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Quarterly report

january february march

Highlights

(Amounts in € thousand)	31.03.09	31.03.08	Var. %
Business volume			
Total assets managed	127,205,181	120,715,236	5.4
On-balance sheet total assets	114,521,265	104,512,794	9.6
Own funds	6,768,904	6,242,859	8.4
Adjusted customer deposits	51,782,860	42,096,019	23.0
Lending to customers (gross)	94,244,496	89,620,882	5.2
Solvency			
Core capital(%)	7.23	6.60	
Tier 1 (%)	8.47	8.02	
Risk management			
Total risks	109,992,494	101,892,400	7.9
Non-performing loans	4,199,199	999,259	>
Allowances for credit losses	2,141,410	1,852,474	15.6
% nonperforming ratio	3.82	0.98	
% coverage (Credit loss allowance/Nonperforming loans)	51.00	185.38	
Earnings			
Net interest income	727,091	624,689	16.4
Gross income	1,004,924	899,812	11.7
Profit before provisions	694,539	583,044	19.1
Profit before tax	326,145	478,125	(31.8)
Consolidated profit for the year	231,651	345,463	(32.9)
Profit attributed to the Group	224,761	324,534	(30.7)
Net return and efficiency			
Average total assets	110,166,703	104,196,270	5.7
Average total equity	6,549,264	5,914,975	10.7
ROA (%)	0.84	1.33	
ROE (%)	13.73	21.95	
Operating efficiency (%) (*)	28.34	32.29	
Per share data			
Final number of shares (thousands)	1,235,741	1,215,433	1.7
Average number of shares (thousands)	1,217,160	1,214,710	0.2
Share closing market price (€)	4.77	11.50	(58.5)
Market capitalization	5,894,485	13,977,480	(57.8)
Share book value (€)	5.48	5.14	6.6
Net earnings per share (€)	0.1847	0.2671	(30.9)
Dividend per share paid in the period (€)	0.1235	0.1222	1.1
Price/Book value	0.87	2.24	
Price/Earnings (annualized)	6.45	10.76	
Other data			
Shareholders	131,828	121,355	8.6
Employees	14,955	15,329	(2.4)
Spain	13,231	13,521	(2.1)
Men	9,086	9,405	(3.4)
Women	4,145	4,116	0.7
Abroad	1,724	1,808	(4.6)
Men	1,121	1,221	(8.2)
Women	603	587	2.7
Branches	2,434	2,516	(3.3)
Spain	2,185	2,256	(3.1)
Abroad	249	260	(4.2)
Mundocredit branches	59	60	(1.7)
ATMs	3,264	3,417	(4.5)

*Operating costs (net compensating fees) divided by gross income + non-financial service income (net).

The Group's consolidated financial statements at 31 March 2009 included herein have not been audited, but they were prepared in accordance with the accounting principles and methods established by the international Financial Reporting Standards adopted by the European Union (IFRS- EU), which are consistent with used in preparing the audited financial statements in the 2008 Annual Report.

Salient aspects

During recent quarters the Bank has prepared itself for an exceptional crisis of unforeseeable duration. Therefore, management has focused on strengthening solvency – with a notable advance in the first quarter – in the containment of costs – with a very striking increase in operating efficiency – and on activating the traditional commercial action with SMEs and private individuals, which has made it possible to book non-recurring precautionary provisions of high amount in anticipation of the possible effects of delinquent loans.

One of the most positive aspects of the earnings in the quarter was the strengthening of the Bank's equity, with an increase of 17 basis points in a single quarter in the core capital to reach a ratio of 7.23%. In the last twelve months, the core capital – without dilution for the shareholders – has increased by 63 basis points, which is an indication of Banco Popular's capability to continue the gradual but notable strengthening of capital throughout 2009. The second component of Tier 1 capital also increased by means of the issuance of preferred stock which raised it to 8.47%, with an improvement of 43 basis points in the quarter. It should also be added that Banco Popular is one of the few banks of its size in Europe that has not needed any injection of capital, either public or private.

The income statement for the first quarter of 2009 shows an extraordinary strength of income and a change in the trend of costs, which decreased for the first time in many years. In consequence, there was a net profit before provisions of nearly €695 million, a strong – 19.1% - growth compared with the prior year.

The net interest income grew by 16.4% year on year, compared with 10.8% at 2008 year end, and the typical deceleration of recent years was halted. This strong income was the outcome of a commercial management focused on financing for SMEs and on the capture of liabilities from private individuals.

Also excellent was the performance of the gross operating income, which was up by 11.7% compared with the rise of 5.9% in December and 7.0% a year ago. Factors contributing to this improvement were the gains on financial assets and liabilities which gave rise to income of €50 million in the quarter, and the sales of insurance.

Since the last quarter of 2008, cost management has focused firstly on obtaining the synergies from the merger of the banking subsidiaries, without job losses. Having reached the conclusion that there was an excess of bank branches in Spain for a period of sharp economic slowdown, it was decided to move in advance of the measures that the banking sector will perforce have to adopt in the future to reduce installed capacity, by means of scheduled closures of those branches whose business and clientele might be serviced by other nearby offices. This process led to the closure during the quarter of 70 branches and to the relocation of the surplus personnel from them with a view to strengthening customer service. This freeing-up of staff made it possible for the bank to be self-sufficient in staff without having to have recourse to temporary hires as in previous years, and also made possible a sizeable reduction of 114 employees for vegetative reasons. As a result, personnel expenses were down by 2.9%. This change of trend was particularly notable when compared with the nearly two-digit increases in this caption during 2008. This forward-looking strategy of Banco Popular, consisting of tailoring installed capacity to economic realities, will continue at least during 2009 and 2010 and will give rise to substantial and recurring cost synergies.

The second pillar of cost management has been the reduction or elimination of expense items which did not fit in the new economic scenario. General expenses not relating to property rentals fell by 8.8% compared with the same period of 2008 and led to a decline of 2.0% in total operating costs. Overall, operating costs fell by 10.8% compared with the last quarter of 2008.

The strength of income and the energetic containment of costs made possible a further improvement in the efficiency ratio, which for the first time breached the famous 30% barrier to stand at 28.3%, an advance of nearly 4 percentage points over a level which was already a record among European and Spanish banks.

In this first quarter, as it did in the preceding one, Banco Popular applied its traditional management principle of giving priority to security and prudence over earnings. The non-performing ratio in the quarter was 3.82% and compares favourably with the 4.18% figure for the industry in February. This ratio was

the result of a very sharp rise of 85 basis points in January – from 2.80% in December 2008 – followed by a slowdown in February and particularly in March, with an additional rise in these two months of only 17 basis points. This decline in fresh non-performing balances would have been even greater had it not been for the inclusion of transactions in process of refinancing which, although offering sure possibilities of being restructured, it was preferred to recognise in the ratio, on the basis of a criterion of prudence until a definitive and secure solution for the customers concerned was found.

