



# FY09 Results



**28<sup>th</sup> January 2010**

# Disclaimer



Banco Sabadell cautions that this presentation may contain forward looking statements with respect to the business. financial condition. results of operations. strategy. plans and objectives of the Banco Sabadell Group. While these forward looking statements represent our judgement and future expectations concerning the development of our business. a certain number of risks. uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include. but are not limited to. (1) general market. Macroeconomic. governmental. political and regulatory trends. (2) movements in local and international securities markets. currency exchange rate. and interest rates. (3) competitive pressures. (4) technical developments. (5) changes in the financial position or credit worthiness of our customers. obligors and counterparts. These risk factors could adversely affect our business and financial performance published in our past and future filings and reports. including those with the Spanish Securities and Exchange Commission (Comisión Nacional del Mercado de Valores).

Banco Sabadell is not nor can it be held responsible for the usage. valuations. opinions. expectations or decisions which might be adopted by third parties following the publication of this information.

Financial information by business areas is presented according to GAAP as well as internal Banco Sabadell group's criteria as a result of which each division reflects the true nature of its business. These criteria do not follow any particular regulation and can include forecasts and subjective valuations which could represent substantial differences should another methodology be applied.

The distribution of this presentation in certain jurisdictions may be restricted by law. Recipients of this presentation should inform themselves about and observe such restrictions.

These slides do not constitute or form part of any offer for sale or subscription of or solicitation or invitation of any offer to buy or subscribe to any securities nor shall they or any one of them form the basis of or be relied on in connection with any contract or commitment whatsoever.

---

## 1. 2009 in summary

2. FY09 Results

---

3. Commercial activity and liquidity

---

4. Risk management

---

5. Strategy and guidance

---

# The Spanish economy: The stabilisation process has begun



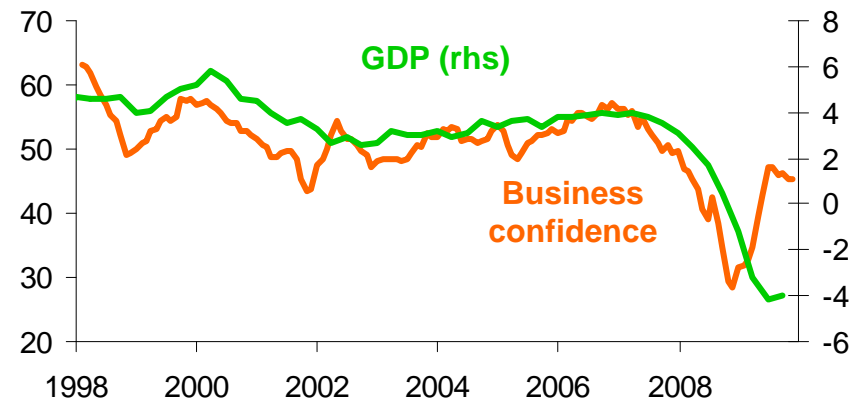
The behaviour of the Spanish economy relies on five key drivers:

- ✓ Export sector
- ✓ Domestic demand
- ✓ Public deficit
- ✓ Real Estate
- ✓ Unemployment rate

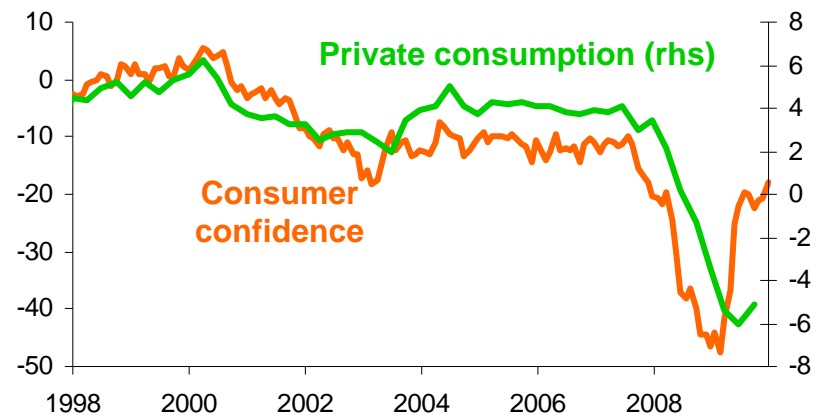
	2008	2009*	2010*
<b>GDP</b>	0.9	-3.6	<b>0.2</b>

Source: Banco Sabadell  
 \*Numbers according to forecasts

**Business confidence (by levels) and real GDP (YoY in %)**



**Consumer confidence (by levels) and Private consumption (YoY in %)**



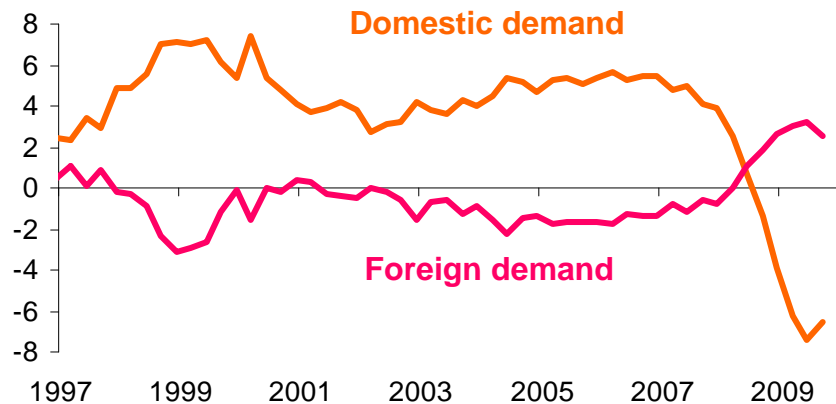
Source: Bloomberg

# The export sector: Main driver of growth



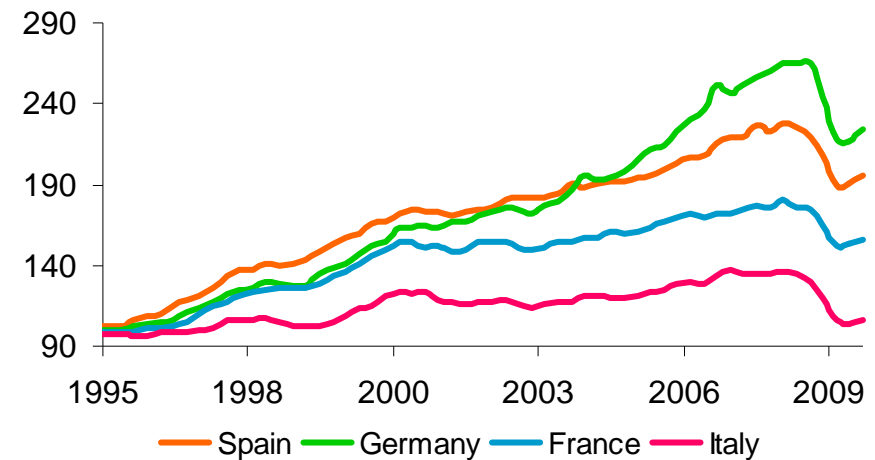
- ✓ Going forward, exports should be supported by the improvement in international trade. In fact, in the last two quarters, exports were positive in quarterly terms.

**PIB growth contribution**  
(percentage points)



Source: Bank of Spain

**Exports** (real terms, 2Q95 = 100)



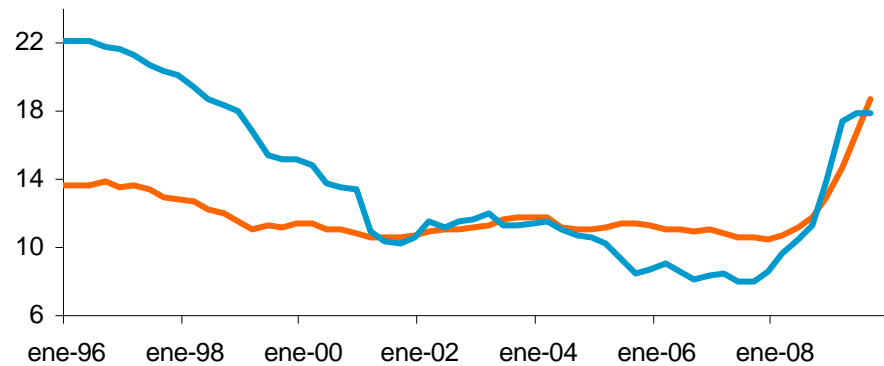
Source: Eurostat

# Domestic demand: Less negative tone



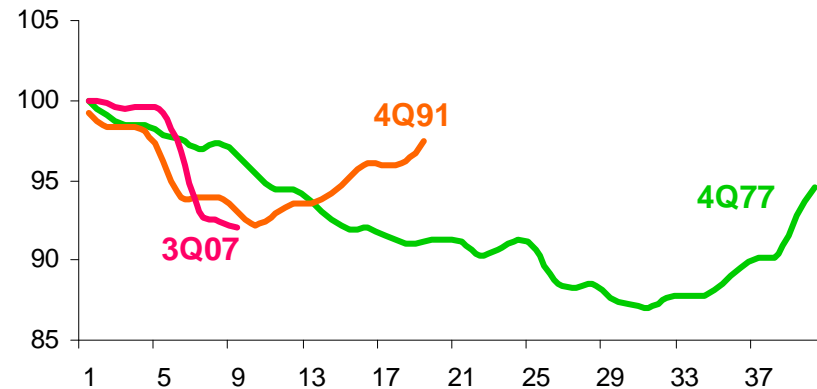
- ✓ Although weak in relative terms, private consumption and investment in fixed capital are expected to show a more favourable evolution.

## Households savings rate and unemployment rate



— Saving rate (as % of gross available income)  
— Unemployment rate (as % of active population)

## Employment in current and previous economic downturns (100 = peak previous to the recession)



Source: INE

# Public finances: Significant imbalances to remain



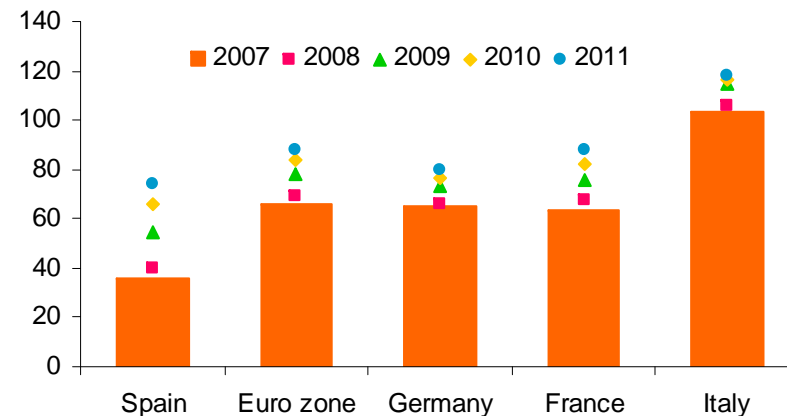
- ✓ An elevated public deficit is likely to persist in 2010. However, the Government has recently announced steps to contain the deficit in the medium term.
- ✓ Public debt, as a percentage of the GDP, is likely to stay below that of the Euro zone during the next couple of years.

