

CAM Transaction



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1. Transaction and strategic rationale

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- ✓ €5.249 million up front injection in Banco CAM by the FGD*. €2.800 million committed on 22 July, 2011 and an additional €2.449 million before the closing of the transaction
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- ✓ €12.5 bn in liquidity support guarantees by the FROB
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- ✓ Asset Protection Scheme (APS) provided by the FGD, ring-fencing €24.6 bn out of a total exposure of €60.8 bn

* *Fondo de Garantía de Depósitos* - Spanish equivalent to FDIC.

Strategic rationale

Initial approach to the transaction

A strong franchise in a wealthy area

A well-implemented franchise in a geographical area which has a sizable contribution to Spain's GDP

Existing risk required a neutralising scheme

CAM took excessive risks, most of them in real estate; But the underlying potential of the franchise can be fully developed by a new owner who identifies these risks well and has support schemes to neutralise them

Thorough due diligence process

Banco Sabadell has undertaken a most thorough due diligence process. A 170-strong team over a two month period has identified risks with granularity and precision

Protection scheme

The agreed protection scheme neutralises all the risks. Banco Sabadell focus now is to extract the value from the franchise

Strategic rationale

Market positioning perspective

Top 6 banking group

Combined group among the top six Spanish banking groups with total assets of €166 bn

Significant increase in market share

Loans and deposits market share of 6.2% reaching a total number of clients of 5 million

Cross selling potential

Significant potential to increase cross selling across segments, focused on SMEs and personal banking

In line with CREA targets

Increasing presence in the retail segment in line with CREA strategic business plan

Strong local franchise

Acquiring a commercial network with strong presence in Alicante, Murcia, Valencia and Balearic islands

Improving geographical balance

Despite its nation-wide presence pre-acquisition, Sabadell will improve its geographical balance in terms of business and distribution network

What the transaction brings to Banco Sabadell

Transformational

- ✓ A game changing deal which props up market share in loans and deposits and further balances the domestic franchise. The combined group will rank among the top six Spanish banking groups with total assets of €166 bn

Value enhancing

- ✓ EPS accretive
- ✓ Over €300M of annual synergies
- ✓ Significant reduction of cost of risk
- ✓ Enhanced strategic franchise

Further risk improving

- ✓ APS covers up to €16.6 bn of additional losses*
- ✓ Scheme neutralises the impact of any loss amount up to 40% of total exposure and covers restructuring costs
- ✓ Allows for a pro-forma Core Tier 1 ratio of 9%, EBA definition

* €16.6 bn is the result of applying an 80% on the APS €24.6 bn perimeter excluding the €3.9 bn existing provisions $16.6=80\%*(24.6-3.9)$

What Banco Sabadell brings to the transaction

- ✓ Stabilising and strengthening the local franchise

- ✓ Consolidation and restructuring of the financial sector

- ✓ Contribution to the reduction of systemic risk

- ✓ Best practice in management and banking operating platform

- ✓ Outstanding integration capabilities and track record
