

 **Crea** 2011-2013
Strategic Plan

Investor Day
London, 16th February 2011

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-
1. The current environment

 2. Key drivers of CREA & financial targets

 3. Implementation & commercial targets

 4. Why this plan will work

 5. A few words on the Outlook for 2011,
liquidity, capital and real estate

 6. Closing remarks

1. The current environment

Economic growth by region

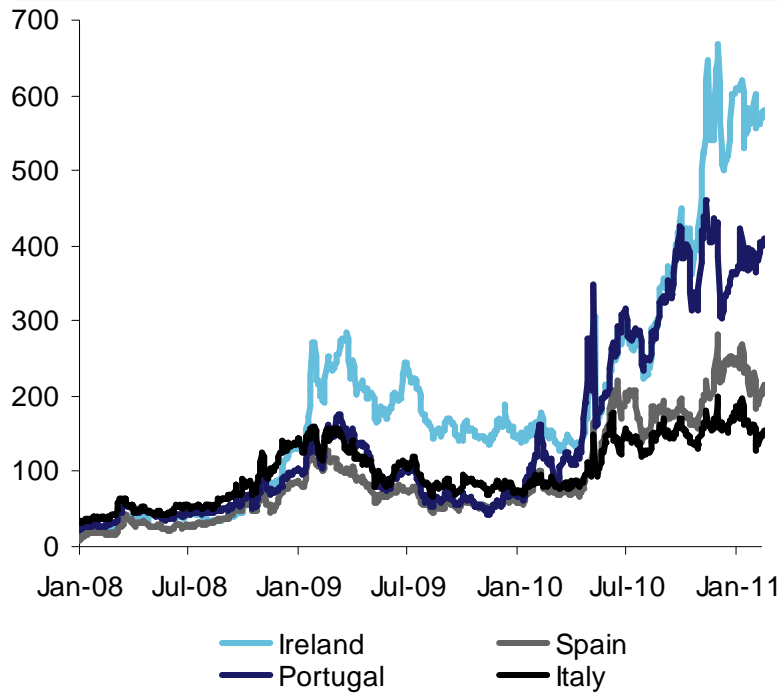
	GDP growth			Inflation		
	2010	2011e	2012e	2010	2011e	2012e
Emerging markets	6.8%	6.0%	6.0%	6.5%	6.4%	6.4%
United States	2.9%	3.6%	2.5%	1.6%	2.2%	2.0%
Euro zone	1.7%	1.8%	1.7%	1.6%	2.1%	1.7%

Source: Banco Sabadell

2011 has begun with some positive news

Sovereign debt spreads vs Germany

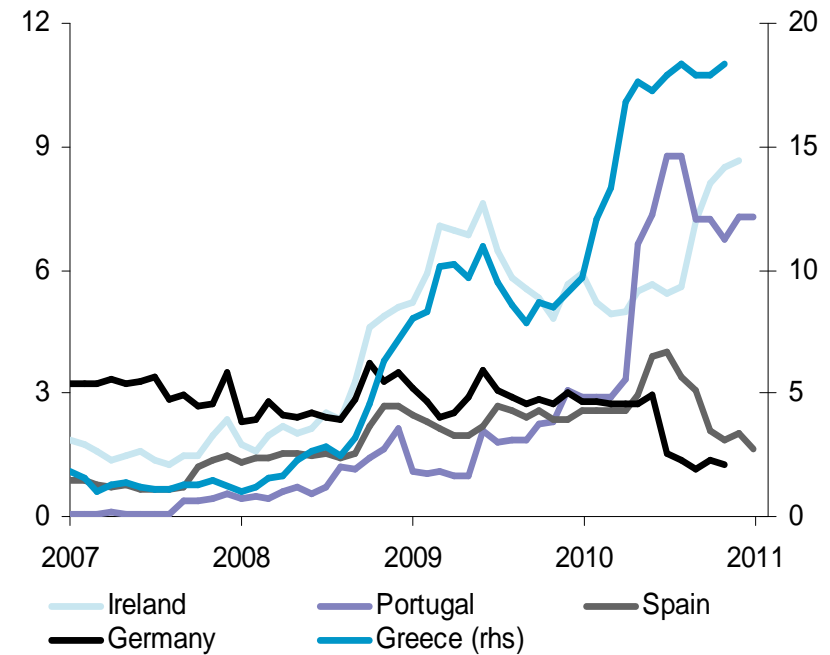
(10-year bond, in bp)



Source: Bloomberg

ECB loans to financial institutions

(as % of total domestic financial assets)



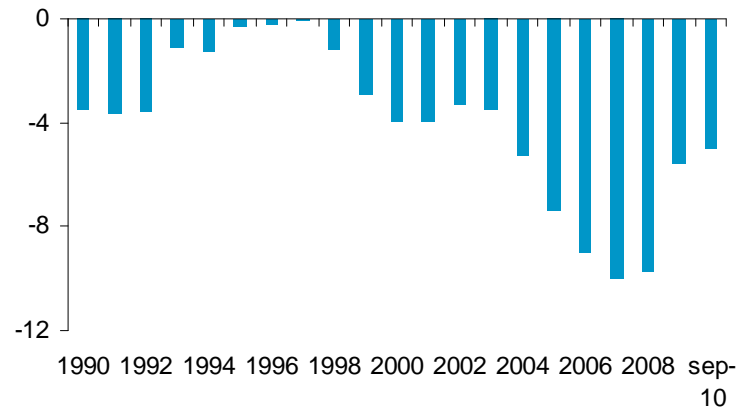
Source: Countries' Central Banks

The Spanish sovereign debt spread has tightened substantially from its peak in November 2010

In Spain the adjustment process is under way ...

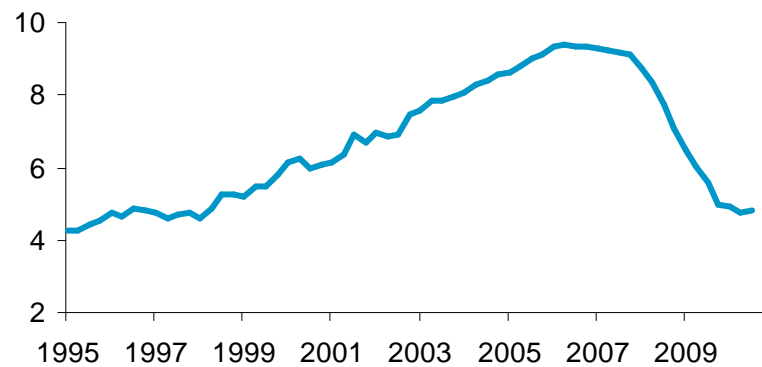
Current account balance

(% of GDP)



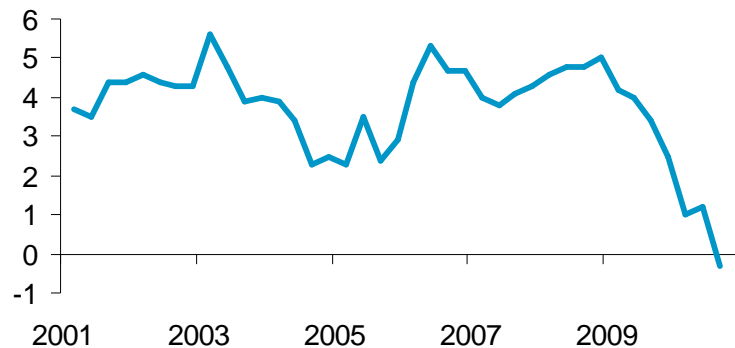
Real estate investment

(% of GDP)



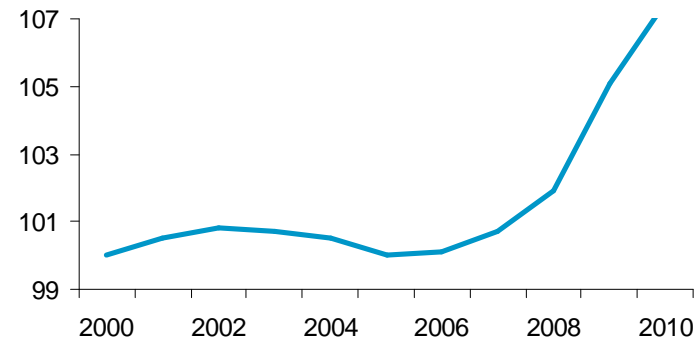
Labor costs

(YoY change in %)



Real productivity per person

(2000=100)



... and economic growth is gradually picking up ...

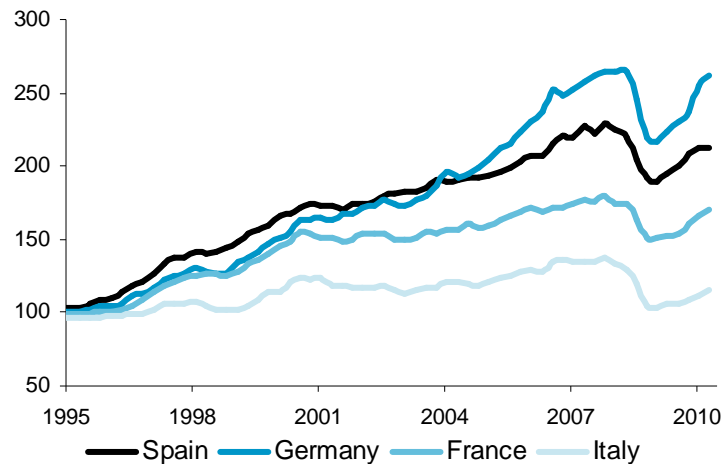
Macroeconomic perspective for Spain

	2010	2011e	2012e
GDP growth (YoY in %)	-0.1	0.7	1.3
Inflation (YoY in %)	1.8	2.3	1.4
Unemployment rate (as % of the active population)	20.1	20.0	19.0

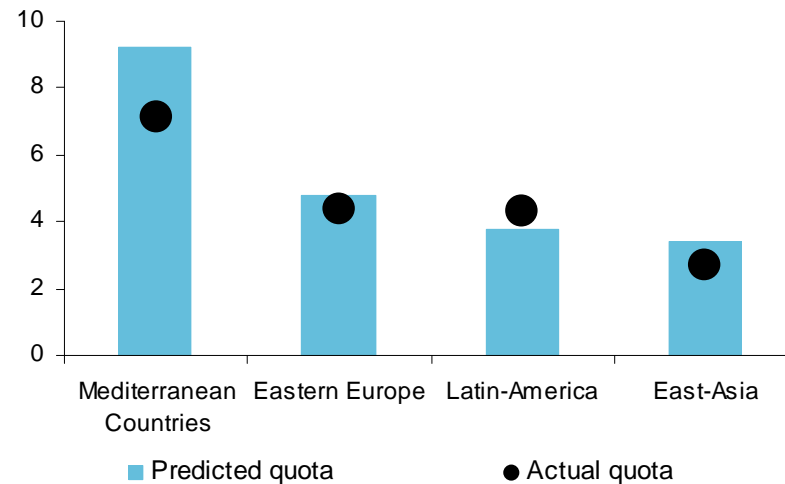
Source: Banco Sabadell

... with the foreign sector providing support

Export of goods and services (real term, 2Q95 = 100)



Export potential (as % of total exports)



The Spanish export sector shows strong growth, improving +17.5%* YoY

Sources: Bloomberg, Ministry of trade and Banco Sabadell
* Accumulated data as of November 2010, in nominal terms

Structural reforms and fiscal consolidation show political will

Approved reforms

- Labor market reform
- Progress on restructuring of the financial sector
- Measures to streamline the process for starting a new business
- Pension system

Upcoming reforms

- Labor force training (1Q11)
- Collective bargaining (1Q11)
- Complete restructuring of the financial system

Fiscal consolidation

- Government has achieved the fiscal consolidation goals set out for 2010

Capacity (+) or requirement (-) for financing (% of GDP)

	2009	2010	2011	2012	2013
Total Public Administration	-11.1	-9.3	-6.0	-4.4	-3.0

- Advances have been made in the transparency of the fiscal balances of the regional governments

Banking capitalization and reforms are being tackled decisively ...

New measures to restructure and capitalize the Spanish banking sector:

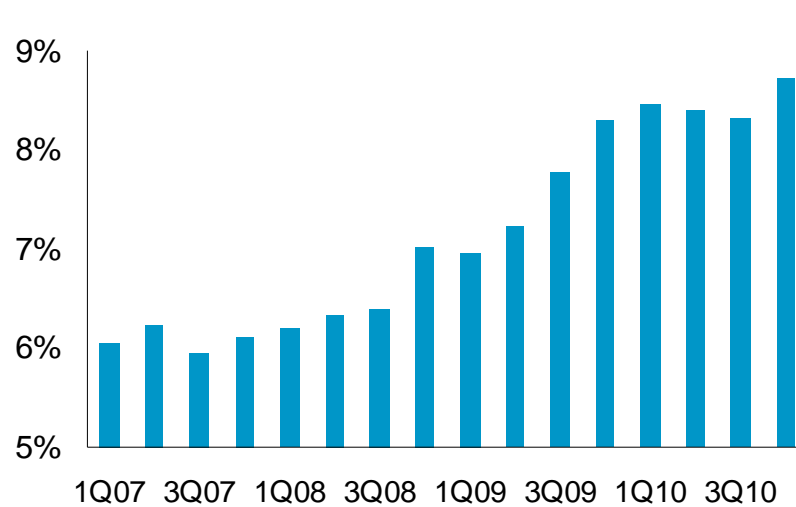
- A new minimum of 8% core capital is immediately required for all listed banks
- A new minimum of 10% core capital will be required of those entities with limited private ownership and that are excessively dependent on wholesale funding
- By September the Government will inject capital through ordinary shares into any institution it deems incapable of raising the required capital in the open market
- Thus, any *caja* receiving a government injection would be forced to convert into a bank prior to the receipt of capital
- The Bank of Spain forecasts that the Spanish banking sector requires an additional 20 billion euros to comply with the new capital requirements
- The Fund for the Orderly Restructuring of Banks (FROB) is the entity created to finance the restructuring and capitalization of banks and can raise up to 99 billion euros for this purpose with the guarantee of the Kingdom of Spain

... while capital levels of listed banks have steadily improved ...

The main Spanish banks* have strengthened their core capital ratios since the onset of the crisis

Core capital

(% of risk-weighted assets)



	1Q07	4Q10
Santander	6.0%	8.8%
BBVA	6.2%	8.6%
Popular	6.6%	9.4%
Banco Sabadell	6.1%	8.9%**

*Data from the six largest Spanish banking groups

**As of February 1, 2011

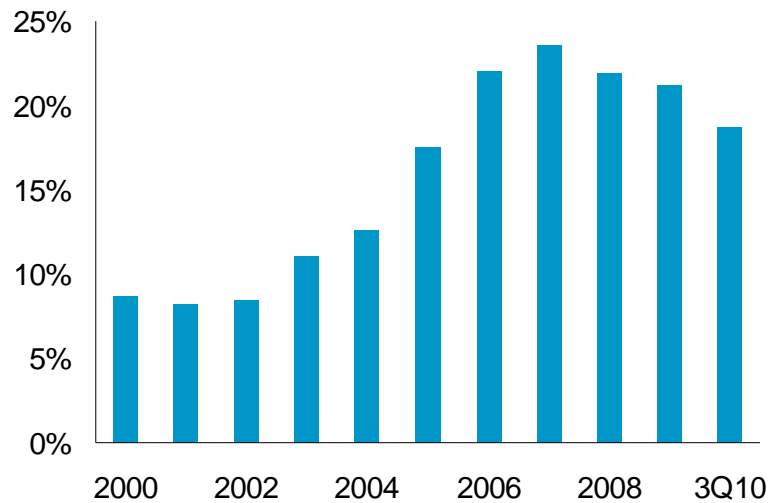
Source: Banco Sabadell

... as well as the quality of their funding ...

