

Banco Sabadell

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Consejero Delegado

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1. Economic background

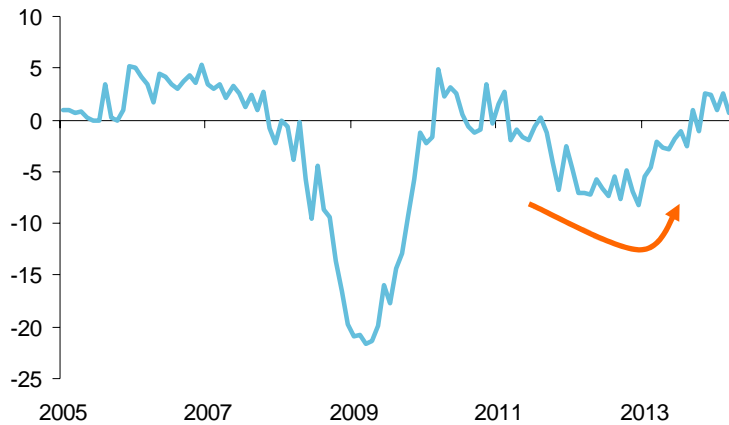
 2. 1Q14 Results review

 3. Managing real estate assets

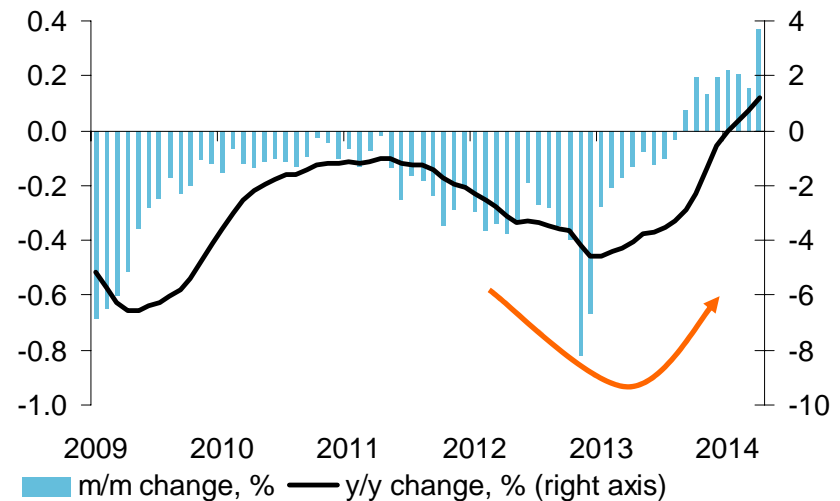
1. Economic background

The economic recovery is gaining traction in Spain ...

Industrial production (year-on-year variation in %)



Social Security contributors (seasonally adjusted)



Real GDP (quarter-on-quarter variation in %)

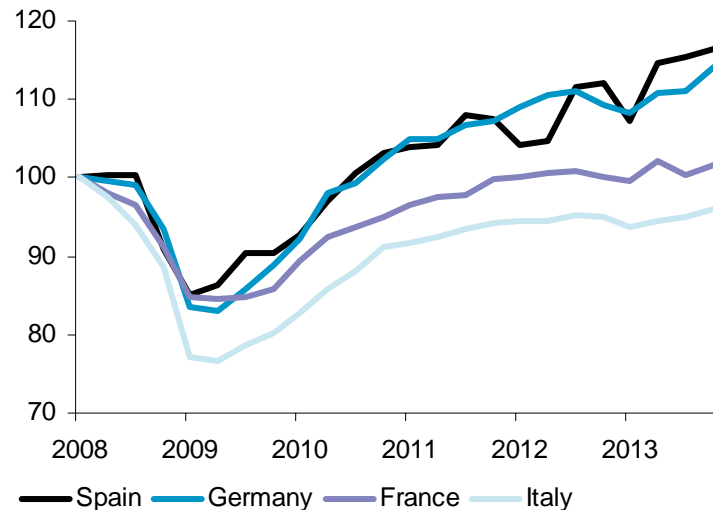
4Q12	1Q13	2Q13	3Q13	4Q13	1Q14
-0.8	-0.3	-0.1	0.1	0.2	0.4

GDP increased in 1Q14 at its fastest pace since early 2008

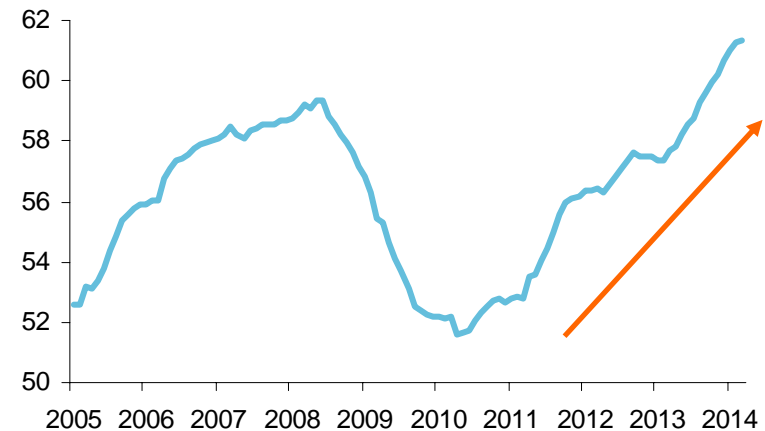
supported by the dynamism of its external sector ...

Exports

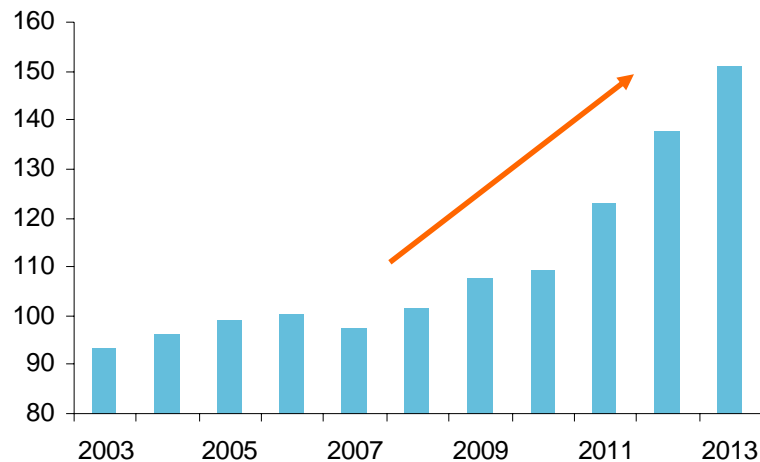
(Q1 2008 = 100)



Tourist arrivals (cumulative 12 months, millions)



Spanish exporting companies (thousands)



Sources: Eurostat, Ministry of Industry and ICEX.

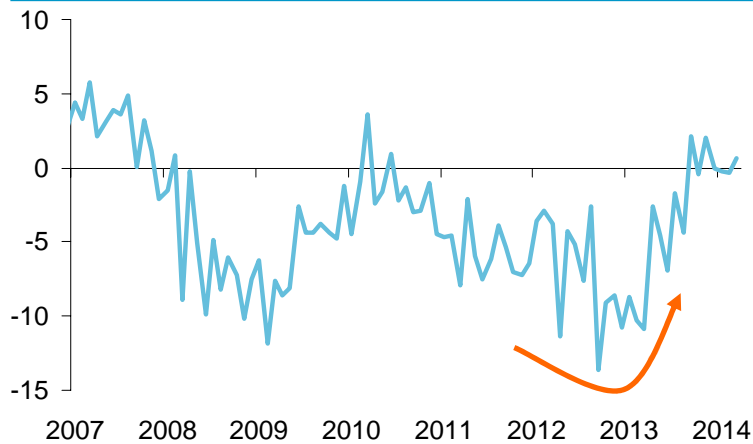
Exporting activity is supported by:

- ✓ Contention of labor costs.
- ✓ The higher geographical diversification of exports.
- ✓ An increasing number of exporting firms.
- ✓ The favorable evolution of the tourism sector.

and the progressive improvement in domestic demand.

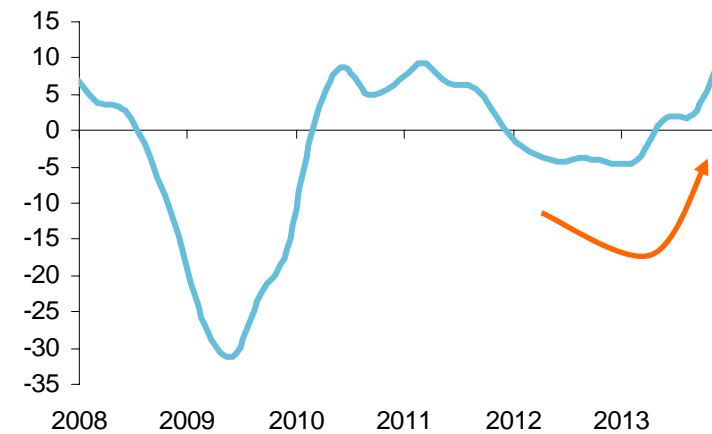
Retail sales

(year-on-year variation in %)



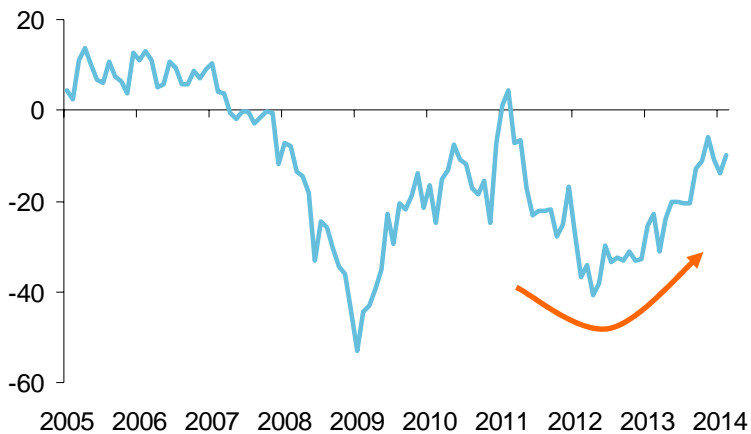
Investment in capital goods

(year-on-year variation in %)