In the light of the data available, this positive evolution of additions to non-performing balances from quarter to quarter will seemingly continue in the coming months, but the growth of default in the first quarter should not be extrapolated to the whole of 2009. In any case, Banco Popular expects to keep its credit quality higher than that of the system as a whole, as has been traditional.

However, the worsening of economic conditions by the prolongation of the slowdown, the retraction of consumption and the growth of unemployment inject great volatility and uncertainty in the trend of default. For these reasons, we consider that we must be prudent and work on the basis of demanding scenarios. Additionally, the experience in this past period of crisis indicates that the most prejudicial aspect for the image and market price of a bank is the persistence of uncertainty. We believe that it is necessary to accelerate or shorten the passage through this period of credit portfolio deterioration, bringing the adjustment forward by accelerating the provisions. On the basis of this criterion, in the quarter the Bank booked precautionary provisions for a total of €175 million, plus €259 million of non-precautionary recurring provisions.

Excluding the aforementioned precautionary provisions, the recurring attributed profit was €300.5 million, a fall of only 0.6% from the figure in the same period of 2008; in other words, a figure practically the same as the 2008 result. Including the precautionary provisions mentioned earlier, the book-attributed profit was €224.8 million; annualised, the profit obtained would be practically €900 million, which is above the market estimations for Banco Popular in 2009.

The management of the business that made it possible to strongly increase income was focused on extending credit to SMEs and on strengthening balance sheet funding by shrinking the commercial gap or reducing the dependence on wholesale liabilities. Credit grew by 5.2% compared with the 1.6% fall in GDP, and this enabled Banco Popular to increase its market share to 4.54%. The growth in the SME sector was much stronger but to some extent is masked in the total credit because of the decrease in transactions with big companies in the property sector. This is confirmed by the high 9% market share obtained by Banco Popular in the ICO financing lines, i.e. practically double the Bank's market share in bank credit. With this figure, Banco Popular was the third most active financial institution in ICO loans, despite being the fifth by size. The growth was especially strong in the ICO lines for businesses, with an annual rate above 200%, confirming Banco Popular's confidence in Spanish entrepreneurs.

Gain in market share in deposits was even greater than in credit, with a rise of 15 basis points compared with 2008. The retail asset and liability management led to a substantial reduction in the commercial gap of €4,738 million, i.e. customer deposits were higher than loans by this amount. As a result, the recourse to discount at the European Central Bank has in practice disappeared, standing at only €500 million at quarter end, lower than the usual figure due to fine liquidity management before the 2007 markets crisis.

The very careful management of asset and liability volumes and margins made possible a truly extraordinary performance of all the margins on average total assets. The customer spread increased by 11 basis points in the quarter, the spread by 47 basis points and the net interest margin by 31 basis points.

The strengths evidenced by income and capital in the quarter and their reasonably recurring nature enable us to confront the future with security and confidence despite the uncertainty of the economic environment. In the quarter Banco Popular generated profit before provisions of €694.5 million which, annualised, would reach nearly €2,800 million. Even making a downward adjustment for reasons of prudence in the event of a possible harshening of economic conditions during the year, the amount resulting by addition to the available general allowances, will make it possible to absorb with reasonable comfort during the next two or three years the possible impact of non-performing balances on the income statement in the most wildly pessimistic scenario conceivable.

Balance Sheet

(Amounts in € thousand)

	31.03.09	31.12.08	31.03.08	% variation	
				3 moths	12 moths
Assets					
Cash and balances with central banks	564,166	1,859,577	1,681,105	(69.7)	(66.4)
Financial assets held for trading	806,887	1,334,199	1,076,449	(39.5)	(25.0)
Other financial assets at fair value through profit or loss	344,578	336,666	455,719	2.4	(24.4)
Available-for-sale financial assets	6,462,893	3,760,410	4,094,957	71.9	57.8
Loans and receivables	98,421,523	96,606,802	94,376,016	1.9	4.3
Loans and advances to other debtors	92,507,606	91,701,521	88,137,675	0.9	5.0
Other loans and receivables	5,913,917	4,905,281	6,238,341	20.6	(5.2)
Held-to-maturity investments	26,480	34,854	358	(24.0)	>
Hedging derivatives	1,642,102	992,626	175,500	65.4	>
Non-current assets held for sale	2,001,945	1,660,596	336,875	20.6	>
Investments	31,749	32,151	19,292	(1.3)	64.6
Insurance contracts linked to pensions	178,440	182,368	200,143	(2.2)	(10.8)
Reinsurance assets	7,803	5,566	6,169	40.2	26.5
Tangible assets	1,658,968	1,355,443	733,042	22.4	>
Intangible assets	554,241	546,576	515,983	1.4	7.4
Tax assets	922,548	827,306	538,099	11.5	71.4
Other assets	896,942	840,911	303,087	6.7	>
Total Assets	114,521,265	110,376,051	104,512,794	3.8	9.6
Liabilities					
Financial liabilities held for trading	2,071,621	1,729,742	710,855	19.8	>
Other financial liabilities at fair value through profit or loss	116,306	134,520	262,318	(13.5)	(55.7)
Financial liabilities at amortised cost:	102,410,272	98,957,138	93,807,150	3.5	9.2
Deposits from credit institutions	15,677,352	14,263,878	11,188,410	9.9	40.1
Deposits from other creditors	51,782,860	51,665,410	42,096,019	0.2	23.0
Debt certificates including bonds	31,917,754	30,208,172	37,585,935	5.7	(15.1)
Subordinated liabilities	2,041,705	1,616,757	1,786,466	26.3	14.3
Other financial liabilities	990,601	1,202,921	1,150,320	(17.7)	(13.9)
Hedging derivatives	230,585	414,217	1,038,417	(44.3)	(77.8)
Insurance contract liabilities	978,829	931,865	839,490	5.0	16.6
Provisions for contingent exposures	468,785	474,463	453,388	(1.2)	3.4
Tax liabilities	322,999	185,717	390,520	73.9	(17.3)
Other liabilities	810,914	490,733	355,907	65.2	>
Total liabilities	107,410,311	103,318,395	97,858,045	4.0	9.8
Equity					
Own funds	6,768,904	6,734,394	6,242,859	0.5	8.4
Capital, reserves and retained earnings	6,544,143	5,989,597	5,918,325	9.3	10.6
Profit or loss for the period	224,761	1,052,072	324,534		(30.7)
Dividends paid and declared	-	(307,275)	-		
Valuation adjustments	70,442	30,770	13,490	>	>
Minority interests	271,608	292,492	398,400	(7.1)	(31.8)
Total equity	7,110,954	7,057,656	6,654,749	0.8	6.9
Total liabilities and equity	114,521,265	110,376,051	104,512,794	3.8	9.6

