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Quarterly report

april | may | june

Highlights

(Amounts in € thousand) 6.30.07 6.30.06 Var. %

Business volume

Total assets managed	116,326,530	100,123,725	16.2
On-balance sheet total assets	97,986,899	83,528,007	17.3
Total equity	5,881,440	5,279,471	11.4
Funds managed:	94,418,819	78,996,159	19.5
On-balance sheet funds	76,079,188	62,400,441	21.9
Other intermediated funds	18,339,631	16,595,718	10.5
Lending to customers (gross)	83,844,221	71,838,777	16.7
Contingent risks	11,486,679	11,422,403	0.6

Solvency

BIS ratio (%)	9.92	9.71	
Of which: Tier 1 (%)	8.13	7.81	

Risk management

Total risks	95,330,900	83,261,180	14.5
Nonperforming loans	686,296	619,048	10.9
Allowances for credit losses	1,757,146	1,577,401	11.4
% nonperforming ratio	0.72	0.74	
% coverage (Credit loss allowance/Nonperforming loans)	256.03	254.81	

Income statements

Net interest income	1,137,089	1,012,556	12.3
Gross income	1,683,467	1,487,330	13.2
Net operating income	1,127,164	953,214	18.2
Profit before tax	947,867	825,366	14.8
Consolidated profit for the year	650,298	552,111	17.8
Profit attributed to the Group	612,920	517,872	18.4

Net return and efficiency

Average total assets	93,990,709	81,059,258	16.0
Average total equity	5,266,455	4,763,544	10.6
ROA (%)	1.38	1.36	
ROE (%)	23.28	21.74	
Operating efficiency (%)*	29.72	31.94	

Per share data

Final number of shares (thousands)	1,215,433	1,215,433	-
Average number of shares (thousands)	1,215,236	1,215,251	-
Share closing market price (€)	13.82	11.65	18.6
Market capitalization	16,797,284	14,159,789	18.6
Share book value (€)	4.84	4.34	11.5
Net income per share (€)	0.504	0.426	18.3
Dividend per share paid in the period (€)	0.2077	0.090	14.6
Price/Book value	2.86	2.68	6.7
Price/Earnings (annualized)	13.7	13.7	0.3

Other data

Shareholders	113,641	109,853	3.4
Employees	14,413	14,056	2.5
Spain	13,003	12,667	2.7
Abroad	1,410	1,389	1.5
Branches	2,453	2,409	1.8
Spain	2,233	2,217	0.7
Abroad	220	192	14.6
Mundocredit branches	22	-	
ATMs	3,416	3,381	1.0

* Cost income = operating costs (w/o depreciation) divided by ordinary revenue + non-financial service fee revenues

The financial information as of June 31, 2007 was not audited, although it was prepared in accordance with EU International Financial Reporting Standards, and was consistent with the 2006 audited financial statements.

Salient aspects

In the second quarter of 2007, Banco Popular consolidated the strengthening of margins and the sustained deceleration of its risks with the property sector of which there were clear signs over the last twelve months. At the same time as it strengthened credit quality and the dynamism of its earnings, the Group was negotiating an agreement, completed in July, for the acquisition of Totalbank, a bank located in Florida.

Although all the signs are that the slowdown in property business activities in Spain will be, as it has been so far, orderly, soft and with a moderate impact on Spanish economic activity and on credit quality, Banco Popular anticipated the change of cycle by energetically decelerating its exposure in this sector. The annual growth of the Group's mortgage loans was only 13.6% as compared with the 16.7% rise in lending to customers. Due to this active braking strategy, that has been applied since the beginning of 2006, for the first time in many years over 55% of the Group's growth in the last year – and over 60% in the first half of 2007 – arose from non-mortgage transactions, basically credits and loans – other term loans –, which were up at an annual rate of 27.5%. In order to evaluate and confirm this conservative trend, a comparison should be made between the deceleration in the growth of the Banco Popular Group's business with all companies in the property sector, from 39.7% in 2005 to 17.3% at present, with the acceleration of banks, from 39.6% to 46.6% - from 47.7% to 54.5% for savings banks – in the same period, per Bank of Spain March 2007 data. The consequence has been that the Group has voluntarily forced a reduction in its market share of property sector transactions from 5.6% in 2005 to 4.25% at present.

The successful effort to recover margins, initiated more than eighteen months ago, has led to a further rise of 20 basis points in the customer spread in the first half of 2007 and an improvement of 5 basis points in the net interest margin, following the 2 basis points rise in the last three months. This strength in margins and the energetic growth of transactions with non-property companies have again accelerated the net interest income which was up 12.3% year on year, compared with rises of 9.5% at 2006 year end and 10.4% at the end of the first quarter. Even more important is the fact that this acceleration arose also in the real driver of Group revenues, namely net interest income excluding dividends, which went from an annual rate of 8.3% in March to 10.5% in June. This confirms the forecast made in earlier reports of progressive acceleration of the interest differential during 2007 and 2008.

Noteworthy among the other components of gross income was the strong expansion of income from financial asset and liability transactions, driven by the arrangement of derivatives contracts with customers and by the Group's own treasury transactions, with overall growth of 352.4% in twelve months. There was also a strong 41.7% year-on-year growth in insurance premium income. These two lines of business and the growing activity of wholesale banking for customers should more than counteract during the year the effect of the less dynamic performance of retail fees and commissions, affected by the reduction in debit and credit card commissions.

Expenses also performed very favourably, and rose only 5.3%, due largely to the moderation of general expenses which were barely 1.2% up. Personnel expenses have grown very steadily during the last twelve months at slightly less than 7%, despite the strong expansion of the business and the introduction of new compensation systems including substantial success bonuses.

