

**Bank of America Merrill Lynch 17th  
Annual Banking & Insurance CEO  
Conference**



# “Building franchise value in an uncertain world”



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Consejero Delegado**

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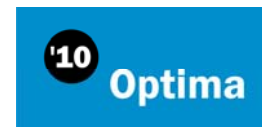
# Banco Sabadell's strategy



- ✓ Focused on SME and affluent segments
- ✓ 30% customer share of Spanish SMEs
- ✓ A domestic reference in foreign trade



## Organic business plans



2008-2010



2011-2013

## Non-organic opportunities

2010 **Sabadell**Guipuzcoano

2012 **Sabadell**CAM

## Top tier position in Spain

### Spain

4th largest quoted bank  
10.2% Core capital  
15.6% Coverage of total exposure\*

### International focus

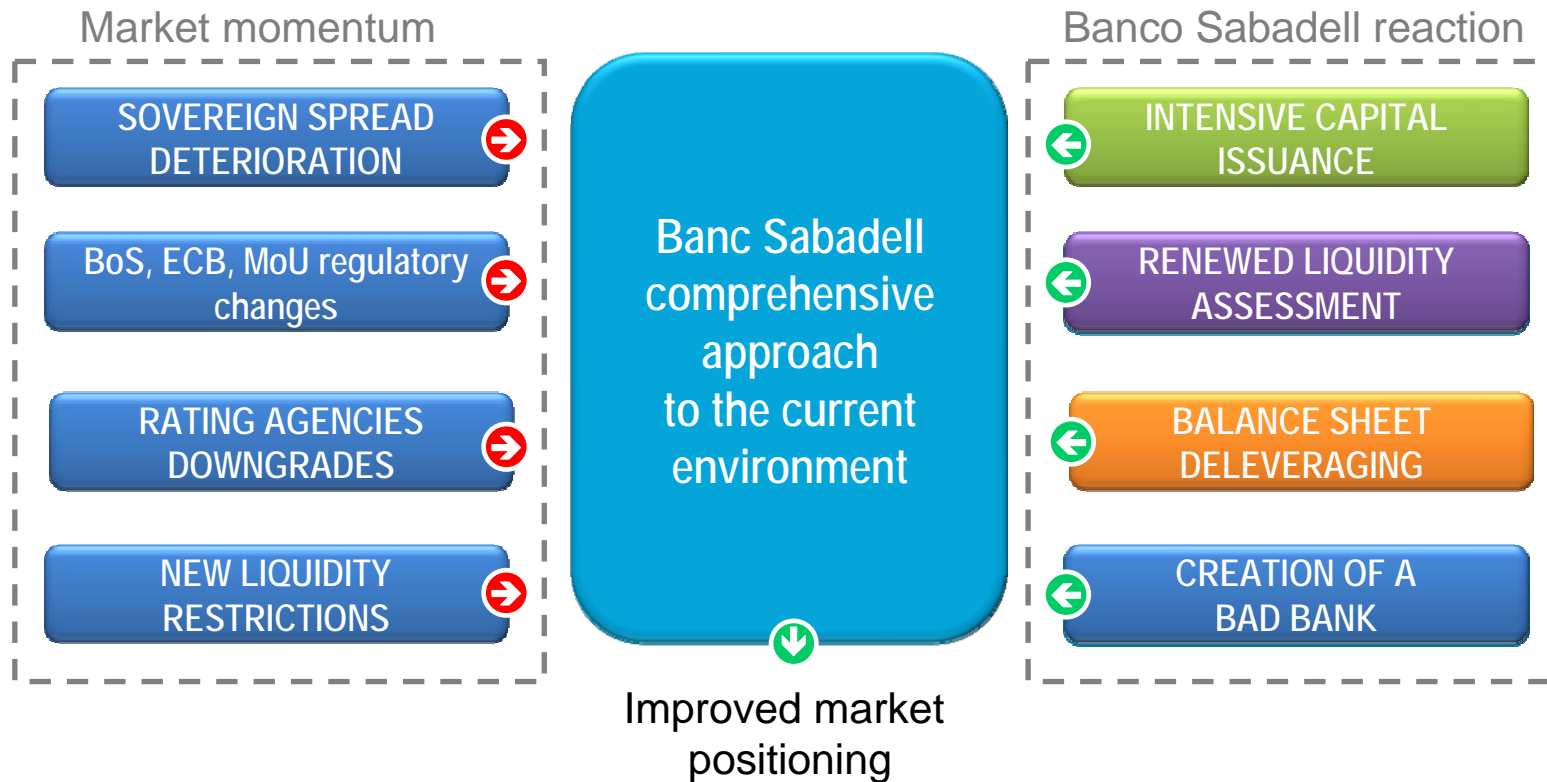
Presence in 18 countries  
23.7% market share in import export trade

### United States

Focus on the Florida state  
5 acquisitions in 6 years  
USD 7.3bn AuM

\* Total credit and real estate asset exposure

# The new environment is highly demanding



A fully synchronized strategic fit of Financial Mgmt is key

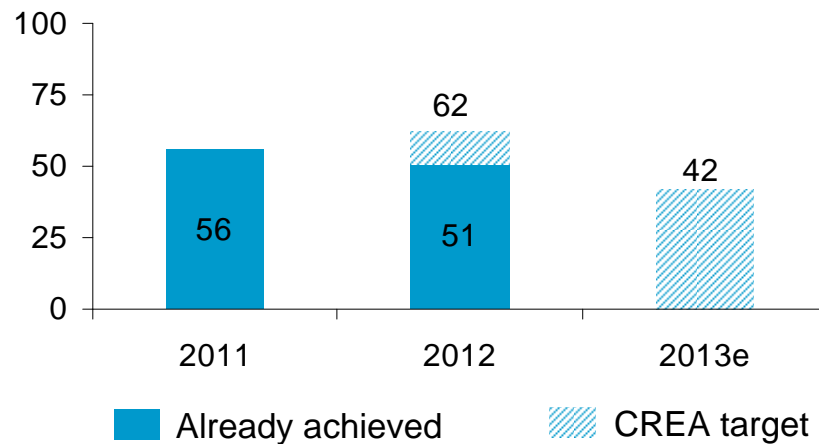
## Determining the pillars of the CREA business plan evolution ...

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- ✓ Further improve **market share gains** derived from the restructuring of the system
- ✓ Forge the **balance sheet structure** – deleverage, pricing – in line with the new European banking reality
- ✓ Continued boost of **efficiency and productivity** across the group
- ✓ Adapt **non-organic growth** approach and viability to the new scenario of lower capital returns and higher cost of capital
- ✓ Capitalise on the bank's '**wide-angle perspective**' on European regulation and interaction

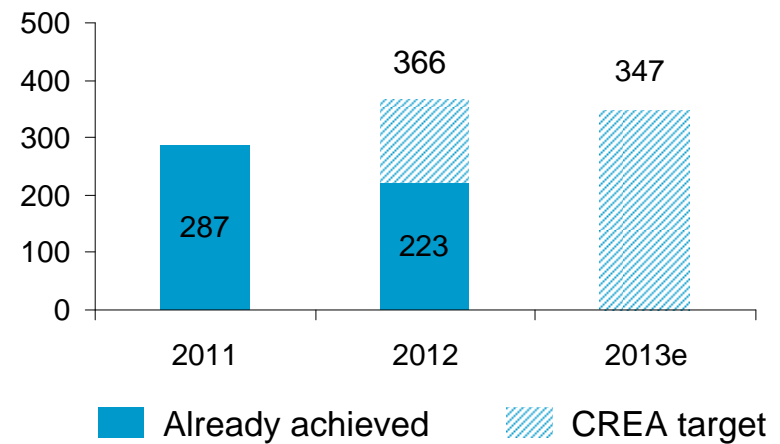
### BS new company customers

(In thousands)



### BS new individual customers

(In thousands)



### BS stand alone market shares

In %. (Variation in basis points)

	2010	2011	Jun-12	Var Jun-12 vs 2010
Sight deposits <sup>1</sup>	3.25%	3.51%	3.72%	+ 47
Payroll accounts <sup>2</sup>	1.9%	2.33%	2.91%	+101
Credit card volume	2.82%	3.32%	3.62%	+80
Commercial credit	8.83%	8.96%	8.92%	+ 9

