



Banco Sabadell

Managing through the cycle



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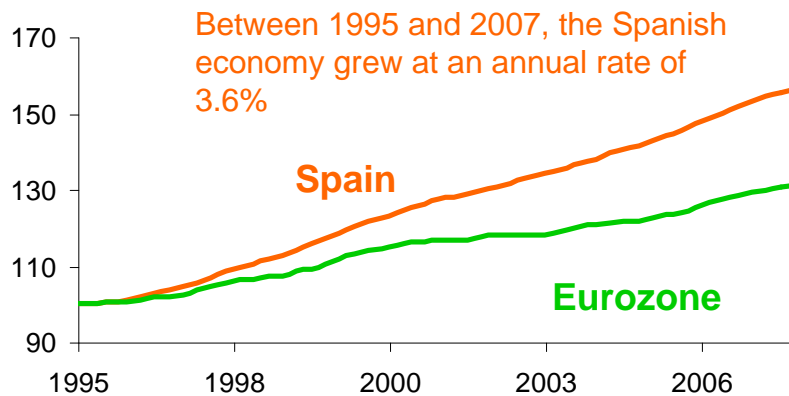
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The economic downturn in Spain compared to the eurozone

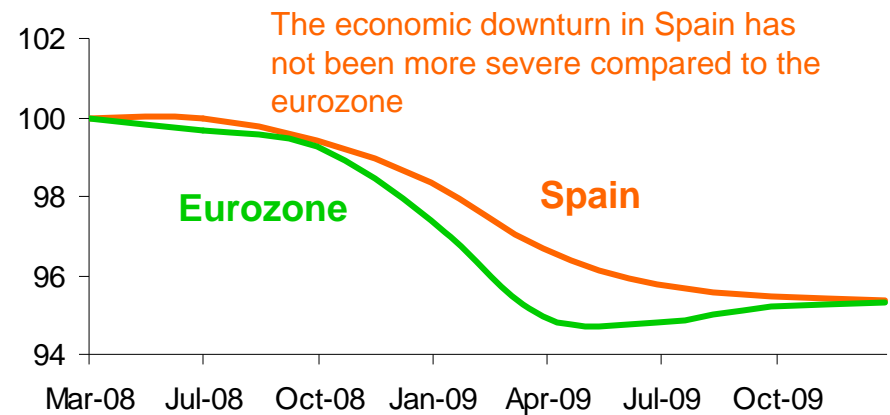


- ✓ Economic contraction from 2H08 after an extended period of economic growth

GDP (real terms, 2Q1995 = 100)



GDP (real terms, 1Q2008=100)



Source: Eurostat

The economic downturn in Spain compared to the eurozone

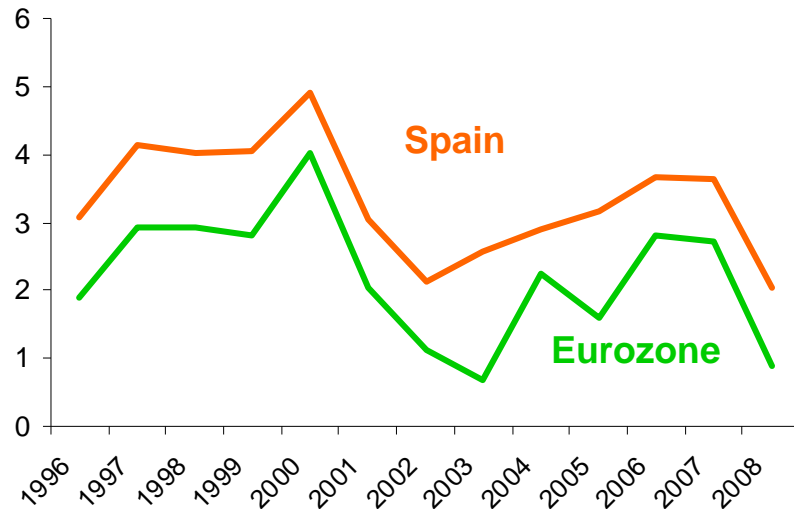


	Spain			Eurozone		
	'07	'08	'09	'07	'08	'09
GDP growth (YoY in %)	3.6	0.9	-3.6	2.8	0.6	-4.1
Unemployment rate (% of labour force)	8.3	11.3	18.0	7.5	7.5	9.4
Fiscal balance (% of the GDP)	1.9	-4.1	-11.4	-0.6	-2.0	-6.4
Public debt (% of GDP)	36.1	39.7	55.2	66.0	69.3	78.2

Drivers of the growth cycle in Spain: activity excluding construction ...

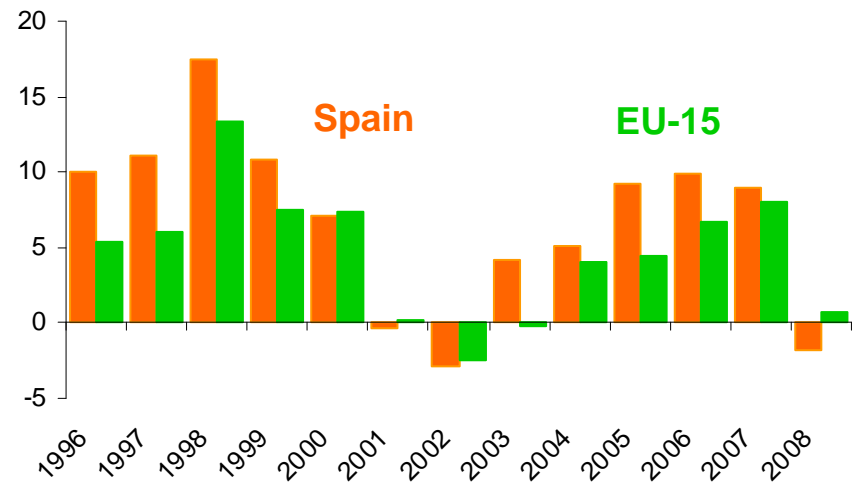


GDP excluding construction investments (real terms, YoY %)



Source: AMECO

Investment in equipment (real terms, YoY %)



Source: AMECO

GDP average growth excluding construction investments (1997-2007)

Eurozone	+2.4%
Spain	+3.5%

Average growth rates (1997-2007)

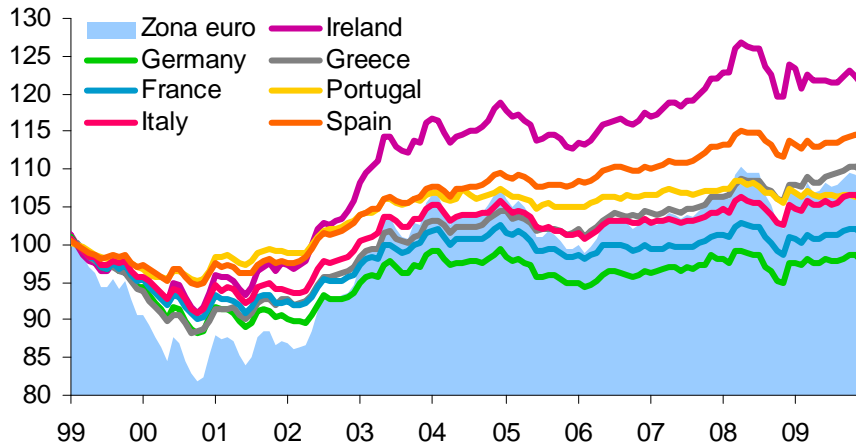
Investment in equipment, Spain	+7.3%
Investment in equipment, UE-15	+5.0%
GDP, Spain	+3.8%
Investment in construction, Spain	+6.0%

