BancoSabadell

Quarterly financial report

Fourth quarter, 2009

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Introduction

Macroeconomic environment

Global economic and financial background

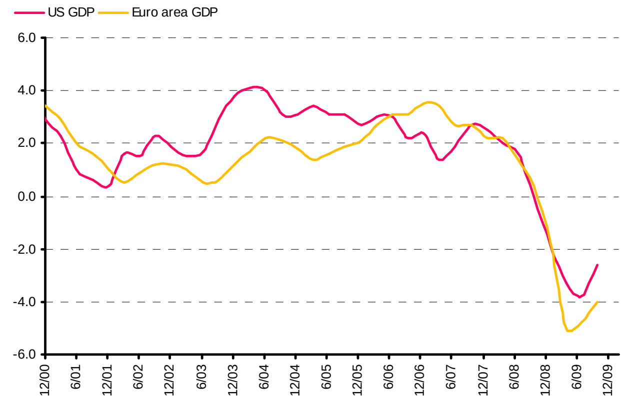
The decline in economic activity has given way to growth in the main developed countries. The US and euro area economies experienced positive growth in the third quarter, for the first time since the crisis began. Economic activity in Japan expanded in 3Q09 for the second consecutive quarter. The UK economy continued to contract, albeit at a slower pace. As for prices, the base effect of the energy component pushed inflation into positive territory in both the US and the euro area in the final months of 2009 and pushed UK inflation closer to the central bank's target. The announced debt restructuring at one of Dubai's leading public companies (Dubai World) had a temporary affect on global financial markets. The Basel Committee, an international body responsible for designing banking regulations, approved a series of reforms aimed at strengthening capital and improving risk coverage and liquidity at banks.

Fixed income markets

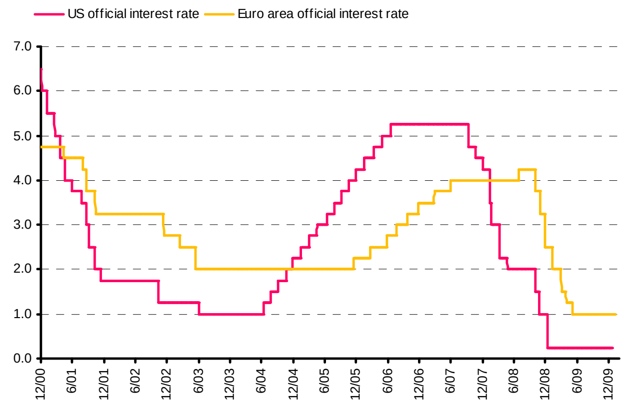
The Federal Reserve (Fed) and the European Central Bank (ECB) have begun defining their exit strategies, while the Bank of England has continued implementing unconventional policies. The Fed has kept its discount rate in the 0-0.25% range and it continues to anticipate that economic conditions will warrant exceptionally low levels of the federal funds rate for an extended period. At its last monetary policy meeting, the Fed announced plans to permit the extraordinary liquidity programmes to expire on schedule in February, and to collaborate with foreign central banks to conclude the currency swaps. The ECB kept its official rate at 1.00%, which it contends is appropriate. With regard to its exit strategy for 2010, the ECB announced that its last 6-month auction will be held on March 31st. Moreover, the rate at its final 12-month auction, in December, was set at the average official rate over the term of the transaction. The Bank of England has decided to maintain the base rate at 0.50% and expand its asset purchase programme by GBP 25 billion, to GBP 200 billion.

Yields on long-term public debt went up on both sides of the Atlantic; this was attributed mainly to the completion of government debt purchases by the Fed, the publication of positive economic data and the large issuance of public debt. The US 10-year bond yield ended the quarter at 3.84%, from 3.31% at the end of September. In the euro area, the German 10-year bond yield ended the quarter at 3.39%, compared with 3.22% at the end of the previous quarter. Concern about the sustainability of Greece's public accounts led to significant widening of its sovereign debt spread with respect to Germany's.

GDP – USA vs. Euro area (%)



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



Currency markets

The US dollar, which began depreciating against the euro at the start of the year, continued its downward path until early December, when it exceeded 1.50 USD/EUR. This movement was influenced by doubts about the role of the dollar as the international reserve currency and statements from Fed members confirming loose monetary policy. However, the dollar changed course in December, moving upward to end the year at 1.43, compared with 1.46 USD/EUR at the end of the third quarter. This is attributable to the publication of positive US economic data and concerns about the strength of public accounts in peripheral countries of the euro area. In the UK, the pound sterling appreciated against the euro to end the quarter at 0.89 GBP/EUR. The Japanese yen ended the fourth quarter at 93.0, compared with 89.7 JPY/USD the previous quarter. Sharp appreciation by the yen in November propelled the Japanese currency to levels not seen since 1995, when the exchange was 86 JPY/USD. However, that movement reversed later based on threats of intervention by the authorities and the creation of a new three-month credit facility by the central bank at the official interest rate.

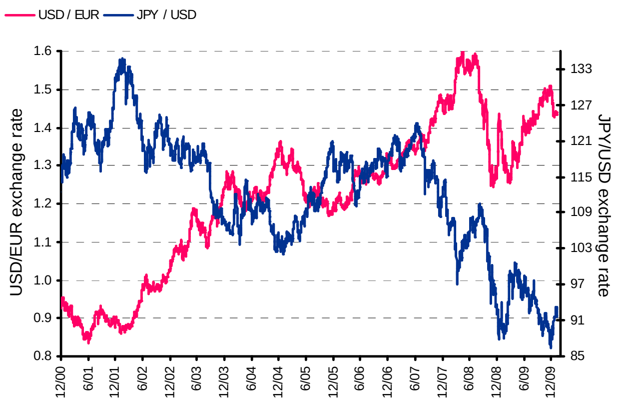
Emerging markets

Economic data evidence a solid recovery in Brazil and Asia, an improved situation in Eastern European countries with good economic fundamentals (Turkey, Poland and the Czech Republic) and an incipient recovery in Mexico. Against this backdrop, management of fiscal and monetary policy has diverged in line with the different paces of economic recovery, price pressure and each country's fiscal room for manoeuvre. India has been the most active in withdrawing unconventional monetary policies; meanwhile, Chinese authorities have placed greater emphasis on managing inflation expectations, although they confirmed plans to maintain a proactive fiscal policy and a relatively relaxed monetary policy going forward. Benchmark rates in Latin America's leading countries stopped declining, while the Mexican government approved a fiscal reform which includes raising taxes in 2010. Fiscal scope for manoeuvre in Brazil, which is benefiting from good market tone, has enabled the government to introduce new stimulus measures. In Eastern Europe, central banks in the Czech Republic, Hungary, Turkey and Russia have lowered their official interest rates even further. Against this backdrop of global recovery and significant liquidity, emerging markets have continued to be favoured: Brazil, for example, introduced mechanisms to limit short-term capital inflows, thereby halting the appreciation of its currency. The main actions by rating agencies include Fitch's significant upgrade on Turkey's long-term sovereign debt rating, which is now one notch away from investment grade, and Fitch's and S&P's downgrade of Mexico (BBB).

