

Quarterly financial report

First quarter, 2011



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Introduction

Key developments in 1Q11

- Net interest income: grew 1.3% year-on-year. Excluding the impact of integrating Banco Guipuzcoano (December 2010), the change would have been -7.9%, given the negative effect of the curve and the impact of greater customer deposits. These factors were mitigated by the favourable performance of lending spreads and the greater margin from the ALCO portfolio.
- Net fees and commissions: this item amounted to Euros 135.7 million, an increase of Euros 6.5 million (+5.0%) with respect to 1Q10. Excluding Banco Guipuzcoano, the year-on-year change would have been -3.1%.
- Results from financial transactions: includes capital gains of Euros 87.1 million from the debt-for-equity operation in February (issue and placement of 126 million BS shares to tender for preference shares and subordinated debt at a discount).
- Total administrative expenses (personnel and general): recurrent administrative expenses were stable (+0.0%) in like-for-like terms (i.e. excluding the impact of integrating Banco Guipuzcoano) and also excluding the sale and leaseback transaction arranged in April 2010.

Specifically, recurrent personnel expenses remained stable (+0.0%) assuming no change in consolidation scope. Non-recurrent personnel expenses amounted to Euros -13.1 million, compared with Euros -1.0 million in the first quarter of 2010.

Recurrent general administration expenses fell by -0.1% assuming no change in consolidation scope and also excluding the sale and leaseback operation in April 2010. Non-recurrent general expenses (i.e. restructuring costs related to the Banco Guipuzcoano acquisition) amounted to Euros -6.2 million.

- Provisions for NPLs and other impairments: provisions for NPLs and other impairments (primarily real estate and financial assets) totalled Euros -330.1 million in the quarter. A significant portion of those provisions (Euros -186 million) were booked using extraordinary revenues from the debt-for-equity swap in February 2011 and from the gross impact of the recognition of goodwill for tax purposes (further details below).
- On 31 March 2011, the NPL ratio was 5.46% and the NPL coverage ratio was 50.70% (113.97% including mortgage collateral).
- Income tax includes a Euros 69.4 million credit due to a decision by the Spanish tax authorities on the tax deductibility of goodwill. The first quarter of 2010 also included a Euros 16 million credit since the conditions were met to apply part of the tax credit for reinvesting the capital gains on the sale of 50% of the insurance and pension business (in 2008).
- The core capital ratio is 9.37% (compared with 7.70% at 31 March 2010). The core capital ratio in accordance with Legislative Royal Decree 2/2011 is 9.05% (8.04% at 31 March 2010).
- Loans to deposit ratio: customer funds on the balance sheet increased by +30.3% year-on-year (+16.9% if Banco Guipuzcoano is excluded) while gross loans and advances to customers, excluding repos, increased by +11.0% (-0.7% excluding Banco Guipuzcoano). The gap generated in the first quarter of 2011 was Euros 2,868.8 million.

Macroeconomic environment

Global economic and financial background

During the first quarter of 2011, geopolitical tensions in several North African and Middle Eastern countries led to an upswing in oil prices to levels not seen since mid-2008. Risk aversion increased due to this situation and to the natural catastrophe that Japan suffered in March. Fiscal problems in Europe continued to capture the markets' attention. In view of this, the European authorities approved a series of improvements to the financial aid mechanisms designed for countries in difficulty.

Developed countries' economies advanced, while emerging countries intensified monetary restrictions to keep their economies from overheating. In the euro area, lending to the private sector performed positively while, in the US, economic improvements have begun to be reflected in the labour market.

Fixed income markets

The main central banks are adopting divergent monetary policies. The Bank of Japan increased its asset purchase programme and injected liquidity into the system to maintain financial stability in the wake of the recent natural disaster. Although the US Federal Reserve's tone with regard to the economy has been more positive, it left the base rate unchanged (between 0% and 0.25%) and maintained its quantitative easing programmes. The European Central Bank kept the base rate at 1,00%; however, the March meeting brought a more aggressive

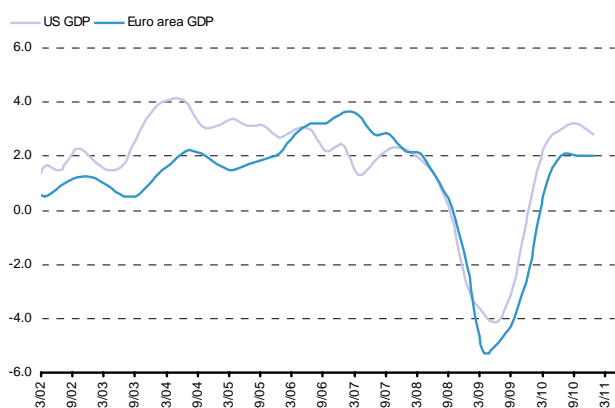
discourse on inflation, preparing the market for an imminent interest rate hike (which came as a 25 basis point increase in April). The Bank of England maintained the base rate at 0.50% and its asset purchase programme at GBP 200 billion, although three of its nine members voted to raise rates.

Yields on German and US long-term debt increased as a result of the ECB's more aggressive discourse, progress in improving financial aid mechanisms in Europe and the positive tone of economic data. Greater differentiation between non-core countries in the euro was also noticeable. Specifically, the risk premiums for Greece, Ireland and Portugal remain high, while those for Spain and Italy have declined, due to improvements in the financial aid mechanism.

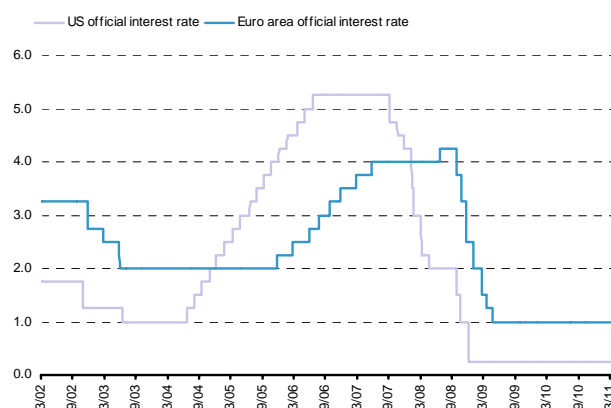
Equity markets

In the first quarter, gains in equities were widespread—in both the US and the euro area—driven by greater optimism about the economic recovery, a good earnings season and progress in negotiations in Europe over economic and fiscal convergence pacts and bailout mechanisms. The euro's appreciation meant that gains in the US were diminished upon conversion. Two uncertainties continue to weigh on market performance and investor sentiment: the geopolitical conflict in North Africa and the Middle East and the nuclear concerns in Japan.

GDP – USA vs. Euro area (y/y change, %)



Official interest rate – USA vs. Euro area (%)



Financial review

Basis of presentation

The consolidated profit and loss account and balance sheet as of 31 March 2011 and 2010, together with the disclosures shown in this Financial Report, are presented in accordance with the accounting standards, principles and criteria defined in Note 1 to the Group's consolidated financial statements as of 31 December 2010.

The financial statements as of 31 March 2011 include the balances corresponding to Banco Guipuzcoano since the acquisition of that bank was completed in November 2010.

Balance sheet and bottom line

Balance sheet

At 31 March 2011, the total assets of Banco Sabadell and its Group amounted to Euros 95,257.2 million, having increased by 12.3% year-on-year. Excluding the balances from Banco Guipuzcoano, total assets increased by 2.6% year-on-year.

