

# Banco Sabadell

## 1Q12 Results



**April 26<sup>th</sup>, 2012**

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1. Quarterly highlights

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2. 1Q12 Results

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3. Commercial activity and liquidity

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4. Risk management

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# 1. Quarterly highlights

# Quarterly highlights

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- ✓ Positive evolution in net interest income
- ✓ Success in attracting new customers and improving market share
- ✓ Ongoing efforts in provisioning
- ✓ Successful capital increase in March
- ✓ Significant improvement in capital ratios
- ✓ Comfortable liquidity position
- ✓ Results in line with guidance

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## 2. 1Q12 Results

# 1Q12 Results

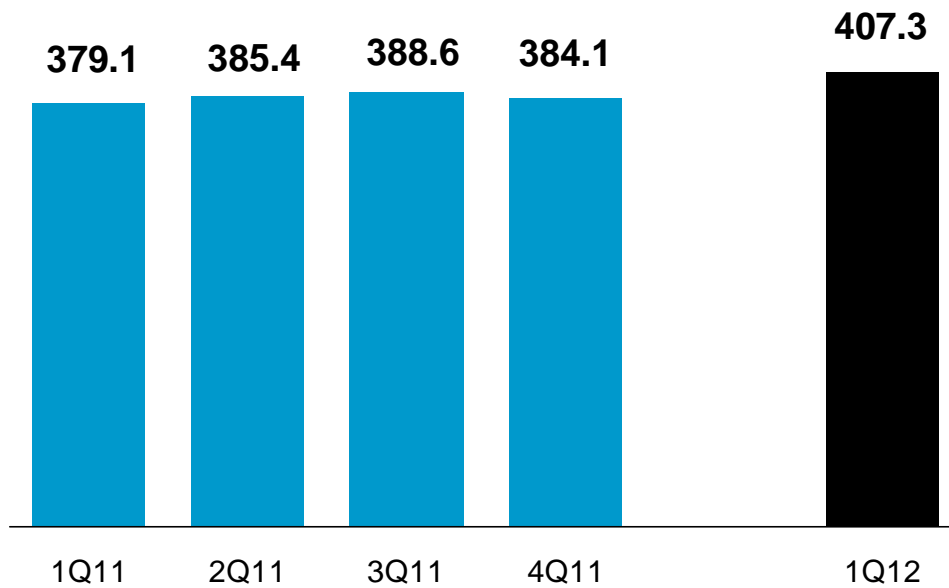
	1Q11	1Q12	% var 12/11
<b>Net Interest Income</b>	<b>379,1</b>	<b>407,3</b>	<b>7,4%</b>
Equity Method & Dividends	18,1	5,6	-69,1%
Commissions	135,7	133,5	-1,6%
Trading Income & Forex	136,7	161,4	18,1%
Other Operating Results	1,9	-15,6	--
<b>Gross Operating Income</b>	<b>671,6</b>	<b>692,2</b>	<b>3,1%</b>
Personnel Costs	-192,1	-188,0	-2,2%
Administrative Costs	-98,5	-94,2	-4,4%
Depreciations	-32,4	-32,0	-1,2%
<b>Pre-provisions Income</b>	<b>348,5</b>	<b>378,1</b>	<b>8,5%</b>
Total Provisions & Impairments	-330,1	-293,4	-11,1%
Gains on sale of assets	1,1	28,0	--
<b>Profit before taxes</b>	<b>19,5</b>	<b>112,6</b>	<b>476,6%</b>
Taxes and others	64,7	-32,6	--
<b>Attributable Net Profit</b>	<b>84,2</b>	<b>80,0</b>	<b>-5,0%</b>

Euros in million

# Net interest income is improving ...

## Net interest income evolution

(Euros in million)



Net interest income 1Q12:  
**+7.4 % YoY**



# ... driven by active price management ...

Product	Front book spreads					Back book spreads				
	Mar-11	Dec-11	Mar-12	Var QoQ	Var YoY	Mar-11	Dec-11	Mar-12	Var QoQ	Var YoY
Credits	272	361	363	+2	+91	210	262	279	+17	+69
Loans	256	329	278	-51	+22	186	210	216	+6	+30
Mortgages to individuals	124	123	146	+23	+22	76	81	83	+2	+7
Leasing	185	216	226	+10	+41	107	119	125	+6	+18
Renting	390	462	525	+63	+135	257	321	345	+24	+88
Commercial loans	309	341	368	+27	+59	328	355	404	+49	+76
Confirming	246	252	270	+18	+24	225	243	280	+37	+55
Forfaiting	266	365	349	-16	+83	222	317	382	+65	+160
<b>Total loans</b>	<b>248</b>	<b>285</b>	<b>287</b>	<b>+2</b>	<b>+39</b>	<b>154</b>	<b>173</b>	<b>182</b>	<b>+9</b>	<b>+28</b>
Term deposit 1 month	105	95	85	-10	-20	91	75	70	-5	-21
Term deposit 3 months	116	142	137	-5	+21	103	105	106	+1	+3
Term deposit 6 months	133	148	163	+15	+30	138	106	125	+19	-13
Term deposit 12 months	102	157	172	+15	+70	189	132	134	+2	-55
Term deposit 18 months	147	218	205	-13	+58	200	191	184	-7	-16
Term deposit +18 months	202	282	240	-42	+38	191	150	152	+2	-39
<b>Total term deposits</b>	<b>122</b>	<b>147</b>	<b>155</b>	<b>+8</b>	<b>+33</b>	<b>178</b>	<b>149</b>	<b>148</b>	<b>-1</b>	<b>-30</b>

**Total volume of re-priced assets in the quarter: € 10.7 bn\***

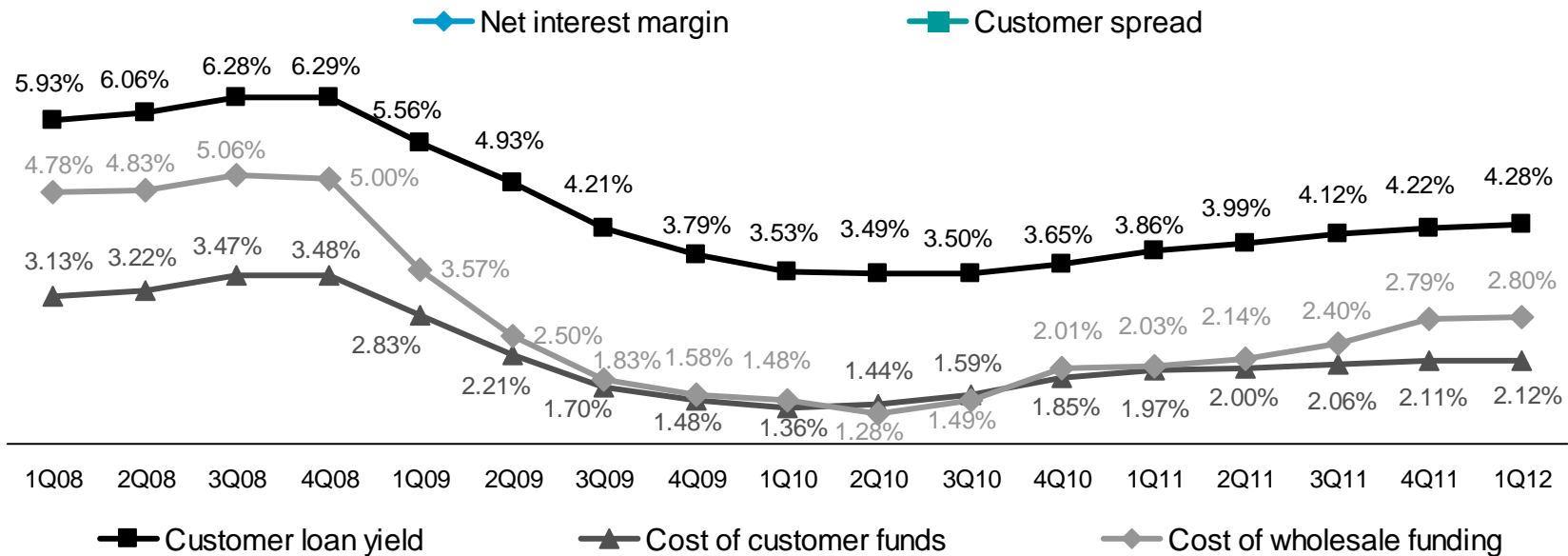
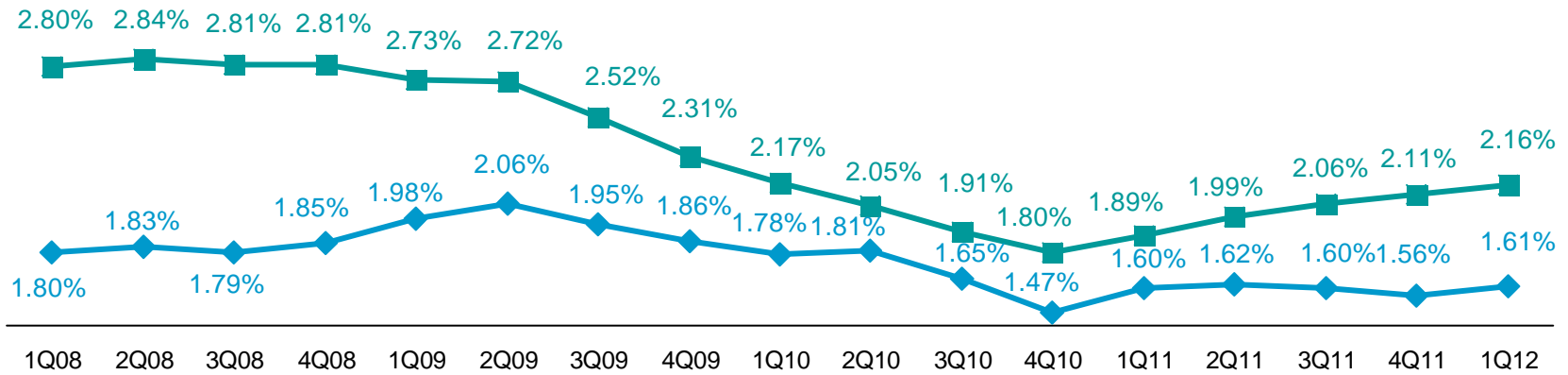
In basis points