Banks have made a considerable improvement in the quality of their funding

Wholesale funding

(% of total assets)

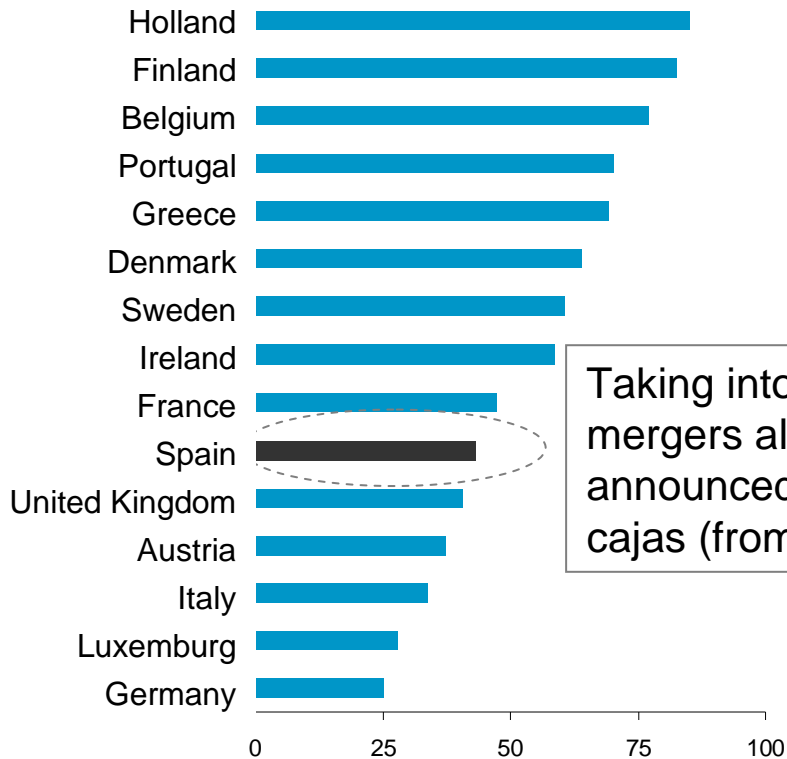


	1Q07	4Q10	Diff.
Santander	30.3%	18.3%	-12pp
BBVA	22.2%	19.2%	-3pp
Popular	41.2%	19.9%	-21pp
Banco Sabadell	38.1%	20.9%	-17pp

Source: Banco Sabadell

... and the consolidation process is likely to continue

Total assets held by the 5 largest financial institutions
(%, 2009)



Source: ECB

Total domestic assets of the largest financial institutions in Spain
(€bn)

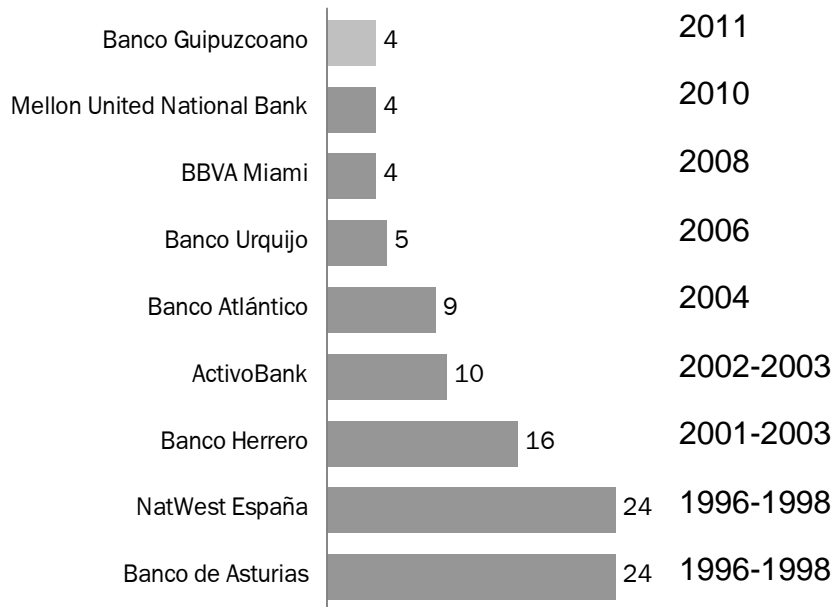
Taking into account mergers already announced among cajas (from 45 to 16)



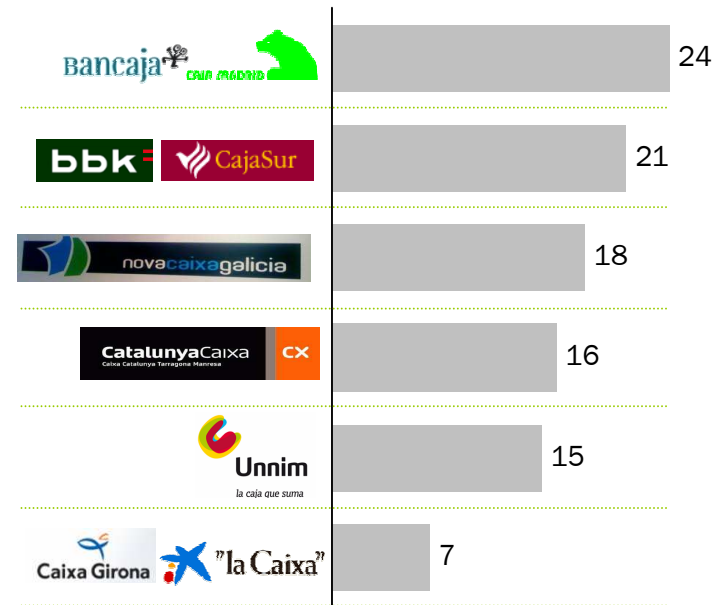
Source: Company information

Banco Sabadell has a solid integration track-record

Banco Sabadell Number of months of integration



Announced mergers between *cajas* Number of months of integration



Source: Press reports

“Practice makes perfect”

2. Key drivers of CREA & financial targets

A track-record of successful plans

Years	Plan	Main Drivers
2001-2004	C&C 04	Consolidation
2005-2007	ViC 07	Value and Growth
2008-2010	'10 Optima	Operational streamline
2011-2013	^BCrea	Leveraging platform

Banco Sabadell has successfully delivered all of its strategic plans to date. ^BCrea builds up from this experience

 **Create** Growth

Crecimiento

Profitability

Rentabilidad

Efficiency

Eficiencia

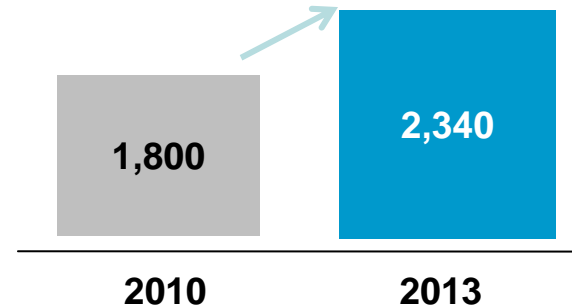
Ambition

Ambición

CREA – In summary

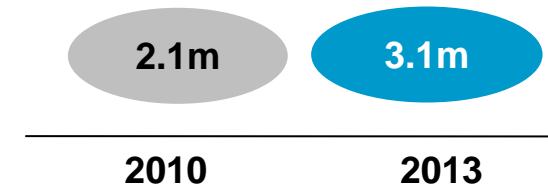
Leveraging existing franchise and target new clients within our current footprint

Number of customers per branch



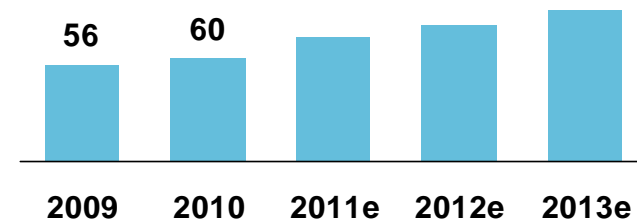
Gain market share and attract 1 million new clients. Growing our retail market share by more than **one** percentage point

Number of customers



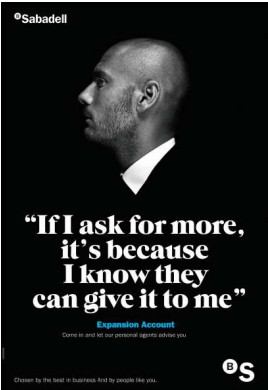
Operational streamlining

Number of operations / FTE* (in thousands)



*Full Time Equivalent

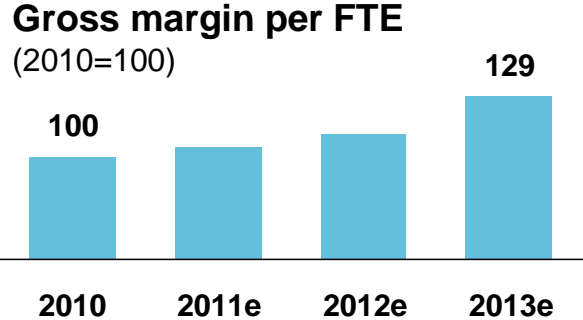
Improve brand recognition



New incentive model

**Winning
commercial
attitude**

Profitability



CREA Plan – Financial targets

P&L

CAGR 2010-2013e

• Net interest income ¹	+ 4.1%
• Commissions ¹	+ 8.6%
• Total costs ²	+ 1.8%

**Double-digit
ROE in 2013e**

Balance Sheet

• Gross loans to customers ¹	+ 5.5%
• Customer funds ¹	+ 10.0%

¹ Including Banco Guipuzcoano in 2010

² Excluding the impact of Banco Guipuzcoano and Sale and Leaseback operation

3. Implementation & commercial targets



2010 was an outstanding year

Achieving the best commercial performance to date

Building for the future

Commercial highlights 2010

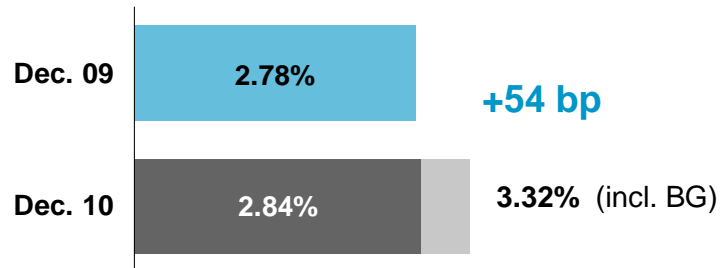
Yearly new clients (YoY)

Companies and SMEs	+61%
Individuals	+56%

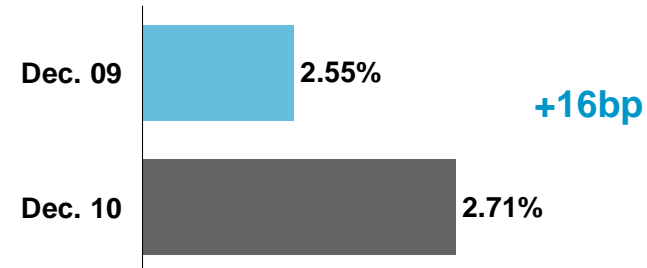
Strong market share gains in individuals ...

Individuals market shares

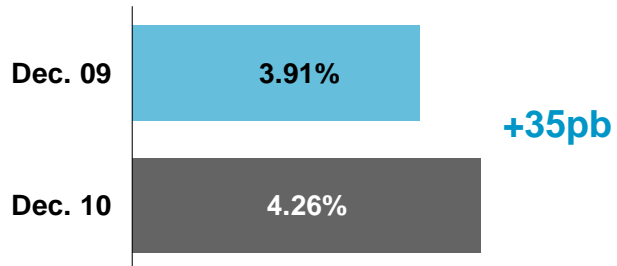
Deposits



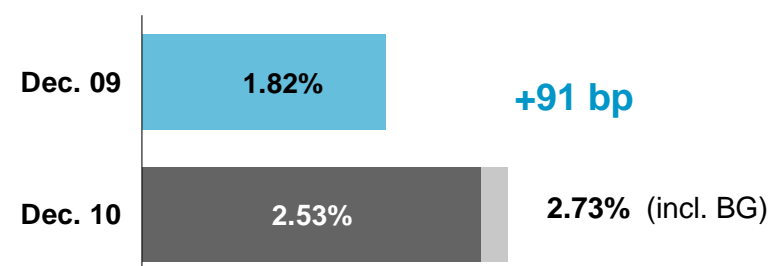
Cards turnover



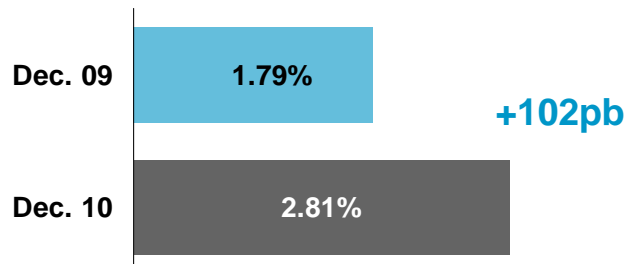
Savings insurance



Clients with payroll account



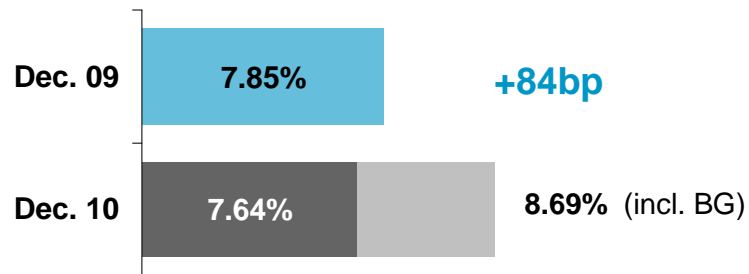
Mortgages to individuals (new contracts)



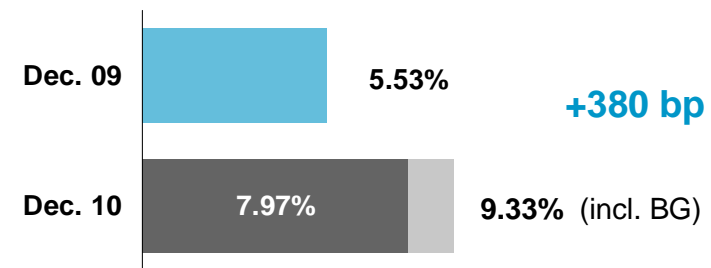
The number of new mortgages to individuals increased by 24.5% in 2010

Companies and SMEs market shares

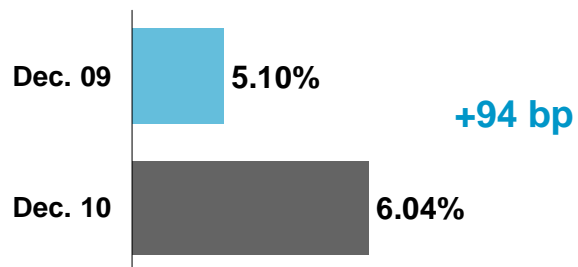
Commercial loans



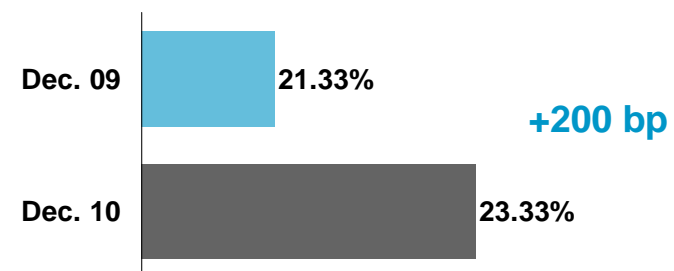
ICO Credit



PoSs turnover

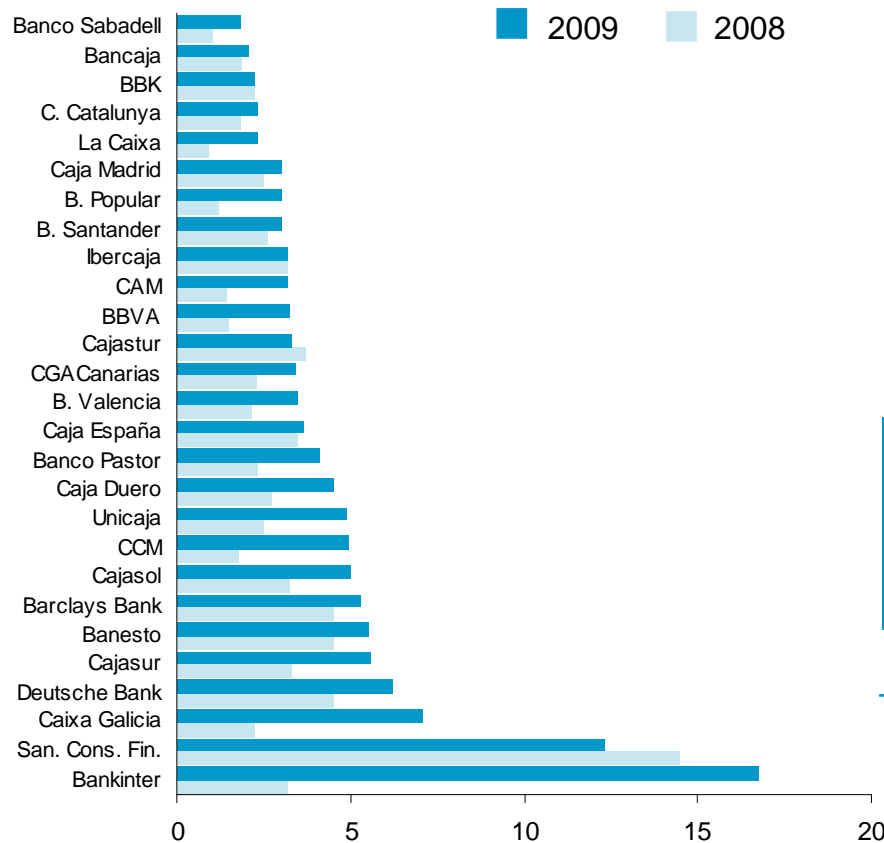


Documentary letter of credit, exports



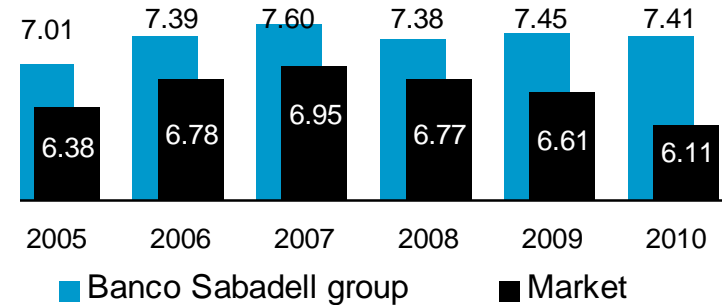
... maintaining the position as leader in quality of service

