

Banco Sabadell

3Q13 Results



October 24th, 2013

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1. 3Q in summary

 2. 3Q13 Results

 3. Commercial activity and liquidity

 4. Risk and capital management

 5. Managing real estate assets

 6. New strategic business plan

1. 3Q13 in summary

3Q13 in summary

- ✓ Net interest income has reached its trough and is increasing
- ✓ Strong commercial activity with market share gains in several segments of the market
- ✓ The old B. CAM network is closing the gap with the Sabadell network in terms of profitability and cross selling
- ✓ The reclassification of restructured loans within the Sabadell-B.CAM perimeter has been completed implying 321 million euros in provisions which were already booked in the second quarter; reclassification of the additional perimeter will take place in 4Q
- ✓ Core capital ratio of 11.4% following the capital increase of 1.4 billion euros
- ✓ The main focus is now on profitability and revenue improvement in the acquired businesses

2. 3Q13 Results

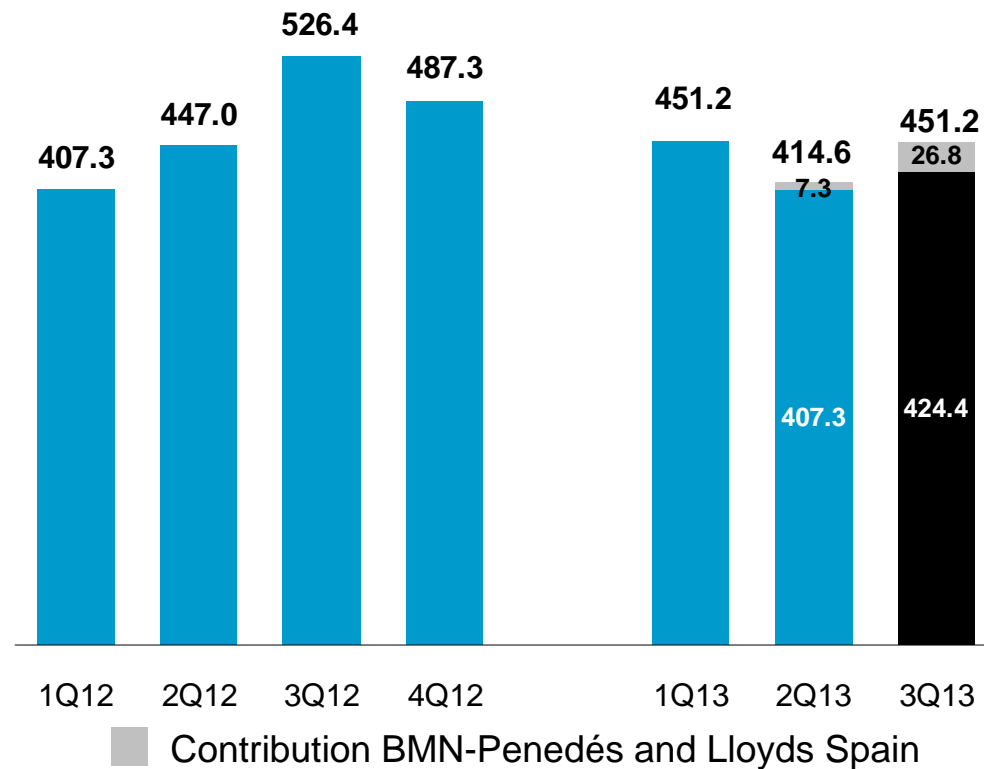
September 2013 Results

	Sep. 12	Sep. 13	% var 13/12
Net Interest Income	1,380.7	1,317.0	-4.6%
Equity Method & Dividends	2.0	13.2	--
Commissions	453.4	549.9	21.3%
Trading Income & Forex	408.4	1,276.2	212.5%
Other Operating Results	-90.7	-143.8	58.5%
Gross Operating Income	2,153.8	3,012.4	39.9%
Personnel Costs	-709.4	-808.6	14.0%
Administrative Costs	-361.1	-431.8	19.6%
Depreciations	-112.8	-161.0	42.7%
Pre-provisions Income	970.5	1,610.9	66.0%
Total Provisions & Impairments	-2,170.5	-1,334.3	-38.5%
Gains on sale of assets	29.1	15.3	-47.4%
Badwill	933.3	0.0	--
Profit before taxes	-237.6	291.9	--
Taxes and others	328.2	-105.8	--
Attributable Net Profit	90.6	186.1	105.4%

Note: 2013 includes four months of the BMN-Penedés network and three months of Lloyds Spain.
Euros in million

Net interest income evolution

Euros in million



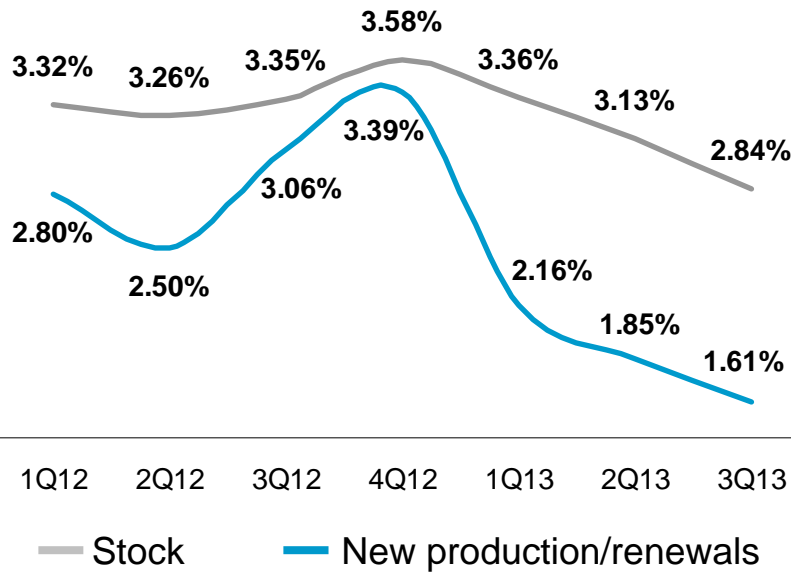
Net interest income has reached the turning point and increases by 8.8% QoQ

4.2% growth QoQ excluding BMN-Penedés and Lloyds Spain

... driven by further reduction of the cost of customer funds ...

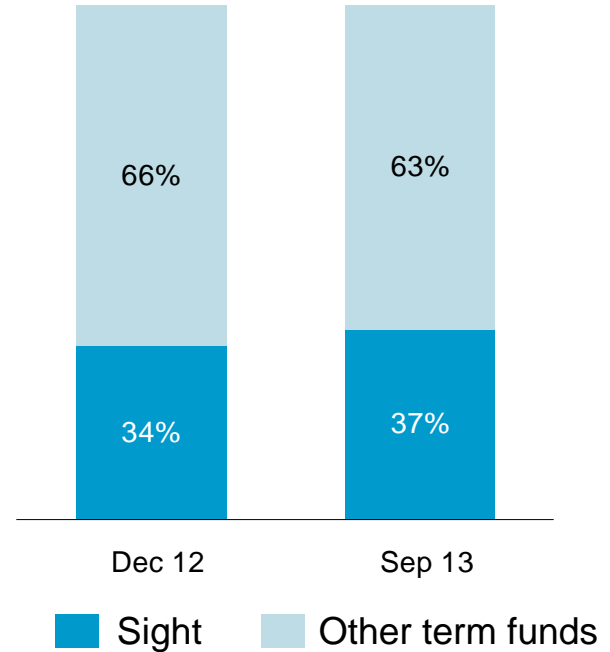
Contractual rates on term deposits

In percentage



Share of sight deposits out of total customer funds

In percentage

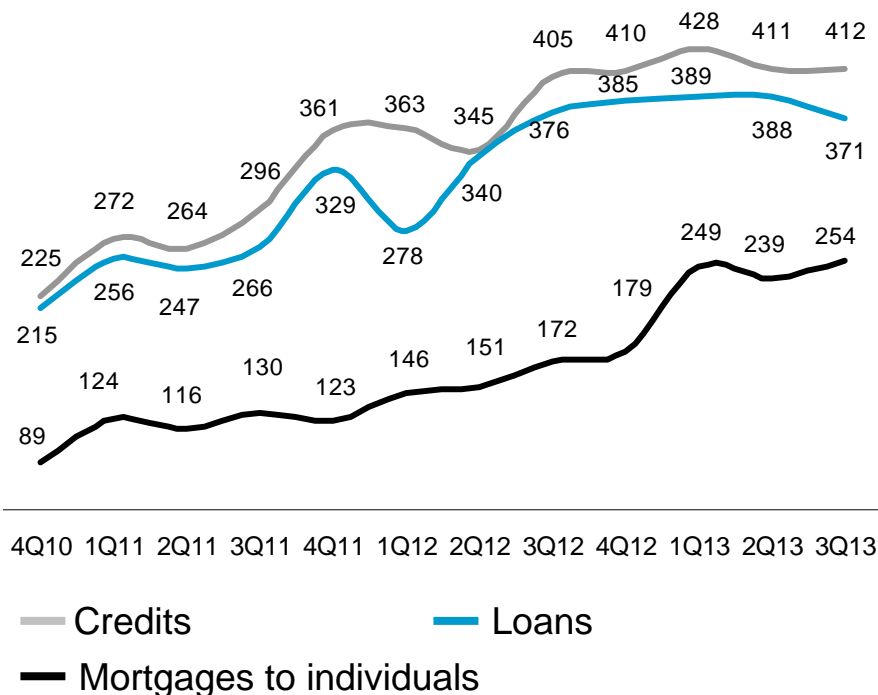


**The cost of new deposits is declining.
Sight deposits increase their weighting**

Note: Contractual rates on term deposits do not include BMN-Penedés nor Lloyds Spain.