Apparent cement consumption

(year-on-year variation in %, seasonally adjusted)



Domestic demand

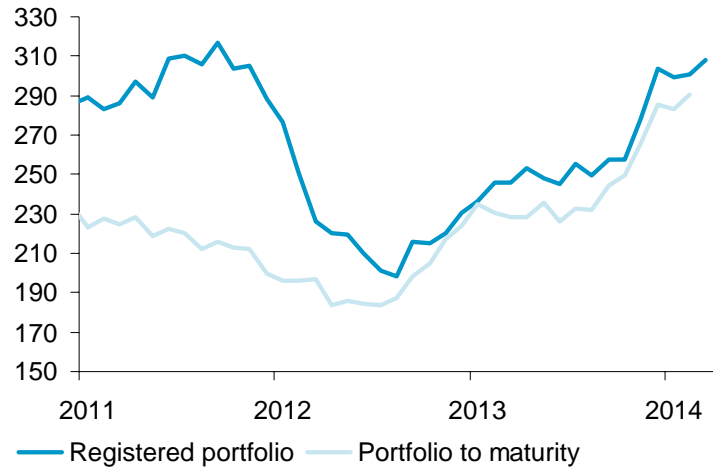
(contribution to GDP growth)

4Q12	1Q13	2Q13	3Q13	4Q13	1Q14
-4.7	-4.3	-3.6	-2.1	-0.6	--

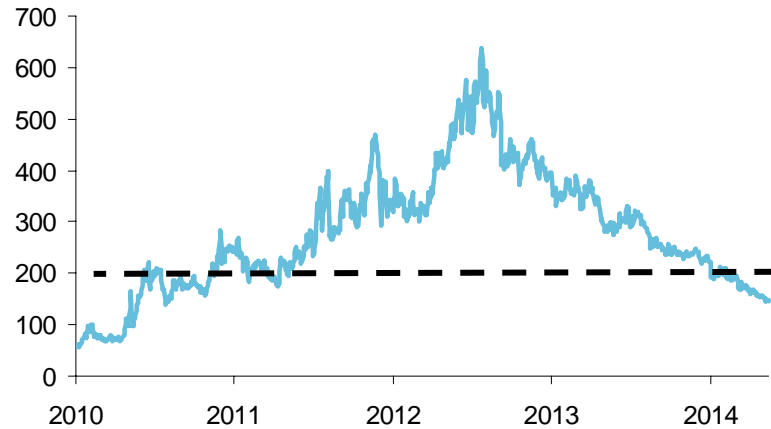
Sources: Bank of Spain, Spanish Statistical Office (INE) and Ministry of Economy.

The recovery is finding support in the more favorable financial conditions, ...

Treasury debt in the hands of non-residents (billions of euros)



Spread of Spanish 10-year government bonds (b.p.)



Recourse to the ECB by the Spanish banks (billions of euros)



Sources: Bank of Spain and Bloomberg.

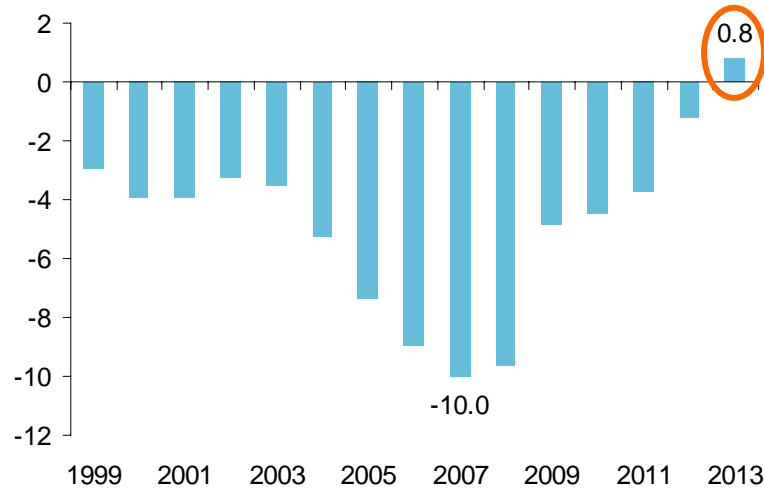
Credit rating

	<i>Rating</i>	<i>Outlook</i>
S&P's	BBB-	Stable
Moody's	Baa2	Positive
Fitch	BBB+	Stable

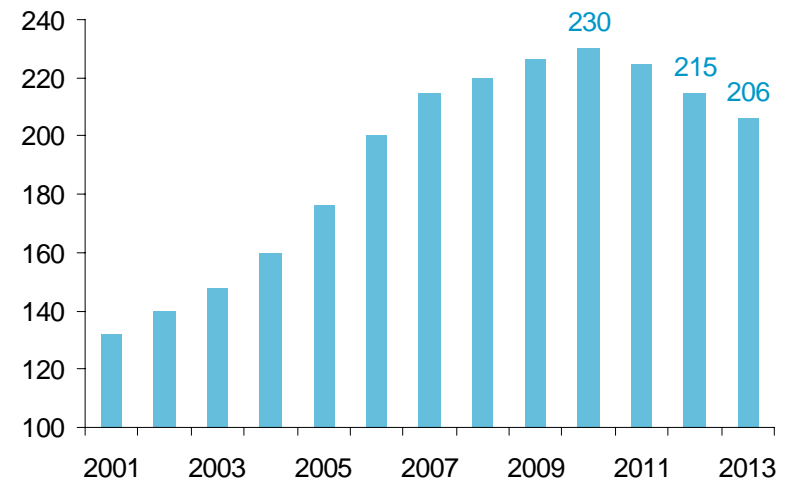
Moody's (Feb14) and Fitch (Apr14) improved their rating for Spain by one notch

in the realized progress towards correcting past accumulated imbalances, ...

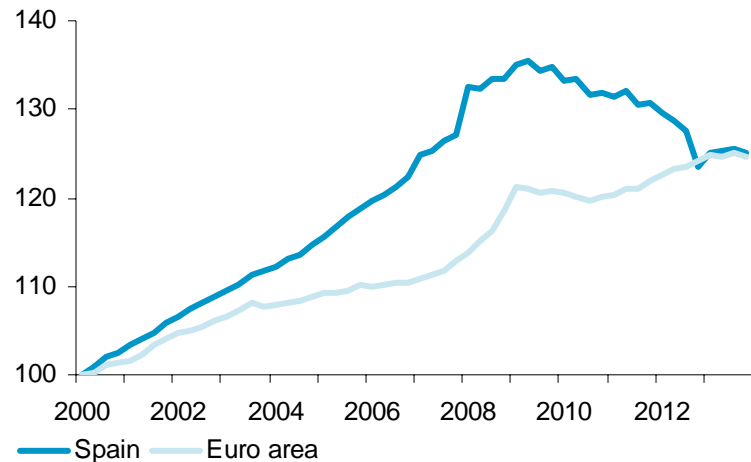
Current account balance (% of GDP)



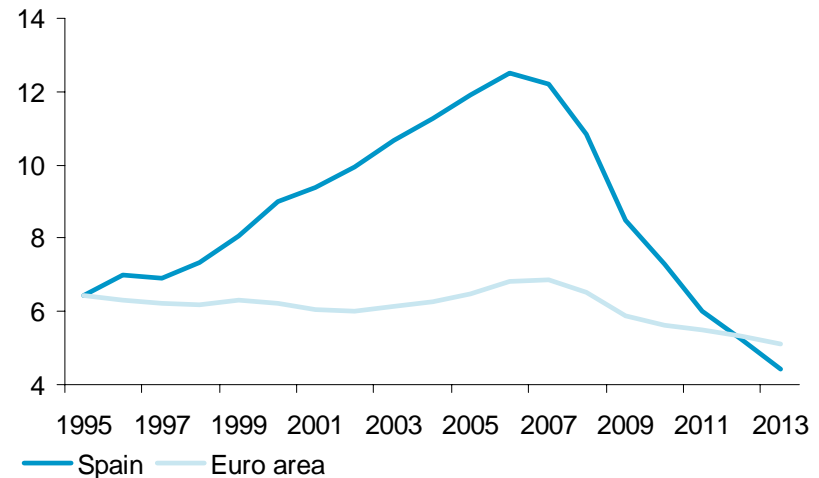
Private sector debt (% of GDP)



Unit labour cost (2000 = 100)



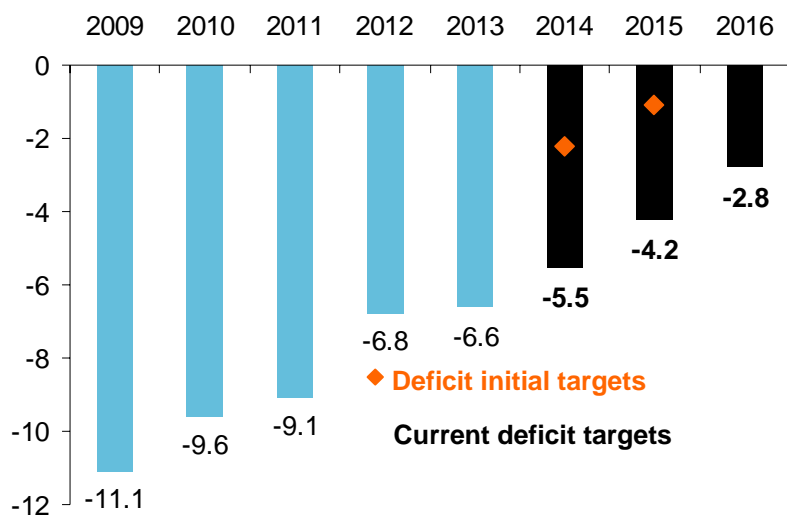
Investment in housing (% of GDP)



Sources: Bank of Spain, ECB, AMECO and INE.

