



***Caixa Tarragona***

**Quarterly Report**  
**September 2008**

## Balance Sheet Management and Relevant Facts

The third quarter of the year 2008 was characterised by intensified slowdown in economic development globally, that was caused by lack of investors' confidence as well as by liquidity problems at international markets. In reference to the banking sector at global level it is important to emphasise a clear deterioration of problems with assets that have high expected losses, that in its turn led to various cases when international governors had to intervene in big market players. It is worth to notice that spanish financial entities' balance sheets were not affected by such assets due to prudent criteria conducted in local institutions and to rigorous regulations of the Bank of Spain.

The Group Caixa Tarragona adjusts its management within a rapidly changing scenario to a new model but it is always based on three basic milestones: efficiency, productivity and maintenance of high solvency levels. The adjustment to such model guides the Group firmly to fulfill the objectives that are varied depending on changing macroenvironment. At the same time, proper flexibility together with prudence, that defined the Group's management in the past, are currently of high relevance.

In line with above described, It should be stressed that the Group's Total Assets were situated at 9,763.23 million euros as at September 30<sup>th</sup>, 2008, that represents 19.68% increase on interannual level.

Client Loans and Advances were up by 9.95% at the end of the third quarter of this year, that was a relatively small increase in comparison to the previous year as a consequence of increased interest rates that together with global financial situation led to a slowdown in loans. Nevertheless it is worth to underline that Secured Loans account (loans provided by the Group mainly for primary residence financing) has grown by 7.28% since September of the previous year. The Group adapts progressively to current economic situation in all the aspects possible, especially in loans granting where risk quality and profitability shall be combined with maximum efficiency.

En reference to the Group's Liabilities, Client Funds Managed stood at 7,275.78 million euros as at September 30<sup>th</sup>, 2008. Within this account Total Client Funds (a) were situated at 6,325.91 million euros. Term Deposits' growth was especially noticeable as it was increased by 31.43% interannually demonstrating one more time the Group's flexibility in adjusting to management under varying market situations. From another side, the strategy of progressive generation of a second liquidity line, that used to present an additional cost for income statement, now brings its profit. The Group disposes of some eligible assets that considerably overpass all its uncollateralised wholesale maturities of debt (commercial paper, interbank deposits, senior debt), without taking into account the capacity of transformation of existing assets.

As for assets quality, the percentage of non-performing risks out of total loans was situated at 3.88% on 30<sup>th</sup> of September of 2008 representing an increase in comparison to the previous year, in line with current economic situation. It is important to emphasise that the Group has conducted correspondent provisions that are reduced in comparison to non-performing risks because of high percentage of mortgages for prime residences with Loan to Value beneath 80%, and consequently with low estimated loss because of high recuperation rate.

Finally it is important to underline that the Group Caixa Tarragona maintains its high solvency rates. Under the BIS II rules the solvency coefficient was situated at 11.19% as at September 30<sup>th</sup>, 2008 reflecting 319 points excess over the minimum required. Of the total BIS I the Tier I ratio (composed by 100% of Core Capital) raises to 7.60% representing 72 basic points improvement due to strategic orientation to granting risks with high credit quality and low capital consumption.

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<b>Caixa Tarragona Financial Highlights*</b>				
<b>Business Figures</b>	<b>30/09/2008</b>	<b>30/09/2007</b>	<b>Net Change</b>	
			<b>Eur</b>	<b>%</b>
Total assets managed	9,940,884	8,366,775	1,574,109	18.81
Total assets in balance	9,763,225	8,157,733	1,605,492	19.68
ATA (average total assets)	9,236,634	7,439,404	1,797,229	24.16
Risk weighted assets (BIS criteria)	6,272,925	5,771,328	501,597	8.69
Client Loans and Advanced Managed	7,133,699	6,535,724	597,975	9.15
Client Loans and Advances on the balance sheet	6,956,040	6,326,682	629,358	9.95
Contingent Risks	149,329	151,479	(2,150)	(1.42)
Client Resources Managed	7,275,780	7,665,921	(390,141)	(5.09)
In balance	6,325,911	6,441,916	(116,005)	(1.80)
Off balance	949,869	1,224,005	(274,136)	(22.40)
<b>Results</b>				
Net Interest Income	136,404	127,818	8,586	6.72
Net Commission Income	167,149	158,200	8,949	5.66
Gross Income	204,810	156,131	48,679	31.18
Net Operating Income	115,070	72,198	42,872	59.38
Profit Before Tax	45,509	46,529	(1,020)	(2.19)
Net Income Attributed to the Group	38,216	38,194	22	0.06
<b>Solvency</b>				
Ratio BIS <sup>(1)</sup>	10.71%	11.55%		
Tier I (100% Core Capital)	7.08%	6.88%		
Tier II	3.63%	4.68%		
<small>(1) Data calculated under BIS II criterion as at September 30, 2008</small>				
<b>Profitability and Efficiency**</b>				
ROE	12.02%	13.49%		
ROA	0.56%	0.71%		
RORWA	0.83%	0.98%		
Efficiency	40.07%	48.59%		
Operating Costs/ ATA	1.20%	1.36%		
<b>Asset Quality</b>				
Accumulated funds for coverage	188,635	115,204	73,431	63.74
NPR ratio	3.88%	1.27%		
NPR Coverage Ratio	47.09%	100.78%		
Insolvency Ratio	0.246%	0.123%		
<b>Additional info</b>				
Number of branches	317	318	(1)	(0.31)
Number of employees	1,506	1,496	10	0.67

