

Banco Sabadell

BoAML Banking & Insurance CEO Conference



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1. Economic environment

2. Liquidity and funding

3. Commercial activity

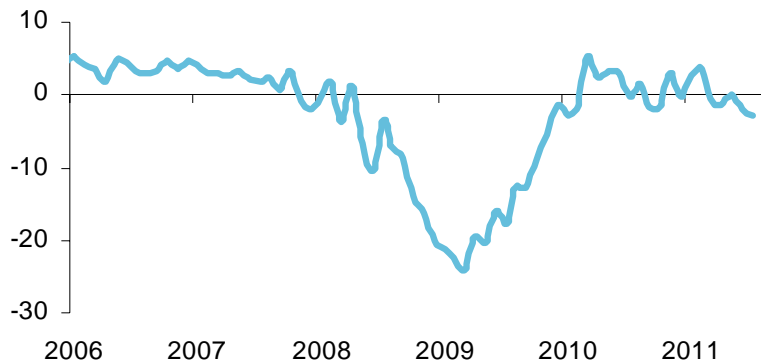
4. Asset quality and real estate

1. Economic environment

	4Q10	1Q11	2Q11
GDP (% chg. QoQ)	0.2	0.4	0.2
Private consumption	0.3	-0.1	0.6
Inv. capital equipment	1.2	0.0	0.3
Inv. construction	-3.1	-2.8	-0.9
Exports	3.9	5.8	-1.9
GDP (% chg. YoY)	0.6	0.9	0.7

Industrial output

(% chg. YoY)



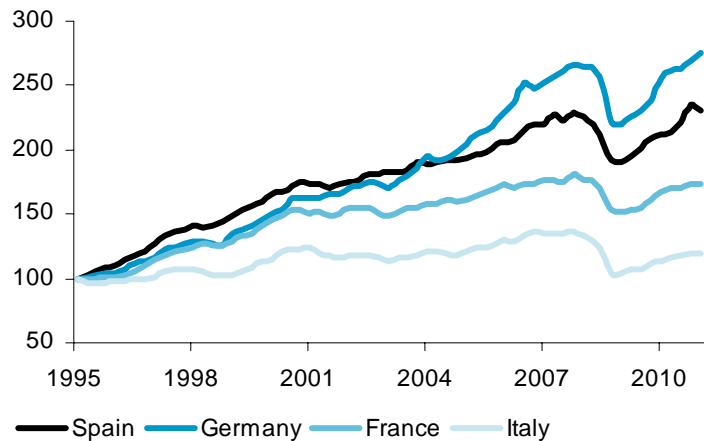
Consumer confidence

(level)

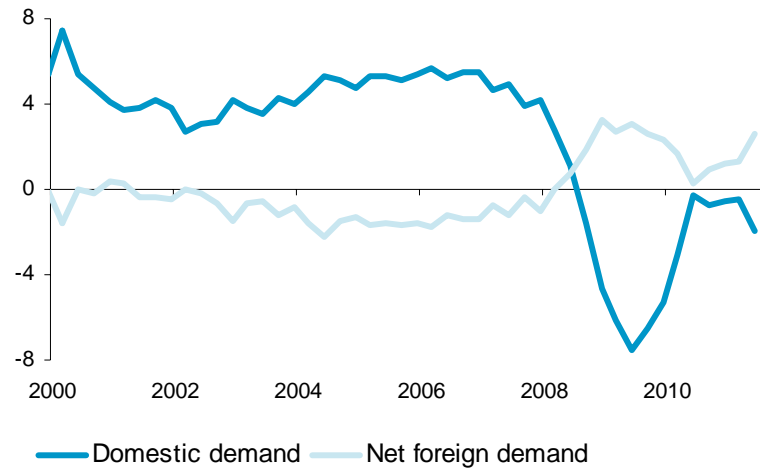


Exports have driven growth in activity

Exports of goods and services
(real terms, 2Q95 = 100)

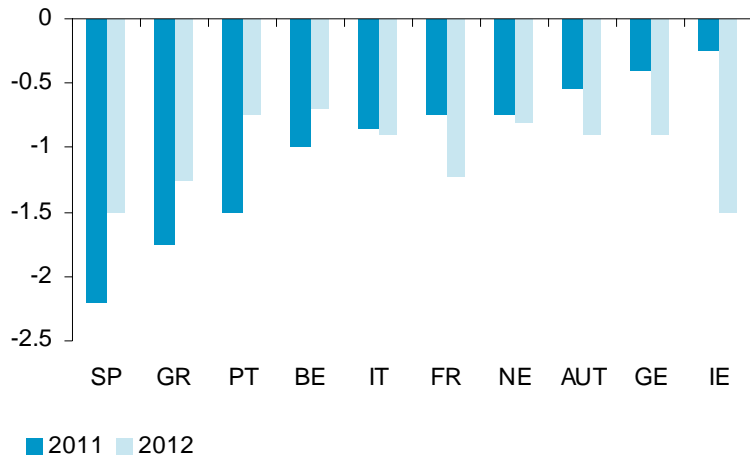


Contribution to GDP growth
(%)



Significant fiscal consolidation process

Impact of fiscal policies on GDP growth (2011-12, %)



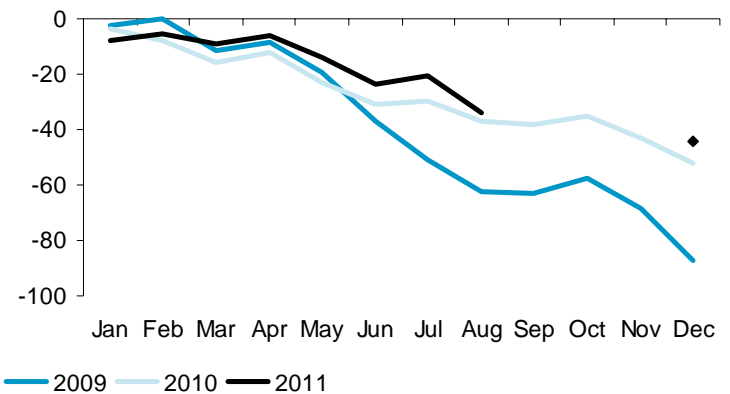
Government balance (2010, % of GDP)



Adjustment measures adopted

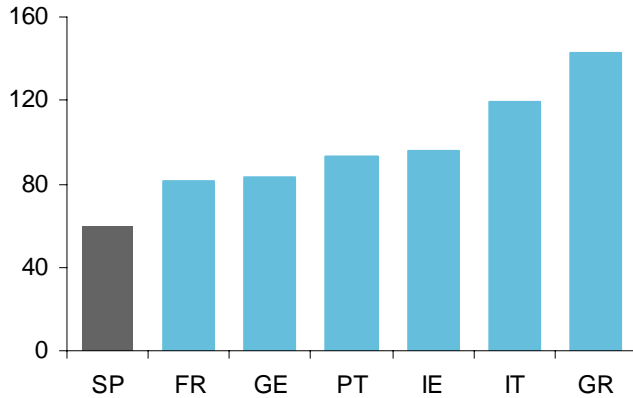
- VAT increase
- Civil service wage cuts
- Public investment declined
- Certain benefits eliminated

Central government balance (cumulative, € bn)

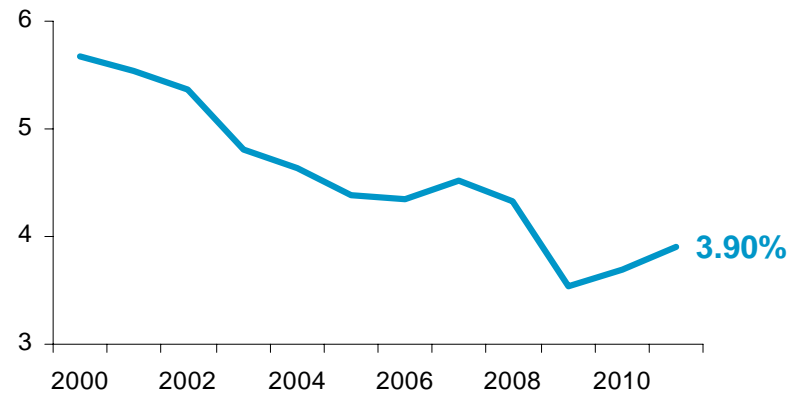


In a context where public debt is sustainable

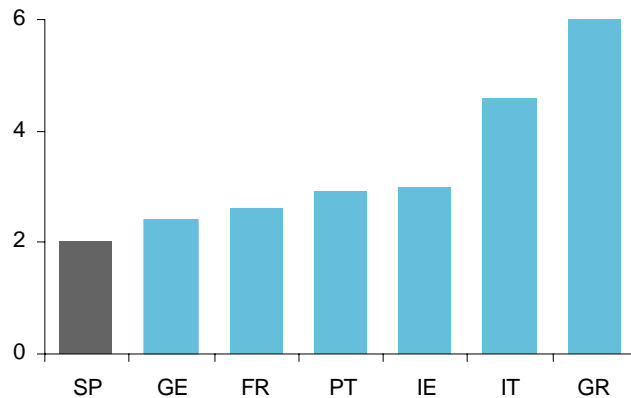
General government debt
(2010, % of GDP)