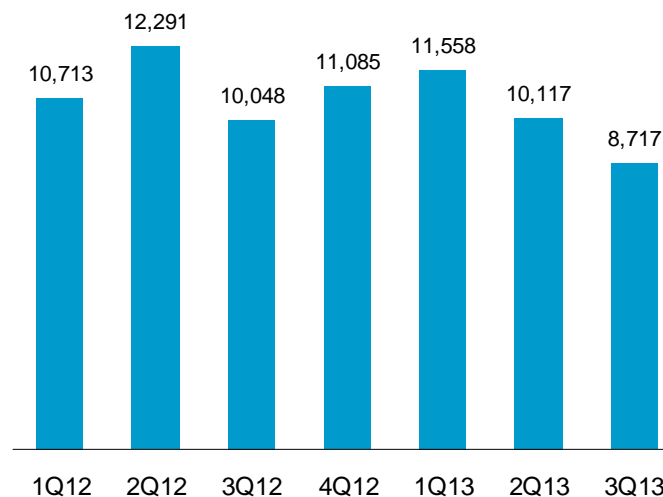
Loan book spreads, new production/renewals

Basis points



Re-priced loans, quarterly evolution

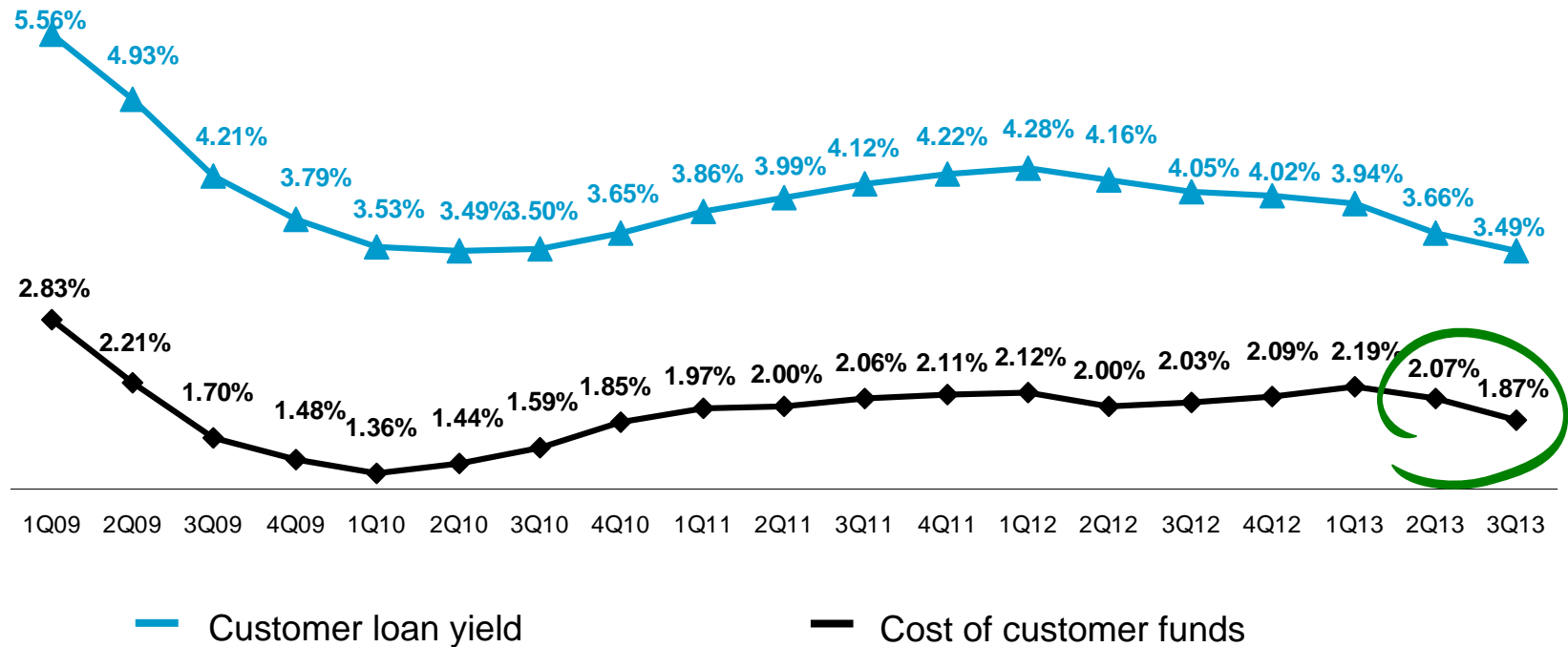
Euros in million



Note: The front book spreads are weighted averages in the quarter. Re-priced loans do not include BMN-Penedés nor Lloyds Spain.

Customer loan yield and cost of customer funds

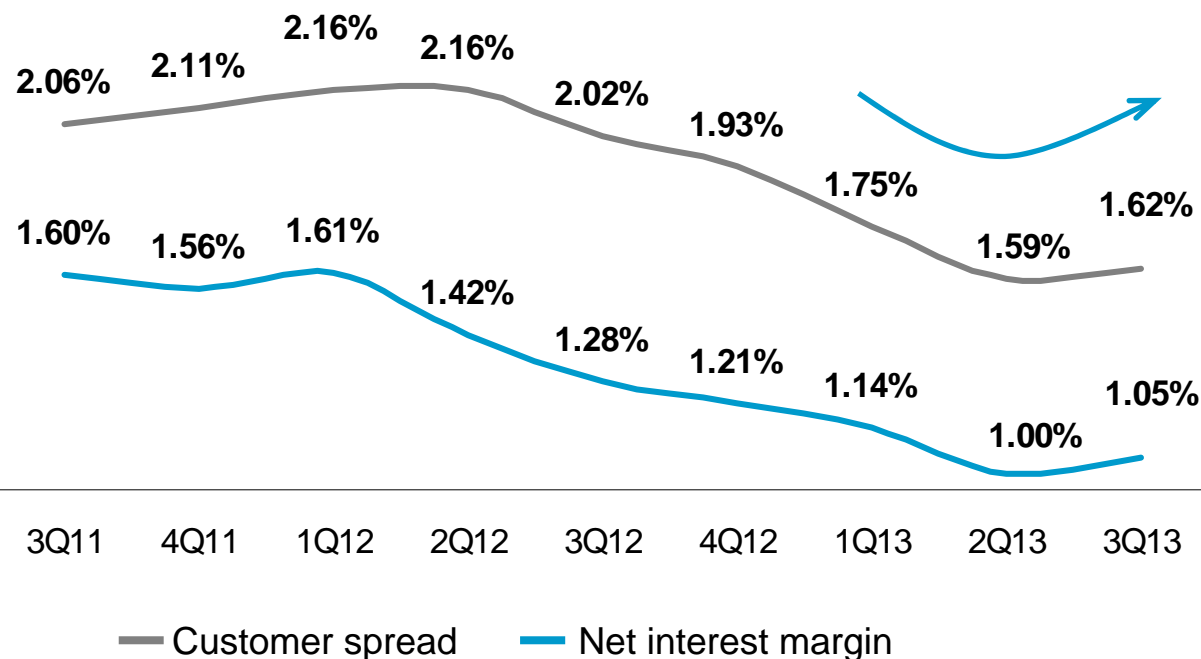
In percentage



Having reached the turning point in the customer spread and NIM

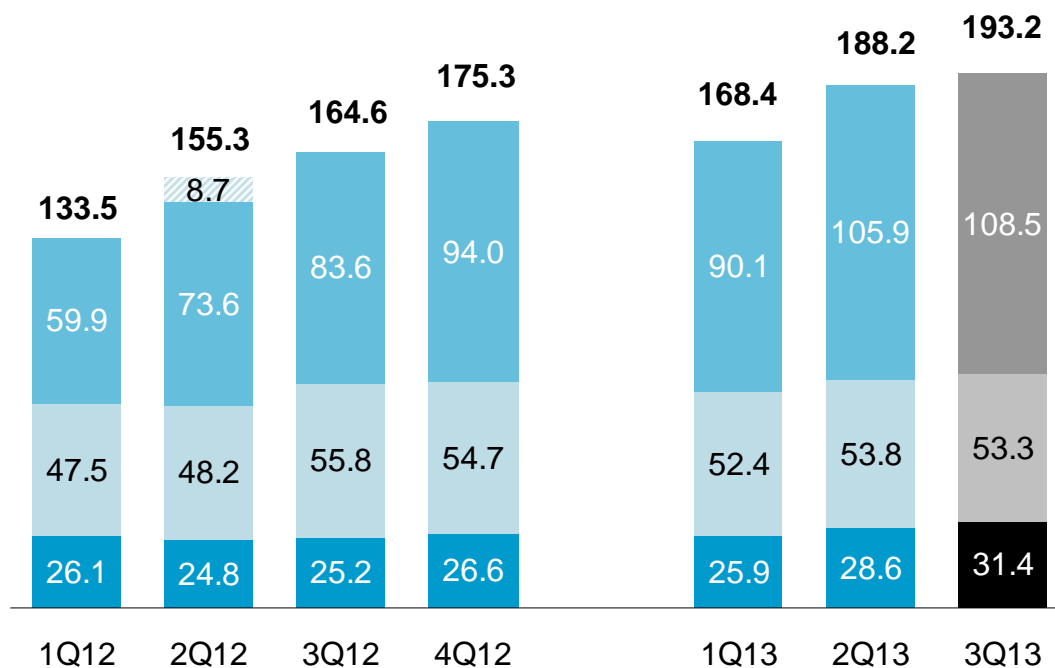
Margin evolution

In percentage



Commission income evolution

Euros in million



Commissions 9M13:

