

Managing liquidity in the post crisis world



Juan M. Grumé
Member of the Executive Management Committee
13th of June, 2008

1. Spanish financial overview

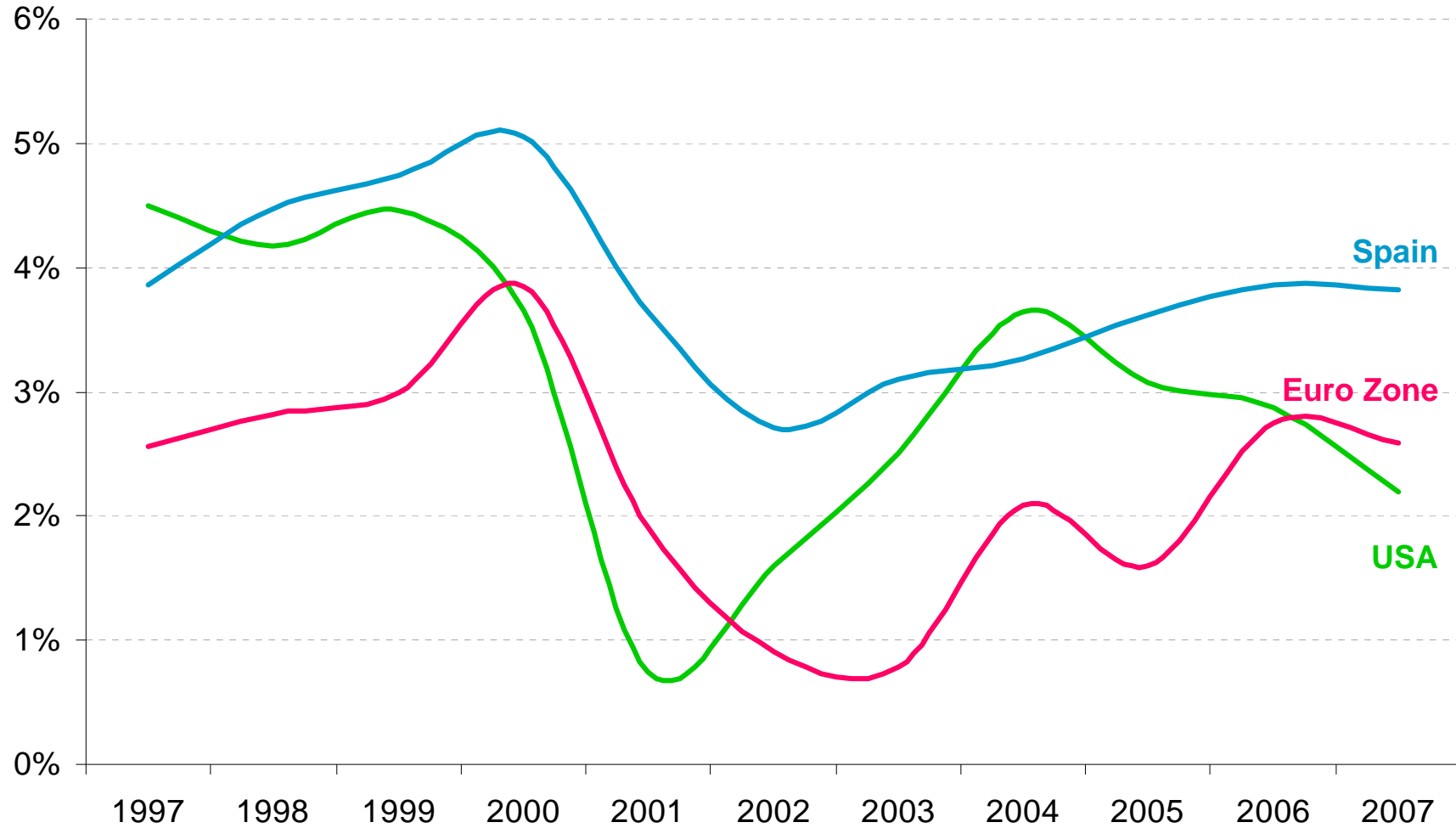
2. Spanish savings dynamics

3. Banco Sabadell strengths

Strong growth of the Spanish economy over the last decade ...



GDP growth (in percentage)

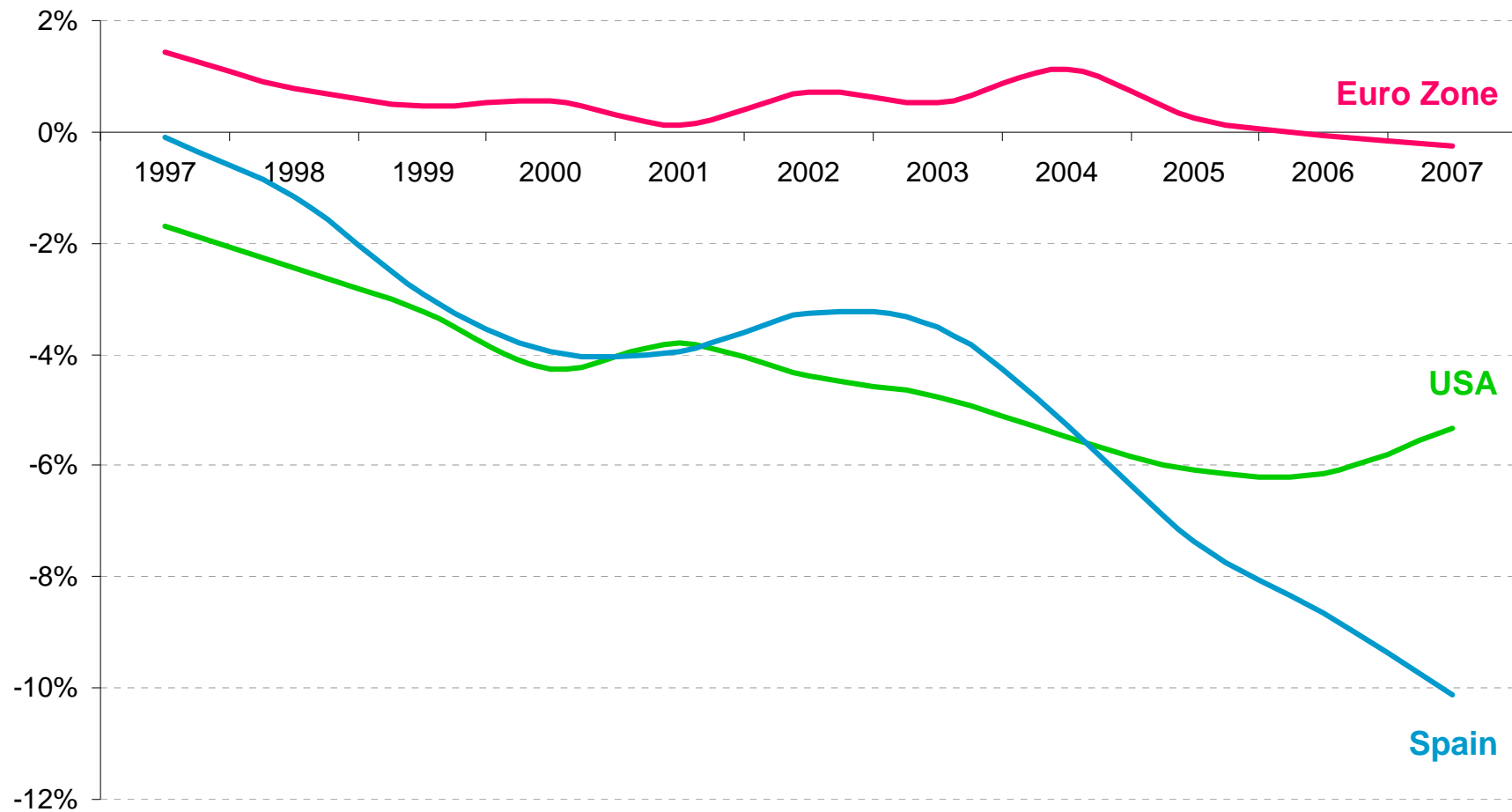


... although with an unbalanced pattern ...

B



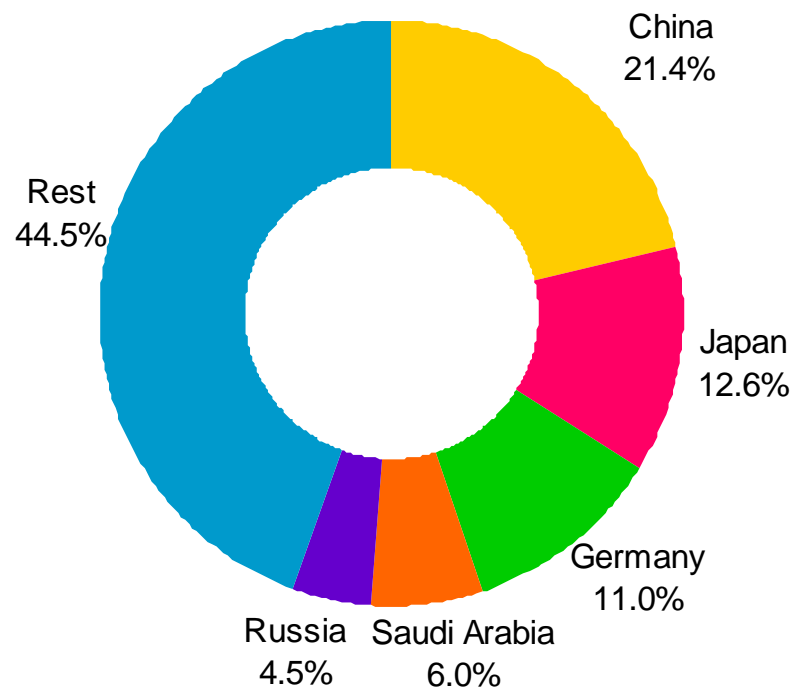
Balance on current account as percentage of GDP



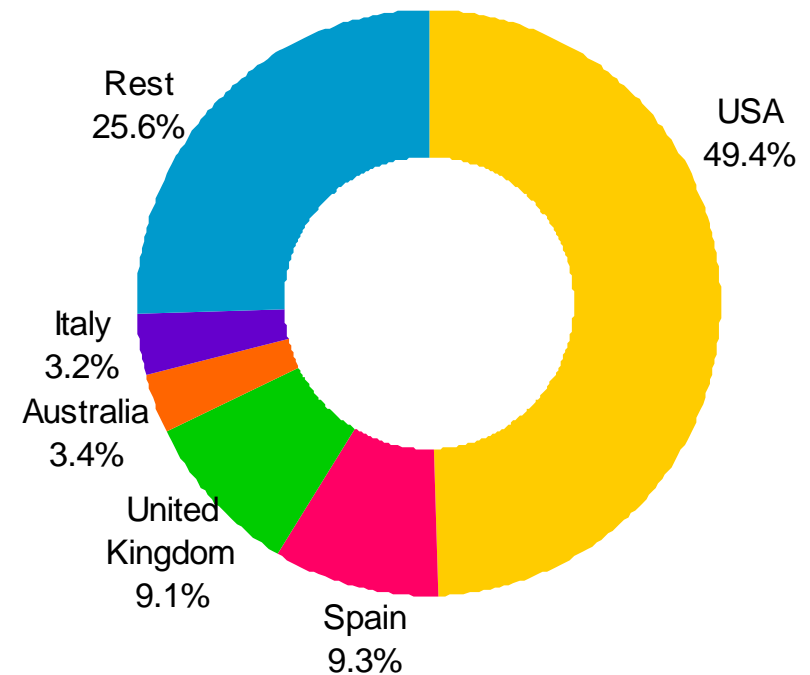
... which had to be financed externally



Capital exporters, 2007 (in percentage)