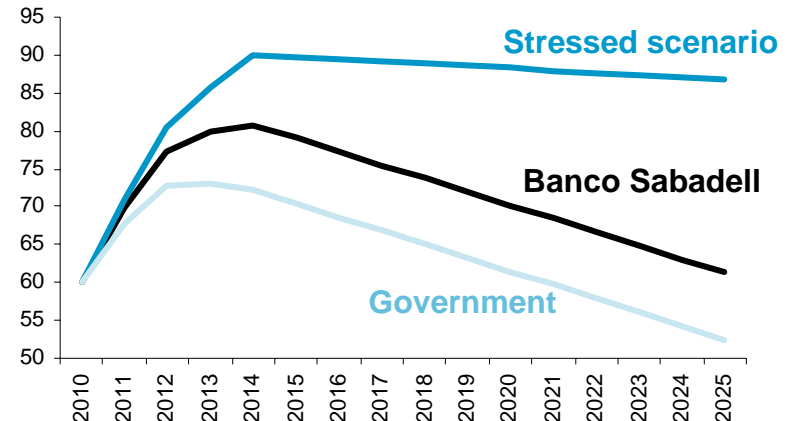
Cost of outstanding sovereign debt
(%)



Interest expenditure (2010, % of GDP)



Public debt* (% of GDP)



Sources: Eurostat, Treasury, European Commission and Banco Sabadell

*Note: Sustainability analysis of Spanish public debt. Based on different assumptions of the primary fiscal balance, the GDP nominal growth and the interest rate associated to the debt. The government scenario is based on government numbers until 2014 and BS estimates for 2015 and onwards. The stressed scenario assumes 0% nominal GDP growth until 2014

Progress is being made with structural reforms

Fiscal governance reform

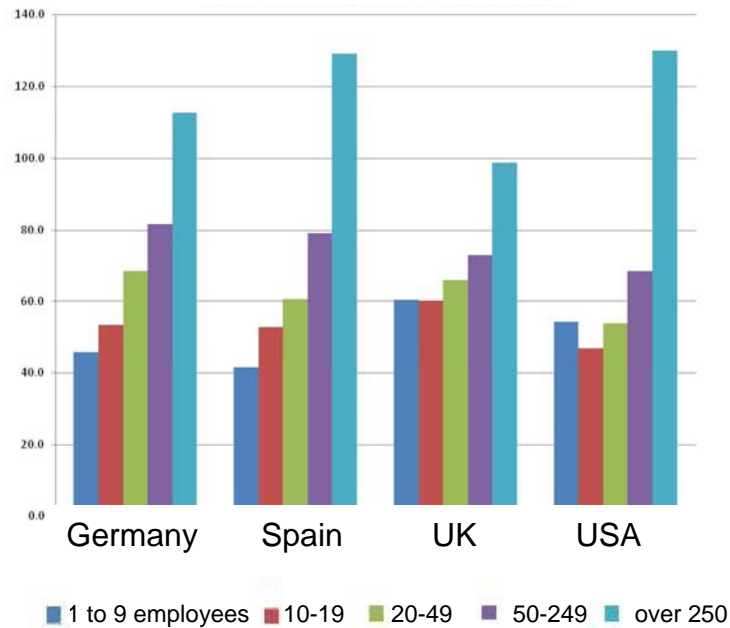
- Law tying spending to medium-term economic growth
- Budget stability enshrined in Constitution, limiting the structural deficit
- Greater transparency in regional governments' fiscal information

Progress in structural reforms

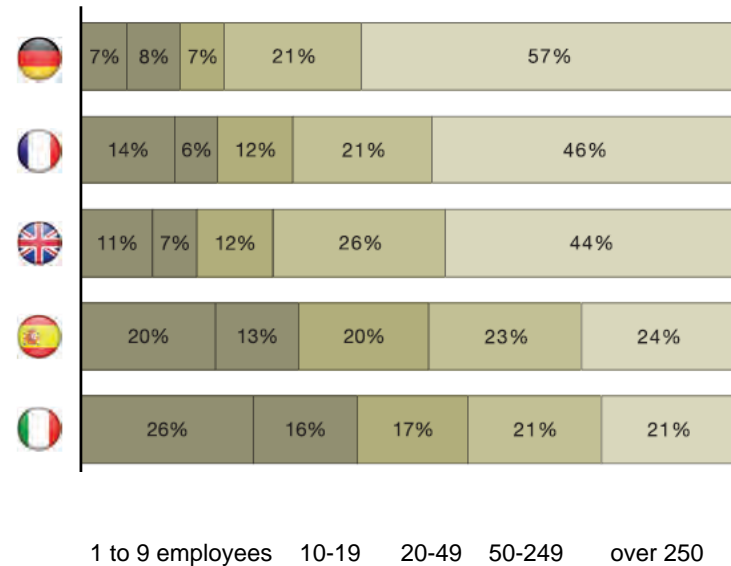
- Labour market and pension system reform
- Measures to reduce the paperwork for creating companies
- Restructuring of the financial system and greater transparency in financial system exposure to construction and real estate development

Part of Spanish industry is very productive

Labour productivity and company size (as a % of average productivity in the USA)



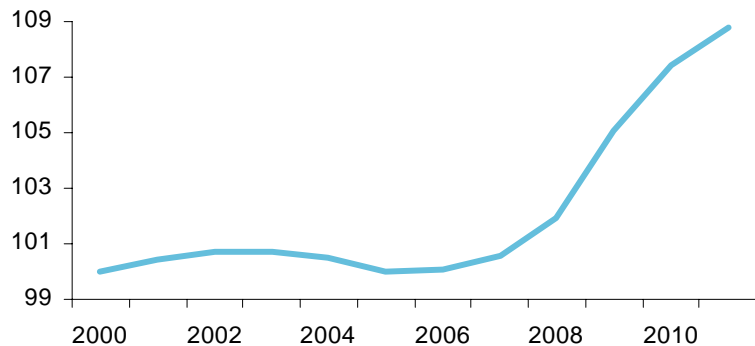
Breakdown of workforce by size of company (2007)



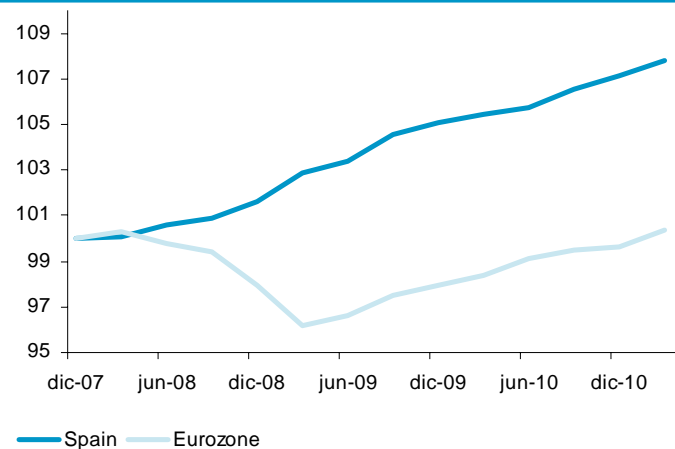
The low productivity in the economy as a whole is broadly linked to the large percentage of SMEs

