

Merrill Lynch Banking CEO Conference



Banco Sabadell

The value of trust



Mr. Jaime Guardiola
Consejero Delegado
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BS expectations on the Spanish economy



	2008	2009e	2010e	2011e	2012e
GDP growth	0.9%	-3.7%	0.4%	1.4%	2.5%
Unemployment rate	11.3%	18.2%	19.6%	19.0%	17.7%
Housing price change	-5.4%	-9.0%	-5.0%	-1.0%	5.0%
CPI	4.1%	-0.2%	1.9%	2.7%	2.9%

Economic recovery from 2010e

Theoretical stress scenarios

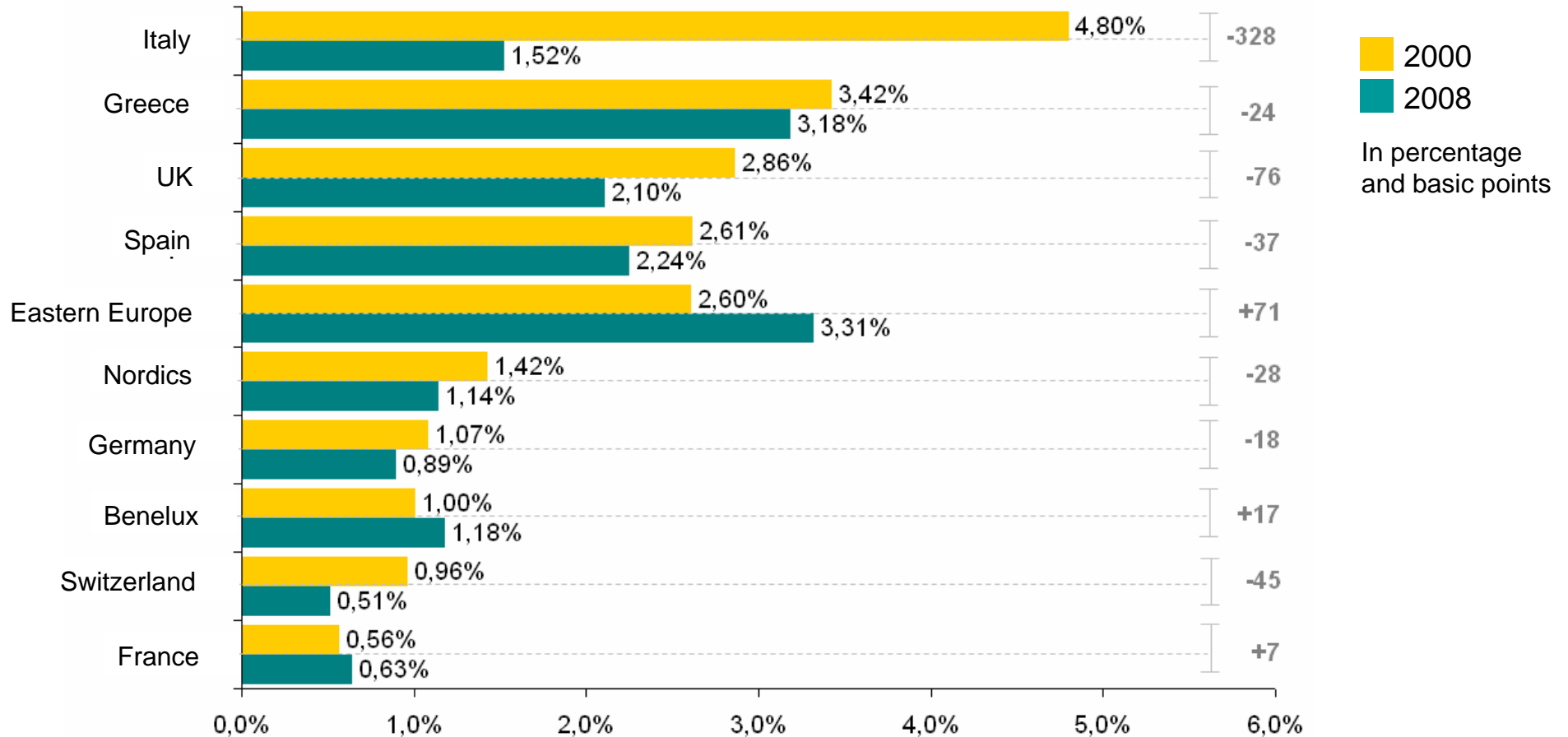


	Base case scenario*			Adversely stressed scenario		
	2009e	2010e	2011e	2009e	2010e	2011e
Spain						
GDP growth	-3.5%	-0.8%	1.1%	-4.5%	-2.6%	0.1%
Unemployment rate	19.2%	21.0%	18.2%	21.4%	26.2%	24.3%
Housing price change	-11.0%	-5.5%	-3.0%	-15.0%	-10.0%	-6.0%
	2011e:			2011e:		
	<ul style="list-style-type: none"> ✓ NPL ratio 5.7% ✓ NPL coverage > 59% ✓ Core capital > 7.5% ✓ Tier I > 8.4% 			<ul style="list-style-type: none"> ✓ NPL ratio 8.3% ✓ NPL coverage > 52% ✓ Core capital > 6.5% ✓ Tier I > 7.5% 		

Even in a hypothetical adverse scenario with the NPL ratio reaching 8.3%, the core capital ratio would still stay above 6.5%

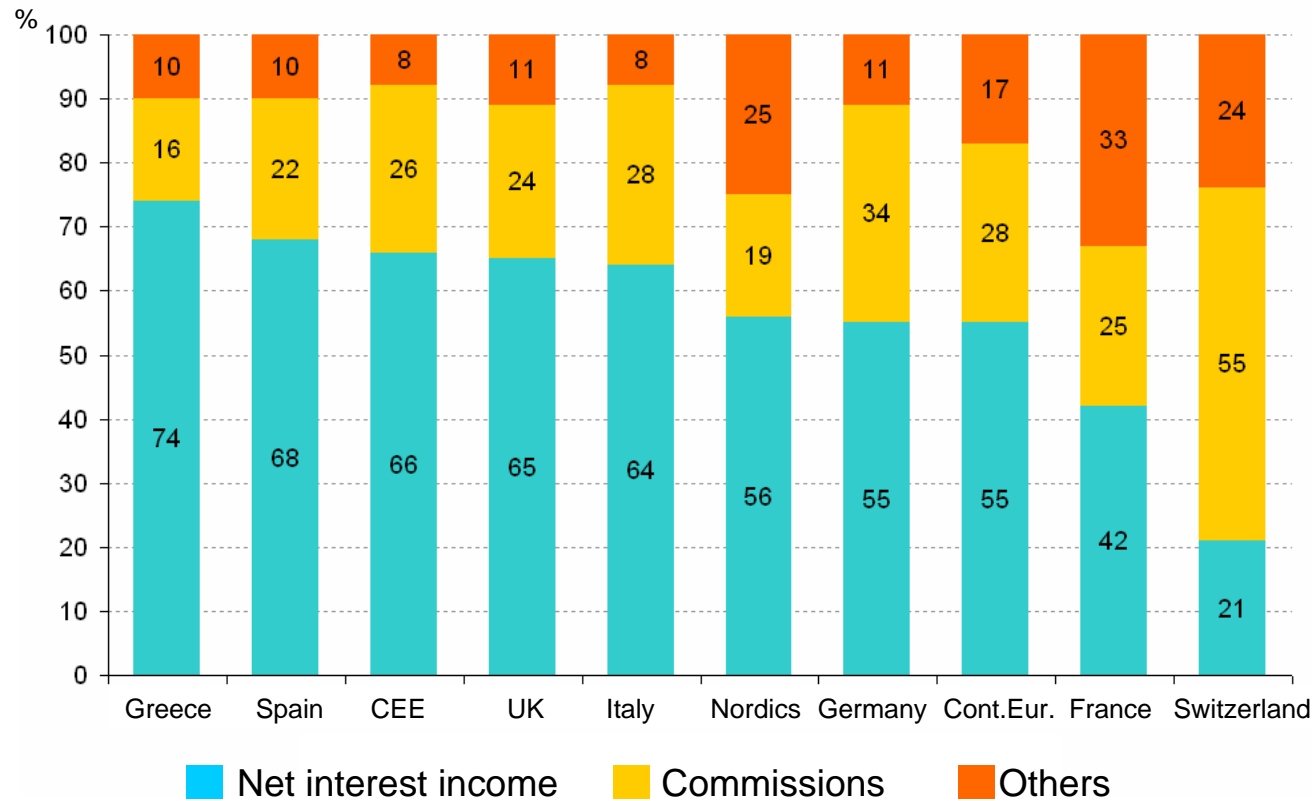
*Built strengthening the current scenario

Spain generates a very healthy level of net interest margin ...



