QUARTERLY REPORT 2011

july-august-september

BANCO POPULAR

Highlights

(Amounts in € thousand)	30.09.11	30.09.10	Var. %
Business volume			
Total assets managed	143,989,455	141,768,707	1.6
On-balance sheet total assets	131,686,861	128,387,159	2.6
Own funds	9,026,252	8,687,039	3.9
Adjusted customer deposits	80,290,903	69,689,173	15.2
Lending to customers (gross)	99,346,385	97,996,214	1.4
Solvency			
Core capital(%)	9.76	8.66	
Tier 1 (%)	9.76	9.07	
BIS ratio	10.01	9.35	
Leverage	14.51	14.77	
Risk management			
Total risks	118,179,555	114,667,864	3.1
Non-performing loans	6,917,702	5,927,956	16.7
Allowances for credit losses	2,524,124	2,786,689	(9.4)
% nonperforming ratio	5.85	5.17	
% coverage of non-performing and written-off loans	57.34	61.99	
% coverage of non-performing and not written-off loans	36.49	47.01	
% coverage with guarantees	98.60 (1)	97.15	
Earnings			
Net interest income	1,560,015	1,879,903	(17.0)
Gross operating income	2,251,100	2,618,012	(14.0)
Profit before provisions	1,246,910	1,663,602	(25.0)
Profit before tax	368,635	682,975	(46.0)
Consolidated profit for the year	407,269	522,661	(22.1)
Net profit attributed to the Group	404,047	521,410	(22.5)
Net return and efficiency			
Average total assets	128,107,342	122,412,244	4.7
Average total equity	8,755,129	8,268,538	5.9
ROA (%)	0.42	0.57	
ROE (%)	6.15	8.41	
Operating efficiency (%)	41.11	33.80	
Per share data			
Final number of shares fully diluted (thousands)	1,628,172 (2)	1,431,222	13.8
Average number of shares diluted (thousands)	1,602,459 (2)	1,407,130	13.9
Share closing market price (€)	3.48	4.65	(25.2)
Market capitalization	5,666,039 (3)	6,655,182	(14.9)
Book value per share(€)	5.54	6.07	(8.7)
Net earnings per share (€)	0.252 (2)	0.371	(32.0)
Dividend per share paid in the period (€)	0.150	0.225	(33.3)
Price/Book value	0.63	0.77	
Price/Earnings (annualized)	10.36	9.40	
Other data			
Shareholders	152,112	146,429	3.9
Employees	14,065	14,080	(0.1)
Spain	12,228	12,259	(0.3)
Men	8,267	8,344	(0.9)
Women	3,961	3,915	1.2
Abroad	1,837	1,821	0.9
Men	1,129	1,138	(0.8)
Women	708	683	3.7
Branches	2,220	2,272	(2.3)
Spain	1,969	2,021	(2.6)
Abroad	251	251	-
Mundocredit branches	-	38	(100.0)
ATMs	2,851	2,957	(3.6)

(1) Risk coverage ratio including the value guarantees after aplication of the discounts defined in Appendix IX of Bank of Spain Circular 4/2004.
(2) Including 97,196 thousand of debentures necessarily convertible in October 2013 and 143,678 convertible in December 2013. Net profit not adjusted for the coupon payment of the MCN December 2013.
(3) Including the necessarily convertible debentures.
The Group's consolidated financial statements at 30 September 2011 included herein have not been audited and were prepared in accordance with the accounting principles and methods established by the International Financial Reporting Standards adopted by the European Union (IFRS-EU). The regulatory changes introduced in 2010 did not affect the comparability of the financial information for preceding periods published in this Report.

Salient aspects

The third quarter of 2011 was characterised by a severe crisis in the sovereign debt of the peripheral countries and the fear of a new economic recession; these aspects were worsened by the delay in taking the necessary decisions by the European authorities to establish mechanisms to avoid contagion among the countries.

In this context, international financial markets have been virtually closed for most European banks for several months now.

In a situation of economic and financial crisis like that presently obtaining, an opportunity arises for the strongest and most profitable entities like Banco Popular, which demonstrated its preeminent role in the restructuring of the Spanish financial system by launching on 10 October a public offering to purchase all the shares and necessarily convertible debentures of Banco Pastor.

The group arising from this operation will be the fifth biggest financial entity in Spain with total assets of over €160,000 million, far ahead of the next biggest bank and with market shares of 7.3% in lending and of 6.8% in deposits, 3% higher than the present individual share.

This operation will generate synergies estimated at €800 million (in terms of current value net of the synergies expected over the years and of the costs necessary to obtain them) and will make it possible to book provisions of around €1,600 million as a result of having purchased at below book value and of the Bank’s decision to issue new capital stock for approximately €700 million. The new provisions of €1,600 million cover the total expected loss estimated by the EBA in its last stress test exercise for a baseline scenario for Banco Popular and Banco Pastor. The booking of these provisions will enable the joint entity to improve its coverage of doubtful assets from 47% to 54%.

The capital of the joint entity will not suffer significant variations with respect to the present capital of Banco Popular with core capital (under current criteria) at quarter end of 9.76% compared with 9.43% at 2010 year end and 8.66% at September of 2010. The Tier 1 capital of 9.76% is 9 basis points above that of December 2010 and 69 basis points higher than that in September 2010. Banco Popular therefore continues to be one of the banks with highest capital in the Spanish financial system.

Nevertheless, the decision adopted by the council of heads of state and government of the European Union to raise Tier 1 capital to 9% for banks considered as systemic and to redefine the items comprising core capital was made known only a few hours ago. The need for capital for the European Union as a whole has been set at €106,000 million and for Spain at €26,000 million. The Spanish banks considered to be systemic are Banco Popular, as well as Banco Santander, BBVA, Bankia, CaixaBank. The deadline for reaching this level of capital has been set as June 2012.

These requirements have been established in accordance with the new methodology for calculating core capital, different from that currently applied and also different from that which will be applied from 2013 with the entry into force of Basel III.