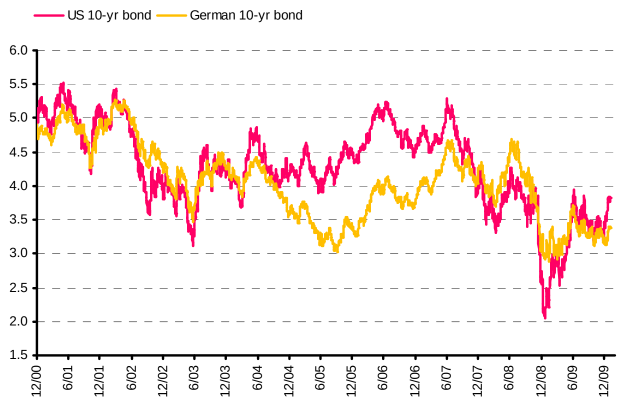
Equity markets

Equities' good performance in the second and third quarters carried over to the fourth quarter of 2009. Among developed economies, the US registered the greatest gains, although emerging countries, especially in Latin America, did even better. Equities were buoyed by positive surprises in third quarter earnings and increasing evidence of economic revival. In the United States, the Standard & Poor's 500® added +7.8% in the quarter and +20.2% in the year, and the NASDAQ +9.2% in the quarter and +40.1% in the year. In Europe, the Dow Jones STOXX 50® appreciated by +5.4% in the quarter and +24.1% in the year. Spain's IBEX 35® climbed +1.6% in the quarter and +29.8% in the year. In Latin America, the Brazilian index gained +15.5% in the quarter and +141.1% in the year, while the Mexican index added +15.8% in the quarter and +48.5% in the year. In Japan, the NIKKEI 300 underperformed, adding just +0.3% in the quarter and +1.8% in the year, both in euro terms.

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



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



Key developments in 2009

- Income attributed to the group amounted to Euros 522.5 million, compared with Euros 673.8 million in 2008 (the latter figure included Euros 418.4 million in capital gains on the sale of 50% of the insurance business to Zurich).

- Net interest income: a year-on-year increase of 10.2% as active management of prices meant that the reduction in funding costs outweighed the impact of customer investment repricing.

- Net fees and commissions: declined by -8.4% year-on-year (-9.1% at the end of the previous quarter), primarily as a result of the 27.9% decrease in mutual fund fees. Net fees and commissions have improved steadily over the last four months.

- Results from financial transactions: include Euros 96.8 million from redeeming preference shares (2Q09), Euros 90.0 million from the sale of government bonds, and Euros 23.3 million from the sale of Antena 3 TV shares.

- Total administrative expenses (personnel + general): declined by 1.0% year-on-year (-1.6% in like-for-like terms).

  Personnel expenses included Euros -86.6 million in indemnities. Recurrent personnel expenses declined by 0.5% (-0.9% in like-for-like terms).

  Other general administration expenses decreased by 2.0% (-2.9% like-for-like) as a result of cost-cutting measures and steps to improve operating efficiency.

- Provisions for NPLs and others impairments: specific provisions amounted to Euros -955.3 million, including an extraordinary provision amounting to Euros -391.5 million. Euros 756.6 million of generic provisions were released. Financial assets, real estate and other assets were written down by a total of Euros -645.6 million.

- The NPL ratio was 3.73%, and the NPL coverage ratio was 69.03%. The coverage ratio with mortgage collateral is 125.11%.

- Capital gains on asset disposals amounted to Euros 83.6 million, of which Euros 20.3 million were obtained on the sale of a building in Calle Serrano (Madrid) and Euros 47.2 million on other sale and leaseback transactions.

- Income tax includes a Euros 61 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 business (in 2008) and of Landscape (in 2006).

- Tier I was 9.58%, compared with 8.68% at the end of 2008, including the generic provisions that were booked, net of taxes (9.10% in December 2009, excluding generic provisions). Adjusted Core Capital stood at 8.14%, vs. 8.06% in December 2008 (7.66% in December 2009 excluding the generic provisions).

- Trends in customer assets and liabilities: customer funds on the balance sheet increased by 5.5%, while gross customer loans increased by 0.5%. Gross loans and advances to customers, excluding the real estate industry, increased by 4.9%.

Financial review

Basis of presentation

The consolidated Group profit and loss account and balance sheet as of 31 December 2009 and 2008, together with the heading breakdowns shown in this Financial Report, are presented in accordance with the format established in Bank of Spain Circular 4/04 (of 22 December 2004), partially modified by Circular 6/2008 (of 26 November 2008).

Balance sheet and bottom line

Balance sheet

At 2009 year-end, assets totalled Euros 82,822.9 million, a 3.0% increase with respect to 2008. Gross loans and advances to customers totalled Euros 65,012.8 million, 0.5% more than in 2008.

In particular, mortgage lending expanded by 3.0% year-on-year to Euros 32,022.0 million. Other asset areas, such as factoring and confirming, increased by 9.6% overall.

The ratio of NPLs to total computable loans was 3.73%; this figure remains below the Spanish industry average. Coverage of doubtful and non-performing assets was 69.03%. The coverage ratio with mortgage collateral is 125.11%.

At 31 December 2009, customer funds on the balance sheet amounted to Euros 38,131.2 million, a 5.5% increase year-on-year, in line with the bank's focus on capturing funds for investment. Term deposits expanded notably to Euros 22,149.9 million at 31 December 2009 (an increase of Euros 899.6 million with respect to 2008), as did demand deposits, which rose by Euros 97.5 million to Euros 14,981.4 million at 2009 year-end.

Debt securities outstanding amounted to Euros 22,812.4 million, a 3.6% increase with respect to 31 December 2008.

Assets in collective investment vehicles amounted to Euros 9,150.7 million at 2009 year-end, a 3.0% decrease year-on-year.

Assets in pension funds marketed by the Group increased by 14.2% year-on-year to Euros 2,788.0 million at 2009 year-end.

Insurance sales increased by 31.7%. The balance at year-end was Euros 5,380.4 million, up from Euros 4,068.2 million in 2008.

Funds under management amounted to Euros 82,247.1 million at 2009 year-end, up from Euros 80,414.9 million the year before.

Income and profit performance

Net income amounted to Euros 522.5 million in 2009, compared with Euros 673.8 million in 2008 (which included a Euros 418.4 million capital gain on the sale of 50% of the insurance business to Zurich).

Given the general economic situation, sustained average volumes of investments and funds, the capacity to manage customer spreads, and rigorous control of recurrent costs made a vital contribution to the positive trend in ordinary business margins in the consolidated income statement at 31 December 2009. In a year characterised by record low interest rates, net interest income amounted to Euros 1,600.6 million in the year, 10.2% more than in 2008.

The contribution to results from equity-accounted affiliates rose by 13.0% in 2009 to Euros 71.9 million, including a significant contribution from Dexia Sabadell and the bancassurance affiliates.

Net fees and commissions amounted to Euros 511.2 million in 2009, 8.4% less than in 2008, in line with the general economic situation during the year (although there was a slight improvement in the final months).

Income from financial transactions amounted to Euros 248.2 million, including Euros 96.8 million in gains on redemption of preference shares and Euros 112.7 million in net capital gains on the sale of financial assets that were available for sale.

Gross income totalled Euros 2,505.0 million, 12.5% more than in 2008.

Operating costs amounted to Euros 1,036.8 million in 2009, including Euros 86.6 million in indemnities. Operating costs declined by 1.0% in 2009 in recurrent terms as a result of measures to control costs and improve operating efficiency. The costs/income ratio, excluding non-recurrent expenses and the Euros 96.8 million gain on redemption of preference shares, was 39.46%, a significant improvement on the 2008 ratio of 43.12%.

