

Banco Sabadell

1Q14 Results



April 24th, 2014

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1. Quarterly highlights

 2. 1Q14 Results

 3. Commercial activity and liquidity

 4. Risk and capital management

 5. Managing real estate assets

1. Quarterly highlights

Quarterly highlights

- ✓ Quarterly sequential growth in net interest income yet again with the main driver being the continued reduction in the cost of customer funds
- ✓ Extraordinary trading income driven by proactive asset and liability management
- ✓ Non recurrent results have been booked as extraordinary provisions, increasing coverage levels and accelerating the reduction of the future cost of risk
- ✓ Strengthening of the coverage level of loans and real estate assets, reaching 14.0% on a group level and 10.1% excluding the Asset Protection Scheme
- ✓ Second consecutive quarter of reduction of the stock of NPLs. Total NPAs are also lower and the NPL ratio declines for the first time since the economic downturn started
- ✓ Continued increase in real estate sales, generating lower losses
- ✓ The technological integration of Gallego and Lloyds Spain has been completed and group costs are declining on a like-for-like basis

2. 1Q14 Results

1Q14 results

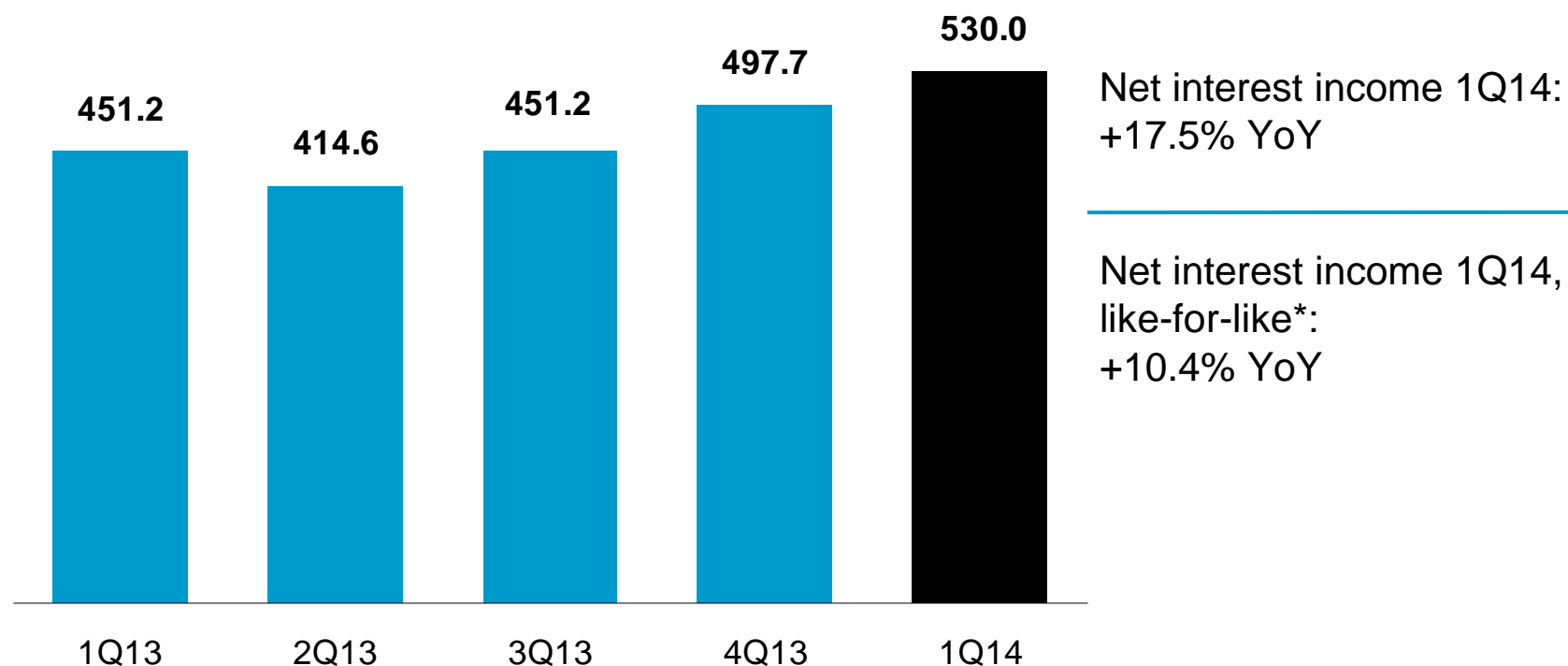
	Mar. 13	Mar. 14	% var 14/13
Net Interest Income	451.2	530.0	17.5%
Equity Method & Dividends	-6.3	0.0	---
Commissions	168.4	201.0	19.3%
Trading Income & Forex	292.8	946.7	223.3%
Other Operating Results	-26.3	-29.7	12.8%
Gross Operating Income	879.8	1,648.0	87.3%
Personnel Costs	-260.3	-298.8	14.8%
Administrative Costs	-147.1	-151.9	3.2%
Depreciations	-50.4	-68.0	34.9%
Pre-provisions Income	422.0	1,129.4	167.6%
Total Provisions & Impairments	-324.9	-1,096.5	237.5%
Gains on sale of assets	-2.5	69.9	---
Profit before taxes	94.6	102.8	8.8%
Taxes and others	-43.4	-21.7	-50.1%
Attributable Net Profit	51.1	81.2	58.8%

Note: 2014 includes BMN-Penedés network, Lloyds Spain and Banco Gallego
Euros in million

Another quarter of sequential growth in net interest income ...

Net interest income evolution

Euros in million

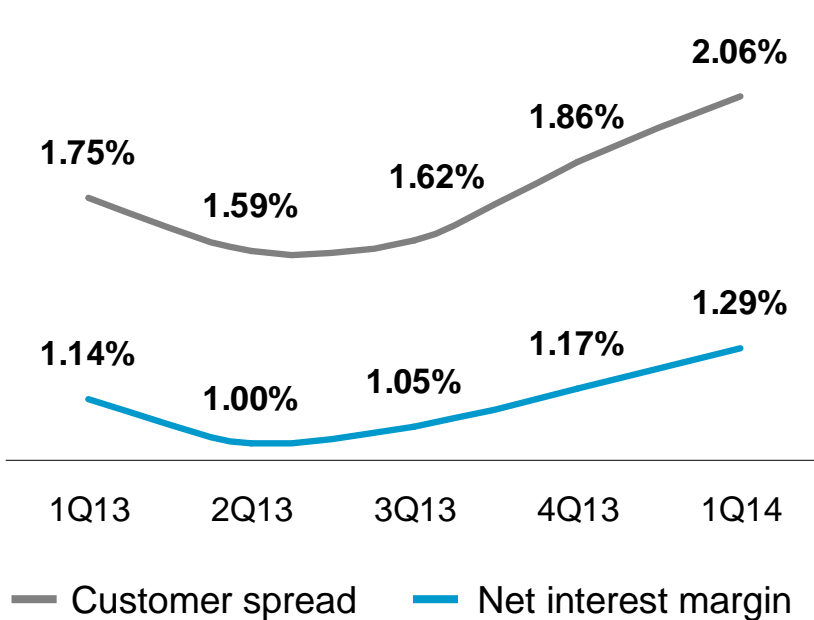


* Excluding BMN-Penedés network, Lloyds Spain and Banco Gallego in 2014

... with strong uptick in the customer spread ...

