

Sabadell

1Q15 Results

April 24th, 2015

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1. Quarterly highlights

2. Recommended cash offer for TSB Banking Group
3. Rights issue
4. 1Q15 Results
5. Commercial activity
6. Liquidity and ALCO portfolio
7. Risk and capital management

Quarterly highlights

- Sabadell has launched a recommended cash offer for TSB Banking Group
- In April, Sabadell has successfully completed a rights issue of €1.6 billion
- Result highlights
 - NII continues to grow on a quarterly basis driven by lower cost of funding
 - Net fee income is resilient in a seasonally soft quarter
 - High level of gains from financial operations related to the management of the ALCO portfolio. The extraordinary gains have been neutralised by additional impairments resulting in increased NPL coverage ratios
 - Commercial dynamics continue to improve, with positive growth in performing loans led by SMEs and companies. Stable development of on-balance sheet customer funds
 - Total NPLs fell by a record €1bn and NPL ratio is reduced to 11.7%



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Strategic rationale

Internationalisation	UK market	Management track record
<ul style="list-style-type: none"> ▪ Entering new markets is a key part of the Triple Business plan 	<ul style="list-style-type: none"> ▪ Stable financial system with attractive returns and prospects ▪ Fragmented challenger bank market with opportunities for growth 	<ul style="list-style-type: none"> ▪ Successfully delivery of all strategic plans to date ▪ Proven ability and IT know-how in integrating acquisitions onto Sabadell's platform
TSB		Financial returns
<ul style="list-style-type: none"> ▪ Pure-play retail focused UK bank, aligned with Sabadell's expertise ▪ Sabadell's expertise in SME lending in Spain provides a value added tool to develop efficient SME services in the UK market 		<ul style="list-style-type: none"> ▪ Substantial pre-tax synergies of c.GBP160M from IT optimisation in the third year after completion ▪ GBP450M contribution by Lloyds to TSB more than offsets implementation costs of IT migration ▪ CET1 capital neutral post rights offering and medium term earnings enhancing

TSB financial highlights

**Total
assets**

€34,900M

**Gross loans to
customers**

€27,900M

**Customer
deposits**

€31,600M

Net profit

€167M

Employees

8,638

Branches

631



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Sabadell successfully completed a capital increase of €1.6 billion

- Amount size of the rights offering: €1,607 million
- Rights issue exchange ratio: 3 ^{new shares} for every 11 ^{outstanding shares}
- Subscription price: €1.48
- Theoretical ex-rights price (TERP): €2.132¹ (discount to TERP: 30.6%)
- New shares will have the same right to receive dividends² as the outstanding shares (€0.05)
- Number of shares post rights issue: 5,110,409,582
- During the rights trading period (27 March to 17 April), Sabadell's share price increased by 5%
- New shares will start to trade on 28 April, 2015

¹Using the March 27th, 2015 closing price of €2.31 per share and adjusted for treasury shares.

²The dividend is pending the approval by the AGM.



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1Q15 results

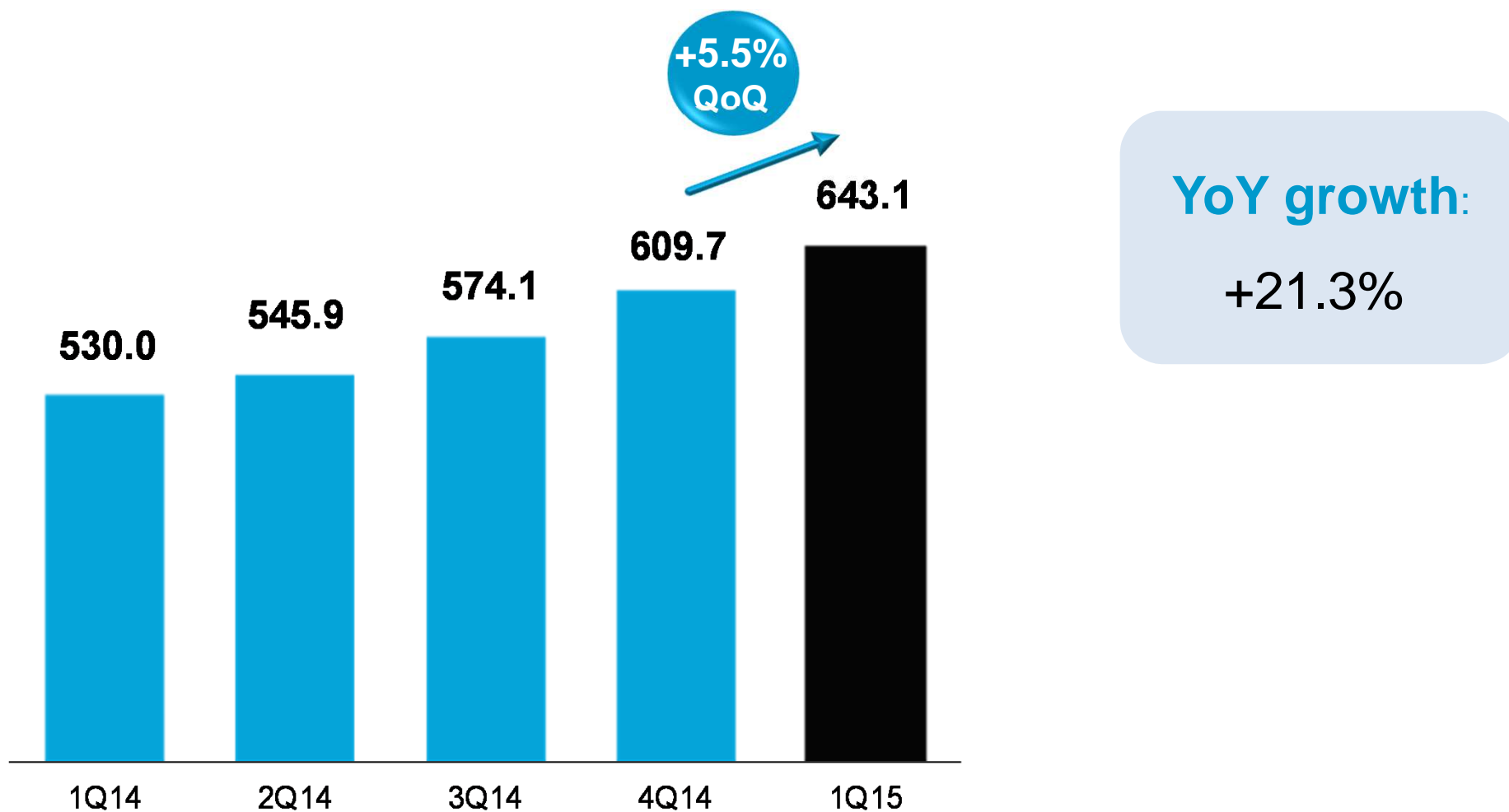
	Mar. 14 as reported	Mar. 15 as reported	Mar. 15 comparable basis	% var 15/14 comparable basis
Net Interest Income	530.0	643.1	643.1	21.3%
Equity Method & Dividends	0.0	10.4	10.4	---
Commissions	201.0	225.8	225.8	12.4%
Trading Income & Forex	946.7	801.7	801.7	-15.3%
Other Operating Results	-29.7	-15.1	-61.5	---
Gross Operating Income	1,648.0	1,665.9	1,619.4	-1.7%
Personnel Costs	-298.8	-301.0	-301.0	0.8%
Administrative Costs	-151.9	-146.3	-146.3	-3.6%
Depreciations	-68.0	-76.1	-76.1	11.9%
Pre-provisions Income	1,129.4	1,142.4	1,096.0	-3.0%
Total Provisions & Impairments	-1,096.5	-906.5	-906.5	-17.3%
Gains on sale of assets	69.9	9.6	9.6	---
Profit before taxes	102.8	245.5	199.1	93.6%
Taxes and others	-21.7	-70.9	-56.9	---
Attributable Net Profit	81.2	174.6	142.1	75.2%

Note: Following the early adoption of IFRIC 21 on levy liabilities, the payments related to the Deposit Guarantee Fund will now be reflected in the P&L as one single payment at the end of the year, instead of being accrued throughout the year. All numbers referring to the change year over year are on a comparable basis, as if the payments related to the DGF had been accrued.

