

# Quarterly financial report

Third quarter, 2013



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Key figures	3
Introduction	4
Profit & loss account	9
Balance sheet	15
Results by business units	21
Share price performance	22

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**Disclaimer**

Banco Sabadell cautions that this presentation may contain forward-looking statements or estimates relating to the business performance and results of the Banco Sabadell Group. While these forward-looking statements or estimates represent our judgment and future expectations concerning the development of our business, a certain number of risks, uncertainties and other important factors may cause actual results to materially differ from our expectations or estimates. This document may contain unaudited or summarized information; accordingly, recipients are invited to consult the public information held with the Spanish Securities and Exchange Commission (CNMV).

## Key figures

	30.09.12	31.12.12	30.09.13 <sup>(7)</sup>	Change (%) YoY
<b>Balance sheet (€'000)</b>				
Total assets	164,417,569	161,547,085	168,525,293	2.5
Gross loans and advances to customers, excluding repos	119,371,353	115,392,391	118,550,933	-0.7
Gross loans and advances to customers	122,342,975	117,283,275	118,711,341	-3.0
On-balance sheet funds	109,481,441	110,996,102	120,718,473	10.3
Of which: Customer-based funding on balance sheet (1)	75,057,920	80,179,388	91,854,912	22.4
Mutual funds	8,561,012	8,584,848	10,051,903	17.4
Pension funds and third-party insurance products	11,275,052	11,022,021	11,176,952	-0.9
Funds under management	130,349,039	131,654,630	143,496,854	10.1
Shareholders' equity (2)	9,215,793	9,119,542	10,247,498	11.2
<b>Profit and loss account (€'000)</b>				
Net interest income	1,380,659	1,867,988	1,317,014	-4.6
Gross operating income	2,153,767	2,958,446	3,012,385	39.9
Net income before provisions	970,413	1,289,896	1,610,881	66.0
Attributable net profit	90,618	81,891	186,107	105.4
<b>Ratios (%)</b>				
ROA	0.10	0.07	0.16	
ROE	1.63	1.01	2.76	
Cost / income (ex amortisation) (3)	49.70	51.10	48.17	
Cost / income ratio excluding non-recurrent expenses (3)	48.99	50.34	47.95	
Core capital (2)	10.09	10.42	11.40	
Tier I (2)	9.80	10.42	11.36	
BIS ratio (2)	10.66	11.39	12.08	
<b>Risk management</b>				
Non-performing loans (€ '000) (4)	9,580,013	10,286,332	14,593,970	
NPLs / Gross loans (%) (4)	8.46	9.33	12.61	
Reserves for NPLs and real estate (€000)	20,476,708	17,589,940	17,718,603	
Overall coverage ratio (%) (5)	15.70	13.88	13.34	
<b>Share data (period end) (2)</b>				
Number of shareholders	241,146	236,774	265,247	
Number of shares	2,954,870,848	2,959,555,017	3,998,333,266	
Share price (€)	2.090	1.975	1.861	
Market capitalisation (€ '000)	6,175,680	5,845,121	7,440,898	
Earnings per share (EPS) (€) (6)	0.04	0.03	0.06	
Book value per share (€)	3.12	3.08	2.56	
Price /Book value (times)	0.67	0.64	0.73	
Price /earnings ratio (P/E) (times)	51.02	71.38	29.90	
Including conversion of convertible bond:				
Fully diluted number of shares including conversion of convertible bond	3,183,842,160	3,183,841,740	4,234,465,487	
Earnings per share (EPS) (€) (6)	0.04	0.03	0.06	
Book value per share (€)	2.89	2.86	2.42	
Price /Book value (times)	0.72	0.69	0.77	
<b>Other data</b>				
Domestic branches	2,153	1,853	2,339	
Employees	16,413	15,596	17,233	
ATMs	3,493	3,166	3,871	

- (1) Includes customer deposits (ex-repos) and other liabilities placed via the branch network: preference shares, mandatory convertible bonds and non-convertible bonds issued by Banco Sabadell, as well as commercial paper, etc.
- (2) The September 2013 figure includes the entire capital increase amount.
- (3) Personnel and other general administrative expenses / gross operating income. Calculation of the ratio at 30 September 2013 includes an adjustment in the gross margin of Euros -437 million in connection with non-recurrent capital gains obtained on the portfolio sale in the second quarter of the year.
- (4) Figures and percentages do not include assets covered by the Asset Protection Scheme (APS). Figures as of 30.09.13 include the effect of revising the classification of refinanced risks in the Sabadell-Banco CAM segment.
- (5) Expressed with respect to total exposure to loans and real estate.
- (6) Annualised.
- (7) The figures as of 30 September 2013 include the balances of the business acquired from BMN as of 1 June (branches in Catalonia and Aragon acquired by Banco Sabadell, hereafter BMN-Penedès) and the balances of Lloyds Bank International and Lloyds Investment España as from 30 June.

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## Introduction

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### Key developments in 3Q13

- In general: the year-on-year comparison of results and balance sheet figures were affected by consolidation of Banco CAM as from 1 June 2012 and of the business acquired from BMN as from 1 June 2013 (branches in Catalonia and Aragón, acquired by BS; hereafter BMN-Penedès) and from Lloyds Bank International and Lloyds Investment España as from 30 June 2013.
- Net interest income: Euros 1,317.0 million. A -4.6% variation year-on-year. Strict management of customer spreads, the higher margin from the fixed-income portfolio and the consolidation of the balances from Banco CAM, BMN-Penedès and Lloyds only partly offset the effect of the decline in the yield curve and narrowing customer spreads.
- Net fees and commissions: Euros 549.9 million. They increased by 21.3% with respect to the same period last year due both to good business performance and to the inclusion of the new businesses as mentioned above.
- Results from financial transactions: Euros 1,227.6 million, compared with Euros 363.8 million at the end of September 2012. This includes notably Euros 762.9 million on the sale of available-for-sale financial assets, Euros 437.3 million on the sale of held-to-maturity investments, and Euros 53.0 million in gains on the trading portfolio. The figures in the same period of 2012 include notably Euros 140.3 million from the disposal of available-for-sale financial assets, Euros 137.9 million from redeeming ABS and own securities, and Euros 77.8 million in gains on the trading portfolio.
- Administrative expenses (personnel and general): Euros -1,240.5 million. Underlying administrative expenses declined by 12.0% year-on-year in like-for-like terms. Specifically, personnel expenses decreased by 13.2% and general expenses by 9.5%.
- Income before provisions: in the first nine months of 2013, profit before provisions amounted to Euros 1,610.9 million, an increase of 66.0% year-on-year.
- Provisions for NPLs and other impairments: Euros -1,334.3 million. Includes an extraordinary general-purpose provision of Euros -321.1 million to cover additional reserves required as a result of reviewing the classification of refinanced loans in the Sabadell-Banco CAM segment. This reclassification has yet to be performed at the recently-acquired institutions. At 30 September 2012, provisions and impairments amounted to Euros -2,170.5 million, including the extraordinary provisions required under Royal Decree-Acts 2/2012 and 18/2012.
- Capital gains on asset disposals: Euros 15.3 million, compared with Euros 29.1 million in 2012. The latter amount included the capital gain recognised in March 2012 on the sale of Banco Sabadell's stake in Banco del Bajío.
- Badwill: Euros 933.3 million in 2012. This item relates entirely to the negative goodwill recognised on consolidating Banco CAM.
- Attributable net profit: Euros 186.1 million, compared with Euros 90.6 million euros in the first nine months of 2012 (+105.4%).
- Customer loans and funds: customer funds on the balance sheet increased by 22.4% year-on-year, while gross loans and advances to customers, excluding repos, declined by -0.7%. The funding gap in the first nine months of 2013 was Euros 9,004.8 million.
- As of 30 September 2013, the NPL ratio was 12.61%, expressed in terms of the Banco Sabadell group's total computable risks, excluding assets covered by the Asset Protection Scheme (APS) and including the review of the classification of refinanced risks. The NPL coverage ratio expressed with respect to total exposure to loans and real estate is 13.34%.
- The core capital ratio is 11.40% (compared with 10.09% as of 30 September 2012).

