

Banco Sabadell

2011 Results



January 26th, 2012

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1. 2011 in summary

2. 2011 Results

3. Commercial activity and liquidity

4. Risk management

5. BS during the crisis 2007-2012

Annex

1. 2011 in summary

2011 in summary

Highlights

Satisfactory income generation

Comfortable liquidity position

Actions / results

Improvement in pre-provision profit thanks to active price management and record level of customer acquisition

Strong growth in deposits, leveraging existing commercial platform, and active asset & liability management

2011 in summary

Highlights

Continued efforts in provisions

Strengthened core capital ratio

Actions / Results

Extraordinary income generation used to improve provisions buffer

Debt-for-equity swap

2. 2011 Results

2011 Results

	2010	2011	% var 11/10
Net Interest Income	1,459.1	1,537.3	5.4%
Equity Method & Dividends	87.1	46.4	-46.8%
Commissions	516.5	573.6	11.1%
Trading Income & Forex	262.7	341.2	29.9%
Other Operating Results	5.9	8.2	39.5%
Gross Operating Income	2,331.3	2,506.7	7.5%
Personnel Costs	-679.7	-742.6	9.3%
Administrative Costs	-356.3	-402.5	13.0%
Depreciations	-159.0	-130.9	-17.6%
Pre-provisions Income	1,136.3	1,230.7	8.3%
Total Provisions & Impairments	-968.1	-1,048.9	8.4%
Gains on sale of assets *	296.1	5.7	-98.1%
Profit before taxes	464.3	187.5	-59.6%
Taxes and others	-84.3	44.4	--
Attributable Net Profit	380.0	231.9	-39.0%

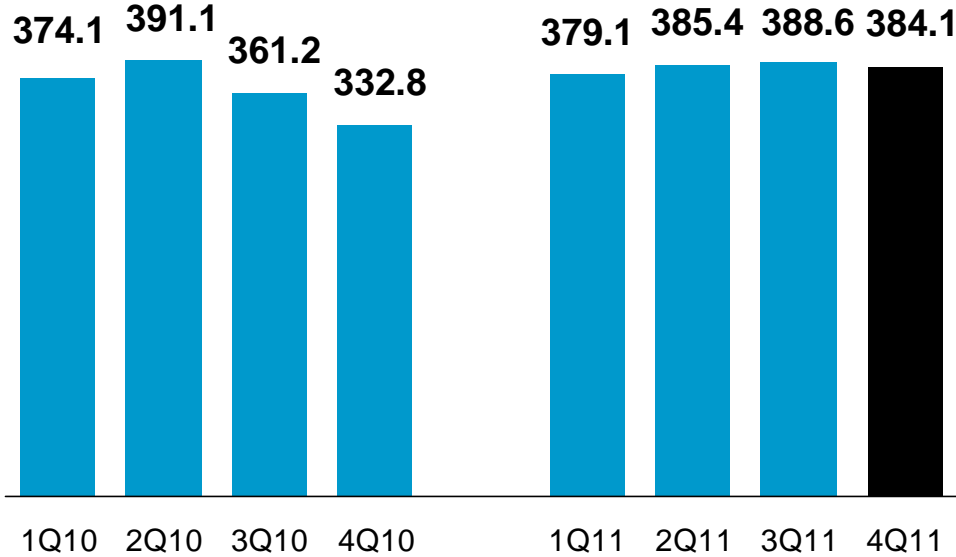
Euros in million

* 2010 including capital gains of € 250 million related to a Sale & Leaseback transaction

Strong net interest income generation...

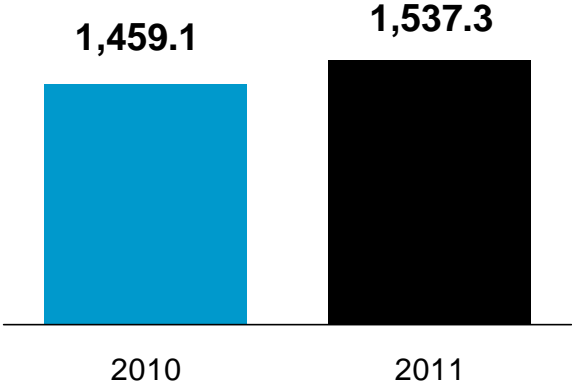
Net interest income evolution

(Euros in million)



Net interest income FY11:
+5.4 % YoY

Net interest income FY11
like-for-like*: -4.4% YoY



* Including BG in 2010

... driven by active price management ...

Product	Front book spreads					Back book spreads				
	Dec-10	Sep-11	Dec-11	Var QoQ	Var YoY	Dec-10	Sep-11	Dec-11	Var QoQ	Var YoY
Credits	225	296	361	+65	+136	194	244	262	+18	+68
Loans	215	266	329	+63	+114	177	201	210	+9	+33
Mortgages to individuals	89	130	123	-7	+34	75	80	81	+1	+6
Leasing	170	194	216	+22	+46	105	116	119	+3	+14
Commercial loans	277	290	341	+51	+64	303	320	355	+35	+52
Confirming	211	223	252	+29	+41	200	220	243	+23	+43
Forfaiting	234	267	365	+98	+131	228	240	317	+77	+89
Total loans	213	242	285	+43	+72	148	163	173	+10	+25
Term deposit 1 month	150	77	95	+18	-55	132	61	75	+14	-57
Term deposit 3 months	144	124	142	+18	-2	112	77	105	+28	-7
Term deposit 6 months	132	151	148	-3	+16	144	79	106	+27	-38
Term deposit 12 months	179	119	157	+38	-22	196	136	132	-4	-64
Term deposit 18 months	215	149	218	+69	+3	206	187	191	+4	-15
Term deposit 2 years	215	112	91	-21	-124	209	203	205	+2	-4
Term deposit 3 years	196	144	290	+146	+94	112	143	+155	+12	+43
Total term deposits	165	110	147	+37	-18	185	145	149	+4	-36

Total volume of re-priced assets in the quarter: € 13.8 bn*

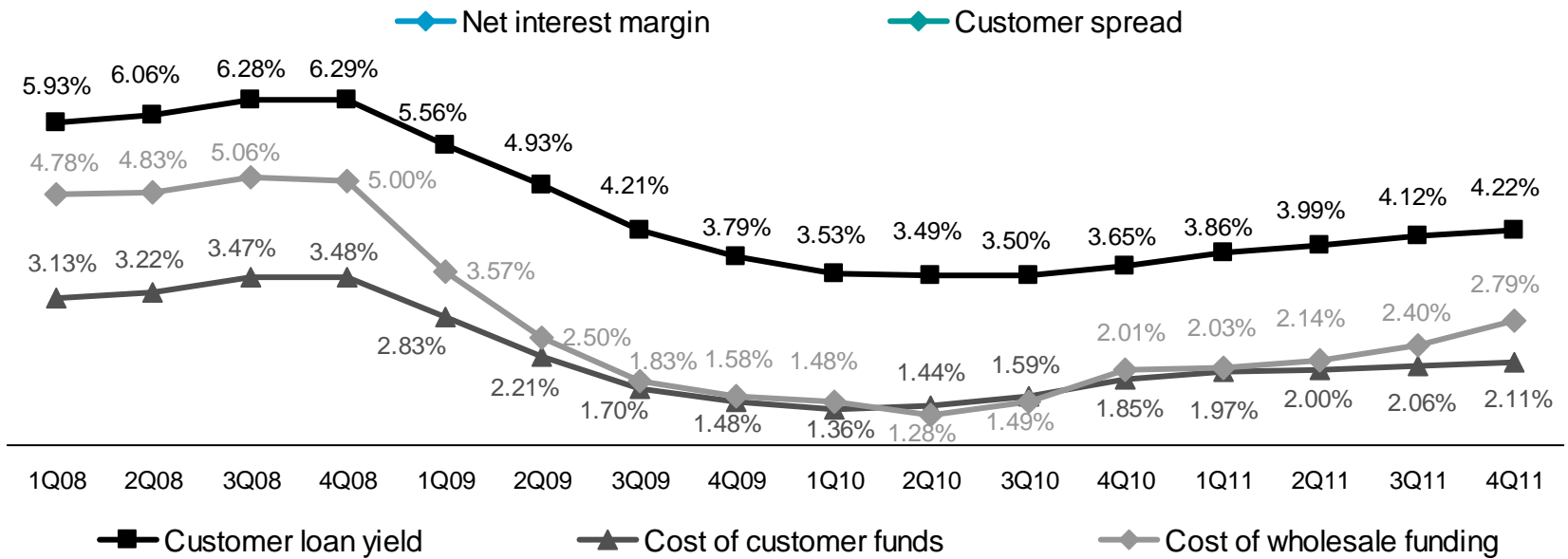
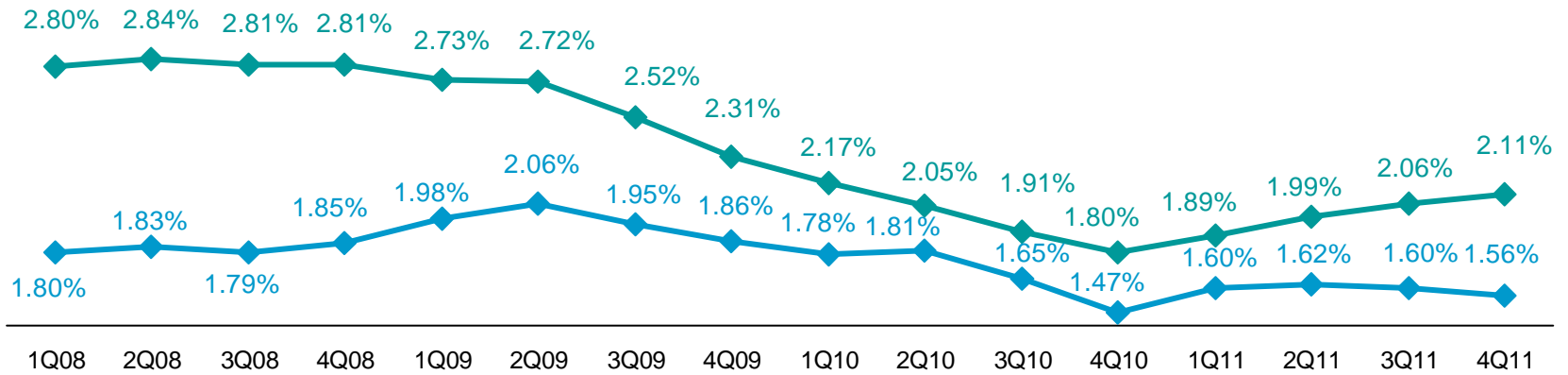
In basis points