2000-2008 Net interest margin evolution by countries

... which drives the largest part of revenues

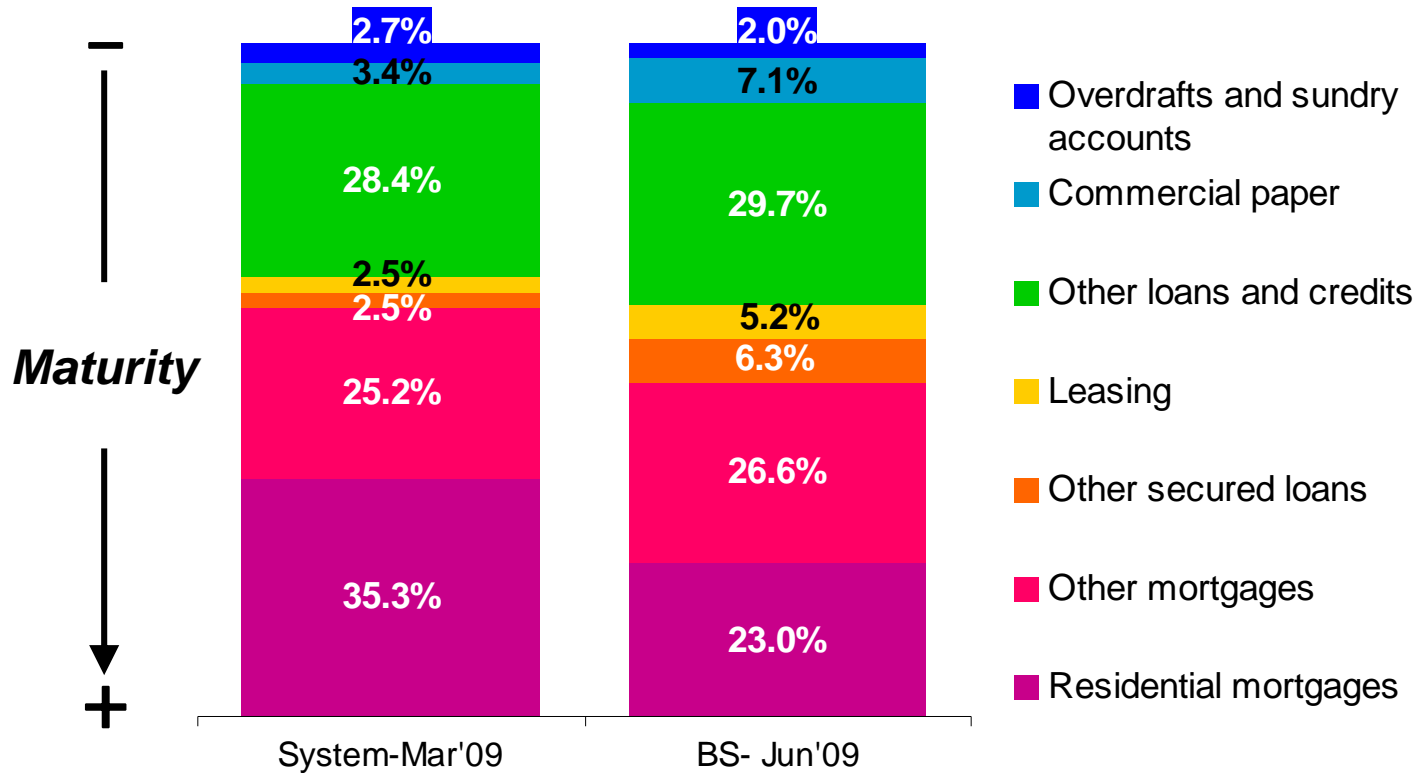


Breakdown of revenues by countries

Balance sheet structure shows a favourable maturity mix ...



Balance sheet structure

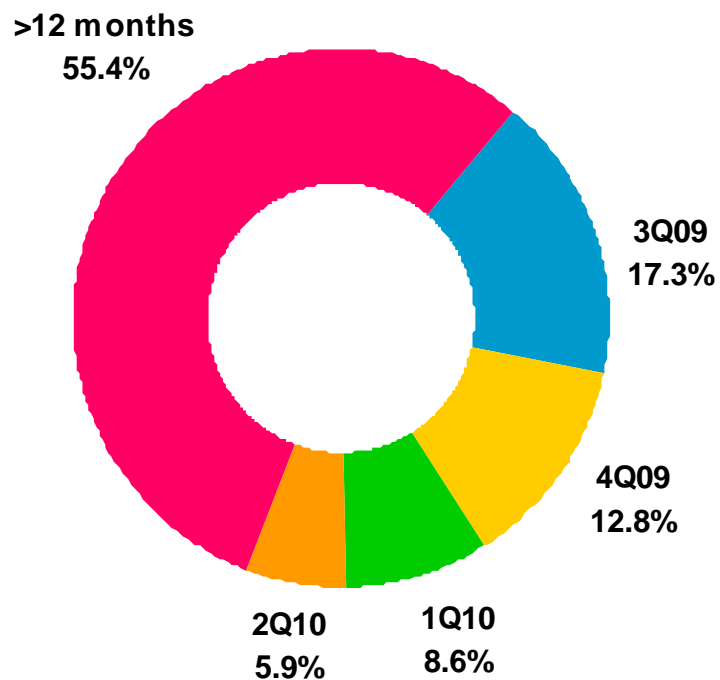


Stronger repricing capacity than the system

... allowing BS to reprice more quickly



Repricing maturity of the loan book
(in percentage of total book)



Front book spreads
(in basis points)

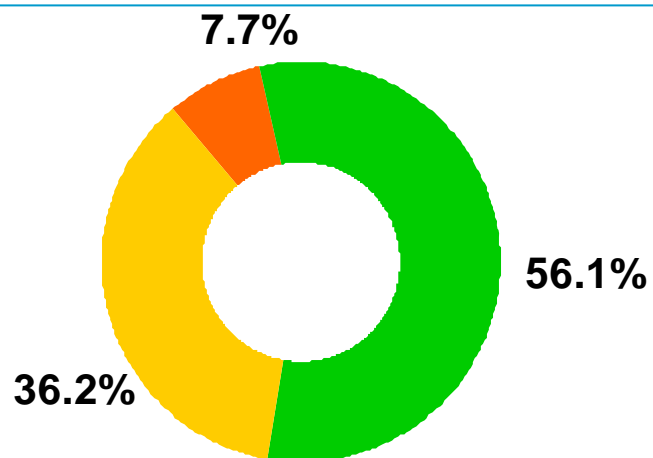
	Dec07	Jun08	Jun09
Commercial paper	80	68	93
Credits to companies	71	90	186
Loans to companies	132	161	175
Mortgages to companies	80	140	198
Mortgages to individuals	52	71	110
Credits to developers	68	123	135

Successful price transfer across the entire product range

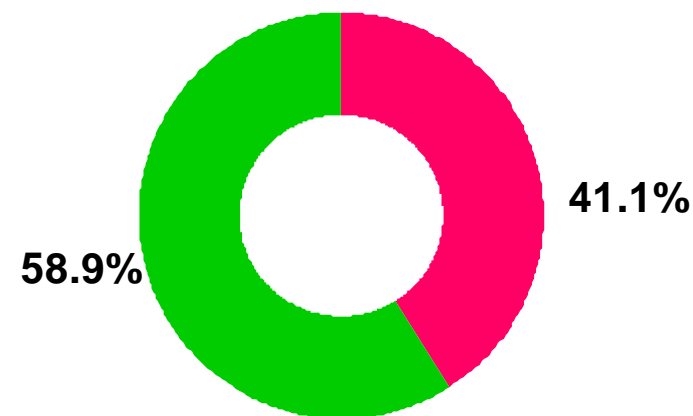
Sizeable support from hedging policies on the part of the book with longer maturities



Portfolio breakdown



Floors activated

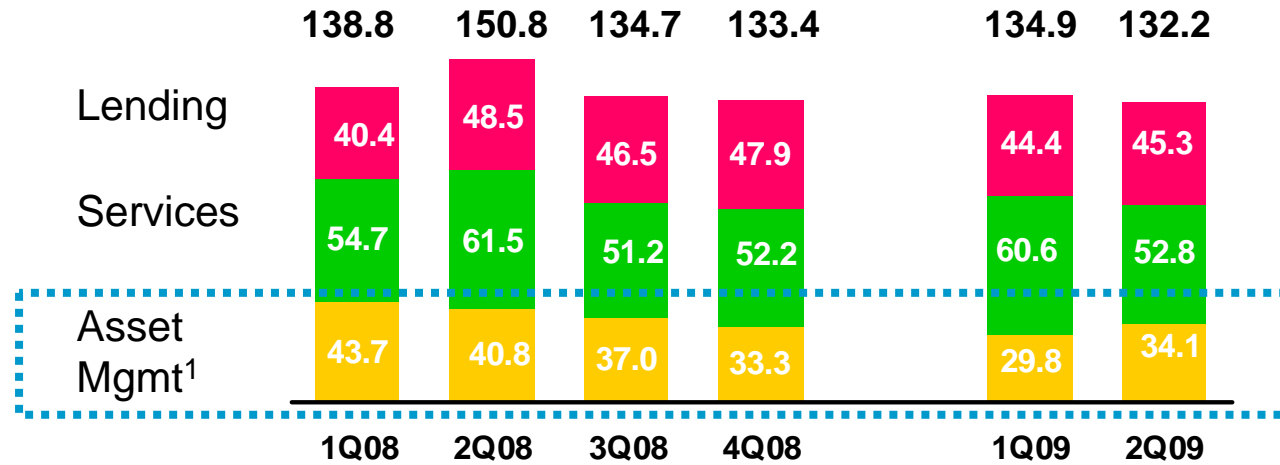


- Fix rate
- Variable rate without floor
- Variable rate with floor
- Floors activated
- Floors not activated