Source: AMECO

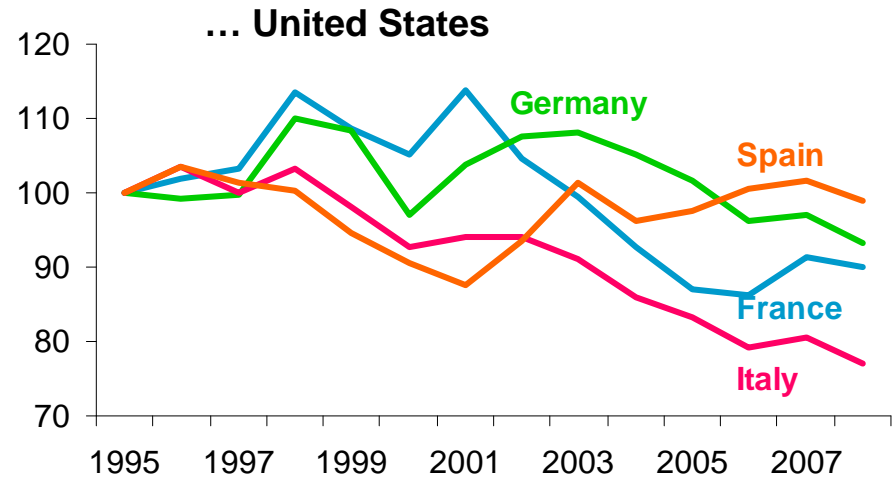
... with a favourable contribution from the export sector



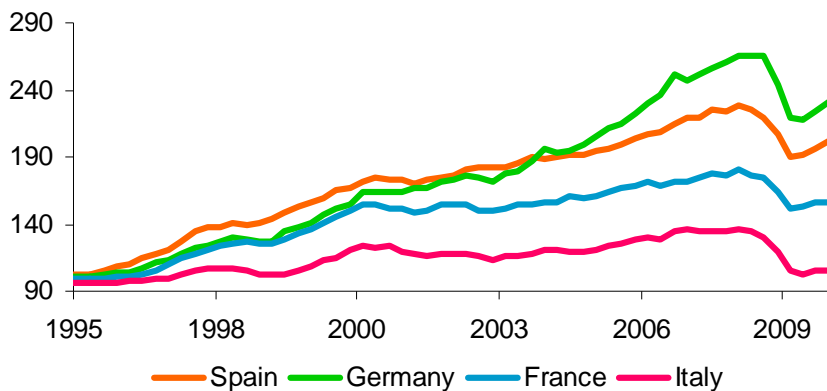
Real effective exchange rate



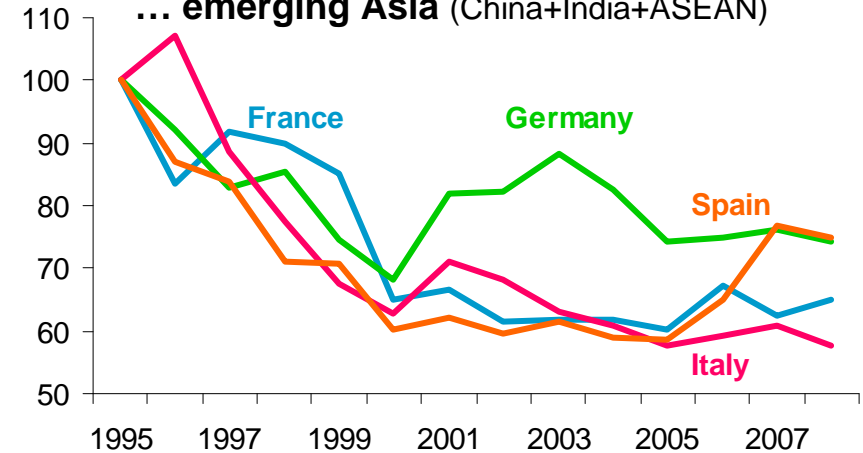
Change of import share in ... (1995 = 100)



Exports (real terms, 2Q95 = 100)



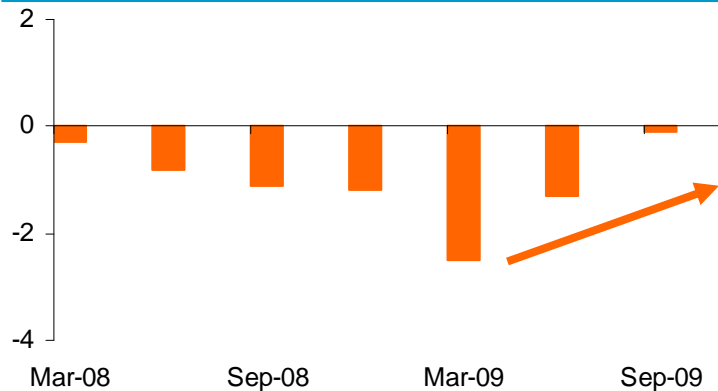
... emerging Asia (China+India+ASEAN)



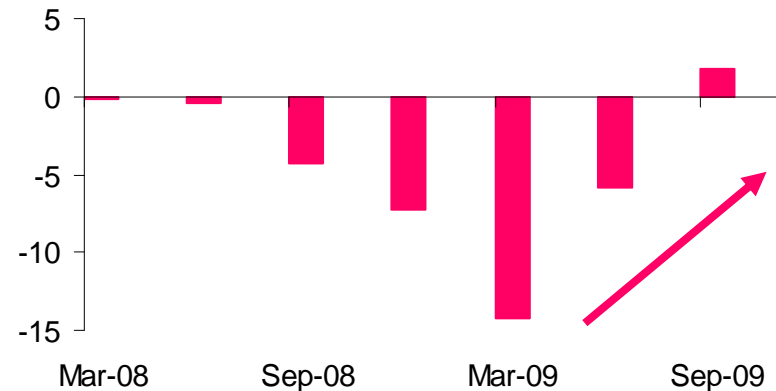
Current situation: Signs of improvement in the economic activity



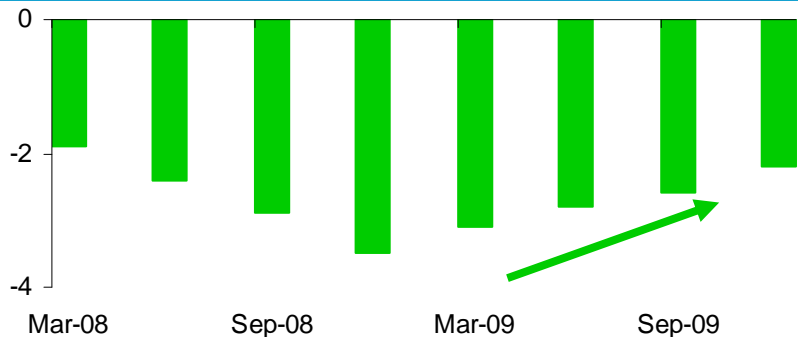
Household consumption (QoQ %)



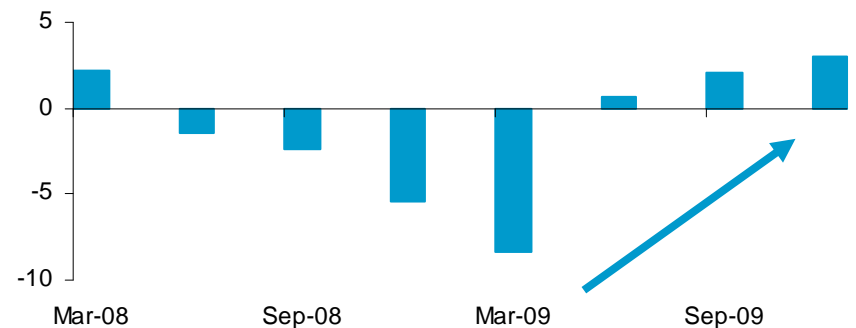
Investment in equipment (QoQ %)



