

KBW's European Financials Conference 2009

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# Banco Sabadell

## The value of trust



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	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**

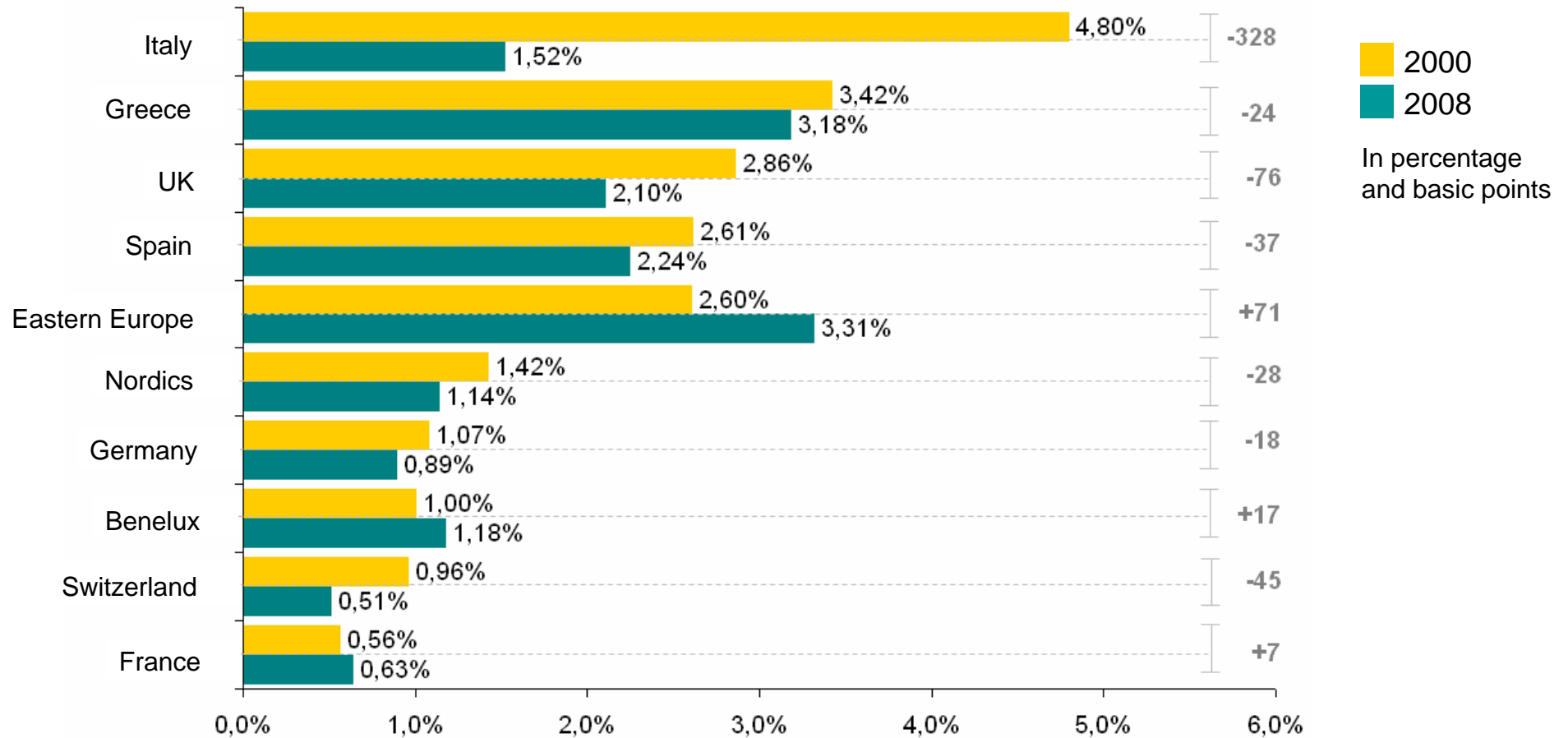
# Theoretical stress scenarios



	Base case scenario			Adversely stressed scenario		
	2009e	2010e	2011e	2009e	2010e	2011e
<b>Spain</b>						
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%
	2011e:			2011e:		
	<ul style="list-style-type: none"> <li>✓ NPL ratio 5,7%</li> <li>✓ NPL coverage &gt; 59%</li> <li>✓ Core capital &gt; 7,5%</li> <li>✓ Tier I &gt; 8,4%</li> </ul>			<ul style="list-style-type: none"> <li>✓ NPL ratio 8,3%</li> <li>✓ NPL coverage &gt; 52%</li> <li>✓ Core capital &gt; 6,5%</li> <li>✓ Tier I &gt; 7,5%</li> </ul>		

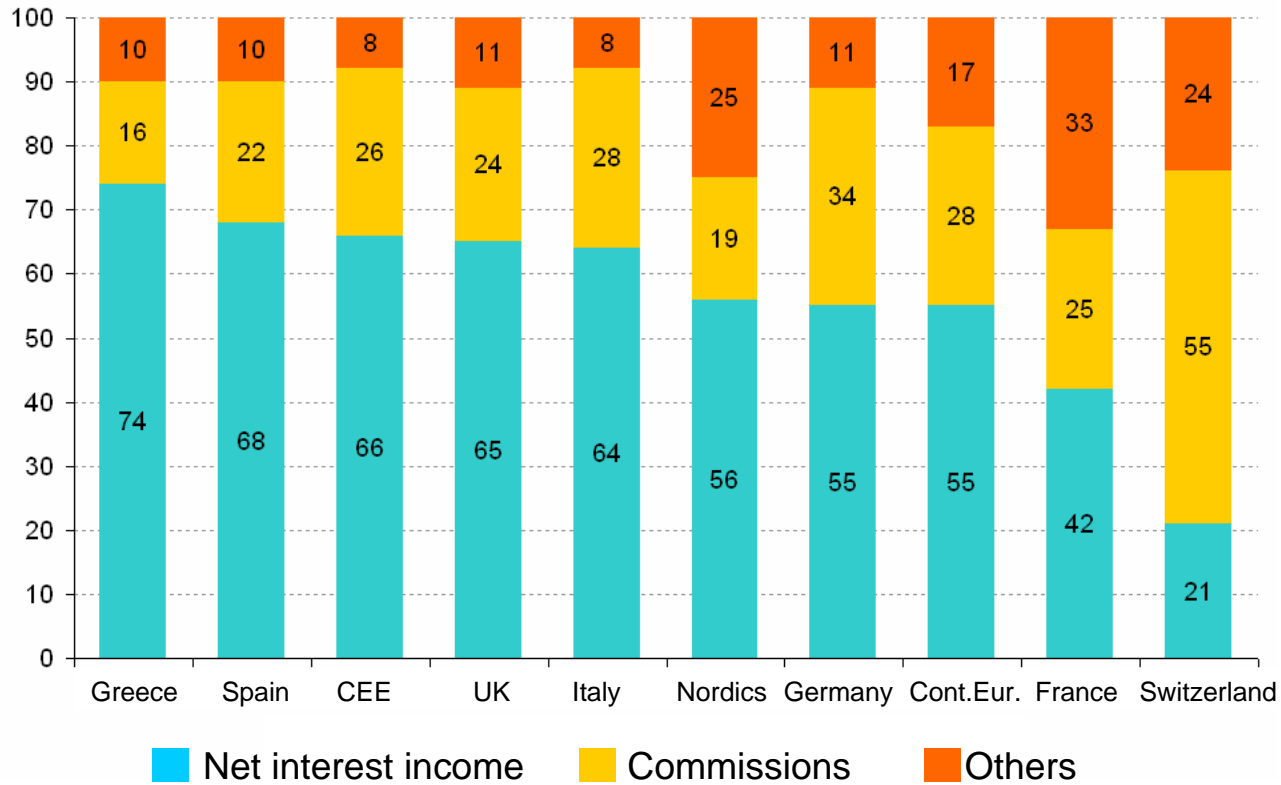
**Even in a hypothetical adverse scenario with the NPL ratio reaching 8.3%, the core capital ratio would still stay above 6.5%**