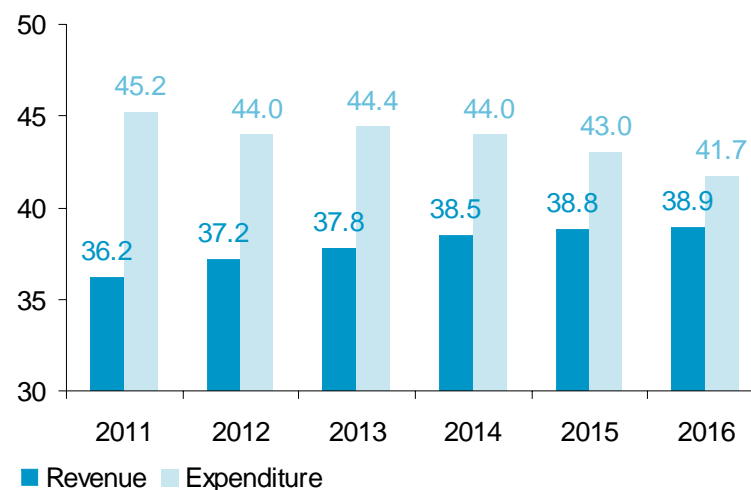
and in the moderation in the intensity of the budgetary adjustment.

Public sector balance (% of GDP)



The expected deficit reduction path is feasible

Public sector balance (% of GDP)



The significant relaxation of the deficit reduction path results in a better balance between fiscal consolidation and boosting economic activity.

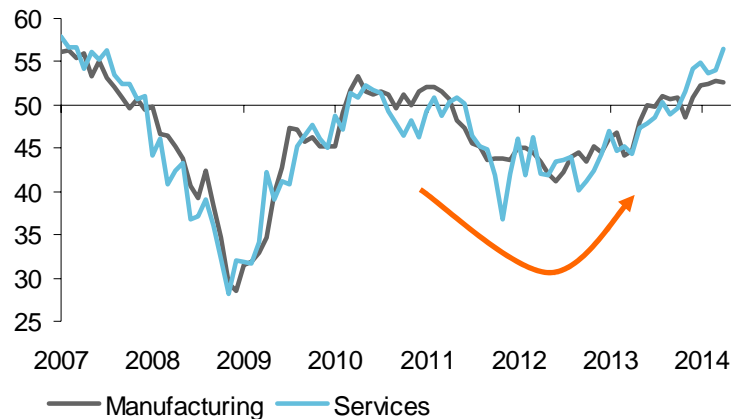
Sources: European Commission and Ministry of Finance.

Note: The impact on the deficit of the support for the financial sector is not considered.

The improvement in economic activity is expected to continue going forward, ...

Business sentiment

(index)



Activity will continue to be supported by:

- ✓ More benign financial conditions.
- ✓ Lower fiscal effort.
- ✓ Favorable evolution of exports.
- ✓ Advance stage of the imbalances adjustment process.

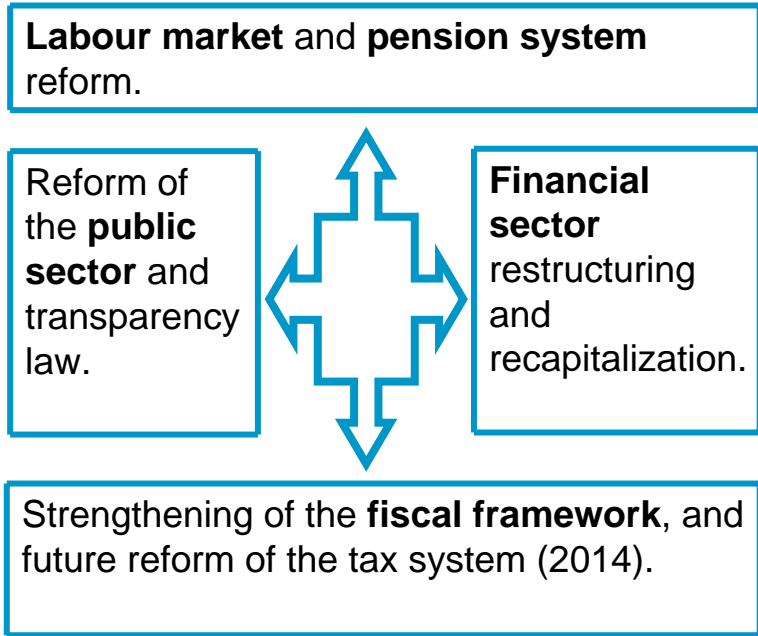
And also by:

- ✓ Smaller contraction of the construction sector.
- ✓ Economic recovery in Europe.
- ✓ Impact of structural reforms.
- ✓ Normalization of credit conditions.

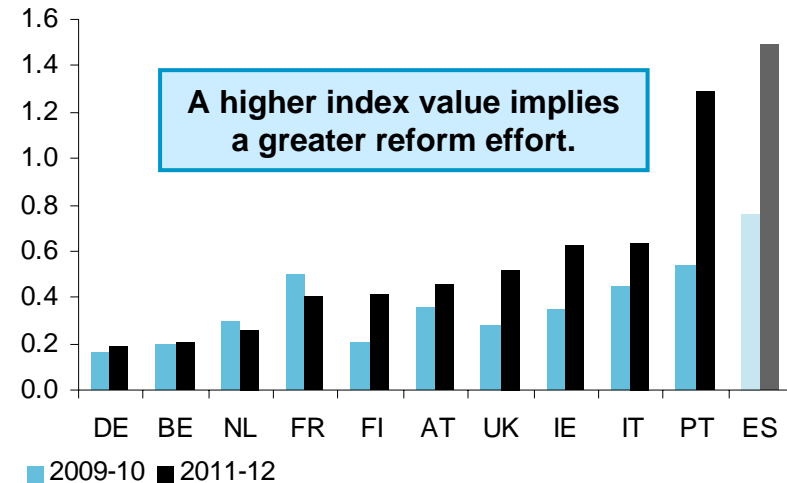
GDP forecasts (avg. yearly growth rate)

	2013	2014 ^p	2015 ^p
Government	-1.2	1.2	1.8
Bank of Spain	=	1.2	1.7
Funcas consensus	=	1.1	1.9
Banc Sabadell	=	1.3	2.0

while structural reforms should allow for a higher potential output growth.



Responsiveness rate: Implementing structural reforms



- ### Other challenges for Spain
- Reduce the elevated structural unemployment and labor market duality.
 - Sustain the reform impetus in the area of Public Administration.
 - Improve education and human capital.
 - Increase firm size.
 - Reduce external energy dependence.
 - Manage the adverse demographic tendencies.

2. 1Q14 Results review

In line with our strategic plan

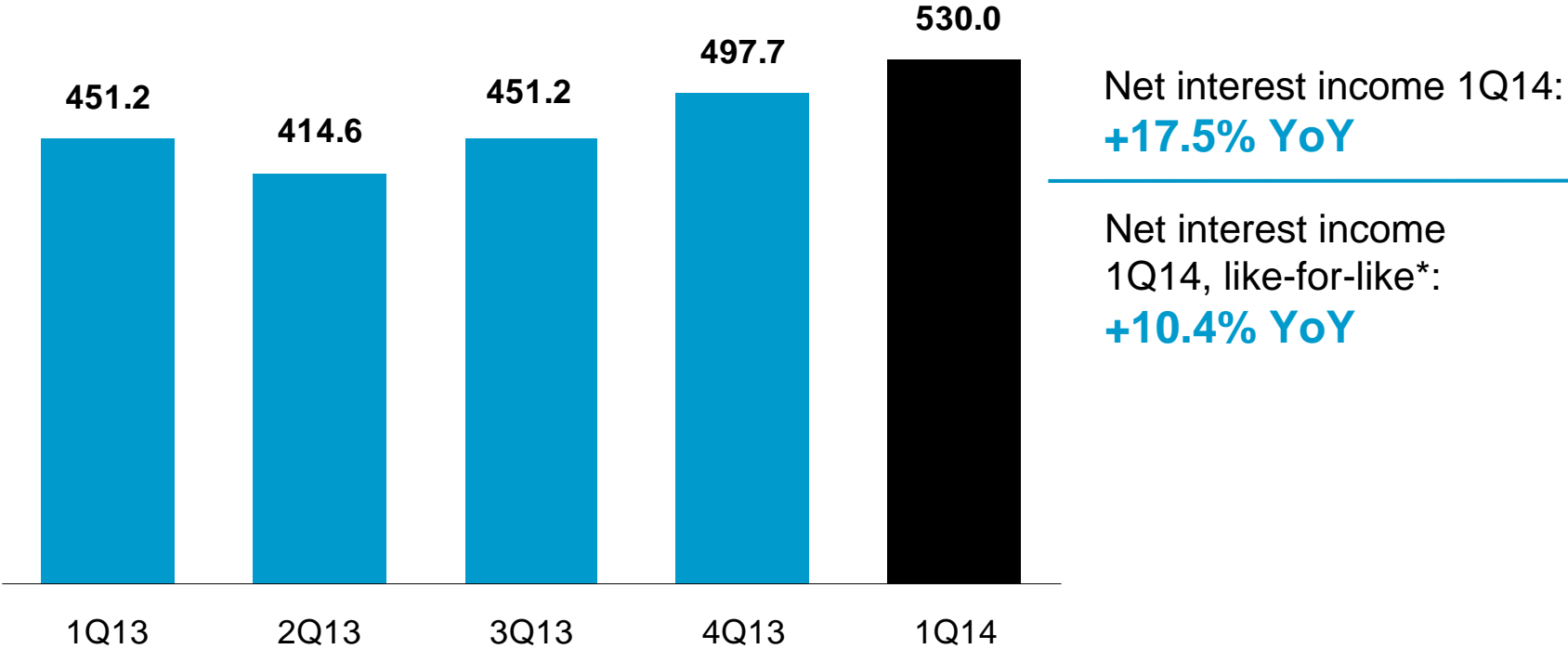
	Mar. 13	Mar. 14	% var 14/13
Net Interest Income	451.2	530.0	17.5%
Equity Method & Dividends	-6.3	0.0	---
Commissions	168.4	201.0	19.3%
Trading Income & Forex	292.8	946.7	223.3%
Other Operating Results	-26.3	-29.7	12.8%
Gross Operating Income	879.8	1,648.0	87.3%
Personnel Costs	-260.3	-298.8	14.8%
Administrative 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



Slightly increasing our guidance for 2014

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

Good news on deposit costs ...

