

Banco Sabadell

2Q13 Results



July 25th, 2013

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This quarter the numbers reported by Banco Sabadell **include**:

Banco Sabadell (100% of B. CAM as of June 1st, 2012)

BMN-Penedés network (as of June 1st, 2013)

Lloyds Spain network* (as of June 30th, 2013)

They **do not include**:

Banco Gallego. Expected to close by 4Q13

Additional information regarding the contribution of each acquired business can be found in the annex on page 45

* Lloyds Spain only includes balance sheet; no impact in P&L as the date of consolidation was June 30th, 2013

1. 2Q13 in summary

2. 2Q13 Results

3. Commercial activity and liquidity

4. Risk and capital management

5. Managing real estate assets

Annex

1. 2Q13 in summary

2Q13 in summary

- ✓ Good income generation with the turning point in net interest income expected in 3Q13
- ✓ Strong commercial activity with market share gains in several segments of the market
- ✓ Steady delivery of synergies and good cost control
- ✓ Extraordinary trading results allow for front loading of provisions, anticipating the impact of reclassified refinanced loans
- ✓ Strong coverage levels
- ✓ Core Tier 1 EBA capital ratio of 9.5% having absorbed recent acquisitions

2. 2Q13 Results

	Jun. 12	Jun. 13	% var 13/12
Net Interest Income	854.3	865.8	1.4%
Equity Method & Dividends	12.7	3.4	-73.7%
Commissions	288.8	356.6	23.5%
Trading Income & Forex	265.5	1,046.3	294.0%
Other Operating Results	-54.2	-74.9	38.3%
Gross Operating Income	1,367.1	2,197.2	60.7%
Personnel Costs	-415.2	-524.9	26.4%
Administrative Costs	-209.2	-285.2	36.3%
Depreciations	-69.6	-105.5	51.6%
Pre-provisions Income	673.1	1,281.6	90.4%
Total Provisions & Impairments	-1,889.3	-1,073.2	-43.2%
Gains on sale of assets	18.5	-6.2	--
Badwill	933.3	0.0	--
Profit before taxes	-264.5	202.2	--
Taxes and others	354.5	-78.8	--
Attributable Net Profit	90.1	123.4	37.0%

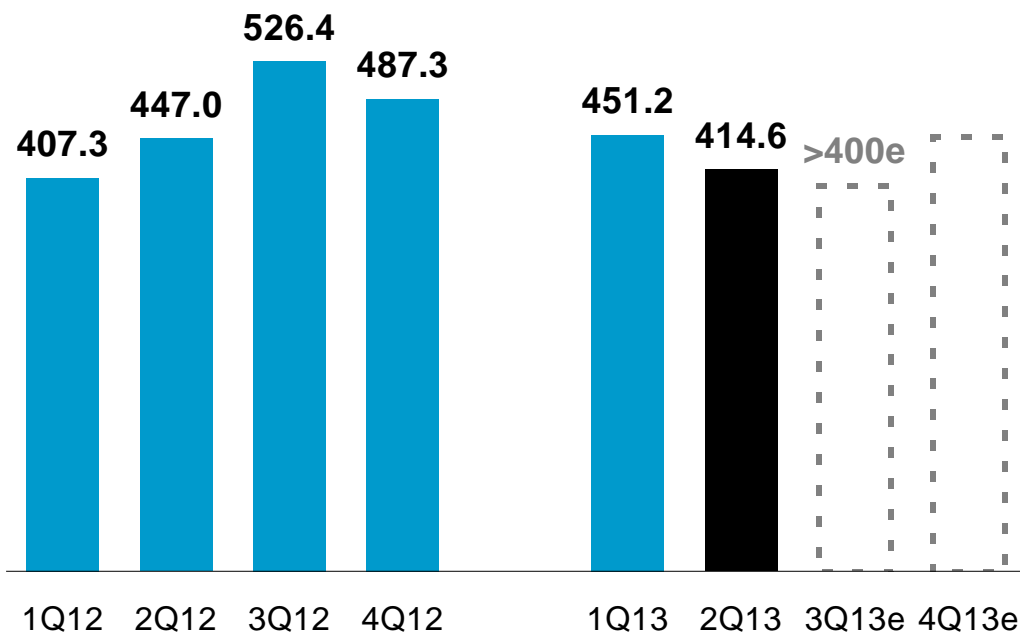
Note: 2013 includes one month of the BMN-Penedés network. Trading income and Forex in the four years prior to 2013 has been on average €317M.

Euros in million

Net interest income reaching the turning point ...

Net interest income evolution

Euros in million



Net interest income 1H13:

+1.4% YoY

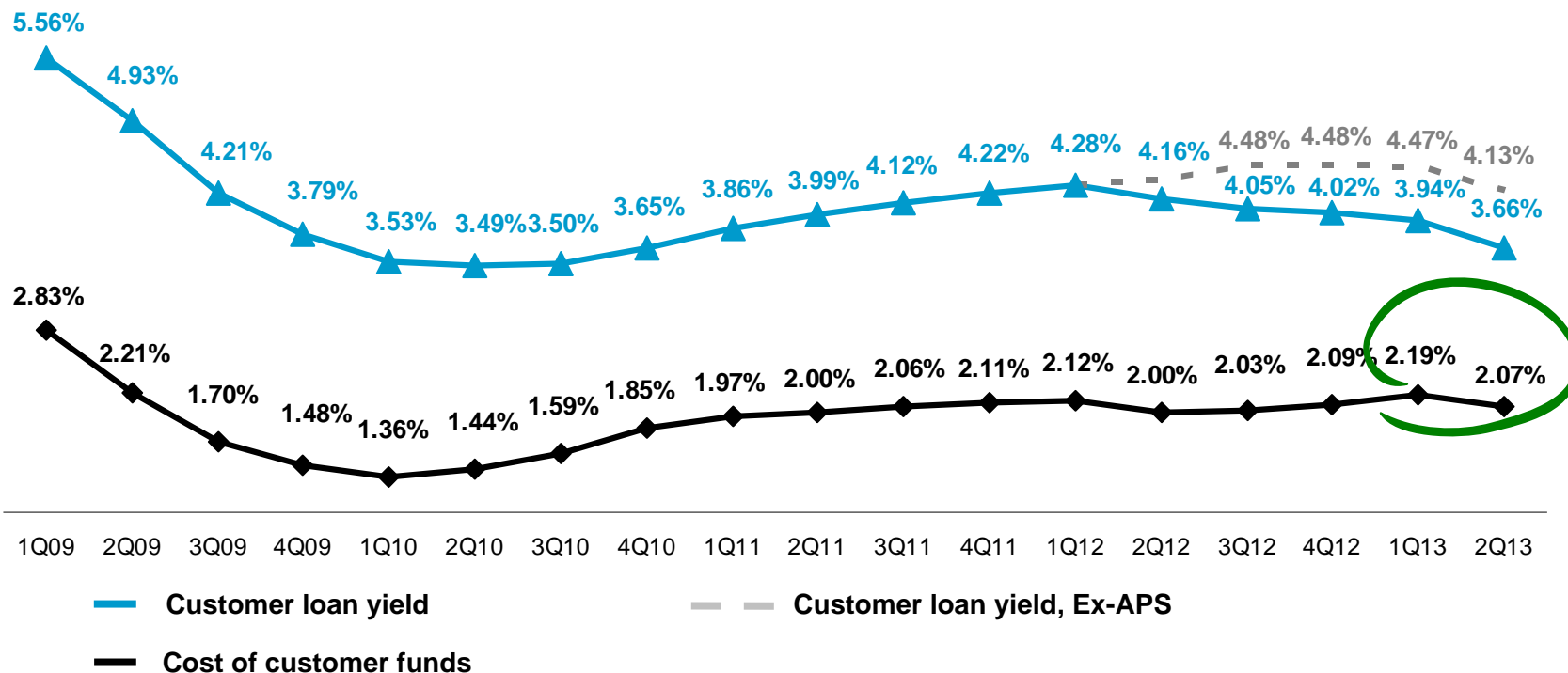
+0.5% YoY, excl. BMN-Penedés

The net interest income is expected to reach its turning point in the third quarter

... driven by a reduction in the cost of customer funds ...

Customer loan yield and cost of customer funds

In percentage

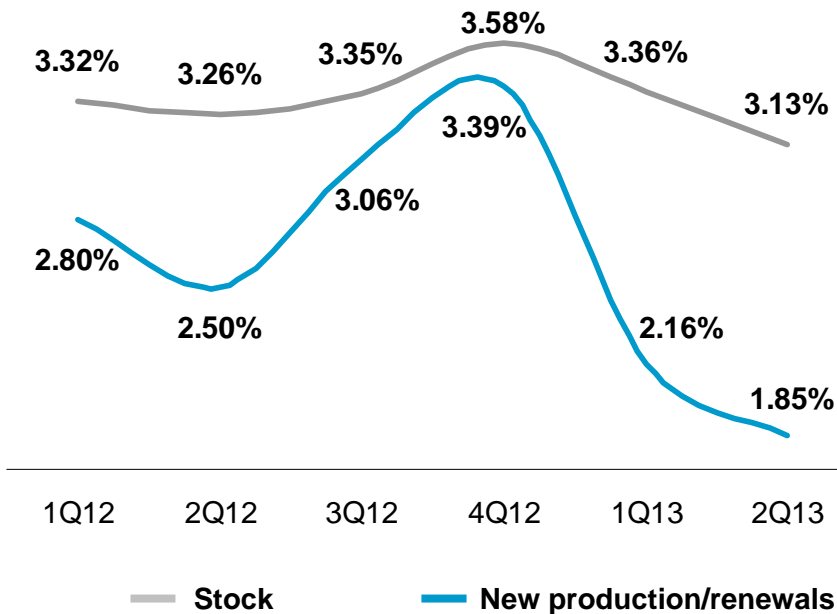


Note: Does not include the BMN-Penedés network.