The dynamic strength of income combined with the moderation of costs has led to a year-on-year growth of 18.2% in net operating income which, after lower specific provisions in the quarter than in the preceding period and lower income from asset sales, triggered a year-on-year rise of 18.4% in attributed net profit.

The ROE in the second quarter was 24.7%, which is close to the 25% that the Group has historically set itself as the minimum target; in the first six months, the figure was 23.3%, an improvement of 154 basis points in the year.

The efficiency ratio continued its sustained improvement trend and reached a new record among all Spanish banks of 29.72% - 151 basis points less than at the end of 2006 -; in the second quarter by itself, the figure was 29.54%.

Balance Sheet

(Amounts in € thousand)

	6.30.07	12.31.06	6.30.06	% variation	
				6 months	12 months
Assets					
Cash and due from central banks	1,320,007	1,502,261	776,827	(12.1)	69.9
Trading portfolio	2,334,829	2,588,379	2,026,174	(9.8)	15.2
Other financial assets at fair value with changes in P&L	445,073	400,252	321,982	11.2	38.2
Available-for-sale financial assets	2,033,614	697,392	560,504	>	>
Loans and discounts:	89,308,719	84,144,648	77,300,380	6.1	15.5
Lending to customers	82,365,506	75,897,896	70,440,028	8.5	16.9
Other loans and discounts	6,943,213	8,246,752	6,860,352	(15.8)	1.2
Held-to-maturity investment portfolio	423	441	436	(4.1)	(3.0)
Asset hedging derivatives	222,154	205,752	111,372	8.0	99.5
Non-current assets for sale	156,224	129,034	114,612	21.1	36.3
Participating interests	21,022	17,488	15,617	20.2	34.6
Pension-linked insurance contracts	217,168	223,846	231,972	(3.0)	(6.4)
Reinsurance assets	5,004	3,866	4,863	29.4	2.9
Tangible assets	710,413	707,359	710,582	0.4	-
Intangible assets	369,695	369,232	367,905	0.1	0.5
Tax assets	651,679	555,969	747,790	17.2	(12.9)
Accrual accounts	67,971	23,143	62,579	>	8.6
Other asset accounts	122,904	81,372	174,412	51.0	(29.5)
Total assets	97,986,899	91,650,434	83,528,007	6.9	17.3
Liabilities					
Trading portfolio	846,327	511,239	429,221	65.5	97.2
Other financial liabilities at fair value with changes in P&L	43,974	43,830	-	0.3	>
Financial liabilities at amortized cost:	87,505,218	82,440,853	74,626,998	6.1	17.3
Deposits of credit institutions	10,397,636	8,393,081	11,441,551	23.9	(9.1)
Customer deposits	35,775,696	36,941,191	34,081,762	(3.2)	5.0
Bonds and other marketable debt securities	38,562,028	35,096,737	26,741,890	9.9	44.2
Subordinated liabilities	1,303,012	1,023,156	1,123,716	27.4	16.0
Other financial liabilities	1,466,846	986,688	1,238,079	48.7	18.5
Hedging derivatives	555,058	338,695	348,191	63.9	59.4
Insurance contract liabilities	894,399	844,410	646,731	5.9	38.3
Allowances	477,094	495,528	507,366	(3.7)	(6.0)
Tax liabilities	506,227	232,960	439,225	>	15.3
Accrual accounts	296,016	317,450	328,771	(6.8)	(10.0)
Other liabilities accounts	149,872	70,929	86,061	>	74.1
Financial liabilities classified as capital	438,452	439,959	453,073	(0.3)	(3.2)
Total liabilities	91,712,637	85,735,853	77,865,637	7.0	17.8
Net worth					
Minority interests	375,231	361,178	356,047	3.9	5.4
Valuation adjustments	17,591	24,200	26,852	(27.3)	(34.5)
Equity	5,881,440	5,529,203	5,279,471	6.4	11.4
Capital, reserves and retained earnings	5,268,520	4,753,413	4,761,599	10.8	10.6
Income for the period	612,920	1,026,031	517,872	-	18.4
Dividends paid and declared	-	(250,241)	-	-	-
Total net worth	6,274,262	5,914,581	5,662,370	6.1	10.8
Total net worth and liabilities	97,986,899	91,650,434	83,528,007	6.9	17.3
<i>Pro-memoria:</i>					
Contingent risks	11,486,679	11,281,128	11,422,403	1.8	0.6
Contingent commitments	20,048,571	19,023,187	20,804,739	5.4	(3.6)

Business Performance

At 30 June 2007, the Group's total on-balance sheet assets amounted to €97,987 million, an increase of €14,459 million in the last twelve months, a year-on-year growth rate of 17.3%.

The off-balance sheet assets managed increased by 10.5%, driven by asset management (up 25.5%), pension plans (up 12.6%) and mutual funds (up 7.9%). The assets of the Group's mutual funds in Spain grew by 8.4%, higher than the 3% average increase for this sector as a whole.

Accordingly, the Group's total business volume at 30 June was therefore €116,327 million, up 16.2% year on year.

Lending to the Group's customers, which represented 85.6% of total assets, totalled €83,844 million, an increase of 16.7%. By type of lending, personal loans and credits (other term loans) were up by 27.5% and trade loans and discounts were up 15.4%. These two captions grew at rates faster than those of the Spanish market as a whole – other resident sectors – (23.7% and 8.6%, respectively). Mortgage loans, mostly for home purchase, were up by 13.6% compared with 18.5% for the Spanish market as a whole. The sector data are provisional and refer to May 2007.

Total on-balance sheet funds (customer deposits, marketable debt securities, subordinated debt and capital having the nature of a financial liability) amounted to €76,079 million, a year-on-year increase of 21.9%.