\* New granted transactions with price change

# ... and a moderate increase in the cost of customer funds

## Margin evolution

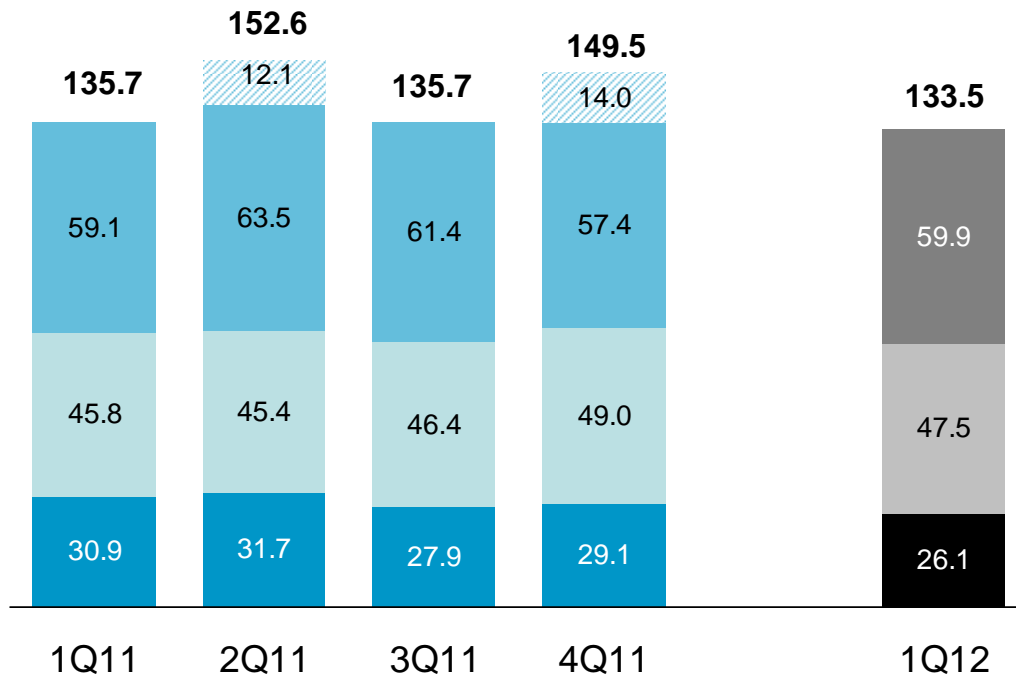
(In percentage)



# Stable commission levels

## Commissions evolution

(Euros in million)



Commission income 1Q12:  
-1.6 % YoY

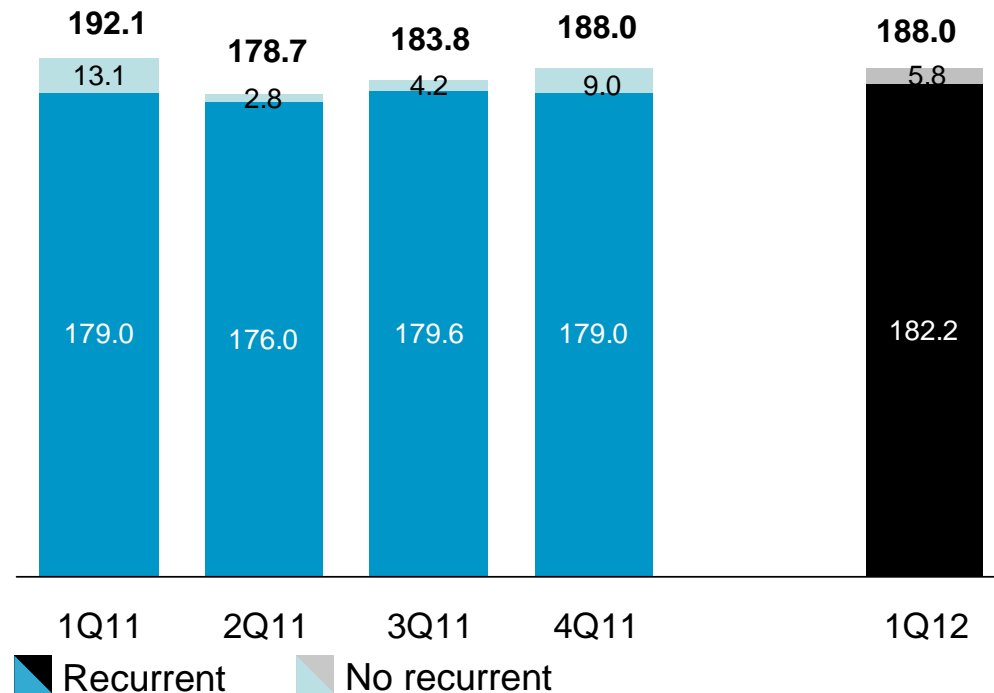


<sup>1</sup> Including mutual funds commissions and pension funds and non-life insurance brokerage

# Personnel expenses remain flat ...

## Personnel expenses evolution

(Euros in million)



Personnel expenses 1Q12:  
-2.2% YoY

Recurrent personnel expenses 1Q12:  
+1.8% YoY

Personnel expenses 1Q12  
Like-for-like\*:

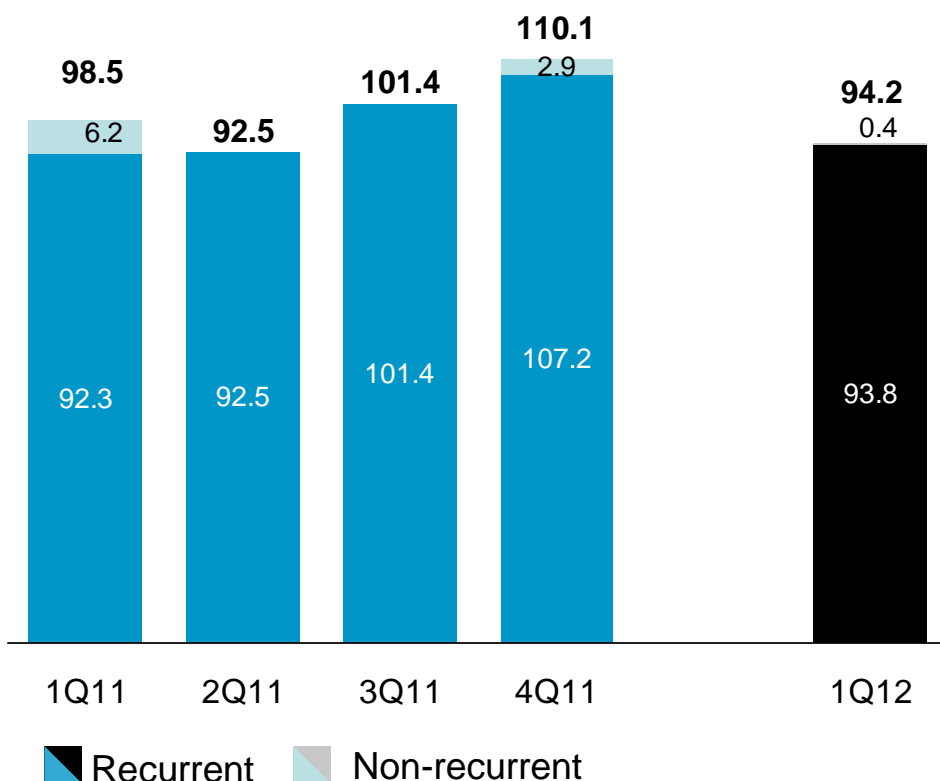
**+0.3% YoY**

\* Including Lydian Bank in 2011 and excluding non-recurrent expenses

# ... and general expenses are slightly down, like-for-like ...

## General expenses evolution

(Euros in million)



General expenses 1Q12:  
-4.4% YoY

Recurrent general expenses 1Q12:  
+1.6% YoY

General expenses 1Q12  
Like-for-like\*:

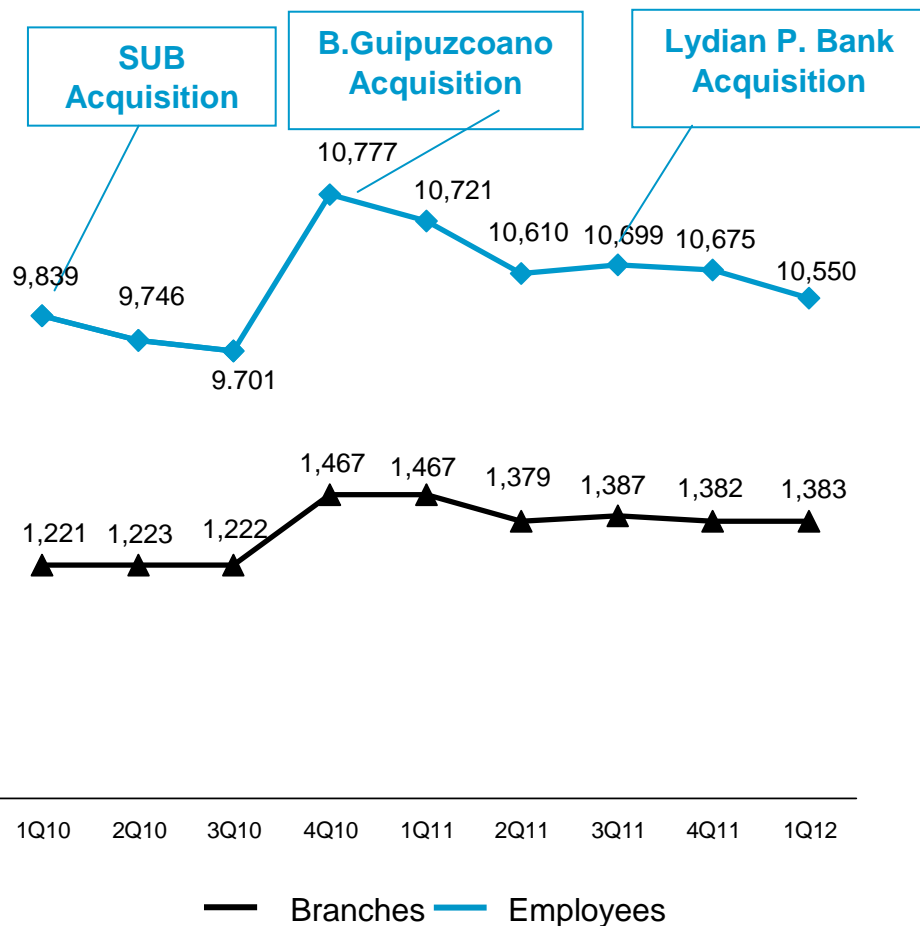
**-0.7% YoY**

\* Including Lydian Bank in 2011 and excluding non-recurrent expenses

# ... as the network optimisation continues

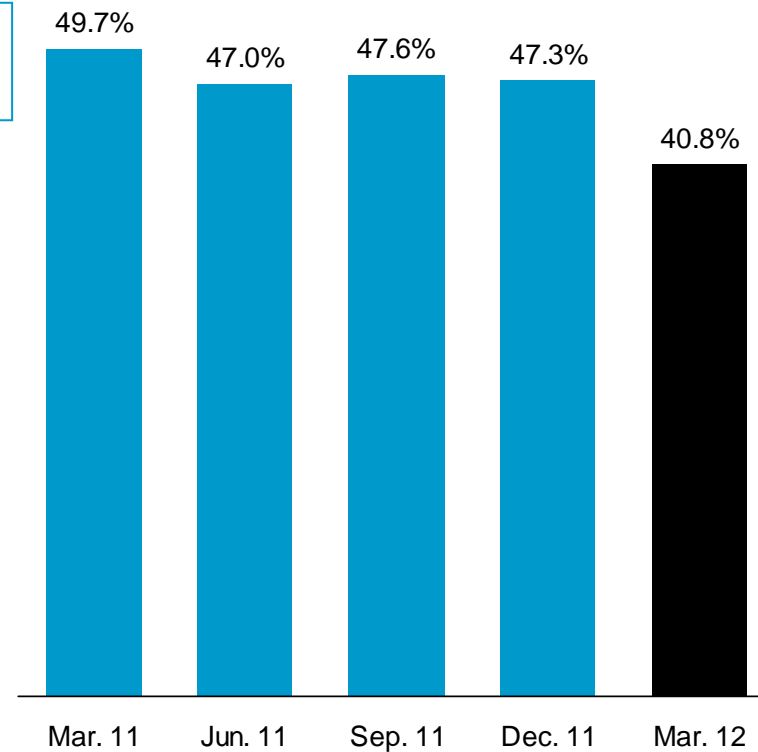
## Employee and branch evolution

(In number)



## Cost income evolution

(in %)



**Cost to income ratio ex non-recurrent items**

**1Q12: 39.9%**

# More efforts in provisions

## Evolution and breakdown of provisions and write-downs

(Euros in million)

	1Q11	2Q11	3Q11	4Q11	1Q12
Specific	328.4	143.4	158.6	109.3	118.2
Substandard	-32.8*	-52.2	-53.2	-4.1	-14.4
Metrovacesa	0.0	0.0	0.0	0.0	40.3
Real estate assets	30.0	62.4	41.2	106.3	142.4
BCP	1.2	34.7	46.5	31.9	0.0
Goodwill and others	0.8	9.3	12.1	58.0**	8.1
Subtotal	327.6	197.6	205.2	301.4	294.6
Generic	2.5	17.9	16.6	-19.8	-1.2
<b>Total provisions and impairments</b>	<b>330.1</b>	<b>215.5</b>	<b>221.8</b>	<b>281.6</b>	<b>293.4</b>