... already reflected in the cost of new deposits ...

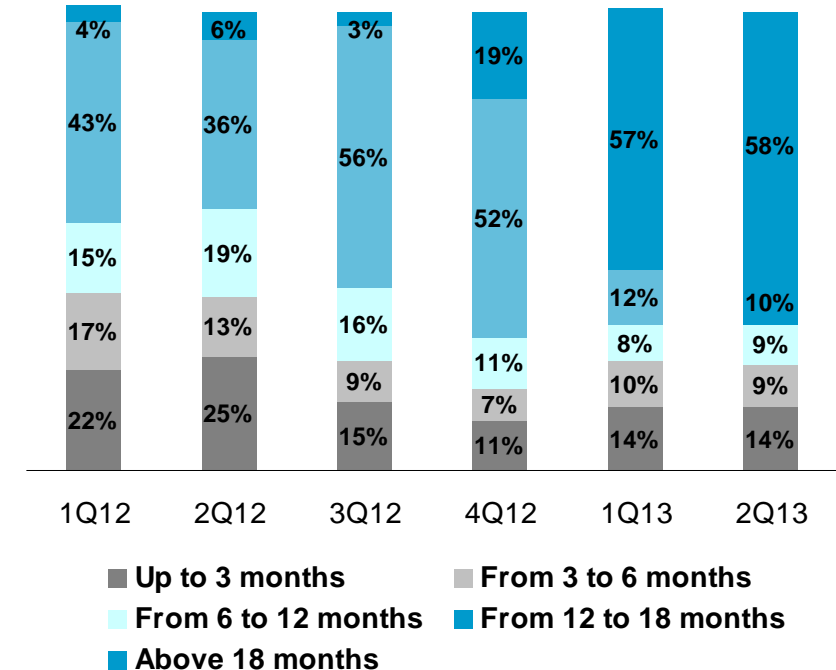
Contractual rates on deposits

In percentage



New deposits by maturities

Split of maturities, in percentage






The cost of new deposits has been reduced while the term has been extended


Note: Does not include the BMN-Penedés network.

... with an acceleration of the positive impact expected in the second half

Maturities of 12-month deposits and impact from lower interest rates on deposits

Sabadell 12-month deposits maturities Euros in billion	Current rates on deposits	Example of the cost of a new deposit	Potential savings, annualised (€m)
1Q13  4.3	3.2%	→ 1.5%	73
2Q13  3.9	3.3%	→ 1.5%	68
3Q13e  6.6	3.5%	→ 1.5%	135
4Q13e  8.9	3.8%	→ 1.5%	202

2.8x

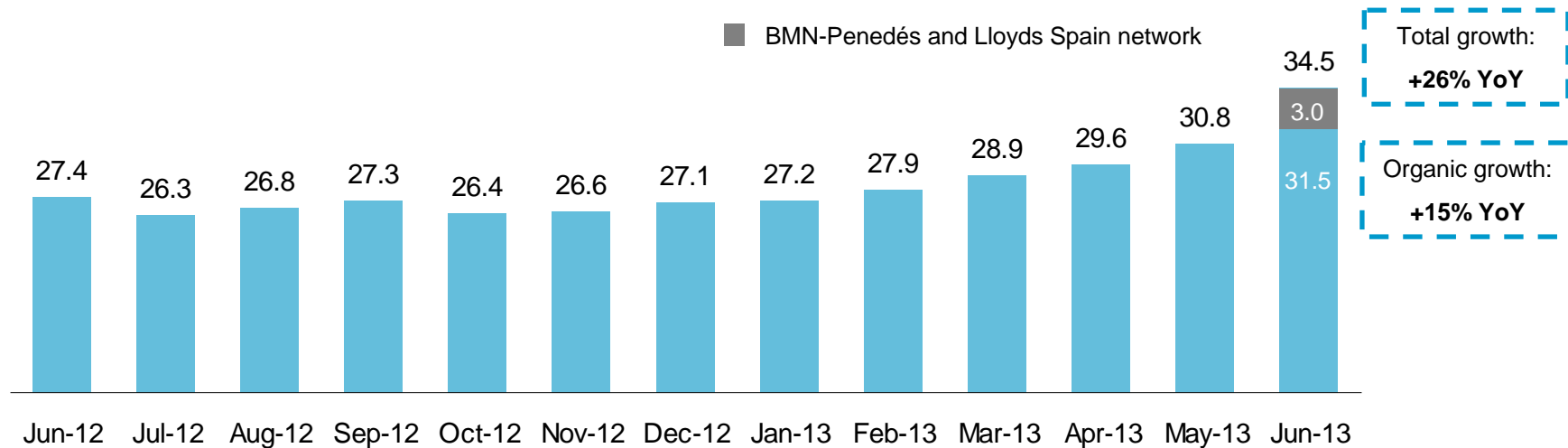


- ✓ Most of the expensive term deposits mature in the second half
- ✓ The impact from the repricing process is almost 3 times higher in the final quarter

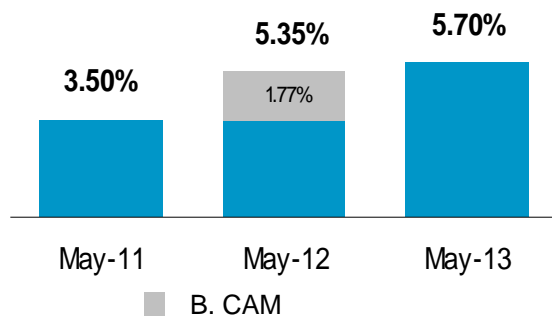
Significant growth seen in current accounts

Current account monthly volume evolution

Euros in billion



Sabadell's market share in Spanish current accounts



✓ Sabadell is gaining market share in current accounts

Note: The market share is calculated using residential sector data

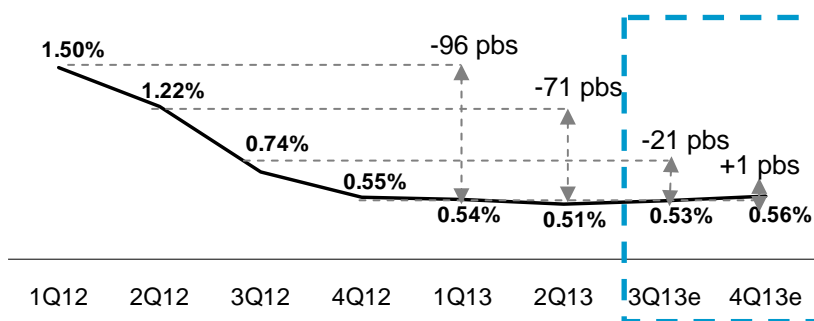
Active price management in a low interest rate environment

Banco Sabadell credit portfolio spreads

Basis points

Product	Front book spreads					Stock				
	Jun-12	Mar-13	Jun-13	Var QoQ	Var YoY	Jun-12	Mar-13	Jun-13	Var QoQ	Var YoY
Credits	345	428	411	-17	+66	298	396	401	+5	+103
Loans	340	389	388	-1	+48	219	235	246	+11	+27
Mortgages to individuals	151	249	239	-9	+89	85	86	87	+1	+2
Leasing	236	379	412	+33	+176	129	144	153	+9	+25
Renting	551	745	651	-94	+100	368	447	483	+36	+115
Commercial loans	402	469	448	-21	+46	430	491	470	-22	+40
Confirming	291	394	405	+11	+114	293	398	396	-2	+103
Forfaiting	467	574	584	+10	+117	532	567	587	+20	+55

Euribor 12-months evolution

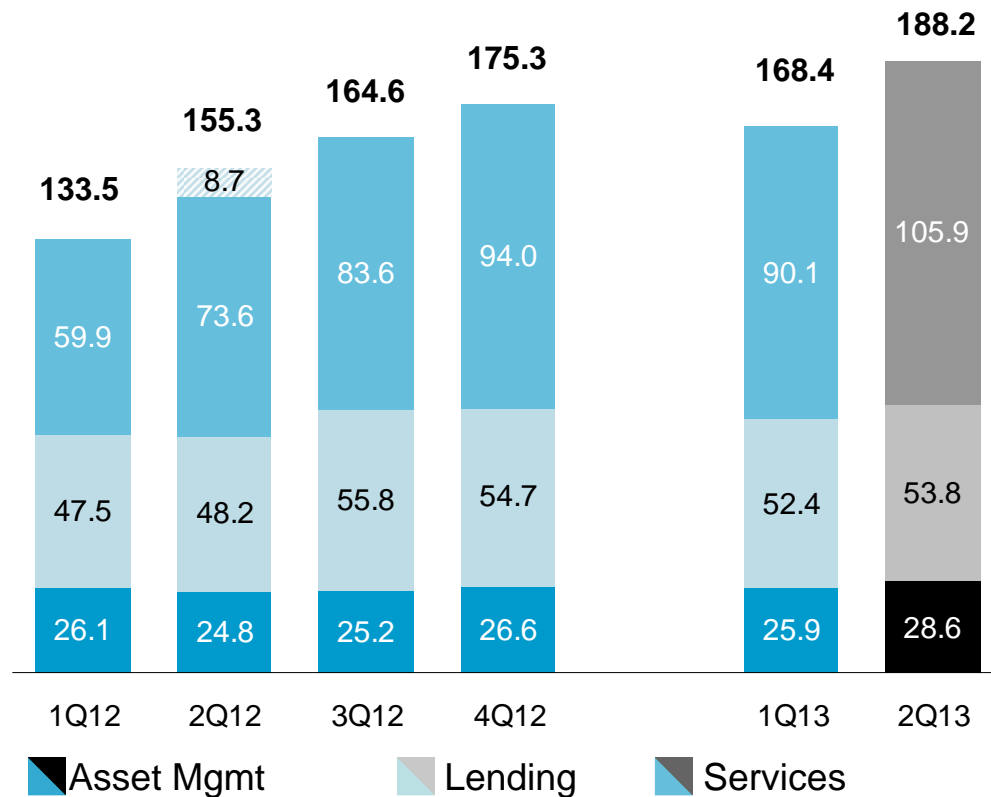


✓ The negative impact on the net interest margin due to lower euribor rates disappears in the second half of the year