**General government balance (as % of the GDP)**

2006	2007	2008	2009	2010	2011	2012
2.0	1.9	-4.1	-9.5	-8.1	-5.2	-3.0

Source: Ministerio de Economía y Hacienda

**Public debt (as % of the GDP)**



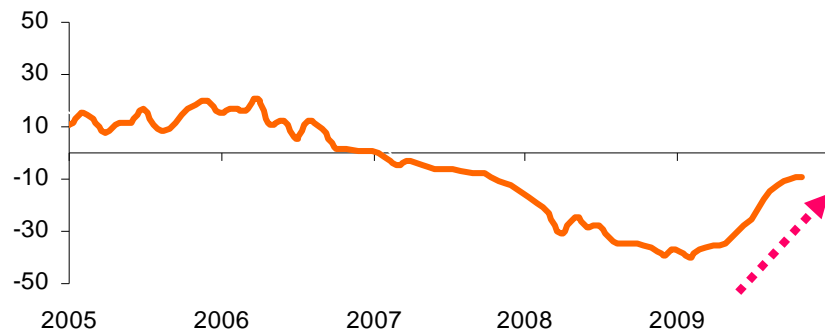
Source: European Commission

# Real estate: Adjustments to continue but at a milder pace



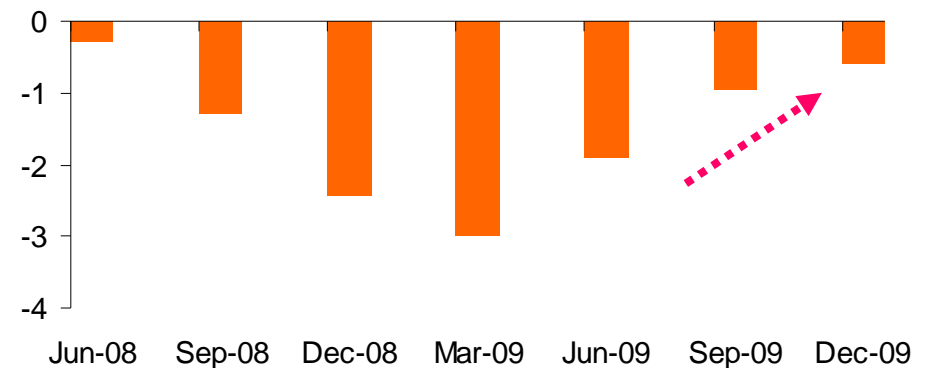
- ✓ The adjustment in real estate is expected to continue due to excess supply. However, as some indicators already show, the pace of contraction is easing.

**Number of mortgaged homes**  
(moving three months average, YoY variation, in %)



Source: INE

**House prices (% QoQ)**



Source: Ministerio Vivienda

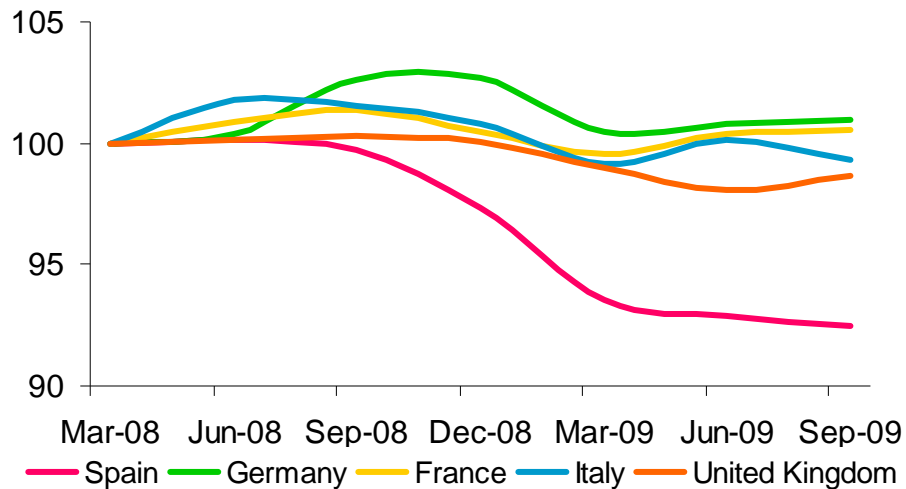


# Real estate: The impact on unemployment

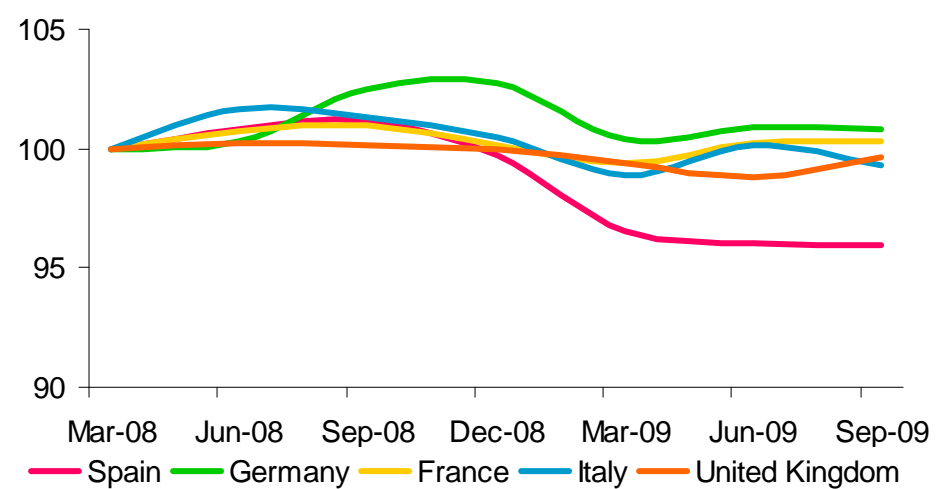


- ✓ Significant role of the construction sector in the reduction of employment

**Employment (1Q08 = 100)**



**Employment excl. construction (1Q08 = 100)**



Source: Labour Force Survey (Eurostat)

Employed vs total population (in %)	
Labour Force Survey (2Q09)	
<b>Spain</b>	<b>41.3</b>
Germany	47.1
France	40.2
Italy	38.6
United Kingdom	46.7

Averages during the period (%)

	Unemployment rate		Annual GDP growth	
	Spain	Euro zone	Spain	Euro zone
1995-1998	17.0	10.4	3.9	2.9
1999-2007	10.3	8.5	3.8	2.2
2008-2009	14.6	8.4	-1.1	-1.7

Source: Eurostat



- ✓ Active management of the net interest income through prices and hedging
- ✓ Positive inflexion point in commissions
- ✓ Excellent cost management: Optima plan consolidation
- ✓ NPL entries showing a decreasing trend
- ✓ High level of coverage ratio maintained
- ✓ Outstanding capital and solvency ratios

---

1. 2009 in summary

**2. FY09 Results**

3. Commercial activity and liquidity

---

4. Risk management

---

5. Strategy and guidance

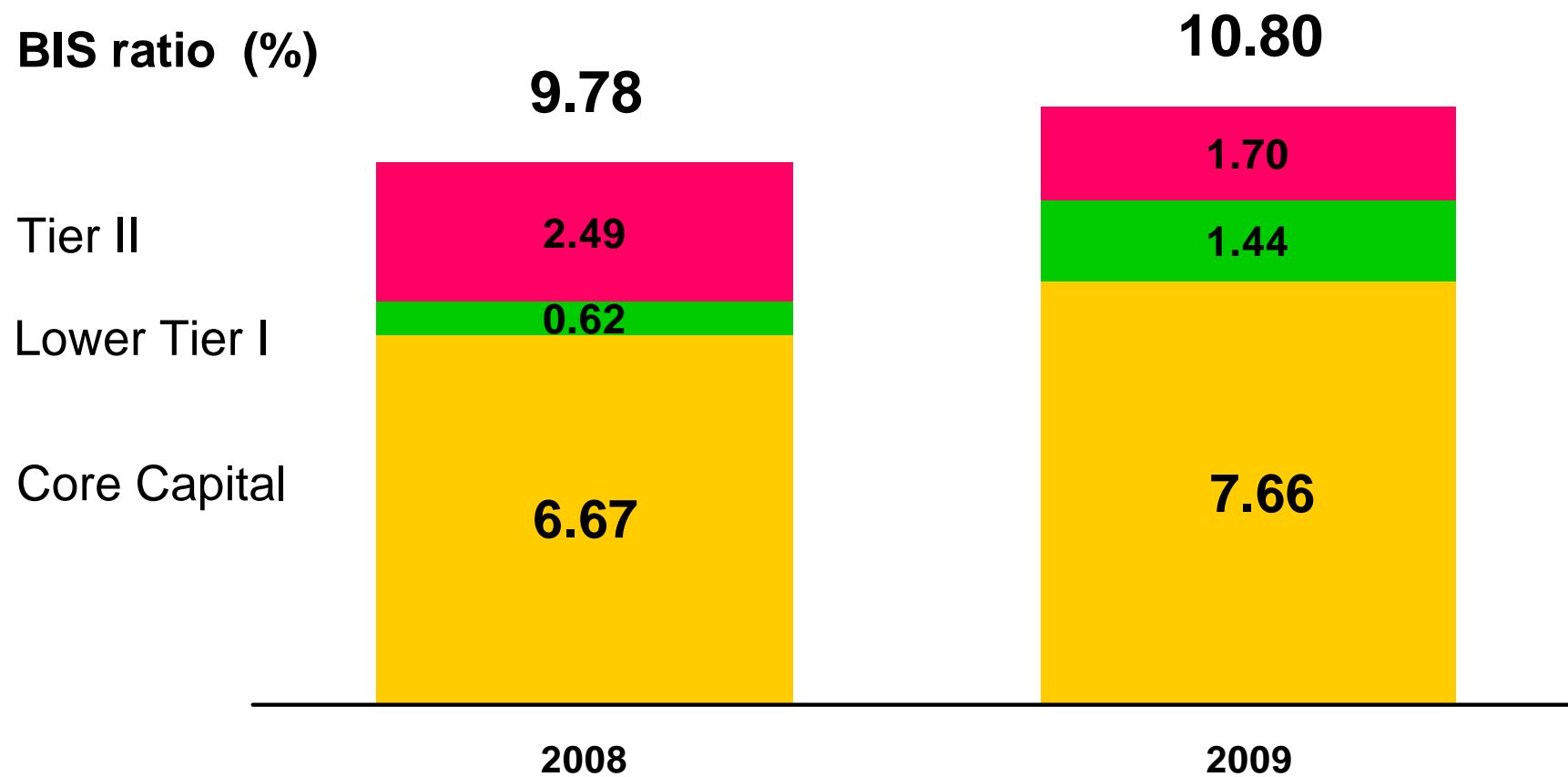
---

# 2009 Results

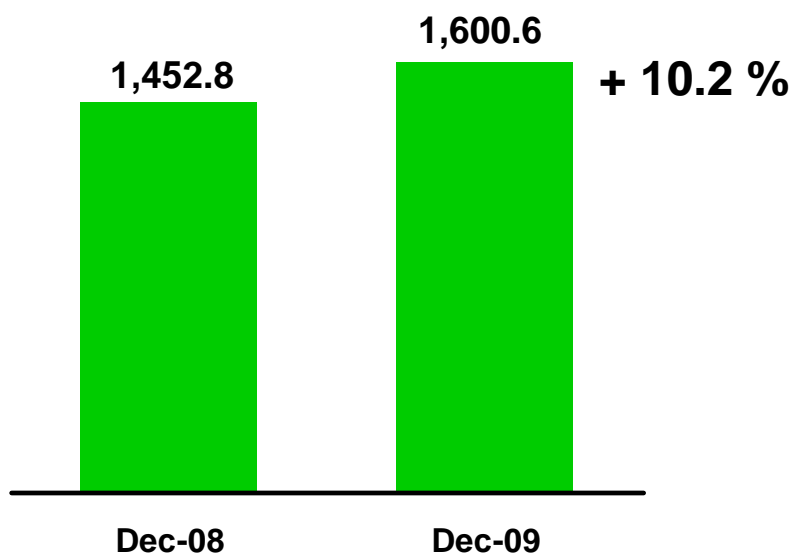
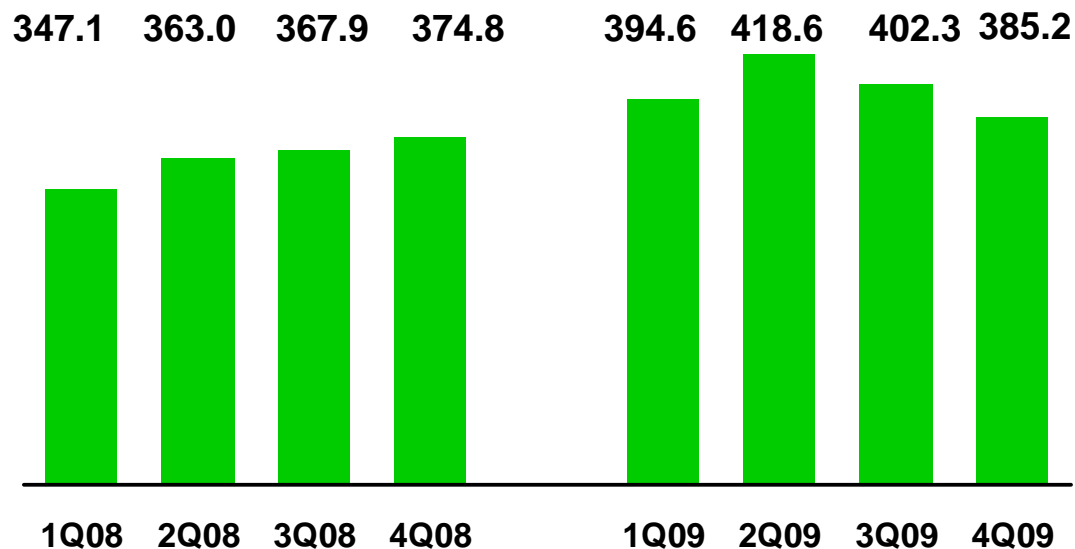


