

# Banco Sabadell

## 2Q11 Results



**July 21<sup>st</sup>, 2011**

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1. Quarterly highlights

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2. 2Q11 Results

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3. Commercial activity, balance sheet and liquidity

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4. Risk management

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5. Real estate portfolio

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# 1. Quarterly highlights

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Net interest income evolution according to expectations

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Focus on cost containment

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Satisfactory commercial activity delivering on CREA plan

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Comfortable liquidity position

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Strong capital position confirmed by recent stress test

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## 2. 2Q11 Results

# 2Q11 Results

	Jun. 10	Jun. 11	% var 11/10
<b>Net Interest Income</b>	<b>765.2</b>	<b>764.6</b>	<b>-0.1%</b>
Equity Method & Dividends	47.8	39.2	-18.1%
Commissions	253.3	288.4	13.9%
Trading Income & Forex	175.7	188.4	7.2%
Other Operating Results	5.4	3.2	-40.8%
<b>Gross Operating Income</b>	<b>1,247.4</b>	<b>1,283.6</b>	<b>2.9%</b>
Personnel Costs	-326.0	-370.9	13.8%
Administrative Costs	-163.4	-191.0	16.9%
Depreciations	-78.7	-62.6	-20.4%
<b>Pre-provisions Income</b>	<b>679.3</b>	<b>659.1</b>	<b>-3.0%</b>
Total Provisions & Impairments	-693.8	-545.5	-21.4%
Gains on sale of assets*	292.1	2.6	-99.1%
<b>Profit before taxes</b>	<b>277.7</b>	<b>116.2</b>	<b>-58.1%</b>
Taxes and others	-44.0	48.1	--
<b>Attributable Net Profit</b>	<b>233.6</b>	<b>164.3</b>	<b>-29.7%</b>

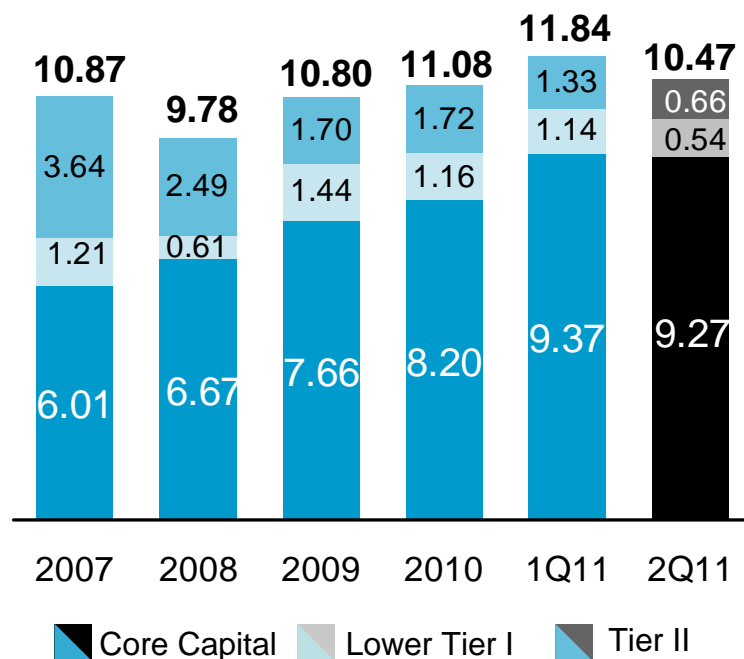
Euros in million

\* Jun 10 include capital gains of € 250 million related to a Sale & Leaseback transaction

# Strong capital position confirmed in recent stress test

## Capital ratios evolution

In %



## Stress test result in the adverse scenario December 2012

Euros in million and in %

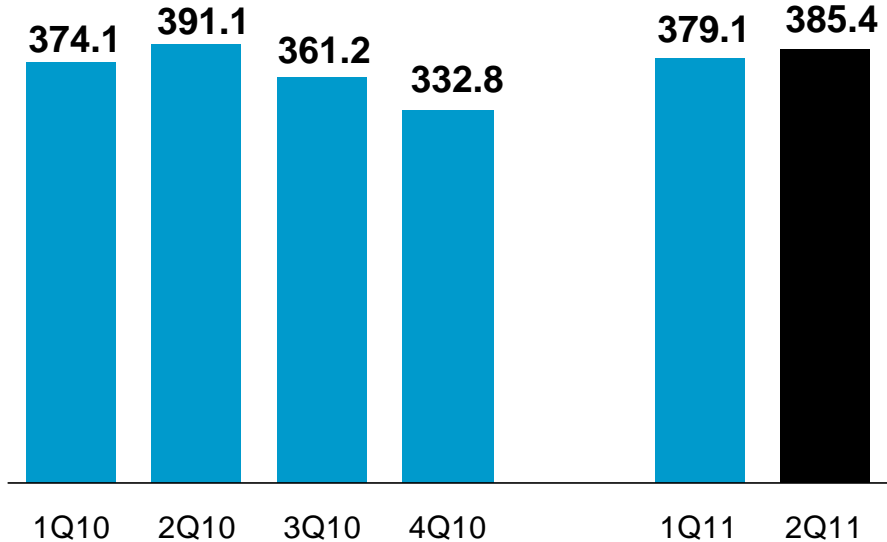
<b>Core Tier 1 capital ratio</b>	3,240	<b>5.7%</b>
RWA	56,503	
<i>Mitigating measures</i>		
Countercyclical provisions	344	+ 61 bps
Extraordinary gains obtained in 2Q11	130	+ 23 bps
Mandatory convertible subordinated bonds	818	+ 145 bps
<b>Total mitigating measures</b>	1,292	
RWA	56,503	
<b>Core Tier 1 capital ratio</b>	4,532	<b>8.0%</b>
RWA	56,503	



# Net interest income is improving ...

## Net interest income evolution

Euros in million



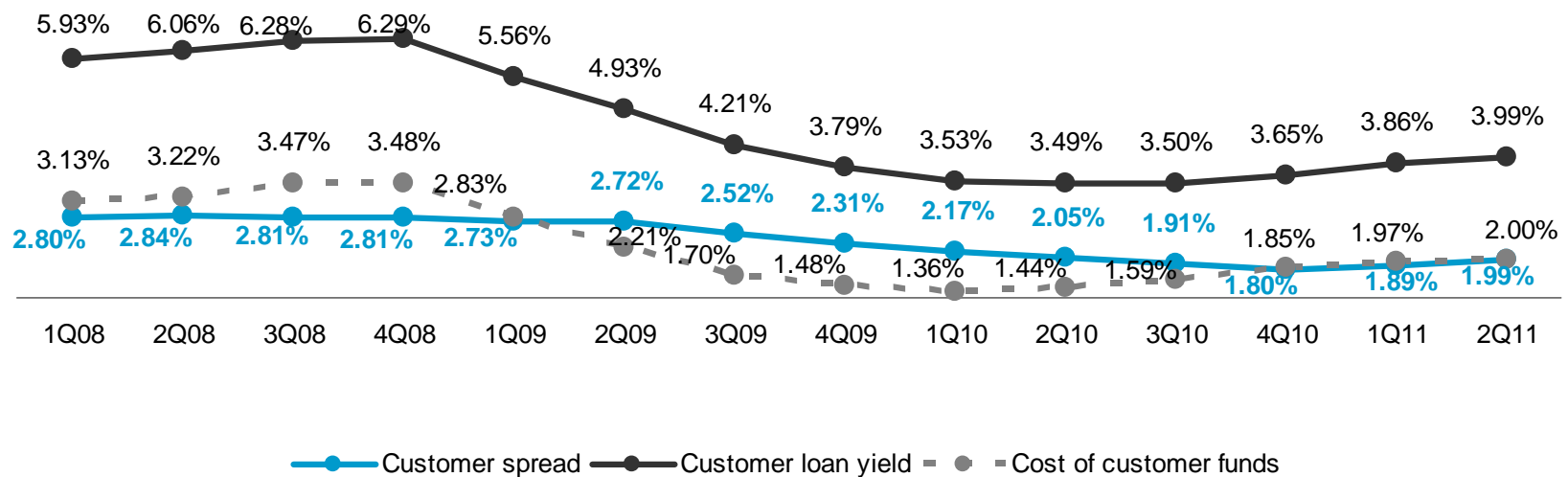
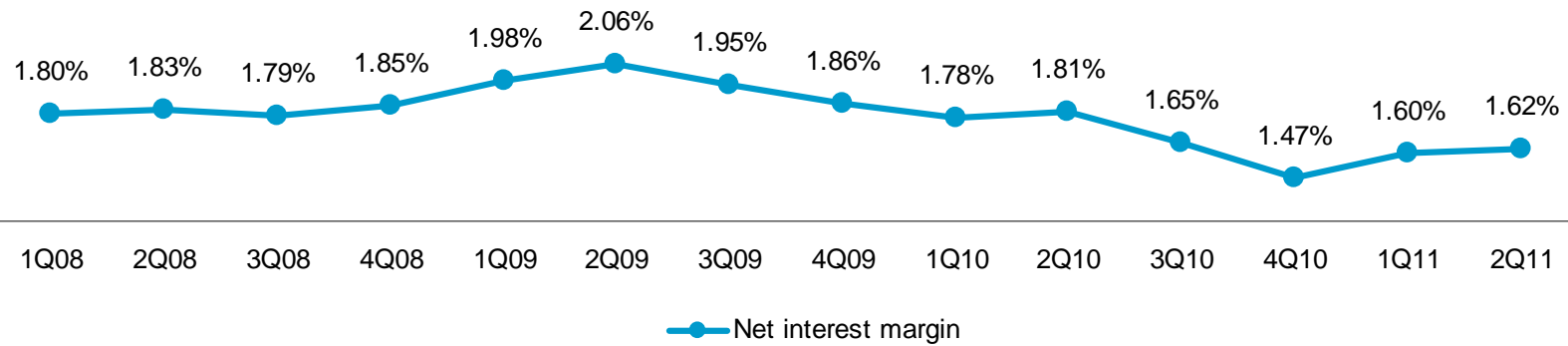
Net interest income 1H11:  
-0.1 % YoY

