

# Banco Sabadell

## 1Q13 Results



**April 25th, 2013**

# Disclaimer



---

Banco Sabadell cautions that this presentation may contain forward looking statements with respect to the business, financial condition, results of operations, strategy, plans and objectives of the Banco Sabadell Group. While these forward looking statements represent our judgement and future expectations concerning the development of our business, a certain number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, (1) general market, Macroeconomic, governmental, political and regulatory trends, (2) movements in local and international securities markets, currency exchange rate, and interest rates, (3) competitive pressures, (4) technical developments, (5) changes in the financial position or credit worthiness of our customers, obligors and counterparts. These risk factors could adversely affect our business and financial performance published in our past and future filings and reports, including those with the Spanish Securities and Exchange Commission (Comisión Nacional del Mercado de Valores).

Banco Sabadell is not nor can it be held responsible for the usage, valuations, opinions, expectations or decisions which might be adopted by third parties following the publication of this information.

Financial information by business areas is presented according to GAAP as well as internal Banco Sabadell group's criteria as a result of which each division reflects the true nature of its business. These criteria do not follow any particular regulation and can include forecasts and subjective valuations which could represent substantial differences should another methodology be applied.

The distribution of this presentation in certain jurisdictions may be restricted by law. Recipients of this presentation should inform themselves about and observe such restrictions.

These slides do not constitute or form part of any offer for sale or subscription of or solicitation or invitation of any offer to buy or subscribe to any securities nor shall they or any one of them form the basis of or be relied on in connection with any contract or commitment whatsoever.

- 
1. 1Q13 in summary and commercial highlights

---

  2. 1Q13 Results

---

  3. Commercial activity and liquidity

---

  4. Risk and capital management

---

  5. Managing real estate assets

---

  6. Update on M&A activity

---

# 1. 1Q13 in summary

## 1Q13 in summary

- 
- ✓ Good income generation in a low interest rate environment
  - ✓ Cost control and delivery of synergies
  - ✓ Strong coverage levels with problematic assets growing at a slower pace
  - ✓ Intensified commercial efforts to sell real estate properties are showing results and units sales are up by 26% YoY
  - ✓ Comfortable capital position even including recent acquisitions. No market capital call in the pipeline

# Commercial highlights

---

- ✓ Remarkable success in customer gathering, now with main focus on customer value
- ✓ Strong deposit growth and positive impact from flight-to-quality, reflected in our new marketing campaign
- ✓ Commissions from the old Banco CAM network showing a faster growth than that of Sabadell, closing the gap with the rest of the group
- ✓ Significant increase in market shares with emphasis on SMEs and corporates

---

## 2. 1Q13 Results

# 1Q13 Results

	Mar. 12	Mar. 13	% var 13/12
<b>Net Interest Income</b>	<b>407.3</b>	<b>451.2</b>	<b>10.8%</b>
Equity Method & Dividends	5.6	-6.3	---
Commissions	133.5	168.4	26.1%
Trading Income & Forex	161.4	292.7	81.4%
Other Operating Results	-15.6	-26.3	69.4%
<b>Gross Operating Income</b>	<b>692.2</b>	<b>879.8</b>	<b>27.1%</b>
Personnel Costs	-188.0	-260.3	38.5%
Administrative Costs	-94.2	-147.1	56.2%
Depreciations	-32.0	-50.4	57.2%
<b>Pre-provisions Income</b>	<b>378.1</b>	<b>422.0</b>	<b>11.6%</b>
Total Provisions & Impairments	-293.4	-325.0	10.7%
Gains on sale of assets	28.0	-2.5	-108.9%
Badwill			---
<b>Profit before taxes</b>	<b>112.6</b>	<b>94.6</b>	<b>-16.0%</b>
Taxes and others	-32.6	-43.5	33.4%
<b>Attributable Net Profit</b>	<b>80.0</b>	<b>51.1</b>	<b>-36.1%</b>

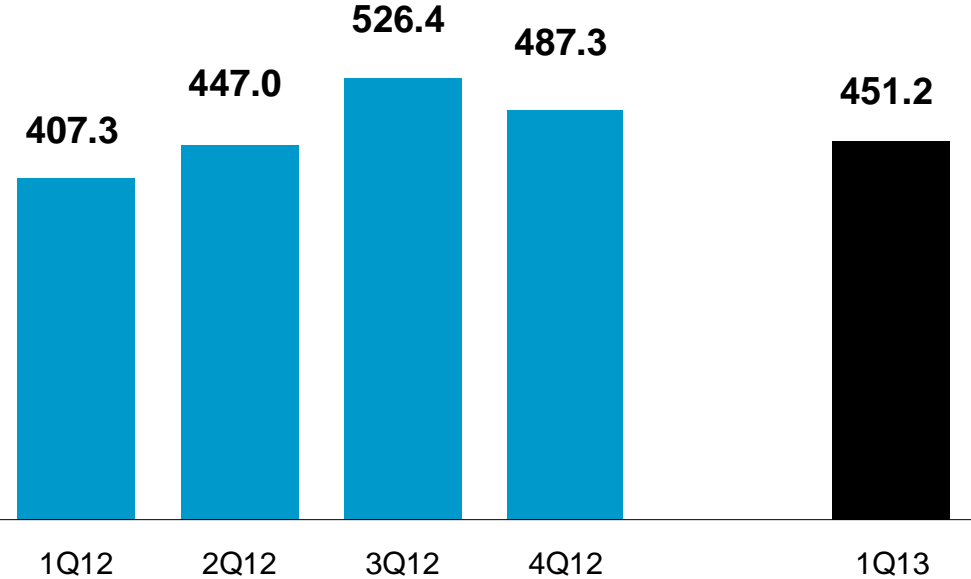
Euros in million



# Lower NII growth ...

## Net interest income evolution

Euros in million

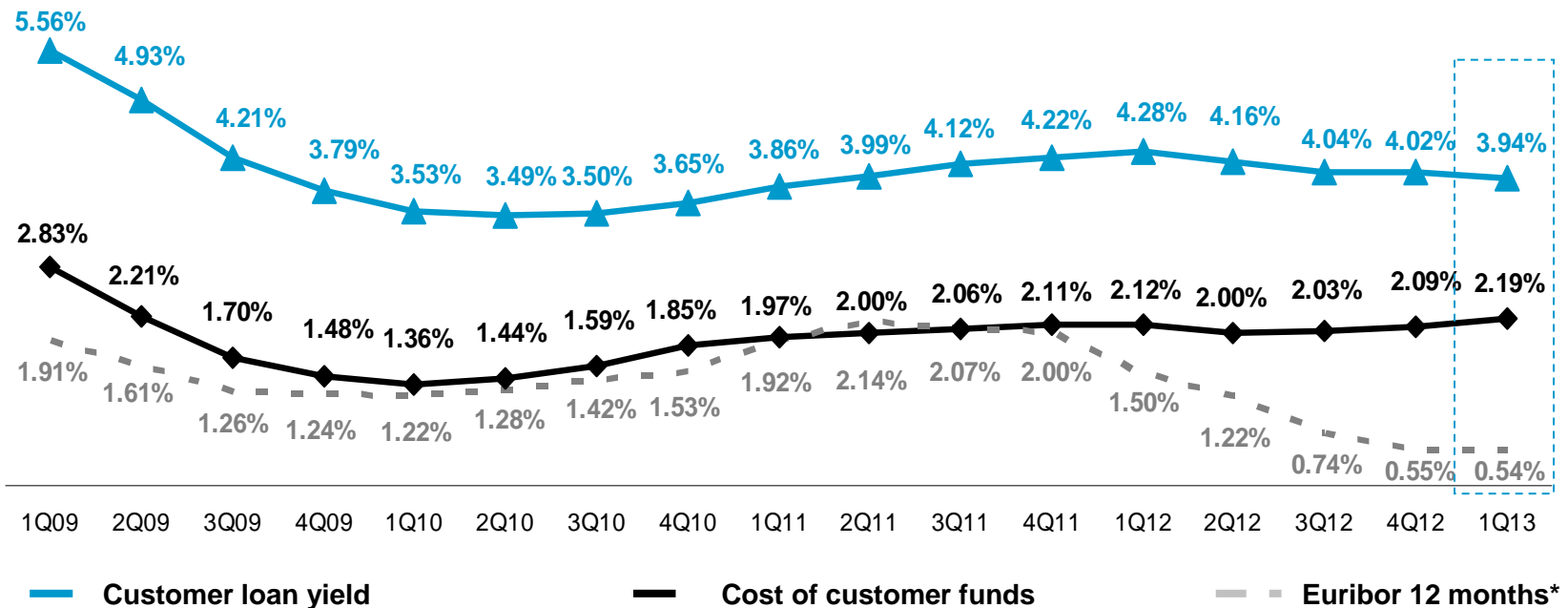


Net interest income 1Q13:  
+10.8% YoY

# ... in a low interest rate environment ... <sup>B</sup>Sabadell

## Customer loan yield, cost of customer funds and Euribor 12 months

In percentage



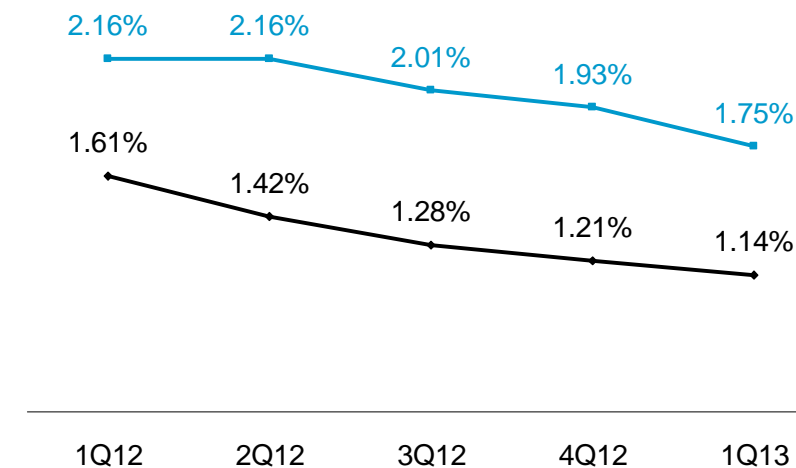
**Customer loan yields holding up well despite lower interest rates**

