

Dear Shareholder,

Banco Sabadell ended the year 2012, the 131st in its history, showing good income growth, improved business margins and a substantially stronger liquidity position, having reinforced its core capital and exceeded the levels of capital required to pass the stress tests carried out on the Spanish financial sector. All of this was achieved despite an operating environment characterised by continuing financial market turmoil, weak economic activity and, in Spain, a financial industry undergoing a process of radical reform and root-and-branch restructuring.

In the first half of the year, the eurozone sovereign debt crisis had a particularly severe impact on Spain and the fragmentation of capital markets highlighted the difficulties of the euro. The action taken by the European authorities to tackle the crisis from the middle of the year onwards brought about an improvement in the funding position of the systemic countries on the European periphery. In particular, Europe decided to take more resolute steps towards economic, fiscal and financial integration, while the European Central Bank launched a new programme of sovereign bond purchases, thus effectively making itself a lender of last resort to the treasuries of the euro zone's more solvent countries.

On the economic front, global activity in 2012 was characterized by weakness in the eurozone and particularly in Spain, although economies in the rest of the world moved in a more positive direction. The Spanish economy struggled under the prevailing difficult financial conditions and activity was further constrained by a tight fiscal policy and private sector deleveraging, causing the economy to go into reverse again after having grown slightly in 2011.

In late June the Spanish authorities asked for external financial assistance for the banking sector. In line with the promises made to obtain the assistance, the country's financial sector has been undergoing a major programme of reform and large-scale restructuring and recapitalization under the supervision of the Spanish authorities and according to guidelines laid down by the European Commission, the European Central Bank and the IMF.

Key conditions for restoring Spain's banks to financial health were that banks should set aside large amounts of provisions to cover their real estate assets and that, following an in-depth external assessment, some banks would be recapitalized from public funds and their troubled assets transferred to an asset management company (to be known as SAREB) whose capital would largely be funded by the state through the Fund for Orderly Bank Restructuring (FROB).

Despite the difficulties facing the sector, Banco Sabadell was given a clean bill of health in the stress tests carried out on the whole of the Spanish banking industry in 2012, being classed among the most solvent of the systemic banks making up the Spanish financial system.

Our core capital was greatly strengthened during the year, with share capital increasing by €3,092 million. Actions such as the exchange of Banco Sabadell preferred securities for ordinary shares in January, the exchange of Banco CAM preferred and subordinated securities for Banco Sabadell ordinary shares in June and July, and the capital-raising rights issue in March, brought the core capital ratio up to 10.4%, and this at a time when we were absorbing the Banco CAM balance-sheet.

Our liquidity position improved substantially in the course of the year thanks in large measure to a high inflow of new customer accounts, allowing us to generate a positive funding gap of more than €15,000 million in 2012 on the back of the demand for investment products.

Energetic balance-sheet management, careful setting of interest spreads and a strong performance in winning new business made it possible to end the year with net interest income up 21.5% and gross operating income up 18% on the year before. Profit before impairment provisions was €1,289.9 million, a year-on-year increase of 4.8% with Banco CAM administrative expenses included; on a like-for-like basis, however, recurring costs for 2012 were down 5.9% on the year before.

Banco Sabadell's net profit for the year 2012 was €81.9 million after setting aside in balance-sheet strengthening and asset impairment provisions totalling €2,540.6 million — 142.2% more than the previous year.

Once again Banco Sabadell was able to report a remarkable achievement in new customer acquisition. With enrolments reaching 8,000 a week, the number of individual customers rose by 18.2% and business customers by 31.4% compared with the previous year.

After a year in which default rates in the banking system continued to rise, Banco Sabadell ended 2012 with a loan loss ratio that remained below the industry average; the gap with respect to the ratio for the banking industry as a whole has increased by a factor of 2.6 over the last two years.

The year 2012 saw the successful completion of merger and integration processes for four entities: Banco CAM, Banco Urquijo and Banco Guipuzcoano in Spain, and Lydian Private Bank in the USA. Once again the Banco Sabadell group demonstrated its proven ability to carry out such processes alongside its ordinary activities without any impact on operating efficiency or service quality, or disruption to the conduct of business.

The integration of Banco CAM was of particular significance in bringing about a transformative leap for Banco Sabadell and positioning us as Spain's fourth largest privately-owned banking group. Total group assets increased by more than 60% and the group's customer base doubled to more than 5.5 million. The actions we have put in hand to ensure a successful relaunch of the branch network under the new SabadellCAM brand name, and our determination to win back the trust of customers of the former Banco CAM as soon as possible, have been key factors in kick-starting a recovery in deposits and restoring market shares to their historic levels.

By the end of the year we had brought the integration of Banco CAM operations and systems to a successful conclusion and thus fulfilled our ambitious work schedule to the letter.

With Banco Urquijo and Banco Guipuzcoano now merged into the organization we were able, first, to position the SabadellUrquijo brand as the name to watch in private banking in Spain and, second, to increase our potential for growth in the northern part of the country under the SabadellGuipuzcoano banner.

In the USA we continued to make progress in growing our retail banking operation in Miami, Florida: Sabadell United Bank. We completed the integration of Lydian Private Bank's operations and systems into those of Sabadell United Bank, strengthening its position and making it the seventh largest local bank by deposits. We also opened a representative office in New York which is proving to be a useful complement to our Miami-based operation.

This year we set up an Asset Management division, a special unit tasked with managing the group's real estate and doubtful assets. By so doing we put ourselves a step ahead of the rest of the industry and became pioneers in creating a dedicated operating unit to respond effectively to the needs generated by the real estate crisis.

Finally, in the last part of the year, we came to an agreement with Banco Mare Nostrum (BMN) to purchase its branch banking business in Catalonia and Aragón; we hope to bring this to a conclusion in the course of 2013.

This annual report contains accurate and detailed information on major developments during year 2012 and on how the group has performed in the current highly complex economic and financial environment. The data provided here reflects the soundness and the growth of our ordinary operations and evidences the group's capacity to generate positive results despite the enormous efforts made to increase provisions while continuing to boost liquidity and add strength to our balance-sheet.

This year Banco Sabadell prepared the ground for a progressive return to reasonable levels of profitability after several years of setting aside very large amounts in provisioning expenses to face the consequences of the economic crisis.

We laid the foundations for the Bank's future development by absorbing organizations that were unable to remain competitive on their own; they will now provide the group with a regional foothold for business expansion in the coming years.

The professionalism of the Banco Sabadell group and the expertise it has shown in managing the crisis give us reason to be optimistic about prospects for getting our earnings back to normal levels.

Josep Olliu Creus
Chairman



—Financial and share performance information

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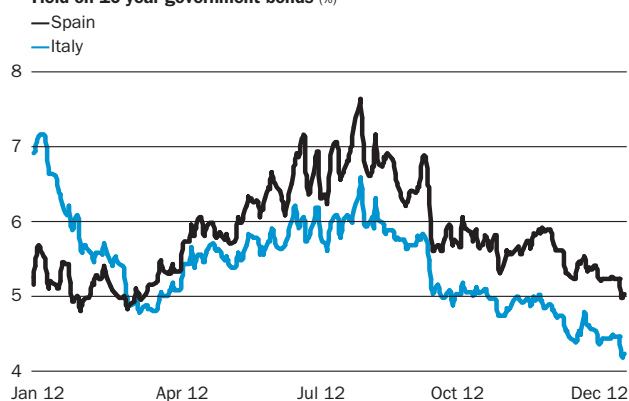
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Macroeconomic Environment

The sovereign debt crisis in the eurozone worsened in the first half of the year, with particularly virulent effects on countries like Spain and Italy. The prevailing complex environment was reflected in an increasingly fragmented capital market, highlighting the difficulties of the single European currency. This coincided with a social and political situation in Greece that continued to be especially critical, giving rise to a significant risk to have to finally leave the euro. Two general elections were required before the country was able to establish a government, and Greece became the first developed country since the Second World War to restructure its sovereign debt, forcing private creditors to take a debt haircut.

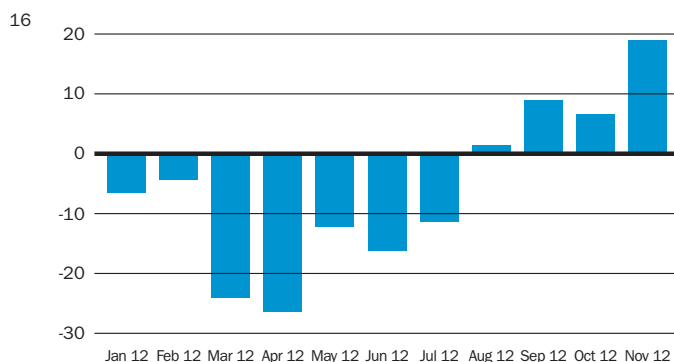
Yield on 10-year government bonds (%)



Source: Bloomberg.

The actions taken in response to the crisis by the European authorities halfway through the year brought about a considerable improvement in the situation, producing an incipient reversal in the disintegration of the eurozone capital market and some improvement in the funding position of the systemic countries on the European periphery. Moreover, fears of a possible exit by Greece were gradually allayed by the European authorities' determination to keep the country within the single currency.

Foreign portfolio investment in Spain (€Bn.)



Source: Bank of Spain.

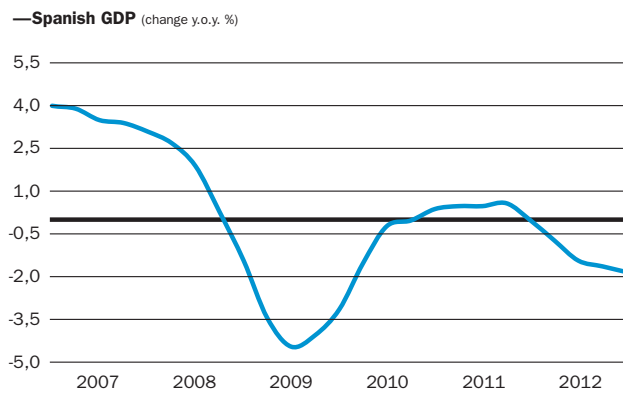
In Europe the decision was taken to move more resolutely towards European integration. A road map was produced setting out the basic building blocks of financial union, with proposals for greater economic and fiscal integration being left for implementation in 2013. The first step in building this financial framework will be to establish a single banking supervisor which will make it possible for the European Stability Mechanism (ESM) to recapitalize the banks directly, thus breaking the link between financial risk and sovereign risk.

On the fiscal front, another significant aspect was a certain shift in the European stance on fiscal consolidation. In particular, more importance was given to measures to correct fiscal imbalances, and less on commitments to numerical targets, given that these were being affected by the difficult economic conditions then prevailing.

Meanwhile, the European Central Bank (ECB) decided to implement a new programme of bond purchases (outright monetary transactions, OMT), linked to requests to the ESM by countries in difficulty for a programme of financial assistance. The bond purchases must consist mainly of short-dated government bonds and will not be subject to any quantitative limits. This decision brought about a fundamental change in the sovereign debt crisis. By taking this step, the ECB was practically guaranteeing that no systemic eurozone country would be frozen out of the primary market for government debt, provided that the conditionality attaching to the provision of financial assistance by the ESF was fulfilled.

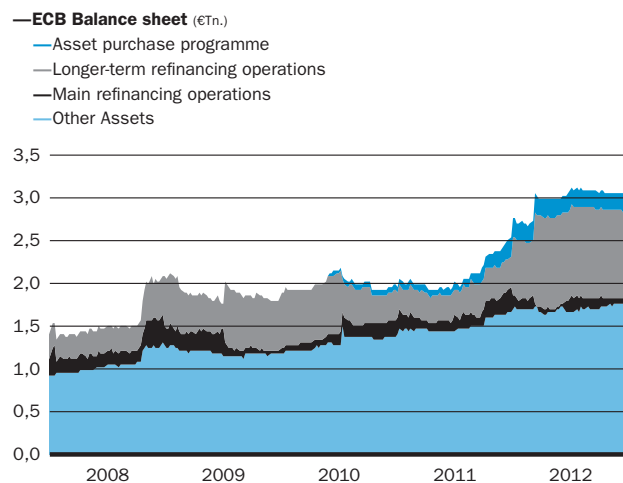
In late June the Spanish authorities made a request for external financial assistance for the banking sector as part of their efforts to restructure and recapitalize the country's banks. The amount of financial assistance could be as much as €100 billion and the conditions on which it would be provided included: (i) determining the capital requirements of each institution; (ii) recapitalizing, restructuring and/or resolving the less viable banks; and (iii) transferring the impaired assets of banks requiring government support to an asset management company (known as SAREB).

Despite a more benign financial environment in the second half of the year the global economy remained weak all through 2012, especially in the eurozone and most particularly in countries on the European periphery, with countries like Spain and Italy suffering the consequences of tight credit conditions. In Spain, fiscal tightening and private sector deleveraging also affected economic activity. In the United States the economic environment was affected by uncertainties caused by the difficulty in reaching an agreement over the fiscal cliff. In Japan, the conflict with China over the Senkaku islands deepened the economic gloom. The emerging economies provided yet another headwind to global growth, with contagion from other countries adding to the effects of domestic tightening in the main economies as they strove for more balanced growth.



Source: Spanish National Statistical Institute (INE).

Against this background, the monetary policies of the world's main central banks remained highly accommodative, with large amounts of liquidity being injected into the economy. In the USA, the Federal Reserve continued its programme of asset purchases and took a decision to make the setting of interest rates dependent on numerical threshold levels of unemployment and inflation. The ECB, in addition to its new bond purchasing programme (OMT) and its second three-year funding operation, continued to provide full allotment in its refinancing operations, relaxed its rating requirements for collateral and reduced its key rate to historically low levels (0.75%). This highly accommodative monetary policy and the prevailing risk-adverse conditions ensured that government bond yields in the core eurozone countries remained close to zero in the second half of the year, and even entered negative territory in some cases. The Bank of Japan expanded its unorthodox monetary programmes, especially by increasing purchases of government bonds. It also established an inflation target. Finally, the Bank of England increased its holdings of assets acquired under its programme of asset purchases and introduced further unconventional measures (such as providing liquidity to banks linked to their lending to the private sector).



Source: Bloomberg.

In the long-term public debt markets US and German bond yields remained at historically low levels thanks to their status as refuges for the huge amounts of cash circulating in the market. Spanish and Italian government debt remained under pressure throughout the first half of the year, reaching levels which threatened to exclude Spain and Italy (especially the former) from obtaining funding from the capital markets,. The second half of the year, however, saw a substantial improvement, especially after the ECB took a more prominent role in addressing the sovereign debt crisis. Yields on the debt of other peripheral countries ended the year at levels considerably below those prevailing at the beginning of the year. Ireland benefited from expectations of possible restructuring as a result of the government's bail-out plan for the financial system, which would ease pressure on the public accounts in that country. Greek debt found support in factors such as the reduced likelihood of the country exiting the eurozone, the offer of more generous bail-out terms, and the relative success of its debt repurchasing programme. Finally, Portuguese debt benefited from Europe's support for its policy of fiscal tightening and subsequent easing.

On the currency markets the euro fell against the dollar on uncertainties over the single currency. As the year progressed, measures taken to address European instability and the Fed's decision to take further unconventional measures helped the euro to regain lost ground and to finish the year higher against the dollar. During the year the yen suffered two major bouts of weakness. The currency fell between February and March in response to the Bank of Japan's more accommodating monetary stance, while in the final part of the year it was undermined by worsening macroeconomic data in Japan and the new government's interventionist approach.

Equity markets in the USA and most of the main eurozone countries registered positive returns at the end of the year despite the reverses suffered by European stocks in the second quarter as a result of renewed financial instability in the region. Over the year as a whole, the Euro Stoxx 50 index rose by 13.8%, while the Spanish IBEX fell by 4.7%. In the USA, the S&P 500 index managed to end the year with an 11.4% rise in euro terms.

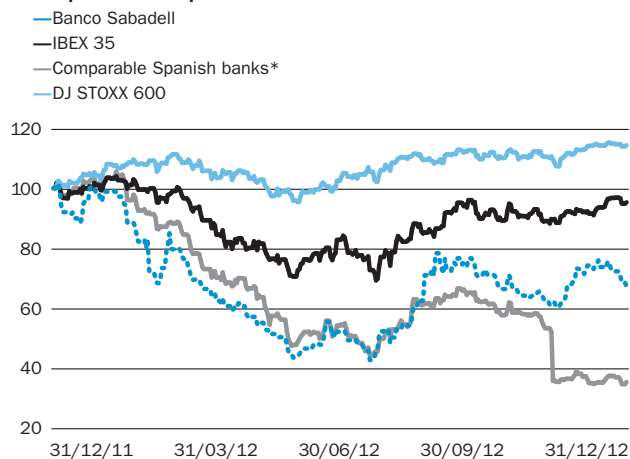
—Share performance

Banco Sabadell's inclusion in the "zero group" of banks judged most solvent in the stress tests conducted by consultancy Oliver Wyman and the positive market reaction to the take-over of Banco CAM were key factors driving an improved performance by Banco Sabadell's share price.

In 2012 the share price was dragged down by the weak economic environment and fears over the position of Spain's financial system, especially in the early months of the year. Despite the challenging conditions facing the sector, however, Banco Sabadell's capital-raising exercise in March was very well received by the market. The acquisition of Banco CAM was viewed in a very positive light and enabled Banco Sabadell to consolidate its position as Spain's fourth largest privately-owned banking group, increase its market share and secure a more evenly balanced presence in the country.

From June onwards a number of factors helped Banco Sabadell's share price to break away from the trend by its Spanish industry peers. The published results of independent audits carried out on the banking sector, plus the strengthening of Banco Sabadell's provisioning and the confirmation of its position as one of the most solvent banks in the industry were all key contributors to a stronger share price. This strength was particularly evident in the months of June and August, when the share price rose by 20% and 48% respectively. In the latter part of the year the improved outlook for Spain and the positive assessment of Banco Sabadell's heads of terms agreement with BMN to take over its operations in Catalonia and Aragon provided further support for the share price relative to its domestic market peers.

—Comparative share performance



* Includes CaixaBank, Banco Popular, Banesto, Bankinter and Bankia.

With the share price at €1.975 at the close of the year Banco Sabadell's market capitalization at 31 December was €5,845 million, making it Spain's fourth largest privately owned banking group by market value as well as on most other financial measures.

—Monthly share price movements – 2012

| | € | € | € | Shares |
|-----------|---------------|---------|---------|------------------------------|
| Month | Closing price | Maximum | Minimum | Average daily trading volume |
| January | 2.819 | 2.980 | 2.570 | 9,212,886 |
| February | 2.430 | 2.910 | 2.263 | 7,259,352 |
| March | 2.042 | 2.560 | 1.968 | 16,650,207 |
| April | 1.784 | 2.059 | 1.709 | 11,629,645 |
| May | 1.321 | 1.801 | 1.288 | 11,731,454 |
| June | 1.533 | 1.650 | 1.269 | 10,614,895 |
| July | 1.550 | 1.586 | 1.185 | 7,335,147 |
| August | 2.300 | 2.300 | 1.392 | 11,527,230 |
| September | 2.090 | 2.250 | 2.008 | 9,028,514 |
| October | 1.878 | 2.154 | 1.846 | 3,704,619 |
| November | 2.146 | 2.160 | 1.749 | 4,351,933 |
| December | 1.975 | 2.230 | 1.944 | 7,457,834 |

The Bank's dividend payments in 2012 included a final dividend for the year 2011, payable in shares from the Bank's holding of treasury shares at a rate of €0.05 per share.

In addition, the Bank will ask the Annual General Meeting to approve the payment of an interim dividend for the year 2012 of €0.01 per share and a final dividend equivalent to €0.02 per share, payable in shares from the Bank's holding of treasury shares.

—Earnings per share and book value per share 2010-2012

| | Mn. | €Mn. | € | €Mn. | € |
|---------------------|------------------|-------------------------|-------------------------------------|----------------------|----------------------|
| | Number of shares | Net attributable profit | Net attributable earnings per share | Shareholders' equity | Book value per share |
| 2010 | 1,264 | 380 | 0.32 | 5,978 | 4.73 |
| 2010 ⁽¹⁾ | 1,457 | 380 | 0.28 | 5,978 | 4.10 |
| 2011 | 1,391 | 232 | 0.17 | 6,276 | 4.51 |
| 2011 ⁽²⁾ | 1,584 | 232 | 0.15 | 6,276 | 3.96 |
| 2012 | 2,960 | 82 | 0.03 | 9,120 | 3.08 |
| 2012 ⁽³⁾ | 3,184 | 82 | 0.03 | 9,120 | 2.86 |

(1) Includes the dilution effect of 100,010,000 and 93,600,000 additional shares resulting from issues of convertible bonds.

(2) Includes the dilution effect of 99,690,000 and 92,870,000 additional shares resulting from issues of convertible bonds.

(3) Includes the dilution effect of 118,150,000 and 106,130,000 additional shares resulting from issues of convertible bonds.

Financial and share
performance information

At 31 December 2012 the share price stood at €1.975 and the share to book ratio was 0.69.

Banco Sabadell's capital-raising actions in 2012 included three new share issues in the months of January, March and July.

Early in December 2011 a decision was taken to make a buyback offer to the holders of preferred securities issued by different Banco Sabadell group undertakings and sold to private individual investors. The preferred securities were to be exchanged for ordinary shares of Banco Sabadell. The process was completed on 3 January 2012 with the offer securing a 93.8% acceptance rate, a clear sign of its popularity among the small investors who were the main holders of the preferred securities. The result was to increase the share capital of the Bank by the issue of 223,179,763 new shares (representing 13.83% of its ordinary share capital). The offer was carried out for the dual purpose of giving holders of preferred securities the opportunity to liquidate their holdings and replace them with Banco Sabadell ordinary shares, while at the same time reinforcing the structure of the Bank's capital overall.

An Extraordinary General Meeting of the Company was called by the Board of Directors of Banco Sabadell to take place on 23 February 2012. The Meeting approved an increase in capital to be paid in cash, subject to a right of preferential subscription and to the possibility of the issue not being fully subscribed; it authorized the Board of Directors to carry out the increase in capital on any terms it considered expedient, except as specifically determined by the Meeting.

The subscription period for taking up shares offered in the increase in capital came to an end on 23 March 2012. The overall nominal amount of the increase was €85,469,329.13 and the overall effective amount was €902,556,116.88. The increase was effected by the issue and allotment of 683,754,633 ordinary shares, each with a nominal value of €0.125, of the same class and series as those then in issue.

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The main purpose of the increase in capital was to strengthen the Bank's core capital (i.e. capital and reserves). Although the Bank's capital resources were compliant with existing capital adequacy requirements, the increase in capital enabled Banco Sabadell to strengthen its share capital base and provided it with additional high-quality capital resources should there ever be a need to meet stricter capital requirements.

On 26 March trading in the new shares formally commenced on the Barcelona, Madrid and Valencia stock exchanges via the Spanish stock exchange's electronic trading system [mercado continuo].

At a meeting of the Board of Directors on 13 June 2012 the Board, in the exercise of powers granted to it by a resolution of the Annual General Meeting of 31 May 2012, made a decision to increase the share capital of the Bank by issuing new shares payable in cash; no right of preferential subscription would apply to the issue, which was subject to the possibility of not being fully subscribed. The issue was directed exclusively to all holders of certain Banco CAM group issues of preferred securities and subordinated debt willing to accept a public offer for sale of existing shares, or subscribe for new shares, in Banco Sabadell.

At the end of the offer acceptance period on 27 July 2012 (which achieved a 95.7% acceptance rate), the total number of shares of the Bank to be issued and sold as a result of the application by holders of the preferred securities of a cash sum equivalent to 100% of the nominal value of the repurchased preferred shares, was 678,194,488 (of which 22,000,000 were treasury shares and 656,194,488 were new shares representing 22.21% of the ordinary share capital of the Bank resulting from the offer). These new shares were admitted to trading on the stock exchange's electronic trading system on 13 August 2012.

On the conclusion, on 20 July 2012, of the third period for the voluntary conversion of mandatorily convertible subordinated notes issue I/2009, at a meeting of the Board of Directors on 26 July 2012 the Board took a decision to increase the capital of the Bank by issuing 693,247 new shares to provide funds for voluntary conversions of the 2,898 subordinated notes comprising issue I/2009. The new shares were admitted to trading on the electronic trading system on 13 August 2012.

By 9 November 2012, the end of the second period for the voluntary conversion of mandatorily convertible subordinated notes Issue I/2010, issued to be offered in exchange for shares in Banco Guipuzcoano, S.A. as part of a take-over offer by Banco Sabadell, applications to convert had been received from a total of 814 noteholders holding 3,925,686 notes which, under the terms of the issue, were equivalent in value to a total of 4,684,169 shares.

On 14 August 2012 the new shares were admitted to trading on the Barcelona, Madrid and Valencia stock exchanges via the electronic trading system [mercado continuo].

At the end of 2012 the number of Banco Sabadell ordinary shares outstanding as a result of these capital-raising operations was €2,959.55 million. Of the Bank's overall shareholder base, private investors accounted for 70.8% of the share capital, with institutional investors holding the remaining 29.2%.

—Analysis of shareholdings at 31 December 2012

| Number of shares | Number of shareholders | Number of shares | % of total share capital |
|------------------------------|------------------------|----------------------|--------------------------|
| From 1 to 12.000 | 200,148 | 540,817,671 | 18.27 |
| From 12.001 to 120.000 | 34,816 | 986,021,040 | 33.32 |
| From 120.001 to 240.000 | 1,103 | 182,409,015 | 6.16 |
| From 240.001 to 1.200.000 | 599 | 274,803,312 | 9.29 |
| From 1.200.001 to 18.000.000 | 102 | 379,854,407 | 12.83 |
| More than 18.000.000 | 6 | 595,649,572 | 20.13 |
| Total | 236,774 | 2,959,555,017 | 100.00 |

—Analysis of shareholdings at 31 December 2011

| Number of shares | Number of shareholders | Number of shares | % of total share capital |
|------------------------------|------------------------|----------------------|--------------------------|
| From 1 to 12.000 | 117,172 | 196,191,482 | 14.10 |
| From 12.001 to 120.000 | 9,255 | 287,787,225 | 20.69 |
| From 120.001 to 240.000 | 491 | 81,696,265 | 5.87 |
| From 240.001 to 1.200.000 | 318 | 149,718,911 | 10.76 |
| From 1.200.001 to 18.000.000 | 66 | 238,411,006 | 17.14 |
| More than 18.000.000 | 8 | 437,253,828 | 31.43 |
| Total | 127,310 | 1,391,058,717 | 100.00 |

Banco Sabadell has a Shareholder Relations Desk and an Investor Relations Department whose functions are to provide detailed information on the performance of the group and respond to enquiries, suggestions and views of existing or potential shareholders, whether private or institutional, on any aspect related to the Bank and its performance.

— Financial review

— The acquisition of Banco CAM has substantially increased business volumes

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| Assets | 2012 | 2011 | % 12/11 |
|---|--------------------|--------------------|----------------|
| Cash and deposits with central banks | 2,483,590 | 1,290,678 | 92.4 |
| Assets held for trading, derivatives and other financial assets | 7,182,995 | 2,273,131 | 216.0 |
| Financial assets available for sale | 24,060,464 | 13,268,170 | 81.3 |
| Loans and receivables | 110,732,517 | 76,282,944 | 45.2 |
| <i>Loans and advances to credit institutions</i> | 5,233,243 | 3,628,914 | 44.2 |
| <i>Loans and advances to customers (net)</i> | 105,102,361 | 72,654,030 | 44.7 |
| <i>Debt securities</i> | 396,913 | 0 | – |
| Equity investments in unconsolidated companies | 746,336 | 696,934 | 7.1 |
| Tangible assets | 2,635,038 | 1,106,881 | 138.1 |
| Intangible assets | 1,165,072 | 1,022,161 | 14.0 |
| Other assetst | 12,541,073 | 4,496,481 | 178.9 |
| Total assets | 161,547,085 | 100,437,380 | 60.8 |

| Liabilities | 2012 | 2011 | % 12/11 |
|--|--------------------|-------------------|----------------|
| Liabilities held for trading and derivatives | 2,473,447 | 2,011,411 | 23.0 |
| Financial liabilities at amortized cost | 144,984,600 | 91,586,490 | 58.3 |
| <i>Deposits from central banks</i> | 23,888,640 | 4,040,717 | 491.2 |
| <i>Deposits from credit institutions</i> | 9,779,956 | 8,128,791 | 20.3 |
| <i>Deposits from other creditors</i> | 82,464,410 | 58,444,050 | 41.3 |
| <i>Debt certificates including bonds</i> | 25,326,170 | 17,643,095 | 43.5 |
| <i>Subordinated liabilities</i> | 1,166,707 | 1,859,370 | (37.3) |
| <i>Other financial liabilities</i> | 2,358,717 | 1,470,467 | 60.4 |
| Liabilities under insurance contracts | 2,038,815 | 173,348 | – |
| Provisions | 1,370,326 | 350,203 | 291.3 |
| Other liabilities | 1,419,125 | 381,784 | 271.7 |
| Total liabilities | 152,286,313 | 94,503,236 | 61.1 |

| Equity | 2012 | 2011 | % 12/11 |
|-------------------------------------|--------------------|--------------------|----------------|
| Shareholders' equity | 9,119,542 | 6,276,160 | 45.3 |
| Valuation adjustments | (317,945) | (389,228) | (18.3) |
| Non-controlling interests | 459,175 | 47,212 | – |
| Total equity | 9,260,772 | 5,934,144 | 56.1 |
| Total liabilities and equity | 161,547,085 | 100,437,380 | 60.8 |

| Off-balance sheet items | 2012 | 2011 | % 12/11 |
|--------------------------------|-------------------|-------------------|----------------|
| Contingent exposures | 9,015,469 | 8,347,022 | 8.0 |
| Contingent commitments | 13,523,884 | 11,657,865 | 16.0 |
| Total | 22,539,353 | 20,004,887 | 12.7 |

Capital management

—Our core capital ratio rose to 10.4% after capital increases totalling €3,092 million in 2012

In 2012 Banco Sabadell continued the active capital management the strategy pursued in earlier years and achieved very satisfactory levels of solvency, as its end-of-year capital ratios show.