Net interest income 1H11  
Like-for-like\*: -10.2% YoY

\* Including BG in 2010

## Margin evolution

In %



## ... driven by active price management

Product	Front book spreads			Back book spreads		
	Jun-10	Jun-11	Var YoY	Jun-10	Jun-11	Var YoY
Credits	233	264	+31	174	223	+49
Loans	156	247	+91	156	194	+38
Mortgages to individuals	81	116	+35	74	78	+4
Leasing	161	206	+45	97	113	+16
Commercial loans	242	290	+48	267	309	+42
Confirming	184	225	+41	168	237	+69
Forfaiting	263	225	-38	183	215	+32
<b>Total loans</b>	<b>168</b>	<b>230</b>	<b>+62</b>	<b>134</b>	<b>157</b>	<b>+23</b>
<b>Deposits</b>	<b>182</b>	<b>116</b>	<b>-66</b>	<b>149</b>	<b>157</b>	<b>+8</b>

**Total volume of repriced assets in the quarter: €13.3 bn\***

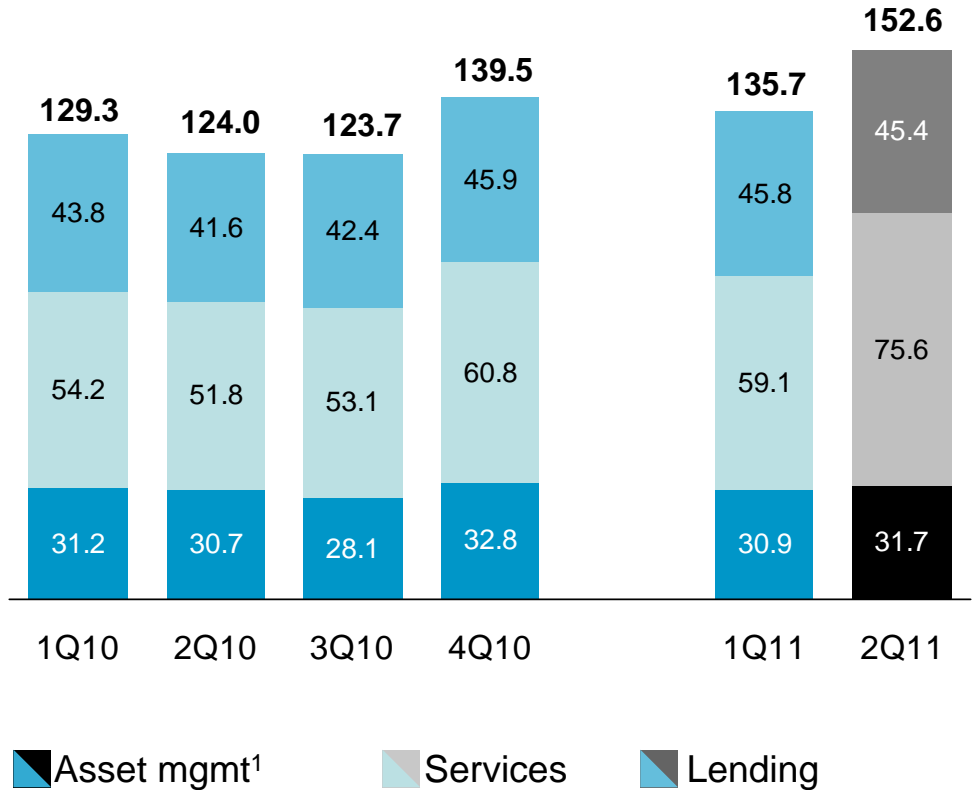
**Positive impact in the stock spread due to our balance sheet flexibility**

\* New granted transactions with price change

# Commission income driven by customer activity

## Commissions evolution

Euros in million



Commission income 1H11:  
+13.9 % YoY

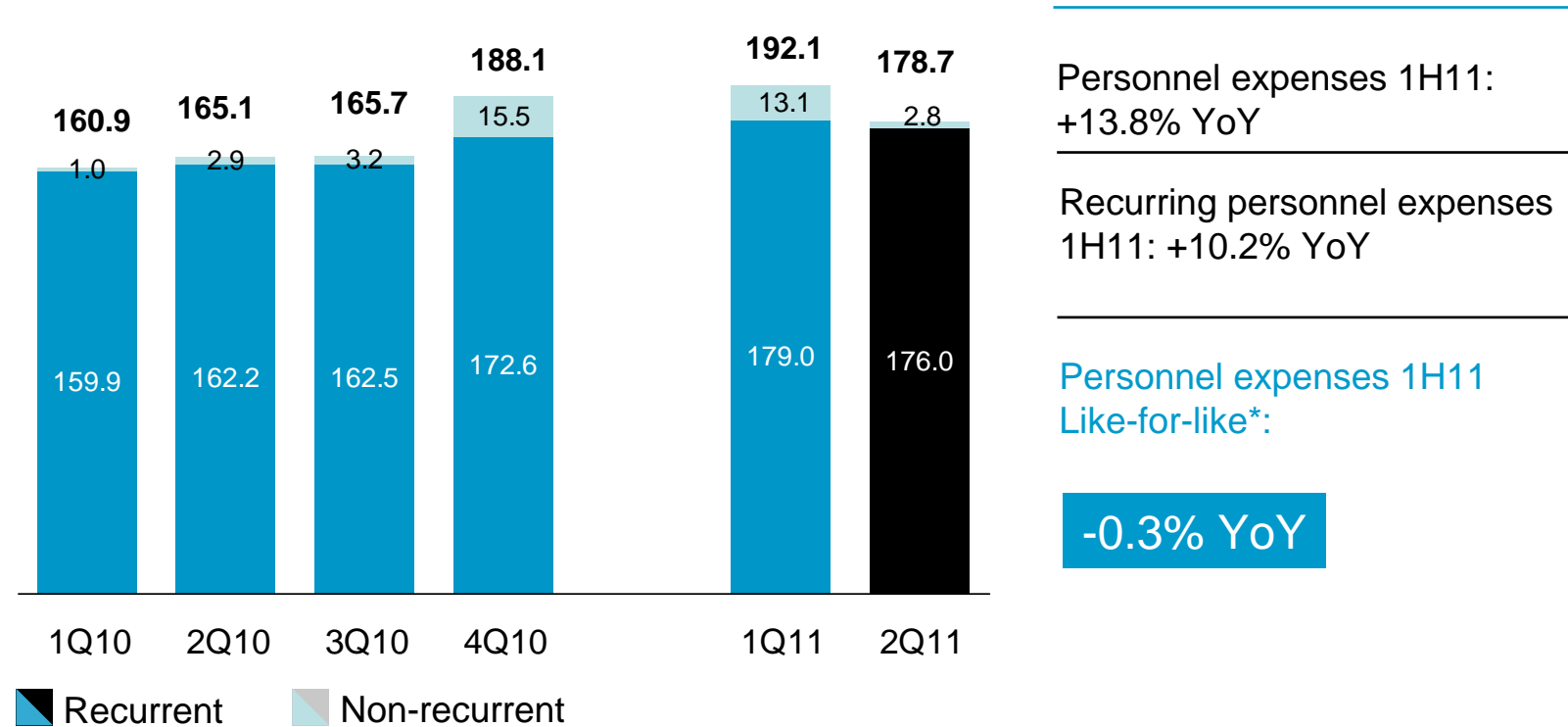
Commission 1H11 like-for-like\*:  
+4.6% YoY