* New granted transactions with price change

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

Margin evolution

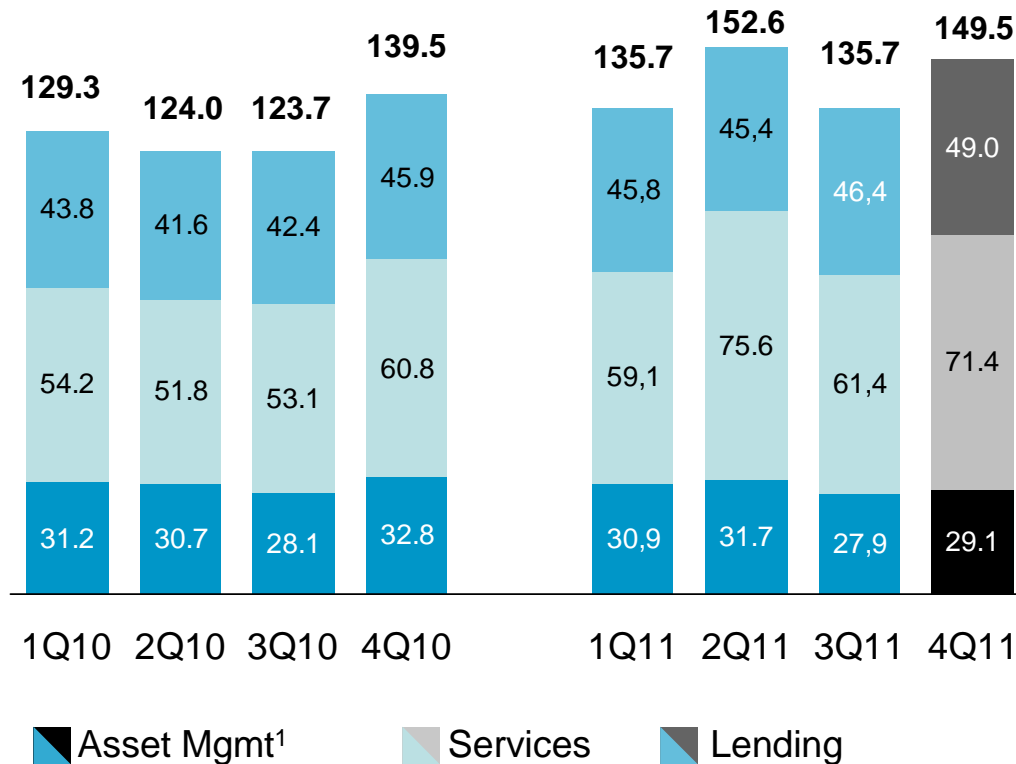
(in %)



Satisfactory commission levels

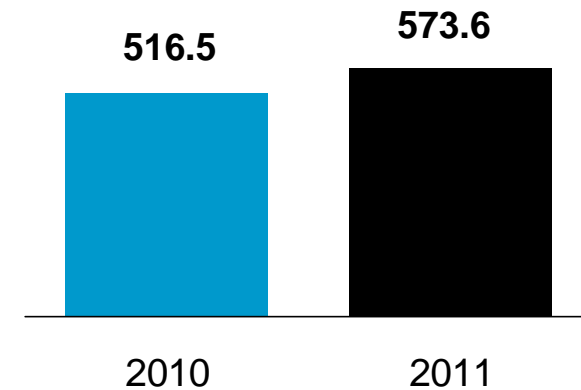
Commissions evolution

(Euros in million)



Commission income FY11:
+11.1 % YoY

Commission income FY11
Like-for-like*: +3.1% YoY



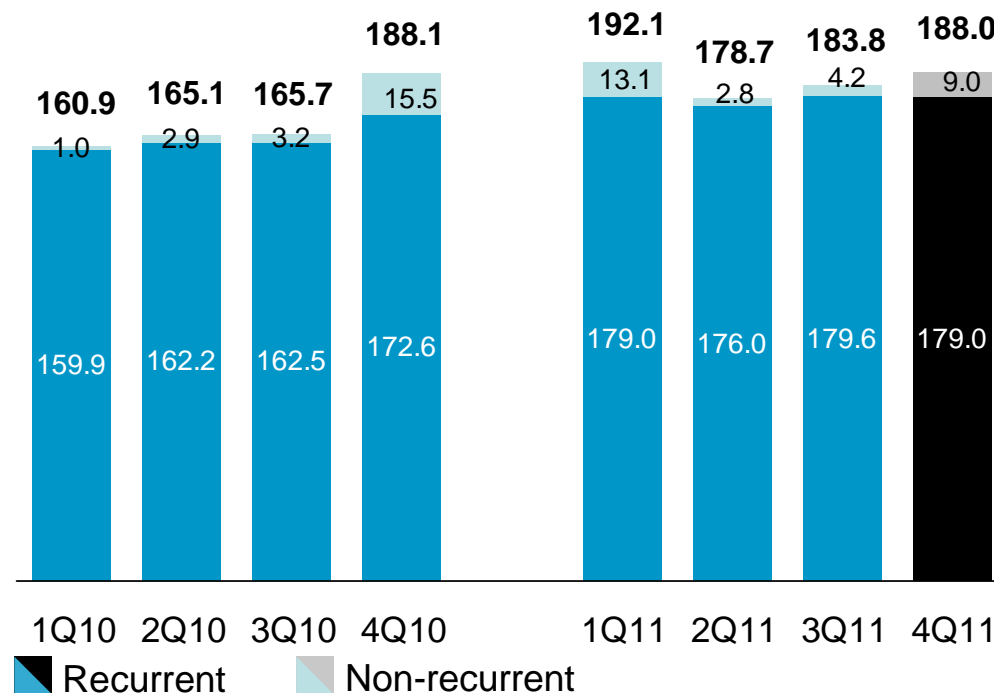
¹ Including mutual funds commissions and pension funds and non-life insurance brokerage

* Including BG in 2010

Reduction in personnel expenses like-for-like ...

Personnel expenses evolution

(Euros in million)



Personnel expenses FY11: +9.3% YoY

Recurrent personnel expenses FY11: +8.6% YoY

Personnel expenses FY11 Like-for-like*:

-3.0% YoY

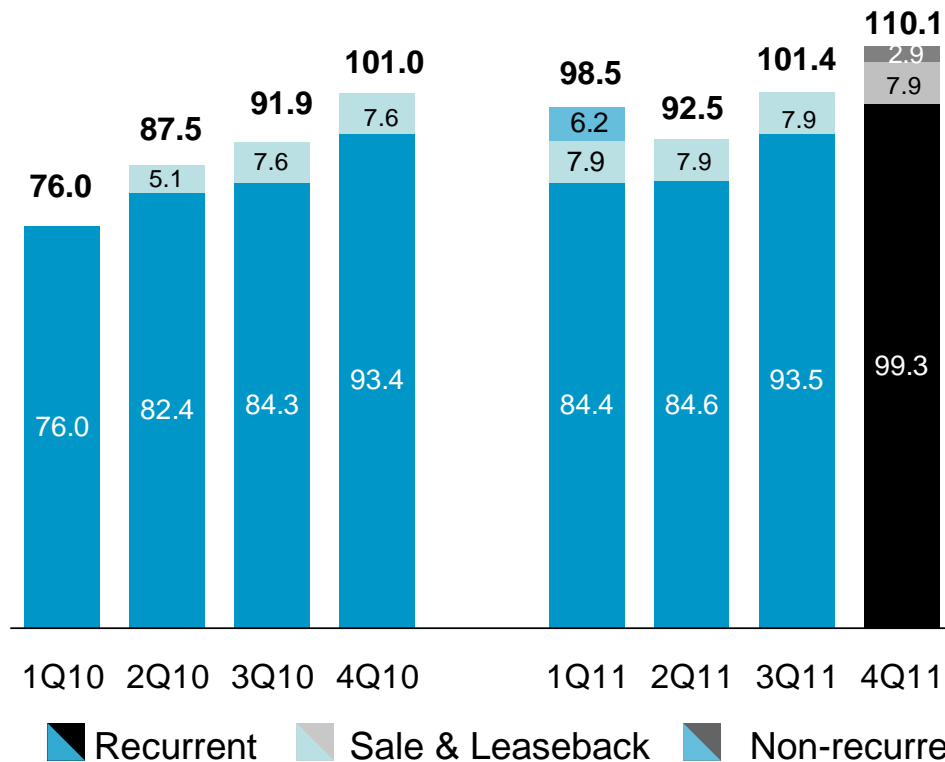
Like-for-like cost reduction (-3.0% YoY)

* Including BG in 2010 and 1 month of Lydian in 2010 and excluding non-recurrent expenses

... and declining general expenses excluding restructuring charges

General expenses evolution

(Euros in million)



General expenses FY11:
+13.0% YoY

General expenses FY11:
+10.4% YoY

General expenses FY11
Like-for-like*:

-4.9% YoY

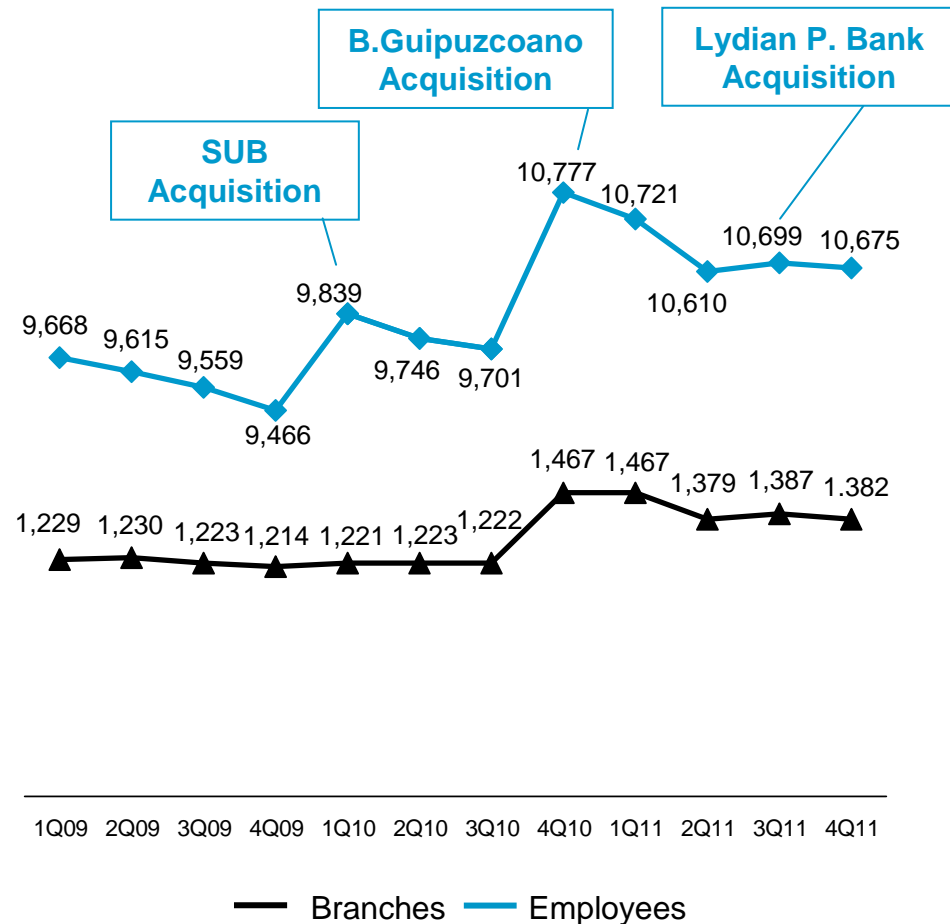
Significant reduction in costs on a like-for-like basis (-4.9% YoY)

* Including BG, Sale & Leaseback costs in 2010 and 1 month of Lydian in 2010 but excluding restructuring charges

The network optimisation continues

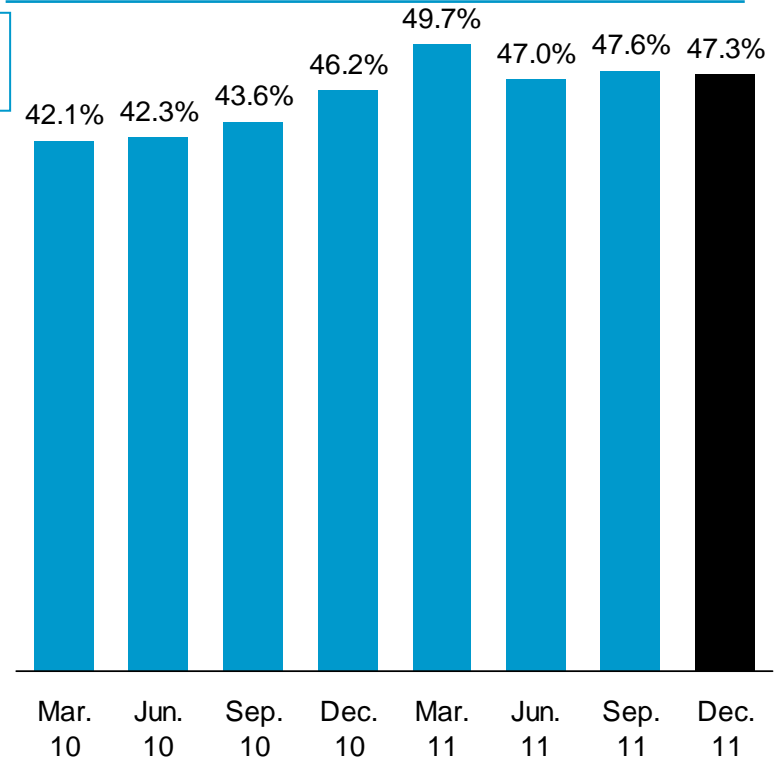
Employee and branch evolution

(in number)



Cost income evolution*

(in %)



Cost to income ratio ex non-recurrent items* Dec 11: 45.7%

* Excluding gains from debt-for-equity transaction and other repurchase transactions in 2010

Continued efforts in provisions

Evolution and breakdown of provisions and write-downs

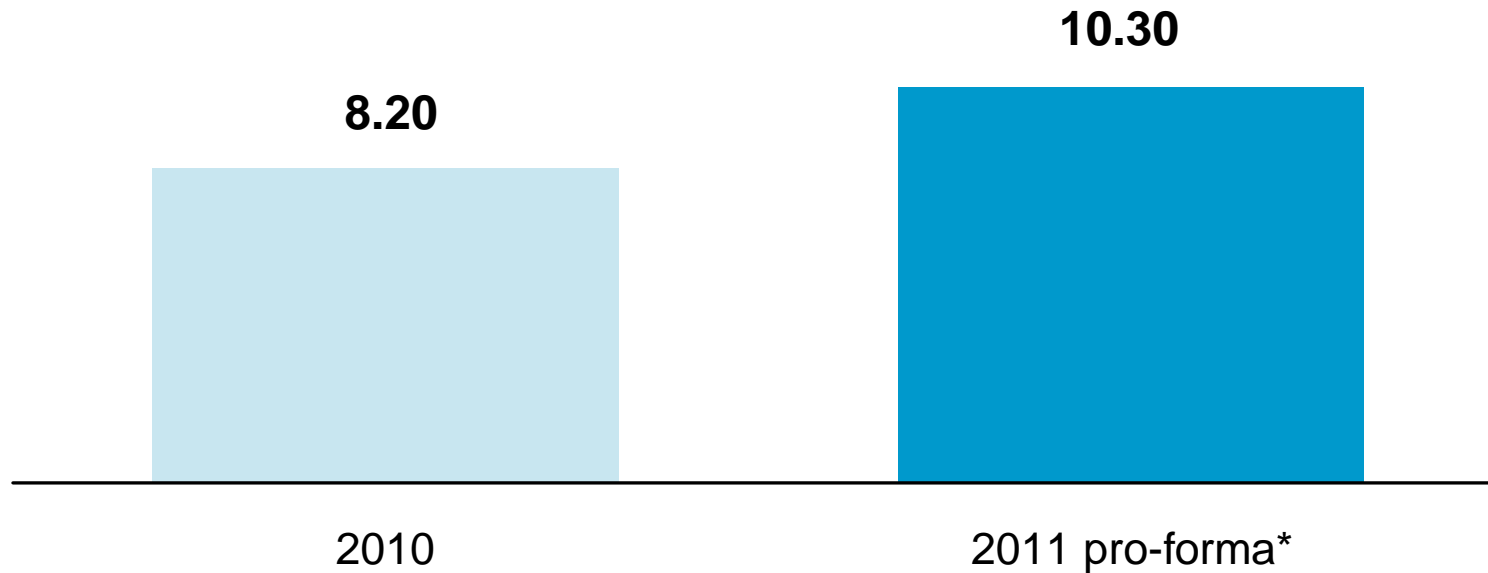
(Euros in million)

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
Specific	228.0	212.2	186.1	124.7	142.2	143.4	158.6	86.5
Extraordinary charge	0.0	90.0	46.0	66.0	186.2	0.0	0.0	22.8
Implementation of regulation in loans (3/2010)	0.0	0.0	-120.0	0.0	0.0	0.0	0.0	0.0
Substandard	-54.2	-31.2	-61.9	-30.3	-32.8	-52.2	-53.2	-4.1
Metrovacesa	0.0	0.0	0.0	76.1	0.0	0.0	0.0	0.0
Real estate assets	46.0	209.8	160.9	49.9	30.0	62.4	41.2	106.3
BCP	0.0	38.5	0.0	16.2	1.2	34.7	46.5	31.9
Guaranteed funds write-down	0.0	0.0	0.0	0.0	0.0	0.0	0.0	43.1
Goodwill and others	8.9	5.3	12.2	4.2	0.8	9.3	12.1	15.0
Subtotal	228.6	524.6	223.3	306.8	327.6	197.6	205.1	301.4
Generic	-61.2	1.7	-103.2	-152.6	2.5	17.9	16.6	-19.8
Total provisions and impairments	167.4	526.3	120.1	154.2	330.1	215.5	221.7	281.6

Comfortable level of core capital

Core capital evolution

In %



Core capital 2011 pro-forma*: 10.30%

* Includes preferred shares repurchase of € 718 million (90% of € 797 million), equivalent to 128 basis points of core capital, completed on January 3rd, 2012.

3. Commercial activity and liquidity

Record year in customer acquisition ...

Remarkable success in customer gathering

	2010	2011	% Var.
Individuals	200,507	286,560	+43%
Companies	39,611	55,536	+40%

With two market-leading products paving the way in 3Q11

Cuenta Expansión:
186,802 new accounts

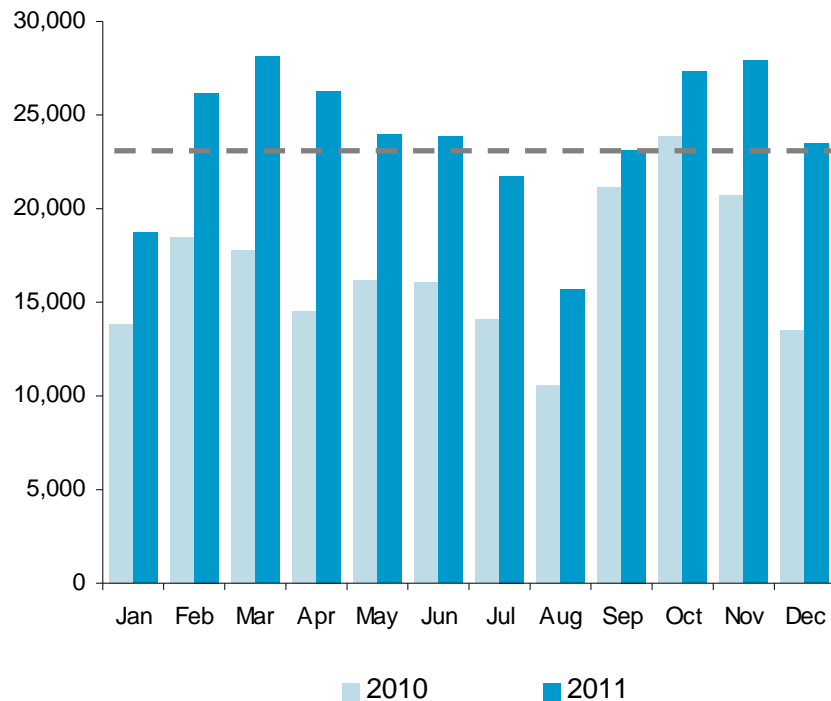
Cuenta Expansión Negocios:
86,200 new accounts

Now reaching 2.7m customers, in line with CREA

... reaching the targets of CREA ...