Improvement in the behaviour of productivity and unit labour costs

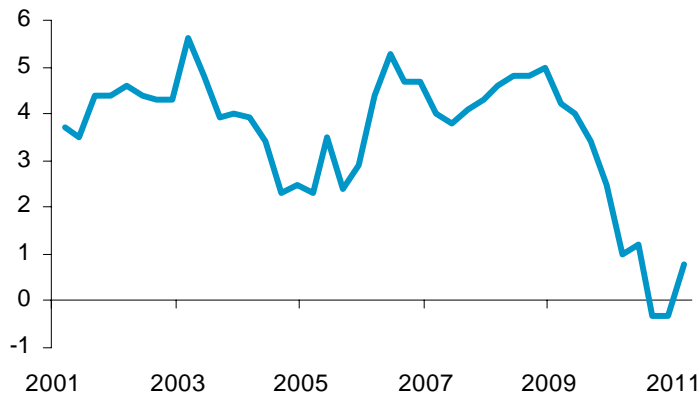
Real labour productivity per capita in Spain (2000 = 100)



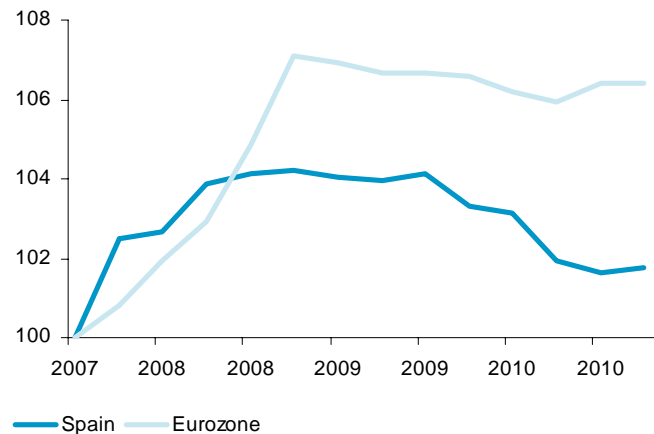
Real labour productivity per capita (Dec. 07 = 100)



Labour costs in Spain (% chg. YoY)



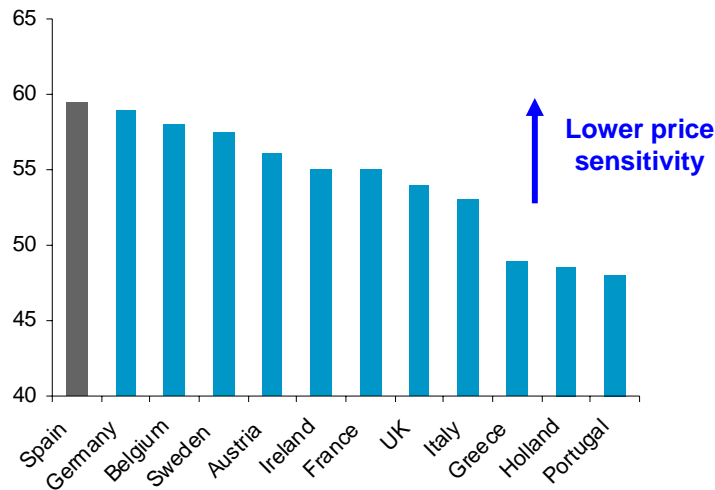
Unit labour costs (Dec. 07 = 100)



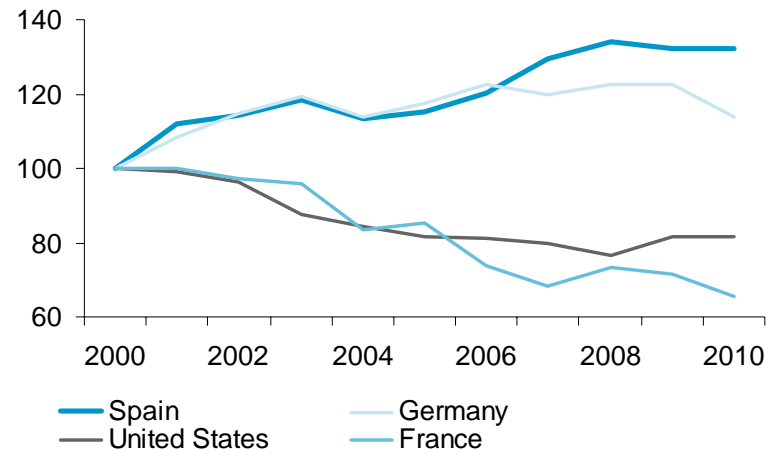
Sources: INE, Eurostat and Bank of Spain

Competitive position of Spanish companies

Exports' price sensitivity*



Share of services exports (2000=100)



Spanish companies are gradually refocusing their exports on markets with greater growth potential

Sources: Goldman Sachs and COMTRADE

*Note: Index of price elasticity of exports (Goldman Sachs). Indicates how skewed a country exports are towards price inelastic goods. The higher the score on the index, the smaller the impact on export performance related to price changes. A higher score indicates that non-price factors dominate exports.

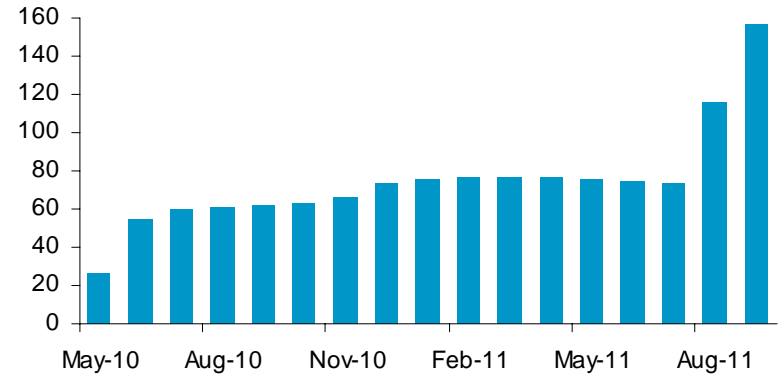
2. Liquidity and funding

The challenging environment in Europe increases concerns ...

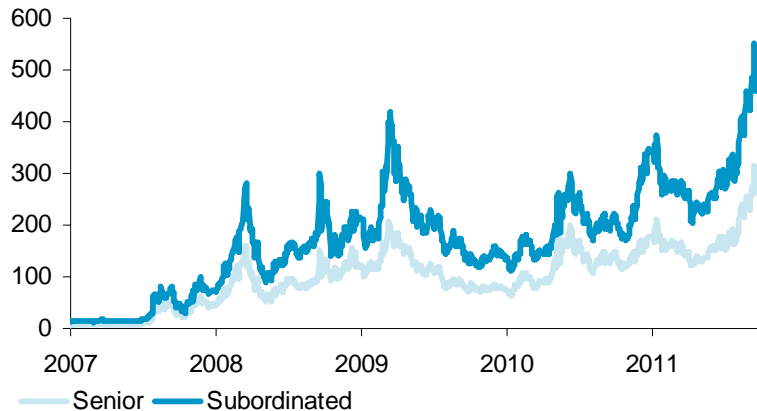
Corporate Bond Holdings of US Primary Dealers (USD bn)



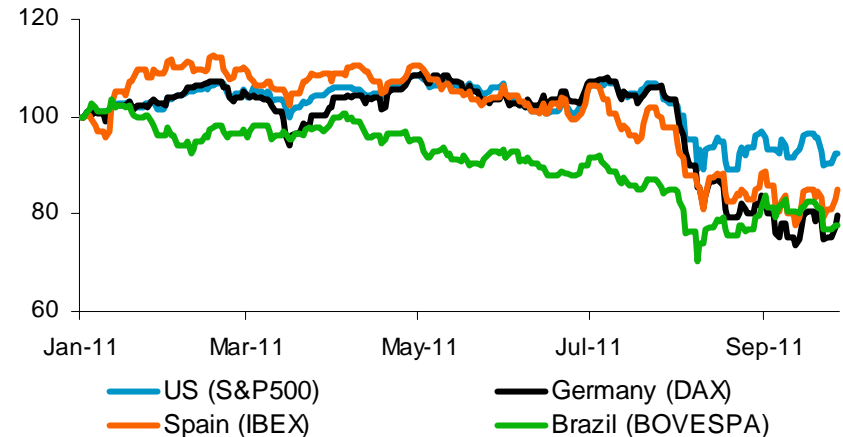
ECB: Public Debt holdings under the security market program (€ bn)