Retail liabilities – demand deposits, time deposits and commercial paper – continued to be the main source (56%) of borrowed funds. In this caption the growth rate of 37% in commercial paper was outstanding. Wholesale funding – bonds, commercial paper covered bonds ("cédulas") and interbank borrowing – provided 42% of borrowed funds and is managed with criteria of maximum prudence that seek to balance the optimisation of costs with the diversification of time periods and sources of funding. The remaining 2% of borrowed funds consisted of preferred equity interests ("participaciones") and subordinated debt.

At 30 June 2007, the balance of doubtful receivables was €686 million; this was €67 million (10.9%) more than at the same date in 2006. Noteworthy was the performance of new delinquent balances, which were up 8.5% year on year, a much lower rate than the 14.5% increase recorded in total risks. As a result, the nonperforming ratio, i.e. doubtful assets as a percentage of total risks (loans and discounts plus contingent exposures), stood at 0.72%, a reduction of 2 basis points in the last twelve months. The nonperforming ratio of the Group's banks – excluding Banco Popular Portugal – reached a new minimum of 0.65%.

In addition to the low level of nonperforming loans, the Group had allowances covering 256.0% of the doubtful assets balance, which was 1.2 percentage points higher than one year earlier. The coverage of the Group's banks in Spain, i.e. excluding Banco Popular Portugal, is appreciably higher at 285.2%.

The Group's solvency remains at high levels, with a BIS ratio of nearly 10% and core capital accounting for 66% of total computable capital. The core capital ratio was 7 basis points higher than at 30 June 2006 as a result of the active management of the weighted total assets, which were up 10% in the period compared with the 14.5% rise in total risks.

By business area, commercial banking accounted for 85.5% of the total assets and contributed 83.1% of the balance sheet growth, with a year-on-year increase of 16.7%.

By geographical area, 92.2% of the assets were from the business in Spain, with the business in Portugal contributing the remaining 7.8%. The growth in assets in Spain was 17.6% and in Portugal was 13.5%.

Funds Managed

				% variation	
	6.30.07	12.31.06	6.30.06	6 months	12 months
Unadjusted customer deposits	35,597,283	36,760,932	34,098,325	(3.2)	4.4
General government	2,384,585	2,929,496	1,030,021	(18.6)	>
Other private sectors	33,212,698	33,831,436	33,068,304	(1.8)	0.4
Residents	28,023,301	28,553,896	27,929,983	(1.9)	0.3
Nonresidents	5,189,397	5,277,540	5,138,321	(1.7)	1.0
Valuation adjustments (+/-)	178,413	180,259	(16,563)	(1.0)	
Total customer deposits	35,775,696	36,941,191	34,081,762	(3.2)	5.0
Unadjusted debt certificates including bonds:					
Bonds and other securities outstanding . .	26,014,280	24,878,023	19,696,480	4.6	32.1
Commercial paper	12,646,373	10,098,907	6,955,026	25.2	81.8
Valuation adjustments (+/-)	(98,625)	119,807	90,384		
Total debt certificates including bonds	38,562,028	35,096,737	26,741,890	9.9	44.2
Subordinated liabilities	1,303,012	1,023,156	1,123,716	27.4	16.0
Capital having the nature of a financial liability	438,452	439,959	453,073	(0.3)	(3.2)
Total on-balance sheet funds (a)	76,079,188	73,501,043	62,400,441	3.5	21.9
Mutual funds	12,348,486	12,130,633	11,445,895	1.8	7.9
Asset portfolio management	1,863,318	1,550,041	1,484,940	20.2	25.5
Pension funds	4,127,827	3,975,919	3,664,883	3.8	12.6
Total other intermediated funds (b) . .	18,339,631	17,656,593	16,595,718	3.9	10.5
Total (a+b)	94,418,819	91,157,636	78,996,159	3.6	19.5

Deposits of other private sectors

				% variation	
	6.30.07	12.31.06	6.30.06	6 months	12 months
Demand deposits	12,319,666	12,333,147	12,569,747	(0.1)	(2.0)
Savings deposits	6,127,144	5,965,910	6,013,897	2.7	1.9
Time deposits	13,062,389	13,274,700	12,614,261	(1.6)	3.6
Asset repos	1,426,734	1,935,237	1,580,183	(26.3)	(9.7)
Other accounts	276,765	322,442	290,216	(14.2)	(4.6)
Total	33,212,698	33,831,436	33,068,304	(1.8)	0.4

Lending to customers

(Amounts in € thousand)

	6.30.07	12.31.06	6.30.06	% variation	
				6 months	12 months
Lending to general government	176,368	114,331	107,801	54.3	63.6
Lending to other private sectors	83,667,853	77,213,525	71,730,976	8.4	16.6
Residents	76,260,368	69,977,356	64,465,731	9.0	18.3
Nonresidents	7,407,485	7,236,169	7,265,245	2.4	2.0
Total lending to customers	83,844,221	77,327,856	71,838,777	8.4	16.7
Valuation adjustments (+/-)	(1,478,715)	(1,429,960)	(1,398,749)	3.4	5.7
Total	82,365,506	75,897,896	70,440,028	8.5	16.9

Lending to other private sectors

(Amounts in € thousand)

	6.30.07	12.31.06	6.30.06	% variation	
				6 months	12 months
Trade loans and discounts	7,817,936	7,497,041	6,772,234	4.3	15.4
Secured loans	44,911,366	42,268,412	39,545,486	6.3	13.6
Mortgage loans	44,662,669	42,046,914	39,327,666	6.2	13.6
Other	248,697	221,498	217,820	12.3	14.2
Asset repos	182	-	3	>	>
Other term loans	24,318,027	21,213,646	19,070,484	14.6	27.5
Finance leases	3,750,605	3,622,224	3,615,552	3.5	3.7
Overdrafts and other	2,208,358	2,001,351	2,127,768	10.3	3.8
Doubtful assets	661,379	610,851	599,449	8.3	10.3
Total lending to private sectors	83,667,853	77,213,525	71,730,976	8.4	16.6