Increase in net interest income driven by lower cost of funding and slight volume pick-up

Net interest income evolution

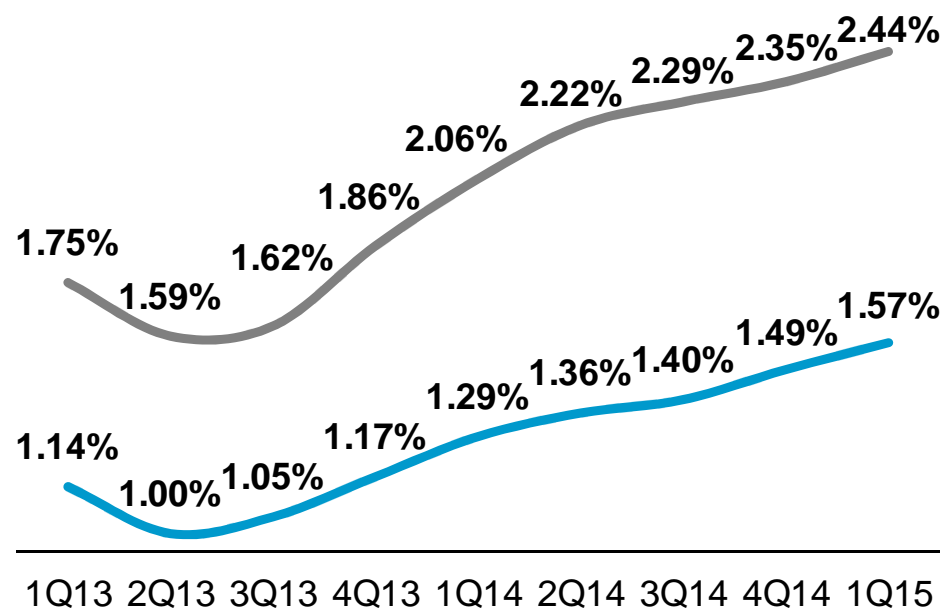
Euros in million



Continued improvement in customer spreads in a low interest rate environment

Margin evolution

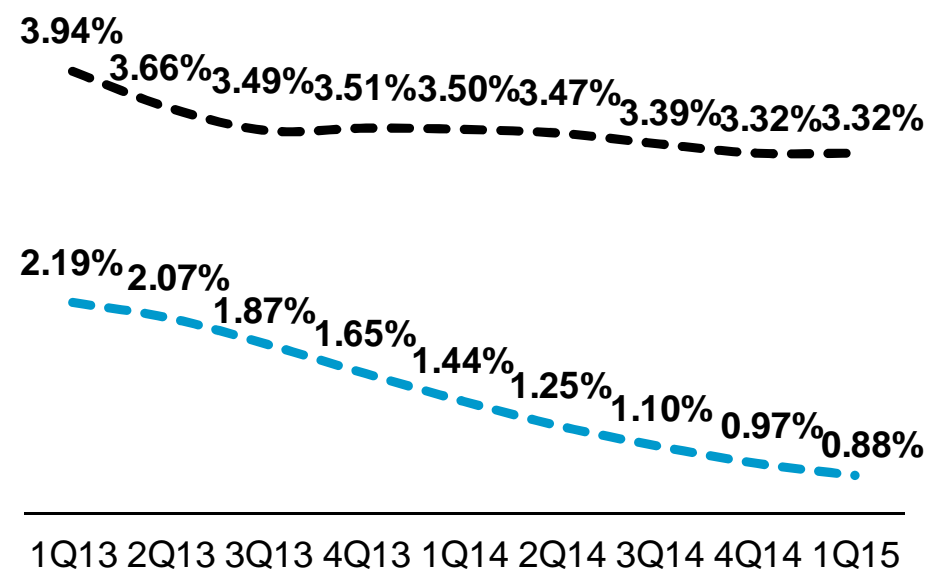
In percentage



— Customer spread
— Net interest margin

Customer loan yield and cost of customer funds

In percentage

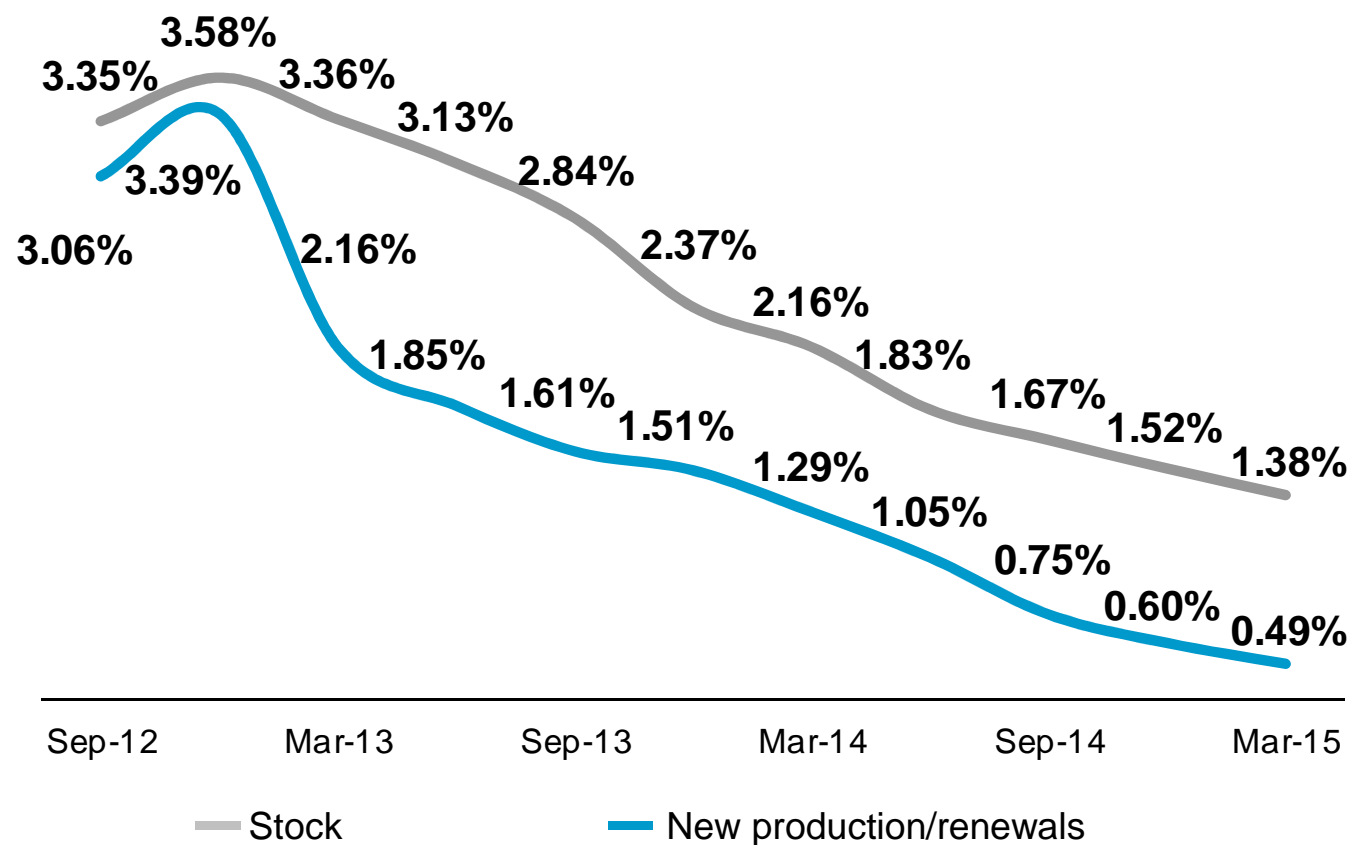


--- Customer loan yield
--- Cost of customer funds

Term deposits are repricing at lower rates

Contractual rates on term deposits

In percentage



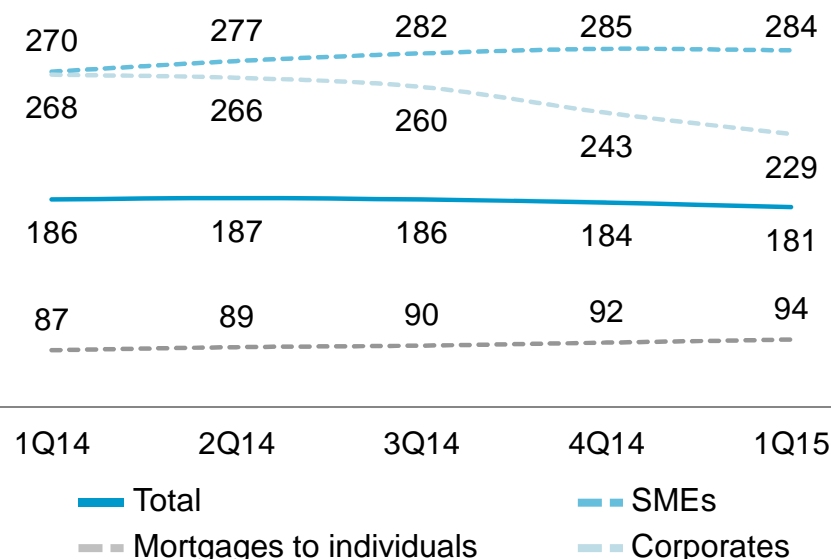
New term deposits at 0.49%

Gradual reduction of loan spreads