<sup>1</sup> Including mutual funds commissions and pension funds and non-life insurance brokerage  
\* Including BG in 2010

# Slight reduction in personnel expenses like-for-like ...

## Personnel expenses evolution

Euros in million



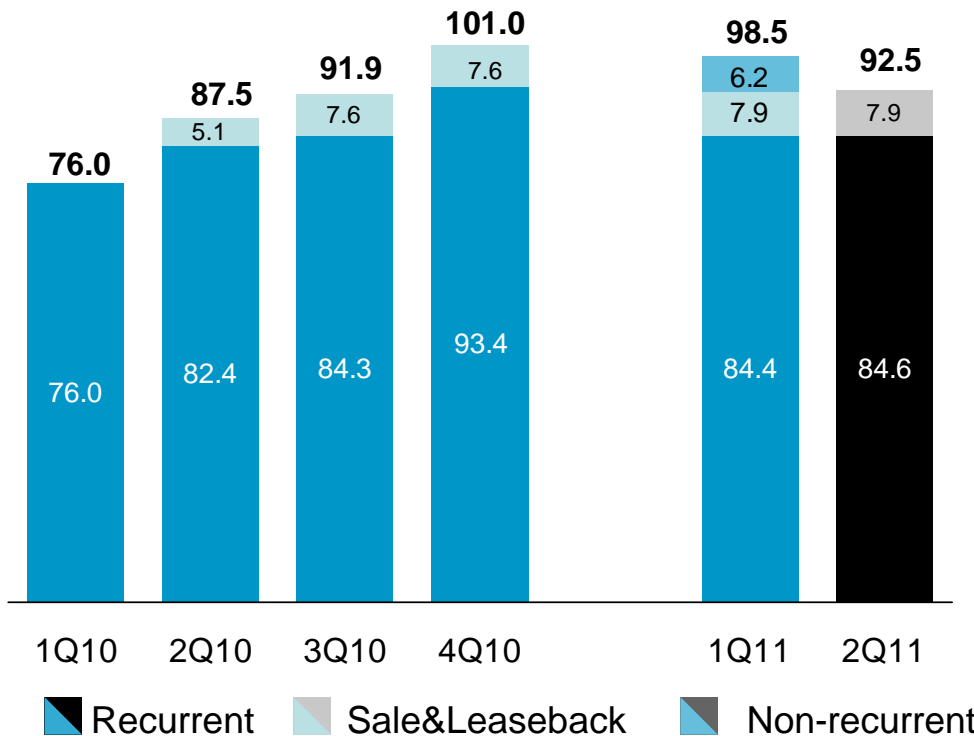
## Like-for-like cost containment (-0.3% YoY)

\* Excluding BG and non-recurrent expenses

# ... and contained general expenses excluding restructuring charges

## General expenses evolution

Euros in million



General expenses 1H11:  
+16.9% YoY

Recurring general expenses 1H11:  
+13.1% YoY

General expenses 1H11  
Like-for-like\*:

**-0.1% YoY**

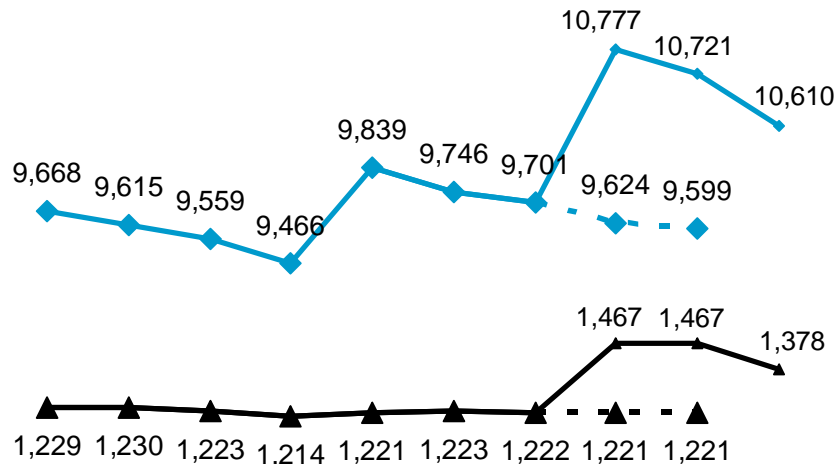
## Like-for-like cost containment (-0.1% YoY)

\* Excluding BG, Sale & Leaseback transaction and restructuring charges

# We continue to optimise the network ...

## Employee and branches evolution

In number



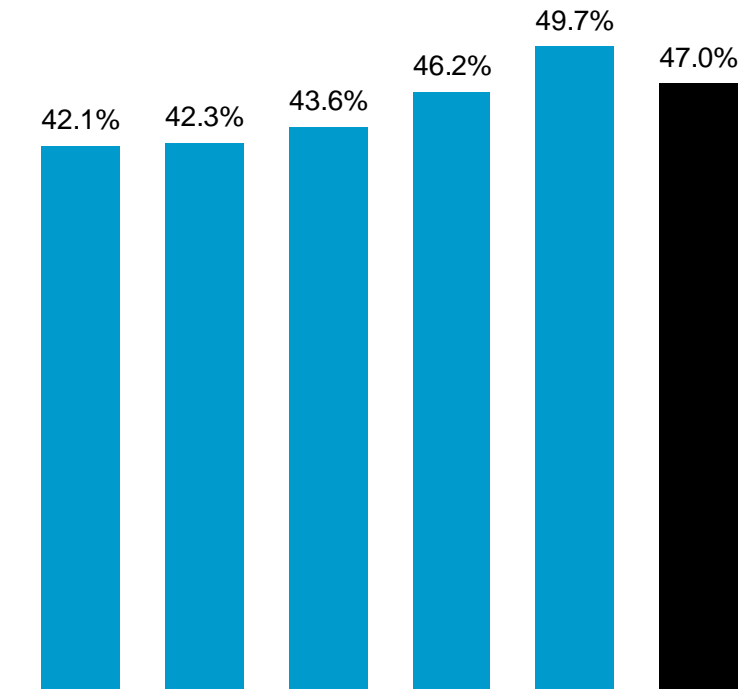
1Q09 2Q09 3Q09 4Q09 1Q10<sup>1</sup> 2Q10 3Q10 4Q10<sup>2</sup> 1Q11 2Q11  
 — Branches — Employees - - - - Without B.GUI

<sup>1</sup>1Q10 Acquisition of Sabadell United Bank

<sup>2</sup>4Q10 Acquisition of Banco Guipuzcoano

## Cost income evolution\*

In %



Mar. 10 Jun. 10 Sep. 10 Dec. 10 Mar. 11 Jun. 11

## Efficiency ratio excluding non-recurrent items\* Jun. 11:

**45.1%**

\* It excludes gains from debt-for-equity transaction and other repurchase transactions in 2010

