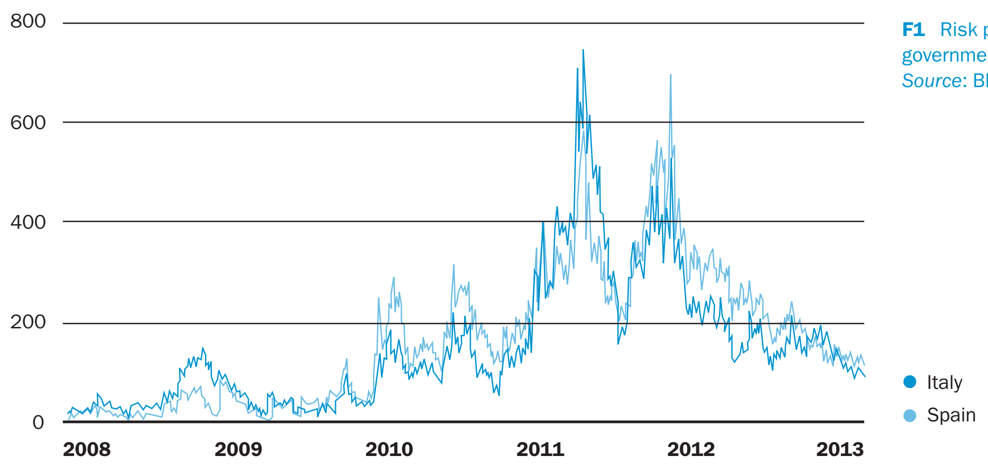
Financial and share performance information

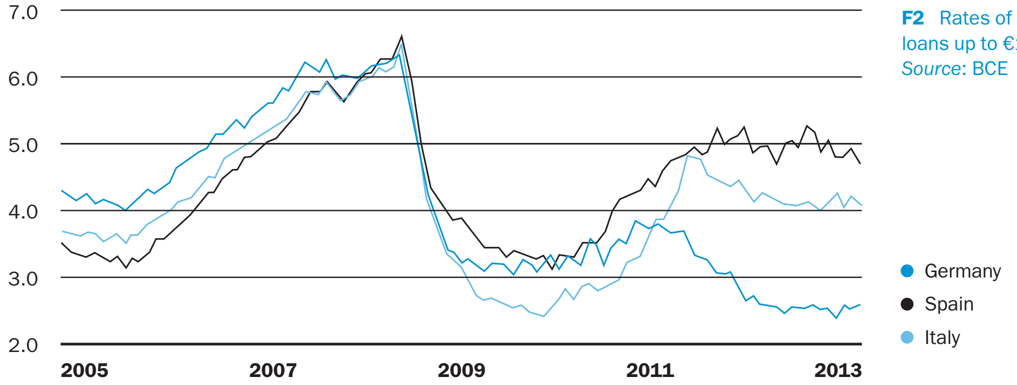
F

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).



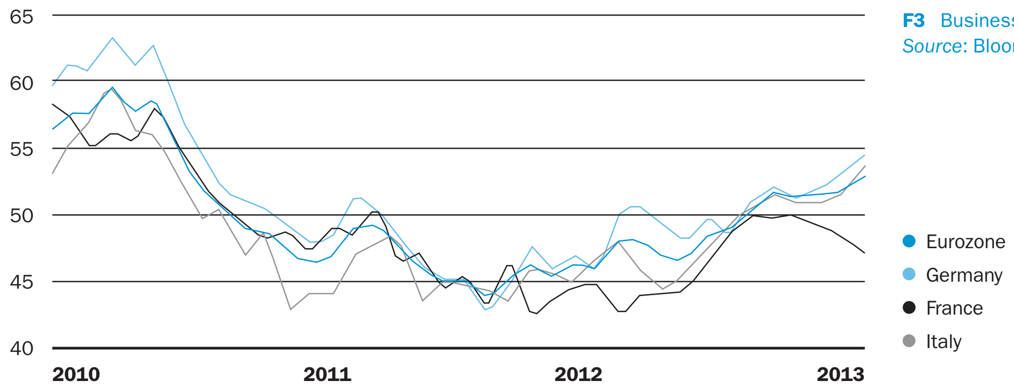
F1 Risk premium on 2–year government bonds (basis points)
Source: Bloomberg



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.

