

# Quarterly financial report

Third quarter, 2010



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**Disclaimer**

Banco Sabadell cautions that this presentation may contain forward-looking statements or estimates relating to the business performance and results of the Banco Sabadell Group. While these forward-looking statements or estimates represent our judgment and future expectations concerning the development of our business, a certain number of risks, uncertainties and other important factors may cause actual results to materially differ from our expectations or estimates. This document may contain unaudited or summarized information; accordingly, recipients are invited to consult the public information held with the Spanish Securities and Exchange Commission (CNMV).

## Introduction

### Macroeconomic environment

#### Global economic and financial background

Economic activity continued to recover in the developed countries, although negative signs have been observed in some countries such as the US. Those signs, together with a moderation in growth in the main emerging countries, have raised concerns among investors of the risk of a double-dip recession. US GDP grew less in the second quarter (+0.4%) than in previous quarters (1Q10: +0.9%). In Japan, GDP growth slowed considerably to +0.4% in the quarter (1Q10: +1.2%). GDP growth in the euro area accelerated in the second quarter to +1.0% (1Q10: 0.3%), with Germany exhibiting especially strong growth. As regards fiscal policy, euro area peripherals are generally achieving their fiscal consolidation objectives set for this year, contrasting with the fiscal stimulus measures implemented in the US and announced in Japan. Financial market conditions eased following the publication of European bank stress test results and the Basel Committee's announcement of a longer period than expected to implement the new capital requirements.

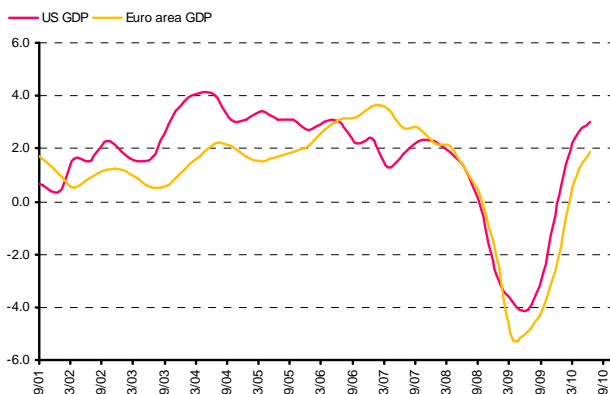
#### Fixed income markets

Central banks have maintained an extremely accommodative tone and have implemented additional unconventional monetary measures in response to the recent volatility in the financial markets and greater concern about the possibility of a double-dip recession in the US. The Federal Reserve maintained the base rate between 0% and 0.25% and reiterated that it would maintain interest rates exceptionally low for an extended period. Moreover, it

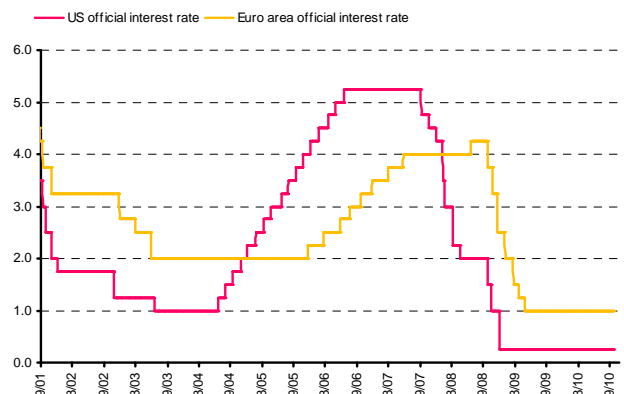
decided to maintain its long-term asset holdings unchanged and to reinvest the proceeds from maturing agency bonds and MBS in Treasuries. The Fed also stated that it was willing to implement additional measures to support the economy if necessary. The European Central Bank (ECB) deemed it appropriate to maintain the base rate at 1% during the quarter. The financial instability arising from doubts about the fiscal sustainability of some euro area countries led the ECB to extend certain unconventional monetary policies. The Bank of England opted to maintain the base rate at 0.50% and its asset purchase scheme at GBP 200 billion, although Monetary Policy Committee members hold conflicting opinions. The Bank of Japan kept its base rate at 0.10% and introduced a new fixed-rate financing operation with a 6-month term amounting to YEN 10 trillion (USD 118 billion). It has also left the door open to additional unconventional monetary policies.

The spread between euro area peripheral countries' sovereign debt and the German benchmark widened, except for Spain, which benefited from the results of the stress tests performed on its banks. This widening was particularly acute in the case of Ireland, whose spread hit its highest level since the creation of the European Monetary Union due to the increased costs of the government's bank bailout. Ireland's long-term sovereign debt rating was downgraded to AA- by Standard & Poor's and to Aa2 by Moody's. The yield on long-term US and German debt declined to 2.51% and 2.28%, respectively, due to their role as safe-haven assets in view of concerns about a global economic slowdown.

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



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



## Currency markets

Fewer doubts about the state of the financial systems in euro area countries following the stress tests, the positive trend of euro area macro data and the possible adoption of new accommodative policies by the Fed, provided support to the euro which appreciated against the dollar by 11.1% and ended the quarter at 1.36 USD/EUR. The euro appreciated 5.7% against the pound sterling, to 0.87 GBP/EUR. The yen appreciated by almost 6% on a quarterly basis against the USD to 83.5 JPY/USD, despite the Japanese authorities' intervention in the currency market for the first time since 2004.

## Emerging markets

GDP growth in emerging countries remained vigorous, albeit more moderate than in the first half of the year. The emerging countries' better position compared with the developed economies continued to drive significant capital inflows. As a result, the economic authorities in Brazil and Mexico implemented new initiatives to reduce currency appreciation pressures. This, together with containment of inflation, led the Central Bank of Brazil to stop raising the benchmark interest rate (10.75%), following July's increase. In contrast, Asia continued to implement an exit strategy from the measures adopted during the crisis. The Chinese authorities have allowed the yuan to appreciate against the USD by 2% since mid-June. In India, the central bank continued raising the base rate to a current level of 6.00%. In Eastern Europe, an emerging area where economic recovery has been slightly weaker, attention has

focused on uncertainty regarding the new Hungarian government's management of the public accounts. Following the halt of the IMF's loan programme and negative rating actions, the Hungarian National Bank stated that it might increase the base rate if risk aversion to Hungary increases. In this vein, the Hungarian monetary authority highlighted households' reduced payment capacity due to high foreign currency indebtedness, the depreciation of the forint, and the need for the government to detail the measures it will implement to contain the public deficit. In Turkey, the delay of the application of fiscal responsibility laws until 2012 due to elections in 2011 was viewed negatively by the rating agencies.

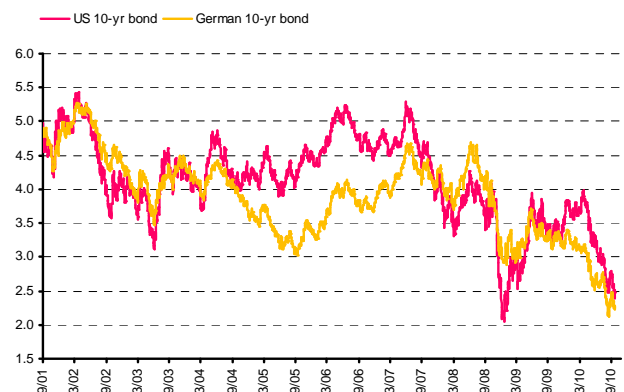
## Equity markets

Equity markets in Europe performed positively in the third quarter due in part to a more favourable perception of the region's financial system. This improvement was driven by the European bank stress tests and the announcement of new capital requirements by the Basel Committee with stringent - yet flexible - implementation periods. The Eurostoxx50 stood out, adding +6.8%, but peripheral indices saw the greatest gains. In Spain, the IBEX 35 rose +13.5%. The US indices performed well in dollar but not in euro terms due to appreciation by the latter. Accordingly, the Dow Jones lost -0.7% and Standard&Poor's 500 -0.4%, while the NASDAQ barely advanced +1.1%, in euro terms. In Latin America, Brazil's Bovespa gained 8.7%, while the Mexican index lost -1.7%, both in euro terms. In Japan, the NIKKEI 300 closed -5.3% lower in euro terms.

