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Quarterly report

july august september

Highlights

	30.09.09	30.09.08	Var. %
(Amounts in € thousand)			
Business volume			
Total assets managed	136,431,970	124,570,244	9.5
On-balance sheet total assets	123,395,546	110,210,805	12.0
Own funds	7,830,534	6,704,258	16.8
Adjusted customer deposits	57,345,960	46,411,643	23.6
Lending to customers (gross)	96,491,283	92,139,333	4.7
			Proforma 30/09/09 (1)
Solvency			
Core capital(%)	7.85	6.78	8.62
Tier 1 (%)	9.13	8.19	9.90
BIS ratio	9.68	9.63	10.45
Leverage	15.61	15.48	14.34
Risk management			
Total risks	113,019,395	104,563,925	8.1
Non-performing loans	5,238,194	2,285,262	>
Allowances for credit losses	2,357,588	1,955,532	20.6
% nonperforming ratio	4.63	2.19	
% coverage (Credit loss allowance/Nonperforming loans)	45.01	85.57	
Earnings			
Net interest income	2,119,517	1,899,490	11.6
Gross operating income	3,024,202	2,748,985	10.0
Profit before provisions	2,068,521	1,773,801	16.6
Profit before tax	917,646	1,335,048	(31.3)
Consolidated profit for the year	662,055	1,014,115	(34.7)
Net profit attributed to the Group	651,178	959,426	(32.1)
Net return and efficiency			
Average total assets	112,492,272	106,575,697	5.6
Average total equity	6,675,099	5,914,534	12.9
ROA (%)	0.78	1.27	
ROE (%)	13.01	21.63	
Operating efficiency (%)	29.06	32.62	
Per share data			
Final number of shares (thousands)	1,333,151	1,215,433	9.7
Average number of shares (thousands)	1,246,146	1,214,619	2.6
Share closing market price (€)	6.85	8.29	(17.4)
Market capitalization	9,132,084	10,075,940	(9.4)
Book value per share(€)	5.87	5.52	6.5
Net earnings per share (€)	0.523	0.790	(33.8)
Dividend per share paid in the period (€)	0.327	0.371	(11.9)
Price/Book value	1.17	1.50	
Price/Earnings (annualized)	9.82	7.87	
Other data			
Shareholders	133,212	122,359	8.9
Employees	14,722	15,273	(3.6)
Spain	12,996	13,574	(4.3)
Men	8,945	9,282	(3.6)
Women	4,051	4,292	(5.6)
Abroad	1,726	1,699	1.6
Men	1,120	1,118	0.2
Women	606	581	4.3
Branches	2,377	2,510	(5.3)
Spain	2,126	2,262	(6.0)
Abroad	251	248	1.2
Mundocredit branches	56	59	(5.1)
ATMs	3,205	3,428	(6.5)

The Group's consolidated financial statements at 30 September 2009 included herein have not been audited and were prepared in accordance with the accounting principles and methods established by the International Financial Reporting Standards adopted by the European Union (IFRS-EU). The regulatory changes introduced in 2009 did not affect the comparability of the financial information for preceding periods published in this Report.

(1) Including €700 million convertible debenture issue completed in October

Salient aspects

The third quarter of 2009 was characterised by the hope that the worst moment of the economic crisis may have passed. The successive improvements in the confidence indicators on both sides of the Atlantic, together with the rise in several activity indicators with respect to the preceding quarter, make it possible to expect a certain economic recovery, albeit assisted by the stimulus plans of different countries and official bodies. However, the Spanish economy remains more distant from this trend, although maintenance of the levels of activity compared with the preceding quarter in certain sectors has been observed. The visibility for the upcoming quarters is still very low due to the uncertainty provoked by the need to progressively withdraw the stimulus plans in order to control the high public deficits.

In this still difficult context, both the strength of the Banco Popular Group's business model was noteworthy, as evidenced by its ability to present sound and recurring earnings, and so was its strategy of reinforcing its already high levels of solvency in anticipation of the foreseeable higher regulatory requirements, a possible further deterioration of the economy, and to take advantage of any growth opportunities that may arise in the future.

As is characteristic of the Banco Popular Group's business, the main source of income was the net interest income, which grew strikingly by 11.6% over the same period of 2008. The main levers of growth were more appropriate differentials in transactions with customers, the growth of the business, and appropriate management of the balance sheet which made it possible to take advantage of the evolution of interest rates and the opportunities of lending. At the same time the composition of the balance sheet, with substantial weight in loans and receivables, and the business mix, focused on SMEs, made it possible to maintain margins higher than those of all other financial entities operating in Spain.

Moreover, the Bank demonstrated a noteworthy ability to generate other income arising from fees and commissions and financial transactions, which jointly accounted for 27.2% of total income, an increase of 14.9% over the figure for the previous year. As a result, gross operating income was up 10% in the same period.

The Group's strong ability to generate income and its experience in managing operating costs, which were 2% lower than in the third quarter of 2008, enabled it to again distinguish itself by having the best efficiency ratio of all Spanish and European banks, which at September-end 2009 stood at 29.06%, 3.56 percentage points lower than the figure at the end of the third quarter of 2008, compared with the ratios of 41.8% for all Spanish banks and of 57.4% of all European banks per the latest available data at June 2009.

The evolution of income and costs described above permitted a substantial growth of 16.6% in the profit before provisions, expanding the Group's capability to cover the possible impairment of assets if the economic situation were to deteriorate.