Capital importers, 2007 (in percentage)



1. Spanish financial overview

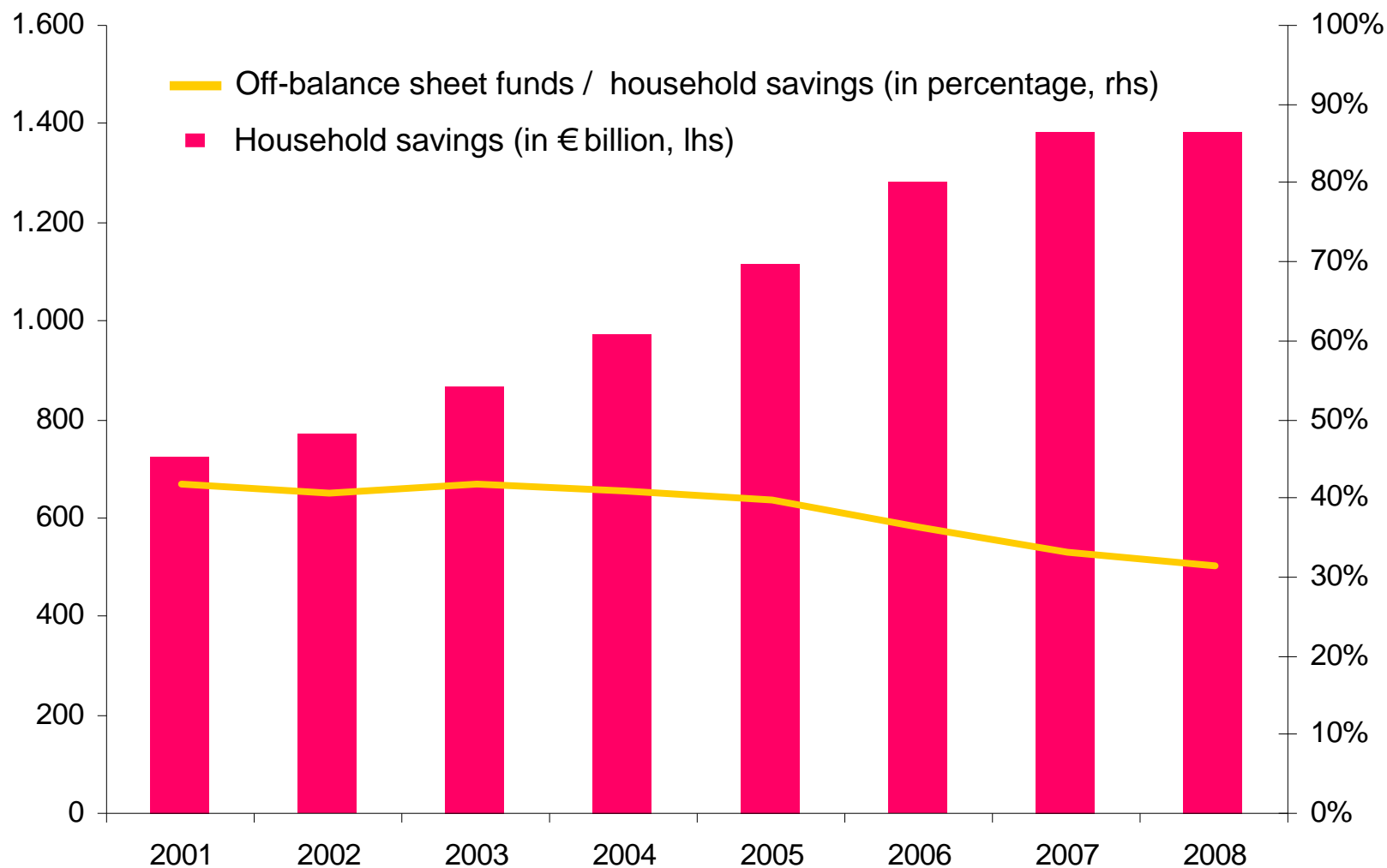
2. Spanish savings dynamics

3. Banco Sabadell strengths

A change in the savings pattern trend ...



Spain – Breakdown of household savings

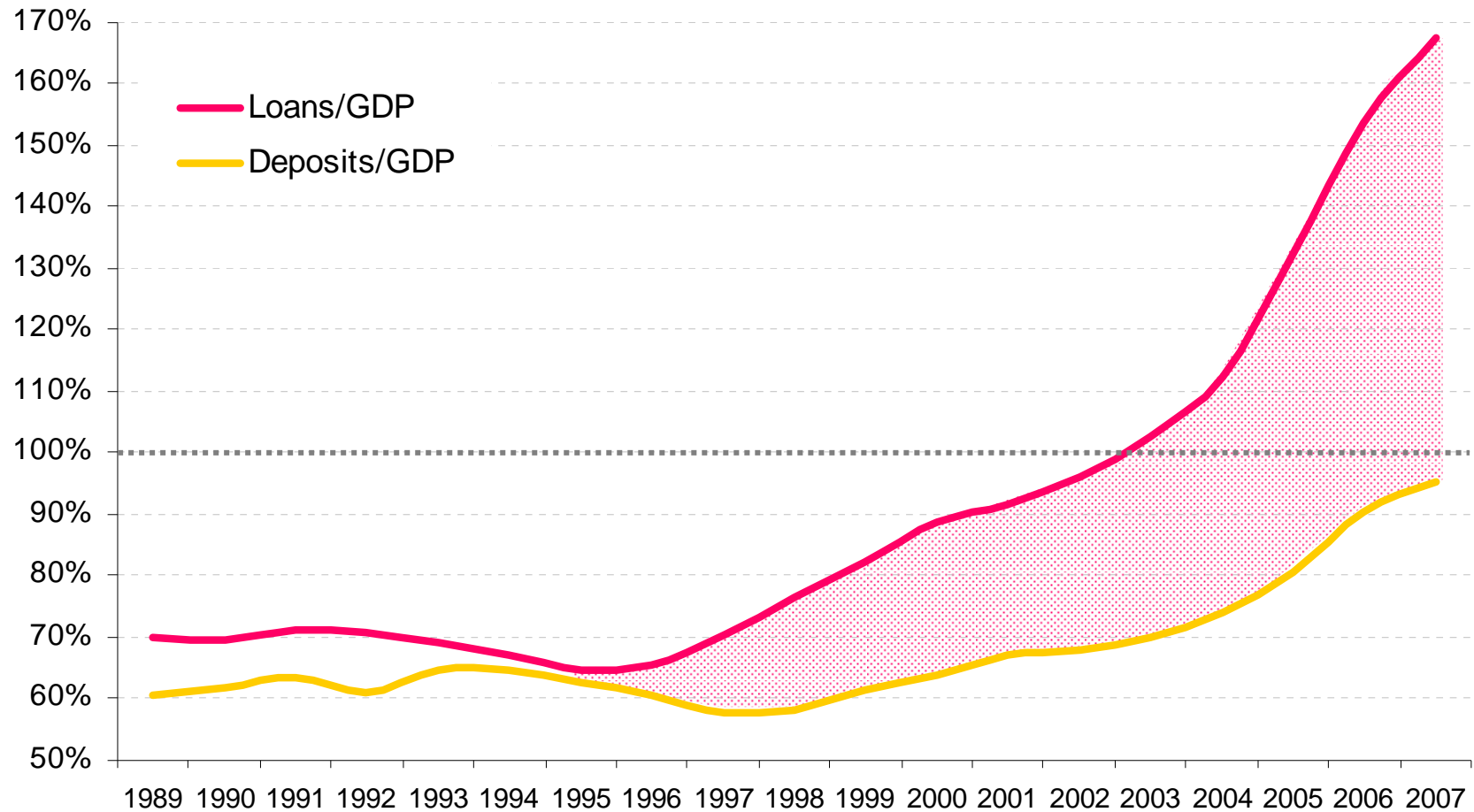


Source: Bank of Spain, Inverco and ICEA

... combined with a higher weigh of loans over deposits in the economy ...



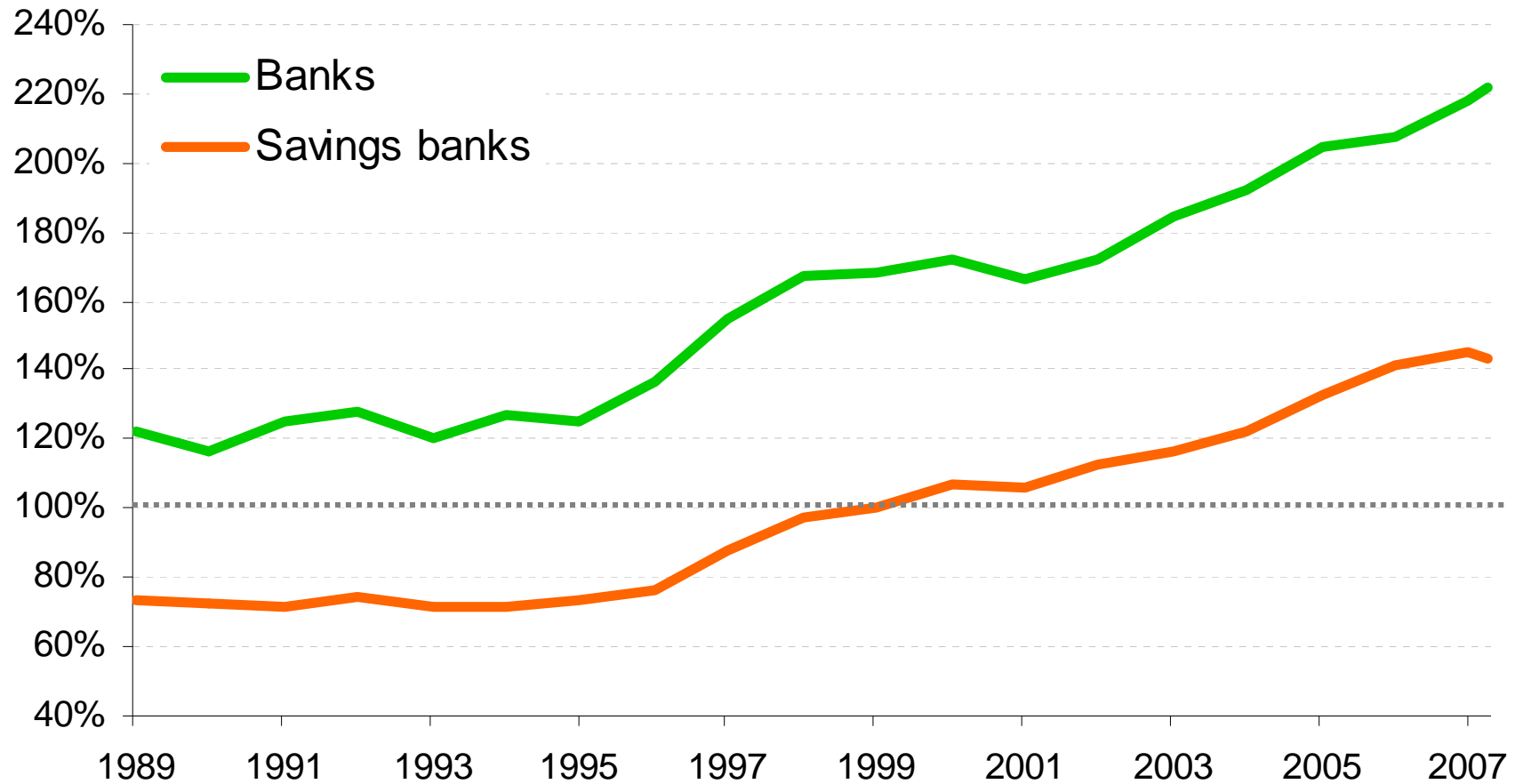
Spain – System loans and deposits as a percentage of GDP



... caused additional financing requirements ...