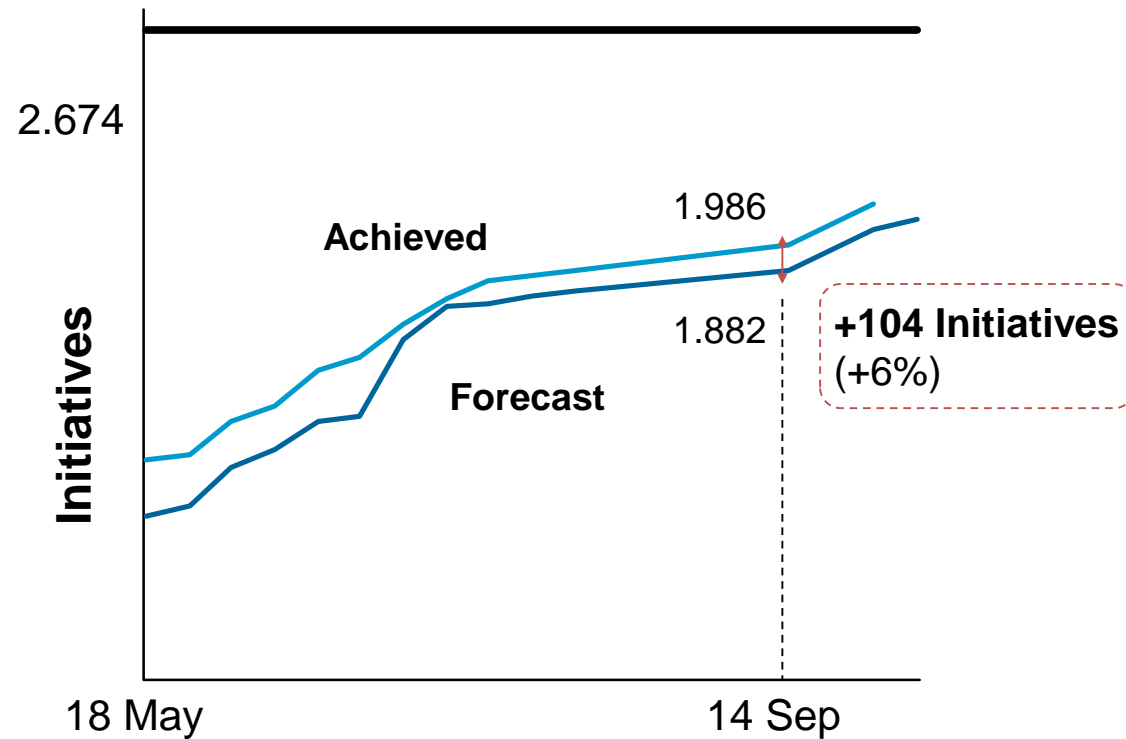
<sup>1</sup> Includes households and non-financial companies

<sup>2</sup> Average data for years 2010 and 2011

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# Banco CAM integration

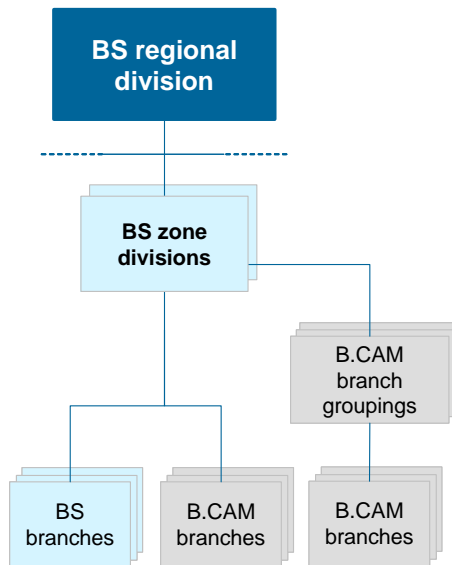
# The integration process is running ahead of forecast



**74% of the initiatives in the global integration plan have been achieved, +6% above forecast**



# The commercial integration has already taken place...



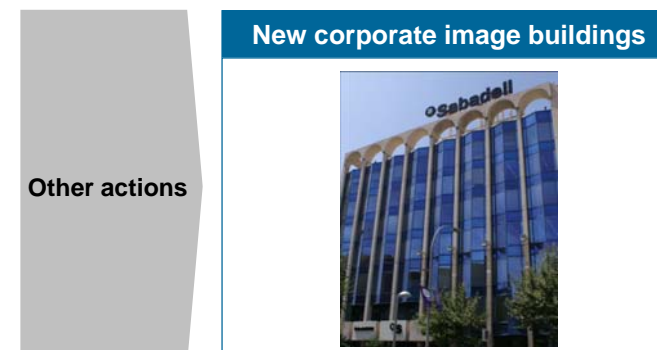
## BS zone director

- ✓ Commercial responsibility for all B. CAM branches
- ✓ Directly manages those branches not included in B. CAM branch grouping

## Director of B.CAM branches







- ✓ Manages all B.CAM branches in zone
- ✓ Reports to BS zone director

## ... and the new brand and image is being implemented ...



# Converging with the Sabadell group umbrella name

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<b>Sabadell</b> Atlántico		<ul style="list-style-type: none"><li>• Commercial and Corporate Banking</li><li>• Branches in Spain, except Sabadell Guipuzcoano and Banco Herrero territories)</li></ul>
<b>Sabadell</b> Guipuzcoano		<ul style="list-style-type: none"><li>• Commercial and Corporate Banking</li><li>• Branches in the Basque Country, Navarre and la Rioja</li></ul>
<b>Sabadell</b> Herrero*		<ul style="list-style-type: none"><li>• Commercial and Corporate Banking</li><li>• Branches in Asturias and León</li></ul>
<b>Sabadell</b> Solbank		<ul style="list-style-type: none"><li>• Commercial Banking for European individuals living in Spanish tourist areas</li><li>• Branches in Mediterranean coastal areas and Spanish Islands</li></ul>
<b>Sabadell</b> CAM		<ul style="list-style-type: none"><li>• Commercial Banking in the Eastern Spain Europe</li><li>• Former Banco CAM franchise – to be merged by 8th Dec 12</li></ul>
<b>Sabadell</b> Urquijo Banca Privada		<ul style="list-style-type: none"><li>• Private banking unit, a merger of Sabadell Banca Privada and Banco Urquijo</li><li>• Branches in main economic and wealth hotspots</li></ul>

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\* Currently being implemented

## The execution of synergies is on track

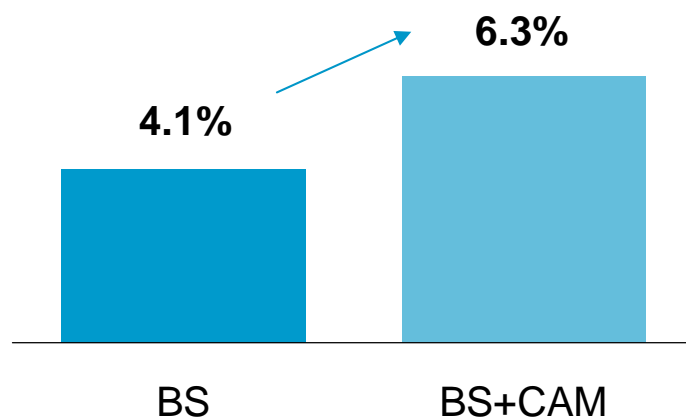
<b>Banco CAM synergies</b>	<b>2012e</b>	<b>2013e</b>	<b>2014e</b>	<b>2015e</b>
Cost synergies	10	211	247	247
Income synergies	7	46	72	84
<b>Total synergies</b>	<b>17</b>	<b>257</b>	<b>319</b>	<b>331</b>
% of achievement (first estimate)	6%	70%	100%	100%
<b>% of achievement (new estimate)</b>	<b>5%</b>	<b>78%</b>	<b>96%</b>	<b>100%</b>