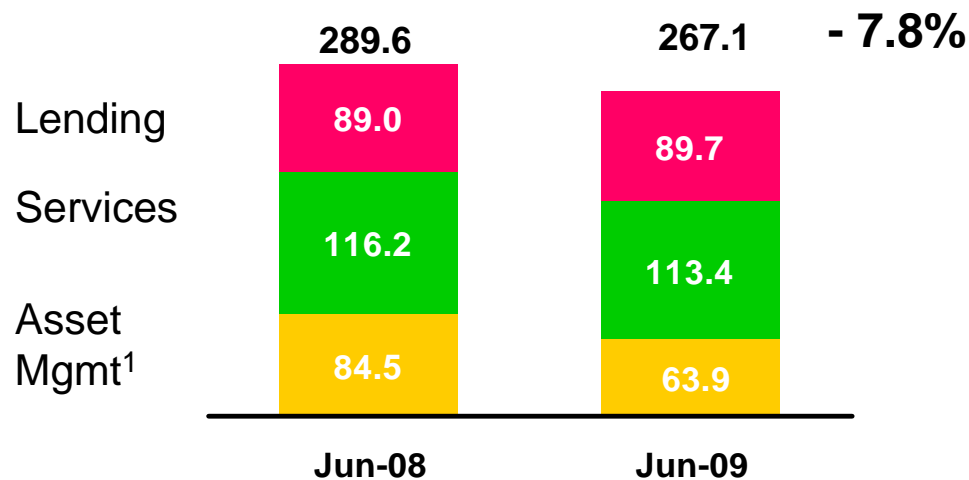
Floors breakdown

Floor < 3.5%	18.0%	(32.2%)
Floor >= 3.5% & < 4%	16.8%	(30.1%)
Floor >= 4% & < 4.5%	17.8%	(31.7%)
Floor >= 4.5% & < 5%	3.3%	(5.8%)
Floor > 5%	0.2%	(0.3%)
	56.1%	(100.0%)

Commission income is bottoming out



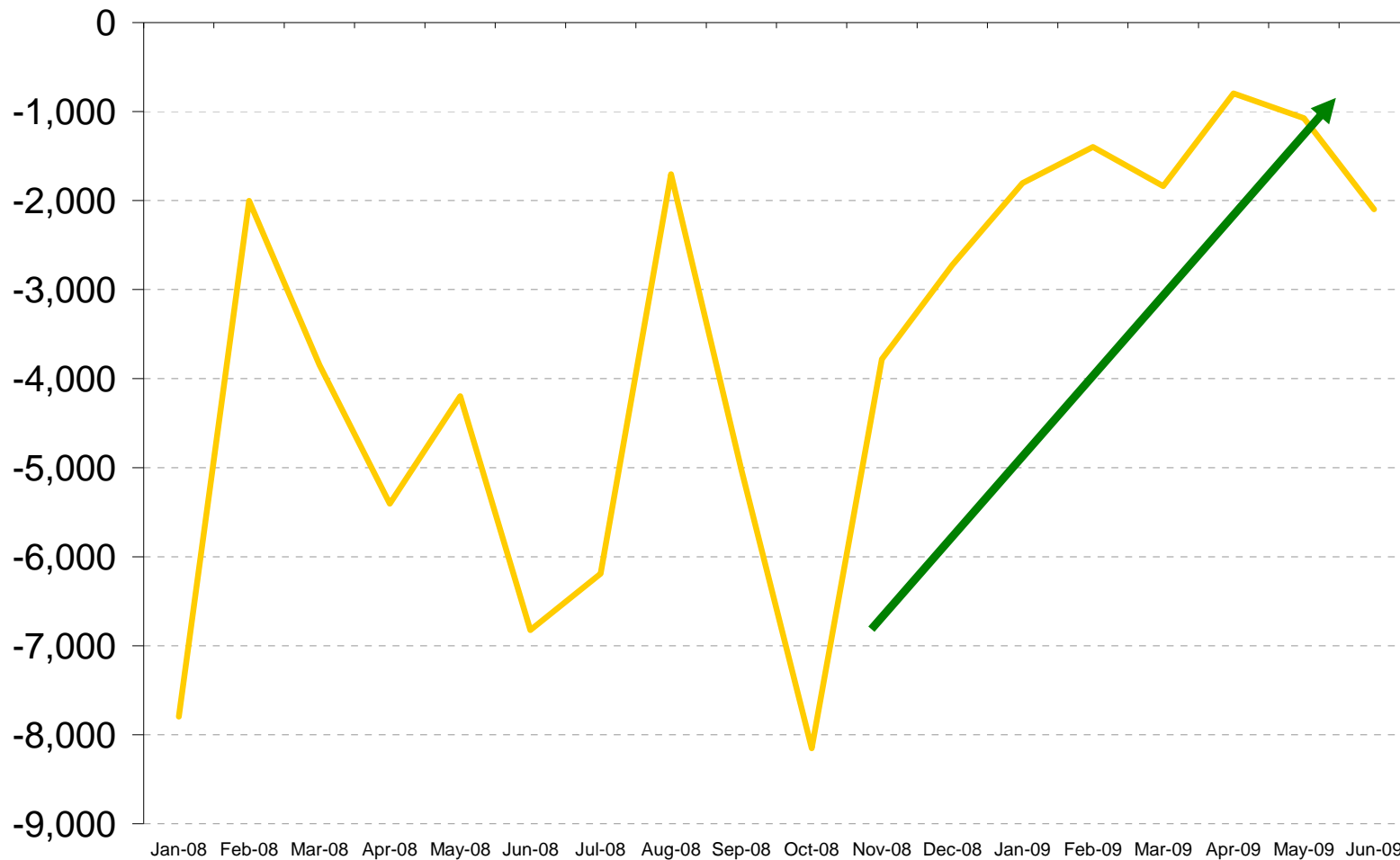
The bulk of commission adjustments came from AM



Net flows in Asset Management show signs of recovery



Spanish Asset Management monthly net outflows



Euros in millions. Source: Inverco - Mutual funds

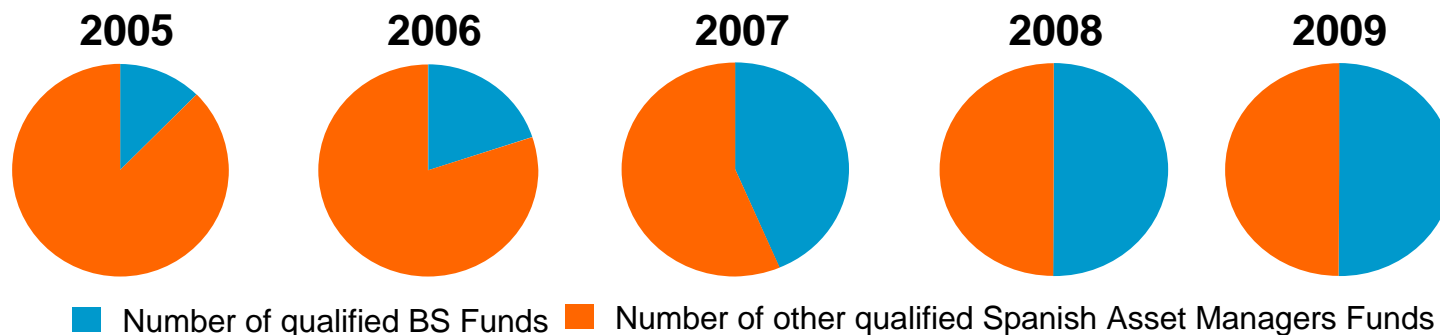
BS well positioned to take advantage of any market improvement



	<i>Expansión</i> ranking quartile	Number of funds	AuM per quartile
85% of the AuM in the first and second quartile	1st	10	27%
	2nd	18	58%
	3rd	10	7%
	4th	9	8%

**BANSABADELL INVERSIÓN
TOP OF CLASS IN ASSETS
UNDER MANAGEMENT
QUALITY**

Recognition evolution of *BanSabadell Inversión* according to the number of high or very high management quality qualifications granted by S&P's to Spanish mutual funds