Investment in construction (QoQ %)



Exports (QoQ en %)



Source: INE

Government expenditures already experienced an important reduction in 4Q09

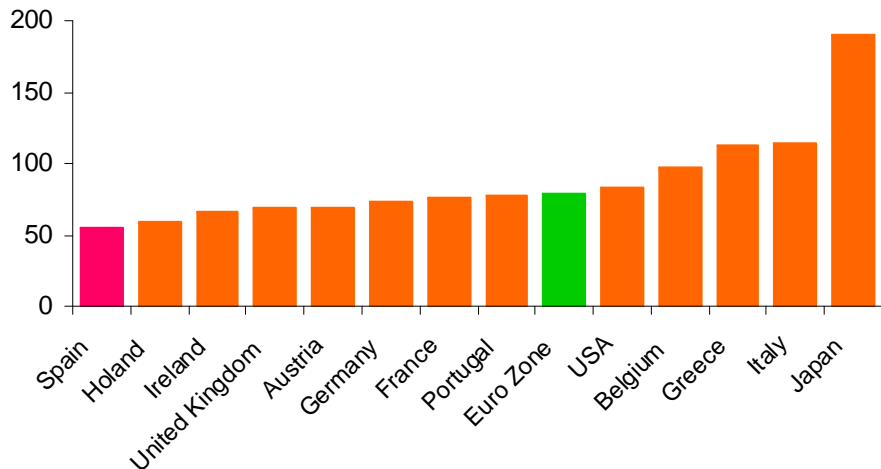
Challenges going forward: Fiscal adjustments and consolidation



✓ Stability Program 2009-2013

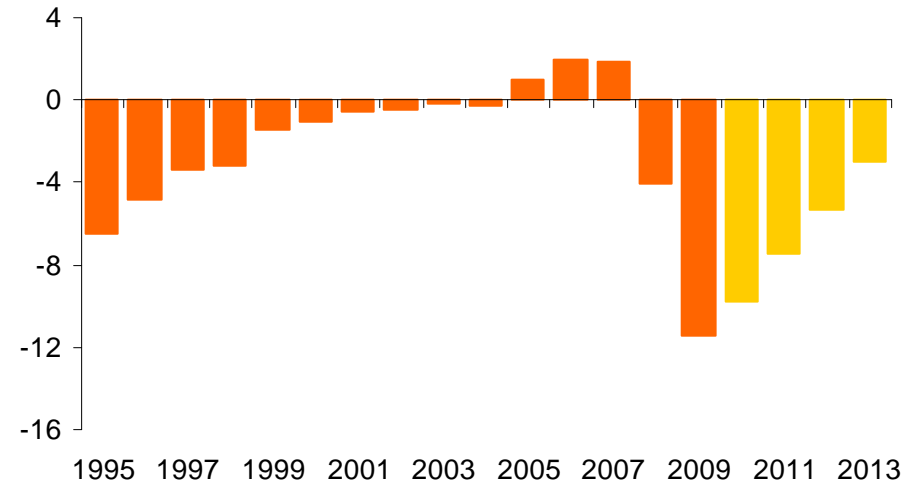
- Public income: increase in VAT, elimination of the € 400 income tax deduction,...
- Public expenditure: Rationalization of the public employment, less transfers and subsidies,...

Public Debt 2009 (% of GDP)



Source: AMECO. European Commission (November 2009)

Fiscal balance in Spain (% of GDP)



Public revenue in 2008 (% of GDP)

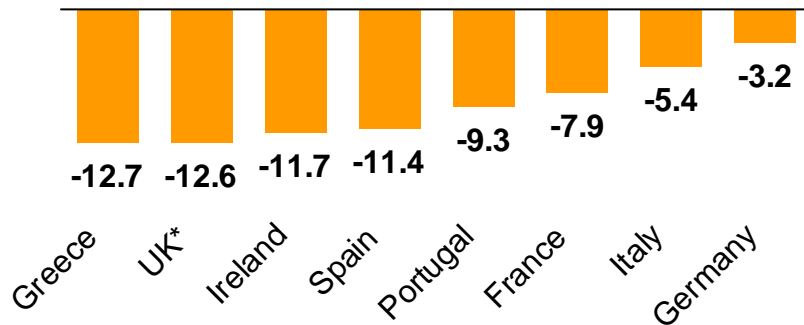
	Eurozone	Spain
Total revenue	44.8	37.0
Taxes	25.4	21.1
Indirect taxes	12.9	9.9
Direct taxes	12.2	10.8
Capital taxes	0.3	0.4
Social contributions	15.3	13.1
Sales	2.1	1.3
Other current revenue	1.9	1.7
Capital revenue	0.1	-0.2

Source: Eurostat

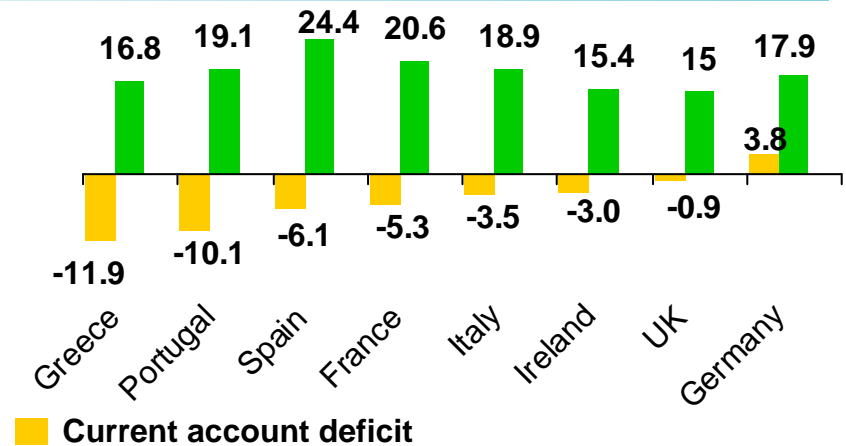
Fiscal situation: Spain compared to other European countries



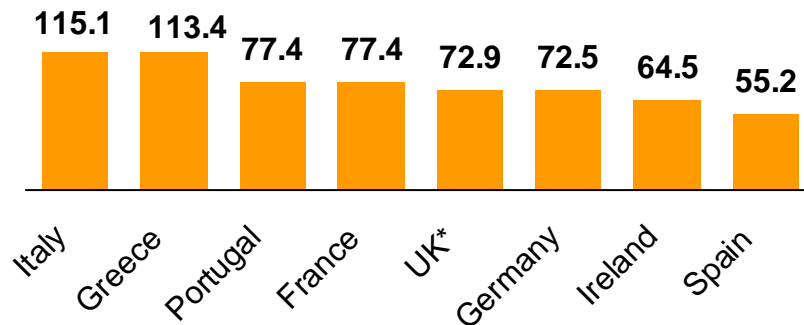
2009 Fiscal deficit (% of GDP)



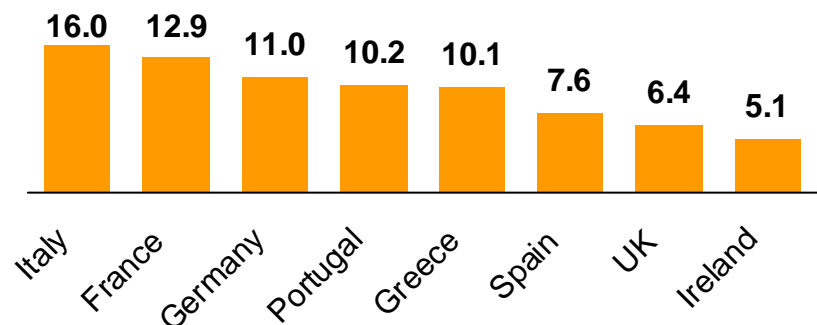
Current account deficit as of 9M 2009 and Gross Fixed Capital Formation 2009 (% of GDP)