# 2000-2008 Evolution by countries



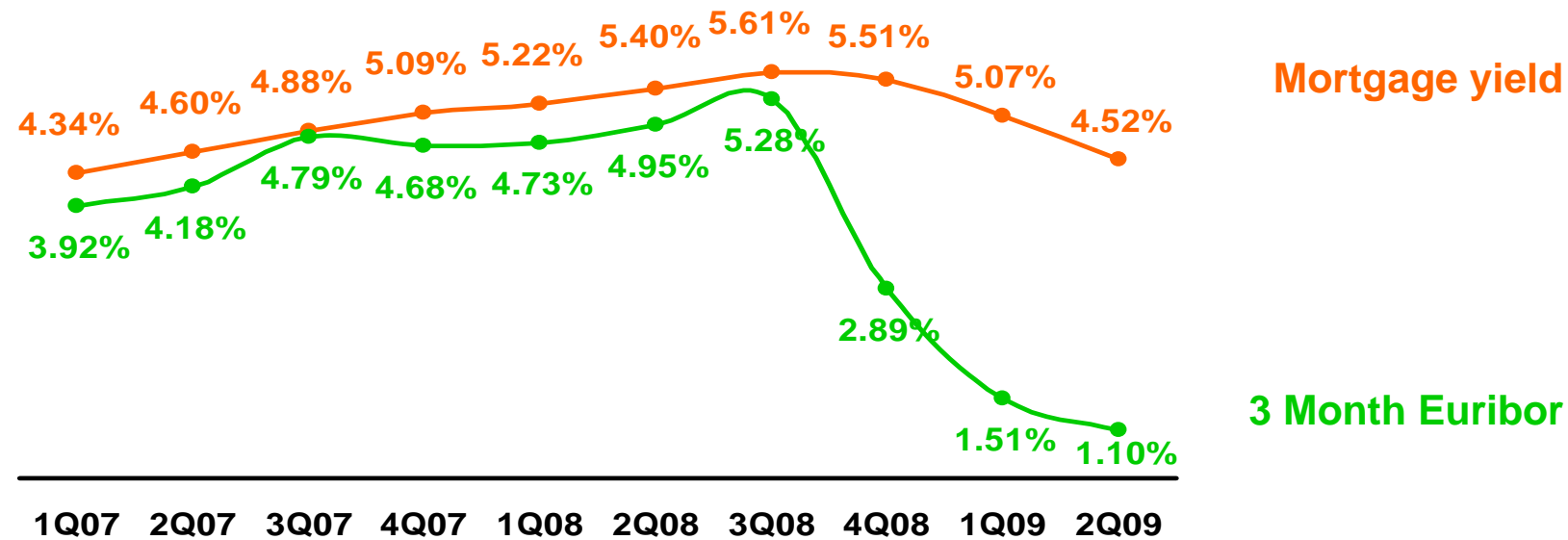
**Net interest margin**

# Breakdown by countries



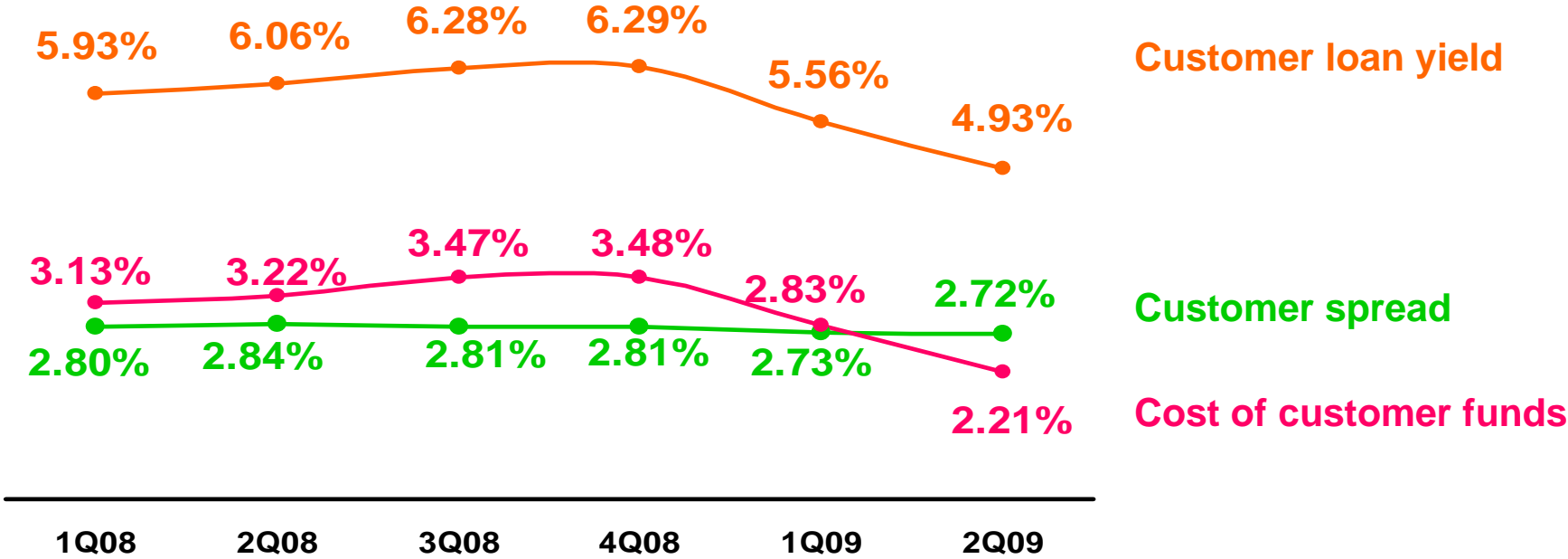
## Breakdown of revenues

# We actively manage asset and liability spreads



**Customer spread