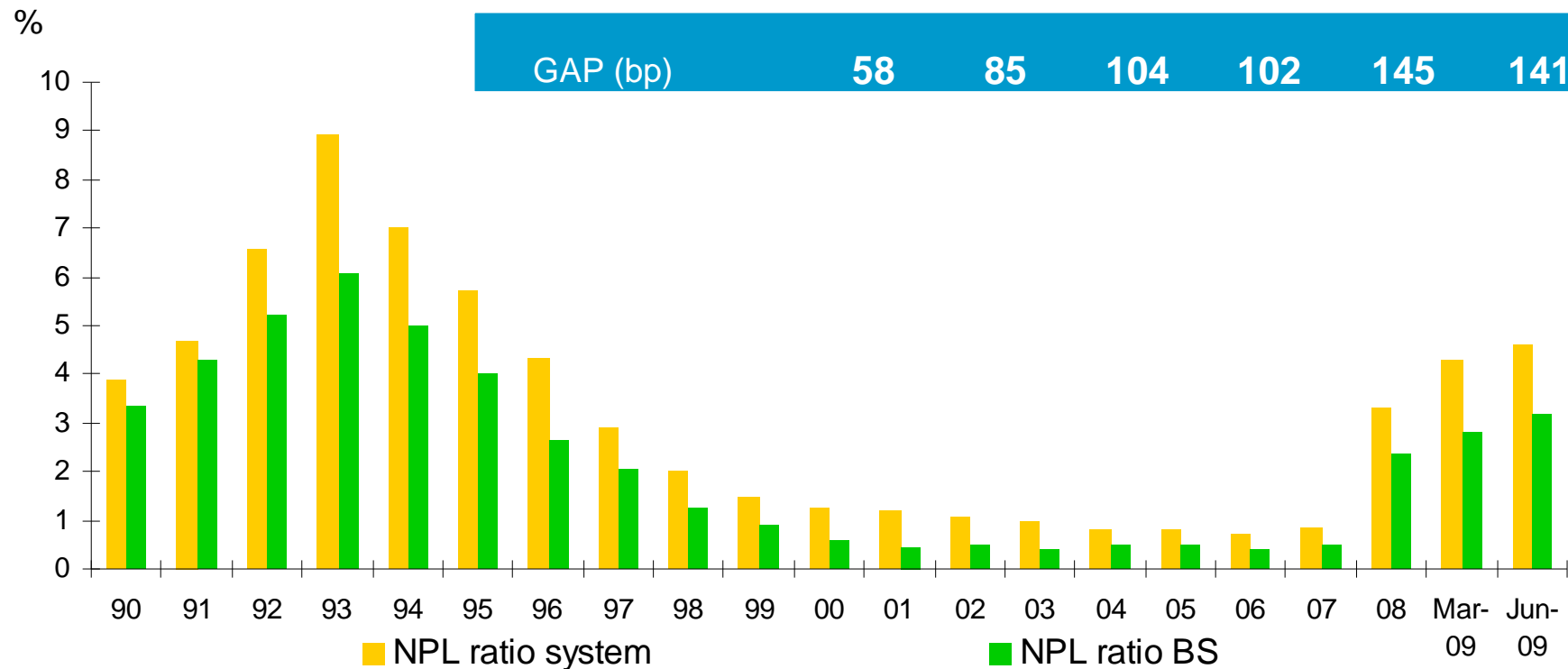


Source: Expansión and BanSabadell Inversión. Data as of August 27, 2009.

The NPL ratio gap vs. the sector is maintained through the cycle ...



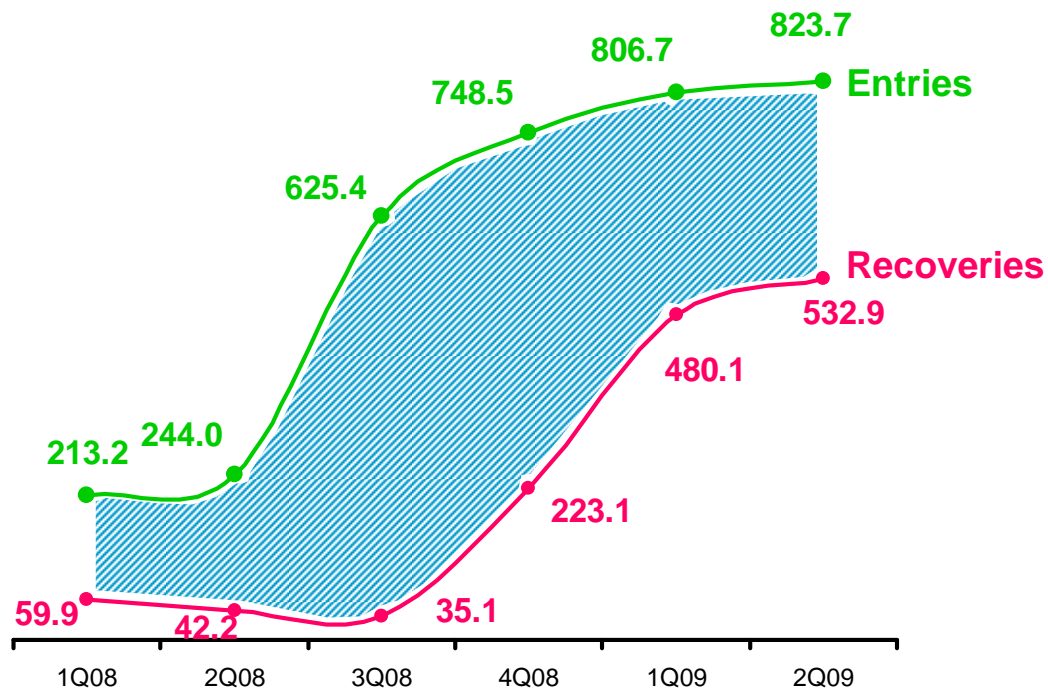
	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09
NPL ratio BS	0.62%	0.85%	1.59%	2.35%	2.82%	3.19%
NPL ratio system	1.20%	1.70%	2.63%	3.37%	4.27%	4.60%
GAP (bp)	58	85	104	102	145	141



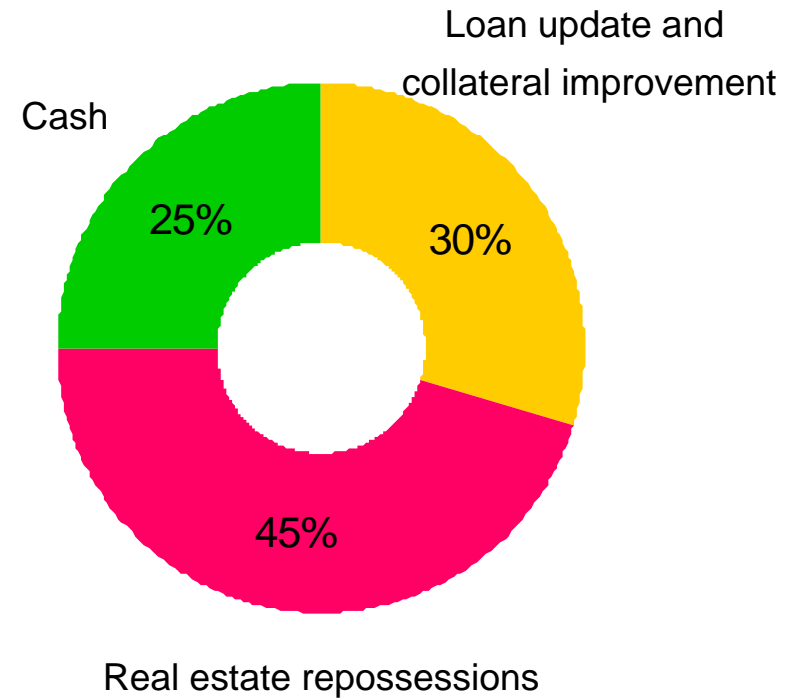
... supported by an improvement in the gap between entries and recoveries



Entries and recoveries evolution



Breakdown of recoveries



Continued extraordinary provisions reflect our conservative approach ...