## Macroeconomic environment

### Global economic and financial background

Euro area growth has reached a turning point. In the second quarter, GDP expanded by 0.3% q/q, the first increase after six consecutive quarters of contraction. Germany and France performed especially well (0.7% and 0.5%, respectively, in the quarter), while Spain registered a minimal decline (-0.1%) and Italy moderated its decline (-0.3%). The most recent economic sentiment data suggests a progressive improvement in growth from here onwards. In Italy, the ministers in Berlusconi's party stepped down, threatening the continuity of the coalition government. For the moment, Italy's president and prime minister are reluctant to hold early elections and will try to maintain the current government. UK GDP grew at a faster pace in the second quarter, expanding by 0.7% q/q, and recent data shows good labour market performance. Economic sentiment indicators suggest that the economy will continue to perform positively going forward. US business numbers were broadly positive, with GDP expanding by 0.6% in the second quarter despite the fiscal adjustment. The labour market remains dynamic, and unemployment declined by 0.3 points in the quarter, to 7.3%. However, the upswing in mortgage interest rates since the end of May debilitated some real estate market indicators. The US government was partially shut down for the first time in 17 years after Congress was unable to reach an agreement on how to finance public spending for the 2014 fiscal year. The Japanese economy continued to improve, growing by 0.9% q/q in the second quarter. Prices in Japan rose for the first time in over a year, with inflation reaching its highest level since 2008.

### Fixed income markets

Central banks maintained a clearly accommodative tone. At its most recent meeting, the Fed surprised with the announcement that it was maintaining the current pace of asset purchases, due to (i) concerns that the rapid tightening of financial conditions in recent months was jeopardising economic growth, and (ii) the downside risk from fiscal policy debates (debt limit and budget approval). Moreover, it published its first economic forecast for 2016, which shows that, although the economy will be growing close to its potential, unemployment will be close to its

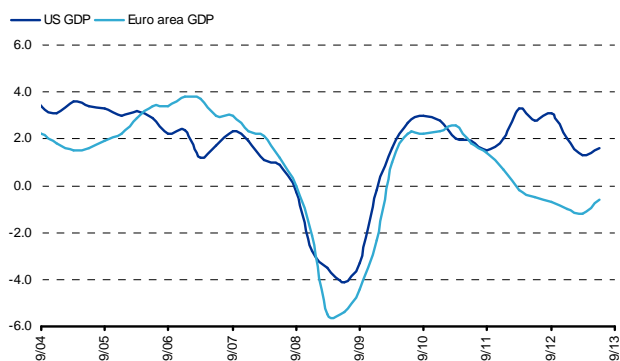
long-term level and prices will be stable, the base rate will remain far from a neutral position in monetary terms. By introducing forward guidance, the ECB has made a commitment to future interest rate performance. The European Central Bank expects benchmark rates to remain at or below current levels for a lengthy period of time. This commitment is conditional on medium-term inflation forecasts, economic performance and the money supply. The ECB also addressed the implications of the reduction in excess liquidity for monetary policy, and left the door open for additional LTROs. The Bank of England also presented its forward guidance, stating that it would not increase the base rate or reduce the size of its asset purchase scheme until unemployment declined to at least 7.0% (currently 7.7%). The Bank of Japan maintains its current monetary policy and has expressed greater optimism in connection with domestic growth and inflation.

Long-term government bond yields ended the quarter higher on both side of the Atlantic. The yield on US and German debt reached record highs year-to-date on the back of growing expectations that the Fed would announce a reduction in the pace of asset purchases. Those yields eased at the end of the quarter due to the absence of such announcement, fiscal policy debates in the US, and the ECB's accommodative tone. Country-risk premiums declined in Spain and Italy to their lowest so far this year; however, political noise in Italy is a drag on its spreads.

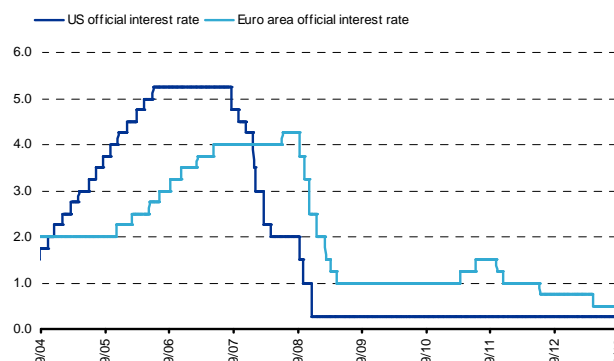
### Equity markets

The main stock market indexes in North America, and especially in Europe, registered sizeable gains in the quarter. In Europe, the EURO STOXX 50 added +11.16%, while the IBEX 35 experienced the greatest upswing, appreciating by +18.34%. In both cases, the indices reached record highs for the year, rising to levels not seen since 2011. In the United States, the Standard & Poor's 500 rose by +0.62% in the quarter (in euro terms). This rebound is attributable to the Fed's decision to maintain its monetary policy unchanged and to the reduction in the risk of US military intervention in Syria. Japan's NIKKEI 300 ended the quarter with moderate gains, adding +2.11% in euro terms.

GDP – USA vs. Euro area (y/y change, %)



Official interest rate – USA vs. Euro area (%)



## Financial review

### Basis of presentation

The consolidated profit and loss account and balance sheet as of 30 September 2013 and 2012, together with the disclosures shown in this Financial Report, are presented in accordance with the accounting standards, principles and criteria defined in Note 1 to the Group's consolidated financial statements as of 31 December 2012.

On 31 May 2013, Banco Sabadell and Banco Mare Nostrum (BMN) signed the instrument whereby BMN transferred to Banco Sabadell part of the assets and liabilities comprising BMN's banking business in Catalonia and Aragon. Consequently, the balances of that business (hereafter, BMN-Penedès) were included in Banco Sabadell's financial statements at the end of September 2013 (balance sheet and income statement since 1 June).

Additionally, on 30 June 2013, Banco Sabadell integrated the balance sheets of Lloyds Bank International and Lloyds Investment España, having completed the acquisition of 100% of the shares of both companies from Lloyds TSB Bank. Consequently, those balances from Lloyds were included in Banco Sabadell's financial statements as of the end of September 2013 (balance sheet and income statement as from 30 June).

The group's financial statements as of 30 September 2013 include the consolidated income statement and balance sheet of Banco CAM, which were consolidated for the first time in June 2012. Subsequently, Banco CAM merged with Banco Sabadell in December 2012.

### Balance sheet and bottom line

#### Balance sheet

As of 30 September 2013, the total assets of Banco Sabadell and its group amounted to Euros 168,525.3 million, a 2.5% increase year-on-year.

Gross loans and advances to customers (excluding repos) amounted to Euros 118,550.9 million. Approximately 50% of this figure is mortgage loans (Euros 58,298.9 million), an increase of 2.8% with respect to 30 September 2012 (-11.1% excluding the impact of integrating BMN-Penedès and Lloyds).

Excluding Banco CAM assets covered by the Asset Protection Scheme and including the review of the classification of refinanced risks in the Sabadell-Banco CAM segment, the Banco Sabadell group had a 12.61% ratio of non-performing loans (NPLs) to total computable risks at the end of 3Q13.

As of 30 September 2013, customer funds on the balance sheet amounted to Euros 91,854.9 million, a 22.4% increase year-on-year (+10.0% excluding BMN-Penedès and Lloyds). That increase was observed in both demand and time deposits.

The difference in growth in loans to customers and customer funds on the balance sheet provided a funding gap of Euros 9,004.8 million in the first nine months of 2013, after adjusting for the effect of the change in consolidation scope (inclusion of BMN-Penedès and Lloyds in June 2013).

Liabilities in the form of tradeable securities amounted to Euros 20,928.2 million at 30 September 2013, compared with Euros 21,403.8 million at 30 September 2012.

Assets in collective investment vehicles totalled Euros 10,051.9 million at 30 September 2013, 17.4% higher year-on-year.

Customer assets in pension funds marketed by the group amounted to Euros 3,882.8 million at 30 September 2013, an increase of 8.6% year-on-year (Euros 3,576.4 million at 30 September 2012).

Insurance sales amounted to Euros 7,294.2 million in the first nine months of 2013, compared with Euros 7,698.6 million in the same period of 2012.

Total funds under management amounted to Euros 143,496.9 million at 30 September 2013, compared with Euros 130,349.0 million at 30 September 2012, an increase of 10.1% (+2.3% excluding BMN-Penedès and Lloyds).

### Income and profit performance

Net interest revenues amounted to Euros 1,317.0 million in the first nine months of 2013, a decrease of 4.6% year-on-year. Strict management of customer spreads, the higher margin from the fixed-income portfolio and the consolidation of the balances from Banco CAM, BMN-Penedès and Lloyds only partly offset the effect of the decline in the yield curve and narrowing customer spreads.