+21.3% YoY

+17.3% YoY, excl. BMN-Penedés and Lloyds Spain

■ Asset Mgmt¹
 ■ Lending
 ■ Services

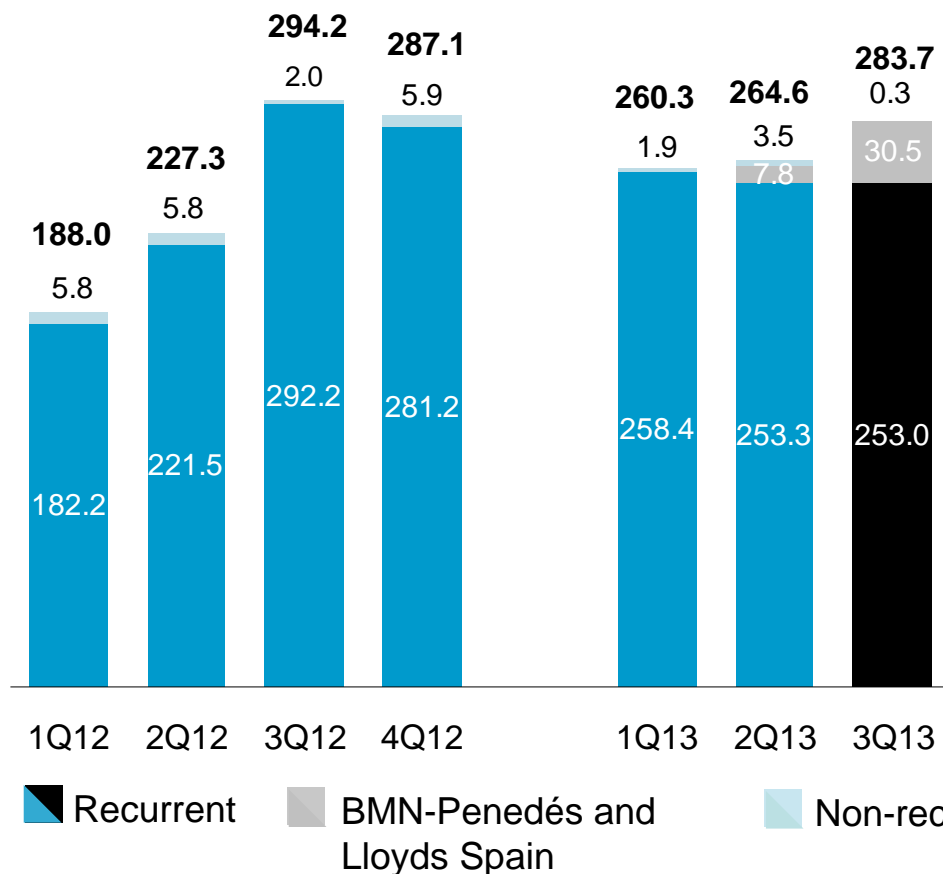
■ Commissions from fixed income issuance

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

Personnel expenses are kept under control ...

Personnel expenses evolution

Euros in million



Personnel expenses 9M13:
+14.0% YoY

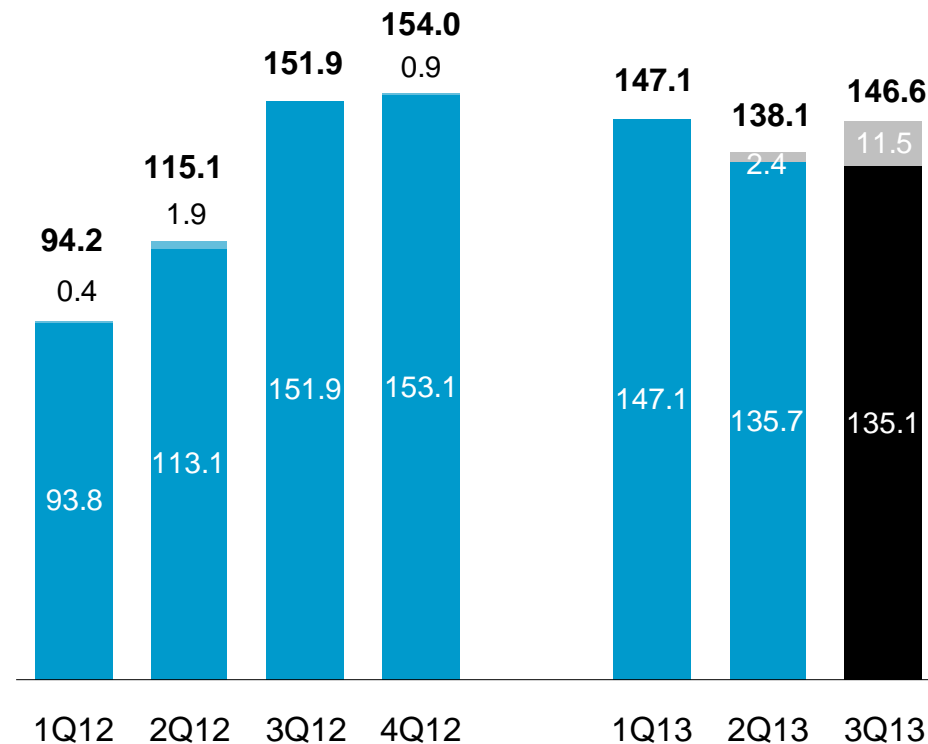
Personnel expenses on a like-for-like basis* 9M13:

-13.2% YoY

* Including Banco CAM, BMN-Penedés and Lloyds Spain in 2012 and excluding non-recurrent expenses.

General expenses evolution

Euros in million



General expenses 9M13:
+19.6% YoY

General expenses on a like-for-like basis* 9M13:

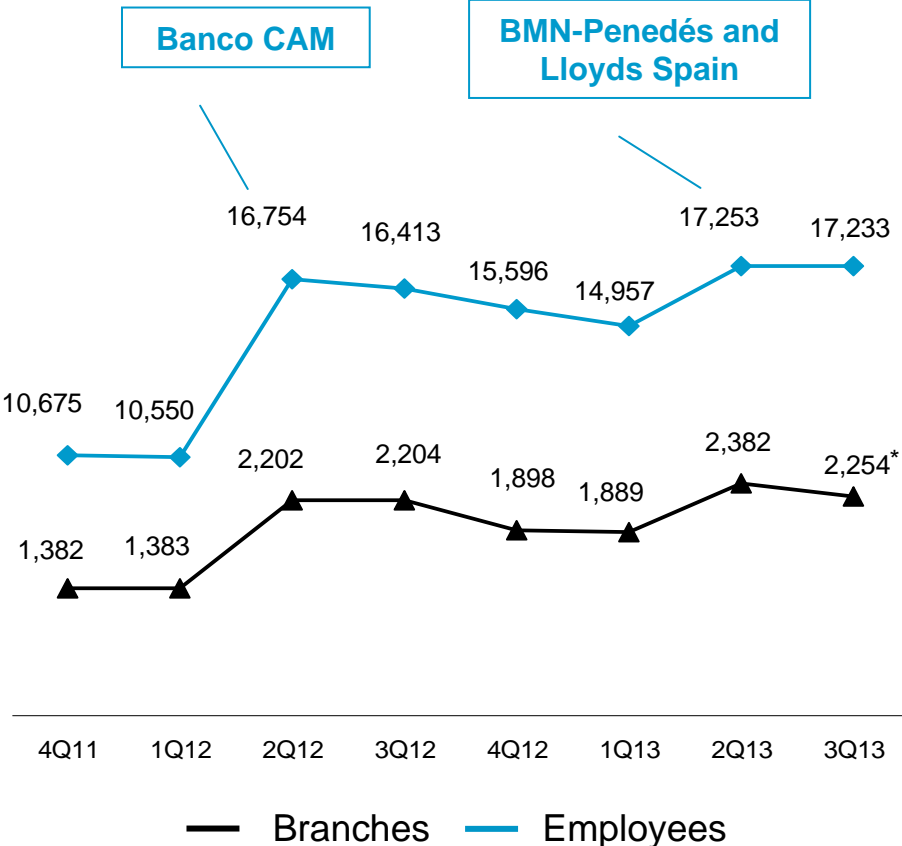
-9.5% YoY

■ Recurrent
 ■ BMN-Penedés and Lloyds Spain
 ■ Non-recurrent

* Including Banco CAM, BMN-Penedés and Lloyds Spain in 2012 and excluding non-recurrent expenses.