Gross loans and advances to customers, excluding repos, amounted to Euros 72,073.7 million, an 11.0% increase over the figure registered at the end of March 2010 (-0.7% excluding Banco Guipuzcoano funds). There was a notable increase in loans with mortgage collateral (by Euros 2,838.3 million) and in other loans (by Euros 2,519.6 million).

The ratio of non-performing loans (NPLs) to total computable loans was 5.46%, i.e. still below the Spanish financial sector average. Coverage of doubtful assets was 50.70%. The coverage ratio including mortgage collateral is 113.97%.

At 31 March 2011, customer funds on the balance sheet amounted to Euros 51,245.2 million, compared with Euros 39,327.9 million at 31 March 2010 (+30.3%). Time deposits totalled Euros 31,494.9 million, having increased by 38.9%. Demand deposits amounted to Euros 18,751.9 million, up 19.8% in the last twelve months. Excluding the funds from Banco Guipuzcoano, customer funds on the balance sheet increased considerably, by 16.9%, due particularly to a 22.8% increase in term deposits.

Liabilities in the form of tradeable securities amounted to Euros 19,713.2 million in the first quarter, compared with Euros 23,193.4 million one year ago (-15.0%). As for wholesale funding, subordinated liabilities declined by 5.1% as a result of the debt-for-equity swap performed in February 2011 (issue and placement of 126 million BS shares to cover the tender for preference shares and subordinated debt at a discount). This transaction increased own funds by Euros 411 million, and the proceeds were used to redeem preference shares and subordinated obligations at a discount.

Assets in collective investment vehicles totalled Euros 8,732.8 million at 31 March 2011, down 5.3% with respect to the same date last year.

Assets in pension funds marketed by the Group increased by 1.7% year-on-year to Euros 2,934.7 million at 31 March 2011.

Insurance sales increased by 7.8%. The balance at 31 March 2011 was Euros 5,787.0 million.

Total funds under management amounted to Euros 92,814.5 million at 31 March 2011, compared with Euros 84,168.9 million at 31 March 2010 (+10.3%). Excluding the balances from Banco Guipuzcoano, funds under management increased by 0.6% year-on-year.

Income and profit performance

Net income attributed to Banco Sabadell and its group amounted to Euros 84.2 million in the first quarter of 2011, compared with Euros 108.4 million in the first quarter of 2010.

In the first three months of 2011, net interest income totalled Euros 379.1 million (+1.3% year-on-year). Excluding the balances from Banco Guipuzcoano, net interest income declined by -7.9% year-on-year, given the negative effect of the curve and the impact of greater deposit-taking. Both effects were mitigated by the positive performance of the spread on loans and the greater margin on the ALCO portfolio.

Income from equity-accounted affiliates amounted to Euros 16.8 million, including a significant contribution from Dexia Sabadell (Euros 7.5 million), the participated banks in Latin America (Euros 6.1 million, from Centro Financiero BHD and Banco del Bajío), and insurance and pension affiliates (Euros 1.7 million).

Net fees and commissions amounted to Euros 135.7 million, an increase of 5.0% year-on-year (-3.1% excluding Banco Guipuzcoano). Fees and commissions on securities, syndicated loans, and risk transactions performed particularly well.

Income from financial transactions amounted to Euros 124.5 million, including extraordinary gains of Euros 87.1 million on the debt-for-equity operation performed in February 2011, which were fully allocated to NPL provisions and other impairments.

Operating expenses in the first quarter of 2011 amounted to Euros 290.6 million, of which Euros 19.3 correspond to non-recurrent expenses (personnel indemnities and restructuring costs related to the Banco Guipuzcoano integration). In like-for-like terms (i.e. excluding the impact of integrating Banco Guipuzcoano and the sale and leaseback transaction in April 2010), operating expenses remained stable with respect to the same period of the previous year. The cost/income ratio, excluding non-recurrent expenses, was 46.42%.

As a result, net income before provisions amounted to Euros 348.5 million at 31 March 2011 (+21.5% year-on-year).

Provisions for loan losses and other impairments (primarily real estate and financial assets) amounted to Euros 330.1 million, an increase of 97.1% compared with the same period in 2010. A significant portion of those provisions (Euros -186 million) came from extraordinary revenues obtained from the debt-for-equity operation in February

2011, and from the gross impact of the tax authorities' decision as to the tax deductibility of goodwill. The latter is reflected in the section on income tax and represents, in net terms, a Euros 69.4 million credit.

Gains on asset disposals amounted to Euros 1.1 million, compared with Euros 4.1 million in the same period last year. After deducting income tax and minority interests, net income attributed to the group amounted to Euros 84.2 million.

The core capital ratio is 9.37% (7.70% at 31 March 2010). The core capital ratio calculated in accordance with Legislative Royal Decree 2/2011 is 9.05% (8.04% at 31 March 2010).

Other key developments in 1Q11

Capital increase and tender for debt issued by Banco Sabadell and Banco Guipuzcoano

On 31 January, the Board of Directors of Banco Sabadell resolved to increase capital stock by a maximum nominal amount of Euros 15.8 million through the issuance and distribution of up to 126,363,082 ordinary shares. The Board of Directors of Banco Sabadell also decided to simultaneously make a tender offer in cash for all or part of the debt securities in the following issues: *participaciones preferentes Serie 1/2006*, *obligaciones subordinadas 1/2006* and *obligaciones subordinadas 1/2010* issued by Banco Sabadell; and *obligaciones subordinadas* issued in March 2006 by Banco Guipuzcoano.

The purpose of the capital increase for monetary contributions was to strengthen Banco Sabadell's core capital ratio (capital plus reserves) and to raise the necessary funds for the simultaneous tender offer.

The combination of the capital increase and the tender for the debt securities further enhanced the composition of the bank's capital, increasing the core capital ratio to satisfactory levels even considering the new Basel III regulations.

On 1 February, Banco Sabadell announced the completion of accelerated bookbuilding for the capital increase. By means of this capital increase, a total of 126,363,082 ordinary shares, of the same class and series as the existing shares, were issued at a price of Euros 3.25 per share, including the par value (Euros 0.125 per share) and the issue premium. The total amount of the capital increase (including the par value and issue premium) was Euros 410.7 million.

On 11 February, Banco Sabadell announced the results of the tender offer for debt securities. According to the terms set out in the Tender Offer Memorandum, the nominal amount repurchased totalled Euro 491.8 million (the effective amount is the same as the capital increase).

The transaction provided gross gains of Euros 87.1 million.

Mortgage covered bond issue

On 3 February, Banco Sabadell completed the placement of a Euros 1.2 billion issue of 2-year mortgage covered bonds (*cédulas hipotecarias*) with an IRR at mid-swap + 260 basis points (4.50%) aimed at both domestic and international institutional investors.

The issue, which was settled on 11 February, forms part of Banco Sabadell's programme of non-equity securities that is registered with the Spanish National Securities Market Commission (CNMV).

The subscription period opened and closed on the same day, 3 February, and the issue was amply oversubscribed.

The issue attracted a large number of international investors (72.5% of the issue), basically financial institutions, mutual fund managers, insurance companies and pension funds.

The placement was managed by Citi, Commerzbank, Deutsche Bank, Merrill Lynch and Société Générale, in addition to Banco Sabadell.