—BIS capital ratios

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| | 2012 | 2011 | % 12/11 |
|-----------------------------------|-------------------|-------------------|-------------|
| Capital | 369,944 | 173,881 | 112.8 |
| Reserves | 7,838,177 | 5,171,378 | 51.6 |
| Convertible bonds | 798,089 | 814,620 | (2.0) |
| Non-controlling interests | 51,078 | 53,239 | (4.1) |
| Deductions | (1,206,783) | (1,151,809) | 4.8 |
| Core capital | 7,850,505 | 5,061,309 | 55.1 |
| Core capital ratio (%) | 10.42 | 9.01 | |
| Preferred shares and deductions | (5,413) | 520,711 | — |
| Primary capital | 7,845,092 | 5,582,020 | 40.5 |
| Tier capital ratio (%) | 10.42 | 9.94 | |
| Secondary capital | 731,549 | 567,164 | 29.0 |
| Tier II capital ratio (%) | 0.97 | 1.01 | |
| Capital base | 8,576,641 | 6,149,184 | 39.5 |
| BIS Ratio (%) | 11.39 | 10.95 | |
| Minimum capital requirement | 6,025,145 | 4,493,377 | 34.1 |
| Capital surplus | 2,551,496 | 1,655,807 | 54.1 |
| Memorandum item | | | |
| Risk-weighted assets (RWA) | 75,314,313 | 56,167,208 | 34.1 |

Financial and share
performance information

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Actions taken in 2012 to increase solvency included:

- An exchange of Banco Sabadell preferred securities for Banco Sabadell shares in January, accepted in respect of 93.8% of the securities and enabling the Bank to increase its share capital by €785 million.
- A rights issue in March 2012 that resulted in an increase in the Bank's capital by €903 million.
- An exchange of Banco CAM preferred securities and subordinated debt for Banco Sabadell shares in the months of June and July, accepted in respect of 95.7% of the securities and generating an increase in capital of €1,404 million.

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Active management of the balance sheet in terms of both capital adequacy and risk exposure ensured that the surplus of available capital resources over minimum capital requirements was maintained. The Bank's capital position and its management of that position are viewed positively by the market.

Balance sheet management

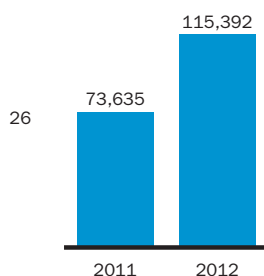
—A good inflow of new deposits and an active ALM policy have substantially improved our liquidity position
—A major injection of capital has strengthened our balance sheet

On 1 June 2012 Banco Sabadell completed the acquisition of 100% of the shares of Banco CAM. A few months later, on 5 December, the merger of Banco CAM by absorption into Banco Sabadell was officially registered, although the effective date of the merger for accounting purposes was 1 June 2012. The changes in the group's financial data for the year 2012 compared with 2011 therefore reflect the wide-ranging impact of the integration of Banco CAM data during the year.

At the end of 2012 the assets of the Banco Sabadell group totalled €161,547.1 million, rising by €61,109.7 million compared with total group assets at 31 December 2011. The annual increase in percentage terms was 60.8%.

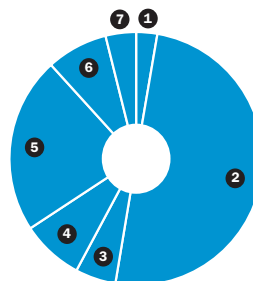
Gross loans and advances to customers excluding reverse repos totalled €115,392.4 million at 31 December 2012, up from €73,635.3 million at the close of 2011, a 56.7 % increase. Of the various components of gross loans and advances, the "secured loans" category showed the strongest growth, increasing by €20,865.7 million (up 55.0%).

—Gross loans and advances to customers (ex reverse repos) (€Mn.)



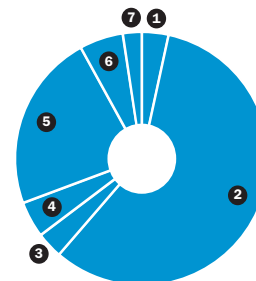
—Loans and advances
to customers – net
31.12.2011

| | |
|---------------------------------------|-----|
| 1 Overdrafts and sundry accounts | 3% |
| 2 Mortgage loans and credit | 49% |
| 3 Other secured loans and receivables | 5% |
| 4 Commercial loans | 8% |
| 5 Other loans | 23% |
| 6 Other receivables | 8% |
| 7 Finance leases | 4% |



—Loans and advances
to customers – net
31.12.2012

| | |
|---------------------------------------|-----|
| 1 Overdrafts and sundry accounts | 3% |
| 2 Mortgage loans and credit | 58% |
| 3 Other secured loans and receivables | 3% |
| 4 Commercial loans | 5% |
| 5 Other loans | 23% |
| 6 Other receivables | 6% |
| 7 Finance leases | 2% |



Financial and share
performance information

€'000

| | 2012 | 2011 | % 12/11 |
|---|--------------------|-------------------|-------------|
| Secured loans | 58,776,532 | 37,910,786 | 55.0 |
| Commercial loans | 4,424,246 | 5,454,772 | (18.9) |
| Other loans and receivables | 27,091,766 | 20,889,437 | 29.7 |
| Other loans | 25,099,847 | 9,380,347 | 167.6 |
| Gross loans and advances to customers ex reverse repos | 115,392,391 | 73,635,342 | 56.7 |
| Reverse repos | 1,890,884 | 1,286,731 | 47.0 |
| Loans and advances to customers – gross | 117,283,275 | 74,922,073 | 56.5 |
| Provisions for bad and doubtful debts and country risk | (12,180,914) | (2,268,043) | 437.1 |
| Loans and advances to customers – net | 105,102,361 | 72,654,030 | 44.7 |
| Memorandum item: total securitized assets | 20,176,753 | 10,150,163 | 98.8 |
| Of which: Securitized mortgage assets | 17,222,663 | 6,834,319 | 152.0 |
| Other securitized assets | 2,954,090 | 3,315,844 | (10.9) |
| Of which: Securitization issues after 01.01.2004 | 19,338,123 | 10,019,153 | 93.0 |
| Of which: Securitized mortgage assets | 16,442,337 | 6,705,180 | 145.2 |
| Other securitized assets | 2,895,786 | 3,313,973 | (12.6) |

Banco Sabadell Annual Report 2012

The loan loss ratio (bad and doubtful loans as a proportion of total qualifying loans and advances) at the close of 2012 stood at 9.3% — a figure from which assets subject to the Banco CAM Asset Protection Scheme were excluded. The ratio was again below the average for the Spanish financial sector as a whole.

€'000

| | 2012 | 2011 | % 12/11 |
|---|--------------|-------------|---------|
| Total non-performing exposures ⁽¹⁾ | 10,286,332 | 4,876,554 | 110.9 |
| Total credit risk exposure ⁽¹⁾⁽²⁾ | 110,278,647 | 81,982,364 | 34.5 |
| Loan loss ratio (%)⁽¹⁾ | 9.33 | 5.95 | |
| Loan and real estate impairment provisions | 17,589,940 | 3,522,700 | 399.3 |
| Loan loss and real estate coverage ratio (%)⁽³⁾ | 13.88 | 4.54 | |

(1) Figures and percentage variations for 2012 do not include assets covered by the Asset Protection Scheme (APS).

(2) Includes contingent liabilities.

(3) Shows impairment provision coverage for the loan and real estate portfolios combined.

In 2012 the Banco Sabadell group saw the value of its investment portfolio increase by 78.8% compared with the previous year to reach a year-end total of €25,713.8 million.

Banco Sabadell's portfolio of fixed-income investments is held, first, as part of its arrangements for macro-hedging the group's on-balance sheet interest rate risk; second, as a source of interest returns to boost net interest income, subject always to complying strictly with the established limits for interest rate risk; and third, as part of a treasury management strategy of investing cash surpluses in the securities markets.

The Bank ensures that the credit quality of overall asset positions held in its fixed-income portfolio is of the highest order and that it invests in assets with the highest ratings awarded by rating agencies.

€'000

| | 2012 | 2011 | %12/11 |
|--|-------------------|-------------------|-------------|
| Government securities | 14,586,324 | 7,939,504 | 83.7 |
| Treasury bills | 819,444 | 1,175,162 | (30.3) |
| Other government securities | 13,766,880 | 6,764,342 | 103.5 |
| Fixed-income securities | 8,905,360 | 4,348,994 | 104.8 |
| Doubtful assets | 44,370 | 8,281 | 435.8 |
| Total fixed-income securities | 23,536,054 | 12,296,779 | 91.4 |
| Shares and equity investments | | | |
| Credit institutions | 78,397 | 117,301 | (33.2) |
| Other private sector issuers | 1,352,963 | 1,271,865 | 6.4 |
| Equity investments in unconsolidated companies | 746,336 | 696,934 | 7.1 |
| Total shares and equity investments | 2,177,696 | 2,086,100 | 4.4 |
| Total Investment portfolio | 25,713,750 | 14,382,879 | 78.8 |

Customer funds on the liability side of the balance sheet at the end of the year stood at €110,996.1 million, up from €78,119.9 million at the end of 2011 (a 42.1% increase).

Customer deposits grew by 41.1%. Time deposits did particularly well, reaching a year-end total of €53,526.1 million (up 63.1%). Demand deposits (current accounts plus savings accounts) showed an overall increase of 44.5%.

Debt securities and other negotiable instruments together with subordinated liabilities totalled €26,492.9 million, up from the previous year's figure of €19,502.5 million, a 35.8% increase.

€'000

| | 2012 | 2011 | % 12/11 |
|--|--------------------|-------------------|---------------|
| Current accounts | 19,251,171 | 15,365,426 | 25.3 |
| Savings accounts | 7,833,472 | 3,374,545 | 132.1 |
| Time deposits | 53,526,063 | 32,819,805 | 63.1 |
| Repurchase agreements | 1,466,003 | 6,297,269 | (76.7) |
| Accrued expenses and deferred income | 564,214 | 505,230 | 11.7 |
| Adjustments due to hedging derivatives | (176,513) | 81,775 | - |
| Customer deposits | 82,464,410 | 58,444,050 | 41.1 |
| Debt securities and other negotiable instruments | 25,326,170 | 17,643,095 | 43.5 |
| Subordinated liabilities | 1,166,707 | 1,859,370 | (37.3) |
| Liabilities under insurance contracts | 2,038,815 | 173,348 | - |
| Total on-balance sheet deposits and issued securities | 110,996,102 | 78,119,863 | 42.1 |

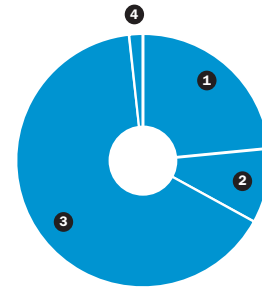
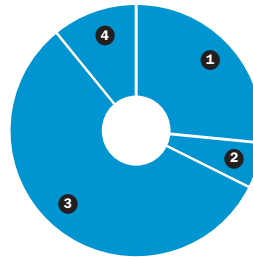
Financial and share
performance information

—Customer deposits*
31.12.2011

| | |
|-------------------------|-----|
| 1 Current accounts | 27% |
| 2 Savings accounts | 6% |
| 3 Time deposits | 56% |
| 4 Repurchase agreements | 11% |

—Customer deposits*
31.12.2012

| | |
|-------------------------|-----|
| 1 Current accounts | 23% |
| 2 Savings accounts | 10% |
| 3 Time deposits | 65% |
| 4 Repurchase agreements | 2% |



* Before time period and hedging adjustments.

The value of assets in collective investment schemes (CIS's) at the end of the year was €8,584.8 million, up 7.0% on the corresponding figure for 2011.

Banco Sabadell Annual Report 2012

€'000

| | 2012 | 2011 | % 12/11 |
|---|-------------------|-------------------|-------------|
| Managed collective investment schemes (CIS's) | 6,997,311 | 6,737,188 | 3.9 |
| Equity funds | 327,388 | 339,122 | (3.5) |
| Balanced funds | 425,964 | 434,449 | (2.0) |
| Fixed-income funds | 1,613,871 | 1,658,223 | (2.7) |
| Guaranteed funds | 2,376,623 | 2,035,260 | 16.8 |
| Real estate funds | 990,610 | 1,000,706 | (1.0) |
| Open-end investment companies (OEICs) | 1,262,855 | 1,269,428 | (0.5) |
| Mutual funds and OEICs distributed by the group | 1,587,537 | 1,286,997 | 23.4 |
| Collective investment schemes | 8,584,848 | 8,024,185 | 7.0 |
| Individual | 2,250,102 | 1,767,125 | 27.3 |
| Company | 1,435,039 | 1,067,101 | 34.5 |
| Group | 23,727 | 24,073 | (1.4) |
| Pension funds | 3,708,868 | 2,858,299 | 29.8 |
| Total CIS's and pension funds | 12,293,716 | 10,882,484 | 13.0 |

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Assets held in pension funds distributed by the group amounted to €3,708.9 million, while insurance policies sold and liabilities under insurance contracts increased to €9,352.0 million, a rise of 53.3% on the previous year.

Overall, customer deposits and assets under management amounted to €131,654.6 million at the close of the year compared with €96,062.0 million the year before, a 37.1% increase.

Financial and share
performance information

| €'000 | | | |
|---|--------------------|-------------------|-------------|
| | 2012 | 2011 | % 12/11 |
| Creditors – general government | 2,102,538 | 2,983,741 | (29.5) |
| Creditors – resident sector | 73,058,219 | 49,161,785 | 48.6 |
| Creditors – non-resident sector | 6,915,952 | 5,711,519 | 21.1 |
| Accrued expenses and deferred income | 564,214 | 505,230 | 11.7 |
| Adjustments due to hedging derivatives | (176,513) | 81,775 | – |
| Debt securities and other negotiable instruments | 25,326,170 | 17,643,095 | 43.5 |
| Subordinated liabilities | 1,166,707 | 1,859,370 | (37.3) |
| Collective investment schemes | 8,584,848 | 8,024,185 | 7.0 |
| Pension funds | 3,708,868 | 2,858,299 | 29.8 |
| Insurance policies sold and liabilities under insurance contracts | 9,351,968 | 6,099,726 | 53.3 |
| Wealth management | 1,051,659 | 1,133,237 | (7.2) |
| Total customer deposits and assets under management | 131,654,630 | 96,061,962 | 37.1 |

Banco Sabadell Annual Report 2012

| €'000 | | | |
|-------------------------------------|------------------|------------------|---------------|
| | 2012 | 2011 | % 12/11 |
| Capital | 369,944 | 173,881 | 112.8 |
| Reserves | 7,895,312 | 5,299,712 | 49.0 |
| Other equity instruments | 798,089 | 814,620 | (2.0) |
| Less: Own securities | (25,694) | (174,439) | (85.3) |
| Net attributable profit | 81,891 | 231,902 | (64.7) |
| Less: Dividend and similar payments | 0 | (69,516) | (100.0) |
| Shareholders' equity | 9,119,542 | 6,276,160 | 45.3 |
| Valuation adjustments | (317,945) | (389,228) | (18.3) |
| Non-controlling interests | 459,175 | 47,212 | – |
| Total equity | 9,260,772 | 5,934,144 | 56.1 |

Liquidity management and funding

The group's funding policy continued to focus on attracting deposits and other customer accounts through the branch network. This strategy was of particular relevance in an operating environment where the capital markets remained closed for a considerable part of the year 2012 as the sovereign debt crisis became more acute and spreads on Spanish government debt over the German Bund climbed to unprecedented heights, causing widespread uncertainty among investors in Spain's financial sector. However, the determination of the European Central Bank (ECB) to ensure the survival of the euro and its September announcement that it would support any eurozone country that needed supporting, combined with the publication by the Bank of Spain, in September, of the results of stress tests carried out as part of the process of recapitalizing and restructuring of the Spanish banking industry, caused confidence to return to the capital markets. The last quarter of the year saw some stabilization of debt issuance and a tentative reopening of the markets.

As far as its wholesale market funding activities were concerned Banco Sabadell, like the rest of the banking sector, saw its ratings downgraded by the three major rating agencies, very largely in response to lower sovereign credit ratings on Spain.

In another development, the Bank completed arrangements to have its debt rated by the DBRS credit rating agency, and on 31 December 2012 it gave notice that it would not be renewing its contract with Fitch Ratings as a setter of credit ratings for the group.

—Ratings awarded to Banco Sabadell debt securities

| Rating agency | Long-term debt | Short-term debt | Mortgage covered bonds | Public sector covered bonds | Other |
|-------------------|----------------|-----------------|------------------------|-----------------------------|--|
| DBRS | A (low) | R-1 (low) | | | Negative outlook |
| Moody's | Ba1 | NP | A3 | A3 | Negative outlook Financial strength D |
| Standard & Poor's | BB | B | | | Negative outlook |

Financial and share
performance information

The group has a number of short- and long-term funding programmes in place, giving it a suitable diversity of funding sources and an appropriate diversity of products, maturities and investors. Its short-term funding arrangements include a Spanish commercial paper ("pagaré") issuance programme with an upper limit of €5,000 million and a Euro Commercial Paper (ECP) programme with a nominal value of up to €3,500 million. The commercial paper programme is aimed primarily at domestic investors and the amount outstanding under the programme increased during the year, mainly through sales to unqualified investors. The balance outstanding at 31 December was €3,222 million. The group's ECP programme, aimed at global qualified investors, saw a modest increase from December 2011, when there had been no issues outstanding under the ECP programme. The balance at 31 December 2012 was €37 million.

As part of its longer-term funding, in 2012 Banco Sabadell issued bonds totalling €3,845 million under its nonparticipating securities issuance programme, designed for qualified and non-qualified investors. It also made two public issues of 3-year and 2-year mortgage covered bonds (cédulas hipotecarias) for total amounts of €1,200 and €500 million, respectively; two issues of covered bonds underwritten by the European Investment Bank (EIB) for a total of €295 million with terms of between eight and ten years, and five issues of straight bonds aimed at the general public for a total of €1,850 million, with terms of between 12 months and two years.

In addition to these sources of funds, the Bank holds a reserve of liquid assets —cash and assets realizable in the short-term— which would enable it to face any liquidity contingency. In the course of 2012 Banco Sabadell continued to strengthen its liquid asset base by generating a positive funding gap between deposits and loans —more than €15,000 million in 2012— via its branch network, and also by adding new eligible loans totalling more than €4,150 million to the assets pledged as collateral under its liquidity facility with the Bank of Spain. This was made possible, first, by the more relaxed admissibility criteria for assets eligible as collateral in monetary policy operations approved by the Bank of Spain on 9 February;

Banco Sabadell Annual Report 2012

and, second, by the arrangement of a €1,916.1 million loan to the fund set up by the Spanish government for the purpose of regularizing payments to suppliers of local and regional governments. At 31 December Banco Sabadell's eligible liquid asset base comprised more than €17,500 million in cash and cash equivalents.

At 31 December Banco Sabadell's net position with the ECB totalled €23,650 million as a result of the ECB's 3-year liquidity auctions of 22 December 2011 and 1 March 2012, in which Banco Sabadell and Banco CAM participated and were allotted amounts of €4,000 and €7,500 million and €6,000 and €6,150 million respectively.

Banco Sabadell's liquidity management policy seeks to ensure that its lending can be financed at a reasonable cost and within a reasonable time so that liquidity risk is kept to a minimum. Its standard liquidity management procedures are as follows:

- Each year a funding plan is drawn up based on the funding needs identified for each business unit and the amount to be raised on the capital markets, spread over a range of long- and short-term funding programmes.
- Regular checks are made to see that the funding plan is being adhered to and any deviations from the plan are identified for each business unit and the funding plan updated accordingly.
- The Bank's short-term commitments, treasury position and future projections are reviewed periodically to ensure that the Bank has sufficient liquidity to meet its financing needs in the long and short term.
- Banco Sabadell regularly updates its liquidity contingency plan to ensure that it has sufficient liquid assets available to respond effectively to any liquidity stress scenario that could arise. At the same time it assesses the quality of its portfolio of liquid assets by studying the sensitivity of these assets to different ratings downgrade scenarios.

Profit performance in 2012

Despite the challenging economic and financial conditions, the Banco Sabadell group ended the year 2012 with a net attributable profit of €81.9 million after net provisions for loan defaults, securities revaluations and real estate writedowns amounting to €2,540.6 million. In the year 2011, when the group's net attributable profit was €231.9 million, net provisions were significantly lower at €1,048.9 million.

-
- A dynamic ALM policy and solid growth in customer numbers are driving income generation
 - Exceptional profits of €2,541 million allocated in 2012 to boost provisions
-

At the close of 2012, net interest income totalled €1,868.0 million, rising by 21.5% on the previous year's figure. The inflow of income from Banco CAM after June 2012, together with careful management of interest spreads and an increased contribution from the group's fixed-income investments helped to offset the negative effect of the higher cost of borrowing on the capital markets.

Dividends received amounted to €9.9 million, up 12.7% on 2011's figure of €8.8 million. Profits of equity-accounted undertakings, on the other hand, were down on the previous year, partly as a result of the sale of a number of equity holdings (Banco del Bajío, for example) that had been returning good results.

Net fee and commission income was €628.7 million, increasing by €55.1 million (up 9.6%) on the year. Income categories showing particularly good growth were credit card fees, current account charges and charges for other services.

Net income from trading in 2012 was €546.2 million. Key contributors to this result included profits of €270.3 million on disposals of fixed-income assets available for sale, €166.3 million on buybacks of asset-backed securities and redemptions of securities issued by the group, and €132.2 from trading in securities. In 2011 net income from trading had included profits of €139.0 from securities trading and €87.1 million on a debt-for-equity swap offer in the first quarter of the year (the issue and sale of 126 million Banco Sabadell shares as part of an offer to buy back preferred securities and subordinated debt at a discount).

Other operating income and expenses showed a net outflow of €142.5 million compared with a net inflow of €8.2 million the previous year. A major expenditure item in 2012 was the group's €220.3 million contribution to the Bank Deposit Guarantee Fund, a far higher amount than the €29.8 million paid to the Fund in the previous year.

Operating expenses for 2012 were €1,511.6 million, of which €22.2 million were non-recurring. Recurring costs in 2012 were down 5.9% on a like-for-like basis compared with 2011. The cost: income ratio with non-recurring costs excluded was 50.3% at the close of the year.

The resulting operating profit (before impairment and other provisions) for the year was €1,289.9 million, up 4.8% on the previous year.

Net provisions for loan losses totalled €1,405.7 million, a sharp rise on the 2011 figure of €512.4 million. Additional provisions of €1,134.9 million were also set aside to cover impairment losses on real estate and financial assets.

Gains realized on asset disposals during the year totalled €15.4 million. This included the profit from the sale of the Bank's shareholding in Banco del Bajío. Profits on asset disposals in 2011, at €5.7 million, were considerably lower.

The group's income statement for 2012 includes an income item of €933.3 million in negative goodwill arising on the acquisition of Banco CAM.

After deducting income tax and the share of profits attributable to non-controlling interests, this leaves a net attributable group profit for the year of €81.9 million, down from €231.9 million in 2011. At the close of 2012 the Tier capital and core capital ratios stood at 10.4%, both ratios having increased from their year-end levels in 2011 (9.9% and 9.0% respectively).

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| | 2012 | % S/ATM | 2011 | % S/ATM | 12/11% |
|--|------------------|-------------|------------------|-------------|---------------|
| Interest and similar income | 4,735,621 | 3.43 | 3,394,082 | 3.52 | 39.5 |
| Interest expense and similar charges | (2,867,633) | (2.07) | (1,856,819) | (1.93) | 54.4 |
| Net interest income | 1,867,988 | 1.35 | 1,537,263 | 1.60 | 21.5 |
| Returns on equity instruments | 9,865 | 0.01 | 8,752 | 0.01 | 12.7 |
| Net income from equity-accounted undertakings | (11,735) | (0.01) | 37,650 | 0.04 | – |
| Fees and commissions (net) | 628,689 | 0.45 | 573,593 | 0.60 | 9.6 |
| Income from trading (net) | 546,236 | 0.40 | 271,246 | 0.28 | 101.4 |
| Foreign exchange differences (net) | 59,881 | 0.04 | 69,999 | 0.07 | (14.5) |
| Other operating income and expense | (142,478) | (0.10) | 8,219 | 0.01 | – |
| Gross income | 2,958,446 | 2.14 | 2,506,722 | 2.60 | 18.0 |
| Personnel expenses | (996,546) | (0.72) | (742,600) | (0.77) | 34.2 |
| Other general administrative expenses | (515,079) | (0.37) | (402,491) | (0.42) | 28.0 |
| Depreciation and amortization | (156,925) | (0.11) | (130,921) | (0.14) | 19.9 |
| Profit before impairment and other provisions | 1,289,896 | 0.93 | 1,230,710 | 1.28 | 4.8 |
| Loan loss and other provisions | (2,540,629) | (1.84) | (1,048,916) | (1.09) | 142.2 |
| Profit on disposal of assets | 15,407 | 0.01 | 5,672 | 0.01 | 171.6 |
| Negative goodwill | 933,306 | 0.68 | 0 | 0.00 | – |
| Profit from discontinued operations (net of tax) | 0 | 0.00 | 0 | 0.00 | – |
| Income tax | 398,055 | 0.29 | 48,406 | 0.05 | – |
| Consolidated profit for the year | 96,035 | 0.07 | 235,872 | 0.24 | (59.3) |
| Attributable to non-controlling interests | 14,144 | | 3,970 | | 256.3 |
| Net attributable profit | 81,891 | | 231,902 | | (64.7) |

Financial and share
performance information

Net interest income

Net interest income for the year 2012 totalled €1,868.0 million, up by 21.5% on the figure for 2011. The increase was due very largely to the merger of Banco CAM from June 2012. Average loans and advances to customers were up 29.6% while average customer deposits also grew, rising by 24.7%.

Interest receivable on loans and advances to customers was up from 4.05% in 2011 to 4.11% in 2012, an increase of 6 basis points. On the other hand, capital market funding costs rose by 139 basis points; this was due mainly to the impact of deferred fair value adjustments to the values of securities acquired as a result of the take-over of Banco CAM. The cost of deposits and other customer funds increased by just 2 basis points from 2.04% in 2011 to 2.06% in 2012.

Interest spreads showed an improvement despite a climate of falling interest rates, with 3-month Euribor averaging 0.6% over the year compared with 1.4% in 2011. Skilful management of deposit and lending rates helped to offset this decline in interest rates, with the result that interest spreads moved up 4 basis points, rising from 2.01% in 2011 to 2.05% in 2012. However, net interest income diminished as a proportion of average total assets, falling from 1.6% in 2011 to 1.4% in 2012. This fall was a consequence of the integration of Banco CAM data, which included a higher proportion of non-performing assets.