Exchange rate – USD vs. EUR and JPY (%)



10-year bond yields – USA vs. Germany (%)



## Key developments in 2010

- Net interest income: year-on-year decline of 7.3%, as decreasing interest rates in the last year had a greater impact on lending prices than on funding costs. This negative effect was mitigated by ongoing management of customer spreads and by hedging.
- Results from financial transactions: includes capital gains of Euros 89 million from preference share and subordinated debt swaps. This item also includes Euros 59.1 million from sales of fixed-income securities. In the first nine months of 2009, the bank obtained Euros 96.8 million in capital gains from preference shares exchange and Euros 89.9 million from sale of fixed-income securities.
- Total administrative expenses (personnel and general): good cost management enabled recurrent costs to be reduced by 0.5% year-on-year (excluding the impact of integrating Sabadell United Bank and of the sale and leaseback transaction referred to below).

Recurrent personnel expenses increased by 2.0% (-0.7% assuming no change in consolidation scope). Non-recurrent personnel expenses amounted to Euros -7.1 million, compared with Euros -65.8 million in the same period of 2009.

Other general administration expenses increased by 9.3% year-on-year (0.0%, assuming no change in consolidation scope and excluding the sale and leaseback operation in April 2010).

- Provisions for NPLs and other impairments: specific loan-loss provisions amounted to Euros -494.83 million. In contrast, Euros 162.7 million of generic provisions were released. Real estate and financial assets were written down by a total of Euros -460.3 million. The writedowns and impairments were booked under the criteria established by the Bank of Spain's new Circular 3/2010.
- The NPL ratio was 4.72%, and the NPL coverage ratio was 52.02%. The coverage ratio including mortgage collateral was 114.16%.
- Capital gains on asset disposals: the bank obtained gains of Euros 250 million from a sale and leaseback transaction on 378 properties in 2010, and gains of Euros 29 million from the sale of a property in Barcelona (Paseo de Gracia). Last year the bank obtained Euros 20.3 million from the sale and leaseback of a building in Madrid (Calle Serrano) and Euros 37.4 million from other sale and leaseback deals.
- Income tax includes a Euros 16 million credit since the conditions were met to qualify for part of the tax credit for reinvesting the capital gains on the sale of 50% of the insurance and pension business (in 2008). The accumulated tax credits under this heading totalled Euros 61 million in the third quarter of 2009.
- The Tier 1 ratio was 8.93%, practically the same as at the end of September 2009 (8.94%). The core capital ratio was 7.84%, 14 basis points higher than in September 2009. Including generic provisions net of taxes, the core capital ratio was 8.19%, and the Tier 1 ratio was 9.28% at 30 September 2010.
- Loans to deposits ratio: customer funds on the balance sheet increased by 11.2% while gross loans and advances to customers rose by 0.2%.

## Financial review

### *Basis of presentation*

The consolidated profit and loss account and balance sheet as of 30 September 2009 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 2009.

### *Balance sheet and bottom line*

#### **Balance sheet**

At 30 September 2010, total assets amounted to Euros 85,682.1 million, a 4.8% increase year-on-year. Gross loans and advances to customers totalled Euros 64,579.5 million, 0.2% more than at 30 September 2009.

Mortgage lending at 30 September 2010 expanded by Euros 119.9 million year-on-year to Euros 31,886.4 million.

The NPL ratio was 4.72%, i.e. still below the Spanish financial sector average. Coverage of doubtful assets was 52.02%. The coverage ratio including mortgage collateral is 114.16%.

At 30 September 2010, customer funds on the balance sheet amounted to Euros 42,607.6 million (Euros 38,309.8 million at 30 September 2009), i.e. an increase of 11.2%. Growth was particularly notable in term deposits, which amounted to Euros 25,824.1 million at 30 September 2010 (+15.9% year-on-year), and in demand accounts, which expanded 5.0% to Euros 15,785.1 million at end September 2010.

Liabilities in the form of tradeable securities amounted to Euros 18,701.0 million, compared with Euros 22,071.7 million at 30 September 2009.

Assets in collective investment vehicles totalled Euros 8,393.4 million at 30 September 2010.

Assets in pension funds marketed by the Group increased by 13.0% year-on-year to Euros 2,760.5 million at 30 September 2010.

Insurance sales increased by 4.8%. The balance at the end of September 2010 was Euros 5,605.3 million.

Funds under management amounted to Euros 82,208.4 million at 30 September 2010, compared with Euros 80,889.7 million twelve months earlier (+1.6%).

#### **Income and profit performance**

At 30 September 2010, net interest income totalled Euros 1,126.4 million (-7.3% year-on-year). The steady decline in interest rates in the last twelve months had a greater impact on lending prices than on funding costs. This negative effect was mitigated by ongoing management of customer spreads and by hedging.

The contribution to results from equity-accounted affiliates rose by 21.6% year-on-year, including a significant increase in the contribution from Dexia Sabadell and

financial subsidiaries in Latin America, such as Centro Financiero BHD and Banco de Bajío.

Net fees and commissions amounted to Euros 377.0 million. Net fees and commissions in the quarter were 4.1% higher than in the same period in 2009.

Income from financial transactions amounted to Euros 179.4 million, including Euros 89 million on preference share and subordinated debt swaps in April 2010, and Euros 59.1 million from sales of available-for-sale fixed-income financial assets. In the first nine months of 2009, the bank obtained Euros 96.8 million in capital gains from preference shares exchange and Euros 89.9 million from sales of fixed-income securities.

Operating costs amounted to Euros -747.0 million in the first nine months of 2010, including Euros -7.1 million in indemnities. Indemnities amounted to Euros -65.8 million in the same period in 2009. Excluding the impact of integrating Sabadell United Bank and the sale and lease back transaction in April 2010, operating expenses fell by 0.5%.

The cost/income ratio excluding non-recurrent expenses was 43.18%. Excluding the impact of the sale and leaseback transaction in April 2010, the ratio would be 42.44%.

Net income before provisions amounted to Euros 937.0 million at 30 September 2010 (-12.0% year-on-year).

Specific loan-loss provisions amounted to Euros -494.8 million. A total of Euros 162.7 million of generic provisions were released during the first nine months of the year. Real estate and financial assets were written down by a total of Euros -460.3 million. The Bank of Spain's new regulation on NPL provisions and real estate impairments became effective in September 2010 (Circular 3/2010). NPL provisions declined by Euros 120 million, while real estate impairments amounted to Euros -161 million.

The bank obtained gains of Euros 250 million from a sale and leaseback transaction on 378 properties (April 2010), and Euros 29 million from the sale of a property in Barcelona (Paseo de Gracia). In the first nine months of 2009, the bank obtained Euros 20.3 million from the sale and leaseback of a building in Madrid (Calle Serrano) and Euros 37.4 million from other sale and leaseback deals.

Net income attributed to the group amounted to Euros 340.3 million, compared with Euros 468.4 million in the first nine months of 2009.

At 30 September 2010, the Tier 1 ratio was 8.93%, practically the same as one year earlier. The core capital ratio was 7.84%, 14 basis points higher than at 30 September 2009. Including generic provisions net of taxes, the core capital ratio at 30 September 2010 was 8.19%, and the Tier 1 ratio was 9.28%.

## *Other key developments in 3Q10*

### **Integration of TransAtlantic Bank into Sabadell United Bank**

In the third quarter, Sabadell United Bank, Banco Sabadell group's Florida-based subsidiary, successfully absorbed Miami-based TransAtlantic Bank, which had been acquired by Banco Sabadell in 2007. Sabadell United Bank is specialised in providing corporate banking services and personal banking services to professionals. Upon completion of the merger, the bank has more than USD 2,400 million in assets and a commercial network of over 20 branches throughout southern Florida, including Miami-Dade, Broward and Palm Beach counties.

### **Exchange offer for Banco Guipuzcoano, S.A.**

On 2 July, Banco Sabadell submitted a request to Spain's National Securities Market Commission (CNMV) for authorisation of an exchange offer for 100% of the capital stock of Banco Guipuzcoano, S.A. On 15 July, the request was admitted for vetting.

On 18 September, Banco Sabadell held an Extraordinary Shareholders' Meeting, at which the following items were approved:

Increase capital stock, via non-monetary contributions, by at most eleven million seven hundred and three thousand eight hundred and fifty-four Euros and twenty-five cents (Euros 11,703,854.25), through the issuance and distribution of ninety-three million six hundred thirty thousand eight hundred and thirty-four (93,630,834) ordinary shares of the same class, of Euros 0.125 par value each, overriding pre-emptive subscription rights, exclusively for the stock swap with the shareholders of Banco Guipuzcoano, S.A. who accept the exchange offer to be made by Banco Sabadell, in its terms and conditions, and consequently amend Article 7 of the Articles of Association.