\* Monthly average

# ... and customer spreads reaching an inflection point

## Margin evolution

In percentage

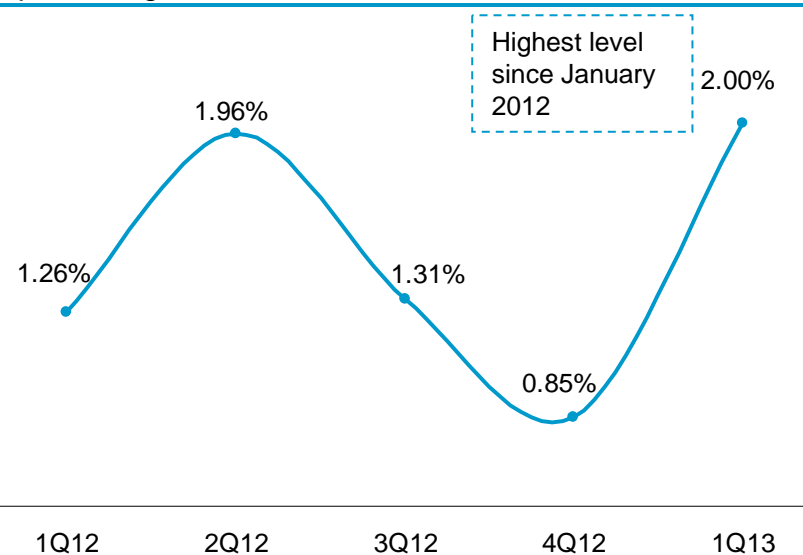


— Net interest margin

— Customer spread

## Spread evolution on new contracts

In percentage



— Customer spread between new contracts on loans and deposits (excluding sight deposits)

**Spreads for new production have increased significantly**

## Credit portfolio spreads

Basis points

Product	Front book spreads					Back book spreads				
	Mar-12*	Dec-12	Mar-13	Var QoQ	Var YoY	Mar-12*	Dec-12	Mar-13	Var QoQ	Var YoY
Credits	363	410	417	+7	+54	279	366	395	+29	+116
Loans	278	385	364	-21	+86	216	225	234	+9	+18
Mortgages to individuals	146	179	174	-5	+28	83	86	87	+1	+4
Leasing	226	249	338	+89	+112	125	139	144	+5	+19
Renting	525	701	751	+50	+226	345	417	447	+30	+102
Commercial loans	368	485	469	-16	+101	404	502	491	-11	+87
Confirming	270	397	412	+15	+142	280	375	398	+23	+118
Forfaiting	349	496	521	+25	+172	382	526	567	+41	+185
<b>Total loans</b>	<b>287</b>	<b>374</b>	<b>353</b>	<b>-21</b>	<b>+66</b>	<b>182</b>	<b>177</b>	<b>182</b>	<b>+5</b>	<b>+0</b>

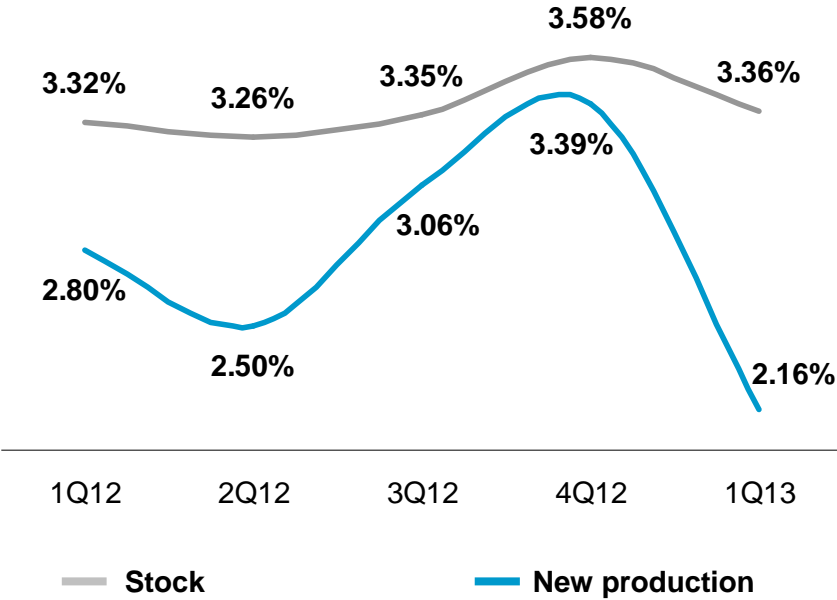
**Spreads are improving in all segments of the loan book**

\* March 2012, Banco Sabadell stand alone

# New deposits have already seen a reduction in interest rates

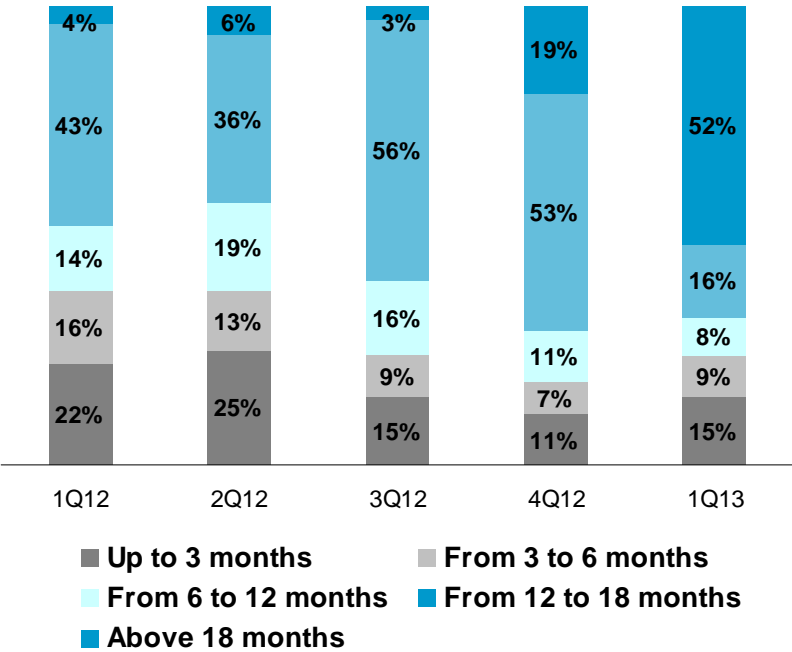
## Contractual rates on deposits

In percentage



## New deposits by maturities

Split of maturities, in percentage

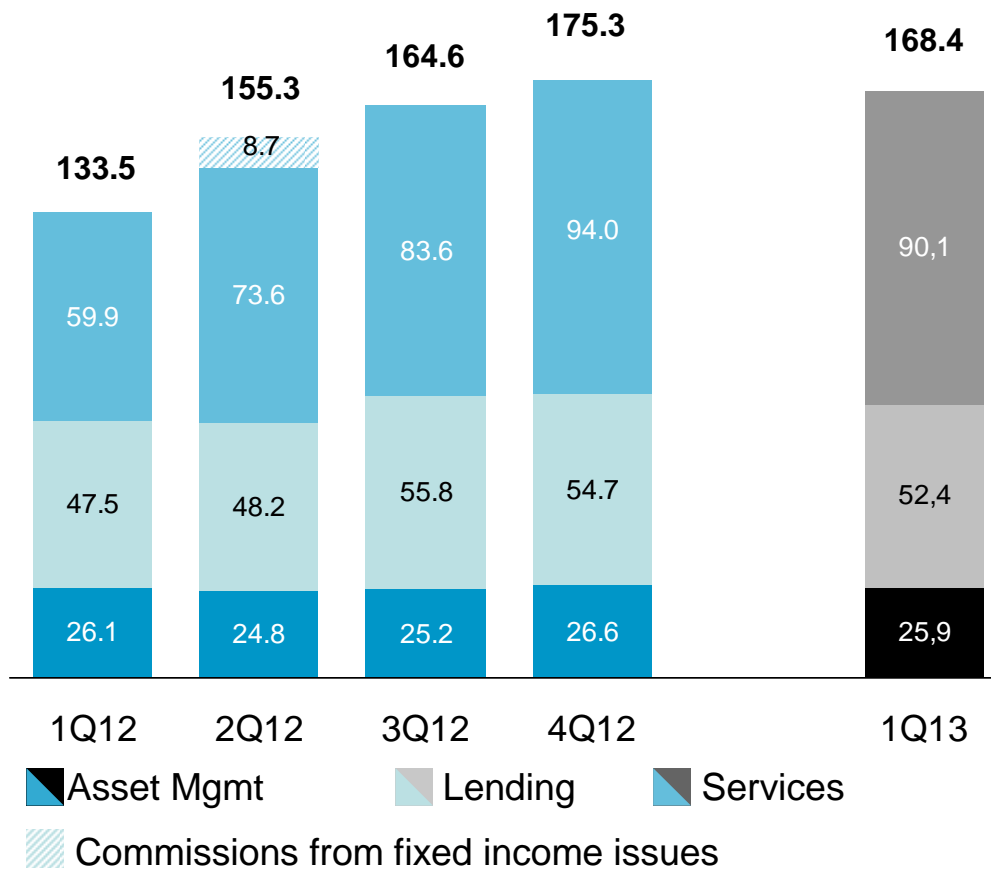


The cost of new deposits has been reduced while the term has been extended

# Good performance in commissions ...

## Commissions evolution

Euros in million



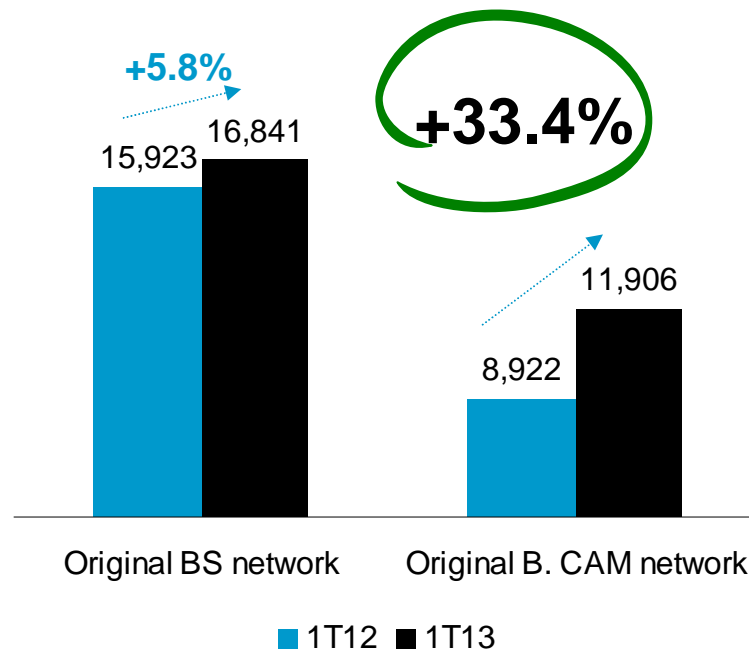
Commission income 1Q13:  
+26.1% YoY

<sup>1</sup> Including mutual funds commissions and pension funds and non-life insurance brokerage