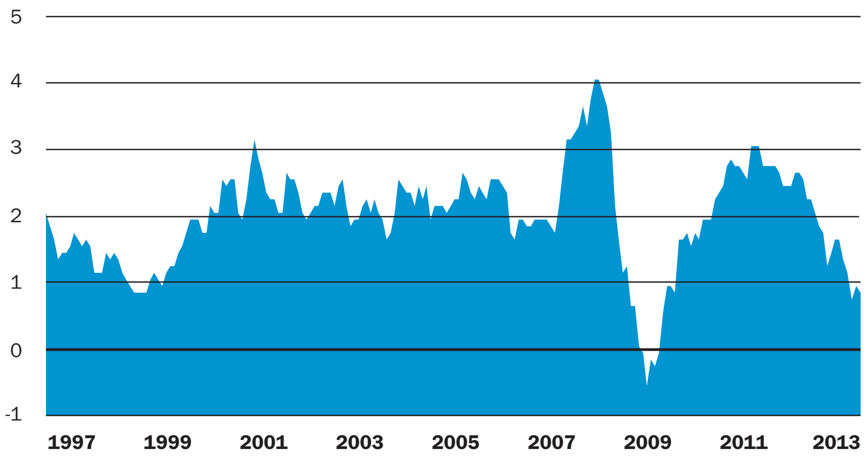
On the economic activity front, the global economy showed modest growth in 2013, with the developed world gathering pace as the year progressed. (ver F3). The eurozone reached a turning point in the second half of the year thanks to a more benign financial environment. The improvement was felt both in 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

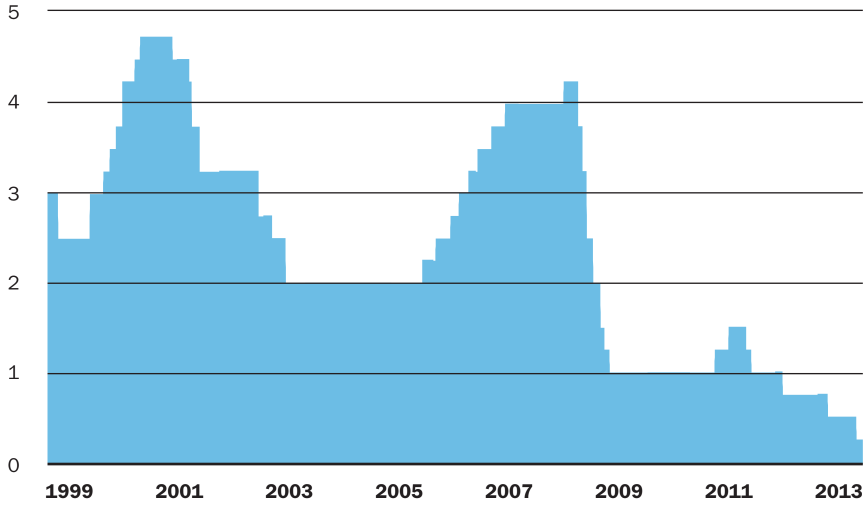
In the third quarter the Spanish economy achieved positive growth for the first time in more than two years. Activity was boosted by a strong export performance and was less constrained by sluggish domestic demand thanks to more benign financial conditions and a more relaxed fiscal policy. In May, the 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

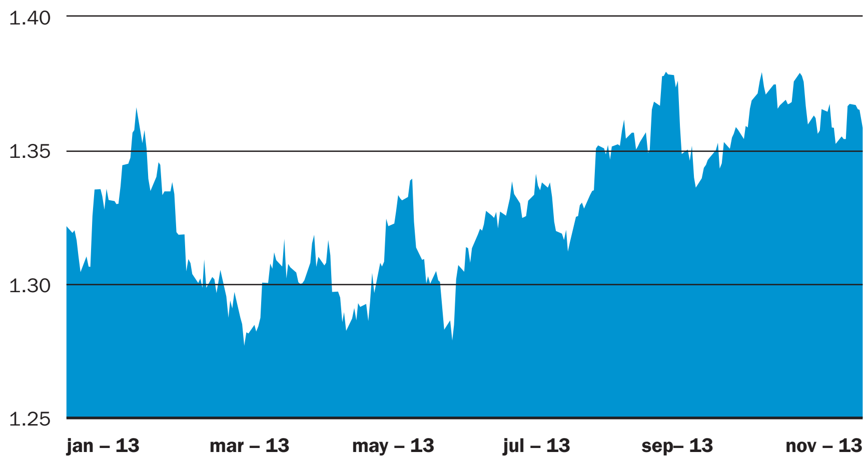
In these conditions, the monetary policy pursued by the main central banks in 2013 remained accommodative, albeit with some variations among them. In the US, the Federal Reserve announced a change in the direction of its monetary policy that set it apart from other central banks. The Fed announced that 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.