Key figures

	31.03.10	31.12.10	31.03.11	Change (%) YoY
Balance sheet (€'000)				
Total assets	84,801,590	97,099,209	95,257,229	12.3
Gross loans and advances to customers, excluding repos	64,960,241	73,057,928	72,073,664	11.0
Gross loans and advances to customers	64,960,241	76,190,720	72,202,337	11.1
On-balance sheet funds	65,601,931	77,164,193	74,129,832	13.0
Of which: Customer-based funding on balance sheet (1)	39,327,895	49,374,406	51,245,159	30.3
Mutual funds	9,221,551	8,852,797	8,732,821	-5.3
Pension funds and third-party insurance products	8,252,718	8,742,691	8,721,701	5.7
Funds under management	84,168,867	95,998,199	92,814,501	10.3
Shareholders' equity	5,325,139	5,978,412	6,295,425	18.2
Profit and loss account (€'000)				
Net interest income	374,104	1,459,116	379,149	1.3
Gross operating income	562,150	2,331,339	671,561	19.5
Net income before provisions	286,877	1,136,304	348,493	21.5
Attributable net profit	108,380	380,040	84,248	-22.3
Ratios (%)				
ROA	0.52	0.44	0.36	
ROE	9.20	7.32	6.27	
Cost / income (ex amortisation) (2)	42.13	46.20	49.72	
Cost / income ratio excluding non-recurrent expenses (2)	41.96	45.20	46.42	
Core capital	7.70	8.20	9.37	
Adjusted core capital (3)	8.15	8.56	9.60	
Tier I	9.17	9.36	10.51	
BIS ratio	10.82	11.08	11.84	
Core capital in accordance with Legislative RD 2/2011 (4)	8.04	8.81	9.05	
Risk management				
Non-performing loans (€'000)	2,970,734	4,073,951	4,388,510	
Provisions for NPLs (€'000)	1,839,246	2,305,393	2,224,827	
NPLs / Gross loans (%)	4.09	5.01	5.46	
NPL coverage ratio (%)	61.91	56.59	50.70	
NPL coverage ratio with mortgage collateral (%)	117.77	112.47	113.97	
Share data (period end)				
Number of shareholders	96,462	126,263	128,288	
Number of shares	1,200,000,000	1,263,630,834	1,389,993,916	
Share price (€)	4.088	2.950	3.087	
Market capitalisation (€'000)	4,905,600	3,727,711	4,290,911	
Earnings per share (EPS) (€)	0.37	0.32	0.25	
Book value per share (€)	4.44	4.73	4.53	
Price /Book value (times)	0.92	0.62	0.68	
Price /earnings ratio (P/E) (times)	11.16	9.15	12.56	
Including conversion of convertible bond:				
Fully diluted number of shares including conversion of convertible bond	1,300,341,160	1,457,245,725	1,583,608,807	
Earnings per share (EPS) (€)	0.34	0.28	0.22	
Book value per share (€)	4.10	4.10	3.98	
Price /Book value (times)	1.00	0.72	0.78	
Other data				
Domestic branches	1,182	1,428	1,428	
Employees (5)	9,839	10,777	10,721	
ATMs	1,440	1,703	1,600	

(1) Includes customer deposits (ex-repos), preference shares placed by the branch network and mandatory convertible bonds.

(2) Personnel and other general administrative expenses / gross operating income. Figures for 2011 and 2010 do not include income obtained from swaps or redemptions of preference shares and subordinated bonds. Excluding the impact of the sale and leaseback transaction in April 2010, the cost/income ratio at 31 March 2011, excluding non-recurrent expenses, would be 45.06%.

(3) Adjusted for generic provisions net of taxes.

(4) December 2010: proforma including capital increase of February 2011.

(5) The Banco Guipuzcoano workforce (1,153 employees) was integrated effective December 2010. At the end of March 2011, Banco Guipuzcoano had 1,122 employees.

Profit & loss account

Profit & loss account

(€000)	1Q10	1Q11	Change (%) YoY
Interest and related income	635,961	794,485	24.9
Interest and related charges	-261,857	-415,336	58.6
Net interest income	374,104	379,149	1.3
Dividend income	190	1,323	--
Income from equity method	19,915	16,799	-15.6
Net fees and commissions	129,279	135,729	5.0
Results from financial transactions (net)	24,925	124,518	399.6
Foreign exchange (net)	11,091	12,162	9.7
Other operating income/expense	2,646	1,881	-28.9
Gross operating income	562,150	671,561	19.5
Personnel expenses	-160,879	-192,129	19.4
Recurrent (1)	-159,928	-179,016	11.9
Non-recurrent	-951	-13,113	--
Other general expenses	-75,954	-98,516	29.7
Recurrent (2)	-75,954	-92,316	21.5
Non-recurrent	0	-6,200	--
Amortization & depreciation	-38,440	-32,423	-15.7
Net income before provisions	286,877	348,493	21.5
Provisions for NPLs and other impairments	-167,445	-330,060	97.1
Gains on sale of assets	4,061	1,101	-72.9
Net result from discontinued transactions (after taxes)	0	0	--
Income tax	-14,705	66,601	--
Consolidated net profit	108,788	86,135	-20.8
Minority interest	408	1,887	362.5
Attributable net profit	108,380	84,248	-22.3
Pro memoria:			
Average total assets	85,055,467	96,005,281	
Earnings per share (€)	0.09	0.06	

(1) In like-for-like terms, the year-on-year change was 0.0%.

(2) Assuming no change in consolidation scope and excluding the April 2010 *sale and leaseback* operation, the year-on-year change is -0.1%.

Profit & loss account – quarterly

(€000)	1Q10	2Q10	3Q10	4Q10	1Q11	Change (%) YoY
Interest and related income	635,961	650,622	651,427	706,777	794,485	24.9
Interest and related charges	-261,857	-259,546	-290,245	-374,023	-415,336	58.6
Net interest income	374,104	391,076	361,182	332,754	379,149	1.3
Dividend income	190	10,269	2,089	3,734	1,323	--
Income from equity method	19,915	17,433	17,402	16,117	16,799	-15.6
Net fees and commissions	129,279	124,005	123,669	139,509	135,729	5.0
Results from financial transactions (net)	24,925	127,217	27,225	24,698	124,518	399.6
Foreign exchange (net)	11,091	12,492	23,248	11,824	12,162	9.7
Other operating income/expense	2,646	2,717	325	204	1,881	-28.9
Gross operating income	562,150	685,209	555,140	528,840	671,561	19.5
Personnel expenses	-160,879	-165,092	-165,694	-188,056	-192,129	19.4
Recurrent	-159,928	-162,150	-162,507	-172,561	-179,016	11.9
Non-recurrent	-951	-2,942	-3,187	-15,495	-13,113	--
Other general expenses	-75,954	-87,492	-91,858	-101,030	-98,516	29.7
Recurrent	-75,954	-87,492	-91,858	-101,030	-92,316	21.5
Non-recurrent	0	0	0	0	-6,200	--
Amortization & depreciation	-38,440	-40,212	-39,850	-40,478	-32,423	-15.7
Net income before provisions	286,877	392,413	257,738	199,276	348,493	21.5
Provisions for NPLs and other impairments	-167,445	-526,318	-120,118	-154,193	-330,060	97.1
Gains on sale of assets	4,061	288,078	1,228	2,744	1,101	-72.9
Net result from discontinued transactions (after taxes)	0	0	0	0	0	--
Income tax	-14,705	-27,737	-31,613	-7,364	66,601	--
Consolidated net profit	108,788	126,436	107,235	40,463	86,135	-20.8
Minority interest	408	1,196	544	734	1,887	362.5
Attributable net profit	108,380	125,240	106,691	39,729	84,248	-22.3
Pro memoria:						
Average total assets	85,055,467	86,831,006	86,636,986	89,943,395	96,005,281	
Earnings per share (€) (1)	0.09	0.11	0.08	0.04	0.06	

(1) For the three-month period ended at the end of each quarter.