This new methodology differs from the present one in numerous aspects, most notably the non-computability of necessarily convertible debentures and the negative impact of the marking to market of sovereign debt, not only of the available-for-sale portfolio but also of the held-to-maturity portfolio.

Also, the new calculations make it obligatory to subtract from this first level of capital other deductions which Banco Popular (in accordance with current criteria) presently makes from Tier 1 capital, such as certain intangible assets, holdings in insurance companies and the negative impact of application of advanced credit risk models.

As a consequence, the capital requirements of Banco Popular to reach this new capital ratio amount to €2,362 million, of which €597 million relate to the sovereign debt adjustment. These requirements will be fully covered with the conversion of the necessarily convertible debentures not computed in this new European exercise amounting to €1,191 million (which were issued in 2009 and 2010), by the ordinary profits which the Bank expects to withhold in the second half of 2011 and the first half of 2012 for a total of €508 million (according to the consensus of analysts) and various improvements by reduction of risk-weighted assets, evolution of models and other capital-generating measures. In no case will Banco Popular require state aid. The consideration of Banco Popular by the European authorities as a systemic entity and the consequent requirement for additional capital do not alter the Bank's future plans but rather will lead to a strengthening of its ranking in the Spanish financial sector as one of the five major entities.

As regards liquidity, another fundamental aspect in the present context, Banco Popular has continued to reduce its dependence on wholesale markets more quickly than its peers. Thus the LTD ratio stood at 138%, 400 basis points lower than in September 2010 with a reduction of €1,911 million in the commercial gap thanks to the increase in customer deposit volume, which rose by 3.4% year on year and that without thereby ceasing to grow in lending, which was up by €1,350 million, a rise of 1.4%, in the same period.

Accordingly, the Bank advanced by 2 basis points in credit share and by 23 basis points in deposits year on year (per the latest available data comparing August 2011 with August 2010).

The Bank's ongoing stress tests reveal a comfortable liquidity position even in the worst situation of the markets remaining closed in the coming months, thanks to a second line of over €11,800 million making it possible to attend all wholesale maturities through 2015, and to the Bank's capability of issuing guaranteed debt, mortgage bonds and securitised bonds which, in extreme circumstances, might be discounted in clearing houses or the ECB.

Moreover, the first nine months of 2011 saw the launching of issues of €2,500 million, of which €1,500 million were mortgage bonds, €500 million senior debt and €450 million subordinated debt, highlighting the Bank's capability of issuing whenever a window of opportunity opens, a capability limited to a very small group of entities in Spain.

Turning now to earnings, Banco Popular's attributed profit in the first nine months of 2011 amounted to €404 million, compared with €521 million in the same period of 2010, a decline of 22.5%.

Net interest income was down 17% year on year (compared with the fall of 18.1% in June) and there was a decline of 2.7% with respect to the second quarter, thus standing at the same level as in the first quarter. The reduction of the commercial gap, a strategic objective of the Bank, on the one hand, and the increase in wholesale costs, on the other, were the two determining factors of this slight fall.

Nevertheless, Banco Popular continued to be among the most profitable entities in the Spanish financial system with an ROA of 1.63%, and a customer spread of 2.24% in 2011. The return on lending to customers was 4.29% in the third quarter, one of the highest in the sector, and offset the rise in the cost of retail deposits, which was 2.10% in this same period, an outcome of the ambitious commercial gap reduction objective.

Gross operating income was down 14% year on year, a decline of €367 million before taxes.

In addition to the net interest income, the performance of which is outlined above, noteworthy was the good performance of fees and commissions with an advance of 1.9% compared to the same period in 2010, as a result of the increase in bank charges and despite the weak performance of fees and commissions for asset management as a result of the market situation.

By contrast, the gains on financial assets and liabilities and other income declined overall from 2010 by 24.1%, due to the lower volume of repurchases and, to a lesser extent, to a slight fall in exchange difference income.

As in previous quarters, operating costs again grew by 5% as a result of the technological projects in progress and the higher advertising expenses and VAT, while personnel expenses remained steady. Accordingly, the pre-provision profit in the first nine months of 2011 was €1,247 million, €417 million less than in the same period of 2010, representing a fall of 25%.

As regards provisions, noteworthy was the decrease in those booked for financial asset impairment, which fell from €1,041 million in the first nine months of 2010 to €768 million in the same period of 2011, a decrease of €273 million, despite the lower general allowance withdrawal (€159 million in the first nine months of 2011 compared with €232 million in the same period of 2010). As a result, the risk premium decreased from 1.52% in the first nine months of 2010 to 1.11% in the same period of 2011. Disregarding the impact of the general allowance withdrawal in the two years, the premium fell from 1.82% to 1.32%, indicating the lower need for credit provisions despite the existence of extraordinary provisions of €141 million in 2011 and €164 million in 2010.

The lower need for credit provisions was the result, on the one hand, of the better quality of the additions to non-performing balances because of the better guarantees associated with them than those provided previously and, on the other, of the increase in bad debt recoveries, which amounted to €113 million in the first nine months of 2011, €30 million more than in the same period of 2010.

The non-performing ratio stood at 5.85% at September end compared with 5.58% in June and 5.27% in December 2010. The net additions to non-performing balances amounted to €1,592 million in the first nine months of 2011 as compared with €1,261 million in the same period of 2010, as a result of an upturn in the third quarter arising from a lower recovery rate. This confirms that it is not yet possible to expect an improvement in the performance of doubtful balances although Banco Popular widened its difference with respect to the sector average (7.15% at August end, the latest available figure, i.e. a difference of 130 basis points compared to that of 55 basis points at 2010 year end).

Property provisions and others in the first nine months of 2011 amounted to €615 million compared with €459 million in 2010, early provisions of €325 million having been booked in the first quarter.

Overall credit and property provisions booked in the first nine months of 2011 thus amounted to €1,383 million compared with €1,500 million in the same period of 2010.

