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Quarterly report

april may june

Highlights

(Amounts in € thousand)	30.06.10	30.06.09	Var. %
Business volume			
Total assets managed	140,490,668	131,850,258	6.6
On-balance sheet total assets	128,281,581	118,999,821	7.8
Own funds	8,620,726	7,024,156	22.7
Adjusted customer deposits	66,281,010	54,941,006	20.6
Lending to customers (gross)	99,550,262	96,134,690	3.6
Solvency			
Core capital(%)	8.58	7.37	
Tier 1 (%)	9.14	8.71	
BIS ratio	9.46	9.33	
Leverage	14.51	16.73	
Risk management			
Total risks	117,528,351	111,265,321	5.6
Non-performing loans	5,924,433	4,888,020	21.2
Allowances for credit losses	2,914,670	2,301,547	26.6
% nonperforming ratio	5.04	4.39	
% coverage (Credit loss allowance/Nonperforming loans)	49.20	47.09	
Earnings			
Net interest income	1,285,972	1,417,205	(9.3)
Gross operating income	1,804,749	2,047,059	(11.8)
Profit before provisions	1,169,035	1,417,305	(17.5)
Profit before tax	501,227	622,986	(19.5)
Consolidated profit for the year	360,217	451,133	(20.2)
Net profit attributed to the Group	354,556	442,586	(19.9)
Net return and efficiency			
Average total assets	122,134,555	112,018,792	9.0
Average total equity	8,288,703	6,567,545	26.2
ROA (%)	0.59	0.81	
ROE (%)	8.56	13.48	
Operating efficiency (%)	32.58	28.27	
Per share data			
Final number of shares (thousands)	1,431,222 ⁽¹⁾	1,235,741	7.9
Average number of shares (thousands)	1,305,902	1,214,076	7.6
Share closing market price (€)	4.21	6.21	(32.2)
Market capitalization	5,612,566	7,673,952	(26.9)
Book value per share(€)	6.02	5.68	5.9
Net earnings per share (€)	0.252	0.365	(31.0)
Dividend per share paid in the period (€)	0.150	0.204	(26.3)
Price/Book value	0.70	1.09	
Price/Earnings (annualized)	8.29	8.51	
Other data			
Shareholders	141,365	126,819	11.5
Employees	14,416	14,829	(2.8)
Spain	12,627	13,092	(3.6)
Men	8,603	9,005	(4.5)
Women	4,024	4,087	(1.5)
Abroad	1,789	1,737	3.0
Men	1,130	1,129	0.1
Women	659	608	8.4
Branches	2,299	2,386	(3.6)
Spain	2,048	2,137	(4.2)
Abroad	251	249	0.8
Mundocredit branches	38	59	(35.6)
ATMs	2,958	3,220	(8.1)

(1) Including €98,071 thousand of necessary convertible debentures on October 2013.

The Group's consolidated financial statements at 30 June 2010 included herein have been audited by PriceWaterhouse Coopers 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 2010 did not affect the comparability of the financial information for preceding periods published in this Report.

Salient aspects

The first half of 2010 was characterised by evidence of the impact that the expansive policies applied in 2009 by the various countries had on the main macroeconomic aggregates, especially on the budget deficit and public debt, and the risk of these imbalances in a context of economic weakness. The situation of Greece signified the scenification of all this process and initiated a debate as to the possibility of other countries having to face a similar process. The financial markets reacted by raising the differentials demanded on the public and private debt of the countries with greatest imbalances and by drastically reducing demand.

To face up to this situation, the European Monetary Union took important decisions in three ambits: (i) reduction of the macroeconomic imbalances of the member countries, demanding convincing and effective measures to reduce the deficit; (ii) creation of a rescue fund in collaboration with the IMF to support economies with financing problems; and (iii) extension of the period of the non-conventional liquidity measures to guarantee the liquidity of credit institutions with liquid assets available.

Consequently, per the latest available forecasts, the developed economies face a scenario of weak growth marked by strong inequalities between regions and countries. Specifically in Spain, the efforts required to cut the public deficit and the higher costs of funding of both the government and companies will foreseeably have an impact on the economy in terms of lower GDP growth.

In this context of uncertainty, Banco Popular demonstrated the rightness of its strategy of early strengthening of its solvency and liquidity, which enabled it to conduct its commercial activity without restrictions, with higher than market growth both in lending and in customer deposits. Also, Banco Popular and Crédit Mutuel have agreed on a strategic alliance for the second half of the year to launch a new bank and take advantage of growth opportunities in the domestic market, to expand the individual customer base and to increase the possibilities of cross-selling. For Banco Popular moreover, this agreement signifies a reinforcement in terms of solvency and liquidity perfectly in line with the strategy followed in recent years.

As regards the business, Banco Popular managed to grow both in lending and in deposits. Thus gross lending to customers grew by 3.6%, led by term loans and other credits, which were up by 7.4% and with a positive contribution of 0.6% from mortgage loans. This higher than sector growth led to a 17bp improvement in market share. Compared with the previous quarter, lending to customers grew by an annualised 7.8%, confirming the trend suggested by the higher volume of proposals received.