Lowest number of claims



Source: Bank of Spain, Service Quality Annual Reports 2009 and 2008

Most valued by the clients




Source: STIGA, "RCB Objective Quality in Retail Banking Networks" Quarterly report preview, 4Q10

Four consecutive years (2007-2010) increasing the gap vs. the system

Renewal of the Global Award of European Excellence

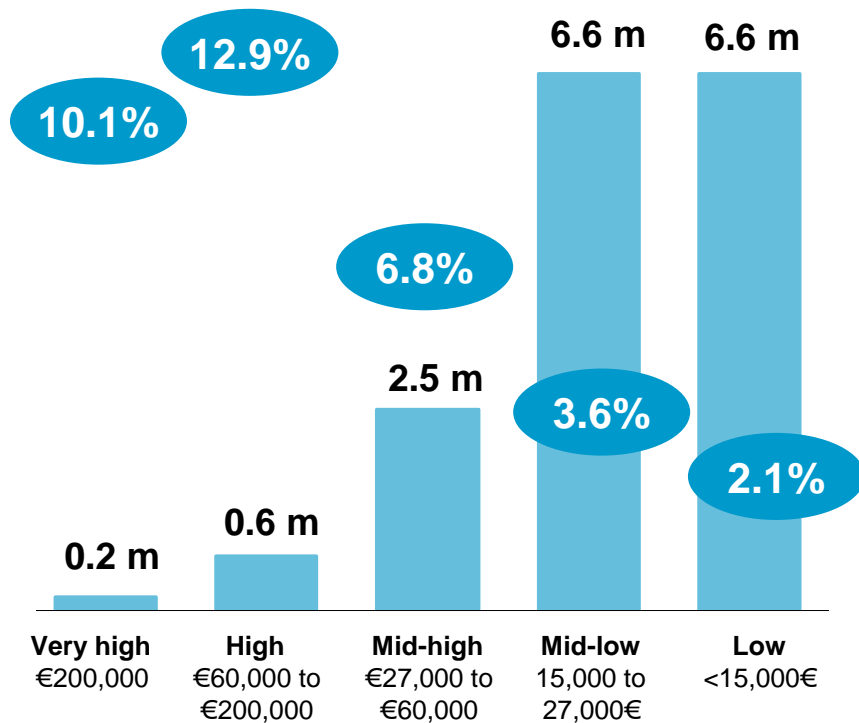


 **Crea**

 **Crea** fine-tunes our existing resources, leveraging the platform and addressing customer segments which were not targeted before

Focus on new individual segments

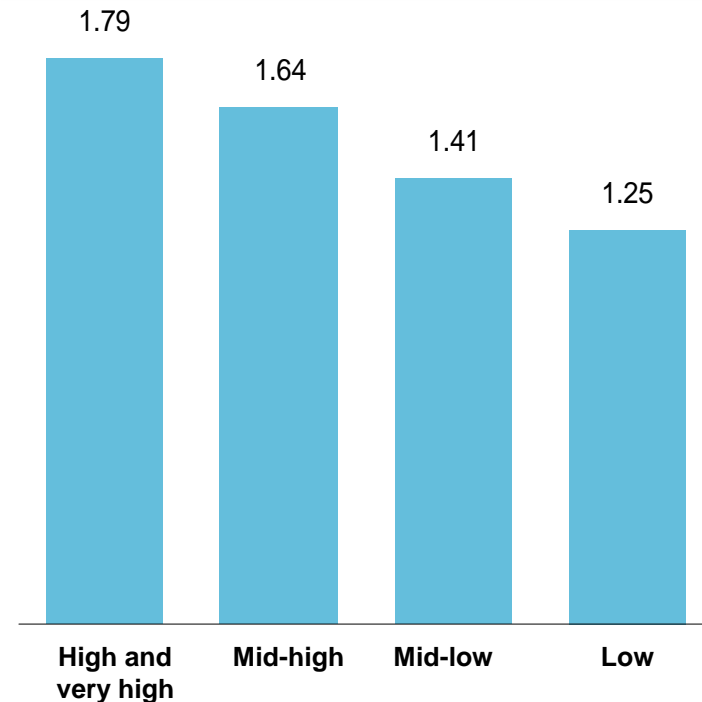
Spanish income distribution per household and BS market shares (in million and %)



Annual household income levels

Households in Spain BS market share

Number of banking relationships per banking client (in %)



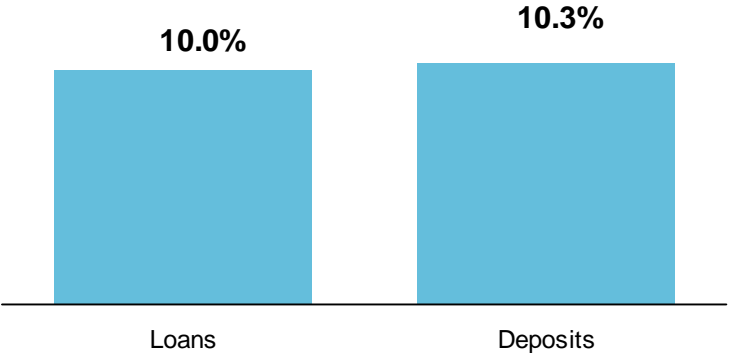
Annual household income levels

Each household is equivalent to 2.1 banking clients

Source: Bank of Spain and INE

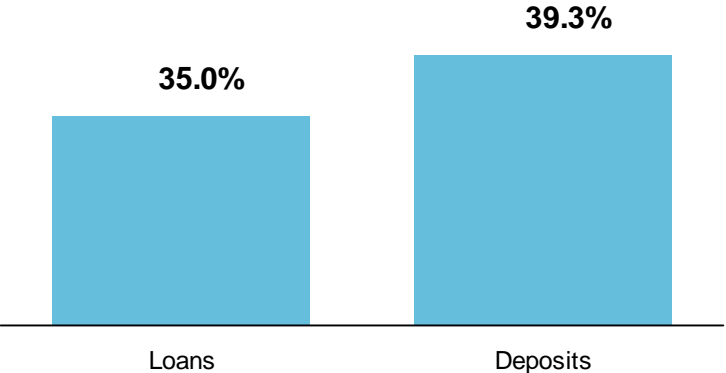
Potential to grow further in Catalonia

Banc Sabadell market share in Catalonia (in %)



Banc Sabadell has good growth potential in a stirred Spanish financial sector

Restructured *Cajas*' market share in Catalonia* (in %)



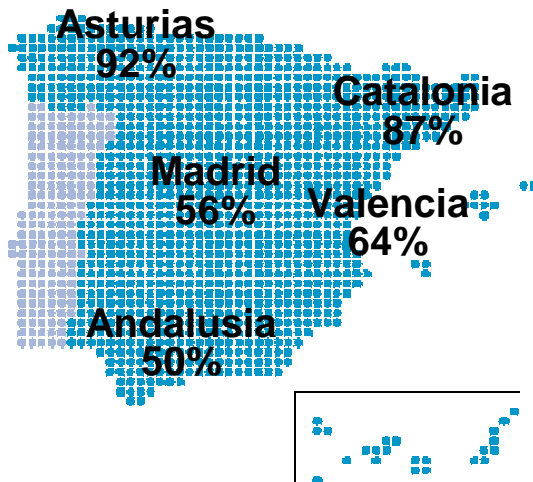
*Excluding La Caixa

Our company and SME platform is the best pillar to build a retail customer base



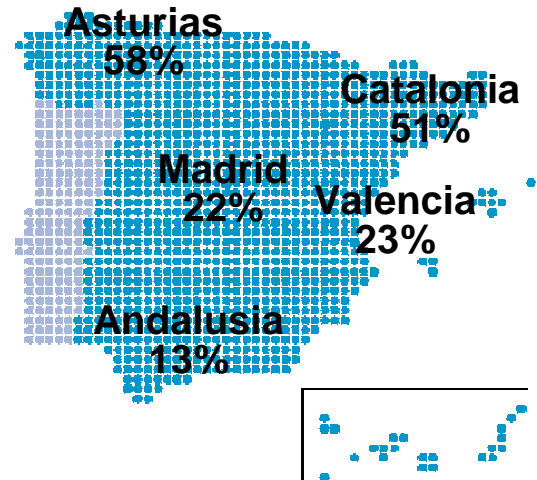
BS domestic presence in Companies

(client share in %)



BS domestic presence in SMEs

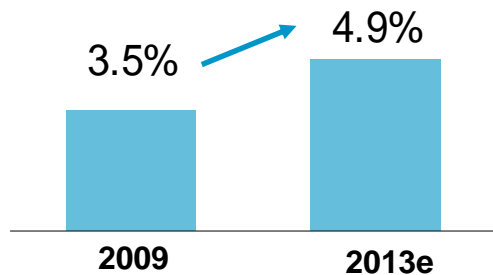
(client share in %)



B Crea

B **Crea** will allow us to grow our retail market share by 40% using existing branch network capacity

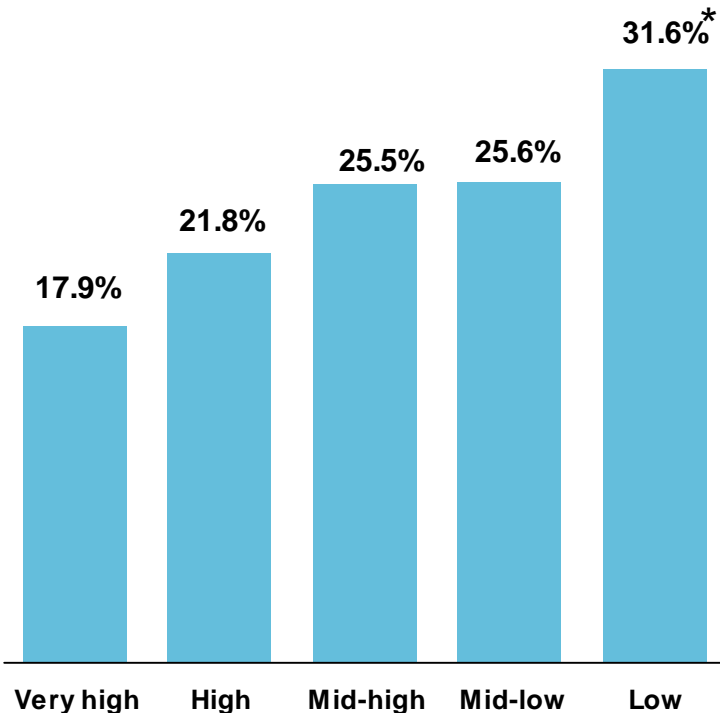
**BS client share
in retail banking**



Banco Sabadell has potential to grow in the higher profitability segments

BS RAROC by segments

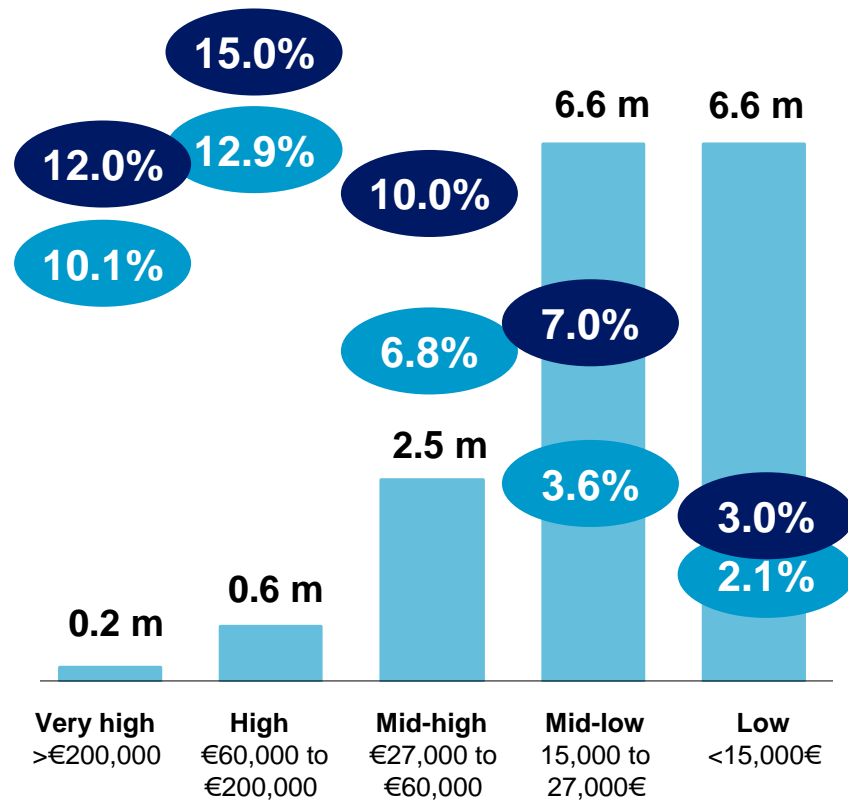
(in %)



*Banco Sabadell profitability of low income segment reflects BS selection and credit quality. This is not representative of the Spanish market average (15-20%)

Spanish income distribution per household and BS market shares

(in million and %)



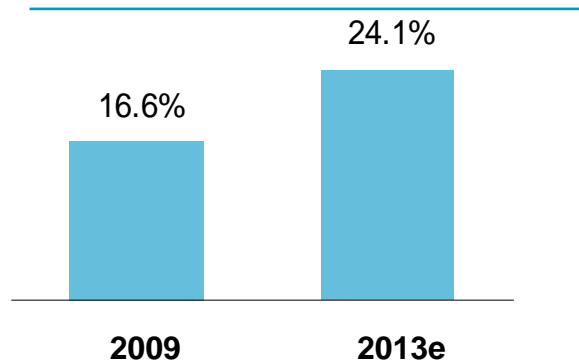
Households in Spain BS market share

Annual gross income. Source: Bank of Spain and INE

B Crea

In addition to focus on the retail segment, **B Crea** allows us to consolidate our franchise in companies and SMEs

BS client share* in companies and SMEs

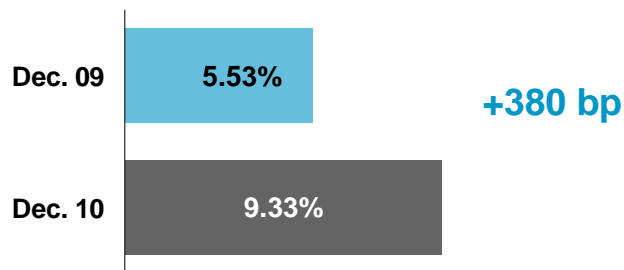


* It includes companies, SMEs and micro companies

Our company and SME business has shown a positive trend

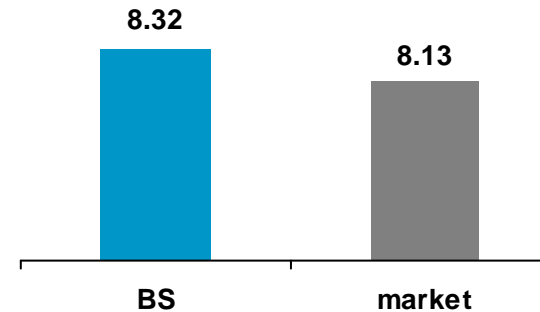
BS market share in ICO loans

(in %)



Index of satisfaction of SMEs

Ranking: 1 to 10 (10 highest)



Leverage drivers for companies and SMEs in CREA

- Our SMEs client base has capacity to absorb higher spreads
- Focused on working capital: higher turnover allows for price updates and better volume/risk control
- «Know-your-customer» is key in this segment
- Our persevering attitude and sustained drive is leading us to market share gains in this market