remains flat**

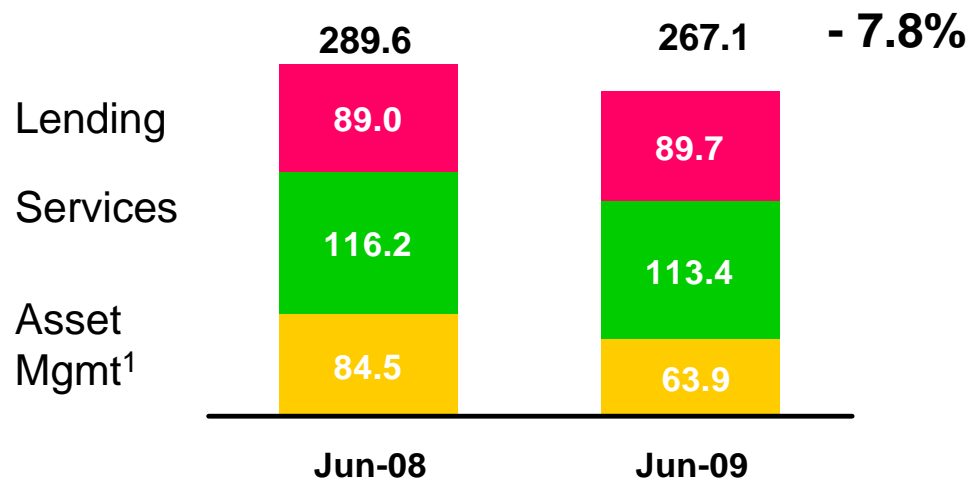
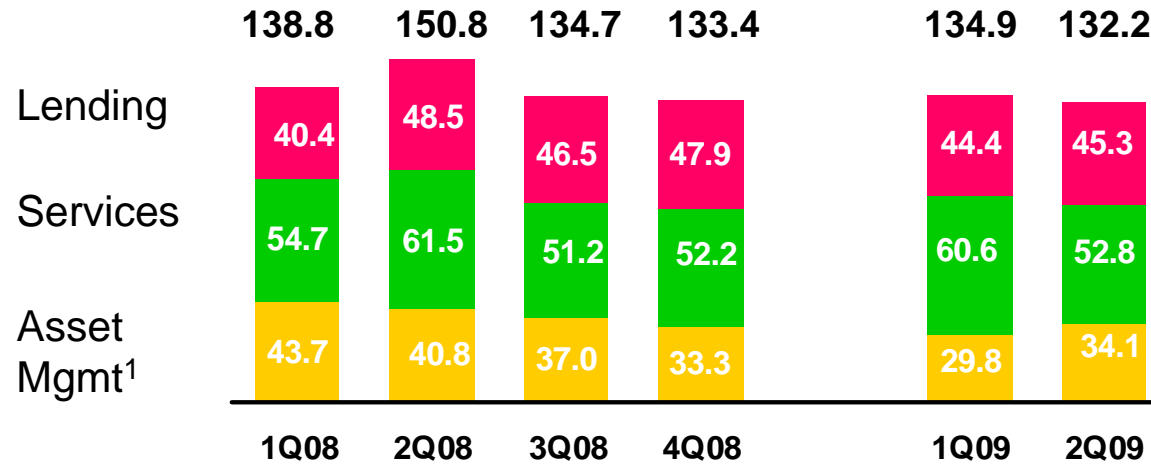
# We actively manage asset and liability spreads



**Customer spread remains flat**



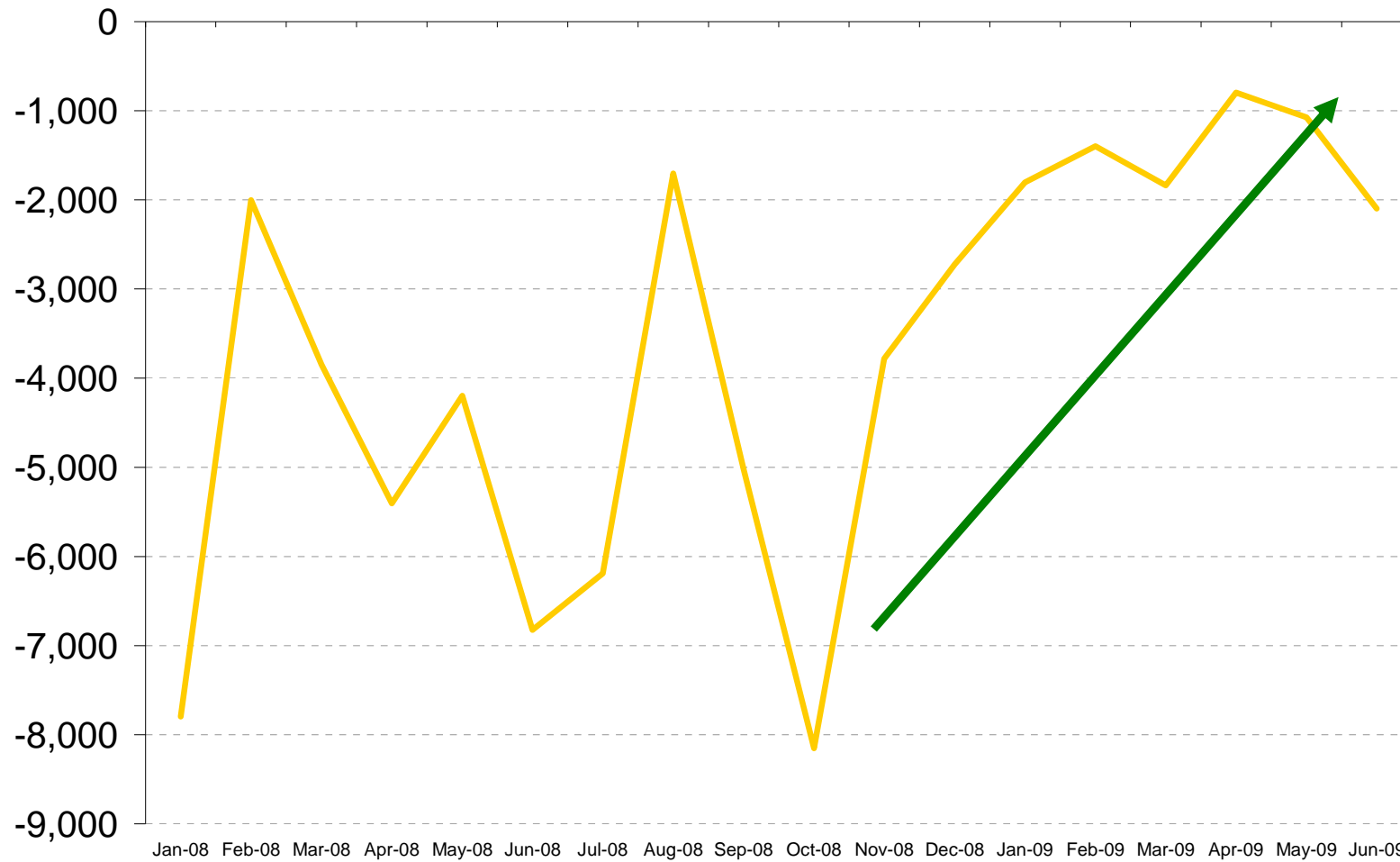
# Commission income reflects market conditions