Business Performance

The first quarter of 2009 transpired in an environment of sharp deterioration and deepening of the global economic recession. The widespread fall in the main indicators of activity and employment, together with the estimates issued by the various specialist public and private bodies, and in the indexes of business and consumer confidence suggest that the retraction of supply and demand will persist during 2009. On the other hand, the measures to stabilise the financial system approved by the various governments are making possible an incipient recovery in the wholesale markets that improves the access of banks to liquidity, especially at short term and at medium term through transactions guaranteed by the public sector. From the standpoint of the banking business the macroeconomic panorama described translates into a significant reduction in the demand for credit and in the supply of it by certain banks of scant financial flexibility. In this environment, Banco Popular considers that the appropriate strategy to emerge strengthened from this situation is based on maintaining the strength and recurrence of the income statement as a means of safeguarding solvency. For this purpose it is necessary to maintain an ample liquidity position permitting growth of the typical banking business with SMEs and with private individuals, two segments which make it possible to possess in-depth knowledge of the risks incurred.

As regards strengthening of its solvency, Banco Popular continued the trend of improving its ratios quarter after quarter. The core capital ratio at 31 March 2009 was an outstanding 7.23%, 63 basis points higher than in the first quarter of 2008 and 17 basis points higher than at the end of 2008, granting the Group a privileged position among the strictly private banks, i.e. those without State reinforcement. The Tier 1 ratio was 8.47%, an improvement of 43 basis points on the December ratio. Part of this growth was due to the placement of €440 million of preferred stock with private investors.

The intense ongoing commercial action focused on raising retail funds during the quarter made it possible to significantly increase customer deposits which grew by 23%, thanks to the contribution from time deposits which were 38.3% higher. The higher level of attraction of deposits than that of the growth of lending to customers again made it possible to improve the Bank's commercial gap by €4,738 million since March 2008 and by €1,741 million since December. The various sources of retail funding represented 57.6%, 1.8 percentage points than at 31 March 2008. As a result, the dependence on wholesale liabilities fell by 2.6 percentage points in the same period and at period end represented 38.9% of the funding. Also, the slight opening of the international capital markets made possible the raising of a net amount of over €1,700 million since December, halting the trend of reduction of the outstanding balance in recent quarters.

One of the successes of the Group's liquidity management policy has been the construction of a strong second line of liquidity. Banco Popular has continued to strengthen this second line of liquidity, raising it above €14,000 million of effective value available, i.e. after applying the "haircuts" and the valuation prices with the assets already assigned to the ECB, which amounted to €500 million at quarter end. The assets included in the second line of liquidity have a very high credit rating, far above the minimum levels required by the ECB, making them eligible also as collateral for transactions with financial entities and customers.

The comfortable liquidity situation permitted a positive evolution of the business. Lending to customers at 31 March 2009 was 5.2% higher year on year at €94,244 million. This increase was particularly meritorious considering that it was achieved in an environment of sharp contraction of the demand for credit in the market. The growth was focused in the private sector, with an increase of €4,287 million in the last twelve months to stand at €93,676 million.

The evolution of the quality of the credit portfolio in the last year has been impacted by a difficult economic environment, characterised by the vertical growth of the rates of default and of filings for bankruptcy. Banco Popular has not been unaffected by this situation and has seen its non-performing ratio rise to 3.82%. This increase occurred particularly in the first half of the quarter, followed by a slight decline in the second half. Nevertheless, despite the increase, the non-performing ratio was below the 4.18% of the average for Spanish banks and savings banks in February. This fact confirms the credit quality of the Group arising from strict credit extension policies, appropriate diversification of its portfolio and a strong recovery capability. As regards this latter aspect, in 2008 the Group created and strengthened units specialising in the prevention and recovery of past dues both in its central services and in the territorial headquarters; the results improved very significantly in the quarter and delinquent balances of over €900 million, representing nearly 40% of the gross additions, were recovered. Banco Popular considers that its portfolio of defaulting debtors offers good prospects of recovery. These expectations are based, on the one hand, on the guarantees for much of the portfolio, which is mostly of a mortgage nature and, on the other, on the provisions booked, which overall exceed the expected loss. Taking together these two items, namely the guarantees and the provisions, the coverage ratio stands at a favourable 133.4%.

Funds Managed

(Amounts in € thousand)

	31.03.09	31.12.08	31.03.07	% variation	
				3 moths	12 moths
Unadjusted customer deposits	51,604,179	51,494,503	42,056,926	0.2	22.7
General government	6,614,345	6,491,790	4,116,195	1.9	60.7
Other private sectors	44,989,834	45,002,713	37,940,731	-	18.6
Residents	38,615,540	38,639,457	32,427,719	(0.1)	19.1
Nonresidents	6,374,294	6,363,256	5,513,012	0.2	15.6
Valuation adjustments (+/-)	178,681	170,907	39,093	4.5	>
Total customer deposits	51,782,860	51,665,410	42,096,019	0.2	23.0
Unadjusted debt certificates including bonds:	31,524,105	29,846,312	37,730,682	5.6	(16.4)
Bonds and other securities outstanding . .	20,499,170	20,040,340	24,547,600	2.3	(16.5)
Commercial paper	11,024,935	9,805,972	13,183,082	12.4	(16.4)
Valuation adjustments (+/-)	393,649	361,860	(144,747)	8.8	<
Total debt certificates including bonds	31,917,754	30,208,172	37,585,935	5.7	(15.1)
Subordinated liabilities	2,041,705	1,616,757	1,786,466	26.3	14.3
Total on-balance sheet funds (a)	85,742,319	83,490,339	81,468,420	2.7	5.2
Mutual funds	8,021,176	8,649,348	10,926,512	(7.3)	(26.6)
Asset portfolio management	842,059	875,706	1,187,557	(3.8)	(29.1)
Pension funds	3,820,681	3,905,595	4,088,373	(2.2)	(6.5)
Total other intermediated funds (b) . .	12,683,916	13,430,649	16,202,442	(5.6)	(21.7)
Total funds managed (a+b)	98,426,235	96,920,988	97,670,862	1.6	0.8

Customer deposits

(Amounts in € thousand)