Issue up to ninety-three million six hundred thousand (93,600,000) Mandatory Convertible Subordinated Bonds, of Euros 5 par value each, maturing in three years, and paying quarterly voluntary remuneration to be decided by the Board of Directors in each period, overriding pre-emptive subscription rights, exclusively for the shareholders of Banco Guipuzcoano, S.A. that accept the exchange offer to be made by Banco Sabadell, in its terms and conditions.

Apply for listing on domestic stock exchanges of the new shares and bonds issued.

Amend article 51 of the Articles of Association to increase the number of bank directors. Appoint Mr José Echenique Landiribar and Mr José Ramón Martínez Sufrategui as independent directors.

Make the execution of the above agreements conditional upon authorisation by the Spanish National Securities Commission (CNMV) of the exchange offer for Banco Guipuzcoano and upon any other relevant administrative authorisations, in the terms and conditions set out in the Bid.

On 14 October, the CNMV authorised the operation, and the acceptance period was set from 15 October 2010 to 3 November 2010, both inclusive.

### **III/2010 mortgage covered bond issue**

On 1 September, Banco Sabadell successfully completed a 2 year Euros 1,000 million covered bond transaction. The subscription period opened and closed on the same day, and the issue was amply oversubscribed. The issue was aimed at qualified Spanish and foreign investors and was completed under the framework of Banco Sabadell's non-equity security issue programme registered with the CNMV on 30 March 2010. The bookrunners were Banco Sabadell, Barclays, Commerzbank, Natixis and Nomura. The payment was completed on 10 September.

## Key figures

	30.09.09	31.12.09	30.09.10	Change (%) YoY
<b>Balance sheet (€ '000)</b>				
Total assets	81,748,341	82,822,886	85,682,144	4.8
Gross loans and advances to customers	64,458,061	65,012,792	64,579,467	0.2
On-balance sheet funds	63,959,685	64,165,053	64,381,311	0.7
Of which:				
Customer-based funding on balance sheet (1)	38,309,764	38,131,235	42,607,586	11.2
Mutual funds	8,622,350	9,150,665	8,393,390	-2.7
Pension funds and third-party insurance products	7,788,372	8,168,367	8,365,710	7.4
Funds under management	80,889,724	82,247,095	82,208,417	1.6
Shareholders' equity	5,342,888	5,226,333	5,447,844	2.0
<b>Profit and loss account (€ '000)</b>				
Net interest income	1,215,430	1,600,647	1,126,362	-7.3
Gross operating income	1,943,455	2,505,030	1,802,499	-7.3
Net income before provisions	1,064,393	1,325,477	937,028	-12.0
Attributable net profit	468,442	522,489	340,311	-27.4
<b>Ratios (%)</b>				
ROA	0.77	0.64	0.53	
ROE	13.75	11.36	9.02	
Cost / income (ex amortisation) (2)	41.92	43.05	43.59	
Cost / income ratio excluding non-recurrent expenses (2)	38.36	39.46	43.18	
Core capital (3)	7.70	7.66	7.84	
Adjusted core capital (3) (4)	8.55	8.14	8.19	
Tier I (3)	8.94	9.10	8.93	
Adjusted Tier I (3) (4)	9.79	9.58	9.28	
BIS ratio (3)	11.19	10.80	10.91	
<b>Risk management</b>				
Non-performing loans (€ '000)	2,497,304	2,712,418	3,404,330	
Provisions for NPLs (€ '000)	2,080,583	1,872,443	1,770,929	
NPLs / Gross loans (%)	3.47	3.73	4.72	
Coverage ratio (%)	83.31	69.03	52.02	
Coverage ratio with mortgage collateral	135.54	125.11	114.16	
<b>Share data (period end)</b>				
Number of shareholders	88,902	89,910	96,567	
Number of shares	1,200,000,000	1,200,000,000	1,200,000,000	
Share price (€)	5.055	3.875	3.674	
Market capitalisation (€ '000)	6,066,000	4,650,000	4,408,800	
Earnings per share (EPS) (€)	0.52	0.44	0.38	
Book value per share (€)	4.45	4.36	4.54	
Price /Book value (times)	1.14	0.89	0.81	
Price /earnings ratio (P/E) (times)	9.71	8.74	9.69	
Including conversion of convertible bond:				
Fully diluted number of shares including conversion of convertible bond	1,300,341,160	1,300,341,160	1,300,015,050	
Earnings per share (EPS) (€)	0.48	0.41	0.35	
Book value per share (€)	4.11	4.02	4.19	
Price /Book value (times)	1.23	0.96	0.88	
<b>Other data</b>				
Domestic branches	1,200	1,190	1,184	
Employees (5)	9,559	9,466	9,701	
ATMs	1,448	1,452	1,452	

(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 2010 and 2009 do not include income obtained from swaps or redemptions of preference shares and subordinated bonds. Excluding the impact of the sale and leaseback deal in April 2010, the ratio would be 42.44%.

(3) Ratio calculated according to Basel II criteria with Bank of Spain-approved models and the regulatory minimum floor.

(4) Adjusted for generic provisions net of taxes.

(5) At 2010, the number of employees had increased due to the integration of Sabadell United Bank (355 employees).



## Profit & loss account

### Profit & loss account

(€'000)	9M09	9M10	Change (%) YoY
Interest and related income	2,503,245	1,938,010	-22.6
Interest and related charges	-1,287,815	-811,648	-37.0
<b>Net interest income</b>	<b>1,215,430</b>	<b>1,126,362</b>	<b>-7.3</b>
Dividend income	11,271	12,548	11.3
Income from equity method	45,039	54,750	21.6
Net fees and commissions	385,831	376,953	-2.3
Results from financial transactions (net)	242,237	179,367	-26.0
Foreign exchange (net)	37,555	46,831	24.7
Other operating income/expense	6,092	5,688	-6.6
<b>Gross operating income</b>	<b>1,943,455</b>	<b>1,802,499</b>	<b>-7.3</b>
Personnel expenses	-540,713	-491,665	-9.1
Recurrent (1)	-474,953	-484,585	2.0
Non-recurrent	-65,760	-7,080	-89.2
Other general expenses (2)	-233,478	-255,304	9.3
Amortization & depreciation	-104,871	-118,502	13.0
<b>Net income before provisions</b>	<b>1,064,393</b>	<b>937,028</b>	<b>-12.0</b>
Provisions for NPLs and other impairments	-590,125	-813,881	37.9
Gains on sale of assets	64,902	293,367	352.0
Net result from discontinued transactions (after taxes)	0	0	--
Income tax	-67,819	-74,055	9.2
<b>Consolidated net profit</b>	<b>471,351</b>	<b>342,459</b>	<b>-27.3</b>
Minority interest	2,909	2,148	-26.2
<b>Attributable net profit</b>	<b>468,442</b>	<b>340,311</b>	<b>-27.4</b>
Pro memoria:			
Average total assets	81,506,560	86,180,279	
Earnings per share (€) (3)	0.39	0.28	

(1) In like-for-like terms, the year-on-year change was -0.7%.

(2) Assuming no change in consolidation scope and excluding the sale and leaseback operation, the year-on-year change is 0.0%.

(3) For the nine-month period ended 30 September.

## Profit & loss account – quarterly stand-alone

(€'000)	3Q09	4Q09	1Q10	2Q10	3Q10	Change (%) YoY
Interest and related income	716,108	662,988	635,961	650,622	651,427	-9.0
Interest and related charges	-313,814	-277,771	-261,857	-259,546	-290,245	-7.5
<b>Net interest income</b>	<b>402,294</b>	<b>385,217</b>	<b>374,104</b>	<b>391,076</b>	<b>361,182</b>	<b>-10.2</b>
Dividend income	774	3,327	190	10,269	2,089	169.9
Income from equity method	13,354	26,874	19,915	17,433	17,402	30.3
Net fees and commissions	118,748	125,333	129,279	124,005	123,669	4.1
Results from financial transactions (net)	78,327	5,913	24,925	127,217	27,225	-65.2
Foreign exchange (net)	15,739	11,669	11,091	12,492	23,248	47.7
Other operating income/expense	2,344	3,242	2,646	2,717	325	-86.1
<b>Gross operating income</b>	<b>631,580</b>	<b>561,575</b>	<b>562,150</b>	<b>685,209</b>	<b>555,140</b>	<b>-12.1</b>
Personnel expenses	-170,179	-174,610	-160,879	-165,092	-165,694	-2.6
Recurrent	-159,574	-153,747	-159,928	-162,150	-162,507	1.8
Non-recurrent	-10,605	-20,863	-951	-2,942	-3,187	-69.9
Other general expenses	-80,838	-88,022	-75,954	-87,492	-91,858	13.6
Amortization & depreciation	-35,834	-37,859	-38,440	-40,212	-39,850	11.2
<b>Net income before provisions</b>	<b>344,729</b>	<b>261,084</b>	<b>286,877</b>	<b>392,413</b>	<b>257,738</b>	<b>-25.2</b>
Provisions for NPLs and other impairments	-231,250	-247,581	-167,445	-526,318	-120,118	-48.1
Gains on sale of assets	36,020	18,673	4,061	288,078	1,228	-96.6
Net result from discontinued transactions (after taxes)	0	0	0	0	0	--
Income tax	-10,980	22,782	-14,705	-27,737	-31,613	187.9
<b>Consolidated net profit</b>	<b>138,519</b>	<b>54,958</b>	<b>108,788</b>	<b>126,436</b>	<b>107,235</b>	<b>-22.6</b>
Minority interest	2,118	911	408	1,196	544	-74.3
<b>Attributable net profit</b>	<b>136,401</b>	<b>54,047</b>	<b>108,380</b>	<b>125,240</b>	<b>106,691</b>	<b>-21.8</b>
Pro memoria:						
Average total assets	81,977,332	82,332,334	85,055,467	86,831,006	86,636,986	
Earnings per share (€) (1)	0.11	0.05	0.09	0.11	0.08	