	Dec-08	Dec-09	09/08 (%)
<b>Net Interest Income</b>	<b>1,452.8</b>	<b>1,600.6</b>	<b>10.2%</b>
Equity Method & Dividends	70.8	86.5	22.2%
Commissions	557.7	511.2	-8.4%
Trading Income & Forex	119.1	297.4	149.7%
Other Operating Results	26.4	9.3	-64.6%
<b>Gross Operating Income</b>	<b>2,226.8</b>	<b>2,505.0</b>	<b>12.5%</b>
Personnel Costs	-651.1	-715.3	9.9%
Administrative Costs	-328.0	-321.5	-2.0%
Depreciations	-133.1	-142.7	7.3%
<b>Pre-provisions Income</b>	<b>1,114.6</b>	<b>1,325.5</b>	<b>18.9%</b>
Total Provisions & Impairments	-879.7	-837.7	-4.8%
Gains on sale of assets	24.9	83.6	235.2%
Taxes and others	-14.3	-48.9	240.6%
<b>Profit before Discontinued Results</b>	<b>245.5</b>	<b>522.5</b>	<b>112.9%</b>
Discontinued transactions Results	428.4	0.0	--
<b>Attributable Net Profit</b>	<b>673.8</b>	<b>522.5</b>	<b>-22.5%</b>

# Strong capital position



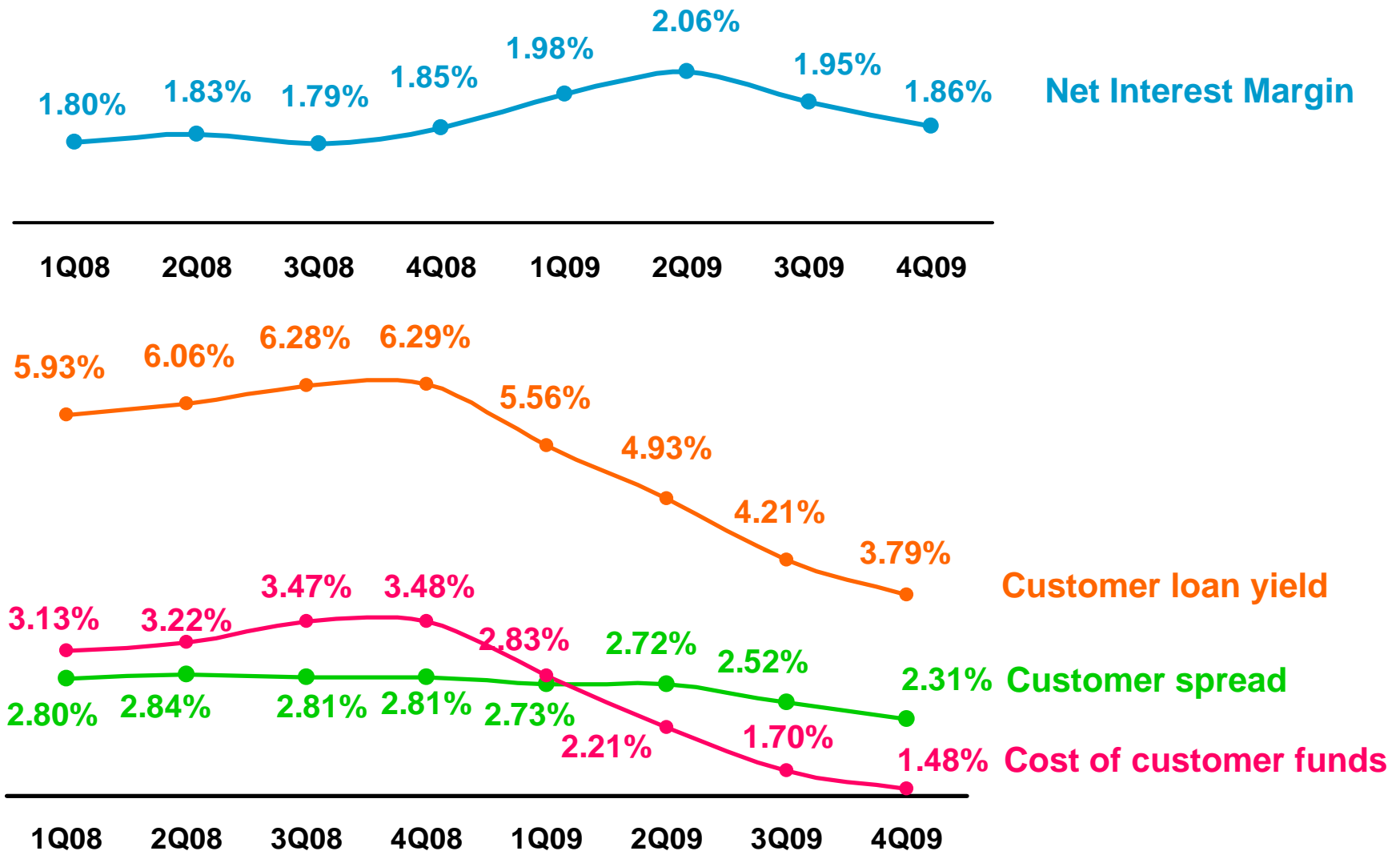
# Margin evolution reflecting the interest rate environment ...



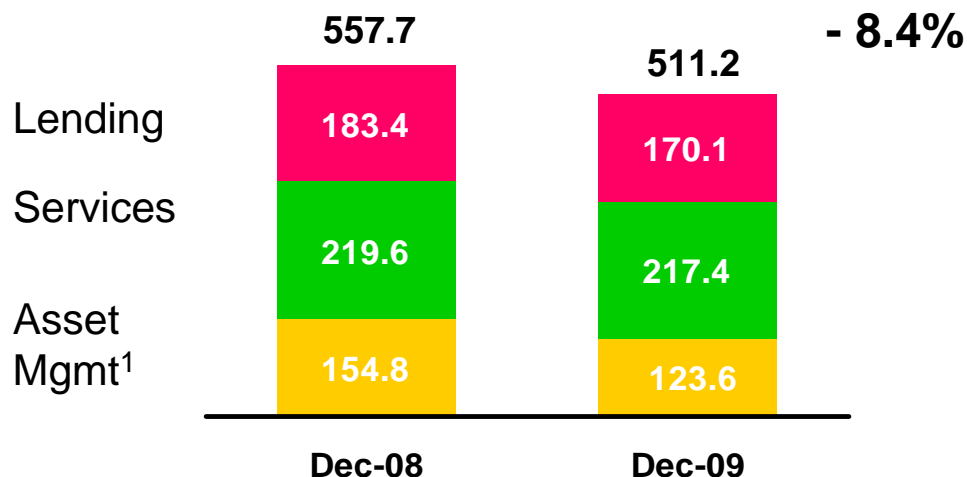
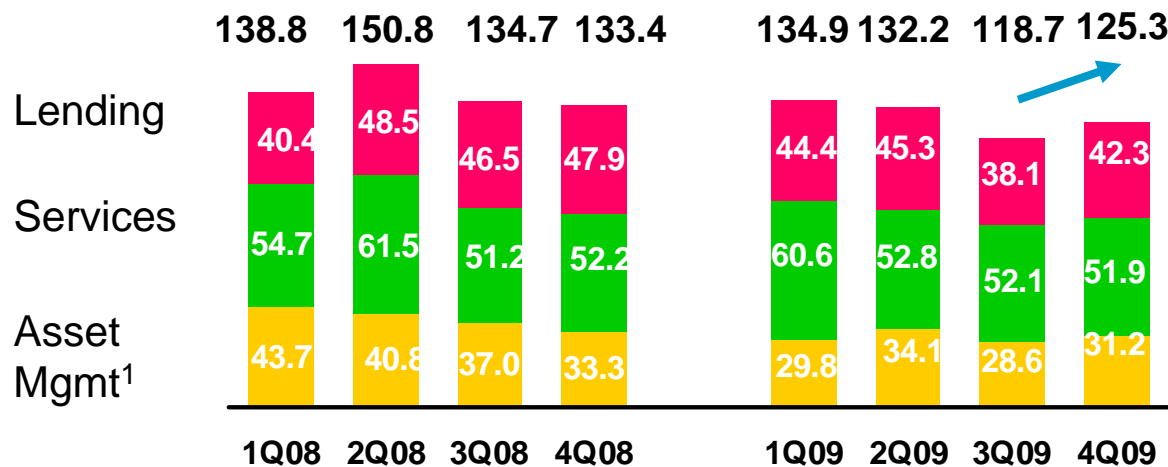
Euros in millions

	Dec-09
<b>NII</b>	<b>1,600.6</b>
Dividends	14.6
Equity Method	71.9
Commissions	511.2
Trading income	248.2
Forex	49.2
Other op. results	9.3
<b>Gross Op. Income</b>	<b>2,505.0</b>
Personnel exp.	-715.3
Administration exp.	-321.5
Deprec. & amort.	-142.7
<b>Pre-provision Op. Incom</b>	<b>1,325.5</b>
Prov. for NPLs and others	-836.9
Gains on sale of assets	83.6
Taxes and minority int.	-49.6
Disc. transactions	0.0
<b>Attr. Net Profit</b>	<b>522.5</b>

# ... but with a softened impact from hedging strategy and active price management



# Commissions have started to recover...



	Dec-09
<b>NII</b>	<b>1,600.6</b>
Dividends	14.6
Equity Method	71.9
<b>Commissions</b>	<b>511.2</b>
Trading income	248.2
Forex	49.2
Other op. results	9.3
<b>Gross Op. Income</b>	<b>2,505.0</b>
Personnel exp.	-715.3
Administration exp.	-321.5
Deprec. & amort.	-142.7
<b>Pre-provision Op. Income</b>	<b>1,325.5</b>
Prov. for NPLs and others	-836.9
Gains on sale of assets	83.6
Taxes and minority int.	-49.6
Disc. transactions	0.0
<b>Attr. Net Profit</b>	<b>522.5</b>