	31.03.09	31.12.08	31.03.08	% variation	
				3 moths	12 moths
Demand deposits	12,410,126	14,026,839	14,719,833	(11.5)	(15.7)
Savings deposits	5,157,691	4,806,340	5,258,311	7.3	(1.9)
Time deposits	27,787,976	25,719,428	20,096,720	8.0	38.3
Asset repos	5,998,222	6,692,298	1,787,740	(10.4)	>
Other accounts and valuation adjustments . .	428,845	420,505	233,415	2.0	83.7
Customer deposits	51,782,860	51,665,410	42,096,019	0.2	23.0
Domestic commercial paper	4,520,973	5,737,102	9,153,841	(21.2)	(50.6)
Total	56,303,833	57,402,512	51,249,860	(1.9)	9.9

Lending to customers

(Amounts in € thousand)

	31.03.09	31.12.08	31.03.08	% variation	
				3 moths	12 moths
Lending to general government	568,556	561,395	232,267	1.3	>
Lending to other private sectors	93,675,940	92,891,224	89,388,615	0.8	4.8
Residents	84,322,422	83,524,458	80,630,741	1.0	4.6
Nonresidents	9,144,852	9,187,806	8,509,414	(0.5)	7.5
Other loans	208,666	178,960	248,460	16.6	(16.0)
Total lending to customers	94,244,496	93,452,619	89,620,882	0.8	5.2
Valuation adjustments (+/-)	(1,736,890)	(1,751,098)	(1,483,207)	(0.8)	17.1
Total	92,507,606	91,701,521	88,137,675	0.9	5.0

Lending to customers by type

(Amounts in € thousand)

	31.03.09	31.12.08	31.03.08	% variation	
				3 moths	12 moths
Trade loans and discounts	5,444,011	6,377,878	7,036,984	(14.6)	(22.6)
Secured loans	48,045,509	48,420,181	47,887,155	(0.8)	0.3
Mortgage loans	47,907,509	48,276,130	47,682,056	(0.8)	0.5
Other	138,000	144,051	205,099	(4.2)	(32.7)
Asset repos	3,657,322	1,921,419	25,472	90.3	>
Other term loans	25,523,289	26,345,484	26,983,928	(3.1)	(5.4)
Finance leases	3,433,086	3,612,091	3,751,298	(5.0)	(8.5)
Overdrafts and other	3,891,506	3,743,582	2,704,511	4.0	43.9
Others loans	208,666	178,960	248,460	16.6	(16.0)
Doubtful assets	4,041,107	2,853,024	983,074	41.6	>
Total lending to private sectors	94,244,496	93,452,619	89,620,882	0.8	5.2

Risk Management Performance*

(Amounts in € thousand)

	31.03.09	31.03.08	Variation	
			Amount	%
Nonperforming loans:				
Balance at 1 January	3,042,612	834,478	2,208,134	>
Additions	2,434,161	368,684	2,065,477	>
Recoveries	932,508	106,422	826,086	>
Other changes	-	-	-	
Net variation	1,501,653	262,262	1,239,391	>
% increase	49.4	31.4		
Writeoffs	(345,066)	(97,481)	(247,585)	>
Balance at 31 March	4,199,199	999,259	3,199,940	>
Allowance for credit losses:				
Balance at 1 January	2,221,902	1,822,353	399,549	21.9
Annual provision:				
Gross	643,085	145,932	497,153	>
Recoveries	(417,367)	(38,641)	(378,726)	>
Net	225,718	107,291	118,427	>
Other variations	(27,088)	(3,743)	(23,345)	>
Writeoffs	(279,122)	(73,427)	(205,695)	>
Balance at 31 March	2,141,410	1,852,474	288,936	15.6
Memorandum items:				
Total risks	109,992,494	101,892,400	8,100,094	7.9
Loans transferred to suspense accounts	1,047,571	414,736	632,835	>
Risk quality measures (%):				
Nonperformance (Nonperforming loans/Total risks)	3.82	0.98	2.84	
Insolvency (Writeoffs/Total risks)	0.31	0.10	0.21	
Coverage (Credit loss allowance/Nonperforming loans)	51.00	185.38	(134.38)	

* 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	436,344	(210,560)	(66)	225,718
Amount used	279,122	-	-	279,122
Other variations and transfers	(47,402)	19,884	430	(27,088)
Balance at 31 March	1,031,857	1,105,327	4,226	2,141,410

Solvency

(Amounts in € thousand)

	Basilea II		
	31.03.09	31.12.08	31.03.08
Total core capital	6,638,320	6,514,179	5,926,620
<i>Core capital (%)</i>	7.23	7.06	6.60
Total Tier 1 Capital	7,768,382	7,410,572	5,926,620
<i>Tier 1 ratio (%)</i>	8.47	8.04	8.02
Total Tier 2 Capital	719.980	906,541	1,553,083
BIS computable capital	8,488,362	8,317,113	8,758,834
Capital cushion	1,147,804	936,823	1,753,228
<i>BIS ratio (%)</i>	9.25	9.02	9.75
<i>Memorandum item:</i>			
Total BIS risk-weighted assets	91,756,975(*)	92,253,625	89,820,075

(*) Of which 85.514.538 correspond to credit risk, and the rest to exchange and market risk, and operational risk.

Equity

(Amounts in € thousand)

	Capital & reserves	Valuation adjustments	Minority interests	Net worth
Adjusted balance at 31.12.2008	6.228.215	13.968	402.270	6.644.453
Treasury stock	(71.301)	-	-	(71.301)
Consolidation adjustments (net)	6.306	*	(62)	6.244
Actuarial differences	(5.294)	-	(143)	(5.437)
Capital increase	175.867	-	-	175.867
Merger adjustments	(42.283)	-	(133.584)	(175.867)
Valuation adjustments	-	16.802	84	16.886
Profit 1st quarter 2008	1.052.072	-	58.628	1.110.700
Dividends paid in 2008	(609.188)	-	(34.701)	(643.889)
Balance at 31.12.2008	6.734.394	30.770	292.492	7.057.656
Treasury stock	(101.930)	-	-	(101.930)
Consolidation adjustments (net)	(3.141)	-	(520)	(3.661)
Actuarial differences	(3.162)	-	(21)	(3.183)
Operations with own shares	16.841	-	-	16.841
Valuation adjustments	-	39.672	5	39.677
Profit 1st quarter 2008	224.761	-	6.890	231.651
Dividends paid in 2008	(98.859)	-	(27.238)	(126.097)
Balance at 31.03.2009	6.768.904	70.442	271.608	7.110.954

Consolidated earnings

In an environment of recession, the earnings of the Banco Popular Group evidence the strength of the recurring income, which exceeded €1,000 million in the quarter, an increase of 11.7% year on year with a gain in market share, underpinned by appropriate management of interest rates and customer margins.