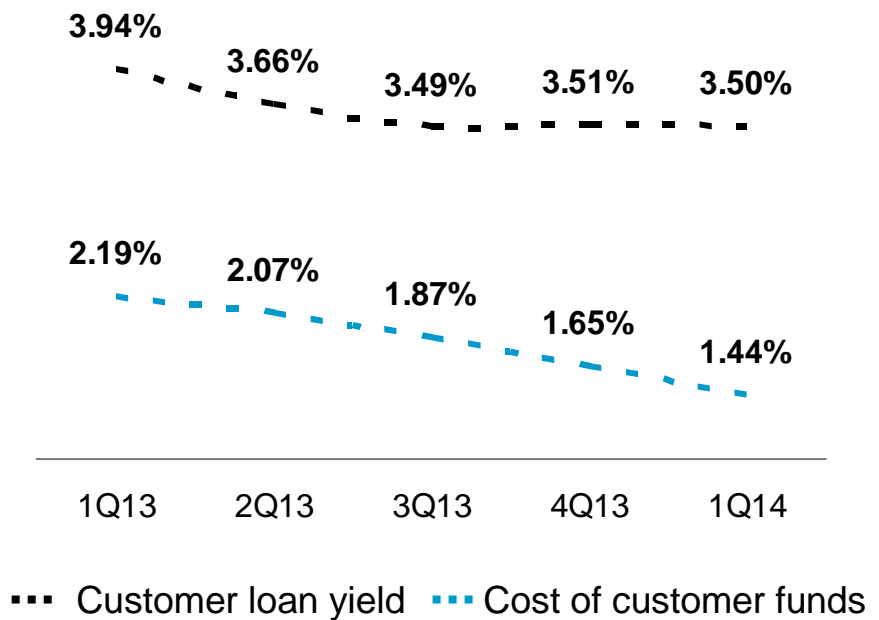
Margin evolution

In percentage



Customer loan yield and cost of customer funds

In percentage



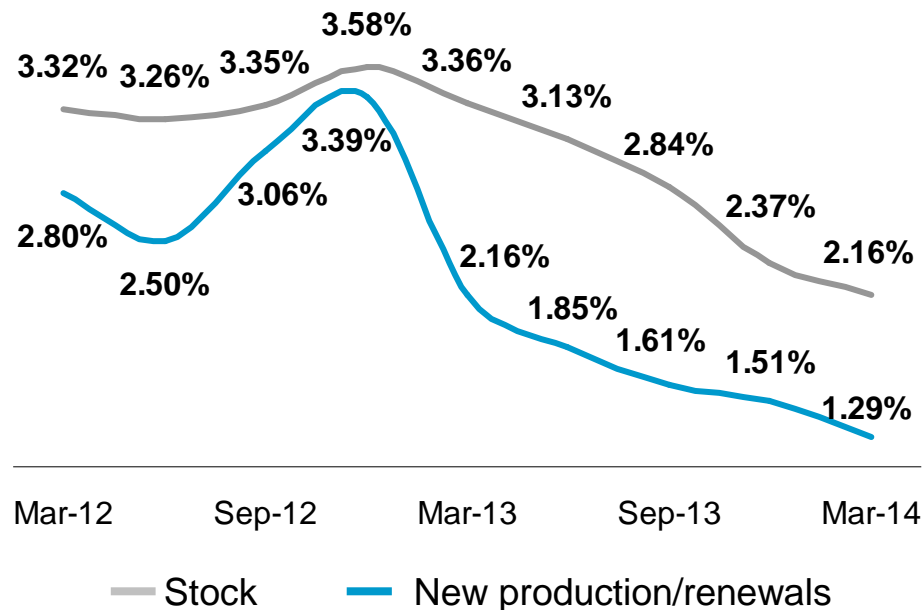
Interest margins improving year on year

Net interest margin ex-APS: 1.86%

... driven by further reduction of term deposit costs

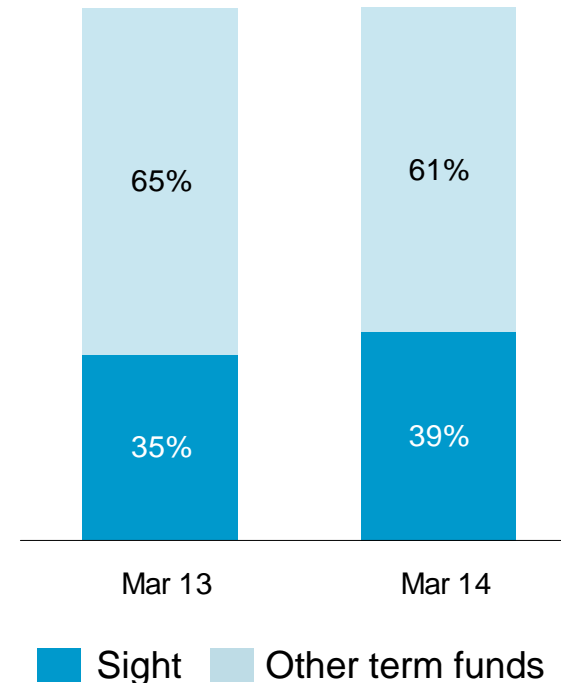
Contractual rates on term deposits

In percentage



Share of sight deposits out of total customer funds

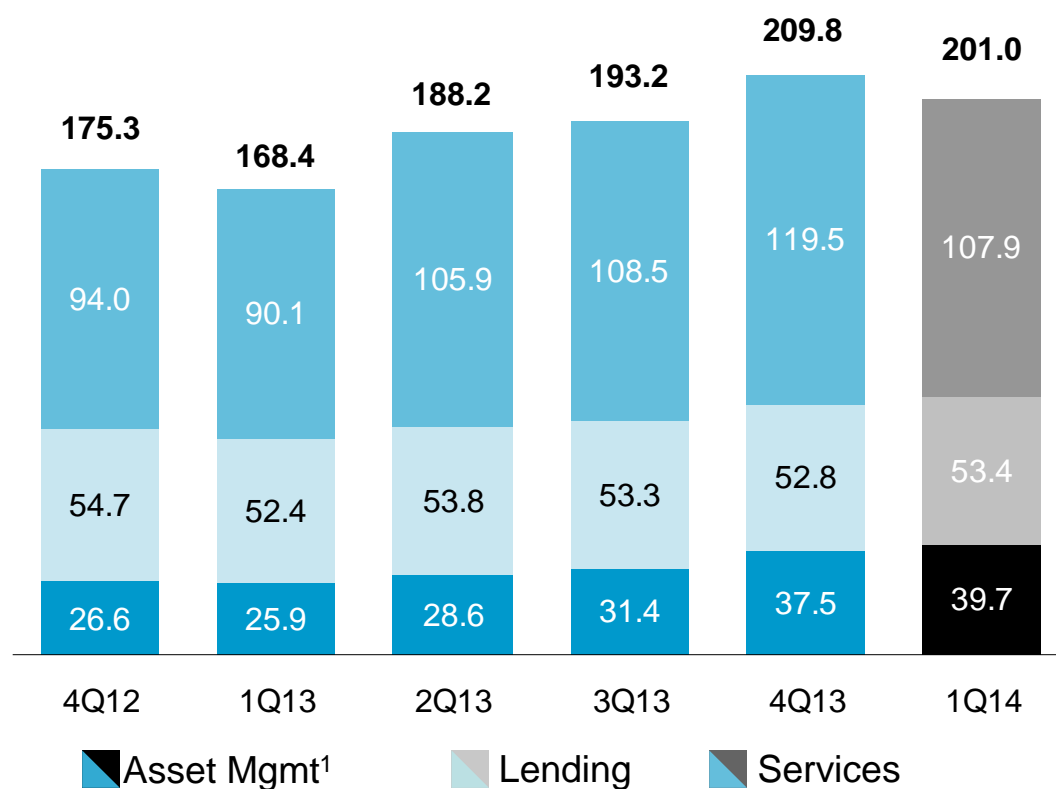
In percentage



Continued improvement in commission income

Commission income evolution

Euros in million



Commission income 1Q14
+19.3% YoY

Commission income on a
like-for-like basis* 1Q14:
+9.5% YoY

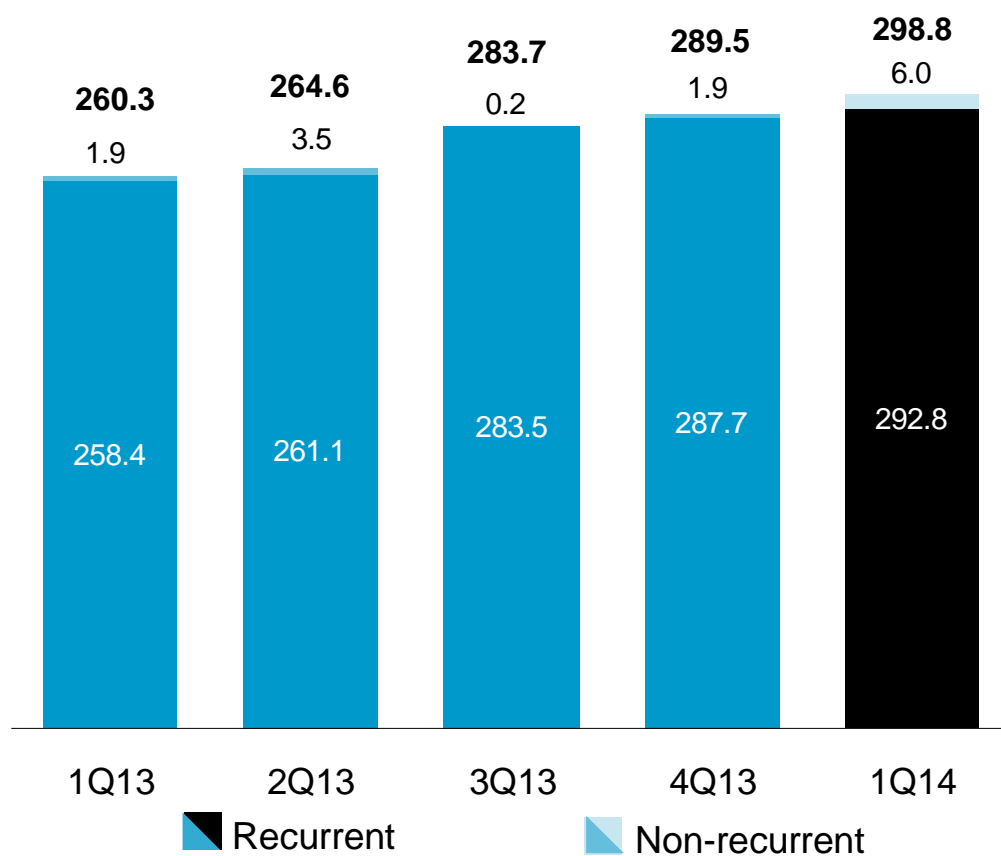
¹ Including mutual funds commissions and pension funds and non-life insurance brokerage