From the business point of view, noteworthy was the Group's commercial capability, which made possible growth of 4.7% in lending to customers and of 23.6% in customer deposits, in accordance with the traditional business model focused on SMEs and private individuals. The greater growth of deposits made it possible to achieve the strategic objective of reducing the commercial gap by €11,183 million since September 2008 and the credit/deposits ratio by 42.3 percentage points, thus improving the Bank's liquidity position. The Bank also has a second liquidity line with an effective value of over €15,900 million which thus amply exceeds the maturities of wholesale liabilities during more than one year.

As regards asset quality, a very relevant feature was the slowdown in net new additions to delinquent loans evidenced in the third quarter of 2009. These additions of €557 million were 36.8% and 62.9%, respectively, lower than in the second and first quarters of 2009, confirming the trend foreseen by the Bank. This evolution was the outcome both of lower gross additions and the maintenance of a high and recurring volume of recoveries, which represented 48% of the gross additions in the quarter, in line with the preceding quarter. Also, the index of delinquent loans less than 90 days past due continued to decline, making it possible to be moderately optimistic about the coming months.

The foregoing evolution reflected the smaller growth of the non-performing ratio in the third quarter – 24 basis points – compared with that in the second quarter – 57 basis points – to stand at 4.63%, which was lower than the average of 4.93% for banks and savings banks in August 2009 per the latest available data.

For coverage of the impaired loans the Group has over €2,350 million of allowances, of which €334 million relate to sectorial provisions included in specific allowances and nearly €1,000 million of anticiclical provisions. This figure signifies a coverage of 45.01%, much higher than the expected average loss on the doubtful loans portfolio. Adding the mortgage guarantees to the specific and general provisions, the coverage ratio would be of 122 %.

The Group has generated €324,5 million with asset sales. On the other hand, it has devoted €405,9 millions to cover investments and other assets deterioration.

In order to implement the capital strengthening strategy mentioned earlier, Banco Popular successfully completed two capital operations for a combined amount of €1,200 million by means of a capital increase of €500 million placed in September and a €700 million issue of convertible debentures completed in October. Consequently, the core capital at 30 September 2009 including both these operations would stand at 8.62% and the Tier 1 capital at 9.90%. These levels of solvency make Banco Popular one of the most highly capitalised Western world banks without injections of public capital. Banco Popular also confirms its top ranking for core capital ratio among listed Spanish banks.

For the upcoming quarters, the Group starts from the situation of strength conferred on it by its recurring income, its solvency ratios, its ample liquidity situation, and the lower pressure of impaired assets. This position of strength gives the Group a competitive edge over its competitors which will enable it to grow organically in its traditional businesses, lending more and attracting more deposits.

Balance Sheet

(Amounts in € thousand)

	30.09.09	31.12.08	30.09.08	% variation	
				9 moths	12 moths
Assets					
Cash and balances with central banks	1,428,083	1,859,577	4,416,481	(23.2)	(67.7)
Financial assets held for trading	1,501,101	1,334,199	1,466,672	12.5	2.3
Other financial assets at fair value through profit or loss	376,383	336,666	398,737	11.8	(5.6)
Available-for-sale financial assets	10,370,267	3,760,410	3,593,909	>	>
Loans and receivables	99,619,023	96,606,802	95,760,463	3.1	4.0
Loans and advances to other debtors	94,519,502	91,701,521	90,651,314	3.1	4.3
Other loans and receivables	5,099,521	4,905,281	5,109,149	4.0	(0.2)
Held-to-maturity investments	2,227,339	34,854	26,488	>	>
Hedging derivatives	1,360,119	992,626	253,579	37.0	>
Non-current assets held for sale	2,556,533	1,660,596	986,941	54.0	>
Investments	55,920	32,151	19,524	73.9	>
Insurance contracts linked to pensions	172,972	182,368	187,375	(5.2)	(7.7)
Reinsurance assets	6,127	5,566	5,084	10.1	20.5
Tangible assets	1,681,046	1,355,443	1,109,321	24.0	51.5
Intangible assets	520,762	546,576	537,897	(4.7)	(3.2)
Tax assets	720,259	827,306	799,792	(12.9)	(9.9)
Other assets	799,612	840,911	648,542	(4.9)	23.3
Total Assets	123,395,546	110,376,051	110,210,805	11.8	12.0
Liabilities					
Financial liabilities held for trading	1,718,882	1,729,742	529,417	(0.6)	>
Other financial liabilities at fair value through profit or loss	93,632	134,520	214,918	(30.4)	(56.4)
Financial liabilities at amortised cost:	110,449,696	98,957,138	99,170,890	11.6	11.4
Deposits from credit institutions	18,674,162	14,263,878	12,641,535	30.9	47.7
Deposits from other creditors	57,345,960	51,665,410	46,411,643	11.0	23.6
Debt certificates including bonds	31,395,557	30,208,172	37,380,445	3.9	(16.0)
Subordinated liabilities	1,999,809	1,616,757	1,575,029	23.7	27.0
Other financial liabilities	1,034,208	1,202,921	1,162,238	(14.0)	(11.0)
Hedging derivatives	491,513	414,217	831,105	18.7	(40.9)
Insurance contract liabilities	1,058,616	931,865	847,708	13.6	24.9
Provisions for contingent exposures	470,883	474,463	457,969	(0.8)	2.8
Tax liabilities	434,254	185,717	431,055	>	0.7
Other liabilities	774,705	490,733	609,320	57.9	27.1
Total liabilities	115,492,181	103,318,395	103,092,382	11.8	12.0
Equity					
Own funds	7,830,534	6,734,394	6,704,258	16.3	16.8
Capital, reserves and retained earnings	7,279,342	5,989,597	5,902,838	21.5	23.3
Profit or loss for the period	651,178	1,052,072	959,426		(32.1)
Dividends paid and declared	(99,986)	(307,275)	(158,006)		
Valuation adjustments	28,505	30,770	(13,033)	(7.4)	
Minority interests	44,326	292,492	427,198	(84.8)	(89.6)
Total equity	7,903,365	7,057,656	7,118,423	12.0	11.0
Total liabilities and equity	123,395,546	110,376,051	110,210,805	11.8	12.0