Our strong SME franchise allows Sabadell to cushion the impact of lower spreads

Back book loan spreads by segment

In basis points



Evolution of loan spreads by segment

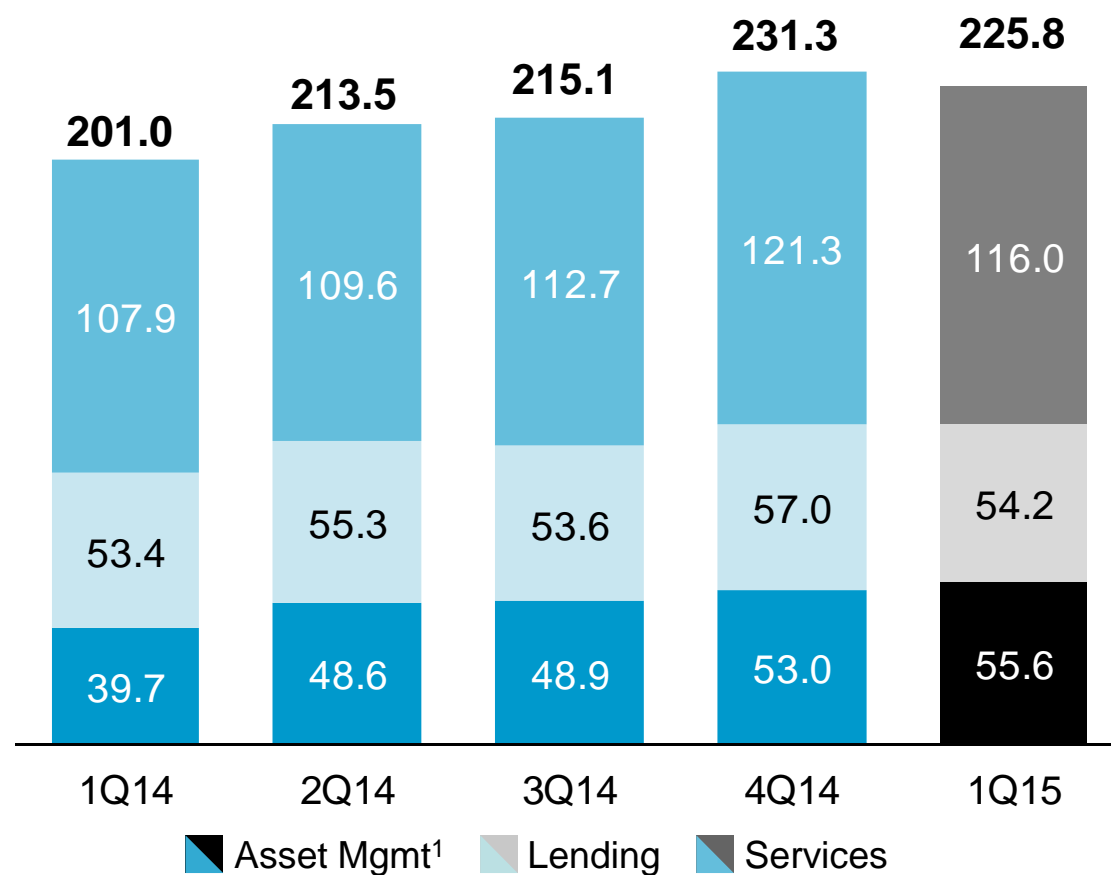
In percentage

	1Q14		2Q14		3Q14		4Q14		1Q15	
	Back book	Front book	Back book	Front book	Back book	Front book	Back book	Front book	Back book	Front book
Mortgages to individuals	87	227	89	214	90	209	92	201	94	187
SME	270	500	277	492	282	494	285	445	284	459
Corporates	268	327	266	302	260	297	243	265	229	233

Commission income is growing ...

Commission income evolution

Euros in million



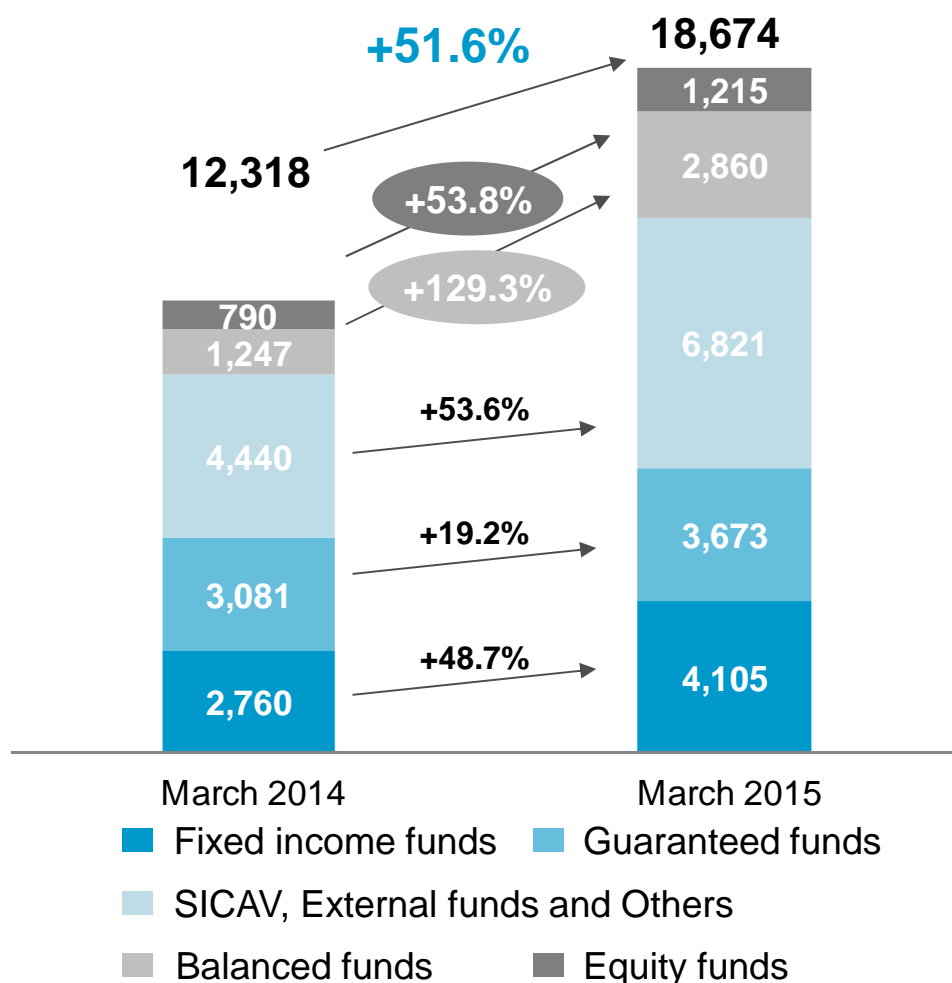
YoY growth:
+12.4%

¹ Includes mutual funds commissions and pension funds and insurance brokerage.