Risk Management Performance*

(Amounts in € thousand)

	6.30.07	6.30.06	Variation	
			Amount	%
Nonperforming loans:				
Balance at January 1	635,537	591,043	44.494	7.5
Additions	359,231	331,004	28.227	8.5
Recoveries	204,997	234,227	(29.230)	(12.5)
Other changes	-	3,591	(3.591)	(100.0)
Net variation for the year	154,234	100,368	53.866	53.7
% increase	24.3	17.0		
Writeoffs	(103,475)	(72,363)	(31.112)	43.0
Balance at March 31	686,296	619,048	67.248	10.9
Allowance for credit losses:				
Balance at January 1	1,665,060	1,469,927	195.133	13.3
Annual provision:				
Gross	294,846	226,094	68.752	30.4
Recoveries	(91,774)	(54,201)	(37.573)	69.3
Net	203,072	171,893	31.179	18.1
Other variations	(15,012)	6,233	(21.245)	
Writeoffs	(95,974)	(70,652)	(25.322)	35.8
Balance at March 31	1,757,146	1,577,401	179.745	11.4
<i>Pro memoria:</i>				
Total risks	95,330,900	83,261,180	12.069.720	14.5
Loans transferred to suspense accounts	1,241,222	1,081,229	159.993	14.8
Risk quality measures (%):				
Nonperformance (Nonperforming loans/Total risks)	0.72	0.74	(0.02)	
Insolvency (Writeoffs/Total risks)	0.11	0.09	0.02	
Coverage (Credit loss allowance/Nonperforming loans)	256.03	254.81	1.22	

* 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 January 1	228,729	1,431,654	4,677	1,665,060
Net provisions	102,811	100,543	(282)	203,072
Amount used	95,974	-	-	(95,974)
Other variations and transfers	(14,834)	(172)	(2)	(15,012)
Balance at March 31	220,728	1,532,025	4,393	1,757,146

Solvency

(Amounts in € thousand)	6.30.07	6.30.06	% variation
Common stock	121,543	121,543	-
Reserves	5,147,362	4,640,230	10.9
Minority interests	336,864	320,837	5.0
Retained earnings in the period	331,221	276,021	20.0
Deductions	(417,821)	(398,068)	5.0
Total core capital	5,519,169	4,960,563	11.3
<i>Core capital (%)</i>	<i>6.59</i>	<i>6.52</i>	
Preferred shares and equity interests	1,288,000	988,000	30.4
Total Tier 1 Capital	6,807,169	5,948,563	14.4
<i>Tier 1 ratio (%)</i>	<i>8.13</i>	<i>7.81</i>	
Total Tier 2 Capital	1,493,564	1,444,707	3.4
BIS computable capital	8,300,733	7,393,270	12.3
Capital cushion	1,603,644	1,303,592	23.0
<i>BIS ratio (%)</i>	<i>9.92</i>	<i>9.71</i>	
<i>Pro memoria:</i>			
Total BIS risk-weighted assets	83,713,615	76,120,977	10.0

Equity

(Amounts in € thousand)	Capital & reserves	Valuation adjustments	Minority interests	Net worth
Adjusted balance at 12.31.2005	4,989,779	14,785	342,455	5,347,019
Treasury stock	(1,445)	-	-	(1,445)
Consolidation adjustments (net)	(12,740)	-	(15,291)	(28,031)
Valuation adjustments	-	9,415	105	9,520
2006 net income	1,026,031	-	65,184	1,091,215
Dividends	(472,422)	-	(31,275)	(503,697)
Balance at 12.31.2006	5,529,203	24,200	361,178	5,914,581
Treasury stock	(1,574)	-	-	(1,574)
Consolidation adjustments (net)	(3,746)	-	(2,067)	(5,813)
Valuation adjustments	-	(6,609)	(20)	(6,629)
Income 1st half 2007	612,920	-	37,378	650,298
Dividends	(255,363)	-	(21,238)	(276,601)
Balance at 3.31.2007	5,881,440	17,591	375,231	6,274,262

Consolidated Income

The net interest income of €1,137 million for the first half of 2007 was 12.3% higher than in the same period of 2006.

The net fee and commission income amounted to €443 million, a year-on-year growth of 5.9%. Noteworthy were the fees for the provision of collateral and other guarantees, which were up 11.7% as a result of the rotation of short-term transactions, since the volume of outstanding risks was steady at similar levels. Also noteworthy were the fees for the administration of financial assets (up 8.8%), especially those for pension plan and portfolio management, which grew by 12.4% and 10.7%, respectively. Also significant was the fact that the fees for asset transaction services grew for the second consecutive quarter after several years of negative performance. The decline in card fees was the result of the reduction of the interchange rate in 2006 and, therefore, is not recurring.

Insurance activity income also performed very satisfactorily in the first half, with an increase of 41.7%, mainly as a result of the placement of insurance products linked to lending transactions. Gains on financial assets and liabilities were 3.5 times higher, driven by the profits generated by the sale of financial derivatives to customers.

Accordingly, gross income, encompassing all the Group's financial activity (banking business and insurance), amounted to €1,683 million at 30 June 2007, a rise of 13.2% year on year. Gross income in the second quarter amounted to €558 million, 13.6% higher than in the same period of 2006 and 4% higher than in the first quarter of 2007.