Depósitos promocionales al 2% a corto plazo

 iSantander DURACIÓN TAE ●●●●● 2% meses CONDICIONES Ser cliente y realizar un ingreso nuevo	1	⊖		Espirito Santo	2,1 %
	2	⊖		La Caixa***	1,75 %
	2	⊖		Citi	1,75 %
 Openbank DURACIÓN TAE ●●●●● 2% meses CONDICIONES Nuevos clientes, no penaliza la cancelación anticipada	4	⬆		Openbank**	1,5 %
	4	⬆		ING Direct**	1,5 %
	4	⬆		Deutsche Bank**	1,5 %
 ING Direct DURACIÓN TAE ●●●●● 2% meses CONDICIONES Nuevos clientes, no penaliza la cancelación anticipada	4	⬆		BMN	1,5 %
	4	⬇		Bankinter **	1,5 %
	9	⬆		Barclays	1,3 %
	10	⬆		Ibercaja	1,25 %
	10	⬆		ActivoBank	1,25 %
	10	⬆		Bankia **	1,25 %
	13	⬇		CatalunyaCaixa***	1,25 %
	14	⬆		Popular-e	1,2 %
	14	⬆		Oficinadirecta *****	1,2 %
	16	⬇		Sabadell	1,15 %
	17	⬆		BBVA **	1,1 %
	17	⬆		NCG Banco	1,1 %
	19	⬇		Unicaja *****	0,99 %
	20	⬇		Santander	0,89 %
	21	⬇		Popular	0,75 %
	22	⊖		KutxaBank*	0,6 %
Rentabilidad media					1,29 %

(*) 15 meses. TAE para un importe de 15.000€. Primeros 2 meses 3% TAE. Luego Euribor a 3 meses del día anterior a la fecha de contratación. (**) 13 meses. (***) 18 meses. (****) 25 meses. (***** TAE mínima cumpliendo requisitos de vinculación. (***** 14 meses

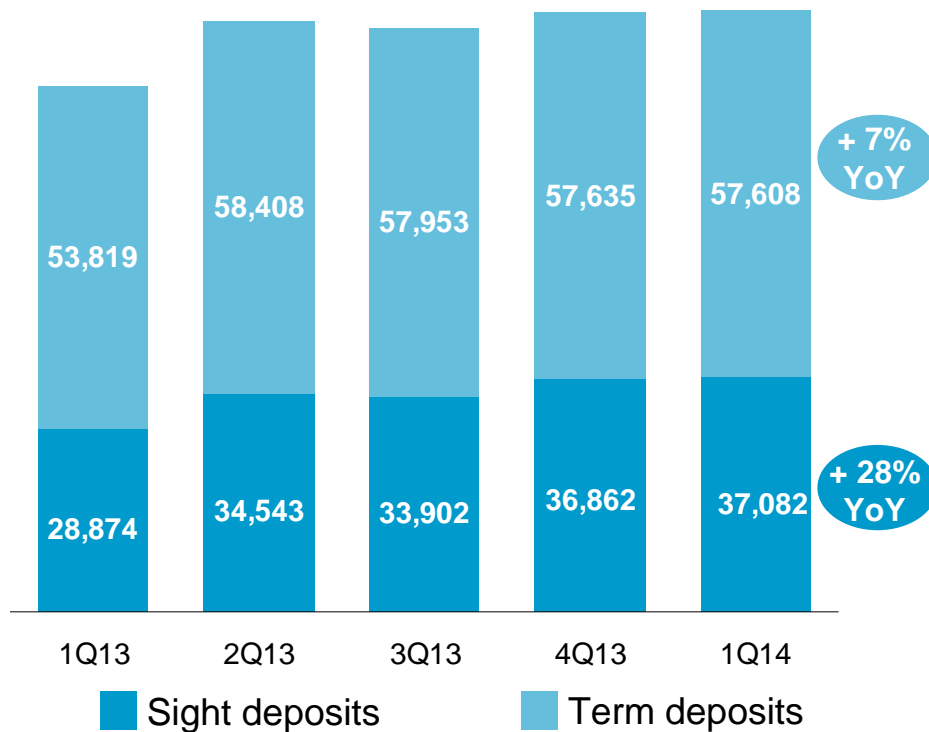
Fuente: elaboración propia con datos de las entidades elEconomista

The reduction in cost of customers feed through is not over yet

...will continue to feed-through ...

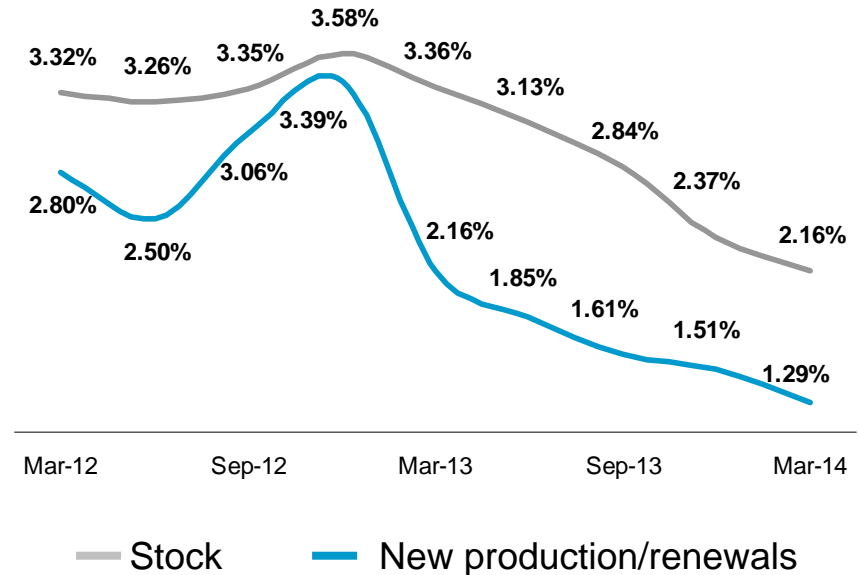
Evolution of customer funds

Euros in million



Contractual rates on term deposits

In percentage



We would expect an additional 60bps feed-through over the next 12 months, equivalent to c. €300M

... more than offsetting still low credit volumes ...

Gross loan to customers ex repos

Euros in million and in percentage

Mar-13	Dec-13	Mar-14	% Var. YoY	% Var. YoY like-for-like*	% Var. QoQ
117,677	124,615	123,510	5.0%	-6.6%	-0.9%

Gross loans to customers still declining on a like-for-like basis

Gross loan exposure by segment, ex- APS

Euros in million, March 2014

	Ex APS perimeter	Var. YoY like-for-like*
Companies	54,837	-4%
RE developers	8,458	-5%
Construction	1,266	-17%
Corporates	17,675	-43%
SMEs	27,438	23%
Individuals	47,168	-7%
Subtotal	102,005	-5%
Public Sector	5,813	-1%
Total exposure	107,818	-5%

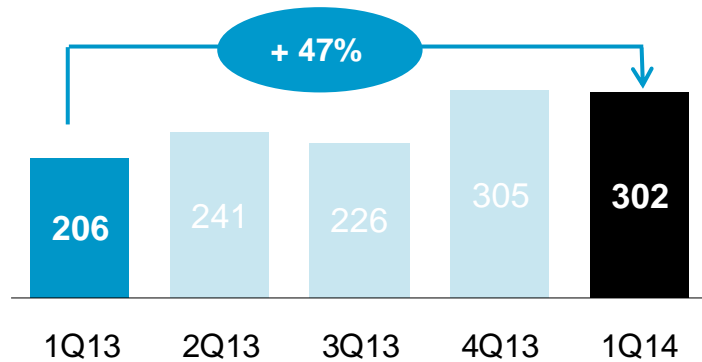
* Excluding BMN-Penedés network, Lloyds Spain and Banco Gallego