... with mutual funds performing well

Volume evolution YoY, by type of fund

Euros in million

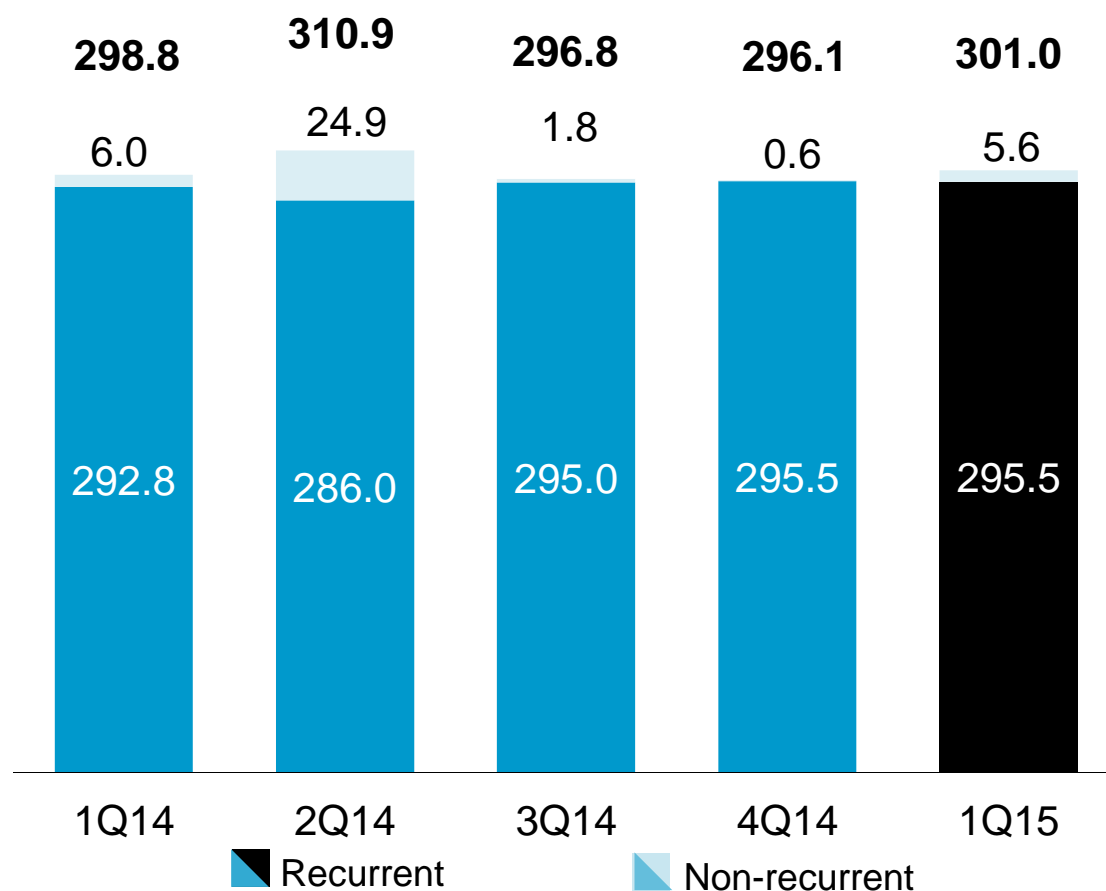


- An increase of 51.6% in funds under management
- Higher margin products growing at a faster pace

Stable personnel costs ...

Personnel expenses evolution

Euros in million



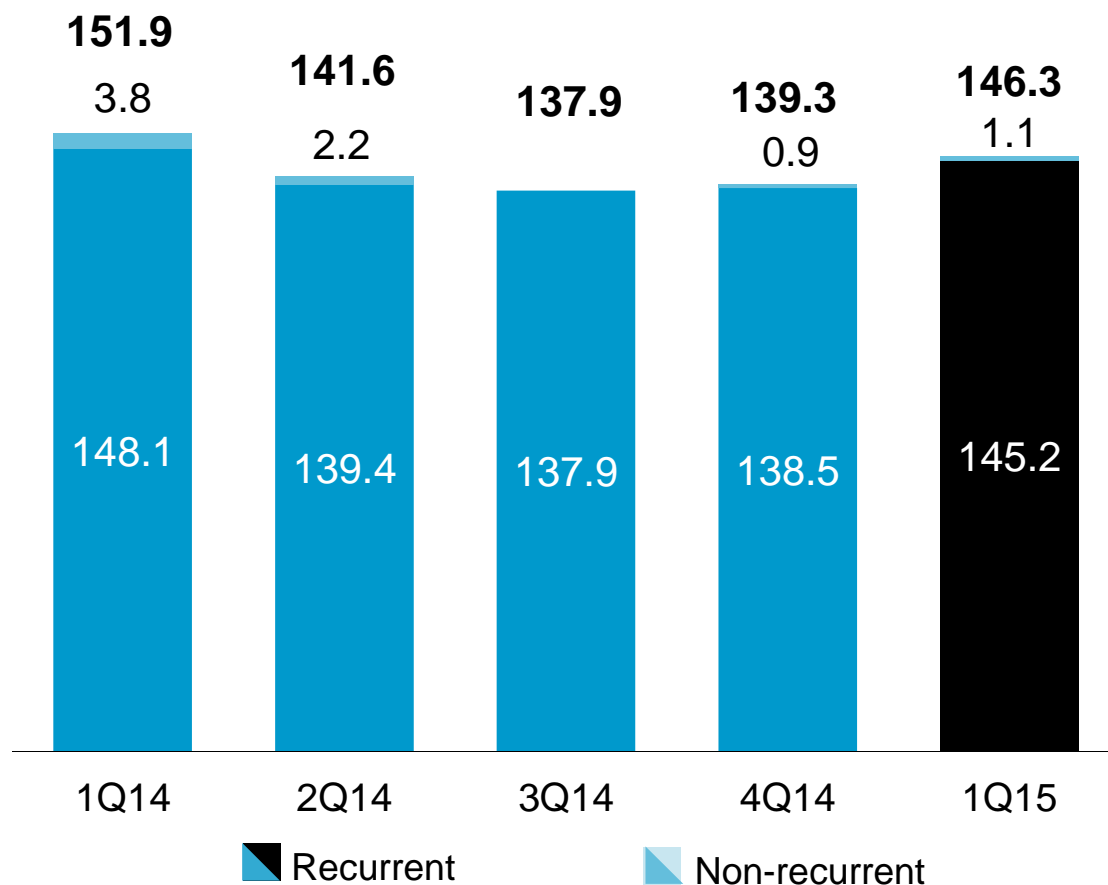
YoY growth:

+0.8%

... and general expenses are down YoY

General expenses evolution

Euros in million



YoY change:
-3.6%



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Inflexion in lending has arrived

Customer funds and loans evolution

Euros in million

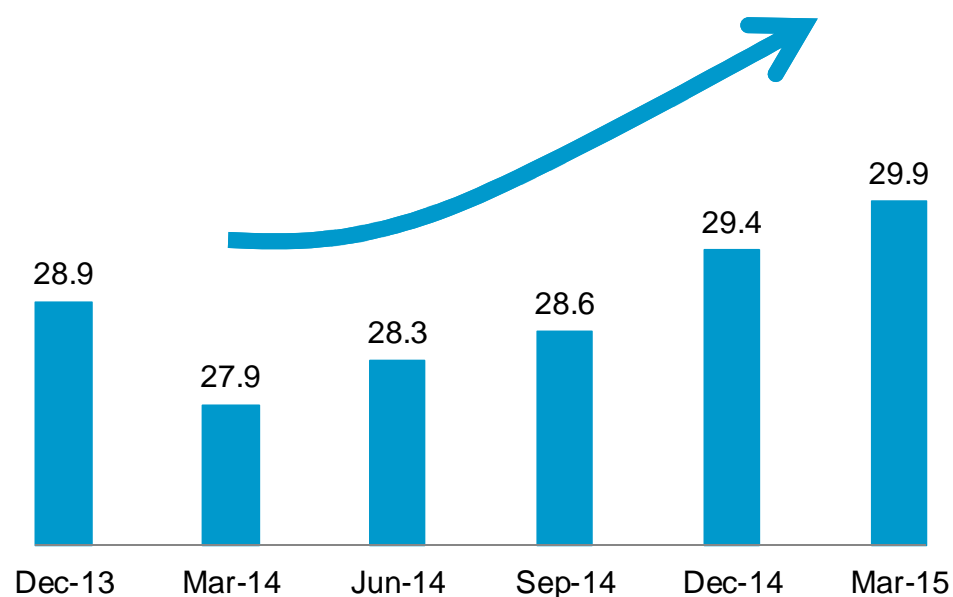
	Mar-14	Dec-14	Mar-15	% Var. YoY	% Var. QoQ
Total assets	161,094	163,346	167,480	4.0%	2.5%
Of which:					
Gross loans to customers ex repos	120,192	117,964	118,527	-1.4%	0.5%
Fixed income portfolio	20,623	23,408	27,259	32.2%	16.5%
Total liabilities	150,529	152,130	155,901	3.6%	2.5%
Of which:					
On-balance sheet customer funds	94,690	94,461	94,899	0.2%	0.5%
Other on-balance sheet term funds ¹	57,608	51,186	49,419	-14.2%	-3.5%
Sight deposits	37,082	43,275	45,480	22.6%	5.1%
Wholesale funding	24,701	23,085	22,340	-9.6%	-3.2%
ECB Funding	5,500	7,200	8,900	61.8%	23.6%
Off-balance sheet funds	26,866	30,379	34,215	27.4%	12.6%
Of which:					
Mutual funds	12,318	15,706	18,674	51.6%	18.9%
Pension funds	4,314	4,335	4,529	5.0%	4.5%
Third party insurance products	7,973	7,421	7,220	-9.4%	-2.7%

¹ Other on-balance sheet term funds include term deposits and other funds placed in the retail network. Exclude repos.