# ... showing convergence of the old B.CAM network and the rest of the group

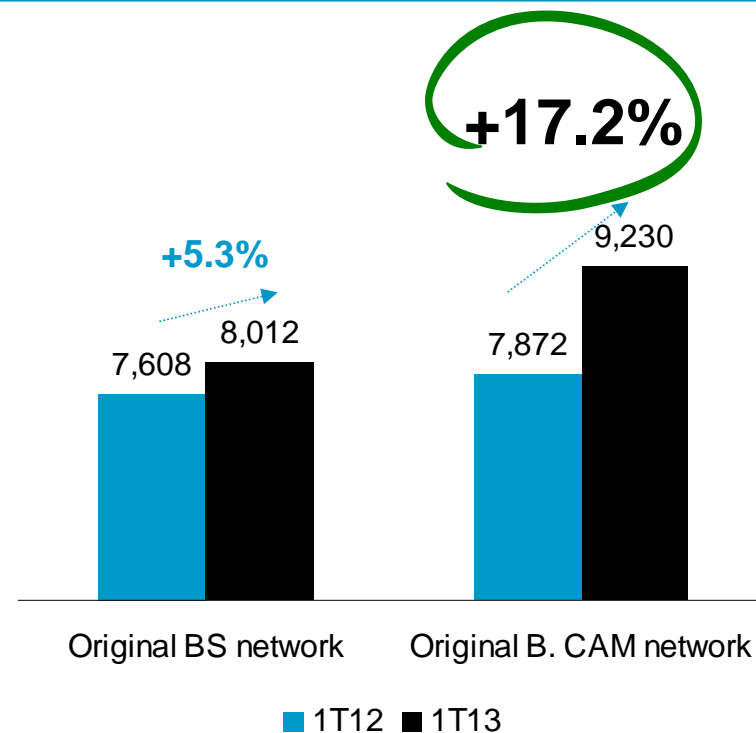
## Net commissions: credit cards

Euros in thousand



## Net commissions: current accounts

Euros in thousand

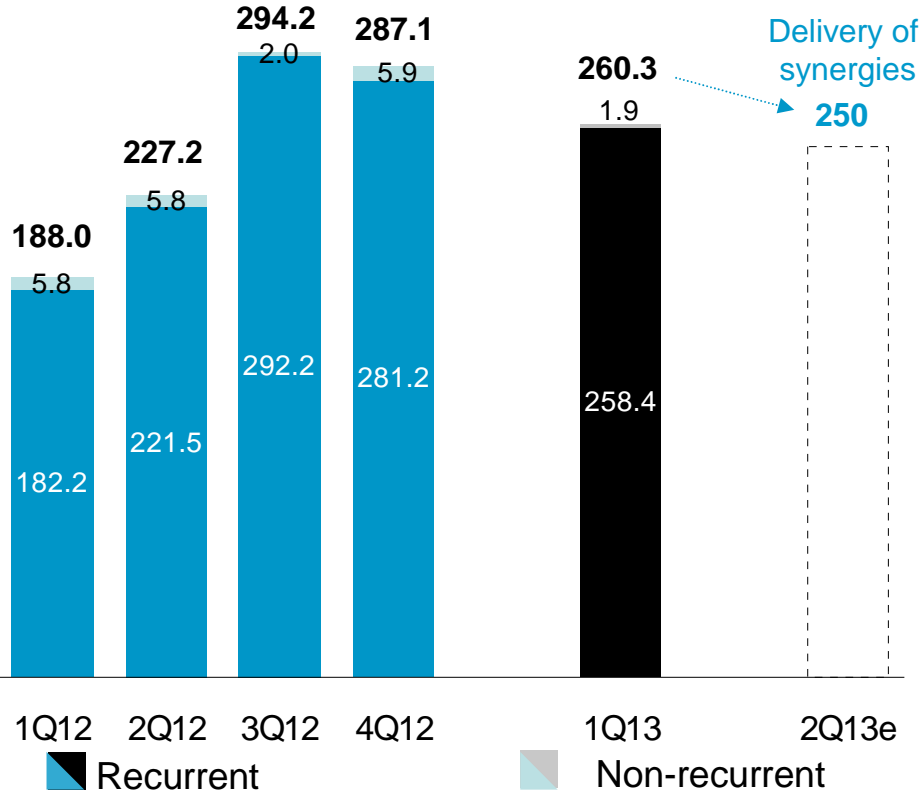


**Commissions from the old Banco CAM network showing a faster growth**

# Personnel expenses are reduced as synergies are delivered ...

## Personnel expenses evolution

Euros in million



Personnel expenses 1Q13:  
+38.5% YoY

Recurrent personnel expenses  
1Q13\*:

**-13% YoY**

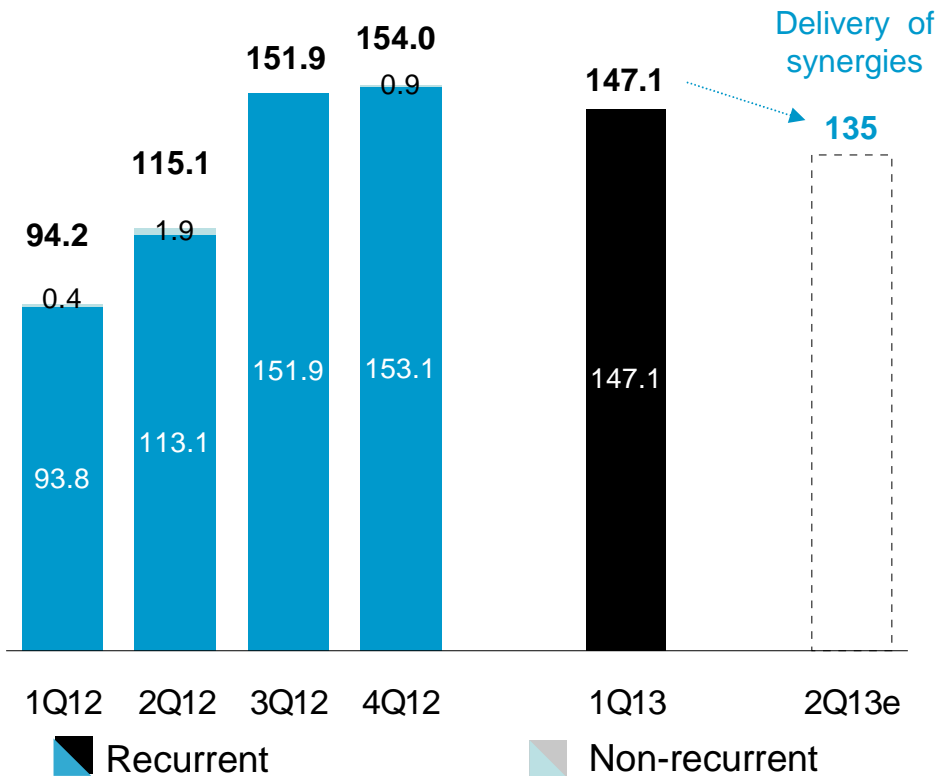
\* Including Banco CAM in 2012 and excluding non-recurrent expenses.



# ... as well as in general expenses on a like-for-like basis

## General expenses evolution

Euros in million



General expenses 1Q13:  
+56.2% YoY

Recurrent general  
Expenses 1Q13\*:

**-5,8% YoY**

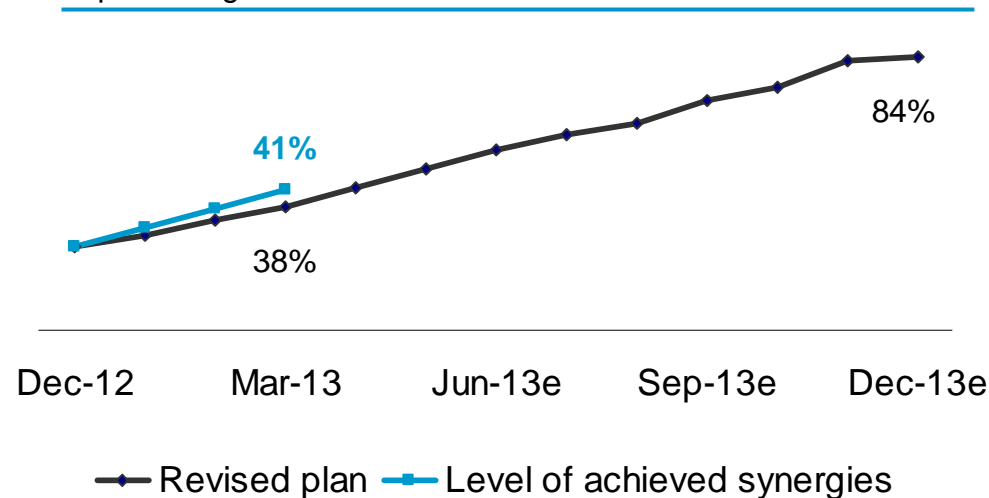
\* Including Banco CAM in 2012 and excluding non-recurrent expenses.