Funds Managed

(Amounts in € thousand)

	30.09.09	31.12.08	30.09.08	% variation	
				9 moths	12 moths
Unadjusted customer deposits	57,133,590	51,494,503	46,409,580	11.0	23.1
General government	2,225,936	6,491,790	3,937,575	(65.7)	(43.5)
Other private sectors	54,907,654	45,002,713	42,472,005	22.0	29.3
Residents	47,853,515	38,639,457	36,369,696	23.8	31.6
Nonresidents	7,054,139	6,363,256	6,102,309	10.9	15.6
Valuation adjustments (+/-)	212,370	170,907	2,063	24.3	>
Total customer deposits	57,345,960	51,665,410	46,411,643	11.0	23.6
Unadjusted debt certificates including bonds:	30,786,315	29,846,312	37,209,151	3.1	(17.3)
Bonds and other securities outstanding . .	21,615,598	20,040,340	22,262,095	7.9	(2.9)
Commercial paper	9,170,717	9,805,972	14,947,056	(6.5)	(38.6)
Valuation adjustments (+/-)	609,242	361,860	171,294	68.4	>
Total debt certificates including bonds	31,395,557	30,208,172	37,380,445	3.9	(16.0)
Subordinated liabilities	1,999,809	1,616,757	1,575,029	23.7	27.0
Total on-balance sheet funds (a)	90,741,326	83,490,339	85,367,117	8.7	6.3
Mutual funds	8,031,651	8,649,348	9,414,685	(7.1)	(14.7)
Asset portfolio management	883,598	875,706	971,928	0.9	(9.1)
Pension funds	4,121,175	3,905,595	3,972,826	5.5	3.7
Total other intermediated funds (b) . .	13,036,424	13,430,649	14,359,439	(2.9)	(9.2)
Total funds managed (a+b)	103,777,750	96,920,988	99,726,556	7.1	4.1

Customer deposits

(Amounts in € thousand)

	30.09.09	31.12.08	30.09.08	% variation	
				9 moths	12 moths
Demand deposits	14,420,061	14,026,839	13,895,736	2.8	3.8
Savings deposits	5,778,509	4,806,340	5,000,801	20.2	15.6
Time deposits	31,436,941	25,719,428	23,206,017	22.2	35.5
Asset repos	5,330,019	6,692,298	4,023,391	(20.4)	32.5
Other accounts and valuation adjustments . .	380,430	420,505	285,728	(9.5)	33.1
Customer deposits	57,345,960	51,665,410	46,411,643	11.0	23.6
Domestic commercial paper	4,156,330	5,737,102	8,741,342	(27.6)	(52.4)
Total	61,502,290	57,402,512	55,152,985	7.1	11.5

Lending to customers

(Amounts in € thousand)

	30.09.09	31.12.08	30.09.08	% variation	
				9 moths	12 moths
Lending to general government	570,615	561,395	463,271	1.6	23.2
Lending to other private sectors	95,920,668	92,891,224	91,676,062	3.3	4.6
Residents	86,521,431	83,524,458	82,708,327	3.6	4.6
Nonresidents	9,200,344	9,187,806	8,787,621	0.1	4.7
Other loans	198,893	178,960	180,114	11.1	10.4
Total lending to customers	96,491,283	93,452,619	92,139,333	3.3	4.7
Valuation adjustments (+/-)	(1,971,781)	(1,751,098)	(1,488,019)	12.6	32.5
Total	94,519,502	91,701,521	90,651,314	3.1	4.3

Lending to customers by type

(Amounts in € thousand)

	30.09.09	31.12.08	30.09.08	% variation	
				9 moths	12 moths
Trade loans and discounts	4,961,300	6,377,878	6,536,167	(22.2)	(24.1)
Secured loans	47,992,330	48,420,181	48,827,229	(0.9)	(1.7)
Mortgage	47,856,079	48,276,130	48,643,108	(0.9)	(1.6)
Other	136,251	144,051	184,121	(5.4)	(26.0)
Other term loans	25,860,328	26,345,484	26,522,174	(1.8)	(2.5)
Leasing	3,261,279	3,612,091	3,716,616	(9.7)	(12.3)
Other lending	9,348,192	5,843,961	4,357,448	60.0	>
Doubtful assets	5,067,854	2,853,024	2,179,699	77.6	>
Total lending to customers	96,491,283	93,452,619	92,139,333	3.3	4.7

Risk Management Performance*

(Amounts in € thousand)

	30.09.09	30.09.08	Variation	
			Amount	%
Nonperforming loans:				
Balance at 1 January	3,042,612	834,478	2,208,134	>
Additions	5,235,772	2,259,893	2,975,879	>
Recoveries	2,295,895	361,594	1,934,301	>
Other changes	-	-	-	
Net variation	2,939,877	1,898,299	1,041,578	54.9
% increase	96.6	227.5		
Writeoffs	(744,295)	(447,515)	(296,780)	66.3
Balance at 30 september	5,238,194	2,285,262	2,952,932	>
Allowance for credit losses:				
Balance at 1 January	2,221,902	1,822,353	399,549	21.9
Annual provision:				
Gross	2,366,008	847,299	1,518,709	>
Recoveries	(1,421,837)	(448,775)	(973,062)	>
Net	944,171	398,524	545,647	>
Other variations	(224,812)	(19,921)	(204,891)	>
Writeoffs	(583,673)	(245,424)	(338,249)	>
Balance at 30 september	2,357,588	1,955,532	402,056	20.6
Memorandum items:				
Total risks	113,019,395	104,563,925	8,455,470	8.1
Risk quality measures (%):				
Nonperformance (Nonperforming loans/Total risks)	4.63	2.19	2.44	
Coverage (Credit loss allowance/Nonperforming loans)	45.01	85.57	(40.56)	
Credit risk premium	1.63	0.83	0.80	
Typical spread on lending to customers	3.07	2.67	0.40	

* Including doubtful off-balance sheet risks and country risk and the related country risk allowance.