Net interest income

Average yield

2010 (€000)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income
Cash and balance with central banks & financial	2,077,052	0.93	4,738	2,072,682	0.98	5,042	1,778,632	1.04	4,670	2,022,605	1.60	8,178
Loans to customers (net)	63,556,130	3.53	552,552	63,230,098	3.49	550,119	62,991,994	3.50	555,101	65,257,064	3.65	599,370
Fixed-income securities	10,062,814	2.76	68,592	11,840,308	2.72	80,440	11,978,378	2.60	78,637	12,390,143	2.79	87,069
Subtotal	75,695,996	3.35	625,882	77,143,088	3.30	635,601	76,749,004	3.30	638,408	79,669,812	3.46	694,617
Equity securities	1,979,925	--	--	2,038,809	--	--	2,050,937	--	--	2,158,429	--	--
Tang. & intang. assets	1,705,582	--	--	1,604,608	--	--	1,549,445	--	--	1,711,945	--	--
Other assets	5,673,964	0.72	10,079	6,044,501	1.00	15,021	6,287,600	0.82	13,019	6,403,209	0.75	12,160
Total	85,055,467	3.03	635,961	86,831,006	3.01	650,622	86,636,986	2.98	651,427	89,943,395	3.12	706,777

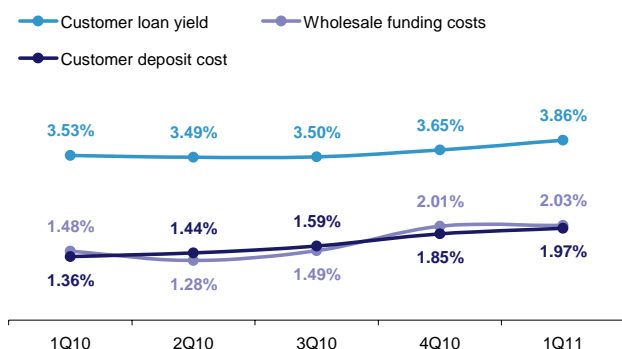
2011 (€000)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income
Cash and balance with central banks & financial	2,318,962	1.29	7,399									
Loans to customers (net)	70,112,273	3.86	667,103									
Fixed-income securities	13,773,814	3.03	102,777									
Subtotal	86,205,049	3.66	777,279									
Equity securities	2,037,206	--	--									
Tang. & intang. assets	2,025,270	--	--									
Other assets	5,737,756	1.22	17,206									
Total	96,005,281	3.36	794,485									

Average cost of funds

2010 (€000)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Expense	Avg.balance	Rate %	Expense	Avg.balance	Rate %	Expense	Avg.balance	Rate %	Expense
Financial institutions	5,517,632	-1.40	-19,083	6,601,782	-1.20	-19,754	7,559,899	-1.16	-22,033	6,627,196	-1.78	-29,665
Customer deposits	37,994,106	-1.36	-127,456	39,097,789	-1.44	-140,157	40,657,543	-1.59	-163,257	43,871,270	-1.85	-204,153
Capital markets	26,069,979	-1.48	-95,143	24,332,528	-1.28	-77,824	21,897,629	-1.49	-82,164	21,992,186	-2.01	-111,363
Repos	4,385,439	-0.76	-8,208	5,452,797	-0.53	-7,247	5,117,942	-0.81	-10,478	5,822,370	-0.87	-12,840
Subtotal	73,967,156	-1.37	-249,890	75,484,896	-1.30	-244,982	75,233,013	-1.47	-277,932	78,313,022	-1.81	-358,021
Other liabilities	5,737,935	-0.85	-11,967	5,776,327	-1.01	-14,564	5,915,312	-0.83	-12,313	5,424,132	-1.17	-16,002
Shareholders' equity	5,350,376	--	--	5,569,783	--	--	5,488,661	--	--	6,206,241	--	--
Total	85,055,467	-1.25	-261,857	86,831,006	-1.20	-259,546	86,636,986	-1.33	-290,245	89,943,395	-1.65	-374,023

2011 (€000)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Expense	Avg.balance	Rate %	Expense	Avg.balance	Rate %	Expense	Avg.balance	Rate %	Expense
Financial institutions	7,298,291	-2.05	-36,979									
Customer deposits	48,536,916	-1.97	-235,113									
Capital markets	22,813,218	-2.03	-114,313									
Repos	5,435,101	-1.09	-14,566									
Subtotal	84,083,526	-1.93	-400,971									
Other liabilities	5,736,116	-1.02	-14,365									
Shareholders' equity	6,185,639	--	--									
Total	96,005,281	-1.76	-415,336									

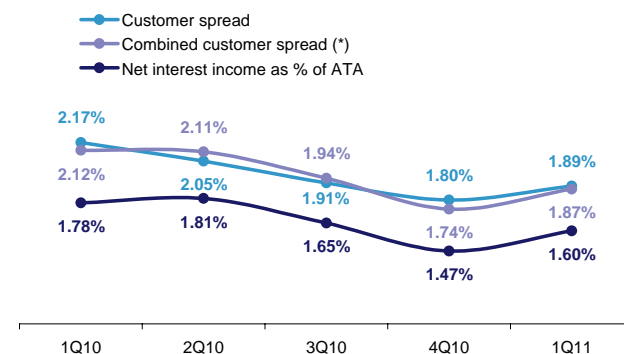
Customer spread (%)



Net interest income amounted to Euros 379.1 million in the first quarter of 2011, compared with Euros 332.8 million in the preceding quarter. The average yield on customer loans was 3.86%, 21 basis points more than in the fourth quarter of 2010. The impact on financial revenues of rising lending yields was Euros 30.3 million.

The average cost of customer deposits was -1.97%, compared with -1.85% in the fourth quarter of 2010. The effect of the decline in costs was Euros 9.5 million.

Net interest income (%)



(*) Customer loan yield – (customer deposit cost + wholesale funding cost)

Wholesale funding costs increased by Euros 3.0 million with respect to 4Q10; the average cost of issuing was -2.03%.

The customer spread was 1.89% (1.80% in the previous quarter). The combined customer spread, which includes wholesale funding costs, was 1.87%, compared with 1.74% in the fourth quarter of 2010.

As a result, net interest income in 1Q11 represented 1.60% of average total assets, compared with 1.47% in 4Q10.

