905	4,379	0	0	No
Eólica Mirasierra, S.L.	64	5,359	167	0	71,855	2,709	38	84	No
Erbisinia Renovables, S.L	3	0	0	0	1	1	0	0	No
Espais Catalunya Mediterráneo, S.A. (a)	26,551	(47)	(26,517)	0	3,040	12,448	(8)	(13,184)	No
Fbex del Mediterráneo, S.L. (k)	18,096	(4,729)	0	0	13,537	4,524	(1)	0	No
Financiera Iberoamericana, S.A.	25,176	1,349	3,485	699	54,121	12,644	193	1,743	No
Galenova Sanitaria, S.L.	6	(10)	0	0	3,857	0	0	0	No
Inerzia Mediterráneo, S.L (k)	1,453	(2,477)	0	0	7,395	581	(8)	0	No
Inmobiliaria Ricam 2005, S.L (h)	5,735	(12,729)	(1,020)	0	19,253	2,294	(1,073)	(408)	No
Jerez Solar, S.L (a)	3,050	(2,241)	(304)	0	69,697	1,894	(1,074)	(276)	No
La Ermita Resort, S.L. (c)	32,664	(30,838)	(209)	0	6,936	9,634	(641)	(62)	No
Liquidambar Inversiones Financieras, S.L. (c)	67,050	(118)	(26,556)	0	40,133	14,810	(1,495)	(3,540)	No
Mankel System, S.L.U. (a)	9,003	(6,881)	(2,460)	0	16,518	4,476	(32)	(1,223)	No
Mercado Inmobiliario de Futuro, S.L. (i)	6,382	9,636	0	0	16,043	8,474	(416)	0	No
Plaxic Estelar, S.L	3	(9,127)	(172)	0	37,904	2,561	(6,517)	(78)	No
Ribera Salud Infraestructuras, S.L.U (a)	3	0	0	0	3	2	(1)	0	No
Ribera Salud Proyectos, S.L.U. (a)	816	0	(36)	0	4,790	208	(1)	0	No
Ribera Salud Tecnologías, S.L.U. (a)	3	0	0	0	3	2	(1)	0	No
Ribera Salud, S.A. (a)	9,518	71,815	(72)	0	352,424	25,423	(16,387)	0	No
Torrevieja Salud, S.L.U. (k)	3	0	(1)	0	6	2	(1)	0	No
Total				699		157,972	(35,198)	(33,830)	
Companies consolidated by the equity method (1)									
6350 Industries, S.L (a)	230	531	(65)	0	2,696	86	(44)	(27)	No
Adara Renovables, S.L	1,200	(417)	(24)	0	3,154	0	0	(267)	No
Adelanta Corporación, S.A. (c)	301	44,812	3,081	72	134,145	29,014	0	0	No
Altavista Hotelera, S.L. (g)	35,990	(24,177)	(2,504)	0	106,052	15,636	(1,138)	(1,002)	No
Alze Mediterráneo, S. L (k)	2,102	(13,777)	0	0	11,844	946	0	0	No
Anara Guipuzcoa, S.L. (a)	150	2,343	215	0	13,961	60	(35)	94	No
Atalanta Catalunya 2011, S.L. (g)	40	(5)	(2)	0	221	10	(1)	(3)	No
Aviación Regional Cántabra, A.I.E. (b)	29,606	1,893	2,062	28	86,618	7,824	1,301	0	No
Aviones Alfambra CRJ-900, A.I.E. (d)	1	3,121	131	0	17,616	1,060	(270)	0	No
Aviones Cabriel CRJ-900, A.I.E. (d)	1	3,122	130	0	17,596	1,060	(270)	0	No
Aviones Carraixet CRJ-200 II A.I.E. (f)	1	4,377	227	0	12,345	894	90	57	No
Aviones Gorgos CRJ-900, A.I.E. (d)	1	3,122	129	0	17,565	1,060	(271)	0	No
Aviones Portacoli CRJ-200 III A.I.E. (f)	1	4,392	228	0	12,406	897	91	57	No
Aviones Sella CRJ-900, A.I.E. (d)	1	3,122	129	0	17,540	1,060	(271)	0	No
Aviones Turia CRJ-200 I, A.I.E. (f)	1	4,386	227	0	12,377	896	91	57	No
Bajo Almanzora Desarrollos Inmobiliarios, S.L.	1450	(2,400)	(118)	0	7,446	556	0	0	No
Balam Overseas BV (f)	20,084	1,032	0	0	21,130	8,516	(828)	0	No
Banco Gallego Vida y Pensiones, S.A. de Seguros y Reaseguros	5,109	2,507	1,573	0	117,139	1,352	0	(117)	No
BanSabadell Pensiones, E.G.F.P., S.A.	7,813	8,566	4,217	2,000	26,257	9,378	(397)	2,109	No
BanSabadell Seguros Generales, S.A.	10,000	4,895	5,635	2,038	62,628	5,000	2,586	2,817	No
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	No
Berilia Grupo Inmobiliario, S.L.	1,067	0	(28)	0	3,180	427	0	(513)	No
Blue-Lor, S.L (m)	1,858	(4,173)	0	0	42,586	4,138	0	0	No
Cantabria Generación, S.L.	60	(532)	(266)	0	2,313	0	0	0	No
Casas del Mar levante, S.L. (d)	892	(11,988)	(591)	0	6,553	297	0	0	No
Costa Marina Mediterráneo, S.A. (c)	5,130	(713)	33	0	10,357	1,710	(724)	11	No
Decovama 21, S.L	30,159	(28,157)	(3,025)	0	125,125	6,643	0	(4,634)	No
Desarrollos Inmobiliarios Pronegui, S.L. (b)	1,756	383	(776)	0	1,419	1,362	133	(339)	No
Dexia Sabadell, S.A. (a)	484,061	125,750	(53,939)	0	17,234,594	102,003	64,554	0	No
Diana Capital S.G.E.C.R. S.A. (k)	606	1,649	244	0	3,327	521	105	0	No
Dime Habitat, S.L (b)	400	(15,915)	(77)	0	20,340	2,740	0	(31)	No
E.B.N. Banco de Negocios, S.A. (c)	50,281	2,885	(1,590)	0	1,027,040	14,313	(9,698)	(795)	No
Energias Renovables Sierra Sesnández, S.L (c)	1,903	(14)	(6)	0	8,508	761	(18)	(19)	No
Espazios Murcia, S.L (a)	4,500	(316)	(4,567)	0	401	2,025	(82)	(148)	No
ESUS Energía Renovable, S.L. (b)	50	(244)	(23)	0	1,323	23	(23)	0	No
Eurofragance, S.L (a)	667	12,694	5,610	650	34,422	9,050	1,003	1,300	No
Fega Unión, S.L.	10,965	(5,240)	(87)	0	82,245	5,263	0	0	No
Fotovoltaica de la Hoya de los Vicentes 171, S.L.	74	0	(5)	0	741	0	0	(41)	No
Fotovoltaica de la Hoya de los Vicentes 189, S.L.	74	2	(10)	0	735	0	0	(20)	No
Gate Solar, S.L SPE (a)	3,005	789	24	0	3,859	1,895	10	0	No
Gaviel, S.A. (a)	1,203	71	0	0	1,277	630	34	0	No
GDSUR Alicante, S.L (k)	15,000	(38,161)	0	0	32,215	4,609	0	0	No
General de Biocarburantes, S.A. (b)	6,000	(10,203)	(13)	0	2,840	2,250	(130)	0	No
Gesta Aparcamientos, S.L (d)	3,007	(704)	(191)	0	7,843	1,203	0	(76)	No

Schedule I: Banco Sabadell Group companies at 31 December 2013

Thousand euro

Company name	Company data (2) Capital	Reserves	Results (3)	Dividends paid (4)	Total assets	Investment by group	Contribution to reserves or losses in consolidated companies	Contribution consolidated group results	Consolidated taxation
Companies consolidated by the equity method (1)									
Gestora de Aparcamientos del Mediterráneo, S.L. (l)	10,368	(5,642)	0	0	36,964	7,675	353	0	No
Gradiente Entrópico, S.L. (a)	4	0	(1)	0	35	2	0	(0)	No
Grupo Luxiona, S.L (g)	851	9,220	(3,338)	0	56,744	5,608	(3,236)	0	No
Guisain, S.L. (d)	4,200	(2,722)	(144)	0	10,061	1,680	(172)	0	No
Hansa Urbana S.A. (m)	44,889	235,101	0	0	607,229	103,037	(24,835)	0	No
Hydrophytic, S.L. (a)	186	47	15	0	453	119	12	8	No
IFOS, S.A. (a)	2	240	(393)	0	263	1	59	(48)	No
Inmobiliaria Valdebebas 21, S.L.	22,000	(19,690)	(4)	0	34,541	315	0	(4,337)	No
Intermas Nets, S.A. (a)	846	36,076	2,332	459	111,900	22,213	1,650	0	No
Inversiones Ahorro 2000, S.A. (b)	20,134	(9,194)	235	0	11,261	11,443	(2,242)	47	No
Inversiones Valdeapa 21, S.L.	5,114	(516)	(14)	0	4,709	820	0	(730)	No
Key Vil I, S.L. (c)	3,574	2,827	(519)	0	38,911	3,125	(332)	(373)	No
Kosta Bareño, S.A. (d)	1,500	28	(946)	0	28,035	300	123	(123)	No
Leva-Yorma, S.L.	992	(1,045)	(229)	0	3,867	487	0	0	No
Lizarre Promociones, A.I.E. (d)	835	(16)	(201)	0	619	334	9	(121)	No
Loalsa Inversiones Castilla la Mancha, S.L (a)	180	(1,819)	(1,989)	0	6,582	36	(78)	0	No
Luzentia Fotovoltaica, S.L.	513	2,133	791	399	5,957	0	0	(3,803)	No
Marina Salud, S.A.	4,000	8,527	(1,766)	0	150,862	2,450	(1,417)	0	No
Mediterráneo Seguros Diversos, Compañía de Seguros y	11,600	8,715	6,347	850	53,384	5,800	1,771	3,681	No
Mercurio Alicante Sociedad de Arrendamientos 1, S.L.U.	795	236	136	0	8,566	643	(30)	102	Yes
Metalplast C.F.E., S.L.	31	1,088	0	0	1,119	0	0	0	No
Metrovacesa, S.A. (f)	1,482,241	207,980	(17,391)	0	7,297,854	364,665	(18,684)	(2,268)	No
Murcia Emprende, S.C.R., S.A. (c)	6,000	(790)	249	0	5,464	1,903	(623)	81	No
Mursiya Golf, S.L. (d)	300	(323)	(13)	0	8,355	263	(35)	(1)	No
Naguisa Promociones, S.L. (a)	300	300	(224)	0	4,576	270	(3)	(6)	No
NF Desarrollos, S.L. (d)	160	1,085	(3)	0	2,573	64	(4)	(2)	No
Norfin 21, S.L. (a)	710	(4)	(1)	0	5,211	355	(2)	0	No
Parc Eòlic Veciana-Cabaro, S.L. (a)	6,847	(3,308)	(288)	0	42,043	2,739	(1,204)	0	No
Parque del Segura, S.L. (c)	1,752	(5,624)	(21)	0	22,781	881	9	(469)	No
Parque Eólico Magaz, S.L. (a)	1,500	(464)	377	0	42,728	6,582	(309)	0	No
Parque Tecnológico Fuente Álamo, S.A. (e)	4,128	(1,002)	(200)	0	3,090	918	(15)	(45)	No
Pemapro, S.L.	1,483	(1,973)	(36)	0	10,016	727	0	0	No
Planificación TGN 2004, S.L. (k)	3,309	(2,125)	0	0	28,636	1,794	32	0	No
Prat Spolka, Z.O.O. (b)	1,072	(1,181)	(342)	0	8,734	1,162	0	(120)	No
Proburg BG XXI, S.L. (a)	4,000	(2,291)	(270)	0	10,562	1,000	(13)	(42)	No
Promociones Abaco Costa Almeria, S.L. (a)	5,000	(14,737)	(1,540)	0	5,861	2,000	(1,379)	(10)	No
Promociones Aguiver, S.L. (c)	5,000	(484)	(33)	0	26,765	2,000	(1)	(111)	No
Promociones Florida Casas, S.L. (a)	120	(29)	(41)	0	4,096	48	(205)	(23)	No
Promociones y Desarrollos Urbanos Oncineda, S.L. (d)	300	(7)	0	0	8,806	150	0	0	No
Queenford, S.L. (a)	3,800	(18,975)	(3,073)	0	100,563	1,198	0	(969)	No
Residencial Haygon, S.L. (g)	541	(543)	180	0	7,445	135	77	0	No
Ribera Casares Golf, S.L.	2,603	(3,481)	(130)	0	17,585	1,225	0	0	No
Rocabella, S.L. (a)	40	116	0	0	199	7	0	0	No
Saprosin Promociones, S.L. (a)	2,604	(40,790)	(813)	0	12,586	2,329	(2,143)	0	No
SBD Creixent, S.A. (a)	15,284	(3,316)	(115)	0	21,174	3,524	(1,080)	(29)	No
Sercacín, S.A. (d)	236	(45)	(4)	0	211	70	(23)	(1)	No
Servicios Inmobiliarios Trecam, S.L (k)	3,503	(1,280)	0	0	30,951	1,053	0	0	No
Sistema Eléctrico de Conexión Valcaire, S.L. (k)	175	(17)	(23)	0	9,407	82	0	0	No
Sociedad de Cartera del Vallés, S.I.C.A.V., S.A. (a)	4,818	(75)	741	0	5,519	422	1,756	292	No
Societat d'Inversió dels Enginyers, S.L. (a)	1,340	(425)	(103)	0	827	467	(141)	(33)	No
Torre Sureste, S.L. (d)	300	1,063	(99)	0	15,190	120	60	(59)	No
Tremon Maroc Services Inmobiliers S.A.R.L (k)	444	(384)	0	0	9,331	183	(32)	0	No
Txonta Egizastu Promozioak, S.L. (a)	600	567	(373)	0	16,163	420	0	(11)	No
Urtago Promozioak, A.I.E. (a)	100	0	(2)	0	62	30	2	0	No
Visualmark Internacional, S.L.	11	(5)	0	0	6	0	0	(2)	No
Total				36,496		838,892	126,746	21,290	
Consolidation adjustments								721,938	
Total				**368,239**		**8,033,445**	**8,794,771**	**240,825**	

(1) Consolidated by the equity method due to the absence of management control.
(2) Foreign company figures are translated into euro at the exchange rate ruling on 31 December 2013.
(3) Results pending approval by shareholders.
(4) Includes final dividend 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 I: Banco Sabadell Group companies at 31 December 2012

Company name		Registered office	Percentage shareholding Direct	Indirect
Fully consolidated companies				
Administración y Proyectos MDT, S.A. P.I. de C.V.	Other financial serv.	Mexico	99,80	0,20
Alfonso XII, 16 Inversiones, S.L.	Real estate	Sant Cugat del Vallès	-	100,00
Arrendamiento de Bienes Inmobiliarios del Mediterráneo, S.L.	Residential leases	Alicante	100,00	-
Artemus Capital, S.L.	Holding company	Elche	-	100,00
Assegurances Segur Vida, S.A.	Insurance	Andorra la Vella	-	50,97
Aurica XXI, S.C.R., S.A.U.	Venture capital company	Barcelona	100,00	-
Ballerton Servicios, S.L.	Holding company	Sant Cugat del Vallès	-	100,00
Banco Atlantico Bahamas Bank & Trust, Ltd.	Banking	Nassau, Bahamas	99,99	0,01
Banco Atlantico Mónaco S.A.M.	Banking	Monaco	100,00	-
Banco de Sabadell, S.A.	Banking	Sabadell	100,00	-
BancSabadell d'Andorra , S.A.	Banking	Andorra la Vella	50,97	-
BanSabadell Consulting, S.L.	Services	Sant Cugat del Vallès	100,00	-
BanSabadell Correduría de Seguros, S.A.	Insurance brokers	Sant Cugat del Vallès	100,00	-
Bansabadell Factura, S.L.	Electronic billing services	Sant Cugat del Vallès	100,00	-
BanSabadell Financiación, E.F.C., S.A	Finance company	Sabadell	100,00	-
Bansabadell Fincom, E.F.C., S.A.U.	Finance company	Sant Cugat del Vallès	100,00	-
BanSabadell Holding, S.L.	Holding company	Sant Cugat del Vallès	100,00	-
BanSabadell Information System S.A.	IT services	Sabadell	81,00	-
BanSabadell Inversió Desenvolupament, S.A.	Holding company	Barcelona	100,00	-
BanSabadell Inversión, S.A.U., S.G.I.I.C.	Investment fund managers	Sant Cugat del Vallès	100,00	-
BanSabadell Renting, S.L.	Leasing	Sant Cugat del Vallès	100,00	-
BanSabadell Securities Services, S.L	Services	Sabadell	100,00	-
Bitarte S.A.	Holding company	San Sebastian	99,99	0,01
BlueSky Property Development, S.L.	Real estate	Sant Cugat del Vallès	-	100,00
CAM AEGON Holding Financiero, S.L.	Holding company	Alicante	-	50,00
CAM Capital, S.A.U.	Issuance preference shares	Alicante	100,00	-
CAM Global Finance	Issuance ordinary bonds	George Town	100,00	-
CAM Global Finance, S.A.U.	Issuance ordinary bonds	Alicante	100,00	-
CAM International Issues, S.A.U.	Issuance subordinate bonds	Alicante	100,00	-
CAM US Finance, S.A.U.	Issuance ordinary bonds	Alicante	100,00	-
Caminsa Urbanismo, S.A.	Real estate development	Valencia	-	100,00
Compañía de Cogeneración del Caribe Dominicana, S.A.	Electricity	Santo Domingo (Dominican Republic)	-	100,00
Compañía de Cogeneración del Caribe, S.L.	Special purpose entity	Barcelona	-	100,00
Costa Mujeres Investment BV	Portfolio management	Amsterdam	-	100,00
Desarrollo y Ejecución Urbanística del Mediterráneo, S.L.	Real estate	Madrid	-	95,00
Desarrollos y Participaciones Inmobiliarias 2006, S.L.	Real estate development	Elche	-	100,00
Easo Bolsa, S.A.	Holding company	San Sebastian	99,99	0,01
Ederra, S.A.	Real estate	San Sebastian	97,85	-
Espais Arco Mediterráneo S.L.	Real estate development	Elche	-	100,00
Europa Invest, S.A.	Investment fund managers	Luxembourg	22,00	78,00
Europea Pall Mall Ltd.	Real estate	London	100,00	-
Explotaciones Energéticas SINIA XXI, S.L.	Holding company	Barcelona	-	100,00
Fonomed Gestión Telefónica Mediterráneo, S.A.	Telephony management services	Alicante	99,97	0,03
G.I. Cartera, S.A.	Venture capital management	Alicante	100,00	-
Gazteluberri Gestión S.L.	Real estate	Sant Cugat del Vallès	-	100,00
Gazteluberri S.L.	Real estate	San Sebastian	-	100,00
Gestión de Proyectos Urbanísticos del Mediterráneo, S.L.	Real estate	Madrid	-	95,00
Gestión Financiera del Mediterráneo, S.A.U.	Holding company	Alicante	100,00	-
Gestión Mediterránea del Medioambiente, S.A.	Environmental projects	Alicante	99,00	1,00
Gestora de Fondos del Mediterráneo, S.A., S.G.I.I.C.	Mutual fund managers	Alicante	-	100,00
Grao Castalia S.L.	Real estate	Sant Cugat del Vallès	-	100,00
Guipuzcoano Capital, S.A. Unipersonal	Issuance preference shares	San Sebastian	100,00	-
Guipuzcoano Promoción Empresarial, S.L.	Holding company	San Sebastian	-	100,00
Guipuzcoano Valores, S.A.	Real estate	San Sebastian	99,99	0,01
Guipuzcoano, Correduría de Seguros del Grupo Banco Guipuzcoano, S.A.	Insurance	San Sebastian	59,40	0,60
Hansa Cabo, S.A. de C.V.	Real estate development	Mexico	-	27,81
Hansa México S.A. DE C.V.	Real estate development	Cancun	-	48,15

Schedule I: Banco Sabadell Group companies at 31 December 2012

Company name		Registered office	Percentage shareholding Direct	Indirect
Fully consolidated companies				
Haygon La Almazara, S.L.	Real estate	San Vicente del Raspeig	-	75,00
Herrero Internacional Gestión, S.L.	Holding company	Sant Cugat del Vallès	-	100,00
Hobalear, S.A.	Real estate	Barcelona	-	100,00
Hondarriberri, S.P.E., S.L.	Business start-ups	San Sebastian	99,99	0,01
Hotelera H.M., S.A. de C.V.	Real estate development	Cancun	-	86,67
Hotelera Marina, S.A, de C.V.	Real estate development	Cancun	-	100,00
Interstate Property Holdings, LLC	Special purpose entity	Miami	100,00	-
Inversiones Cotizadas del Mediterráneo, S.L.	Holding company	Alicante	100,00	-
La Rivera Desarrollos BCS, S. de R.L. de C.V. (a)	Export	Mexico	-	38,18
Mar Adentro Golf, S.L.	Holding company	Elche	-	66,66
Mariñamendi S.L.	Real estate	Sant Cugat del Vallès	-	100,00
Mediterranean CAM International Homes, S.L	Estate agents	Alicante	100,00	-
Mediterráneo Mediación, S.A., Operador de Banca-Seguros Vinculado del Grupo Caja de Ahorros del Mediterráneo	Insurance brokers	Alicante	-	100,00
Mediterráneo Vida, S.A.U. de Seguros y Reaseguros	Life insurance:	Alicante	-	50,00
Meserco, S.L.U.	Advisory services	Barcelona	-	50,00
Operadora Cabo De Cortes S. de R.L. de C.V.	Administrative services	Mexico	-	38,18
Parque Eólico Loma del Capón, S.L.	Electricity	Churriana de la Vega	-	100,00
Playa Caribe Holding IV B.V.	Holding company	Amsterdam	-	100,00
Playa Caribe Holding V B.V.	Holding company	Amsterdam	-	100,00
Playa Caribe Holding VI B.V.	Holding company	Amsterdam	-	100,00
Playa Marina, S.A, de C.V.	Real estate development	Cancun	-	100,00
Procom Residencial Rivas, S.A.	Real estate development	Elche	-	100,00
Promociones e Inmuebles Blauverd Mediterráneo, S.L.	Real estate development	Elche	-	100,00
Promociones y Desarrollos Creaziona Levante S.L.	Real estate	Sant Cugat del Vallès	-	100,00
Promociones y Desarrollos Ribera Mujeres S.A, de C.V.	Construction	Isla Mujeres	-	100,00
Promociones y Financiaciones Herrero, S.A.	Holding company	Oviedo	100,00	-
Proteo Banking Software, S.L.	IT services	Sant Cugat del Vallès	100,00	-
Puerto Mujeres, S.A, de C.V.	Real estate development	Cancun	-	100,00
Residencial Kataoria S.L.	Real estate	Sant Cugat del Vallès	-	100,00
Sabadell Asia Trade Services, Ltd.	Services	Hong Kong	100,00	-
Sabadell Brasil Trade Services - Ass.Cial Ltda.	Representative office	Brazil	99,99	0,01
Sabadell BS Select Fund of Hedge Funds, S.I.C.A.V S.A.	Holding company	Luxembourg	54,26	-
Sabadell Corporate Finance, S.L.	Financial consulting	Madrid	100,00	-
Sabadell d'Andorra Inversions S.G.O.I.C., S.A.U.	Investment fund managers	Andorra la Vella	-	50,97
Sabadell International Equity, Ltd.	Finance company	George Town	100,00	-
Sabadell Securities USA, Inc.	Services	Miami	100,00	-
Sabadell United Bank, N.A.	Banking	Miami	94,78	-
Serveis d'Assessorament BSA, S.A.U.	Services	Andorra la Vella	-	50,97
Servicio de Administración de Inversiones, S.A.	Holding company	Madrid	100,00	-
Servicios Reunidos, S.A.	Services	Sabadell	100,00	-
Simat Banol, S.L.	Real estate development	Elche	-	100,00
Sinia Renovables, S.C.R. de R.S., S.A.U.	Venture capital company	Barcelona	100,00	-
Solvia Atlantic, L.L.C.	Real estate	Miami	-	100,00
Solvia Development, S.L	Real estate	Sant Cugat del Vallès	100,00	-
Solvia Hotels, S.L.	Real estate	Sant Cugat del Vallès	100,00	-
Solvia Housing, S.L.	Real estate	Sant Cugat del Vallès	100,00	-
Son Blanc Caleta S.L.	Real estate	Sant Cugat del Vallès	-	100,00
Tabimed Gestión de Proyectos, S.L.	Real estate project management	Alicante	-	100,00
Tasaciones de Bienes Mediterráneo, S.A.	Poperty appraisals	Alicante	99,88	0,12
Tenedora de Inversiones y Participaciones, S.L.	Holding company	Alicante	100,00	-
Tierras Vega Alta del Segura S.L.	Real estate	Sant Cugat del Vallès	-	100,00
Tinser Cartera, S.L.	Holding company	Alicante	100,00	-
Tinser Gestora de Inversiones, S.L.	Holding company	Alicante	-	100,00
Tratamientos y Aplicaciones, S.L.	Administrative services	Alicante	100,00	-
Urdin Oria, S.A.	Dormant	San Sebastian	99,98	0,02
Urquijo Gestión, SAU, SGIIC	Investment fund managers	Madrid	-	100,00
Urumea Gestión, S.L.	Holding company	San Sebastian	-	100,00

(a) On 3 August 2012, Hansa Baja Investments, S. de R.L. de C.V. changed its business name to La Rivera Desarrollos BCS, S. de R.L. de C.V.