2009 Sovereign debt level (% of GDP)



Remaining debt maturities in 2010 (% of GDP)





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

2009 Results



	Dec-08	Dec-09	09/08 (%)
Net Interest Income	1,452.8	1,600.6	10.2%
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%
Gross Operating Income	2,226.8	2,505.0	12.5%
Personnel Costs	-651.1	-715.3	9.9%
Administrative Costs	-328.0	-321.5	-2.0%
Depreciations	-133.1	-142.7	7.3%
Pre-provisions Income	1,114.6	1,325.5	18.9%
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%
Profit before Discontinued Results	245.5	522.5	112.9%
Discontinued transactions Results	428.4	0.0	--
Attributable Net Profit	673.8	522.5	-22.5%

Managing through the cycle: A proactive approach



	December 2006	September 2007	September 2008 – 2009
EVENT	Real Estate cycle peaks	Subprime triggers onset of the crisis	Global financial crisis
BS REACTION	BS disposes of real estate co. Landscape	BS reinforces its liquidity*	BS reinforces its solvency

Banco Sabadell has proactively adapted to the market setting

*Positive commercial gap quarter after quarter

Managing through the cycle: Active capital management



Financial Impact

September
2008

- Zurich acquires 50% of Sabadell insurance business



Capital gain ca. €512 M

February
2009

- Issuance of €500 M preferred shares



+ 84 bp additional Tier 1

May 2009

- Repurchase of preferred shares issued in 2006
✓ ca. 152 M tendered



Capital gain: ca. €96 M
+ 11 bp additional Core Tier 1

July 2009

- Issuance of €500 M mandatory subordinated convertible bond



+ 84 bp additional Core Tier 1

2009

- Capital gains from fixed income portfolio (€96 M) and sale & lease back operations (€68 M)



+ 18 bp additional Core Tier 1



Theoretical stress scenarios published during 2009

Spain	Base case scenario*			Adversely stressed scenario		
	2009e	2010e	2011e	2009e	2010e	2011e
GDP growth	-3.7%	0.4%	1.4%	-4.5%	-2.6%	0.1%
Unemployment rate	18.2%	19.6%	19.0%	21.4%	26.2%	24.3%
Housing price change	-9.0%	-5.0%	-1.0%	-15.0%	-10.0%	-6.0%

<p>2011e:</p> <ul style="list-style-type: none"> ✓ NPL ratio 5.7% ✓ NPL coverage > 59% ✓ Core capital > 7.5% ✓ Tier I > 8.4% 	<p>2011e:</p> <ul style="list-style-type: none"> ✓ NPL ratio 8.3% ✓ NPL coverage > 52% ✓ Core capital > 6.5% ✓ Tier I > 7.5%
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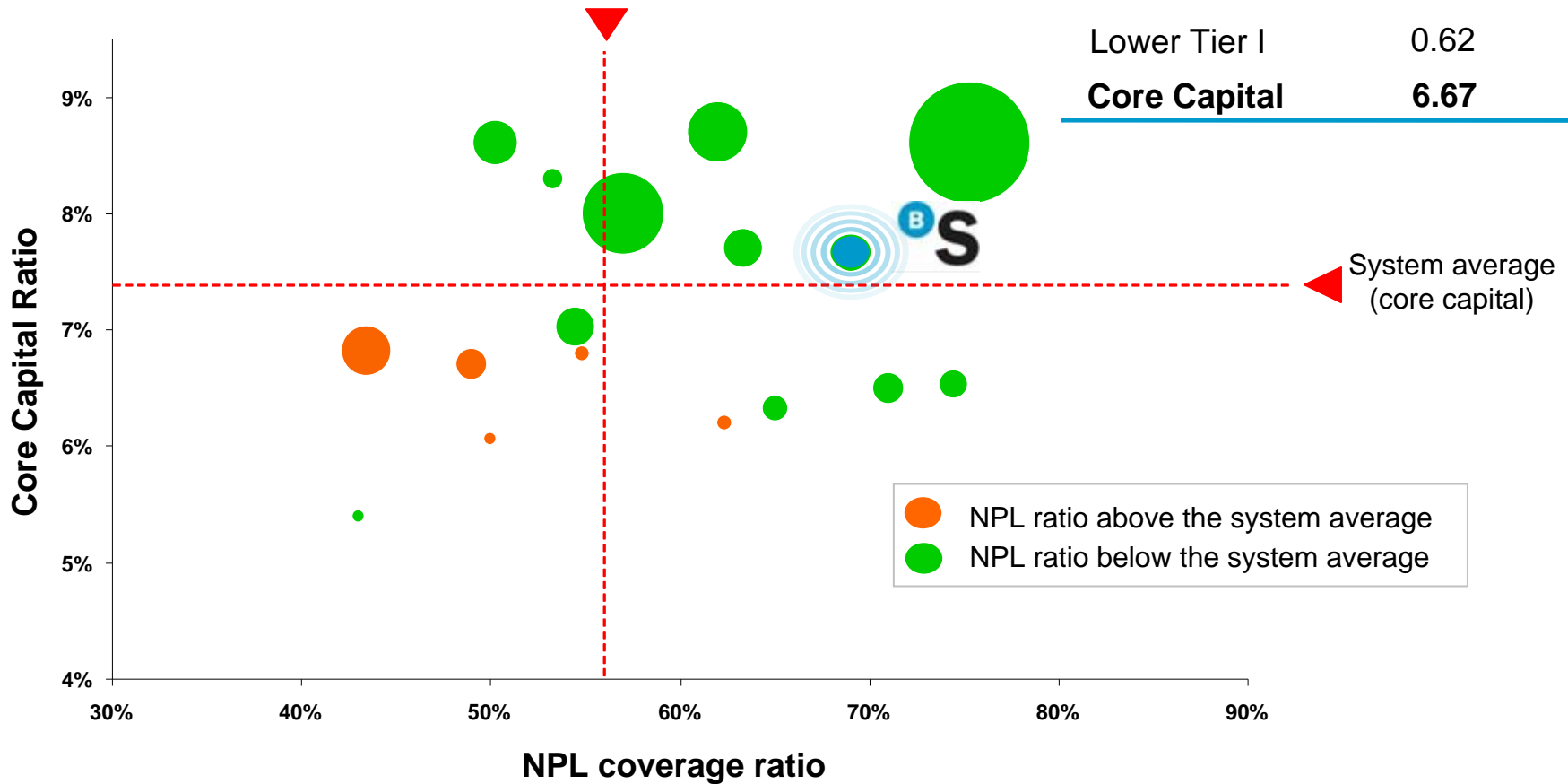
Throughout the crisis Banco Sabadell has maintained a high level of transparency, communicating the possible impacts of a worst case scenario based on some very demanding assumptions