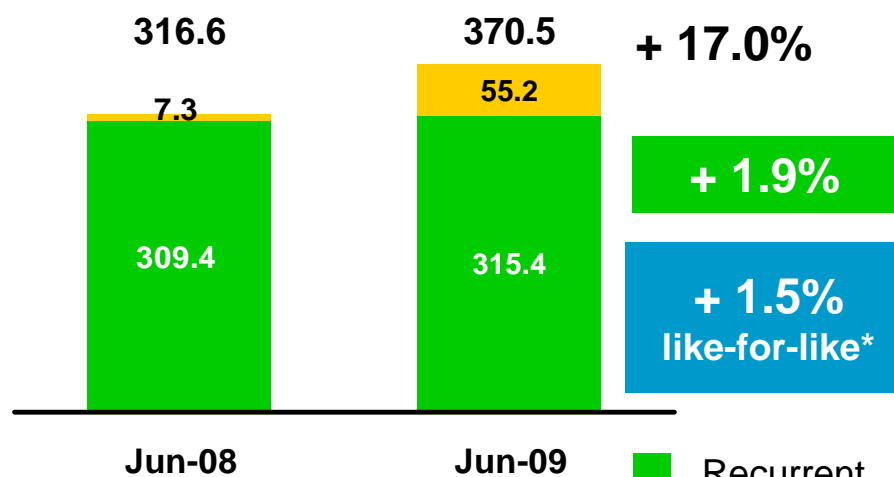
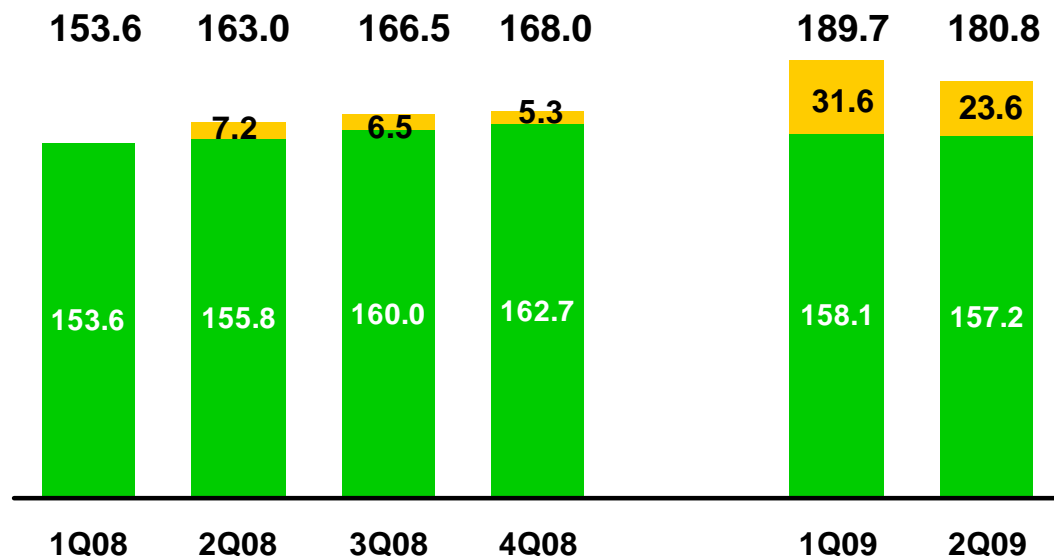
Euros in millions

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

# Spain - Mutual fund net outflows



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



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

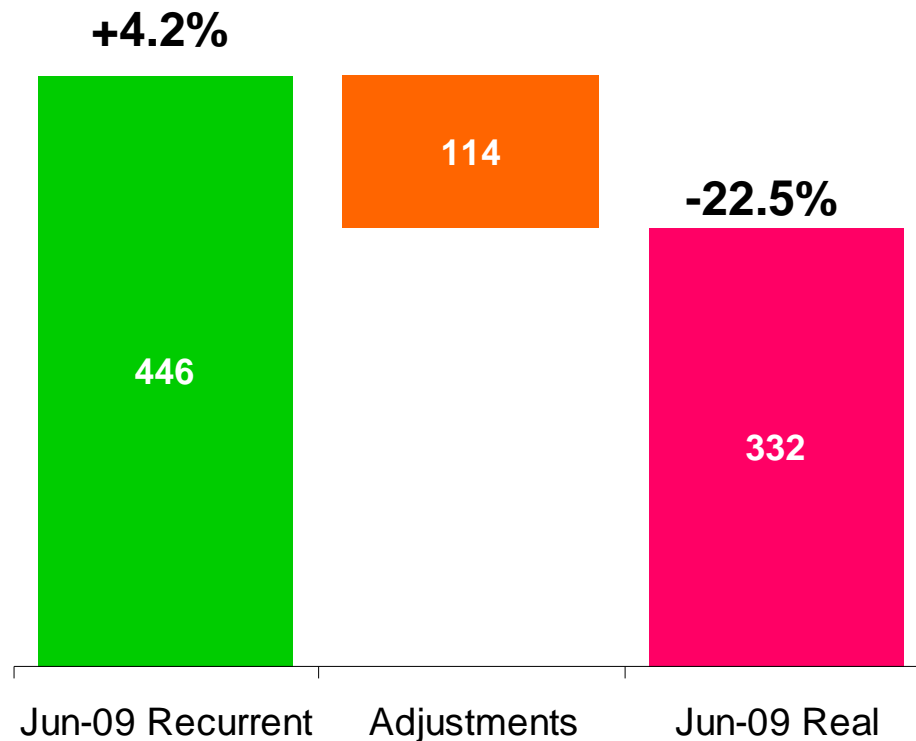
Euros in millions. \* Including Fincom, Tecnocredit and BBVA Miami in 2008.

# Optima plan – Cost base reductions



<b>Actions</b>	<b>Savings</b>
<b>Optimisation of processes</b>	<b>- 36 m €</b>
<b>Impact of new industrialised operating model</b>	<b>- 11 m €(personnel exp.)</b>
<ul style="list-style-type: none"><li>• Optimising administrative processes in branches in order to give more priority to commercial activities.</li><li>• Creation of CARs, concentration of Superdex, ...</li></ul>	
<b>Cost cutting program</b>	<b>- 25 m €(admin. expenses)</b>
<ul style="list-style-type: none"><li>• Renegotiation of contracts: Technology, rents and telephony.</li><li>• Location rationalisation.</li><li>• Renegotiating terms and conditions related to office space work, installations, cleaning and moves.</li><li>• Reduction in consultancy fees.</li><li>• Reduced frequency of regular mailings.</li><li>• Moving some externalized services in house.</li></ul>	<ul style="list-style-type: none"><li>- 14,4 m €</li><li>- 2,4 m €</li><li>- 2,8 m €</li><li>- 1,5 m €</li><li>- 2,0 m €</li><li>- 1,6 €</li></ul>