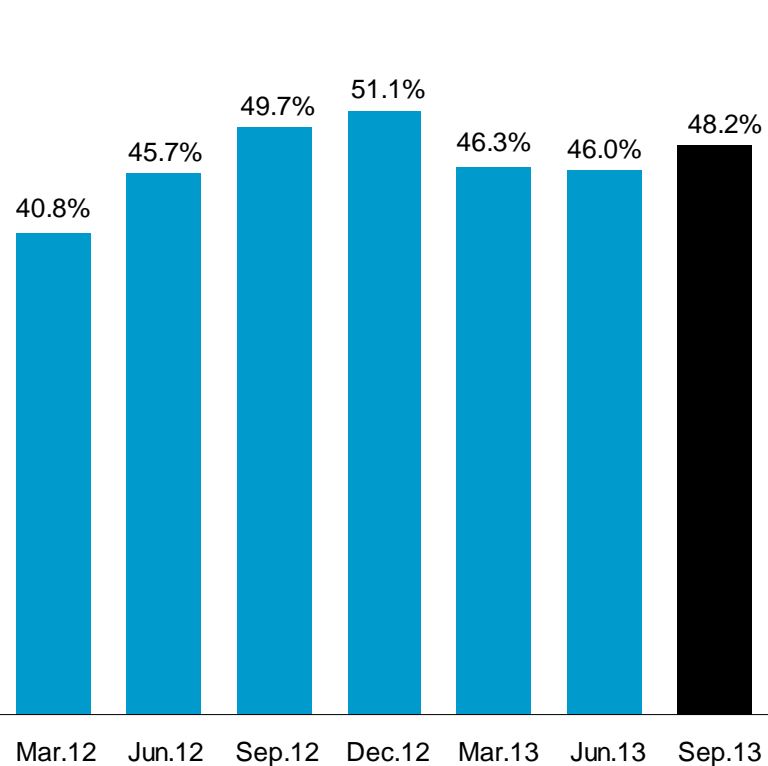
Employee and branch evolution

In number



Cost income evolution

In %



* Following the closure of 128 branches related to the integration of BMN-Penedés, which took place in October 2013
 Note: Cost income ratios are adjusted for non-recurrent trading income

3. Commercial activity and liquidity

6.2 million customers including BMN-Penedés and Lloyds Spain

Remarkable success in customer gathering

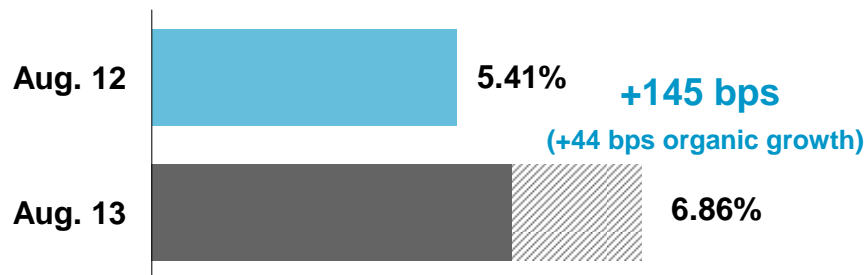
	Jul. 13	Aug. 13	Sep. 13	3Q13
Individuals	35,582	22,870	29,885	88,337
Companies	8,226	4,017	5,676	17,919

8,100 new customers every week

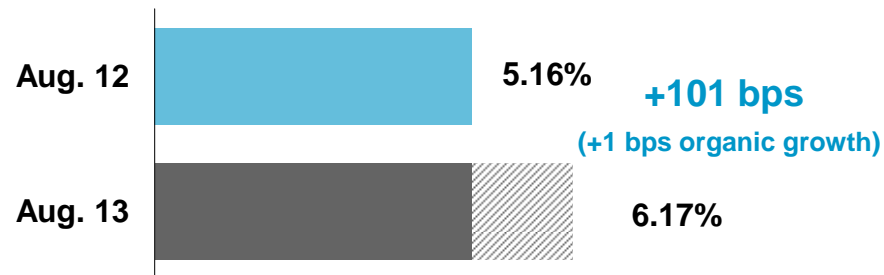
The main driver is customer value, particularly in the old B. CAM network

... and gaining market share both in individuals ...

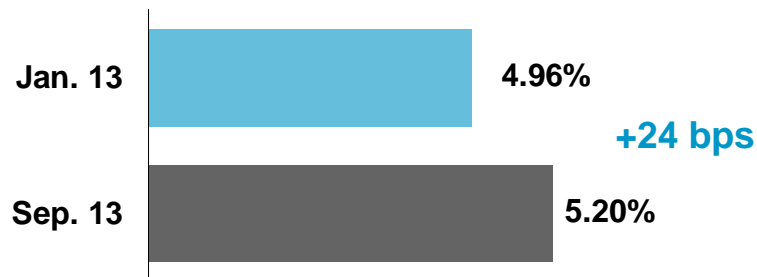
Household deposits¹



Household loans



Payroll accounts



Transactionality²



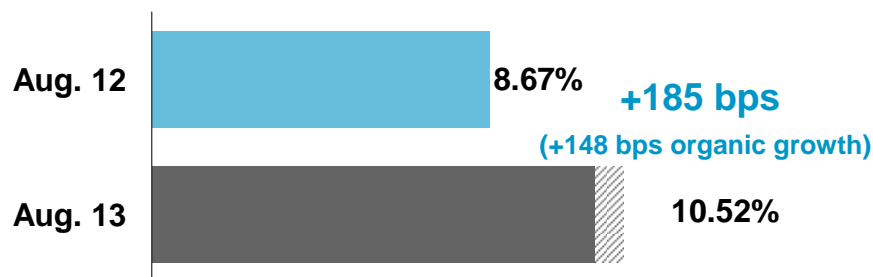
▨ Contribution BMN-Penedés and Lloyds Spain

Note: Payroll accounts and transactionality do not include BMN-Penedés nor Lloyds Spain

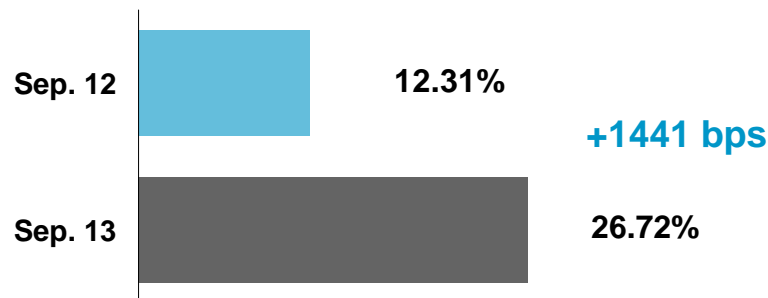
¹ Including term and sight deposits and repos

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

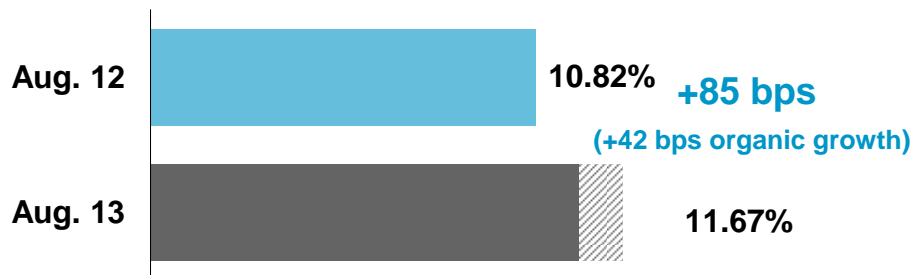
Corporate credit



ICO loans (publicly subsidised)



Sight deposits companies



Volume at BS card PoS



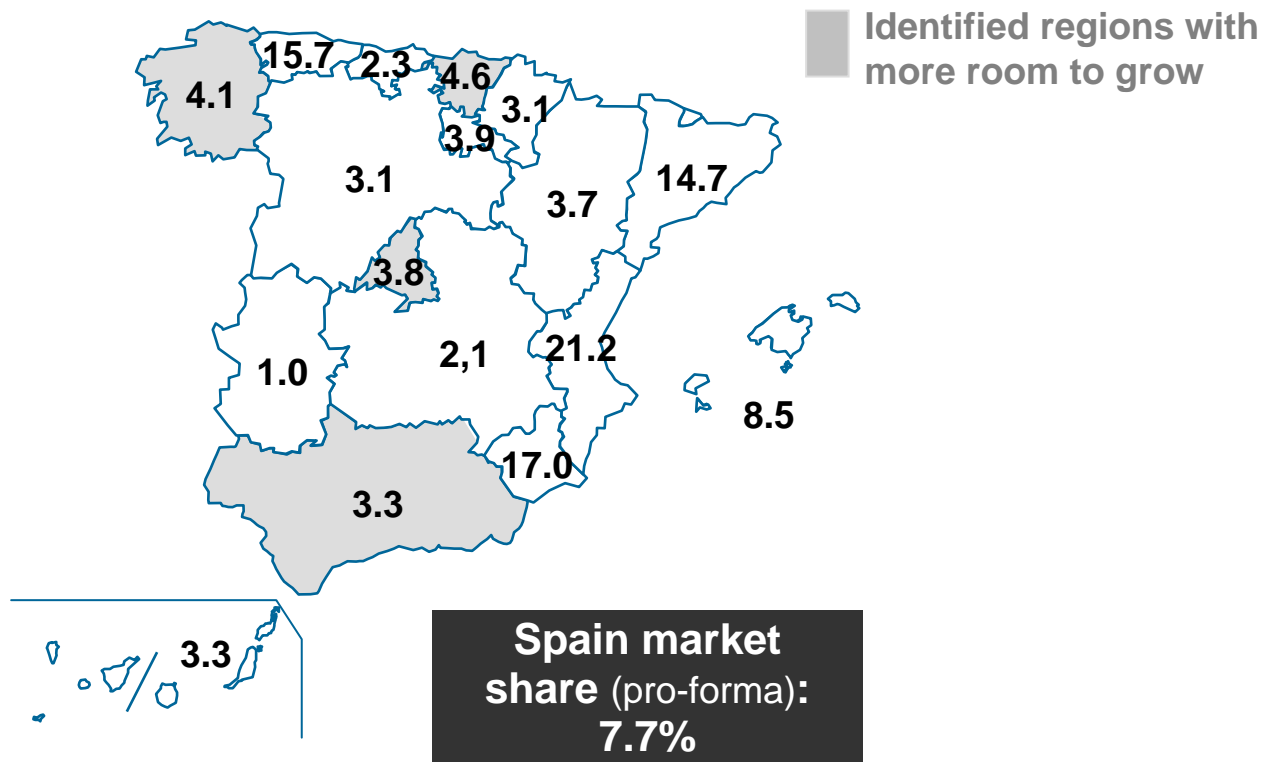
Contribution BMN-Penedés and Lloyds Spain

Sabadell continues to provide credit to SMEs and corporates

Opportunity to gain further market share organically ...