On the deposit side, the excellent evolution of preceding quarters was maintained, enabling progress to be made towards the objective of reducing the commercial gap. The growth compared with the first half of 2009 was 20.6%, with demand accounts up by 12.2% and time deposits up by 17.7%. This increase, which was higher than that of the market, signified a gain of 52bp in market share.

It is noteworthy that this growth in retail liabilities did not cause any significant variation either in the structure of time deposit maturities nor in the average amount of the deposits portfolio. The campaigns carried out aimed at capturing external liabilities of SMEs and private individuals, two segments which in earlier campaigns subsequently revealed high rates of permanence and linkage. The higher cost of these transactions was offset by the growth of the balance managed in current accounts and by a prudent policy of renewal of time deposits.

The evolution of the business mentioned above signified the capture of €6,262 million of additional resources for the growth of lending since June 2009. This reduction of the commercial gap was assigned to reducing the dependence on wholesale markets by €4,500 million and to increasing liquid assets. In relative terms the ratio of lending to deposits fell from 180% at the end of the first half of 2009 to 158% at the end of June 2010. From the beginning of 2010 the commercial gap was reduced by 10 percentage points in ratio terms.

As regards earnings, net interest income suffered the expected loss, -9.3%, mainly as a result of the rate environment and of the different rhythm of repricing assets and liabilities. Approximately 50% of this effect was offset by higher differentials in assets and a higher business volume. As regards the latter, noteworthy was the Bank's ability to apply better credit differentials than the average for the market, thanks to the high quality of its service, the product range it offers, and the segment in which it operates.

Gross operating income was down 11.8%, due above all to the lower gains on financial asset and liability transactions. As regards fees and commissions, a timid recovery began to appear with a 2.1% increase in fees and commissions for banking services and the stabilisation of fees and commissions connected with the customer securities portfolio. The result of financial asset and liability transactions was in line with what was expected in the year following the extraordinary earnings in 2009 due to market situations which did not recur in 2010.

Costs were kept under control, albeit with a slight upward trend arising from the increase in rental expenses of offices sold under lease-back arrangements. Excluding this effect, costs were reduced by 1.9% because of declines of 1.1% in personnel expenses and of 2.6% in non-rental related expenses (excluding depreciation), due mainly to the closure of 108 branch offices.

The pre-provisions net operating profit of 1,169 million was 17.5% below that for the same period of 2009 but much higher, in relative and absolute terms, than that of the other medium-sized banks in Spain, thanks to Banco Popular's higher profitability and greater efficiency. The efficiency ratio stood at 32.58% and yet again was the best in the Spanish financial system and one of the best in Europe. In terms of net operating profit as a ratio of gross lending to customers, Banco Popular was also the most profitable bank in the Spanish financial sector with a ratio of 2.58%. This sign of identity endows the Bank with great strength especially in an environment like that currently prevailing since it permits the ample booking of provisions for risk coverage.

As regards credit risk asset impairment losses, in the first half of 2010 there was, as had been foreseen, an improved performance with provisions that were 13.9% lower than in the first half of 2009. This fact was more noteworthy considering that there was a decrease of €64 million in the use of general allowances. This change of trend was due fundamentally to the clearly favourable evolution of net additions to delinquent balances which were 63.2% lower than in the first half of 2009.

Banco Popular's non-performing ratio of 5.04% was lower than the figure of 5.47% at May 2010 for all Spanish banks and savings banks.

The coverage ratio of 49.20% amply covers the expected loss, considering also that the delinquent portfolio has in rem guarantees of over €5,522 million. The provisions booked for credit risk amount to €2,915 million, of which €646 million are general allowances, the use of which was also lower than in the preceding quarter. At the present rate of use, the general allowances would cover more than six additional quarters.

Also noteworthy was the increase in the level of coverage (provisions) for the portfolio of non-current

assets held for sale, which stood at 20.12% at quarter end. The Bank considers that the book value of its property portfolio is conservative in the present situation, although it will continue to make calendar-scheduled provisions. This policy of prudence will make it possible to generate future profits once the property market confirms its still very incipient recovery. In the first half of 2010, the Bank booked €188 million of mainly calendar-scheduled provisions for non-financial assets, compared with €214 million in the same period of the previous year.

Finally, as in 2009, capital gains of €140 million were obtained, mainly from the sale of branch offices, mostly to offset the provisions for property acquired or foreclosed.

To summarise, the lower ordinary and extraordinary income in the first half of 2010 compared with 2009, partially offset by lower provisions for financial assets, slimmed the attributed profit by 19.9% to €355 million, in line with market expectations.

In addition to the income statement, another of the pillars of the Group's financial strength is its capital soundness. In this respect, the core capital at quarter end stood at 8.6%, 121bp above the ratio in June 2009. The policy implemented of strengthening core capital means that Banco Popular is one of the most solvent banks in Spain and in Europe – disregarding the institutions that have received State aid.

Noteworthy also is the 14.51% leverage ratio, probably the best in Europe and a privileged position in the light of the new solvency requirements of the Basel committee, the impact of which on the Bank's ratios is expected to be minimal.

The Group's financial strength has been demonstrated in connection with the recent publication of the results of the stress tests drawn up by the European Union, in which Banco Popular evidenced strong resistance in a situation of extreme crisis, thanks to its initial capital level and its high ability to generate recurring earnings.