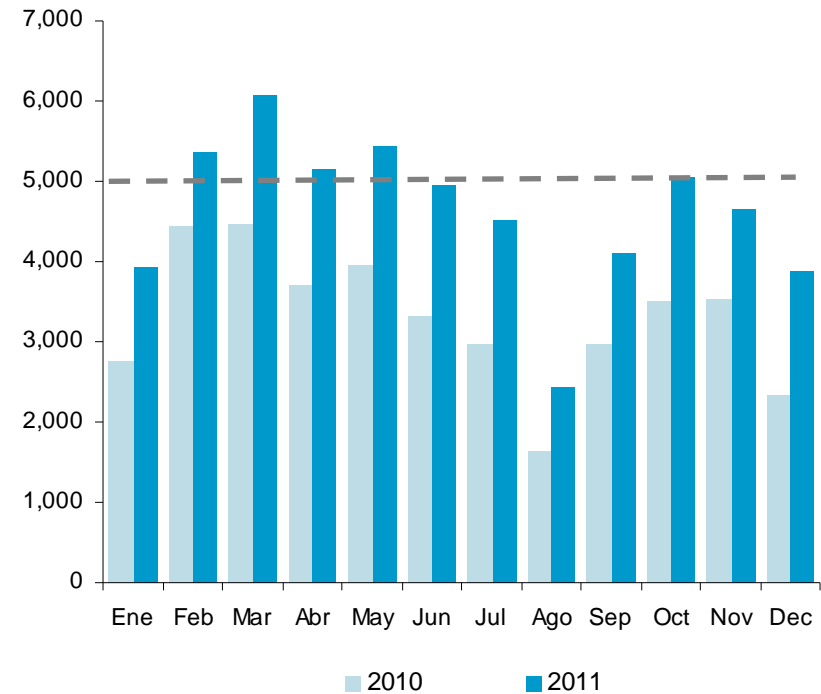
Monthly new individual customers

Total in 2011: 286,560 new customers



Monthly new company customers

Total 2011: 55,536 new customers



In line with the CREA plan

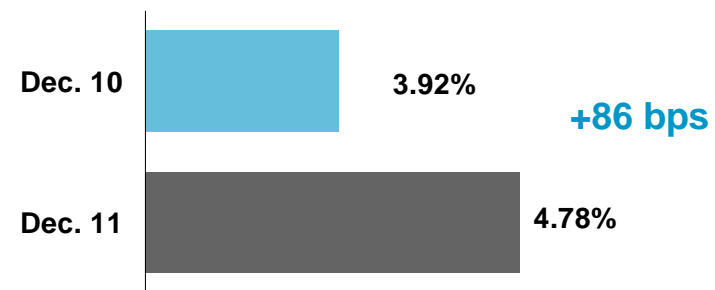
... achieving market share gains both in individuals ...



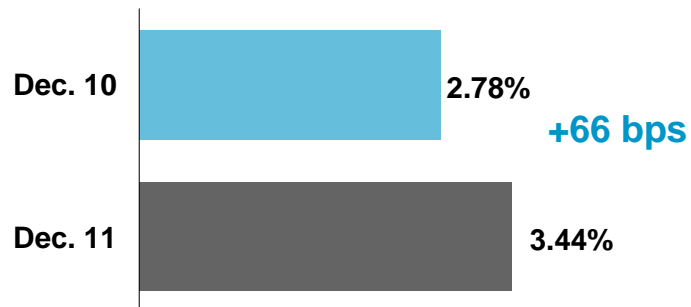
Household term deposits



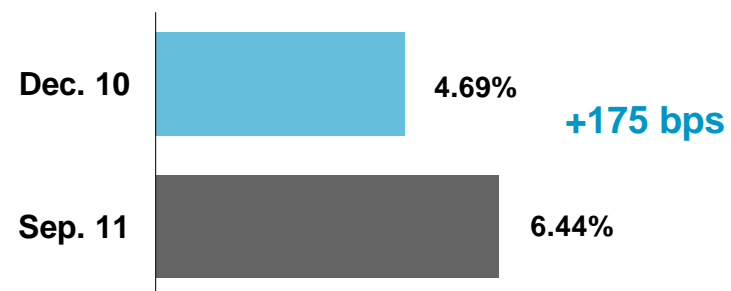
Transactionality¹



Payroll accounts



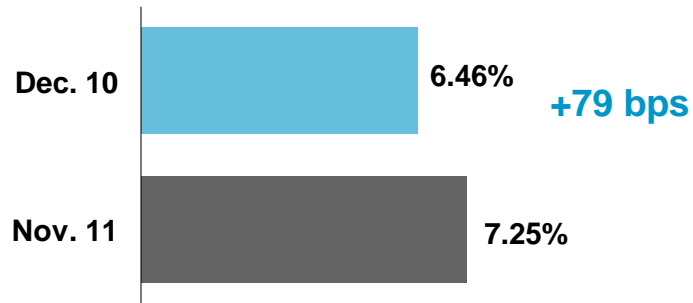
Household mortgages



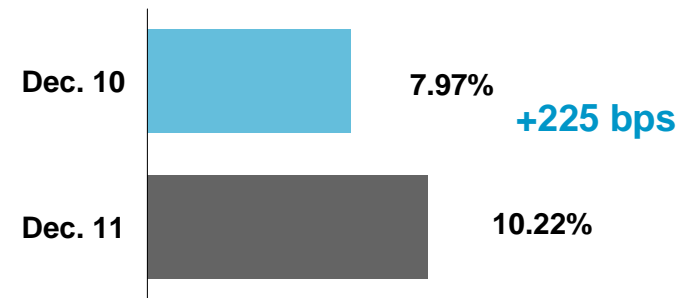
¹ Including cheques, transfers, SEPA transfers, receivables and promissory notes

... as well as companies ...

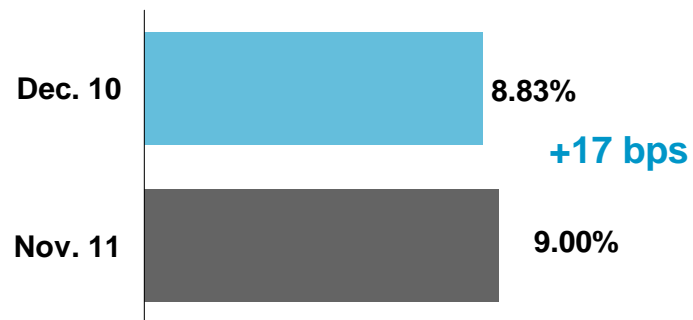
Sight deposits companies



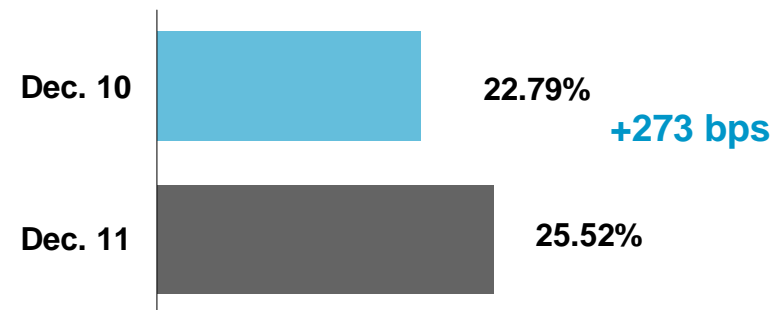
ICO loans (publicly subsidised loans)