The gains of €466 million in the first quarter of the year from the joint venture with Allianz and other property sale gains, totalling €504 million, made it possible to cover a major part of the provisions booked for property, €466 million (€141 million for credit and €325 million for property) having been assigned to extraordinary and accelerated provisions.

The specific, general, and written-off asset provisions amounting to €5,906 million at September 2011 together with the post-Bank of Spain haircut adjusted guarantees of €4,250 million signify a coverage of 98.6%, compared with 95.7% at 2010 year end. Disregarding the aforementioned guarantees, the coverage would be 57.3%.

The coverage for property was 34% at September end compared with 29% at December 2010.

As in previous quarters, the global outlook continues to be unfavourable, but Banco Popular has taken and will continue to successfully take advantage of the situation thanks to its financial strength. The new capital requirements will not alter either the Bank’s activity or its future plans.

Balance Sheet

(Amounts in € thousand)

	30.09.11	31.12.10	30.09.10	% variation 9 months	% variation 12 months
Assets					
Cash and balances with central banks	1,209,658	682,814	702,025	77.2	72.3
Financial assets held for trading	1,359,095	1,231,424	1,467,548	10.4	(7.4)
Other financial assets at fair value through profit or loss	399,658	464,775	478,117	(14.0)	(16.4)
Investment portfolio	17,539,082	16,570,211	16,062,111	5.8	9.2
Loans and receivables	101,389,141	102,087,079	100,123,070	(0.7)	1.3
Loans and advances to other debtors	97,230,104	96,032,311	95,503,990	1.2	1.8
Other loans and receivables	4,159,037	6,054,768	4,619,080	(31.3)	(10.0)
Of which interbank deposits	270,824	371,786	191,959	(27.2)	41.1
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	4,492	-	-		
Hedging derivatives	1,017,789	1,038,301	1,215,811	(2.0)	(16.3)
Non-current assets held for sale	3,382,818	3,100,790	2,875,299	9.1	17.7
Investments	599,436	168,752	169,197	>	>
Insurance contracts linked to pensions	146,588	161,428	164,242	(9.2)	(10.7)
Reinsurance assets	2,949	3,530	3,258	(16.5)	(9.5)
Tangible assets	1,695,210	1,890,474	1,969,258	(10.3)	(13.9)
Intangible assets	648,505	657,079	658,845	(1.3)	(1.6)
Tax assets	1,287,622	1,025,485	976,201	25.6	31.9
Other assets	1,004,818	1,057,704	1,522,177	(5.0)	(34.0)
Total Assets	**131,686,861**	**130,139,846**	**128,387,159**	**1.2**	**2.6**
Liabilities					
Financial liabilities held for trading	1,113,447	1,160,739	1,347,120	(4.1)	(17.3)
Other financial liabilities at fair value through profit or loss	97,034	128,453	131,687	(24.5)	(26.3)
Financial liabilities at amortised cost:	119,234,069	117,435,427	115,362,046	1.5	3.4
Liabilities of credit institutions	14,978,708	12,649,746	19,170,112	18.4	(21.9)
Of which interbank deposits	5,235,694	4,726,417	3,659,344	10.8	43.1
Deposits from other creditors	80,290,903	79,383,524	69,689,173	1.1	15.2
Debt certificates including bonds	20,396,241	21,850,829	23,648,431	(6.7)	(13.8)
Subordinated liabilities	2,603,596	2,381,317	1,859,115	9.3	40.0
Other financial liabilities	964,621	1,170,011	995,215	(17.6)	(3.1)
Hedging derivatives	1,280,951	764,140	889,789	67.6	44.0
Insurance contract liabilities	566,075	1,090,567	1,078,523	(48.1)	(47.5)
Provisions for contingent exposures	314,780	342,074	410,635	(8.0)	(23.3)
Tax liabilities	456,915	443,979	524,520	2.9	(12.9)
Other liabilities	303,612	522,148	364,749	(41.9)	(16.8)
Total liabilities	**123,366,883**	**121,887,527**	**120,109,069**	**1.2**	**2.7**
Equity					
Total equity	9,026,252	8,775,632	8,687,039	2.9	3.9
Capital, reserves and retained earnings	8,692,212	8,352,744	8,265,615	4.1	5.2
Profit or loss for the period	404,047	590,163	521,410		(22.5)
Dividends paid and declared	(70,007)	(167,275)	(99,986)	(58.1)	(30.0)
Valuation adjustments	(813,964)	(572,365)	(453,998)	42.2	79.3
Minority interests	107,690	49,052	45,049	>	>
Net asset value	**8,319,978**	**8,252,319**	**8,278,090**	**0.8**	**0.5**
Total liabilities and equity	**131,686,861**	**130,139,846**	**128,387,159**	**1.2**	**2.6**

Funds Managed

(Amounts in € thousand)

	30.09.11	31.12.10	30.09.10	% variation 9 months	% variation 12 months
Customer deposits					
General government	2,699,209	9,284,684	7,693,247	(70.9)	(64.9)
Other private sectors	60,034,776	57,094,212	57,176,618	5.2	5.0
Residents	52,869,104	50,141,587	49,943,541	5.4	5.9
Nonresidents	7,165,672	6,952,625	7,233,077	3.1	(0.9)
Valuation adjustments (+/-)	342,863	328,698	322,858	4.3	6.2
Subtotal customer deposits	63,076,848	66,707,594	65,192,723	(5.4)	(3.2)
Deposits at central counterparty entities	17,214,055	12,675,930	4,496,450	35.8	>
Total customer deposits	80,290,903	79,383,524	69,689,173	1.1	15.2
Unadjusted debt certificates including bonds:	19,787,684	21,256,428	22,812,466	(6.9)	(13.3)
Bonds and other securities outstanding	17,791,581	19,254,910	19,338,597	(7.6)	(8.0)
Commercial paper	1,996,103	2,001,518	3,473,869	(0.3)	(42.5)
Valuation adjustments (+/-)	608,557	594,401	835,965	2.4	(27.2)
Total debt certificates including bonds	20,396,241	21,850,829	23,648,431	(6.7)	(13.8)
Subordinated liabilities	2,603,596	2,381,317	1,859,115	9.3	40.0
Total on-balance sheet funds (a)	**103,290,740**	**103,615,670**	**95,196,719**	**(0.3)**	**8.5**
Mutual funds	6,128,085	6,643,054	7,048,424	(7.8)	(13.1)
Asset portfolio management	798,630	936,562	913,596	(14.7)	(12.6)
Pension funds	3,949,767	4,128,743	4,124,658	(4.3)	(4.2)
Insurance premium	1,426,112	1,357,721	1,294,870	5.0	10.1
Total other intermediated funds (b)	**12,302,594**	**13,066,080**	**13,381,548**	**(5.8)**	**(8.1)**
Total funds managed (a+b)	**115,593,334**	**116,681,750**	**108,578,267**	**(0.9)**	**6.5**