Net of tax. Euros in million

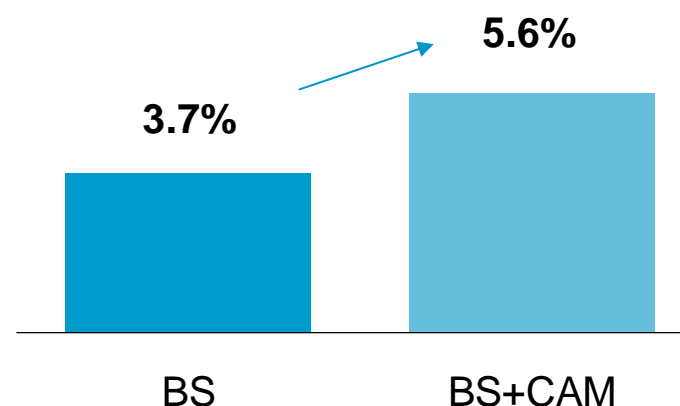
**2013e cost synergies have been brought forward due to the integration process running ahead of forecast**

# A substantial increase in market share and number of customers ...

**Loan market share in Spain<sup>1</sup>**  
(%)



**Sight deposit market share in Spain<sup>2</sup>** (%)



## Evolution of total number of customers

	Banco Sabadell <i>stand alone</i>			Banco Sabadell incl. Banco CAM	
	1H11	1H12	% Var.	1H12	% Var.
Total	2,580,762	2,828,229	+9.6%	5,411,361	+109.7%

<sup>1</sup> Net customer credit. <sup>2</sup> Includes household and non financial companies  
Market shares as of June 2012

# ... improves the number of customers per branch ...

	Customers	Branches	Customers x branch (proforma)	% closings announced	Customers x branch (post closures)
<b>Sabadell + CAM</b>	5,411,361	2,202	2,457	17%	2,973
<b>Bank 1</b>	14,000,000	6,590	2,124	9%	2,337
<b>Bank 2</b>	10,400,000	3,586	2,900	9%	3,178
<b>Bank 3</b>	7,000,000	2,529	2,768	12%	3,140

Source: Companies' financial reports and results presentations

## ...and allows to increase our market share <sup>B</sup>Sabadell in the wealthiest Spanish regions

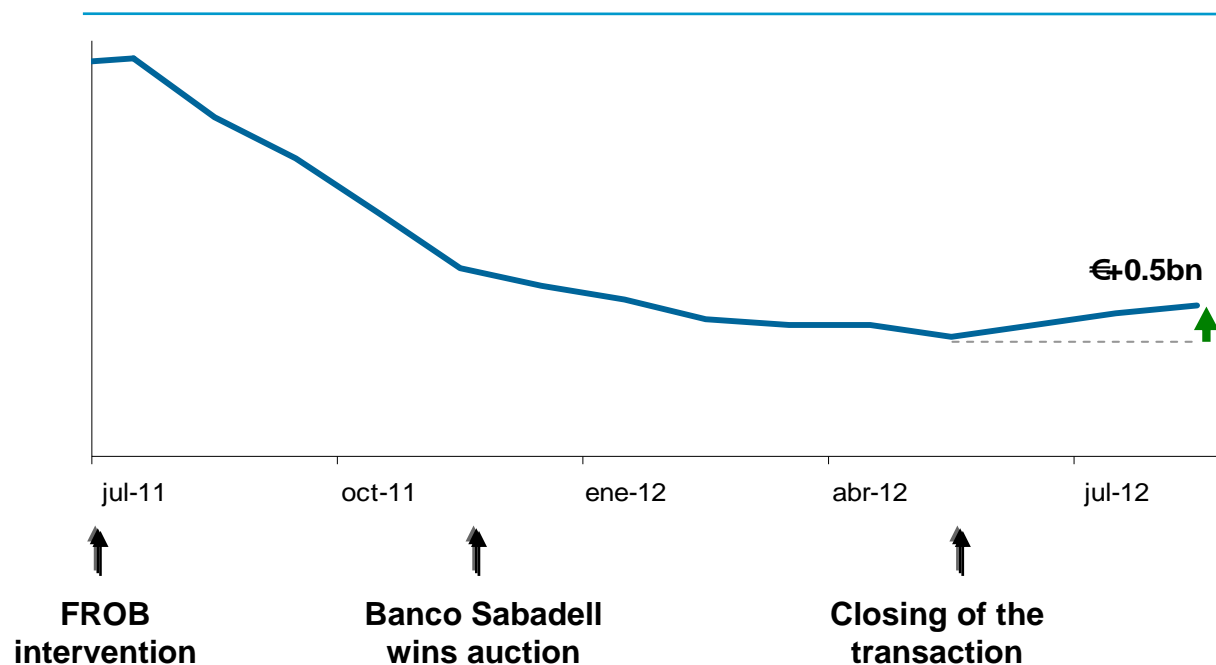
### BS+CAM business weighting and market share by region

	GDP	Loans weighting	Loans market share	Deposits weighting	Deposits market share
Catalonia	18.6%	24.9%	12.1%	25.1%	11.8%
Madrid	17.8%	16.5%	3.6%	16.2%	2.9%
Andalusia	13.7%	6.5%	2.9%	4.5%	2.5%
C. Valenciana	9.6%	25.1%	14.6%	24.1%	19.3%
Basque Country	6.1%	3.3%	5.9%	5.5%	4.9%
Galicia	5.4%	1.2%	1.8%	1.5%	1.6%
Castilla León	5.3%	1.7%	2.2%	2.9%	2.7%
Canarian Islands	3.8%	1.5%	2.7%	1.1%	2.6%
Castilla La Mancha	3.6%	0.9%	1.6%	0.7%	1.3%
Aragón	3.2%	1.4%	2.9%	1.1%	1.9%
Murcia	2.7%	8.2%	16.8%	6.1%	15.4%
Balearic Islands	2.5%	4.2%	9.2%	2.4%	7.5%
Asturias	2.2%	3.1%	11.0%	6.6%	16.8%
Navarra	1.7%	0.6%	2.6%	0.9%	3.0%
Extremadura	1.6%	0.2%	1.0%	0.3%	0.9%
Cantabria	1.2%	0.3%	1.5%	0.4%	2.3%
La Rioja	0.8%	0.4%	3.4%	0.5%	3.8%
Ceuta and Melilla	0.4%	0.0%	1.4%	0.1%	2.0%

## The recovery of deposits is showing a good trend ...

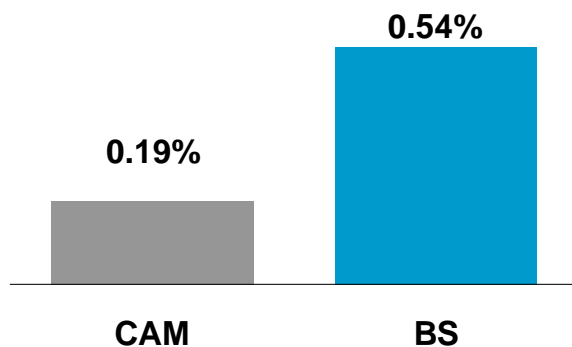
- ✓ Banco CAM has seen 4 months of deposit inflows, since the closing of the transaction
- ✓ Banco CAM commercial gap YTD: +€2.4 bn

Deposits evolution Banco CAM

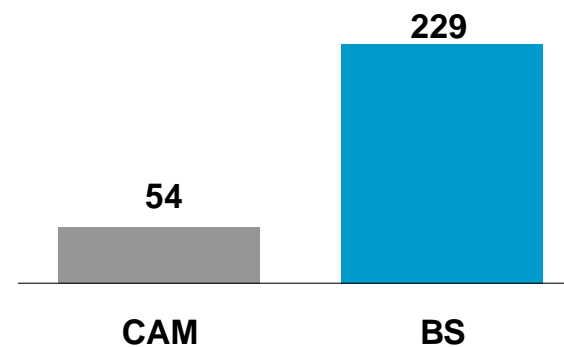


# ... with capacity to improve commission income ...

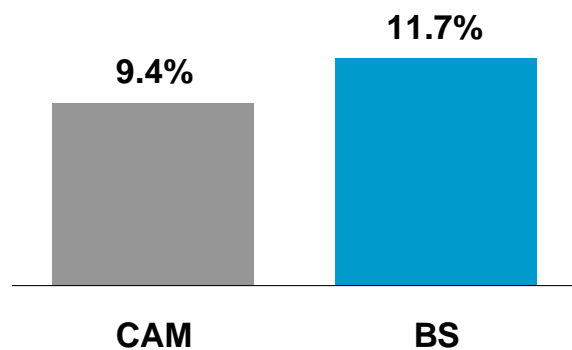
### Net fee & commissions over ATA (in %)