Banco Sabadell Annual Report 2012

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| | Average amount | 2012 Rate | Income/ expense | Average Amount | 2011 Rate | Income/ expense |
|--|--------------------|---------------|--------------------|-------------------|---------------|--------------------|
| Cash, central banks and other credit institutions | 4,568,908 | 1.20 | 54,773 | 2,441,323 | 1.60 | 38,955 |
| Loans and advances to customers | 90,942,333 | 4.11 | 3,736,363 | 70,162,479 | 4.05 | 2,841,394 |
| Fixed-income investments | 21,293,577 | 3.55 | 755,683 | 13,143,326 | 3.31 | 435,211 |
| Equity investments | 2,093,708 | – | 0 | 2,090,937 | – | 0 |
| Tangible and intangible assets | 2,803,977 | – | 0 | 2,025,523 | – | 0 |
| Other assets | 16,532,236 | 1.14 | 188,802 | 6,433,921 | 1.22 | 78,522 |
| Total capital employed | 138,234,739 | 3.42 | 4,735,621 | 96,297,509 | 3.52 | 3,394,082 |
| Credit institutions | 24,986,726 | (1.44) | (359,055) | 7,386,781 | (2.41) | (177,704) |
| Deposits from other creditors | 61,200,950 | (2.06) | (1,260,409) | 49,068,198 | (2.04) | (999,142) |
| Capital market | 29,724,584 | (3.73) | (1,108,684) | 22,785,085 | (2.34) | (533,081) |
| Repurchase agreements | 5,261,783 | (1.13) | (59,380) | 5,313,818 | (1.48) | (78,796) |
| Other liabilities | 9,797,288 | (0.82) | (80,105) | 5,772,118 | (1.18) | (68,096) |
| Shareholders' equity | 7,263,408 | – | 0 | 5,971,509 | – | 0 |
| Total funds | 138,234,739 | (2.07) | (2,867,633) | 96,297,509 | (1.93) | (1,856,819) |
| Net interest income | | 1.35 | 1,867,988 | | 1.60 | 1,537,263 |

Financial and share
performance information

Fees and commissions (net)

Net fee and commission income reached a year-end total of €628.7 million, up 9.6% on the figure for 2011. This growth was to a large extent due to the integration of Banco CAM data from June 2012 onwards.

Service-related fees and commissions were up 19.5%, with credit card fees, payment order fees and other customer service charges all showing good growth. Fees and commissions related to loan and guarantee risks were also up on the year before, with a 10.6% rise that was helped by similar upward shifts in loan-related charges and in fees chargeable on avals and other bank guarantees. Management fees on mutual funds and commissions on sales of pension funds and insurance were down 14.1% overall on the year, reflecting general market trends over the period.

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€'000

| | 2012 | 2011 | % 12/11 |
|--|----------------|----------------|---------------|
| Lending-related fees | 114,301 | 103,105 | 10.9 |
| Avals and other guarantees | 96,582 | 87,160 | 10.8 |
| Paid to other banks | (4,592) | (3,693) | 24.3 |
| Fees and commissions on loans and guarantees | 206,291 | 186,572 | 10.6 |
| Payment cards | 96,925 | 69,165 | 40.1 |
| Money transfers | 44,109 | 38,525 | 14.5 |
| Securities | 56,491 | 70,895 | (20.3) |
| Current account charges | 49,417 | 34,730 | 42.3 |
| Other ratings | 72,839 | 54,205 | 34.4 |
| Fees and commissions for service | 319,781 | 267,520 | 19.5 |
| Mutual funds | 66,413 | 73,812 | (10.0) |
| Commissions on sales of pension funds and insurance | 36,204 | 45,689 | (20.8) |
| Fees and commissions related to mutual funds, pension funds and insurance | 102,617 | 119,501 | (14.1) |
| Total net fees and commissions | 628,689 | 573,593 | 9.6 |

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General administrative expenses

Administrative expenses for the year 2012 were €1,511.6 million, an increase of 32.0% on the previous year which reflected the integration of administrative expenses for Banco CAM from June 2012 onwards. Of this €1,511.6 million, €22.2 million were non-recurring expenses. Recurring expenses in 2012 were down 5.9% on a like-for-like basis compared with the previous year. In particular, the various measures put in hand as part of the group's operating efficiency programme, both in branch-level administrative processes and other areas, resulted in a reduction of 3.9% in like-for-like personnel expenses. Other recurring administrative costs, again on a like-for-like basis, showed an even better result, falling by 9.3% compared with the figure for 2011.

| €'000 | 2012 | 2011 | % 12/11 |
|--|--------------------|--------------------|-------------|
| Wages and salaries | (748,944) | (538,109) | 39.2 |
| Social welfare costs | (156,349) | (113,017) | 38.3 |
| Other staff-related costs | (91,253) | (91,474) | (0.2) |
| Personnel expenses | (996,546) | (742,600) | 34.2 |
| IT and systems | (66,875) | (58,007) | 15.3 |
| Communications | (27,323) | (20,277) | 34.7 |
| Advertising | (48,261) | (35,585) | 35.6 |
| Premises, fittings and equipment | (152,873) | (111,763) | 36.8 |
| Printed material and office supplies | (6,862) | (7,013) | (2.2) |
| Taxes | (73,212) | (61,962) | 18.2 |
| Other expenses | (139,673) | (107,884) | 29.5 |
| Other administrative expenses | (515,079) | (402,491) | 28.0 |
| Total general administrative expenses | (1,511,625) | (1,145,091) | 32.0 |

Net provisions and impairment charges

During the year the group allocated €2,541 million against profits to strengthen the loan and other impairment provisions on its balance sheet.

| €'000 | 2012 | 2011 | % 12/11 |
|--|--------------------|--------------------|--------------|
| Loan impairment provisions | (1,405,685) | (512,362) | 174.4 |
| Real estate | (821,080) | (351,039) | 133.9 |
| Investments in associated undertakings | (235,233) | 0 | – |
| Financial investments available for sale (equity securities) | (50,565) | (118,198) | (57.2) |
| Other net provisions and impairment charges | (28,066) | (67,317) | (58.3) |
| Total net provisions and impairment charges | (2,540,629) | (1,048,916) | 142.2 |

— Acquisition of Banco CAM

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On 7 December 2011 Banco Sabadell made a successful bid for Banco CAM in a competitive bidding process organized by the Fund for Orderly Bank Restructuring (Spanish initials: FROB) following the reorganization of the Caja de Ahorros del Mediterráneo (CAM).

The take-over deal was agreed on financial terms that included risk limitation provisions. It had a strategic impact as it substantially extended the Bank's existing franchise in Alicante, Murcia, Valencia and the Balearic Islands.

The take-over arrangements were drawn up according to parameters that were set out in the bidding conditions. A contract containing a promise to carry out a sale and purchase of shares was concluded by the FROB, the Deposit Guarantee Fund (Spanish initials: FGD) and Banco Sabadell; and a protocol on the provision of financial assistance for a restructuring of Banco CAM was signed by Banco CAM, Banco Sabadell, the FROB and the FGD.

Once all required permissions had been obtained and the Banco CAM restructuring plan had been approved by the European Commission, the FGD increased its capital by €2,449 million in addition to the €2,800 million it had already disbursed and Banco Sabadell was then able to purchase 100% of the shares of Banco CAM for the price of one euro.

As a result of the acquisition an Asset Protection Scheme (APS) came into effect, as agreed in the protocol on financial assistance for the restructuring of Banco CAM, with retroactive effect as from 31 July 2011. Under the APS, for a specified portfolio of assets with a gross value of €24,660 million, the FGD would underwrite 80% of all losses on the portfolio for a period of ten years, once all provisions made in respect of those assets had been absorbed.

—The integration of Banco CAM operations and systems – one of 2012's major achievements

Banco Sabadell then gave an undertaking, as part of the approval process, to carry out an integration plan drawn up by FROB officials. This would involve the closure of 450 branches of the combined undertaking and staff reductions of approximately 2,200 by 31 December 2013.

In December 2012 Banco CAM, S.A.U. was formally merged by absorption into Banco de Sabadell; in the same month the process of business systems integration was completed and the new SabadellCAM brand was launched.

The SabadellCAM branches have been merged seamlessly with the rest of the group. The results of the SabadellCAM campaign in the last quarter of 2012 to generate new business were better than expected, winning a total of 7,335 new customers and securing €1,286 million in deposits and other funds.

The Banco CAM acquisition represented a transformative leap for Banco Sabadell. It enabled the Bank to contemplate a future that assures it of a place among Spain's top banking groups, and this at a crucial time when Spain's financial system was subjected to stress and under intense pressure to consolidate.

— Group businesses

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Banco Sabadell is at the head of Spain's fourth largest privately owned banking group. The group offers a full range of banking and financial services through its different financial institutions, brands, subsidiaries and associates. The group's development objectives are strongly focused on profitable growth and the generation of shareholder value through a strategy of business diversification based on high returns, efficiency and quality of service together with a conservative risk profile, while maintaining high standards of ethics and professional conduct combined with sensitivity to stakeholders' interests.

The Bank has a business model that fosters long-term customer relationships through constant efforts to promote customer loyalty and by adopting an initiative-based, proactive approach. The Bank offers a comprehensive range of products and services, competent, highly qualified personnel, an IT platform with ample capacity to support future growth and a relentless focus on quality. The group has four main areas of business: Commercial Banking; Corporate Banking and Global Businesses; Markets and Private Banking, and BS America. It has seven regional divisions with full responsibility for their areas, and several business-focused support teams.

Commercial Banking

Commercial Banking is the largest of the group's business lines. It focuses on providing financial products and services to large and medium-sized businesses, SMEs, retailers and sole proprietors, professional groupings and other personal customers. Its high degree of market specialization ensures that customers receive a personalized service of the highest quality tailored to their needs, whether from expert staff throughout its extensive branch network or via other channels that support the customer relationship and give access to remote banking services.

SabadellAtlántico, the group's flagship brand, operates in most of the country's regions except those served by other group brands, namely: Asturias and León, an area served by the group's Banco Herrero brand; the Basque Country, Navarre and La Rioja, where the group is represented chiefly through its SabadellGuipuzcoano network; and the Valencia and Murcia regions, once dominated by the former Banco CAM, where the group's brand is now SabadellCAM. Its SabadellSolbank brand has the primary aim of meeting the needs of Spanish-resident foreigners from other European countries. It does this through a chain of specialist branches operating only in the Canary Islands, the Balearic Islands and the country's southern and south-eastern mainland coastal areas. Finally, ActivoBank is there to serve customers who prefer to do their banking exclusively by telephone or online.

Corporate Banking and Global Businesses

Corporate Banking and Global Businesses offers a range of products and services to large corporates and financial institutions in Spain and abroad. Its activities embrace corporate banking, structured finance, corporate finance, development capital, international trade and consumer finance.

The Bank's major clients are served by a team of expert managers working from its offices in Madrid, Barcelona, London, Paris and Miami. The group's business model in serving these clients is based on a comprehensive offering of specialized financing services and solutions, ranging from cash management to more sophisticated, tailor-made solutions in such areas as financing, treasury services and corporate finance.

In the area of structured finance Banco Sabadell has a team that operates from offices in Madrid, Barcelona, the Basque country, Miami and New York and has more than 20 years' experience in originating and structuring deals, whether in the area of corporate finance or project finance.

Sabadell Corporate Finance is a group subsidiary that specializes in advising on mergers and acquisitions. It advises corporate transactions such as company sales and acquisitions, mergers and MBOs, assists companies in finding new or replacement partners and provides independent value appraisals.

Banco Sabadell's development capital business focuses on two main areas: taking temporary equity positions in non-financial companies; and medium-term investments in energy projects, with the accent on renewable forms of energy.

In its international business the Bank aims to be present in the markets that are of most interest to companies actively engaging in foreign trade. It does this by having a network of foreign branches, subsidiaries and associates to support its customers' operations in other countries; it also maintains working arrangements with more than 2,800 correspondent banks all over the world, thus providing customers with a further assurance of genuinely global coverage.

Sabadell Fincom is a group subsidiary specializing in consumer finance. Its principal business is providing point-of-sale finance for the leasing or purchase of cars, computer equipment, domestic appliances, health care accessories and other products.

Markets and Private Banking

Banco Sabadell's Markets and Private Banking division is made up of several departments, namely SabadellUrquijo Banca Privada; Investment, Products and Research; Treasury and Capital Markets; Securities and custodian services; and Bancassurance. With a service offering that includes research into investment alternatives, market trading, active wealth management and custodian services, the division covers all aspects of the investment process that are regarded as critical by clients who rely on the Bank to manage their savings.

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Markets and Private Banking is well equipped to offer high value products and services designed to secure the best possible returns for customers, thanks to optimized investment and investment management processes that depend on disciplined analysis and professionalism of a high order.

Constant changes in the regulatory environment are a key focus of attention for Markets and Private Banking, especially the rules on investor protection and market transparency introduced as a result of the European Financial Markets Directive (MiFID). The Bank has a design and approval process for products and services which ensures that the full range of offerings available

to customers more than meets their requirements in terms of quality, returns and appropriateness to market conditions. Moreover, the constant updating of procedures for investment risk classification and customer risk profile assessment, coupled with continuously evolving investment advice and monitoring tools and methodologies, ensure a high degree of consistency across all phases of the investment process.

BS America

The BS America operation comprises a number of business units, associated undertakings and representative offices which together provide financial services in the corporate banking, private banking and commercial banking fields. The business is managed from Miami, where Banco Sabadell has a full-service international branch which has been in operation since 1993. In the course of 2012 the Bank opened a branch in New York which handles a large part of the group's structured finance business.

During the year 2012 Banco Sabadell continued to pursue its aim of consolidating its domestic banking operation in the state of Florida through its subsidiary Sabadell United Bank. In June it completed the work of integrating the IT systems of bank branches acquired as a result of its acquisition of Lydian Private Bank, thus further strengthening its local banking business in Florida. In the same month it acquired the assets and liabilities of Banco CAM's branch in Miami, which were then integrated with those of its international full-service branch in that city. The Bank thus concluded its fourth and fifth corporate actions in the state of Florida within a five-year period that had already seen the acquisition of TransAtlantic Bank in 2007, the take-over of BBVA's private banking business in 2008 and the purchase of Mellon United National Bank in 2010.

Banco Sabadell retained its interest in Banco BHD, a highly regarded institution in the Dominican Republic. Its also maintains representative offices in Mexico, Venezuela, Brazil and the Dominican Republic for the convenience of customers in the Americas region.

Commercial Banking in 2012

- 44 In 2012, despite a highly complex operating environment, a major promotional effort aimed at attracting new customers and deposits through a strong local branch presence resulted in increased market shares for the Bank.

A year of achievement in new customer acquisition

Net interest income attributable to Commercial Banking totalled €1,531.3 million in 2012, with pre-tax profits reaching €151.7 million. The ROE was 3.1% and the cost:income ratio was 60.9%. Loans and advances totalled €91,975 million and customer funds under management stood at €69,514 million.

| €'000 | | | |
|---------------------------------|------------------|------------------|----------------------|
| | 2012* | 2011 | Change y.o.y, (%) |
| Net interest income | 1,531,259 | 1,279,557 | 19.7 |
| Fees and commissions (net) | 450,652 | 372,335 | 21.0 |
| Other income | (90,640) | 26,570 | - |
| Gross income | 1,891,271 | 1,678,462 | 12.7 |
| Operating expenses | (1,151,999) | (883,867) | 30.3 |
| Operating profit (loss) | 739,272 | 794,595 | (7.0) |
| Impairment losses | (587,574) | (352,364) | 66.8 |
| Profit (loss) before tax | 151,698 | 442,231 | (65.7) |
| Ratios (%) | | | |
| ROE | 3.1 | 12.2 | |
| Cost:income ratio | 60.9 | 52.7 | |
| Loan loss ratio | 10.9 | 6.6 | |
| Loan loss coverage ratio | 74.1 | 48.0 | |
| Business volumes (€Mn.) | | | |
| Loans and advances | 91,975 | 53,203 | 72.9 |
| Customer accounts | 69,514 | 41,600 | 67.1 |
| Securities | 7,898 | 5,469 | 44.4 |
| Other information | | | |
| Employees | 10,924 | 7,259 | 50.5 |
| Branches in Spain | 1,839 | 1,322 | 39.1 |

* Figures for 2012 include performance data for Banco CAM from June onwards.

Group businesses

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Market segments

Companies, businesses, government and local authorities

A key aspect of the work of the Bank's branches in 2012, as envisaged in the group's current 3-year strategic plan, was the ongoing campaign to win new customers. During the year 72,981 companies were added as new customers of Banco Sabadell, a number that was 31.4% up on the previous year's figure. In the third quarter the SME and large corporate business segments saw their shares in the division's overall total reach unprecedented heights, rising by 8.1% for both customer groups. Especially noteworthy was the large corporate segment's share in the total, which rose to 70.6%, a clear sign of the added value afforded by the possession of a network of dedicated business branches which at the end of the year consisted of 71 branches covering every part the country.

In the business customer segment, acquisition levels were highly significant and increased the share of this customer group by 6.5% compared with the previous year. A key element in new business generation was the "Expansión Negocios" account, a specially targeted product that was launched in 2010 and

remains fully competitive in terms of both services and cost and is consequently highly effective as a marketing aid. To make the management of this large number of new customers more cost-effective, a customer education programme was put in hand with the aim of helping customers to develop their multi-channel abilities and thus enabling them to have more of their commonest banking needs serviced remotely.

In its approach to public sector customers, the group finalized a plan for engaging with the public sector which resulted in the formation of a team of dedicated managers covering all parts of the country. In 2012 positive results were achieved across a range of business metrics including increases in customer numbers and customer funds, which were up by 33.7% and 36.5% respectively compared with the previous year. Another noteworthy aspect was Banco Sabadell's active participation in mechanisms set up by the Spanish Government to finance the country's regional governments and manage their payments to suppliers: the Regional Liquidity Fund and the Fund for the Financing of Payments to Suppliers.

All through 2012 the group waged an intense promotional effort whose primary focus was on attracting deposits and other funds. The success of this campaign meant that, despite fierce competition within the banking industry and the prevailing economic climate, customer funds grew by 9.6% year-on-year, rising by €1,805.8 million in absolute terms. Key contributors to this growth were commercial paper (pagarés) and term deposits, especially the "Líder" 12-month deposit. Key products in the drive to promote customer loyalty and increase cross-sale ratios were business and store protection policies, with take-up rates rising by 29.6% compared with the previous year. In working capital finance the group decided to anticipate new SEPA regulations due to come into effect in 2014 by introducing two new products, B2B and Core Direct Debits, which provide further safeguards for customers in their business transactions. For another year more specialized forms of financing such as factoring and "confirming" (discounted payments of invoices presented by a customer's named suppliers), particularly in cross-border transactions, provided customers with additional solutions for their global collections and payments.

One area deserving of special mention is the group's firm commitment to e-commerce. During the year a special unit was set up to be a source of expertise with a mission to drive innovation and give advice and support to business customers entering the world of online selling.

Support of another kind was offered to customers in the form of solutions to help them meet their funding and liquidity requirements. During the year numerous agreements were made with official agencies at central government and regional level, under which the Bank was able to provide a total of €1,565.0 million in loan finance. A very similar area of business that generated much activity during the year was the provision of finance to businesses and sole traders under Official Credit Institute-sponsored schemes, in which the Bank achieved a 12.2% share, putting it in third place among participating banks and improving its ranking by two notches compared with the previous year. The ICO funding schemes with the highest take-up were ICO Liquidez and ICO Inversión, with disbursements totalling €752.3 million and €557.8 million respectively. The Bank was also the

top provider of finance under the ICO Exportadores, ICO Garantía SGR and ICO Emprendedores funding schemes, in which its shares were 88.0%, 35.7% and 31.9% respectively.

The Bank also continued to work tirelessly to promote international trade and offer guidance to businesses. As part of this effort it organized a series of foreign trade seminars that were attended by over 2,100 firms. The "Exportar para crecer" [Export to grow] programme, an innovative combination of products and training events designed to meet customers' exporting needs, was launched during the year. Activities of this kind confirmed Banco Sabadell's position as a key supplier of services for foreign trade, both to existing and potential customers. An indication of this was the growth in its share of the export and import documentary credit businesses compared with 2011, with year-end market shares of 24.3% and 14.1% respectively.

In 2012 Banco Sabadell was once again a leading provider of medium- and long-term finance, especially in the areas of leasing, sale-and-leaseback, marine finance and finance for expansion and renewing plant and equipment. One indication of this was an 18.0% rise in the group's plant and equipment leasing business with its focus on energy-efficiency, in which it was a major market player. In the area of leasing, the launch of a special product for franchises to help franchisees obtain access to credit was a noteworthy development.

The last month of the year saw a further progress in implementing the group's policy of focusing on particular market segments, with two highly targeted sales teams being set up: one dedicated to businesses in market segments related to the tourist/holiday industry, and one focused exclusively on institutional clients.

| €'000 | 2012 | 2011 | Change y.o.y, (%) |
|--------------------------------|------------------|------------------|----------------------|
| Net interest income | 893,357 | 838,259 | 6.6 |
| Fees and commissions (net) | 210,074 | 174,655 | 20.3 |
| Other profits/losses | (21,835) | 4,681 | - |
| Gross income | 1,081,596 | 1,017,594 | 6.3 |
| Business volumes (€Mn.) | | | |
| Loans and advances | 58,979 | 39,971 | 47.6 |
| Customer accounts | 26,866 | 20,171 | 33.2 |
| Securities | 4,000 | 3,493 | 14.5 |
| Loan loss ratio | 13.61% | 7.87% | |

Individual customers

The year 2012 was of special significance for the Bank's goal, as set out in its current 3-year strategic plan, of perfecting its growth strategy for the individual customer segment. Record figures for customer growth were achieved for the second year in succession as new customers reached a total of more than 338,800, an increase of 18.2% on the figure for 2011. At the same time, the full integration of the Banco CAM group, the market leader in serving the needs of individual customers in the regions of Valencia and Murcia, resulted in Banco CAM's two million-strong customer base being transferred to Banco Sabadell.

Another factor of critical importance in 2012 in attaining the group's strategic goals of winning new customers and deepening customer relationships was a major promotional effort across the entire branch network; this was organized around a combination of three pivotal themes: profile-raising actions, competitive products and service quality.

Actions to raise the group's profile took the form of investment in advertising campaigns in which the main emphasis was on transmitting the group's values as a basis for building long-term relationships.

In 2012 it was once again the "Cuenta Expansión" account that had the star role in the Bank's product offering and provided a keynote for campaigns to generate new business and transaction activity from a more sophisticated customer. Cuenta Expansión, a product strongly promoted at branch level and well established in the marketplace, proved once again to be highly competitive.

Finally and no less importantly, the group's determination to grow without compromising its high standards of customer service ensured that Banco Sabadell scored the lowest customer attrition rate of any bank in 2012 (according to research by FRS Inmark on the banking habits of the general public in Spain), despite substantial increases in customer numbers.

A key event in the group's promotional efforts directed at the personal banking (non-mass market) customer segment in 2012 was the launch of the "Cuenta Expansión Premium" account, supplementing the standard Cuenta Expansión product with a range of exclusive features for the personal banking customer. At the same time, efforts to attract new funds to strengthen the balance sheet were rewarded with a 4.7% increase in funding from customers over the year.

For middle-income customers the "Cuenta Expansión" provided the main hook on which to hang promotional activities aimed at winning and retaining new customers looking for a solution to their day-to-day banking needs. By the close of the year 173,870 new accounts of this type had been opened, with direct debit bill payments showing a 9.3% rise as of November. Meanwhile, promotional campaigns aimed at growing on-balance sheet funds succeeded in attracting a total of €20,330.4 million in new funding by the end of the year, a figure that was 17.8% higher than the year before.

In mortgage finance, a large part of the group's business consisted of mortgage loans for purchases of properties owned by the Bank or whose development it had financed. In 2012 these loans accounted for 44.7% of the aggregate value of mortgage loans granted, well above the 26.7% they represented in 2011. The group's share of new home loans arranged during the year increased by 57.2% (as of September), to 3.7%, compared with the 2.3% the year before.

In a context of lower consumer spending by households, the group saw an increase in its short-term lending compared with the previous year. This was driven partly by growth in the number of drawdowns on pre-arranged overdraft facilities via online or other remote channels, and partly by increased use of the "Línea Expansión", a facility designed to provide cash advances to households to fund day-to-day spending needs. The Bank also continued to be a leading provider of funding for courses of study at business schools such as IESE, ESADE or IE, a group which was

joined by EADA, LaSalle, AGAUR-ICF and other business schools during the year.

The group's credit card business also saw significant growth, with revenue increasing by 20.0% and the number of cards in use by 63.0%, including figures for Banco CAM. The Bank's share of the EPOS market was up by 22.5% on the previous year, reaching 8.6% by the end of 2012.

A notable development in the group's services targeted at Spain's resident expatriate community, offered mainly through the SabadellSolbank branches, was the success of the "Regular Transfer Plan" exclusively for UK citizens who make up 43% of the group's foreign customers. The plan was launched in 2012 and is designed to make it easier for British expatriates to have regular automatic transfers sent from the UK to their accounts in Spain without having to make special arrangements with their UK bank. The strong take-up of the service among UK customers resulted in a 473.8% increase in net income from the service compared with 2011. The number of customers in this market segment reached a year-end total of 243,000, with assets under management in excess of €5,009.7 million.

Finally ActivoBank, with more than 55,000 customers at the close of the year, continued to focus on wealth management, generating business volumes of more than €1,597.6 million. Its key priority continued to be growing its balance sheet funds, which were up 16.3% on 2011.

Group businesses

| e'000 | 2012 | 2011 | Change y.o.y, (%) |
|--------------------------------|----------------|----------------|----------------------|
| Net interest income | 637,902 | 441,299 | 44.6 |
| Fees and commissions (net) | 240,577 | 197,680 | 21.7 |
| Other profits/losses | (68,805) | 21,889 | — |
| Gross income | 809,675 | 660,868 | 22.5 |
| Business volumes (€Mn,) | | | |
| Loans and advances | 32,995 | 13,232 | 149.4 |
| Customer accounts | 42,647 | 21,429 | 99.0 |
| Securities | 3,898 | 1,976 | 97.3 |
| Loan loss ratio | 5.65% | 3.90% | |

Banco Sabadell Annual Report 2012

Banco Herrero

Banco Herrero saw its customer base increase by 32,361 in 2012, a sign of the trust enjoyed by the brand within its regional market of Asturias and León, as well as the popularity of its product offering and the effectiveness of its branch sales personnel. Of these new customers 28,571 were individuals and 3,790 were businesses, confirming Banco Herrero's position as a key player within its Asturias and León base.

The rise in customers immediately translated into business growth and boosted the inflow of funding which grew by more than for all other competitors within the territory served by the Herrero brand, rising by €588.1 million to a year-end total of €7,145.2 million, 9.0% more than at the end of 2011. This was helped by the boost to confidence given to all the group's customers on seeing it being classed as one of the most resilient Spanish banks with sufficient capital to outdrive the most adverse macroeconomic

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scenarios, as was demonstrated by independent audits carried out on Spain's leading financial institutions.

A clear indication of Banco Sabadell's position as a key provider of finance for business ventures is the active part it has played in ICO-subsidized funding schemes in Asturias and León in the last few years. In 2012 Banco Herrero was responsible for 35% and 20%, within Asturias and León respectively, of the total amount made available under the ICO scheme by all participating banks combined. In some schemes, entrepreneur finance for example, Banco Herrero saw its share rise to as much as 65% for Asturias and 24% for León. The group's aim of bringing financing solutions to businesses was furthered by agreements made during the year with the Asturian Enterprise Federation (FADE) and the León Entrepreneurs' Federation (FELE). These resulted in the "Impulso" scheme under which funds amounting to €300 million were released to support business entrepreneurship in Asturias and León.

Vigilance in the selection and monitoring of loans was once again a key priority and the loan loss ratio, which stood at 3.8% at the end of the year, was one of the lowest for the Spanish banking industry as a whole.

Banco Herrero received awards which, for another year, showed the high levels of appreciation and satisfaction with the brand among customers and the wider community in Asturias León. These included the Medal of Honour awarded by the Humanitarios de San Martín, a local philanthropic organization, and the Golden Apple prize from the Asturian Centre in Madrid. Celebrations held in honour of the brand's centenary were brought to a brilliant climax at a recital given by soprano singer Ainhoa Arteta at the Príncipe Felipe hall in Oviedo, before an invited audience of 1,500 customers.

A significant event in 2012 was the second year of the Álvarez-Margaride prize, the result of a joint initiative by Banco Herrero and the APQ (Asturias Patria Querida) Association. The prize is awarded to people, firms or organizations whose activities show a long-standing connection with the Asturias region. On this occasion the prize was won by Plácido Arango Arias, an Asturian-Mexican businessman.

Other activities in the cultural and social spheres included four new exhibitions at the Banco Herrero Hall in Oviedo, organized as part of an agreement between the bank and the Asturian Government's Department of Culture. Each year the Banco Herrero Foundation awards a prize to an economist below the age of 40 judged to have done outstanding work in the economic, business or social arenas. This year the award went to Emilio J. Castilla, a Massachusetts Institute of Technology professor whose research field is meritocracy and human relations within corporations.