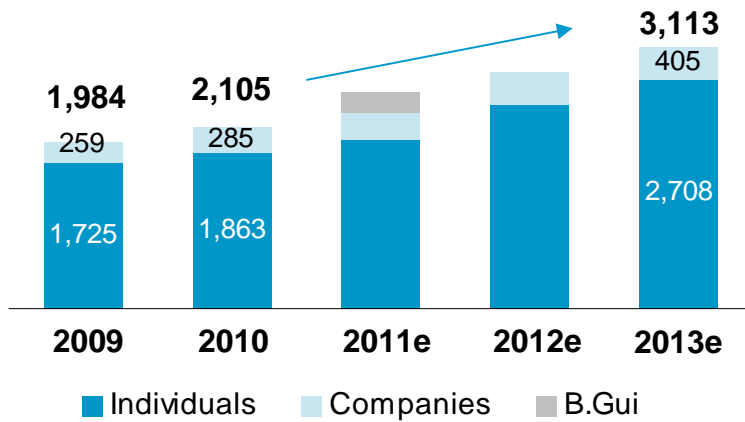
Crea

Commercial targets for the next three years are based on a bottom up approach on the back of the commercial success in 2010

The next three years – new clients

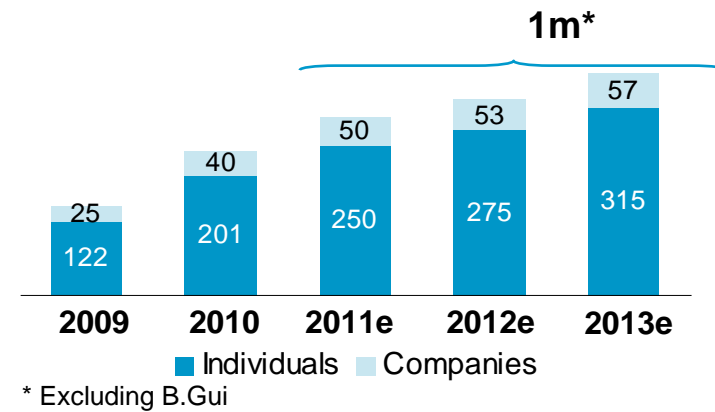
Clients evolution

(in thousands)



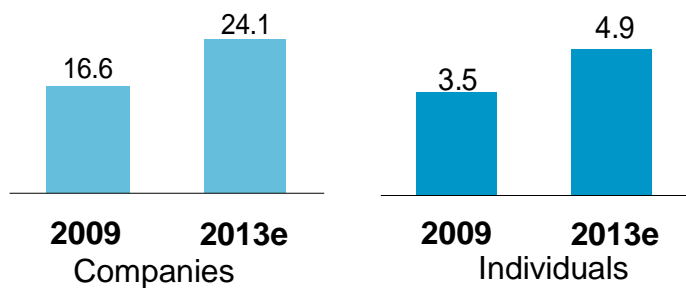
Gross customer acquisition

(in thousands)



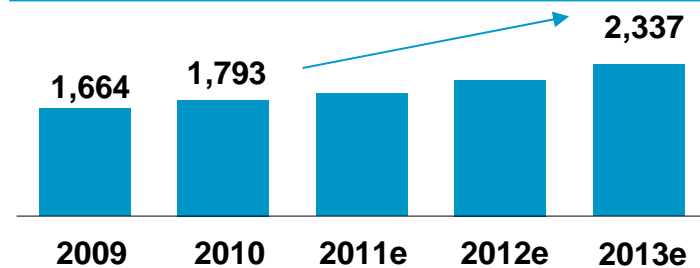
Market share evolution

(in %)



Customers per branch

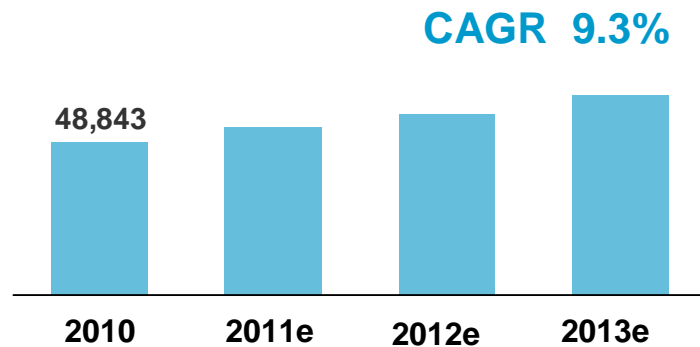
(in number)



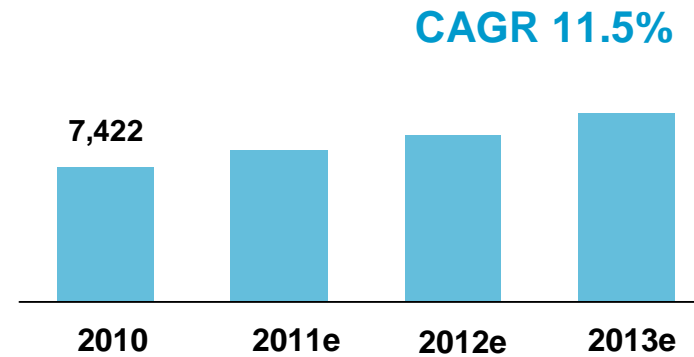
In 2013, more than 3 million customers in the domestic network, gaining 1 million new individuals and 160,000 new companies

The next three years – customer funds

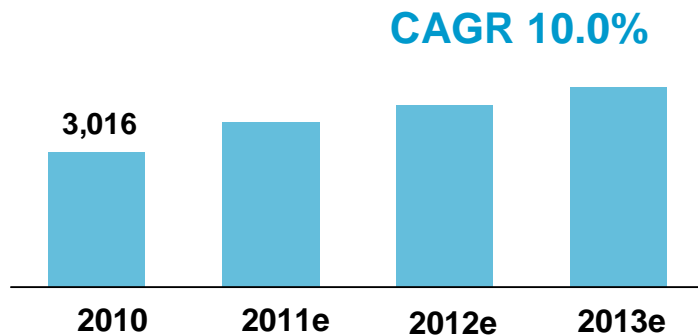
Deposits evolution



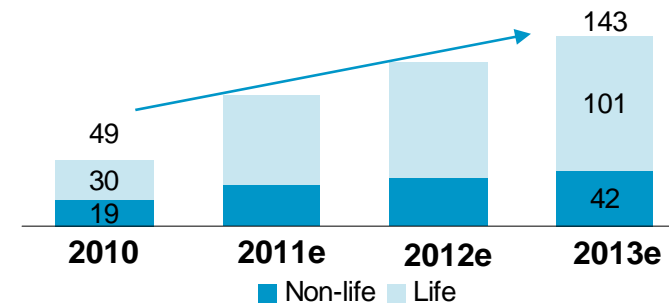
Mutual funds evolution



Pension funds evolution



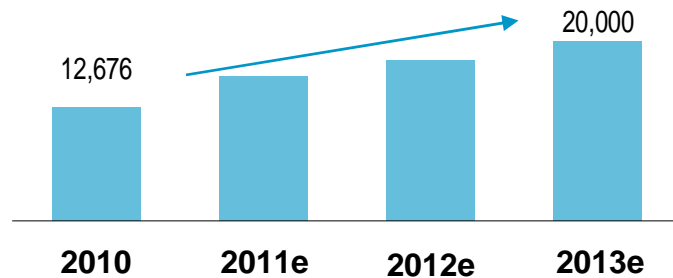
New production: Life and non-life protection insurance premiums



The next three years – credit growth

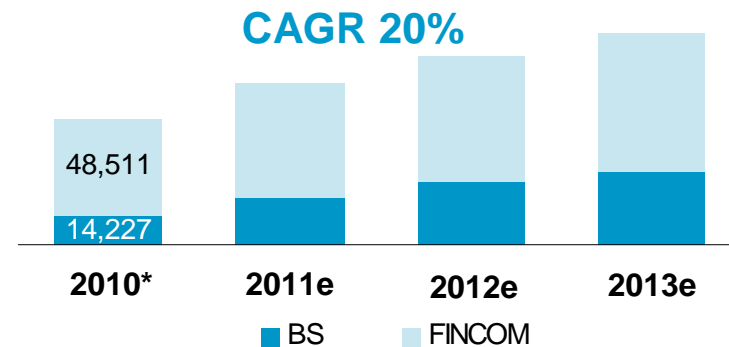
Mortgages to individuals

(number of contracts)



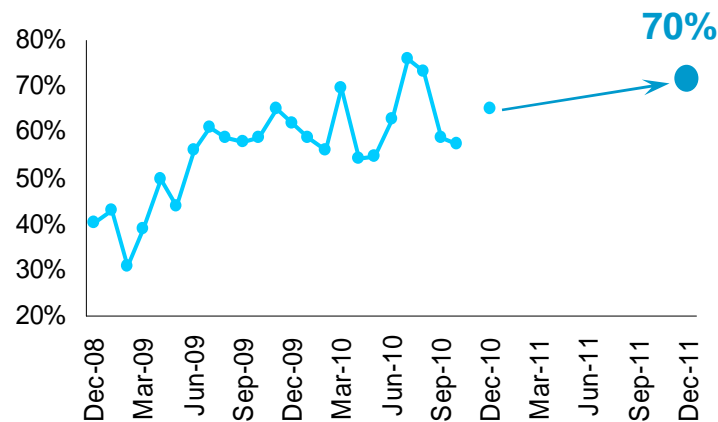
Consumer credit

(number of contracts)

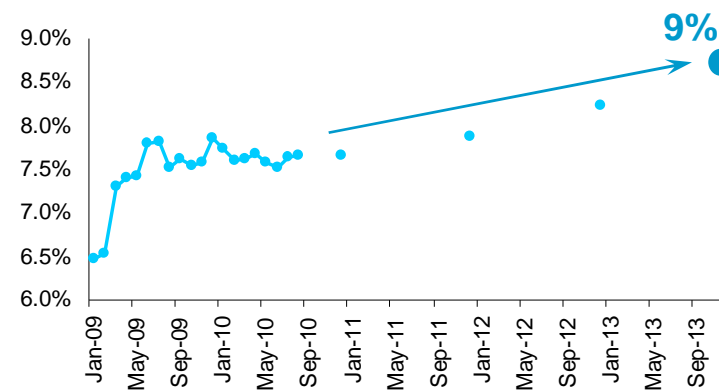


*Current market share of 1.1%


70% Mortgage subrogation



9% commercial loans market share



Crea

 **Crea** is also about mindset. A change in the way how we perceive who is our client

+100%
New clients
on a weekly
basis

The ongoing results:

Weekly new individual clients (on average)

Previous to campaign = 3,300
During the campaign = 5,000
Last week = 6,618

Optima '10 has allowed us to develop ^BSabadell the tools for the achievement of CREA

Brand recognition



^BSabadell
El banco de las mejores empresas. Y el tuyo.

“Llevo aprendiendo y tratando de superarme desde el primer día”

Pep Guardiola, julio de 2010

Attractive product offering



Nueva Cuenta **Expansión**

BS Negocios

Empresas, Comercios, Autónomos

New commercial and operational model



+ Commercial productivity

+ Efficiency

We have obtained significant results ...

... and we are going to see the results from the recently introduced measures

Investing in large marketing campaigns ...

Launch of
“BS Nómina”
May 2009

Launch of
“Cuenta Expansión”
May 2010

Banco Sabadell’s
New image
Sep 2010



Growth pattern

2009
1,600
weekly
accounts

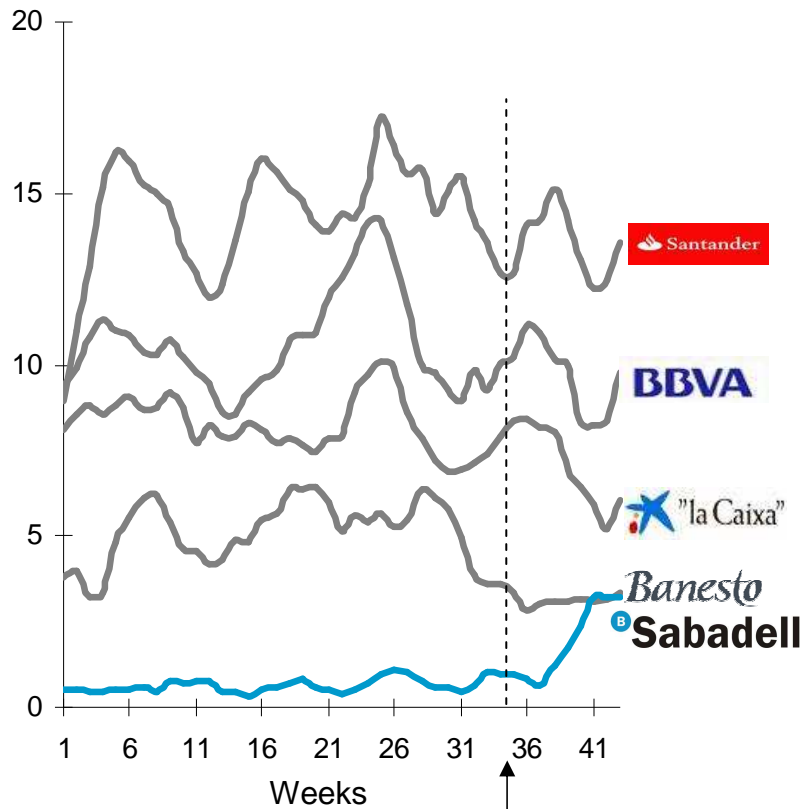
July 2010
1,800
weekly
accounts

Sep. 2010
2,200
weekly
accounts

... in order to improve brand recognition ...

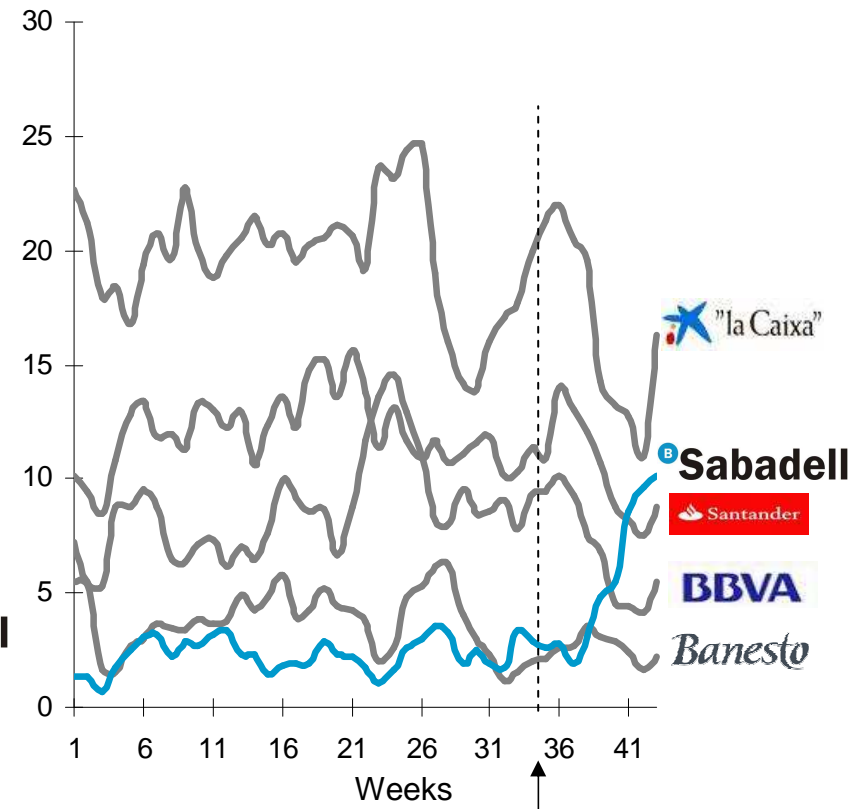
Brand recognition in Spain compared to main competition

(Number of answers for every 100 inhabitants)



Brand recognition in Catalonia compared to main competition

(Number of answers for every 100 inhabitants)



Initiation of recent campaign

Brand recognition trebles in Spain; doubles in Catalonia

... and introducing a new incentive model ...