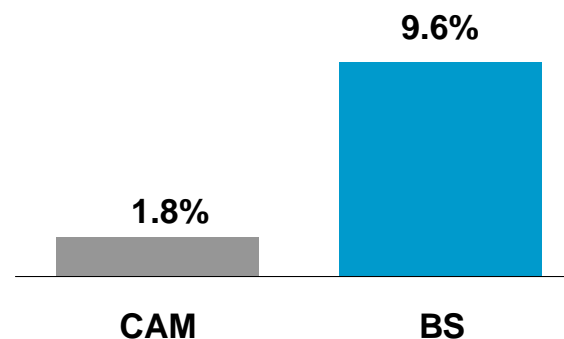
### Net commissions/number of customers (€/customer)



### Life & Pension AuM over total customer funds (in %)



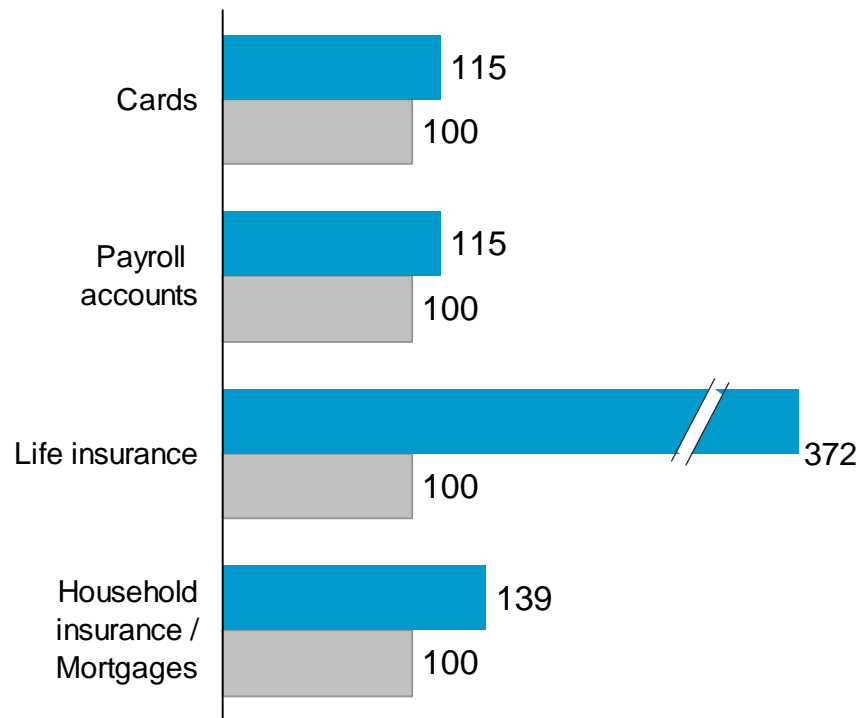
### Mutual funds AuM over total customer funds (in %)



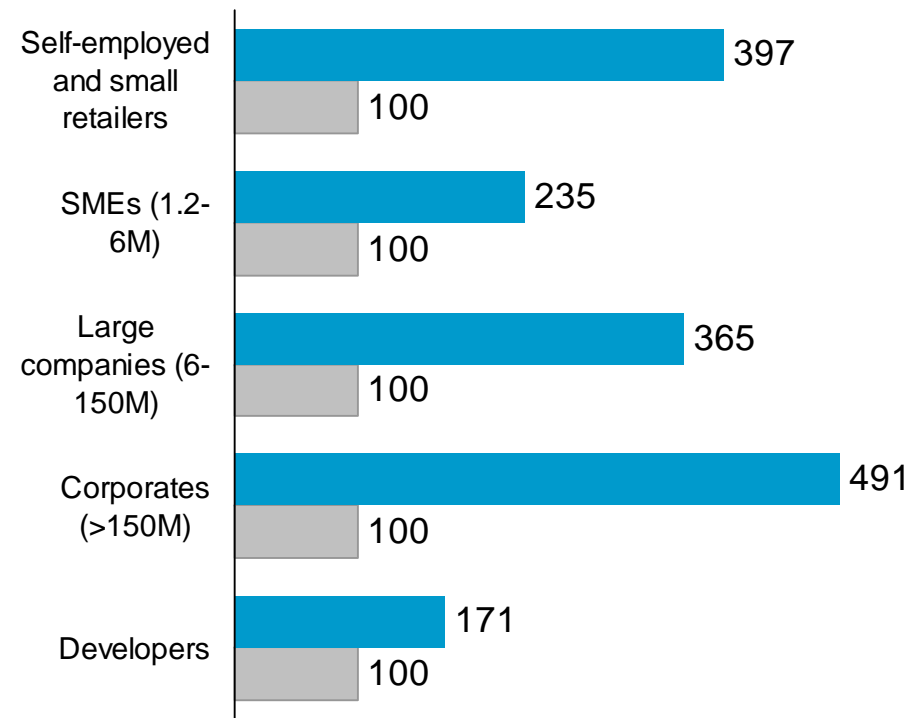


# ... and significant cross selling potential

## Individuals. Product penetration comparison (CAM = 100)



## Companies. Customer funds over total loans (CAM = 100)



■ Banco Sabadell      ■ Banco CAM (Index = 100)

## Potential to improve productivity and cross-selling by adopting BS operation model

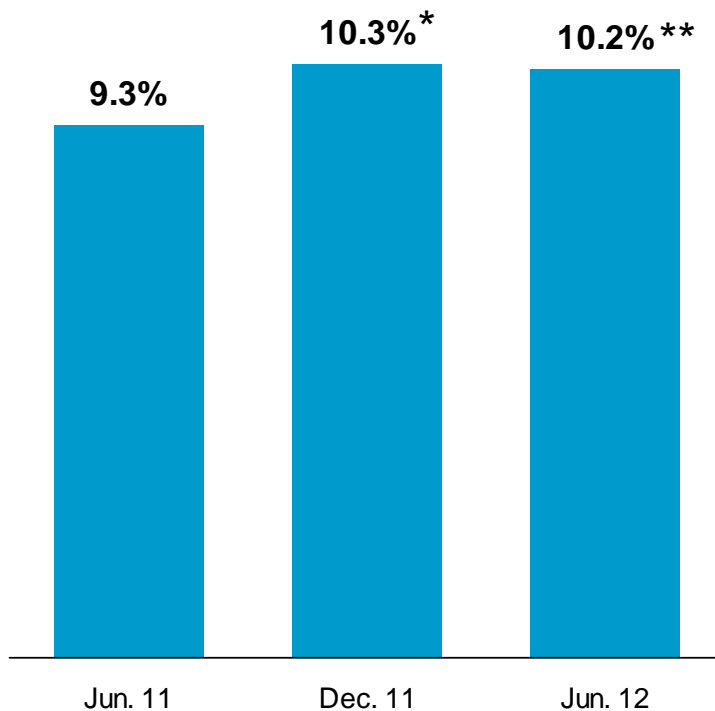
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# Capital, solvency and income generation

# Strong core capital level following the consolidation of Banco CAM ...

## Group Core capital evolution

In %



## Capital actions in 2Q12

- ✓ Banco CAM preference shares exchange for ordinary shares equivalent to 171 bps of core capital
- ✓ Core ratio according to EBA definition: 9.8%

\* Proforma including Banco Sabadell preference shares exchange carried out between 14/12/2011 and 03/01/2012

\*\* Proforma based on an acceptance level of 95.7% in the exchange offer of Banco CAM preference shares and subordinated debt for a total amount of €1.6bn