* Old base case scenario from July 2009

Managing through the cycle: Strong capital position

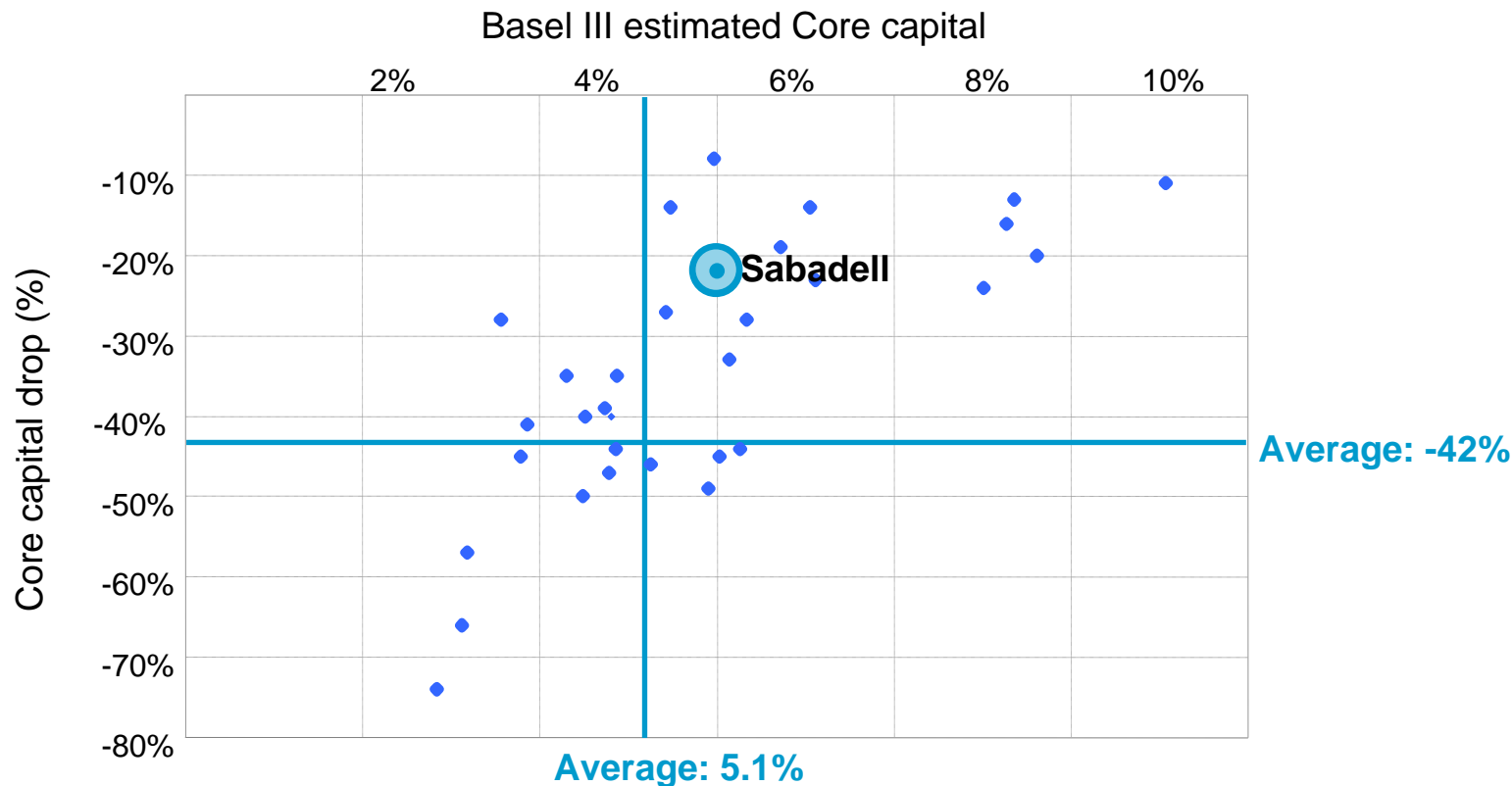


	2008	2009
BIS ratio (%)	9.78	10.80
Tier II	2.49	1.70
Lower Tier I	0.62	1.44
Core Capital	6.67	7.66



Note: The size of the circle represents the amount of gross loans to customers

Managing through the cycle: Limited impact from the new capital framework



Source: BNP analysis based on 3Q09 results. It includes a selection of the largest European banks

Banco Sabadell is expected to keep a higher than average core capital ratio even after implementing the new Basel II proposals on regulatory capital



Frequent issuer, taking opportunities and adapting to changing market conditions, maintaining presence and image

New issues in capital markets

	2008	2009
Bonds	--	€ 1,750m
Covered bonds	€ 2,150.2m	€ 988.5m
Euro Commercial Paper	€ 760m	€ 1,408m
Total capital market issues	€ 2,910.2m	€ 4,146.5m
Available State backed guarantees	€ 3,262m	€ 5,313m

State backed guarantees available to BS have NOT been used, maintaining its image as a quality issuer

Managing through the cycle: Maintaining a high level of transparency regarding asset quality



	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%

Managing through the cycle: Conservative provisioning 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
Total prov. and impair.	40.1	43.0	381.7	415.0	149.1	209.8	231.3	247.6	879.7	837.7

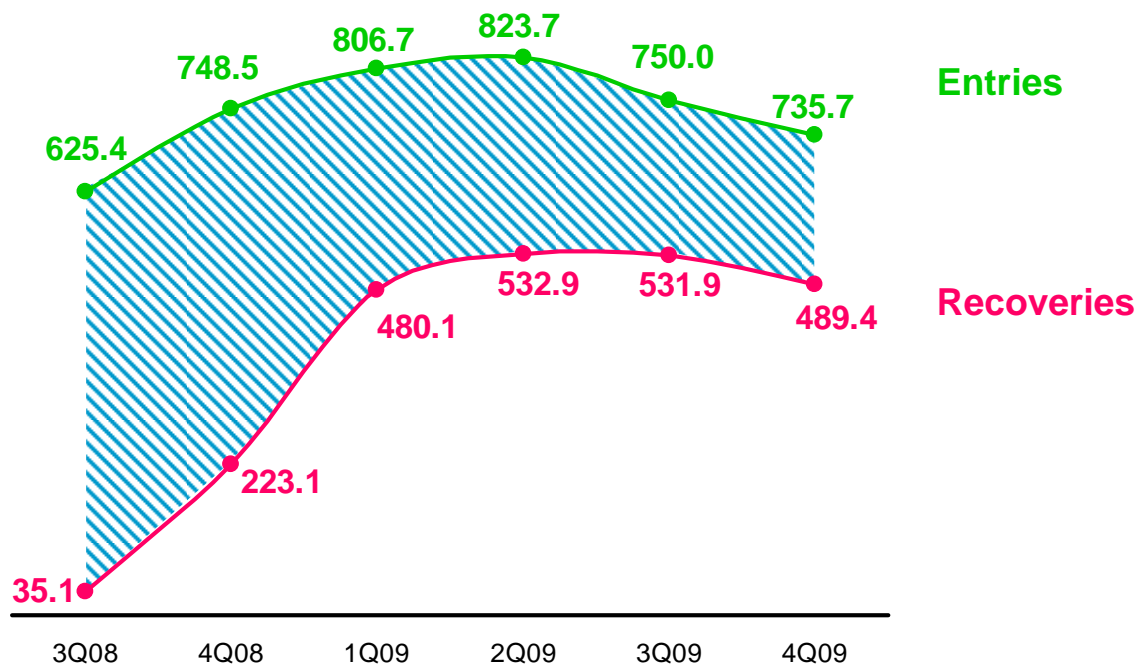
BS has kept a disciplined provision policy, resulting in a solid coverage ratio of 69.0%. Including collateral guarantees the coverage ratio is 125.1%

Managing through the cycle:

Ongoing focus on improving recovery rates



Evolution of entries and recoveries



Euros in millions

	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

Managing through the cycle: Professional and transparent management of real estate assets