The net interest income at 31 March 2009 was €727 million, a year-on-year growth of 16.4%. This substantial increase was the result of a prudent and selective 5.2% expansion of lending and of the strong performance of customer deposits which were up 23% year on year. Also very noteworthy was the 2 basis points advance in customer margins over the same period of 2008 and of 11 basis points over the fourth quarter of 2008, evidencing the Group's ability to compete in a complex environment in which the customer liability margins suffered strong pressure.

Additionally, the net interest margin was strongly driven by the spread between the earning assets and the interest-bearing liabilities thanks to the successful management of the balance sheet structure; as a result the differential between the two increased by 52 basis points compared with the first quarter of 2008.

The performance of non-financial income, arising from trading portfolio, service fees and commissions, and the insurance business, was stable compared with the same period of 2008, which may be considered meritorious in the present situation. The year-on-year decrease of 9.3% in fee and commission income evidenced the preference of Banco Popular customers for traditional banking products, as a result of the turmoil in the international financial sector basically in 2008, to the detriment of mutual funds and the general asset management business. However, the Group partially offset this deterioration in the income statement with higher fees and commissions for risks and the gains on financial assets and liabilities.

Operating costs were 2% lower than in the first quarter of 2008 and 10.8% than in the fourth quarter of that year, as a result, on the one hand, of the restructuring of the commercial network following the merger of the banking subsidiaries, with 83 fewer branch offices and, on the other, of very strict discipline in the management of general expenses.

Thus, personnel expenses were 2.9% lower year on year and 8.5% lower than in the fourth quarter of 2008, with a reduction year to year of 374 in the headcount due to resignations and retirements and also to the disposal of Banco Popular France. General expenses were 0.1% lower year on year and 15.1% lower than in the fourth quarter of 2008. In consequence, the profit before provisions in the first quarter of 2009 amounted to €695 million, 19.1% higher year on year. This excellent growth rate, the best for many quarters, evidences the Group's capability to strengthen its income and reduce its costs, and thus become more productive and efficient. Thus, the efficiency ratio stood at 28.3%, falling for the first time below the barrier of 30% and distancing the Group still further from its competitors in Spain and Europe.

As regards the losses for impairment of financial assets, in the quarter the Group recorded provisions of €295 million for loans and receivables and of a further €9 million for other asset impairments, mainly as regards the securities portfolio. These provisions signified a risk premium on lending to customers of 1.31%, 0.72% more than in the same period of 2008, as a result of the worsening of delinquency and of the voluntary recording of precautionary provisions of €106 million in case of a deterioration of the Spanish economy additional to that forecast by the various specialist bodies. Excluding the effect of these precautionary provisions, the risk premium would be 0.84%, only 0.25% higher than that of March 2008.

In addition to the provisions for losses on financial assets, the Group recorded €75 million of other negative results which included provisions for non-financial assets and extraordinary losses on the sale of proprietary assets. The former included precautionary provisions for possible impairment of the price of the property portfolio, which were booked in application of the principle of maximum prudence, although the Bank does not expect such impairments to arise.

In consequence, the profit of a recurring nature attributed to the Group, i.e. excluding precautionary provisions and extraordinary gains and losses, amounted to €300 million, which was practically the same as the recurring profit at the end of March 2008. This result was particularly praiseworthy considering the difference between the economic environments in the first quarters of 2008 and 2009. Including the precautionary provisions, the attributed profit was €225 million, equivalent to €0.185 per share.

The Group's higher equity raised the carrying value per share to €5.48 at 31 March 2009, and the ROE was 13.73% and the ROA was 0.84%.

Consolidated income and profitability

	(Amounts in € thousand)			(Annualized % of ATA)		
	31.03.09	31.03.08	% variation	31.03.09	31.03.08	Variation
Interest and similar income	1,484,337	1,501,263	(1.1)	5.39	5.76	(0.37)
-Interest expense and similar charges	757,246	876,574	(13.6)	2.75	3.37	(0.62)
+Remuneration of capital redeemable on demand	-	-	-	-	-	-
=NET INTEREST INCOME	727,091	624,689	16.4	2.64	2.40	0.24
+Return on equity instruments	1,714	5,288	(67.6)	0.01	0.02	(0.01)
+Share of results of entities accounted for using the equity method	54	40	35.0	-	-	-
+Net fees and commissions	195,577	215,735	(9.3)	0.71	0.83	(0.12)
+Gains or losses on financial assets and liabilities (net)	50,138	17,725	>	0.18	0.07	0.11
-Exchange differences (net)	11,988	11,088	8.1	0.04	0.04	-
+Other operating income	77,122	62,278	23.8	0.28	0.24	0.04
-Other operating expenses	58,760	37,031	58.7	0.21	0.14	0.07
=GROSS OPERATING INCOME.....	1,004,924	899,812	11.7	3.65	3.45	0.20
-Administrative expenses:	284,750	290,559	(2.0)	1.03	1.12	(0.09)
Personnel expenses	192,850	198,583	(2.9)	0.70	0.76	(0.06)
Other general administrative expenses	91,900	91,976	(0.1)	0.33	0.35	(0.02)
-Depreciation & amortisation	25,635	26,209	(2.2)	0.09	0.10	(0.01)
=Profit before provisions.....	694,539	583,044	19.1	2.53	2.24	0.29
-Provisioning expense (net)	(10,415)	2,214	>	(0.04)	0.01	(0.05)
-Financial asset impairment losses (net)	304,015	131,632	>	1.11	0.51	0.60
-Non-financial asset impairment losses (net)	35,834	61	>	0.13	-	0.13
+Gains/(Losses) on disposal of assets not class. as non-current assets held for sale	65,156	32,745	99.0	0.24	0.13	0.11
+Gains/(Losses) on non-current assets held for sale	(104,116)	(3,757)	>	(0.38)	(0.01)	(0.37)
=PROFIT BEFORE TAX	326,145	478,125	(31.8)	1.19	1.84	(0.65)
-Income tax	94,494	135,594	(30.3)	0.35	0.52	(0.17)
+Profit/Loss from discontinued operations (net)	-	2,932	-	-	0.01	(0.01)
=CONSOLIDATED PROFIT FOR THE YEAR.....	231,651	345,463	(32.9)	0.84	1.33	(0.49)
-Profit or loss attributed to minority interests..	6,890	20,929	(67.1)	0.02	0.08	(0.06)
=Profit or loss attributed to the controlling company	224,761	324,534	(30.7)	0.82	1.25	(0.43)
RORWA (%)				1.01	1.54	(0.53)
ROE (%).....				13.73	21.95	(8.22)
Leverage.....				16.32	16.55	(0.23)
Operating efficiency (%)				28.34	32.29	(3.95)
(millions of euros)						
Average total assets				110,167	104,196	5,971
Risk-weighted average total assets (RWA).....				92,005	89,349	2,656
Average equity				6,549	5,915	634