Schedule I: Banco Sabadell Group companies at 31 December 2012

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	Consolidated taxation
Fully consolidated companies									
Administración y Proyectos MDT, S.A. P.I. de C.V.	3,129	(39,253)	(9,361)	0	52,993	0	0	(3,739)	No
Alfonso XII, 16 Inversiones, S.L.	11,400	(20,285)	(10,764)	0	8,068	10,740	(6,333)	(10,764)	No
Arrendamiento de Bienes Inmobiliarios del Mediterráneo,	100	17,304	(2,493)	0	15,106	16,973	0	(2,451)	Yes
Artemus Capital, S.L.	29,026	1,283	(2,025)	0	37,993	25,574	0	(1,779)	Yes
Assegurances Segur Vida, S.A.	602	251	252	200	163,751	602	128	252	No
Aurica XXI, S.C.R., S.A.U.	14,200	26,289	(7,901)	0	141,524	17,492	31,306	(8,412)	Yes
Ballerton Servicios, S.L.	50	24,326	(0)	0	24,376	3,140	(119)	0	Yes
Banco Atlantico Bahamas Bank & Trust, Ltd.	1,516	780	38	0	2,915	2,439	751	(70)	No
Banco Atlantico Mónaco S.A.M.	11,250	13,027	138	0	24,550	19,498	4,815	138	No
Banco de Sabadell, S.A.	369,944	7,623,752	45,204	0	157,841,285	0	8,812,413	45,204	Yes
BancSabadell d'Andorra , S.A.	30,069	22,499	5,927	1,084	611,878	15,326	9,169	5,927	No
BanSabadell Consulting, S.L.	3	11	12	0	380	3	11	12	Yes
BanSabadell Correduría de Seguros, S.A.	60	18	62	325	366	588	(612)	62	Yes
Bansabadell Factura, S.L.	100	(3,382)	113	0	535	299	(3,581)	113	Yes
BanSabadell Financiación, E.F.C., S.A	24,040	26,382	1,162	0	742,273	24,040	26,382	1,162	Yes
Bansabadell Fincom, E.F.C., S.A.U.	35,520	4,550	9,021	0	577,492	72,232	(27,240)	9,021	Yes
BanSabadell Holding, S.L.	330,340	(377,950)	(11,451)	0	265,085	239,544	(318,762)	(11,451)	Yes
BanSabadell Information System S.A.	240	16,348	6,548	0	198,314	3,687	12,662	6,548	Yes
BanSabadell Inversió Desenvolupament, S.A.	15,025	18,599	(2,903)	0	80,100	19,368	23,641	(2,901)	Yes
BanSabadell Inversión, S.A.U., S.G.I.I.C.	601	80,421	7,936	0	121,011	607	80,411	7,936	Yes
BanSabadell Renting, S.L.	2,000	8,732	3,809	0	169,530	3,861	6,605	3,809	Yes
BanSabadell Securities Services, S.L	2,500	6,438	3,668	2,979	14,212	2,500	6,220	3,668	Yes
Bitarte S.A.	6,506	4,705	(86)	0	12,205	9,272	61	(86)	No
BlueSky Property Development, S.L.	2,500	(8,926)	(3,839)	0	4,505	1,400	(9,326)	(3,839)	No
CAM AEGON Holding Financiero, S.L.	85,000	503,621	8,843	0	664,743	68,276	0	5,057	No
CAM Capital, S.A.U.	61	135	1,625	0	52,217	80	0	605	Yes
CAM Global Finance	1	439	0	0	440	440	0	0	No
CAM Global Finance, S.A.U.	61	69	120	0	699,764	74	0	64	Yes
CAM International Issues, S.A.U.	61	174	38,357	0	231,664	34,346	0	8,030	Yes
CAM US Finance, S.A.U.	61	(2)	(5)	0	74	88	0	(2)	Yes
Caminsa Urbanismo, S.A.	2,000	(952)	(424)	0	627	800	0	(424)	Yes
Compañía de Cogeneración del Caribe Dominicana, S.A.	6,063	(5,428)	0	0	646	63	103	0	Yes
Compañía de Cogeneración del Caribe, S.L.	49	69,551	(37)	0	104	5,133	(768)	(37)	Yes
Costa Mujeres Investment BV	18	876	(6,341)	0	41,399	0	0	(4,941)	No
Desarrollo y Ejecución Urbanística del Mediterráneo, S.L.	15,533	(4,185)	(5,109)	0	9,350	10,684	0	(5,065)	Yes
Desarrollos y Participaciones Inmobiliarias 2006, S.L.	1,942	(15,263)	(15,500)	0	95,368	0	0	(14,048)	Yes
Easo Bolsa, S.A.	15,150	23,760	662	0	38,761	38,311	605	662	No
Ederra, S.A.	2,036	29,025	(3,033)	0	29,909	36,062	(11,133)	(3,033)	No
Espais Arco Mediterráneo S.L.	5,953	(21,814)	(3,257)	0	4,540	0	0	(3,005)	Yes
Europa Invest, S.A.	125	59	90	0	310	336	(166)	90	No
Europea Pall Mall Ltd.	18,964	(4,957)	(164)	0	13,742	20,843	(1,425)	(164)	No
Explotaciones Energéticas SINIA XXI, S.L.	1,352	14,266	(29,261)	0	35,801	4,672	28,537	(29,261)	Yes
Fonomed Gestión Telefónica Mediterráneo, S.A.	180	57	21	64	677	194	0	18	Yes
G.I. Cartera, S.A.	13,523	9,482	(42)	0	49,397	14,985	0	(2,308)	Yes
Gazteluberri Gestión S.L.	1,460	(13,957)	(6,825)	0	10,638	1,460	(11,263)	(6,825)	No
Gazteluberri S.L.	44,315	(63,648)	(9,550)	0	25,663	44,315	(58,602)	(9,550)	No
Gestión de Proyectos Urbanísticos del Mediterráneo, S.L.	33,850	(8,741)	(6,627)	0	25,266	23,629	0	(6,514)	Yes
Gestión Financiera del Mediterráneo, S.A.U.	13,000	34,180	9,678	0	143,854	299,389	0	6,076	Yes
Gestión Mediterránea del Medioambiente, S.A.	60	(540)	(289)	0	799	0	0	(97)	Yes
Gestora de Fondos del Mediterráneo, S.A., S.G.I.I.C.	601	2,613	(124)	162	3,493	3,213	0	(9)	Yes
Grao Castalia S.L.	700	(2,473)	(190)	0	1,164	700	(1,039)	(190)	No
Guipuzcoano Capital, S.A. Unipersonal	60	1	7	0	19,294	59	3	7	No
Guipuzcoano Promoción Empresarial, S.L.	32,314	(33,013)	(32,543)	0	51,275	32,314	(11,158)	(32,543)	No
Guipuzcoano Valores, S.A.	4,514	6,437	(1,987)	0	9,037	10,833	120	(1,987)	No
Guipuzcoano, Correduría de Seguros del Grupo Banco Guipuzcoano, S.A.	100	670	608	140	3,320	751	(295)	608	No
Hansa Cabo, S.A. de C.V. (a)	3,745	(23,646)	5,082	0	114	11	0	5,082	No
Hansa México S.A. DE C.V. (a)	17,080	(23,249)	3,921	0	1,543	0	0	5,532	No

Schedule I: Banco Sabadell Group companies at 31 December 2012

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	Consolidated taxation
Fully consolidated companies									
Haygon La Almazara, S.L. (a)	60	170	(3)	0	227	45	(483)	(3)	No
Herrero Internacional Gestión, S.L.	354	3,761	(0)	0	4,114	1,139	63	0	Yes
Hobalear, S.A.	60	585	25	0	677	414	585	25	Yes
Hondarriberri, S.P.E., S.L.	259,561	(226,496)	(109,369)	0	56,830	237,684	(8,190)	(109,369)	No
Hotelera H.M., S.A. de C.V. (a)	17,451	656	2,009	0	64,795	19,567	0	121	No
Hotelera Marina, S.A, de C.V. (a)	76,677	(5,259)	(175)	0	75,192	80,832	0	(581)	No
Interstate Property Holdings, LLC	6,063	(14,499)	(3,689)	0	55,463	3,142	(17,723)	(2,582)	No
Inversiones Cotizadas del Mediterráneo, S.L.	308,000	182,052	3,147	0	510,164	507,674	0	879	Yes
La Rivera Desarrollos BCS, S. de R.L. de C.V. (a)	30,608	(41,593)	11,599	0	140,791	3,778	0	11,599	No
Mar Adentro Golf, S.L.	3,405	(498)	(326)	0	5,608	1,970	0	(328)	No
Mariñamendi S.L.	55,013	(64,118)	(24,364)	0	47,025	55,013	(83,844)	(24,364)	No
Mediterranean CAM International Homes, S.L	660	2,112	1,065	2,790	37,790	1,601	0	1,454	Yes
Mediterráneo Mediación, S.A., Operador de Banca-Seguros Vinculado del Grupo Caja de Ahorros del	301	297	4,185	4,568	28,596	524	0	2,407	Yes
Mediterráneo Vida, S.A.U. de Seguros y Reaseguros	102,044	147,021	41,962	0	2,220,659	127,827	0	23,084	No
Meserco, S.L.U. (a)	3	236	85	0	382	0	0	107	No
Operadora Cabo De Cortes S. de R.L. de C.V. (a)	0	(132)	(61)	0	222	0	0	(61)	No
Parque Eólico Loma del Capón, S.L. (a)	3,124	(215)	0	0	54,461	2,904	(82)	0	Yes
Playa Caribe Holding IV B.V.	27	28,836	(3,063)	0	82,203	33,175	0	(1,472)	No
Playa Caribe Holding V B.V.	27	398	(141)	0	3,135	826	0	(86)	No
Playa Caribe Holding VI B.V.	27	(5,374)	(2,490)	0	12,179	0	0	(1,663)	No
Playa Marina, S.A, de C.V. (a)	2,828	(470)	(91)	0	2,522	2,958	0	(87)	No
Procom Residencial Rivas, S.A.	12,500	(73,099)	(5,740)	0	39,713	0	0	(4,709)	Yes
Promociones e Inmuebles Blauverd Mediterráneo, S.L.	17,666	(45,369)	(15,304)	0	64,242	0	0	(14,281)	Yes
Promociones y Desarrollos Creaziona Levante S.L.	8,740	(9,830)	(2,112)	0	3,239	12,689	(8,222)	(2,112)	No
Promociones y Desarrollos Ribera Mujeres S.A, de C.V. (a)	43,833	(149)	(143)	0	43,555	44,512	0	(120)	No
Promociones y Financiaciones Herrero, S.A.	3,456	269	(0)	0	3,725	24,185	8	(0)	Yes
Proteo Banking Software, S.L.	3	(1)	(1)	0	2	3	(1)	(1)	Yes
Puerto Mujeres, S.A, de C.V.	18,105	(3,062)	(816)	0	14,391	13,083	0	(716)	No
Residencial Kataoria S.L.	3,250	(6,281)	(3,876)	0	1,490	3,894	(7,718)	(3,876)	No
Sabadell Asia Trade Services, Ltd.	0	757	70	0	827	0	721	70	No
Sabadell Brasil Trade Services - Ass.Cial Ltda.	1,265	(1,109)	(9)	0	162	250	(139)	(9)	No
Sabadell BS Select Fund of Hedge Funds, S.I.C.A.V S.A. (a	30,223	1,599	1,421	0	33,243	16,400	617	1,421	No
Sabadell Corporate Finance, S.L.	70	838	566	0	1,976	9,373	(605)	566	Yes
Sabadell d'Andorra Inversions S.G.O.I.C., S.A.U	300	733	1,112	1,000	1,580	300	374	1,112	No
Sabadell International Equity, Ltd.	1	94	(17)	0	21,546	1	13	(17)	No
Sabadell Securities USA, Inc.	606	937	(34)	0	1,581	551	939	(34)	No
Sabadell United Bank, N.A.	2,728	331,601	22,750	0	2,823,325	314,272	11,643	22,750	No
Serveis d'Assessorament BSA, S.A.U.	60	15	12	0	952	60	10	12	No
Servicio de Administración de Inversiones, S.A.	6,010	755	(2)	0	6,764	16,690	(6,101)	(2)	Yes
Servicios Reunidos, S.A.	60	18	(0)	0	78	67	12	(0)	Yes
Simat Banol, S.L.	1,482	(4,649)	(1,010)	0	1,333	0	0	(932)	Yes
Sinia Renovables, S.C.R. de R.S., S.A.U.	15,000	5,583	(3,041)	0	66,746	15,000	4,052	(3,041)	Yes
Solvia Atlantic, L.L.C.	9,986	(467)	(1,017)	0	8,507	10,200	0	(1,017)	No
Solvia Development, S.L	19,071	(263,064)	(517,006)	0	3,013,894	597,442	(838,002)	(517,006)	Yes
Solvia Hotels, S.L.	500	(5,619)	(2,498)	0	30,483	500	(5,706)	(2,498)	Yes
Solvia Housing, S.L.	2,073	1,575	(11,666)	0	28,151	4,292	(644)	(11,666)	Yes
Son Blanc Caleta S.L.	4,000	(8,946)	(4,214)	0	1,682	4,088	(7,624)	(4,214)	No
Tabimed Gestión de Proyectos, S.L.	3	384	(299)	165	545	3	0	(185)	Yes
Tasaciones de Bienes Mediterráneo, S.A.	1,000	3,185	941	483	6,163	2,882	0	51	Yes
Tenedora de Inversiones y Participaciones, S.L.	296,092	58,237	(497,640)	0	3,618,756	0	0	(469,018)	Yes
Tierras Vega Alta del Segura S.L.	4,550	(10,041)	(10,169)	0	9,135	5,123	(5,140)	(10,169)	No
Tinser Cartera, S.L.	29,111	22,692	(20,868)	0	64,936	23,064	0	(20,976)	Yes
Tinser Gestora de Inversiones, S.L.	3	(1)	0	0	2	3	0	0	Yes
Tratamientos y Aplicaciones, S.L.	3,003	(584)	629	0	3,518	369	0	56	Yes
Urdin Oria, S.A.	60	2	(0)	0	62	63	(1)	(0)	No
Dormant	3,606	2,092	450	0	9,255	5,286	328	450	Yes
Urumea Gestión, S.L.	9	8	(0)	0	17	9	1	0	No
Total				**13,960**		**3,346,973**	**7,611,262**	**(1,190,843)**	

(1) Foreign company figures are translated to euro at the exchange rate ruling on 31 December 2012

(2) Results pending approval by shareholders.

(3) Includes final dividend for previous year and interim dividends paid to the group during the year.

(a) Figures at 30 November 2012.

Schedule I: Banco Sabadell Group companies at 31 December 2012

Company name			Percentage shareholding Direct	Indirect
Companies consolidated by proportionate method				
Alma Gestión de Hoteles, S.L.U.	Hotel trade	Barcelona	-	49.72
Alma Hotelmanagement GMBH	Hotel trade	Berlín	-	49.72
B2B Salud, S.L.U.	Purchase and sale of health products	Alicante	-	50.00
Can Parellada Parc, S.L.	Real estate development	Tarrassa	-	25.00
Cartera de Participaciones Empresariales, C.V., S.L.	Holding company	Valencia	50.00	-
Datolita Inversiones 2010, S.L.	Business consulting	Alicante	50.00	-
Dreamview, S.L.	Real estate development	Alicante	-	49.00
Ecamed Barcelona, S.L.U	Hotel trade	Barcelona	-	49.72
Ecamed Pamplona, S.L.U	Hotel trade	Pamplona	-	49.72
Eco Resort San Blas, S.L.	Hotel trade	Santa Cruz de Tenerife	-	50.00
Elche-Crevillente Salud S.A.	Health care services	Valencia	-	30.00
Emporio Mediterráneo, S.L.	Real estate development	Alicante	-	50.00
Emte Renovables, S.L.	Holding company	Barcelona	-	62.11
Eólica Mirasierra, S.L.	Electricity	Palencia	-	50.00
Erbisinia Renovables, S.L.	Holding company	Leon	-	49.00
Espais Catalunya Mediterráneo, S.A.	Holding company	Barcelona	-	49.72
Fbex del Mediterráneo, S.L.	Real estate development	Barcelona	-	25.00
Financiera Iberoamericana, S.A.	Finance company	Havana	50.00	-
Hantinsol Resorts, S.A.	Hotel trade	Palma de Mallorca	-	33.33
Inerzia Mediterráneo, S.L.	Real estate development	Alicante	-	40.00
Inmobiliaria Ricam 2005, S.L.	Real estate development	Tarragona	-	40.00
Jerez Solar, S.L.	Electricity	Sant Joan Despí	-	62.11
La Ermita Resort, S.L.	Real estate development	San Javier	-	29.49
Liquidambar Inversiones Financieras, S.L.	Financial management	Madrid	13.33	-
Mankel System, S.L.U.	Property rental	Barcelona	-	49.72
Mercado Inmobiliario de Futuro, S.L.	Real estate development	Valencia	-	49.14
Plaxic Estelar, S.L.	Real estate	Barcelona	-	45.01
Ribera Salud Infraestructuras, S.L.U	Health care	Valencia	-	50.00
Ribera Salud Proyectos, S.L.U.	Health care	Valencia	-	50.00
Ribera Salud Tecnologías, S.L.U.	Health care	Valencia	-	50.00
Ribera Salud, S.A.	Health care management	Valencia	-	50.00
Torrevieja Salud, S.L.U.	Health care services	Torrevieja	-	50.00
Companies consolidated by the equity method (1)				
6350 Industries, S.L.	Real estate	Barcelona	-	37.50
Adelanta Corporación, S.A.	Services	Orense	-	25.00
Air Miles España, S.A. (a)	Services	Madrid	25.00	-
Alquezar Patrimonial, S.L.	Real estate development	Paterna	-	33.33
Altavista Hotelera,S.L.	Hotel trade	Barcelona	-	40.00
Alze Mediterráneo, S. L.	Real estate development	Girona	-	45.00
Amci Habitat Mediterráneo, S.L.	Real estate development	Barcelona	-	40.00
Anara Guipuzcoa, S.L.	Real estate	Alicante	-	40.00
Atalanta Catalunya 2011, S.L.	Wind power	Orense	-	25.00
Aviación Regional Cántabra, A.I.E.	Services	Boadilla del Monte	26.42	-
Aviones Alfambra CRJ-900, A.I.E.	Services	Madrid	25.00	-
Aviones Cabriel CRJ-900, A.I.E.	Services	Madrid	25.00	-
Aviones Ccarraixet CRJ-200 II A.I.E.	Aircraft	Madrid	25.00	-
Aviones Gorgos CRJ-900, A.I.E.	Services	Madrid	25.00	-
Aviones Portacoli CRJ-200 III A.I.E.	Aircraft	Madrid	25.00	-
Aviones Sella CRJ-900, A.I.E.	Services	Madrid	25.00	-
Aviones Turia CRJ-200 I, A.I.E.	Aircraft	Madrid	25.00	-
Balam Overseas BV	Real estate development	Netherlands	-	40.00
BanSabadell Pensiones, E.G.F.P., S.A.	pension fund managers	Sant Cugat del Vallès	50.00	-
BanSabadell Seguros Generales, S.A. de Seguros y Reaseguros	Insurance	Sant Cugat del Vallès	50.00	-
BanSabadell Vida, S.A. de Seguros y Reaseguros	Insurance	Sant Cugat del Vallès	50.00	-
Biodiésel Aragón, S.L.	Chemicals	Altorricón	-	49.78
Blue-Lor, S.L.	Real estate development	Barcelona	-	27.62
Casas del Mar levante, S.L.	Real estate	Alicante	-	33.33
C-Cuspide 6, S.A.	Real estate	Guadalajara	-	33.00
Centro Financiero B.H.D., S.A.	Financial services	Santo Domingo (Dominican Republic)	20.00	-
Costa Marina Mediterráneo, S.A.	Real estate development	Alicante	-	33.33
Desarrollos Inmobiliarios Pronegui, S.L.	Real estate	Madrid	-	40.00
Dexia Sabadell, S.A.	Banking	Madrid	20.99	-
Diana Capital S.G.E.C.R., S.A.	Venture capital	Madrid	20.66	-
Dime Habitat, S.L.	Real estate development	Barcelona	-	40.00
E.B.N. Banco de Negocios, S.A.	Financial intermediary	Madrid	20.00	-
Energias Renovables Sierra Sesnández, S.L. (b)	Special purpose entity	Valladolid	-	40.00
Espazios Murcia, S.L.	Real estate	Murcia	-	45.00
ESUS Energía Renovable, S.L.	Electricity	Vigo	-	45.00
Eurofragance, S.L.	Fabricación de perfumes y cosméticos	Rubí	-	25.00
Gate Solar, S.L. SPE	Solar power	Vitoria	50.00	-
Gaviel, S.A.	Real-estate investment	Barcelona	50.00	-
GDSUR Alicante, S.L.	Real estate development	Elda	-	20.00
General de Biocarburantes, S.A.	Chemicals	Marina de Cudeyo	-	25.00
Gesta Aparcamientos, S.L.	Real estate development	Elche	-	40.00

Schedule I: Banco Sabadell Group companies at 31 December 2012

Company name			Percentage shareholding Direct	Indirect
Companies consolidated by the equity method (1)				
Gestora de Aparcamientos del Mediterráneo, S.L.	Car-park management	Alicante	-	40.00
Gradiente Entrópico, S.L.	Real estate development	Cartagena	-	49.00
Grafos, S.A. Arte sobre Papel	Graphic arts	Barcelona	-	45.00
Grupo Luxiona S.L. (c)	Lighting products	Canovelles	-	20.00
Guisain, S.L.	Real estate	Abanto y Zierbena	-	40.00
Hansa Urbana S.A.	Real estate development	Alicante	22.65	7.96
Harugui Promocion y Gestión Inmobiliaria, S.L.	Real estate	Mutilva Baja	-	50.00
Hidrophytic, S.L.	Real estate	Vitoria	-	50.00
IFOS, S.A.	Services	Buenos Aires (Argentina)	-	20.00
Improbal Norte, S.L.	Real estate	Pamplona	-	35.00
Intermas Nets, S.A.	Chemicals	Llinars del Vallès	-	20.00
Inversiones Ahorro 2000, S.A.	Securities management	Vigo	20.00	-
Inversiones Hoteleras La Jaquita, S.A.	Hotel trade	Puerto De La Cruz	-	45.00
Key Vil I, S.L.	Real estate	Banos y Mendigo	-	40.00
Kosta Bareño, S.A.	Real estate	Abanto y Zierbena	-	20.00
Lizarre Promociones, A.I.E.	Real estate	Abanto y Zierbena	-	40.00
Loalsa Inversiones Castilla la Mancha, S.L.	Real estate	Madrid	-	20.00
Marina Salud, S.A.	Health care services	Denia	-	17.50
Mediterráneo Seguros Diversos, Compañía de Seguros y Reaseguros, S.A.	Non-life insurance:	Alicante	-	50.00
Mercurio Alicante Sociedd de Arrendamientos 1, S.L.U.	Residential leases	Alicante	75.00	-
Metrovacesa, S.A.	Property leasing	Madrid	12.35	-
Mirador del Segura 21, S.L.	Real estate	Benalmadena	-	37.15
Murcia Emprende, S.C.R., S.A.	Venture capital	Murcia	32.50	-
Mursiya Golf, S.L.	Real estate	Murcia	-	49.70
Naguisa Promociones, S.L.	Real estate	Pamplona	-	45.00
NF Desarrollos, S.L.	Real estate	Murcia	-	40.00
Norfin 21, S.L.	Real estate	Benalmadena	-	49.50
Parc Eòlic Veciana-Cabaro, S.L.	Electricity	Barcelona	-	40.00
Parque Boulevard Finestrat, S.L.	Real estate	Benidorm	-	33.00
Parque del Segura, S.L.	Real estate	Benalmadena	-	32.20
Parque Eólico Magaz, S.L.	Electricity	Magaz de Pisuerga	-	49.00
Parque Tecnológico Fuente Álamo, S.A.	Desarrollo parque tecnológico	,Fuente Álamo	22.54	-
Planificación TGN 2004, S.L.	Real estate development	Catllar	-	25.00
Prat Spolka, Z.O.O.	Real estate development	Warsaw	-	35.00
Proburg BG XXI, S.L.	Real estate	Burgos	-	25.00
Promociones Abaco Costa Almeria, S.L.	Real estate	Granada	-	40.00
Promociones Aguiver, S.L.	Real estate	Murcia	-	40.00
Promociones Florida Casas, S.L.	Real estate	Alicante	-	40.00
Promociones y Desarrollos Urbanos Oncineda, S.L.	Real estate	Pamplona	-	50.00
Residencial Haygon, S.L.	Real estate	San Vicente del Raspeig	-	25.00
Rocabella, S.L.	Real estate development	Ibiza	-	36.09
Ros Casares Espacios, S.A.	Real estate development	Valencia	-	20.00
Saprosin Promociones, S.L.	Real estate	Elda	-	45.00
SBD Creixent, S.A.	Real estate	Sabadell	23.01	-
Sercacín, S.A.	Business services	Alicante	20.00	-
Servicio de Recuperación de Créditos, S.A.	Debt collection management	Alicante	20.00	-
Servicios Inmobiliarios Trecam, S.L.	Real estate development	Madrid	-	30.01
Sistema Eléctrico de Conexión Valcaire, S.L.	Electricity	Granada	-	46.88
Sociedad de Cartera del Vallés, S.I.C.A.V., S.A.	Investment company	Sant Cugat del Vallès	43.26	-
Societat d'Inversió dels Enginyers, S.L.	Holding company	Barcelona	-	32.21
Torre Sureste, S.L.	Real estate	San Vicente del Raspeig	-	40.00
Tremon Maroc Services Inmobiliers S.A.R.L.	Real estate development	Tangiers	-	40.00
Txonta Egizastu Promozioak, S.L.	Real estate	Zarautz	-	35.00
Urtago Promozioak, A.I.E.	Real estate	Zarautz	-	30.00
Valfensal, S.L.	Hotel trade	Madrid	-	30.00
Vistas del Parque 21, S.L.	Real estate	Benalmadena	-	38.48

(1) Consolidated by the equity method due to the absence of management control.

(a) 25% of voting rights held in this company.

(b) In February 2012, Energías Renovables Sierra Sesnández, S.L. commenced consolidation by the equity method.

(c) On 06 July 2011, J. Feliu de la Penya, S.L. changed business name to Grupo Luxiona, S.L.