Net fees and commissions totalled Euros 549.9 million, a 21.3% increase year-on-year. This positive performance was observed across the board in all types of fees and commissions (risk operations, services, mutual funds, insurance and pension sales) and is attributable both to good performance by the Bank's own business and to the integration of Banco CAM (since June 2012), BMN-Penedès (since June 2013) and Lloyds (since July 2013).

Income from financial transactions amounted to Euros 1,227.6 million, including Euros 723.6 million in gains on the sale of available-for-sale fixed-income assets, Euros 437.3 million on the sale of held-to-maturity investments, Euros 53.0 million in trading income, and Euros 39.3 million from the sale of available-for-sale equity securities. The figures in the same period of 2012 include Euros 140.3 million from the disposal of available-for-sale fixed-income securities, Euros 137.9 million from redeeming ABS and other own securities, and Euros 77.8 million in trading gains.

Other operating income and expenses amounted to Euros -143.8 million, including mainly contributions with respect to the bank's deposit base that amounted to 118 million euro at the end of September 2013.

Operating expenses amounted to Euros 1,240.5 million in the first nine months of 2013, of which Euros 5.7 million is non-recurrent. Assuming no change in consolidation scope (i.e. including Banco CAM since the beginning of 2012, BMN-Penedès since 1 June and Lloyds since 1 July), recurrent operating expenses in the first nine months of 2013 were 12.0% lower than in the same period of 2012.

This rigorous operating cost containment policy, together with the favourable gross income performance in the period, provided an efficiency (costs/income) ratio of 48.17% at 30 September 2013 (from 49.70% at 2012 year-end), excluding extraordinary results on the sale of the held-to-maturity portfolio.

Consequently, net income before provisions amounted to Euros 1,610.9 million at 30 September 2013, notably higher than in the same period of 2012 (+66.0%).

Provisions for loan losses and other impairments (primarily real estate and financial assets) amounted to 1,334.3 million, including an extraordinary generic provision of 321.1 million euro to provide the additional reserves required as a result of reclassifying refinanced loans in the Sabadell-Banco CAM segment. This reclassification has yet to be performed at the recently-acquired institutions. In the same period of 2012, provisions totalled Euros 2,170.5 million, of which a notable portion was advance charges for loan losses and real estate in accordance with Royal Decree-Acts 2/2012 and 18/2012.

The income statement as of 30 September 2012 includes a credit of Euros 933.3 million due to badwill recognised in consolidation of Banco CAM.

Capital gains on asset disposals amounted to Euros 15.3 million in the first nine months of 2013, i.e. less than the Euros 29.1 million booked in the same period of 2012 (which included Euros 28.0 million from the sale of Banco Sabadell's stake in Banco del Bajío in March 2012).

After deducting income tax and minority interests, net income attributed to the group amounted to Euros 186.1 million in the first nine months of 2013, i.e. 105.4% higher than in the same period of 2012.

At 30 September 2013, the core capital ratio (proforma including the capital increase) was 11.40% (10.09% at 30 September 2012).

### **Other key developments in 3Q13**

#### **Acquisition of Lloyds Bank International and Lloyds Investment España**

On 8 July 2013, Banco Sabadell acquired 100% of Lloyds Bank International, S.A.U. and Lloyds Investment España, S.G.I.I.C., S.A.U. from Lloyds TSB Bank Plc ("Lloyds Bank"). The Bank had already taken control of the institutions covered by that transaction on 30 June 2013.

The consideration for the acquisition of 100% of both Spanish subsidiaries consisted of the delivery of 53,749,680 shares of Banco Sabadell out of treasury stock, whose fair value at the date of acquisition of control was Euros 68.5 million, and payment to Banco Sabadell of Euros 1.5 million in cash as a price adjustment. As a result of receiving those shares, Lloyds Bank is a stable shareholder of Banco Sabadell since it has undertaken not to divest the shares until 30 April 2015.

Under the agreement, Banco Sabadell may also pay Lloyds up to 20 million euro over the next four years as a profitability adjustment tied to 12-month interest rate trends.

#### **Acquisition of Aegon's stake in Mediterráneo Vida**

On 19 July 2013, once the pertinent administrative authorisations had been obtained, Banco Sabadell signed an agreement with Aegon International, B.V. and Aegon Levensverzekering, N.V. ("Aegon") to acquire Aegon's 49.99% indirect stake—held through CAM-Aegon Holding Financiero, S.L.—in Mediterráneo Vida, S.A. de Seguros y Reaseguros ("Mediterráneo Vida"); Banco Sabadell already owned the remaining shares.

As a result of this operation, Banco Sabadell obtained 100% of Mediterráneo Vida for a net outlay of Euros 449.5 million.

#### **Capital increase at Banco Sabadell**

On 3 October, with the completion of the rights issue ("Rights Issue"), Banco Sabadell concluded the capital increase transaction that had been approved by the Board of Directors on 9 September 2013 for a total effective amount of Euros 1,382,709,454.26, consisting of two successive placements of shares.

The first, an Accelerated Bookbuild, concluded on 10 September 2013 and placed a total of 396,341,464 shares for a total amount of Euros 650,000,000.96; the new shares were listed on 11 September 2013. The new shares and the treasury stock were allocated to qualified investors, including Itos Holding S.à.r.l. and Fintech Investments, Ltd.

The second phase, the Rights Issue, concluded on 3 October and involved issuing 666,099,503 new shares for a total amount of Euros 732,709,453.30. In the preferential tranche, a total of 99.89% of the pre-emptive subscription rights were exercised in exchange for 665,372,153 newly-issued ordinary shares. The shares subscribed for in the pre-emptive tranche plus the requests for the additional tranche together accounted for 279.53% of the total Rights Issue.

#### **Banco Sabadell participation in managing Banco Gallego's subordinated debt and preference shares**

On 30 September, the Board of Directors of Banco Sabadell resolved that the Bank would participate in the process of managing the subordinated debt and preference shares of Banco Gallego, S.A. (the "Hybrids Management Process") approved on that same date by the Steering Committee of the Fund for Orderly Bank Restructuring ("FROB") in the framework of the resolution plan for NCG Banco-Banco Gallego.

The Hybrids Management Process for Banco Gallego consisted of applying a haircut to their valuation, as follows:

- for the Subordinated Debt, by a compulsory change in certain characteristics of those instruments and their reconfiguration as senior fixed-income securities of Banco Gallego; and
- for the Preference Shares, compulsory redemption by Banco Gallego for cash, the purchase price including the aforementioned haircut, and The holder of those securities being obliged to reinvest the proceeds from the redemption to subscribe for senior fixed-income securities of Banco Gallego.

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By participating in the Hybrids Management Process, Banco Sabadell offered the targets of this process the alternative of subscribing for new mandatory convertible subordinated bonds of Banco Sabadell (the "Alternative") of series III/2013 (the "Obligaciones III/2013") or series IV/2013 (the "Obligaciones IV/2013", and, with the Obligaciones III/2013, the "Banco Sabadell Obligaciones"), as appropriate.

The Alternative was arranged through the redemption of the Affected Securities by Banco Gallego, the holders of those securities being obliged to use the cash proceeds to subscribe for Banco Sabadell Obligaciones.

The deadline by which holders of the hybrids could opt for the Alternative was 22 October 2013.

During that Option Period, subscription requests were received for:

(i) 50,954,400 Obligaciones III/2013, with a nominal value of Euro 1; accordingly, the total amount of this series is Euros 50,954,400; and

(ii) 70,720,450 Obligaciones IV/2013, with a nominal value of Euro 1; accordingly, the total amount of this series is Euros 70,720,450.

The redemption by Banco Gallego of the Banco Gallego hybrids is scheduled to be settled no later than 28 October 2013, when the Banco Sabadell Obligaciones are also scheduled to be issued.