As a result of all the foregoing, consolidated income before provisions amounted to Euros 1,325.5 million in 2009, an 18.9% increase year-on-year.

Specific provisions amounted to Euros 955.3 million, including an extraordinary provision amounting to Euros 391.5 million. Additionally, Euros 756.6 million of generic provisions were released. During 2009, financial assets and real estate were written down by a total of Euros 645.6 million, including notably provisions for impairment of real estate and of shares in Banco Comercial Portugués (BCP) and Metrovacesa.

The Tier I ratio was 9.58% at 31 December 2009, including generic provisions net of taxes (or 9.10% excluding such provisions); the ratio was 8.68% at the end of 2008. Adjusted Core Capital stood at 8.14%, vs. 8.06% in December 2008 (7.66% in December 2009 excluding the generic provisions).

Other key developments in 4Q09

Early call of subordinated bonds

On 22 October 2009, Banco Sabadell notified the National Securities Market Commission (CNMV) of its decision to call on 18 November 2009 (the "call date") all of the subordinated bonds corresponding to the first Issue of Subordinated Bonds with ISIN ES0213860028 with a total face value of three hundred million (300,000,000) euros, each bond having a unit face value of one hundred thousand (100,000) euros. The bonds were called at 100% of the face value, which was paid to the subordinated bondholders on the call date. Banco de Sabadell, S.A. obtained the necessary permission from the Bank of Spain to call the bond before schedule.

Key figures

	31.12.08	31.12.09	Change (%) YoY
Balance sheet (€ '000)			
Total assets	80,378,065	82,822,886	3.0
Gross loans and advances to customers (1)	64,704,240	65,012,792	0.5
On-balance sheet funds	63,478,952	64,165,053	1.1
Of which:			
Customer-based funding on balance sheet (2)	36,134,150	38,131,235	5.5
Mutual funds	9,436,042	9,150,665	-3.0
Pension funds and third-party insurance products	6,526,684	8,168,367	25.2
Funds under management	80,414,900	82,247,095	2.3
Shareholders' equity	4,627,216	5,226,333	12.9
Profit and loss account (€ '000)			
Net interest income	1,452,844	1,600,647	10.2
Gross operating income	2,226,846	2,505,030	12.5
Net income before provisions	1,114,614	1,325,477	18.9
Attributable net profit	673,835	522,489	-22.5
Ratios (%)			
ROA	0.85	0.64	
ROE	16.16	11.36	
Cost / income (ex amortisation) (3)	43.97	43.05	
Cost / income ratio excluding non-recurrent expenses (3)	43.12	39.46	
Core capital (4)	6.67	7.66	
Adjusted core capital (4) (5)	8.06	8.14	
Tier I (4)	7.28	9.10	
Adjusted Tier I (4) (5)	8.68	9.58	
BIS ratio (4)	9.78	10.80	
Risk management			
Non-performing loans (€ '000)	1,698,182	2,712,418	
Provisions for NPLs (€ '000)	1,815,843	1,872,443	
NPLs / Gross loans (%)	2.35	3.73	
Coverage ratio (%)	106.93	69.03	
Coverage ratio with mortgage collateral	160.75	125.11	
Share data (period end)			
Number of shareholders	88,289	89,910	
Number of shares	1,200,000,000	1,200,000,000	
Share price (€)	4.850	3.875	
Market capitalisation (€ '000)	5,820,000	4,650,000	
Earnings per share (EPS) (€)	0.56	0.44	
Book value per share (€)	3.86	4.36	
Price /Book value (times)	1.26	0.89	
Price /earnings ratio (P/E) (times)	8.64	8.74	
Including conversion ofconvertible bond:			
Fully diluted number of shares including conversion of convertible bond	--	1,300,341,160	
Earnings per share (EPS) (€)	--	0.41	
Book value per share (€)	--	4.02	
Price /Book value (times)	--	0.96	
Other data			
Domestic branches	1,225	1,190	
Employees	9,929	9,466	
ATMs	1,466	1,451	

(1) On 31.12.09, gross loans and advances to customers, excluding the real estate sector, had increased by 4.9% year-on-year.
(2) Includes customer deposits (ex-repos), preference shares placed by the branch network and mandatory convertible bonds.
(3) Personnel and other general administrative expenses / gross operating income. December 2009 figures do not include the Euros 96.8 million gain on the redemption of preference shares.
(4) Ratio calculated according to Basel II criteria with Bank of Spain-approved models and the regulatory minimum floor.
(5) Adjusted for generic provisions net of taxes.

Profit & loss account

Profit & loss account

(€'000)	FY08	FY09	Change (%) YoY
Interest and related income	4,404,539	3,166,233	-28.1
Interest and related charges	-2,951,695	-1,565,586	-47.0
Net interest income	**1,452,844**	**1,600,647**	**10.2**
Dividend income	7,163	14,598	103.8
Income from equity method	63,623	71,913	13.0
Net fees and commissions	557,741	511,164	-8.4
Results from financial transactions (net)	67,873	248,150	265.6
Foreign exchange (net)	51,242	49,224	-3.9
Other operating income/expense	26,360	9,334	-64.6
Gross operating income	**2,226,846**	**2,505,030**	**12.5**
Personnel expenses	-651,140	-715,323	9.9
Recurrent (1)	-632,089	-628,700	-0.5
Non-recurrent	-19,051	-86,623	354.7
Other general expenses (2)	-328,030	-321,500	-2.0
Amortization & depreciation	-133,062	-142,730	7.3
Net income before provisions	**1,114,614**	**1,325,477**	**18.9**
Provisions for NPLs and other impairments	-879,734	-837,706	-4.8
Gains on sale of assets	24,933	83,575	235.2
Net result from discontinued transactions (after taxes)	428,366	0	-100.0
Income tax	-12,323	-45,037	265.5
Consolidated net profit	**675,856**	**526,309**	**-22.1**
Minority interest	2,021	3,820	89.0
Attributable net profit	**673,835**	**522,489**	**-22.5**
Pro memoria:			
Average total assets	79,921,509	81,714,700	
Earnings per share (€)	0.56	0.44	

(1) In like-for-like terms, the year-on-year change was -0.9%.
(2) In like-for-like terms, the year-on-year change was -2.9%.

Profit & loss account – quarterly stand-alone

(€'000)	4Q08	1Q09	2Q09	3Q09	4Q09	Change (%) YoY
Interest and related income	1,131,500	954,147	832,990	716,108	662,988	-41.4
Interest and related charges	-756,715	-559,591	-414,410	-313,814	-277,771	-63.3
Net interest income	**374,785**	**394,556**	**418,580**	**402,294**	**385,217**	**2.8**
Dividend income	184	4,261	6,236	774	3,327	--
Income from equity method	25,234	13,029	18,656	13,354	26,874	6.5
Net fees and commissions	133,427	134,860	132,223	118,748	125,333	-6.1
Results from financial transactions (net)	9,481	19,797	144,113	78,327	5,913	-37.6
Foreign exchange (net)	12,117	9,416	12,400	15,739	11,669	-3.7
Other operating income/expense	9,595	2,565	1,183	2,344	3,242	-66.2
Gross operating income	**564,823**	**578,484**	**733,391**	**631,580**	**561,575**	**-0.6**
Personnel expenses	-168,017	-189,697	-180,837	-170,179	-174,610	3.9
Recurrent	-162,732	-158,144	-157,235	-159,574	-153,747	-5.5
Non-recurrent	-5,285	-31,553	-23,602	-10,605	-20,863	294.8
Other general expenses	-96,116	-73,709	-78,931	-80,838	-88,022	-8.4
Amortization & depreciation	-29,942	-33,800	-35,237	-35,834	-37,859	26.4
Net income before provisions	**270,748**	**281,278**	**438,386**	**344,729**	**261,084**	**-3.6**
Provisions for NPLs and other impairments	-414,952	-149,045	-209,830	-231,250	-247,581	-40.3
Gains on sale of assets	-238	30,537	-1,655	36,020	18,673	--
Net result from discontinued transactions (after taxes)	0	0	0	0	0	--
Income tax	55,898	36	-56,875	-10,980	22,782	-59.2
Consolidated net profit	**-88,544**	**162,806**	**170,026**	**138,519**	**54,958**	**--**
Minority interest	-199	694	97	2,118	911	--
Attributable net profit	**-88,345**	**162,112**	**169,929**	**136,401**	**54,047**	**--**
Pro memoria:						
Average total assets	80,487,105	80,891,658	81,638,757	81,977,332	82,332,334	
Earnings per share (€)	-0.07	0.14	0.14	0.11	0.05	