Significant improvement in commission income

Commission income evolution

Euros in million



Commissions 1H13:

+23.5% YoY

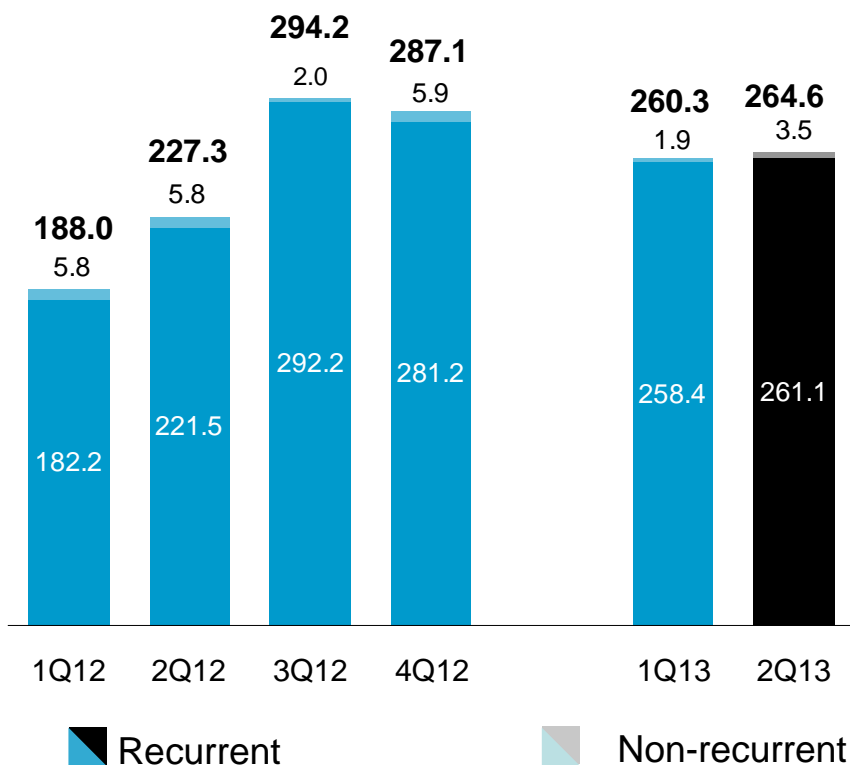
+22.0% YoY, excl. BMN-Penedés

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

Personnel expenses are reduced on a Sabadell like-for-like basis ...

Personnel expenses evolution

Euros in million



Personnel expenses 1H13:

+26.4% YoY

(excl. BMN-Penedés, +24.5%)

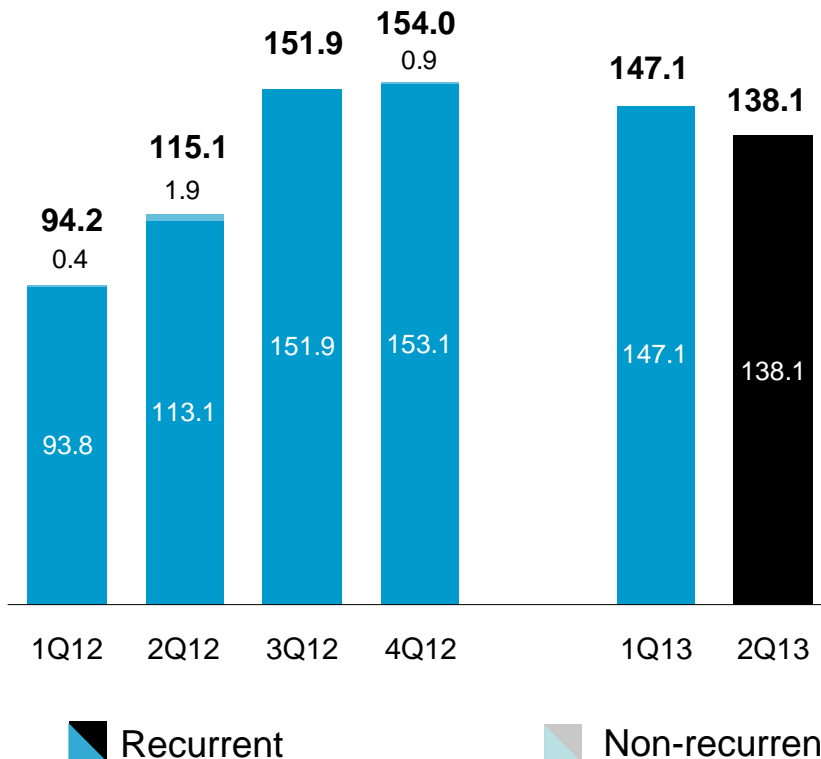
Personnel expenses on a like-for-like basis* 1H13:

-14% YoY

* Including Banco CAM in 2012 and excluding BMN-Penedés as well as non-recurrent expenses.

General expenses evolution

Euros in million



General expenses 1H13:

+36.3% YoY

(excl. BMN-Penedés, +35.2%)

General expenses on a like-for-like basis* 1H13

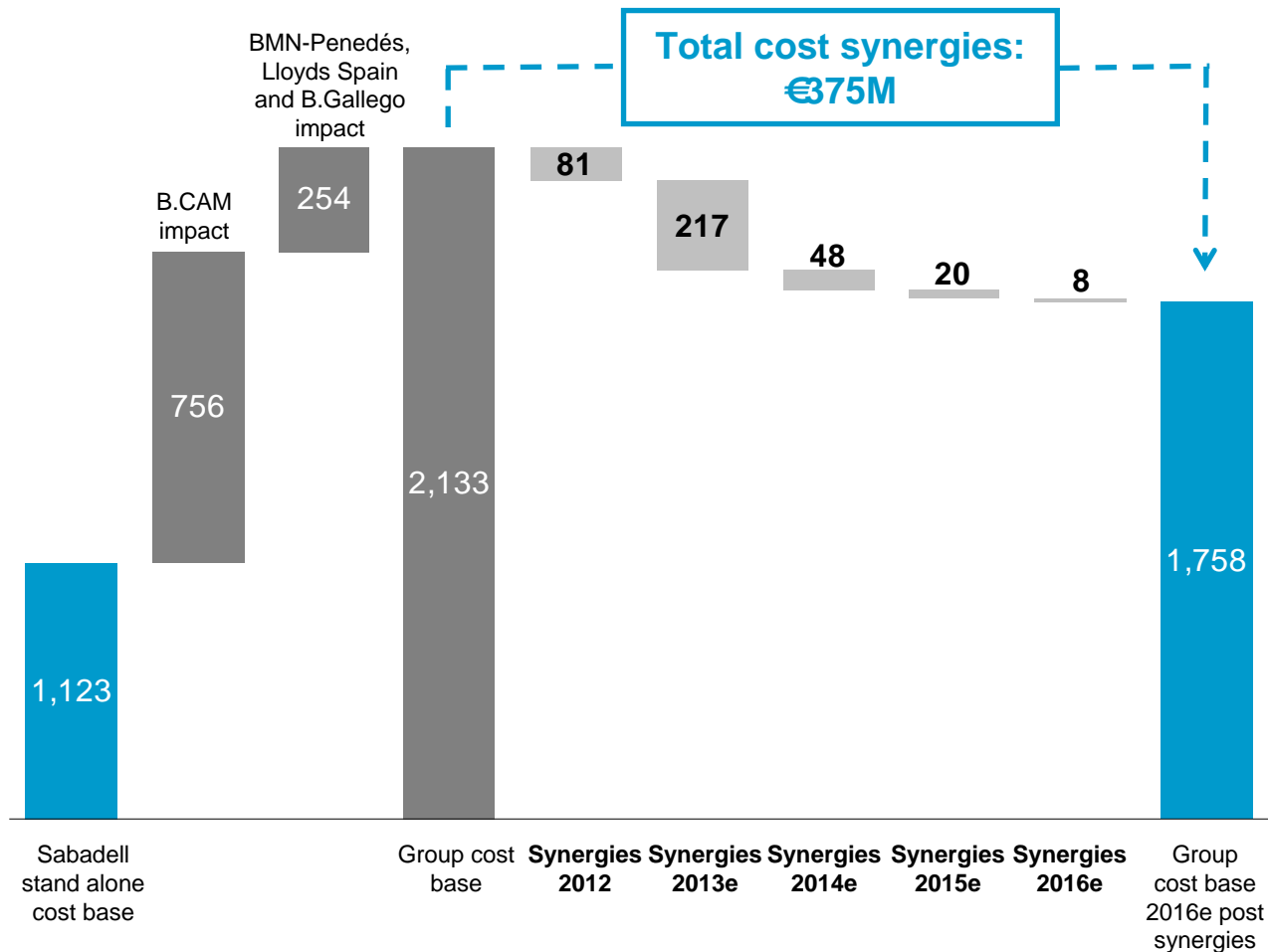
-9% YoY

* Including Banco CAM in 2012 and excluding BMN-Penedés as well as non-recurrent expenses.