Net fees and commissions

(€000)	1Q10	4Q10	1Q11	Change (%) 1Q10	Change (%) 4Q10
Asset transactions	25,431	26,192	25,365	-0.3	-3.2
Guarantees	19,157	20,540	21,318	11.3	3.8
Transferred to other entities	-772	-825	-925	19.8	12.1
Risk transaction fees	43,816	45,907	45,758	4.4	-0.3
Cards	15,050	15,977	15,157	0.7	-5.1
Payment orders	8,446	9,366	9,190	8.8	-1.9
Securities	8,622	18,346	11,140	29.2	-39.3
Demand accounts	8,806	8,136	9,538	8.3	17.2
Other transactions	13,317	8,971	14,051	5.5	56.6
Commissions for services	54,241	60,796	59,076	8.9	-2.8
Mutual funds	20,619	20,203	20,270	-1.7	0.3
Pension funds and insurance brokerage	10,603	12,603	10,625	0.2	-15.7
Mutual and pension fund and insurance commissions	31,222	32,806	30,895	-1.0	-5.8
Total	129,279	139,509	135,729	5.0	-2.7

Net fees and commissions in 1Q11 amounted to Euros 135.7 million, increasing +5.0% year-on-year (-3.1% excluding Banco Guipuzcoano).

Service fees increased overall by 8.9% year-on-year, and securities commissions rose considerably, by 29.2% (+18.1% excluding Banco Guipuzcoano), as did fees on syndicated loans (included under Other), payment orders and demand deposits.

Fees for risk transactions increased by 4.4% due to greater guarantee commissions and credit facility commitment fees.

Fees from mutual funds and the sale of pension plans and insurance products were on par with the first quarter of 2010.

Net fees declined by Euros 3.8 million (-2.7%) with respect to the fourth quarter of 2010.

Service fees declined by 2.8%, mainly as a result of a reduction in securities fees, due to lower business volume. This was partially offset by greater fees from syndicated loans.

Fees from risk transactions and mutual fund fees were practically stable.

Fees for the sale of pension and insurance products fell by 15.7%, due to lower number of new multi-investment issues in the first quarter of 2011.

Administrative expenses

(€000)	1Q10	4Q10	1Q11	Change (%) 1Q10	Change (%) 4Q10
Recurrent	-159,928	-172,561	-179,016	11.9	3.7
Non-recurrent	-951	-15,495	-13,113	--	-15.4
Personnel expenses	-160,879	-188,056	-192,129	19.4	2.2
IT	-10,097	-20,048	-12,025	19.1	-40.0
Communications	-5,214	-6,147	-5,467	4.9	-11.1
Advertising	-4,517	-16,471	-7,507	66.2	-54.4
Premises	-19,269	-24,404	-34,512	79.1	41.4
Stationery and office supplies	-2,270	-1,889	-1,939	-14.6	2.6
Taxes other than income tax	-11,478	-15,112	-14,699	28.1	-2.7
Others	-23,109	-16,959	-16,167	-30.0	-4.7
Non-recurrent	0	0	-6,200	--	--
Other general expenses	-75,954	-101,030	-98,516	29.7	-2.5
Total	-236,833	-289,086	-290,645	22.7	0.5

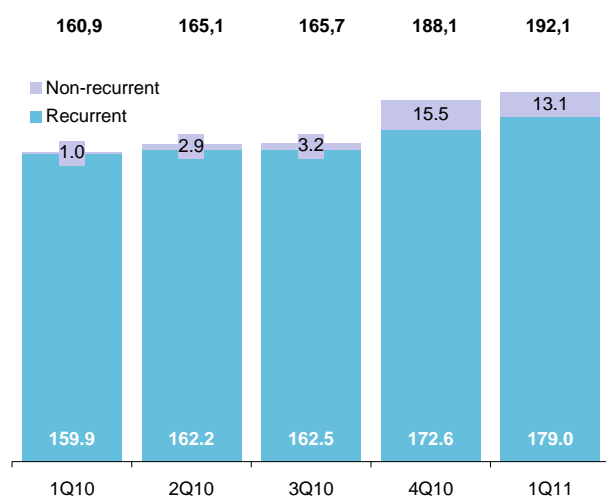
Assuming no change in consolidation scope, i.e. excluding the integration of Banco Guipuzcoano and the sale and leaseback programme in April 2010, recurrent administrative expenses were stable compared with 1Q10.

Recurrent personnel expenses were unchanged (0.0%) assuming no change in consolidation scope, due to the optimisation of administrative processes at branches and measures to improve operating efficiency.

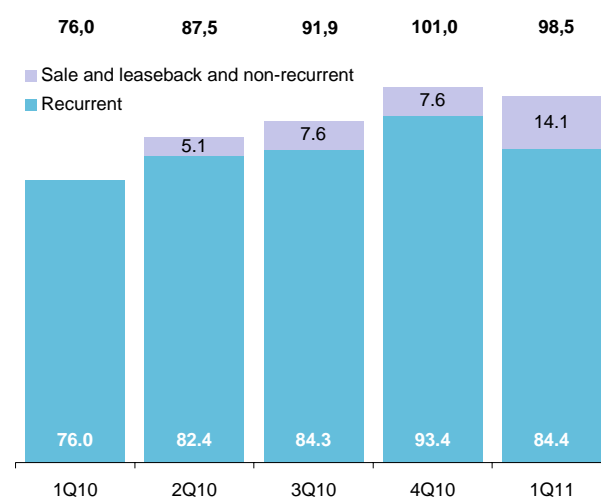
Recurrent general administration expenses remained stable (-0.1% year-on-year) in like-for-like terms (excluding the sale and leaseback operation in April 2010).

The figures show the trend in administrative expenses by quarter, distinguishing between recurrent and non-recurrent amounts.

Personnel expenses (€mn)



Other general expenses (€mn)



Provisions for NPLs and others impairments

(€000)	1Q10	4Q10	1Q11	Change (%) 1Q10	Change (%) 4Q10
Specific provisions	-119,560	-124,662	-142,182	18.9	14.1
Extraordinary releases	0	-66,000	-186,180	--	182.1
Substandard provisions	-54,200	30,300	32,794	--	8.2
Metrovacesa	0	-76,190	0	--	-100.0
Real estate	-46,305	-49,850	-30,017	-35.2	-39.8
Other impairments	-8,566	-20,349	-1,977	-76.9	-90.3
Subtotal	-228,631	-306,751	-327,562	43.3	6.8
Generic provisions	61,186	152,558	-2,498	--	--
Total provisions and impairments	-167,445	-154,193	-330,060	97.1	114.1

Provisions for loan losses and other impairments amounted to Euros -330.1 million in the first quarter of 2011.

A significant portion of 1Q11 provisions came from the extraordinary revenues obtained from the debt-for-equity

operation and from the decision by the Spanish tax authorities to allow the deductibility of goodwill (combined gross impact: 186 million euro). Specifically, Euros -126 million were allocated to NPL provisions and -60 million to provisions for real estate.