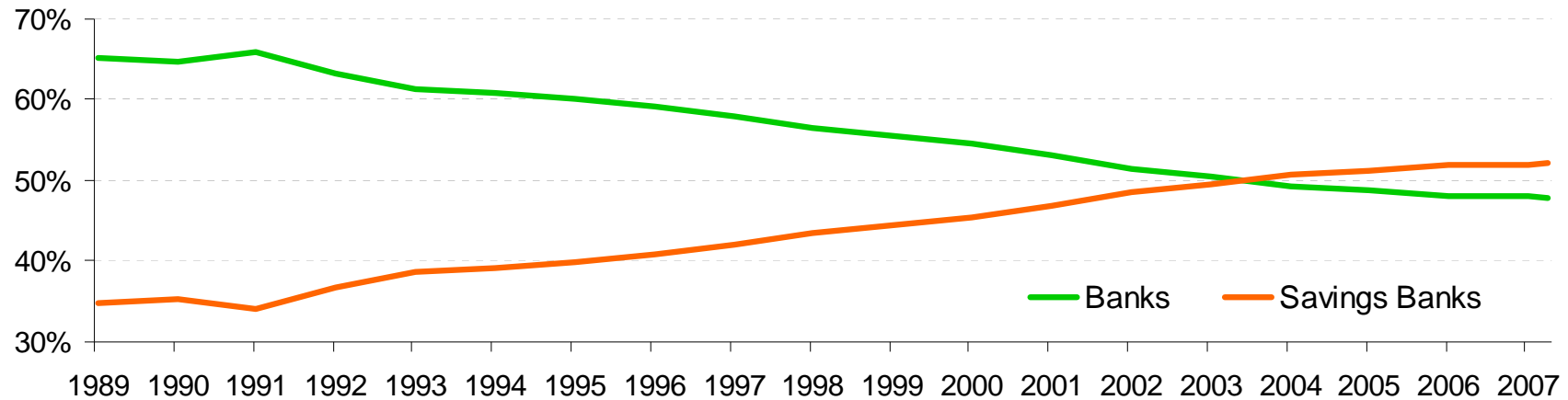
Spain – Loan-to-deposit ratio (in percentage)



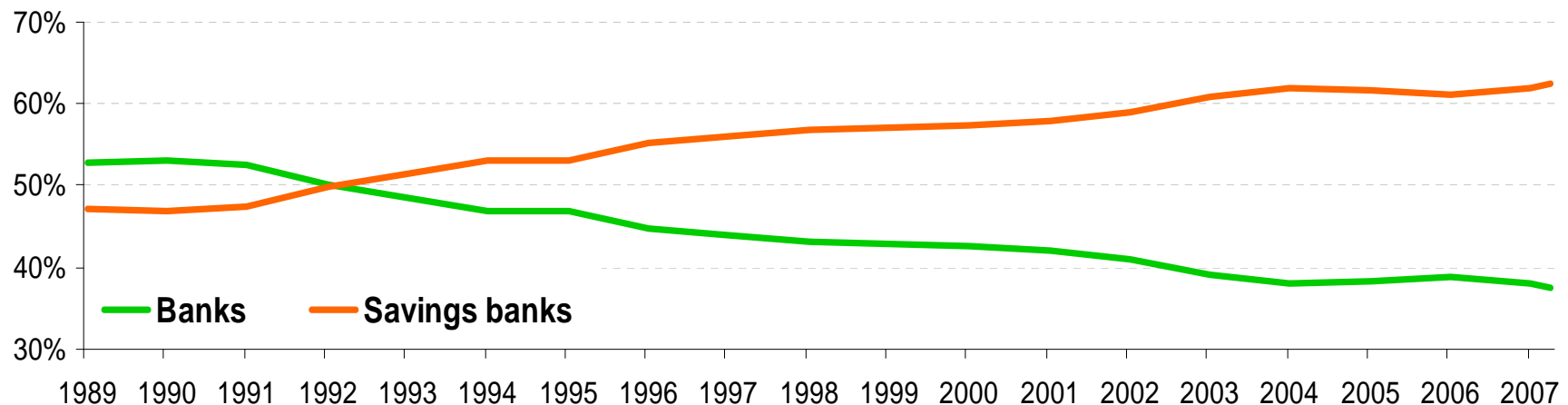
... specially for those institutions with more aggressive growth ...



Spain - Loans market share (in percentage)



Spain - Deposits market share (in percentage)

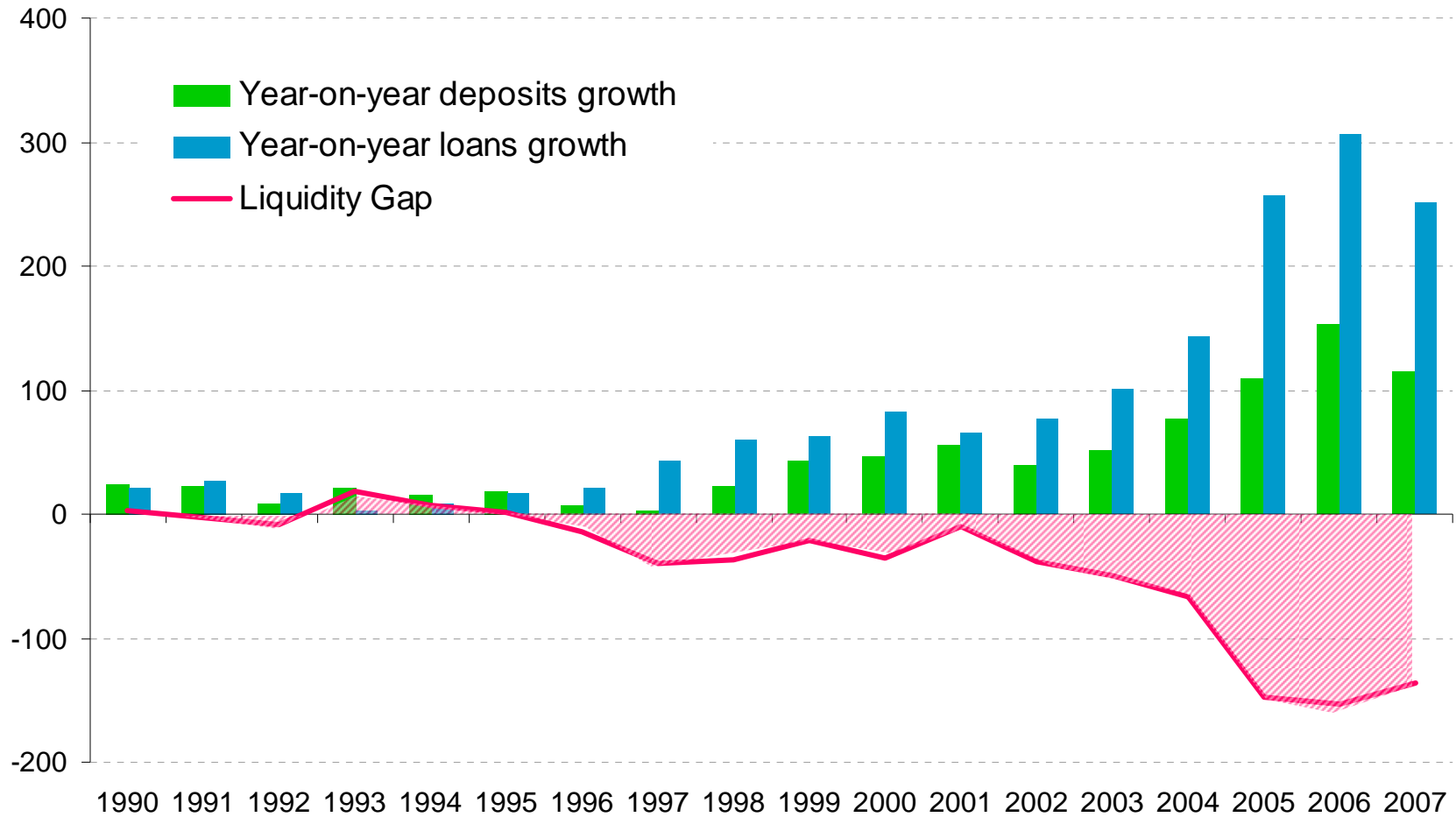


Source: Bank of Spain

... which were financed by the wholesale market ...



Spain - Commercial gap (in € billion)



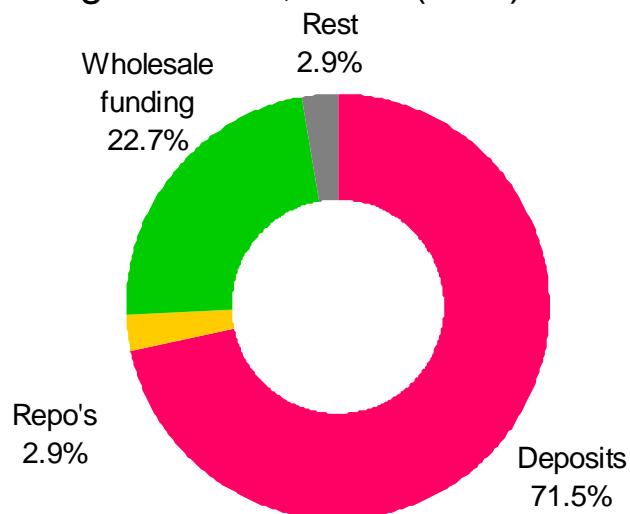
Source: Bank of Spain

... with a balanced distribution ...