... although new production is getting better

New production

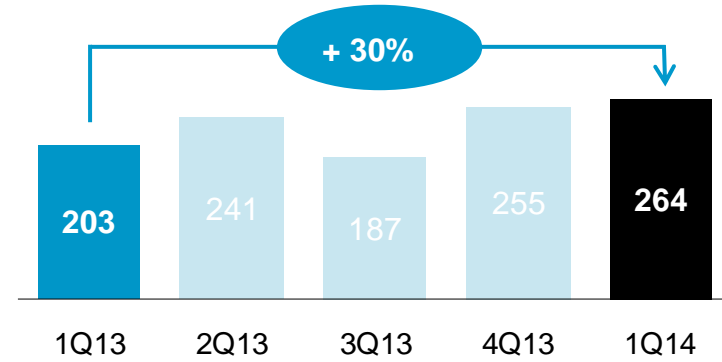
Retail mortgages

Euros in million



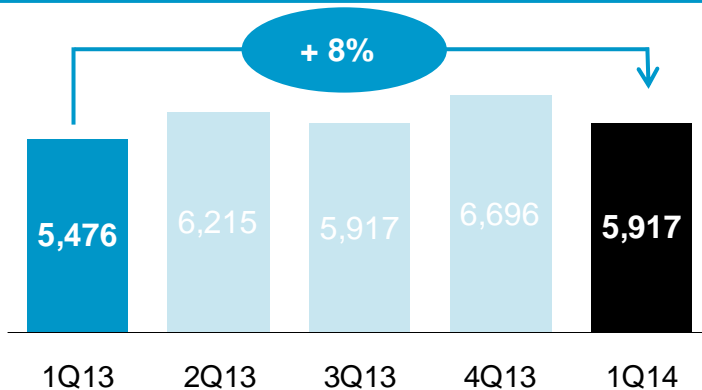
Household loans

Euros in million



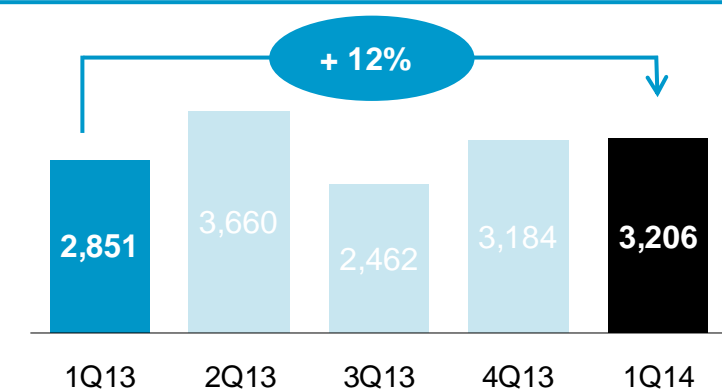
Working capital SMEs and corporates

Euros in million



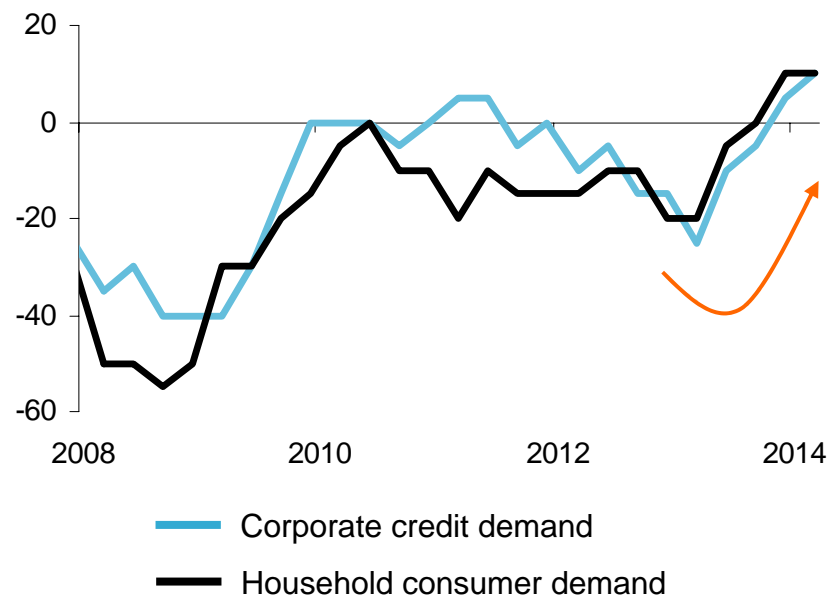
SME and corporate loans

Euros in million

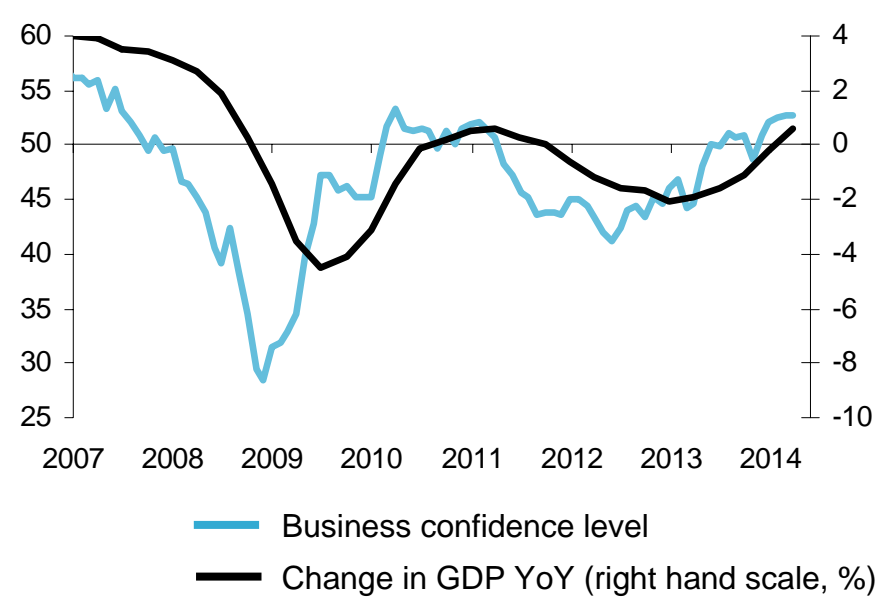


The economic recovery is supporting credit demand

Change in credit demand (net % of Spanish banks reporting an increase in credit demand)