Balance sheet

(€000)	31.03.10	31.12.10	31.03.11	Change (%) YoY
Cash and balance with Central Banks	1,434,282	1,253,600	1,450,134	1.1
Trading and derivatives portfolios and other financial assets	2,121,688	1,962,652	1,494,592	-29.6
Available-for-sale financial assets	10,755,658	10,830,629	12,281,853	14.2
Loans and advances	65,160,513	76,725,432	73,712,315	13.1
Balances with financial institutions (1)	1,955,686	2,744,614	3,628,440	85.5
Loans to customers (net)	63,204,827	73,980,818	70,083,875	10.9
Investments in associated companies	712,415	813,492	623,059	-12.5
Property, plant and equipment	1,131,802	1,081,549	1,107,614	-2.1
Intangible assets	700,668	831,301	848,985	21.2
Other assets	2,784,564	3,600,554	3,738,677	34.3
Total assets	84,801,590	97,099,209	95,257,229	12.3
Trading and derivatives portfolios	1,772,980	1,716,500	1,307,971	-26.2
Financial liabilities at amortised cost	76,650,182	88,710,738	86,900,447	13.4
Central banks and credit institutions (2)	9,875,976	10,333,988	11,744,492	18.9
Customer deposits	40,185,673	55,092,555	52,301,275	30.1
Capital markets	23,193,353	19,507,497	19,713,172	-15.0
Subordinated liabilities	2,044,082	2,386,629	1,939,104	-5.1
Other financial liabilities	1,351,098	1,390,069	1,202,404	-11.0
Liabilities under insurance contracts	178,823	177,512	176,281	-1.4
Provisions	300,523	367,662	352,574	17.3
Other liabilities	445,367	438,254	506,125	13.6
Subtotal liabilities	79,347,875	91,410,666	89,243,398	12.5
Shareholders' equity (3)	5,325,139	5,978,412	6,295,425	18.2
Valuation adjustments	96,672	-323,735	-318,850	--
Minority interest	31,904	33,866	37,256	16.8
Equity	5,453,715	5,688,543	6,013,831	10.3
Total liabilities and equity	84,801,590	97,099,209	95,257,229	12.3
Contingent risks	7,670,651	8,310,022	8,298,019	8.2
Contingent liabilities	16,363,970	16,133,441	11,699,918	-28.5
Total memorandum accounts	24,034,621	24,443,463	19,997,937	-16.8

(1) Balances with financial institutions include the following amounts of repos: Euros 625 million at 31.03.10, Euros 1,072 million at 31.12.10 and Euros 2,094 million at 31.03.11.

(2) Deposits with central banks and credit institutions include the following amounts of repos: Euros 2,956 million at 31.03.10, Euros 3,353 million at 31.12.10 and Euros 3,066 million at 31.03.11.

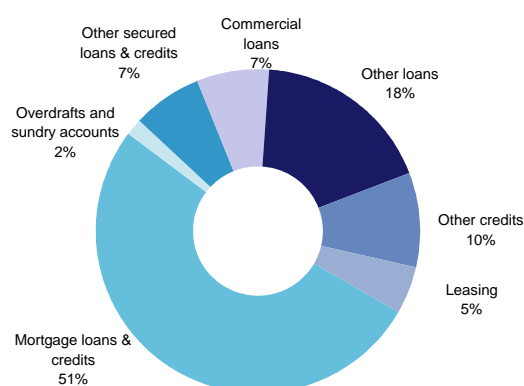
(3) This includes mandatorily convertible bonds (Euros 500 million at 31 March 2010, Euros 819 million at 31 December 2010 and Euros 824 million at 31 March 2011).

Loans to customers

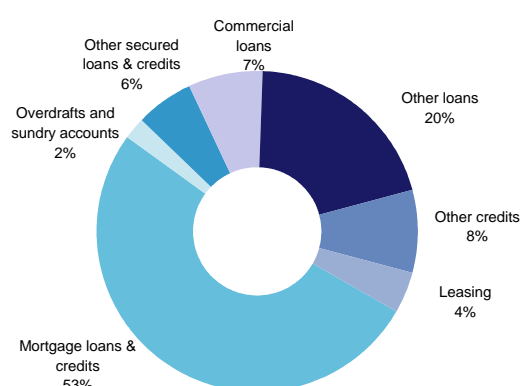
(€000)	31.03.10	31.12.10	31.03.11	Change (%) YoY
Mortgage loans & credits	32,215,856	35,647,107	35,054,113	8.8
Other secured loans & credits	4,229,909	4,368,637	4,017,881	-5.0
Commercial loans	4,441,103	5,576,618	5,053,064	13.8
Other loans	11,199,231	13,573,624	13,718,799	22.5
Other credits	5,966,622	5,532,513	5,599,959	-6.1
Leasing	2,850,166	2,994,755	2,882,264	1.1
Overdrafts and sundry accounts	1,068,817	1,377,025	1,399,666	31.0
Non-performing loans	2,882,906	3,944,427	4,290,859	48.8
Accruals	105,631	43,222	57,059	-46.0
Gross loans and advances to customers, excluding repos (1)	64,960,241	73,057,928	72,073,664	11.0
Reverse repos	0	3,132,792	128,673	--
Gross loans and advances to customers	64,960,241	76,190,720	72,202,337	11.1
NPL and country-risk provisions	-1,755,414	-2,209,902	-2,118,462	20.7
Loans to customers (net)	63,204,827	73,980,818	70,083,875	10.9
Pro memoria: total securitisation	9,159,015	9,976,654	10,065,162	9.9
Of which: mortgage backed	5,922,705	6,410,041	6,542,795	10.5
Other securitised assets	3,236,310	3,566,613	3,522,367	8.8
Of which: securitised after 01.01.04	9,073,760	9,771,286	9,913,382	9.3
Of which: mortgage backed	5,841,145	6,219,586	6,414,445	9.8
Other securitised assets	3,232,615	3,551,700	3,498,937	8.2

(1) Excluding the figures for Banco Guipuzcoano in 2010, the year-on-year change would have been -0.7%.

Loans and advances, 31.03.10 (%) (*)

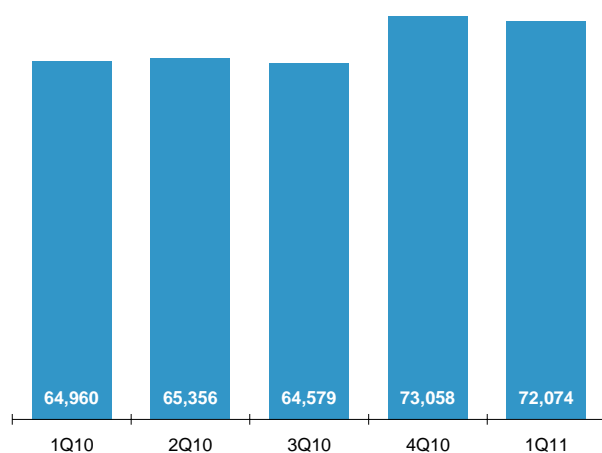


Loans and advances, 31.03.11 (%) (*)



(*) Excluding doubtful assets and accrual adjustments.