Commercial lending

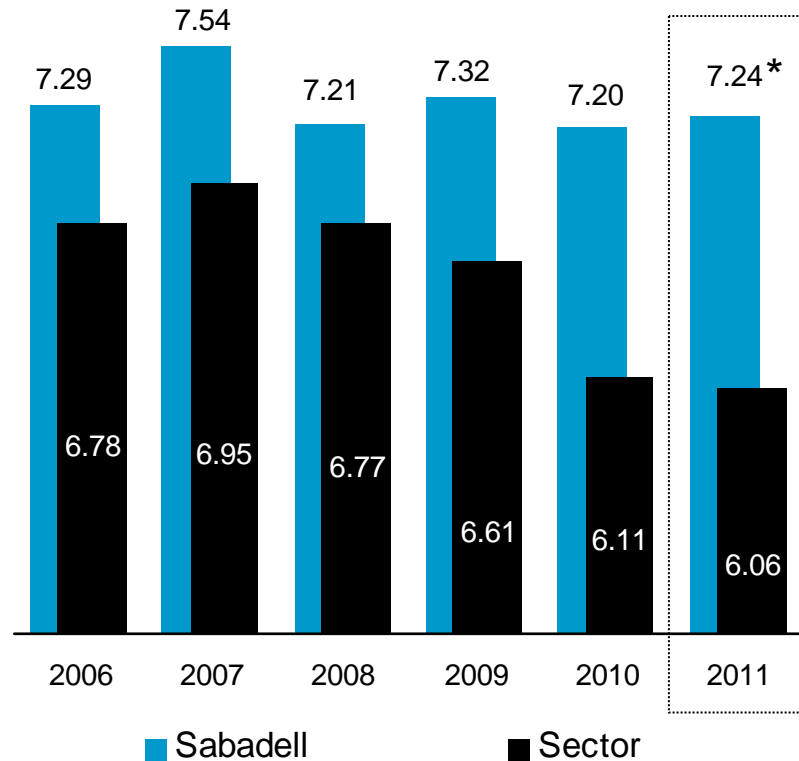


Export documentary credit

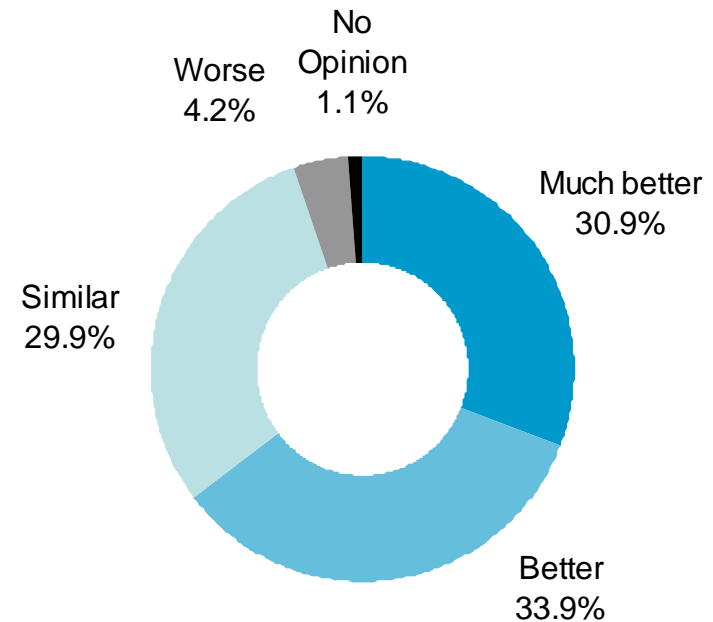


... whilst maintaining the leading position in quality of service

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

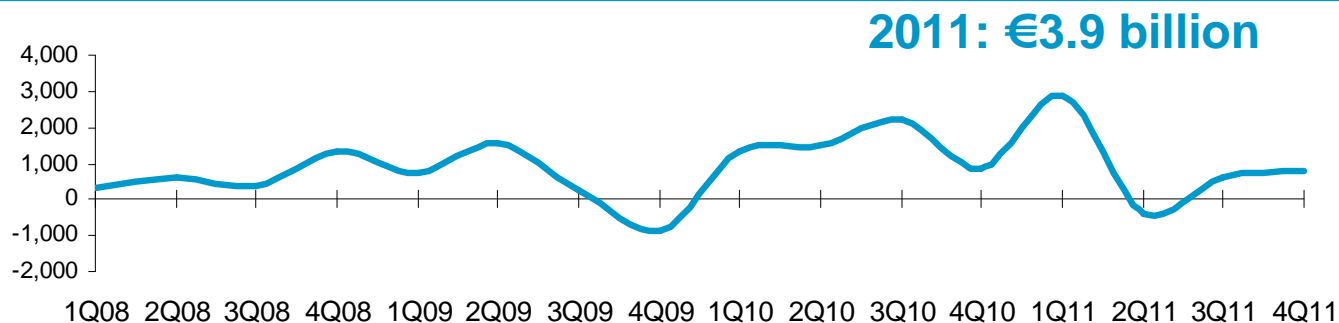
Source: STIGA "RCB Análisis de Calidad Objetiva en Redes Comerciales Bancarias" (4Q11) and FRS inmark.

* Note: Without BG, the ranking increases until 7.39

Deposits are growing

Customer funds and loans evolution	Dec-10	Sep-11	Dec-11	% Var. YoY
On-balance sheet customer funds ¹	49,374	51,388	52,827	7.0%
Term deposits	30,092	31,639	32,820	9.1%
Sight deposits	18,285	18,453	18,740	2.5%
Off-balance sheet funds	18,834	17,867	17,942	-4.7%
Mutual funds	8,853	8,216	8,024	-9.4%
Pension funds	3,016	2,705	2,858	-5.2%
Third party insurance products	5,727	5,770	5,926	3.5%
Total funds	68,208	69,255	70,769	3.8%
Gross loans to customers ex repos	73,058	72,470	73,635	0.8%

Change in commercial funding gap (Euros in million)



¹ Excluding repos, including sight and fixed-term deposits, preference shares and mandatory convertible bond placed in the retail network

Note: Changes in commercial funding gap include commercial paper placed in the retail network

Euros in million

4. Risk management

Credit exposure and NPLs according by purpose

	Dec-11				NPL ratio*	Sep-11
	Total	Normal	Subst.	NPL		NPL ratio*
Real Estate development and/or construction purposes	9,402	5,718	1,564	2,120	22.58%	21.22%
Construction purposes non-related to real estate dev.	726	689	0	37	2.78%	2.42%
Large corporates	22,590	21,573	237	780	2.85%	2.38%
SME and small retailers and self-employed	19,082	17,673	268	1,141	5.69%	5.26%
Individuals with 1st mortgage guarantee assets	16,677	16,104	1	572	3.43%	3.50%
Of which						
Purchase of 1st residence	13,674	13,278	1	395	2.89%	3.03%
Other real guarantees assets	3,003	2,825	0	177	5.59%	5.59%
Individuals with other guarantees	405	403	0	3	0.61%	1.69%
Individuals other	2,067	1,977	0	90	4.21%	4.71%
Subtotal gross loans to customers	70,948					
Other gross loans to customers ¹	3,973					
Total gross loans	74,922				5.95%	5.72%

*Including off-balance sheet items

¹ Including caption 4: public entities; caption 8: other assets and deferral adjustments

Euros in million

Increasing coverage level of problematic assets

Coverage level of Real Estate exposure

(Euros in million and %)

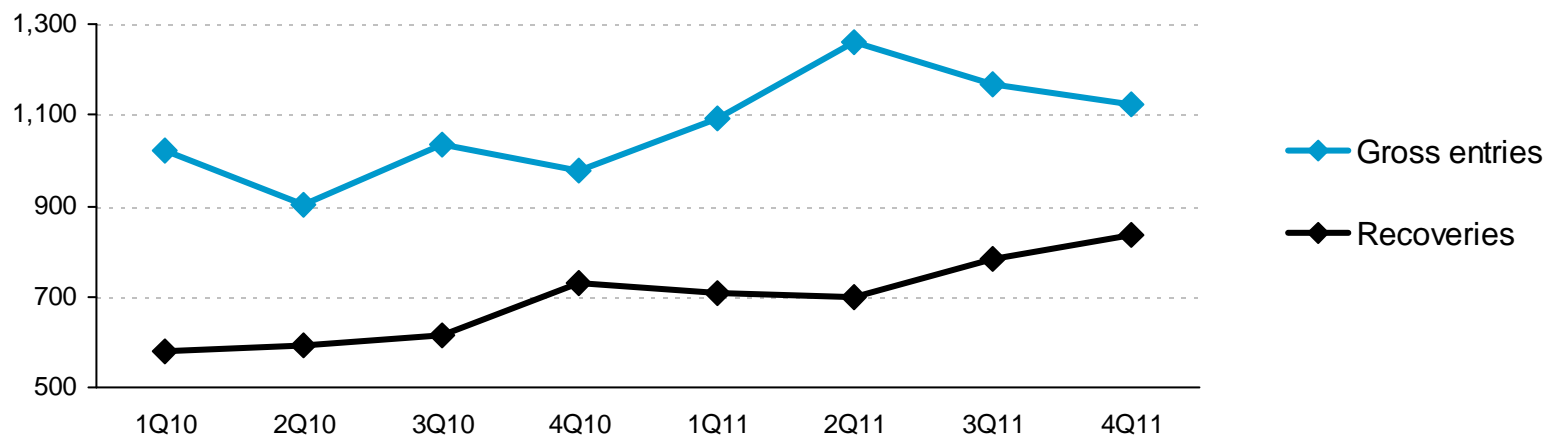
	Dec-11			Sep-11
	Gross amount	Provisions	Coverage	Coverage
NPLs	2,120	486	23%	
Substandard	1,564	235	15%	
Acquired and repossessed RE assets	4,006	1,158	29%	
Write-offs	106	106	100%	
Generic		832		
Potentially problematic exposure	7,796	2,817	36%	37%
Global coverage ratio	2,120	1,553	73%	77%

Downward trend in new NPLs

NPL entries and recoveries evolution

(Euros in million)

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
Gross entries	1,021	904	1,033	979	1,092	1,260	1,166	1,123
Recoveries	-579	-592	-617	-728	-708	-698	-781	-834
Write-offs	-183	-93	-201	-31	-335	-213	-240	-30
Subtotal	258	219	214	220	49	349	145	259
Non performing real estate assets in process of repossession					265	-265		
Quarterly change on NPLs	258	219	214	220	314	83	145	259



Sales of RE assets are improving

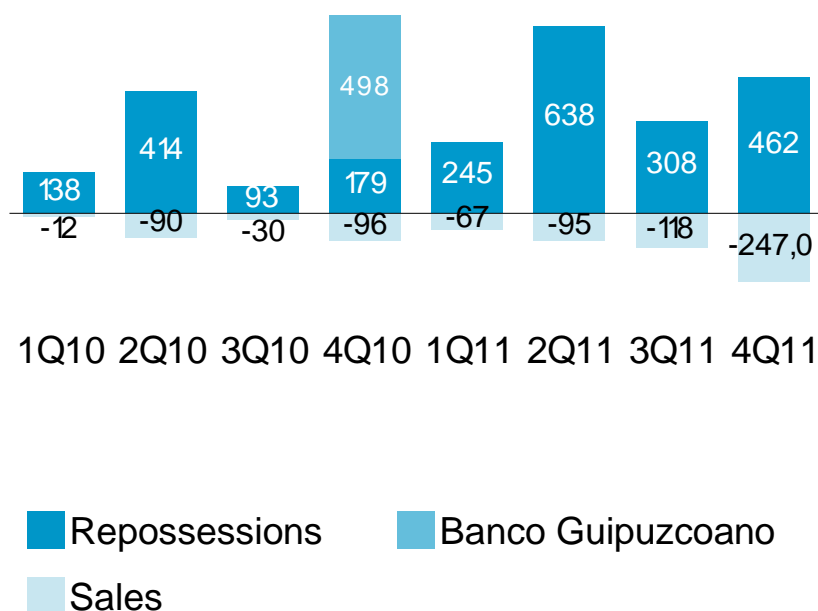
Real estate assets evolution of coverage levels

(Euros in million)

	3T11	4T11
Gross portfolio	3,791	4,006
Total fund	1,106	1,158
Net portfolio	2,685	2,848
Coverage	29%	29%

Real estate assets Quarterly additions and sales

(Euros in million)



Sales in 2011: € 527 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
Sales price	42	174	376
Pre-provision cost	55	228	527
Discount to pre-provision costs	23%	24%	29%
Provisions built up	12%	23%	23%
% of sales price not covered by provisions	11%	1%	6%