Financial CDS 5Y in Europe (basis points)

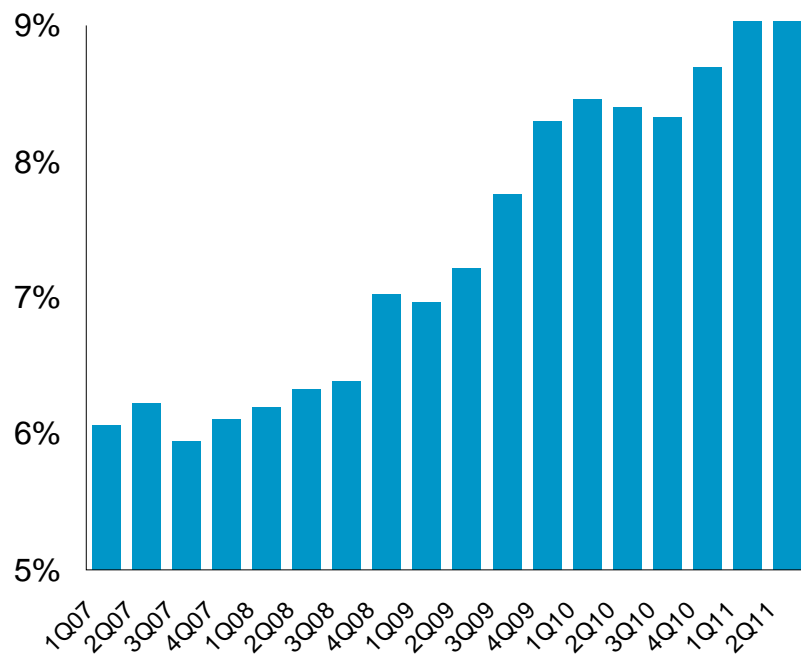


Stock exchange (Jan11 = 100)

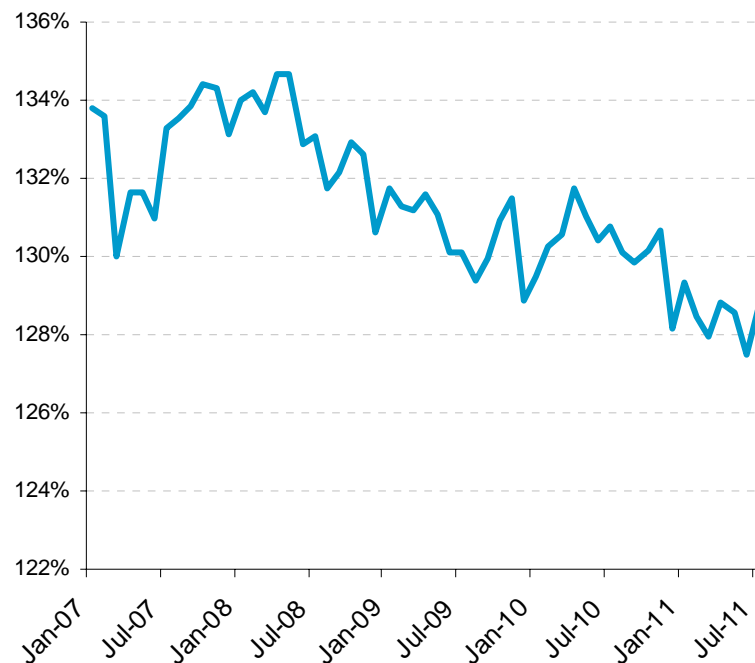


... but we think concerns for Spain are overdone ...

Core capital of Spanish financial institutions (%)



Loan to deposit ratio for Spanish financial institutions (%)

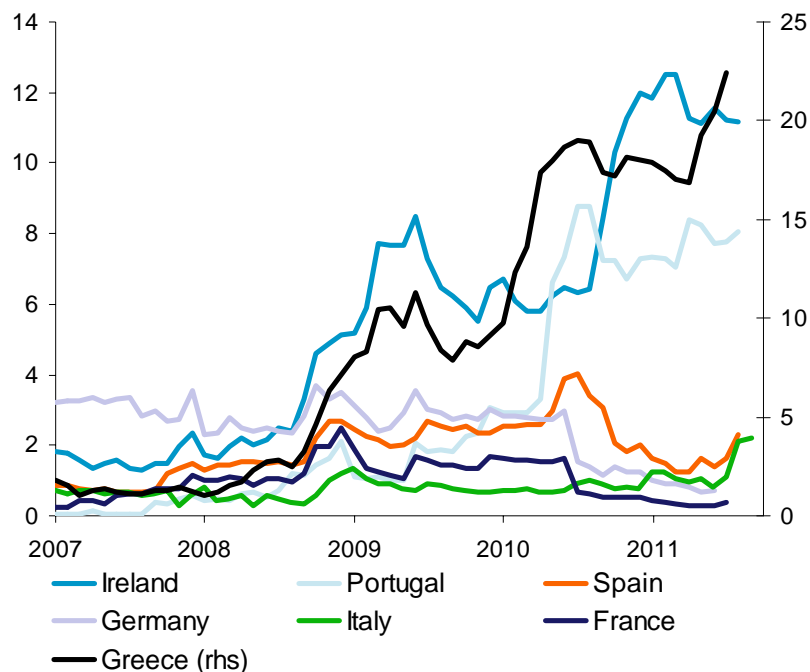


*Data for the largest Spanish banking groups

Sources: companies information and Bank of Spain

... in light of fundamentals

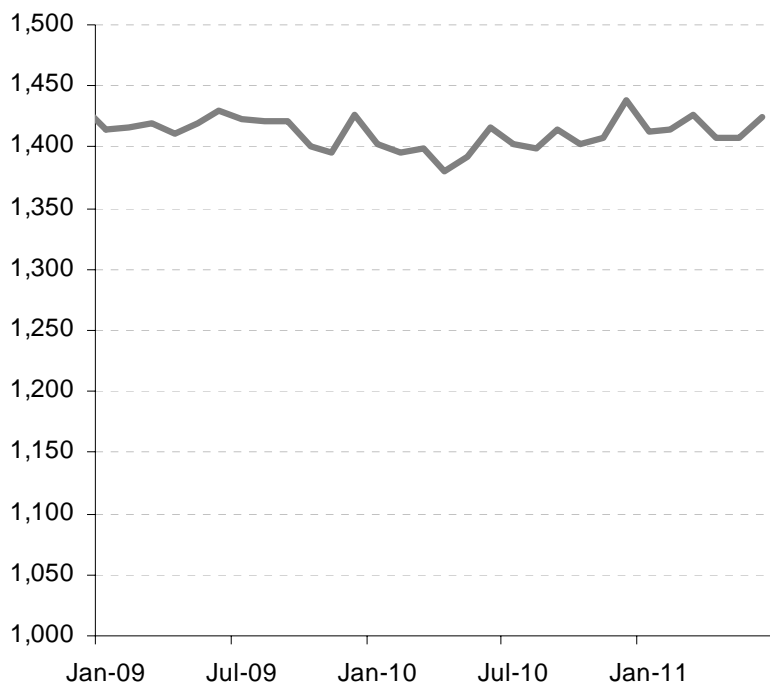
ECB and central banks net liquidity provision for European financial institutions (as % of total assets)



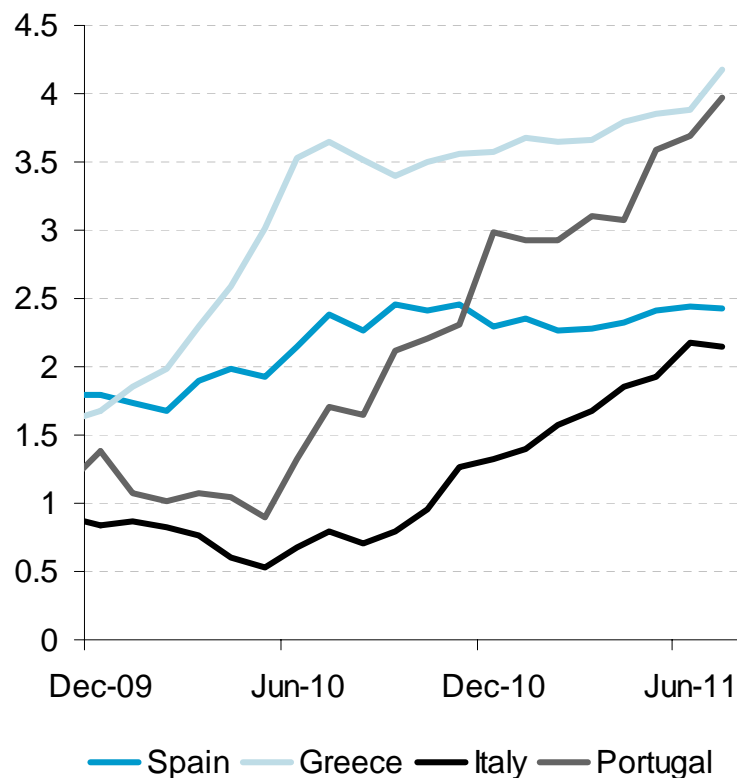
ECB net liquidity provision and total assets in the European context (€bn and %)