There is still room to grow in certain regions

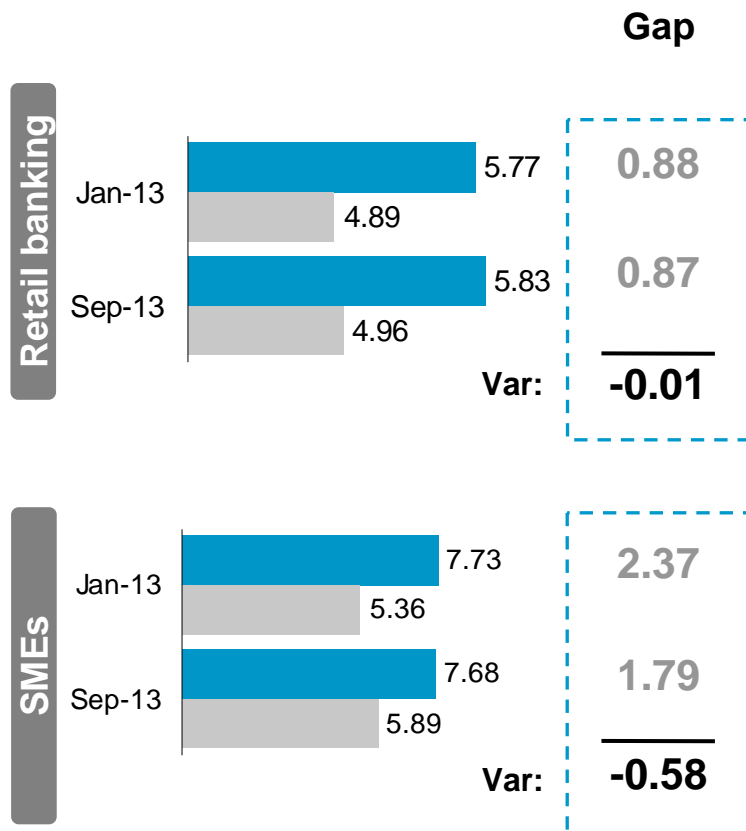
Banco Sabadell market share* by region



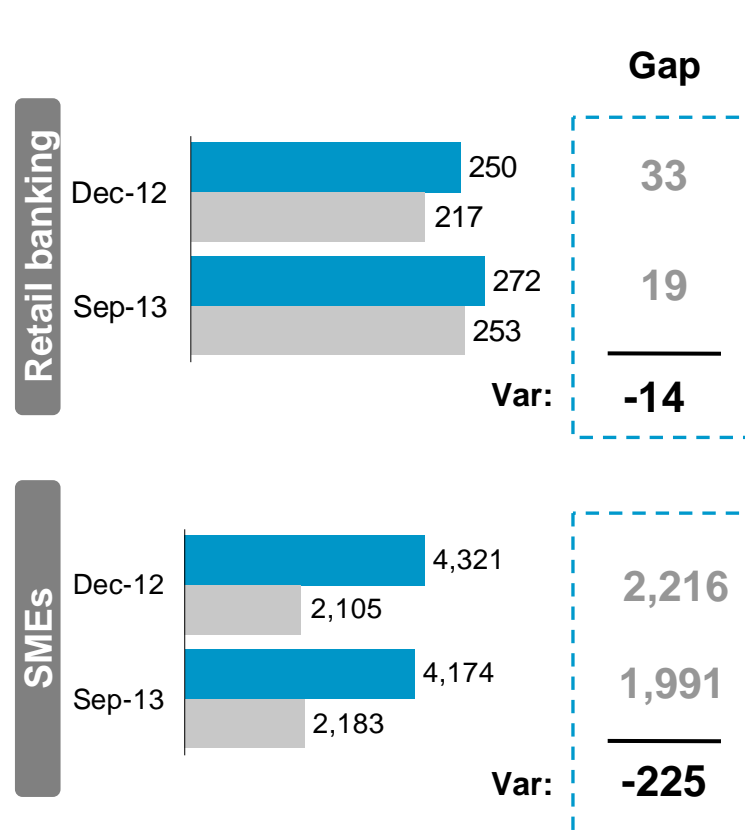
* Loans and deposits as of June 2013, pro-forma including Banco Gallego.

... and taking advantage of cross selling normalisation in the network

Products per customer*



Customer income generation (Euros)



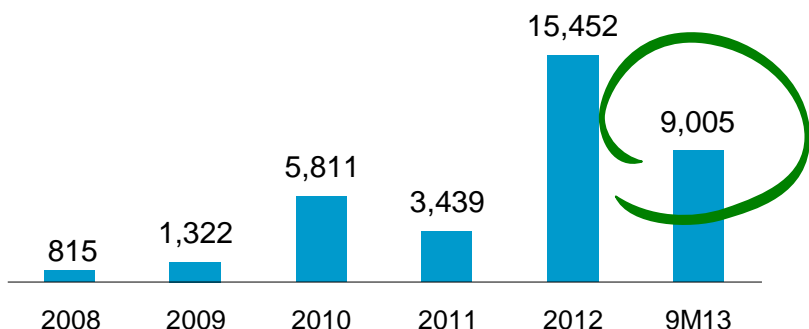
■ BS ■ B.CAM

* Average number of contracts per principal account holder

Continued high level of commercial gap: €9,005M

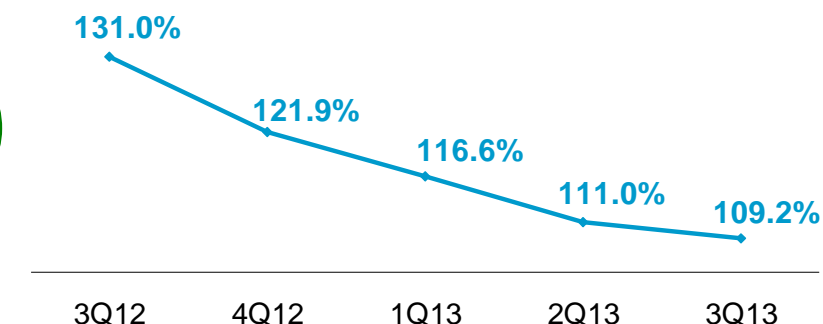
Change in commercial gap

Euros in million



Loan to deposit ratio

In percentage



Customer funds and loans evolution

Euros in million

	Sep-12	Dec-12	Sep-13	% Var. YoY
On-balance sheet customer funds	75,058	80,179	91,855	22.4%
Other on-balance sheet term funds ¹	47,774	53,095	57,953	21.3%
Sight deposits	27,284	27,085	33,902	24.3%
Off-balance sheet funds	20,868	20,659	22,778	9.2%
Mutual funds	8,561	8,585	10,052	17.4%
Pension funds	3,576	3,709	3,883	8.6%
Third party insurance products	7,699	7,313	7,294	-5.3%
Total funds	95,926	100,838	114,633	19.5%
Gross loans to customers ex repos	119,371	115,392	118,551	-0.7%

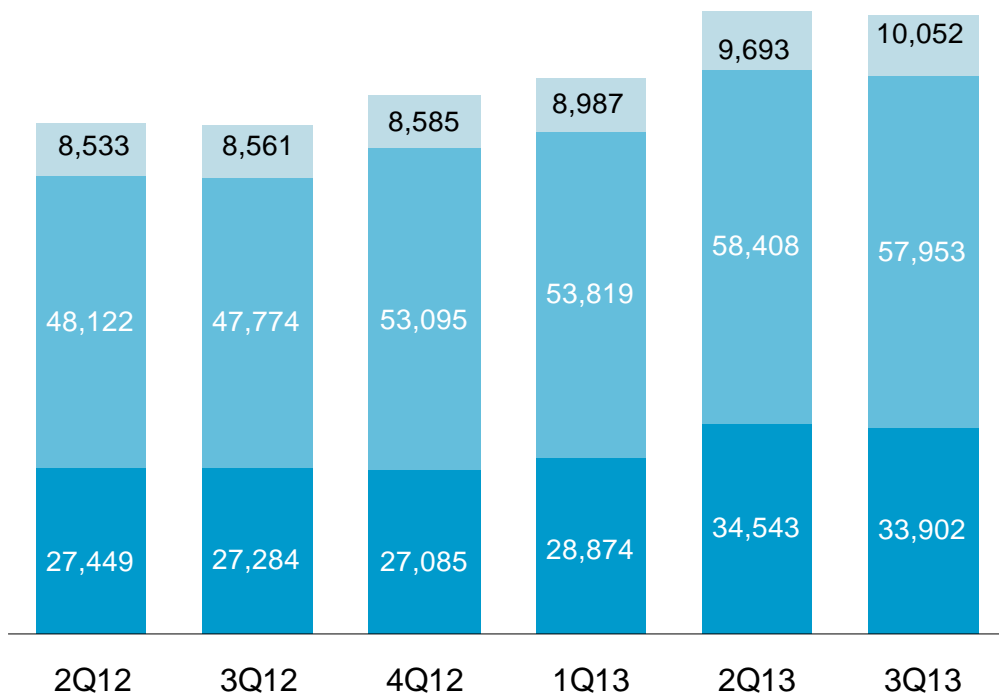
¹ Other on-balance sheet term funds include term deposits and other funds placed in the retail network: preference shares, mandatory convertible bonds, senior debt, commercial paper and other. Excludes repos.