Incentive model: 100% commercial attitude*

- Simpler: **single metric** (no different targets per product)
- **Transparent**: you know how much you can earn at any moment
- Rewards both **sales and retention**
- Linear, no limits: ***the more you do, the more you earn***
- **Frequent** in the calculation and in the payment (quarterly)
- Reinforces **team spirit** (individual and team schemes)



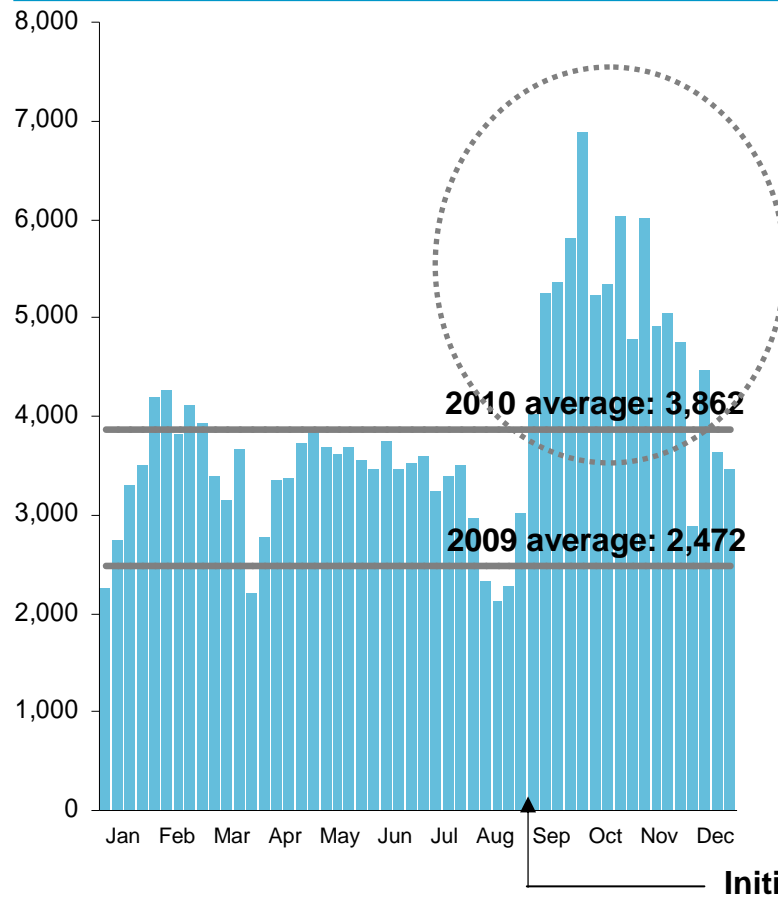
Employee's
focus on
performance
and value
always
adjusted for
risk and capital

* Fully implemented by 2H11

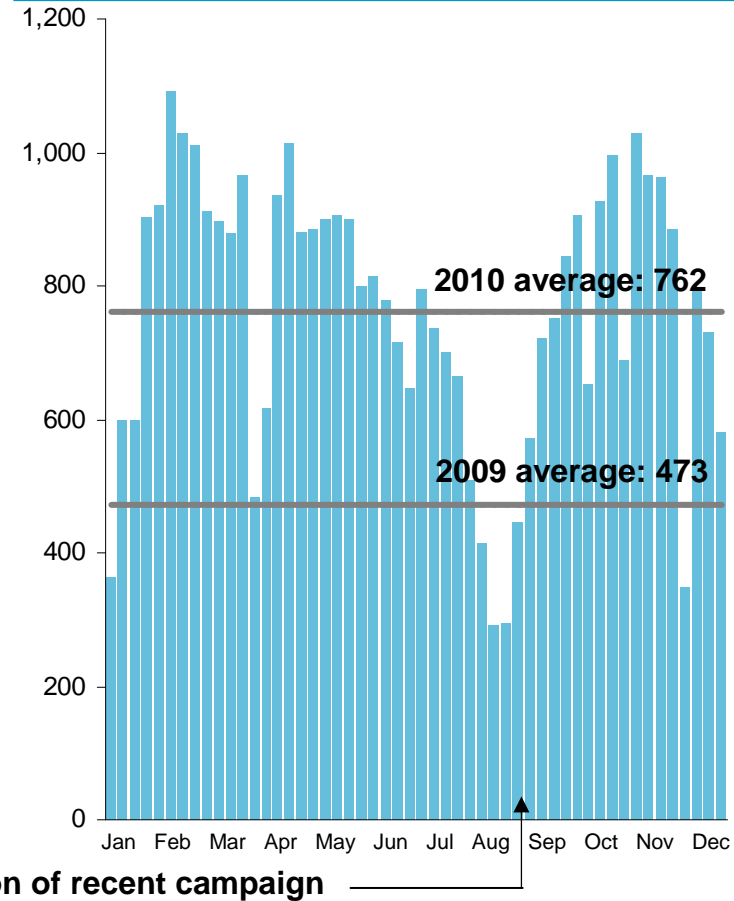
... with a clear impact on commercial activity



Individuals: 2010 Weekly evolution
(number of clients)



Companies: 2010 Weekly evolution
(number of clients)

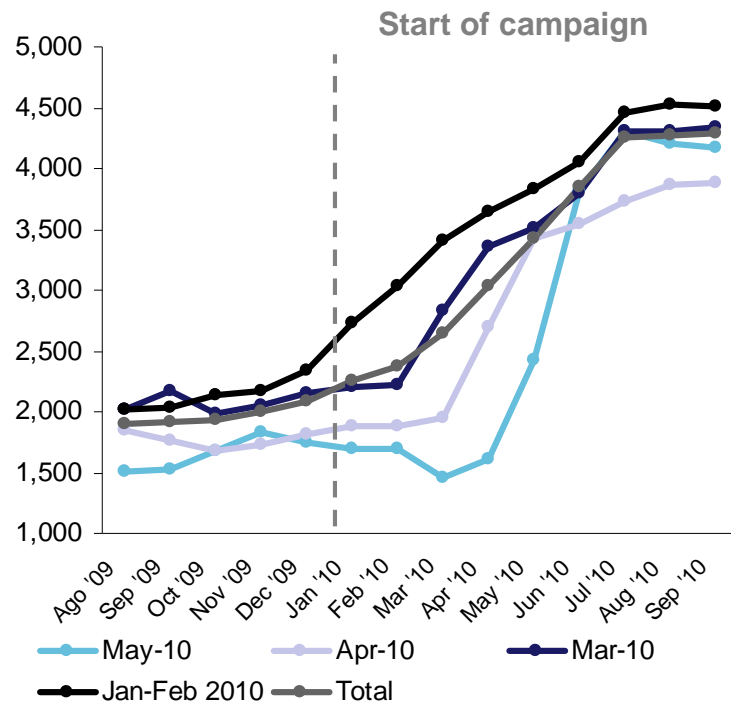


Examples of successful products

BS Expansión*

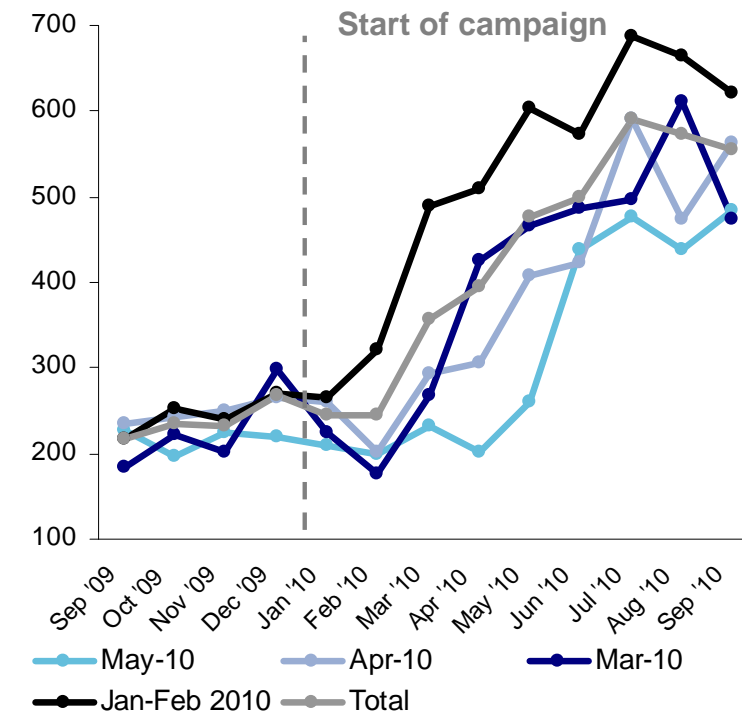
Sight accounts of existing customers, after bringing payroll

(in €, average amount per client)



Credit cards of existing customers, after bringing payroll

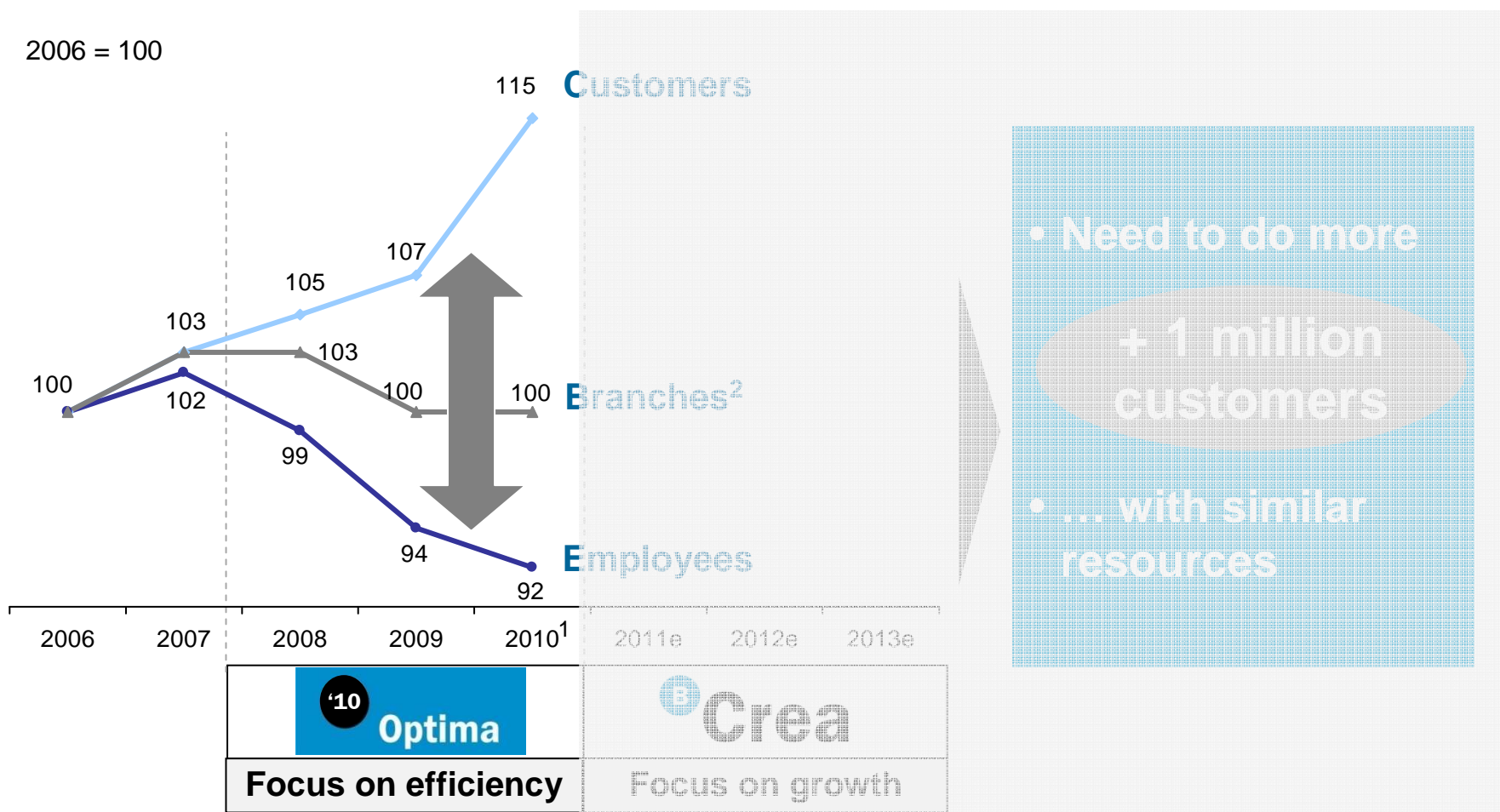
(in €, average monthly amount per client)



* The BS Expansión product was launched in May 2010

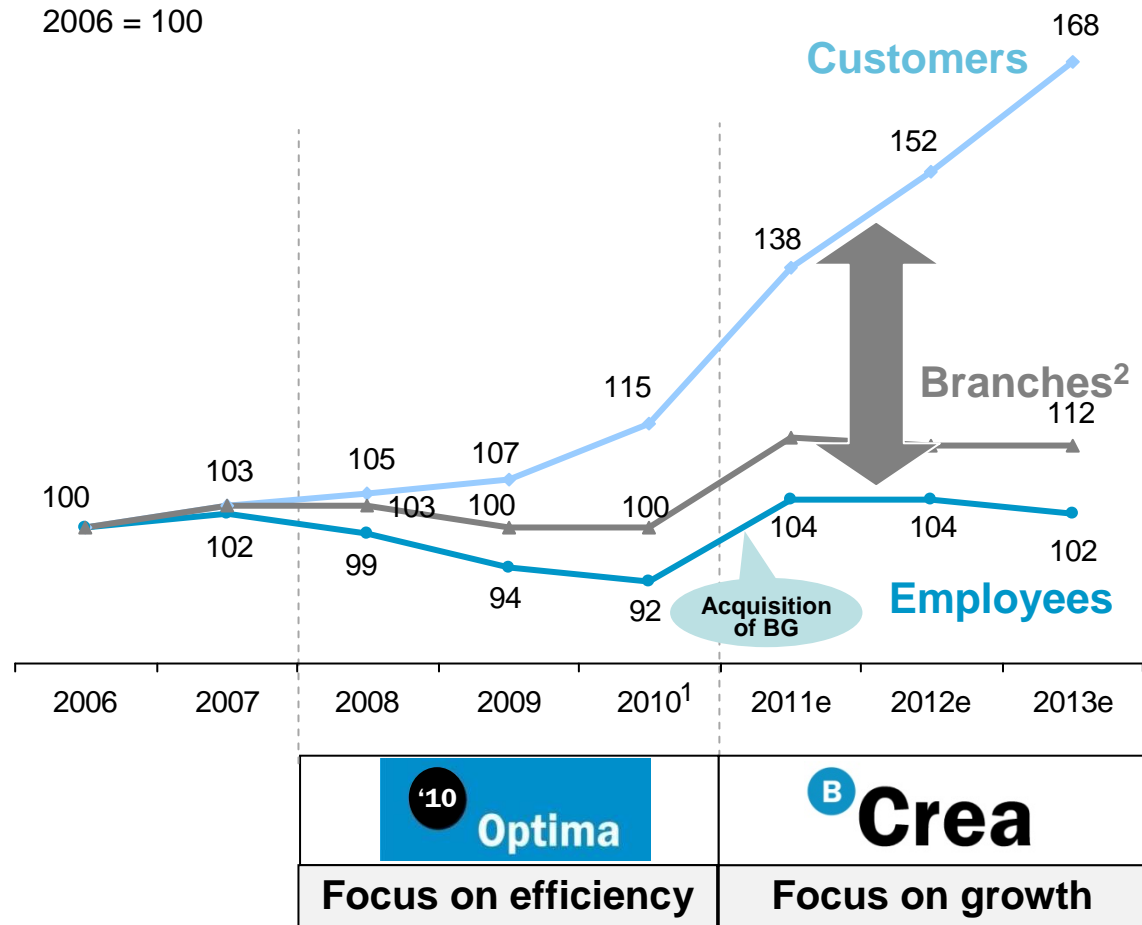
4. Why this plan will work

After what we achieved with Optima... ^BSabadell



1. Without BG and SUB.
2. Domestic BS Group branches

...CREA is a challenge...