Provisions for credit risk (P/L):

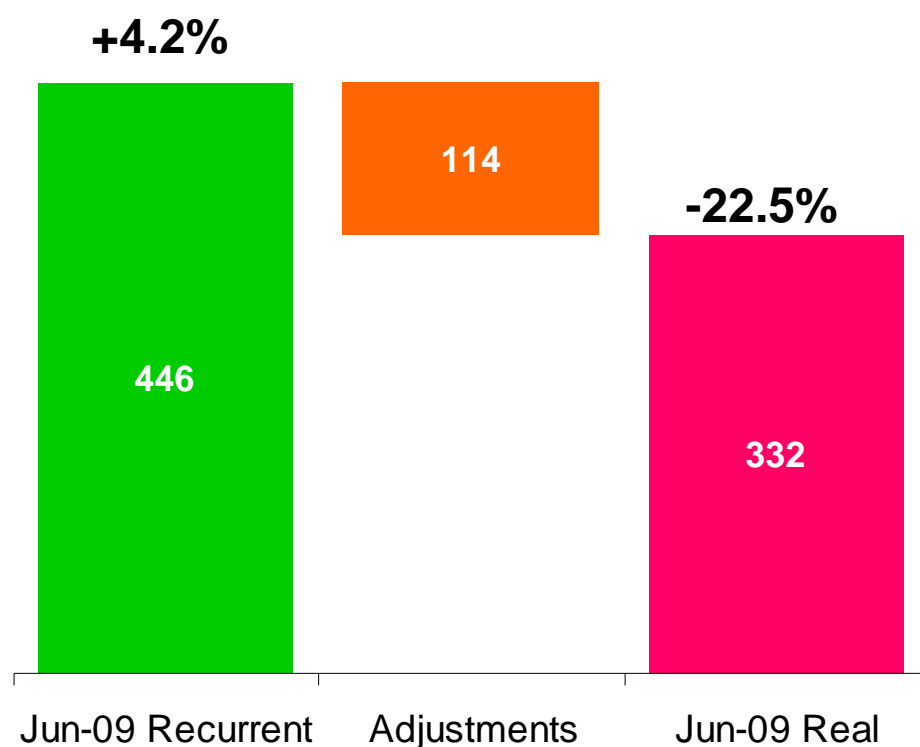
	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09
Generic	20.2	3.8	-10.1	-12.0	0.0	-129.4
NPLs entry	13.2	6.5	55.4	46.1	11.0	16.2
Calendar effect	14.8	37.1	48.6	56.9	80.8	121.7
Extraordinary	0.2	10.1	214.0	85.3	41.9	87.5
Rest	-4.6	3.5	11.9	3.0	8.2	7.3
Total	43.8	61.0	319.8	179.3	141.9	103.3

Balance sheet provisions:

	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09
Generic fund	1,184.2	1,192.0	1,183.7	1,170.4	1,170.4	1,040.1
Specific fund	130.3	166.7	457.5	645.4	786.0	991.0
Total	1,314.5	1,358.6	1,641.3	1,815.8	1,956.4	2,031.1

We maintain a high coverage ratio of 88.8%
Including guarantees the coverage ratio would be 141.3%

... creating a significant earnings buffer



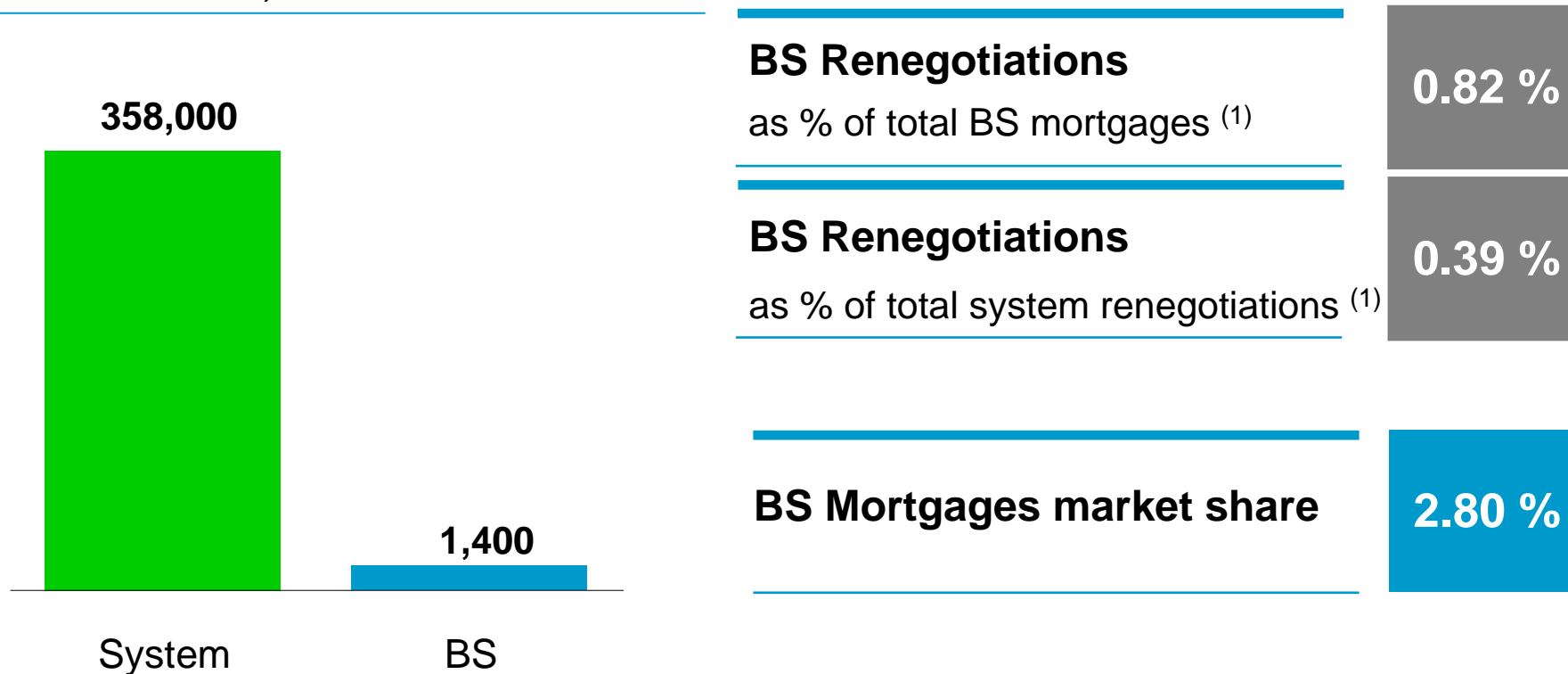
Net profit		
Coverage (%)	€m	09/08 (%)
70%	677	+58%
80%	472	+10%
82%	446	+4.2%
89%	332	-22.5%

Maintaining a high coverage ratio of 89% vs. the sector average of 60%

Limited number of mortgage renegotiations below the system average ...



Number of renegotiated mortgages
(last 12 months)