# 41% of synergies already achieved

- ✓ Achievement of synergies is ahead of plan

## Level of achievement

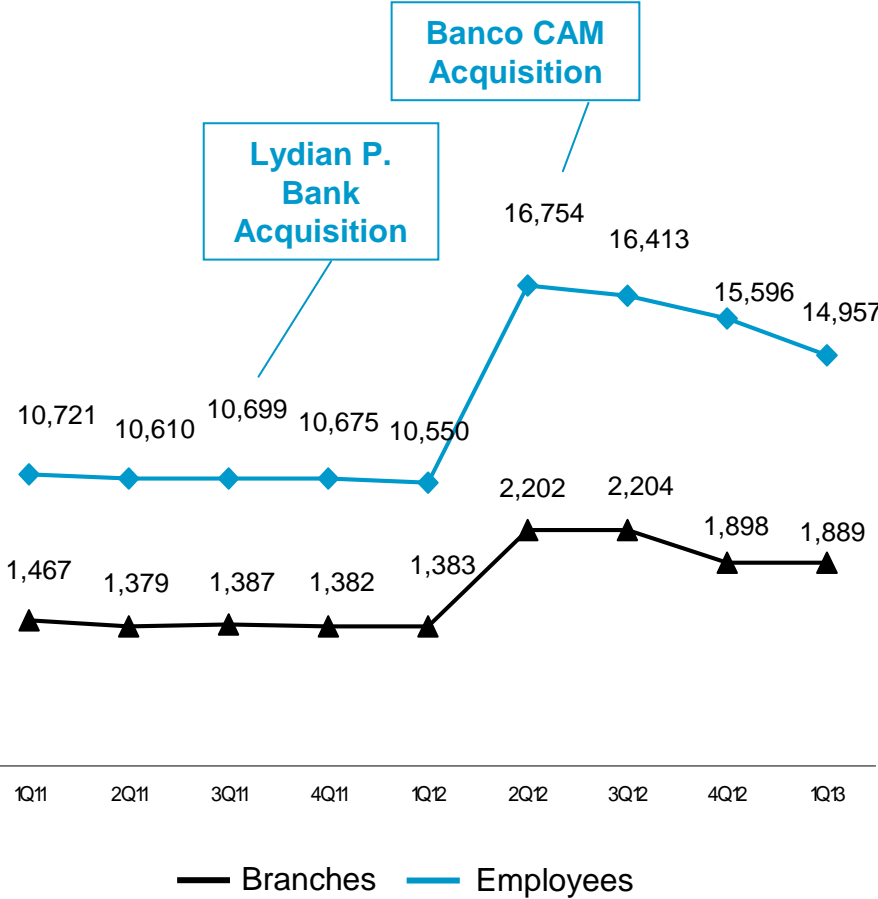
In percentage



- ✓ 96% of the branch closures required by the European Commission and 99% of the planned headcount reduction have been achieved
- ✓ In addition, another 21 branches will be closed during 2013 and the headcount will be reduced by another 23 employees

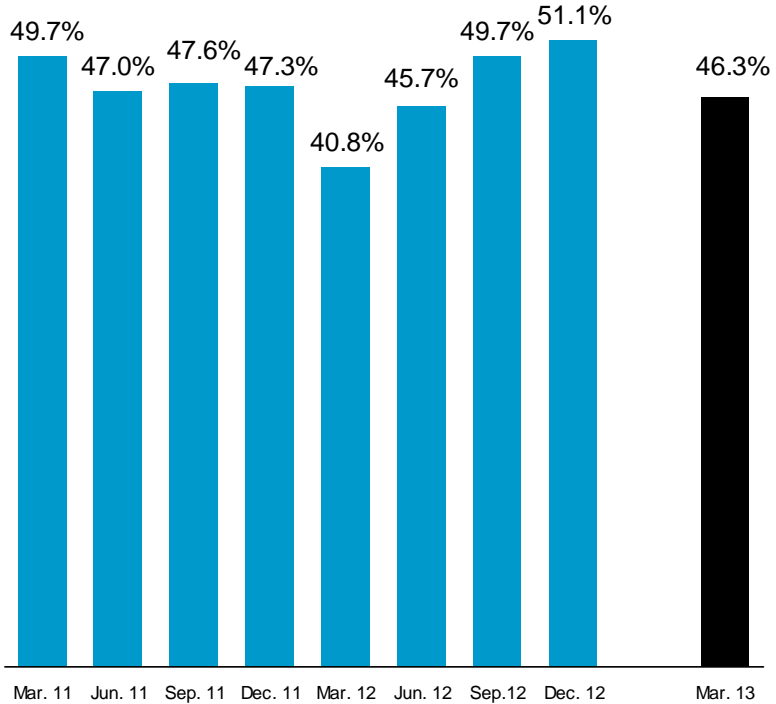
## Employee and branch evolution

In number



## Cost income evolution

in %



---

# 3. Commercial activity and liquidity

# Growing the customer base ...

## Remarkable success in customer gathering

	Jan.13	Feb. 13	Mar. 13	1Q13
Individuals	28,144	30,028	32,536	90,708
Companies	7,658	8,438	8,236	24,332

**8,800 new  
customers per  
week**

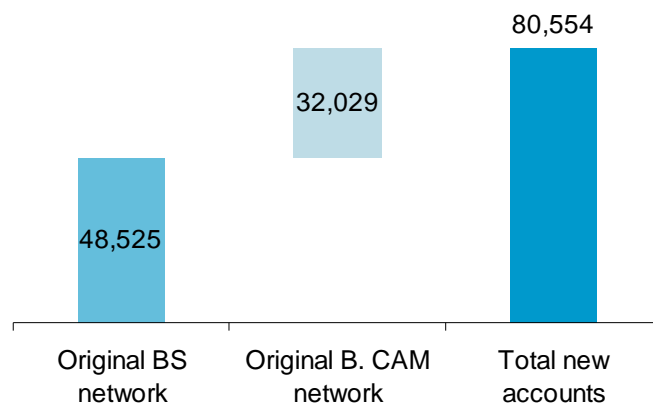
## Evolution of total number of customers

	Dec. 12	Mar. 13	% Var.
Total	5,502,584	5,517,110	0.3%

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

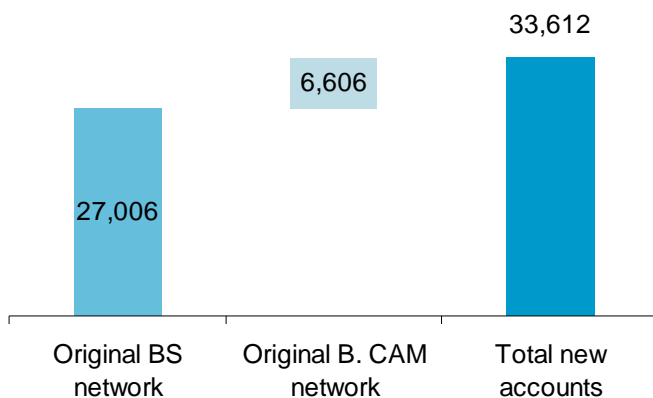
# ... the old B. CAM network converging <sup>B</sup>Sabadell with the rest of the group ...

Cuenta Expansión: 80,554 new accounts in 1Q13



	New accounts	Var. (%)	Total accounts
Original BS network	48,525	12.8%	428,720
Original B. CAM network	32,029	107.5%	61,832
Total	80,554	19.6%	490,552

Cuenta Expansión Negocios: 33,612 new accounts in 1Q13

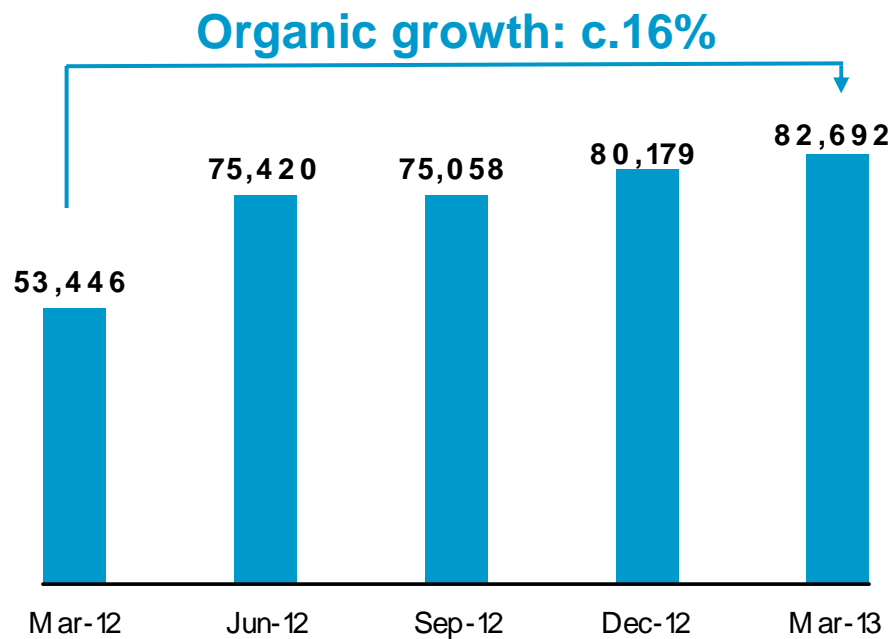


	New accounts	Var. (%)	Total accounts
Original BS network	27,006	16.3%	192,236
Original B. CAM network	6,606	108.5%	12,694
Total	33,612	19.6%	204,930

# ... with strong growth in customer funds, even in a low interest rate environment

## Customer funds evolution

Euros in million



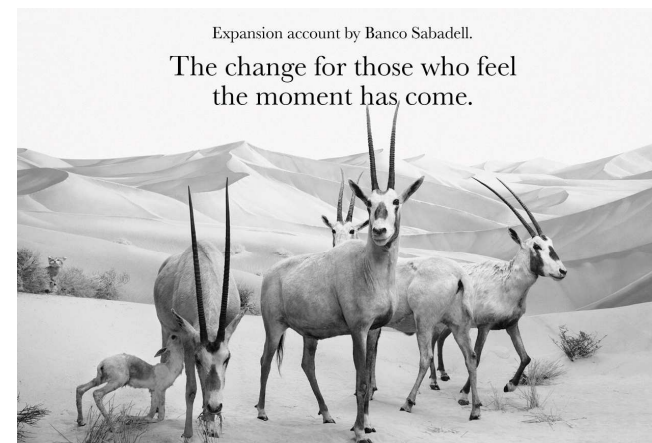
Positive impact from *flight-to-quality*, reflected in our new marketing campaign

Organic growth:

**€8.3bn**

Non-organic growth:

**€20.9bn**

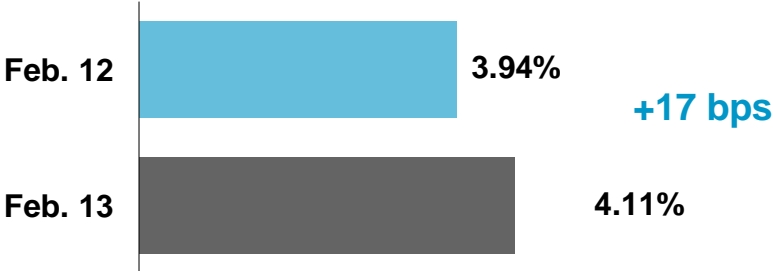


Sabadell

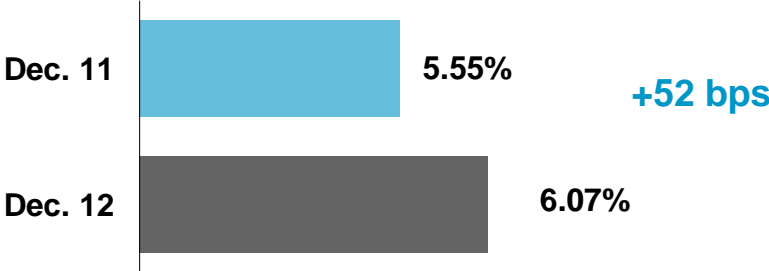
Chosen by the best in business. And by people like you.