Euros in millions

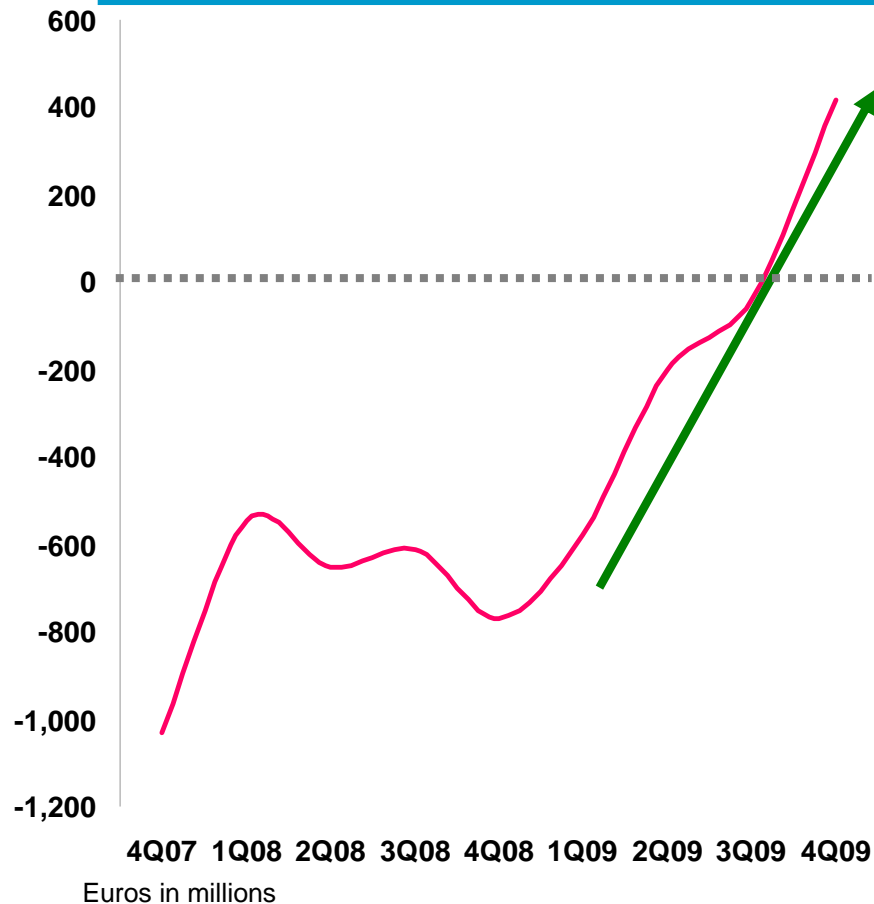
<sup>1</sup> Including mutual funds commissions and pension funds and non-life insurance brokerage



# ... and show a clear improvement trend for the next quarters



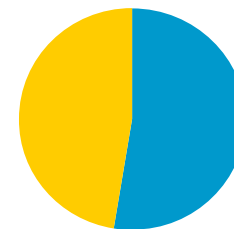
## Net outflows at BS Asset Management



## Outstanding Mutual Funds

Mutual Funds	Profitability 2009	Advantage versus benchmark	Ranking
<b>Fixed income</b>			
Sabadell BS Rendimiento Institucional, FI	<b>+4.5%</b>	<b>+3.2%</b>	<b>14 / 349</b>
Sabadell BS Financial Capital, FI	<b>+26.3%</b>	<b>+8.7%</b>	<b>5 / 73</b>
<b>Equity income</b>			
Sabadell BS España Bolsa, FI	<b>+38.9%</b>	<b>+10.9%</b>	<b>8 / 122</b>
Sabadell BS Euroacción, FI	<b>+31.3%</b>	<b>+12.0%</b>	<b>19 / 170</b>

2009\*



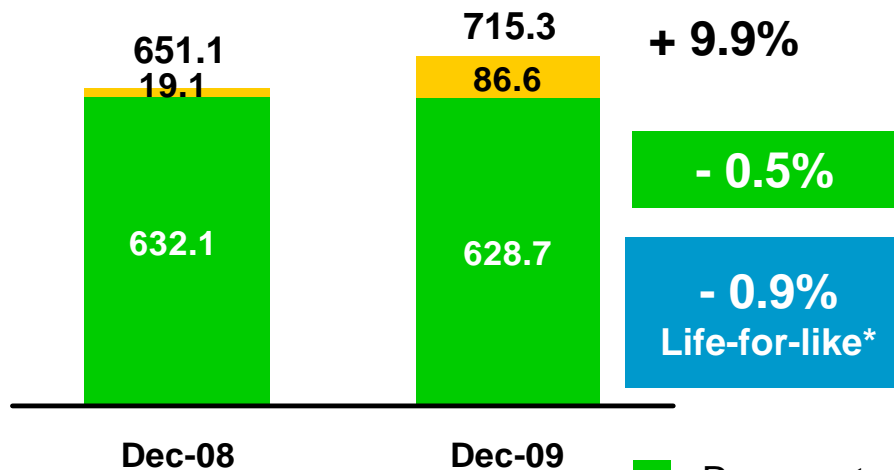
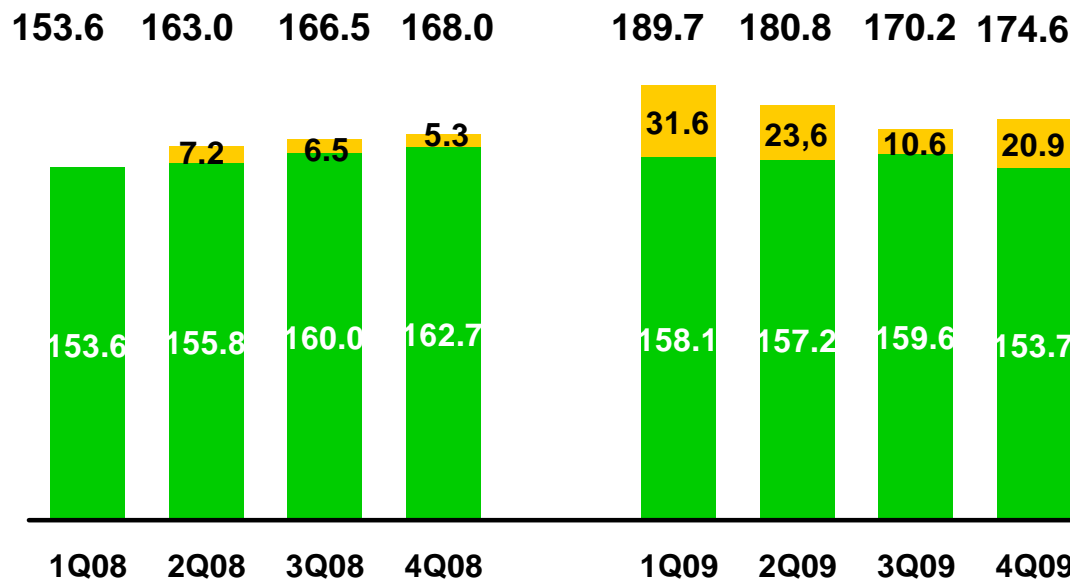
- Number of qualified BS Funds
- Number of other qualified Spanish Asset Managers Funds

\*11 BS Funds over 21 qualified funds

✓ Sabadell BS América Latina Bolsa, FI best return in its category in 2009

✓ BanSabadell Inversión: top of class in mutual funds qualified by S&P

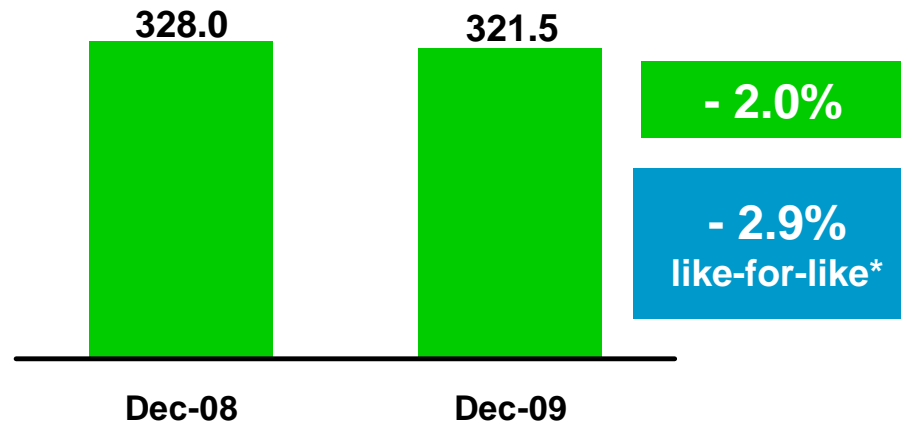
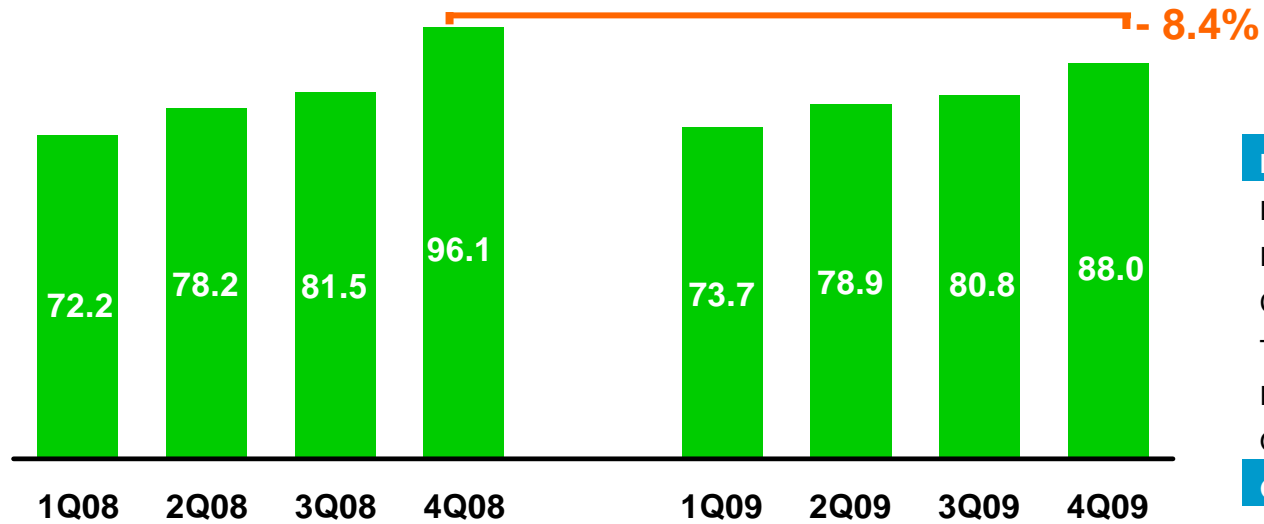
# We continue to take advantage of revenues to apply non-recurrent charges



	Dec-09
<b>NII</b>	<b>1,600.6</b>
Dividends	14.6
Equity Method	71.9
Commissions	511.2
Trading income	248.2
Forex	49.2
Other op. results	9.3
<b>Gross Op. Income</b>	<b>2,505.0</b>
<b>Personnel exp.</b>	<b>-715.3</b>
Administration exp.	-321.5
Deprec. & amort.	-142.7
<b>Pre-provision Op. Incom</b>	<b>1,325.5</b>
Prov. for NPLs and others	-836.9
Gains on sale of assets	83.6
Taxes and minority int.	-49.6
Disc. transactions	0.0
<b>Attr. Net Profit</b>	<b>522.5</b>

■ Recurrent ■ Non-recurrent

# Good performance of administrative expenses



	Dec-09
<b>NII</b>	<b>1,600.6</b>
Dividends	14.6
Equity Method	71.9
Commissions	511.2
Trading income	248.2
Forex	49.2
Other op. results	9.3
<b>Gross Op. Income</b>	<b>2,505.0</b>
Personnel exp.	-715.3
<b>Administration exp.</b>	<b>-321.5</b>
Deprec. & amort.	-142.7
<b>Pre-provision Op. Incom</b>	<b>1,325.5</b>
Prov. for NPLs and others	-836.9
Gains on sale of assets	83.6
Taxes and minority int.	-49.6
Disc. transactions	0.0
<b>Attr. Net Profit</b>	<b>522.5</b>

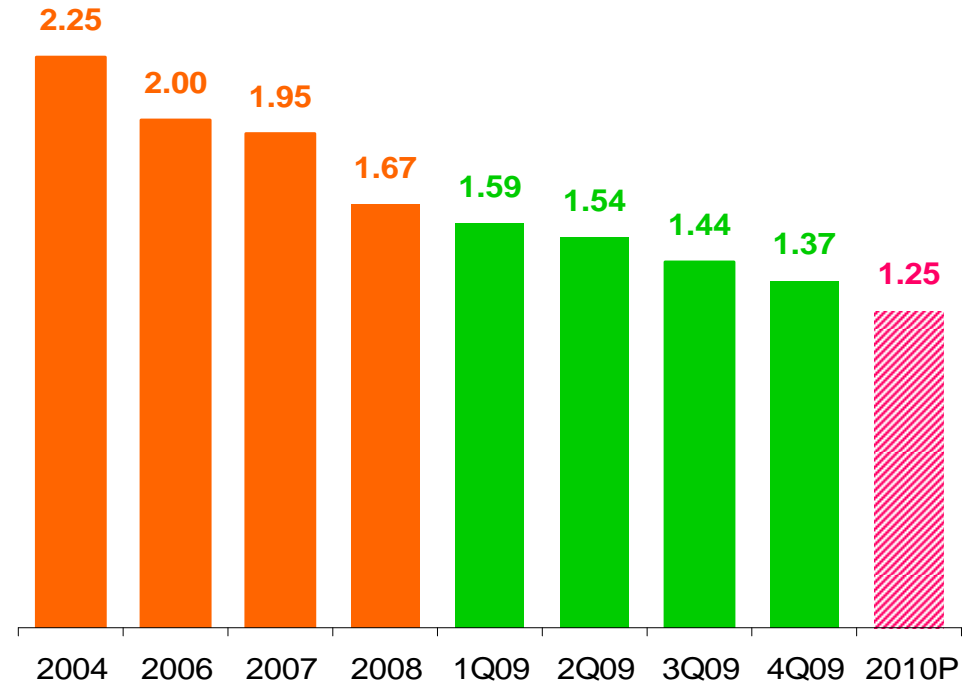
# The transformation plan continues to move forward ...