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

Banco Sabadell continues to take advantage of the *flight to quality*

Evolution of customer funds and mutual funds

Euros in million



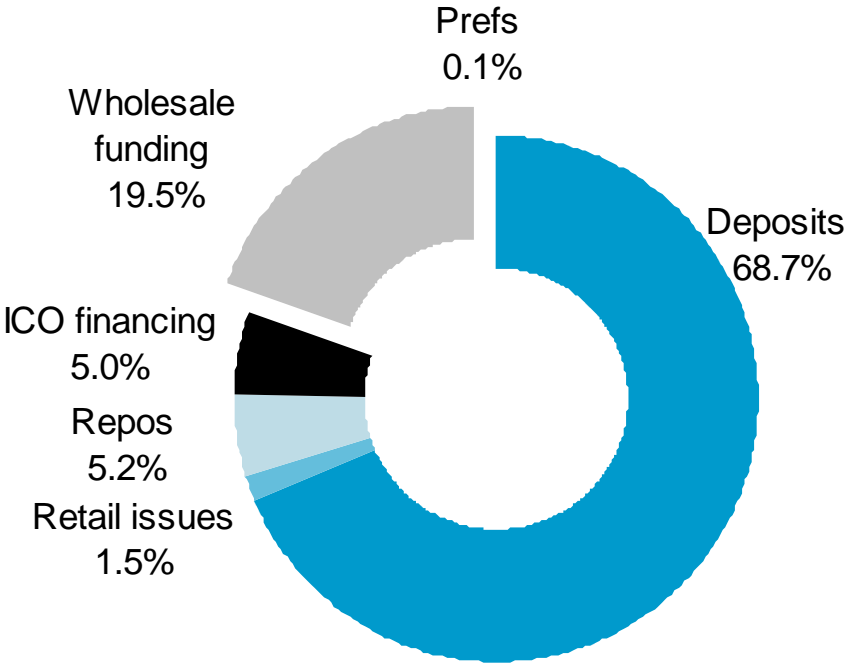
Sustained high level of customer funds and mutual funds



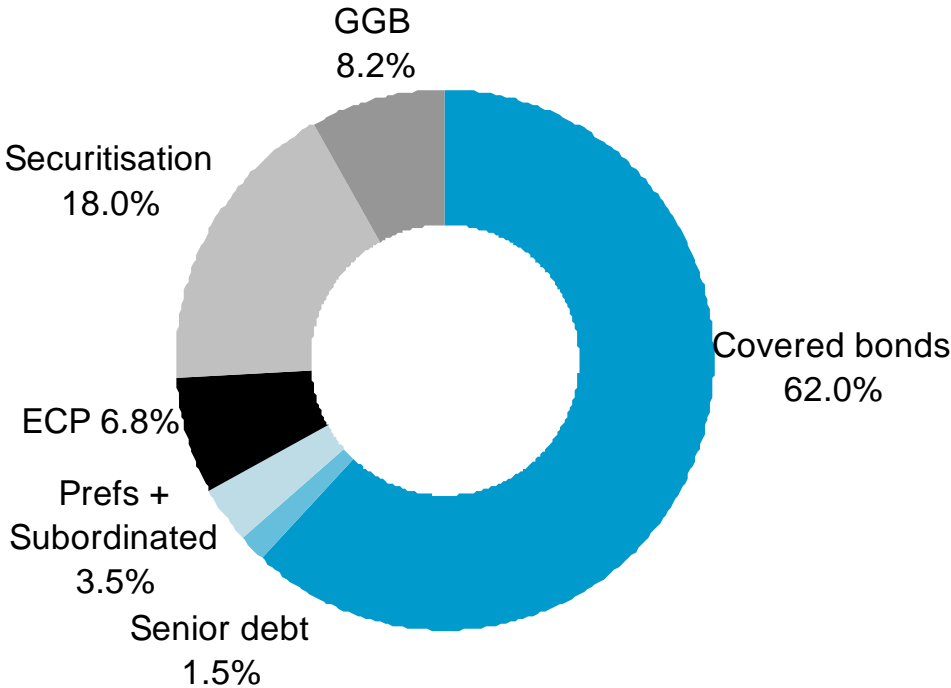
Note: on-balance sheet term funds include term deposits and other funds placed in the retail network: preference shares, mandatory convertible bonds, senior debt, commercial paper and other. Excludes repos.

Maintaining a balanced funding structure ...

Group funding structure

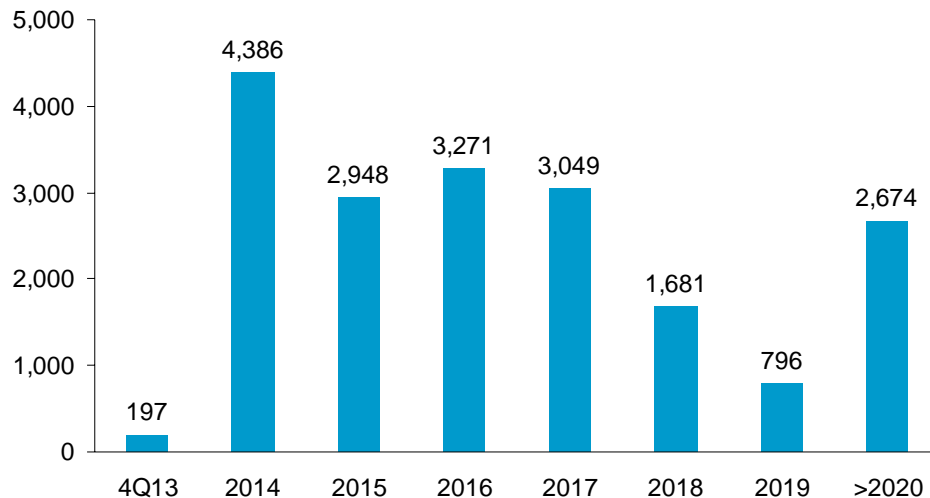


Group wholesale funding breakdown



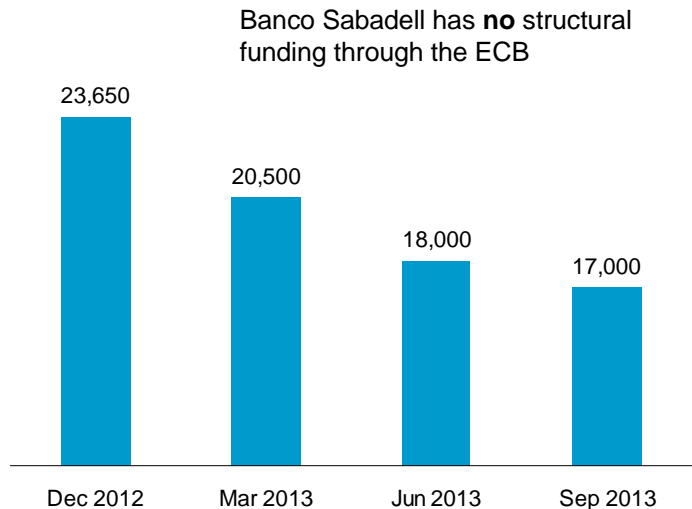
Group wholesale funding maturities

Euros in million



ECB liquidity position

Euros in million



Maturity by product type

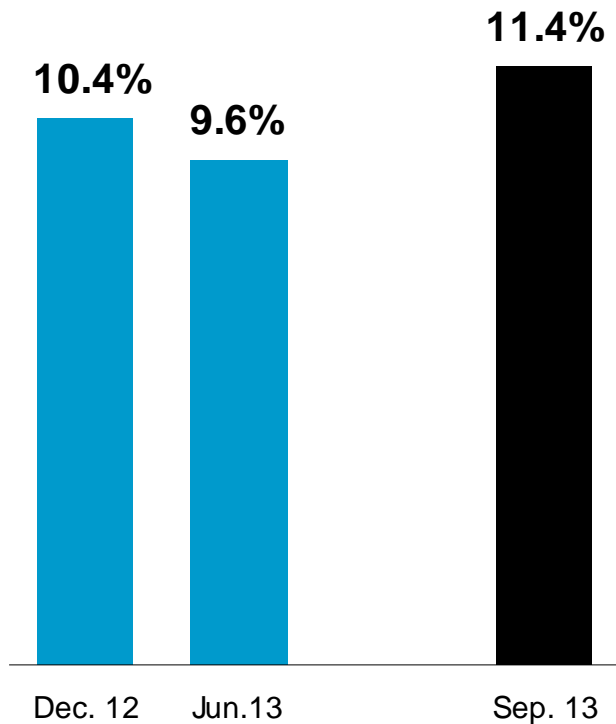
Euros in million

	4Q13	2014	2015	2016	2017	2018	2019	>2020	Outst. Amount
Covered Bonds (CH)	197	3,311	2,948	2,815	1,906	1,563	796	2,132	15,667
Covered Bonds (CT)	0	0	0	0	0	0	0	0	0
GGB	0	1,005	0	0	1,066	0	0	0	2,071
Senior Debt	0	0	0	157	0	100	0	25	282
Preferred Shares and Subordinated Debt	0	0	0	299	77	0	0	499	876
Other mid- and long-term financial instrument	0	70	0	0	0	18	0	18	106
Total	197	4,386	2,948	3,271	3,049	1,681	796	2,674	19,002

4. Risk and capital management

Core capital evolution

In %



Capital actions in 2013: Capital increase of €1.4bn

- ✓ Transaction in two stages:
 - ABB offering: Issue of 366.3 million new shares at €1.64 per share
 - Rights offering: Issue of 666 million new shares 1:5 (1 new share for every 5 old shares) at a subscription price of €1.1 per share