As regards liquidity, the Bank's situation is very comfortable. The medium- and long term wholesale liability maturities scheduled for 2010 have already been covered by the reduction of the commercial gap since the beginning of the year, as mentioned earlier, and by an issue of €1,000 million of 8-year covered bonds ("cédulas") in the first quarter. The Bank also has a second liquidity line, in effective terms of over €13,000 million, which covers 45% of total wholesale funding and over 200% of the short-term products and is making it possible to comfortably face up to the tight situation of raising funds in the wholesale markets since the end of April.

The upcoming quarters are expected to confirm the beginnings of an economic recovery, albeit weak because of the negative impact of the fiscal adjustment policies and the increase in sovereign risk which will continue to burden the costs of funding. This situation, the expected evolution of interest rates and the scant demand for credit will keep the narrowing of margins at levels similar to those presently prevailing. Also, the improvement in the growth of delinquent balances, and hence of the need for writedowns, is expected to offset the shrinkage of margins and to make it possible to achieve net profit above current market expectations.

Balance Sheet

(Amounts in € thousand)

	30.06.10	31.12.09	30.06.09	% variation	
				6 months	12 months
Assets					
Cash and balances with central banks	1,322,478	3,748,699	1,739,692	(64.7)	(24.0)
Financial assets held for trading	1,602,477	1,353,902	1,518,556	18.4	5.5
Other financial assets at fair value through profit or loss	457,312	416,972	368,450	9.7	24.1
Available-for-sale financial assets	12,054,382	11,030,058	7,870,819	9.3	53.2
Loans and receivables	101,268,470	102,298,399	99,821,055	(1.0)	1.5
Loans and advances to other debtors	96,957,182	94,956,488	94,226,385	2.1	2.9
Other loans and receivables	4,311,288	7,341,911	5,594,670	(41.3)	(22.9)
Of which interbank deposits	380,901	258,643	236,173	47.3	61.3
Held-to-maturity investments	2,716,884	2,266,524	550,113	19.9	>
Hedging derivatives	1,356,181	1,469,702	939,363	(7.7)	44.4
Non-current assets held for sale	2,943,499	2,735,721	2,278,083	7.6	29.2
Investments	73,790	56,148	27,080	31.4	>
Insurance contracts linked to pensions	166,135	173,851	178,437	(4.4)	(6.9)
Reinsurance assets	3,303	2,792	6,617	18.3	(50.1)
Tangible assets	1,997,367	1,806,836	1,711,320	10.5	16.7
Intangible assets	485,237	486,932	530,567	(0.3)	(8.5)
Tax assets	1,018,997	708,531	676,774	43.8	50.6
Other assets	815,069	735,081	782,895	10.9	4.1
Total Assets	128,281,581	129,290,148	118,999,821	(0.8)	7.8
Liabilities					
Financial liabilities held for trading	1,543,234	1,195,636	1,803,763	29.1	(14.4)
Other financial liabilities at fair value through profit or loss	130,740	104,172	98,475	25.5	32.8
Financial liabilities at amortised cost:	114,835,383	116,448,911	106,774,137	(1.4)	7.5
Liabilities of credit institutions	19,367,798	23,899,952	16,634,810	(19.0)	16.4
Of which interbank deposits	4,177,935	5,130,869	2,373,005	(18.6)	76.1
Deposits from other creditors	66,281,010	59,557,592	54,941,006	11.3	20.6
Debt certificates including bonds	26,292,654	30,333,821	32,105,549	(13.3)	(18.1)
Subordinated liabilities	1,857,943	1,820,215	1,981,923	2.1	(6.3)
Other financial liabilities	1,035,978	837,331	1,110,849	23.7	(6.7)
Hedging derivatives	856,478	597,357	132,436	43.4	>
Insurance contract liabilities	1,068,956	1,073,484	1,021,610	(0.4)	4.6
Provisions for contingent exposures	445,858	476,824	490,554	(6.5)	(9.1)
Tax liabilities	616,601	392,543	374,295	57.1	64.7
Other liabilities	560,872	553,237	983,602	1.4	(43.0)
Total liabilities	120,058,122	120,842,164	111,678,872	(0.6)	7.5
Equity					
Own funds	8,620,726	8,415,854	7,024,156	2.4	22.7
Capital, reserves and retained earnings	8,266,170	7,849,529	6,581,570	5.3	25.6
Profit or loss for the period	354,556	766,132	442,586	-	(19.9)
Dividends paid and declared	-	(199,807)	-	-	-
Valuation adjustments	(438,004)	(15,649)	23,266	>	-
Minority interests	40,737	47,779	273,527	(14.7)	(85.1)
Total equity	8,223,459	8,447,984	7,320,949	(2.7)	12.3
Total liabilities and equity	128,281,581	129,290,148	118,999,821	(0.8)	7.8

Funds Managed

(Amounts in € thousand)