* Excluding BMN-Penedés network, Lloyds Spain and Banco Gallego in 2014

Personnel expenses have been reduced on a like-for-like basis ...

Personnel expenses evolution

Euros in million



Personnel expenses 1Q14:
+14.8% YoY

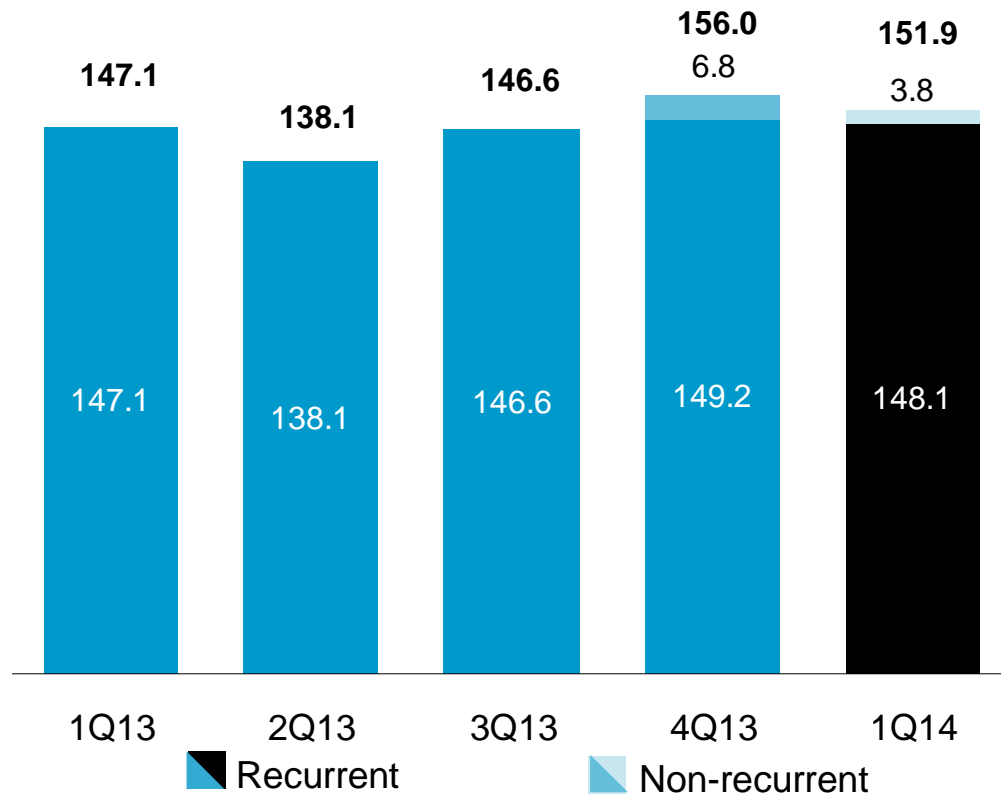
Personnel expenses on a like-for-like basis* 1Q14:
-2.4% YoY

* Including BMN-Penedés network, Lloyds Spain and Banco Gallego in 2013 and excluding non-recurrent expenses.

... and so have general expenses

General expenses evolution

Euros in million



General expenses 1Q14:

+3.2% YoY

General expenses in a like-for-like basis* 1Q14:

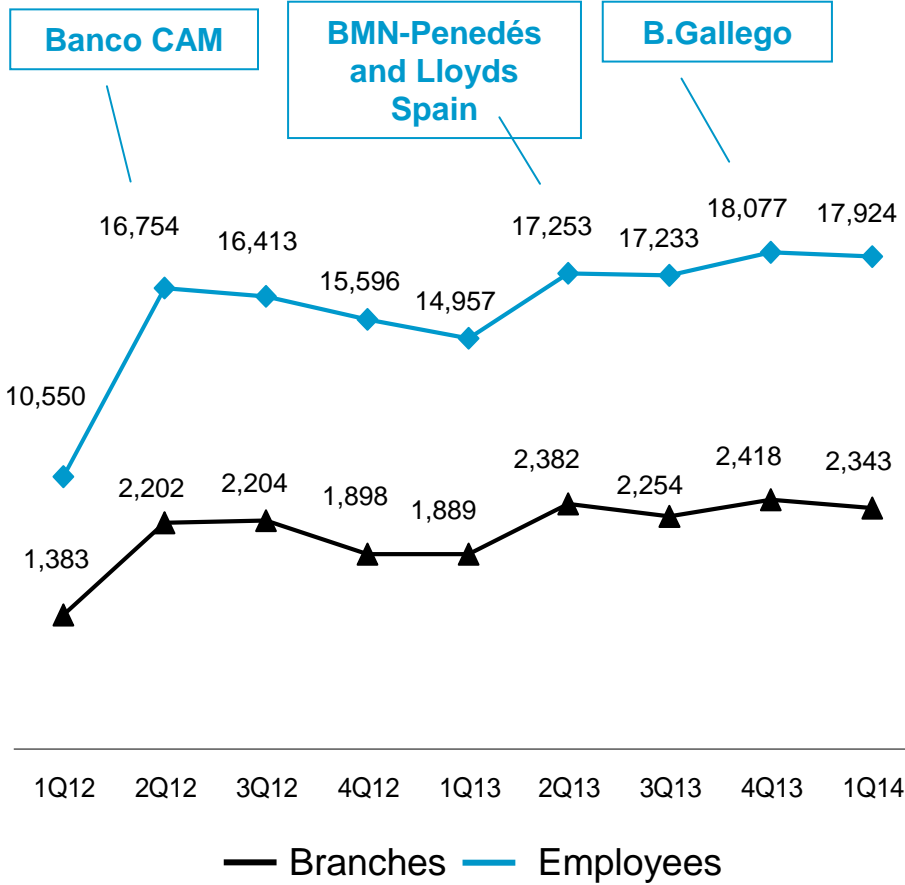
-11.6% YoY

* Including BMN-Penedés network, Lloyds Spain and Banco Gallego in 2013 and excluding non-recurrent expenses.