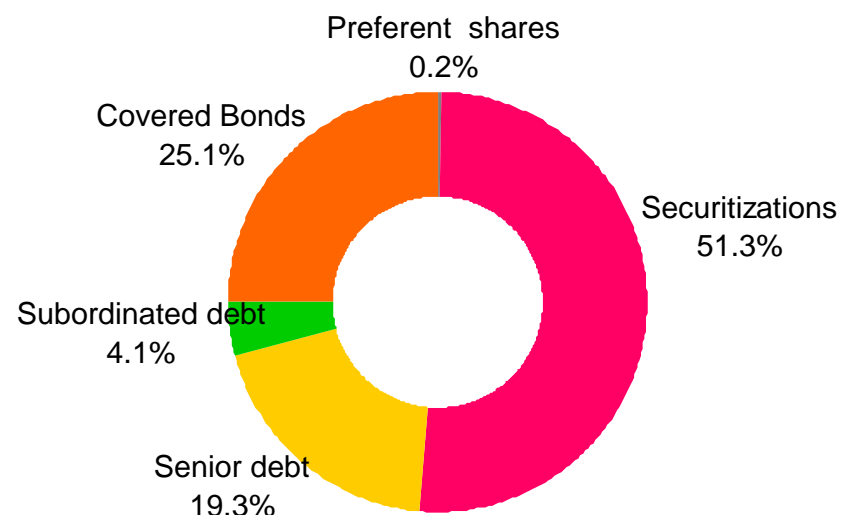


Spanish financial system

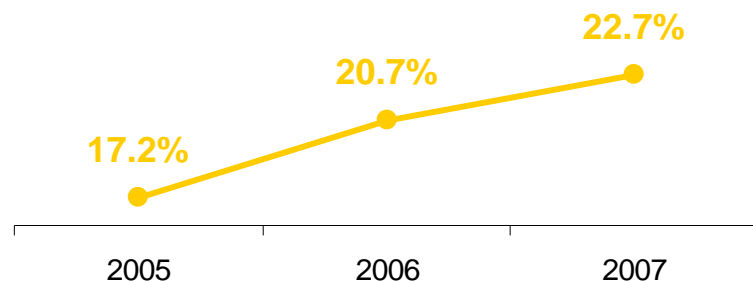
Funding structure, 2007 (in %)



Wholesale funding breakdown, 2007 (in %)



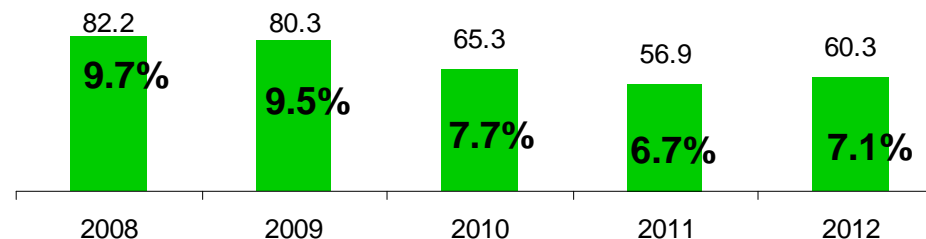
Wholesale funding (in percentage)



Source: Bank of Spain

Wholesale funding maturity calendar

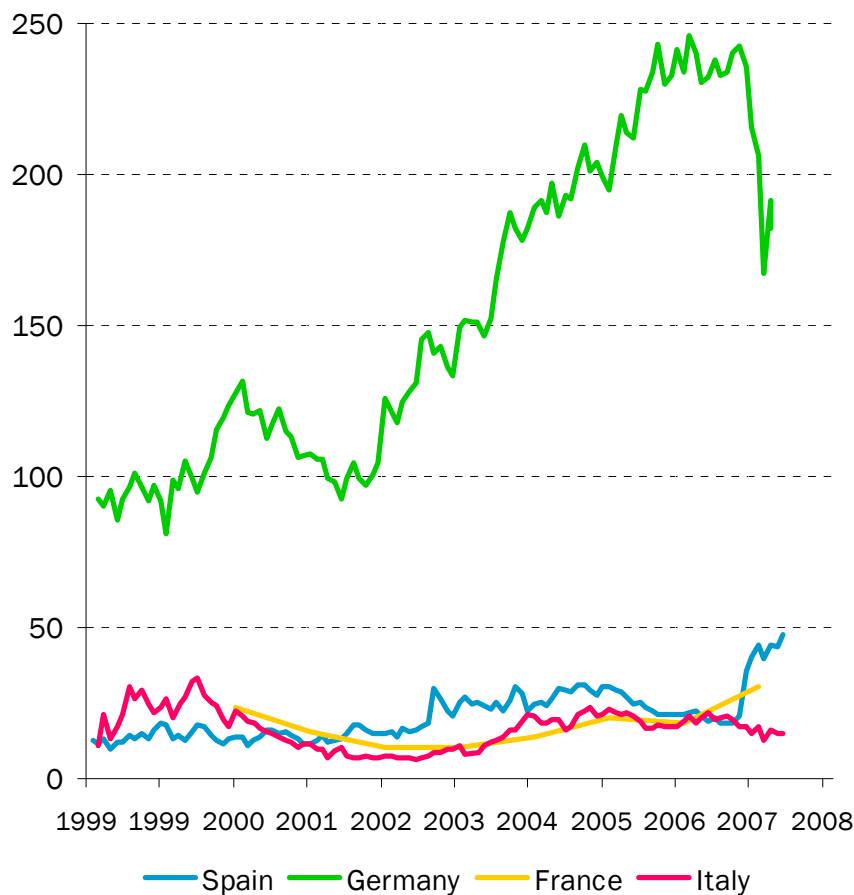
(€ in billion and percentage of total maturities)



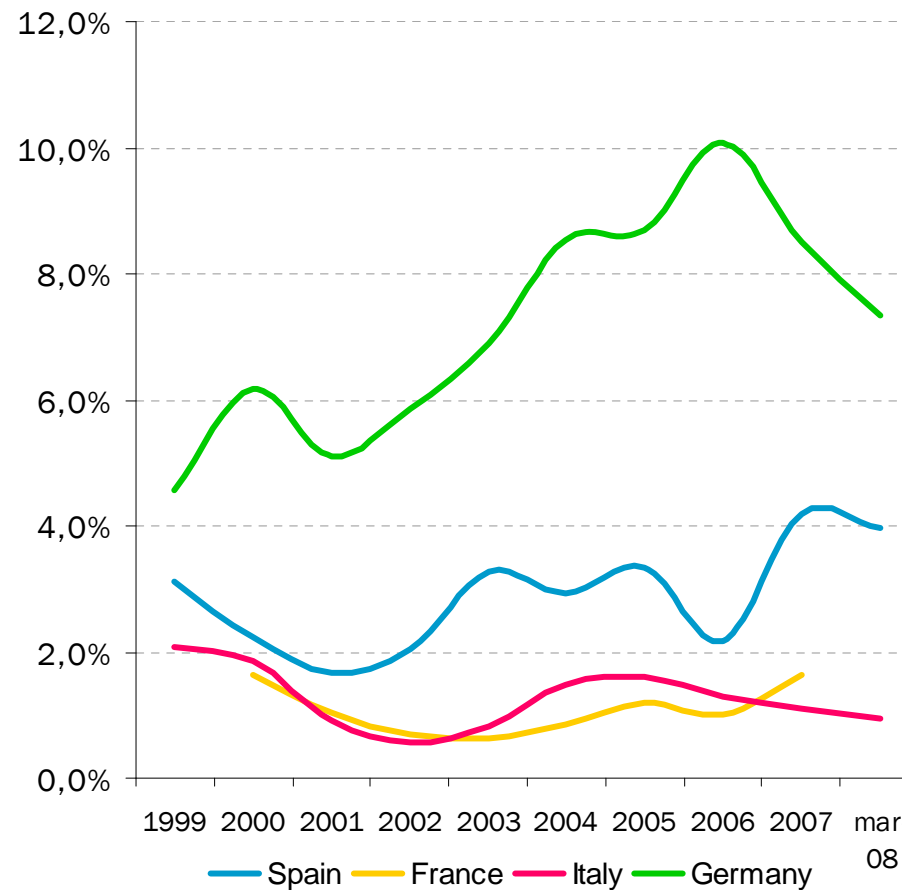
... and limited access to ECB lines



Net lending granted by the ECB
(in € billion)



Net lending granted by the ECB as a
percentage of GDP



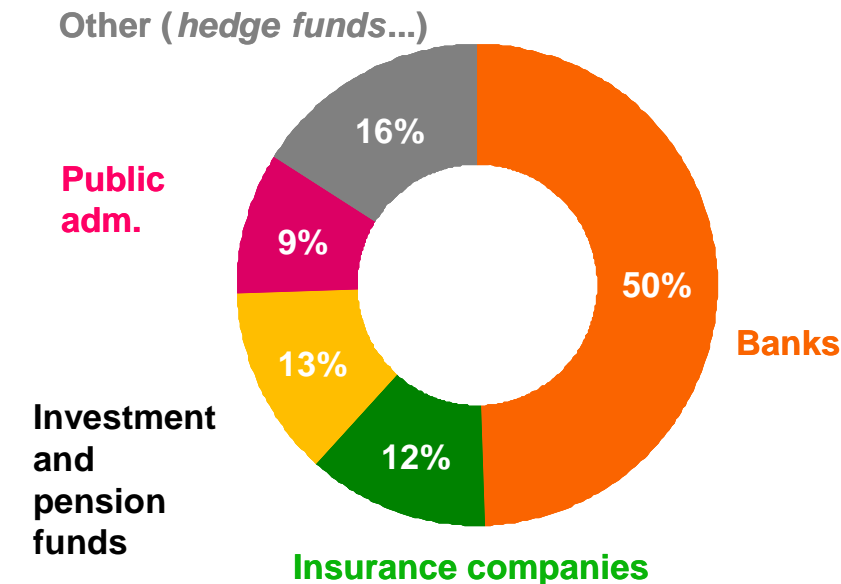
Source: European Central Bank, Bank of France, Bank of Ireland, Bank of Italy and Bank of Spain

In August 2007, the *subprime* caused the credit crisis ...