## ... and successful capital raisings in 2012 ...

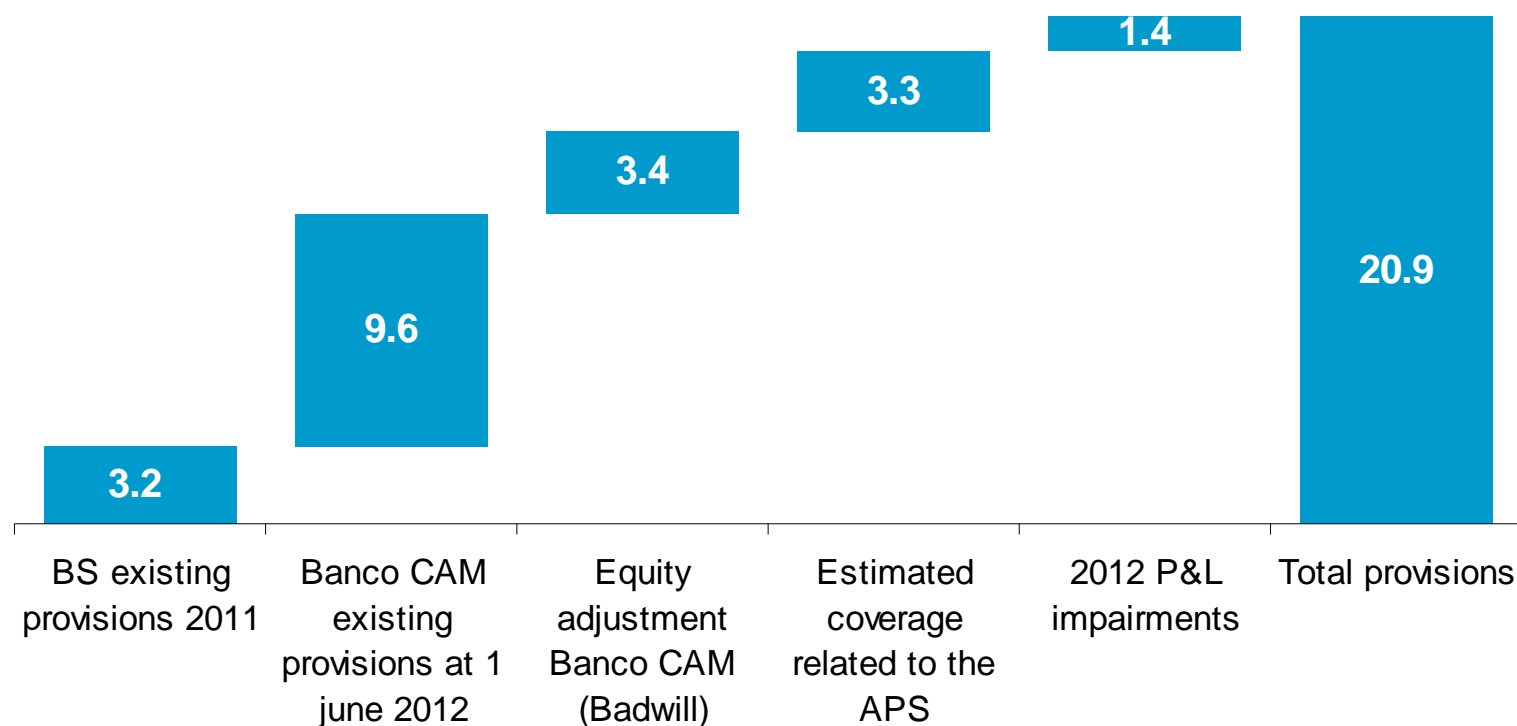
		Capital impact
January 2012	BS preference shares exchange for ordinary shares (93.8% acceptance level)	▶ €797M
March 2012	Rights issue	▶ €903M
Jun/Jul 2012	Banco CAM preference shares and subordinated debt exchange for ordinary shares	▶ €1,540M
		<b>€3,240M</b>

**Banco Sabadell has raised more than  
€3.2bn of new capital in 2012**

# ... having recognised €20.9 bn of total provisions

## Group provisions as of June 2012

Euros in billion



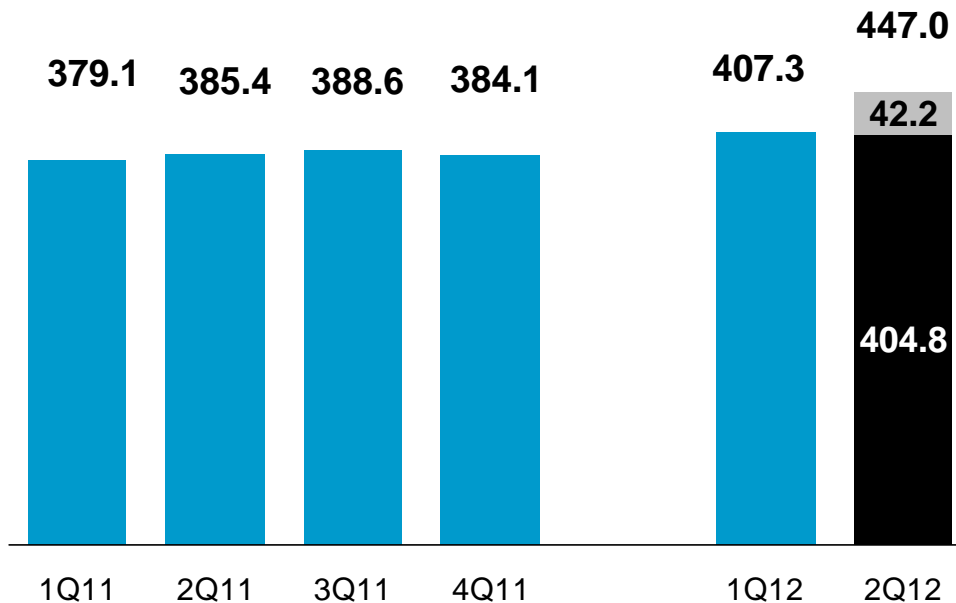
## Representing 16% of total exposure of credit & RE

\* Provisional numbers based on estimates of the expected loss



# Further provisioning supported by income generation ...

## Net interest income evolution

(Euros in million)



Net interest income 1H12:  
**+11.7 % YoY**  
**+6.2 % YoY excl. Banco CAM**

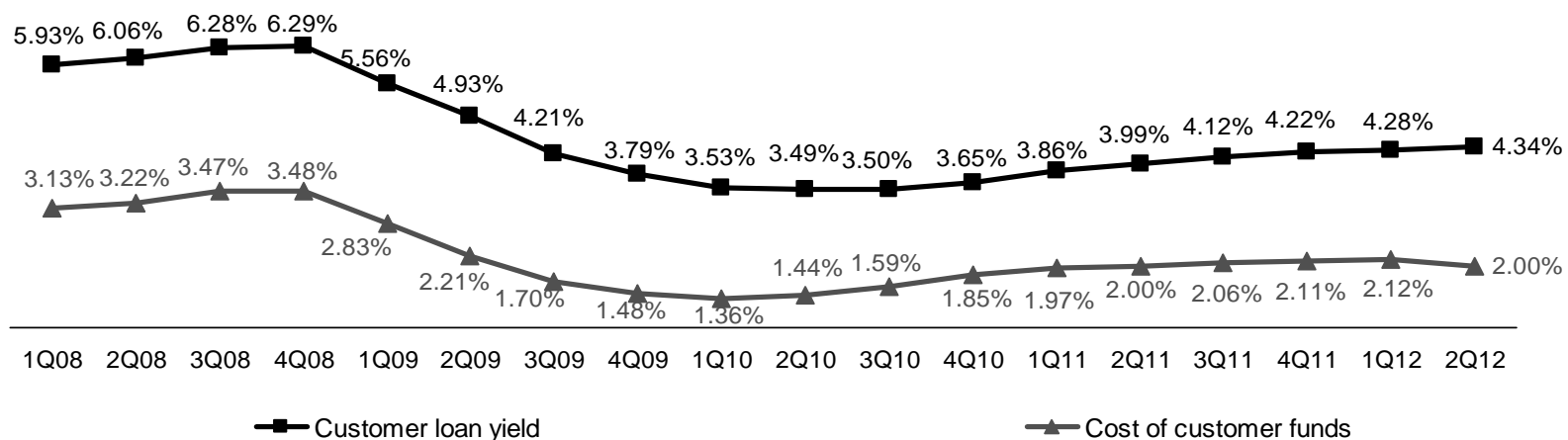
 Banco Sabadell *stand alone*  
 Banco CAM