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

## Net interest income

### Average yield

2009 (€'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	2,642,845	1.93	12,563	2,045,426	1.14	5,818	3,580,345	0.56	5,067	2,222,552	0.96	5,400
Loans to customers (net)	62,593,414	5.56	857,596	62,036,536	4.93	763,181	61,696,386	4.21	655,003	62,554,429	3.79	598,052
Fixed-income securities	6,981,215	3.91	67,345	8,082,132	2.58	52,071	7,609,054	2.44	46,759	8,288,938	2.46	51,367
<b>Subtotal</b>	<b>72,217,474</b>	<b>5.26</b>	<b>937,504</b>	<b>72,164,094</b>	<b>4.56</b>	<b>821,070</b>	<b>72,885,785</b>	<b>3.85</b>	<b>706,829</b>	<b>73,065,919</b>	<b>3.56</b>	<b>654,819</b>
Equity securities	1,578,454	--	--	1,954,484	--	--	1,816,355	--	--	2,009,384	--	--
Tang. & intang. assets	1,838,789	--	--	1,714,315	--	--	1,698,773	--	--	1,671,798	--	--
Other assets	5,256,941	1.28	16,643	5,805,864	0.82	11,920	5,576,419	0.66	9,279	5,585,233	0.58	8,169
<b>Total</b>	<b>80,891,658</b>	<b>4.78</b>	<b>954,147</b>	<b>81,638,757</b>	<b>4.09</b>	<b>832,990</b>	<b>81,977,332</b>	<b>3.47</b>	<b>716,108</b>	<b>82,332,334</b>	<b>3.19</b>	<b>662,988</b>

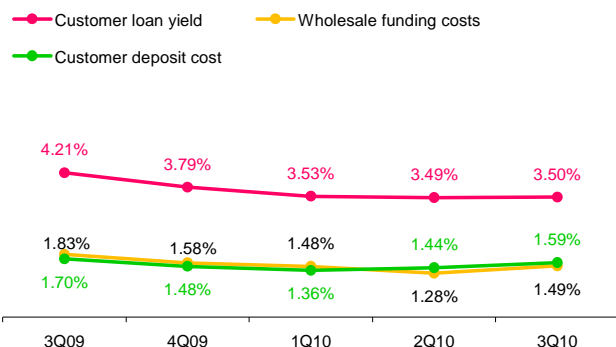
2010 (€'000)	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income	Avg.balance	Rate %	Income
Cash and balance with central banks & financial	2,077,052	0.93	4,738	2,072,682	0.98	5,042	1,778,632	1.04	4,670			
Loans to customers (net)	63,556,130	3.53	552,552	63,230,098	3.49	550,119	62,991,994	3.50	555,101			
Fixed-income securities	10,062,814	2.76	68,592	11,840,308	2.72	80,440	11,978,378	2.60	78,637			
<b>Subtotal</b>	<b>75,695,996</b>	<b>3.35</b>	<b>625,882</b>	<b>77,143,088</b>	<b>3.30</b>	<b>635,601</b>	<b>76,749,004</b>	<b>3.30</b>	<b>638,408</b>			
Equity securities	1,979,925	--	--	2,038,809	--	--	2,050,937	--	--			
Tang. & intang. assets	1,705,582	--	--	1,604,608	--	--	1,549,445	--	--			
Other assets	5,673,964	0.72	10,079	6,044,501	1.00	15,021	6,287,600	0.82	13,019			
<b>Total</b>	<b>85,055,467</b>	<b>3.03</b>	<b>635,961</b>	<b>86,831,006</b>	<b>3.01</b>	<b>650,622</b>	<b>86,636,986</b>	<b>2.98</b>	<b>651,427</b>			

### Average cost of funds

2009 (€'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	5,436,719	-3.44	-46,127	5,370,216	-1.98	-26,511	5,628,062	-1.52	-21,580	5,122,506	-1.59	-20,530
Customer deposits	35,824,475	-2.83	-250,086	36,419,740	-2.21	-201,064	36,833,850	-1.70	-157,545	36,362,459	-1.48	-135,746
Capital markets	25,854,897	-3.57	-227,787	25,930,371	-2.50	-161,817	24,779,824	-1.83	-114,280	25,542,666	-1.58	-101,764
Repos	4,275,533	-1.72	-18,115	4,318,848	-1.04	-11,233	4,555,445	-0.78	-9,006	4,287,560	-0.86	-9,263
<b>Subtotal</b>	<b>71,391,624</b>	<b>-3.08</b>	<b>-542,115</b>	<b>72,039,175</b>	<b>-2.23</b>	<b>-400,625</b>	<b>71,797,181</b>	<b>-1.67</b>	<b>-302,411</b>	<b>71,315,191</b>	<b>-1.49</b>	<b>-267,303</b>
Other liabilities	5,205,284	-1.36	-17,476	5,099,987	-1.08	-13,785	5,182,954	-0.87	-11,403	5,745,957	-0.72	-10,468
Shareholders' equity	4,294,750	--	--	4,499,595	--	--	4,997,197	--	--	5,271,186	--	--
<b>Total</b>	<b>80,891,658</b>	<b>-2.81</b>	<b>-559,591</b>	<b>81,638,757</b>	<b>-2.04</b>	<b>-414,410</b>	<b>81,977,332</b>	<b>-1.52</b>	<b>-313,814</b>	<b>82,332,334</b>	<b>-1.34</b>	<b>-277,771</b>

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			
Customer deposits	37,994,106	-1.36	-127,456	39,097,789	-1.44	-140,157	40,657,543	-1.59	-163,257			
Capital markets	26,069,979	-1.48	-95,143	24,332,528	-1.28	-77,824	21,897,629	-1.49	-82,164			
Repos	4,385,439	-0.76	-8,208	5,452,797	-0.53	-7,247	5,117,942	-0.81	-10,478			
<b>Subtotal</b>	<b>73,967,156</b>	<b>-1.37</b>	<b>-249,890</b>	<b>75,484,896</b>	<b>-1.30</b>	<b>-244,982</b>	<b>75,233,013</b>	<b>-1.47</b>	<b>-277,932</b>			
Other liabilities	5,737,935	-0.85	-11,967	5,776,327	-1.01	-14,564	5,915,312	-0.83	-12,313			
Shareholders' equity	5,350,376	--	--	5,569,783	--	--	5,488,661	--	--			
<b>Total</b>	<b>85,055,467</b>	<b>-1.25</b>	<b>-261,857</b>	<b>86,831,006</b>	<b>-1.20</b>	<b>-259,546</b>	<b>86,636,986</b>	<b>-1.33</b>	<b>-290,245</b>			

## Customer spread (%)

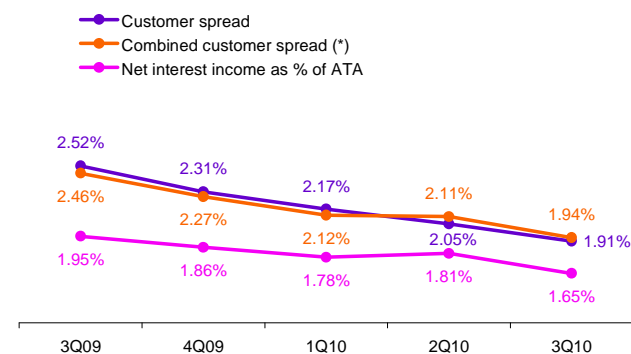


Net interest income amounted to Euros 361.2 million in the third quarter, compared with Euros 391.1 million in the second quarter. The average yield on customer loans was 3.50%, in line with the previous quarter. The impact on financial revenues of rising lending yields was Euros 8.9 million. The average volume of customer loans and advances declined, reducing interest revenues by Euros 6.7 million.