- Need to do more

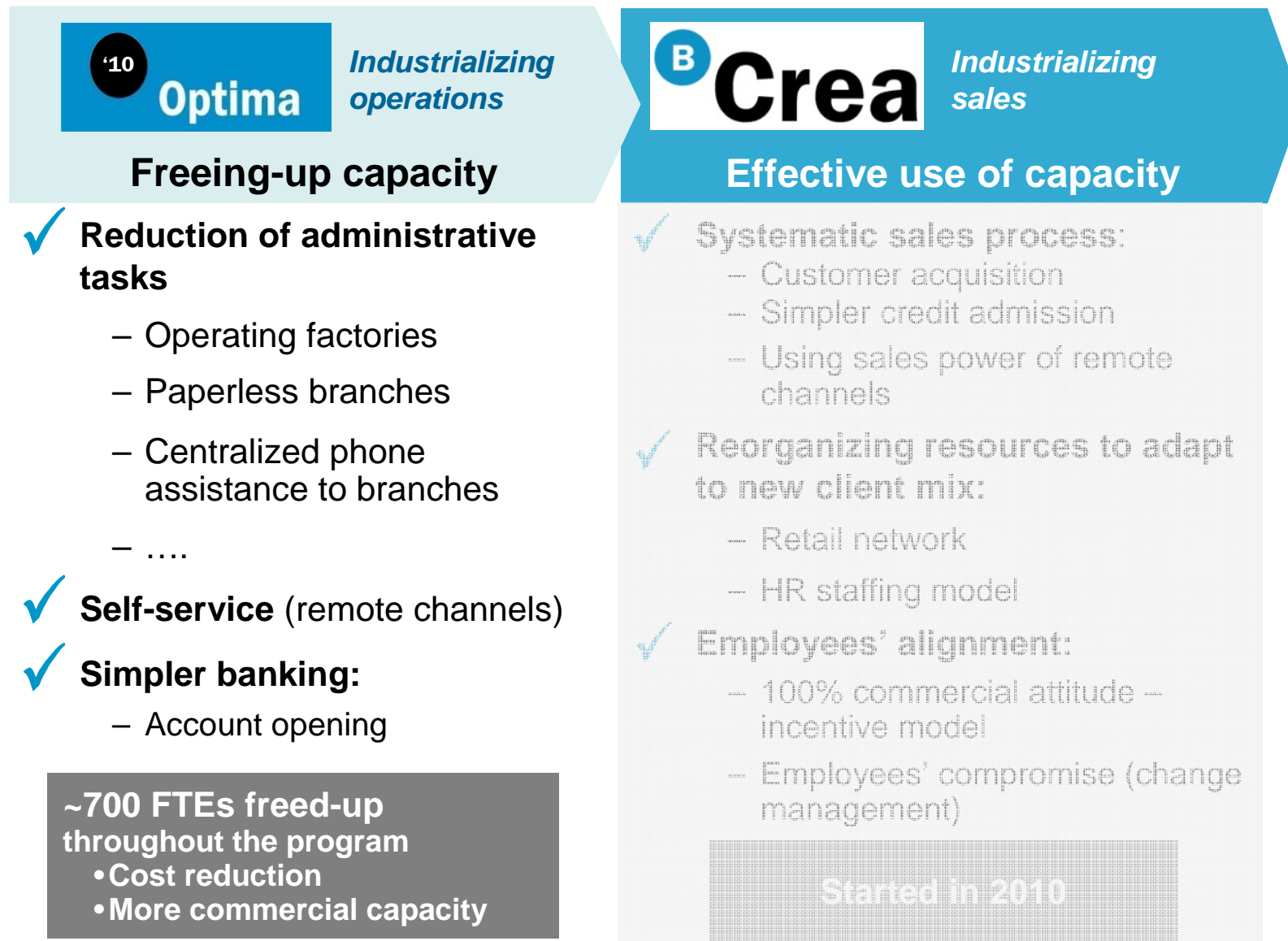
+ 1 million customers

- ... with similar resources

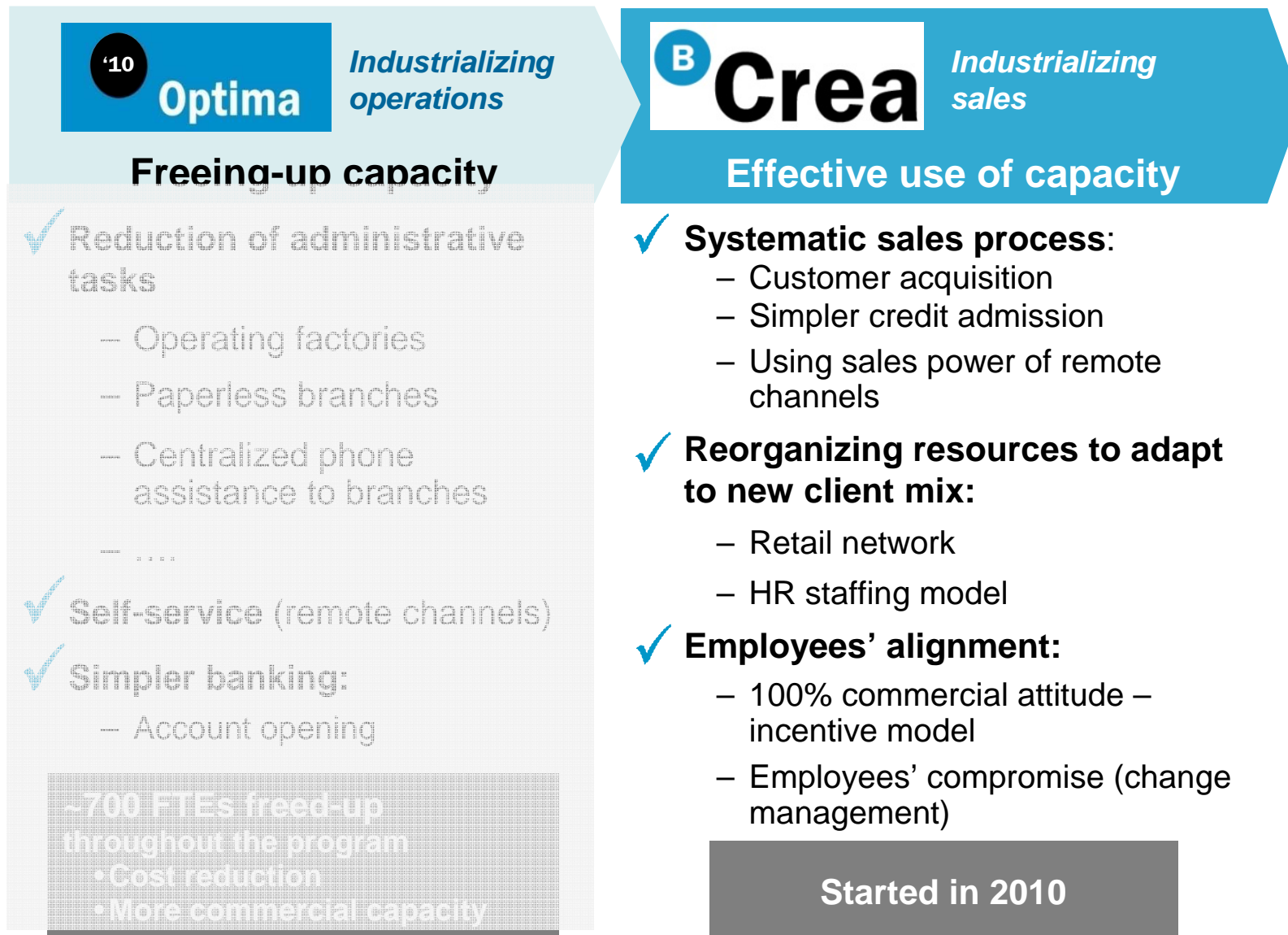
1. Without BG and SUB. BG incorporated in 2011 end of year data

2. Domestic BS Group branches

...but is the natural evolution of Optima^B Sabadell

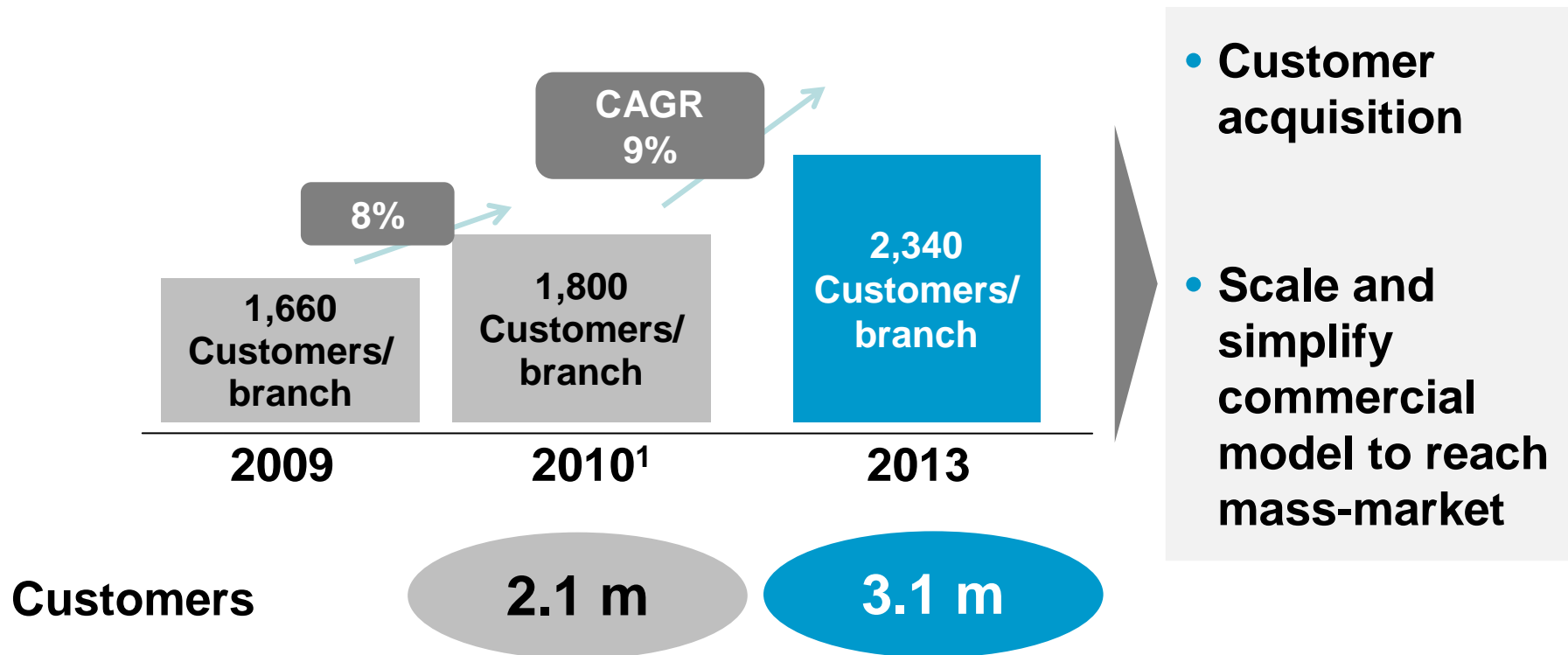


...but is the natural evolution of Optima^B Sabadell



Improving productivity is the key

B Crea



1. Without BG. Considering domestic BS Group branches

CREA: industrialization of commercial activities to grow in new segments ^BSabadell

Systematic sale process

- Commercial procedures with **focus on acquisition**
- **Centralized management** of mass customers (Instant Banking: *Oficina Directa, BS Móvil*)

Improved credit admission process

- **Simpler** circuits
- **Risk aware** decision making and pricing
- Quicker customer response (**pre-approved credit**)

Reorganization

- **Network** reorganization: workforce migration to sales
- New **staffing model**: more resources to best performing teams

Employees alignment

- **Incentive model**: simpler, linear and more transparent
- **Change management**: behavioral change

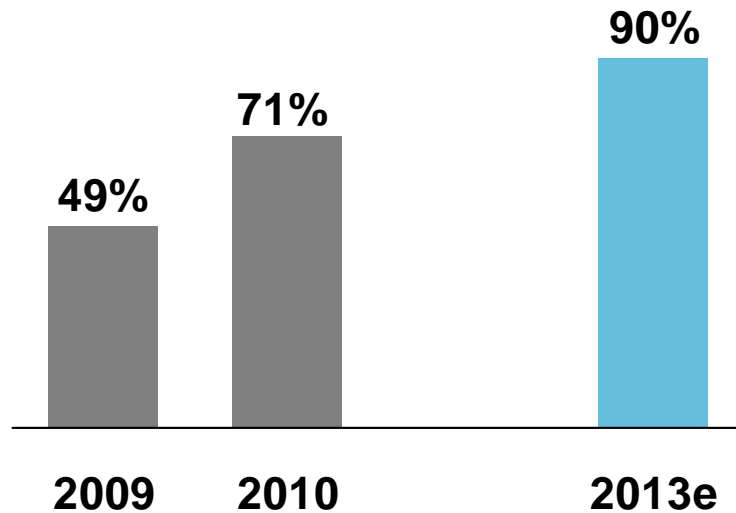
Change in customer mix and aggressive growth possible by remodeling sales and servicing as well as organization

CREA: already started in 2010

Focus on customer acquisition

Commercial procedures in customer acquisition ...

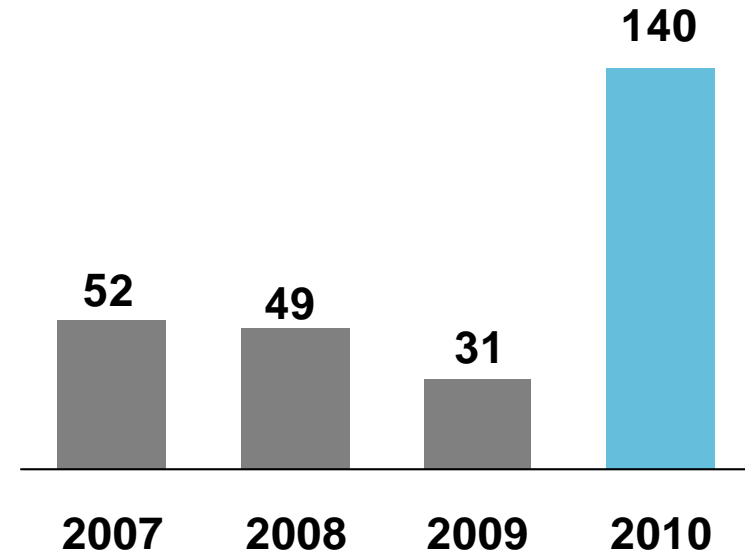
Acquisition intent in prospect interviews



In 2010, X 4 competition average

... already showing impact

Net new customers (in thousands)¹

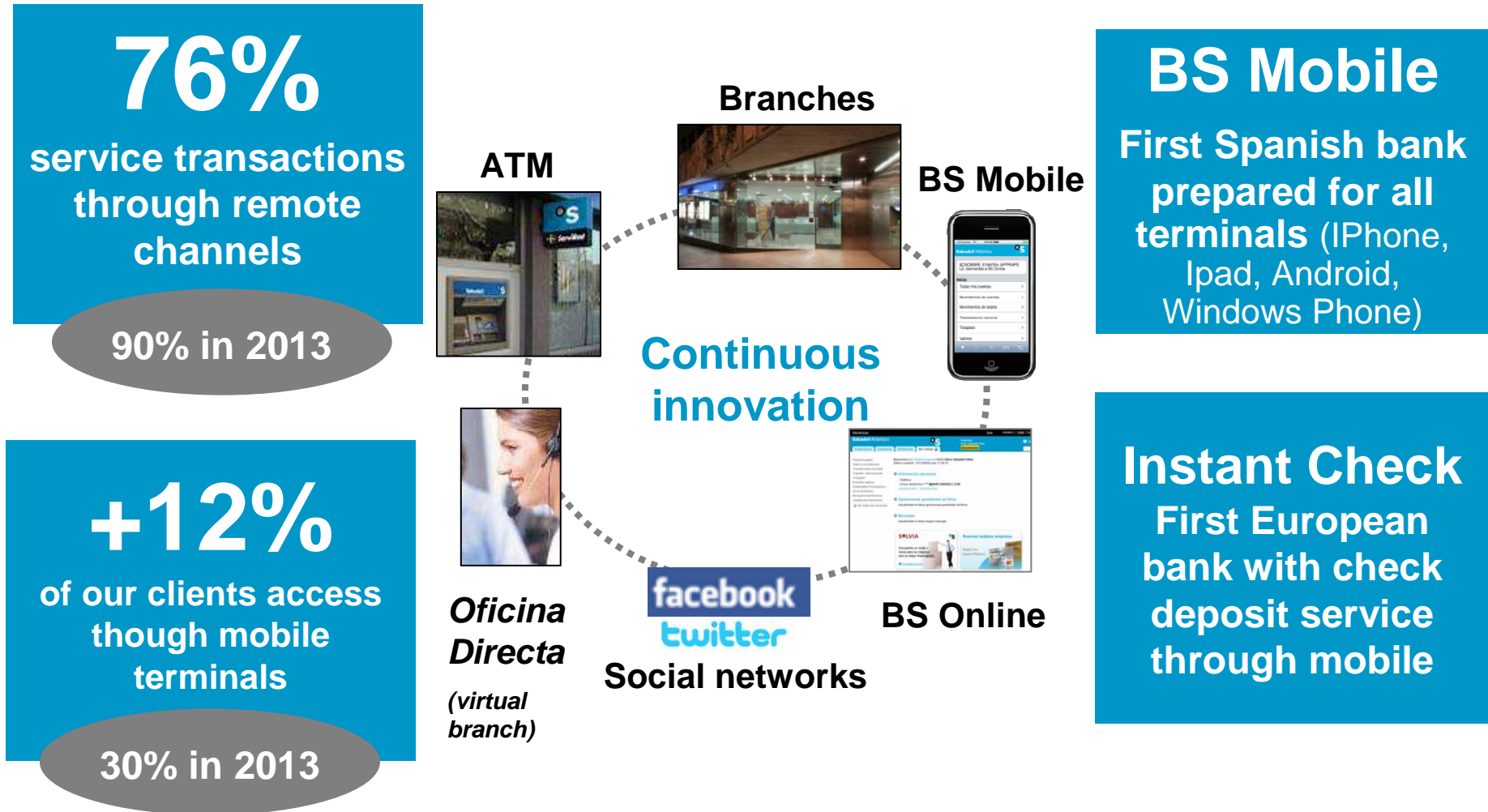


In 2010: more new clients than in the previous 3 years

1. Does not include Banco Urquijo's customers
Source: MDK (Mystery Shopper Grupo Sabadell 2009/2010) – Stiga (EQUOS 2009 & Acum 3TQ10)