## ... and we have made additional efforts in provisions

### Provisions and write-downs evolution and breakdown

Euros in million

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11
Specific	228.0	212.2	186.1	124.7	142.2	143.4
Extraordinary charge	0.0	90.0	46.0	66.0	186.2	0.0
Implementation of regulation in loans (3/2010)	0.0	0.0	-120.0	0.0	0.0	0.0
Substandard	-54.2	-31.2	-61.9	-30.3	-32.8	-52.2
Metrovacesa	0.0	0.0	0.0	76.1	0.0	0.0
Real estate assets	46.0	209.8	160.9	49.9	30.0	62.4
BCP	0.0	38.5	0.0	16.2	1.2	34.7
Goodwill and others	8.9	5.3	12.2	4.2	0.8	9.3
<b>Subtotal</b>	<b>228.6</b>	<b>524.6</b>	<b>223.3</b>	<b>306.8</b>	<b>327.6</b>	<b>197.6</b>
Generic	-61.2	1.7	-103.2	-152.6	2.5	17.9
<b>Total provisions and impairments</b>	<b>167.4</b>	<b>526.3</b>	<b>120.1</b>	<b>154.2</b>	<b>330.1</b>	<b>215.5</b>



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# 3. Commercial activity, balance sheet and liquidity

# We continue to gather excellent results in customer acquisition ...



## Remarkable success in customer gathering

	Jun-10	Jun-11	% Var.
Individuals	96,828	147,152	+52%
Companies	22,661	30,888	+36%