Gross loans and advances to customers, excluding repos (€mn)



Credit risk management

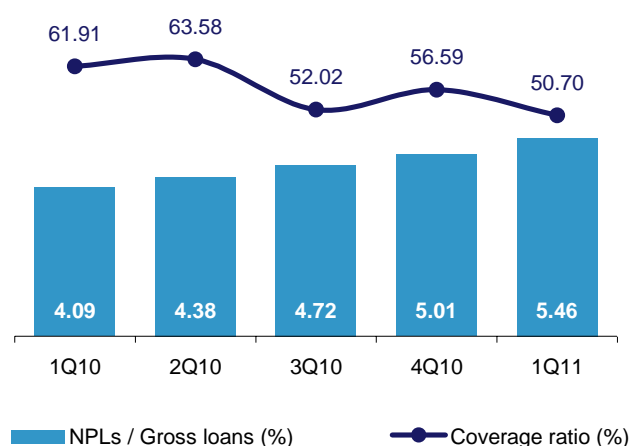
(€000)	31.03.10	31.12.10	31.03.11	Change (%) YoY
Opening balance (1st January)	2,712,418	2,712,418	4,073,951	50.2
New default entries, net of recoveries	441,665	1,426,991	325,449	-26.3
Write-offs	-183,349	-508,279	-332,940	81.6
Subtotal	258,316	918,712	-7,491	--
Change in quarter at Banco Guipuzcoano	0	-7,202	56,383	--
Doubtful real estate in the process of acquisition	0	0	265,667	--
Quarterly change in doubtful balances	258,316	911,510	314,559	21.8
Pro memoria:				
Effect of integrating Banco Guipuzcoano	0	450,023	0	--
Total bad and doubtful debts	2,970,734	4,073,951	4,388,510	47.7
Gross loans and advances to customers, excluding repos	64,960,241	73,057,928	72,073,664	11.0
Contingent risks	7,670,651	8,310,022	8,298,019	8.2
Total risks	72,630,892	81,367,950	80,371,683	10.7
Specific provisions	1,463,152	1,880,605	1,770,619	21.0
Generic provisions	376,094	424,788	454,208	20.8
Total provisions for NPLs	1,839,246	2,305,393	2,224,827	21.0
NPLs / Gross loans (%)	4.09	5.01	5.46	
NPL coverage ratio (%)	61.91	56.59	50.70	

The NPL ratio at 31 March 2011 was 5.46%, compared with 5.01% at 31 December 2010.

This NPL ratio is still considerably below the Spanish financial sector average.

At 31 March 2011, the NPL coverage ratio was 50.70%; that ratio is 113.97% including mortgage collateral.

NPLs/Gross loans and coverage ratio (%)



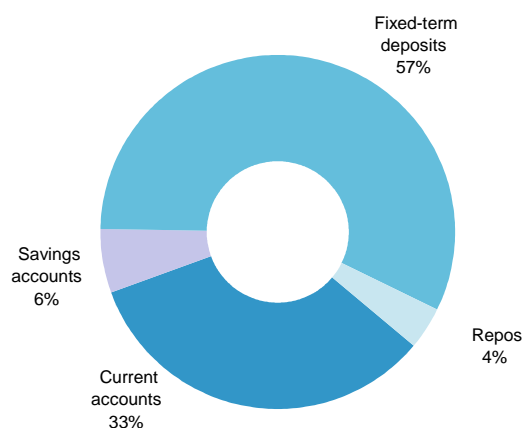
(€000)	1Q10	2Q10	3Q10	4Q10	1Q11
New default entries, net of recoveries	441,665	312,563	415,363	257,400	325,449
Write-offs	-183,349	-93,084	-201,246	-30,600	-332,940
Subtotal	258,316	219,479	214,117	226,800	-7,491
Change in quarter at Banco Guipuzcoano	0	0	0	-7,202	56,383
Doubtful real estate in the process of acquisition	0	0	0	0	265,667
Quarterly change in doubtful balances	258,316	219,479	214,117	219,598	314,559
Pro memoria:					
Effect of integrating Banco Guipuzcoano	0	0	0	450,023	0
Net change in doubtful debts	258,316	219,479	214,117	669,621	314,559
Total bad and doubtful debts	2,970,734	3,190,213	3,404,330	4,073,951	4,388,510

Funds under management

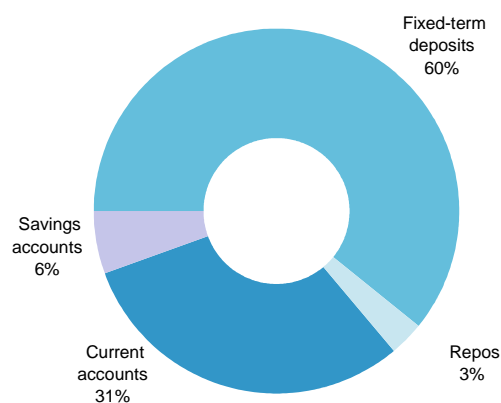
(€000)	31.03.10	31.12.10	31.03.11	Change (%) YoY
Customer-based funding on balance sheet (1)	39,327,895	49,374,406	51,245,159	30.3
Customer deposits	40,185,673	55,092,555	52,301,275	30.1
Current accounts	13,273,663	15,439,685	15,869,499	19.6
Savings accounts	2,379,605	2,844,818	2,882,399	21.1
Fixed-term deposits	22,674,627	30,091,528	31,494,886	38.9
Repos	1,574,559	6,249,332	1,600,188	1.6
Accruals	201,256	356,101	378,717	88.2
Derivative hedging adjustments	81,963	111,091	75,586	-7.8
Debt and other tradable securities	23,193,353	19,507,497	19,713,172	-15.0
Subordinated liabilities	2,044,082	2,386,629	1,939,104	-5.1
Liabilities under insurance contracts	178,823	177,512	176,281	-1.4
On-balance sheet funds	65,601,931	77,164,193	74,129,832	13.0
Mutual funds	9,221,551	8,852,797	8,732,821	-5.3
Equity funds	459,204	448,969	443,152	-3.5
Balanced funds	433,000	504,681	487,540	12.6
Fixed-income funds	2,943,097	2,127,417	1,928,453	-34.5
Guaranteed return funds	1,957,863	1,855,775	2,011,594	2.7
Real estate funds	1,044,341	1,079,171	1,097,924	5.1
Dedicated investment companies	1,264,714	1,405,890	1,384,339	9.5
Third-party funds	1,119,332	1,430,894	1,379,819	23.3
Managed accounts	1,092,667	1,238,518	1,230,147	12.6
Pension funds	2,886,190	3,015,818	2,934,738	1.7
Individual	1,643,904	1,827,383	1,792,640	9.0
Company	1,210,289	1,159,427	1,113,319	-8.0
Group	31,997	29,008	28,779	-10.1
Third-party insurance products	5,366,528	5,726,873	5,786,963	7.8
Funds under management	84,168,867	95,998,199	92,814,501	10.3

(1) Includes customer deposits (ex-repos), preference shares placed by the branch network and mandatory convertible bonds. Excluding the figures for Banco Guipuzcoano in 2010, the year-on-year change would have been +16.9%.

Customer deposits, 31.03.10 (%) (*)

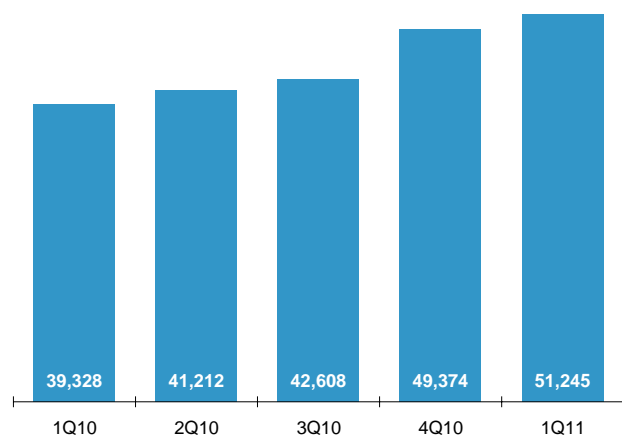


Customer deposits, 31.03.11 (%) (*)

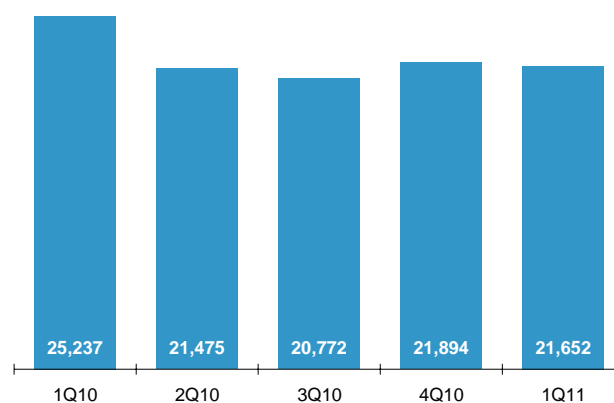


(*) Excluding adjustments for accruals and hedges with derivatives.

