

**Ordinary General Shareholders' Meeting  
Sabadell, 27 April 2006  
Chairman's speech: Mr. Josep Olliu i Creus**

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On behalf of the Board of Directors I am pleased to welcome you and thank you for your attendance at this General Shareholders' Meeting of Banc Sabadell, which for some of you may be the first time you have attended.

Good afternoon, ladies and gentlemen.

First of all I should like to inform you that, as always, those who would prefer to follow this meeting in Spanish have at their disposal a simultaneous interpretation service. If you wish to use this service please inform the attendants, who will also provide you with copies of the Annual Report in the same language.

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As always, in this annual Meeting we will be giving ample information on the activities carried out during the past year and the results achieved by the Bank and its group at year end, together with the various matters included in the agenda, which you received several weeks ago with the announcement of the meeting and attendance card.

Before commencing, the Secretary of the Board will, as is compulsory, announce the names of the shareholders present and represented and the quorum with which this General Meeting is legally constituted.

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**Introduction**

On 31 December of this year it will be 125 years since the Bank was founded.

On that date in the year 1881, a group of 127 businessmen and professionals of the city of Sabadell demonstrated their entrepreneurial and cooperative

spirit by founding a bank in order to support their business activities via the financing of purchases of the raw materials necessary to develop their industries.

The historian Francesc Cabana has referred to the historical act of creating the Bank, underlining that the bank was formed to «serve the wool industry and the city of Sabadell».

Seldom can a company celebrate an anniversary such as this. It requires many years of appropriate management and the loyalty of many shareholders who throughout this long period of time have lent their support to the company above and beyond other investment alternatives they could have resorted to, and the company, without doubt, has not disappointed them.

At Banco Sabadell we have been fortunate in this respect and today we can celebrate this 125<sup>th</sup> anniversary with the satisfaction of being one of the most highly valued banks in the Spanish market, both for our investors and for our customers.

Although companies should always look to the future, today, after 125 years, I think it appropriate to pay a special tribute to those charismatic leaders and managers such as Francesc Monràs and Joan Oliu (my father), who, despite not being with us, are always in our memories. They knew how to sow the seed of what was to become the modern Banco Sabadell.

We should also pay tribute to those families of the industry owners who, throughout the years, have lent their support to the Bank, not only by maintaining their investments, but also by responsibly taking over from them on the various boards of directors, in a constant search for what nowadays we would call the sustainability of the bank, i.e. its independence based on strong profitability for the shareholder.

As representatives of these persons and their families, let me highlight, above

all, those presidents who have been particularly important in the development of the bank: Mr. Ferran Casablanças and Mr. Joan Corominas: the first as the party who made possible, together with other industry owners and professionals of the city, the continuity of the bank at times of great hardship, in 1926 and during the Civil War; and the second, as the driving force behind the Bank's expansion outside Sabadell.

To commemorate this historical landmark and attach special importance to the General Shareholders' Meeting of this year on its 125<sup>th</sup> anniversary, a folder with bank papers issued at that time has been published and handed out at the entrance, together with the Annual Report and the traditional box of chocolates which this year includes the logotype of the 125 years.

This folder contains a reproduction of seventeen bank papers from the time of the Bank's foundation. They have been selected and documented by our ex-secretary of the Board, Mr. Esteve Maria Faus, and remind us of that historic moment, so different from now, when Banco Sabadell was to commence its trajectory.

During this year, within the austerity which is a hallmark of the Bank, we will hold various institutional events to highlight this anniversary while at the same time underlining the long, successful history of the Bank.

In this respect, I would particularly like to stress the inauguration, at the end of the year, of the rehabilitation works on the old head offices of the Bank and main office in Sabadell, in Plaça de Sant Roc, which commenced in May of last year with the purpose of modernizing it and adapting it to the new requirements in customer service, in accordance with a project by the architect from Barcelona Josep Lluís Mateo.

It will be an event brimming with significance and open to the city, to bring together the past, present and future and which will exemplify the transformation and new reality of the Bank; an act which will bring to a

brilliant close the year 2006 and the commemoration of the first 125 years of our bank.

This inauguration will also see the definitive return to the Plaça de Sant Roc of the Bank's registered offices and headquarters, irrespective of the decisions the Bank may make as regards the relocation of its various corporate and business departments.

### **The environment**

The banking environment in the 124<sup>th</sup> year of the Bank's activities has been characterized by the strong growth of the world economy which has grown 4.8%, in line with the 5.3% of 2004, and the continuity of the cycle of high growth rates of the past ten years.