## With two market-leading products paving the way in 2Q11

### Cuenta Expansión:

38,918 new accounts

### Cuenta Expansión Negocios:

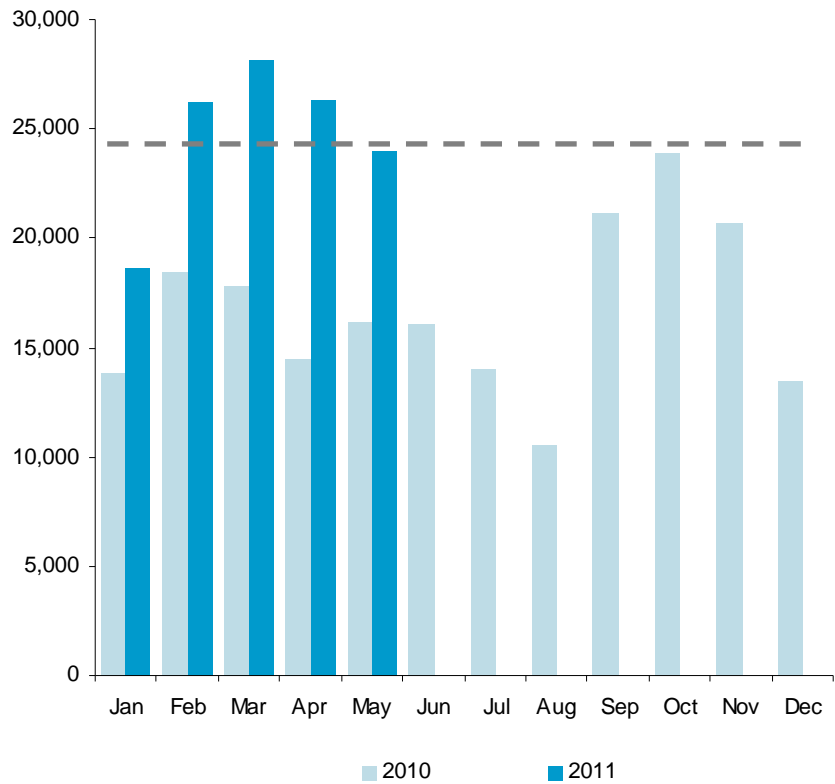
22,867 new accounts

**Now reaching 2.5m customers, in line with CREA**

# ... on track to meet the targets of CREA ...

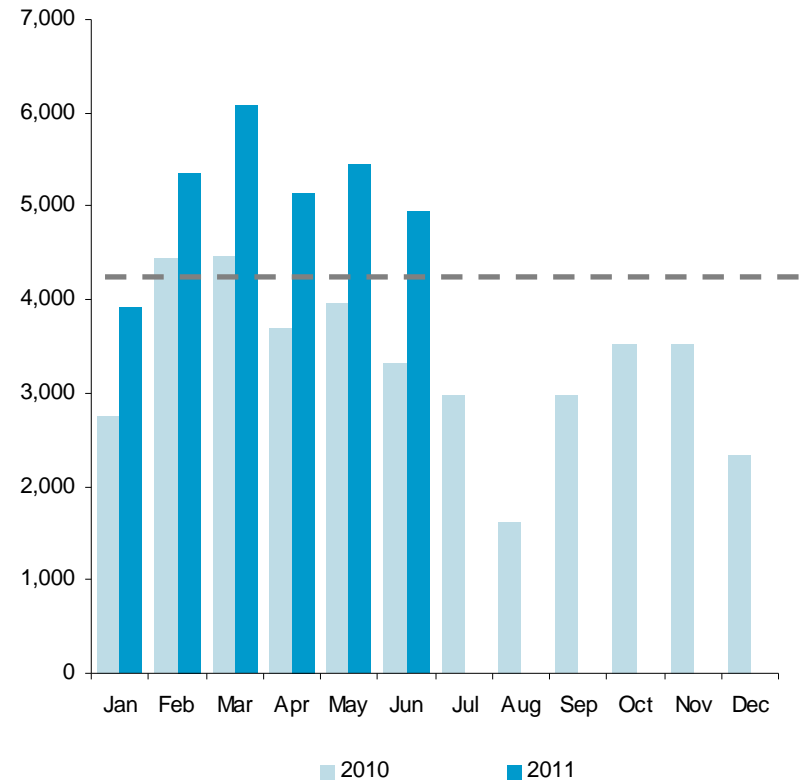
## Monthly new individual customers

Target 2011: 290,000 new customers



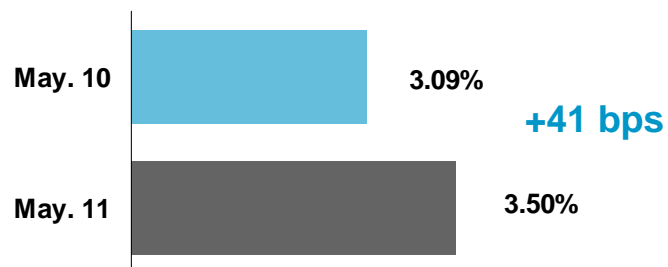
## Monthly new company customers

Target 2011: 50,000 new customers

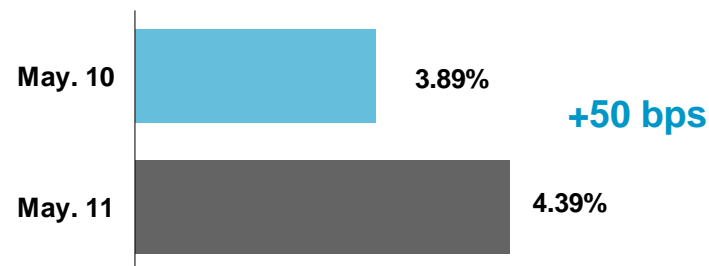


# ... achieving market share gains both in individuals ...

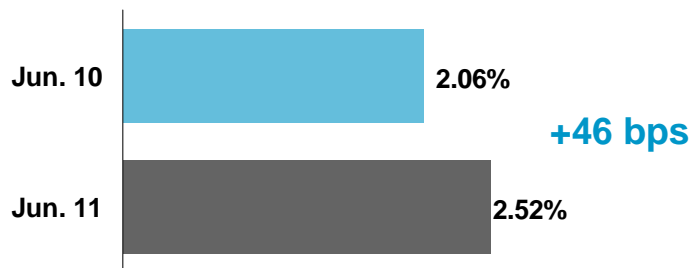
## Sight deposits



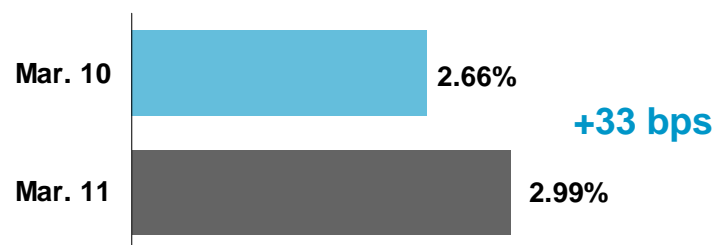
## Transactionality<sup>1</sup>



## Payrolls



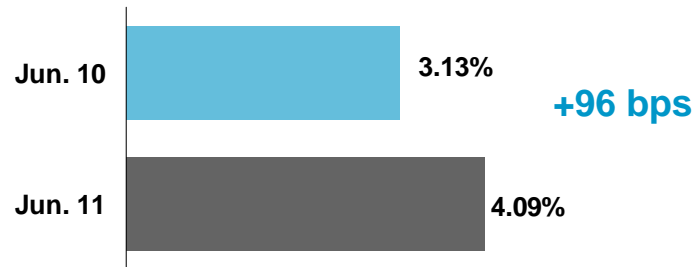
## Credit card invoicing (quarterly)



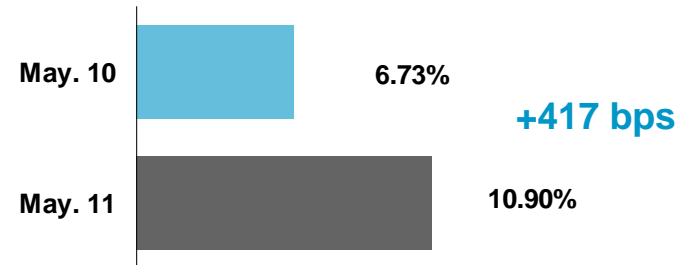
<sup>1</sup> Including cheques, transfers, SEPA transfers, receivables and promissory notes

# ... as well as companies ...

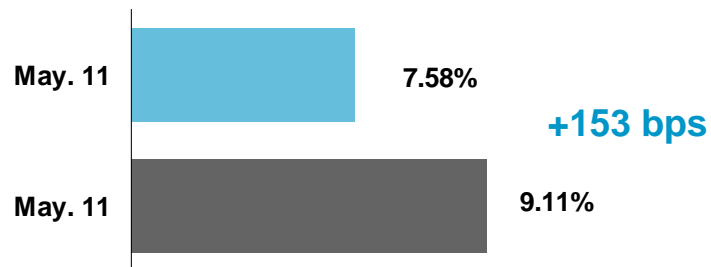
## Brokerage volume<sup>2</sup>



## ICO loans (public subsidy loans)



## Commercial lending



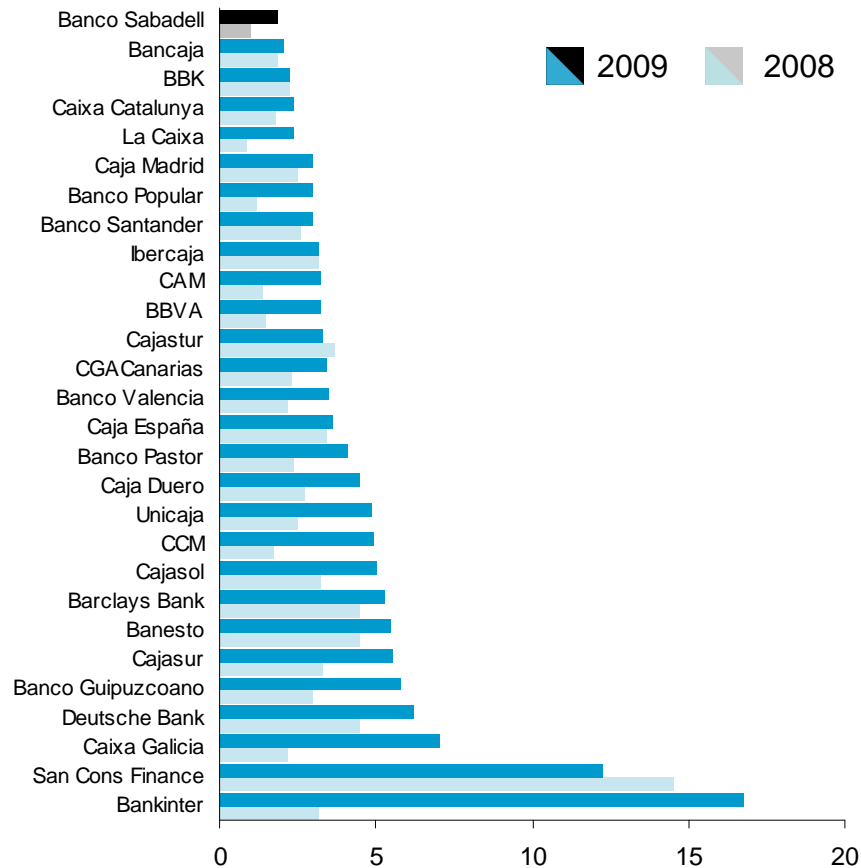
## Export documentary credit



<sup>2</sup> Buy-sell amounts

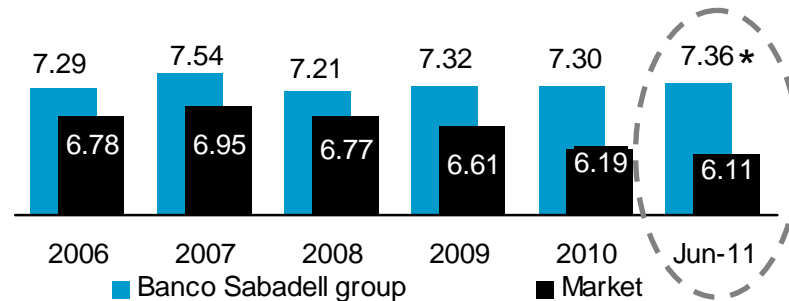
# Leaders in quality of service

## Claims ratio amongst sizable institutions by Bank of Spain \*



Source: Bank of Spain, Service Quality Annual Reports 2009 and 2008.  
 \*Number of claims by volume of activity (average of deposit and credit volumes) and refers to the number of claims passed on by the Bank of Spain to be contented by each entity. Only refers to larger institutions.

## Most valued by the customers



Source: STIGA, "RCB Objective Quality in Retail Banking Networks" Quarterly report preview, 2Q11

**Four consecutive years (2007-2010) increasing the gap vs. the system**

## Renewal of the Global Award of European Excellence



# Holding up volumes in a difficult environment ...

## Customer funds evolution

	Jun-10	Dec-10	Jun-11	% Var. YoY	% Var. YoY proforma <sup>1</sup>
On-balance sheet customer funds <sup>2</sup>	41,212	49,374	51,055	23.9%	10.7%
Fix-term deposits	24,191	30,092	31,456	30.0%	15.7%
Sight deposits	16,021	18,285	18,600	16.1%	3.8%
Off-balance sheet funds	17,908	18,834	18,563	3.7%	-2.1%
Mutual funds	8,532	8,853	8,613	0.9%	-6.8%
Pension funds	2,777	3,016	2,903	4.6%	-6.6%
Third party insurance products	5,434	5,727	5,691	4.7%	4.4%
Gross loans to customers ex repos	65,356	73,058	72,309	10.6%	-0.8%