According to the IMF, losses linked to subprime will total US\$945 billion

Losses by type of financial institutions (in %)



Subprime-related writedowns and capital increases to date (in € million)

Continental-European Banks

Writedowns	199,200
Capital increases	125,500

North-American Banks

Writedowns	165,600
Capital increases	147,700

Asian Banks

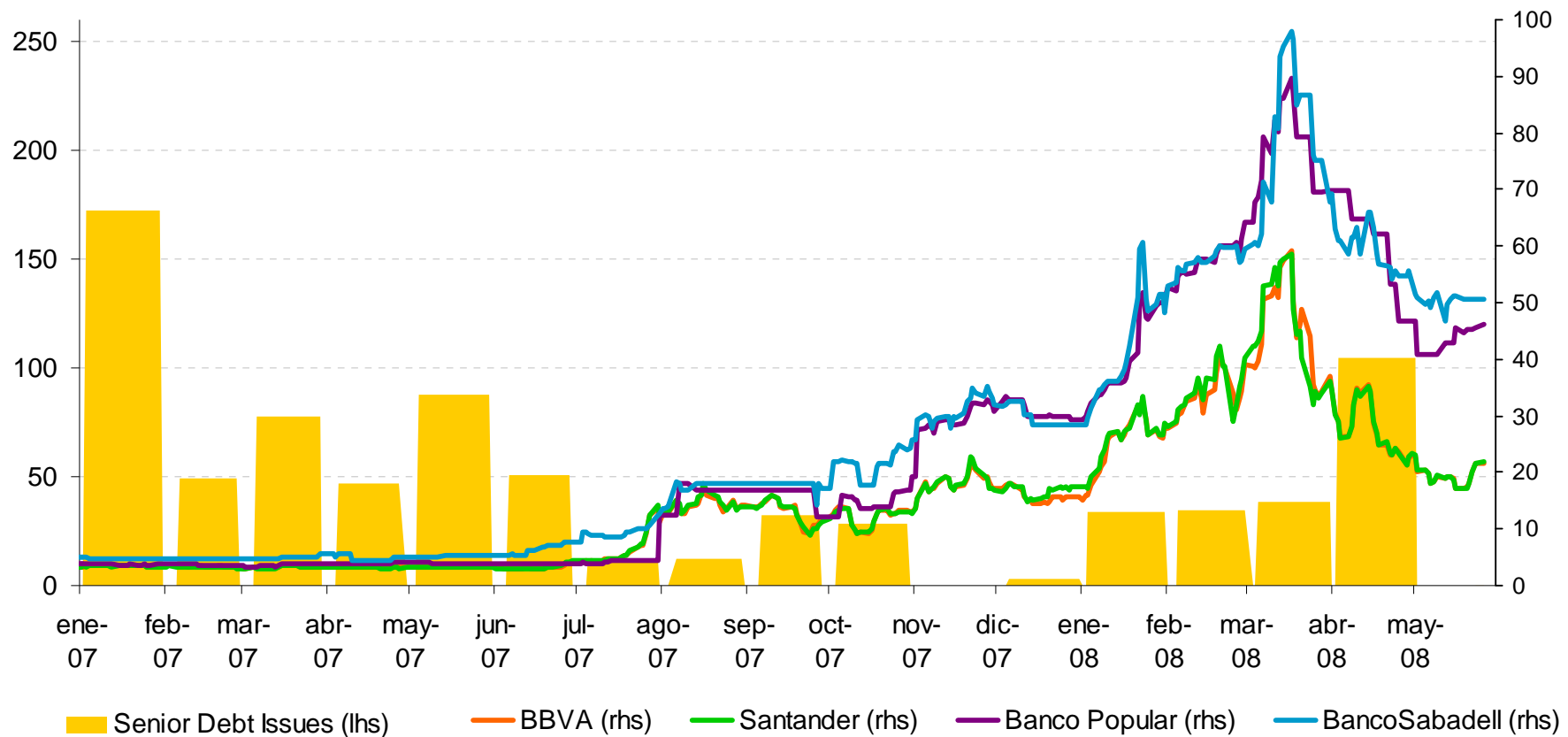
Writedowns	21,400
Capital increases	9,600

Writedowns	386,200
Capital Increases	282,800

... implying harder credit conditions globally ...



Europe – Senior debt issues and Senior CDS, Jan07 to date (in € billion and bp)



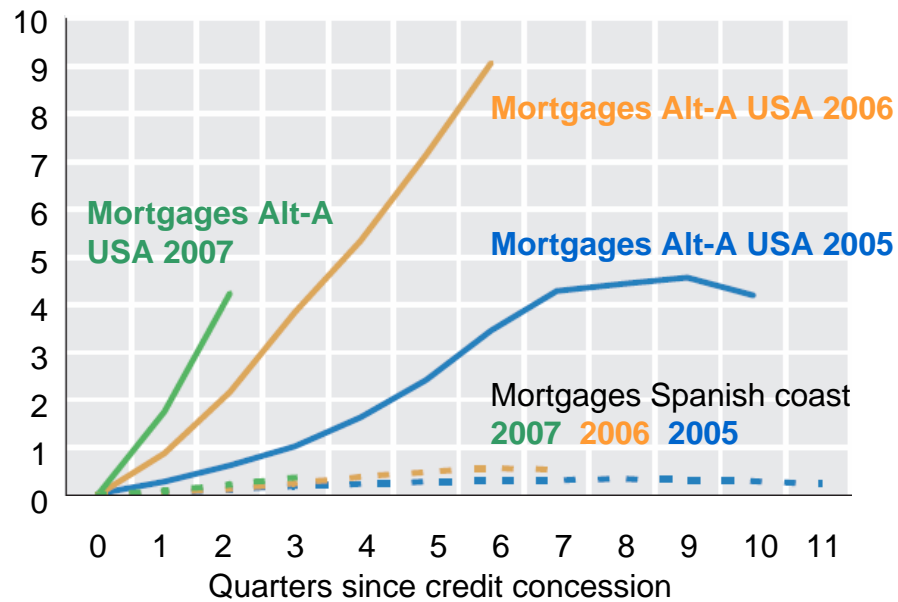
Source: Bloomberg and JPMorgan

... although the Spanish financial system is not involved ...

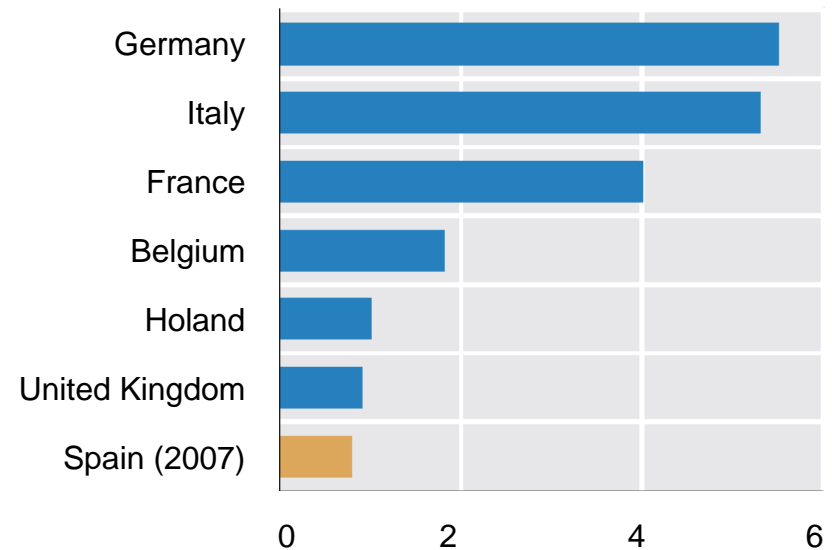


The Spanish financial system has not taken part neither in originating nor spreading the credit issue

Absence of *subprime* in Spain
Doubtful loans, 2005-2007 (in %)



Strict risk management
NPL ratio (2006) (in %)



Source: *Informe de Estabilidad Financiera* of Bank of Spain, April 2008

... and securitizations are of high quality

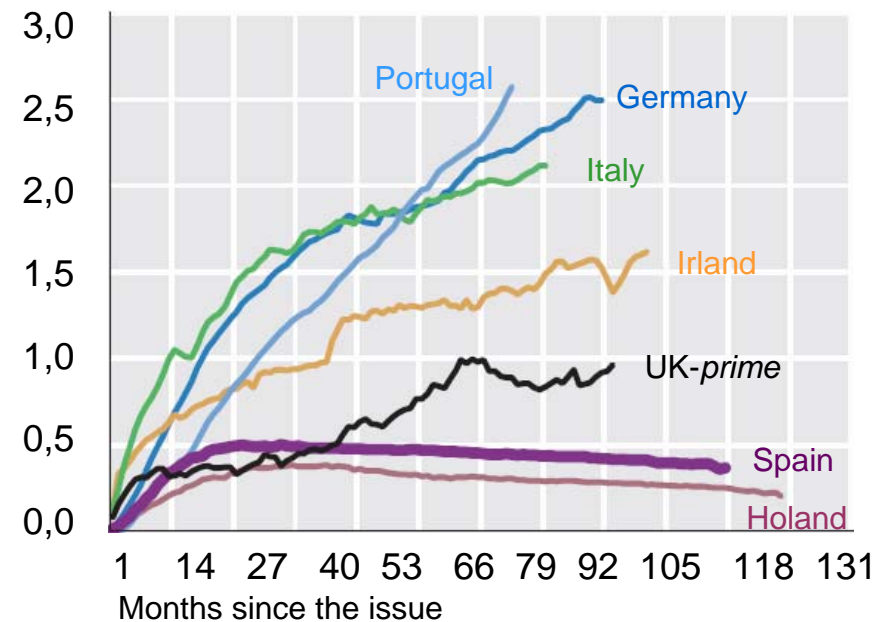


Securitizations in Spain have been used to finance organic growth, not as business *per se*

Distribution by tranches of securitization bonds (in percentage)

AAA	92.7%
AA+ to A-	2.6%
BBB+ to B-	2.7%
CC+ to CCC-	0.1%
Other	1.8%

European NPL mortgage securitizations (>90 days) (in percentage)



1. Spanish financial overview

2. Spanish savings dynamics

3. Banco Sabadell strengths

Banco Sabadell reacted promptly to offset the credit crisis ...



August 2007

Measures taken

Increase credit spreads across the whole range of loans

Increase immediately the prices paid for customers' deposits

Impacts

Short term: Strong deceleration in asset growth, implying a liquidity position improvement

Medium term: Increase customer profitability

Short term: Substantial inflow from customer deposits, implying improvement in liquidity position

Medium term: Customer deposit retention and milder deposit growth

... focusing on a balanced loan and deposit growth ...