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

Euros in million

	4T12	1T13	2T13	3T13
Ordinary net entries	1,094	388	760	365
Change in RE assets	234	394	1	218
Net entries + Change in RE assets	1,327	782	761	583
Write-offs	387	247	305	105
Quarterly change in ordinary non-performing assets	940	535	456	478
	4T12	1T13	2T13	3T13
NPLs volume ex- reclassified	10,287	10,428	10,883	11,143
RE assets	5,926	6,320	6,321	6,539
NPLS ex-reclassified+ RE assets	16,213	16,748	17,204	17,682
Substandard exposure ex-reclassified	2,844	2,897	2,755	2,246
Total ordinary problematic assets ex-APS	19,057	19,645	19,959	19,928
Reclassified loans			378	1,509
Reclassified substandard				1,016
Acquired businesses (NPL,RE Assets and substandard)			1,743	234
Total problematic assets ex-APS	19,057	19,644	22,077	24,806
Total provisions ex-APS	9,410	9,516	10,581	10,506
Coverage ex-APS	49.4%	48.4%	47.9%	42.4%

The reclassification of restructured loans in the Sabadell-B.CAM perimeter has been completed

Note: 321 million euros of provisions were booked in the second quarter related to the reclassification of refinanced loans in the Sabadell-B.CAM perimeter. Reclassification related to the recently acquired businesses to be done in the following quarter

NPL ratios by segment

NPL ratios by segment, ex-APS

In percentage

	3Q12	4Q12	1Q13	2Q13	3Q13	
					Reclassified as NPLs Euros in million	NPL ratios post-reclassifications
Real Estate development and/or construction purposes BS stand-alone	26.87% 25.01%	32.50% 29.96%	38.38% 36.03%	42.99% 41.42%	1,068	55.73% 55.26%
Construction purposes non-related to real estate development BS stand-alone	4.28% 3.92%	5.53% 5.04%	5.96% 5.76%	7.94% 5.87%	5	9.84% 6.62%
Large corporates BS stand-alone	6.92% 3.43%	7.10% 3.88%	7.40% 4.10%	7.48% 4.16%	276	8.91% 6.41%
SME and small retailers and self-employed BS stand-alone	7.98% 7.26%	9.00% 7.30%	8.98% 7.09%	9.81% 7.84%	128	10.93% 7.93%
Individuals with 1st mortgage guarantee assets BS stand-alone	6.67% 3.82%	7.61% 4.41%	8.07% 4.70%	8.17% 4.96%	19	8.78% 5.48%
NPL ratio	8.46%	9.33%	9.69%	10.62%	1,509	12.61%
BS stand-alone	6.78%	7.41%	7.98%	9.25%		11.74%

130 basis points of the NPL ratio increase are explained by the reclassification of refinanced loans, most of which have been in the real estate development and construction segment

Note: NPL ratio is calculated including contingent risk.

The reclassification of refinanced loans in the Sabadell-B.CAM perimeter has been completed with a total impact of 321 million euros of provisions, already booked in the second quarter. Reclassification related to the recently acquired businesses to be done in the following quarter

Maintaining high coverage levels of credit and real estate exposure

Coverage by segment

Split between asset protection scheme and rest

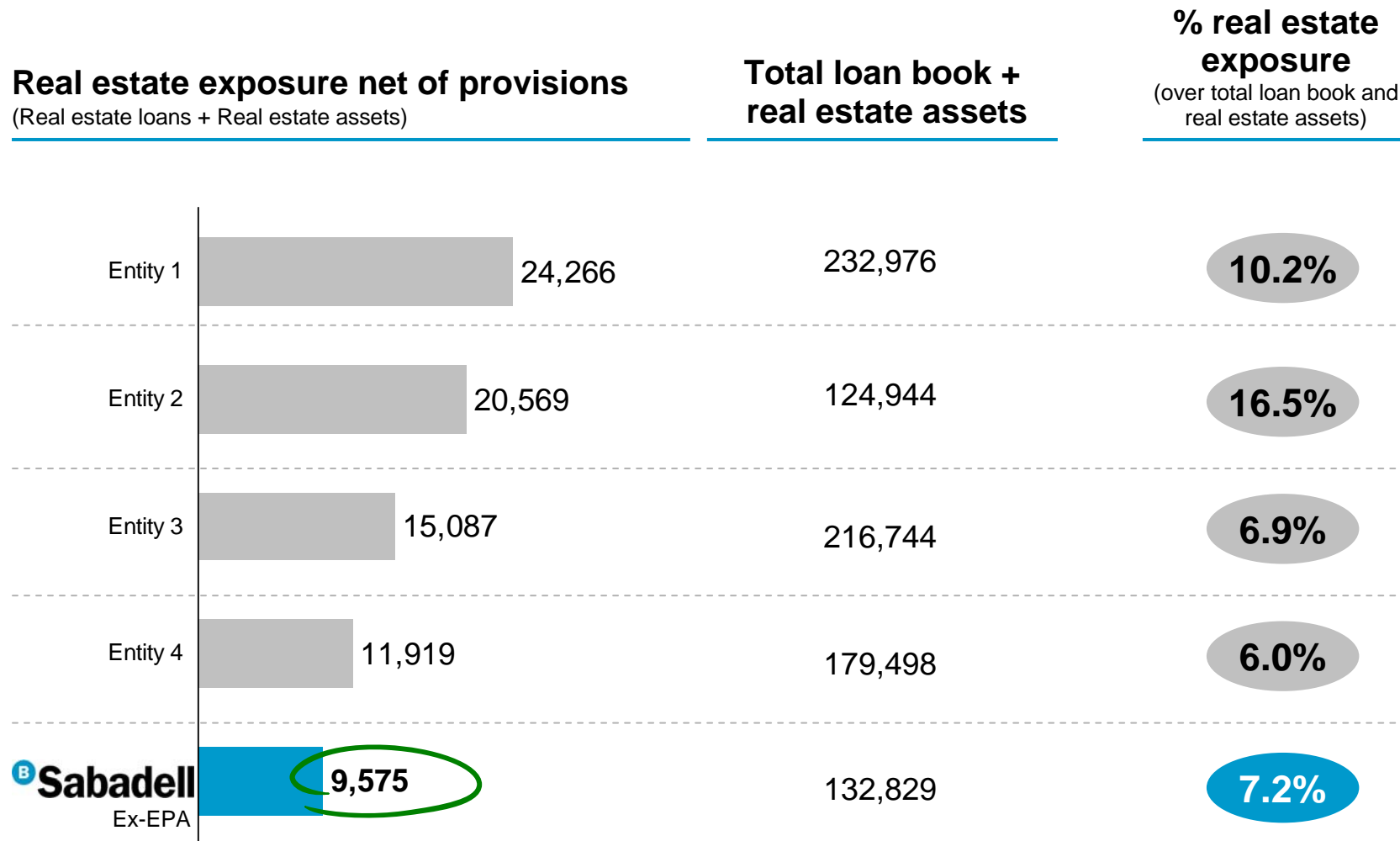
3Q13	Coverage		
	BS ex-APS	APS	Total
Real estate assets	44.1%	43.5%	43.8%
Real estate development loans	36.9%	46.7%	41.2%
Total real estate exposure	39.8%	45.3%	42.3%
Construction	5.1%	37.2%	6.5%
Large Corporates	5.1%	45.8%	7.0%
SME and small retailers and self-employed	5.9%	16.5%	7.1%
Individuals	3.6%	12.1%	4.0%
Rest of loan book	4.3%	21.1%	5.2%
Total	9.2%	37.7%	13.3%

13.3% coverage of total loans and real estate assets

9.2% coverage of total loans and real estate assets, ex-APS

5. Managing real estate assets

Sabadell has a small real estate exposure vs. peers

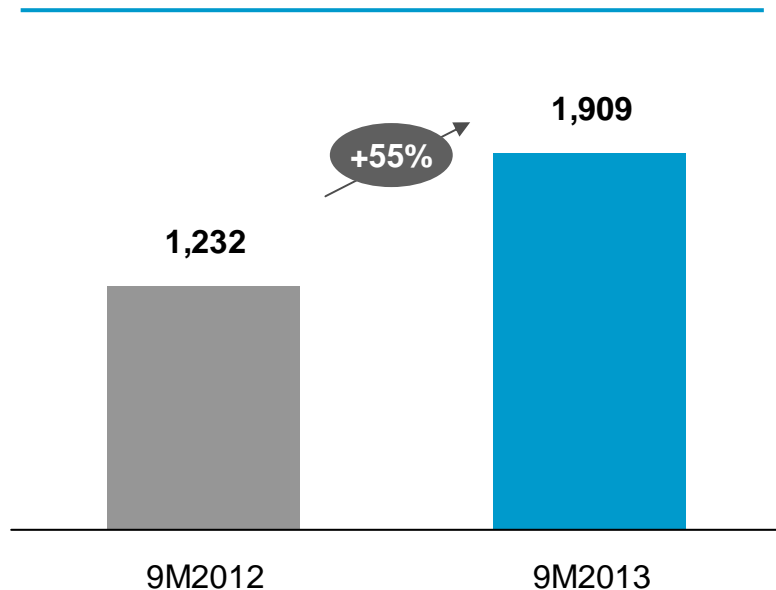


Note: Banco Sabadell data as of September 2013. Sector data as of June 2013. Source: Semi-annual accounts.
Euros in million

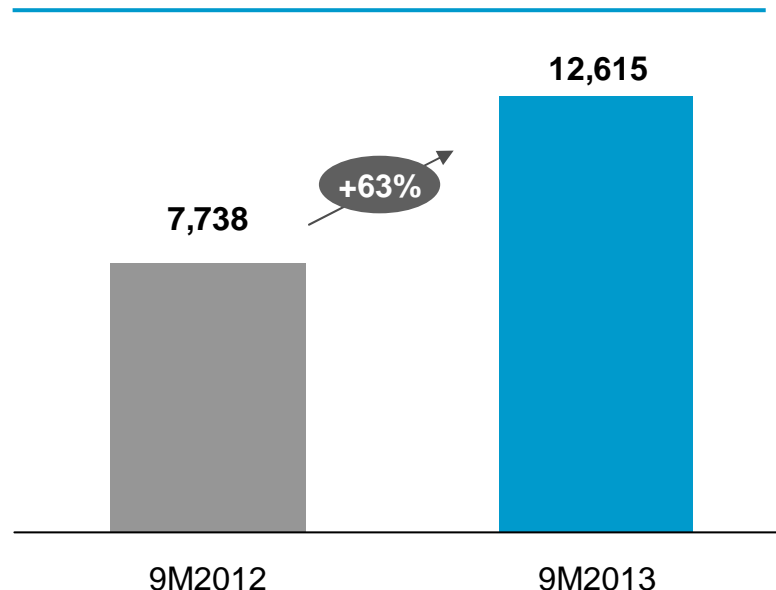
Commercial activity continues to improve ...