Delivering the synergies post the integration of new businesses

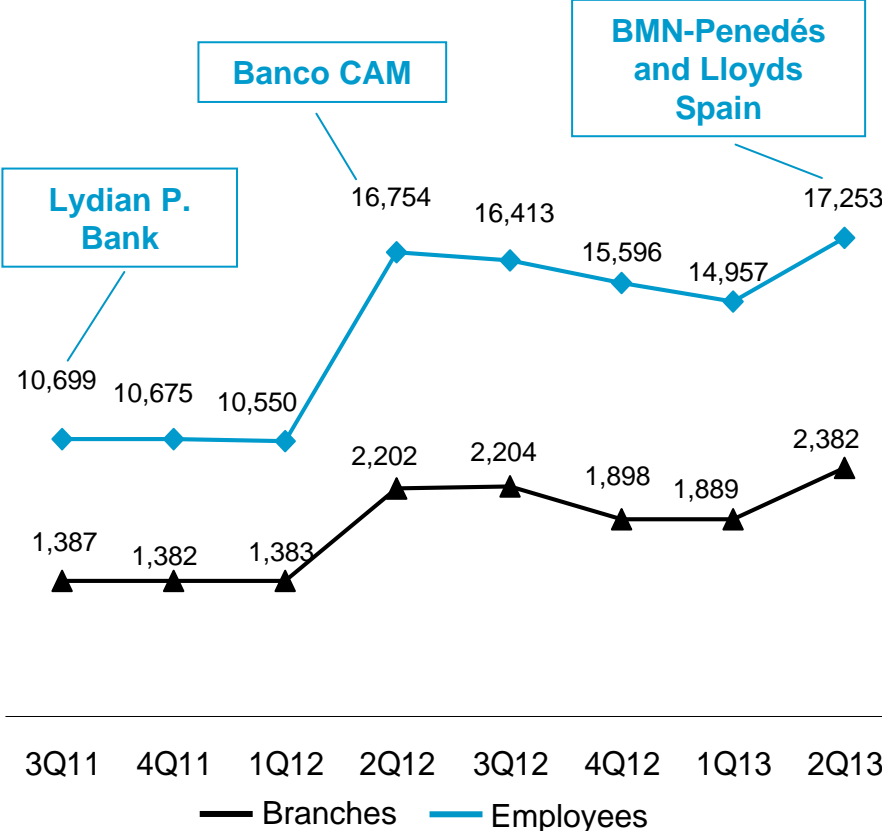
Cost and synergies evolution following recent acquisitions

Euros in million



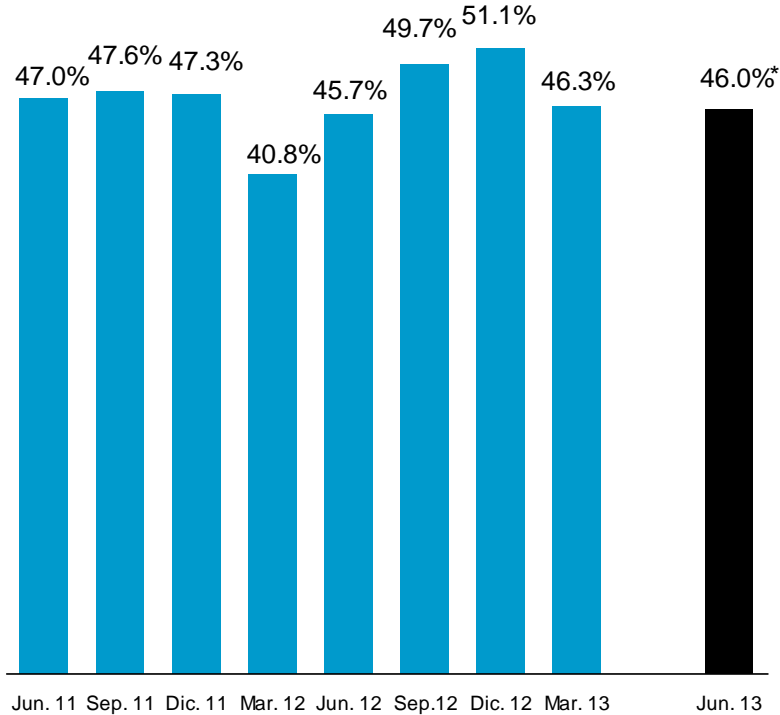
Employee and branch evolution

In number



Cost income evolution

in %



* Adjusted for non-recurrent trading income

Anticipating the reclassification of refinanced loans

Provisions booked in 2Q13

Euros in million

	2Q13
Ordinary credit impairments	-246
RE assets	-112
Other extraordinary provisions	-69
Anticipating reclassification of refinanced loans	-321
Total provisions and impairments	-748

Representing an underlying *cost of risk* of 80 basis points

Anticipating the reclassification of refinanced loans

Ordinary cost of risk: 80 basis points

3. Commercial activity and liquidity

Remarkable success in customer gathering

	Apr. 13	May. 13	Jun. 13	2Q13
Individuals	35,587	40,088	35,773	111,448
Companies	9,040	8,970	7,944	25,954

**10,500 new
customers every
week**

Evolution of total number of customers

	Dec. 12	Jun. 13	% Var.
Total	5,502,584	5,545,749	0.8%

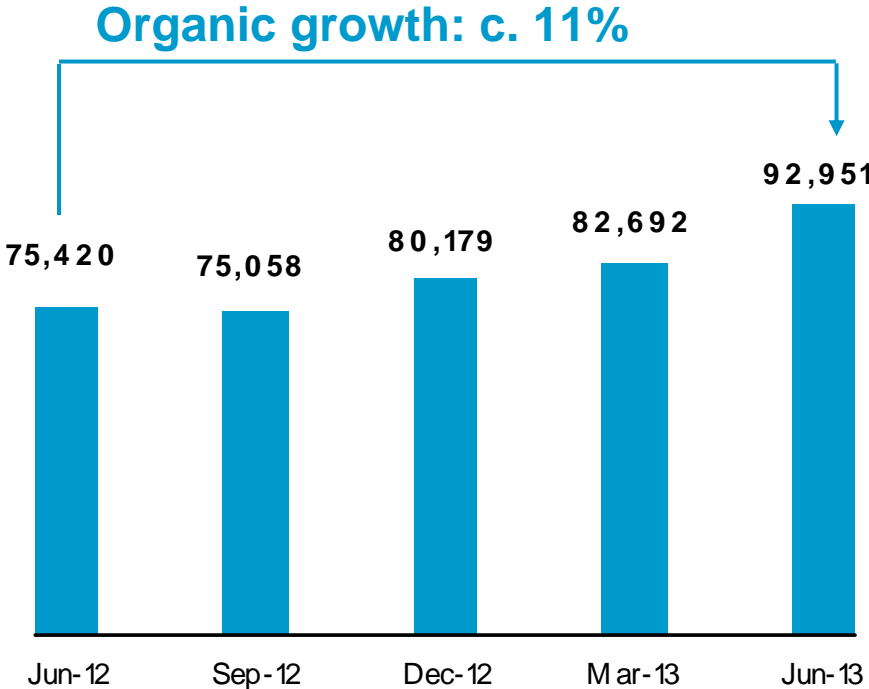
**6.2 million
customers
including
BMN-Penedés**

**The main driver is customer value, particularly
in the old B. CAM network**

... with strong growth in customer funds

Customer funds evolution

Euros in million



Organic growth:

€8.37 billion

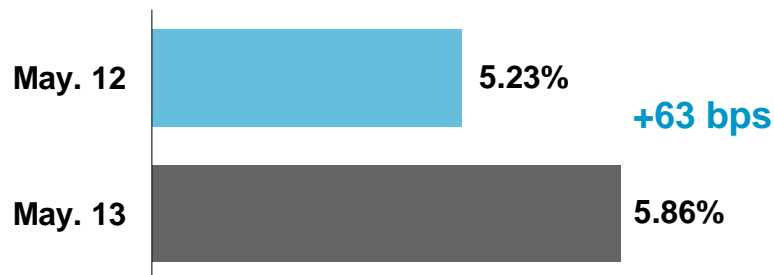
Non-organic growth:

€9.16 billion*

* Refers to the acquired businesses of the BMN-Penedés and Lloyds Spain

Gaining market share both in individuals ...