Schedule I: Banco Sabadell Group companies at 31 December 2012

Thousand euro

Company name	Capital	Reserves	Results (3)	Dividends paid (4)	Total assets	Net investment by group	Contribution to reserves or losses in consolidated companies	Contribution to consolidated group results	Consolidated taxation
	Company data (2)								
Companies consolidated by proportionate method									
Alma Gestión de Hoteles, S.L.U. (a)	4,073	(11,400)	(678)	0	7,365	0	0	(217)	No
Alma Hotelmanagement GMBH (a)	25	537	(1,285)	0	2,347	858	0	(315)	No
B2B Salud, S.L.U. (a)	30	506	1,096	0	2,296	5	0	305	No
Can Parellada Parc, S.L. (b)	1,981	(3,932)	(644)	0	14,456	0	0	(132)	No
Cartera de Participaciones Empresariales, C.V., S.L.	52,000	16,253	922	0	77,666	20,902	0	382	No
Datolita Inversiones 2010, S.L. (a)	30,003	0	(240)	0	60,032	14,980	0	(120)	No
Dreamview, S.L. (e)	2,499	(7,878)	0	0	2,878	0	0	0	No
Ecamed Barcelona, S.L.U (a)	12,003	(21,925)	(457)	0	55,501	0	0	29	No
Ecamed Pamplona, S.L.U (a)	4,503	(2,920)	(1,327)	0	22,786	693	0	(378)	No
Eco Resort San Blas, S.L. (b)	26,003	(18,152)	(1,888)	0	76,592	0	0	(623)	No
Elche-Crevillente Salud S.A. (a)	4,050	1,539	506	0	221,354	4,050	0	(101)	No
Emporio Mediterráneo, S.L (d)	16,383	(13,282)	(154)	0	11,168	0	0	(77)	No
Emte Renovables, S.L (a)	7,050	(277)	(132)	0	6,847	4,379	(95)	(82)	No
Eólica Mirasierra, S.L. (a)	64	7,428	9	0	74,775	2,586	(44)	(829)	No
Erbisinia Renovables, S.L. (b)	3	0	(8)	0	1	1	0	(4)	No
Espais Catalunya Mediterráneo, S.A. (a)	63,672	(30,847)	10	0	33,425	6,497	0	(1)	No
Fbex del Mediterráneo, S.L. (c)	18,096	(4,724)	(8)	0	13,540	0	0	(1)	No
Financiera Iberoamericana, S.A.	21,358	1,182	2,251	28	49,458	8,664	68	815	No
Hantinsol Resorts, S.A. (f)	61	(3)	0	0	60	19	0	0	No
Inerzia Mediterráneo, S.L (a)	1,453	(2,148)	(20)	0	7,395	0	0	(8)	No
Inmobiliaria Ricam 2005, S.L. (a)	5,735	(345)	(53)	0	33,245	0	0	(21)	No
Jerez Solar, S.L. (a)	3,050	(1,813)	(429)	0	50,871	1,894	43	(62)	No
La Ermita Resort, S.L. (c)	32,664	(14,052)	(115)	0	23,516	5,454	0	(17)	No
Liquidambar Inversiones Financieras, S.L.	130,800	(54,104)	(9,760)	0	80,450	7,896	0	(1,495)	No
Mankel System, S.LU. (a)	9,003	(4,364)	(26)	0	21,148	1,601	0	(78)	No
Mercado Inmobiliario de Futuro, S.L. (d)	6,382	4,735	0	0	16,032	4,637	0	0	No
Plaxic Estelar, S.L.	3	(14,365)	(439)	0	38,919	1	(198)	(198)	No
Ribera Salud Infraestructuras, S.L.U (a)	3	0	0	0	2	2	0	0	No
Ribera Salud Proyectos, S.L.U. (a)	3	0	0	0	2	2	0	0	No
Ribera Salud Tecnologías, S.L.U. (a)	3	0	0	0	4	2	0	0	No
Ribera Salud, S.A. (k)	9,518	40,536	0	0	439,810	23,978	0	(20,556)	No
Torrevieja Salud, S.L.U. (a)	3	0	0	0	6	2	0	0	No
Total				28		109,103	(226)	(23,784)	
Companies consolidated by the equity method (1)									
6350 Industries, S.L. (a)	230	721	(49)	0	2,674	86	(34)	(18)	No
Adelanta Corporación, S.A. (c)	301	43,174	1,312	75	129,212	37,202	0	0	No
Air Miles España, S.A. (a)	72	6,983	(286)	0	106,456	2,140	231	(193)	No
Alquezar Patrimonial, S.L. (b)	450	(905)	(76)	0	3,147	0	0	0	No
Altavista Hotelera,S.L. (a)	35,990	(17,620)	(5,641)	0	108,177	4,430	0	0	No
Alze Mediterráneo, S. L. (i)	2,102	(699)	0	0	23,637	0	0	0	No
Amci Habitat Mediterráneo, S.L (a)	1,464	(3,897)	(767)	0	1,011	0	0	0	No
Anara Guipuzcoa, S.L.	150	2,640	(66)	0	12,775	60	56	(26)	No
Atalanta Catalunya 2011, S.L. (d)	40	(0)	(3)	0	189	10	0	(1)	No
Aviación Regional Cántabra, A.I.E.	29,606	141	1,858	29	93,779	7,824	805	518	No
Aviones Alfambra CRJ-900, A.I.E.	4,496	(1,485)	111	0	18,989	1,060	(298)	27	No
Aviones Cabriel CRJ-900, A.I.E.	4,495	(1,483)	110	0	18,957	1,060	(297)	27	No
Aviones Carraixet CRJ-200 II A.I.E. (a)	1	3,977	362	0	13,092	894	0	100	No
Aviones Gorgos CRJ-900, A.I.E.	4,495	(1,482)	109	0	18,919	1,060	(298)	26	No
Aviones Portacoli CRJ-200 III A.I.E. (a)	1	3,990	364	0	13,155	897	0	101	No
Aviones Sella CRJ-900, A.I.E.	4,495	(1,481)	109	0	18,883	1,060	(298)	26	No
Aviones Turia CRJ-200 I, A.I.E. (a)	1	3,985	363	0	13,127	896	0	101	No
Balam Overseas BV (a)	20,084	1,052	(5)	0	21,189	6,669	0	(828)	No
BanSabadell Pensiones, E.G.F.P., S.A.	7,813	7,694	4,872	6,498	31,667	9,378	(833)	2,436	No
BanSabadell Seguros Generales, S.A.	10,000	4,895	4,076	1,959	61,700	5,000	2,586	2,038	No
BanSabadell Vida, S.A. de Seguros y Reaseguros	43,858	260,751	53,320	15,000	5,593,629	27,106	126,614	26,660	No
Biodiésel Aragón, S.L. (e)	5,911	293	(5,049)	0	37,230	2,820	(2,820)	0	No
Blue-Lor, S.L. (j)	1,858	(1,930)	0	0	42,858	0	0	112	No
Casas del Mar levante, S.L (a)	892	25	(324)	0	15,515	297	0	0	No
C-Cuspide 6, S.A. (a)	1,000	11	(690)	0	17,618	330	3	(189)	No
Centro Financiero B.H.D., S.A. (f)	171,988	58,993	38,872	14,556	2,408,553	52,214	2,315	18,741	No
Costa Marina Mediterráneo, S.A. (c)	5,130	(75)	(669)	0	10,382	469	0	0	No
Desarrollos Inmobiliarios Pronegui, S.L (b)	1,756	659	(468)	0	13,181	1,362	(341)	(187)	No
Dexia Sabadell, S.A. (c)	254,061	196,376	(7,124)	0	17,912,091	108,026	77,843	(14,049)	No
Diana Capital Inversion S.G.E.C.R. S.A. (g)	606	1,825	176	0	3,866	521	44	37	No
Dime Habitat, S.L. (a)	400	(8,403)	(999)	0	26,765	0	0	6	No
E.B.N. Banco de Negocios, S.A. (c)	39,281	25,056	(5,455)	0	1,131,682	3,890	0	(11,028)	No
Energias Renovables Sierra Sesnández, S.L. (c)	1,903	(15)	(35)	0	8,005	1	(4)	(19)	No
Espazios Murcia, S.L. (a)	4,500	10	(49)	0	7,749	2,025	(60)	(22)	No
ESUS Energía Renovable, S.L (a)	50	(2)	(21)	0	1,213	23	(23)	0	No
Eurofragance, S.L. (a)	667	10,072	4,633	309	26,406	9,050	1,081	1,125	No
Gate Solar, S.L. SPE	3,005	763	26	0	3,836	1,503	13	(13)	No
Gaviel, S.A. (c)	1,203	106	(11)	0	1,282	630	43	(8)	No
GDSUR Alicante, S.L. (k)	15,000	(20,847)	0	0	49,928	0	0	1	No
General de Biocarburantes, S.A. (a)	6,000	1,789	(47)	0	10,314	2,250	(130)	0	No
Gesta Aparcamientos, S.L. (a)	430	(466)	(117)	0	7,920	0	0	12	No

Schedule I: Banco Sabadell Group companies at 31 December 2012

Thousand euro

Company name	Capital	Reserves	Results (3)	Dividends paid (4)	Total assets	Net investment by group	Contribution to reserves or losses in consolidated companies	Contribution to consolidated group results	Consolidated taxation
	Company data (2)								
Companies consolidated by the equity method (1)									
Gestora de Aparcamientos del Mediterráneo, S.L. (g)	10,368	(5,171)	(471)	0	36,964	4,132	0	354	No
Gradiente Entrópico, S.L. (a)	4	2	2	566	39	2	0	(1)	No
Grafos, S.A. Arte sobre Papel (h)	1,800	8,444	(226)	0	33,531	3,781	293	0	No
Grupo Luxiona, S.L (a)	851	14,359	(5,221)	0	60,714	8,708	(880)	(1,590)	No
Guisain, S.L. (b)	4,200	0	(226)	0	10,071	1,680	(82)	(90)	No
Hansa Urbana S.A. (k)	44,889	235,101	0	0	607,229	0	0	(24,718)	No
Harugui Promoción y Gestion Inmobiliaria, S.L. (a)	593	(380)	(339)	0	1,528	297	(180)	0	No
Hidrophytic, S.L. (a)	186	34	13	0	452	93	5	7	No
IFOS, S.A. (a)	20	126	75	0	6,017	1	3	51	No
Improbal Norte, S.L. (a)	300	(1)	0	0	1,569	105	0	0	No
Intermas Nets, S.A. (b)	846	27,157	2,872	561	73,101	22,213	2,111	130	No
Inversiones Ahorro 2000, S.A.	20,134	2,024	(11,215)	0	10,948	11,174	0	0	No
Inversiones Hoteleras La Jaquita, S.A. (a)	32,685	(8,821)	(5,284)	0	192,296	0	0	0	No
Key Vil I, S.L. (a)	3,574	107	(3,211)	0	39,794	3,125	(67)	(265)	No
Kosta Bareño, S.A. (a)	1,500	0	613	0	29,870	300	0	123	No
Lizarre Promociones, A.I.E. (b)	835	0	(3)	0	822	334	10	(1)	No
Loalsa Inversiones Castilla la Mancha, S.L. (a)	180	659	(1,203)	0	12,625	36	33	(111)	No
Marina Salud, S.A. (a)	4,000	3,071	6,876	0	151,107	2,450	0	(1,414)	No
Mediterráneo Seguros Diversos, Compañía de Seguros y Reaseguros, S.A. (a)	11,600	8,207	5,378	1,160	48,249	5,800	0	1,777	No
Mercurio Alicante Sociedad de Arrendamientos 1, S.L.U. (a)	795	115	111	0	8,379	601	0	(31)	Yes
Metrovacesa, S.A. (c)	1,482,200	468,200	(193,200)	0	7,546,800	419,869	0	(18,684)	No
Mirador del Segura 21, S.L. (a)	164	0	0	0	5,938	53	4	0	No
Murcia Emprende, S.C.R., S.A. (b)	6,000	(817)	93	0	5,291	882	0	(624)	No
Mursiya Golf, S.L. (a)	300	0	(7)	0	8,295	264	(71)	36	No
Naguisa Promociones, S.L. (a)	300	22	(3)	0	6,431	270	(3)	(1)	No
NF Desarrollos, S.L. (a)	160	1,140	(4)	0	2,571	64	(2)	(2)	No
Norfin 21, S.L. (a)	10	(4)	0	0	5,111	5	0	0	No
Parc Eòlic Veciana-Cabaro, S.L. (a)	6,847	(177)	(387)	0	43,313	2,739	(1,247)	(168)	No
Parque Boulevard Finestrat, S.L. (a)	801	(2)	(94)	0	38,866	264	19	(31)	No
Parque del Segura, S.L (f)	1,752	45	0	0	26,514	564	18	0	No
Parque Eólico Magaz, S.L. (a)	1,500	5	0	0	42,761	6,582	(402)	98	No
Parque Tecnológico Fuente Álamo, S.A. (a)	4,128	(745)	(207)	0	3,398	729	0	(15)	No
Planificación TGN 2004, S.L. (b)	7,176	(5,080)	(394)	0	26,161	0	0	125	No
Prat Spolka, Z.O.O. (a)	1,043	(1,704)	(350)	0	8,719	1,162	0	294	No
Proburg BG XXI, S.L. (a)	4,000	0	(44)	0	14,137	1,000	(4)	(11)	No
Promociones Abaco Costa Almeria, S.L. (c)	5,000	(124)	(4,506)	0	20,379	2,000	(113)	(777)	No
Promociones Aguiver, S.L (c)	5,000	20	0	0	26,947	2,000	(1)	0	No
Promociones Florida Casas, S.L. (a)	120	555	(311)	0	4,685	48	(47)	(124)	No
Promociones y Desarrollos Urbanos Oncineda, S.L. (k)	300	0	0	0	6,935	150	0	0	No
Residencial Haygon, S.L. (c)	541	26	(253)	0	7,244	135	(80)	(3)	No
Rocabella, S.L. (a)	40	116	0	0	199	7	0	0	No
Ros Casares Espacios, S.A. (c)	10,000	(13,462)	(6,330)	0	200,273	0	0	4	No
Saprosin Promociones, S.L (a)	2,604	8,683	(3,117)	0	21,139	2,329	(2,143)	0	No
SBD Creixent, S.A. (b)	14,686	(89)	(3,082)	0	20,446	3,524	(191)	(851)	No
Sercacín, S.A.	236	(45)	(6)	0	208	20	0	(23)	No
Servicio de Recuperación de Créditos, S.A. (a)	60	12	1,399	322	2,163	103	0	160	No
Servicios Inmobiliarios Trecam, S.L. (l)	3,436	(67)	0	0	30,809	0	0	0	No
Sistema Eléctrico de Conexión Valcaire, S.L. (c)	175	0	(3)	0	6,972	82	0	0	No
Sociedad de Cartera del Vallés, S.I.C.A.V., S.A.	4,818	4,168	(312)	0	4,866	422	1,891	(135)	No
Societat d'Inversió dels Enginyers, S.L. (f)	490	(5)	(48)	0	355	313	(42)	(114)	No
Torre Sureste, S.L. (e)	300	943	557	0	15,938	120	(199)	223	No
Tremon Maroc Services Inmobiliers S.A.R.L. (l)	448	(368)	0	0	9,438	0	0	(32)	No
Txonta Egizastu Promozioak, S.L. (a)	600	0	(2)	0	16,180	420	0	(1)	No
Urtago Promozioak, A.I.E. (a)	100	0	(1)	0	64	30	2	0	No
Valfensal, S.L. (l)	56,402	3,422	0	0	276,567	10,921	0	787	No
Vistas del Parque 21, S.L (a)	164	0	0	0	5,864	33	6	0	No
Total				41,035		814,179	204,839	(20,135)	
Consolidation adjustments								1,316,653	
Total				55,023		4,270,255	7,815,875	81,891	

(1) Consolidated by the equity method due to the absence of management control.
(2) Foreign company figures are translated into euro at the exchange rate ruling on 31 December 2012
(3) Results pending approval by shareholders.
(4) Includes final dividend 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 2012
(b) Figures for these companies under "Company data" (2) are valid as at 31 October 2012
(c) Figures for these companies under "Company data" (2) are valid as at 30 September 2012
(d) Figures for these companies under "Company data" (2) are valid as at 31 August 2012
(e) Figures for these companies under "Company data" (2) are valid as at 31 July 2012
(f) Figures for these companies under "Company data" (2) are valid as at 30 June 2012
(g) Figures for these companies under "Company data" (2) are valid as at 31 May 2012
(h) Figures for these companies under "Company data" (2) are valid as at 29 February 2012
(i) Figures for these companies under "Company data" (2) are valid as at 31 October 2011
(j) Figures for these companies under "Company data" (2) are valid as at 30 November 2011
(k) Figures for these companies under "Company data" (2) are valid as at 31 December 2011
(l) Figures for these companies under "Company data" (2) are valid as at 31 December 2010

The total ordinary income balance of associates consolidated by the equity method amounted to €1,700,212,000 at 31 December 2012. The liabilities balance of associates at the end of 2012 totalled €34,030,943,000.

Consolidated balance sheets of the Banco Gallego Group

31 October 2013

Thousand euro

Total	2013
Cash and deposits with central banks	**39,171**
Held for trading	**5,521**
Loans and advances to credit institutions	0
Loans and advances to customers	0
Debt securities	1,296
Equity instruments	537
Trading derivatives	3,688
Memorandum item: loaned or pledged	*0*
Other financial assets at fair value through profit or loss	**0**
Loans and advances to credit institutions	0
Loans and advances to customers	0
Debt securities	0
Equity instruments	0
Memorandum item: loaned or pledged	*0*
Available-for-sale financial assets	**80,473**
Debt securities	74,279
Equity instruments	6,194
Memorandum item: loaned or pledged	*0*
Loans and receivables	**2,088,810**
Loans and advances to credit institutions	287,373
Loans and advances to customers	1,801,437
Debt securities	0
Memorandum item: loaned or pledged	*0*
Held to maturity investments	**648,052**
Memorandum item: loaned or pledged	*0*
Adjustments to financial assets due to macro-hedges	**0**
Hedging derivatives	**3,344**
Non-current assets held for sale	**11,926**
Investments	**7,439**
Associates	7,439
Jointly-controlled entities	0
Insurance contracts linked to pensions	**0**
Reinsurance assets	**0**
Tangible assets	**62,886**
Property, plant and equipment	61,499
For own use	61,499
Leased out under operating leases	0
Investment property	1,387
Memorandum item: Acquired under finance leases	*0*
Intangible assets	**514**
Goodwill	0
Other intangible assets	514
Tax assets	**234,836**
Current	1,132
Deferred	233,704
Other assets	**44,781**
Inventories	25,580
Other	19,201
Total assets	**3,227,753**

Consolidated balance sheets of the Banco Gallego Group

31 October 2013

Thousand euro

Liabilities	2013
Held for trading	**3,273**
Deposits from central banks	0
Deposits from credit institutions	0
Customer deposits	0
Marketable debt securities	0
Trading derivatives	3,273
Short securities positions	0
Other financial liabilities	0
Other financial liabilities at fair value through profit or loss	**0**
Deposits from central banks	0
Deposits from credit institutions	0
Customer deposits	0
Marketable debt securities	0
Subordinated liabilities	0
Other financial liabilities	0
Financial liabilities at amortised cost	**3,023,878**
Deposits from central bank	0
Deposits from credit institutions	89,624
Customer deposits	2,837,434
Marketable debt securities	186
Subordinated liabilities	0
Other financial liabilities	96,634
Adjustments to financial liabilities due to macro-hedges	**0**
Hedging derivatives	**8,029**
Liabilities associated with non-current assets held for sale	**0**
Liabilities under insurance contracts	**0**
Provisions	**39,164**
Provisions for pensions and similar obligations	357
Provisions for taxes and other regulatory contingencies	0
Provisions for contingent exposures and commitments	8,970
Other provisions	29,837
Tax liabilities	**1,851**
Current	411
Deferred	1,440
Other liabilities	**14,913**
Total liabilities	**3,091,108**

Consolidated balance sheets of the Banco Gallego Group

31 October 2013

Thousand euro

Equity	2013
Shareholders' funds	**136,339**
Capital	325,042
Issued	325,042
Less: Uncalled capital	*0*
Share premium account	0
Reserves	(127,353)
Accumulated reserves (losses)	(92,249)
Reserves (losses) in companies accounted for by the equity method	(35,104)
Other equity instruments	0
Equity component of compound financial instruments	0
Rest of other equity instruments	0
Less: Treasury shares	*0*
Profit for the year attributed to the parent company	(61,350)
Less: Dividends and remuneration	*0*
Valuation adjustments	**216**
Available-for-sale financial assets	110
Cash flow hedges	0
Hedging of net investment in foreign transactions	0
Exchange differences	0
Non-current assets held for sale	0
Entities accounted for by the equity method	106
Other valuation adjustments	0
Non-controlling interests	**90**
Valuation adjustments	0
Rest	90
Total equity	**136,645**
Total liabilities and equity	**3,227,753**

Memorandum item	
Contingent risks	**163,811**
Contingent commitments	**156,473**

Balance sheets of Lloyds Bank International

30 June 2013

Thousand euro

Total	2013
Cash and deposits with central banks	**24,268**
Held for trading	**329**
Deposits to credit institutions	0
Loans and advances to customers	0
Debt securities	0
Equity instruments	0
Trading derivatives	329
Memorandum item: loaned or pledged	*0*
Other financial assets at fair value through profit or loss	**0**
Deposits to credit institutions	0
Loans and advances to customers	0
Debt securities	0
Equity instruments	0
Memorandum item: loaned or pledged	*0*
Available-for-sale financial assets	**2,462**
Debt securities	2,011
Equity instruments	451
Memorandum item: loaned or pledged	*1,347*
Loans and receivables	**1,627,605**
Deposits to credit institutions	25,038
Loans and advances to customers	1,602,567
Debt securities	0
Memorandum item: loaned or pledged	*0*
Held to maturity investments	**0**
Memorandum item: loaned or pledged	*0*
Adjustments to financial assets due to macro-hedges	**0**
Hedging derivatives	**916**
Non-current assets held for sale	**23,227**
Investments	**0**
Associates	0
Jointly-controlled entities	0
Group companies	0
Insurance contracts linked to pensions	**0**
Tangible assets	**2,530**
Property, plant and equipment	2,530
For own use	2,530
Leased out under operating leases	0
Investment property	0
Memorandum item: Acquired under finance leases	*0*
Intangible assets	**237**
Goodwill	4
Other intangible assets	233
Tax assets	**19,867**
Current	629
Deferred	19,238
Other assets	**3,563**
Total assets	**1,705,004**

Balance sheets of Lloyds Bank International

30 June 2013

Thousand euro

Liabilities	2013
Held for trading	**2,906**
Deposits from central banks	0
Deposits from credit institutions	0
Customer deposits	0
Marketable debt securities	0
Trading derivatives	2,906
Short securities positions	0
Other financial liabilities	0
Other financial liabilities at fair value through profit or loss	**0**
Deposits from central banks	0
Deposits from credit institutions	0
Customer deposits	0
Marketable debt securities	0
Subordinated liabilities	0
Other financial liabilities	0
Financial liabilities at amortised cost	**1,336,888**
Deposits from central banks	0
Deposits from credit institutions	585,752
Customer deposits	745,309
Marketable debt securities	
Subordinated liabilities	0
Other financial liabilities	5,827
Adjustments to financial liabilities due to macro-hedges	**0**
Hedging derivatives	**916**
Liabilities associated with non-current assets held for sale	**0**
Provisions	**6,159**
Provisions for pensions and similar obligations	0
Provisions for taxes and other regulatory contingencies	307
Provisions for contingent exposures and commitments	203
Other provisions	5,649
Tax liabilities	**101**
Current	0
Deferred	101
Other liabilities	**4,844**
Total liabilities	**1,351,814**

Balance sheets of Lloyds Bank International

30 June 2013

Thousand euro

Equity	2013
Shareholders' funds	**352,958**
Capital	366,611
Issued	366,611
Less: Uncalled capital	0
Share premium account	0
Reserves	995
Other equity instruments	0
Equity component of compound financial instruments	0
Ownership interests and associated funds	0
Rest of equity instruments	0
Less: Treasury shares	*0*
Profit/(loss) for the year	(14,648)
Less: Dividends and remuneration	*0*
Valuation adjustments	**232**
Available-for-sale financial assets	232
Cash flow hedges	
Hedging of net investment in foreign transactions	
Exchange differences	
Non-current assets held for sale	
Other valuation adjustments	
Total equity	**353,190**
Total liabilities and equity	**1,705,004**

Memorandum item	
Contingent risks	**6,965**
Contingent commitments	**47,407**

CONSOLIDATED REPORT OF THE DIRECTORS FOR 2013

This report has been drafted 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.

1 - SITUATION OF THE BANK

Organizational structure

Banco Sabadell is one of Spain's leading banks, with assets totalling €163,441 million at 31 December 2013.

It offers a broad range of banking products and financial services, including deposits, personal banking, personal loans, mortgage loans, short- and medium-term financing, 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. Banco Sabadell had a total of 6.5 million customers at 2013 year-end, compared with 5.5 million in 2012. We had 2,418 operating branch offices (of which 2,370 in Spain) at 31 December 2013. Retail banking services are primarily provided through the branch network. The group's largest business line is Commercial Banking, with 2,356 branches dedicated to this activity at 2013 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 businesses:

- Commercial Banking: is the group's largest single line of business; it focuses on offering financial products and services to large and medium enterprises, SMEs, shops and sole proprietors and individuals, as well as bancassurance products.

  This business line operates under the SabadellAtlántico brand in most of Spain.

  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 serves customers in Galicia.

- Corporate Banking and Global Businesses: this unit offers products and services to large corporates and financial institutions, both Spanish and international. Its activities encompass corporate banking, structured finance, corporate finance, development capital, international business and consumer finance.

- Markets and Private Banking: this unit offers savings and investment management services to Banco Sabadell customers, including analysis of options for trading and investment, active wealth management and custody services. This business comprises the following units, which are managed on an integrated basis: SabadellUrquijo Private Banking; Investment, Products and Research; Treasury and Capital Markets; and Securities Trading and Custody.

- Asset management: a new framework and structure for managing real estate and doubtful assets was implemented in 2012. Solvia, the group's property management unit, has expertise throughout the entire property development and construction chain. A unit specialized in personal mortgage management was created in 2013 to manage loan delinquency proactively.

Banco Sabadell also operates outside Spain through several businesses.

- 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 deals, to products for individuals. It operates via Banco de Sabadell Miami Branch, Sabadell United Bank, and Sabadell Securities.

- BancSabadell d'Andorra: is incorporated in the Principality of Andorra; Banco Sabadell directly owns 50.97% of its capital. It focuses on medium-high income customers and on the leading companies in the Principality of Andorra.

Banco Sabadell is the parent of a group which, at 31 December 2013, comprised 304 companies, of which 206 were considered group and multigroup companies and 98 associated undertakings (compared with 243 companies, of which 146 were group and multigroup and 97 were associated undertakings at 31 December 2012).

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 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 the other undertakings in the consolidated Group;
c) identifying the main risks facing the Company and the consolidated Group and implementing and monitoring the 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) authorising transactions between the Company and directors or significant shareholders which may 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 2013 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
Sol Daurella Comadrán	Director
Joaquin Folch-Rusiñol Corachán	Director
María Teresa García-Milá Lloveras	Director
Joan Llonch Andreu	Director
José Manuel Martínez Martínez	Director
José Ramón Martínez Sufrategui	Director
Antonio Vitor Martins Monteiro	Director
José Luis Negro Rodríguez	Director - General Manager
José Permanyer Cunillera	Director
Miquel Roca i Junyent	Secretary to the Board (non-director)
Maria José García Beato	Deputy Secretary to the Board (non-director)

The Board of Directors has implemented a set of clear, transparent rules and regulations on corporate governance in accordance with Spanish law in this area. The majority of Board members (11 out of 14) are non-executive directors, including 10 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 2013 is shown in the table below:

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

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 (the Committee held 37 meetings in 2013).

Audit and Control Committee
The purpose of the Audit and Control Committee is to review the report drafted by 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 levels take suitable measures to address improper conduct or practices by persons in the organization. It is also a watchdog, ensuring that the measures, polices and strategies defined by the Board are duly implemented. The Committee, which meets at least once per quarter, held 7 meetings in 2013.

Without prejudice to any other tasks 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 conducted and the risk management systems in place, and discussing with auditors or auditing firms any significant weaknesses in the internal control system 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 profile of the most suitable persons to form part of the different committees and take these proposals to the Board. This Committee, which meets at least once per year, held 11 meetings in 2013.

Without prejudice to the other tasks that the Board of Directors assigns, 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 compensation policy;

d) periodically reviewing the general principles of remuneration and the remuneration programmes for all employees, and considering whether they conform to those principles;

e) ensuring that remuneration is transparent; and

f) fostering gender diversity as far as possible.

Risk Control Committee

The Risk Control Committee, which must meet at least once per month, 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 making recommendations to the full Board on the setting of maximum exposure limits for individual transactions with credit institutions and customers, and for the determination of risk maximum exposures for individual portfolios or investments in government securities, equities, bonds, options, swaps and generally any instruments or securities giving rise to insolvency, investment, interest 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 levels of risk, investments made and the performance of those investments, and of any impacts that could be caused to group revenues by changes in interest rates and on their appropriateness to the VaR's approved by the Board;

i) submitting to the Board's approval any change in the limits referred to in (i) and (ii) 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

This committee, which meets every six months, advises on matters of general strategy or issues of particular significance or importance.