Customer-based funding on balance sheet (€mn)



Bonds, subordinated liabilities and other tradeable securities (€mn)



Shareholder's equity

(€000)	31.03.10	31.12.10	31.03.11	Change (%) YoY
Shareholders' equity	5,325,139	5,978,412	6,295,425	18.2
Issued capital	150,000	157,954	173,749	15.8
Reserves	4,703,997	4,761,117	5,315,225	13.0
Other equity instruments (1)	500,000	818,714	823,962	64.8
Less: treasury shares	-137,238	-25,686	-101,759	-25.9
Attributable net profit	108,380	380,040	84,248	-22.3
Less: dividends and payments	0	-113,727	0	--
Valuation adjustments	96,672	-323,735	-318,850	--
Minority interest	31,904	33,866	37,256	16.8
Equity	5,453,715	5,688,543	6,013,831	10.3

(1) Mandatory convertible bonds.

Capital ratios

(€000)	31.03.10	31.12.10	31.03.11	Change (%) YoY
Issued capital	150,000	157,954	173,749	15.8
Reserves	4,524,654	4,777,188	5,107,330	12.9
Mandatory convertible bonds	500,000	818,714	823,962	64.8
Minority interest	34,699	39,294	41,210	18.8
Deductions	-722,057	-829,717	-949,195	31.5
Core capital	4,487,296	4,963,433	5,197,056	15.8
Core capital (%)	7.70	8.20	9.37	
Preference shares and deductions	860,144	699,490	635,839	-26.1
Primary capital	5,347,440	5,662,923	5,832,895	9.1
Tier I (%)	9.17	9.36	10.51	
Computing generic provisions	269,903	71,000	93,331	-65.4
Subordinated debt	880,200	1,253,203	886,555	0.7
Valuation adjustments	40,372	0	0	-100.0
Deductions	-227,800	-282,540	-242,274	6.4
Secondary capital	962,675	1,041,663	737,612	-23.4
Tier II (%)	1.65	1.72	1.33	
Total capital	6,310,115	6,704,586	6,570,507	4.1
Minimum capital requirement	4,663,765	4,842,011	4,439,193	-4.8
Capital surplus	1,646,350	1,862,575	2,131,314	29.5
BIS ratio (%)	10.82	11.08	11.84	
Risk weighted assets (RWA)	58,297,063	60,525,138	55,489,913	-4.8
Pro memoria:				
Core capital in accordance with Legislative R D 2/2011 (%) (1)	8.04	8.81	9.05	

(1) December 2010: proforma including capital increase of February 2011.

Credit ratings

Agency	Date	Long term	Short term	Individual	Support	Outlook	Strength
Fitch	25.11.2010	A	F1	B/C	3	Stable	
Standard & Poor's ⁽¹⁾	22.02.2011	A	A1			Negative	
Moody's	24.03.2011	A3	Prime 2			Negative	C-

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On 24 March, Moody's Investors Service announced multiple actions on most Spanish financial institutions, including downgrades of one notch or more on senior debt and deposits; this was the result of Spain's downgrade on 10 March and of Moody's reassessment of the extraordinary level of systemic support.

As for Banco Sabadell, Moody's maintained the Bank Financial Strength Rating at C- (with a Baseline Credit

Assessment of Baa2); systemic support was revised downward by one notch (from 3 to 2) and, as a result, the bank's long-term debt and deposits rating were reduced from A3 to A2. Its short-term debt and deposits rating was also downgraded (from P2 to P1) and the outlook remained negative.

Results by business units

The tables below summarise earnings and other indicators of the group's business units.

The information presented here is based on the individual financial statements of each Group company, after the corresponding consolidation eliminations and adjustments and with analytical accounting of revenues and expenses in cases in which a business is spread over more than one legal entity, to enable customer revenues and costs to be assigned to specific units.

Each business unit is treated as an independent business and transactions between them for product distribution or

the provision of services and systems are priced on an arm's-length basis. The ultimate impact on the Group profit and loss account is zero.

Each business bears its own direct costs, on the basis of general and analytical accounting, as well as the indirect costs of the corporate units.

Moreover, capital is assigned such that each business has capital equivalent to the regulatory amount required to reach the Group's target ratios on the basis of its assets at risk.

31.03.2010	Gross operating income (€000)	Profit before tax (€000)	Average total assets (€000)	ROE	Cost / income ratio	Employees	Domestic branches
Commercial banking	403,238	69,355	49,840,568	7.1%	50.5%	6,612	1,166
Corporate banking	46,446	46,526	10,814,451	15.8%	12.4%	92	2
Banco Urquijo	13,332	3,690	1,952,452	4.8%	59.0%	236	14
Asset management	8,398	3,603	9,221,551 (**)	28.4%	57.1%	146	--
Total		123,174 (*)					

31.03.2011 (***)	Gross operating income (€000)	Profit before tax (€000)	Average total assets (€000)	ROE	Cost / income ratio	Employees	Domestic branches
Commercial banking	401,891	63,716	49,677,006	6.6%	50.9%	6,520	1,167
Corporate banking	49,147	48,044	10,800,655	17.6%	11.8%	91	2
Banco Urquijo	12,223	3,636	1,495,994	4.8%	58.9%	212	14
Asset management	8,145	3,496	8,141,533 (**)	33.5%	57.1%	149	--
Total		118,892 (*)					

(*)The reconciliation with total group results must include amounts not assigned to business units and the tax effect.

(**) Mutual fund assets reflect the balance at the end of the period.

(***) These figures don't include balances of Banco Guipuzcoano.

Share price performance

	31.03.10	31.12.10	31.03.11	Change (%) YoY
Shareholders and trading				
Number of shareholders	96,462	126,263	128,288	33.0
Number of shares	1,200,000,000	1,263,630,834	1,389,993,916	15.8
Average daily trading volume (number of shares)	6,845,182	5,993,452	12,601,755	84.1
Share price (€)				
Opening session	3.875	3.875	2.950	
High	4.403	4.550	3.709	
Low	3.401	2.940	2.779	
Closing session	4.088	2.950	3.087	
Market capitalisation (€ '000)	4,905,600	3,727,711	4,290,911	
Stock market multiples				
Earnings per share (EPS) (€)	0.37	0.32	0.25	
Book value per share (€)	4.44	4.73	4.53	
Price /Book value (times)	0.92	0.62	0.68	
Price /earnings ratio (P/E) (times)	11.16	9.15	12.56	
Including conversion of convertible bond:				
Fully diluted number of shares including conversion of convertible bond	1,300,341,160	1,457,245,725	1,583,608,807	
Earnings per share (EPS) (€)	0.34	0.28	0.22	
Book value per share (€)	4.10	4.10	3.98	
Price /Book value (times)	1.00	0.72	0.78	