Customer deposits

(Amounts in € thousand)

	30.09.11	31.12.10	30.09.10	% variation 9 months	% variation 12 months
Demand deposits	20,211,337	20,143,915	20,164,501	0.3	0.2
Time deposits	40,200,962	38,452,147	38,257,771	4.5	5.1
Asset repos	1,706,762	7,396,910	6,202,757	(76.9)	(72.5)
Other accounts and valuation adjustments	957,787	714,622	567,694	34.0	68.7
Subtotal customer deposits	**63,076,848**	**66,707,594**	**65,192,723**	**(5.4)**	**(3.2)**
Marketable securities distributed through the branch network (*)	3,521,214	3,048,074	3,282,422	15.5	7.3
Tax collection accounts [1]	466,745	424,904	386,870	9.8	20.6
Total	**67,064,807**	**70,180,572**	**68,862,015**	**(4.4)**	**(2.6)**

(*) Including convertible debentures, preferred shares and commercial paper distributed through the branch network.
(1) Included for commercial gap purposes (On the balance sheet: Other financial liabilities)

Lending to customers

(Amounts in € thousand)

	30.09.11	31.12.10	30.09.10	% variation 9 months	% variation 12 months
Lending to general government	1,346,217	568,856	635,876	>	>
Lending to other private sectors	97,575,570	97,469,595	97,132,380	0.1	0.5
Residents	87,164,598	87,902,605	87,559,729	(0.8)	(0.5)
Nonresidents......................	10,410,972	9,566,990	9,572,651	8.8	8.8
Total lending to customers	**98,921,787**	**98,038,451**	**97,768,256**	**0.9**	**1.2**
Other loans.........................	424,598	174,151	227,958	>	86.3
Total credit to customers and others ...	**99,346,385**	**98,212,602**	**97,996,214**	**1.2**	**1.4**
Valuation adjustments (+/-)...........	(2,116,281)	(2,180,291)	(2,492,224)	(2.9)	(15.1)
Total	**97,230,104**	**96,032,311**	**95,503,990**	**1.2**	**1.8**

Lending to customers by type

(Amounts in € thousand)

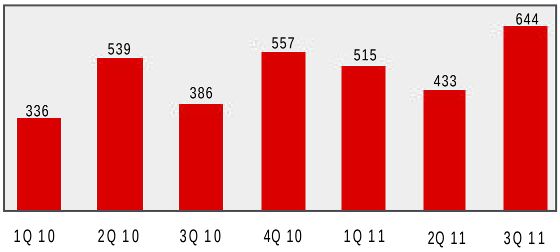
	30.09.11	31.12.10	30.09.10	% variation 9 months	% variation 12 months
Trade loans and discounts.............	4,302,573	4,439,317	4,370,573	(3.1)	(1.6)
Secured loans	48,378,258	48,895,689	47,127,517	(1.1)	2.7
Mortgage	46,624,209	47,744,092	47,035,033	(2.3)	(0.9)
Other............................	1,754,049	1,151,597	92,484	52.3	>
Repos	6,702,804	6,987,608	6,487,054	(4.1)	3.3
Term loans and other lending	30,546,841	29,100,473	31,259,851	5.0	(2.3)
Leasing	2,763,657	2,963,106	3,035,566	(6.7)	(9.0)
Doubtful assets	6,652,252	5,826,409	5,715,653	14.2	16.4
Total lending to customers	**99,346,385**	**98,212,602**	**97,996,214**	**1.2**	**1.4**

Risk Management Performance*

(Amounts in € thousand)

	30.09.11	30.09.10	variation Amount	variation %
Nonperforming loans:				
Balance at 1 January	6,055,019	5,511,516	543,503	9.9
Additions	3,106,097	3,075,452	30,645	1.0
Recoveries	1,513,928	1,813,470	(299,542)	(16.5)
Other changes	-	-	-	
Net variation	1,592,169	1,261,982	330,187	26.2
% increase	26.3	22.9		
Writeoffs	(729,486)	(845,542)	116,056	(13.7)
Balance at 30 September	6,917,702	5,927,956	989,746	16.7

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



	30.09.11	30.09.10	variation Amount	variation %
Credit loss allowances:				
Balance at 1 January	2,448,164	2,770,486	(322,322)	(11.6)
Annual provision:				
Gross	1,985,147	*2,659,675*	(674,528)	(25.4)
Recoveries	(1,111,453)	*(1,625,929)*	514,476	(31.6)
Net	873,694	1,033,746	(160,052)	(15.5)
Other variations	(92,411)	(255,024)	162,613	(63.8)
Writeoffs	(705,323)	(762,519)	57,196	(7.5)
Balance at 30 September	2,524,124	2,786,689	(262,565)	(9.4)
Of which sub-standard risk provisions	826,527	773,643	52,884	6.8