	30.06.10	31.12.09	30.06.09	% variation	
				6 months	12 months
Unadjusted customer deposits	65,887,106	59,288,645	54,650,473	11.1	20.6
General government	6,458,667	7,154,546	6,309,619	(9.7)	2.4
Other private sectors	59,428,439	52,134,099	48,340,854	14.0	22.9
Residents	52,286,189	44,704,662	41,940,780	17.0	24.7
Nonresidents	7,142,250	7,429,437	6,400,074	(3.9)	11.6
Valuation adjustments (+/-)	393,904	268,947	290,533	46.5	35.6
Total customer deposits	66,281,010	59,557,592	54,941,006	11.3	20.6
Unadjusted debt certificates including bonds:	25,530,738	29,807,983	31,839,287	(14.3)	(19.8)
Bonds and other securities outstanding . .	20,502,602	20,968,488	22,576,472	(2.2)	(9.2)
Commercial paper	5,028,136	8,839,495	9,262,815	(43.1)	(45.7)
Valuation adjustments (+/-)	761,916	525,838	266,262	44.9	>
Total debt certificates including bonds	26,292,654	30,333,821	32,105,549	(13.3)	(18.1)
Subordinated liabilities	1,857,943	1,820,215	1,981,923	2.1	(6.3)
Total on-balance sheet funds (a)	94,431,607	91,711,628	89,028,478	3.0	6.1
Mutual funds	7,255,274	8,000,270	8,077,391	(9.3)	(10.2)
Asset portfolio management	902,008	876,068	850,922	3.0	6.0
Pension funds	4,051,805	4,186,149	3,922,124	(3.2)	3.3
Total other intermediated funds (b)	12,209,087	13,062,487	12,850,437	(6.5)	(5.0)
Total funds managed (a+b)	106,640,694	104,774,115	101,878,915	1.8	4.7

Customer deposits

(Amounts in € thousand)

	30.06.10	31.12.09	30.06.09	% variation	
				6 months	12 months
Demand deposits	21,389,597	20,718,265	19,065,083	3.2	12.2
Time deposits	35,252,209	31,662,508	29,957,386	11.3	17.7
Asset repos	8,889,449	6,649,223	5,409,229	33.7	64.3
Other accounts and valuation adjustments .	749,755	527,596	509,308	42.1	47.2
Customer deposits	66,281,010	59,557,592	54,941,006	11.3	20.6
Domestic commercial paper	1,981,935	3,060,951	3,634,786	(35.3)	(45.5)
Total	68,262,945	62,618,543	58,575,792	9.0	16.5

Lending to customers

(Amounts in € thousand)

	30.06.10	31.12.09	30.06.09	% variation	
				6 months	12 months
Lending to general government	603,132	288,607	593,678	>	1.6
Lending to other private sectors	98,947,130	97,074,315	95,541,012	1.9	3.6
Residents	89,235,593	87,223,770	86,224,154	2.3	3.5
Nonresidents.	9,532,317	9,180,896	9,017,629	3.8	5.7
Other loans.	179,220	669,649	299,229	(73.2)	(40.1)
Total lending to customers.	99,550,262	97,362,922	96,134,690	2.2	3.6
Valuation adjustments (+/-).	(2,593,080)	(2,406,434)	(1,908,305)	7.8	35.9
Total	96,957,182	94,956,488	94,226,385	2.1	2.9

Lending to customers by type

(Amounts in € thousand)

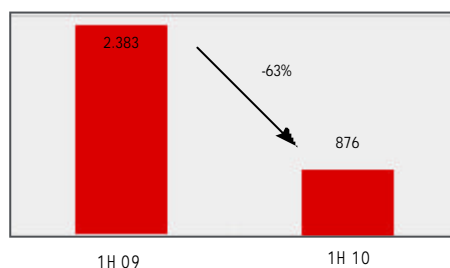
	30.06.10	31.12.09	30.06.09	% variation	
				6 months	12 months
Trade loans and discounts	4,707,975	5,038,485	5,082,067	(6.6)	(7.4)
Secured loans	48,380,061	47,781,508	48,113,098	1.3	0.6
Mortgage	48,278,167	47,655,668	47,984,208	1.3	0.6
Other	101,894	125,840	128,890	(19.0)	(20.9)
Term loans and other lending.	37,553,034	35,977,524	34,969,097	4.4	7.4
Leasing	3,159,591	3,231,087	3,300,496	(2.2)	(4.3)
Doubtful assets	5,749,601	5,334,318	4,669,932	7.8	23.1
Total lending to customers	99,550,262	97,362,922	96,134,690	2.2	3.6

Risk Management Performance*

(Amounts in € thousand)

	30.06.10	30.06.09	Variation	
			Amount	%
Nonperforming loans:				
Balance at 1 January	5,511,516	3,042,612	2,468,904	81.1
Additions	2,151,762	4,165,406	(2,013,644)	(48.3)
Recoveries	1,275,531	1,782,224	(506,693)	(28.4)
Other changes	-	-	-	-
Net variation	876,231	2,383,182	(1,506,951)	(63.2)
% increase	15.9	78.3		
Writeoffs	(463,314)	(537,774)	74,460	(13.9)
Balance at 30 June	5,924,433	4,888,020	1,036,413	21.2

Semi-annual variation in net additions to non-performing balances (€ million)