# Gaining market share both in individuals ...

## Household term deposits



## Credit card volume



## Payroll accounts



## Transactionality<sup>1</sup>



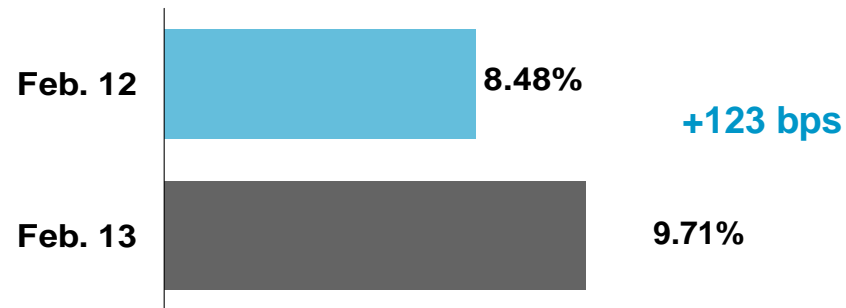
Note: Data is presented like-for-like, including B. CAM in 2012

<sup>1</sup> Including cheques, transfers, SEPA transfers, receivables and promissory notes

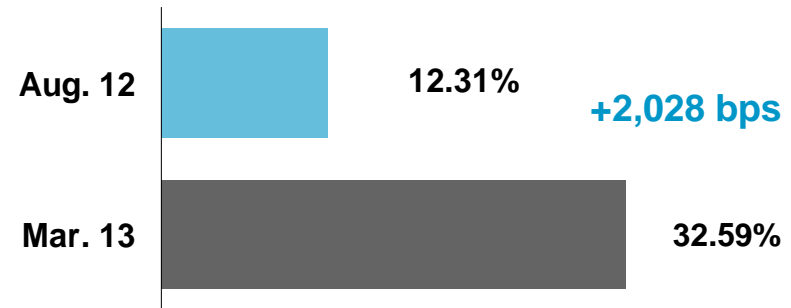


# ... as well as in companies

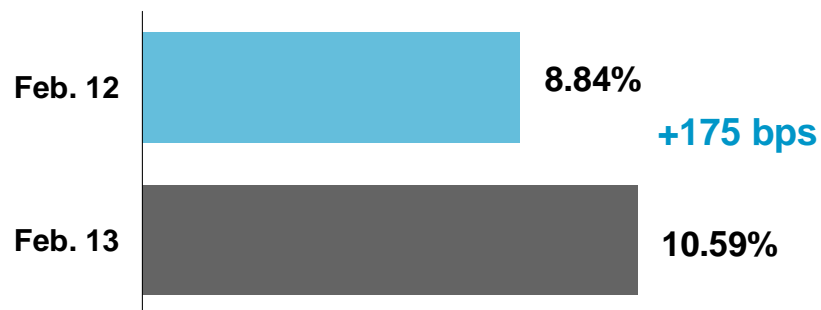
## Corporate credit



## ICO loans (publicly subsidised loans)



## Sight deposits companies



## Volume at BS card PoS



# Sabadell continues to provide credit to SMEs and corporates

Note: Data is presented like-for-like, including B. CAM in 2012

# Commercial gap improvement continues ...

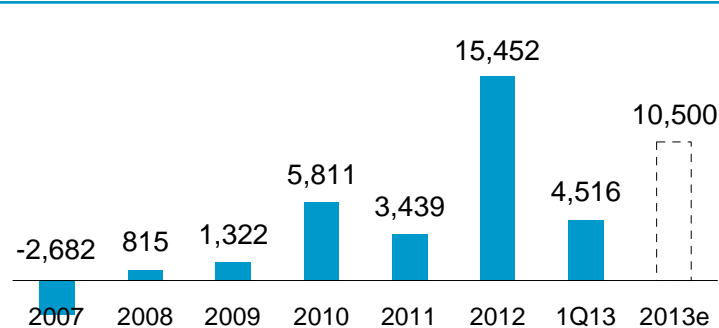
## Customer funds and loans evolution

Euros in million

	Mar-12	Dec-12	Mar-13	% Var. YoY
On-balance sheet customer funds	53,446	80,179	82,692	54.7%
Other on-balance sheet term funds <sup>1</sup>	34,103	53,095	53,819	57.8%
Sight deposits	19,343	27,085	28,874	49.3%
Off-balance sheet funds	18,345	20,659	21,173	15.4%
Mutual funds	8,295	8,585	8,987	8.3%
Pension funds	2,929	3,709	3,731	27.4%
Third party insurance products	5,780	7,313	7,270	25.8%
<b>Total funds</b>	<b>71,791</b>	<b>100,838</b>	<b>103,865</b>	<b>44.7%</b>
Gross loans to customers ex repos	74,235	115,392	113,389	52.7%

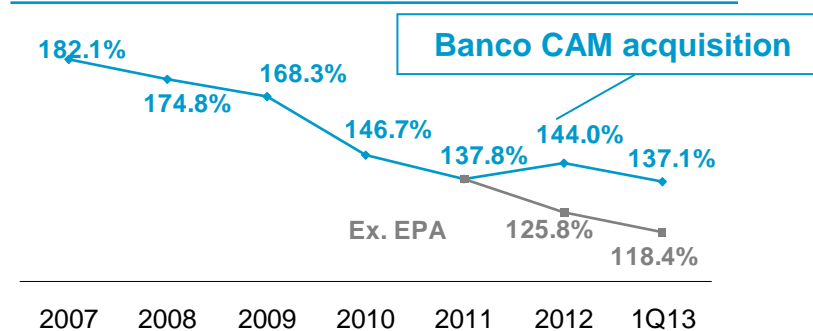
## Change in commercial gap

Euros in million



## Loan to deposit ratio

Euros in million

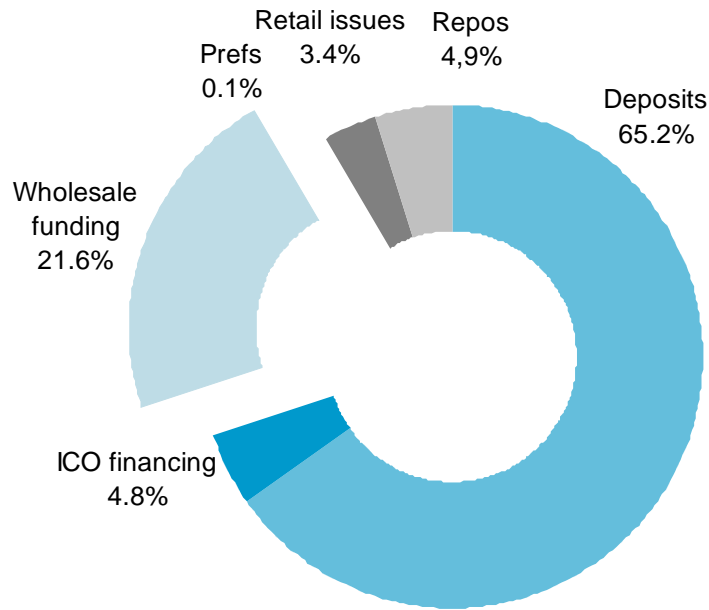


<sup>1</sup> Other on-balance sheet term funds include term deposits and other funds placed in the retail network: preference shares, mandatory convertible bonds, senior debt, commercial paper and other. Excludes repos.

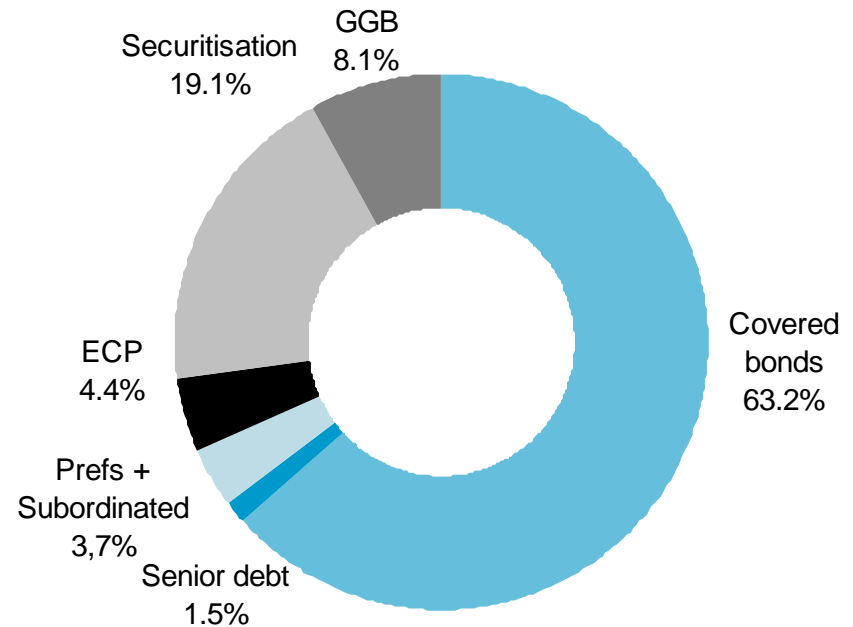
Note: In 2012, changes in commercial funding cap include adjustments for capital increase. 2012 numbers include Banco CAM