<sup>1</sup> Including BG in 2010

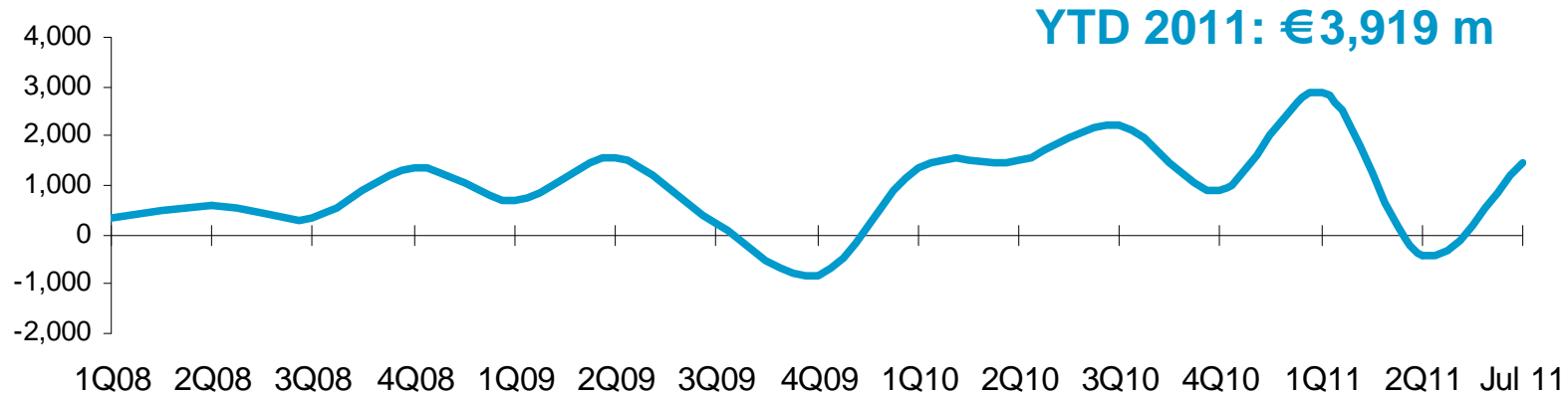
<sup>2</sup> Excluding repos, including preference shares and mandatory convertible bond placed in the retail network

Euros in million

# ... continuing to improve the commercial gap quarter after quarter ...

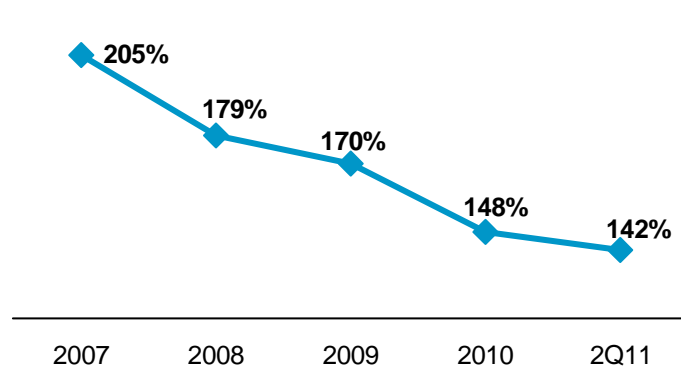
## Change in the commercial funding gap

Euros in million



## Loan to deposit ratio\*

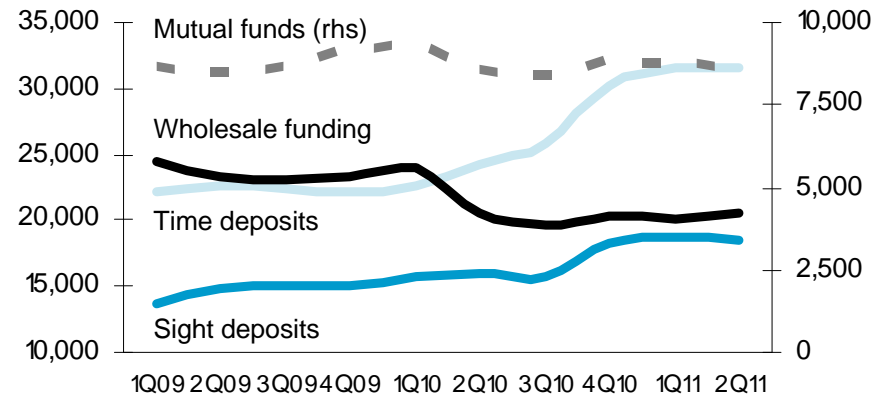
In %



\* Excluding repos

## Customer funds evolution

Euros in million





# In a demanding environment we continue to command comfortable liquidity levels



Euros in million

<b>Liquidity position 1Q11</b>	<b>13,017</b>
Commercial gap BS change	-417
Real estate portfolio change	-543
Issues maturity	-354
New issues	200
Net short term issues change	-244
Increase of available ECB eligible assets	-162
Other	175
<b>Liquidity position 2Q11</b>	<b>11,672*</b>

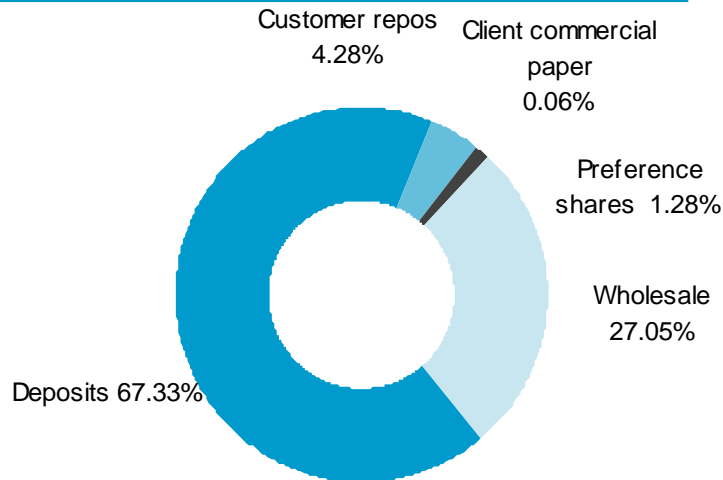
\* Including €8,851 million in liquid assets and €2,821 million in structural liquidity

**No recourse to ECB**

# BS has a balanced funding structure ...

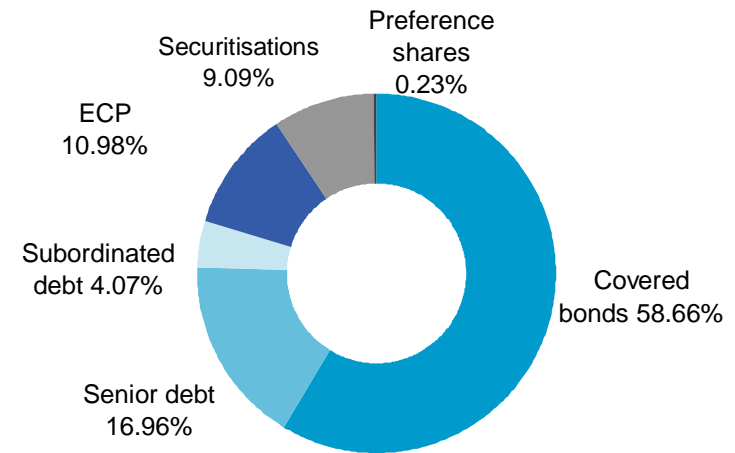
## Funding structure

In %



## Breakdown of wholesale funding

In %



## Covered bonds and guaranteed debt issuance buffer

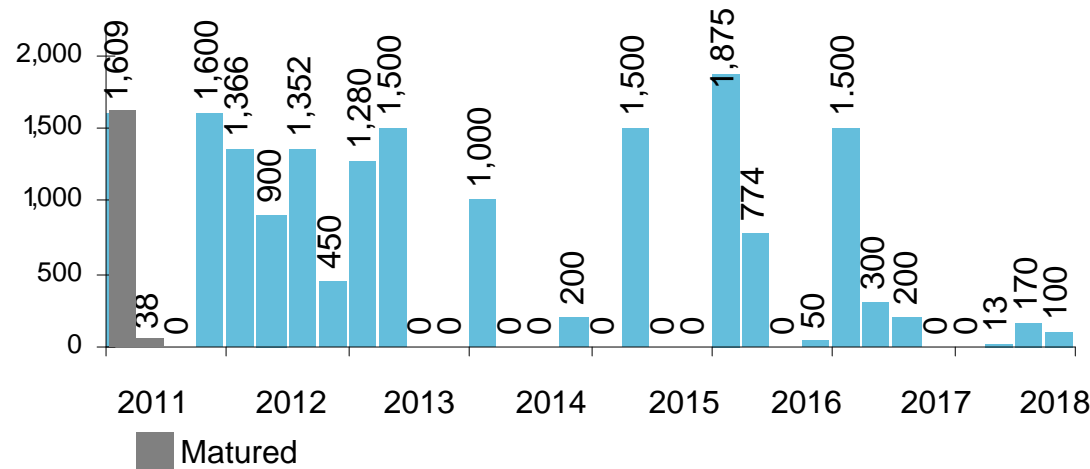
Euros in million

CH issuing capacity	3,372
CT issuing capacity	1,300
State backed guarantees available	5,601