\* Thousands of euros

\*\*Year over Year

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Balance Sheet*	30/09/2008	31/12/2007	30/09/2007	Variance YTD		Variance interannual	
				Absolute	%	Absolute	%
<b>Assets</b>							
Cash and equivalents with central banks	161,283	112,517	96,782	48,766	43.34	64,501	66.65
Financial assets held for trading	283,629	512,366	466,662	(228,737)	(44.64)	(183,033)	(39.22)
Financial assets available for sale	1,820,134	960,148	533,006	859,986	89.57	1,287,128	>
Loans and Receivables	7,135,306	7,036,447	6,756,454	98,859	1.40	378,852	5.61
Hedging Derivatives	40,487	48,962	65,070	(8,475)	(17.31)	(24,583)	(37.78)
Non-current assets available for sale	74,308	8,714	6,623	65,594	>	67,685	>
Investments	6,734	16,425	16,904	(9,691)	(59.00)	(10,170)	(60.16)
Insurance contracts linked to pensions	13,108	12,581	12,677	527	4.19	431	3.40
Reinsurance assets	537	271	145	266	98.15	392	>
Tangible Assets	152,429	151,133	148,148	1,296	0.86	4,281	2.89
Intangible Assets	4,060	3,631	3,648	429	11.81	412	11.29
Tax Assets	54,678	40,251	36,367	14,427	35.84	18,311	50.35
Prepayments and other accrued Income	15,776	3,503	14,782	12,273	>	994	6.72
Other assets	756	1,132	465	(376)	(33.22)	291	62.58
<b>Total Assets</b>	<b>9,763,225</b>	<b>8,908,081</b>	<b>8,157,733</b>	<b>855,144</b>	<b>9.60</b>	<b>1,605,492</b>	<b>19.68</b>
<b>Liabilities</b>							
Financial Liabilities held for trading	335	326	306	9	2.76	29	9.48
Financial Liabilities at an amortised cost	9,103,958	8,219,572	7,461,966	884,386	10.76	1,641,992	22.00
Hedging Derivatives	35,195	41,621	36,599	(6,426)	(15.44)	(1,404)	(3.84)
Insurance liabilities	1,059	729	575	330	45.27	484	84.17
Provisions	42,613	40,589	39,885	2,024	4.99	2,728	6.84
Tax liabilities	33,709	41,707	59,885	(7,998)	(19.18)	(26,176)	(43.71)
Payables and accrued liabilities	37,157	33,763	31,193	3,394	10.05	5,964	19.12
Other liabilities	15,118	12,108	14,017	3,010	24.86	1,101	7.85
<b>Total liabilities</b>	<b>9,269,144</b>	<b>8,390,415</b>	<b>7,644,426</b>	<b>878,729</b>	<b>10.47</b>	<b>1,624,718</b>	<b>21.25</b>
<b>Equity</b>							
Valuation Adjustments	15,857	68,058	77,153	(52,201)	(76.70)	(61,296)	(79.45)
Net Equity attributable to the group	478,224	449,608	436,154	28,616	6.36	42,070	9.65
<b>Total Equity</b>	<b>494,081</b>	<b>517,666</b>	<b>513,307</b>	<b>(23,585)</b>	<b>(4.56)</b>	<b>(19,226)</b>	<b>(3.75)</b>
<b>Total Equity and Liabilities</b>	<b>9,763,225</b>	<b>8,908,081</b>	<b>8,157,733</b>	<b>855,144</b>	<b>9.60</b>	<b>1,605,492</b>	<b>19.68</b>
Pro-memoria:							
Contingent Risks	149,329	163,401	151,479	(14,072)	(8.61)	(2,150)	(1.42)
Contingent Commitments	1,165,400	1,425,301	1,528,538	(259,901)	(18.23)	(363,138)	(23.76)