## Cost reduction measures

- ✓ Supply management and implementation of *right-sourcing*
- ✓ Improved management of the use of internal resources and travel.
- ✓ Adjustment and optimisation of marketing campaigns

## FTEs\* administrative by branch



\*FTE= Full Time Equivalents

**2009FYD**

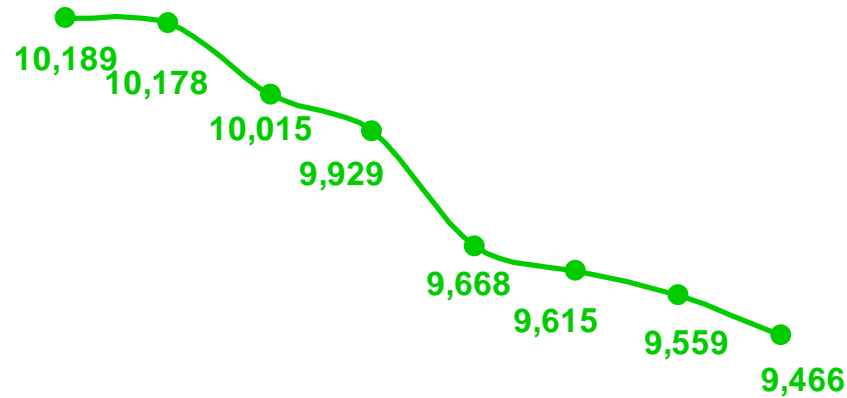
**-348 FTE**

**The operating efficiency program continues to reduce back office time at the branch level**

# ... and positive impact on efficiency

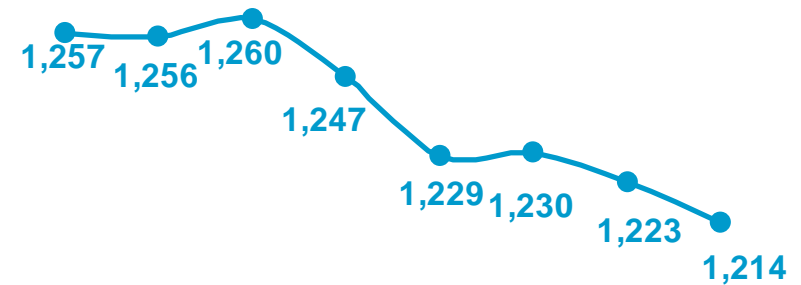


## Number of employees



1Q08 2Q08 3Q08 4Q08 1Q09 2Q09 3Q09 4Q09

## Number of branches



1Q08 2Q08 3Q08 4Q08 1Q09 2Q09 3Q09 4Q09

# Maintaining a high coverage ratio driven by conservative policy



## Total provisions and impairments

	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	2008	2009
Specific	28.1	29.3	109.4	110.7	105.9	148.4	168.5	141.0	277.5	563.8
of which:										
NPLs entry	13.2	6.5	55.4	46.1	11.0	16.2	14.5	4.1	121.2	45.8
Calendar effect	14.8	37.1	48.6	56.9	80.8	121.7	155.2	174.8	157.4	532.5
Substandar	0.2	10.1	214.0	85.3	41.9	87.5	258.7	3.4	309.6	391.5
Metrovacesa	0.0	0.0	0.0	0.0	0.0	46.7	43.4	94.3	0.0	184.3
Real estate assets	0.0	0.0	0.0	78.9	0.3	57.0	67.1	57.2	78.9	181.6
BCP	0.0	0.0	0.0	100.0	0.0	0.0	0.0	210.0	100.0	210.0
Goodwill and others	-8.4	-0.2	68.3	52.0	1.0	-0.3	9.1	53.5	111.9	63.2
Subtotal	19.9	39.2	391.8	427.0	149.1	339.2	546.8	559.4	877.8	1,594.4
Generic	20.2	3.8	-10.1	-12.0	0.0	-129.4	-315.5	-311.8	1.9	-756.7
<b>Total prov. and impair.</b>	<b>40.1</b>	<b>43.0</b>	<b>381.7</b>	<b>415.0</b>	<b>149.1</b>	<b>209.8</b>	<b>231.3</b>	<b>247.6</b>	<b>879.7</b>	<b>837.7</b>

**Solid coverage ratio of 69.0%**

**Including the guarantees the coverage ratio would be 125.1%**

---

1. 2009 in summary

---

2. FY09 Results

---

**3. Commercial activity and liquidity**

4. Risk management

---

5. Strategy and guidance

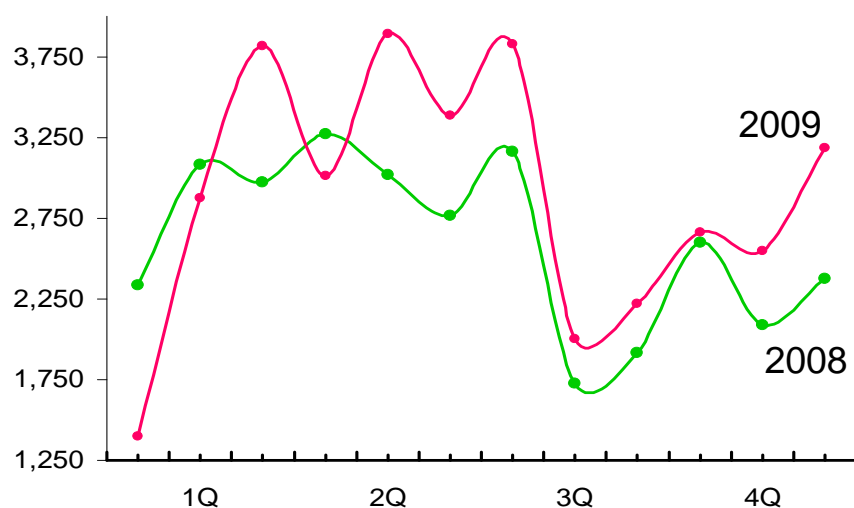
---

# Commercial activity improvement throughout the year

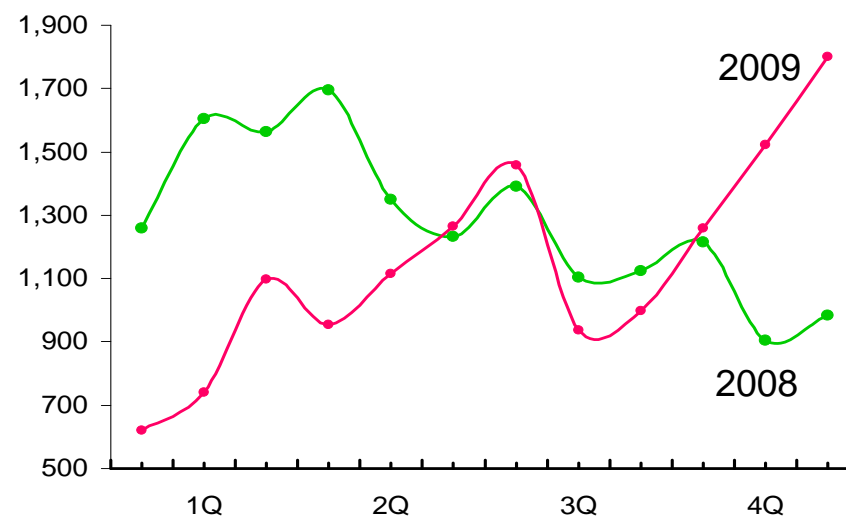


	Dec-08	Dec-09	Var.
On-balance sheet customer funds*	36,134	38,131	+5.5%
Fix-term deposits	21,250	22,150	+4.2%
Loans to customers	64,704	65,013	+0.5%
Loans to customers excluding real estate			+ 4.9%

### Loans



### Mortgages



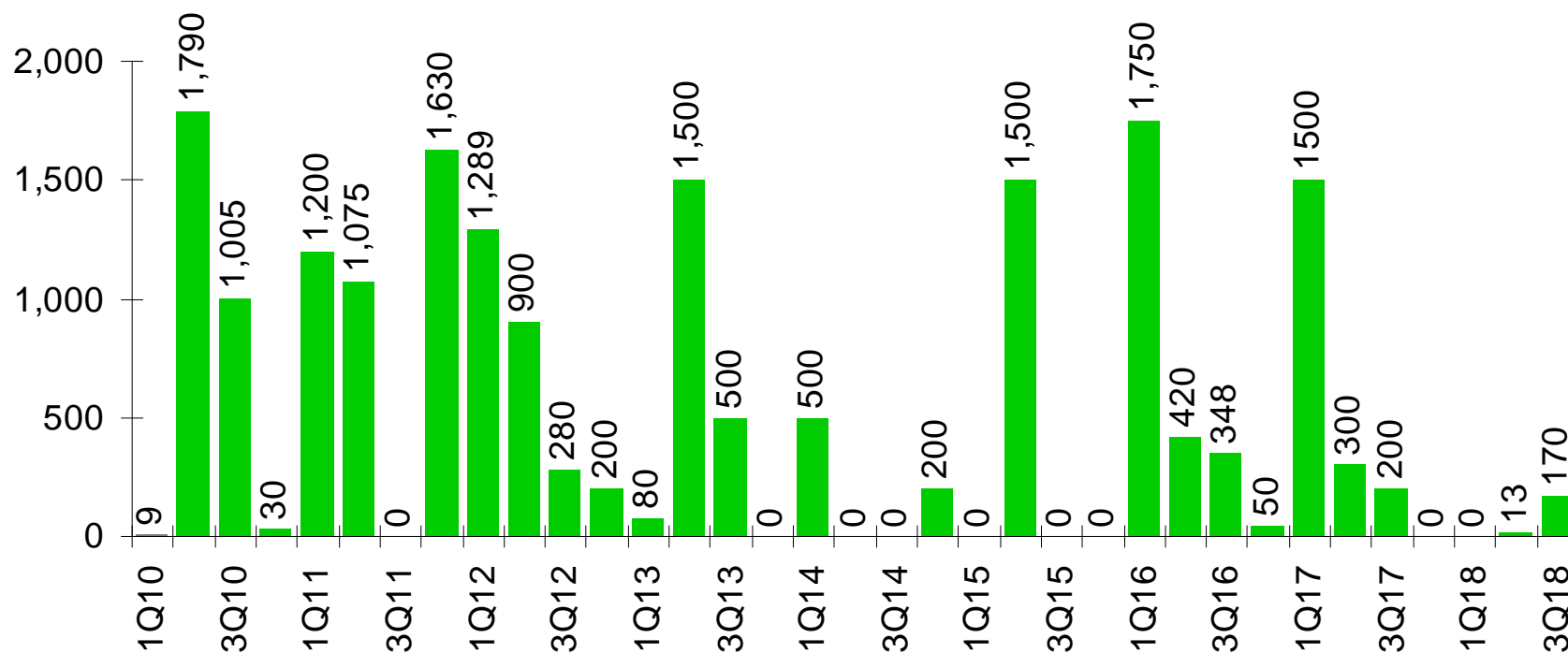
\* Excluding repos and including preference shares placed in the retail network and convertible bond issue. Euros in millions