SabadellGuipuzcoano

May 2012 saw the merger and integration of Banco Guipuzcoano within the Banco Sabadell group following the merger of the former into the latter. As a result, all branches serving Guipuzcoano's home territory of the Basque Country, Navarre and La Rioja are now operating under the SabadellGuipuzcoano name only. Responsibility for managing these branches lies entirely with the group's Northern Division in the Basque Country. As the single brand bedded in, a

rationalization plan for the Bank's branches in the region was put in hand to merge two networks that had so far operated side-by-side, with branches sharing a single location in many cases. A total of 42 branches were affected by the reorganization, which reduced this number through mergers to a final 21.

The plan led to further reorganization of regional branches under the SabadellGuipuzcoano umbrella. Subsequently another eight branches, this time from the former Banco CAM network in the region, were integrated, again as a result of mergers. The changes brought the SabadellGuipuzcoano network to its current total of 129 branches serving more than 125,000 customers and handling an overall volume of business that accounts for approximately 6% of the total business of the Banco Sabadell group.

The reorganization was accompanied by the introduction and rolling out of Banco Sabadell management and business processes and systems to all branches of the former Banco Guipuzcoano, resulting in very substantial increases in new customer numbers and in lending and deposit taking. Given the strategic importance that customer service has for the Banco Sabadell group, the speed with which the group's policies on quality were adopted by these reorganized branches was nothing short of remarkable: as early as the second quarter, they had already attained the same high standards and quality indicators as the rest of the organization.

Another factor which has undoubtedly cemented links with the local community in the region has been a sustained effort in external communication and sponsorship, which has succeeded in giving the Bank, and especially the SabadellGuipuzcoano brand, a high degree of visibility and recognition. There is, in fact, a clear perception in the market that SabadellGuipuzcoano combines the strength of Banco Sabadell, as one of Spain's top-line banking organizations, with the closeness and dedication to the local market represented by the Banco Guipuzcoano brand identity.

Community-based actions in 2012 were numerous and sustained and included cultural, social, business and sporting events within the region. Business-related actions, for example, included sponsoring a "Basque enterprise evening" which underscored the Bank's commitment to Basque industry and commerce, and the Guipúzcoa Chamber of Commerce trade prizes. In the cultural domain, the Bank continued to support major events such as the San Sebastián Music Festival, the Kursaal Foundation's concert season and the International Gastronomy Fair, also held in Guipúzcoa's main city of San Sebastián. Finally, the Bank increased its sponsorship of local sporting events, the most important of which was undoubtedly the Basque Country Tour cycle race, a long-established, high-level competition. That the event was able to continue this year was only possible thanks to a last-minute agreement by the Bank to act as a sponsor, thus assuring it of an enormous media impact.

SabadellCAM

For a large part of the year Banco Sabadell was engaged in the challenging task of integrating Banco CAM without any loss of focus on business priorities. On completion of the process in June 2012 and without waiting for full systems integration, the Bank set in motion an action plan to relaunch Banco CAM as a business

with the aim of returning to the volume of deposits it had had in the past and rebuilding confidence among its customers.

The actions put in hand to bring about the successful relaunch were carried out in three areas or stages. The first of these was to set up a new sales/marketing organization and bring in the former Banco CAM sales team to staff it. The team's offices were reassigned among the group's Commercial Banking regional divisions. Within the SabadellCAM regional division (covering the area served by the former Banco CAM), four area units were set up to manage the large number of customers and branches in that region. In this phase of the restructuring programme, two landmark events are particularly worthy of mention. First, conferences were held in Alicante and Sant Cugat del Vallès for 1,200 and 400 delegates respectively, at which attendees were given presentations on the integration and the shared enterprise on which they were about to embark.

The second key event in that first phase was an offer to Banco CAM customers to exchange their holdings of preferred and subordinated debt, which was rewarded with a 95% acceptance by customers. This was the first major success in the take-over project and demonstrated the capabilities of the Banco CAM sales team, now fully integrated within the group.

In June a media campaign on the revitalized Banco CAM was launched under the slogan "Aquí nos tienes, de nuevo" ["Here we are again"], with the clear objective of restoring Banco CAM to its past eminence and rebuilding trust among its customers.

The aim behind the new SabadellCAM brand was to combine Banco Sabadell's brand values with the wide recognition enjoyed by Banco CAM within its traditional area of influence. This meant retaining the differentiated identity of the Banco CAM brand and perfectly fitted the group's multi-brand strategy. SabadellCAM is now the principal name under which the group will operate in the regions of Valencia and Murcia (along with the SabadellSolbank branches in the main resort/expatriate areas).

Channels

Banco Sabadell is an industry leader in harnessing technology to bring financial services to its customers. More and more customers are talking about the Bank in blogs and on social networking sites, where they can perform multiple interactions with a single click. Moreover, customers can connect to networks anytime, anywhere. They can move freely from one channel to another; at the same time, there is no reason why the completion of any particular stage in signing up for a product should take place on a particular channel. For customers, therefore, it is vital that these different channels (branch, online banking, smartphone, etc.) should be able to interact with each other and respond to customers' enquiries or needs in a totally seamless way. Banco Sabadell is continually improving its way of interacting with customers and broadening its range of multi-channel services by adding convenient financial solutions, while preserving the essence of its value proposition: quality of service.

Banco Sabadell's ambition is to let customers experience a new way of doing banking that not only embodies everything that the new technologies have to offer but also, for those already using them on a daily basis, avoids creating any distance or remoteness between customer and bank.

Banco Sabadell is also working to enhance the day-to-day experience of customers using these new channels and to make the new channels work better with the traditional ones. The Bank's aim is to convert its branches into a multi-channel network so that employees and customers can interact in different ways; at the same time, it is making banking easier and simpler, so that service is what really makes the difference.

Branch network

Banco Sabadell ended the year with a total of 1,898 branches. Of these, 901 were operating under the SabadellAtlántico name; 523 were trading under the SabadellCAM name in Valencia and Murcia; 179 made up the Banco Herrero network in Asturias and León; 128 were SabadellGuipuzcoano branches in the Basque Country, Navarre and La Rioja; 106 were SabadellSolbank branches, 12 were SabadellUrquijo, 2 were Corporate Banking branches and 2 were ActivoBank customer service centres. The group's international network comprised a further 45 offices.

| Region | Province | Sabadell Atlántico | Sabadell Atlántico Business | Sabadell CAM | Sabadell CAM Business | Banco Herrero | Banco Herrero Business | Sabadell Guipuzcoano | Sabadell Guipuzcoano Business | Sabadell Urquijo | Sabadell Solbank | ActivoBank | Sabadell Atlántico Corporate | Total |
|----------------------------------|--------------|-----------------------|-----------------------------------|-----------------|-----------------------------|------------------|------------------------------|-------------------------|-------------------------------------|---------------------|---------------------|------------|------------------------------------|------------|
| Andalucía | Almería | 7 | | | | | | | | | 3 | | | 10 |
| | Cádiz | 13 | 1 | | | | | | | | 2 | | | 16 |
| | Córdoba | 6 | | | | | | | | | | | | 6 |
| | Granada | 6 | 1 | | | | | | | | 2 | | | 9 |
| | Huelva | 3 | | | | | | | | | 1 | | | 4 |
| | Jaén | 3 | | | | | | | | | | | | 3 |
| | Málaga | 31 | 1 | | | | | | | 1 | 27 | | | 60 |
| | Sevilla | 22 | 1 | | | | | | | 1 | | | | 24 |
| Total, Andalucía | | 91 | 4 | | | | | | | 2 | 35 | | | 132 |
| Aragon | Huesca | 6 | | | | | | | | | | | | 6 |
| | Teruel | 1 | | | | | | | | | | | | 1 |
| | Saragossa | 18 | 1 | | | | | | | 1 | | | | 20 |
| Total, Aragon | | 25 | 1 | | | | | | | 1 | | | | 27 |
| Asturias | Asturias | | | | | 143 | 4 | | | | | | | 147 |
| Total, Asturias | | | | | | 143 | 4 | | | | | | | 147 |
| Balearic Is. | Balearic Is. | 46 | 6 | | | | | | | | 17 | | | 69 |
| Total, Balearic Islands | | 46 | 6 | | | | | | | | 17 | | | 69 |
| Basque Country | Álava | | | | | | | 8 | 1 | | | | | 9 |
| | Guipúzcoa | | | | | | | 47 | 1 | 1 | | | | 49 |
| | Vizcaya | | | | | | | 45 | 1 | 1 | | | | 47 |
| Total, Basque Country | | | | | | | | 100 | 3 | 2 | | | | 105 |
| Canary Islands | Las Palmas | 11 | 1 | | | | | | | | 7 | | | 19 |
| | Tenerife | 5 | | | | | | | | | 7 | | | 12 |
| Total, Canary Islands | | 16 | 1 | | | | | | | | 14 | | | 31 |
| Cantabria | Cantabria | 5 | 1 | | | | | | | | | | | 6 |
| Total Cantabria | | 5 | 1 | | | | | | | | | | | 6 |
| Castile – La Mancha | Albacete | 6 | | 1 | | | | | | | | | | 7 |
| | Ciudad Real | 3 | | | | | | | | | | | | 3 |
| | Cuenca | 2 | | | | | | | | | | | | 2 |
| | Guadalajara | 3 | | | | | | | | | | | | 3 |
| | Toledo | 7 | | | | | | | | | | | | 7 |
| Total Castile – La Mancha | | 21 | | 1 | | | | | | | | | | 22 |

| Region | Province | Sabadell Atlántico | Sabadell Atlántico Business | Sabadell CAM | Sabadell CAM Business | Banco Herrero | Banco Herrero Business | Sabadell Guipuzcoano | Sabadell Guipuzcoano Business | Sabadell Urquijo | Sabadell Solbank | ActivoBank | Sabadell Atlántico Corporate | Total |
|-------------------------------------|------------|-----------------------|-----------------------------------|-----------------|-----------------------------|------------------|------------------------------|-------------------------|-------------------------------------|---------------------|---------------------|------------|------------------------------------|--------------|
| Castile & León | Ávila | 2 | | | | | | | | | | | | 2 |
| | Burgos | 5 | 1 | | | | | | | | | | | 6 |
| | León | | | | | 31 | 1 | | | | | | | 32 |
| | Palencia | 2 | | | | | | | | | | | | 2 |
| | Salamanca | 3 | | | | | | | | | | | | 3 |
| | Segovia | 1 | | | | | | | | | | | | 1 |
| | Soria | 1 | | | | | | | | | | | | 1 |
| | Valladolid | 9 | 1 | | | | | | | | | | | 10 |
| | Zamora | 4 | | | | | | | | | | | | 4 |
| Total, Castile & León | | 27 | 2 | | | 31 | 1 | | | | | | | 61 |
| Catalonia | Barcelona | 300 | 12 | | | | | | | 2 | | 1 | 1 | 316 |
| | Girona | 54 | 1 | | | | | | | | | | | 55 |
| | Lleida | 22 | 1 | | | | | | | | | | | 23 |
| | Tarragona | 27 | 1 | | | | | | | | | | | 28 |
| Total, Catalonia | | 403 | 15 | | | | | | | 2 | | 1 | 1 | 422 |
| Ceuta | Ceuta | 1 | | | | | | | | | | | | 1 |
| Total Ceuta | | 1 | | | | | | | | | | | | 1 |
| Community of Valencia | Alicante | | | 234 | 8 | | | | | | 36 | | | 278 |
| | Castellón | | | 22 | 1 | | | | | 1 | | | | 24 |
| | València | | | 104 | 7 | | | | | 1 | 1 | | | 113 |
| Total, Community of Valencia | | | | 360 | 16 | | | | | 2 | 37 | | | 415 |
| Extremadura | Badajoz | 3 | | | | | | | | | | | | 3 |
| | Cáceres | 3 | | | | | | | | | | | | 3 |
| Total, Extremadura | | 6 | | | | | | | | | | | | 6 |
| Galicia | A Coruña | 7 | 2 | | | | | | | | | | | 9 |
| | Lugo | 6 | | | | | | | | | | | | 6 |
| | Ourense | 3 | | | | | | | | | | | | 3 |
| | Pontevedra | 9 | 1 | | | | | | | | | | | 10 |
| Total, Galicia | | 25 | 3 | | | | | | | | | | | 28 |
| La Rioja | La Rioja | | | | | | | 6 | 1 | | | | | 7 |
| Total, La Rioja | | | | | | | | 6 | 1 | | | | | 7 |
| Madrid | Madrid | 192 | 9 | | | | | | | 2 | | 1 | 1 | 205 |
| Total, Madrid | | 192 | 9 | | | | | | | 2 | | 1 | 1 | 205 |
| Melilla | Melilla | 1 | | | | | | | | | | | | 1 |
| Total, Melilla | | 1 | | | | | | | | | | | | 1 |
| Murcia | Murcia | | | 143 | 3 | | | | | | 3 | | | 149 |
| Total, Murcia | | | | 143 | 3 | | | | | | 3 | | | 149 |
| Navarre | Navarre | | | | | | | 17 | 1 | 1 | | | | 19 |
| Total, Navarre | | | | | | | | 17 | 1 | 1 | | | | 19 |
| Total branches in Spain | | 859 | 42 | 504 | 19 | 174 | 5 | 123 | 5 | 12 | 106 | 2 | 2 | 1,853 |

Occupational groups and agent partners

Banking services targeted on professional and occupational groupings and the use of agent partners and associates continued to play a key role in winning customers in 2012, whether individuals, retail establishments or professional practices. At the close of the year a total of 1,625 partnership agreements were in existence with professional associations and colleges with a combined membership of over 1,309,126, of whom 358,960 were

already customers of the Bank. The business volumes associated with this market amounted to more than €13,000 million.

Of particular significance was the signing up of 65,000 employees and senior managers of companies that were business customers of the Bank, as well as more than 66,500 new customers from the professions.

Banco Sabadell's network of agent partners, particularly in the role of "collaborating agent", was once again a key channel for winning new business. New customer introductions amounted to over 18,000 at the end of the year. A noticeable tendency in 2012 was the increasing number of financial advisory firms ("EAFIS") and financial agents joining the Bank's network of agent partners.

International network

At 31 December 2012 Banco Sabadell's branches and offices outside Spain were as follows:

| Country | Branch | Representative Office | Group subsidiary/ associate |
|----------------------|--------|-----------------------|-----------------------------|
| Europe | | | |
| Andorra | | | • |
| France | • | | |
| Poland | | • | |
| Portugal | | | • |
| Turkey | | • | |
| United Kingdom | • | | |
| Americas | | | |
| Brazil | | • | |
| Dominican Republic | | • | • |
| Mexico | | • | |
| USA | • | • | • |
| Venezuela | | • | |
| Asia | | | |
| China | | • | |
| Hong Kong | | | • |
| India | | • | |
| Singapore | | • | |
| United Arab Emirates | | • | |
| Africa | | | |
| Algeria | | • | |
| Morocco | • | | |

ATM network

In the course of the year a total of 89 million transactions (24.5 million of them on Banco Sabadell ATMs and 64.5 million on SabadellCAM machines) were done on the group's network of 3,166 self-service cash machines.

The group continued the ATM modernization programme it began in 2009. This included replacing a total of 294 machines and installing another 8 mini cash machines for updating bank books only; of these the group now has a total of 337 (including 329 belonging to the SabadellCAM network).

Work also continued to ensure maximum operational availability of ATMs, including adjustments to monitoring systems to trigger warning signals and remedial actions in the event of a

loss of communication. Measures were also taken to ensure that machines were dispensing cash at all times.

Improvements were made to user help screens for the most frequent types of transaction (cash withdrawals, updating bank books and account balance enquiries) and five new screen languages were added: Valencian, Dutch, Finnish, Swedish and Norwegian (plus Russian and Arabic on Banco CAM machines).

The performance of ATMs was also upgraded with the addition of new functionality for paying taxes and utility bills using barcode readers and payments with debit or credit cards. A new "Instant Money" service, which allows users to withdraw money without a card, was also introduced.

Remote access channels

BS Online

At the end of 2012 more than 1,950,000 individual customers and 385,000 businesses had signed up for the group's online banking service. The overall figure (which includes Banco CAM) was more than 59% up on the year before. A total of 482 million transactions were performed online, an annual increase of 37%.

The internetization rate (i.e. the number of transactions done online as a proportion of the total), at 84.4%, showed a considerable improvement compared with the previous year's 81%, and BS Online continued to contribute to improving the efficiency of the Bank's service to its customers.

In service availability, BS Online was again among the four best online banking services according to metrics produced by Eurobits, the specialist online banking monitoring organization.

The year saw further action to improve security and fraud prevention, including a new system for signing e-commerce transactions and an expanded system for requesting a second personal detail on a mobile phone when using online banking. Work was also done to make transfers more user-friendly and to simplify the viewing and sending of files of orders in business-to-business transactions.

During the year work started on integrating the websites of SabadellSolbank and SabadellGuipuzcoano into the main Sabadell site, in line with group policy.

Banking on the move – BS Móvil

The BS Móvil mobile phone banking portal showed impressive growth in the number of active users in 2012, ending the year with a total of 360,900 users, an 182% increase. At the close of the year more than 27% of active users of online banking were also using their mobile phones to access the service.

The number of users of the SMS alerts service increased by 94%. SMS messages were received by more than 1,448,000 users on their mobile phones and more than 27.4 million messages were sent, an increase of 44% on the number sent the previous year.

In 2012 the Bank continued its strategy of developing capabilities in native applications for phone terminals and tablets running on key platforms such as iPhone, iPad, Android, BlackBerry and Windows Phone.

This was accompanied by a massive expansion in the number of new functions available on BS Móvil. These included paying credit

card bills in instalments, loan repayments, cashback on bills paid by direct debit, changes in personal details, regular payments into pension and retirement plans, etc. Special facilities for business users was also added, such as single and multiple signatures to authorize transactions and applications to open an account with the bank or sign up for online banking by mobile phone.

Branch Direct

The year 2012 saw further changes to Branch Direct to give it a more sales-oriented role. Its focus will be from now on acquiring new customers, signing up customers for remote banking services, dealing with customer enquiries and building customer loyalty across a variety of communication channels (telephone, e-mail, social networking sites, etc.).

During the year Branch Direct received and handled more than 1,630,000 enquiries, 31% more than in the previous year. The telephone helpline achieved a service level (calls answered as a proportion of calls received) of 95.8% and a response rate (calls answered in less than 20 seconds) of 80%.

Another innovation was the launch of a telephone banking service for business users and, as the integration of Banco CAM came to completion, the group-wide implementation of the Branch Direct service model (24/7 availability, one-number access, proactive contact with customers, etc.).

Social networking sites

During the year Banco Sabadell continued to make use of social networking sites as 24-hour-a-day servicing and communication channels.

This year @BancoSabadell, the only financial services company in Spain with a verified Twitter account, completed its fifth year as a Twitter user and ended the year with more than 40,000 followers on the social networking sites where it has a presence.

Use was made of the sites to provide ongoing support for sales campaigns and media events such as the Open Banc Sabadell tennis tournament and the group's "Seny", "Relaciones" and "Valores" campaigns.

2012 also saw the launch of a new Banco Sabadell Internet television channel, bancosabadell.tv, offering a wide variety of video content featuring news and features related to the organization. It also joined a new social networking site, www.pinterest.com/bancosabadell.

Banco Sabadell's presence on the main social networking sites can be viewed on socialmedia.bancsabadell.com.

Promotional campaigns

In 2012, as part of the Bank's strategic objective of winning new customers and deepening customer relationships and to support its marketing efforts, a number of advertising campaigns were undertaken.

General profile-raising actions included a continuing campaign on the theme of "conversations" —which garnered numerous advertising industry awards in the course of the year— and the launch of "Values", a campaign highlighting the attributes of trust, truthfulness and communication as vital elements in building

lasting relationships with customers. These general themes were reinforced by promotional initiatives run in particular areas or regions. One of these was a campaign targeted on SabadellCAM's home territory of Valencia and Murcia, where its "Here we are again" slogan transmitted a powerful message of optimism. Another campaign, confined to Catalonia and themed on the Catalan word "seny" (shrewd good sense), featured celebrities from different walks of life explaining what the word meant to them. No less successful, and the ultimate example of locally focused marketing, was a campaign celebrating the Catalan town of Sabadell in 2012, Banco Sabadell's 130th anniversary year. The principal campaign event, a flashmob performance of Beethoven's Ode to Joy, found its way into the top 20 viral ads for 2012.

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—Corporate Banking and Global Businesses in 2012

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Corporate Banking

Banco Sabadell was again one of the foremost banks actively addressing this market segment, for which the loan loss ratio is just 1.1%. Since these major corporate clients export a relatively large share of their output and are therefore less exposed to local business cycle and market conditions, activity in this segment continued at a high level and enabled us to keep our business growing in step with our clients. Thanks to the resilience of this market segment, Corporate Banking was able to end the year with a 19.1% rise in operating income, sufficient to absorb the increase in provision charges compared with the previous year, which ended with a net provision release. All this helped Corporate Banking to keep its ROE for 2012 in double digits (14.1%).

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- Strong revenue growth
- We opened an office in New York

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In purely business terms, our key priorities continued to be strengthening customer relationships and boosting income from fee-earning services with lower capital usage, while continuing to apply the same rigorous standards to the approval and renewal of loans.

Towards the end of the year a design was produced for a restructured Corporate Banking division based on a prior segmentation exercise. This will ensure that business development and risk approval policies are more closely aligned with the needs of each customer segment and more targeted on core customers. The exercise will be carried out in coordination with our Corporate Banking teams in Spain (Madrid and Barcelona) along with those in Paris, London and Miami.

€'000

| | 2012* | 2011 | Change y.o.y, (%) |
|---------------------------------|----------------|----------------|----------------------|
| Net interest income | 213,623 | 170,711 | 25.1 |
| Fees and commissions (net) | 32,721 | 28,539 | 14.7 |
| Other income | 1,452 | 9,882 | (85.3) |
| Gross income | 247,796 | 209,132 | 18.5 |
| Operating expenses | (25,708) | (22,735) | 13.1 |
| Operating profit (loss) | 222,088 | 186,397 | 19.1 |
| Impairment losses | (58,462) | 3,221 | - |
| Other profits/losses | 0 | 0 | 0.0 |
| Profit (loss) before tax | 163,626 | 189,618 | (13.7) |
| Ratios (%) | | | |
| ROE | 14.1 | 19.3 | |
| Cost: income ratio | 10.4 | 10.9 | |
| Loan loss ratio | 1.1 | 0.7 | |
| Loan loss coverage ratio | 123.3 | 86.7 | |
| Business volumes (€Mn.) | | | |
| Loans and advances | 12,792 | 11,239 | 13.8 |
| Customer accounts | 4,079 | 4,159 | (1.9) |
| Securities | 531 | 444 | 19.7 |
| Other information | | | |
| Employees | 95 | 94 | 1.1 |
| Branches in Spain | 2 | 2 | 0.0 |
| Branches abroad | 2 | 2 | 0.0 |

* Figures for 2012 include performance data for Banco CAM from June onwards.

Group businesses

Structured Finance

Banco Sabadell is one of Spain's foremost providers of structured financing solutions and lead-managed many of the deals carried out in Spain during the year, whether in the area of project finance, corporate finance or acquisitions.

The organization has shown a remarkable capacity for innovation and adapting to new circumstances in all markets and product areas, and has constantly sought new financing solutions for its customers.

A major event in 2012 was the launch of the Bank's representative office in New York which, along with its Miami office and its Sabadell United subsidiary, represents a further milestone in the Banco Sabadell Americas project and confirms its role as a market leader in loan syndications, especially in the renewable energy field.

The acquisition of Banco CAM led to a significant increase in structured finance deals, with a sizeable expansion in the number of transactions involving other European countries.

Corporate Finance

In its capacity as an advisor of mergers and acquisitions, during the year Banco Sabadell successfully completed six transactions in the telecommunications engineering, motor vehicle component, audiovisual services, mass-market packaging and renewable

Banco Sabadell Annual Report 2012

energy sectors. In two cases the transaction was international in character and involved advising Spanish companies on the acquisition of a foreign target. Another comprised the first take-over offer for a company quoted on MAB, Spain's alternative market for smaller companies, establishing the Bank as a major player in finance deals of this type.

Development capital

Aurica XXI, S.C.R., S.A.

Aurica XXI (a company subject to the “simplified regime” for share issues by venture capital companies) is the vehicle through which Banco Sabadell supports the growth of well-managed non-financial companies with strong, industry-leading positions and a good presence in foreign markets, by providing short-term capital and active assistance.

The year 2012 was a time for consolidation and for beginning the process of divesting Aurica's existing equity portfolio, including ComsaEmte.

Sinia Renovables, SCR, S.A.

Through its subsidiary Sinia Renovables (a company subject to the “simplified regime” for share issues by venture capital companies), Banco Sabadell takes temporary shareholdings in companies in the renewable energy sector. The company also does investment research in other renewable sources for electricity generation such as solar, photovoltaic, CHP or mini-hydraulic power generation and wind farm projects.

The year 2012 saw the commissioning of wind farms acquired the year before while still under construction or at the development stage. Energy production commenced at wind farms at Mirasierra (Palencia), Sierra Sesnández (Zamora) and Loma del Capón (Granada).

International trade

For the Bank's international trade business 2012 was another very busy year, thanks in part to the growth in exporting. Transactions were directly arranged with more than 252 correspondent banks in five continents. The group secured cross-border business amounting to some €1,545 million, retaining healthy market shares in documentary credits received from its correspondent banks, with shares of 16.2% in import documentation and 24.3% in export documentary credits based on data for transactions handled by SWIFT, with the share of documentary credits showing an 84 basis point rise since the end of 2011.

The Bank's international branches continued to focus on, and adapt their services for, markets of special interest to Spanish companies actively engaging in foreign trade, whether in the import/export field or as part of their foreign investment activities. During the year the Polish office of the former Banco CAM was absorbed into the Banco Sabadell international trade organization.

The Bank's Casablanca branch, the first to be opened by a Spanish bank in Morocco, met all the targets set for it, thus continuing the solid progress the branch has made since its launch. It is ideally positioned to assist Moroccan businesses with share-owning interests or trading links in Spain by providing them with transaction banking and financial solutions of the first order.

Banco Sabadell has long been a pioneer in building a presence in foreign markets. This is especially true of such key markets as China (where it has three offices), India, Singapore, Turkey, the United Arab Emirates and Algeria. Its foreign branches and offices continue to bring significant added value to the international operations of Spanish businesses.

Consumer finance: BanSabadell Fincom

Business activity at BanSabadell Fincom continued to expand in 2012, with increases over previous years in both net revenue and operating income, the latter rising by as much as 12%.

It also made further progress in improving efficiency in recovering debts, thus reducing loan delinquencies and ensuring that 100% of doubtful loans were provided for.

During the year a total of 55,000 new loans were arranged through 4,000 points of sale in all parts of the country. This new business resulted in top-line revenues for 2012 of €257 million.

The company continued to deliver efficiency improvements thanks to highly skilled personnel, upgraded technology tools, and success in managing down operating costs. All this helped the company to bring its cost:income ratio down to below 33%.

—Markets and Private Banking in 2012

SabadellUrquijo Banca Privada

A major milestone during the year 2012 was the integration of Banco Urquijo into Sabadell Banca Privada under a single brand name: "SabadellUrquijo Banca Privada". Combining these two business models has produced customer service benefits, whether in the form of accessibility via the Banco Sabadell branch network or through the specialist private banking branch relationship, thus assuring customers of a totally personalized approach across the full range of private banking services.

These changes, of a highly strategic nature, considerably boosted Banco Sabadell's business effectiveness by strengthening its position as a key player in serving high net-worth individuals and managing large fortunes, as well as through the synergies released by a simpler, leaner organizational structure.

The customer service team comprised 175 private bankers working from 12 specialist private banking offices and 23 customer service centres located in 11 of the country's regions. The office team was supplemented and supported by experts to advise on investment, tax and wealth planning, so that customers

could be sure of tapping a wide range of expertise according to their individual requirements.

The acquisition of Banco CAM in June 2012 resulted in the private banking business of that organization being merged during the year. The result was the addition of a professionally qualified staff of 17 with a background in sales, business volumes of €1,927 million and 3,800 customers.

The focus on specialization led to exclusive service offerings being developed for specific customer segments such as prominent people from the worlds of Sport and Entertainment and Religious Organizations, or in business areas such as company pension/retirement plans, with a considerable impact on customers' perceptions. Another new development was the launch of Excellence, a programme whose aim is to systematize the servicing of ultra-high net-worth clients and provide them with a differentiated service tailored to their needs.

Top-line revenues for SabadellUrquijo were €25,378 million, with a pre-tax profit of €12,686 million; the unit served a total of 28,749 customers.