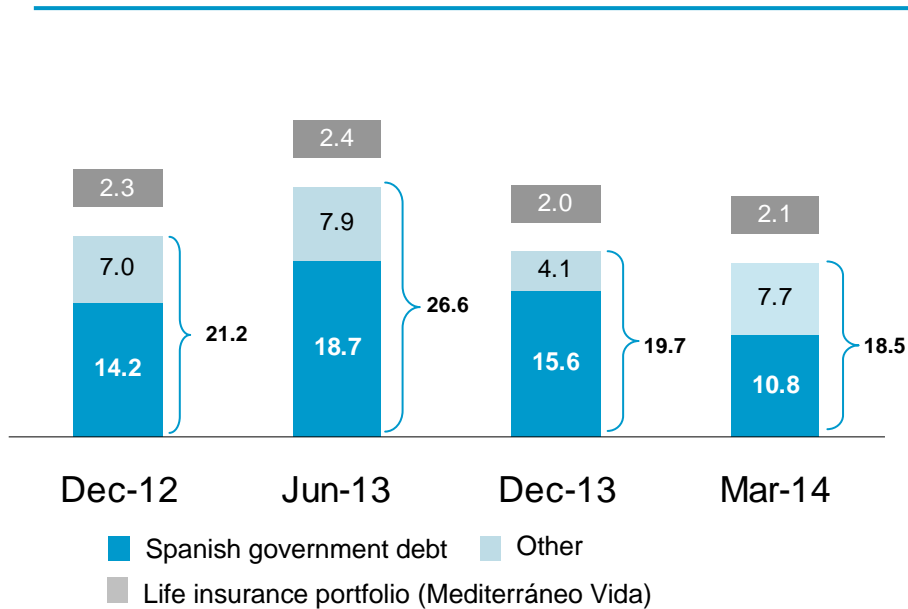
Business confidence and GDP



ALCO portfolio is a somewhat more recurrent business

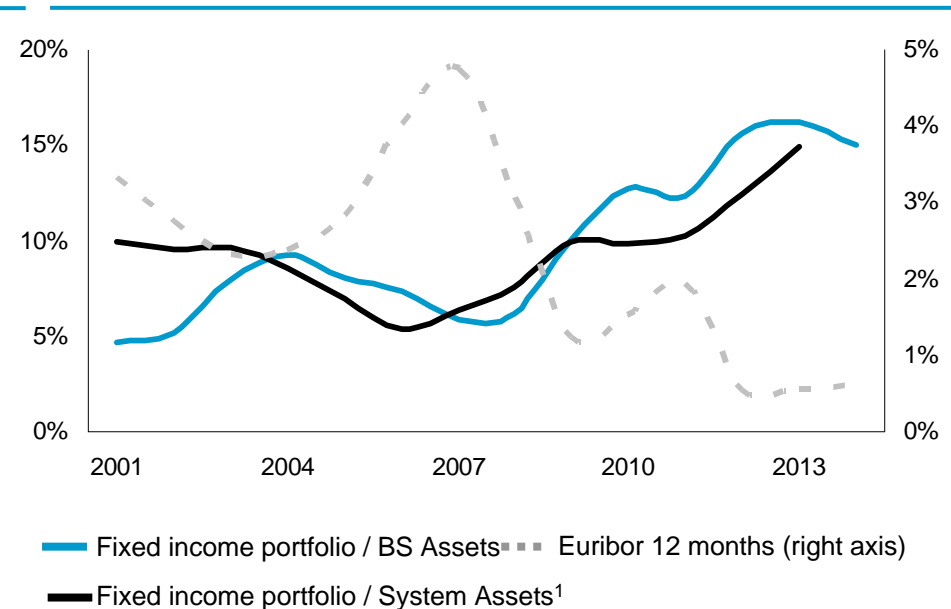
Evolution of fixed income portfolio

Euros in billion



Fixed income portfolio/assets vs

Euribor12M In percentage

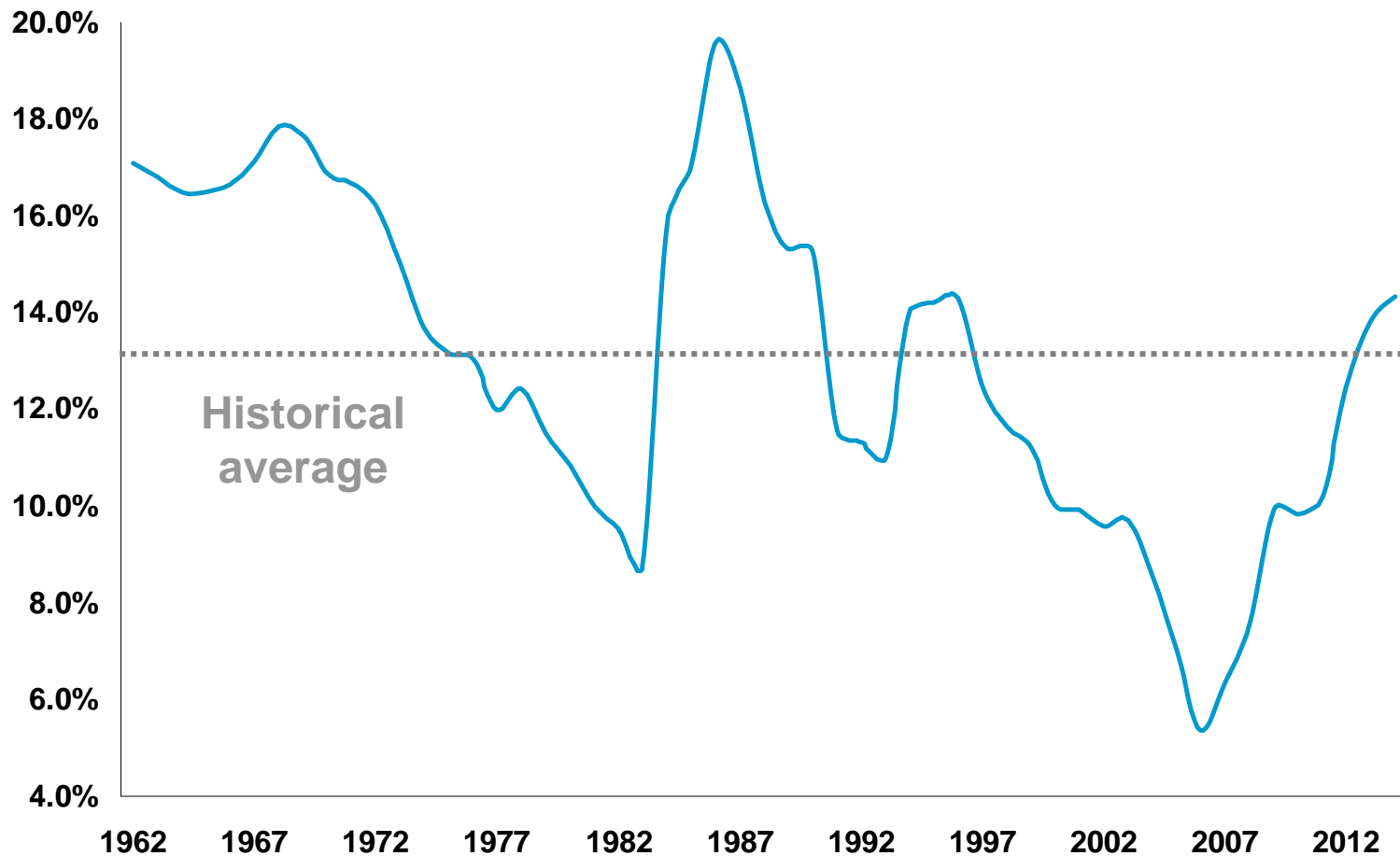


Fixed income portfolio has been reduced since June 2013

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

Weight of fixed income portfolio in Spanish banks balance sheet



In 1Q14 Banc Sabadell has a fixed income portfolio that is 12% of the balance sheet, below the current sector and historical average

ALCO portfolio is a recurrent exposure

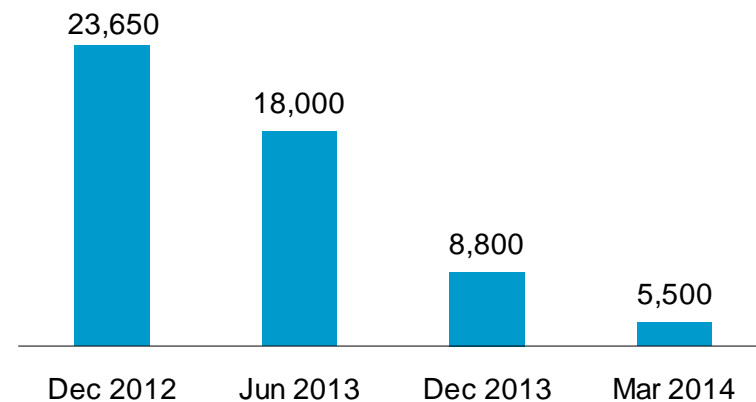
ALCO portfolio

Euros in billion

	Dec-12	Jun-13	Dec-13	Mar-14
ALCO portfolio	21.2	26.6	19.7	18.5
% of total assets	13.1%	15.6%	12.1%	11.5%
Duration (in years)	3.5	3.8	4.9	4.9
Yield	4.6%	3.3%	3.9%	3.6%
ECB liquidity position	23.6	18.0	8.8	5.5

ECB liquidity position

Euros in million

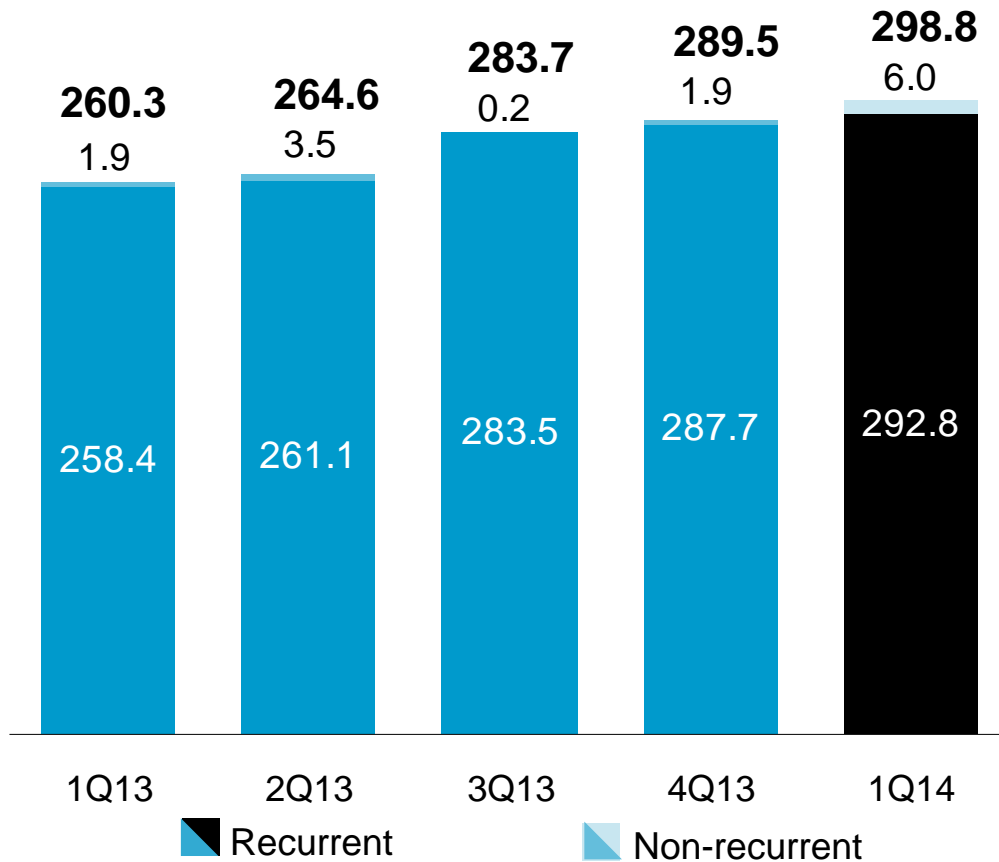


- ✓ The size of the ALCO portfolio reflects its function as a structural interest rate macro hedge.
- ✓ Relative value and yield enhancing strategies involving cash bonds and derivatives are being implemented. It's a well diversified portfolio, with over 200 marketable bond references.
- ✓ Its future size will respond to the evolution of the loan book. The decrease in its relative weight to total assets will take place when the balance sheet deleverage is over and the total loan book starts growing

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

Personnel expenses evolution

Euros in million



Personnel expenses 1Q14:
+14.8% YoY

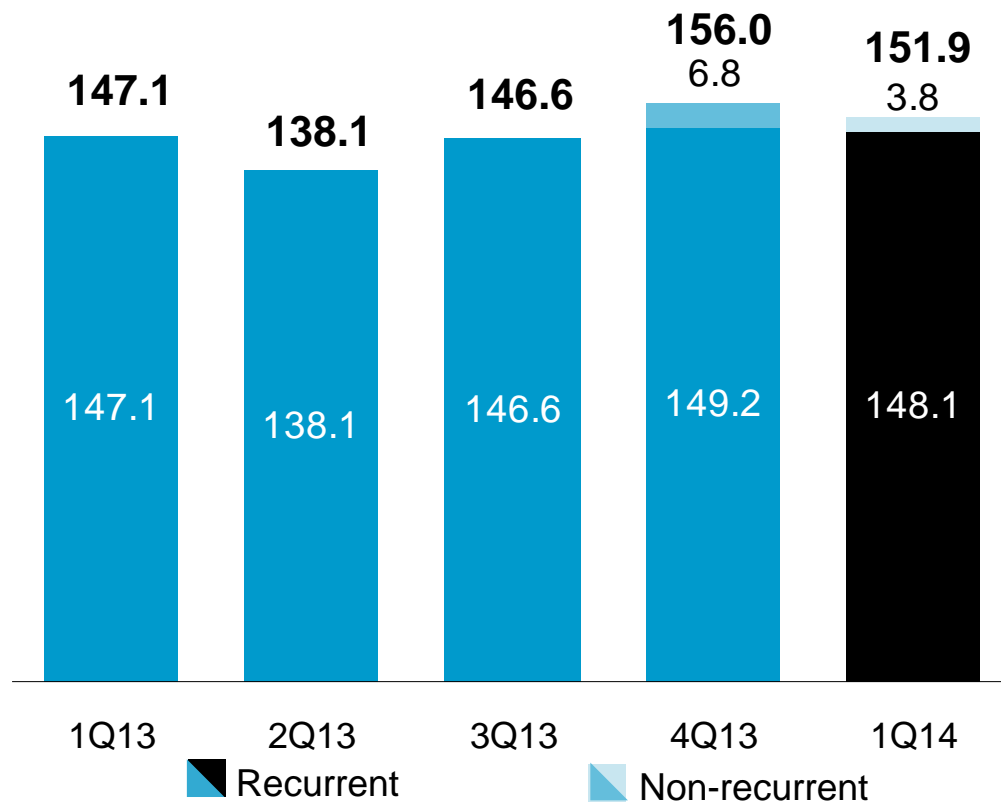
Personnel expenses on a like-for-like basis* 1Q14:
-2.4% YoY