**Adding 7 months of Banco CAM could boost NII by around 20% in 2012**

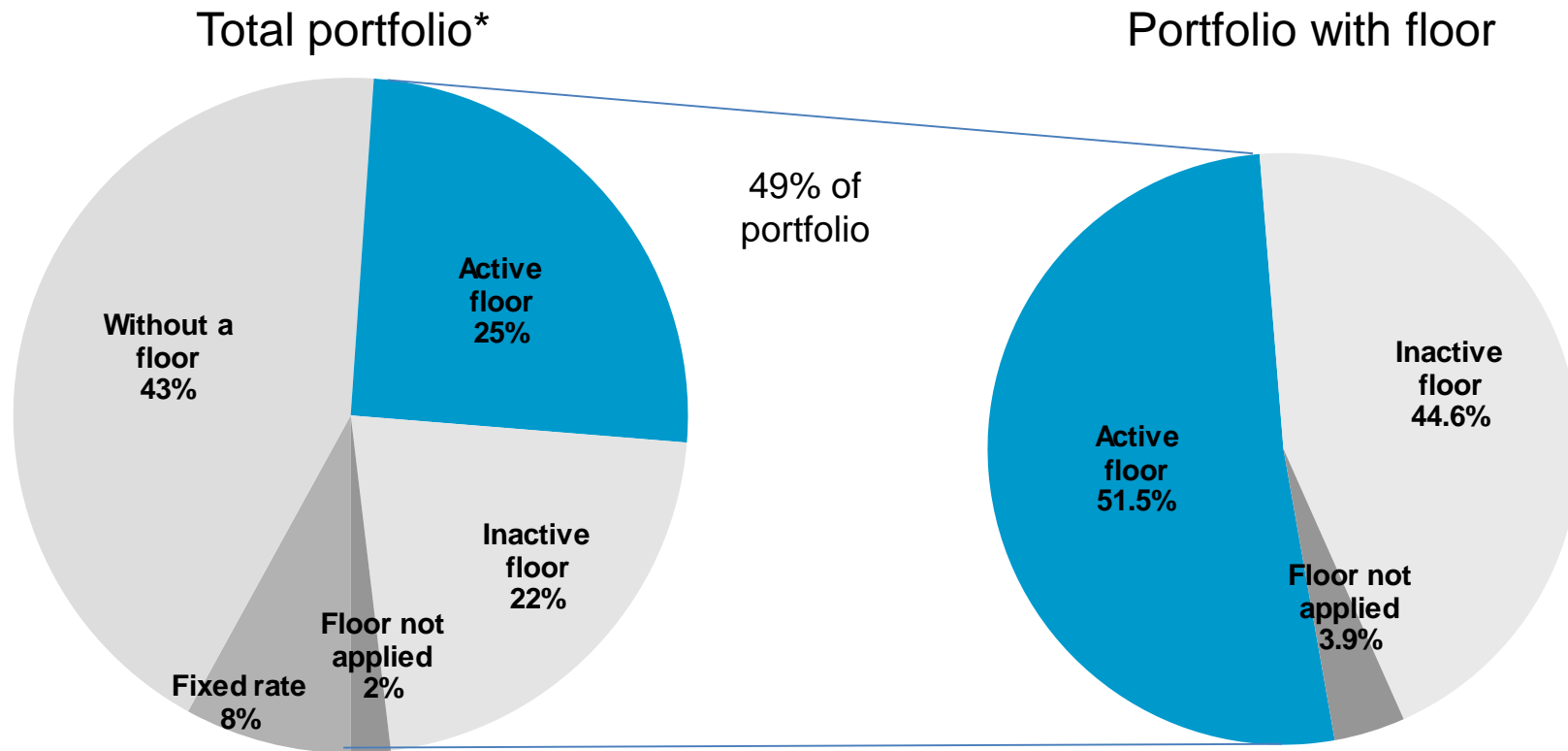
... driven by active price management ...



	BS Front book spreads					BS Back book spreads				
	jun-11	mar-12	jun-12	Var QoQ	Var YoY	jun-11	mar-12	jun-12	Var QoQ	Var YoY
<b>Total loans</b>	<b>230</b>	<b>287</b>	<b>335</b>	<b>+48</b>	<b>+105</b>	<b>157</b>	<b>182</b>	<b>188</b>	<b>+6</b>	<b>+31</b>
Term deposit 1 month	86	85	87	+2	+1	69	70	87	+16	+18
Term deposit 3 months	103	137	100	-37	-3	69	106	127	+21	+58
Term deposit 6 months	107	163	158	-5	+51	113	125	147	+21	+34
Term deposit 12 months	109	172	170	-2	+61	160	134	142	+8	-18
Term deposit +12 months	161	180	206	+25	+45	189	187	182	-4	-7
<b>Total term deposits</b>	<b>116</b>	<b>155</b>	<b>143</b>	<b>-12</b>	<b>+27</b>	<b>157</b>	<b>148</b>	<b>152</b>	<b>+4</b>	<b>-5</b>



# ... and support coming from the contractual mortgage floors in BS



**Resilient NIM driven by activated floors**

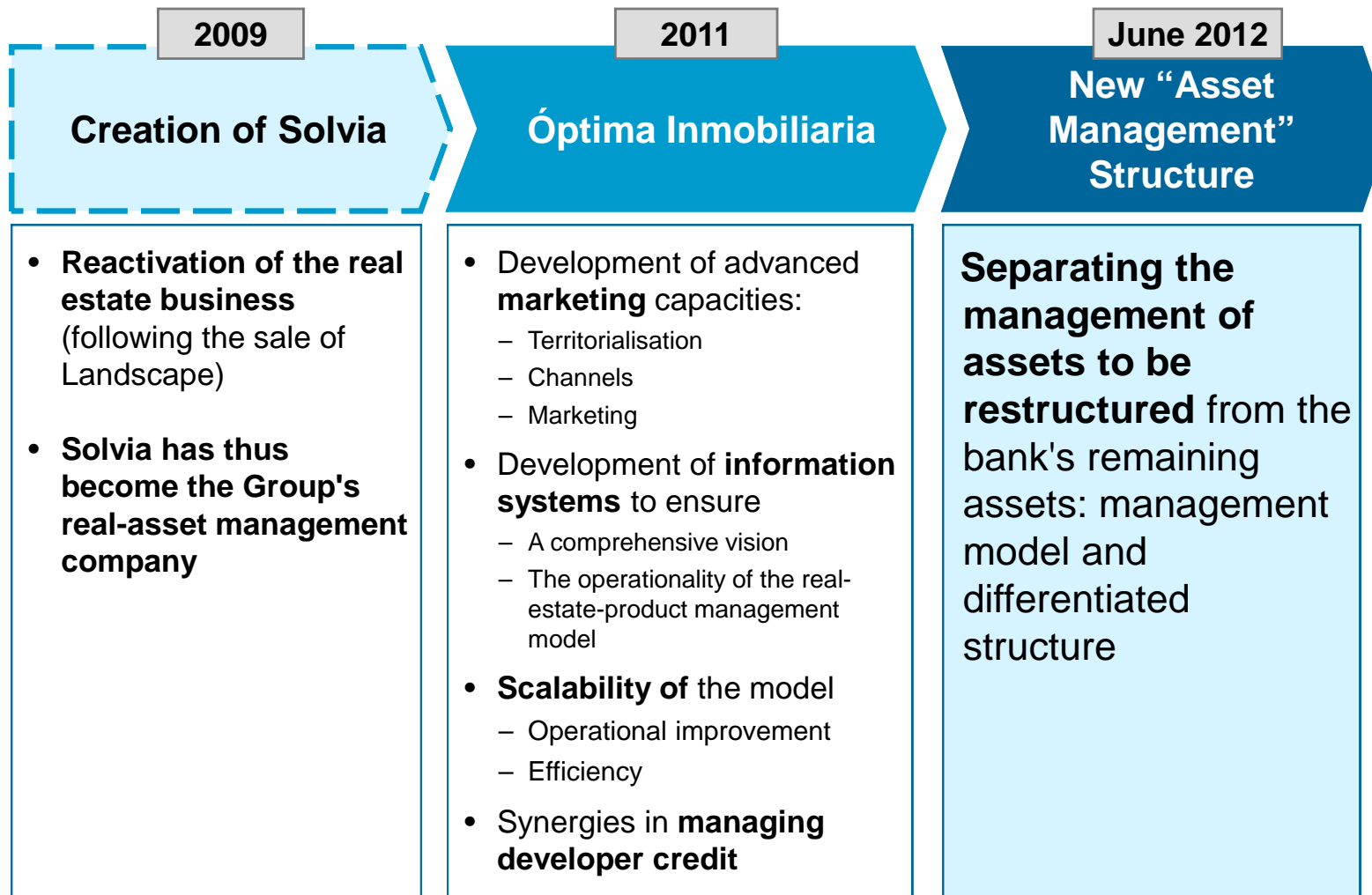
\* Includes loans, credits, mortgages and leasing.