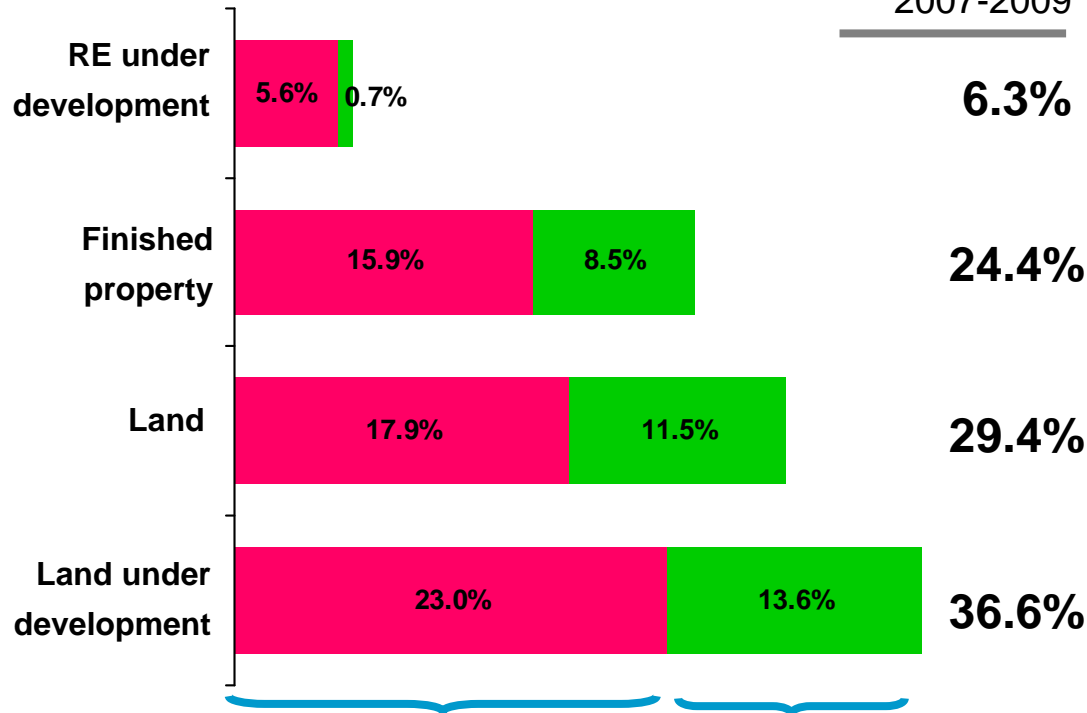


Real estate assets appraisal analysis by type

2007-2009

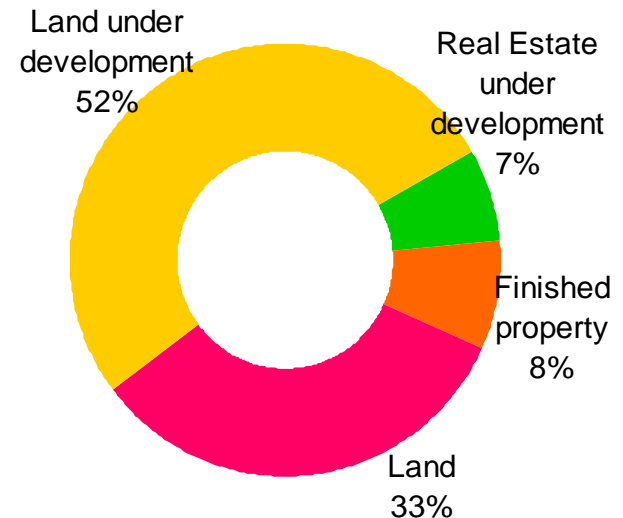
Gross Value: €1,742 m

Net Value: €1,498 m



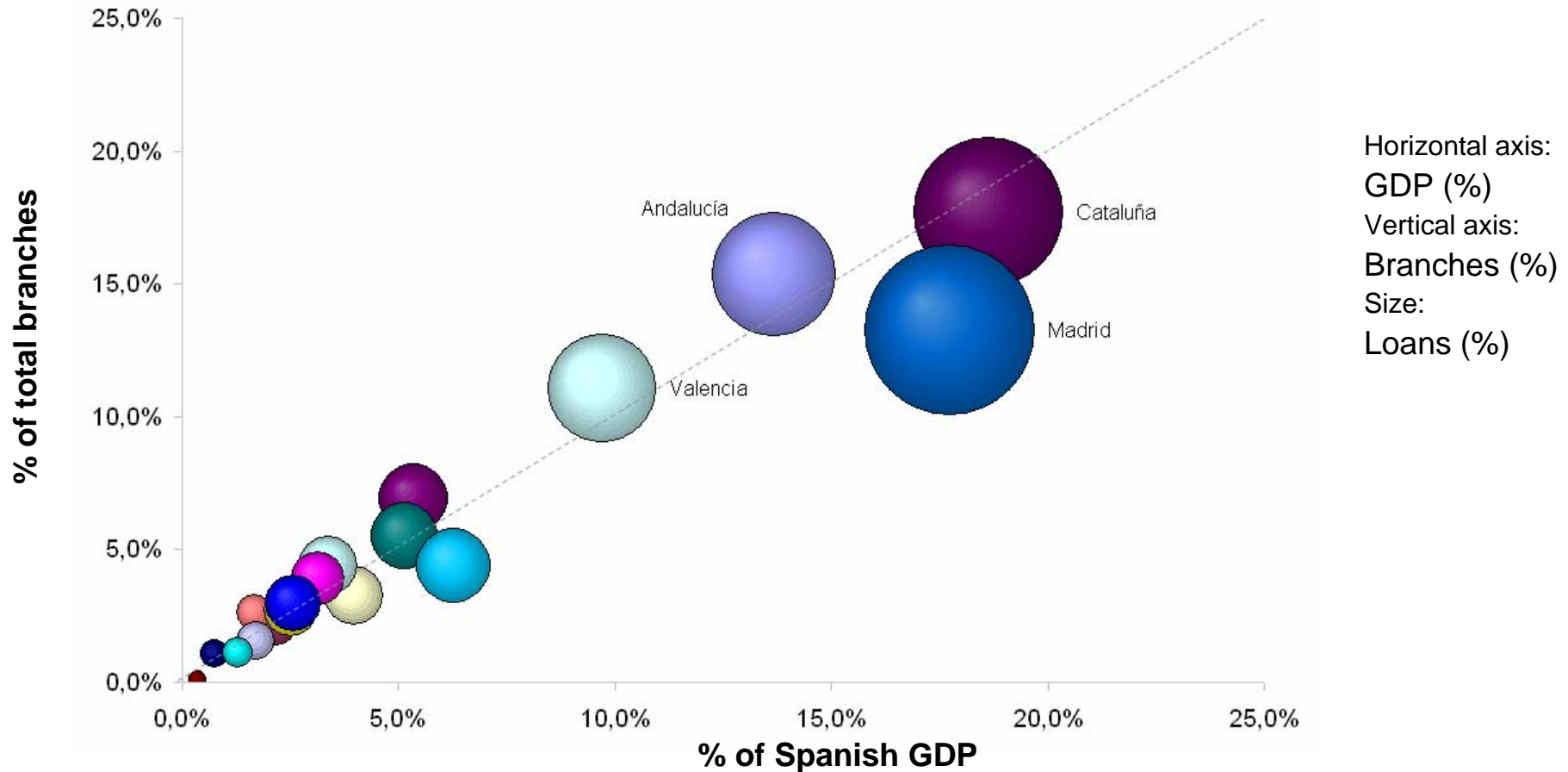
Value loss in the first appraisal as percentage of July 2007 value