	ECB and central banks liquidity provision	as % of total liquidity provision	Total domestic assets	as % of total domestic assets
Germany	58	10%	8,001	25%
France	29	5%	7,979	25%
Italy	85	14%	3,848	12%
Spain	81	14%	3,553	11%
Greece	112	19%	502	2%
Portugal	46	8%	570	2%
Ireland	154	26%	1,377	4%
Total	596		32,154	

Deposits in Spanish financial institutions (€bn)



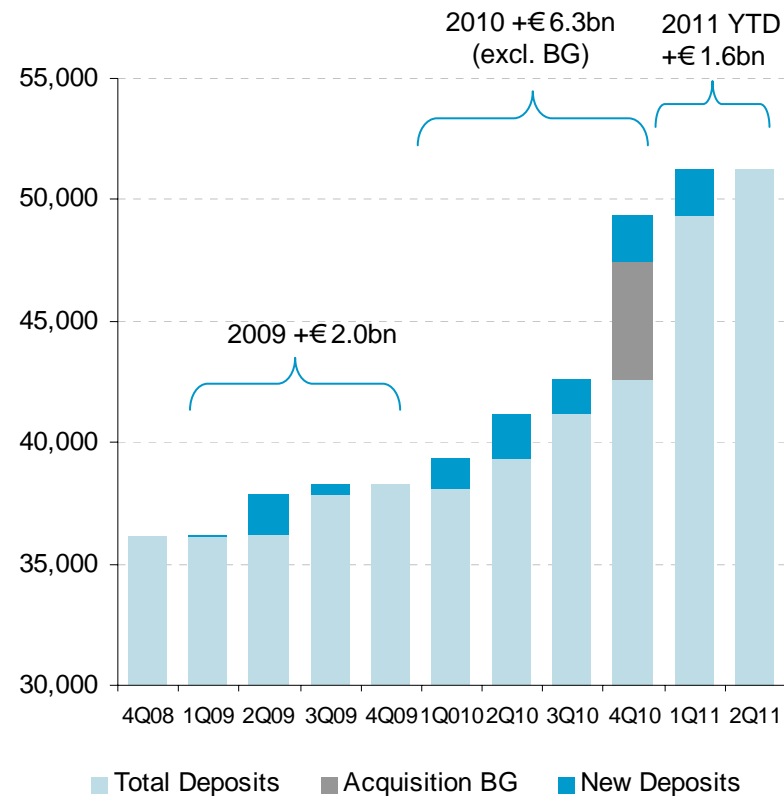
Deposits interest rates evolution (%)



... but BS has managed to increase its deposit base in the last quarters

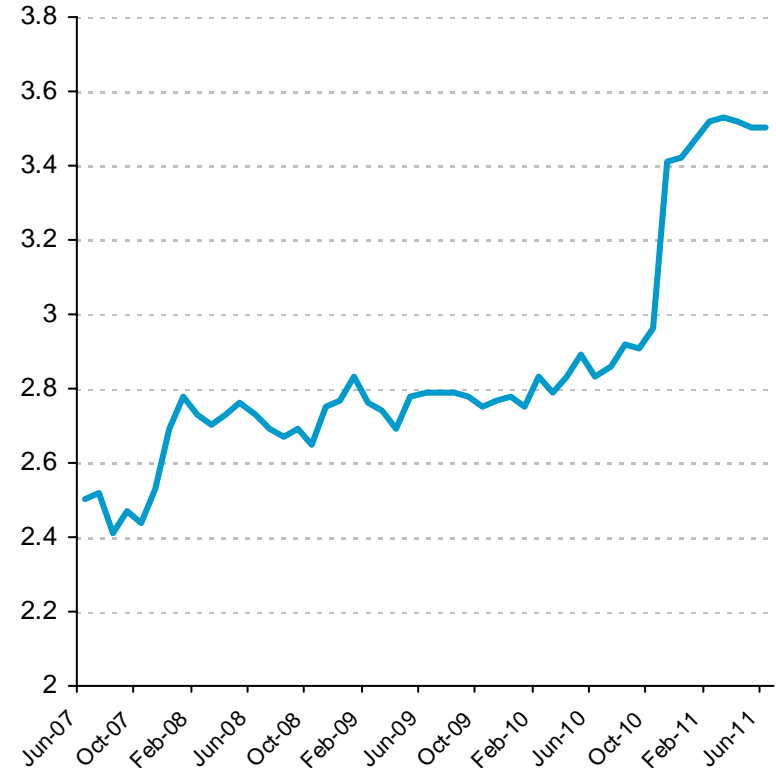
BS deposits evolution

(€m)



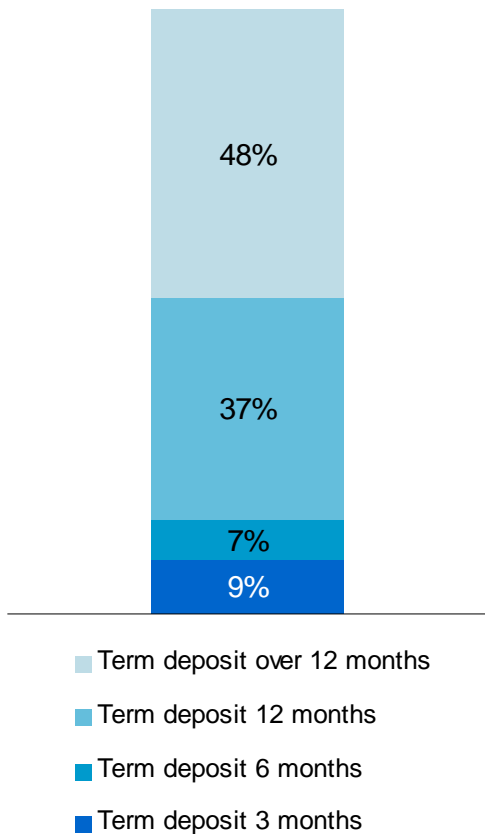
BS deposit market share

(%)

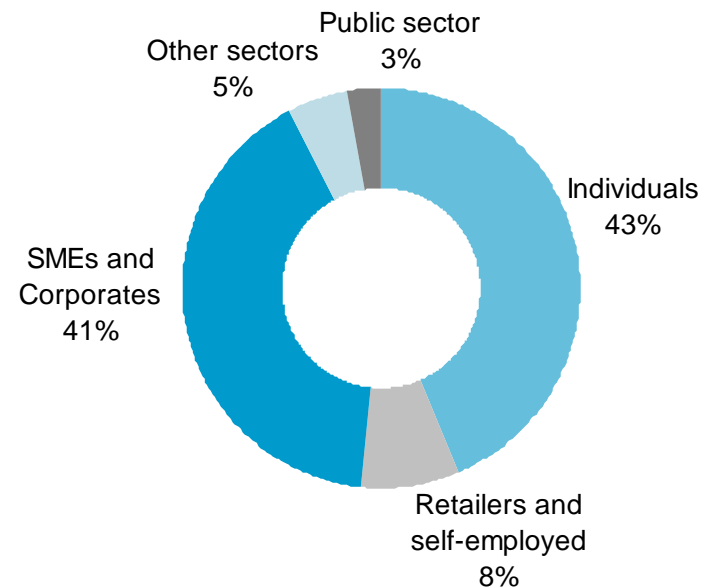


Most of our deposit base has maturities over one year ...