Recurring Consolidated income and profitability 1Q 2009

	(Amounts in € thousand)			(Annualized % of ATA)		
	31.03.09	31.03.08	% variation	31.03.09	31.03.08	Variation
Interest and similar income	1,484,337	1,501,263	(1.1)	5.39	5.76	(0.37)
-Interest expense and similar charges	757,246	876,574	(13.6)	2.75	3.37	(0.62)
+Remuneration of capital redeemable on demand	-	-	-	-	-	-
=NET INTEREST INCOME	727,091	624,689	16.4	2.64	2.40	0.24
+Return on equity instruments	1,714	5,288	(67.6)	0.01	0.02	(0.01)
+Share of results of entities accounted for using the equity method	54	40	35.0	-	-	-
+Net fees and commissions	195,577	215,735	(9.3)	0.71	0.83	(0.12)
+Gains or losses on financial assets and liabilities (net)	50,138	17,725	>	0.18	0.07	0.11
+Exchange differences (net)	11,988	11,088	8.1	0.04	0.04	-
+Other operating income	77,122	62,278	23.8	0.28	0.24	0.04
-Other operating expenses	58,760	37,031	58.7	0.21	0.14	0.07
=GROSS OPERATING INCOME	1,004,924	899,812	11.7	3.65	3.45	0.20
-Administrative expenses:	284,750	290,559	(2.0)	1.03	1.12	(0.09)
Personnel expenses	192,850	198,583	(2.9)	0.70	0.76	(0.06)
Other general administrative expenses	91,900	91,976	(0.1)	0.33	0.35	(0.02)
-Depreciation & amortisation	25,635	26,209	(2.2)	0.09	0.10	(0.01)
=Profit before provisions	694,539	583,044	19.1	2.53	2.24	0.29
-Impairment losses and extraordinary items	258,549	137,664	87.8	0.95	0.53	0.42
=PROFIT BEFORE TAX	435,990	445,380	(2.1)	1.58	1.71	(0.13)
=Profit attributed to controlling company	300,459	302,308	(0.6)	1.09	1.16	(0.07)

Quarterly Consolidated Income

(Amounts in € thousand)

	2008				2009
	I	II	III	IV	I
Interest and similar income	1,501,263	1,544,565	1,639,911	1,603,516	1,484,337
-Interest expense and similar charges	876,574	915,08	994,590	967,745	757,246
+Remuneration of capital redeemable on demand	-	-	-	-	-
=NET INTEREST INCOME	624,689	629,480	645,321	635,771	727,091
+Return on equity instruments	5,288	11,506	4,944	2,101	1,714
+Share of results of entities accounted for using the equity method	40	50	1,639	12,627	54
+Net fees and commissions	215,735	226,247	208,653	213,913	195,577
+Gains or losses on financial assets and liabilities (net)	17,725	23,115	24,354	9,290	50,138
-Exchange differences (net)	11,088	11,134	16,659	15,348	11,988
+Other operating income	62,278	73,181	43,436	71,485	77,122
-Other operating expenses	37,031	43,331	27,215	52,750	58,760
=GROSS OPERATING INCOME	899,812	931,382	917,791	907,785	1,004,924
-Administrative expenses:	290,559	293,594	312,530	319,087	284,750
Personnel expenses	198,583	198,129	210,624	210,806	192,850
Other general administrative expenses	91,976	95,465	101,906	108,281	91,900
-Depreciation & amortisation	26,209	25,877	26,415	22,285	25,635
=Profit before provisions	583,044	611,911	578,846	566,413	694,539
-Provisioning expense (net)	2,214	5,050	13,039	9,212	(10,415)
-Financial asset impairment losses (net)	131,632	334,476	121,984	410,070	304,015
-Non-financial asset impairment losses (net)	61	648	116	14,417	35,834
+Gains/(Losses) on disposal of assets not class. as non-current assets held for sale	32,745	170,333	180	29,762	65,156
+/-Gains/(Losses) on non-current assets held for sale	(3,757)	(7,259)	(21,775)	(36,504)	(104,116)
=PROFIT BEFORE TAX	478,125	434,811	422,112	125,972	326,145
-Income tax	135,594	101,765	123,597	29,387	94,494
+Profit/Loss from discontinued operations (net)	2,932	37,091	-	-	-
=CONSOLIDATED PROFIT FOR THE YEAR.....	345,463	370,137	298,515	96,585	231,651
-Profit or loss attributed to minority interests..	20,929	17,140	16,620	3,939	6,890
=Profit or loss attributed to the controlling company	324,534	352,997	281,895	92,646	224,761

Quarterly Profitability

(Annualized % of ATA)

	2008				2009
	I	II	III	IV	I
Interest and similar income	5.76	5.84	5.98	5.88	5.39
-Interest expense and similar charges	3.37	3.46	3.63	3.55	2.75
+Remuneration of capital redeemable on demand	-	-	-	-	-
=NET INTEREST INCOME	2.40	2.38	2.35	2.33	2.64
+Return on equity instruments	0.02	0.04	0.02	0.01	0.01
+Share of results of entities accounted for using the equity method	-	-	0.01	0.05	-
+Net fees and commissions	0.83	0.85	0.76	0.78	0.71
+Gains or losses on financial assets and liabilities (net)	0.07	0.09	0.09	0.03	0.18
-Exchange differences (net)	0.04	0.04	0.06	0.06	0.04
+Other operating income	0.24	0.28	0.16	0.26	0.28
-Other operating expenses	0.14	0.16	0.10	0.19	0.21
=GROSS OPERATING INCOME	3.45	3.52	3.35	3.33	3.65
-Administrative expenses:	1.12	1.11	1.14	1.17	1.03
Personnel expenses	0.76	0.75	0.77	0.77	0.70
Other general administrative expenses	0.35	0.36	0.37	0.40	0.33
-Depreciation & amortisation	0.10	0.10	0.10	0.08	0.09
=Profit before provisions	2.24	2.31	2.11	2.08	2.53
-Provisioning expense (net)	0.01	0.02	0.05	0.03	(0.04)
-Financial asset impairment losses (net)	0.51	1.26	0.44	1.50	1.11
-Non-financial asset impairment losses (net)	-	-	-	0.05	0.13
+Gains/(Losses) on disposal of assets not class. as non-current assets held for sale	0.13	0.64	-	0.11	0.24
+Gains/(Losses) on non-current assets held for sale	(0.01)	(0.03)	(0.08)	(0.14)	(0.38)
=PROFIT BEFORE TAX	1.84	1.64	1.54	0.46	1.19
-Income tax	0.52	0.38	0.45	0.11	0.35
+Profit/Loss from discontinued operations (net)	0.01	0.14	-	-	-
=CONSOLIDATED PROFIT FOR THE YEAR.....	1.33	1.40	1.09	0.35	0.84
-Profit or loss attributed to minority interests..	0.08	0.06	0.06	0.01	0.02
=Profit or loss attributed to the controlling company	1.25	1.33	1.03	0.34	0.82
RORWA (%)	1.54	1.63	1.32	0.43	1.01
ROE (%)	21.95	23.87	19.06	6.29	13.73
Leverage.....	16.55	17.07	17.51	17.77	16.32
Operating efficiency (%)	32.29	31.52	34.05	35.15	28.34
(millions of euros)					
Average total assets.....	104,196	105,859	109,672	109,160	110,167
Risk-weighted average total assets (RWA)	89,349	90,452	90,723	91,415	92,005
Average equity	5,915	5,917	5,915	5,895	6,549