Accumulated provisions as percentage of the first value



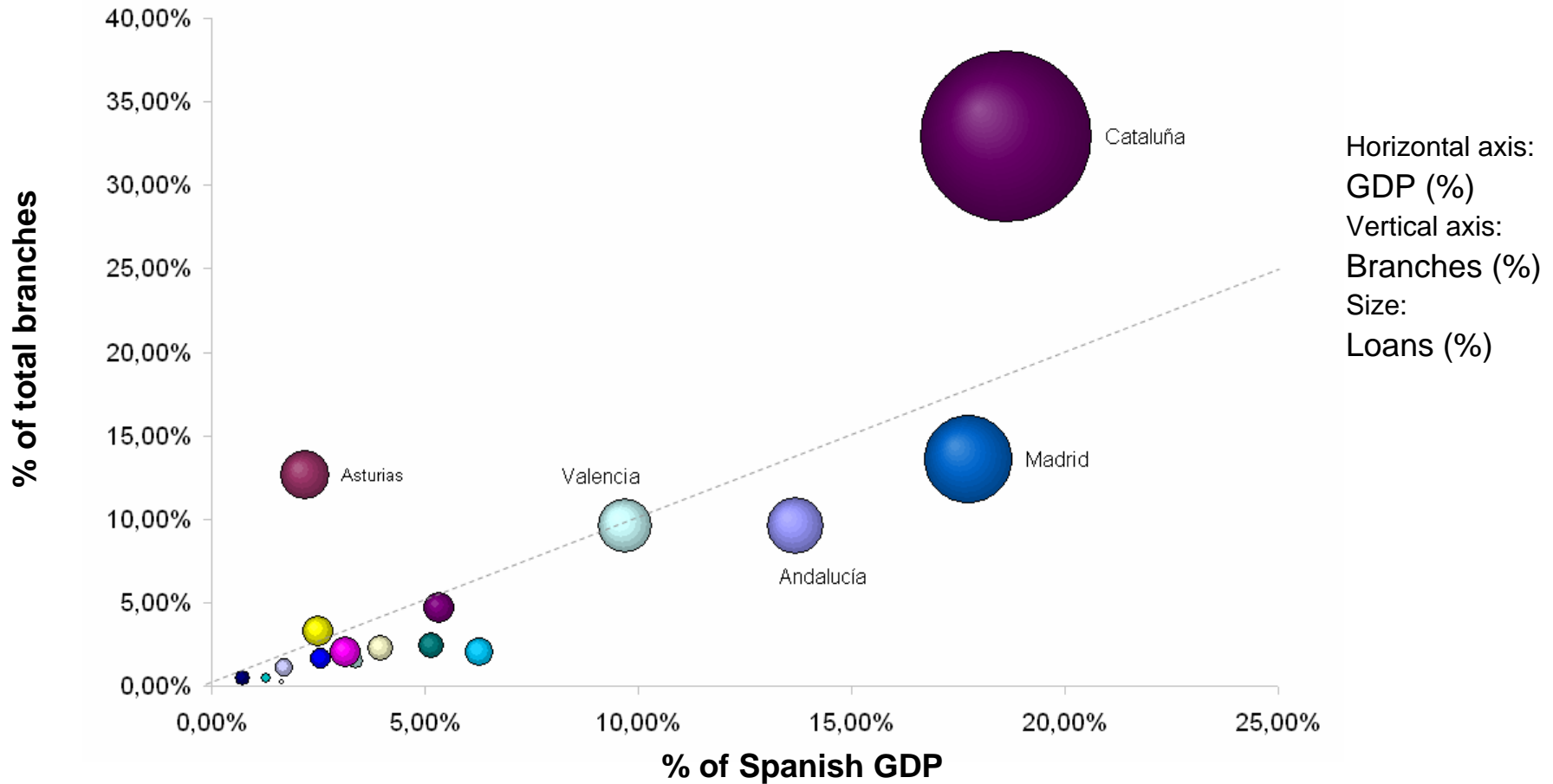
Additional provisions will be needed and are already reflected in our financial forecasts

Keeping a strategic stance in a market in transformation



The banking network at a system level is well balanced

BS current footprint leaves room to grow

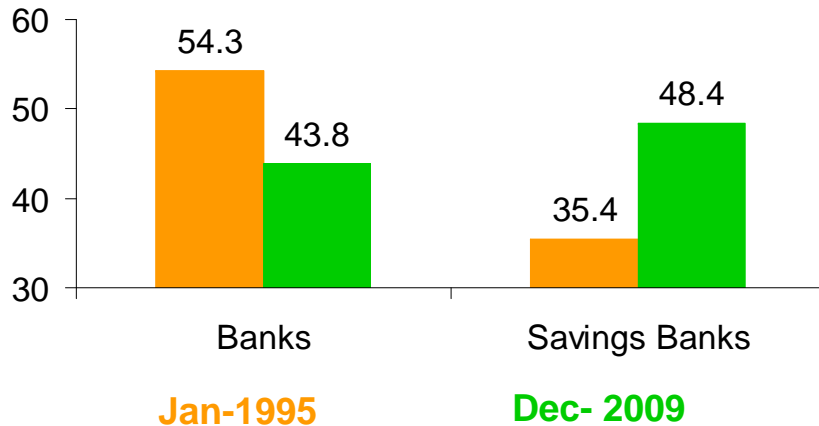


BS network is young and enjoys strong potential

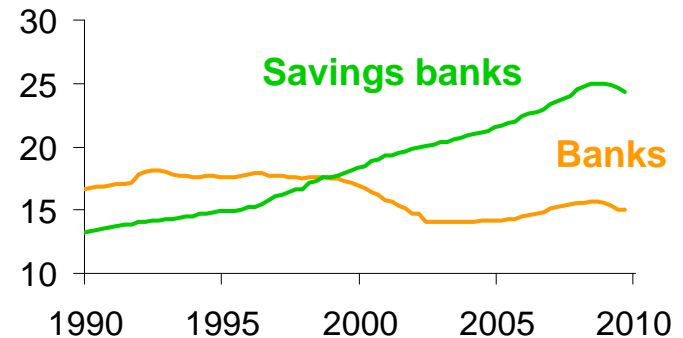
The retail landscape is changing



Credit to private sector (as a % of total credit)



Branch network evolution ('000)



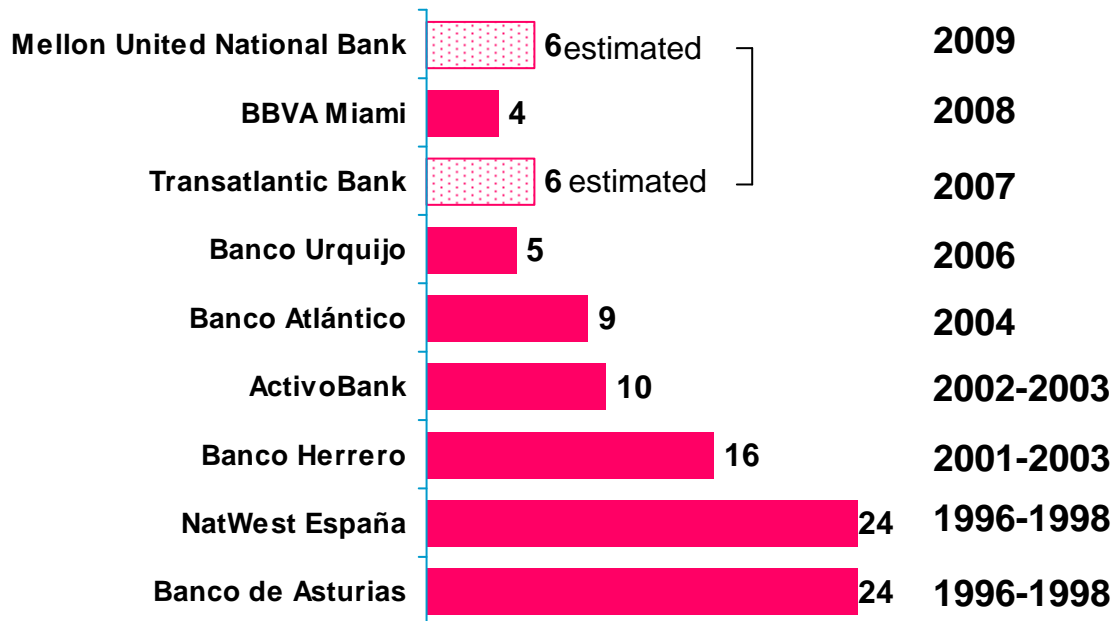
Source: Bank of Spain

The changing landscape presents growth opportunities on the client and asset sides, but also poses a more competitive market for capturing deposits