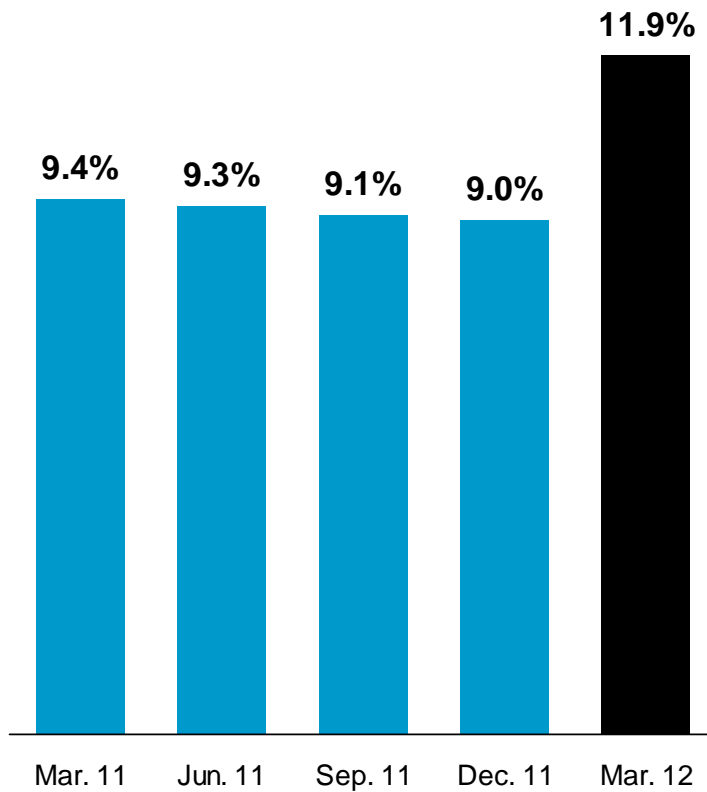
\* Includes extraordinary provisions from capital gains generated in the quarter (€186.2m) due to the debt-for-equity transaction and the goodwill fiscal deductibility recovery

\*\* Includes guaranteed funds write-down (€43.1m)

# Significant increase in the core capital ratio

## Core capital evolution

In %



## Capital actions in 1Q12

- ✓ Preference shares exchange for ordinary shares equivalent to 128 bp of core capital (€718 million\*)
- ✓ Capital increase in CAM context CAM equivalent to 161 bp of core (€903 millions).

\* € 718 million (€850m \* 90% \* 93.8%)



# Successful capital increase carried out in March

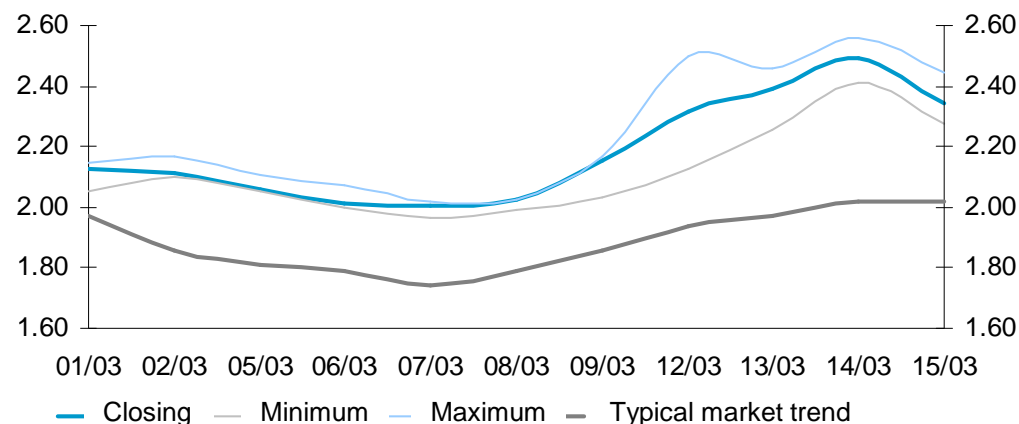
## Capital increase main terms

- Issue of 684 million of new shares, issue ratio 3:7 (3 new shares for every 7 existing ones)
- New share issue price 1.32€

## Capital increase results

- Preferred tranche subscription: 99.95%
- Capital increase 4.4x oversubscribed

## Banco Sabadell Share price, March 1-15th 2012(€)



**Evolution of the share during the subscription period: +11.7%**  
**(Ibex35: -0.5%)**

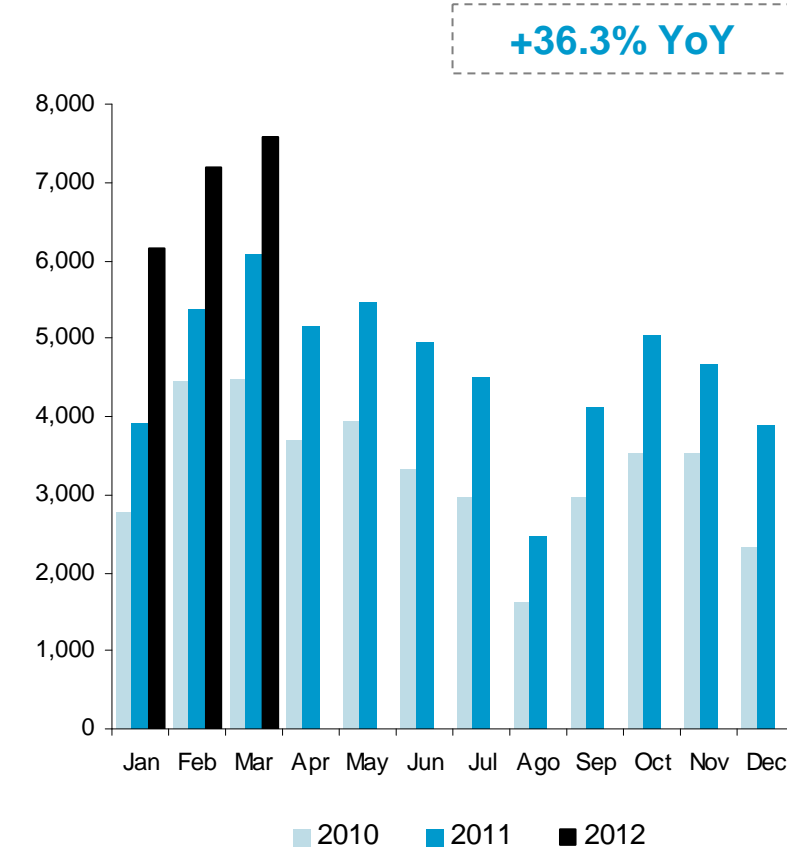
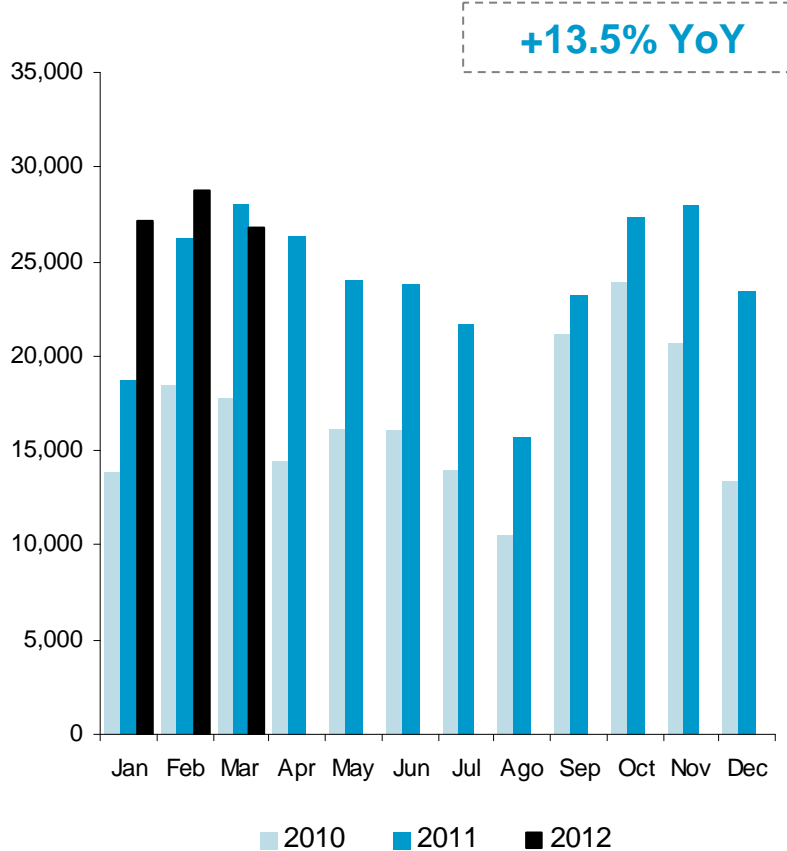
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# 3. Commercial activity and liquidity