	Specific	General	Country risk	Total
Balance at 1 January	*2,117,794*	*328,974*	*1,396*	*2,448,164*
Net provisions	1,031,995	(159,300)	999	873,694
Amount used	(705,323)	-	-	(705,323)
Other variations and transfers	(92,411)	-	-	(92,411)
Balance at 30 September	*2,352,055*	*169,674*	*2,395*	*2,524,124*

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

Risk Management Performance

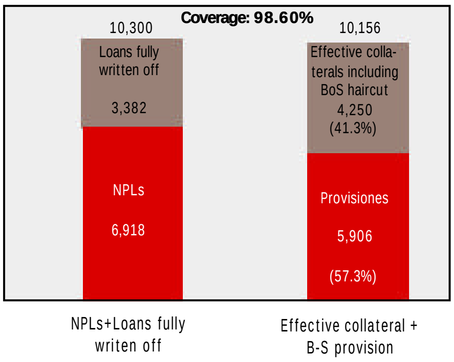
(Amounts in € thousand)

	30.09.11	30.09.10	variation Amount	%
Risk quality measures (%):				
Total Risks	118,179,555	114,667,864	3,511,691	3.1
Nonperformance (Nonperforming loans/Total risks)	5.85	5.17	0.68	
Credit risk premium	1.11	1.52	(0.41)	
Typical spread on lending to customers	1.76	2.50	(0.74)	

Coverage by type of non-performing balance:

Non-performing balances without mortgage guarantee or pledge guarantee	1,858,991
Non-performing balances with mortgage guarantee or pledge guarantees	5,058,711
Value of guarantees (incuding haircuts)	4,249,798
Total non-performing balances	6,917,702
Loans fully written off	3,381,853
Non-performing balances+Loans fully written off	10,299,555
Total value of guarantees (*)	4,249,798
Provisions for insolvency	2,524,124
Provisions for insolvency with written-off balances	5,905,977
% Coverage for non-performing and written-off balances	57.34
% Coverage for non-performing balances excl. written-off balances	36.49
% Coverage with guarantees	98.60

Coverage analysis
(€, million)



(*) Does not include written-off loan guarantees.

Asset impairment:

	30.09.11	30.09.10	Amount	%
Financial assets	**767,783**	**1,040,732**	**(272,949)**	**(26.2)**
Credit risk and provisioning	773,258	1,006,292	(233,034)	(23.2)
Of which: bad debts recoverd	113,259	83,096	30,163	36.3
Investments	(5,475)	34,440	(39,915)	
Non-financial assets and property	**614,724**	**459,344**	**155,380**	**33.8**
Total	**1,382,507**	**1,500,076**	**(117,569)**	**(7.8)**

Solvency

(Amounts in € thousand)

Basilea II	30.09.11*	30.09.10
Total core capital	**8,774,875**	**8,044,892**
Core capital (%)	*9.76*	*8.66*
Total Tier 1 Capital	**8,774,875**	**8,422,869**
Tier 1 ratio (%)	*9.76*	*9.07*
BIS computable capital	**8,997,993**	**8,682,098**
Capital cushion	1,803,512	1,250,310
BIS ratio (%)	*10.01*	*9.35*
Leverage [1]	14.51	14.77
Memorandum item:		
Total BIS risk-weighted assets [2]	89,931,013	92,897,350

(*) Includes € 250 million of Subordinated Debt disbursed in October
(1) Calculated with data from the end of each period.
(2) Including credit, exchange, market and operational risk.

Equity

(Amounts in € thousand)

	Capital & reserves	Valuation adjustments	Minority interests	Net asset value
Balance at 31/12/2010	**8,775,632**	**(572,365)**	**49,052**	**8,252,319**
Capital increase	(36,961)	-	-	(36,961)
Variation in treasury stock	(16,063)	-	-	(16,063)
Gain on treasury stock transactions	(6,683)	-	-	(6,683)
Actuarial differences	9,893	-	-	9,893
Remuneration of mandatory convertible debentures	(38,475)	-	-	(38,475)
Consolidation operations and other (net)	6,412	-	(149)	6,263
Corporate operations	(1,543)	-	69,785	68,242
Value adjustments	-	(241,599)	(2,459)	(244,058)
Net profit at 30 September 2011	404,047	-	3,222	407,269
Dividends paid in 2011	(70,007)	-	(11,761)	(81,768)
Balance at 30/09/2011	**9,026,252**	**(813,964)**	**107,690**	**8,319,978**

Consolidated income and profitability

	30.09.11	30.09.10	% variation	30.09.11	30.09.10	variation
	(Amounts in € thousand)			(Annualized % of ATA)		
Interest and similar income	3,385,184	3,082,854	9.8	3.53	3.36	0.17
- Interest expense and similar charges	1,825,169	1,202,951	51.7	1.90	1.31	0.59
= Net interest income	**1,560,015**	**1,879,903**	**(17.0)**	**1.63**	**2.05**	**(0.42)**
+Return on equity instruments	4,929	8,294	(40.6)	0.01	0.01	-
+Share of results of entities accounted for using the equity method	36,193	35,496	2.0	0.04	0.04	-
+Fees and commissions, net	515,054	505,475	1.9	0.54	0.55	(0.01)
±Gains or losses on financial assets and liabilities (net)	61,178	107,296	(43.0)	0.06	0.11	(0.05)
+Exchange differences (net)	34,794	39,614	(12.2)	0.03	0.04	(0.01)
±Other operating results (net)	38,937	41,934	(7.1)	0.04	0.05	(0.01)
=Gross operating income	**2,251,100**	**2,618,012**	**(14.0)**	**2.35**	**2.85**	**(0.50)**
- Administrative expenses:	925,327	884,795	4.6	0.97	0.96	0.01
Personnel expenses	581,277	580,089	0.2	0.61	0.63	(0.02)
Other general administrative expenses	344,050	304,706	12.9	0.36	0.33	0.03
- Depreciation & amortisation	78,863	69,615	13.3	0.08	0.08	-
=Net operating income (Pre-provision profit)	**1,246,910**	**1,663,602**	**(25.0)**	**1.30**	**1.81**	**(0.51)**
- Financial asset impairment and provisioning	767,783	1,040,732	(26.2)	0.80	1.13	(0.33)
- Impairment of other assets	614,724	459,344	33.8	0.64	0.50	0.14
±Gains/(Losses) on assets sales (net)	504,232	519,449	(2.9)	0.52	0.56	(0.04)
=Profit before tax	**368,635**	**682,975**	**(46.0)**	**0.38**	**0.74**	**(0.36)**
- Income tax	(38,634)	175,127	-	(0.04)	0.19	(0.23)
+Gains/losses on discontinued operations (net)	-	14,813	(100.0)	-	0.02	(0.02)
=Consolidated profit for the year	**407,269**	**522,661**	**(22.1)**	**0.42**	**0.57**	**(0.15)**
- Profit attributed to minority interests	3,222	1,251	>	-	-	-
=Profit attributed to the controlling company	**404,047**	**521,410**	**(22.5)**	**0.42**	**0.57**	**(0.15)**