Credit loss allowances	Specific	General	Country risk	Total
Balance at 1 January	922,037	1,296,003	3,862	2,221,902
Net provisions	1,359,277	(417,364)	2,258	944,171
Amount used	(583,673)	-	-	(583,673)
Other variations and transfers	(327,372)	102,560	-	(224,812)
Balance at 30 september	1,370,269	981,199	6,120	2,357,588

Solvency

(Amounts in € thousand)

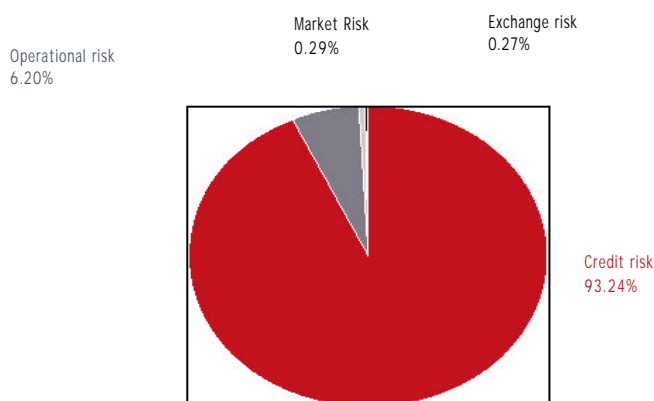
	30.09.09		Basilea II	
	Proforma (***)	30.09.09	31.12.08	30.09.08(**)
Total core capital	7,850,006	7,150,006	6,604,457	6,152,291
Core capital (%)	8.62	7.85	7.17	6.78
Total Tier 1 Capital	9,013,855	8,313,855	7,475,671	7,432,083
Tier 1 ratio (%)	9.90	9.13	8.12	8.19
Total Tier 2 Capital	499,832	499,832	905,735	1,308,021
BIS computable capital	9,513,687	8,813,687	8,381,406	8,740,104
Capital cushion	2,230,177	1,530,177	1,011,082	1,455,588
BIS ratio (%)	10.45	9.68	9.10	9.63
Leverage ⁽¹⁾	14.34	15.61	15.64	15.48
<i>Memorandum item:</i>				
Total BIS risk-weighted assets	91,043,875	91,043,875	92,129,050	90,722,720

(**) Data per Basel I

(***) Including effect of convertible debenture issue completed in October

⁽¹⁾ Calculated with data from the end of each period

BIS risk-weighted assets



Equity

(Amounts in € thousand)

	Capital & reserves	Valuation adjustments	Minority interests	Net worth
Balance at 31/12/2008	6,734,394	30,770	292,492	7,057,656
Capital increase	656,937	-	-	656,937
Merger adjustments	70,128	-	(230,700)	(160,572)
Variation in treasury stock	10,858	-	-	10,858
Gain on treasury stock transactions	59,658	-	-	59,658
Actuarial differences	(2,891)	-	286	(2,605)
Consolidation operations (net)	(1,386)	-	(1,371)	(2,757)
Value adjustments	-	(2,265)	(20)	(2,285)
Net profit at 30 September 2009	651,178	-	10,877	662,055
Dividends paid in 2009	(348,342)	-	(27,238)	(375,580)
Balance at 30/09/2009	7,830,534	28,505	44,326	7,903,365

Consolidated income and profitability

	(Amounts in € thousand)			(Annualized % of ATA)		
	30.09.09	30.09.08	% variation	30.09.09	30.09.08	Variation
Interest and similar income	3,972,123	4,685,739	(15.2)	4.71	5.86	(1.15)
- Interest expense and similar charges	1,852,606	2,786,249	(33.5)	2.20	3.48	(1.28)
+ Remuneration of capital redeemable on demand	-	-	-	-	-	-
= Net interest income	2,119,517	1,899,490	11.6	2.51	2.38	0.13
+Return on equity instruments	5,401	21,738	(75.2)	0.01	0.03	(0.02)
+RShare of results of entities accounted for using the equity method	418	1,729	(75.8)	-	-	-
+Fees and commissions, net	578,995	650,635	(11.0)	0.69	0.81	(0.12)
±Gains or losses on financial assets and liabilities (net)	243,488	65,194	>	0.28	0.08	0.20
+Exchange differences (net)	34,446	38,881	(11.4)	0.04	0.05	(0.01)
+Other operating income	198,309	178,895	10.9	0.24	0.22	0.02
- Other operating expenses	156,372	107,577	45.4	0.19	0.13	0.06
=Gross operating income	3,024,202	2,748,985	10.0	3.58	3.44	0.14
- Administrative expenses:	878,956	896,683	(2.0)	1.04	1.12	(0.08)
Personnel expenses	591,167	607,336	(2.7)	0.70	0.76	(0.06)
Other general administrative expenses	287,789	289,347	(0.5)	0.34	0.36	(0.02)
- Depreciation & amortisation	76,725	78,501	(2.3)	0.09	0.10	(0.01)
=Net operating income (Pre-provision profit)	2,068,521	1,773,801	16.6	2.45	2.22	0.23
- Provisioning expense (net)	(25,431)	20,303		(0.03)	0.03	(0.06)
- Credit risk asset impairment	1,094,784	571,742	91.5	1.30	0.72	0.58
- Impairment of other assets	405,999	49,966	>	0.48	0.06	0.42
±Gains/(Losses) on assets held for sale (net)	324,477	203,258	59.6	0.39	0.26	0.13
=Profit before tax	917,646	1,335,048	(31.3)	1.09	1.67	(0.58)
- Income tax	255,591	360,956	(29.2)	0.31	0.45	(0.14)
+Gains/losses on discontinued operations (net)	-	40,023	(100.0)	-	0.05	(0.05)
=Consolidated profit for the year	662,055	1,014,115	(34.7)	0.78	1.27	(0.49)
- Profit attributed to minority interests	10,877	54,689	(80.1)	0.01	0.07	(0.06)
=Profit attributed to the controlling company	651,178	959,426	(32.1)	0.77	1.20	(0.43)
Net return on risk-weighted assets (RORWA) (%)				0.97	1.50	(0.53)
Net return on equity (ROE) (%)				13.01	21.63	(8.62)
Operating efficiency ratio (%)				29.06	32.62	(3.56)
<i>In € million</i>						
Average total assets				112,492	106,576	5,916
Risk-weighted average total assets (RWA)				90.968	90.114	854
Average equity				6.675	5.914	761