Loans

The competition reacted with a lag of several months which allowed Banco Sabadell to reverse the negative commercial gap trend

Now clients come back for loans despite our higher pricing policy

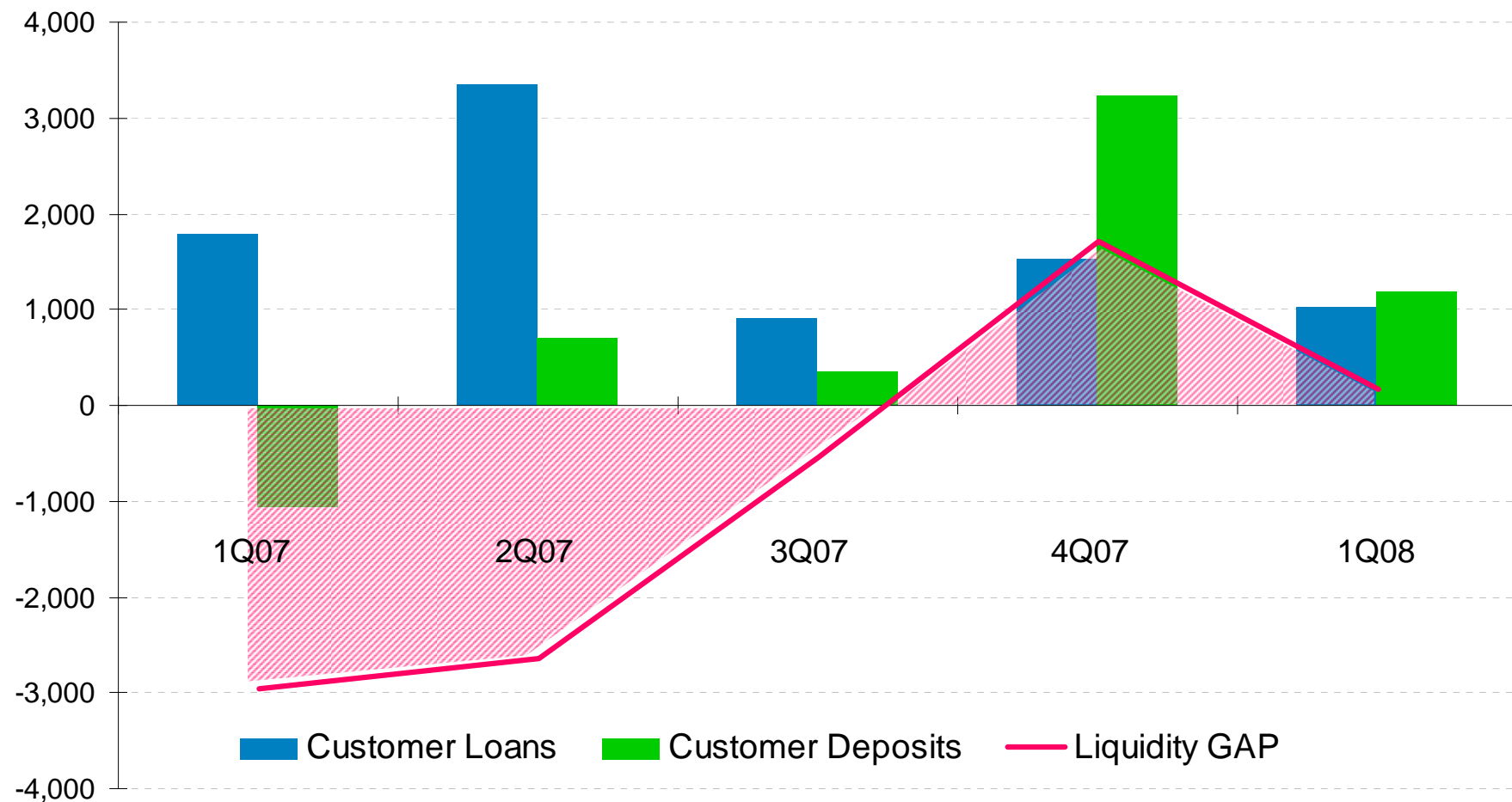
Deposits

Aggressive deposit pricing leads customers to casting doubt on the soundness of the financial institutions

... generating a positive Liquidity Gap



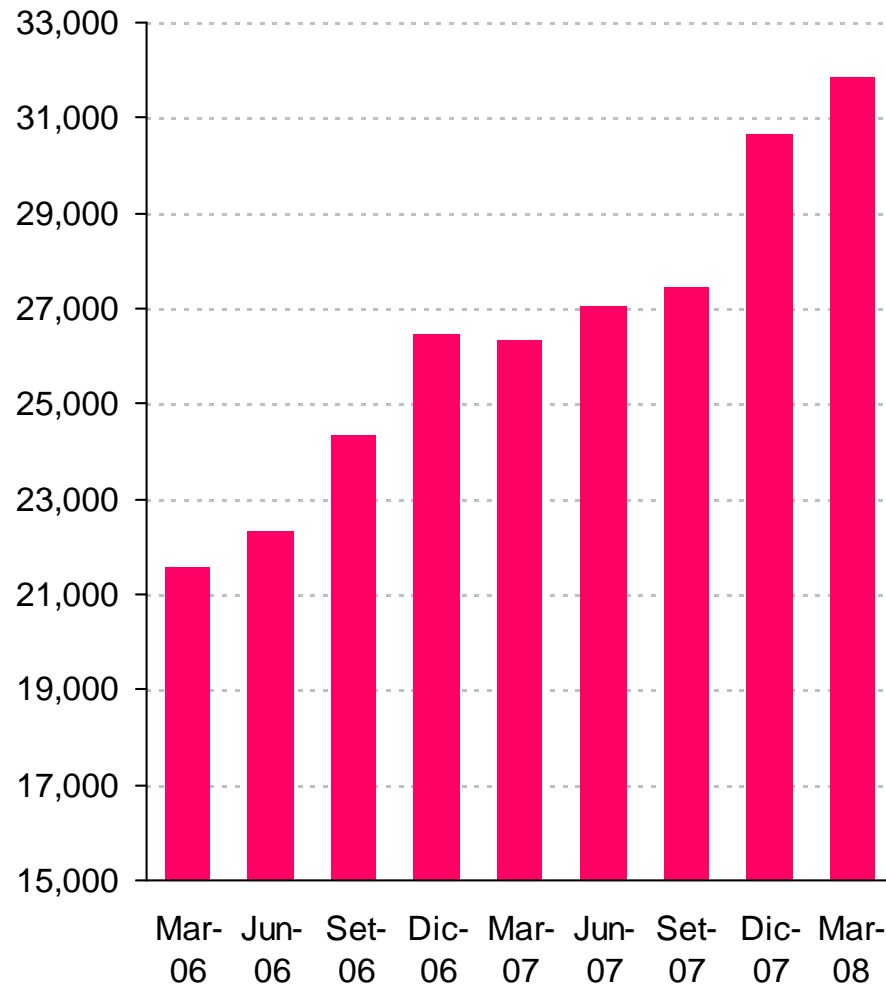
BS Liquidity Gap (in € million)



Focusing on aggressive deposit gathering campaigns ...



BS – Customer deposits (in € million)



BS Depósito 8x3
Sabadell Atlántico

Tres posibilidades una alta rentabilidad

8x3

¿Qué es BS Depósito 8x3?
BS Depósito 8x3 es un depósito referenciado a un índice de acciones de referencia (TELEFONICA, IBERDROLA y BBVA) en los meses establecidos.

¿Cómo se calculan los rendimientos?
Valor inicial de las acciones de referencia: valor de cierre.

Se establecen 3 fechas de posible v

BS Depósito 9x3
Sabadell Atlántico

Tres posibilidades d'obtenir una rendibilitat alta per a la seva inversió

9x3

¿Qué es BS Depósito 9x3?
BS Depósito 9x3 es un depósito referenciado que le ofrece del 6% anual i, a més a més, recuperarà totalment el 15 de febrer de 2011.

Així, vostè disposa de 3 possibilitats d'aconseguir un valor inicial de les accions de referència: valor de tancament de les tres accions de referència.

Com es calculen els rendiments
Valor inicial de les accions de referència: valor de tancament de les tres accions de referència.

S'estableixen 3 dates de vencim

- 14 de febrer de 2009: Si el valor de tancament de les tres accions de referència és superior al valor inicial, vostè rebra un interès del 6%.
- 19 de febrer de 2010: Si el valor de tancament de les tres accions de referència és superior al valor inicial, vostè rebra un interès del 6%.
- 18 de febrer de 2011: Si el valor de tancament de les tres accions de referència és superior al valor inicial, vostè rebra un interès del 6%.

Contracti'l abans de partir de

BS Depósito Doble
Sabadell Atlántico

BS Depósito Doble es un depósito con un doble vencimiento, a 6 y 18 meses, que combina la tranquilidad de un tipo de interés fijo con las mejores expectativas de revalorización del Índice IBEX 35. Con la seguridad de saber que, pase lo que pase, recuperará el 100% del capital al vencimiento.

50% INTERÉS Fijo a 6 meses 6,31% nominal anual

100% Revalorización IBEX 35 a 18 meses 50% de la inversión

BS Dipòsit Captació
Sabadell Atlántico

Tres possibilitats d'obtenir una rendibilitat alta per a la seva inversió

¿Inversió referenciada?
IBEX 35
20% de au

BS Dipòsit Captació: comenci l'any amb una gran elecció

Es ben bé així, perquè no hi ha res millor que començar l'any nou amb una bona inversió: BS Dipòsit Captació, un dipòsit, per a nosaltres, que li proporcionarà una alta rendibilitat en el termini que vostè preferisca a tres, sis o dotze mesos. Amb una inversió mínima de 600 euros, obtindrà:

Recuperació del 100% del capital invertit

Un interès del 5,25% TAE*

Esculli el termini a 3, 6, 12 mesos

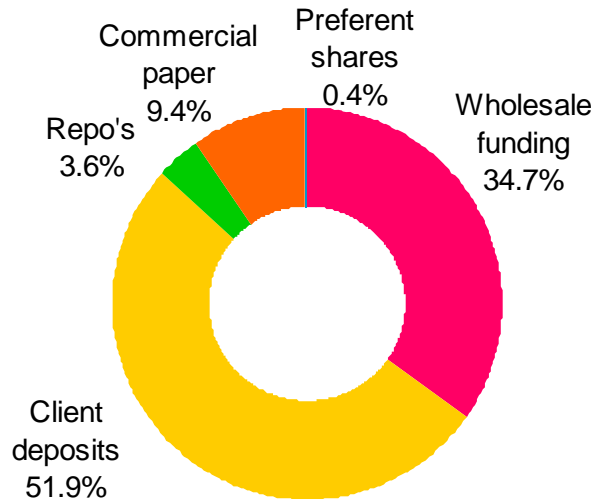
No deixi passar l'oportunitat d'aconseguir una rendibilitat elevada i escollir quan se'n vol beneficiar: contracti BS Dipòsit Captació abans del 31 de gener de 2008 i començarà l'any nou amb una acertada elecció per als seus estalvis.



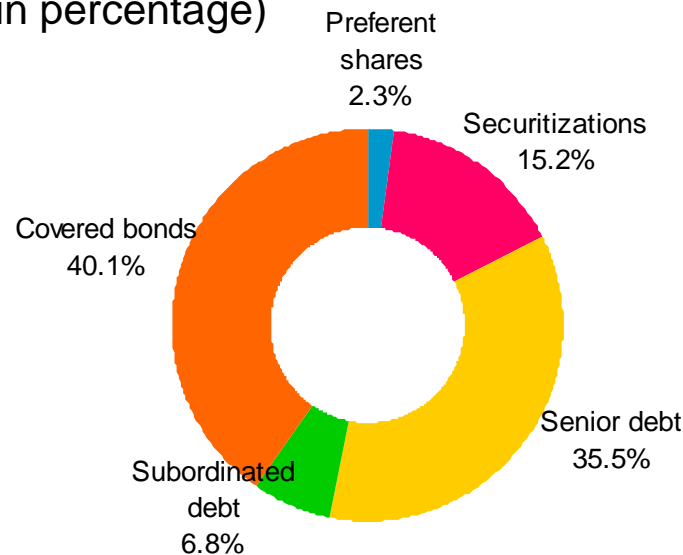
... has made possible an improvement in the funding structure ...