	30.09.11	30.09.10	variation
Net return on risk-weighted assets (RORWA) (%)	0.90	0.76	0.14
Net return on equity (ROE) (%)	6.15	8.41	(2.26)
Operating efficiency ratio (%)	41.11	33.80	7.31
In € million			
Average total assets	128,107	122,412	5,695
Risk-weighted average total assets (RWA)	90,450	93,318	(2,868)
Average equity	8,755	8,269	487

Due to the transaction with Allianz, the 2010 figures have been restated to facilitate comparison

Quarterly Consolidated Income

(Amounts in € thousand)

	2010		2011		
	3rd	4th	1st	2nd	3rd
Interest and similar income	1,028,340	1,062,917	1,073,594	1,130,812	1,180,778
- Interest expense and similar charges	424,659	510,924	558,142	601,272	665,755
= Net interest income	**603,681**	**551,993**	**515,452**	**529,540**	**515,023**
+Return on equity instruments	402	1,339	1,905	1,930	1,094
+Share of results of entities accounted for using the equity method	11,996	11,260	11,649	10,709	13,835
+Fees and commissions, net	165,513	169,369	171,619	178,638	164,797
±Gains or losses on financial assets and liabilities (net)	45,797	37,933	23,589	13,116	24,473
+Exchange differences (net)	12,450	14,085	10,958	9,792	14,044
±Other operating results (net)	5,316	(6,369)	40,635	1,502	(3,200)
=Gross operating income	**845,155**	**779,610**	**775,807**	**745,227**	**730,066**
- Administrative expenses:	302,102	321,874	297,686	312,925	314,716
Personnel expenses	198,172	198,177	189,852	197,322	194,103
Other general administrative expenses	103,930	123,697	107,834	115,603	120,613
- Depreciation & amortisation	21,996	26,584	28,068	24,752	26,043
=Net operating income (Pre-provision profit)	**521,057**	**431,152**	**450,053**	**407,550**	**389,307**
- Financial asset impairment and provisioning	421,422	191,401	408,560	169,441	189,782
- Impairment of other assets	271,278	142,407	426,994	94,631	93,099
±Gains/(Losses) on assets sales (net)	379,881	(1.560)	497,698	5,058	1,476
=Profit before tax	**208,238**	**95,784**	**112,197**	**148,536**	**107,902**
- Income tax	44,524	31,245	(76,858)	30,765	7,459
+Gains/losses on discontinued operations (net)	4,572	5,478	-	-	-
=Consolidated profit for the year	**168,286**	**70,017**	**189,055**	**117,771**	**100,443**
- Profit attributed to minority interests	1,432	1,264	3,352	(1,951)	1,821
=Profit attributed to the controlling company	**166,854**	**68,753**	**185,703**	**119,722**	**98,622**

Due to the transaction with Allianz, the 2010 figures have been restated to facilitate comparison

Quarterly Profitability

(Annualized % of ATA)

	2010		2011		
	3rd	4th	1st	2nd	3rd
Interest and similar income	3.35	3.37	3.38	3.55	3.64
- Interest expense and similar charges	1.38	1.62	1.76	1.89	2.05
= Net interest income	**1.97**	**1.75**	**1.62**	**1.66**	**1.59**
+Return on equity instruments	-	-	0.01	0.01	-
+Share of results of entities					
accounted for using the equity method	0.04	0.04	0.04	0.03	0.04
+Fees and commissions, net	0.54	0.54	0.54	0.56	0.51
±Gains/losses on financial assets and liabilities	0.15	0.12	0.08	0.04	0.08
(net)....................................	0.04	0.04	0.03	0.03	0.04
+Exchange differences (net)	0.01	(0.02)	0.12	0.01	(0.01)
±Other operating results (net)	**2.75**	**2.47**	**2.44**	**2.34**	**2.25**
=Gross operating income	0.98	1.02	0.94	0.98	0.97
- Administrative expenses:	0.64	0.63	0.60	0.62	0.60
Personnel expenses	0.34	0.39	0.34	0.36	0.37
Other general administrative expenses	0.07	0.08	0.09	0.08	0.08
- Depreciation & amortisation	**1.70**	**1.37**	**1.41**	**1.28**	**1.20**
=Net operating income (Pre-provision profit) ...					
- Financial asset impairment and provisioning .	1.37	0.61	1.28	0.53	0.59
- Impairment of other assets	0.88	0.46	1.34	0.30	0.29
±Gains/(Losses) on assets sales (net)	1.23	-	1.56	0.02	0.01
=Profit before tax	**0.68**	**0.30**	**0.35**	**0.47**	**0.33**
- Income tax	0.14	0.10	(0.24)	0.10	0.02
+Gains/losses on discontinued operations (net)	0.01	0.02	-	-	-
=Consolidated profit for the year	**0.55**	**0.22**	**0.59**	**0.37**	**0.31**
- Profit attributed to minority interests........	-	-	0.01	(0.01)	(0.01)
=Profit attributed to the controlling company ..	**0.55**	**0.22**	**0.58**	**0.38**	**0.30**