# Maintaining a steady inflow of new customers ...

Monthly new individual customers

Monthly new company customers



In line with the CREA plan

## ... with total customers in excess of 2.7 million

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### Remarkable success in customer gathering

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	1Q11	1Q12	Change
Individuals	72,975	82,804	+13.5%
Companies	15,356	20,923	+36.3%

### Evolution of total number of customers

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	1Q11	1Q12	Change
Total	2,523,728	2,757,134	+9,2%

### With two market-leading products paving the way in 1Q12

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Cuenta Expansión:  
62,552 new accounts

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Cuenta Expansión Negocios:  
29,184 new accounts

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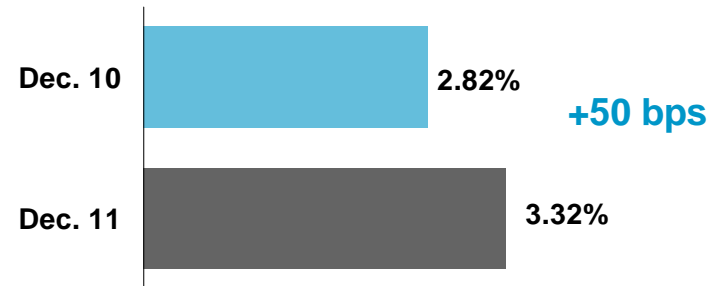
# ... achieving market share gains both in individuals ...



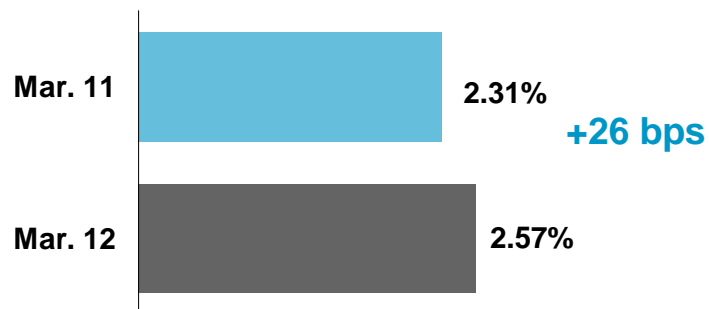
## Household term deposits



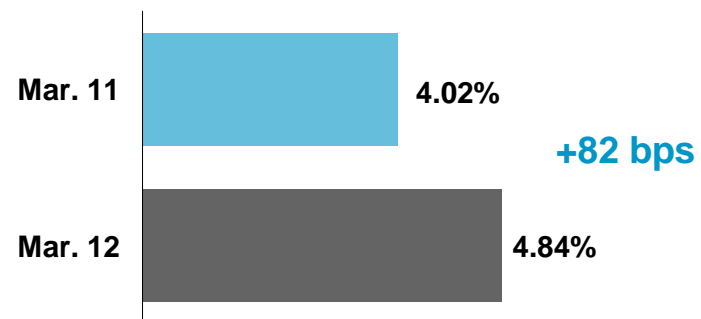
## Credit card volume



## Payroll accounts

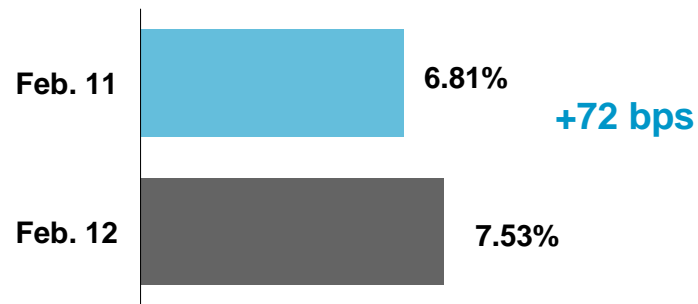


## Transactionality<sup>1</sup>

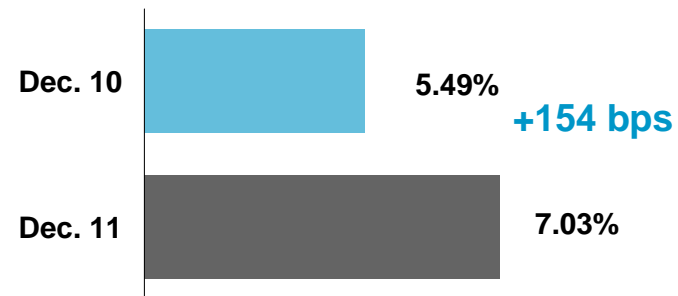


<sup>1</sup> Including cheques, transfers, SEPA transfers, receivables and promissory notes