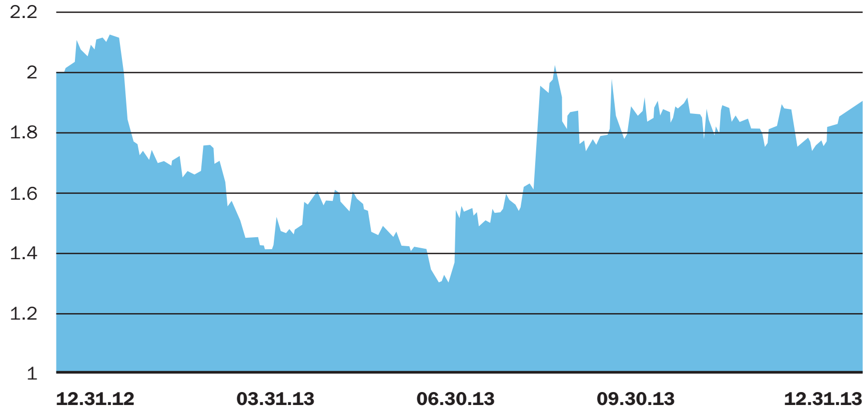
Share performance

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

Month	Closing price (€)	Maximun price (€)	Minimun price (€)	Average daily trading volume (Shares)
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.

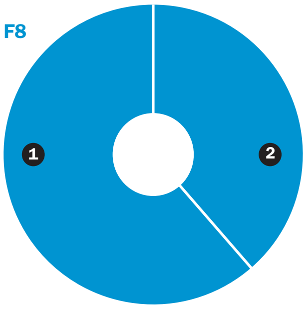
At the same time, it ensured that the Bank's capital was bolstered so as to be fully compliant with the strictest capital adequacy requirements, position Banco Sabadell as one of the most strongly capitalized banks in the industry and bring its capital structure into line with a consolidated balance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

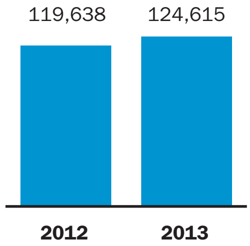
Loan loss provisions were further increased to cover credit exposures in the loan portfolio and there were signs of a turning point in NPLs.

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).



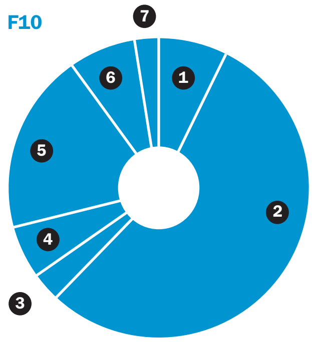
F9 Gross loans and advances to customers ex reverse repos
(Million euro)

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)

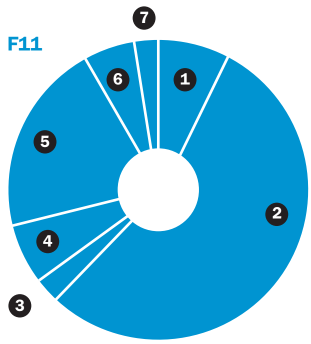
F10



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%

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.

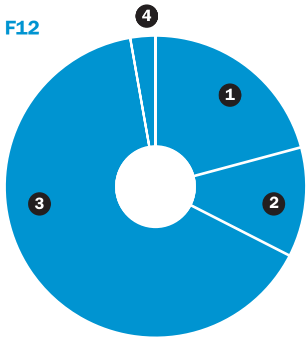
Liabilities in the form of marketable securities amounted to €21,166.9 million at 2013 year-end compared with €25,326.2 million at 31 December 2012. This decline was due principally to a net reduction in outstanding bonds, mortgage covered bonds, asset-backed securities and commercial papers.

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**

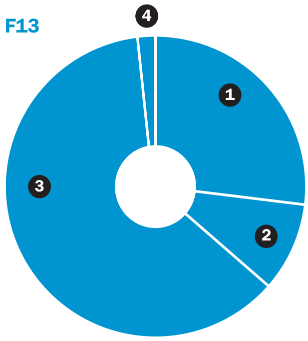
F12



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.

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.

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**

Thousand euro

T13

	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.

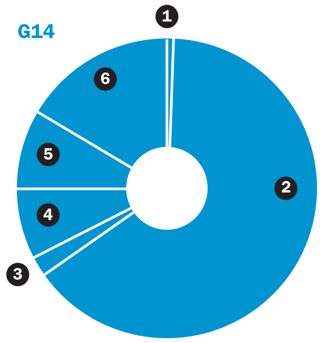
The primary source of the group's funding is its customer deposit base (mainly current accounts and time deposits distributed through the branch network). This is supplemented by funds raised on the interbank and capital markets where the Bank has a number of short- and long-term funding programmes in 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

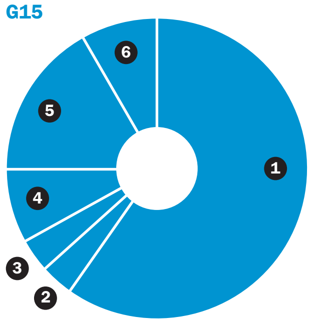
G14



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)**