This growth has been driven, above all, by the 3.5% increase in the United States and 9.9% in China, together with other developing countries.

The European economies and Japan have also reported positive figures this year within their more limited capacities for economic growth. All the above has increased the pressure on the raw materials and money markets.

The oil price per barrel rose by 45.77% in 2005 and has risen over 20% so far this year.

Interest rates in the United States have risen progressively from 2.25% to 4.75% at year end. In Europe, they increased by 0.50 points during the same period, from 2% to 2.50%, below the expectations of economic experts and also below what we ourselves had forecast in the three-year Master Plan which we called Value and Growth for the horizon of 2007.

This delay and the gentle growth in interest rates, together with the good profits performance of the main listed companies has led to a positive evolution of the stock markets. Thus, Standard & Poor's 500 grew by around

3% and Eurostoxx 50 and the IBEX-35 have recorded a growth of 21% and 18.20% respectively.

On the other hand, the fixed income markets have been and still are subject to a high degree of volatility and downwards pressure, given the outlook of rising interest rates.

In Spain, growth was 3.4%, driven mainly by the internal demand for consumer goods and the construction sector.

Housing construction grew by 6.2% in 2005, a figure far removed from that recorded over the past two years, and the increase in market prices has dropped from 17.3% in 2004 to 10.8% in 2005, due to the price-out and drop in demand.

The financial sector has undergone major transformations over recent years, the most significant of which was the strong reduction in the traditional source of income: the interest margin.

The drop in interest rates and continuing low levels have created a major demand for credit, above all in the real estate sector. In addition, competition between national banks and, above all, the savings banks expansion outside their territories led to a drop in the interest rate differential on average total assets of 33 basic points in 2004 and 27 in 2005.

Banks and savings banks have responded to this reduction in margins in the market with an increase in charges for their customer services. At that time, high interest margins meant credit users and depositors to subsidize the users of bank services.

As banks cannot now transfer the cost of these services to the depositors and creditors, it has been necessary for them to adjust their products and services and establish rates closely tied to the production costs.

Some banks have responded to the cut in interest margins by strongly increasing their investments, especially in the real estate sector, and in certain cases beyond the criteria of good risk management as regards the loan to value of mortgage operations (amount financed with respect to the real value) and the liberal operating credit investments.

The persistence of this economic situation has now justified certain doubtful banking policies which our bank has never supported.

Charging for services in accordance with their cost is not an easy nor pleasant matter, above all when the characteristics of the customer significantly affect the margin costs of each banking activity. For this reason, in the middle of last year the bank started a policy of informing about the various fee payment packages, which range from not charging certain collectives to charging a flat rate, under which users sign a special contract which we call BS Cuenta Más, or the normal payment for the services used.

Our policy is that, generally speaking, each customer should pay the cost of the services they receive, or at least a significant part of same, given that the creation of value for the customer must be higher than the cost the customer pays.

Lastly, as a result of the drop in business margins and also partially due to the economies of scale of the sector, the trend towards banking consolidation continues to be a reality.

When we decided during the mid-nineties to start a policy of growth via acquisitions to complete our organic growth, we made a commitment towards consolidation based on the excellence of our management model.

Undoubtedly, in a consolidation process such as that we have undertaken, those banks with the personnel and a management model capable of providing

the best medium-term performance can lead consolidation processes which create value for their shareholders.

Banco Sabadell has, over recent years, been characterized by a strategy of consolidating one of the best management teams and banking models in our country. The banking model we launched in 2001 today is fully implemented and shows its potential for organic growth. We have brought into this framework banks which contributed size and therefore the potential for cost synergies, and which also lent us additional potential for organic growth based on the business model and organization structure implemented.

The bank's sales model is focused on customer service via the specialized networks of branches and customer profile managers who sell the appropriate products and services. The organizational structure is based on management units interrelated by an account system which enables each one to know their contribution to the global results, as well as their costs, both in resources and in capital.

This sales model however, is built on a banking risk management model for credit, market and operational risks to which the Bank has dedicated a special effort since the crisis of 1993.

Today, the financial system is committed, after the adaptation of accounting to the new international accounting standards contained in the Bank of Spain circular 4/2004, to perfecting their risk monitoring and capital consumption systems in accordance with the new regulatory framework promoted by the Basel Committee on Banking Supervision, known as Basel II.