Household deposits¹



Household loans



Payroll accounts



Transactionality²

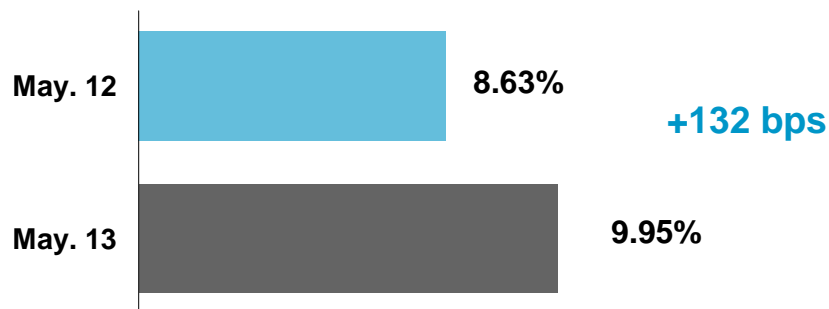


Note: Data presented like-for-like excluding BMN-Penedés and Lloyds

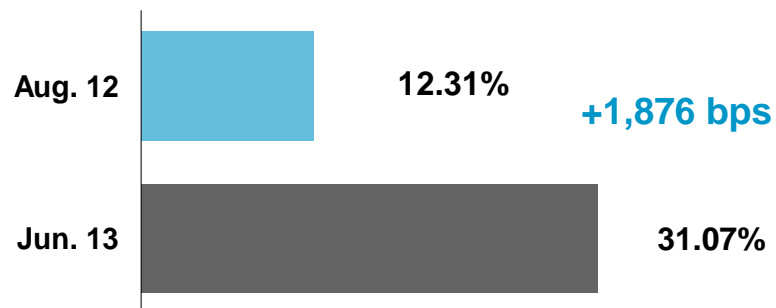
¹ Including term and sight deposits and repos

² Including cheques, transfers, SEPA transfers, receivables and promissory notes

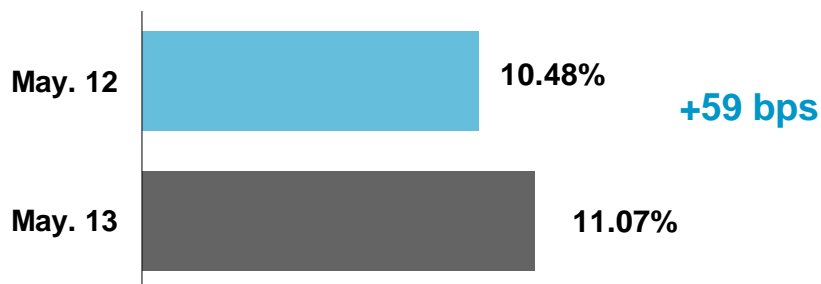
Corporate credit



ICO loans (publicly subsidised loans)



Sight deposits companies



Volume at BS card PoS



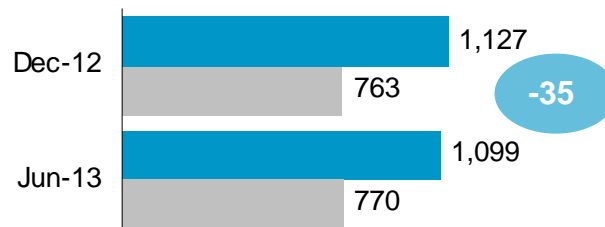
Sabadell continues to provide credit to SMEs and corporates

B. CAM network closing the gap in terms of customer income generation

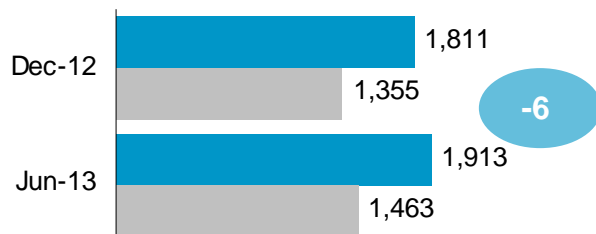
Retail banking (€/customer)



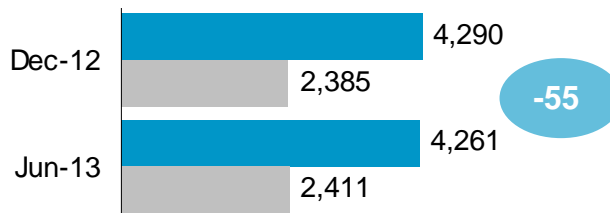
Small businesses (€/customer)



High value customers (€/customer)



SMEs (€/customer)



Number of B. CAM customers by segment:

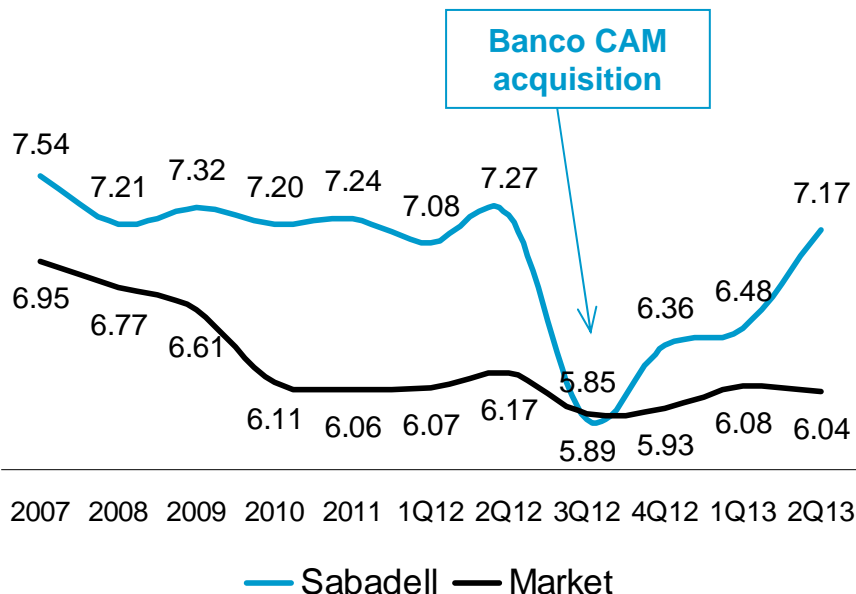
- Retail: 1,212,570
- High value customers: 135,747
- Small businesses: 17,632
- SMEs: 4,872

■ Customers in the old home region of B. CAM originally Banco Sabadell
■ Customers in the old home region of B. CAM originally B. CAM

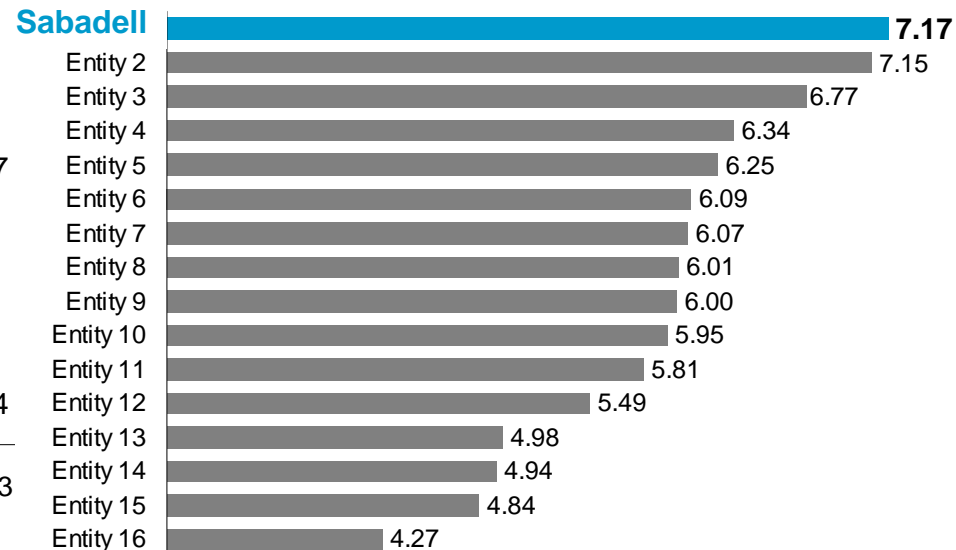
○ The change in different income generation in euros between the B. CAM network customers and the Banco Sabadell customers in the old home region of B. CAM