For the unit 2012 was a year of consolidation in terms of strategic positioning, brand profile and public image, providing a platform from which the Markets and Private Banking team can tackle the challenges and opportunities that lie ahead.

€'000

| | 2012 | 2011 | Change y.o.y. (%) |
|---------------------------------|---------------|---------------|----------------------|
| Net interest income | 16,753 | 15,599 | 7.4 |
| Fees and commissions (net) | 39,422 | 42,180 | (6.5) |
| Other income | 669 | 5,036 | (86.7) |
| Gross income | 56,844 | 62,815 | (9.5) |
| Operating expenses | (41,446) | (46,520) | (10.9) |
| Operating profit (loss) | 15,398 | 16,295 | (5.5) |
| Provisioning expense (net) | 0 | 0 | – |
| Impairment losses | (2,712) | 91 | – |
| Other profits/losses | 0 | 0 | – |
| Profit (loss) before tax | 12,686 | 16,386 | (22.6) |
| Ratios (%) | | | |
| ROE | 22.5 | 26.9 | |
| Cost:income ratio | 72.9 | 74.1 | |
| Loan loss ratio | 3.4 | 0.6 | |
| Loan loss coverage ratio | 93.1 | 152.2 | |
| Business volumes (€Mn.) | | | |
| Loans and advances | 3,192 | 3,425 | (6.8) |
| Customer accounts | 15,667 | 15,684 | (0.1) |
| Securities | 6,519 | 5,854 | 11.4 |
| Other information | | | |
| Employees | 268 | 298 | (10.1) |
| Branches in Spain | 12 | 11 | 9.1 |

Investment, Products and Research

Banco Sabadell continued to focus on financial market analysis and research to identify the right asset allocation strategies to

guide investment and product planning. The year 2012 saw a major effort to ensure customers were provided with ample information on key market developments, investment views and product recommendations using a variety of new formats and channels.

The difficult macroeconomic environment generated opportunities for investment in the financial markets that were utilized to take positions in a range of investment instruments, launch new capital growth and guaranteed return products, and make direct recommendations to investors. These opportunities included the high returns available on Spanish government debt caused by uncertainty over the euro, excellent returns on corporate bonds and attractive earnings from higher risk assets as risk premiums gradually declined after the summer.

During the year the investment analysis unit continued to strengthen its advisory services, whether in stock market investments or in private sector debt. One consequence of this was a yet wider coverage in its range of market strategy reports focusing on sectors and geographic regions, companies quoted on the main Spanish and European bourses and corporate bonds or securities issued by central or regional government or other official agencies.

The group's Investment Management business is carried on by the units responsible for managing collective investment schemes (CIS's), and combines investment management with the distribution and operation of CIS's. It also manages investments on behalf other Banco Sabadell businesses that hold portfolios of assets.

At the close of 2012 total assets under management by the Spanish-domiciled mutual fund industry as a whole, including real estate investment funds, totalled €126,529.6 million, 4.3% below the figure for the year before. Net redemptions registered in 2012 by mutual funds investing in financial assets totalled €10,273.8 million.

The volume of assets held in Spanish-domiciled mutual funds under management by the Banco Sabadell group amounted to €5,423.5 million at the close of the year. This was 4.4% above the figure for the previous year and included the mutual funds added as a result of the integration of Banco CAM.

| e'000 | 2012 | 2011 | Change y.o.y, (%) |
|--|---------------|---------------|----------------------|
| Gross income | 29,946 | 29,155 | 2.7 |
| Operating expenses | (18,712) | (18,762) | (0.3) |
| Operating profit (loss) | 11,234 | 10,393 | 8.1 |
| Other profits/losses | (6) | 0 | – |
| Profit (loss) before tax | 11,228 | 10,393 | 8.0 |
| Ratios (%) | | | |
| ROE | 25.8 | 15.7 | |
| Cost:income ratio | 62.5 | 64.4 | |
| Business volumes (€Mn.) | | | |
| Assets under management in CIS's | 6,997 | 6,737 | 3.9 |
| Total assets in CIS's including schemes sold but not managed | 8,585 | 8,024 | 7.0 |
| Other information | | | |
| Employees | 148 | 153 | (3.3) |
| Branches in Spain | – | – | – |

The group's offering of guaranteed return funds continued to be very actively promoted during the year and return guarantees were issued in respect of six guaranteed funds totalling €616.1 million at 31 December 2012. Guaranteed funds as a whole accounted for €2,370.8 million worth of assets at the close of the year. The proportion of assets held in guaranteed funds increased relative to the total value of financial assets under management in funds subject to Spanish jurisdiction, rising to 53.4% from 48.3% the year before.

Sabadell BS Inmobiliario FII, a real estate fund launched in early 2004, ended the year with assets of €980.2 million and 17,163 fundholders, the latter increasing by 4.7% on the previous year. The fund remains an industry leader for collective investment in real estate assets on the Spanish market.

In 2012 Banco Sabadell mutual funds earned a number of accolades and distinctions. Five mutual funds managed by Sabadell Inversión were reviewed and had their Silver fund gradings confirmed by mutual fund rating agency and analysts Standard and Poor's Capital IQ Fund Research. Four of the funds were also awarded the coveted Five-Year Long Term Grading for consistently high returns over the last five years. Sabadell Inversión is the only fund manager subject to Spanish jurisdiction that can boast a high quality grading from Standard & Poor's Capital IQ Fund Research.

During the year a total of 23 mutual funds and three investment companies (OEICs) were added to the range of investment vehicles as a result of the merger of Banco CAM. There were 10 mergers in which 11 funds were absorbed by others with the same investment objectives, having regard always to investors' best interests. One OEIC was also merged. Two fixed-return guaranteed funds were set up and registered with the securities market regulator (CNMV). By the end of the year the number of Spanish-jurisdiction collective investment schemes stood at 269 with management split between BanSabadell Inversión, S.A., S.G.I.I.C. Sociedad Unipersonal (101 mutual funds, one real estate fund and one OEIC) and Urquijo Gestión, S.A., S.G.I.I.C. Sociedad Unipersonal (166 OEICs or SICAVs).

Treasury and Capital Markets

In 2012, despite the prevailing difficult economic climate good levels of activity were maintained and ensured that financial targets were met. Low interest rates and reduced needs for long-term financing, combined with increasing export activity by our customers, led to changes in the product mix, with currency and exchange rate management products experiencing rising demand at the expense of hedging and structured investment products. In 2012, as in the year before, a significant contribution was made by fixed-income products, especially securities designed for retail investors. These included securities issued by the group itself.

Banco Sabadell was able to continue raising funds in the capital markets, even though the bond markets remained inaccessible for long periods of time to a majority of Spanish issuers. As an issuer in the primary fixed-income market, however, Banco Sabadell not only further strengthened its position as a lead manager of issues for the wholesale and retail markets, but also

participated in buyback offers for securitization and subordinated debt issues.

The group's market trading activities included notable successes in portfolio management, despite movements in the spreads on peripheral European debt; at the same time it was deeply engaged in liquidity management in view of the shut-down in capital market issuances. However, 2012 was also a year of consolidation and reduced dependence on external sources in the generation of financial products.

Bancassurance

—Bancassurance – a dependable, growing business

At 31 December 2012, the total volume of savings under management by Bancassurance was €8,537.9 million. Issued premiums totalling €774.8 million.

As a result of the 2012 merger of Banco CAM, Banco Sabadell's insurance and pensions business is structured into three joint ventures:

- BanSabadell Vida, BanSabadell Pensiones and BanSabadell Seguros Generales, which since 2008 have been operating as joint ventures in partnership with the Zurich insurance group.
- Mediterráneo Vida, in partnership with the Aegon insurance group.
- Mediterráneo Seguros Diversos, in partnership with Caser.

Another undertaking, Mediterráneo Mediación, distributes insurance written by the former Banco CAM.

Bancassurance made a profit before distribution commissions, exceptional items and taxes of €164.1 million and a net profit of €62.3 million.

BanSabadell Vida

Total premium income in life insurance for the year 2012 was €551.2 million, placing BanSabadell Vida in ninth position in the league table of Spanish life offices according to recent data published by ICEA, a research organization for the insurance and pension industries.

In protection-only life insurance, premium income totalled €95.5 million, up 6% on the year-end figure for 2011. With demand for mortgage payment protection policies continuing to decline, positive trends included new high-selling offerings for businesses and the growth in the Life Care range of free-standing life policies, which generated €38.6 in premium income, an annual increase of 21%.

BanSabadell Vida savings/life insurance products ended the year with total savings under management of €5,555.0 million.

This ranks BanSabadell Vida as the Spanish life industry's 11th largest provider according to recent data from ICEA.

BanSabadell Vida posted a profit before sale commissions, exceptional items and taxes of €127.9 million. The net profit €53.3 million.

BanSabadell Pensiones

Funds under management by BanSabadell Pensiones reached a year-end total of €2,679.1 million. Of these funds, €1,681.1 million related to individual and group pension plans —up by 12% on 2011— and €998.0 million originated from company schemes.

These totals rank BanSabadell Pensiones in tenth place in the industry as a whole according to recent data from Inverco, an investment and pension fund association.

BanSabadell Pensiones posted a profit before commissions and tax of €17.9 million. The net profit for the year was €4.9 million.

BanSabadell Seguros Generales

Premium income for the group's general insurance provider in 2012 was €80.4 million. Sales of non-linked policies did especially well, with premium income for these products increasing by 9%.

The company reported a profit before sales commissions, exceptional items and tax of €18.3 million for 2012, with a net profit of €4.1 million.

BanSabadell Previsión, EPSV

BanSabadell Previsión, a voluntary social insurance society, distributes pension/retirement plans within the Basque Country and is held in high regard by branch personnel and by customers.

In 2012 the society held savings under management totalling €303.8 million, a volume increase of 4%.

Mediterráneo Vida

The company's insurance operations in 2012 generated premium income of €252.4 million, of which €34.9 million were life-with-protection policies.

66 In the life-with-savings business the company ended the year with total provisions of €1,847.1 million.

In its pension fund business, funds under management by Mediterráneo Vida in 2012 reached a year-end total of €834.1 million. Of this amount €288.9 million related to individual and group pension plans and €545.1 million to employment-related schemes.

Its profit before sales commissions and tax was €74.6 million and its net profit to €42.0 million.

Mediterráneo Seguros Diversos

The company's total issued premiums for 2012 amounted to €33.3 million.

Its profit before sales commissions and tax was €12.8 million and its net profit was €4.5 million.

Mediterráneo Mediación

The company provides brokerage services to Mediterráneo Vida and Mediterráneo Seguros Diversos in the insurance and pensions businesses. It also acts as a broker to companies outside the group in the insurance field.

The company reported brokered premium income of €304.5 million for 2012.

The profit for the year before commissions and tax was €27.8 million and the profit after tax as €4.2 million.

Securities and custodian services

Following the integration of Ibersecurities from 2010 onwards, Banco Sabadell further secured its position as a key player in the Spanish securities market, taking 6.3% of the market in 2012. This was a 35% increase in market share and propelled Banco Sabadell from seventh to fourth largest Spanish stock market member firm by trading volume in 2012. This result was achieved after a successful period of business restructuring and rebalancing. Banco Sabadell thus showed its capacity to adjust to and cater for the needs of the market in a highly complex environment in which the securities brokerage business underwent a period of radical change.

In its stock broking activities, despite falling asset values and a fall-off in corporate transactions (in both number and size), business targets were achieved and prior year performance levels were exceeded.

—BS America in 2012

—Lydian Private Bank integration completed

Banco Sabadell handled business volumes in excess of USD 7,000 million and held a total of USD 6,500 million in assets, making it Florida's seventh largest local bank by total assets. It is one of the few financial institutions in the area with the capability and experience to provide a full range of banking services, ranging from highly complex and sophisticated products for large corporate

clients, including project finance, to products for individual customers and a full range of the products and services commonly required by business and professional people and by companies of all sizes.

Banc Sabadell Miami Branch

At the close of the year Banco Sabadell's operating branch in Miami had more than USD 2,773 million in deposits and funds under management. The value of securities under management for clients was up 11%. Loans and advances were up 3% and reached USD 1,280 million as the bank sought to meet the needs of international corporations by arranging facilities to provide medium- and long-term working capital finance.

In 2012 Banco Sabadell's Miami branch continued to develop its project finance business in the energy sector, closing two new project finance deals for wind farms, two for solar energy and one for gas. All projects financed in 2012 were located in the USA and Mexico.

In June it acquired the assets and liabilities of the Miami branch of the former Caja de Ahorros del Mediterráneo.

Sabadell United Bank

— In the second quarter Sabadell United Bank earned a 5-star rating, the highest grade awarded by the independent US bank rating organization, Bauer Financial

In the course of 2012 Sabadell United Bank completed the operations and systems integration of Lydian Private Bank, a Florida-based undertaking that was acquired in 2011 in a take-over supervised by the Federal Deposit Insurance Corporation (FDIC). The take-over carried the guarantee of an asset protection scheme under which the FDIC agreed to absorb 80% of the losses due to any impairment of specified loans acquired in the transaction.

The integration resulted in the six branches of Lydian Private Bank being added to the chain of Sabadell United Bank, which ended the year with a total of 23 branches. The latter's position in the state of Florida was thus considerably strengthened, especially on the west coast (Tampa, Sarasota and Naples), making it the seventh largest local bank by deposits.

In the course of 2012 Sabadell United Bank embarked on a programme to raise awareness of the brand in the different markets it serves. The campaign was directed primarily at business and professional people and also high net-worth individuals, for whom it is a provider of private banking and wealth management services through Sabadell Bank & Trust, its wealth management division.

In the area of Corporate Banking Sabadell United Bank expanded its business during the year through increases in its

syndicated loans to large corporate clients as well as project finance deals in the energy and infrastructure sectors, helping to further its aim of diversifying its loan portfolio and bringing in valuable new business for the organization.

As 2012 drew to a close, Sabadell United Bank was managing assets of some USD 3,725 million, with deposits close to USD 3,200 million and loans and advances approaching USD 2,200 million. It was serving more than 45,000 customers. Sabadell United Bank reported a net profit for 2012 of USD 30 million.

Sabadell Securities

Sabadell Securities USA Inc., an SEC-registered investment consultancy, operates as a stock broker and advisor to securities market investors. The business is both a complement to and a strengthening factor in the BS America strategy.

Sabadell Securities provides investment and wealth management services to commercial banking customers as well as personal banking, corporate banking and private banking clients. Its business strategy is based on meeting customers' financial needs by providing advice on capital market investments.

Sabadell Securities is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). It uses the services of Pershing LLC, a Bank of New York Mellon subsidiary, for clearing, custody and administrative services.

Group businesses

Centro Financiero BHD

Banco Sabadell holds a 20% equity interest in Centro Financiero BHD, the second largest privately-owned financial services group in the Dominican Republic. It comprises Banco BHD and nine other subsidiaries providing stockbroking, insurance, pension funds, fiduciary services and mutual funds.

Banco BHD is itself the Republic's second largest privately-owned bank. As of November 2012 it accounted for 15.0% of the total assets of the country's banking system. In December 2012 Fitch Ratings affirmed its AA– (dom) rating with a stable outlook for long-term debt denominated in local currency; this is the highest rating assigned by the agency to any Dominican bank. It also confirmed its F1+ (dom) rating for the bank's short-term debt, a level that is reserved for institutions with the highest levels of solvency and liquidity.

At the close of 2012 Banco BHD's total assets stood at 121,805 million Dominican pesos. Loans and advances were 67,169 million pesos and customer accounts were 97,549 million. Banco BHD's net worth amounted to 12,926 million pesos and it posted a net profit of 3,155 million pesos. Banco BHD has 95 domestic branches and up-to-date online and telephone banking channels. It is a provider of financial services to more than 450,000 individual and business customers. Centro Financiero BHD reported a consolidated net profit equivalent to USD 117 million.

Banco Sabadell Annual Report 2012

—Other businesses in 2012

Asset Management

—Once again Banco Sabadell was ahead of its peers – by creating a fully dedicated real estate unit

From an early stage in the crisis Banco Sabadell took timely action to expand its capabilities in the debt recovery and real estate areas. Solvia, the company tasked with managing the group's real estate assets, boasts a wealth of expertise in every aspect of the property development cycle.

In a context of real estate market contraction and falling property sales, in June 2012 Banco Sabadell's asset management division adopted a fresh approach by setting up a system to ensure maximum scalability of its processes for the management of real estate and non-performing assets and provide it with a comprehensive picture of asset portfolios and their associated costs from a real estate, financial and risk management perspective.

Further reasons for this action were provided by the take-over of Banco CAM, which demanded increased efforts to make sure our management capabilities were appropriate to the nature and type of Banco CAM's real estate holdings, and by regulatory changes in 2012 that could lead to real estate assets being segregated away from financial institutions.

Sales of real estate properties topped €2,200 million in 2012, exceeding sales targets for the year and at the same time reducing the group's exposure to the real estate sector.

BancSabadell d'Andorra

BancSabadell d'Andorra was set up in the principality of Andorra in the year 2000. Banco Sabadell holds a majority interest. The rest of the share capital is spread among a large number of minority shareholders. It remains the only bank in Andorra with a major bank as a key shareholder and this, combined with the sizeable number of private Andorran shareholders, clearly differentiates Banc Sabadell d'Andorra from its competitors in the principality. The bank's target customers are medium and high-income individuals and larger companies operating in the principality. Its share of the domestic market is estimated at about 10%.

Its business falls into two well-defined areas: private banking and commercial banking. At the close of 2012 business volumes in both these areas were in the region of €1,300 million, with loans and advances of €415 million and a profit for the year of €6.6 million. The ROE was 11.5% and the liquidity ratio, according to criteria laid down by the principality's supervisory body, the

Andorran National Finance Institute, was 77% (the legal minimum is 40%). The loan loss ratio was 0.8%. Shareholders' equity at 31 December 2012 totalled over €60 million, double the bank's initial share capital, while the capital adequacy ratio was 19%, well above the legal minimum of 10%.

— Excellence

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—Operations

—The integration of Banco CAM operations and systems was successfully completed at a faster-than-expected pace

Excellence

In 2012 the Bank's efforts were focused on the group's 3-year master plan, known as CREA. This focus on transforming the group's operating and business processes has given the Bank the tools it needs to increase productivity and accommodate the anticipated growth in customer numbers while maintaining the high-quality service that is the group's hallmark.

The CREA programme was being implemented simultaneously with merger and integration processes completed in the course of 2012 (Banco Urquijo, Banco Guipuzcoano, Lydian Bank and Banco CAM).

Operational and organization change

Over the year the Bank continued to implement its "operations factory" programme —designed to reduce the administrative workload at branches— by consolidating the role of its Regional Administrative Centre (RAC) in San Sebastián and opening a new RAC in Alicante.

All through the year the group's RACs in Madrid, Barcelona, Oviedo and San Sebastián were processing 94% of its service-related operations and 88% of its loan-related operations.

Central processing of loan and other risks at RACs was in operation for 85% of the group's branches and should come on stream for the remaining branches within the first quarter of 2013.

The year saw yet more business processes —enrolments of customers acquired as a result of "associate banking" arrangements, for example— being transferred to operations factories, thus freeing up additional working time for group branches.

In aggregate the RACs, together with the Superdex centres responsible for processing international payments and the Global Service Centre which handles more specialized transactions, are processing more than 407,000 transactions every month. These processing centres are facilitating future expansion by providing a platform with the capacity to accommodate the group's strategies for growth.

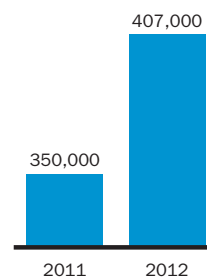
The business transformation programme resulted in a number of other initiatives to increase sales efficiency and sharpen the focus on sales throughout the organization, while ensuring that the Bank retained its leadership in service quality.

In 2012, for example, there was further enhancement of the group's capabilities in digitization and of service-related workflows based on more efficient technologies and processes.

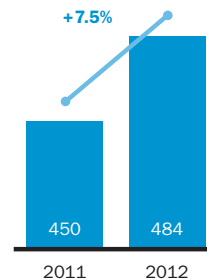
Banco Sabadell Annual Report 2012

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—Servicing Centres – Monthly transaction processing volume



—Sales Values (€Mn.)



Development work also continued on the group's current system of sales incentives, helping to make branches more sales-oriented.

During the year roll-out continued of the new Proteo 3.0 corporate desktop, giving users a single platform from which to access a full set of applications, procedures and information for everyday use by branches; this not only helped to make branches more sales-oriented but created an operating and business environment that was considerably more user-friendly.

Another development on the sales front was the launch of a number of training programmes to improve sales and marketing skills. These emphasize personal development and rely on a workforce that is committed to and motivated by change.

Technology

As the year 2012 came to an end the roll-out was completed of the new virtualized banking platform across the Bank's branches, including recently integrated branches operating under the SabadellCAM brand. Roll-out of the workplace virtualization programme for central service buildings will start in 2013, and will allow workplace desktops to be accessed from any terminal or even from a mobile device.

The year also saw a programme of transformation and optimization actions being implemented which enabled the Bank to confidently undertake the operations integration of Banco CAM, involving an amount of data similar in size to that of the Bank. One of the programme's most visible manifestations was the new Data Processing Centre (DPC) housed within the Bank's central service building in Sant Cugat del Vallès (Barcelona). This modern facility was constructed in accordance with the highest standards of innovation and energy efficiency and offers unrivalled system availability, with annual downtime not exceeding ninety minutes.

The programme of IT systems transformation and optimization carried out in 2012 places the Bank at the forefront of technological innovation with state-of-the-art equipment giving it the capability to handle another nine operational integration exercises.

Cost management

During the year the group's cost approval and management system continued in operation and resulted in costs being 9.3% lower, on a like-for-like basis, than those initially estimated.

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Integration processes

The year 2012 saw the successful completion of four merger and integration processes, Banco Urquijo, Banco Guipuzcoano, Lydian Bank and Banco CAM.

Once again the Bank demonstrated its ability to undertake operational mergers and integrations while continuing its ordinary activities and without any change in its levels of operating efficiency or loss in service quality or of focus in the carrying on of business.

The Bank also showed itself to be a banking industry leader in carrying out successful integrations.

Human Resources

Composition of group employees

At the end of the year the Banco Sabadell group was employing a total of 15,596 employees, an increase of 4,921 on the year before. The average age of employees was 42.36 years and the average length of service was 16.99 years. The gender split was 49.5% men and 50.5% women.

Employee training

The Bank continued its policy of providing training for all group employees, achieving high levels of participation —with 90.63% of employees undertaking some form of training— and dedication. A total of 372,142.83 training hours were completed, an average of 24.75 hours per employee.

The practice was repeated of using in-house trainers, of whom there are currently 88 in post.

In 2012 priority was given, first and foremost, to rolling out job-related training across the entire branch network, with 3,500 employees (about 60% of the total) taking part; and second, to the "Laude" programme, an arrangement with the University of Barcelona under which group employees taking in-service training courses can have their achievement recognized by the award of a university qualification. The fourth and fifth courses of this type, both held in 2012, resulted in 116 newly qualified employees, 59% more than in 2011. Thirteen of the employees who completed one of these courses did so with a "cum laude" distinction.

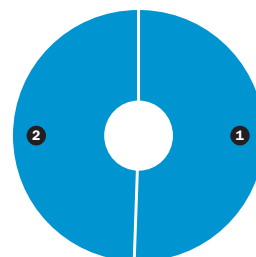
Human resources development

In the area of training for senior managers, the year saw further refinements being made to training methodologies to support the Bank's "strategic leadership" concept and all activities planned as part of an intensive programme of executive training that began in 2010 were fully realized. One key aspect of this training was the involvement of the Bank's most senior executives in the continuation of the Management Development Programme, which was attended by 189 people.

Group level training programmes carried out in 2012 were a response to the strategic aims of the CREA plan. A priority aim was training for branch personnel in selling roles. This included the design of business development strategies by sales managers and training in sales orientation for employees in customer-facing roles. The programmes were attended by 302 branch employees.

Group employees – gender split

| | |
|---------|-------|
| 1 Women | 50.5% |
| 2 Men | 49.5% |



A repeat of the "Corporate Management Programme" was also held and was taken by 64 new middle managers. The aim of the course was to develop leadership skills within this employee group.

Integration of Banco Urquijo and Banco Guipuzcoano

In May 2012 Banco Urquijo SBP S.A. and Banco Guipuzcoano, S.A. were merged by absorption into Banco Sabadell. Both mergers were effected by the dissolution but not liquidation of Banco Urquijo SBP S.A. and Banco Guipuzcoano, S.A. and the transfer of their assets and liabilities en bloc to Banco Sabadell by universal succession. As a result Banco Sabadell was substituted in all rights and obligations of the merged undertakings generally and without any reservation or limitation whatsoever.

This decision was taken in response to organizational and productivity needs and to benefit from synergies from the merged entities. The mergers proved to be beneficial for the combined entity and put it in a better position to compete in the marketplace.

With regard to the employees of the merged undertakings, Banco Sabadell was substituted in all rights and obligations pertaining to the employment, wages and salaries, social security and other matters related to the welfare of the employees concerned.

Banco CAM

In the area of personnel management, the integration of Banco CAM was notable for being conducted in a spirit of constructive dialogue between the Bank and employee representatives, with the result that agreement was reached in all key areas of negotiation.

On 15 June 2012, with the aim of reaching a settlement on the status of Banco CAM employees, Banco Sabadell and employee representatives concluded an Agreement on terms of employment and subrogation for all employees of the merged entity.

On 9 October 2012 Banco Sabadell and employee representatives completed the consultation stage in a redundancy procedure that had been initiated by Banco CAM. The consultation ended with an agreement under which the employment of 1,250 employees would be terminated.

As part of the redundancy arrangements, the Bank offered all employees facing redundancy an ambitious and innovative welfare package that aimed to set a new standard in socially responsible behaviour and included measures to reduce impacts on people and prevent destruction of employment. With the same end in view, an employment and personal support centre was made available to all Banco CAM employees, provided by an external organization that offered counselling to employees on any aspect related to their future job prospects with Banco Sabadell.

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—SabadellCAM employees are acquiring Banco Sabadell
know-how more quickly than expected, converging branches
seamlessly with the rest of the group
—
—

To speed the integration of Banco CAM a successful training programme was carried out in which more than 364,000 hours' training was provided to 4,410 employees at Banco CAM branches — an average of 83 hours' training per employee and a take-up rate of 94%. The training was rated as "good" or "very good" by 92% of trainees. A significant role in the training programme was played by staff members from Banco Sabadell's own branches. In all, 551 of the Bank's employees were involved, 443 of them as operations support instructors in the first two weeks post-integration.

Assistance in mapping out the management structure that would result from the merger was provided by the group's Organization and Management Unit with the help of state-of-the-art HR tools and techniques.

—Quality Management

For Banco Sabadell, quality is not just a strategic option; rather, it is a whole approach to doing business, whether in delivering value to its stakeholders or in the execution of each and every process forming a part of that business. This natural affinity with excellence helps to strengthen the Bank's capabilities in all areas, transforming threats into strengths and challenges into opportunities for the future.

Consequently the Bank evaluates its activities according to standards and benchmarks whose purpose is to ensure that its management approaches are right, and sets itself new goals based on continual self-criticism.

A key benchmark against which to compare and improve management practices is the European Foundation for Quality Management (EFQM) excellence model, on which the Bank is independently assessed every two years. The most recent assessment, carried out in October 2012, resulted in the Bank's EFQM Gold Seal (+500 points) being renewed with a score of over 600 points being awarded under EFQM's very demanding standards.

Banco Sabadell continues to be the only Spanish lending institution with 100% of its financial operations certified to the ISO 9001 standard, providing further proof of its customer-focused and rigorous approach to process management. In 2012 it passed the annual review required for the renewal of its certificate.

The Bank also had its "Madrid Excelente" quality mark renewed for another three years after successfully completing the required quality audit.

Quality in customer service

Quality in customer service has traditionally been one of the key drivers of our strategic planning and a distinctive feature of our positioning in the market.

To make this possible, the Bank uses a set of indicators that enables it to identify areas for improvement as they develop, both throughout the whole organization and for each individual branch, thus providing it with an "instrument panel" to keep track of its progress in meeting annual targets.