	30.06.10	30.06.09	Variation	
			Amount	%
Credit loss allowances:				
Balance at 1 January	2,770,486	2,221,902	548,584	24.7
Annual provision:				
Gross	1,560,043	1,367,225	192,818	14.1
Recoveries	(970,207)	(763,478)	(206,729)	27.1
Net	589,836	603,747	(13,911)	(2.3)
Other variations	(52,578)	(98,651)	46,073	(46.7)
Writeoffs	(393,074)	(425,451)	32,377	(7.6)
Balance at 30 June	2,914,670	2,301,547	613,123	26.6
Of which sub-standard risk provisions	609,830	380,720	229,110	60.2

	Specific	General	Country risk	Total
Balance at 1 January	1,916,847	850,508	3,131	2,770,486
Net provisions	793,916	(204,213)	133	589,836
Amount used	(393,074)	-	-	(393,074)
Other variations and transfers	(52,578)	-	-	(52,578)
Balance at 30 June	2,265,111	646,295	3,264	2,914,670

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

Risk Management Performance

(Amounts in € thousand)

	30.06.10	30.06.09	Variation	
			Amount	%
Risk quality measures (%):				
Total Risks	117,528,351	111,265,321	6,263,030	5.6
Nonperformance (Nonperforming loans/Total risks)	5.04	4.39	0.65	
Coverage (Credit loss allowance/Nonperforming loans)	49.20	47.09	2.11	
Credit risk premium	1.34	1.57	(0.23)	
Typical spread on lending to customers	2.58	3.15	(0.57)	

Coverage by type of non-performing balance:

Non-performing balances without mortgage guarantee	3,220,622
Provisions *.	2,526,737
Non-performing balances with mortgage guarantee	2,703,811
Guarantees	5,522,645
Provisions	387,933
Total non-performing balances	5,924,433
Guarantees	5,522,645
Provisions	2,914,670

* Including general provision.

Asset impairment:

Financial assets.	642,278	821,380	(179,102)	(21.8)
Credit risk	609,639	708,179	(98,540)	(13.9)
Investments	32,639	113,201	(80,562)	(71.2)
Non-financial assets and property	188,066	213,869	(25,803)	(12.1)
Total.	830,344	1,035,249	(204,905)	(19.8)

Solvency

(Amounts in € thousand)

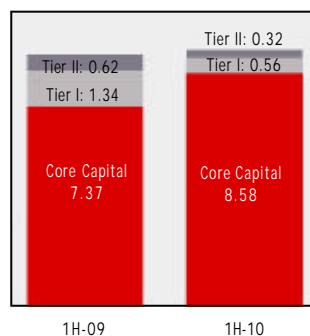
	30.06.10*	31.12.09	30.06.09
Total core capital	8,163,647	7,937,623	6,596,060
<i>Core capital (%)</i>	8.58	8.57	7.37
Total Tier 1 Capital	8,698,571	8,505,842	7,793,839
<i>Tier 1 ratio (%)</i>	9.14	9.19	8.71
Total Tier 2 Capital	304,944	433,539	553,189
BIS computable capital	9,003,515	8,939,381	8,347,028
Capital cushion	1,390,772	1,533,428	1,187,235
<i>BIS ratio (%)</i>	9.46	9.66	9.33
Leverage ⁽¹⁾	14.51	16.17	16.73
<i>Memorandum item:</i>			
Total BIS risk-weighted assets ⁽²⁾	95,159,288	92,574,413	89,497,413

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

(2) Including credit, exchange, market and operational risk.

(*) European Standard of application of Directives 2006/48/CE y 2006/49/CE (modified by Directive 2009/11/CE) and of the CEBS/04/91 Guide.

Variation in capital ratios (%)



Consolidated income and profitability

	(Amounts in € thousand)			(Annualized % of ATA)		
	30.06.10	30.06.09	% variation	30.06.10	30.06.09	Variation
Interest and similar income	2,062,994	2,765,271	(25.4)	3.38	4.94	(1.56)
- Interest expense and similar charges	777,022	1,348,066	(42.4)	1.27	2.41	(1.14)
= Net interest income	1,285,972	1,417,205	(9.3)	2.11	2.53	(0.42)
+Return on equity instruments	7,892	3,360	>	0.01	0.01	-
+Share of results of entities accounted for using the equity method	(1,030)	82	-	-	-	-
+Fees and commissions, net	375,762	389,120	(3.4)	0.62	0.69	(0.07)
±Gains or losses on financial assets and liabilities (net)	61,098	180,854	(66.2)	0.10	0.32	(0.22)
+Exchange differences (net)	27,164	23,525	15.5	0.04	0.04	-
+Other operating income	176,443	139,624	26.4	0.29	0.25	0.04
- Other operating expenses	128,552	106,711	20.5	0.21	0.19	0.02
=Gross operating income	1,804,749	2,047,059	(11.8)	2.96	3.65	(0.69)
- Administrative expenses: Personnel expenses	588,032	578,695	1.6	0.96	1.03	(0.07)
Other general administrative expenses	384,832	389,076	(1.1)	0.63	0.69	(0.06)
- Depreciation & amortisation	203,200	189,619	7.2	0.33	0.34	(0.01)
=Net operating income (Pre-provision profit)	1,169,035	1,417,305	(17.5)	1.92	2.53	(0.61)
- Provisioning expense (net)	(22,968)	(15,879)	44.6	(0.03)	(0.03)	-
- Credit risk asset impairment	609,639	708,179	(13.9)	1.00	1.27	(0.27)
- Impairment of other assets	220,705	327,070	(32.5)	0.36	0.58	(0.22)
±Gains/(Losses) on assets held for sale (net)	139,568	225,051	(38.0)	0.23	0.40	(0.17)
=Profit before tax	501,227	622,986	(19.5)	0.82	1.11	(0.29)
- Income tax	141,010	171,853	(17.9)	0.23	0.30	(0.07)
+Gains/losses on discontinued operations (net)	-	-	-	-	-	-
=Consolidated profit for the year	360,217	451,133	(20.2)	0.59	0.81	(0.22)
- Profit attributed to minority interests	5,661	8,547	(33.8)	0.01	0.02	(0.01)
=Profit attributed to the controlling company	354,556	442,586	(19.9)	0.58	0.79	(0.21)