\*Thousands of euros

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Client Loans & Advances*	30/09/2008	31/12/2007	30/09/2007	Variance YTD		Variance Interannual	
				Absolute	%	Absolute	%
Loans and Advances to Public Administrations	87,616	81,839	80,484	5,777	7.06	7,132	8.86
Performing Loans	87,622	81,870	80,516	5,752	7.03	7,106	8.83
Non-Performing Loans	-	-	-	-	-	-	-
Valuation Adjustments (+/-)	(6)	(31)	(32)	25	(80.65)	26	(81.25)
<b>Loans and Advances to Private Sector</b>	<b>6,868,424</b>	<b>6,546,073</b>	<b>6,246,198</b>	<b>322,351</b>	<b>4.92</b>	<b>622,226</b>	<b>9.96</b>
Commercial Loans	176,947	232,760	200,116	(55,813)	(23.98)	(23,169)	(11.58)
Secured Loans	5,559,445	5,375,936	5,181,943	183,509	3.41	377,502	7.28
Other Term Loans	734,840	767,203	696,786	(32,363)	(4.22)	38,054	5.46
Leasing	33,363	31,768	26,256	1,595	5.02	7,107	27.07
On call loans	163,203	150,366	154,919	12,837	8.54	8,284	5.35
Non-Performing Loans	398,868	137,609	113,336	261,259	>	285,532	>
Valuation Adjustments (+/-)	(198,242)	(149,569)	(127,158)	(48,673)	32.54	(71,084)	55.90
<b>Total Client Loans and Advances (a)</b>	<b>6,956,040</b>	<b>6,627,912</b>	<b>6,326,682</b>	<b>328,128</b>	<b>4.95</b>	<b>629,358</b>	<b>9.95</b>
<b>Loans and Advances Off-Balance Sheet (b)</b>	<b>177,659</b>	<b>199,743</b>	<b>209,042</b>	<b>(22,084)</b>	<b>(11.06)</b>	<b>(31,383)</b>	<b>(15.01)</b>
<b>Total (a+b)</b>	<b>7,133,699</b>	<b>6,827,655</b>	<b>6,535,724</b>	<b>306,044</b>	<b>4.48</b>	<b>597,975</b>	<b>9.15</b>

\*Thousands of euros

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Client Funds Managed*	30/09/2008	31/12/2007	30/09/2007	Variance YTD		Variance Interannual	
				Absolute	%	Absolute	%
<b>Client Deposits</b>	5,485,961	5,121,109	4,816,969	364,852	7.12	668,992	13.89
Public Administration Deposits	226,310	222,619	246,853	3,691	1.66	(20,543)	(8.32)
Private Sector Deposits	5,259,651	4,898,490	4,570,116	361,161	7.37	689,535	15.09
Demand Deposits	1,359,285	1,453,209	1,482,525	(93,924)	(6.46)	(123,240)	(8.31)
Term Deposits	3,828,410	3,294,944	2,912,970	533,466	16.19	915,440	31.43
Asset Repossession	18,738	103,189	113,006	(84,451)	(81.84)	(94,268)	(83.42)
Valuation Adjustments (+/-)	53,218	47,148	61,615	6,070	12.87	(8,397)	(13.63)
<b>Debt and other Marketable Securities</b>	722,813	1,347,426	1,507,815	(624,613)	(46.36)	(785,002)	(52.06)
Promissory Notes	291,619	911,742	1,070,375	(620,123)	(68.02)	(778,756)	(72.76)
Hybrid Debt	25,000	25,000	25,000	-	-	-	-
Non-convertible Debt	399,436	399,436	399,436	-	-	-	-
Valuation Adjustments (+/-)	6,758	11,248	13,004	(4,490)	(39.92)	(6,246)	(48.03)
<b>Subordinated Liabilities</b>	117,137	117,148	117,132	(11)	(0.01)	5	0.00
Subordinated Debt	117,079	117,079	117,079	-	-	-	-
Valuation Adjustments (+/-)	58	69	53	(11)	(15.94)	5	9.43
<b>Total Client Funds (a)</b>	<b>6,325,911</b>	<b>6,585,683</b>	<b>6,441,916</b>	<b>(259,772)</b>	<b>(3.94)</b>	<b>(116,005)</b>	<b>(1.80)</b>
Investment Funds	173,163	253,007	265,354	(79,844)	(31.56)	(92,191)	(34.74)
Insurance and Pension Funds	314,188	351,495	373,907	(37,307)	(10.61)	(59,719)	(15.97)
Products Held but not managed	68,569	87,029	93,642	(18,460)	(21.21)	(25,073)	(26.78)
Client Securities	393,949	501,155	491,102	(107,206)	(21.39)	(97,153)	(19.78)
<b>Total Off Balance Sheet Assets (b)</b>	<b>949,869</b>	<b>1,192,686</b>	<b>1,224,005</b>	<b>(242,817)</b>	<b>(20.36)</b>	<b>(274,136)</b>	<b>(22.40)</b>
<b>Total (a+b)</b>	<b>7,275,780</b>	<b>7,778,369</b>	<b>7,665,921</b>	<b>(502,589)</b>	<b>(6.46)</b>	<b>(390,141)</b>	<b>(5.09)</b>