BS back book deposits by maturity (%)



BS deposit base by segment (%)

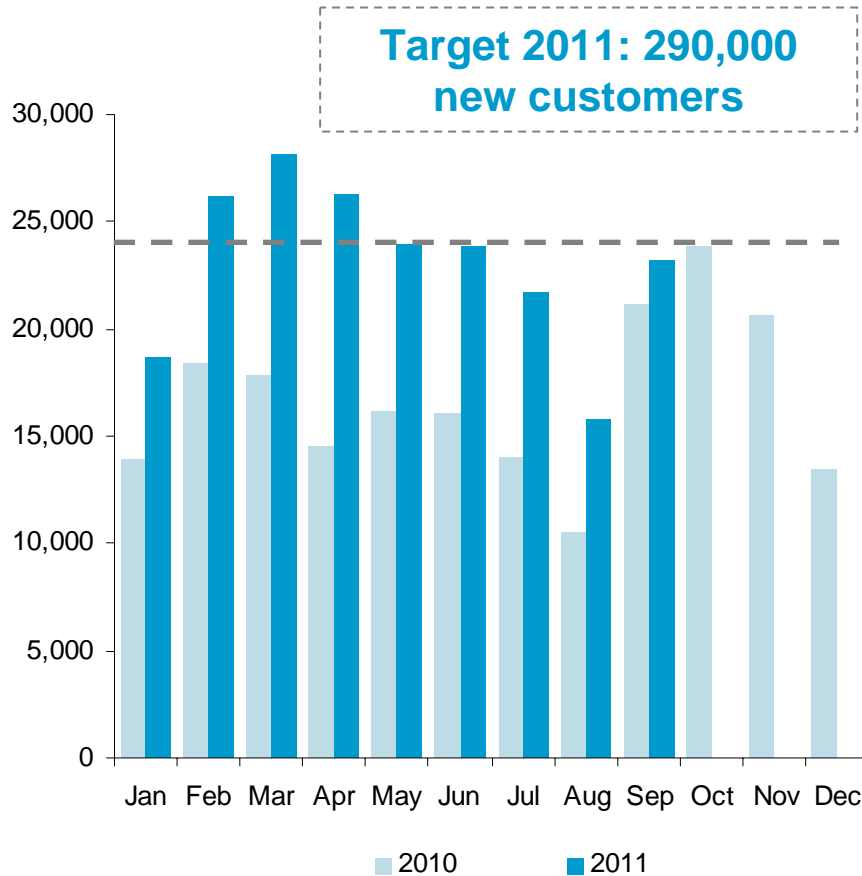


... giving us more margin to actively manage spreads

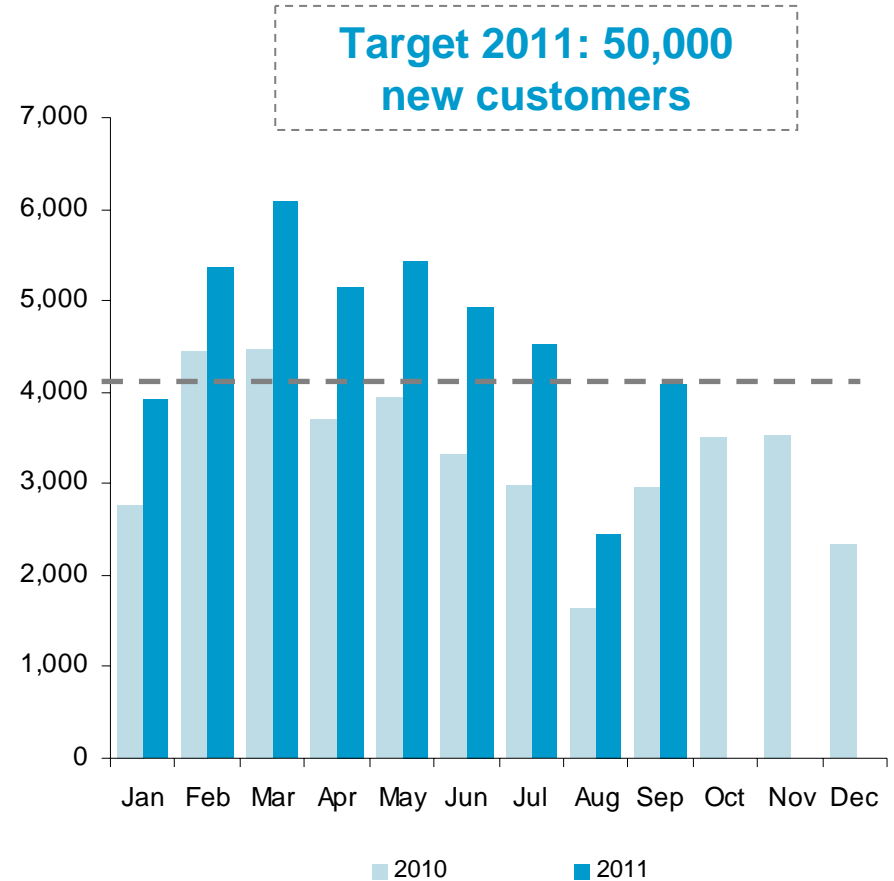
Product	Front book spreads			Back book spreads		
	Jun-10	Jun-11	Var YoY	Jun-10	Jun-11	Var YoY
Credits	233	264	+31	174	223	+49
Loans	156	247	+91	156	194	+38
Mortgages to individuals	81	116	+35	74	78	+4
Leasing	161	206	+45	97	113	+16
Commercial loans	242	290	+48	267	309	+42
Confirming	184	225	+41	168	237	+69
Forfaiting	263	225	-38	183	215	+32
Total loans	168	230	+62	134	157	+23
Term deposit 1 month	104	86	-18	86	69	-17
Term deposit 3 months	157	103	-54	99	69	-30
Term deposit 6 months	220	107	-113	121	113	-8
Term deposit 12 months	210	109	-101	165	160	-5
Term deposit 18 months	194	160	-34	163	191	+28
Term deposit 2 years	219	176	-43	160	204	+44
Term deposits 3 years	198	179	-19	89	134	+45
Deposits	182	116	-66	149	157	+8

3. Commercial activity

Monthly new individual customers



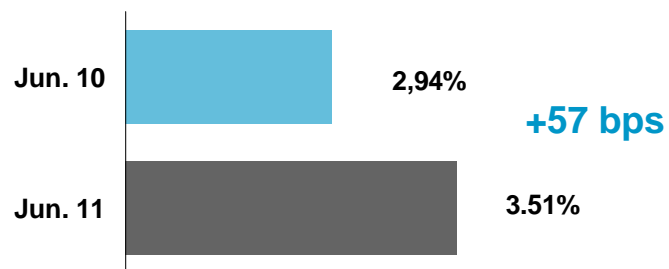
Monthly new company customers



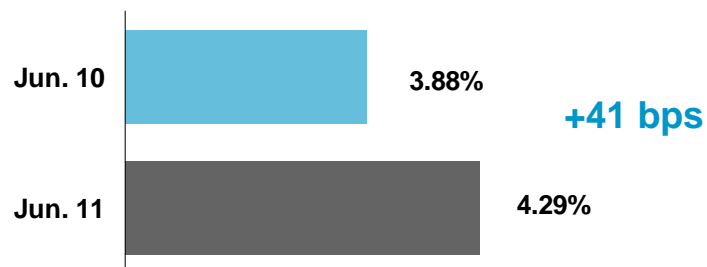
Performance in line with CREA targets

... and growing market shares in individuals ...