Personnel and administrative expenses in the operating costs caption grew by 5.3% as compared with the same period of 2006. Specifically, personnel expenses were up 6.9% and general expenses were moderately (1.2%) higher.

The efficiency ratio again improved downward to 29.72%. With respect to the June 2006 and March 2007 figures, the ratio improved by 222 and 18 basis points, respectively.

The net operating income of €1,127 million at the end of the first half was 18.2% higher than in the first half of 2006.

The losses for impairment of assets amounted to €187 million, mostly relating to credit risk. Accordingly the implicit annual risk premium was 0.46% on the average balance of lending to customers, compared with 0.55% at the end of the first quarter. At 30 June 2007, the general allowance of €1,532 million had practically reached the maximum limit envisaged under current regulations.

The pre-tax profit of €948 million in the first half was 14.8% higher year on year. The profit attributed to the Banco Popular Group amounted to €613 million in the first half, a year-on-year increase of 18.4%.

The earnings per share of €0.504 in the first half of 2007 were 18.3% higher than for the same period of 2006.

The ROE at 30 June 2007 was 23.28%, i.e. higher than the 21.74% at the same date in 2006, and the ROA was 1.38%, compared with 1.36% one year earlier. Noteworthy in both cases was the increase of 1.43 and 0.05 percentage points over the published figures for the preceding quarter.

Consolidated income and profitability

	(Amounts in € thousand)			(Annualized % of ATA)		
	6.30.07	6.30.06	% variation	6.30.07	6.30.06	Variation
Interest and similar revenues	2,377,192	1,727,329	37.6	5.06	4.26	0.80
- Interest and similar charges	1,275,468	730,698	74.6	2.71	1.80	0.91
+ Revenues from capital instruments.	35,365	15,925	>	0.07	0.04	0.03
=Net interest revenue	1,137,089	1,012,556	12.3	2.42	2.50	(0.08)
+ Revenues from equity method entities	3,384	10	>	0.01	-	0.01
+ Net fees	443,094	418,499	5.9	0.94	1.03	(0.09)
+ Insurance business.	26,754	18,887	41.7	0.06	0.05	0.01
± Asset trading and exchange profits (net)	48,549	13,776	>	0.10	0.03	0.07
± Exchange gains (net)	24,597	23,602	4.2	0.05	0.06	(0.01)
=Gross income	1,683,467	1,487,330	13.2	3.58	3.67	(0.09)
+ Non-financial service fee revenues (net)	19,655	18,151	8.3	0.04	0.04	-
- Operating costs:	505,353	479,814	5.3	1.08	1.18	(0.10)
Personnel expenses	365,977	342,468	6.9	0.79	0.84	(0.05)
Other general administrative expenses.	167,881	165,853	1.2	0.36	0.41	(0.05)
Other revenues (compensating fees).	(28,505)	(28,507)	-	(0.06)	(0.07)	0.01
- Depreciation.	49,094	50,942	(3.6)	0.10	0.13	(0.03)
- Other operating expenses	21,511	21,511	-	0.04	0.05	(0.01)
=Net Operating income	1,127,164	953,214	18.2	2.40	2.35	0.05
- Losses from impairment of assets and provisions to allowances (net)	191,094	163,589	16.8	0.41	0.40	0.01
± Other income (net)	11,797	35,741	(67.0)	0.03	0.09	(0.06)
=Profit before tax	947,867	825,366	14.8	2.02	2.04	(0.02)
- Corporate income tax provision	297,569	273,255	8.9	0.64	0.68	(0.04)
=Consolidated profit for the year	650,298	552,111	17.8	1.38	1.36	(0.02)
- Income attributed to minority interests	37,378	34,239	9.2	0.08	0.08	-
=Profit attributed to the Group	612,920	517,872	18.4	1.30	1.28	0.02
Net return on average risk-weighted assets (RORWA) (%)				1.61	1.50	0.11
Net return on average equity (ROE) (%)				23.28	21.74	1.54
Leverage				16.82	15.96	0.86
Operating efficiency (%)				29.72	31.94	(2.22)
<i>€ million:</i>						
Average total assets				93,991	81,059	12,932
Risk-weighted average total assets (RWA)				80,609	73,640	6,969
Average total equity.				5,266	4,764	502

Quarterly Consolidated Income

(Amounts in € thousand)

	2006				2007	
	1st	2nd	3rd	4th	1st	2nd
Interest and similar revenues	831,460	895,869	952,677	1,039,553	1,133,972	1,243,220
- Interest and similar charges	336,296	394,402	438,611	519,725	597,751	677,717
+ Revenues from capital instruments	5,718	10,207	15,599	5,481	16,677	18,688
=Net interest revenue.	500,882	511,674	529,665	525,309	552,898	584,191
+ Revenues from equity method entities	(25)	35	195	2,892	666	2,718
+ Net fees	207,925	210,574	223,990	238,090	225,828	217,266
+ Insurance business	8,914	9,973	11,128	15,148	13,813	12,941
± Asset trading and exchange profits (net)	2,732	11,044	31,280	14,892	19,939	28,610
± Exchange gains (net)	11,213	12,389	13,552	14,012	11,937	12,660
=Gross income	731,641	755,689	809,810	810,343	825,081	858,386
+ Non-financial service fee revenues (net)	8,257	9,894	7,957	8,366	10,215	9,440
- Operating costs:	237,984	241,830	249,076	250,364	249,335	256,018
Personnel expenses	171,103	171,365	180,883	182,620	182,869	183,108
Other general administrative expenses	81,725	84,128	79,967	81,633	81,371	86,510
Other revenues (compensating fees)	(14,844)	(13,663)	(11,774)	(13,889)	(14,905)	(13,600)
- Depreciation	24,888	26,054	26,227	25,961	24,577	24,517
- Other operating expenses	10,824	10,687	10,790	10,826	10,751	10,760
=Net Operating income	466,202	487,012	531,674	531,558	550,633	576,531
- Losses from impairment of assets and provisions to allowances (net)	100,340	63,249	73,001	112,336	110,443	80,651
± Other income (net)	22,256	13,485	2,919	17,277	6,107	5,690
=Profit before tax	388,118	437,248	461,592	436,499	446,297	501,570
- Corporate income tax provision	128,423	144,832	154,540	204,447	140,505	157,064
=Consolidated profit for the year	259,695	292,416	307,052	232,052	305,792	344,506
- Income attributed to minority interests	16,153	18,086	17,225	13,720	18,157	19,221
=Profit attributed to the Group	243,542	274,330	289,827	218,332	287,635	325,285