Quarterly Consolidated Income

(Amounts in € thousand)

	2008			2009	
	3rd	4rd	1th	2st	3nd
Interest and similar income	1,639,911	1,603,516	1,484,337	1,280,934	1,206,852
- Interest expense and similar charges	994,590	967,745	757,246	590,820	504,540
+ Remuneration of capital redeemable on demand	-	-	-	-	-
= Net interest income	645,321	635,771	727,091	690,114	702,312
+Return on equity instruments	4,944	2,101	1,714	1,646	2,041
+RShare of results of entities accounted for using the equity method	1,639	12,627	54	28	336
+Fees and commissions, net	208,653	213,913	195,577	193,543	189,875
±Gains or losses on financial assets and liabilities (net)	24,354	9,290	50,138	130,716	62,634
+Exchange differences (net)	16,659	15,348	11,988	11,537	10,921
+Other operating income	43,436	71,485	77,122	62,502	58,685
- Other operating expenses	27,215	52,750	58,760	47,951	49,661
=Gross operating income	917,791	907,785	1,004,924	1,042,135	977,143
- Administrative expenses:	312,530	319,087	284,750	293,945	300,261
Personnel expenses	210,624	210,806	192,850	196,226	202,091
Other general administrative expenses	101,906	108,281	91,900	97,719	98,170
- Depreciation & amortisation	26,415	22,285	25,635	25,424	25,666
=Net operating income (Pre-provision profit)	578,846	566,413	694,539	722,766	651,216
- Provisioning expense (net)	13,039	9,212	(10,415)	(5,464)	(9,552)
- Credit risk asset impairment	110,688	333,432	295,490	412,689	386,605
- Impairment of other assets	33,187	127,559	148,475	178,595	78,929
±Gains/(Losses) on assets held for sale (net)	180	29,762	65,156	159,895	99,426
=Profit before tax	422,112	125,972	326,145	296,841	294,660
- Income tax	123,597	29,387	94,494	77,359	83,738
+Gains/losses on discontinued operations (net)	-	-	-	-	-
=Consolidated profit for the year	298,515	96,585	231,651	219,482	210,922
- Profit attributed to minority interests	16,620	3,939	6,890	1,657	2,330
=Profit attributed to the controlling company	281,895	92,646	224,761	217,825	208,592

Quarterly Profitability

(Annualized % of ATA)

	2008			2009	
	3rd	4rd	1th	2st	3nd
Interest and similar income	5.98	5.88	5.39	4.50	4.14
- Interest expense and similar charges	3.63	3.55	2.75	2.08	1.73
+ Remuneration of capital redeemable on demand	-	-	-	-	-
= Net interest income	2.35	2.33	2.64	2.42	2.41
+Return on equity instruments	0.02	0.01	0.01	0.01	0.01
+RShare of results of entities accounted for using the equity method	0.01	0.05	-	-	-
+Fees and commissions, net	0.76	0.78	0.71	0.68	0.65
±Gains or losses on financial assets and liabilities (net)	0.09	0.03	0.18	0.46	0.21
+Exchange differences (net)	0.06	0.06	0.04	0.04	0.04
+Other operating income	0.16	0.26	0.28	0.22	0.20
- Other operating expenses	0.10	0.19	0.21	0.17	0.17
=Gross operating income	3.35	3.33	3.65	3.66	3.35
- Administrative expenses:	1.14	1.17	1.03	1.03	1.03
Personnel expenses	0.77	0.77	0.70	0.69	0.69
Other general administrative expenses	0.37	0.40	0.33	0.34	0.34
- Depreciation & amortisation	0.10	0.08	0.09	0.09	0.09
=Net operating income (Pre-provision profit)	2.11	2.08	2.53	2.54	2.23
- Provisioning expense (net)	0.05	0.04	(0.04)	(0.02)	(0.03)
- Credit risk asset impairment	0.40	1.22	1.08	1.45	1.32
- Impairment of other assets	0.12	0.47	0.54	0.63	2.27
±Gains/(Losses) on assets held for sale (net)	-	0.11	0.24	0.56	0.34
=Profit before tax	1.54	0.46	1.19	1.04	1.01
- Income tax	0.45	0.11	0.35	0.27	0.29
+Gains/losses on discontinued operations (net)	-	-	-	-	-
=Consolidated profit for the year	1.09	0.35	0.84	0.77	0.72
- Profit attributed to minority interests	0.06	0.01	0.02	-	0.01
=Profit attributed to the controlling company	1.03	0.34	0.82	0.77	0.71
Net return on risk-weighted assets (RORWA) (%)	1.32	0.43	1.01	0.97	0.93
Net return on equity (ROE) (%)	19.06	6.29	13.73	13.24	12.32
Operating efficiency ratio (%)	34.05	35.15	28.34	28.21	30.73
<i>In € million</i>					
Average total assets	109,672	109,160	110,167	113,871	116,745
Risk-weighted average total assets (RWA)	90,723	91,415	92,005	90,627	90,271
Average equity	5,915	5,895	6,549	6,580	6,774