# A well-balanced maturity calendar



## Wholesale funding maturity calendar



€1,000m covered bond issue successfully at the beginning of the year



## Solid market image versus *peer group*

---

Bonds	€ 1,775 m
Covered bonds	€ 989 m
<b>Total capital market issues</b>	<b>€2,764 m</b>

---

**Wholesale funding maturities** €2,873 m

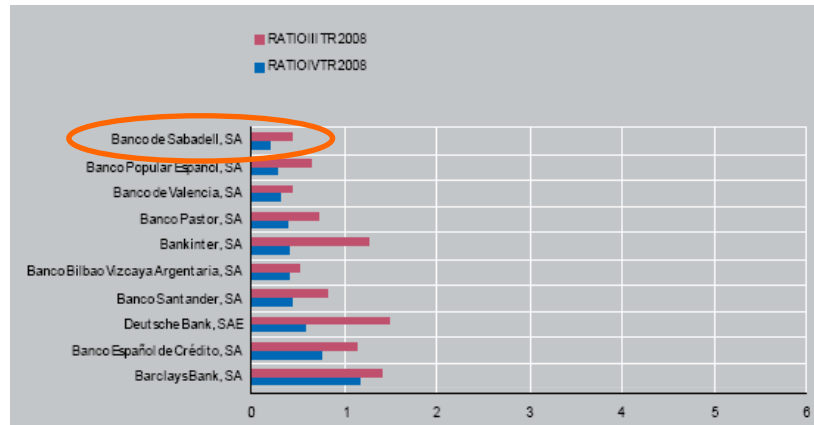
---

No use of state backed guarantees available to BS (€5,313m)

# Service quality and awards

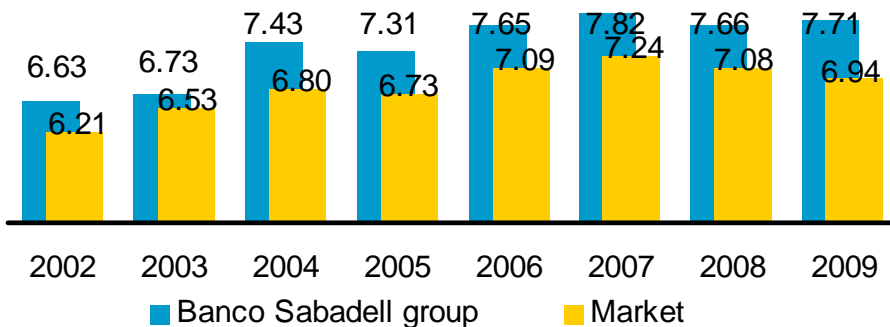


## Ranking in service quality <sup>1</sup>



The only Spanish financial institution with a global ISO 9001 quality certificate

## Ranking in retail banking network independent quality surveys<sup>2</sup>



Renewal of the Global Award of European Excellence



Source: <sup>1</sup> Bank of Spain, 4Q08 Bulletin

<sup>2</sup> STIGA, "RCB Objective Quality in Retail Banking Networks" 4Q09

---

1. 2009 in summary

---

2. FY09 Results

---

3. Commercial activity and liquidity

**4. Risk management**

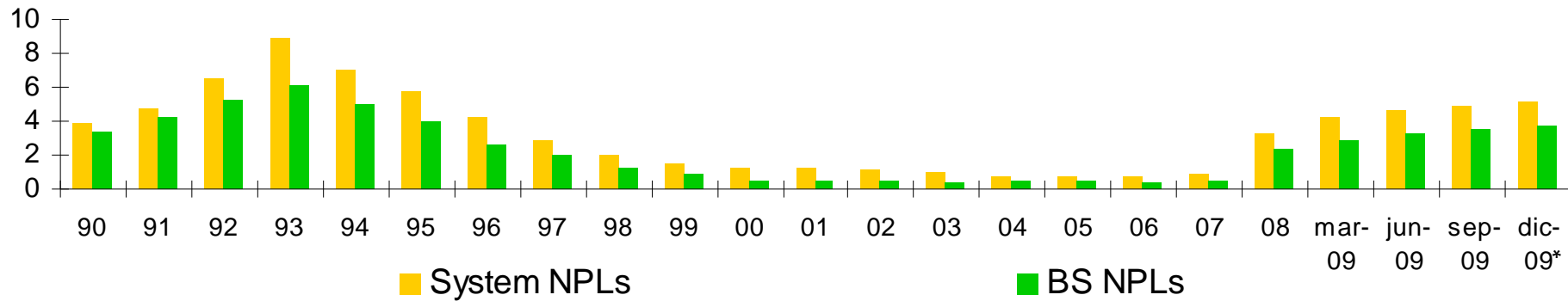
5. Strategy and guidance

---

# NPL ratio



	Mar-08	Jun-08	Sep-08	Dic-08	Mar-09	Jun-09	Sep-09	Dic-09
NPL ratio BS	0.62%	0.85%	1.59%	2.35%	2.82%	3.19%	3.47%	3.73%
NPL ratio system	1.20%	1.70%	2.63%	3.37%	4.27%	4.60%	4.86%	5.10% *
<b>GAP (bp)</b>	<b>58</b>	<b>85</b>	<b>104</b>	<b>102</b>	<b>145</b>	<b>141</b>	<b>139</b>	<b>137</b>

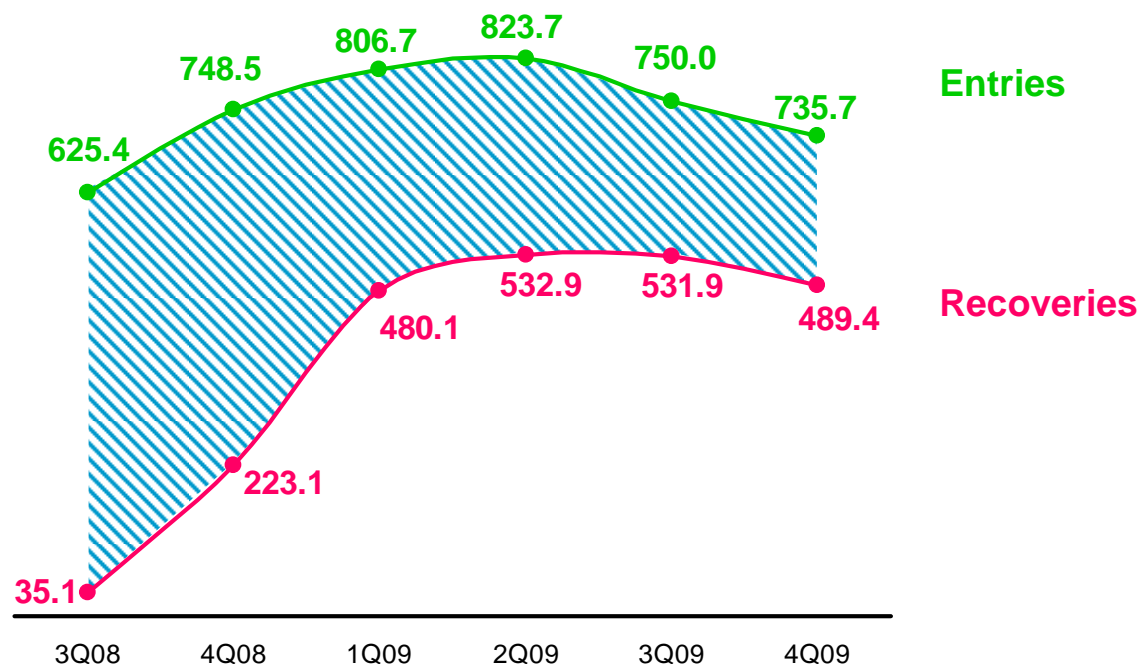


**Continued NPL gap versus the rest of the sector**

# The improvement in the trend of new entries continues



## Evolution of entries and recoveries

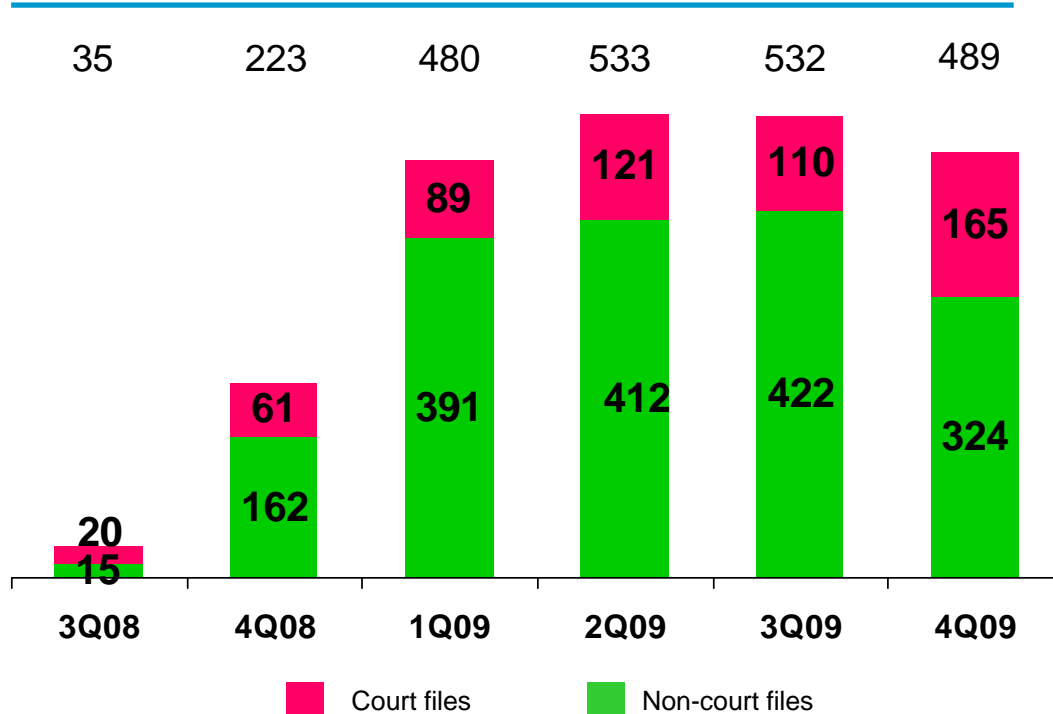


	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Entries	213.2	244.0	625.4	748.5	806.7	823.7	750.0	735.7
Recoveries	-59.9	-42.2	-35.1	-223.1	-480.1	-532.9	-531.9	-489.4
Write-offs	-39.4	-24.5	-40.9	0.5	-1.7	-25.4	-9.2	-31.2
Quarterly change on NPLs	113.9	177.3	549.5	525.8	324.8	265.4	208.9	215.1