* 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

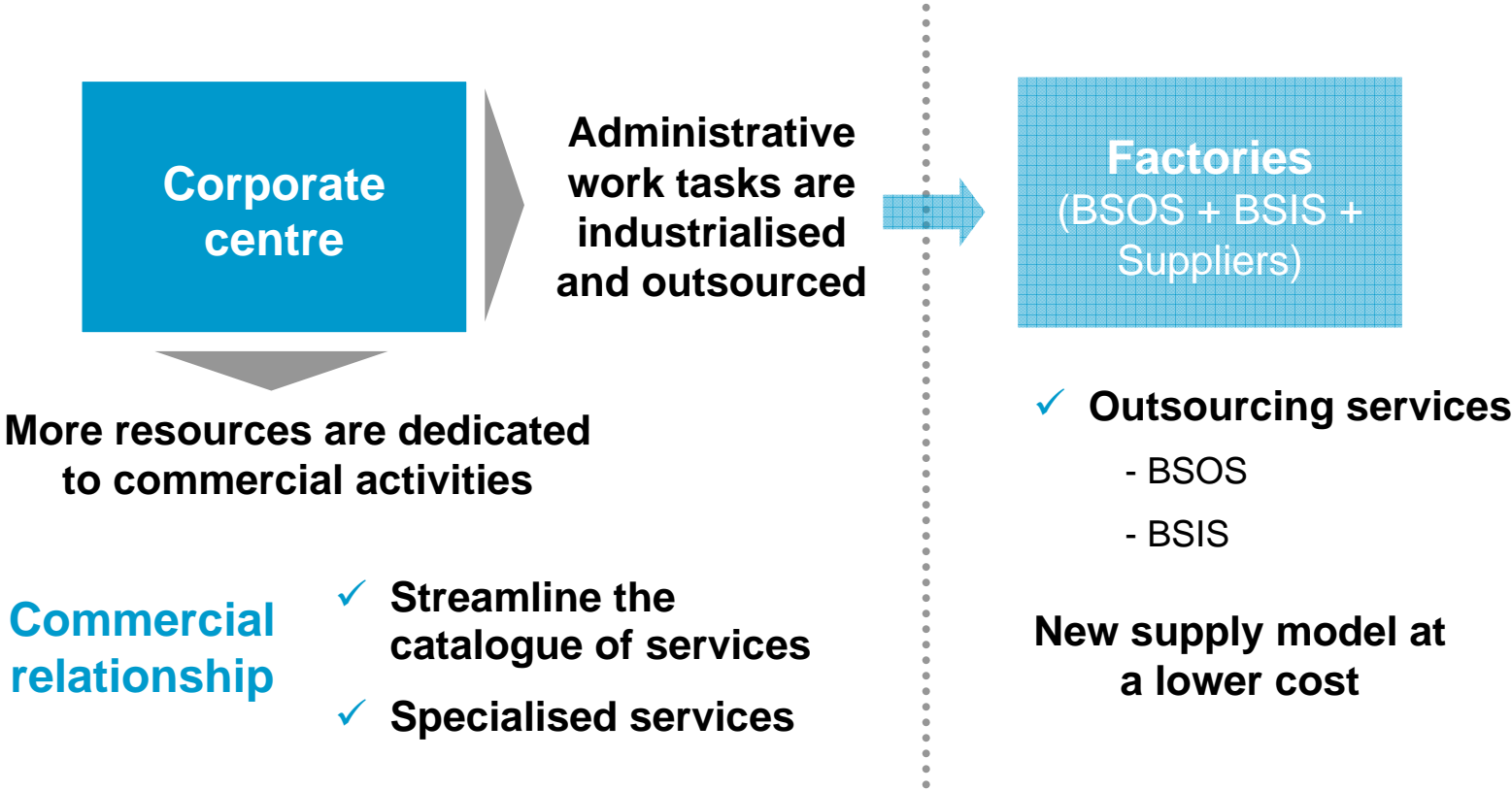


General expenses 1Q14:
+3.2% YoY

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.

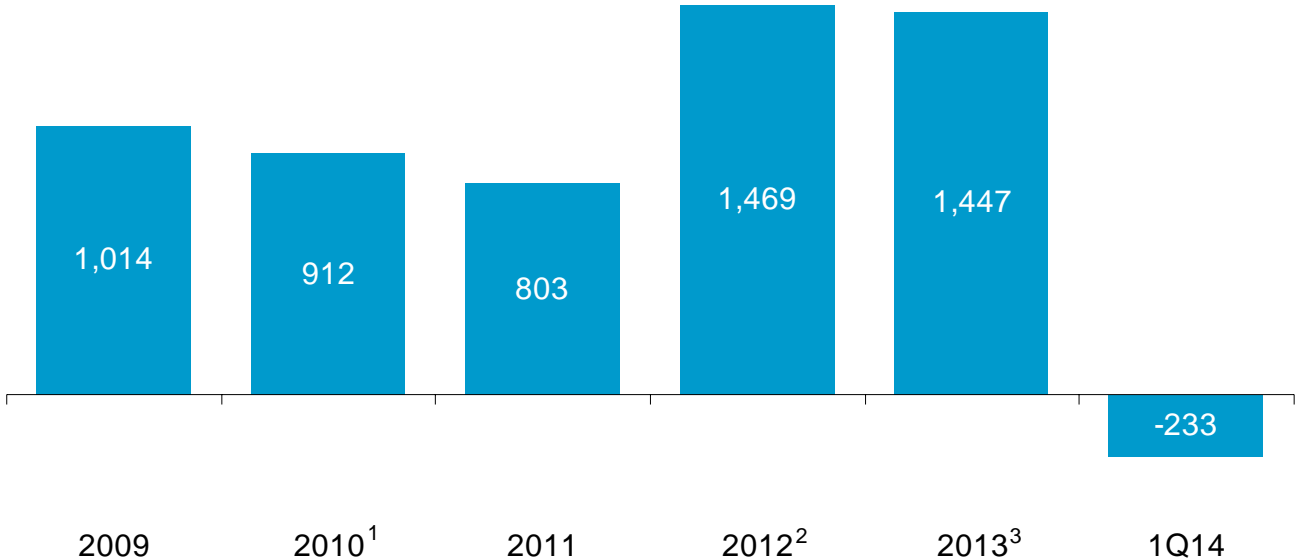
We have some room to lower costs should revenues pressure appear



We do not anticipate the need to put additional pressure on costs at this stage

Provision requirements remain very affordable ...

Evolution of net new NPLs, ex APS and excluding the impact of acquisitions and reclassified loans



✓ NPLs must be fully provided for after 12 months

- up to 6 months: 25%
- 6 to 9 months: 50%
- 9 to 12 months: 75%
- > than 12 months: 100%

We see a comfortable provisioning calendar with NPLs decreasing

¹ Excluding impact from the acquisition of Banco Guipuzcoano

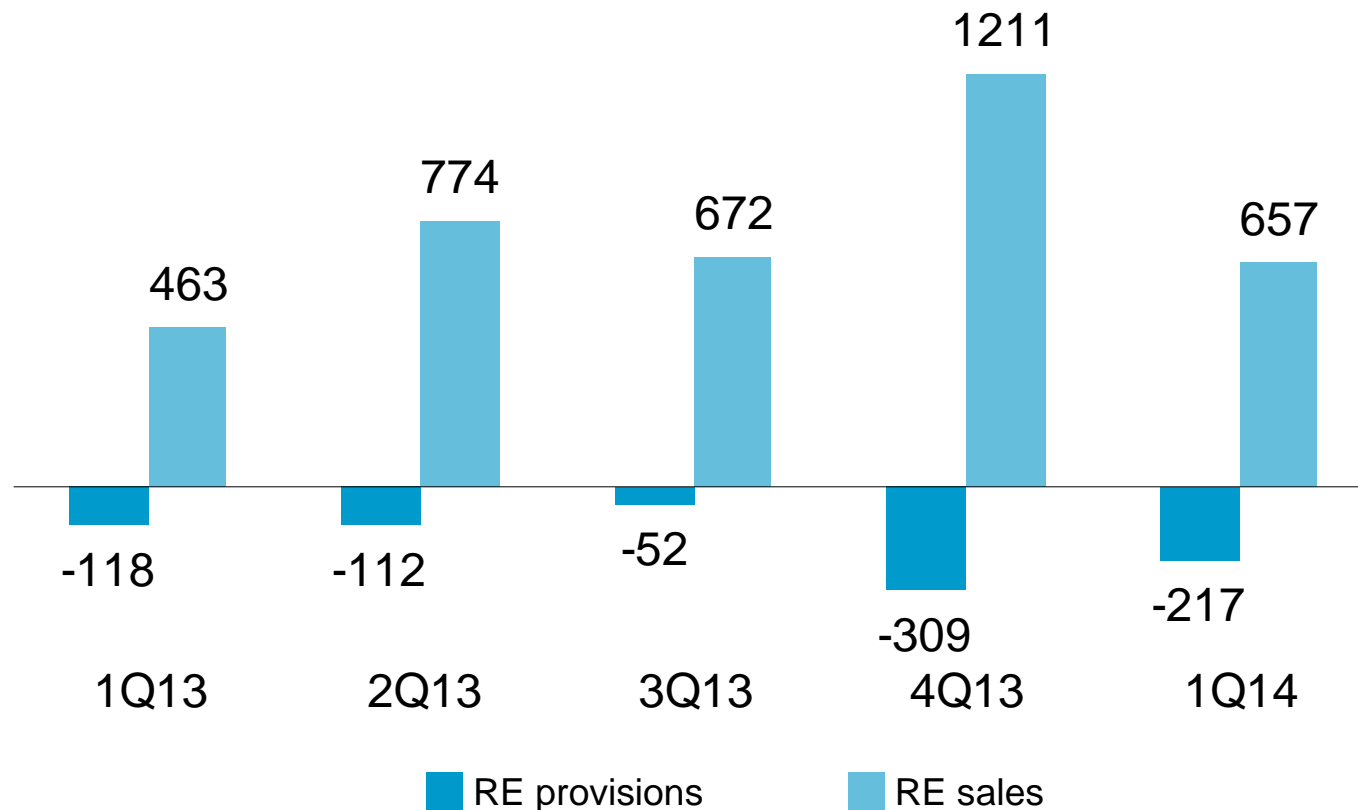
² Excluding impact from the acquisition of B. CAM

³ Excluding impact of reclassified loans as well as the impact from the acquisitions of BMN-Penedés network, Lloyds Spain and Banco Gallego