A strong track record in consolidation



Integration period (number of months)



PLATFORM

- Flexible
- Scalable

MANAGEMENT

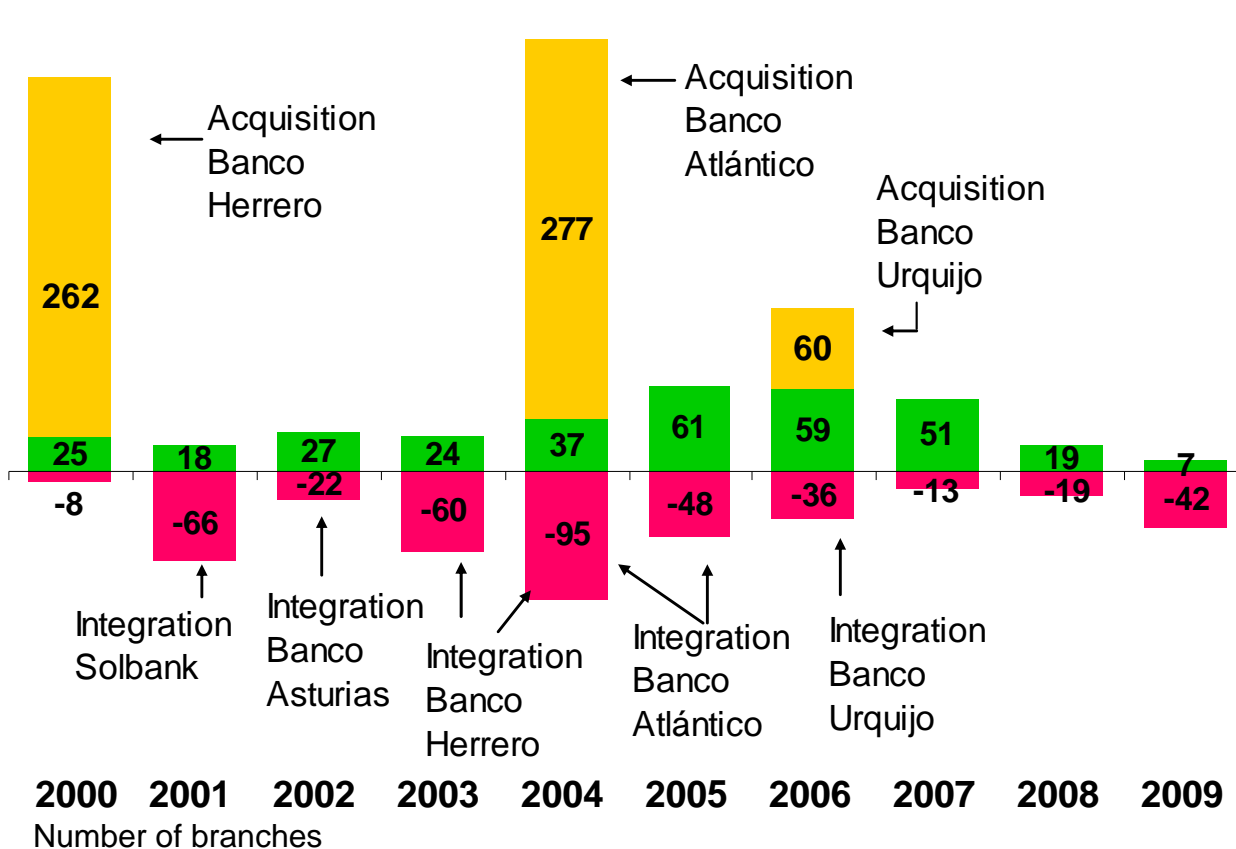
- Anticipation defining the strategy
- Clarity setting the targets
- Discipline keeping the focus on the goal

METHODOLOGY

- Know-how
- 'Big Bang' integration model
- Cut & Paste model of implantation

Banco Sabadell has a proven track record of integrating acquisitions in a timely and cost efficient manner

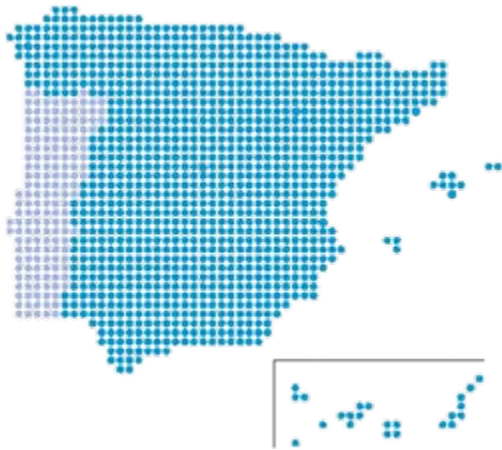
Streamlining of operations



2000 - 2009	
Openings	328
Acquisitions	599
Closings	409
<hr/>	
Number of branches	

Network flexibility and speed of adaptation are clear competitive advantages

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

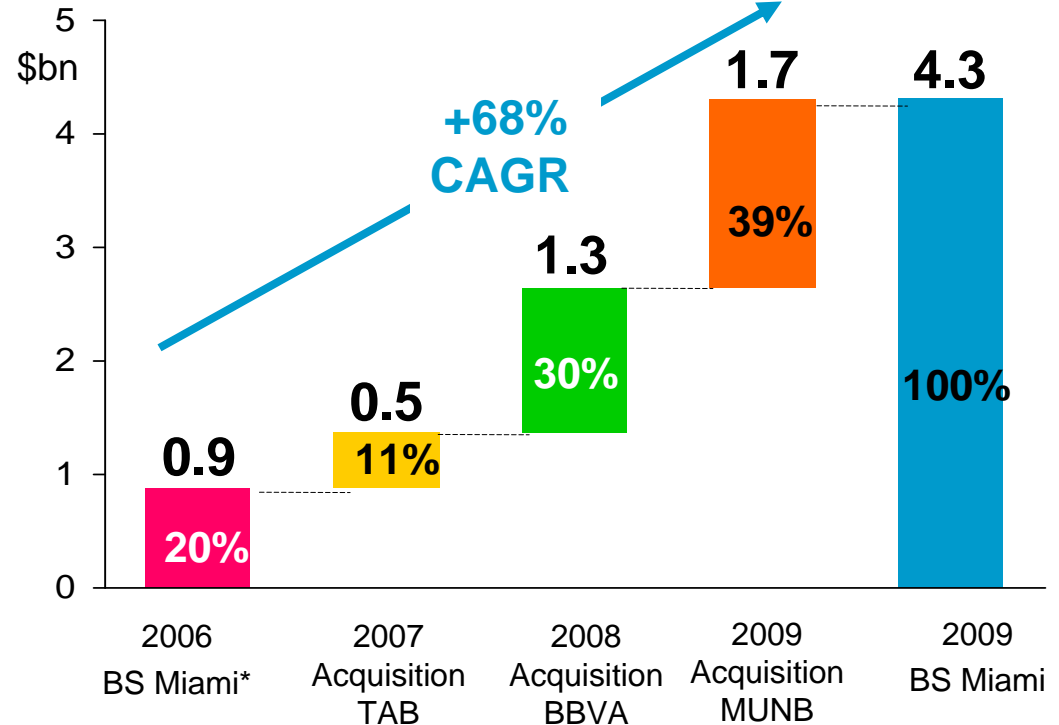
A clearly defined strategy for the group



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

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The value of trust