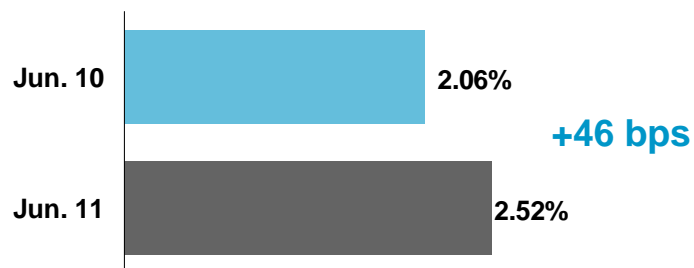
Total sight deposits



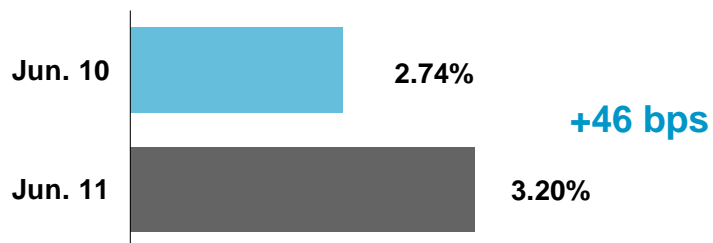
Transactionality¹



Payrolls

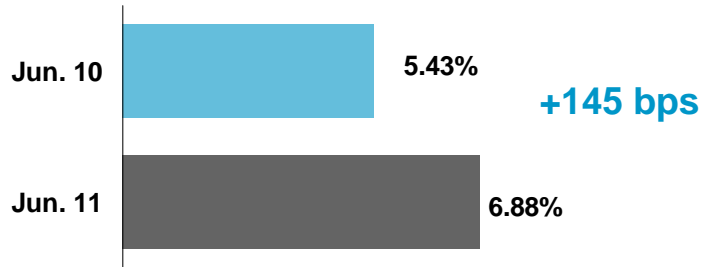


Credit card invoicing (quarterly)

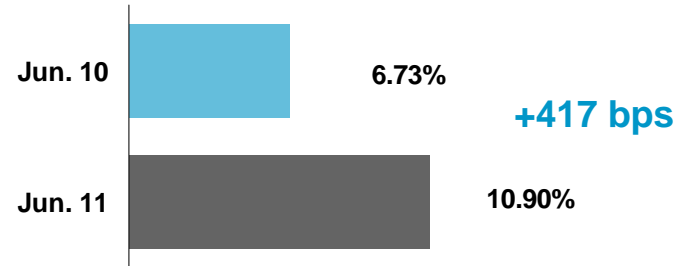


¹ Including cheques, transfers, SEPA transfers, receivables and promissory notes

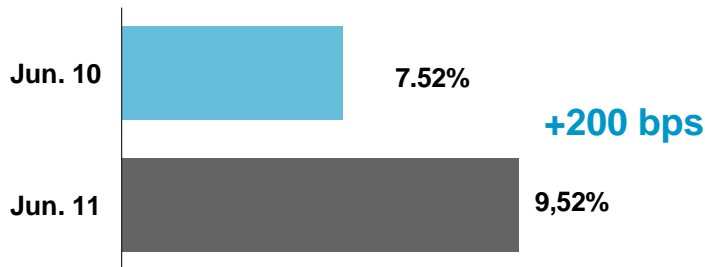
Companies sight deposits



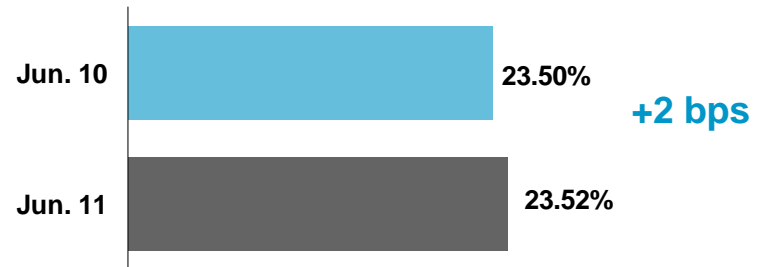
ICO loans (public subsidy loans)



Commercial lending



Export documentary credit



... holding up volumes in a difficult environment

BS customer funds evolution

	Jun-10	Dec-10	Jun-11	% Var. YoY	% Var. YoY proforma ¹
On-balance sheet customer funds ²	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%

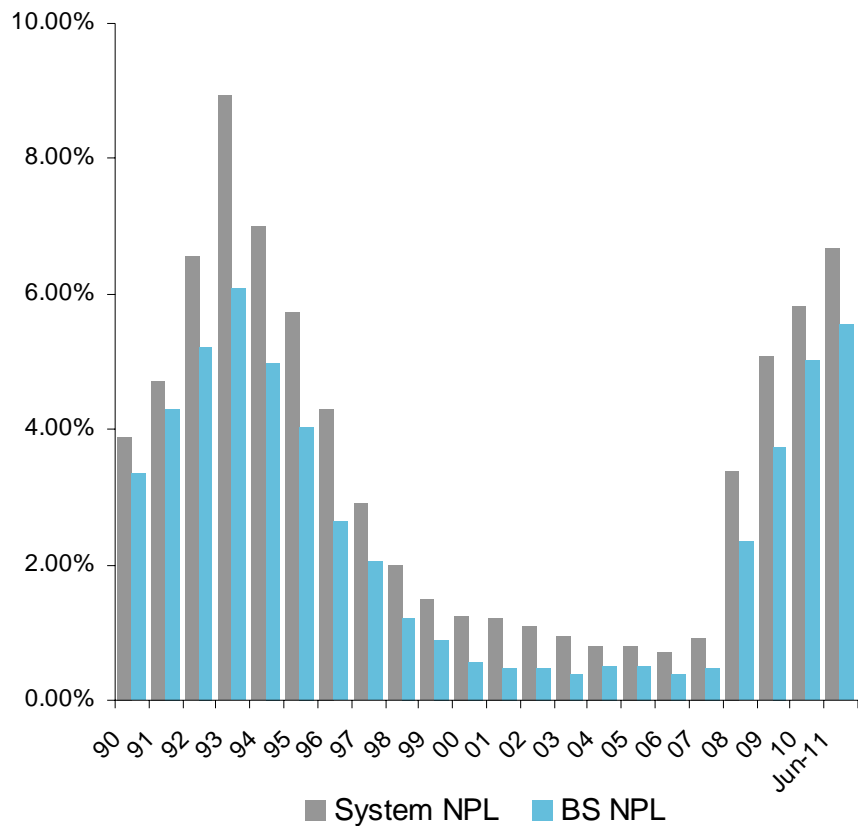
¹ Including BG in 2010

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

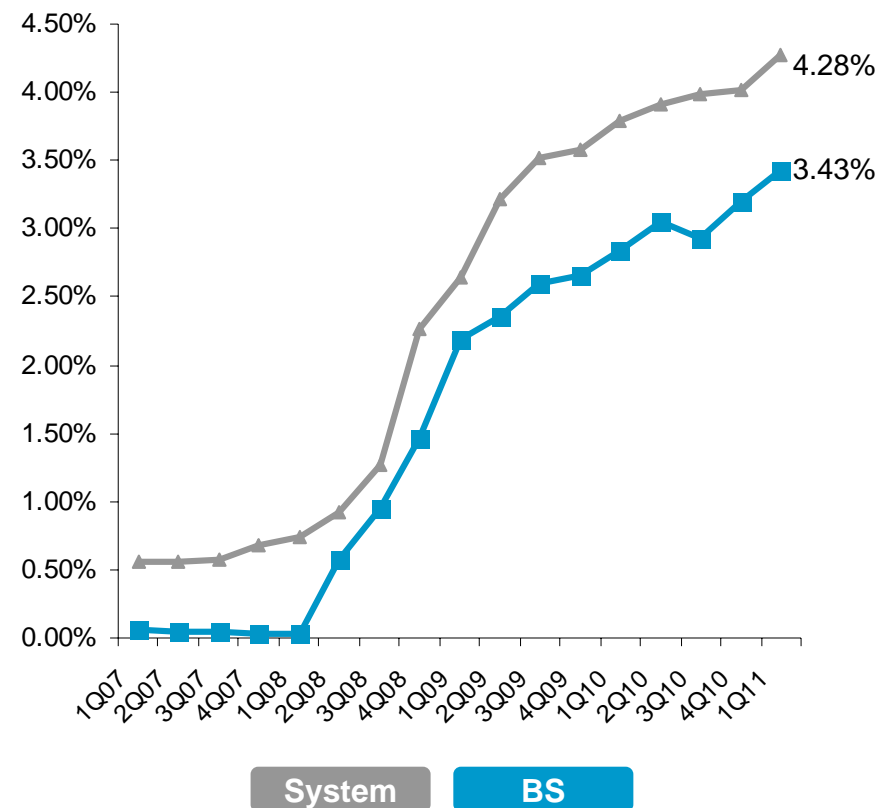
Euros in million

4. Asset quality and real estate

NPL ratio of Banco Sabadell vs. the system (%)



Real estate over total loans (%)



... but manageable at the provisioning level

BS pre-provision profit and cost of risk evolution

(€m)

	2008	2009	2010	Jun-11
Pre-provision profit	1,114.6	1,325.5	1,136.3	659.1
Total provisions	-879.7	-837.7	-968.1	-545.5
Extraordinary items	650.7	83.6	296.1	102.8*
Net profit	673.8	522.5	380.0	165.4
Cost of risk (bps)	136	129	133	151

* Including tax recoveries of €99.1 m

Euros in million

Resilient pre-provision result has allowed for significant provisions to be taken through the P&L

Adopting a more global approach to managing RE risk ...