Loan growth is confirmed

SME and company loans evolution

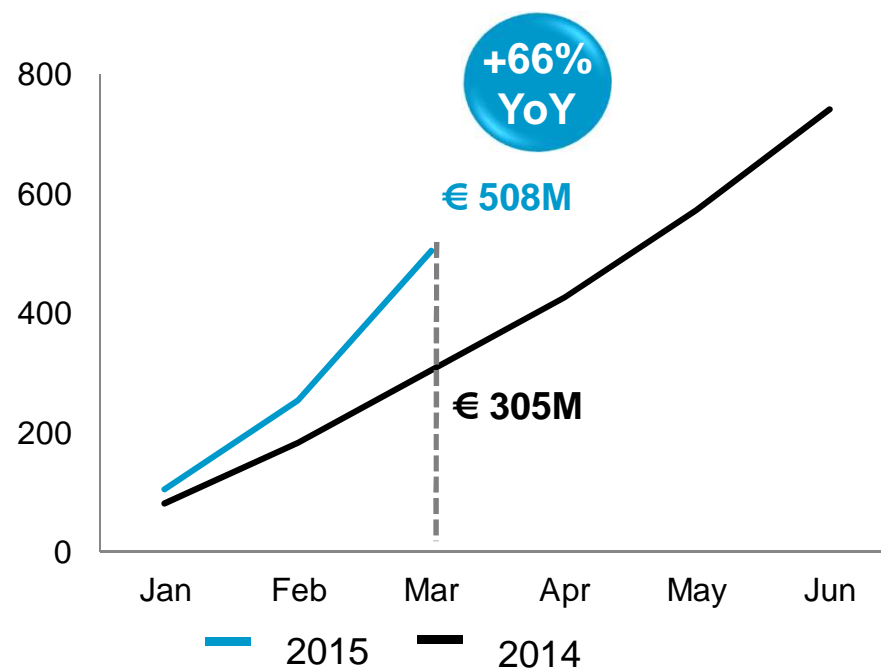
Euros in million



Fourth quarter in a row of growth in SME and company loans

Cumulative monthly residential mortgage production

Euros in million

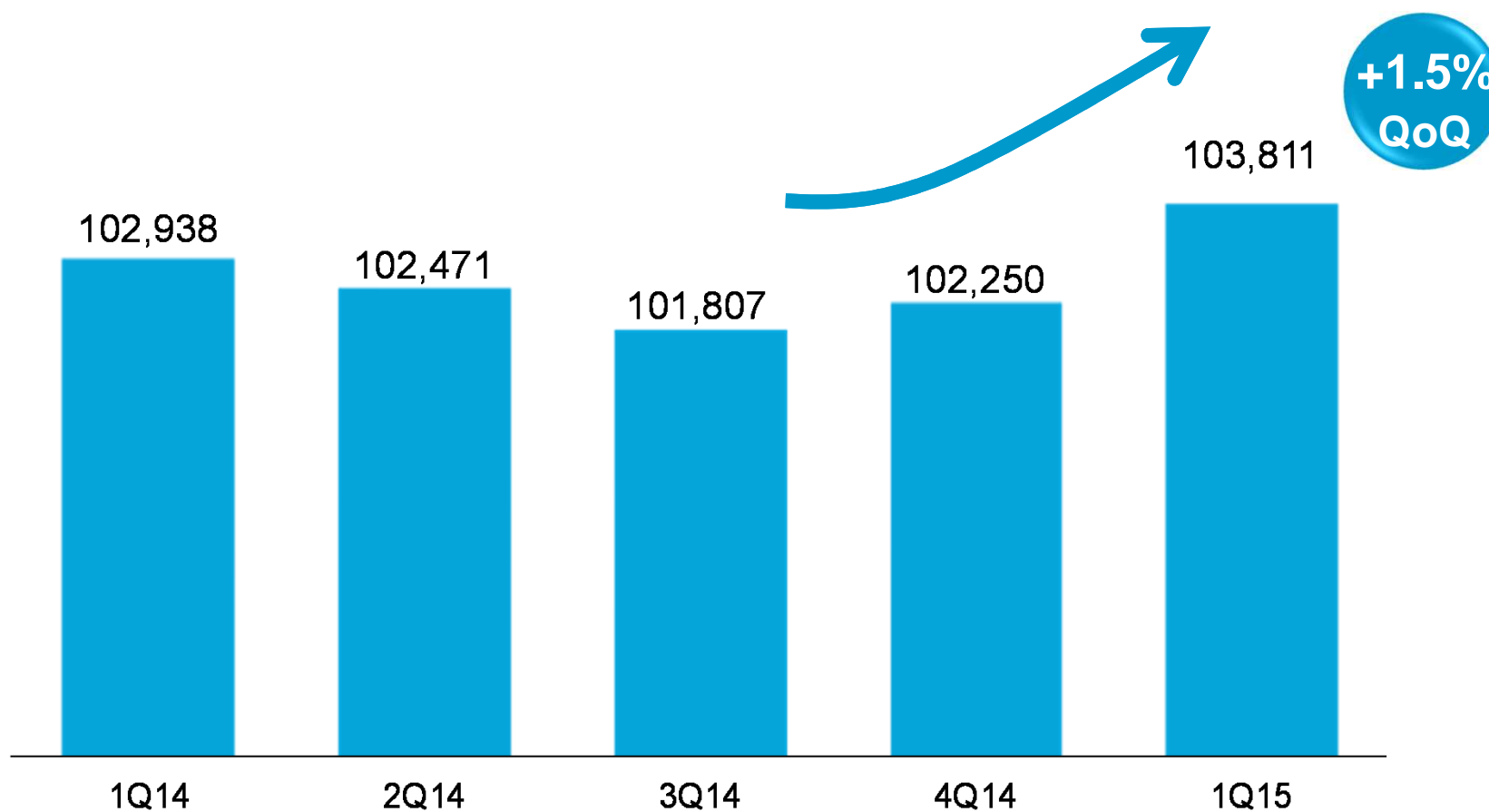


As of March 2015 new residential mortgage production 66% above 2014 level

Performing loans grow for the second quarter in a row

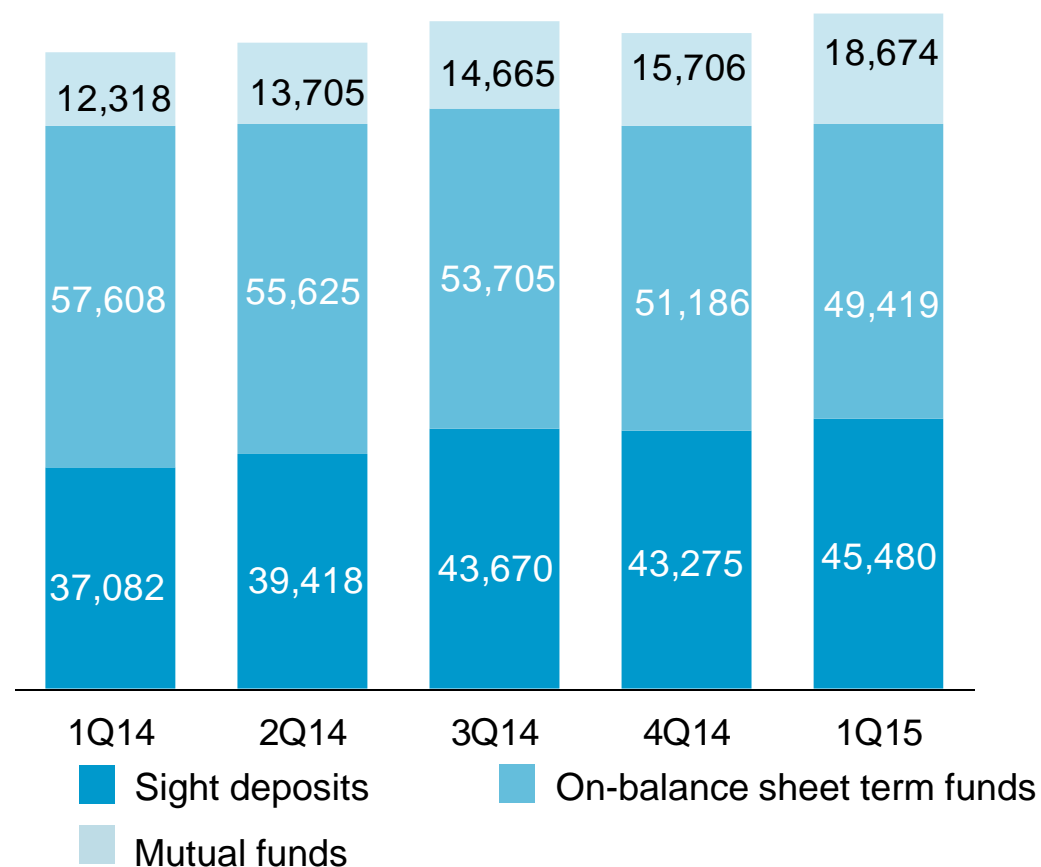
Performing loans evolution

Euros in million



Overall position in on-balance sheet customer funds maintained

Evolution of customer funds and mutual funds Euros in million



Evolution of market share in investment funds

Market share*	Mar-14	Mar-15
	4.53%	5.36%

Growth rate in investment funds: +18.9% QoQ

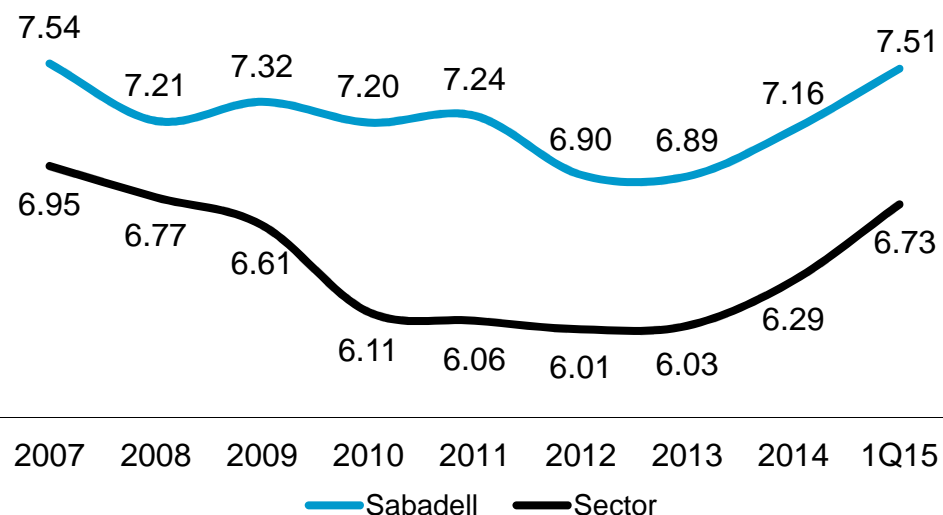
Note: On-balance sheet term funds include term deposits and other funds placed in the retail network: preference shares, mandatory convertible bonds, senior debt, commercial paper and other. Exclude repos.