... but real estate evacuation still generates cost-of-risk-equivalent

Evolution of Real Estate provisions and sales

Euros in million

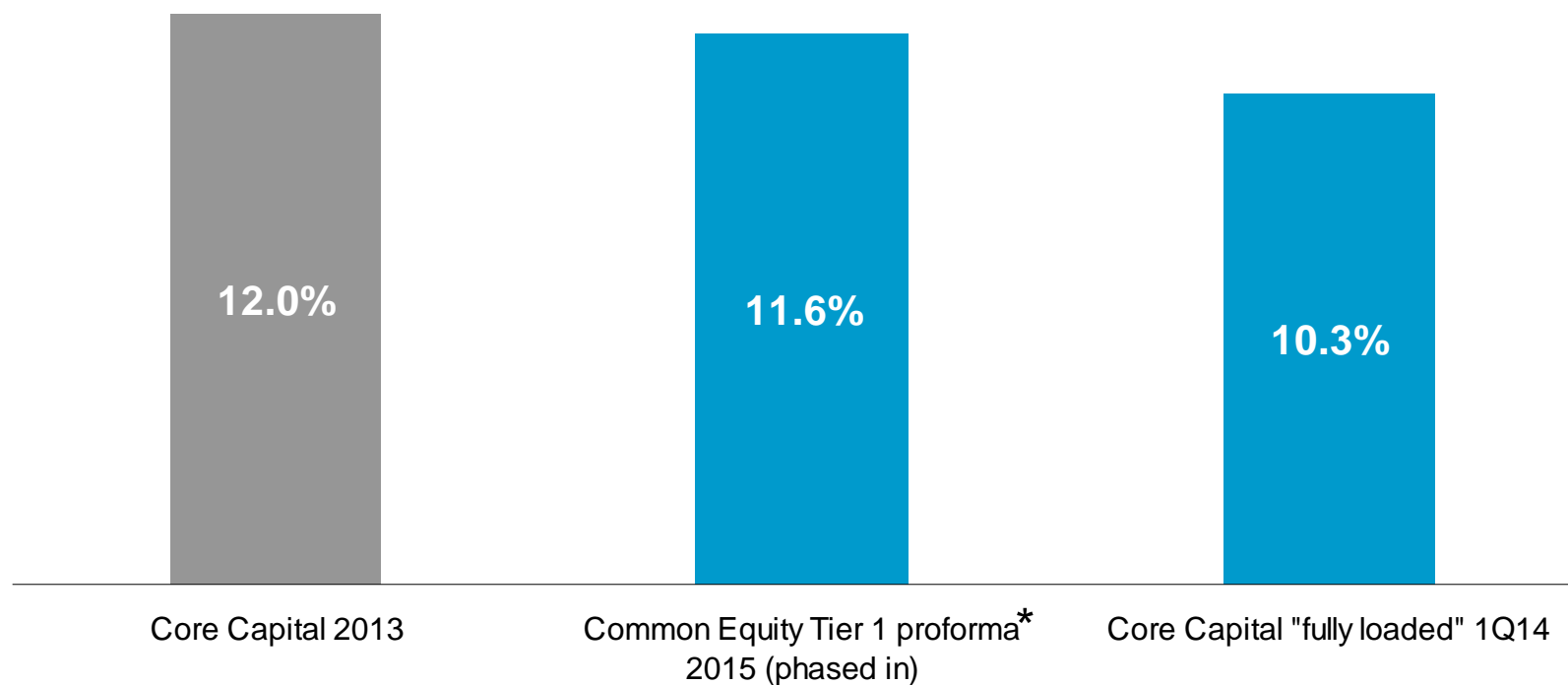


We have growing confidence in a reduction of the cost of risk, but it will go hand-in-hand with the speed of the economic recovery

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

... give us relative comfort regarding stress tests

Stress test scenarios

	2014		2015		2016	
	Base scenario	Adverse scenario	Base scenario	Adverse scenario	Base scenario	Adverse scenario
GDP <i>(annual variation in %)</i>	1.0%	-0.3%	1.7%	-1.0%	2.2%	0.1%
Unemployment rate <i>(in %)</i>	25.7%	26.3%	24.6%	26.8%	23.2%	27.1%
Residential property prices <i>(annual variation in %)</i>	-4.3%	-7.4%	0.3%	-3.0%	3.6%	0.9%
Commercial property prices <i>(annual variation in %)</i>	-1.4%	-2.8%	0.3%	-2.2%	1.7%	-0.6%
CPI <i>(annual variation in %)</i>	0.3%	0.3%	0.9%	0.4%	1.3%	0.8%
Spain 10 year public debt yield <i>(in %)</i>	3.8%	5.7%	4.1%	5.5%	4.2%	5.6%
Shock Euribor 3 months <i>(in bp)</i>		+85bp		+85bp		+85bp
Shock Euribor 12 months <i>(in bp)</i>		+80bp		+80bp		+80bp
Equity shock <i>(in %)</i>		-23.4%		-21.1%		-24.9%

... where sovereign exposures haircuts are applied

Valuation haircuts for sovereign exposures under the adverse scenario for Spanish banks (in percentage)

Maturity	2014	2015	2016
3 months	0.3%	0.2%	0.2%
1 year	1.0%	0.6%	0.8%
2 years	1.9%	1.2%	1.4%
3 years	3.2%	2.0%	2.4%
5 years	6.5%	4.1%	4.6%
10 years	14.3%	9.0%	10.0%
Over 10 years	26.0%	17.1%	18.7%

Final 2016 haircuts are not as severe as in 2011 stress test, reflecting improved market conditions

Confirming the turning point in NPLs ...

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

The speed of the decline in NPLs is still slow but the trend is clear

... maintaining a high level of coverage

Exposure and coverage by loan segment and real estate

Euros in million and percentage

	Total group	Coverage	BS ex-APS	Coverage
Companies	65,413	16.1%	54,837	11.7%
RE developers	15,396	39.9%	8,458	35.0%
Construction	1,323	13.1%	1,266	12.2%
Corporates	18,513	8.4%	17,675	6.6%
SMEs	30,182	8.8%	27,438	7.7%
Individuals	49,452	4.7%	47,168	4.3%
Subtotal	114,865		102,005	
Public Sector	6,272		5,813	
Total exposure	121,137		107,818	
RE assets	12,607	45.2%	7,037	41.2%

Quarterly change of the provision stock

Provisions booked against 1Q14 P&L

Total against P&L	1,096
Credit & RE assets	989
Equity, pensions & other	108

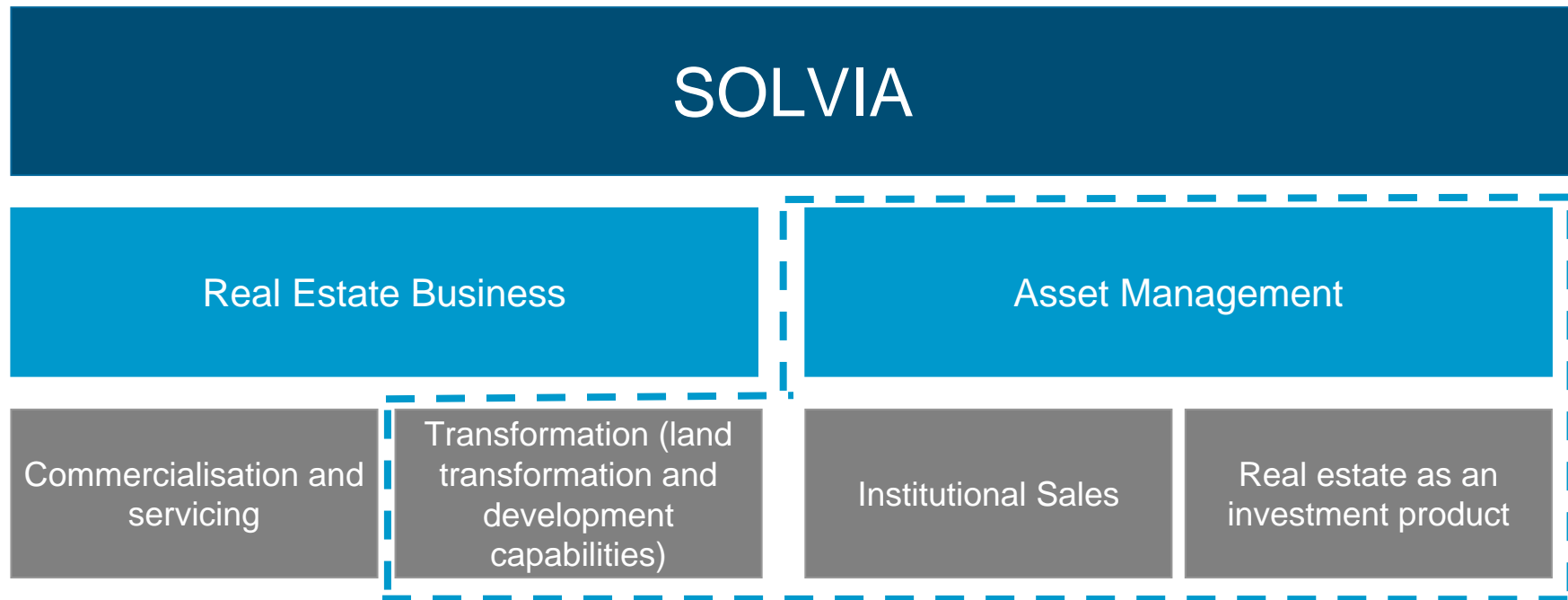
QoQ change of provisions stock

Dec-13 stock	18,341
Impairments against P&L	989
Additional FGD coverage	49
Write offs	-265
Asset haircuts at foreclosure	-187
RE asset sales	-221
Mar-14 stock	18,706

Over time, foreclosures and the sale of RE assets will reduce the provision stock, regardless of the potential impact on P&L

3. 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

A photograph of Rafael Nadal in action on a tennis court. He is wearing a white short-sleeved shirt, a red headband with a white Nike logo, and red wristbands. He is captured in a dynamic pose, leaning forward with his right hand on his hip and his left hand holding a tennis racket. A bright yellow tennis ball is in motion in front of him. The background is a blue wall with large, faint white letters, likely part of a stadium or arena name.

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

Rafael Nadal