Optimising the network and improving the cost to income ratio

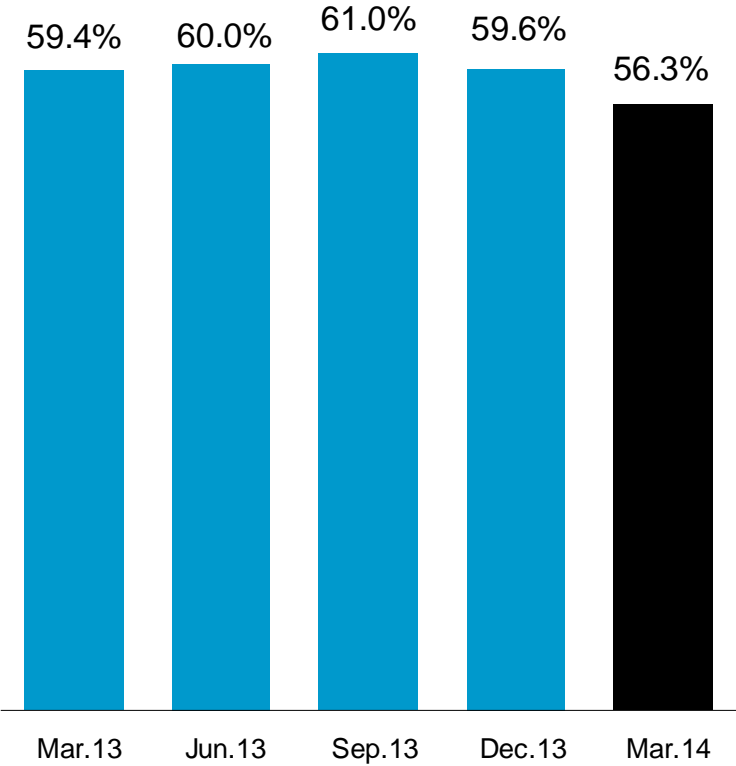
Employee and branch evolution

In number



Cost income evolution*

In %



* Adjusting operating income for non-recurrent trading income. Same criteria applies for every quarter

3. Commercial activity and liquidity

Strong balance sheet and growing in funds and insurance

Customer funds and loans evolution

Euros in million

	Mar-13	Dec-13	Mar-14	% Var. YoY	% Var. YoY
Total assets	161,430	163,441	161,094	-0.2%	-1.4%
Of which:					
Gross loans to customers ex repos	117,677	124,615	123,510	5.0%	-0.9%
ALCO Portfolio	27,615	21,743	20,624	-25.3%	-5.1%
Total liabilities	152,211	153,036	150,529	-1.1%	-1.6%
Of which:					
On-balance sheet customer funds	82,692	94,497	94,690	14.5%	0.2%
Other on-balance sheet term funds ¹	53,819	57,635	57,608	7.0%	0.0%
Sight deposits	28,874	36,862	37,082	28.4%	0.6%
Capital Markets	24,167	21,167	19,778	-18.2%	-6.6%
ECB Funding	20,500	8,800	5,500	-73.2%	-37.5%
Off-balance sheet funds	21,173	25,370	26,866	26.9%	5.9%
Of which:					
Mutual funds	8,987	11,019	12,318	37.1%	11.8%
Pension funds	3,731	4,356	4,314	15.6%	-1.0%
Third party insurance products	7,270	8,067	7,973	9.7%	-1.2%

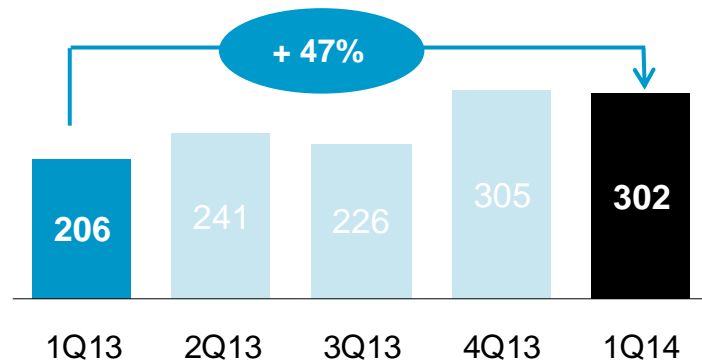
¹ Other on-balance sheet term funds include term deposits and other funds placed in the retail network. Excludes repos.