In 2005, the Bank submitted to the Bank of Spain the master plan for implementing Basel II, in order to adopt the advanced risk model under the new standards, and it is one of the few pioneering banks in our country.

The Bank's efforts seek to enhance the quality of our systems and the implementation of risk policies in order to continue to maintain our competitive advantages in the sector as regards the quality of loans, and the control of our operational and market activities.

Lastly, and fundamentally, the competitiveness of our model rests on the quality of the service we offer our customers. This objective was fully achieved in 2005 with the completion of the Quality Plan 2002-2005 and the award of the ISO Certification ISO 9001:2000 for all the financial activities of the Bank and its group in Spain.

Banco Sabadell is the first Spanish bank to achieve this internationally recognized distinction, making it the leader in quality within its sector.

### **Value and Growth**

To focus on the parameters within which the year has run its course, the Bank ended the year with figures which we can only describe as brilliant and which have more than accomplished the objectives set for the first year of the ViC 07 master plan, launched after the integration of Banco Atlántico at the end of 2004.

The year started with an intense internal sales line due to the effort of bringing into operation almost 300 new branches during a period of re-adaptation of work procedures, technology and culture at Banco Sabadell.

At the same time, the adaptation of the personnel and cost structure to the efficiency milestones of the three-year plan required a major effort which our workforce successfully completed. Thus, quarter after quarter, the presentation of results to the analysts has demonstrated the recovery of the post-integration sales drive to a level of growth that has seen excellent results both in the fourth quarter and this first quarter of 2006, as made public on Tuesday.

Thus, at year end, great progress had been made towards achieving these objectives. Loans rose by 21.3% and funds under management by 15.6 %. The cost/income ratio had improved by almost five points, to 50.53% and the return on Shareholders' equity stood at 15.19 %, both parameters thus on target for 2007.

Attributable net profit at year end totaled 453.13 million euros, 21.4% up over the previous year as a result of a 23.7% increase in the net operating income.

Later, the Managing Director, Mr. Nin, will give a detailed explanation of the balance sheet, profit and loss account and the evolution of the business during the year, so I shall be brief.

This net profit enables us to allocate 205.02 million euros, 45.25%, to pay-out of dividends, with a payout per share of 0.67 euros, 34% more than last year, thus passing on to the shareholder this success management as shown in the profit and loss account.

This gross dividend of 0.67 euros per share (0.57 euros, after tax) is distributed between 0.30 euros per share, which was paid out on 2 November and 0.37 euros per share as a final dividend, which is submitted for approval today and will be made effective as of 2 May.

The share closed the year 2005 at 22.16 euros, a revaluation of 28.84%, compared with the close of the previous year.

Including in this revaluation the dividends per share received during the year, total return for the shareholder in 2005 was 32.09%, well above the figure for securities on the Spanish market and in line with the target profitability and value we established for shareholders.

On 18 April, it had been five years since the Bank's shares floated on the market. During this time, the share has progressed highly favorably to become

attractive to investors in our country and around the world, and one of the references for the Spanish banking sector in the selective IBEX-35 index.

Over recent months, the Bank has seen how in addition to the two strategic institutional partners, la Caixa and Millennium BCP –which support the Bank since it became listed–, there are major private investor groups participating in the Bank which also support our project for the future. Today, these private shareholders, together with the group of stable national shareholders and the many shareholders who have, for many years, supported the projects of Banco Sabadell, form a broad core of shareholders committed to the development and independence of the Bank.

This trust expressed by our shareholders in us is reflected in the market, and is particularly apparent in the evolution of the share price over recent months, during which it has surpassed 29 euros and 8,800 million euros market capitalization, over double the figure when the Bank floated.

#### Capital increase

As you have seen, the second point on the agenda includes a generic authorization of the Board of Directors to proceed with one or more capital increases over the coming years, in accordance with these limits as provided in law and in the common practice of most large, listed banks. This signifies delegating in the Board the possible recourse to capital to adapt it to the regulatory requirements when, as a result of growth or a corporate operation the company requires it.

Appropriate capital management is one of the basic elements for sustaining a policy of solvency and is important for the rating agencies, as well as the cost of the issue of bonds which the Bank requires to finance customer investments.

The aim of the authorization presented today is to lend the Board, in future, sufficient maneuvering space to quickly adapt the capital ratios to the regulatory requirements and solvency policies reported to the rating agencies.