The average cost of customer deposits was -1.59%, compared with -1.44% in 2Q10. The effect of the increase in prices was Euros 14.4 million.

Wholesale funding costs increased by Euros 4.3 million with respect to 2Q10. The average cost was -1.49%. The

## Net interest income (%)



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

widening of spreads, with the resulting increase in the prices of new issues, increased costs by Euros 11.0 million. The decline in average volume of funding reduced costs by Euros 7.54 million.

The customer spread was 1.91% (2.05% in the previous quarter).

The combined customer spread, which includes wholesale funding costs, was 1.94%, compared with 2.11% the previous quarter.

As a result, net interest income in 3Q10 represented 1.65% of average total assets, compared with 1.81% in 2Q10.

## Net fees and commissions

(€'000)	3Q09	2Q10	3Q10	Change (%) 3Q09	Change (%) 2Q10
Asset transactions	20,226	22,582	23,624	16.8	4.6
Guarantees	18,621	19,769	19,568	5.1	-1.0
Transferred to other entities	-759	-773	-774	2.0	0.1
<b>Risk transaction fees</b>	<b>38,088</b>	<b>41,578</b>	<b>42,418</b>	<b>11.4</b>	<b>2.0</b>
Cards	15,391	16,474	15,784	2.6	-4.2
Payment orders	8,637	9,068	8,568	-0.8	-5.5
Securities	7,269	9,862	7,528	3.6	-23.7
Demand accounts	8,262	8,385	7,916	-4.2	-5.6
Other transactions	12,544	7,980	13,329	6.3	67.0
<b>Commissions for services</b>	<b>52,103</b>	<b>51,769</b>	<b>53,125</b>	<b>2.0</b>	<b>2.6</b>
Mutual funds	21,068	19,384	18,525	-12.1	-4.4
Pension funds and insurance brokerage	7,489	11,274	9,601	28.2	-14.8
<b>Mutual and pension fund and insurance commissions</b>	<b>28,557</b>	<b>30,658</b>	<b>28,126</b>	<b>-1.5</b>	<b>-8.3</b>
<b>Total</b>	<b>118,748</b>	<b>124,005</b>	<b>123,669</b>	<b>4.1</b>	<b>-0.3</b>

Net fees and commissions amounted to Euros 123.7 million in the third quarter of 2010. With respect to 3Q09, net fees expanded by 4.1% due to the favourable performance of fees for risk transactions and, to a smaller extent, of service fees.

Risk transaction fees increased by 11.4%, including a sizeable contribution from loan commitment fees, together with fees from factoring and other specialist corporate finance products.

Service fees rose by 2.0% as a result of the increase fees related to syndicated loan management and structuring. Fees on cards and securities increased, in line with the increase in activity in both areas.

Mutual fund fees declined by 12.1% due to the market trends and the economic situation. Fees for the sale of pension plans and insurance products increased 28.2%, primarily due to higher pension fund fees and to growth in fees from multi-investment savings insurance products.

Net fees remained practically stable (-0.3%) with respect to the second quarter of 2010.

Risk transaction fees increased by 2.0% due to a 4.6% increase in asset transaction fees, primarily related to specialist corporate finance products (specifically, factoring).

Service fees increased by 2.6% versus the previous quarter, boosted by growth in fees on syndicated loans, particularly management and structuring fees. Other service fees (safe deposit boxes, certificates of non-residence, consulting, etc.) increased with respect to 2Q10 due to an increase in volume.

Mutual fund fees declined by 4.4% as a result of the reduction of assets in funds managed and marketed by Banco Sabadell during the quarter, in line with the trend in the markets. Fees for the sale of pension plans and insurance products fell by 14.8% due to higher fees from multi-investment insurance products in 2Q10.

In the first nine months of 2010, net fees and commissions totalled Euros 377.0 million (-2.3% with respect to the same period in 2009).

## Administrative expenses

(€'000)	3Q09	2Q10	3Q10	Change (%) 3Q09	Change (%) 2Q10
Recurrent	-159,574	-162,150	-162,507	1.8	0.2
Non-recurrent	-10,605	-2,942	-3,187	-69.9	8.3
<b>Personnel expenses</b>	<b>-170,179</b>	<b>-165,092</b>	<b>-165,694</b>	<b>-2.6</b>	<b>0.4</b>
IT	-12,024	-14,169	-12,662	5.3	-10.6
Communications	-5,660	-4,718	-5,749	1.6	21.9
Advertising	-6,459	-3,744	-6,187	-4.2	65.3
Premises	-17,973	-24,856	-26,866	49.5	8.1
Stationery and office supplies	-2,464	-1,636	-1,886	-23.5	15.3
Taxes other than income tax	-13,228	-13,492	-14,189	7.3	5.2
Others	-23,030	-24,877	-24,319	5.6	-2.2
<b>Other general expenses</b>	<b>-80,838</b>	<b>-87,492</b>	<b>-91,858</b>	<b>13.6</b>	<b>5.0</b>
<b>Total</b>	<b>-251,017</b>	<b>-252,584</b>	<b>-257,552</b>	<b>2.6</b>	<b>2.0</b>

Administrative expenses (personnel and other general expenses) amounted to Euros -257.6 million in the third quarter of 2010.

Assuming no change in consolidation scope, i.e. excluding the integration of Sabadell United Bank (SUB) in mid-January 2010 and the sale and leaseback programme (S&L), recurrent administrative expenses fell by -1.4% with respect to 3Q09 and increased by 1.1% with respect to 2Q10.

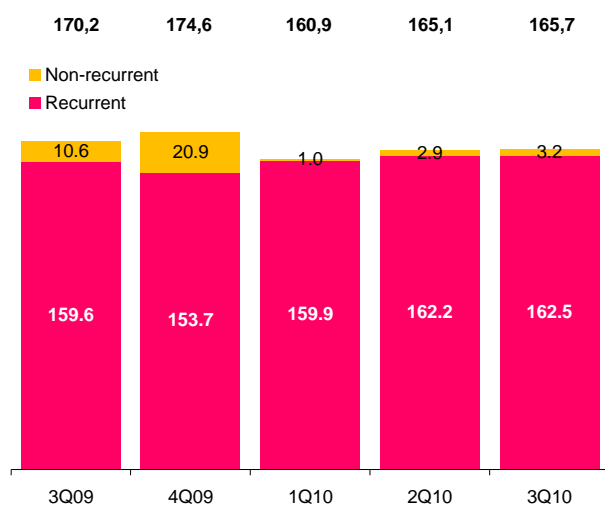
Specifically, assuming no change in consolidation scope, recurrent personnel expenses declined by -2.0% with

respect to 3Q09 due to measures applied in the operating efficiency programme.

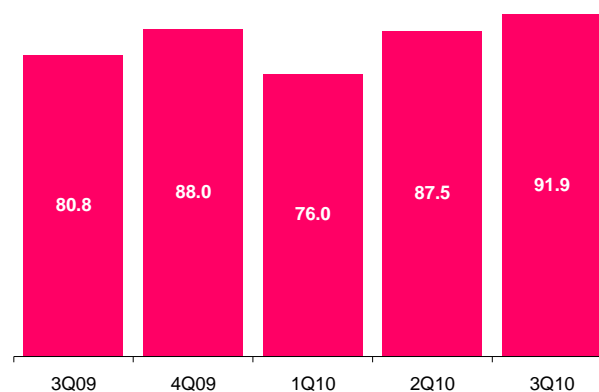
Assuming no change in consolidation scope, general administrative expenses (excluding SUB and S&L) remained stable with respect to the third quarter of 2009.

With respect to the second quarter of 2010, general administrative expenses are a 2.3% higher, attributable primarily to increased advertising due to seasonal campaigns.