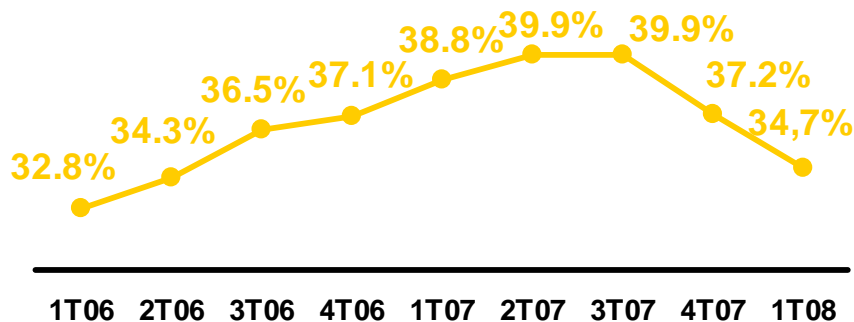
BS Funding structure, March 08 (in percentage)



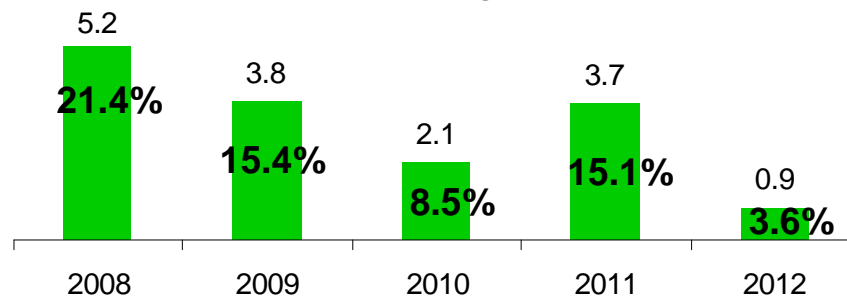
BS Wholesale funding breakdown, March 08 (in percentage)



Wholesale funding (in percentage)



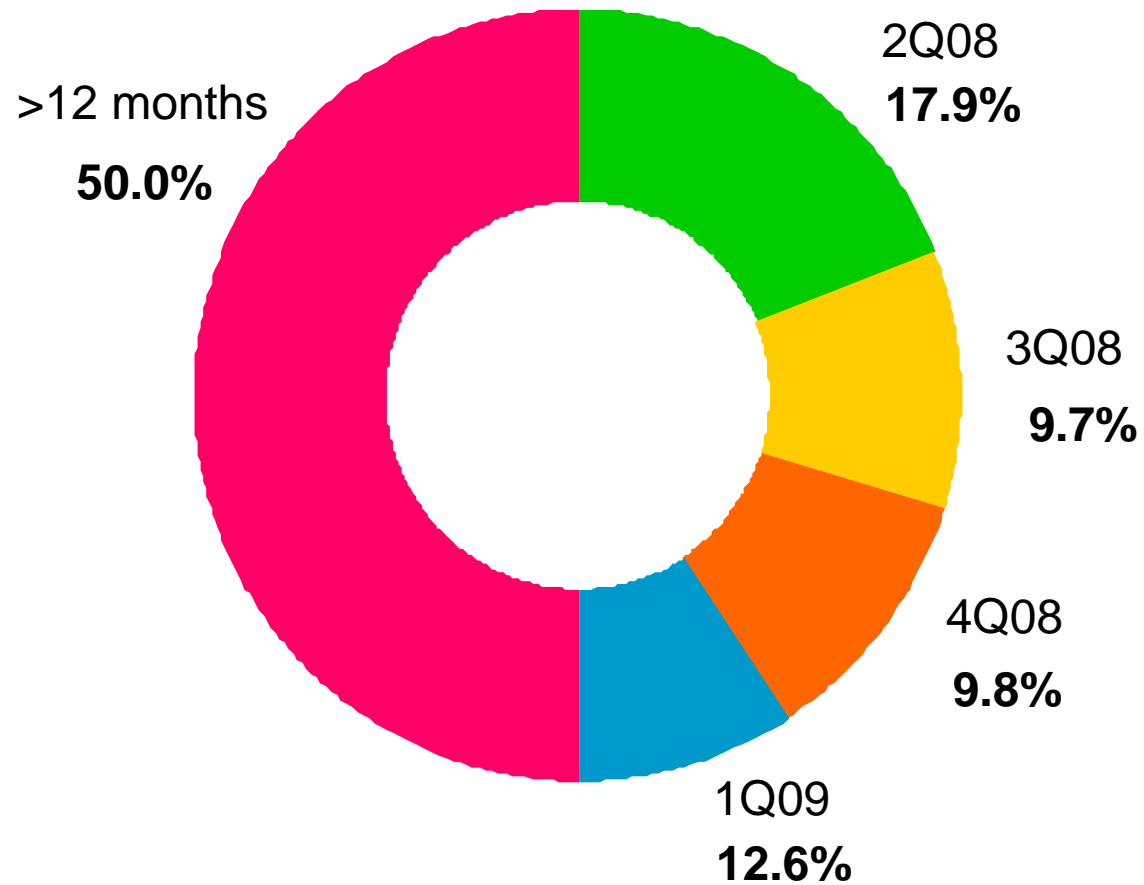
Wholesale funding maturity calendar (€ in billion and percentage of total maturities)



... and we have capacity to transfer price increases to customers



Loans with renegotiable pricing

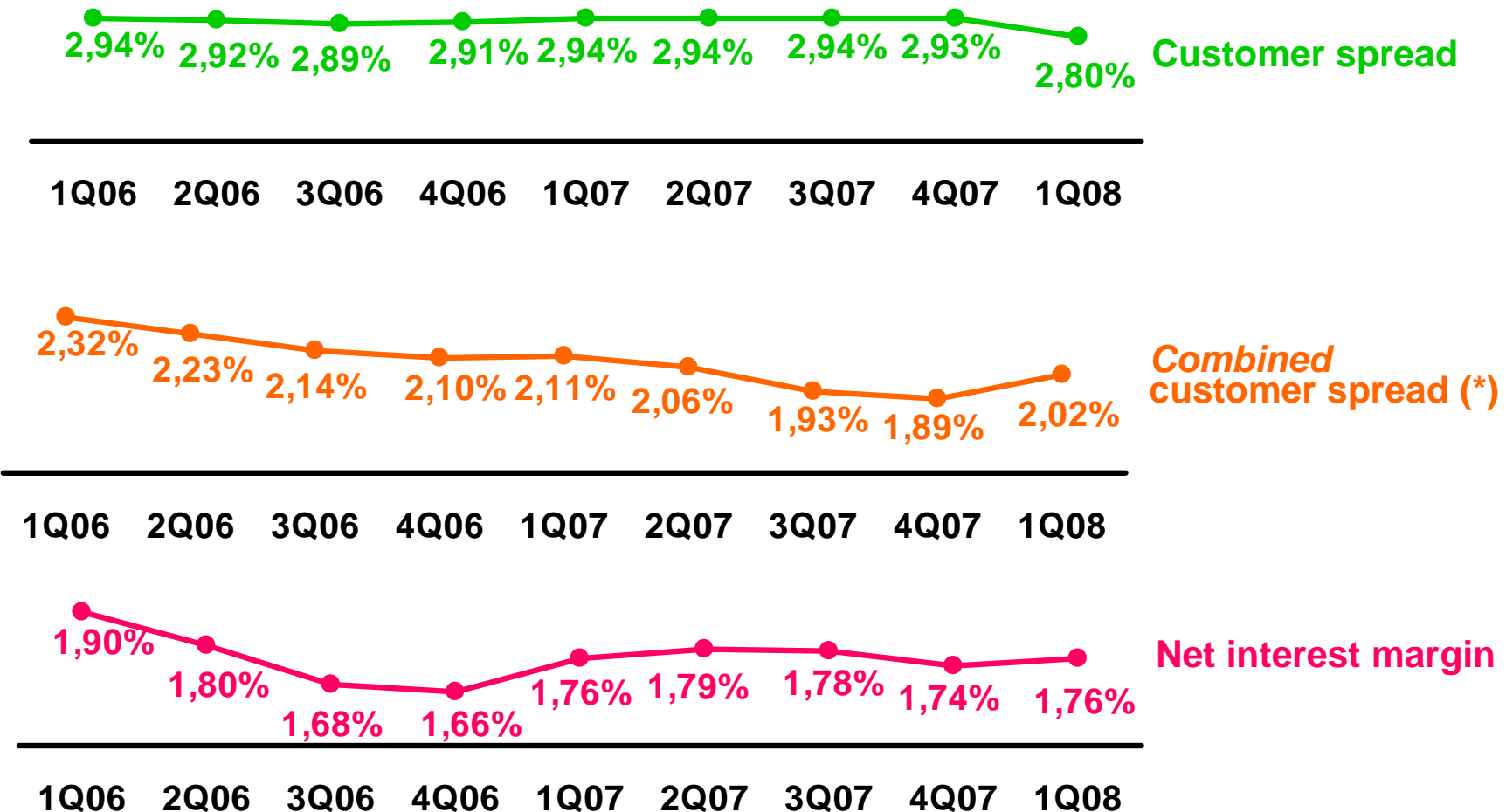


In percentage

The funding *mix* has made possible a positive effect in margins ...



Banco Sabadell – Customer spread and net interest margin (in percentage)