Yields and Costs

(Amounts in € thousand and rates annualized)

	31.03.09				31.03.08			
	Average balance	Distribution (%)	Income or expense	Average rate (%)	Average balance	Distribution (%)	Income or expense	Average rate (%)
Financial system	6,380,919	5.79	36,238	2.27	7,674,936	7.37	77,104	4.02
Lending to customers (a)	90,091,508	81.79	1,398,779	6.21	87,260,945	83.75	1,366,881	6.27
Securities portfolio	4,131,922	3.75	46,369	4.49	3,954,062	3.79	54,111	5.47
Other earning assets	200,528	0.18	2,951	5.89	338,590	0.32	3,167	3.74
<i>Total earning assets(b)</i>	100,804,877	91.51	1,484,337	5.89	99,228,533	95.23	1,501,263	6.05
Other assets	9,361,826	8.49	-	-	4,967,737	4.77	-	-
Total assets (c)	110,166,703	100.00	1,484,337	5.39	104,196,270	100.00	1,501,263	5.77
Financial system	12,484,605	11.33	88,693	2.84	10,181,282	9.77	102,706	4.04
Customer funds (d)	51,320,961	46.58	356,740	2.78	40,252,350	38.63	287,308	2.86
Demand accounts	12,893,838	11.70	34,793	1.08	13,503,358	12.96	53,871	1.60
Savings and time deposits	38,427,123	34.88	321,947	3.35	26,748,992	25.67	233,437	3.49
Marketable debt securities & other	33,505,562	30.41	306,489	3.66	41,921,237	40.23	481,604	4.60
Other interest-bearing liabilities.	285,270	0.26	5,324	7.47	306,067	0.29	4,956	6.48
<i>Total interest-bearing liabilities (e)</i>	97,596,398	88.58	757,246	3.10	92,660,936	88.92	876,574	3.78
Other non-interest-bearing liabilities	6,021,041	5.48	-	-	5,620,359	5.40	-	-
Equity	6,549,264	5.94	-	-	5,914,975	5.68	-	-
Total liabilities and equity (f)	110,166,703	100.00	757,246	2.75	104,196,270	100.00	876,574	3.37
<i>Customer spread (a-d)</i>				3.43				3.41
<i>Spread (b-e)</i>				2.79				2.27
<i>Net interest margin (c-f)</i>				2.64				2.40

Quarterly Yields and Costs

(Data in % and rates annualized)

	2008								2009	
	1st		2nd		3rd		4th		1st	
	Distribu tion	Rate	Distribu tion	Rate	Distribu tion	Rate	Distribu tion	Rate	Distribu tion	Rate
Financial system	7.37	4.02	6.81	4.21	8.33	4.04	6.52	3.62	5.79	2.27
Loans and discounts (a)	83.75	6.27	83.90	6.36	81.69	6.61	83.01	6.61	81.79	6.21
Securities portfolio	3.79	5.47	3.88	5.25	3.94	5.96	3.25	3.95	3.75	4.49
Other earning assets	0.32	3.74	0.31	4.11	0.29	3.88	0.27	9.21	0.18	5.89
<i>Total earning assets(b)</i>	<i>95.23</i>	<i>6.05</i>	<i>94.90</i>	<i>6.15</i>	<i>94.25</i>	<i>6.35</i>	<i>93.05</i>	<i>6.32</i>	<i>91.51</i>	<i>5.89</i>
Other assets	4.77	-	5.10	-	5.75	-	6.95	-	8.49	-
Total assets (c)	100.00	5.77	100.00	5.84	100.00	5.98	100.00	5.88	100.00	5.39
Financial system	9.77	4.04	11.67	4.31	11.85	3.83	11.24	4.09	11.33	2.84
Customer funds (d)	38.63	2.86	39.63	2.96	39.12	3.22	45.16	3.29	46.58	2.78
Demand accounts	12.96	1.60	12.26	1.47	11.80	1.76	12.72	1.94	11.70	1.08
Savings and time deposits	25.67	3.49	27.37	3.62	27.33	3.85	32.44	3.82	34.88	3.35
Marketable debt securities & other	40.23	4.60	37.20	4.74	37.55	5.05	32.08	4.93	30.41	3.66
Other interest-bearing liabilities	0.29	6.48	0.28	6.60	0.28	6.22	0.28	6.08	0.26	7.47
<i>Total interest-bearing liabilities (e)</i>	<i>88.92</i>	<i>3.78</i>	<i>88.78</i>	<i>3.89</i>	<i>88.80</i>	<i>4.08</i>	<i>88.76</i>	<i>4.00</i>	<i>88.58</i>	<i>3.10</i>
Other non-interest-bearing liabilities	5.40	-	5.63	-	5.81	-	5.84	-	5.48	-
Equity	5.68	-	5.59	-	5.39	-	5.40	-	5.94	-
Total liabilities and capital (f)	100.00	3.37	100.00	3.46	100.00	3.63	100.00	3.55	100.00	2.75
<i>Customer spread (a-d)</i>	<i>3.41</i>		<i>3.40</i>		<i>3.39</i>		<i>3.32</i>		<i>3.43</i>	
<i>Spread (b-e)</i>	<i>2.27</i>		<i>2.26</i>		<i>2.27</i>		<i>2.32</i>		<i>2.79</i>	
<i>Net interest margin (c-f)</i>	<i>2.40</i>		<i>2.38</i>		<i>2.35</i>		<i>2.33</i>		<i>2.64</i>	