New lending production shows positive signs

New production

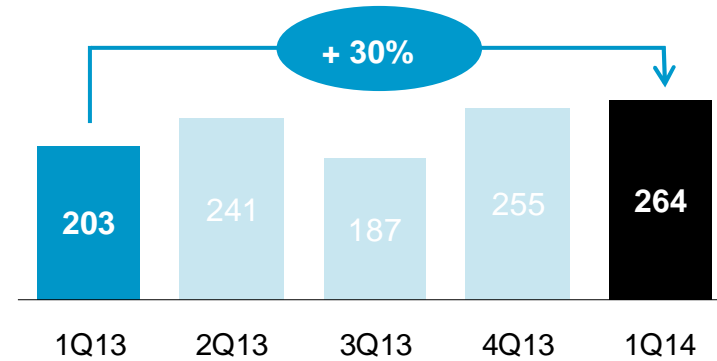
Retail mortgages

Euros in million



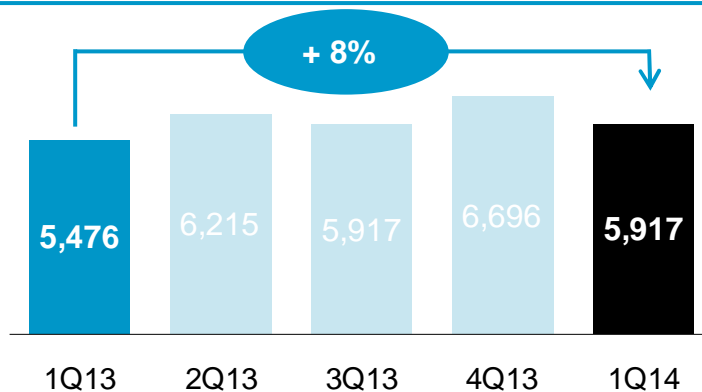
Household loans

Euros in million



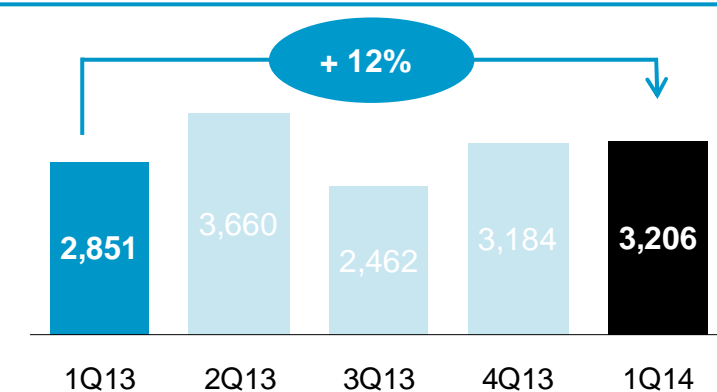
Working capital SMEs and corporates

Euros in million



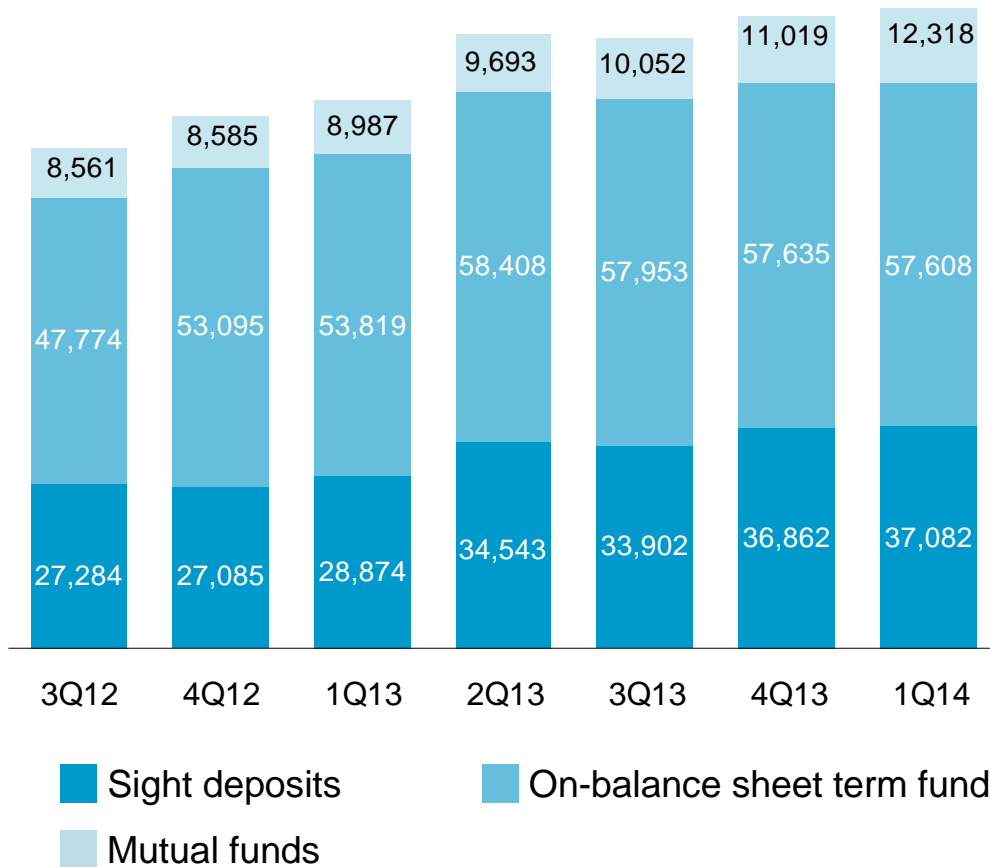
SME and corporate loans

Euros in million

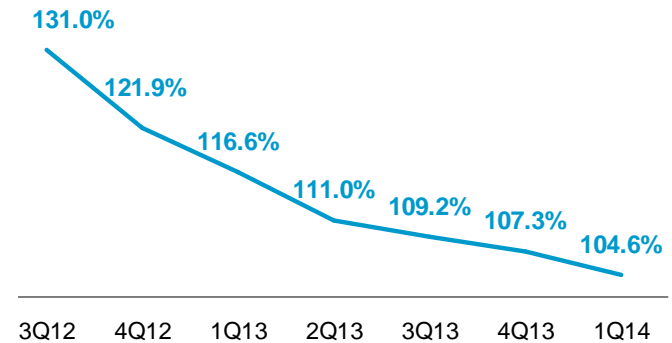


Increasing customer funds, with strong growth in AuM

Evolution of customer funds and off-balance sheet funds Euros in million



Loan to deposit ratio
In percentage



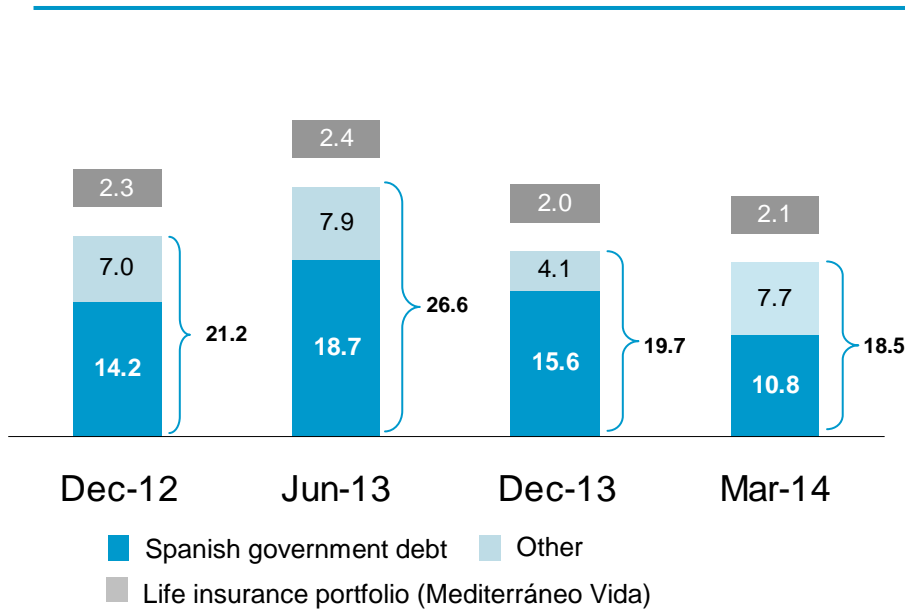
Growth in Mutual Funds and current accounts continues

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. Excludes repos.