\*Thousands of euros

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Risk Management*	30/09/2008	31/12/2007	30/09/2007	Variance		Variance	
				YTD		Interannual	
				Absolute	%	Absolute	%
Total Risks in Balance	8,920,778	7,779,550	7,212,100	1,141,228	14.67	1,708,678	23.69
Total Risks off Balance	1,410,827	1,697,432	1,793,858	(286,605)	(16.88)	(383,031)	(21.35)
<b>Total Risks</b>	<b>10,331,605</b>	<b>9,476,982</b>	<b>9,005,958</b>	<b>854,623</b>	<b>9.02</b>	<b>1,325,647</b>	<b>14.72</b>
Non-Performing Loans Ratio(B/S)	4.47%	1.77%	1.57%				
Non-Performing Loans Ratio (Off B/S)	0.12%	0.05%	0.05%				
<b>Total Non-Performing Loans</b>	<b>3.88%</b>	<b>1.46%</b>	<b>1.27%</b>				
Coverage Ratio(B/S)	46.37%	98.39%	99.53%				
Coverage Ratio(Off B/S)	212.85%	391.35%	244.74%				
<b>Total Coverage Ratio</b>	<b>47.09%</b>	<b>100.08%</b>	<b>100.78%</b>				

\* Thousands of euros

Solvency*	30/09/2008	30/09/2007	Variance	
			Absolute	%
Total Core Capital	443,960	396,855	47,105	11.87
<b>Ratio Core Capital (%)</b>	<b>7.08%</b>	<b>6.88%</b>		
Total Tier II Capital	227,975	270,009	(42,035)	(15.57)
<b>Tier II Ratio (%)</b>	<b>3.63%</b>	<b>4.68%</b>		
Computable Capital BIS	671,934	666,864	5,070	0,76
Surplus Capital	168,553	203,833	(35,280)	(17.31)
<b>BIS Ratio (%)</b>	<b>10.71%</b>	<b>11.55%</b>		
Pro-memoria				
Risk Weighted Assets (BIS Criteria)	6,272,925	5,771,328	501,597	8,69

\* Thousands of euros. Data calculated under BIS I criterion for purposes of comparison

Rating					
	Latest Revision	Individual	Short-Term	Long-Term	Outlook
<b>Fitch Ratings</b>	April 2008	B/C	F2	A-	Negative
	Última revisión	Individual	A corto plazo	A largo plazo	Perspectiva
<b>Moody's</b>	August 2008	C-	P2	Baa1	Negative

## Results and Profitability

As at September 30th, 2008, all margins of the Income Statement show positive growth on interannual level that responds to projected margins taking into account current economic situation. Such growth is a consequence of appropriate application of the Group's policy to optimize the balance between operational profitability and risks, besides the adequate efficiency in cost management continued its contribution to margins good performance. In this way the Group proves one more time its capacity to adapt quickly to changing macroeconomic environment that is characterised by increased aggressiveness of competition in attracting new customer base, by lack of liquidity at international markets, by moderate growth of client loans, and by strong increase in problem loans in the banking sector.

Net Interest Income that represents the Group's traditional business was situated at 136.40 million euros as at September 30th, 2008 meaning interannual increase by 6.72%. This variation showed some slowdown in comparison to the last previous quarters resulting from a lower rhythm of growth and increase in financing costs that were determined by the market juncture during the past months. As for Net Interest Income with no dividends taken into account, it stood at 4.48%, reflecting the Group's capacity to absorb increased costs of financing at both retail and wholesale markets.

Net Commission Income was situated at 167.15 million euros that represents 5.66% increase from the last year. Regarding this margin it is worth to notice favorable operational capacity of subsidiaries affiliated to the Group and almost unchanged performance of net commissions that reflects the Group's policy oriented at increasing clients' loyalty.