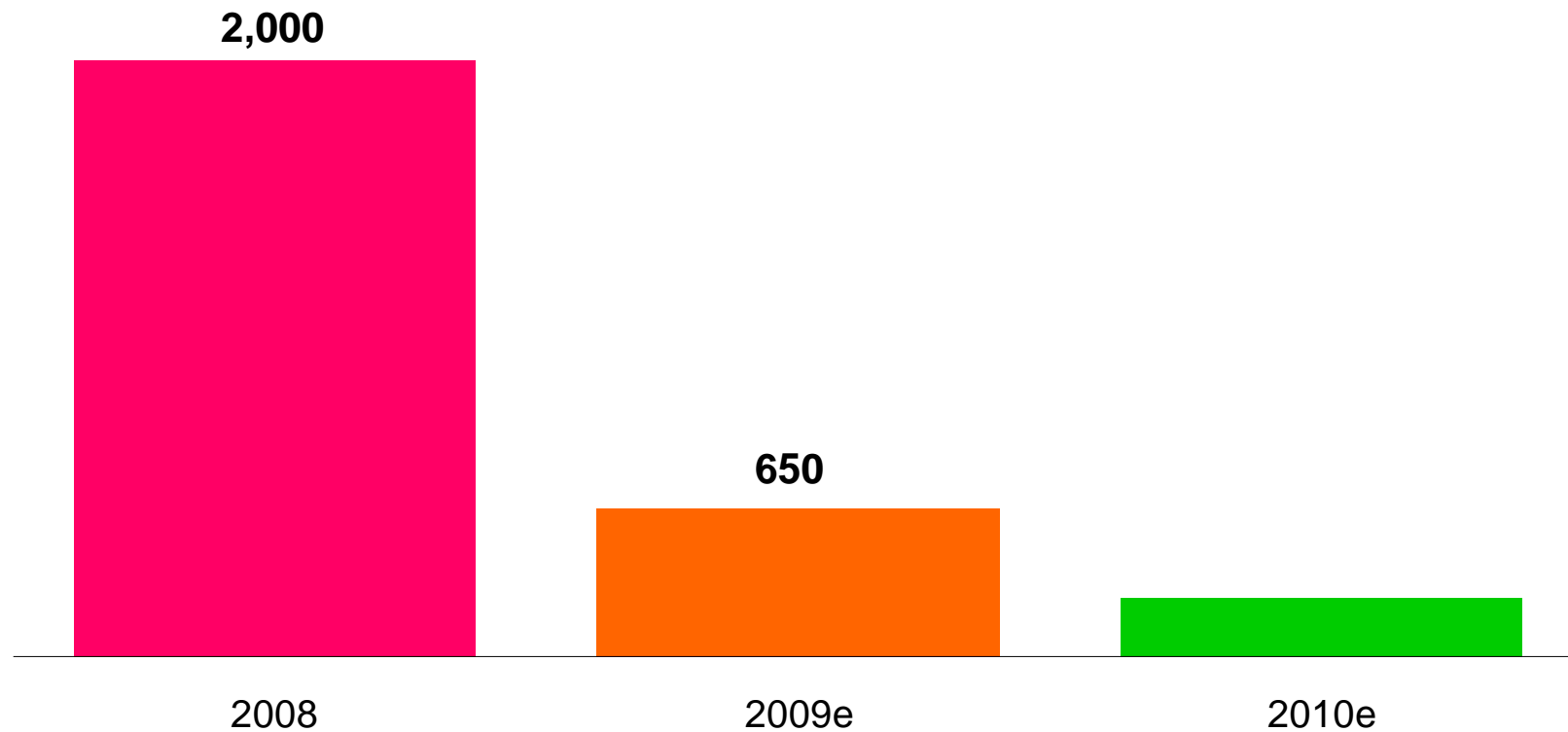


Very low impact on overall mortgage renegotiations

... and with a declining trend in the number of renegotiated company loans



Renegotiated company loans. Euros in millions

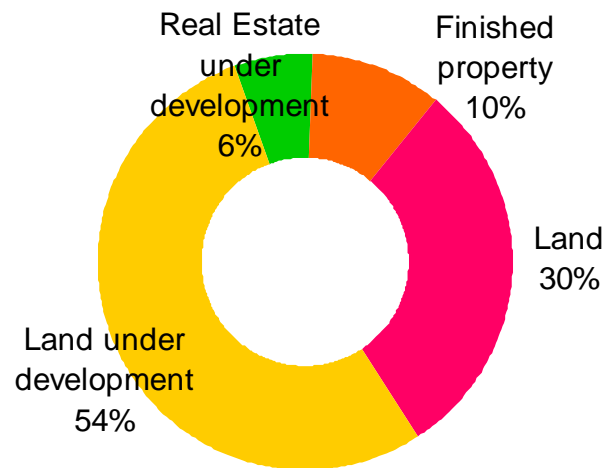


The renegotiation trend improving for the forthcoming periods

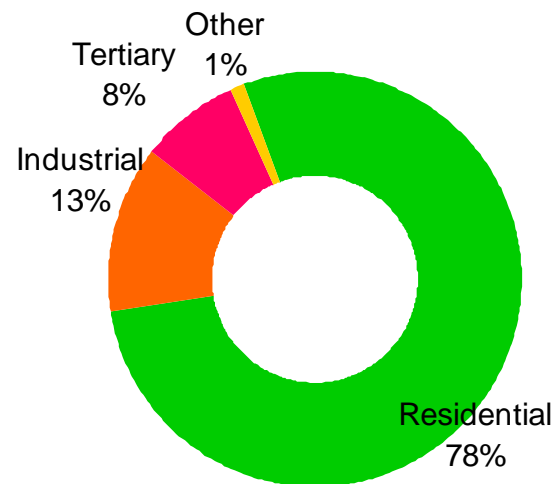
BS manages actively its real estate assets through Solvia



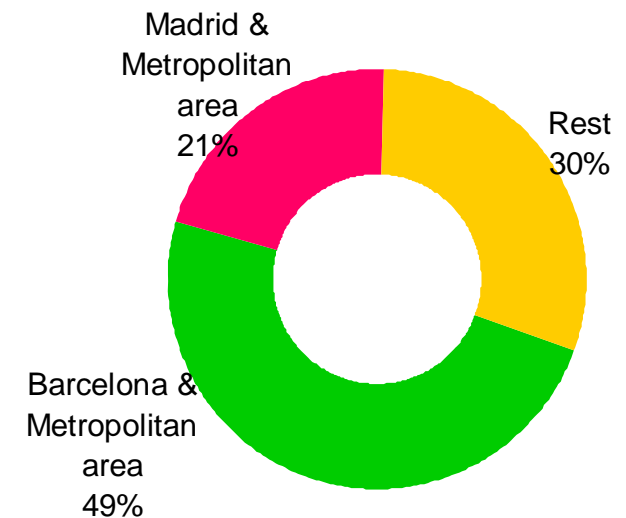
Stock profile



Assets by use



Geographic distribution



- ✓ 118 projects currently
- ✓ No rural land exposure*
- ✓ 400 finished dwellings, of which 17% has been sold

* None of Solvia's land is pending reclassification; all of it is 'buildable' land.

Initial conclusions



Balanced maturity structure on the balance sheet ✓

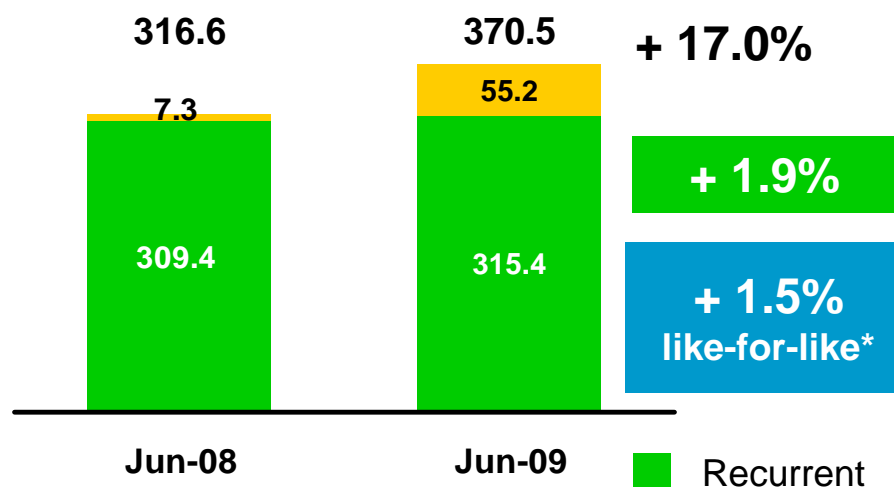
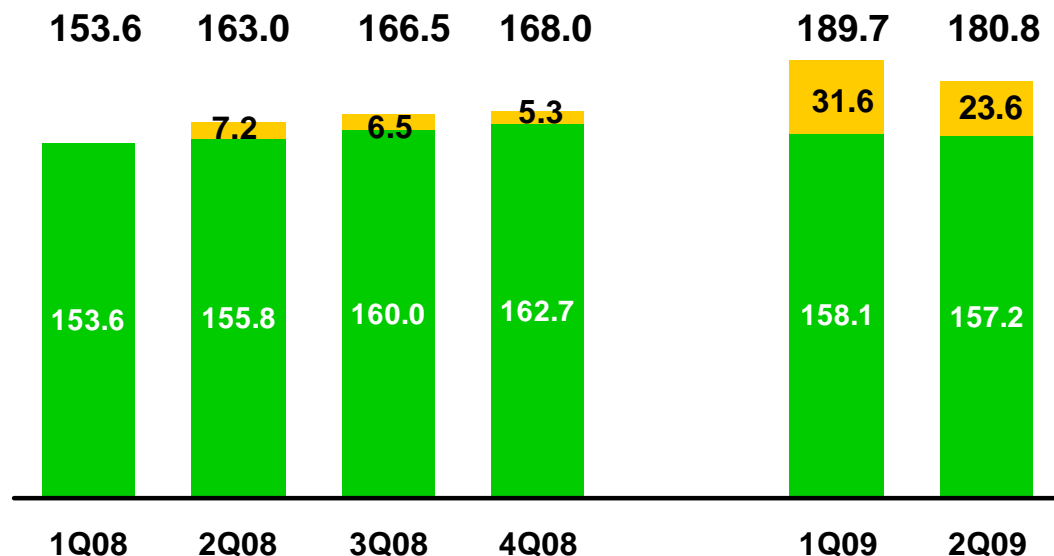
Hedging policies ✓

Mutual funds recovery ✓

Significant earnings buffer ✓

**BS is prepared to face the new environment constraints
due to the strengths built to date**

We continue to take advantage of strong revenues to apply non-recurrent costs ...



	Jun-09
NII	813.1
Dividends	10.5
Equity Method	31.7
Commissions	267.1
Trading income	163.9
Forex	21.8
Other op. results	3.7
Gross Op. Income	1,311.9
Personnel exp.	-370.5
Administration exp.	-152.6
Deprec. & amort.	-69.0
Pre-provision Op. Incom	719.7
Prov. for NPLs and others	-354.2
Gains on sale of assets	28.9
Taxes and others	-62.4
Disc. transactions	0.0
Attr. Net Profit	332.0

Euros in millions. * Including Fincom, Tecnocredit and BBVA Miami in 2008.

... executing the Optima plan ...