Fixed income portfolio management

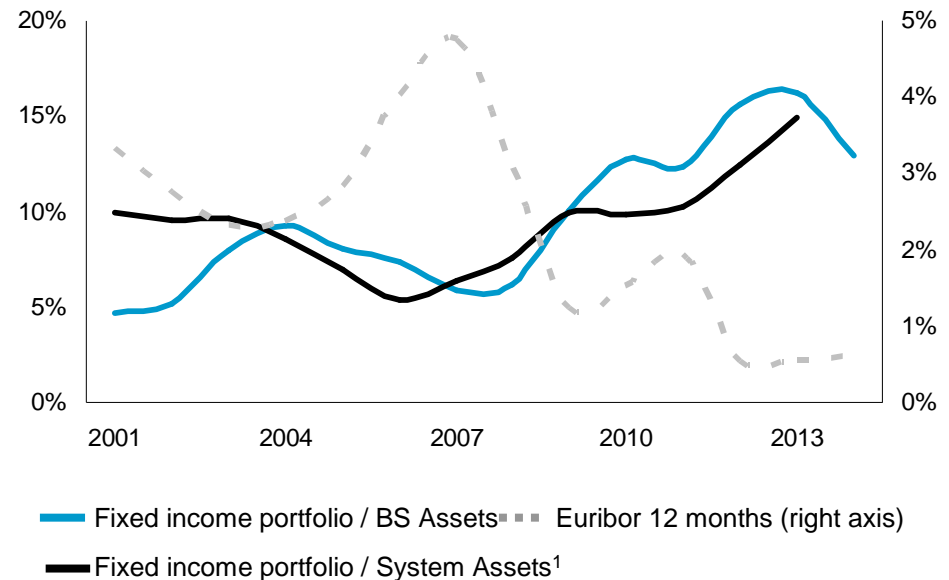
Evolution of fixed income portfolio

Euros in billion



Fixed income portfolio/assets vs

Euribor12M In percentage



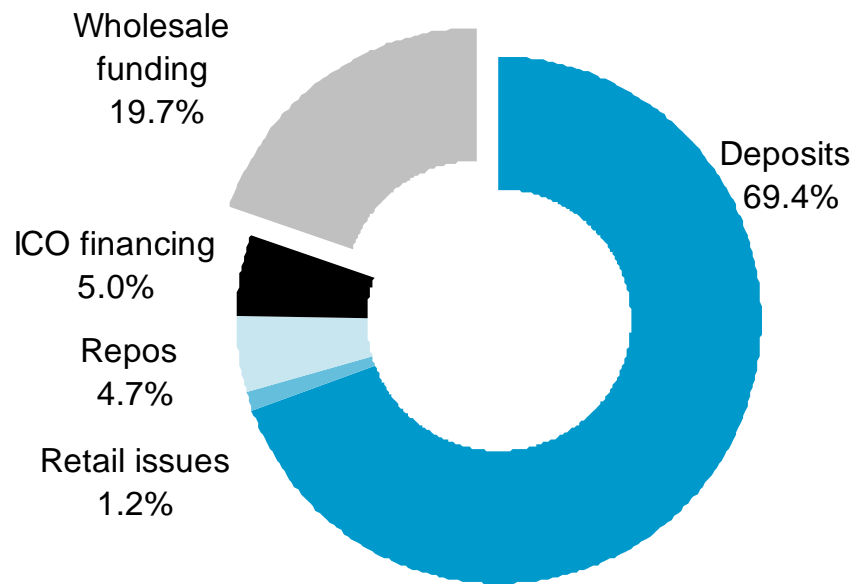
Fixed income portfolio has been reduced since June 2013

Currently, the size of the ALCO portfolio reflects its function as a structural interest rate macro hedge

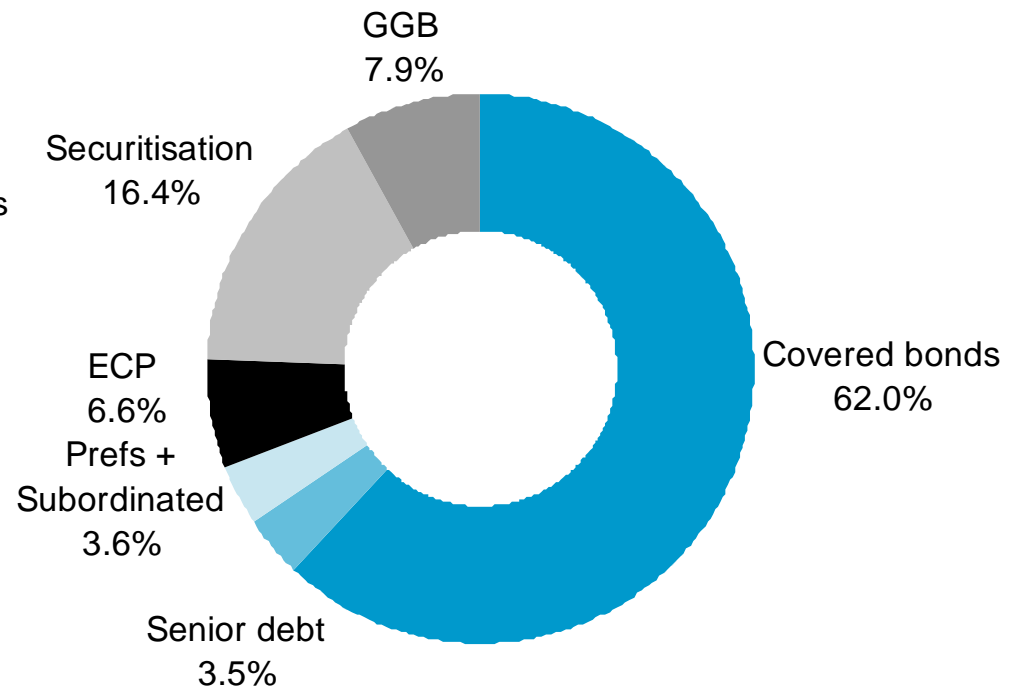
¹ Percentage of fixed income portfolio/system assets: source Bank of Spain. Last available data as of August 2013

Maintaining a balanced funding structure ...