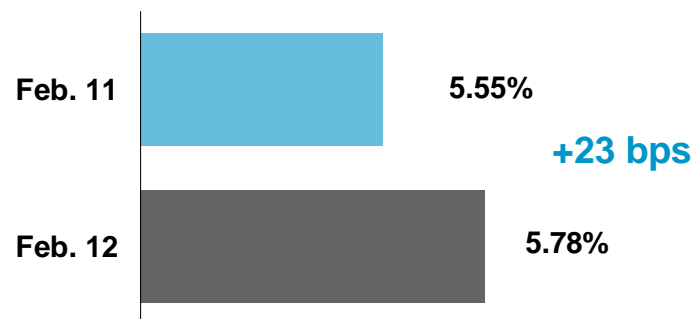
**Sight deposits companies**



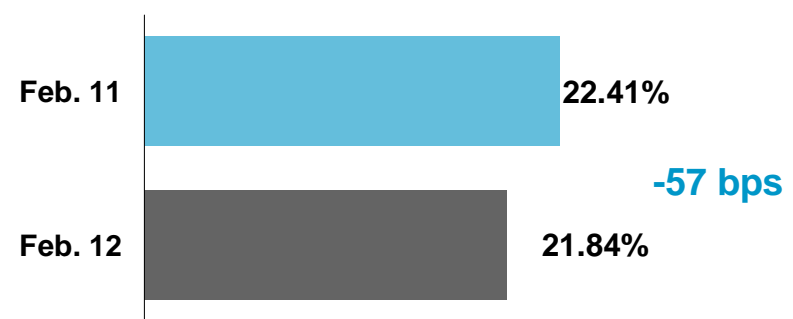
**Volume at BS card PoS**



**Corporate credit**

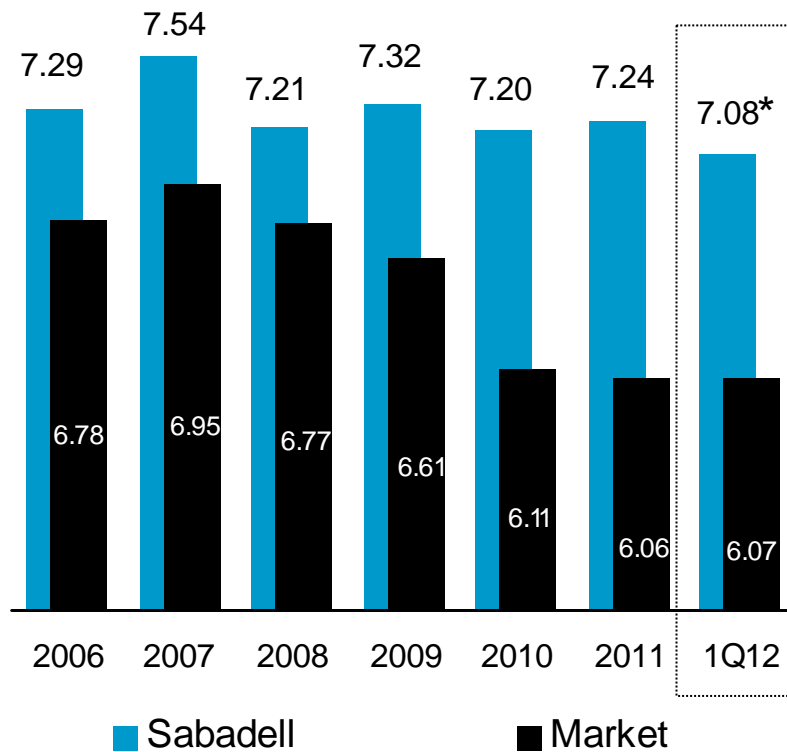


**Export documentary credit**

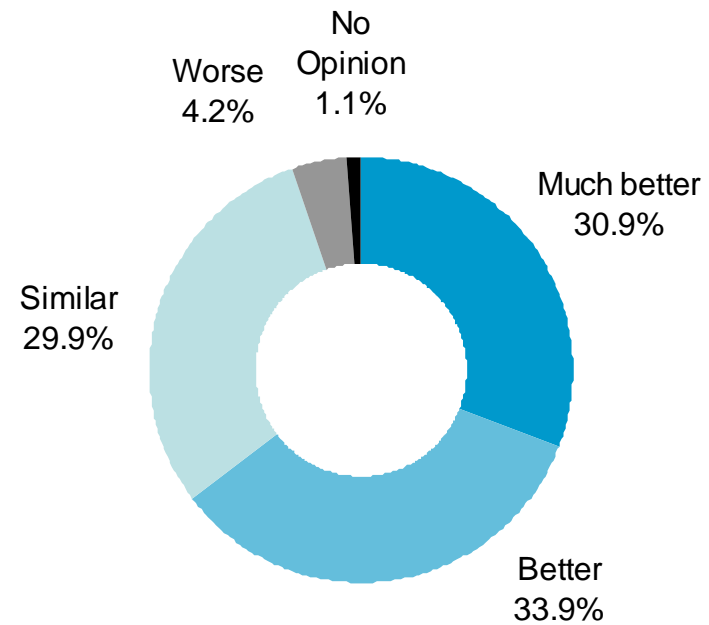


# ... whilst maintaining the leading position in quality of service

## Most valued by the customers



## New customer experience with BS compared with their expectations



**95% of new customer are valuing BS service better or similar to what they initially expected**

Source: STIGA "RCB Análisis de Calidad Objetiva en Redes Comerciales Bancarias" (1Q12) and FRS Inmark.

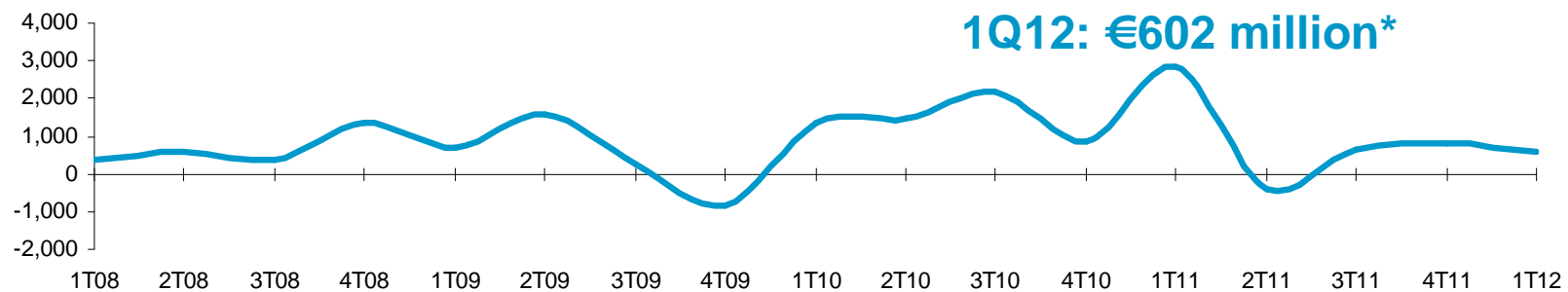
\* Note: Without BG, the ranking increases up to 7.20

# Positive commercial gap with customer funds growing

## Customer funds and loans evolution (Euros in million)

	Mar-11	Dec-11	Mar-12	% Var. YoY
On-balance sheet customer funds	52,131	53,703	53,795	3.2%
Other on-balance sheet term funds <sup>1</sup>	33,379	34,963	34,453	3.2%
Sight deposits	18,752	18,740	19,343	3.1%
Off-balance sheet funds	18,685	17,942	18,345	-1.8%
Mutual funds	8,733	8,024	8,295	-5.0%
Pension funds	2,935	2,858	2,929	-0.2%
Third party insurance products	5,787	5,926	5,780	-0.1%
<b>Total funds</b>	<b>70,816</b>	<b>71,645</b>	<b>72,140</b>	<b>1.9%</b>
Gross loans to customers ex repos	72,017	73,540	74,123	2.9%

## Change in commercial gap (Euros in million)



<sup>1</sup> Excluding repos, including sight and fixed-term deposits, preference shares and mandatory convertible bond placed in the retail network  
 Note: Changes in commercial funding cap include commercial paper placed in the retail network as of 4Q11. 1Q12 adjusts for capital increase.  
 Euros in million



# BS has a balanced funding structure ...

## BS fulfilled debt issue in 1Q12

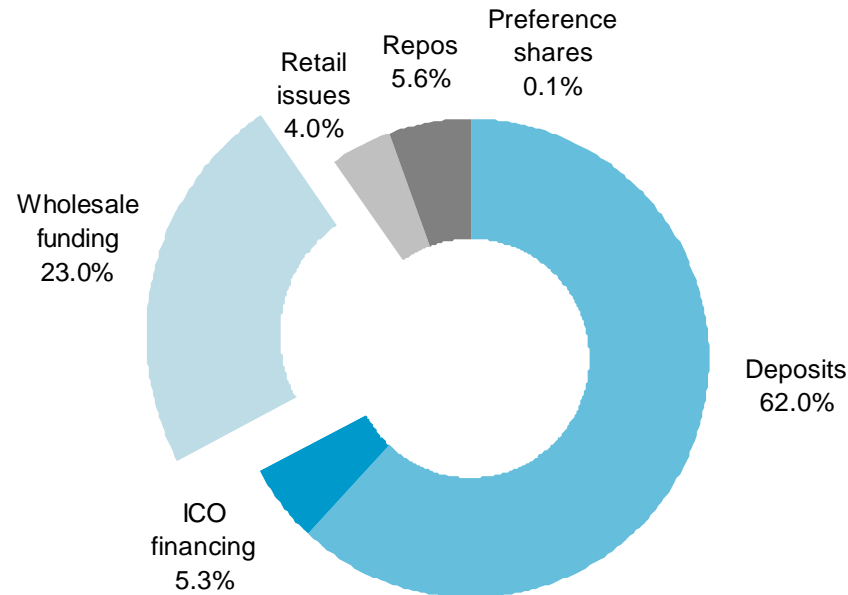
(Euros in million)

	Amount	Issue date	Coupon	Maturity
Covered Bonds I/2012	1,200	16/02/12	4.0%	3 years
Senior debt Feb. 12*	500	27/02/12	4.2%	1,5 years

\* Placed with retail investors (30%) and institutional investors (70%)

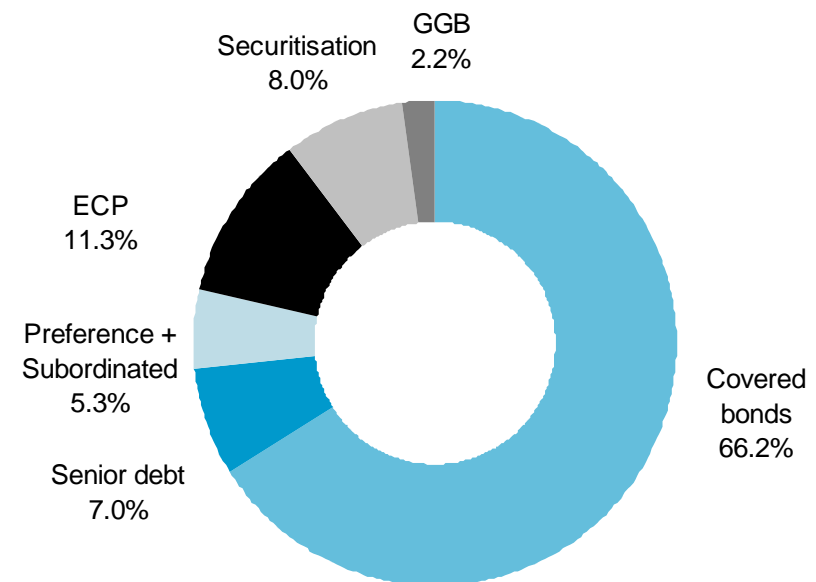
## Funding structure

(In %)