Net interest income

Average yield

2008	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
(€'000)	Avge.balance	Rate %	Income	Avge.balance	Rate %	Income	Avge.balance	Rate %	Income	Avge.balance	Rate %	Income
Cash and balance with central banks & financial	4,143,338	4.13	42,522	4,042,671	4.02	40,454	4,562,887	4.21	48,258	3,936,878	3.53	34,960
Loans to customers (net)	62,041,892	5.93	914,699	63,524,704	6.06	956,876	64,383,259	6.28	1,015,691	64,265,958	6.29	1,016,628
Fixed-income securities	4,357,047	4.63	50,132	4,871,834	4.71	57,017	5,318,831	4.96	66,308	4,921,982	4.48	55,385
Subtotal	**70,542,277**	**5.74**	**1,007,353**	**72,439,209**	**5.85**	**1,054,347**	**74,264,977**	**6.05**	**1,130,257**	**73,124,818**	**6.02**	**1,106,973**
Equity securities	1,167,701	--	--	1,248,985	--	--	1,246,429	--	--	1,381,246	--	--
Tang. & intang. assets	1,700,822	--	--	1,736,953	--	--	1,935,002	--	--	1,774,565	--	--
Other assets	4,234,428	2.61	27,526	4,445,402	1.77	19,539	4,211,451	3.21	34,017	4,206,476	2.32	24,527
Total	**77,645,228**	**5.36**	**1,034,879**	**79,870,549**	**5.41**	**1,073,886**	**81,657,859**	**5.67**	**1,164,274**	**80,487,105**	**5.59**	**1,131,500**

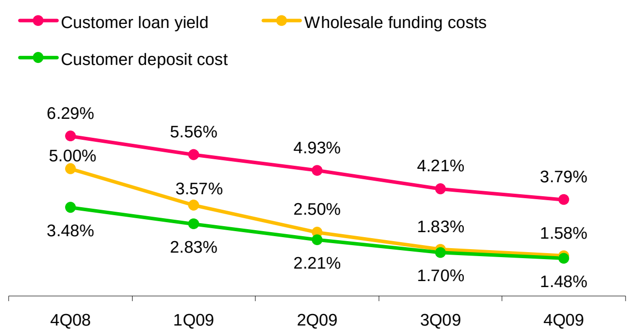
2009	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
(€'000)	Avge.balance	Rate %	Income	Avge.balance	Rate %	Income	Avge.balance	Rate %	Income	Avge.balance	Rate %	Income
Cash and balance with central banks & financial	2,642,845	1.93	12,563	2,045,426	1.14	5,818	3,580,345	0.56	5,067	2,222,552	0.96	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
Subtotal	**72,217,474**	**5.26**	**937,504**	**72,164,094**	**4.56**	**821,070**	**72,885,785**	**3.85**	**706,829**	**73,065,919**	**3.56**	**654,819**
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
Total	**80,891,658**	**4.78**	**954,147**	**81,638,757**	**4.09**	**832,990**	**81,977,332**	**3.47**	**716,108**	**82,332,334**	**3.19**	**662,988**

Average cost of funds

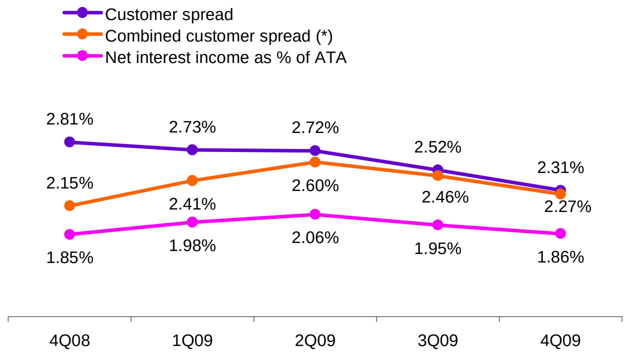
2008	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
(€'000)	Avge.balance	Rate %	Expense	Avge.balance	Rate %	Expense	Avge.balance	Rate %	Expense	Avge.balance	Rate %	Expense
Financial institutions	3,645,600	-4.47	-40,477	3,848,217	-4.31	-41,276	4,356,075	-4.44	-48,639	5,937,995	-4.23	-63,152
Customer deposits	32,072,532	-3.13	-249,954	33,302,516	-3.22	-266,401	34,119,719	-3.47	-297,639	35,232,527	-3.48	-308,874
Capital markets	28,881,984	-4.78	-343,044	28,478,315	-4.83	-342,249	29,067,741	-5.06	-369,658	26,905,158	-5.00	-337,842
Repos	2,403,630	-4.11	-24,567	3,336,061	-4.18	-34,667	3,753,780	-4.32	-40,774	3,052,439	-3.06	-23,446
Subtotal	**67,003,746**	**-3.95**	**-658,042**	**68,965,109**	**-3.99**	**-684,593**	**71,297,315**	**-4.22**	**-756,710**	**71,128,119**	**-4.10**	**-733,314**
Other liabilities	6,175,867	-1.93	-29,695	6,413,634	-1.65	-26,249	5,854,196	-2.70	-39,691	4,639,614	-2.01	-23,401
Shareholders' equity	4,465,615	--	--	4,491,806	--	--	4,506,348	--	--	4,719,372	--	--
Total	**77,645,228**	**-3.56**	**-687,737**	**79,870,549**	**-3.58**	**-710,842**	**81,657,859**	**-3.88**	**-796,401**	**80,487,105**	**-3.74**	**-756,715**

2009	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
(€'000)	Avge.balance	Rate %	Expense	Avge.balance	Rate %	Expense	Avge.balance	Rate %	Expense	Avge.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
Subtotal	**71,391,624**	**-3.08**	**-542,115**	**72,039,175**	**-2.23**	**-400,625**	**71,797,181**	**-1.67**	**-302,411**	**71,315,191**	**-1.49**	**-267,303**
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	--	--
Total	**80,891,658**	**-2.81**	**-559,591**	**81,638,757**	**-2.04**	**-414,410**	**81,977,332**	**-1.52**	**-313,814**	**82,332,334**	**-1.34**	**-277,771**

Customer spread (%)



Net interest income (%)



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

Net interest income amounted to Euros 385.2 million in 4Q09, an increase of Euros 10.4 million (2.8%) with respect to 4Q08.