Initial sales target for 2011: € 400 million*
Revised sales target for 2011 : € 480 million*
Actual sales 2011: € 527 million*

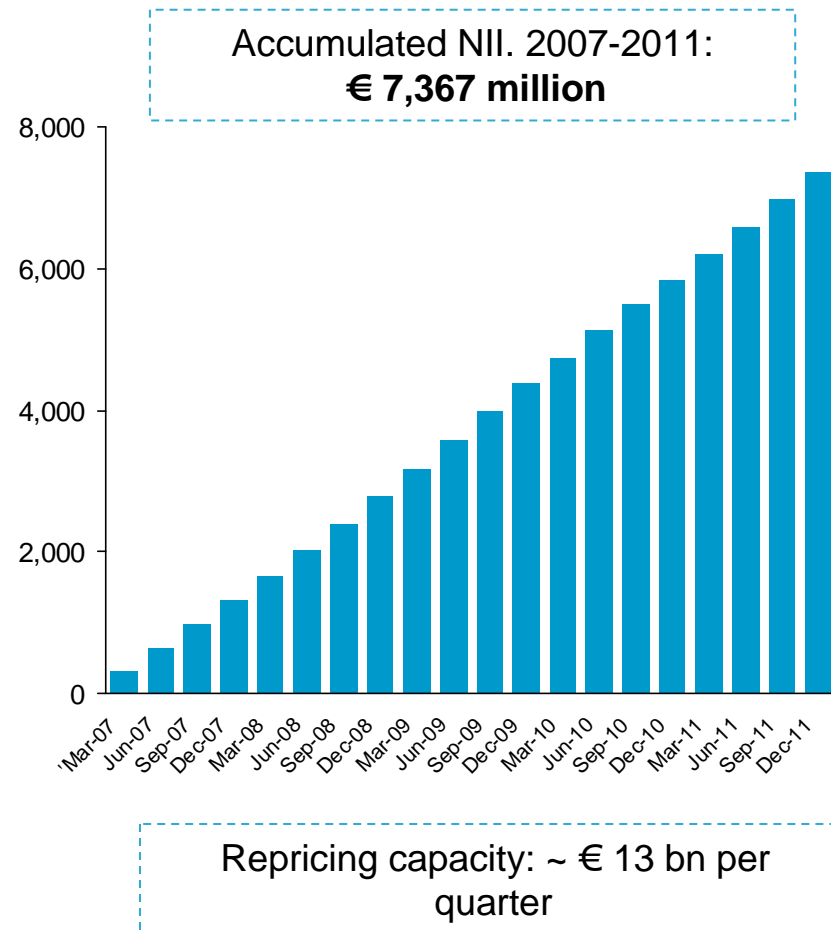
* Pre-provision cost

5. BS during the crisis 2007-2012

Challenges

- ✓ No growth in the Spanish economy
- ✓ Exports trend weakened by Eurozone slowdown
- ✓ Private sector in Spain is deleveraging gradually
- ✓ Weak domestic demand
- ✓ Significant downsizing in the real estate sector

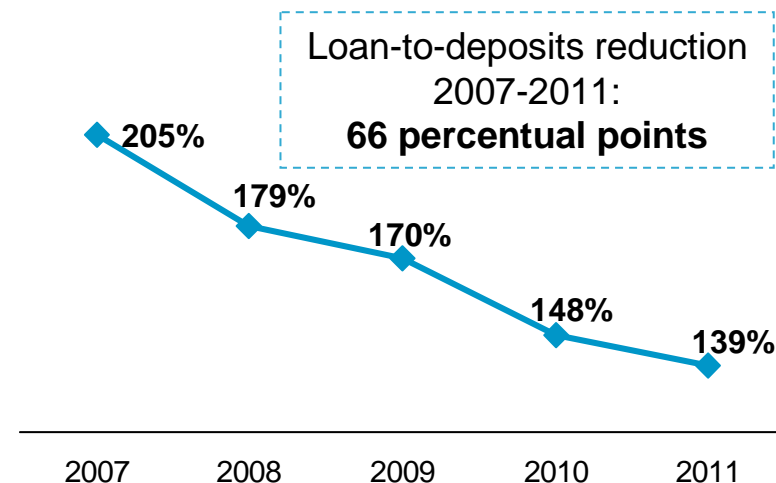
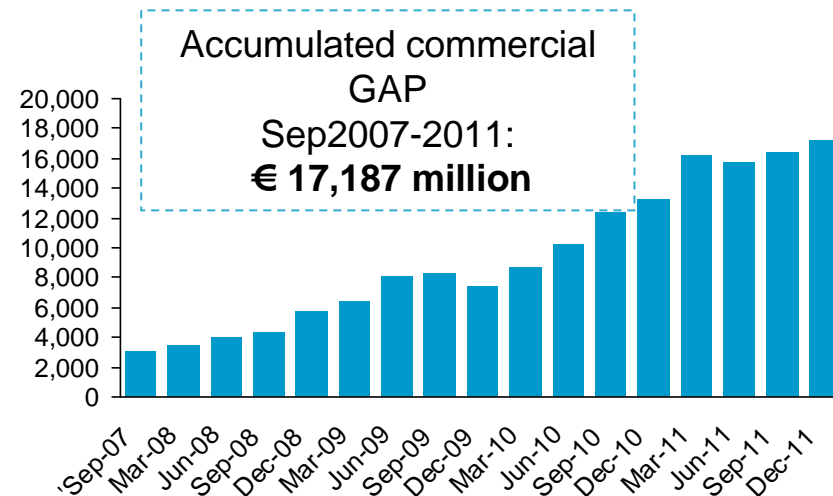
BS response



Challenges

- ✓ Wholesale markets remain closed
- ✓ Competition for deposits is growing to access funding
- ✓ BS has maturities of € 4 bn for 2012

BS response

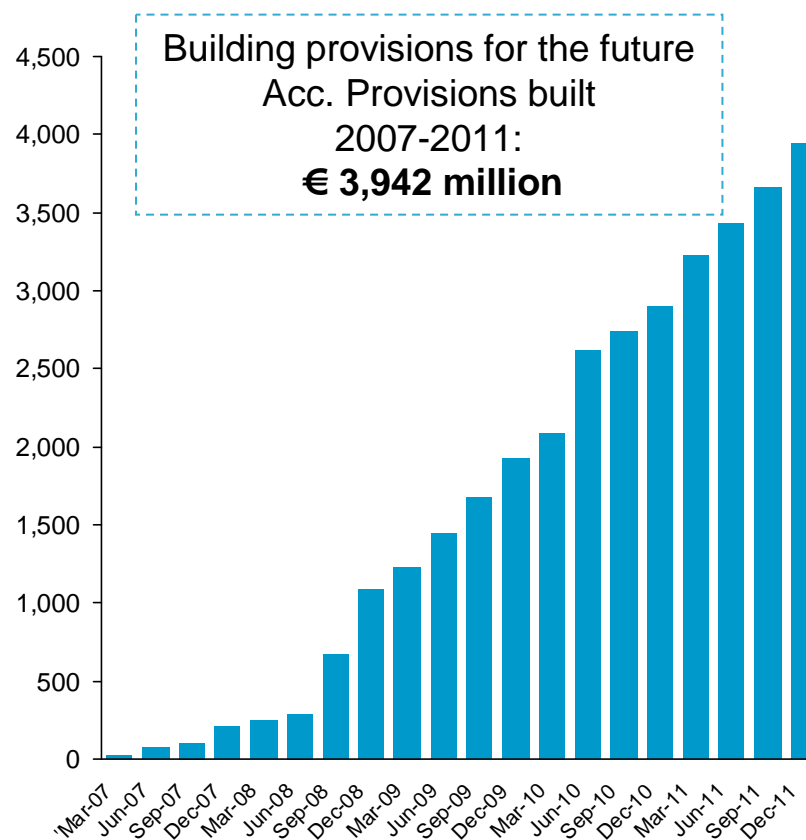


Asset quality and real estate

Challenges

- ✓ High unemployment rate, reaching 21.5% in 3Q11
- ✓ Reduction in public sector wages and hiring
- ✓ Withdrawal of social aids due to the fiscal adjustments measures
- ✓ Downsizing in place, both in pricing and investment

BS response

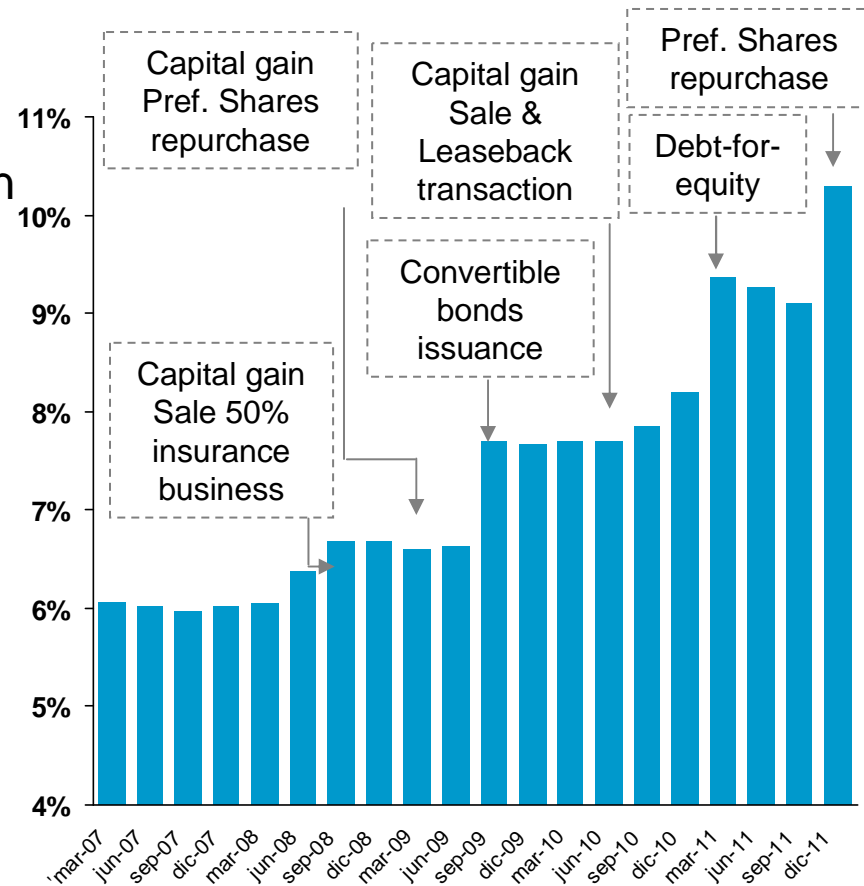


- ✓ Adequate provisions level

Challenges

- ✓ Basel III requirements
- ✓ EBA stress tests taking place in July 2011
- ✓ New EBA stress test for systemic entities, with a new threshold of 9%