# ... maintaining a balanced funding structure ...

## Group funding structure



## Group wholesale funding breakdown

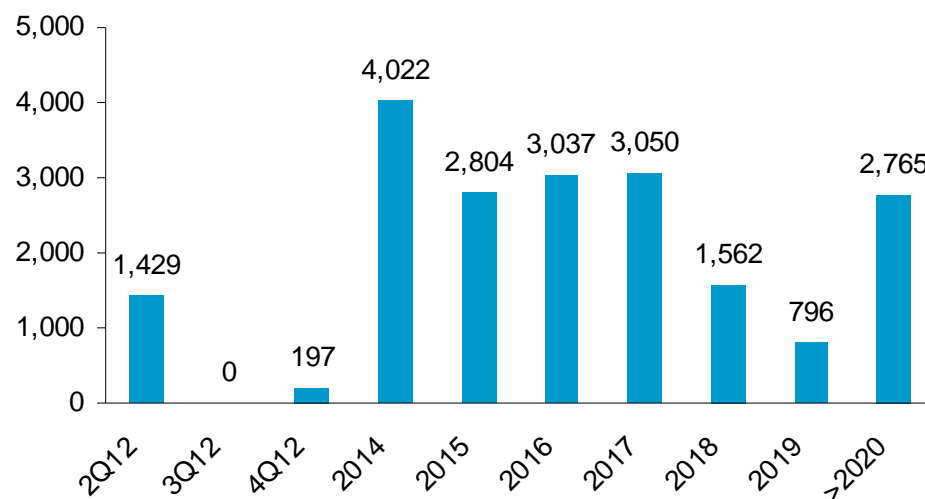


# ... and efficiently managing liquidity



## Group wholesale funding maturities

Euros in million



## ECB liquidity position

Euros in million

**December 2012** **23,650**

### Returned amounts 2013

January 30	1,150
February 1	1,000
February 20	500
February 27	500
<b>Total amount</b>	<b>3,150</b>

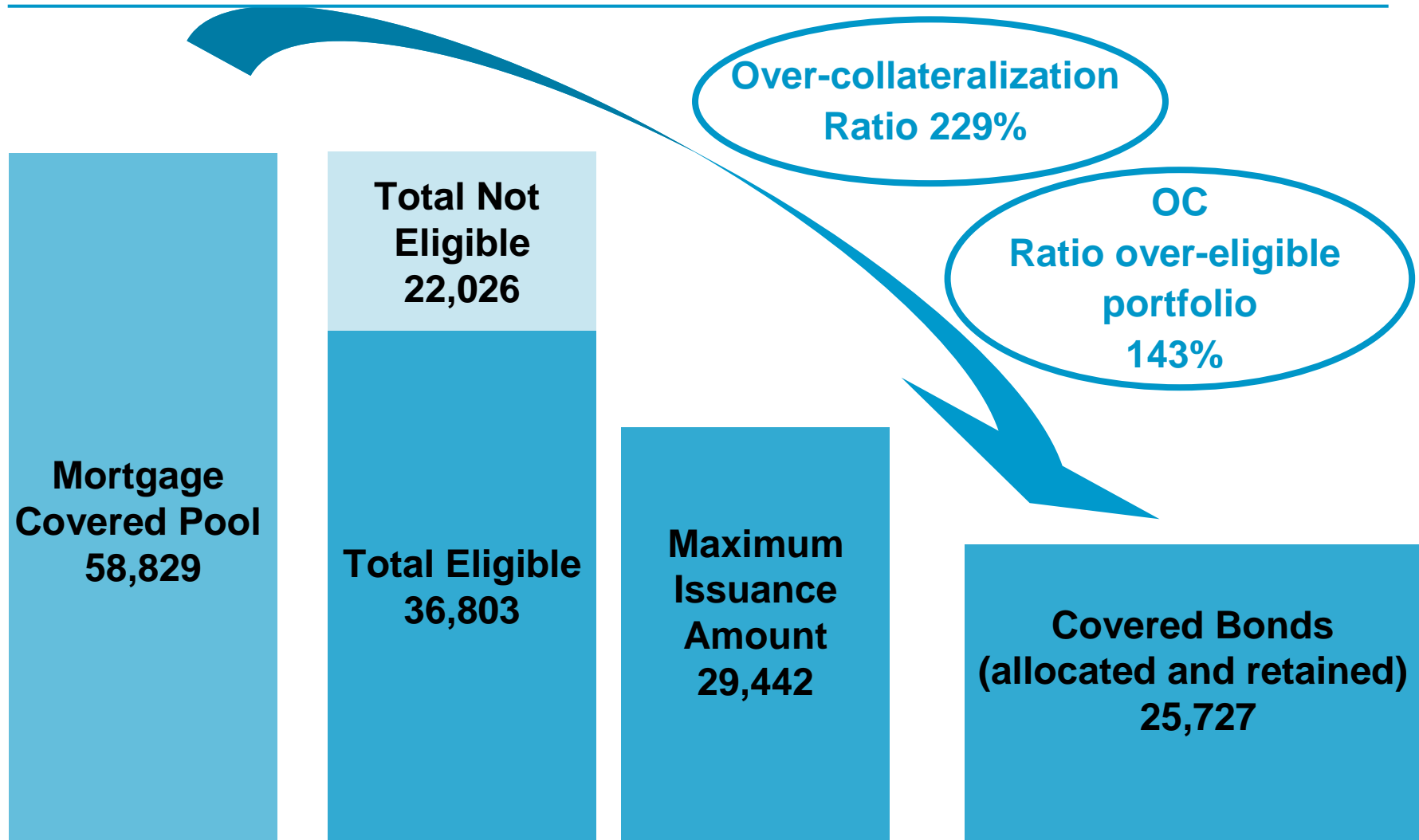
**March 2013** **20,500**

## Maturity by product type

Euros in million

	2Q12	3Q12	4Q12	2014	2015	2016	2017	2018	2019	>2020	Outst. Amount
Covered bonds (CH)	1,429	0	197	2,946	2,804	2,577	1,907	1,445	796	2,132	16,233
Covered bonds (CT)	0	0	0	0	0	0	0	0	0	0	0
GGB	0	0	0	1,006	0	0	1,066	0	0	0	2,072
Senior debt	0	0	0	0	0	157	0	100	0	25	282
Preference and Subordinated	0	0	0	0	0	302	77	0	0	590	969
Other mid- and long-term financial instruments	0	0	0	70	0	0	0	18	0	18	106
<b>TOTAL</b>	<b>1,429</b>	<b>0</b>	<b>197</b>	<b>4,022</b>	<b>2,804</b>	<b>3,037</b>	<b>3,050</b>	<b>1,562</b>	<b>796</b>	<b>2,765</b>	<b>19,661</b>

# Mortgage Covered Bonds Over-collateralization Ratio



Data as of March 2013

Euros in Million

---

# 4. Risk and capital management

# Evolution of NPLs and RE assets

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

Euros in million

	2Q12	3Q12	4Q12	1Q13
Net entries	249	667	1,094	385
Change in RE assets	522	327	233	394
Net entries + Change in RE assets	771	994	1,327	778
Write-offs	228	232	387	247
<b>Quarterly change in non-performing assets</b>	<b>543</b>	<b>762</b>	<b>940</b>	<b>531</b>
			<b>4T12</b>	<b>1T13</b>
NPLs volume			10,287	10,424
RE assets			5,927	6,320
NPLS+ RE assets			16,214	16,744
Substandard exposure			2,844	2,897
<b>Total problematic assets ex-APS</b>			<b>19,058</b>	<b>19,641</b>
Total provisions ex-APS			9,410	9,516
Coverage ex-APS			49.4%	48.4%

**9.1% of global coverage ex-APS (loans and real estate assets)**

# NPL ratios by segment

## NPL ratios by segment, excl. APS

In percentage

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

**The NPL ratio increased by 36 basis points in 1Q13**

Note: NPL ratio is calculated including contingent risk.



# Maintaining high coverage levels of credit and real estate exposure

## Coverage by segment

Split between Asset Protection Scheme and rest

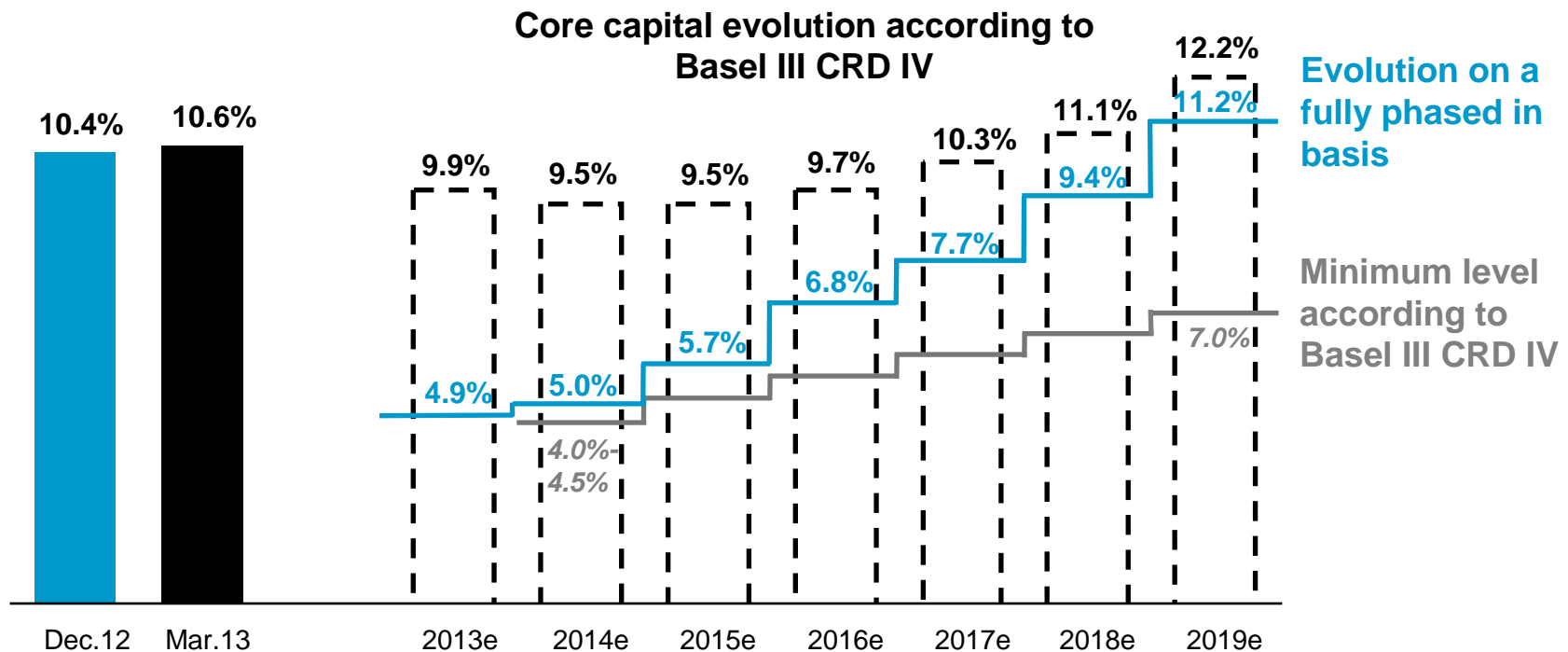
1Q13	Coverage		
	BS ex-APS	APS	Total
Real estate assets	39.4%	47.8%	43.3%
Real estate development loans	36.0%	44.2%	39.8%
<b>Total real estate exposure</b>	<b>37.4%</b>	<b>45.6%</b>	<b>41.2%</b>
Construction	6.2%	42.6%	7.8%
Large corporates	3.7%	27.2%	4.7%
SME and small retailers and self-employed	5.2%	27.3%	8.0%
Individuals	3.6%	11.6%	4.1%
Other	3.3%	59.2%	4.4%
<b>Rest of loan book</b>	<b>4.0%</b>	<b>22.3%</b>	<b>5.2%</b>
<b>Total loan book and RE assets</b>	<b>9.1%</b>	<b>38.3%</b>	<b>13.8%</b>