Net interest income was Euros 17.1 million less than in 3Q09. The average yield on customer loans was 3.79%, i.e. a decline of 42 basis points quarter-on-quarter. The impact on financial revenues of falling lending prices was Euros -60.5 million. The average volume of customer loans and advances increased by Euros 858 million in the quarter, increasing interest revenues by Euros 3.5 million.

The average cost of customer deposits was -1.48%, compared with -1.70% in 3Q09 (a difference of 22 basis points). The effect of the decline in prices was Euros 14.4 million. Average customer deposit volumes declined by Euros 471 million in the quarter, which reduced costs by Euros 7.4 million. Customer-based funding declined as a percentage of the total, accounting for 44.1% of total average funds in the quarter (44.9% in 3Q09).

Wholesale funding costs declined by Euros 12.5 million with respect to 3Q09. The average cost was -1.58% (-1.83% in the previous quarter). The decline by the Euribor, with the resulting reduction in the prices of a number of securities, reduced costs by Euros 14.9 million. The average volume of funding increased by Euros 763 million, increasing costs by Euros 2.4 million.

The customer spread was 2.31%, 21 basis points less than in the preceding quarter.

The combined customer spread, which includes wholesale funding costs, decreased by 19 basis points with respect to 3Q09, to 2.27%.

In line with the foregoing, net interest income in 4Q09 represented 1.86% of average total assets, 9 basis points less than in the third quarter.

Net fees and commissions

(€'000)	4Q08	3Q09	4Q09	Change (%) 4Q08	Change (%) 3Q09
Asset transactions	31,046	20,226	24,082	-22.4	19.1
Guarantees	17,559	18,621	18,976	8.1	1.9
Transferred to other entities	-701	-759	-783	11.7	3.2
Risk transaction fees	**47,904**	**38,088**	**42,275**	**-11.8**	**11.0**
Cards	14,952	15,391	14,223	-4.9	-7.6
Payment orders	9,965	8,637	8,748	-12.2	1.3
Securities	9,798	7,269	8,899	-9.2	22.4
Demand accounts	9,035	8,262	8,512	-5.8	3.0
Other transactions	8,461	12,544	11,520	36.2	-8.2
Commissions for services	**52,211**	**52,103**	**51,902**	**-0.6**	**-0.4**
Mutual funds	26,719	21,068	21,243	-20.5	0.8
Pension funds and insurance brokerage	6,593	7,489	9,913	50.4	32.4
Mutual and pension fund and insurance commissions	**33,312**	**28,557**	**31,156**	**-6.5**	**9.1**
Total	**133,427**	**118,748**	**125,333**	**-6.1**	**5.5**

Net fees and commissions amounted to Euros 125.3 million in 4Q08. That represents a 5.5% increase with respect to 3Q09, mainly as a result of good performance by pension and insurance commissions and asset transaction fees.

Overall, fees from mutual funds and the sale of pension plans and insurance products increased by 9.1%. Specifically, pension fund and insurance commercialisation fees rose by 32.4%, mainly as a result of multi-investment product fee revenues. Mutual fund fees increased by 0.8% as a result of growth (for the second consecutive quarter) in assets in funds managed by Banco Sabadell and third parties.

Risk transaction fees increased by 11.0% overall, mainly as a result of higher fees on cheques, direct debits and other transactions, which expanded in the quarter. Commissions on specialised business finance transactions increased notably, particularly factoring fees and import/export documentary credit fees.

Service fees declined by 0.4% overall due to the lower contribution by cards, as card billings declined in the fourth quarter of 2009 in line with the general economic situation. Nevertheless, securities fees performed well, increasing by 22.4%, mainly as a result of the larger contribution from asset management and custody fees due to expansion of this business in the quarter.

Net fees and commissions declined by 6.1% with respect to 4Q08 as a result of the smaller contribution from fees for risk transactions (-11.8%) and mutual funds (-20.5%). However, fees on the sale of pension funds and insurance increased by 50.4%, mainly as a result of higher revenues on multi-investment products.

The reduction in fees on risk transactions (-11.8%) was due to the lower fees on asset transactions (-22.4% due to a 46.6% reduction in bad debt fees).

Administrative expenses

(€'000)	4Q08	3Q09	4Q09	Change (%) 4Q08	Change (%) 3Q09
Recurrent	-162,732	-159,574	-153,747	-5.5	-3.7
Non-recurrent	-5,285	-10,605	-20,863	294.8	96.7
Personnel expenses	**-168,017**	**-170,179**	**-174,610**	**3.9**	**2.6**
IT	-25,935	-12,024	-22,360	-13.8	86.0
Communications	-4,556	-5,660	-4,993	9.6	-11.8
Advertising	-10,727	-6,459	-4,698	-56.2	-27.3
Premises	-17,224	-17,973	-18,142	5.3	0.9
Stationery and office supplies	-394	-2,464	-1,529	288.1	-37.9
Taxes other than income tax	-17,531	-13,228	-11,408	-34.9	-13.8
Others	-19,749	-23,030	-24,892	26.0	8.1
Other general expenses	**-96,116**	**-80,838**	**-88,022**	**-8.4**	**8.9**
Total	**-264,133**	**-251,017**	**-262,632**	**-0.6**	**4.6**

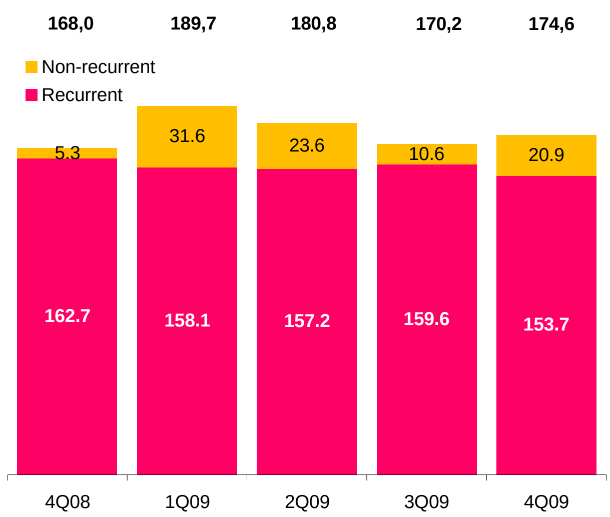
Recurrent administrative expenses declined by 1.0% in 2009 with respect to 2008 (-1.6% in like-for-like terms).

Recurrent personnel expenses fell by 0.5% (-0.9% in like-for-like terms) as a result of steps taken to improve the costs/income ratio.

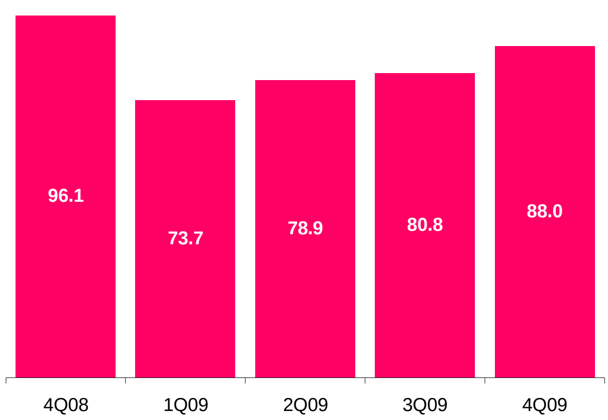
Other general administration expenses fell by 2.0% (-2.9% like-for-like) as a result of cost-control measures. In particular, advertising expenses declined due to the reduction in the number of marketing campaigns, and other expenses were reduced as a result of optimising technology and systems processes.