RE risk arising from credit and asset exposures

RE Credit portfolio



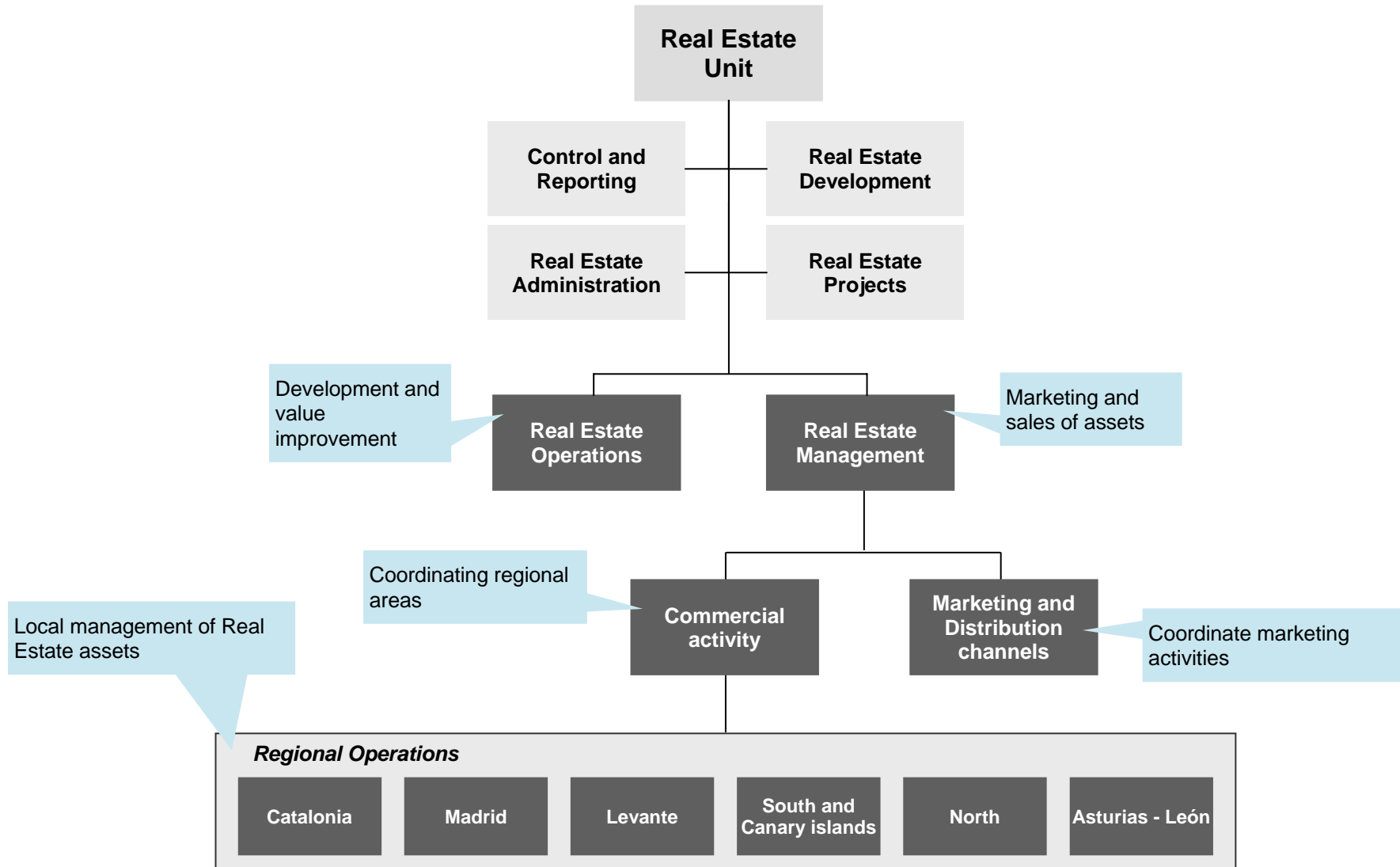
- ✓ 70-80 new hires of real estate professionals
- ✓ Regional credit risk officers working side by side with RE professionals to evaluate risk and advising customers

RE Assets on and off BS



- ✓ Ramping up sales effort of RE assets on bank's balance sheet
- ✓ Solvia sales force gives incentives to sell off balance sheet RE assets

... to better manage RE risk and assets ^BSabadell



67% of the portfolio is first residence

BS real estate portfolio breakdown

(€m)

	Finished property	Land under development	Land	Total	%	% in Barcelona / Madrid
1st residence	922	966	537	2,424	67%	42%
2nd residence	168	123	37	328	9%	
Industrial	151	36	143	330	9%	72%
Commercial	117	204	45	366	10%	64%
Hotels	80	35	13	128	4%	
Other	22	2	1	25	1%	
Gross portfolio	1,459	1,366	776	3,601	100%	48%
Provisions	320	443	269	1,032	29%	
Net portfolio	1,139	923	507	2,569		

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

BS real estate asset sales evolution

(€m and %)

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

Sales target for 2011: €400 million²

¹ Including acquisition, development, and any transaction costs related to the sale of the asset

² Pre-provision cost

Top 10 real estate assets

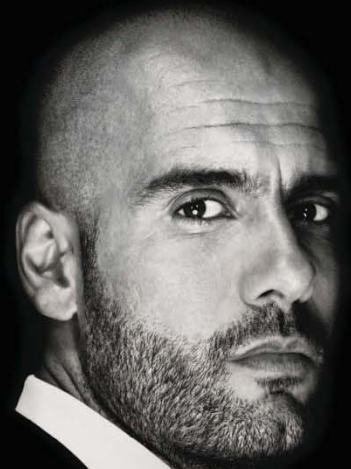
City	Name of project	Type of asset	Use	Gross value	Depr.	Cov.	Commercial phase	Estimated exit date
1 Madrid	Pozuelo de Alarcón - Mistral, 2	Finished prop.	1st residence	233.8	45.1	19%	48% already sold	1H2012
2 Madrid	Av. Amèrica 115	Land under dev.	Commercial	128.8	37.0	29%	Finishing construction	1H2012
3 Barcelona	Illa del Mar	Finished prop.	1st residence	107.5	18.5	17%	32% already sold	2H2012
4 Barcelona	Marina Sector 10	Land under dev.	1st residence	95.3	29.3	31%	Planning finalised ¹	2012-2015
5 Barcelona	Cerdanyola del Vallès: El bosc	Land	1st residence	70.8	19.6	28%	Planning started	-
6 Barcelona	Meridiana Sud	Land under dev.	1st residence	63.6	42.1	66%	Planning finalised	2H2012
7 Madrid	Alcorcón: Retamar de la Huerta	Land	1st residence	62.4	16.8	27%	Planning started	-
8 Valencia	Canet d'en Berenguer	Finished prop.	other	53.9	7.5	14%	Initial sale process	1H2012
9 Barcelona	Cerdanyola del Vallès	Land	1st res. & comm.	52.4	11.3	22%	Planning started	-
10 Madrid	Getafe: Carpetania II	Land	industrial	51.0	5.1	10%	Sale in process ²	1H2012
TOTAL				919.4	232.3	25%		

¹ Local authorities currently reviewing urbanisation process

² In the process of being acquired by the local government of Madrid
Euros in million

Top 10 assets represent 25% of total portfolio. High quality assets in large Spanish cities with adequate provisions

-
- ✓ Lower volumes
 - ✓ Better net interest income due to lower rates than forecasted
 - ✓ Satisfactory fees evolution
 - ✓ Provisioning behaviour according to expectations



Pep Guardiola Cliente de Banco Sabadell

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



César Carral Cliente de Banco Sabadell