Personnel expenses (€mn)



Other general expenses (€mn)



## Provisions for NPLs and others impairments

(€'000)	3Q09	2Q10	3Q10	Change (%) 3Q09	Change (%) 2Q10
Generic provisions	315,465	-1,677	103,189	-67.3	--
Specific provisions	-427,208	-270,849	-50,224	-88.2	-81.5
Others	-2,755	-4,821	-11,427	314.8	137.0
<b>Provisions for NPLs (net)</b>	<b>-114,498</b>	<b>-277,347</b>	<b>41,538</b>	<b>--</b>	<b>--</b>
Provisions and impairments of financial assets	-49,084	-38,789	-363	-99.3	-99.1
Impairment losses on other assets	-67,668	-210,182	-161,293	138.4	-23.3
<b>Total</b>	<b>-231,250</b>	<b>-526,318</b>	<b>-120,118</b>	<b>-48.1</b>	<b>-77.2</b>

The Bank of Spain's new Circular 3/2010 on NPL provisions and real estate impairments became effective in September 2010. Specific provisions in the third quarter of 2010 amounted to Euros -50.2 million (Euros -427.2 million in 3Q09), primarily due to schedule-based provisioning (Euros -144.3 million), provisions for new NPLs (Euros -24.0 million) and the impact of the Bank of Spain's new regulation on lending (Euros +120.0 million).

In the quarter, Euros 103.2 million of generic provisions were released.

The financial provisions and impairments (net) item is mainly for writedowns of fixed-income and equity securities.

The impairment losses on other assets are mainly due to impairment and provisions for investment property, an area also affected by the Bank of Spain's new regulation.

## Balance sheet

(€'000)	30.09.09	31.12.09	30.09.10	Change (%) YoY
Cash and balance with Central Banks	1,028,030	1,820,157	1,406,784	36.8
Trading and derivatives portfolios and other financial assets	2,022,079	1,990,688	2,216,381	9.6
Available-for-sale financial assets	7,370,793	8,031,761	11,217,889	52.2
Loans and advances	66,016,711	65,777,852	65,458,337	-0.8
Balances with financial institutions (1)	3,496,696	2,544,962	2,556,651	-26.9
Loans to customers (net)	62,520,015	63,232,890	62,901,686	0.6
Investments in associated companies	686,856	706,075	760,407	10.7
Property, plant and equipment	1,092,814	1,140,190	958,805	-12.3
Intangible assets	705,967	669,980	694,035	-1.7
Other assets	2,825,091	2,686,183	2,969,506	5.1
<b>Total assets</b>	<b>81,748,341</b>	<b>82,822,886</b>	<b>85,682,144</b>	<b>4.8</b>
Trading and derivatives portfolios	1,834,576	1,680,022	2,121,031	15.6
Financial liabilities at amortised cost	73,556,277	74,957,805	77,042,070	4.7
Central banks and credit institutions (2)	8,485,173	9,577,274	11,473,752	35.2
Customer deposits	39,317,833	39,130,722	43,433,351	10.5
Capital markets	22,071,717	22,812,447	18,701,044	-15.3
Subordinated liabilities	2,393,919	2,039,698	2,070,764	-13.5
Other financial liabilities	1,287,635	1,397,664	1,363,159	5.9
Liabilities under insurance contracts	176,216	182,186	176,152	0.0
Provisions	362,667	313,267	309,984	-14.5
Other liabilities	547,984	392,236	590,091	7.7
<b>Subtotal liabilities</b>	<b>76,477,720</b>	<b>77,525,516</b>	<b>80,239,328</b>	<b>4.9</b>
Shareholders' equity (3)	5,342,888	5,226,333	5,447,844	2.0
Valuation adjustments	-97,157	43,656	-39,046	-59.8
Minority interest	24,890	27,381	34,018	36.7
<b>Equity</b>	<b>5,270,621</b>	<b>5,297,370</b>	<b>5,442,816</b>	<b>3.3</b>
<b>Total liabilities and equity</b>	<b>81,748,341</b>	<b>82,822,886</b>	<b>85,682,144</b>	<b>4.8</b>
Contingent risks	7,435,938	7,658,536	7,498,913	0.8
Contingent liabilities	16,475,364	17,019,738	15,797,328	-4.1
<b>Total memorandum accounts</b>	<b>23,911,302</b>	<b>24,678,274</b>	<b>23,296,241</b>	<b>-2.6</b>

(1) Balances with financial institutions include the following amounts of repos: Euros 2,059 million at 30.09.09, Euros 1,028 million at 31.12.09, and Euros 1,114 million at 30.09.10.

(2) Deposits with central banks and credit institutions include the following amounts of repos: Euros 2,459 million at 30.09.09, Euros 3,711 million at 31.12.09, and Euros 3,251 million at 30.09.10.

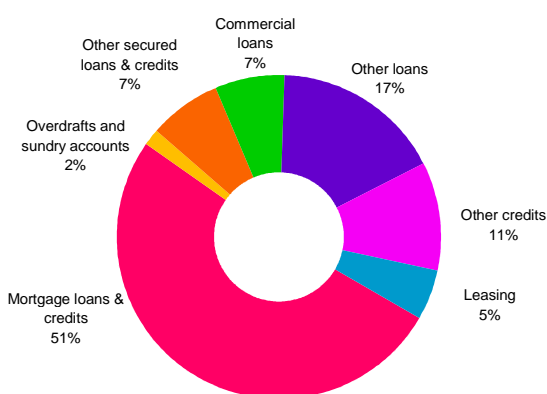
(3) Since July 2009, this balance includes Euros 500 million of mandatory convertible bonds.



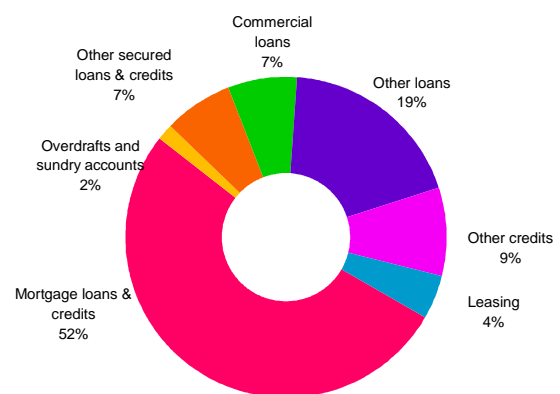
## Loans to customers

(€'000)	30.09.09	31.12.09	30.09.10	Change (%) YoY
Mortgage loans & credits	31,766,493	32,021,966	31,886,389	0.4
Other secured loans & credits	4,386,952	4,257,673	4,306,760	-1.8
Commercial loans	4,355,618	5,031,055	4,280,959	-1.7
Other loans	10,543,495	10,900,194	11,496,697	9.0
Other credits	6,694,482	6,219,049	5,438,357	-18.8
Leasing	3,055,431	2,928,343	2,691,276	-11.9
Overdrafts and sundry accounts	1,105,824	983,538	1,056,606	-4.5
Non-performing loans	2,409,165	2,650,179	3,296,448	36.8
Accruals	140,601	20,795	125,975	-10.4
<b>Gross loans and advances to customers</b>	<b>64,458,061</b>	<b>65,012,792</b>	<b>64,579,467</b>	<b>0.2</b>
NPL and country-risk provisions	-1,938,046	-1,779,902	-1,677,781	-13.4
<b>Loans to customers (net)</b>	<b>62,520,015</b>	<b>63,232,890</b>	<b>62,901,686</b>	<b>0.6</b>
Pro memoria: total securitisation	10,552,088	9,706,556	8,978,329	-14.9
Of which: mortgage backed	6,732,273	6,229,809	5,678,311	-15.7
Other securitised assets	3,819,815	3,476,747	3,300,018	-13.6
Of which: securitised after 01.01.04	10,395,627	9,613,606	8,906,075	-14.3
Of which: mortgage backed	6,583,794	6,141,923	5,608,501	-14.8
Other securitised assets	3,811,833	3,471,683	3,297,574	-13.5

Loans and advances, 30.09.09 (%) (\*)

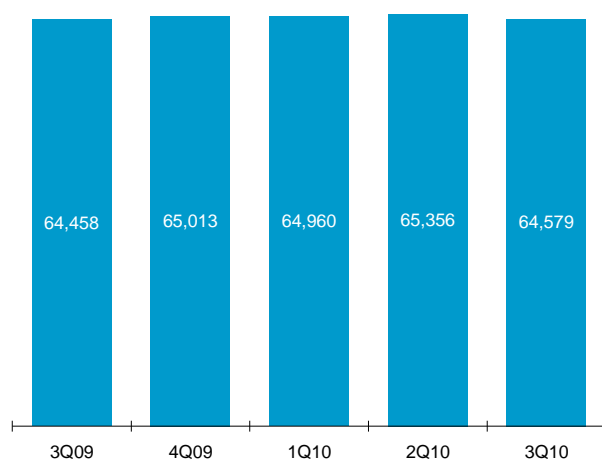


Loans and advances, 30.09.10 (%) (\*)

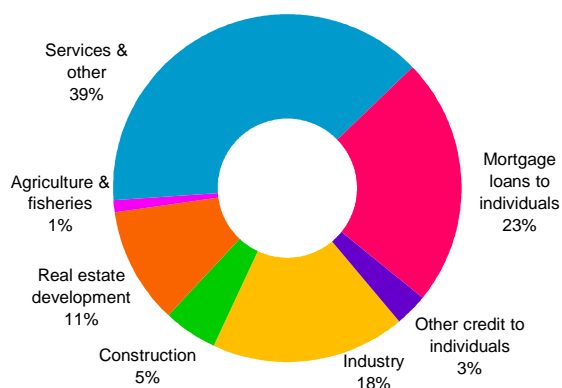


(\*) Excluding doubtful assets and accrual adjustments.