BS response



- ✓ Core capital increase
(2007-2011): **+423 bps**

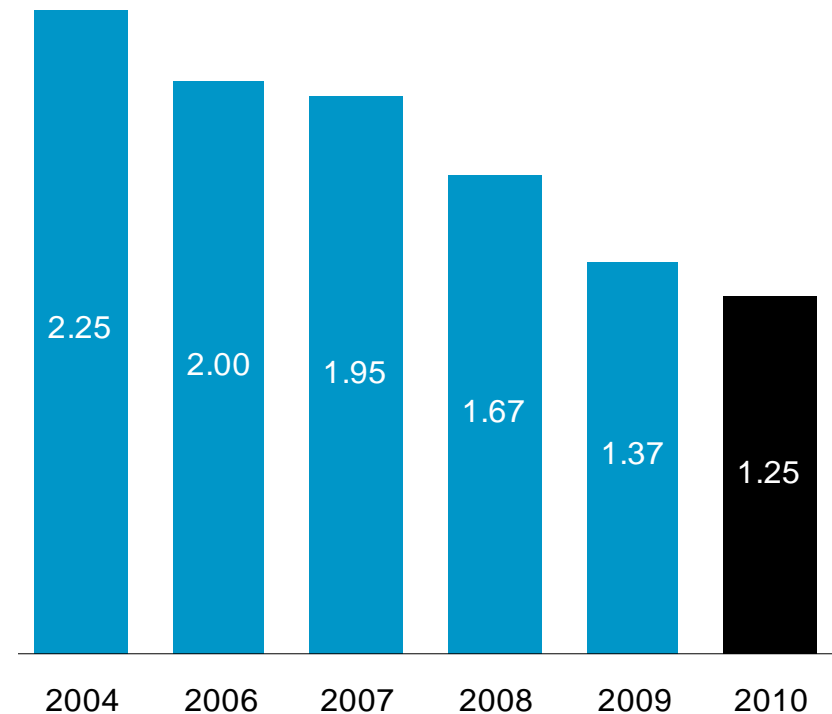
Optima Plan. Operational transformation

'10 Optima

Plan to boost the capacity of our business model in order to create value, optimising our operating model

- ✓ Production cost reduction
- ✓ Transformation and centralizing of administrative tasks, freeing up commercial capacity at the branch level
- ✓ Leveraging our technological platform and introducing non-paper branches and call centre structure
- ✓ Improving the commercial scope by innovating new customer channels

Administrative FTEs* per branch



Total number of FTEs reduction within the program: 790

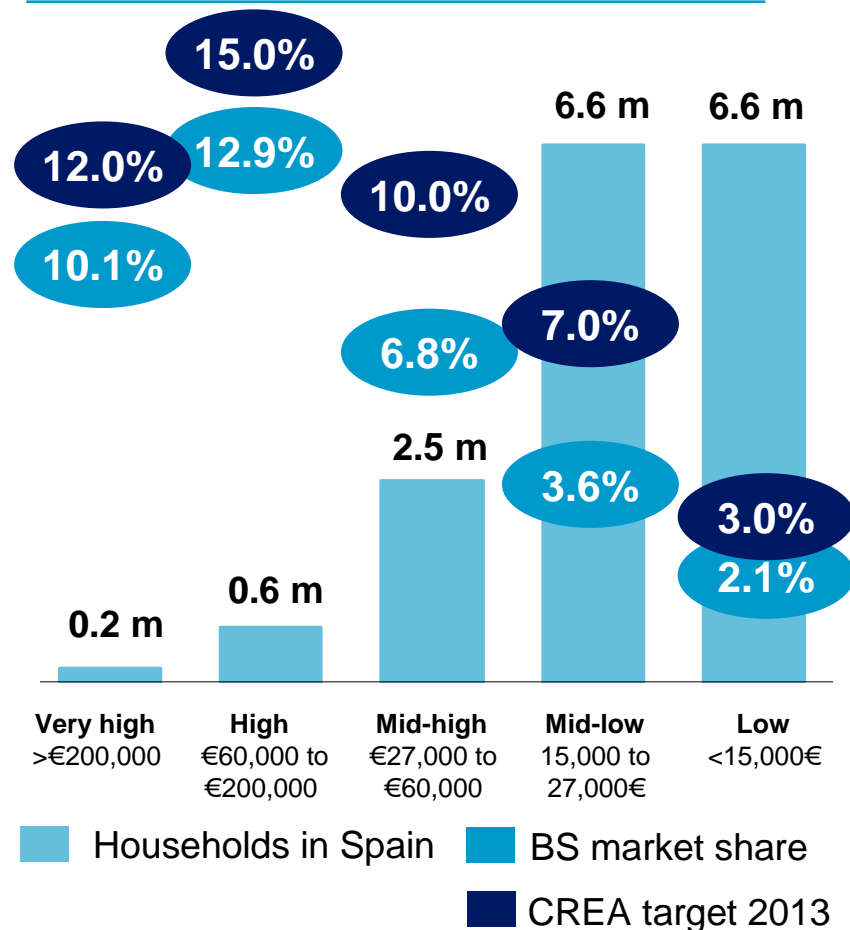
* FTEs = Full Time Equivalents

CREA Plan. Commercial transformation

B Crea leverages on the Optima Plan, crystallizing value and shifting focus to additional market segments

- ✓ Leverage existing franchise and target new customers within current footprint
- ✓ Gain market share and attract 1 million new customers
- ✓ Focus on improving market share in individuals
- ✓ Improve brand recognition
- ✓ New incentive model

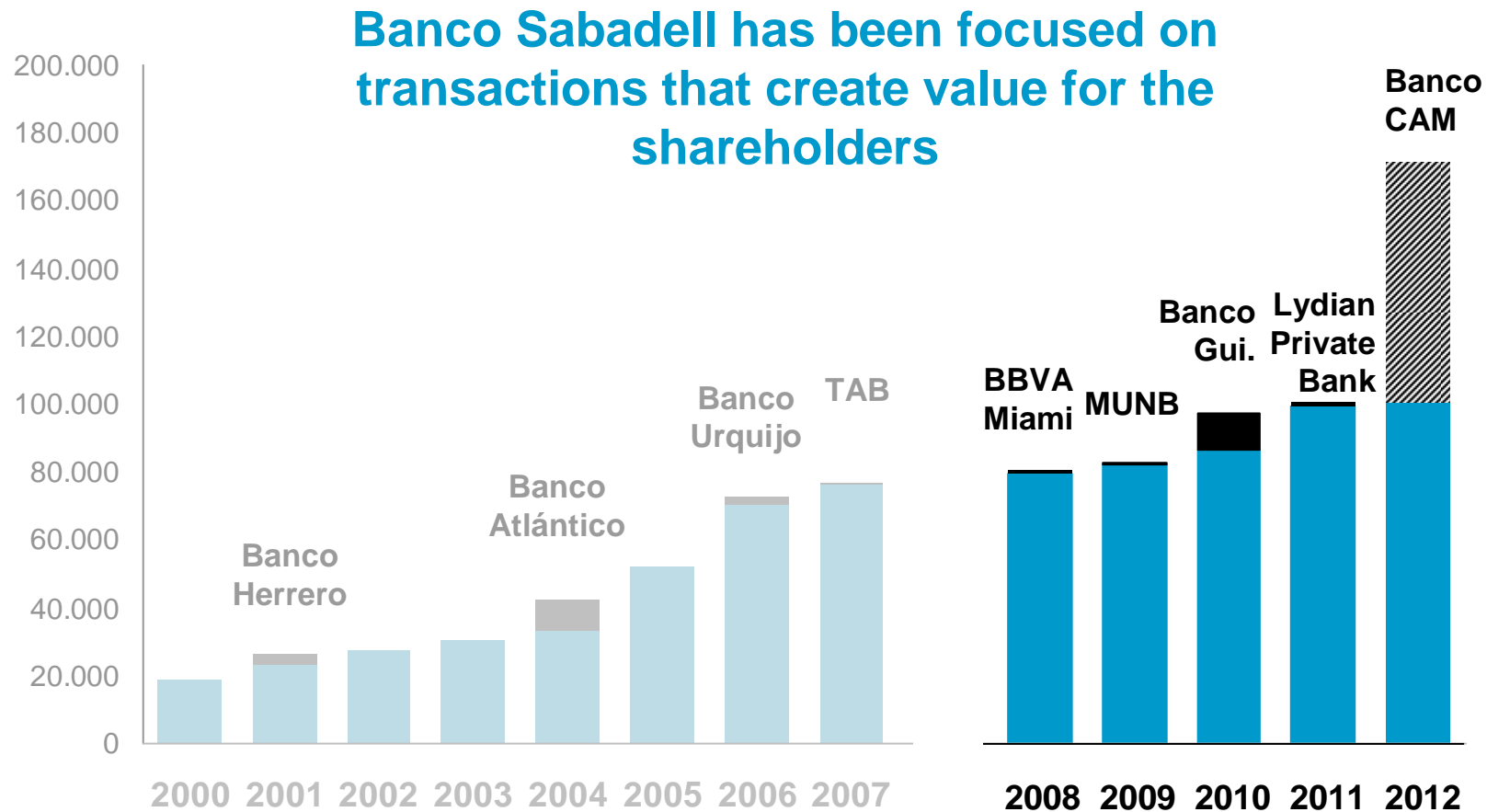
Spanish income distribution per household and BS market shares (in million and %)



Annual gross income. Source: Bank of Spain and INE

Disciplined approach in creating value ^BSabadell

Banco Sabadell total assets (Euros in million)



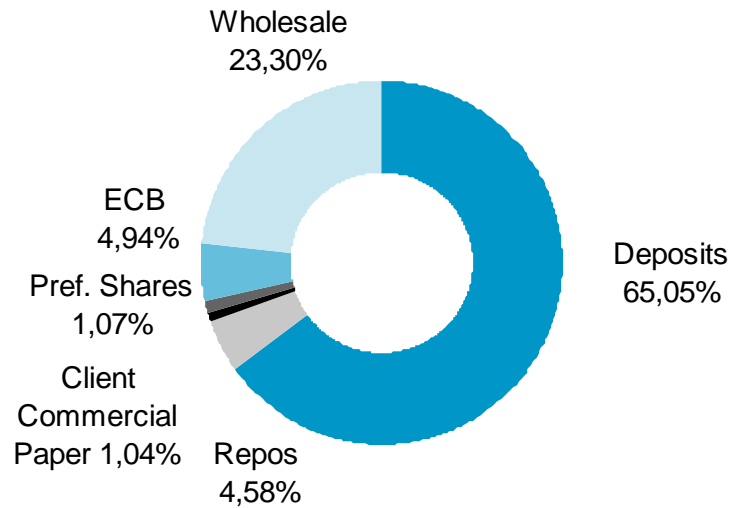


Annex

BS has a balanced funding structure ...