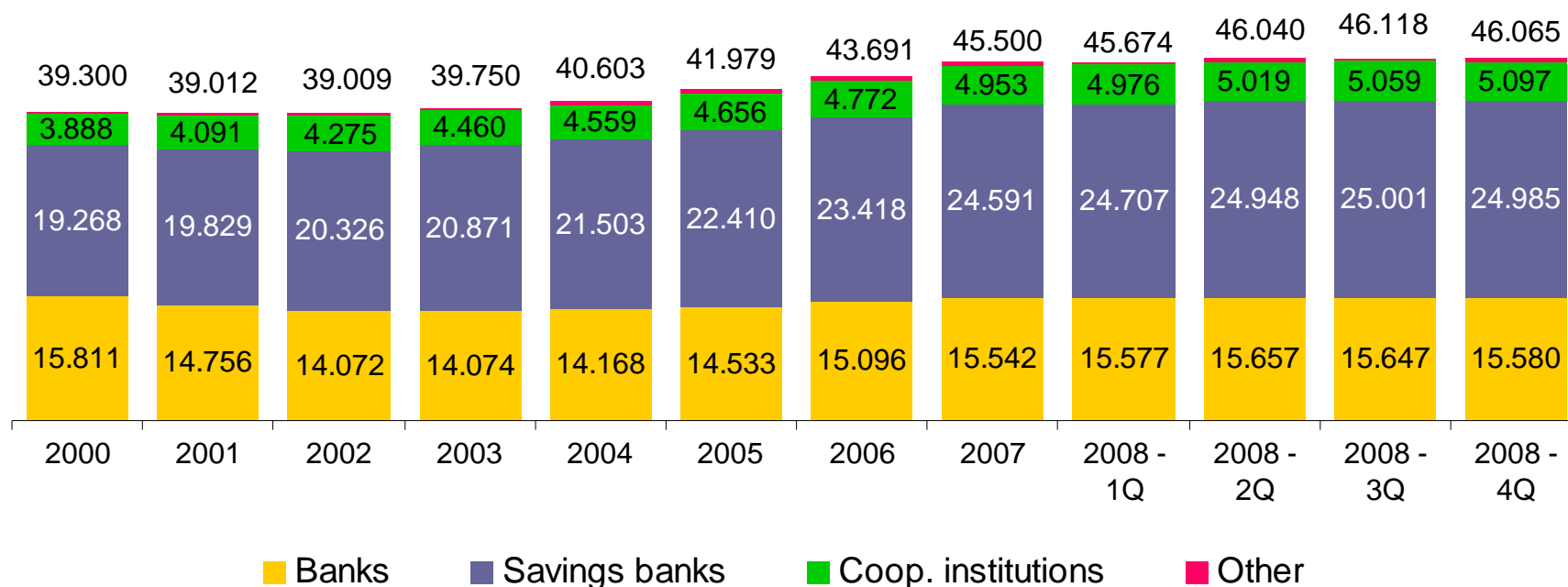
# Conservative policy



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 58%\***

# Spanish financial system Branch network evolution

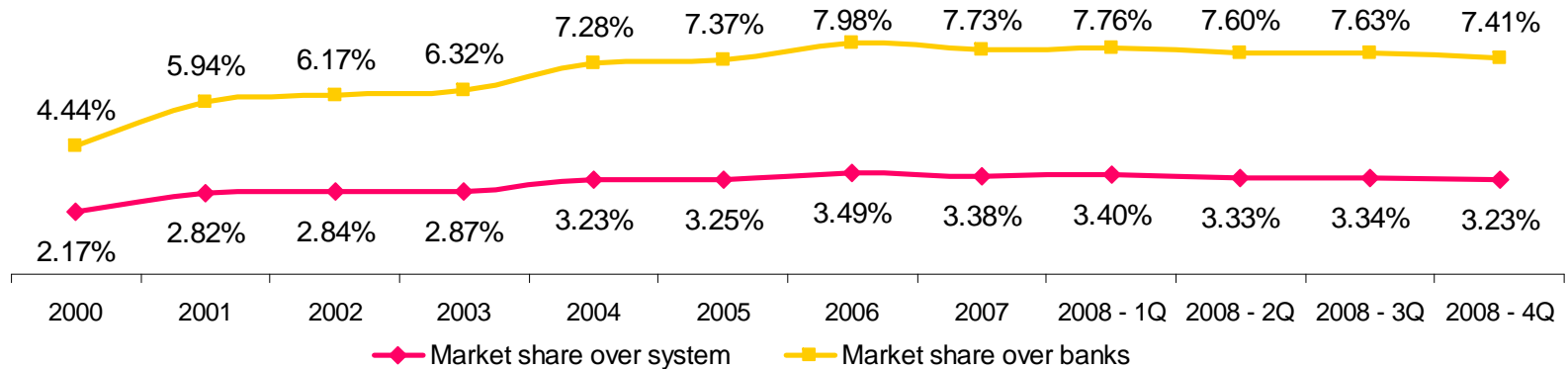
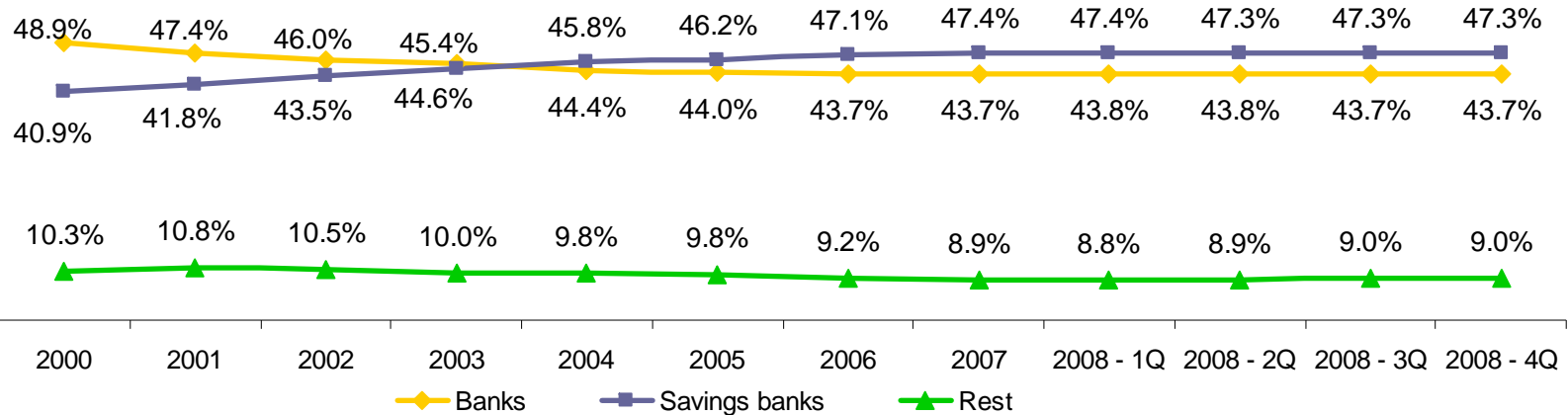