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)	4Q08	3Q09	4Q09	Change (%) 4Q08	Change (%) 3Q09
Generic provisions	12,025	315,465	311,771	--	-1.2
Specific provisions	-196,027	-427,208	-144,396	-26.3	-66.2
Others	4,734	-2,755	144	-97.0	--
Provisions for NPLs (net)	**-179,268**	**-114,498**	**167,519**	**--**	**--**
Other provisions and impairments (net)	-125,647	-49,084	-311,087	147.6	--
Impairment losses on other assets (net)	-109,091	-66,225	-100,500	-7.9	51.8
Other provisions	-946	-1,443	-3,513	271.4	143.5
Total	**-414,952**	**-231,250**	**-247,581**	**-40.3**	**7.1**

The specific provision in 2009 amounted to Euros -955.3 million (Euros -587.1 million in 2008), mainly as a result of the calendar effect (Euros -532.5 million), extraordinary provisions (Euros -391.5 million) and loans newly classified as non-performing (Euros -45.8 million).

Generic provisions amounting to Euros 756.6 million were released in 2009.

The other provisions and impairments (net) item is mainly for writedowns of equity securities and, to a lesser extent, fixed-income securities. With regard to equities, the main provisions were booked for BCP shares (Euros -210.0 million, based on the closing price) and Metrovacesa (Euros -184.3 million, based on the latest net asset value). The impairment losses on other assets are mainly due to impairment of investment property.

A specific provision of Euros -144.4 million was booked in 4Q09 (basically for the calendar effect) and Euros 311.8 million of generic provisions were released. The other provisions and impairments in the quarter were basically as follows: BCP shares (Euros -210.0 million), Metrovacesa shares (Euros -94.3 million), impairment of real estate (Euros -57.2 million) and impairment of goodwill and other items (Euros -53.5 million).

Balance sheet

(€'000)	31.12.08	31.12.09	Change (%) YoY
Cash and balance with Central Banks	2,357,573	1,820,157	-22.8
Trading and derivatives portfolios and other financial assets	1,959,492	1,990,688	1.6
Available-for-sale financial assets	5,759,158	8,031,761	39.5
Loans and advances	65,629,692	65,777,852	0.2
Balances with financial institutions	2,623,491	2,544,962	-3.0
Loans to customers (net)	63,006,201	63,232,890	0.4
Investments in associated companies	587,966	706,075	20.1
Property, plant and equipment	1,080,917	1,140,190	5.5
Intangible assets	718,536	669,980	-6.8
Other assets	2,284,731	2,686,183	17.6
Total assets	**80,378,065**	**82,822,886**	**3.0**
Trading and derivatives portfolios	1,692,628	1,680,022	-0.7
Financial liabilities at amortised cost	73,348,773	74,957,805	2.2
Central banks and credit institutions	8,722,043	9,577,274	9.8
Customer deposits	39,199,242	39,130,722	-0.2
Capital markets	22,024,260	22,812,447	3.6
Subordinated liabilities	2,093,687	2,039,698	-2.6
Other financial liabilities	1,309,541	1,397,664	6.7
Liabilities under insurance contracts	161,763	182,186	12.6
Provisions	366,904	313,267	-14.6
Other liabilities	359,932	392,236	9.0
Subtotal liabilities	**75,930,000**	**77,525,516**	**2.1**
Shareholders' equity (1)	4,627,216	5,226,333	12.9
Valuation adjustments	-193,214	43,656	--
Minority interest	14,063	27,381	94.7
Equity	**4,448,065**	**5,297,370**	**19.1**
Total liabilities and equity	**80,378,065**	**82,822,886**	**3.0**
Contingent risks	7,680,760	7,658,536	-0.3
Contingent liabilities	18,880,975	17,019,738	-9.9
Total memorandum accounts	**26,561,735**	**24,678,274**	**-7.1**

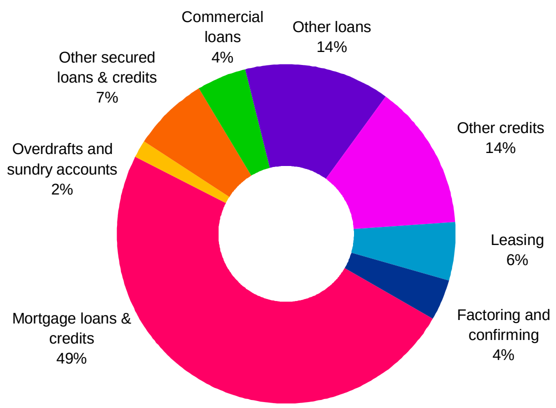
(1) At 31.12.09, this balance includes Euros 500 million of mandatory convertible bonds.

Loans to customers

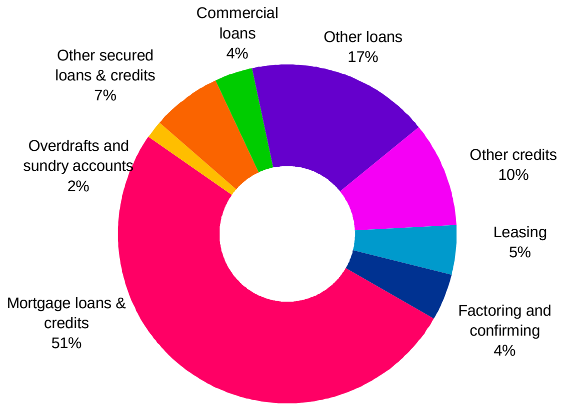
(€'000)	31.12.08	31.12.09	Change (%) YoY
Mortgage loans & credits	31,075,671	32,021,966	3.0
Other secured loans & credits	4,601,610	4,257,673	-7.5
Commercial loans	2,825,425	2,282,350	-19.2
Other loans	8,912,499	10,900,194	22.3
Other credits	8,664,743	6,219,049	-28.2
Leasing	3,473,593	2,928,343	-15.7
Factoring	1,425,741	1,494,931	4.9
Confirming	1,082,564	1,253,774	15.8
Overdrafts and sundry accounts	1,006,036	983,538	-2.2
Non-performing loans	1,626,892	2,650,179	62.9
Accruals	9,466	20,795	119.7
Gross loans and advances to customers (1)	**64,704,240**	**65,012,792**	**0.5**
NPL and country-risk provisions	-1,698,039	-1,779,902	4.8
Loans to customers (net)	**63,006,201**	**63,232,890**	**0.4**
Pro memoria: total securitisation	11,443,903	9,706,556	-15.2
Of which: mortgage backed	7,011,776	6,229,809	-11.2
Other securitised assets	4,432,127	3,476,747	-21.6
Of which: securitised after 01.01.04	11,222,422	9,613,606	-14.3
Of which: mortgage backed	6,809,498	6,141,923	-9.8
Other securitised assets	4,412,924	3,471,683	-21.3

(1) On 31.12.09, gross loans and advances to customers, excluding the real estate sector, had increased by 4.9% year-on-year.