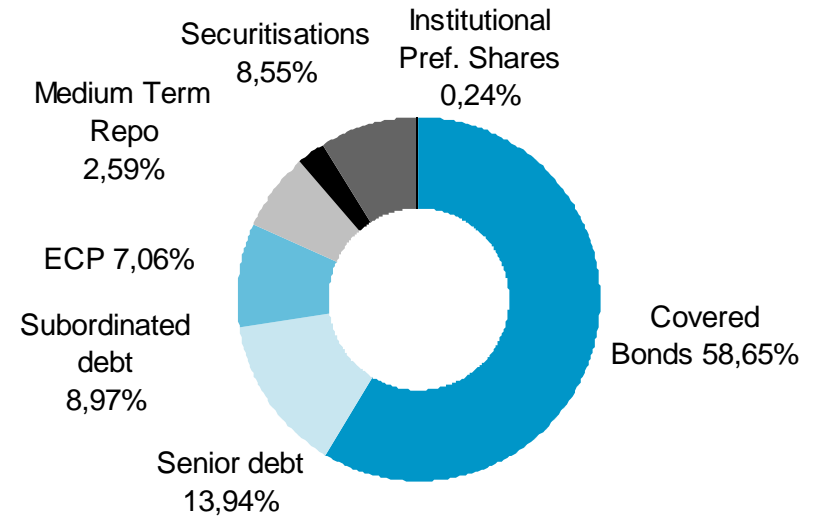
Funding structure

(In %)



Wholesale market breakdown

(In %)



Liquidity position

11,399

CH issuing capacity

2,850

CT issuing capacity

662

Total liquidity buffer

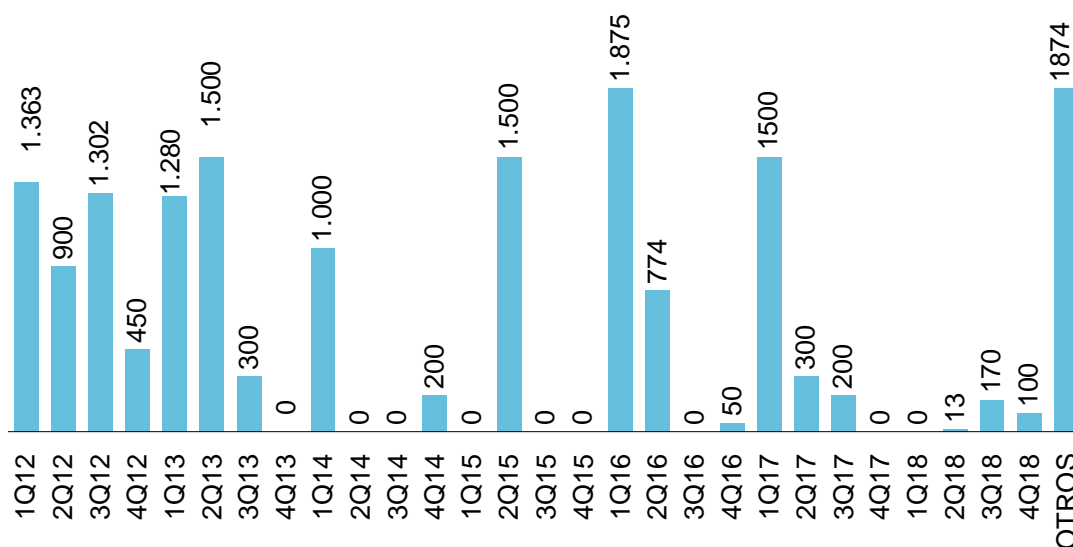
14,911

Euros in million

... with a comfortable maturity calendar

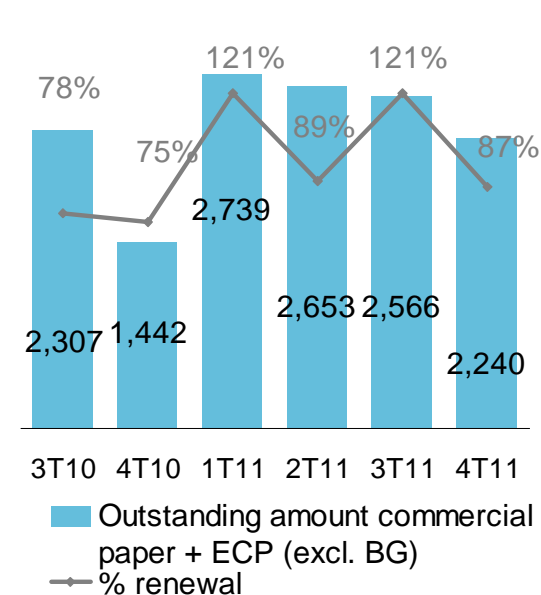
Wholesale funding maturity calendar

Including Banco Guipuzcoano. Euros in million



Short term funding

Euros in million and %



Maturity by product type

Euros in million

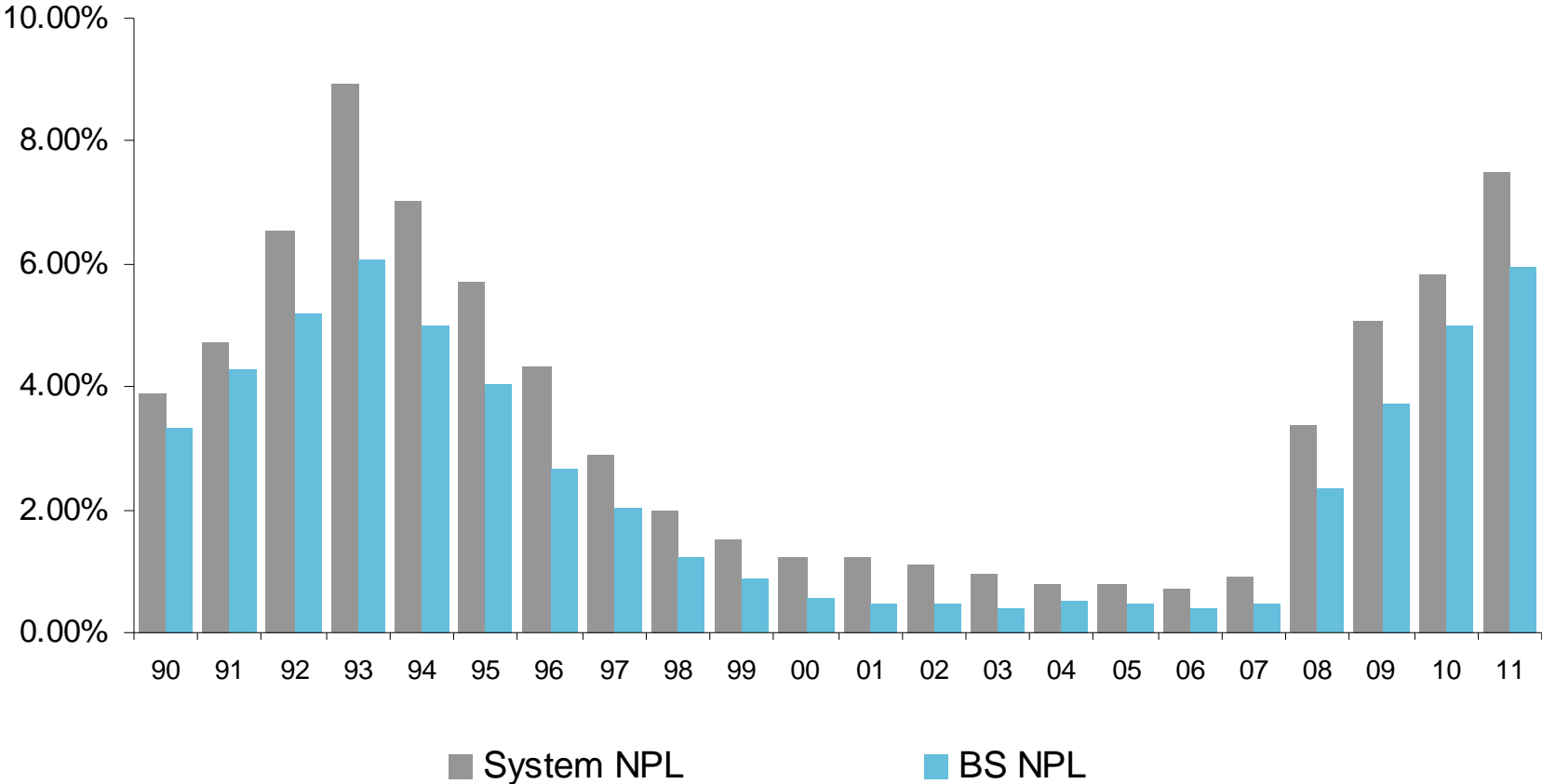
	2012	2013	2014	>2014
Covered bonds	1,889	3,080	1,130	7,190
Senior debt	1,647			75
Asset backed guarantees	400			
Subordinated and preference shares				1,068
Other mid- and long-term financial instruments	80		70	22
Total maturities	4,015	3,080	1,200	8,355

Maintaining the *gap* vs. the system



Banco Sabadell vs. sector NPL ratio

In %



Note: System NPL as of November 2011 (7.51%)
Source: Bank of Spain