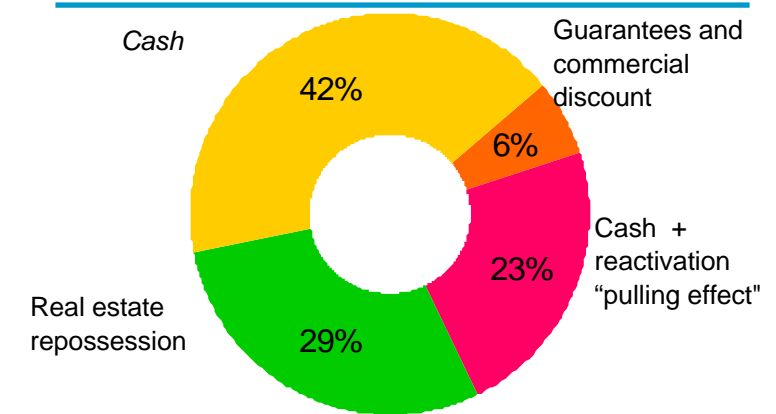
# Recoveries analysis



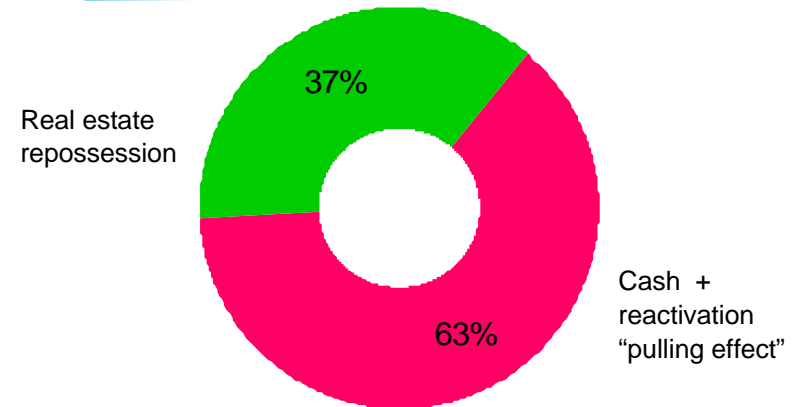
Evolution of court and non-court file recoveries



Court file recoveries (FY09)



Non-court file recoveries (FY09)



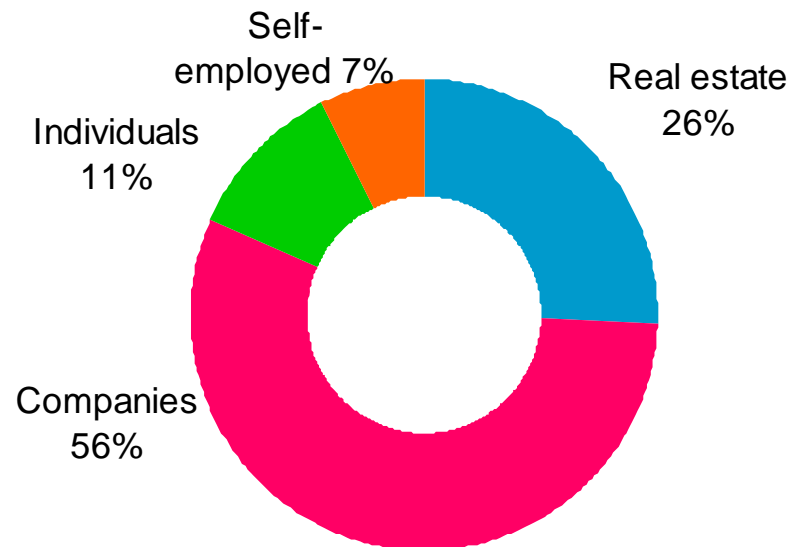
**The pulling effect\* explains 87.5% of non-court filings**

\* The "pulling effect" means that all the debt goes into NPL even if the unpaid instalment is only a fraction of the total debt.

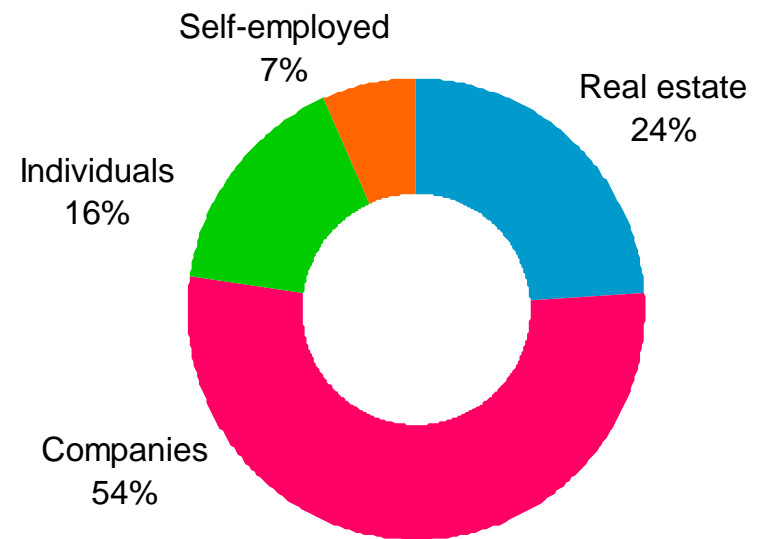
# NPL ratio: New entries and recoveries by segments



NPL new entries



Recoveries





# NPL by segments

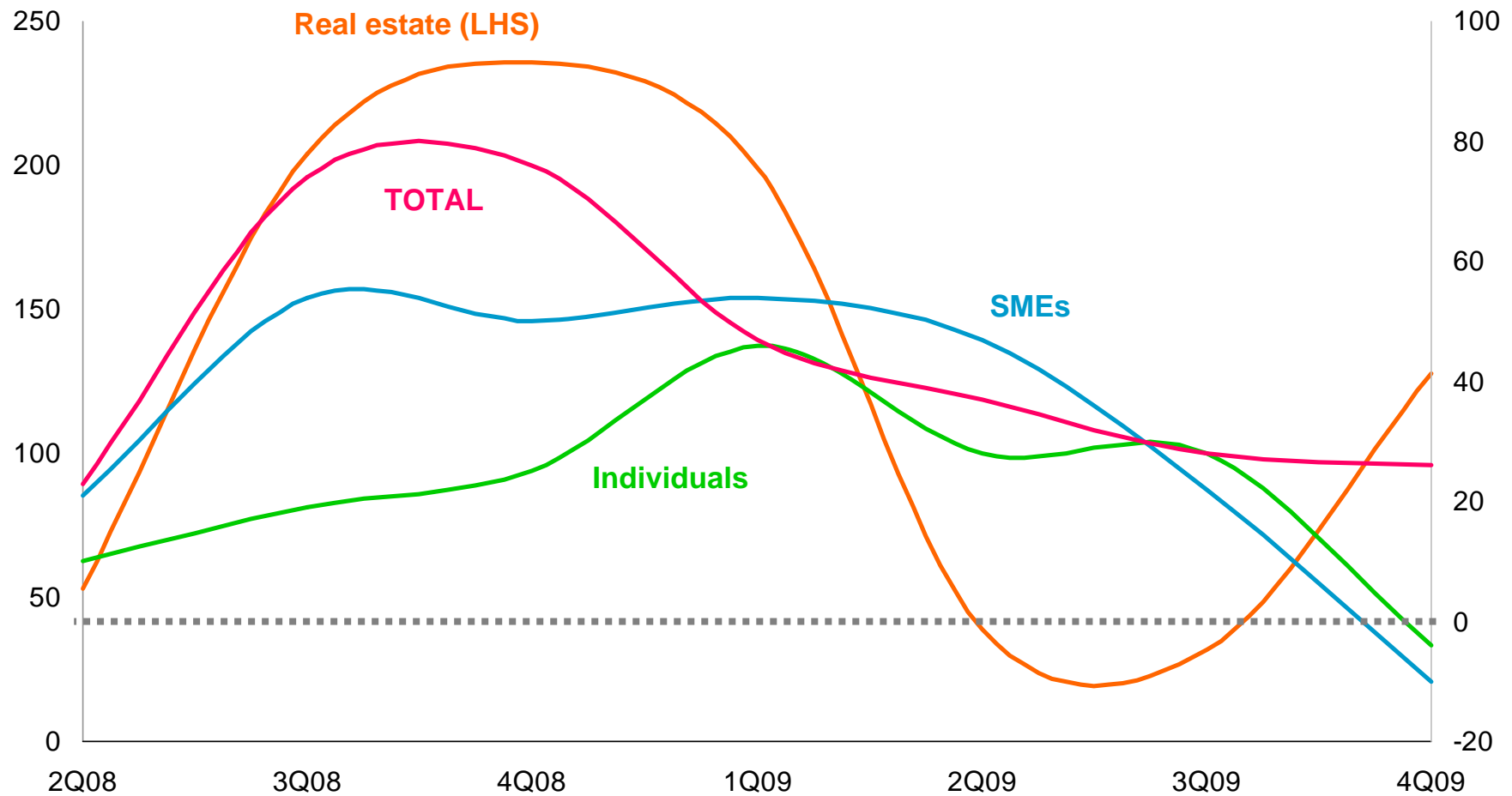


	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
Companies	0.35%	0.52%	1.28%	2.02%	2.54%	2.89%	2.97%	2.85%
SME	0.84%	1.07%	1.37%	2.17%	2.18%	2.77%	3.12%	3.07%
Small retailers and self-employed	1.04%	1.10%	1.37%	1.68%	2.42%	2.93%	3.59%	3.93%
Real estate development	0.42%	0.95%	2.99%	5.35%	7.34%	7.73%	8.05%	9.33%
Mortgages to individuals	0.47%	0.57%	0.75%	1.12%	1.48%	1.69%	1.99%	1.95%
Individual others	1.88%	1.98%	2.44%	3.21%	4.24%	4.91%	5.53%	5.43%
Total	0.62%	0.85%	1.59%	2.35%	2.82%	3.19%	3.47%	3.73%