Performance

Main 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 and 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. The group has four main areas of business (described above) and seven regional divisions with full responsibility for their areas, and several business-focused support teams.

Spain's banking sector has been engaged in an unprecedented consolidation process since the financial crisis began. 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, maximise 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, and the Penedès branch network was successfully integrated into that of Banco Sabadell in technological and operating terms.

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 2013 Banco Sabadell had shares of 15.0%, 12.9% and 9.0%, respectively, of the credit markets in those regions which together accounted for 31% of Spanish GDP in 2012. At national level, Banco Sabadell has market shares of 8.0% in lending and 7.4% in deposits according to the most recent information (September 2013). Banco Sabadell also has a strong position in other products such as ICO funding, with a market share of 20.5% (December 2013); commercial loans, with a share of 11.7% (November 2013); direct salary payments, 5.9% (November 2013) and POS terminal transactions, 13.6% (September 2013).

Banco Sabadell remains a leader in cross-border operations through its presence in strategic markets and by serving companies as they expand abroad; it has a 24.7% share of documentary credits for exports and 15.1% for imports (December 2013).

In 2013, Banco Sabadell benefited from a situation that was favourable to deposit-taking due to the flight to quality, which it enhanced with marketing campaigns. The bank attained a market share of 8.4% in term deposits for households (as of November 2013) and 11.4% of the market in demand deposits for non-financial companies (November 2013). The Bank was extremely successful in customer acquisition, adding around 850,000 new customers in 2013 and increasing its total to 6.5 million.

Deposits have been the Bank's primary source of funding since 2007, thereby reducing dependence on capital markets. In 2013, the Bank also successfully issued two bonds in the wholesale market: a €1,000 million mortgage covered bond issue in January and a €600 million senior bond in November, both of which aroused considerable interest among Spanish and foreign investors.

Another objective in 2013 that Banco Sabadell amply exceeded was to reduce the gap between Banco CAM and Banco Sabadell 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 view of the global financial crisis, regulatory requirements as to capital and reserves have become stricter; Banco Sabadell has made notable efforts to improve its position in both respects.

The Bank booked €1,769 million in provisions in 2013, enabling it to increase its reserves and attain an overall coverage ratio (loans and real estate) of 13.6%. In the second quarter of the year Banco Sabadell reclassified its restructured loan portfolio ahead of the deadline imposed by the Bank of Spain.

Banco Sabadell maintained high levels of capital during the crisis, was one of the banks that did not require additional capital, and passed the Oliver Wyman stress tests in 2012. In 2013, Banco Sabadell increased its capital by more than €1,500 million through two capital increases in September: €650 million (accelerated bookbuild) and €733 million (rights issue), and a capital management exercise in October 2013 in which it offered mandatory convertible subordinated bonds from Banco Sabadell in exchange for Banco Gallego hybrids, which allowed it to increase capital by another €122 million. All of these actions enabled Banco Sabadell to increase its core capital ratio to 12.00% at 2013 year-end, in line with the strongest banks in Europe.

2 - BUSINESS PERFORMANCE AND RESULTS

Global economic and financial environment

The return of the financial markets to normality and the gradual easing of capital market fragmentation in the eurozone continued throughout 2013 despite certain occurrences (e.g. the Cyprus bail-out and political upheavals in Italy and Portugal) that triggered bouts of market instability. Healthier financial market conditions were reflected in lower borrowing costs for sovereign issuers on the European periphery, a lower level of ECB recourse by banks, and the fact that Ireland and Portugal were able to return to the long- and medium-term debt markets. Spain confirmed that the European aid programme for its financial sector would end in January 2014 and Ireland became the first bail-out country to exit from a comprehensive aid package, and without additional support. Despite these developments, bank credit markets remained weak and fragmented, with different countries showing wide variations in interest rates on loans to small and medium-sized businesses.

Progress towards European integration provided an additional boost to market normalization. The main developments in this area were related to the establishment of a European banking union. Chief among them were (i) the incorporation of Basel III into European law; (ii) the decision to establish the ECB as the single banking supervisor for the eurozone from the end of 2014; and (iii) the agreement under which the European Stability Mechanism (ESM) will be able to recapitalize banks directly in certain circumstances. Also, late in 2013, the European authorities reached agreement on the Bank Recovery and Resolution Directive and the Deposit Guarantee Schemes Directive.

The global economy showed modest growth in 2013, with the developed world gathering pace as the year progressed. The eurozone reached a turning point in the second half of the year thanks to a more benign financial environment. The improvement was felt both in the core economies and on the periphery. US growth in 2013 was moderate, constrained by restrictive fiscal policy. Nevertheless, the steady revival of business activity during the year generated a substantial improvement in the labour market. On the other hand, the growing polarization of US politics led to a temporary partial shutdown of the Federal administration, although its impact on the economy was negligible. The UK economy performed very well, driven by a buoyant labour market and a dynamic property market. In Japan, the new government produced a plan (dubbed “Abenomics”) to put an end to deflation in the country and stimulate economic growth. In emerging markets, growth was below the average for the past decade as current growth models became obsolete and major structural challenges emerged. China's new government introduced a reform plan to change the growth model and to make it more sustainable in the long term.

Spain's economy achieved positive growth in the third quarter, for the first time in more than two years. Activity was boosted by strong export growth and was less constrained by sluggish domestic demand thanks to more benign financial conditions and an easing of the fiscal adjustment. In May, the European Commission mapped out a path of fiscal consolidation for Spain over the next few years that was significantly less demanding. Moreover, further progress was made in correcting the imbalances that had built up through the previous boom phase. In particular, Spain achieved a positive current account balance for the first time since the launch of the single currency, while home purchases as a proportion of GDP remained at all-time lows. Considerable headway was also made in the process of reducing private sector over-indebtedness. In the area of structural reform, steps were taken to increase transparency, sustainability and efficiency in public administration, including a reform of the pension system. In the latter part of the year, the three leading rating agencies upgraded their outlook for Spanish government debt from negative to stable.

Inflation fell in all the main developed economies with the exception of Japan. This was especially true in the eurozone, with inflation in some peripheral countries close to zero or even negative by the end of the year. Low eurozone inflation was associated with economic fragility, a strengthening euro, and the effect of internal devaluation processes in some peripheral economies.

In such circumstances, the monetary policy pursued by the main central banks in 2013 was accommodative, although there were differences. In the US, the Federal Reserve announced a change in the direction of its monetary policy that set it apart from other central banks. The Fed announced that it would shortly be reducing the level of asset purchases while reiterating its commitment to keeping benchmark rates low for a prolonged period, particularly if inflation was low and the labour market remained weak. The European Central Bank reduced its benchmark interest rate to an unprecedented 0.25% and committed itself to keeping benchmark rates low for a long period of time. It also assured the financial system that it would provide unlimited liquidity until the summer of 2015. The Bank of England linked its monetary policy to labour market data and said that it would not increase base rates or reduce the size of its asset purchasing programme until the unemployment rate improved. Finally, the Bank of Japan laid the foundations for a new period of loose monetary policy, abandoning the base rate to focus on expanding the money supply. The BOJ’s aim is to put an end to deflation and to stabilize price rises around a target level of 2.0% within the next two years.

In the long-term debt markets, US bond yields ended 2013 considerably higher than where they had been at the beginning of the year, abandoning the historically low levels seen in 2012. The Fed’s change of direction and improving economic indicators were the main drivers of this upward movement. In Germany, long-term yields, although still low, also ticked higher. The pull of US bond yields, the turning point reached by the European economy and a relaxation in sovereign debt markets all contributed to this rise. On the European periphery, Spanish and Italian public debt improved gradually throughout the year. The improvement was more pronounced in the case of Spain, where yields and risk premia were initially higher. Ten-year benchmark rates in both countries ended the year at similar levels, slightly over 4.0%. Yields in other non-core countries closed well below their levels at the beginning of 2013.

In the currency markets, the euro strengthened against the dollar during the year. This rise was particularly marked in the second half of the year thanks to improving economic data in the eurozone and the Fed’s decision to delay tapering of its asset purchase programme. The fact that the eurozone has attained a sizeable current account surplus due to Germany's persistent surplus and correction of the periphery's deficit provided further support for the euro. Elsewhere, the yen fell against the major world currencies. The depreciation of the yen was a reflection of the Japanese authorities' adoption of strongly expansive policies to combat deflation as part of the Abenomics programme.

Once again, equity markets ended the year with gains in the US, the eurozone and Japan. In the US, stock indices rose gradually as the year progressed, while in the eurozone most of the gains were seen in the second half of the year. In 2013 as a whole, the Euro Stoxx 50 index rose by 18%, while the Spanish IBEX showed a gain of 21%. In the US, the S&P 500 appreciated by 24% in euro terms.

Equity markets in the emerging countries were adversely affected by the change in direction of the Fed's monetary policy, domestic vulnerabilities that had built up in the course of the past few years, and fears over the extent of the deceleration in the Chinese economy.

Financial review

Balance sheet and income statement

The year-on-year comparison of results and balance sheet figures was affected by the incorporation into the consolidated accounts of: Banco CAM, as from 1 June 2012; the business acquired from Banco Mare Nostrum ("BMN"), as from 1 June 2013 (i.e. BMN's branches in Catalonia and Aragón ["BMN-Penedès"]); Lloyds Bank International and Lloyds Investment España, as from 30 June 2013 ("SabadellSolbank"); and Banco Gallego, as from 31 October.

In the context of the financial crisis and the consequent general instability and complex operating conditions within the financial services industry, Banco Sabadell made solid progress in 2013, clearly evidencing its capacity to generate sustainable profits while obtaining the projected synergies and effectively containing costs.

The year 2013 was characterized by a strong pace of new customer acquisition, growth in market share and steady progress in bringing the newly acquired businesses up to speed with the rest of the group; a key highlight was the success of the €1,383 million increase in the Bank's capital between September and October 2013.

Balance sheet

At the end of 2013, the total assets of Banco Sabadell and its group amounted to €163,441.5 million, having increased by €1,894.4 million with respect to 2012 year-end. The 1.2% increase year-on-year was due in large measure to the addition of businesses referred to above.

In particular, gross loans and advances to customers (excluding repos) increased notably from €119,638.1 million at 2012 year-end to €124,614.9 million at the end of 2013, a 4.2% increase over the previous year.

Mortgage loans, the single largest component of gross lending, amounted to slightly over 46% of the total at 31 December 2013.

Excluding Banco CAM assets covered by the Asset Protection Scheme (APS), the Banco Sabadell group had a 13.63% ratio of non-performing loans (NPLs) to total qualifying loans and advances at the end of 2013 (compared with 9.33% at the end of 2012); with losses due to reclassification excluded, the ratio was 11.13%.

The trend in problematic assets improved in 2013. The quarter-on-quarter performance of those assets (doubtful loans plus real estate assets not covered by the APS) excluding business acquired in 2013 and loan reclassifications is as follows:

Million euro

	4Q12	1Q13	2Q13	3Q13	4Q13
Net ordinary increase	1,094	385	760	365	(12)
Change in real estate	233	394	1	218	400
Net increase: doubtful loans plus real estate	**1,327**	**778**	**761**	**583**	**388**
Loan write-offs	387	247	305	105	51
Quarterly change in doubtful loans plus real estate	**940**	**531**	**456**	**478**	**337**

Another significant change in the balance sheet was the sale of the held-to-maturity portfolio in May 2013 (it amounted to €7,647.8 million at 2012 year-end). This transaction provided €437.3 million in gross capital gains, recognized under Net gains/(losses) on financial assets and liabilities in the 2013 income statement.

Below is a breakdown of the available-for-sale fixed-income income portfolio by asset class: This portfolio mainly comprises bonds issued or guaranteed by the Spanish State, other euro area government bonds and mortgage covered bonds issued by financial institutions.

Million euro

Type	Fair value
Treasury bills	1
Government bonds	12,105
Spanish government-backed bonds	1,843
Regional government bonds	1,131
Government debt from other countries	295
Credit institution bonds	476
Covered bonds	2,223
Securitization bonds	20
Other debt securities	557
Grand total	**18,651**

The breakdown of the available-for-sale portfolio by maturity was:

Million euro

Term	Fair value
1 year	745
5 years	4,584
10 years	6,973
Covered bonds	6,349
Grand total	**18,651**

The amortized cost of this portfolio is €18,411 million, and it has €240 million in net unrealized capital gains. The yield is between 1.12% and 4.68%, and the portfolio's average IRR is 3.86%.

As of 31 December 2013, customer funds on the balance sheet amounted to €94,497.2 million, a 17.9% increase year-on-year. Demand accounts performed particularly well in 2013, having expanded by 36.1% to €36,862.5 million at 31 December 2013. Time deposits also expanded significantly in 2013, increasing by 13.6% year-on-year to €60,798.7 million at year-end.

Gross new customer acquisitions continued at a good pace (8,900 per week), with the result that the customer base increased by 93,795 individuals and 23,054 companies in the last three months of 2013. At 31 December 2013 the Bank had 6.5 million customers, including those from businesses acquired during the year. As a result of this growth and increased cross-selling of products and services, the group's market share increased in both private individuals and companies.

At 31 December, our share of banking transactions by private individuals (cheques, transfers, direct debits, bills of exchange) had increased by 145 basis points year-on-year to 7.96%. In terms of business loans under ICO credit lines (financing schemes for businesses, entrepreneurs, internationalization, exports, etc.), Banco Sabadell ended the year with a market share of 20.50% compared with 12.24% in 2012.

As the growth in customer funds on the balance sheet exceeded the increase in customer loans, a positive funding gap of €10,123 million was generated in the year after adjusting for the effect of the incorporation of BMN-Penedès, Sabadell Solbank and Banco Gallego into the consolidated group.

Liabilities in the form of marketable securities amounted to €21,166.9 million at 2013 year-end compared with €25,326.2 million at 31 December 2012. This decline was due principally to the net reduction in outstanding bonds, mortgage covered bonds, asset-backed securities and commercial papers.

Assets in collective investment vehicles totalled €11,018.6 million at 31 December 2013, a 28.3% increase year-on-year.

Assets in pension funds marketed by the group amounted to €4,356.3 million at 2013 year-end, having increased by €647.4 million year-on-year.

Insurance sales amounted to €8,067.4 million at 31 December 2013, compared with €7,313.2 million in 2012.

Total funds under management amounted to €149,122.9 million at 31 December 2013, a rise of 13.3% on the balance of €131,654.6 million at 31 December 2012.

Income and profit performance

Thousand euro

	2013	2012	YoY change (%)
Interest and similar income	4,863,170	4,735,621	(2.7)
Interest and similar charges	(3,048,476)	(2,867,633)	(6.3)
Net interest income	**1,814,694**	**1,867,988**	**(2.9)**
Return on equity instruments	7,329	9,865	(25.7)
Income of undertakings valued by the equity method	11,107	(11,735)	--
Net fees and commissions	759,670	628,689	(20.8)
Income from trading (net)	1,479,185	546,236	(170.8)
Foreign exchange differences (net)	67,871	59,881	(13.3)
Other operating income and expenses	(163,062)	(142,478)	(14.4)
Gross income	**3,976,794**	**2,958,446**	**(34.4)**
Personnel expenses	(1,135,175)	(996,546)	(13.9)
Recurring expenses (*)	(1,090,620)	(977,068)	(11.6)
Non-recurring expenses	(44,555)	(19,478)	(128.7)
Other general expenses	(587,886)	(515,079)	(14.1)
Recurring (**)	(581,086)	(512,320)	(13.4)
Non-recurring	(6,800)	(2,759)	(146.5)
Depreciation	(228,447)	(156,925)	(45.6)
Profit before impairment and other provisions	**2,025,286**	**1,289,896**	**(57.0)**
Provisions for NPLs and other impairments	(1,768,998)	(2,540,629)	(30.4)
Capital gains on asset disposals	43,893	15,407	(184.9)
Negative goodwill	30,295	933,306	(96.8)
Result from discontinued operations	0	0	--
Profit/(loss) before tax	**330,476**	**(302,020)**	**–**
Income tax	(61,641)	398,055	--
Consolidated net profit for the year	**268,835**	**96,035**	**(179.9)**
Result attributable to non-controlling interests	21,003	14,144	(48.5)
Profit attributed to the group	**247,832**	**81,891**	**(202.6)**
Memorandum item:			
Average total assets	166,571,462	138,234,739	(20.5)
Earnings per share (€)	0.06	0.03	(100.0)
Diluted earnings per share			

(*) On a like-for-like basis (i.e. with the inclusion in 2012 of Banco CAM from 1 January, BMN-Penedès from 1 June, Sabadell Solbank from 1 July and Banco Gallego from 1 November) recurring expenses decreased by 13.2% over the period.

(**) On a like-for-like basis, recurring general expenses decreased by 11.4% over the period.

Banco Sabadell and its group ended 2013 with €247.8 million in net attributable profit, after booking €1,769.0 million in provisions for bad debts, securities and real estate. The net attributable profit for 2012 was €81.9 million.

Net interest income amounted to €1,814.7 million in 2013, 2.9% less than in 2012. The contribution by Banco CAM from June 2012 onwards and the acquisitions of new businesses in 2013 (BMN-Penedès, Sabadell Solbank and Banco Gallego), combined with judicious management of interest spreads, the improved margin from the fixed-income portfolio and other factors broadly offset factors such as the decline of the yield curve and the reduction in interest spreads during the first half of the year. In the second half of the year, interest spreads began to improve, mainly due to the lower cost of deposits and to the smaller effect of the yield curve on loan repricing.

Below is a breakdown of the net interest margin in 2012 and 2013, showing the average yields and costs of the various components of total lending and funding and an analysis of the impact of interyear changes in prices and volumes.

Thousand euro

	2013			2012			Change		Effect	
	Average balance	Profit/ (loss)	Rate %	Average balance	Profit/ (loss)	Rate %	Average balance	Profit/ (loss)	Volume	Rate
Cash and deposits with central banks and credit institutions	4,529,883	40,794	0.90	4,568,908	54,773	1.20	(39,025)	(13,978)	(468)	(13,511)
Loans and advances to customers	105,997,323	3,859,745	3.64	90,942,333	3,736,363	4.11	15,054,990	123,382	618,534	(495,152)
Fixed-income securities	28,629,589	938,310	3.28	21,293,577	755,683	3.55	7,336,012	182,627	260,346	(77,720)
Subtotal	**139,156,795**	**4,838,849**	**3.48**	**116,804,818**	**4,546,819**	**3.89**	**22,351,977**	**292,030**	**878,412**	**(586,382)**
Equity investments	1,961,883	-	-	2,093,708			(131,825)	-		
Tangible and intangible assets	3,246,609	-	-	2,803,977			442,632	-		
Other assets	22,206,176	24,321	0.11	16,532,236	188,802	1.14	5,673,940	(164,481)		(164,481)
Total capital employed	**166,571,463**	**4,863,170**	**2.92**	**138,234,739**	**4,735,621**	**3.43**	**28,336,724**	**127,549**	**878,412**	**(750,863)**
Credit institutions	25,838,912	(298,067)	(1.15)	24,986,726	(359,055)	(1.44)	852,186	60,988	(12,246)	73,234
Customer deposits	84,303,805	(1,627,349)	(1.93)	61,200,950	(1,260,409)	(2.06)	23,102,856	(366,940)	(475,794)	108,854
Capital market	29,654,453	(1,038,410)	(3.50)	29,724,584	(1,108,685)	(3.73)	(70,131)	70,274	2,616	67,659
Fixed-income repurchase agreements	6,732,891	(70,657)	(1.05)	5,261,783	(59,380)	(1.13)	1,471,108	(11,277)	(16,602)	5,324
Subtotal	**146,530,061**	**(3,034,483)**	**(2.07)**	**121,174,043**	**(2,787,528)**	**(2.30)**	**25,356,018**	**(246,955)**	**(502,026)**	**255,071**
Other liabilities	10,855,652	(13,993)	(0.13)	9,797,289	(80,105)	(0.82)	1,058,363	66,112		66,112
Shareholders' equity	9,185,750	-	-	7,263,408			1,922,342	-		
Total funds	**166,571,463**	**(3,048,476)**	**(1.83)**	**138,234,739**	**(2,867,633)**	**(2.07)**	**28,336,723**	**(180,843)**	**(502,026)**	**321,183**
Average total assets	**166,571,463**	**1,814,694**	**1.09**	**138,234,739**	**1,867,988**	**1.35**	**28,336,723**	**(53,294)**	**376,387**	**(429,681)**

Returns and margins were initially lower in 2013 compared with 2012; however, there was a turning point in the second quarter of the year, after which they improved considerably, mainly due to the lower cost of deposits and the smaller effect of the yield curve on loan repricing.

In terms of cumulative annual averages, the net interest margin was 1.09% of average total assets (1.35% in 2012). The decline in the average return on average total assets is due to several factors, including the reduction in interest spreads (mainly as a result of the effect of the curve on loan repricing and the higher average cost of new deposits in the last quarter of 2012), the increase in problem assets compared with 2012, the lower average returns from the acquisitions performed during the year, and the lower yield on the fixed-income portfolio.

Quarterly margins increased from the second quarter and improved notably in the fourth quarter after practically all the deposits acquired at the end of 2012 had been rolled over and repricing loans renewed.

Dividends received and profits from equity-accounted undertakings together amounted to €18.4 million, compared with a small loss (€1.9 million) in 2012. The insurance and pension business also made a sizeable contribution to earnings.

Net fees and commissions totalled €759.7 million, a 20.8% increase year-on-year. This growth was observed across all types of fee and commission income (avals, services, mutual funds, insurance and pension sales) and was attributable to the targeting of high-return businesses, cross-selling, and a narrower gap in income generation between Banco CAM and the rest of the group, in addition to the integration of the new businesses mentioned above.

Fees for aval and other guarantees increased overall by €5.9 million, mainly as a result of higher fees for avals and documentary credits. Fees for services increased by €104.2 million, due mainly to revenues from cards, demand accounts and other services increasing in line with the growth in business volumes and the businesses included in the consolidated accounts for the first time. Fees and commissions on mutual and pension funds and insurance products increased by €20.8 million year-on-year due mainly to the greater volume of assets under management and the sale of new providential plans.

Net income from trading amounted to €1,479.2 million, including €927.8 million in profits on the sale of available-for-sale fixed-income assets, €437.3 million on the sale of held-to-maturity investments, and €58.8 million on the sale of equity securities (which included approximately €17.7 million from the sale of Meliá Hotels International and €20.35 million from the sale of Banco Inversis; see Note 6 on equity instruments in the notes to the accounts) and €53.6 million from the trading portfolio. Net income from trading for 2012 amounted to €546.2 million, including €270.3 million on the sale of available-for-sale fixed-income assets, €166.3 million on the redemption of asset-backed securities and own securities, and €132.2 million in trading profit.

Net exchange gains amounted to €67.9 million compared with €59.9 million in 2012. This 13.3% year-on-year increase is due mainly to the greater volume of business in 2013.

Other operating income and expenses showed a net loss of €163.1 million, compared with a loss of €142.5 million in 2012. This item included contributions of €135.4 million to the deposit insurance scheme.

Operating expenses (personnel and general) amounted to €1,723.1 million in 2013, of which €51.4 million were non-recurrent (mainly restructuring costs related to the Banco Gallego acquisition). Recurring operating expenses in 2013, on a like-for-like basis, were 12.5% lower than in the previous year.

The significant increase in gross income in 2013 (34.4%), coupled with policies to hold down costs, provided a notably better efficiency (cost:income) ratio of 48.68% in 2013 (down from 51.10% in 2012), excluding a one-off capital gain on the sale of the held-to-maturity portfolio.

The decline in the cost:income ratio was attributable to a strict cost containment policy and was achieved in both recurrent personnel expenses (-13.2%) and other general administrative expenses (-11.4%).

Consequently, the net profit before provisions amounted to €2,025.3 million in 2013, 57.0% more than in 2012.

Provisions for loan losses and other impairments (primarily in real estate and financial assets) amounted to €1,769.0 million, including extraordinary provisions to meet additional provisioning requirements following a review of the classification of loan refinancings. In 2012, provisions totalled €2,540.6 million, of which a notable portion was advance charges for loan and real estate losses in accordance with Royal Decree-Laws 2/2012 and 18/2012. Provisions amounted to 13.61% of total loan and real estate exposure at 2013 year-end and the Bank's specific coverage of assets classified as doubtful due to delinquency was 50.1%.

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. Capital gains on asset disposals in 2012 totalled €15.4 million, the principal disposal in that year being the Bank’s shareholding in Banco del Bajío.

The group’s income statement for 2013 includes a credit of €30.3 million under negative goodwill, mainly attributable to the acquisition of Banco Gallego. The income statement for 2012 contained a balance of €933.3 million due to negative goodwill recognized on the consolidation of Banco CAM.

After deducting income tax and non-controling interests, the net profit attributable to the group amounted to €247.8 million at 2013 year-end, notably higher than in 2012 (€81.9 million).

Commercial Banking

Thousand euro

	2013	2012	YoY change (%)
Net interest income	**1,321,702**	**1,278,303**	**3.4**
Net fees and commissions	590,438	488,774	20.8
Other income	(48,835)	(79,921)	(38.9)
Gross income	**1,863,305**	**1,687,156**	**10.4**
Operating expenses	(1,255,472)	(1,124,270)	11.7
Operating profit/(loss)	**607,833**	**562,886**	**8.0**
Impairment losses	(353,013)	(398,995)	(11.5)
Profit/(loss) before tax	**254,820**	**163,891**	**55.5**
Ratios (%):			
ROE	5.6%	4.6%	
Cost:income ratio	67.4%	66.6%	
Loan loss ratio	11.4%	9.0%	
Loan loss coverage ratio	57.4%	76.1%	
Customer business volumes (million euro)			
Loans and advances	83,255	73,752	12.9
Customer funds	89,657	70,669	26.9
Securities deposited	7,556	8,022	(5.8)
Other information			
Employees	12,180	10,924	11.5
Branches in Spain	2,356	1,839	28.1

(1) Figures for 2012 include performance data for Banco CAM from 1 June onwards.

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 individuals — including private banking, personal banking and mass market services — and to non-residents and professional groupings. A strong focus on market specialization ensures that customers receive a personalized service to suit their needs, whether from expert staff assigned to branches operating under the various group brands, or via other channels that support the customer relationship and provide access to remote banking services.

The year began with the consolidation of Banco CAM and, against a difficult backdrop, efforts in 2013 to acquire customers, increase lending and contain loan delinquency enabled the Bank to expand market share.

In the fourth quarter Banco Sabadell integrated the BMN-Penedès branch network in Catalonia and Aragón, which substantially increased its presence in Catalonia and northern Spain.

In 2013 net interest income attributed to Commercial Banking amounted to approximately €1,321.7 million and the profit before tax was €254.8 million. The ROE was 5.6% and the cost:income ratio was 67.4%. Loans and advances totalled €83,255 million and customer funds under management stood at €89,657 million.

Corporate Banking and Global Businesses

Corporate Banking and Global Businesses offers products and services to large companies and financial institutions, both Spanish and foreign. Its activities encompass corporate banking, structured financing, corporate finance, development capital, international trade and consumer finance.