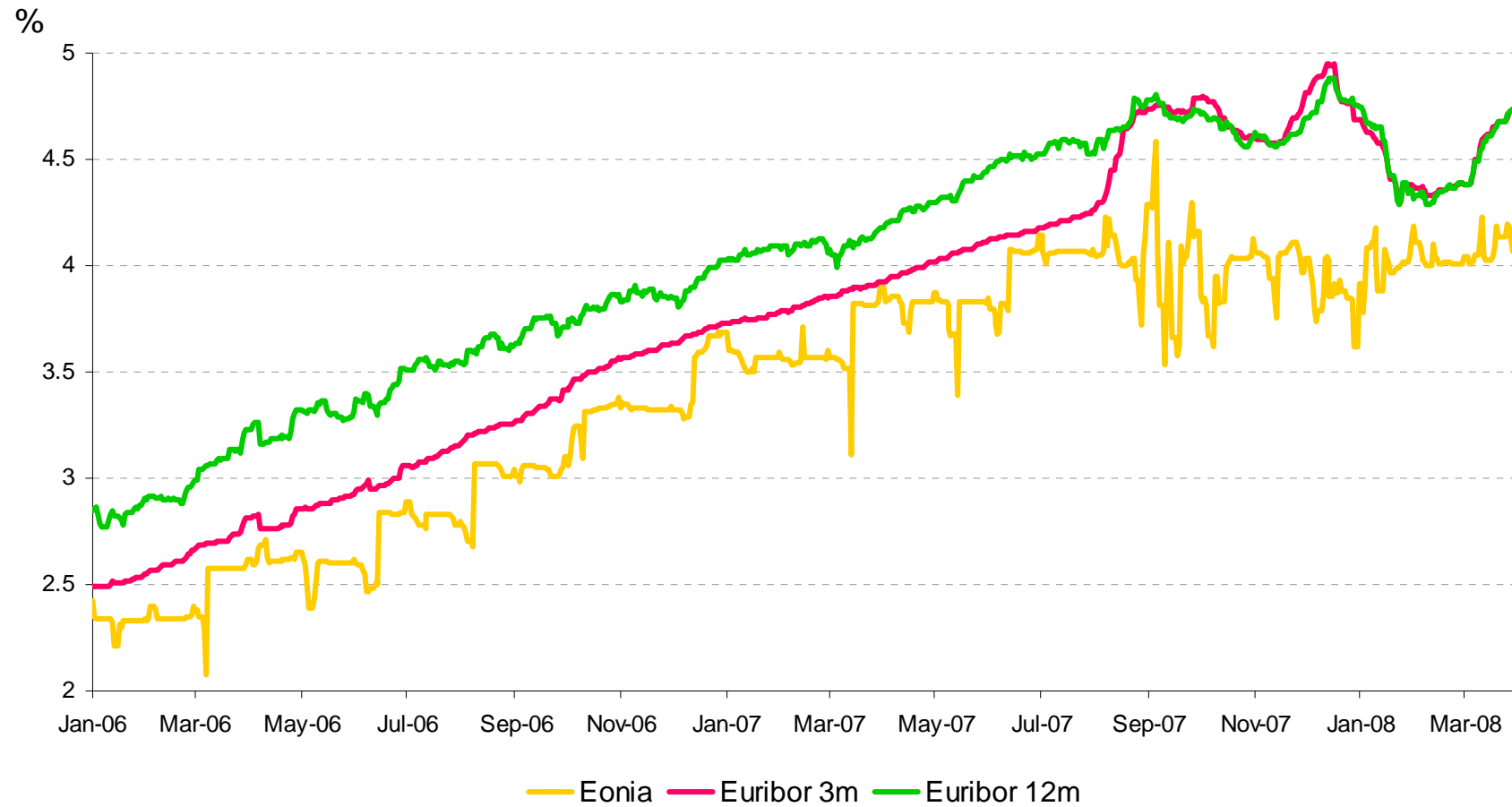


(*) Combined spread: loan yield – (cost of customer funds + cost of wholesale funding). In percentage

... in an interest rate rising environment ...



Interbank interest rates



Source: Bloomberg

Last April, we successfully placed a covered bond issue...



April 2008

€1,250,000

BancoSabadell



€1.25bn 5% Cédulas Hipotecarias,
9 May 2010

Bookrunners



... opening a market which was closed since 2007...



Date	Institution	Rating issuer	Rating issue	Spread	Type	Maturity date	Amount (M€)
29/04/08	Banco Sabadell	A+	AAA	+53	Covered bond	2 years	1,250 €
29/04/08	Banco Espírito Santo	A	A	+90	Senior FRN	2 years	1,250 €
06/05/08	Bankinter	A	AAA	+52	Covered bond	2 years	1,500 €
06/05/08	ANZ	AA	AA	+93	Senior	5 years	2,000 €
06/05/08	Bancaja	A+	AAA	+65	Covered bond	2 years	1,000 €
06/05/08	Fortis Bank	AA-	AA-	+68	Senior FRN	2 years	2,500 €
07/05/08	NRW Bank	AA-	AA-	flat	Senior	5 years	1,500 €
07/05/08	OTP Mortgage Bank	Aa3	Aa3	+140	Senior	3 years	500 €
07/05/08	Toronto Dominion Bank	AA-	AA-	+105	Senior	7 years	2,000 €
07/05/08	DnB NOR Boligkredit	A+	AAA	+15	Covered bond	3 years	2,000 €
07/05/08	Caixa Geral de Depositos	A+	A+	+67	Senior FRN	2 years	1,750 €
07/05/08	Banque PSA	A-	A-	+68	Senior	2 years	300 €
07/05/08	National Grid Gas Plc	A-	A-	+77	Senior	5 years	750 €
07/05/08	Royal Bank of Scotland	AA-	AA-	+93	Senior	5 years	3,000 €
08/05/08	Caixa Catalunya	A	AAA	+63	Covered bond	2 years	1,750 €

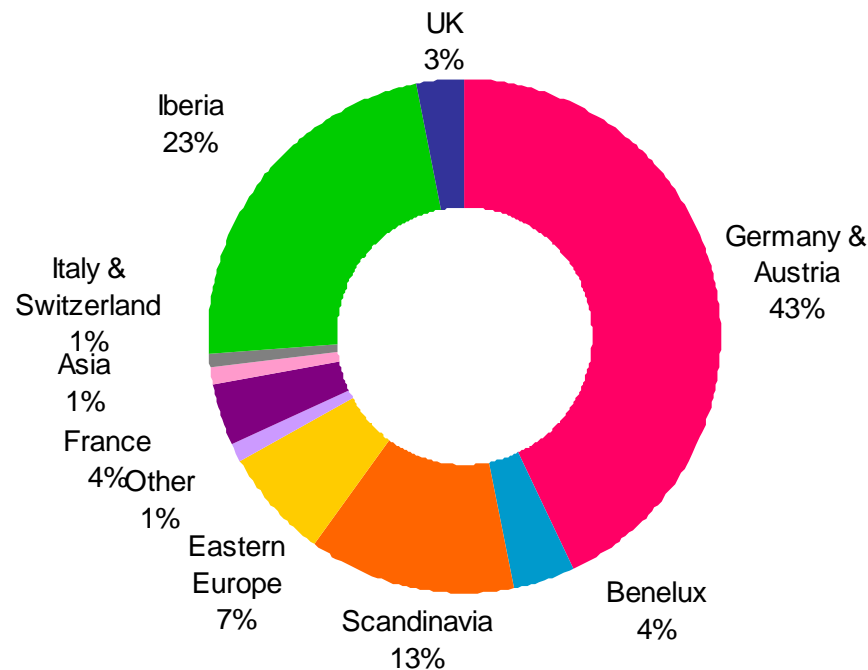
Date	Institution	Rating issuer	Rating issue	Spread	Type	Maturity date	Amount (M€)
29/04/08	Banco Sabadell	A+	AAA	+53	Covered bond	2 years	1,250 €

15/05/08	AIG	AA-	A	+345	T1	30 years	750 €
15/05/08	Swedbank	A+	AAA	+15	Covered bond	3 years	1,000 €
15/05/08	Dexia	AA	AAA	+9	Covered bond	10 years	1,250 €
16/05/08	Wachovia	AA	AA	+158	Senior	5 years	1,500 €
16/05/08	Millenium BCP	A	A	+85	Senior FRN	2 years	1,250 €
19/05/08	Nordea Bank	AA-	AA-	+43	Senior FRN	2 years	2,500 €
19/05/08	ING	AA	AA-	+155	LT2	15NC10	1,000 €
20/05/08	Deutsche Postbank	A-	AAA	+8	Covered bond	7 years	1,000 €
20/05/08	L-Bank	AA+	AA+	-12	Senior	2 years	1,500 €
20/05/08	Morgan Stanley	AA-	AA-	+200	Senior	10 years	750 €
20/05/08	Morgan Stanley	AA-	AA-	+175	Senior	3 years	1,000 €
20/05/08	Unicredit Italiano	A+	A+	+55	Senior FRN	2 years	2,000 €
20/05/08	Santander	AA	AA	+55	Senior FRN	2 years	1,000 €
20/05/08	Intesa San Paolo	AA-	AA-	+50	Senior FRN	2 years	1,000 €
20/05/08	SEB AG	A+	A+	+48	Senior FRN	2 years	1,000 €
20/05/08	BNP Paribas	AA+	AA+	+38	Senior FRN	2 years	1,500 €
20/05/08	BNP Paribas	AA+	AA+	+30	Senior	3 years	€325
21/05/08	Storebrand Kreditforetak	BBB+	AAA	+30	Covered bond	2 years	500 €
23/05/08	SNS Bank	A	A	+85	Senior FRN	2 years	500 €
23/05/08	Caja Murcia	A+	A+	+125	Senior	2 years	300 €
23/05/08	Caixanova	A	A	+130	Extendible	2 + 1 opcional	200 €
27/05/08	Eurohypo	A	AAA	+13	Covered bond	10 years	1,000 €
27/05/08	OP Mortgage Bank	AA-	AAA	+11	Covered bond	2 years	1,000 €
27/05/08	Unicredit Italiano	A+	A-	+200	UT2	10 years	1,000 €
28/05/08	Dexma	AA	AAA	+5	Covered bond	3 years	1,250 €
28/05/08	Caja Burgos	A2	A2	+130	Senior	2 years	200 €
29/05/05	ING Bank NV	AA-	AAA	+50	Covered bond	10 years	2,000 €
29/05/05	Societe Generale	AA-	AAA	+14	Covered bond	5 years	1,000 €
02/06/08	Nord LB	A	AAA	+4	Covered bond	5 years	1,000 €
03/06/08	Danske Bank	AA-	AAA	+20	Covered bond	5 years	1,250 €

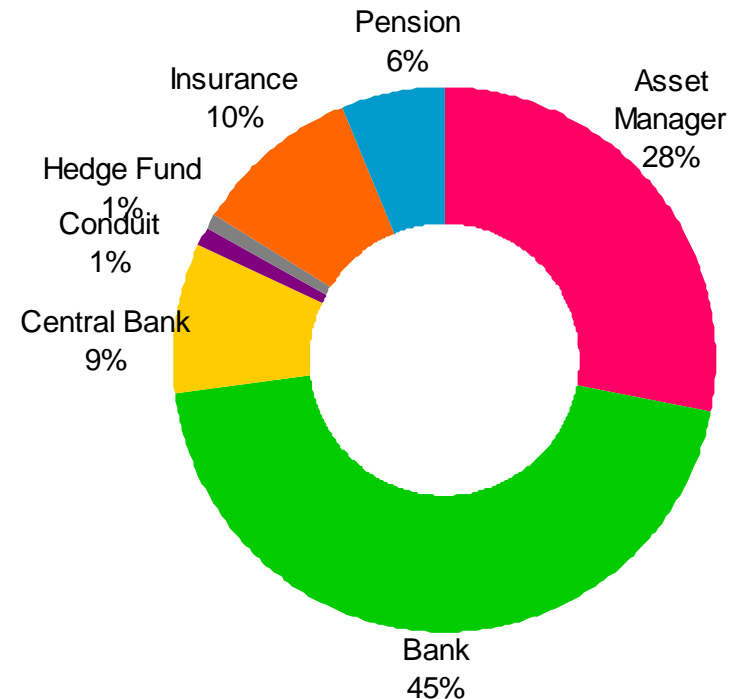
...achieving competitive conditions with a broad international investor base



Distribution by region



Investor type



Germany & Austria were the biggest investor regions with 44% of the allocated bonds. Iberian accounts also played a key role in the transaction

Asset managers, insurance companies, central banks and pension funds accounted for over 53% of the allocated bonds



Our conservative management will allow us to reinforce our market position

We continue to optimise liquidity

Increasing asset spreads

Issuing selectively to diversify funding

A more solid position after the market adjustment

www.bancosabadell.com

SabadellAtlántico BancoHerrero Solbank Banco Urquijo ActivoBank