Net return on risk-weighted assets (RORWA) (%)

Net return on equity (ROE) (%) 0.77 0.99 (0.22)

Operating efficiency ratio (%) 8.56 13.48 (4.92)

32.58 28.27 4.31

In € million

Average total assets 122,135 112,019 10,116

Risk-weighted average total assets (RWA) 92,963 91,316 1,647

Average equity 8,289 6,568 1,721

Quarterly Consolidated Income

(Amounts in € thousand)

	2009			2010	
	2nd	3rd	4th	1st	2n
Interest and similar income	1,280,934	1,206,852	1,086,945	1,042,633	1,020,361
- Interest expense and similar charges	590,820	504,540	383,909	374,490	402,532
= Net interest income	690,114	702,312	703,036	668,143	617,829
+ Return on equity instruments	1,646	2,041	2,370	2,384	5,508
+ Share of results of entities accounted for using the equity method	28	336	396	(472)	(558)
+ Fees and commissions, net	193,543	189,875	184,449	181,321	194,441
± Gains or losses on financial assets and liabilities (net)	130,716	62,634	112,680	34,331	26,767
+ Exchange differences (net)	11,537	10,921	13,893	12,874	14,290
+ Other operating income	62,502	58,685	87,734	67,674	108,769
- Other operating expenses	47,951	49,661	74,590	49,038	79,514
= Gross operating income	1,042,135	977,143	1,029,968	917,217	887,532
- Administrative expenses: Personnel expenses	293,945	300,261	309,500	286,158	301,874
Other general administrative expenses	196,226	202,091	200,886	188,929	195,903
- Depreciation & amortisation	97,719	98,170	108,614	97,229	105,971
- Depreciation & amortisation	25,424	25,666	27,361	25,794	21,888
= Net operating income (Pre-provision profit)	722,766	651,216	693,107	605,265	563,770
- Provisioning expense (net)	(5,464)	(9,552)	11,953	(18,215)	(4,753)
- Credit risk asset impairment	412,689	386,605	425,253	262,909	346,730
- Impairment of other assets	178,595	78,929	234,326	151,195	69,510
± Gains/(Losses) on assets held for sale (net) . . .	159,895	99,426	133,685	81,119	58,449
= Profit before tax	296,841	294,660	155,260	290,495	210,732
- Income tax	77,359	83,738	36,968	83,561	57,449
+ Gains/losses on discontinued operations (net)	-	-	-	-	-
= Consolidated profit for the year	219,482	210,922	118,292	206,934	153,283
- Profit attributed to minority interests	1,657	2,330	3,338	2,918	2,743
= Profit attributed to the controlling company	217,825	208,592	114,954	204,016	150,540

Quarterly Profitability

(Annualized % of ATA)

	2009			2010	
	2nd	3rd	4th	1st	2nd
Interest and similar income	4.50	4.14	3.65	3.43	3.32
- Interest expense and similar charges	2.08	1.73	1.29	1.23	1.31
= Net interest income	2.42	2.41	2.36	2.20	2.01
+ Return on equity instruments	0.01	0.01	0.01	0.01	0.02
+ Share of results of entities accounted for using the equity method	-	-	-	-	-
+ Fees and commissions, net	0.68	0.65	0.62	0.60	0.63
± Gains or losses on financial assets and liabilities (net)	0.46	0.21	0.38	0.11	0.09
+ Exchange differences (net)	0.04	0.04	0.05	0.04	0.05
+ Other operating income	0.22	0.20	0.29	0.22	0.35
- Other operating expenses	0.17	0.17	0.25	0.16	0.26
= Gross operating income	3.66	3.35	3.46	3.02	2.89
- Administrative expenses:	1.03	1.03	1.04	0.94	0.98
Personnel expenses	0.69	0.69	0.68	0.62	0.64
Other general administrative expenses	0.34	0.34	0.36	0.32	0.34
- Depreciation & amortisation	0.09	0.09	0.09	0.09	0.07
= Net operating income (Pre-provision profit)	2.54	2.23	2.33	1.99	1.84
- Provisioning expense (net)	(0.02)	(0.03)	0.04	(0.06)	(0.01)
- Credit risk asset impairment	1.45	1.32	1.43	0.87	1.13
- Impairment of other assets	0.63	0.27	0.79	0.50	0.22
± Gains/(Losses) on assets held for sale (net)	0.56	0.34	0.45	0.28	0.19
= Profit before tax	1.04	1.01	0.52	0.96	0.69
- Income tax.	0.27	0.29	0.12	0.27	0.19
+ Gains/losses on discontinued operations (net)	-	-	-	-	-
= Consolidated profit for the year	0.77	0.72	0.40	0.68	0.50
- Profit attributed to minority interests	-	0.01	0.01	0.01	0.01
= Profit attributed to the controlling company	0.77	0.71	0.39	0.67	0.49
Net return on risk-weighted assets (RORWA) (%)	0.97	0.93	0.52	0.90	0.65
Net return on equity (ROE) (%)	13.24	12.32	5.91	9.78	7.30
Operating efficiency ratio (%)	28.21	30.73	30.05	31.20	34.01
<i>In € million</i>					
Average total assets	113,871	116,745	118,977	121,572	122,697
Risk-weighted average total assets (RWA)	90,627	90,271	91,688	92,317	93,610
Average equity	6,580	6,774	7,782	8,344	8,246