*According to Inverco.

With the highest standards in quality of service

Level of service quality

Evolution of Sabadell quality index vs sector

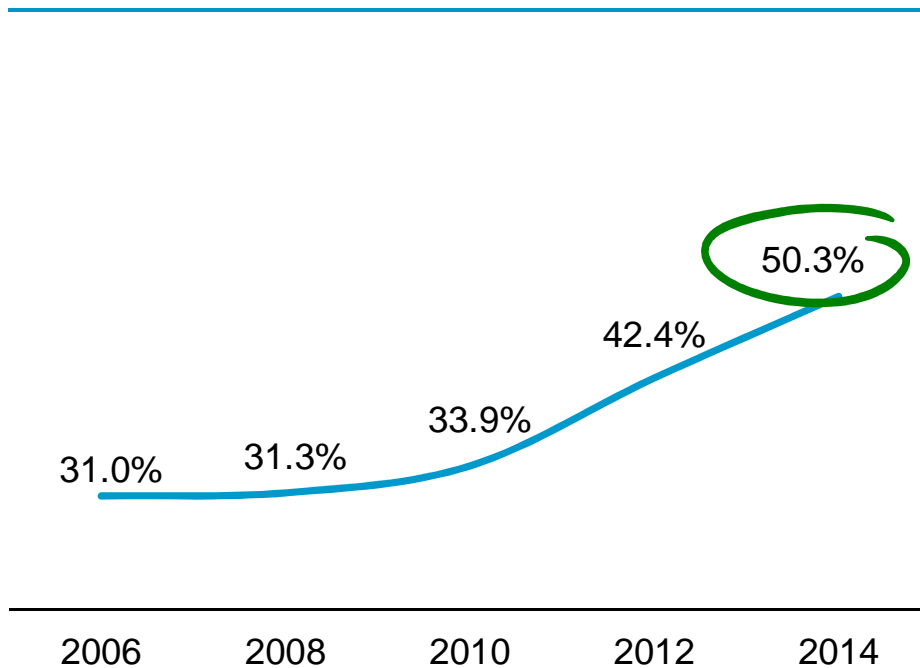


**Sabadell has increased
its score and stays well
above the rest of the
sector**

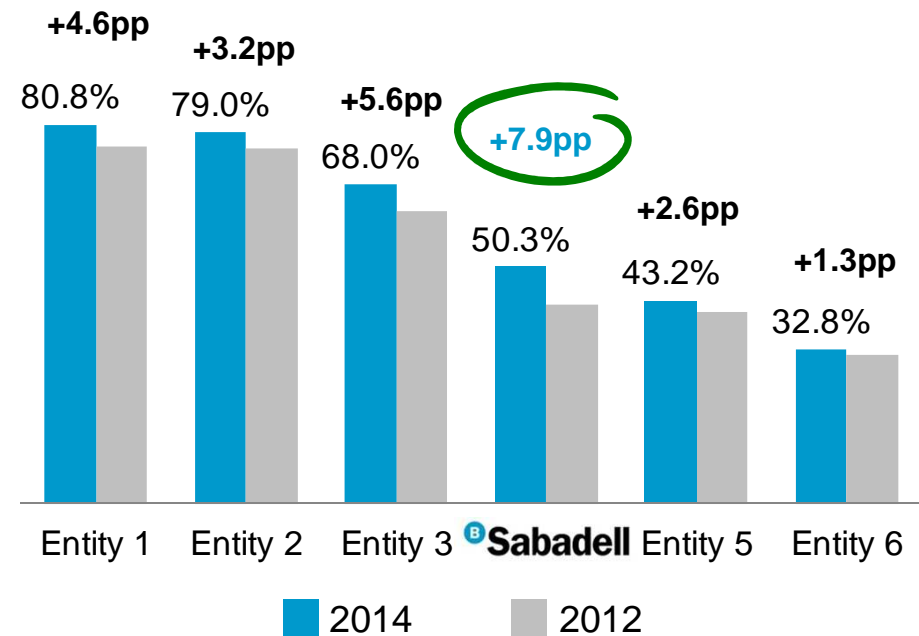
**Sabadell has obtained the highest mark on
commercial performance**

Sabadell has improved its brand recognition among core SME customers

Sabadell brand recognition evolution among SME customers (turnover €6-100M)



Brand recognition among Spanish SME customers (turnover €6-100M)



Source: FRS Inmark "Financial behaviour on SMEs in Spain 2014".

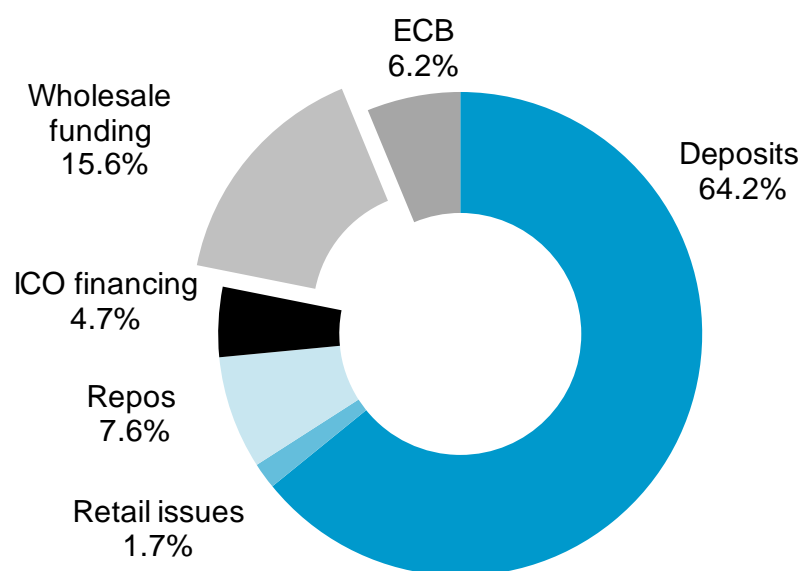
Percentage of SME customers mentioning Sabadell among first 5 banks. Based on 913 interviews with SME customers with an annual turnover of 6 to 100 million.