Quarterly Profitability

(Annualized % of ATA)

	2006				2007	
	1st	2nd	3rd	4th	1st	2nd
Interest and similar revenues	4.20	4.32	4.53	4.72	4.95	5.17
- Interest and similar charges	1.70	1.90	2.08	2.36	2.61	2.82
+ Revenues from capital instruments	0.03	0.05	0.07	0.02	0.07	0.08
=Net interest revenue.	2.53	2.47	2.52	2.38	2.41	2.43
+ Revenues from equity method entities	-	-	-	0.01	-	0.01
+ Net fees	1.05	1.02	1.06	1.08	0.99	0.90
+ Insurance business	0.05	0.04	0.05	0.07	0.06	0.05
± Asset trading and exchange profits (net)	0.01	0.05	0.15	0.08	0.09	0.12
± Exchange gains (net)	0.06	0.06	0.07	0.06	0.05	0.05
=Gross income	3.70	3.64	3.85	3.68	3.60	3.57
+ Non-financial service fee revenues (net)	0.04	0.05	0.04	0.04	0.05	0.04
- Operating costs:	1.20	1.17	1.18	1.14	1.09	1.06
Personnel expenses	0.87	0.83	0.86	0.83	0.80	0.76
Other general administrative expenses	0.41	0.41	0.38	0.37	0.36	0.36
Other revenues (compensating fees)	(0.08)	(0.07)	(0.06)	(0.06)	(0.07)	(0.06)
- Depreciation	0.13	0.12	0.13	0.12	0.11	0.10
- Other operating expenses	0.05	0.05	0.05	0.05	0.05	0.04
=Net Operating income	2.36	2.35	2.53	2.41	2.40	2.40
- Losses from impairment of assets and provisions to allowances (net)	0.51	0.31	0.35	0.51	0.48	0.34
± Other income (net)	0.11	0.07	0.01	0.08	0.03	0.02
=Profit before tax	1.96	2.11	2.19	1.98	1.95	2.08
- Corporate income tax provision	0.65	0.70	0.73	0.93	0.62	0.65
=Consolidated profit for the year	1.31	1.41	1.46	1.05	1.33	1.43
- Income attributed to minority interests	0.08	0.09	0.08	0.06	0.08	0.08
=Profit attributed to the Group	1.23	1.32	1.38	0.99	1.25	1.35
Net return on average risk-weighted assets (RORWA) (%)	1.44	1.56	1.62	1.22	1.55	1.67
Net return on average equity (ROE) (%)	20.45	23.03	24.36	18.35	21.85	24.71
Leverage	15.58	16.34	16.70	17.42	16.39	17.26
Operating efficiency (%)	32.24	31.65	30.52	30.62	29.90	29.54
<i>€ million:</i>						
Average total assets	79,132	82,987	84,202	88,106	91,732	96,250
Risk-weighted average total assets (RWA)	72,208	75,072	75,778	76,287	79,056	82,343
Average total equity	4,764	4,764	4,760	4,760	5,267	5,266

Yields and Costs

(Amounts in € thousand and rates annualized)

	6.30.07				6.30.06			
	Average balance	Distribution (%)	Revenue or expense	Average rate (%)	Average balance	Distribution (%)	Revenue or expense	Average rate (%)
Financial system	7.836.479	8,34	144.034	3,68	7,019,890	8.66	88,688	2.53
Lending to customers (a)	78.841.462	83,88	2.204.444	5,59	68,045,926	83.95	1,627,215	4.78
Securities portfolio	1.555.738	1,66	57.791	7,43	604,051	0.75	22,906	7.58
Other earning assets	349.321	0,37	6.288	3,60	347,815	0.43	4,445	2.56
<i>Total earning assets(b)</i>	<i>88.583.000</i>	<i>94,25</i>	<i>2.412.557</i>	<i>5,45</i>	<i>76,017,682</i>	<i>93.79</i>	<i>1,743,254</i>	<i>4.59</i>
Other assets	5.407.709	5,75	-	-	5,041,576	6.21	-	-
Total assets (c)	93.990.709	100,00	2.412.557	5,13	81,059,258	100.00	1,743,254	4.30
Financial system	9.216.286	9,81	159.970	3,47	12,584,310	15.52	153,548	2.44
Customer funds (d)	35.346.365	37,61	346.028	1,96	34,157,774	42.14	242,435	1.42
Demand accounts	13.070.513	13,91	62.470	0,96	12,511,062	15.43	39,837	0.64
Savings and time deposits	22.275.852	23,70	283.558	2,55	21,646,712	26.71	202,598	1.87
Marketable debt securities & other	39.061.542	41,56	762.623	3,90	25,321,313	31.24	330,460	2.61
Other interest-bearing liabilities	335.696	0,36	6.847	4,08	362,079	0.45	4,255	2.35
<i>Total interest-bearing liabilities (e)</i>	<i>83.959.889</i>	<i>89,34</i>	<i>1.275.468</i>	<i>3,04</i>	<i>72,425,476</i>	<i>89.35</i>	<i>730,698</i>	<i>2.02</i>
Other non-interest-bearing liabilities	4.764.365	5,06	-	-	3,870,238	4.77	-	-
Equity	5.266.455	5,60	-	-	4,763,544	5.88	-	-
Total liabilities and equity (f)	93.990.709	100,00	1.275.468	2,71	81,059,258	100.00	730,698	1.80
<i>Customer spread (a-d)</i>				3,63				3.36
<i>Spread (b-e)</i>				2,41				2.57
<i>Net interest margin (c-f)</i>				2,42				2.50