# ... and a comfortable maturity calendar

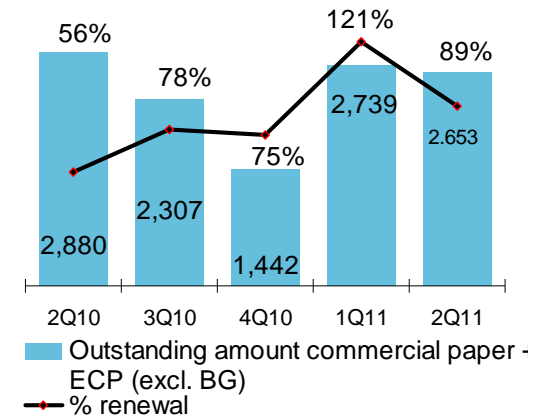
## Wholesale funding maturity calendar

Including Banco Guipuzcoano. Euros in million



## Short term funding

Euros in million and percentage



## Maturity by product type

Euros in million

	2011		2012		2013		>2013	
	BS	BG	BS	BG	BS	BG	BS	BG
Bonds and covered bonds	1,800		1,739		2,780		7,520	600
Senior debt	1,047	400	1,699				50	25
Government-guaranteed issues				400				
Subordinated and preference shares							943	125
Other mid and long term instruments					230		92	

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# 4. Risk management

# Credit exposure and NPLs according to purpose

	Jun-11					Mar-11
	Total	Normal	Substandard	NPLs	NPL ratio*	NPL ratio*
<b>Real Estate development and/or construction purposes</b>	<b>10,195</b>	<b>6,319</b>	<b>1,685</b>	<b>2,191</b>	<b>21.50%</b>	<b>19.98%</b>
Construction purposes non-related to real estate dev.	783	752	0	31	2.26%	2.69%
Large corporates	22,153	21,094	488	572	2.15%	2.24%
<b>SME and small retailers and self-employed</b>	<b>18,907</b>	<b>17,702</b>	<b>304</b>	<b>901</b>	<b>4.52%</b>	<b>4.04%</b>
<b>Individuals wit 1st mortgage guarantee assets</b>	<b>16,322</b>	<b>15,770</b>	<b>1</b>	<b>551</b>	<b>3.38%</b>	<b>3.20%</b>
Of which						
Purchase of 1st residence	13,320	12,932	1	388	2.91%	2.73%
Other real guarantees assets	3,002	2,839	0	164	5.46%	5.20%
<b>Individuals with other guarnatees</b>	<b>400</b>	<b>398</b>	<b>0</b>	<b>2</b>	<b>0.40%</b>	<b>1.26%</b>
<b>Individuals other</b>	<b>1,752</b>	<b>1,655</b>	<b>0</b>	<b>97</b>	<b>5.13%</b>	<b>5.88%</b>
<b>Subtotal gross loans to customers</b>	<b>70,512</b>					
<b>Other gross loans to customers <sup>1</sup></b>	<b>1,923</b>					
<b>Total gross loans</b>	<b>72,435</b>				<b>5.55%</b>	<b>5.46%</b>

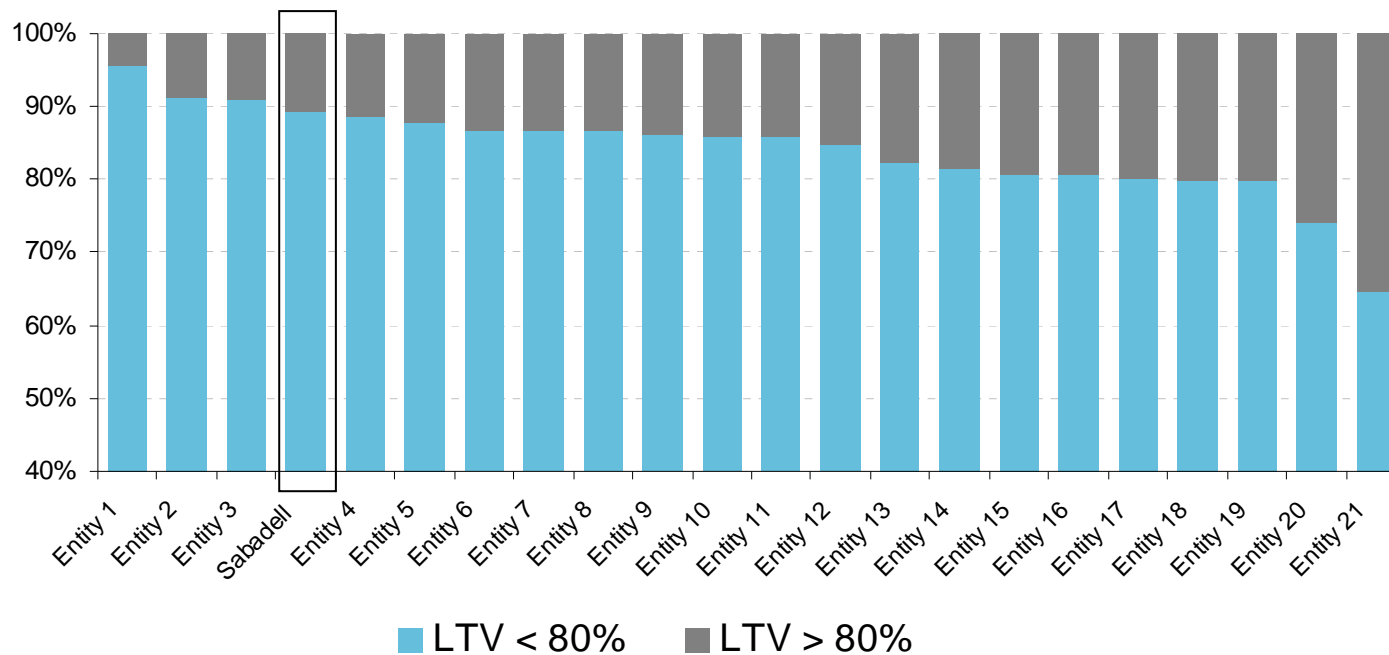
\*Including off-balance sheet items

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

# Residential mortgage LTV rankings

## Residential mortgage LTV breakdown

In %



Source: Companies' transparency effort exercises

**BS has one of the lowest risk profiles in the sector**

# Coverage levels consistent with our expected loss rates

## Coverage levels by type

Euros in million and %

	Amount	Fund	Coverage
<b>NPLs</b>	4,472	1,197	27%
<b>Substandard</b>	2,556	399	16%
<b>Acquired and repossessed RE assets</b>	3,601	1,032	29%
<b>Write-offs</b>	1,239	1,239	100%
<b>Generic</b>		418	
<b>Potentially problematic exposure</b>	<b>11,868</b>	<b>4,284</b>	<b>36%</b>
<b>Global coverage ratio</b>	<b>4,472</b>	<b>2,014</b>	<b>45%</b>

**Coverage including mortgage guarantees is 114%**

## NPL entries and recoveries evolution

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11
Gross entries	1,021	904	1,033	979	1,092	1,260
Recoveries	579	592	617	728	708	698
Write-offs	-183	-93	-201	-31	-335	-213
<b>Subtotal</b>	<b>258</b>	<b>219</b>	<b>214</b>	<b>220</b>	<b>49</b>	<b>349</b>
Non performing real estate assets in process of repossession					265	-265
<b>Quarterly change on NPLs</b>	<b>258</b>	<b>219</b>	<b>214</b>	<b>220</b>	<b>314</b>	<b>83</b>