Corporate Banking

2013 was a year of transformation for Corporate Banking, leading to a shift in its strategic focus and organization model.

Thousand euro

	2013	2012	YoY change (%)
Net interest income	**175,749**	**177,683**	**(1.1)**
Net fees and commissions	33,789	33,049	2.2
Other income	5,233	1,415	269.9
Gross income	**214,771**	**212,147**	**1.2**
Operating expenses	(27,170)	(26,116)	4.0
Operating profit/(loss)	**187,601**	**186,031**	**0.8**
Impairment losses	(108,479)	(38,131)	184.5
Other gains/losses	0	0	-
Profit/(loss) before tax	**79,122**	**147,900**	**(46.5)**
Ratios (%):			
ROE	7.7%	13.9%	
Cost:income ratio	12.7%	12.3%	
Loan loss ratio	2.6%	1.2%	
Loan loss coverage ratio	98.9%	128.4%	
Customer business volumes (million euro)			
Loans and advances	10,920	11,519	(5.2)
Customer funds	4,025	4,016	0.2
Securities deposited	585	519	12.8
Other information			
Employees	96	95	1.1
Branches in Spain	2	2	0.0
Branches abroad	2	2	0.0

(1) Figures for 2012 include performance data for Banco CAM from 1 June onwards.

The new model aims to make Sabadell the best banking experience for large corporations, based on adapting capacities to offer excellent service in a context of customer globalization, backed in each case by sales teams that are specialized in a specific industry so as to tailor our value proposition to the specific needs of each customer and industry. To effect these changes the division, as in previous years, benefited from working in coordination with its teams in Spain (Madrid and Barcelona) and in Paris, London and Miami.

From a purely marketing perspective, the emphasis continued to be on strengthening customer relationships and boosting income from fee-earning services that use up less capital, while continuing to apply the same rigorous standards to loan approvals and renewals.

Net interest income attributable to Corporate Banking totalled €175.7 million in 2013, with pre-tax profits amounting to €79.1 million. The ROE was 7.7% and the cost: income ratio was 12.7%.

Private Banking

In 2013, SabadellUrquijo Private Banking focused on strengthening its leading position in the high net worth individual segment, aimed at customers requiring personalized attention, providing products and services adapted to their risk profiles and constantly seeking to optimize returns on their investments.

The sales team worked tirelessly during the year to enhance personal contact with customers, increasing the frequency of visits and follow-up phone calls to ensure that they felt that their needs were being fully met. These contacts were pursued even more diligently with new customers resulting from recent acquisitions.

The private banking team focused sales efforts on value-added investment alternatives and structuring personalized solutions in line with customers' requirements and risk profiles, mainly using mutual funds, discretionary portfolio management and SICAVs.

The integration of BMN-Penedès enabled the Bank to further extend its business model in the Catalonia and Aragon regions.

Thousand euro

	2013	2012	YoY change (%)
Net interest income	**10,145**	**12,814**	**(20.8)**
Net fees and commissions	36,609	32,990	11.0
Other income	3,253	3,557	(8.6)
Gross income	**50,007**	**49,361**	**1.3**
Operating expenses	(38,319)	(39,715)	(3.5)
Operating profit/(loss)	**11,688**	**9,646**	**21.2**
Provisions (net)	0	0	-
Impairment losses	(2,566)	(3,509)	(26.9)
Other gains/losses	0	0	-
Profit/(loss) before tax	**9,122**	**6,137**	**48.6**
Ratios (%):			
ROE	20.7%	11.4%	
Cost:income ratio	76.6%	80.5%	
Loan loss ratio	4.5%	3.0%	
Loan loss coverage ratio	80.1%	91.5%	
Customer business volumes (million euro)			
Loans and advances	1,047	1,170	(10.5)
Customer funds	14,285	13,899	2.8
Securities deposited	7,464	6,985	6.9
Other information			
Employees	269	268	0.4
Branches in Spain	12	12	0.0

In 2013 gross income from Private Banking amounted to €50.0 million and the profit before tax was €9.1 million. The ROE was 20.7% and the cost:income ratio was 76.6%. Overall, the volume of customer funds managed by the Private Banking division was €22,796 million.

Investment, Products and Research

Banco Sabadell's team of highly qualified people specializes in financial market research and analysis and in drawing up asset allocation strategies to guide investment decisions; this includes investment product planning and development and a mandate to research any of the various types of asset in which customers might wish to invest.

Investment Management

Thousand euro

	2013	2012	YoY change (%)
Gross income	**45,397**	**31,243**	**45.3**
Operating expenses	(20,046)	(18,548)	8.1
Operating profit/(loss)	**25,351**	**12,695**	**99.7**
Other gains/losses	(13)	(6)	97.3
Profit/(loss) before tax	**25,338**	**12,689**	**99.7**
Ratios (%):			
ROE	80.5%	29.9%	
Cost:income ratio	44.2%	59.4%	
Customer business volumes (million euro)			
Assets under management in UCITS	8,069	6,997	15.3
Total assets in UCITS including schemes sold but not managed	11,019	8,585	28.3
Other information			
Employees	147	148	(0.7)
Branches in Spain	–	–	

The group's Investment Management business is carried on by the units responsible for managing collective investment schemes (UCITS), and combines investment management with the distribution and operation of UCITS. It also manages investments on behalf of other Banco Sabadell businesses that hold portfolios of assets.

At the close of 2013 total assets under management by the Spanish-domiciled mutual fund industry as a whole totalled €153,833.6 million, 25.8% higher than the previous year.

The volume of assets held in Spanish-domiciled mutual funds under management by the Banco Sabadell group amounted to €6,255.5 million at the end of the year. This was 40.8% above the figure for the previous year and included the mutual funds added as a result of the integration of Banco Mare Nostrum.

The group's offering of guaranteed-return funds continued to be promoted during the year, with return guarantees being issued in respect of four guaranteed funds totalling €452.8 million at 31 December 2013. Guaranteed funds as a whole accounted for €2,775.0 million worth of assets at the close of the year. The proportion of assets held in guaranteed funds with respect to the total value of financial assets under management in funds subject to Spanish jurisdiction decreased from 53.4% in 2012 to 44.4% in 2013.

Gross income attributable to Investment Management totalled €45.4 million in 2013, with pre-tax profit amounting to €25.3 million. The ROE was 80.5% and the cost:income ratio was 44.2%.

Real Estate Asset Management

Thousand euro

	2013	2012	YoY change (%)
Net interest income	**67,835**	**121,389**	**(44.1)**
Net fees and commissions	(2,763)	(4,988)	(44.6)
Other income	(6,970)	(11,632)	(40.1)
Gross income	**58,102**	**104,769**	**(44.5)**
Operating expenses	(191,664)	(130,035)	47.4
Operating profit/(loss)	**(133,562)**	**(25,266)**	**428.6**
Provisions (net)	(301)	(625)	(51.9)
Impairment losses	(362,216)	(345,490)	4.8
Other gains/losses	(520,861)	(429,794)	21.2
Profit (loss)/ before tax	**(1,016,940)**	**(801,175)**	**26.9**
Ratios (%):			
ROE	(44.7%)	(39.8%)	
Cost:income ratio	329.9%	124.1%	
Loan loss ratio	55.4%	48.7%	
Loan loss coverage ratio	44.9%	57.3%	
Customer balances (million euro)			
Loans to customers	18,623	21,892	(14.9)
Customer funds	359	621	(42.2)
Securities deposited	13,587	11,376	19.4
Other information			
Employees	807	795	1.5
Branches in Spain	–	–	

Real Estate Asset Management is responsible for managing the group’s entire portfolio of real estate exposures and the special risks associated with the real estate sector. The unit's structure and organization were strengthened in 2013 with a view to ensuring a comprehensive vision of management processes, the goal being to accelerate divestment of these assets.

As regards default risk, early response mechanisms have been established and business tools and solutions put in place to keep loan arrears and defaults under control. Management of real estate exposure is now done on a comprehensive basis and ranges from analysis and preventive actions for loans secured on real estate collateral to direct management of foreclosed assets. This end-to-end management approach has enabled us to work with customers to identify solutions for their real estate needs.

The units responsible for managing the group’s portfolio of foreclosed properties have been strengthened in terms of personnel and processes and currently comprise one of the best real estate platforms in the market.

2.1 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:

Thousand euro		2013	2012	YoY change (%)
Balance sheet	**(A)**			
Total assets		163,441,470	161,547,085	1.2
Gross loans and advances to customers, excluding repos		124,614,933	119,638,113	4.2
Loans and advances to customers – gross		125,302,943	121,528,997	3.1
On-balance sheet funds	(1)	123,753,008	110,996,102	11.5
Of which: Customer deposits on balance sheet	(2)	94,497,187	80,179,388	17.9
Mutual funds		11,018,570	8,584,848	28.3
Pension funds and insurance sold		12,423,646	11,022,021	12.7
Funds under management	(3)	149,122,858	131,654,630	13.3
Shareholders' equity		10,226,534	9,148,074	11.8
Income statement	**(B)**			
Net interest income		1,814,694	1,867,988	(2.9)
Gross income		3,976,794	2,958,446	34.4
Profit before impairment and other provisions		2,025,286	1,289,896	57.0
Profit attributable to the group		247,832	81,891	202.6
Ratios (%)	**(C)**			
ROA	(4)	0.16%	0.07%	
ROE	(5)	2.68%	1.01%	
ROTE	(6)	2.96%	1.12%	
Cost:income ratio	(7)	48.68%	51.10%	
Cost:income ratio excluding non-recurring expenses	(8)	47.23%	50.34%	
Core capital	(9)	12.0%	10.5%	
Tier I	(10)	12.0%	10.5%	
BIS ratio	(11)	12.8%	11.4%	
Risk management	**(D)**			
Non-performing loans (€'000)	(12)	16,021,491	10,286,332	
Loan loss ratio (%)	(12)	13.63	9.33	
Loan loss ratio (%) (excluding losses due to reclassification)	(12)	0.00	11.13	
Loan loss and real estate impairment provisions (€'000)		18,341,298	17,589,940	
Loan loss and real estate coverage ratio (%)	(13)	13.61	13.88	
Share data (at end of period)	**(E)**			
Number of shareholders		262,589	236,774	
Number of shares		4,011,481,581	2,959,555,017	
Share price (€)		1.896	1.975	
Market capitalization (€'000)	(14)	7,605,769	5,845,121	
Earnings per share (EPS), net (€)		0.06	0.03	
Book value per share (€)	(15)	2.55	3.09	
Price /Book value (times)		0.74	0.64	
Price /earnings ratio (P/E) (times)		30.69	71.38	
After adjusting for conversion of mandatory convertible bonds				
Total shares, including shares resulting from conversion		4,298,634,476	3,183,841,740	
Earnings per share (EPS) (€)		0.06	0.03	
Book value per share (€)		2.38	2.87	
Price /Book value (times)		0.80	0.69	
Other information				
Branches in Spain		2,418	1,898	
Employees		18,077	15,596	

(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 reason for including this set of ratios is to provide a meaningful picture of profitability, efficiency and capital adequacy in 2012 and 2013.
(D) This section shows the main balances related to the group's risk management and the most significant ratios associated with them.
(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: preference shares, mandatory convertible bonds, non-convertible bonds issued by Banco Sabadell, commercial papers and others.
(3) Includes on-balance sheet funds, assets in mutual funds, assets in pension funds, asset management, and insurance sales.
(4) Consolidated profit (loss) for the year / average total assets.
(5) Income attributable to the group / average shareholders' equity (not treating the profit attributable to the group as part of shareholders' equity).
(6) Income attributable to the group / average shareholders' equity (not treating the profit attributable to the group as part of shareholders' equity, and deducting goodwill).
(7) Personnel and other general administrative expenses / gross income. The ratio at 31 December 2013 includes an adjustment in gross income of -€437.3 million in respect of non-recurring capital gains on portfolio sales in the second quarter of the year.
(8) Personnel and other general administrative expenses (less non-recurring expenses) / gross income. The ratio at 31 December 2013 includes an adjustment in gross income of -€437 million in connection with non-recurring capital gains on a portfolio sale in the second quarter of the year.
(9) Core capital / risk-weighted assets (RWA).
(10) Tier 1 capital / risk-weighted assets (RWA).
(11) Total capital / risk-weighted assets (RWA).
(12) The figures and percentages shown do not include assets covered by the Asset Protection Scheme (APS).
(13) Shows the provisions covering the group's overall credit risk and real estate exposure.
(14) The number of shares outstanding multiplied by the share price at 31.12.13.
(15) Shareholders' equity / Number of shares outstanding.

2.2. The environment and personnel

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.

<u>Environmental policy</u>

- 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

<u>Global commitments and alliances</u>

- **Signatory of the United Nations Global Compact.**

Support a precautionary approach to environmental challenges.
Foster initiatives to promote greater environmental responsibility.
Encourage the development and diffusion of environmentally-friendly technologies.

- **Signatory of the Carbon Disclosure Project (CDP) and CDP Water Disclosure**

Combating climate change: as a signatory of the Carbon Disclosure Project, Banco Sabadell discloses its CO_2 emissions.

- **Signatory of the Equator Principles**

Inclusion of environmental and social risk criteria (ESG) in funding for structured projects and corporate loans in accordance with the Equator Principles III.

- **Signatory of the United Nations Principles for Responsible Investment (UNPRI) in the "asset owner" and "investment manager" categories**

Inclusion of environmental, social and governance criteria in investment policies and practices.

- **Partner of the Spanish Association of Renewable Energy Producers and member of the Spanish Wind Energy Association**

Direct funding and investment in renewable energy generation projects.

- **Clearing house central counterparty for Spain's CO_2 emissions trading platform (SendeCO$_2$).** Since 2009 the group has had an agreement with SendeCO2, in which it has a 10% stake, to act as the central counterparty in the emissions trading market.
- **Environmental management certified to ISO 14001.**

15% of our employees in Spain work in one of our six certified Central Service office buildings. The environmental management system is adapted for the rest of the group.

- **Gold certified under LEED NC for sustainable buildings**

The new Central Services building at the group's main headquarters has Gold certification in sustainable building.

- **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.

Banco Sabadell provides the funds needed to fulfil environment-related objectives and commitments. Due to the organization's activity and structure, these funds are not recognized under a specific line item that might provide an overview of environmental expenses and investments.

No significant fines or non-monetary sanctions were imposed on the group for non-compliance with environmental laws and regulations in 2013. Banco Sabadell recognized tax deductions in the amount of €484.45 during the year.

Funding and investing in renewable energy

Banco Sabadell promotes the development of sustainable energy by investing directly and also providing funding for renewable energy projects. As in previous years, the Bank shared its experience in the sector and participated as a speaker in conferences in Spain, including events organized by the Spanish Wind Energy Association and the Association of Renewable Energy Producers.

In 2013 Banco Sabadell provided €162 million in finance for renewable energy generation projects, mainly in the US. The portfolio of renewable energy facilities financed by the Bank through project finance comprises a total installed capacity of 17,626 MW, most of it wind-generated. In addition to financing, Banco Sabadell provides advice and brokerage services for renewable energy projects.

Banco Sabadell adopted the Equator Principles in September 2011. Based on the policies, standards and guidelines of the International Finance Corporation (IFC), the Principles are currently applied to structured projects amounting to over US$10 million. According to the latest version of the Equator Principles (EP III), environmental and social impact assessments (ESIAs) will be extended to decisions on corporate loans in 2014.

Current MW

Energy source	2013			
	Spain	Americas	Europe	Total
Wind	8,887	4,330	788	14,005
Solar thermal	894	0	0	894
Small hydroelectric	116	0	0	116
Photovoltaic	149	891	0	1,040
Biomass	131	0	0	131
Other	591	849	0	1,440
Total installed capacity in portfolio				**17,626**

Banco Sabadell, through its wholly-owned subsidiary Sinia Renovables SCR de Régimen Simplificado, S.A., invests directly in power generation projects that use renewable energy sources. The bank currently holds stakes in 13 companies in this industry, including Adelanta Corporación, S.A. (25.0%), Eolia Renovables, S.A. (5.6%), Fersa Energías Renovables (3.8%) and Espírito Santo Infrastructure Fund - I, S.C.R. (10.5%). At 2013 year-end, these investee companies represented 1,149 MW of installed capacity, of which 164 MW were directly attributable to the group.

Energy sources

	Attributable capacity (MW)	Proportion of generation capacity attributable to group (%)
Wind	147.56	90.3
Small hydroelectric	3.79	2.3
Photovoltaic, etc.	12.15	7.4
Total attributable capacity	163.5	100.0

Environmental management system and climate change

The Environment Committee is charged with ensuring compliance with the group's environmental policy and supervising its environmental performance. The Bank has had an environmental management system (EMS) in accordance with the ISO 14001:2004 standard since 2006 and has certified six Central Services buildings. The EMS has been progressively adapted to the Bank's other workplaces in Spain. Currently 15% of its employees in Spain work in certified offices.

Banco Sabadell is working steadily to improve the eco-efficiency of its facilities and reduce the environmental impact of the services it provides to customers. Total consumption of natural resources in 2013 was significantly affected by the integration of Banco CAM at the end of 2012.

CO_2 emissions inventory

A CO_2 emissions inventory was drawn up in 2009 and verified by DNV, establishing that year as the baseline for a 5-year reduction target.

CO_2 emission targets

	2009-2014 reduction target	2013 performance	2009 baseline year
Total corporate emissions	-3% (-752 Tn CO2) 22.944 Tn CO2	-77% (-18.173 Tn CO2) 5.521 Tn CO2	23.695 Tn CO2
Emissions under A1+A2	-3% (-650 Tn CO2) 20.993 Tn CO2	-87% (-18.892 Tn CO2) 2.750 Tn CO2	21.641 Tn CO2
Emissions under A3	-5% (-103 Tn CO2) 1.951 Tn CO2	+35% (718 Tn CO2) 2.772 Tn CO2	2.054 Tn CO2

A1: Emissions generated by company installations and vehicles
A2: Generated indirectly by electricity consumption.
A3: Other indirect emissions due to business trips.

Tonnes CO_2

	2013
Scope 1 (direct activities: emissions generated by company installations and vehicles)	**560.4**
Gas-oil consumption (electricity generators and fire-fighting equipment)	21.4
Propane gas consumption (boilers)	3.9
Natural gas consumption (boilers, foodservice and humidification equipment)	383.2
Company vehicles (owned or leased)	151.9
Scope 2 (indirect activities: emissions due to electricity consumption nationwide)	**2,189.2**
Energy delivered by Nexus Renovables	961.0
Energy delivered by Iberdrola Renovables	1,097.4
Energy delivered by others	130.8
Scope 3 (other indirect activities: emissions due to business trips)	**2,771.7**
Plane trips	1,278.2
Train trips	122.7
Vehicle trips (except company vehicles)	1,370.8
Total emissions generated in Spain (A1+A2+A3)	**5,521.3**

* Emissions inventory in accordance with "The GHG Protocol. A Corporate Accounting and Reporting Standard. Revised edition", using the operational control and centralised roll-up methods.

* Figures refer to group activity in Spain and includes estimates for the fourth quarter of the year. Figures for 2013 include BMN as from the integration date (12.10.2013), but do not include Banco Gallego or Lloyds.

Energy consumption

• 95% of energy purchased comes from Nexus Renovables, a supplier that guarantees 99% power generation from renewable sources.
• 74% of the branch network is equipped with centralized lighting and climate control systems.
• The bank uses low-energy light bulbs, and illuminated signs are timed in line with the hours of darkness.
• Lighting systems using LED lamps and presence detectors fitted in all Central Services facilities.
• The largest group Central Services buildings and offices have climate control systems with energy recovery.
• The branch network uses thin client hardware which consumes 90% less energy; PCs at Central Services buildings have an automatic shutdown function.

MW/e

	2013	2012
Gas-oil consumption	83	60
Propane gas consumption	17	20
Natural gas consumption	1,891	1,805
Electricity consumption	101,001	63,751
Total energy consumption in Spain	**102,992**	**65,636**
Total energy consumption in Spain, per employee (MW/e)	*6.0*	*6.8*

%

Electricity consumption by supply company		
Electricity purchased from Nexus Renovables (98.9% renewable)	95.1	94.7
Electricity purchased from Iberdrola Generación (47.6% renewable)	4.5	5.0
Electricity purchased from generic suppliers provider (15.1% renewable)	0.3	0.3

Figures refer to group activity in Spain. Figures for 2013 include BMN as from the integration date (12.10.2013) but do not include Banco Gallego or Lloyds; figures for the fourth quarter are estimates.

The percentage of renewable energy indicated for each supplier is based on the "2012 Report on the Guarantees and Origin of Electricity Labelling", from Spain's National Energy Commission.

Ratios per employee in 2013 and 2011 have been calculated based on the nationwide workforce at year-end. Due to the integration of Banco CAM, the figures for 2012 have been calculated based on the nationwide workforce at 30.11.2012.

Reduce, reuse and recycle

• Customers have 24-hour service via remote channels, the ATM network, telephone, e-mail and social media. Customers can access 100% of their correspondence electronically.
• The branch network has digital tablets for customer signatures. In 2013, their use made it possible to eliminate over 22 million pre-printed forms. There are plans to migrate other transactions to this system in the

future, steadily eliminating the use of paper. However, approximately 65,000 boxes of customer documentation will be kept on file in the general archive for the next ten years due to legal requirements.
• Conventional paper is chlorine-free, certified by the FSC and produced to ISO 9001 and ISO 14001 standards and all of the group's printers are configured for duplex printing by default.
• 89% of the paper consumed at Banco Sabadell Central Service buildings is recycled.

Paper consumption

	2013	2012
Paper consumption in Spain (tonnes)	939	566
Paper consumption in Spain, per employee (kg)	55	59
Use of recycled paper in Spain (%)	14	19
Use of recycled paper at Central Service buildings (%)	89	84

Figures refer to A4 size paper consumption in Spain.
For commercial reasons, recycled paper is not used for documents presented to customers.
Figures for 2013 include BMN from the integration date (12.10.2013), but do not include Banco Gallego or Lloyds.
Ratios per employee in 2013 and 2011 have been calculated based on the nationwide workforce at year-end. Due to the integration of Banco CAM, the figures for 2012 have been calculated based on the nationwide workforce at 30.11.2012.

• Water consumption is confined to sanitary usage and to watering gardens. 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 new CBS building has a cistern for collecting rainwater and greywater for watering plants. The garden is planted with autochthonous drought-resistant plants.

Water use

	2013	2012
Water consumption in Spain (€)	855,688	495,446
Water consumption in Spain (m3)	566,681	328,110
Water consumption in Spain, per employee (€)	50	51

Figures for 2013 include BMN as from the integration date (12.10.2013), but do not include Banco Gallego or Lloyds.
Estimates of water consumption were based on the cost of water in Spain (2010; National Institute of Statistics).
Ratios per employee in 2013 and 2011 were calculated based on the nationwide workforce at year-end. Due to the integration of Banco CAM, the figures for 2012 have been calculated based on the nationwide workforce at 30.11.2012.

• Business travel must conform to requirements as to environmental preservation and cost rationalization. Videoconferencing is used for meetings as much as possible and, where a trip is necessary, only the minimum number of people travel.
• The Office Communicator cooperation tool was deployed, providing personal videoconferencing and instant messaging at all branches and offices.
• The creation of virtual learning communities is encouraged to enhance distance learning and eliminate the need to travel.
• Employees are encouraged to use the BS Carpooling platform. This enables employees wishing to share a car for their commute to work can contact each other and save on transportation costs as well as reduce CO2 emissions.

Transport

	2013	2012
Business trips (million km)	27	22
Business trips (thousand km/e)	1.6	2.3

Figures refer to business trips and do not include commutes.
They include travel by air, train or car (private or from the group's carpool).
Figures for 2013 include BMN as from the integration date (12.10.2013) and do not include Banco Gallego or Lloyds. They include estimates of the total distance travelled by the 11 group-owned vehicles and of business travel in km in December by train and air.
Ratios per employee in 2013 and 2011 were calculated based on the nationwide workforce at year-end. Due to the integration of Banco CAM, the figures for 2012 have been calculated based on the nationwide workforce at 30.11.2012.

• In all group premises, used paper is treated as confidential documentation for shredding and 100% is recycled through authorized waste managers. The archives that were more than 10 years old and were destroyed in 2013 accounted for approximately 60% of the paper waste produced by the group in the year.

• All Central Services buildings have facilities for separating waste (paper, plastic and glass packaging, organic matter, used toner cartridges, electronic waste, and batteries). Banco Sabadell also participates in the HP Planet Partners programme for collection and reuse of toner cartridges and disposes of technology waste through authorized waste managers.

• There are specific oversight mechanisms for managing waste at branch offices in the processes of closing or merging.

Waste

	2013	2012
Paper and cardboard waste in Spain (tonnes)	594	673
Paper and cardboard waste in Spain, per employee (kg)	35	43
Toner waste in Spain (tonnes)	17	
Toner waste in Spain, per employee (units)	0.8	

Figures refer to waste generated by the group in Spain.

Figures for 2013 include BMN as from the integration date (12.10.2013), but do not include Banco Gallego or Lloyds.

Ratios per employee in 2013 and 2011 were calculated based on the nationwide workforce at year-end. Due to the integration of Banco CAM, the figures for 2012 have been calculated based on the nationwide workforce at 30.11.2012.

Environmental training and awareness-raising

The entire staff has access to an on-line training course, which is obligatory for employees working at certified Central Services buildings. Additionally, an on-line guide, "Connect with the Environment", gives employees ready access to information about the Bank's environmental footprint, as well as resource consumption and waste management numbers for the branch or Central Services facility. Every print edition of "Canal BS", the in-house magazine, contains an interesting article on the environment and is used in combination with the "BS al día" channel on the intranet to disseminate current events related to the environment.

Banco Sabadell 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. In the case of suppliers that provide services with an environmental impact at certified premises, the organization provides the supplier's assigned staff with on-site training in the Environmental Management System and the ISO 14001 standard.

In procurement processes, positive ratings are given to suppliers that have ISO 9001, ISO 14001/EMAS and EFQM certification and those which use special employment centres for the disabled. The environmental features of products (recycled, ecological or reusable) are also taken into account. In particular, the specifications for products and services with a significant environmental impact include environmental requirements. 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.

Personnel

Human resources

In line with its human resources policy, Banco Sabadell has a personnel selection process which ensures that objective professional 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.

Pillars of the human resources policy:

- Respecting people's dignity
- Remuneration that is both fair and competitive
- Accurate, transparent information
- Long-lasting cooperation

Number of employees

	2013	2012
Average number of employees (Full-Time Equivalent)	16,427	13,933
Employees in Spain at year-end	17,171	14,866
Total employees at year-end	18,077	15,596

The average number of employees has been calculated from the average full time equivalent number at the end of each month.
Figures for 2013 have been calculated for the group's entire workforce.

Number of employees

	Men	Women	Total
Employees in Spain	8,728	8,443	17,171
Employees in other countries	352	554	906
Breakdown by gender (%)	50.0	50.0	100.0
Average age	44	40	42
Average length of service	19	14	17

Figures for 2013 have been calculated for the group's entire workforce.