Yields and Costs

(Amounts in € thousand and rates annualized)

	30.09.09				30.09.08			
	Average balance	Distribution (%)	Income or expense	Average rate (%)	Average balance	Distribution (%)	Income or expense	Average rate (%)
Financial system	5,670,975	5.04	63,487	1.49	8,005,981	7.51	245,189	4.08
Loans and discounts (a).	89,835,959	79.86	3,743,258	5.56	88,557,741	83.09	4,258,483	6.41
Securities portfolio	6,970,833	6.20	156,991	3.00	4,126,160	3.87	172,403	5.57
Other assets	10,014,505	8.90	8,387	0.01	5,885,815	5.53	9,664	0.02
Total earning assets (b)	112,492,272	100.00	3,972,123	4.71	106,575,697	100.00	4,685,739	5.86
Financial system	14,933,358	13.28	184,841	1.65	11,843,535	11.11	360,047	4.05
Customer funds (c)	52,019,537	46.24	906,120	2.32	41,705,256	39.13	942,575	3.01
Demand accounts	13,280,477	11.81	69,962	0.70	13,140,875	12.33	158,534	1.61
Savings and time deposits	38,739,060	34.43	836,158	2.88	28,564,381	26.80	784,041	3.66
Marketable debt securities & other interest-bearing liabilities	33,792,095	30.04	745,606	2.94	40,828,624	38.31	1,468,970	4.80
Otros pasivos con coste	283,230	0.25	16,039	7.55	303,892	0.29	14,657	6.43
Other funds	4,788,953	4.26	-	-	5,979,856	5.61	-	-
Equity	6,675,099	5.93	-	-	5,914,534	5.55	-	-
Total funds (d)	112,492,272	100.00	1,852,606	2.20	106,575,697	100.00	2,786,249	3.48
<i>Customer spread (a-c)</i>				3.24				3.40
<i>Spread (b-d)</i>				2.51				2.38

Quarterly Yields and Costs

(Data in % and rates annualized)

	2008						2009			
	3rd		4rd		1th		2st		3rd	
	Distribu tion	Rate	Distribu tion	Rate	Distribu tion	Rate	Distribu tion	Rate	Distribu tion	Rate
Financial system	8.33	4.04	6.52	3,62	5.79	2.27	5.63	1.03	3.61	1.01
Loans and discounts (a).	81.69	6.61	83.01	6,61	81.79	6.21	77.53	5.54	76.67	5.01
Securities portfolio	3.94	5.96	3.25	3,95	3.75	4.49	5.70	2.39	8.82	2.79
Other assets	6.04	0.02	7.22	0,03	8.67	0.01	11.14	0.01	10.90	-
Total earning assets (b)	100.00	5.98	100.00	5,88	100.00	5.39	100.00	4.50	100.00	4.14
Financial system	11.85	3.83	11.24	4,09	11.33	2.84	12.81	1.57	15.19	0.88
Customer funds (c)	39.12	3.22	45.16	3,29	46.58	2.78	45.90	2.24	44.94	1.96
Demand accounts	11.80	1.76	12.72	1,94	11.70	1.08	11.26	0.61	12.10	0.44
Savings and time deposits.	27.33	3.85	32.44	3,82	34.88	3.35	34.64	2.76	32.84	2.52
Marketable debt securities & other interest-bearing liabilities	37.55	5.05	32.08	4,93	30.41	3.66	29.96	2.77	28.91	2.40
Otros pasivos con coste	0.28	6.22	0.28	6,08	0.26	7.47	0.25	7.49	0.24	7.69
Other funds	5.81	-	5.84	-	5.48	-	5.30	-	4.92	-
Equity	5.39	-	5.40	-	5.94	-	5.78	-	5.80	-
Total funds (d)	100.00	3.63	100.00	3,55	100.00	2.75	100,00	2.08	100.00	1.73
<i>Customer spread (a-c)</i>		3.39		3,32		3.43		3.30		3.05
<i>Spread (b-d)</i>		2.35		2,33		2.64		2.42		2.41

Net Fee and Commission Income

(Amounts in € thousand)

	30.09.09	30.09.08	% variation	Distribution (%)	
				2009	2008
Risk fees and commissions	179,352	195,599	(8.3)	31.0	30.0
Asset transaction services	90,340	104,938	(13.9)	15.6	16.1
Provision of collateral and other guarantees	89,012	90,661	(1.8)	15.4	13.9
Asset management fees and commissions	115,665	152,713	(24.3)	20.0	23.5
Securities portfolios	20,310	22,734	(10.7)	3.5	3.5
Mutual funds	61,411	89,783	(31.6)	10.6	13.8
Pension plans	33,944	40,196	(15.6)	5.9	6.2
Management service fees and commissions	283,978	302,323	(6.1)	49.0	46.5
Collection and payment handling	146,149	162,264	(9.9)	25.2	24.9
Securities and foreign currency purchase and sale	12,291	11,347	8.3	2.1	1.8
Demand account administration	71,284	80,872	(11.9)	12.3	12.4
Other	54,254	47,840	13.4	9.4	7.4
Total	578,995	650,635	(11.0)	100.0	100.0