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# Managing Real Estate

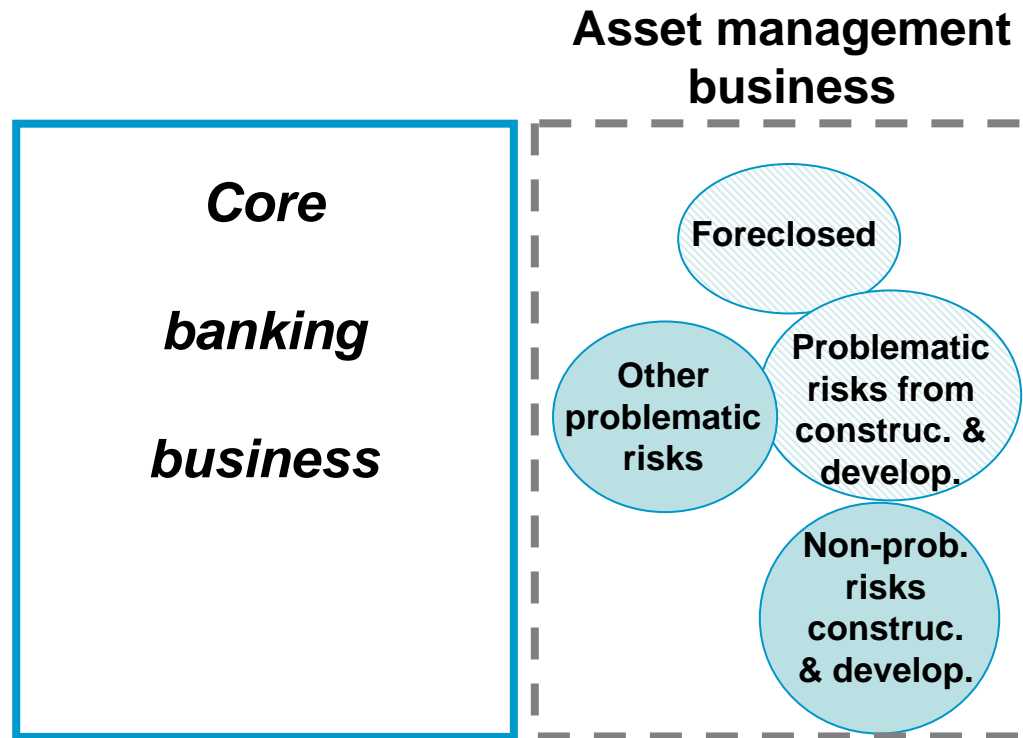
# Banco Sabadell has actively managed the RE business



# Sabadell has set up a *Gestión de Activos* Division (Bad bank)

All problematic assets and exposed to the property sector are grouped into the new division:

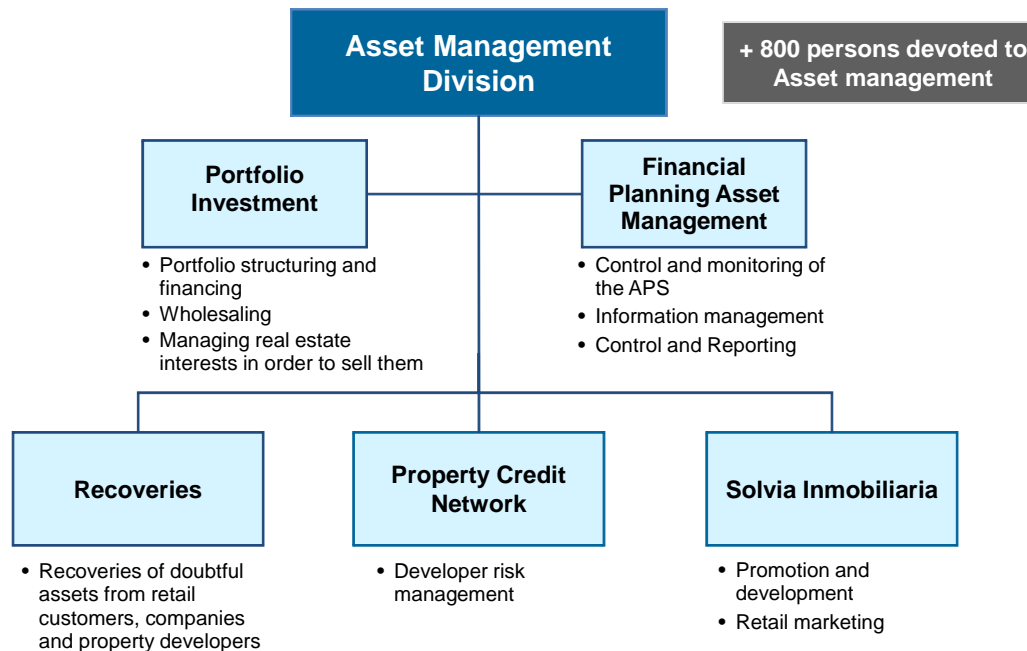
**Increased transparency:**  
ring-fencing of non-core assets