Key quality indicators include the following:

- Objective quality audits. These use the “mystery shopper” technique to evaluate the quality achieved by branches in such areas as courtesy, knowledge, understanding of the customer’s needs, giving clear explanations, and the quality of information provided. Audits are carried out on all branches by rotation.
- Industry benchmarking of quality metrics. The quality of service offered by the Bank’s branches is benchmarked against that of other lending institutions. Here again the “mystery shopper” system is used; the quality surveys are performed by an independent firm of assessors — a guarantee of the consistency and transparency of assessment process.
- Perceived quality surveys. These are carried out continuously throughout the year and are based on customer samples. The large number of responses collected means that the results are statistically relevant for every one of the Bank’s branches. The surveys are of three types:
 - General surveys: These are carried out on random samples of customers, and use questionnaires adapted for each customer segment.
 - Surveys conducted among new customers to measure their perceptions as compared with their initial expectations, once they have had the opportunity to become familiar with how the Bank and their branch operate.
 - Surveys of customers using online banking and other remote channels. These focus on the aspects of quality most relevant to those channels.
- Customer claims and complaints. This is one of the indicators that are of most value in making our processes more efficient as it gives us precise information on aspects that have given rise to customer dissatisfaction and therefore require prompt attention. This information relates to claims and complaints made through either of the channels provided by the Bank to customers and users of its services: the Customer Service Department and the Customer and Stakeholder Ombudsman. In every year since 2002, Banco Sabadell has been the Bank with the lowest ratio of complaints made to the Bank of Spain as a proportion of total revenue. The latest report produced by the Bank of Spain’s complaints department, which for the last two years has not provided numbers of complaints as a proportion of gross revenue, shows a total of 82 complaints for Banco Sabadell. This is far below the numbers reported for other large and medium-sized banks, and ranks Banco Sabadell in 18th position based on complaint numbers alone — a much better position than the size of its turnover would lead one to expect. This year the Bank of Spain’s complaints department published a list of the 10 banks that had given rise to the most complaints actually considered. The fact that Banco Sabadell is absent from that list gives a fair idea of where it might be on a list of banks ranked according to their complaints-to-revenue ratios which would, according to internal estimates, once again show Banco Sabadell as having one of the lowest complaint ratios.

Moreover, since the integration of Banco Guipuzcoano into the group in April 2011, the data have been reconstructed to include all group brands within the score for the group as a whole.

| Indicator | 2009 | 2010 | 2011 | 2012 | Scale |
|---|-------|--------|-------|-------|--------|
| Objective quality audits | 6.08 | 5.99* | 5.85 | 5.80 | 1 – 7 |
| Industry benchmarking of quality metrics | | | | | 0 – 10 |
| Banco Sabadell | 7.45 | 7.41** | 7.24 | 6.9 | |
| Banking industry | 6.61 | 6.11** | 6.06 | 6.01 | |
| Industry comparison | 0.84 | 1.30 | 1.18 | 0.89 | |
| Perceived quality surveys - satisfaction with branch | 5.87 | 6.04 | 6.04 | 6.01 | 1 – 7 |
| Customer claims and complaints (total number handled) | 3,006 | 3,131 | 3,212 | 4,435 | |

* Because of a change in scoring methods the values shown are not comparable with prior year data. If the new scoring system had been applied to data for 2009, the score would have been 5.89, which would indicate a 10bp improvement on 2010.

** The survey provider has changed its scoring method and this has been applied retrospectively for comparability with prior year data. Consequently the values shown for 2009 do not match those shown in the annual report for that year.

In addition to the above indicators, Banco Sabadell makes use of other sources of information to obtain further insights into its quality performance.

According to a market survey on the financial behaviour of individual bank customers in Spain in 2012, carried out by financial consultancy FRS Inmark on the top 10 banks by customer numbers, the Banco Sabadell group (excluding the branches acquired along with Banco CAM) showed the highest average scores for customer satisfaction and recommendations (here, the "top two box" numbers, i.e. the proportion of respondents entering a score of 6 or 7 on a scale from 1 to 7). The research was carried out between March and July on a nationwide sample of 12,000 people aged 18 or over and living in towns with more than 2,000 inhabitants.

According to FRS Inmark, of the various banks included in the survey Banco Sabadell (excluding Banco CAM) not only scored highest in customer satisfaction and recommendations, but also showed the highest proportional gain in new customers and the highest proportion of customers increasing their transaction activity with their bank.

Qualis Prizes for Excellence

Established by the Bank in 2002, the Qualis Prizes for Excellence are awarded to people and groups of people who have been particularly noted for the excellence of their work during the year.

The prizes presented in 2012 were those awarded for performance in 2011. Of particular interest this year were the prizes for the best bank branches as examples of successful teamwork, and the Qualis Prizes – Gold category, which are given in recognition of a person's track record.

Branches selected for best branch awards were: La Finca business park in Pozuelo de Alarcón; Leioa; Ibi; Conil de la Frontera, and the business branch in Santander. The Qualis Gold prize was awarded to Miquel Costa Sampere, General Manager of BS Fincom.

Employee engagement for improvement and innovation

To encourage employee engagement a special web site for Banco Sabadell group employees, BS Idea, has been set up on the corporate Intranet.

The site provides a simple and user-friendly way for employees to use their creativity and to put forward suggestions for improvements in working methods or additions to the range of products and services.

A major advantage of this system is its transparency: employees' ideas are immediately visible to all other employees and can be voted on, improved upon or enriched with further opinions and ideas. This helps to establish priorities for implementation, since the number of votes in favour of an idea gives an excellent indication of the benefits that it could bring to the organization.

In 2012 a total of 2,891 people posted messages on the site and 1,650 ideas were put forward.

— Risk management

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One of the undertakings given to the Eurogroup in July 2012 in order to obtain the financial assistance requested by the Spanish government to restructure and recapitalize the Spanish banking industry, as set out in the Memorandum of Understanding (MoU) of 20 July 2012 between the government and the European authorities, was that a thorough and detailed exercise would be carried out to estimate the banking industry's capital requirements. This exercise included a series of stress tests to be performed on each bank.

—For Banco Sabadell the results of the 2012 stress tests on Spain's banking system were totally satisfactory and showed conclusively that the Bank would not need recapitalizing to face an adverse economic scenario

The purpose of the stress tests was to evaluate the banks' resilience to an extremely adverse and highly unlikely macroeconomic setting, so as to put to rest any possible fears investors might have that some losses on the banks' loan books had not been adequately recognized.

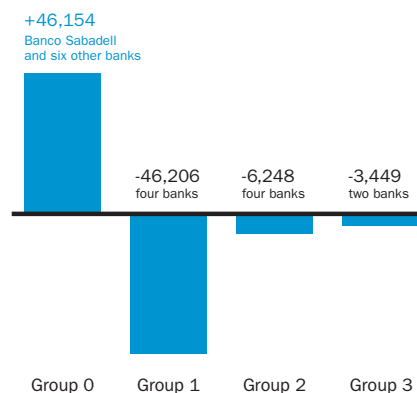
For the banks in general, and for Banco Sabadell in particular, the exercise involved the following blocks of work:

- An ad-hoc independent audit to review the carrying values of loan assets on the balance sheet, including any possible misstatements of loans and refinancings.
- An in-depth appraisal of real estate assets based on valuations by external and independent valuers.
- A stress test exercise carried out by an independent consultancy firm (Oliver Wyman) under the assumption of an extremely adverse scenario, to provide a highly granular analysis of possible losses on banks' loan portfolios.
- An in-depth review of the bank's business plans according to conservative principles to measure its capacity to absorb hypothetical losses under particularly adverse scenarios.

From the results of the exercise the banks' capital needs were finally determined. Banks were classified into groups as follows:

- Group 0: banks for which no capital shortfall had been identified.
- Group 1: banks in which the Fund for Orderly Bank Restructuring (FROB) had already taken a shareholding at the time of the test.
- Group 2: banks that were found to have a capital shortfall in the stress test and would be unable to fund the shortfall from private sources or without state assistance.
- Group 3: banks found to have a capital shortfall in the stress test but with reliable recapitalization plans in place that would enable them to fund the shortfall without seeking state assistance.

— Capital surpluses or shortfalls under adverse scenarios (€Mn.)



In the case of the Banco Sabadell group, the results of the stress test were entirely satisfactory since the Bank was classified in the “zero group” of banks for which no capital shortfall had been estimated under the assumptions used in the test.

Specifically, Banco Sabadell was found to have a capital surplus of €3,321 million (4.7% of its risk-weighted assets) under the base scenario, and a capital surplus of €915 million under the adverse scenario (1.4% of its risk-weighted assets).

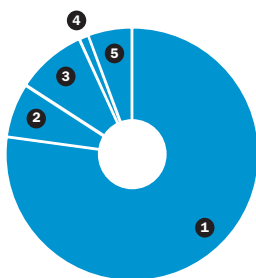
The chief categories of risk inherent in the business of Banco Sabadell and its group are credit risk, market risk and operational risk.

The accurate and efficient management and control of risk is critical to realizing the aim of maximizing shareholder value while ensuring an appropriate degree of financial strength. The management and control of risk comprises a broad framework of principles, policies, procedures and advanced evaluation methodologies, integrated within an efficient decision-making structure. These are fully and clearly set out in the Annual Accounts, the Report of the Directors, the Report on Corporate Governance and the Basel II Pillar 3 Disclosure document, all of which can be found on the group's web site.

—Continued development in risk approval and monitoring systems and recovery processes. The full integration of Banco CAM systems means consistency of risk management and control procedures across the group

— **Allocation of economic capital** (by type of risk)

| | |
|--------------------|-----|
| 1 Credit risk | 77% |
| 2 Structural risk | 7% |
| 3 Operational risk | 9% |
| 4 Market risk | 1% |
| 6 Other | 6% |



Banco Sabadell complies with guidelines drawn up under the Basel Capital Accord, a fundamental principle of which is that a bank's capital requirements should be more closely related to risks actually incurred, based on internal risk measurement models which have been independently validated.

Banco Sabadell has supervisory approval for the use of its own internal models for companies, real estate developers, specialized financing, retailers and sole proprietors, mortgage loans, personal loans, personal credit and credit cards, in estimating its regulatory capital requirements.

Based on the risk metrics provided by these new methodologies, Banco Sabadell has a consolidated system in place for measuring risk.

The assessment of risk in terms of an allocated capital requirement means that risk can be related to return, from individual customer up to business unit level. The group has an analytical “risk-adjusted return on capital” system in place which provides this assessment and includes it as part of the transaction pricing process.

Credit risk

Credit risk is the possibility that losses may be incurred as a result of borrowers failing to meet their obligations or through losses in value due simply to deterioration in borrower quality.

Approval, monitoring and recovery

To maximize the business opportunities provided by each customer and to guarantee an appropriate degree of security, responsibility for monitoring risks is shared between the relationship manager and the risk analyst, who are thus able to obtain a comprehensive view of each customer's individual circumstances.

The Board of Directors delegates powers and discretions to the Risk Control Committee, which then sub-delegates authority at each level. The addition of controls on these authority thresholds to loan approval management systems ensures that the powers delegated at each level are appropriate to the expected loss estimates for all loan applications by business customers.

By analysing indicators and early warning alerts, and by conducting regular credit rating reviews, the quality of a risk can be constantly monitored in an integrated way.

The establishment of effective processes for managing existing risk exposures also benefits the process of managing past due accounts, since the early identification of probable default cases ensures that measures can be taken proactively. With an early warning system, the quality of a risk can be monitored in an integrated way and risks transferred to recovery specialists who are best equipped to determine the most suitable type of recovery procedure in each case. Risks above a certain limit are grouped into categories according to their expected loss ratios, so that they can be treated in the most suitable way. Alerts are managed by the account manager and the risk manager and are supplemented by the experience of the account that comes from direct contact with the customer.

Credit rating

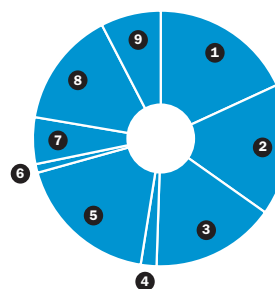
Credit risk exposures to corporate customers, real estate developers, specialized financing projects, retailers and sole proprietors, financial institutions and countries are assessed according to a system of credit ratings based on predictive factors and internal estimates of the probability of default. The rating model is reviewed each year on the basis of an analysis of actual default data.

Each rating score is assigned an anticipated default rate which allows consistent comparisons to be made across segments and with the ratings of independent rating agencies, according to a master scale.

Overall risk profile by borrower

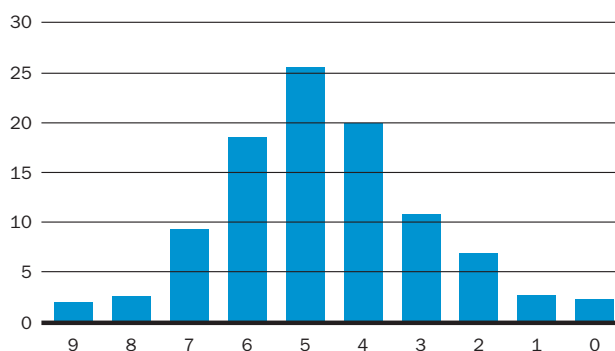
category (distribution of credit risk exposures)

| | |
|----------------------------------|--------|
| 1 Market segment | 18.13% |
| 2 Large corporates | 16.67% |
| 3 Midsize businesses | 15.72% |
| 4 Small businesses | 1.99% |
| 5 Retailers and sole proprietary | 18.17% |
| 6 Personal loans | 1.10% |
| 7 Banks | 5.90% |
| 8 Sovereign debt | 14.71% |
| 9 Other | 7.61% |



—Business loan portfolio

—Credit rating profile

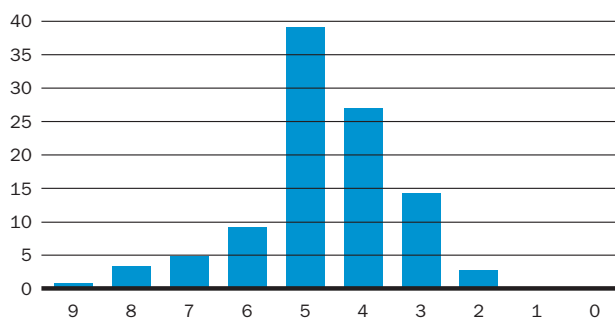
**Credit scoring**

Credit risk exposures to individual customers are classified by means of scoring systems which make use of quantitative modelling based on historical data to identify key predictive factors. Two types of scoring are used:

- Behavioural scoring*: a system in which all customers are automatically classified according to their transaction histories and data for each product taken. It is used primarily for such purposes as granting loans, setting limits on authorized overdrafts, targeting sales campaigns, and for tracking and segmenting in claim and/or recovery procedures.
- Application scoring*: this is used to evaluate applications for personal loans, mortgage loans and credit cards. When full details of the application have been entered, the system generates a result based on the estimated borrowing capacity and financial position of the applicant and the quality of any security or collateral.

—Individual customer loan portfolio

—Credit rating profile

**Country risk**

This is the risk associated with the debts of a country analysed as a class on the basis of factors other than credit risk. It manifests itself when a borrower is unable to meet its foreign currency liabilities to external creditors because the country will not allow

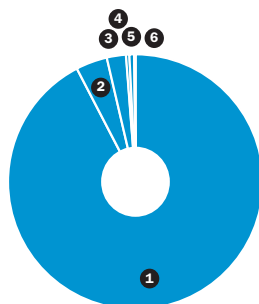
access to, or transfers to be made in, that currency, or where a recovery action against the borrower would fail for reasons of sovereignty.

An overall exposure limit is set for each country, which applies across the whole group. Country limits are approved by the Risk Control Committee and are constantly monitored to ensure that any deterioration in the political, economic or social situation in a country can be detected in good time. The rating for each country provides an additional guide, both when setting limits and in monitoring them once set.

—Credit risk

(distribution by geography)

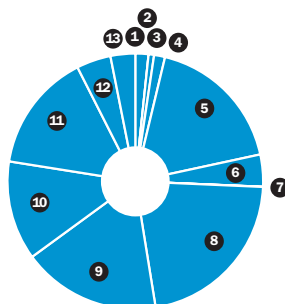
| | |
|------------------------|--------|
| 1 Spain | 92.40% |
| 2 Other European Union | 3.99% |
| 3 USA & Canada | 2.43% |
| 4 Rest of World | 0.43% |
| 5 Latin America | 0.60% |
| 6 Other OECD | 0.15% |



—Counterparty risk

(distribution by credit rating)

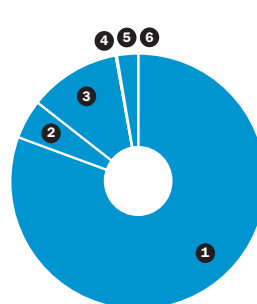
| | |
|------------------|--------|
| 1 AAA / Aaa | 1.66% |
| 2 AA+ / Aa1 | 0.00% |
| 3 AA / Aa2 | 0.69% |
| 4 AA- / Aa3 | 1.39% |
| 5 A+ / A1 | 17.87% |
| 6 A / A2 | 4.05% |
| 7 A- / A3 | 0.02% |
| 8 BBB+ / Baa1 | 21.76% |
| 9 BBB / Baa2 | 17.50% |
| 10 BBB-/Baa3 | 12.56% |
| 11 BB+ / Ba1 | 15.03% |
| 12 BB / Ba2 | 4.34% |
| 13 Other ratings | 3.12% |



—Counterparty risk

(distribution by geography)

| | |
|-----------------------|--------|
| 1 Euro area | 80.62% |
| 2 Other European | 4.96% |
| 3 Other USA & Canada | 11.60% |
| 4 US Investment banks | 0.15% |
| 5 Rest of world | 2.66% |
| 6 Japan | 0.00% |



Credit risk in market trading

Credit risk due to market operations arises from trading in financial instruments, whether in spot transactions, where the amount at risk is comparable to the nominal value of the transaction, or transactions in derivative instruments not traded on organized markets, where in the great majority of cases the transaction amount is below the notional value (counterparty risk).

Banco Sabadell has a system in place for assessing and managing these risks which allows compliance with approved limits to be monitored and controlled in real time.

In addition, to mitigate exposure to counterparty risk Banco Sabadell maintains a solid base of collateral agreements —Credit Support Annexes (CSAs) or Global Master Repurchase Agreements (GMRAs)— negotiated with key counterparties. The collateral provisions of these agreements mean that exposure to such counterparties is significantly reduced.

—Market risk

Discretionary market risk

Discretionary market risk arises from the possibility of loss in the value of financial asset positions due to variations in any of the factors affecting market risk (stock prices, interest rates, exchange rates or credit spreads). It arises primarily from treasury and capital market positions which can be managed by using other financial instruments.

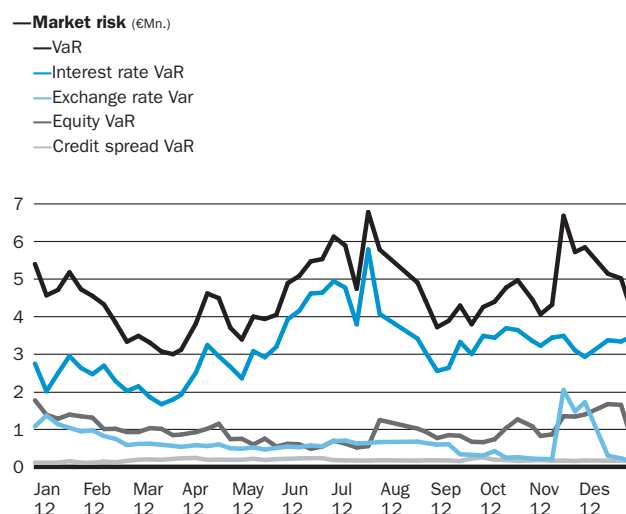
Discretionary market risk is measured by the VaR (Value at Risk) method, which allows the risks on different types of financial market transaction to be analysed as a single class. VaR provides an estimate of the anticipated potential maximum loss on a position that would result from an adverse, but possible, movement in any of the market risk factors that have been identified. This estimate is expressed in money terms and is calculated at a specified date, to a specified confidence level and for a specified time horizon. The estimate takes account of different levels of market risk factors.

VaR limits are approved by the Risk Control Committee and are assigned on a top-down basis, with the overall limit being divided into sub-limits for different business units and risk factors. These sub-limits are further subdivided successively down to individual portfolio level. Apart from VaR limits, other types of limit are used. These include sensitivity limits, nominal value limits and stop-loss limits, which complement the view of risk provided by VaR techniques.

Market risk is monitored on a daily basis and reports on current risk levels and on compliance with the limits assigned to each unit are sent to the risk control functions. This makes it possible to track changes in exposure levels resulting from changes in the market prices and volatilities of financial instruments.

The reliability of the VaR methodology is validated by backtesting techniques which are used to verify that the VaR estimates are within a specified confidence level.

The following graph shows the movement of the 1-day VaR for trading operations by the group's treasury market operations in the year 2012 at a 99% confidence level.



Risk control techniques of this kind are supplemented by special simulation exercises and extreme market scenarios ("stress testing"), the purpose of which is to analyse different macroeconomic scenarios and their possible impact on the trading portfolio. The following table shows a stress analysis of this kind for the most significant portfolio (equity securities).

—Equity securities stress test results 2012

(€Mn.)

| Date | Portfolio value | Stable interest rates | Fall in interest rates |
|-----------|-----------------|-----------------------|------------------------|
| January | 68.37 | 17.94 | (16.78) |
| February | 51.48 | 11.16 | (14.25) |
| March | 61.89 | 14.65 | (16.17) |
| April | 57.94 | 19.47 | (11.51) |
| May | 52.21 | 17.31 | (14.50) |
| June | 56.24 | 13.50 | (8.72) |
| July | 58.51 | 12.52 | (10.16) |
| August | 42.75 | 6.68 | (9.53) |
| September | 42.77 | 6.20 | (9.77) |
| October | 74.99 | 10.19 | (15.65) |
| November | 82.85 | 8.81 | (18.93) |
| December | 75.44 | 5.90 | (19.79) |

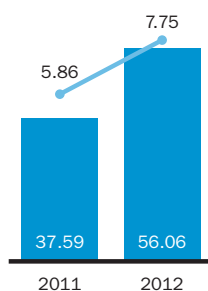
Structural interest rate and liquidity risk

Structural risk arises from ongoing customer-based commercial and corporate banking operations and is divided into interest rate risk and liquidity risk. Management of structural risk seeks to ensure stability at the margin by maintaining appropriate levels of liquidity and capital strength.

Interest rate risk

Interest rate risk is caused by changes, as reflected in the position or the slope of the yield curve, in the interest rates to which asset, liability and off-balance sheet positions are linked. Gaps or

—Structural interest rate risk
—Interest rate sensitivity



mismatches arise between these items because of differences in repricing and maturity dates so that rate changes affect them at different times; this in turn affects the robustness and stability of results.

The management of interest rate risk focuses on overall financial exposure for the group as a whole and involves proposing alternative business or hedging strategies that will meet business objectives and are appropriate to market conditions and within the exposure limits that apply across the group.

A number of methodologies are used to measure interest rate risk. These include measuring the sensitivity of net interest income to changes in interest rates over a one-year horizon. This is done by means of static (gap analysis) or dynamic (simulation) tests based, in the latter case, on different assumptions of balance sheet growth and changes in the slope of the yield curve.

Another technique used is to measure the sensitivity of shareholders' equity to changes in interest rates by duration gap analysis. This measures the effect of interest rate changes over a longer time horizon.

The sensitivity of net interest income and shareholders' equity to a 100 basis point change in interest rates for the years 2011 and 2012 is illustrated in the following diagram.

Liquidity risk

This can be defined as the possibility of the Bank's being unable to meet payment commitments, even if only temporarily, due to a lack of liquid assets or of its being unable to access the markets to refinance debts at a reasonable cost.

Liquidity risk may be caused by external factors such as a financial market downturn, a systemic crisis or reputational issues, or internally, by an excessive concentration of maturing liabilities.

Banco Sabadell keeps a close watch on day-to-day changes in its liquid asset position and holds a diversified portfolio of such assets. It also carries out projections to anticipate future needs.

In addition, liquidity gap analysis is used to manage foreseeable mismatches between cash inflows and outflows over a medium-term horizon. Systematic checks are made to verify that the group's ability to raise funds on the capital markets is sufficient to satisfy its requirements in the medium and long term.

The group maintains a number of active funding programmes to raise finance on the medium- and long-term capital markets. Short-term commercial paper issuance programmes further diversify its sources of funds. It is also an issuer of covered bonds and is active in developing new sources of finance such as asset-backed securities, which provide a further instrument for the management of liquidity risk.

The Bank carries out regular liquidity stress testing to enable it to assess inflows and outflows of funds and the impact of these flows on its cash position under different scenarios.

Based on this analytical framework, the Bank has a contingency plan in place to deal with unexpected scenarios that could cause an immediate funding requirement. Another type of liquidity stress test that is carried out is to analyse the impacts that changes in market prices may have on the collateral deposited, whether in the futures and options markets or under collateral agreements

(CSAs and GMRAs). A range of different market risk scenarios are studied and the effects of these on liquidity, individually and in combination, are analysed.

The contingency plan is constantly being updated and identifies the Bank's assets that are most readily convertible to cash in the short term; it also sets out action plans should it become necessary to raise additional cash.

—Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from unforeseen external events. Banco Sabadell pays particular attention to operational risk and has implemented a management, measurement and oversight framework that fulfils the conditions necessary to opt for the use of an advanced model for calculating regulatory capital charges for operational risk.

Management of operational risk is decentralized and devolved to process managers throughout the organization. The full range of group processes is identified on a corporate process map, thus facilitating the compiling of information in a way that reflects the structure of the organization. The group has a specialized central unit to manage operational risk, whose main functions are to coordinate, supervise and drive forward the identification, assessment and management of risks by process managers in line with Banco Sabadell's process-based approach.

The Board of Directors and senior managers play a direct, hands-on role in managing operational risk by approving the management framework and its implementation as proposed by an Operational Risk Committee made up of senior managers from different functional areas of the company; they also ensure that regular audits are carried out on the management strategy being applied, the reliability of the information being reported, and the internal validation tests required by the operational risk model. Management of operational risk is divided into two action areas:

The first action area is based on an analysis in which all processes and any associated risks that involve potential losses are identified, leading to a qualitative evaluation of the risks and their associated control mechanisms. This is done by process managers in conjunction with the central operational risk unit.

This result is an assessment that allows future exposures to be recognized as expected and unexpected losses, tendencies to be anticipated and mitigating action to be taken in an informed way.

This is supplemented by a system for identifying, monitoring and actively managing risk through the use of key risk indicators. These can be used to trigger alerts in response to increases in exposure, identify the causes of that exposure and measure the effectiveness of the controls in place and any improvements that are made.

Care is taken to ensure that all processes identified as critical are protected by specific business continuity plans in the event of a service failure.

The operational risks identified are also assessed from the point of view of their reputational implications, should an incident occur.

The second action area is based on experience. It consists of maintaining a database of all losses that occur in the organization. This provides a store of information of actual operational risk events for each business line and the causes of those events, so that risks can be acted upon and minimized. This loss information is also of use in measuring the extent to which estimates of potential loss are consistent with reality, both in terms of severity and frequency, so that loss exposure estimates are constantly being updated and improved in this way.

The database contains historical records of actual losses resulting from operational risk going back to 2002. It is continually updated as information is received on losses and also on recoveries, whether resulting from the Bank's own efforts or from insurance provision.

—Distribution of loss events

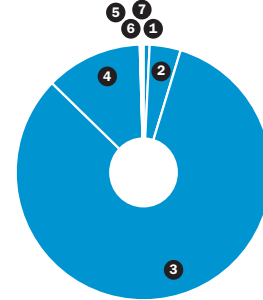
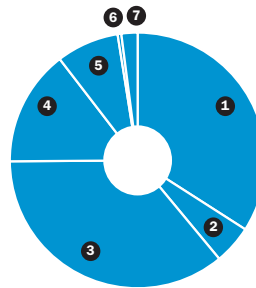
due to operational risk (by amount)

| | |
|---|--------|
| 1 Customers, products and business practices | 34.07% |
| 2 Property damage | 4.91% |
| 3 Process execution, delivery and management | 35.91% |
| 4 External fraud | 14.68% |
| 5 Internal fraud | 7.92% |
| 6 Business disruption/ systems failure | 0.47% |
| 7 Staff relations and workplace security issues | 2.04% |

—Distribution of loss events

due to operational risk (by number)

| | |
|--|--------|
| 1 Clients, productes i pràctiques empresarials | 0.77% |
| 2 Danys a actius materials | 3.93% |
| 3 Execució, lliurament i gestió de processos | 82.60% |
| 4 Fraus externs | 12.22% |
| 5 Fraus interns | 0.06% |
| 6 Incidències en el negoci i errades en els sistemes | 0.28% |
| 7 Relacions laborals i seguretat en el lloc de treball | 0.13% |



—Compliance risk

The direct impacts of regulatory nonconformance and loss of prestige in the eyes of regulators, markets, employees, customers and the media have given rise to a vital need for effective management of compliance risk. Compliance risk may mean exposure to legal or administrative penalties, significant financial loss or loss of reputation as a result of infringements of laws, regulations, internal policies and codes of conduct applicable to banking.