CREA: already started in 2010

Servicing and selling out of branches

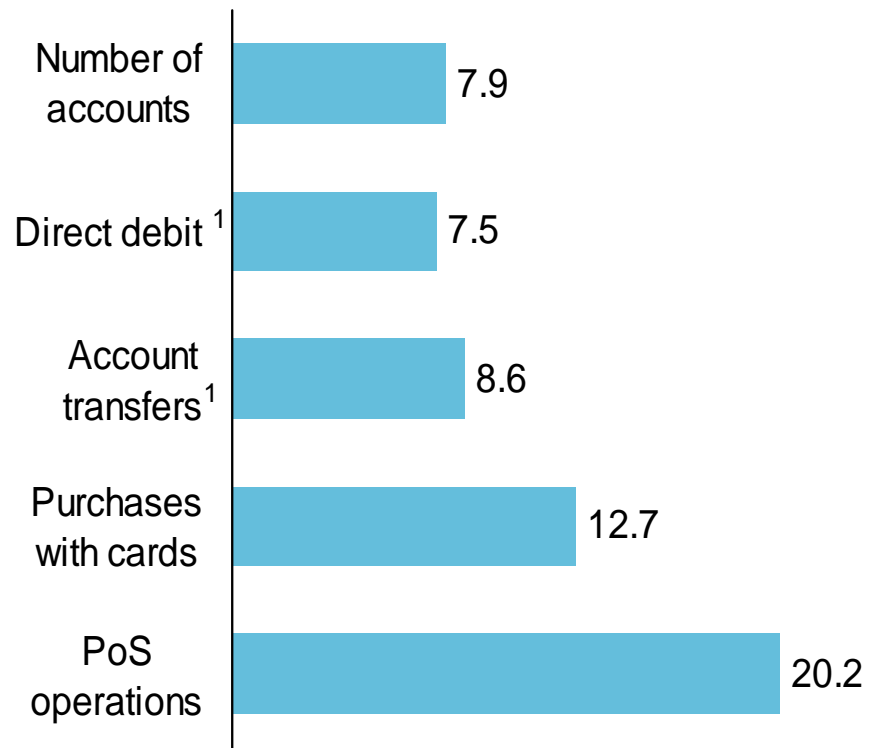


CREA: already started in 2010

Operating platform ready for growth

Operations growth (excluding B. Guipuzcoano)

2010 vs. 2009 (in %)



Ready to handle additional volumes at lower cost (e.g., new off-shore operating factory)

1. Presented by BSabadell

Inorganic growth made us excel at...

- People's skills and discipline
- Managerial capabilities
- Platform (Proteo)

Focus on execution and delivery

In 2010, we have worked on adapting these capabilities to **master also organic growth**

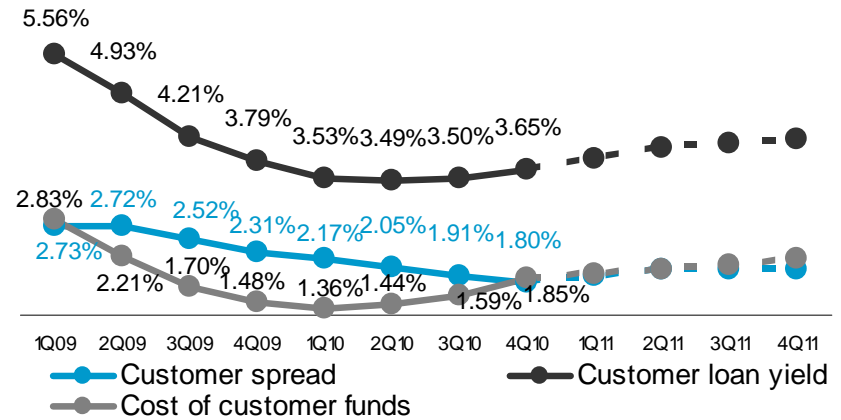
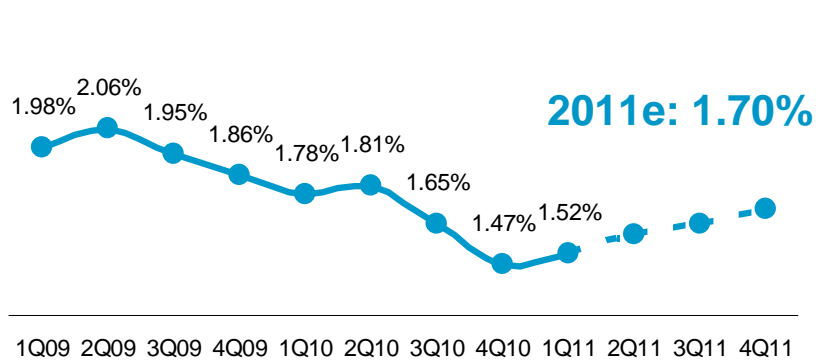


5. A few words on the Outlook for 2011, liquidity, capital and real estate

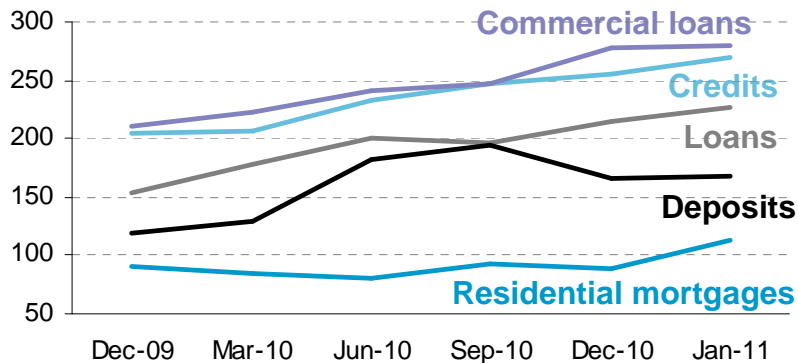
	11e/10 Reported	11e/10 Like-for-like
Net interest income	~ +7%	-2%
Commissions	~ +10%	+2%
Recurrent expenses	~ +9%	Flat

NIM should improve as loan yields improve ...

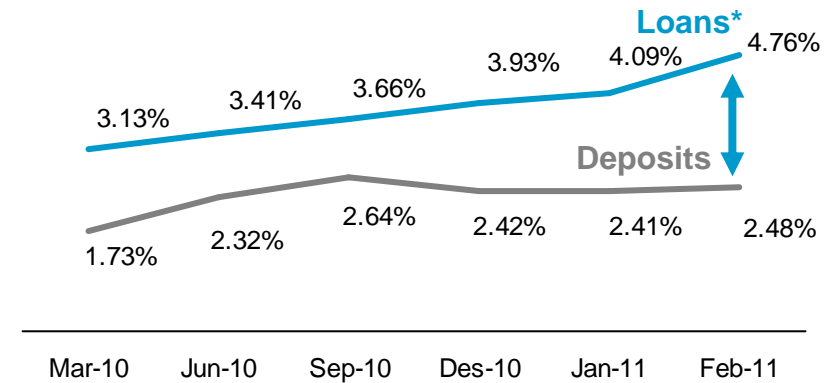
Margins evolution (in %)



Front book spreads evolution (in bp)



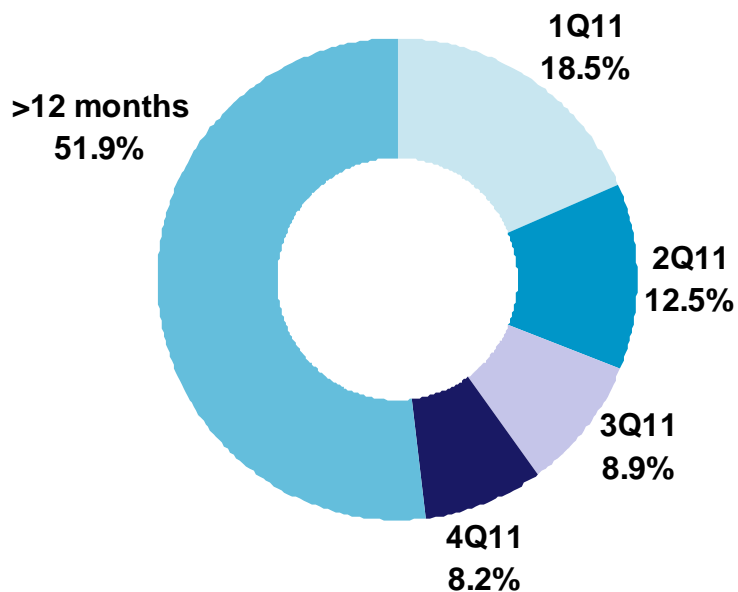
Front book prices in commercial banking (in %)



* Credit, loans, mortgages, leasing and commercial loans

... and thanks to the flexibility and optimization of our balance sheet ...

Asset side repricing (in %)



Positive impact of repricing in 2010

Asset repricing
impact of

+131 m €

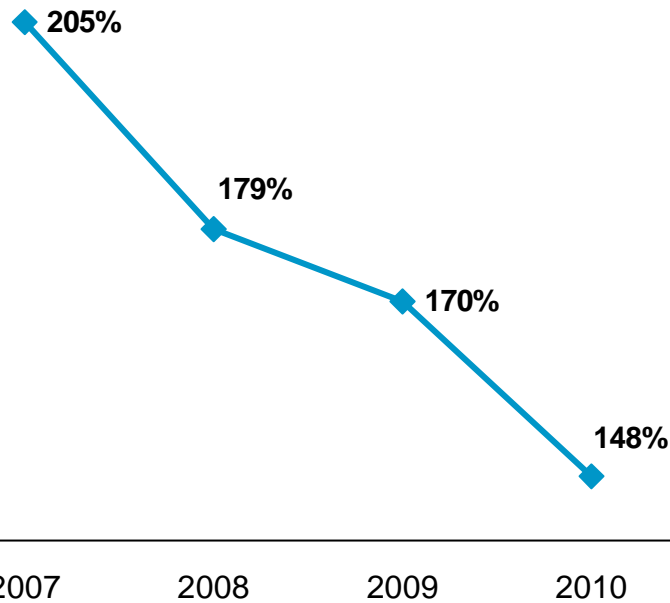
Liability repricing
impact of

-118 m €

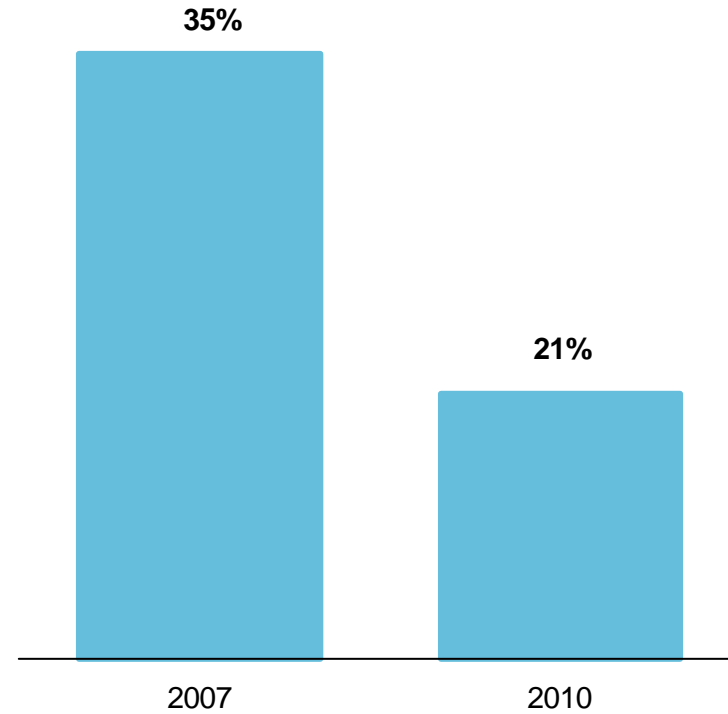
**Improving spreads of the front book at a steady pace,
thanks to our balance-sheet flexibility**

... managing the loan to deposit ratio downwards ...

Loan to deposit ratio evolution*
(in %)



Wholesale funding / Total assets
(in %)

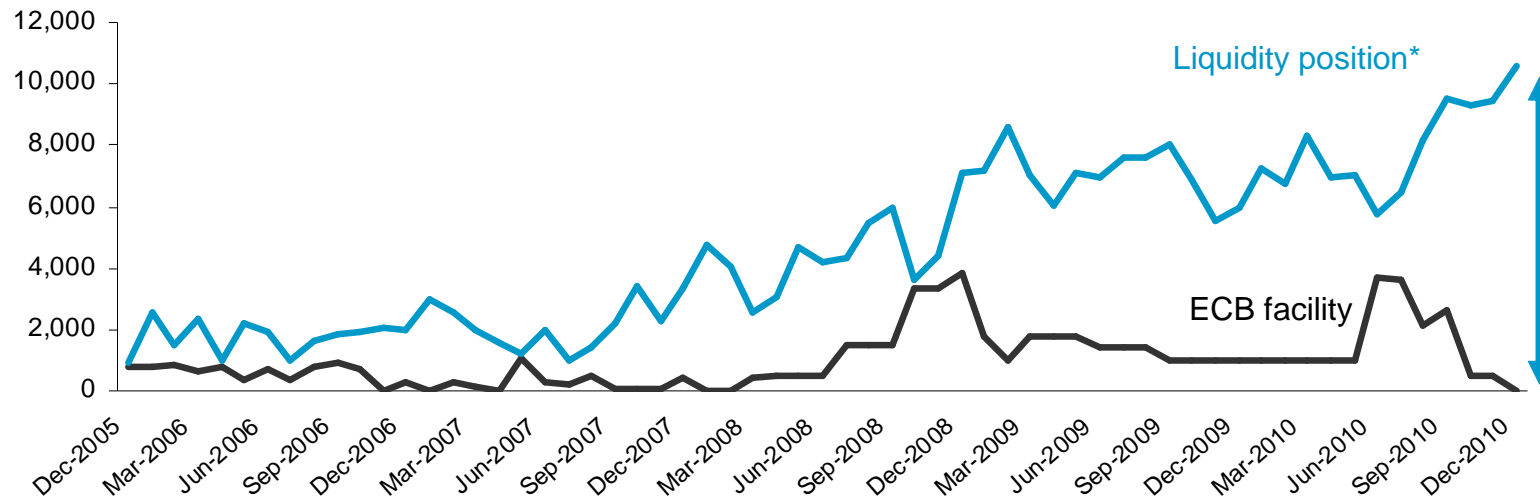


* Repo transactions not included (neither in loans nor in deposits)

... enhancing the liquidity reflected by the zero balance with the ECB ...