## Profit & loss account

### Profit & loss account

(€000)	9M12	9M13	Change (%) YoY
Interest and related income	3,365,804	3,688,036	9.6
Interest and related charges	-1,985,145	-2,371,022	19.4
<b>Net interest income</b>	<b>1,380,659</b>	<b>1,317,014</b>	<b>-4.6</b>
Dividend income	8,411	6,863	-18.4
Income from equity method	-6,439	6,258	--
Net fees and commissions	453,428	549,882	21.3
Results from financial transactions (net)	363,817	1,227,635	237.4
Foreign exchange (net)	44,609	48,551	8.8
Other operating income/expense	-90,718	-143,818	58.5
<b>Gross operating income</b>	<b>2,153,767</b>	<b>3,012,385</b>	<b>39.9</b>
Personnel expenses	-709,427	-808,639	14.0
Recurrent (1)	-695,844	-802,962	15.4
Non-recurrent	-13,583	-5,677	-58.2
Other general expenses	-361,098	-431,847	19.6
Recurrent (2)	-359,207	-431,847	20.2
Non-recurrent	-1,891	0	-100.0
Amortization & depreciation	-112,829	-161,018	42.7
<b>Net income before provisions</b>	<b>970,413</b>	<b>1,610,881</b>	<b>66.0</b>
Provisions for NPLs and other impairments	-2,170,460	-1,334,258	-38.5
Gains on sale of assets	29,132	15,326	-47.4
Badwill	933,306	0	-100.0
<b>Profit before tax</b>	<b>-237,609</b>	<b>291,949</b>	<b>--</b>
Income tax	333,063	-88,646	--
<b>Consolidated net profit</b>	<b>95,454</b>	<b>203,303</b>	<b>113.0</b>
Minority interest	4,836	17,196	255.6
<b>Attributable net profit</b>	<b>90,618</b>	<b>186,107</b>	<b>105.4</b>
Pro memoria:			
Average total assets	130,760,198	165,694,349	
Earnings per share (€) (3)	0.03	0.06	

- (1) Including Banco CAM since the beginning of 2012, BMN-Penedès since 1 June 2012 and Lloyds since 1 July 2012, recurrent personnel expenses decreased by 13.2% year-on-year.  
(2) Including Banco CAM since the beginning of 2012, BMN-Penedès since 1 June 2012 and Lloyds since 1 July 2012, recurrent other general expenses decreased by 9.5% year-on-year.  
(3) Not annualised.

### Profit & loss account - quarterly

(€000)	3Q12	4Q12	1Q13	2Q13	3Q13	Change (%) YoY
Interest and related income	1,398,963	1,369,817	1,251,399	1,210,815	1,225,822	-12.4
Interest and related charges	-872,556	-882,488	-800,169	-796,217	-774,636	-11.2
<b>Net interest income</b>	<b>526,407</b>	<b>487,329</b>	<b>451,230</b>	<b>414,598</b>	<b>451,186</b>	<b>-14.3</b>
Dividend income	1,395	1,454	2,199	3,099	1,565	12.2
Income from equity method	-12,171	-5,296	-8,497	6,549	8,206	--
Net fees and commissions	164,620	175,261	168,405	188,241	193,236	17.4
Results from financial transactions (net)	121,609	182,419	274,939	738,035	214,661	76.5
Foreign exchange (net)	21,291	15,272	17,836	15,496	15,219	-28.5
Other operating income/expense	-36,520	-51,760	-26,338	-48,598	-68,882	88.6
<b>Gross operating income</b>	<b>786,631</b>	<b>804,679</b>	<b>879,774</b>	<b>1,317,420</b>	<b>815,191</b>	<b>3.6</b>
Personnel expenses	-294,194	-287,119	-260,322	-264,573	-283,744	-3.6
Recurrent	-292,163	-281,224	-258,410	-261,080	-283,472	-3.0
Non-recurrent	-2,031	-5,895	-1,912	-3,493	-272	-86.6
Other general expenses	-151,857	-153,981	-147,099	-138,122	-146,626	-3.4
Recurrent	-152,261	-153,113	-147,099	-138,122	-146,626	-3.7
Non-recurrent	404	-868	0	0	0	-100.0
Amortization & depreciation	-43,258	-44,096	-50,356	-55,115	-55,547	28.4
<b>Net income before provisions</b>	<b>297,322</b>	<b>319,483</b>	<b>421,997</b>	<b>859,610</b>	<b>329,274</b>	<b>10.7</b>
Provisions for NPLs and other impairments	-281,125	-370,169	-324,945	-748,305	-261,008	-7.2
Gains on sale of assets	10,649	-13,725	-2,494	-3,668	21,488	101.8
Badwill	0	0	0	0	0	--
<b>Profit before tax</b>	<b>26,846</b>	<b>-64,411</b>	<b>94,558</b>	<b>107,637</b>	<b>89,754</b>	<b>234.3</b>
Income tax	4,030	64,992	-34,062	-29,045	-25,539	--
<b>Consolidated net profit</b>	<b>30,876</b>	<b>581</b>	<b>60,496</b>	<b>78,592</b>	<b>64,215</b>	<b>108.0</b>
Minority interest	30,373	9,308	9,381	6,289	1,526	-95.0
<b>Attributable net profit</b>	<b>503</b>	<b>-8,727</b>	<b>51,115</b>	<b>72,303</b>	<b>62,689</b>	<b>--</b>
Pro memoria:						
Average total assets	163,895,076	160,495,875	161,022,907	165,546,434	170,410,546	
Earnings per share (€) (1)	0.03	0.03	0.02	0.02	0.02	

(1) YTD at the end of each quarter (not annualised).

## Net interest income

Below is a breakdown of net interest income by quarter since 2012, showing the average yields and costs of the various components of total lending and funding. It includes

the consolidated balances of Banco CAM from June 2012, BMN-Penedès from June 2013, and Lloyds from July 2013.

### Average yield

2012 (€'000)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income
Cash and balance with central banks & financial	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
Loans to customers (net)	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
Fixed-income securities	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
<b>Subtotal</b>	<b>89,481,352</b>	<b>3.99</b>	<b>888,135</b>	<b>108,970,642</b>	<b>3.82</b>	<b>1,035,524</b>	<b>136,249,299</b>	<b>3.91</b>	<b>1,338,929</b>	<b>132,135,830</b>	<b>3.87</b>	<b>1,284,231</b>
Equity securities	2,108,839	--	--	2,406,793	--	--	2,335,549	--	--	2,093,708	--	--
Tang. & intang. assets	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
<b>Total</b>	<b>101,603,835</b>	<b>3.58</b>	<b>903,631</b>	<b>125,978,808</b>	<b>3.39</b>	<b>1,063,210</b>	<b>163,895,076</b>	<b>3.40</b>	<b>1,398,963</b>	<b>160,495,875</b>	<b>3.40</b>	<b>1,369,817</b>

2013 (€'000)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income
Cash and balance with central banks & financial	4,494,342	0.92	10,217	4,306,328	0.96	10,291	4,799,574	0.80	9,646			
Loans to customers (net)	101,522,722	3.94	985,570	103,503,916	3.66	943,348	109,433,309	3.49	963,485			
Fixed-income securities	28,212,967	3.46	240,923	30,794,911	3.20	245,663	29,035,957	3.27	239,337			
<b>Subtotal</b>	<b>134,230,031</b>	<b>3.74</b>	<b>1,236,710</b>	<b>138,605,155</b>	<b>3.47</b>	<b>1,199,302</b>	<b>143,268,840</b>	<b>3.36</b>	<b>1,212,468</b>			
Equity securities	2,119,497	--	--	1,929,436	--	--	2,024,289	--	--			
Tang. & intang. assets	3,119,175	--	--	3,091,693	--	--	3,359,906	--	--			
Other assets	21,554,204	0.28	14,689	21,920,150	0.21	11,513	21,757,511	0.24	13,354			
<b>Total</b>	<b>161,022,907</b>	<b>3.16</b>	<b>1,251,399</b>	<b>165,546,434</b>	<b>2.93</b>	<b>1,210,815</b>	<b>170,410,546</b>	<b>2.85</b>	<b>1,225,822</b>			