Group funding structure



Group wholesale funding breakdown



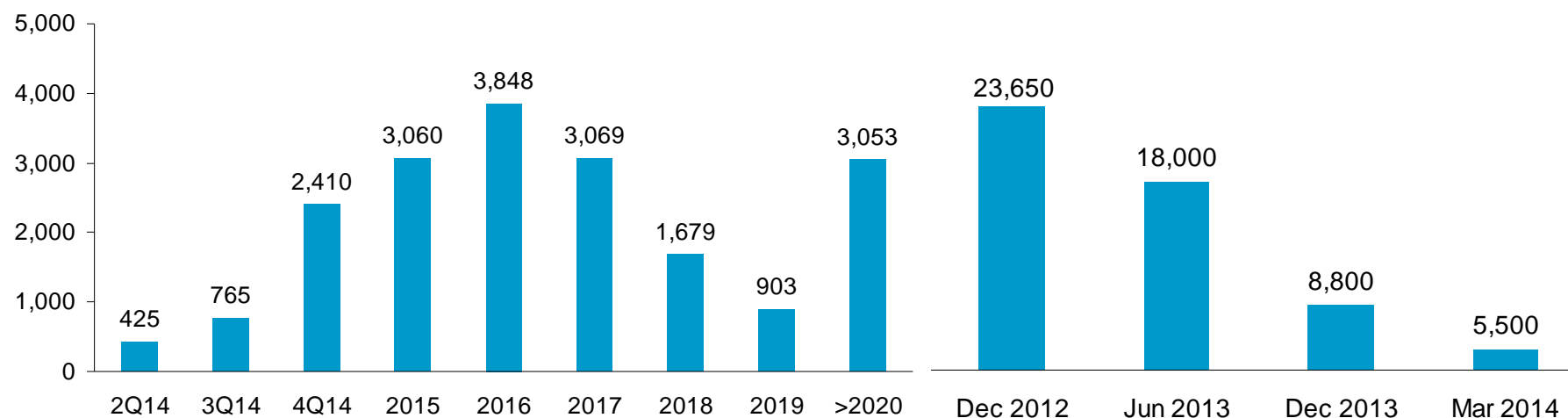
... and efficiently managing liquidity

Group wholesale funding maturities

Euros in million

ECB liquidity position

Euros in million



Maturity by product type

Euros in million

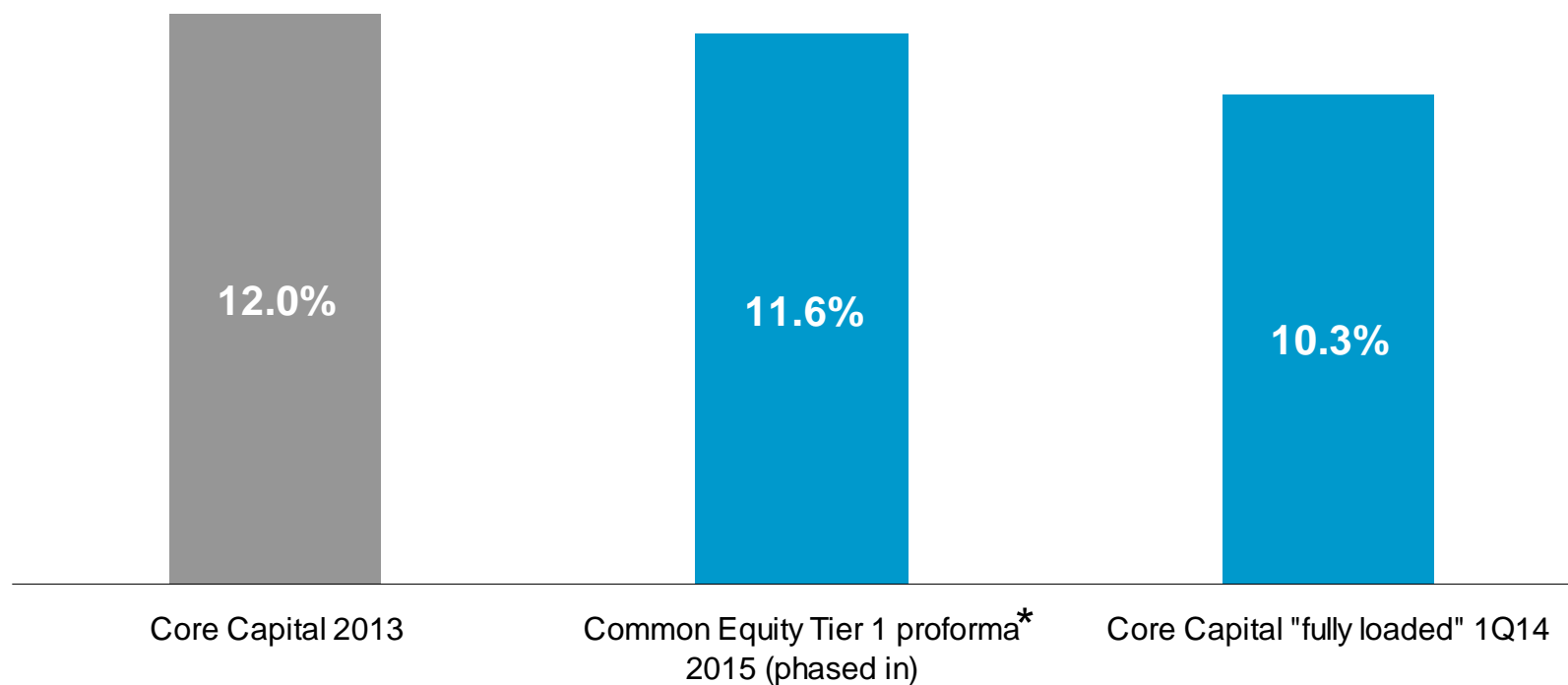
	2Q14	3Q14	4Q14	2015	2016	2017	2018	2019	>2020	Outst. Amount
Covered Bonds (CH)	425	765	1,335	3,060	2,871	1,937	1,561	886	2,512	15,352
GGB	0	0	1,005	0	0	1,066	0	0	0	2,071
Senior Debt	0	0	0	0	678	0	100	17	25	820
Preferred Shares and Subordinated Debt	0	0	0	0	299	66	0	0	498	864
Other mid- and long-term financial instruments	0	0	70	0	0	0	18	0	18	105
Total	425	765	2,410	3,060	3,848	3,069	1,679	903	3,053	19,211

4. Risk and capital management

Strong capital levels

Capital ratios

In percentage



* Including €860M of mandatory convertible bonds as of December 2013, of which the maturity calendar is: €17.6M in 2014, €755.6M in 2015, €68.6M in 2016 and €17.6M in 2017

Confirming the turning point in the NPLs ...

NPLs and RE assets

Euros in million

	4Q13	1Q14
Total NPLs ex-APS	16,021	15,788
Of which:		
Ex-APS constant perimeter no sin reclassifications	11,079	10,731
New perimeter	2,309	2,309
Reclassified	2,632	2,747
Real estate assets ex-APS	6,973	7,037
Total problematic assets ex-APS	22,994	22,825

The stock of NPLs ex-APS was reduced by €233M

Total problematic assets ex-APS decreasing by €169M

NPL ratio declines from 13.63% to 13.57%

Coverage levels

In percentage

	4Q13	1Q14
Global coverage of total loans and RE assets	13.6%	14.0%
Existing coverage of NPLs, excluding reclassified loans	50.1%	51.4%
Existing coverage of reclassified loans	25%	25%

NPLs ratios ex-APS

in percentage

	4Q13	1Q14
Including reclassified loans	13.63%	13.57%
Excluding reclassified loans	11.13%	11.04%

... with like-for-like numbers showing a sequential decrease for the last two quarters

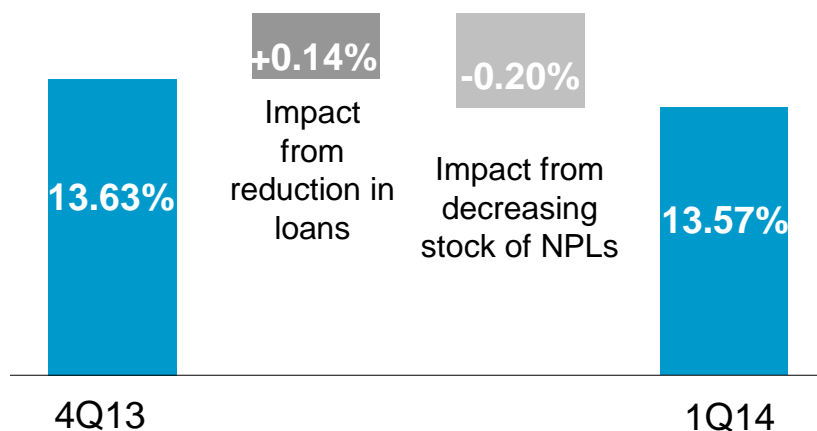
Evolution of like-for-like NPLs and RE assets, excluding reclassified loans

Sabadell ex-APS. Euros in million

	1Q13	2Q13	3Q13	4Q13	1Q14
Ordinary net entries	388	760	365	-12	-83
Change in RE assets	394	1	218	400	64
Net entries + Change in RE assets	782	761	583	388	-19
Write-offs	247	305	105	51	265
Re assets and NPL quarterly change	535	456	478	337	-284

NPL ratios already improving

NPL ratio evolution, ex-APS



The decreasing stock of NPLs explains 20bps of decline in the NPL ratio

Evolution of NPL ratios by segment, ex-APS

In percentage

	1Q13	2Q13	3Q13	4Q13	1Q14
Real Estate development and/or construction	38.38%	42.99%	55.73%	62.98%	63.12%
Construction purposes non-related to real estate	5.96%	7.94%	9.84%	8.26%	8.32%
Large corporates	7.40%	7.48%	8.91%	6.05%	6.02%
SME and small retailers and self-employed	8.98%	9.81%	10.93%	13.33%	13.31%
Individuals with 1st mortgage guarantee assistance	8.07%	8.17%	8.78%	9.86%	9.84%
NPL ratio	9.69%	10.62%	12.61%	13.63%	13.57%

Note: NPL ratio is calculated including contingent risk.

Extraordinary provisions booked this quarter ...