Quarterly Yields and Costs

(Data in % and rates annualized)

	2006						2007			
	2nd		3rd		4th		1st		2nd	
	Distri- bution	Rate	Distri- bution	Rate	Distri- bution	Rate	Distri- bution	Rate	Distri- bution	Rate
Financial system	9.09	2.57	8.46	3.24	9.34	3.31	8.07	3.70	8.60	3.65
Loans and discounts (a)	83.68	4.85	84.65	4.99	83.75	5.24	84.23	5.46	83.55	5.72
Securities portfolio	0.69	9.24	0.99	9.09	1.00	3.63	1.42	7.65	1.88	7.27
Other earning assets	0.42	2.81	0.43	2.34	0.39	1.94	0.39	2.69	0.36	4.54
<i>Total earning assets(b)</i>	<i>93.88</i>	<i>4.65</i>	<i>94.53</i>	<i>4.87</i>	<i>94.48</i>	<i>5.02</i>	<i>94.11</i>	<i>5.33</i>	<i>94.39</i>	<i>5.56</i>
Other assets	6.12	-	5.47	-	5.52	-	5.89	-	5.61	-
Total assets (c)	100.00	4.37	100.00	4.60	100.00	4.74	100.00	5.02	100.00	5.25
Financial system	15.59	2.57	12.66	2.93	11.28	3.02	9.71	3.48	9.90	3.46
Customer funds (d)	41.28	1.47	40.38	1.57	39.20	1.71	38.64	1.89	36.62	2.02
Demand accounts	15.26	0.66	15.69	0.81	14.78	0.60	14.52	0.98	13.32	0.94
Savings and time deposits	26.02	1.94	24.69	2.06	24.43	2.37	24.12	2.45	23.30	2.64
Marketable debt securities & other	32.09	2.75	35.50	3.01	38.44	3.50	40.61	3.76	42.46	4.04
Other interest-bearing liabilities	0.43	2.54	0.42	1.98	0.39	1.35	0.37	2.45	0.34	5.75
<i>Total interest-bearing liabilities (e)</i>	<i>89.39</i>	<i>2.13</i>	<i>88.96</i>	<i>2.34</i>	<i>89.31</i>	<i>2.64</i>	<i>89.33</i>	<i>2.92</i>	<i>89.32</i>	<i>3.15</i>
Other non-interest-bearing liabilities	4.87	-	5.39	-	5.29	-	4.93	-	5.21	-
Equity	5.74	-	5.65	-	5.40	-	5.74	-	5.47	-
Total liabilities and equity (f)	100.00	1.90	100.00	2.08	100.00	2.36	100.00	2.61	100.00	2.82
<i>Customer spread (a-d)</i>		<i>3.38</i>		<i>3.42</i>		<i>3.53</i>		<i>3.57</i>		<i>3.70</i>
<i>Spread (b-e)</i>		<i>2.52</i>		<i>2.53</i>		<i>2.38</i>		<i>2.41</i>		<i>2.41</i>
<i>Net interest margin (c-f)</i>		<i>2.47</i>		<i>2.52</i>		<i>2.38</i>		<i>2.41</i>		<i>2.43</i>

Net Fee Revenues

(Amounts in € thousand)

	6.30.07	6.30.06	% variation	xxxx (%) 2007	2006
Asset transaction service fees:	52,040	48,778	6.7	11.7	11.7
Bill discounting	23,702	22,379	5.9	5.3	5.3
Other	28,338	26,399	7.3	6.4	6.3
Provision of guarantees and other sureties	62,222	55,660	11.8	14.0	13.3
Operating services:	328,838	314,061	4.7	74.2	75.0
Collection and payment handling	110,189	118,688	(7.2)	24.9	28.4
Securities and foreign currency purchases and sales	13,624	10,497	29.8	3.1	2.5
Customer financial asset management:	124,086	114,068	8.8	28.0	27.3
Securities portfolio	15,920	14,382	10.7	3.6	3.4
Mutual funds	80,927	75,455	7.3	18.3	18.0
Pension plans	27,239	24,231	12.4	6.1	5.8
Administration of demand deposits	50,029	48,366	3.4	11.3	11.6
Other	30,910	22,442	37.73	7.0	5.4
Total	443,100	418,499	5.9	100.0	100.0

Personnel and general expenses

(Amounts in € thousand)

	6.30.07	6.30.06	% variation	xxxxx (%) 2007	2006
Personnel expenses:	365,977	342,468	6.9	100.0	100.0
Wages and salaries	276,341	258,420	6.9	75.5	75.5
Social security charges	67,092	63,874	5.0	18.3	18.6
Other personnel expenses	10,326	8,501	21.5	2.8	2.5
Pensions	12,218	11,673	4.7	3.4	3.4
General expenses:	167,881	165,853	1.2	100.0	100.0
Rents and common services	27,027	25,459	6.2	16.1	15.4
Communications	12,854	15,979	(19.6)	7.7	9.6
Maintenance of premises and equipment	11,765	11,852	(0.7)	7.0	7.1
IT and other technical expenses	36,566	33,303	9.8	21.8	20.1
Stationery and office supplies	4,136	3,461	19.5	2.5	2.1
Technical reports and legal expenses	7,587	5,182	46.4	4.5	3.1
Advertising and publicity	16,121	22,381	(28.0)	9.6	13.5
Insurance	2,328	2,611	(10.8)	1.4	1.6
Security and fund transport services	9,359	9,362	-	5.6	5.6
Travel	6,297	6,073	3.7	3.7	3.7
Property taxes, VAT and other.	24,040	21,500	11.8	14.3	13.0
Other general expenses	9,801	8,690	12.8	5.8	5.2