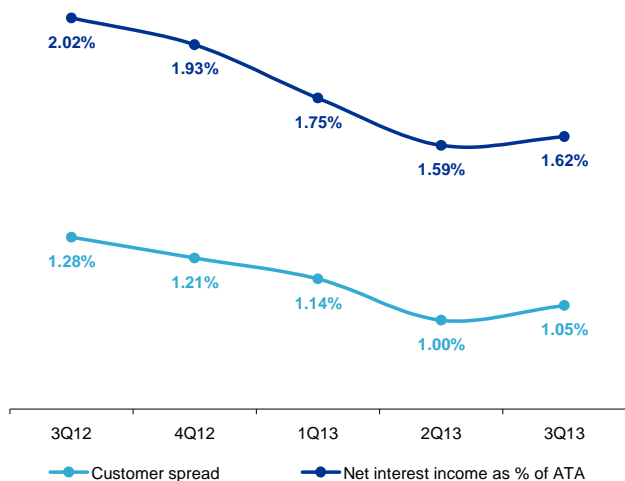
### Average cost of funds

2012 (€'000)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Expense	Avg.balance	Rate %	Expense	Avg.balance	Rate %	Expense	Avg.balance	Rate %	Expense
Financial 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
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
Capital markets	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
Repos	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
<b>Subtotal</b>	<b>88,393,966</b>	<b>-2.20</b>	<b>-483,317</b>	<b>110,876,865</b>	<b>-2.19</b>	<b>-602,876</b>	<b>143,753,913</b>	<b>-2.38</b>	<b>-858,258</b>	<b>141,203,196</b>	<b>-2.38</b>	<b>-843,077</b>
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
Shareholders' equity	6,969,867	--	--	7,556,949	--	--	8,712,853	--	--	8,712,853	--	--
<b>Total</b>	<b>101,603,835</b>	<b>-1.97</b>	<b>-496,380</b>	<b>125,978,808</b>	<b>-1.97</b>	<b>-616,209</b>	<b>163,895,076</b>	<b>-2.12</b>	<b>-872,556</b>	<b>160,495,875</b>	<b>-2.19</b>	<b>-882,488</b>

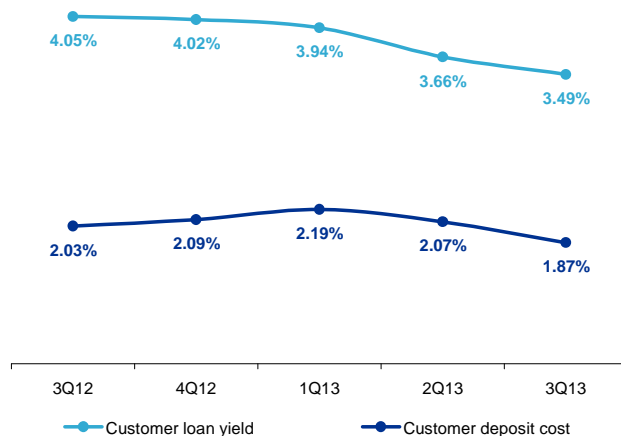
2013 (€'000)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Expense	Avg.balance	Rate %	Expense	Avg.balance	Rate %	Expense	Avg.balance	Rate %	Expense
Financial institutions	28,981,056	-1.22	-87,097	27,032,018	-1.24	-83,467	25,581,009	-1.11	-71,390			
Customer deposits	76,214,463	-2.19	-410,852	81,769,358	-2.07	-422,708	88,912,922	-1.87	-418,031			
Capital markets	31,882,481	-3.50	-275,484	29,210,692	-3.59	-261,331	28,940,355	-3.45	-251,805			
Repos	3,885,129	-1.62	-15,546	7,721,463	-0.96	-18,518	8,037,440	-1.07	-21,698			
<b>Subtotal</b>	<b>140,963,129</b>	<b>-2.27</b>	<b>-788,979</b>	<b>145,733,531</b>	<b>-2.16</b>	<b>-786,024</b>	<b>151,471,726</b>	<b>-2.00</b>	<b>-762,924</b>			
Other liabilities	11,028,863	-0.41	-11,190	10,787,873	-0.38	-10,193	10,164,431	-0.46	-11,712			
Shareholders' equity	9,030,915	--	--	9,025,030	--	--	8,774,389	--	--			
<b>Total</b>	<b>161,022,907</b>	<b>-2.02</b>	<b>-800,169</b>	<b>165,546,434</b>	<b>-1.93</b>	<b>-796,217</b>	<b>170,410,546</b>	<b>-1.80</b>	<b>-774,636</b>			

The figures below show the trend in net interest income as a percentage of average total assets and the trend in customer spreads:

Net interest income (%)



Customer spread (%)



## Net fees and commissions

(€000)	3Q12	2Q13	3Q13	Change (%) 3Q12	Change (%) 2Q13
Asset transactions	29,123	28,866	28,279	-2.9	-2.0
Guarantees	26,609	26,119	26,251	-1.3	0.5
Transferred to other entities	45	-1,186	-1,192	--	0.5
<b>Risk transaction fees</b>	<b>55,777</b>	<b>53,799</b>	<b>53,338</b>	<b>-4.4</b>	<b>-0.9</b>
Cards	29,198	32,915	37,964	30.0	15.3
Payment orders	11,798	11,123	11,794	0.0	6.0
Securities	11,186	12,500	13,194	18.0	5.6
Demand accounts	15,482	17,547	17,637	13.9	0.5
Other transactions	15,963	31,803	27,873	74.6	-12.4
<b>Commissions for services</b>	<b>83,627</b>	<b>105,888</b>	<b>108,462</b>	<b>29.7</b>	<b>2.4</b>
Mutual funds	16,404	18,533	20,137	22.8	8.7
Pension funds and insurance brokerage	8,812	10,021	11,299	28.2	12.8
<b>Mutual and pension fund and insurance commissions</b>	<b>25,216</b>	<b>28,554</b>	<b>31,436</b>	<b>24.7</b>	<b>10.1</b>
<b>Total</b>	<b>164,620</b>	<b>188,241</b>	<b>193,236</b>	<b>17.4</b>	<b>2.7</b>

Net fees and commissions in the third quarter of 2013 totalled Euros 193.2 million, up 17.4% with respect to the third quarter of 2012.

Service fee revenues increased by 29.7% in year-on-year terms, mainly as a result of higher revenues from cards, securities, demand deposits and other sundry services to customers, because of both good performance by the Bank's own business and of the consolidation of BMN-Penedès (from 1 June 2013) and Lloyds (from 1 July 2013).

Commissions on mutual funds and on marketing of pension funds and insurance also increased, due to the greater volume of assets managed and sold.

Fees for risk transactions declined by 4.4% overall, attributable primarily to the lower amount of fees on unpaid commercial bills. Nevertheless, within this area, factoring and reverse factoring fees increased by 10.5% with respect to the third quarter of 2012.

Net fees and commissions in 3Q13 increased by 2.7% compared with 2Q13. This increase is due broadly to the higher volume of transactions and to the consolidation of BMN-Penedès since June 2013 and of Lloyds since July 2013. Within service fees, fees on cards and securities increased notably between quarters. Additionally, fees from the sale of insurance and pension products increased by 10.1% overall.

## Administrative expenses

(€000)	3Q12	2Q13	3Q13	Change (%) 3Q12	Change (%) 2Q13
Recurrent	-292,163	-261,080	-283,472	-3.0	8.6
Non-recurrent	-2,031	-3,493	-272	-86.6	-92.2
<b>Personnel expenses</b>	<b>-294,194</b>	<b>-264,573</b>	<b>-283,744</b>	<b>-3.6</b>	<b>7.2</b>
IT	-18,454	-20,295	-23,370	26.6	15.2
Communications	-6,533	-6,442	-1,768	-72.9	-72.6
Advertising	-11,350	-11,562	-10,607	-6.5	-8.3
Premises	-45,285	-38,955	-40,873	-9.7	4.9
Stationery and office supplies	-1,944	-2,831	-2,921	50.3	3.2
Taxes other than income tax	-23,838	-23,603	-25,800	8.2	9.3
Others	-44,453	-34,434	-41,287	-7.1	19.9
<b>Other general expenses</b>	<b>-151,857</b>	<b>-138,122</b>	<b>-146,626</b>	<b>-3.4</b>	<b>6.2</b>
<b>Total</b>	<b>-446,051</b>	<b>-402,695</b>	<b>-430,370</b>	<b>-3.5</b>	<b>6.9</b>

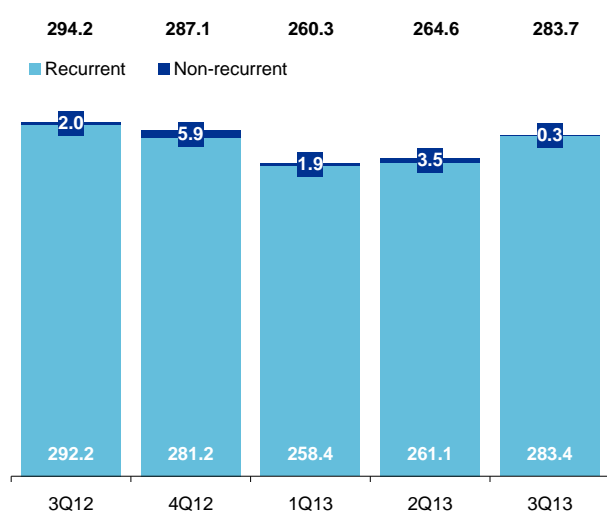
Assuming a constant consolidation scope (i.e. including Banco CAM since the beginning of 2012, BMN-Penedès since 1 June and Lloyds since 1 July), recurrent administrative expenses declined by -12.0% in the first nine months of 2013 with respect to the same period last year.