Initial impact of Banco Guipuzcoano incorporation 450

Euros in million



# Remarkable effort in provisioning for on-balance sheet real estate assets

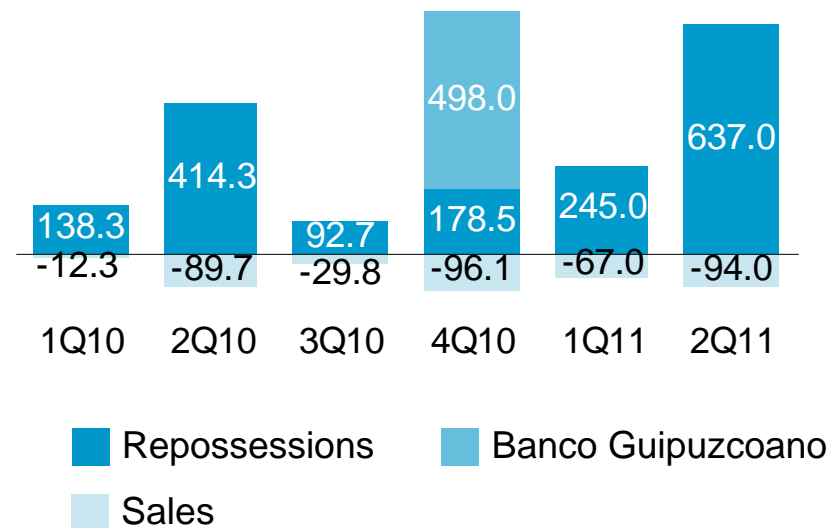
## Real estate assets evolution of coverage levels

Euros in million

	1Q11	2Q11
Gross portfolio	3,058	3,601
Total fund	964	1,032
Net portfolio	2,094	2,569
<b>Coverage</b>	<b>32%</b>	<b>29%</b>

## Real estate assets. Quarterly additions

Euros in million



## Real estate assets represent 2.7% of loans vs. 4.8% for the sector\*

\*Net real estate assets over total net customer loans. Sector percentage shown an average for all the entities.  
Source: Banco Sabadell

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# 5. Real estate company management

# 67% of the portfolio is first residence

## Real estate portfolio breakdown

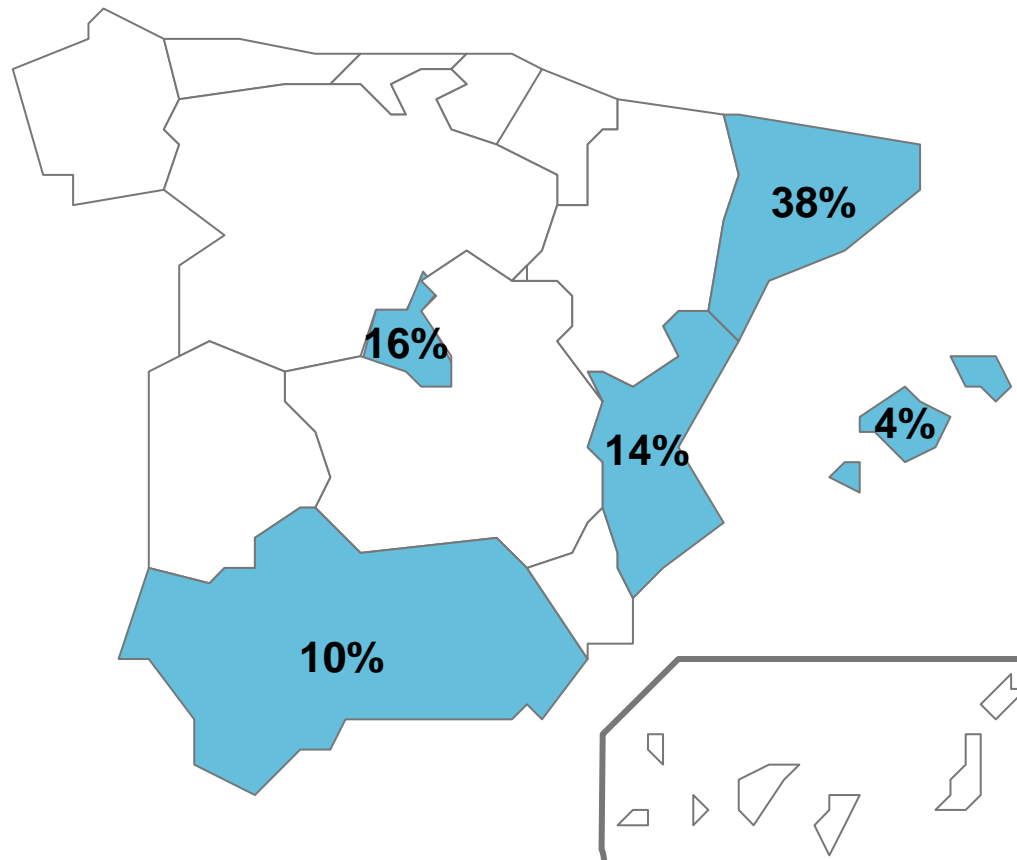
Euros in million

	Finished property	Land under development	Land	Total	%
<b>1<sup>st</sup> residence</b>	922	966	537	<b>2,424</b>	<b>67%</b>
<b>2<sup>nd</sup> residence</b>	168	123	37	<b>328</b>	<b>9%</b>
<b>Industrial</b>	151	36	143	<b>330</b>	<b>9%</b>
<b>Commercial</b>	117	204	45	<b>366</b>	<b>10%</b>
<b>Hotels</b>	80	35	13	<b>128</b>	<b>4%</b>
<b>Other</b>	22	2	1	<b>25</b>	<b>1%</b>
<b>Gross portfolio</b>	<b>1,459</b>	<b>1,366</b>	<b>776</b>	<b>3,601</b>	<b>100%</b>
<b>Provisions</b>	<b>320</b>	<b>443</b>	<b>269</b>	<b>1,032</b>	<b>29%</b>
<b>Net portfolio</b>	<b>1,139</b>	<b>923</b>	<b>507</b>	<b>2,569</b>	

# Over half of our real estate assets are in Catalonia and Madrid

## Distribution of real estate assets

In %



Catalonia	38%
Barcelona and metropolitan area	32%

Madrid	16%
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Valencia	14%
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Andalusia	10%
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Balearic islands	4%
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**82%**

## 58% of the portfolio has a time to market of less than 2 years

	Gross portfolio	Prov.	Net portfolio	% mobilised
<b>Portfolio by time to market</b>	<b>3,601</b>	<b>1,032</b>	<b>2,569</b>	
<b>Time to market: short term</b>	<b>2,099</b>	<b>605</b>	<b>1,494</b>	
Direct sales	984	269	715	7%
Rental properties	274	54	220	59%
Joint efforts with developers	381	123	258	67%
Investments/SPVs	280	101	179	16%
Government Subsidised housing	180	58	122	41%
<b>Time to market: 2-4 years</b>	<b>811</b>	<b>211</b>	<b>600</b>	
<b>Time to market: &gt;4 years</b>	<b>691</b>	<b>216</b>	<b>475</b>	

Euros in million

**Already mobilised assets: €603 million (29%)**

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

## Real estate asset sales evolution

Euros in million and %

	2009	2010	1Q11	2Q11
Sales price	42	174	48	71
Pre-provision cost <sup>1</sup>	55	228	67	95
<b>Discount to pre-provision costs</b>	<b>23%</b>	<b>24%</b>	<b>27%</b>	<b>25%</b>
Provisions built up	12%	23%	29%	23%
<b>% of sales price not covered by provisions</b>	<b>11%</b>	<b>1%</b>	<b>-1%</b>	<b>2%</b>

**Sales target for 2011: €400 million<sup>2</sup>**

<sup>1</sup> Including acquisition, development, and any transaction costs related to the sale of the asset

<sup>2</sup> Pre-provision cost



Pep Guardiola Cliente de Banco Sabadell

**“Estar satisfecho.  
Síntoma de que hay  
que superarse”**



César Carral Cliente de Banco Sabadell