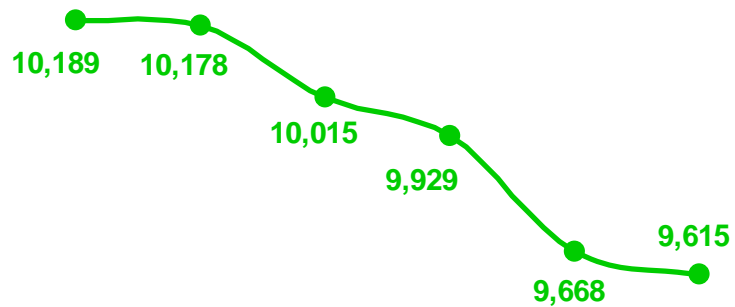


Actions	Savings
Optimisation of processes	- 36 m €
Impact of new industrialised operating model	- 11 m €(personnel exp.)
<ul style="list-style-type: none">• Optimising administrative processes in branches in order to give more priority to commercial activities.• Creation of CARs, concentration of Superdex, ...	
Cost cutting program	- 25 m €(admin. expenses)
<ul style="list-style-type: none">• Renegotiation of contracts: Technology, rents and telephony.• Location rationalisation.• Renegotiating terms and conditions related to office space work, installations, cleaning and moves.• Reduction in consultancy fees.• Reduced frequency of regular mailings.• Moving some externalized services in house.	<ul style="list-style-type: none">- 14.4 m €- 2.4 m €- 2.8 m €- 1.5 m €- 2.0 m €- 1.6 m €

... and with a visible impact on the evolution of headcount

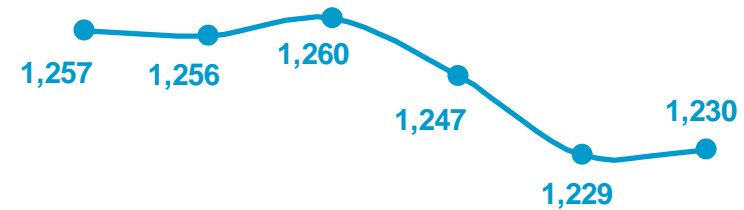


Number of employees



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

Number of branches

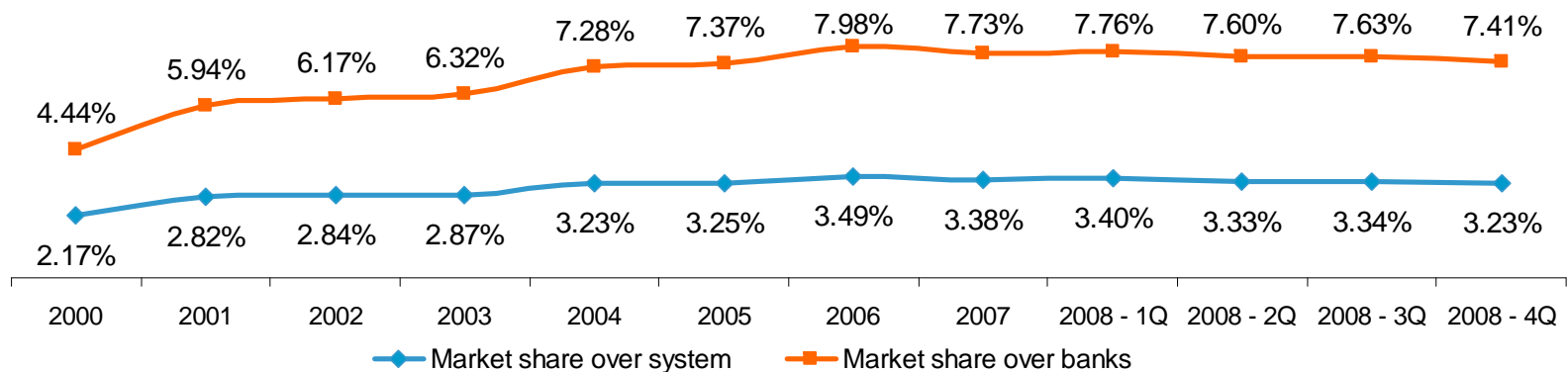
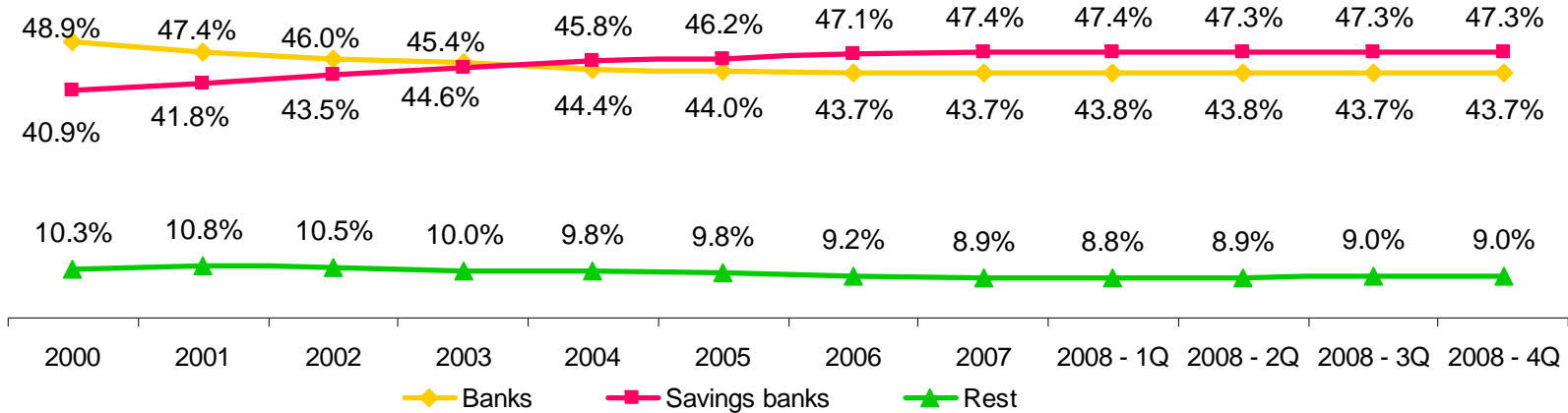


1Q08 2Q08 3Q08 4Q08 1Q09 2Q09

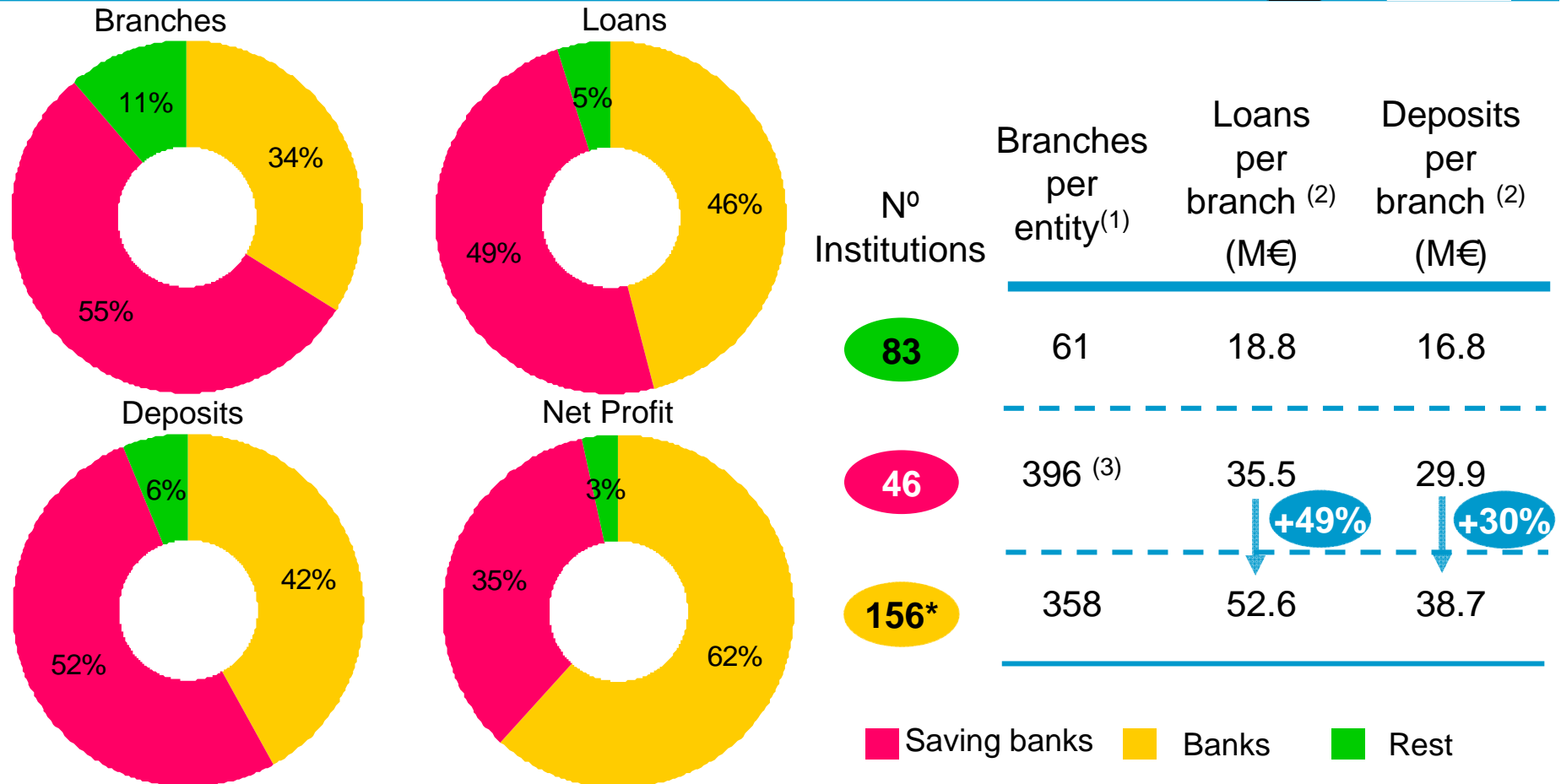
Savings banks have increased market share aggressively over the last few years ...