Key achievement: Recovering the position as the most valued bank

Recovery to levels pre B. CAM



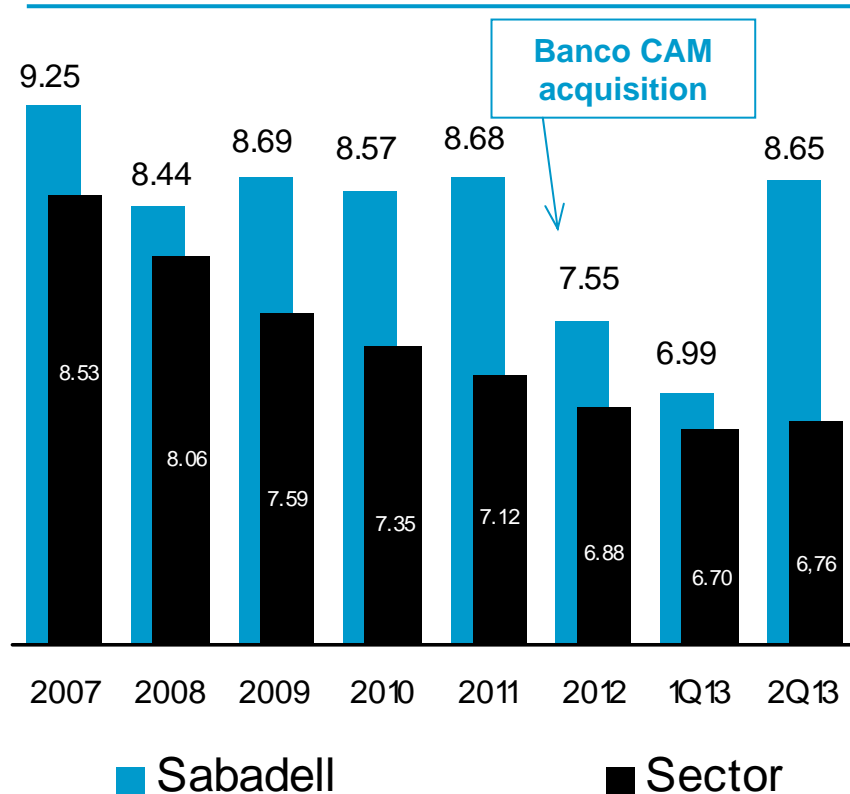
Most valued by customers



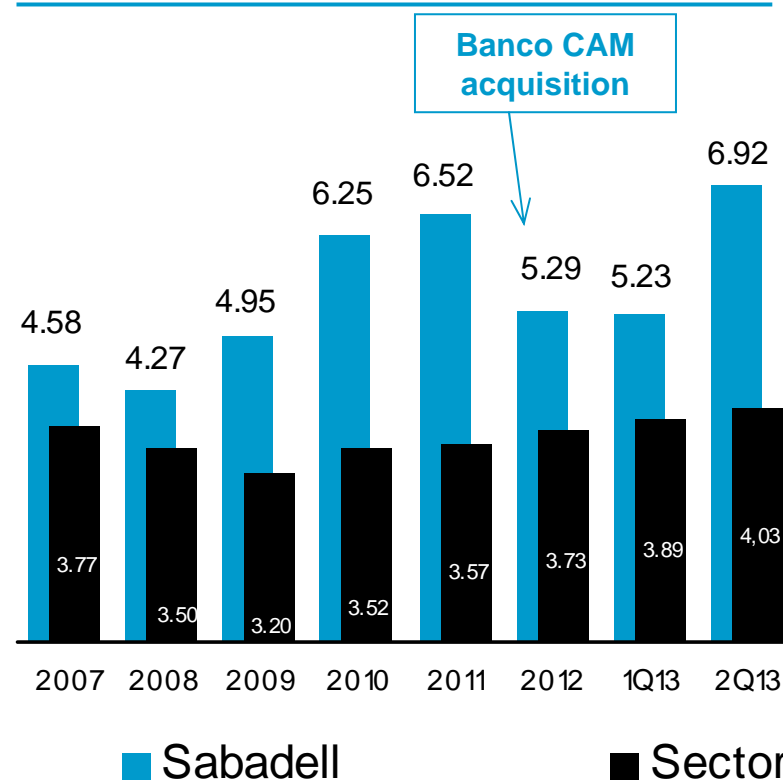
Customers perceive that the gap between the quality of service of Sabadell and B. CAM has been closed. This is a significant commercial milestone

Sabadell is a benchmark in providing transparent information to customers

Valuation on how loans are explained



Valuation of written support documentation

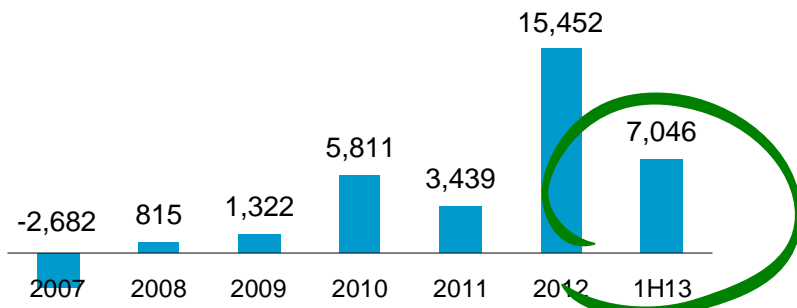


Banco Sabadell is the most valued bank on how loans are explained and on the quality of written support documentation

Commercial gap improvement continues: €7.05 billion in 1H13 ...

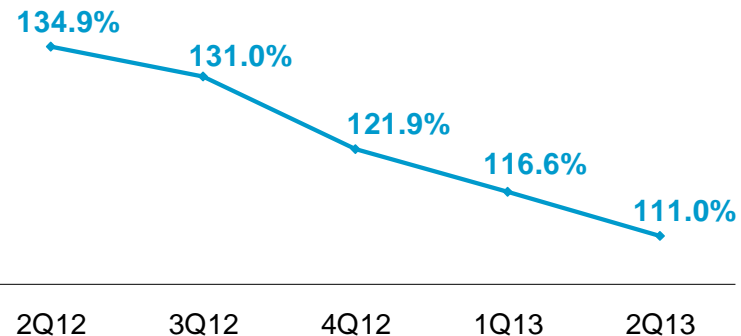
Change in commercial gap

Euros in million



Loan to deposit ratio

In percentage



Customer funds and loans evolution

Euros in million

	Jun-12	Dec-12	Jun-13	% Var. YoY
On-balance sheet customer funds	75,420	80,179	92,951	23.2%
Other on-balance sheet term funds ¹	47,971	53,095	58,408	21.8%
Sight deposits	27,449	27,085	34,543	25.8%
Off-balance sheet funds	20,478	20,659	22,090	7.9%
Mutual funds	8,533	8,585	9,693	13.6%
Pension funds	3,184	3,709	3,716	16.7%
Third party insurance products	7,742	7,313	7,289	-5.8%
Total funds	95,898	100,838	115,040	20.0%
Gross loans to customers ex repos	123,378	115,392	121,605	-1.4%

¹ Other 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.

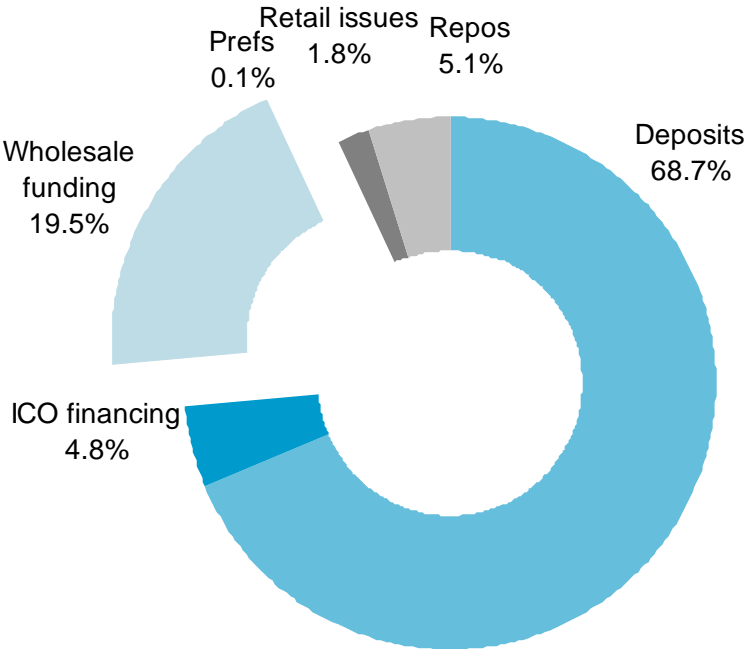
Note: In 2012, changes in commercial funding cap include adjustments for capital increase.

2012 numbers include Banco CAM

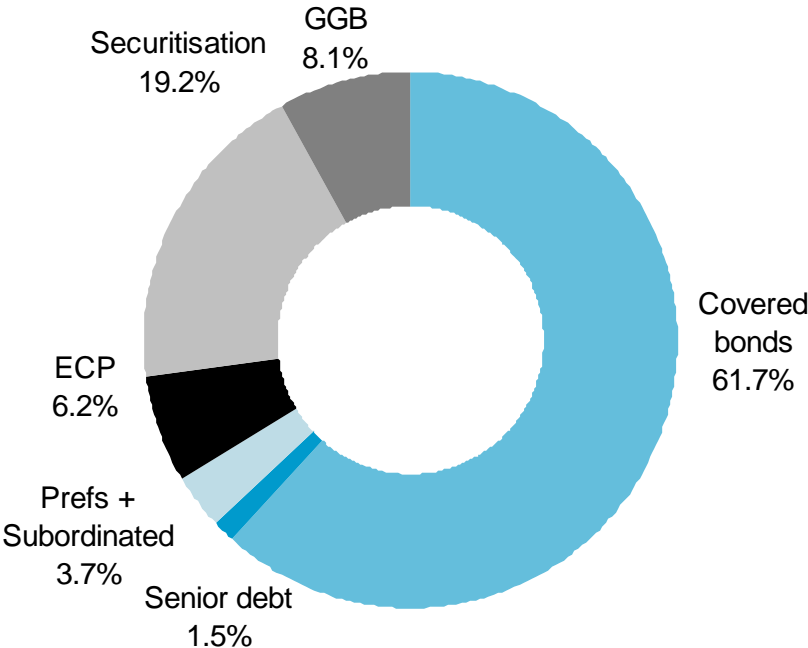
Loan to deposit ratio is adjusted for provisions and intermediary loans such as ICO loans (government subsidy loans)

... maintaining a balanced funding structure ...