That decline, in like-for-like terms, is attributable to a strict cost containment policy and was achieved in both recurrent

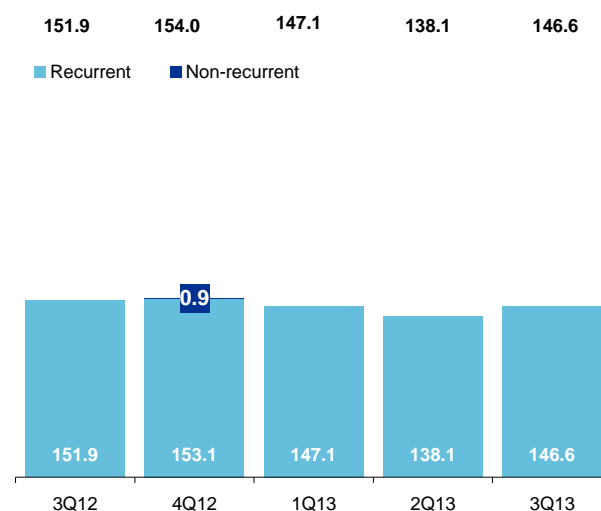
personnel expenses (-13.2%) and other general administration expenses (-9.5%).

The figures show the trend in administrative expenses by quarter, distinguishing between recurrent and non-recurrent amounts.

Personnel expenses (€mn)



Other general expenses (€mn)



## Balance sheet

(€000)	30.09.12	31.12.12	30.09.13	Change (%) YoY
Cash and balance with Central Banks	1,704,819	2,483,590	2,180,058	27.9
Trading and derivatives portfolios and other financial assets	9,955,424	7,182,095	6,959,943	-30.1
Available-for-sale financial assets	23,135,247	24,060,464	26,889,460	16.2
Loans and advances	113,342,556	110,732,517	115,031,689	1.5
Balances with financial institutions (1)	5,528,845	5,233,243	5,880,108	6.4
Loans to customers (net)	107,424,556	105,102,361	106,844,732	-0.5
Debt securities	389,155	396,913	2,306,849	492.8
Investments in associated companies	1,003,267	746,336	726,229	-27.6
Property, plant and equipment	2,383,539	2,635,038	2,927,035	22.8
Intangible assets	1,078,989	1,165,072	1,267,707	17.5
Other assets	11,813,728	12,541,073	12,543,172	6.2
<b>Total assets</b>	<b>164,417,569</b>	<b>161,547,085</b>	<b>168,525,293</b>	<b>2.5</b>
Trading and derivatives portfolios	2,542,607	2,473,447	2,126,516	-16.4
Financial liabilities at amortised cost	147,319,029	144,984,600	152,550,440	3.6
Central banks	24,655,155	23,888,640	17,218,580	-30.2
Credit institutions (2)	13,015,091	9,779,956	14,629,201	12.4
Customer deposits	84,736,924	82,464,410	96,739,482	14.2
Capital markets	21,403,759	25,326,170	20,928,210	-2.2
Subordinated liabilities	1,213,832	1,166,707	968,100	-20.2
Other financial liabilities	2,294,268	2,358,717	2,066,867	-9.9
Liabilities under insurance contracts	2,126,926	2,038,815	2,082,681	-2.1
Provisions	1,519,609	1,370,326	860,582	-43.4
Other liabilities	1,586,823	1,419,125	1,370,481	-13.6
<b>Subtotal liabilities</b>	<b>155,094,994</b>	<b>152,286,313</b>	<b>158,990,700</b>	<b>2.5</b>
Shareholders' equity (3)	9,215,793	9,119,542	9,514,788	3.2
Valuation adjustments	-336,798	-317,945	-48,493	-85.6
Minority interest	443,580	459,175	68,298	-84.6
<b>Equity</b>	<b>9,322,575</b>	<b>9,260,772</b>	<b>9,534,593</b>	<b>2.3</b>
<b>Total liabilities and equity</b>	<b>164,417,569</b>	<b>161,547,085</b>	<b>168,525,293</b>	<b>2.5</b>
Contingent risks	9,339,209	9,015,469	8,620,962	-7.7
Contingent liabilities	13,535,984	13,523,884	12,535,512	-7.4
<b>Total memorandum accounts</b>	<b>22,875,193</b>	<b>22,539,353</b>	<b>21,156,474</b>	<b>-7.5</b>

(1) Balances with financial institutions include the following amounts of repos: Euros 549 million at 30.09.12, Euros 1,504 million at 31.12.12 and Euros 1,560 million at 30.09.13.

(2) Deposits with central banks and credit institutions include the following amounts of repos: Euros 2,241 million at 30.09.12, Euros 1,719 million at 31.12.12 and Euros 5,360 million at 30.09.13.

(3) Includes mandatory convertible bonds (Euros 812 million at 30.09.12, Euros 798 million at 31.12.12 and Euros 774 million at 30.09.13).

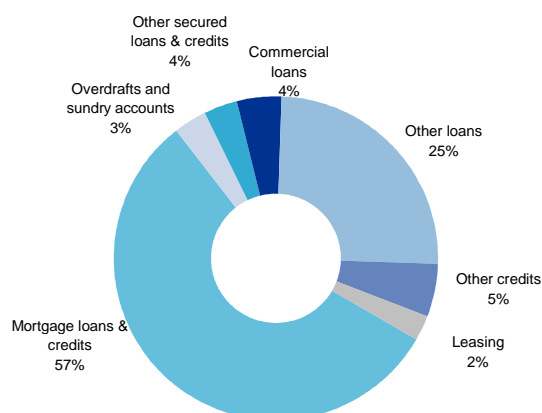
The balance at 30.09.13 reflects the capital increase performed by means of an accelerated bookbuild in September 2013 but does not include the rights issue since the related public instrument was granted on 4 October 2013.

## Loans to customers

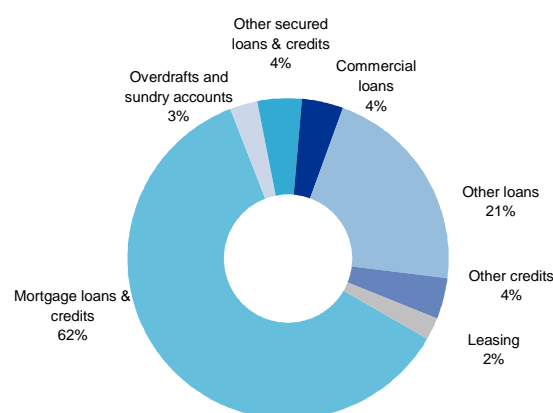
(€000)	30.09.12	31.12.12	30.09.13	Change (%) YoY
Mortgage loans & credits	56,716,008	55,540,706	58,298,857	2.8
Other secured loans & credits	3,554,954	3,235,826	4,172,445	17.4
Commercial loans	4,399,523	4,424,246	3,970,289	-9.8
Other loans	25,213,919	21,738,062	20,508,427	-18.7
Other credits	5,409,572	5,353,704	3,927,453	-27.4
Leasing	2,432,869	2,316,459	2,174,010	-10.6
Overdrafts and sundry accounts	3,170,446	3,259,828	2,736,846	-13.7
Non-performing loans	18,471,029	19,589,071	22,810,356	23.5
Accruals	3,033	-65,511	-47,750	--
<b>Gross loans and advances to customers, excluding repos (1)</b>	<b>119,371,353</b>	<b>115,392,391</b>	<b>118,550,933</b>	<b>-0.7</b>
Reverse repos	2,971,622	1,890,884	160,408	-94.6
<b>Gross loans and advances to customers</b>	<b>122,342,975</b>	<b>117,283,275</b>	<b>118,711,341</b>	<b>-3.0</b>
NPL and country-risk provisions	-14,918,419	-12,180,914	-11,866,609	-20.5
<b>Loans to customers (net)</b>	<b>107,424,556</b>	<b>105,102,361</b>	<b>106,844,732</b>	<b>-0.5</b>
Pro memoria: total securitisation	22,401,667	20,176,753	18,783,992	-16.1
Of which: mortgage backed	17,067,945	17,222,663	16,665,918	-2.4
Other securitised assets	5,333,722	2,954,090	2,118,074	-60.3
Of which: securitised after 01.01.04	21,414,361	19,338,123	17,987,543	-16.0
Of which: mortgage backed	16,465,694	16,442,337	15,927,120	-3.3
Other securitised assets	4,948,667	2,895,786	2,060,423	-58.4

(1) The balances of BMN-Penedès and Lloyds were consolidated in June 2013 for the first time. At 30 September 2013, those balances amounted to Euros 9,578 million and Euros 1,593 million, respectively.