Yields and Costs

(Amounts in € thousand and rates annualized)

	30.06.10				30.06.09			
	Average balance	Distribution (%)	Income or expense	Average rate (%)	Average balance	Distribution (%)	Income or expense	Average rate (%)
Financial system	5,954,292	4.88	17,219	0.58	6,398,709	5.71	52,837	1.65
Loans and discounts (a)	90,695,174	74.26	1,860,168	4.10	89,998,901	80.34	2,621,617	5.83
Securities portfolio	14,284,811	11.70	180,407	2.53	5,308,952	4.74	85,092	3.21
Other assets	11,200,278	9.16	5,200	0.09	10,312,230	9.21	5,725	0.11
Total earning assets (b)	122,134,555	100.0	2,062,994	3.38	112,018,792	100.00	2,765,271	4.94
Financial system	19,539,784	16.00	90,450	0.93	13,534,466	12.08	145,812	2.15
Customer funds (c)	57,870,713	47.38	428,292	1.48	51,796,606	46.24	648,851	2.51
Demand accounts	14,591,486	11.95	26,642	0.37	12,858,215	11.48	54,476	0.85
Savings and time deposits	43,279,227	35.43	401,650	1.86	38,938,391	34.76	594,375	3.05
Marketable debt securities & other	31,564,703	25.84	245,485	1.56	33,812,273	30.18	542,758	3.21
Other interest-bearing liabilities	290,116	0.24	12,795	8.82	284,626	0.25	10,645	7.48
Other funds	4,580,536	3.75	-	-	6,023,276	5.39	-	-
Equity	8,288,703	6.79	-	-	6,567,545	5.86	-	-
Total funds (d)	122,134,555	100.0	777,022	1.27	112,018,792	100.00	1,348,066	2.41
<i>Customer spread (a-c)</i>				<i>2.62</i>				<i>3.32</i>
<i>Spread (b-d)</i>				<i>2.11</i>				<i>2.53</i>

Quarterly Yields and Costs

(Data in % and rates annualized)

	2009						2010			
	2nd		3rd		4th		1st		2nd	
	Distri- bution	Rate	Distri- bution	Rate	Distri- bution	Rate	Distri- bution	Rate	Distri- bution	Rate
Financial system	5.63	1.03	3.61	1.01	5.13	0.71	5.49	0.53	4.27	0.64
Loans and discounts (a)	77.53	5.54	76.67	5.01	75.90	4.44	74.11	4.20	74.40	4.00
Securities portfolio	5.70	2.39	8.82	2.79	10.28	2.35	11.42	2.44	11.97	2.61
Other assets	11.14	0.01	10.90	-	8.69	0.01	8.98	0.10	9.36	0.04
Total earning assets (b)	100.00	4.50	100.00	4.14	100.00	3.65	100.00	3.43	100.00	3.32
Financial system	12.81	1.57	15.19	0.88	16.06	0.95	16.35	0.87	15.65	0.99
Customer funds (c)	45.90	2.24	44.94	1.96	46.00	1.58	46.30	1.43	48.46	1.53
Demand accounts	11.26	0.61	12.10	0.44	12.11	0.39	11.99	0.35	11.91	0.38
Savings and time deposits	34.64	2.76	32.84	2.52	33.89	2.00	34.31	1.80	36.55	1.90
Marketable debt securities & other	29.96	2.77	28.91	2.40	27.14	1.44	26.74	1.52	24.95	1.59
Other interest-bearing liabilities	0.25	7.49	0.24	7.69	0.23	9.07	0.24	8.81	0.23	8.84
Other funds	5.30	-	4.92	-	4.03	-	3.51	-	3.99	-
Equity	5.78	-	5.80	-	6.54	-	6.86	-	6.72	-
Total funds (d)	100.00	2.08	100.00	1.73	100.00	1.29	100.00	1.23	100.00	1.31
<i>Customer spread (a-c)</i>		<i>3.30</i>		<i>3.05</i>		<i>2.86</i>		<i>2.77</i>		<i>2.47</i>
<i>Spread (b-d)</i>		<i>2.42</i>		<i>2.41</i>		<i>2.36</i>		<i>2.20</i>		<i>2.01</i>