Loans and advances, 31.12.08 (%) (*)

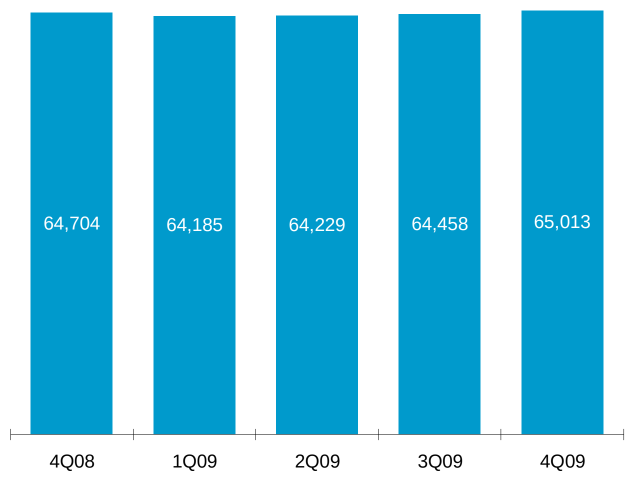


Loans and advances, 31.12.09 (%) (*)

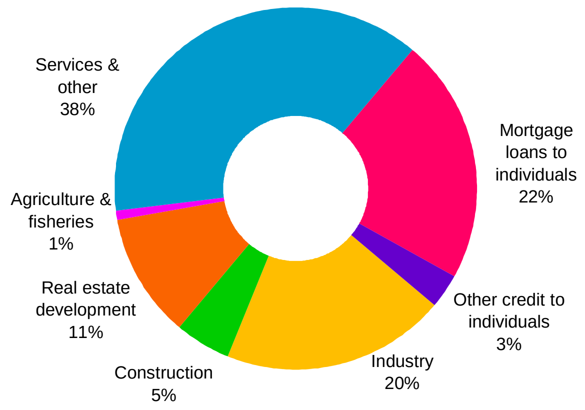


(*) Excluding doubtful assets and accrual adjustments.

Gross loans and advances to customers (€mn)



Gross loans and advances to customers, by segment, 31.12.09 (%)



Credit risk management

(€'000)	31.12.08	31.12.09	Change (%) YoY
Opening balance (1st January)	331,673	1,698,182	412.0
Increase due to new loan defaults	1,831,166	3,115,965	70.2
Recoveries on loans previously written off	-360,350	-2,034,351	464.5
Write-offs	-104,307	-67,378	-35.4
Total bad and doubtful debts	**1,698,182**	**2,712,418**	**59.7**
Gross loans and advances to customers (1)	64,704,240	65,012,792	0.5
Contingent risks	7,680,760	7,658,536	-0.3
Total risks	**72,385,000**	**72,671,328**	**0.4**
Specific provisions	645,416	1,461,429	126.4
Generic provisions	1,170,427	411,014	-64.9
Total provisions for NPLs	**1,815,843**	**1,872,443**	**3.1**
NPLs / Gross loans (%)	**2.35**	**3.73**	
Coverage ratio (%)	**106.93**	**69.03**	

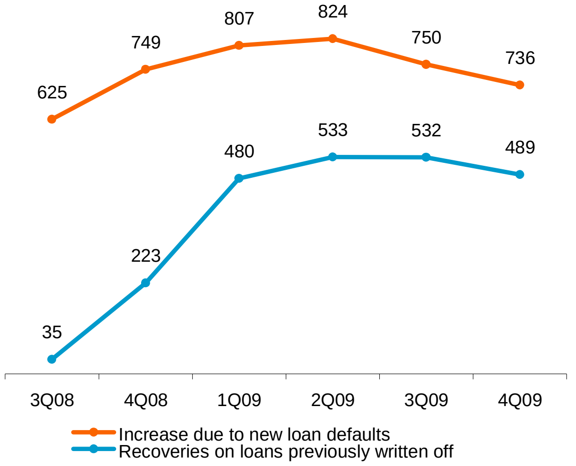
The NPL ratio was 3.73% at the end of 2009, 26 basis points higher than at the end of the third quarter.

The NPL ratio increased with respect to 2008 by less than the industry average due to deceleration in the rate of loans newly classified as non-performing and the high level of debt recovery.

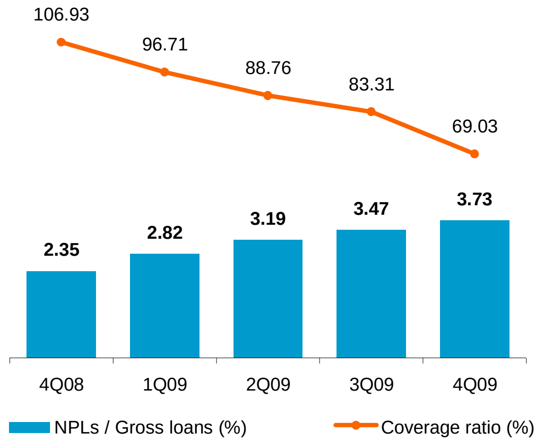
Sixty per cent of doubtful balances are secured by mortgages and the remainder by personal sureties or guarantees (mainly exposure to corporate clients, for which the Group has a highly specialized recovery unit).

The NPL coverage ratio stood at 69.03% at the end of the fourth quarter of 2009. Including mortgage collateral raises the coverage level to 125.11%.

Defaults and recoveries (€mn)



NPLs/Gross loans and coverage ratio (%)



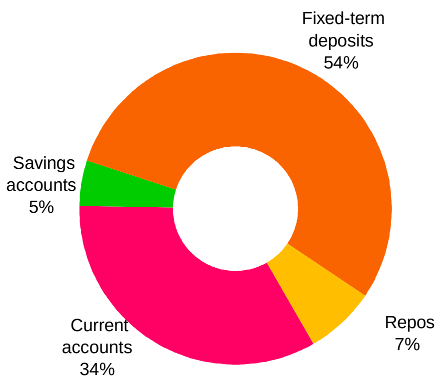
(€'000)	**4Q08**	**1Q09**	**2Q09**	**3Q09**	**4Q09**
Increase due to new loan defaults	748,522	806,668	823,663	749,980	735,654
Recoveries on loans previously written off	-223,132	-480,085	-532,934	-531,895	-489,437
Write-offs	450	-1,746	-25,359	-9,170	-31,103
Net change in bad and doubtful debts	**525,840**	**324,837**	**265,370**	**208,915**	**215,114**
Total bad and doubtful debts	**1,698,182**	**2,023,019**	**2,288,389**	**2,497,304**	**2,712,418**

Funds under management

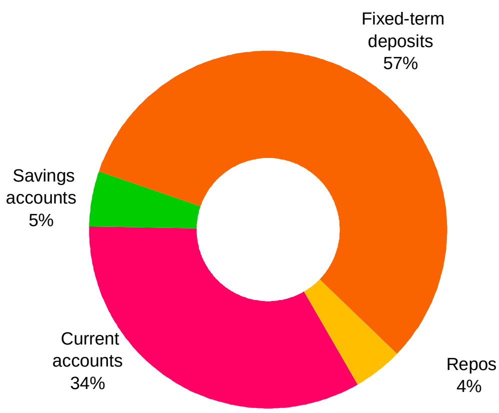
(€'000)	31.12.08	31.12.09	Change (%) YoY
Customer-based funding on balance sheet (1)	**36,134,150**	**38,131,235**	**5.5**
Customer deposits	39,199,242	39,130,722	-0.2
Current accounts	13,077,811	13,042,350	-0.3
Savings accounts	1,806,032	1,939,003	7.4
Fixed-term deposits	21,250,307	22,149,882	4.2
Repos	2,757,162	1,723,792	-37.5
Accruals	250,455	194,632	-22.3
Derivative hedging adjustments	57,475	81,063	41.0
Debt and other tradable securities	22,024,260	22,812,447	3.6
Subordinated liabilities	2,093,687	2,039,698	-2.6
Liabilities under insurance contracts	161,763	182,186	12.6
On-balance sheet funds	**63,478,952**	**64,165,053**	**1.1**
Mutual funds	9,436,042	9,150,665	-3.0
Equity funds	278,837	425,626	52.6
Balanced funds	494,153	416,681	-15.7
Fixed-income funds	2,883,755	3,010,221	4.4
Guaranteed return funds	2,333,811	2,013,589	-13.7
Real estate funds	1,022,411	1,034,221	1.2
Dedicated investment companies	1,534,788	1,338,519	-12.8
Third-party funds	888,287	911,808	2.6
Managed accounts	973,222	763,010	-21.6
Pension funds	2,440,533	2,787,969	14.2
Individual	1,298,616	1,559,463	20.1
Company	1,110,759	1,196,328	7.7
Group	31,158	32,178	3.3
Third-party insurance products	4,086,151	5,380,398	31.7
Funds under management	**80,414,900**	**82,247,095**	**2.3**