**Savings banks have increased their retail network by 30%; banks are flat**

# Spanish financial system Market share evolution

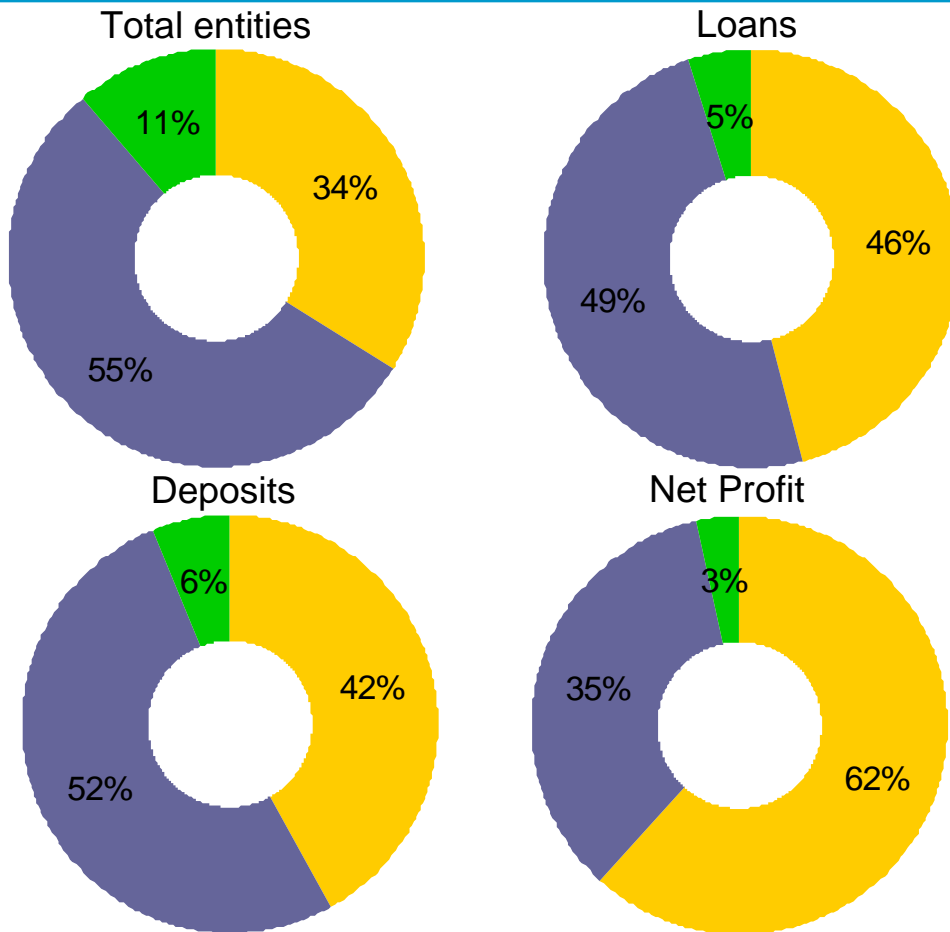


Global  
Spain



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

# 2008 Market share breakdown



Nº Entities	Branches per entity <sup>(1)</sup>	Loans per branch <sup>(2)</sup> (M€)	Deposits per branch <sup>(2)</sup> (M€)
83	61	18.8	16.8
46	396 <sup>3</sup>	35.5	29.9
156	358	52.6	38.7

+49% (Loans per branch increase from 18.8 to 35.5)  
 +30% (Deposits per branch increase from 16.8 to 38.7)

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

<sup>(1)</sup> Foreign branches and entities with less than one branch are not considered <sup>(2)</sup> Credits and deposits data does not include public administrations nor pure credit institutions

<sup>(3)</sup> Excluding "la Caixa" and Caja Madrid. Including them, the average branches per entity would be 543