Sales evolution

Euros in million



Number of units



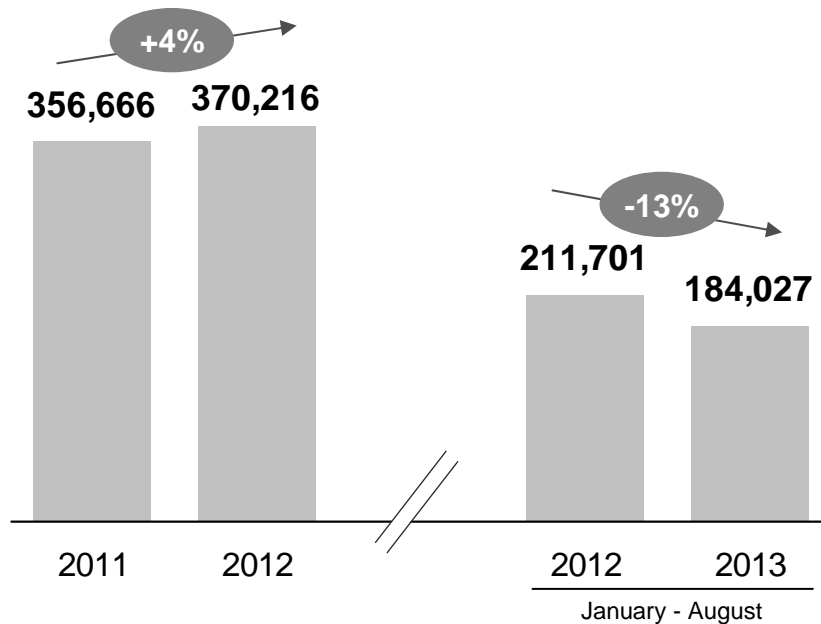
On track to reach 2013 sales targets:

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

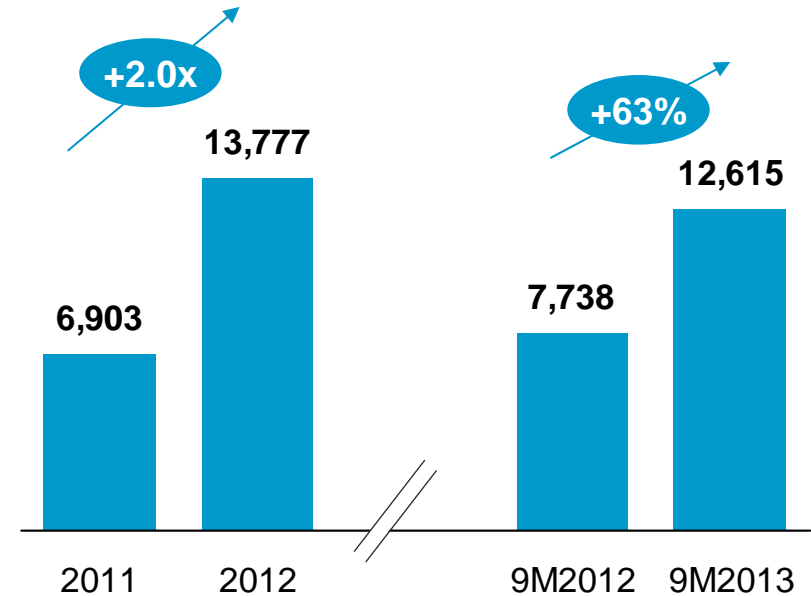
Number of transactions

Units

Market



Banco Sabadell



Transactions continuously increasing along the Mediterranean coast

6. New strategic business plan

Sabadell launches a new business plan

✓ The new business plan of Banco Sabadell takes advantage of its potential to improve profitability, on the basis of a **coverage** ratio above the sector levels, one of the best **capital** ratios and a strong **balance sheet**

Medium term financial targets of the new business plan

ROE	Double-digit
Core Tier I, Basilea III	>10%
Cost income ratio	40%
Loan-to-Deposit Ratio	105%

An achievable plan, even in a scenario of a moderate improvement of the Spanish economy

The new business plan has two different delivery phases

Phase 1

- ✓ Margins improvement due to the re-pricing of the loan book
- ✓ Reduction of deposit costs
- ✓ Convergence in cross selling capacity within the network
- ✓ Opportunity to gain market share organically

Low sensitivity to the recovery of the economy

Phase 2

- ✓ Improvement in interest margins due to the increase of interest rates
- ✓ Loan growth to solvent companies and export segments
- ✓ Stabilisation followed by a decrease in NPLs

Moderate sensitivity to the recovery of the economy

Previous business plans have been successfully implemented

2008-2010



Operational transformation preparing branches for growth

2011-2013



Significant increase in customer gathering

2014-2016

Improving profitability

The details of the new business plan will be released at the end of the year

The new business plan is based on:

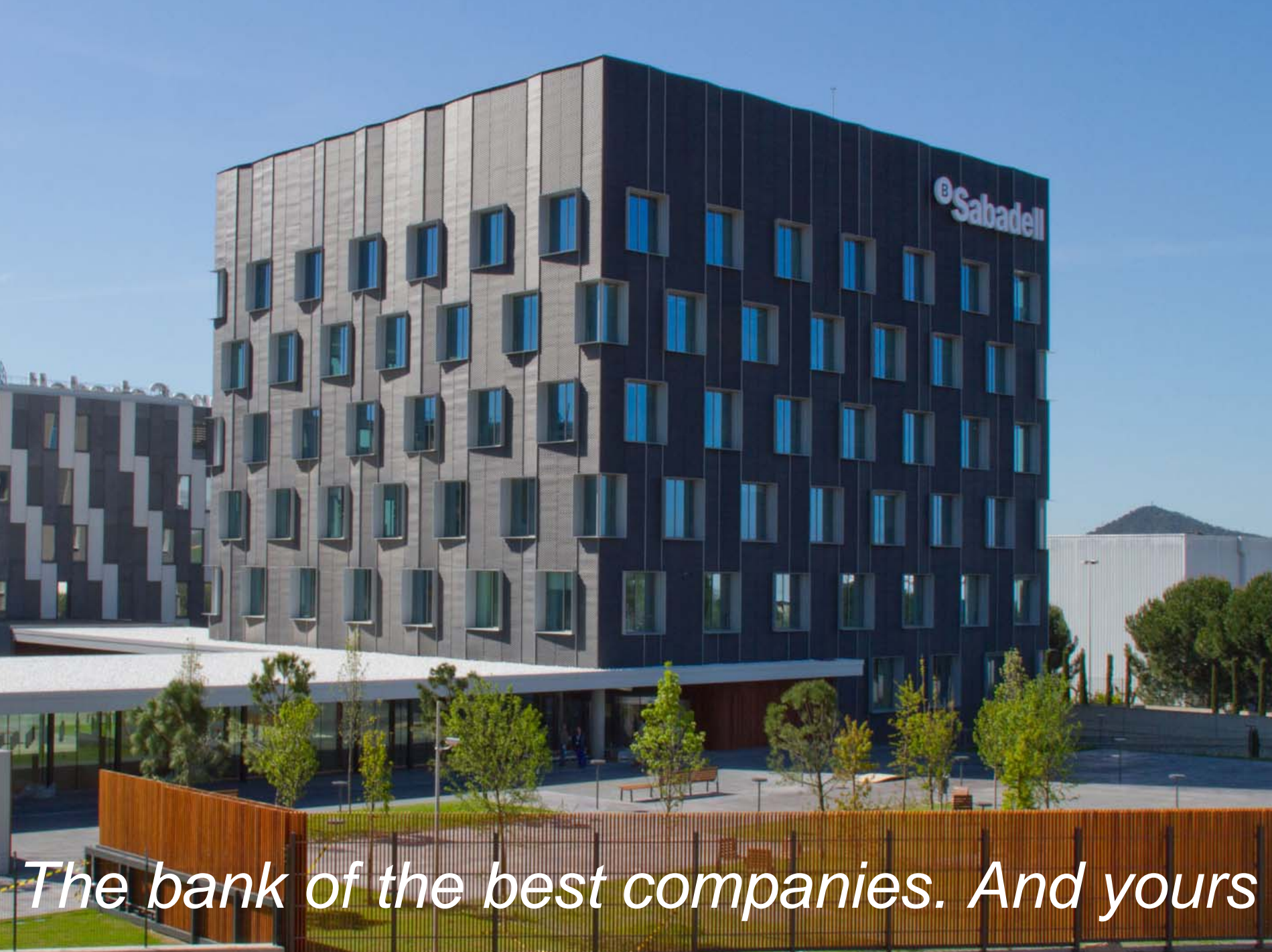
Successful integration of acquired businesses

Strong commercial platform with a national footprint and a wide client base, well positioned to improve profitability

Strong balance sheet allowing for organic growth in an environment where the Spanish economy is gradually recovering



**Launch of
Business plan
2014-2016**



Sabadell

The bank of the best companies. And yours