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

Customer deposits, 31.12.08 (%) (*)

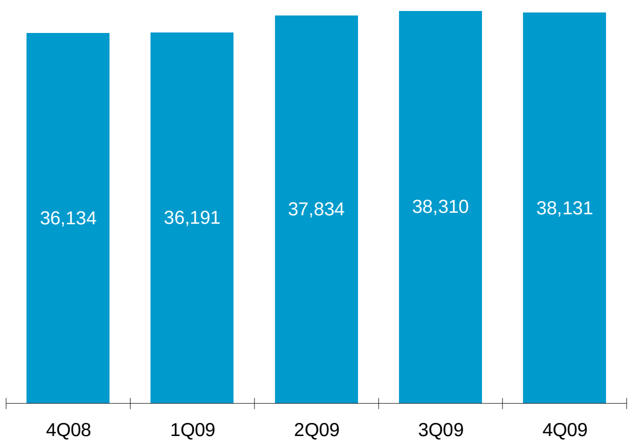


Customer deposits, 31.12.09 (%) (*)

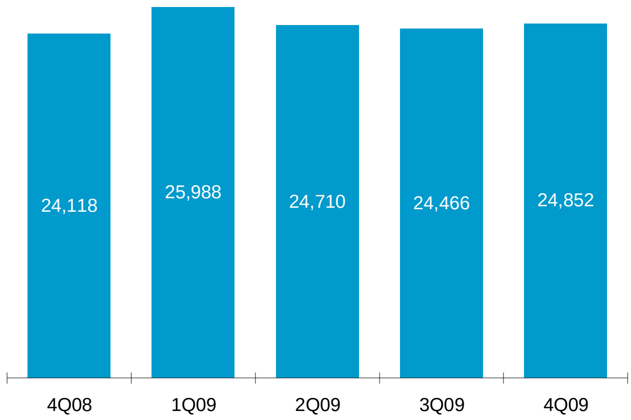


(*) Excluding adjustments for accruals and hedges with derivatives.

Customer-based funding on balance sheet (€mn)



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



Shareholder's equity

(€'000)	**31.12.08**	**31.12.09**	**Change (%) YoY**
Shareholders' equity	4,627,216	5,226,333	12.9
Issued capital	150,000	150,000	0.0
Reserves	4,019,967	4,360,047	8.5
Other equity instruments (1)	0	500,000	--
Less: treasury shares	-22,665	-138,203	--
Attributable net profit	673,835	522,489	-22.5
Less: dividends and payments	-193,921	-168,000	-13.4
Valuation adjustments	-193,214	43,656	--
Minority interest	14,063	27,381	94.7
Equity	**4,448,065**	**5,297,370**	**19.1**

(1) Mandatory convertible bonds

BIS ratio

(€'000)	31.12.08	31.12.09	Change (%) YoY
Issued capital	150,000	150,000	0.0
Reserves	4,336,383	4,456,488	2.8
Mandatory convertible bonds	0	500,000	--
Minority interest	19,296	30,612	58.6
Deductions	-584,990	-613,995	5.0
Core capital	**3,920,689**	**4,523,105**	**15.4**
Core capital (%)	**6.67**	**7.66**	
Preference shares and deductions	362,843	847,808	133.7
Primary capital	**4,283,532**	**5,370,913**	**25.4**
Tier I (%)	**7.28**	**9.10**	
Computing generic provisions	329,306	329,564	0.1
Subordinated debt	1,318,000	880,200	-33.2
Valuation adjustments	15,000	25,327	68.8
Deductions	-195,678	-229,278	17.2
Secondary capital	**1,466,628**	**1,005,813**	**-31.4**
Tier II (%)	**2.49**	**1.70**	
Total capital	5,750,160	6,376,726	10.9
Minimum capital requirement	4,704,740	4,722,851	0.4
Capital surplus	1,045,420	1,653,875	58.2
Ratio BIS (%) (*)	**9.78**	**10.80**	
Risk weighted assets (RWA)	**58,809,250**	**59,035,638**	**0.4**

(*) 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	17.12.2008	A+	F1	B	3	Negative	
Standard & Poor's [1]	03.04.2009	A	A1			Stable	
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.

31.12.2008	**Gross operating income** (€'000)	**Profit before tax** (€'000)	**Average total assets** (€'000)		**ROE**	**Cost / income ratio**	**Employees**	**Domestic branches**
Commercial banking	1,787,260	462,163	52,874,438		12.6%	46.5%	7,454	1,208
Corporate banking	168,459	66,331	9,539,657		6.8%	22.2%	110	2
Banco Urquijo	58,273	12,234	2,277,917		3.4%	56.4%	275	15
Asset management	41,192	25,084	9,436,042	(*)	45.9%	42.5%	148	--

31.12.2009	**Gross operating income** (€'000)	**Profit before tax** (€'000)	**Average total assets** (€'000)		**ROE**	**Cost / income ratio**	**Employees**	**Domestic branches**
Commercial banking	1,813,866	373,206	50,795,067		11.0%	45.7%	6,505	1,172
Corporate banking	189,401	64,840	9,987,111		6.2%	17.2%	95	2
Banco Urquijo	50,589	13,340	2,129,828		5.6%	61.7%	240	14
Asset management	34,779	16,649	9,150,665	(*)	30.5%	52.2%	144	--

(*) Mutual fund asset figures are the year-end balances.

Share Price performance

	31.12.08	31.12.09	Change (%) YoY
Shareholders and trading			
Number of shareholders	88,289	89,910	3.6
Number of shares	1,200,000,000	1,200,000,000	-2.0
Average daily trading volume (number of shares)	5,158,259	3,226,635	-51.1
Share price (€)			
Opening session	7.410	4.850	
High	7.390	5.300	
Low	4.600	2.940	
Closing session	4.850	3.875	
Market capitalisation (€ '000)	5,820,000	4,650,000	
Stock market multiples			
Earnings per share (EPS) (€)	0.56	0.44	
Book value per share (€)	3.86	4.36	
Price /Book value (times)	1.26	0.89	
Price /earnings ratio (P/E) (times)	8.64	8.74	
Including conversion ofconvertible bond:			
Fully diluted number of shares including conversion of convertible bond	--	1,300,341,160	
Earnings per share (EPS) (€)	--	0.41	
Book value per share (€)	--	4.02	
Price /Book value (times)	--	0.96	