Information by segment

As stated in the 2006 Annual Report, 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:

	6.30.07		6.30.06		% variation	
	España	Portugal	España	Portugal	España	Portugal
Net interest income	1,057,461	79,628	933,293	79,263	13.3	0.5
Gross income	1,577,730	105,737	1,387,265	100,065	13.7	5.7
Net operating income	1,070,178	56,986	898,798	54,416	19.1	4.7
Profit before tax	905,501	42,366	789,896	35,470	14.6	19.4
Consolidated profit	617,861	32,437	525,219	26,892	17.6	20.6
Profit attributed to the Group	581,073	31,847	491,432	26,440	18.2	20.5
<hr/>						
Total assets	90,384,003	7,602,896	76,830,174	6,697,833	17.6	13.5
Total liabilities and equity	94,218,433	3,768,466	79,975,832	3,552,175	17.8	6.1
Intra-group financing	3,834,430	(3,834,430)	3,145,658	(3,145,658)	21.9	21.9
Number of employees	13,137	1,276	12,860	1,196	2.2	6.7
Number of branch offices	2,269	206	2,231	178	1.7	15.7

The breakdown by business activity segment is as follows:

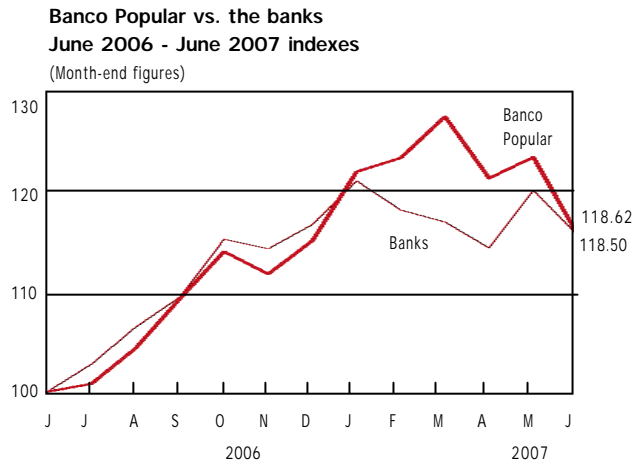
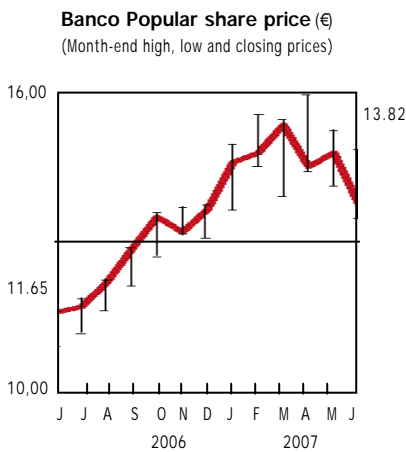
	Consolidated profit			Total assets		
	6.30.07	6.30.06	% variation	6.30.07	6.30.06	% variation
Asset management	28,909	27,556	4.9	1,119,200	978,516	14.4
Insurance activity	17,114	10,062	70.1	1,055,846	720,149	46.6
Commercial banking	546,491	466,746	17.1	83,814,474	71,803,471	16.7
Corporate and markets	57,784	47,747	21.0	11,997,379	10,025,871	19.7
Total	650,298	552,111	17.8	97,986,899	83,528,007	17.3

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		
2006 1st	1,215,433	550,495	45.29	13.25	9.99	12.16	0.0904	18.9
2nd	1,215,433	446,645	36.75	12.50	10.91	11.65	0.0909	(3.4)
3rd	1,215,433	396,338	32.61	13.00	11.17	12.93	0.0919	11.8
4th	1,215,433	527,940	43.44	13.83	12.73	13.73	0.1026	7.0
Year total	1,215,433	1,921,418	158.09	13.83	9.99	13.73	0.3758	36.9
2007 1st	1,215,433	577,638	47.53	15.65	13.73	15.44	0.1033	13.2
2nd	1,215,433	511,582	42.09	16.07	13.55	13.82	0.1044	(9.8)

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



Market ratios	6.30.07	6.30.06
Price / Book value	2.86	2.68
Price / Earnings (PE ratio)	13.7	13.7
Dividend return*	3.02	3.12

* Calculated with the dividend paid in the second 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)
2006								
First quarter	60	150	-	71	1,215,433	550,495	-	0.01
Second quarter	301	740	64	647	1,215,433	446,645	0.02	0.07
Third quarter	375	647	202	271	1,215,433	396,338	0.03	0.09
Fourth quarter	143	275	112	116	1,215,433	527,940	0.01	0.03
2007								
First quarter	201	1,946	64	167	1,215,433	577,638	0.02	0.03
Second quarter	191	217	155	214	1,215,433	511,582	0.02	0.04

* 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.

Basis of presentation

The accompanying interim 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.

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 2006 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 for sale. This heading is used to record foreclosed assets.

F) Capital having the nature of a financial liability. Issues of preferred shares launched by the Banco Popular Group qualify as liabilities and the remuneration on them therefore forms part of the financial cost.

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