**13.8% of coverage of total loans and real estate assets**

# No market capital call in the pipeline

## Core capital evolution including Penedés and Banco Gallego

In percentage



**Comfortably exceeding minimum capital levels according to Basel 3, even on a fully phased in basis**

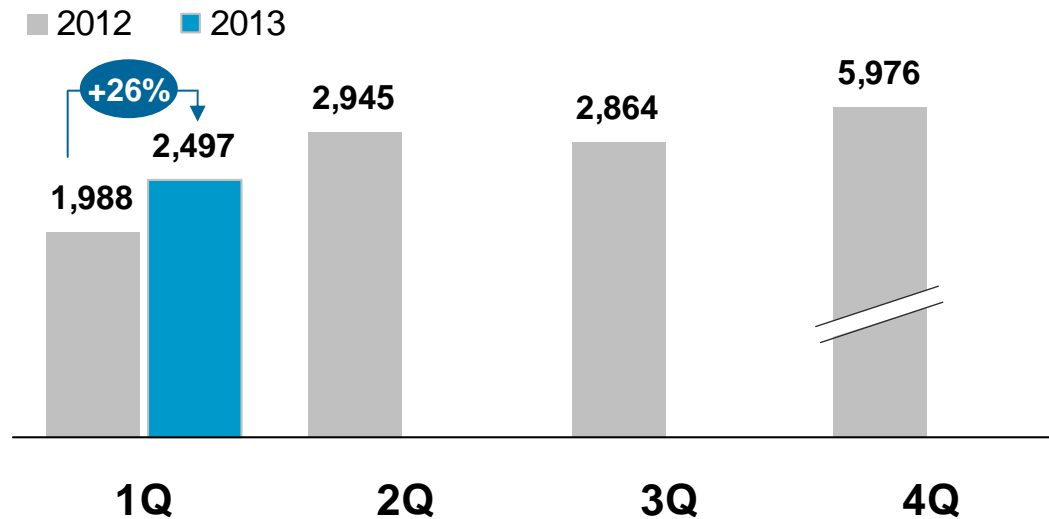
---

# 5. Managing Real Estate assets

# Latest commercial efforts are showing results ...

## Sales evolution

Number of units



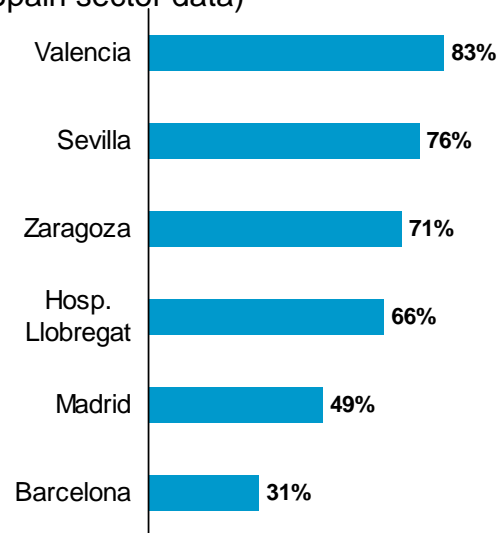
**Target 2013: >16,000 units sold**

# ... addressing market segments with positive momentum ....

- ✓ Higher proportion of affordable houses
- ✓ Increase in the number of cash transactions

**In 89% of the houses sold by Sabadell in 1Q13 the price was below €100,000**

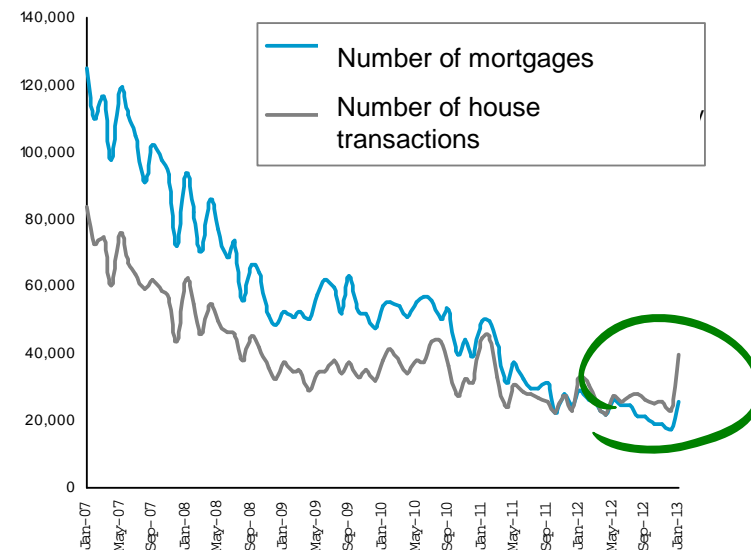
**Transactions with a price <€100,000**  
(%, Spain sector data)



Source: XVI Informe sobre el mercado de la vivienda Tecnocasa-Univ. Pompeu Fabra (Mar 2013)

**62% of the houses sold by Sabadell in 1Q13 without mortgage financing**

**Spanish house transaction and mortgage data (monthly)**



Source: INE

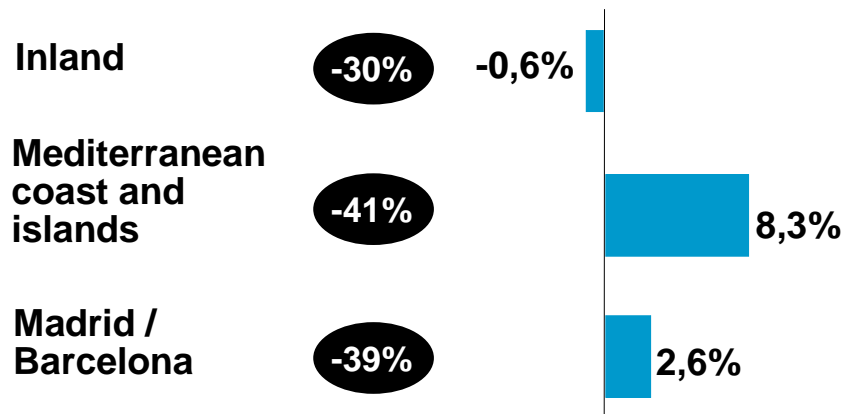
# ... and with an offer that is meeting strong demand

- ✓ Strong demand for coastal properties
- ✓ Increased importance of foreign buyers

**75% of Sabadell's finished properties are located along the coast**

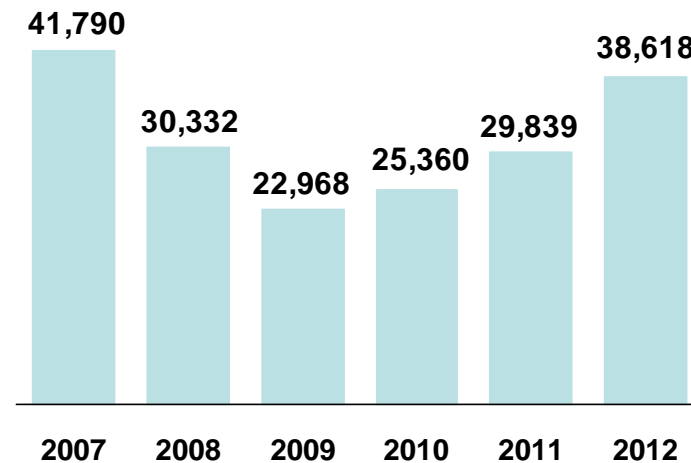
**14% of Sabadell sales in 1Q13 were to foreign buyers**

Price declines from peak  
Change in number of transactions  
2012 vs. 2011



Source: Ministerio de Fomento, TINSA

Number of transactions by foreign buyers



Source: Consejo General del Notariado

# More efficient marketing campaigns ...

## Better results than in 4Q12

- ✓ **More than 3,600 offers** received
- ✓ **More than 3,000 buyers on waiting lists**
- ✓ **Increase in the reservation rate by number of contacts**
- ✓ **Price increases** in selected developments (for example in Valencia and Cádiz)
- ✓ **Auction sales** when properties receive more than one offer

## Results after 5 weeks of latest marketing campaign

More than 35% more offers received than in the last campaign of 2012

4Q12 Campaign    1Q13 Campaign

Conversion rate (online contacts/visits)

2.5%

2.7%

Conversion rate (offers/contacts)

5.8%

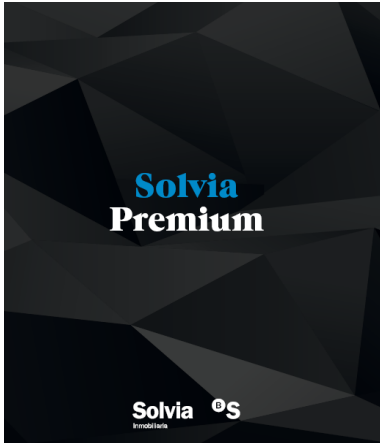
6.1%

Con nuestras oportunidades  
**imposible no comprar.**

Aprovecha el momento y presume de precio.