## Wholesale market breakdown

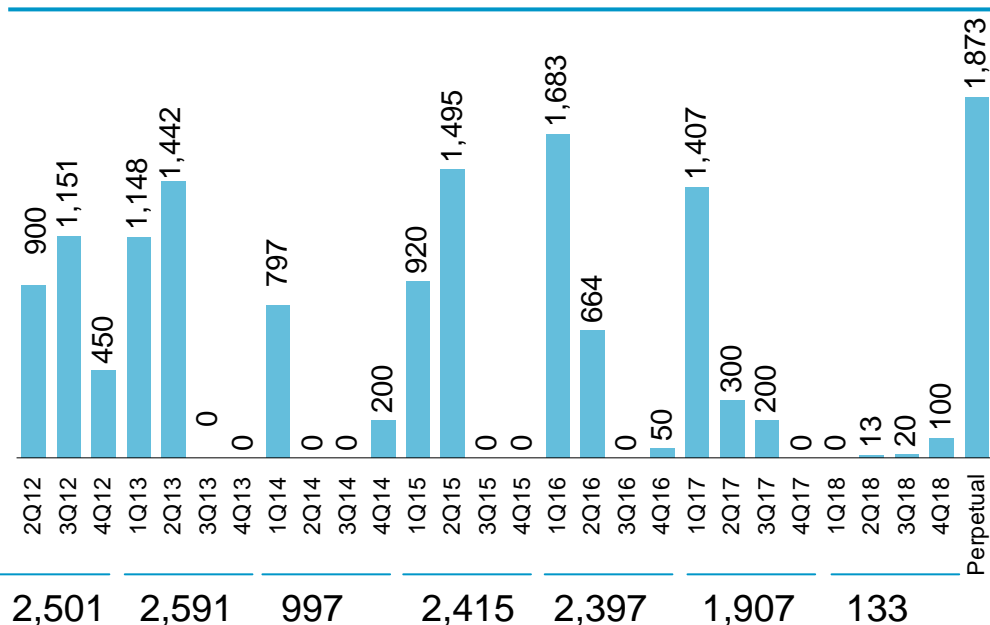
(In %)



# ... with a comfortable maturity calendar

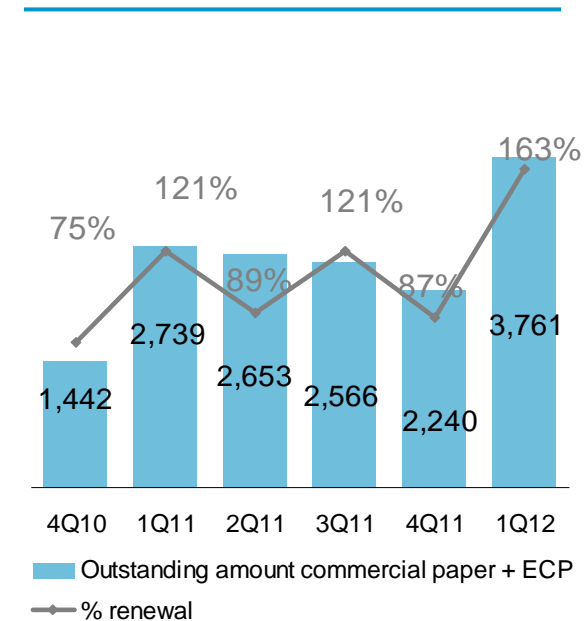
## Wholesale funding maturity calendar

Euros in million



## Short term funding

Euros in million and %



## Maturity by product type

Euros in million

	Outst. Amount	2012	2013	2014	>2014
Covered bonds	12,310	1,099	2,591	927	7,693
Senior debt	847	772	--	--	75
GGB	400	400	--	--	--
Preference and Subordinated	935	0	--	--	935
Other mid- and long-term financial instruments	322	230	--	70	22
<b>TOTAL</b>	<b>14,814</b>	<b>2,501</b>	<b>2,591</b>	<b>997</b>	<b>8,725</b>

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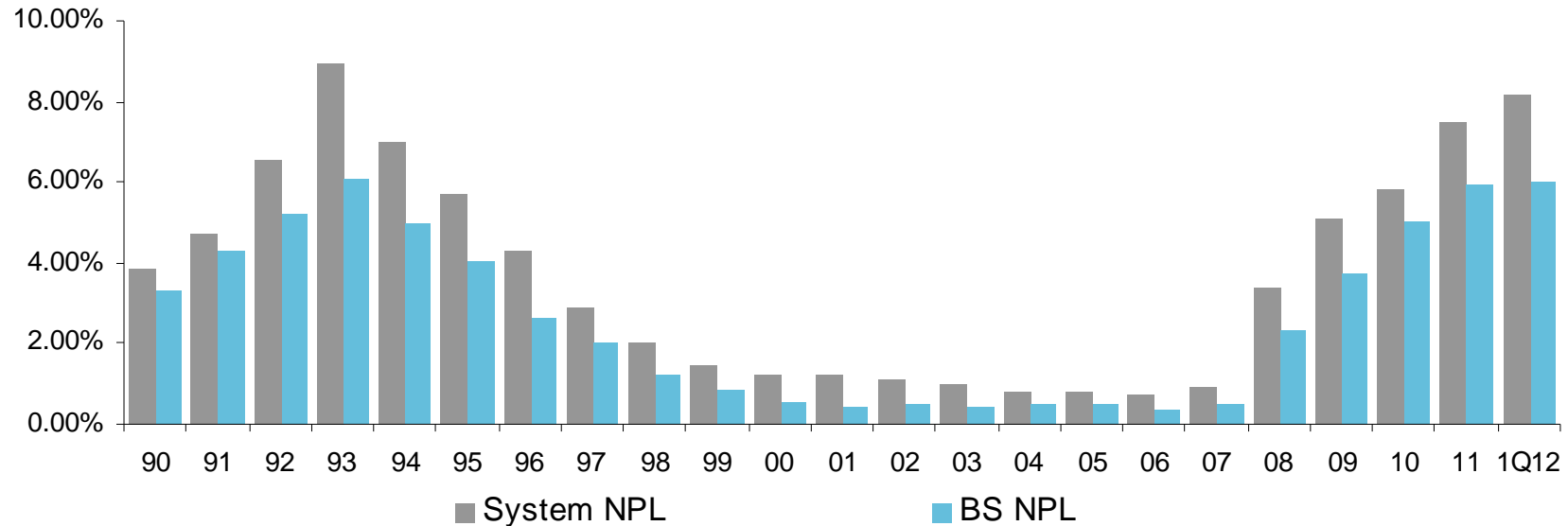
# 4. Risk management

# Maintaining the gap vs. the system

## Banco Sabadell vs. sector NPL ratio

In %

	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dic-11	Mar-12
BS NPL ratio	4.09%	4.38%	4.72%	5.01%	5.46%	5.55%	5.72%	5.95%	6.02%
System NPL ratio	5.33%	5.35%	5.49%	5.81%	6.19%	6.69%	7.16%	7.61%	8.16%*
<b>GAP BS vs system (bp)</b>	<b>124</b>	<b>97</b>	<b>77</b>	<b>80</b>	<b>73</b>	<b>114</b>	<b>144</b>	<b>166</b>	<b>214</b>



\*Nota: Spanish financial system NPL ratio as of February 2012 (8.16%).