To cover against this risk the group has adopted a system of regulatory compliance that is centrally managed within the parent company, with some functions being devolved to domestic and foreign subsidiaries and branches abroad. This is a flexible, risk-focused approach which can be easily adapted to changes in group strategy as they occur; it also makes use of synergies, especially in cases involving complex global impacts requiring technology solutions. The main challenge with this approach is to achieve a uniform level of regulatory compliance across the group by establishing minimum standards that must be observed regardless of the type of business or the country where the business is located.

The group uses a special methodology to ensure continued progress in compliance management. This comprises six main areas:

- A technology solution to integrate compliance within the group's operating processes so as to ensure high levels of efficiency as well as total and permanent conformance with legal requirements.
- Continuous training/instruction for relevant staff through an annual training programme to raise awareness, highlight and explain compliance issues of particular sensitivity or involving the greatest risk.
- Clear procedures to ensure that all persons concerned know how to act in any situation.
- Swift and effective channels of communication.
- Monitoring and control to ensure compliance with legal and regulatory requirements.
- The involvement of Compliance in all approvals of new rules and procedures, in the production or offering of new investment products, and in the work of identifying newly introduced regulations and verifying that the changes required by those regulations are properly implemented. This enhanced role ensures that the group's operations are in conformity with all regulatory requirements.

The Banco Sabadell group has an effective control infrastructure in all areas where a compliance risk may be present, such as prevention of money laundering and the financing of terrorism, market abuse, internal codes of conduct and investor protection legislation (MiFID). Key actions implemented in 2012 included the following:

- Improved systems for identifying transactions giving rise to suspicions of money laundering.
- Progress in implementing remediation plans to comply with the requirements imposed by Spain's anti-money laundering legislation.
- Introducing checks on the business activities of account holders via an automatic link-up to the database of the General Treasury of the Social Security system.
- Improving investor protection by implementing a new system to evaluate the appropriateness of investments.
- Developing a tool for detecting possible market abuse practices.
- Strengthening the mechanisms for monitoring compliance with the group's Internal Code of Conduct for trading on the stock market.
- Implementing measures to bring greater transparency to all dealings with customers, particularly in the areas of marketing and contract terms.
- Making the rule of criminal liability for unlawful conduct applicable on a group-wide basis.
- Monitoring and actively participating in the Foreign Account Tax Compliance Act (FATCA) project.
- Extending the group's regulatory compliance system to Banco CAM.



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— José Permanyer Cunillera
— Josep Ollé Creus
— Jaime Guardiola Romojaro
— José Luis Negro Rodríguez
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—Board of Directors and Senior Management Team

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—**—Board of Directors****—Chairman**

Josep Olliu Creus

—Deputy Chairmen

Isak Andic Ermay

José Manuel Lara Bosch

José Javier Echenique Landiribar

—Managing Director

Jalme Guardiola Romojaro

—Directors

Francesc Casas Selvas

Héctor María Colonques Moreno

Sol Daurella Comadrán

Joaquín Folch-Rusiñol Corachán

M. Teresa García-Milà Lloveras

Joan Llonch Andreu

José Ramón Martínez Sufrategui

José Permanyer Cunillera

António Vítor Martins Monteiro

—Director and Comptroller General

José Luis Negro Rodríguez

—Secretary to the Board

Miquel Roca Junyent

—Deputy Secretary to the Board

María José García Beato

—

—Executive Committee and Group Management Team

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—Chairman

Josep Olliu Creus

—Managing Director

Jaime Guardiola Romojaro

—Non-executive Director

José Permanyer Cunillera

—Director and Comptroller General

José Luis Negro Rodríguez

—Deputy Secretary to the Board and Secretary General

María José García Beato

—General Manager

Miguel Montes Güell

—General Manager

Tomás Varela Muiña

—
—
—**—Operating Divisions****—Commercial Banking**

Carlos Ventura Santamans

Deputy General Manager

Eduardo Currás de Don Pablos

Assistant General Manager

Manuel Tresánchez Montaner

*Assistant General Manager***—Markets and Private Banking**

Ramón de la Riva Reina

Deputy General Manager

Cirius Andreu Cabot

*Assistant General Manager***—BS America**

Fernando Pérez-Hickman

*Deputy General Manager***—Corporate Banking and Global Businesses**

Enric Rovira Masachs

*Assistant General Manager***—Catalonia Region**

José Canalias Puig

*Assistant General Manager***—Barcelona Region**

Luis Buil Vall

*Assistant General Manager***—Madrid, Castile and Castile-La Mancha**

Blanca Montero Corominas

*Assistant General Manager***—Southern Region & Canary Islands**

Juan Krauel Alonso

*Assistant General Manager***—Northeast Region**

Pablo Junceda Moreno

*Assistant General Manager***—Northern Region**

Pedro E. Sánchez Sologaistua

*Assistant General Manager***—SabadellCAM Region**

Jaime Matas Vallverdú

Assistant General Manager—
—
—**—Central Service Divisions****—Operations and Technology**

Federico Rodríguez Castillo

*Assistant General Manager***—Human Resources**

Javier Vela Hernández

*Assistant General Manager***—Risk**

Rafael José García Nauffal

*Assistant General Manager***—Equity investments and Insurance**

Ignacio Camí Casellas

*Assistant General Manager***—Communication and Institutional Relations**

Ramon Rovira Pol

*Assistant General Manager***—Corporate Operations**

Joan M. Grumé Sierra

*Assistant General Manager***—Internal Audit**

Nuria Lázaro Rubio

*Assistant General Manager***—Legal Department**

Gonzalo Barettino Coloma

—Compliance, CSR and Corporate Governance

Adrià Galian Valldeneu

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—Banking and other subsidiaries

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—BancSabadell d'Andorra

Miquel Alabern Comas

—BanSabadell Fincom

Miguel Costa Sampere

—BanSabadell Inversión

Cirius Andreu Cabot

—BS Capital

Raúl Rodríguez Sabater

—Report of the Audit and Control Committee

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—Introduction

This report on the work of the Audit and Control Committee in 2012 is addressed to shareholders of Banco de Sabadell S.A. It was signed off by the Committee at its meeting of 23 January 2013 and was submitted to the Board of Directors of Banco de Sabadell S.A. for approval at its meeting on 24 January 2013.

The Committee is regulated by Article 59 bis of the Articles of Association and Article 13 of the Regulations of the Board of Directors of Banco de Sabadell S.A.; it also has its own rules of organization and procedure which are published on the group website (www.grupobancosabadell.com).

This regulatory structure ensures that the Audit and Control Committee is compliant with the reporting requirements laid down by Law 44/2002 of 22 November on Measures to Reform the Financial System and later amendments, and incorporates the main recommendations on the working of audit committees contained in the Unified Code on Corporate Governance approved by the CNMV in 2006.

As required by the Bank's articles and other regulations, the Committee consists of a maximum of five Directors appointed by the Board, one of whom is appointed by the Board to chair the Committee. The chairperson may continue to perform that office for a maximum of four years and cannot be re-appointed for at least one year after the end of their four-year term. Additional Directors may be appointed to attend meetings without the right to vote in order to fill a vacancy on the Committee or replace a member who is indisposed.

The Board also appoints a Secretary to the Committee, who cannot be a Director. The Secretary takes minutes of every meeting and these are approved at the end of the meeting itself or at the next following meeting. A report of each meeting of the Committee is read out at the immediately following meeting of the Board of Directors.

As of 31 December 2012 the members of the Audit and Control Committee were as follows:

Chairman

Joan Llonch Andreu

Committee members

M. Teresa Garcia-Milà Lloveras

Francesc Casas Selvas

Sol Daurella Comadrán

Secretary

Miquel Roca i Junyent

As prescribed by its rules of procedure, all directors on the Audit and Control Committee are non-executive, independent directors and have the knowledge and experience required to perform the duties assigned to the Committee by the Board of Directors.

The Audit and Control Committee meets as often as necessary and in any event not less than every three months. The Committee may request the attendance at its meetings of such executives, including executive Directors, as it sees fit. It may also seek assistance from independent advisors in carrying out its duties.

This report summarizes the range of activities carried out by the Audit and Control Committee in the course of the six meetings that it held during the year 2012, from which it can be seen that the Committee discharged the duties assigned to it in its rules of procedure by the Board of Directors of Banco de Sabadell, S.A. within its main areas of responsibility.

Together with the publication of an annual report on Corporate Governance and the information available on the group's website, the distribution of this report at the Annual General Meeting underlines once again Banco Sabadell's commitment to providing shareholders and investors with the tools and resources they need to keep themselves fully informed of the Company's performance and to ensure that it is transparent in everything that it does.

—Terms of reference

The Audit and Control Committee is responsible for:

- 1 Reporting to the General Meeting on all issues raised by shareholders that are within its remit.
- 2 Monitoring the effectiveness of the company's internal controls, its internal audit function, if any, and its risk management systems and discussing with its auditors or firm of auditors any significant weaknesses in its internal control system identified in the course of the audit.
- 3 Supervising the preparation and presentation of statutory financial information.
- 4 Making recommendations to the Board of Directors, for submission to the General Meeting, on the appointment of external auditors and their terms of engagement, the scope of their professional mandate and, if applicable, the termination or non-renewal of their engagement; reviewing the performance of the auditing agreement and ensuring that the opinion on the annual accounts and the main findings of the Auditor's report are expressed in a clear and precise way.
- 5 Reporting on the annual accounts and the quarterly and half-yearly financial statements and any prospectuses required to be filed with the regulatory or supervisory authorities; monitoring regulatory compliance; ensuring that generally accepted accounting principles have been correctly applied, and reporting on any proposed amendments to those principles.
- 6 Maintaining working relations with external auditors to receive information on, and enquire into, any issues that could compromise their independence and keep itself informed of

any other matters related to the audit process and to auditing standards.

7 Reporting on any issues referred to the Committee by the Board of Directors that are within its terms of reference.

8 Any other matters for which the Committee is responsible by law or under the Articles of Association or any regulations made in accordance therewith, or under any generally applicable rules on corporate governance.

—Regulatory structure

As required by the Law on Measures to Reform the Financial System, on 9 July 2003 the regulations of the Board of Directors were amended by notarial deed and new rules on the composition and working of the Audit Committee were added. These changes were made having regard to amendments to certain articles of the Bank's Articles of Association that had been adopted by a resolution of the Annual General Meeting on 24 April 2003.

By another deed executed on 9 July 2003 the Audit and Control Committee was set up to replace the existing Audit and Budget Control Committees, whose respective remits had been merged following amendments to the Bank's Articles of Association and to the Regulations of the Board of Directors.

On 20 October 2003 the Committee agreed new rules setting out the principles that would govern the work of the Audit and Control Committee of Banco de Sabadell S.A. and basic rules on organization and procedure, within the framework of the Articles of Association and the Regulations of the Board of Directors. The rules were approved and confirmed by the Board of Directors at a meeting on 30 October 2003 and were filed with the public registry following the execution of a deed on 18 November 2003 before a notary in Sabadell, Javier Micó Giner.

On 28 April 2009 the Committee reviewed and reported favourably on a proposed amendment to article 13.1 of the rules of procedure of the Board of Directors to provide for the appointment of alternate members of the Committee. It also resolved to amend article 7.1 of the rules of procedure of the Audit and Control Committee accordingly. The amendments to article 13.1 of the rules of procedure of the Board of Directors and article 7.1 of the rules of procedure of the Audit and Control Committee were approved and confirmed by the Board of Directors at a meeting on 27 May 2009 and filed with the public registry following the execution of a deed on 11 June 2009 before a notary in Sabadell, Javier Micó Giner.

In 2010 article 59 bis of the Articles of Association and article 13.1 of the rules of procedure of the Board of Directors of Banco de Sabadell, S. A. were amended to fix the number of members of the Audit and Control Committee at a maximum of five in order to keep the number of members of the Committee in the same proportion with respect to the number of members of the Board. The Committee also resolved to amend article 7.1 of its rules of procedure so as to incorporate the said amendment concerning the number of members.

In 2012 the Committee made amendments to a number of articles of its rules of procedure to bring them into line with the amended Articles of Association of Banco de Sabadell, S.A. and at the same time make those articles compliant with changes in the legislation on public limited companies [Ley de Sociedades de Capital] and with Law 12/2010 amending the legislation applicable to auditing (Law 19/1988) and the stock market (Law 24/1988), as well as the consolidated legislation on companies [Texto Refundido de la Ley de Sociedades Anónimas] as amended by Royal Legislative Decree 1564/1989 to comply with EU law.

—Activities

Six meetings were held by the Audit and Control Committee in 2012 in accordance with the regulatory structure described above. Four of these meetings were ordinary or routine in character, while two were ad hoc meetings to discuss matters of special interest. Meetings were regularly attended by the Comptroller General (a member of the Board) and the head of Internal Audit. Meetings were also attended by the Chief Financial Officer when the business on the agenda included pre-publication reviews of quarterly and half-yearly trading and financial reports, and by other group senior executives when the nature of the business on the agenda made their attendance desirable.

The Committee also maintained regular contacts with the external auditors to keep itself informed of progress in the auditing of the accounts.

These contacts and attendances ensured that the Committee was able to obtain all the information it required to perform the tasks delegated to it by the Board of Directors within its main areas of responsibility, as follows:

Functions related to financial reporting, risk management and internal control

The Committee carried out a review to verify that banking or accounting best practice was being applied at all levels of the organization. On the basis of reports from the External Auditor, Internal Audit or the Comptroller General, the Committee satisfied itself that suitable steps were being taken at General Manager level and by other senior executive functions to ensure that the group's main risks were being appropriately identified, measured and controlled.

Supervision of internal controls on the group's offshore operations

The Committee paid particular attention to overseeing the system of internal controls over the group's offshore operations. This was in response to the Bank of Spain's "Banking Supervision Memorandum" for 2003 setting out recommendations on the

policies of banks and other lenders on the use of offshore locations to expand their overseas operations. In carrying out this responsibility the Committee reviewed the findings of audits carried out by official regulators, audit reports prepared by the Audit Department, the results of audits carried out by units with local internal audit functions and auditors' reports prepared during the year 2011 on the accounts of subsidiaries with offshore operations.

As a result of its review the Committee was able to conclude that group operations conducted through offshore establishments were being reduced and that adequate systems were in place to ensure that offshore establishments were subject to internal control by the parent company as required by the group's policy on discontinuing any operations likely to give rise to legal or reputational risks. A report on this area of the Committee's supervisory duties was submitted to the Board of Directors on 28 March 2012.

Risk management and control systems

During the year the Committee reviewed the group's risk management systems as described in reports prepared by the Risk, Finance and Internal Audit departments.

To meet the group's market disclosure obligations and other requirements set out in the Bank of Spain's Circular 4/2011 (the "Solvency Circular"), at its meeting on 24 April 2012 the Committee reviewed the contents of the document entitled "Basel II – Pillar 3 Disclosures" dated 31 December 2011, based on an Internal Audit report provided for the purpose. At that meeting it also examined information concerning the group's qualifying capital resources and its capital adequacy position, and discussed their compliance with the Solvency Circular and the objectives set out in the group's risk management policies. The Committee also carried out a detailed review of all financial data relied on as a basis for the group's conservative risk profile in the different categories of risk for which disclosure was required: credit and dilution risk, market risk in the trading book, operational risk, specific data on equity investments and equity instruments not included in the trading book, and interest rate risk on non-trading positions.

With regard to the organization-wide implementation of internal ratings-based (IRB) credit risk assessment models, the Committee reviewed the findings of internal audits carried out on these models at the request of the Bank of Spain's Supervision Department. These audits enabled the Committee to keep itself informed of the action being taken to comply with requirements specified by the Bank of Spain in its approval notices for the use of Basel II risk assessment models.

From reports provided to it by Internal Audit during the year, the Committee was also able to observe the significant progress being made by the group in developing and rolling out advanced systems for the management and measurement of operational risk and for the control of market and counterparty risk.

The Committee also reviewed the results of the stress tests conducted by Oliver Wyman, which were published in September. These tests were carried out to determine the capital requirements

of the principal banks in the Spanish banking industry by analysing the quality of their assets and the individual resilience they showed to a stressed macroeconomic scenario. The test results enabled the Committee to observe that Banco Sabadell is solidly positioned within the "zero group" of banks for which no capital shortfall was identified.

At its 23 January 2013 meeting the Committee reviewed a report presented by the Risk Department on risk governance, management and control systems for the year 2012, and reached the conclusion that these systems were appropriate to the group's risk profile.

Internal controls over the preparation and presentation of regulatory financial information

In 2011 the Audit and Control Committee had approved Internal Audit's strategic plan for 2011-2013 setting out a detailed programme for the supervision of the group's system of internal control over financial reporting (ICFR). The plan provides for the carrying out of tests on areas considered to be of key importance within the group and the completion of tests in all areas within the three years covered by the plan, with the exception of certain areas or processes considered to be of especial significance; these include critical controls of period-end closing procedures, reviews of judgements and estimates and general controls on reporting systems subject to evaluation on an annual basis.

In the course of 2012 the reports provided by Internal Audit on the ICFR evaluation tests were presented and were reviewed by members of the Audit and Control Committee; any weaknesses identified in the reports were evaluated and the action plans proposed for correcting them were approved.

A favourable opinion on the ICFR was also expressed by the External Auditor (PricewaterhouseCoopers) in a report dated 30 January 2012 on the accounts for the year to 31 December 2011.

Functions related to auditing

The Committee's functions in relation to the auditing of accounts include making recommendations to the Board regarding the appointment of auditors and reviewing their terms of engagement. At its meeting of 24 January 2012 the Committee reviewed group policy on the engagement of auditors and, on the basis of its review, recommended to the Board that the firm of PricewaterhouseCoopers Auditores, S.L. be re-appointed as auditors of the Bank's individual and consolidated accounts for the year 2012. The Board of Directors resolved to submit the Committee's recommendation to the Annual General Meeting of 31 May 2012 and the appointment was duly approved by the General Meeting.

With regard to auditor remuneration, the Committee reviewed and approved the auditor's fees for 2012. Details of fees paid to auditors can be found in the annual accounts for the year.

To comply with auditor independence requirements, the Audit and Control Committee reviewed the main non-auditing services provided by PricewaterhouseCoopers in 2012. These related

primarily to the production of reports required by the regulatory authorities, which this year included reports on the protection of customer assets as required by the CNMV's Circular 5/2009 of 25 November, the annual report of the external advisor on anti-money laundering practices, and the Auditor's report on information concerning the system of internal controls on financial reporting by quoted companies. The auditors also undertook tasks related to the production of comfort letters and special reports on the proforma consolidated financial position at 31 December 2011 and advised on the preparation and compiling of financial information for inclusion in prospectuses for the increase in the capital of Banco de Sabadell, S.A. in March 2012. Advisory services were also rendered, principally in relation to the impacts of regulatory changes on treasury and capital market operations and the design of a process model, management procedures and reporting systems for the Asset Management division to facilitate the sale of real estate assets. All these tasks were undertaken in conformity with the independence requirements of the Consolidated Text of the Law on the Auditing of Accounts issued by Royal Legislative Decree 1/2011 and Law 44/2002 on Measures to Reform the Financial System. No activities were undertaken that would be incompatible with the auditing function.

To verify the group's compliance with statutory limits on concentrations of auditing business, the Committee reviewed the proportional share of the fees paid to PricewaterhouseCoopers by the group in the firm's total annual revenue. The share was less than 0.02% of the total for the PricewaterhouseCoopers worldwide organization, and less than 0.87% of the total for its Spanish organization. From information provided by the auditors, the Committee also reviewed the procedures and tools used by the firm to ensure compliance with the auditor independence requirements. Written confirmation of the firm's independence with respect to the Banco Sabadell group was received by the Committee on 23 January 2013. Based on the results of its enquiries, the Committee submitted a report to the Board of Directors, before the Auditor's report on the accounts had been issued, giving a favourable opinion on compliance with the auditor independence requirement and concluding that all work for which auditors had been engaged satisfied the independence requirements of the Consolidated Text of the Law on the Auditing of Accounts issued by Royal Legislative Decree 1/2011.

The Committee remained in contact with the Auditor constantly throughout the year to ensure that it was kept informed of any significant accounting or financial reporting issues arising in the course of the Auditor's work.

In the area of external supervision and regulation, the external auditors reported to the Committee, at its meeting on 19 December 2012, on the provisions of Law 8/2012 (implementing Royal Legislative Decree 18/2012) on the revaluation and sale of real estate assets, and of Law 9/2012 (implementing Royal Legislative Decree 24/2012) on the restructuring and resolution of credit institutions, with further implementing provisions under Law 1559/2012. The Committee also received a report on the requirement that financial institutions prepare recovery plans setting out different crisis scenarios along with details of warning indicators and measures to respond to such scenarios, the estimation of impacts and an operational and reporting plan.

As part of the Committee's oversight of the auditors' performance of their terms of engagement, at its meeting of 23 July 2012 the auditors reported on the results of their review of the summary consolidated accounts for the first half of 2012, giving the accounts a clean bill of health.

At the same meeting the auditors presented to the Committee, for submission by the Directors to the Annual General Meeting, the results of their review of the merged balance sheet and statement of changes in equity for Banco de Sabadell, S.A. and Banco CAM, S.A.U. prepared specially to meet the requirements applicable to corporate mergers under the Consolidated Text of the Law on Public Limited Companies [Texto Refundido de la Ley de Sociedades de Capital] approved by Royal Legislative Decree 1/2010, and by reason of the proposed merger of Banco Sabadell and Banco CAM, in which the latter would be absorbed by the former.

The auditor also presented to the Committee, at its meeting on 23 January 2013, the findings of its review of the individual and consolidated annual accounts for the year 2012. As in previous years, the opinion expressed by the auditor on the accounts was that they presented a true and fair view, in all material respects, of the consolidated financial position of the Bank and the group and of the results of their operations and their cash flows for the year as required by applicable financial reporting standards and regulations and, in particular, the accounting principles and practices embodied therein.

Functions related to trading and financial reports

In the course of the year the Committee paid particular attention to reviewing the Company's accounts and its quarterly and half-yearly trading and financial reports as well as other information disclosed to the market, including the share prospectus, before they were released for publication.

At its meeting of 28 March 2012 the Committee reviewed and reported favourably on the share prospectus of Banco de Sabadell S.A. to be filed with the National Stock Market Commission (CNMV) in accordance with EU Commission Regulation (EC) 809/2004 of 29 April 2004 which came into effect on 18 July 2005, implementing Directive 2003/71/EC as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

108 At the Committee's meetings of 24 April, 23 July and 23 October 2012 and 23 January 2013, the Committee reported favourably on the quarterly financial statements for the periods ending on 31 March, 30 June, 30 September and 31 December 2012 respectively, prior to their being approved by the Board of Directors and released to the markets.

At its 23 July meeting the Committee reported favourably on the summary consolidated half-year financial statements of the Banco Sabadell group for filing with the National Stock Market Commission (CNMV), finding them to have been prepared and presented in conformity with IAS 34 on Interim Financial Reporting as incorporated into IFRS-EU, with the detailed disclosure requirements specified by the CNMV in its Circular 1/2008 of 30 January, and with article 12 of Royal Decree 1362/2007.

In undertaking this work the Committee received documents and held meetings with the Comptroller General, the Chief Financial Officer and the Auditor to satisfy itself that the applicable accounting principles had been properly applied.

Functions related to the work of Internal Audit

One of the Committee's tasks is to approve the plans and methodologies of the Internal Audit department and assess the extent to which the department's plans are being followed and its recommendations are being implemented. This responsibility was met largely through the approval and oversight of the Internal Audit Year Plan.

The work of Internal Audit in 2012 consisted mainly of conducting a review, according to the principles underlying the strategic internal auditing plan for 2011-2013, of the group's internal control systems to mitigate any financial risk, credit risk, operational risk or accounting or regulatory risk to which its operations are exposed. At the Committee's meeting of 23 July 2012 an internal audit plan for Banco CAM for the period June to December 2012 (drawn up according to the Banco Sabadell method), was presented to the Committee. The plan was primarily concerned with processes for managing credit risk, operational risk and liquidity risk. The plan also included a review of the integration of Banco CAM systems onto the group's IT platform and certain other mandatory audits related to compliance.

The implementation of the Internal Audit plan resulted in the production of over 400 audit reports and the main findings of these reports, along with replies from senior management to the recommendations contained in the reports, were evaluated by the Committee.

All meetings held by the Committee were attended by the Comptroller General and the head of Internal Audit. The following reports were presented:

- A report on the main internal auditing results for the fourth quarter of 2011, at the meeting of 24 January 2012.
- A summary of Internal Audit's annual report on its activities in 2011 and its proposed plan of activities for 2012, at the meeting of 24 January 2012.
- A report on the main internal auditing results for the first quarter of 2012, at the meeting of 24 April 2012.
- A report on the main internal auditing results for the second quarter of 2012, at the meeting of 23 July 2012.
- A report on the main Internal Audit results for the third quarter of 2012, at the meeting of 23 October 2012.

The Committee kept itself fully informed of progress in implementing the recommendations of previous audit reports and each meeting included the presentation of a report on the Audit Department's monitoring of the group "instrument panel" of key quality indicators.

Functions related to compliance with legal and regulatory requirements on Corporate Governance

One aspect of the Committee's work in the area of corporate governance was to review reports prepared by the Comptroller General and Internal Audit on compliance with applicable laws, internal Company rules and regulatory requirements.

To comply with the requirements of Royal Decree 217/2008 for regular reviews of compliance with the EU Directive on Markets in Financial Instruments (MiFID) by investment services companies, the Audit and Control Committee received information specifically related to the implementation of MiFID rules by the Banco Sabadell group, based on an internal audit report prepared for the purpose.

In addition, as required by the CNMV in its Circular 5/2009 of 25 November, the Committee reviewed the Auditor's annual report on the protection of customer assets held or managed by Banco de Sabadell, S.A., Banco Guipuzcoano, S.A., Banco Urquijo Sabadell Banca Privada, S.A., Banco CAM, S.A.U. and Gestión de Activos del Mediterráneo, Sociedad de Valores, S.A., from the point of view of the adequacy of arrangements made by these undertakings to comply with customer asset protection requirements. The findings of these reports were satisfactory and no gaps or significant weaknesses were identified in relation to the existence and appropriateness of internal asset protection systems in any of the undertakings.

In accordance with the requirements on the revaluation and disposal of real estate assets held by financial companies, under Royal Legislative Decree 18/2012, the Committee reviewed the Banco Sabadell group's plan of action to comply with these requirements, approved by the Executive Committee of the Bank of Spain according to a communication dated 27 June 2012.

Corporate Governance

At its meeting of 24 January 2012 the Committee decided to recommend that the Board of Directors give its approval to a report on the structure and practice of Corporate Governance at Banco Sabadell that had been submitted by the Executive Committee in 2011.

At its meeting of 23 July 2012 the Committee approved amendments to articles 4, 5.1, 5.2, 6 and 7 of the Audit and Control Committee rules of procedure having regard to changes in the Articles of Association approved by the Annual General Meeting of Banco de Sabadell, S.A., on 31 May 2012. The said

110 articles were amended to read as follows:

Article 4 — Terms of reference

The Audit and Control Committee is responsible for:

- I Reporting to the General Meeting on all issues raised by shareholders that are within its remit.*
- II Monitoring the effectiveness of the company's internal controls, its internal audit function, if any, and its risk management systems and discussing with its auditors or auditing firm any significant weaknesses in the internal control system identified in the course of the audit.*

- III Supervising the preparation and presentation of statutory financial information.
- IV Making recommendations to the Board of Directors, for submission to the General Meeting, on the appointment of external auditors and their terms of engagement, the scope of their professional mandate and, if applicable, the termination or non-renewal of their engagement; reviewing the performance of the auditing agreement and ensuring that the opinion on the annual accounts and the main findings of the auditor's report are expressed in a clear and precise way.
- V Reporting on the annual accounts and the quarterly and half-yearly financial statements and any prospectuses required to be filed with the regulatory or supervisory authorities; monitoring regulatory compliance; ensuring that generally accepted accounting principles have been correctly applied, and reporting on any proposed amendments to those principles.
- VI Maintaining working relations with external auditors to receive information on, and enquire into, any issues that could compromise their independence and keeping itself informed of any other matters related to the audit process and to auditing standards.
- VII Reporting on any issues referred to the Committee by the Board of Directors that are within its terms of reference.
- VIII Any other matters for which the Committee is responsible by law or under the Articles of Association or any regulations made in accordance therewith.

Article 5.1 — Functions related to financial reporting and internal control

The Committee's main functions are:

- a To supervise the processes of financial reporting and presentation of accounts and ensure that generally accepted accounting principles are being properly applied; to report on any proposals by management for changes in those principles.
- b To oversee the company's internal control systems and procedures and to ensure that all the principal risks, whether direct or indirect, subject to controls are reasonably identified, measured and controlled.