Loans and advances, 30.09.12 (%) (\*)



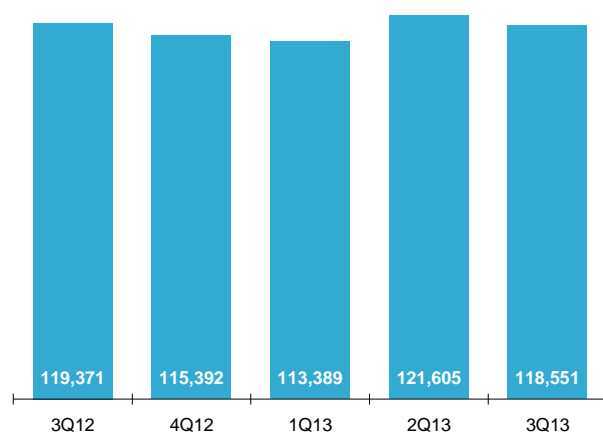
Loans and advances, 30.09.13 (%) (\*)



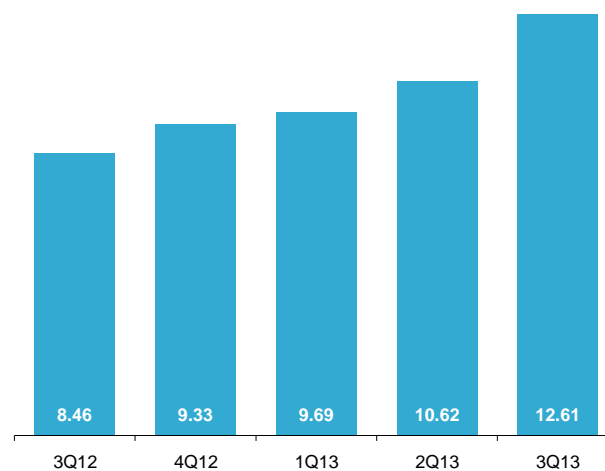
(\*) Excluding doubtful assets and accrual adjustments.



Gross loans and advances to customers, excluding repos (€mn)



NPLs/Gross loans ratio excluding APS (%)



## Credit risk management

At 30 September 2013, the Banco Sabadell Group's non-performing loans, excluding the assets covered by the Asset Protection Scheme arranged in the acquisition of Banco CAM but including the impact of refinanced risks,

amounted to Euros 14,594.0 million, i.e. an NPL ratio of 12.61%. Expressed with respect to the total exposure to loans and real estate, the coverage ratio was 13.34% at 30 September 2013.

### Trend in doubtful and substandard balances and real estate

BS group excl. APS

(€ million)	3Q12	4Q12	1Q13	2Q13	3Q13
Ordinary net increase	667	1,094	385	760	365
Change in real estate	327	233	394	1	218
<b>Net increase plus real estate</b>	<b>994</b>	<b>1,327</b>	<b>778</b>	<b>761</b>	<b>583</b>
Defaults	232	387	247	305	105
<b>Quarterly change in doubtful balances and real estate (1)</b>	<b>762</b>	<b>940</b>	<b>531</b>	<b>456</b>	<b>478</b>
Reclassified as doubtful (2)				378	1,509

(1) Does not include variations due to changes in consolidation scope.

(2) Corresponds to Sabadell-Banco CAM. This reclassification has yet to be performed at the recently-acquired institutions.

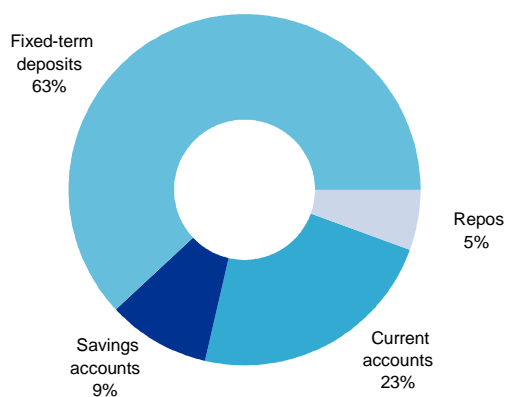
## Funds under management

(€000)	30.09.12	31.12.12	30.09.13	Change (%) YoY
<b>Customer-based funding on balance sheet (1)</b>	<b>75,057,920</b>	<b>80,179,388</b>	<b>91,854,912</b>	<b>22.4</b>
Customer deposits	84,736,924	82,464,410	96,739,482	14.2
Current accounts	19,488,647	19,251,171	23,600,652	21.1
Savings accounts	7,795,403	7,833,472	10,301,441	32.1
Fixed-term deposits	52,416,525	53,526,063	61,344,785	17.0
Repos	4,602,755	1,466,003	1,027,963	-77.7
Accruals	578,628	564,214	735,942	27.2
Derivative hedging adjustments	-145,034	-176,513	-271,301	87.1
Debt and other tradable securities	21,403,759	25,326,170	20,928,210	-2.2
Subordinated liabilities	1,213,832	1,166,707	968,100	-20.2
Liabilities under insurance contracts	2,126,926	2,038,815	2,082,681	-2.1
<b>On-balance sheet funds</b>	<b>109,481,441</b>	<b>110,996,102</b>	<b>120,718,473</b>	<b>10.3</b>
Mutual funds	8,561,012	8,584,848	10,051,903	17.4
Equity funds	314,052	327,388	417,811	33.0
Balanced funds	429,489	425,964	562,024	30.9
Fixed-income funds	1,678,077	1,613,871	2,140,287	27.5
Guaranteed return funds	2,319,144	2,376,623	2,558,012	10.3
Real estate funds	1,006,101	990,610	960,732	-4.5
Dedicated investment companies	1,245,818	1,262,855	1,365,881	9.6
Third-party funds	1,568,331	1,587,537	2,047,156	30.5
Managed accounts	1,031,534	1,051,659	1,549,526	50.2
Pension funds	3,576,438	3,708,868	3,882,753	8.6
Individual	2,101,221	2,250,102	2,400,844	14.3
Company	1,450,286	1,435,039	1,461,067	0.7
Group	24,931	23,727	20,842	-16.4
Third-party insurance products	7,698,614	7,313,153	7,294,199	-5.3
<b>Funds under management (2)</b>	<b>130,349,039</b>	<b>131,654,630</b>	<b>143,496,854</b>	<b>10.1</b>

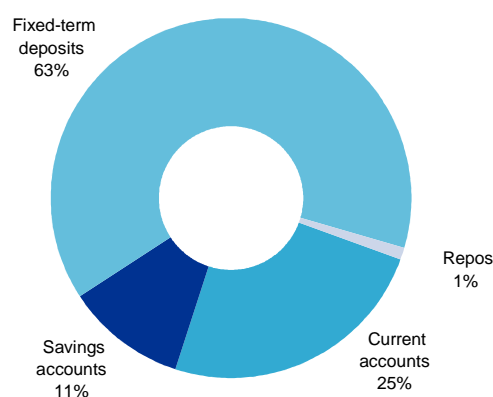
(1) Includes customer deposits (ex-repos) and other liabilities placed via the branch network: preference shares, mandatory convertible bonds, non-convertible bonds issued by Banco Sabadell, commercial paper and others.

(2) The balances of BMN-Penedès and Lloyds were consolidated for the first time in June 2013. At 30 September 2013, the balances were Euros 9,466 million and Euros 733 million, respectively.