Net Fee and Commission Income

(Amounts in € thousand)

	30.06.10	30.06.09	% variation	Distribution (%)	
				2010	2009
Risk fees and commissions	104,790	122,513	(14.5)	27.9	31.5
Asset transaction services	46,297	63,891	(27.5)	12.3	16.4
Provision of collateral and other guarantees	58,493	58,622	(0.2)	15.6	15.1
Asset management fees and commissions	75,420	77,456	(2.6)	20.1	19.9
Securities portfolios	12,589	14,088	(10.6)	3.4	3.6
Mutual funds	39,445	41,110	(4.1)	10.5	10.6
Pension plans	23,386	22,258	5.1	6.2	5.7
Management service fees and commissions	195,552	189,151	3.4	52.0	48.6
Collection and payment handling	90,918	97,403	(6.7)	24.2	25.0
Securities and foreign currency purchase and sale	5,958	8,100	(26.4)	1.6	2.1
Demand account administration	49,427	47,179	4.8	13.1	12.1
Other	49,249	36,469	35.0	13.1	9.4
Total	375,762	389,120	(3.4)	100.0	100.0

Personnel and general expenses

(Amounts in € thousand)

	30.06.10	30.06.09	% variation	Distribution (%)	
				2010	2009
Personnel expenses:	384,832	389,076	(1.1)	65.4	67.2
Wages and salaries	289,040	294,444	(1.8)	49.1	50.9
Social security charges	68,396	69,882	(2.1)	11.6	12.1
Other personnel expenses	13,918	12,277	13.4	2.4	2.1
Pensions	13,478	12,473	8.1	2.3	2.1
General expenses:	203,200	189,619	7.2	34.6	32.8
Rents and common services	53,721	39,002	37.7	9.2	6.8
Communications	12,333	12,134	1.6	2.1	2.1
Maintenance of premises and equipment	15,708	13,292	18.2	2.7	2.3
IT and other technical expenses	37,527	39,548	(5.1)	6.4	6.8
Stationery and office supplies	3,352	3,531	(5.1)	0.6	0.6
Technical reports and legal expenses	11,922	11,111	7.3	2.0	1.9
Advertising and publicity	12,560	14,621	(14.1)	2.1	2.5
Insurance	2,421	2,215	9.3	0.4	0.4
Security and fund transport services	8,030	8,834	(9.1)	1.4	1.5
Travel	4,941	5,023	(1.6)	0.8	0.9
Property taxes, VAT and other	26,042	24,487	6.4	4.4	4.2
Other general expenses	14,643	15,821	(7.4)	2.5	2.8
Total	588,032	578,695	1.6	100.0	100.0

Market Performance of the Bank's Shares

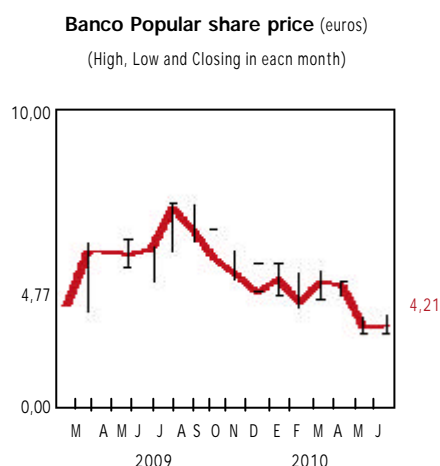
Market information

Quarters	Share liquidity (Number in thousands)			Share market price (€)			Dividend paid (€)	Market return*
	Average shares outstanding	Shares traded	%	High	Low	Closing		
2009 1st	1,235,741	747,715	60.50	6.79	3.21	4.77	0.1235	(19.5)
2nd	1,235,741	617,349	49.96	6.70	4.59	6.21	0.0800	31.9
3rd	1,265,852	769,185	60.76	7.62	5.51	6.85	0.1237 ⁽¹⁾	12.3
4th ⁽²⁾	1,265,852	578,737	45.72	6.90	5.11	5.13	0.0750	(24.0)
Year total	1,250,797	2,712,986	216.90	7.62	3.21	5.13	0.4022	(9.0)
2010 1st	1,265,852	739,774	58.44	5.96	4.67	5.45	0.0750	7.7
2nd	1,265,852	1,022,958	80.81	6.00	3.76	4.21	0.0750	(21.43)

* 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)

⁽²⁾ Excluding the second interim dividend out of 2009 earnings which was exceptionally paid in December for tax reasons.



Market ratios	30.06.10	30.06.09
Price / Book value	0.70	1.09
Price / Earnings (PE ratio)	8.29	8.51
Dividend return ^(*)	3.57	5.15

* 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)
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
Fourth quarter	18,429	23,585	9,596	23,230	1,333,151	578,737	1.38	3.18
2010								
First quarter	23,231	28,287	15,657	24,050	1,333,151	739,744	1.74	3.14
Second quarter	31,224	38,999	20,839	29,386 ⁽¹⁾	1,333,151	1,022,958	2.28	2.98

* Calculated on average treasury stock held in the quarter.

⁽¹⁾ 19 million of these shares will be used for payment of the fourth final dividend.

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.

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 2009 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

NOTES



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