Number of employees

	Men	Women	Total
Clerical staff	1,675	2,782	4,457
Middle management	4,017	4,907	8,924
Management	2,917	1,256	4,173
Senior management	471	52	523
Total	**9,080**	**8,997**	**18,077**

Figures for 2013 have been calculated for the group's entire workforce.

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.

The **Corporate Management Programme** was created for recent promotees, people being groomed as heads of department and Central Services managers with people reporting to them. The programme consists of theoretical training and the design and execution, in teams comprising people from different areas, of a project that contributes value to the Bank.

Once per year, each employee meets with his/her superior to discuss **performance** and possible promotion. A joint assessment is completed by evaluator and evaluee in ten corporate competencies: customer focus, results orientation, team management and teamwork, initiative, negotiation, willingness to change, communication, information management, knowledge and experience, and ethics and commitment. The Human Resources Department also conducts development interviews to assess employees' professional profiles and their motivations, concerns and interests in connection with their career.

Employee training

Banco Sabadell provides employees with function-based training: continuous, progressive training adapted to each individual's function.

	2013	2012
Training actions	199,924	203,591
Employees who received training (%)	88%	98%
Number of courses per employee	14	15
Hours of training per employee	26	35
Training expenditure per employee (*)	247.3	257.3
Training expenditure as % of personnel expenses (*)	0.39%	0.40%

Figures refer to Spain. Figures for 2013 include BMN from the acquisition date (01.06.2013) onwards. They do not include Banco Gallego or Lloyds.
(*) Figures for investment in training in 2013 are for the year to 30.11.2013.

The LAUDE programme, initiated in 2009, allows credits obtained by employees in the Bank's in-house training schemes to be counted for academic qualifications from the University of Barcelona's Institute of Lifelong Learning (IL3), in line with the framework of the new European Educational Space. Depending on the employee's role, there are three possible ways of qualifying for a degree. The following were awarded in 2013: 90 Diplomas in Banking Products and Services, 18 postgraduate qualifications in Commercial Banking, 9 postgraduate qualifications in Investment Advisory Services, and 7 postgraduate qualifications in Bank Branch Management. A total of 341 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.

Compensation

Banco Sabadell's compensation system is based on the principles of internal fairness, external competitiveness, transparency, differentiation, flexibility, simplicity, confidentiality and communication, as established in the group's human resources policy.

Compensation policy is based on the responsibility attached to the position and on each person's professional development. Increases in fixed and variable remuneration are established on that basis.

Average compensation by job category and gender (€)

Euro

	Men	Women
Senior management	105,798	95,581
Management	54,957	48,883
Middle management	38,660	35,242
Clerical staff	32,614	28,951

Figures for 2013 include BMN from the acquisition date (01.06.2013) onwards. They do not include Banco Gallego or Lloyds.
Figures do not include non-salary benefits or variable remuneration.

%

	2013	2012
Employees who benefit from an interest-free loan.	25.62%	28.84%
Employees who have benefited from grants for training	1.25%	1.36%
Employees who have benefited from school aid for children	58.70%	56.50%

Figures for 2013 include BMN from the acquisition date (01.06.2013) onwards. They do not include Banco Gallego or Lloyds.
Figures for 2012 do not include Banco CAM.
Data for interest-free loans have been restated for 2012.

Labour/management relations

Banco Sabadell respects and guarantees employees' basic rights, including freedom of association and collective bargaining, in line with Spanish law. These principles are set out in its code of conduct and human resources policy.

Union representatives represent the entire workforce, not just their own members; accordingly, labour agreements apply to all employees within their scope (industry, group, company, etc.). All employees are given a 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.

Staff turnover

	Total terminations	% of average workforce
Disciplinary actions	77	0.47%
Early retirement and superannuation	7	0.04%
End of contract	46	0.28%
Resignation	45	0.27%
Redundancy	414	2.52%

Figures for 2013 have been calculated for the group's average workforce.

Banco Sabadell has been working since 2012 on an assistance plan to offset redundancies resulting from the workforce restructuring that followed the integration of Banco CAM. The plan is due to continue until March 2014 and is based on two main programmes: helping the 1,250 employees affected by the lay-offs to find other jobs, and revitalizing business activity in areas where the Banco CAM downsizing was concentrated.

The re-employment plan includes career counselling for affected employees and their spouses with a view to enhancing their employability. A total of 316 employees participated in the plan in 2013, 33% of whom have found another job.

The revitalization plan aims 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.

As of 30 November, the plan had helped to create 629 new jobs in the Valencia and Murcia regions.

Workplace satisfaction survey

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. The survey consists of 58 questions on credibility, respect, fairness, pride and camaraderie, and another 24 questions specifically about Banco Sabadell. It is a benchmark for measuring workplace satisfaction, and also allows for comparisons with companies that the market considers to be excellent places to work. The most recent survey, involving a sample of 780 employees from throughout the group, was completed in 2013. Of those, 66% rated Banco Sabadell as a great place to work.

Participation and volunteer programme

Banco Sabadell has several channels of communication between different levels of the organization in order 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 file 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 analysed by the persons responsible for the processes and the Decision Committee, who decide on their implementation. The ideas with the most votes also receive a cash prize.

The employee portal publicizes charitable or community support actions and corporate volunteer initiatives in which employees can participate. Examples of past initiatives include support for Unicef, the Food Bank, and TV3's fundraising telethon La Marató.

In 2013, as part of the financial education programme, 37 volunteers participated in workshops aimed at school fourth graders in Catalonia. The collaboration agreement signed with Catalonia's regional government and the Instituto de Estudios Financieros involves 10% of schools in Catalonia.

Equality, work-life balance and integration

Banco Sabadell guarantees equal opportunities in its relations with employees: recruitment, training, promotion, working conditions, remuneration, etc. These principles are also set out in the equality plan, the human resources policy and the code of conduct.

Equality

In 2010, Banco Sabadell agreed an equality plan aimed at avoiding any type of discrimination at work between women and men in the company, in response to the requirements of Organic Law 3/2007. Certain lines of action were established for this purpose, including effective tracking and goal evaluation systems, 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 equality plan.

	2013	2012
% of employees who are women (*)	50%	50%
% of promoted employees who are women (**)	55%	56%
% of managerial positions held by women (*)	28%	29%
Number of women on boards of directors (*)	2	2
Number of nationalities among employees in Spain (**)	34	36

(*) Figures for 2013 have been calculated for the group's workforce.
(**) Figures for 2013 include BMN from the acquisition date (01.06.2013) onwards. They do not include Banco Gallego or Lloyds.

Integration

Banco Sabadell promotes employee diversity and integration in the workplace and non-discriminatory recruitment policies. The group takes action to adapt workplaces where needed, in line with special "sensitivity protocols" established by the industrial medicine unit. The Bank also assists employees with paperwork in their dealings with municipal, regional or 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 avenues such as buying services and supplies from special employment centres.

	2013	2012
Number of people with disabilities in the organization	170	135

Figures for 2013 have been calculated for the group's entire workforce.

Work-life balance

Employees have been granted a series of benefits agreed by Banco Sabadell and union representatives in relation to work-life balance. All benefits have been notified to the entire workforce and full details are available on the intranet, in the employees' on-line guide and on the Bank's website.

Benefits include:
- Shorter working day (paid or unpaid, or for breastfeeding leave)
- Unpaid leave (for maternity or to care for a relative)
- Special leave
- Paternity leave
- Flexitime

	2013	2012
Employees with a shorter working day	337	268
Employees with paternity leave	321	316
Employees with accumulated breastfeeding leave	435	251

Figures for 2013 include BMN from the acquisition date (01.06.2013) onwards. They do not include Banco Gallego or Lloyds.

Safety and well-being

Banco Sabadell has a policy of constantly striving to improve group employees' health and working conditions.

The Bank has a health and safety plan, as required by law, giving details of the Bank's actions in this area. It publishes an annual 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 2013, 4,009 psychosocial risk survey forms were distributed; the response rate was 70%.

All Banco Sabadell employees and new hires receive information on workplace hazard prevention and are required to attend a course on health and safety at work in the form of an on-line learning module lasting approximately two hours. The training is supplemented by publications, such as tips on ergonomics and equipment manuals, related to the specific hazards affecting bank employees.

	2013	2012	
	BS	BS	CAM
Period prevalence rate (number of employees who took sick leave/total employees) x 100	3.69%	3.11%	4.35%
Severity rate (number of days lost/total working days) x 100	2.11%	1.71%	3.57%

Figures for 2013 refer to Spain. Figures for 2013 include BMN from the acquisition date (01.06.2013) onwards. They do not include Banco Gallego or Lloyds.
Banco Sabadell and Banco CAM workplace safety systems remained separate in 2012 until the date of integration. Banco CAM figures refer to 2012 as a whole.

3 – LIQUIDITY AND CAPITAL RESOURCES

3.1 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. Since the onset of the financial crisis in 2007 Banco Sabadell's funding policy has focused on attracting deposits and other customer funds through its branches, reducing the total amount of funds raised on the wholesale markets (which at the close of 2013 stood at 19.6% of the total) and increasing the Bank's liquidity position.

Principal sources of funds:

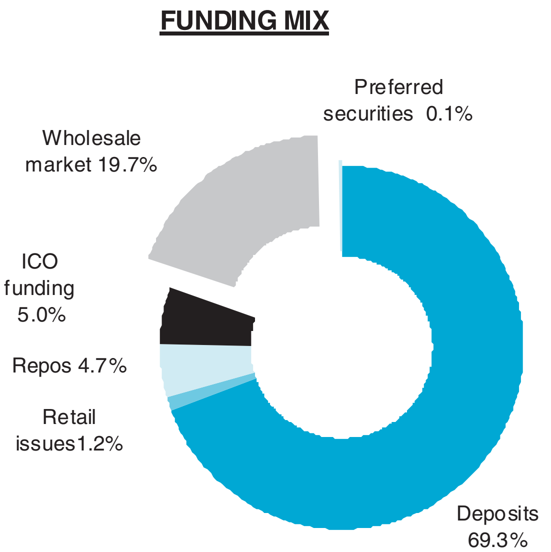
The primary source of the group's funding is its customer deposit base (mainly demand deposits and time deposits marketed through the branch network). This is supplemented by funds raised on the interbank and capital markets where the Bank has a number of short- and long-term funding programmes in place, assuring it of a suitable diversity of products, maturities and investors. The Bank also holds a diversified portfolio of liquid assets that are eligible as collateral in funding operations by the European Central Bank (ECB). At 31 December 2013 the effective value of the group's liquid assets stood at €18,468 million (€17,585 million at 31 December 2012). Banco Sabadell participated in the ECB's 3-year liquidity auctions of 22 December 2011 and 1 March 2012, receiving an overall total of €23,650 million of which €13,650 million was transferred to it from Banco CAM. Over the year 2013 a part of these borrowings was gradually repaid by the group and at 31 December Banco Sabadell's net position with the ECB was down to a total of €8,800 million.

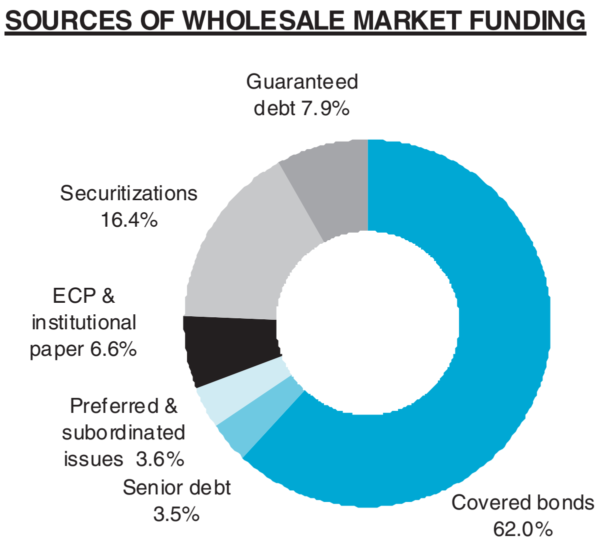
The group's principal sources of funding at the end of the years 2012 and 2013 are shown in the following table:

Million euro

	2013	2012
Customer deposits	99,363	82,464
Deposits with Central Banks and credit institutions	23,085	33,668
Marketable debt securities and subordinated liabilities	22,256	26,492
Other financial liabilities	2,565	2,358
Total	**147,269**	**144,982**

The composition of the group's funding is further analysed in the charts below:





On-balance sheet customer deposits

On-balance sheet customer deposits at 31 December 2013 stood at €94,497 million, compared with €80,179 million at the end of 2012 (a rise of 17.9%) and with €53,526.1 million at the end of 2011 (the 2012 figure being 50.3% up on the figure for 2011). Demand deposits (current accounts plus savings accounts) showed particularly strong growth, reaching a total of €36,862 million (up 36.1%) at 31 December 2013. Time deposits also grew by 13.6% overall.

Million euro

	2013	3 months	6 months	12 months	>12 months	No maturity
Total customer deposits	**94,497**	3.8%	3.5%	9.9%	43.7%	39.9%
Term deposits	55,061	5.4%	5.1%	16.6%	72.9%	
Current accounts	36,862					100.0%
Retail issues	2,574	26.0%	20.4%	9.9%	43.8%	

The growth of the group's deposit account base during the period was the result not only of the acquisitions made by the group (Banco Gallego in October 2013, Lloyds Bank's Spanish subsidiary and Banco Mare Nostrum's Catalonia and Aragon branch franchise in June 2013, and Banco CAM in June 2012) but also of the success of its funding strategy based on driving up deposits.

The group's deposit products are distributed through its different business units (Commercial Banking, Corporate Banking and Global Businesses and its private banking arm Sabadell Urquijo Banca Privada). **Commercial Banking** is the largest of the group's business lines. It focuses on providing financial products and services to a number of customer segments: individuals (Private Banking, Personal Banking and Mass Market services), non-residents and professional groupings, large and medium-sized businesses, SMEs and small retailers. A strong focus on market specialization ensures that customers receive a personalized service to suit their needs, whether from expert staff assigned to branches operating under the various group brands (SabadellAtlántico, Solbank, SabadellHerrero, ActivoBank, SabadellGuipuzcoano and SabadellCAM), or from dedicated business banking branches (serving domestic and global companies and institutions with sales of €6 million or more), or via other channels designed to support the customer relationship and provide access to remote banking services. Balance sheet customer funds attributable to Commercial Banking at the end of the year totalled €82,874 million (up 27.2%). **Corporate Banking and Global Businesses** offers products and services to large corporates and financial institutions in Spain and abroad. Its activities embrace International Trade, Consumer Finance, Development Capital, Corporate Finance and Structured Finance. Balance sheet customer funds for Corporate Banking and Global Businesses at the end of the year amounted to €3,517 million (up 0.3%). The **SabadellUrquijo Banca Privada** business focuses on private banking and is defined by its customer-centred approach and its specialist capability in providing advisory services and comprehensive wealth management. Balance sheet customer funds for SabadellUrquijo Banca Privada at the end of the year amounted to €8,113 million (up 0.7%).

The upward trend shown by 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 profit and loss account but has also driven down its loan-to-deposit (LTD) ratio, which fell from 147% at the end of 2010 to 107% at the close of 2013. 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 been reducing in recent years. At the close of 2013 the outstanding amount of funding raised on the capital markets was €26,063 million (19.6% of the total amount of capital resources available to the group), compared with €26,857 million at the end of 2012 (23.3% of total funding). The group's capital market funding instruments in issue at the end of 2013 — totalling €16,149 million — comprised €2,983 million in senior debt (of which €2,071 million consisted of borrowings backed by the Spanish State as part of the arrangements for the takeover of Banco CAM); €935 million in subordinated debt issues (including Mandatory Convertible Subordinated Notes IV/2013 issued as part of the arrangements concerning hybrid instruments issued by Banco Gallego) and preferred securities; and €4,280 million in market placements of asset-backed securities.

Its short-term funding arrangements included a Spanish commercial paper ("pagaré") issuance programme with an upper limit of €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 decreased during the year; this was due primarily to the fact that the reduction in the outstanding amount of commercial paper placements with unqualified investors was not wholly offset by an increase in placements with institutional investors. The amount outstanding at 31 December was €2,793 million. The group's ECP programme, aimed at global qualified investors, saw a modest increase over December 2012, when there was €37 million outstanding under the programme. The balance at 31 December 2013 was €98.6 million.

As part of the group's longer-term funding, on 23 April 2013 an issuance programme of non-participating fixed-income securities with an upper limit of €10,000 million was registered with the CNMV. During the year Banco Sabadell issued bonds totalling €3,400.3 million under the programme, both for placement on the market and also for retention by the group. In the course of 2013 the group tapped the bond market on a number of occasions. These included a public offering of 5-year covered bonds totalling €1,000 million, a €200 million issue of 8-year covered bonds underwritten in its entirety by the European Investment Bank (EIB), an issue of 3-year senior debt totalling €600 million and 15 issues of structured bonds amounting to €131.9 million with maturities of between one and 11 years. In current market conditions the group would have the ability to carry out debt issues in a variety of formats and maturities.

As an additional source of funding, since 1998 the group has participated in 63 asset securitizations (including securitization issues by Banco Guipuzcoano, Banco CAM, BMN-Penedès and Banco Gallego), although a portion of this issuance was retained by the group as liquid assets available for use as eligible collateral in funding arrangements with the European Central bank. The remaining bonds were sold on the capital markets. At the end of 2013 the value of the group's securitization bonds issued on the market was €4,280 million.

The composition of the group's capital market issuance at the close of 2013 by security type and maturity was as follows:

Thousand euro

	2014	2015	2016	2017	2018	2019	>2020	Outstanding balance
Mortgage and covered bonds	3,322	3,060	2,870	1,937	1,563	886	2,512	16,149
Guaranteed issues	1,005	0	0	1,066	0	0	0	2,071
Senior debt	0	0	681	0	100	0	25	806
Subordinated and preferred issues	0	0	299	66	0	0	498	864
Other medium- and long-term financial instruments	70	0	0	0	18	0	18	105
Total	**4,397**	**3,060**	**3,850**	**3,069**	**1,681**	**886**	**3,053**	**19,995**

Not adjusted for any issues of mandatory convertible subordinated notes.

Finally, as the tone of capital markets improved over the year 2013 an increase was seen in the number of international counterparties interested in entering into bilateral repo trades with the Bank, as well as in the size of the facilities being created for transactions of this type. As a result net repo financing at the close of 2013 was €5,203 million up on the figure for 2012.

In addition to these sources of funding, Banco Sabadell holds a liquidity buffer in the form of liquid assets to cover any liquidity requirement that may arise. Since the start of the crisis Banco Sabadell has continued to reinforce this cushion as a first line of defence, and to do so at an increasing rate. At the end of 2010 the size of the group's "first line" liquidity buffer — i.e. the effective amount (market value) of liquid assets, adjusted for the ECB valuation haircut in monetary policy operations — was €10,577 million. The amount of first line liquid assets had increased to €11,399 million by the close of 2011. During the year 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 liquidity buffer was maintained throughout the year 2013, at the end of which the group's first line reserve amounted to €19,009 million. At the close of 2013 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 group's portfolio of equity shares and investments in mutual funds and open-end investment companies, and its net position in the interbank market.

The group's holdings of assets eligible to be offered 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 CATEGORIES *Effective value in €Mn. (market value + ECB valuation haircut)*					
BY RATING* (DBRS/ Fitch/Moody's/S&P)	**I**	**II**	**III**	**IV**	**V**	**Non-marketable securities**
Up to AAL/AA-/Aa3/AA- or R-1H/F1+/A-1+	0	0	542	0	249	-
Up to AL/A-/A3/A- or R-2H/F1/P-1/A-1	7,295	103	10,794	9	1,427	2,335
Up to BBB/BBB-/Baa3/BBB- or R-2M/F2/P-2/A-2	98	899	464	74	2,185	-
TOTAL	**7,393**	**1,003**	**11,799**	**83**	**3,861**	**2,335**

* Where more than one rating has been assigned the rating shown is the highest of the ratings assigned except in the case of Category V where the rating shown is the second highest.

In addition to its first line liquidity buffer the group maintains a cushion of mortgage loans and public sector loans that are eligible as collateral for mortgage and public sector covered bonds, respectively. At the end of 2013 these provided an additional capability for the issuance of covered bonds — eligible to be discounted as collateral with the ECB — in an amount of €7,960 million. By the close of the year the group's available liquidity reserve had reached an effective amount of €26,969 million, composed of the group's "first line" liquidity reserve plus its year-end capability for the issue of mortgage and public sector covered bonds.

Managing liquidity risk

The group is exposed to daily draws on available liquid funds to cover contractal obligations arising from the financial instruments in which it deals. Experience shows, however, that only a minimum amount is ever actually required and this can be predicted with a high degree of confidence.

Limits are set by the Board of Directors for the maintenance of minimum cash levels and for levels of structural borrowing. The group monitors changes in its liquid asset position on a daily basis and holds a diversified portfolio of such assets. It also carries out yearly projections to anticipate future needs.

In addition, a review is carried out of gaps or mismatches between cash inflows and outflows over a short, medium and long time horizon using a maturity matrix based on the time remaining between the date to which the financial statements were made up and the contract maturity dates of assets and liabilities. 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.

In any event, group policy is to maintain a safety margin to cover financing needs in all circumstances. This means, inter alia, maintaining a reserve of liquid assets considered as eligible collateral by the European Central Bank that is sufficient to provide funding for maturing debt issued on the capital markets for a 12-month period.

The group has additional 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.

Along with the analysis of inflows and outflows described above, Banco Sabadell periodically carries out a stress test exercise concentrating on group's net 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-notch fall in the Bank's credit rating and a flight of deposits held by institutions and companies with professional cash management functions. The results of this exercise 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, in addition, 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 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 the Bank is holding a sufficiency of available eligible assets, having regard to its current position vis-a-vis the ECB.

As part of its stress test exercises, each month Banco Sabadell draws up a contingency plan for responding to two situations that are not due to liquidity stress: 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. The group's contingent liquidity in a liquidity crisis situation can thus be established.

3. 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 always 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-fund capital resources sufficient to cover the risks inherent in its activities.

With regard to the regulation of credit institutions to ensure compliance with minimum capital requirements at individual company and consolidated group level, the Bank of Spain published its Circular 4/2011 of 30 November amending its earlier Circular 3/2008 of 22 May to credit institutions on the determination and control of own funds, thus completing the regulatory provisions of Law 36/2007 and Royal Decree 216/2008. These regulatory changes brought about the transposition into Spanish Law of European Directives 2006/48/EC and 2006/49/EC, which incorporated into EU Law the capital adequacy requirements for credit institutions set out in the New Capital Accord (a Europe-wide set of regulations issued by the Basel Committee on Banking Supervision), also known as Basel II.

Circular 4/2011 required the consolidated groups of credit institutions to maintain at all times a capital ratio of not less than 8% of the weighted credit risk of their assets and liabilities, commitments and other memorandum items and of the exchange rate risk from their net global foreign currency exposures and their weighted held-for-trading and derivatives positions.

Banco Sabadell in 2008 was one of the seven Spanish financial institutions to obtain Bank of Spain approval for the use of its internal credit risk models for the calculation of regulatory capital under the 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 had since then enabled it to maintain an excellent credit quality with levels of default that were consistently below the average for the Spanish financial system as a whole.

Between 2009 and 2011 Banco Sabadell reduced its risk-weighted assets by 5%. Its ongoing balance-sheet and capital management, and Bank of Spain-approved changes to its internal risk models, enabled it to absorb the increase in its capital requirements resulting from its takeover of Banco Guipuzcoano in late 2010.

Financial institutions are now subject to the new Basel III capital regulations, which will be introduced gradually from 1 January 2013 to 1 January 2019. In 2011 the Spanish government published Royal Decree-Law 2/2011 of 18 February for the strengthening of the financial system, with the dual purpose of boosting the solvency of credit institutions and of encouraging banks to channel lending to the real economy. The new legislation established a general minimum “principal” capital requirement of 8% of risk-weighted assets, a 10% for banks which were more than 20% funded from the wholesale market and had not placed at least 20% of their capital with third party investors. The year 2012 saw the publication of Law 9/2012 of 14 November on restructuring and resolution of credit institutions; this approved the provisions of Royal Decree-Law 24/2012 of 31 August, which provided implementing regulations for the new regime on minimum core capital requirements (“capital principal”). This was a move away from the general rule of a minimum core capital requirement of 8% — or 10% for those institutions with difficulty in accessing the capital markets and whose funding was largely from the wholesale market — to a single requirement of 9% to be met by institutions and banking groups from 1 January 2013 onwards. This Law was not only a modification of the minimum core capital requirement, but also brought the definition of core capital into line with that used by the European Banking Authority in its recent recapitalization exercise.

Regulations for the implementation of the minimum core capital requirements established by Law 9/2012 were provided by the Bank of Spain’s Circular 7/2012 of 30 November, with both measures becoming applicable in January 2013. Banco Sabadell’s core capital ratio at 31 December 2013 and 2012 was above the minimum requirement under this new regime:

%	2013	2012	Minimum requirement
Core Capital (Basilea II)	12.0	10.4	
Core Capital ("Capital Principal" - Royal Decree - Law 2/2011)	-	10.4	8
Core Capital ("Capital Principal" - Circular 7/2012)	11.7	9.4	9
TierI (Basilea II)	12.0	10.4	
TierII (Basilea II)	0.8	1.0	
Ratio BIS (Basilea II)	12.8	11.4	8

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 from high to low according to length of term, loss absorption capacity and seniority, are core capital and other primary capital instruments, which together form Tier 1, and secondary capital instruments (Tier 2). The overall capital base is obtained by adding primary capital to secondary capital.

In the last three years the Bank has increased its capital base by issuing securities qualifying as core capital, which have enabled it to increase its capital by more than €5,000 million.

As part of the Bank’s active capital management policy, in January 2013 holders of its mandatory convertible subordinated bonds were offered the possibility of exchanging their bonds for cash which would be simultaneously used to purchase new mandatory convertible subordinated bonds that would meet EBA eligibility criteria and mature in the year 2015. The overall nominal value of the new convertible bonds was €779.3 million.

In September 2013 Banco Sabadell carried out two capital increases, the first by an accelerated bookbuild and the second in the form of a rights issue. In the accelerated placement, amounting to €650 million, the Bank brought in two new strategic investors who subscribed for most of the issue. In the rights issue the Bank’s capital was increased by a total of €733 million.

In October 2013 a capital management exercise was carried out in which holders of Banco Gallego hybrid instruments were given the option to exchange these for subordinated bonds mandatorily convertible to Banco Sabadell shares. The number of holders taking up the exchange offer amounted to 93.7% of the total, resulting in a capital increase that provided €121.7 million of additional Tier 1 capital.

During the year, the Bank's risk-weighted assets were subjected to influences in opposite directions as a result of two main factors: (a) downward pull from a lower level of lending, and (b) an upward pull as a result of acquisitions carried out during the year.

All these transactions and events enabled Banco Sabadell to increase its Core Capital to a December 2013 level of 12.0%, on a par with any of Europe's most strongly capitalized banks.