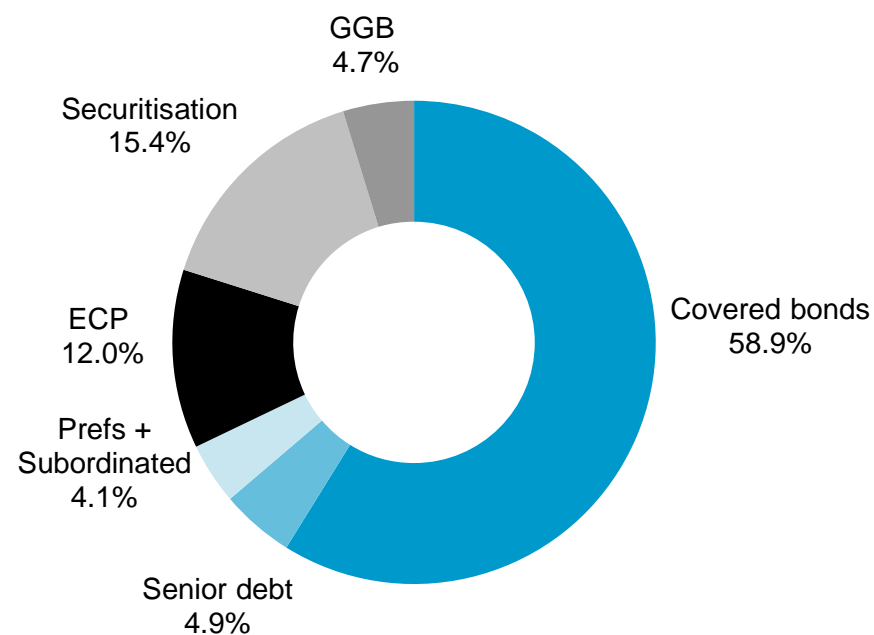
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Maintaining a balanced funding structure ...

Group funding structure



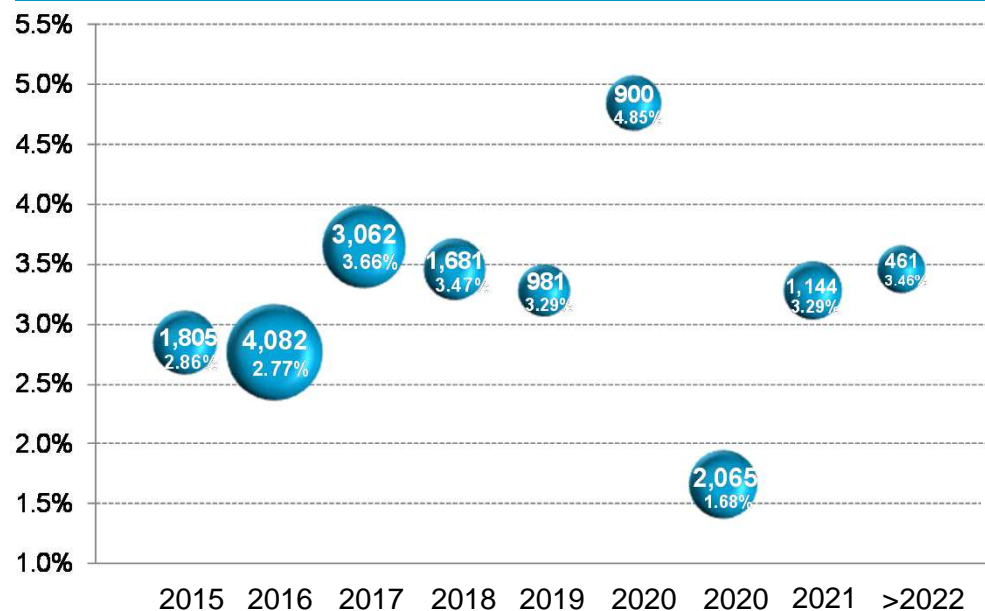
Group wholesale funding breakdown



... and efficiently managing liquidity

Group wholesale funding maturities

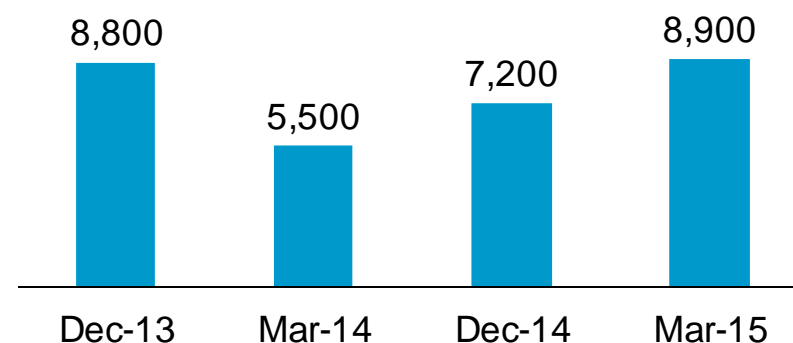
Euros in million



- The size represents the volume of maturities
- The percentage number is the current level of coupon payment

ECB liquidity position

Euros in million



Maturity by product type

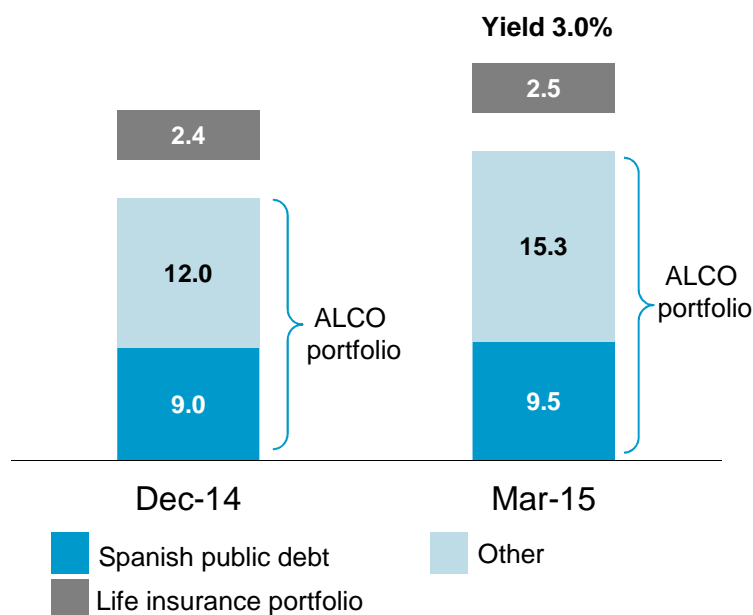
Euros in million

	2Q15	3Q15	4Q15	2016	2017	2018	2019	2020	2021	2022	>2022	Outst. Amount
Covered Bonds (CH)	1,550	0	255	2,874	1,937	1,563	924	476	2,014	1,119	439	13,152
GGB	0	0	0	0	1,059	0	0	0	0	0	0	1,059
Senior Debt	0	0	0	890	0	100	57	0	0	25	0	1,071
Preferred Shares and Subordinated Debt	0	0	0	318	66	0	0	425	40	0	15	864
Other mid- and long-term financial instruments	0	0	0	0	0	18	0	0	10	0	7	35
Total	1,550	0	255	4,082	3,062	1,681	981	900	2,065	1,144	461	16,181

The ALCO portfolio contribution is stable ...

Fixed income portfolio evolution

Euros in billion



ALCO portfolio

Euros in billion and in percentage

	Dec-14	Mar-15
ALCO portfolio	21.0	24.8
% of total assets	12.9%	14.8%
Duration (in years)	5.2	5.2
ECB liquidity position	7.2	8.9

Evolution of ALCO portfolio in run-off scenario

Euros in billion, yield in %

	2015e	2016e	2017e	2018e
Amount (€bn)	25.4	23.1	21.7	20.8
Yield (%)	2.9%	2.9%	2.9%	2.9%

... with increased diversification

Fixed income portfolio composition evolution

Euros in billion

	Dec 14	Mar-15
Spanish Government	9.7	10.6
Italian Government	4.7	6.1
US Government	1.5	2.8
Other Government	1.7	1.6
of which:		
Portuguese Government	0.8	0.9
Mexican Government	0.6	0.6
Netherlands Government	0.1	0.1
Agencies	1.5	1.7
Covered Bonds	2.0	1.9
Corporates & Fin	2.3	2.6
TOTAL	23.4	27.3