Net Fee and Commission Income

(Amounts in € thousand)

	31.03.09	31.03.08	% variation	Distribution (%)	
				2009	2008
Risk fees and commissions	64,674	63,370	2.1	33.0	29.4
Asset transaction services	35,290	32,738	7.8	18.0	15.2
Provision of collateral and other guarantees	29,384	30,632	(4.1)	15.0	14.2
Asset management fees and commissions	38,465	53,882	(28.6)	19.7	25.0
Securities portfolios	6,261	6,855	(8.7)	3.2	3.2
Mutual funds	20,938	33,304	(37.1)	10.7	15.4
Pension plans	11,266	13,723	(17.9)	5.8	6.4
Management service fees and commissions	92,438	98,483	(6.1)	47.3	45.6
Collection and payment handling	46,478	52,396	(11.3)	23.8	24.3
Securities and foreign currency purchase and sale	3,639	5,220	(30.3)	1.9	2.4
Demand account administration	22,590	24,632	(8.3)	11.5	11.4
Other	19,731	16,235	21.5	10.1	7.5
Total	195,577	215,735	(9.3)	100.00	100.00

Personnel and general expenses

(Amounts in € thousand)

	31.03.09	31.03.08	% variation	Distribution (%)	
				2009	2008
Personnel expenses:	192,850	198,583	(2.9)	67.7	68.3
Wages and salaries	144,458	150,319	(3.9)	50.7	51.7
Social security charges	35,077	35,539	(1.3)	12.3	12.2
Other personnel expenses	6,153	6,419	(4.1)	2.2	2.2
Pensions	7,162	6,306	13.6	2.5	2.2
General expenses:	91,900	91,976	(0.1)	32.3	31.7
Rents and common services	18,310	14,085	30.0	6.4	4.8
Communications	6,389	6,909	(7.5)	2.2	2.4
Maintenance of premises and equipment	6,585	5,781	13.9	2.3	2.0
IT and other technical expenses	18,234	16,593	9.9	6.4	5.7
Stationery and office supplies	1,678	2,114	(20.6)	0.6	0.7
Technical reports and legal expenses	4,852	3,736	29.9	1.7	1.3
Advertising and publicity	7,118	8,090	(12.0)	2.5	2.8
Insurance	1,094	1,062	3.0	0.4	0.4
Security and fund transport services	5,028	4,980	1.0	1.8	1.7
Travel	2,406	3,213	(25.1)	0.9	1.1
Property taxes, VAT and other	12,355	12,285	0.6	4.3	4.2
Other general expenses	7,851	13,128	(40.2)	2.8	4.6
Total	284,750	290,559	(2.0)	100.00	100.00

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:

	31.03.09		31.03.08		% variation	
	Spain	Portugal	Spain	Portugal	Spain	Portugal
Net interest income	684,570	42,521	584,078	40,611	17.2	4.7
Gross income	958,222	46,702	850,298	49,514	12.7	(5.7)
Profit before provisions	675,139	19,400	558,856	24,188	20.8	(19.8)
Total assets	104,958,379	9,562,886	96,659,517	7,853,277	8.6	21.8
Number of employees	13,573	1,382	13,961	1,368	(2.8)	1.0
Number of branch offices	2,258	235	2,344	232	(3.7)	1.3

(*) 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		
	31.03.09	31.03.08	% variation	31.03.09	31.03.08	% variation
Asset management	15,628	13,753	13.6	650,765	2,144,546	(69.7)
Insurance activity	7,729	7,594	1.8	869,845	1,128,759	(22.9)
Commercial banking	206,432	289,700	(28.7)	90,159,357	89,368,389	0.9
Corporate and markets	1,832	34,416	(94.7)	22,841,298	11,871,100	92.4
Total	231,651	345,463	(32.9)	114,521,265	104,512,794	9.6

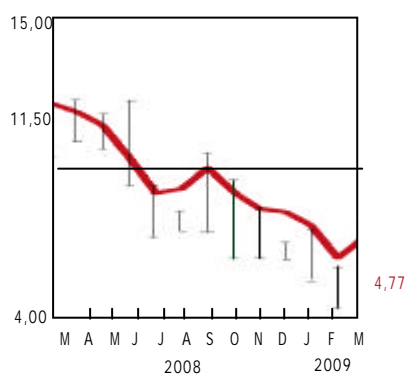
Market Performance of the Bank's Shares

Market information

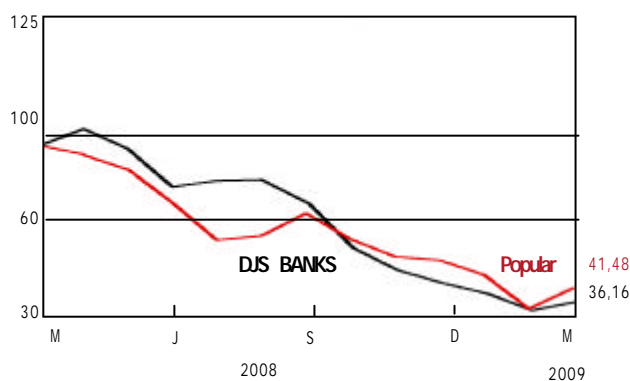
Quarters	Share liquidity (Number in thousands)			Share market price (€)			Dividend paid (€)	Market return*	
	Average shares outstanding	Shares traded	%	High	Low	Closing			
2008	1st	1,215,433	998,308	81.93	11.98	8.51	11.50	0.1222	(0.7)
	2nd	1,215,433	805,224	66.25	12.21	8.69	8.79	0.1234	(22.5)
	3rd	1,215,433	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	60.5	6.79	3.21	4.77	0.12350	(0.3)

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

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



Banco Popular compared with all euro area banks
March 2008-March 2009
(Month-end data, base = 100)



Market ratios

	31.03.09	31.03.08
Price / Book value	0.87	2.24
Price / Earnings (PE ratio)	6.45	10.76
Dividend return*	10.36	4.25

* Calculated with the dividend paid in the first quarter, 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

* 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.

As a result of the disposal during the first half of 2008 of the Group's business unit in France, the statements of income, and of yields and costs and profitability included in this report have been restated in accordance with IFRS 5, for comparison purposes. Also, 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.

This financial report contains summarised information and in no case shall its content constitute an offer, invitation or recommendation to subscribe or acquire any security whatsoever, nor is it intended to serve as a basis for any contract or commitment whatsoever.

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