# ... addressing all market segments

## Solvía launches its “Premium” brochure



**Solvía Premium**

Solvía <sup>®</sup>S  
Inmobiliaria



**Marbella**


**MÁLAGA**

C/ Las Mimosas, s/n

38 viviendas de lujo de 2 dormitorios con garaje, rodeadas de un amplio jardín de 7.000 m<sup>2</sup>. Jacuzzi, spa, sauna y piscina cubierta climatizada. A pie de la playa, en Puerto Banús.

A muy pocos metros de la playa

Ahora desde 473.000 € + Más información



**Barcelona**


**BARCELONA**

C/ Ganduxer, 110

En construcción. Exclusivo conjunto residencial en zona alta de Barcelona, en el barrio de La Bonanova, un emplazamiento privilegiado. Viviendas de lujo, de 3 y 4 dormitorios con amplias distribuciones, cocina amueblada y equipada, y excelentes calidades. La zona comunitaria posee zonas ajardinadas y piscina. Todas las viviendas cuentan con plaza de aparcamiento y trastero.

May bien comunicado

Ahora desde 1.445.000 € + Más información



**Madrid**


**MADRID**

C/ Goya, 63

Viviendas exclusivas de 2 a 4 dormitorios con 2, 3 o 4 baños situadas en el barrio de Salamanca. Un lugar inmejorable, a un paso del parque El Retiro. Con 2 plazas de aparcamiento incluidas en el precio de venta.

Viviendas exclusivas con domótica

Ahora desde 1.943.620 € + Más información



**Illa del Mar**

**BARCELONA**

Passeig García Faria, 81

Promoción ILLA DEL MAR en Diagonal Mar con viviendas de 1, 2,3 y 4 dormitorios. Áticos duplex con piscina. Edificio único frente al mar. Áreas exclusivas con jardín privado y piscina, gimnasio, pádel y zona de juegos infantiles.

Piscina y pádel Edificio frente al mar

Ahora desde 535.000 € + Más información

The “Premium” brochure is available online:  
<http://www.solviarealestate.com/premium/catalogo.pdf>

39



---

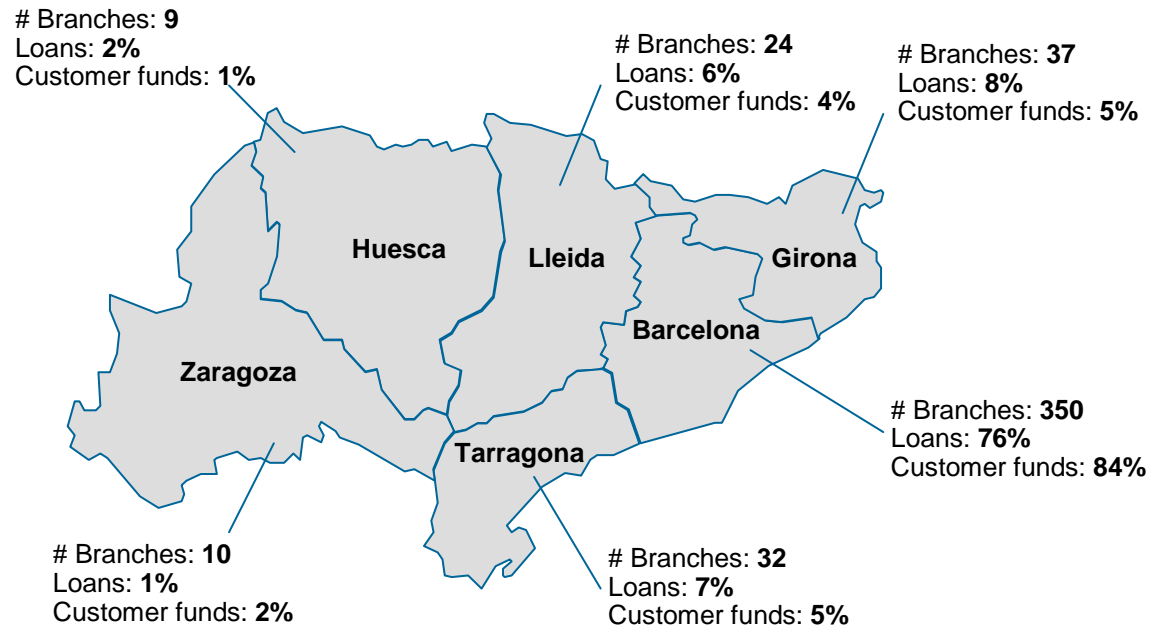
# 6. Update on M&A activity

# Update M&A: BMN

- ✓ Asset and liability transfer concerning the former Caixa Penedés banking network in Catalonia and Aragon
- ✓ Estimated integration date: October 12th, 2013

<b>Key numbers</b>	<b>Clients</b>	~900,000
	<b>Loans</b>	€10bn
	<b>Customer funds</b>	€8,2bn
	<b>RWA</b>	~€5.3bn
	<b>Branches</b>	462
	<b>Employees</b>	~2,000
	<b>Synergies</b>	€66M
	<b>ROE (post synergies)</b>	10%

## Number of branches and split of loans and customer funds by region



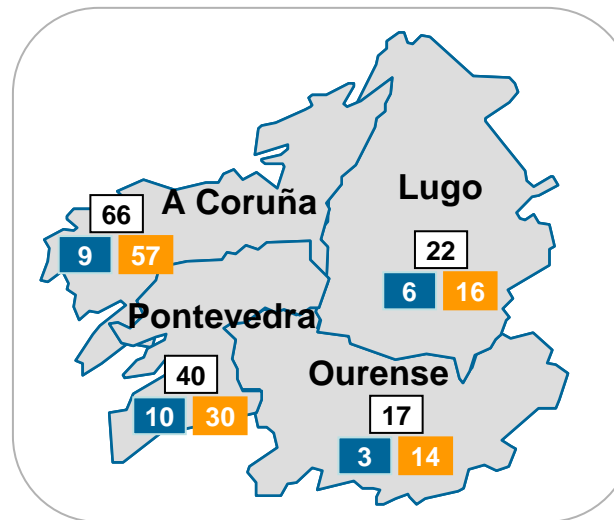
Data as of February 2013.

# Update M&A: Banco Gallego

- ✓ Capital injection by the FROB of €245 million
- ✓ Sabadell significantly increases its presence in a region that represents 5.3% of Spanish GDP

Key numbers	Clients	~125.000
	Assets	€4,200M
	Loans	€2,200M
	Customer funds	€3,000M
	RWA	€1,900M
	NPL ratio	8.3%
	Branches	183
	Employees	737
	Synergies	€19M
	ROE (post synergies)	14%

## Galicia branch network, pro-forma



**Branch market share of 7%**

28	BS
117	Banco Gallego
145	Pro-forma

## Loans by segment

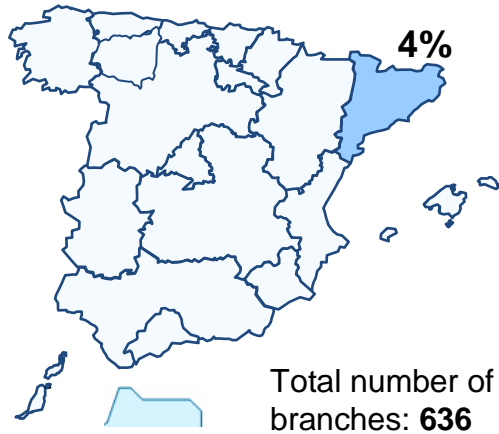
Corporates	27%
SMEs	18%
Rest of companies	8%
Mortgages	41%
Rest of individuals	6%

**14% coverage of total loans**

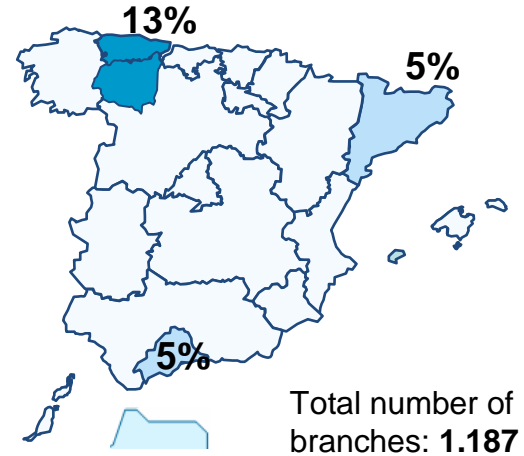
# Sabadell branch distribution

## Market share by region

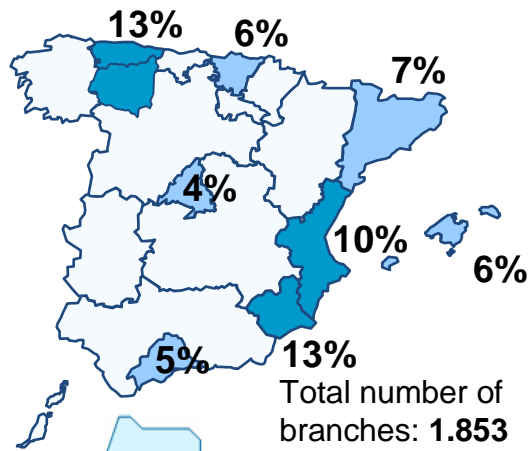
2001



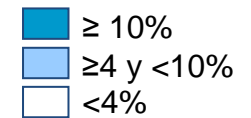
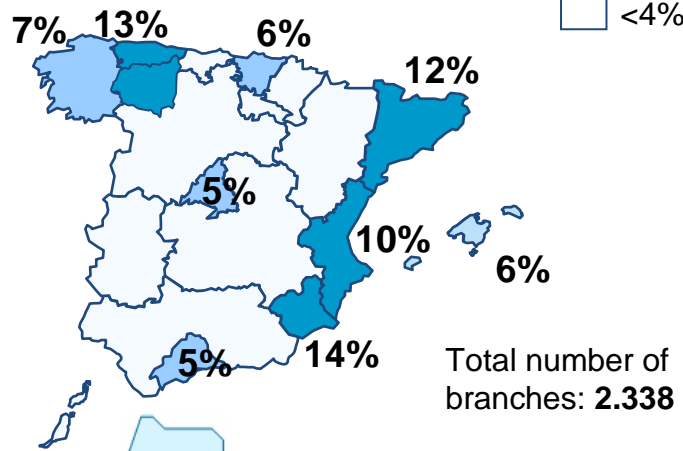
2006



2012



2013e



Note: The region of León is included in Asturias and not in Castilla y León.

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.