Net return on risk-weighted assets (RORWA) (%)	0.73	0.31	0.82	0.52	0.44
Net return on equity (ROE) (%)	8.11	3.31	8.45	5.44	4.53
Operating efficiency ratio (%)	33.80	35.52	38.37	41.99	43.11
In € million					
Average total assets	122,968	126,040	127,241	127,297	129,783
Risk-weighted average total assets (RWA) .	94,028	93,322	92,223	90,615	90,285
Average equity	8,235	8,298	8,793	8,802	8,700

Due to the transaction with Allianz, the 2010 figures have been restated to facilitate comparison

Yields and Costs

(Amounts in € thousand and rates annualized)

	30.09.11				30.09.10			
	Average balance	Distri-bution (%)	Income or expense	Average rate (%)	Average balance	Distri-bution (%)	Income or expense	Average rate (%)
Financial system	4,488,649	3.51	39,667	1.18	5,426,139	4.43	27,533	0.68
Loans and discounts (a)	94,390,505	73.84	2,970,423	4.20	90,927,662	74.28	2,773,022	4.07
Securities portfolio	17,434,582	13.64	368,092	2.82	14,679,568	11.99	274,632	2.49
Other assets	11,793,606	9.01	7,002	0.08	11,378,875	9.30	7,667	0.09
Total earning assets (b)	**128,107,342**	**100.00**	**3,385,184**	**3.53**	**122,412,244**	**100.00**	**3,082,854**	**3.36**
Financial system	11,946,324	9.35	178,150	1.99	19,489,331	15.92	146,265	1.00
Customer funds (c)	80,020,647	62.60	1,174,500	1.96	60,311,475	49.27	706,713	1.56
Demand accounts	14,930,772	11.68	89,461	0.80	14,732,047	12.03	46,800	0.42
Savings and time deposits	48,993,305	37.77	932,603	2.54	44,535,390	36.39	656,198	1.96
Deposits at central counter-party entities	16,096,570	13.15	152,436	1.26	1,044,038	0.85	3,715	0.47
Marketable debt securities & other	22,909,001	17.92	459,044	2.67	29,592,208	24.17	330,897	1.49
Other interest-bearing liabilities	246,962	0.19	13,475	7.28	286,282	0.23	19,076	8.88
Other funds	4,229,279	3.09	-	-	4,464,410	3.66	-	-
Equity	8,755,129	6.85	-	-	8,268,538	6.75	-	-
Total funds (d)	**128,107,342**	**100.00**	**1,825,169**	**1.90**	**122,412,244**	**100.00**	**1,202,951**	**1.31**
Customer spread (a-c)				*2.24*				*2.51*
Spread (b-d)				*1.63*				*2.05*

Due to the transaction with Allianz, the 2010 figures have been restated to facilitate comparison

Quarterly Yields and Costs

(Data in % and rates annualized)

	2010				2011					
	3rd		4th		1st		2nd		3rd	
	Distri-bution	*Rate*	Distri-bution	*Rate*	Distri-bution	*Rate*	Distri-bution	*Rate*	Distri-bution	*Rate*
Financial system	3.55	0.97	4.38	0.93	4.10	0.85	2.98	1.31	3.43	1.45
Loans and discounts (a)	74.32	4.00	73.80	4.05	73.20	4.06	73.94	4.24	73.89	4.29
Securities portfolio	12.58	2.65	12.63	2.68	13.56	2.66	13.90	2.68	13.38	3.11
Other assets	9.55	0.08	9.19	0.08	9.14	0.08	9.18	0.08	9.30	0.08
Total earning assets (b)	**100.00**	**3.35**	**100.00**	**3.37**	**100.00**	**3.38**	**100.00**	**3.55**	**100.00**	**3.64**
Financial system	15.77	1.13	11.30	1.40	8.71	1.65	9.22	1.93	10.03	2.33
Customer funds (c)	53.02	1.71	58.23	1.84	61.82	1.81	62.97	1.95	62.60	2.10
Demand accounts	12.21	0.54	11.22	0.57	11.48	0.66	11.93	0.83	11.56	0.90
Savings and time deposits	39.51	2.11	41.66	2.29	37.94	2.44	38.17	2.51	37.44	2.66
Deposits at central counter-party entities	1.30	0.49	5.35	0.96	12.40	0.97	12.87	1.26	13.60	1.54
Marketable debt securities & other	20.86	1.33	19.71	1.94	18.26	2.60	17.84	2.63	17.55	2.79
Other interest-bearing liabilities	0.23	9.02	0.21	5.17	0.20	7.42	0.19	8.41	0.19	5.96
Other funds	3.44	-	3.97	-	4.10	-	2.87	-	2.93	-
Equity	6.70	-	6.58	-	6.91	-	6.91	-	6.70	-
Total funds (d)	**100.00**	**1.38**	**100.00**	**1.62**	**100.00**	**1.76**	**100.00**	**1.89**	**100.00**	**2.05**
Customer spread (a-c)		*2.29*		*2.21*		2.25		*2.29*		*2.19*
Spread (b-d)		*1.97*		*1.75*		*1.62*		*1.66*		*1.59*

Due to the transaction with Allianz, the 2010 figures have been restated to facilitate comparison

Net Fee and Commission Income

(Amounts in € thousand)