It is well known that the Bank is currently studying the possible presentation of a takeover bid for Banco Urquijo. As was the case when we presented the bid for Banco Atlántico, and irrespective of its strategic suitability, one of our principles is not to move forward with any acquisition which does not increase the profit per share after materializing the synergies for a period we calculate at a maximum of three years.

This signifies that, in a competitive bid such as this, the Bank will not offer any prices which exceed the capacity to generate value for the shareholder, as have previous operations of this kind.

I should like to make it clear that the Board of Directors shall at all times take into account – should such a capital increase become necessary – that this operation will be sufficient to maintain the solvency ratios required to sustain the ratings, together with the shareholders' interest when establishing the manner and minimum necessary amount of a possible capital increase. I can tell you that today, and in accordance with our organic growth plans and forecasts, there is no need nor any plan to utilize such as recourse as this in the short term.

#### New director

A year ago, in view of the Bank's new size and position following the acquisition of Banco Atlántico, the Board of Directors considered it would be appropriate to enlarge the number of directors to thirteen, the maximum allowed by the Bank's Articles of Association, with the incorporation of two persons of great personal worth and considerable social recognition as are Carmen Godia, vice-president of Abertis, and Miquel Valls, president of the Chamber of Commerce of Barcelona.

Following the approval of their appointment by the Meeting last year, unexpected doubts arose about their possible acceptance, given their associations with other boards of directors of listed companies and which could possible lead to a conflict of interests.

This situation in turn led to their personally declining to take up their posts and they therefore never joined the Board, a circumstance we regret yet understand.

On 22 December, the Board of Directors, at the proposal of the Remuneration and Appointments Committee, agreed to appoint by co-option Mr. Isak Andic Ermay as a new director of the Bank, occupying one of the vacancies, while at the same time it proposed to set the number of directors at twelve, with which all vacancies are occupied, if the Meeting so decides.

Mr. Andic, 53, is president-director of the textile multinational Mango and his incorporation into the Board of Directors contributes to our aim of strengthening our position with figures from the business world of recognized prestige and significant international projection.

With Mr. Andic, there are no twelve directors sitting on the Board of Directors of Banco Sabadell: three of which are executives, six are independent non-executive directors, one is a non-executive director representing shareholders and two are other non-ececutive directors.

### **Corporate Governance Report**

For the last three years, the second volume of the annual report you are provided has contained a wide range of information on the corporate governance activities of the company.

This information, which is necessarily supplied each year to the National Securities Committee (CNMV) explains how the company property is

organized and managed and the control systems in place to ensure correct operation.

As you are aware, the Bank pioneered the establishment of an effective and balanced corporate governance system, based on a common sense approach, internal reflections and regulators' recommendations.

Over recent years, the Bank has developed a well-structured system of corporate governance which prioritizes the criteria of transparency, delegation of functions and independent decision-making; in many cases we have gone beyond this in anticipation of the prevailing standards in this area.

Thus, the Board of Directors, which has its own regulations and internal regulations on conduct, forms a structure together with the committees via which the matters within its remit are dealt with in addition to the monthly plenary sessions.

The first of these is the Executive Committee, chaired by me and comprising also the Managing Director, Mr. Nin, and the director Mr. Permanyer, and the Comptroller General, Mr. Josep Lluís Negro, as secretary. This committee holds weekly sessions and manages the day-to-day affairs of the Bank.

The Audit Committee is formed by the directors Messrs. Desvalls and Casas, and is chaired by Mr. Joan Llonch, vice-president of the Board. The summary of the activities is included in the report which forms part of volume 1 of the report you now have.

Its purpose is to compare good banking and accounting practices at various levels within the organization.

The Numerations and Remuneration Committee, chaired by Mr. Héctor Colonques, comprising the directors Messrs. Lara and Folch-Rusiñol, both independents. Its function is to evaluate and propose to the Board the profile

of the most appropriate persons to form part of the boards of directors of the Bank and its affiliates. It also formulates the proposal on the system and amounts of the annual remuneration of the executive directors and the Senior Management of the Bank and the Board's participation in the social benefits.

Lastly, the Risk Control Committee, chaired by Mr. Permanyer, comprises the directors Messrs. Desvalls, Bósser, Llonch and Nin. Its function is to submit to the Board for approval the global risk levels and decide on individual credit risks on a weekly basis.

Good governance of companies is an issue which is currently to the forefront in financial institutions and listed companies, generally with regard to the new Unified Code of Good Governance fostered by the president of the Comisión Nacional del Mercado de Valores.