Gross loans and advances to customers (€mn)



Gross loans and advances to customers, by segment, 30.09.10 (%)



## Credit risk management

(€'000)	30.09.09	31.12.09	30.09.10	Change (%) YoY
Opening balance (1st January)	1,698,182	1,698,182	2,712,418	59.7
Increase due to new loan defaults	2,303,925	2,975,729	1,969,304	-14.5
Reclassified from provisioned performing loans	76,386	140,236	988,076	--
Recoveries on loans previously written off	-1,544,914	-2,034,351	-1,787,735	15.7
Write-offs	-36,275	-67,378	-477,733	--
<b>Total bad and doubtful debts</b>	<b>2,497,304</b>	<b>2,712,418</b>	<b>3,404,330</b>	<b>36.3</b>
Gross loans and advances to customers	64,458,061	65,012,792	64,579,467	0.2
Contingent risks	7,435,938	7,658,536	7,498,913	0.8
<b>Total risks</b>	<b>71,893,999</b>	<b>72,671,328</b>	<b>72,078,380</b>	<b>0.3</b>
Specific provisions	1,357,024	1,461,429	1,485,856	9.5
Generic provisions	723,559	411,014	285,073	-60.6
<b>Total provisions for NPLs</b>	<b>2,080,583</b>	<b>1,872,443</b>	<b>1,770,929</b>	<b>-14.9</b>
<b>NPLs / Gross loans (%)</b>	<b>3.47</b>	<b>3.73</b>	<b>4.72</b>	
<b>Coverage ratio (%)</b>	<b>83.31</b>	<b>69.03</b>	<b>52.02</b>	

The NPL ratio at 30 September 2010 was 4.72%, compared with 4.38% at 30 June 2010.

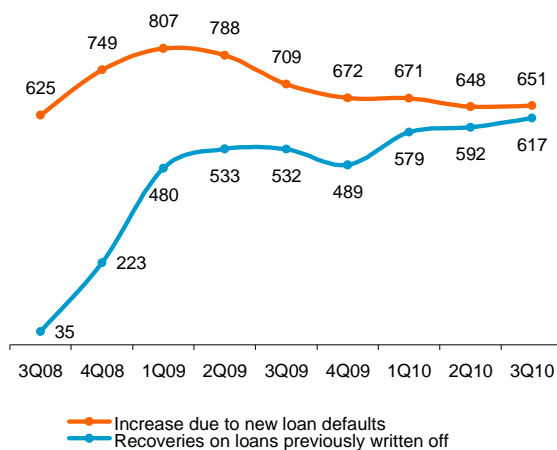
The NPL ratio remains considerably below the industry average.

Approximately 68% of total doubtful balances are secured by mortgages and the remainder have personal guarantees

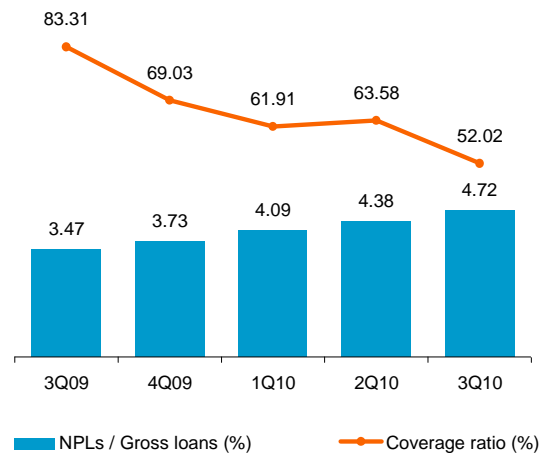
or other sureties (that remainder is mainly exposure to companies, for which the Bank has a highly-specialised recovery unit).

At 30 September 2010, the NPL coverage ratio was 52.02%; that ratio is 114.16% including mortgage collateral.

Defaults and recoveries (€mn)



NPLs/Gross loans and coverage ratio (%)



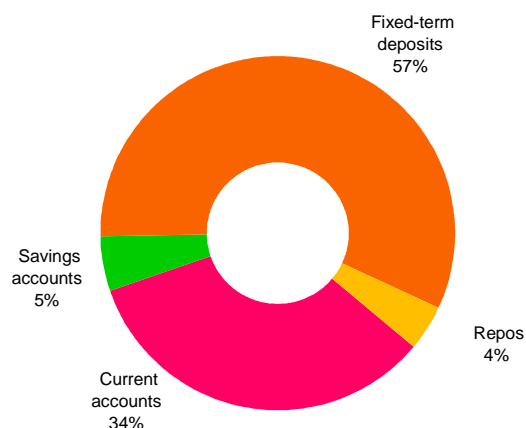
(€'000)	3Q09	4Q09	1Q10	2Q10	3Q10
Increase due to new loan defaults	709,012	671,804	670,885	647,723	650,696
Reclassified from provisioned performing loans	40,968	63,850	349,669	256,400	382,007
Recoveries on loans previously written off	-531,895	-489,437	-578,889	-591,560	-617,286
Write-offs	-9,170	-31,103	-183,349	-93,084	-201,300
<b>Net change in bad and doubtful debts</b>	<b>208,915</b>	<b>215,114</b>	<b>258,316</b>	<b>219,479</b>	<b>214,117</b>
<b>Total bad and doubtful debts</b>	<b>2,497,304</b>	<b>2,712,418</b>	<b>2,970,734</b>	<b>3,190,213</b>	<b>3,404,330</b>

## Funds under management

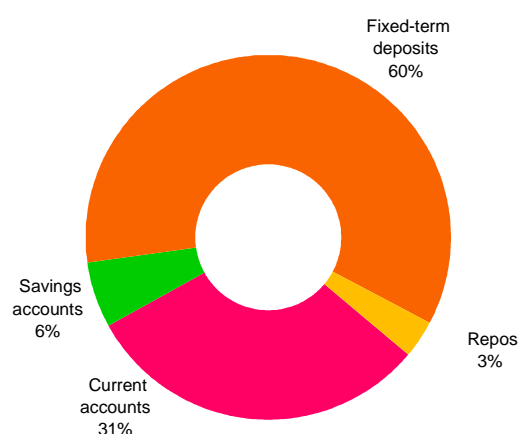
(€'000)	30.09.09	31.12.09	30.09.10	Change (%) YoY
<b>Customer-based funding on balance sheet (1)</b>	<b>38,309,764</b>	<b>38,131,235</b>	<b>42,607,586</b>	<b>11.2</b>
Customer deposits	39,317,833	39,130,722	43,433,351	10.5
Current accounts	13,140,664	13,042,350	13,306,976	1.3
Savings accounts	1,889,113	1,939,003	2,478,129	31.2
Fixed-term deposits	22,279,987	22,149,882	25,824,106	15.9
Repos	1,651,102	1,723,792	1,458,416	-11.7
Accruals	272,532	194,632	299,601	9.9
Derivative hedging adjustments	84,435	81,063	66,123	-21.7
Debt and other tradable securities	22,071,717	22,812,447	18,701,044	-15.3
Subordinated liabilities	2,393,919	2,039,698	2,070,764	-13.5
Liabilities under insurance contracts	176,216	182,186	176,152	0.0
<b>On-balance sheet funds</b>	<b>63,959,685</b>	<b>64,165,053</b>	<b>64,381,311</b>	<b>0.7</b>
Mutual funds	8,622,350	9,150,665	8,393,390	-2.7
Equity funds	339,000	425,626	432,229	27.5
Balanced funds	394,049	416,681	400,002	1.5
Fixed-income funds	2,614,650	3,010,221	2,196,235	-16.0
Guaranteed return funds	2,125,026	2,013,589	1,822,096	-14.3
Real estate funds	955,320	1,034,221	1,041,602	9.0
Dedicated investment companies	1,337,834	1,338,519	1,223,013	-8.6
Third-party funds	856,471	911,808	1,278,213	49.2
Managed accounts	519,317	763,010	1,068,006	105.7
Pension funds	2,442,076	2,787,969	2,760,451	13.0
Individual	1,236,424	1,559,463	1,595,070	29.0
Company	1,175,111	1,196,328	1,135,200	-3.4
Group	30,541	32,178	30,181	-1.2
Third-party insurance products	5,346,296	5,380,398	5,605,259	4.8
<b>Funds under management</b>	<b>80,889,724</b>	<b>82,247,095</b>	<b>82,208,417</b>	<b>1.6</b>