Provisions booked in 1Q14

Euros in million

	1Q14
Ordinary provisions	-286
Credit and other extraordinary provisions	-571
RE assets extraordinary provisions	-240
Total provisions and impairments	-1,097

€811M of non recurrent results have been booked as extraordinary provisions, increasing coverage levels and accelerating the reduction of the cost of risk going forward

... strengthen the coverage levels

Coverage by loan segment and real estate

Split between asset protection scheme and rest

1Q14	BS ex-APS	APS	Total
Real estate assets	41.2%	50.4%	45.2%
Real estate development loans	35.0%	45.8%	39.9%
Total real estate exposure	37.8%	47.8%	42.3%
Construction	12.2%	32.2%	13.1%
Large Corporates	6.6%	45.4%	8.4%
SME and small retailers and self-employed	7.7%	19.2%	8.8%
Individuals	4.3%	11.8%	4.7%
Rest of loan book	5.7%	18.9%	6.5%
Total	10.1%	38.1%	14.0%

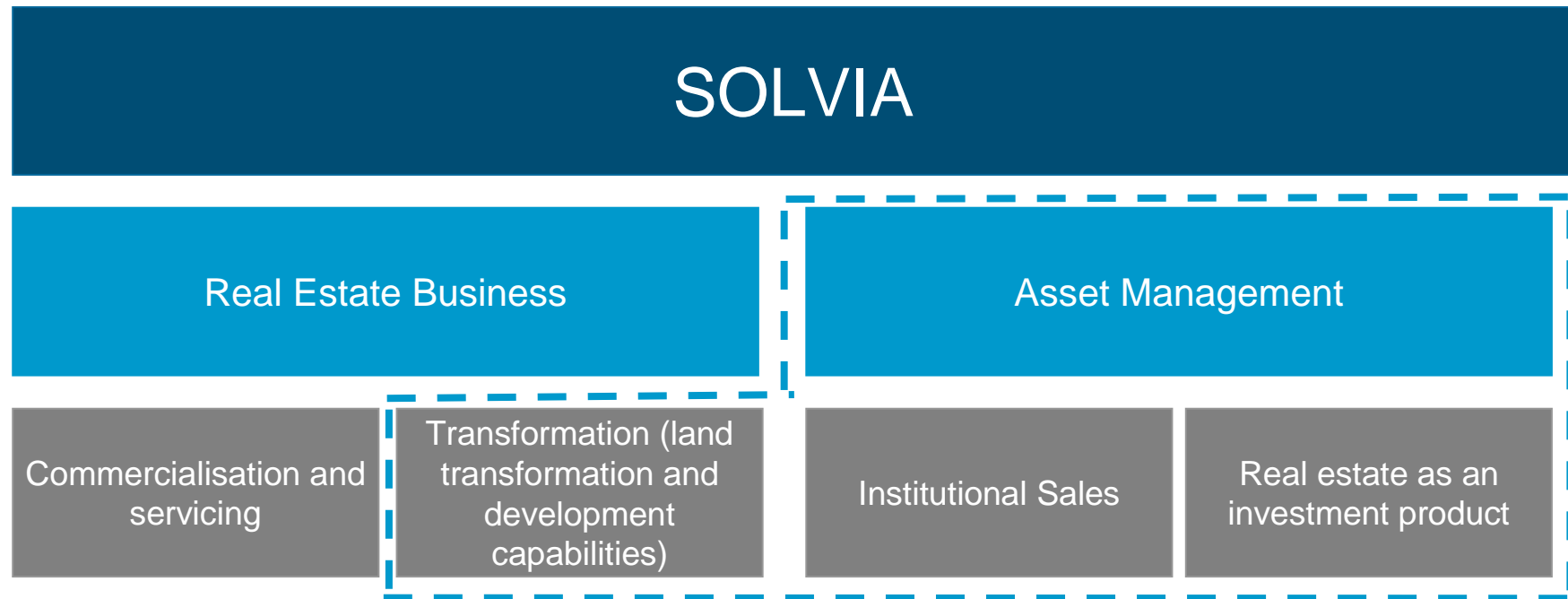
14.0%
global coverage
of total loans
and RE assets

10.1%
global coverage
of total loans
and RE assets
ex-APS

A level of global coverage higher than peers

5. Managing real estate assets

Developing Solvia is more valuable to BS

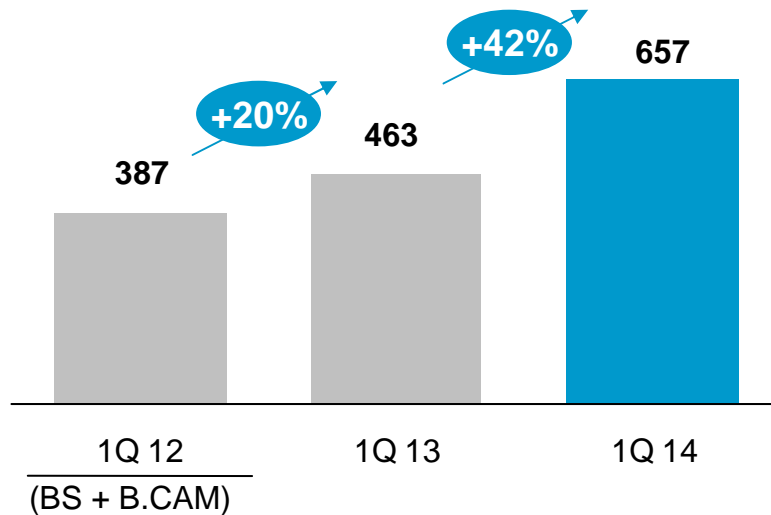


Since 2008, Solvia has become one of the main real estate companies in Spain, with a benchmark sales platform

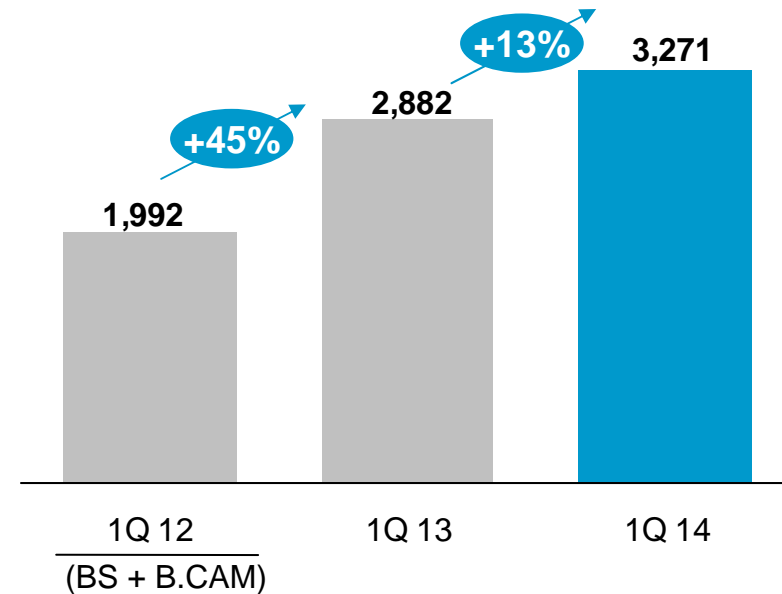
Commercial activity continues to improve

Sales evolution

Euros in million (€m)



Number of units



Increase in sales assuming lower losses than in 1Q13



Vodafone headquarters

- ✓ Sale of the complex in Madrid Parque Empresarial Avenida América 115 (Vodafone southern Europe headquarters) to London & Regional Properties
- ✓ Office complex: **50,600 m²**
- ✓ **Sale price: €117M**



Developing distribution centre

- ✓ Lease agreement with DHL for the development of a distribution centre in Guadalajara in a **82,000 m²** land plot
- ✓ **Logistic warehouse surface: 52,000 m²**
- ✓ **Existing warehouse refurbishment: 24,000 m²**
- ✓ **New warehouse construction : 28,000 m²**

Successfully developing promotions



Playa San Juan

- ✓ 80 apartments
- ✓ Prices between €120,000 - €190,000
- ✓ Foreign and domestic demand
- ✓ Occupation expected in 1H2014

100% sold under construction



Paracuellos de Jarama (Madrid)

- ✓ Increasing the price in 16 houses during the sale
- ✓ Prices between €200,000 - €250,000
- ✓ Occupation expected in summer 2014

In one and a half month 100% was sold

In 2013 we have started to sell properties under construction benefiting from the recovery of the demand



“The victory is not in
the winning, it is in
the fighting along
the way”

Rafael Nadal