	30.09.11	30.09.10	% variation	Distribution (%) 2011	Distribution (%) 2010
Banking services	483,039	472,469	2.2	93.8	93.5
Portfolio administration	55,726	57,440	(3.0)	10.8	11.4
Securities portfolios	17,214	15,651	10.0	3.3	3.1
Asset portfolio management	2,520	2,703	(6.8)	0.5	0.5
Mutual funds	31,018	35,299	(12.1)	6.0	7.0
Pension plans	4,974	3,787	31.3	1.0	0.8
Other banking services	354,354	335,290	5.7	68.8	66.3
Securities and foreign currency purchase and sale	7,839	8,520	(8.0)	1.5	1.7
Demand account administration	73,117	73,896	(1.1)	14.2	14.6
Provision of collateral and other guarantees	95,256	89,537	6.4	18.5	17.8
Asset transaction services	34,478	34,618	(0.4)	6.7	6.8
Collection and payment handling	58,096	59,361	(2.1)	11.3	11.7
Other	85,568	69,358	23.4	16.6	13.7
Means of payment	72,959	79,739	(8.5)	14.2	15.8
Defaults	32,015	33,006	(3.0)	6.2	6.5
Total	**515,054**	**505,475**	**1.9**	**100.0**	**100.0**

Due to the transaction with Allianz, the 2010 figures have been restated to facilitate comparison

Personnel and general expenses

(Amounts in € thousand)

	30.09.11	30.09.10	% variation	Distribution (%) 2011	2010
Personnel expenses:	**581,277**	**580,089**	**0.2**	**62.8**	**65.6**
Wages and salaries	435,650	438,328	(0.6)	47.1	49.5
Social security charges	105,011	101,962	3.0	11.3	11.5
Other personnel expenses	18,083	18,843	(4.0)	2.0	2.1
Pensions	22,533	20,956	7.5	2.4	2.4
General expenses:	**344,050**	**304,706**	**12.9**	**37.2**	**34.4**
Rents and common services	82,765	82,426	0.4	9.0	9.3
Communications	21,251	18,623	14.1	2.3	2.1
Maintenance of premises and equipment	23,292	21,310	9.3	2.5	2.4
IT and other technical expenses	65,118	57,927	12.4	7.0	6.5
Stationery and office supplies	4,763	5,370	(11.3)	0.5	0.6
Technical reports and legal expenses	19,078	17,502	9.0	2.1	2.0
Advertising and publicity	22,892	17,372	31.8	2.5	2.0
Insurance	4,034	3,907	3.3	0.4	0.4
Security and fund transport services	14,783	13,285	11.3	1.6	1.5
Travel	6,719	6,809	(1.3)	0.7	0.8
VAT and other	56,739	40,172	41.2	6.1	4.5
Other general expenses	22,616	20,003	13.1	2.5	2.3
Total	**925,327**	**884,795**	**4.6**	**100.0**	**100.0**

Due to the transaction with Allianz, the 2010 figures have been restated to facilitate comparison

Market Performance of the Bank's Shares

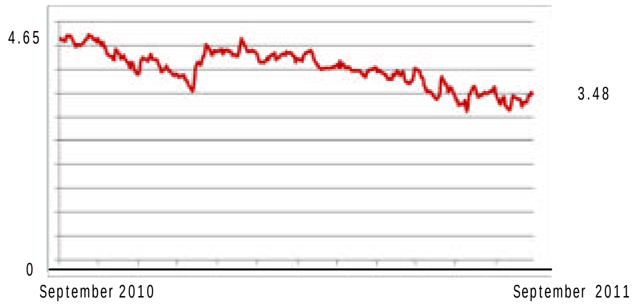
Market information

Quarters		Share liquidity (Number in thousands) Average shares outstanding	Shares traded	%	Share market price (€) High	Low	Closing	Dividend paid (€)	Market return*
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	(21.4)
	3rd	1,265,852	633,766	50.07	5.34	4.03	4.65	0.0835[1]	12.3
	4th	1,352,243	774,728	57.29	4.78	3.80	3.84	0.0750	(15.6)
Year total		**1,287,450**	**3,171,226**	**246.32**	**6.00**	**3.76**	**3.84**	**0.3085**	**(19.1)**
2011	1st	1,375,285	772,152	56.14	4.65	3.51	4.15	0.0500	9.3
	2nd	1,382,863	556,331	40.23	4.41	3.63	3.88	0.0500[2]	(5.2)
	3rd	1,398,200	612,198	43.78	4.03	3.01	3.48	0.0500[3]	(9.0)

** Appreciation (depreciation) and dividend as % of initial price in each period.*
[1] Delivery of 1 share for each 70 shares. Excess shares are paid taking as a reference the weighted average price at the session 16/04/2010, the day before the Shareholders Meeting at which this distribution was approved (€5.8429).
[2] Optional dividend: cash payment of €0.05 (gross) or exchange for new issue shares at the rate of 1 for 85 (reference price €4.222)
[3] Optional dividend: cash payment of €0.05 (gross) or exchange for new issue shares at the rate of 1 for 78 (reference price €3.881)

Banco Popular share price (euros)

(Daily closing price)



Market ratios	30.09.11	30.09.10
Price / Book value	0.63	0.77
Price / Earnings (PE ratio)	10.36	9.40
Dividend return (*)	5.7	6.3

** Profitability calculated included the dividend paid in Q3, annualised*

Treasury Stock

(Thousands of shares)	Number Average	Maximum	Minimum	Closing	Total outstanding (a)	Total traded (b)	Treasury Stock* As % of (a)	As % of (b)
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	1,333,151	1,022,958	2.28	2.98
Third quarter	17,880	30,102	11,135	18,916	1,333,151	633,766	1.34	2.82
Fourth quarter	20,684	29,475	4,212	26,080	1,375,284	774,728	1.50	2.67
2011								
First quarter	16,090	31,374	1,427	1,427	1,375,284	772,152	1.17	2.08
Second quarter	15,943	28,736	1,427	22,506	1,387,298	556,331	1.15	2.87
Third quarter	38,898	47,148	19,192	35,600	1,400,147	612,198	2.78	6.35

** 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 and by Circular 3/2010.

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 2010 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.

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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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BANCO POPULAR ESPAÑOL
Sede Social: C/Velázquez, 34. 28001. Madrid
Teléfono: 91 520 72 65
Fax: 91 577 92 09

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