Personnel and general expenses

(Amounts in € thousand)

	30.09.09	30.09.08	% variation	Distribution (%)	
				2009	2008
Personnel expenses:	591,167	607,336	(2.7)	67.3	67.7
Wages and salaries	448,469	459,029	(2.3)	51.0	51.2
Social security charges	104,464	106,840	(2.2)	11.9	11.9
Other personnel expenses	18,708	19,306	(3.1)	2.1	2.2
Pensions	19,526	22,161	(11.9)	2.3	2.4
General expenses:	287,789	289,347	(0.5)	32.7	32.3
Rents and common services	60,698	49,992	21.4	6.9	5.6
Communications	20,159	20,465	(1.5)	2.3	2.3
Maintenance of premises and equipment	19,331	18,183	6.3	2.2	2.0
IT and other technical expenses	58,875	54,525	8.0	6.7	6.1
Stationery and office supplies	5,313	5,920	(10.3)	0.6	0.6
Technical reports and legal expenses	17,172	13,077	31.3	1.9	1.5
Advertising and publicity	20,945	25,301	(17.2)	2.4	2.8
Insurance	3,384	3,422	(1.1)	0.4	0.4
Security and fund transport services	15,523	14,809	4.8	1.7	1.7
Travel	6,738	9,567	(29.6)	0.8	1.1
Property taxes, VAT and other	36,063	37,594	(4.1)	4.1	4.2
Other general expenses	23,588	36,492	(35.4)	2.7	4.0
Total	878,956	896,683	(2.0)	100.0	100.0

Information by segment

As stated in the 2008 annual reporting documents, the Banco Popular Group is managed and directed at entity level. For the purposes of the information by segment and as indicated in that annual report, the main segment defined is the geographical segment, and the secondary segment is the activity segment. The balance sheet total in each geographical segment reflects the amount corresponding to Spain and Portugal, respectively. In each of the secondary segments the contribution of each to total assets in the consolidated balance sheet is shown.

The information by geographical segment is as follows:

	30.09.09		30.09.08		% variation	
	Spain	Portugal	Spain	Portugal	Spain	Portugal
Net interest income	2,003,866	115.651	1,775,981	123,509	12.8	(6.4)
Gross income	2,888,078	136,124	2,603,696	145,289	10.9	(6.3)
Profit before provisions	2,019,008	49,513	1,707,912	65,885	18.2	(24.9)
Total assets	113,585,531	9,810,015	101,153,412	9,057,393	12.3	8.3
Number of employees	13,346	1,376	13,895	1,378	(4.0)	(0.1)
Number of branch offices	2,197	236	2,335	234	(5.9)	0.9

(*) Also includes the remaining international activity that does not constitute a separate segment.

The breakdown by business activity segment is as follows:

	Consolidated profit			Total assets		
	30.09.09	30.09.08	% variation	30.09.09	30.09.08	% variation
Asset management	44,523	37,521	18.7	299,609	403,289	(25.7)
Insurance activity	17,886	22,304	(19.8)	888,502	904,635	(1.8)
Commercial banking	531,992	707,511	(24.8)	89,435,836	91,917,249	(2.7)
Corporate and markets	67,655	166,733	(59.4)	32,761,841	16,985,632	92.9
Total	662,055	1,014,115	(34.7)	123,385,788	110,210,805	12.0

Market Performance of the Bank's Shares

Market information

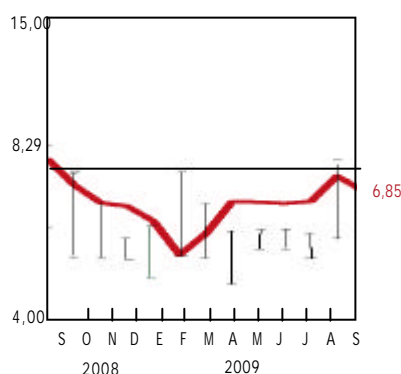
Quarters	Share liquidity (Number in thousands)			Share market price (€)			Dividend paid (€)	Market return*	
	Average shares outstanding	Shares traded	%	High	Low	Closing			
2008	1st	1,215,433	998,308	81.93	11.98	8.51	11,50	0.1222	(0.7)
	2nd	1,215,433	805,224	66.25	12.21	8.69	8,79	0.1234	(22.5)
	3rd	1,215,433	944,346	77.70	9.98	6.50	8,29	0.1250	(4.5)
	4th	1,216,743	638,486	52.50	8.91	5.60	6,08	0.1300	(0.3)
Year total	1,215,753	3,386,364	278.54	12.21	5.60	6,08	0.5006	(43.8)	
2009	1st	1,235,741	747,715	60.50	6.79	3.21	4,77	0.1235	(0.3)
	2nd	1,235,741	617,349	49.96	6.70	4.59	6,21	0.0800	0.2
	3rd	1,265,852	769,185	60.76	7.62	5.51	6,85	0.1237 ⁽¹⁾	0.1

* Appreciation (depreciation) and dividend as % of initial price in each period

(1) Delivery of 1 share for each 50 shares. Excess shares are paid taking as a reference the weighted average price at the session on 25/06/2009, the day before the Shareholders Meeting at which this distribution was approved (€6.1862).