Group funding structure

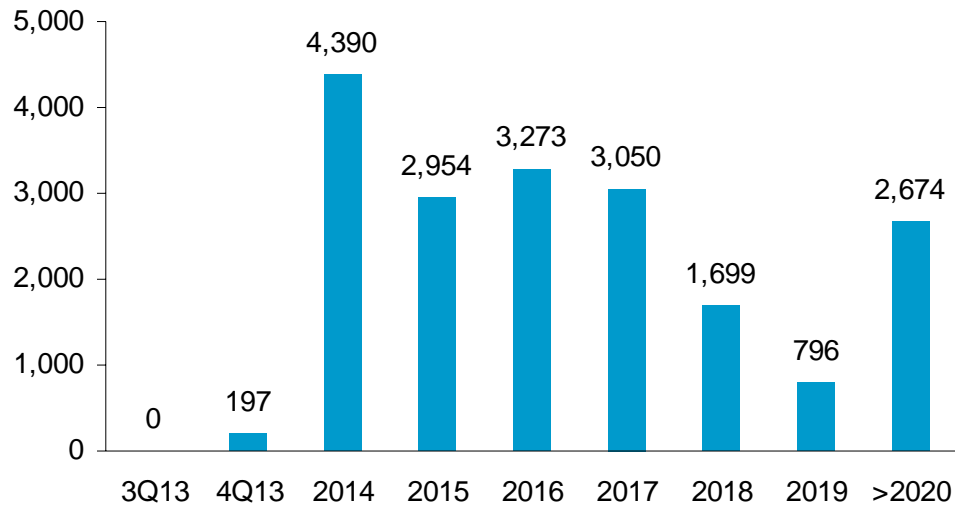


Group wholesale funding breakdown



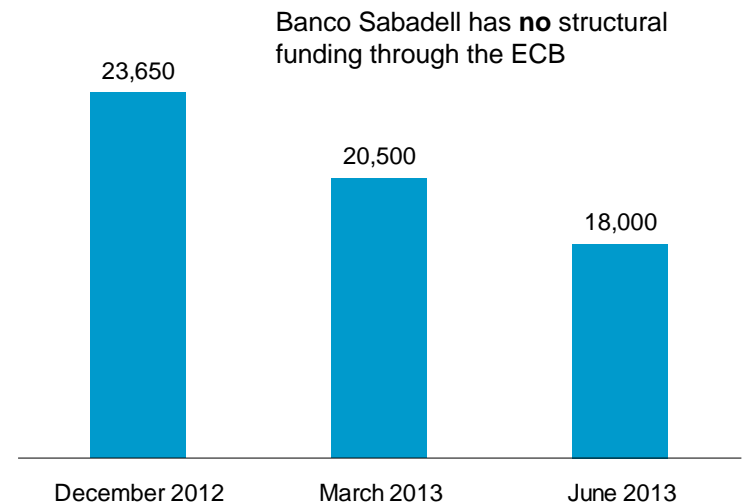
Group wholesale funding maturities

Euros in million



ECB liquidity position

Euros in million



Maturity by product type

Euros in million

	3Q13	4Q13	2014	2015	2016	2017	2018	2019	>2020	Outst. Amount
Covered bonds (CH)	0	197	3,315	2,954	2,815	1,907	1,582	796	2,132	15,697
Covered bonds (CT)	0	0	0	0	0	0	0	0	0	0
GGB	0	0	1,005	0	0	1,066	0	0	0	2,071
Senior debt	0	0	0	0	157	0	100	0	25	282
Preference and Subordinated	0	0	0	0	302	77	0	0	499	878
Other mid- and long-term financial instruments	0	0	70	0	0	0	18	0	18	106
TOTAL	0	197	4,390	2,954	3,273	3,050	1,699	796	2,674	19,034

4. Risk and capital management

Risk and capital management in summary

Coverage of total loan book
exposure and real estate
assets

13.3%

One of the highest coverage
levels of non- real estate
related loans

5.4%

NPL ratio, ex-APS, on a
comparable basis*:

10.2%

Core Tier 1 EBA capital ratio
after having absorbed
recent acquisitions

9.5%

* The NPL ratio excluding BMN-Penedés, Lloyds and the reclassification of refinanced loans is 10.17%

Evolution of NPLs, substandard and real estate assets, ex-APS

Euros in million

	4Q12	1Q13	2Q13
Ordinary net entries	1,094	385	760
Change in RE assets	233	394	1
Net entries + Change in RE assets	1,327	778	761
Write-offs	387	247	305
Quarterly change in ordinary non-performing assets	940	531	456
	4Q12	1Q13	2Q13
NPLs volume	10,287	10,424	10,879
RE assets	5,927	6,320	6,321
NPLS+ RE assets	16,214	16,744	17,200
Substandard exposure	2,844	2,897	2,755
Total ordinary problematic assets ex-APS	19,058	19,641	19,955
Reclassified loans			378
Acquired businesses			1,743
Total problematic assets ex-APS			22,076
Total provisions ex-APS	9,410	9,516	10,581
Coverage ex-APS	49.4%	48.4%	47.9%

9.3% of global coverage ex-APS (loans and real estate assets)

NPL ratios by segment, ex-APS

In percentage

	2Q12	3Q12	4Q12	1Q13	2Q13
Real Estate development and/or construction purposes	25.33%	26.87%	32.50%	38.38%	42.99%
BS <i>stand-alone</i>	26.30%	25.01%	29.96%	36.03%	41.42%
Construction purposes non-related to real estate dev.	4.19%	4.28%	5.53%	5.96%	7.94%
BS <i>stand-alone</i>	3.92%	3.92%	5.04%	5.76%	5.87%
Large corporates	6.32%	6.92%	7.10%	7.40%	7.48%
BS <i>stand-alone</i>	2.91%	3.43%	3.88%	4.10%	4.16%
SME and small retailers and self-employed	7.33%	7.98%	9.00%	8.98%	9.81%
BS <i>stand-alone</i>	6.64%	7.26%	7.30%	7.09%	7.84%
Individuals with 1st mortgage guarantee assets	6.16%	6.67%	7.61%	8.07%	8.17%
BS <i>stand-alone</i>	3.42%	3.82%	4.41%	4.70%	4.96%
NPL ratio	7.82%	8.46%	9.33%	9.69%	10.62%
BS <i>stand-alone</i>	6.24%	6.78%	7.41%	7.98%	9.25%

+47 bps
explained by the
reclassification of
refinanced loans

The increase in NPL ratio is explained by anticipating the reclassification of refinanced loans and the incorporation of acquired businesses

Maintaining high coverage levels of credit and real estate exposure

Coverage by segment

Split between Asset Protection Scheme and rest

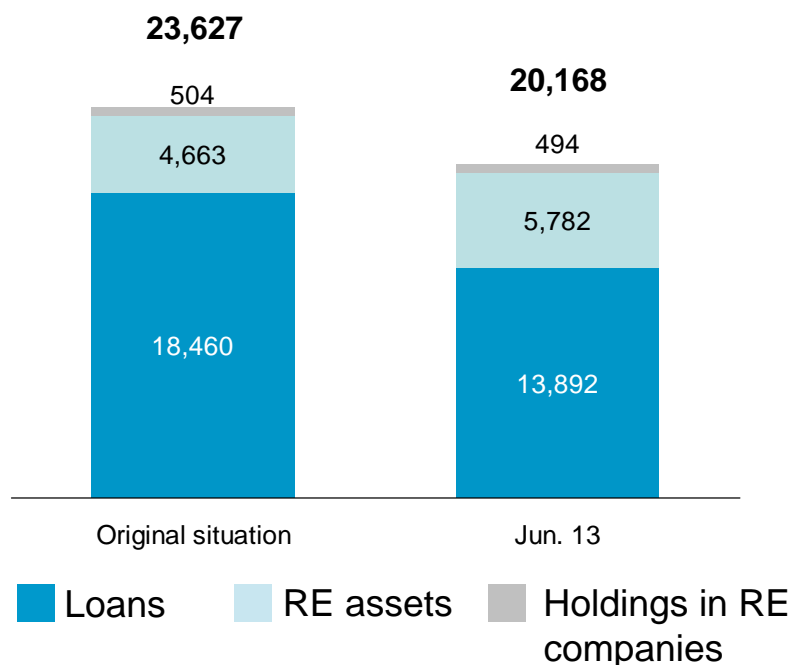
2Q13	Coverage		
	BS ex-APS	APS	Total
Real estate assets	44.3%	45.2%	44.7%
Real estate development loans	35.9%	45.2%	40.1%
Total real estate exposure	39.3%	45.2%	42.0%
Construction	6.0%	35.8%	7.3%
Large corporates	4.4%	44.7%	6.3%
SME and small retailers and self-employed	5.4%	19.2%	7.8%
Individuals	3.4%	13.8%	4.3%
Other	0.6%	-	1.1%
Rest of loan book	4.0%	23.0%	5.4%
Total loan book and RE assets	9.3%	38.3%	13.3%

13.3% of coverage of total loans and real estate assets

Evolution of the Asset Protection Scheme portfolio

APS portfolio evolution

Euros in million



Note: Excluding write-offs and guarantees

Changes to the APS portfolio

Euros in million

Loans

Original situation	18,460
Debt repayments	-1,167
Transfer to RE assets*	-3,155
Write-offs	-246
June 2013	13,892