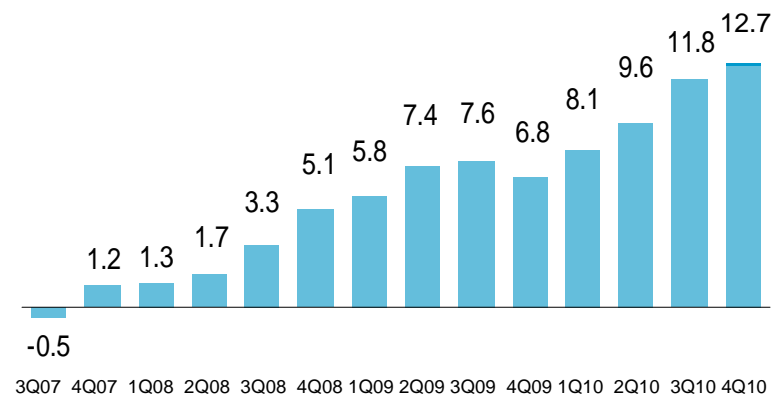
Primary liquidity line

Euros in million



*Liquidity position = Treasury + liquid assets (ECB eligible)

Accumulated change in commercial gap (Euros in billions)



Liquid assets

Dec-2010

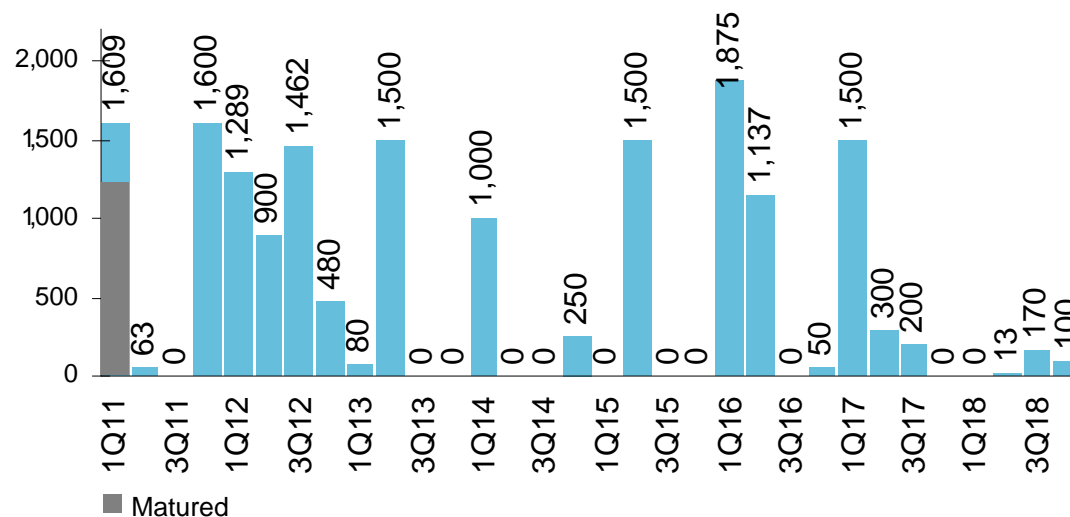
Liquid assets (nominal amount)	12,675
Liquid assets (Market value including ECB haircut)	10,386

Euros in million

... with a comfortable maturity calendar

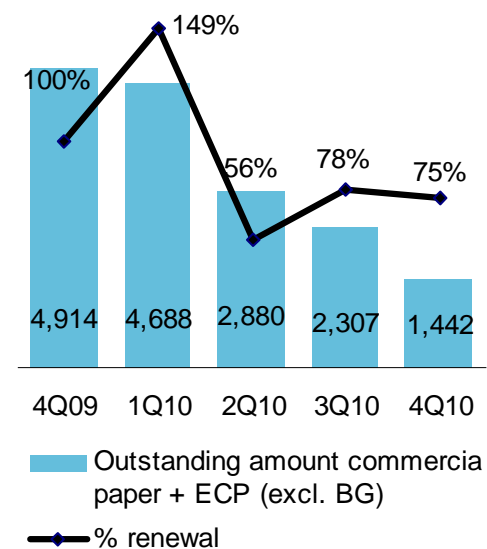
Wholesale funding maturity calendar

Including Banco Guipuzcoano. Euros in million



Short term funding

Euros in million and percentage




Maturity by product type

Euros in million

	2011		2012		2013		>2013	
	BS	BG	BS	BG	BS	BG	BS	BG
Covered bonds (CH)	1,800		1,739		1,580		7,220	500
Public sector covered bonds (CT)								
Senior debt	1,047	400	1,732				50	25
Asset backed guarantees				400				
Subordinated, preference and convertible bonds							1,371	125
Other mid- and long-term financial instruments				230			92	

Crea

The  Crea plan allows for additional provisioning to further increase the comfort level, implying a c.70% peak-to-trough in land prices

Real estate coverage buffer currently stands at 31%

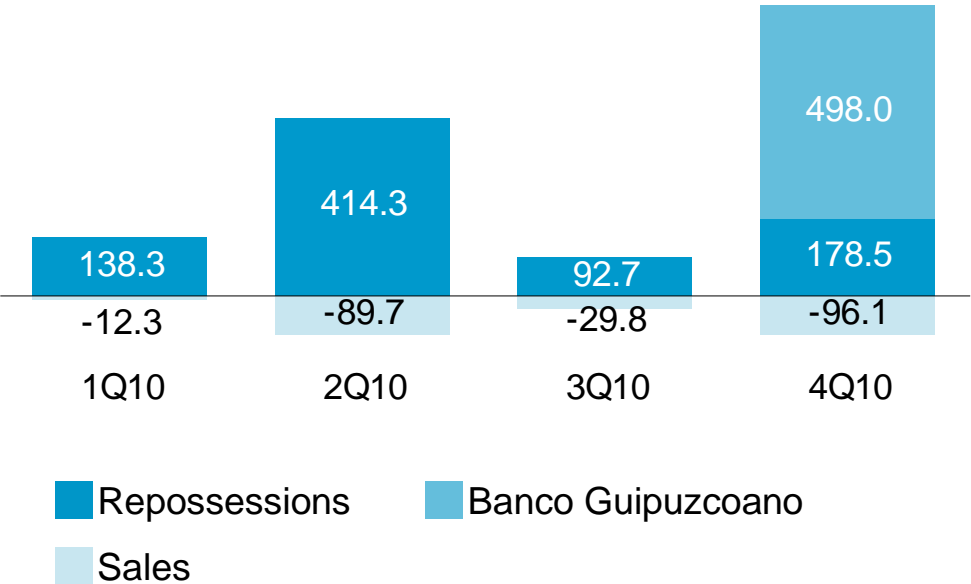
Coverage evolution

Euros in millions

	2009	2010
Gross portfolio	1,786	2,880
Total fund	248	888
Net portfolio	1,538	1,992
Coverage	14%	31%

Transactions by type

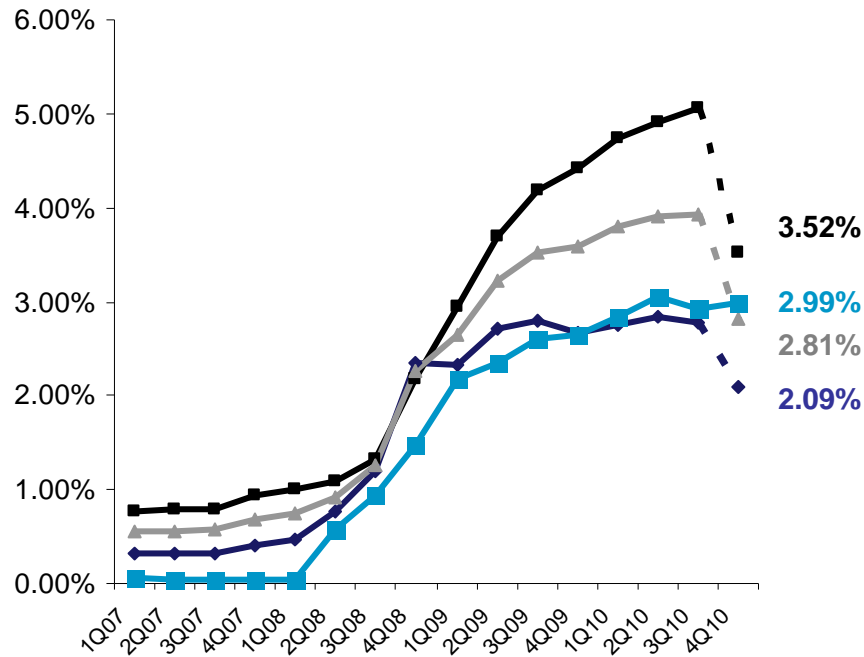
Euros in millions



The weight of the real estate portfolio is below the sector average

Real estate over total loans

(in %)



Sav. banks

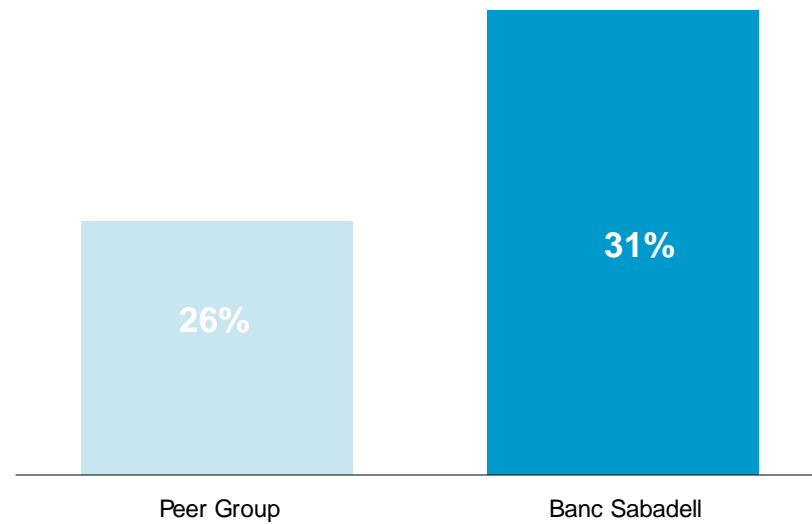
System

BS

Banks

Coverage of real estate assets

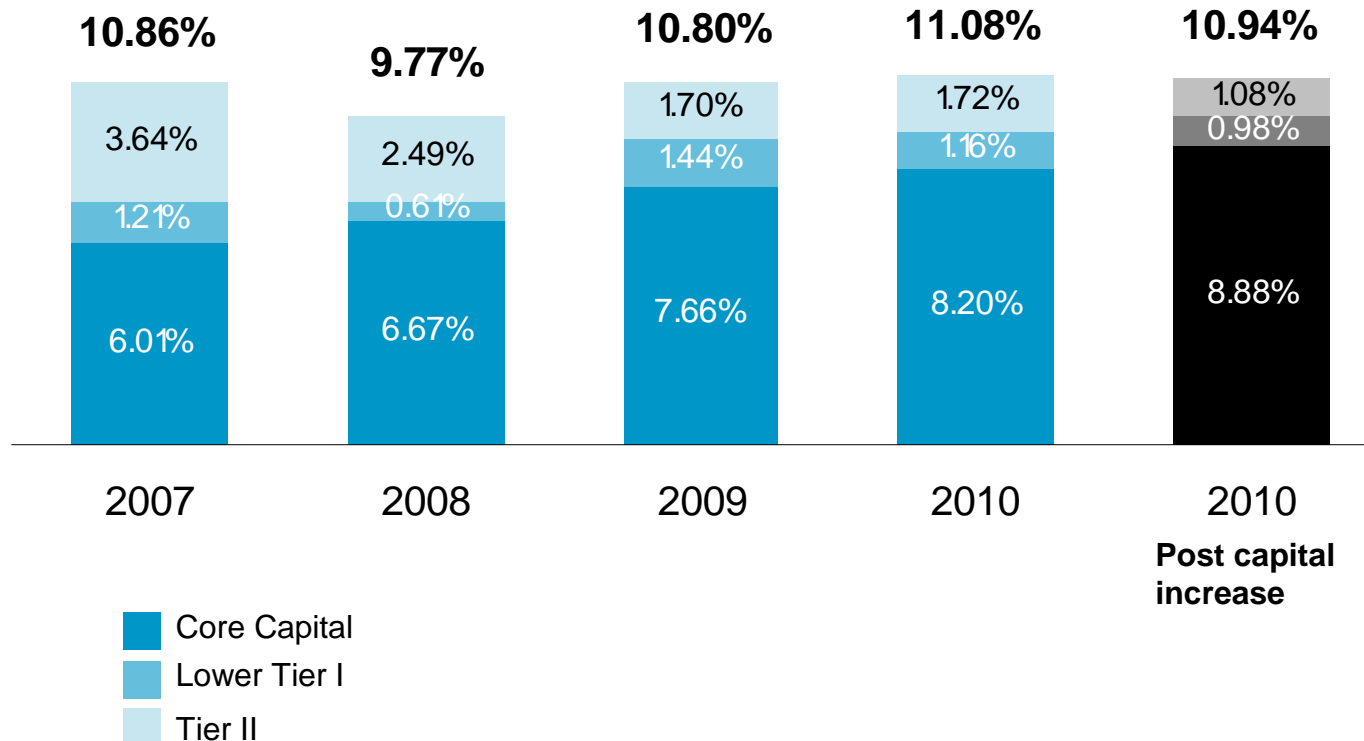
(in %)



Capital has been strengthened further

Core capital 2010: 8.88% (+122 bp YoY)

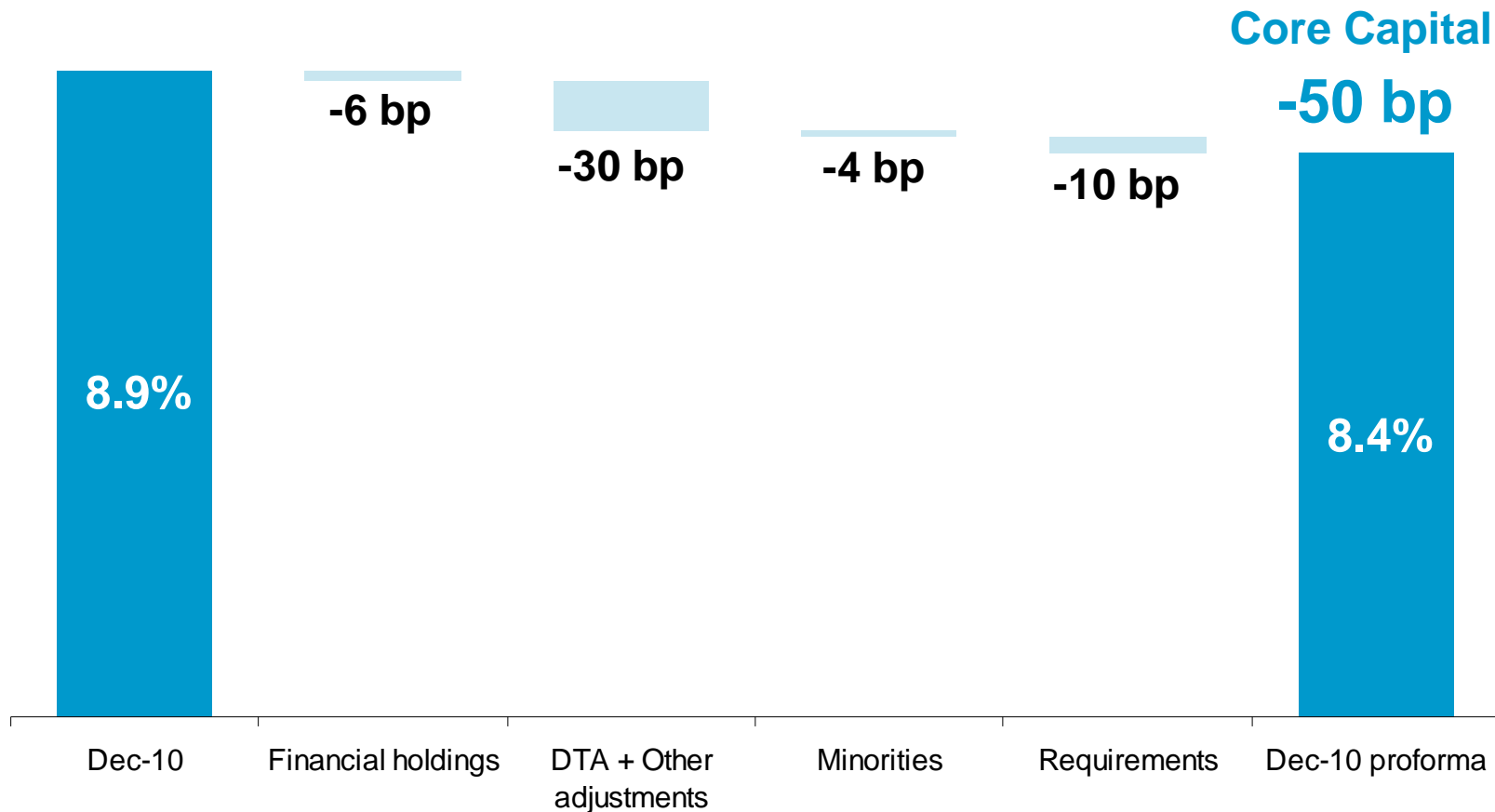
Capital ratios evolution (in %)



Capital has been strengthened further

Limited impact from Basel III

Impacts breakdown



6. Closing remarks

We are ready ...

-
- Loan yields and deposits rates already showing a favourable trend
 - Comfortable liquidity position
 - Loan-to-deposit ratio managed downwards
 - High coverage of real estate assets
 - Capital structure has been further optimized

CREA will add new business activities with high-teens ROE contribution

B Creating the value drivers for the future

- With the **B** **Crea** plan, Banco Sabadell has the right platform and the right tools to deliver organically
- Changing market situation in Spain and BS momentum facilitates the execution of **B** **Crea**, widening our commercial potential
- Further M&A potential but only at the right valuation

B Crea