# NPL by segments



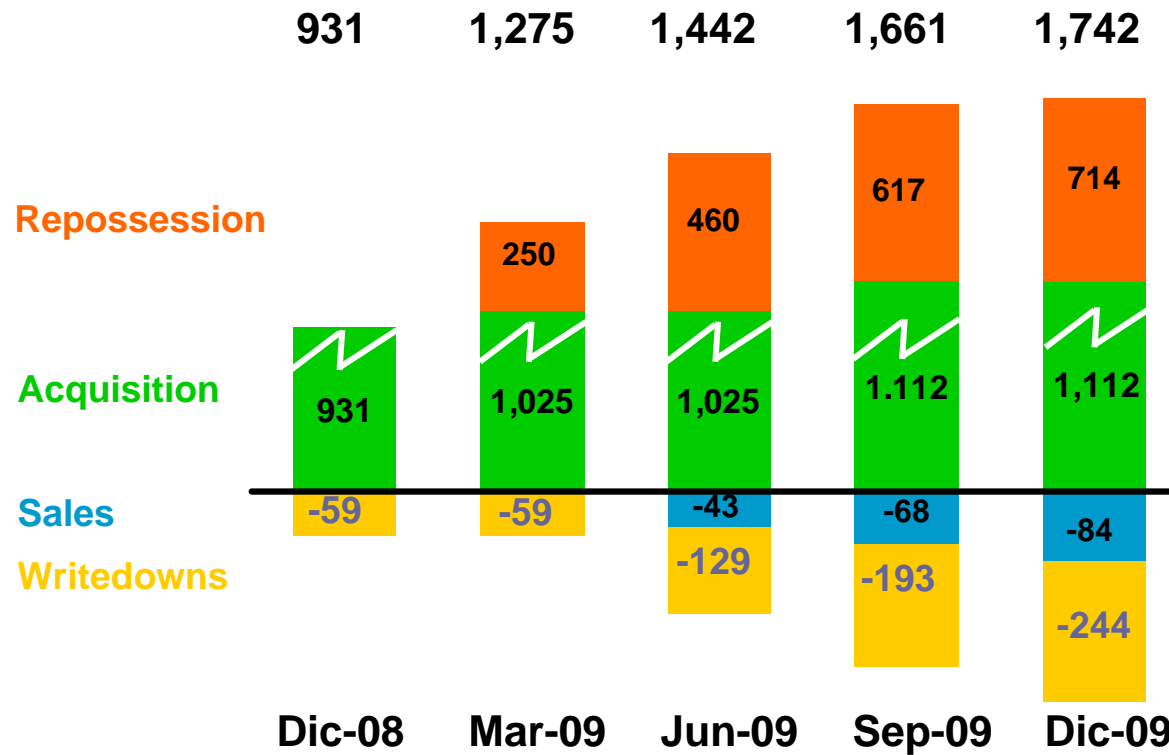
## Quarterly cost of risk evolution



# Solvía. Real estate assets



## Portfolio evolution and writedowns

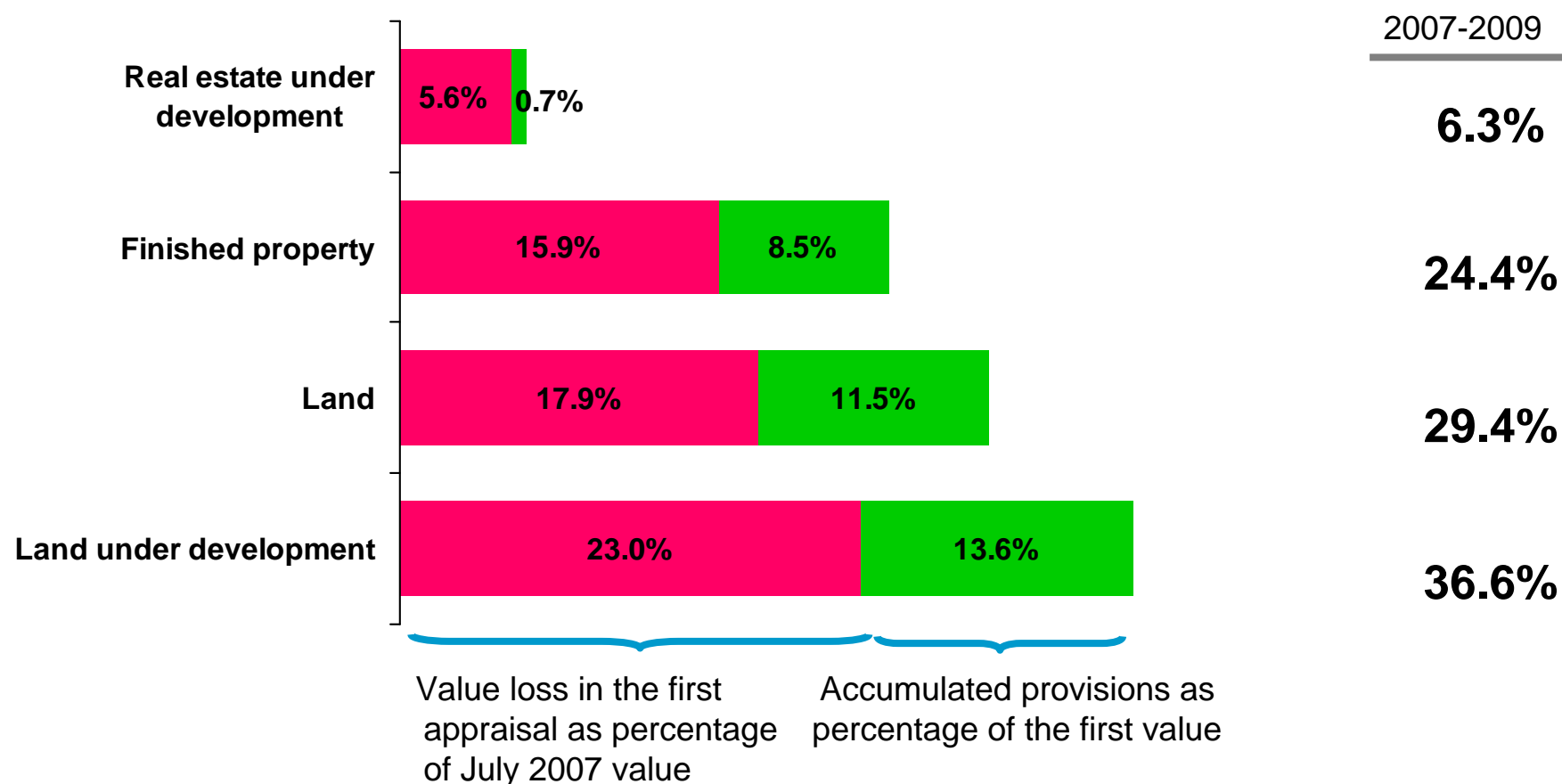


**Significant real estate provisioning effort, with a net value of €1,498m**

# Solvia assets appraisal by type



## Real estate assets appraisal analysis by type

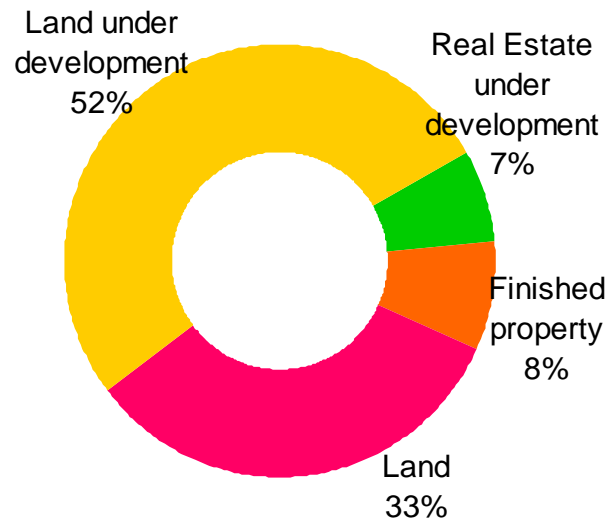


**The potential additional provision needs are already reflected in our financial forecasts**

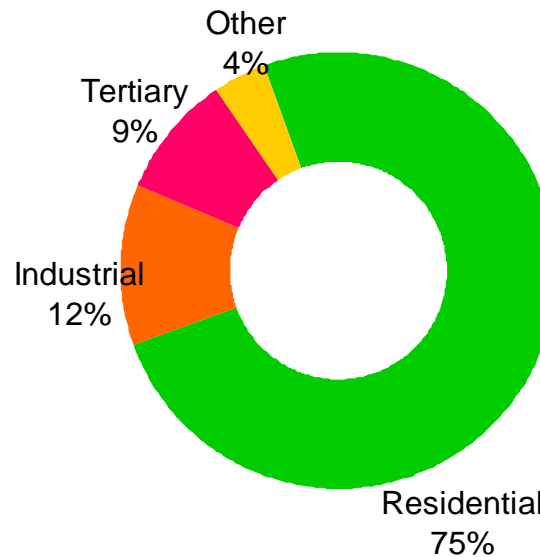
# BS manages actively its real estate assets through Solvia



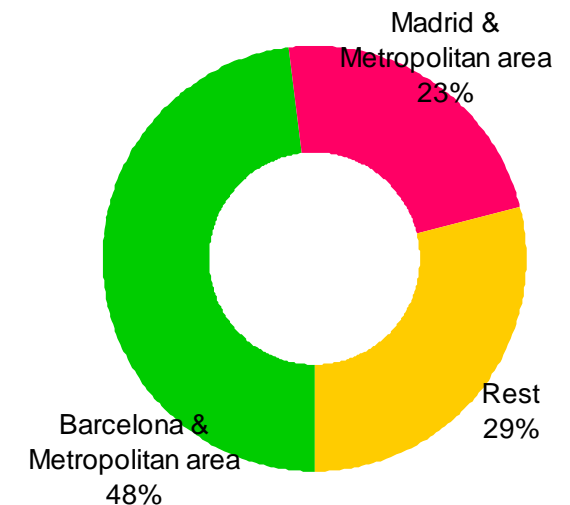
### Assets by type



### Assets by use



### Geographic distribution



- ✓ 142 projects
- ✓ None of Solvia's land is pending reclassification; all of it is "buildable" land
- ✓ 232 finished dwellings for sale (212 dwellings sold during 2009)

---

1. 2009 in summary

---

2. FY09 Results

---

3. Commercial activity and liquidity

---

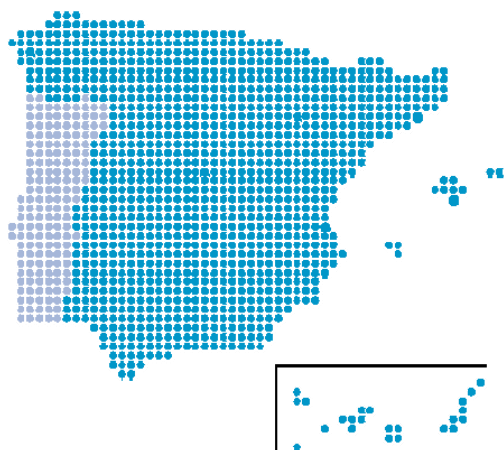
4. Risk management

**5. Strategy and guidance**

# A clearly defined strategy for the group



## Domestic strategy



- ✓ Consolidate our SME and personal banking franchise
- ✓ Leverage our *know-how* to expand into retail-focused segment
- ✓ Increase the network to 1,800 branches
- ✓ M&A
  - ✓ Well-positioned for future consolidation in the retail market
  - ✓ Trend towards fewer and more solid entities, in Spain as well as in Europe

## Spain: consolidation and positioning

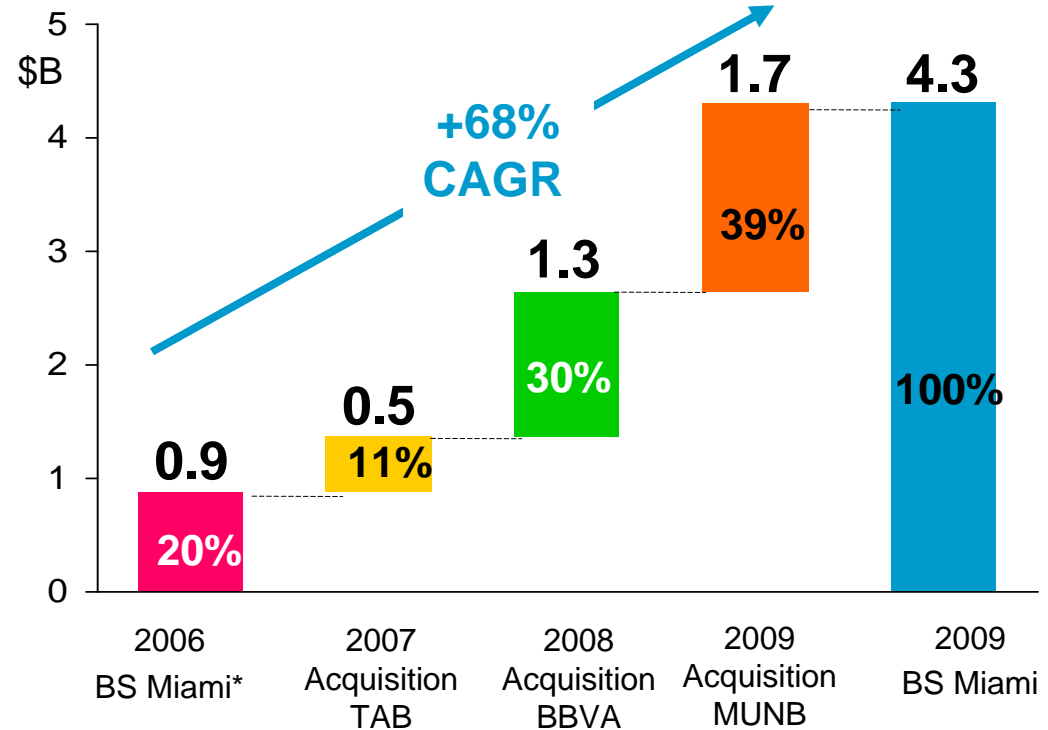
# A clearly defined strategy for the group



## US strategy



### Sustainable growth history (AuM)



- ✓ Leverage existing local banking presence
- ✓ Merge Mellon & TAB operations, increasing critical mass
- ✓ Extend expertise from private banking into affluent and SME segments





---

Net interest income to decline mid-single digit with an improvement starting from 3Q10

---

Commissions increasing mid-single digit

---

Continued effort in costs (recurrent costs flat)

---

NPLs to peak at a level not higher than 5% in 3Q10

---

Growth in volumes and market share increase in loans and deposits

---

Continued leadership in balance sheet and capital management

---

Maintaining a favourable gap in NPLs and coverage ratio versus the peer group and the system

---

2010 will be a challenging year, but to a lesser degree than what the market is forecasting

---



# Banco Sabadell

The value of trust