Article 5.2 — Functions related to auditing

The Committee's main functions are:

- a To be aware of the functions, extent, working methods and responsibilities of external auditors.
- b To review the performance of the auditing agreement and ensure that the opinion on the annual accounts and the main findings of the auditor's report are expressed in a clear and precise way.
- c To maintain working relations with external auditors to receive information on any issues that could compromise their independence or other matters related to the process of auditing the accounts, and any other disclosures required to be made by the legislation, rules or professional standards applicable to auditing.

- d To receive each year written confirmation from the external auditors that they are independent from the company or any companies related to or associated with the company directly or indirectly, with details of any additional services provided to any such company or companies by the said auditors or any persons or entities associated with them.*
- e To issue a report each year, before delivery of the Auditor's, giving an opinion on the independence of the external auditors. The said report should always include an opinion on the provision of additional services as referred to in d) above.*
- f To be informed of management's response to the recommendations of the external auditor and to mediate in the event of any disagreement between them on the principles and rules to be applied in preparing the financial statements.*
- g To serve as a channel of communication between the Board of Directors and the external auditors.*

Article 6 — Subject of committee's actions

The Committee's work will be applicable to Banco de Sabadell, S.A., without prejudice to its responsibilities extending to the collection of information on any subsidiary companies forming a decision-making unit with Banco de Sabadell, S.A. within the meaning of article 4 of Law 24/1988 on the Stock Market.

Article 7 — Composition

- 1 The Committee shall consist of not more than five Directors appointed by the Board of Directors. Additional Directors may be appointed to attend meetings without the right to vote in order to fill a vacancy on the Committee or replace a member who is indisposed.*
- 2 The Committee may make recommendations to the Board of Directors for submission, if thought fit, to the Annual General Meeting, for a change in the number of its members to a number that will enable the Committee to function more effectively.*
- 3 No person who is an Executive Director or who has previously served in an executive post may be a member of the Committee.*
- 4 At least one member of the Committee must be appointed for their expertise in the field of accounting or auditing, or both fields.*

The Committee also approved changes to the Rules of Internal Audit having regard to these amendments to the Committee's rules of procedure and with the principles laid down by the Basel Committee in the document entitled The internal audit function in banks, published in December 2011.

The Committee also examined half-yearly reports from the group's Corporate Ethics Committee on action taken to ensure compliance with the Banco Sabadell Group Code of Conduct on stock market trading, the group's general Code of Conduct, and actions undertaken in the area of Corporate Social Responsibility and other key aspects.

Self-evaluation

Following Corporate Governance guidelines, the members of the Audit and Control Committee carried out a self-evaluation and submitted a report containing an assessment of the Committee's performance to the Board of Directors for consideration at its meeting of 19 December. The report found that the Committee had fully and properly discharged the responsibilities entrusted to it in its rules of procedure by the Board of Directors of the Bank.

Reports from supervisory authorities

During the year the Committee was briefed on the main points of reports put out by supervisory authorities in Spain and other countries in which the group operates. From the information provided the Committee was able to satisfy itself that the recommendations of the supervisory authorities were being fully implemented.

Report of the Audit
and Control Committee

—Conclusion

The activities described in this report ensured that the Audit and Control Committee was able fully to discharge the duties assigned to it in its rules of procedure by the Board of Directors of Banco de Sabadell, S.A., within its main areas of responsibility.

As a result of its review and oversight of reports received during the year from the Comptroller General, the Chief Financial Officer, Internal Audit and the external auditor, the Committee was able to conclude that the annual accounts to be signed off by the Board of Directors provide a true and fair view of the assets and financial position of Banco Sabadell and the results of its operations, and contain all information necessary for their comprehension.

The Committee has, in addition, verified that all business, financial and legal risks to which Banco de Sabadell S.A. and its subsidiary undertakings may be exposed are clearly and straightforwardly explained in the annual accounts and the report of the Directors. Finally, it has reviewed the contents of the auditor's report to ensure that the opinion on the annual accounts and the main findings of the auditor's report are expressed in a clear and precise way.

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[This report on the activities of the Audit and Control Committee for the year 2012 was signed by the members of the Committee on 23 January 2013 for submission to the General Meeting.](#)

—Report on Directors' remuneration

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**—Report on Directors' remuneration by the Board of Directors
of Banco de Sabadell, S.A., following a recommendation from
the Nomination and Remuneration Committee**
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1—Introduction

This report was drafted by the Board of Directors of Banco de Sabadell, S.A. on a recommendation of the Nomination and Remuneration Committee, to comply with article 61 ter of the Securities Market Act 24/1998, of 28 July, as amended by the Sustainable Economy Act 2/2011, of 4 March, which requires that the report be distributed and submitted to a consultative vote as a separate item of the agenda of the Annual General Meeting.

Broadly speaking, Banco Sabadell's remuneration policy has been based on combining the principles of compensation for hard work, responsibility and professional track record with the desire to align value creation, shareholder interests, and prudent risk management.

Banco Sabadell has drawn up a remuneration policy for the members of the Board in accordance with the applicable legislation, having regard for recommendations from the Committee of European Banking Supervisors and in accordance with the Articles of Association and the Regulations of the Board of Directors.

The policy also complies with the recommendations of the Spanish National Securities Commission's Unified Good Governance Code for Listed Companies of 22 May 2006, and specifically with recommendations 8 and 35 to 39.

Articles 217, 218 and 219 of the Companies Act [Ley de Sociedades de Capital] sets out basic rules for director remuneration and expressly states that remuneration must be fixed in the Articles of Association.

Article 81 of Banco Sabadell's Articles of Association states that director remuneration will consist of a share in the profits not exceeding 3% of the company's net profit, and the Board is empowered to set the annual remuneration of its Board members and its distribution among the Board members within this limit. Article 22 of the Regulations of the Board of Directors states that directors will be entitled to remuneration set by the Board of Directors in accordance with the Articles of Association and recommendations from the Nomination and Remuneration Committee.

In the case of directors who also perform executive functions, Article 81 establishes that, subject to approval by the General Shareholders' Meeting, those directors may also participate in incentive schemes approved for Bank executives consisting of payments in the form of shares, stock options or remuneration linked to the share price. At all events, remuneration for executive functions will align with the general principles of the Bank, and the criteria of deferral and payment in shares established for Senior Management will apply to them.

2—Composition of the Board of Directors of Banco Sabadell

The Board of Directors of Banco Sabadell comprises the following persons:

Josep Olius Creus, Chairman
Isak Andic Ermay, First Deputy Chairman
José Manuel Lara Bosch, Second Deputy Chairman
José Javier Echenique Landiribar, Third Deputy Chairman
Jaime Guardiola Romojaro, Managing Director
Joan Llonch Andreu, Director
Francesc Casas Selvas, Director
Héctor María Colonques Moreno, Director
Sol Daurella Comadrán, Director
Joaquín Folch-Rusiñol Corachán, Director
Maria Teresa García-Milà Lloveras, Director
José Ramón Martínez Sufrategui, Director
Antonio Vítor Martins Monteiro, Director
José Luis Negro Rodríguez, Director-Comptroller General
José Permanyer Cunillera, Director

Report on Directors'
remuneration

The Board of Directors has the following committees:

- *Executive Committee*
 - Josep Olius Creus (Chairman)
 - Jaime Guardiola Romojaro
 - José Luis Negro Rodríguez
 - José Permanyer Cunillera
- *Nomination and Remuneration Committee*
 - Héctor María Colonques Moreno (Chairman)
 - Isak Andic Ermay
 - Joaquín Folch-Rusiñol Corachán
 - José Manuel Lara Bosch
- *Strategy Committee*
 - Josep Olius Creus (Chairman)
 - Isak Andic Ermay
 - José Manuel Lara Bosch
 - José Javier Echenique Landiribar
 - Jaime Guardiola Romojaro
 - Joaquín Folch-Rusiñol Corachán
- *Audit and Control Committee*
 - Joan Llonch Andreu (Chairman)
 - Francesc Casas Selvas
 - Sol Daurella Comadrán
 - Maria Teresa García-Milà Lloveras
- *Risk Control Committee*
 - Josep Olius Creus (Chairman)
 - José Permanyer Cunillera, Deputy Chairman
 - Jaime Guardiola Romojaro
 - Joan Llonch Andreu
 - José Luis Negro Rodríguez

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3—Principles guiding policy on directors' remuneration

- a Remuneration for all directors has been established taking into consideration such criteria as dedication, qualifications

and responsibility, the goal being to provide incentives without in any way compromising the director's independence in discharging his/her duties.

- b The applicable criteria have been evaluated by the Nomination and Remuneration Committee, which has taken advice from the Bank's internal services where necessary, and any comparable existing market conditions have been taken into account.
- c The applicable criteria have been evaluated by the Nomination and Remuneration Committee, which has taken advice from the Bank's internal services where necessary, and any comparable existing market conditions have been taken into account.
- d Remuneration for all directors has been set by the Board of Directors, on the recommendation of the Nomination and Remuneration Committee, in accordance with the criteria and within the limits established under article 81 of the Articles of Association.

4—Procedure for fixing directors' remuneration

Under article 59 ter of the Articles of Association, the Nomination and Remuneration Committee's basic responsibilities, described in article 14 of the Regulation of the Board of Directors, include making recommendations to the Board of Directors for a system and an amount of annual remuneration to be paid to the Chairman of the Board of Directors, the executive directors, the Bank's senior management, and for systems under which the Board shares in the company's profits. It also advises on the directors' remuneration policy, periodically reviews the general principles of remuneration and remuneration programmes, considers whether they conform to those principles and seeks to ensure transparency with respect to remuneration.

5—Directors' remuneration for 2012

The following system was approved for Banco Sabadell:

A Board of Directors

- a The Chairman of the Board of Directors receives €252,000.
- b Deputy Chairmen of the Board of Directors receive a base remuneration of €126,000.
- c The other members of the Board of Directors receive a base remuneration of €108,000.

B Board committees

- a Executive directors do not receive any amount for chairing, belonging to or attending the Board's various committees or other boards of directors of group companies.
- b With the exception of the Executive Committee (membership of which does not generate any remuneration), members of committees (Risk Control, Appointments and Remuneration, Audit and Control, and Strategy) receive additional remuneration of €18,000.
- c Chairmen of Board committees receive an additional

remuneration of €18,000.

- d The member of the Risk Control Committee who chairs the Credit Review Committee receives an additional remuneration of €18,000.

C Directors of other group companies:

- a The Chairman of the Board of Directors of Banco Guipuzcoano received €62,727.30 until 22 May (the day of the merger with Banco Sabadell); the Deputy Chairman received €24,545.46, and members of that Board received €16,363.62 each.
- b The Chairman of the Board of Directors of BanSabadell Inversió Desenvolupament, S.A.U., received €60,000.
- c The Chairman of the Board of Directors of Solvia Gestió Immobiliària, S.L., received €60,000.

D Other remuneration

- a The Chairman of the SabadellGuipuzcoano Advisory Board, created after the merger into Banco Sabadell on 22 May, received €18,000, in addition to a remuneration of €9,000 for being a member of the Board.

- E Pension contributions amounted to €37,800 for the Chairman of the Board and €18,900 for each member of the Board: Francesc Casas Selvas, Héctor María Colonques Moreno, Joaquín Folch-Rusiñol Corachán, Joan Llonch Andreu and José Permanyer Cunillera.

The table below shows total director remuneration received in 2012 for performing non-executive functions:

| €'000 | | | | | | | | | |
|----------------------------------|--------------------|------------------------|--|-------------------------|--------------------|---------------------|--------------------------------|---------------------|-------|
| Name of Director | Board of Directors | Risk Control Committee | Nomination & Remuneration on Committee | Audit Control Committee | Strategy Committee | Executive Committee | Board of Other Group Companies | Others | Total |
| Josep Olliu Creus | C 252 | C | | | P | P | | | 252 |
| Isak Andic Ermay | DC 126 | | M 18 | | M 18 | | | | 162 |
| José Manuel Lara Bosch | DC 126 | | M 18 | | M 18 | | | | 162 |
| José Javier Echenique Landiribar | DC 126 | | | | M 18 | | C ⁽²⁾ 63 | C ⁽⁴⁾ 18 | 225 |
| Jaime Guardiola Romojaro | M 108 | M | | | M | M | M ⁽²⁾ | | 108 |
| Francesc Casas Selvas | M 108 | | | M 18 | | | | | 126 |
| Héctor María Colonques Moreno | M 108 | | C 36 | | | | | | 144 |
| Sol Daurella Comadrán | M 108 | | | M 18 | | | M ⁽²⁾ 16 | | 142 |
| Joaquín Folch-Rusiñol Corachán | M 108 | | M 18 | | M 18 | | | | 144 |
| M. Teresa Garcia-Milà Lloveras | M 108 | M ⁽⁵⁾ 9 | | M 18 | | | | | 135 |
| Joan Llonch Andreu | M 108 | M 18 | | P 36 | | | DC ⁽²⁾ 25 | M ⁽⁴⁾ 9 | 196 |
| José Ramón Martínez Sufrategui | M 108 | | | | | | | | 108 |
| António Vítor Martins Monteiro | M 38 | | | | | | | | 38 |
| José Luis Negro Rodríguez | M 61 | M | | | | M | | | 61 |
| José Permanyer Cunillera | M 108 | DC ⁽¹⁾ 36 | | | | M | C ⁽³⁾ 120 | | 264 |

C: Chairman / DC: Deputy Chairman / M: Member

(1) Chairman of the Credit Review Committee

(2) Banco Guipuzcoano, S.A.

(3) BanSabadell Inversió Desenvolupament, S.A.U. and Solvia Gestió Immobiliària, S.L.

(4) SabadellGuipuzcoano Advisory Board

(5) Served on the Committee for the part of the year only

6—Anticipated directors' remuneration for 2013

In view of the economic circumstances and pressure on the financial system, the Nomination and Remuneration Committee has recommended to the Board of Directors that remuneration for all members of the Board for non-executive functions be reduced by 15% in 2013.

7—Executive directors' remuneration for performing executive functions

A Broadly speaking, and in particular as regards executive functions, remuneration at Banco Sabadell is seen as a value-creating factor by which to attract and retain the best professionals, and should include a competitively-structured remuneration package which, in certain cases, should include a variable remuneration component that is linked to specific objectives aligned with shareholders' interests.

B The principles of the remuneration policy for executive directors who perform executive functions are as follows:

- a Executive directors receive fixed and variable remuneration corresponding to their specific post. A suitable balance has been established between the fixed and variable components of remuneration.
- b The criteria as to performance and attainment of set objectives which determine fixed and variable remuneration components are the same as for the Bank's senior managers, and seek to provide overall remuneration that is competitive according to comparable market parameters and in which variable remuneration accounts for a significant portion.
- c Variable remuneration is based on a range of factors, in particular professional performance, and is not determined simply by the general performance of the markets or sectors in which the entity operates or other similar circumstances.
- d Remuneration policy conforms to the business strategy and to the Bank's long-term objectives, values and interests, in line with the principles that govern customer and investor protection.
- e The evaluation combines the Bank's individual and consolidated results, having regard for current and future risks associated with earnings as well as the cost of capital employed and the required liquidity.
- f Standard conditions in these types of relationships were taken into consideration when drafting contracts, and the terms were set in accordance with prevailing market standards.
- g The remuneration system is complementary to the incentive plan for executives of Banco Sabadell, the conditions of which were approved by the General Meeting on 25 March 2010.

C Executive Directors

In 2012, the executive directors of Banco Sabadell were:

- Josep Olliu Creus, Chairman.
- Jaume Guardiola Romojaro, Managing Director.
- José Luis Negro Rodríguez, Director and Comptroller-General (appointed on 31 May 2012).

D Fixed remuneration for 2012

Fixed remuneration for executive directors was set on the basis of their maximum level of responsibility and rewards their contribution in each position they hold and their executive and leadership skills. Comparable situations in the market were taken into consideration to calculate the remuneration.

Fixed remuneration includes the pay elements established by the various agreements that apply to all employees of the Bank.

Fixed remuneration in 2012 amounted to €1,301,269 for Josep Olliu Creus, €846,083 for Jaime Guardiola Romojaro and €366,668 for José Luis Negro Rodríguez, from the date on which the latter was appointed to the Board of Directors.

The Managing Director also received a fixed annual amount of €400,000.

E Variable remuneration paid in 2012

Variable remuneration in 2012, calculated as a function of 2011 earnings, was paid in February 2012. In accordance with the rules established by Royal Decree 771/2001, of 3 June:

- a 50% of variable remuneration was paid in the form of Banco Sabadell shares.
- b At the same time, 50% of total variable remuneration has been deferred, and is expected to be paid in three equal parts in the next three years.
- c 50% of each payment is received in the form of Banco Sabadell shares.
- d The shares delivered have a vesting period of one year as from the delivery date.

The Chairman's variable remuneration was set by the Nomination and Remuneration Committee, based on an objective benchmark, i.e. earnings, and other relevant aspects such as management performance in the year. This resulted in a payment of €182,500.

The Managing Director's variable remuneration has been fixed by the Nomination and Remuneration Committee based on the group's earnings; however, a set of objectives, each with a different weighting, has been established, including: earnings, net increase in customer numbers, liquidity gap and demand account market share, resulting in a payment of €172,274.

Under the variable remuneration payment system described above, 36,726 Banco Sabadell shares were delivered to the Chairman, and 34,783 to the Managing Director.

F Pension commitments

Contributions in respect of pension commitments were provided through insurance policies in the amount of €985,636.91 for Josep Olliu Creus and €1,385,719.00 for Jaime Guardiola Romojaro. Additionally, each of them received contributions to their pension plans in the amount of €762.08.

G Multi-year variable remuneration system

The remuneration system also includes an incentive scheme for all Banco Sabadell executives, the terms of which were approved by the Annual General Meeting on 25 March 2010.

Under the terms of the scheme, known as Stock

Appreciation Rights 2010-2013, the Chairman has been assigned 2,600,000 rights, the Managing Director 2,000,000 rights, and the Comptroller-General 800,000 rights. However, according to the scheme terms as currently drafted, no rights has vested as of the date of this report.

H Other benefits

During the year the following amounts were recognised remuneration in kind: €28,727 for the Chairman, €9,211 for the Managing Director, and €5,429 for the Comptroller-General.

8—Anticipated remuneration payable to executive directors in 2013 for performing executive functions

The remuneration policy envisaged for executive directors in 2013 will be based on the general principles established by Banco Sabadell and detailed in this report.

The variable remuneration for 2012 and the first one-third instalment of variable remuneration for 2011 will be paid in 2013.

The implementation of the system to pay variable remuneration for 2012 in options on Banco Sabadell shares will be submitted to the Annual General Meeting for approval in 2013. With this system, which does not involve additional remuneration, executive directors may receive 100% of their variable remuneration for the discharge of duties in 2012 in the form of stock options with a three-year vesting period, which fully complies with all legal and corporate governance requirements in connection with the deferral of variable remuneration and payment in the form of equity instruments.

Under this system, 100% of the variable remuneration received by executive directors in 2013 will be linked to share performance in the coming years.

—Corporate social responsibility

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Banco Sabadell has adopted a set of principles on corporate social responsibility which apply across the organization and to all areas of its business. They are manifested through policies and initiatives pursued both nationally and internationally.

The Bank's compliance, CSR and Corporate Governance department is responsible for coordinating policy on social responsibility once it has been approved by the Board of Directors.

In an adverse economic and social environment accompanied by large-scale financial sector restructuring, the group showed its ability to carry out a coherent corporate social responsibility policy which identifies and prevents or mitigates possible social impacts and creates shared value for stakeholders.

For a large part of the year 2012 Banco Sabadell was meeting the challenge of integrating Banco CAM, during which it demonstrated that its key values of transparency, truthfulness and trust were paramount.

Stakeholders and the wider community - initiatives, alliances and commitments

— Signatory of the United Nations Global Pact

The Banco Sabadell Progress Report for 2011 was described by the Global Compact International Network as being of an "advanced level"

— Signatory of the Ecuador Principles

— United Nations Principles for Responsible Investment – UNPRI: the Bank is a signatory in the "asset owner" category

— A signatory of the Carbon Disclosure Project and the CDP on Water Disclosure

— Party to an agreement between the Spanish Banking Association (AEB), the CNMV and the Bank of Spain to draw up an action programme in relation to Financial Education Plan

— Since 2008, Banco Sabadell has been included in the FTSE4Good and FTSE4Good IBEX sustainable stock market indices. It is also a member of the Ethibel Investment Register

— Awarded the Gold Seal of Excellence of the European Foundation for Quality Management (EFQM)

— ISO 9001 Certification for 100% of processes and operations of the group's financial services in Spain

— ISO 14001 Certification for six Central Service office buildings.

— LEED NC (New Construction) GOLD sustainable building certificate for the new office building at the Banco Sabadell Centre in Sant Cugat del Vallès

— A Partner in the European Greenbuilding Programme for the sustainable construction of the Polinyà logistics centre

— Committee Member, Chair of Applied Ethics, Ethos Ramon Llull Foundation

— A Friend of the ICO-sponsored RSE-PYME Initiative for SMEs and the Global Compact Spanish Network to raise awareness of corporate social responsibility among Spanish SMEs

— Executive Vice-President of the Catalonia Club for Management Excellence

— A Member of the Madrid Excelente Foundation's Council of Experts

— A Member of the advisory board of *Responsabilidad social corporativa* journal, published by the Luis Vives Foundation

- A Member of the Environment Committee of the Spanish Association for Quality (AEC)
- A member of the SECE company's Corporate Social Responsibility External Committee

Banco Sabadell reports on its economic, social and environmental performance in its Annual Report on Corporate Social Responsibility, following the Global Reporting Initiative (GRI) G3.1 international guidelines and supplement on the financial services sector. Once again, the report was verified by external auditors and received the maximum rating of A+ from the GRI.

Some of the year's most significant CRS highlights are briefly described below. These are set out in more detail in the 2012 Report on Corporate Social Responsibility. The report is available to stakeholders on the corporate website (www.grupobancosabadell.com), together with the Report on Corporate Governance for 2012.

Promoting economic growth

Banco Sabadell acquitted itself satisfactorily in the independent audits carried out in 2012 by consultancy firm Oliver Wyman on Spain's leading financial institutions to establish their capital requirements in an adverse economic scenario. The Bank was classed in group 0 which included all institutions that already held capital resources sufficient to weather the most adverse macroeconomic conditions and were shown to be creditworthy.

Each year Banco Sabadell supports subsidized funding schemes sponsored by the Official Credit Institute as well as the principal schemes promoted by Spain's autonomous regions. It also maintains agreements with a majority of the country's Credit Guarantee Societies (Sociedades de Garantía Recíproca) whose purpose is to provide guarantees to SMEs to enable them to obtain finance.

In 2012 Banco Sabadell took the third largest share of funding disbursed under the ICO-funded schemes, with 12.2% of the total.

Financial services and sustainability

Banco Sabadell and the European Investment Bank have signed an agreement with the aim of injecting funding amounting to €400 million into SMEs. The agreement includes a prohibition on financing for sectors or activities that are unethical or which, for example, have negative environmental impacts, are engaged in the manufacture of weapons or are in violation of people's rights or whose activities are merely financial in character.

During the year, Banco Sabadell provided more than €643 million for structured finance deals. In 2012 a total of 17 deals incorporating the Ecuador Principles were concluded, of which 88% were in the field of renewable energy.

Banco Sabadell offers a number of socially responsible investments:

- Sabadell BS Inversión Ética y Solidaria, FI, an ethical mutual fund

- Urquijo Cooperación, SICAV
- Plan de Pensiones Ético y Solidario, an ethical pension plan
- BS Ahorro Futuro

A long-term relationship

Once it had officially registered the acquisition of Banco CAM, Banco Sabadell set in motion action plans to rebuild trust among customers of the former saving bank and to raise standards of quality and service to the levels required by Banco Sabadell. This resulted in the holding of face-to-face meetings with individual customers at SabadellCAM branches to discuss their concerns.

The Bank also offered to holders of preferred shares and subordinated notes issued by Banco CAM the option of exchanging these for securities that were more liquid and better suited to the current regulatory and trading environment.

Corporate social
responsibility

Financial education

Banco Sabadell is providing its customers with the knowledge and tools they need to manage their finances and is constantly working to offer them financial solutions to meet their needs.

For the third year in succession, Banco Sabadell organized a drawing competition for children, named “What’s money for?” The competition was open to boys and girls between the ages of 0 and 13 years wishing to put their skills to use. The Bank set up a website providing materials and games to help children learn the value of money and the importance of saving. A new feature of the competition this year was an instruction guide written with the help of teachers and educational theorists. The guide contained material to help turn the questions that young children ask about money into opportunities for learning and discussion between parent and child.

Banco Sabadell set up an online “Personal Finance” service to help people organize and manage their household affairs.

A self-help programme entitled “Exportar para crecer” (Export to Grow) was launched by Banco Sabadell in partnership with business schools, associations and other organizations, with the aim of helping SMEs and other companies to become more international as a way out of the crisis. The programme offers a variety of learning sources and channels: a practical guide to foreign trade, seminars, video sessions, knowledge nuggets, practical examples of SMEs going international, etc. (www.bancsabadell.tv/servicios).

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People are key

The enthusiasm, dedication, professionalism and capacity for work shown by Banco Sabadell employees were key to the successful integration of Banco CAM.

At the end of the year the group was employing a total of 15,596 employees, of whom 50.5% were women.

Leadership and training

In 2012 the Bank concentrated on providing leadership and other training programmes for top group executives and supporting employees of the newly acquired Banco CAM as they became integrated into the organization. This included:

- An expanded management and leadership training programme for senior managers, prospective heads of department and newly-appointed managers in Central Services divisions.
- A repeat of the LAUDE programme, an arrangement under which Bank employees completing in-service training courses are awarded academic qualifications from the University of Barcelona's Institute for Continuous Training (IL3-University of Barcelona). These qualifications are in accordance with the European Education Area framework.
- A special learning platform set up to support employees of the former Banco CAM throughout the process of integration and to ensure that they acquired the knowledge and skills they needed to work as employees of the group.
- A first series of lectures given at the new Central Services building, opened in June 2012, on the theme of "Business and Values". Speakers included key names from the corporate and academic worlds and eminent senior citizens.

Minimizing social impact and improving employment prospects

To minimize the social impact of staff reductions required by the European Commission in connection with the acquisition of Banco CAM, Banco Sabadell launched a re-employment plan to help employees taking voluntary redundancy or affected by collective dismissal to find alternative work. This included providing former employees with counselling to improve their chances of finding employment and, at the same time, offering them credit on favourable terms, one year's rent-free use of office space or business premises, and vocational guidance.

The plan also included action to revitalize business in areas where the numbers of people leaving Banco CAM were greatest and to generate employment through the promotion of business initiatives.

Equality and integration

- 128 The committee responsible for monitoring the group's Equality Plan, made up of employee and management representatives, meets twice a year to review progress in implementing the Equality Plan, which was signed in 2010.

To make businesses more aware of women's potential in senior managerial roles, Banco Sabadell is working with the Alumni Association of the ESADE Business School in organizing training sessions under the title "The Women and Leadership Forum".

Premises and the environment

In 2012 Banco Sabadell opened a new office building at the Banco Sabadell Centre in Sant Cugat del Vallès. The new building is an extension to the group's main corporate headquarters which was awarded the LEED-NC (New Construction) Gold Certificate v. 2.2. According to the performance data required for certification, the new building is approximately 23% more efficient in energy consumption and 65% in water usage compared with a standard building of the same type.

Banco Sabadell has six buildings certified to the ISO 14001 standard.

Social commitment

Banco Sabadell promotes community-based programmes and cultural activities or events through the Banco Sabadell Foundation, the Banco Herrero Foundation and the Banco Sabadell Sponsorship Committee. In 2012, the Bank invested €3,841,821 million in community projects and cultural activities.

Full information on the group's Foundations and annual award schemes is provided in the "Society" section of the group website. Some key awards include:

- The Fundación Herrero Prize (ninth year) awarded to Dr Emilio J Castilla for research into organizational aspects of work and employment.
- The Banco Sabadell Prize for Biomedical Research (seventh year) in recognition of the work of Dr Ben Lehner, aged 33, for what the jury described as his "brilliant and original contribution to the understanding and prediction of how genetic mutations lead to phenotypic changes and cause disease".
- The UPF Emprèn Prize (fourth year) awarded by the Pompeu Fabra University's Social Council and the Banco Sabadell Foundation. The prize rewards undergraduates who display initiative and business talent; in 2012 the prize was won by the MyVoicer project, a portable text reader for the blind.