RE assets

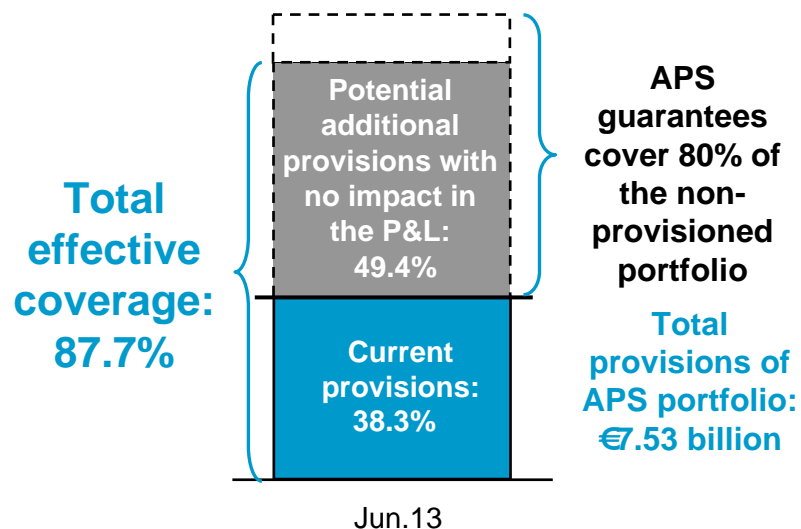
Original situation	4,663
Foreclosed/acquired*	2,315
Sales	-1,228
Valuation adjustment	32
June 2013	5,782

* The difference between “transfer to RE assets” and “foreclosed/acquired” relates to the reduction in asset values

The APS portfolio has an effective coverage level of 87.7%

Effective coverage of APS portfolio

In percentage



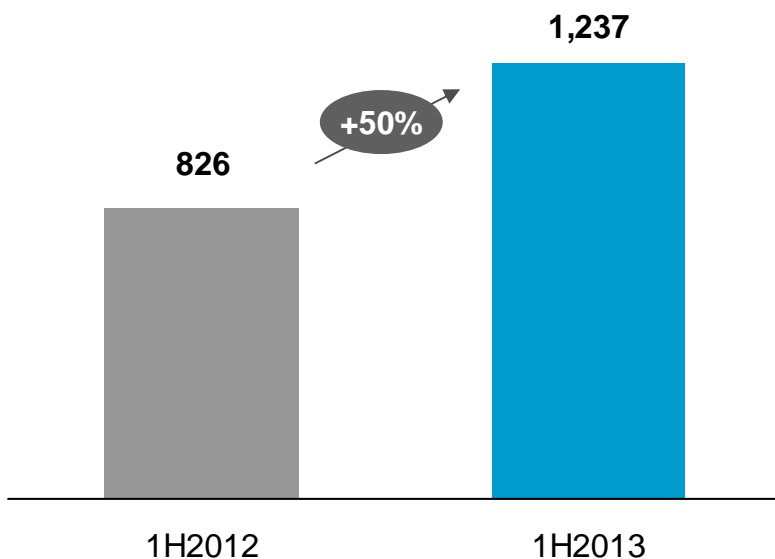
Current provisions and APS guarantees cover 87.7% of the portfolio in a scenario with a loss rate of 100%

5. Managing Real Estate assets

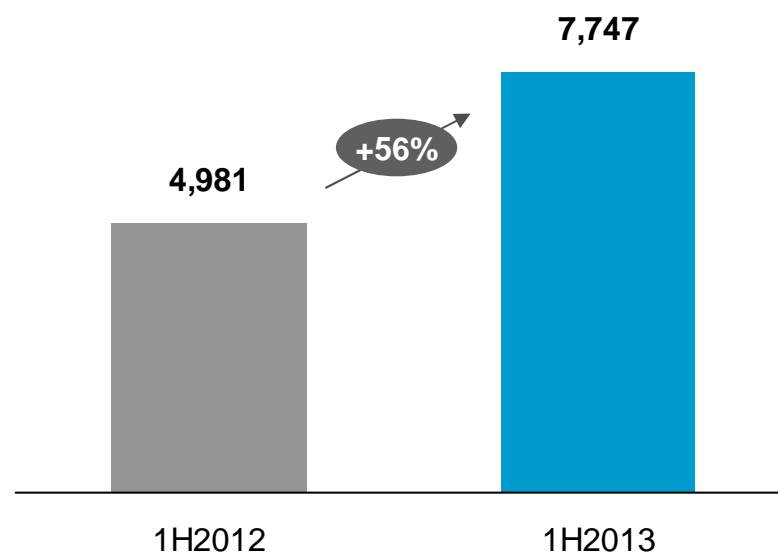
Banco Sabadell has experienced an improvement in commercial activity ...

Sales evolution

Euros in million



Number of units



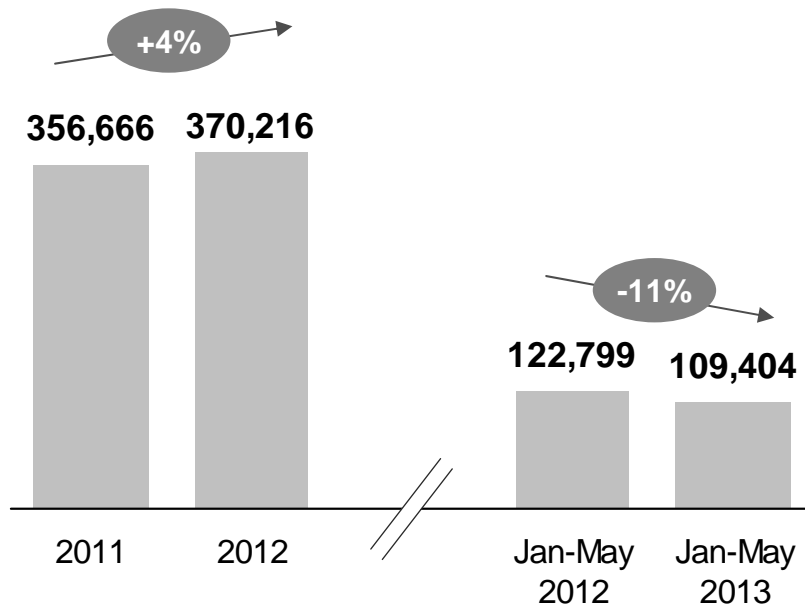
On track to reach 2013 sales targets:

- ✓ >16,000 units (+17% YoY)
- ✓ Sales totalling over €2.6 billion (+16% YoY)

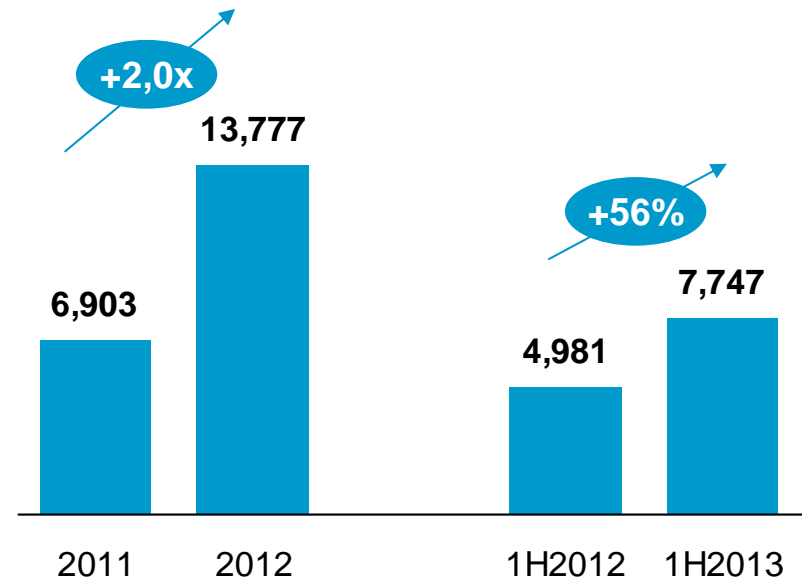
Number of transactions

Units

Market



Banco Sabadell



Some regions are seeing an increased market activity:

- ✓ In Alicante, Murcia and Tarragona, the number of transactions in the market has been growing in 2013

Price setting

- ✓ **During the first six months 12 real estate developments ended up raising prices**
 - ✓ **Example: In Valencia 127 loft apartments were sold with a final 15% increase over the original offer price**
- ✓ **13% of sales through auction processes¹**
- ✓ **Average price increases in auctions: 18.3%**
(Final price vs. original selling price)

Matching demand

- ✓ **Sales to foreign buyers increase by 183% YoY,**
now representing more than 10% of total transactions
 - ✓ **New web page in Russian has been launched**
- ✓ **70% of sales with no financing**
Local buyers are being more active

1) When an offer on the real estate web page Solvia receives two or more offers during the first 5 days of being offered an auction process is set up

... with solid results from the second big marketing campaign 2013

- ✓ **Mainly focused on second hand properties**
- ✓ **Discounts levels where kept unchanged**
- ✓ **Financing option for more solvent customers**
- ✓ **1 month after the start of the marketing campaign¹:**
 - 1,455 offers being formalised
 - Waiting list of more than 1,750 buyers



The cover of the real estate magazine Moment June 2013 and an example of the most recent sales campaign

1) Until 5th of July

Expansion account by Banco Sabadell.

The change for those who feel
the moment has come.



B Sabadell

Chosen by the best in business. And by people like you.

Annex

Contribution from the incorporation of BMN-Penedés and Lloyds Spain. June 2013.

Euros in million

	Penedés	Lloyds
Net interest income	7.3	--
Commissions	4.4	--
Trading income and Forex	0.8	--
Other operating results	0.1	--
Gross Operating Income	12.6	--
Personnel Costs	-7.8	--
Administrative Costs	-2.4	--
Depreciations	-0.6	--
Pre-provisions Income	1.8	--
Gross loans to customers ex repos	9,778.4	1,625.1
On-balance sheet customer funds	8,516.5	739.7