Source: Bank of Spain

# Credit exposure and NPLs according by purpose

	Mar-12			NPL ratio*	Dec-11
	Total	Subst.	NPL		NPL ratio*
<b>Real Estate development and/or construction purposes</b>	<b>8,921</b>	<b>1,452</b>	<b>2,102</b>	<b>23.63%</b>	<b>22.58%</b>
Construction purposes non-related to real estate dev.	756	0	49	3.28%	2.78%
<b>Large corporates</b>	<b>24,067</b>	<b>202</b>	<b>849</b>	<b>2.93%</b>	<b>2.85%</b>
<b>SME and small retailers and self-employed</b>	<b>18,394</b>	<b>234</b>	<b>1,223</b>	<b>6.31%</b>	<b>5.69%</b>
<b>Individuals wit 1st mortgage guarantee assets</b>	<b>17,100</b>	<b>1</b>	<b>562</b>	<b>3.29%</b>	<b>3.43%</b>
Of which					
Purchase of 1st residence	14,142	1	400	2.83%	2.89%
Other real guarantees assets	2,958	0	162	5.48%	5.59%
<b>Individuals with other guarnatees</b>	<b>349</b>	<b>0</b>	<b>3</b>	<b>0.95%</b>	<b>0.61%</b>
<b>Individuals other</b>	<b>1,709</b>	<b>0</b>	<b>55</b>	<b>3.10%</b>	<b>4.21%</b>
<b>Subtotal gross loans to customers</b>	<b>71,296</b>				
<b>Other gross loans to customers <sup>1</sup></b>	<b>5,587</b>				
<b>Total gross loans</b>	<b>76,883</b>			<b>6.02%</b>	<b>5.95%</b>

\*Including off-balance sheet items

<sup>1</sup> Including caption 4: public entities; caption 8: other assets and deferral adjustments

Euros in million

# Maintaining coverage level of problematic assets ...

## Coverage level of Real Estate exposure

(Euros in million and %)

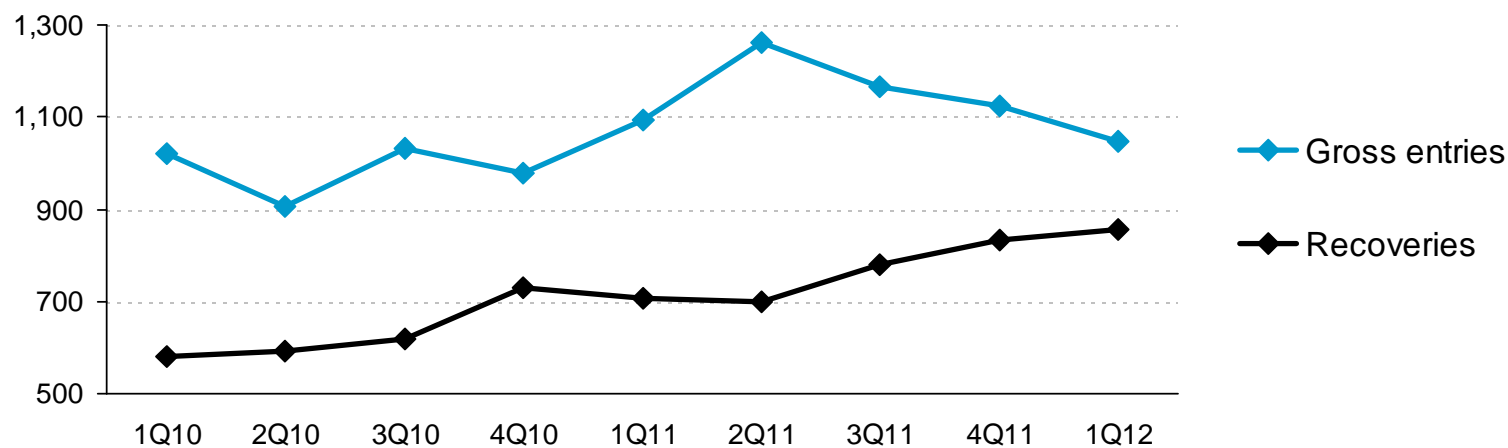
	Gross amount	Mar-12		Dec-12
		Provisions	Coverage	Coverage
NPLs	2,102	462	22%	
Substandard	1,452	225	15%	
Acquired and repossessed RE assets	4,401	1,288	29%	
Write-offs	117	117	100%	
Generic		788		
<b>Potentially problematic exposure</b>	<b>8,071</b>	<b>2,880</b>	<b>36%</b>	<b>36%</b>
<b>Global coverage ratio</b>	<b>2,102</b>	<b>1,475</b>	<b>70%</b>	<b>73%</b>

# ... and keeping new entries under control

## NPL entries and recoveries evolution

(Euros in million)

	1Q11	2Q11	3Q11	4Q11	1Q12
Gross entries	1,092	1,260	1,166	1,123	1,048
Recoveries	-708	-698	-781	-834	-856
Write-offs	-335	-213	-240	-30	-93
<b>Subtotal</b>	<b>49</b>	<b>349</b>	<b>145</b>	<b>259</b>	<b>99</b>
Non performing real estate assets in process of repossession	265	-265			
<b>Quarterly change on NPLs</b>	<b>314</b>	<b>83</b>	<b>145</b>	<b>259</b>	<b>99</b>



# Sales of RE assets improving YoY

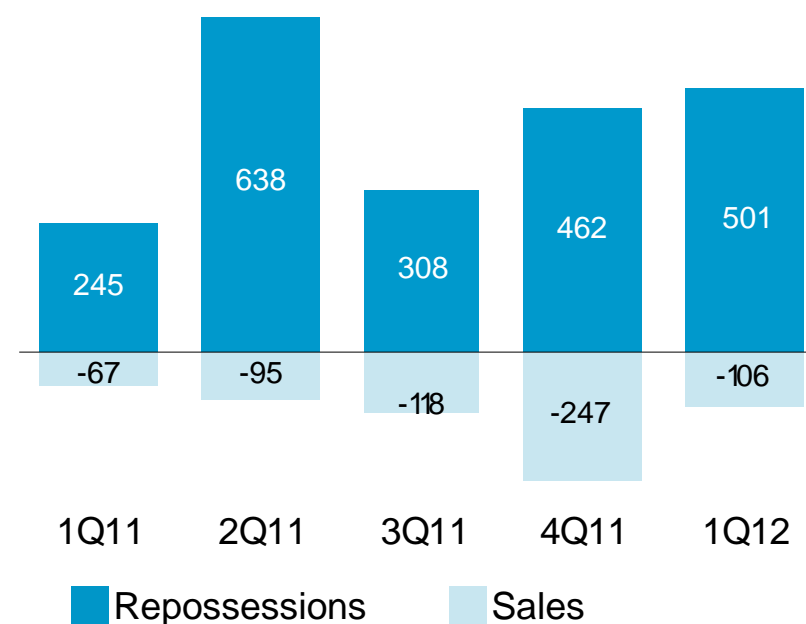
## Real estate assets evolution of coverage levels

(Euros in million)

	4Q11	1Q12
Gross portfolio	4,006	4,401
Total fund	1,158	1,288
Net portfolio	2,848	3,113
<b>Coverage</b>	<b>29%</b>	<b>29%</b>

## Real estate assets Quarterly additions and sales

(Euros in million)



**Sales in 1Q12: € 106 million\***  
**2012 sales target: € 650 million\***

\* Pre-provision cost



# Real estate assets are sold at prices in line with current book value

## BS real estate asset sales evolution

(Euros in million and %)

	2009	2010	2011	1Q12
Sales price	42	174	376	75
Pre-provision cost	55	228	527	110
<b>Discount to pre-provision costs</b>	<b>23%</b>	<b>24%</b>	<b>29%</b>	<b>32%</b>
Provisions built up	12%	23%	23%	26%
<b>% of sales price not covered by provisions</b>	<b>11%</b>	<b>1%</b>	<b>6%</b>	<b>6%</b>

\* Pre-provision cost

# Conclusions

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## Business trends

- ✓ Strong income generation by active management of prices and spreads
- ✓ Customer inflows and positive commercial dynamics in line with CREA targets

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## Liquidity

- ✓ Ample liquidity following capital markets issues and an improved commercial gap

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## Coverage

- ✓ New NPL entries held back and coverage levels maintained

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## Capital

- ✓ High solvency levels
- ✓ Fulfilling CAM transaction, successfully completing a rights issue of €903 million and absorbing the new provisioning requirements in 2012e



**BancoSabadell**