Gross Income margin has improved by 31.18% in comparison to the previous year situating itself at 204.81 million euros as a consequence of desinvestments in reduced industrial participation of the Group Caixa Tarragona.

Net Operating Income stood at 115.07 million euros as at September 30th, 2008, that is 59.38% raise from September 2007. This figure shows that the Group is implementing adequately its cost reduction policy that leads to a noticeable improvement in efficiency. Apart from that it is obvious that the Group's business model of profitable growth is being implemented successfully combining increase in income and cost reduction.

Net Income Attributed to the Group on 30th of September 2008 was 38.22 million euros, a figure similar to that of the last year that reflects Income Statement's capacity to overpass noticeable deterioration in macroeconomic situation.

In reference to profitability indicators ROE was situated at 12.02%, ROA at 0.56%, and RORWA at 0.83%.

To conclude, the efficiency indicators continue rising. Operating Efficiency ratio was situated at 40.07% as at September 30th, 2008, representing 852 basic points increase on interannual level. From the other side the ratio that measures existing relation between Operating Costs and Average Total Assets was 1.20% meaning an improvement in 16 basic points in a year.

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Income Statement*	30/09/2008		30/09/2007		Variance	
		% ATA**		% ATA**	Absolute	%
Interest and similar income	362,803		261,060		101,743	38.97
Interest and similar income	(248,538)		(151,692)		(96,846)	63.84
Return on equity instruments	22,139		18,450		3,689	19.99
<b>Net Interest Income</b>	<b>136,404</b>	<b>1.97</b>	<b>127,818</b>	<b>2.29</b>	<b>8,586</b>	<b>6.72</b>
Share of results of entities accounted for using the equity method	1,214		743		471	63.39
Fee and commission income	31,818		32,493		(675)	(2.08)
Fee and commission expense	(3,152)		(3,142)		(10)	0.32
Insurance Income	865		288		577	>
<b>Net Commission Income</b>	<b>167,149</b>	<b>2.41</b>	<b>158,200</b>	<b>2.84</b>	<b>8,949</b>	<b>5.66</b>
Gains/(Losses) on financial assets and liabilities (net)	38,808		(2,328)		41,136	<
Exchange differences (net)	(1,147)		259		(1,406)	<
<b>Gross Income</b>	<b>204,810</b>	<b>2.96</b>	<b>156,131</b>	<b>2.80</b>	<b>48,679</b>	<b>31.18</b>
Other operating income	2,109		3,353		(1,244)	(37.10)
Personnel expenses	(58,968)		(55,911)		(3,057)	5.47
Other general administrative expenses	(25,011)		(24,153)		(858)	3.55
Depreciation and amortization charge	(6,324)		(5,971)		(353)	5.91
Other operating expenses	(1,546)		(1,251)		(295)	23.58
<b>Net Operating Income</b>	<b>115,070</b>	<b>1.66</b>	<b>72,198</b>	<b>1.29</b>	<b>42,872</b>	<b>59.38</b>
Impairment losses (net)	(66,883)		(27,923)		(38,960)	>
Provisions (net)	(1,285)		(564)		(721)	>
Other gains	4,500		3,188		1,312	41.15
Other losses	(5,893)		(370)		(5,523)	>
<b>Profit before tax</b>	<b>45,509</b>	<b>0.66</b>	<b>46,529</b>	<b>0.83</b>	<b>(1,020)</b>	<b>(2.19)</b>
Income Tax	(7,293)		(8,335)		1,042	(12.50)
<b>Net Income Attributed to the Group</b>	<b>38,216</b>	<b>0.55</b>	<b>38,194</b>	<b>0.68</b>	<b>22</b>	<b>0.06</b>

\*Thousands of euros

\*\*Annualized

Profitability & Efficiency*	30/09/2008	30/09/2007
ROE	12.02%	13.49%
ROA	0.56%	0.71%
RORWA	<b>0.83%</b>	<b>0.97%</b>
Operating Efficiency	40.07%	48.59%
Operating Costs / ATA	1.20%	1.36%

\* Year / Year

## DISCLAIMER

The consolidated financial statements of the group for the period ending september 30th, 2008 that appear in this report have not been audited or approved by the General Assembly of the entity but have been made following the same criteria during the process in 2007, conforming with current legislation. The interpretations that are contained about the causes or factors indicated in the financial statements are purely subjective and verified in good faith. In any manner, the information cannot be considered wholly or partially, neither an offer nor invitation to initiate any type of legal or business action. Neither can it serve as a base with which to make any type of economic decision and that it can and should be used as a tool along with other information as other factors, circumstances and/or analysis that has not been included in this report.