* *Appreciation (depreciation) and dividend as % of initial price in each period.*

Banco Popular share price (euros)
(High, Low and Closing in each month)



Market ratios	30.09.09	30.09.08
Price / Book value	1.17	1.50
Price / Earnings (PE ratio)	9.82	7.87
Dividend return*	6.36	5.97

* *Calculated with the dividend per share paid in the period, annualized*

Treasury Stock

(Thousands of shares)	Number				Total outstanding (a)	Total traded (b)	Treasury Stock*	
	Average	Maximum	Minimum	Closing			As % of (a)	As % of (b)
2008								
First quarter	723	724	720	724	1,215,433	998,308	0.06	0.07
Second quarter	724	724	724	724	1,215,433	805,224	0.06	0.09
Third quarter	1,011	2,634	724	2,634	1,215,433	944,346	0.08	0.11
Fourth quarter	7,323	10,116	724	10,116	1,235,741	638,486	0.59	1.15
2009								
First quarter	18,580	35,520	10,116	20,060	1,235,741	747,715	1.50	2.48
Second quarter	24,714	31,960	12,451	28,614	1,235,741	617,349	2.00	4.00
Third quarter	9,599	31,280	1,618	9,045	1,333,151	769,185	0.72	1.25

* *Calculated on average treasury stock held in the quarter.*

Basis of presentation and accounting principles and standards

Pursuant to Regulation 1606/2002 of the European Parliament and Council, dated July 19, 2002, the obligation for companies whose securities were listed on a regulated market in a Member State of the European Union at the date of their balance sheets to prepare consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) came into force on January 1, 2005.

The Bank of Spain, as the accounting regulator of the Spanish banking industry, implemented and adapted the accounting standards for credit institutions in its Circular 4/2004, as published in the Official State Gazette on December 30, 2004. That Circular was partly amended by Circular 6/2008.

Basis of presentation

The accompanying financial information was prepared in accordance with the new regulations and reflects all the economic activities of the Banco Popular Group, both financial and insurance and non-financial, and accordingly provides a true and fair view of the consolidated net worth, financial position, risks and results of operations.

The entry into force of Bank of Spain 6/2008 enabled the Group to take the option of recording actuarial gains and losses through net worth and therefore, for comparison purposes the published information relating to previous periods has been amended as appropriate.

Accounting principles and policies and valuation standards

The Group's accounting policy is based on the accounting principles set forth in Note 15 to the 2008 consolidated financial statements, which included most notably the following:

A) Impairment of the value of assets: The treatment of financial assets differs from that of all other assets, as discussed below.

Coverage is envisaged for the losses on financial assets, provided that they are based on objective evidence. Specific and general allowances are booked for customer-attributable credit-loss risk, and specific allowances for country risk.

The specific allowance reflects the deterioration of assets individually identified as impaired, and the general allowance reflects the inherent loss incurred based on the nature of each risk and estimated by statistical procedures pending allocation to specific transactions.

The Bank of Spain has stipulated models and methodology conforming to IFRS for the calculation of the foregoing allowances.

The regulations require strict treatment in the classification of doubtful balances in customer transactions, since default in the payment of one installment triggers the classification as nonperforming of the entire transaction.

For all other assets, including goodwill, impairment is deemed to exist if and when the book value of the assets exceeds their recoverable amount. In the case of goodwill, an impairment test must be performed at least once a year, since goodwill is not systematically amortized, and the appropriate writedown is booked if there is evidence of impairment.

B) Income:

B1) Fees: Under IFRS the treatment of fees collected or paid differs depending on whether they are compensation for a service rendered or a cost incurred, or are remuneration additional to the interest rate on the transaction. The former are recognized as income when the service is rendered or the cost is incurred, and the latter are accrued over the term of the transaction.

B2) Interest and dividends: Interest is recognized on an accrual basis by the effective interest rate method, and dividends are recorded when declared.

C) Financial instruments are classified for valuation purposes and recorded as follows:

- Instruments classified in the trading portfolio, including financial derivatives, are recorded at fair value, with changes taken to the income statement.
- Loans and discounts and held-to-maturity investments are recorded at their amortized cost.
- Available-for-sale financial assets are valued at fair value, and changes in value are recorded in net worth until realized, at which time they are recognized in the income statement.
- Substantially all financial liabilities are valued at amortized cost.

D) Non-financial and intangible assets and inventories. These are valued at cost. For the valuation of tangible assets, the Banco Popular Group has not, on a general basis, taken the option provided in IFRS to revalue them, and accordingly they are presented in the balance sheet at cost restated, where appropriate, pursuant to the applicable enabling legislation, net of accumulated depreciation.

E) Non-current assets held for sale. Recorded in this caption are the assets bought or foreclosed.

Disclaimer

This financial report has been prepared by Banco Popular solely for purposes of information. It may contain estimates and forecasts with respect to the future development of the business and to the financial results of the Banco Popular Group, which stem from the expectations of the Banco Popular Group and which, by their very nature, are exposed to factors, risks and circumstances that could affect the financial results in such a way that they might not coincide with such estimates and forecasts. These factors include, but are not restricted to, (i) changes in interest rates, exchange rates or any other financial variable, both on the domestic as well as on the international securities markets, (ii) the economic, political, social or regulatory situation, and (iii) competitive pressures. In the event that such factors or other similar factors were to cause the financial results to differ from the estimates and forecasts contained in this report, or were to bring about changes in the strategy of the Banco Popular Group, Banco Popular does not undertake to publicly revise the content of this report.

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NOTES



BANCO POPULAR ESPAÑOL

34 Velázquez. 28001 Madrid

Telephone: 34 91 520 70 00

Fax: 34 91 577 92 08

**BANCO POPULAR ESPAÑOL
BANCO DE ANDALUCÍA**

**BANCO POPULAR PORTUGAL
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