The new structure confirms BS commitment to transparency

# Highly flexible structure of our *Gestión de Activos* Division

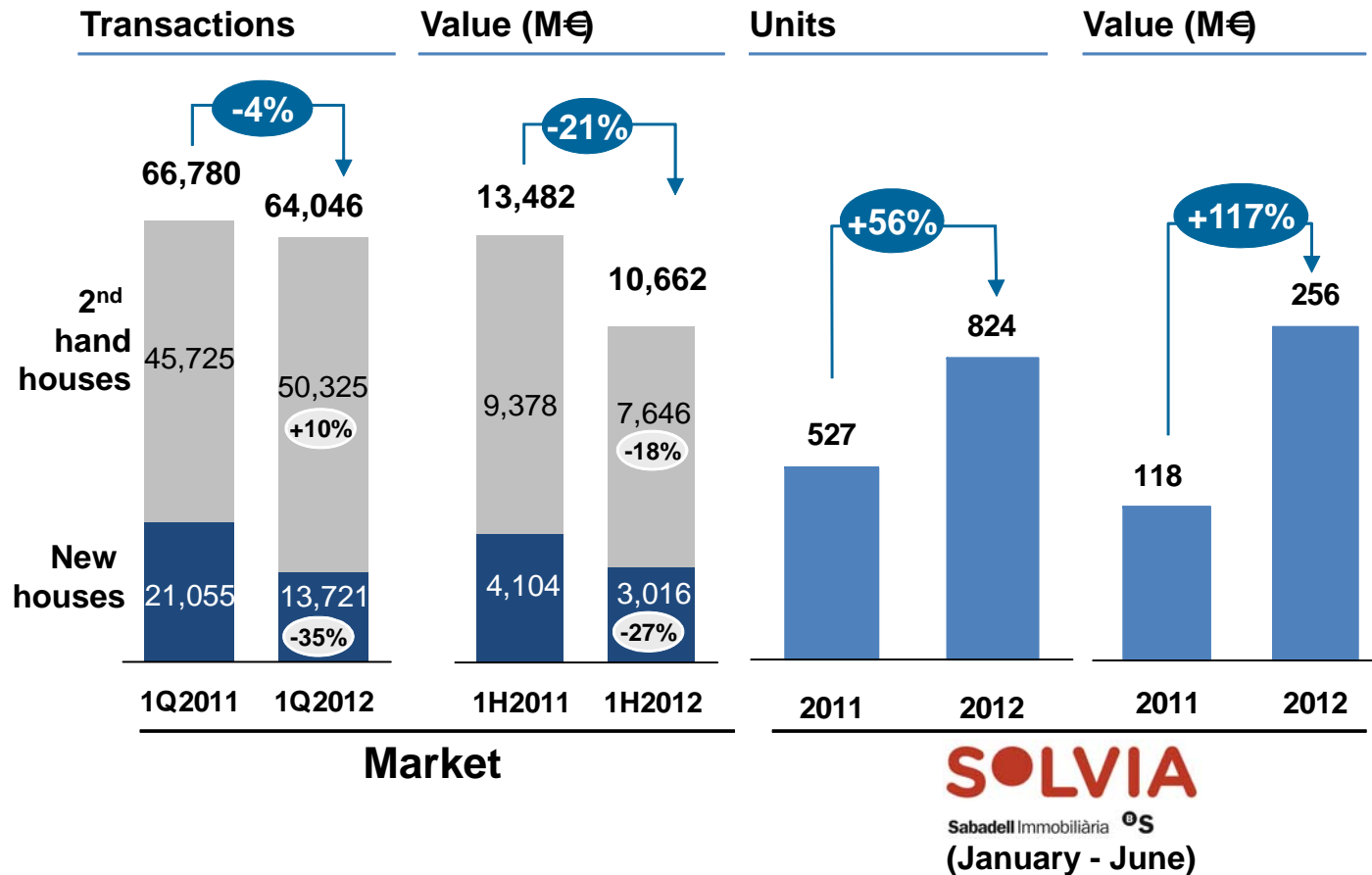
A versatile structure that allows cross referencing



- ✓ For example a healthy developer can finish a property of a non-performing developer with the help of a third party investor

**Management from a real estate, financial and risk perspective**








# Leveraging on the existing know-how of Solvia



**FY 2012 sales target for the group: €1,193M\***

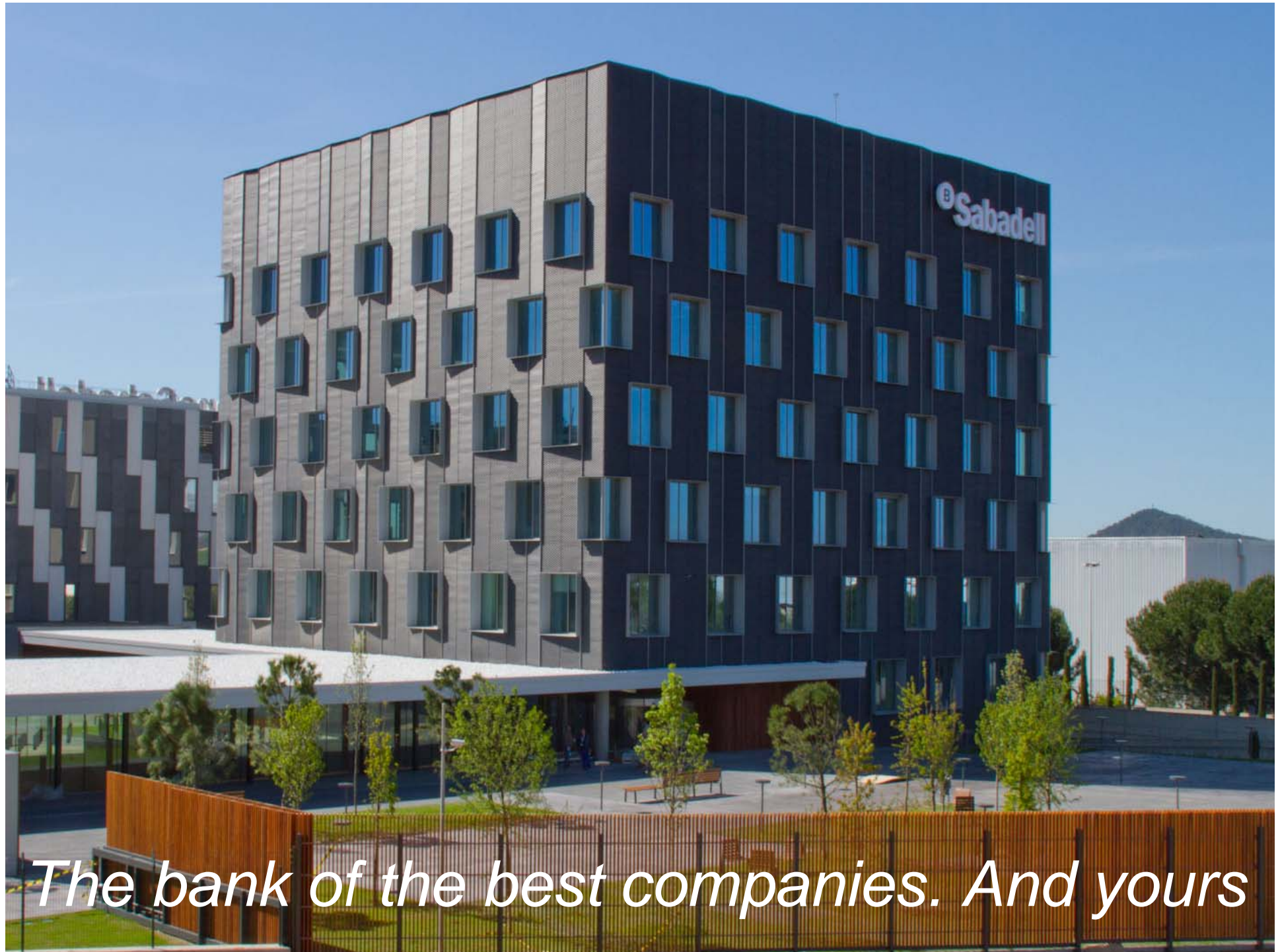
\* Pre-provision cost (Including BS and Banco CAM from January 2012)

# Success case examples in 2012: Madrid, Barcelona and coastal property

	<u>Number of houses sold</u>	<u>% of total</u>	<u>Average price</u>
 <p><b>Pozuelo - La Finca (Madrid)</b></p>	92	75%	€1,300,000
 <p><b>Illa de Mar – Diagonal Mar (Barcelona)</b></p>	42	57%	€970,000
 <p><b>Ensanche de Vallecas (Madrid)</b></p>	150	89%	€372,000
 <p><b>Canet d'en Berenguer (Valencia)</b></p>	597	100%	€82,000
 <p><b>Manilva - Punta Paloma (Málaga)</b></p>	138	100%	€90,000
 <p><b>Roses - Portomarina (Girona)</b></p>	86	100%	€66,000
 <p><b>Cabanès - Marina d'Or (Castellón)</b></p>	140	65%	€72,000

**Sales realised at an already-provided-for average discount of 38%**

- 
- ✓ Banco Sabadell has consolidated its position as Spain's **fourth largest** private financial entity and is a key player in the consolidation of the sector
  - ✓ The Sabadell CAM commercial integration has already taken place, the brand has been launched and the new franchise is being incorporated into Banco Sabadell with a **positive momentum**
  - ✓ The **new business unit** specialised in management of real estate loans and assets has been created in order to improve transparency and crystallise value, anticipating regulatory changes
  - ✓ Banco Sabadell complies with a new market reality in an environment with increased supervision and more stringent requirements on **capital, liquidity and solvency**
  - ✓ In June Banco Sabadell reached a top-of-class **coverage level of 15.6%** of total exposure (loans and RE assets)
  - ✓ The core capital level stands at a solid 10.2%, following successful **capital raisings of €3.2bn** in 2012



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