A reconciliation between net assets and regulatory capital is shown in the following table:

Million euro

	2013	2012
Shareholders' equity	10,227	9,120
Valuation adjustments	121	(318)
Non-controlling interests	58	453
Total equity	**10,406**	**9,255**
Goodwill and other intangible assets	(1,539)	(1,207)
Other adjustments	(150)	(198)
Regulatory accounting adjustments	**(1,689)**	**(1,405)**
Tier I equity capital	**8,717**	**7,850**
Additional Tier I capital	**(4)**	**(5)**
Tier II capital	**588**	**732**
Total regulatory capital	**9,301**	**8,577**

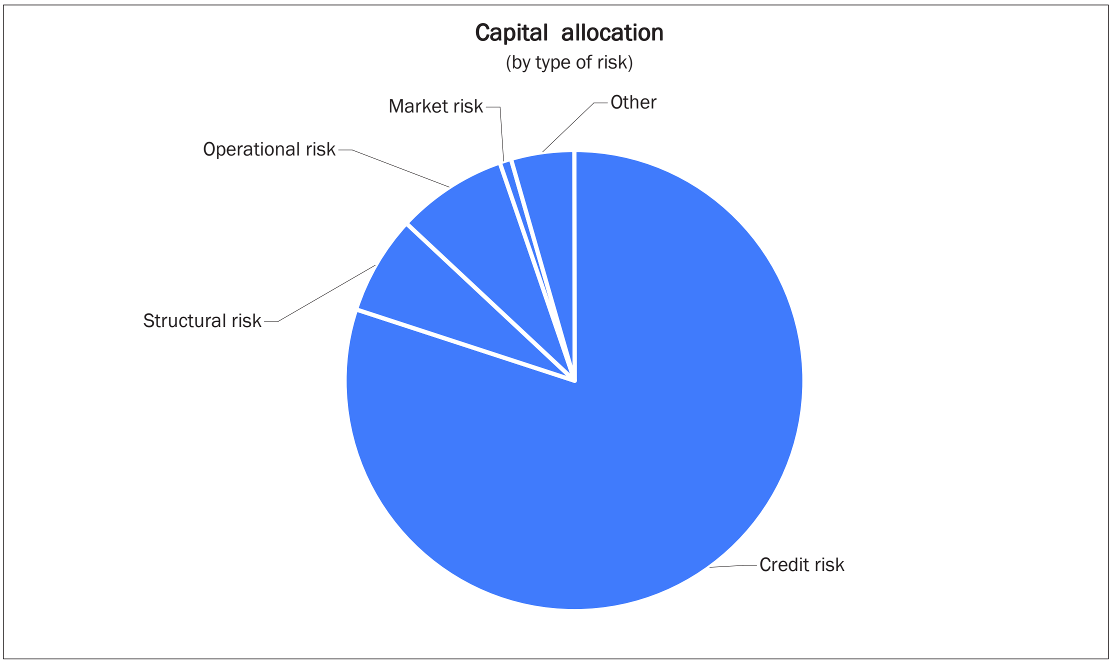
Managing capital resources

Banco Sabadell 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.

Banco Sabadell has supervisory approval for the use of its own internal models for companies, real estate developers, specialized finance, financial institutions, retail outlets and sole proprietors, mortgage loans, personal loans, personal credit and credit cards, in estimating its regulatory capital requirements.

Based on the risk metrics provided by these new methodologies, Banco Sabadell has a consolidated system in place for measuring risk, with allocated capital as an internal unit of measurement.

The assessment of risk in terms of an allocated capital requirement means that risk can be related to return, from individual customer and transaction up to business unit level. The group has an analytical "risk-adjusted return on capital" (RaRoC) system in place which provides this assessment, allows like-for-like comparisons to be made and includes this as part of the transaction pricing process.



One of the most significant changes affecting the world economy in recent times has been the increasing internationalization and interconnection of different countries' economies. Financial services have not been unaffected by these changes; rather, the industry has become completely international and it is now necessary to take a wide-ranging, global view of regulation in general and capital adequacy in particular in order to avoid undesirable regulatory arbitrage among different countries. To this must be added the negative impacts which the crisis that began in 2007 have caused both to the global economy and to financial institutions, highlighting the need to improve the quality of prudential regulation of credit institutions. The Basel Committee on Banking Supervision, in its concern to prevent future crises and improve international cooperation, in December 2010 agreed on a global regulatory framework to strengthen banks and banking systems (Basel III), which has significantly tightened up capital requirements. The European Union incorporated these accords into European Law in Regulation (EU) 575/2013 and Directive 2013/36/EU of 26 June 2013; the transposition of these regulations into Spanish Law began with Royal Decree 14/2013. The new regulatory framework includes the following:

- Increases in regulatory capital and the building up of a series of capital buffers in addition to the capital requirements for the purpose of limiting pro-cyclical effects and systemic risks.

- The introduction of a reduction factor (0.7619) for exposures to small and medium-sized businesses of less than €1.5 million.

- Stricter requirements to cover against counterparty risk.

- The introduction of liquidity coverage and leverage ratios.

- The mandatory requirement that national supervisory authorities carry out, at least once a year, a supervisory examination and stress tests on the entities under their supervision.

On 9 September 2013 Banco Sabadell filed a regulatory disclosure (No. 192,683) with Spain's stock market regulator (CNMV) in which it disclosed that the Board of Directors of the Bank had decided to increase the Bank's capital by a gross effective total amount of not less than €1,300 million or more than €1,400 million. In the event the size of the capital increase was €1,382 million.

Along with the notice it submitted a document prepared by Oliver Wyman analysing the resilience of Banco Sabadell's balance sheet in the period June 2013 to December 2016. This was an independent study whose aim was to assess the strength of Banco Sabadell's balance-sheet under two pre-specified macroeconomic scenarios: one baseline or central scenario and one adverse scenario. Banco Sabadell thus anticipated the tests of the resilience of credit institutions' balance-sheets to stress scenarios which the European Central Bank, in coordination with the European Banking Authority, is to carry out on the European banking industry in 2014.

The central scenario was based on the most recent macroeconomic data and the market consensus view (Bloomberg, the IMF, etc.). The more pessimistic scenario was similar to the adverse scenario as defined in the bottom-up asset quality review and stress test exercise of 2012, adjusted for the differences in timeframes. On this basis, for the period June 2013 to December 2016, estimates were made for:

- Projected write-downs in the loan and foreclosed asset portfolios.
- Loss absorption capacity, including profit generation.
- The resulting capital surplus or shortfall.

The results, in summary, were that for the period June 2013 to December 2016, under both the central and the pessimistic scenario, loss absorption capacity and capital were estimated to be sufficient to cover losses in the credit book and the foreclosed asset portfolio.

- Under the central scenario, cumulative losses in the credit book and foreclosed asset portfolio amounted to €11.6 thousand million and €7.4 thousand million respectively, while the loss absorption capacity was estimated at €24.8 thousand million.
- Under the pessimistic scenario, losses amounted to €23.0 thousand million (€14.3 thousand million for credit and €8.7 thousand million for foreclosed assets) against a loss absorption capacity of €25.3 thousand million.

From this it can be seen that the Banco Sabadell group showed a capital surplus of €5.8 thousand million under the central scenario and an estimated surplus of €2.4 thousand million under the more pessimistic scenario.

Illustration 1: Summary of key results: central scenario

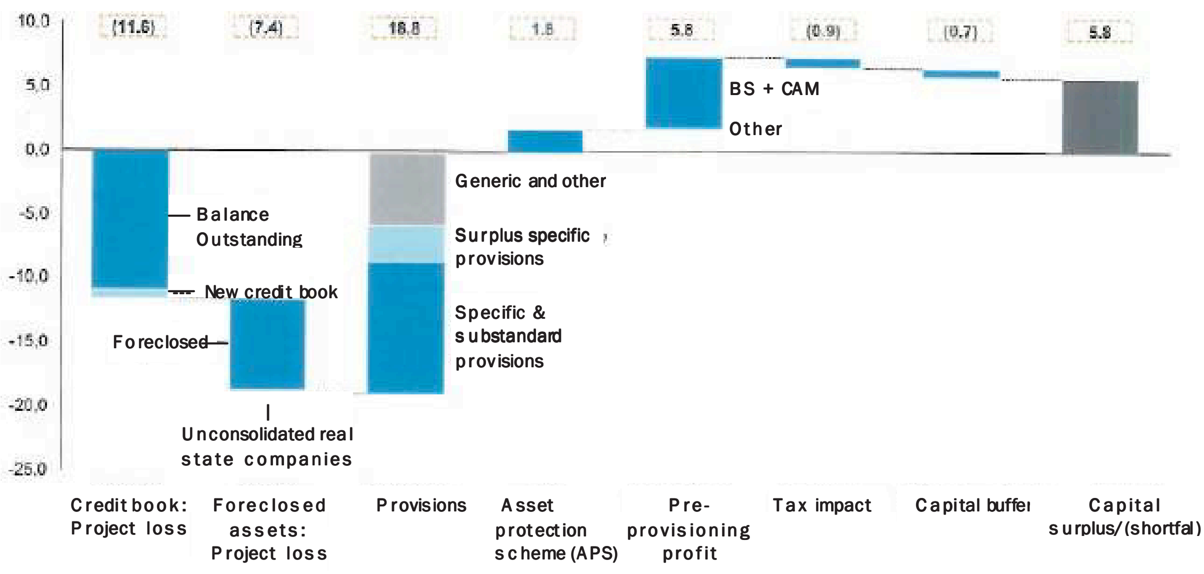
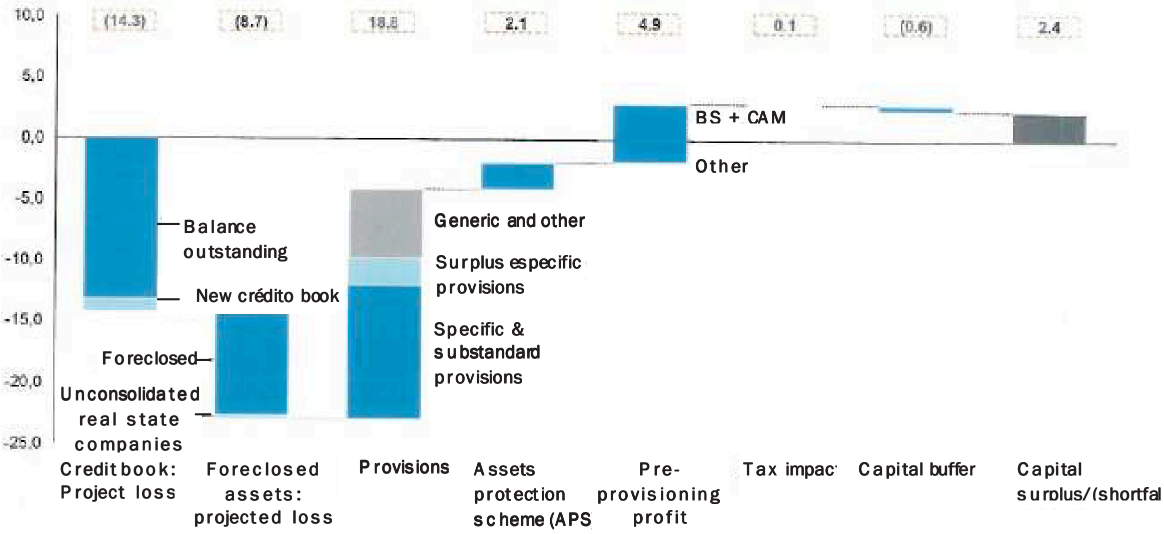


Illustration 2: Summary of key results: adverse scenario.



4 – PRINCIPAL RISKS AND UNCERTAINTIES

4.1. Operational risk

Regulatory Risk

Banco Sabadell is subject to regulation and supervision by different regulatory authorities and practically all our operations therefore have associated legal and regulatory risks. As providers of financial services, the majority of companies in our group are subject to investigation and regulation by governments in the markets where they operate, and that regulation can be highly detailed and is subject to rapid change. The Bank of Spain, the National Securities Market Commission (CNMV) and the Directorate-General for Insurance and Pension Funds are the main bodies that supervise our operations. In the USA, our operations are regulated by the Federal Reserve, the Office of the Comptroller of the Currency and, in the case of Sabadell Securities, the Securities and Exchange Commission, as well as the Financial Industry Regulatory Authority. Outside Spain and the United States our operations are subject to direct supervision by the local regulator in the jurisdiction concerned. Moreover, many of our operations depend on licences issued by the financial authorities. We are subject to laws and regulations and to government actions and policies in all the jurisdictions where we operate, and all of them are subject to stricter interpretations and to rapid change; complying with them can result in heavy costs. These and other restrictions and limitations imposed by the new legislation on the operations of financial institutions, together with the associated costs, could have a negative impact on our activities, our financial position, or the results of our operations and our future prospects.

In the face of the continuing global economic crisis, Spain has adopted a series of regulations designed to strengthen the Spanish financial sector, which has been severely weakened by rising loan loss ratios (largely as a result of high unemployment), falling real estate prices and the economic recession in Spain.

The Bank will have to comply with these and any new requirements that may arise, and take whatever action is necessary to ensure such compliance.

Regulators are concerned, in particular, with capital adequacy in financial institutions, and have consequently introduced stricter capital requirements. A short time ago, highly complex and detailed legislation on the financial services industry was adopted in the EU and Spain, and a process of implementing new regulations is also underway. The Basel Committee on Banking Supervision (the "Basel Committee") has proposed a series of far-reaching reforms in relation to regulatory capital for banks operating in the global market (the "Basel III Accords"). The Basel III Accords were recently transposed into EU legislation by the approval of 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 ("CRD IV"). On the same day approval was also given to Regulation 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms ("CRR IV"), implementing the provisions of Directive CRD IV. Although Spanish regulators had been imposing increasingly strict capital requirements since 2010, these domestic regulations must be amended by 31 December 2013 in order to implement Directive CRD IV. In addition to maintaining higher capital ratios and a higher quality of regulatory capital that is able to absorb losses, we could be required to observe a leverage ratio (the ratio of total capital to total assets) and meet other requirements under CRD IV, CRR IV and other regulations. In the implementation of Directive CRD IV, Spanish regulators will have discretion to apply other or stricter requirements than those contained in CRD IV and its associated regulations. Until these implementing regulations have been adopted, we will not know with any certainty what regulatory capital requirements will be applicable to us.

Moreover, on 22 July 2013, the European Banking Authority (EBA) published an official recommendation on the preservation of capital addressed to the supervisory authorities of all EU Member States, asking them to ensure that certain banks, of which Banco Sabadell was not one, maintain a capital floor, expressed as a nominal amount, corresponding to the amount of capital required by 30 June 2012 to meet the EBA's recommendation on recapitalization of 8 December 2011.

In response to the uncertainty over the value of Spanish real estate assets and the impact of this on the capital structure and liquidity of Spanish banks, additional regulations were approved which, among other prescriptions, required Spanish banks to increase their provisions in respect of certain assets related to their real estate operations on their balance-sheets at 31 December 2011. Accordingly, in 2012 we set aside additional provisions in respect of our real estate business to comply with these new requirements.

In addition to regulatory changes, on 25 June 2012 the Spanish government formally applied to the EU for financial assistance to recapitalize a number of Spanish financial institutions. A support programme was arranged under which Spain was offered a loan of up to €100,000 million, subject to certain conditions. The details and conditions of the Memorandum of Understanding on Financial Sector Policy Conditionality were announced on 20 July 2012. The Memorandum set out a series of conditions to be met by all Spanish financial institutions, including those with no capital shortfall. These conditions included the adoption of early intervention and resolution measures, which included measures for burden sharing among hybrid capital holders and holders of the subordinated debt of banks receiving public assistance, and new requirements for the presentation of financial reports on capital, liquidity and the quality of loan portfolios. The Spanish government adopted the agreements reached in the Memorandum of Understanding by passing Royal Decree-Law 24/2012 of 31 August, subsequently replaced by Law 9/2012 of 14 November on the restructuring and resolution of credit institutions.

On 14 February 2013 the EU published its proposal for a Council Directive designed to achieve greater cooperation on a financial transaction tax, which is due to come into force on 1 January 2014. In Spain a new Law (Royal Decree-Law 6/2013) was recently passed to protect retail customers holding hybrid instruments issued by banks that had received capital from Spain's Fund for Orderly Bank Restructuring (FROB), and exceptional charges on deposits have been imposed.

4.2. Financial risks

<u>RISK MANAGEMENT</u>

The Board of Directors has responsibility for laying down general guidelines for the allocation of risk management and control functions within the organization, and for deciding on policy guidelines concerning those functions.

The Board of Directors has three committees which have a role to play in the management and control of risk:

The Executive Committee is responsible for coordinating executive decision-making within the Bank and for policy and decision-making within the scope of the powers vested in it by the Board of Directors; all decisions taken at its meetings are reported to the Board.

The Risk Control Committee, which (i) determines and makes recommendations to the full Board on overall levels of exposure to particular countries, business sectors and risk categories, for approval by the Board; (ii) determines and makes recommendations to the full Board on the setting of maximum exposure limits for individual transactions with credit institutions and customers, and and for the determination of risk maximum exposures for individual portfolios or investments in government securities, equities, bonds, options, swaps and generally any instruments or securities giving rise to insolvency, investment, interest or liquidity risk for the group; (iii) determines and makes recommendations to the full Board on annual limits on investment in the real estate market and on the principles and volumes applicable to different types of real estate investment; (iv) determines and makes 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; (v) decides 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; (vi) monitors and oversees the proper implementation of the authorities delegated under (iv) above; (vii) reports on a monthly basis to the full Board on transactions approved and arranged in the previous month, and any deviations or anomalies identified and any action taken to correct them; (viii) provides quarterly reports to the full Board on levels of risk, investments made and the performance of those investments, and of any impacts that could be caused to group revenues by changes in interest rates and on their appropriateness to the VaR's approved by the Board; (ix) submitting to the Board's approval any change in the limits referred to in (i) and (ii) that exceed authorized levels by more than 10% and 20%, respectively; and (x) advises the Appointment and Remuneration Committee on whether employee compensation schemes are consistent with the Bank's risk, capital and liquidity levels.

The Audit and Control Committee, which is responsible for (i) reporting to the General Meeting on all issues raised by shareholders that are within its remit; (ii) monitoring the effectiveness of the company's internal controls, any internal audit conducted and the risk management systems in place, and discussing with auditors or auditing firms any significant weaknesses in the internal control system identified in the course of the audit; (iii) overseeing the preparation and presentation of statutory financial information; (iv) 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; (v) 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 advising on any proposed amendments to those principles; (vi) 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; (vii) advising on any issues referred to the Committee by the Board of Directors that are within its terms of reference; (viii) 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.

During the year a new Directorate-General of Risk was set up, headed by a group Executive Director reporting directly to the Chairman. Along with the traditional risk management function, the new department has responsibility for portfolio control, analysis and management. Its responsibilities are exercised through the following departments:

- Risk Control Department: The department systematically monitors and analyses the performance of all significant risks and verifies that they are in line with established policy. It lays down risk management guidelines, methodologies and strategies. It draws up and decides upon the risk management approach to be followed, develops advanced internal measurement systems, in line with supervisory requirements, to ensure that risk can be properly quantified and identified, and actively promotes their implementation in the management of risk. It lays down procedures to ensure optimal performance of the credit function.

- Risk Management Department: This department manages and coordinates the different risk exposures in accordance with predetermined autonomy levels using a selective risk acceptance procedure to ensure maximum business quality, growth and returns. It operates in alignment with the priorities of the strategic plan and vision of the Risk Management Department for all business segments and identifies initiatives to be pursued within the area of risk.

Other executive bodies/departments involved in risk management and control are as follows:

- Credit Review Committee: The Committee meets once a week and has the following tasks: (i) approving credit transactions in accordance with established authority levels; (ii) overseeing the use that is made of approved authority levels and making recommendations to the Risk Control Committee for any modifications it considers appropriate; (iii) reporting each month to the Risk Control Committee on transactions that have been approved and arranged during the previous month, for referral to and information of the Board of Directors; (iv) monitoring overall trends in loan delinquency and enquiring into the more significant cases or situations; (v) approving the credit risk acceptance and monitoring procedures put in place to ensure effective risk management, in line with policies approved by the Risk Control Committee.

- Asset Review Committee: The committee meets once a week and has the following tasks: (i) approving transactions within the sphere of asset management in accordance with delegated powers and discretions; (ii) monitoring the use of approved autonomy levels and submitting recommendations for change to the Executive Committee when considered appropriate; (iii) submitting weekly reports to the Executive Committee on transactions approved and carried out the week before; and (iv) approving the Asset Management Division's rules and procedures for the approval and monitoring of risk in line with established policy.

- Asset/Liability Committee: The Committee draws up criteria to ensure effective management of the group's structural balance-sheet risk arising from business operations and market risk. It supervises interest rate, currency and equity risk as well as liquidity risk, and considers alternative business, market or hedging strategies with a view to achieving business objectives that are appropriate to market conditions and the balance-sheet position.

- Operational Risk Committee: The Committee lays down strategic guidelines in an operational risk management framework so as to establish operational priorities for the management of risk based on its assessment of the risk exposures across the group's business and central service divisions.

- Financial Management: As part of the processes of planning, budgeting and financial control, Financial Management is responsible for calculating and allocating capital in a manner consistent with group strategy; for seeing that the risk variable is taken into account in all decisions; and for overseeing specific risk measurement systems and ensuring that these are in line with generally accepted principles and methodologies and approved by the supervisory authorities.

- Asset Management and Corporate Development: Handles all the group's real estate exposures, real estate development loans and real estate assets on the Bank's balance-sheet and any associated recovery procedures.

- Internal Audit: Reports directly to the Audit and Control Committee, monitors the effective compliance with management policies and procedures and evaluates the adequacy and effectiveness of management and control activities in each functional and executive unit.

- Compliance, Corporate Social Responsibility and Corporate Governance: The department promotes and seeks to attain the highest levels of compliance with applicable legislation and codes of professional ethics within the group, mitigates compliance risk, that is, the risk of incurring legal or administrative sanctions, significant financial loss or reputational damage caused by breaches of laws, regulations, standards, internal procedures and banking industry codes of conduct. It seeks to minimize any possible non-conformance that may arise and to ensure that those that do occur are identified, reported and resolved with all due diligence and that suitable preventive measures are taken, if not already in place. The Compliance Department is directly responsible for the prevention of money laundering and the financing of terrorism, market abuse, internal codes of conduct and investor protection (MiFID).

- Internal Control: Has responsibility for group-wide compliance with the legislation on the prevention of money laundering and financing of terrorism.

- Corporate Ethics Committee (CEC): The committee is responsible for oversight and control of the group's compliance with stock market rules on best practice and the general code of conduct.

The main risks faced by the group are as follows:

1. Credit and credit concentration 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.

2. Market risk: Market risk can be classified into the following types:

2. a. Discretionary risk: Discretionary market risk arises from the possibility of loss in the value of financial asset positions due to variations in any of the factors affecting market risk (stock prices, interest rates, exchange rates, implied volatilities, correlations and the like).

2. b. Structural risk: Structural risk arises from ongoing customer-based commercial and corporate banking operations. Management of structural risk seeks to ensure stability at the margin by maintaining appropriate levels of liquidity and capital strength. Structural risk can be further divided into interest rate risk and liquidity risk.

2.b.1.1. Interest rate risk arises from movements, as reflected in changes in levels or in the slope of yield curves, in the interest rates to which asset, liability and off-balance sheet positions are linked. Temporary 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.

2.b.1.2. Liqudity risk is due to the possibility of losses being incurred as a result of the Bank's being potentially unable to meet payment commitments, even if only temporarily, 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.

3. Operational risk: Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from unforeseen external events.

4. Compliance risk: This is the risk of incurring legal or administrative sanctions for breaches of laws, regulations, internal rules, and codes of conduct applicable to the banking industry.

5. Reputational risk: This relates to how the Bank is perceived by its different stakeholders (customers, suppliers, government departments and agencies, the local community) — all those with whom it comes into contact in course of its activities. This includes the legal, business and financial, ethical, employment and environmental domains. Stakeholders' perceptions may be affected by:

- Breaches of laws, regulations, requirements, self-imposed rules and banking industry codes of conduct.
- Practices showing a lack of sensitivity to the rights and expectations of the community in which the group carries on its business.
- Conduct that is contrary to generally accepted ethical principles.

More detailed information on reputational risk can be found in Note 37 (Financial Risk Management) to the accounts in this Annual Report, which can also be viewed on the group's corporate web site.

4.2. FINANCIAL RISKS - 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.

Loan approval, monitoring and recovery

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 are thus 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 Risk Control Committee, which then sub-delegates authority at each level. The oversight of delegated powers and discretions in loan approval systems ensures that the powers delegated at each level are appropriate to the expected loss estimates for all loan applications by business customers.

Debt refinancings and restructurings generally acquire greater significance during the recessive phase of an economic cycle. When a debtor or borrower is having, or is thought likely to have, difficulty in meeting the payment obligations agreed under the terms of their contract, the Bank's aim will always be to facilitate repayment of the debt and reduce as far as possible the probability of default. 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 possession of a borrower's repayment history over a reasonable period and evidence of his intention to repay, and an assessment of the likelihood of the borrower's financial difficulties being only temporary.

- Refinancing or restructuring terms, providing a repayment schedule that is realistic and appropriate to the borrower's present payment capabilities, thus ensuring that problems are not created for the future.

- Where additional security is provided, this will be treated as a secondary and exceptional means of debt recovery so as to avoid any weakening of existing guarantees. All ordinary interest must be paid up to the refinancing date.

- Limits on lengthy grace periods.

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. These alerts are co-managed by the relationship manager and the risk analyst, helped by the feedback obtained as a result of direct contact with customers.

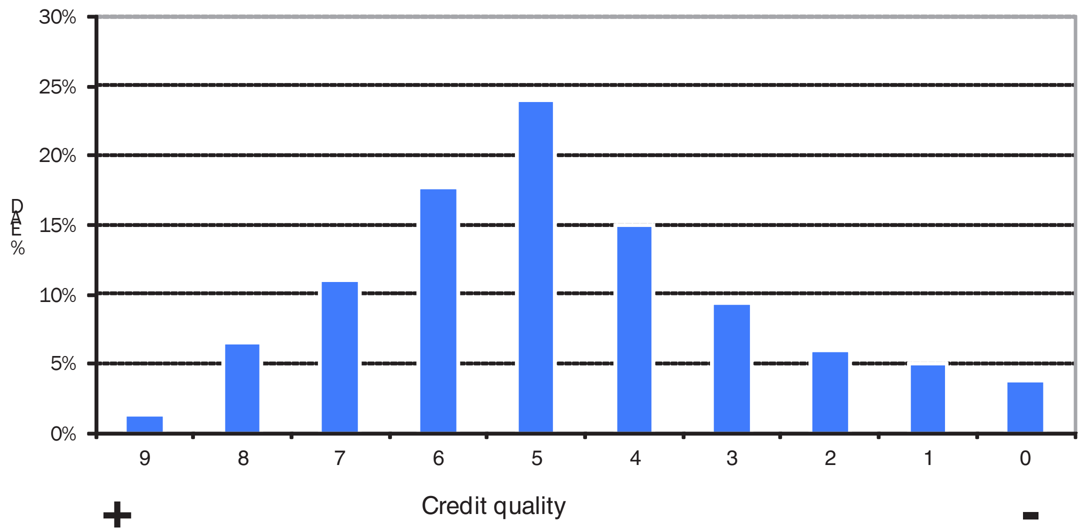
Recovery of past-due accounts is the responsibility of a specialized function which coordinates initial out-of-court negotiations and, where necessary, legal proceedings conducted by the group's legal department or by independent legal advisors, depending on the nature and size of the debt.