The ALCO portfolio has followed an active strategy and is today more diversified



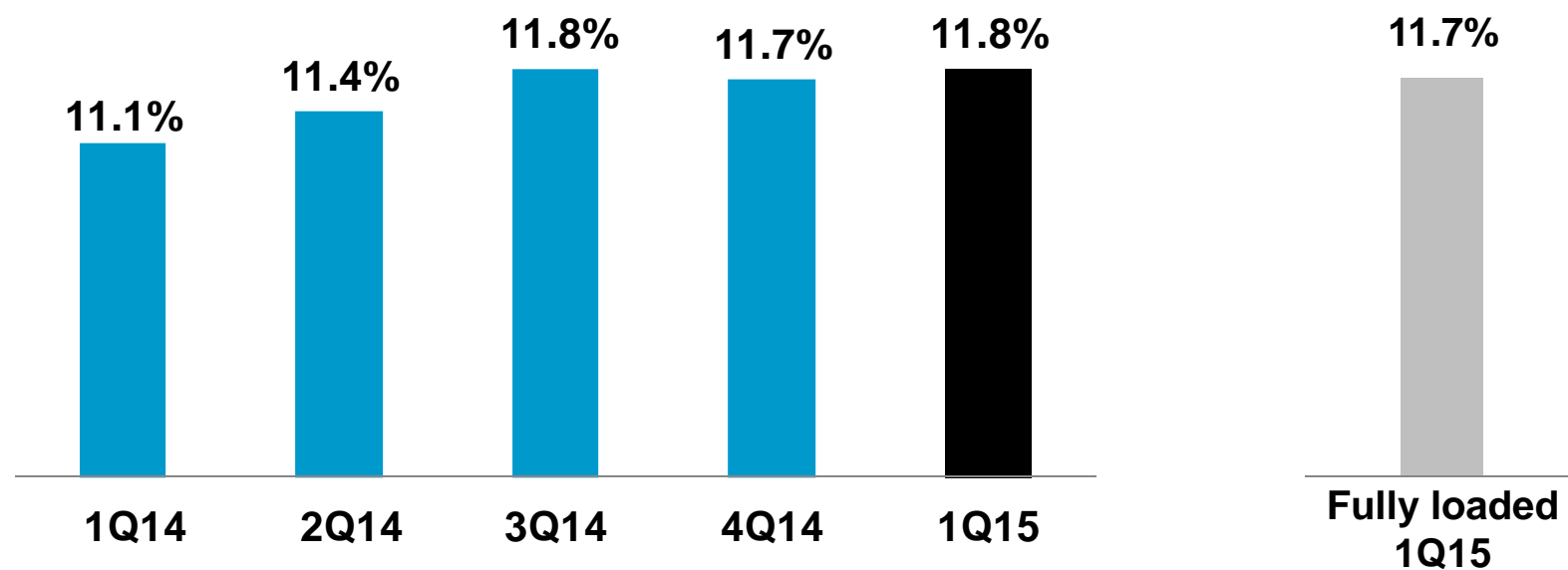
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Higher capital ratios

Common Equity Tier 1 phased-in

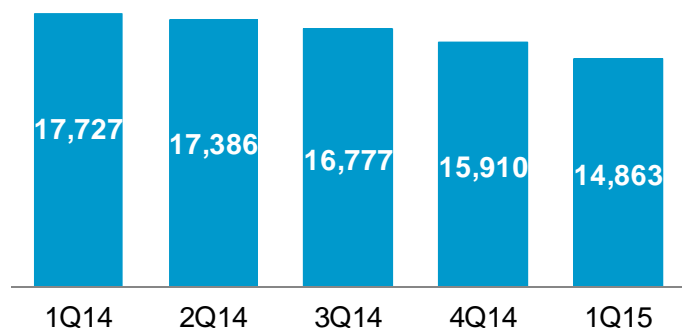
In percentage



The stock of NPLs continues the downward trend ...

NPL evolution

Data include 20% of APS. Euros in million

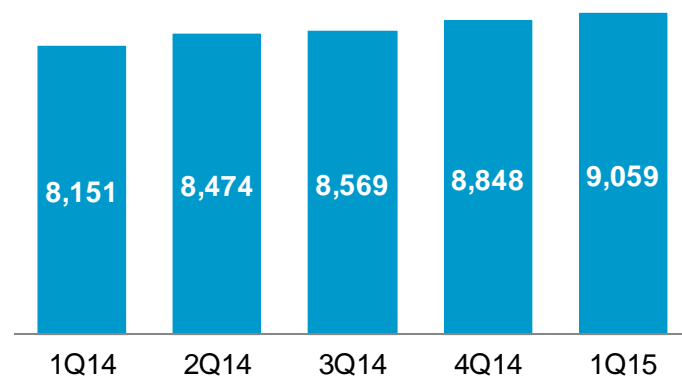


€1bn further reduction of NPLs during 1Q15

The decline in total problematic assets accelerates

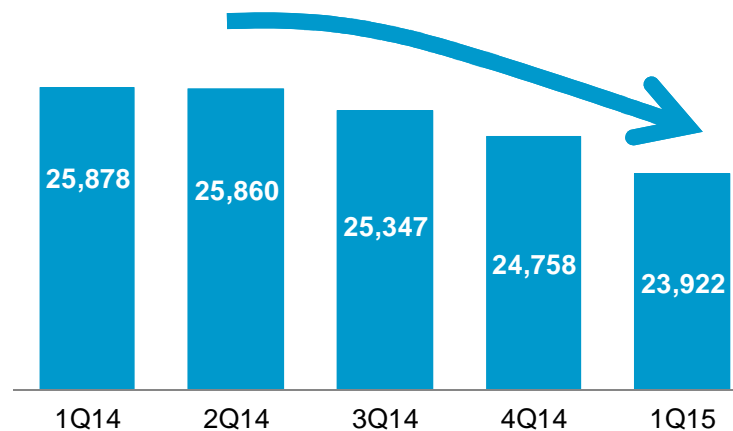
On-balance sheet RE assets evolution

Data include 20% of APS. Euros in million



Total problematic assets

Data include 20% of APS. Euros in million



All figures refer to ex-APS perimeter and 20% of APS

Note: NPLs include contingent risk.

... with improved dynamics in the last quarters

Evolution of NPLs and RE assets

Data include 20% of APS. Euros in million

	1Q14	2Q14	3Q14	4Q14	1Q15
Ordinary net entries	25	-244	-385	-569	-802
Change in RE assets	77	323	96	279	211
Net entries + Change in RE assets	102	79	-289	-290	-591
Write-offs	265	97	224	298	245
Re assets and NPL quarterly change	-163	-18	-513	-588	-836

**Total problematic assets are reduced by
€836M**

NPL ratio improvement is accelerating with high coverage levels

Evolution of NPL ratios by segment

In percentage

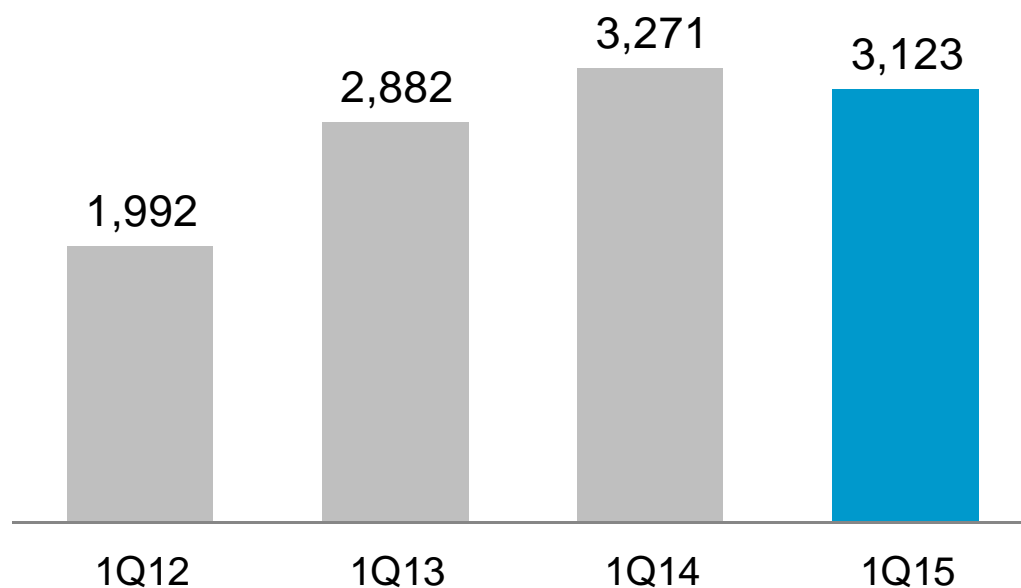
	1Q14	2Q14	3Q14	4Q14	1Q15
Real Estate development and/or construction purposes	52.56%	52.11%	51.47%	52.17%	49.21%
Construction purposes non-related to real estate dev.	8.38%	7.41%	7.35%	8.08%	9.03%
Large corporates	6.19%	6.13%	6.30%	6.46%	6.55%
SME and small retailers and self-employed	13.08%	13.08%	13.11%	12.60%	12.20%
Individuals with 1st mortgage guarantee assets	9.85%	9.75%	9.23%	9.25%	9.12%
NPL ratio	13.94%	13.85%	13.44%	12.74%	11.68%

NPL ratio is reduced by more than 100bps to 11.68%

Coverage of NPL's: 51.4%

Maintaining good real estate sales results

Number of units sold



Solvía has become one of the main servicers of the Spanish market

For any additional information, please do not hesitate to contact us.



Investor Relations

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