Global Spain



...although they have not enhanced the profit contribution to the system



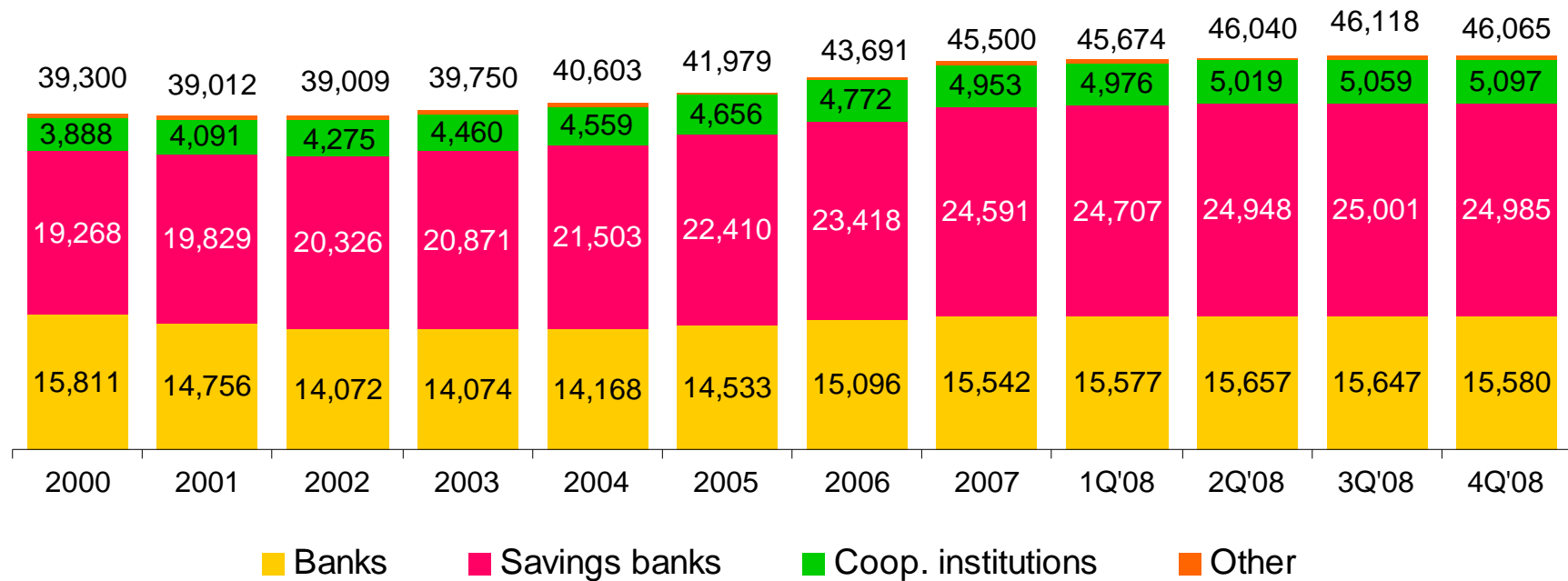
Banks show credits and deposits per branch ratios 49% and 30% higher than savings banks, respectively

*Including national banks(49), international subsidiaries (18) and foreign branches (89)⁽¹⁾ Foreign branches and entities with less than one branch are not considered ⁽²⁾ Credits and deposits data does not include public administrations nor pure credit institutions ⁽³⁾ Excluding "la Caixa" and Caja Madrid. Including them, the average branches per entity would be 543
 Source: AEB, CECA. Data as of December 2008

Savings banks have increased their retail network, banks have slightly reduced it ...

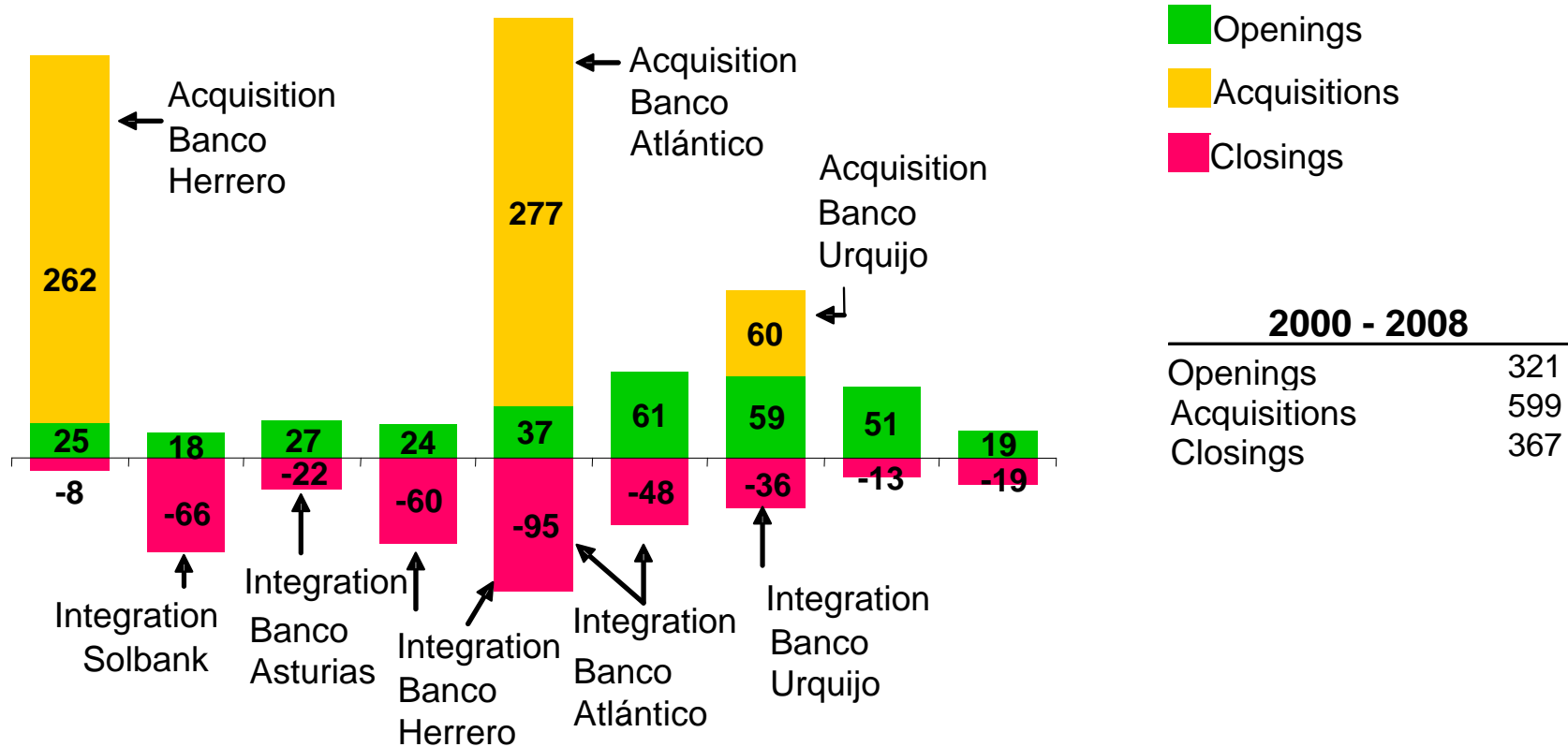


Spanish financial system. Branch network evolution



A balanced approach by banks

... and BS has proven it is a seasoned streamliner



Network flexibility and speed of adaptation are clear competitive advantages for Banco Sabadell

Conclusion



Impact of interest rates on NIM under control

Commission income is bottoming out and shows positive signs

We have strong cost management in place

Top of class provisioning policies / lowest NPL ratio

Strongly capitalised

Large capacity to grow geographically

A young branch network with strong breakeven potential

We feel confident regarding the outlook



Banco Sabadell

El valor de la confianza