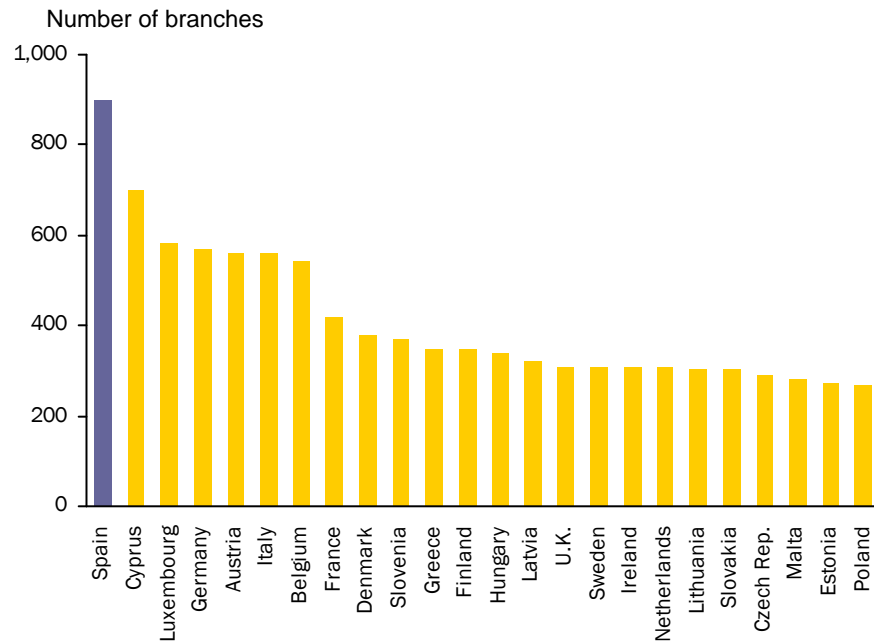
Source: AEB, CECA. Análisis EuroPraxis



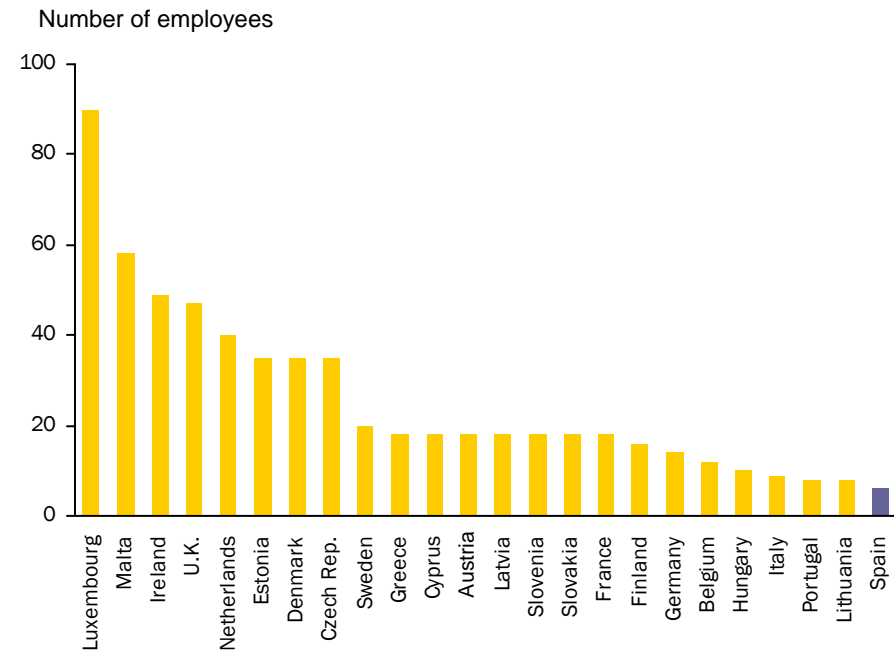
# European banking system



## Number of branches per million inhabitants

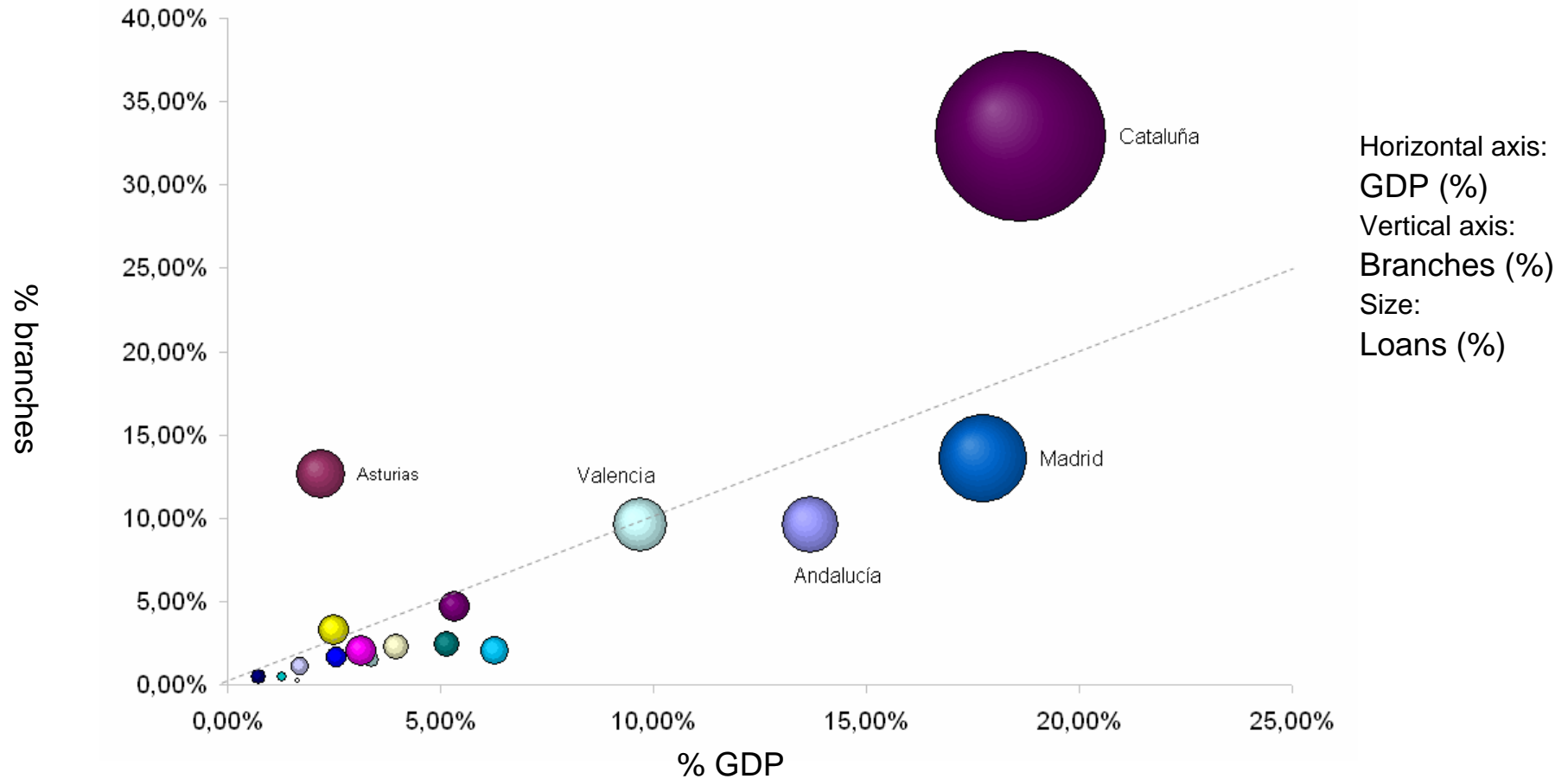


## Number of employees per branch



**High capilarity in the Spanish networks**

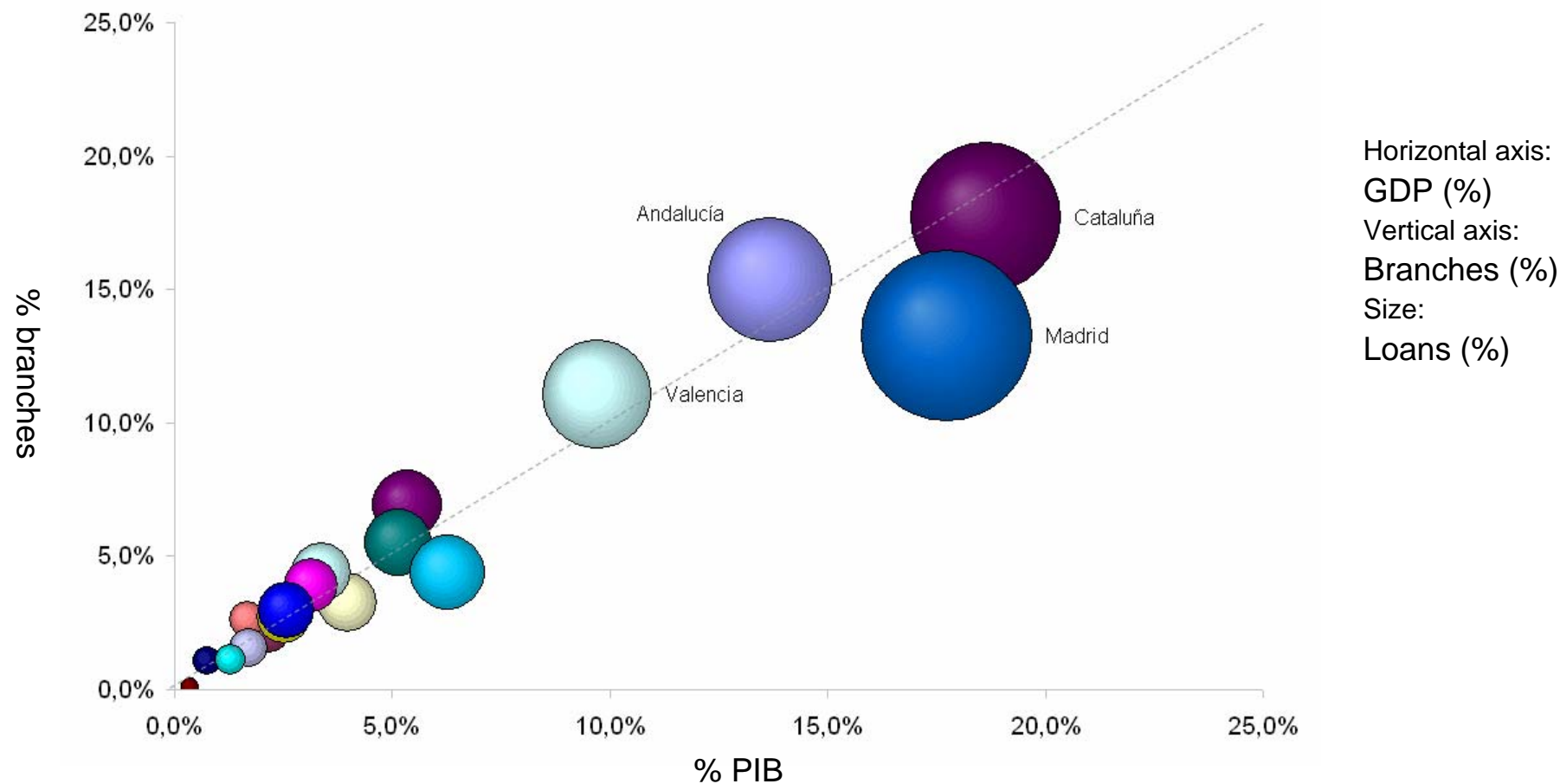
# BS Network location



**Current position vs expansion bias**

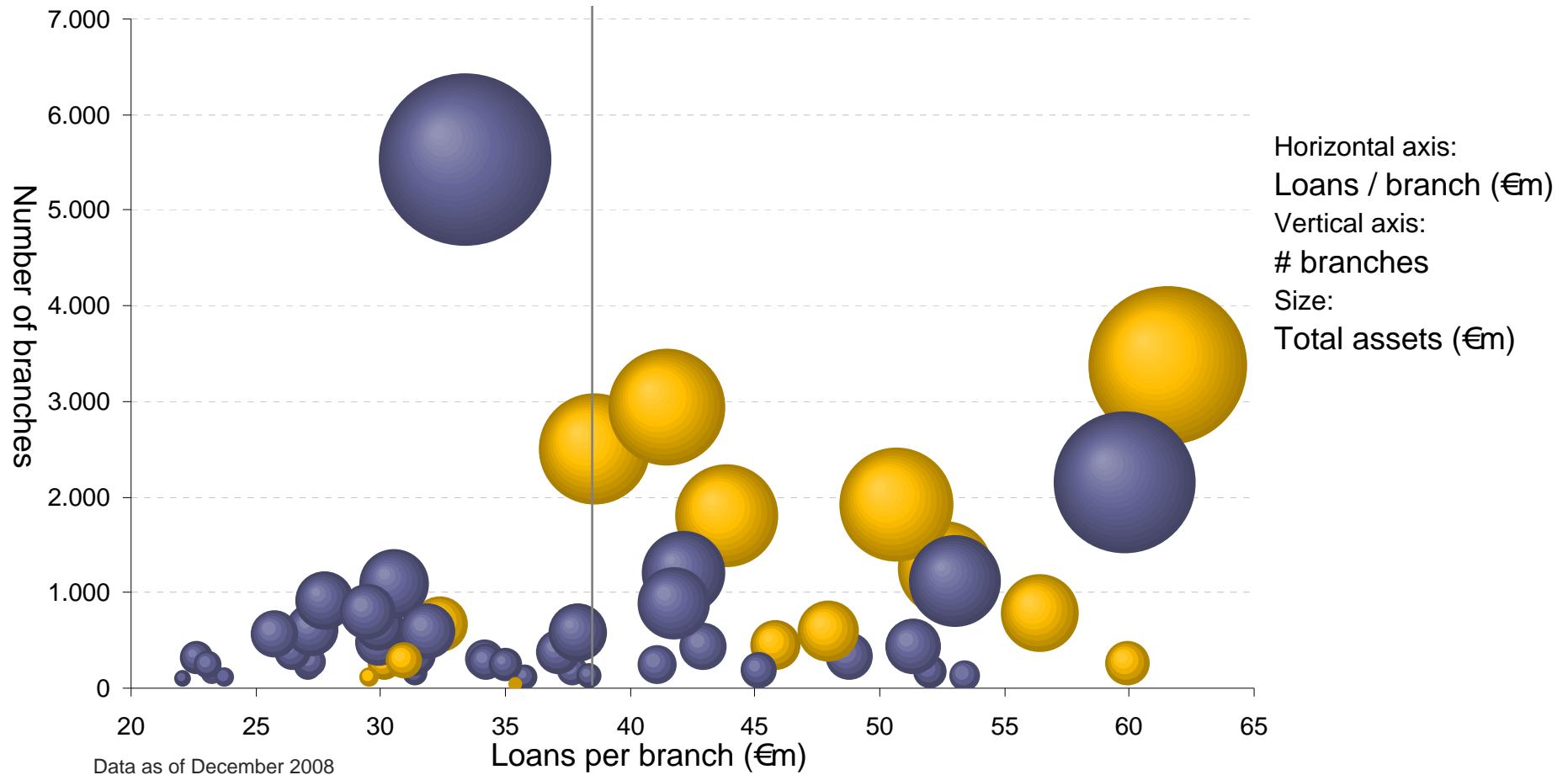
# Spanish financial system. Network location

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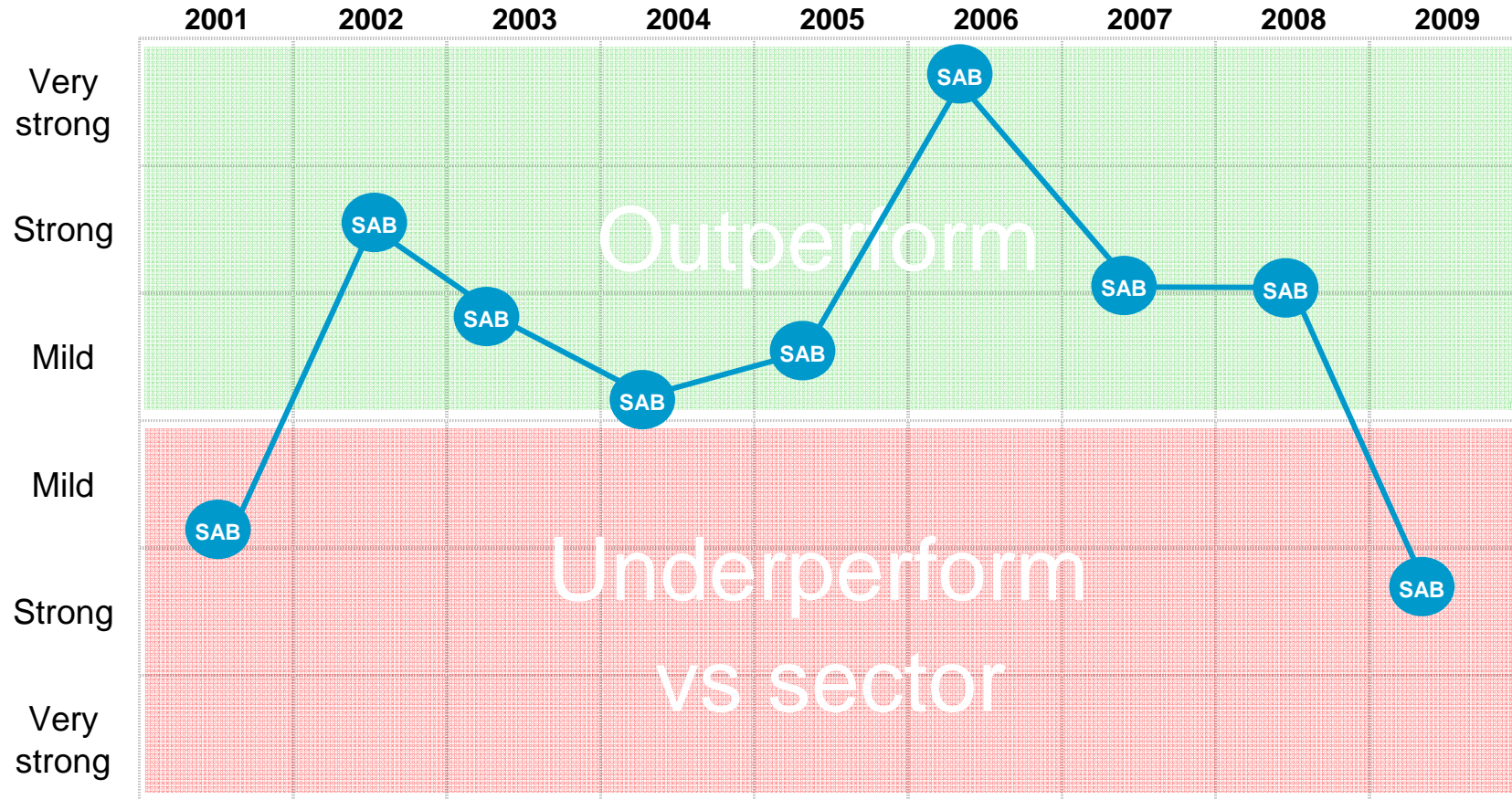
**The banking network at a system level is well balanced**

# Productivity per branch



**Larger correlation between the financial institution size and loans per branch**

# Performance and valuations



Source: Bloomberg and BS analysis. Year 2009 through to July.

**Share price performance relative to European banks sector**



Impact of interest rates on NIM under control

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Commission income has bottomed and shows positive signs

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Strong cost management

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Top of class provisioning policies / lowest NPL ratio

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Strongly capitalised

**We feel more confident regarding the outlook**



# Banco Sabadell

El valor de la confianza