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 rating score is assigned an anticipated default rate which allows consistent comparisons to be made across segments and with the ratings of independent rating agencies, according to a master scale.

Business loan portfolio – credit rating profile



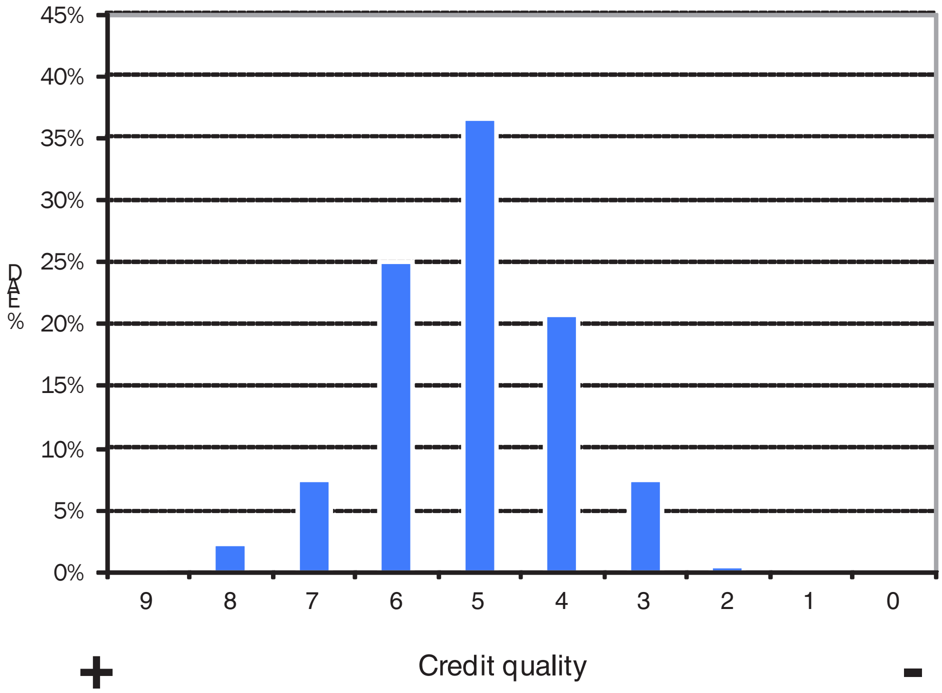
Credit scoring

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: a system in which all customers are automatically classified according to their transaction histories and data for each product taken. it is used primarily for such purposes as granting loans, setting limits on authorized overdrafts, targeting sales campaigns, and for tracking and segmenting in claim and/or recovery procedures.

- Application 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



RISK MANAGEMENT - Credit concentrations

Credit risk is undoubtedly the main business risk faced by the Banco Sabadell group. In the management of credit risk, limits are set by the Board of Directors and are monitored on a day-to-day basis. Other measures are taken to mitigate specific types of risk, such as netting agreements with the majority of counterparties with which derivatives are traded.

At each meeting of the Risk Control Committee a review of some of the main groups of risks held by the Bank is carried out and decisions are taken on the risk policy to be followed in each case.

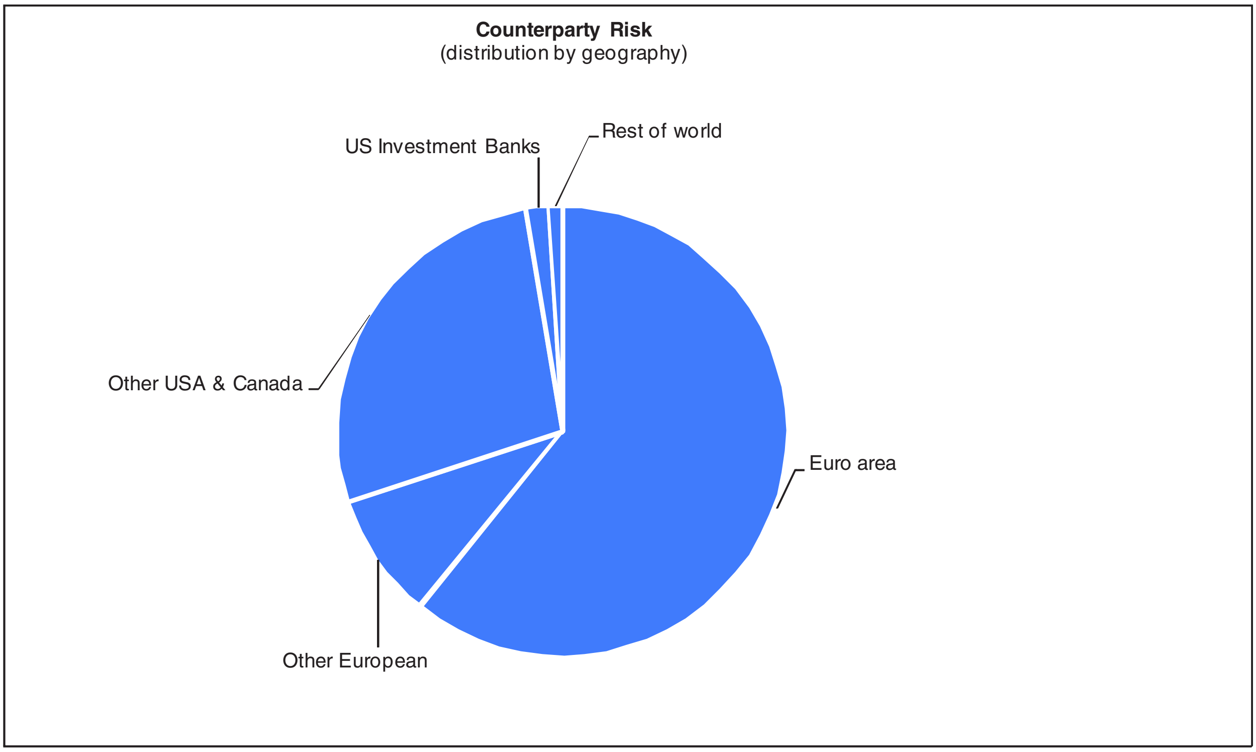
At 31 December 2013 there were no borrowers involving an individual exposure of more than 10% of the group's capital.

Country risk

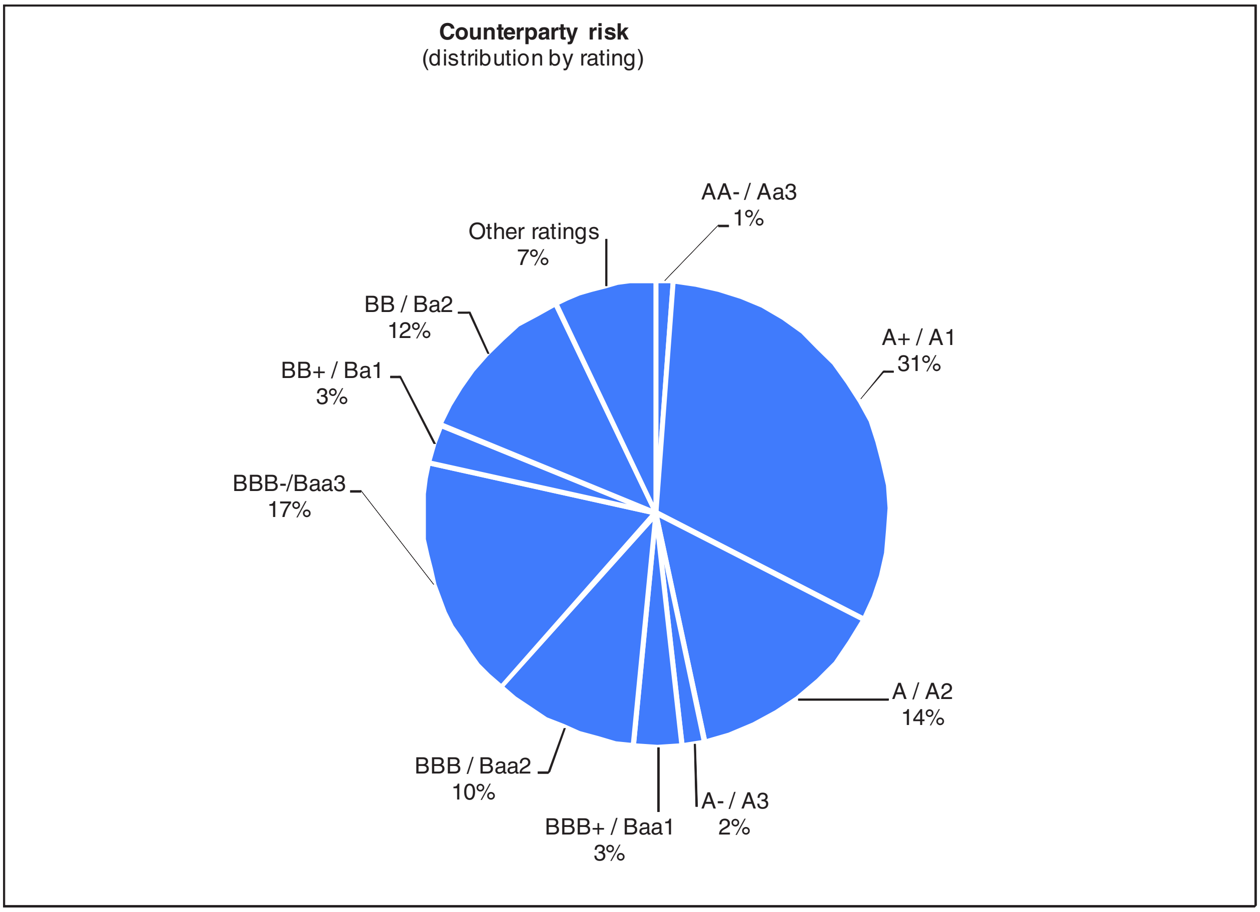
This is the risk of incurring loss from exposures to sovereign borrowers or to persons domiciled in a particular country for reasons connected with national sovereignty or the economic situation of the country and therefore unrelated to normal business risks. Country risk includes sovereign risk, transfer risk and other risks inherent in global financial operations (war, expropriation, nationalization, etc.).

An overall exposure limit is set for each country and this applies across the whole group. Country limits are approved by the Risk Control Committee 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. These include credit ratings, CDS's, economic indicators and the like.

Region	% of total 2013
Euro area	60.9
Other European	9.0
Other USA & Canada	27.6
US Investment Banks	1.6
Rest of world	1.0
Total	**100.0**



Rating	% of total 2013
AAA / Aaa	0.0
AA+ / Aa1	0.0
AA / Aa2	0.0
AA- / Aa3	1.1
A+ / A1	31.4
A / A2	14.1
A- / A3	1.6
BBB+ / Baa1	3.2
BBB / Baa2	10.1
BBB-/Baa3	16.9
BB+ / Ba1	2.7
BB / Ba2	11.7
Other ratings	7.1
Total	**100.0**



Further information on credit risk, both qualitative and quantitative, can be found in the Notes to the Accounts (especially Notes 8, 9, 18, 31, 32 and 37) in this Annual Report, which can also be viewed on the group's corporate web site.

4.2. FINANCIAL RISKS - MARKET RISK

DISCRETIONARY MARKET RISK

Discretionary market risk arises from the possibility of loss in the value of financial asset positions due to variations in any of the factors affecting market risk (stock prices, interest rates, exchange rates or credit spreads). It arises primarily from treasury and capital market positions and can be managed through the holding of other financial instruments.

The Board of Directors, through the Risk Control Committee, has given the Asset/Liability Committee (ALCO) overall responsibility for the management of market risk according to basic guidelines and through the deployment of strategies, sub-delegated powers and discretions and special systems for measurement and control. ALCO is responsible for seeing that these are fully implemented and for keeping them under constant review.

The Treasury and Capital Markets and Finance Management divisions have responsibility for managing the exposures generated by discretional market risk. The Financial Risks, Countries and Banks department is responsible for approving and monitoring risks subject to approved limits.

Discretionary market risk is measured, in most cases, by the VaR (Value at Risk) method, which allows the risks on different types of financial market transaction to be analysed as a single class. VaR provides an estimate of the anticipated potential maximum loss on a position that would result from an adverse, but possible, movement in any of the market risk factors that have been identified. 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 different levels of market risk factors.

VaR limits are approved by the Risk Control Committee and are assigned on a top-down basis, with the overall limit being divided into sub-limits for different business units and risk factors, down to individual portfolio level. In addition to VaR limits other types of limit are applied, such as sensitivity, nominal value and stop-loss limits; these, along with VaR, ensure that a complete assessment of market risk exposure can be obtained.

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 relevant control functions. This makes it possible to track changes in exposure levels resulting from changes in the market prices and volatilities of financial instruments.

The reliability of the VaR methodology is validated by backtesting techniques which are used to verify that the VaR estimates are within a specified confidence level.

Risk control techniques of this kind are supplemented by special simulation exercises under extreme market scenarios ("stress testing"), the purpose of which is to analyse different scenarios, historical as well as hypothetical, and their possible impacts on the trading portfolio.

Information on discretionary market risk can be found in Note 37 (Financial risk management) in this Annual Report, which can also be viewed on the group's corporate web site.

EXCHANGE RATE RISK

Exchange rate risk arises as a result of changes in the rates of exchange among different currencies and the possibility that these movements may result in losses.

Exchange rate risk is generated by transactions with customers, financial investments and long-term investments in branches and subsidiaries in foreign countries.

These exposures are managed centrally and are the direct responsibility of the Treasury and Capital Markets and Financial Management divisions, both of which have been assigned these tasks by the Asset/Liability Committee (ALCO) which, in turn, receives its authority from the Board of Directors. The Financial Risks, Countries and Banks department is charged with monitoring exchange rate risk and overseeing the limits that have been set.

Exchange rate risk is managed by the nominal value and value-at-risk methods, with maximum limits being set for both these variables. As with discretionary market risk, backtesting as well as stress testing exercises are conducted.

As in the case of discretionary market risk, exposure limits are subject to approval by the Risk Control Committee and are applied top-down with the overall limit being subdivided into limits for individual currencies and portfolio types.

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 relevant control functions. This facilitates the detection of changes in exposure levels due to changes in exchange rates and volatilities.

Further information on exchange rate risk can be found in Notes 27 (Foreign currency transactions) and 37 (Financial risk management) to the Accounts in this Annual Report, which can be viewed on the group's corporate web site.

INTEREST RATE RISK

Interest rate risk is caused by changes, as reflected in levels or in 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.

The 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) or dynamic (simulation) tests based, in the latter case, on different assumptions of balance sheet growth and changes in the slope of the yield curve.

Another technique that is used is to measure the sensitivity of equity to changes in interest rates by duration gap analysis. This measures the effect of interest rate changes over a longer time horizon.

More detailed information on these risks can be found in Note 37 (Financial Risk Management) to the Accounts in this Annual Report, which can also be viewed on the group's corporate web site.

Liquidity risk

This can be defined as the possibility of the Bank's being unable to meet payment commitments, even if only temporarily, due to a lack of liquid assets or of its being unable to access the markets to refinance debts at a reasonable cost.

Liquidity risk may be caused by external factors such as a financial market downturn, a systemic crisis or reputational issues, or internally, by an excessive concentration of maturing liabilities.

Banco Sabadell keeps a close watch on day-to-day changes in its liquid asset position and holds a diversified portfolio of such assets. The Bank also analyses the quality of its holdings of liquid assets as measured by their sensitivity to different scenarios of ratings downgrades and changes in market conditions. It also carries out projections to anticipate future needs and periodically assesses its ability to create assets eligible as collateral in ECB operations.

In addition, liquidity gap analysis is used to manage foreseeable mismatches between cash inflows and outflows over a medium-term horizon. Systematic checks are also 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

For this purpose it has programmes in place to raise finance on the long-and medium-term capital markets, including mortgage covered bond and senior debt issuances. The group also has programmes set up for the issuance of short-term commercial paper, both domestic and foreign, which further diversify its funding surces.

Finally, it promotes and develops new sources of finance such as long-term repo trades of asset-backed securities, thus providing additional instruments for the management of liquidity risk.

The Bank carries out regular liquidity stress testing exercises to enable it to assess inflows and outflows of funds and the impact of these flows on its cash position under different scenarios.

Based on this analytical framework, the Bank has a contingency plan to respond to unexpected scenarios that could cause an immediate funding requirement. Another type of liquidity stress test that is carried out is to analyse the impacts that changes in market prices could have on the assets deposited as collateral, whether in the futures and options markets or under collateral agreements (CSAs and GMRAs). A range of different market risk scenarios are studied and the effects of these on liquidity, individually and in combination, are analysed.

The contingency plan is constantly being updated and identifies the Bank's assets that are most readily convertible to cash in the short term; it also sets out action plans should it become necessary to raise additional cash.

RISK MANAGEMENT - Operational risk:

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from unforeseen external events. Banco Sabadell pays particular attention to operational risk and has implemented a management, measurement and oversight framework that fulfils the conditions necessary to enable it to use an advanced model for calculating regulatory capital charges for operational risk.

Management of operational risk is decentralized and devolved to process managers throughout the organization. The full range of group processes is identified on a corporate process map, thus facilitating the compiling 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 drive forward the identification, assessment and management of risks by process managers in line with Banco Sabadell's process-based approach.

The Board of Directors and senior managers 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 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 in an informed way.

  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 in the event of a service failure.

  The operational risks identified are also qualitatively assessed from the point of view of their reputational implications should an incident occur.

- The second action area is based on experience. It consists of maintaining a database of all losses that occur in the organization. This 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 minimized. This loss information is also of use in measuring the extent to which estimates of potential loss are consistent with reality, both in terms of 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 also on recoveries, whether resulting from the Bank's own efforts or from insurance provision.

5 – POST-BALANCE SHEET EVENTS

Since 31 December 2013 there have been no significant events worthy of mention.

6 – DISCLOSURES ON FORSEEABLE FUTURE PERFORMANCE

Every three years Banco Sabadell draws up a strategic plan that is appropriate to the prevailing macroeconomic and regulatory environment. The success it has had in implementing each of its previous strategic plans means that it is now ready for the new one and has a high degree of confidence in another successful outcome.

The “Óptima 2010” plan had the aim of preparing the Bank to become an efficient platform for growth. Once this goal had been achieved, the next plan, known as “CREA”, focused on organic and inorganic growth. This enabled the Bank to attain sufficient critical mass to compete effectively in a Spanish financial services industry that was undergoing a process of consolidation.

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 climate, with the restructuring and integration of Banco CAM now complete and after making a number of acquisitions in the course of 2013 to continue strengthening its franchise, Banco Sabadell is starting on a new business plan whose aim is to extract value from its customer base and translate its newly enlarged footprint and capabilities into increased margins. The strategic plan for the period 2014 to 2016, known as “Plan Triple”, has profit growth as its primary aim. 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).

Plan Triple embodies a series of medium-term financial targets. These include (i) bringing the cost:income or efficiency ratio (personnel and other administrative expenses as a proportion of gross income) 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).

7 – RESEARCH, DEVELOPMENT AND INNOVATION

The year 2013 saw a number of group-level merger and integration projects being carried out, requiring a significant degree of involvement on the part of the project teams.

In the last four months of the year the bank branches of the former Caja Penedés (part of Banco Mare Nostrum) were integrated into Banco Sabadell and began trading as one of the group’s brands.

At the same time, work was underway on the integration of Banco Gallego and Lloyds Bank International, and this will be continued into the early months of 2014.

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 2011-2013 "CREA" strategic plan: Growth, Profitability, Efficiency and Ambition. Some key features of this were:

Remote access channels: There was further progress in giving enhanced capabilities to Branch Direct, with a focus on: integrating CRM and CTI with the rest of the platform, processes for adding remote customers, real time integration of outsourcers, integrating a new tool for managing social networks, platform virtualization, programmes to improve campaign efficiency, etc. The result of all this was to achieve enhanced service levels and an increase in the volume of business/transactions being processed. A further development was a first set of functions to be used with Google Glass.

Support and branch productivity: Progress was made in the design of a new Integrated Customer Database, data from which can be loaded in real time or near real time. A number of other initiatives are also planned in relation to this repository, such as the introduction of a new Sales Campaign Tool, or real time event management using Complex Event Processing (CEP) and other systems. Work also continued on enhancements to the Branch Terminal systems with a view to optimizing usability and enhancing the most frequently used functions, leading to improved service metrics. Development work was completed on a new system for monitoring the sales activity of account managers.

Active risk management: Further work was done to develop the risk model for individual customers. This project covers the management of autonomy levels throughout the risk management process, including risk/value guidelines. Enhancements were also made to the debt collection and recovery management processes.

Treasury, Markets and Asset Management: The year saw a number of initiatives being carried out on the "Volatility" programme with the FX and IR products. A new fixed-income back office system was also installed in the course of the year.

Alongside the routine processing work related to dealings in securities (shareholders' meetings, increases in capital, new issues and trading operations for own account or third parties), the development work necessary to ensure compliance with new CNMV, MiFID and other regulations was completed.

Corporate Administration Systems: Of most significance during the year were activities focused on providing enhanced processes for handling provisions, consolidation accounting and internal fraud controls, as well as further development work to implement the CIRBE2 credit information system within the required timescale. In the area of Management Systems, implementation work continued on the Single Database (SDB) project and enhancements were made to the Information Portal, including the addition of new reports and indicators for use at branch level.

8 –TREASURY SHARE SALES AND BUYBACKS

For information on treasury share sales and buybacks see Note 28 to the Annual Accounts.

9 – ADDITIONAL INFORMATION

a) Shares and share price information

Some indicators of the Bank's share performance are shown in the following table:

	2013	2012	Change y.o.y. (%)
Shareholders and trading volume			
Number of shareholders	262,589	236,774	(10.9)
Number of shares	4,011,481,581	2,959,555,017	(35.5)
Average daily trading volume (number of shares)	15,512,282	9,191,875	(68.8)
Share price (in euros)			
At beginning of year	1.975	2.934	
Maximum	2.160	2.980	
Minimum	1.260	1.185	
At end of year	1.896	1.975	
Market capitalization (thousand euro)	7,605,769	5,845,121	
Market ratios			
Net attributable earnings per share (EPS) (in euros)	0.06	0.03	
Book value per share (in euros)	2.55	3.08	
P/B (share price / book value)	0.74	0.64	
PER (share price / EPS)	30.69	71.38	
After adjusting for conversion of mandatorily convertible notes to shares:			
Total number of shares (including shares resulting from conversion)	4,298,634,476	3,183,841,740	
Net attributable earnings per share (EPS) (in euros)	0.06	0.03	
Book value per share (in euros)	2.38	2.86	
P/B (share price / book value)	0.80	0.69	

b) Dividend policy

Historically the Bank has followed a dividend policy in which the payout rate was in the region of 50% of the profit for the year. On some occasions in the last few years, however, the distribution of profit in the form of a dividend has been supplemented by a distribution out of the share premium account.

As explained in Note 3 to the Consolidated Annual Accounts, and in view of the Bank of Spain's recommendation to credit institutions in June 2013 that cash dividends be limited to 25% of attributable profits for that year, the Board of Directors of the Bank will propose to the General Meeting that a cash dividend be paid of €0.01 per share, equivalent to a payout of 16%. It will also recommend an additional payment consisting of a distribution of share premium of an estimated €0.02 per share.

The Bank has boosted its solvency in the last few years and its capital has now reached a comfortable level. At the close of 2013, its core capital ratio stood at 12.0%, and this after taking account of the dividend payments proposed. The Bank can therefore announce that, in its allocation of profit for 2014, it intends to return to its past policy of distributing 50% of the profit generated.

c) Managing our credit rating

As far as its wholesale market funding activities were concerned, Banco Sabadell, like the rest of the banking industry, has seen its ratings downgraded by the major rating agencies in response to lower sovereign credit ratings for Spain.

Banco Sabadell's credit rating and actions by credit rating agencies during the year:

In 2013 the three agencies that rate Banco Sabadell's credit quality were Standard & Poor's, Moody's and DBRS. Their current ratings, and the last dates on which confirmation of the ratings was published, are as follows:

	Long-term	Short-term	Outlook	Last confirmed on
Standard & Poor's	BB	B	Negative	15/10/2013
Moody's	Ba2	NP	Negative	14/01/2014
DBRS	A (low)	R1 (low)	Negative	19/03/2013

Following Moody's recent ratings downgrades of a number of Spanish banks in the second half of 2013, and as a result of the agency's rating decision after placing Banco Sabadell on review in July, 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".

All the agencies have highlighted the improvement in Banco Sabadell's solvency position after the capital increases carried out in September.

In the course of 2013, Banco Sabadell held meetings with three agencies. At the meetings topics such as the Bank's strategy, recent acquisitions, profit performance, capital, liquidity, risk and credit quality were discussed, as well as its management of troubled assets.

d) Branch network

At the end of 2013 Banco Sabadell was operating 2,418 branches, 520 more than at the end of 2012. The increase was due to the acquisition of branches operated by BMN's Catalonia and Aragon regional division and those transferred to it as a result of the takeovers of Lloyds Bank's Spanish subsidiary and Banco Gallego.

Of the total number of Banco Sabadell group branches and offices, 1,230 were operating under the SabadellAtlántico brand (including 41 specialist business banking and 2 specialist corporate banking branches); 508 were operating as SabadellCAM (including 19 business banking branches); 178 formed the Banco Herrero network in Asturias and León (including 5 business banking branches); 128 were SabadellGuipuzcoano branches; 12 were operating under the SabadellUrquijo name; 101 were Solbank branches, and the remaining 48 made up the group's international network, including the 23 operated by Sabadell United Bank and 6 by BancSabadell d'Andorra. To these should be added ActivoBank's two customer service centres plus the 183 bank branches transferred from Banco Gallego and the 28 from Lloyds. The regional distribution of the group's Spanish branches and offices was as follows:

Region	Branches
Andalucía	145
Aragon	41
Asturias	149
Balearic Islands	68
Basque Country	111
Canary Islands	32
Cantabria	7
Castile-La Mancha	25
Castile-León	67
Catalonia	751
Extremadura	6
Galicia	145
La Rioja	8
Madrid	233
Murcia	152
Navarra	21
Valencia	407
Ceuta & Melilla	2
Total	2,370

Country	Branch	Representative Office	Subsidiaries and Associates
Europe			
Andorra			•
France	•		
Poland		•	
Portugal			•
Turkey		•	
United Kingdom	•		
Americas			
Brazil		•	
Dominican Republic		•	
Mexico		•	
USA	•	•	•
Venezuela		•	
Asia			
China		•	
India		•	
Singapore		•	
United Arab Emirates		•	
Africa			
Algeria		•	
Morocco	•		

Corporate Governance

As required by Article 61 bis of the Stock Market Law, the Banco Sabadell group has prepared an Annual Report on Corporate Governance for the year 2013, which forms part of this Report of the Directors and has been provided as a separate document. This includes a section on the extent to which the Bank is following the recommendations on corporate governance that currently exist in Spain.

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