At the Bank we have reflected on and debated the content of the pre-project for this code and also the recommendations and requirements it wishes to introduce in the governing bodies of listed companies and the activity of its managers.

As a result of this reflection, and in order to contribute with our experience to shaping the recommendations for listed companies, the Bank has decided to adopt the document of observations submitted jointly by a group of IBEX companies, and we have also presented our particular proposals with a view to eliminating certain recommendations which appeared in the draft of the new code or making them more flexible, to prevent this new standard from creating distrust in companies or introducing an almost bureaucratic rigidity which is harmful to corporate governance, its efficiency and competitiveness in a global world.

Our considerations are strictly technical and at no time have we wished to intensify the public debate, but rather make a constructive contribution with our observations to this initiative of a new good governance code.

As a result of this reflection, the Board considers that strengthening good corporate governance is convenient and necessary, and must be based on three fundamental areas: transparency of information – i.e., providing sufficient information on how each company acts –; a balanced Board of Directors – to ensure control of decision-making –, and respect for the special characteristics of each company and its internal challenges – which are a result of its particular personnel and history – in order to be effective and competitive in their decision-making.

Not all companies nor their history are the same; nor do all production sectors have the same needs and conditioning factors. They are companies which, in accordance with their reality, must reflect and set out their standards for control and decision-making and publish them for their shareholders in a fully transparent manner.

The Banco did this some considerable time ago, coinciding with my taking up the executive presidency, and the corporate governance model we have is balanced and effective and has become a reference for the sector, as we anticipated the recommendations made to date by the special committees appointed for this purpose: Olivencia and Aldama.

### **Future projection**

As I said at the beginning, the Bank's business model has proven itself to be stable and suitable for both organic growth or expansion and non-organic growth or supplementary acquisitions.

This is the model we shall continue to perfect and develop over the coming years, because our challenge today is still to grow so as to offer higher rates of return and thus add value for the shareholder.

The organic growth of the business and territorial expansion based on the Bank's strategic focus in corporate and professional banking is the prime

objective of the Bank. Let us remember that in Spain there are banking projects which could combine better in ours than in the current situation, and we are therefore prepared to study a possible integration, on the condition of generating value for our shareholders as I mentioned earlier.

Today, we continue to be focused on growing in Spain, and in 2006 we shall continue to expand our network with 60 new branches.

However, the maturity of the Spanish market and the difficulties in accessing the retail market dominated by the savings banks also make it necessary that the Bank starts to evaluate the possibility of its internationalization so as to maintain ambitious growth and value rates in the medium term.

We have the advantage of operating in one of the most efficient, solvent and respected financial systems in Europe. This, together with the solid expansion of the Bank and the management model which we are perfecting lend us the strength and credibility for a possible future enlargement of our target market which continues to be Spain.

It has been shown that growth via acquisitions in the European Union is no easy route, but this dynamic is unstoppable and will pave the way. Thus, the most efficiency, dynamic and well positioned banks are those which are in the most secure situation in the face of possible hostile movements insofar as the market values their capacity for future value generation.

At our bank, the course of the past ten years shows a superior efficiency and dynamism. Loans have increased an average 24% a year and this major growth has been robust and rigorous.

I sincerely believe that the Bank is highly prepared and capable of facing new challenges and even more ambitious objectives in the search for sustained growth of earnings per share and to maintain investment in Banc Sabadell as one of the keys to sustained revaluation, in view of the evolution of its results.

To this end, we have the creativity and capacity for innovation inherent to our entrepreneurial character, as has been apparent over the past ten years with the implementation of numerous successful initiatives, such as Landscape, Bidsa, Solbank, ActivoBank, BancSabadell d'Andorra, Ibersecurities, BanSabadell Vida and BanSabadell Fincom, amongst others, many of which are now major corporate projects created by the Bank and which will develop in the future and make a significant contribution to Banc Sabadell as a whole.

This dynamic, innovative character is also apparent in the generation of products by the Bank, which cover the entire range of customer needs and offer excellent profitability.

Lastly, and thanks to the efforts of recent years, we have a state-of-the-art technology which is scalable, together with a powerful model of proven, stable organization, and, above all, I believe the Bank has an extraordinary strength: one of the best management teams in Spanish banking, leading an experienced and talented workforce. My recognition to all of them.

The entrepreneurial nature which those 127 inhabitants of Sabadell demonstrated 125 years ago is that which today marks the Bank's activities, painting an equally encouraging future.

Many thanks.