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

Customer deposits, 30.09.09 (%) (\*)

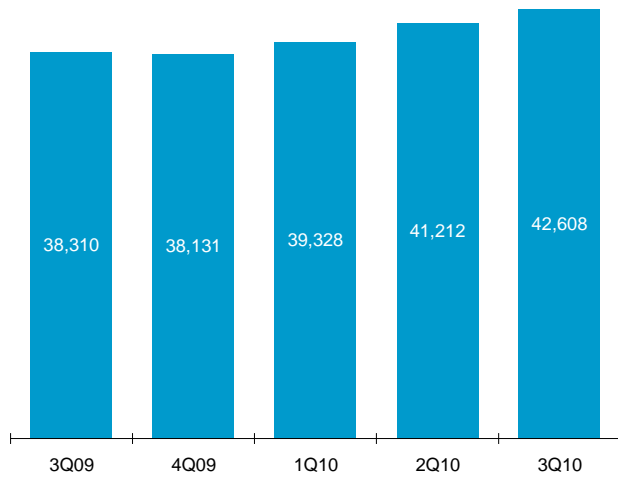


Customer deposit, 30.09.10 (%) (\*)

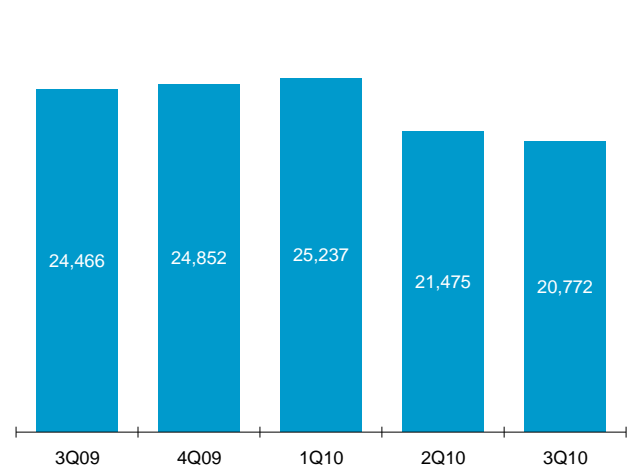


(\*) Excluding adjustments for accruals and hedges with derivatives.

Customer-based funding on balance sheet (€mn)



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



## Shareholder's equity

(€'000)	30.09.09	31.12.09	30.09.10	Change (%) YoY
Shareholders' equity	5,342,888	5,226,333	5,447,844	2.0
Issued capital	150,000	150,000	150,000	0.0
Reserves	4,378,382	4,360,047	4,613,110	5.4
Other equity instruments (1)	500,000	500,000	498,375	-0.3
Less: treasury shares	-69,936	-138,203	-153,952	120.1
Attributable net profit	468,442	522,489	340,311	-27.4
Less: dividends and payments	-84,000	-168,000	0	-100.0
Valuation adjustments	-97,157	43,656	-39,046	-59.8
Minority interest	24,890	27,381	34,018	36.7
<b>Equity</b>	<b>5,270,621</b>	<b>5,297,370</b>	<b>5,442,816</b>	<b>3.3</b>

(1) Mandatory convertible bonds

## BIS ratio

(€'000)	30.09.09	31.12.09	30.09.10	Change (%) YoY
Issued capital	150,000	150,000	150,000	0.0
Reserves	4,514,073	4,456,488	4,542,788	0.6
Mandatory convertible bonds	500,000	500,000	498,375	-0.3
Minority interest	28,655	30,612	38,658	34.9
Deductions	-657,286	-613,995	-818,438	24.5
<b>Core capital</b>	<b>4,535,442</b>	<b>4,523,105</b>	<b>4,411,383</b>	<b>-2.7</b>
<b>Core capital (%)</b>	<b>7.70</b>	<b>7.66</b>	<b>7.84</b>	
Preference shares and deductions	732,538	847,808	614,844	-16.1
<b>Primary capital</b>	<b>5,267,980</b>	<b>5,370,913</b>	<b>5,026,227</b>	<b>-4.6</b>
<b>Tier I (%)</b>	<b>8.94</b>	<b>9.10</b>	<b>8.93</b>	
Computing generic provisions	333,200	329,564	272,983	-18.1
Subordinated debt	1,183,700	880,200	1,098,200	-7.2
Valuation adjustments	24,464	25,327	0	-100.0
Deductions	-216,436	-229,278	-255,804	18.2
<b>Secondary capital</b>	<b>1,324,928</b>	<b>1,005,813</b>	<b>1,115,379</b>	<b>-15.8</b>
<b>Tier II (%)</b>	<b>2.25</b>	<b>1.70</b>	<b>1.98</b>	
Total capital	6,592,908	6,376,726	6,141,606	-6.8
Minimum capital requirement	4,715,105	4,722,851	4,503,787	-4.5
Capital surplus	1,877,803	1,653,875	1,637,819	-12.8
<b>Ratio BIS (%) (*)</b>	<b>11.19</b>	<b>10.80</b>	<b>10.91</b>	
<b>Risk weighted assets (RWA)</b>	<b>58,938,813</b>	<b>59,035,638</b>	<b>56,297,338</b>	<b>-4.5</b>

(\*) Calculated according to Basel II criteria with Bank of Spain-approved models and the regulatory minimum floor.

## Credit ratings

Agency	Date	Long term	Short term	Individual	Support	Outlook	Strength
Fitch	03.06.2010	A	F1	B/C	3	Stable	
Standard & Poor's <sup>(1)</sup>	03.04.2009	A	A1			Negative	
Moody's	15.06.2009	A2	Prime 1			Negative	C-

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## 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.

30.09.2009	Gross operating income (€'000)	Profit before tax (€'000)	Average total assets (€'000)	ROE	Cost / income ratio	Employees	Domestic branches
Commercial banking	1,421,269	383,653	50,675,590	15.3%	43.2%	6,705	1,184
Corporate banking	148,273	92,573	9,617,039	11.9%	12.8%	95	2
Banco Urquijo	38,047	13,306	2,194,141	6.3%	63.8%	247	14
Asset management	25,792	12,345	8,622,350 (**)	28.8%	52.1%	137	--
<b>Total</b>		<b>501,877 (*)</b>					

30.09.2010	Gross operating income (€'000)	Profit before tax (€'000)	Average total assets (€'000)	ROE	Cost / income ratio	Employees	Domestic branches
Commercial banking	1,271,903	418,549	50,197,138	17.0%	48.5%	6,545	1,168
Corporate banking	169,065	142,836	10,468,039	16.9%	12.0%	88	2
Banco Urquijo	37,540	10,526	1,830,445	4.7%	61.1%	226	14
Asset management	23,018	9,088	8,393,390 (**)	30.0%	60.4%	143	--
<b>Total</b>		<b>580,999 (*)</b>					

(\*)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.

## Share price performance

	30.09.09	31.12.09	30.09.10	Change (%) YoY
<b>Shareholders and trading</b>				
Number of shareholders	88,902	89,910	96,567	8.6
Number of shares	1,200,000,000	1,200,000,000	1,200,000,000	0.0
Average daily trading volume (number of shares)	2,685,838	3,226,635	6,141,732	128.7
<b>Share price (€)</b>				
Opening session	4.850	4.850	3.875	
High	5.300	5.300	4.550	
Low	2.940	2.940	3.095	
Closing session	5.055	3.875	3.674	
Market capitalisation (€ '000)	6,066,000	4,650,000	4,408,800	
<b>Stock market multiples</b>				
Earnings per share (EPS) (€)	0.52	0.44	0.38	
Book value per share (€)	4.45	4.36	4.54	
Price /Book value (times)	1.14	0.89	0.81	
Price /earnings ratio (P/E) (times)	9.71	8.74	9.69	
Including conversion of convertible bond:				
Fully diluted number of shares including conversion of convertible bond	1,300,341,160	1,300,341,160	1,300,015,050	
Earnings per share (EPS) (€)	0.48	0.41	0.35	
Book value per share (€)	4.11	4.02	4.19	
Price /Book value (times)	1.23	0.96	0.88	