Customer deposits, 30.09.12 (%) (\*)

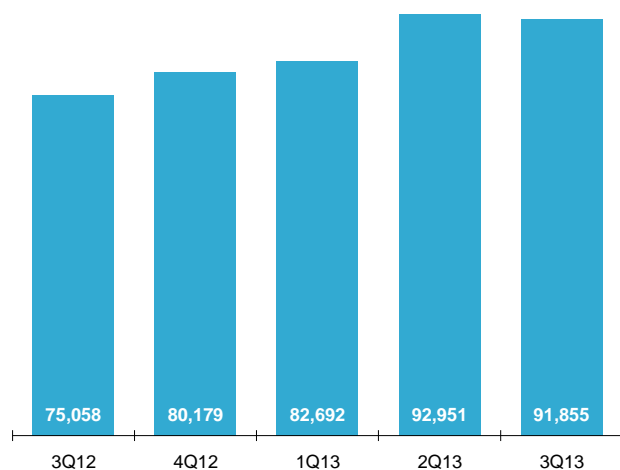


Customer deposits, 30.09.13 (%) (\*)

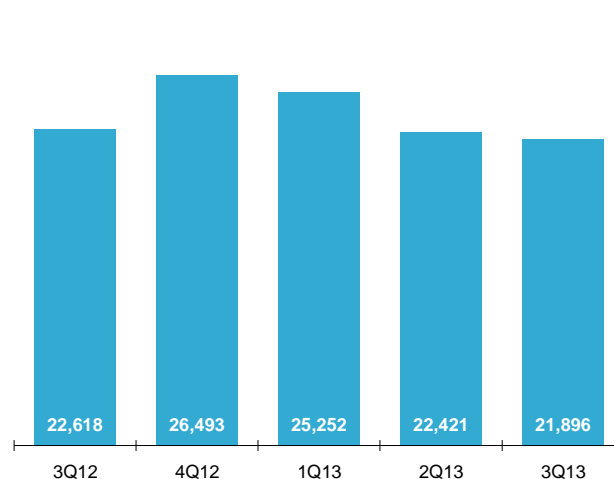


(\*) Excluding adjustments for accruals and hedges with derivatives.

Customer-based funding on balance sheet (€mn)



Bonds, subordinated liabilities and other tradeable securities (€mn)



## Shareholder's equity

(€000)	30.09.12	31.12.12	30.09.13 <sup>(*)</sup>	Change (%) YoY
Shareholders' equity (1)	9,215,793	9,119,542	10,247,498	11.2
Issued capital	369,359	369,944	499,792	35.3
Reserves	7,953,061	7,895,312	8,793,584	10.6
Other equity instruments (2)	811,739	798,089	773,880	-4.7
Less: treasury shares	-8,984	-25,694	-5,865	-34.7
Attributable net profit	90,618	81,891	186,107	105.4
Less: dividends and payments	0	0	0	--
Valuation adjustments	-336,798	-317,945	-48,493	-85.6
Minority interest	443,580	459,175	68,298	-84.6
<b>Equity</b>	<b>9,322,575</b>	<b>9,260,772</b>	<b>10,267,303</b>	<b>10.1</b>

(1) The September 2013 figure includes the entire capital increase amount.

(2) Mandatory convertible bonds.

## Capital ratios

(€000)	30.09.12	31.12.12	(*) 30.09.13	Change (%) YoY
Issued capital	369,359	369,944	499,792	35.3
Reserves	7,892,435	7,838,177	8,871,109	12.4
Mandatory convertible bonds	811,739	798,089	773,880	-4.7
Minority interest	51,834	51,078	63,878	23.2
Deductions	-1,217,265	-1,206,783	-1,334,084	9.6
<b>Core capital</b>	<b>7,908,102</b>	<b>7,850,505</b>	<b>8,874,575</b>	<b>12.2</b>
<b>Core capital (%)</b>	<b>10.09</b>	<b>10.42</b>	<b>11.40</b>	
Preference shares and deductions	-230,512	-5,413	-28,441	-87.7
<b>Primary capital</b>	<b>7,677,590</b>	<b>7,845,092</b>	<b>8,846,134</b>	<b>15.2</b>
<b>Tier I (%)</b>	<b>9.80</b>	<b>10.42</b>	<b>11.36</b>	
<b>Secondary capital</b>	<b>678,002</b>	<b>731,549</b>	<b>559,731</b>	<b>-17.4</b>
<b>Tier II (%)</b>	<b>0.87</b>	<b>0.97</b>	<b>0.72</b>	
Total capital	8,355,592	8,576,641	9,405,865	12.6
Minimum capital requirement	6,269,124	6,025,145	6,227,019	-0.7
Capital surplus	2,086,468	2,551,496	3,178,846	52.4
<b>BIS ratio (%)</b>	<b>10.66</b>	<b>11.39</b>	<b>12.08</b>	
<b>Risk weighted assets (RWA)</b>	<b>78,364,050</b>	<b>75,314,313</b>	<b>77,837,738</b>	<b>-0.7</b>

(\*) The September 2013 figure includes the entire capital increase amount.

## Credit ratings

Agency	Date	Long term	Short term	Outlook	Strength
DBRS	19.03.2013	A (low)	R-1 (low)	Negative	
Standard & Poor's <sup>(1)</sup>	15.10.2013	BB	B	Negative	
Moody's	11.10.2013	Ba1	NP	n/a*	D

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\* Ratings under review.

## Results by business units

The tables below summarise earnings and other indicators of the group's business units.

The information presented here is based on the individual financial statements of each Group company, after the corresponding consolidation eliminations and adjustments and with analytical accounting of revenues and expenses in cases in which a business is spread over more than one legal entity, to enable customer revenues and costs to be assigned to specific units.

Each business unit is treated as an independent business and transactions between them for product distribution or

the provision of services and systems are priced on an arm's-length basis. The ultimate impact on the Group profit and loss account is zero.

Each business bears its own direct costs, on the basis of general and analytical accounting, as well as the indirect costs of the corporate units.

Moreover, capital is assigned such that each business has capital equivalent to the regulatory amount required to reach the Group's target ratios on the basis of its assets at risk.

30.09.2012 (*)	Gross operating income (€'000)	Profit before tax (€'000)	Average total assets (€'000)	ROE	Cost / income ratio	Employees	Domestic branches
Commercial banking	1,213,442	53,984	58,814,183	2.1%	65.3%	11,584	2,139
Corporate banking	161,720	131,118	11,405,508	16.5%	11.8%	91	2
Banca Privada	37,777	6,836	1,230,850	16.9%	80.9%	258	12
Investment management	22,500	8,415	8,561,012 (***)	23.7%	62.6%	142	--
Management of real estate assets	104,703	-495,151	21,133,025	-40.1%	82.8%	682	--
<b>Total</b>		<b>-294,798 (**)</b>					

30.09.2013	Gross operating income (€'000)	Profit before tax (€'000)	Average total assets (€'000)	ROE	Cost / income ratio	Employees	Domestic branches
Commercial banking	1,335,430	104,382	71,737,010	3.6%	65.5%	10,320	1,831
Corporate banking	144,935	55,806	11,063,077	7.2%	13.7%	96	2
Banca Privada	34,902	6,595	662,555	19.6%	79.0%	263	12
Investment management	30,739	15,244	10,051,903 (***)	87.6%	33.8%	147	--
Management of real estate assets	37,757	-692,768	26,931,211	-44.2%	322.5%	808	--
<b>Total</b>		<b>-510,741 (**)</b>					

(\*) The 2012 figures were restated to reflect the establishment of the real estate management business and to include the Banco CAM business.

(\*\*) The reconciliation with total group results must include amounts not assigned to the business units shown and the tax effect.

(\*\*\*) These figures reflect the mutual fund assets managed and/or marketed at the end of the period.

## Share price performance

	30.09.12	31.12.12	(*) 30.09.13	Change (%) YoY
<b>Shareholders and trading</b>				
Number of shareholders	241,146	236,774	265,247	10.0
Number of shares	2,954,870,848	2,959,555,017	3,998,333,266	35.3
Average daily trading volume (number of shares)	10,575,376	9,191,875	14,731,559	39.3
<b>Share price (€)</b>				
Opening session	2.934	2.934	1.975	
High	2.980	2.980	2.160	
Low	1.185	1.185	1.260	
Closing session	2.090	1.975	1.861	
Market capitalisation (€ '000)	6,175,680	5,845,121	7,440,898	
<b>Stock market multiples</b>				
Earnings per share (EPS) (€)	0.04	0.03	0.06	
Book value per share (€)	3.12	3.08	2.56	
Price /Book value (times)	0.67	0.64	0.73	
Price /earnings ratio (P/E) (times)	51.02	71.38	29.90	
Including conversion of convertible bond:				
Fully diluted number of shares including conversion of convertible bond	3,183,842,160	3,183,841,740	4,234,465,487	
Earnings per share (EPS) (€)	0.04	0.03	0.06	
Book value per share (€)	2.89	2.86	2.42	
Price /Book value (times)	0.72	0.69	0.77	

(\*)The September 2013 figure includes the entire capital increase amount.